
Results Presentation for First Six Months of Fiscal Year Ending February 28, 2017



October 5, 2016

J. Front Retailing Co., Ltd.

YAMAMOTO Ryoichi
President and Representative Director



J. FRONT RETAILING

Today's Agenda

- I . 1H FY2016 Results
- II . 2H and Full FY2016 Forecast
- III . New Group Vision and
Next Medium-term Business Plan

1H FY2016 Results

1H FY2016 Consolidated Results

- ▶ Profit missed forecast due to sluggish sales mainly in department stores despite more than planned cost reduction
- ▶ YoY profit attributable to owners of parent decreased in great reaction to LY profit growth due to reversal of deferred tax liabilities
- ▶ Increased interim dividend ¥1 to ¥14 valuing shareholder return

(Millions of yen, %)

Fiscal year ending Feb 28, 2017	1H results	YoY		Vs Apr forecast	
		Change	% change	Change	% change
Net sales	539,297	(34,013)	(5.9)	(31,203)	(5.5)
Gross profit	114,486	(5,891)	(4.9)	(5,714)	(4.8)
SGA	95,485	(3,179)	(3.2)	(2,915)	(3.0)
Operating income	19,000	(2,713)	(12.5)	(2,800)	(12.8)
Ordinary income	17,694	(5,377)	(23.3)	(2,306)	(11.5)
Profit attributable to owners of parent	12,836	(2,172)	(14.5)	(564)	(4.2)
Dividend per share (Yen)	(Interim) 14	1	—	0	—

1H FY2016 Segment Information

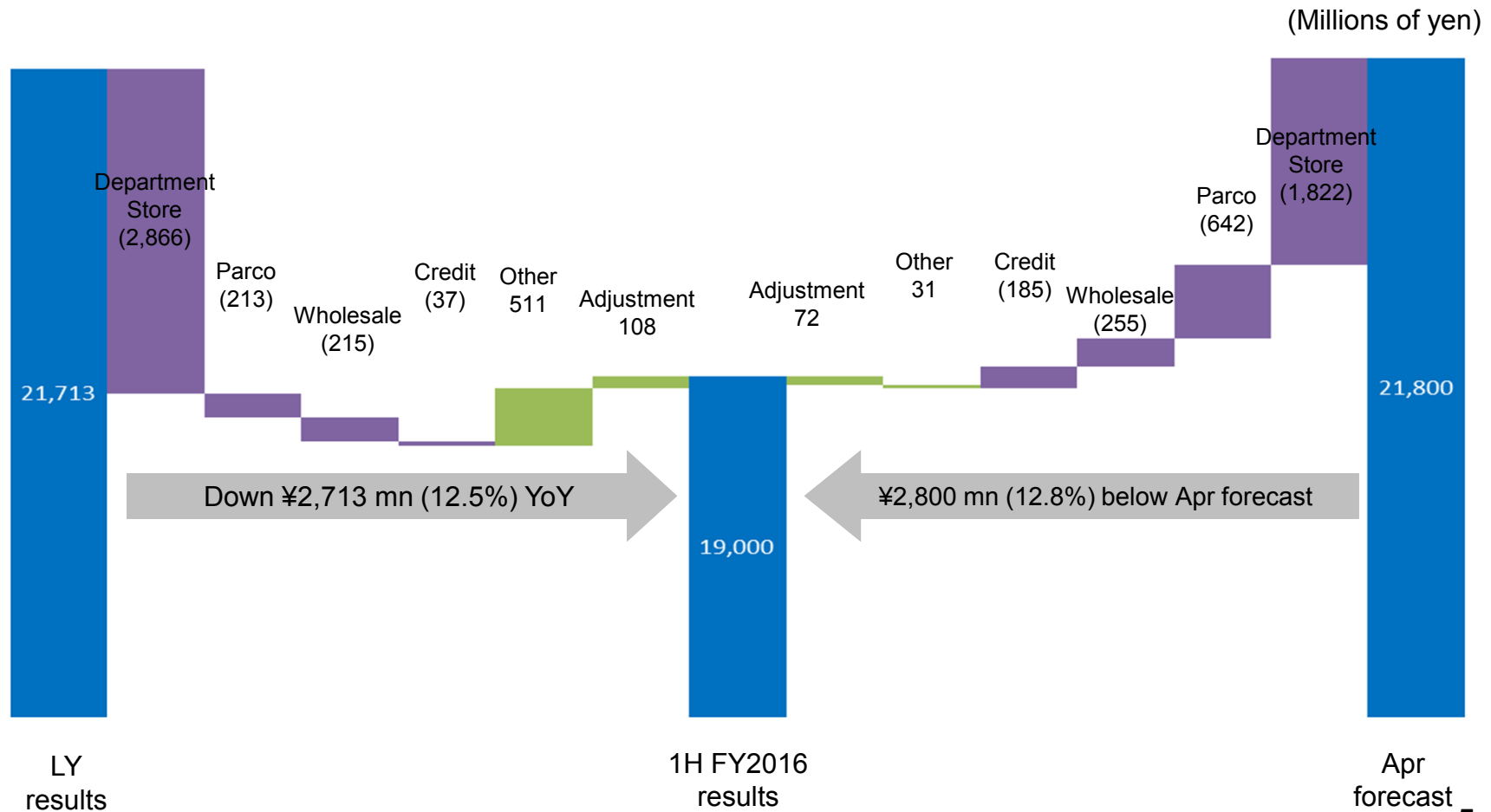
- ▶ Department Store Business was affected by smaller sales area of Shinsaibashi store due to rebuilding of main building and rapid drop in tax-free sales
- ▶ Clothing sales of Parco Business were sluggish despite strong performance of Sendai Parco Part 2, which opened in July
- ▶ Credit Business decreased profit due to increased write-off of bad debts and Other Business was driven by strong performance of J. Front Design & Construction

(Millions of yen, %)

Results six months ended August 31, 2016	Net sales				Operating income			
	Results	YoY change	Vs Apr forecast		results	YoY change	Vs Apr forecast	
			Change	% change			Change	% change
Department Store	350,786	(6.1)	(16,814)	(4.6)	9,278	(23.6)	(1,822)	(16.4)
Parco	136,523	(1.9)	(5,477)	(3.9)	6,358	(3.2)	(642)	(9.2)
Wholesale	22,422	(29.5)	(6,878)	(23.5)	505	(29.9)	(255)	(33.5)
Credit	5,268	4.0	(132)	(2.4)	1,285	(2.9)	(185)	(12.6)
Other	50,117	1.0	(683)	(1.3)	1,571	48.2	31	2.0

1H FY2016 Segment Information

1H FY2016 analysis of changes in consolidated operating income by segment



1H FY2016 Daimaru Matsuzakaya Department Stores

- ▶ Downturn in consumer confidence due to increasingly uncertain outlook for global economy since global decline in share prices at beginning of the year
- ▶ Strong yen stalled inbound tourists' spending, which had been brisk until last FY
- ▶ Shinsaibashi store was greatly affected by 40% decrease in sales area due to rebuilding of main building and Tokyo store continues to increase sales

1H FY2016 Daimaru Matsuzakaya Department Stores sales by store (Millions of yen, %)

Fiscal year ending Feb 28, 2017	1H results	YoY		Vs Apr forecast	
		Change	% change	Change	% change
Shinsaibashi	35,217	(11,026)	(23.8)	(3,023)	(7.9)
Umeda	31,000	(818)	(2.6)	(1,070)	(3.3)
Tokyo	36,515	791	2.2	(425)	(1.1)
Kyoto	32,169	(1,745)	(5.1)	(1,871)	(5.5)
Kobe	39,422	(1,448)	(3.5)	(1,798)	(4.4)
Sapporo	28,901	(1,071)	(3.6)	(1,219)	(4.0)
Nagoya	58,179	(3,319)	(5.4)	(3,571)	(5.8)
Ueno	20,607	(350)	(1.7)	(373)	(1.8)
Total	311,762	(20,616)	(6.2)	(14,438)	(4.4)
(excl Shinsaibashi)	276,545	(9,589)	(3.4)	(11,415)	(4.0)

*Sales area of Daimaru Shinsaibashi store decreased approx 40% due to rebuilding of main building since Dec 31, 2015.

