
Results Presentation for Fiscal Year Ended February 2015

April 10, 2015

J. Front Retailing Co., Ltd.

YAMAMOTO Ryoichi, President



J. FRONT RETAILING



Today's Agenda

- I . FY2014 Results
- II . FY2015 Forecast
- III . Initiatives to Achieve FY2015 Profit Target
- IV . Initiatives toward Medium-Term Growth
- V . Initiatives to Improve ROE and Promote Corporate Governance

FY2014 Results

FY2014 Consolidated Results



- ▶ Operating profit increased for the 5th consecutive year, marking a record high since J. Front Retailing's inception
- ▶ Operating/ordinary profits fell below October forecast due to the unexpectedly prolonged effect of sales tax hike
- ▶ Annual dividend of ¥25 per share, up ¥3 YoY (on a post-share consolidation basis*)

(Millions of yen, %)

Fiscal year ended February 2015	Results	YoY		Vs. October forecast	
		Change	% change	Change	% change
Sales	1,149,529	3,210	0.3	(11,471)	(1.0)
Gross profit	243,663	(467)	(0.2)	(3,337)	(1.4)
SG&A	201,572	(741)	(0.4)	(2,428)	(1.2)
Operating profit	42,091	275	0.7	(909)	(2.1)
Ordinary profit	40,404	(98)	(0.2)	(596)	(1.5)
Net profit	19,918	(11,650)	(36.9)	918	4.8

*Common shares were consolidated in the ratio of one share for every two shares as of September 1, 2014.

FY2014 Segment Information

- ▶ Department Store Business decreased sales due to the termination of the operation of Ginza store and the reduced floor area of Ueno store but increased profits thanks to cost reduction
- ▶ Parco Business increased sales and profits due to the opening of new building of Fukuoka Parco and Nagoya Zero Gate
- ▶ Other Businesses increased sales due to newly consolidated Forest but decreased profits due to the decreased external transactions of JFR Information Center

(Millions of yen, %)

Fiscal year ended February 2015	Sales				Operating profit			
	Results	YoY change	Vs. October forecast		Results	YoY change	Vs. October forecast	
			Change	% change			Change	% change
Department Store	759,866	(1.2)	(5,534)	(0.7)	23,115	0.6	(885)	(3.7)
Parco	274,212	2.2	(2,088)	(0.8)	12,255	2.0	105	0.9
Wholesale	59,371	(6.2)	(2,829)	(4.5)	1,067	(5.3)	(33)	(3.0)
Credit	10,381	9.9	51	0.5	3,424	7.5	14	0.4
Other	97,298	9.8	(1,302)	(1.3)	2,418	(18.3)	(22)	(0.9)

Implemented various measures to minimize sales tax hike effect

Improved store prowess

Kyoto store

- ⇒ Renovated food floor to attract more customers
- Opened Tokyu Hands nearby to broaden customer base

Sapporo store

- ⇒ Strengthened luxury including Chanel boutique



Strengthened *gaisho* sales

Stepped up efforts to acquire new accounts while strengthening sales promotion such as events

Strengthened sales to inbound tourists

With duty-free expansion, improved environment and services to better cater to inbound tourists

FY2014 Daimaru Matsuzakaya Department Stores

- ▶ 7 flagship stores increased sales YoY but the termination of operation of Ginza store and the reduced floor area of Ueno store greatly affected
- ▶ Recovery of sales compared to forecast from sales tax hike effect slowed later in the year
- ▶ In spite of sluggish sales, operating profit exceeded ¥20 billion thanks to thorough cost management

(Millions of yen, %)

Fiscal year ended February 2015	Results	YoY		Vs. October forecast	
		Change	% change	Change	% change
Sales (all stores)	671,767	(6,519)	(1.0)	(3,333)	(0.5)
* Sales (excl. Ginza/Ueno)	—	8,822	1.4	—	—
Gross profit	158,273	(3,140)	(1.9)	(1,427)	(0.9)
SG&A	138,219	(3,536)	(2.5)	(781)	(0.6)
Operating profit	20,053	395	2.0	(647)	(3.1)
Ordinary profit	18,321	313	1.7	(279)	(1.5)
Net profit	11,759	4,251	56.6	1,659	15.1

*Ginza store terminated its operation for redevelopment at the end of June 2013 and Ueno store reduced floor area by approximately 40% for the rebuilding of south wing on March 12, 2014.

FY2015 Forecast

FY2015 Consolidated Forecast

- ▶ Not optimistic in spite of an outlook that consumption will pick up with improved employment situation and an increase in real wages
- ▶ The situation including the effect of rising prices and the recovery trend of local economy does not allow optimism
- ▶ Expect operating profit to increase for the 6th consecutive year, marking a record high since J. Front Retailing's inception
- ▶ Expect to pay annual dividend of ¥26 per share, increasing for the 5th consecutive year

(Millions of yen, %)

Fiscal year ending February 2016	1H forecast	YoY		Full year forecast	YoY	
		Change	% change		Change	% change
Sales	571,000	13,375	2.4	1,177,000	27,471	2.4
Gross profit	120,900	1,922	1.6	248,800	5,137	2.1
SG&A	101,400	828	0.8	203,800	2,228	1.1
Operating profit	19,500	1,094	5.9	45,000	2,909	6.9
Ordinary profit	17,900	(9)	(0.1)	42,500	2,096	5.2
Net profit	16,500	8,699	111.5	28,000	8,082	40.6

FY2015 Segment Information

- ▶ Expect Department Store Business to increase sales and profits due to the growth of Daimaru/Matsuzakaya flagship stores and the renovation effect of Hakata Daimaru
- ▶ Expect Parco Business to increase sales and profits due to the full operation of the new building of Fukuoka Parco and its floor expansion effect
- ▶ Expect Credit Business and Other Businesses to turn profits upward in 2H

(Millions of yen, %)

Fiscal year ending February 2016	Sales				Operating profit			
	1H forecast	YoY change	Full year forecast	YoY change	1H forecast	YoY change	Full year forecast	YoY change
Department Store	372,600	1.1	767,200	1.0	10,000	14.9	25,600	10.8
Parco	140,900	5.8	290,300	5.9	6,400	3.4	12,600	2.8
Wholesale	28,500	0.6	60,000	1.1	530	4.7	1,200	12.5
Credit	5,300	1.3	11,000	6.0	1,600	(10.7)	3,450	0.8
Other	48,500	0.9	101,300	4.1	1,150	(6.1)	2,700	11.8

