

J. Front Retailing
Summary of Q&A Session at
Results Presentation for the Interim Period of the Fiscal Year Ending February 28, 2026
Date and Time: 17:00-18:00 on Tuesday, October 14, 2025

<Summary of Q&A Session>

Q. The downward revision to your full-year plan this time resulted in a larger-than-expected reduction in business profit: a shortfall of 1.8 billion yen in H1, a downward revision of 3.6 billion yen in H2, and a full-year downward revision of 5.5 billion yen. I would like to ask about the factors by business segment contributing to this downward revision in H2. The projected increase/decrease amounts by business segment compared to April forecast on slide 15 do not add up to 3.6 billion yen. Please explain the background for this discrepancy.

A. First, the major factor is that the Department Store is indeed facing somewhat challenging conditions in H2, including sales to inbound tourists. While H1 results benefited significantly from the positive impact of the Daimaru Umeda store and the Osaka Kansai Expo, the Expo ended yesterday. Furthermore, the previously strong Umeda store is undergoing partial renovations, leading to a considerable backlash effect for the Department Store.

Another major negative factor is the Payment and Finance. The GINZA SIX Card was newly issued last year, and the PARCO Card and Hakata Daimaru Card this fiscal year, so the costs of developing these cards have temporarily increased. This fiscal year, we are proceeding with the policy of steadily increasing the number of our card members and translating this into revenue from next fiscal year onwards.

As you pointed out, adding all of these together does not amount to the revised business profit for H2 of 3.6 billion yen, but the consolidated adjustments have increased by 2.5 billion yen compared to the figure announced in April. One of the main points is that the holding company's non-consolidated administrative expenses are increasing as it prepares for future growth. Second, upfront costs for future investment projects are factored into H2, and if the investment does not materialize, these adjustments will decrease.

Q. These consolidated adjustments are largely a matter of upfront investment, so should they be considered temporary?

A. You can consider it largely temporary. While some of non-consolidated administrative expenses are ongoing, we will proceed with management while keeping in mind the need for adjustments in the next fiscal year and beyond.

Q. Sales at the Expo official store significantly exceeded projections, driven by strong demand for high-margin items like collaboration products and limited editions, including last-minute purchases in September and October. Rather, the overall H1 benefited substantially from the Expo effect, so is H2 expected to see some reactionary decline?

A. Regarding the figures for the Osaka Kansai Expo official store, I cannot provide specific numbers, but sales have been exceptionally strong since the start of September, and we factored this into our earnings forecast for H2. However, as has been reported in the media, recent sales figures over the past few days have been quite large, so please be aware that actual results may be slightly higher than expected.

Q. The Department Store's SGA expenses are expected to increase slightly above plan due to factoring in higher commissions and commissioning fees. Should we assume there is little room for further self-imposed efforts to curb these expenses in H2?

Mr. Munemori explained earlier that rather than cutting expenses, the focus is on increasing efficiency to improve productivity, but I would like to know if there is any room for further reductions relative to the plan in the short term.

A. Regarding SGA expenses, naturally, we have focused more on cost-cutting measures in H2 than in H1. Regarding short-term cost reductions, we intend to tackle them thoroughly, as they naturally involve amounts exceeding hundreds of millions of yen. On the other hand, with regard to structural increases such as an increase in commission rates, we believe that careful work will be required in the medium to long term to improve the value of the store space, including for suppliers, and to increase the value of the space together with suppliers, and we have already begun working on this.

In addition to short-term measures, we will also continue to implement cost reduction initiatives, including digital transformation, in the medium to long term. We would like to explore how to improve efficiency with our current staff.

Q. I would like to confirm the Group's overall approach to expenses for this fiscal year. Regarding the increase in SGA expenses for Daimaru Matsuzakaya Department Stores mentioned in the explanation just now, or the increase in adjustments mentioned earlier, were these decisions made with the judgment that funds should be allocated where necessary with an eye toward the future? At the beginning of the fiscal year, you mentioned focusing on short-term profits while also looking beyond that, so I would like to hear your thoughts on this, including Mr. Ono's own views on the matter.

A. Naturally, as a business, I believe it is essential to strike a balance between making upfront investments for medium- to long-term growth and achieving near-term performance targets.

Regarding the consolidated adjustments I mentioned earlier, there are some projects that have a high probability of future growth if we proceed now, and I would like you to understand that the expenses that will be incurred in relation to these have been factored in. Although it may be like pressing both the accelerator and the brake, I believe that it is necessary to take a step further to reduce costs that need to be reduced, and that this is possible. I will work closely with the presidents of each company to strengthen management and address this issue thoroughly during the current fiscal year.