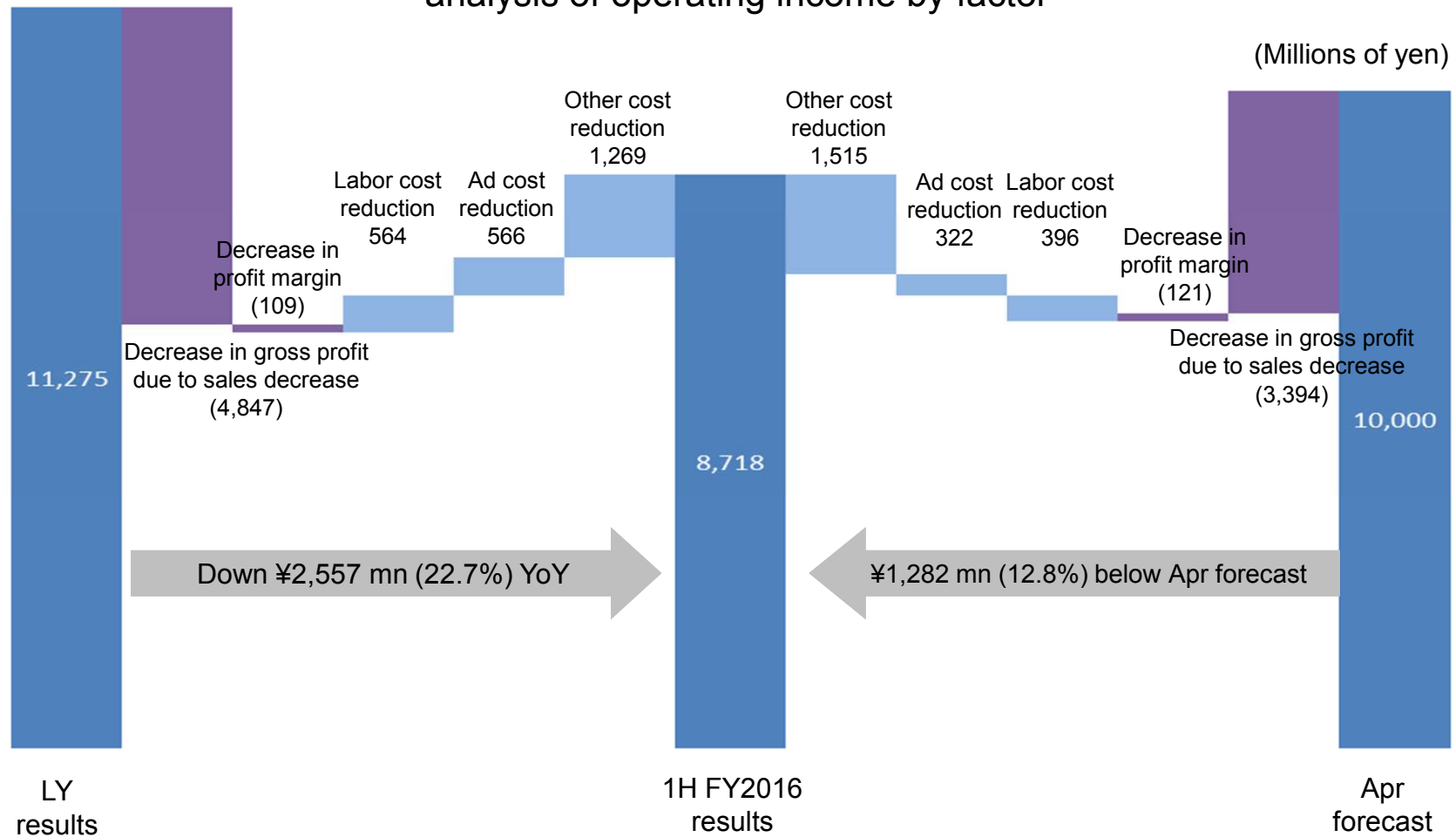
1H FY2016 Daimaru Matsuzakaya Department Stores J. FRONT RETAILING

- ▶ Tax-free sales shifted from big-ticket items to consumables (mainly cosmetics)
- ▶ YoY *Gaisho* sales growth was negative in 1Q and Jun but turned positive in Jul and Aug
- ▶ Operating income missed plan, greatly affected by sales decrease despite cost reduction, and profit exceeded forecast

(Millions of yen, %)

Fiscal year ending Feb 28, 2017	1H results	YoY		Vs Apr forecast	
		Change	% change	Change	% change
Net sales	311,762	(20,616)	(6.2)	(14,438)	(4.4)
Gross profit	73,185	(4,956)	(6.3)	(3,515)	(4.6)
SGA	64,467	(2,399)	(3.6)	(2,233)	(3.3)
Operating income	8,718	(2,557)	(22.7)	(1,282)	(12.8)
Ordinary income	8,175	(2,626)	(24.3)	(725)	(8.1)
Profit	4,843	3,041	168.7	143	3.0

1H FY2016 Daimaru Matsuzakaya Department Stores analysis of operating income by factor



1H FY2016 Consolidated Results (B/S and CF)

- ▶ Equity increased ¥7.9 bn from end of last FY to ¥391.6 bn
- ▶ Interest-bearing debt increased ¥2.7 bn from end of last FY to ¥183.6 bn
- ▶ Operating cash flows decreased ¥3.1 bn YoY mainly due to decrease in trade payables
- ▶ Investing cash outflows decreased ¥17.2 bn in reaction to acquisition of shares in Senshukai in LY
- ▶ Financing cash outflows increased ¥3.7 bn partly in reaction to issue of bonds in LY

<Consolidated balance sheet>

(Millions of yen)

Fiscal year ending Feb 28, 2017	1H results	YoY change
Total assets	1,023,966	4,820
Interest-bearing debt	183,680	2,758
Equity	391,640	7,941
Equity ration (%)	38.2	(Difference) 0.6

<Cash flows>

(Millions of yen)

Fiscal year ending Feb 28, 2017	1H results	YoY change
Operating cash flows	15,970	(3,174)
Investing cash flows	(11,650)	17,203
Financing cash flows	(1,822)	(3,755)

2H and Full FY2016 Forecast

2H FY2016 Consolidated Forecast

- ▶ Revised down both sales and profit forecast because the future of the economy remains uncertain
- ▶ Sales of so-called “volume zone” women’s clothing remain sluggish and sales per inbound tourist do not cease to fall
- ▶ Expected the situation to be as severe as in 1H and carefully reviewed forecast factoring in risks

(Millions of yen, %)

Fiscal year ending Feb 28, 2017	2H forecast	YoY		Vs Apr forecast	
		Change	% change	Change	% change
Net sales	577,702	(12,551)	(2.1)	(26,798)	(4.4)
Gross profit	121,614	(3,541)	(2.8)	(5,586)	(4.4)
SGA	95,615	(3,214)	(3.3)	(3,385)	(3.4)
Operating income	25,999	(326)	(1.2)	(2,201)	(7.8)
Ordinary income	26,305	1,466	5.9	(1,695)	(6.1)
Profit attributable to owners of parent	12,663	1,358	12.0	(1,937)	(13.3)

