



# J. FRONT RETAILING NOW

Annual Report 2015 (Year ended February 28, 2015)





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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

Fiscal years ended February 28, 2015, February 28, 2014, February 28, 2013, February 29, 2012 and February 28, 2011 or at February 28, 2015, February 28, 2014, February 28, 2013, February 29, 2012 and February 28, 2011

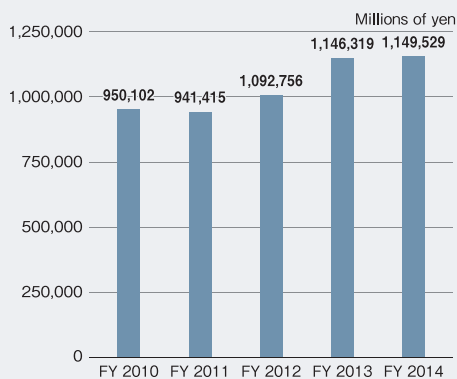
	Millions of yen (Except where otherwise indicated)				
	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
<b>Business results</b>					
Net Sales	<b>¥1,149,529</b>	¥1,146,319	¥1,092,756	¥941,415	¥950,102
Gross profit	<b>243,663</b>	244,130	245,615	226,646	229,588
Operating income	<b>42,091</b>	41,816	30,857	21,594	20,323
Ordinary income	<b>40,404</b>	40,502	32,202	22,941	21,092
Net income	<b>19,918</b>	31,568	12,183	18,804	8,862
Selling, general and administrative expenses (SGA)	<b>201,572</b>	202,313	214,757	205,052	209,265
<b>Financial position</b>					
Total assets	<b>1,018,700</b>	998,730	1,009,165	767,543	775,029
Equity	<b>376,091</b>	370,173	341,318	332,917	318,033
Net assets	<b>430,465</b>	422,215	390,667	342,561	327,242
Interest-bearing debt	<b>168,458</b>	187,950	213,085	106,025	108,658
<b>Cash flows</b>					
Cash flows from operating activities	<b>44,650</b>	37,532	26,025	24,365	21,270
Cash flows from investing activities	<b>(16,272)</b>	(8,858)	(73,977)	(26,781)	(8,432)
Cash flows from financing activities	<b>(27,587)</b>	(32,027)	58,275	(6,872)	(23,128)
<b>Per share information (unit: ¥)</b>					
Net income <sup>Note1)</sup>	<b>¥75.47</b>	¥119.55	¥46.11	¥71.15	¥33.53
Net assets <sup>Note1)</sup>	<b>¥1,425.05</b>	¥1,402.52	¥1,292.36	¥1,259.60	¥1,203.24
Dividend paid <sup>Note1)</sup>	<b>¥25.00</b>	¥22.00	¥18.00	¥16.00	¥14.00
<b>Financial indicators (unit: %)</b>					
Gross margin	<b>21.20%</b>	21.30%	22.48%	24.08%	24.16%
SGA ratio	<b>17.5%</b>	17.6%	19.7%	21.8%	22.0%
Operating margin	<b>3.7%</b>	3.6%	2.8%	2.3%	2.1%
Return on assets (ROA)	<b>4.2%</b>	4.2%	3.5%	2.8%	2.6%
Return on equity (ROE)	<b>5.3%</b>	8.9%	3.6%	5.8%	2.8%
Return on investment (ROI)	<b>7.3%</b>	7.3%	6.5%	5.3%	4.9%
Equity ratio	<b>36.9%</b>	37.1%	33.8%	43.4%	41.0%
Dividend payout ratio	<b>33.1%</b>	18.4%	39.0%	22.5%	41.8%

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

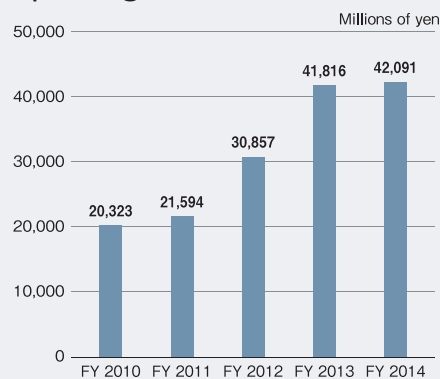
Note1) The Company's common shares were consolidated in the ratio of one share for every two shares as of September 1, 2014.

Net income per share and dividend paid per share have been calculated as if this share consolidation was conducted at the beginning of fiscal year 2010.