Daimaru Matsuzakaya Department Stores

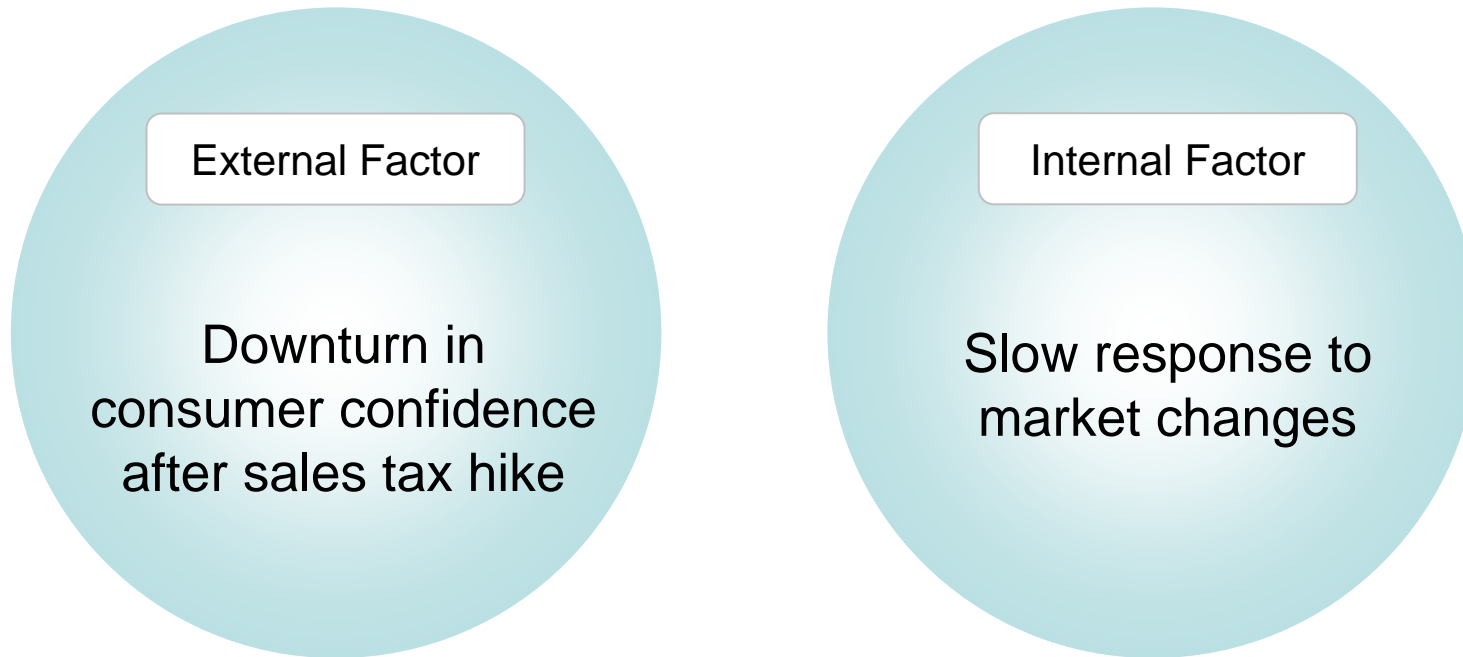
- ▶ Sales are expected to increase at all 9 flagship stores excluding suburban stores by 0.9%
- ▶ Access to Tokyo store will improve dramatically and Nagoya store will begin one-year big renovation this spring
- ▶ Expect double-digit profit growth due to an increase in gross profit resulted from sales growth and the reduction of costs including labor costs and advertising expense

(Millions of yen, %)

Fiscal year ending February 2016	1H forecast	YoY		Full year forecast	YoY	
		Change	% change		Change	% change
Sales	329,800	4,174	1.3	677,900	6,133	0.9
Gross profit	77,900	755	1.0	159,700	1,427	0.9
SG&A	68,900	(670)	(1.0)	137,200	(1,019)	(0.7)
Operating profit	9,000	1,426	18.8	22,500	2,447	12.2
Ordinary profit	8,100	818	11.2	20,500	2,179	11.9
Net profit	4,700	831	21.5	11,000	(759)	(6.5)

Initiatives to Achieve FY2015 Profit Target

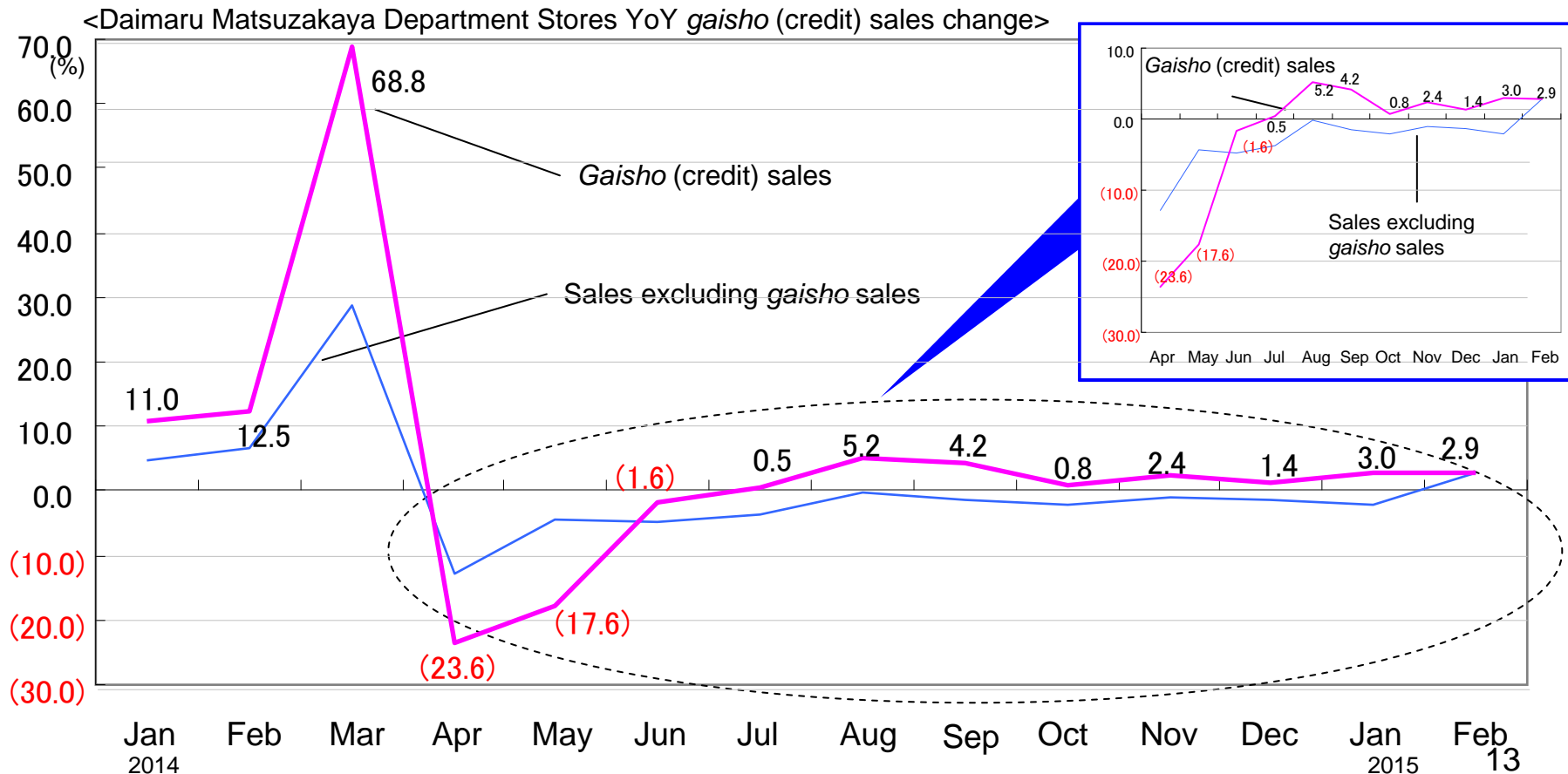
Factors behind the Sluggish Performance of Department Stores