2H FY2016 Segment Information

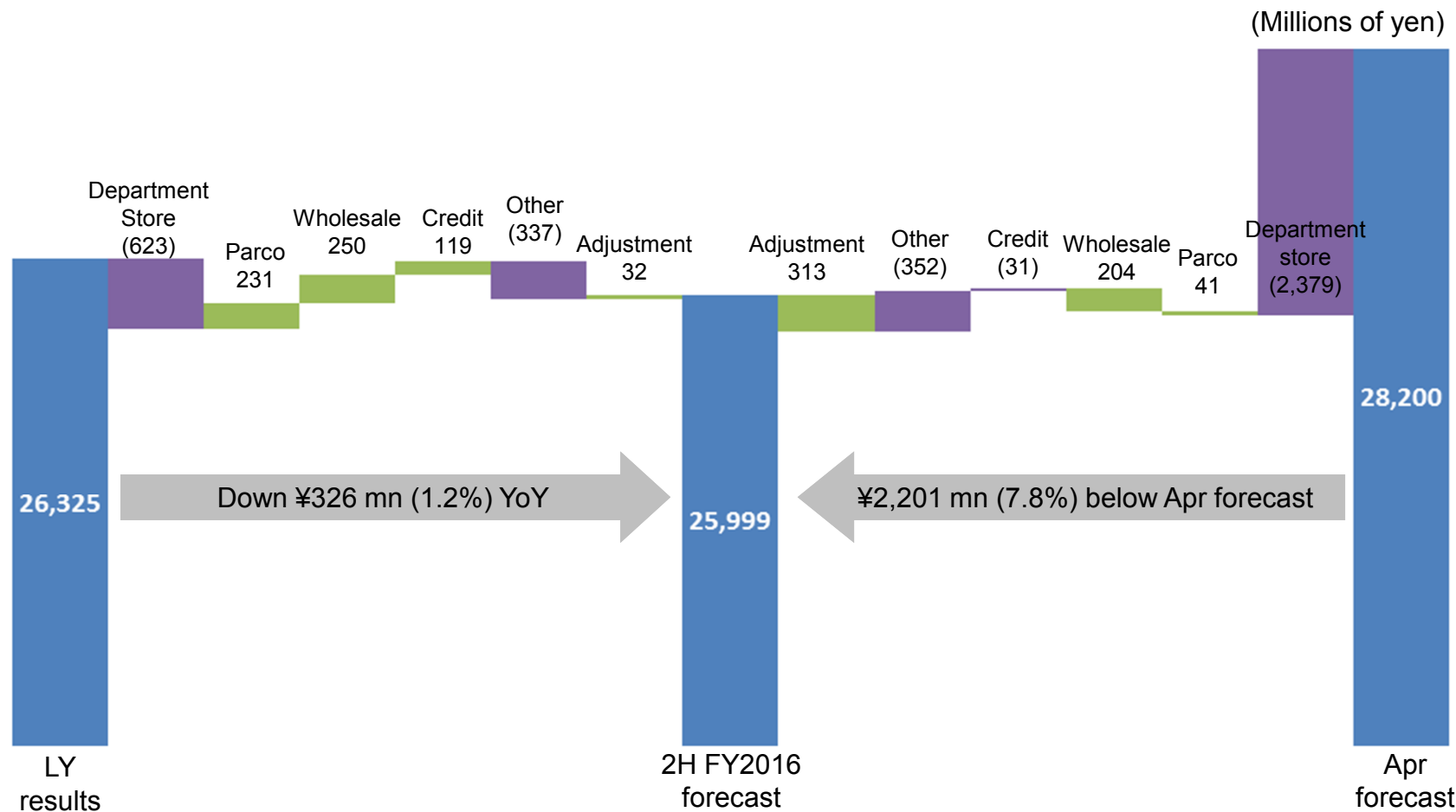
- ▶ In Department Store Business, effect of rebuilding of main building of Shinsaibashi store will end in December but sales forecast was carefully reviewed
- ▶ Forecast of Parco Business factors in effect of temporary closure of Shibuya Parco and closure of Chiba Parco
- ▶ Wholesale Business is expected to recover and Credit Business will increase profit because temporary factors in 1H will disappear

(Millions of yen, %)

Fiscal year ending Feb 28, 2017	Net sales				Operating income			
	2H forecast	YoY % change	Vs Apr forecast		2H forecast	YoY % change	Vs Apr forecast	
			Change	% change			Change	% change
Department Store	379,413	(2.6)	(17,087)	(4.3)	16,021	(3.7)	(2,379)	(12.9)
Parco	139,576	(1.7)	(3,724)	(2.6)	6,241	3.8	41	0.7
Wholesale	27,577	6.0	(2,123)	(7.1)	844	42.2	204	31.8
Credit	5,731	6.3	131	2.3	1,499	8.7	(31)	(2.0)
Other	52,582	(4.6)	(618)	(1.2)	1,408	(19.4)	(352)	(20.2)

2H FY2016 Segment Information

2H FY2016 analysis of changes in consolidated operating income by segment



2H FY2016 Daimaru Matsuzakaya Department Stores J. FRONT RETAILING

- ▶ Revised down 2H sales forecast of all stores ¥14.3 bn because the future of the economy remains uncertain
- ▶ Revised down SGA forecast ¥1.8 bn from Apr forecast through more thorough cost management
- ▶ Operating income will decrease 2.8% YoY and profit will decrease 4.3% YoY

(Millions of yen, %)

Fiscal year ending Feb 28,2017	2H forecast	YoY		Vs Apr forecast	
		Change	% change	Change	% change
Net sales	337,137	(7,995)	(2.3)	(14,363)	(4.1)
Gross profit	78,514	(2,750)	(3.4)	(3,886)	(4.7)
SGA	64,032	(2,333)	(3.5)	(1,868)	(2.8)
Operating income	14,481	(417)	(2.8)	(2,019)	(12.2)
Ordinary income	13,624	(49)	(0.4)	(1,976)	(12.7)
Profit	8,556	(389)	(4.3)	(1,244)	(12.7)

2H 2016 Daimaru Matsuzakaya Department Stores

- ▶ Effect of significant decrease in sales area due to rebuilding of main building of Shinsaibashi store will end at end of December
- ▶ Sales drop attributable to increase in lease area for big tenants in Nagoya store will end at end of October
- ▶ While strengthening promotion measures, carefully developed sales plan reflecting economic environments of individual stores

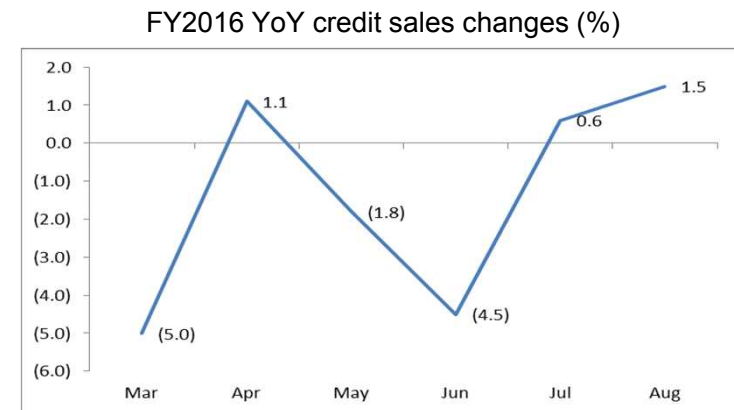
2H FY2016 Daimaru Matsuzakaya Department Stores sales forecast by store (Millions of yen, %)

Fiscal year ending Feb 28, 2017	2H forecast	YoY		Vs Apr forecast	
		Change	% change	Change	% change
Shinsaibashi	37,302	(7,527)	(16.8)	(3,458)	(8.5)
Umeda	33,319	(74)	(0.2)	(641)	(1.9)
Tokyo	38,764	1,320	3.5	(696)	(1.8)
Kyoto	34,990	(1,095)	(3.0)	(2,120)	(5.7)
Kobe	43,507	(681)	(1.5)	(1,943)	(4.3)
Sapporo	32,348	(389)	(1.2)	(1,682)	(4.9)
Nagoya	64,830	1,494	2.4	(2,030)	(3.0)
Ueno	20,572	(47)	(0.2)	(478)	(2.3)
Total	337,137	(7,995)	(2.3)	(14,363)	(4.1)
(excl Shinsaibashi)	299,834	(469)	(0.2)	(10,906)	(3.5)

*Sales area of Daimaru Shinsaibashi store decreased approx 40% due to rebuilding of main building since Dec 31, 2015.

