
Results Presentation for FY Ended Feb 2014 Medium-term Business Plan for FY 2014-16



April 11, 2014

J. Front Retailing Co., Ltd.

YAMAMOTO Ryoichi
President



J. FRONT RETAILING

Today's Agenda

- I . FY 2013 Results
- II . FY 2014 Forecast
- III . FY 2014-16 Medium-term Business Plan

FY 2013 Results

FY 2013 Consolidated Results

- ▶ Record high operating profit, ordinary profit and net profit since JFR's inception
- ▶ Ordinary profit and net profit above 2Q forecast. Operating profit over ¥40 bn.
- ▶ ¥1 higher year-end dividend than original forecast, up ¥2 YoY in total combined with interim dividend.

(Millions of yen)

FY ended Feb 2014	Actual	YoY		Vs. 2Q forecast	
		Change	% change	Change	% change
Sales	1,146,319	53,563	4.9	(13,681)	(1.2)
Operating profit	41,816	10,959	35.5	(684)	(1.6)
Ordinary profit	40,502	8,300	25.8	502	1.3
Net profit	31,568	19,385	159.1	2,568	8.9

FY 2013 Segment Information

- ▶ Department Store Business increased sales and profits due to strong sales of Daimaru Matsuzakaya Department Stores and Hakata Daimaru
- ▶ Parco Business (included in consolidation from 2H of FY ended Feb 2013) contributed full year
- ▶ Transferred all shares in Peacock Stores and excluded Supermarket Business from consolidation

(Millions of yen)

FY ended Feb 2014	Sales		Operating profit	
	Actual	YoY (%)	Actual	YoY (%)
Department Store	768,928	2.5	22,980	24.4
Parco	268,292	94.6	12,017	103.7
Wholesale	63,273	5.1	1,127	(29.2)
Credit	9,444	9.9	3,186	8.0
Other	88,576	(1.7)	2,961	(7.3)

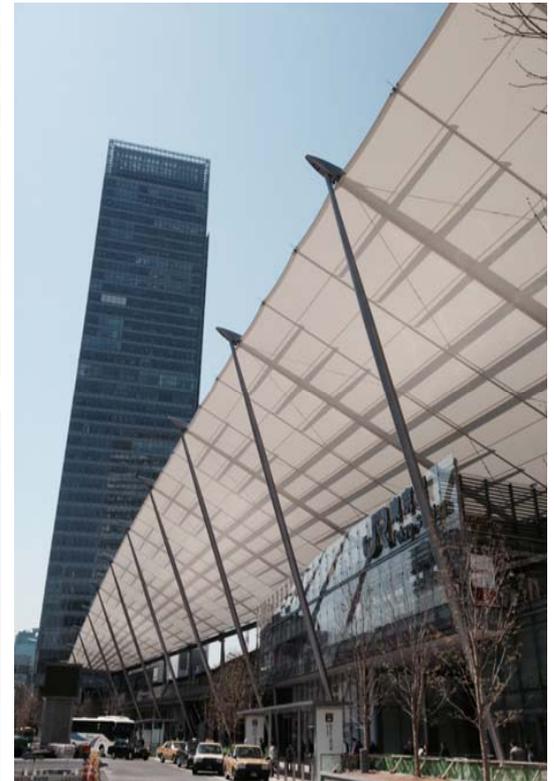
Nagoya store

- ▶ Effect of renovation of food floor spilled out to women's accessories and luxury brand floors.
- ▶ Active joint promotion with adjacent Nagoya Parco
- ▶ YoY sales growth of 9.7% without increasing floor space



Tokyo store

- ▶ YoY sales growth of 35.6% in 1H due to expansion in Oct 2012
- ▶ Remained positive in 2H offsetting backlash following robust sales at the time of reopening in the previous year
- ▶ Steadily gaining loyalty from new customers after store expansion



- ▶ Almost all stores including successfully renovated Nagoya and Tokyo stores increased sales YoY
- ▶ Strategically improved luxury and jewelry departments at flagship stores proved successful
- ▶ Achieved steady results by systematic company-wide measures to strengthen base of regular customers

(Millions of yen)

FY ended Feb 2014	Actual	YoY	
		Change	% change
Sales (all stores)	678,286	17,765	2.7
Sales (existing stores*)	668,731	27,857	4.3
Operating profit	19,658	4,196	27.1
Ordinary profit	18,008	3,818	26.9
Net profit	7,508	1,834	32.3

FY 2013 flagship stores YoY sales change (%)	
Shinsaibashi	1.3
Umeda	(2.0)
Tokyo	17.1
Kyoto	0.8
Kobe	2.9
Sapporo	5.0
Nagoya	9.7
Ueno	0.0

*Existing stores exclude LaLaport Yokohama, Shinnagata and Ginza stores.

FY 2014 Forecast

FY 2014 Consolidated Forecast

- ▶ Increase sales and profits in spite of recognition of severe business environment such as sales tax hike and closing of Ginza store
- ▶ Aim at the 5th consecutive YoY increase in and record levels of operating profit and ordinary profit
- ▶ Net profit is expected to decrease because gain on sales in Peacock Stores (¥18.4 bn) was recorded in the previous year.