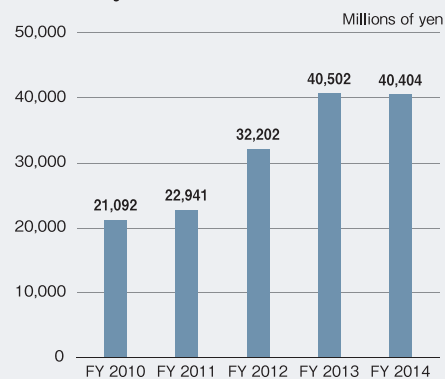
### Net Sales



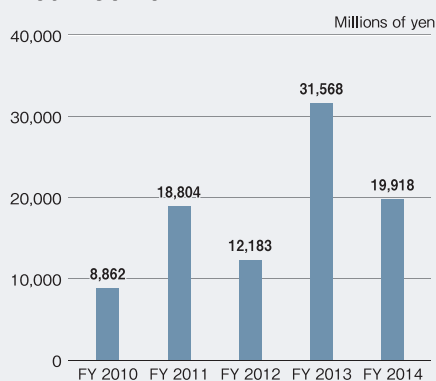
### Operating Income



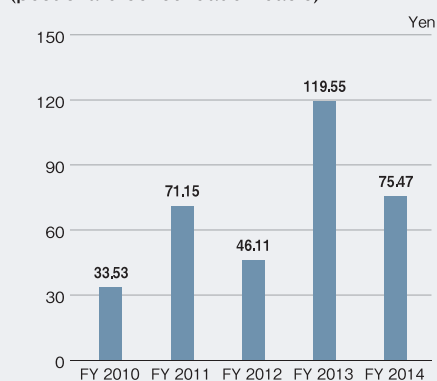
### Ordinary Income



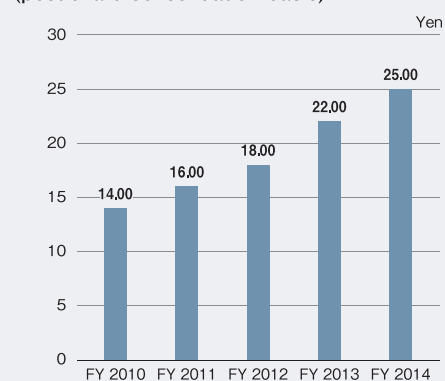
### Net Income



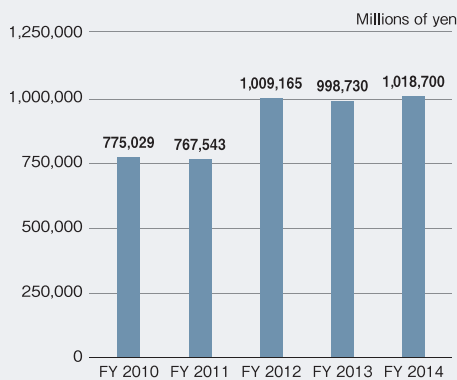
### Net Income per Share (post-share consolidation basis)



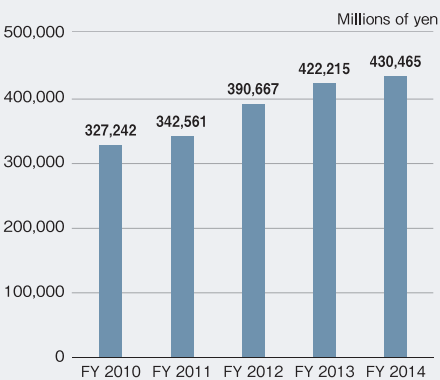
### Dividend Paid per Share (post-share consolidation basis)



### Total Assets



### Net Assets



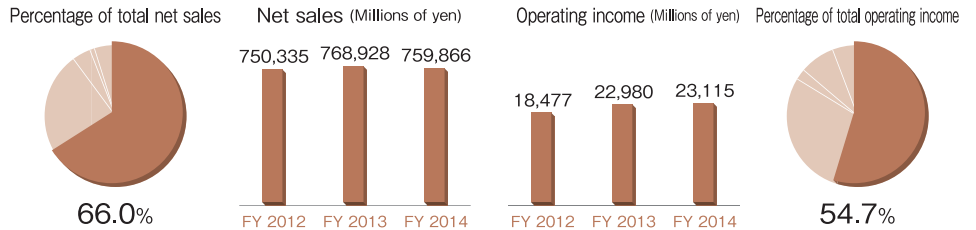
# Segment Overview

## At a Glance

### Net sales and operating income

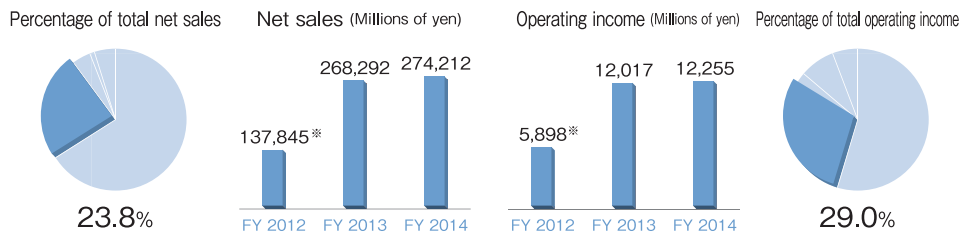
- The percentage of total sales represents the ratio of net sales to external customers after eliminating intersegment transactions.
- Net sales and operating income include intersegment transactions.

### Department Store Business

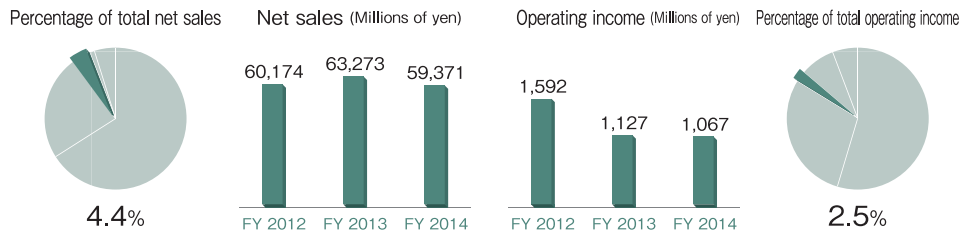


### Parco Business

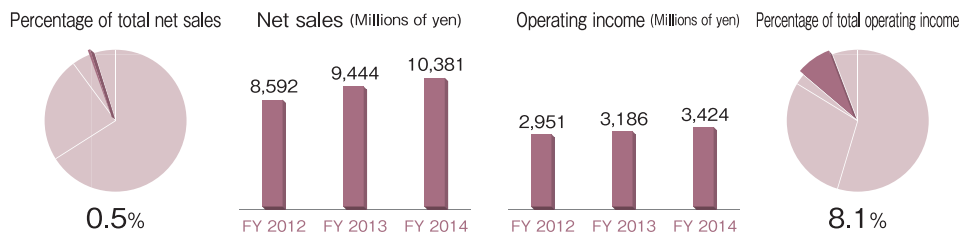
\*Net sales and operating income for fiscal year 2012 are only for the second half of the year.



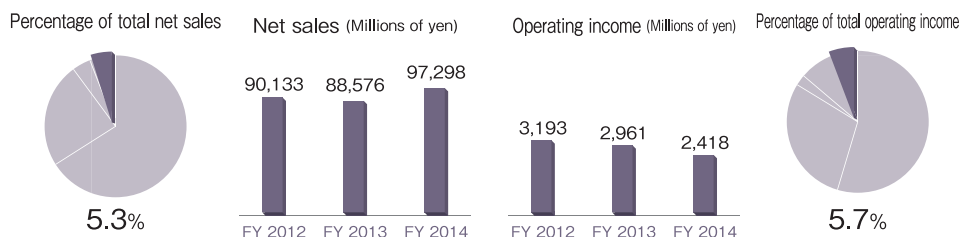
### Wholesale Business



### Credit Business



### Other Businesses



■ 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

■ 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.

■ Taiwan Daimaru Kogyo, Ltd.



■ JFR Card Co., Ltd.

