
Results Presentation for First Six Months of Fiscal Year Ending February 29, 2016



October 7, 2015

J. Front Retailing Co., Ltd.
YAMAMOTO Ryoichi, President



J. FRONT RETAILING

Today's Agenda

- I . 1H FY2015 Results
- II . 2H and Full FY2015 Forecast
- III . Initiatives toward Medium-Term Growth

1H FY2015 Results

1H FY2015 Consolidated Results

- ▶ Operating income increased for 4 consecutive years, marking a record high since J. Front Retailing's inception
- ▶ Operating income and ordinary income were both above June forecast, driven by strong department store sales
- ▶ Posted extraordinary loss of ¥9.3 bn caused by rebuilding of main building of Daimaru Shinsaibashi store and decision to close of Chiba Parco

(Millions of yen, %)

Fiscal year ending Feb 29, 2016	1H results	YoY		Vs. Jun forecast	
		Change	% change	Change	% change
Net sales	573,310	15,685	2.8	2,310	0.4
Gross profit	120,377	1,400	1.2	(523)	(0.4)
SGA	98,664	(1,908)	(1.9)	(2,736)	(2.7)
Operating income	21,713	3,308	18.0	2,213	11.4
Ordinary income	23,071	5,163	28.8	3,171	15.9
Net income	15,008	7,207	92.4	(1,492)	(9.0)

1H FY2015 Segment Information

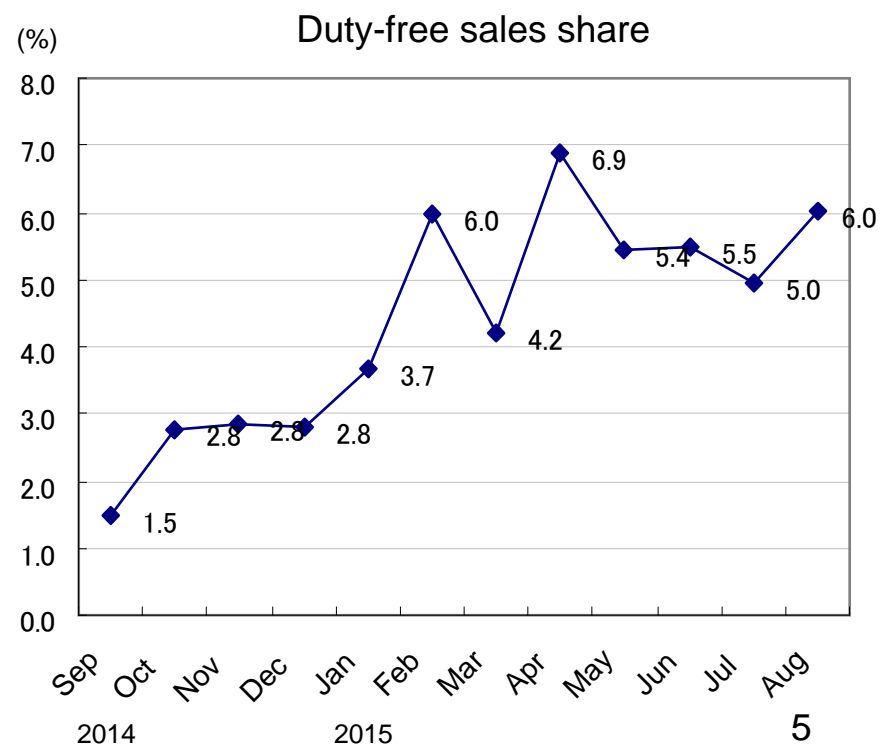
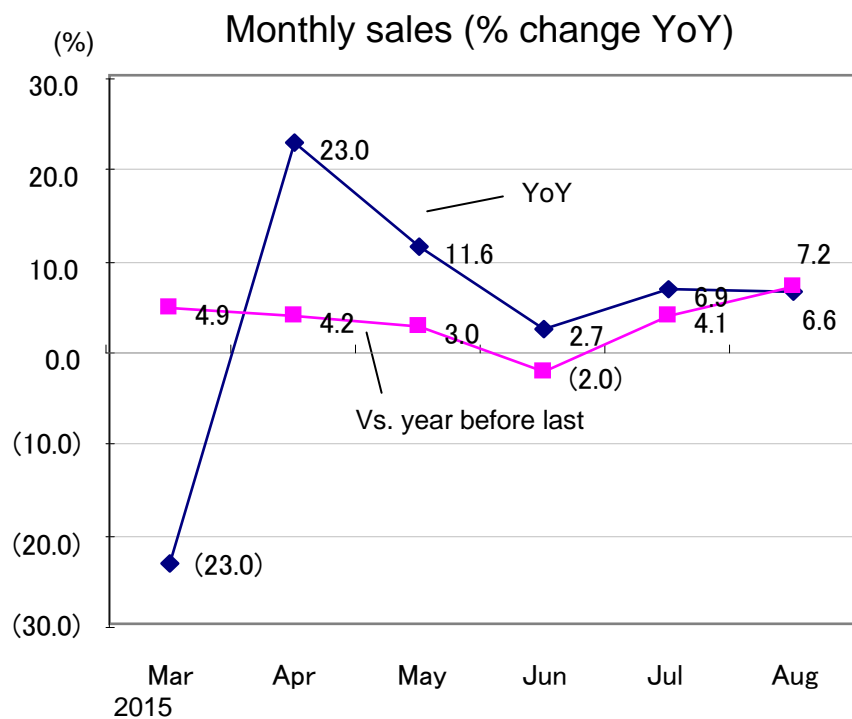
- ▶ Department Store Business posted strong sales mainly in urban flagship stores due to thorough cost management.
- ▶ Parco Business increased sales and profits due to expansion of Fukuoka Parco and renovation of existing stores.
- ▶ Wholesale Business was on a recovery trend, and in Other Businesses, J. Front Design & Construction performed well due to interior finish work.

