J. FRONT RETAILING NOW

Annual Report 2013 (Year ended February 28, 2013)

J. FRONT RETAILING NOW

Contents

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

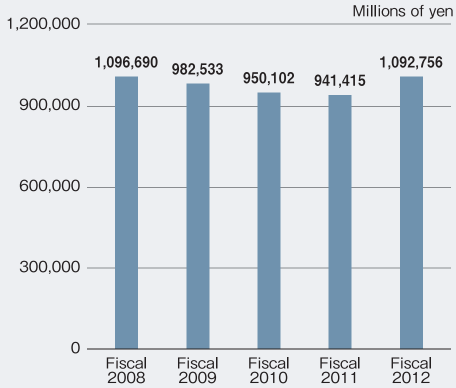
J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 28, 2013, February 29, 2012, February 28, 2011, February 28, 2010 and February 28, 2009
or at February 28, 2013, February 29, 2012, February 28, 2011, February 28, 2010 and February 28, 2009

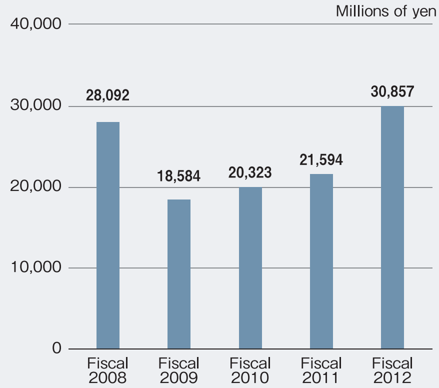
	Millions of yen (Except where otherwise indicated)				
	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Business results					
Sales	**¥1,092,756**	¥941,415	¥950,102	¥982,533	¥1,096,690
Gross profit	**245,615**	226,646	229,588	240,211	269,282
Operating profit	**30,857**	21,594	20,323	18,584	28,092
Ordinary profit	**32,202**	22,941	21,092	19,966	28,289
Net profit	**12,183**	18,804	8,862	8,167	7,170
Selling, general and administrative expenses (SG&A)	**214,757**	205,052	209,265	221,627	241,189
Financial condition					
Total assets	**1,009,165**	767,543	775,029	804,534	776,616
Equity	**341,318**	332,917	318,033	314,494	307,861
Net assets	**390,667**	342,561	327,242	323,506	316,268
Interest-bearing debt	**213,085**	106,025	108,658	125,937	94,677
Condition of cash flows					
Cash flows from operating activities	**26,025**	24,365	21,270	22,996	22,686
Cash flows from investing activities	**(73,977)**	(26,781)	(8,432)	(40,879)	(11,676)
Cash flows from financing activities	**58,275**	(6,872)	(23,128)	29,212	(13,510)
Per share information (unit: ¥)					
Net profit	**¥23.05**	¥35.57	¥16.76	¥15.45	¥13.56
Net assets	**¥646.18**	¥629.80	¥601.62	¥594.89	¥582.27
Cash dividends	**¥9.00**	¥8.00	¥7.00	¥7.00	¥8.00
Financial indicators (unit: %)					
Gross margin	**22.48%**	24.08%	24.16%	24.45%	24.55%
SG&A to sales ratio	**19.7%**	21.8%	22.0%	22.6%	22.0%
Operating margin	**2.8%**	2.3%	2.1%	1.9%	2.6%
Return on assets (ROA)	**3.5%**	2.8%	2.6%	2.4%	3.6%
Return on equity (ROE)	**3.6%**	5.8%	2.8%	2.6%	2.3%
Return on investment (ROI)	**6.5%**	5.3%	4.9%	4.7%	7.0%
Equity ratio	**33.8%**	43.4%	41.0%	39.1%	39.6%

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

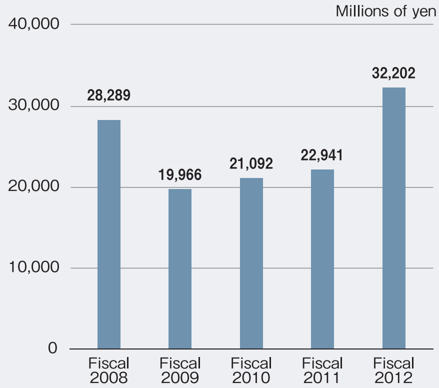
Sales



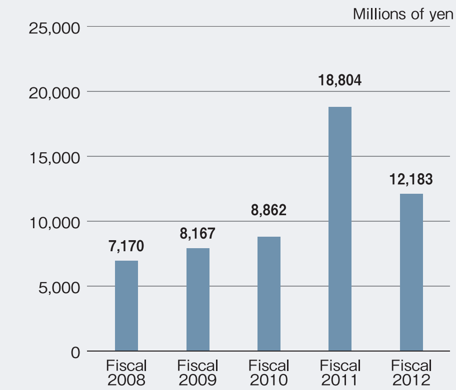
Operating Profit



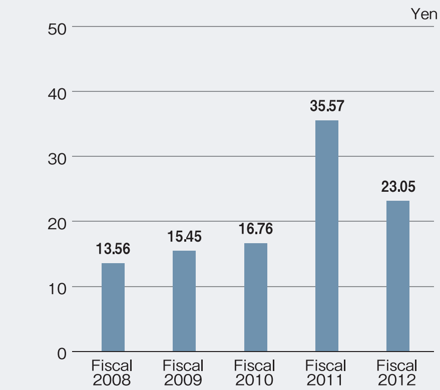
Ordinary Profit



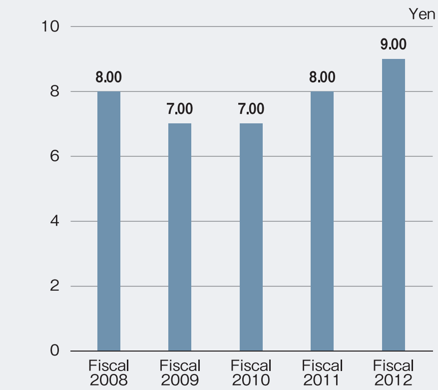
Net Profit



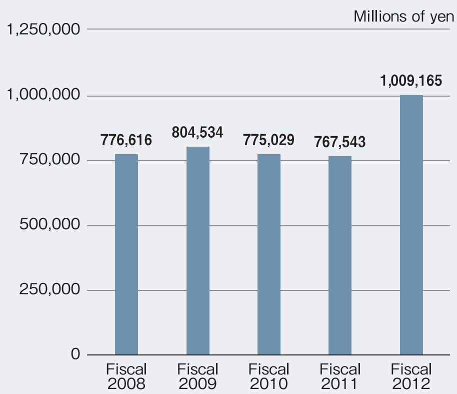
Net Profit per Share



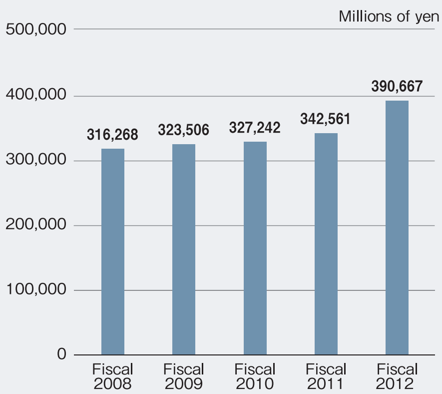
Cash Dividends per Share



Total Assets



Net Assets



We Will Challenge New Growth Areas While Developing as "Multi-Retailer."

YAMAMOTO Ryoichi
President

J. Front Retailing ("JFR") Group ("the Group") welcomed Parco Co., Ltd. as its new member last year and entered a new stage toward the achievement of the Group vision of establishing the status of leading retail company in Japan both in quality and quantity. The current fiscal 2013 marks the final year of our three-year plan, which started in fiscal 2011, and we will address the following important tasks to achieve the highest operating profit of ¥40 billion since JFR was established in 2007 and the Group's mid-term growth.

The first is to innovate our department store business model so that it can adapt to changing times.

In an effort to overcome the structural problems of traditional department store business model including weak market responsiveness and high-cost structure, we strive to expand target customer base, widen the range of products and prices in particular, develop specialty zones, and increase management efficiency to meet major market changes including the customer shift to more casual lifestyles and more frugal and price-sensitive behavior, while maintaining and strengthening department store's traditionally strong middle to high-end product offerings.

Specifically, while each store tries to clarify and thoroughly implement its store strategy, we are working on introducing categories that department stores lacked, strengthening department store's strong luxury brands, and developing and introducing specialty zones to differentiate our stores from competitors. At Daimaru Tokyo store, which increased its floor space and made its grand opening last October, and Matsuzakaya Nagoya and Daimaru Kobe stores, both of which were largely renovated, the results of their efforts are obviously shown in sales and customer traffic. These stores attract more and a wider range of customers.

Last September, with the aim of increasing sales capabilities and building a more productive store operation system, sales outsourcing business was spun off from the Group's staffing company Dimples' Co., Ltd. to establish Daimaru Matsuzakaya Sales Associates Co. Ltd. The store sales operations of Daimaru Matsuzakaya Department Stores were transferred to the new company. Daimaru Matsuzakaya Sales Associates as a specialized sales outsourcing company will improve its expertise and strengthen the store sales capabilities of Daimaru Matsuzakaya Department Stores to further increase human productivity.

The second is to create synergy through collaboration with Parco.

In an effort to create synergy between Parco, which became a consolidated subsidiary of the Group, and other companies of the Group, the top managements of Daimaru Matsuzakaya Department Stores, which is expected to achieve the highest effect, and Parco meet regularly and the two companies started to exchange human resources to use each other's know-how.

In some areas including sales promotion and cost reduction, these actions have already begun and started to produce results. Currently, as the first step, the two companies are trying to share information on actual operations, operation systems and others. The future initiatives of Daimaru Matsuzakaya Department Stores and Parco to create synergy based on the shared information include: (1) collaboration in the invitation of major overseas brands, the introduction of popular Japanese shops and the development of new brands; (2) further reduction of department store operation costs by adopting Parco's business operation model; (3) use of Parco's know-how in tenancy agreement by Daimaru Matsuzakaya Department Stores to make contracts with new tenants; and (4) the operation of Daimaru Matsuzakaya Department Stores' original business in Parco's premises.

The third is to strengthen overseas business.

Last August, JFR and StylingLife Holdings Inc. ("SLH") established JFR Plaza Inc., of which 90% is owned by JFR and 10% by SLH, in Taiwan to open Japan's most popular general merchandise shops "Plaza" in major cities in Asia. The first shop named "Plaza Tokyo" opened in a department store in Taipei on March 29. First, we will open some shops in department stores and shopping malls solely in Taipei. Once putting the business in Taipei on track, we will expand the business into other cities in Taiwan including Taichung and Kaohsiung, and then, other Asian countries.

In Shanghai, which is one of China's largest markets, we formed a business alliance with a local company named Shanghai Xin Nan Dong Project Management Co., Ltd. to open and operate a full-line upscale department store. We are preparing to open the store around early 2015. We support and cooperate to create one of the most upscale department stores in China by adopting Japanese know-how of creating and operating department stores. At the same time, we would like to accumulate the know-how of opening and operating department stores in China so that we can use it for our future business in China.

Through these efforts, we will strive to grow as a multi-retailer, which operates multiple businesses with department store business at their core, in an effort to increase operating profit and ROE, both of which are the most important performance indicators. JFR will develop the next mid-term plan by the end of the current fiscal year. We would like to achieve a consolidated operating profit of ¥50 billion in the final year of the plan. As the step after that, we will aim at the early and stable achievement of ROE of 8%.

We will continue to create and offer to customers new values in quick response to market changes. By accumulating the results of these efforts, we would like to improve corporate value and shareholder value and continuously return profits.

June 2013

Our Priority Performance Indicators Are Operating Profit and ROE. Next Mid-Term Plan Aims for Operating Profit of ¥50 Billion.

YAMAMOTO Ryoichi
President

Q Would you explain about the Group's business performance for fiscal 2012?

A During fiscal 2012, the Group posted consolidated sales of ¥1,092.7 billion, which recovered to above ¥1 trillion. We recorded a robust sales growth of 16.1% compared to the year-earlier period because all segments excluding supermarket business achieved a year-on-year sales increase and Parco Business was added in the second half. Consolidated operating profit increased by 42.9% from the previous year to ¥30.8 billion, which is the third consecutive year-on-year growth. We could achieve an operating profit of ¥30 billion one year earlier than planned, which was planned for fiscal 2013 in the mid-term plan. Consolidated ordinary profit was ¥32.2 billion, up 40.4%, also marking the third straight year of growth. Net profit decreased by 35.2% to ¥12.1 billion mainly due to the specific factor that income taxes - deferred had significantly decreased following changes in the income tax rate in the previous fiscal year.

Last spring, Daimaru Matsuzakaya Department Stores completed the first phase of two-year big renovation of Matsuzakaya Nagoya store covering young fashion, luxury brands, cosmetics and accessories departments, while Daimaru Kobe store fully renovated its first basement food floor for the first time in 15 years. Daimaru Tokyo store increased its floor space by 1.4 times to 46,000 square meters and celebrated its grand opening on October 5. Other stores also implemented various measures including the replacement of brands and the review of product mix so as to meet changes in customers' values and lifestyles and the strengthening of *gaisho*, or out-of-store sales.

As a result of these efforts, Daimaru Matsuzakaya Department Stores increased sales by 2.6%, marking the second straight year of growth following fiscal 2011. In terms of costs, in spite of additional facility and other costs of ¥1.4 billion incurred from the floor expansion of Daimaru Tokyo store, SG&A expenses decreased by ¥0.8 billion from the previous year thanks to all possible cost-cutting measures taken, including the integration of back-office sections in the Kansai area and other organizational and human resource restructuring to reduce labor costs, the return of leased premises and the reduction of rents. This resulted in an operating profit of ¥15.4 billion, up 35.8% from a year earlier.

We have decided to pay a year-end dividend of ¥4.5 per share as originally planned. Combined with the interim dividend, the dividend totals ¥9 per share for the full year, up ¥1 from the previous year.

With regard to Peacock Stores, which suffered weak performance, we reached a conclusion that it would be advisable to revitalize the business under another company that has more know-how about supermarkets and is more responsive to prices. And JFR transferred all shares in the company to Aeon Co., Ltd. as of April 1. Accordingly, Peacock Stores will be excluded from the consolidation of the Group in the first quarter of fiscal 2013.

Q You made Parco your consolidated subsidiary and what is the status of your efforts to create synergy?

A We made Parco our consolidated subsidiary by acquiring a 65% stake in the company by last August. In an effort to create synergy between Parco and other companies of the Group, the top managements of Daimaru Matsuzakaya Department Stores, which is expected to achieve the highest effect, and Parco meet regularly and the two companies started to exchange human resources to use each other's know-how.

In some areas including sales promotion such as a sales campaign named "Ultra Thanks Festival," which was jointly held by Daimaru, Matsuzakaya and Parco for the first time in March 2013, and the provision of Daimaru Matsuzakaya Department Stores' cost-cutting know-how to Parco, these actions have already begun and started to produce results. Currently, as the first step, the two companies are trying to share information on actual operations, operation systems and others. The future initiatives of Daimaru Matsuzakaya Department Stores and Parco to create synergy based on the shared information include: (1) collaboration in the invitation of major overseas brands, the introduction of popular Japanese shops and the development of new brands; (2) further reduction of department store operation costs by adopting Parco's business operation model; (3) use of Parco's know-how in tenancy agreement to make contracts with new tenants; and (4) the operation of Daimaru Matsuzakaya Department Stores' original business in Parco's premises. In addition, we are discussing collaboration among affiliated businesses including the offering of Daimaru Kogyo's packaging materials to Neuve A and an alliance between J. Front Design & Construction and Parco Space Systems.

Shibuya Parco

Q Daimaru Tokyo store made its grand opening and what is the progress of the establishment of "new department store business model"?

A In an effort to overcome the structural problems of traditional department store business model including weak market responsiveness and high-cost structure, we strive to expand target customer base, widen the range of products and prices in particular, and increase management efficiency to meet major market changes including the customer shift to more casual lifestyles and more frugal and price-sensitive behavior, while maintaining and strengthening department store's traditionally strong middle to high-end product offerings.

Using its prime location at Tokyo station, the gateway to Japan, and its size of 46,000 square meters, Daimaru Tokyo store, which increased its floor space and made its grand opening last October, aimed to become a department store with an assortment of "current" Tokyo to attract various customers ranging from residents nearby and along the railway lines and businesspersons to business travelers and tourists.

As a result, traffic to the store increased by 41.5% in the second half of fiscal 2012, and now, even six months after its grand opening, the store has around 100,000 shoppers on weekdays and around 150,000 on weekends and holidays. As originally intended, it attracts a wide range of customers. Sales of already strong food products are further increasing due to floor expansion and newly introduced luxury brands and big specialty shops such as ICI Ishii Sports are also enjoying brisk sales. Sales for the second half of fiscal 2012 increased by 33.7% year on year, exceeding our goal.

Sales in pre-existing parts were better than expected. Low-margin expanded parts attracted shoppers, while high-margin pre-existing parts increased sales. And profit margin for the whole store was higher than forecast. As a result, profits also far exceeded our goal.

For the first half of 2013, sales are expected to rebound because floor space was approximately 10% smaller in and after May 2012 due to expansion work. In addition, a pedestrian deck connected to the Yaesu entrance of Tokyo station will be completed in the second half of 2013 and it will allow easier access from Tokyo station and neighborhood areas. Thus we believe Tokyo store will greatly contribute to profit growth for the current fiscal year.

Daimaru Tokyo store after its grand opening with increased floor space

Q At flagship stores other than Tokyo store, you are steadily advancing efforts to strengthen them based on area marketing.

A Matsuzakaya Nagoya store, the largest flagship store of ours, is working on the full renovation of the first and second basement food floors of the main building, which is the second and final phase of its two-year big renovation. Ahead of their grand opening slated for June, these floors already started to open partially and gradually from March and are doing well in sales.

This renovation aimed at building Nagoya's number-one food zone called "Gochiso Paradise" by introducing many leading Japan's first and Nagoya's first shops and creating a specialty zone named "Table Plus," which proposes highly sophisticated Western eating styles and enjoy popularity at Kobe store. In terms of facilities, we eliminated differences in level in the center, which had blocked the view, and overhauled traffic flow on the floors to ensure better visibility and easier shopping.

Daimaru Kobe store, which fully renovated its food floor for the first time in 15 years last year, increased food sales by 14.3%. On top of that, women's clothing and women's accessories also sold better, up 4.3% and 3.7%, respectively, because the food floor attracted more traffic and created a virtuous cycle that boosted sales on the upper floors, which were not renovated. Also at Nagoya store, we expect that the makeover of the food floors will result in a positive growth cycle that will further increase sales on the upper floors, which were refurbished last year.

Matsuzakaya Nagoya store

Q Hankyu Umeda flagship store made its grand opening with more floor space last November and competition has increasingly intensified in the Umeda area, Osaka.

