



J. FRONT RETAILING NOW

Annual Report 2014 (Year ended February 28, 2014)



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Cautionary statement regarding forward-looking statements:

Forward-looking statements in this report represent our assumptions based on information currently available to us and inherently involve potential risks, uncertainties and other factors. Therefore, actual results may differ materially from the results anticipated herein due to changes in various factors.

Financial Highlights

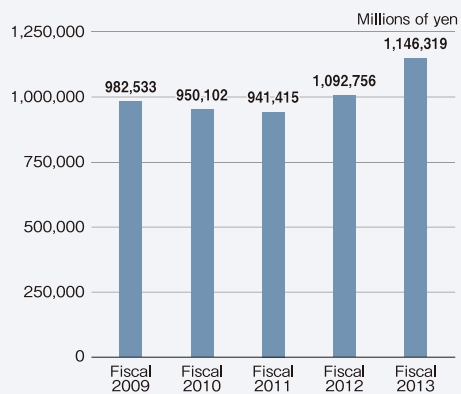
J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 28, 2014, February 28, 2013, February 29, 2012, February 28, 2011 and February 28, 2010
or at February 28, 2014, February 28, 2013, February 29, 2012, February 28, 2011 and February 28, 2010

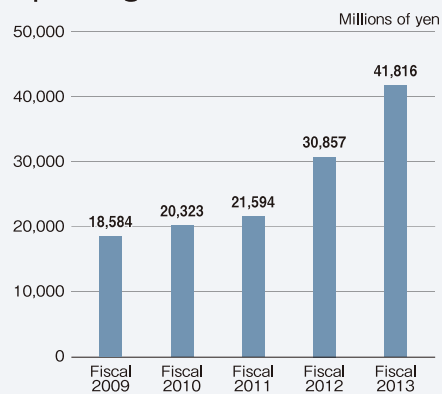
	Millions of yen (Except where otherwise indicated)				
	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009
Business results					
Sales	¥1,146,319	¥1,092,756	¥941,415	¥950,102	¥982,533
Gross profit	244,130	245,615	226,646	229,588	240,211
Operating profit	41,816	30,857	21,594	20,323	18,584
Ordinary profit	40,502	32,202	22,941	21,092	19,966
Net profit	31,568	12,183	18,804	8,862	8,167
Selling, general and administrative expenses (SG&A)	202,313	214,757	205,052	209,265	221,627
Financial condition					
Total assets	998,730	1,009,165	767,543	775,029	804,534
Equity	370,173	341,318	332,917	318,033	314,494
Net assets	422,215	390,667	342,561	327,242	323,506
Interest-bearing debt	187,950	213,085	106,025	108,658	125,937
Condition of cash flows					
Cash flows from operating activities	37,532	26,025	24,365	21,270	22,996
Cash flows from investing activities	(8,858)	(73,977)	(26,781)	(8,432)	(40,879)
Cash flows from financing activities	(32,027)	58,275	(6,872)	(23,128)	29,212
Per share information (unit: ¥)					
Net profit	¥59.77	¥23.05	¥35.57	¥16.76	¥15.45
Net assets	¥701.26	¥646.18	¥629.80	¥601.62	¥594.89
Cash dividends	¥11.00	¥9.00	¥8.00	¥7.00	¥7.00
Financial indicators (unit: %)					
Gross margin	21.30%	22.48%	24.08%	24.16%	24.45%
SG&A to sales ratio	17.6%	19.7%	21.8%	22.0%	22.6%
Operating margin	3.6%	2.8%	2.3%	2.1%	1.9%
Return on assets (ROA)	4.2%	3.5%	2.8%	2.6%	2.4%
Return on equity (ROE)	8.9%	3.6%	5.8%	2.8%	2.6%
Return on investment (ROI)	7.3%	6.5%	5.3%	4.9%	4.7%
Equity ratio	37.1%	33.8%	43.4%	41.0%	39.1%

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

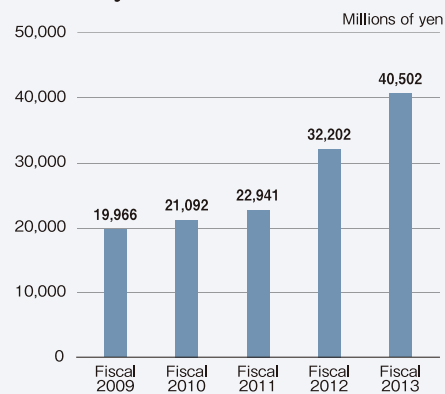
Sales



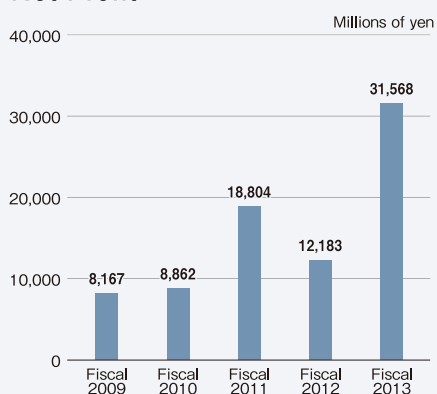
Operating Profit



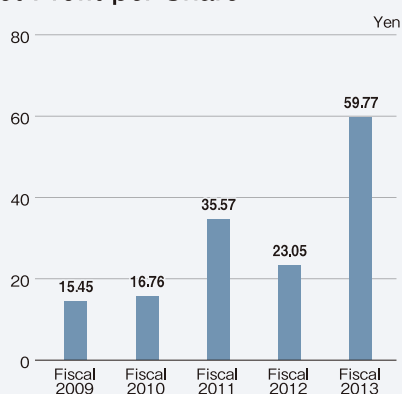
Ordinary Profit



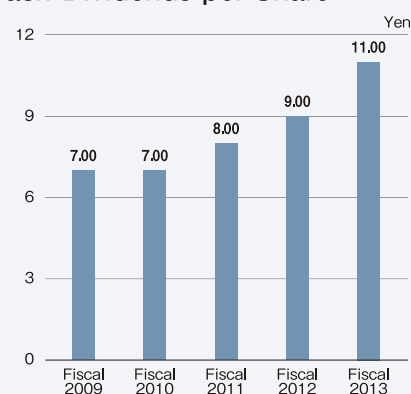
Net Profit



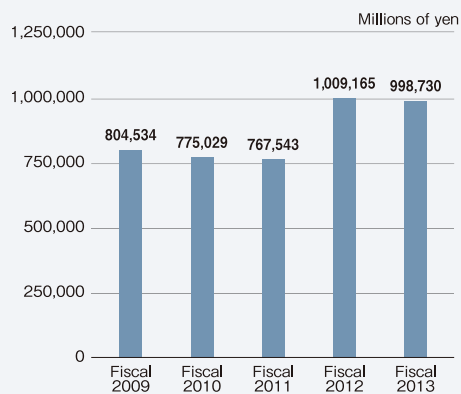
Net Profit per Share



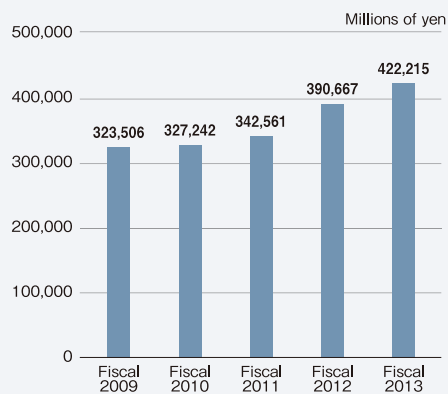
Cash Dividends per Share



Total Assets



Net Assets



Segment Overview

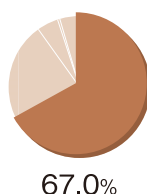
At a Glance

Sales and operating profit

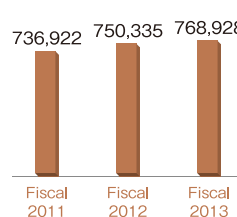
- The percentage of total sales represents the ratio of sales to external customers after eliminating intersegment transactions.
- Sales and operating profit include intersegment transactions.

Department Store Business

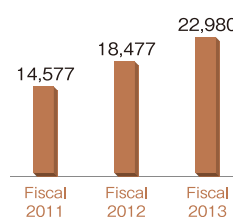
Percentage of total sales



Sales (Millions of yen)

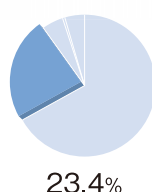


Operating profit (Millions of yen)

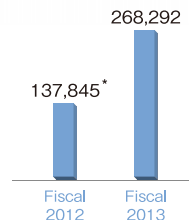


Parco Business

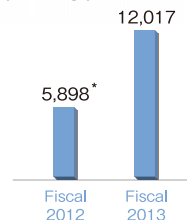
Percentage of total sales



Sales (Millions of yen)



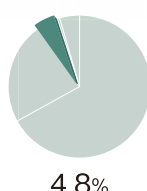
Operating profit (Millions of yen)



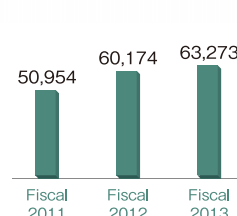
*Sales and operating profit for fiscal year 2012 are only for the second half of the year.

Wholesale Business

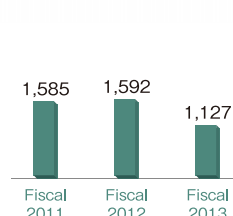
Percentage of total sales



Sales (Millions of yen)

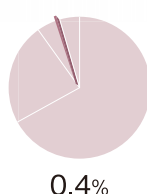


Operating profit (Millions of yen)

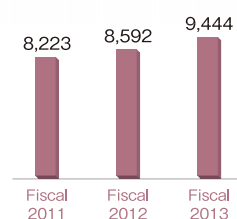


Credit Business

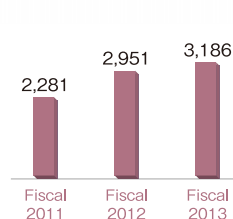
Percentage of total sales



Sales (Millions of yen)

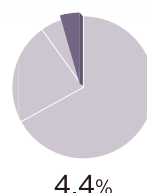


Operating profit (Millions of yen)

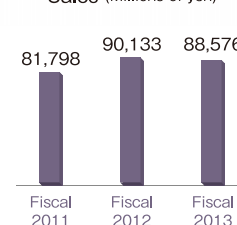


Other Businesses

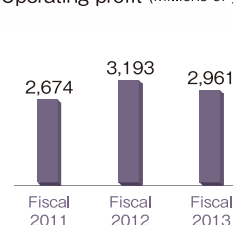
Percentage of total sales



Sales (Millions of yen)



Operating profit (Millions of yen)



*Due to changes in accounting standard, from fiscal year 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 year 2011 due to its increase in significance. In accordance with these changes, figures for fiscal year 2010 have been restated by the same method as for fiscal year 2011.

Companies / Business places

● Data on companies and business places are as of the end of May 2014.

■ Daimaru Matsuzakaya Department Stores Co. Ltd.

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

5 Matsuzakaya stores : Nagoya, Ueno, Shizuoka, Takatsuki and Toyota

■ 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, Hiroshima and Nagoya (due to open in fall 2014)

■ Parco (Singapore) Pte Ltd

■ Neuve A Co., Ltd.

■ Parco Space Systems Co., Ltd.

■ Parco-City Co., Ltd.



■ 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



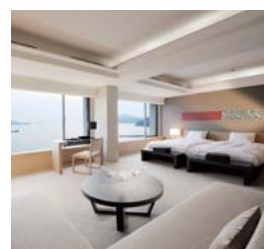
■ J. Front Design & Construction Co., Ltd. ■ Consumer Product End-Use Research Institute Co., Ltd. ■ JFR Office Support Co., Ltd.

■ JFR Online Co. Ltd. ■ JFR Plaza Inc. ■ JFR Service Co. Ltd.

■ Dimples' Co., Ltd. ■ Forest Co., Ltd. ■ JFR Consulting Co. Ltd.

■ J. Front Foods Co., Ltd. ■ Angel Park Co., Ltd. ■ Daimaru Matsuzakaya Sales Associates Co. Ltd.

■ Daimaru COM Development Inc. ■ JFR Information Center Co., Ltd. ■ Daimaru Matsuzakaya Tomonokai Co., Ltd.





YAMAMOTO Ryoichi

President
J. Front Retailing Co., Ltd.

We Will Seek New Challenges toward Dramatic Growth as a Group.

J. Front Retailing Group (the “Group”) has started the FY 2014 to 2016 Medium-term Business Plan in the current fiscal year. Currently the Group tackles two big projects including the redevelopment of Ginza 6-chome District 10 and the rebuilding of the south wing of Matsuzakaya Ueno store. The opening of these locations is aimed for November 2016 and fall 2017, respectively. Therefore, positioning the three years of the medium-term business plan as a very important period for dramatic growth for fiscal year 2017 and beyond, we will dedicate our all strength to addressing the following challenges.

The first is “to drastically enhance competitiveness and profitability as a multi-retailer.”

While further promoting our efforts to establish a new department store model, we will step up initiatives as a multi-retailer involving Parco, StylingLife Holdings and Forest, our newly consolidated subsidiary, and cater to a broad range of customer needs to drastically increase the competitiveness and profitability of the Group. Thereby we will enhance our corporate value and earn funds both in hardware and software toward growth for 2017 and beyond.

The second is to construct the foundation toward the “development of a business model for growth along with local communities.”

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

The third is “to promote omni-channel retailing that leverages the strengths of real stores.”

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

In addition, we will actively pursue mergers and acquisitions and business alliance with external companies to expand the scope of our business as a multi-retailer.

By promoting the foregoing initiatives, we aim to achieve a consolidated operating profit of ¥50 billion in fiscal year 2016, the final year of the medium-term plan. With respect to ROE, we would like to increase it to 5.8% in fiscal year 2016 from 4.8% in fiscal year 2013 to reach our goal of 8%. As for return to shareholders, we will actively pay dividends based on a consolidated dividend payout ratio of at least 30%.

We acknowledge that “people” are the most important management resources to promote these initiatives. We will provide opportunities to challenge for employees and create a system under which those who are willing to take on challenges are recognized, while recruiting people from outside the Group. We will also promote diversity management. In particular, we will beef up efforts to increase the involvement and promotion of women.

At the same time, we will ensure that our business activities thoroughly fulfill compliance requirements and corporate social responsibilities and we aim to develop the Group by contributing to society at large as a fair and reliable company, as well as ensuring legal compliance.

May 2014

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



YAMAMOTO Ryoichi

President

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

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

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

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

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

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

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

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

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

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

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



Food floor of Matsuzakaya Nagoya store

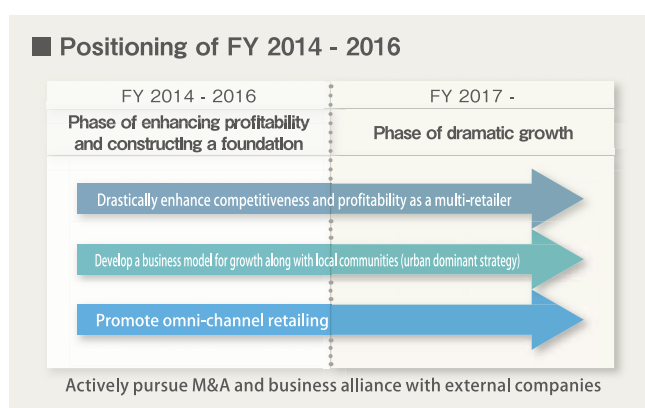
Q Would you outline the medium-term three-year plan including its background and financial targets?

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

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

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

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



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

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

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

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

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

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

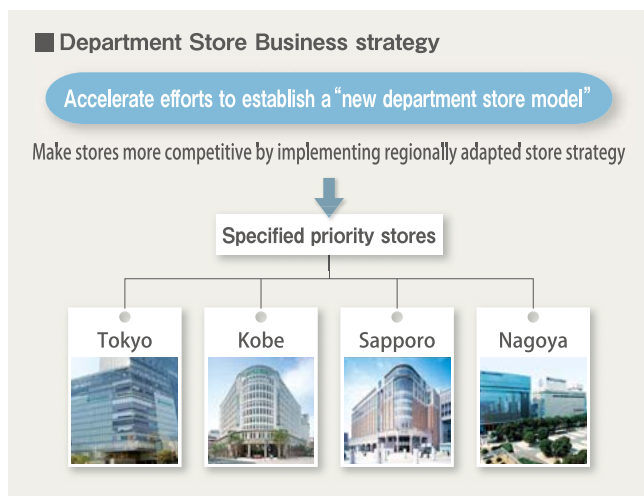
Each store will clarify target market and customers in the region and implement regionally adapted store strategy, which incorporates an omni-channel approach, to become more competitive in the region. In particular, we will significantly increase profits at Matsuzakaya Nagoya, Daimaru Tokyo, Daimaru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

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

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

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

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



Q One year and a half have passed since Parco became a consolidated subsidiary and active investments for growth stand out during the three-year period of the current medium-term plan.

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

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

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

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



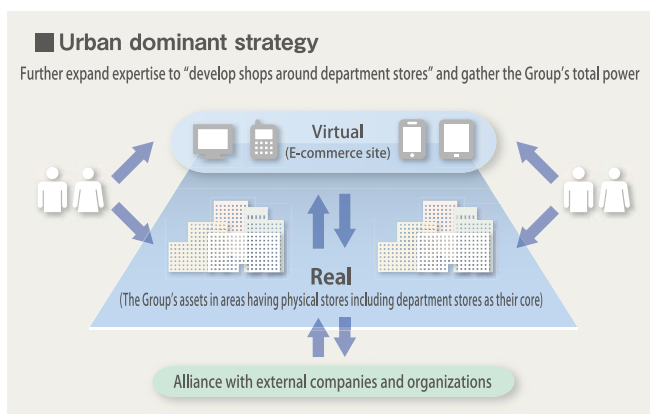
At the same time, aiming to ensure stable growth of existing Parco stores, we will continue to renovate approximately 15% of sales floor area every year to keep the stores fresh as advanced commercial space, while developing two types of operations including “urban type” and “community type” and expanding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

Q What is a “business model for growth along with local communities”?

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

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

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



Q As specific initiatives of the “urban dominant strategy,” what is progressing?