(Millions of yen)

FY ending Feb 2015	1H forecast	YoY		Full year forecast	YoY	
		Change	% change		Change	% change
Sales	562,000	3,307	0.6	1,172,000	25,681	2.2
Operating profit	17,400	(525)	(2.9)	43,000	1,184	2.8
Ordinary profit	16,200	(693)	(4.1)	41,000	498	1.2
Net profit	6,600	(13,864)	(67.7)	19,000	(12,568)	(39.8)

FY 2014 Segment Information

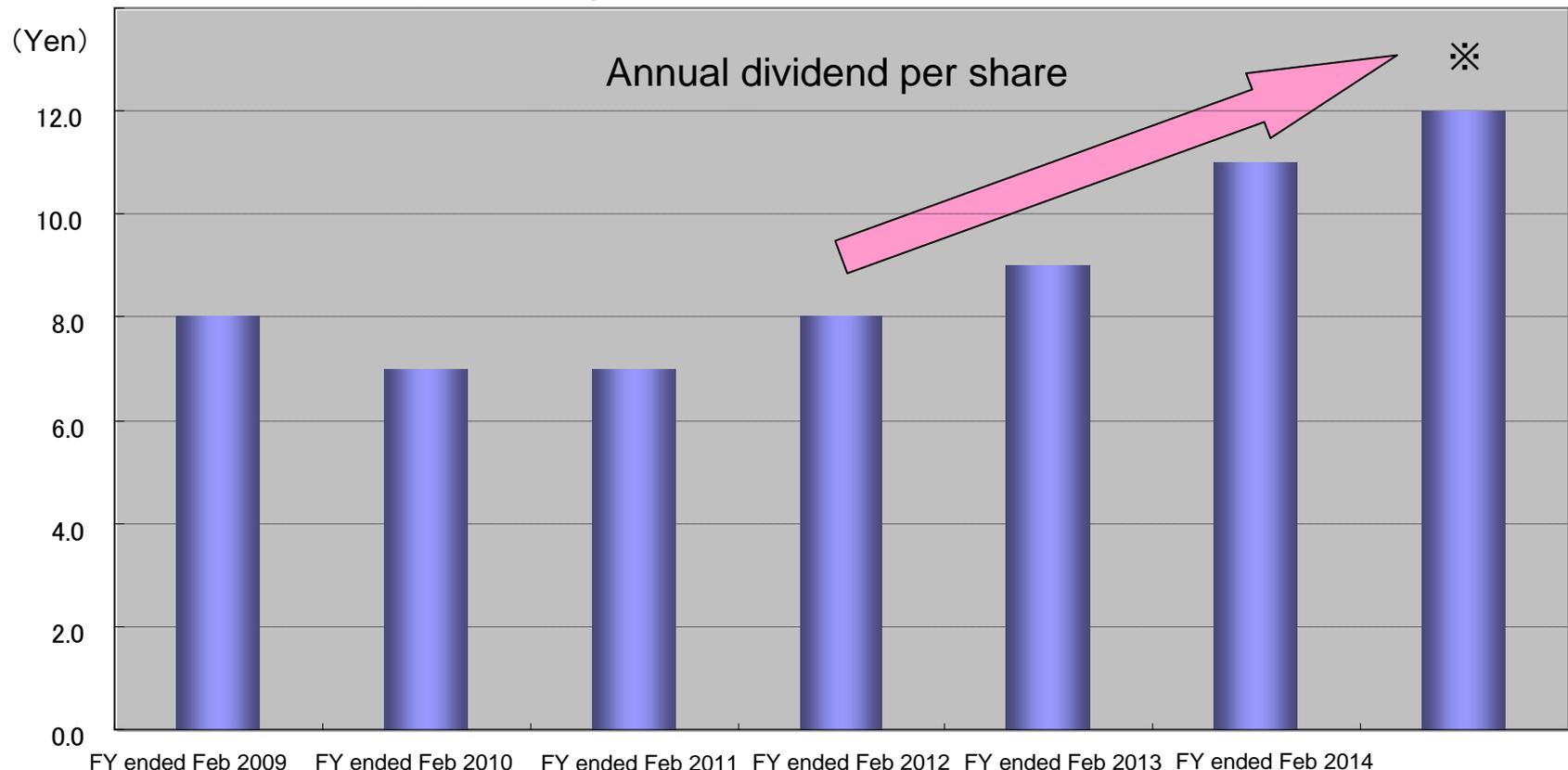
- ▶ Include effect of closing of Ginza store (down 1.4%) and sales tax hike (down 1.0%) in sales forecast of Daimaru Matsuzakaya (down 0.5%)
- ▶ Parco Business is expected to increase sales and profits due to opening of Nagoya Zero Gate and Fukuoka Parco new building
- ▶ For Other Businesses, Forest will be included in consolidation from 1H FY 2014

(Millions of yen)