A With regard to fiercer competition in the Keihanshin area resulting from the expansion of Hankyu Umeda flagship store, we have taken measures in a planned and phased manner since several years ago and could minimize its impact. Though our internal estimate of its impact on the total sales in the Kansai area for fiscal 2012 was a decrease of ¥1.5 to 2 billion, the actual sales decline seems to stay at around ¥1.4 billion.

We see almost no impact on Shinsaibashi and Kyoto stores. Rather Kobe store greatly increased sales by 5.4% during the second half of the year due to the full renovation of food floor in the first half. Sales of Umeda store were slightly affected, but almost no impact is found on their traffic. Therefore, we believe the store will be able to turn sales upward again in the second half of the current year by replacing brands and strengthening sales promotions.

Daimaru Umeda store

Q Thanks to the effect of Abenomics, we are said to be beginning to see bright signs in consumption at hand.

A Following the rapid recovery of the stock market since the end of last year, it is reported that consumption seems to be picking up due to the asset effect. We have also seen a surge in sales of high-end goods including luxury brands, jewelry, precious metals and timepieces since the beginning of this year.

In addition to our overwhelming strength in the wealthy class in the Kansai and Chubu areas, we improved high-end product offerings by increasing and newly introducing luxury brands at expanded Umeda and Tokyo stores, while widening the product lineup. Therefore, we believe increasing demand for high-end goods serves as a tail wind for us. During the current fiscal year, we moved Hermès shop of Kobe store from the second floor of the building near the store to the first floor of the same building and reopened the shop with 1.5 times larger floor space, which is the largest in the region, on April 27. In addition, we will enhance *gaisho* activities by greatly increasing new accounts and strengthening and improving events, while securing enough products to meet the increasing demand for high-end goods. On the strength of this tail wind, we would like to boost sales.

As for the volume zone, however, clothes, of which sales strongly depend on the temperature and weather, have not moved so well. As we recognize that consumers are still price-sensitive and hold their purse strings tightly, we are not quite optimistic. Close attention should be paid to the movements of the customers who belong to this zone when income and employment environment are actually remarkably improved.

Q In the meantime, the consumption tax is planned to be raised in spring 2014.

A We think the consumption tax hike will have a huge impact on consumption. As a matter of course, we will take every possible measure to prevent sales from declining. Meanwhile, it is important to further enhance our business strength and quality. We will promote the review and reduction of operating costs and organizational and human resource restructuring across the Group.

Last September, with the aim of increasing sales capabilities and building a more productive store operation system, sales outsourcing business was spun off from the Group's staffing company Dimples' Co., Ltd. to establish Daimaru Matsuzakaya Sales Associates Co. Ltd. As a result of transferring the sales operations of Daimaru Matsuzakaya Department Stores to the new company, the number of employees of Daimaru Matsuzakaya Department Stores including regular employees and contract ones decreased to 3,500 persons at the end of February 2013 from 5,300 persons at the end of February 2012.

During the current fiscal year, we will strengthen the store sales capabilities of Daimaru Matsuzakaya Department Stores and increase human productivity by improving sales expertise through Daimaru Matsuzakaya Sales Associates. At the same time, we will continue to restructure our organization and human resources to achieve a headcount of 2,800 employees by the year-end.

The total number of employees of the Group was just over 14,800 persons at the end of February 2013 because Parco (approximately 1,900 employees) became a consolidated subsidiary. At the end of February 2014, however, the Group will have less than 11,500 employees in total partly due to the removal of Peacock Stores (almost 3,100 employees) from the Group.

What is the progress of your business in overseas markets?

While the domestic consumption market is shrinking every year due to the aging population combined with the falling birthrate and fewer productive workers, China and the ASEAN countries are growing and promising markets for the department store business and affiliated businesses of the Group. Taking account of the local situation and business characteristics, we would like to actively develop businesses in these regions.

Last August, JFR and StylingLife Holdings Inc. ("SLH") established JFR Plaza Inc., of which 90% is owned by JFR and 10% by SLH, in Taiwan to open Japan's most popular general merchandise shops "Plaza" in major cities in Asia. The first shop named "Plaza Tokyo" opened in a department store in Taipei on March 29, 2013. The first shop has gained great popularity among local people and enjoys very strong sales. We will focus new shop openings in department stores and shopping malls in the Taipei area. During the first year, we are planning to open some four shops. Once putting the business in Taipei on track, we will expand the business into other cities in Taiwan including Taichung and Kaohsiung, and then, other Asian countries.

Last May, we formed a business alliance with a local company named Shanghai Xin Nan Dong Project Management Co., Ltd. to open and operate a full-line upscale department store. It is one of Shanghai's largest department stores with the retail space of 60,000 to 70,000 square meters and we are planning to open the store around early 2015. We support and cooperate to create one of the most upscale department stores in China by adopting Japanese know-how of creating and operating department stores. At the same time, we would like to accumulate the know-how of opening and operating department stores in China so that we can use it for our future business in China.

Site planned for the new store

With regard to the Ginza redevelopment project, you were authorized to establish a redevelopment partnership and thus the project seems to be going well.

The Ginza 6-chome district redevelopment project as our domestic growth driver is progressing well and we were authorized to establish a redevelopment partnership by the Tokyo Metropolitan Government last December. Following that, we created the Ginza New Store Planning Office in March 2013 and are having concrete discussions on the building of commercial complex toward its opening in 2017. The current Matsuzakaya Ginza store will be closed at the end of June 2013, and after that, we will start the development construction at last.

We are planning to develop the combined two blocks of Ginza 6-chome including the current Matsuzakaya Ginza store and build a commercial and office complex with 13 floors above ground and six below and the total floor space of 147,600 square meters. At present, the commercial floor space is planned to be 40,000 square meters.

The details of commercial space to be operated by us are now under consideration. We would like to develop a new commercial facility as a leading information provider different from conventional department stores and worthy of "world-famous Ginza."

We are also making a plan to rebuild the south wing of Matsuzakaya Ueno store into a high-rise commercial and office complex and considering opening Parco in its commercial space. At present, it is aimed to open in 2017, like Ginza store.

Schedule until completion of construction and opening of Ginza redevelopment (TBD)

2011

Jul. Proposing urban plan

Procedures for urban plan

Dec. Deciding urban plan

2012

Making financial plan

Dec. Establishing partnership

2013

Closeout sale at Matsuzakaya Ginza store

Applying for building certification
Right conversion plan

Jul. Demolition/start of construction

2017

Making store plan
Making tenant plan

Construction phases

Completion of construction/opening

Q **I heard that the Group is expected to renew its highest profit for fiscal 2013 since JFR was established and that its mid-term three-year management plan, which will start in 2014, will target an operating profit of ¥50 billion.**

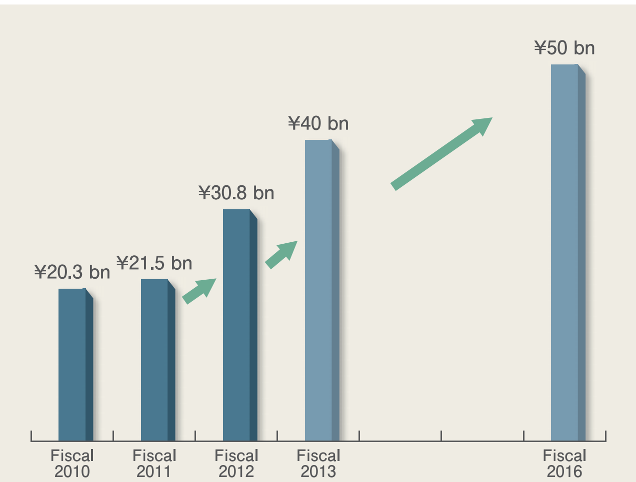
A We have explained that the Group developed a mid-term three-year plan, which started in fiscal 2011, and aims to achieve an operating profit of ¥30 billion.

For the current fiscal 2013, which marks the final year of the mid-term plan, since we did not expect to make Parco a consolidated subsidiary and transfer Peacock Stores when we made the plan, we forecast a consolidated operating profit of ¥40 billion, up ¥9.1 billion or 29.6% year on year, by factoring in these factors.

Consolidated sales are projected to increase by 5.2% from a year earlier to ¥1,150 billion and we expect consolidated ordinary profit to grow by 14.9% from the previous year to ¥37 billion because negative goodwill arising from merger, which had been recorded until the first half of fiscal 2012, was amortized and there will be no equity profit of Parco, which was an equity method affiliate in the first half of fiscal 2012. Consolidated net profit is forecast to be ¥29 billion, up 138.0% year on year, by factoring in extraordinary profit arising from transfer of shares in Peacock Stores. Operating profit and net profit will be the highest level since JFR was established in 2007.

We will develop the next mid-term plan during the current fiscal year and would like to aim to achieve a consolidated operating profit of ¥50 billion in the final year of the plan.

Consolidated operating profit targets



※Figures for fiscal 2010, 2011 and 2012 are actual amounts, and figures for fiscal 2013 and beyond are targets.

Q **What do you think about the improvement of capital efficiency and return to shareholders?**

A We see operating profit and ROE as the most important performance indicators. The Group achieved an increase in consolidated operating profit for three years in a row until the previous fiscal year, and this year, we have reached the point where we can aim for the highest profit since JFR was established. As profit is increasing, ROE is also improving and we expect ROE to be 8.2% for the current fiscal year. However, this figure is inflated by some specific factors including gain on sales of shares in Peacock Stores. We are fully aware that our ROE has not reached a satisfactory level yet, if these specific factors are excluded. As the next step after achieving an operating profit of ¥50 billion, we would like to stably achieve ROE of 8% as soon as possible.

We think our low ROE is mainly attributable to our low profit level. Toward the expansion of ROE, we will strive to reproduce return on an enlarged scale. To this end, we will further drive the innovation of department store business model and continue to actively work on overseas business, redevelopment projects, new store openings, M&A and replacement of businesses.

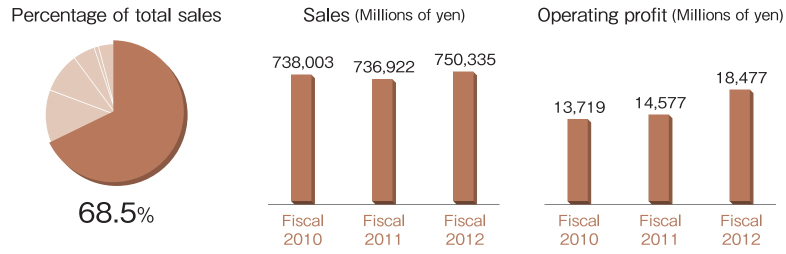
In the meantime, our shareholders' equity as denominator exceeded ¥340 billion, which is at a very high level in terms of financial stability. However, we need to keep it low to improve ROE, and for this purpose, we would like to actively return profits to shareholders. For the current year, we are planning to pay a dividend of ¥10 per share, increasing for the third consecutive year. We will continue to increase dividends, keeping a close eye on profit levels.

Segment Overview   At a Glance

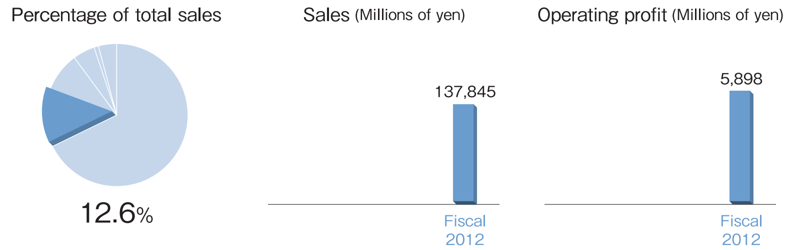
Sales and operating profit

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

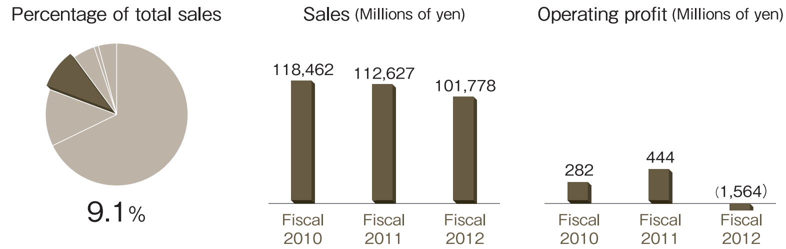
Department store business



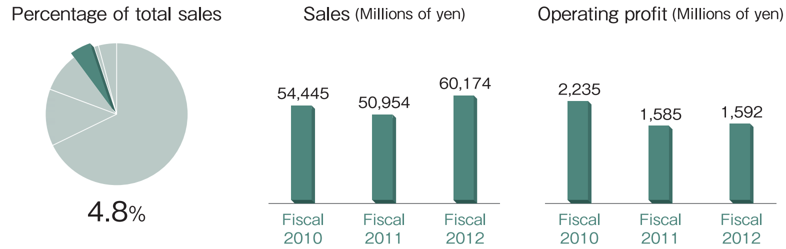
Parco business



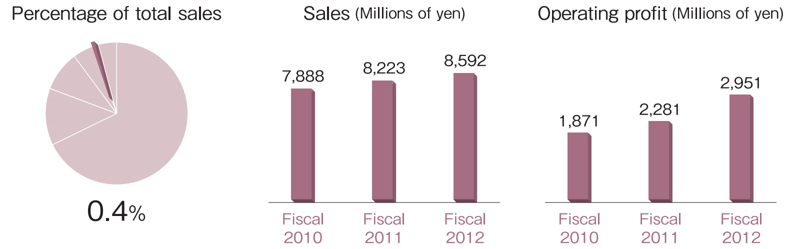
Supermarket business



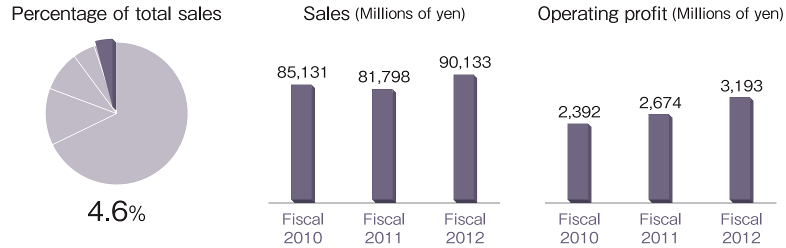
Wholesale business



Credit business



Other businesses



※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 2010 have been restated by the same method as for fiscal 2011.

Companies / Business places

■ Daimaru Matsuzakaya Department Stores Co. Ltd.

10 Daimaru stores : Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo, Urawa Parco, Yamashina, Suma and Ashiya

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

※Giza store was closed at the end of June 2013 due to reconstruction.

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

■ Parco Co., Ltd.

8 urban complexes : Sapporo, Sendai, Ikebukuro, Shibuya, Shizuoka, Nagoya, Hiroshima and Fukuoka

11 community complexes : Utsunomiya, Urawa, Chiba, Tsudanuma, Shintokorozawa, Hibarigaoka, Kichijoji, Chofu, Matsumoto, Otsu and Kumamoto

Zero Gate business : Shibuya, Shinsaibashi, Dotonbori and Hiroshima (due to open in fall 2013)

■ Parco (Singapore) Pte Ltd ■ Neuve A Co., Ltd. ■ Parco-City Co., Ltd.

■ Parco Consulting (SUZHOU) Co., Ltd. ■ Parco Space Systems Co., Ltd.

Peacock Stores Ltd. was transferred to Aeon Co., Ltd. as of April 1, 2013.

■ 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. ■ JFR Consulting Co. Ltd.

■ JFR Online Co. Ltd. ■ JFR Plaza Inc. ■ Angel Park Co., Ltd.

■ Dimples' Co., Ltd. ■ JFR Information Center Co., Ltd. ■ Daimaru Matsuzakaya Sales Associates Co. Ltd.

■ J. Front Foods Co., Ltd. ■ JFR Office Support Co., Ltd. ■ Daimaru Matsuzakaya Tomonokai Co., Ltd.

■ Daimaru COM Development Inc. ■ JFR Service Co. Ltd.

New Model

Realization of New Department Store Model

Daimaru Tokyo store

Accelerating “the Renewal of Department Stores”

Implementation of new department store model

J. Front Retailing is advancing the establishment of a new department store model to become more market responsive 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 department store's traditionally strong middle to high-end product offerings, 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.

Wider range of customers

Following the first phase of relocation and reopening in November 2007, Daimaru Tokyo store increased its floor space by 1.4 times to 46,000 square meters and celebrated its second phase of grand opening in October 2012.

On the occasion of its full opening in the second phase, it was reborn as a store strong in gift items, souvenirs and traveling gear by 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, and 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 an Assortment of ‘Current’ Tokyo.”

◆ **Main points**

(1)Strengthened food products both in quality and quantity, including boxed lunches, prepared meals and sweets

(2)Expanded and reorganized women's and men's accessories departments

(3)Developed a fashion brand zone with popular select shops, targeting around 30 and 40 year olds

(4)Developed a luxury zone with nine popular brands mainly offering accessories

(5)Opened large specialty shops that can drive great traffic on the upper floors, including Tokyu Hands on the 8th to 10th floors and ICI Ishii Sports on the 11th floor.

Much more traffic

As a result, traffic to Tokyo store increased by 41.5% in the second half of fiscal 2012. Even though more than half a year has passed since its grand opening, the store has around 100,000 shoppers on weekdays and around 150,000 shoppers on weekends and holidays. As originally intended, it attracts a wide range of customers. Sales of already strong food products are further increasing due to floor expansion and newly introduced luxury brands and big specialty shops such as ICI Ishii Sports are also enjoying brisk sales. Sales for the second half of fiscal 2012 increased by 33.7% year on year, exceeding our goal.

In the meantime, sales in pre-existing parts were also better than expected and the profitability of the whole store improved beyond our expectations. Accordingly, profits also far exceeded our goal in the second half of fiscal 2012.

In the second half of fiscal 2013, a pedestrian deck connected to the Yaesu entrance of Tokyo station will be completed and it will allow easier access from Tokyo station and neighborhood areas. Since the verdant Yaesu Entrance Plaza will be completed around fall 2014 to strengthen the function of transportation hub as a terminal station, much more traffic is expected around Tokyo station and we believe it will further revitalize Tokyo store.

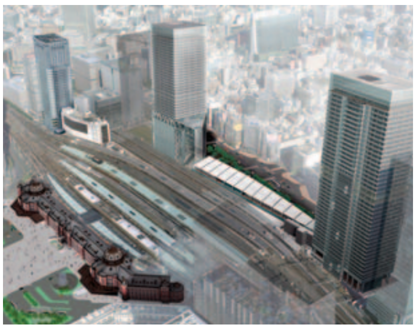
Progress of low-cost operation

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 human resources to suit their respective characteristics.

In September 2012, a new company named Daimaru Matsuzakaya Sales Associates Co. Ltd. was spun off from the Group's staffing company Dimples' Co., Ltd. We transferred department store sales operations and sales floor operations to the new company and thereby improve expertise in order to further increase the efficiency of sales floor operation.

With regard to back-office sections, four stores in the Kansai area, including Shinsaibashi, Umeda, Kyoto and Kobe stores, and Tokyo, Ueno and other stores in the Tokyo area already merged their organizations and functions in each area to further streamline our department store organization.