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

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

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



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

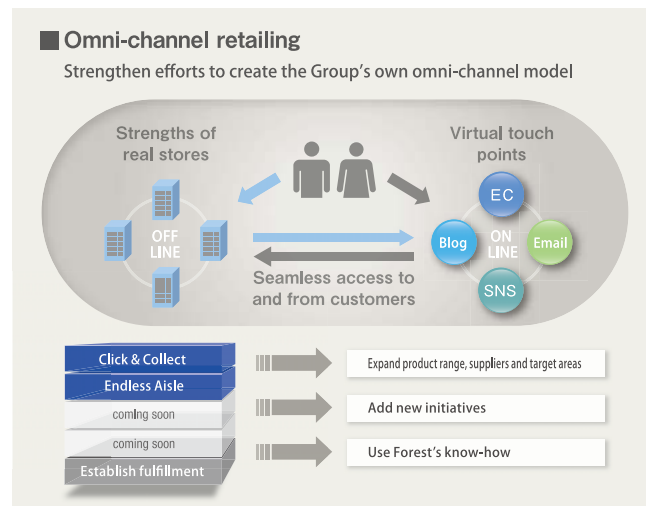
Q You launched omni-channel initiative last year.

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

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

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

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



Q How will you address affiliated businesses?

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

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

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



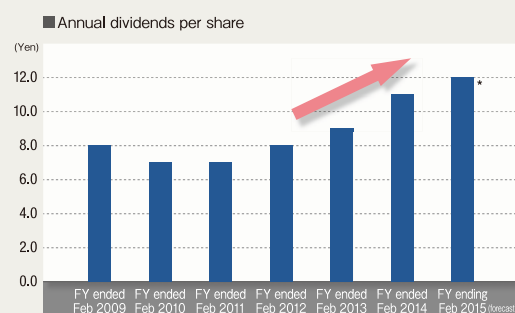
Q What do you think about shareholder return?

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

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

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

■ Fourth consecutive year of dividend increase



*Forecast for the fiscal year ending February 2015 is presented on a pre-consolidation basis.

- For the fiscal year ending February 2015, the interim dividend is expected to be ¥6 per share, up ¥1 from the previous year.
- The year-end dividend is planned to be ¥12 per share due to the one-for-two share consolidation as of September 1.
- The annual dividend will be ¥12 per share on a pre-consolidation basis, up ¥1 from the previous year, marking the fourth consecutive year of increase.

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

FY2014-2016 Medium-term Business Plan

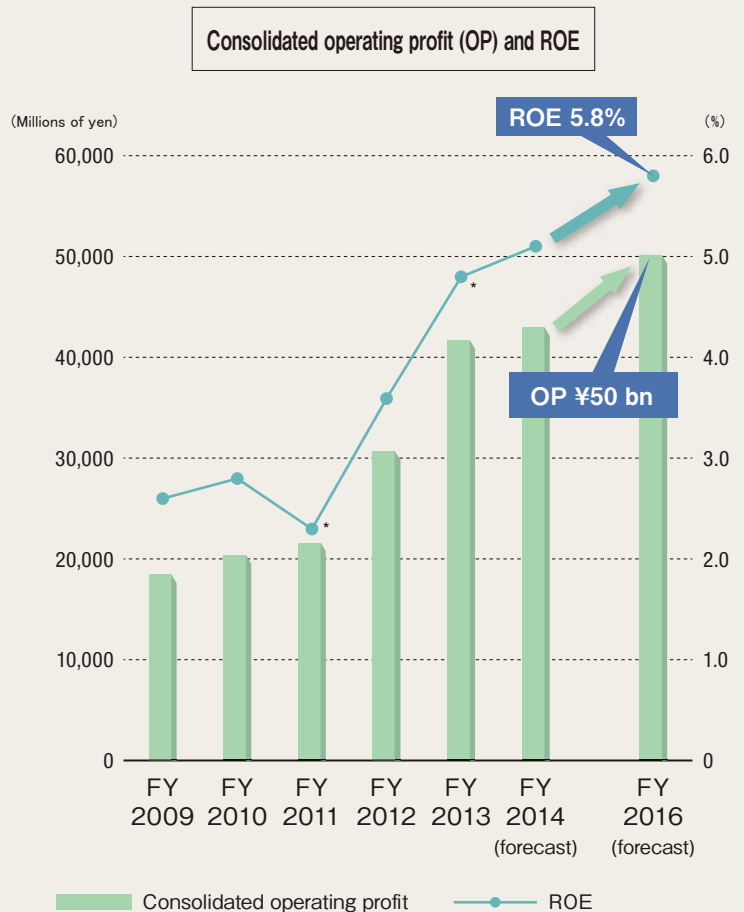
Financial Targets (FY 2016)

Consolidated operating profit	¥50 billion
Consolidated operating margin	4.2%
ROE	5.8%
ROA	4.8%
Operating cash flows	¥130 billion or more (total for FY2014-2016)

Capital Investment and Growth Investment (total for FY2014-2016)

Department Store Business	¥49.5 billion
Parco Business	¥37 billion
Other Businesses	¥3.5 billion
M&A	¥20 billion
[Total]	¥110 billion

Financial Target Graph



Positioning of the FY2014-2016 Medium-term Business Plan

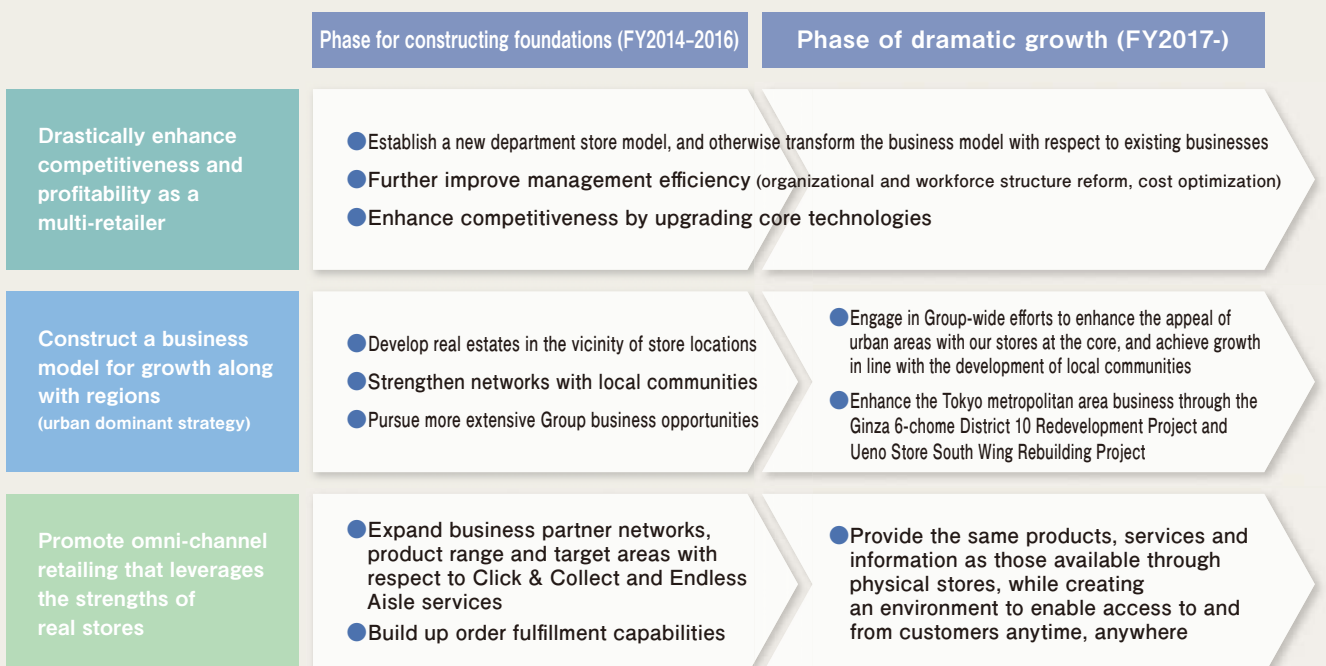


Image of Medium-term Growth

◇ Drastically enhance competitiveness and profitability as a multi-retailer



Daimaru Tokyo



Matsuzakaya Nagoya



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



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



◇ Forge a business model for growth along with regions (urban dominant strategy)

■ Ginza 6-chome District 10 Redevelopment (scheduled to open in November 2016)



Image of external view *Subject to changes.

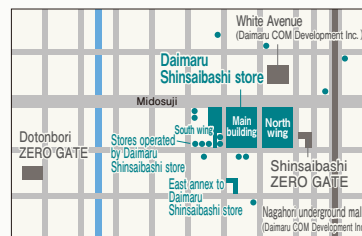
We are committed to creating an unparalleled commercial facility with the right concept for Ginza which has long attracted a diverse range of visitors from throughout Japan and the entire world and we will work with other commercial floor owners to operate all commercial floors in an integrated manner.

■ Rebuilding of the South Wing of Matsuzakaya Ueno Store (scheduled to open in fall 2017)



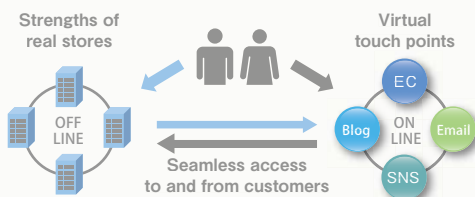
The south wing will be rebuilt as a high-rise complex featuring a Parco store, a cinema complex and sophisticated office facilities such that are not currently available in the Okachimachi district, Ueno. This project will breathe new life into the Okachimachi district, which is undergoing many redevelopments, and contribute to the vitality of the area.

■ Shinsaibashi District Redevelopment



To make us significantly more competitive in the Osaka area where an over-abundance of large commercial facilities increases competition, we will move forward with the Shinsaibashi district redevelopment project which is centered on Daimaru Shinsaibashi store (the main building and north and south wings), and also involves the use of real estates and commercial facilities in the district.

◇ Promote omni-channel retailing



With the aim of establishing predominance over the competition in the mid- to long-term, we will raise the level of customer support of the Group centered on retail stores in key urban areas, offer products, services and information similarly online and in physical stores, thus realizing fine-tuned response to our customers by providing seamless access to and from them anytime, anywhere.



Dramatic growth in 2017 and after

New Model

Realization of New Department Store Model



Further “Renewal of Department Stores”

Implementation of a 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.”

Expansion of product range

With the aim of further expanding its target customer base, Matsuzakaya Nagoya store underwent two years of large-scale renovation since 2012 to differentiate each of the main building, the north wing and the south wing.

In the first phase of renovation in 2012, young fashion, luxury brands, cosmetics and accessories floors were renovated in March and April. In the south wing, the “Ufufu Girls” zone was created on the second floor. And on the first floor, selected women’s fashion items were brought together and the Chubu region’s first and Japan’s

largest H&M shop was introduced. In the main building, we shook up the lineup of cosmetics and women’s accessories to introduce many brands that had not been available in Nagoya. The special selection floor on the second level, which is the strength of Nagoya store, was remodeled by adding six new luxury brands, some of which were new to Nagoya. Thus we further enhanced already Nagoya’s number-one product range and thoroughly differentiated the floor. Furthermore, the first floor of the north wing was reborn as Nagoya’s largest natural cosmetics zone with an assortment of skin care, body care and hair care products.

Renovation of food floors stimulated other floors at once

And in the second and final phase of renovation in 2013, the entire first and second basement food floors were renovated. The floors were opened in stages from March and made their grand opening on June 19.

In the second phase of renovation, many popular shops new to Japan and Nagoya were introduced to create “Nagoya’s greatest food zone ‘Gochiso Paradise.’” On the second basement floor, we newly installed a specialty zone “Table Plus,” which proposes highly sophisticated Western eating styles and enjoys popularity at Daimaru 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.

In April, food sales increased by 9.1% though floor space was reduced by renovation work. As the floors were opened in stages after that, food sales further increased, which resulted in an increase of 11.7% in the

first half.

Like at Daimaru Kobe store whose entire food floor was renovated in 2012, increased customer traffic drove sales on upper floors, and particularly, sales at women’s accessories and other departments, which were remodeled in the first phase, increased significantly.

In March, Nagoya store also introduced Pokemon Center, which is popular at Daimaru Umeda store. This caused an increase of 19.6% in children’s wear sales and attracted much more customers with children. We expect that this will also have a major ripple effect on other floors through the expansion of customer range.

In addition, since Nagoya store is overwhelmingly strong in serving affluent customers, big-ticket products sell very well mainly to *gaisho* customers. Sales of luxury brands were up 12.7% and sales of fine arts, jewelry and precious metals soared by 54.9% in the first half.

As a result of the foregoing, sales at Nagoya store for the first half significantly increased by 11.5% year on year without increasing floor space. We think this represents the results of developing a new department store model. Nagoya store is positioned as one of priority stores and we will continue to improve its management efficiency to enhance profitability.

Progress of low-cost operation

Our sales floor operation is divided into two types including “shop operation” and “independent operation” and we are working on establishing operation systems, 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 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 metropolitan area already merged their organizations and functions in each area to further streamline their organizations.



Ufufu Girls, Matsuzakaya Nagoya store



Gochiso Paradise, Matsuzakaya Nagoya store

Specialty
Specialty Zone



Create Added Value with “Specialty”

Core of new department store model – Specialty zone

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

A specialty zone is a zone which customers feel at first glance is “their shopping place.” We are accelerating efforts to aggressively develop and brand the specialty zones that create “special added value” by curating 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

The target of Ufufu Girls 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 now it is installed in six stores including Kyoto, Kobe, Umeda, Sapporo and Nagoya stores. Each store is attracting more female customers in their 20s and 30s as intended.



Ufufu Girls

Table Plus

Table Plus is a food specialty zone. By just adding a small amount to their daily meals, shoppers can enjoy rich and stylish Western lifestyles. 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 cafe where shoppers can enjoy special menus using ingredients available there. In the second zone at Matsuzakaya 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 customer traffic and drive shoppers to other floors.



Table Plus

Select & Creator

Select & Creator, which started when Umeda store was expanded and reopened, is a specialty zone placed in a women’s shoes department. Its offerings go beyond conventional single-item selection. It effectively presents coordinates combining shoes with other items including bags, headwear and neckwear like a select shop. This zone was expanded into Tokyo and Sapporo stores and enjoys popularity mainly among women working nearby.



Select & Creator

Aux Lingeriese

Aux Lingeriese, a women’s underwear specialty zone which was created in the added 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 attract new 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



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

Accelerate Ginza Redevelopment Project of “World Class Quality”

Started construction toward opening in November 2016

J. Front Retailing is working on the Ginza 6-chome District 10 Category 1 Urban Redevelopment Project, which is the Ginza area's largest project and will dramatically increase the Group's presence in the Tokyo metropolitan area.

The Ginza 6-chome District 10 Category 1 Urban Redevelopment Project will redevelop in an integrated manner an approximately 1.4 hectare two-block site comprising a block including the former site of Matsuzakaya Ginza store (Ginza 6-chome 10) and the adjacent block (Ginza 6-chome 11) in Ginza, Chuo-ku, Tokyo.

The project aims to serve as Tokyo's greatest international hub for retail, business and tourism and open in November 2016 as one of the largest complexes in the Ginza area consisting of commercial facilities with approximately 46,000 square meters (approximately 13,900 tsubo) of sales floor space, large office floors, a typical floor of which has rental rooms covering approximately 6,100 square meters (approximately 1,850 tsubo), and cultural and exchange facilities including Kanze Nohgakudo. And finally construction started in April 2014.

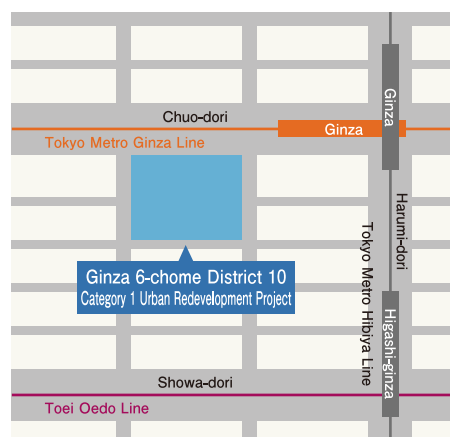
The concept of the new commercial facilities is “Life

at Its Best.” We aim to create world-class quality commercial facilities with products, environments and services that allow customers not only in Japan but from all over the world to enjoy shopping in an elegant, comfortable and pleasant manner.

We are planning to invite approximately 250 to 300 (TBD) high quality and high class tenants ranging from luxury brands and fashion and lifestyle retailers to restaurants and cafes to operate in the building with a façade spanning as long as approximately 115 meters along Chuo-dori, which will further enhance the value of the world's prestigious fashion street Ginza.

While inheriting DNA from Matsuzakaya Ginza store, which had been along with the streets of Ginza and continued to try something new and out of the box, J. Front Retailing will gather the full force of the Group and work with its business partners including Mori Building Co., Ltd., L Real Estate and Sumitomo Corporation to go ahead with the project toward the creation of an unprecedented, completely new commercial complex.

The objective of the Ginza 6-chome District 10 Category 1 Urban Redevelopment Project, implemented by the Ginza 6-chome District 10 Urban Redevelopment Consortium, is to construct a building that will be owned under sectional ownership by 14 interest holders (as of March 2014) including Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary of J. Front Retailing Co., Ltd., and Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha, a participating Consortium member. Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha is a special purpose company funded by Mori Building Co., Ltd., L Real Estate and Sumitomo Corporation.



Bird's eye view of Ginza 6-chome Project

Cross-section view from B1F to rooftop *Subject to changes



Commercial facilities

B2F – 6F/13F (partial)

Commercial space of approximately 46,000 square meters (approximately 13,900 tsubo)* will be created. It will blend in with surrounding commercial facilities and become a regional center.

*Including sales floor aisles

Offices

7F – 12F/13F (partial)

Large plates of office space with Tokyo's largest approximately 6,100-square-meter (approximately 1,850 tsubo) rental rooms on one floor and a total office floor space of 38,000 square meters (approximately 11,500 tsubo) will be created in the Ginza area.

Rooftop

An approximately 3,900-square-meter rooftop garden tentatively named Ginza Garden, which will be the largest in the Ginza area and open to the region, will be installed.

Tourism hub [1F]

As Ginza Tourist Station (tentative name), “Ginza's first” tour bus loading/unloading space and a tourist information desk will be installed.

Cultural facility [B3F]

Kanze Nohgakudo, a noh theater of Kanzekai, the largest school of noh, will be installed.

*In the Edo era, the Kanze family's houses with stages and residences stood in a row in Ginza.

