
Results Presentation for the 2nd Quarter of Fiscal Year Ending February 2015



October 8, 2014

J. Front Retailing Co., Ltd.

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President



J. FRONT RETAILING

Today's Agenda

- I . 1H FY2014 Results
- II . 2H and Full FY2014 Forecast
- III . Status of Medium-term Business Plan for FY2014-16



1H FY2014 Results

1H FY2014 Consolidated Results

- ▶ Record operating profit and ordinary profit since J. Front Retailing's inception
- ▶ Compared to initial forecast, sales were lower but operating profit, ordinary profit and net profit were higher
- ▶ Interim dividend of ¥6 per share, up ¥1 YoY (on a pre-share consolidation basis*)

(Millions of yen)

2nd quarter of fiscal year ending February 2015	Results	YoY		Vs. initial forecast	
		Change	% change	Change	% change
Sales	557,625	(1,068)	(0.2)	(4,375)	(0.8)
Operating profit	18,406	481	2.7	1,006	5.8
Ordinary profit	17,909	1,016	6.0	1,709	10.6
Net profit	7,801	(12,663)	(61.9)	1,201	18.2

*Common shares were consolidated on a two-for-one basis as of September 1, 2014.

1H FY2014 Segment Information

- ▶ Department Store Business decreased sales due to the effect of closure of Ginza store in 2013 but increased profits thanks to thorough cost management
- ▶ Parco Business increased sales and profits due to store renovations and the contribution of Zero Gate business
- ▶ Other Businesses increased sales due to newly consolidated Forest but decreased profits due to the poor performance of design and construction business

(Millions of yen)

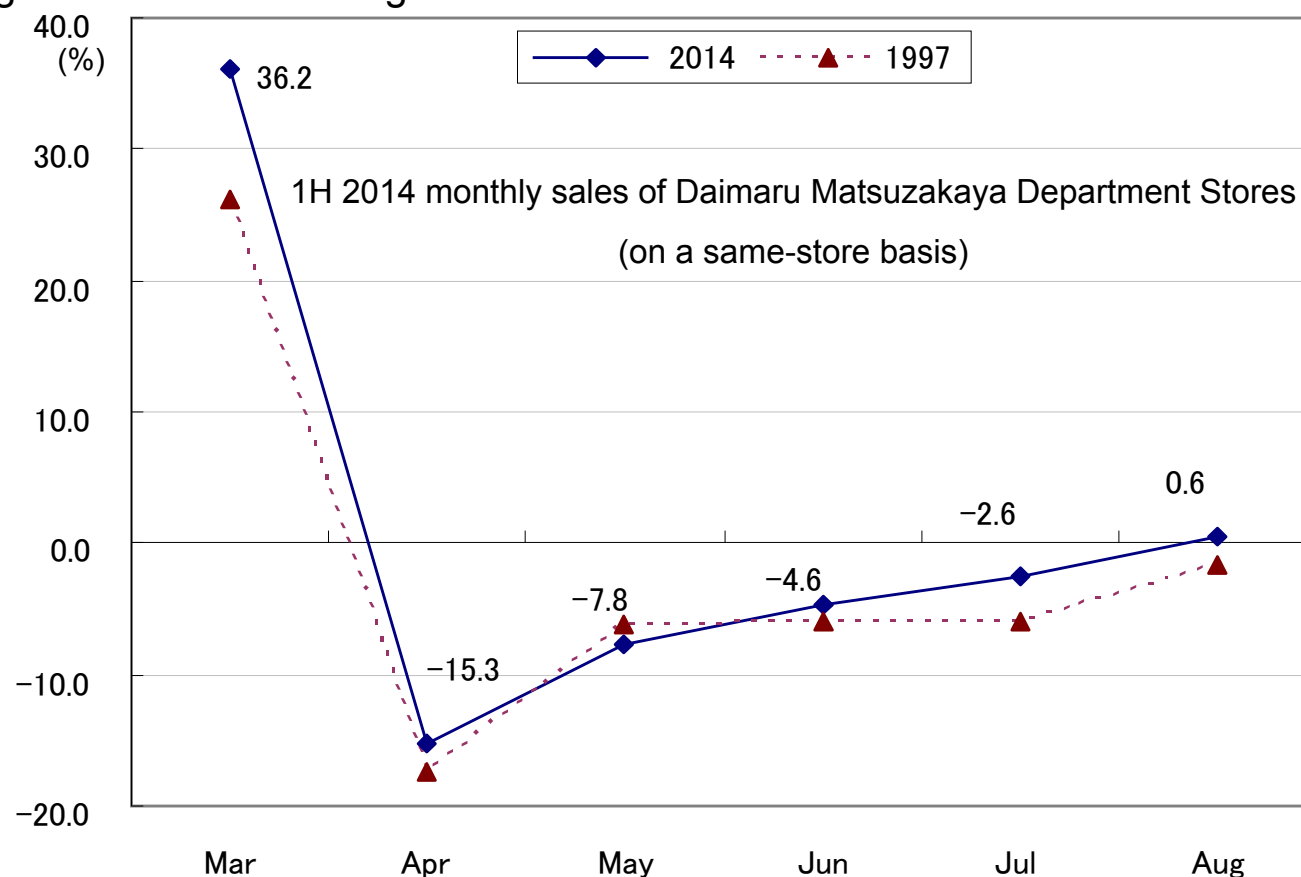
2nd quarter of fiscal year ending February 2015	Sales				Operating profit			
	Results	YoY (%)	Vs. initial forecast		Results	YoY (%)	Vs. initial forecast	
			Change	% change			Change	% change
Dept Store	368,373	(1.5)	3,673	1.0	8,706	0.2	706	8.8
Parco	133,165	1.5	(1,035)	(0.8)	6,192	5.9	192	3.2
Wholesale	28,321	(9.2)	(4,479)	(13.7)	506	(9.4)	(94)	(15.7)
Credit	5,230	19.7	230	4.6	1,791	23.4	101	6.0
Other	48,088	9.5	(3,712)	(7.2)	1,225	(20.5)	55	4.8

