

**J. Front Retailing Co., Ltd.**  
**Summary of Q&A session at the 17th Annual Shareholders Meeting**

**Date and time: 10:00-11:40 on Thursday, May 23, 2024**

**Venue: Otemachi Mitsui Hall**

**Q. My question is about human rights. How about conducting awareness-raising activities on the abduction issue? Last year, an exhibition on the abduction issue was held at a department store in Ginza and was quite successful in attracting visitors. I believe that such an initiative would enhance the corporate image and have a positive effect on publicity.**

**A. (Ochiai, Executive Officer)**

Based on the recognition that respect for human rights is the foundation of all business activities, we believe that companies are required to take appropriate actions, including understanding of various human rights issues related to all business activities, and we are promoting human rights initiatives.

As a specific initiative, in accordance with the Guiding Principles on Business and Human Rights set forth by the United Nations, we have established a human rights policy in 2019 and conduct human rights due diligence. We provide e-learning and other training for our employees, as well as regular assessments for our suppliers.

Your questions and suggestion will be taken as valuable input.

**A. (Ono, President)**

We advocate sustainability management and aim to realize both social and economic value through our business. I believe that your proposal is an example of exactly such a case in that efforts to solve social problems will lead to attracting customers to our stores. We will strive to promote sustainable management while taking into account your opinion.

**Q. I would like to ask about the adoption of the accounting standards for revenue recognition. I understand that only the commission portion of so-called *shoka shiire* (purchase recorded at the time of sale) is now recognized as revenue, unlike the previous gross sales. Why are both gross sales and revenue listed on page 49 of the Notice of Convocation? Does IFRS (International Financial Reporting Standards) allow this kind of disclosure?**

**A. (Wakabayashi, Director)**

Recognition of gross sales and revenue is as you are aware. The Company's level of gross sales, which fall under the conventional Japanese GAAP, is over 1 trillion yen, but in terms of revenue, the Company's level is approximately 400.0 billion yen. Regarding your question about whether gross sales are allowed under IFRS, the notation of gross sales is the one that we have adopted independently. Although there are other corporate groups centering on the department store business, all of them except us still adopt Japanese GAAP, and only we have adopted international accounting standards. Therefore, a simple side-by-side comparison may raise concerns such as, "While its peers are generating sales on the order of 1 trillion yen, the Company is generating less than half that amount." Therefore, although revenue should be recognized under the accounting standards, we also disclose gross sales, which correspond to conventional sales, as supplementary information at our own discretion.

**Q. In your explanation, you mentioned that your target is "premium and aspirational consumer group." Is it correct to assume that this customer group is concentrated in the important cities where you have stores? Also, I would like to know where the President is from.**

**A. (Ochiai)**

In conclusion, we recognize that the "premium and aspirational consumer group" definitely exists in the major cities where we have our business base. We refer to "all consumers who prefer high quality and uplifting

consumption and experience that fulfill their own preferences and values” as the “premium and aspirational consumer group.” For example, products that add excitement to daily life, such as luxury goods and contemporary art, as well as so-called “*oshikatsu* (the act of enthusiastically supporting favorite figures)” demand, live performances, theater, and consumption of intangible goods have been strong, and we believe this market will continue to grow in the future. We are actually seeing these changes in our stores, and think tank surveys are showing similar results.

A. (Ono)

I hope you can picture it as a multiplication of “high quality consumption” and “uplifting consumption.” The Group recognizes that there are certainly such customers in the vicinity of its stores, and that the market for high quality and uplifting consumption styles will also include inbound tourists as well as Japanese, and the Group will make firm efforts to address this issue.

I am from Kobe. I have loved the Daimaru Kobe store since I was a child, and I remember that when I was taken there once a month or so, I was happy to be able to experience the glamorous world, which was also the reason why I joined the company. We hope to make these stores more attractive under the policy of “co-prospering with communities” to firmly capture the “premium and aspirational consumer group.”

**Q. This is a similar question to last year, but cosmetics are not being sold in department stores in compliance with laws and regulations. Inappropriate expressions regarding the labeling of cosmetics have not been corrected. Why can't them be remedied? Can't something be done?**

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

It is very difficult for us to completely understand and manage all the people and things involved, including the sales staff from our suppliers and the leaflets and POP advertising created by our suppliers, but we recognize the importance of correctly communicating the safety and effectiveness of our products and services to our customers and consumers in the sales and advertising of cosmetics and other products. For this reason, we recognize the importance of correctly understanding and operating the Pharmaceutical and Medical Device Act and other rules.

During this period, we have taken the following measures to ensure proper labeling and thorough dissemination of information at stores. Specifically, (i) a new service was introduced last year to check advertising expressions and provide support to those involved in cosmetics advertising at each store; (ii) an environment was created on the company intranet for learning related knowledge; (iii) in-house qualification courses on cosmetics advertising expressions were conducted by instructors from specialized institutions; (iv) video training was provided to sales staff from cosmetics suppliers; (v) group training, e-learning, and other means were provided so that our staff can acquire and consolidate knowledge about various laws and regulations related to labeling, including the Pharmaceutical and Medical Device Act, the Act against Unjustifiable Premiums and Misleading Representations, and the Food Labeling Act; and (vi) “on-site inspections of labeling” was conducted by a third-party organization at each store.