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Polarization of Consumption

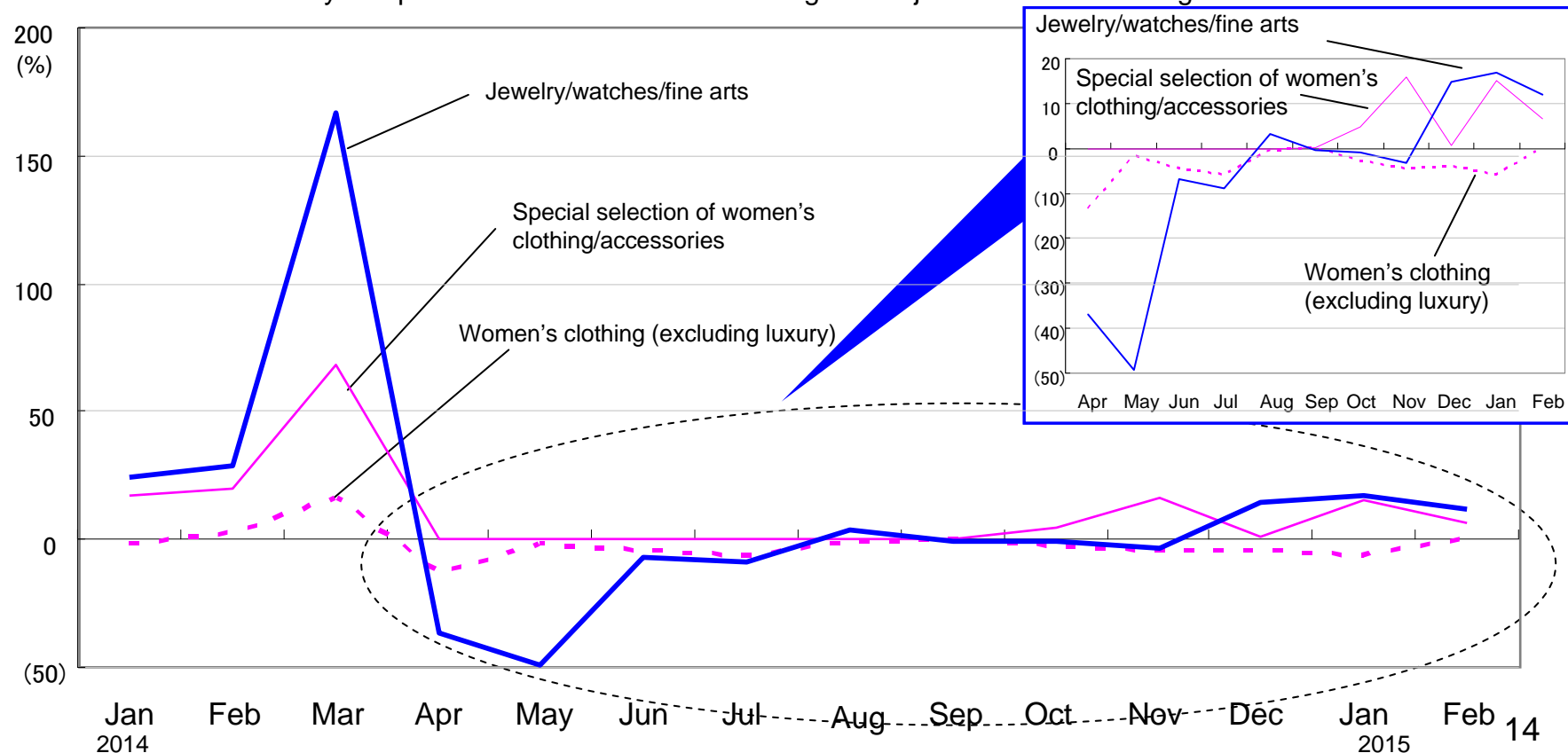
- ▶ *Gaisho* (credit) sales recovered fast after sales tax hike, already turned positive in July and remained positive even in January and February 2015, when there was a high bar because of previous year's last-minute demand
- ▶ Sales excluding *gaisho* (credit) sales remained negative until January 2015 after sales tax hike in April



Consumption Trend of Big-Ticket Items

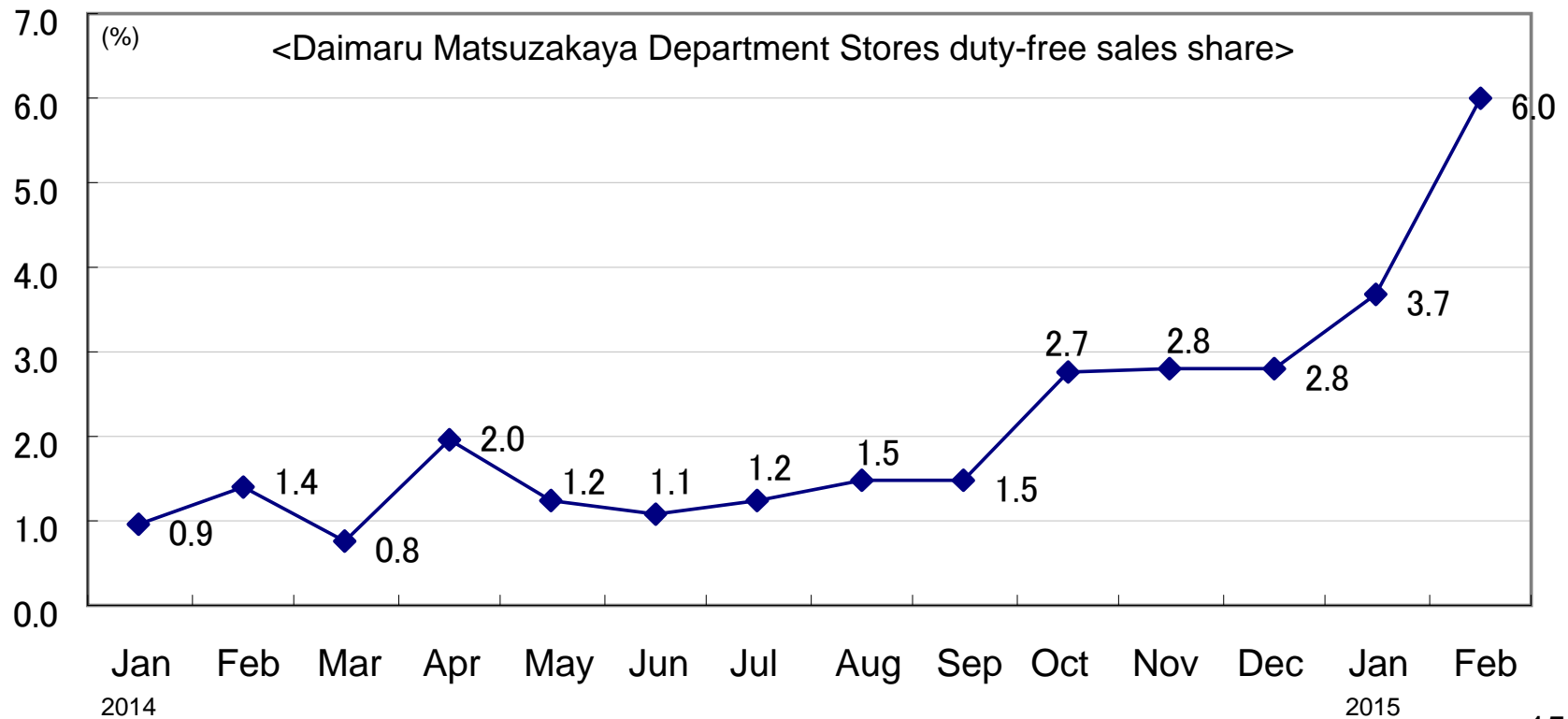
- ▶ Luxury sales remained positive since 2H in spite of price hike
- ▶ Expensive imported watch sales increased steadily both in unit price and quantity and remained strong
- ▶ Women's volume clothing sales excluding luxury were sluggish, greatly affected by a decrease in quantity

