"The Results Accumulated over These Three Years Will Provide the Foundation for the Next Dramatic Growth."



YAMAMOTO Ryoichi

President





Would you explain about the Group's business performance for fiscal year 2013?

Consolidated sales of J. Front Retailing Group for fiscal year 2013 were ¥1,146.3 billion, up 4.9% year on year. Even excluding Parco, which has been included in consolidation from the second half of fiscal year 2012, and Peacock Stores, which has been excluded from consolidation from the fiscal year under review, consolidated sales increased by 2.6%. Consolidated operating profit was ¥41.8 billion, up 35.5% year on year, and consolidated ordinary profit was ¥40.5 billion, up 25.8% year on year. Both profits achieved four consecutive years of growth. Consolidated net profit rose approximately 2.6-fold to ¥31.5 billion because ordinary profit increased and ¥18.4 billion was recorded as gain on sales of shares of Peacock Stores in the first quarter. As a result, sales, operating profit, ordinary profit and net profit all reached record highs since J. Front Retailing was established.

By segment, Department Store Business increased sales by 2.5% year on year and operating profit by 24.4% due to strong sales of Daimaru Matsuzakaya Department Stores and Hakata Daimaru. Parco Business has been included in consolidation from the second half of fiscal year 2012 and its previous year's contribution was only for six months. Therefore, sales and operating profit in this segment increased by 94.6% and 103.7%, respectively. For your information, consolidated operating profit of Parco Co., Ltd. increased and hit a new high in fiscal year 2013. Wholesale Business posted an increase of 5.1% in sales and a decrease of 29.2% in operating profit. Credit Business increased sales by 9.9% and operating profit by 8.0%. For Other Businesses, sales and operating profit decreased by 1.7% and 7.3%, respectively.

The Supermarket Business segment has been excluded from fiscal year 2013 because we transferred all shares in Peacock Stores Ltd. as of April 1, 2013. As for Forest Co., Ltd., which became our consolidated subsidiary in December 2013, its balance sheet and income statement have been consolidated from the end of fiscal year 2013 and the first quarter of fiscal year 2014, respectively.



Department stores, especially renovated stores such as Nagoya and Tokyo stores, seem to enjoy strong sales.

Sales at most stores of Daimaru Matsuzakaya Department Stores exceeded the previous year's level. In particular, Matsuzakaya Nagoya and Daimaru Tokyo stores posted favorable sales.

At Matsuzakaya Nagoya store, the entire food floors were renovated as the

second and final phase of its two-year large-scale renovation. Sales increased by 12.5% on the renovated food floors. In addition, the food floors attracted customer traffic and helped boost sales particularly on women's accessories, luxury brands and other floors, which were renovated in the first phase in 2012. The store also actively ran joint promotions with the adjacent Nagoya Parco. Especially, they started summer and winter clearance sales named "Clearance Sale" at Matsuzakaya and "Grand Bazaar" at Parco on the same day and conducted joint promotional activities, which attracted more customer traffic to both stores. As a result of the foregoing, sales at Nagoya store grew by 9.7% year on year without increasing floor space.

Sales at Tokyo store, which made its grand opening with increased floor space in October 2012, were up 17.1% year on year. For the first half, sales increased by 35.6% from the previous year, and even for the second half when the effects of sales floor expansion peaked out, the store offset the backlash from robust sales driven by its reopening in the previous year and further increased sales. For the second half, sales in expanded parts were especially strong and we believe we are steadily gaining loyalty from new customers after increasing floor space.

Consequently, total sales of Daimaru Matsuzakaya Department Stores grew by 2.7% year on year, marking the third straight year of increase, in spite of the impact of the closure of Daimaru Shinnagata and LaLaport Yokohama and Matsuzakaya Ginza stores. On a same-store basis excluding the impact of closed stores, sales were up 4.3% year on year.

SG&A expenses decreased by ¥1.7 billion from the previous year thanks to all possible cost-cutting measures taken, including reduction of labor costs through organizational and human resource restructuring, return of leased properties and reduction of rents. This resulted in an operating profit of ¥19.6 billion, up 27.1% year on year.



Food floor of Matsuzakaya Nagoya store



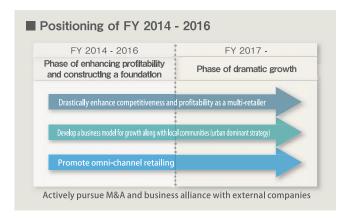
Would you outline the medium-term three-year plan including its background and financial targets?