Tokyu Hands, Daimaru Tokyo store



Tokyo Station City

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 six stores including Kyoto, Kobe, Umeda, Sapporo and Nagoya stores. Each store is expanding its customer base as intended.

Table Plus

Table Plus is a food specialty zone. Shoppers can enjoy rich and stylish Western lifestyles by just adding something offered there to their daily meals. In addition to a food select shop Dean & Deluca, its cross-category offerings include bakery, Western groceries, delicatessen, wine and tea. The first zone at Daimaru Kobe store has a café where shoppers can enjoy special menus using ingredients available there. In the second zone at Nagoya store, we installed a lighting system that can duplicate natural light changing from morning to evening and shoppers can enjoy the atmosphere as if they are selecting food products in the streets of Paris. These characteristic food floors attract more traffic and drive shoppers to other floors.

Select & Creator

Select & Creator is a corner like a select shop in the women’s shoes departments of Umeda, Tokyo and Sapporo stores. It effectively presents coordinates of shoes and other items including bags, headwear and neckwear to make a stronger appeal to women working nearby, as well as adopting a problem-solving type of selection by occasion, size and function so that shoppers can find precisely what they are looking for.

Select & Creator, 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 generate synergy among the women’s shoes department, the handbag department and this zone on the same floor.

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.

Redevelop

Redevelopment of Ginza

External view of urban development

Moving Ginza Project Forward to Open in 2017

Shaping a commercial complex worthy of world-famous Ginza

J. Front Retailing participates and engages 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 of approximately 9,000 square meters including the current Matsuzakaya Ginza store, of which approximately 65% is owned by Daimaru Matsuzakaya Department Stores. In July 2011, the preparatory partnership made a proposal to the Tokyo Metropolitan Government for urban planning as a special urban renaissance district, and in December 2011, the plan was decided and we have made great progress toward realizing it.

Since we obtained approval to establish a redevelopment partnership from the Tokyo Metropolitan Government in December 2012, right holders, developers and the government can work together to promote the project.

The building is planned to rise 56 meters in height with 13 floors above ground and six below. Its total floor space will be approximately 147,600 square meters, which is 1,360% of the total land space. It will be used for commercial and office purposes, and 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 a global commercial and environmental hub, expanding a safe and comfortable pedestrian network, enhancing disaster preparedness and disaster prevention support functions, and creating greenery and moisture and reducing environmental load.

In June 2013, we received approval for a right conversion plan to grant some of the rights related to the site and floors of the building 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.

Matsuzakaya Ginza store will be closed on June 30, 2013, and after that, we will start the demolition of the building and aim to open the new complex in 2017.

The square meterage and floor layout of the commercial space of the new building are to be considered. Without sticking to existing format, we would like to shape the picture of new commercial facility worthy of world-famous Ginza as a leading information provider so that it will symbolize J. Front Retailing, which aims to establish the status of a leading retail company in Japan both in quality and quantity,

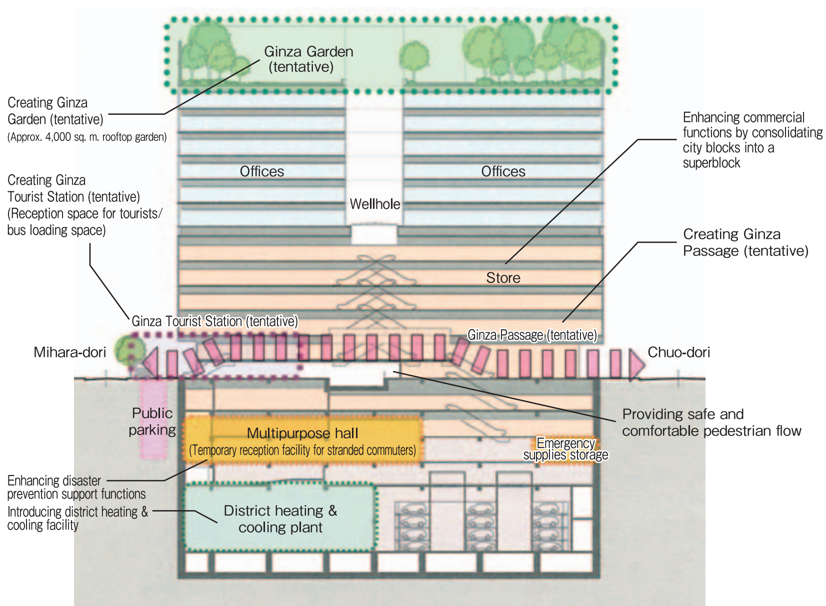
Rebuilding the south wing of Matsuzakaya Ueno store

Matsuzakaya Ueno store is planning to rebuild its south wing. As the effective use of floor space ratio created by evaluating its main building, south wing and parking space as one unit, we are considering rebuilding the south wing into a commercial complex with commercial space on the lower floors and offices on the upper floors. JFR and Parco are discussing Parco's operation of some space on the commercial floors.

<FYI> Regional contribution in the Ginza redevelopment project

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

1. Forming a global commercial and tourism hub
   - Creating bus loading space available for tour buses
   - Creating Ginza Tourist 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” ——
Creating 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 1988. 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.

In April 2013, Hermès shop was moved from the second luxury brand floor of Kobe store to Former Foreign Settlement Bldg. 38 adjacent to the store. The new shop is a maisonette with 1.5 times larger floor area. Home collection was newly added to their lineup and it reopened as a flagship shop with one of the biggest product offerings in Japan.

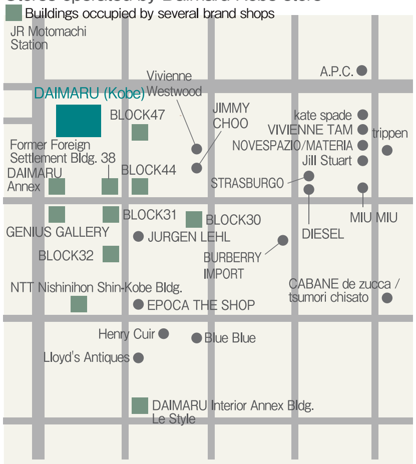
Now we operate 65 various unique brands and shops (as of May 2013) using the familiar but new appearance of historical modern Western-style architecture including “Former Foreign Settlement Bldg. 38” and “Block 30,” which bring new life to the history of the city.

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 it 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 23 brands and shops (as of May 2013).

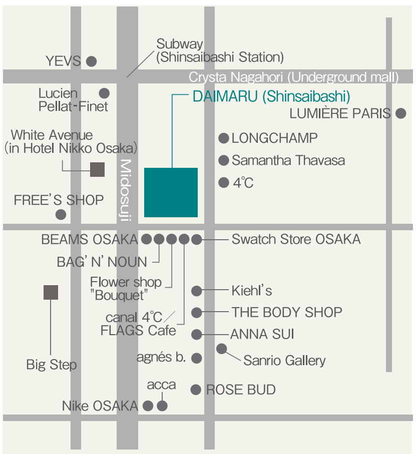
For the purpose of revitalizing Shijo Karasuma area as much as Shijo Kawaramachi, a high commercial accumulation district, Daimaru Kyoto store has also developed shops around itself starting with Louis Vuitton Store, which opened as the first shop in 2004, and now operates 11 brands and shops (as of May 2013) ranging from fashion brand shops to an aesthetic salon to enhance the appeal of the whole area.

Stores operated by Daimaru Kobe store



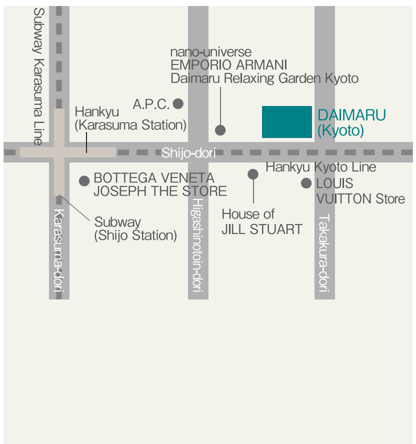
GENIUS GALLERY

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 4.6 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 2012 rose by 4.9% from the previous year and the percentage of sales to these individual cardholders to total sales was 71.2%.

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 brands and shops (J-CIS Mail).

The innovative "MMS Mail" service is also available in all Daimaru and Matsuzakaya stores. The stores' special information 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 a promotional tool that stimulates customers' buying motivation and increases the frequency of their visit, which ensures an increase in customer circulation and sales per customer.

At present Daimaru Matsuzakaya Department Stores has approximately 600,000 email members and more than 3.9 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.

Characteristically, the popular "Ufufu Girls" representing the specialty zones developed as a core of our new department store model issues "Ufufu Girls Card" at five stores including Shinsaibashi, Kyoto, Kobe, Umeda and Nagoya stores to organize the specialty zone's own card members. The current card membership has reached approximately 80,000 people. We continue to deliver information on members-only events and floor-specific information by email, and thus the card fulfills its role as a strong tool to attract and retain young women as its target customers.

New communication method

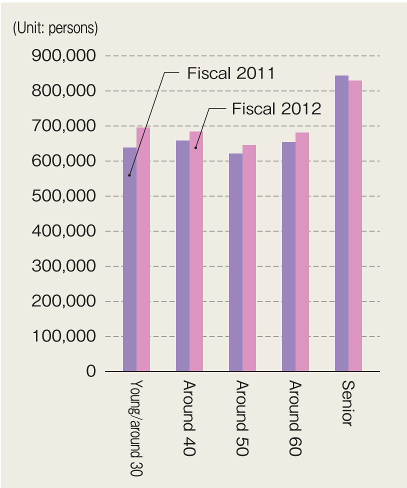
In the meantime, we actively strive to increase touch points with customers using new communication methods through diversified digital devices and social media.

During fiscal 2013, Daimaru and Matsuzakaya created a Line account. Line is a popular platform for smartphone-based digital marketing. We have obtained many "Friends" (those who registered for our account) (more than three million people in May 2013) by using the stickers of our character "Sakura Panda" as a hook and deliver useful information through this platform to drive traffic to and purchase in our stores.

We will deliver information and contents and communicate in accordance with the characteristics of each media and acquire know-how to strengthen relations with customers so that we will be able to develop customers on a mid to long term basis, as well as driving short-term traffic to and purchase in our stores.

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 10 major Daimaru and Matsuzakaya department stores



Originality

Our Own Merchandising Sections
Original Merchandise

Responding Quickly to Market Changes and Seeking Originality and Profitability

J. Front Retailing moves forward with operation reform by dividing sales floor operations into two types including "our own operation" and "shop operation" and creating the organizations, operation process and human resource system that are best suited to each 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 serve as 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.

Planning and managing the whole process of "buying and selling" by business operation organization

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 and men's accessories. It started as the business operation 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 head office organization and store staff who manage our own operation sections, sell products there and make purchases for individual stores.

In September 2012, Daimaru Matsuzakaya Sales Associates Co. Ltd. was established to strengthen sales capabilities and create a highly productive store operation system. And the new company took over sales operations for Original Merchandising Division. Based on sales plans, they sell focused high margin products and develop salespersons working for several departments to increase the productivity of each worker.

Development of new original sales space

Original Merchandising Division decreases traditional item-based sales space and creates sales space featuring a new selection of products, which are expected to have a new market, at individual store level for a limited time. The one judged to certainly have a market as a result of such trial will be made permanent.

In March 2013, the Division opened a newly edited retail section "Woop Woop!" at Shinsaibashi, Umeda and Sapporo stores. It is a select shop offering our original selection of accessories to the customers of our specialty zone "Ufufu Girls" targeting young and around 30-year-old women. With the eyes of girls today who pursue what they love with free sensitivity, the shop selects and offers products, which were not sold at our stores in the past, including pop smartphone cases and stationery and cute aprons, lunch box gear, bags and pouches.

WOOP WOOP!

Expansion of high margin completely bought products

Using its characteristics that it takes the risk of buying and selling, Original Merchandising Division sells completely bought products. Its line-up mainly includes import goods such as women's neckwear, headwear and shoes and men's ties, shoes and bags.

In September 2012, the Division launched the exclusive sale of Italian shirt brand "Camicissima" at seven Daimaru and Matsuzakaya stores. These high quality shirts in various designs are presented by size in an easy-to-find way so that shoppers can enjoy choosing from them. They are reasonably priced and sold in a bundle (one for ¥4,900 → two for ¥7,900 → three for ¥9,900), which is rarely found in department stores.

Since the gross margin rate of completely bought products is high, they can significantly contribute to our earnings if their sell-through rates are increased by strengthening sales capabilities. We will identify the most effective items and further expand our offerings.

CAMICISSIMA

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

Future efforts in our own merchandising sections

For fiscal 2012, Original Merchandising Division increased sales by 3.4% and gross margin rate by 0.45 points from the previous year. We will decrease existing item-based sales space, and more dynamically introduce new products and expand and shrink seasonal sales space to boost sales. At the same time, we will increase the purchase of high margin merchandise including completely bought products and improve the productivity of each worker by using Daimaru Matsuzakaya Sales Associates to further strengthen profitability. The Division is also eyeing the possibility of opening new shops in Parco and other commercial complexes as new growth opportunities.

Alliance

Alliance
M & A

Shibuya Parco

Strengthening the Group to Develop into "Multi-Retailer"

Acquired a 65% stake in Parco Co., Ltd. and made it a consolidated subsidiary

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, after acquiring a 33.2% stake in Parco Co., Ltd. ("Parco") from Mori Trust Co., Ltd. in March 2012 and making it an equity method affiliate, we increased our stake to 65% through a takeover bid made from July to August 2012 and made it a consolidated subsidiary.

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.

Efforts to create various synergies

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.

The top executives of Daimaru Matsuzakaya Department Stores, which is expected to achieve the highest effect, meet regularly with Parco's top executives and the two companies started to exchange human resources to use each other's know-how. Thus they are trying to share information on actual operations, operation systems and others. Through these efforts, the two companies will work on:

(1) Collaboration in the invitation of major overseas brands and the introduction of popular Japanese shops;

(2) Further cost reduction by adopting Parco's business operation model;

(3) Use of Parco's know-how in tenancy agreement;

(4) The operation of Daimaru Matsuzakaya Department Stores' original business in Parco's premises; and

(5) Considering opening Parco in the south wing of Matsuzakaya Ueno store at the time of its rebuilding.

We will also consider collaboration in affiliated businesses including Daimaru Kogyo and J. Front Design & Construction to achieve synergy as the Group early.

《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 busines ·Other businesses
- Capital: ¥34,367 million
- Established: February 13, 1953

Consolidated financial results of Parco Co., Ltd. (Millions of yen)

	FY 2/2009	FY 2/2010	FY 2/2011	FY 2/2012	FY 2/2013
Sales	282,509	261,076	264,840	259,789	264,779
SG&A	35,614	33,417	32,806	32,456	31,742
Operating profit	9,362	8,601	9,218	9,168	10,824
Ordinary profit	9,171	8,554	8,750	8,966	10,329
Net profit	3,730	4,108	4,400	4,319	5,083
Comprehensive income	—	—	—	4,199	5,351
Net assets	75,617	78,657	81,868	84,577	103,573
Total assets	191,681	187,093	222,135	208,697	206,243
Net assets per share (yen)	917.61	954.52	993.52	1,028.21	1,020.92
Net profit per share (yen)	45.29	49.87	53.41	52.49	54.44

EPSON
TOYOTA
TDK
KYOCERA
Nikon
Nestle
NEC

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, Hong Kong, Nansha, Yantai, 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 while planning to start an import business of Japanese beef.

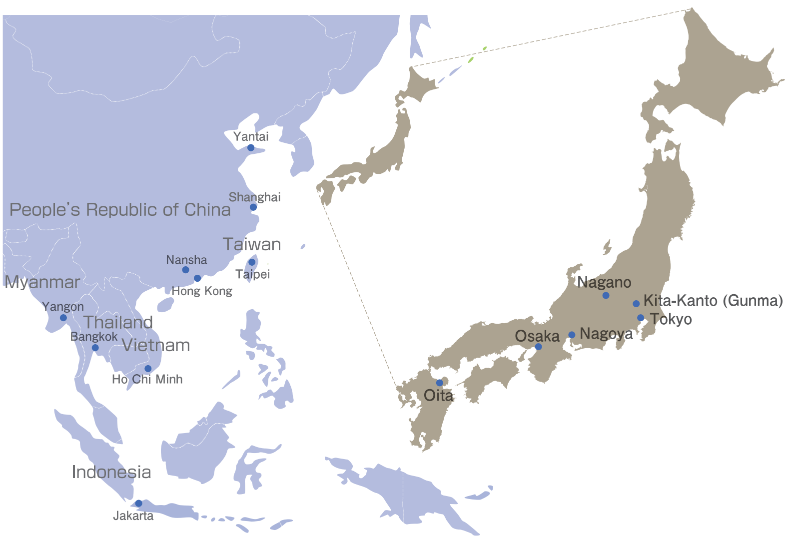
Creating synergy with other businesses of the Group

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. 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. As of March 2013, the company operates in eight locations including Daimaru Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe and Sapporo stores and Matsuzakaya Nagoya and Shizuoka stores. 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 restaurants as well as department stores.



International Market

Projects in Overseas Markets

Rendering of Shanghai New World Daimaru Department Store (tentative name)

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: 13,709.3㎡
  Total floor area of the building: 116,000㎡
  Construction: 7 floors above ground and 5 below
  Department store: 7 floors above ground and 2 below
- Operator:
  Shanghai Xin Nan Dong Project Management Co., Ltd.
  (49% owned by Shanghai New World Co., Ltd.)
- Scheduled to:
  Open in early 2015 (already under construction)

Kicked off the joint 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 "Plaza Tokyo" that offers the products and services tailored to the local market with a selection of Plaza goods as its core. In August 2012, we established JFR Plaza Inc. in Taipei to promote new shop openings concentrated in metropolitan areas in Asia, and in March 2013, the first shop opened on the fifth floor of Pacific Sogo Fuxing store in Taipei.

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

- Company name: JFR Plaza Inc.
- Established: August 20, 2012
- Location: Taipei, Taiwan
- Capital: NT$185 million
  (approx. ¥500 million at the exchange rate when established)

First Plaza Tokyo shop

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.

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.

Iwago Mitsuaki "Mykonos, Greece" 2012
©Mitsuaki Iwago

Kiyokawa Asami "Another Place 'Butterflies'"
©Asami Kiyokawa

Major exhibitions held during fiscal 2012

- "Transience and Brilliance of Life"
  Fusuma Paintings by Nakashima Kiyoshi, Jojuin, Kiyomizu-dera Temple, Kyoto
  (Matsuzakaya Museum)
- Utagawa Kuniyoshi
  –Guide to Edo by Fantastic Ukiyo-e Artist–
  (Daimaru Kobe)
- Hirayama Ikuo: 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 and Matsuzakaya Museum)

Major exhibitions planned for fiscal 2013

- Iwago Mitsuaki Photo Exhibition "Go with Cats"
  (Daimaru Shinsaibashi)
- Kiyokawa Asami: Bijo Saishu
  (Daimaru Umeda)
- Original Illustrations by Umino Chika –Honey and Lion–
  (Daimaru Kyoto)
- Tomica & Plarail Festival
  (Daimaru Kobe)
- Kanze Soke Exhibition
  Celebrating the 680th anniversary of Kanami's birth and the 650th anniversary of Zeami's birth
  (Matsuzakaya Museum)
- The 98th Inten: Exhibition of the Japan Art Institute
  (Daimaru Shinsaibashi and Matsuzakaya Museum)

Important cultural property
Kosode with design of courtier's ox carts, birds and flowers in resist dyeing on black and red figured satin (Beginning of the Edo period)

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 the 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, the exhibition commemorating the 40th anniversary of the reversion of Okinawa to Japan "Bingata: Colors and Shapes of the Ryukyu Dynasty" was held at four well-known museums in Japan including Matsuzakaya Museum and 45 pieces from the Matsuzakaya Collection, including Ryukyu dyed costumes, were exhibited.