<Daimaru Matsuzakaya Department Stores YoY sales change of major merchandise categories>



Consumption Trend of Inbound Tourists

- ▶ Duty-free sales grew at an accelerated rate and duty-free sales share increased to 2.3% in FY2014
- ▶ Duty-free sales share was 3.2% in 2H when duty-free list was expanded
- ▶ Sales drastically increased 3.7-fold YoY during the Chinese Lunar New Year



Globalization

Shift to more casual lifestyles

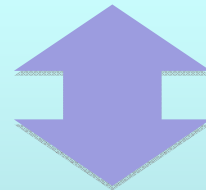
Diversified choices/changing values



Big fashion trend is hard to arise
Sluggish sales of medium-priced (volume) items



Shrinkage of inefficient sales space/shops



Expansion of strong sales space/
introduction of new categories

Focus (1) – Concrete Examples for FY2015 J. FRONT RETAILING



Focus (2) – Strengthen *Gaisho* Sales

Expand customer base



Dedicated team mainly reached the new rich in urban areas

New accounts opened in FY2014: 12,000

New account opening target for FY2015: 14,000

Strengthen sales capabilities

- Expand sales on “the *gaisho* customer-only EC site,” which was experimentally introduced at Nagoya store, into all stores
- Strengthen merchandising to meet the changing needs of the wealthy and plan more attractive events

Sales target for FY2015: ¥152 billion (up ¥7 billion)

Focus (3)—Strengthen Sales to Inbound Tourists

- ▶ 13 million foreigners visited Japan in 2014 and more than 15 million are expected to visit in 2015
- ▶ Our duty-free sales exceeded ¥15.1 billion in FY2014 (up 136% YoY)



Develop new sales space for foreign visitors to Japan/improve services and environment

Collaborate with travel agents, hotels and transportation hubs in Japan and overseas

Attract customers from China using Shanghai New World Daimaru Department Store, which is scheduled for grand opening in May

Sales target for FY2015: ¥25 billion (up ¥10 billion)

Strengthen Original Merchandising and Improve Profit Margin

Drastic rebuilding of original merchandising



Expand product selection



Developed “Better Zone” with higher prices/grades at Kyoto store

Expand sales space



Expanded women’s accessories space by 30% at Sapporo store

Expand sales opportunities



Omnichannel approach through online sales and events outside stores



Increase contribution to improving profit margin on a company-wide basis by increasing sales and profit margin



Set up a company-wide “Profit Margin Improvement Project” to speed up the PDCA cycle 20

Establish a new department store model

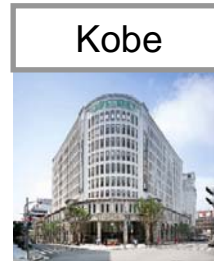
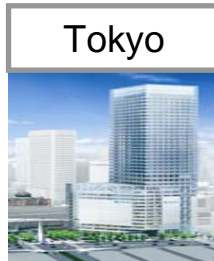
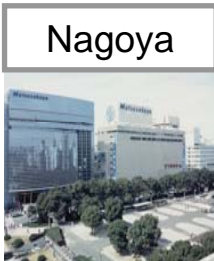
New business model combining attractive stores favored by a wide range of customers with highly efficient business operations



Clarify market and customers in each area

Implement regionally tailored store strategy and strengthen competitiveness

Positioned four stores as priority stores and greatly increase profits



Priority Store (1) Matsuzakaya Nagoya

Overhaul the positioning of 3 buildings to attract more customers and improve floor efficiency



One-year big renovation of 30% of total sales floor area

Spring 2015

- ▶ Rearrange women's shoes/bags on 2nd basement floor directly connected to the subway station passage
- ▶ Nagoya's largest selection of large-size young/middle-aged women's clothing
- ▶ Create "Good Age Salon" for active seniors

Fall 2015 and beyond

- ▶ Introduce new categories that can attract many customers
- ▶ Consider expanding and rearranging men's clothing zone



Drastic reform of earnings structure including HR structure

Priority Store (2) Daimaru Tokyo

Sustainable growth by making maximum use of improved access



- ▶ Hokuriku Shinkansen and Ueno Tokyo Line opened (March)
- ▶ High-rise office building will be completed nearby (scheduled for fall 2015)
- ▶ Much room to incorporate demand from inbound tourists



Strengthen men's clothing and accessories,
which are the strength of the store

Expand women's accessories area

Reconstruct women's clothing area
on middle floors

Improve Management Efficiency

Further improve human productivity by streamlining department store HQ, etc.