1H FY2014 Daimaru Matsuzakaya Department Stores



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- ▶ Sales growth initiatives to maximally meet the last-minute demand before sales tax hike were successful in March
- ▶ Buoyed by increase in duty-free sales to foreign tourists and strengthening of *gaisho* (out-of-store sales) activities in April and beyond
- ▶ Fell below projections in June and July due to unstable weather but turned positive on a single month basis in August



1H FY2014 Daimaru Matsuzakaya Department Stores J. FRONT RETAILING

- ▶ Above the previous year's level at Umeda, Tokyo, Kyoto, Kobe, Sapporo, Nagoya and Shizuoka stores
- ▶ Tokyo store attracted more customer traffic and turned sales positive in May and beyond
- ▶ Renovation of food floor and newly opened Tokyu Hands worked well at Kyoto store while luxury goods and food sold well at Nagoya store

(Millions of yen)

2nd quarter of fiscal year ending February 2015	Results	YoY		Vs. initial forecast	
		Change	% change	Change	% change
Sales (all stores)	325,626	(5,012)	(1.5)	4,526	1.4
Sales (existing stores*)	—	4,541	1.4	—	—
SG&A	69,570	(1,911)	(2.7)	(330)	(0.5)
Operating profit	7,574	47	0.6	774	11.4
Ordinary profit	7,282	594	8.9	1,182	19.4
Net profit	3,869	3,441	802.7	1,169	43.3

*Existing stores exclude Ginza store.

Collaboration with Parco

- ▶ Developed two women's wear exclusive brands "Sophila" and "Eddy Grace"
- ▶ Simultaneous clearance sale and joint promotion in the Nagoya area
- ▶ Daimaru Matsuzakaya Department Stores planned and operated events at Parco's community complexes



sophila



EDDY GRACE

Thorough Cost Management

Major measures taken by Daimaru Matsuzakaya Department Stores

Overhaul of labor cost structure through HR structure reform

Reduction of cost related to business investment

Reduction of ad expenses by overhauling sales promotion



Thorough cost management contributed to increase in operating profit in spite of sales decrease



2H and Full FY2014 Forecast

2H and Full FY2014 Consolidated Forecast

- ▶ Consumer spending will be slowly recovering but partially weak, greatly affected by the weather
- ▶ The situation including the effect of rising prices and the trend of local economy does not allow optimism
- ▶ Record operating profit and ordinary profit since J. Front Retailing's inception as initially projected
- ▶ Expect ROE of 5.1% and year-end dividend of ¥12 per share after share consolidation*

(Millions of yen)

Fiscal year ending February 2015	2H forecast	YoY		Full year forecast	YoY		Vs. initial forecast	
		Change	% change		Change	% change	Change	% change
Sales	603,374	15,749	2.7	1,161,000	14,681	1.3	(11,000)	(0.9)
SG&A	103,427	2,208	2.2	204,000	1,687	0.8	(2,600)	(1.3)
Operating profit	24,593	702	2.9	43,000	1,184	2.8	0	—
Ordinary profit	23,090	(519)	(2.2)	41,000	498	1.2	0	—
Net profit	11,198	94	0.8	19,000	(12,568)	(39.8)	0	—

*Common shares were consolidated on a two-for-one basis as of September 1, 2014.

Full FY2014 Segment Information

- ▶ Department Store Business carefully reviewed sales but keeps initial operating profit forecast unchanged
- ▶ Parco Business raised operating profit forecast by scrutinizing cost
- ▶ Wholesale Business is expected to be severe in light of trend in 1H but Other Businesses will cover the deficits

(Millions of yen)

Fiscal year ending February 2015	Sales				Operating profit			
	Full year forecast	YoY (%)	Vs. initial forecast		Full year forecast	YoY (%)	Vs. initial forecast	
			Change	% change			Change	% change
Dept store	765,400	(0.5)	(1,200)	(0.2)	24,000	4.4	0	—
Parco	276,300	3.0	(1,000)	(0.4)	12,150	1.1	100	0.8
Wholesale	62,200	(1.7)	(5,000)	(7.4)	1,100	(2.4)	(100)	(8.3)
Credit	10,330	9.4	230	2.3	3,410	7.0	40	1.2
Other	98,600	11.3	(5,500)	(5.3)	2,440	(17.6)	60	2.5

Daimaru Matsuzakaya Department Stores



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Carefully reconsidered the last-minute demand that started in late last year and the effect of closure of the south wing of Ueno store

More thorough cost management as well as sales growth initiatives to increase sales and profits

<Major profit growth initiatives>

Strengthen *gaisho* activities such as developing new *gaisho* card accounts and planning new events

Improve environment and conduct promotion to strengthen initiatives for inbound tourists

Expand customer base through a tie-up with Rakuten R Point Card

Offer strategic products to strengthen original merchandising business

(Millions of yen)

Fiscal year ending February 2015	2H forecast	YoY		Full year forecast	YoY		Vs. initial forecast	
		Change	% change		Change	% change	Change	% change
Sales	349,473	1,826	0.5	675,100	(3,186)	(0.5)	0	—
SG&A	69,429	(844)	(1.2)	139,000	(2,755)	(1.9)	(1,300)	(0.9)
Operating profit	13,125	995	8.2	20,700	1,042	5.3	100	0.5
Ordinary profit	11,317	(2)	(0.0)	18,600	592	3.3	100	0.5
Net profit	6,230	(849)	(12.0)	10,100	2,592	34.5	300	3.1

Parco Business

Open Fukuoka Parco New Building and Nagoya Zero Gate in 2H
to accelerate growth



Fukuoka Parco New Building

- Open: Thu, Nov 13
- Building size:
6 floors and 2 basements
- Total floor area:
approx 14,000 m²