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



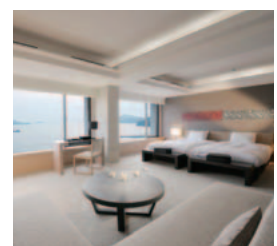
■ J. Front Design & Construction Co., Ltd. ■ Consumer Product End-Use Research Institute Co., Ltd. ■ JFR Office Support Co., Ltd.

■ 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.



# We Aim for Sustainable Growth and Development as a Competitive and Profitable “Multifaceted Retailer.”



## YAMAMOTO Ryoichi

President  
J. Front Retailing Co., Ltd.

J. Front Retailing (the “Company”) positions its ongoing FY 2014 to 2016 Medium-term Business Plan as a phase of enhancing profitability and constructing a foundation toward leap in fiscal year 2017 and beyond. Last fiscal year, as the first year of the Medium-term Business Plan, we could not make an entirely satisfactory start though we achieved our fifth consecutive year of operating income growth, reaching a record high since the Company was established. We think it is essentially attributable to our lack of capability to keep up with the speed of market changes as a company as well as significant changes in our external environment including slower-than-expected recovery of consumer confidence due to a sales tax hike and a price rise resulting from a weakening yen, increasingly polarized consumption, and a greater gap between urban and rural areas.

Based on such recognition, in fiscal year 2015, we will focus

our efforts on the following challenges toward dramatic growth as a multifaceted retailer, which we aim for.

### **The first is “to drastically enhance competitiveness and profitability as a multifaceted retailer.”**

In the core Department Store Business, in order to establish a new department store model combining the store’s appeal to a wide range of customers with highly efficient operations, during this fiscal year, we will overhaul the sales floor composition primarily of Matsuzakaya Nagoya and Daimaru Sapporo stores among four key stores selected in the current Medium-term Business Plan to adapt to market changes. All our department store operators will increase their presence in the affluent consumer markets centering on the development of new *gaisho* (or out-of-store sales) card holders and enhance efforts to meet the rapidly expanding



demands of inbound tourists. In the Parco Business, we will expand the business infrastructure through active investment. During fiscal year 2015, we are planning to renovate 48,000 square meter sales floors, which account for approximately 15% of total floor area of all stores, including Fukuoka Parco, which increased the sales floor area of the main building this spring, and Nagoya Parco Midi, which opened this spring.

At the same time, we will actively pursue mergers and acquisitions to expand our business areas as a multifaceted retailer. Following the conversion of Parco into a consolidated subsidiary and the conversion of StylingLife Holdings into an associate accounted for using equity method, on April 17, 2015, the Company has concluded a capital and business alliance agreement with Senshukai Co., Ltd. and converted it into an associate accounted for using equity method by acquiring 22.62% of its shares. Since the Company and Senshukai are highly complementary to each other in business domain and customer base, we believe the business alliance will enable both companies to expand their shares and develop business efficiently.

In conjunction with such expansion of business, we will further seek synergy as a group.

**The second is “to promote the Urban Dominant Strategy for growing along with local communities.”**

The Company has store assets including department stores and Parco stores in a balanced manner in central urban areas throughout Japan as well as prime customer assets. Based on this advantage, we will bring together the combined strength of J. Front Retailing Group (the “Group”) including Daimaru COM Development with department stores and Parco stores in respective areas as a core to activate and make effective use of real estate including idle assets in terms of what appealing areas should be.

With the newly added projects to develop the Shinsaibashi area and the Nagoya area as well as the ongoing big projects such as

the “Ginza 6-chome District Redevelopment” and the “Matsuzakaya Ueno Store South Wing Rebuilding” and incorporating the perspective of real estate development more than ever, we will vigorously push forward the activation of the areas around our stores. To this end, we will radically consolidate the promotion systems by creating dedicated teams and establishing cross-group projects and speed up our efforts to consider the effective use of the Group’s assets and the maximization of revenue.

**The third is “to strengthen corporate governance function.”**

Following the establishment, publication and implementation of Japan’s Stewardship Code last year, the draft of Corporate Governance Code was published in March 2015 toward its application from June 1 and listed companies kicked into full gear and accelerate their initiatives to strengthen corporate governance. Taking this as an opportunity to achieve sustainable growth and increase corporate value through “aggressive governance,” we would like to have constructive dialogue with our stakeholders through the strengthening of organizational structure by creating a new position in charge of Corporate Governance Promotion in the Management Strategy Unit and the efforts with a particular focus on a review of the “roles and responsibilities of the Board of Directors,” “shareholder relations” and “information disclosure.”

Mainly through the foregoing initiatives, we, as a multifaceted retailer, will meet market changes quickly and create and continue to provide customers with new values, and accumulate their results toward the future dramatic expansion of corporate value.

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 earning the trust of society at large and contributing to society, as well as ensuring legal compliance.

## Sustainable Improvement of Capital Efficiency with Profit Growth Is Important. We Aim for ROE of 5.8% as a Milestone, and Beyond That, 8%.



**YAMAMOTO Ryoichi**

President

### **Q** Would you look back at the business performance in fiscal year 2014?

**A** Consolidated net sales were ¥1,149.5 billion, up 0.3% year on year. Consolidated operating income was ¥42 billion, up 0.7% year on year, and consolidated ordinary income was ¥40.4 billion, down 0.2% year on year. Consolidated net income decreased by 36.9% from the previous year to ¥19.9 billion partly because ¥18.4 billion was recorded as gain on sales of shares of Peacock Stores in the first quarter of fiscal year 2013. As a result, operating income increased for the fifth consecutive year, reaching a record high since J. Front Retailing was established.

In the meantime, compared to October forecast, operating income and ordinary income were behind by ¥900 million and ¥500 million, respectively. This is mainly because the impact of sales tax hike in April 2014 was more prolonged than the Company had expected, which delayed the recovery of department store sales, particularly women's volume clothing sales, and further impeded the recovery of suburban stores and rural department stores. Net income was ¥900 million more than expected mainly because gain on sales of investment securities was recorded as extraordinary income.

By segment, in the Department Store Business, both Daimaru Matsuzakaya Department Stores and associated department stores struggled, affected by the closing of Matsuzakaya Ginza store for redevelopment and the decreased sales floor area of Ueno store resulted from the rebuilding of its south wing as well as the sales tax hike, and sales decreased by 1.2% year on year. However, operating income increased by 0.6% thanks to thorough cost management. The Parco Business increased sales by 2.2% and operating income by 2.0% from the previous year, to which the strong performance of Fukuoka Parco that opened a new building in November 2014 and the new opening of Nagoya Zero Gate contributed. For your information, Parco Co., Ltd. reported another record high in operating income in its financial results. The Wholesale Business decreased sales by 6.2% and operating income by 5.3%. The Credit Business increased sales by 9.9% and operating income by 7.5%. And the Other Businesses increased sales by 9.8% and decreased operating income by 18.3%.



