



Annual Report 2012

J. FRONT RETAILING NOW

Year ended February 29, 2012

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Cautionary statement regarding forward-looking statements:

Forward-looking statements in this report 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.

Financial Highlights

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 29, 2012, February 28, 2011, February 28, 2010, February 28, 2009 and February 29, 2008
or at February 29, 2012, February 28, 2011, February 28, 2010, February 28, 2009 and February 29, 2008

| | Millions of yen (Except where otherwise indicated) | | | | | |
|---|---|-------------|-------------|-------------|------------------------------------|--------------------------------|
| | Fiscal 2011 | Fiscal 2010 | Fiscal 2009 | Fiscal 2008 | Fiscal 2007 (Annual real terms) | Fiscal 2007 |
| Business results | | | | | | |
| Sales | ¥941,415 | ¥950,102 | ¥982,533 | ¥1,096,690 | ¥1,177,901 | ¥1,016,402 |
| Gross profit | 226,646 | 229,588 | 240,211 | 269,282 | 291,115 | 251,301 |
| Operating profit | 21,594 | 20,323 | 18,584 | 28,092 | 42,632 | 39,717 |
| Ordinary profit | 22,941 | 21,092 | 19,966 | 28,289 | 43,151 | 39,812 |
| Net profit | 18,804 | 8,862 | 8,167 | 7,170 | 23,404 | 20,538 |
| Selling, general and administrative (SG&A) expenses | 205,052 | 209,265 | 221,627 | 241,189 | 248,482 | 211,583 |
| Financial condition | | | | | | |
| Total assets | 767,543 | 775,029 | 804,534 | 776,616 | - | 805,375 |
| Equity | 332,917 | 318,033 | 314,494 | 307,861 | - | 307,823 |
| Net assets | 342,561 | 327,242 | 323,506 | 316,268 | - | 315,854 |
| Interest-bearing debt | 106,025 | 108,658 | 125,937 | 94,677 | - | 103,042 |
| Condition of cash flows | | | | | | |
| Net cash provided by operating activities | 24,365 | 21,270 | 22,996 | 22,686 | 30,912 | 27,796 |
| Net cash provided by investing activities | (26,781) | (8,432) | (40,879) | (11,676) | 4,210 | 5,792 |
| Net cash used in financing activities | (6,872) | (23,128) | 29,212 | (13,510) | (41,015) | (39,309) |
| Per share information (unit: ¥) | | | | | | |
| Net profit | ¥35.57 | ¥16.76 | ¥15.45 | ¥13.56 | - | ¥45.74 |
| Net assets | ¥629.80 | ¥601.62 | ¥594.89 | ¥582.27 | - | ¥581.97 |
| Cash dividends (Unconsolidated) | ¥8.00 | ¥7.00 | ¥7.00 | ¥8.00 | - | ¥4.50 <small>(Note)</small> |
| Financial indicators (unit: %) | | | | | | |
| Gross margin | 24.08% | 24.16% | 24.45% | 24.55% | 24.71% | 24.72% |
| Ratio of SG&A expenses to sales | 21.8% | 22.0% | 22.6% | 22.0% | 21.1% | 20.8% |
| Operating margin | 2.3% | 2.1% | 1.9% | 2.6% | 3.6% | 3.9% |
| Return on assets (ROA) | 2.8% | 2.6% | 2.4% | 3.6% | 5.3% | 4.9% |
| Return on equity (ROE) | 5.8% | 2.8% | 2.6% | 2.3% | 7.6% | 6.7% |
| Return on investment (ROI) | 5.3% | 4.9% | 4.7% | 7.0% | 10.5% | 9.7% |
| Equity ratio | 43.4% | 41.0% | 39.1% | 39.6% | 38.2% | 38.2% |

*1 The amounts for fiscal 2007 (annual real terms) are the consolidated figures of the business results of Daimaru Group and Matsuzakaya Group for the year from March 1, 2007 to February 28, 2008.

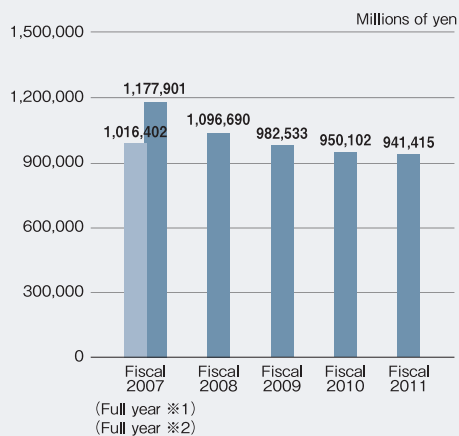
*2 Net profit per share for fiscal 2007 is based on the average number of shares outstanding calculated by deeming that the Company was established on March 1, 2007. The figures in annual real terms were calculated in the same way.

*3 Net profit, operating profit and ordinary profit are used to calculate ROE, ROA and ROI respectively.

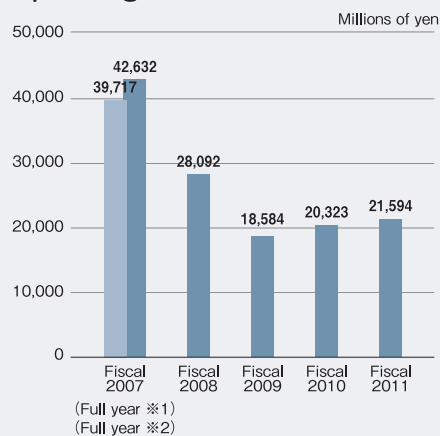
*4 Year-end equity, total assets and capital invested are used to calculate ROE, ROA and ROI for fiscal 2007.

Note: Daimaru and Matsuzakaya Holdings paid interim dividends of ¥6 and ¥3.50 per share respectively for fiscal 2007.

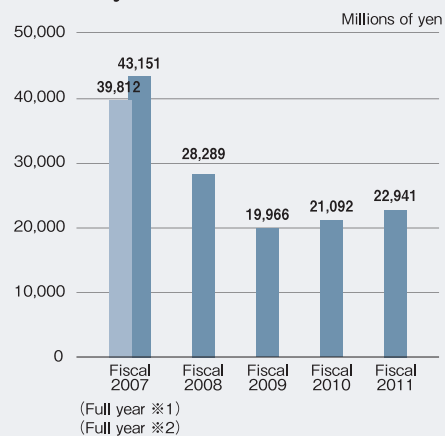
Sales



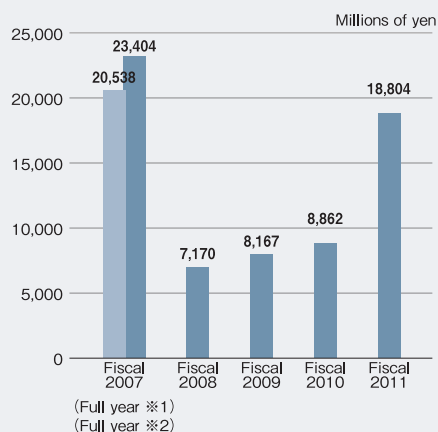
Operating Profit



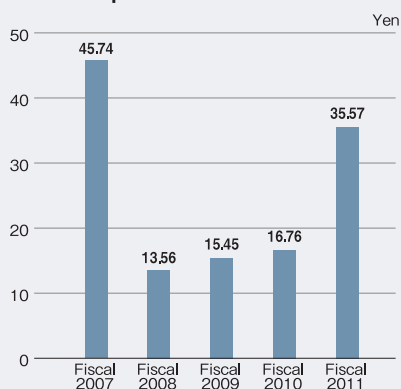
Ordinary Profit



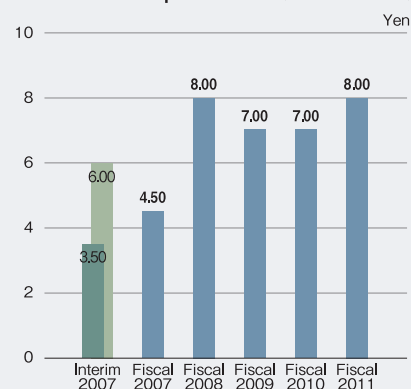
Net Profit



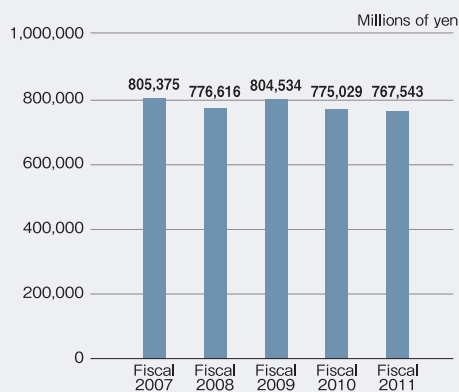
Net Profit per Share



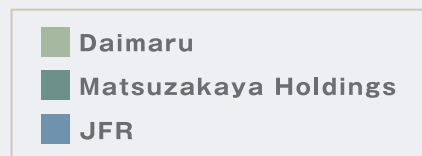
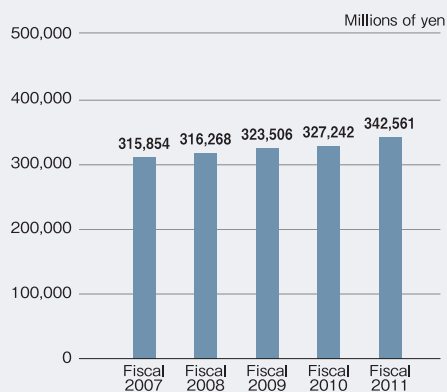
Cash Dividends per Share (Unconsolidated)



Total Assets



Net Assets



※1 According to the accounting standard for business combinations, Daimaru Group and Matsuzakaya Group consolidated the financial results for the full year and the second half respectively.

※2 Concerning the performance of Matsuzakaya Group, the consolidated figures for the full year are stated for information purposes.

We Are Committed to Early Establishment of New Department Store Business Model and Group-wide Growth.



OKUDA Tsutomu
Chairman and CEO

Though our operating profit is on a track to recovery after bottoming out in fiscal 2009, its level remains low. Therefore, we need to achieve our highest operating profit of ¥50 billion as early as possible in an effort to meet our stakeholders' expectations and achieve our desired status of leading retail company in Japan both in quality and quantity.

As the first step to reach that goal, last year we developed a three-year management plan starting in fiscal 2011 and we are addressing the resolution of important issues so that we can achieve operating profit of ¥30 billion in fiscal 2013, the final year of the plan.

The first of our important issues is to establish new department store business model.

External factors such as economic environment contribute to prolonged slump in department store business. However, I think more fundamental cause lies in the structural problems of existing department store business model including weak market response capabilities and high-cost structure. For this reason, while maintaining and strengthening the middle to high-end product offerings in which department stores have traditionally been strong, in an effort to adapt to major market changes including the consumer shift to more casual lifestyles and more frugal and price-sensitive behavior, we are trying to expand target customer base, widen the range of products and prices in particular, develop specialty zones and increase management efficiency, and at the same time, each store is trying to clarify and thoroughly implement store strategy.

Daimaru Umeda store, which increased floor space and celebrated its grand opening in April 2011, widened the range of products and prices based on thorough area marketing, instead of just expanding in size, to create a store as the culmination of new department store business model. As a result, the store is attracting much greater footfall than originally expected and wider customer base, which has led to significant sales growth. In addition, Umeda store has successfully established highly efficient operation system by placing the right people to meet the needs of each sales operation type as well as radically streamlining its organization through the reorganization of sales departments by floor and the integration of back-office sections in the Kansai area in line with company-wide drastic reforms of organization and

personnel structure. We will use these achievements and know-how in other stores including Matsuzakaya Nagoya and Daimaru Kobe stores, both of which started major renovation this spring, and Daimaru Tokyo store, which will increase its floor space this fall.

In a bid to further evolve our new department store business model, we reorganized the sales departments of our head office, which had been divided by merchandise category, into Original Merchandising Division and Shop Operation Division. Particularly, Original Merchandising Division, which was created as business operating organization that plans and manages the whole process from buying to selling, allows our department stores to expand or shrink sales space and change product selection freely and timely at their discretion. Utilizing these advantages, the division has developed many new out-of-the-box sales ideas, which are well received by customers. We will work on creating attractive sales zones from a new perspective and responding flexibly to market changes as well as boosting sales of completely bought items and high margin merchandise and increasing profit.

The second is to enhance the Group businesses.

In order to enhance our existing businesses other than department store business, we will correct the allocation of our management resources, which were over-invested in department store business in the past, to make a balanced investment in department store business and other businesses while evaluating the actual situation and potential of each business. Concerning human resources in particular, we are strategically transferring young and mid-career employees from department stores to other companies of the Group so that we can widely develop and use human resources from the Group's perspective.

In the meantime, we are aggressively addressing alliances and M&A with companies outside the Group, which are expected to create synergy with department stores. Alliance with StylingLife Holdings Inc., which became our equity method affiliate in March 2011, has generated tangible synergy in operations and management efficiency. In addition, we acquired shares in Parco Co., Ltd. and made it an equity method affiliate of the Group in March 2012. Parco and J. Front Retailing both intend to operate high quality and high value added retail business in big cities and their customers are also similar in grade and taste. Therefore, we

believe we will be able to increase each other's corporate value by effectively sharing each other's store and customer bases and maximizing synergy. We will speed up our efforts to achieve synergy and results.

The third is to aggressively develop Asian and other overseas markets.

In May 2012, J. Front Retailing has reached a basic agreement with Shanghai New World Co., Ltd., which operates a department store with the second largest sales in Shanghai, and Shanghai Xin Nan Dong Project Management Co., Ltd. to form a business alliance in opening and operating a new department store in Shanghai to create one of the most upscale department stores in China. The new full-scale department store is planned to open in late 2014 or early 2015 with the total floor space of 110,000 square meters. We will send some employees as trainers to provide full technical support related to preparation for opening the department store ranging from marketing to sales service training to its workers as well as the management and operation of the store after opening it. We expect this business alliance will allow us to accumulate know-how to increase the presence of our department stores in Asia and expand business and develop human resources there.

J. Front Retailing and StylingLife Holdings will jointly establish a new company to operate Plaza shops in Asia. First, we will open several shops only in the Taipei area, Taiwan, around next spring. Once putting them on track, we hope to expand the business into other cities in Taiwan such as Taichung and Kaohsiung, and then, other Asian countries.

Besides the above, J. Front Design & Construction opened a representative office in Shanghai in December 2011 to receive orders for designing commercial facilities in China, while Daimaru Kogyo established a company in Thailand in January 2012 to expand business in the ASEAN region. We will continue our group-wide efforts to develop overseas markets, especially in Asia.

Recognizing that we cannot be optimistic about the economic environment for fiscal 2012, we will continuously speed up our efforts to establish new department store model and address other various challenges so that we can develop and grow as a group.

June 2012

“We Need to Achieve Operating Profit of ¥50 Billion Early to Attain the Status of Leading Retail Company in Japan.”



OKUDA Tsutomu
Chairman and CEO

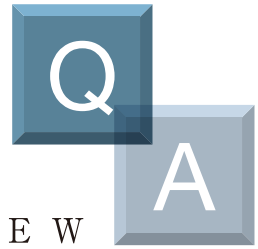
Q First, would you look back at financial results for fiscal 2011?

A The Great East Japan Earthquake occurred in March 2011 and our consolidated performance for fiscal 2011 saw a rocky start. However, a decline in March was offset in April and beyond, resulting in a marginal drop in sales of 0.9%, 6.3% growth in operating profit to ¥21.5 billion and 8.8% increase in ordinary profit to ¥22.9 billion. For fiscal 2011, we have started to adopt the Accounting Standard for Asset Retirement Obligations and their past portion of ¥2.2 billion was recorded as extraordinary loss, while deferred income taxes decreased due to a change in income tax rate. As a result, net profit jumped by 112% to ¥18.8 billion. Both operating and ordinary profits grew for two consecutive years and net profit rose for three consecutive years.

Daimaru Matsuzakaya Department Stores celebrated the grand opening of Daimaru Umeda store with more floor space in April 19, 2011. Other stores also implemented various measures including the introduction of brands and shops new to department stores, the development and introduction of Ufufu Girls and other specialty zones, the efforts to meet Cool Biz demand and the enhancement of *gaisho*, or out-of-store, sales.

As a result of these efforts, six stores including Daimaru Umeda and Sapporo stores and Matsuzakaya Nagoya store posted higher sales than a year ago. In spite of the effects of the earthquake and the closing of Matsuzakaya Nagoya Station store in 2010, sales of Daimaru Matsuzakaya Department Stores increased by 0.8%. In terms of costs, in spite of additional cost of ¥4.4 billion including facility and other expenses incurred from the floor expansion of Daimaru Umeda store, SG&A expenses decreased by ¥2.3 billion (1.6%) from the previous year thanks to all possible cost-cutting measures including the integration of back-office sections in the Osaka and Tokyo areas and other personnel restructuring to reduce labor costs and power-saving initiatives including the introduction of LED lighting system in stores and offices. This resulted in operating profit of ¥11.3 billion, up 13.9% from a year earlier.

We have decided to increase the year-end dividend by ¥1 from the originally planned amount of ¥3.5 per share to ¥4.5 per share. Combined with the interim dividend, the dividend will total ¥8 per share for the full year, up ¥1 from the previous year.



T O P I N T E R V I E W

Q Some people say that there are various factors triggering a decline in income including less population over the medium to long term. Will the downward trend of department store sales continue?

A External factors such as economic environment contribute to prolonged slump in department store business. However, I think more fundamental cause lies in the structural problems of existing department store business model including weak market response capabilities and high-cost structure. The past sales statistics of department stores may show a downward trend. However, the statistical sales trend of department stores do not apply to individual companies, but rather, they seem totally different. These statistics may have applied to any company at the time when retail business was sharply demarcated. Now it has no boundaries and the actual situation is different from the trend of the entire industry and varies by company, store or area.

Our ongoing new department store model is premised on thorough store strategy, namely, thorough area marketing to create attractive stores wanted by customers in each area. Umeda store, which had its grand opening with increased floor space in April 2011, has produced good results because it attracts the markets we could not draw in the past, that is, many customers who had shopped with retailers other than department stores by expanding its target customer base and widening the range of products and prices in particular, rather than competing with its existing peers for customers. Thus if we can develop a clear strategy for each store and each area and create stores adapted to respective market changes, there are still many growth opportunities left for us. Now our ability to respond to changes is being questioned.

Focus of department store business



Q At this time, how do you assess Daimaru Umeda store, which expanded its floor space and had its grand opening as the culmination of new department store model?

A Specifically, our current initiatives to establish new department store business model include: (1) expanding target customer base; (2) widening the range of products and prices in particular; (3) developing specialty zones; and (4) increasing management efficiency; as well as maintaining and strengthening the middle to high-end product offerings in which department stores have traditionally been strong, while clarifying and thoroughly implementing store strategy in each store, in a bid to adapt to major market changes including the consumer shift to more casual lifestyles and more frugal and price-sensitive behavior.

Accordingly, Daimaru Umeda store, which celebrated its grand opening with increased floor space in April 2011, was created as the culmination of new department store model, instead of just expanding in size, and that resulted in year-on-year sales growth of 65.7% for fiscal 2011.

Initially, Umeda store was expected to have an average of 90,000 visitors a day. Since its grand opening, however, there has been far more footfall than expected, and even now, one year after its opening, around 120,000 shoppers on weekdays and more than 150,000 shoppers on weekends and holidays visit the store.

As a result, our customer base is significantly widening. Comparison of sales to identifiable customers for fiscal 2011 with fiscal 2009 when the store was not affected by the expansion work shows that the number of young and around 30-year-old paying customers soared by 47% and that their spend grew by 26%. Over the past year, Umeda store added 190,000 new cardholders and it is successfully gaining the loyalty of customers.

For fiscal 2012, the opening of Hankyu Umeda flagship store with more floor space planned for late November is expected to increase the already fierce competition in the Umeda area, Osaka. Daimaru Umeda store hopes to achieve sales above the level of fiscal 2011 by changing floor layouts, scrapping and building brands, increasing the loyalty of customers and improving the approach to loyal customers in order to increase the rate of purchase and spend per purchase, which are the store's challenges.



Daimaru Umeda store

Q Fiscal 2011 saw a sharp increase in commercial accumulation in the Umeda area, Osaka. How did this affect your stores in its surrounding areas? And what will you do about the more competitive situation in fiscal 2012?

A For fiscal 2011, our department stores in the Kansai region, which were expected to be affected by competition from the Umeda area, strived to retain and better serve loyal customers such as *gaisho* customers and cardholders in an attempt to mitigate the effect of competition. At the same time, Shinsaibashi store introduced big tenant shops selling livingware like Muji, Franfran and Yuzawaya on the middle and upper floors of its north wing to draw more customers to the building, while Kobe store introduced Ufufu Girls.

At Shinsaibashi store, especially *gaisho* sales were favorable, up 1.5%, and the decrease in total sales stays below our initial forecast. Though, in May, Kyoto and Kobe stores were affected by the Umeda area where customers were concentrated, the size of this effect was below our forecast and sales from June to fiscal year-end have recovered to nearly the previous year's level, down 0.5% at Kyoto store and down 1.7% at Kobe store. Accordingly, for fiscal 2011, we think these stores were less affected by competition from the Umeda area than expected.

For fiscal 2012, we will renovate and improve the sales floors of our stores in the Kansai region, while continuing our efforts to retain and better serve loyal customers.

At Kobe store, food floor was renovated and celebrated its grand opening on April 27. It was the first major renovation in 15 years since the store was restored from the earthquake damage and reopened in 1997. We introduced many Kansai's first excellent shops and greatly enhanced the assortment of Kobe's symbolic Western confectionery and delicatessen. That includes the introduction of the first Dean & DeLuca shop in the Kansai region and the development and introduction of new specialty zone named Table Plus, which mainly offers bakery goods. Thus we successfully created a food floor that provides many topics and proposals. Since its grand opening, the food floor has enjoyed very good sales particularly in delicatessen and Japanese and Western sweets sections.

Kyoto store marks the 100th anniversary of its opening in Shijo Karasuma in 2012 and we will hold various centennial events over the year, while trying a mixed approach combining store sales with catalog sales in collaboration with the Group's direct marketing company JFR Online. At Shinsaibashi store, we will maintain and further increase its already strong *gaisho* sales and renovate women's accessories sections and luxury brand shops on the first floor to revitalize its sales floors.

We will use these efforts at our stores in the Kansai region to minimize the effect of competition from the Umeda area.

Q I heard that your Matsuzakaya Nagoya flagship store would also undergo major renovation from 2012 to 2013. What is the key point of this renovation?

A At Nagoya store, we will make full use of its floor space as large as approximately 87,000 square meters in total of the main building, south wing and north wing. With the aim of creating a full-scale department store catering to wide market needs, we have set around 30-year-old visitors to the Sakae area and trend-savvy around 50 year olds as its new targets based on the retainment and expansion of its existing main customers. We will introduce many hot fashion items and cosmetics to widen its fashion offering, as well as building a specialty zone with clear concept so that customers can feel it is their ideal shopping place.

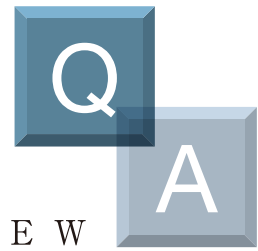
In spring 2012, as the first phase of renovation, the store renewed its first and second floors, which are the face of department store, to become much more competitive with its rivals including department stores. The key point of this renovation is to differentiate each building: the south wing targeting young and around 30-year-old customers; the main building as a traditional department store; and the north wing focusing on livingware.



Matsuzakaya Nagoya store

Specifically, in the south wing, Ufufu Girls was introduced on the second floor and selected women's fashion items were brought together and the first H&M shop in the Chubu region, which is one of the biggest in Japan, was introduced on the first floor. In the main building, cosmetics and women's accessories sections were refurbished and many Nagoya's first brands were introduced on the first floor, while, on the second floor, which carries the store's strong special selections, was reorganized by introducing six new luxury brands including Nagoya's first one to further increase Nagoya's number-one lineup of products and thoroughly differentiate the floor. And in the north wing, skin care, body care and hair care products were brought together on the first floor to create one of the biggest natural cosmetics zones in the Nagoya area.

For the second phase of renovation, we are planning to completely rebuild its food floor in spring 2013.



T O P I N T E R V I E W

Q

Tokyo store will expand its floor space and open at last in fall 2012. Will you tell me the details of the store you are planning to create?

A

Tokyo store will increase its floor space by approximately 1.4 times from the current 34,000 square meters to 46,000 square meters and open in fall 2012. This time its floors will be extended to the south of the existing store that was relocated and opened with increased sales floor in November 2007. The number of visitors is expected to greatly increase because we will add new entrances direct from the Yaesu Central exit of Tokyo station on the extended parts of the first basement and the first aboveground floors. Furthermore, additional escalators on the extended parts will facilitate customer's movement upstairs and downstairs and improve customer's circulation on each floor.