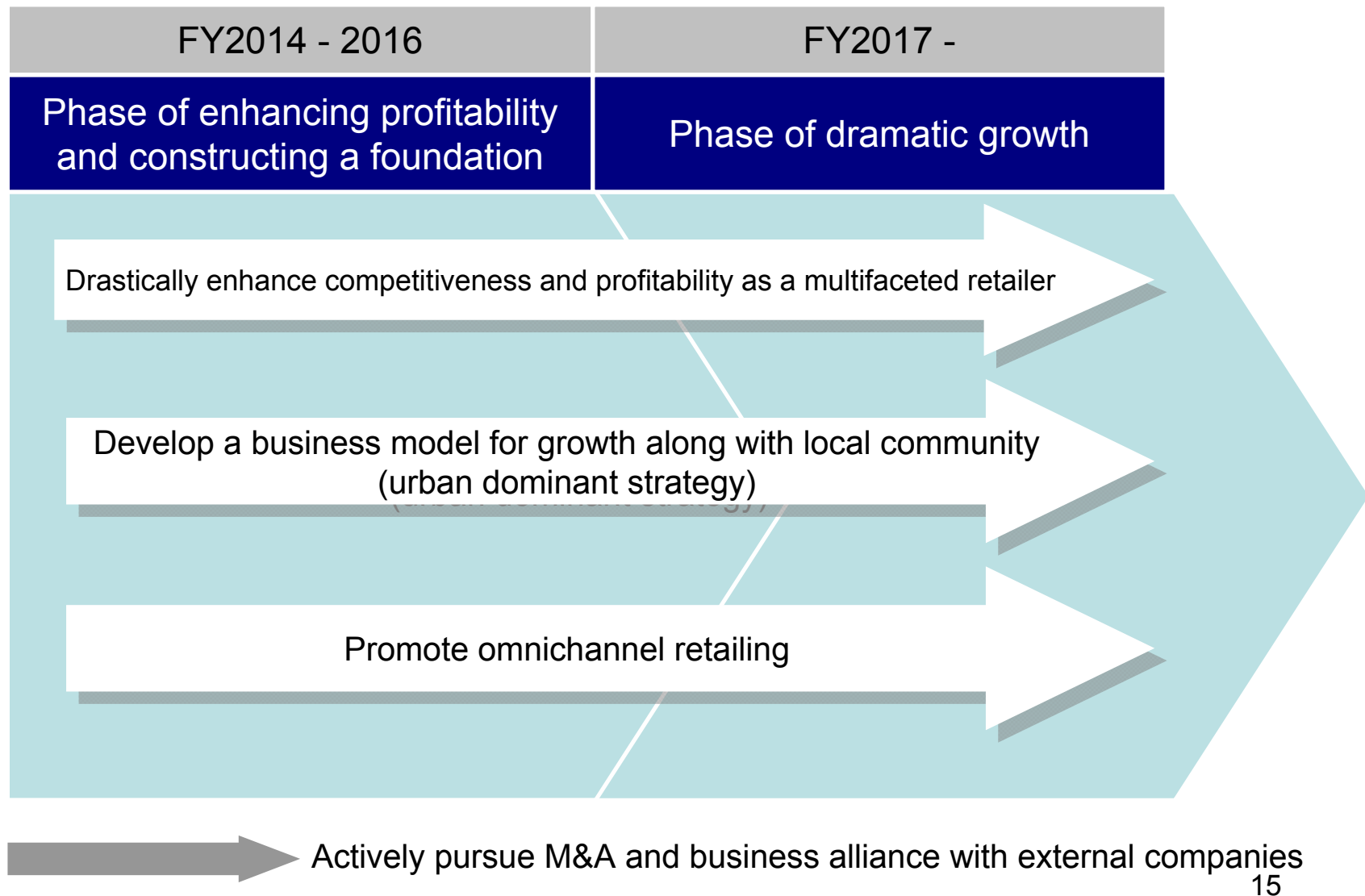
Nagoya Zero Gate

- Open: Fri, Oct 10
- Building size: 3 floors
- Total floor area:
approx 7,500 m²



Status of Medium-term Business Plan for FY2014 - 2016

Positioning of FY2014 - 2016



Initiatives as a Multifaceted Retailer

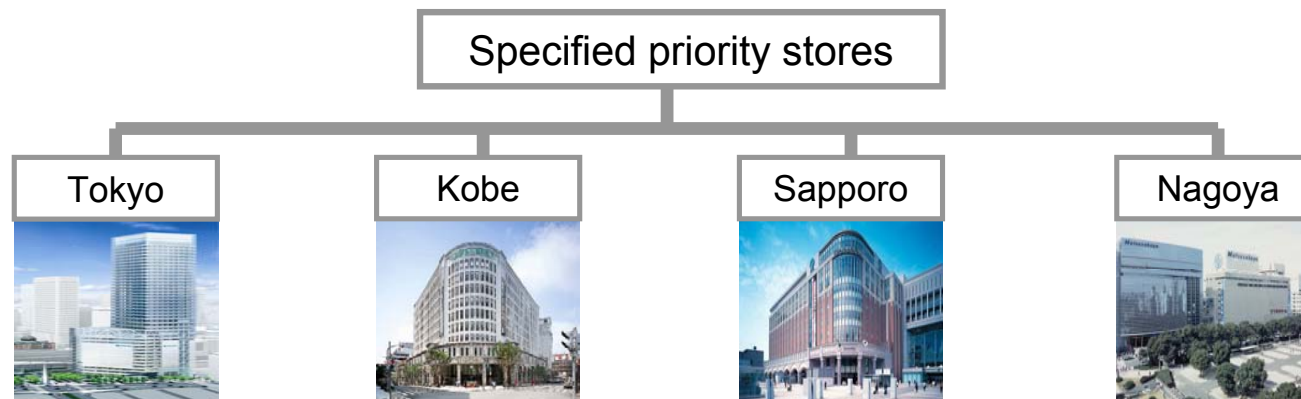


Create unconventional department stores that attract a wide range of customers and establish high-efficient management

Adapt to market changes

Define the positioning of each store


Plan and implement store strategy in each region



Points to Be Addressed at Priority Stores


Nagoya



- 
- Overhaul the roles of north and south wings
 - Review HR structure to establish high-efficient management


Tokyo



- 
- Increasing population around the store
 - More people will use Tokyo station after the opening of Ueno Tokyo Line
 - Beef up efforts to develop new *gaisho* customers


Sapporo



- 
- Introduce new brands to cater to the wealthy market and expand sales floors
 - Beef up efforts to develop new *gaisho* customers

