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# Results Presentation

## Fiscal Year Ending February 2012

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April 11, 2012

J. Front Retailing Co., Ltd.

OKUDA Tsutomu  
Chairman and CEO



## Today's Topics

- I . FY 2011 Results Summary
- II . FY 2012 Earnings Forecast
- III . Management Reforms of Department Store Business
- IV . Enhancement of Group Businesses
- V . Overseas Business

# FY 2011 Results Summary

# FY 2011 Consolidated Results

- ▶ Operating and ordinary profits increased for 2nd consecutive year and net profit grew for 3rd consecutive year
- ▶ Annual dividend increased by ¥1 to ¥8 from originally planned ¥7

(Millions of yen)

FY 2/2012	Consolidated			Daimaru Matsuzakaya Department Stores		
	Actual	YoY (%)	Vs. 3Q estimate (%)	Actual	YoY (%)	Vs. 3Q Estimate (%)
Sales	941,415	△0.9	△0.4	643,530	0.8	△0.1
Operating profit	21,594	6.3	5.3	11,389	13.9	3.5
Ordinary profit	22,941	8.8	10.8	10,081	17.0	12.0
Net profit	18,804	112.2	6.8	4,528	22.2	96.8

# FY 2011 Consolidated Results

- ▶ Same-store sales of department store business increased YoY for 11th consecutive month since Apr
- ▶ Operating profit of department store, supermarket, credit and other businesses increased

【By segment】

(Millions of yen)

FY 2/2012	Sales		Operating profit	
	Actual	YoY (%)	Actual	YoY (%)
Department store	736,922	Δ0.1	14,577	6.3
Supermarket	112,627	Δ4.9	444	57.3
Wholesale	50,954	Δ6.4	1,585	Δ29.1
Credit	8,223	4.2	2,281	21.9
Other	81,798	Δ3.9	2,674	11.8

Note: From FY 2011, the business results of the holding company J. Front Retailing, which used to be included in "Department Store Business," have been changed to be included in "Adjustment" and "Credit Business," which used to be included in "Other Businesses," has been changed to be reported as a separate segment due to its increase in significance. Therefore, YoY percentage changes were calculated compared to the previous year's figures restated accordingly.

## Sales

Up 0.8% YoY (Up 2.4% except Nagoya Station store closed in Aug 2010)

- ▶ Umeda store grand opened with increased floor space on Apr 19 (40,000m<sup>2</sup> → 64,000m<sup>2</sup>)
- ▶ Further developed and introduced specialty zones including expansion of “Ufufu Girls”
- ▶ Various efforts including meeting Cool Biz demand and strengthening *gaisho* sales

## SG&A

Down 1.6% (¥2.3 bn) YoY

- ▶ Up ¥4.4 bn due to expansion of Daimaru Umeda store
- ▶ Integrated back-office operations in Osaka area (Mar) and Tokyo area (Jun)
- ▶ Power saving at stores and offices mainly in Tokyo and Kansai areas

## Operating profit

Up 13.9% (¥1 bn) YoY

- ▶ Increased in spite of effects of earthquake and closed store



# FY 2012 Earnings Forecast

Establish status as a leading retail company in Japan  
in terms of both quality and quantity