The new Tokyo store has developed its store concept of "Department Store with Compact Assortment of the 'Current' Tokyo" and will utilize its excellent location to become strong in gift items, souvenirs and traveling gear. Among its strong food products, we will further strengthen lunch boxes and sweets both in quality and quantity. And we will expand and reorganize women's and men's accessories and mature women's fashion items, all of which are the strengths of department stores. Meanwhile, in the newly added space, we will introduce many shops that can draw more customers, including Western luxury brands, large specialty shops and select shops, all of which are new to the store, to enhance the store's appeal.

In terms of operation, we will use the achievements and know-how of Umeda store to streamline the organization and consolidate and integrate back-office sections. Even after increasing its sales floor space by 1.4 times, we will be able to operate the store without additional staff. Through this floor expansion, we aim at sales growth of ¥14 billion on an annual basis.



Rendering of Daimaru Tokyo store after increasing its floor space in fall 2012

Q

Do you see some results of the efforts of Original Merchandising Division, which was created in September 2011?

A

Concerning women's and men's accessories, which are the strengths of department stores, Original Merchandising Division was created in September 2011 as business operating organization that plans and manages the whole process from buying to selling. For the first six months, their sales were ¥26.7 billion, up 7.3% from the previous year, which increased its share of the total sales by 0.3 points and improved the company's overall profit margins by 0.03 points.

Unlike shop operation sales sections, Original Merchandising Division can expand or shrink sales space and change product selection freely and timely at its discretion. Utilizing these advantages, the division has developed many new out-of-the-box sales ideas, for example, sales space featuring trendy *joshikai*, or a girls-only party, and sales space offering only special bags and small leather articles made by Japanese craftsmen. They gained popularity among customers. In January and February when temperatures were lower than average year, we could boost sales by flexibly responding to the increasing demand for cold weather gear.

For fiscal 2012, we will create sales zones from a new perspective, respond flexibly to market changes and increase sales of completely bought items and high margin merchandise to achieve our sales target of ¥57 billion and improve profit margin by about one point.



Our own merchandising sales section featuring *joshikai*

Q

How are your efforts to achieve highly efficient management progressing?

A

Our focus remains on personnel structure reform including more efficient organization and staffing and the wide use and reshuffle of human resources from the Group's perspective to achieve highly efficient management. While placing our people so as to more efficiently operate each of shop operation and our own operation sales areas, we integrated the back-office sections of two stores in Osaka in March 2011 and three stores in the Tokyo area in June. As a result, the total number of the employees of Daimaru Matsuzakaya Department Stores including regular employees and contract ones decreased by about 700 persons from about 6,000 persons

in March 2011 to about 5,300 persons at the end of February 2012.

In addition, we further integrated the back-office functions of the Osaka area, which had been integrated in 2011, with the ones of Kyoto and Kobe stores in March 2012 and transferred part of sales operations to the Group's staffing service company Dimples' to promote our personnel structure reform. We aim to decrease the number of the company's employees to 4,100 persons by the end of fiscal 2012. The total number of the employees of the Group will decline from 13,400 persons at the end of 2012 to 13,100 at the end of 2013.

For fiscal 2012, facility expenses are expected to increase due to the floor expansion of Tokyo store and the renovation of other stores and variable costs will also rise in proportion of sales growth. Therefore, we will radically overhaul all of our costs with no sacred cows to improve the efficiency of SG&A expenses.

Q The management reforms of your department stores seem to make steady progress. How about the enhancement of other businesses of the Group?

A We aim to attain group-wide growth by reforming the management of our core department store business as well as enhancing other existing businesses and expansion into new growth areas.

With regard to our management resources over-invested in department store business in the past, we make a balanced investment in department store business and other businesses. Concerning human resources in particular, we are strategically transferring young and mid-career employees from department stores to other companies of the Group so that we can widely use human resources from the Group's perspective.

Peacock Stores standardized and renewed the company-wide information system in March 2012. Using the new system, we will quickly adapt our offerings to demand changes, improve our buying power, reduce product losses and review our store operations to enhance our abilities to respond to the market, procure merchandise and operate stores.

Concerning StylingLife Holdings Inc., which became our equity method affiliate in March 2011, we put forth efforts to generate synergy. Specifically, at Daimaru Matsuzakaya Department Stores, we opened their general merchandise shop Plaza and offered their Vecua Honey cosmetics at its stores as promotional events and used their characters for its company-wide sales promotion. In the meantime, they used our know-how of efficient management to reduce their costs. As a result, I hear that StylingLife Holdings achieved increases both in sales and profit for fiscal 2011.

Q J. Front Retailing has formed alliances and M&A since last year, including the acquisition of shares of Parco Co., Ltd. in March 2012, to enhance retailing business.

A In March 2012, we acquired a 33.2% stake in Parco Co., Ltd. from Mori Trust Co., Ltd. and made it an equity method affiliate of the Group.

Seeing its tenants as its partners, Parco, as a shopping mall operator, has in place a system to grow and develop together with them. With its vision of "Urban Lifestyle Producer," Parco has excellent know-how to create attractive stores combining goods, experience and services and the company is highly recognized by many customers.

Deeper alliance with Parco will allow us to accelerate our efforts to change our department store business model through new department store model and strengthen our competitive edge. And at the same time, as a retail group operating various businesses and channels, we will be able to increase the growth potential of the whole Group.

Especially, our shop operation sales areas, which constitute the majority of our department store sales, will greatly benefit from Parco's know-how in their efforts to enhance their counseling capabilities related to sales and services and their producing capabilities needed to select shops and brands and create attractive sales space.

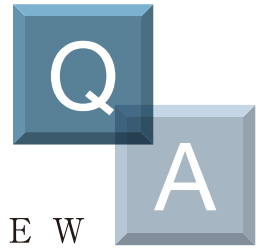
Parco and J. Front Retailing both intend to operate high quality and high value added retail business in big cities and their customers are also similar in grade and taste. Therefore, we believe we will be able to increase each other's corporate value by effectively sharing each other's store and customer bases and maximizing synergy.

We already set up an operation study committee with Parco and have meetings on a regular basis. And we will speed up our efforts to achieve synergy and results.

As a result of this acquisition of shares of Parco, we are expecting to record equity in earnings of affiliates totaling ¥1.7 billion as non-operating profit for fiscal 2012.



Shibuya Parco



TOP INTERVIEW

Q J. Front Retailing has launched proactive overseas initiatives from the multidimensional perspective of the Group.

A In May 2012, J. Front Retailing has reached a basic agreement with Shanghai New World Co., Ltd. and Shanghai Xin Nan Dong Project Management Co., Ltd., marking our launch of department store business in the burgeoning Chinese market. The trade name of Daimaru will be used for the new store, which is planned to open in late 2014 or early 2015 as one of the top high-end department stores in China. We will also provide technical support related to marketing, merchandise mix and the management and operation of the store. We expect this initiative will allow us to accumulate know-how to expand business and develop human resources there. And at the same time, with the increasing presence of our department store in Asia, we hope Chinese tourists to Japan will shop at our department stores more often and that it will result in sales growth.



J. Front Retailing and StylingLife Holdings will jointly establish a new company around summer 2012 to operate Plaza shops in Asia. First, we open several shops in department stores and shopping malls only in the Taipei area, Taiwan, and the first shop is planned to open around spring 2013. Once putting the business in Taipei on track, we will expand into other cities in Taiwan such as Taichung and Kaohsiung, and then, other Asian countries.

Besides the above, J. Front Design & Construction opened a representative office in Shanghai in December 2011 to receive orders for designing commercial facilities in China, and Daimaru Kogyo established a company in Thailand in January 2012 to expand business in the ASEAN region. J. Front Retailing, as a group, will continue to aggressively develop the growing Asian and other overseas markets.

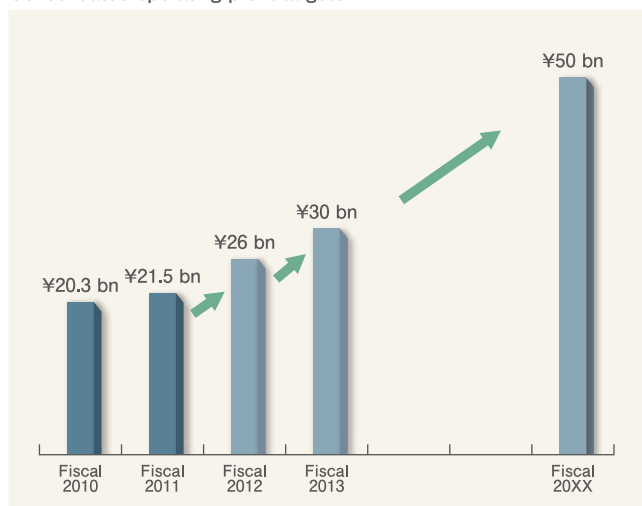
Q J. Front Retailing has set numerical targets of consolidated operating profit of ¥30 billion for fiscal 2013, and for the near future after that, ¥50 billion.

A We need to achieve our highest operating profit of ¥50 billion, which exceeds our consolidated operating profit of ¥42.6 billion for fiscal 2007 when we merged, as early as possible to establish the status of leading retail company in Japan both in quality and quantity, which is our corporate vision.

As the first step to reach that goal, last year we developed a three-year plan starting in fiscal 2011. We refrained from announcing the plan due to the earthquake, but, within the Group, we are committed to achieving operating profit of ¥30 billion for fiscal 2013, which is the final year of the plan. We will be able to draw a path to this goal by continuing to achieve steady results through the above-mentioned management innovation of department store business, the enhancement of the Group businesses including alliances and overseas businesses.

After that, it is no doubt that, if we stand still, we will not be able to achieve our operating profit target of ¥50 billion. Instead, we will enter the stage entirely different from the past. It is necessary to add something extra, that is, various more drastic actions including alliances and M&A, as well as to change our mindset again to further change the business formats of department stores. To this end, we should achieve operating profit of ¥30 billion first, and then, by solving the problems found in this process, the contours of our target of ¥50 billion will become clear.

Consolidated operating profit targets



※Figures for fiscal 2010 and 2011 are actual amounts, and figures for fiscal 2012 and beyond are targets.

Segment Overview

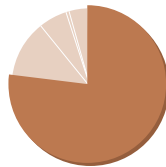
At a Glance

Sales and operating profit

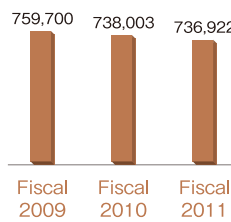
- The percentage of total sales represents the ratio of sales to external customers after eliminating intersegment transactions.
- Sales and operating profit include intersegment transactions.

Department store business

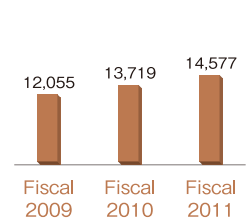
Percentage of total sales



Sales (Millions of yen)

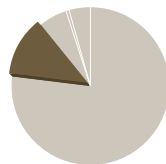


Operating profit (Millions of yen)

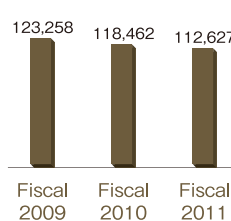


Supermarket business

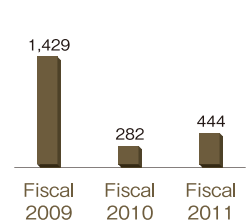
Percentage of total sales



Sales (Millions of yen)

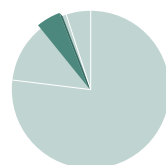


Operating profit (Millions of yen)

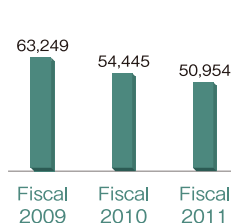


Wholesale business

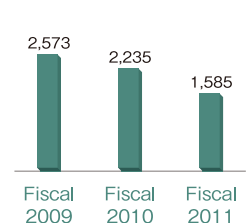
Percentage of total sales



Sales (Millions of yen)

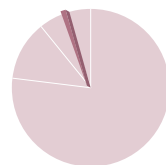


Operating profit (Millions of yen)

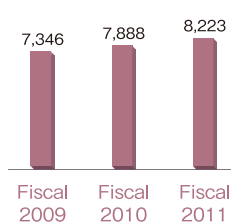


Credit business

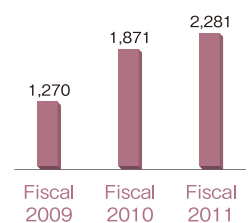
Percentage of total sales



Sales (Millions of yen)

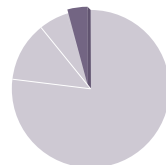


Operating profit (Millions of yen)

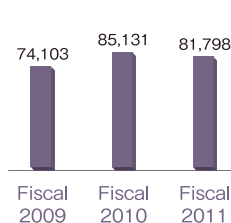


Other businesses

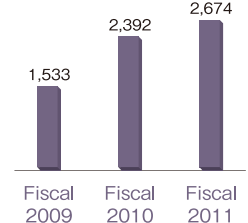
Percentage of total sales



Sales (Millions of yen)



Operating profit (Millions of yen)



※Due to changes in accounting standard, from fiscal 2011, the business results of the holding company J. Front Retailing, which used to be included in "Department store business," have been changed to be included in "Adjustment." And "Credit business," which used to be included in "Other businesses," has been changed to be reported as a separate segment from fiscal 2011 due to its increase in significance. In accordance with these changes, figures for fiscal 2009 and 2010 have been restated by the same method as for fiscal 2011.

Companies / Business places

■ Daimaru Matsuzakaya Department Stores Co. Ltd.

12 Daimaru stores : Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo, LaLaport Yokohama, Urawa Parco, Yamashina, Shinnagata, Suma and Ashiya

6 Matsuzakaya stores : Nagoya, Ueno, Shizuoka, Ginza, Takatsuki and Toyota

■ The Hakata Daimaru, Inc. ■ The Shimonoseki Daimaru, Inc. ■ Kochi Daimaru Co., Ltd.



■ Peacock Stores Ltd.

48 stores in Tokyo area : Aoyama, Takanawa Gyoranzaka, Jiyugaoka, Shimokitazawa, Mejiro, Ebisu, Kunitachi Sakuradori, Takadanobaba, Azabu Jyuban, Kyoto, Sakurashinmachi, Higashikoganei, Fujisawa Toreage Shirahata, Sangenjaya no Mori, Tomare Nihonbashi Hamacho, Daikanyama Peacock, Shibaura Island, etc.

27 stores in Kansai area : Senri Daimaru Plaza, Tsukumodai, Meimai, Takakuradai, Ashiya Nangu, Koshien, Yamada, Konan, Mukonoso, Mino Sakuragaoka, Ashiya Kawanishi, Nara Kitaikoma, Takarazuka Nakayama, Nishi Umeda, Shin Kobe, Dojima Crosswalk, Korigaoka, Senboku Harumidai, etc.

8 stores in Chubu area : Motoyama, Tsukimigaoka, Fujigaoka, Hishino, Hongo, Hirabari, etc.



■ Daimaru Kogyo, Ltd.

■ Daimaru Kogyo International Trading (Shanghai) Co., Ltd.

■ Daimaru Kogyo (Thailand) Co., Ltd.



■ JFR Card Co., Ltd.

9 domestic offices : Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo, Nagoya, Ueno and Shizuoka



- J. Front Design & Construction Co., Ltd. ■ Consumer Product End-Use Research Institute Co., Ltd. ■ Central Park Building Co., Ltd.
- JFR Online Co. Ltd. ■ JFR Information Center Co., Ltd. ■ Angel Park Co., Ltd.
- Dimples' Co., Ltd. ■ JFR Office Support Co., Ltd. ■ Daimaru Matsuzakaya Tomonokai Co., Ltd.
- J. Front Foods Co., Ltd. ■ JFR Service Co. Ltd.
- Daimaru COM Development Inc. ■ JFR Consulting Co. Ltd.



New Model

Realization of
New Department Store Model



Confident about “the Renewal of Department Stores”

Culmination of new department store model— Grand opening of expanded Daimaru Umeda store

J. Front Retailing is advancing the establishment of a new department store model to strengthen market response capabilities and realize a structural switch to low-cost operation.

The new department store model is a department store renewal program to create attractive and profitable stores that entice customers to visit. Specifically, we are working on: (1) expanding target customer base; (2) widening the range of products and prices in particular; (3) developing specialty zones; and (4) increasing management efficiency; as well as maintaining and strengthening the middle to high-end product offerings in which department stores have traditionally been strong, while clarifying and thoroughly implementing store strategy in each store, in a bid to adapt to major market changes including the consumer shift to more casual lifestyles and more frugal and price-sensitive behavior. The newborn Daimaru Umeda store, which represents the present culmination of the new department store model, increased its floor space (64,000 square meters, 1.6 times larger than before) and had its grand opening on April 19, 2011. It has changed from a specialty department store specializing in women's fashion items to a fashionable and contemporary urban lifestyle store making comprehensive lifestyle proposals with a broader assortment of products including food, livingware and luxury brands, and, in particular, wider price ranges.



JR Osaka station

Attracting more customers by widening product range

Umeda store has defined families with small children who had seldom shopped at department stores and the younger set visiting the area around Umeda as its new strategic targets and actively introduced the brands that are popular in so-called fashion buildings and the products and services that department stores lacked, including Tokyu Hands and Pokemon Center. Meanwhile, the store significantly increased the lineup of luxury brands strongly demanded by its existing customers. Thus we could meet more customers' needs by widening the range of prices and categories, and these efforts have driven dramatically more traffic to the store.

We see great results in an overwhelming increase in footfall. Initially, Umeda store was expected to have an average of 90,000 visitors a day. Since its grand opening, however, there has been far more footfall than expected, and even one year after its opening, around 120,000 shoppers on weekdays and more than 150,000 shoppers on weekends and holidays visit the store. At New Year opening sales on January 2, the store recorded the highest footfall of 270,000 visitors since its opening. We also added 190,000 new cardholders. The total number of identifiable customers of the entire Umeda store has reached 580,000 persons at the end of February 2012, which means that we are steadily gaining the loyalty of customers.

The store's customer base is also significantly widening. Comparison of data of identifiable customers with fiscal 2009 when the store was not affected by the expansion work shows that the share of young and around 30-year-old customers increased by 2.3 points to 26.1% and that their spend grew by 26.3%. In the meantime, the number of around 40-year-old and senior customers who were its main

customers in the past increased by 29.4% and their spend is also steadily rising. These data clearly show that the store attracts a wide range of customers.

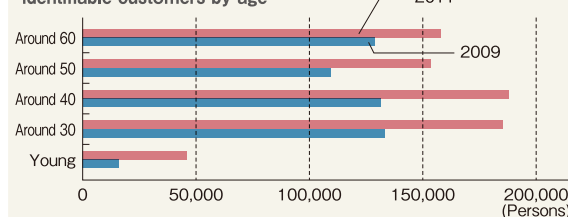
Progress of low-cost operation

Our sales floor operation is divided into two types including “shop operation” and “our own operation” and we are working on establishing an operation system, planning staff distribution and training personnel to suit their respective characteristics.

Along with these efforts, Umeda store successfully set up an efficient matrix operation system by consolidating the former six departments divided by merchandise categories into three departments divided by floors and combining it with an organization providing cross-sectional support. And at the same time, the store's back-office functions were merged with those of Shinsaibashi store in March 2011, and then, the same functions of Kyoto and Kobe stores joined them in March 2012 to further streamline our organization.

These changes in sales floor operation enabled operation with a small number of employees, and thus improved productivity has greatly advanced low-cost operation. We will use these achievements for other department stores including Nagoya and Kobe stores in which big renovation projects are under way, and Tokyo store, which will increase its floor space in fall 2012.

Changes in the number of Umeda store's identifiable customers by age



Specialty

Specialty Zone



“Specialty” Creates Competitive Edge

Core of new department store model— Specialty zone

J. Front Retailing is expanding specialty zones, which are the core of its new department store model.

Specialty zones are the zones that customers feel at first glance are their ideal shopping places. We are accelerating our efforts to aggressively develop and brand the specialty zones that create special added value by selecting and offering brands, shops and products on the basis of store strategy developed based on the market research of each area and in line with the concept and theme that cater to the values and lifestyles of each group of target customers. By placing many zones having such specialty in our stores, we will add our own appeal, which other competing commercial facilities do not have, to become more competitive.

Ufufu Girls

A typical example of specialty zone is Ufufu Girls. Its target is narrowed down to young and around 30-year-old women. As well as assorting fashion items and accessories of the brands that department stores had not dealt in before, we placed stylish cafes and adopted new communication tools including blog sites and free information paper. Its new space and values and floor name created toward a clear target have rapidly pervaded and we successfully branded Ufufu Girls. Ufufu Girls started in Shinsaibashi store and expanded into seven stores including Kyoto, Ginza, Kobe, Umeda, Sapporo and Nagoya stores. Each store is expanding its customer base as intended.

Cinderella Avenue

Cinderella Avenue was created with the concept of ensuring that consumers can find the right size shoes that satisfy their preferences like Cinderella’s glass slippers. Kyoto store has 13 shoe fitters to more meticulously meet customer needs and provide highly professional services. Umeda store created a corner with its own selection of items “Select & Creator” to effectively present shoes coordinated with other items including bags, headwear and neckwear like a select shop and make a stronger appeal to women working nearby, as well as adopting problem-solving type selection by occasion, size and function so that customers can find precisely what they are looking for.



Ufufu Girls, Matsuzakaya Nagoya store



Cinderella Avenue, Daimaru Umeda store

Aux Lingeriese

Aux Lingeriese, a women’s underwear specialty zone which was created in the added floor space of Umeda store, provides shoppers with not only traditional credible consulting services but also the pleasure like looking for favorite accessories while strolling through the streets. It widened the range of products by introducing low-priced brands and room accessories, which department stores had hardly dealt in, to cultivate female customers in their 20s and 30s who had few opportunities to buy underwear at department stores. By opening a supplement shop and a concept shop of carefully selected cosmetics in the same zone, a sense of specialty was further added. These efforts improved customer’s circulation among the women’s shoes department, the handbag department and this zone on the same floor and generate synergy effects as expected.

Madam Selection

Targeting intellectually curious and active mature women, Madam Selection was created at Kyoto store to make lifestyle proposals. It offers various experiences including lessons and events, which help customers improve themselves, as well as goods ranging from fashion items to accessories. As this area has some chairs and tables, shoppers frequently use it as a place to relax where they can take their time and enjoy shopping with their friends and families. Madam Selection at Ueno store issues its original membership card with special benefits available only there in a strong effort to organize customers and gain their loyalty.

We will continue to build attractive zones pursuing specialty based on individual store strategies.

Growth

Growth in Store Size



Dramatically Increasing Our Presence at the Gateway to the Capital



Daimaru Tokyo store (Image of new entrance on the 1st floor & deck on the 2nd floor)

Tokyo store will grow in size by 1.4 times in fall 2012

J. Front Retailing is increasing the size of and innovatively renewing department stores in large cities to enhance their appeal and further strengthen their business infrastructure.

Following Daimaru Umeda store that had its grand opening with 1.6 times more floor space as the culmination of new department store model in April 2011, Daimaru Tokyo store will increase its floor space by 1.4 times to 46,000 square meters and open in the second phase in fall 2012.

Tokyo store completed the first phase of relocation and expansion and opened as a new store with the store concept of "TOKYO/ADULT/LIFESTYLE Department Store" in November 2007. In the first phase, while being strongly conscious of female office workers and businessmen around Tokyo station in particular and further improving and enhancing already

strong food departments, the store expanded the cosmetics floor into Tokyo's largest scale and the restaurant floor into two floors with a restaurant open until 24:00.

Compactly condensing the "current" Tokyo

On the occasion of its full opening in the second phase, adopting the achievements and know-how gained from the expansion and grand opening of Umeda store including store planning and operations and, as a store located at Tokyo station, targeting various customers ranging from female office workers and businessmen around the store, business travelers and tourists to residents nearby and in the suburbs who purposely visit the store by train or car, we aim to make the store strong in gift items, souvenirs and traveling gear by offering a wide range of appropriately fashionable goods with strong brand power that are popular in Tokyo with the store concept of "Department Store with Compact Assortment of the 'Current' Tokyo."

The focus is on:

- (1) Strengthening food products both in quality and quantity, including lunch boxes, prepared meals and sweets;
- (2) Expanding and reorganizing women's and

men's accessories departments;

- (3) Developing a fashion brand zone with popular select shops, targeting around 30 and 40 year olds;
- (4) Developing a luxury zone with nine popular brands mainly offering accessories; and
- (5) Opening large specialty shops that can pull in many customers on the upper floors, including Tokyu Hands on the 8th to 10th floors and ICI Ishii Sports on the 11th floor.