Kobe



- 
- Extensively renovate men's furnishings and timepiece floors to better serve the nouveau riche
 - Promote the scrap-and-build of nearby shops

Drastic rebuilding of original merchandising business



<Points to be addressed>

Enhance product planning, inventory control and sales capabilities

Renew product management system

Expand the offering of goods purchased without returns and develop original products

Expand the share of high-margin “strategic products”

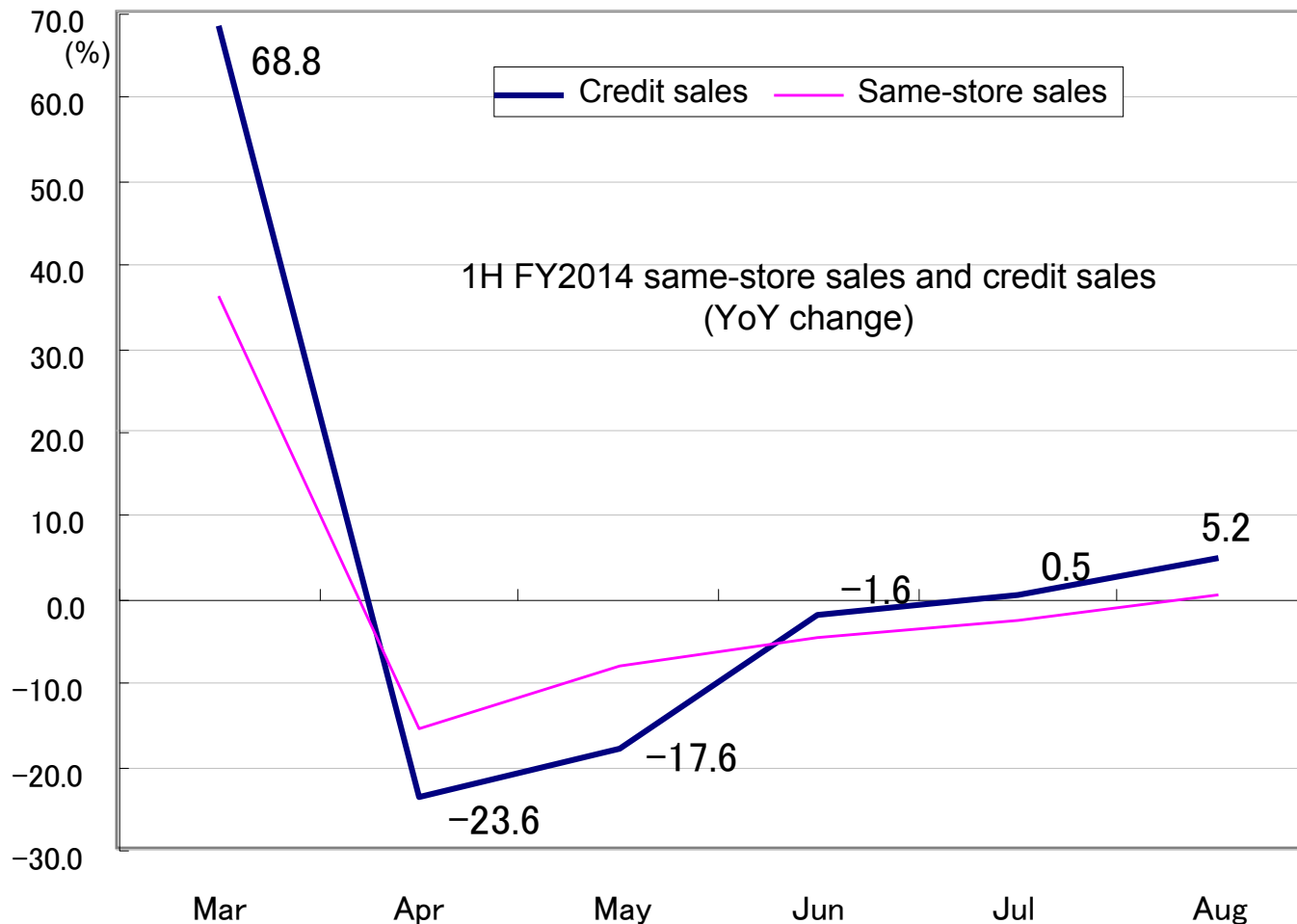
“Women’s shoes floors” for the wealthy

Develop “general merchandise floors” for foreign visitors to Japan

Original merchandising business
sales target for FY2016: ¥54 billion

Strengthening of *Gaisho* Activities

- ▶ Up 2.8% YoY in 2H FY2014 due to stronger promotion before sales tax hike and the effect of development of new card accounts
- ▶ *Gaisho* sales recovered faster and faster every month and drove the entire sales of department stores



Strengthening of *Gaisho* Activities

Expansion of customer base

- Converted *gaisho* card to “credit card” to strengthen the development of new accounts



【Purposes of conversion to credit card】

- To improve customer convenience
- To drastically improve screening capabilities
- To systematically acquire new customers

Developed more new accounts than expected
in 1H FY2014
Sales of ¥4.3 bn due to active new accounts

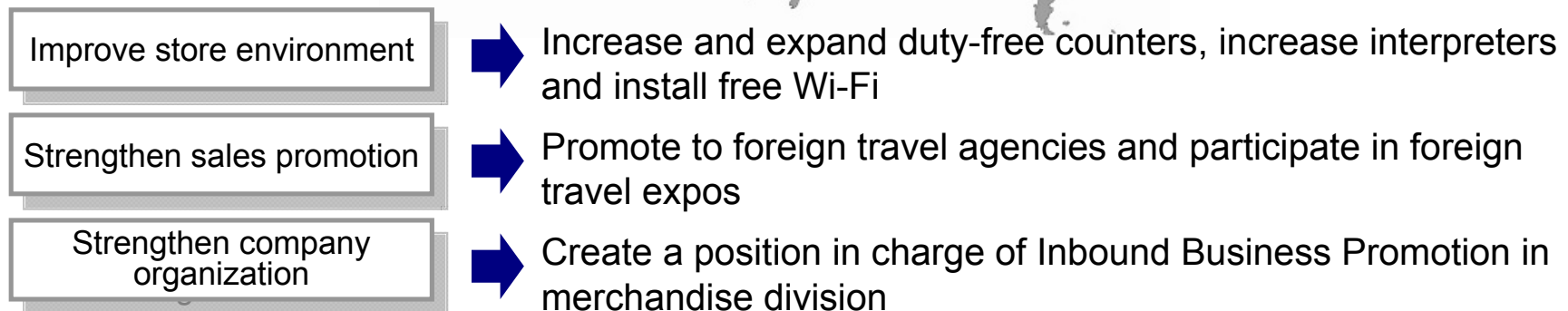
} → Revised up annual target to
12,000 accounts