FY ending Feb 2015	Sales				Operating profit			
	1H forecast	YoY (%)	Full year forecast	YoY (%)	1H forecast	YoY (%)	Full year forecast	YoY (%)
Department Store	364,700	(2.5)	766,600	(0.3)	8,000	(7.9)	24,000	4.4
Parco	134,200	2.2	277,300	3.4	6,000	2.6	12,050	0.3
Wholesale	32,800	5.2	67,200	6.2	600	7.4	1,200	6.4
Credit	5,000	14.4	10,100	6.9	1,690	16.4	3,370	5.8
Other	51,800	18.0	104,100	17.5	1,170	(24.1)	2,380	(19.6)

Four Consecutive Years of Dividend Growth

- ▶ Interim dividend for FY ending Feb 2015 is expected to be ¥6, up ¥1 YoY
- ▶ Year-end dividend is planned to be ¥12 per share due to share consolidation at a rate of one share for every two shares as of Sep 1
- ▶ On a pre-share consolidation basis, annual dividend will be ¥12, up ¥1 YoY, four consecutive years of growth



※Forecast for FY ending Feb 2015 is shown on a pre-share consolidation basis.

FY ending Feb 2015
(forecast)

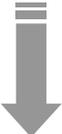
FY 2014-16 Medium-term Business Plan

Review of Previous Medium-term Plan (2011-13)



Sep 2007

Daimaru and Matsuzakaya integrated management to establish a holding company J. Front Retailing



Mar 2010

Completed integration by merging Daimaru and Matsuzakaya to establish Daimaru Matsuzakaya Department Stores



Objectives of management plan for FY 2011-13

Establishment of new department store model

Group-wide growth as multi-retailer

Establishment of new department store model



Expansion of target customers

Expansion of range of products
and prices in particular

Increase of management efficiency



Achieved through expansion of Umeda and Tokyo stores and renovation of Nagoya and other main stores

Growth as multi-retailer

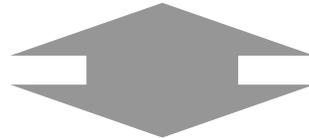
Made SLH an equity method affiliate (2011)



Made Parco a consolidated subsidiary (2012)



Made Forest a consolidated subsidiary (2013)



Sold Peacock Stores to change the business structure of the Group

Demographic shifts

Globalization

Sophisticated ICT

Intensified competition across categories of business and industry

Two-stage sales tax hike

Expansion of senior market

Expansion of consumer market targeting overseas visitors to Japan

Polarization of consumption



Successful adaptation to market changes will create great business opportunities

Two big projects are under way

Ginza area redevelopment project (Nov 2016)