Require early achievement of consolidated operating profit of ¥50 bn

OP

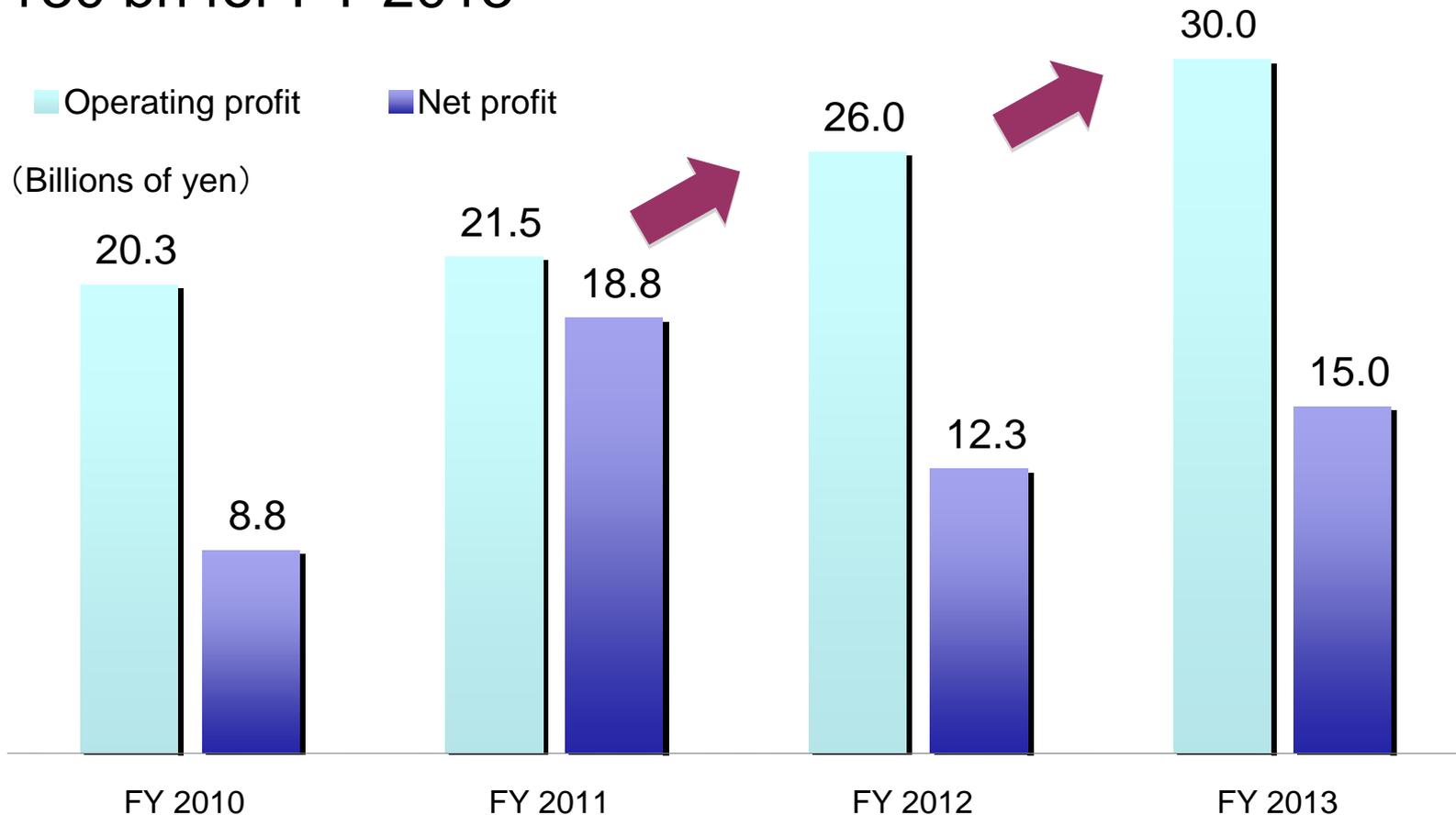
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FY 2/14

(Billions of yen)

# Three-Year Mid-Term Plan

- ▶ Accelerate efforts to achieve consolidated operating profit of ¥30 bn for FY 2013



# FY 2012 Consolidated Earnings Forecast J. FRONT RETAILING

- ▶ Important year to achieve operating profit of ¥30 bn for FY 2013
- ▶ Accelerate management reforms to increase sales and profit

(Millions of yen)

FY 2/2013	Consolidated		Daimaru Matsuzakaya Department Stores	
	Estimate	YoY (%)	Estimate	YoY (%)
Sales	973,000	3.4	667,000	3.6
Operating profit	26,000	20.4	14,500	27.3
Ordinary profit	26,000	13.3	12,400	23.0
Net profit	12,300	△34.6	4,600	1.6

# FY 2012 Consolidated Earnings Forecast J. FRONT RETAILING

【By segment】

(Millions of)

FY 2/2013	Sales		Operating profit	
	Estimate	YoY (%)	Estimate	YoY (%)
Department store	758,600	2.9	17,800	22.1
Supermarket	110,700	△1.7	1,000	125.1
Wholesale	56,900	11.7	1,800	13.5
Credit	8,500	3.4	2,420	6.1
Other	90,900	11.1	3,080	15.2

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▶ Department store business

⇒ Sales and profit both increased due to phase II expansion of Tokyo store and remodeling of Nagoya and Kobe stores

▶ Supermarket business

⇒ Sales decreased but profit increased by improving profit margin and cutting costs through introduction of new system