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 are developing human resources through 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.

Major activities during fiscal 2012

①Division manager training

This training was provided to improve the ability to operate organizations toward the achievement of management reforms and to expand achievements by implementing growth strategies (once each in the first and second half).

②Store and head office family meeting

Store managers held meetings to discuss new ways of attracting customers among the sales divisions and middle divisions of stores and the middle divisions of the head office in order to improve on-site ability and counseling ability toward the achievement of growth strategies (at nine directly managed stores).

③Manager and buyer training

At each of our own operation and shop operation sales sections, training was provided to improve the ability to operate organizations toward the implementation of management reforms and growth strategies. Concerning Original Merchandising Division, which was created in September 2011, training combining OJT and OffJT was provided to establish new business design and increase the accuracy of job performance.

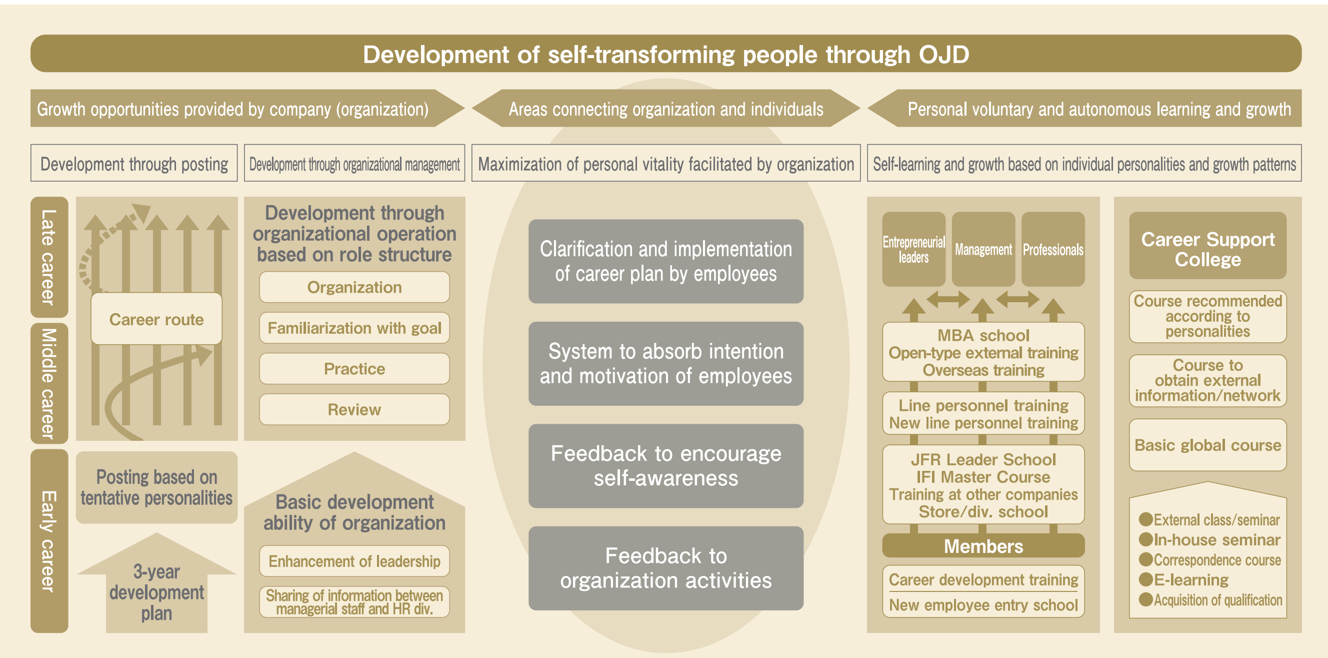
Our other trainings include JFR Entry School (79 people) in which employees learn the abilities, knowledge and skills required of business persons intensively during the three years after joining the company, career development training for all the employees aged 27 and 30 (108 people), an open-type school named JFR Leader School to develop transformable leaders (21 people), sending employees to business schools to develop future executive members (eight people to MBA programs of graduate schools for working adults and one to IFI Business School) and training at other companies to learn excellent know-how (two people).

We also enriched the curriculum of Career Support College, an in-house self-development school based on the concept of career independence that we should develop our careers on our own, and approximately 1,200 people including our employees and contract employees and our suppliers' employees attended the College in fiscal 2012.

Future efforts

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.

Outline of human resource development



CSR Basic Concepts

Our guidelines for ensuring CSR are “J. Front Retailing Group Philosophy” itself.
We will incorporate CSR concepts into management in accordance with the Group philosophy toward the achievement of the Group vision. To this end, the Group has set and will steadily address seven subjects based on international standards ISO 26000 as its CSR activities. In addition, we will strengthen CSR to ensure accountability to various stakeholders including customers, shareholders/investors and business partners. Through these efforts, we will build trust relationships to achieve sustainable and profitable growth.

◆J. Front Retailing Corporate Philosophy

We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations.

We aim at developing the Group by making a broad contribution to society as a fair and trusted business entity.

◆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 its core.

◆CSR basic concepts

◆Seven CSR subjects based on ISO 26000

1 Organizational Governance

In order for an organization as a collection of people to meet its social responsibility, it is essential to have an effective decision-making system to fulfill its purposes and roles. If clear and transparent decision-making is not conducted as an organization and its conduct is isolated even though each member thinks he/she judges and acts rightly, it cannot be said that organizational governance is enough. If organizational governance is not enough when addressing other six subjects, they will lack substance and it will be difficult to implement them. Accordingly, organizational governance is the basis for ensuring CSR.

JFR's efforts to firmly maintain sound management, create economic value such as profit return to society through the creation of employment and tax payment, and ensure appropriate management and disclosure of corporate information include the improvement of corporate bodies and internal control systems, risk management, the implementation of compliance management and proper accounting and tax procedures.

Corporate Governance Structure

As the core of the unified governance of the Group, JFR puts the strengthening of corporate governance at the top of its business agenda to ensure the transparency, soundness and compliance of the management of the whole Group and focus on and thoroughly fulfill its accountability to its stakeholders (customers, shareholders, employees, business partners, communities and others).

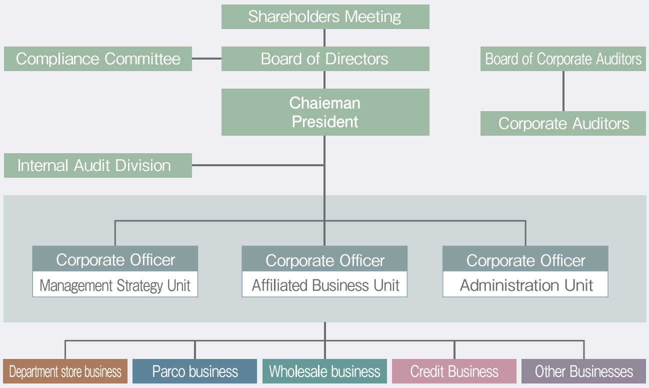
JFR has three supervisory units (Management Strategy Unit, Affiliated Business Unit and Administration Unit) in its corporate organization to clarify roles, responsibilities and authorities, thereby improving supervisory function and the internal control systems of the whole Group. In addition, a corporate officer system is in place to separate between decision-making and execution of the management, which facilitates speedier 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 the management and business results.

Corporate Bodies and Internal Control Systems

JFR has the Board of Corporate Auditors and invites three outside corporate auditors to enable fairer audits. JFR also has a Compliance Committee in place, which consists of full-time directors, full-time auditors and a corporate lawyer, to advise the Board of Directors on compliance management. In addition, the Group adopts a whistle-blowing system called JFR Group Compliance Hotline, which also provides outside contact (corporate lawyer) for reporting and is available to all workers at the companies of the Group. Thus we are committed to resolving compliance-related issues.

◆Corporate governance structure 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 ten Directors (including two outside directors) and generally meets once a month under the chairmanship of Chairman 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 2012, the Board of Directors had a total of 18 meetings to discuss and resolve the business alliance concerning the opening and operation of department store in Huangpu District, Shanghai, China and the commencement of tender offer for the shares of Parco and the conclusion of the capital and business alliance agreement with the same company.

We invited Takayama Tsuyoshi and Tachibana Fukushima Sakie 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. JFR expects Takayama as an executive of a business entity to reflect his rich experience, achievements and insights in its management. And Tachibana Fukushima is expected to reflect in JFR's management 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, JFR 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. JFR 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 JFR and the 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

JFR 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 maintenance and operation 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 three supervisory 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 Continuity Plan (BCP) based on the assumption of the occurrence of earthquake disasters and a new type of influenza to clarify the criteria for forming the emergency headquarters and its members. The plan also sets forth the initial response to disasters, emergency priority operations to continue business and emergency response procedures.

Compliance Management

JFR formed a Compliance Committee as an advisory body to the Board of Directors at its inception to make the Group thoroughly comply with laws and corporate ethics and establish a corporate social responsibility structure. Compliance promotion staff are assigned to each of business headquarters, department stores and the business units of the companies of the Group to improve a compliance structure, educate and enlighten workers, check the status of compliance with laws and rules in daily operations, prepare improvement plans and train workers to implement these plans at each site.

Practice of Compliance under Company Regulations and Operation Manual

JFR has developed various guidelines and operation manuals including JFR Group Compliance Manual as its company regulations to ensure the implementation of the Group Philosophy and the Group Policy on the job, while setting its own strict standards, particularly on quality control, the protection and management of personal information and fair trade, to promote the implementation of compliance management.

◆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 impartial and vibrant organization where the individuality and ability of each person are respected
4. Contributing to society (Good corporate citizen living in harmony with society)

Monitoring of Implementation

Persons in charge in each business site 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.

2 Human Rights

We believe that respect for human rights in the workplace will help create a desirable work environment and better motivate each employee to work, which will lead to higher productivity, the creation of new values and the offering of better products and services. In order to fulfill social responsibility and contribute to society through corporate activities, it is essential that each employee work with a solid human rights perspective.

JFR provides human rights education and strives to raise employees' awareness of human rights from the perspective that each employee should correctly recognize and understand human rights issues and that we should further promote the creation of corporate culture and corporate social responsibility based on respect for human rights.

Establishment of the Human Rights Awareness Promotion Committee

◆ **Composition**

Chairmen (General Manager of Human Resources Division and General Manager of Administration Division), promotion commissioners (division managers), promotion staff (members) and secretariat

◆ **Theme of activities**

① Dowa issues (Japan's historical caste-based discrimination issues) ➡ Correct understanding of dowa issues
② Disability issues ➡ Correct recognition and understanding of disabilities
③ Women's issues ➡ Understanding and prevention of sexual harassment, etc.
④ Other human rights issues ➡ Protection of the confidentiality of personal information and others

◆ **Contents of activities**

① Participation in training ➡ Training at the time of joining the company, in-house human rights seminars and others
② Participation in outside training ➡ Various seminars organized by governments
③ Hands-on activities ➡ Distribution of various educational materials and notices of seminars

Harassment Prevention

There are some cases where various stresses cause mental illness and harassment to others against the backdrop of recent drastic changes in the environment surrounding companies. In particular, harassment will worsen a work environment, which will result in lower productivity, an increase in mental illness and the loss of human resources. These days when CSR and compliance including corporate duty of care for safety are subject to scrutiny, we recognize that harassment is a great risk factor that may not only greatly damage victims physically and mentally but also lead to the loss of corporate social credibility depending on how to handle it once it occurs.

Therefore, the department store chain and other companies of the Group are establishing systems to prevent all harassment including power harassment as well as sexual harassment, take prompt action at the time of occurrence, and prevent a recurrence by setting up the Harassment Prevention Committee and the Harassment Consultation Desk.

3 Labor Practices

Organizations create employment and pay workers wages, which helps maintain and improve the living standards of workers. These labor practices as well as the human rights discussed above have a significant impact on society and the economy.

In Japan, the Labor Standards Act and other labor relations-related laws set forth basic rules regarding labor rights including employment opportunities, working hours and health and safety and require both labor and management to comply with them.

Through the efficient reform of organizational human resource structure and the reform of human resource system underlying the structure as well as health care and the improvement of work conditions and environment, JFR strives to build systems to revitalize human resources. These efforts include the formation of an organization beneficial to both companies and employees, which takes into account work-life balance, the improvement of employee training programs and the creation of human resource development support programs.

Work-Life Balance

◆ **Development and implementation of various systems based on work-life balance**

Work-life balance is becoming more important to secure human resources and keep employees healthy both mentally and physically with the backdrop of changes in society and family environment and changes in work environment. We will develop and steadily implement relevant leave and work systems.

Development of various leave and work systems and encouragement to use the systems

We strive to reduce extra working hours by streamlining business operations and setting no-overtime day.

We have adopted a short-time working system for child and other family care in addition to existing working systems for child care and family care.

We encourage employees to take annual paid holidays by introducing a half-holiday system and an event leave system and raising employee awareness.

We have adopted a system to make available annual paid holidays after the termination of the right to claim them in case of long-term illness, family care and fertility treatment.

Health Care

◆ **Health care measures**

Employees are the company's greatest asset. And it is the most important of all things to keep employees healthy both mentally and physically in order to provide better services and a pleasant shopping experience to customers. Therefore, we believe that it is the important role of the management to create an environment in which employees can work actively and produce big results.

Since the number of people with mental illness is increasing, JFR considers mental health measures, as well as traditional health measures, as an important task in terms of corporate management and human resource and labor management and promotes not only physical but mental health care measures. Specific efforts are listed below.

We focus on primary disease prevention based on changes in disease structure.

We conduct health examinations to prevent lifestyle diseases and gynecological examinations for all employees aged 35 and over, as well as legal regular health examinations, as disease prevention measures.

We conduct living conditions surveys as a self-care tool by dealing with mental health within the large framework of total mental and physical health care.

We pay attention to health guidance provided by health care team based on the results of the surveys above.

◆ **Mental health measures**

We provide the following four cares continuously and systematically.

"Self care" through stress check (living conditions surveys), etc.

"Care by the line management" through manager trainings, etc.

"Care by JFR's industrial medical staff" through health guidance, etc.

"Care by outside resources" including specialized institutions

Maintenance and Creation of Employment Opportunities and Response to Diversity

The Law Concerning Stabilization of Employment of Older Persons revised in 2006 requires companies to take either of job security measures including the raising of the mandatory retirement age, the introduction of continued employment system and the abolishment of mandatory retirement age. JFR has adopted a re-employment system since before the revision of the Law with a view to passing on long time accumulated skills and from the standpoint that the maintenance and creation of employment is a corporate social responsibility.

JFR assigns and uses people based on individual ability, performance, aptitude and motivation regardless of gender.

We also actively promote the employment of the disabled with the awareness that it is a corporate social responsibility.

4 Environment

Modern society faces various environmental issues including global warming, the depletion of natural resources, air pollution and the collapse of ecosystems. With regard to them, organizations should take responsibility for the environmental impact caused by their activities as well as comply with laws and regulations. It is important to adopt a preventive approach and take preventive measures to minimize such impact even if the impact on the environment is uncertain.

Since JFR mainly operates retail business, it can most contribute to the environment through product sales and other activities at stores and we believe that it is our social mission.

Any organizations consume energy and produce waste, whether on a large or small scale, when conducting business activities and there are many environmental actions they can take. In addition to actions that can be easily incorporated into daily operations including energy saving and resource saving, which are regulated by laws, JFR will consider and implement other unique approaches feasible in terms of human resources, technology and finances. Daimaru Matsuzakaya Department Stores, Daimaru Kogyo and Consumer Product End-Use Research Institute operate ISO 14001-certified environmental management systems and implement sustainable improvement measures with participation by all workers to reduce environmental impact.

J. Front Retailing Environmental Policy

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

(1) Recognizing environmental impacts and their causes, we will establish structures and systems to promote environmental conservation activities through the business activities of the companies of the Group and strive for continuous improvement to reduce environmental load.

- Effective use of resources and energy
- Reduction of CO_2 emissions
- Waste reduction and recycling
- Offering of environment-friendly products, services and information
- Promotion of environmental conservation activities and social contribution activities with customers, business partners and community members

(2) We will comply with the requirements of environmental laws, regulations and agreements and strive to prevent contamination.

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

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

Environmental Management System

For example, Daimaru Matsuzakaya Department Stores promotes environmental conservation activities at its stores by appointing Executive General Manager of Administration Headquarters as Environment Administrator, Executive Store Managers and Store Managers as Environment Managers and Division Managers as Environmental Promotion Managers. Environmental promotion staff in charge of practical operations is assigned to each division to support Environmental Promotion Manager and educate and enlighten the members of the division. The Corporate Environmental Promotion Secretariat consisting of dedicated members considers company-wide activities and develops an environmental management manual and corporate purposes and goals to operate the management system.

※The following companies of the Group are also working on environmental activities with department stores.
(Daimaru Matsuzakaya Sales Associates, Daimaru Matsuzakaya Tomonokai, JFR Card, Dimples', J. Front Foods, JFR Office Support and JFR Service)

◆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, 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.

Promoting "Smart Cool Biz" for summer 2012

For 2012, Daimaru Matsuzakaya Department Stores evolved the Ultra Cool Biz for 2011 into stylish and smart Cool Biz styles named "Smart Cool Biz." A search system "Smart Cool Biz Navi" was introduced to stores to enable customers to search styles that would help them choose smart Cool Biz coordinates on iPad and 90 recommended styles were presented to customers.

(Left)
Stylish and smart total Cool Biz style with accessories such as a hat and a scarf
(Daimaru Tokyo store)

(Right)
Men's style collection based on Smart Cool Biz Navi(Daimaru Kobe store)

◆Contribution to Creating Low-Carbon Society

JFR adopts various energy saving measures to reduce CO_2 emissions and prevent global warming. High energy efficient equipments are installed on the occasions of facility replacement, store renovation and new store opening.

Demand and supply of electricity and power saving measures in summer 2012

Based on the power saving requests from the government and electric power companies during summer (July to September) 2012, Daimaru and Matsuzakaya stores, particularly in the Kansai area where the supply and demand balance was tight, prepared a menu of power saving measures and developed power saving measures for in-store customer facilities and back-office areas to prepare for rolling blackouts. The stores achieved the required numerical targets in each area.