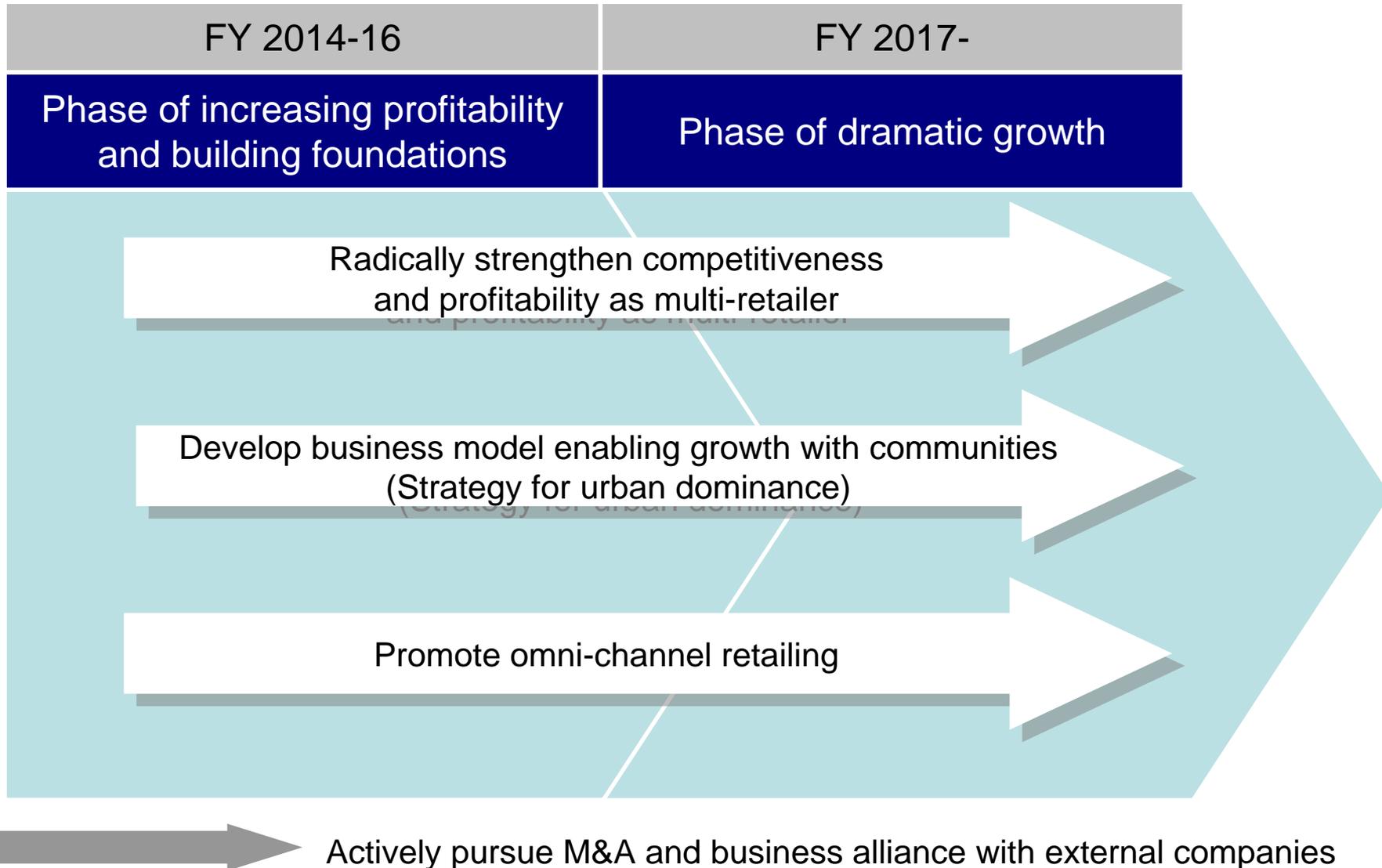


Ueno store south wing rebuilding project (fall 2017)



Negative factors due to the suspension of operations during the current medium-term business plan period

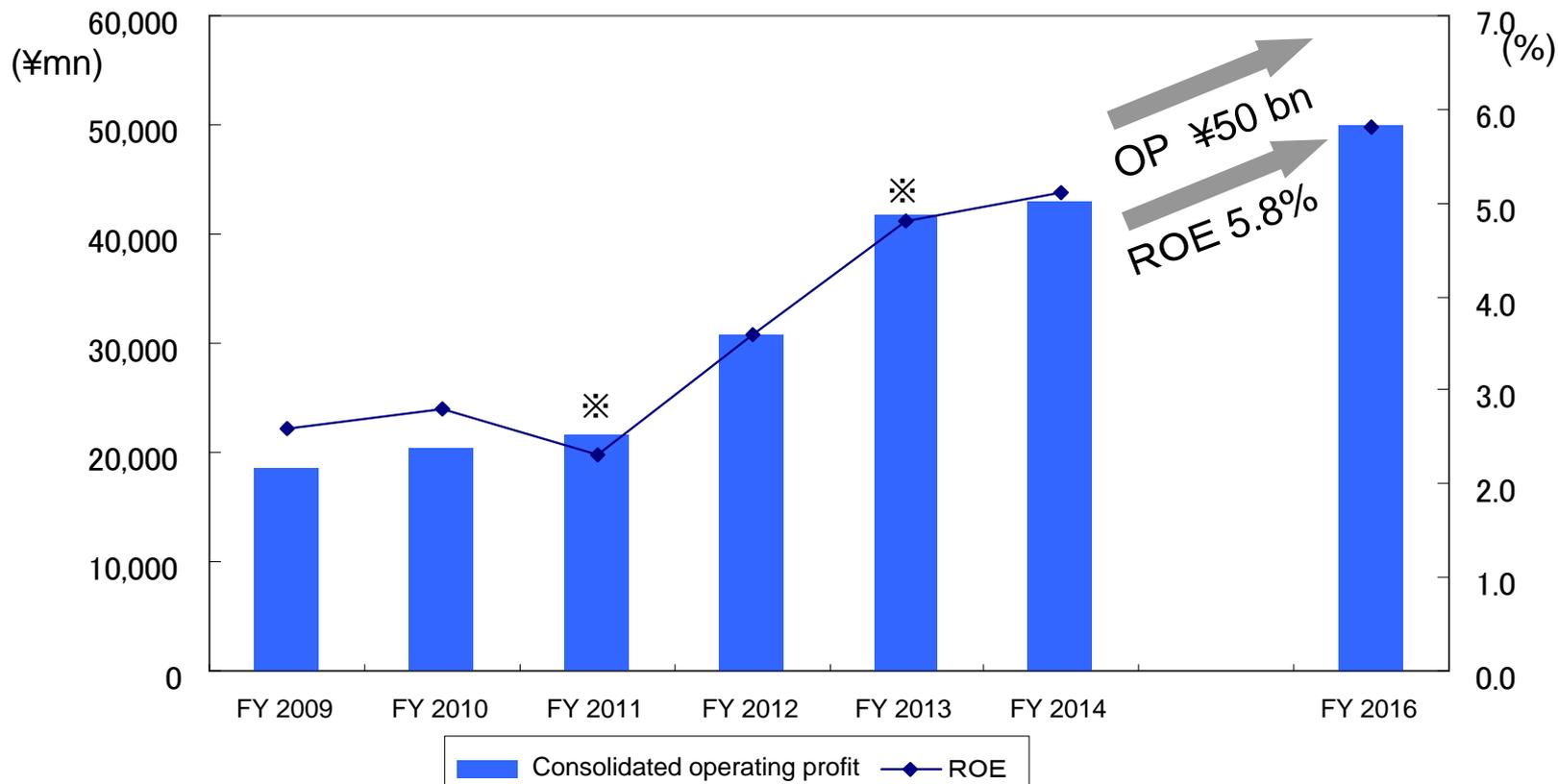
Positioning of FY 2014-16



Targets for FY2016, last year of the plan

Consolidated operating profit ¥50 bn

ROE 5.8%



*ROE for FY 2011 and FY 2013 is shown in real terms excluding special factors.