Redevelop

Rebuilding of the South Wing of Ueno Store



Rebuild the South Wing of Ueno Store into a High-Rise Complex

The south wing will open as a 23-story high-rise complex in fall 2017

J. Front Retailing decided to rebuild the south wing of Matsuzakaya Ueno store to draw new crowds to the Okachimachi area, which is being increasingly redeveloped, in Ueno and contribute to local revitalization. The total project cost will be approximately ¥20 billion. After being rebuilt, the south wing will be reborn as a high-rise complex with two floors underground and 23 floors above ground featuring commercial facilities, a cinema complex and office facilities in fall 2017.



Map of the surroundings of Matsuzakaya Ueno store

Ueno store had long operated in two buildings including the main building and the south wing. However, after we decided to rebuild the south wing, the store renovated sales floors to operate only in the main building, and in March 2014, made

its grand opening as a “department store for daily use that meets customers’ daily living needs by deepening ties with them and has highly frequent visits.”

Parco will occupy lower floors

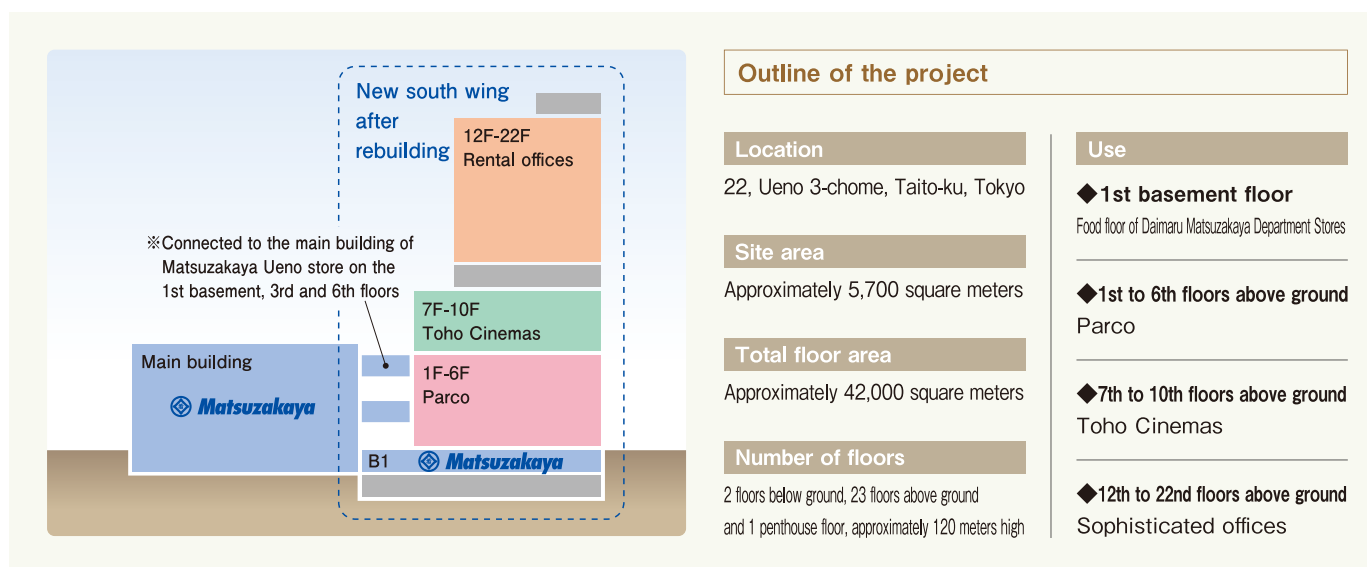
The 1st basement floor of the “new south wing,” which is under reconstruction, will be integrated with the main building and the 3rd and 6th floors above ground will be connected to the main building with bridges. The lower floors from the 1st basement floor to the 10th floor above ground will house commercial facilities and Daimaru Matsuzakaya Department Stores will operate the 1st basement food floors of the south wing and the main building together. On the 1st to 6th floors, Parco of the Group will open commercial facilities and the 7th to 10th floors will be occupied by Toho Cinemas. Thus we are developing a new commercial complex featuring the contents that have not been available in the Okachimachi area, Ueno in the past.

In the meantime, the upper floors from the 12th to the 22nd levels will be leased as sophisticated office facilities to secure steady rent income. Five rail lines including JR Yamanote Line and Keihin Tohoku Line, Tokyo Metro Ginza Line and Hibiya Line and Toei Subway Oedo Line run through the Okachimachi area, Ueno, where Ueno store is located. And more than 1,000 route buses run from the nearest bus stop every day. The area has such good access to transportation and the daytime population is expected to increase by installing office facilities.

Increasingly redeveloped Okachimachi area, Ueno

In June 2009, we opened Matsuzakaya Park Place 24, a parking building with commercial space, in the block adjacent to the east of the south wing as part of the development of the surroundings of Ueno store. After that, we have been developing the area in cooperation with the government and the local community. For example, the block in front of the south exit of JR Okachimachi Station, which is adjacent to the east of the store, was developed as a square named “Okachimachi Panda Hiroba.” To coincide with the development of the square in front of the station, new commercial buildings were constructed in its surroundings and a new commercial facility, which is themed on “arts and crafts,” opened under the elevated railway tracks between JR Okachimachi and Akihabara Stations. The Okachimachi area, Ueno attracts attention as an area that is being increasingly redeveloped.

The rebuilding of the south wing of Ueno store was planned in order to use effectively and early the unused capacity generated by integrating the sites of the south wing, the parking building and others and make intensive use of the land. We will combine the efforts of the Group’s businesses including department stores and Parco and local people, as well as utilizing our unused real estates around Ueno store, to draw new crowds to the increasingly redeveloped Okachimachi area, Ueno and thereby build a business model that ensures contribution to local revitalization and mutual growth with local communities.



Area

Shop Development around Department Stores



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

From “dots” to “areas” —

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

Daimaru Kobe store initiated these efforts in 1987. At that time, Motomachi, where Daimaru Kobe store is located, was relatively losing vitality because the center of transportation and business of the Kobe area was shifted to Sannomiya. It was urgent to create the appeal of the store to attract people. The development began with Daimaru’s own buildings, but they were not enough to revitalize the area. Therefore, Daimaru actively invited brand shops to open their branches in other buildings in the Former Foreign Settlement of Kobe to draw more customers throughout the area. Now we operate 65 various unique brands and shops (as of May 2014) 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.

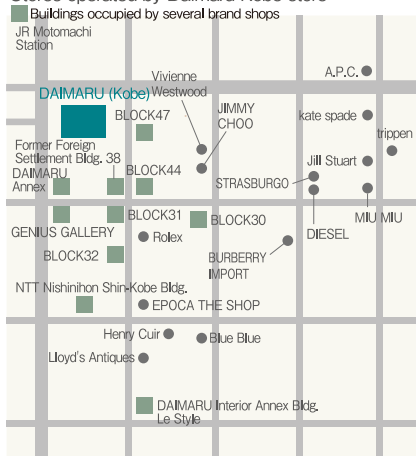
Daimaru Shinsaibashi store has been working with Shinsaibashi Shopping Arcade to create the prosperity of the area. However, amid changes in the environment surrounding the stores nearby and generational changes of their landlords beginning around 2003, some old stores have chosen to withdraw from the business. With a sense of crisis that the shopping area would not only lose vigor but also damage the fashionable image of Shinsaibashi if the situation was left as it was, 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 21 brands and shops (as of May 2014).

For the purpose of revitalizing the 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 totaling eight brands and shops (as of May 2014) ranging from fashion brand shops to an aesthetic salon. And in June 2014, Tokyu Hands was opened. These developments contribute to breathing new life into the area.

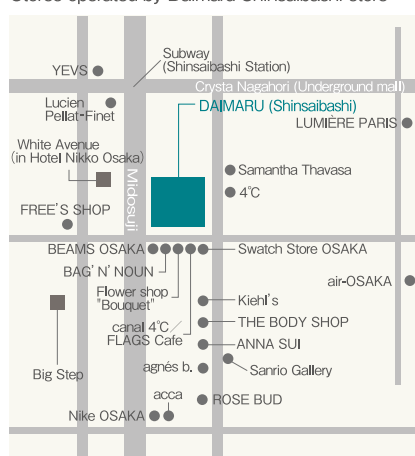
We would like to use the know-how cultivated through the development of shops in the surroundings of Kobe, Shinsaibashi and Kyoto stores for the “establishment of a business model for growth along with local communities,” which we will promote on a group-wide level.

Stores operated by Daimaru Kobe store



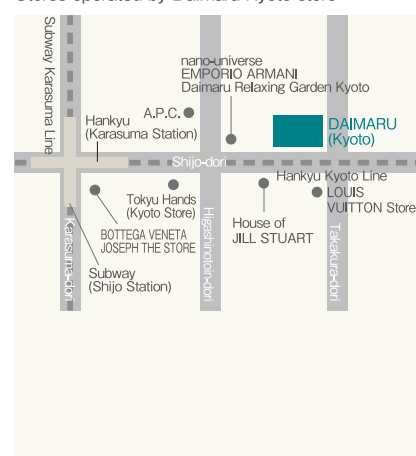
GENIUS GALLERY

Stores operated by Daimaru Shinsaibashi store



FREE'S SHOP

Stores operated by Daimaru Kyoto store



EMPORIO ARMANI

Customer
Customer Strategy



Diversify Customer Touch Points

Expansion of cardholders

Amid diversifying consumer needs and consumer behavior, we are expected to understand our customers accurately and deeply and build and maintain relations with them. Daimaru Matsuzakaya Department Stores is working on customer loyalty strategy through customer relationship management (CRM) in an effort to continuously build relations with customers and enhance customer satisfaction as well as to increase sales, profits and corporate value.

The Group issues various cards including credit cards such as Daimaru Card and Matsuzakaya Card, reward cards for cash purchases such as Daimaru D Card and Matsuzakaya M Card, and Ufufu Girls Card and runs various membership organizations including Bridal Circle and Daimaru Matsuzakaya TomonoKai. We take initiatives to encourage sign-up for these cards and membership organizations and acquire as many new members (identifiable customers) as possible. As a result, the total number of identifiable customers of Daimaru Matsuzakaya Department Stores as of the last day of February 2014 increased by 1.5% from the previous year to approximately 4.7 million people.

Help build relations with customers

While inviting customers to sign up for our cards and membership organizations, we analyze the purchase information of our cardholders and provide them with shopping and event information that suits their respective lifestyles to deepen relations with customers and enhance customer satisfaction.

Specifically, Daimaru Matsuzakaya Department Stores uses a customer information system “J-CIS” to scientifically support frontline sales persons who are working on “building relations with customers.” Since J-CIS is linked to MD information, we can get an early grip on the attributes of customers and changes in their purchase behavior. It also serves as an important infrastructure for sales persons to

strengthen relations with customers. Buoyed by these active CRM initiatives, the percentage of sales to individual cardholders to the total sales of Daimaru Matsuzakaya Department Stores for fiscal year 2013 was 71.2%, marking the third consecutive year of more than 70%.

Direct access to customers

In fiscal year 2008, as an effective tool to attract customers to our 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 shopping information that suits their needs. In fiscal year 2011, with the aim of better personalizing this service, we launched “J-CIS Mail” service that brands and shops email information on their new arrivals and events directly to the members on request. We also welcome non-cardholders’ sign-up for “Moba-Mate Member.” Just by registering their email addresses, they can receive email magazines containing bargain information of Daimaru and Matsuzakaya stores. Through such email delivery, we strive to strengthen relations with customers.

Use of new communication tools

In the meantime, we put forth an active effort to “increase customer touch points” using new communication means such as diversified digital devices, including rapidly prevailing smartphones, and social media.

In fiscal year 2013, Daimaru Matsuzakaya opened its official Line account. Line is a popular platform for smartphone-based digital marketing. We gained more than 3.5 million “Friends” (those who added our account) (as of May 2014) using the stickers of our character “Sakura Panda” as a hook. We deliver various information through this platform to drive customer traffic to and purchases in our stores.

While delivering information and contents and

communicating in a manner tailored to the respective media characteristics, we will acquire know-how and strengthen relations with customers to develop customers in the medium- and long-term as well as to drive customer traffic to and purchases in our stores in the short term.

By further improving CRM activities, we will expand our customer base, and at the same time, we will analyze the buying behavior of our customers from every angle and reflect such analysis in sales floor planning to maintain and further expand our customer base.

Step up efforts to cater to foreign visitors to Japan

Meanwhile, 10.36 million people visited Japan from overseas in 2013, topping 10 million for the first time. The government has set a target of 20 million visitors for 2020 when the Tokyo Olympics will be held. From October 2014, tax exemption will be expanded to cover cosmetics and food in order to further drive purchases by foreign tourists to Japan.

Amid these movements, we position the strengthening of efforts to cater to the “foreign tourist market,” which is expected to greatly expand, as one of the priority strategies of our department store business.

Tax-free sales of Daimaru Matsuzakaya Department Stores and Hakata Daimaru for fiscal year 2013 jumped by 88% year on year. We will promote our initiatives both in software and hardware to double tax-free sales in fiscal year 2016, the final year of the medium-term business plan.

Specifically, we will increase multilingual store signage and translation services and introduce free Wi-Fi services. As for the tax exemption procedures, which were manual, we are introducing a system to improve the speed of processing. And at the same time, we will strengthen various inbound promotions including discount coupons to attract foreign tourists to our stores and media advertising in Japan and overseas.

Originality

Original Merchandising and Original Products



Quick Response to Market Changes and Pursuit of Originality and Profitability

J. Front Retailing moves forward with operation reform by dividing sales floor operations into two types including “independent operation” and “shop operation” and creating organizations, operation process and human resource system that best suit each business model.

Since we can expand or shrink sales space and change product mix at will in the areas of independent operation, we can quickly adapt to ever-changing markets and customers. Gross margin rate is higher compared to the areas of shop operation because we take inventory risk. Therefore, their effective and efficient operation will help enhance profitability.

In the new medium-term plan, positioning the “Original Merchandising Business,” which manages the sales areas of independent operation, as a key to improving the profitability of our department store business, we will drastically strengthen the capabilities for product planning, inventory control and selling and contribute to making our stores more appealing and more distinctive as well as increasing gross margin.

“Business operation organization” plans and manages the whole process of “buying and selling”

The Original Merchandising Business is operated as a “business operation organization” that plans and manages the whole process of “buying and selling” ranging from marketing to buying and procuring, selling and profit and loss management. It covers the sales areas of independent operation mainly for the categories of women’s accessories (women’s furnishings and women’s shoes) and men’s accessories (ties/furnishings, dress shirts, men’s underwear/hosiery, bags/traveling gear and men’s shoes). The merchandise divisions of the head office and store staff who manage the sales areas of independent operation, sell products there and make store-specific purchases are all under the control of Original Merchandising Division and the Division is responsible for the bottom line as a virtual entity.

Rebuild merchandising

For the Original Merchandising Business, we are working on rebuilding merchandising to further increase profitability. Particularly, we position high-margin products such as goods purchased on a no-return basis, which will be central to improving profit margin, as “strategic products” and aim to dramatically increase their sales share in the Original Merchandising Business. Strategic products will be mainly staple items, which are expected to generate stable profits and

will not be greatly affected by trends. We will develop original products and differentiated products in the scope of “low to middle prices” and gradually expand the scope.

We already offer strategic products including neckwear, headwear and shoes imported directly from Europe and they enjoy popularity among customers. We will continue to strive to establish new procurement routes including direct transactions with overseas manufacturers, production sites and major material manufacturers. And by collecting opinions directly from customers in stores, we will strengthen the development of products demanded by customers to precisely meet their needs.



Camicissima, strategic products purchased on a no-return basis

Create systems to sell out

In order to improve profitability, we need to put in place systems to sell out the products we purchased to the last piece as well as to develop high-margin products. For the Original Merchandising Business, we introduced a new “SKU management system” in March 2014 to increase the sell-through rate of goods purchased on a no-return basis. Since the new system allows the head office and individual stores to obtain the sales and inventory status at SKU level in a timely manner, we can quickly and accurately transfer products among stores, do mid-season markdowns, change product mix and place additional orders.

Sales operations, which are the most important to sell out, are undertaken by Daimaru Matsuzakaya Sales Associates Co. Ltd., which was established to improve sales capabilities and build highly productive store operation systems. Based on sales plans, they sell high-margin priority products and develop sales people working for multiple departments in an effort to increase productivity per capita.

Private brands and collaboration

The areas of independent operation for products other

than women’s and men’s accessories include private label women’s apparel “Sofuol,” item selections “Season Message” and “Jeaning Casual,” a joint brand with World Co., Ltd. “Esche” and private label men’s apparel “Trojan.” Based on trust in department stores, they all offer original goods with a good balance between quality and price and product mix aiming at clear targets and they attract popularity from customers.

For Sofuol, which is targeted at working women, we had questionnaires and trial meetings for working women. And we developed the “Saishokukenbi (lit. both beautiful and intelligent) jacket” that reflects their demands for a jacket that is “easy to move in,” “compactly foldable and wrinkle resistant” and has an “inside pocket large enough for a smartphone.” We will continue to develop original products that incorporate customer feedback and staple items that will not be marked down throughout the year to improve profitability.



Saishokukenbi jacket of Sofuol

Future initiatives

For the Original Merchandising Business, we will expand its retail area by adding new items and categories and contribute to improving company-wide profitability by increasing sales share. As new growth opportunities, we will also open new shops in other commercial facilities. In September 2013, our original select shop of general merchandise “Woop Woop!” was opened in Ikebukuro Parco and Fukuoka Parco. We will continue to develop retail space with a product mix that balances profitability with originality so that it will become a business model feasible outside the company.



Woop Woop!, Matsuzakaya Nagoya store



Promote Growth in Urban Markets

Parco Business includes the Shopping Complex Business that develops and operates commercial facilities mainly through Parco Co., Ltd., the Space Engineering and Management Business that creates space and manages buildings, the Retail Business that operates trendy select shops, the Entertainment Business that offers hot information and creates added values, and the Web Consulting Business that provides web-based consulting services and recruitment support for commercial facilities and specialty stores across Japan.

Active investment to secure predominance in urban areas

Parco Business is actively expanding its business bases in central urban areas for future growth.

Specifically, Fukuoka Parco acquired the existing store and the adjacent land and building and aims to open the new building in fall 2014. It is also planning to extend floor space into part of the adjacent building in spring 2015. In March 2014, we decided to open the second commercial complex in Sendai and its opening is aimed for spring 2016.

The new Zero Gate business, which efficiently operates low- to medium-rise commercial facilities in prime downtown locations using location advantage and based on the size of business, opened new stores in Shinsaibashi, Dotonbori and Hiroshima and decided to open new locations in Nagoya and Sapporo.