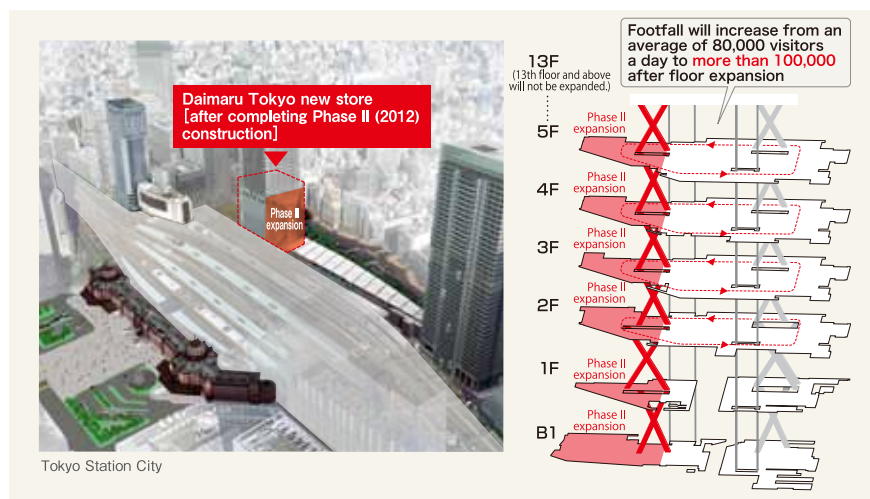
Attracting much more customers and greatly improving circulation

While enhancing the appeal of the contents as mentioned above, we also have great expectations for the improvement effects of hardware. By adding new entrances direct from the Yaesu Central exit of Tokyo station on the extended parts of the 1st basement and the 1st aboveground floors and from the pedestrian deck that is connected to GranTokyo South Tower on the 2nd floor, we expect footfall to increase considerably. In addition, escalators newly installed on the extended parts will dramatically improve customer's circulation on each floor.

With respect to operations, we will use this opportunity of floor expansion to drastically enhance efficiency. Like Umeda store, Tokyo store will increase its floor space without additional headcount through the right staffing based on operation system for each type of sales floor operations, as well as overhauling at the management level and the downsizing of the organization by integration.

Since the store is positioned as part of the "Tokyo Station City" plan, which sees Tokyo station including Yaesu, Nihonbashi and Marunouchi exits and JR station yard as a big city, we aim to make it worthy of the gateway to the capital.

Through such a big project in the Tokyo metropolitan area, we would like to dramatically increase our presence as J. Front Retailing Group there.



Tokyo Station City

Renewal

Store Innovation



Renovating Flagship Stores to Attract More Customers

J. Front Retailing has undertaken major renovations of its flagship stores including Nagoya and Kobe stores as well as floor expansion of Umeda and Tokyo stores in a bid to enhance their appeal and further strengthen their business infrastructure.

Nagoya store— Catering to all ages and grades

Nagoya store is one of Japan's largest stores with the floor space of approximately 87,000 square meters in total of the main building, south wing and north wing. From spring 2012 to spring 2013, the store undergoes a massive renovation by making full use of its vast space to become a full-scale department store catering to all ages and grades. Based on the retainment and expansion of its existing main customers, we have set young and around 30-year-old visitors to the Sakae area and trend-savvy around 50 year olds as its new targets. We will introduce many hot fashion items and cosmetics to widen its fashion offerings, as well as building a specialty zone with clear concept so that customers can feel it is their ideal shopping place.

In spring 2012, as the first phase of renovation, the store renewed its lineup of products including fashion items and

accessories and sales floor environment to become much more competitive with its rivals including department stores.

Specifically, in the south wing, we created our seventh Ufufu Girls, a popular specialty zone, on the second floor and brought together popular women's select fashion shops such as Jewel Changes and Demi-Luxe Beams on the first floor. The first H&M shop in the Chubu region, which is one of the biggest in Japan, was also opened on the first floor and the first basement floor. In the main building, we renovated cosmetics and women's accessories sections on the first floor to increase the lineup of fashionable and casual items as well as existing luxury brands. The special selection floor on the second level, which is known for Nagoya's number one lineup, was rebuilt with six new luxury brands including contemporary Tory Burch and Chloe. And the first floor of the north wing was reborn as the floor that realizes a nature-oriented lifestyle with 21 brands mainly of natural cosmetics including skin care, body care and hair care products.

In spring 2013, as the second phase of renovation, we are planning to renovate the food floor by completely rebuilding its product lineup, services and floor environment.



Daimaru Kobe store

Kobe store— Food floor that first comes to mind

In April 2012, Kobe store fully renovated its food floor for the first time in 15 years since it was restored from the earthquake damage and made its grand opening in 1997.

Particularly targeting women in their 40s and 50s and around 30 year olds living around Kobe city, we opened many excellent sweets and delicatessen shops including Kansai's first Dean & DeLuca shop and Table Plus, a specialty zone newly developed and introduced to offer various food products ranging from fine bakery goods to tea, ham, cheese and confiture. With a focus on Kobe's symbolic Western confectionery and Western food styles, we created a food floor that provides many topics and proposals.

It has been characteristic of Kobe store that many families and mothers with daughters visit the store. And after the renovation of its food floor, the footfall of these customers has further increased. With thus improved ability to attract customers, we will further drive customers to shop across the store and at our shops around it.



Matsuzakaya Nagoya store

Redevelop

Redevelopment of Ginza



Moving Ginza Project Forward

J. Front Retailing is engaged in the biggest redevelopment project in the Ginza area, which will dramatically increase the Group's presence in the Tokyo metropolitan area.

This is a large-scale project to develop the combined two blocks of Ginza 6-chome district where the current Matsuzakaya Ginza store is located. The total redevelopment area is as large as approximately 9,000 square meters of which approximately 65% is owned by Daimaru Matsuzakaya Department Stores. In July 2011, the preparatory association made a proposal to the Tokyo metropolitan government for urban planning decision for special urban renaissance district, and in December 2011, the plan was decided and we have made great progress toward realizing it.

We are planning to build a 56-meter-high building with 12 floors above ground and six below, floor space ratio of 1,360% and the total floor space of approximately 147,500 square meters for a mixed use of retail and offices. At present, the commercial floor space is expected to total approximately 40,000 square meters. In an effort to contribute to the region, we will create various facilities from the standpoints of forming global commercial and environmental bases, expanding a safe and comfortable

pedestrian network, enhancing disaster preparedness and disaster prevention support functions, and creating greenery and moisture and reducing environmental load. We will start to demolish the building of the current Matsuzakaya Ginza store in 2013 and aim to complete the construction work and open the new building during fiscal 2017.

We will formulate a project program that shows a specific redevelopment plan, while incorporating the current preparatory association and renaming it "the Ginza 6-chome 10 District Urban Redevelopment Association (tentative)," so that right holders, developers and the government can work together to promote the project. We will also prepare a right conversion plan to grant some of the rights related to the premises and floors arising after the completion of the project according to the type of the rights and the size of the properties owned by the land and building owners of the planned development site prior to the execution of the project.

The square meterage and layout of the department store floors of the new building are to be considered. Without sticking to existing format, we would like to shape the picture of new commercial facility, which symbolizes J. Front

Retailing Group aiming to establish status of leading retail company in Japan both in quality and quantity and is worthy of Ginza as the world's leading information provider.

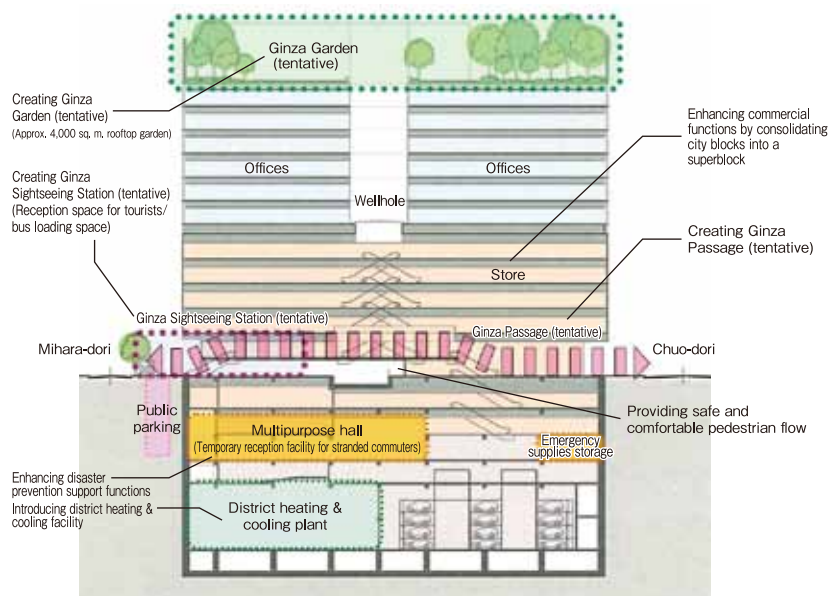
Schedule until the completion of construction and opening (to be fixed)



<Information>Regional contribution in the project

In this development project, we will make the following regional contribution toward urban renaissance.

1. Forming global commercial and sightseeing bases
 - Creating bus loading space available for four buses
 - Creating Ginza Sightseeing Station (tentative) to serve as a tourist information office
2. Expanding a safe and comfortable pedestrian network
 - Creating Ginza Passage (tentative), a pedestrian track connecting Ginza Chuo-dori and Mihara-dori
 - Creating a barrier-free underground walkway leading to Ginza subway station and public parking
3. Enhancing disaster preparedness and disaster prevention support functions
 - Building a highly quake-resistant and safe building
 - Creating a temporary reception facility for stranded commuters in a disaster
4. Creating greenery and moisture and reducing environmental load
 - Creating Ginza Garden (tentative), a rooftop garden open to the region



Area

Shop Development around
Department Stores



From “Dots” to “Areas” — Enhancing the Appeal of the Area as a Whole

From “dots” to “areas” — J. Front Retailing operates cutting-edge shops around its department stores to revitalize the whole area, as well as making the stores themselves attractive.

Daimaru Kobe store initiated these efforts in 1987. At that time, Motomachi, where Daimaru Kobe store is located, was relatively losing vitality because the center of transportation and business of Kobe area was shifted to Sannomiya. It was urgent to create the appeal of the store to attract people. The development began with Daimaru’s own buildings, but they were not enough to revitalize the area. Therefore, Daimaru actively invited brand shops to open their branches in other buildings in the Former Foreign Settlement of Kobe to draw more customers throughout the area. Now we operate 67 various unique brands and shops (as of May 2012) using the familiar but new

appearance of historical modern Western-style architecture including “Former Foreign Settlement Bldg. 38” and “Block 30,” which bring new life to the history of the city.

Such know-how is also applied to other stores.

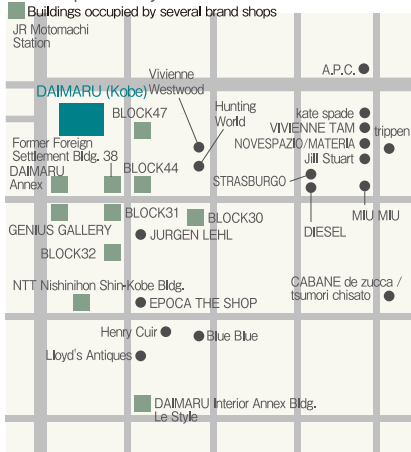
Daimaru Shinsaibashi store has been working with Shinsaibashi Shopping Arcade to create the prosperity of the area. However, amid changes in the environment surrounding the stores nearby and generational changes of their landlords beginning around 2003, some old stores have chosen to withdraw from the business. With a sense of crisis that the shopping area will not only lose vigor but also damage the fashionable image of Shinsaibashi if the situation is left as is, Daimaru Shinsaibashi store launched the development of shops around itself by adopting the method of Kobe store. Since stand-alone shops enable bold shop design and

environment, which are subject to certain restraints within a department store, it attracted high-profile shops one after another and now operates 26 brands and shops (as of May 2012).

For the purpose of revitalizing Shijo Karasuma area as much as Shijo Kawaramachi, a high commercial accumulation district, Daimaru Kyoto store has also developed shops around itself starting with Louis Vuitton Store, which opened as the first shop in 2004, and now operates 12 brands and shops (as of May 2012) ranging from fashion brand shops to an aesthetic salon to enhance the appeal of the whole area.

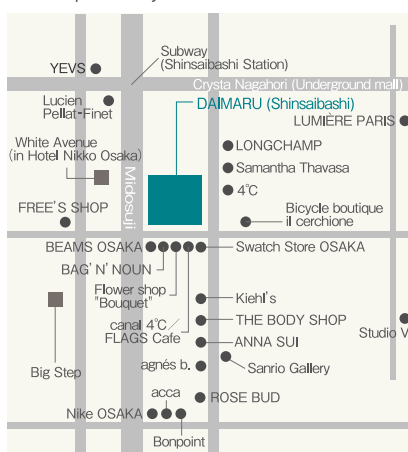
In line with the move to develop the area around itself, Matsuzakaya Ueno store invited a large-scale sports shop (March 2010) to open on the first floor of the multilevel parking facility completed in 2009 to attract new customers with a wider offering.

Stores operated by Daimaru Kobe store



GENIUS GALLERY

Stores operated by Daimaru Shinsaibashi store



FREE'S SHOP

Stores operated by Daimaru Kyoto store



EMPORIO ARMANI

Customer

Customer Loyalty Strategy



Knowing More about Customers —

Expansion of Customer Base and Improvement of CRM Activities

Sales support through scientific approach

A customer loyalty strategy is primarily intended to organize about 4.3 million identifiable customers holding Daimaru- or Matsuzakaya-branded cards and ensure steady sales. To this end, we need to understand the buying behavior of individual customers and continue to expand our customer base by encouraging customers to visit our stores. Daimaru Matsuzakaya Department Stores operates a customer information system “J-CIS” as an effective tool to scientifically support frontline sales staff working on such “customer relations.” Since J-CIS is linked with our MD information system and we can quickly get a grip on the attributes of customers and their changes including outflow and defection based on the information obtained at the point of sale, it serves as an important infrastructure for sales staff to strengthen relations with customers. Buoyed by these CRM (Customer Relationship Management) activities and the stronger efforts to cultivate new card members, the total number of the identifiable customers of Daimaru Matsuzakaya Department Stores for fiscal 2011 rose by 7.5% from the previous year and the percentage of sales to these individual cardholders to total sales was 71.3%, up 2.2 points from a year earlier.

Enhancement of communication tools

In fiscal 2008, as an effective tool to encourage customers to visit the stores instead of newspaper advertisements and inserts, Daimaru Matsuzakaya Department Stores launched email delivery service to provide “MY Mail Members,” the company’s card members registering their mobile phone email addresses, with good buy information of the sales sections that suit their likes and tastes. In fiscal 2011, we better personalized

this service so that the members can receive information on new arrivals and events directly from their desired brand shops (J-CIS Mail).

The innovative “MMS Mail” service is also available in all Daimaru and Matsuzakaya stores. The stores’ special information of the day is delivered to MY Mail Members’ mobile phones based on their attributes and buying history within five minutes after they visit the stores and insert their cards in the stores’ welcome-point-giving machines (MMS: Multimedia Station). It is one of promotional tools that stimulate customers’ buying motivation and increase the frequency of their visit, which ensures an increase in customer circulation and sales per customer.

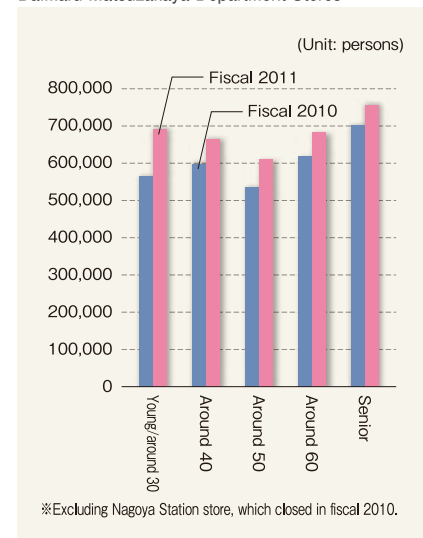
At present Daimaru Matsuzakaya Department Stores has approximately 510,000 email members and more than 3.7 million card members who can register their email addresses, which means that there is enough room to expand the membership in the future. Since fiscal 2010 the company has sought applications for “Moba-Mate Members” whose membership non-cardholders can receive by registering only their email addresses and delivers them weekly email magazines containing bargain information of Daimaru and Matsuzakaya stores to encourage them to become its card members.

Collaboration with specialty zones

When we develop specialty zones as a core of our new department store model, we try to organize their new visitors as their own card members to expand our customer base. This effort has achieved great results. The popular “Ufufu Girls” representing specialty zones issues “Ufufu Girls Card” at five stores including Shinsaibashi, Kyoto, Kobe, Umeda and Nagoya stores. As a result of continuing to deliver their

own email information on members-only events, extra point offerings and others, the current card membership has reached approximately 60,000 people. Among them, the number of young and around 30-year-old identifiable customers of Umeda store, which opened in March 2011, and the amount purchased by them increased by 46.9% and 26.3% respectively compared to fiscal 2009, when the store’s floor expansion work has not started yet, partly because the number of new members of Ufufu Girls Card exceeded 22,000 people in the first year. Thus they fulfill their role as a strong tool to attract and retain young women as their target customers. Nagoya store, which newly opened Ufufu Girls floor in this fiscal year, strengthens the same effort, and other stores that issue Ufufu Girls Card are steadily gaining loyalty from their new customers as expected. While analyzing the buying patterns of our customers from every angle and reflecting them in our sales floor planning, we will further improve CRM activities to further expand and enhance our customer base.

Changes in the number of identifiable customers of Daimaru Matsuzakaya Department Stores



Originality

Our Own Merchandising Sections
Original Merchandise



Responding Quickly to Market Changes and Seeking Originality and Profitability

J. Front Retailing divides the sales floor operations of its department stores into two types including “our own operation” and “shop operation” to reform the business model.

Unlike in shop operation sections, in our own merchandising sections, we can expand or shrink sales space and change product selection freely at our discretion, and that enables quick response to market and customer changes. They are department store’s unique strength not shared by other channels including station buildings and shopping centers. They also provide an effective tool to differentiate us from other department stores. Since their gross margin rate is higher compared to shop operation sections, their effective and efficient operation will help enhance profitability.

Making our own merchandising sections operate themselves

In September 2011, in an effort to further evolve our new department store model, we reorganized the merchandise departments of our head office, which had been divided by merchandise category, into Original Merchandising Division and Shop Operation Division so as to correspond to the operation forms of individual sales sections.

Original Merchandising Division mainly handles women’s accessories (women’s furnishings, handbags and women’s footwear) and men’s accessories (ties/furnishings, shirts, men’s underwear/hosiery, bags, traveling gear and men’s footwear) to sell them in our own operation sections. It was reborn as business operating organization that plans and manages the whole process of buying and selling ranging from marketing to buying and procuring, selling and profit/loss management. As a virtual entity, the division is responsible for the bottom line, overseeing the people at our head office and stores who manage our own operation sections, sell products there and make purchases for individual stores.

Thanks to this, it became easier to offer products across

merchandise categories such as men’s goods and women’s goods and we can flexibly change the sales system in the sales space operated by Original Merchandising Division according to customer traffic. The thorough profit/loss management of individual stores promotes a shift of our values toward profit-oriented management including the improvement of human productivity.

Development of new original sales space

In order to show pleasure, originality and excitement as an accessories shop, Original Merchandising Division shrinks and streamlines the existing item sales space, and for a limited time, it operates new sales space offering our original selection of products that are expected to form a new market. They include “Christmas *Joshikai*,” which offered accessories to enjoy *joshikai* (a girls-only party) stylishly and “Samurai Leather” with a collection of special bags and small leather goods made by Japanese craftsmen. All of them were based on themes beyond the limits of conventional categories and gained popularity. Among these trials, if we can decide that there is surely a market, we will consider making it permanent.

Quick response to market changes

In our own merchandising sections, we can flexibly adapt them to changes at our discretion by expanding items currently demanded by customers and shrinking items in low demand according to seasonal and market changes. During the second half of 2011, we nimbly increased the offering of cold weather gear including gloves and scarves in January and February when temperatures were lower than average year, which contributed to sales growth. We will continue to meet

customer needs changing day by day in a speedy and dynamic manner to boost sales, for example, by catering to Cool Biz demand, focusing on rain gear and responding to the seasonal gift market.

Other our own merchandising sections

Our own merchandising sections offering products other than women’s accessories and men’s accessories include our private brand of women’s wear “Sofuol,” item selections “Season Message” and “Jeaning Casual,” a collaboration with World Co., Ltd. “Esche” and our private brand of men’s wear “Trojan.” Based on trust in department stores, they all offer their original products with well-balanced quality and price and selections aiming at clear targets and they attract popularity from customers.



SOFUOL

Aiming to develop other channels

For the second half of fiscal 2011, the first six months after Original Merchandising Division was created, their sales grew steadily by 7.3% from the previous year. We will expand and shrink sales space dynamically across men’s and women’s categories and develop new original sales space to boost sales. And at the same time, in an effort to further enhance profitability, we will buy more items to be completely bought and high margin products and increase sell-through by strengthening our sales system. We also consider incorporating Original Merchandising Division in the future and selling at other commercial facilities.



TROJAN

Daimaru created this brand as pioneering men’s ready-made garments in 1959 when most of men’s clothing was made to order in Japan. As department store’s first private brand, it has enjoyed enormous popularity for more than 50 years. Trojan means a warrior of Troy (i.e., a brave man or a fighter). The brand offers to businessmen safe, reliable and valuable quality at prices acceptable to customers by putting wear comfort first and combining high quality materials and fine tailoring with contemporariness.



Art

Museum/Store Space



Entrance of Matsuzakaya Museum

Offering Living with Art

Museum

We hold a wide variety of topical exhibitions and events of paintings, crafts, photos and prints in museums and multipurpose halls in our major department stores to provide easier access to the works of popular Japanese and foreign artists ranging from classic to contemporary art. Through them, we encourage visitors to live a spiritually rich life and make a cultural contribution to local communities.



Hirayama Ikkuo "Moon at Angkor Wat" 1933



Complete skeleton of triceratops (7 meters long, the United States)

Major exhibitions held during fiscal 2011

- **Atae Yuki: Showa Memorial**
(Matsuzakaya Museum and Daimaru Kobe and Sapporo)
- **Iwago Mitsuaki Photo Exhibition: Cats**
(Daimaru Kyoto and Shinsaibashi)
- **Kawai Gyokudo: Japanese Scenery**
(Matsuzakaya Museum)
- **The 96th Inten: Exhibition of the Japan Art Institute**
(Daimaru Shinsaibashi)
- **Tea Bowls Living in the Present: Raku and Other Masterpieces**
(Matsuzakaya Museum)

Major exhibitions planned for fiscal 2012

- **"Transience and Brilliance of Life"**
Fusuma Paintings by Nakashima Kiyoshi, Jojuin, Kiyomizu-dera Temple, Kyoto
(Matsuzakaya Museum)
- **Dinosaurs**
—Time Tunnel of 3,500 Million Years from Primitive Lives to Mastodons—
(Daimaru Kobe)
- **Hello Kitty Art**
(Daimaru Umeda)
- **Hirayama Ikkuo: Message to the Next Generation**
(Daimaru Kyoto)
- **Marc Chagall —Oil Paintings, Prints and Tapestries—**
(Matsuzakaya Museum)
- **The 97th Inten: Exhibition of the Japan Art Institute**
(Daimaru Shinsaibashi)
- **Takagi Eiko: The World of Paper Doll Children Celebrating Her 90th Birthday**
(Daimaru Kyoto)
- **Bingata: Colors and Shapes of the Ryukyuu Dynasty**
Commemorating the 40th Anniversary of the Reversion of Okinawa to Japan
(Matsuzakaya Museum)



Bingata costume with design of mist, weeping cherry, swallow, bird with chrysanthemum, folding fan, square picture card, strip of paper patterns on white ground, ramie, 19th century, Matsuzakaya Collection

Collecting various precious dyed textile products including a national important cultural property

J. Front Retailing Archives Foundation Inc., which was established by J. Front Retailing in 2011, maintains more than 1,300 precious dyed textile products including a national important cultural property "Keicho kosode (small-sleeved kimono)" of the Edo period and organizes their public displays and exhibitions in order to pass the Group's cultural assets on to the future generations and contribute to academic culture.

In fiscal 2011, the Foundation held the "Matsuzakaya Collection" exhibition at Matsuzakaya Museum to show these costumes. From our collection, we lent out 120 pieces to the "Noh Costumes and Noh Masks" exhibition at National Noh Theatre and 77 pieces to the special exhibition "Kyoto Kimono" at the Museum of Kyoto and they received a great response.

In fiscal 2012, we will lend out 45 pieces including Ryukyuu dyed costumes from Matsuzakaya Collection to the exhibition commemorating the 40th anniversary of the reversion of Okinawa to Japan "Bingata: Colors and Shapes of the Ryukyuu Dynasty" to be held at four well-known museums in Japan including Matsuzakaya Museum.

(We will change the exhibits during the period of the exhibition to protect them.)