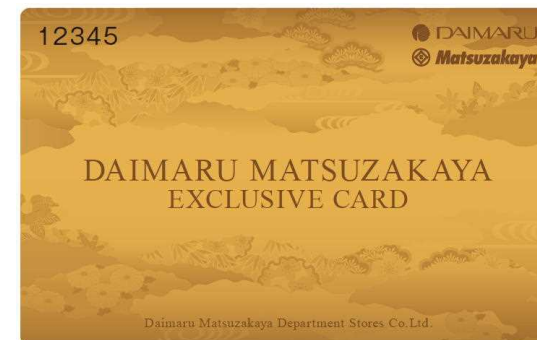
Initiatives on affluent consumer market

- ▶ *Gaisho* sales increased in Jul and Aug
- ▶ Annual new account acquisition target: 14,600
- ▶ Strengthen strategic efforts to “acquire more customers in Tokyo area”



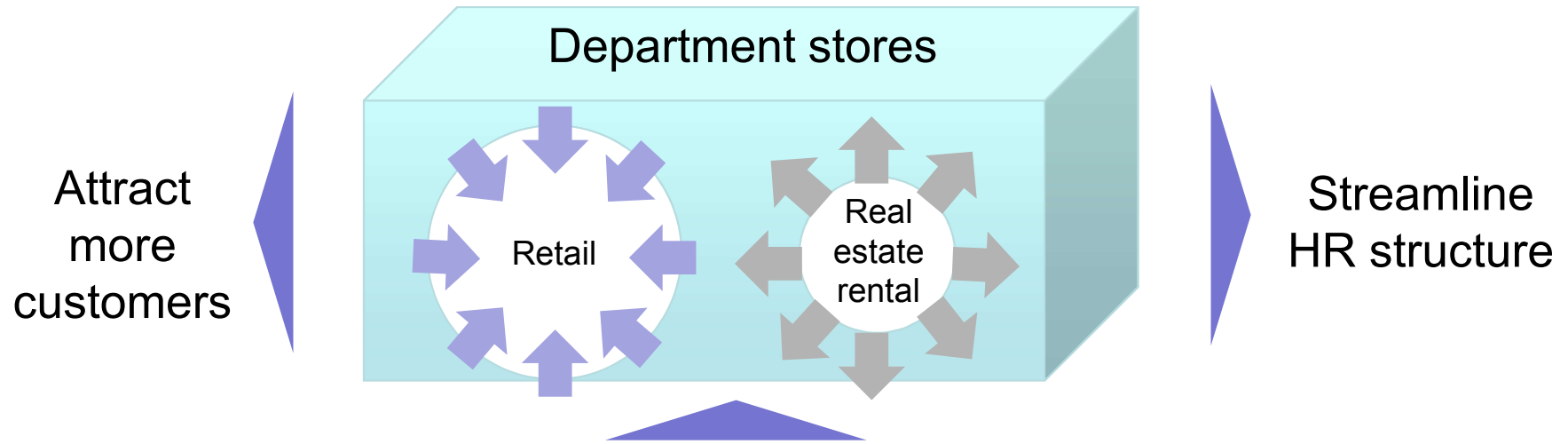
Initiatives on inbound tourist market

- ▶ Retain repeat customers
- ▶ Improve convenience by expanding adoption of payment services
- ▶ Consider cross-border EC to promote repeat purchase



Exclusive Card

Balanced mix of “retail” and “real estate rental revenue”



Medium-term 30% decrease in women’s volume zone clothing sales area

- Introduce new categories
- Create new areas of our own curation
- Strengthen initiatives to meet experiential consumption demands
- Expand real estate lease space

Develop newer business model beyond framework of department stores

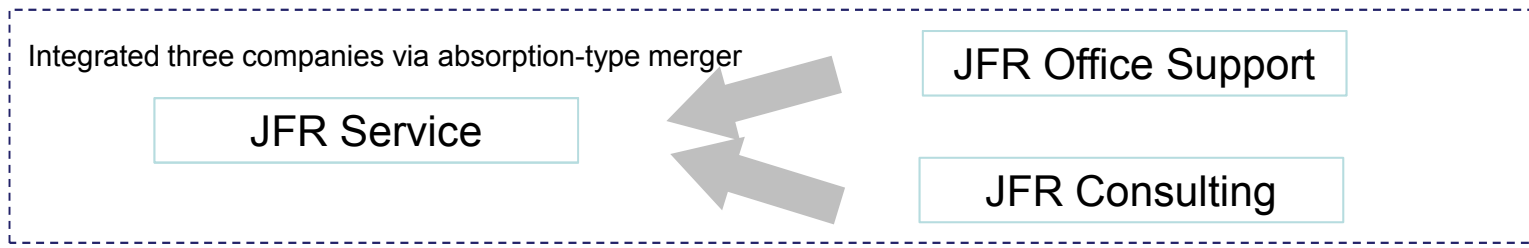
Low Cost Operation

Radical overhaul of operation frames with focus on creation of paperless systems using ICT



Promote operation process reform using ICT

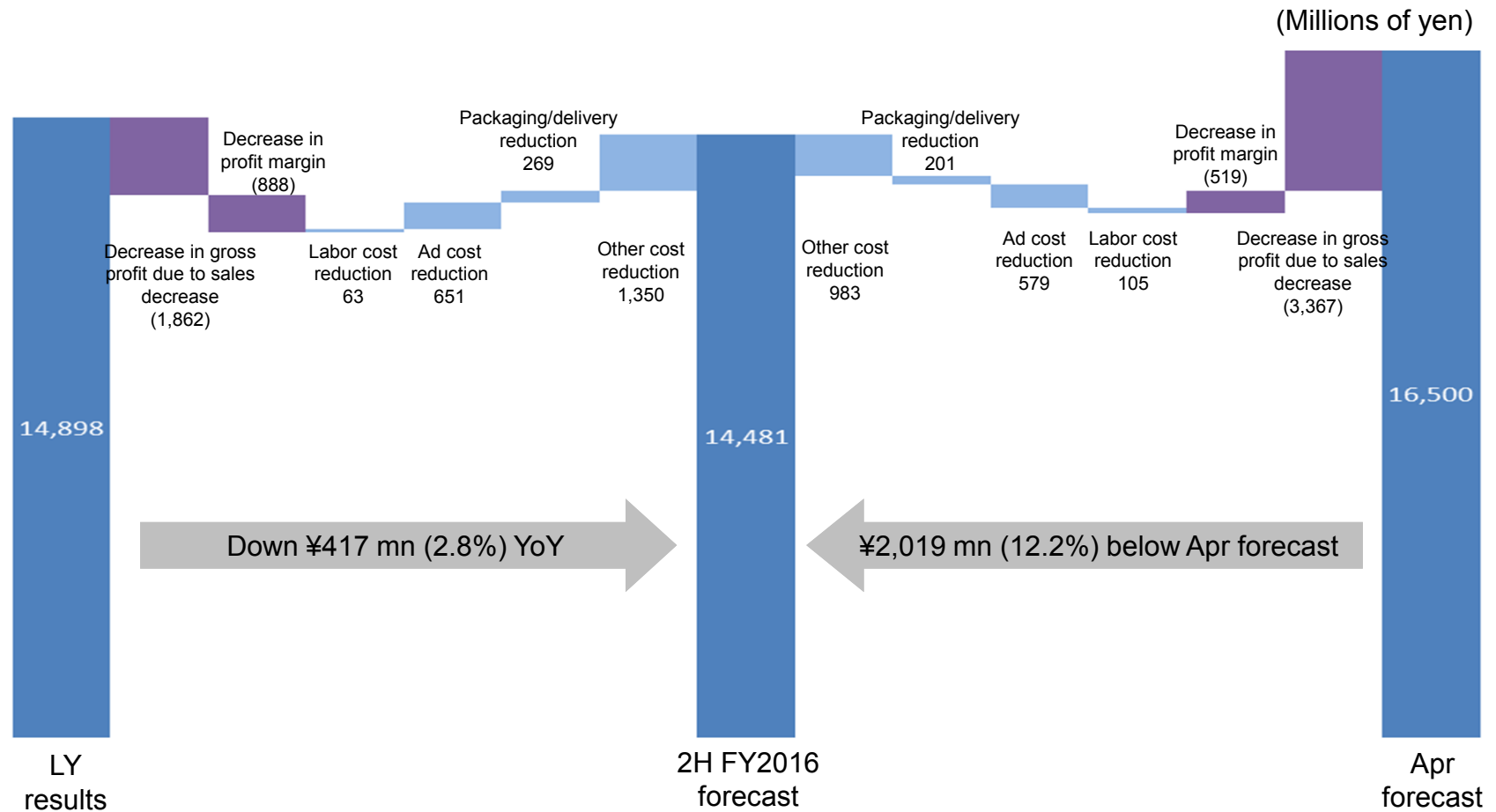
Promote shared services by integrating three companies in the Group