In order to increase the appeal and competitiveness of existing Parco stores, we renovated them in fiscal year 2013. Among them, flagship stores in Shibuya, Nagoya and Hiroshima underwent large-scale renovations mainly to add a new category of shops and brands new to the areas. We will continue to renovate approximately 15% of

tenant floor space to keep the stores fresh as advanced commercial space.

In the FY 2014 to 2016 Medium-term Business Plan, we are planning a capital investment of ¥37 billion in total for three years in Parco Business to steadily build a solid operating base for the next growth.

Pursue group synergy

By working more closely with Parco, which has excellent expertise in developing and operating urban commercial facilities, we will be able to increase the group-wide growth potential as a retail group operating various businesses and channels, while accelerating our efforts to change a department store business model through the new department store model and strengthen competitiveness.

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 exchange human resources to use each other's know-how. Thus we are trying to share information and strengthen collaboration.

1 Joint development of stores

The south wing of Matsuzakaya Ueno store, which is under reconstruction, will be reborn as a high-rise complex featuring commercial facilities, a cinema complex and offices. Parco will occupy the 1st to 6th floors of the building. The presence of Parco is expected to attract a broader range of customers and revitalize other floors of Matsuzakaya Ueno store that offer daily goods including food and women's accessories.

2 Collaboration in attracting popular Japanese shops and major foreign brands

As the first initiative with Japanese suppliers, Daimaru Matsuzakaya Department Stores and Parco launched two domestic women's apparel brands "Eddy Grace" and "Sophila" for young and young adult women in spring 2014. Daimaru Matsuzakaya Department Stores and Parco are also considering initiatives with foreign suppliers.

3 Further cost reduction by adopting Parco's business operation model

In March 2014, Matsuzakaya Ueno and Shizuoka stores started to operate with a small management team as a department store by adopting Parco's concept of store operation system.

4 Operation of Daimaru Matsuzakaya's Original Merchandising Business at Parco

As part of Daimaru Matsuzakaya Department Stores' initiative of operating the Original Merchandising Business outside the company, "Woop Woopl," a general merchandise select shop developed independently by the company, was opened in Fukuoka Parco and Ikebukuro Parco in September 2013.

5 Special events at Parco

Special events, which Daimaru Matsuzakaya Department Stores excels at, are held at Parco. Specifically, 11 events were held in community complexes including Chiba Parco, Urawa Parco and Chofu Parco in the second half of fiscal year 2013.

In addition to these joint initiatives with Daimaru Matsuzakaya Department Stores, we will pursue collaboration with affiliated businesses including Daimaru Kogyo and J. Front Design & Construction to steadily generate a synergy effect as a group.



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



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



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



Artist's impression of Sendai New Building (tentative name, scheduled to open in spring 2016)

Wholesale
Wholesale Business



Deeply Cultivate Niche Markets in Growth Areas

Wide lineup of businesses

As a trading company mainly operating business in triangular market including Japan, China and ASEAN countries, a wholesaler Daimaru Kogyo provides a wide variety of products and services and strives to meet the needs of the times and markets to satisfy our customers with all our operations ranging from material procurement to after-sales care.

Our main products include food, electronic components, metal and resin products, packaging materials and chemicals. We also render various services including solution proposals concerning information systems and insurance services as a life and non-life insurance agent.

Strengthen business in China and the ASEAN region

Daimaru Kogyo has a total of 14 business places including five domestic locations such as Tokyo, Nagoya and Osaka and nine foreign 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, which accounts for nearly 30% of the world's population of seven billion. Though their GDP is only approximately 15% of the world total, they are expected to further grow economically in the future against the 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 and selling and export and import in Thailand. As a core base in the ASEAN region, the company will stimulate and expand transactions utilizing our four bases in the same region. For 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 metalworking and resin processing, amid a major shift in automobile technological innovation to electric vehicles, we are actively working to supply mass produced components for eco-friendly cars, starting from trial production. In the field of chemicals, we concluded a distributorship agreement with a chemical material manufacturer in Taiwan to expand the lineup of raw materials and boost sales. Our initiatives in the field of food include expansion of the range of Nordic processed marine products imported to Japan through Chinese processors, supply of fresh vegetables from Japan and other countries to restaurants and expansion of export business of Japanese beef.

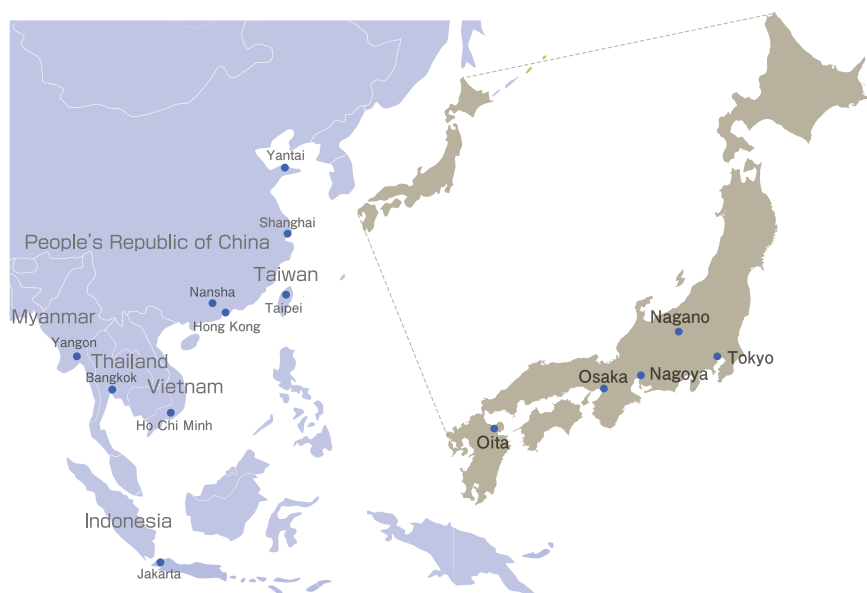
Create synergy with other companies of the Group

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 to sell them at Daimaru and Matsuzakaya stores across 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. And for consumers, Daimaru Kogyo provides reassurance by ensuring that certificates of origin and production evidence accompany these quality products.

The company also imports wine and food directly from France and Italy to sell them at Daimaru and Matsuzakaya stores. We select and import 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 entered retail business that undertakes the operations of liquor departments of Daimaru Matsuzakaya Department Stores in March 2013. Starting from three locations including Daimaru Shinsaibashi, Kyoto and Kobe stores, we are increasing locations in stages. As of May 2014, the company operates liquor departments in nine flagship stores including Daimaru Umeda, Tokyo and Sapporo and Matsuzakaya Nagoya, Ueno and Shizuoka stores. The undertaking of all operations from planning and procurement to sales also contributes to streamlining department store operations. In the future, while increasing product range using direct import function and strengthening sales capabilities to further improve operating revenue, Daimaru Kogyo will deepen partnership with not only department stores but also direct marketing, design and construction, restaurants and other companies of the Group in pursuit of greater synergy.



International Market
Projects in Overseas Markets



Artist's impression of Shanghai New World Daimaru Department Store (tentative name).

Group-wide Entry into Asian Markets

Promising overseas growth markets

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

Open China's most upscale department store in Shanghai in January 2015

Shanghai is the biggest commercial city in China that has the population of 24 million people. Its population increased by more than six million people in a decade until 2010. The city has been rapidly urbanized recently due to population inflow from other regions and a sharp increase in non-agricultural population. In terms of economics, the average annual income of workers in Shanghai almost tripled in a decade to 56,000 yuan in 2012 and Shanghai, as well as China's capital Beijing, is 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, will open a full-scale department store with a total floor space of 110,000 square meters in Land 163, Huangpu District, one of the biggest commercial areas in Shanghai, in January 2015.

In May 2012, we agreed with Shanghai Xin Nan Dong Project Management and Shanghai New World to render support and cooperation to make it one of the most upscale department stores in China and we sent ten people including a store manager to the store. Using our marketing capabilities, supplier relations and expertise in store planning and customer services 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 building of customer loyalty after opening.

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

Through this business alliance, we will be able to experience the local retail business firsthand and thereby acquire China's business know-how. Raised awareness of Daimaru in Shanghai and other cities in China is expected to attract Chinese tourists to Japan to Daimaru stores and boost sales. Taking advantage of this business partnership, we would like to accumulate know-how to create and operate stores abroad and consider various ways of entering overseas markets mainly including business alliance to expand our business in the future.

Outline of Huangpu District Land 163 Project

- Store name: Shanghai New World Daimaru Department Store (tentative)
- Address: Land 163, Huangpu District, Shanghai (No. 228 East Nanjing Road)
- Size: Land area: 13,700m²
Total floor area of the building: 118,000m²
Construction: 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 January 2015

Joint Plaza business with SLH starting in Taipei

In March 2011, we acquired a 49% stake in StylingLife Holdings Inc. ("SLH"), which operates several retail businesses including Plaza, Japan's leading general merchandise retail brand, and SLH became an equity method affiliate.

J. Front Retailing and SLH jointly developed a new brand "Plaza Tokyo" that offers products and services tailored to the local markets with a selection of Plaza goods as its core. In August

2012, we established JFR Plaza Inc. in Taipei, Taiwan to promote new shop openings concentrated in large urban areas in Asia. In March 2013, the first shop was opened on the 5th floor of Pacific Sogo Fuxing store in Taipei, and as of May 2014, the company operates four shops mainly in Taipei. We would like to continue to open four shops every year and increase the number of shops to 16 by the end of fiscal year 2016.

Once putting the business in Taipei on track, we expect to expand into other cities in Taiwan including Taichung and Kaohsiung, and then, rapidly growing other Asian countries. And in the future, we would like to develop it into a business that operates 100 to 200 shops across Asia.

Outline of new company

- Company name: JFR Plaza Inc.
- Established: August 20, 2012
- Location: Taipei, Taiwan
- Capital: NT\$185 million
(approximately ¥500 million at the rate when the company was established)
- Investment ratio:
J. Front Retailing Co., Ltd. 90%
StylingLife Holdings Inc. 10%
- Business line:
General merchandise retailing under Plaza Tokyo brand
- New shop opening:
Plan to open shops in department stores and shopping malls in the Taipei area

Promote proactive group-wide initiatives

In the meantime, 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.

Human Resource
Human Resource Development



Develop “Self-Transforming People” Full of Creativity and Challenging Spirit

J. Front Retailing aims to develop people with high ability to transform themselves who have a high level of expertise in individual fields and can envision and implement new growth strategies with creativity and challenging spirit. To this end, for people who set a goal high and actively challenge something new, we provide growth opportunities and put in place systems to develop them through work, while striving to improve human resource capabilities according to individual abilities and traits.

Stances and initiatives on human resource development

Individuals set their own career goals and challenge toward them

Individuals grow by getting their jobs done and companies actively provide such opportunities

Based on two stances above, we position human resource development as the activity of the whole organization and address human resource development by integrating the “organization area,” the “individual area” and the “area connecting organizations and individuals.”

In the “organization area,” we will strengthen organization management capabilities using a “role structure chart” as an organization operation tool to develop people in the process of accomplishing difficult tasks on the job. We will also construct OJT systems and put in place Off-JT (training) systems that provide expertise and skills systematically so that workers can acquire expertise and skills that accommodate organizations divided by function including the Original Merchandising Business, Daimaru Matsuzakaya Sales Associates and the out-of-store sales team.

In the “individual area,” we will expand open learning opportunities including trainings at external companies, MBA programs and external trainings. Employees set their own career goals and challenge these opportunities showing “intention and motivation” toward the achievement of their goals. And at the same time, we will promote the effective use of the self-application system and the career entry system. The expertise courses of Career Support College (self-development school) will be improved and expanded to create opportunities to increase expertise and skills through personal development.

In the “area connecting organizations and individuals,” we will create a human resource map based on the information on the comprehensive assessment of human resources and develop a plan to strengthen human resource capabilities from a medium- to long-term perspective in an effort to promote systematic posting, appointment and development.

We will also increase opportunities for communication on career between individuals and companies through feedback including milestone interviews and multifaceted observation of behavior traits.

Development by human resource trait

Our desired human resources are “entrepreneurial people,” “management people” and “professional people” and we will develop people systematically based on the human resource development assumption for each type.

For example, for the “entrepreneurial people,” we will early select young people who have qualities and abilities as entrepreneurs and develop them by entrusting challenging and risky businesses to them and having them get through these businesses. We will also send them to external companies and trainings to make them learn business basics early.

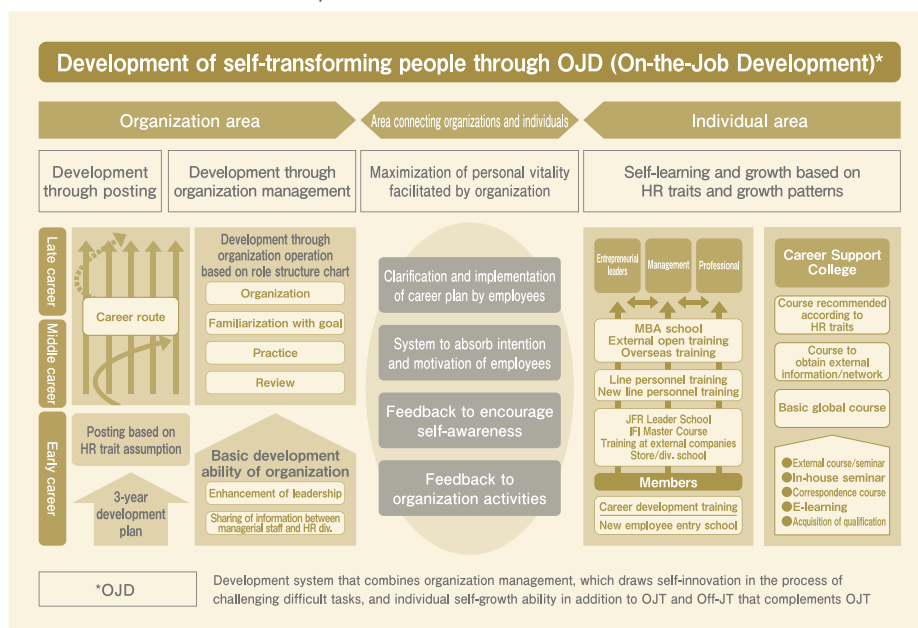
The “management people” are those who can draw energy from members and reach organization goals through the management of organizations, people and operations and the “professional people” are those who can contribute to achieving organization results using a high level of expertise and skills. We will identify and systematically place people who have such qualities and abilities and develop people who create high added value through appropriate development plans and training programs.

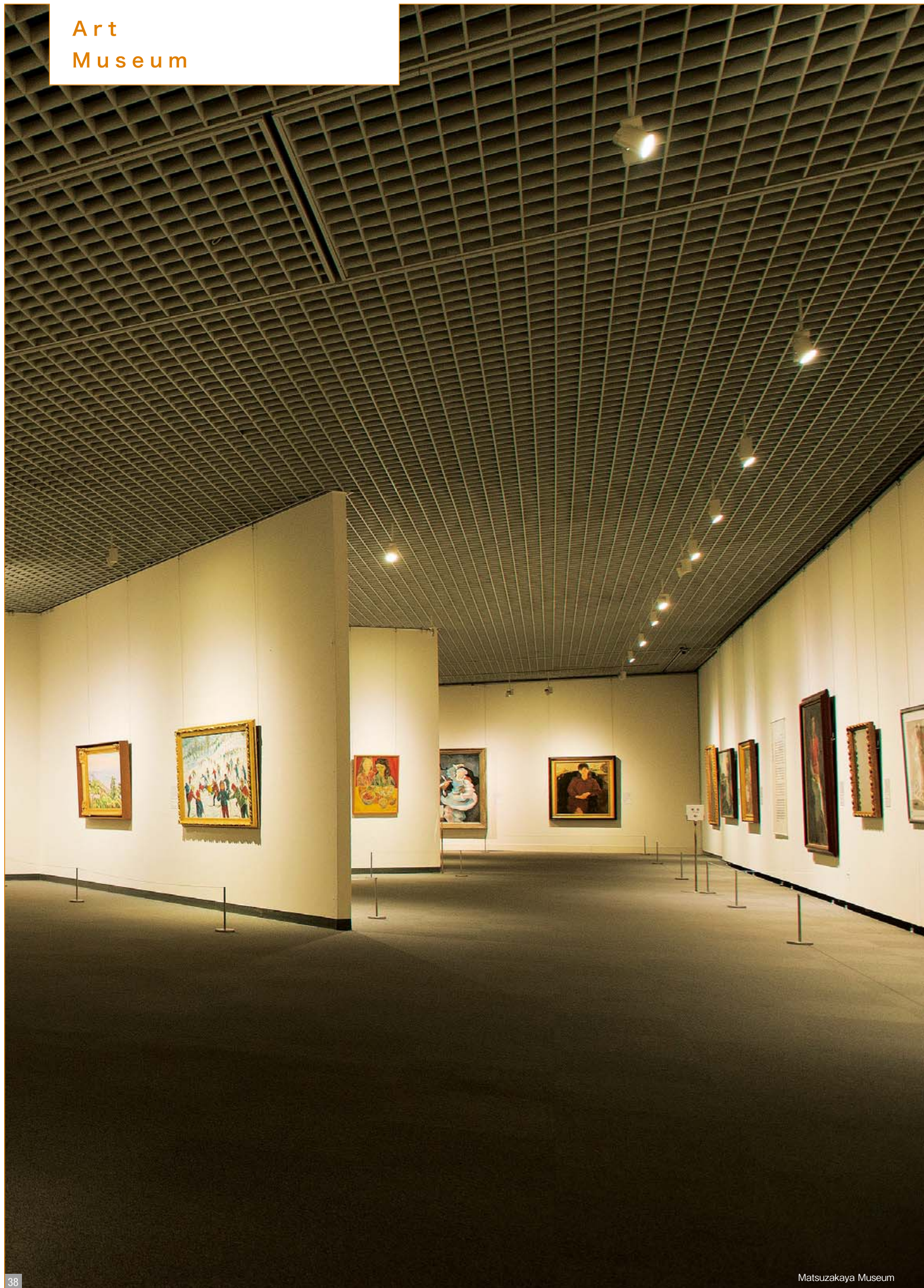
Learning systems to support human resource development

Various learning programs are in place to help individuals learn independently and acquire various abilities.