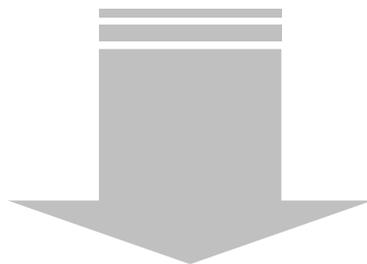
Targets for FY 2016 and comparison with FY 2013

(Millions of yen)

	FY 2016 target	FY 2013 actual	Change	%
Sales	1,200,000	1,146,320	53,680	4.7
Gross margin (%)	21.58	21.30	0.28	
Gross profit	259,000	244,130	14,870	6.1
SG&A	209,000	202,314	6,686	3.3
Operating profit	50,000	41,816	8,184	19.6
Department Store Business	28,500	22,980	5,520	24.0
Parco Business	13,300	12,017	1,283	10.7
Wholesale Business	1,400	1,127	273	24.2
Credit Business	4,000	3,187	813	25.5
Other Businesses/adjustments	2,800	2,505	295	11.8
Operating margin (%)	4.2	3.6	0.6	
ROE (%)	5.8	4.8 ※	1.0	
ROA (%)	4.8	4.2	0.6	

※ROE for FY 2013 is shown in real terms excluding special factors.

Create operating cash flows of ¥130 bn or more
during three years starting FY 2014



Growth investment of ¥110 bn
(including strategic M&A investment of ¥20 bn)

**Dividend payment with
consolidated payout ratio of 30% or more**

Department Store Business Strategy

— Making Stores More Competitive

Accelerate efforts to establish
“new department store model”

Make stores more competitive by implementing
regionally adapted store strategy

Selected priority stores

Tokyo



Kobe



Sapporo



Nagoya



Expand *gaisho* customer base and strengthen sales capabilities

Converted *gaisho* card to “credit card” (Sep 2013 -)



【Purposes of conversion to credit card】

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

Following FY 2013, enhance efforts to acquire new accounts mainly targeting the urban nouveau riche

Provide extensive values including new products and services to meet changing needs of affluent customers

Drastic rebuilding of original merchandising



<Points to be addressed>

Enhance product planning, inventory control and sales capabilities

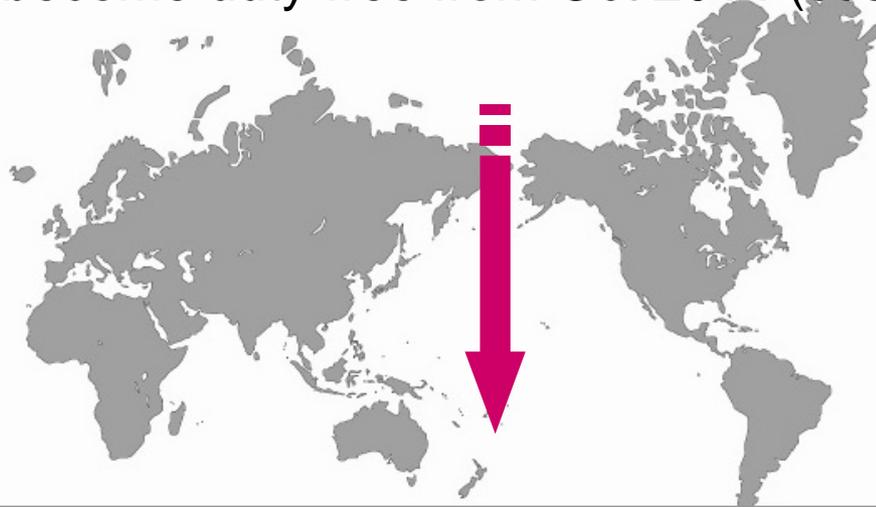
Renew product management system

Increase products to be all purchased by us and develop original products

Contribute to making stores more appealing and distinctive
Increase gross margin and sales share

Better serve tourists from overseas

- ▶ Same-store sales of duty-free products for FY 2013 almost doubled YoY
- ▶ More items will become duty-free from Oct 2014 (cosmetics, food, etc.)



Improve store environment

Enhance product line-up and services

Attract more customers using digital and overseas media

Actively opening new stores in urban areas
to strengthen business base



Parco

- Fall 2014 Open Fukuoka Parco new building
- Spring 2015 Expand Fukuoka Parco main building
- 2016 Aim to open Sendai new building



Zero Gate business

- Fall 2014 Open Nagoya Zero Gate
- Spring 2016 Open Sapporo Zero Gate
- Seven or more developments during 2014-16