Main building (left) and new building (right) of Fukuoka Parco



Nagoya Zero Gate

Q

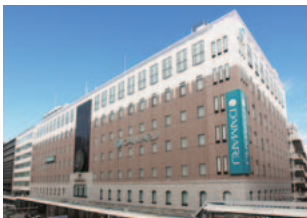
**Sales tax was raised in April 2014 and there were concerns about a decline in consumption. And how did you cope with that?**

A

Daimaru Matsuzakaya Department Stores took every possible measure to minimize the impact of sales tax hike while improving store prowess and expanding the customer base.

As an effort to “broaden product range and customer base,” which is a key element in building a new department store model, Daimaru Kyoto store renovated its food floor and opened the first Tokyu Hands in the Kyoto area, which brought more customer traffic to the area. At the same time, the completely renewed exterior of the store added new appeal to the landscape of the area.

In order to consolidate its position as the number one store in the region, Daimaru Sapporo store significantly improved the luxury zone by introducing Chanel Boutique and Franck Muller so that it can better cater, in terms of product range, particularly to *gaisho* customers and foreign tourists to Japan who are remarkably increasing in number recently.



Daimaru Kyoto store



Daimaru Sapporo store

As company-wide measures, we strengthened *gaisho* business with the strong efforts of 89 dedicated staffs to acquire new customers and enhanced sales promotion including attractive events. In the meantime, expecting the number of foreign tourists to Japan to dramatically increase due to the expanded duty free item list and the weak yen and in order to meet the demand from inbound tourists to the utmost extent, we made improvements in the environment and services to receive them, including the introduction of a tax refund system in flagship stores, the expansion of tax refund counters and the strengthening of language support.

However, the total sales of Daimaru Matsuzakaya Department Stores decreased by 1.0% not only because the impact of sales tax hike, which had been expected to weaken in the first half, was more prolonged than expected and recovery slowed down in the second half, but also because Ginza store closed for redevelopment and Ueno store significantly decreased its retail floor area to rebuild the south wing. In the meantime, SGA decreased by ¥3.5 billion (2.5%) from the previous

year thanks to all possible cost-cutting measures taken, including reduction of labor costs through organizational and human resource restructuring, reduction of advertising expenses through a review of loyalty point program. This resulted in an operating income of ¥20 billion, up 2.0% year on year.

Q

**We hear that the “polarization of consumption” is becoming remarkable, and what is your outlook for fiscal year 2015?**

A

We see the recent trend of consumption polarization becoming even more conspicuous after the sales tax hike. The growth of our *gaisho* sales, which mainly consists of purchases by affluent customers, already turned positive in July after the sales tax hike and remained positive even in January and February 2015, when there was a high bar because of the previous year’s last-minute demand. Thus consumption by wealthy people remains brisk. In the meantime, the growth of sales excluding *gaisho* sales remained negative until January 2015 since April 2014.

By merchandise category, while “luxury brands” and “jewelry/watches” enjoy brisk sales, the sales of women’s volume clothing remain sluggish. The prices of luxury brands and watches have been revised from time to time against the backdrop of the weak yen, and in spite of raised unit prices, their sales remain strong. As for watches, both unit prices and sales quantity have been steadily increasing. However, the rising unit prices of women’s volume clothing have yet to make up for a decrease in sales quantity.

In the Department Store Business of the Group as a whole, the gap has significantly widened between urban and rural areas after the sales tax hike. In fact, Shimonoseki Daimaru and Kochi Daimaru, both of which are the Company’s subsidiaries, are slower to recover compared to large stores in urban areas. Though large store sales on a like-for-like basis turned positive year on year at the end of fiscal year 2014, the situations of rural stores including Shimonoseki Daimaru and Kochi Daimaru remain difficult with sales falling below urban stores by roughly four to five points.

For fiscal year 2015, which marks the second year of our Medium-term Business Plan, there is an outlook that domestic consumer spending will pick up in the second half on the back of improved employment conditions and an increase in real wages. Given the impact of rising prices and the recovery trend of the local economy, however, the business environment allows no optimism.

**Q Specifically, what approaches will you take in the Department Store Business?**

**A** By responding to these market changes, “further growing what is growing” and “taking appropriate measures to grow what is not growing,” we would like to achieve solid results.

We will “radically overhaul sales floor composition to adapt to market changes.” In women’s fashion category, amid shift to more casual lifestyles and globalization, choices are increasingly diversified and we see major changes in customer preferences. Consequently, especially in the middle price range, major fashion trends like there used to be are difficult to emerge and this tendency is expected to continue in the future.

In light of these circumstances, we will thoroughly scrutinize sales floor productivity at each store and dare to shrink low productive sales space and shops. Using the space vacated through such shrinkage, we will expand productive sales space and introduce new categories and brands to strengthen our response to markets with growth potential.

I will take one of our stores as an example of our initiatives planned for the current fiscal year. Nagoya store will renovate 30% of the total sales floor space from this spring to next spring to mainly reduce homeware and women’s apparel sales space while expanding women’s accessories and men’s clothing and introducing new categories. Sapporo store will shrink an unproductive part of women’s apparel sales space and increase women’s accessories sales space by 30%. And also at other stores, we will drastically expand and shrink sales floor space to adapt to market changes in each area.



Matsuzakaya Nagoya store

At the same time, we will overhaul the collaboration with the main suppliers of women’s volume clothing and develop new sales floor to increase sales. Meanwhile, we will thoroughly analyze the buying behavior of our more than four million cardholders to strengthen CRM activities.