※ Exhibition schedule

- Tue, Apr 24 - Sun, May 27 Okinawa Prefectural Museum & Art Museum (Okinawa)
- Tue, Jun 13 - Sun, Jul 22 Suntory Museum of Art (Tokyo)
- Tue, Sep 11 - Sun, Oct 21 Osaka City Museum of Fine Arts (Osaka)
- Sat, Nov 3 - Sun, Nov 25 Matsuzakaya Museum (Nagoya)



Ceiling of light and colors



Fresco ceiling



Relief ceiling



Elevator hall on the 1st floor of the main building



Stained glass clock



Peacock relief



Stained glass designed after Aesop's Fables



Mezzanine of the main building

The World of Art Deco Created by Architect W. M. Vories

It was in 1914 that Daimaru kimono fabric store, which was founded in 1717, opened a Western style store with display windows in the present location of Shinsaibashi store. A few years later, in October 1918, a unique Gothic style four-story timber-frame and brick department store was born, which was rare even in Osaka. It was the first building that W. M. Vories (1880-1964) designed for Daimaru. Regrettably, however, it was burned down only one year and four months later. The current building of Shinsaibashi store was constructed in four phases according to a plan. In the first phase of construction, the southern half facing the arcade street of Shinsaibashisuji was completed in 1922, and in the second phase, the northern part facing the same street was completed in 1925. And then

the third and fourth phases of additional construction of the part facing Midosuji street were completed in 1932 and the following 1933 respectively. This is how a Neo-Gothic style department store with seven stories above ground came into existence.

The middle layer of the building is covered with grave scratched tiles. It is between the granite exterior wall of the first floor and the outer wall of the top floor elaborately designed with terra cotta. Once you step into the store through the entrance with a relief of a peacock, which is a symbol of Daimaru, you will find gorgeous details one after another, including fresco paintings on the ceiling and a stained glass clock on the upper wall of the central elevator hall. All of them, including geometric patterns, abstract flowers and trees and

snow and mineral crystals, form the world of Art Deco unified in one tone.

Department stores should have different characteristics from region to region. Here is one of the approaches of Shinsaibashi store to offer customers special time and space as well as products and services.



Daimaru Shinsaibashi store

Human Resource

Human Resource Development



Developing Self-Transforming People

Who Exercise Their Creativity and Keep on Trying

J. Front Retailing seeks people who transform themselves through creativity and challenges and create new values, that is, self-transforming people in order to tackle reforms at the level of changing business formats, including new department store model. To this end, we develop people who can play active roles in various business areas of the Group.

Our vision of human resource development

While combining OJT (on-the-job training) with OffJT (off-the-job training) as a supplement to help our employees acquire knowledge and skills, we will introduce the OJD (on-the-job development) system that combines the management of work places with autonomous growth ability of individual employees so that they can transform themselves through self-awareness and self-reflection generated by using knowledge and skills to address difficult challenges.

Work areas as a platform for growth are not only department stores but will be expanded into new areas including businesses at the Group's level, new projects and global businesses in preparation for the future development of new businesses.

Outline of human resource development

Major activities during fiscal 2011

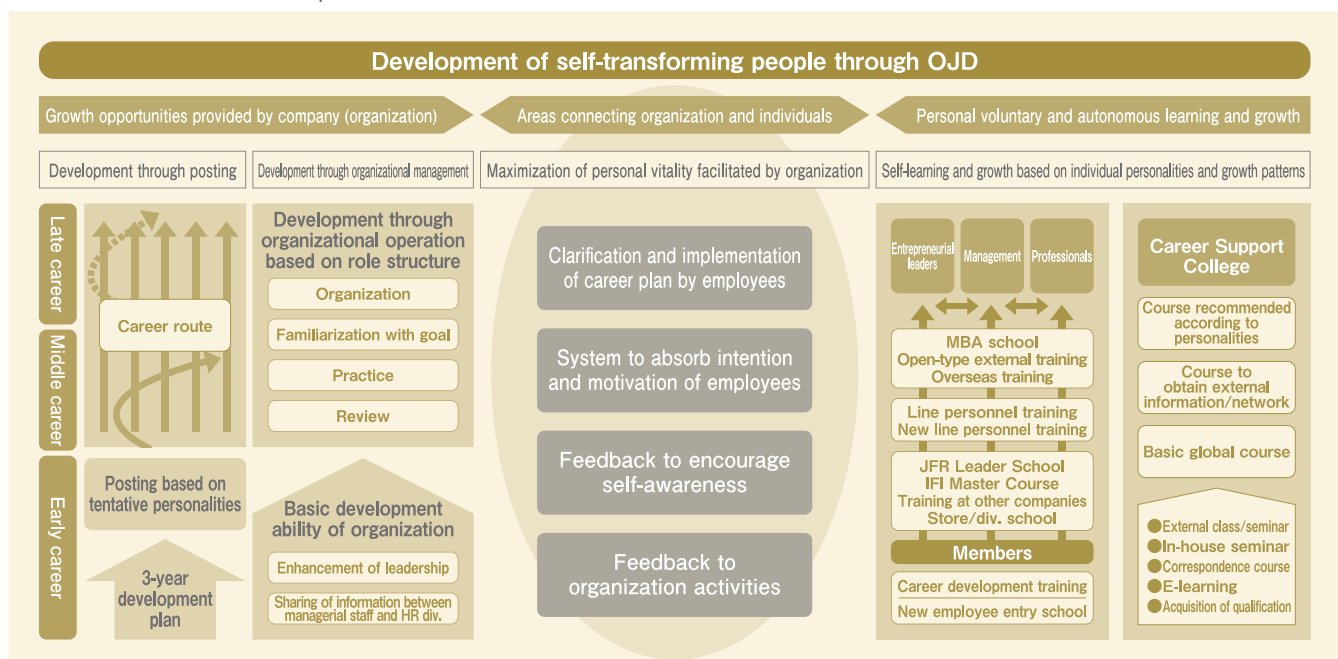
We worked on developing people who promote management reforms through creativity and challenges and enhancing our organizational strength toward the achievement of our new department store model.

- ① Development and enhancement of leaders who have strong leadership and ability to transform the organization
 - Division manager training
169 people in 3 groups
 - JES (JFR Entrepreneur School)
24 people in 10-class course
 - JLS (JFR Leader School)
21 people in 8-class course
 - First 3-year training school
- ② Development of people who have creativity to implement our new department store model
 - Manager/Buyer training
514 people in 8 groups
 - Creativity development training (representative managers)
71 people in 3 groups

Other activities include career development training for all the employees aged 30 (68 people) and sending employees to business schools (6 people to MBA graduate schools for working people and one to IFI Business School) and to other companies (2 people) to have them learn excellent know-how.

We also improved the menu of Career Support College, in-house self-development school based on the concept of career independence that we should develop our careers on our own, and approximately 1,400 people including our employees and contract employees and our suppliers' employees attended the College in fiscal 2011.

With the aim of developing people who exercise their creativity and keep on trying in unprecedentedly various business areas, we will grow individual employees and maximize the organizational outcome by repeating the process of effective posting suited to individual personalities such as entrepreneurial leaders, management and professionals, giving them difficult tasks and evaluating their work performance. At the same time, we will develop and improve various skill development programs suited to individual personalities.



Supermarket

Supermarket Business



Community-based High Quality Supermarket

Operating 83 stores in the Tokyo, Kansai and Chubu areas

Peacock Stores operates a total of 83 supermarkets (as of May 2012) in the areas where Daimaru Matsuzakaya Department Stores has its main stores: 48 stores in the Tokyo metropolitan area, 27 in the Kansai area and eight in the Chubu area. The company defines the central area of Tokyo and Yokohama/Shonan area in the Tokyo metropolitan district, the Hanshin area in the Kansai district and the area along the Nagoya Municipal Subway Higashiyama Line in the Chubu district as dominant areas and puts a stronger focus on them. Peacock Stores actively offers reasonable original products tailored to the characteristics of each store as well as a "high quality" assortment backed by the brand image of the Group's main department store business to become a secure and safe food supermarket chain supported by local customers.

Introducing new information system

In March 2012, Peacock Stores introduced new information system and integrated the three different systems separately operated in the Tokyo metropolitan, Kansai and Chubu districts. This enabled central buying based on company-wide unified data and enhanced our buying power. This system also allows us to develop and implement a

merchandise plan at the level of individual stores and offer a product lineup that meets the needs of the local markets. Since the newly introduced data analysis system DWH (Data Warehouse) enabled various real-time analyses including ABC analysis and product loss rate analysis based on raw data obtained from stores, we will avoid stock shortages and nimbly change or stop the offering of products at stores. At the same time, using the new system, we are promoting the reduction of the back-office operations at the head office as well as cost reduction through the streamlining of logistics.

Private brands and store brands

Peacock Stores has a private brand "Peacock Choice," which mainly offers nonperishable food items and groceries for daily use and gains trust from customers, to ensure a stable supply of affordable daily necessities. We also strengthen the local offering of original merchandise (store brands) jointly developed with suppliers and producers, including "Sahoro-kogen Beef" (Tokyo area), "Soya-misaki Beef" (Kansai area) and "Aji to Kaori no Wiener (fragrant and tasty sausages)." With regard to perishable goods, we make production contracts with the producers designated by us, and to non-perishable food products, we add value in accordance with our original specification in an effort to

differentiate ourselves from other supermarkets and increase profitability.

Amid growing demand for *nakashoku*, or prepared food to be eaten at home, we reviewed our lineup of ready-made meals, and in the regions with many single-person households and young people, we have developed and increased products, including Western sweets and snacks, in the areas beyond the boundaries of traditional delicatessen sections. And in the sales space that has many senior shoppers, we have increased single-serving food products such as packages of one or two pieces of cut fish and small packages of salad.

Better catering to the local people

Peacock Stores will make a full use of the new information system to change the balance among specialty products, high-volume products and price-appealing products according to store location to meet local needs. In light of regional characteristics and competitive climate, we will take various measures including the transformation to a low-price supermarket (P Mart) in a region where residents are highly price conscious and the change of floor to mainly accommodate medical facilities in a suburban multistory store that has many senior customers to adapt to regional market changes.

Store locations (As of May 2012)

Tokyo district (48 stores)

Daimaru Peacock
Takanawa Gyozanzaka
Mejiro
Jiyugaoka
Asagaya
Shimokitazawa
Ebisu
Kunitachi Sakuradori
Yokohamabashi
Kugayama
Takadanobaba
Azabu Juban
Iogi
Kyodo
Shinurayasu
Toritsukasei
Sakurashinmachi

Higashikoganei
Bunkyo Green Court
Mita Isarago
Tamagawa Josui
Ishikawadai
Hanakoganei
Kunitachi Bentendori
Fujisawa Treaage Shirahata
Sangenjaya no Mori
Tomare Nihonbashi Hamacho
Daikanyama Peacock
Shibaura Island
Kanda Tsumakoisaka

Matsuzakaya Store
Takenotsuka
Ebisu Minami
Takashimadaira
Toyoshiki
Ojima

Hongodai
Isogo

Exe Peacock
Granduo Kamata

Peacock Store
Hakuraku Rokkakubashi
Granpark Tamachi
Kami Ikebukuro
Yokodai
Nikke Colton Plaza
@Nakano Marui
Aoyama
Sodegaura
Fujisawa Opa
Takanodai
Kamikedai

Kansai district (27 stores)

Daimaru Peacock
Senri Daimaru Plaza
Tsukumodai
Kitasenri
Meimai
Matsugaoka
Karibadai
Tsukahara
Senri Minamimachi Plaza
Koshien
Kotoen
P Mart Yamada
Mukonosu
Senriyama
Mino Sakuragaoka
Konan
Ashiya Kawanishi

Takarazuka Nakayama
Mino Gein
Nishi Umeda
Shin Kobe
Shinsenri Nishimachi
Dojima Crosswalk

Peacock Store
Korigaoka
Senboku Harumidai
Takakuradai
Ashiya Nangu
Nara Kitaikoma

Chubu district (8 stores)

Matsuzakaya Store
Motoyama
Tsukimigaoka
Fujigaoka
Hishino
Hongo
Hirabari
Miyoshi
Chiyoda



Peacock Store Aoyama

Wholesale

Wholesale Business



Using Diversity to Deeply Cultivate Niche Markets

Wide lineup of businesses

As a trading company mainly operating business in the three regions of Japan, China and ASEAN countries, a wholesaler Daimaru Kogyo provides a wide variety of products and services and tries to meet the needs of the times and markets to satisfy customers in every business field ranging from the procurement of materials to after-sales care.

Our main products include chemicals, packaging materials, metal/resin products, housing/building materials, electronic parts and food products. And we render various services including the proposal of solutions concerning information systems and insurance services as a non-life/life insurance agent. Liquor retail is also included in our business portfolio and we are entrusted with the operations of liquor departments at department stores.

Strengthening businesses in China and the ASEAN region

Daimaru Kogyo has a total of 15 business places including six domestic locations such as Tokyo, Nagoya and Osaka and nine overseas locations including Shanghai, Dalian, Nansha, Hong Kong, Taipei, Bangkok, Ho Chi Minh, Yangon and Jakarta.

China and the ASEAN region where we operate have the population of approximately 1.9 billion people, nearly 30% of the world's population of seven billion. Though their GDP is only approximately 12% of the world total, they are expected to further economically grow in the future against a backdrop of abundant labor force and natural resources.

In the past, the company mainly purchased raw materials and products from Japan and abroad and sold them to customers in Japan. In the future, we will use our strength of having many bases in China and the ASEAN region to reinforce overseas operations. In January 2012, Daimaru Kogyo (Thailand) Co., Ltd. was established in Thailand to build a business base in the ASEAN region. Its operations include buying/selling and export/import in Thailand. The company will stimulate and expand transactions utilizing our four core bases in the ASEAN region.

With regard to the Chinese market, we will enhance electronic devices and expand our business in China, based in Daimaru Kogyo International Trading in Shanghai.

Focus on growth areas

We will use these overseas bases and focus on the growth areas of each business to achieve sustainable growth.

Specifically, in the field of metal/resin products, amid a major shift in automobile technological innovation to electric vehicles, we will work actively to supply mass produced parts for eco-friendly cars, starting from trial production. In the field of chemicals, we will conclude a distributorship agreement with a chemical material manufacturer in Taiwan to increase the handling of raw materials and boost sales. In the field of food products, we will increase the range of Nordic processed marine products imported to Japan through Chinese processors and consider entering the feed and fertilizer business.

Creating synergy with other businesses of the Group

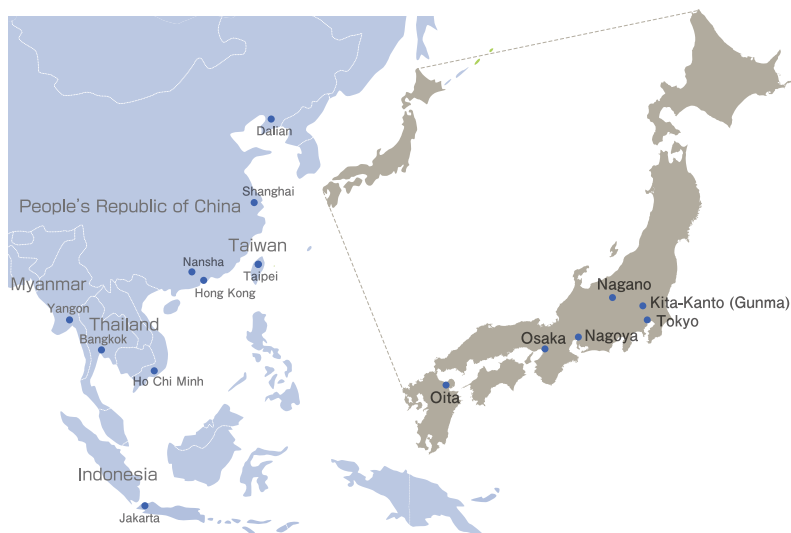
Daimaru Kogyo jointly develops with Daimaru Matsuzakaya Department Stores the items suitable for mid-year and year-end gifts including seaweed, shiitake mushrooms, canned crab meat and seasonings, which are sold at Daimaru and Matsuzakaya stores throughout Japan. The

company clarifies quality standards including the methods of selecting and processing raw materials and solely undertakes the entire process from production to delivery. Daimaru Kogyo prepares reliable certificates of origin and production evidence and provides consumers with carefully manufactured products together with reassurance.

Daimaru Kogyo imports wine and food directly from France and Italy to sell them at Daimaru and Matsuzakaya stores and the supermarkets of Peacock Stores. The company selects and imports excellent products made with a focus on quality, scent and taste including wine recommended by a famous French chef Paul Bocuse.

Using such know-how, Daimaru Kogyo undertook the operations of liquor departments in some locations of Daimaru Matsuzakaya Department Stores in fiscal 2010 and entered the retail field. And the company aims to operate in more locations. The undertaking of all operations from planning and procurement to sales contributes to the streamlining of department store operations as well.

In pursuit of greater synergy, Daimaru Kogyo will deepen partnership with other companies of the Group including direct marketing, design and construction and a restaurant chain as well as department store and supermarket chains.



Alliance

Alliance
M & A



New Alliance to Develop into “Multi-retailer”

Acquired a 33.2% stake in Parco Co., Ltd.

J. Front Retailing aims to achieve the status of leading retail company in Japan both in quality and quantity with the department store business as its core.

In the core department store business of the Group, we are building a new out-of-the-box department store business model adapting to market changes through new department store model that aims to change the business formats, while working on developing ourselves into a multi-retailer that operates multiple businesses to increase the growth potential of the Group.

To this end, following the acquisition of 49% stake in StylingLife Holdings Inc. in 2011, we acquired a 33.2% stake in Parco Co., Ltd. (“Parco”) from Mori Trust Co., Ltd. in March 2012 and made it an equity method affiliate of the Group.

With the vision of “Urban Lifestyle Producer” that makes spiritually affluent lifestyle proposals, a shopping complex operator Parco operates commercial facilities named PARCO in the Tokyo metropolitan area and other major cities in Japan including Nagoya, Sapporo and Fukuoka and the company has excellent expertise in developing and operating advanced and highly cultural urban commercial facilities.

Deeper alliance with Parco that has excellent know-how in the development and operation of urban commercial facilities will allow us to accelerate our efforts to change our department store business model through new department store model and strengthen our competitive edge. And at the same time, as a retail group operating various businesses and channels, we will be able to increase the growth potential of the whole Group.

Expectations for various synergies

The future alliance with Parco is expected to bring about many synergy effects between the two companies. The synergy effects we expect at present are:

- (1) Reinforcement of business base by effectively sharing each other’s store and customer bases;
- (2) Enhancement of competitiveness of our department store business by adopting Parco’s know-how in operating urban commercial facilities;
- (3) Enhancement of appeal of our facilities by adopting Parco’s know-how in developing and planning stores;
- (4) Increase of our presence in the Tokyo metropolitan area through deeper alliance with Parco, which is strong in the Tokyo metropolitan area;
- (5) Increase of growth potential as a retail group operating various businesses and channels;
- (6) Expansion of business opportunities in related business areas including staffing service and direct marketing; and
- (7) Expansion of possibilities of opening new stores abroad by use of Parco’s channels.

Set up an operation study committee

We will discuss with Parco the details of this alliance. Especially, our shop operation sales areas, which constitute the majority of our department store sales, will greatly benefit from Parco’s know-how in their efforts to enhance their counseling capabilities related to sales and services and their producing capabilities needed to select shops and brands and create attractive sales space.

Parco and J. Front Retailing both intend to operate high quality and high value added retail business in big cities and their customers are also similar in grade and taste. Therefore, we believe we will be able to increase each other’s corporate value by effectively sharing each other’s store and customer bases and maximizing synergy.

We already set up an operation study committee with Parco and have meetings on a regular basis. And we will speed up our efforts to achieve synergy and results.

《Parco Co., Ltd.》

Corporate profile

- Name: Parco Co., Ltd.
- Headquarters:
1-28-2, Minamiikebukuro
Toshima-ku, Tokyo
- Line of business:
· Shopping complex business
· Retail business
· Space engineering and management business
· Other businesses
- Capital: ¥26,867 million
- Established:
February 13, 1953

Recent operating results and financial conditions

| | FY 2/2010 | FY 2/2011 | FY 2/2012 |
|------------------------------------|-----------|-----------|-----------|
| Net profit (Millions of yen) | 78,657 | 81,868 | 84,577 |
| Total assets (Millions of yen) | 187,093 | 222,135 | 208,697 |
| Net assets per share | ¥954.52 | ¥993.52 | ¥1,028.21 |
| Net sales (Millions of yen) | 261,076 | 264,840 | 259,789 |
| Operating profit (Millions of yen) | 8,601 | 9,218 | 9,168 |
| Ordinary profit (Millions of yen) | 8,554 | 8,750 | 8,966 |
| Net profit (Millions of yen) | 4,108 | 4,400 | 4,319 |
| Net profit per share | ¥49.87 | ¥53.41 | ¥52.49 |
| Cash dividends per share | ¥16.00 | ¥17.00 | ¥17.00 |

International Market

Projects in Overseas Markets



Group-wide Entry into Overseas Markets in Pursuit of Growth

Growing and promising overseas markets

The domestic consumption market is predicted to increasingly shrink due to the aging population combined with the falling birthrate and fewer productive workers. Therefore, it is essential to enter growing overseas markets in order to achieve group-wide sustainable growth. Particularly, we see China and the ASEAN region, which are rapidly expanding and developing, as growing and promising markets for the businesses of the Group. While taking account of the local situation and business characteristics, we would like to actively develop businesses in these regions.

Launched department store business in China

Shanghai is the biggest commercial city in China that has the population of 23 million people. Recently it has been rapidly urbanized due to drastic population flow from rural areas and its population has increased by as many as 5.2 million people in five years since 2005. Shanghai, as well as China's capital Beijing, is also known as one of the cities with many wealthy residents.

Near the People's Square in central Shanghai, there is a department store New World City, which boasts the second largest sales in the city. Shanghai Xin Nan Dong Project Management Co., Ltd. whose largest shareholder is Shanghai New World Co., Ltd., which operates New World City, is building a full-scale department store with the floor space of 110,000 square meters in Land 163, Huangpu District, one of the biggest commercial areas in Shanghai. In May 2012, we have reached a basic agreement with Shanghai Xin Nan Dong Project Management and Shanghai New World that we will render support and cooperation to make it one of the most upscale department stores in China. We will send to the department store some ten employees, one of whom will become a store manager. Using our marketing capabilities,

supplier relations and expertise in store planning and services to customers and adopting the Japanese way of creating and operating a department store, we will provide technical support on store operations including store planning before opening and sales promotions and the building of customer loyalty after opening.

The new store was tentatively named Shanghai New World Daimaru Department Store. We aim to create China's most upscale department store with many luxury brands targeting wealthy and middle class people.

Through this business alliance, we will be able to experience the local retail business and acquire China's business know-how. Raised awareness of Daimaru in Shanghai and other cities in China is expected to increase the number of Chinese tourists to Japan who shop at Daimaru stores and boost sales. With this business alliance, we will tackle department store business in the promising Chinese market.

Outline of Land 163, Huangpu District Project

- Name of store: Shanghai New World Daimaru Department Store (tentative)
- Address: Land 163, Huangpu District, Shanghai
- Size
 - Land area: 13,709.3m²
 - Total floor area of the building: 116,000m²
 - Building: 7 floors above ground and 5 basement floors
 - Department store: 7 floors above ground and 2 basement floors
- Operator:
 - Shanghai Xin Nan Dong Project Management Co., Ltd.
 - (49% owned by Shanghai New World Co., Ltd.)
- Schedule:
 - Scheduled for completion in late 2014 or early 2015 (under construction)

Jointly operating Plaza business with SLH

In March 2011, we acquired a 49% stake in StylingLife Holdings Inc. ("SLH"), which operates several retail businesses including Plaza, and the company became an equity method affiliate.

SLH operates Plaza, a representative Japanese brand that sells general merchandise, in

Japan. J. Front Retailing and SLH are jointly planning to develop a new brand that offers the products and services tailored to the local market with a selection of Plaza goods as its core and open tenant stores in large urban commercial facilities in Asia. First, we will open some stores in department stores and shopping centers only in the Taipei area, Taiwan. The first store is planned to open around spring 2013. After that, once putting the business in Taipei on track, we will expand into other cities in Taiwan including Taichung and Kaohsiung, and then, rapidly growing other Asian countries. In the future, we would like to develop the business that operates 100 to 200 stores across Asia.

Outline of new company

- Location: Taipei, Taiwan
- Capital: ¥500 million
- Investment ratio:

| | |
|----------------------|-----|
| J. Front Retailing | 90% |
| StylingLife Holdings | 10% |
- Establishment: Around summer 2012
- Line of business:
 - Sales of new Plaza brand of general merchandise
- Channel:
 - Stores in department stores and shopping centers in the Taipei area (The first store is planned to open around spring 2013.)
- Business area:
 - In addition to the above, other cities in Taiwan including Taichung and Kaohsiung and other Asian countries (under consideration)

Promoting group-wide proactive initiatives

J. Front Design & Construction of the Group opened a representative office in Shanghai in December 2011 to receive orders for designing commercial facilities in China. A wholesaler Daimaru Kogyo established a company in Thailand in January 2012 to expand business in the ASEAN region. Individual companies of the Group will leverage their strengths to aggressively develop overseas businesses.

J. Front Retailing Group Philosophy

The philosophy system of J. Front Retailing Group consists of “basic philosophy,” “business operation policy,” “commitments to stakeholders” and “our principles of action.”

