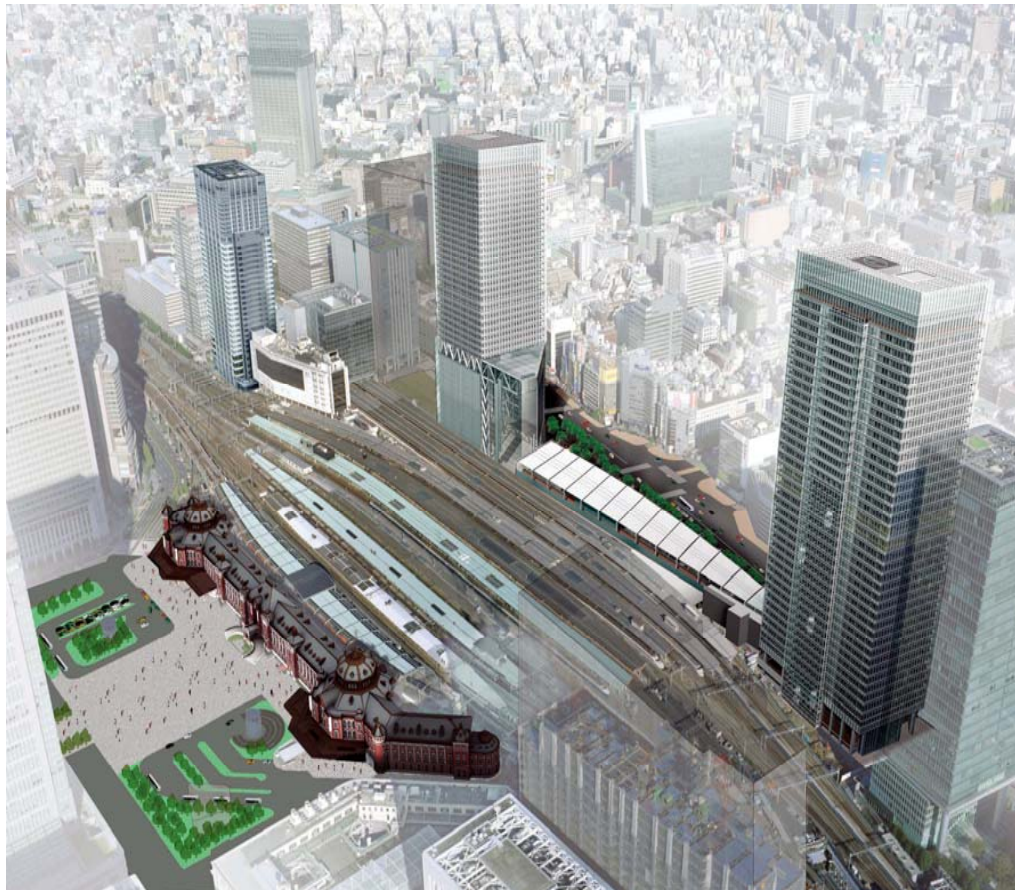


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# 2Q FY2/2013 Results Presentation

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October 10, 2012

J. Front Retailing Co., Ltd.

OKUDA Tsutomu  
Chairman and CEO



J. FRONT RETAILING

# Five Years as J. Front Retailing——

# Initiatives during These 5 Years

## Group Vision

Establishing status as a leading retail company in Japan  
both in quality and quantity

2007

2012

Sep  
2007

**Established J. Front Retailing**

Built new business model

- Nov 2009 Opened Shinsaibashi north wing/created specialty zone “Ufufu Girls”
- Oct 2010 Introduced “Ufufu Girls” at Ginza store
- Feb 2011 Introduced “Ufufu Girls” at Kobe store and in Mar at Sapporo store
- Apr 2011 Expanded and reopened Umeda store
- Sep 2011 Created Original Merchandising Div
- Apr 2012 Renovated (phase I) and reopened Nagoya store
- Apr 2012 Renovated and reopened food floor of Kobe store
- Oct 2012 Expanded and reopened Tokyo store



Mar 2010- HR structure reform



Expanded retail business



- Mar 2011 Made StylingLife Holdings equity method affiliate
- Mar 2012 Made Parco equity method affiliate
- Aug 2012 Acquired 65% stake in Parco and made it consolidated subsidiary