**Q While the volume zone is struggling, the consumption of affluent customers and foreign tourists drive sales.**

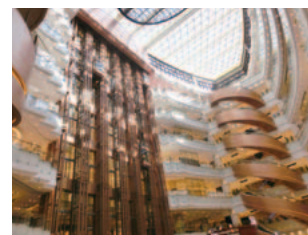
**A** In order to “expand the base of *gaisho* customers and strengthen our sales capabilities,” at the beginning of fiscal year 2014, we set a target to develop 10,000 new *gaisho* accounts and a dedicated team thoroughly managed the target and made strenuous efforts. As a result, we could acquire more than 12,000 new accounts in one year. With 73.5% of new accounts thus developed being active, these efforts have directly led to brisk buying activities. In fiscal year 2015, while strongly pushing forward the development of 14,000 new accounts mainly targeting the new rich in urban areas, we will adopt new approaches and services including the expansion of the *gaisho* customer-only e-commerce site into all stores, which was piloted and gained popularity at Nagoya store, to increase sales per account with *gaisho* sales target of ¥152 billion, up ¥7 billion from the previous year.

We will “strengthen our inbound tourist strategy.” The number of foreign visitors to Japan exceeded 13 million in calendar year 2014, and in 2015, it is expected to further increase and possibly top 15 million. Our duty-free sales for the previous fiscal year were far greater than initial forecast, growing to more than ¥15 billion. We will improve services and environment and collaborate with travel agents, hotels and transportation hubs in Japan and overseas as well as develop new sales space targeting foreign visitors to Japan to significantly increase sales.

In addition, using the ability of Shanghai New World Daimaru Department Store, which made its grand opening in May 2015, to attract customers and its brand strength, we will create our own system to bring customers in China over to Japan. Through these initiatives, we aim to achieve duty-free sales of ¥25 billion, up ¥10 billion year on year.



Shanghai New World Daimaru Department Store (exterior)



Shanghai New World Daimaru Department Store (interior)

Q

### What is the progress of your initiatives to enhance competitiveness and profitability as a multifaceted retailer?

A

In the core Department Store Business, in order to establish a new department store model combining the store's appeal to a wide range of customers with highly efficient operations, during this fiscal year, we will overhaul the floor composition primarily of Matsuzakaya Nagoya and Daimaru Sapporo stores among four key stores selected in the current Medium-term Business Plan to adapt to market changes.

In the Parco Business, we will expand the business infrastructure through active investment. During fiscal year 2015, we are planning to renovate 48,000 square meter sales floors, which account for approximately 15% of total floor area of all stores, including Fukuoka Parco, which increased the sales floor area of the main building this spring, and Nagoya Parco Midi, which opened this spring.

Centering on the strengthening of the Group's core Department Store Business and Parco Business, we will step up our efforts to "maximize synergy" as a group. To this end, we will create a "Synergy Committee," which consists of major members of the individual companies of the Group, and speed up to create output.

At the same time, we will consider mergers and acquisitions to expand our business areas as a multifaceted retailer. The capital and business alliance agreement with Senshukai Co., Ltd., a mail-order company, which was announced on April 17, 2015, is one of specific initiatives grounded in these ideas. The Company took a 22.62% stake in Senshukai, and thereby it became our associate accounted for using equity method. A project already started under the three themes of "merchandise," "department store online sale" and the "restructuring of our mail-order subsidiaries." Thus our initiatives to reinforce the Group as a multifaceted retailer will be further accelerated.

#### ◆ Progress toward the expansion of business areas as a multifaceted retailer

<b>Sep 2007</b>	Daimaru and Matsuzakaya integrated management and J. Front Retailing was established.
<b>Mar 2011</b>	StylingLife Holdings was converted into an equity method associate.
<b>Mar 2012</b>	Parco was converted into an equity method associate.
<b>Aug 2012</b>	Parco was converted into a consolidated subsidiary.
<b>Dec 2013</b>	Forest was converted into a consolidated subsidiary.
<b>May 2015</b>	Senshukai was converted into an equity method associate.

Q

### What is specifically the Urban Dominant Strategy for growing along with local communities?

A

Under the Urban Dominant Strategy, we will bring together the combined strength of the Group including local department stores as a core, Parco and Daimaru COM Development to activate and make effective use of real estate including idle assets in terms of what appealing areas should be.

Listed below are our specific initiatives. Firstly, under the Ginza 6-chome District Redevelopment Project, we will develop a large-scale complex with the functions necessary for the district including cultural facilities and a tourist hub, as well as retail facilities and offices, to further enhance the appeal of the Ginza area, one of the most prestigious areas in Japan. With regard to retail space, which will be the largest in the Ginza area, we set up the Retail Facility Planning Office in September 2014 and started full-scale activities to create world class quality retail facilities well suited for Ginza as a global destination. It is scheduled to open in November 2016.

Under the Matsuzakaya Ueno Store South Wing Rebuilding Project, the south wing is being rebuilt into a high-rise complex comprising Parco, a cinema complex and sophisticated offices. The businesses of the Group including department stores and Parco combine efforts with the local community to develop the area. With Matsuzakaya Ueno store as a core, we will draw new crowds to the Ueno Okachimachi area and contribute to the revitalization of the local community to build a business model for growing along with the local community. The new south wing is planned to open in fall 2017.

Adding the Shinsaibashi area and the Nagoya area to be redeveloped under the Urban Dominant Strategy and incorporating the perspective of real estate development more than ever, we will vigorously push forward the activation of the areas around our stores. To this end, we will radically strengthen the promotion systems by creating dedicated teams and establishing cross-group projects and speed up our efforts to consider the effective use of the Group's assets and the maximization of revenue.



Artist's impression of the exterior of the facility for the Ginza District Redevelopment

**Q What is the status of your omnichannel retailing and overseas business?**

**A** With regard to “omnichannel retailing” initiative, toward the establishment of J. Front Retailing’s own omnichannel model, we are trying various approaches so that we can seamlessly connect with customers anywhere, anytime.

Click & Collect, which Daimaru Matsuzakaya Department Stores launched in 2013, increased the number of brands it offers to as many as 52 in May 2015, and at some stores, the range of items was expanded to include shoes and other accessories. We will further expand the range of brands and items to improve convenience for customers.



At the same time, we will strengthen our focus on the “gift market” in which department stores are strong. We will also take on new challenges including the adoption of a system like Pocket Parco, which is showing some success in Parco, at department stores to increase and deepen contact points with customers through the transmission of information by store staff via SNS.

With regard to overseas strategy, Shanghai New World Daimaru Department Store, on which we formed a business partnership, celebrated its grand opening on May 15, 2015. Plaza Tokyo, which is operated by JFR Plaza in Taiwan, opened three new shops this year and aims to establish a chain store operation and make the business profitable as soon as possible.