We stepped up company-wide power saving efforts by: (1) promoting the replacement of store lighting with LED units; (2) partially thinning out store lighting; (3) stopping operating some elevators; and (4) reducing the operating hours of air conditioners; and in back-office areas; (5) keeping the air conditioning at a set temperature of 28 degrees centigrade or above (installing electric fans in high temperature areas); (6) ensuring thorough light management using pull switches (always turning off lights when leaving desks); (7) curbing the use of computers and other office equipment (curbing the use of high power consuming computers and other appliances in offices); and (8) promoting the use of stairs (two up and three down campaign).

Promoting the replacement of store lighting with LED units

We are replacing existing lighting with LED units to reduce electricity consumption and CO_2 emissions.

In response to the supply and demand balance of local electric power companies and the power saving requests from the government in the wake of the Great East Japan Earthquake, we actively replaced the lighting of Daimaru and Matsuzakaya stores with LED units. By October 2012, 155,000 units, which account for about one third of approximately 452,000 lights to be replaced with LED units in all stores, were replaced with LED lights. Compared to traditional lighting fixtures, annual electric usage and CO_2 emissions are expected to decrease by 19,690 thousand kwh and 7,208 tons, respectively.

Since LED lights generate much less heat compared to halogen lights, they contribute significantly to improving the efficiency of in-store cooling.

Lights were replaced with LED on the occasion of the grand opening of larger store (Daimaru Umeda store)

◆Contribution to Creating Recycling-Based Society

Creating a recycling-based society is an important task to facilitate sustainable social growth. Recognizing the environmental impacts of business activities and their causes, JFR is engaged in various efforts to reduce environmental load, including the reduction of the usage of packaging materials, the reduction and recycling of waste and the reduction of food waste.

Reduction of packaging materials

At Daimaru and Matsuzakaya stores, workers are repeatedly trained based on a smart wrapping manual. At checkout counters, salespersons ask for shoppers' cooperation for simple packaging such as packing their purchases with their baggage in one bag. We also develop and sell beautifully designed and high value added eco bags to propose department store-like shopping styles.

Promotion of smart wrapping

The Japan Department Stores Association promotes the "smart wrapping" campaign to reduce paper bags, plastic bags and wrapping paper by asking shoppers to choose the right packaging for their needs. At our stores, we ask shoppers to cooperate for the right choice of packaging by displaying POP and posters and making an announcement over the PA system.

Sales of Daimaru Matsuzakaya original eco bags

Original eco bags are sold at all Daimaru and Matsuzakaya stores to promote resource saving and reduce waste by the use of shoppers' own bags. In April 2012, we changed their design so that more shoppers use them.

Designed by Wakisaka Katsuji at SOU·SOU, a textile designer working for renowned overseas brand as well ¥500 (including tax)

Reduction and recycling of waste

We implement thorough waste separation to decrease waste and promote recycling. At Daimaru and Matsuzakaya stores, we promote recycling systems by using collapsible containers and standardized department store hangers with the cooperation of suppliers to reduce packaging and the total amount of waste. At Daimaru Tokyo, Kyoto and Sapporo stores and Matsuzakaya Ueno store, we greatly reduce the volume of EPS waste generated in these stores by compressing and dissolving it to recycle it. In our store staff cafeterias, we use chopsticks that can be repeatedly washed and reused instead of disposable waribashi chopsticks.

5 Fair Operating Practices

In order for an organization to fulfill its social responsibilities, it is necessary and fundamental to take an ethical action toward society as an organization. The organization that wrongfully profits from its fraudulent acts cannot be said to fulfill its social responsibilities. Tasks for fair operating practices include fair competition, the promotion of social responsibility in the value chain and the prevention of corruption.

JFR is aiming at high quality management for healthy growth and development by promoting fair, transparent and appropriate corporate activities and maintaining fair relations with business partners, which allow mutual growth, as set forth in its corporate regulations JFR Compliance Manual.

Specifically, JFR promotes compliance with laws and regulations including the Antimonopoly Act that prohibits unfair competition including bid rigging, the Subcontract Act that prohibits unfair trade practices and insider trading regulations. We also promote awareness of compliance to encourage employees to act in accordance with the right ethical standards as members of society.

◆Promotion of fair trade

We make a pre-agreed basic contract with each business partner and educate and enlighten employees to ensure compliance with the fair trade manual developed by the Japan Department Stores Association, the Fair Trade Commission notification to large-scale retailers under the Antimonopoly Act and relevant laws including the Subcontract Act and the Premiums and Representations Act, while developing systems to ensure appropriate business operations.

◆Appropriate management and disclosure of corporate information

JFR provides financial data and information related to shareholders meetings to relevant authorities including the Finance Bureau and the Tokyo Stock Exchange in a timely manner and promptly discloses such information online as needed. We also deliver IR information by e-mail magazine to help investment behavior.

◆Prohibition of insider trading

The companies of the Group have set rules for preventing insider trading to ensure the appropriate management of corporate information, while raising employee awareness by displaying posters and by other measures.

◆Severance of relations with antisocial forces

We declare that we will sever all relationships with antisocial forces in accordance with local regulations and we are working on reviewing existing trade practices.

6 Consumer Issues

We should not disadvantage consumers by using ambiguous and false advertising and should not endanger consumers by offering products that are defective in safety. It is also important to prevent the use of our products and services by consumers from causing adverse impact on society including environmental damage.

JFR believes that both companies that offer products and consumers who use them need to perform consumption activities so as not to adversely affect society.

There remain many consumer-related issues, for some of which laws including the Product Liability Act are in place, and new issues occur with changes in society. Thus the social awareness of consumer issues is increasing. In these circumstances, we focus on voluntary and active efforts including the securing of food safety, the protection of personal information and the creation of consumer contact points. Meanwhile, department stores strive to create safe and secure stores and environment and actively promote the efforts to offer useful services to consumers.

Thorough Quality Control

Companies help consumers live rich lives by offering products and services. However, some corporate behaviors may greatly affect consumers. JFR makes its companies use Consumer Product End-Use Research Institute, which specializes in quality control, to maintain and improve their quality control so that both companies as providers and consumers as demanders can conduct sales or consumption activities without anxiety and enhance the quality of their lives.

"Food" Quality Control

In order to ensure food safety, department store operators and food-related companies conduct appropriate management in accordance with management rules concerning food labeling and expiration dates, while periodically checking the status of food control in cooperation with Consumer Product End-Use Research Institute. The Group has in place a system that enables prompt action to be taken in cooperation with compliance promotion staff of each company of the Group when a serious food-related accident occurs.

Consumer Product End-Use Research Institute —Totally supporting quality control operations as quality professional in retail industry

Consumer Product End-Use Research Institute is located in Osaka, Tokyo and Nagoya. Its operations include tests to identify product performance and the causes of complaints, the verification of product labels and expressions in sales promotion media under relevant laws and regulations, and consulting, trainings and seminars concerning product control in general. The Institute sends certified consultants to the consultation corners for consumers of a total of ten Daimaru, Matsuzakaya and affiliated department stores.

For the companies of the Group, the Institute conducts various tests to ensure the safety of products in use including quality tests of various products for sale, load bearing tests of wrapping paper and shopping bags and color fastness tests, as well as pre-sale tests, product label checks at stores and hygiene inspections of food floors and restaurants.

Creation of Safe and Secure Stores

We conduct emergency drills on a regular basis and adopt an earthquake early warning system in preparation for earthquakes and fires.

In Daimaru and Matsuzakaya stores, we organize self-defense firefighting teams and regularly carry out drills with the participation of all store staff 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 conduct emergency evacuation drills based on our emergency action manual to ensure 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. Daimaru Matsuzakaya Department Stores has installed AED (automatic external defibrillator) units in all its stores and continuously train employees to improve life saving measures in an emergency.

※This system is already in place in Daimaru Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo, Suma, Ashiya, Hakata Daimaru Tenjin and Kochi Daimaru stores and all Matsuzakaya stores. We plan to install it in all other stores.

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

Training in case of receiving the earthquake early warning
(Employees acting as shoppers who keep down as instructed by store staff)
(Matsuzakaya Nagoya store)

◆Efforts to help shoppers who have difficulty returning home in a disaster

From the experience of the Great East Japan Earthquake, the Tokyo Metropolitan Ordinance Covering the Measures for People Who Have Difficulty Returning Home was enacted in April 2013. In line with that, Daimaru and Matsuzakaya stores have organized a system in which they open part of their floor space to shoppers who have difficulty returning home as temporary evacuation space based on the ideas of self help, mutual help and public help.

Specifically, based on the estimated number of shoppers and employees who may have difficulty returning home when a great earthquake occurs, we store an equivalent quantity of hardtack and drinking water. In preparation of a shortage of these reserves, we explain to the suppliers of food products and restaurants and ask them to sign a memorandum to the effect that they agree to offer their products (before the expiration dates) on our store shelves. (※We have concluded this memorandum with approximately 400 suppliers as of March 2013.)

7 Community Involvement and Development

From the standpoint of fulfilling corporate responsibility, it is important for organizations to develop with the communities to which they belong by communicating and actively involving themselves with the communities in order to grow and develop the communities. They are expected to be involved with and contribute to communities in various forms including dialogues with community residents, the improvement of education and culture in the regions to which organizations belong and the creation of employment resulting from the development of organizations.

JFR strives to contribute to community revitalization and various social issues as a corporate citizen by using the assets of the Group companies and through its business activities. In this effort, we will select our activities by adding "contemporary and newsworthy" to four key words "customer participation," "education and enlightenment," "parents with children and women" and "community-based" and continue and deepen them.

Social Contribution Activities
Charity Bazaars and Fund Raising

Daimaru and Matsuzakaya stores continue the efforts to widely contribute to communities using the department store's capabilities to draw customers and transmit information. These stores organize charity bazaars and raise money with customer participation in order to preserve the global environment and support the regions suffering from severe hunger and poverty. When great disasters occur, we collect money in stores and offices and donate the money to disaster areas through the Japanese Red Cross Society.

"Let's Collect PET Bottle Caps to Deliver Vaccines to the World's Children!"

Daimaru and Matsuzakaya launched the "Let's Collect PET Bottle Caps to Deliver Vaccines to the World's Children!" campaign to coincide with their Christmas campaign for 2009.

Sakura Panda cap collection boxes were placed in stores to collect PET bottle caps from local supporters including customers, schools and companies. The collected caps are sent to recycling companies through the NPO "Re Lifestyle" and we donate the full amount paid for them to the authorized NPO "Japan Committee Vaccines for World's Children (JCV)" to deliver vaccines to children around the world. The total number of caps collected from the beginning of the campaign to May 2013 is approximately 46 million, which is equivalent to polio vaccines for approximately 87,000 children. Children are the most important asset to be handed down to the future. Daimaru and Matsuzakaya will continue this activity to protect children's health with cooperation from local people.

Big signboard and PET bottle cap collection box placed on the 1st floor of the north wing of Daimaru Shinsaibashi store

It is said that vaccines can save approximately 4,000※ lives a day.

※Source: the WHO/UNICEF joint immunization report published in March 2012

Company-wide Pink Ribbon Campaign

During the Pink Ribbon Month in October 2012, Daimaru and Matsuzakaya stores raised awareness by hanging vertical banners, putting stickers in restrooms, distributing awareness booklets and holding events to observe a mammography van (Matsuzakaya Toyota, Matsuzakaya Ueno and Daimaru LaLaport Yokohama stores) and to have mammography screening (Matsuzakaya Nagoya store and Hakata Daimaru) with support from Toshiba and Karadaniiikoto.

Daimaru and Matsuzakaya stores presented relevant products using common POP advertising of our original Sakura Panda Pink Ribbon mark in cooperation with suppliers to promote the campaign. At these stores, Paul Bocuse Bakery sold heart melon bread and baked heart donuts with the Pink Ribbon spirit.

At the information counters of the stores, we sold Pink Ribbon pins and donated their sales proceeds of ¥242,858 and the amount of ¥67,747 collected in the stores to the NPO "J. POSH (Japan Beast Cancer Pink Ribbon Movement)."

Observation of Toshiba mammography van (Panda Hiroba, Matsuzakaya Ueno store)

Paul Bocuse Pink Ribbon limited original heart melon bread (¥525 including tax)

Matsuzakaya Nagoya store participated in the Pink Ribbon Smile Walk organized by the Executive Committee for Pink Ribbon Festival (sponsored by The Asahi Shimbun Company, Japan Cancer Society and Nagoya Broadcasting Network). Daimaru Sapporo store lighted up its exterior walls pink during the night.

JFR Card Co., Ltd., which continues to support the Pink Ribbon Movement as an official supporter of J. POSH since fiscal 2010, gave a gift of breast cancer screening to those selected in a drawing from among the customers who signed up for Sakura Panda Card during the month and donated to J.POSH a certain percentage of sales made during the month.

Matsuzakaya Nagoya store participated in the Pink Ribbon Smile Walk. (Warm-up exercises before starting 5-kilometer Smile Walk)

Exterior wall of Daimaru Sapporo store lighted up pink

"Support the Tohoku and Make Japan Smile!"

In March 2012, which marked the first anniversary of the great earthquake, we sold Sakura Panda charity pins and collected money and support messages for children in the disaster areas in all Daimaru and Matsuzakaya stores.

Sakura Panda pins (¥200 including tax) were sold to employees as well as shoppers in our stores and generated sales of ¥617,085, which we donated together with the money of ¥425,105 raised in our stores at the same time to the "JCV Kids Smile Project" organized by the authorized NPO "Japan Committee Vaccines for the World's Children (JCV)."

Thanks to the cooperation of many shoppers, Sakura Panda pins (¥200 including tax) were sold out early in many stores.


Sakura Panda collected donations during Spring Thanks Festival.

Visited the Disaster Areas with Sakura Panda

The "JCV Kids Smile Project" (KSP) is intended to cheer up children and make them smile through the visit of performers including hospital clowns to kindergartens and children's halls in the disaster areas. Daimaru Matsuzakaya Department Stores donates part of the proceeds from sales of charity pins and the money collected in its stores in support of this project.

On April 7, 2012, Sakura Panda visited Konan Kaikan and Takasago Jidokan in Sendai with performers including a magician. They had a good time with children living in adjacent temporary houses or nearby and introduced and handed to them approximately 700 support messages collected in Daimaru and Matsuzakaya stores.

Contribution to Art and Culture

◆J. Front Retailing Archives Foundation

J. Front Retailing Archives Foundation Inc. was established in March 2011 with the aim of passing on the cultural assets of the Group to the future generations and making an academic and cultural contribution. Specifically, the Foundation maintains and manages: (1) kimono fabric designs, industrial designs and historical materials; and (2) materials on the foundation and history of Daimaru Matsuzakaya Department Stores Co. Ltd., which is the core of the Group.

Matsuzakaya, which has a long history as a kimono fabric dealer, has collected dyed textile products including kosode (small-sleeved kimono) of the Edo period in order to use the excellent designs and dyeing techniques of antique dyed textile products to make original luxury kimono fabrics. The Foundation's collection ranges widely from kosode and Noh costumes to cloth including ancient cloth and foreign cloth and furniture.

The Foundation maintains and manages these valuable cultural assets and organizes their public displays and exhibitions to contribute to art and culture.

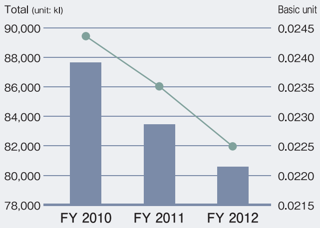

Daimaru kimono fabric store in Tokyo (Meiji period)


Ito kimono fabric store (Matsuzakaya) in Nagoya (Meiji period)

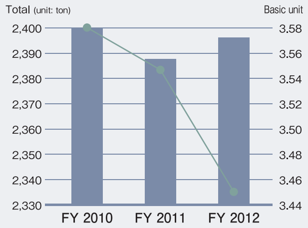
Historical Performance Data

◆Daimaru Matsuzakaya Department Stores energy saving and reduction of waste disposal

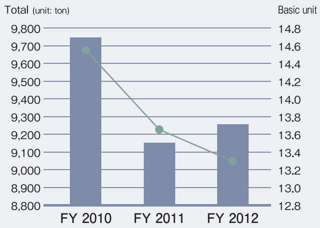
Energy consumption



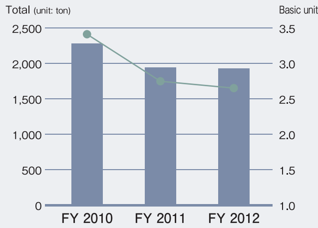
Packaging material consumption



Waste disposal



Food waste disposal



Total　Basic unit

※FY 2010 is used as a base year and the figures for FY 2011 and 2012 are based on basic units.
※Based on comparable stores excluding Daimaru Umeda and Matsuzakaya Ginza stores.
※Energy consumption is crude oil equivalent of total usage of electricity, gas, gasoline, light oil and heavy oil (unit: kiloliter).
※Packaging material consumption is the weights of wrapping paper, shopping bags, paper bags and plastic bags for food products (unit: ton).
※Waste disposal is the weights after subtracting the weights of waste recycled from the total weights of waste generated including general waste, raw garbage and industrial waste (unit: ton).
※Food waste disposal is included in waste disposal.

Basic unit
- Energy basic unit: usage(kiloliter×1000) ÷ total floor space(m²) ÷ business hours(h)
- Packaging material basic unit: usage(ton×1000) ÷ sales(¥million)
- Waste disposal basic unit: disposal(ton×1000) ÷ sales(¥million)
- Food waste disposal basic unit: disposal(ton×1000) ÷ sales(¥million)

◆"Let's Collect PET Bottle Caps to Deliver Vaccines to the World's Children!" campaign

All Daimaru / Matsuzakaya stores		FY 2009 (3 months)	FY 2010	FY 2011	FY 2012
No. of collected PET bottle caps	Annual total	1,900,000	10,200,000	14,200,000	16,300,000
	YoY	–	–	+39%	+15%
Polio vaccine equivalent	Annual total	3,500	19,600	26,700	31,200

※ The number of collected PET bottle caps is calculated at 400 pieces per kilogram.
※ Polio vaccine equivalent is calculated at approximately ¥20 per child (unit: persons).

◆Charitable donations (unit: ¥1,000)

Donated to	Description	FY 2011	FY 2012
Japanese Red Cross Society	Aid for the Great East Japan Earthquake	75,127	118
Japan Committee Vaccines for World's Children (JCV)	Vaccination aid (Note 1)	1,380	172
	Kids Smile Project	1,874	3,620
Japan Committee for UNICEF	Aid for the Great East Japan Earthquake	664	–
J. POSH	Pink Ribbon campaign	650	683
Funds to support the future and children of East Japan (Note 2)	Joint sales promotion with the Japan Department Stores Association "Department Store Kitty!" Charity sale of cell phone charms	2,428	2,110

Notes: 1. Vaccination aid (donation) to JCV does not include the proceeds from the campaign to collect PET bottle caps.
2. We donated money to children's relief funds in Fukushima, Iwate and Miyagi, including the Great East Japan Earthquake orphans' fund in Fukushima, through the Japan Department Stores Association.

History

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. (later Daimaru Peacock Co., Ltd.)
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.

September 3, 2007 The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd.

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 m^2).

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.
- Kosode with design of courtier's ox carts, birds and flowers in resist dyeing on black and red figured satin from the Matsuzakaya Collection was designated as a national 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.