(Millions of yen, %)

Fiscal year ending Feb 29, 2016	Net sales				Operating income			
	Results	YoY change	Vs. Jun forecast		Results	YoY change	Vs. Jun forecast	
			Change	% change			Change	% change
Department Store	373,542	1.4	942	0.3	12,144	39.5	2,144	21.4
Parco	139,103	4.5	(1,797)	(1.3)	6,571	6.1	171	2.7
Wholesale	31,827	12.4	3,327	11.7	720	42.5	190	36.0
Credit	5,064	(3.2)	(236)	(4.4)	1,322	(26.2)	(278)	(17.3)
Other	49,639	3.2	1,139	2.3	1,060	(13.5)	(90)	(7.8)

1H FY2015 Daimaru Matsuzakaya Department Stores J. FRONT RETAILING

- ▶ Store operations strengthened to meet market changes and acquisition of new customers proved successful.
- ▶ Mar to Aug sales increased 2.1% YoY, up 3.5% compared to two years earlier.
- ▶ Duty-free sales, as indicator of inbound tourist spending, were up 4.5-fold YoY and duty-free sales share was 5.5%.



1H FY2015 Daimaru Matsuzakaya Department Stores J. FRONT RETAILING

- ▶ YoY sales were up in 5 flagship stores and sales in 7 flagship stores were up compared to two years earlier.
- ▶ Sales exceeded Jun forecast due to brisk buying by foreign tourists and Japanese wealthy people.
- ▶ Thorough management of costs including ad expenses drove up operating income.

(Millions of yen, %)

Fiscal year ending Feb 29, 2016	1H results	YoY		Vs. Jun forecast	
		Change	% change	Change	% change
Net sales	332,378	6,752	2.1	2,578	0.8
Gross profit	78,141	998	1.3	241	0.3
SGA	66,866	(2,704)	(3.9)	(2,034)	(3.0)
Operating income	11,275	3,703	48.9	2,275	25.3
Ordinary income	10,801	3,521	48.4	2,701	33.3
Net income	1,802	(2,066)	(53.4)	(2,898)	(61.7)

2H and Full FY2015 Forecast

2H FY2015 Consolidated Forecast

- ▶ Increase in real wages and continuing improvement in employment situation will positively affect consumer spending.
- ▶ Uncertain outlook for global economy and increasingly “polarized” domestic consumption
- ▶ Carefully forecast with close eye on environmental changes and without being affected by optimistic mood.

(Millions of yen, %)

Fiscal year ending Feb 29, 2016	2H forecast	YoY		Vs. Jun forecast	
		Change	% change	Change	% change
Net sales	606,689	14,786	2.5	689	0.1
Gross profit	127,422	2,660	2.1	(478)	(0.4)
SGA	102,135	1,136	1.1	(265)	(0.3)
Operating income	25,286	1,524	6.4	(214)	(0.8)
Ordinary income	23,428	856	3.8	(1,172)	(4.8)
Net income	10,491	(1,675)	(13.8)	(1,009)	(8.8)

2H FY2015 Segment Information

- ▶ Department Store Business is expected to increase sales mainly in flagship Daimaru Matsuzakaya stores but sales in suburban/rural stores are carefully forecast.
- ▶ Forecast for Parco Business factors in full contribution of expansion of “Fukuoka Parco” and renovation of existing stores.
- ▶ Credit Business is expected to increase sales and profits due to active efforts to acquire new cardholders.

(Millions of yen, %)

Fiscal year ending Feb 29, 2016	Net sales				Operating income			
	2H forecast	YoY % change	Vs. Jun forecast		2H forecast	YoY % change	Vs. Jun forecast	
			Change	% change			Change	% change
Department Store	395,657	1.1	1,057	0.3	15,555	7.4	(45)	(0.3)
Parco	149,396	5.9	(4)	(0.0)	6,128	1.1	(72)	(1.1)
Wholesale	31,372	1.0	(128)	(0.4)	719	28.1	49	7.3
Credit	5,635	9.4	(65)	(1.1)	1,797	10.1	(53)	(2.9)
Other	51,360	4.4	(1,440)	(2.7)	1,299	9.0	(251)	(16.1)

2H FY2015 Daimaru Matsuzakaya Department Stores J. FRONT RETAILING

- ▶ Driven by flagship stores including Nagoya store whose massive renovation is underway and Tokyo and Sapporo stores
- ▶ Shinsaibashi store will rebuild its main building, which will decrease floor space 40% from Jan, but minimize negative impact through promotions.
- ▶ Increase sales and profits by continuously strengthening sales to inbound tourists and wealthy customers

(Millions of yen, %)

Fiscal year ending Feb 29, 2016	2H forecast	YoY		Vs. Jun forecast	
		Change	% change	Change	% change
Net sales	351,021	4,880	1.4	2,921	0.8
Gross profit	82,358	1,149	1.4	558	0.7
SGA	68,633	(16)	(0.0)	333	0.5
Operating income	13,724	1,164	9.3	224	1.7
Ordinary income	12,398	1,277	11.5	(2)	(0.0)
Net income	6,297	(1,645)	(20.7)	(3)	(0.0)

Full FY2015 Consolidated Forecast

- ▶ Revised up forecasts of operating income and ordinary income by ¥2 bn, respectively, against Jun forecast.
- ▶ Operating income is expected to increase for 6 consecutive years, highest since J. Front Retailing's inception.
- ▶ Plan to increase annual dividend for 5 consecutive years by ¥1 from last year to ¥26 per share.

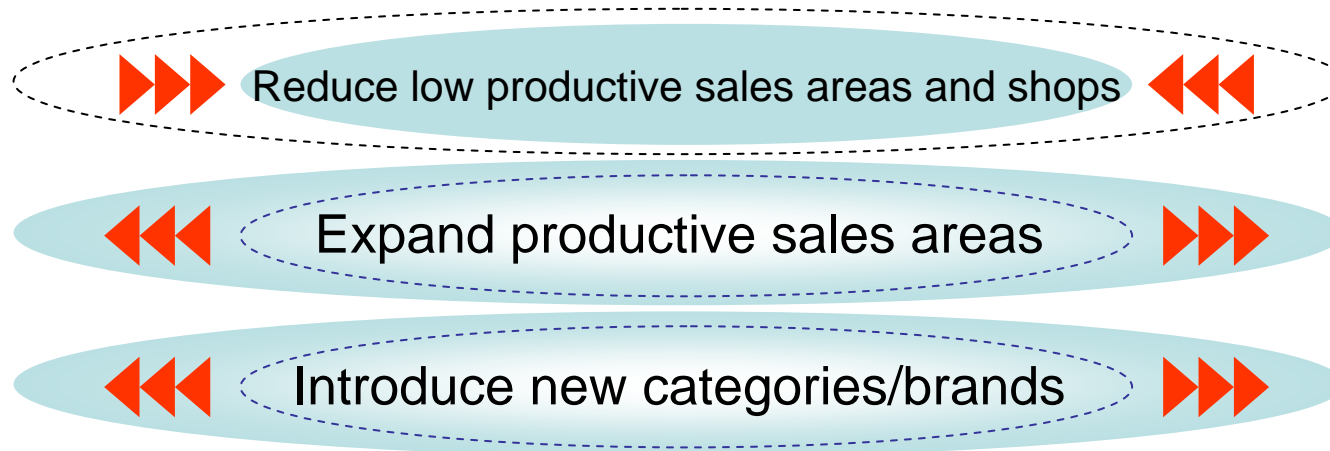
(Millions of yen, %)