Major programs include JFR Entry School for the three years after joining the companies, which is designed to strengthen “individual basic skills” that form the basis for growth as leaders and “learning ability” that forms the basis for sustainable growth in the future; JFR Leader School that identifies vibrant human resources aged around 30 in the Group and encourages dramatic growth into “transformable leaders”; a career development training (for 27-year-olds) to review experience from the past to the present, find requirements (individual, environment and learning ability) for the achievement of future career vision and provide opportunities for independent career development toward the acquisition of ability to grow in a sustainable manner and contribution to organizations and; Career Support College, an in-house self-development school that provides approximately 400 courses including group trainings, correspondence courses and e-learning based on the concept of “career independence,” which means that we should create our careers ourselves. We will continue to expand and improve programs to support people who have their own career goals and try to become the “persons they want to be.”

Outline of human resource development





Propose Life with Art

We organize 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 traditional to contemporary art. Through them, we propose a spiritually rich life to visitors and make a cultural contribution to local communities.

Full-fledged museum with a top level of equipment

Matsuzakaya Museum opened when the south wing of Matsuzakaya Nagoya store opened in March 1991. It is the highest level of full-fledged museum in a department store and a leading museum with equipment comparable to well-known museums in Japan because it was originally designed and constructed specifically for museum purposes aiming at the same level as registered museums in terms of lighting, temperature and humidity control, fire protection equipment and carry-in and carry-out of exhibits. Since its opening, the museum continues to organize exhibitions in cooperation with other museums in Japan and around the world with a focus on not only customer attraction and profitability but exhibition content. Thus it continues to impress visitors with beauty and provide comfort for them. The museum was designed by Japan's leading architect Shibuya Morikazu. Movable walls including an innovative X-shaped central wall are used to enable a wide range of production of exhibitions. A museum shop is permanently installed in a corner of the floor and many people shop there. The museum has accumulated results up to the present marking the 24th year and boasts a total of 9,921,352 visitors at the end of February 2014. It gains high reputations from customers and local communities partly because large-scale exhibitions can be held there in spite of central urban location.

Entrance of
Matsuzakaya Museum

Major exhibitions held in fiscal year 2013

- Iwago Mitsuki Photo Exhibition "Go with Cats" (Daimaru Shinsaibashi)
- Kiyokawa Asami Bijo Saishu (Daimaru Umeda)
- Original Drawings by Umino Chika (Daimaru Kyoto)
- Snoopy Japanesque (Matsuzakaya Museum)
- The 98th Inter: Exhibition of the Japan Art Institution (Daimaru Shinsaibashi and Matsuzakaya Museum)



Umino Chika's original drawing created for the exhibition
©Umino Chika/Hakusensha and Shueisha

Major exhibitions planned for fiscal year 2014

- Montgomery and Hanako's Anne of Green Gables (Daimaru Shinsaibashi)
- Original Drawings for Space Battleship Yamato 2199 (Daimaru Umeda)
- Minna no Sazae-san (Daimaru Kyoto)
- Kusama Yayoi Eternity of Eternal Eternity (Matsuzakaya Museum)
- 40th Anniversary of Ujii Ukiyo-e Collection Beauty of Handwritten Ukiyo-e (Matsuzakaya Museum)



"Drunken Beauty" by Katsushika Hokusai
from Ujii Ukiyo-e Collection



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

Collect 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 the kosode (small-sleeved kimono) of the Edo period that has been designated as a national important cultural property 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 year 2011, the Foundation organized 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.

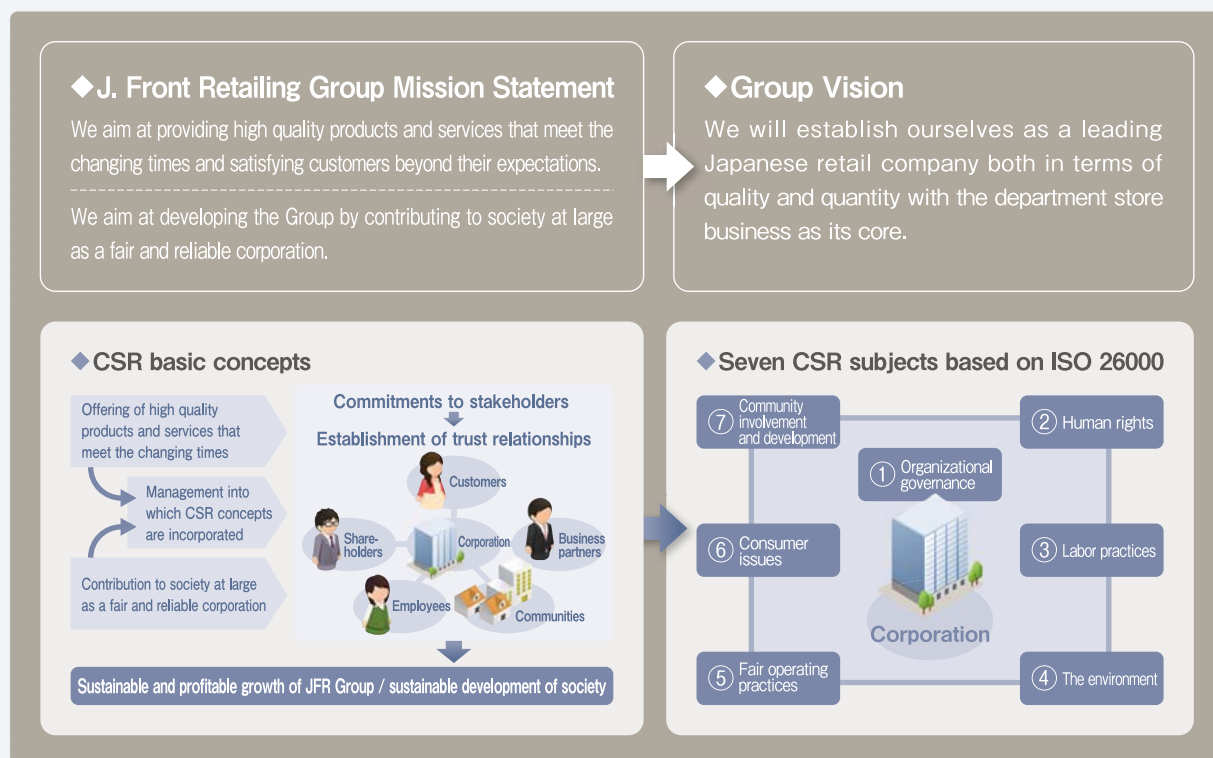
In fiscal year 2012, the exhibition commemorating the 40th anniversary of the reversion of Okinawa to Japan "Bingata: Colors and Shapes of the Ryukyu Dynasty" was held at four well-known museums in Japan including Matsuzakaya Museum and 45 pieces from the Matsuzakaya Collection, including Ryukyu dyed costumes, were exhibited.



CSR Basic Concepts

Our guidelines for ensuring CSR are “J. Front Retailing Group Mission Statement” itself.

We will incorporate CSR concepts into management in accordance with the Group Mission Statement 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.



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.

J. Front Retailing'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, J. Front Retailing puts the strengthening of corporate governance at the top of its business agenda to ensure transparency, soundness and legal 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).

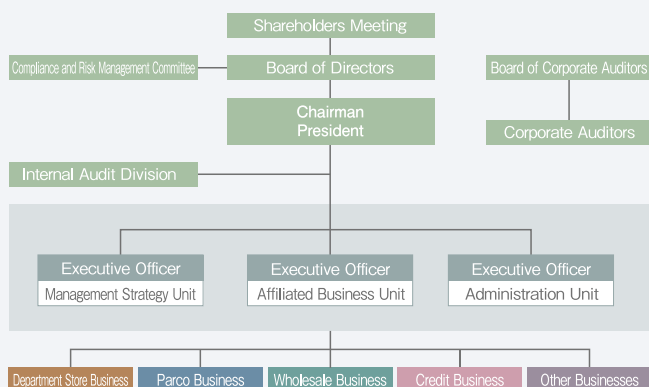
The company has three supervisory units (Management Strategy Unit, Affiliated Business Unit and Administration Unit) in its corporate organization to clarify roles, responsibilities and authorities, thereby improving supervisory function and the internal control systems of the whole Group. In addition, an executive 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 Executive 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

J. Front Retailing has the Board of Corporate Auditors and invites three outside corporate auditors to enable fairer audits. The company also has in place the Compliance and Risk Management Committee, which is chaired by President and consists of a corporate lawyer and the Directors and Corporate Auditors named by the chairman. In addition, the Group adopts a whistle-blowing system called JFR Group Compliance Hotline, which provides external contact (a corporate lawyer) as well as internal one for reporting and is accessible to its all workers. Through these efforts, we strive to resolve 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 nine 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 year 2013, the Board of Directors had a total of 17 meetings to discuss and resolve the rebuilding of the south wing of Matsuzakaya Ueno store and the share acquisition of Forest Co., Ltd. (to make it a consolidated subsidiary) as well as approve budgets and settlements.

We invite 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. We expect Takayama as an executive of a corporation to reflect his rich experience, achievements and insights in our management. And Tachibana Fukushima is expected to reflect in J. Front Retailing'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, J. Front Retailing has five Corporate Auditors (including three outside auditors) to determine its audit policy and approach, while having a system that enables their views concerning important audit matters to be reflected in the Board of Directors. We also have Internal Audit Division reporting directly to President to verify the appropriateness and effectiveness of the business process of daily routine and financial operations of J. Front Retailing and 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

J. Front Retailing develops internal control in line with the Basic Policy to Build Internal Control Systems. With respect to internal control over financial reporting, the Administration 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 repeat discussions to make a fair assessment.

Risk Management

With President and Senior Executive General Managers of supervisory units as responsible supervisors, each division assesses and manages risks in a manner suiting the division and reports to the Compliance and Risk Management Committee. The management status of important risks are reported 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 weather disasters including earthquakes and torrential rains and a new type of influenza to specify 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

J. Front Retailing formed the Compliance and Risk Management Committee as an advisory body to the Board of Directors to make the Group thoroughly comply with laws and corporate ethics and establish a corporate social responsibility structure. Compliance and risk management staff are assigned to each of business headquarters, department stores and business units of the companies of the Group to improve implementation systems, 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

J. Front Retailing has developed various guidelines and operation manuals including JFR Group Compliance and Risk Management Manual as its company regulations to ensure the implementation of the Group Mission Statement 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 put customers first
- 2 Promote high quality management for sound growth and development
- 3 Create impartial and vibrant organization where the individuality and ability of each person are respected
- 4 Contribute to society (Good corporate citizen living in harmony with society)

Monitoring of Implementation

Persons in charge of compliance and risk management 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 and Risk Management 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.

J. Front Retailing 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 (Senior General Managers of Human Resources Division and Business Coordination Division), promotion commissioners (division managers), promotion staff (members) and secretariat

◆ Theme of activities

- | | | |
|---|---|--|
| ① Dowry issues (Japan's historical caste-based discrimination issues) | ➡ | Correct understanding of dowry 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 when 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 and 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, J. Front Retailing 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.

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 working hour 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 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, in recognition that it is the important role of the management to create an environment in which employees can work actively and produce great results, we strive to strengthen health care measures.

Specifically, we focus on primary disease prevention based on changes in disease structure. To this end, 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. By dealing with mental health within the large framework of total mental and physical health care, living conditions surveys are provided as a self-care tool. We put importance on health guidance provided by health care teams based on the results of these examinations and surveys.

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. We have 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.

We assign and use 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.

Female employees of Daimaru Matsuzakaya Department Stores in management positions (as of March 2014)

- Number of female executive officers: 3
- Number of female general managers: 12 (10.1% of total 119 general managers)
- Number of female managerial employees: 165 (27.5% of total 601 managerial employees)

*The figures above include workers temporarily transferred to Daimaru Matsuzakaya Sales Associates.

*The number of female managerial employees is the total of managers (including supervisors from Daimaru Matsuzakaya Sales Associates), buyers and Daimaru Matsuzakaya Sales Associates' section leaders and chiefs.

4 The 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 J. Front Retailing 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, we 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.

Offering of environment-friendly products, services and information	Effective use of resources and energy	Reduction of CO ₂ emissions
Waste reduction and recycling	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 Senior 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 our environmental activities. In June and October, which have been designated as Environment Months, we offer environment-conscious products and make various lifestyle proposals to reduce environmental load at stores.



"Smart Cool Biz" that proposes pleasant cooling styles for working fathers (Matsuzakaya Nagoya store)



"Smart Cool Life" that offers a total selection of natural cooling items with a focus on comfortable materials (Daimaru Kyoto store)

"Cool Biz" and "Warm Biz" campaigns for 2013

Daimaru Matsuzakaya Department Stores participated in the kick-off fashion show for the "Super Cool Biz" and "Warm Biz" campaigns organized by the Ministry of the Environment, Cool Biz Promotion Council and the Japan Department Stores Association and some employees acted as models to present summer and winter styles. Through in-store posters and announcements, we actively raised awareness of the "Cool Share" and "Warm Share" programs that ask people to turn off air conditioning and come to department stores during periods of peak power demand to help save power.



Kick-off event for "Super Cool Biz" in which 11 department stores in the Tokyo metropolitan area participated



Employees of Daimaru Tokyo store appeared as models at a kick-off event for "Warm Biz"

◆Contribution to Creating Low-Carbon Society

J. Front Retailing adopts various energy saving measures to reduce CO₂ emissions and prevent global warming. High energy efficient equipments are installed on the occasions of facility replacement, store renovation and new store opening.

Promoting the replacement of store lighting with LED units

We are replacing existing lighting with LED units to reduce electricity consumption and CO₂ 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 replace the lighting of Daimaru and Matsuzakaya stores with LED units. By February 2014, 180,000 units, which account for about 42% of approximately 428,000 lights to be replaced with LED units in all stores, were replaced with LED lights. Compared to traditional lighting fixtures, annual electric usage and CO₂ emissions are expected to decrease by approximately 22,860 thousand kwh and approximately 8,370 tons, respectively. In fiscal year 2014, we are planning to install 13,000 units or more.

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



LED lighting that can simultaneously control brightness and color was installed (Food floor "Table Plus," Matsuzakaya Nagoya store)

Power saving measures

In addition to promoting the replacement of store lighting with LED units, the company-wide efforts of back-office sections include: (1) to keep the air conditioning at set temperatures of 28 degrees centigrade or above in summer and 20 or below in winter (install electric fans in high temperature areas); (2) to ensure thorough light management using pull switches (make sure to turn off lights when leaving desks); (3) to curb the use of computers and other office equipments (curb the use of high power consuming computers and other appliances in offices); and (4) to promote the use of stairs (two up and three down campaign).

◆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, J. Front Retailing 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."

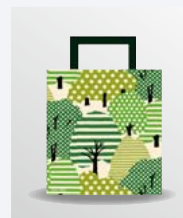
Reduction of packaging materials

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 worthy shopping styles.

Sales of "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.

Daimaru Matsuzakaya Department Stores "original eco bag" designed by Wakisaka Katsuji at SOU·SOU, a textile designer working for renowned overseas brand as well



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 and Matsuzakaya Ueno stores, 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.

J. Front Retailing 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 Group Compliance and Risk Management Manual.

Specifically, we promote 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

J. Front Retailing 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 disclose 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.

J. Front Retailing 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, proper labeling, 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. J. Front Retailing makes the companies of the Group 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 support 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, in anticipation of the number of shoppers and employees in stores who may have difficulty returning home when a great earthquake occurs, we store an equivalent quantity of hardtack and drinking water. And at the same time, 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 unexpired products on our store shelves in case of a shortage of reserves.

(*We have concluded this memorandum with approximately 480 suppliers as of March 2014.)

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.

J. Front Retailing 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 “modernity and news hooks” 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 contribute to society at large 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 Fund Vaccines for the World’s Children!” Campaign

Collection boxes are placed in Daimaru and Matsuzakaya stores and employee facilities to collect unnecessary PET bottle caps. The collected caps are sent to recycling companies through a non-profit organization Re Lifestyle and we donate the full amount paid for them to a specified non-profit organization Japan Committee Vaccines for the World’s Children (JCV) to fund vaccines for children around the world.

This initiative that we launched in November 2009 attracted cooperation from many customers, and in October 2013, the total number of caps collected exceeded 53 million, which funds polio vaccines for 100,000 children. To celebrate this, Daimaru Matsuzakaya Department Stores donated ¥100,000, which is equivalent to polio vaccines for 5,000 children, to JCV in November 2013.



Donation catalog presentation ceremony to celebrate the achievement of the equivalent of polio vaccines for 100,000 children (Left: Mr. Oishi, Director General of JCV)



Kochi Daimaru collected caps from and presented a certificate of gratitude to Sasaba Elementary School in Nakatosha-cho

“Pink Ribbon Campaign” and “Love 49” Project

Daimaru Matsuzakaya Department Stores and JFR Card are involved in the Pink Ribbon Campaign, an educational activity to promote early diagnosis, detection and treatment of breast cancer, as the right social contribution activity for the companies

that have many female customers and employees. While donating from the sales of original pins and raising money, we distribute screening booklets, provide hands-on experiences and co-sponsor seminars in order to prevent breast cancer.



Mother's Day Pink Ribbon Campaign Awareness poster to promote early detection and early diagnosis of breast cancer



Simulated mammography screening for breast cancer (Daimaru Sapporo store, cooperated by Toshiba Medical Systems Corporation)

Since 2013, we have been involved in the Love 49 Project that strives to raise awareness of regular screenings for cervical cancer. The Project designates April 9 as Uterus Day and implements preventive and awareness-raising activities for cervical cancer. We agree to these activities and take actions including handing out newsletters in cooperation with local cytotechnologists, selling button badges and collecting money in Daimaru and Matsuzakaya stores.



Handed out newsletters in front of a store to encourage uterine cancer screening



Collected money to help raise awareness of cervical cancer

“Table for Two” Program

Daimaru Matsuzakaya Department Stores and Parco support the activities of a specified non-profit corporation Table for Two International (TFT), which funds school meals for children in developing countries, by donating a portion of proceeds from their restaurants and staff cafeterias. Parco launched this initiative in 2011 and promotes activities in collaboration with local university students who support TFT.

Matsuzakaya Nagoya store participated in TFT’s “One Million People to Share TFT Meals!” campaign for almost one month from October 16 (the UN designated World Food Day), 2013 and offered TFT meals at its 21 restaurants and cafes to fund school meals for children in Africa. In February and March 2014, three Daimaru stores (Umeda, Kobe and Kyoto stores) in the Kansai area offered meals with donations for TFT at a total of 49 restaurants and cafes. We also held a tasting event and exchanged opinions on healthy menu with the local members of the university association that supports TFT.