In pursuit of the possibility of developing real estate and operating commercial facilities in the Southeast Asian region as a promising market by combining the know-how of the Group, we will reinforce our organizational structure by creating a new position in charge of Overseas Strategy and sharing information and collaborate with the Overseas Business Group of Parco and Parco Singapore.

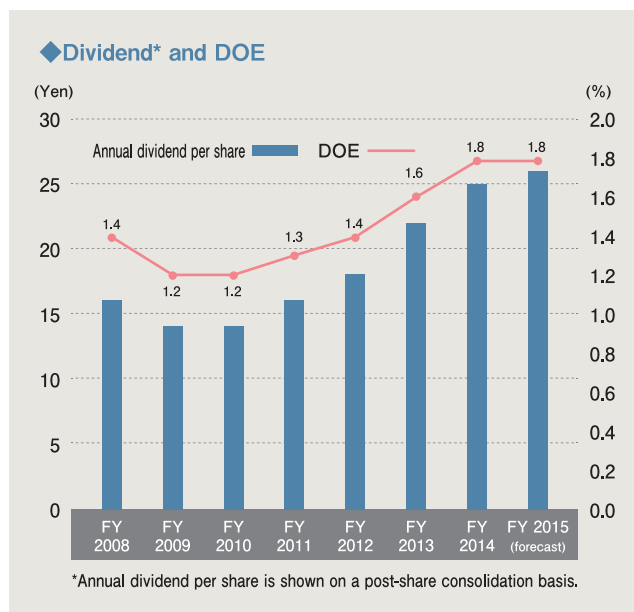
**Q What do you think about shareholder return?**

**A** As a milestone to achieve ROE of 8% in the future, we aim to reach ROE of 5.8% in fiscal year 2016, the final year of the current Medium-term Plan. We believe it is the most important to continuously improve ROE while growing profit at the same time.

With this in mind, we would like to actively return profits to shareholders with an eye on investment in growth and the balance of cash flows as well as enhance profit level.

With regard to the year-end dividend for fiscal year 2014, we have decided to pay ¥13 per share, up ¥1 from our previous announcement of ¥12 per share. For the full fiscal year, revised in accordance with the standard after the consolidation of shares in September 2014, the total dividend together with the interim dividend is ¥25, up ¥3 from the previous year.

As for the dividend for fiscal year 2015, we are planning to pay an interim dividend of ¥13 per share and a year-end dividend of ¥13 per share, which will bring the annual dividend to ¥26, up ¥1 from the previous year, marking the fifth consecutive year of increase. In addition, on April 17, 2015, the Company announced a plan to buy back up to 3.4million shares or ¥5 billion of its own shares during the period from April 20 to July 31 in that year.

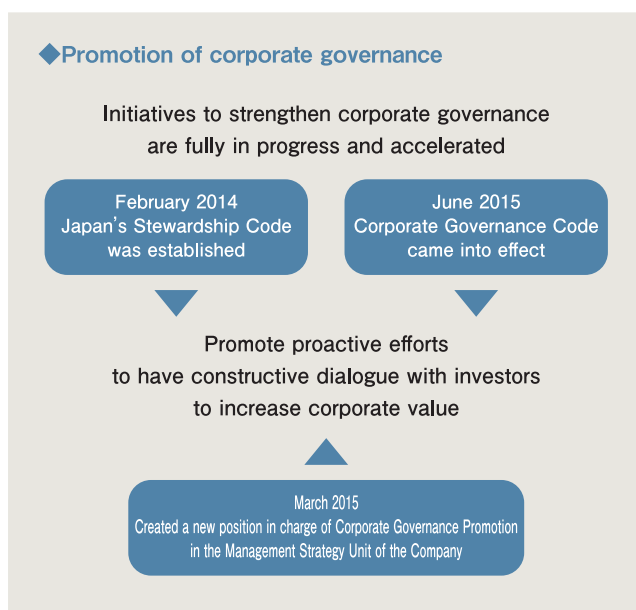


The Company has in place a policy to appropriately return profits to shareholders targeting a dividend payout ratio of at least 30%. We will be committed to delivering a sustainable dividend increase coupled with steady profit growth while considering share buyback as appropriate to improve capital efficiency.

**Q The draft of the Corporate Governance Code was published in March and what actions will you take?**

**A** Following the establishment, publication and implementation of Japan's Stewardship Code last year, the Corporate Governance Code came into effect in June 2015 and listed companies kicked into full gear and accelerate their initiatives to strengthen corporate governance. The Company also took this as an "opportunity to improve corporate value" toward "aggressive governance" and strengthened its organizational structure by creating a new position "in charge of Corporate Governance Promotion" in the Management Strategy Unit.

With regard to the Corporate Governance Code, we are conducting studies with a particular focus on three issues including "shareholder relations," "information disclosure" and the "roles and responsibilities of the Board of Directors." While identifying these issues, we would like to actively engage in constructive dialogue with our stakeholders.



# Become a True Multifaceted Retailer by Improving the Foundations for Growth

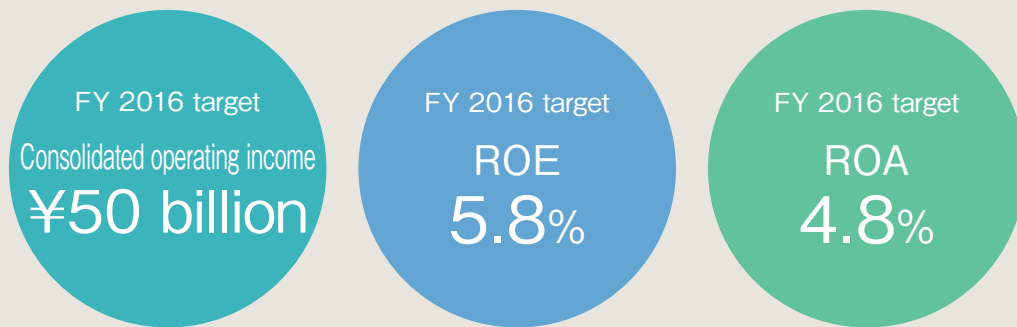
J. Front Retailing is planning to complete the Ginza 6-chome District 10 Redevelopment Project in 2016 and open the south wing of Matsuzakaya Ueno store, which is being rebuilt, in 2017.