● Basic Philosophy

- (1) We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations.
- (2) We aim at developing the Group by making a broad contribution to society as a fair and trusted business entity.

● Business Operation Policy

- (1) Realizing high quality management that provides the highest customer satisfaction at the lowest cost.
- (2) Thoroughly pursuing high quality, freshness and hospitality.

● Commitments to Stakeholders

They represent the Group's commitments to customers, shareholders, business partners, employees and communities.

● Our Principles of Action

They represent the principles of action that every person working for the companies of JFR Group should try to follow concerning customer perspective, challenge to innovation, speed and thorough implementation, communication, respect for diverse individuality and ethics and fairness.

Group Vision

We will establish a status as a leading Japanese retail company both in terms of quality and quantity with the department store business as our core.

Basic Concepts

As the core of the unified governance of the Group, J. Front Retailing positions the strengthening of corporate governance as one of the most important business challenges to ensure the transparency, soundness and compliance of the management of the whole Group and thoroughly fulfill its accountability to its stakeholders (including customers, shareholders, employees, business partners and communities).

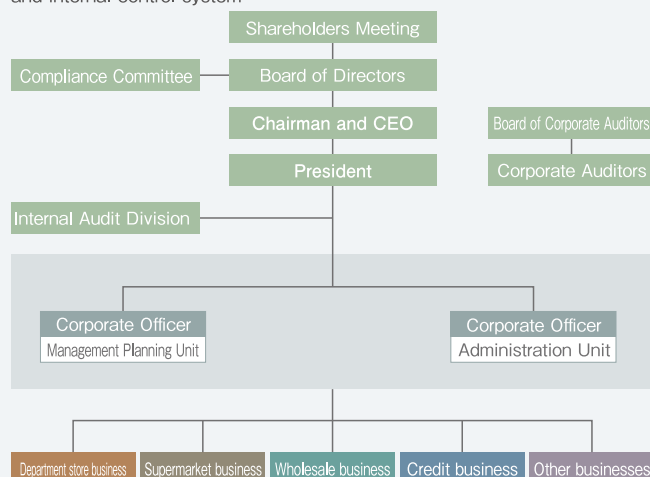
To this end, we have two units (Management Planning Unit and Administration Unit) in the company organization to clarify roles, responsibilities and authorities, thereby improving supervisory function and the internal control systems of the whole Group. In addition, a corporate officer system is in place to separate between decision-making and execution of the management, which enables more speedy decision-making and implementation.

The term for Directors and Corporate Officers is one year and they are remunerated based on their individual annual performance to clarify their responsibilities for the enhancement of management and business results.

Corporate Bodies and Internal Control Systems

J. Front Retailing has the Board of Corporate Auditors. Its corporate bodies include Shareholders Meeting, the Board of Directors, the Board of Corporate Auditors and independent auditors as stipulated in the Corporate Law. In addition, the Company adopts a corporate officer system as a body to perform operations. It also has a Compliance Committee, which is chaired by CEO and consists of a corporate lawyer and Directors and Corporate Auditors named by the chairman, as an advisory body to the Board of Directors and adopts a whistle-blowing system to solve compliance issues.

Corporate governance organization and internal control system



Meetings of the Board of Directors and Outside Directors

The Board of Directors as a management decision-making body consists of seven Directors (including two outside directors) and generally meets once a month under the chairmanship of Chairman and CEO and with the attendance of Corporate Auditors to discuss and resolve the matters required by laws or prescribed by the articles of incorporation as well as the matters stipulated in the rules and regulations of the Board of Directors.

During fiscal 2011, the Board of Directors had a total of 15 meetings to discuss and resolve the share acquisition in Parco Co., Ltd. (making it an equity method affiliate) and the joint overseas business with StylingLife Holdings Inc., as well as approving budgets and settlements.

J. Front Retailing has invited Takayama Tsuyoshi and Tachibana Fukushima Saki as highly independent outside directors who can judge independently from the top management and appropriately determine the decisions and supervisory actions made by the Board of Directors. They are both in an objective position independent from the management team performing operations. We expect Takayama as an executive of a business entity to reflect his rich experience, achievements and insights in the management of J. Front Retailing. And Tachibana Fukushima is expected to reflect in the management of the Company her wealth of knowledge, experience and insights regarding the use of people with a global vision and the development of management strategies of domestic and foreign companies.

■ Audit Function

In order to support the soundness of its management structure, J. Front Retailing has five Corporate Auditors (including three outside auditors) to determine its audit policy and approach, while having a system that enables their views concerning important audit matters to be reflected in the Board of Directors. The Company also has Internal Audit Division reporting directly to President to verify the appropriateness and effectiveness of the business process of daily routine and financial operations of J. Front Retailing and J. Front Retailing Group according to the annual audit plan. Important matters are duly reported to the Board of Directors and the Board of Corporate Auditors.

■ Internal Control Systems

J. Front Retailing develops internal control in line with the Basic Policy to Build Internal Control Systems. With respect to internal control over financial reporting, the General Affairs Division of Administration Unit that has the function of overseeing internal control and the Internal Audit Division that has the function of independent assessment clarify their roles and authorities and continue discussion to make a fair assessment.

■ Risk Management

With President and Executive General Managers of two units as responsible supervisors, each division assesses and manages risks in a manner suiting the division and reports the management status of important risks to the Board of Directors on a regular basis. With respect to particularly significant business risk factors thus identified, policies dealing with them are discussed and determined at the Group's strategy meetings and concerned divisions implement them to prevent such risks from arising.

In response to increasingly diverse and complex business risks and growing social demands for companies to react quickly and accurately when risks occur, the Risk Management Guidelines were developed to set out the basic policy and framework for risk management. We have also formulated the Business Contingency Plan (BCP) based on the assumption of the occurrence of earthquake disasters and a new type of influenza to clarify criteria for forming the emergency headquarters and its members. The plan also sets forth the initial response to disasters, the development of the measures to recover high priority activities in emergencies and emergency response procedures.

■ Practice of Compliance under Company Regulations and Operation Manuals

J. Front Retailing develops company regulations and various operation manuals to ensure the implementation of the Group philosophy on the job, while setting its own strict standards on quality control and the protection and management of personal information to thoroughly carry out daily compliance activities.

■ Preparation of Compliance Manual

J. Front Retailing prepared JFR Group Compliance Manual to demonstrate its structure, principles of action and code of conduct to implement compliance management.

The manual provides that the basic framework of the compliance system is a binary structure consisting of "all Group companies' and divisions' voluntary compliance with laws and corporate ethics in conducting business" and

"training, supervision and strict audit by compliance divisions, operational audit divisions and others." It also sets compliance principles of action and code of conduct consisting of four perspectives* to be followed by all officers and employees of J. Front Retailing Group.

The Group ensures thorough compliance activities on a daily basis by posting "compliance self-check lists" in each company, which enable employees to check their own everyday behavior.

※Four perspectives of compliance principles of action and code of conduct

- ① Always putting customers first
- ② Promoting high quality management for sound growth and development
- ③ Creating an impartial and vibrant organization where the individuality and ability of each person are respected
- ④ Contributing to society (a good corporate citizen living in harmony with society)

"Food" Quality Control

Sanitary supervisors are placed in the food departments of all locations of Daimaru Matsuzakaya Department Stores and affiliated department stores to ensure the high level of quality expected of department stores. For customers' security and safety, they periodically inspect the conditions of quality control based on the "Food Sanitation Law," "Quality Control Regulations" and rules for running in cooperation with Consumer Product End-Use Research Institute, which performs quality control for J. Front Retailing Group.

Protection of Personal Information

In order to ensure the protection of personal information, J. Front Retailing Group established "the basic principles" and "the code of conduct" and continuously provides employee training and checks the management status in all companies of the Group. JFR Information Center Co., Ltd. and JFR Card Co., Ltd., which handle all the customer information data of Daimaru Matsuzakaya Department Stores, acquired the "Privacy Mark" certification to protect the personal information of customers.

Customer Consultation Service

Major stores of Daimaru and Matsuzakaya have "Consultation Corners for Consumers" and consultants certified as advisory specialists for consumers' affairs offer consultation for customers. Customer complaints about products are sent promptly to Consumer Product End-Use Research Institute for scientific quality inspection. Consultants inform customers of the results. These test results are also provided to stores and manufacturers to prevent recurrence and improve quality.

■ Monitoring of Implementation

Persons in charge in each business place provide on-site guidance and inspection to check the steady implementation of compliance policies and rules. In case an accident should happen, it will be reported immediately to the Compliance Committee and remedial actions will be taken under the leadership of the Committee.

Commitment to Be an Environment- and People-Friendly Department Store

J. Front Retailing is working with customers and business partners to conserve the global environment toward the building of “a sustainable society” for the 21st century. Daimaru Matsuzakaya Department Stores, which runs the core department store business, operates an ISO 14001-based environmental management system to continuously reduce the effects on the environment.

Environmental Policy of J. Front Retailing Group

Recognizing our roles and responsibilities to hand down the irreplaceable global environment to the next generation, we at J. Front Retailing Group proactively promote “environment-friendly corporate management” toward “the realization of a sustainable society” with customers, business partners and community members.

1. Recognizing the environmental impacts and their causes, we will establish structures and systems to promote environmental conservation activities through the business activities of the Group companies and actively work on reducing environmental load.

- 1 Effective use of resources and energy
- 2 Reduction of CO₂ emissions
- 3 Waste reduction and recycling
- 4 Provision of environment-friendly products, services and information
- 5 Promotion of environmental conservation activities with customers, business partners and community members

2. We will comply with the requirements of environmental laws, regulations and agreements.

3. We will raise awareness of environmental conservation through training and educational activities to strengthen the foundations on which each worker in the Group will tackle environmental tasks voluntarily.

4. We will make this environmental policy known to all workers of the Group companies and make the policy available to the public.

Reduction of Packaging Materials

At Daimaru and Matsuzakaya stores, we repeatedly provide training based on a smart wrapping manual. Smart wrapping means that a customer selects packaging that is fit for purpose. It is one of the campaigns promoted by the Japan Department Stores Association to help reduce paper bags, plastic bags and wrapping paper.

Sales of original eco bags

Original eco bags are sold in all Daimaru and Matsuzakaya stores to promote resource saving and reduce waste by encouraging customers to bring their own shopping bags. In fiscal 2012, we have changed their design so that more customers will use them. A carbon-offset fee of ¥50 per bag is added. We acquired emission rights via a wind power project in India and expect to reduce CO₂ emissions of approximately 14 kg per bag.

Original eco bag of Daimaru Matsuzakaya Department Stores designed by Wakisaka Katsuji at SOU·SOU, a textile designer working for renowned overseas brands as well



Energy Use Reduction

At Daimaru and Matsuzakaya stores, we are promoting energy saving facility replacement including the replacement of the existing lighting fixtures with LED units, the introduction of inverters to control air conditioners, elevators and escalators and the use of highly efficient air conditioning heat sources to reduce energy use and prevent global warming. All employees are making energy saving efforts by carefully controlling lighting and air conditioner temperature as well as participating in various activities including “raising air conditioner temperature settings in stores during summer” and “the Light Down Campaign” promoted by the Japan Department Stores Association.

Promoting the replacement of store lighting fixtures with LED units

At Daimaru and Matsuzakaya stores, we are replacing the existing lighting fixtures with LED units to reduce electricity consumption and CO₂ emissions. Since LED lights generate much less heat compared to halogen lights, they contribute significantly to improving the efficiency of in-store cooling.

At Daimaru Umeda store, which made its grand opening with more floor space on April 19, 2011, approximately 35,000 LED lighting fixtures were installed on the ceilings on all floors. Lighting in back-office areas was also replaced with highly efficient Hf-type motion sensor fluorescent lights. At other stores, we already replaced 85,000 units, which represent 19% of the ceiling lighting fixtures of all stores, including 10,000 units at Matsuzakaya Ueno store, 9,000 units at Daimaru Tokyo store and 7,000 units at Matsuzakaya Nagoya store, during fiscal 2011 and annual electricity usage at all stores is expected to decline by 12 million kwh.

In response to the supply and demand balance of local electric power companies and the power saving requests from the government, we will continue to install LED units at Daimaru and Matsuzakaya stores to use less electricity.



Received the Grand Prix of 2010 Energy Saving Lighting Design Awards from the Ministry of the Environment (Umeda store)

Reduction and Recycling of Waste

At Daimaru and Matsuzakaya stores, we implement thorough waste separation to decrease waste and promote recycling. We are promoting recycling systems by using collapsible containers and standardized hangers for department stores to reduce packaging and the total amount of waste.

In our store staff cafeterias, we use chopsticks that can be washed and reused instead of disposable *waribashi* chopsticks.

In order to reduce food waste, we recycle it as feed and fertilizer by placing garbage disposers in Daimaru Tokyo, Kyoto, Kobe, Sapporo and Matsuzakaya Ueno stores and outsourcing its disposal in Daimaru Shinsaibashi, Umeda, Sapporo, Matsuzakaya Nagoya and Toyota stores. We measure the amount of all food waste and feed back the results to the departments generating such waste every month to raise awareness of waste reduction.

■ Proposing Environment-Friendly Lifestyles

At Daimaru and Matsuzakaya stores, we provide ideas for smart eco-friendly living as a priority item of their environmental activities.

After the Great East Japan Earthquake in March 2011, we are actively offering products and organizing events including disaster relief actions and fairs to support power saving life in response to restrictions on electricity usage imposed due to the nuclear plant accident to meet changes in social conditions and customer demands.

To spend hot summer comfortably — Proposing the latest Cool Biz styles for each generation

At Daimaru and Matsuzakaya stores, we proposed the “Ultra Cool Biz” styles as advanced Cool Biz styles that are comfortable and sophisticated in summer 2011. We participated in the Super Cool Biz 2011, a kickoff event for the Super Cool Biz styles proposed by the Ministry of the Environment and presented the Ultra Cool Biz styles. Featuring our officers and employees as models, we presented the Ultra Cool Biz styles for each generation that are both functional and fashionable, that is, cool and stylish as business attire, on our website and in a newspaper ad.

In summer 2012, we are proposing further advanced Smart Cool Biz styles that are good looking and smart.



Launched the “make a smile PROJECT” on the theme of environmental and social considerations

At Daimaru Kobe store, we launched an event focused on ethical consumption on August 31, 2011. It was named the “make a smile PROJECT” and we offered products and experiences that lead to social contribution, including organic items and other eco-friendly goods and fair trade products that help protect the environment, foster industries and create jobs in developing countries to make someone happy. The project was reported in many mass media including televisions and newspapers and received a great response.

■ Creating Customer-Friendly and Comfortable Stores

Regular emergency drills and the introduction of the Earthquake Early Warning system

At Daimaru and Matsuzakaya stores, we organize self-defense firefighting teams and regularly carry out drills for all workers so that we can promptly notify of and extinguish a fire and guide customers to safety. When an earthquake measuring 5-lower or more on the Japanese intensity scale occurs, we receive the Earthquake Early Warning alert, which is automatically announced over the in-store PA system in real time. We repeatedly hold emergency evacuation drills based on our emergency action manual so that we can take the most appropriate action reflexively in case of emergency.

When the Great East Japan Earthquake occurred on March 11, 2011, our store staff in the Tokyo metropolitan area could quickly and safely evacuate customers based on these drills.



At the disaster prevention center of Daimaru Tokyo store, we have centralized control through various monitors to confirm the safety of the whole building.

Installed AED (automatic external defibrillator) units in all stores

We installed AED (automatic external defibrillator) units in all Daimaru* and Matsuzakaya stores and present normal lifesaving training sessions in these stores so that we can provide an initial response in case of emergency.

※Some stores that are tenants share AED units with building owner companies.

Making our stores barrier-free

On the occasion of the grand opening of Daimaru Umeda store with increased floor space in April 2011, we made it barrier-free.

【For parents with children】

- Lending out strollers at the east information booth on the 1st floor and at the Baby Salon (self-service style) on the 10th floor.
- The Baby Salon on the 10th floor (east) has a nursing room, a diaper vending machine, a beverage vending machine and coin return strollers.
- Toilets with baby holders in which they can keep their babies sitting at ease are available in women's and men's bathrooms on all floors.
- Stroller accessible toilets are available in women's bathrooms on the 2nd basement, 2nd, 5th, 6th and 8th to 13th floors and a men's bathroom on the 10th floor.

【For the disabled and the elderly】

- Wheelchair accessible bathrooms are available on the 3rd, 9th, 12th, 14th and 15th floors. (Ostomate toilets are available on the 3rd and 14th floors.)
- Two universal fitting rooms are available. (The Formal Salon on the 7th floor and the pick-up booth of finished men's clothes on the 9th floor)

Social Contribution Activities

As a business group that contributes widely to society, J. Front Retailing actively engages in great earthquake relief activities and participates in charity bazaars and events to protect the global environment, support the regions suffering serious starvation and poverty and raise awareness about living a safe and healthy life.

Regional Revitalization and Support Activities

Daimaru and Matsuzakaya stores as community-based department stores actively participate in creating pleasant and beautiful towns that attract people in cooperation with local people and governments and make environmental efforts that customers and local people can take part in.

Major participation in community events

Daimaru

- Sapporo: Sapporo Snow Festival
YOSAKOI Soran Festival
- Kyoto: Gion Festival
- Kobe: Kobe Luminarie
Motomachi East Jazz Picnic
- Hakata Daimaru Tenjin: Hakata Gion Yamakasa Festival
- Shimonoseki Daimaru: Shimonoseki Kaikyo Festival

Matsuzakaya

- Nagoya: Nagoya Festival
Domannaka Festival
- Ueno: Grand Festival of
Gojo Tenjin Shrine
- Shizuoka: Shizuoka Festival
(Seasonal events)
- Takatsuki: Takatsuki Jazz Street

Environmental study and sales experience



Daimaru and Matsuzakaya stores accept local elementary and junior high school students during spring consecutive holidays and summer vacation and help their integrated learning by showing the stores' environmental activities and providing opportunities to try out jobs in department stores.

Completed a pump well in Baro Paika Village, Bangladesh

At Daimaru Umeda store, we sold eco charity tumblers in collaboration with women's, men's and children's apparel brands from April to May and from October to November 2009 and donated their sales proceeds of approximately ¥729,000 to build a well in Bangladesh through the Japan Asian Association & Asian Friendship Society, which builds wells across Asia to supply safe water and helps local people live an independent life.

In Bangladesh, health damage caused by the pollution of groundwater has been recognized as a social problem since the mid-1990s. Recently we were informed that an approximately 250-meter-deep well was completed in Baro Paika Village, Ratnapur Union, Agailjhara Upazilla, Barisal District, which has 3,400 residents. We hope that the safe water pumped up from the well will help the village people maintain good health.



Support to the Pink Ribbon Movement (breast cancer educational activities)

The Pink Ribbon Movement is educational activities to disseminate the correct information on breast cancer detection and encourage early detection. JFR Card Co., Ltd. has supported the Pink Ribbon Movement since April 2010 by donating the money raised from customers and the amount of money in proportion to the number of the holders of Sakura Panda Card and the amount purchased with the card during the Pink Ribbon Movement Awareness Month (October) to the NPO "J. POSH (Japan Breast Cancer Pink Ribbon Movement).



Sakura Panda helped raise money for the Pink Ribbon Movement (Daimaru Shinsaibashi store)

Daimaru Kobe store "Pink Ribbon campaign in Daimaru Kobe store"

Supporting the 8th Pink Ribbon Festival organized by the city of Kobe during the period from October 1 to 31, 2011, Daimaru Kobe store exhibited the Pink Ribbon Nail Art Collection in the store and held seminars with cooperation from local clinics to raise awareness of the importance of breast cancer detection and encourage checkups.

Matsuzakaya Nagoya store

"Campaign to support the Pink Ribbon Smile Walk Nagoya"

Matsuzakaya Nagoya store supported the Pink Ribbon Smile Walk Nagoya, the main event of the Pink Ribbon Festival held for the first time in Nagoya on October 8, 2011.

Hakata Daimaru Supporting "the Pink Ribbon Movement" and "Teal & White Ribbon"

Designating March 8 as Mimoso Day and the 8th day of each month as Women's Appreciation Day, Hakata Daimaru provides various events and services as a mark of respect for women. The store has supported Teal & White Ribbon (awareness campaign to prevent cervical cancer) since March 2011 in addition to the Pink Ribbon Movement.

"Collect PET Bottle Caps to Provide Vaccines to the World's Children!" Campaign

Collection boxes are placed on the sales floors and in the employee facilities of Daimaru and Matsuzakaya stores to collect PET bottle caps.

The collected caps are sent to recycling companies through the NPO "Re Lifestyle" and we donate the full amount paid for them to the NPO "Japan Committee Vaccines for the World's Children (JCV)" to provide vaccines to children around the world.

We started this activity in all Daimaru and Matsuzakaya stores in November 2009 and have received a great deal of cooperation from customers. The total number of caps collected up to March 2012 reached 27,470,000, which are equivalent to polio vaccines for more than 50,000 children in total.



■ The Great East Japan Earthquake Relief Operations

Fundraising

In 2011, we raised money in all locations of Daimaru, Matsuzakaya and Peacock Stores and donated a total of approximately ¥38 million together with the donations from the employees of the Group and workers from suppliers to the Japanese Red Cross Society.

The Group sent ¥30 million to the Japanese Red Cross Society and other organizations and ¥1 million each to Miyagi, Iwate, Fukushima and Aomori, with which the Group has relations through Tohoku products fairs and other events.

Delivery of emergency supplies

We provided Ofunato-shi, Iwate, with 1,000 blankets, 200,000 masks, portable toilets and radios through the NGO "Peace Winds Japan" immediately after the earthquake occurred in March 2011. After that, we asked the earthquake headquarters of each affected prefecture what they needed at that time and sent 1.43 million masks to Iwate and approximately 80,000 goods including food and daily necessities to Miyagi and Iwate.

Delivery of supplies to pregnant women

In May 2011, in response to a request for assistance from the NGO working in the disaster areas "JOICFP," we delivered 1,500 maternity goods and 1,200 bottles of drinking water for babies to affected areas and gave them to pregnant women through local midwives associations.

Fair to support quake-hit areas

In June 2011, we set up a corner to cheer up and support the Tohoku region in the food event of Matsuzakaya Ueno store and offered canned products made by Kinoya Ishinomaki Suisan. They are called "Cans of Hope" because these cans, which had been swept up with the warehouse by the tsunami and buried in sand and earth, were provided to earthquake victims facing a food shortage. Our buyer who cooperated with local people to sell these muddy cans appeared on TV news. Partly thanks to that, many people visited the store to buy the Cans of Hope and we sold approximately 8,000 cans.



Employees of Daimaru Matsuzakaya Department Stores participated in voluntary disaster relief activities

Daimaru Matsuzakaya Department Stores created a volunteer leave system and actively supports volunteer activities in the areas hit by the Great East Japan Earthquake. Employees using this system conduct relief activities such as the cleaning of devastated houses.

Sold wrapping tools to cheer up eastern Japan (with donations)

At Daimaru Tokyo store, we started to sell supportive wrapping tools on April 27, 2011 and donated ¥135,000 from their sales proceeds to affected areas through the Japanese Red Cross Society. After the earthquake, more and more people are conscious of social contribution and want to do something useful for affected areas. And many customers bought them for the reason that they had donations.

■ Charity bazaars

Cooperation with JCV Kids Smile Project

The NPO "Japan Committee Vaccines for the World's Children (JCV)" carries out "JCV Kids Smile Project" to heal the hearts of quake-affected and injured children and regain the smile of as many as possible among them as well as activities to help supply vaccines.

Daimaru Matsuzakaya Department Stores continues to support quake-stricken areas in cooperation with JCV.

Sakura Panda visited children in the disaster areas

At Daimaru and Matsuzakaya stores, we started to sell the charity pins of Sakura Panda on March 1, 2012 and raised money at stores and collected messages from shoppers to support children in the disaster areas. All the 10,000 pins were sold out and we donated ¥1,042,190 in total together with the money raised at stores to JCV Kids Smile Project. Sakura Panda visited children's halls in the quake-hit Tohoku region to hand over more than 600 messages of support to children.



Charity for affected areas in collaboration with a world famous paper cutout artist Rob Ryan

Mr. Rob Ryan, who designed the Christmas gift wrapping materials of Daimaru Matsuzakaya Department Stores for 2011, visited Japan in December 2011 to support children in the Tohoku region. Beginning in Daimaru Tokyo store, he held autograph sessions and talk shows in Daimaru Shinsaibashi, Daimaru Kyoto, Daimaru Kobe and Matsuzakaya Nagoya stores. We also sold pins and gift wrapping materials designed by Mr. Rob Ryan. We donated a portion of the proceeds from their sales and the price of his original works created for Christmas sales of Daimaru Matsuzakaya Department Stores and sold at auction (¥1,757,530 in total) to the activities to cheer up children in affected areas through JCV Kids Smile Project.