▶ Wholesale, credit and other businesses ⇒ Sales and profit both increased

# Management Reforms of Department Stores

—Focus of department store business—

Enhance marketing capabilities

Plan and promote store strategy

Innovate business operation system



<Establish new department store model>

Expand target customer base

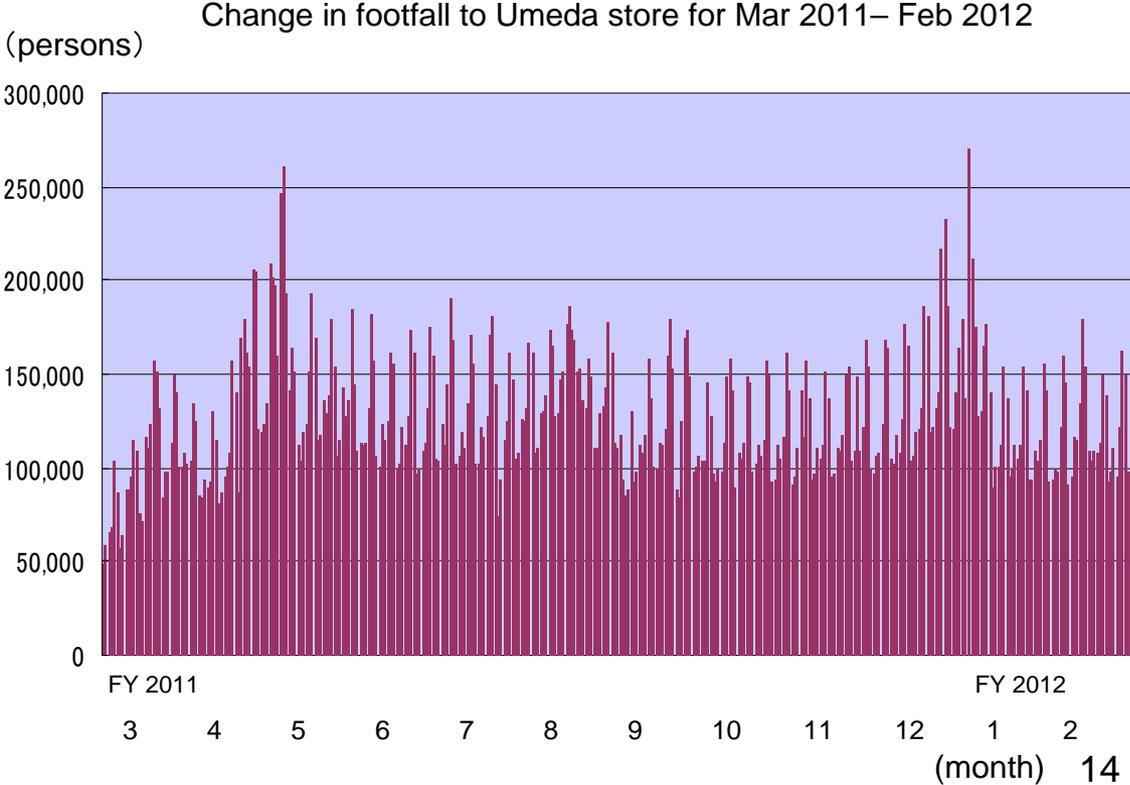
Expand width of assortment, specifically of price range