“One Million People to Share TFT Meals!” campaign poster ©Dentsu



TFT thanks poster Matsuzakaya Nagoya store

Support Activities for Children Affected by the Great East Japan Earthquake

At the Spring Thanks Festival in March 2013, Daimaru Matsuzakaya Department Stores sold “Sakura Panda × Parcoala” pins as the first collaboration with Parco. We sold them at Daimaru, Matsuzakaya and Parco stores and donated ¥2,479,416, a portion of proceeds from their sales, to the Kids Smile Project promoted by JCV.

At the Fall Thanks Festival in September 2013, we sold “Sakura Panda × Akubi Girl” pins, which celebrate the 50th anniversary of Tatsunoko Production, at Daimaru and Matsuzakaya stores and donated ¥1,833,310, a portion of proceeds from their sales, to JCV Kids Smile Project.



Rob Ryan's Christmas Charity Project

Daimaru Matsuzakaya Department Stores auctioned the original artworks of a world-famous cut paper artist Rob Ryan and placed Christmas message trees as a Christmas charity project for 2013 to continuously help victims of the Great East Japan Earthquake. We donated a total of ¥310,615 including ¥165,000 of the proceeds from the sale of his original artworks and ¥5 per message (a total of ¥145,615 for 29,123 messages) to JCV Kids Smile Project.



Christmas message tree
(Daimaru Shinsaibashi store)

Contribution to Art and Culture

◆J. Front Retailing Archives Foundation

J. Front Retailing Archives Foundation Inc. (JFR Archives Foundation) 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.

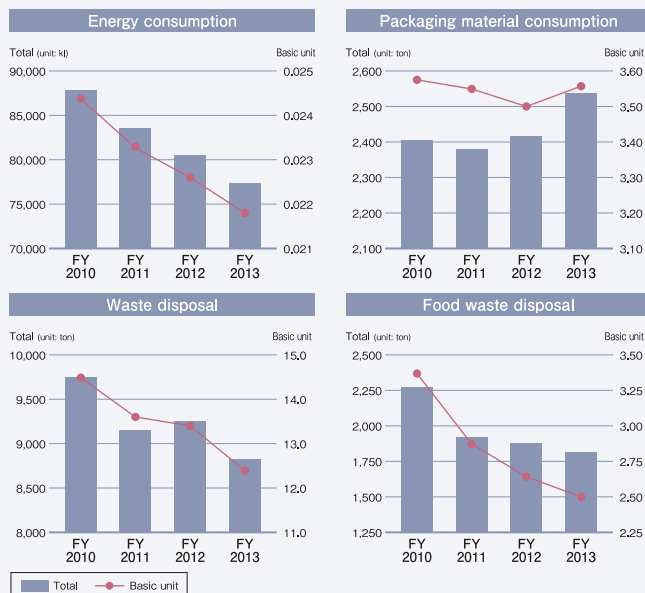
The Foundation maintains and manages these valuable cultural assets and organizes their public displays and exhibitions to contribute to art and culture.



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



*FY 2010 is used as a base year and the figures for FY 2011 to 2013 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 Fund Vaccines for the World's Children!” campaign

All Daimaru and Matsuzakaya stores		FY 2009 (3 months)	FY 2010	FY 2011	FY 2012	FY 2013
No. of collected PET bottle caps	Annual total	1,900,000	10,200,000	14,200,000	16,300,000	15,770,000
Polio vaccine equivalent	Annual total	3,500	19,600	26,700	31,200	30,100

*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	FY 2013
Japanese Red Cross Society	Aid for the Great East Japan Earthquake and the Philippines typhoon	75,127	118	435
Japan Committee Vaccines for World's Children (JCV)	Vaccination aid (Note 1)	1,380	172	100
	Kids Smile Project	1,874	3,620	4,955
Japan Committee for UNICEF	Aid for the Great East Japan Earthquake	664	—	—
Regional Pink Ribbon awareness organizations	Pink Ribbon campaign	650	683	1,848
Funds to support the future and children of East Japan (Note 2)	Charity sale of cell phone charms “Department Store Kitty!” as joint sales promotion with the Japan Department Stores Association	2,428	2,110	3,118
Table for Two International (Note 3)	Activities to help fund school meals for children in developing countries	—	—	643

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.
 3. Amount donated by Daimaru Matsuzakaya Department Stores

History of Daimaru



Founder Shimomura Hikoemon Shokei



Osaka store opened in 1726



Edo store in Odenmachi by Utagawa Hiroshige



Daimaru's famous free rental umbrella 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

1726

1728

1736

1743

1837

1907

1910

1912

1913

1920

1922

1927

1928

1947

1948

1949

1950

1953

1954

1959

1960

1971

1983

1987

1991

1995

1997

1999

2000

2002

2003

2005

2006

2007

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

History of Matsuzakaya

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

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



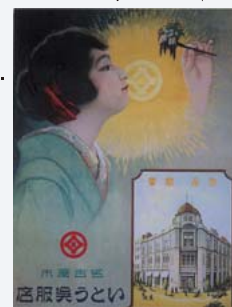
Matsuzakaya by Utagawa Hiroshige



Nagoya store reopened in Sakaemachi in 1910



Women in the industry's first uniforms (kimono)



Poster of Ito Gofukuten



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



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



Female elevator operators 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.
	■ Established JFR Consulting 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)	■ Dimples' Co., Ltd. spun off 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.
(Jun)	■ Matsuzakaya Ginza store closed for redevelopment of the Ginza area.
(Dec)	■ Acquired a 70.52% stake in Forest Co., Ltd. and made it a consolidated subsidiary.
2014 (Mar)	■ The south wing of Matsuzakaya Ueno store closed for rebuilding.
(Apr)	■ Announced the FY 2014 to 2016 Medium-term Business Plan.



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 : 7,302 (As of February 28, 2014)
(Consolidated)

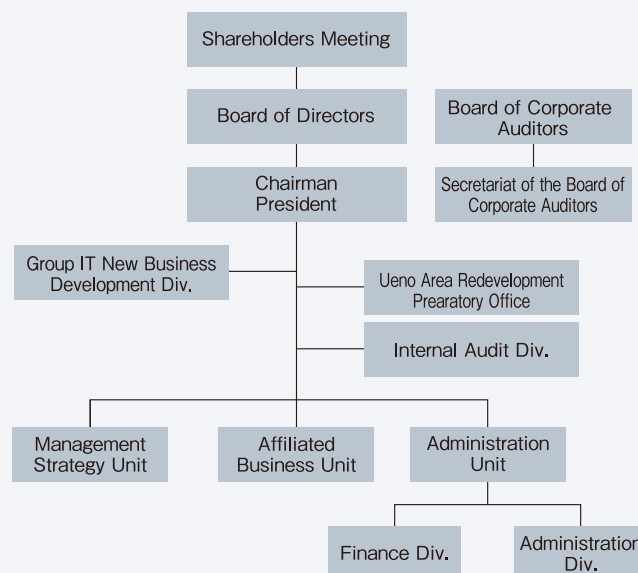
URL : <http://www.j-front-retailing.com/>

Management

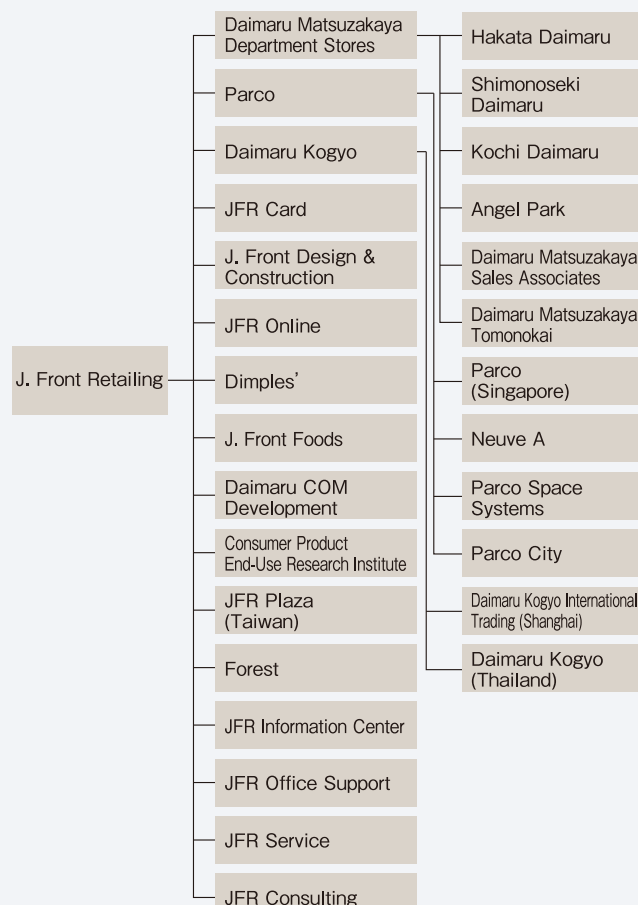
Chairman	SAMURA Shunichi	
President	YAMAMOTO Ryoichi	
Director	YOSHIMOTO Tatsuya	President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Director	MAKIYAMA Kozo	Member of the Board, President and Representative Executive Officer of Parco Co., Ltd.
Director and Managing Executive Officer	FUJINO Haruyoshi	Senior Executive General Manager of Management Strategy Unit
Director and Managing Executive Officer	KOBAYASHI Yasuyuki	Senior Executive General Manager of Affiliated Business Unit
Director and Managing Executive Officer	HAYASHI Toshiyasu	Senior Executive General Manager of Administration Unit and Compliance and Risk Management
Director	TAKAYAMA Tsuyoshi	
Director	TACHIBANA FUKUSHIMA Sakie	
Corporate Auditor	ARAI Kenji	
Corporate Auditor	NISHIHAMA Tsuyoshi	
Corporate Auditor	TSURUTA Rokuro	
Corporate Auditor	NOMURA Akio	
Corporate Auditor	NATSUME Kazuyoshi	
Executive Officer	ENOMOTO Tomohiko	Executive General Manager of Group IT New Business Development Division
Executive Officer	KUBOI Satori	Senior General Manager of Management Planning, Management Strategy Unit
Executive Officer	MATSUDA Hirokazu	Group Organization and Personnel Policy, Management Strategy Unit
Executive Officer	SHIMIZU Mikio	Senior General Manager of Affiliated Business, Affiliated Business Unit
Executive Officer	TSUTSUMI Hiroyuki	Senior General Manager of Finance Division
Associate Director	HIRANO Tadaaki	Executive General Manager of Internal Audit Division

Notes: 1. Takayama Tsuyoshi and Tachibana Fukushima Sakie are outside directors.
2. Tsuruta Rokuro, 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, 2014)

Daimaru Matsuzakaya Department Stores Co. Ltd.

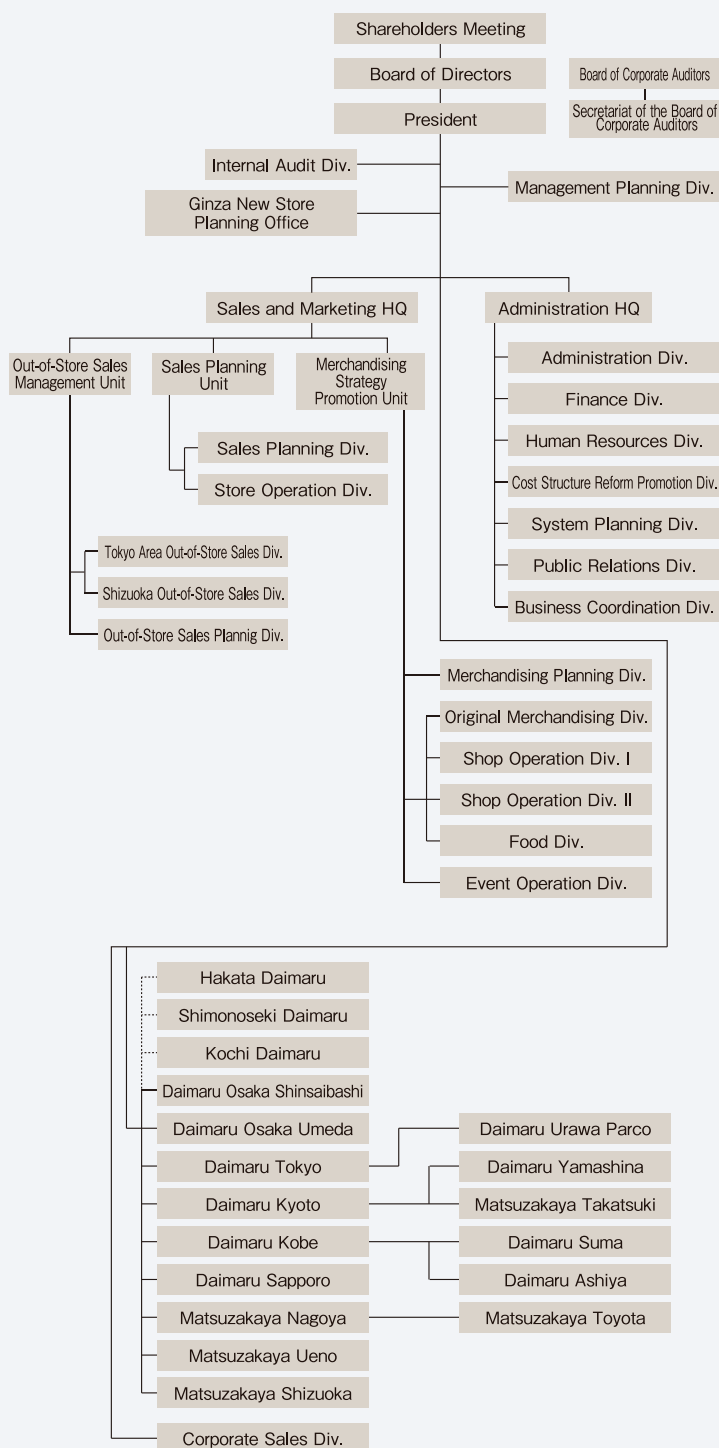
Corporate Profile

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	Director of J. Front Retailing Co., Ltd. President of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Director and Managing Executive Officer	MURATA Soichi	Senior Executive General Manager of Sales and Marketing Headquarters and Executive General Manager of Merchandising Strategy Promotion Unit
Director and Managing Executive Officer	HIRAYAMA Seiichiro	Senior Executive General Manager of Administration Headquarters and Compliance and Risk Management
Director and Managing Executive Officer	DOI Zenichi	Executive General Manager of Sales Planning Unit and Out-of-Store Sales Management Unit
Corporate Auditor	NOMURA Akio	
Corporate Auditor	NATSUME Kazuyoshi	
Corporate Auditor	ARAI Kenji	
Corporate Auditor	NISHIHAMA Tsuyoshi	
Managing Executive Officer	HARADA Takaharu	Chairman of Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.
Managing Executive Officer	DOI Ryohei	President of The Hakata Daimaru, Inc.
Executive Officer	HIGUCHI Masaichi	Senior General Manager of Original Merchandising Division
Executive Officer	IKEDA Hideyuki	Senior General Manager of Shop Operation Division I
Executive Officer	YOSHIKAWA Tatsuji	Senior General Manager of Shop Operation Division II
Executive Officer	OYAKE Yoshihiro	Senior General Manager of Food Division
Executive Officer	MATSUDA Hirokazu	Senior General Manager of Human Resources Division
Executive Officer	SAWADA Taro	Executive Store Manager of Daimaru Osaka Shinsaibashi
Executive Officer	FUJI Hiroko	Executive Store Manager of Daimaru Osaka Umeda
Executive Officer	NISHISAKA Yoshiharu	Executive Store Manager of Daimaru Tokyo
Executive Officer	IMURA Ario	Executive Store Manager of Daimaru Kyoto
Executive Officer	YUNOKI Kazuyo	Executive Store Manager of Daimaru Kobe
Executive Officer	KAGAWA Akiko	Executive Store Manager of Daimaru Sapporo
Executive Officer	KATO Toshiki	Executive Store Manager of Matsuzakaya Nagoya
Executive Officer	ISHINO Manabu	Senior General Manager of Corporate Sales Division
Associate Director	HIRANO Tadaaki	Executive General Manager of Internal Audit Division

Organization chart of Daimaru Matsuzakaya Department Stores



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

(As of May 31, 2014)



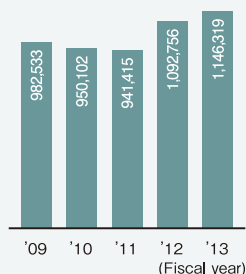
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Analysis of Financial Condition and Operating Results

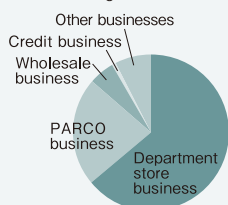
Sales

(Millions of yen)



Sales by Business Segment

(Composition of sales not including intersegment sales)

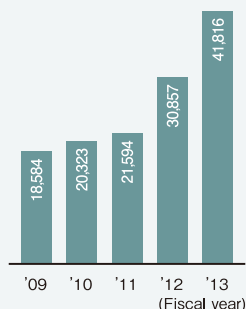


(including intersegment sales)
(Millions of yen)

Department store business	768,928
PARCO business	268,292
Wholesale business	63,273
Credit business	9,444
Other businesses	88,576

Operating Income

(Millions of yen)



Business overview

During the consolidated fiscal year under review (fiscal 2013), the Japanese economy showed a gentle recovery, including trends of improvement in corporate earnings and consumer spending, owing in part to the effects of economic and monetary policies of the Japanese government and the Bank of Japan.

In the department store industry, favorable sales have continued, centered on high-priced items, against a backdrop of the assets effect associated with a rise in stock prices and expectations of an economic recovery. Sales topped the results from the previous year.

Under these circumstances, the JFR Group geared up for growth as a multi-retailer engaged in multiple businesses with department stores at the core. We promoted efforts aimed at improved competitiveness of the department store business, handling of new markets and reform of the business structure.

With regards to the department store business, we promoted efforts directed towards establishment of a "new department store model" aimed at reforming the business format. These efforts included creating stores that are appealing and supported by a broad range of customers and establishing a highly productive store management structure. As a part of the efforts, we carried out a complete renovation of the food floor in the basement of the main building at the Matsuzakaya Nagoya store. The Matsuzakaya Ginza store has also temporarily been closed for rebuilding as part of the redevelopment project in the Ginza 6-chome district of Tokyo. We have decided to rebuild the South Wing of the Matsuzakaya Ueno store into a high-rise commercial complex with Parco, a cinema and office functions.