Streamline organization and improve productivity

Medium-term radical change in HR structure

2H FY2016 Daimaru Matsuzakaya Department Stores
analysis of operating income by factor



FY2016 Consolidated Forecast

- ▶ Net sales will decrease 4.0% YoY to ¥1,117 bn, ¥58 bn below Apr forecast
- ▶ Operating income, ordinary income and profit attributable to owners of parent will decrease 6.3%, 8.2% and 3.1% YoY, respectively
- ▶ Plan to pay annual dividend of ¥28 per share, up ¥1 YoY, marking 6th consecutive year of increase

(Millions of yen, %)

Fiscal year ending Feb 28, 2017	Full year forecast	YoY		Vs Apr forecast	
		Change	% change	Change	% change
Net sales	1,117,000	(46,564)	(4.0)	(58,000)	(4.9)
Gross profit	236,100	(9,432)	(3.8)	(11,300)	(4.6)
SGA	191,100	(6,394)	(3.2)	(6,300)	(3.2)
Operating income	45,000	(3,038)	(6.3)	(5,000)	(10.0)
Ordinary income	44,000	(3,910)	(8.2)	(4,000)	(8.3)
Profit attributable to owners of parent	25,500	(813)	(3.1)	(2,500)	(8.9)
Dividend per share (Yen)	28	1	—	0	—

FY2016 Consolidated Forecast (B/S and CF)

- ▶ Equity will increase ¥16.9 bn from end of last FY to ¥400.6 bn
- ▶ Interest-bearing debt will increase ¥14 bn from end of last FY to ¥195 bn
- ▶ Operating cash flows will decrease ¥0.7 bn due to profit decrease
- ▶ Investing cash outflows will increase ¥3.2 bn due to increase in acquisition of fixed assets
- ▶ Financing cash inflows will increase ¥6 bn due to increase in loans

<Balance sheet>

(Millions of yen)

Fiscal year ending Feb 28, 2017	Year-end forecast	YoY change
Total assets	1,046,700	27,554
Interest-bearing assets	195,000	14,078
Equity	400,600	16,901
Equity ratio (%)	38.3	(Difference) 0.7

<Cash flows>

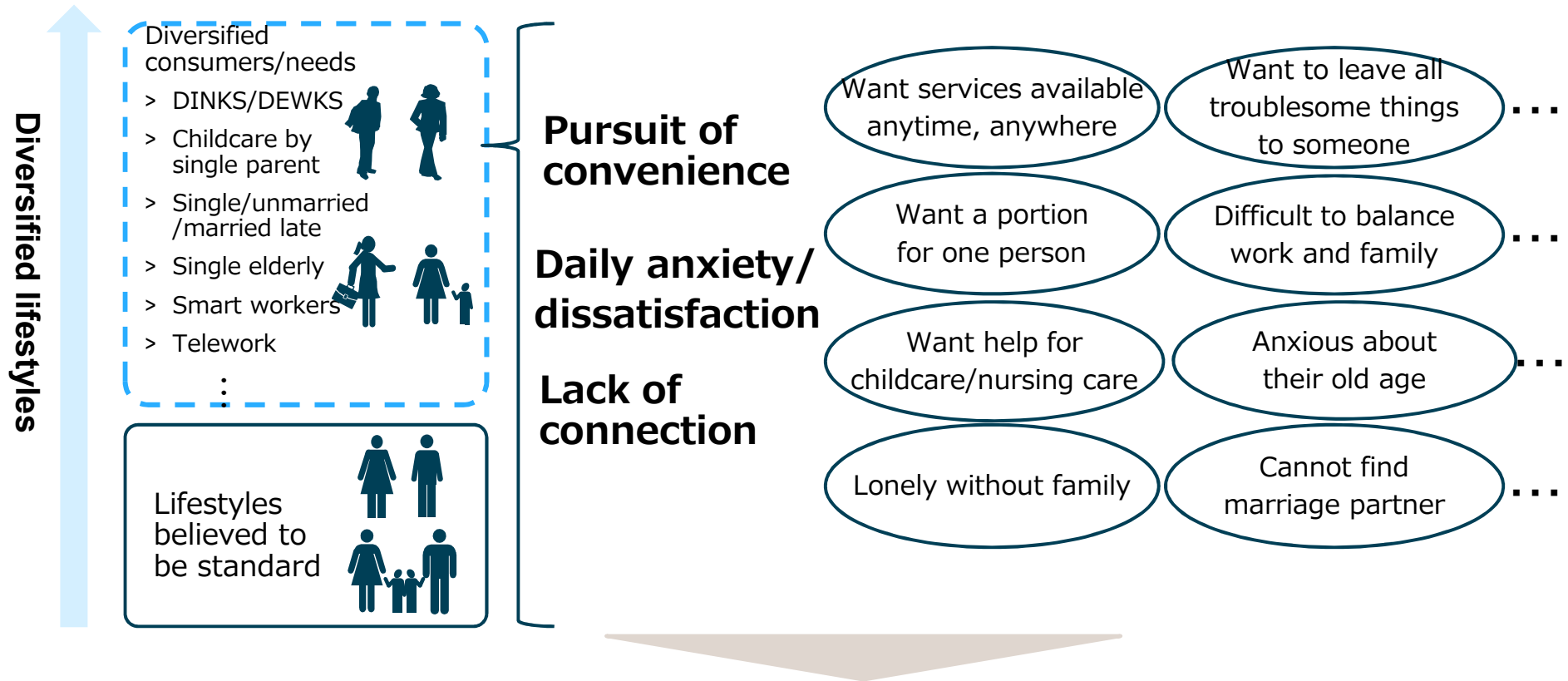
(Millions of yen)

Fiscal year ending Feb 28, 2017	Year-end forecast	YoY change
Operating cash flows	36,000	(799)
Investing cash flows	(43,000)	(3,259)
Financing cash flows	5,000	6,041