Renovate approx. 15% of floor space every year

Focus on Credit Business and Staffing and Commissioned Sales Operations Business

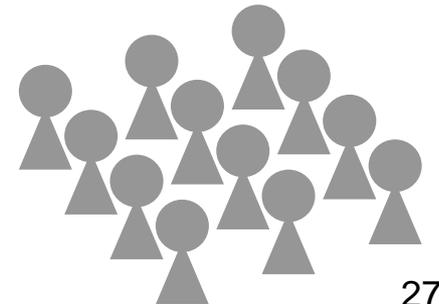
Credit Business

- ▶ Enhance efforts to acquire new accounts
- ▶ Encourage shift from reward cards for cash purchases to credit cards
- ▶ Increase external member stores and improve cardholder privileges



Staffing and Commissioned Sales Operations Business

- ▶ Use expertise cultivated through Department Store Business
- ▶ Increase profits outside the Group, mainly in highly specialized areas



Further promote efficient use of costs and assets

Enhancement of human productivity through
organizational and human resource reform

Reduction and efficient use of assets

Logistics reform



Group-wide improvement of management efficiency

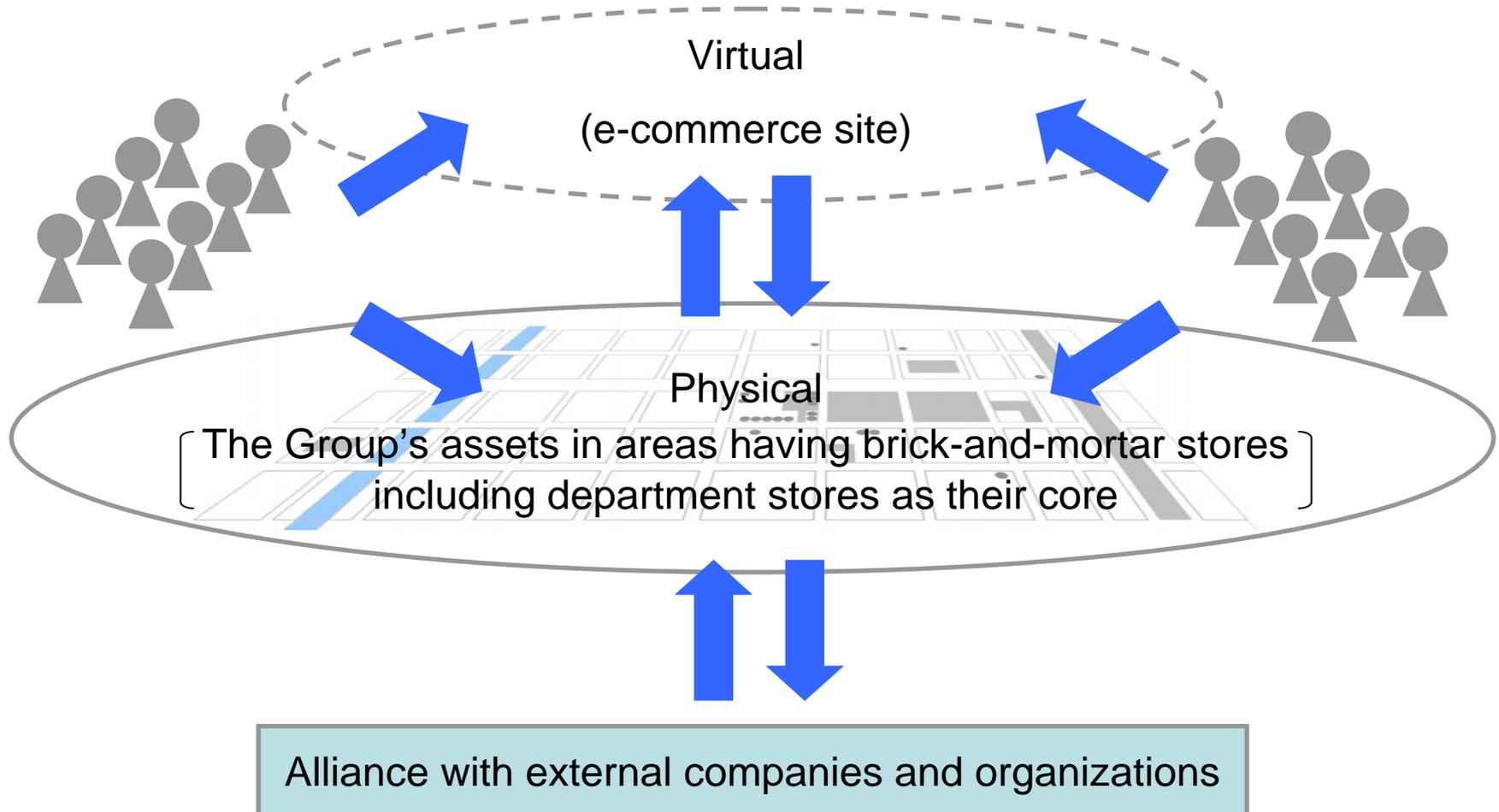
Strategy for Urban Dominance

Shinsaibashi, Kobe and Kyoto stores have “developed stores in their surroundings” to revitalize the areas where they operate



