

To whom it may concern

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Notice Regarding Revisions to Earnings Forecasts and Dividend Forecasts

J. FRONT RETAILING Co., Ltd. (the “Company”) hereby announces that it has revised its consolidated earnings forecasts and dividend forecasts for the first six months ending August 31, 2020 and for the fiscal year ending February 28, 2021 from those announced on April 10, 2020. The details are provided below.

Revision to earnings forecasts

Revision to the consolidated earnings forecasts for the six months ending August 31, 2020 (from March 1, 2020 to August 31, 2020)

| | Gross sales | Sales revenue | Business profit | Operating profit |
|---|-----------------|-----------------|-----------------|------------------|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Previous forecasts (A) | 437,500 | 182,000 | 2,500 | 0 |
| Revised forecasts (B) | 312,000 | 140,000 | (8,000) | (30,000) |
| Change (B-A) | (125,500) | (42,000) | (10,500) | (30,000) |
| Percentage of change (%) | (28.7) | (23.1) | — | — |
| (Reference) Actual earnings results of the second quarter of the previous fiscal year (The six months ended August 31, 2019) | 545,841 | 225,664 | 23,743 | 25,175 |

| | Profit before tax | Profit attributable to owners of parent | Basic earnings per share |
|---|-------------------|---|--------------------------|
| | Millions of yen | Millions of yen | Yen |
| Previous forecasts (A) | (1,500) | (1,000) | (3.82) |
| Revised forecasts (B) | (33,000) | (23,700) | (90.51) |
| Change (B-A) | (31,500) | (22,700) | |
| Percentage of change (%) | — | — | |
| (Reference) Actual earnings results of the second quarter of the previous fiscal year (The six months ended August 31, 2019) | 23,960 | 14,367 | 54.89 |

Revision to the consolidated earnings forecasts for the fiscal year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

| | Gross sales | Sales revenue | Business profit | Operating profit |
|--|-----------------|-----------------|-----------------|------------------|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Previous forecasts (A) | 1,010,000 | 411,000 | 17,000 | 12,000 |
| Revised forecasts (B) | 805,000 | 332,000 | (7,000) | (30,000) |
| Change (B-A) | (205,000) | (79,000) | (24,000) | (42,000) |
| Percentage of change (%) | (20.3) | (19.2) | — | — |
| (Reference) Actual earnings results of the previous fiscal year (The fiscal year ended February 29, 2020) | 1,133,654 | 480,621 | 45,363 | 40,286 |

| | Profit before tax | Profit attributable to owners of parent | Basic earnings per share |
|--|-------------------|--|-----------------------------|
| | Millions of yen | Millions of yen | Yen |
| Previous forecasts (A) | 8,700 | 5,000 | 19.10 |
| Revised forecasts (B) | (35,900) | (26,000) | (99.30) |
| Change (B-A) | (44,600) | (31,000) | |
| Percentage of change (%) | — | — | |
| (Reference) Actual earnings results of the previous fiscal year (The fiscal year ended February 29, 2020) | 37,161 | 21,251 | 81.19 |

- *1. Of sales revenue, sales from purchase recorded at the time of sale (*shoka shiire*) of the “Department Store Business” and “Other (Daimaru Kogyo)” have been converted into gross amount and the net amount of sales of the “PARCO Business” into tenant transaction volume (gross amount basis) to calculate gross sales.
2. Business profit is obtained by subtracting cost of sales and selling, general and administrative expenses from sales revenue. Operating profit is obtained by adding other operating income to and subtracting other operating expense from business profit.

Reason for the revision

The Company has revised the earnings forecast for the current fiscal year from the previous forecast (announced on April 10, 2020) based on (1) financial results for the three months ended May 31, 2020 and (2) future business outlook.

(1) Financial results for the three months ended May 31, 2020

In the consolidated financial results for the three months ended May 31, 2020, consolidated sales revenue dropped significantly, down 43.6% year on year, mainly due to requests from the national and local governments to refrain from going outside and temporarily close shops to prevent the spread of the novel coronavirus disease (COVID-19), and especially for the Department Store and PARCO Businesses, the impact of temporarily closing shops and shortening operating hours for a long period of time, a reduction in spending by foreign tourists visiting Japan and stagnation in domestic spending after the previous earnings forecast (announced on April 10, 2020) was calculated.

