

J. Front Retailing Co., Ltd.
Summary of Q&A session at the 18th Annual Shareholders Meeting

Date and time: 10:00-11:45 on Thursday, May 29, 2025

Venue: Shibusawa Hall, the Tokyo Chamber of Commerce and Industry

(Consumption)

Q. Prices have been rising sharply recently. I would like to know your outlook for whether this rise will continue. And how can you make efforts to boost consumption when purchasing power declines?

A. (Ono, President)

Since last year, people have been saying that prices are high. When checking the average spending per customer in the fresh food sections of department stores, no significant changes were observed. Since department stores mainly deal in luxury goods, they are expected to be less affected by price hikes in the short term. At the same time, we need to identify the causes of rising prices, and from the perspective that a balance between rising prices and rising wages will lead to consumer behavior, we will continue to closely monitor future developments and take the necessary measures.

In the process of recovering from the COVID-19 pandemic, inbound and gaisho sales have been the two major growth engines, but as middle-class consumption also accounts for a large share at the Department Store and Parco, we would like to take the necessary measures while assessing future changes in the external environment.

(Strategies)

Q. I would like to ask you about the updated Medium-term Business Plan. In increasing business profit, which business segments do you intend to focus on to increase profit?

A. (Ono)

As explained today, we achieved the business profit target of 52.0 billion yen set for the final fiscal year of the Medium-term Business Plan (fiscal 2026) in fiscal 2024, which is the first year. Therefore, we have set a new target of 56.0 billion yen in business profit. During the recovery from the COVID-19 pandemic, we reaffirmed the strength of our retail business, which is our core competitive advantage. As a result, both the Department Store and SC Businesses have generated higher profits than initially planned.

On the other hand, due to the impact of the large-scale renovation of the Daimaru Umeda store at Daimaru Matsuzakaya Department Stores, the profit plan does not indicate a linear increase from fiscal 2024 to fiscal 2026. However, we aim to achieve profit growth in both the retail Department Store and SC Businesses, while hedging against a temporary decline in the Department Store profits through the Developer Business and the Payment and Finance Business, aiming to achieve a business profit of 56.0 billion yen by fiscal 2026.

Q. You are advancing development plans primarily in the Sakae area of Nagoya, and due in part to the Linear Shinkansen project, development around Nagoya Station is also underway. Do you have any plans to open a store in this station-front area?

A. (Ono)

Next year, a new commercial complex called “The Landmark Nagoya Sakae” will open in the Sakae area. This will bring the total number of the Group’s commercial facilities in the Sakae area of Nagoya to 10. We operate three Matsuzakaya stores, four PARCO stores including a small one, and other commercial facilities. Our biggest mission is to demonstrate our presence in the Sakae

area and produce results. The area in front of the station is certainly an attractive location, but we believe that investing in both the Sakae area and the station area may result in diluted effects.

At this stage, our basic stance is to concentrate development in the Sakae area. However, as you mentioned, we are concerned about how things may develop in the future—such as with the anticipated opening of the Linear Shinkansen—so we will keep our information networks active while working on development plans for each area.

Q. I often shop at the Matsuzakaya Ueno store, and while I think the neighboring PARCO_ya is beautiful, I think the Matsuzakaya store is getting quite old. I would like to know if you have any plans for future redevelopment of the Matsuzakaya Ueno store.

A. (Hirai, President of J. Front City Development)

As part of our development strategies, we have designated seven cities where the Group's core stores are located as key strategic areas and are proceeding with development. Current development projects include The Landmark Nagoya Sakae in Nagoya's Sakae area and the Shinsaibashi Project in the Shinsaibashi area, and most recently, we have participated in the redevelopment project of the Shinsaibashi Building. We are considering redevelopment in stages, taking into account the condition of the building and the market situation. As the Matsuzakaya Ueno store is operating as a department store, we will engage in thorough discussions with Daimaru Matsuzakaya Department Stores and proceed with careful consideration.

A. (Ono)

It is true that we are lagging behind our competitors in the Tokyo metropolitan area in terms of our department store base, so the Ueno area and the Ueno store are extremely important to us. Currently, various development plans are underway in various areas, including the Kansai region, and we believe it is our management responsibility to manage the situation in a way that balances preparations for medium- to long-term growth with current business performance. With this in mind, we will continue to consider what the Matsuzakaya Ueno store should be like and how it can be utilized.

Q. I would like to ask about your overseas strategies. In the past, you had stores in Hong Kong, Singapore, and other countries, but I understand you have now withdrawn from those markets. Inbound tourism is booming, but it is affected by exchange rates. As the domestic market shrinks, it is only natural that companies will expand into overseas markets where the population will continue to grow. Your competitors are opening stores overseas. Are you considering opening stores overseas again or acquiring an overseas department store?