Develop specialty zones

Realize highly efficient management system

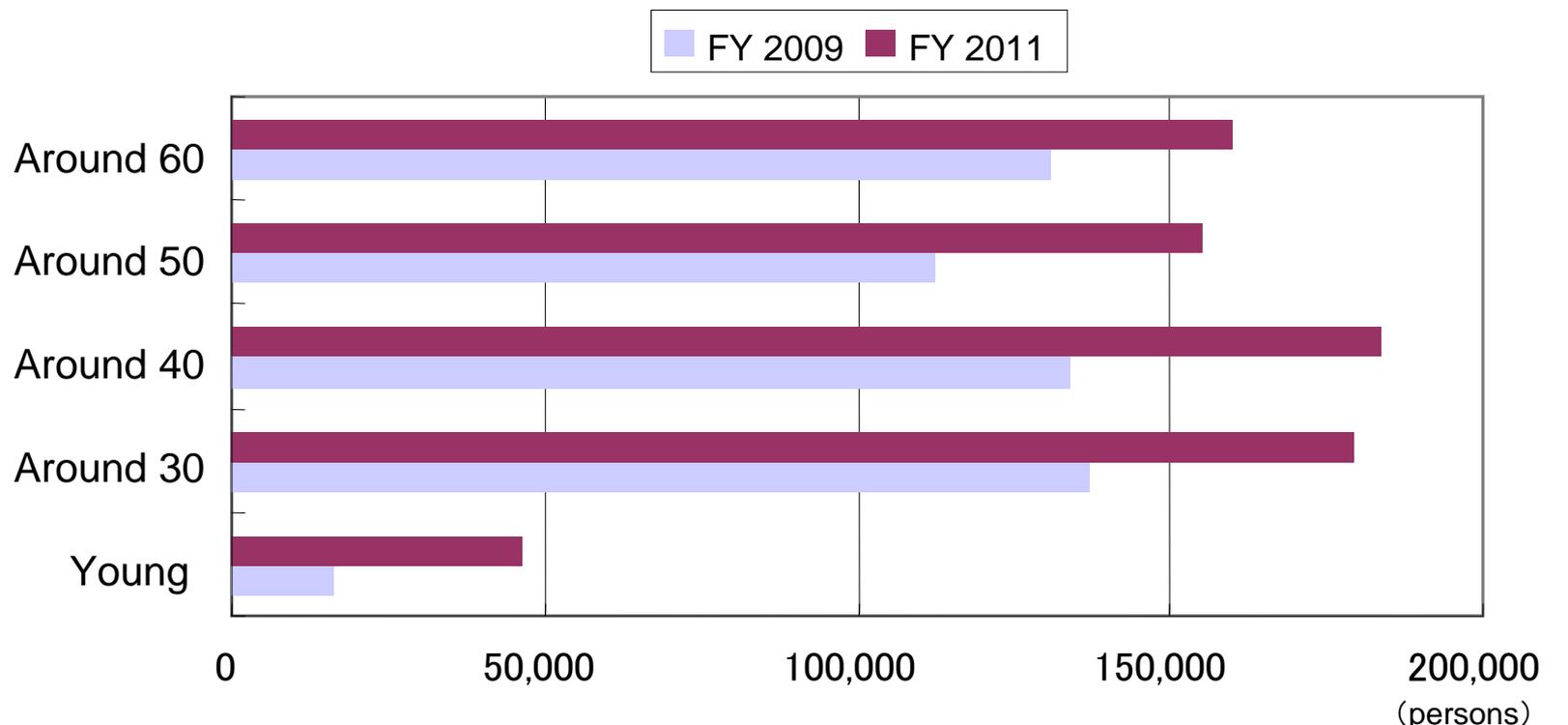
# Achievement of Umeda Store — Huge Increase in Footfall

- ▶ Around 120,000 visitors on weekdays  
More than 150,000 visitors on Saturdays, Sundays and holidays
- ▶ Average 130,000 visitors per day for FY 2011  
(←Initial estimate: average 90,000 visitors per day)



- ▶ No. of young and around 30-year-old purchasers increased 47% and their purchase amount grew 26%
- ▶ Added 190,000 cardholders in one year and earned their loyalty
- ▶ Strengthen efforts to increase rate of purchase and amount per purchase