Mr. Rob Ryan

History of Daimaru



Founder Shimomura Hikoemon Shokei



Osaka store opened in 1726



Edo store in Odenma-cho by Utagawa Hiroshige



Daimaru's famous umbrella borrowing in ukiyoe print



Show windows of Osaka store that first appeared in Osaka in 1914



Osaka store whose first phase of construction was completed in 1922

- 1717 ■ Shimomura Hikoemon Shokei opened a kimono fabric store "Daimonjiya" in Fushimi, Kyoto. (Foundation of Daimaru)
- 1726 ■ Osaka store "Matsuya" opened in Shinsaibashisuji, Osaka and began cash sales at fixed prices (present location of Shinsaibashi store).
- 1728 ■ Nagoya store opened at Honmachi 4-chome, Nagoya and used the name "Daimaruya" for the first time.
- 1736 ■ Announced the store creed of "Service Before Profit" to all stores.
- Daimaru flagship store "Daimonjiya" opened in Funaya-cho, Higashinotoin, Kyoto.
- 1743 ■ Edo (Tokyo) store opened at Odenma-cho 3-chome, Nihonbashi, Edo.
- 1837 ■ The Oshio Rebellion broke out. Daimaru escaped burning at the hands of mobs due to its reputation as a philanthropic merchant.
- 1907 ■ Established "Kabushiki Goshi Kaisha (joint-stock limited partnership) Daimaru Gofukuten (kimono fabric store)" with a capital of ¥500,000.
- 1910 ■ Closed Edo and Nagoya stores.
- 1912 ■ Kyoto store opened at the present location.
- 1913 ■ Kobe branch opened in Motomachi, Kobe.
- 1920 ■ Established "Kabushiki Kaisha (stock company) Daimaru Gofukuten" with a capital of ¥12 million.
- 1922 ■ Established the first weekly holiday (Monday) system in the department store industry.
- 1927 ■ Kobe store moved to the present location.
- Established the first "Dyeing Laboratory & Hygienic Laboratory" (present Consumer End-Use Research Institute) in the department store industry in Osaka store (present Shinsaibashi store).
- 1928 ■ Changed the company name to "Kabushiki Kaisha Daimaru."
- 1947 ■ Kochi Daimaru opened.
- 1948 ■ Established Daimaru Kogyo, Ltd.
- 1949 ■ Tottori Daimaru became affiliated with The Daimaru, Inc.
- 1950 ■ Shimonoseki Daimaru opened.
- 1953 ■ Hakata Daimaru opened.
- 1954 ■ Tokyo store opened at the Yaesu exit of Tokyo station.
- 1959 ■ Launched the original men's brand "Trojan."
- 1960 ■ Established Peacock Industries Co., Ltd. (present Peacock Stores).
- 1971 ■ Established Daimaru Lease & Service Co., Ltd.
- Established Restaurant Peacock Co., Ltd.
- 1983 ■ Adopted a corporate identity system (CIS) and created a new logo.
- Umeda store opened in Osaka Terminal Building "Acty Osaka."
- 1987 ■ Kobe store opened its first nearby directly-operated store (present Former Foreign Settlement Bldg. 38).
- 1991 ■ Established Dimples' Co., Ltd.
- 1995 ■ Kobe store was hit by the Great Hanshin Earthquake.
- 1997 ■ Kobe store was restored and grand opened.
- The annex to Fukuoka Tenjin store of Hakata Daimaru grand opened with increased floor space.
- 1999 ■ Out-of-store sales reform started.
- Store-based sales reform started.
- The "Customer's View" project started.
- 2000 ■ Personnel system reform started.
- Back-office functions reform started.
- 2002 ■ Established Daimaru's environmental philosophy.
- Introduced a new merchandise information system.
- 2003 ■ Hakata Daimaru and Nagasaki Daimaru merged.
- Sapporo store opened.
- Launched a new customer information system.
- 2005 ■ The 2nd store-based sales reform started.
- Established Daimaru Sales Associates Co., Ltd.
- 2006 ■ New personnel system reform started.
- Newly formed Planning Office for New Umeda Store.
- 2007 ■ LaLaport Yokohama store opened.

History of Matsuzakaya

- 1611 ■ Ito Genzaemon Sukemichi, a son of Ito Ranmaru Sukehiro who served Oda Nobunaga, opened a kimono fabric and fancy goods wholesale store in Honmachi, Nagoya. (Foundation of Matsuzakaya)
- 1659 ■ Sukemichi's son Sukemoto opened a kimono fabric and fancy goods wholesale store in Chayamachi, Nagoya and called himself Ito Jirozaemon. (Since then the heads of the Ito family succeed to the name Jirozaemon.)
- 1736 ■ Ito Gofukuten changed its trade from a silk kimono fabric wholesaler to a silk and cotton kimono fabric retailer.
- 1740 ■ Ito Gofukuten became a kimono fabric purveyor to the Owari Tokugawa clan.
- 1745 ■ Kyoto Merchandising Branch opened in Muromachi Anekoji.
(Newly built in Shinmachidori Rokkaku in 1749)
- 1768 ■ Acquired Matsuzakaya in Ueno Hirokoji and began business as "Ito Matsuzakaya."
- 1907 ■ Ueno store was rebuilt into a Western-style building to display goods for sale and reorganized into "Goshi Kaisha (limited partnership) Ito Gofukuten" (capital ¥250,000) to become financially independent. Employed saleswomen.
- 1910 ■ Established "Kabushiki Kaisha Ito Gofukuten" with a capital of ¥500,000. Reopened Nagoya store at Sakaemachi Kado, Nagoya as the first department store in the Nagoya region.
- 1911 ■ Formed Ito Gofukuten Boys Music Band. (Present Tokyo Philharmonic Orchestra)
- 1917 ■ Completed the new main building of Ueno store. (Burnt down in the Great Kanto Earthquake in 1923)
- 1918 ■ Adopted uniforms for the first time in the department store industry. (Striped cotton kimono with a muslin sash)
- 1924 ■ Ginza store opened at the present location. Allowed customers to enter all floors with their shoes on for the first time in the department store industry.
- 1925 ■ Changed the company name to "Kabushiki Kaisha Matsuzakaya."
■ Established Seikosha Co., Ltd. (Renamed Matsuzakaya Seiko Co., Ltd. in 2005)
■ Nagoya store moved to Minamiotsumachi (present location).
- 1929 ■ Established Shoei Foods Co., Ltd.
■ Rebuilt the new main building of Ueno store at the present location.
■ The first elevator girls in the department store industry debuted in Ueno store.
- 1930 ■ The basement of Ueno store was directly connected to Ueno Hirokoji station on subway Ginza line.
- 1932 ■ Shizuoka store opened.
- 1957 ■ Added a south wing to Ueno store.
■ Established Matsuzakaya Kimono Museum in Kyoto.
- 1962 ■ Established Yokohama Matsuzakaya Store.
- 1963 ■ Built a parking building for Ginza store. (The first Bowser elevator system in Japan)
- 1966 ■ Held a huge sale on live animals on the roof of Ginza store.
- 1970 ■ Announced a product tie-up with The Daimaru, Inc. and inaugurated the Central Buying System (CBS).
- 1971 ■ Established Nozawa Shoji Co., Ltd.
- 1972 ■ Built an annex to Ginza store and opened an underground passage leading to Ginza subway station.
■ Added a north wing to Nagoya store.
■ Established Chubu Matsuzakaya Store Co., Ltd. and Kanto Matsuzakaya Store Co., Ltd. (Merged into Matsuzakaya Store Co., Ltd. in 2000)
- 1973 ■ Established Refex Japan, Inc.
- 1979 ■ Takatsuki store opened.
- 1991 ■ Nagoya store added a south wing to consist of three buildings.
■ Opened "Matsuzakaya Museum" in the south wing of Nagoya store.
- 1993 ■ Established a corporate philosophy.
- 1995 ■ Put up a website and opened an online shop.
- 1996 ■ Added a north wing to Shizuoka store.
- 1998 ■ Established an employee code of conduct and basic business transaction rules.
- 2000 ■ Developed the Matsuzakaya environment program and launched a new information system.
- 2001 ■ Toyota store opened.
- 2003 ■ Nagoya store added a new south wing to increase its floor space to the largest level in Japan (86,758 m²).
- 2004 ■ Introduced an executive officer system and established a management code for personal information protection.
- 2005 ■ Opened an official goods shop at the Exposition of Global Harmony.
- 2006 ■ Established a pure holding company "Matsuzakaya Holdings Co., Ltd."

established a joint holding company J. Front Retailing Co., Ltd. and integrated management.



Matsuzakaya by Utagawa Hiroshige



Nagoya store reopened in Sakaemachi in 1910



Women in the industry's first uniforms (kimono)



Poster of Ito Gofukuten



Ginza store, the first department store allowing customers to enter with their shoes on



Nagoya store moved to the present location in Minamiotsumachi (at that time)



Elevator girls of Ueno store

History of J. Front Retailing

- 2007** (Sep) ■ The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. established a joint holding company J. Front Retailing Co., Ltd. and integrated management.
- (Oct) ■ Daimaru Urawa Parco store opened.
- (Nov) ■ Daimaru Tokyo store relocated and opened with increased floor space in the first phase.

- 2008** (Jan) ■ Daimaru Credit Service, Inc. was renamed JFR Card Co., Ltd.
- (Sep) ■ Daimaru Peacock Co., Ltd., Matsuzakaya Store Co., Ltd., Yokohama Matsuzakaya Store Co., Ltd. and Nozawa Shoji Co., Ltd. merged into Peacock Stores Ltd.
- Daimaru Design & Engineering Co., Ltd., Daimaru Mokko Co., Ltd., Matsuzakaya Seiko Co., Ltd. and Refex Japan, Inc. merged into J. Front Design & Construction Co., Ltd.
- Dimples' Co., Ltd. absorbed Daimaru Sales Associates Co., Ltd.
- Integrated the information systems of The Daimaru, Inc. and Matsuzakaya Co., Ltd.

- 2009** (Mar) ■ Restaurant Peacock Co., Ltd. absorbed Shoei Foods Co., Ltd. to form J. Front Foods Co., Ltd.
- (Sep) ■ Matsuzaka Service Co., Ltd. was renamed JFR Service Co., Ltd.
- (Nov) ■ The north wing of Daimaru Shinsaibashi store opened.
- (Dec) ■ JFR Service Co. Ltd. absorbed Daimaru Lease & Service Co., Ltd.

- 2010** (Mar) ■ The Daimaru, Inc. and Matsuzakaya Co., Ltd. merged into Daimaru Matsuzakaya Department Stores Co. Ltd.
- J. Front Design & Construction Co., Ltd. absorbed DHJ Co., Ltd.
- (Sep) ■ The Daimaru Tomonokai, Inc. absorbed Matsuzakaya Tomonokai Co., Ltd. to form Daimaru Matsuzakaya Tomonokai Co., Ltd.

- 2011** (Mar) ■ The Daimaru Home Shopping, Inc. took over part of the direct marketing business split off from Daimaru Matsuzakaya Department Stores Co. Ltd. and was renamed JFR Online Co. Ltd.
- "Keicho Kosode" from the Matsuzakaya Collection was designated as an important cultural property.
- Acquired a 48.5% (49.0% as of the end of April 2011) stake in StylingLife Holdings Inc. and made it an equity method affiliate.
- (Apr) ■ Daimaru Umeda store had its grand opening with increased floor space.

- 2012** (Feb) ■ Decided to jointly launch Plaza business with StylingLife Holdings Inc. in the Asian region.
- (Mar) ■ Acquired a 33.2% stake in Parco Co., Ltd. and made it an equity method affiliate.
- (May) ■ Reached a basic agreement with Shanghai Xin Nan Dong Project Management Co., Ltd. and Shanghai New World Co., Ltd. to provide technical support and cooperation in opening and operating a new department store in Huangpu District, Shanghai, China.



Daimaru Umeda store



Plaza



Shibuya Parco

J. FRONT RETAILING Co., Ltd.

Corporate Profile

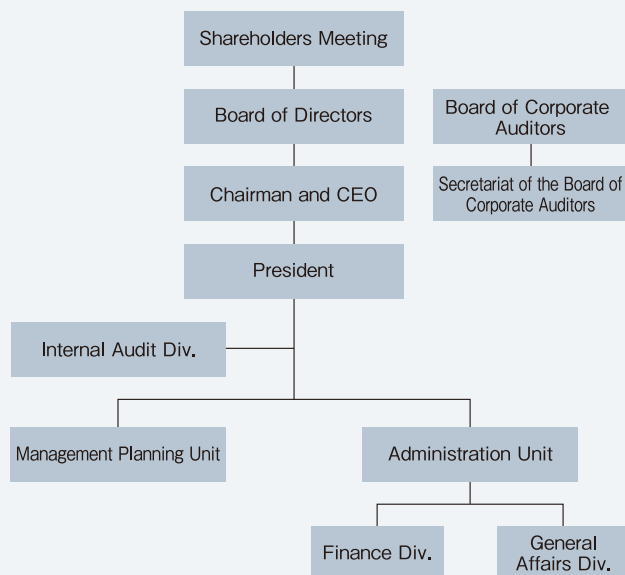
Company name : J. FRONT RETAILING Co., Ltd.
 Main store : 10-1, Ginza 6-chome, Chuo-ku, Tokyo
 Office : 1-1, Yaesu 2-chome, Chuo-ku, Tokyo
 Established : September 3, 2007
 Capital : ¥30,000 million
 Line of business : Department store operation; retail; restaurants; wholesale; import and export; design, supervision and contracting of construction works; direct marketing; credit cards; labor dispatch service; merchandise inspection and consulting; and others
 Number of employees : 7,271 (As of February 29, 2012) (Consolidated)
 U R L : <http://www.j-front-retailing.com/>

Management

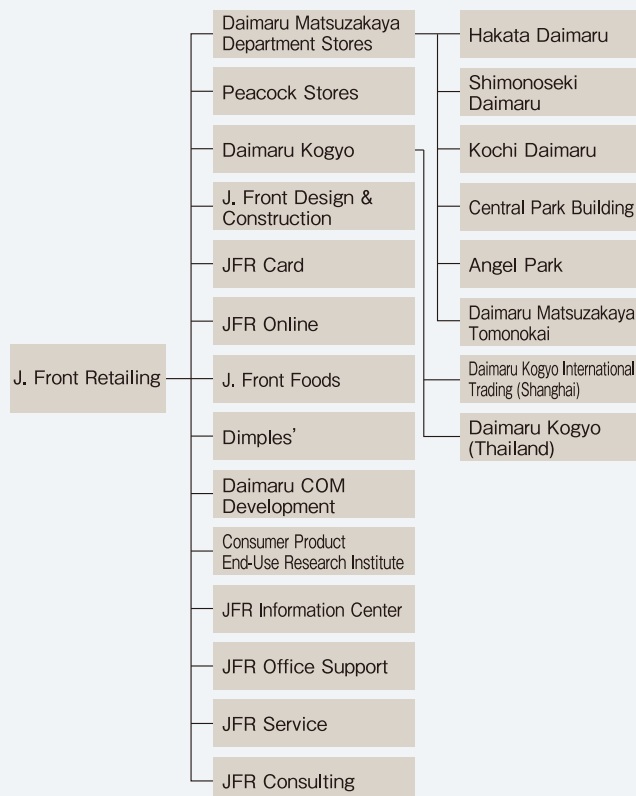
| | | |
|--|---------------------------|--|
| Chairman and CEO | OKUDA Tsutomu | |
| President | SAMURA Shunichi | |
| Director | YAMAMOTO Ryoichi | President of Daimaru Matsuzakaya Department Stores Co. Ltd. |
| Director and Corporate Executive Officer | TSUKADA Hiroto | Executive General Manager of Management Planning Unit |
| Director and Corporate Executive Officer | HAYASHI Toshiyasu | Executive General Manager of Administration Unit |
| Director | TAKAYAMA Tsuyoshi | |
| Director | TACHIBANA FUKUSHIMA Sakie | |
| | | |
| Corporate Auditor | TSURUTA Rokurou | |
| Corporate Auditor | NOMURA Akio | |
| Corporate Auditor | NATSUME Kazuyoshi | |
| Corporate Auditor | ARAI Kenji | |
| Corporate Auditor | NISHIHAMA Tsuyoshi | |
| | | |
| Corporate Officer | SAITO Yoshihiro | General Manager of Management Planning, Management Planning Unit |
| Corporate Officer | SAKASHITA Masatoshi | General Manager of Group System Strategy, Management Planning Unit |
| Corporate Officer | MATSUDA Shinji | General Manager of Development Project, Management Planning Unit |
| Corporate Officer | SHIMIZU Mikio | General Manager of Affiliated Business, Management Planning Unit |
| Corporate Officer | HIRAYAMA Seiichiro | In Charge of Group Organization Personnel Policy, Management Planning Unit |
| Corporate Officer | OZAWA Masaru | Senior General Manager of Finance Division |
| Corporate Officer | HIGUCHI Masaichi | President of Peacock Stores Ltd. |
| Corporate Officer | ENOMOTO Tomohiko | President of JFR Online Co. Ltd. |
| Associate Director | HIRANO Tadaaki | Senior General Manager of Internal Audit Division |

Notes: 1. Takayama Tsuyoshi and Tachibana Fukushima Sakie are outside directors.
 2. Tsuruta Rokurou, Nomura Akio and Natsume Kazuyoshi are outside corporate auditors.

Organization Chart of J. Front Retailing Co., Ltd.



Organization Chart of J. Front Retailing Group



(As of May 31, 2012)

Daimaru Matsuzakaya Department Stores Co. Ltd.

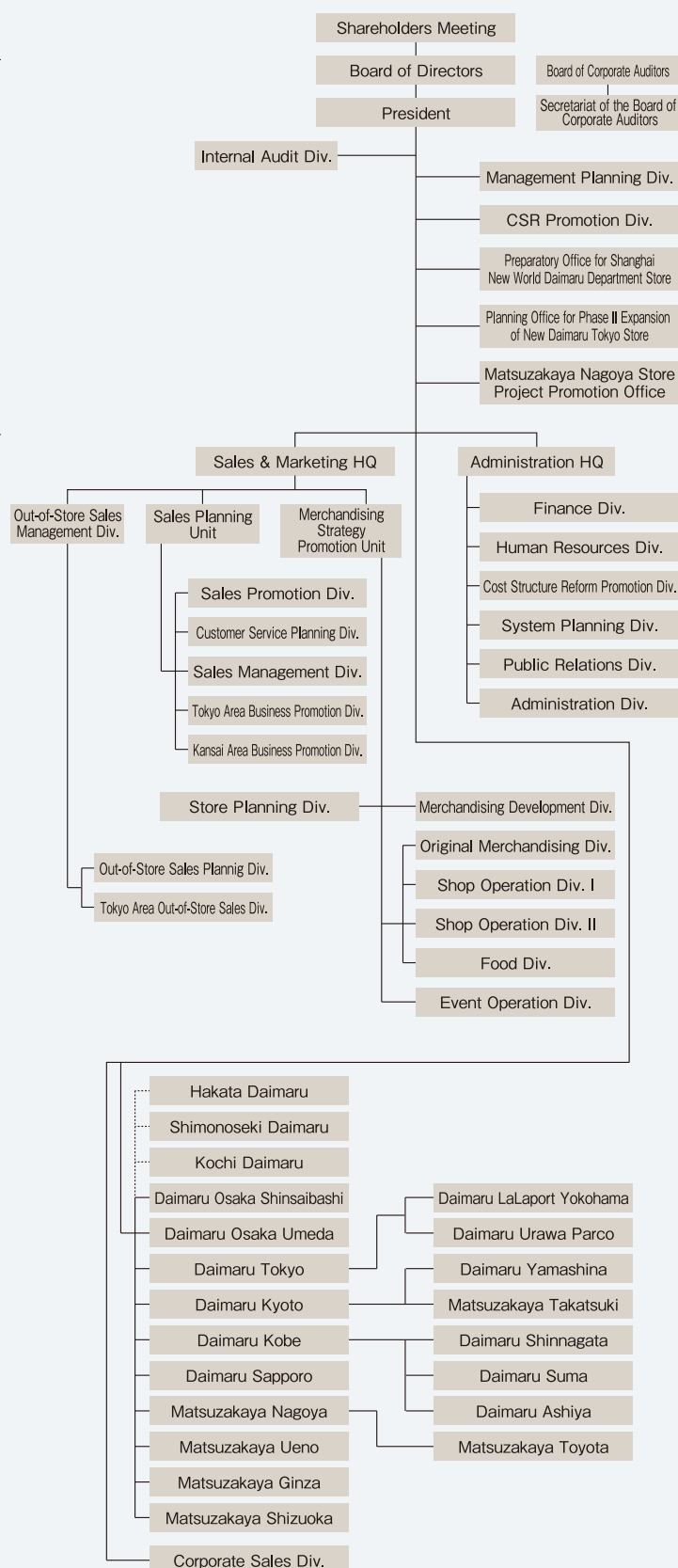
Corporate Profile

| | |
|--|---|
| Company name | : Daimaru Matsuzakaya Department Stores Co. Ltd. |
| Head office | : 18-11, Kiba 2-chome, Koto-ku, Tokyo |
| Renamed | : March 1, 2010 |
| Capital | : ¥10,000 million |
| Line of business | : Department store operation |
| Major shareholder and shareholding ratio | : J. Front Retailing Co., Ltd. 100% |
| U R L | : http://www.daimaru-matsuzakaya.com/ |

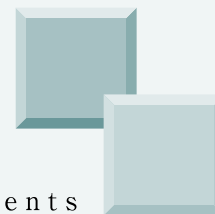
Management

| | | |
|--|---------------------|--|
| President | YAMAMOTO Ryoichi | |
| Director and Corporate Executive Officer | KOBAYASHI Yasuyuki | Executive General Manager of Sales & Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit |
| Director and Corporate Executive Officer | HONDA Yoji | Executive General Manager of Administration Headquarters and in Charge of Administrative Affairs of CSR Promotion Division |
| Director and Corporate Executive Officer | DOI Zenichi | Senior General Manager of Sales Planning Unit and Out-of-Store Sales Management Division |
| Director and Corporate Officer | YOSHIMOTO Tatsuya | Senior General Manager of Management Planning Division |
| Corporate Auditor | NOMURA Akio | |
| Corporate Auditor | NATSUME Kazuyoshi | |
| Corporate Auditor | ARAI Kenji | |
| Corporate Auditor | NISHIHAMA Tsuyoshi | |
| Corporate Executive Officer | HARADA Takaharu | Senior General Manager of Preparatory Office for Shanghai New World Daimaru Department Store |
| Corporate Executive Officer | DOI Ryohei | President of The Hakata Daimaru, Inc. |
| Corporate Officer | FUJI Hiroko | General Merchandise Manager of Original Merchandising Division |
| Corporate Officer | IKEDA Hideyuki | General Merchandise Manager of Shop Operation Division I |
| Corporate Officer | KATO Toshiki | General Merchandise Manager of Shop Operation Division II |
| Corporate Officer | NISHII Toshiro | General Merchandise Manager of Food Division |
| Corporate Officer | HIRAYAMA Seiichiro | General Manager of Human Resources Division |
| Corporate Officer | SAKASHITA Masatoshi | General Manager of System Planning Division |
| Corporate Officer | SAWADA Taro | Executive Store Manager of Daimaru Osaka Shinsaibashi |
| Corporate Officer | MURATA Soichi | Executive Store Manager of Daimaru Osaka Umeda |
| Corporate Officer | FUJINO Haruyoshi | Executive Store Manager of Daimaru Tokyo and Senior General Manager of Planning Office for Phase II Expansion of New Daimaru Tokyo Store |
| Corporate Officer | IMURA Ario | Executive Store Manager of Daimaru Kyoto |
| Corporate Officer | YUNOKI Kazuyo | Executive Store Manager of Daimaru Kobe |
| Corporate Officer | KUMAKI Toshi | Executive Store Manager of Matsuzakaya Nagoya and Senior General Manager of Matsuzakaya Nagoya Store Project Promotion Office |
| Corporate Officer | ISHINO Manabu | Executive Store Manager of Matsuzakaya Ueno |
| Corporate Officer | SUEMATSU Sumio | General Manager of Corporate Sales Division |
| Associate Director | HIRANO Tadaaki | Senior General Manager of Internal Audit Division |

Note: Nomura Akio and Natsume Kazuyoshi are outside corporate auditors.



(As of May 31, 2012)



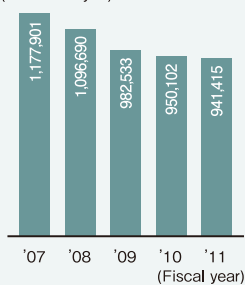
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| 63 | Consolidated Statements of Cash Flows |

Analysis of Financial Condition and Operating Results

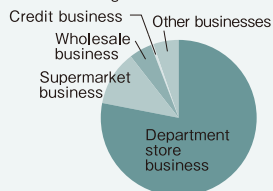
Sales

(Millions of yen)



Sales by Business Segment

(Composition of sales not including intersegment sales)

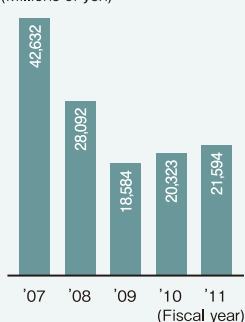


(including intersegment sales)
(Millions of yen)

| | |
|---------------------------|---------|
| Department store business | 736,922 |
| Supermarket business | 112,627 |
| Wholesale business | 50,954 |
| Credit business | 8,223 |
| Other businesses | 81,798 |

Operating Income

(Millions of yen)



* For fiscal 2007, full-year consolidated figures are used for Matsuzakaya Group.