Under these circumstances, business profit turned into a loss despite efforts to curtail investments and reduce expenses from those initially planned, and operating profit and profit attributable to

owners of parent became significant losses due to the recording of impairment loss, etc. (¥11.5 billion on a consolidated basis) by some businesses and stores.

(For details regarding the financial results for the three months ended May 31, 2020, please refer to the consolidated financial results and the supplementary materials on financial results disclosed today.)

(2) Future business outlook

Regarding the future business outlook, with the exception of some stores, all stores gradually started to resume operations from the middle of May and resumed normal operations from the middle of June. However, because it is difficult at this time to predict when the spread of COVID-19 will be brought under control and when consumption will recover, these revisions were calculated based on information available to the Company at the time this notice was released.

Specifically, the revisions were calculated under the assumption that the number of customers visiting stores (excluding foreign tourists visiting Japan), sales and lease revenue from shops will gradually recover in the second quarter and throughout the fiscal year based on a sales structure at all stores in the mainstay Department Store and PARCO Businesses that incorporates all possible measures to ensure the safety and security of customers and employees.

As a result, although consolidated sales revenue is expected to recover in the second quarter to approximately 70% of the revenue in the corresponding period of the previous fiscal year and in the second half to about 80% of the revenue in the corresponding period of the previous fiscal year (excluding the impact of sales of reserve floor space in the PARCO Business in the previous fiscal year), sales revenue and all of the profit items are expected to be significantly lower than the previously announced figures.

To establish a system for securing necessary funds as preparation in case the impact of COVID-19 is greater than expected, the Company has curtailed investments, reduced expenses and increased accumulated cash on hand, as well as taken measures such as increasing the amount of credit lines for fund raising.

Depending on the actual impact of COVID-19, trends in consumption and other factors, these forecasts may change significantly. The Company will consider the future trends of operating results, and if it is decided that the forecasts must be revised again, this information will be promptly disclosed.

Revision to dividend forecasts

| | Annual dividends | | | | |
|--|-------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Previous forecasts (announced on April 10, 2020) | – | – | – | – | – |
| Revised forecasts | – | 9.00 | – | 18.00 | 27.00 |
| Actual results of the current fiscal year | – | | | | |
| Actual results of the previous fiscal year (The fiscal year ended February 29, 2020) | – | 18.00 | – | 18.00 | 36.00 |

Reason for the revision

Although the forecast of cash dividends for the fiscal year ending February 28, 2021 was yet to be determined in the previously announced forecast, the Company has announced the forecast for annual dividends reflecting these revisions to the earnings forecasts.

The Company's basic policy is to return profits appropriately in accordance with a targeted consolidated dividend payout ratio of 30% or more while striving to provide a stable dividend, with the aim of maintaining and enhancing the Company's sound financial standing while keeping profit levels, future capital investment, free cash flow trends and other such factors in consideration.

For the earnings forecast for the current fiscal year, as indicated on the preceding page, profit attributable to owners of parent is expected to become a significant loss in the first half, mainly in the first quarter, and throughout the fiscal year due to the impact of the spread of COVID-19. However, in the second quarter and thereafter, the Company will steadily promote efforts to foster a recovery in and secure business results and reform our business structure, with the safety and security of customers and employees as our highest priority, and achieve sustainable improvement in corporate value.

Given this unprecedented challenging operating environment, business outlook and financial position, the forecast for the interim dividend is ¥9 per share, a decrease of ¥9 from the previous fiscal year, from the standpoint of ensuring stable operations, and the forecast for the year-end dividend is ¥18 per share, the same as in the previous fiscal year, from the standpoint of providing stable dividends to shareholders. Accordingly, the forecast for annual dividends is ¥27 per share (¥36 for the previous fiscal year).

(Caution regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company as of the date of this release and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may differ due to various factors.

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