# Made Parco Consolidated Subsidiary

Process to make Parco consolidated subsidiary

Mar 2012 Acquired 33.2% stake in Parco and made it equity method affiliate



Apr 2012 Created Operation Study Committee toward business alliance



Jul 2012 Decided and started TOB to acquire 65% stake in Parco



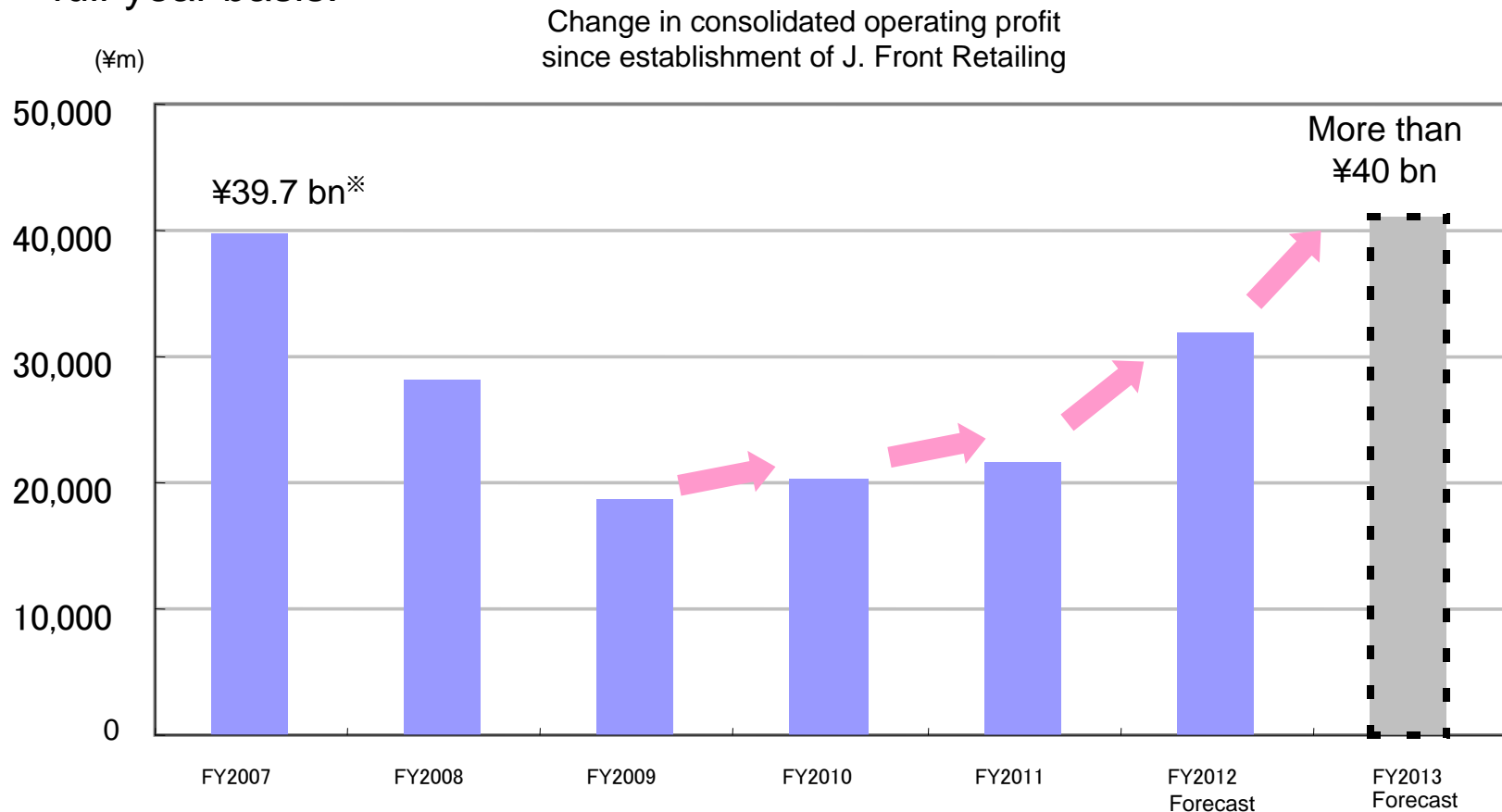
Aug 2012 Completed TOB and acquired 65% stake in Parco and made it consolidated subsidiary



【Balance sheets】 Started consolidation at end of 2Q FY2/2013  
【P/L statements】 Starting consolidation in 3Q FY2/2013

# Revising Financial Forecast

- ▶ Achieving consolidated operating profit of ¥30 bn in FY2/2013 one year earlier
- ▶ Enabling achievement in FY2/2014 of highest profit since establishment of JFR
- ▶ Consolidation of Parco will increase EPS approx ¥6 and ROE approx 1 point on a full-year basis.