Fiscal year ending Feb 29, 2016	Full year forecast	YoY		Vs. Jun forecast	
		Change	% change	Change	% change
Net sales	1,180,000	30,471	2.7	3,000	0.3
Gross profit	247,800	4,061	1.7	(1,000)	(0.4)
SGA	200,800	(772)	(0.4)	(3,000)	(1.5)
Operating income	47,000	4,833	11.5	2,000	4.4
Ordinary income	46,500	6,020	14.9	2,000	4.5
Net income	25,500	5,533	27.7	(2,500)	(8.9)

Initiatives toward Medium-Term Growth

Overhaul sales floor layout to adapt to market changes

Thoroughly scrutinize sales floor productivity in each store



Strengthen our response to markets with growth potential

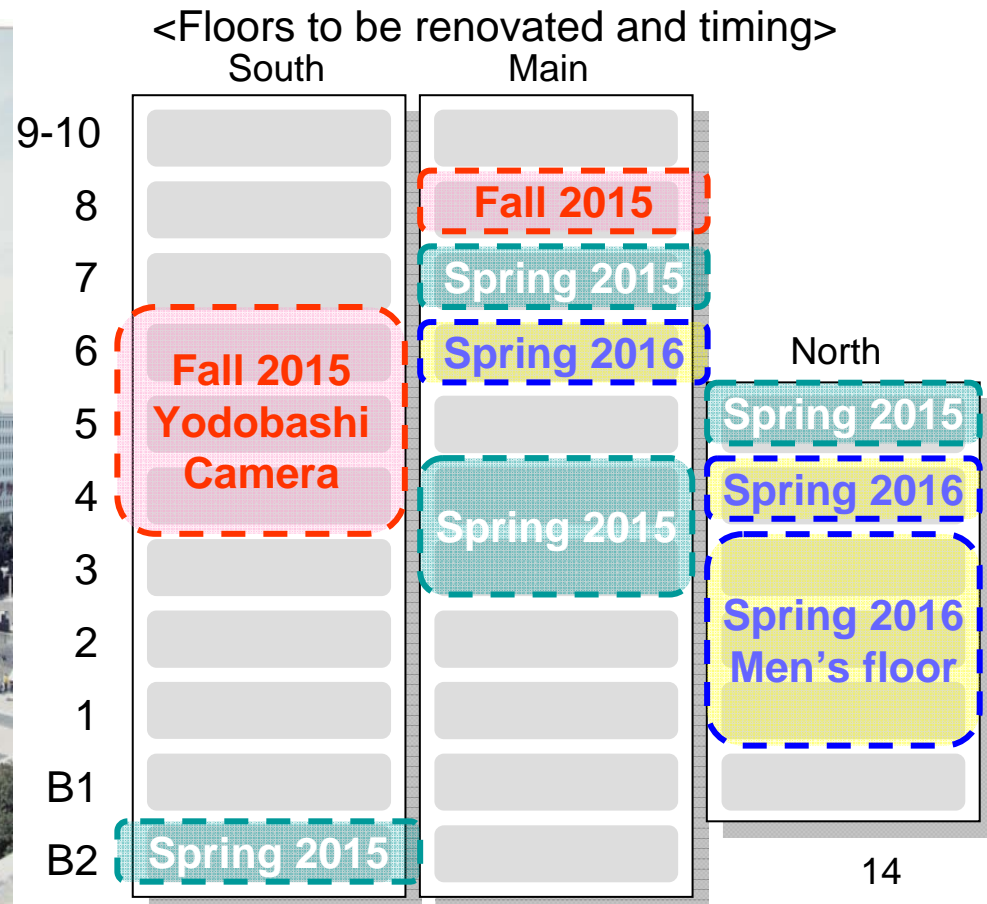
Selected priority stores to be strengthened



Priority Store — (1) Nagoya

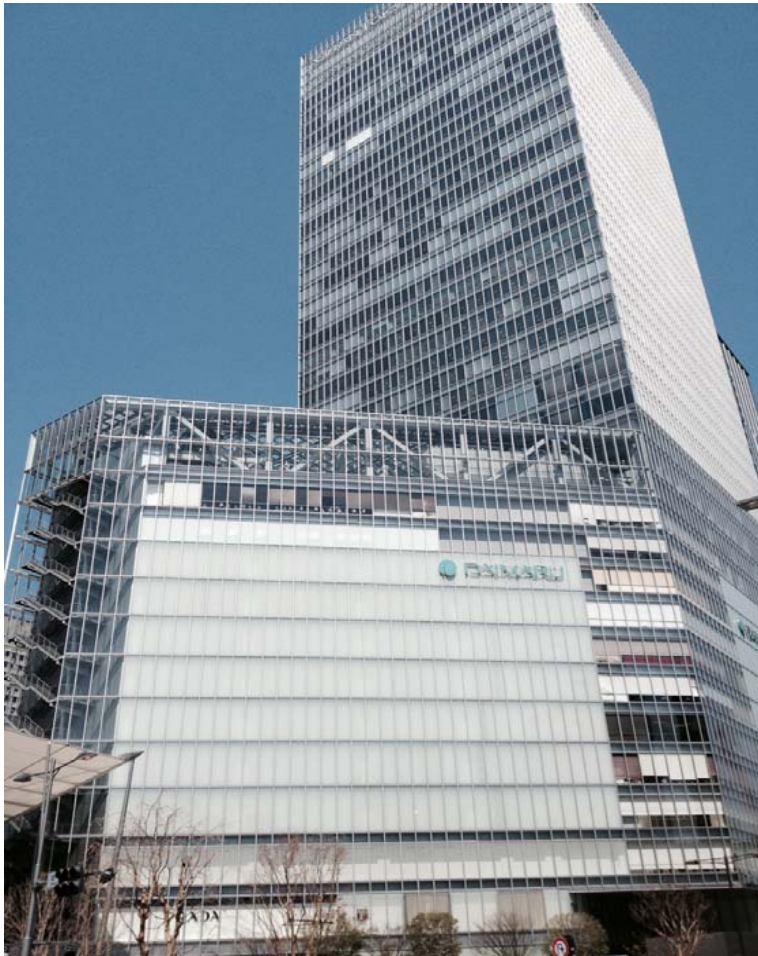
Massive renovation of 30% of total sales floor area
from spring 2015 to spring 2016

