
Results Presentation for 2Q of FY Ending February 2014



October 9, 2013

J. Front Retailing Co., Ltd.

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J. FRONT RETAILING

Today's Agenda

- I . 1H FY2013 Results
- II . 2H and Full FY2013 Forecast
- III . Actions to Achieve FY2013 Goals
- IV . Actions toward Medium-Term Growth

1H FY2013 Results

1H FY2013 Consolidated Results

- ▶ Sales, operating profit, ordinary profit and net profit were above initial forecast
- ▶ Recorded gain on sales of shares in Peacock Stores as extraordinary profit in 1Q
- ▶ Posted record 2Q sales, operating profit, ordinary profit and net profit since inception
- ▶ Interim dividend of ¥5 per share, up ¥0.5

(Millions of yen)

2Q of FY ending February 2014	Actual	YoY		Vs. initial forecast	
		Change	% change	Change	% change
Sales	558,693	101,571	22.2	8,693	1.6
Operating profit	17,925	8,769	95.8	2,425	15.6
Ordinary profit	16,893	5,886	53.5	3,193	23.3
Net profit	20,464	16,559	424.0	464	2.3
<FYI> Excluding Parco and Peacock Stores (below)					
Sales	427,567	20,798	5.1	10,067	2.4
Operating profit	12,078	2,476	25.8	1,778	17.3
Ordinary profit	11,149	1,267	12.8	2,449	28.1

1H FY2013 Segment Information

- ▶ Department Store Business increased sales and profits due to strong performance of Daimaru Matsuzakaya Department Stores and Hakata Daimaru
- ▶ Added Parco Business as new segment in 2H FY2012
- ▶ Wholesale and Credit Businesses both increased sales and profits
- ▶ Other Businesses increased profits while sales decreased due to rebound from last year's big renovation project of design and construction business

(Millions of yen)

2Q of FY ending February 2014	Sales		Operating profit	
	Actual	YoY (%)	Actual	YoY (%)
Department Store	373,864	4.4	8,685	33.9
Parco	131,261	—	5,846	—
Wholesale	31,182	20.6	558	17.6
Credit	4,370	4.3	1,452	25.4
Other	43,904	△4.7	1,541	6.4

- ▶ Big renovation to make flagship stores more competitive
 - Nagoya store
 - ⇒ Phase II renovation (full renovation of food floor)
- ▶ Replacement of brands, review of product mix and strengthening of *gaisho* (out-of-store sales) in response to changes in customer's value and lifestyle



(Millions of yen)

2Q of FY ending February 2014	Actual	YoY	
		Change	% change
Sales	330,638	15,332	4.9
Operating profit	7,527	2,011	36.5
Ordinary profit	6,688	1,719	34.6
Net profit	428	7	1.6

1H FY2013 flagship stores YoY sales change (%)	
Shinsaibashi	(1.0)
Umeda	(4.8)
Tokyo	35.6
Kyoto	0.7
Kobe	1.7
Sapporo	5.0
Nagoya	11.5
Ueno	(1.6)
Ginza	81.9

2H and Full FY2013 Forecast

2H FY2013 Consolidated Forecast

- ▶ Almost same as initial forecast for sales and profits
- ▶ Sales excluding Peacock Stores are expected to increase 2.4% YoY

(Millions of yen)

2H of FY ending February 2014	Forecast	YoY		Vs. initial forecast	
		Change	% change	Change	% change
Sales	601,306	(34,328)	(5.4)	1,306	0.2
Operating profit	24,574	2,873	13.2	74	0.3
Ordinary profit	23,106	1,911	9.0	(194)	(0.8)
Net profit	8,535	257	3.1	(465)	(5.2)

2H of FY ending February 2014	Sales		Operating profit	
	Actual	YoY (%)	Actual	YoY (%)
Department Store	395,935	1.0	14,214	18.6
Parco	140,338	1.8	6,153	4.3
Wholesale	36,817	7.3	1,341	20.0
Credit	4,829	9.7	1,397	(22.0)
Other	47,273	7.3	1,608	(7.8)

Full FY2013 Consolidated Forecast

- ▶ Expecting record sales, operating profit, ordinary profit and net profit since inception and ROE of 8.2%
- ▶ Year-end dividend will increase ¥0.5 per share and annual dividend will be ¥10, up ¥1

(Millions of yen)