Business overview

During the consolidated fiscal year under review (fiscal 2011), after the sharp slump under the impact of the Great East Japan Earthquake of March 2011, a recovery in production and other developments supported evidence of a rebound in the Japanese economy. However, against the backdrop of the prolonged European debt crisis, rising strength of the yen and other issues, a strong sense of uncertainty over the future remained in place throughout the year.

Department store sales declined steeply in March 2011 in the wake of the massive earthquake disaster. After that, the surge in demand for products related to the "Cool Biz" light summer clothing campaign, rising sales of high-priced goods with the easing of the voluntary-restraint mood regarding consumption following the earthquake and other trends supported gradual improvements. Overall, however, sales remained below the level of the previous fiscal year.

Under these circumstances, the Group strove to minimize the impact of the big earthquake, while gearing up for renewed growth and progress into the future through improved competitiveness for the department store business and strengthened Group-wide growth potential.

In our department store business, we set the rapid establishment of a "new department store model" as our goal. Toward that end, we pressed forward to create a novel type of store that responds to market changes and is free of the boundaries defining traditional department stores, and also strove to establish a highly efficient and highly productive store management structure. As the culmination of those efforts to date, April 2011 marked the grand opening of the Daimaru Osaka Umeda store, featuring increased floor space in all wings.

To forge a more robust business foundation for the future, also underway is the second phase floor space expansion plan for the Daimaru Tokyo store. Regarding the redevelopment project in the Ginza 6-chome district of Tokyo, which includes the Matsuzakaya Ginza store, the Tokyo Metropolitan Government made the decision to proceed with the plan. That and other developments have supported major progress in moving that project toward reality. On the other hand, the Hakata Daimaru Nagasaki store closed its doors at the end of July 2011.

With respect to initiatives designed to enhance Group-wide growth, our sights are set on flourishing as a multi-retailer active in various different businesses. With that goal in mind, in March 2011 we acquired shares in StylingLife Holdings Inc., the operator of Plaza (retailer of miscellaneous goods), making it an equity-method affiliate. In March 2012 the same type of share acquisition was implemented for Parco Co., Ltd., an enterprise with outstanding business know-how in development and operation of urban-style commercial facilities, with that company also becoming an equity-method affiliate. To pave the way to solid business development on the overseas market, we have teamed up with StylingLife Holdings to advance that company's Plaza business in

the Asia region, reaching the decision to initially open a Plaza store in Taiwan. Wholesaler Daimaru Kogyo, Ltd., meanwhile, established a local subsidiary in Thailand. To strengthen our Internet catalog shopping business, the Group's in-house catalog shopping business has been restructured and consolidated, then relaunched under the new name of JFR Online Co. Ltd. in March 2011. Cattleya Plaza Isezaki shopping center, a project advanced by commercial developer Daimaru Com Development Co. Ltd, opened in February 2012 on the site of the former Yokohama Matsuzakaya store.

In the quest to emerge from a high-cost structure and enhance productivity, the entire Group promoted structural and personnel reform initiatives during the past fiscal year. Targeting even greater efficiency on the expense front, progress was made in power-saving initiatives by reducing electricity use and converting to LED lighting equipment, with the concentration of facilities and other potent measures also advanced on a Group-wide scale. Along with this, all companies in the Group prepared business continuity plans and took other firm steps to further bolster their disaster readiness and countermeasures.

Sales

As a result of the measures outlined above, sales for our flagship department store business only slightly underperformed the previous year, while our credit business sales climbed above those in fiscal 2010. However, sales for our supermarket, wholesale and other businesses fell below the previous year, with total consolidated sales amounting to ¥941,415 million, a decrease of 0.9% compared to the year before.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥205,052 million, down 2.0% from the previous year.

In addition to lower work-related expenses linked to cost cuts achieved through insourcing, personnel costs were cut by reforming work methods, leaving retirement vacancies unfilled and other steps, as we continued to push forward to lower our expenses in this category.

Operating income

Gross profit decreased by ¥2,942 million. However, we achieved cuts of ¥4,213 million in selling, general and administrative expenses. As a result, operating income rose by 6.3% from the previous year to ¥21,594 million.

Other income and expenses

The Group recorded a net loss of ¥5,670 million in other expenses

(income), compared to a net loss of ¥4,880 million the previous year.

We listed income of ¥1,799 million through the sales of fixed assets and other sources. As expenses, however, we recorded a ¥2,254 million loss on adjustment for changes of accounting standards for asset retirement obligations, a ¥1,519 million loss on the revaluation of investment securities and other outflows.

Net income

As a result of the foregoing, income before income taxes and minority interests increased by 14.1% from the previous year to ¥16,714 million, and net income increased by 112.2% from the previous year to ¥18,804 million.

Segment overview

● Department store business

In this segment, we committed our full energies to creating a "new department store model" to overcome two existing issues: a "weakness in market response capabilities" and a "high cost/low profit structure."

At the Daimaru Osaka Umeda store, which reopened in April 2011 with expanded floor space, efforts to expand the range of customers included introduction of the "Ufufu Girls" fashion floor targeting young women, the "Cinderella Avenue" women's shoe boutique, "Aux Lingeriese" ladies lingerie sales space and other "specialty zones" with clearly defined targets and concepts. This was accompanied by the opening of Tokyu Hands and numerous other major tenants – moves that have helped spur major growth in store visits. We used the expanded space to increase the sales floor area at this store, while also establishing a highly efficient operations system enabling the store to be run with far less personnel than before.

The Daimaru Sapporo store became the Group's sixth store to introduce the Ufufu Girls fashion floor. Coming to the Daimaru Kyoto store, meanwhile, was the "Madam Selection" senior ladies fashion and miscellaneous goods sales floor. In six core stores, including the Matsuzakaya Nagoya store and Daimaru Shinsaibashi store, restructured were the "Season Message" in-store strategic concept sales floors featuring fashions targeting women around the age of 40. This was combined with other moves to strengthen product lineups serving the needs of a broad range of customers.

In September, the Head Office sales division was restructured from the conventional product category-specific organization of women's and men's fashions into the Original Merchandising Division and Shop Operation Division. The Original Merchandising Division is positioned as an organization to seamlessly coordinate operations all the way from purchasing and sales to profit-loss control, seeking to expand sales and raise profitability for in-store strategic concept sales floors. Advanced

through the Shop Operation Division, meanwhile, is a novel new approach to the creation of sales space – namely, a cross-divisional organization unencumbered by the conventional product category-based framework of fashions for women and men.

To promote store management with greater efficiency, the back-office business divisions in Osaka and then in Greater Tokyo were integrated and realigned on a district-specific basis.

In the area of sales promotion activities, we staged high-profile projects at all of our stores – including proposals for CoolBiz fashions and products designed to conserve electricity, and the holding of the spring and autumn "Thanks Festival." Also produced were other attractions that included the commemorative "Matsuzakaya 400th Anniversary Festival" celebration. We vigorously advanced "digital sales promotions" using the Internet, mobile phone e-mail and other efficient modes, while continuing to strongly promote efforts to develop regular customers by expanding the ranks of cardholders as a priority theme.

In spite of the foregoing measures, sales in the segment decreased by 0.1% to ¥736,922 million. Contributing factors included the impact of the Great East Japan Earthquake, as well as the closing of the Matsuzakaya Nagoya Station store in August 2010 and the closing of the Hakata Daimaru Nagasaki store in July 2011. Operating income, however, rose 6.3% to ¥14,577 million, due in large part to cost-cutting initiatives for selling, general and administrative expenses.

● Supermarket business

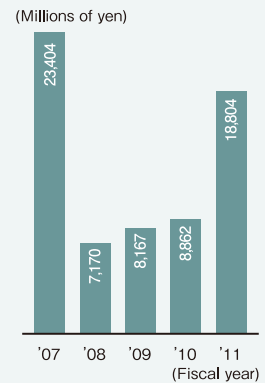
In keeping with our aim of operating high-quality foods supermarkets with close ties to local communities, Peacock Stores focused on providing foods that offer safety and security, expanding its offerings of reasonably priced original products and otherwise enhancing lineups that also respond to consumer price sensitivity. To raise competitiveness, we remodeled stores such the Nikke Coltonplaza store (Ichikawa City, Chiba) and the Tomare Nihonbashi Hamacho store (Chuo-ku, Tokyo). To further strengthen sales and work to lower cost, our information system was renovated in March 2012.

In spite of these measures, sales for the segment decreased by 4.9% to ¥112,627 million. Contributing factors included the impact of intensified competition in regional markets, the closing of three stores and other developments. However, as a reflection of efforts to improve our gross profit margin ratio and cut costs, operating income jumped by 57.3% to ¥444 million.

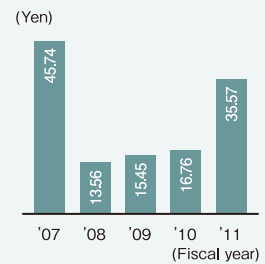
● Wholesale business

Daimaru Kogyo, Ltd. enriched its product lineup in the food and chemical goods fields, while strengthening its position in the fishing business, retail business (consigned operation of department store liquor sales floors) and other areas. It also expanded overseas procurement of commodities and materials, while bolstering local sales

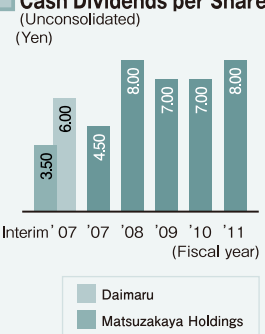
■ Net Income



■ Net Income per Share



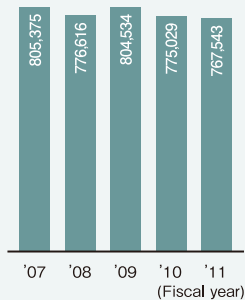
■ Cash Dividends per Share



* For fiscal 2007, full-year consolidated figures are used for Matsuzakaya Group.

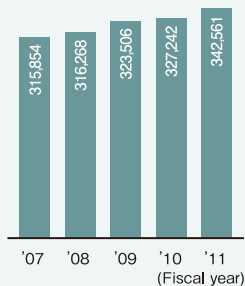
Total Assets

(Millions of yen)



Net Assets

(Millions of yen)



channels principally in China and the ASEAN countries. In addition to the impact of the major earthquake disaster in Japan, however, domestic market conditions remained harsh. As a result, sales decreased by 6.4% to ¥50,954 million, while operating income fell by 29.1% to ¥1,585 million.

Credit business

JFR Card Co., Ltd. moved to develop new cardholders through the instant issue of credit cards, while using expanded courtesy services, diversification in payment modes and other means to raise convenience and encourage greater card use at affiliated merchants. As a result, sales for the segment increased by 4.2% to ¥8,223 million, and operating income posted a gain of 21.9% to ¥2,281 million.

Other businesses

While Dimples Co., Ltd. (staffing company) succeeded in expanding its sales-related commissioned operations, J. Front Design & Construction Co., Ltd. experienced a decline in major orders. As a result of that and other negative developments, sales for the segment decreased by 3.9% to 81,798 million. Thanks to moves by all companies to cut selling, general and administrative expenses, however, operating income grew by 11.8% to ¥2,674 million.

Financial condition

As a result of our efforts to improve asset efficiency and capital efficiency by effectively utilizing Group-owned assets, and to create a unified management structure for our Group assets to foster greater financial strength, total assets came to ¥767,543 million. Total liabilities amounted to ¥424,982 million and total net assets came to ¥342,561 million.

On the basis of these results, return on assets (ROA) was 2.8%, and the shareholders' equity ratio was 43.4%.

Cash flows

The Group is striving to generate stable operating cash flows and to secure broad-based financing methods with the goals of ensuring access to appropriate funds for its business activities, maintaining liquidity and achieving a sound financial condition.

We also raise working capital, capital investment funds and investment and loan funds needed to sustain the Group's future growth primarily through cash reserves and cash flows from operating activities, as well as with borrowing, issuing of commercial paper and other means.

We generated a net cash inflow of ¥24,365 million from operating activities.

Compared to the previous consolidated fiscal year, as a result of

the increase in income before income taxes and minority interests, income rose by ¥3,095 million.

For our cash outflow on investing activities, the purchase of property linked to expanded floor space at the Daimaru Umeda store, acquisition of shares in StylingLife Holdings, Inc. and other moves generated an outflow of ¥26,781 million. This was a cash outflow increase of ¥18,349 million compared to the previous consolidated fiscal year.

The cash outflow on financing activities amounted to ¥6,872 million mainly due to the repayment of debt.

The outflow decreased by ¥16,256 million compared to the previous consolidated fiscal year, due to the acquisition of ¥14,000 million in loans as investment funds.

As a result of the above, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥24,204 million, a decline of ¥9,000 million compared to the previous period.

Going forward, the Group intends to continue appropriate levels of profit distribution and capital investment, taking into consideration trends in our profit levels and cash flows.

Basic policy on profit distribution and dividends

JFR's basic policy is to distribute profits appropriately with a dividend payout ratio of 30%, taking into consideration profit levels, future capital investment and cash flow trends, while simultaneously working to maintain and improve upon our sound financial standing. We will consider stock buybacks when appropriate, with the aim of improving capital efficiency and flexibly implementing capital policies.

We intend to use retained earnings to improve our corporate value, by strengthening our marketing capabilities through investment in store remodeling and business expansion, and by enhancing our financial strength.

For the period under review, JFR has decided to distribute an interim dividend of ¥3.50 and a year-end dividend of ¥4.50, for an annual dividend of ¥8.

With respect to the next fiscal year, we plan to distribute mid-term and year-end dividends of ¥4.00 each, for an annual dividend of ¥8.

Business risk factors

Business risk factors for the Group that could have a material impact on investment decisions are discussed below.

The forward-looking statements herein are based on the Group's assessments as of February 29, 2012. Since they could be affected by domestic and overseas economic conditions, the Group's business risk factors are not limited to those discussed here.

* For fiscal 2007, full-year consolidated figures are used for Matsuzakaya Group.



1 Business environment

Economic conditions, including business, consumption and financial trends, and competition with other retailers of the same and different types have a material impact on the Group's main department store and supermarket business segments. These business environment factors could adversely affect the performance and financial position of the Group.

2 Laws, regulations and legal revisions

The Group is subject to laws and regulations relating to the opening of large-scale retail stores, antitrust, subcontracting transactions, consumer protection, tax systems, the environment and recycling. In addition, an increase in the consumption tax rate resulting from any future amendments to the tax system could reduce consumer spending. Thus the laws, regulations and legal revisions described here may lead to restriction of business activities, increases in costs and declines in sales, which could adversely affect the performance and financial position of the Group.

3 Changes in the natural environment and accidents

Earthquakes, floods, typhoons and other natural disasters, unexpected accidents, outbreaks of new types of influenza and other situations can result in loss of sales opportunities and hinder the performance of operations. Abnormal weather conditions, such as warm winters and cold summers, can also lead to decreased sales of the Group's main products, such as clothing and foodstuffs. Thus, changes in the natural environment, accidents and other serious events can adversely affect the performance and financial position of the Group.

4 Product transactions

The Group's core segments, the department store business and the supermarket business, engage in product transactions with consumers. Regarding all commodities that are supplied, ample attention is devoted to ensuring that they are appropriate, safe and otherwise suitable products. In the rare event that a product sold is flawed, causes food poisoning or is otherwise defective, there is the possibility that the Group would be subjected to public regulation. There are also cases of expenses occurring from liability for damages or other responsibilities related to product liability, default of obligation and other circumstances. Likewise possible are sales declines stemming from loss of credibility for the Group and other instances of adverse impact on the performance and financial position of the Group.

The Group is also involved in out-of-store sales in its department store business and other credit sales transactions to corporations and other clients. Despite the meticulous credit management exercised in these transactions, there is the potential for expenses to accrue in the event of accounts receivable rendered unrecoverable due to the

bankruptcy of customers, as well as other events capable of adversely affecting the performance and financial position of the Group.

5 Information management

The Group has an internal system in place to strictly manage and protect personal and confidential information held by the Group. However, leaks of such information due to unexpected accidents and incidents could damage the reputation of the Group and adversely affect the Group's performance and financial position.

6 Systems

The systems enabling the Group to operate its business are subjected to centralized control primarily in the outsourced data center. This data center is equipped with earthquake-resistant design, dual power sources and telecommunications lines, an in-house power generator, intrusion detection system and other sophisticated safeguards. But even so, in the event that a natural disaster or accident exceeding expectations results in equipment damage, system shutdown or communication problems with the various business sites, the situation could interfere with the Group's business activities and adversely affect the performance and financial position of the Group.

7 Overseas operations

The Group engages in business activities abroad, primarily in the wholesale business segment. Unpredictable economic and currency fluctuations, political and social confusion arising from terrorism, wars and civil wars, and legislative and taxation changes impacting these overseas operations could adversely affect the performance and financial position of the Group.

8 Significant lawsuits

During the consolidated fiscal year under review, there were no lawsuits that had a material impact on the Group. However, should a significant lawsuit arise and judgment be made against the Group in the future, the performance and financial position of the Group could be adversely affected.

9 Business tie-ups, capital tie-ups, corporate acquisition

The Group may enter into business tie-ups or capital tie-ups with other companies, acquire other companies or otherwise work to expand its business and strengthen competitiveness. When reaching decisions on such moves, required and ample studies are devoted to the pertinent issues. However, changes in the economic conditions or other developments may result in the failure to achieve the anticipated earnings or results, thereby adversely affecting the performance and financial position of the Group.

CONSOLIDATED BALANCE SHEETS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

February 29, 2012 and February 28, 2011

Millions of yen

| ASSETS | 2012 | 2011 |
|---|-----------------|-----------------|
| Current assets: | | |
| Cash on hand and in banks | ¥24,204 | ¥34,087 |
| Marketable securities | 1,769 | 1,484 |
| Notes and accounts receivable: | 54,720 | 53,937 |
| Less: allowance for doubtful accounts | (575) | (761) |
| Inventories | 28,070 | 30,382 |
| Deferred tax assets | 12,457 | 13,020 |
| Other | 28,594 | 25,945 |
| Total current assets | 149,240 | 158,096 |
| | | |
| Property and equipment: | | |
| Land | 353,713 | 354,742 |
| Buildings and structures | 362,080 | 352,574 |
| Other | 13,285 | 12,827 |
| Construction in progress | 445 | 5,634 |
| Total | 729,523 | 725,777 |
| Accumulated depreciation | (233,579) | (227,100) |
| Net property and equipment | 495,944 | 498,678 |
| | | |
| Investments and other assets: | | |
| Investment securities | 20,099 | 23,053 |
| Investments in unconsolidated subsidiaries and affiliates | 13,884 | 3,831 |
| Long-term loans | 1,442 | 1,505 |
| Leasehold and other deposits | 48,938 | 47,760 |
| Deferred tax assets | 4,687 | 7,764 |
| Other | 33,305 | 34,340 |
| Total investment and other assets | 122,358 | 118,253 |
| | | |
| Total assets | ¥767,543 | ¥775,029 |



| | Millions of yen | |
|---|-----------------|----------|
| LIABILITIES AND NET ASSETS | 2012 | 2011 |
| Current liabilities: | | |
| Notes and accounts payable | ¥74,616 | ¥76,310 |
| Short-term bank loans | 58,940 | 43,181 |
| Commercial paper | 9,998 | — |
| Income taxes payable | 4,657 | 3,296 |
| Advances received | 17,032 | 17,463 |
| Gift certificates | 39,374 | 41,727 |
| Allowance for employees' bonuses | 6,174 | 6,352 |
| Allowance for directors' and corporate auditors' bonuses | 154 | 164 |
| Provision for sales promotion | 340 | 337 |
| Provision for loss on collection of gift certificates | 10,322 | 9,179 |
| Provision for loss on business liquidation | 1,097 | 1,666 |
| Other | 44,967 | 46,510 |
| Total current liabilities | 267,676 | 246,190 |
| Long-term liabilities: | | |
| Long-term loans payable | 37,087 | 65,476 |
| Deferred tax liabilities | 83,257 | 95,717 |
| Deferred tax liabilities on revaluation | 1,308 | 1,492 |
| Provision for retirement benefits | 25,022 | 29,409 |
| Provision for directors' and corporate auditors' retirement allowances | 62 | 65 |
| Negative goodwill | 1,163 | 3,443 |
| Other | 9,403 | 5,990 |
| Total long-term liabilities | 157,305 | 201,596 |
| Total liabilities | 424,982 | 447,786 |
| Net assets: | | |
| Shareholders' equity: | | |
| Common stock: | | |
| Authorized: 2,000,000,000 shares | | |
| Issued: 536,238,328 shares in 2012 and 2011 | 30,000 | 30,000 |
| Capital surplus | 209,598 | 209,605 |
| Retained earnings | 100,133 | 84,895 |
| Less: treasury stock, at cost, 7,629,481 shares in 2012 7,611,040 shares in 2011 | (5,967) | (5,976) |
| Total shareholders' equity | 333,764 | 318,523 |
| Accumulated other comprehensive income: | | |
| Unrealized gains (losses) on available-for-sale securities | (827) | (477) |
| Deferred gains (losses) on hedges | (1) | (12) |
| Foreign currency translation adjustments | (18) | — |
| Total accumulated other comprehensive income | (847) | (490) |
| Stock acquisition rights | 99 | 115 |
| Minority interests | 9,544 | 9,093 |
| Total net assets | 342,561 | 327,242 |
| Total liabilities and net assets | ¥767,543 | ¥775,029 |

CONSOLIDATED STATEMENTS OF INCOME

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

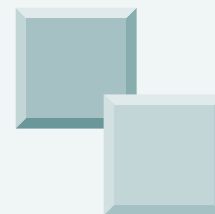
Years ended February 29, 2012 and February 28, 2011

| | Millions of yen | |
|--|-----------------|----------------|
| | 2012 | 2011 |
| Sales: | | |
| Net sales | ¥934,453 | ¥944,140 |
| Rent income of real estate | 6,961 | 5,962 |
| | <u>941,415</u> | <u>950,102</u> |
| Operating expenses: | | |
| Cost of sales | 711,554 | 718,067 |
| Cost of real estate rent | 3,213 | 2,447 |
| | <u>714,768</u> | <u>720,514</u> |
| Gross profit | 226,646 | 229,588 |
| Selling, general and administrative expenses | 205,052 | 209,265 |
| Operating income | 21,594 | 20,323 |
| Other income (expenses): | | |
| Interest and dividend income | 808 | 756 |
| Interest expenses | (1,536) | (1,717) |
| Net loss on sales or disposal of fixed assets | (674) | (3,157) |
| Gain on sales of investment securities | 138 | 569 |
| Loss on revaluation of investment securities | (1,519) | (1,434) |
| Loss on impairment | (794) | (1,097) |
| Gain on restructuring liabilities | 3,499 | 3,441 |
| Amortization of negative goodwill | 2,286 | 2,317 |
| Provision for loss on collection of gift certificates | (3,755) | (3,436) |
| Loss on business restructuring | (532) | (1,940) |
| Reversal of provision for loss on business liquidation | 400 | 136 |
| Compensation for store removal | — | 1,600 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | (2,254) | — |
| Business structure improvement expenses | — | (1,148) |
| Other, net | (946) | (558) |
| | <u>(4,880)</u> | <u>(5,670)</u> |
| Income before income taxes and minority interests | 16,714 | 14,652 |
| Income taxes: | | |
| Income taxes - current | 6,247 | 4,550 |
| Income taxes - deferred | (8,926) | 938 |
| | <u>(2,678)</u> | <u>5,489</u> |
| Income before minority interests | 19,392 | — |
| Minority interests in earnings of consolidated subsidiaries | 587 | 300 |
| Net income | ¥18,804 | ¥8,862 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Year ended February 29, 2012



| | Millions of yen |
|--|-----------------|
| | 2012 |
| Income before minority interests | ¥19,392 |
| Other comprehensive income: | |
| Unrealized gains (losses) on available-for-sale securities | (352) |
| Deferred gains (losses) on hedges | 57 |
| Foreign currency translation adjustments | (17) |
| Shares of other comprehensive income of associates accounted for using equity method | (42) |
| Total other comprehensive income | (355) |
| Comprehensive income | ¥19,036 |
| Total comprehensive income attributable to: | |
| Owners of the parent | ¥18,447 |
| Minority interests | 589 |

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 29, 2012 and February 28, 2011