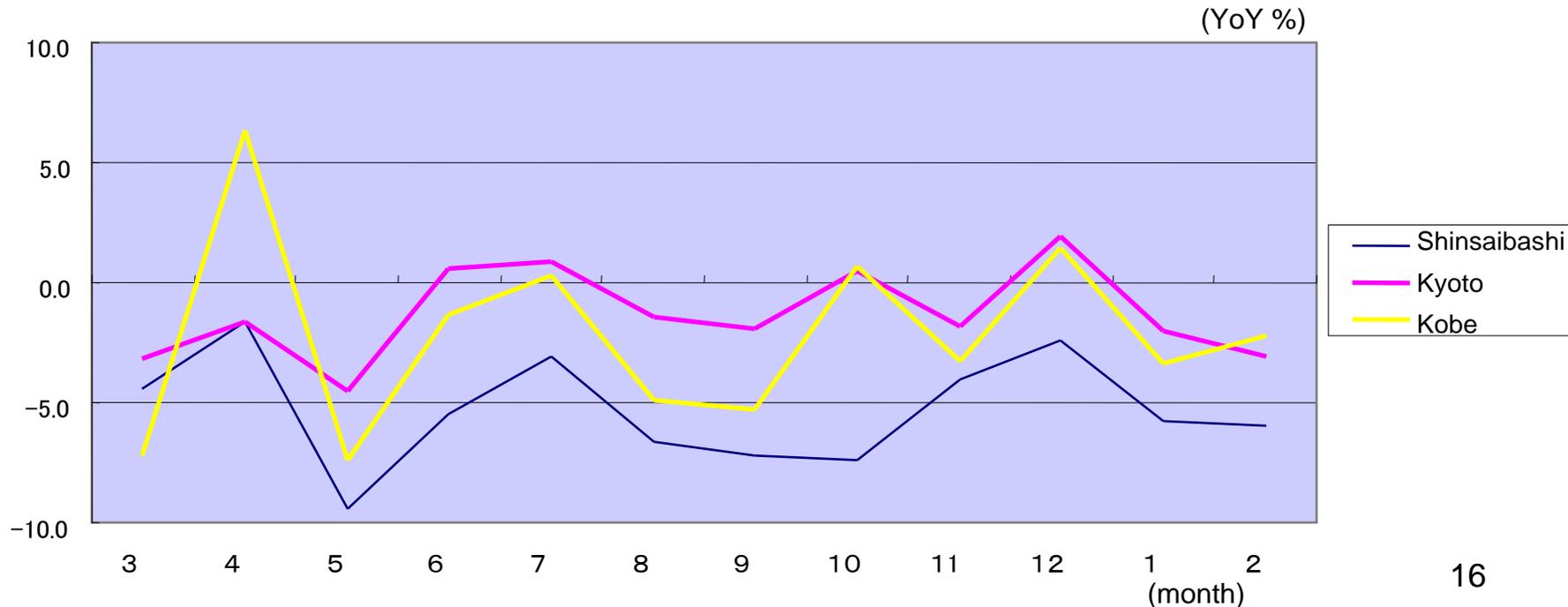
Change in no. of identifiable customers of Umeda store  
(Comparison to FY 2009)



# Effects of Competition in Umeda Area <Shinsaibashi/Kyoto/Kobe>

- ▶ Sales of Shinsaibashi/Kyoto/Kobe stores decreased as expected
- ▶ Shinsaibashi: Total sales decreased 5.0% YoY  
but *gaisho* sales increased 1.5% YoY
- ▶ Overall sales from Jun: Kyoto store down 0.5% YoY  
Kobe store down 1.7% YoY

Sales change percentage of Shinsaibashi/Kyoto/Kobe stores for FY 2011



# Remodeling of Kobe Store

Remodeled food floor will grand open on Apr 27, 2012

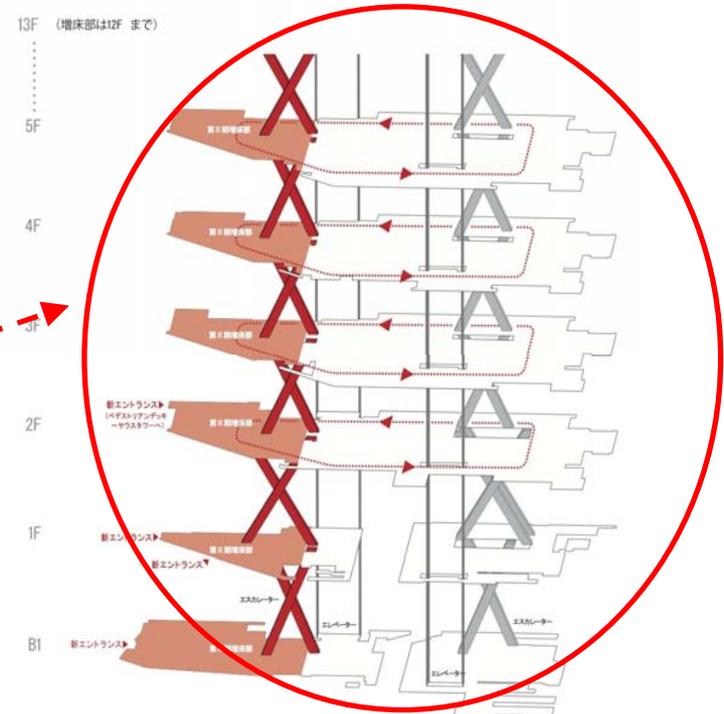
- ▶ Create specialty zone “Table Plus”  
—Introduce 9 new brands including Dean & DeLuca
- ▶ Enhance Japanese and Western confectionery sections  
—Introduce 9 new brands including Pierre Hermé and Demel
- ▶ Enhance prepared food section  
—Introduce 11 new brands including Eashion and Soukichian