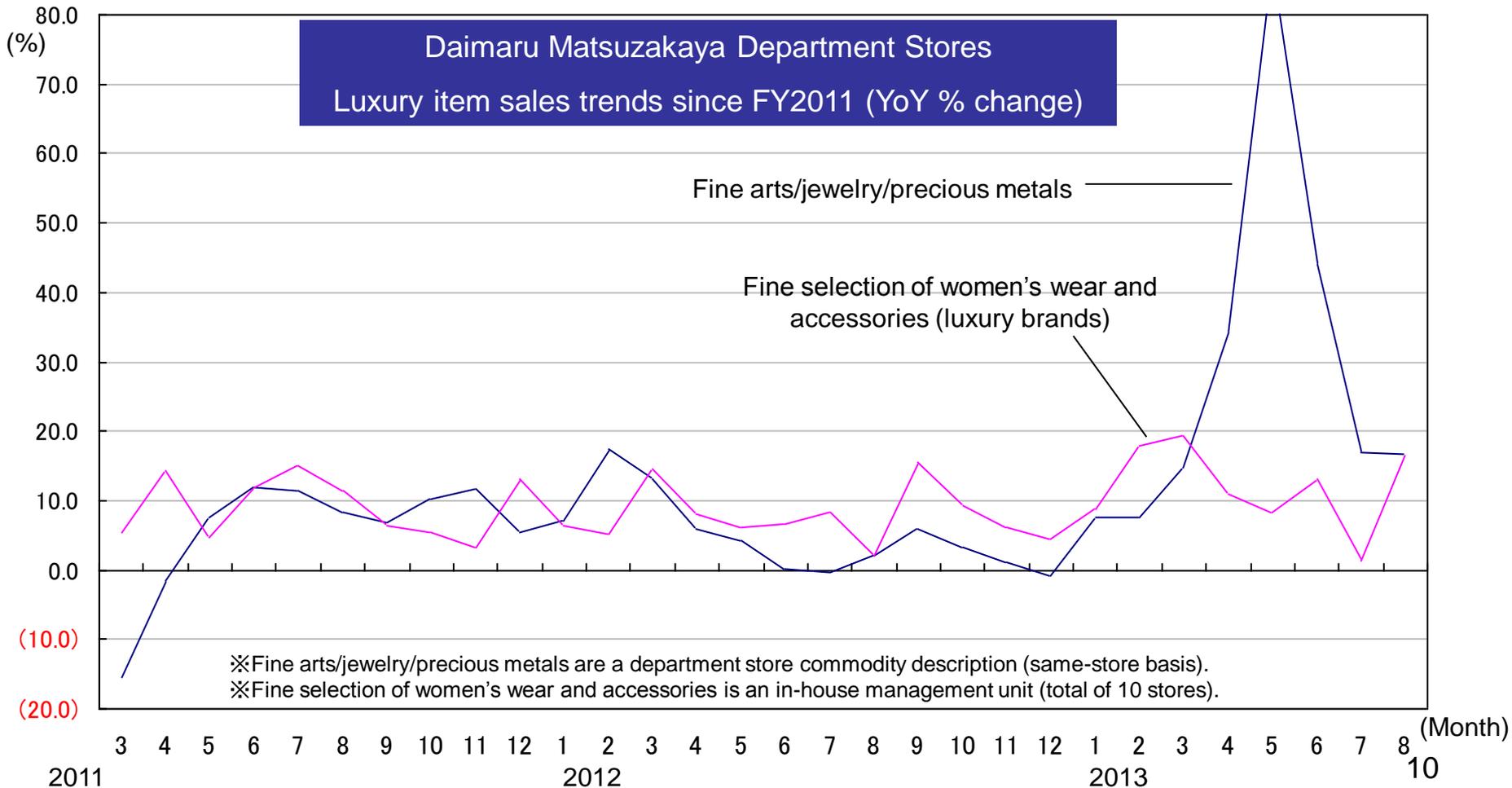
Full FY ending February 2014	Forecast	YoY		Vs. initial forecast	
		Change	% change	Change	% change
Sales	1,160,000	67,244	6.2	10,000	0.9
Operating profit	42,500	11,643	37.7	2,500	6.3
Ordinary profit	40,000	7,798	24.2	3,000	8.1
Net profit	29,000	16,817	138.0	0	0.0