Therefore, during the period from FY 2014 to 2016, in anticipation of progress in 2017 and beyond, we will further advance our efforts to establish a new department store model while meeting a wide range of customer needs and drastically enhancing the Group's competitiveness and profitability by strengthening our efforts as a multifaceted retailer including Parco, StylingLife

Holdings and Forest. Thereby we will improve corporate value and generate funds for growth in 2017 and beyond.

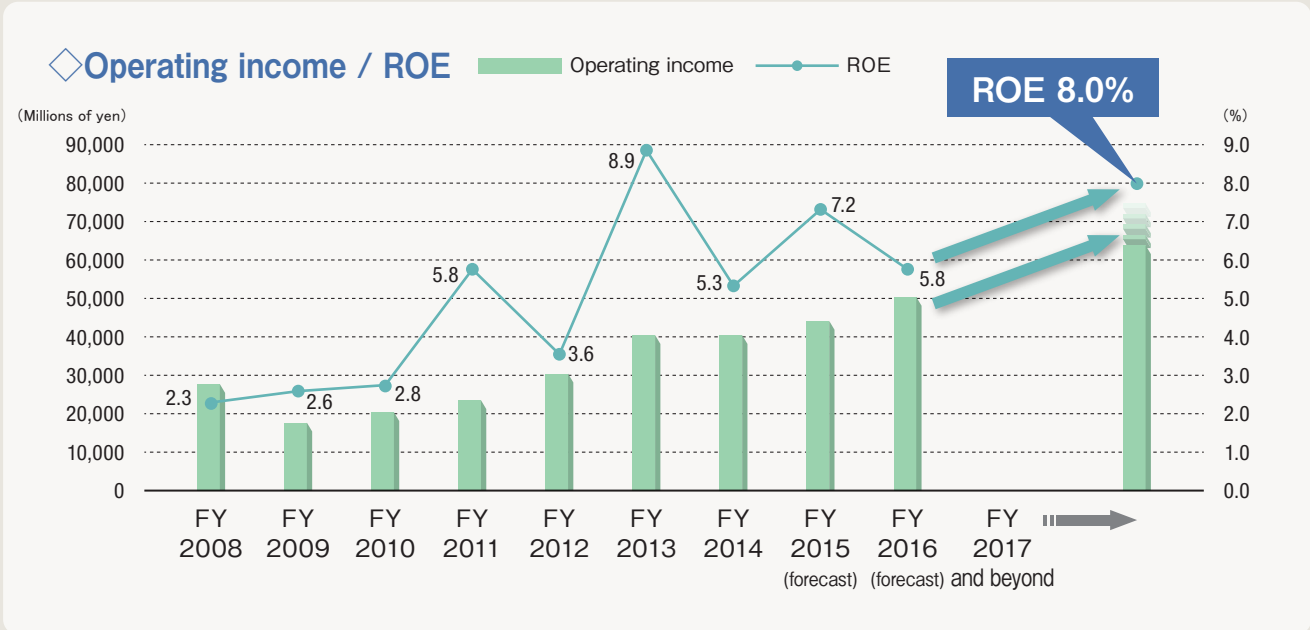
In addition, using the Group's management resources, we will work to build the foundations of the business model, which places stores at its core and allows us to grow along with local communities (Urban Dominant Strategy), and to promote omnichannel retailing. They are expected to grow in the medium- and long-term.

We will also actively address M&A and business alliance with external organizations to broaden our business as a multifaceted retailer.



FY 2014 - 2016  
Operating cash flows  
**¥130 billion or more**

FY 2014 - 2016  
Capital investment / growth investment  
**¥110 billion**





## ◇ Drastically enhance competitiveness and profitability of each business and spread business wings

### Department Store Business

#### ■ Establish a new department store model and clarify store strategies

We will accelerate our initiatives to establish a new department store model with the aim of creating attractive stores favored by a wide range of customers and a highly profitable business model. Each store will identify the needs of local market and customers and implement the store strategy to become more competitive in the local area.

(Four key stores) Matsuzakaya Nagoya, Daimaru Tokyo, Daimaru Sapporo and Daimaru Kobe

#### ■ Develop wealthy consumer markets

We will provide extensive values including not just traditional merchandise categories but services to wealthy consumer markets, which will be broadened in the future. Using the Otokuisama Gold Card, which was converted into a credit card, as a strong tool, we will find new customers mainly among the new rich in urban areas.

#### ■ Better meet the demand from inbound tourists

We will actively serve foreign tourists to Japan, which are considerably increasing in number recently, and strengthen the measures to attract them by expanding our range of products and services and using digital measures and foreign media in an effort to boost sales to foreign tourists.



Daimaru Tokyo store



Matsuzakaya Nagoya store

### Parco Business

#### ■ Enlarge and newly develop Parco stores

After Fukuoka Parco opened the new building (fall 2014) and increased the floor area of the main building (spring 2015), we will develop Sendai New Annex (tentative name), the second store in the Sendai area, aiming to open in spring 2016.

#### ■ Expand Zero Gate business

Following the opening of Nagoya Zero Gate last year, we aim to develop seven or more stores in Sapporo (spring 2016) and other areas during the period for the current Medium-term Business Plan by promoting speedy development that meets commercial demands in urban areas.

#### ■ Actively renovate stores

Parco will renovate around 15% of its retail space every year and always provide fresh information that meets changing and diversifying consumer needs to attract more customers and increase sales.



Fukuoka Parco



Nagoya Zero Gate

### M&A / alliance

In April 2015, the Company announced a capital and business alliance with Senshukai Co., Ltd., and in May, Senshukai was converted into an associate accounted for using equity method (investment ratio: 22.62%). We will strengthen our department store's original merchandising using their product development capabilities and expand our e-commerce business sales and earnings using their expertise in e-commerce operations.



Catalogs of Senshukai

## ◇ Build the foundations of the business model for growing along with local communities



#### ■ Redevelop the Ginza 6-chome District 10 (Scheduled to open in November 2016)

We strive to create a new commercial facility suited for "Ginza," which has visitors from all over the world, and we will operate all commercial floors in an integrated manner with other commercial floor owners.