Strengthening of sales capabilities

- Strengthen relations with luxury brands to secure products and hold new events
- Offer a wide range of values including products and services that meet the changing needs of the wealthy

Better Service to Foreign Tourists to Japan J. FRONT RETAILING

- ▶ Duty-free sales up 42% YoY in 1H FY2014 (on a same-store basis)
- ▶ “Cosmetics” and “food” became duty free in October 2014



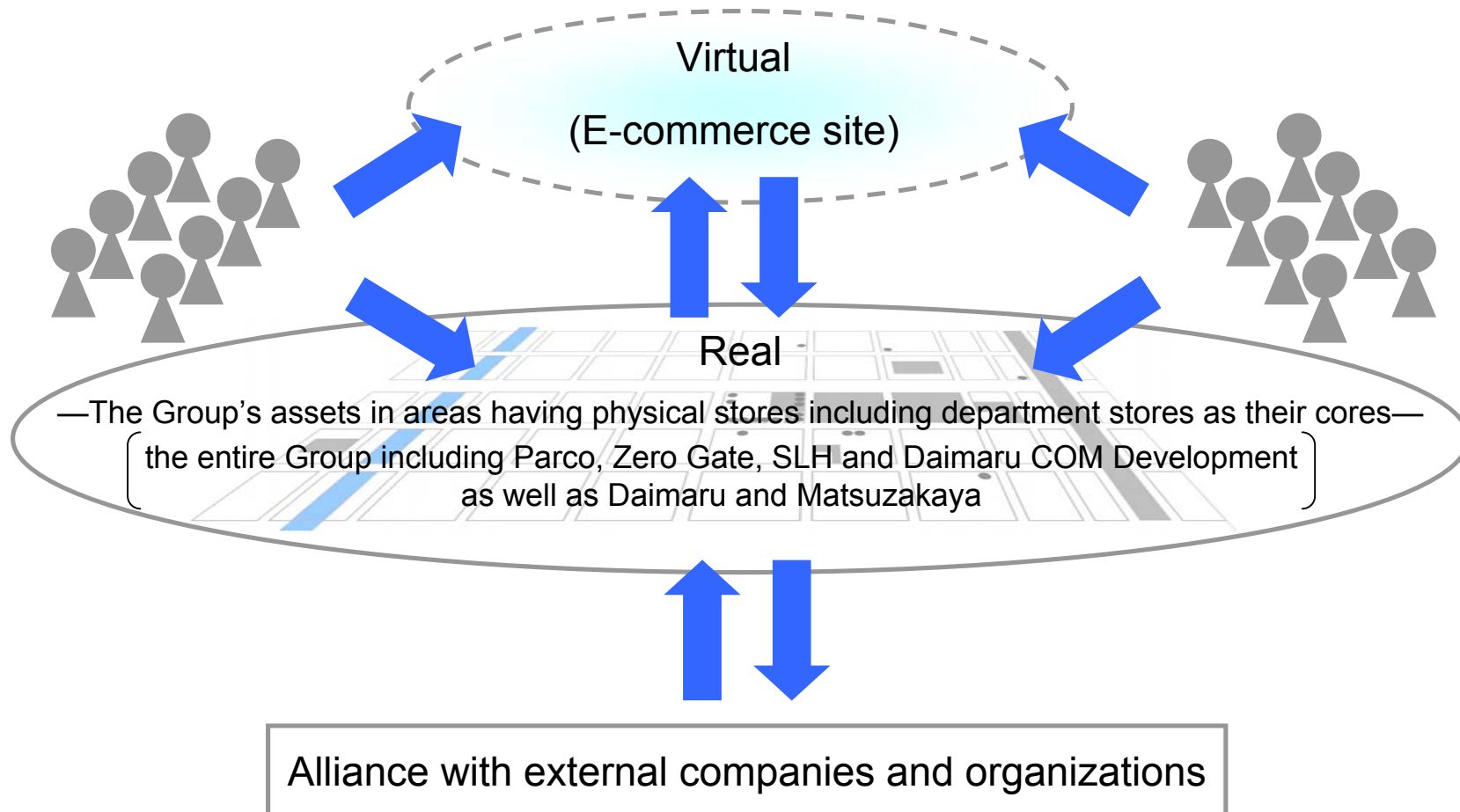
Duty-free sales target for FY2016: ¥20 billion