Full FY ending February 2014	Sales		Operating profit	
	Actual	YoY (%)	Actual	YoY (%)
Department Store	769,800	2.6	22,900	23.9
Parco	271,600	97.0	12,000	103.5
Wholesale	68,000	13.0	1,900	19.3
Credit	9,200	7.1	2,850	(3.4)
Other	91,177	1.2	3,150	(1.4)

Actions to Achieve FY2013 Goals

Luxury Item Sales Trends

- ▶ Luxury items are in great demand
- ▶ Daimaru Matsuzakaya Department Stores increased sales of luxury brands 11.4% YoY and fine arts/jewelry/precious metals 36.9% YoY in 1H FY2013



Consumer behavior has been changing little by little
since the great earthquake in March 2011

“Consumers want to improve the quality of their current lives”

“Consumers are willing to pay for what has intrinsic value”



Increasing demand for what has great asset value and what can be passed down to children and grandchildren

Strengthening Product Mix in Response to Changes in the Wealthy

Umeda store

<2011>

- Expanded luxury and timepiece sections on the occasion of expansion of floor space

Tokyo store

<2012>

- Introduced luxury brands new to the store

Nagoya store

<2012>

- Strengthened already strong luxury zone in quality and quantity

Kobe store

<2013>

- Moved Hermes boutique from the 2nd floor of the main building to 1.5 times larger space on the 1st floor



Aiming to acquire 10,000 new *gaisho* accounts during FY2013

Acquired 4,100 *gaisho* accounts in 1H 2013

Changed *gaisho* cards to credit cards (September)



【Purposes】

- To improve convenience for customers
- To drastically improve screening skills

Adding the new rich in their 40s and 50s as new *gaisho* customers

Phase II Expansion of Tokyo Store

Expanded and made its grand opening on October 5, 2012 (46,000 m²/1.4 times larger)

Approach to wide range of customers
with concept of “department store with assortment of ‘current’ Tokyo”



Sales for Sep 2012 to Aug 2013: ¥65.7 billion (up 34.6% YoY / up ¥1.7 billion vs. goal)



<Points to increase profitability>

Comparatively low-margin expanded parts attract customer traffic and help boost sales in high-margin pre-existing parts

Efficient operation without adding headcount in spite of 40% increase of floor space



Operating profit exceeds expectation

Renovation of Nagoya Store

March – June 2013 (Phase II)

Renovation of food floors (grand opening on June 19)

Created Nagoya's number-one food zone "Gochiso Paradise"

Food sales increased 11.7% YoY in 1H FY2013

Food floors attracted customer traffic and helped boost sales of women's accessories and other floors renovated last year



Wider range of customers

Newly introduced Pokemon Center attracted much more customers with children

Children's wear sales increased 19.6% YoY

Overwhelming strength in the wealthy

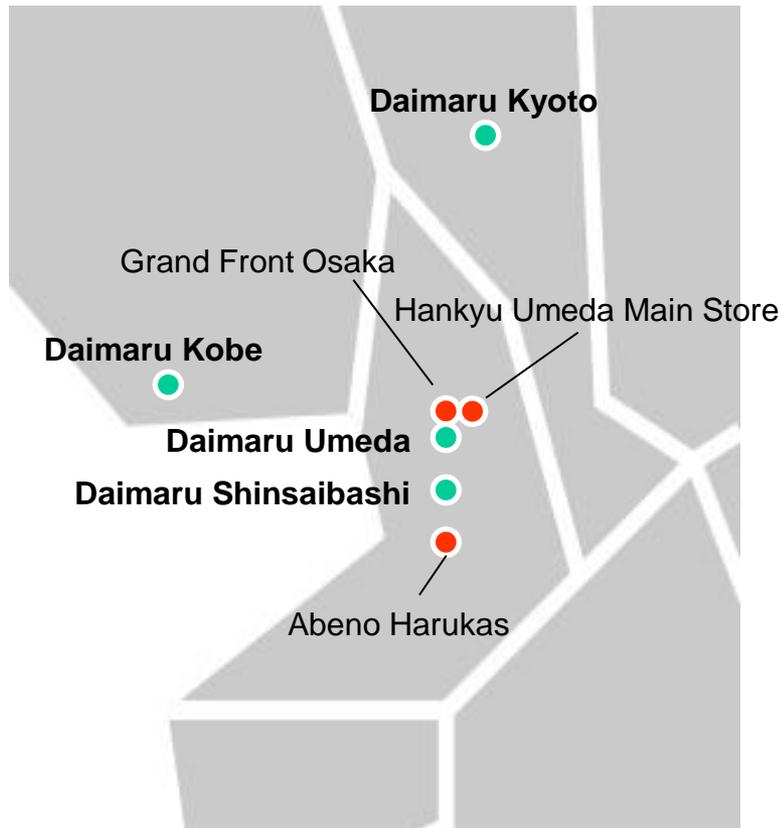
Sales of big-ticket goods greatly increased