New Group Vision and
Next Medium-term Business Plan

Diversified Lifestyles

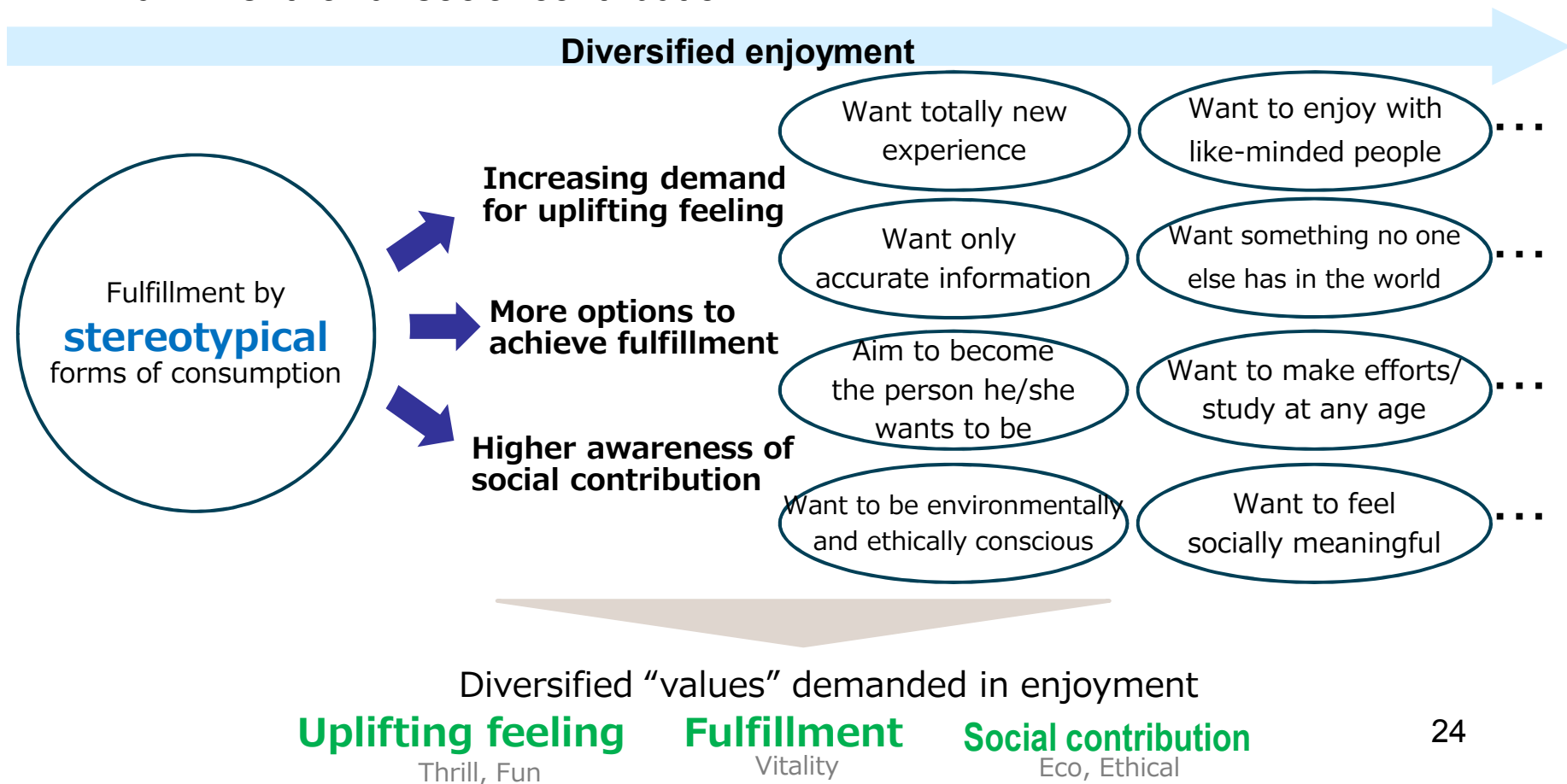
- ▶ Forms of families are changing due to falling birthrate and aging population and more and more women are participating in society
- ▶ Rapidly urbanized in some areas and increasingly depopulated in others
- ▶ Amid greater diversification of lifestyles, needs related to anxiety and dissatisfaction in daily life have been revealed



Increasing needs for: **Stressfree Relax Clanning**

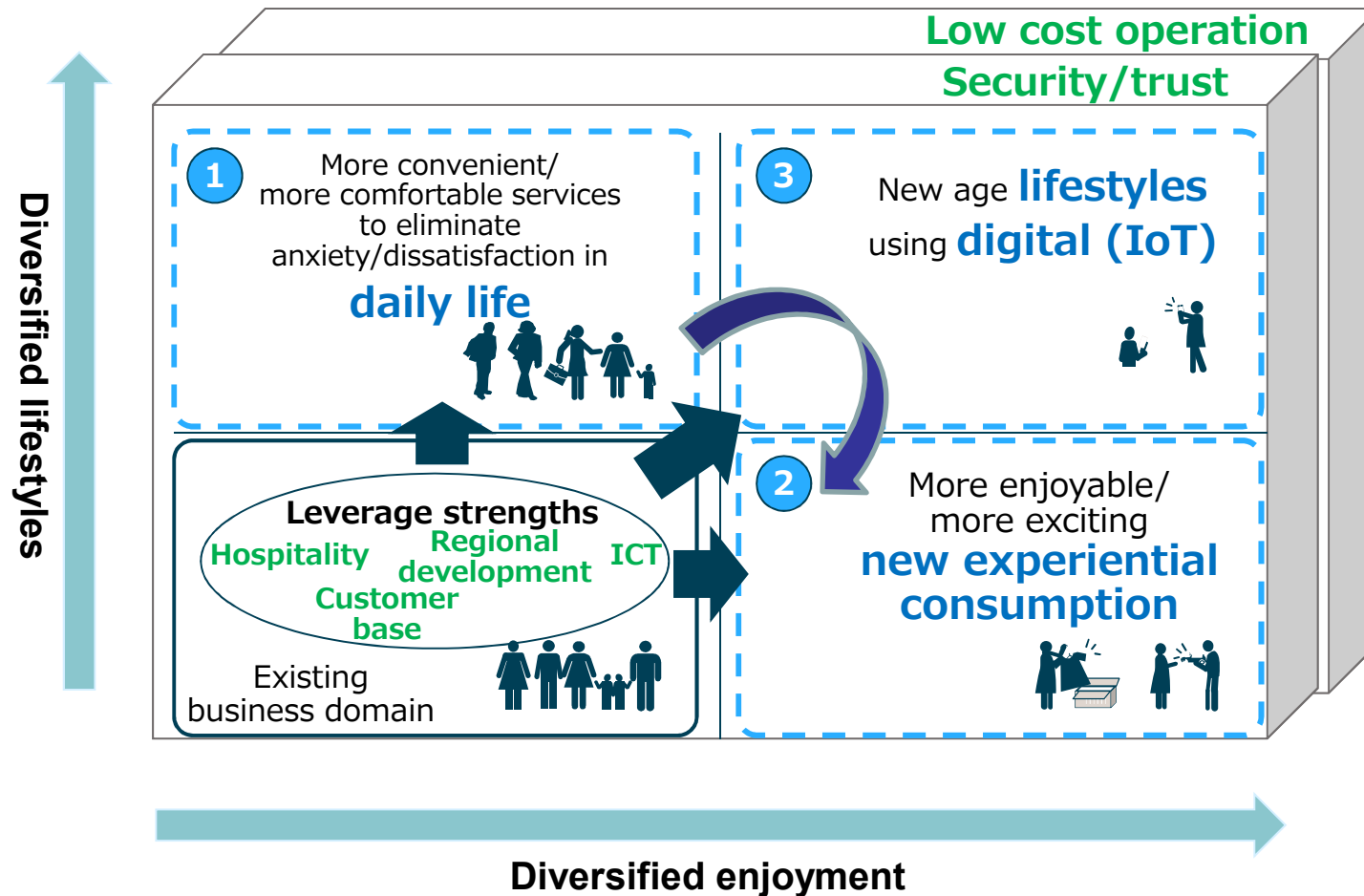
Diversified Enjoyment

- ▶ Increasingly stratified consumers based on values and further polarized income
- ▶ Consumption trends shift from “goods” to “experience,” from “possession” to “sharing”
- ▶ Keywords for values demanded in enjoyment are changing to “uplifting feeling,” “fulfillment” and “social contribution”



Business Domain with Two Focuses

- ▶ Set up business domain with two focuses on “diversified lifestyles” and “diversified enjoyment”
- ▶ See both positive and negative factors and contribute to realizing spiritually rich lifestyles
- ▶ Change existing domain and try to expand into new unconventional domain



Create and Bring “New Happiness” to Your Life J. Front Retailing

Now is the time when lifestyles are changing speedily.

To meet these changes quickly, and what is more, to find budding needs are

J. Front Retailing’s important missions.

More women’s social advancement. Changing lifestyles due to falling birthrate and aging population.

Expansion of globalization and digital consumption.

Various factors bring you more new ways to enjoy your life as well as triggering anxiety and stress.

Seeing both these “positive and negative” factors,
we will evolve into a group that can serve you in all aspects of life.

With regard to “enjoyment,” we will not only “sell goods”
but create new events and experiences to excite you.

With regard to “anxiety,” we will cover “shortfall” such as “busyness,” “uneasiness” and “hassle”
and create services to clear the fog in your mind.

Our domain will expand beyond the boundaries of “retailing.”