## Joint store development through provision and use of mutual know-how

- Provision and use of mutual properties such as stores
- More united development projects by using mutual know-how



South wing of Matsuzakaya Ueno store is under discussion with Parco  
Jointly studying development of Shinsaibashi area  
where Daimaru Shinsaibashi store is located

## Accelerating department store business reform by adopting SC operation know-how

<Parco's know-how>

Marketing prowess to find and develop promising tenants early

Effective tenant operation/management with a small staff



Adopting Parco's know-how in our department store business  
and particularly Shop Operation sales areas

Accelerating innovation of business format through new department store  
model and drastically increasing competitive edge of department stores

## Strengthening sales capabilities by using mutual customer bases

- Grades and tastes of two companies' customer segments are similar
- We are strong in middle aged and elderly people and Parco in younger people



Attracting more customers and boosting sales  
through joint sales promotions and joint promotions for cardholders



## Expansion of collaboration opportunities in affiliated businesses

### <Examples>

- Expansion of opportunities to open our stores in Parco's shopping complex business
- Mutual use of space engineering business, building management business and staffing business etc.

Peacock Stores	J. Front Foods	JFR Plaza	Parco (Singapore)
Daimaru Kogyo	Dimples'	JFR Information Center	Parco Consulting (Suzhou)
JFR Card	Daimaru Matsuzakaya Sales Associates	JFR Office Support	Neuve A
J. Front Design & Construction	Daimaru COM development	JFR Service	Parco Space Systems
JFR Online	Consumer Product End-Use Research Institute	JFR Consulting	Parco-City

etc.

# Progress of Initiatives to Create Synergy



J. FRONT RETAILING

Concrete discussions are under way in department store business, development projects, affiliated businesses and back-office sections

Top-down approach to department store business through regular meetings of top managements of Daimaru Matsuzakaya Department Stores and Parco

Considering early exchange of managers and staff  
to transfer mutual know-how



Generating synergy early to achieve target operating profit of ¥50 bn ASAP

## 1H FY2012 Results

# 1H FY2012 Consolidated Results

- ▶ Sales increased and operating/ordinary/net profits soared
- ▶ Operating/ordinary/net profits exceeded initial forecast

2Q FY2/2013	Actual (¥m)	YoY		vs initial forecast	
		¥m	%	¥m	%
Sales	457,122	1,682	0.4	Δ5,878	Δ1.3
Operating profit	9,156	1,913	26.4	156	1.7
Ordinary profit	11,007	3,297	42.8	1,907	21.0
Net profit	3,905	1,623	71.1	205	5.5

# 1H FY2012 Consolidated Results

- ▶ Sales increased and profits soared because renovations of Kobe and Nagoya stores offset adverse effects of closed Nagasaki store
- ▶ Department store, wholesale, credit and other businesses increased operating profit

【By segment】

(Unit: ¥m)

2Q FY2/2013	Sales		Operating profit	
	Actual	YoY (%)	Actual	YoY (%)
Department store	358,186	1.0	6,488	49.7
Supermarket	51,729	△10.2	△446	—
Wholesale	25,864	14.5	474	23.4
Credit	4,190	4.6	1,158	16.3
Other	46,079	12.6	1,449	31.4

► Big renovation projects to make flagship stores more competitive

① Nagoya ⇒ Phase I renovation (luxury, young, fashion, cosmetics, women's accessories etc.)