Expand men's clothing / women's accessories
and introduce new categories



Priority Store — (2) Daimaru Tokyo

Sustainable growth by making maximum use of improved access



- ▶ High-rise office building will be completed nearby (fall 2015)
- ▶ Large home electronics store will open nearby (fall 2015)
- ▶ Tohoku Shinkansen will be extended to Hokkaido (spring 2016)



Maximize ability to attract customers
and build customer loyalty

Acquire new-rich customers

Expand men's furnishings
and women's accessories

Priority Store — (3) Sapporo (4) Kobe



Sapporo

- ▶ Expand luxury by introducing “Prada” (Oct 9)
- ▶ Expand “women’s accessories floor” (2H FY2015)



Kobe

- ▶ Rebuild “men’s floor” (FY2016)
- ▶ Renew “watches/jewelry floor” (FY2016)

Active M&A to Become Multifaceted Retailer



J. FRONT RETAILING

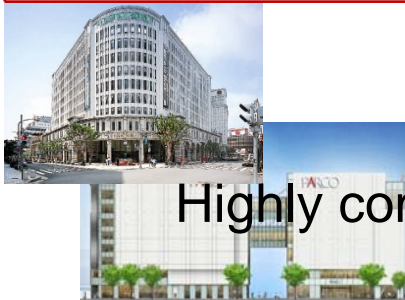


Our strengths

- Store network in major cities across Japan
- Daimaru/Matsuzakaya are recognized as department store brand.
(long established, prestigious, trusted, etc)
Parco/Plaza are recognized by young people.
(fashionable, etc)
- Strong sales to wealthy people and middle to senior ages (approx 6 mn customers)
(*Daimaru Matsuzakaya Department Stores has 130,000 *gaisho* accounts.)
- Department store expertise
(store development, sales service, etc) etc

Senshukai's strengths

- Major mail order company
Entered EC business early
*Internet sales are more than 70% of mail order sales
- Strong sales to volume group/women in their 30s to 50s
15 mn registered customers/approx 4 mn annual purchasers (Approx 20% of pregnant women are its customers and maternity catalogs reach 50% of pregnant women.)
- High ability to develop original products
- Mail order expertise (product planning/inventory management/logistics management) etc



Highly complementary in business fields and customer bases

Both companies will be able to expand existing fields and develop new businesses.

Expand wings as multifaceted retailer

Three Projects with “Senshukai”

Focus on 3 projects to early create synergy between two companies

Merchandise project

- ▶ Test sales of each other's PB products using both companies' sales channels
- ▶ Put in place and strengthen organization's operating system in 2H FY2015 to expand sales of each other's products
- ▶ Study initiatives to jointly develop original products

Department store web project

- ▶ Use Senshukai's expertise and fulfillment developed through e-commerce
- ▶ Prepare to renew website including expansion of product range
- ▶ Renew system in fall 2016 to greatly expand online sales

JFR online rebuilding project

- ▶ Use resources and expertise of Senshukai as catalog retailer
- ▶ Streamline operations of logistics and call centers
- ▶ Review catalogs to increase sales efficiency and reduce costs

Urban Dominant Strategy

Urban Dominant Strategy is _____

Business model to actively increase appeal of whole area
and grow along with local community