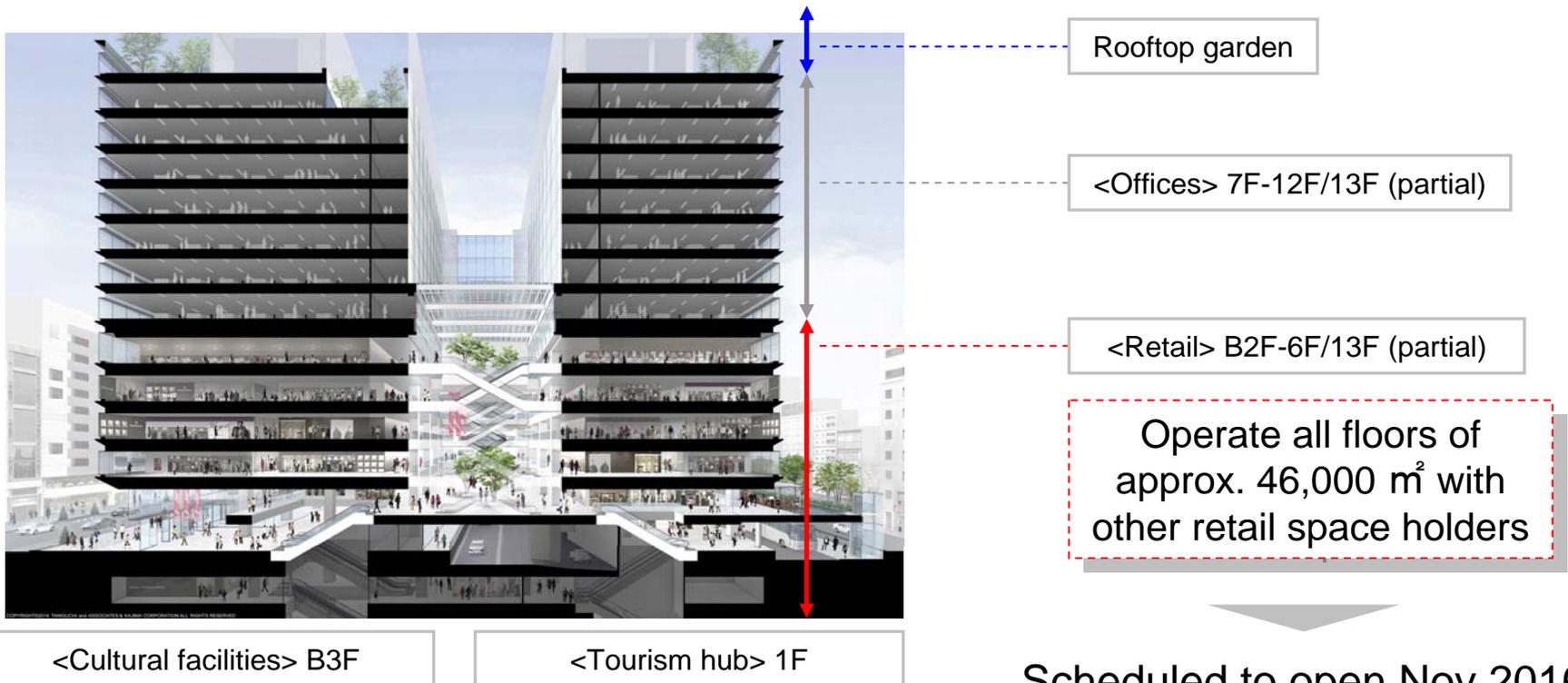
Strategy for Urban Dominance

Expand expertise to “develop shops around department stores”
and gather the Group’s total power



Create world class quality commercial facilities

Develop large-scale complex with retail facilities, offices, cultural facilities and tourism hub



Cross-section from B1F to rooftop (subject to changes)

Scheduled to open Nov 2016

Create new buzz in Okachimachi area, Ueno

Develop business model enabling contribution to local revitalization
with local people and growth with communities



【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 bn

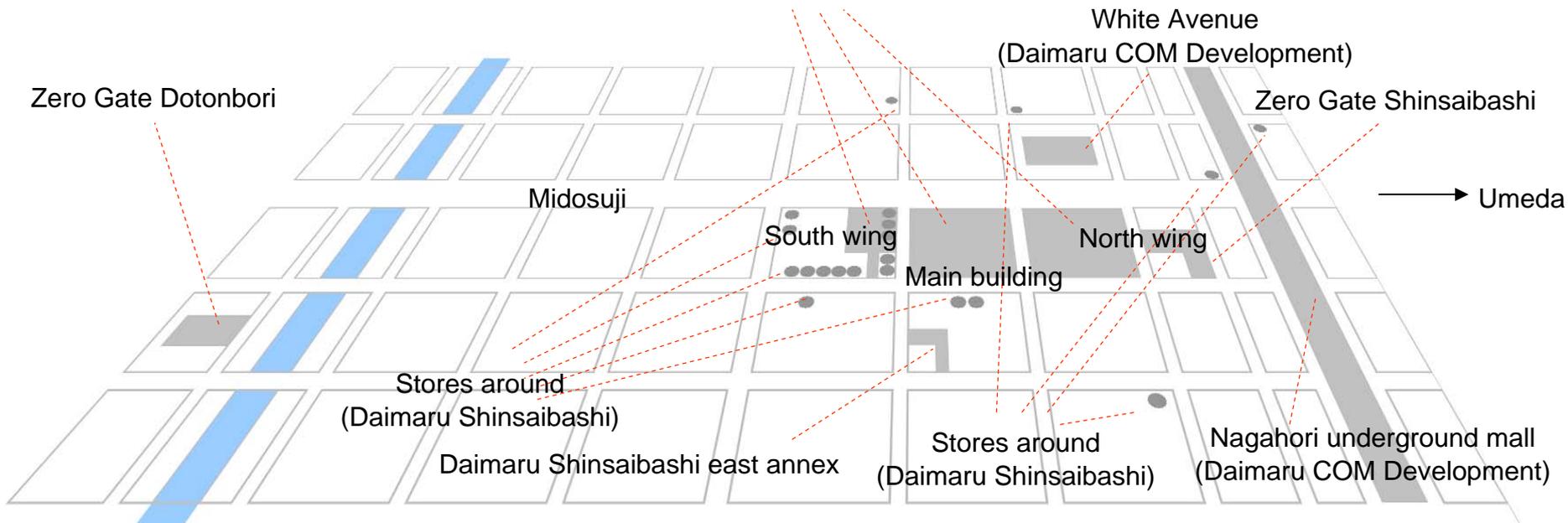
〔including cost of renovation-related work of
the main building of Matsuzakaya Ueno store〕