② Kobe ⇒ First full renovation of food floor in 15 years to greatly enhance sweets and delis

► Replacement of brands and review of product lineup to meet changing values and lifestyles of customers



2Q FY2/2013	Actual (¥m)	YoY	
		¥m	%
Sales	315,306	6,823	2.2
Operating profit	5,516	2,285	70.7
Ordinary profit	4,969	2,166	77.3
Net profit	421	325	335.1

1H FY12 flagship stores YoY sales change (%)	
Shinsaibashi	0.4
Umeda	4.4
Tokyo	7.5
Kyoto	0.4
Kobe	4.8
Sapporo	2.4
Nagoya	1.1
Ueno	1.9
Ginza	5.7

## 2H and Full Year FY2012 Forecast

# 2H FY2012 Consolidated Forecast

► Increasing department store sales due to renovations of Kobe and Nagoya stores and expansion of Tokyo store

► Adding Parco business as new segment

(Unit: ¥m)

2H FY2/2013	Excluding Parco			Including Parco		
	Forecast	YoY	YoY (%)	Forecast	YoY	YoY (%)
Sales	507,377	21,403	4.4	647,877	161,903	33.3
Operating profit	16,843	2,492	17.4	22,643	8,292	57.8
Ordinary profit	15,492	261	1.7	21,192	5,961	39.1
Net profit	7,094	△9,427	△57.1	8,794	△7,727	△46.8

2H FY2/2013	Sales		Operating profit	
	Forecast	YoY (%)	Forecast	YoY (%)
Department store	397,713	4.0	12,011	17.3
Parco	140,663	—	5,841	—
Supermarket	51,870	△5.8	46	—
Wholesale	32,435	14.3	1,525	27.0
Credit	4,409	4.6	1,391	8.3
Other	48,053	17.6	1,850	17.8



# Full Year FY2012 Consolidated Forecast

- ▶ Greatly raised operating profit forecast because Parco became consolidated subsidiary
- ▶ Increasing dividend per share ¥1 from last year to ¥9

(Unit: ¥m)

Full year FY2/2013	Excluding Parco			Including Parco		
	Forecast	YoY	YoY (%)	Forecast	YoY	YoY (%)
Sales	964,500	23,085	2.5	1,105,000	163,585	17.4
Operating profit	26,000	4,406	20.4	31,800	10,206	47.3
Ordinary profit	26,500	3,559	15.5	32,200	9,259	40.4
Net profit	11,000	△7,804	△41.5	12,700	△6,104	△32.5

Full year FY2/2013	Sales		Operating profit	
	Forecast	YoY (%)	Forecast	YoY (%)
Department store	755,900	2.6	18,500	26.9
Parco	140,663	—	5,841	—
Supermarket	103,600	△8.0	△400	—
Wholesale	58,300	14.4	2,000	26.2
Credit	8,600	4.6	2,550	11.8
Other	94,133	15.1	3,300	23.4

# Department Store Business

—Focus of department store business—

Better marketing

Developing and pursuing store strategy

Innovating store operations



<Building new department store business model>

Expanding target customer base

Expanding product line and particularly price range

Developing specialty zones

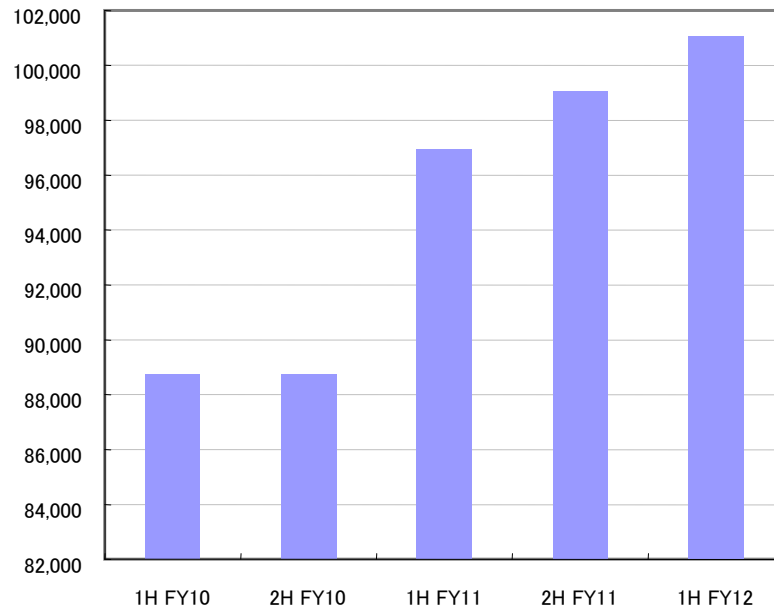
Achieving highly efficient management

# Significant Increase in Footfall

- ▶ Footfall to major 10 stores of Daimaru Matsuzakaya Department Stores is increasing since 1H FY10
- ▶ Greatly increased in FY11 due to expansion of Umeda store
- ▶ Driven by big renovations of Nagoya and Kobe stores in FY12