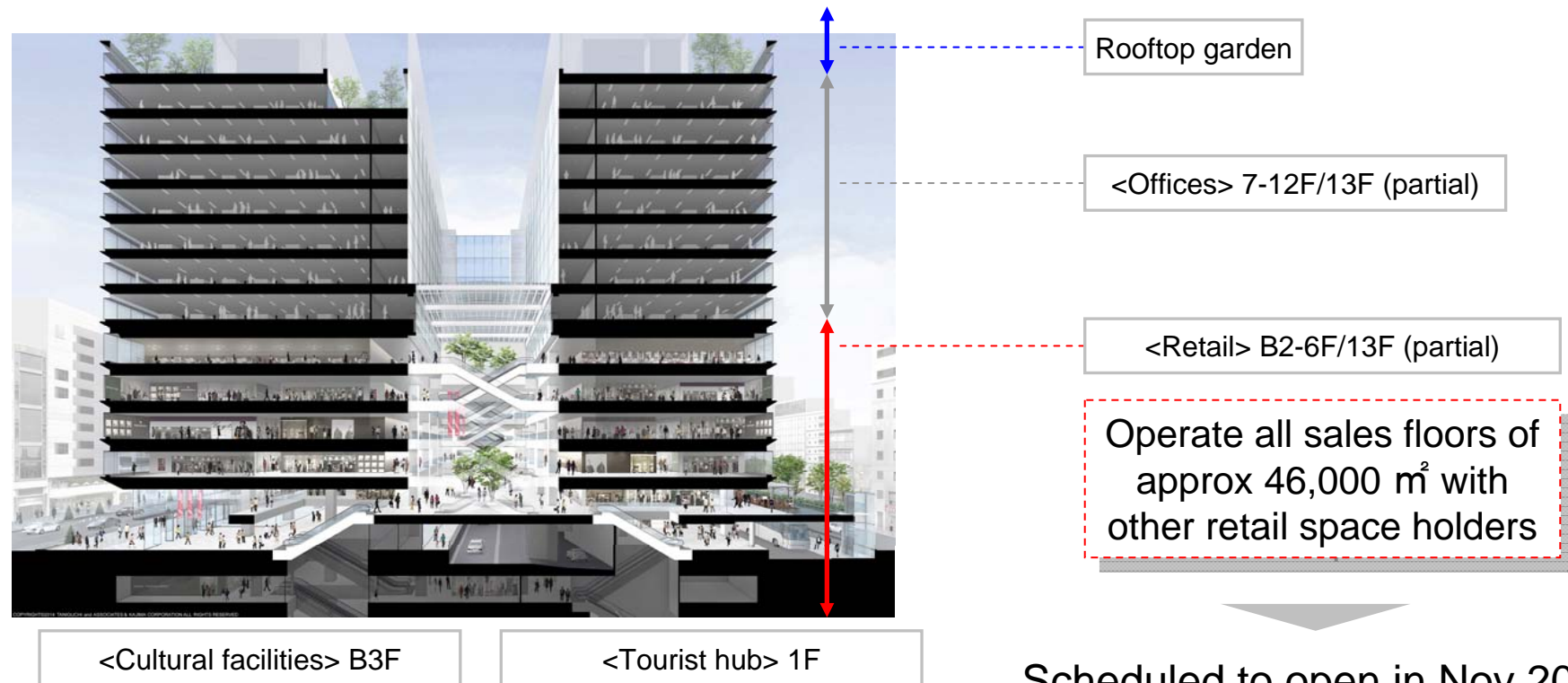


Medium-term efforts to “increase asset value” and “monetize real estate”



Ginza 6-chome Redevelopment

- ▶ Preparations are in steady progress toward opening of world class quality commercial complex at Ginza 6-chome.
- ▶ Develop large-scale complex with retail facilities, offices, cultural facilities and tourist hub
- ▶ Approx 250 tenants will open on retail floors.



Cross section from B1F to rooftop (subject to change)

Scheduled to open in Nov 2016

Rebuilding of South Wing of Ueno Store

- ▶ Draw new crowds to the area by rebuilding south wing of Ueno store
- ▶ Redevelop the area around the store at the same time to propose new functions desired by the area
- ▶ Build business model to contribute with local community to revitalizing the area and grow along with local community



【Total floor area】 Approx 42,000 m²

【Construction】

B1F: Daimaru Matsuzakaya Department Stores

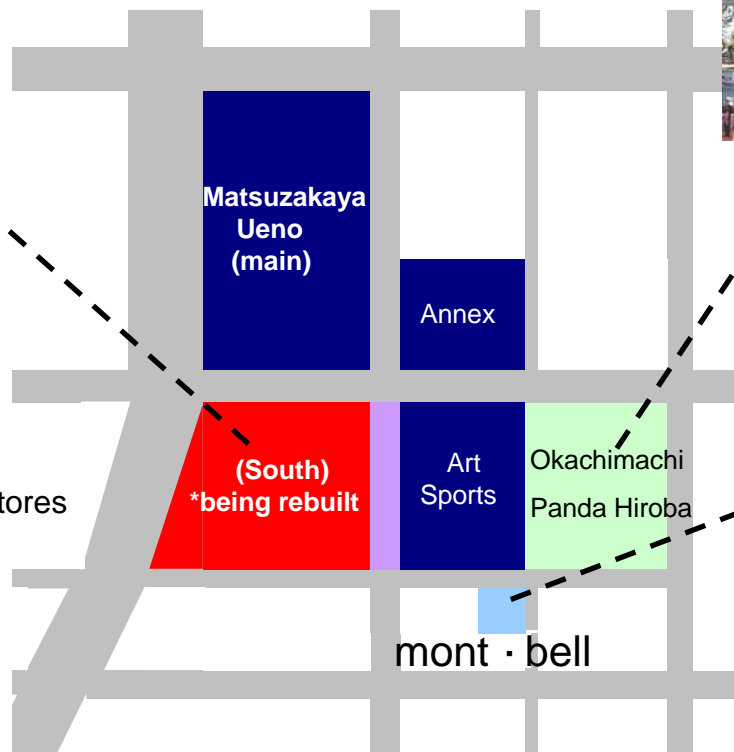
1-6F: Parco

7-10F: Cinema complex

12-22F: Offices

【Total project cost】 Approx ¥21.3 bn

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



Redevelopment plan to draw new crowds to area



SHIBUYA



Build more solid foundation toward “dramatic growth” in FY2017 and beyond

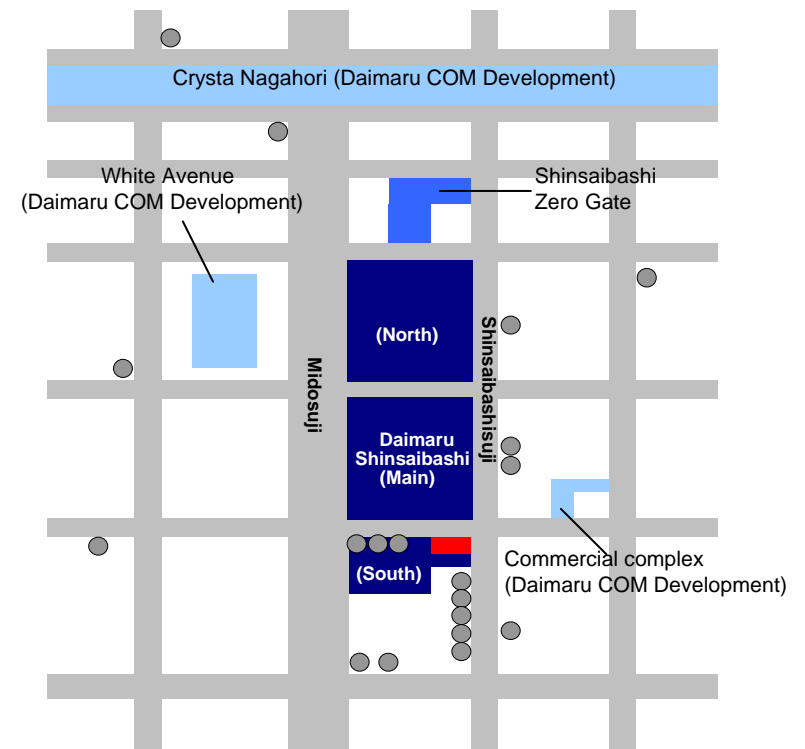
Shinsaibashi Store Rebuilding Project

- ▶ Radically strengthen competitiveness of Shinsaibashi store as core of redevelopment of Shinsaibashi area
- ▶ Draw new crowds to Shinsaibashi area and contribute to further revitalizing the area
- ▶ Study specific plan to maximize potential of Shinsaibashi area



*The photo is for illustrative purposes only.