Scheduled to open in fall 2017

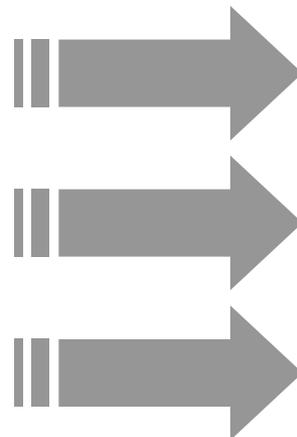
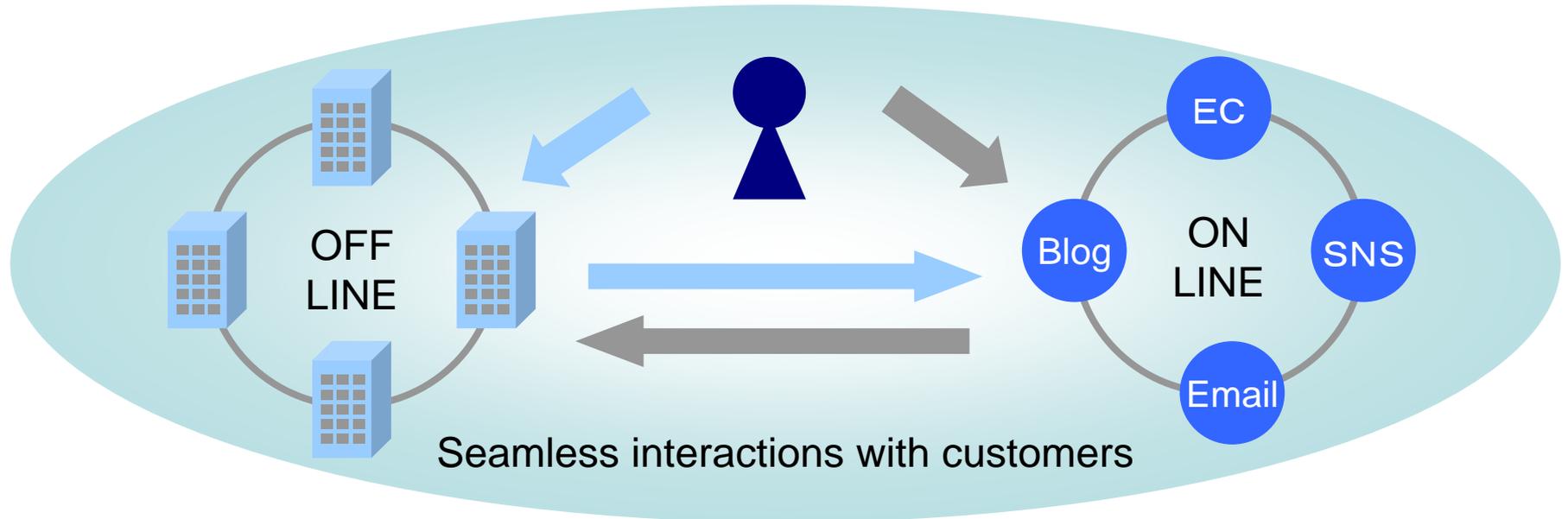
Radically increase competitiveness of Shinsaibashi area

Develop early the redevelopment project centered on department store and involving use of real estates and commercial facilities in its surroundings

Daimaru Shinsaibashi



Beef up efforts to create our own omni-channel model



Expand product line-up, suppliers and coverage

Add new initiatives

Use Forest's expertise

Organizations full of creativity and spirit of challenge

Provide employees with opportunities to challenge
Create system under which those who challenge high goals are recognized
Active recruitment from outside

Diversity management

Meet diversifying customer needs
Make workforce diversity a source of competitiveness
In particular, promote the involvement and appointment of women

Compliance management and CSR management



Contribute to society at large as a fair and reliable company,
as well as ensuring legal compliance

Website

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

facebook

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



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.