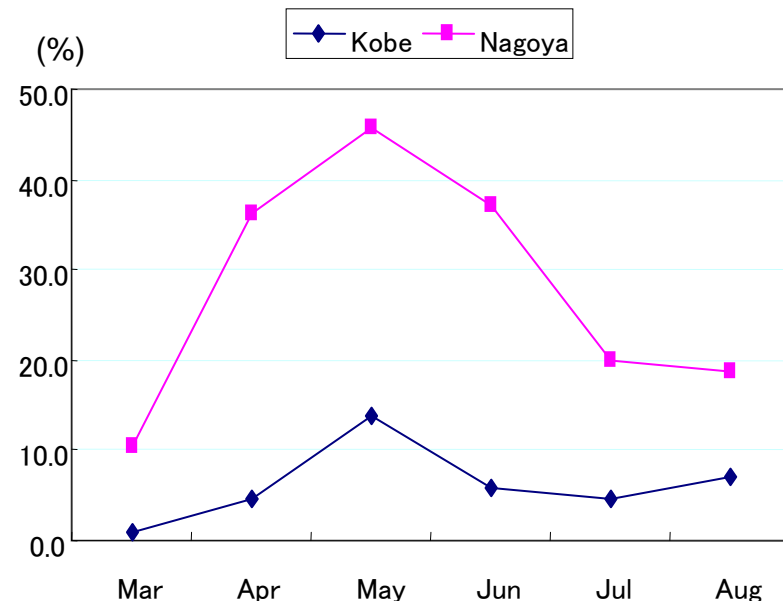
Change in footfall to 10 directly managed stores since FY2010

(1,000 persons)



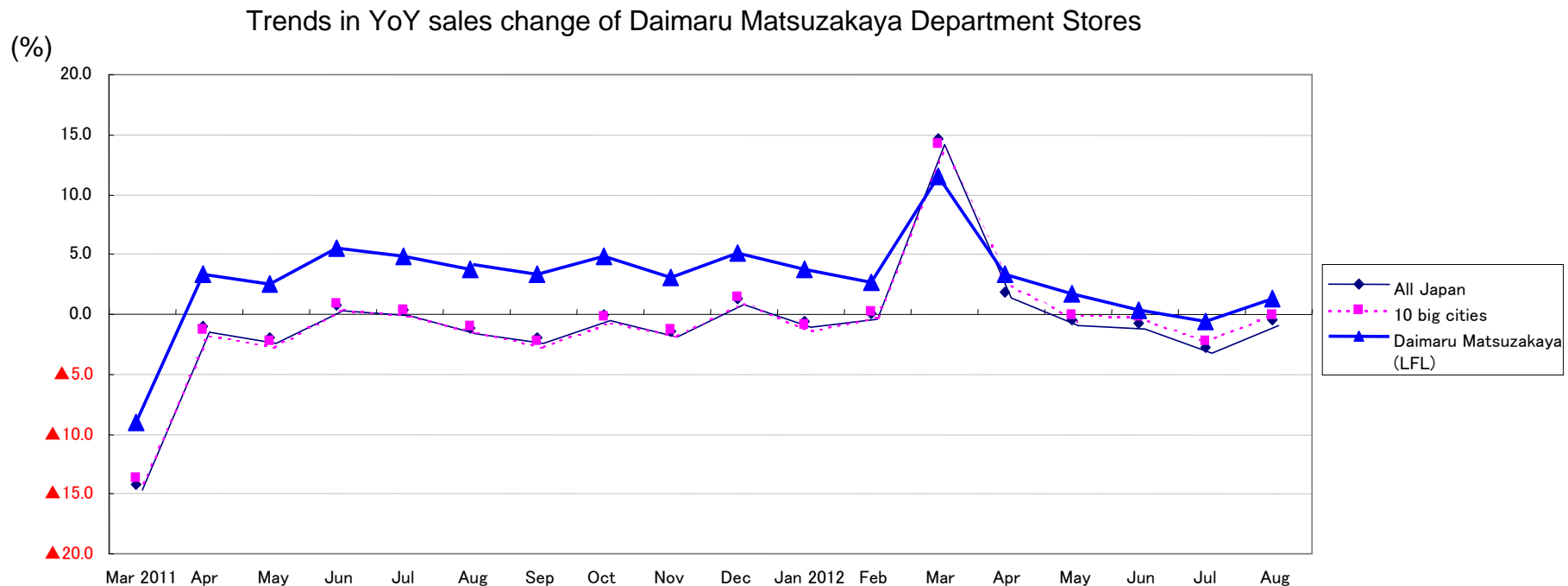
Change in footfall to Nagoya and Kobe stores