A. (Morita, Executive Officer)

As you pointed out, neither the Department Store nor Parco currently have significant overseas locations. Regarding overseas strategies, we plan to first proceed with the identification of inbound tourists visiting our stores, and then aim to expand and stabilize the base of these customers as well as domestic customers. At the same time, we are also working to build a foundation for new outbound businesses in the future. Specifically, we will conduct trials in Asia centered on developing and owning our own content. With an eye on expanding overseas with Japan-quality experience values, products, and services, we would like to continue considering overseas strategies to scale up our business in the future.

A. (Ono)

As the Japanese market continues to shrink in the long term, we would like to establish a foothold for our business overseas.

Q. I often go to the Nintendo store at Shibuya PARCO, and whenever I go, the floor is always crowded with customers, so I think it is quite successful. Meanwhile, Nintendo stores are

also located in other facilities and department stores. When introducing IP content, how will you market it to attract it to the Group's stores? Also, Shibuya PARCO is very crowded on the floor where Nintendo is located, but not so much on other floors. I believe strategies to attract customers to other floors would be necessary. I would like to hear your perspective on this.

A. (Kawase, President of Parco)

Parco is in the tenant business, and we have daily discussions with tenants about whether they would like to open stores in PARCO or in other commercial facilities in each region. Each tenant has its own storefront strategies and has its own ideas about the size, distance, and target customer demographics it seeks. We engage in discussions with these tenants, working to persuade them to lease spaces in the Group's facilities as attractive tenants.

Last fall, we opened a Pokémon Center at Nagoya PARCO, and this spring we welcomed a charming Kiddy Land store to our premises. Similarly, at Sendai PARCO, we have successfully attracted various attractive tenants this spring. We will continue to strive to introduce popular IP content in each region.

Currently, half of Shibuya PARCO's sales are from tourists from overseas. It is true that the 6th floor, which is packed with Japanese character content, is very lively. However, tenants on other floors also appreciate the ability of Shibuya PARCO to attract customers. Shibuya PARCO is characterized by not only its concentration of character shops, but also by its fashion and Japanese creator shops that share the same sensibility, as well as eight galleries. In customer surveys, we received comments such as "The entire Shibuya PARCO is like a select shop, so it is fun to be able to experience various cultures." As you pointed out, further promoting shopping at multiple locations will contribute to improving our performance, and we will continue working to ensure all PARCO and J. Front Retailing's commercial facilities nationwide thrive.

A. (Ono)

I think your first question is a typical example of the "synergy" that we have set out in the Group strategy. Following the COVID-19 pandemic, communication at the management level has improved significantly, allowing the Department Store and Parco's merchandise selection and tenant recruitment teams to have face-to-face discussions and share their respective strengths across the Group. The Pokémon Center at Nagoya PARCO mentioned earlier was originally located at Matsuzakaya, but it was relocated to PARCO in order to create a greater impact. We would like to continue implementing similar successful transformations.

(Finance)

Q. Recently, Takashimaya split its stocks free of charge. Do you have any plans to split your stocks free of charge? If not, please tell me the reason.

A. (Nagamine, Executive Officer)

We believe that we should continue to consider ways to reduce the investment unit in the future. However, in the current circumstances, we will first focus on steadily implementing our current and medium- to long-term growth strategies, returning the results to shareholders, and reflecting this in our stock price, thereby improving our total return. We would like to continue discussions on ways to reduce the investment unit.

(Diversity)

Q. You say you are aiming for a 31% ratio of female managers, but what was the ratio before? If possible, I would like to see the speed increased further to reach 40% or higher.

A. (Imazu, Executive Officer)

The Group employs numerous highly capable staff members who approach their work seriously. We recognize that our employees are our greatest "capital" and that we must work to enhance

them. In this context, we particularly identify “promoting the empowerment of female employees,” as you pointed out, as a critical area of focus.

The Group has traditionally provided an environment in which women can continue to work, such as by establishing a childcare support system that exceeds legal requirements, due in part to the fact that the majority of its employees are women. The female manager ratio has risen from approximately 15% in fiscal 2018 to approximately 26% by the end of fiscal 2024. We have set targets of increasing this ratio to 31% by fiscal 2026 and 40% by fiscal 2030 and is working toward these goals.

In order to develop female leaders, we are, for example, providing a training program called “Career Forum for Women” and will strengthen our efforts from this fiscal year by introducing a mentoring system and strengthening the network among women. The goal is not simply to increase the number of female managers, but to create a workplace where women can work with vigor and create an environment where they can develop their careers with job satisfaction.

A. (Ono)

While some recent movements appear to contradict ESG principles, we have no intention of diminishing our ESG initiatives. We are promoting diversity not as an end in itself, but as an initiative necessary for our growth and to enhance our corporate value. While we have been making progress on initiatives and creating an environment to increase female manager ratio, we will further accelerate our efforts.