Luxury brands: Up 12.7% YoY
Fine arts/jewelry/precious metals:
Up 54.9% YoY



For 1H FY2013, sales increased 11.5% YoY without an increase of floor space

Increasing competition in Keihanshin area



【Nov 2012】 Larger Umeda Hankyu opened



【Apr 2013】 Grand Front Osaka opened



【Jun 2013】 Abeno Harukas partially opened



Little impact on Kobe and Kyoto stores
Impact on total sales of Shinsaibashi and Umeda stores within expectations

Replacement of brands and stronger sales promotions will turn sales of Shinsaibashi and Umeda stores upward



Achievements in 1H FY2013

Introduced new goods, curated goods by season and increased goods all of which were purchased by Daimaru Matsuzakaya Department Stores

Sales increased 4.9% YoY

Sales margin increased 0.1 points YoY

Initiatives

Newly opened an independently curated accessories select shop “Woop Woop!”

(Mar) Daimaru Shinsaibashi/Umeda/Sapporo

(Sep) Ikebukuro Parco/Fukuoka Parco

(Oct) Matsuzakaya Nagoya

Group-wide review and reduction of operation costs and organization/HR structure reform

Total headcount of the Group

11,600 people ▪ Decreased 3,220 people compared
to the end of February 2013
(excl. decrease of 150 people of Peacock Stores)

Daimaru Matsuzakaya Department Stores

3,160 people ▪ Decreased 327 people compared
to the end of February 2013



The Group's total headcount forecast for the end of FY2013: 11,500 people
▪ Decreasing 110 people compared to the end of August 2013

The Group's Involvement with Society

Mission statements of J. Front Retailing's predecessors Daimaru and Matsuzakaya

“Service before profit” (Daimaru)

“In doing good to others, we do good to ourselves” (Matsuzakaya)

Based on time-honored mission statements,
we address 7 subjects in accordance with ISO 26000



Growing into a fair and reliable company forming an essential part of society 20

Women-friendly working environment that enables them to continue to work after childbirth

- Childbirth-related system ▪ ▪ Leave before and after childbirth, maternity protection leave and spouse childbirth leave
- Childcare-related system ▪ ▪ Childcare leave, reduced working hours system for childcare, childcare support leave and sick/injured child care leave

Assigning and promoting the right person to the right job regardless of gender and age

- Among 15 stores directly managed by Daimaru Matsuzakaya Department Stores, 4 stores have female store managers, among whom 3 are corporate officers



“Pink Ribbon Campaign 2013” (October 2 - 31)