As for its external environment, amid medium- to long-term changes in economic and social structure including demographic shifts, globalization and sophistication of information and communication technology, competition is expected to further increase across industries and business formats. In addition, there is concern about the impact of two-stage sales tax hike starting this year on consumption.

In the meantime, markets are increasingly changing, as seen in the expansion of senior market and consumer market targeting overseas visitors to Japan, migration back to central urban areas, the expansion of the wealthy population and the polarization of consumption. We believe successful adaptation to these changes will create many business opportunities.

As for its internal environment, we are proceeding with large-scale projects including the redevelopment of Ginza area and the rebuilding of the south wing of Matsuzakaya Ueno store and the opening of these locations is aimed for November 2016 and fall 2017, respectively. For this reason, Matsuzakaya Ginza store and the south wing of Ueno store are forced to suspend operations during the period of the current medium-term plan.

In light of the foregoing, we position the period from fiscal year 2014 to 2016 as a very important "phase of building a foundation" toward growth for fiscal year 2017 and beyond.



The plan has three major pillars: the first is "to drastically enhance competitiveness and profitability as a multi-retailer," the second is "to construct the foundation toward the development of a business model for growth along with local communities," and the third is "to promote omni-channel retailing that leverages the strengths of real stores." We will also actively pursue M&A and business alliance with external companies to diversify our business as a multi-retailer.

During this three-year period, we expect to generate operating cash flows of at

least ¥130 billion, of which ¥110 billion will be allocated to large-scale strategic projects including the rebuilding of the south wing of Ueno store and the development of the new buildings of Hakata and Sendai Parco as investment for future growth. This ¥110 billion includes a strategic investment of ¥20 billion to flexibly respond to new M&A opportunities.

By promoting these initiatives, we aim to achieve a consolidated operating profit of ¥50 billion in fiscal year 2016, the final year of the plan. With respect to ROE, we would like to increase it to 5.8% in fiscal year 2016 from 4.8% in fiscal year 2013 to achieve our target of 8%.



Among department stores, which form the core of multi-retailer, competition continues to intensify and what kind of growth path do you envisage for the future?

For Department Store Business, we will further accelerate efforts to establish a "new department store model" and aim to realize attractive stores favored by a wide range of customers and a highly profitable business model.

Each store will clarify target market and customers in the region and implement regionally adapted store strategy, which incorporates an omni-channel approach, to become more competitive in the region. In particular, we will significantly increase profits at Matsuzakaya Nagoya, Daimaru Tokyo, Daimaru Sapporo and Daimaru Kobe stores.

Positioning *gaisho* (out-of-store sales) as a pillar of growth, we will expand customer base and strengthen sales capabilities. For fiscal year 2013, we reached a target of acquiring 10,000 new accounts partly because a *gaisho* card named "Otokuisama Gold Card" was converted to a credit card and became much more convenient. We will beef up efforts to acquire new accounts mainly targeting the nouveau riche in urban areas in fiscal year 2014 and beyond. We will reinforce sales capabilities by offering extensive values including services in addition to conventional products for *gaisho* customers in response to the changing needs of affluent customers to increase sales per account.

With respect to Original Merchandising Business, of which drastic rebuilding we are working on, we will enhance capabilities for product planning, inventory control and sales, while renewing product management system, expanding products purchased on a no-return basis, and developing original products. Thereby we will make our stores more appealing and distinctive, as well as increasing gross margin and sales share of Original Merchandising Business.

Duty-free sales to foreign tourists almost doubled year on year on a same-store basis in fiscal year 2013. Since the coverage of tax exemption will be expanded



this fall, sales to foreign tourists are expected to increase continuously and significantly. Therefore, we will improve the store environment, expand the range of products and services, and strengthen promotional activities using various media

Accelerate efforts to establish a "new department store model"

Make stores more competitive by implementing regionally adapted store strategy

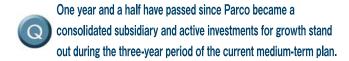
Specified priority stores

Tokyo

Kobe

Sapporo

Nagoya



For Parco Business, we are planning a capital investment of ¥37 billion for these three years and we will strengthen its business infrastructure through active new store openings in urban areas.