Urban Dominant Strategy



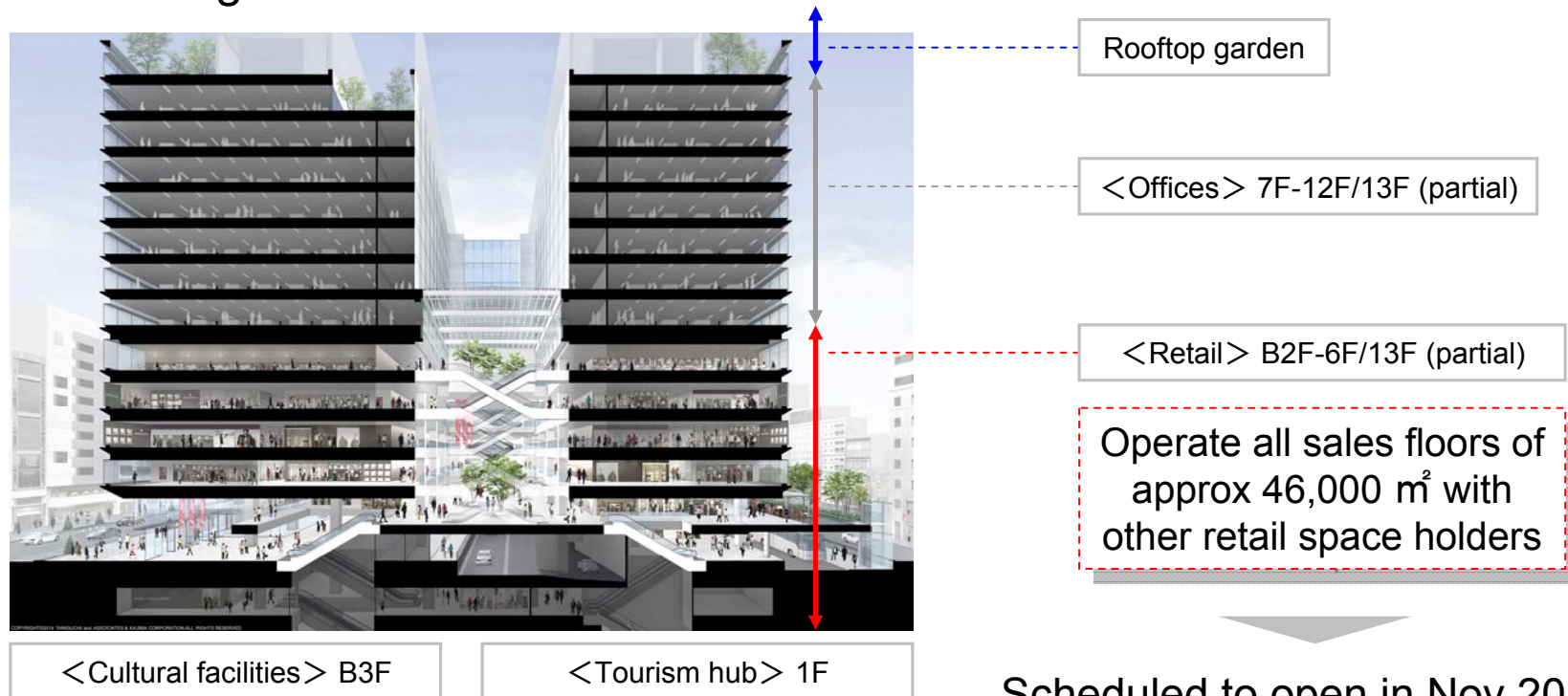
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Expand the know-how to “develop shops in the surroundings of department stores” and gather the total power of the Group



Ginza 6-chome Redevelopment

- ▶ Create world-class quality commercial facilities at Ginza 6-chome
- ▶ Develop a large-scale complex with retail facilities, offices, cultural facilities and a tourism hub
- ▶ Set up the Retail Facility Planning Office in September and began recruiting tenants for the retail facilities



Cross section from B1F to rooftop (subject to changes)

Scheduled to open in Nov 2016

Rebuilding of South Wing of Ueno Store



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- ▶ Draw new crowds to the area by rebuilding the south wing of Ueno Store
- ▶ Also redevelop the area around the store and propose functions desired by the new area
- ▶ Build a business model that ensures contribution with local community to revitalizing the area and mutual growth with local community



【Total floor area】 Approx 42,000 m²

【Construction】

B1F: Food floor of Daimaru
Matsuzakaya Department Stores

1F-6F: Parco

7F-10F: Cinema complex

12F-22F: Offices

【Total project cost】 Approx ¥20 billion

(including cost of renovation-related work of the
main building of Matsuzakaya Ueno store)

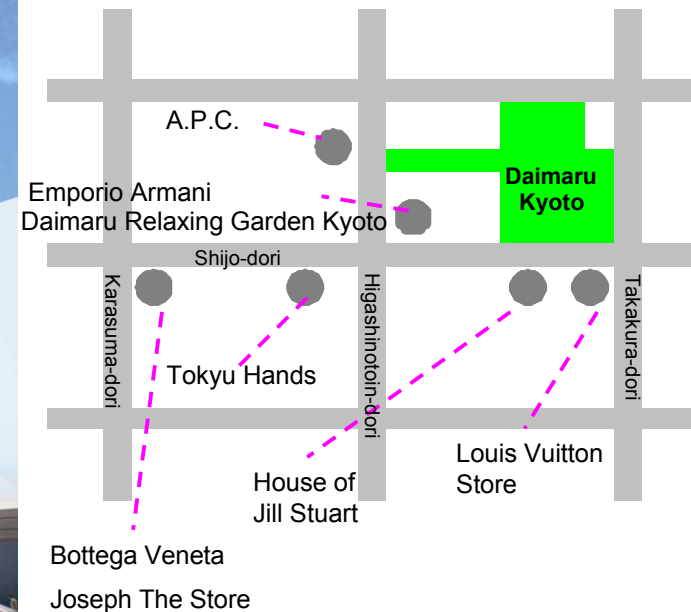
Scheduled to open in fall 2017

Initiatives of Daimaru Kyoto Store

- ▶ Newly opened Tokyu Hands near the store (Jun) to attract new customers
- ▶ First exterior renovation in a half century to serve as a landmark of the Karasuma area in harmony with the streetscape (Oct)
- ▶ Complement products and services the area lacks to enhance the appeal of the whole Karasuma area

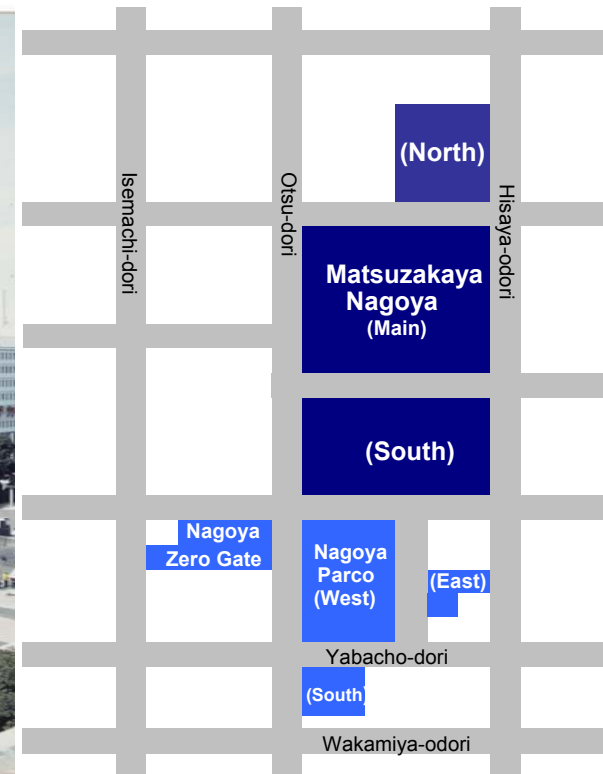


(Shops operated by Kyoto store)