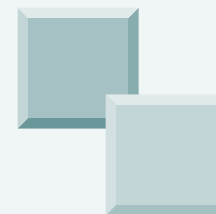
| | Millions of yen | | | | | |
|--|-------------------------|----------------|-----------------|-------------------|-------------------------|----------------------------|
| | Shareholders' equity | | | | | |
| | Number of shares issued | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance, February 28, 2010 | 536,238,328 | ¥30,000 | ¥209,636 | ¥81,585 | ¥(5,991) | ¥315,231 |
| Cash dividends paid | | | | (5,552) | | (5,552) |
| Net income | | | | 8,862 | | 8,862 |
| Purchase of treasury stock | | | | | (53) | (53) |
| Disposal of treasury stock | | | (31) | | 67 | 36 |
| Net changes of items other than shareholders' equity during the year | | | | | | |
| Balance, February 28, 2011 | 536,238,328 | 30,000 | 209,605 | 84,895 | (5,976) | 318,523 |
| Cash dividends paid | | | | (3,701) | | (3,701) |
| Net income | | | | 18,804 | | 18,804 |
| Purchase of treasury stock | | | | | (18) | (18) |
| Disposal of treasury stock | | | (6) | | 26 | 20 |
| Increase from newly consolidated subsidiaries | | | | 135 | | 135 |
| Net changes of items other than shareholders' equity during the year | | | | | | |
| Balance, February 29, 2012 | 536,238,328 | ¥30,000 | ¥209,598 | ¥100,133 | ¥(5,967) | ¥333,764 |

| | Millions of yen | | | | | | |
|--|--|-----------------------------------|--|--|--------------------------|--------------------|------------------|
| | Accumulated other comprehensive income | | | | | | |
| | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Total accumulated other comprehensive income | Stock acquisition rights | Minority interests | Total net assets |
| Balance, February 28, 2010 | ¥(676) | ¥(60) | ¥— | ¥(736) | ¥124 | ¥8,887 | ¥323,506 |
| Cash dividends paid | | | | | | | (5,552) |
| Net income | | | | | | | 8,862 |
| Purchase of treasury stock | | | | | | | (53) |
| Disposal of treasury stock | | | | | | | 36 |
| Net changes of items other than shareholders' equity during the year | 199 | 47 | — | 246 | (9) | 205 | 443 |
| Balance, February 28, 2011 | (477) | (12) | — | (490) | 115 | 9,093 | 327,242 |
| Cash dividends paid | | | | | | | (3,701) |
| Net income | | | | | | | 18,804 |
| Purchase of treasury stock | | | | | | | (18) |
| Disposal of treasury stock | | | | | | | 20 |
| Increase from newly consolidated subsidiaries | | | | | | | 135 |
| Net changes of items other than shareholders' equity during the year | (349) | 11 | (18) | (357) | (15) | 450 | 77 |
| Balance, February 29, 2012 | ¥(827) | ¥(1) | ¥(18) | ¥(847) | ¥99 | ¥9,544 | ¥342,561 |

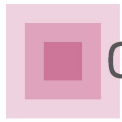
CONSOLIDATED STATEMENTS OF CASH FLOWS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 29, 2012 and February 28, 2011



| | Millions of yen | |
|--|-----------------|-----------------|
| | 2012 | 2011 |
| Cash flows from operating activities: | | |
| Income before income taxes and minority interests | ¥16,714 | ¥14,652 |
| Depreciation | 13,347 | 13,610 |
| Loss on impairment | 1,069 | 1,936 |
| Amortization of negative goodwill | (2,286) | (2,317) |
| Increase (decrease) in allowance for doubtful accounts | (53) | 23 |
| Decrease in allowance for bonuses | (187) | (683) |
| Decrease in provision for employees' retirement benefits | (4,387) | (2,592) |
| Increase (decrease) in provision for sales promotion | 3 | (13) |
| Increase in provision for loss on collection of gift certificates | 1,143 | 765 |
| Increase (decrease) in provision for business liquidation | (569) | 25 |
| Interest and dividend income | (809) | (756) |
| Interest expenses | 1,536 | 1,717 |
| Equity in earnings of affiliated companies | (228) | (66) |
| Loss on sales or disposal of property and equipment, net | 407 | 2,927 |
| Gain on sales of investment securities, net | (10) | (569) |
| Write-down of investment securities | 1,519 | 1,434 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 2,254 | — |
| (Increase) decrease in notes and accounts receivable | (542) | 5,660 |
| Decrease in inventories | 2,330 | 4,803 |
| Decrease in notes and accounts payable | (1,923) | (645) |
| Increase in other receivables | (1,295) | (1,216) |
| (Increase) decrease in prepaid expenses | 1,832 | (328) |
| Other | 256 | (12,597) |
| Subtotal | 30,120 | 25,769 |
| Interest and dividend income received | 651 | 710 |
| Interest expenses paid | (1,511) | (1,728) |
| Income taxes paid | (4,895) | (3,480) |
| Net cash provided by operating activities | 24,365 | 21,270 |
| Cash flows from investing activities: | | |
| Purchase of securities | (11,962) | (1,538) |
| Proceeds from sales of securities | 2,487 | 1,872 |
| Purchase of property and equipment | (15,686) | (14,601) |
| Proceeds from sales of property and equipment | 2,853 | 3,359 |
| Decrease in short-term loans | 240 | 122 |
| Increase in long-term loans | (36) | (95) |
| Proceeds from collection of long-term loans | 108 | 158 |
| Other | (4,785) | 2,288 |
| Net cash used in investing activities | (26,781) | (8,432) |
| Cash flows from financing activities: | | |
| Net decrease in short-term bank loans | (14,998) | (8,818) |
| Increase in commercial paper | 9,998 | — |
| Proceeds from long-term bank loans | 14,000 | 2,500 |
| Payments of long-term bank loans | (11,632) | (5,960) |
| Redemption of bonds | — | (5,000) |
| Purchase of treasury stock | (16) | (51) |
| Cash dividends paid | (3,693) | (5,523) |
| Cash dividends paid to minority shareholders | (94) | (94) |
| Other | (434) | (180) |
| Net cash used in financing activities | (6,872) | (23,128) |
| Effect of exchange rate changes | 1 | (20) |
| Net decrease in cash and cash equivalents | (9,286) | (10,311) |
| Increase in cash and cash equivalents from newly consolidated subsidiaries | 286 | — |
| Cash and cash equivalents at beginning of year | 33,204 | 43,515 |
| Cash and cash equivalents at end of year | ¥24,204 | ¥33,204 |



Group Companies

Department Store Business

Daimaru Matsuzakaya Department Stores Co. Ltd.

Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042
Capital: ¥10,000 million Investment ratio: 100%
<http://www.daimaru-matsuzakaya.com>

Daimaru Osaka Shinsaibashi Store

Location: 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 542-8501
Phone: +81-6-6271-1231
Opened (Present location): November 1726

Daimaru Osaka Umeda Store

Location: 1-1, Umeda 3-chome, Kita-ku, Osaka 530-8202
Phone: +81-6-6343-1231
Opened: April 1983

Daimaru Tokyo Store

Location: 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6701
Phone: +81-3-3212-8011
Opened: October 1954

Daimaru Kyoto Store

Location: 79, Shijo Takakura, Shimogyo-ku, Kyoto 600-8511
Phone: +81-75-211-8111
Opened (Present location): October 1912

Daimaru Kobe Store

Location: 40, Akashi-cho, Chuo-ku, Kobe, Hyogo 650-0037
Phone: +81-78-331-8121
Opened (Present location): April 1927

Daimaru Sapporo Store

Location: 7, Nishi 4-chome, Kita 5-jo, Chuo-ku, Sapporo, Hokkaido 060-0005
Phone: +81-11-828-1111
Opened: March 2003

Matsuzakaya Nagoya Store

Location: 16-1, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-8430
Phone: +81-52-251-1111
Opened: March 1910

Matsuzakaya Ueno Store

Location: 29-5, Ueno 3-chome, Taito-ku, Tokyo 110-8503
Phone: +81-3-3832-1111
Opened: April 1768

Matsuzakaya Shizuoka Store

Location: 10-2, Miyuki-cho, Aoi-ku, Shizuoka 420-8560
Phone: +81-54-254-1111
Opened: November 1932

Matsuzakaya Ginza Store

Location: 10-1, Ginza 6-chome, Chuo-ku, Tokyo 104-8166
Phone: +81-3-3572-1111
Opened: December 1924

Daimaru LaLaport Yokohama Store

Location: 1st Fl., LaLaport Yokohama, 4035-1, Ikebe-cho, Tsuzuki-ku, Yokohama, Kanagawa 224-0053
Phone: +81-45-287-5000
Opened: March 2007

Daimaru Urawa Parco Store

Location: 1st Basement Fl., Urawa Parco, 11-1, Higashitakasago-cho, Urawa-ku, Saitama 330-0055
Phone: +81-48-615-6000
Opened: October 2007

Daimaru Yamashina Store

Location: 91, Takehana Takenokaido-cho, Yamashina-ku, Kyoto 607-8080
Phone: +81-75-255-7365
Opened: October 1998

Daimaru Shinnagata Store

Location: 5-1, Wakamatsu-cho 5-chome, Nagata-ku, Kobe, Hyogo 653-0038
Phone: +81-78-643-2951
Opened: April 1977

Daimaru Suma Store

Location: 2-4, Nakaochiai 2-chome, Suma-ku, Kobe, Hyogo 654-0154
Phone: +81-78-791-3111
Opened: March 1980

Daimaru Ashiya Store

Location: 1-31, Funato-cho, Ashiya, Hyogo 659-0093
Phone: +81-797-34-2111
Opened: October 1980

Matsuzakaya Takatsuki Store

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-682-1111
Opened: November 1979

Matsuzakaya Toyota Store

Location: 85-1, Nishimachi 6-chome, Toyota, Aichi 471-8560
Phone: +81-565-37-1111
Opened: October 2001

The Hakata Daimaru, Inc.

Location: 4-1, Tenjin 1-chome, Chuo-ku, Fukuoka 810-8717
Phone: +81-92-712-8181
Capital: ¥3,037 million Investment ratio: 69.9%
<http://www.daimaru.co.jp/fukuoka/index.html>

The Shimonoseki Daimaru, Inc.

Location: 4-10, Takezaki-cho 4-chome, Shimonoseki, Yamaguchi 750-8503
Phone: +81-83-232-1111
Capital: ¥480 million Investment ratio: 100%
<http://shimonoseki.daimaru.co.jp/>

Kochi Daimaru Co., Ltd.

Location: 6-1, Obiyamachi 1-chome, Kochi 780-8566
Phone: +81-88-822-5111
Capital: ¥300 million Investment ratio: 100%
<http://www.kochi-daimaru.co.jp/>

Tottori Daimaru Co., Ltd.

Location: 151, Imamachi 2-chome, Tottori 680-8601
Phone: +81-857-25-2111
Capital: ¥180 million Investment ratio: 14%
<http://www.daimaru-tottori.co.jp/>

Supermarket Business

Peacock Stores Ltd.

Location: Core Bldg., 18-11, Kiba 2-chome, Koto-ku,
Tokyo 135-8510
Phone: +81-3-3630-1511
Capital: ¥2,550 million Investment ratio: 100%
<http://www.peacock.co.jp/>

Credit Business

JFR Card Co., Ltd. (Credit service)

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-686-0108
Capital: ¥100 million Investment ratio: 100%
<http://www.jfr-card.co.jp/>

Other Businesses

J. Front Design & Construction Co., Ltd.

(Design and construction contracting and manufacture and sale of furniture)

Location: 36-20, Higashinippori 4-chome, Arakawa-ku, Tokyo 116-0014
Phone: +81-3-5850-4700
Location: 5th & 6th Fls., Ueyama Bldg., 1-3, Minamisemba 2-chome, Chuo-ku, Osaka 542-0081
Phone: +81-6-4705-6200
Capital: ¥100 million Investment ratio: 100%
<http://www.jfdc.co.jp/>

JFR Online Co. Ltd. (Direct marketing)

Location: 4th Fl., Higashikobe Center Bldg., 6-26, Motoyama Minamimachi
8-chome, Higashinada-ku, Kobe, Hyogo 658-0015
Phone: +81-78-441-8801
Capital: ¥100 million Investment ratio: 100%
<http://www.jfr-online.co.jp/>

Dimples' Co., Ltd. (Staffing service)

Location: 22nd Fl., Osaka Ekimae 4th Bldg.,
11-4, Umeda 1-chome, Kita-ku, Osaka 530-0001
Phone: +81-6-6344-0312
Capital: ¥90 million Investment ratio: 100%
<http://www.dimples.co.jp/>

J. Front Foods Co., Ltd. (Restaurant)

Location: 2nd Fl., Daimaru Kitasumiyamachi Bldg.,
7-3, Nishishinsaibashi 1-chome, Chuo-ku, Osaka 542-0086
Phone: +81-6-6281-1125
Capital: ¥100 million Investment ratio: 100%
<http://www.j-frontfoods.co.jp/>

Daimaru COM Development Inc.

(Real estate leasing and tenant service)

Location: 4th Fl., Daimaru Kitasumiyamachi Bldg.,
7-3, Nishishinsaibashi 1-chome, Chuo-ku, Osaka 542-0086
Phone: +81-6-6245-8481
Capital: ¥50 million Investment ratio: 100%

Consumer Product End-Use Research Institute Co., Ltd. (Merchandise test and quality control)

Location: 0's 605, ATC Bldg., 1-10, Nankokita 2-chome, Suminoe-ku, Osaka 559-0034
Phone: +81-6-6615-5285
Location: 5th Fl., Matsuzakaya Ryutsu Center, 36-20, Higashinippori 4-chome, Arakawa-ku, Tokyo 116-0014
Phone: +81-3-5615-5390
Capital: ¥450 million Investment ratio: 100%
<http://www.shoukaken.jp/>

Wholesale Business

Daimaru Kogyo, Ltd. (Wholesale and import-export business)

Location: Yushutsu Seni Kaikan, 4-9, Bingo-machi 3-chome, Chuo-ku,
Osaka 541-0051
Phone: +81-6-6205-1000
Capital: ¥1,800 million Investment ratio: 100%
<http://www.daimarukogyo.co.jp/>

Daimaru Kogyo International Trading (Shanghai) Co., Ltd. (Import-export business)

Location: 6th Floor, Heng Seng Bank Tower, 1000 Lujiazui Ring Rd.,
Pudong New Area, Shanghai, China
Phone: +86-21-6841-3588
Capital: U.S. \$ 2 million Investment ratio: 100%

Daimaru Kogyo (Thailand) Co., Ltd. (Import-export business)

Location: Unit 1902, 19th Floor, Sathorn Square Office Building,
98 North Sathorn, Kwaeng Silom, Khet Bangrak,
Bangkok 10500, Thailand
Phone: +66-2163-2903
Capital: THB102 million Investment ratio: 100%

JFR Information Center Co., Ltd. (Information service)

Location: 3-24, Osaka 1-chome, Tennoji-ku, Osaka 543-0062
Phone: +81-6-6775-3700
Capital: ¥10 million Investment ratio: 100%
<http://www.jfr-ic.co.jp/>

JFR Office Support Co., Ltd. (Business processing)

Location: Daimaru Kitasumiyamachi Bldg.,
7-3, Nishishinsaibashi 1-chome, Chuo-ku, Osaka 542-0086
Phone: +81-6-6281-5040
Capital: ¥100 million Investment ratio: 100%

JFR Service Co. Ltd. (Leasing and parking management)

Location: 2nd Fl., Matsuzakaya Ryutsu Center,
36-20, Higashinippori 4-chome, Arakawa-ku, Tokyo 116-0014
Phone: +81-3-5615-3317
Capital: ¥100 million Investment ratio: 100%

JFR Consulting Co. Ltd. (Consulting)

Location: 8th Fl., Office Wing, Matsuzakaya Ginza Store
11-19, Ginza 6-chome, Chuo-ku, Tokyo 104-8163
Phone: +81-3-6891-5700
Capital: ¥100 million Investment ratio: 100%
http://www.j-front-retailing.com/jfr_con/

Central Park Building Co., Ltd. (Parking and real estate leasing)

Location: 15-6, Koseidori Nishi 3-chome, Okazaki, Aichi 444-0059
Phone: +81-564-23-1321
Capital: ¥100 million Investment ratio: 100%

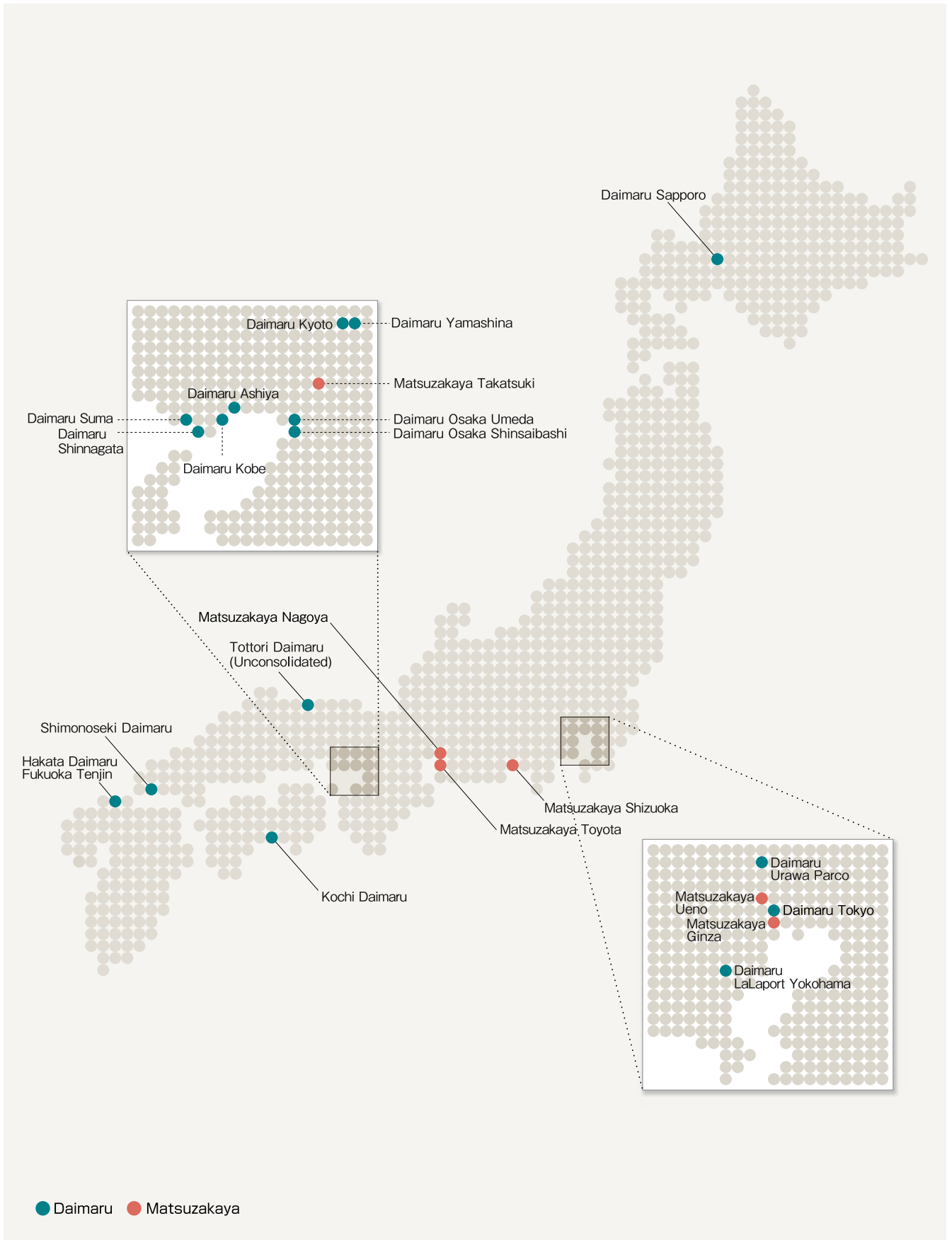
Angel Park Co., Ltd. (Parking)

Location: 16-10, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-0008
Phone: +81-52-261-5746
Capital: ¥400 million Investment ratio: 50.2%
<http://www.angelpark.co.jp/>

Daimaru Matsuzakaya Tomonokai Co., Ltd. (Special prepayment-based transactions)

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-684-8101
Capital: ¥100 million Investment ratio: 100%
<http://www.dmtomonokai.co.jp/>

Locations of Daimaru and Matsuzakaya Department Stores



Daimaru Department Stores



Daimaru Osaka Shinsaibashi (Floor space: 77,490m²)



Daimaru Kyoto (Floor space: 50,830m²)



Daimaru LaLaport Yokohama
(Floor space: 3,840m²)



Daimaru Suma
(Floor space: 13,076m²)



Shimonoseki Daimaru
(Floor space: 23,912m²)



Daimaru Osaka Umeda (Floor space: 64,000m²)



Daimaru Kobe (Floor space: 50,656m²)



Daimaru Urawa Parco
(Floor space: 4,000m²)



Daimaru Ashiya
(Floor space: 4,300m²)



Kochi Daimaru
(Floor space: 16,068m²)



Daimaru Tokyo (Floor space: 34,000m²)



Daimaru Sapporo (Floor space: 45,000m²)



Daimaru Yamashina
(Floor space: 5,403m²)



Hakata Daimaru Fukuoka Tenjin
(Floor space: 44,192m²)



Tottori Daimaru
(Floor space: 13,637m²)



Daimaru Shinnagata
(Floor space: 9,091m²)

Matsuzakaya Department Stores



Matsuzakaya Nagoya (Floor space: 86,758m²)



Matsuzakaya Takatsuki (Floor space: 17,387m²)



Matsuzakaya Toyota (Floor space: 18,220m²)



Matsuzakaya Shizuoka (Floor space: 25,452m²)



Matsuzakaya Ginza (Floor space: 25,352m²)



Matsuzakaya Ueno (Floor space: 35,213m²)

Overseas Offices

New York Representative Office

52 Vanderbilt Avenue, #904 New York, N.Y. 10017, U.S.A.
Phone : +1-212-681-8725

Paris Representative Office

267, Boulevard Pereire, 75017 Paris, France
Phone : +33-1-4574-2151

London Representative Office

20 Hanover Square, London W1S 1HZ, UK
Phone : +44-20-3178-4606

Shanghai Representative Office

Aviation Center Rm-309, 1600 Nanjing Rd(W), Shanghai 200040, China
Phone : +86-21-6248-1538

Milan Representative Office

Conservatorio 22 Business Center, Via Conservatorio 22, 20122 Milan, Italy
Phone : +39-02-77291

Share Information

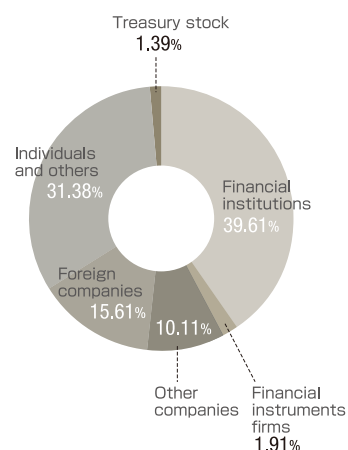
■ Status of Shares (As of February 29, 2012)

| | |
|-----------------------------|--|
| Number of shares authorized | : 2,000,000,000 shares |
| Number of shares issued | : 536,238,328 shares |
| Stock code | : 3086 |
| Stock exchange listings | : Tokyo, Osaka and Nagoya |
| Transfer agent | : Mitsubishi UFJ Trust and Banking Corporation |
| Number of shareholders | : 73,894 |

| Major shareholders | Number of shares held (1,000 shares) | Shareholding ratio (%) |
|--|---|---------------------------|
| 1 The Master Trust Bank of Japan, Ltd. (Trust Account) | 31,843 | 6.02 |
| 2 Japan Trustee Services Bank, Ltd. (Trust Account) | 30,965 | 5.85 |
| 3 Nippon Life Insurance Company | 28,906 | 5.46 |
| 4 J. Front Retailing Kyoei Supplier Shareholding Association | 15,225 | 2.87 |
| 5 The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 14,291 | 2.70 |
| 6 The Dai-ichi Mutual Life Insurance Company | 11,564 | 2.18 |
| 7 Tokio Marine & Nichido Fire Insurance Co., Ltd. | 8,369 | 1.58 |
| 8 Employee Shareholding Association of J. Front Retailing | 7,909 | 1.49 |
| 9 Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by The Sumitomo Trust and Banking Co., Ltd.) | 6,409 | 1.21 |
| 10 Rabobank Nederland, Tokyo Branch | 5,940 | 1.12 |

Note: Shareholding ratio is calculated by deducting treasury stock (7,436 thousand shares).

| Distribution by shareholder type | Number of shareholders (Persons) | Number of shares (1,000 shares) | Percentage (%) |
|--|-------------------------------------|------------------------------------|-------------------|
| ■ Government and local public entities | — | — | — |
| ■ Financial institutions | 82 | 212,395 | 39.61 |
| ■ Financial instruments firms | 48 | 10,244 | 1.91 |
| ■ Other companies | 833 | 54,218 | 10.11 |
| ■ Foreign companies | 331 | 83,696 | 15.61 |
| ■ Individuals and others | 72,599 | 168,246 | 31.38 |
| ■ Treasury stock | 1 | 7,436 | 1.39 |





J. FRONT RETAILING