In the Tenjin area, Fukuoka, we are planning to open the new building of Fukuoka Parco in fall 2014. It will have three floors underground and six floors above ground whose total area will be approximately 14,000 square meters. In spring 2015, the total floor area of the main building will increase by 3,300 square meters. Thereby we will achieve a full lineup of shops.

In the Sendai area, we will develop a new building with the total floor area of 25,000 square meters, which will be the second Parco store in the area, with the aim of opening it in 2016.

For Zero Gate business, we will promote the development of properties and aim to open at least seven locations including Nagoya, which is scheduled to open in fall 2014, and Sapporo, which is scheduled to open in spring 2016.



Artist's impression of New Building of Fukuoka Parco (tentative name)

Artist's impression of Nagoya Ar Zero Gate (tentative name) Ze

a Artist's impression of Sapporo Zero Gate (tentative name)

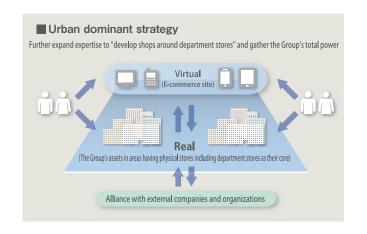
At the same time, aiming to ensure stable growth of existing Parco stores, we will continue to renovate approximately 15% of sales floor area every year to keep the stores fresh as advanced commercial space, while developing two types of operations including "urban type" and "community type" and expanding their respective target customer base.

What is a "business model for growth along with local communities"?

The Group has store assets of its core department stores, Parco and StylingLife Holdings in a balanced manner in central urban areas throughout Japan as well as prime customer assets. As the population is expected to continue to concentrate in urban areas, we aim to establish dominance in urban areas as a group by effectively using these assets.

Historically, Daimaru Kobe, Shinsaibashi and Kyoto stores have operated many shops in their surroundings, which used to operate inside department stores, to enhance the appeal of the whole areas and attract more visitors. This drove more customer traffic to and more sales of these department stores.

We will expand the initiatives to develop shops in the surroundings of department stores, which we have addressed in the past. In terms of what appealing areas should be, we will gather the total power of the Group including its core department stores, Parco and Daimaru COM Development. Moreover, we will work together with companies and organizations outside the Group when necessary and link these initiatives with omni-channel approach to develop surrounding areas in an out-of-the-box and unique manner. Through these efforts, we will make our department stores more competitive in each area, as well as expanding the businesses of the Group and achieving their penetration. We call these new initiatives "urban dominant strategy."



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As specific initiatives of the "urban dominant strategy," what is progressing?

With the Ginza 6-chome District 10 Redevelopment Project, we will develop a large-scale complex with necessary functions for the district including commercial facilities and offices as well as cultural facilities and a tourism hub to further enhance the appeal of Ginza, one of the most prestigious areas in Japan. For commercial space, which will be the largest in the Ginza area, we will create completely new commercial facilities of world class quality right for Ginza as a destination of diverse people not just from Japan, but from around the world. To this end, we will work with other commercial floor owners to develop and operate all commercial floors in an integrated manner.

With the project for the south wing of Matsuzakaya Ueno store, we are rebuilding it into a high-rise complex comprising the department store's basement food floor connected from the main building, Parco, a cinema complex and sophisticated offices. The efforts of the Group's businesses including department stores and Parco and local people will be united to develop the area. Thus we will draw new crowds to the Okachimachi area, which is being redeveloped, in Ueno and create a business model that allows us to contribute to local revitalization and mutually grow with local communities.

In the Shinsaibashi area, while Daimaru Shinsaibashi store has developed shops in its surroundings, Daimaru COM Development operates a shopping mall, an underground mall and specialty stores, and Parco operates two Zero Gate stores. In order to radically strengthen competitiveness in the Osaka area, we would like to develop early and implement a redevelopment plan of the Shinsaibashi area centered on the department store and involving the use of real estates and commercial facilities in its surroundings.



Artist's impression of Ginza 6-chome District 10 Redevelopment *Subject to changes.



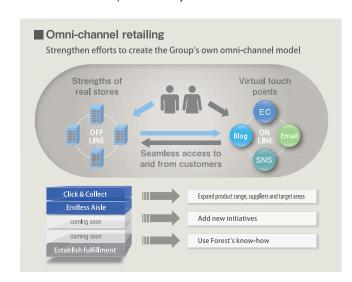
You launched omni-channel initiative last vear.