Q. In your explanation of Daimaru Matsuzakaya Department Stores' SGA expenses, which were also shown in the graph on the slide, are increases in outsourcing and commissioning fees and commissions an unavoidable cost increase to some extent, given that in a structure that promotes reforms and challenges, for example, the results related to the Osaka Kansai Expo were better than expected?

A. As you said, with regards to the Osaka Kansai Expo, we had calculated profit margins on the assumption that if sales were strong, then the total costs, including commissions, would increase.

On the other hand, I certainly do not believe that the recent increases in the prices of various goods should simply be accepted as they are. I recognize that there are areas where we can reduce costs through our own efforts, as mentioned earlier, or through discussions with suppliers.

Q. For the next fiscal year and the one after that, I believe you explained both the point that you can achieve solid results in the next fiscal year and the point that you need to work with a slightly longer-term perspective.

At the beginning of the fiscal year, the consolidated business profit target for the next fiscal year, the final year of the medium-term plan, was 56.0 billion yen. However, with this fiscal year's downward revision lowering the starting point and increasing the difficulty, how should I think about the next fiscal year and beyond?

A. Although we have not specifically mentioned it this time, we intend to continue working toward achieving the business profit target of 56.0 billion yen for the next fiscal year.

Factors contributing to increased profits include progress in preparing for real estate sales, the opening effect of HAERA (the commercial facility in The Landmark Nagoya Sakae) mentioned earlier, maximizing the effects of prior-year investments centered on Matsuzakaya Nagoya and Shibuya PARCO, the rebound effect from JFR Card's temporary expenses, and monetizing new members acquired this fiscal year. In addition to these assumptions, we have already begun considering at a very early stage what additional measures to implement within fiscal 2026. We intend to continue in this direction as planned.

However, there is a great deal of uncertainty about exchange rate trends, which affect sales to inbound tourists, and at this stage it is difficult to avoid being affected by them. We had set a target of 130.0 billion yen in duty-free sales of the Department Store for fiscal 2026, but I believe that we will need to carefully assess how this will turn out throughout H2.

Q. In the Developer Business, profits in H1 were significantly higher than expected, while their forecasts for H2 remain unchanged. I believe that both J. Front City Development and J. Front Design & Construction performed well compared to their H1 plans, but how do you see this trend continuing? Your H2 forecasts appear cautious, so I would like you to explain that point.

A. In the Developer segment, J. Front City Development's performance fluctuates depending on the buying and selling of properties, but as you pointed out, J. Front Design & Construction and PSS have received orders for construction work and are currently working on projects for H2, so I believe that they will continue to reap steady profits in H2.

In that sense, I expect things to proceed according to plan. This means maintaining the strong performance seen in H1 while ensuring we will deliver solid results in H2 without missing any opportunities.

A. To elaborate a bit further, regarding the Developer Business, while sales from department store renovation projects are indeed significant, the reality is that our primary clients are not the department stores themselves, but rather the tenant businesses operating within them.

Currently, at J. Front Design & Construction, external sales account for over 80% of its revenue. We consider this a crucial business for us, as it allows us to enhance external revenue while achieving clear synergies within the Group.

Q. At J. Front Design & Construction, 80% of clients are from outside the Group, but considering that this is linked to internal construction work, there will be no major renovations in H2, so profits will be lower compared to H1. However, with projects like the Shinsaibashi PARCO renovation scheduled for the next fiscal year, is it correct to say that we can view this period positively?

A. J. Front Design & Construction and Parco Space Systems also handle interior construction for luxury hotels and high-street luxury brand shops, managing the schedules for these projects and properties using backlog tables. Compared to H1, H2 has fewer projects, leading to the current outlook. However, the reality is that we are seeing projects and properties of significant scale for fiscal 2026 and beyond.

Q. The loss on disposal of non-current assets between business profit and operating profit is expected to increase. What exactly is this?

A. We are expecting a loss on retirement of non-current assets related to the renovation of the Umeda store as a new loss on disposal of non-current assets. As construction costs have risen as we move forward with the plan, we are expecting an additional 1.5 billion yen, which is a factor contributing to the increase in other operating expenses.

Q. When will the loss on retirement related to the Umeda store peak?

A. The loss on retirement is expected to peak in fiscal 2025. While an additional 1.5 billion yen was projected for the current fiscal year, we expect a small amount to occur from fiscal 2026 onwards.
(*Partially revised)

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