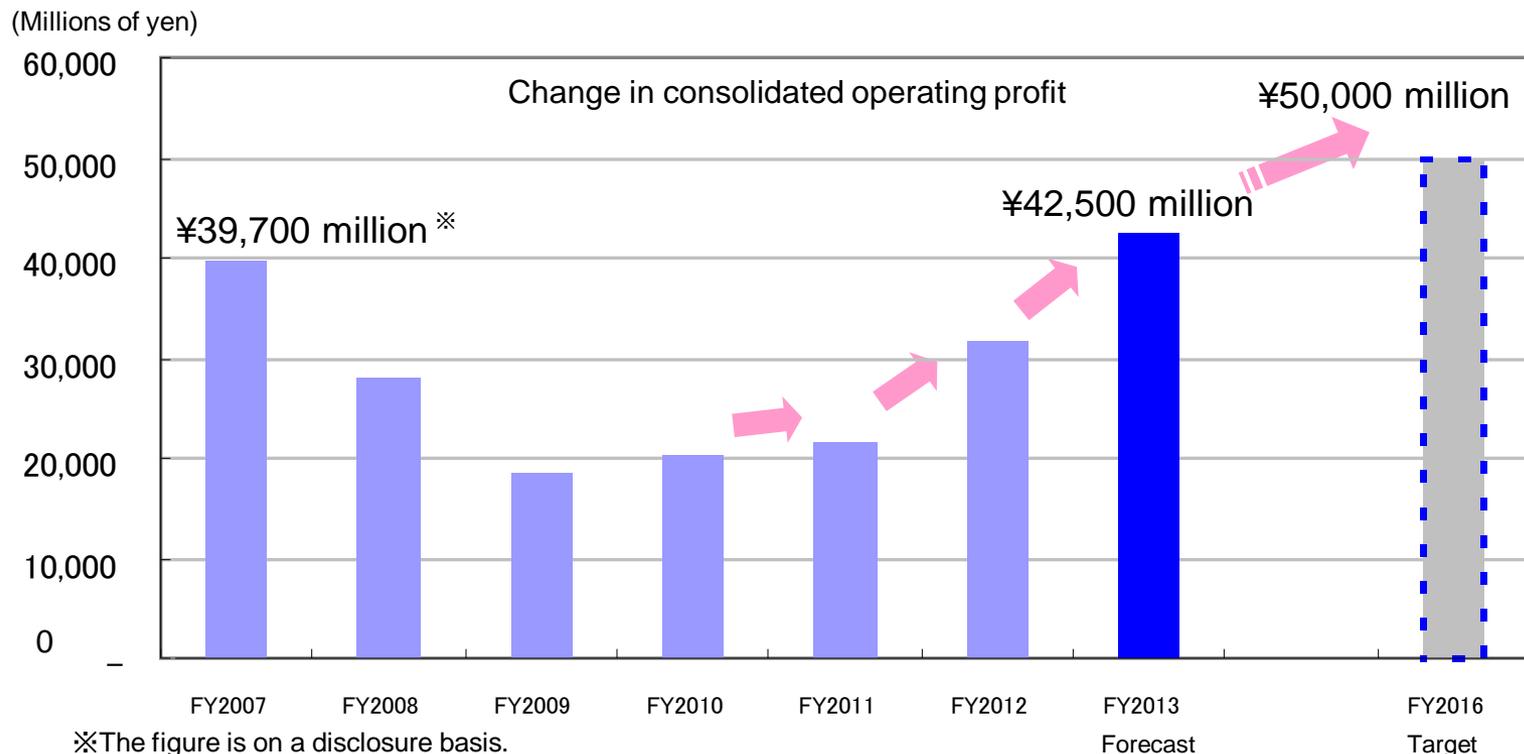
☆ Now underway at all 19 Daimaru/Matsuzakaya stores in Japan ☆

Actions toward Medium-Term Growth

For FY2013, achieving record profits since inception

Achieving operating profit of ¥50,000 million
in the next medium-term plan (FY2014-2016)

Developing growth strategy to achieve ROE of 8%



Attention to increasing potential of “cities”

Population is declining nationwide 



Population of senior people and child-rearing generation is remarkably increasing in “cities” 


Functions required for “cities” are sophisticated, diversified and complicated



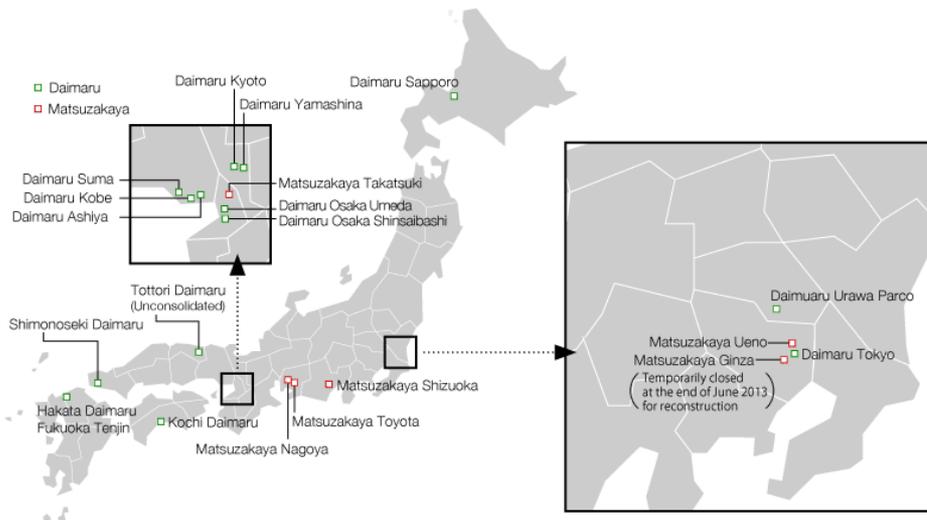
Business opportunities are coming

The Group with Advantage in “Cities”