Reduce advertising expense by reviewing loyalty point policy

Rationalize real estate

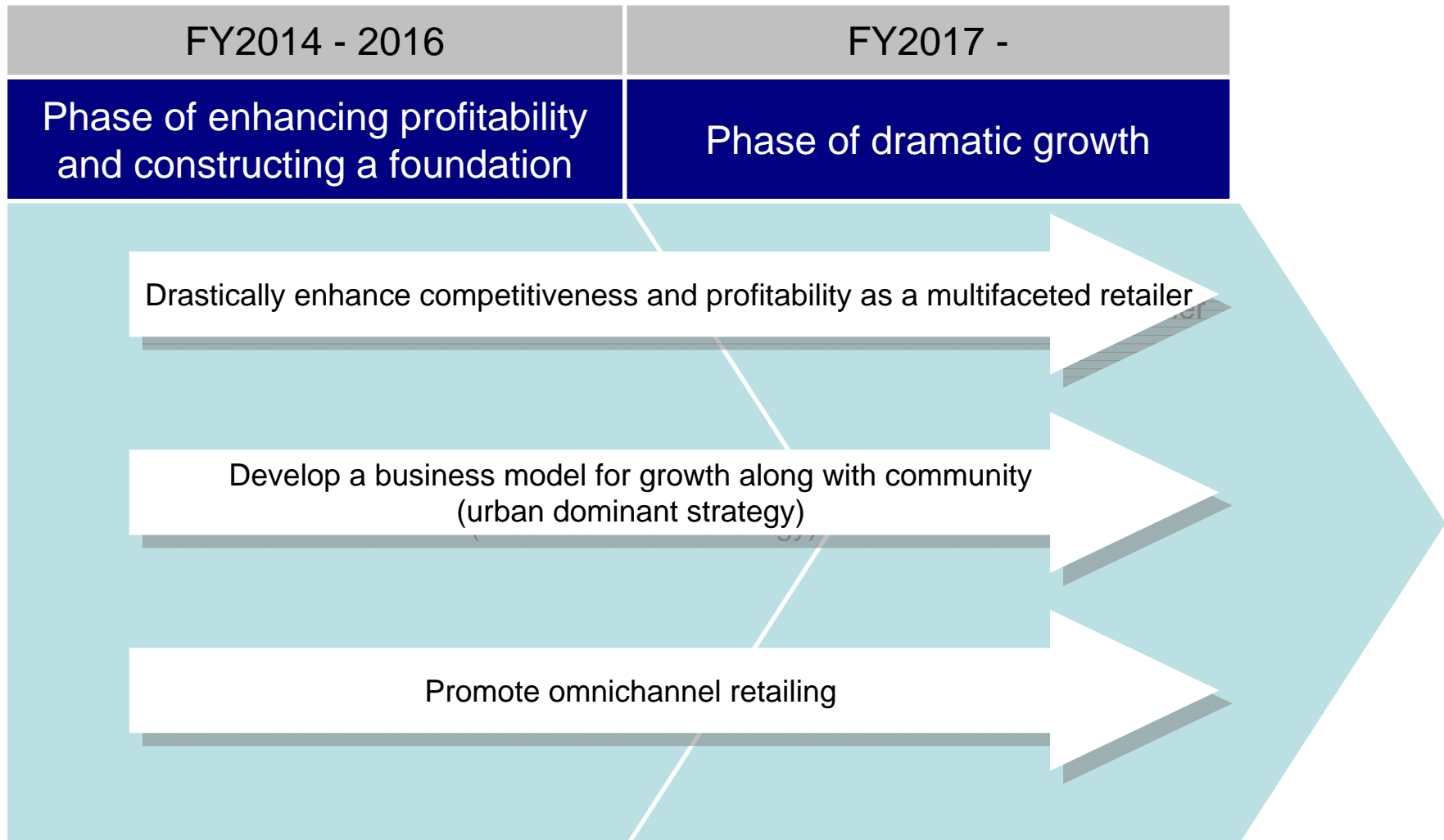
Reform logistics



Step up efforts to improve efficiency and profitability

Initiatives toward Medium-Term Growth

Positioning of FY2014 - 2016



Multifaceted Retailer

Strengthen the Group's businesses, mainly Department Store Business and Parco Business

Maximize synergy as a group

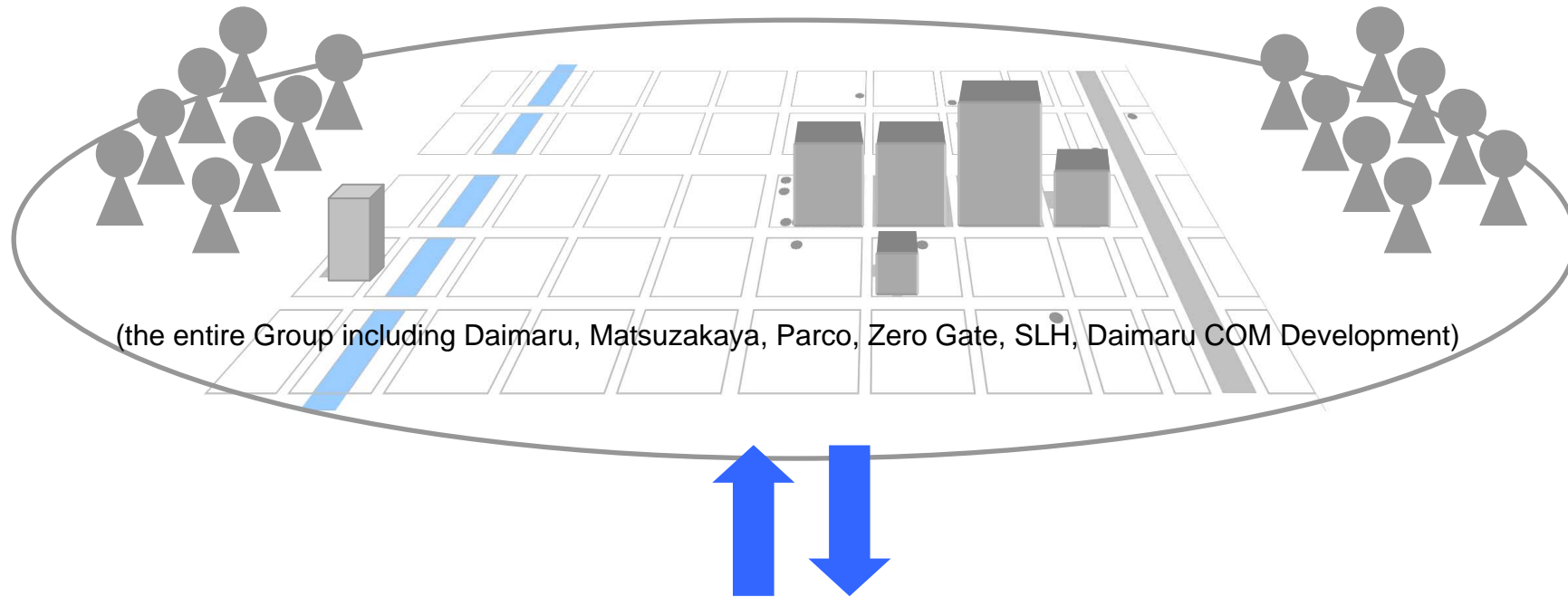
The Group will create a "Synergy Committee"
Actively consider M&A