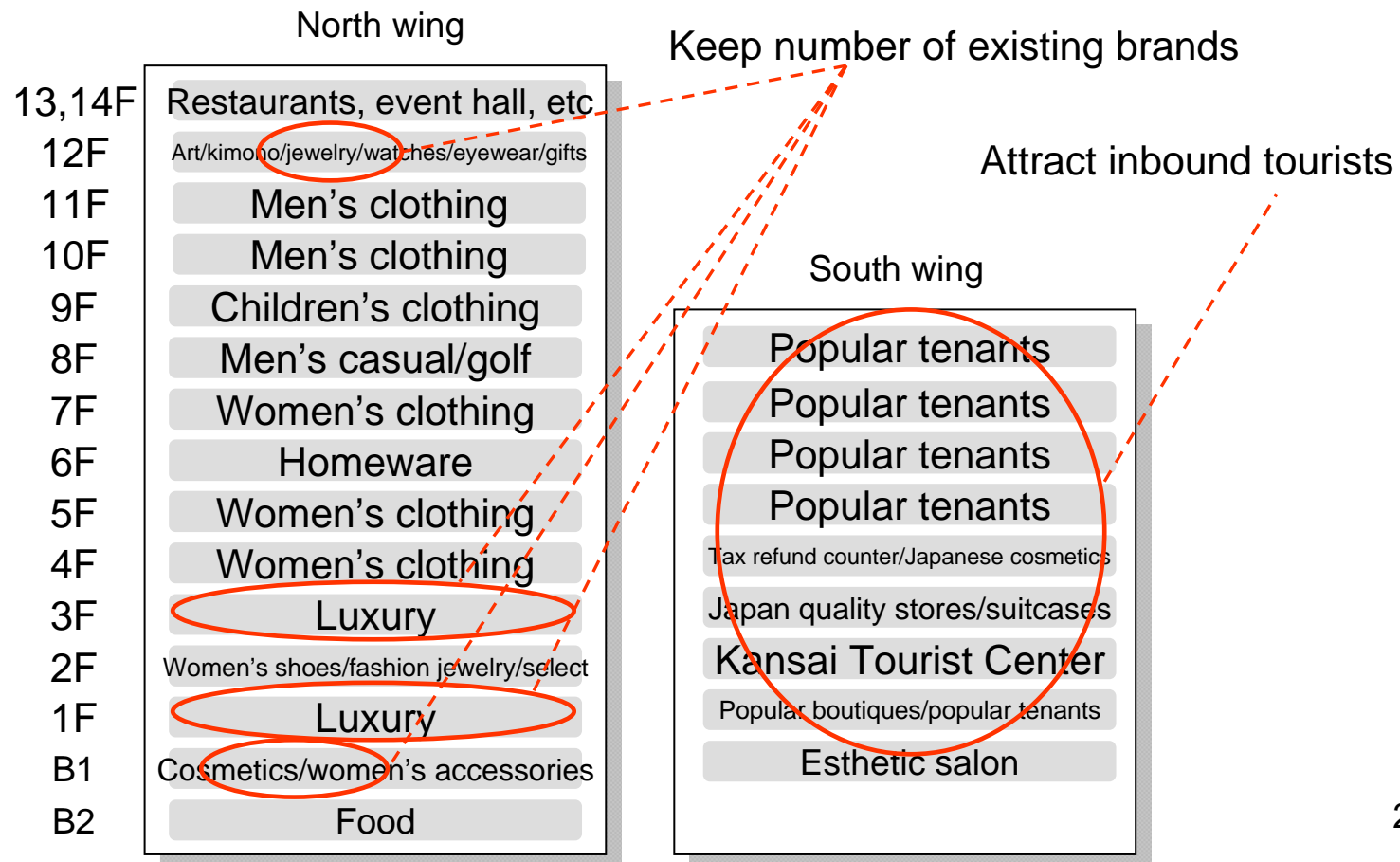
<Map of Daimaru Shinsaibashi store and its surroundings>



* ● denotes the stores operated by Shinsaibashi store.

Actions during Rebuilding of Shinsaibashi Store

- ▶ Operate full-line department store efficiently in 40,000 m² space including food floor in north wing.
- ▶ Focus on sales and services to inbound foreign tourists to Japan in south wing.
- ▶ Increase events outside Shinsaibashi store for its loyal customers and strengthen cooperation in the area including Umeda store



Shibuya Udagawa Area Redevelopment

- ▶ Parco Co., Ltd., as scheduled executor of “Udagawa-cho 15 Development Project” including existing Shibuya Parco, submitted proposal to Tokyo Metropolitan Government for “urban planning as special urban renaissance district” in accordance with Act on Special Measures Concerning Urban Renaissance.



<Overview>

Developer	Parco Co., Ltd.
Location	Udagawa-cho 15 and part of Udagawa-cho 14 Shibuya-ku, Tokyo
Intended purpose	Stores, offices, business incubation facilities, commercialization support facilities, cultural facilities (eg theaters), car parking, etc
Land area	Approx 5,380 m ²
Total floor area	Approx 65,000 m ²
Number of floors	20 above ground / 3 below ground
Height	Approx 110 m
Planned construction period	March 2017 – September 2019