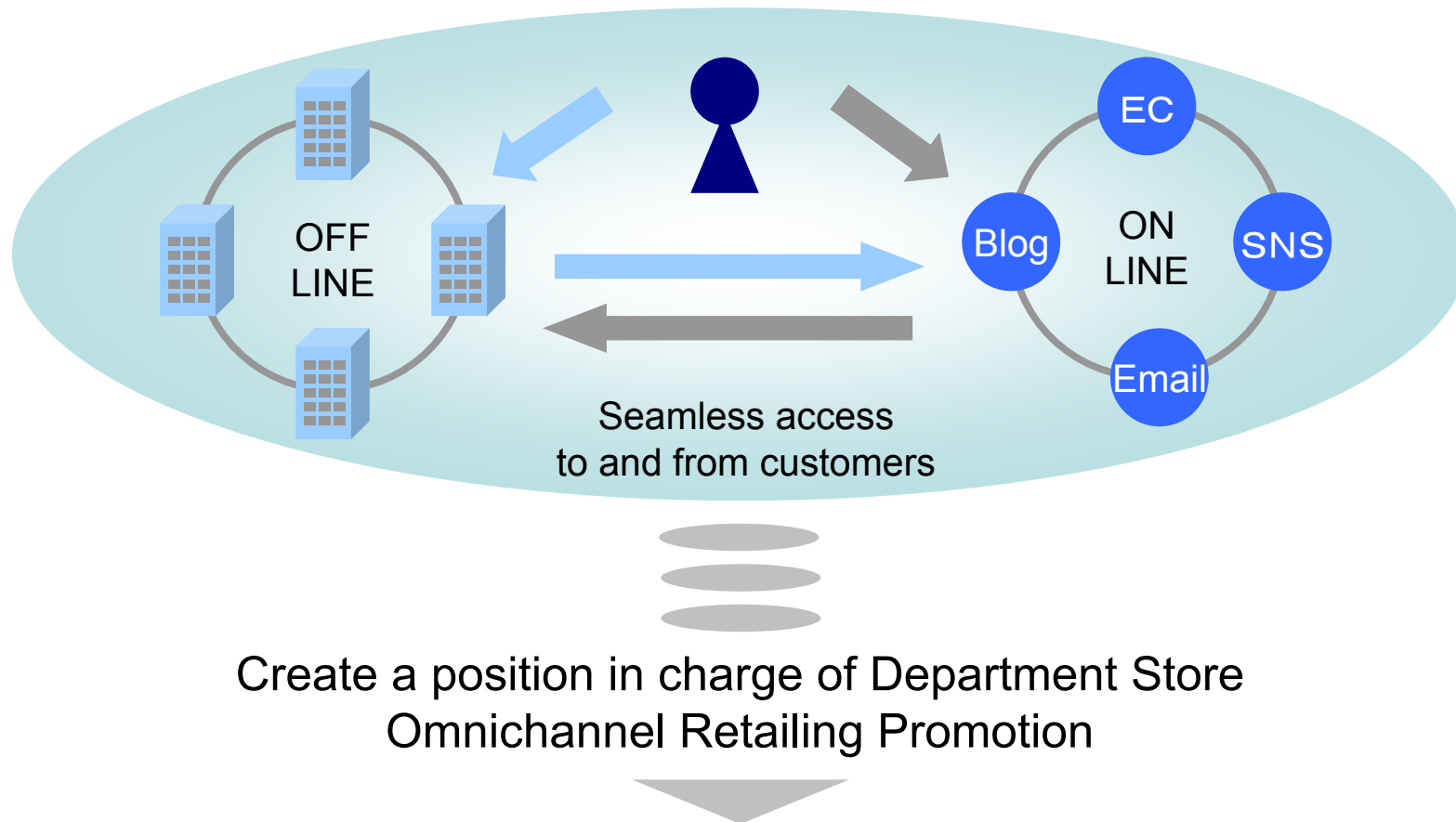
Initiatives of Nagoya Store

- ▶ Overhaul the roles of north and south wings and consider introducing new categories
- ▶ Expand the Group's assets including the opening of Nagoya Zero Gate and the new building of Nagoya Parco
- ▶ Create the Sakae area that attract a wide range of customers and grow along with local community