Urban Dominant Strategy

Gather the total power of the Group with local department stores as a core

— Activation and effective use of real estate —

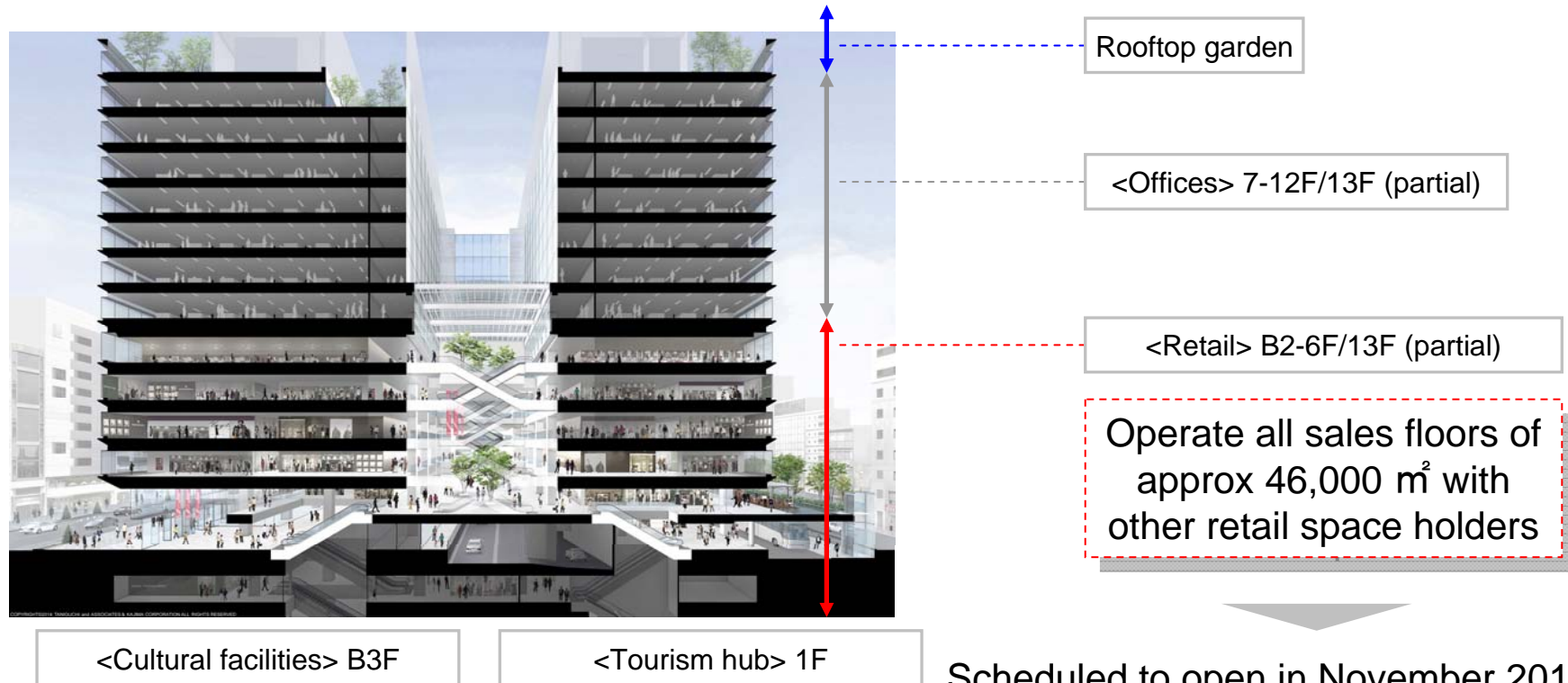


(the entire Group including Daimaru, Matsuzakaya, Parco, Zero Gate, SLH, Daimaru COM Development)

Alliance with external companies/organizations

Ginza 6-chome Redevelopment

- ▶ Kicked into gear to create world-class quality commercial facilities at Ginza 6-chome
- ▶ Set up the Retail Facility Planning Office in September 2014 and formed a “property management company” in February 2015
- ▶ Develop a large-scale complex with retail facilities, offices, cultural facilities and a tourism hub



Cross section from B1F to rooftop (subject to changes)

Rebuilding of South Wing of Ueno Store

- ▶ Draw new crowds to the area by rebuilding the south wing of Ueno Store
- ▶ Redevelop the area around the store at the same time to 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