<Contribution to urban revitalization>

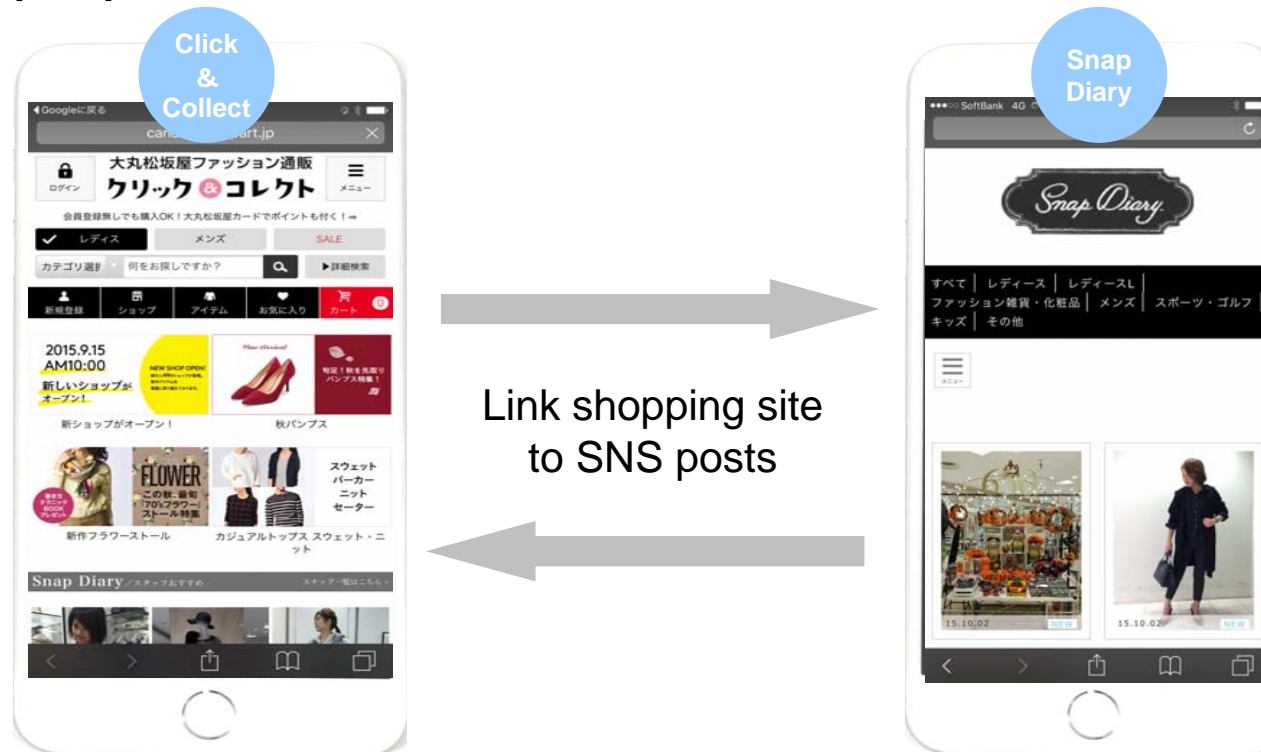
- 1) Enlivenment of area surrounding Shibuya station
 - Develop pedestrian network to enhance foot traffic and energize town
 - Enliven area through area management, cultivation of fashion and theater culture, and communication of trends
- 2) Implementation of local-issue initiatives, improvement of disaster response and reduction of environmental impact
 - Improve community delivery sorting area
 - Improve support capabilities for people unable to return home in the event of disaster
 - Take measures to reduce environmental impact

*The photo is for illustrative purposes only.

*From timely disclosure materials dated June 30, 2015

Omnichannel Retailing

Step up efforts to create our own omnichannel model



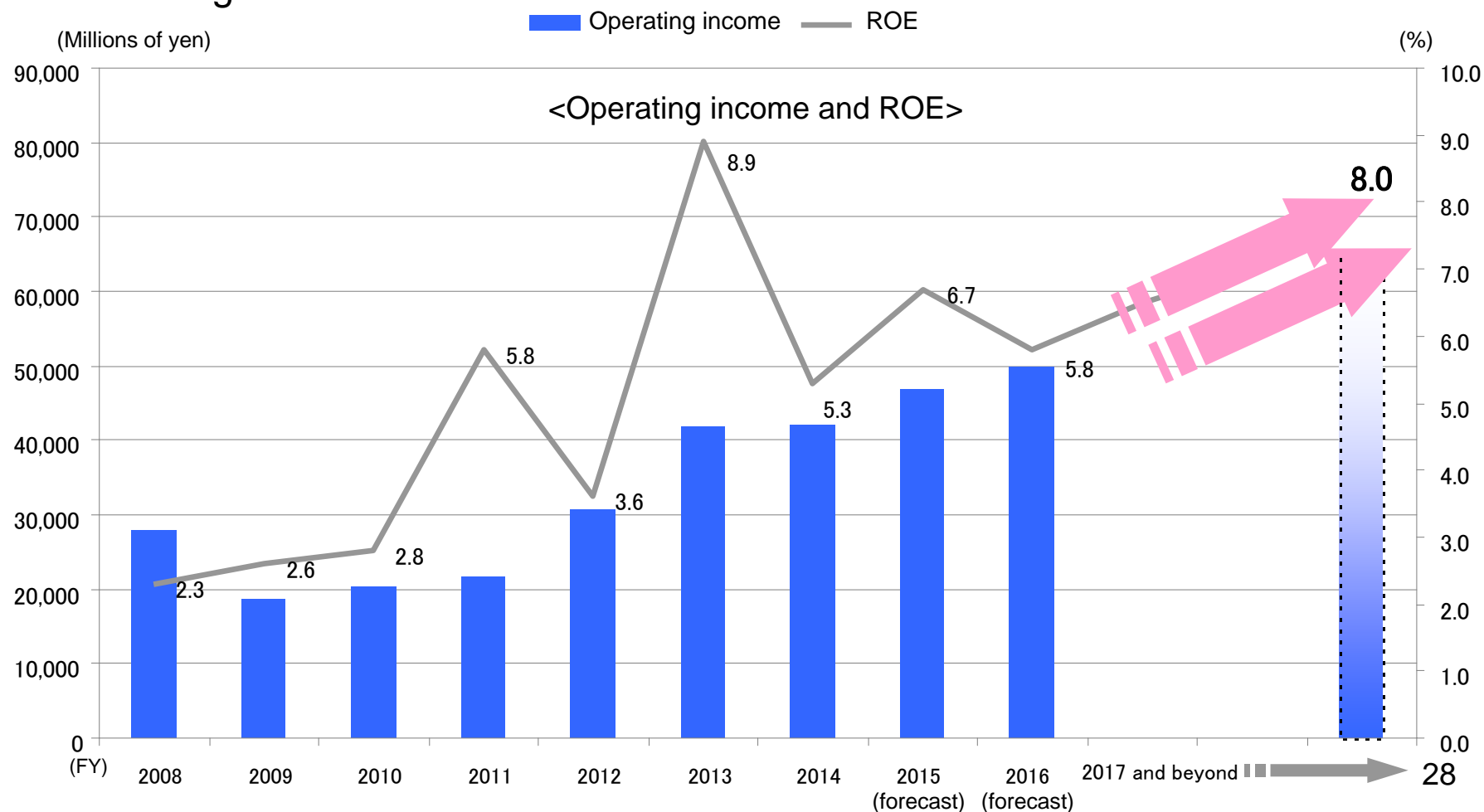
“Click & Collect” will make more than 100 brands available.