1H FY2012



# Steady Sales Growth

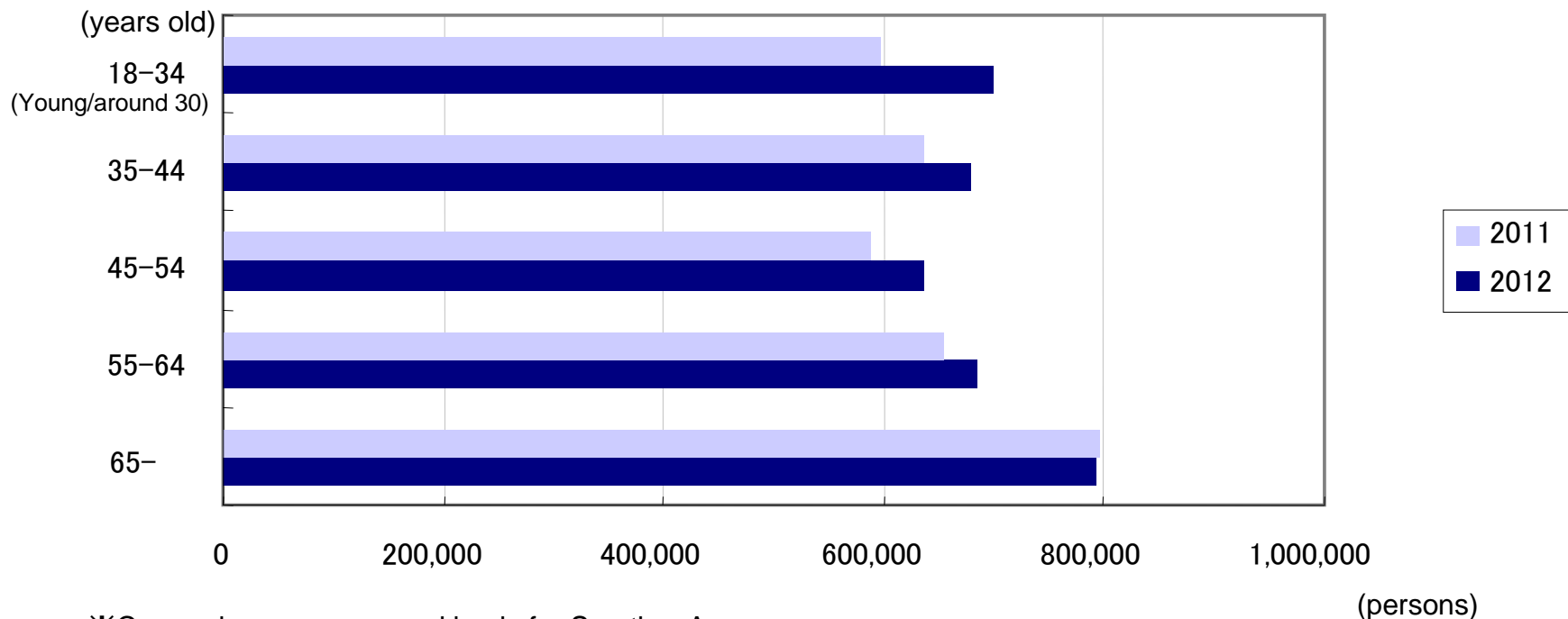
- ▶ LFL sales of Daimaru Matsuzakaya Department Stores turned positive YoY in 1H FY11
- ▶ Subsequently increased YoY for 3 Hs in a row until 1H FY12
- ▶ Sales growth remained above rivals every month excluding Mar and Apr when there was a big rebound from quake



# Further Widened Customer Base

- ▶ No of young/around 30-year-old paying customers rose 16.8% YoY and their spend grew 14.9% YoY
- ▶ Sales of luxury brands remain positive since Feb 2011, up 7.7% in 1H