# Phase II Expansion of Tokyo Store

Grand open with increased floor space in fall 2012  
(46,000m<sup>2</sup>/1.4 times larger)

- ▶ Create new entrances directly connected to Yaesu Central Entrance of Tokyo Station on expanded parts of 1st basement and 1st floor
- ▶ Add escalators to make it easier for customers to move up and down and dramatically improve their circulation



# Phase II Expansion of Tokyo Store

— Store concept —

Department store with compact assortment of “current” Tokyo products

Aim to create a store strong in gift items, souvenirs and traveling gear



## Main points

- Enhance food products in both quality and quantity
- Expand and rebuild women’s and men’s accessories sections
- Create “fashion brand zone” for around 30 and 40 year olds
- Create “luxury zone” mainly offering accessories
- Introduce “big specialty shop” to attract customers

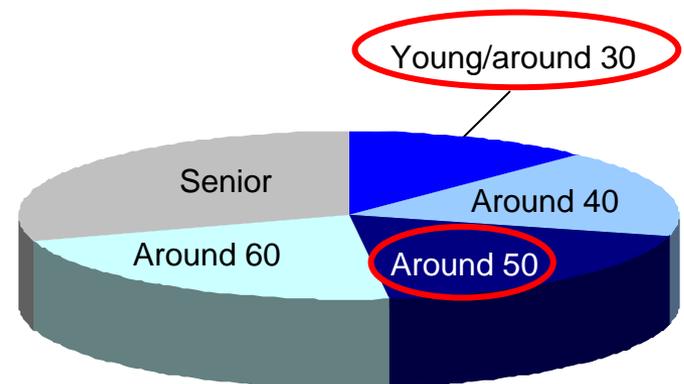
# Remodeling of Nagoya Store

Mar to Apr 2012 (Phase I) Remodeling of fashion floors

- ▶ Newly target around 30 year olds visiting Sakae area and highly sensitive around 50 year olds
- ▶ Introduce many trendy fashion items and cosmetics to widen fashion offering
- ▶ Create specialty zone with clear concept which makes customers feel it is a perfect shopping place for them

<For information>

Share of identifiable customers of Nagoya store by age for FY 2011



# Remodeling of Nagoya Store

- ▶ Renew 1st and 2nd floors as “face of department store”  
⇒ Far more competitive with competitors
- ▶ Characterize each of main building, north wing and south wing

South → “Target young and around 30-year-old customers”

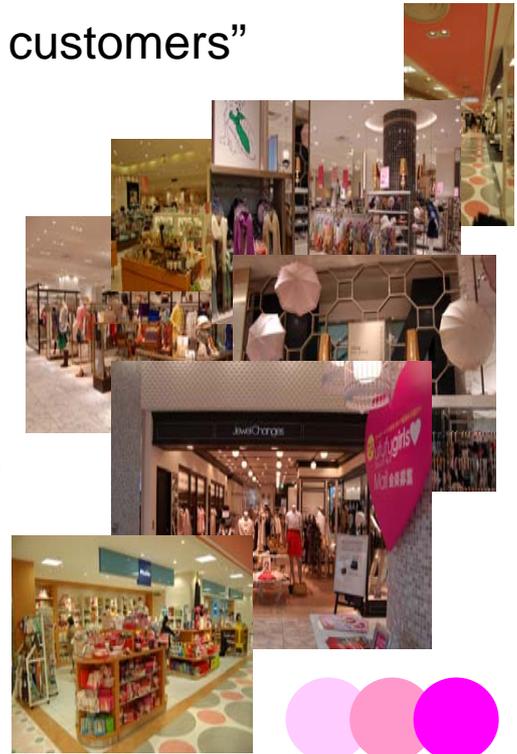
- 2F Introduce “Ufufu Girls”
- 1F Assort women’s select fashion items
- 1F/B1 Introduce first H&M shop in Chubu area (Apr 21)

Main → “Authentic department store”

- 1F Renew cosmetics and women’s accessories sections
- 2F Introduce 6 new luxury brands to recreate the floor