350 shops post on SNS “Snap Diary.”

Further expand and deepen contact points with customers

Sustainable Growth toward ROE of 8%

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



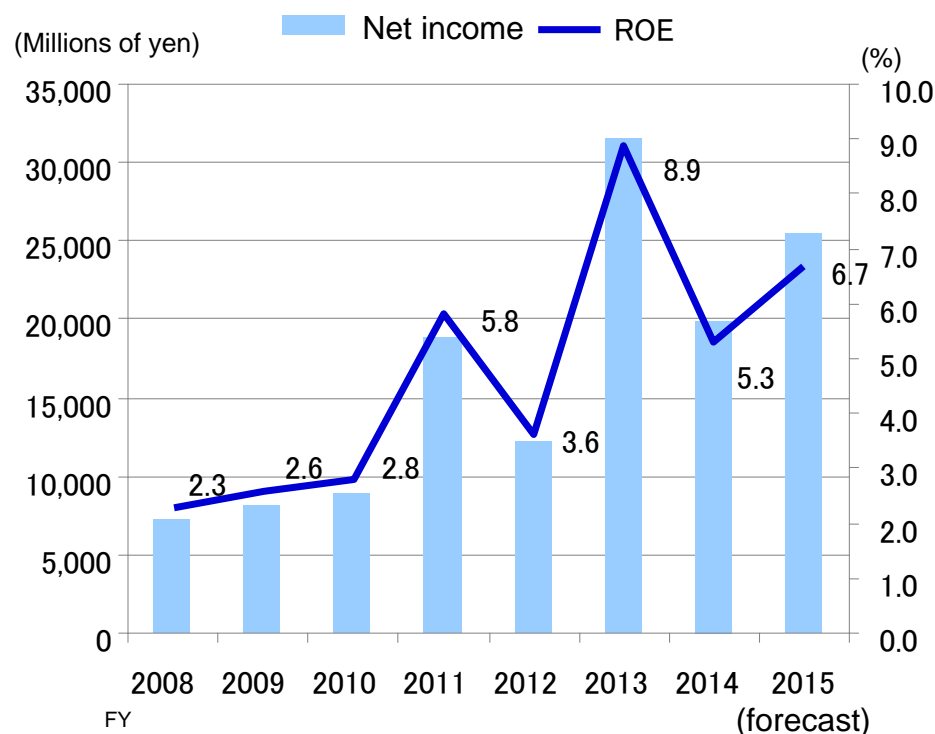
Shareholder Return and Improvement of Capital Efficiency



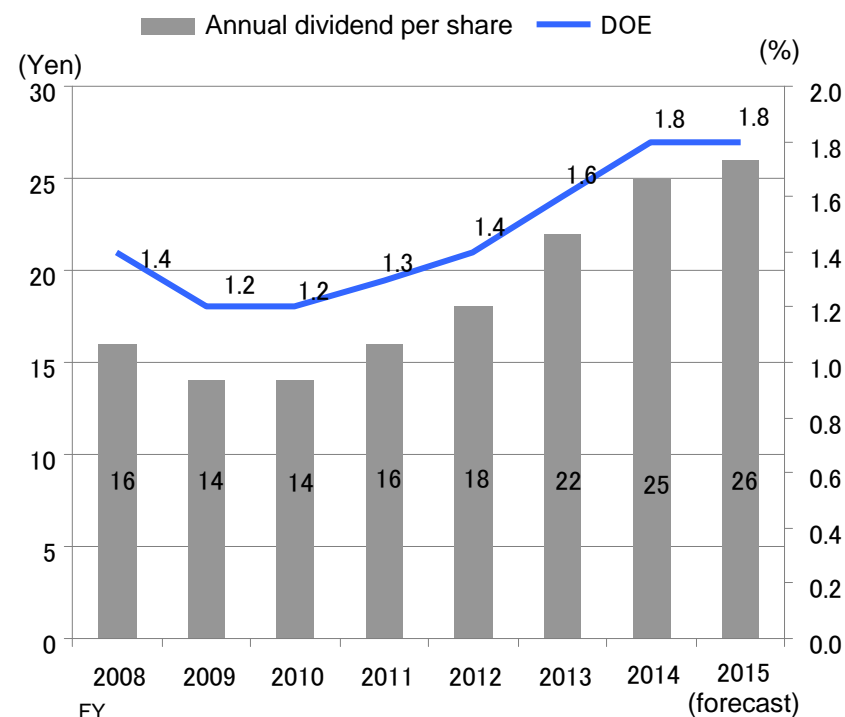
J. FRONT RETAILING

- ▶ Continuous dividend increase coupled with steady profit growth targeting dividend payout ratio of at least 30%
- ▶ Active shareholder return with eye on growth investment, balance of cash flows, etc
- ▶ Repurchased own shares of ¥5 bn in Apr to May 2015 and will consider such repurchase as appropriate to improve capital efficiency

<Net income and ROE>



<Dividend (*) and DOE>



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

Strengthen Corporate Governance

<New initiatives to strengthen governance>

Strengthen operation of Board of Directors
based on third-party institution's assessment

Improve function of Human Resources and Remuneration Committee
and ensure its transparency

Hold Governance Committee meetings using knowledge of Outside Directors
and Outside Audit & Supervisory Board Members



<Continuing initiatives to strengthen governance>

Constructive dialogue and exchange of views with investors and analysts



Change management to achieve sustainable improvement of 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.