(Aug)
- Jointly established JFR Plaza Inc. with StylingLife Holdings Inc.
- Increased a stake in Parco Co., Ltd. to 65% through TOB and made it a consolidated subsidiary.

(Sep)
- Sales outsourcing business was spun off from Dimples' Co., Ltd. to establish Daimaru Matsuzakaya Sales Associates Co., Ltd.

(Oct)
- Daimaru Tokyo store had its grand opening with increased floor space.

2013 (Apr)
- Transferred all shares in Peacock Stores Ltd. to Aeon Co., Ltd.


Daimaru Tokyo store

Plaza

Shibuya Parco

Corporate Data

J. FRONT RETAILING Co., Ltd.

Corporate Profile

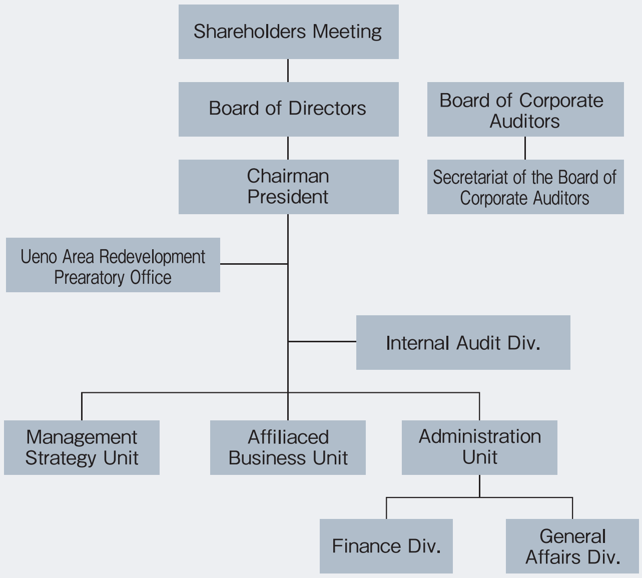
Company name	J. FRONT RETAILING Co., Ltd.
Main store	10-1, Ginza 6-chome, Chuo-ku, Tokyo
Office	1-1, Yaesu 2-chome, Chuo-ku, Tokyo
Established	September 3, 2007
Capital	¥30,000 million
Line of business	Department store operation; retail; restaurants; wholesale; import and export; design, supervision and contracting of construction works; direct marketing; credit cards; labor dispatch service; merchandise inspection and consulting; and others
Number of employees (Consolidated)	8,323 (As of February 28, 2013)
URL	http://www.j-front-retailing.com/

Management

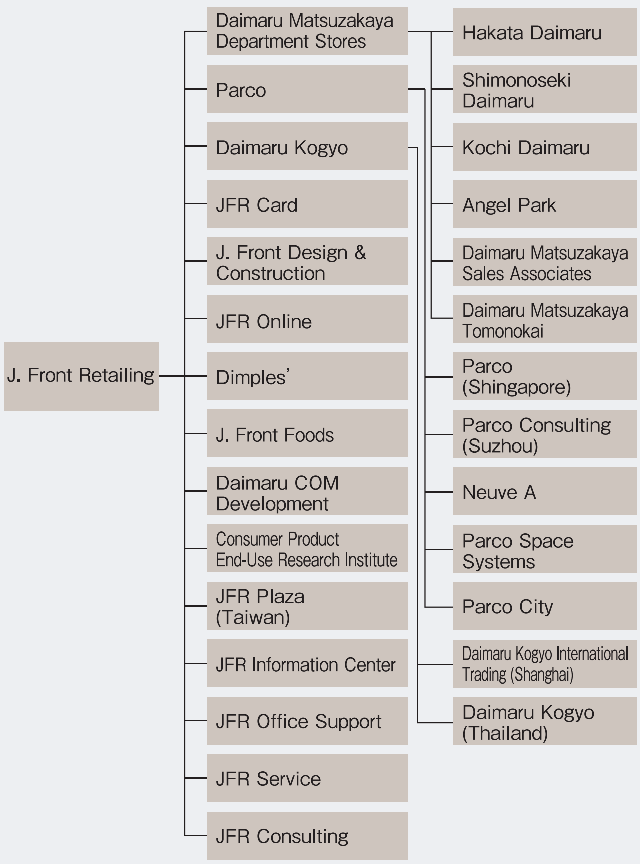
Chairman	SAMURA Shunichi	
President	YAMAMOTO Ryoichi	
Director and Senior Advisor	OKUDA Tsutomu	
Director	YOSHIMOTO Tatsuya	President and Senior General Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Director	MAKIYAMA Kozo	Member of the Board, President and Representative Executive Officer of Parco Co., Ltd.
Director and Corporate Executive Officer	TSUKADA Hiroto	Executive General Manager of Management Strategy Unit
Director and Corporate Executive Officer	KOBAYASHI Yasuyuki	Executive General Manager of Affiliated Business Unit
Director and Corporate Executive Officer	HAYASHI Toshiyasu	Executive General Manager of Administration Unit
Director	TAKAYAMA Tsuyoshi	
Director	TACHIBANA FUKUSHIMA Sakie	
Corporate Auditor	ARAI Kenji	
Corporate Auditor	NISHIHAMA Tsuyoshi	
Corporate Auditor	TSURUTA Rokurou	
Corporate Auditor	NOMURA Akio	
Corporate Auditor	NATSUME Kazuyoshi	
Corporate Officer	SAITO Yoshihiro	General Manager of Management Planning, Management Strategy Unit
Corporate Officer	HIRAYAMA Seiichiro	In Charge of Group Organization Personnel Policy, Management Strategy Unit
Corporate Officer	ENOMOTO Tomohiko	General Manager of IT New Business Development, Management Strategy Unit
Corporate Officer	SHIMIZU Mikio	General Manager of Affiliated Business, Affiliated BUsiness Unit
Corporate Officer	TSUTSUMI Hiroyuki	Senior General Manager of Finance Division
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, 2013)

Daimaru Matsuzakaya Department Stores Co. Ltd.

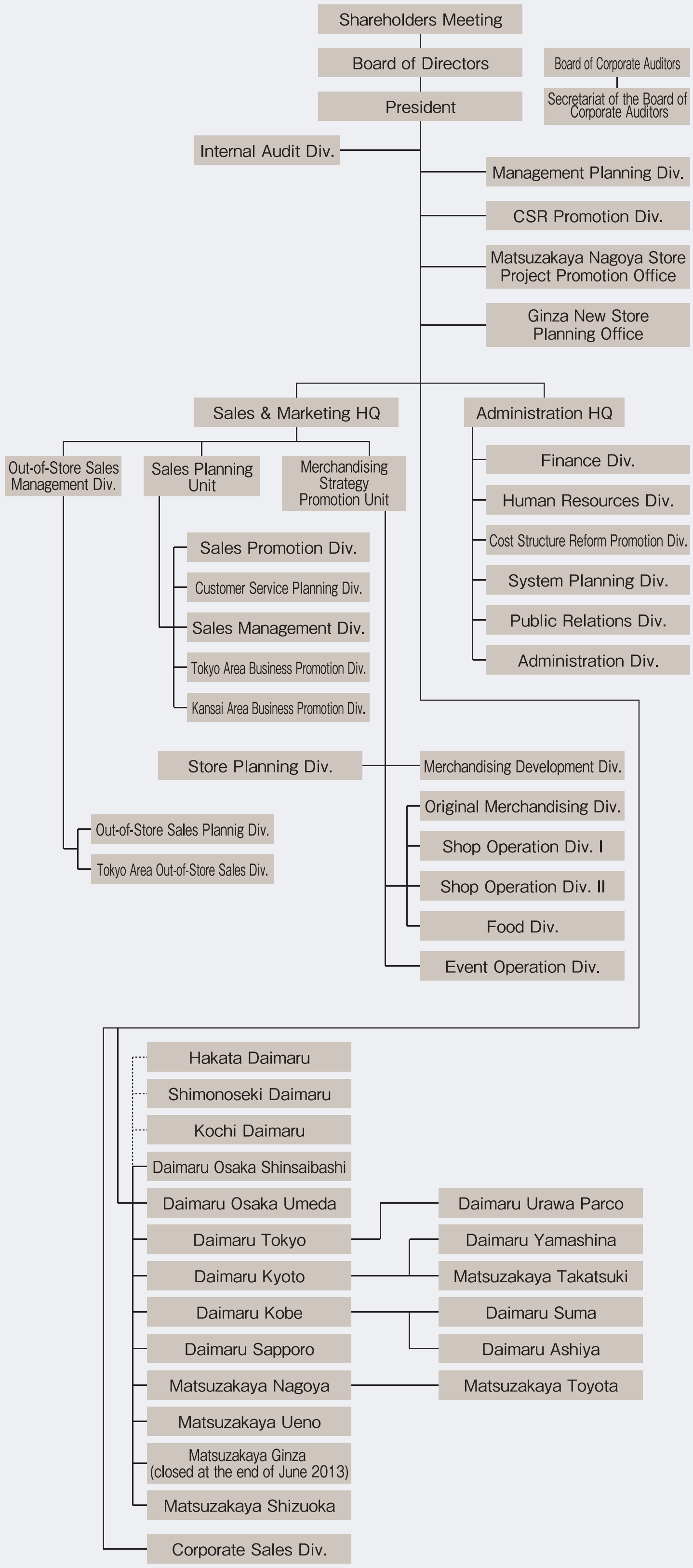
Corporate Profile

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	YOSHIMOTO Tatsuya	Senior General Manager of Management Planning Division Director of J. Front Retailing Co., Ltd. President of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Director and Corporate Executive Officer	MURATA Soichi	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	HIRAYAMA Seiichiro	General Manager of Human Resources Division
Corporate Auditor	NOMURA Akio	
Corporate Auditor	NATSUME Kazuyoshi	
Corporate Auditor	ARAI Kenji	
Corporate Auditor	NISHIHAMA Tsuyoshi	
Corporate Executive Officer	HARADA Takaharu	Chairman of Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co. Ltd.
Corporate Executive Officer	DOI Ryohei	President of The Hakata Daimaru, Inc.
Corporate Officer	HIGUCHI Masaichi	General Merchandise Manager of Original Merchandising Division
Corporate Officer	IKEDA Hideyuki	General Merchandise Manager of Shop Operation Division I
Corporate Officer	KUMAKI Toshi	General Merchandise Manager of Shop Operation Division II
Corporate Officer	NISHII Toshiro	General Merchandise Manager of Food Division
Corporate Officer	SAWADA Taro	Executive Store Manager of Daimaru Osaka Shinsaibashi
Corporate Officer	FUJI Hiroko	Executive Store Manager of Daimaru Osaka Umeda
Corporate Officer	FUJINO Haruyoshi	Executive Store Manager of Daimaru Tokyo
Corporate Officer	IMURA Ario	Executive Store Manager of Daimaru Kyoto
Corporate Officer	YUNOKI Kazuyo	Executive Store Manager of Daimaru Kobe
Corporate Officer	KATO Toshiki	Executive Store Manager of Matsuzakaya Nagoya and Senior General Manager of Matsuzakaya Nagoya Store Project Promotion Office
Corporate Officer	ISHINO Manabu	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.



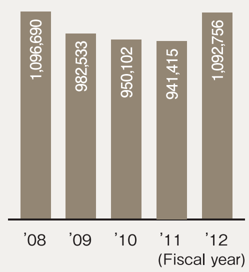
(As of April 1, 2013)

Financial Information

Analysis of Financial Condition and Operating Results

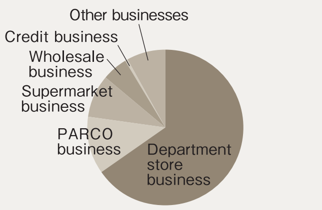
Sales

(Millions of yen)



Sales by Business Segment

〈Composition of sales not including intersegment sales〉

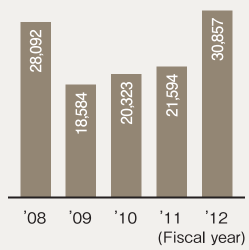


〈including intersegment sales〉
(Millions of yen)

Department store business	750,335
PARCO business	137,845
Supermarket business	101,778
Wholesale business	60,174
Credit business	8,592
Other businesses	90,133

Operating Income

(Millions of yen)



Business overview

During the consolidated fiscal year under review (fiscal 2012), the correction in the strength of the yen and the recovery in stock prices from the end of calendar year 2012 supported evidence of a rebound in the Japanese economy. However, against the backdrop of slumping exports and production prompted by factors such the slowdown in overseas business activity, the domestic economy continued to display a general lack of strength throughout the year.

Department store sales continued to experience strong performances by high-priced items. Overall, however, sales remained below the level of the previous year with the exception of March, a month distinguished by a rebound from the Great East Japan Earthquake.

Under these circumstances, the JFR Group geared up for renewed growth and progress into the future through improved competitiveness for the department store business and strengthened Group-wide growth potential.

Targeting improved competitiveness for our department store business, we accelerated the establishment of a "new department store model" as our goal. Toward that end, action was taken to create stores that are appealing and supported by a broad range of customers, while also striving to establish a highly productive store management structure in advancing business innovation. As one phase of this push, in October 2012 we reopened the Daimaru Tokyo store with expanded floor space as a new concept department store unshackled by conventional concepts. April 2012 marked the remodeling of both the food floor at the Daimaru Kobe store and the fashion floor of the Matsuzakaya Nagoya store. In both cases, strong steps were taken to realize charismatic store venues and raise competitiveness in the local districts.

In September 2012, envisioning a store management system backed by enhanced sales strength and high productivity, the sales-related commissioned operations division of the staffing company Dimples Co., Ltd. was spun off as independent operation, launching the new Daimaru Matsuzakaya Sales Associates Co., Ltd.

Among other developments, the Matsuzakaya Ginza store will temporarily be closed for rebuilding at the end of June 2013 as part of the redevelopment project in the Ginza 6-chome district of Tokyo. At the end of January 2013, meanwhile, operations of both the Daimaru Shinnagata and Daimaru Lalaport Yokohama stores were terminated in keeping with the quest to raise management efficiency.

With respect to initiatives designed to enhance Group-wide growth potential, our sights are set on flourishing as a multi-retailer active in various different business, placing the core focus on department stores. With that goal in mind, in March 2012 we transformed Parco Co., Ltd., an enterprise with outstanding business know-how in development and operation of urban-style commercial facilities, into an equity method affiliate, and subsequently made the company a consolidated subsidiary that August.

Regarding Peacock Stores Co., Ltd, with performance continuing to struggle due to intensified competition in recent years and other factors, prospects were that considerable time would be required to improve the situation. Based on this, the decision was made in March of this year to transfer all shareholdings in Peacock to AEON Co., Ltd., thereby concentrating the Group's management resources in more competitive business sectors.

For our overseas business, in May 2012 a basic agreement was reached with a local Chinese company for the establishment and operation of full-fledged upscale department stores in the Shanghai market, with initiatives now steadily being advanced toward the opening of such outlets in 2015. JFR Plaza Inc., a retailer of miscellaneous goods launched in Taiwan, opened its first store this March in Taipei City. Along with these moves, steps were taken to restructure on both the organizational and personnel fronts, promote efforts to return leased properties, lower rental fees, expand installation of LED lighting and otherwise revise all aspects of our cost structure in further raising management efficiency.

Sales

As a result of the measures outlined above, while sales in our supermarket business finished below the previous year, those for the flagship department store business and all other segments climbed above those in fiscal 2011. With positive contributions also made by the performance of the Parco business newly consolidated into our Group operations, total consolidated sales for the year under review amounted to ¥1,092,756 million, a gain of ¥151,341 million over the year before.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥214,757 million, up 4.7% from the previous year due to the addition of the Parco business into our Group. Excluding the Parco business, these expenses declined by 2.4% compared to fiscal 2011, reflecting the effects of the cost-cutting measures implemented.

Operating income

While selling, general and administrative expenses increased by ¥9,705 million, gross profit grew by ¥18,968 million. As a result, operating income rose by ¥9,263 million over fiscal 2011 to ¥30,857 million.

Other income and expenses

The Group recorded a net loss of ¥4,871 million in other expenses (income), compared to a loss of ¥4,880 million the previous year. This was the result of the listing of ¥2,863 million in losses from the remodeling of the Daimaru Matsuzakaya department store sales floor and disposal of other fixed assets, ¥1,667 million in loss on step acquisitions of Parco stock, ¥1,473 million in impairment losses from Peacock Store and other sources.

Net income

As a result of the foregoing, income before income taxes and minority interests increased by 55.5% over the previous year to ¥25,986 million, while net income decreased by 35.2% from the previous year to ¥12,183 million.

Segment overview

●Department store business

In this segment, we moved to establish a "new department store model" to realize growth in the midst of the harsh business environment. Various initiatives were advanced in this direction, together with efforts to forge a business structure characterized by even higher productivity.

At the Daimaru Tokyo store, which reopened in October 2012 with expanded floor space, steps taken to develop a greater range of customers included expanding product lineups along the concept of "The Department Store Complete with the 'Now' in Tokyo." The strategy included establishment of a new international brand zone, a greater number of select shops, introduction of "Tokyu Hands," "Ishii Sports" and other major specialty tenant shops, as well as further additions to the "Hoppe Town" (Yummy Town) food floor that has always been a key strength of the Tokyo store such as bento box lunches, sweets and other offerings. This has proved successful in spurring major growth in store visits, together with expanding the overall range of shoppers represented. At present, this store has emerged as a mantelpiece of the "new department store model," with expanded floor space leading to greater sales area, establishment of a high efficiency operations management system enabling the store to be run with fewer personnel than before and other advances.

For the Daimaru Kobe store, the first basement floor food sales area was fully remodeled and reopened as space distinguished by high buzz and innovative ideas geared to address the discerning culinary tastes of its customers. A major attraction is the newly established "Table Plus" – space focused on a bakery that also incorporates grocery sales, a delicatessen and other rich and chic Western dining styles. This is further complemented with the introduction of an impressive range of pastries, Japanese ready-prepared dishes and other new brands in a concerted push to expand the overall lineup.

At the Matsuzakaya Nagoya store, the Phase I remodeling plan centered on the fashion floor was advanced with the aim of expanding the range of customers and bolstering competitiveness. Introduced in the South Wing was the fast fashion brand "H&M," trendy select shops and the "Ufufu Girls young specialty zone, while in the Main Wing the women's furnishings, accessories and cosmetics sales floors were remodeled. As Phase II of this plan, the food floor has been undergoing remodeling from March of this year, with the grand opening slated for June.

At the Original Merchandising Division, an organization positioned to raise profitability through seamless coordination of operations spanning purchasing and sales to profit-loss control, initiatives were adopted with the purpose of strengthening in-store strategic concept sales floors. One example of this was the launch of exclusive sales of the Italian men's shirt brand "Camicissima" at seven principle Daimaru and Matsuzakaya stores.

The Greater Tokyo Major Customer Sales Division was established to boost competitiveness in Greater Tokyo, promoting the cultivation of new customers in Tokyo and neighboring districts. This unit has also marshaled marketing to target existing out-of-store sales customers with the aim of mobilizing attendance at events such as those commemorating the grand opening of the Tokyo Daimaru store with expanded sales floor space.