Group-wide, in order to respond to changes in the consumption environment associated with improvement in information and communication technology, we established a section to be in charge of development of new group IT businesses in March of last year. Additionally, we worked on developing omni-channel retailing to provide customers with various information, products and services through physical stores, online shopping websites and various other sales channels. In December, to accelerate those efforts, we acquired shares in Forest Co., Ltd., which possesses advanced know-how related to developing and operating distribution/shipping systems, and made it a consolidated subsidiary. Moreover, we will be substantially increasing the floor space at the Parco Fukuoka store and will be opening a second store in Sendai. We have also been actively promoting developments such as the ZERO GATE business, which manages low-rise and mid-rise commercial facilities. At the same time, we have promoted reform of the group's business structure, for example, transferring all shares of Peacock Stores Co., Ltd., a supermarket business that has continued to struggle due to intensified competition in recent years, to AEON Co., Ltd. in April of last year.

As for developments in our overseas business, we have been making preparations to launch operations in January of next year with the establishment of a full-fledged upscale department store in the

Shanghai market, which we are doing through a business tie-up. General merchandise retailer JFR Plaza was established in Taiwan in the aims of developing a chain. Since opening the first store in March of last year, we have opened four stores, centering on Taipei.

In preparation for the consumption tax hike in April of this year, we have been developing stronger management practices. To bring those about, we promoted reform of the organizational and personnel structure at the group level and reviewed our cost structure from every angle, including lowering of rent at leaseholds, utilization of under-utilized real estate and consolidation of distribution functions, with an eye to improving management efficiency.

Sales

As a result of the measures outlined above, total consolidated sales for the year under review amounted to ¥1,146,319 million, a gain of ¥53,563 million over the year before. Although sales in other businesses were down compared to the previous year, sales in the department store business, the Parco business, the wholesale business and the credit business exceeded the results of the previous year.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥202,313 million, down 5.8% from the previous year. Labor costs were shrunk by promoting structural reform throughout the group, and rental charges and other such expenses were reviewed to bring about this result.

Operating income

Consolidated operating income was up ¥10,959 million compared to the previous consolidated fiscal year to ¥41,816 million. Although the gross margin dropped ¥1,485 million, selling, general and administrative expenses were reduced by ¥12,444 million.

Other income and expenses

As for other expenses (income), on a net basis, income of ¥9,525 million was posted, compared to a ¥4,871 million loss the previous year. This was due to the posting of a ¥18,479 million gain on sale of corporate shares in Peacock Stores despite expenses that included a ¥3,235 million loss on rebuilding the South Wing of Matsuzakaya Ueno store, a ¥3,812 million loss on disposal of fixed assets related to sales floor remodeling and ¥4,725 million in business structure improvement costs.

Net income

As a result of the foregoing, income before income taxes and



Financial Statements

minority interests increased by 97.6% over the previous year to ¥51,342 million, while net income increased by 159.1% from the previous year to ¥31,568 million.

Segment overview

● Department store business

In this segment, we promoted various initiatives towards establishing a “new department store model” in aims of achieving further growth and higher productivity.

At the Matsuzakaya Nagoya store, the B1 and B2 food floors were completely remodeled as part of the second phase of remodeling. “Gochiso Paradise,” the largest food zone in Nagoya with a number of brands new to the Nagoya area, had its grand opening in June. On top of that, in order to respond to the demands of customers of a wide range of age groups, we enhanced our product and service offerings and improved the store environment, including introduction of a Pokemon Center, resulting in a substantial increase in both the number of stores and the amount of sales.

At the Matsuzakaya Ginza store, a final sale was held before closing all wings for remodeling. The sale was well-received, and on June 30, the curtain was lowered temporarily on 88 years of history. Additionally, the South Wing at the Matsuzakaya Ueno store was closed for remodeling on March 11 this year, and the main building was re-opened as a community-based store focusing primarily on senior citizens.

In order to respond to the robust luxury goods market, we expanded existing luxury brands and introduced new ones at each store. As part of these efforts, the Hermes shop at the Daimaru Kobe store was moved from the main building to a bigger location next door facing the street, and a Rolex shop with a service counter for repairs and other maintenance was opened at the Daimaru Sapporo store, the Daimaru Kobe store and the Matsuzakaya Nagoya store.

In the area of sales promotion activities, various commemorative events were held throughout the year at the Daimaru Umeda and Daimaru Sapporo stores for their 30th and 10th anniversaries, respectively. Also, at each of the stores in the Daimaru Matsuzakaya department store, the first “Spring Ultra Thanks Festival” event was held jointly with Parco, and in order to handle intensifying competition in the Osaka area, Daimaru stores in the Kansai area jointly held “Daimaru Grand Festa” events in the spring and autumn.

As part of our efforts to establish a base for our growth strategy with outside customers, we enhanced the functions of the gold cards for our regular customers along with membership perks, and we promoted initiatives aimed at establishing a system for new account cultivation and enhancement of services.

Moreover, in order to address the notable increase in visits and purchase amounts by foreign travelers, we worked to expand our product lineup and enhance sales services, such as improving duty free operations.

As far as independent business initiatives aimed at differentiation and improvement of profitability through integrated management of everything from procurement to sales go, we opened our own original “Woop Woop” accessory boutique at the Daimaru Shinsaibashi, Umeda and Sapporo stores and the Matsuzakaya Nagoya store. We also opened locations inside Parco in Ikebukuro and Fukuoka.

Additionally, as part of our omni-channel efforts, we implemented new services that maximize our strength, which is physical stores, including the launch of a “Click & Collect” service that allows customers to order products of certain fashion brands online and have them shipped to their homes or to the store of their choice for pickup.

As a result of the foregoing measures, sales in this segment rose by 2.5% over the previous year to ¥768,928 million, while operating income increased by 24.4% to ¥22,980 million.

● Parco business

In this segment, we actively promoted expansion of business locations in downtown areas in aims of future growth.

At the Fukuoka Parco store, we acquired the existing store and the land and building next door and are aiming to open a new wing in autumn of this year. We also plan to expand the floor into part of the building next door next spring. Additionally, in March of this year, we decided to open the second Parco in Sendai and are aiming for a spring 2016 opening.

The ZERO GATE business consists of the development and management of medium- and low-rise commercial facilities. We opened new stores in Shinsaibashi, Dotonbori and Hiroshima and have decided to open two additional ones in Nagoya and Sapporo.

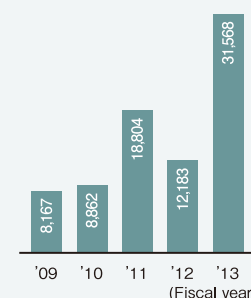
We also remodeled existing stores to further increase their appeal and strengthen competitiveness. In particular, at the flagship stores such as Shibuya, Nagoya and Hiroshima stores among others, we engaged in large-scale remodeling focusing on new format shops and fashion brands with their first stores in the areas. We also held art events at the Shibuya, Fukuoka and Nagoya Parco stores to connect with the communities and towns. These and other efforts were carried out to discover and support new talent, and we worked to revitalize the stores using the customer drawing effect of those efforts.

We also worked to further strengthen collaboration in aims of creating full-blown business synergy with the department store business, including a decision to open a new store in the new South Wing of the Matsuzakaya Ueno store.

As a result of these measures, sales for the Parco business segment rose by 94.6% over the previous year to ¥268,292 million, while operating income increased by 103.7% to ¥12,017 million. The period subject to consolidation in the previous year was the six month period from September 1, 2012 to February 28, 2013. Looking at the full-year comparison from March 1, 2012 in real terms, net sales increased 0.3% year on year, and operating income increased 12.7% year on year.

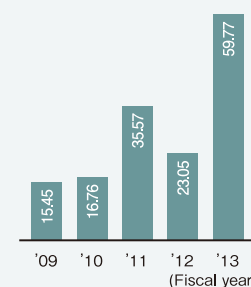
■ Net Income

(Millions of yen)



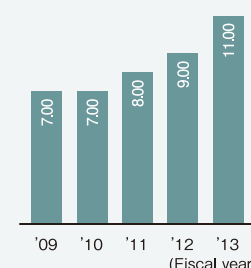
■ Net Income per Share

(Yen)



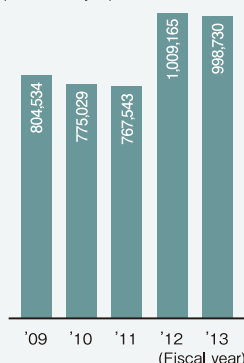
■ Cash Dividends per Share

(Yen)



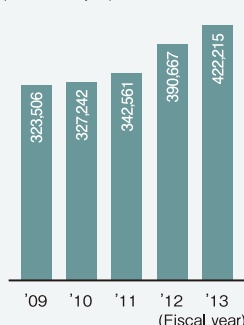
■ Total Assets

(Millions of yen)



■ Net Assets

(Millions of yen)



● Wholesale business

In this segment, fisheries/livestock and other food products, packaging materials and others trended favorably, but products in the electronic devices and metals/automobile categories showed sluggish performance.

As a result, net sales were ¥63,273 million (an increase of 5.1% year on year), but operating income amounted to ¥1,127 million (a decrease of 29.2% year on year) due in part to a drop in the gross margin percentage despite efforts to use selling, general and administrative expenses effectively.

● Credit business

In this segment, we worked on acquiring new members, through efforts such as improving the instant issue of credit cards using tablet terminals and setting up a special counter at each store within the Daimaru Matsuzakaya department store. We also substantially increased card billings in conjunction with the launch of gold cards for regular outside customers.

As a result, sales for the segment were ¥9,444 million (an increase of 9.9% year on year), and operating income was ¥3,186 million (an increase of 8.0% year on year).

● Other businesses

As for other businesses, each business company worked on improving profitability, but sales amounted to ¥88,576 million (a decrease of 1.7% year on year). Operating income was ¥2,961 million (a decrease of 7.3% year on year) despite efforts to reduce selling, general and administrative expenses.

● Financial condition

Keen efforts were advanced to improve asset efficiency and capital efficiency by effectively utilizing Group-owned assets, while promoting a unified management structure for our Group assets to foster greater financial strength. As a result of these efforts, total assets decreased by ¥10,435 million over the previous year to ¥998,730 million. Total liabilities amounted to ¥576,515 million and total net assets came to ¥422,215 million. On the basis of these results, the return on assets (ROA) was tracked at 4.2% and the shareholders' equity ratio was 37.1%.

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 other means.

During the period under review, we generated a net cash inflow of ¥37,532 million from operating activities. Compared to the previous consolidated fiscal year, on top of increased profit, there was a reaction to the decline in accounts payable from the previous year, and compensation was received for the redevelopment of the Matsuzakaya Ginza store, contributing to an increase in income of ¥11,507 million.

Our cash flow on investing activities amounted to an outflow of ¥8,858 million. Compared to the previous consolidated fiscal year, there was a decrease in cash outflow of ¥65,119 million due to acquisition of Parco Co., Ltd. shares the previous year, despite the expenditure associated with acquiring trust benefit rights to the company's land and building.

The cash flow on financing activities amounted to ¥32,027 million. This represented a cash flow increase of ¥90,302 million compared to the previous consolidated fiscal year, the result of such factors as repaying short-term borrowings.

As a result of the above, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥31,276 million, a decrease of ¥3,299 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 over 30%, taking in to consideration profit levels, future capital investment and cash flow trends, while simultaneously working to maintain and improve upon our sound financial standing. We will consider stock buybacks when appropriate, with the aim of improving capital efficiency and flexibly implementing capital policies.

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

For the period under review, JFR has decided to distribute an interim dividend of ¥5 and a year-end dividend of ¥6, for an annual dividend of ¥11.

With respect to the next fiscal year, the plan is to distribute an interim dividend of ¥6 and a year-end dividend of ¥12. Without factoring in the share consolidation, the year-end dividend will be ¥6, totaling ¥12 for the full year.

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.

① Business 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.

⑦ Fixed 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.

⑧ Overseas Operations

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

⑨ Significant Lawsuits

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

⑩ Business tie-ups, capital tie-ups, corporate acquisition

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

CONSOLIDATED BALANCE SHEETS

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

February 28, 2014 and 2013

	Millions of yen	
ASSETS	2014	2013
Current assets:		
Cash on hand and in banks	¥34,728	¥37,234
Marketable securities	400	818
Notes and accounts receivable:	66,265	63,061
Less: allowance for doubtful accounts	(221)	(273)
Inventories	29,690	30,942
Deferred tax assets	11,663	13,887
Other	32,502	44,425
Total current assets	175,031	190,096
Property and equipment:		
Land	349,701	431,868
Buildings and structures	461,613	495,936
Other	20,574	21,160
Construction in progress	115,273	1,234
Total	947,162	950,199
Accumulated depreciation	(293,608)	(316,814)
Net property and equipment	653,554	633,385
Investments and other assets:		
Goodwill	2,638	1,571
Investment securities	25,017	22,910
Investments in unconsolidated subsidiaries and affiliates	14,774	14,284
Long-term loans	1,537	1,639
Leasehold and other deposits	65,566	82,587
Bond issuance costs	72	101
Deferred tax assets	3,074	4,428
Other	57,463	58,159
Total investment and other assets	170,143	185,682
Total assets	¥998,730	¥1,009,165



Financial Statements

	Millions of yen	
LIABILITIES AND NET ASSETS	2014	2013
Current liabilities:		
Notes and accounts payable	¥86,501	¥87,995
Short-term bank loans	31,265	74,567
Commercial paper	32,192	19,998
Current portion of bonds	—	1,000
Income taxes payable	4,999	9,154
Advances received	18,651	17,985
Gift certificates	37,853	38,001
Allowance for employees' bonuses	5,710	6,437
Allowance for directors' and corporate auditors' bonuses	201	148
Provision for sales returns	27	14
Provision for books unsold	129	137
Provision for sales promotion	736	624
Provision for loss on collection of gift certificates	12,331	11,429
Provision for loss on business liquidation	94	70
Other	52,429	60,729
Total current liabilities	283,124	328,295
Long-term liabilities:		
Bonds	24,000	24,000
Long-term loans payable	100,492	93,519
Deferred tax liabilities	104,890	101,919
Deferred tax liabilities on revaluation	1,279	1,279
Provision for retirement benefits	17,049	26,554
Provision for directors' and corporate auditors' retirement allowances	56	48
Provision for loss of stores rebuilding	1,320	—
Other	44,300	42,879
Total long-term liabilities	293,390	290,201
Total liabilities	576,515	618,497
Net assets:		
Shareholders' equity:		
Common stock:		
Authorized: 2,000,000,000 shares		
Issued: 536,238,328 shares in 2014 and 2013	30,000	30,000
Capital surplus	209,557	209,563
Retained earnings	134,178	107,629
Less: treasury stock, at cost, 8,372,594 shares in 2014		
8,030,692 shares in 2013	(6,343)	(6,098)
Total shareholders' equity	367,392	341,095
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	2,357	68
Deferred gains (losses) on hedges	(25)	6
Foreign currency translation adjustments	449	149
Total accumulated other comprehensive income	2,780	223
Stock acquisition rights	15	15
Minority interests	52,025	49,333
Total net assets	422,215	390,667
Total liabilities and net assets	¥998,730	¥1,009,165

CONSOLIDATED STATEMENTS OF INCOME

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

Years ended February 28, 2014 and 2013

	Millions of yen	
	2014	2013
Sales:		
Net sales	¥1,136,124	¥1,083,679
Rent income of real estate	10,195	9,076
	<u>1,146,319</u>	<u>1,092,756</u>
Operating expenses:		
Cost of sales	896,153	842,419
Cost of real estate rent	6,035	4,722
	<u>902,189</u>	<u>847,141</u>
Gross profit	244,130	245,615
Selling, general and administrative expenses	202,313	214,757
Operating income	41,816	30,857
Other income (expenses):		
Interest and dividend income	853	828
Interest expenses	(1,741)	(1,772)
Net loss on sales or disposal of fixed assets	(2,792)	(2,767)
Gain on sales of investment securities	199	496
Gain on sales of investments in subsidiaries and affiliates	18,479	—
Loss on revaluation of investment securities	(25)	(307)
Loss on impairment	(1,463)	(1,473)
Gain on restructuring liabilities	3,191	3,464
Amortization of negative goodwill	—	1,163
Equity in earnings of affiliates	419	1,837
Provision for loss on collection of gift certificates	(3,585)	(3,693)
Loss of stores rebuilding	(3,235)	—
Business structure improvement expenses	(4,725)	—
Loss on business restructuring	(110)	(359)
Reversal of provision for loss on business liquidation	—	375
Income from compensation for damage	—	569
Compensation income	4,711	—
Loss on step acquisitions	—	(1,667)
Loss on cancellation of leasehold contracts	—	(999)
Other, net	(650)	(565)
	<u>9,525</u>	<u>(4,871)</u>
Income before income taxes and minority interests	51,342	25,986
Income taxes:		
Income taxes - current	11,371	11,479
Income taxes - deferred	5,352	757
	<u>16,724</u>	<u>12,237</u>
Income before minority interests	34,618	13,749
Minority interests in earnings of consolidated subsidiaries	3,049	1,565
Net income	¥31,568	¥12,183

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

Years ended February 28, 2014 and 2013



Financial
Statements

	Millions of yen	
	2014	2013
Income before minority interests	¥34,618	¥13,749
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	2,289	962
Deferred gains (losses) on hedges	(51)	(5)
Foreign currency translation adjustments	283	161
Shares of other comprehensive income of associates accounted for using equity method	118	27
Total other comprehensive income	2,639	1,145
Comprehensive income	¥37,257	¥14,894
Total comprehensive income attributable to:		
Owners of the parent	¥34,125	¥13,255
Minority interests	3,131	1,639

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Years ended February 28, 2014 and 2013

	Millions of yen					
	Number of shares issued	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
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
Cash dividends paid				(5,019)		(5,019)
Change in scope of equity method						
Net income				31,568		31,568
Purchase of treasury stock					(320)	(320)
Disposal of treasury stock			(5)		75	69
Net changes of items other than shareholders' equity during the year						
Balance, February 28, 2014	536,238,328	¥30,000	¥209,557	¥134,178	¥(6,343)	¥367,392

	Millions of yen						
	Accumulated other comprehensive income					Minority interests	Total net assets
	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		
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
Cash dividends paid							(5,019)
Change in scope of equity method							
Net income							31,568
Purchase of treasury stock							(320)
Disposal of treasury stock							69
Net changes of items other than shareholders' equity during the year	2,288	(31)	300	2,556		2,692	5,249
Balance, February 28, 2014	¥2,357	¥(25)	¥449	¥2,780	¥15	¥52,025	¥422,215

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Years ended February 28, 2014 and 2013