1-6F: Parco

7-10F: Cinema complex

12-22F: Offices

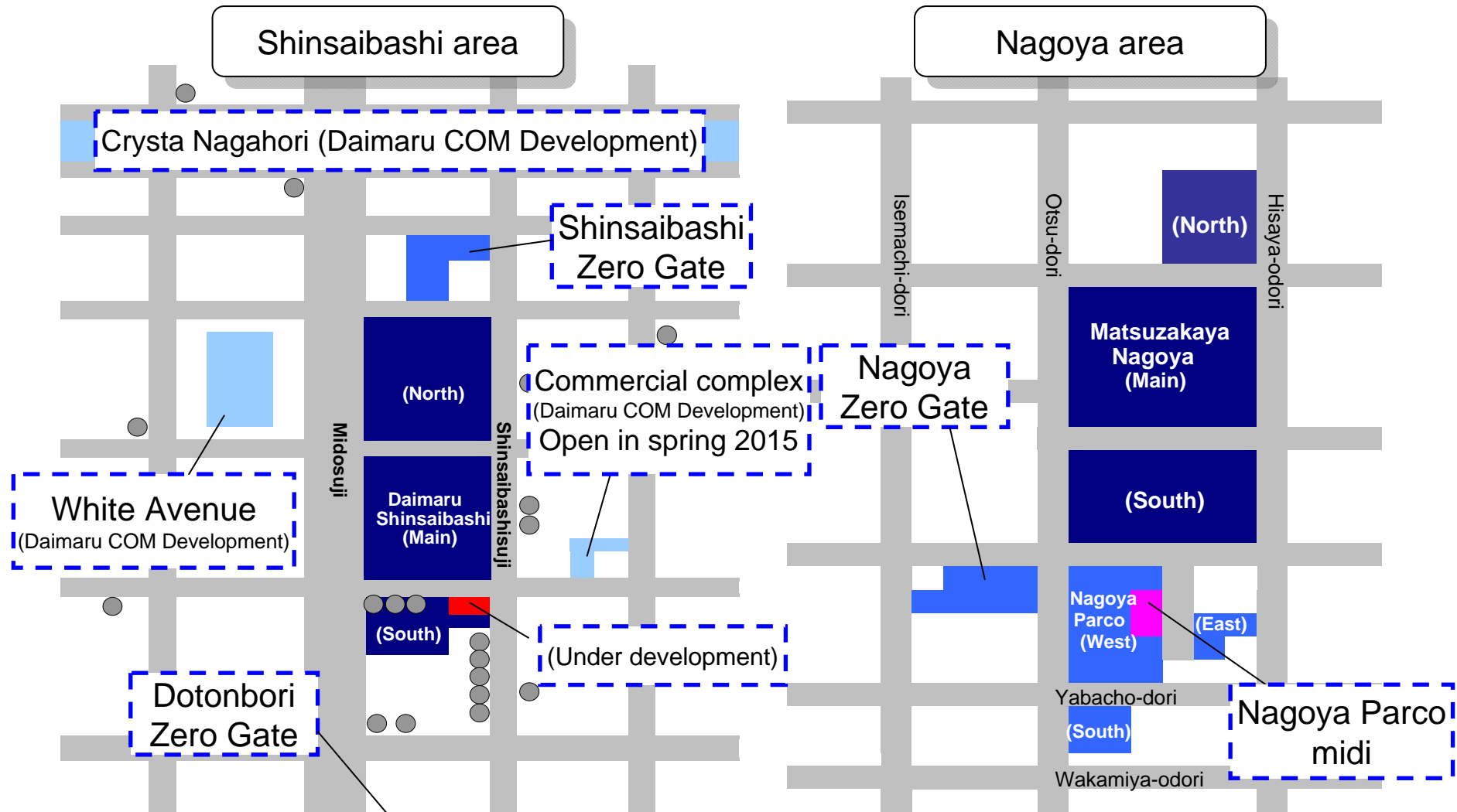
【Total project cost】 Approx ¥20 billion

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

Scheduled to open in fall 2017

Future Urban Dominance

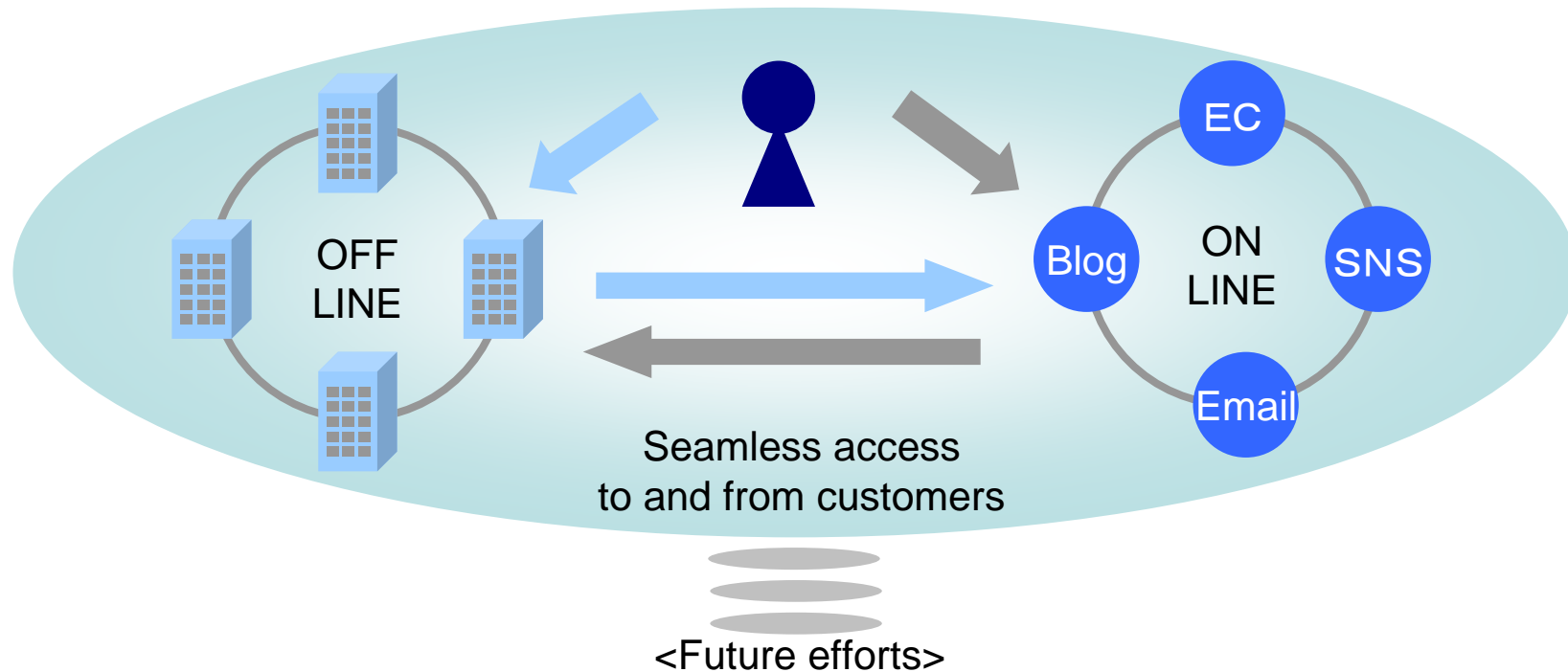
In addition to the “Shinsaibashi area” now under consideration, the “Nagoya area” is newly targeted



* ● denotes the stores operated by Daimaru Shinsaibashi store.