Omnichannel Retailing

Beef up efforts to create J. Front Retailing's own omnichannel model



Increase organizational power to further accelerate these initiatives

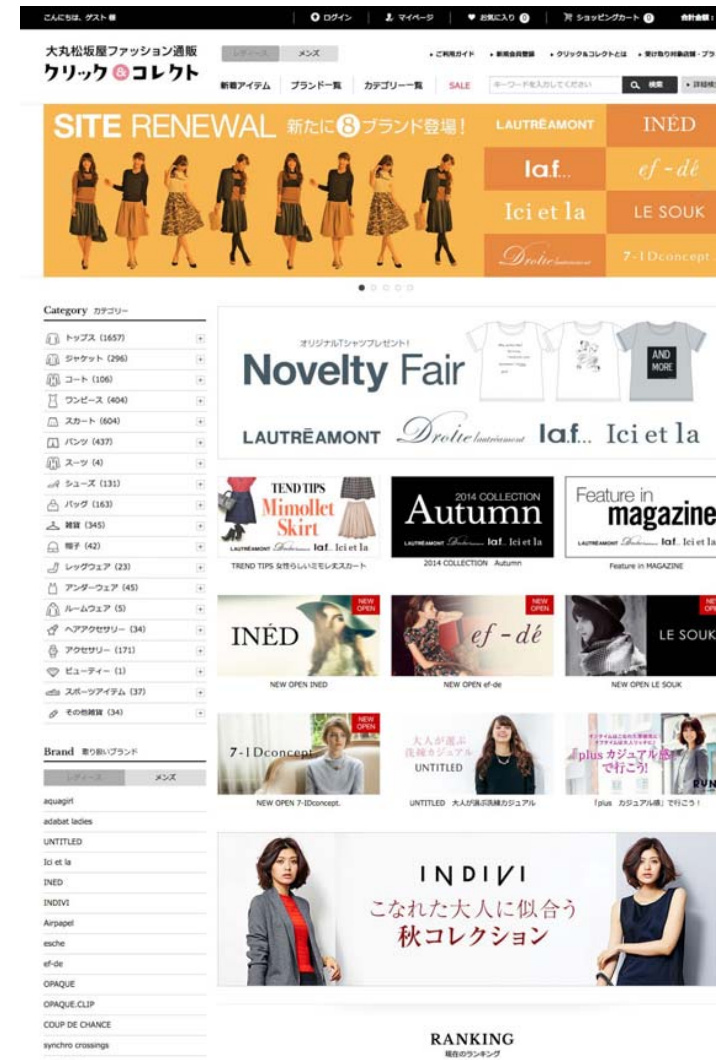
Omnichannel Retailing

Click & Collect

- Increase the number of suppliers to 10 in 2H FY2014
- Expand delivery and payment options
- Expand offerings to include other clothing and general merchandise

Art auction

- Expand lineup to include crafts as well as paintings
- Increase physical stores that hold auctions linked to the website



Overseas Business

Shanghai New World Daimaru Department Store



Support and cooperate to create
China's best upscale department store

Scheduled to open in 2015

Accumulate know-how to create and
operate stores abroad to use it for
future overseas business

PLAZA TOKYO



7 shops in FY2014

16 shops in FY2016

Expand into ASEAN metropolitan areas

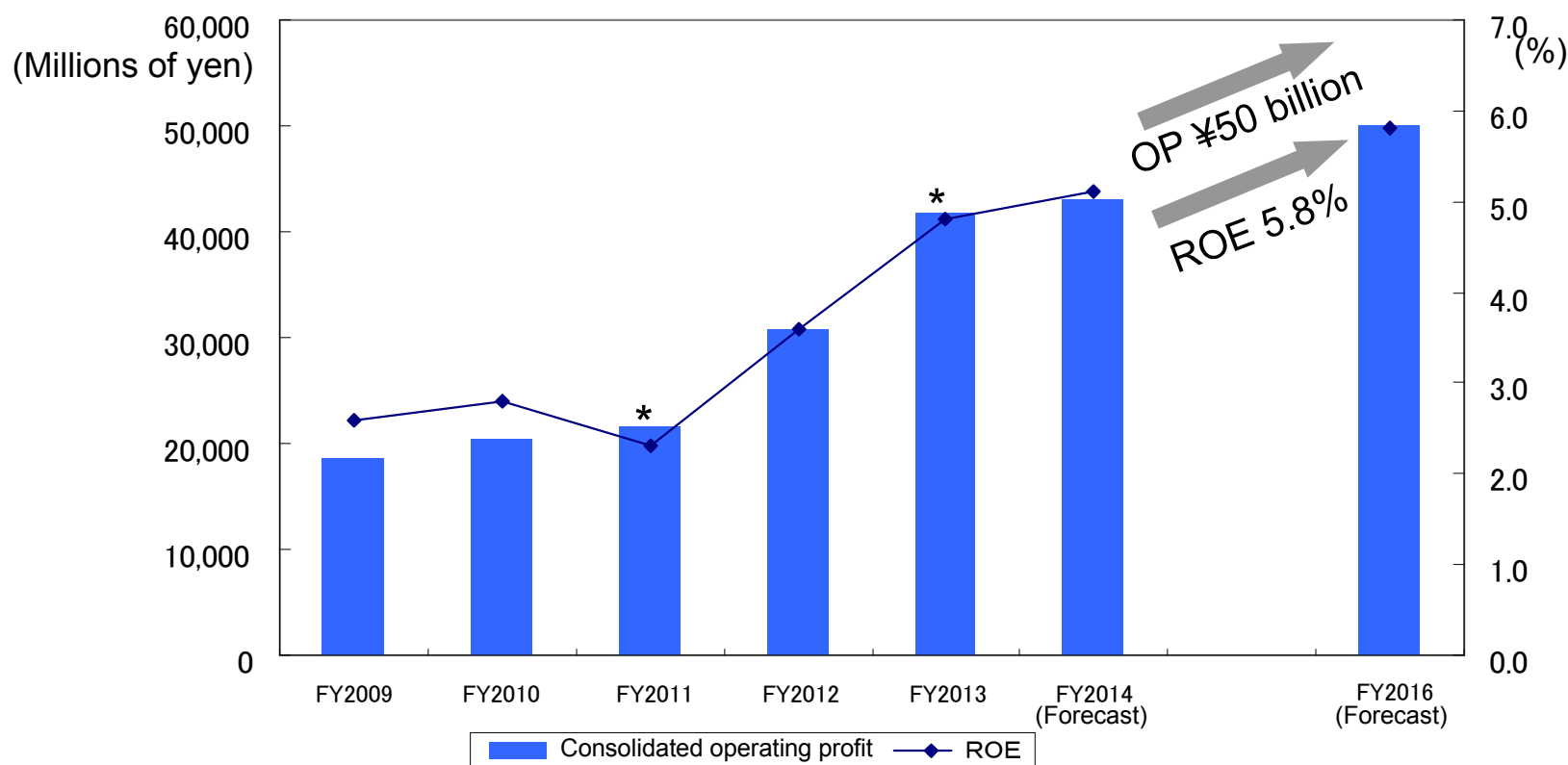
Financial Targets



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Targets for FY2016, last year of the plan

Consolidated operating profit **¥50 billion**
ROE **5.8%**



*ROE for FY2011 and FY2013 is shown in real terms excluding special factors.

Website

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

facebook

<http://www.facebook.com/J.FrontRetailing>



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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.