We will continue to make daily efforts to ensure proper labeling and appropriate guidance. In cooperation with our suppliers, our departments in charge, each store, and each sales floor will work together to ensure that proper labeling is known to all.

A. (Ono)

While the answer to your question refers to initiatives in the cosmetics sections of our department stores, the Group as a whole recognizes compliance as one of the most important management issues and is promoting a variety of initiatives. Essentially, as you have pointed out, we recognize that management is a dual effort involving the improvement of employee awareness and knowledge and the establishment of a company-wide framework.

Specifically, we hold regular meetings of the Compliance Committee, which is chaired by the President and includes Executive Officers, presidents of operating companies, and corporate lawyer, appoint compliance managers at each operating company, and hold compliance training sessions at different levels, including management level. We recognize that there is no end in sight to ensure and upgrade compliance, and in light of

your feedback, we will promote compliance management by continuing to upgrade and ensure compliance in the future.

**Q. My question is about the stock prices. In the explanation of the Medium-term Business Plan, it is stated that these three years are a phase of change or a period of seed planting, and that ROE and ROIC are at the same level as the current situation. I have high expectations for FY2027 and beyond, but with that said, I would like to see the stock price increase over these three years as well. I understand that the market determines the stock price, but I would like to ask you what kind of discussions the Board of Directors is having.**

A. (Wakabayashi, Director)

As you are aware, stock prices fluctuate greatly depending on overall market movements such as economic conditions, exchange rates, and interest rates. Although a company cannot control these factors on its own, as a management team that operates with funds entrusted by shareholders and should raise corporate value, we recognize that the stock price is an extremely important indicator and that the entire Company should work together to determine how to raise its value.

As you explained, the Medium-term Business Plan for the period from 2024 to 2026 is a “phase of change,” and we recognize that the major theme is how we aim to grow with a view to 2030 and 2040, and the Board of Directors has spent a lot of time discussing this issue. As a result, all board members agreed that a period of preparation is necessary to ensure future-oriented growth, even if it means stooping down once.

With regard to the business outlook for FY2024, we announced a forecast for a decrease in operating profit, and our stock price has unfortunately fallen. We reaffirm that this is the sincere opinion of our shareholders and investors, and the entire Company will work together to achieve results that exceed the target figures set forth in the Medium-term Business Plan. In this context, we will make the investments that need to be made, and we will also spend significant funds on new initiatives, such as content ownership and development.

A. (Ono)

Although the current Medium-term Business Plan is positioned as a phase of change, we intend to enhance our reputation by first ensuring the achievement of each management indicator, providing appropriate shareholder returns, and promoting medium- to long-term initiatives that will raise expectations for the future of the Company. I hope you will look forward to our future.

**Q. The two-hour free parking for the Daimaru Tokyo store’s gaisho card was discontinued in April of this year, but I would like to see it reinstated as it is convenient for making small purchases.**

A. (Munemori)

The reality is that the situation regarding parking services differs from store to store. There are two main aspects: firstly, the situation of customer usage, and secondly, whether we own or are affiliated with an external parking facility. We will take your request as valuable feedback.

**Q. The issuance of Parco’s shopping discount cards has been terminated. Is JFR Card considering any services that add benefits at PARCO stores, for example? I would like to know the progress.**

A. (Matsuda, Executive Officer)

As mentioned in my answer to the preliminary questions, the current shareholder benefit program at Parco will be terminated at the end of May this year. The content of future shareholder benefits has not been decided at this time, but we will further discuss various options.

**Q. The Notice of Convocation states that JFR Card will increase the number of external merchants, but there does not seem to be a lot in the Kanto area. I would like to ask you specifically how you plan to increase the number of merchants.**

A. (Hashimoto, President of JFR Card)

Currently, we have acquired approximately 300 external merchants nationwide. We are acquiring merchants, particularly those related to food and beverage services and beauty services, with the aim of complementing the department stores' product lineup. The current membership base is mostly in Nagoya and Kansai, so there are currently many merchants in the Chubu and Kansai areas. On the other hand, JFR Card began issuing a new GINZA SIX Card in April of this year, and is using this as an opportunity to acquire merchants in the Ginza area. In the future, Parco will be included in the Group's card consolidation and the number of members in the Tokyo metropolitan area will increase, and we would like to further promote the acquisition of external merchants in the metropolitan area accordingly.

**Q. As a suggestion, how about incorporating something related to “Japanese culture,” such as *bunraku*, *kabuki*, and *rakugo*, in the expansion of content for the “premium and aspirational consumer group”? How about incorporating such things into your business? While inbound sales are certainly strong, I am afraid that shopping alone will not satisfy inbound tourists. I believe that being able to experience local culture at department stores and other locations will lead to an increase in store visits.**

**A. (Ono)**

One of the major points of the Medium-term Business Plan is that the Company will own content. We are considering products for the Department Store and IP (intellectual property) for Parco, and I believe that your proposal is highly compatible with the Group. Daimaru has a history of more than 300 years, Matsuzakaya has a history of more than 400 years, and Parco has its own unique features such as entertainment. In addition, we have a nationwide network of stores from Sapporo to Hakata. We intend to take advantage of these strengths and characteristics to take on the challenge of future business development, with a view to expanding our content under the theme of Japanese culture.

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