Omnichannel Retailing

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



Further increase the number of brands and items for Click & Collect

Strengthen initiatives focused on department store's strong gift items

Start providing SNS from store staff like Parco's Pocket Parco

Shanghai New World Daimaru Department Store



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

Scheduled for grand opening in May 2015

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

PLAZA TOKYO



Operate 7 shops in FY2014

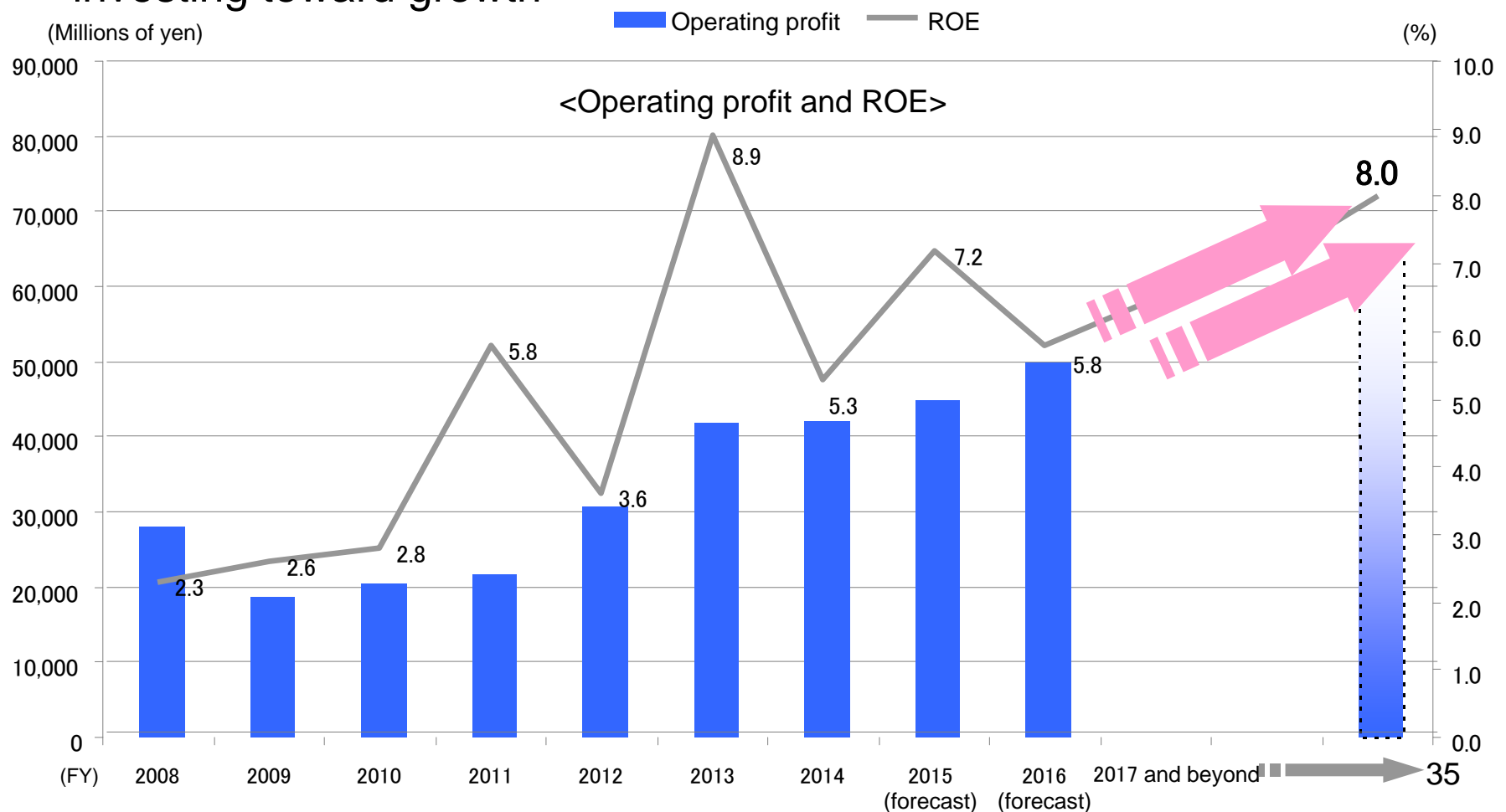
Plan to open 3 or more shops in FY2015

Expand into ASEAN metropolitan areas

Initiatives to Improve ROE and Promote Corporate Governance

Sustainable Growth toward ROE of 8%

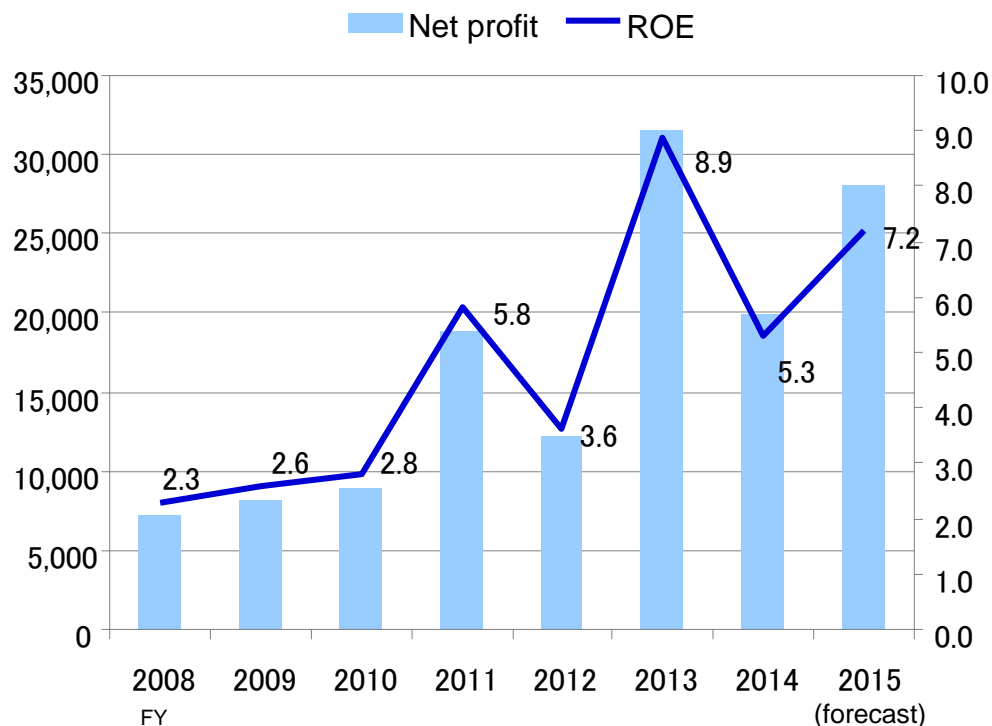
- ▶ Need to reach ROE of 5.8% in FY2016 as a milestone to achieve ROE of 8% in the medium term
- ▶ With top priority on profit growth, continue to improve ROE while investing toward growth



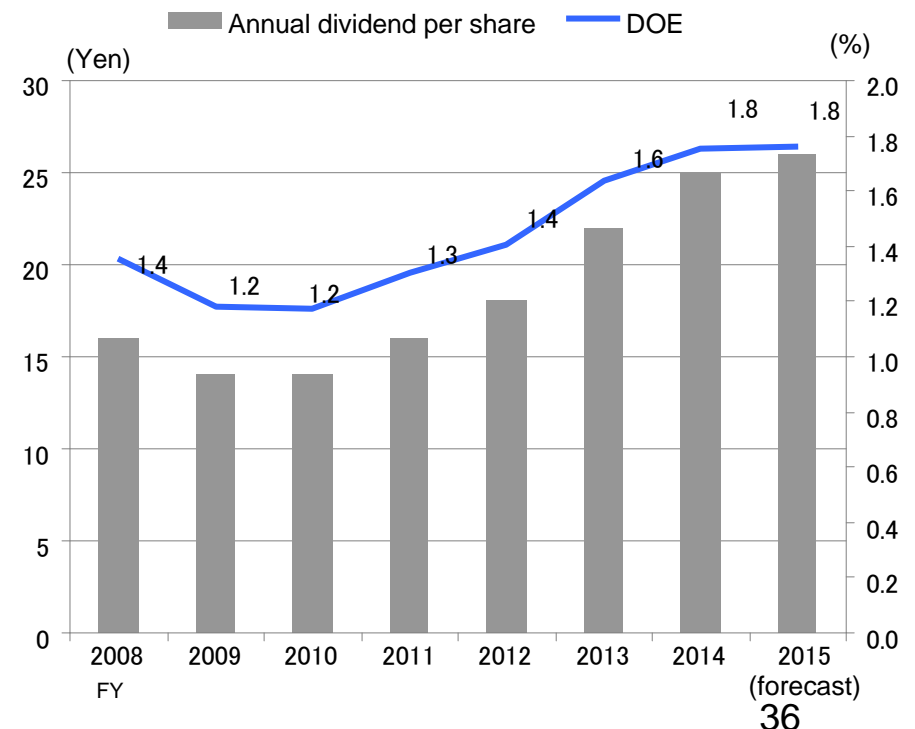
Shareholder Return and Improvement of Capital Efficiency

- ▶ Continuous dividend increase targeting a dividend payout ratio of at least 30% and accompanied by steady profit growth
- ▶ Active shareholder return with an eye on growth investment, the balance of cash flows, etc.
- ▶ Consider purchasing treasury stock as appropriate to further improve capital efficiency

<Net profit and ROE>



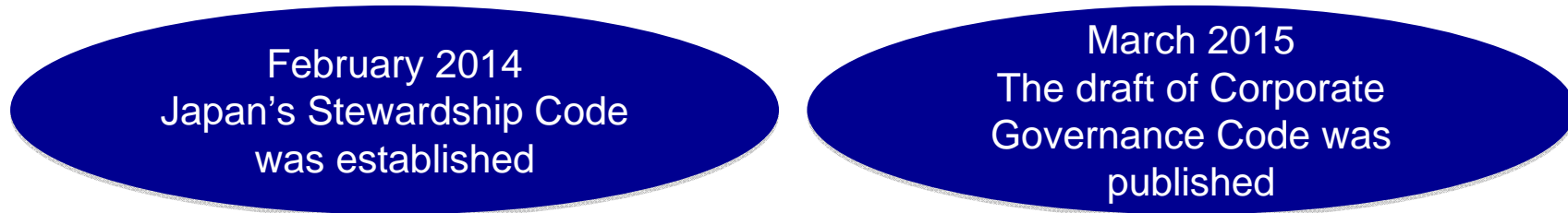
<Dividend (*) and DOE>



*Annual dividend per share is shown on a post-share consolidation basis.

Promote Corporate Governance

Initiatives to enhance corporate governance pick up speed and accelerate



Promote proactive efforts to have constructive dialogues with investors toward increasing corporate value



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.