In the area of sales promotion activities, staged in the autumn of 2012 to address the stiffer competition in the Umeda district of Osaka was "Daimaru Grand Festa" – a joint sales promotion organized by the eight Daimaru stores in the Kansai region. Also implemented were combined sales promotions with Parco, newly added to the JRF Group, at the Daimaru Sapporo store, Matsuzakaya Nagoya store, Matsuzakaya Shizuoka store and the Hakata Daimaru Fukuoka Tenjin store, along with other timely and high-profile initiatives positioned to strengthen customer drawing power.

As fee-based consulting for customers, our "Fashion Navi," a service utilized to furnish fashion-related advice, was expanded from the initial Daimaru Umeda store to the Matsuzakaya Nagoya store and two other outlets. The "Cosmetics Navi" service for supplying advice on makeup opened for business at both the Daimaru Shinsaibashi store and the Matsuzakaya Nagoya store – yet another example of the ongoing push to further enrich our service platform.

As a result of the foregoing measures, sales in this segment rose by 1.8% over the previous year to ¥750,335 million, while operating income increased by 26.8% to ¥18,477 million.

●Parco business

Parco categorizes the stores operated in all regions of Japan into two separate groups in reflection of specific market area traits. The first group consists of "urban-style stores" located in the central districts of big cities, while the second group is known as "community-style stores" operated in major regional cities and the outlying districts of Tokyo. Remodeling and sales promotion measures geared to the needs of each of these markets were advanced during the year under review, moving to strengthen the segment's revenue base in solid and sustained fashion.

The "urban-style" Parco stores in Ikebukuro, Shibuya, Nagoya and other locales place their pivotal priorities on pursuit of fashion and innovation. A key aspect of this stance involves proposals for unique lifestyle patterns to heighten each store's information dissemination power as a fashion building. The "community-style stores" have followed a path of development rooted in close ties to the communities in which they do business. In addition to shops that address the daily needs of consumers in these areas, active steps have been taken to introduce young fashion brand shops, outdoor specialty stores and other tenants attuned to the characteristics of the specific stores.

The ZERO GATE business is a new Parco business model envisioned to utilize medium- and low-rise commercial facilities in prime midtown quarters to advance efficient store management suited to the location and scale of each property. During the year under review, preparations were advanced for the opening of new stores under this model in Osaka and other areas from April of the current year.

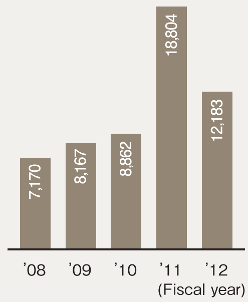
Likewise advanced were measures to expand and enhance services for Parco Card members, with the results including impressive increases in the number of new cardholders and value of billings alike. Along with this, the Shibuya and Fukuoka Parco stores were utilized to supply display space and sales opportunities to young creators excelling on the frontlines of fashion, art and other fields, striving to both discover and support the activities of new talent. The effectiveness of such initiatives in attracting customers to the venues proved instrumental in helping energize the stores themselves.

Also getting off the ground during fiscal 2012 were initiatives, personnel exchanges and other endeavors conceived to generate potent synergy with the Daimaru Matsuzakaya Department Stores Co. Ltd. and other Group companies.

As a result of these measures, sales for the Parco business segment finished at ¥137,845 million, while operating income came in at ¥5,898 million.

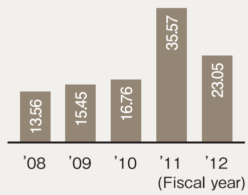
Net Income

(Millions of yen)



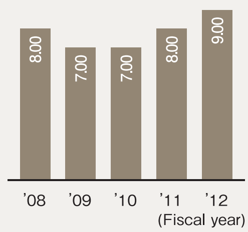
Net Income per Share

(Yen)



Cash Dividends per Share

(Yen)

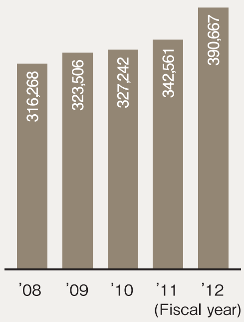


Total Assets

(Millions of yen)

Net Assets

(Millions of yen)



●Supermarket business

In keeping with the aim of operating food supermarkets with close ties to local communities, developed at Peacock Stores was the "Kiwami" (Apex) corner – a sales area pooling distinctive and high-quality products living up to the store's stellar reputation. This was accompanied by the introduction of new lower-priced products in a move designed to enhance the ability to respond to diversifying price demands. This two-pronged stance has been proactively promoted to address the bipolarized trend toward consumption of both upscale and discount products. In March 2012, the store information system was upgraded, putting into place a platform to support expansion of product lineups and more meticulous management of the items on the shelves.

Despite these measures, sales for the segment decreased by 9.6% from the previous year to ¥101,778 million. Factors included the impact of further intensification of competition in regional markets, the closing of two stores and other developments. Meanwhile, although efforts resulted in lower selling, general and administrative expenses, an operating loss of ¥1,564 million was recorded for the year.

●Wholesale business

Daimaru Kogyo, Ltd. took firm steps to promote its sales activities, including development of new customers in the metals and automobile business, foods and other mainstay divisions. As initiatives to cultivate the markets of Asia, which continue to chart robust economic growth, local subsidiaries established in Shanghai and Thailand spearheaded strategies to expand their business transactions. As a result, sales for the segment rose by 18.1% over the previous year to ¥60,174 million, and operating income moved up 0.5% to ¥1,592 million.

●Credit business

JFR Card Co., Ltd. moved to expand the ranks of cardholders via instant issue of credit cards utilizing tablet terminals at department stores, along with other proactive cardholder signup activities. Similar efforts in this vein included promotions to encourage use of cards for payment of public utility fees, shopping at affiliated merchants and other settlements outside of the Group itself. As a result, sales for the segment increased by 4.5% over the previous year to ¥8,592 million, and operating income posted a healthy gain of 29.4% to ¥2,951 million.

●Other businesses

Sales outside of the Group also posted solid results, exemplified by major department store remodeling projects and hotel and other interior design work performed by J. Front Design & Construction Co., Ltd. Another contributing factor was staffing company Dimples Co., Ltd., which succeeded in landing contracts for sales floor support at department stores, sales at outside commercial facilities and otherwise expanding its new commissioned operations. As a result of these and other upbeat developments, sales for the segment increased by 10.2% over the previous year to 90,133 million, and operating income grew by 19.4% to ¥3,193 million.

Financial condition

Keen efforts were advanced to improve asset efficiency and capital efficiency by effectively utilizing Group-owned assets, while striving to create a unified management structure for our Group assets to foster greater financial strength. Another key factor was the incorporation of Parco Co., Ltd. as a consolidated subsidiary, with total assets increasing by ¥241,622 million over the previous year to ¥1,009,165 million. Total liabilities amounted to ¥618,497 million and total net assets came to ¥390,667 million. On the basis of these results, the return on assets (ROA) was tracked at 3.5% and the shareholders' equity ratio was 33.8%.

Cash flows

The Group strives to generate stable operating cash flows and secure broad-based financing methods, with the goals of ensuring access to appropriate funds to advance its business activities, maintain liquidity and achieve 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, the issuing of commercial paper and corporate bonds and other means.

During the period under review, we generated a net cash inflow of ¥26,025 million from operating activities. Compared to the previous consolidated fiscal year, despite an increase in expenditures linked to a decline in accounts payable, the incorporation of Parco Co., Ltd. into the Group as a consolidated subsidiary contributed to an increase in income of ¥1,660 million.

Our cash flow on investing activities amounted to an outflow of ¥73,977 million. This was a cash outflow increase of ¥47,196 million compared to the previous fiscal year, reflecting the acquisition of the stock of Parco Co., Ltd. and other developments.

The cash flow on financing activities amounted to ¥58,275 million. This represented a cash inflow increase of ¥65,147 million compared to the previous fiscal year, the result of the issuing of corporate bonds, new fund procurement through long- and short-term borrowing and other factors.

As a result of the above, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥34,576 million, an increase of ¥10,372 million from the previous period.

Going forward, the Group intends to continue appropriate levels of profit distribution and capital investment, taking into consideration the 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 interim and year-end dividends of ¥4.50 each, for an annual dividend of ¥9.

With respect to the next fiscal year, the plan is to distribute mid-term and year-end dividends of ¥5.00 each, for an annual dividend of ¥10.

Business risk factors

Business risk factors for the Group capable of having a material impact on investment decisions are discussed below.

The forward-looking statements contained herein are based upon the Group's assessments as of February 28, 2013. Since they could be affected by domestic and overseas economic conditions and other factors, the Group's business risk factors are not limited to those discussed here.

①Business environment

Economic conditions, including business, consumption and financial trends, competition with other retailers in the same and other business categories, changes in transportation access and other factors have a material impact on the Group's mainstay department store and Parco business segments. These business environment factors can 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 herein 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 developments 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 Parco 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 its 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.

⑦Fixed assets under ownership

In the course of its business activities, the Group comes to acquire and maintain ownership of store-use land and buildings and other fixed assets for commercial purposes. Impairment losses accompanying the worsening of business income or cash flows, declines in land prices or other developments could exert a material impact on the Group's performance and financial position.

⑧Overseas 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.

⑨Significant 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.

⑩Business 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 28, 2013 and February 29, 2012

	Millions of yen	
ASSETS	2013	2012
Current assets:		
Cash on hand and in banks	**¥37,234**	¥24,204
Marketable securities	**818**	1,769
Notes and accounts receivable:	**63,061**	54,720
Less: allowance for doubtful accounts	**(273)**	(575)
Inventories	**30,942**	28,070
Deferred tax assets	**13,887**	12,457
Other	**44,425**	28,594
Total current assets	**190,096**	149,240
Property and equipment:		
Land	**431,868**	353,713
Buildings and structures	**495,936**	362,080
Other	**21,160**	13,285
Construction in progress	**1,234**	445
Total	**950,199**	729,523
Accumulated depreciation	**(316,814)**	(233,579)
Net property and equipment	**633,385**	495,944
Investments and other assets:		
Goodwill	**1,571**	—
Investment securities	**23,149**	20,099
Investments in unconsolidated subsidiaries and affiliates	**14,045**	13,884
Long-term loans	**1,639**	1,442
Leasehold and other deposits	**82,587**	48,938
Bond issuance costs	**101**	—
Deferred tax assets	**4,428**	4,687
Other	**58,159**	33,305
Total investment and other assets	**185,682**	122,358
Total assets	**¥1,009,165**	¥767,543

LIABILITIES AND NET ASSETS	Millions of yen 2013	2012
Current liabilities:		
Notes and accounts payable	**¥87,995**	¥74,616
Short-term bank loans	**74,567**	58,940
Commercial paper	**19,998**	9,998
Current portion of bonds	**1,000**	—
Income taxes payable	**9,154**	4,657
Advances received	**17,985**	17,032
Gift certificates	**38,001**	39,374
Allowance for employees' bonuses	**6,437**	6,174
Allowance for directors' and corporate auditors' bonuses	**148**	154
Provision for sales returns	**14**	—
Provision for books unsold	**137**	—
Provision for sales promotion	**624**	340
Provision for loss on collection of gift certificates	**11,429**	10,322
Provision for loss on business liquidation	**70**	1,097
Other	**60,729**	44,967
Total current liabilities	**328,295**	267,676
Long-term liabilities:		
Bonds	**24,000**	—
Long-term loans payable	**93,519**	37,087
Deferred tax liabilities	**101,919**	83,257
Deferred tax liabilities on revaluation	**1,279**	1,308
Provision for retirement benefits	**26,554**	25,022
Provision for directors' and corporate auditors' retirement allowances	**48**	62
Negative goodwill	**—**	1,163
Other	**42,879**	9,403
Total long-term liabilities	**290,201**	157,305
Total liabilities	**618,497**	424,982
Net assets:		
Shareholders' equity:		
Common stock:		
Authorized: 2,000,000,000 shares		
Issued: 536,238,328 shares in 2013 and 2012	**30,000**	30,000
Capital surplus	**209,563**	209,598
Retained earnings	**107,629**	100,133
Less: treasury stock, at cost, 8,030,692 shares in 2013 7,629,481 shares in 2012	**(6,098)**	(5,967)
Total shareholders' equity	**341,095**	333,764
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	**68**	(827)
Deferred gains (losses) on hedges	**6**	(1)
Foreign currency translation adjustments	**149**	(18)
Total accumulated other comprehensive income	**223**	(847)
Stock acquisition rights	**15**	99
Minority interests	**49,333**	9,544
Total net assets	**390,667**	342,561
Total liabilities and net assets	**¥1,009,165**	¥767,543

CONSOLIDATED STATEMENTS OF INCOME

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

Years ended February 28, 2013 and February 29, 2012

	Millions of yen	
	2013	2012
Sales:		
Net sales	**¥1,083,679**	¥934,453
Rent income of real estate	**9,076**	6,961
	1,092,756	941,415
Operating expenses:		
Cost of sales	**842,419**	711,554
Cost of real estate rent	**4,722**	3,213
	847,141	714,768
Gross profit	**245,615**	226,646
Selling, general and administrative expenses	**214,757**	205,052
Operating income	**30,857**	21,594
Other income (expenses):		
Interest and dividend income	**828**	808
Interest expenses	**(1,772)**	(1,536)
Net loss on sales or disposal of fixed assets	**(2,767)**	(674)
Gain on sales of investment securities	**496**	138
Loss on revaluation of investment securities	**(307)**	(1,519)
Loss on impairment	**(1,473)**	(794)
Gain on restructuring liabilities	**3,464**	3,499
Amortization of negative goodwill	**1,163**	2,286
Equity in earnings of affiliates	**1,837**	228
Provision for loss on collection of gift certificates	**(3,693)**	(3,755)
Loss on business restructuring	**(359)**	(532)
Reversal of provision for loss on business liquidation	**375**	400
Income from compensation for damage	**569**	—
Loss on step acquisitions	**(1,667)**	—
Loss on cancellation of leasehold contracts	**(999)**	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	**—**	(2,254)
Other, net	**(565)**	(1,174)
	(4,871)	(4,880)
Income before income taxes and minority interests	**25,986**	16,714
Income taxes:		
Income taxes - current	**11,479**	6,247
Income taxes - deferred	**757**	(8,926)
	12,237	(2,678)
Income before minority interests	**13,749**	19,392
Minority interests in earnings of consolidated subsidiaries	**1,565**	587
Net income	**¥12,183**	¥18,804

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

Years ended February 28, 2013 and February 29, 2012

	Millions of yen	
	2013	2012
Income before minority interests	**¥13,749**	¥19,392
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	**962**	(352)
Deferred gains (losses) on hedges	**(5)**	57
Foreign currency translation adjustments	**161**	(17)
Shares of other comprehensive income of associates accounted for using equity method	**27**	(42)
Total other comprehensive income	**1,145**	(355)
Comprehensive income	**¥14,894**	¥19,036
Total comprehensive income attributable to:		
Owners of the parent	**¥13,255**	¥18,447
Minority interests	**1,639**	589

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Years ended February 28, 2013 and February 29, 2012

		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, 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
Cash dividends paid				**(4,759)**		**(4,759)**
Change in scope of equity method				**70**		**70**
Net income				**12,183**		**12,183**
Purchase of treasury stock					**(195)**	**(195)**
Disposal of treasury stock			**(35)**		**65**	**30**
Net changes of items other than shareholders' equity during the year						
Balance, February 28, 2013	**536,238,328**	**¥30,000**	**¥209,563**	**¥107,629**	**¥(6,098)**	**¥341,095**

	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, 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
Cash dividends paid							**(4,759)**
Change in scope of equity method							**70**
Net income							**12,183**
Purchase of treasury stock							**(195)**
Disposal of treasury stock							**30**
Net changes of items other than shareholders' equity during the year	**895**	**7**	**168**	**1,071**	**(83)**	**39,788**	**40,776**
Balance, February 28, 2013	**¥68**	**¥6**	**¥149**	**¥223**	**¥15**	**¥49,333**	**¥390,667**

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Years ended February 28, 2013 and February 29, 2012

	Millions of yen	
	2013	2012
Cash flows from operating activities:		
Income before income taxes and minority interests	**¥25,986**	¥16,714
Depreciation	**16,482**	13,347
Loss on impairment	**1,473**	1,069
Amortization of goodwill	**174**	—
Amortization of negative goodwill	**(1,163)**	(2,286)
Decrease in allowance for doubtful accounts	**(143)**	(53)
Decrease in allowance for bonuses	**(807)**	(187)
Decrease in provision for employees' retirement benefits	**(866)**	(4,387)
Increase in provision for sales promotion	**12**	3
Increase in provision for loss on collection of gift certificates	**1,048**	1,143
Decrease in provision for business liquidation	**(1,026)**	(569)
Interest and dividend income	**(828)**	(809)
Interest expenses	**1,772**	1,536
Equity in earnings of affiliated companies	**(1,837)**	(228)
Loss on sales or disposal of property and equipment, net	**2,391**	407
Gain on sales of investment securities, net	**(366)**	(10)
Write-down of investment securities	**307**	1,519
Income from compensation for damage	**(569)**	—
Loss on step acquisitions	**1,667**	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	**—**	2,254
Increase in notes and accounts receivable	**(505)**	(542)
Decrease in inventories	**124**	2,330
Decrease in notes and accounts payable	**(4,707)**	(1,923)
Increase in other receivables	**(1,592)**	(1,295)
(Increase) decrease in prepaid expenses	**(181)**	1,832
Other	**407**	256
Subtotal	**37,252**	30,120
Interest and dividend income received	**668**	651
Interest expenses paid	**(1,851)**	(1,511)
Income taxes paid	**(11,622)**	(4,895)
Compensation for damage received	**1,578**	—
Net cash provided by operating activities	**26,025**	24,365
Cash flows from investing activities:		
Purchase of securities	**(31,957)**	(11,962)
Proceeds from sales of securities	**4,006**	2,487
Purchase of property and equipment	**(16,824)**	(15,686)
Proceeds from sales of property and equipment	**1,845**	2,853
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	**(34,386)**	—
Decrease in short-term loans	**108**	240
Increase in long-term loans	**(8)**	(36)
Proceeds from collection of long-term loans	**67**	108
Other	**3,171**	(4,785)
Net cash used in investing activities	**(73,977)**	(26,781)
Cash flows from financing activities:		
Net increase (decrease) in short-term bank loans	**30,143**	(14,998)
Increase in commercial paper	**10,000**	9,998
Proceeds from issuance of bonds	**24,000**	—
Redemption of bonds	**(500)**	—
Proceeds from long-term bank loans	**52,350**	14,000
Payments of long-term bank loans	**(51,488)**	(11,632)
Purchase of treasury stock	**(193)**	(16)
Cash dividends paid	**(4,746)**	(3,693)
Cash dividends paid to minority shareholders	**(413)**	(94)
Other	**(876)**	(434)
Net cash provided by (used in) financing activities	**58,275**	(6,872)
Effect of exchange rate changes	**49**	1
Net increase (decrease) in cash and cash equivalents	**10,372**	(9,286)
Increase in cash and cash equivalents from newly consolidated subsidiaries	**—**	286
Cash and cash equivalents at beginning of year	**24,204**	33,204
Cash and cash equivalents at end of year	**¥34,576**	¥24,204