North → “Focus on living”

- 1F Change to Nagoya’s largest natural cosmetics zone



※As phase II remodeling, drastically refurbish food floor in spring 2013

# Efforts of Original Merchandising Div

Original Merchandising Div  
Plan and manage whole process of “buying and selling”  
= Business operation type organization

Compiling capabilities



Procuring capabilities  
“Original” merchandising capabilities



Selling capabilities

Marketing

Buying  
Procuring

Selling

Profit/loss management

Total for Sep 2011 to Feb 2012

Actual sales: ¥26.7 bn (up 7.3% YoY)

Sales share: Up 0.3 points YoY



Improve company-wide profit margin: Up 0.03 points

Merits of sales areas of our own operation

Adapt quickly to market changes

Expansion/shrinkage of sales space

Changes of assortment



Enable department stores to take actions freely and timely on their will and at their discretion

## Actions for FY 2012

Edit sales sections from new angles

Respond flexibly to market changes

Expand sales of completely bought items and highly profitable merchandise

Sales target: ¥57 bn

Profit margin: Up about 1.0 point

## Personnel structure reform

Streamline organization and personnel

Widely use and reassign personnel from the perspective of the Group

- Assign personnel to fit the respective operational characteristics of “shop operation” and “our own operation” sales areas
- Integrate back-office operations
  - ▪ Integrate back-office functions of 3 stores in Tokyo area and 4 stores in Kansai area
- Transfer part of sales operations to Dimples’, a staffing service company of the Group

Daimaru Matsuzakaya  
Department Stores

Mar 2011

End of Feb 2012

Estimate for end of Feb 2013

No. of employees

6,000



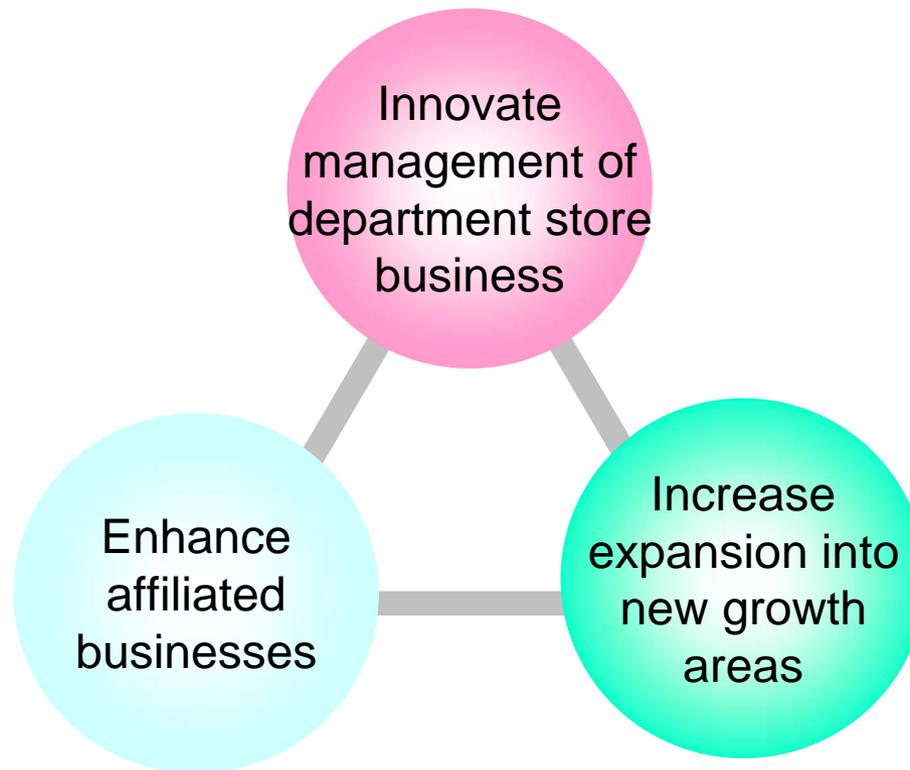
5,300



4,100

# Enhancement of Group Businesses

Enhance efforts toward Group-wide growth



Well-balanced investment of management resources in businesses other than department stores