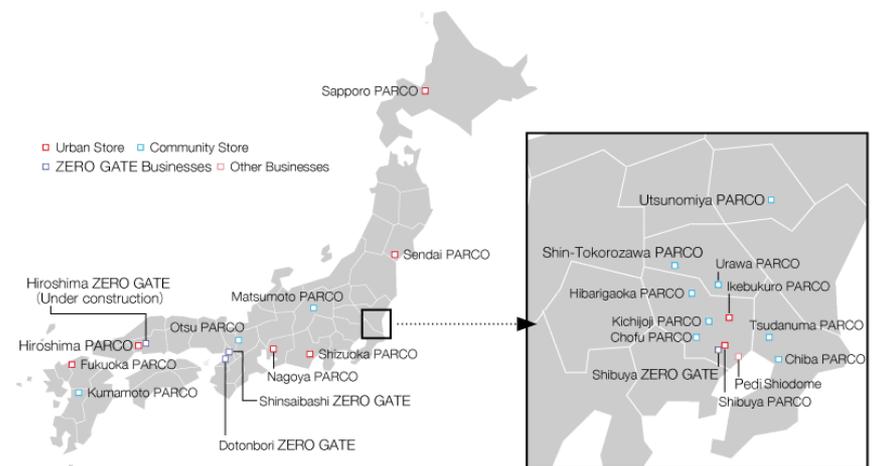
Management resources of core Department Store Business and Parco Business are concentrated in “cities”

Strengthening the response to “city” needs by full use of management resources

Daimaru/Matsuzakaya store locations



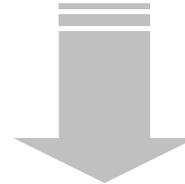
Parco store locations



<Current focused measures>

Seeking “what is expected of department stores”

Expansion of target customers / expansion of width of product mix / expansion of price range



<Medium-term task after expanding views>

Seeking “what is expected of ‘cities’”

Involving department stores, Parco and other companies of the Group
and organizations outside the Group



Transforming into an “omni-channel” retailer
moving seamlessly between physical stores and online ones

Active response to city needs



Contribution to city development



Creation of business model to profit from city development

Rebuilding the south wing of Matsuzakaya Ueno store into a commercial and office skyscraper complex



【Total floor area】
Approx. 42,000m²

【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

Ginza 6-chome Redevelopment Project

Development of combined 2 blocks of Ginza 6-chome district
including Matsuzakaya Ginza store



- Size : **【Land area】** 9,080m² (approx. 65% owned by Daimaru Matsuzakaya Department Stores)
【Total floor area of building】 147,600m²
【Construction】 13 floors above ground and 6 below
Store: 6 floors above ground and 2 below
- Schedule : Started demolition in July 2013 and scheduled for completion in 2017

Developing a new commercial complex
worthy of “world-renowned Ginza” to lead in providing information

Expanded reproduction of return

Innovation of
department store business model

Overseas projects

Redevelopment and new store openings

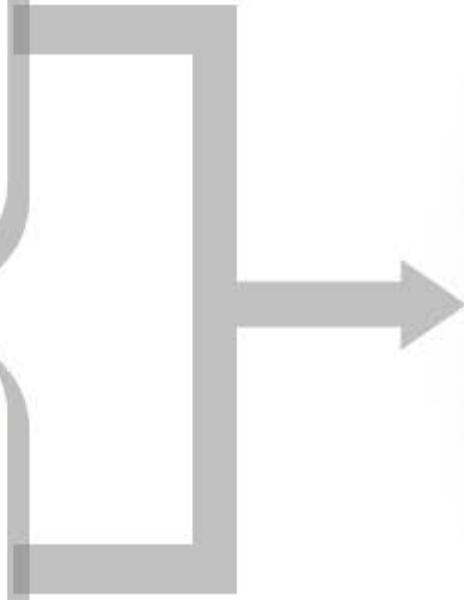
M&A and replacement of businesses

Active return to shareholders

Sustainable dividend increase
in view of profit level

Planning to pay FY2013 dividend of
¥10 per share

(Dividend increase for 3 consecutive years)



Increasing
ROE

Website

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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.