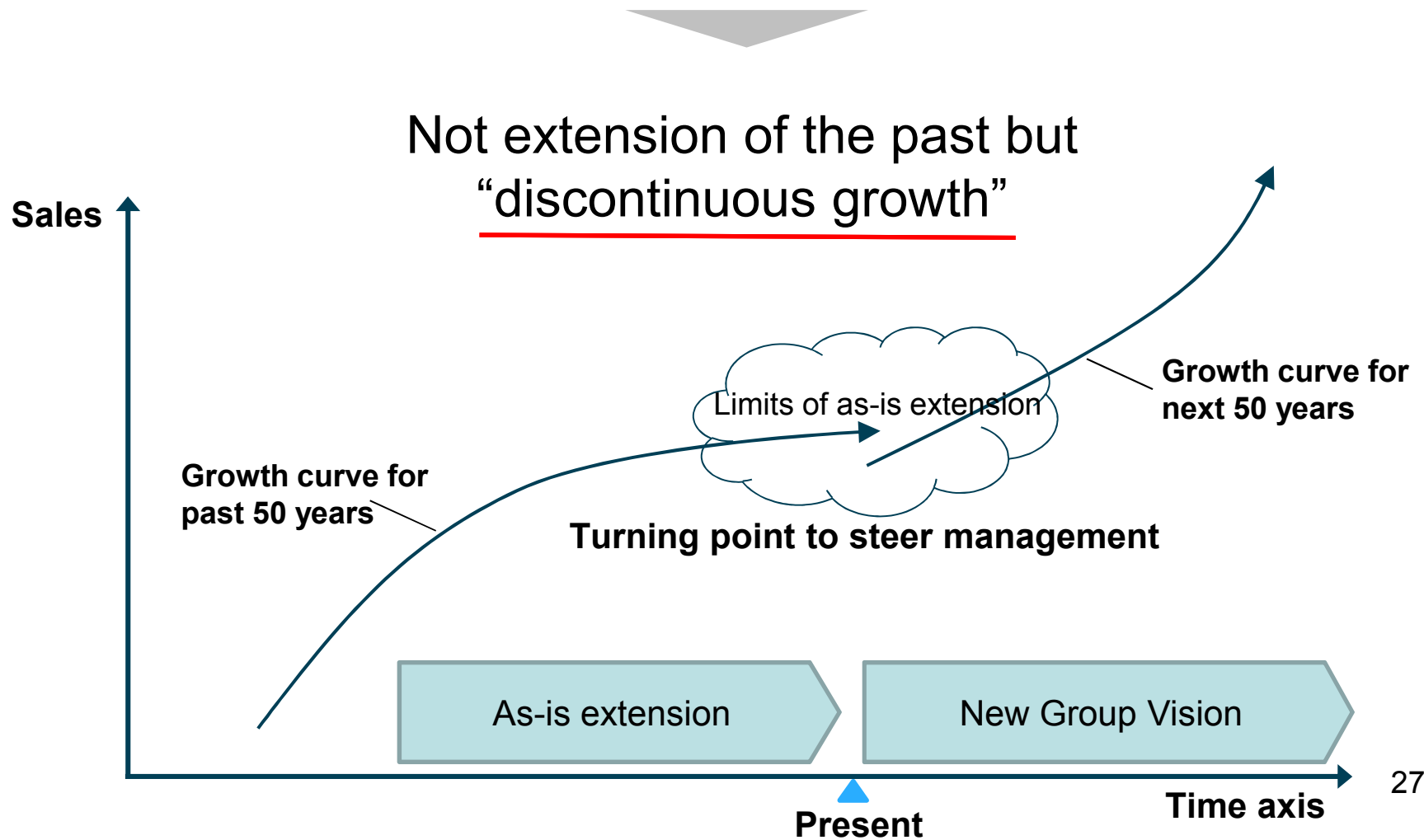
And there should be creative ideas, or the creation of “new happiness.”

Now is the time for J. Front Retailing to greatly change.

And we promise you to closely support your life in a “present progressive form”
after 10 years and even 100 years by “changing all the time.”

Toward Achievement of Group Vision

Next Medium-term Business Plan, which will start in next FY,
as new “starting point”



“Five-year plan” for FY2017 to 2021

<Why five years?>

⇒ Ongoing large-scale development projects will be in full operation in 2021

Achieve “8% ROE” during next Medium-term Plan

<Why 8%?>

⇒ Recognize the Company’s shareholder’s equity cost to be 6.5% to 7.0% and aim to achieve ROE above that level

———— FY2014 to 2016 as “foundation building phase” ————

Steadily improved profit levels of businesses in the Group
Launched large-scale projects for future growth
Strengthened business management by adopting B/S perspective
Strengthened corporate governance structure

⋮



Steadily strengthened management foundation



Possibility to achieve 8% ROE during time frame of next Medium-term Plan has come into sight

Outline of Next Medium-term Plan

“Innovation of existing businesses”
for growth as multifaceted retailer

“Expansion of business domain”
including M&A beyond framework of retailing

“Expansion of real estate business”
through expansion of real estate management area

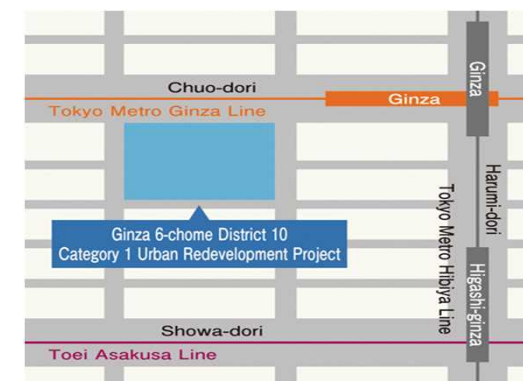
“Full-scale ICT strategy” that adapts to IoT age



“Recombination of business portfolio”
including reshuffle of businesses

Ginza 6-chome Redevelopment

- ▶ Approx 240 tenants in 46,000m² retail area as core of redevelopment
- ▶ Approx 115-meter wide façade along world-famous fashion street Chuo-dori
- ▶ Invest approx ¥7 bn in interior work, etc and plan to open in Apr 2017



*The photo is for illustrative purpose only.

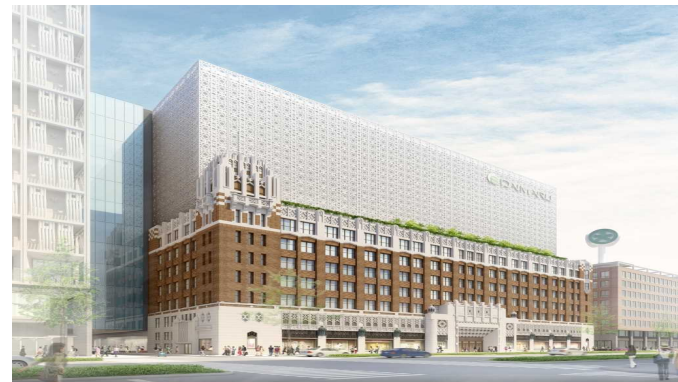
Rebuilding of south wing of Ueno store

- High-rise complex with Parco, cinema complex and offices
- Invest ¥21.3 bn, plan to open in fall 2017



Rebuilding of main building of Shinsaibashi store

- New main building with 30% larger / 40,000m² sales area
- Invest ¥3.8 bn, plan to open in fall 2019



Rebuilding of Shibuya Parco

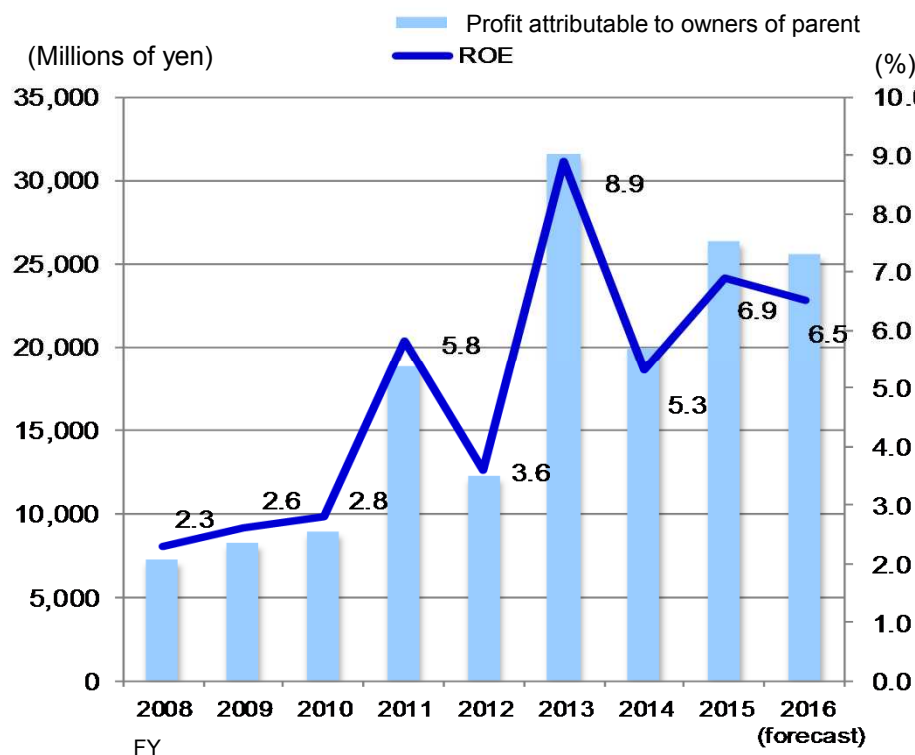
- Started Udagawa-cho 14/15 Development Project including Shibuya Parco
- Acquired approval for construction from Tokyo Metropolitan Government in Aug 2016