(Governance/compliance)

Q. I would like to ask you about governance. You are a Company with Three Committees (Nomination, Audit, and Remuneration Committees) under the Companies Act, and I recognize this institutional structure as one where the role of Outside Directors is strong and effective in ensuring proper governance. In addition, the majority of Directors are Outside Directors, and the Chairperson is also an Outside Director, making for a more effective governance structure. While it is a cutting-edge form, I wonder if the President’s source of power is being taken away, but are there governance benefits that outweigh these concerns? I would like to hear the President’s thoughts on this.

A. (Inagami, Executive Officer)

I believe governance structures vary significantly from company to company. The reason why we have adopted the structure of a Company with Three Committees (Nomination, Audit, and Remuneration Committees) is based on our commitment to pursuing more objective and highly transparent management practices. Governance initiatives have been implemented in stages since fiscal 2017 and continue to the present day. With regard to your concern that governance may be too effective, I believe that we are well governed from both offensive and defensive perspectives from a medium- to long-term perspective by incorporating a variety of perspectives and opinions based on the diverse knowledge of Outside Directors and their broad industry and management experience. At the same time, I believe that there is no end to governance reform, and we will continue our efforts to improve the effectiveness of the Board of Directors, which is the cornerstone of governance, in order to sustainably increase corporate value.

A. (Ono)

It has been more than a year since the new structure was put in place last March, and during this time I have never felt constrained by the fact that the Chairperson of Board of Directors is an Outside Director. In the past, the Chairperson of Board of Directors and the President, both of whom are from within the Company, operated the Board based on a certain degree of tacit understanding, but now that the Chairperson is an Outside Director, Ms. Koide and I are in close communication, we are discussing what kind of discussions should be held at the Board meetings. For my part, I would rather see the priority given to strengthening executive directors so that they can make drastic proposals that would embarrass the Board of Directors. The Company as a whole

will pursue governance that enables growth in a way that the supervisory and executive sides mesh properly.

Q. This is a question I asked last year as well, and yet sales staff at cosmetics counters still lack knowledge of the guidelines established by the government regarding the efficacy and effects of cosmetic products. They are providing customers with incorrect information. Last year, you responded that you would provide more thorough training, but the results have not improved. It seems that the training is not working.

A. (Munemori, President of Daimaru Matsuzakaya Department Stores)

We naturally recognize that it is very important to correctly inform customers of the efficacy and effectiveness of cosmetics. We conduct e-learning programs for thousands of sales staff to help them acquire and retain knowledge about relevant laws and regulations. In addition, we also provide video-based training sessions to sales staff from our cosmetics suppliers and are working to create opportunities for sales staff to acquire knowledge on our intranet. Furthermore, a system has been introduced to check the wording used in cosmetic advertisements, and third-party organizations conduct on-site inspections of labeling.

While I recognize there are indeed insufficient aspects as you pointed out, I believe the most important thing is to persist in this training system and structure. We are committed to thoroughly completing this training.

A. (Ono)

As I stated last year, I believe compliance is one of our most important management tasks. At the same time, I recognize that it will be a long and difficult journey to achieve this goal. We would like to steadily raise our compliance level from last year to this year, and from this year to the next. We will continue working to enhance our compliance levels through both company-wide and individual awareness.

(Shareholder benefits)

Q. The shareholder discount cards' requirement that names be written on them makes them somewhat inconvenient. It would be preferable if names were replaced with numbers, or the system were made optional for name entry. Not all department stores follow this policy.

A. (Umebayashi, Executive Officer)

Our shareholder discount cards have names on them, allowing family members to use them as well. We appreciate your valuable feedback and will consider this as an issue for discussion in future fiscal years.

Q. I had a gaisho card, but I became a shareholder for the first time because I could get discounts on food and restaurants when I became a shareholder. I would like you to consider offering benefits like discounts at PARCO and parking services.

A. (Umebayashi)

With regard to expanding our services, we have listened to the opinions of many shareholders and have implemented them one by one. We appreciate your valuable feedback. As explained earlier, beginning this fiscal year, if you present your Daimaru Matsuzakaya Department Stores shareholder discount card at PARCO, you can receive services at designated shops, so I would like you to use this first. The shareholder benefits offered at adjacent stores are being considered as part of the overall Group customer strategy, including future area strategies. We will continue to work to improve the content of the program to meet the expectations of our shareholders.

Q. When using shareholder benefits for purchases, only cash is accepted. While I understand there are system and fee-related issues, given the increasing shift toward a

cashless society, cannot negotiations be made with card companies to reduce these fees?

A. (Umebayashi)

Currently, shareholders' benefits can only be redeemed with cash or our own credit card. The reason behind this policy is that using other credit cards, in addition to the benefits themselves, would incur fees that could negatively impact earnings. While we have created an environment for cashless payment, I recognize that there will be a phase of negotiations with payment companies in the future. In light of this, we would like to consider sales policies and the design of shareholder benefit services.

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