Change in no of identifiable customers of Daimaru Matsuzakaya



※Comparison on an annual basis for Sep thru Aug

# Renovation of Kobe Store

Renovated and grand opened food floor on Apr 27, 2012

Greatly improved with focus on delis and sweets including new specialty zone “Table Plus”



Food sales jumped and food floor's ability to attract customers spreads to upper floors



# Renovation of Nagoya Store

Mar – Apr 2012 (Phase I) Renovation of fashion floors

Renovated 1st floor (main/north/south) and 2nd floor (main/south)  
as “face of department store”



Attracted much more young/around 30-year-old customers (up 35.3% YoY in total for Mar thru Aug)

Phase II food floor renovation for next spring is expected to further improve customer circulation to upper floors





# Phase II Expansion of Tokyo Store

Expanded and grand opened on Oct 5, 2012 (46,000m<sup>2</sup>/1.4 times larger)

Approaching wide range of customers  
with concept of “department store with compact assortment of ‘current’ Tokyo”

Footfall is surging since advance opening of food floor on Aug 22  
110,000 to 130,000 visitors on Saturdays and Sundays  
Renovation of Tokyo station Yaesu side due for completion in 2013  
will dramatically improve access and boost sales

## Main points

- Enhancing food products including boxed lunch and sweets both in quality and quantity
- 9 new luxury brands on 1st and 2nd floors
- Popular brands including select shops on 3rd to 5th floors
- Big specialty shops including Tokyu Hands and ICI Ishii Sports on upper floors



# Survival in Competition from Umeda Area

Steadily preparing and possible enough to minimize effects of expansion of Hankyu Umeda Flagship Store



Sales forecast for 2H  
4 flagship stores in Kansai

2H FY2012	YoY
Umeda	+1.5%
Kyoto	+1.3%
Kobe	+6.1%
Shinsaibashi	△2.0%

## Affiliated Businesses

# Peacock Stores

Financial results for 1H FY2012 (YoY %)

Sales					Gross margin	Operating profit
Company-wide	LFL (excluding closed stores/effects of conversion to rent tenants)					
Δ10.2	Δ7.4	Tokyo	Chubu	Kansai	Δ12.3	— ※Loss of ¥450 m
		Δ8.7	Δ9.5	Δ4.9		

## <Causes of sluggish sales>



More price-conscious consumers/severer price competition  
 New openings and renovations of rival stores esp in Tokyo area  
 Delay in meeting environmental changes  
 in terms of pricing/product lineup/store environment



### Solution ①

More competitive pricing

Increasing Valor PB products  
 (80 items ⇒ 250 items)

### Solution ②

Review of product lineup

Enhancing accuracy with new system  
 Drastically strengthening  
 fruits/vegetables/delis

### Solution ③

Cost reduction

Converting to rent tenants  
 excluding food floors  
 Company-wide HR structure reform

# Overseas Business

Jointly established new company JFR Plaza with StylingLife Holdings

## Outline of new company

Location:	Taipei, Taiwan	
Capital:	NT\$185 m (approx ¥480 m)	
Investment ratio:	J. Front Retailing	90%
	StylingLife Holdings	10%
Date of establishment:	Aug 20, 2012	
Line of business:	General merchandise retailing under new brand of Plaza	



Opening 1st shop in Taipei, Taiwan in mid Feb 2013 and another 3 or so in FY2013

# New Department Store in China

Basic agreement with Chinese company in May 2012 to open and operate full-line upscale department store in China

## <Outline of project>

### (Land 163 Huangpu District project)

Store name: Shanghai New World Daimaru Department Store (tentative)

Size:       **【Land area】** 13,709.3m<sup>2</sup>  
              **【Total floor area of building】** 116,000m<sup>2</sup>  
              **【No of floors】** 7 above ground and 5 below  
                                    Department store: 7 above ground and 2 below

Operator:   Shanghai Xin Nan Dong Project Management Co., Ltd.

Schedule:   Due for completion in late 2014 or early 2015 (started construction)



Support/cooperation to create China's most upscale department store

On-site market research and negotiation for introducing luxury brands are under way

<http://www.j-front-retailing.com>



**J. FRONT RETAILING**

Forward-looking statements in this document represent our assumptions based on information currently available to us and inherently involve potential risks, uncertainties and other factors. Therefore, actual results may differ materially from the results anticipated herein due to changes in various factors.