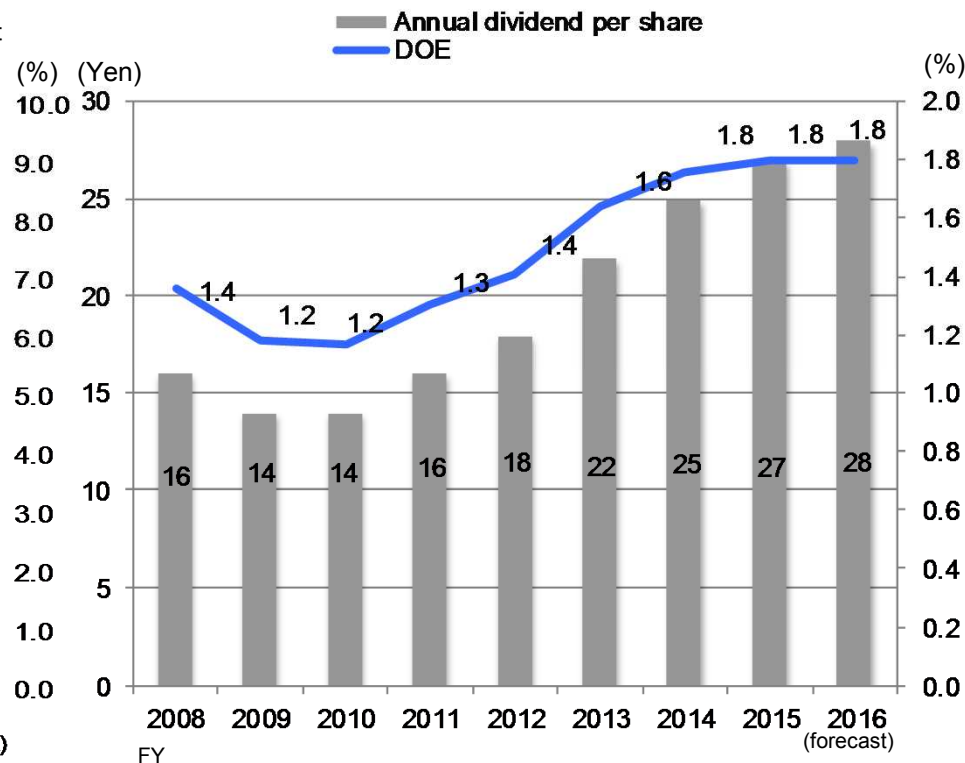
*The photos are for illustrative purpose only.

- ▶ Basic policy is to appropriately return profit targeting dividend payout ratio of at least 30%
- ▶ Consider share buyback as appropriate to improve capital efficiency and flexibly implement capital policy
- ▶ Repurchased ¥5 bn in FY2015 and plan to increase annual dividend in FY2016 for six consecutive years

<Profit attributable to owners of parent and ROE>



<Dividend* and DOE>



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

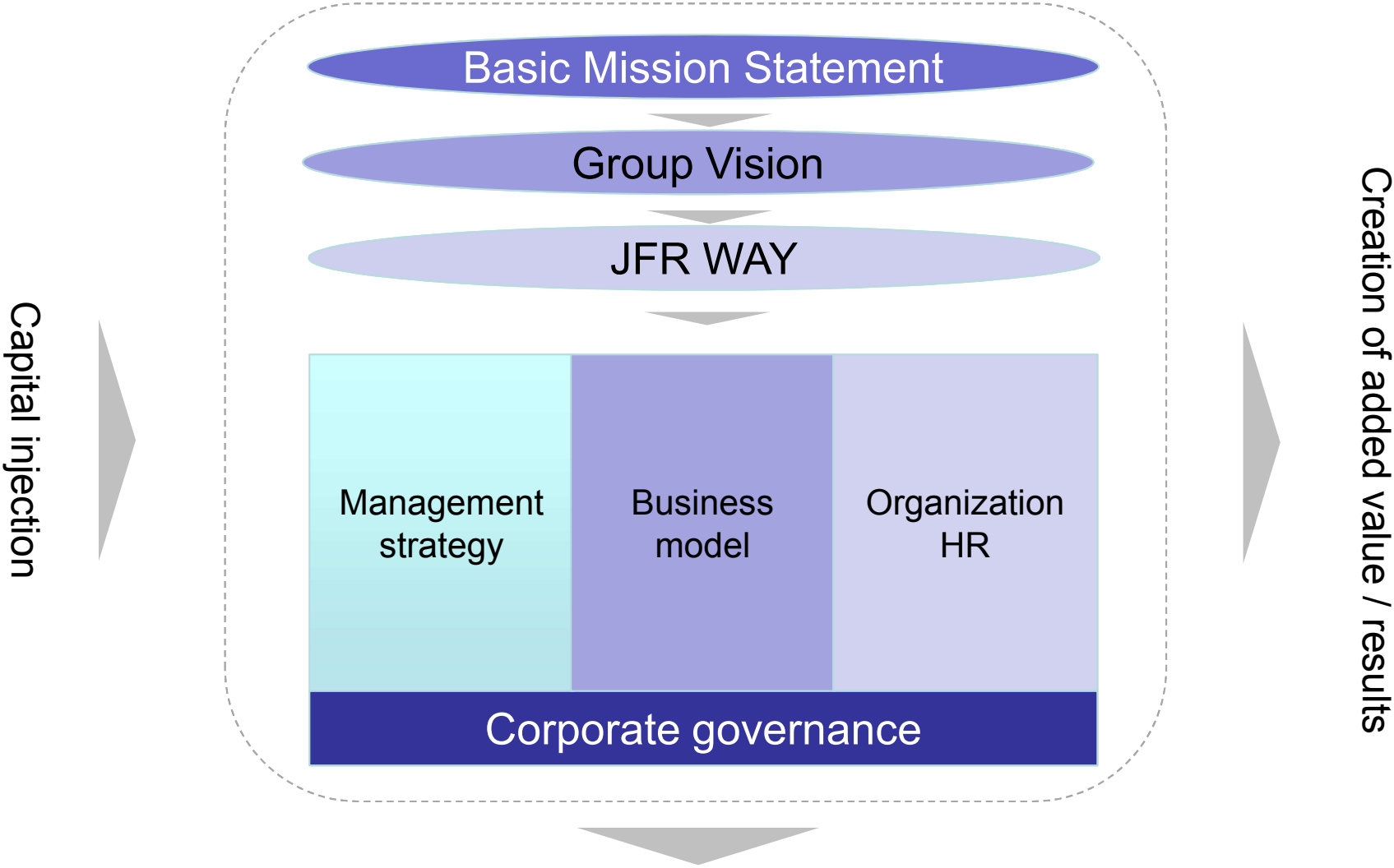
Transition to “company with three committees”

It is essential to improve management foundation and strengthen governance structure in order to become what the Company should be

Transit from company with audit & supervisory board to company with three committees subject to resolution of next year’s annual shareholders meeting

- More clearly separate oversight from execution in the Board of Directors
⇒ Speedier decision-making in execution
- Establish three statutory committees including nomination, remuneration and audit committees
⇒ Increase tension, transparency and objectivity in management

Strengthen Structure to Achieve Group Vision



Greater importance in dialogue with shareholders, investors and other stakeholders

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.