Financial
Statements

	Millions of yen	
	2014	2013
Cash flows from operating activities:		
Income before income taxes and minority interests	¥51,342	¥25,986
Depreciation	17,698	16,482
Loss on impairment	3,265	1,473
Amortization of goodwill	349	174
Amortization of negative goodwill	—	(1,163)
Decrease in allowance for doubtful accounts	(501)	(143)
Decrease in allowance for bonuses	(347)	(807)
Decrease in provision for employees' retirement benefits	(4,722)	(866)
Increase in provision for sales promotion	43	12
Increase (decrease) in provision for business liquidation	24	(1,026)
Increase in provision for loss on collection of gift certificates	902	1,048
Increase in provision for loss of stores rebuilding	1,320	—
Interest and dividend income	(853)	(828)
Interest expenses	1,741	1,772
Equity in earnings of affiliated companies	(419)	(1,837)
Loss on sales or disposal of property and equipment, net	2,184	2,391
Gain on sales of investment securities, net	(51)	(366)
Write-down of investment securities	25	307
Income from compensation for damage	—	(569)
Compensation income	(4,711)	—
Loss on step acquisitions	—	1,667
Gain on sales of investments in subsidiaries and affiliates	(18,479)	—
Increase in notes and accounts receivable	(2,989)	(505)
(Increase) decrease in inventories	(952)	124
Increase (decrease) in notes and accounts payable	2,821	(4,707)
Increase in other receivables	(2,616)	(1,592)
(Increase) decrease in prepaid expenses	10	(181)
Other	(6,664)	407
Subtotal	38,420	37,252
Interest and dividend income received	704	668
Interest expenses paid	(1,790)	(1,851)
Income taxes paid	(16,192)	(13,315)
Income taxes refund	9,950	1,692
Compensation for damage received	—	1,578
Payments for cancellation of leasehold contracts	(999)	—
Proceeds from compensation	7,438	—
Net cash provided by operating activities	37,532	26,025
Cash flows from investing activities:		
Purchase of securities	(1,530)	(31,957)
Proceeds from sales of securities	3,536	4,006
Purchase of property and equipment	(49,514)	(16,824)
Proceeds from sales of property and equipment	3,341	1,845
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,947)	(34,386)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	27,649	—
Decrease in short-term loans	10	108
Increase in long-term loans	(8)	(8)
Proceeds from collection of long-term loans	144	67
Other	9,459	3,171
Net cash used in investing activities	(8,858)	(73,977)
Cash flows from financing activities:		
Net increase (decrease) in short-term bank loans	(34,713)	30,143
Increase in commercial paper	12,193	10,000
Proceeds from long-term bank loans	25,500	52,350
Payments of long-term bank loans	(27,274)	(51,488)
Proceeds from issuance of bonds	—	24,000
Redemption of bonds	(1,000)	(500)
Purchase of treasury stock	(114)	(193)
Cash dividends paid	(4,987)	(4,746)
Cash dividends paid to minority shareholders	(733)	(413)
Other	(897)	(876)
Net cash provided by (used in) financing activities	(32,027)	58,275
Effect of exchange rate changes	53	49
Net increase (decrease) in cash and cash equivalents	(3,299)	10,372
Cash and cash equivalents at beginning of year	34,576	24,204
Cash and cash equivalents at end of year	¥31,276	¥34,576



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, Akashimachi, 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%

Neuve A Co., Ltd. (Retail business)

- Location: Shibuya 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 Senri Kaikan, 4-9, Bingomachi 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%

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., Phoenix Minamisemba 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: 6th Fl., GLP Osaka, 4-43, Nankominami 2-chome, Suminoe-ku, Osaka 559-0032
- Phone: +81-6-6615-0371 • 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 116-0014
- 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/>

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/>

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%

Forest Co., Ltd. (Direct marketing)

- Location: 3rd Fl., Omiya Prime East, 1-1, Shimocho 2-chome, Omiya-ku, Saitama 330-0844
- Phone: +81-48-610-0100 • Capital: ¥90 million • Investment ratio: 72.9%
<http://www.forest.co.jp/>

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/>

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. (Commissioned back-office service)

- Location: 4th Fl., Higashikobe Center Bldg., 6-26, Motoyaminamimachi 8-chome, Higashinada-ku, Kobe, Hyogo 658-0015
- Phone: +81-78-435-6227 • 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: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042
- Phone: +81-3-3820-1741 • Capital: ¥100 million • Investment ratio: 100%
http://www.j-front-retailing.com/jfr_con/

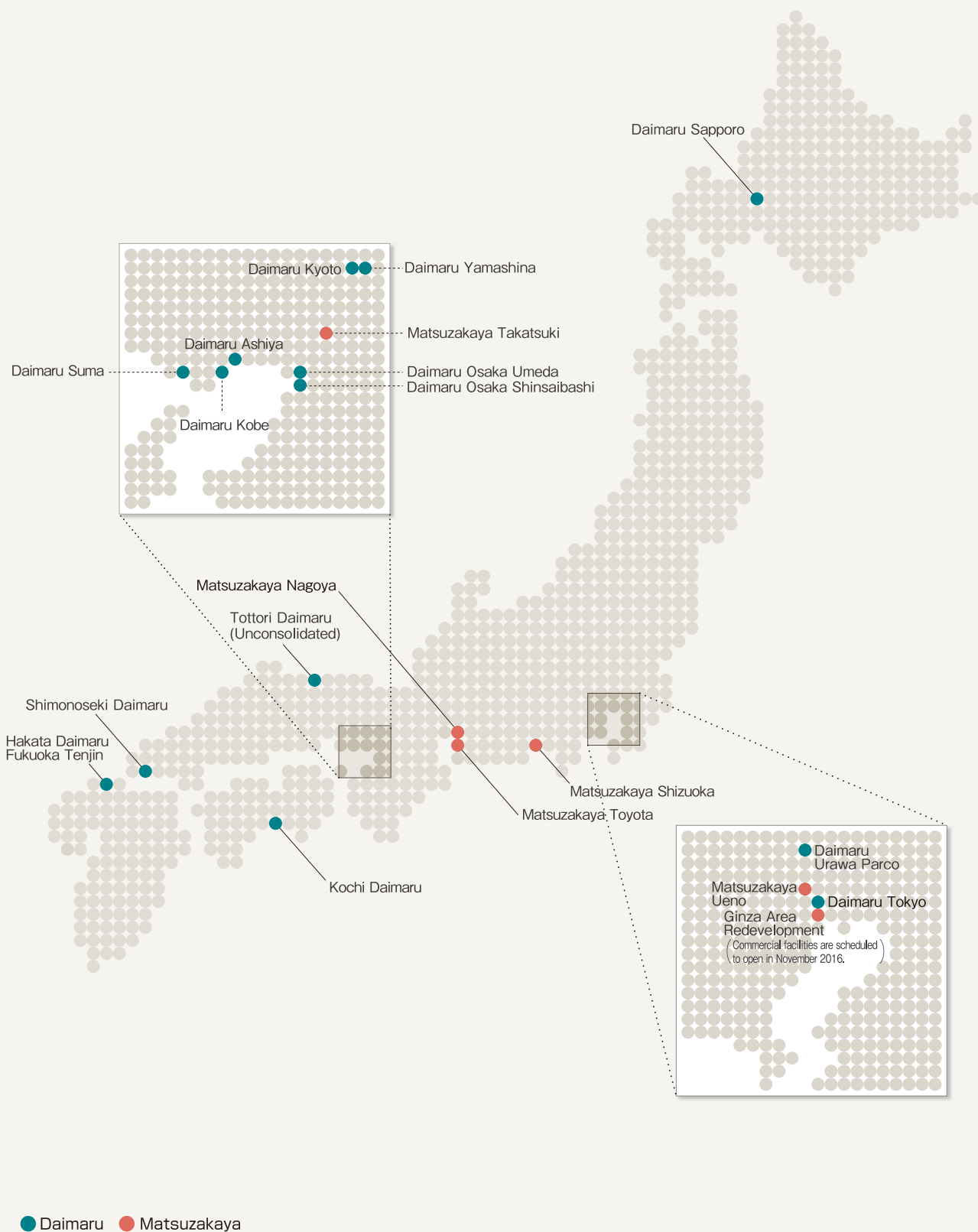
Daimaru Matsuzakaya Sales Associates Co. Ltd. (Commissioned sales operations)

- 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 and Matsuzakaya Department Stores



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



Daimaru Kyoto (Floor space: 50,830m²)



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



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



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



Daimaru Kobe (Floor space: 50,656m²)



Daimaru Yamashina (Floor space: 5,403m²)



Shimonoseki Daimaru (Floor space: 23,912m²)



Daimaru Suma (Floor space: 13,076m²)



Kochi Daimaru (Floor space: 16,068m²)



Daimaru Tokyo (Floor space: 46,000m²)



Daimaru Sapporo (Floor space: 45,000m²)



Daimaru Ashiya (Floor space: 4,300m²)



Tottori Daimaru (Floor space: 13,637m²)



Matsuzakaya Nagoya (Floor space: 86,758m²)



Matsuzakaya Takatsuki (Floor space: 17,387m²)



Matsuzakaya Toyota (Floor space: 18,220m²)



Matsuzakaya Ueno (Floor space: 20,888m²) *The new south wing is scheduled to open in fall 2017.



Matsuzakaya Shizuoka (Floor space: 25,452m²)



Ginza Area Redevelopment
*Subject to changes
[Commercial facilities are scheduled to open in November 2016.]

Overseas Offices and Company

New York Representative Office

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

Shanghai Representative Office

Huaxin Haixin Building 13F Rm-B2, 666 Fuzhou Rd, Shanghai 200001, China
Phone : +86-21-6248-1538

Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.
Huaxin Haixin Building 13F Rm-B1, 666 Fuzhou Rd, Shanghai 200001, China
Phone : +86-21-6248-1538

Paris Representative Office

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

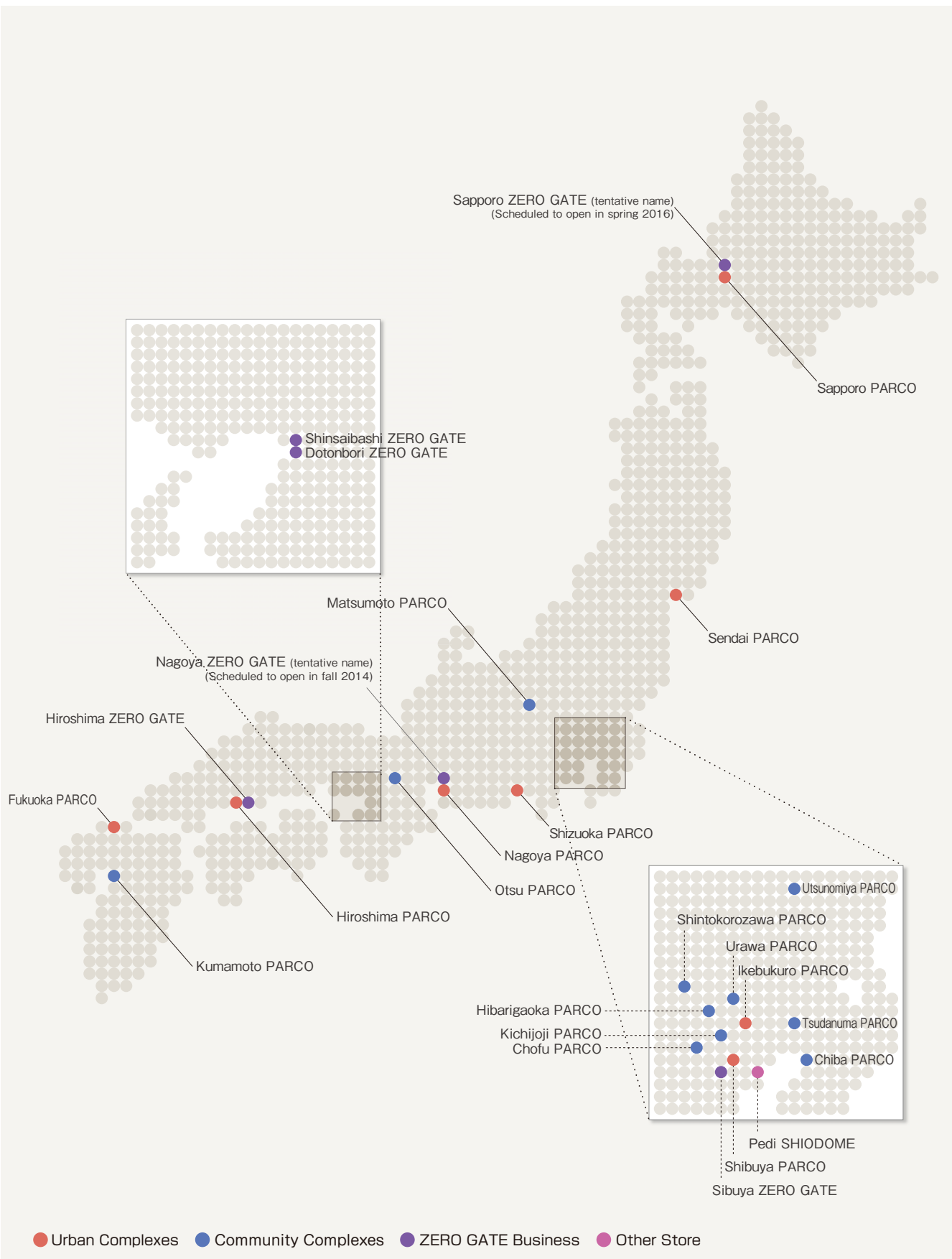
Milan Representative Office

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

London Representative Office

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

Locations of Parco Stores



Urban Complexes



Sapporo PARCO

3-3, Minami 1-jo Nishi, Chuo-ku, Sapporo, Hokkaido
B2F-8F
Opened: August 24, 1975
www.parco-sapporo.com



Sendai PARCO

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



Shizuoka PARCO

6-7, Koyamachi, Aoi-ku, 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, 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

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

B1F-8F

Opened: March 19, 2010

www.parco-fukuoka.com

Community Complexes



Utsunomiya PARCO

3-1-1, Baba-dori, Utsunomiya, Tochigi

B1F-10F

Opened: March 20, 1997

www.parco-utsunomiya.com



Urawa PARCO

11-1, Higashitakasago-cho, Urawa-ku, Saitama

B1F-7F

Opened: October 10, 2007

www.parco-urawa.com



Chiba PARCO

2-2-2, Chuo, Chuo-ku, Chiba

B1F-8F

Opened: December 1, 1976

www.parco-chiba.com



Tsudanuma PARCO

2-18-1, Maebaranishi, Funabashi, Chiba

A Building: B1F-6F

B Building: B1F-6F

Opened: July 1, 1977

www.parco-tsudanuma.com



Shintokorozawa PARCO

1-2-1, Midori-cho, Tokorozawa, Saitama

PARCO: B1F-5F

Let's: B1F-4F

Opened: June 23, 1983

www.parco-shintokorozawa.com



Hibarigaoka PARCO

1-1-1, Hibarigaoka, Nishitokyo, Tokyo

B1F-5F

Opened: October 8, 1993

www.parco-hibarigaoka.com



Kichijoji PARCO

1-5-1, Kichijojihoncho, Musashino, Tokyo

B2F-8F

Opened: September 21, 1980

www.parco-kichijoji.com



Chofu PARCO

1-38-1, Kojima-cho, Chofu, Tokyo

B1F-10F

Opened: May 25, 1989

www.parco-chofu.com



Matsumoto PARCO

1-10-30, Chuo, Matsumoto, Nagano

B1F-6F

Opened: August 23, 1984

www.parco-matsumoto.com



Otsu PARCO

14-30, Uchidehama, Otsu, Shiga

1F-8F

Opened: November 2, 1996

www.parco-otsu.com



Kumamoto PARCO

5-1, Tetorihoncho, Chuo-ku, 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, Shinsaibashisuji, Chuo-ku, Osaka

B2F-4F

Opened: April 13, 2013

Dotonbori ZERO GATE

1-8-22, Dotonbori, Chuo-ku, Osaka

1F-3F

Opened: April 20, 2013

Hiroshima ZERO GATE

2-7, Shintenchu, Naka-ku, Hiroshima

B1F-14F

(Floors that are leased to PARCO: 1F-3F)

Opened: October 10, 2013

Nagoya ZERO GATE (tentative name)

3-28, Sakae, Nagoya, Aichi

Scheduled to open in fall 2014

Sapporo ZERO GATE (tentative name)

3-15-1, Minami 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido

B2F-4F

Scheduled to open in spring 2016

Other Store



PEDI SHIODOME

1-9-1, Higashishinbashi, Minato-ku, Tokyo

B2F-B1F, 2F

Opened: February 16, 2005

www.pedi-s.com

Share Information

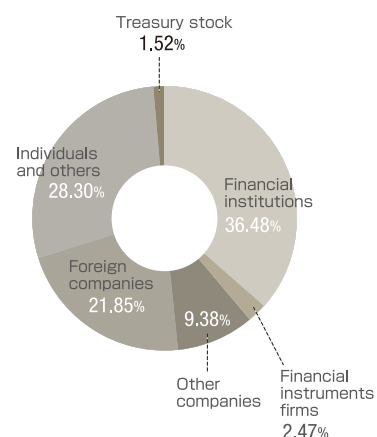
■ Status of Shares (As of February 28, 2014)

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	: 68,665

Major shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
1 The Master Trust Bank of Japan, Ltd. (Trust Account)	32,531	6.16
2 Japan Trustee Services Bank, Ltd. (Trust Account)	25,772	4.88
3 Nippon Life Insurance Company	22,114	4.18
4 J. Front Retailing Kyoei Supplier Shareholding Association	13,894	2.63
5 The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,500	2.36
6 The Dai-ichi Mutual Life Insurance Company	11,464	2.17
7 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
8 Employee Shareholding Association of J. Front Retailing	6,128	1.16
9 Tokio Marine & Nichido Fire Insurance Co., Ltd.	5,999	1.13
10 Takenaka Corporation	5,725	1.08

Note: Shareholding ratio is calculated by deducting treasury stock (8,171 thousand shares).

Distribution by shareholder type	Number of shareholders (Persons)	Number of shares (1,000 shares)	Percentage (%)
■ Government and local public entities	—	—	—
■ Financial institutions	78	195,627	36.48
■ Financial instruments firms	46	13,270	2.47
■ Other companies	763	50,283	9.38
■ Foreign companies	400	117,154	21.85
■ Individuals and others	67,377	151,730	28.30
■ Treasury stock	1	8,171	1.52





J. FRONT RETAILING