Wide use of human resources from the perspective of the Group

Mar 2012

Standardized and renewed company-wide information system

Realize assortment in quick response to demand changes to increase sales

Improve buying power and reduce product loss to increase profit margin

Review store operation to increase efficiency



Enhance ability of market response, product procurement and store operation



# Alliance with SLH

Made StylingLife Holdings Inc. equity method affiliate in Mar 2011

## Main actions to the present

- ▶ Sent 5 employees including full-time director
- ▶ As promotional events, opened general merchandise shop Plaza and offered cosmetics Vecua Honey at Daimaru and Matsuzakaya stores
- ▶ Used SLH's characters for company-wide promotion
- ▶ SLH used our know-how of efficient management to reduce costs



# Alliance with Parco

Acquired 33.2% stake in Parco Co., Ltd. and made it equity method affiliate in Mar 2012

Main purposes of stock acquisition

Accelerate change of department store business model

Increase growth potential as retail group



Create joint committee toward business alliance

Send 2 outside directors



Produce synergy early



# Overseas Business

Jointly establish new company with StylingLife Holdings

## Outline of new company

Location:	Taipei, Taiwan	
Capital:	¥500 million	
Investment ratio:	J. Front Retailing	90%
	StylingLife Holdings	10%
Date of establishment:	Around summer 2012	
Line of business:	General merchandise retailing under new brand of Plaza	

Concentrate new openings in Taipei area  
(Plan to open first shop around spring 2013)

Subsequently consider new openings in Taichung, Kaohsiung and other cities in Taiwan and other Asian countries

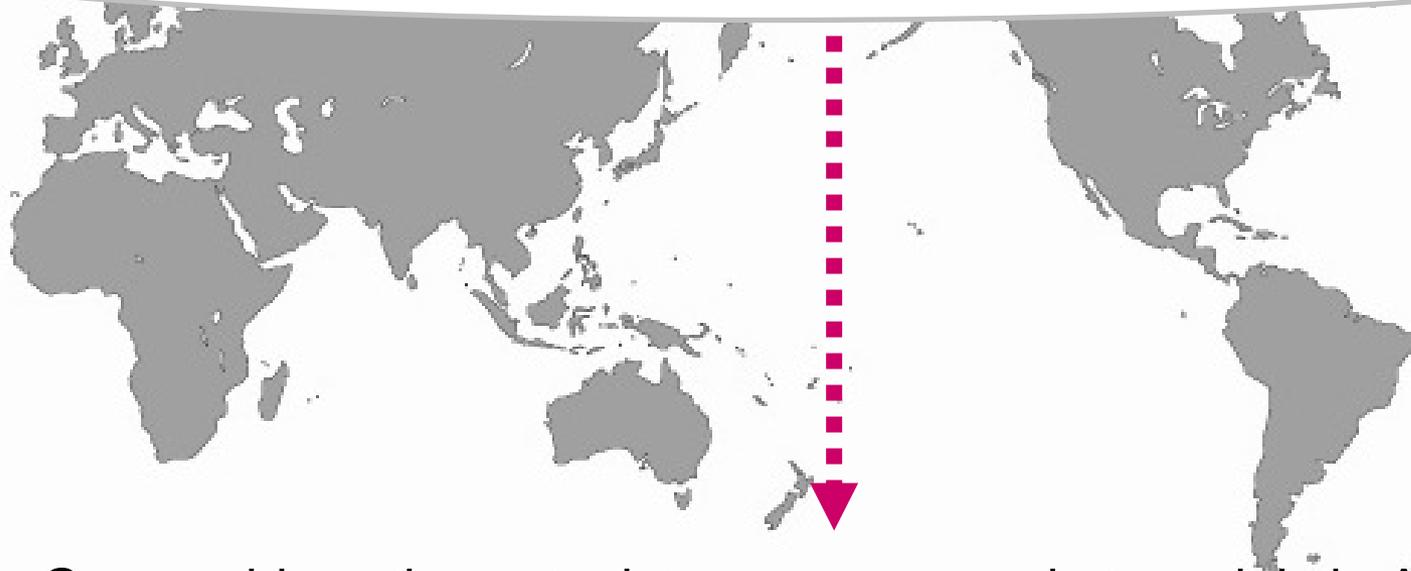
# Active Entry into Asian Markets

Jointly establish new company with SLH to launch Plaza business in Asia

Daimaru Kogyo established company in Thailand to expand business in ASEAN region

J. Front Design & Construction established representative office in China to accept orders for designing commercial facilities

Continue to study and consider opening department stores



Group-wide active entry into overseas markets mainly in Asia

<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.