As for omni-channel retailing initiative, toward the establishment of the Group's own omni-channel model, we will draw more support for the Group mainly at stores in major urban areas and meticulously serve customers by offering products, services and information online and at real stores alike and making ourselves accessible to and from customers seamlessly anytime and anywhere to ensure an advantage over our competitors.

Specifically, we will address new initiatives including the expansion of product range, suppliers and target areas of Click & Collect and Endless Aisle services, both of which we launched last year, to further enhance customer convenience.

Using the know-how of Forest, which became our consolidated subsidiary in December 2013, for the highly efficient operation of logistics and the development and operation of sophisticated information systems, we will establish and improve our order fulfillment capabilities mainly in the Tokyo metropolitan area. Specifically, we will start a trial home delivery service of food products for customers living near Matsuzakaya Ueno store using Forest's delivery network. We will also tackle new initiatives in fashion and accessories categories.

The Group has the advantage of having real stores in major cities and a total of six million customers. For the future, we will consider how to create touch points virtually as well as at real stores.







How will you address affiliated businesses?



With respect to affiliated businesses, we will focus on Credit Business and Staffing Service and Commissioned Sales Operations Business.

As for Credit Business, we will work to develop new accounts in cooperation with department stores, encourage switch from reward cards for cash purchases to credit cards, and dramatically increase membership by revamping reward points policy. We will also enhance the appeal and convenience of our cards by expanding a network of member stores outside the Group and improving cardholder privileges to encourage frequent use as a main card and increase utilization rate and sales per account.

Dimples', a staffing company, will strengthen operations in the Tokyo metropolitan, Nagoya and Keihanshin areas, and by using its expertise cultivated through Department Store Business, the company will expand sales staffing, information business and checkout operations mainly in highly professional fields to increase profits outside the Group. Daimaru Matsuzakaya Sales Associates, which was spun off from Dimples' in September 2012 to undertake commissioned sales operations, will evolve expertise in serving customers, selling and training to contribute to improving sales capabilities at the department stores of the Group. The company will also expand business into the commissioned operation of the shops of the suppliers to department stores, and then, into external commercial facilities.



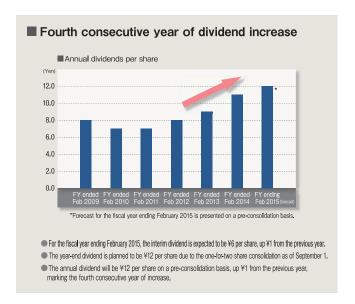


What do you think about shareholder return?

The basic policy of J. Front Retailing is to appropriately return profits to shareholders targeting a consolidated dividend payout ratio of at least 30% in consideration of profit levels, future capital investment and cash flow trends while striving to maintain and improve a sound financial condition. J. Front Retailing will also consider purchasing treasury stock as appropriate in order to improve its capital efficiency and implement its capital policy flexibly.

In order to improve convenience for investors and other market users, we are planning to change the number of shares per unit from 1,000 shares to 100 shares and consolidate these shares at a rate of one share for every two shares as of September 1, 2014.

For fiscal year 2013, we have decided to pay a year-end dividend of ¥6 per share, up ¥1 from our original forecast of ¥5 per share because the Group's net profit per share was higher than expected. Combined with the interim dividend, the dividend totals ¥11 per share for the full year, up ¥2 from the previous year. For fiscal year 2014, we are planning to pay an interim dividend of ¥6 per share. The year-end dividend is expected to be ¥12 per share due to the one-for-two share consolidation planned for September 1. Calculated on a pre-consolidation basis, the year-end dividend will be ¥6 per share and the annual dividend will be ¥12 per share, up ¥1 from the previous year, marking the fourth consecutive year of increase. Keeping a close eye on our profit levels and cash flow trends, we intend to continue to increase dividend payments.



We recognize these three years as a "phase of constructing the foundation" to make various preparations for the next great growth, which is an extremely important period that will affect the size of growth for fiscal year 2017 and beyond. As a multi-retailer, the Group will respond quickly to market changes, create and continue to offer to customers new values, and steadily accumulate the results achieved through the foregoing initiatives so that our corporate value will improve dramatically in the future.