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

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 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 Shizuoka Store

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

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/

Parco Business

Parco Co., Ltd.(Shopping complex business)

●Location: Shibuya First Place Bldg. 8-16 Shinsen-cho, Shibuya-ku, Tokyo 150-0045
●Phone: +81-3-3477-5710 ●Capital: ¥34,367 million ●Investment ratio: 64.9%

Parco (Singapore) Pte Ltd(Shopping complex business)

●Location: 9 Raffles Boulevard #03-02 Millenia Walk, Singapore 039596
●Phone: +65-6595-9100 ●Capital: S$15 million ●Investment ratio: 64.9%

Parco Consulting (SUZHOU)Co.,Ltd.(Shopping complex business)

●Location: Room 104-5 Block C, Genway HoPhone:, Jinji Lake Commercial Plaza, Suzhou Industrial Park, China 215021
●Phone: +86-512-6999-5250 ●Capital: CN¥1 million ●Investment ratio: 64.9%

Neuve A Co., Ltd.(Retail business)

●Location: hibuya First Place Bldg. 8-16 Shinsen-cho, Shibuya-ku, Tokyo 150-0045
●Phone: +81-3-5428-2600 ●Capital: ¥490 million ●Investment ratio: 64.9%

Parco Space Systems Co.,Ltd.(Space engineering and management business)

●Location: Shibuya First Place Bldg. 8-16 Shinsen-cho, Shibuya-ku, Tokyo 150-0045
●Phone: +81-3-5459-6811 ●Capital: ¥490 million ●Investment ratio: 64.9%

Parco-City Co., Ltd.(Internet-related business)

●Location: Shibuya First Place Bldg. 8-16 Shinsen-cho, Shibuya-ku, Tokyo 150-0045
●Phone: +81-3-3477-8910 ●Capital: ¥10 million ●Investment ratio: 64.9%

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%

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: 20th & 21st Fls., Edobori Center Bldg., 1-1, Edobori 2-chome, Nishi-ku, Osaka 550-0002
•Phone: +81-6-6445-4670
•Location: 5th Fl., Matsuzakaya Ryutsu Center, 36-20, Higashinippori 4-chome, Arakawa-ku, Tokyo 135-8510
•Phone: +81-3-5615-5390
•Location: 10th Fl., Matsuzakaya Park Place, 2-36, Sakae 5-chome, Naka-ku, Nagoya, Aichi 460-0008
•Phone: +81-52-261-2030
•Capital: ¥450 million •Investment ratio: 100%
http://www.shoukaken.jp/

JFR PLAZA Inc.(General merchandise retail business)

•Location: 6F-2, No,129, Sec.2, Chung Shan North Road, Taipei, Taiwan
•Capital: NT$185 million •Investment ratio: 90%

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.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: 5th Fl., Kuromon Annex, Matsuzakaya Ueno Store. 18-6, Ueno 3-chome, Taito-ku, Tokyo 110-0005
•Phone: +81-3-6880-2260 •Capital: ¥100 million •Investment ratio: 100%
http://www.j-front-retailing.com/jfr_con/

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/

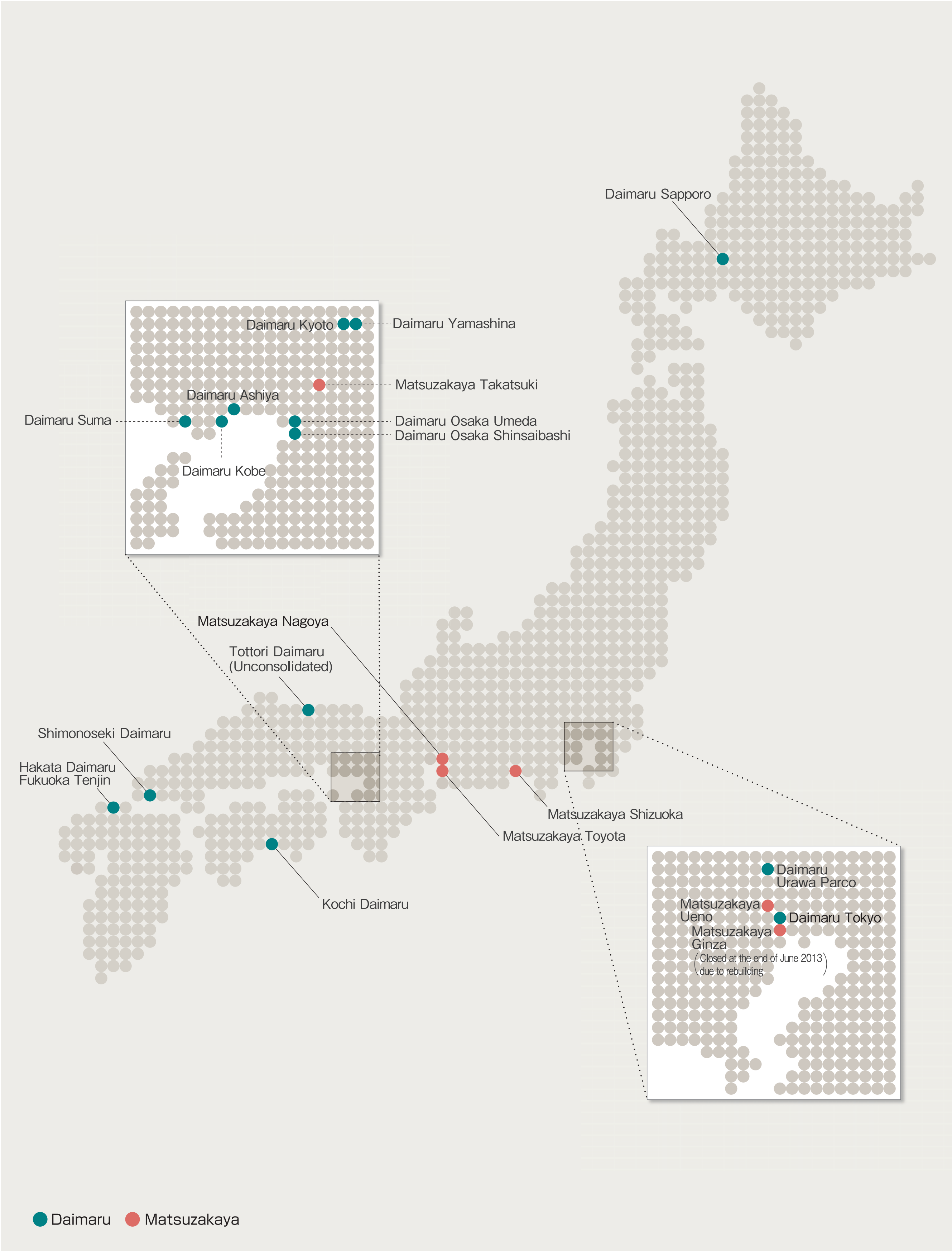
Daimaru Matsuzakaya Sales Associates Co. Ltd.(Sales outsourcing service)

•Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
•Phone:+81-72-684-8145 •Capital: ¥90 million •Investment ratio: 100%

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: 77,490㎡)


Daimaru Kyoto (Floor space: 50,830㎡)


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


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


Daimaru Yamashina (Floor space: 5,403㎡)


Shimonoseki Daimaru (Floor space: 23,912㎡)


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


Daimaru Kobe (Floor space: 50,656㎡)


Daimaru Suma (Floor space: 13,076㎡)


Kochi Daimaru (Floor space: 16,068㎡)


Daimaru Tokyo (Floor space: 46,000㎡)


Daimaru Sapporo (Floor space: 45,000㎡)


Daimaru Ashiya (Floor space: 4,300㎡)


Tottori Daimaru (Floor space: 13,637㎡)

Matsuzakaya Department Stores


Matsuzakaya Nagoya (Floor space: 86,758㎡)


Matsuzakaya Takatsuki (Floor space: 17,387㎡)


Matsuzakaya Toyota (Floor space: 18,220㎡)


Matsuzakaya Ueno (Floor space: 35,213㎡)


Matsuzakaya Shizuoka (Floor space: 25,452㎡)


Matsuzakaya Ginza
(Closed at the end of June 2013 due to rebuilding)

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

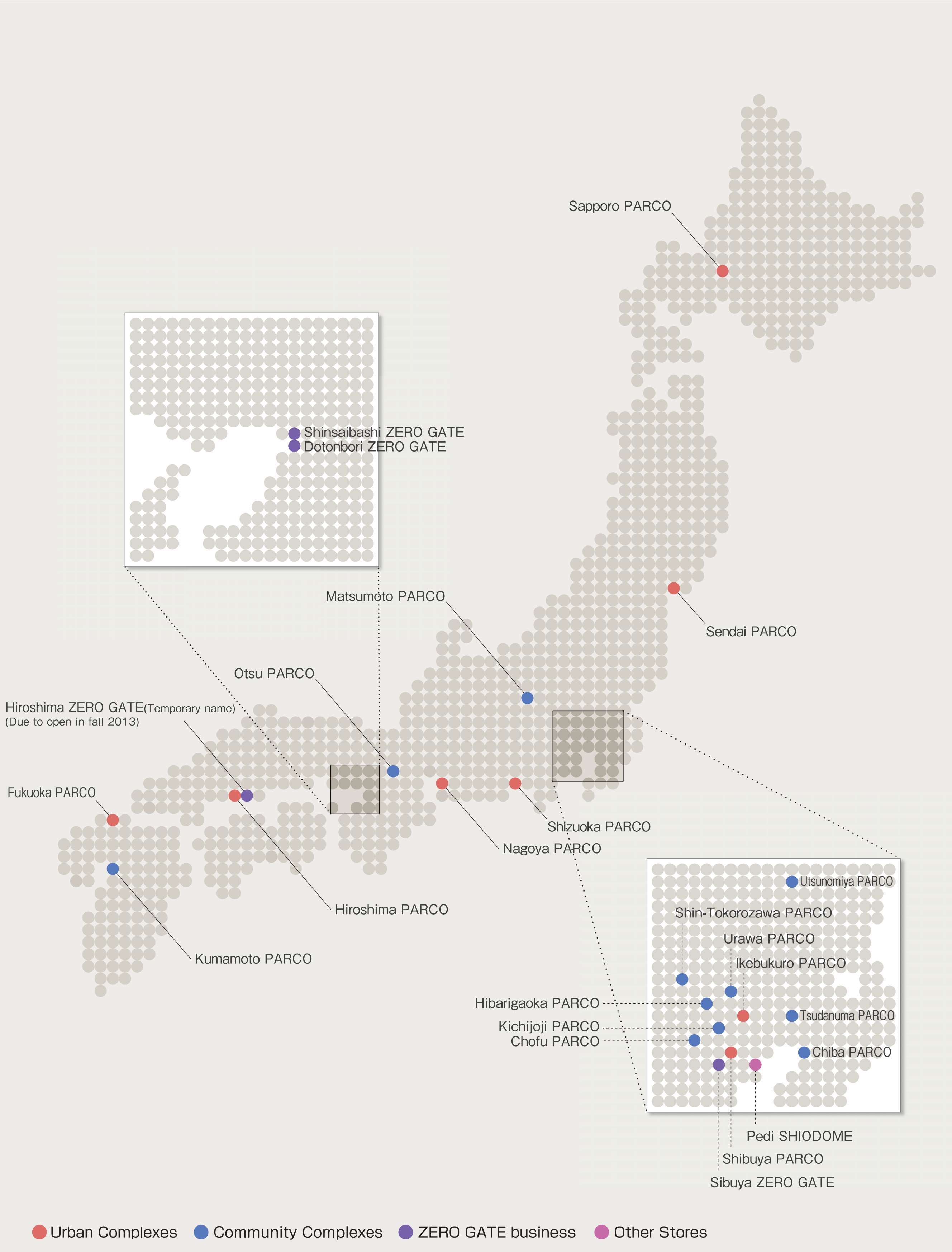
London Representative Office
20 Hanover Square, London W1S 1HZ, UK
Phone : +44-20-3178-4606

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

As of May 31, 2013

Locations of Parco Stores



Urban Complexes

Sapporo PARCO
3-3 Minami-Ichijo Nishi, Chuo-ku, Sapporo City, Hokkaido
B2F-8F
Opened: August 24, 1975
www.parco-sapporo.com

Sendai PARCO
1-2-3 Chuo, Aoba-ku,Sendai City, Miyagi
B1F-9F
Opened: August 23, 2008
www.parco-sendai.com

Shizuoka PARCO
6-7 Koyamachi, Aoi-ku, Shizuoka City, Shizuoka
B1F-8F
Opened: March 15, 2007
www.parco-shizuoka.com

Shibuya PARCO
15-1 Udagawa-cho, Shibuya-ku, Tokyo
PART1: B1F-9F
Opened: June 14, 1973
PART3: B1F-8F
Opened: September 10, 1981
CLUB QUATTRO: 4F-5F
Opened: June 28, 1988
ZERO GATE: B1F-4F
Opened: April 27, 2002
From April 16, 2011, it changed its business format to a ZERO GATE business.
www.parco-shibuya.com

Ikebukuro PARCO
1-28-2 Minami-Ikebukuro, Toshima-ku, Tokyo
Main Building: B2F-8F
Opened: November 23, 1969
P' PARCO: B2F-8F
Opened: March 10, 1994
www.parco-ikebukuro.com

Nagoya PARCO
3-29-1 Sakae, Naka-ku, Nagoya City, Aichi
West Building:B1F-11F
East Building:B1F-8F
Opened: June 29, 1989
South Building:B1F-10F
Opened: November 6, 1998
www.parco-nagoya.com

Hiroshima PARCO
10-1 Hondori, Naka-ku, Hiroshima City, Hiroshima
Main Building: B1F-10F
Opened: April 9, 1994
New Building:B1F-9F
Opened: September 21, 2001
www.parco-hiroshima.com

Fukuoka PARCO
2-11-1 Tenjin, Chuo-ku, Fukuoka City, Fukuoka
B1F-8F
Opened: March 19, 2010
www.parco-fukuoka.com

Community Complexes

Utsunomiya PARCO
3-1-1 Baba-dori, Utsunomiya City, Tochigi
B1F-10F
Opened: March 20, 1997
www.parco-utsunomiya.com

Urawa PARCO
11-1 Higashi-takasago-cho, Urawa-ku, Saitama City, Saitama
B1F-7F
Opened: October 10, 2007
www.parco-urawa.com

Chiba PARCO
2-2-2 Chuo, Chuo-ku, Chiba City, Chiba
B1F-8F
Opened: December 1, 1976
www.parco-chiba.com

Tsudanuma PARCO
2-18-1 Maebara-nishi, Funabashi City, Chiba
A Building: B1F-6F
B Building: B1F-6F
Opened: July 1, 1977
www.parco-tsudanuma.com

Shin-Tokorozawa PARCO
1-2-1 Midori-cho, Tokorozawa City, Saitama
PARCO: B1F-5F
Let's: B1F-4F
Opened: June 23,1983
www.parco-shintokorozawa.com

Hibarigaoka PARCO
1-1-1 Hibarigaoka, Nishi-Tokyo City, Tokyo
B1F-5F
Opened: October 8, 1993
www.parco-hibarigaoka.com

Kichijoji PARCO
1-5-1 Kichijoji-honcho, Musashino City, Tokyo
B2F-8F
Opened: September 21, 1980
www.parco-kichijoji.com

Chofu PARCO
1-38-1 Kojima-cho, Chofu City, Tokyo
B1F-10F
Opened: May 25, 1989
www.parco-chofu.com

Matsumoto PARCO
1-10-30 Chuo, Matsumoto City, Nagano
B1F-6F
Opened: August 23, 1984
www.parco-matsumoto.com

Otsu PARCO
14-30 Uchidehama, Otsu City, Shiga
1F-8F
Opened: November 2, 1996
www.parco-otsu.com

Kumamoto PARCO
5-1 Tetorihoncho, Chuo-ku, Kumamoto City, Kumamoto
B1F-9F
Opened: May 2, 1986
www.parco-kumamoto.com

ZERO GATE business

www.parco.co.jp/group/zerogate/

Shibuya ZERO GATE
15-1 Udagawa-cho, Shibuya-ku, Tokyo
B1F-4F
Opened: April 16, 2011

Shinsaibashi ZERO GATE
1-9-1 Shinsaibashi-suji, Chuo-ku, Osaka City, Osaka B2F-4F
Opened: April 13, 2013

Dotonbori ZERO GATE
1-8-22 Dotonbori, Chuo-ku, Osaka City, Osaka 1F-3F
Opened: April 20, 2013

Hiroshima ZERO GATE (Temporary name)
2-10, Shintenchi, Naka-ku, Hiroshima B1F-14F
(Floors that are leased to PARCO: 1F-3F)
Due to open in fall 2013

Overseas business

PARCO Marina Bay
9 Raffles Boulevard #03-02
Millenia Walk, Singapore 039596
1F-3F
Opened: March 31, 2010
www.parco.com.sg

Other Stores

Pedi SHIODOME
1-9-1 Higashi-Shinbashi,
Minato-ku, Tokyo
B2F-B1F, 2F
Opened: February 16, 2005
www.pedi-s.com

As of May 31, 2013

Share Information

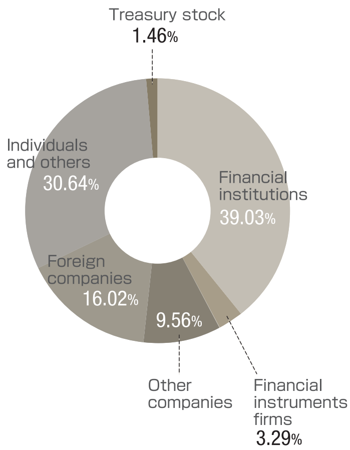
Status of Shares (As of February 28, 2013)

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	:	72,067

	Major shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	34,903	6.60
2	Japan Trustee Services Bank, Ltd. (Trust Account)	30,412	5.75
3	Nippon Life Insurance Company	24,571	4.65
4	J. Front Retailing Kyoei Supplier Shareholding Association	15,647	2.96
5	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,740	2.60
6	The Dai-ichi Mutual Life Insurance Company	11,464	2.16
7	Employee Shareholding Association of J. Front Retailing	7,740	1.46
8	Tokio Marine & Nichido Fire Insurance Co., Ltd.	7,700	1.45
9	Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	6,409	1.21
10	Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,079	1.15

Note: Shareholding ratio is calculated by deducting treasury stock (7,832 thousand shares).

Distribution by shareholder type	Number of shareholders (Persons)	Number of shares (1,000 shares)	Percentage (%)
Government and local public entities	—	—	—
Financial institutions	79	209,313	39.03
Financial instruments firms	46	17,616	3.29
Other companies	829	51,267	9.56
Foreign companies	347	85,897	16.02
Individuals and others	70,765	164,310	30.64
Treasury stock	1	7,832	1.46



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