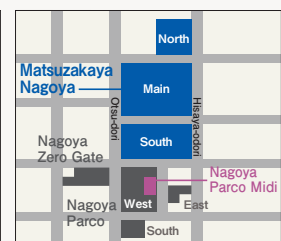
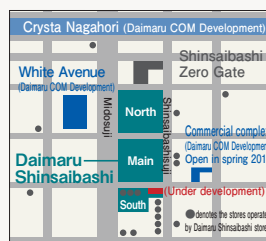


#### ■ Rebuild the south wing of Matsuzakaya Ueno store (Scheduled to open in fall 2017)

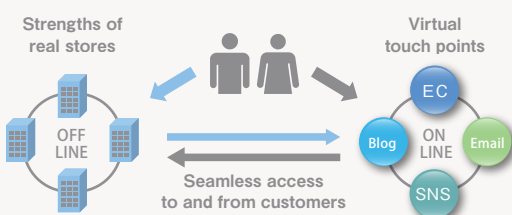
We will rebuild the south wing of Ueno store into a high-rise complex consisting of Parco, a cinema complex and sophisticated office facilities, all of which are new in the Ueno Okachimachi area, to draw new crowds.

#### ■ Areas we consider redeveloping: Shinsaibashi area / Nagoya area

In order to drastically strengthen competitiveness in increasingly competitive areas, we will move forward with the realization of redevelopment projects, which are centered on our department stores in the areas and involves the use of the surrounding real estates and commercial facilities.



## ◇ Promote omnichannel 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.





DAIMARU

DAIMARU

DAIMARU

# Department Stores Will Further Change

## 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.”

## Wider product range and customer base

As an effort to “broaden product range and customer base,” which is a key element in building a new department store model, in June 2014, Daimaru Kyoto store opened Table Plus, a specialty zone that proposes highly sophisticated Western eating styles, on its food floor and Kyoto’s first Tokyu Hands nearby, which brought more customer traffic to the area. In October, by completely renewing its exterior for the first time in half a century, the store added new appeal to the landscape of the area. Furthermore, in March 2015, its international boutique was renewed and reopened with 16 brands newly added particularly in an effort to better cater to the new rich who we had not served well enough.

In order to consolidate its position as the number one store in the region, Daimaru Sapporo store significantly improved the luxury zone by introducing Chanel Boutique and Franck Muller so that it can better cater, in terms of product range, particularly to *gaisho* customers and foreign tourists to Japan who are remarkably increasing in number recently.

## Radical overhaul of sales floor composition

Nagoya store renovated its young fashion, luxury brands, cosmetics and accessories floors in the first phase of renovation in 2012 and the entire food floors on the first and second basement levels of the main building in the second phase in 2013. Many Japan’s first and Nagoya’s first popular shops were introduced to create “Nagoya’s greatest food zone ‘Gochiso Paradise.’” On the second basement floor, we newly installed a specialty zone “Table Plus.” 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. Following that, Pokemon Center was introduced and it attracted much more customers with children. Thus the expansion of customer base created a ripple effect on each floor.

And now in the third phase spanning about one year from spring 2015 to spring 2016, the renovation of around 30% of the total sales floor area is under way. We will mainly reduce its homeware and women’s apparel sales space while expanding women’s accessories and men’s clothing and introducing new categories.

## Progress of low-cost operation

Our sales floor operation is divided into two types including “shop operation” and “self curation” 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.

During fiscal year 2015, we will also streamline the headquarters to further increase productivity.



Gochiso Paradise, Matsuzakaya Nagoya store



Table Plus, Matsuzakaya Nagoya store



# Toward “World Class Quality” Ginza Redevelopment Project Is Further Progressing

## Set up the Planning Office aiming for 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. Aiming for opening in November 2016 as one of the largest complexes in the Ginza area consisting of retail facilities with the area’s largest sales floor space, large office floors and a cultural exchange facility Kanze Nohgakudo, construction work is under way.

The concept of the new retail facilities is “Life at Its Best.” They are intended to become world class quality retail facilities with environment and service solutions so that customers not only in Japan but from all over the world can enjoy shopping in an elegant, comfortable and

pleasant manner.

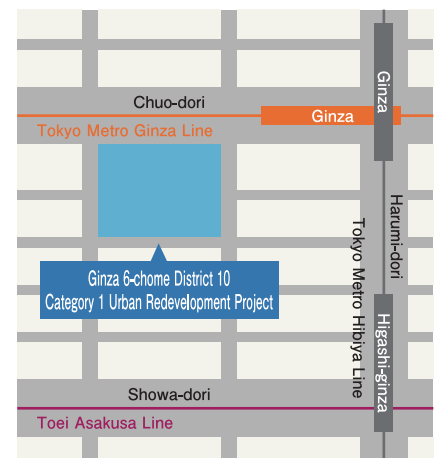
We are planning to invite approximately 250 (expected) high quality and high class tenants ranging from luxury brands and fashion and lifestyle retailers to restaurants and cafes to operate in the building with a façade spanning as long as 115 meters along Chuo-dori, which will further enhance the value of Ginza, one of the world’s most prestigious fashion streets. In February 2015, we established G6 Retail Management Co., Ltd. and make serious efforts to create retail facilities well suited for Ginza as a global destination.

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, the Company 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 unprecedented all-new commercial complex.

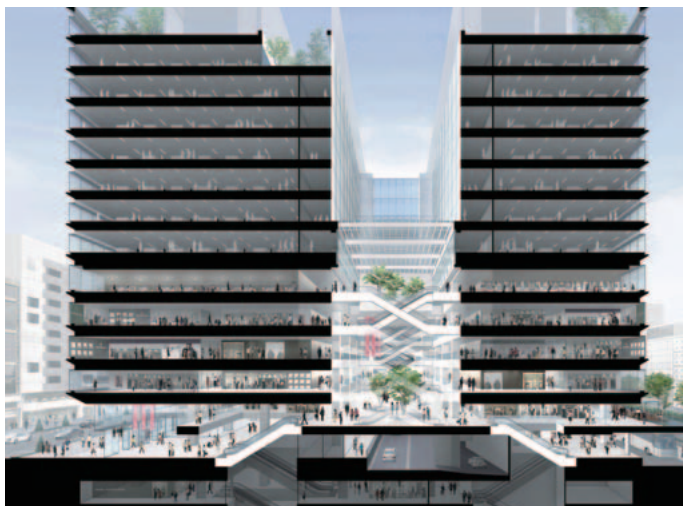
\*The objective of the Ginza 6-chome District 10 Category 1 Urban Redevelopment Project, implemented by the Ginza 6-chome District 10 Urban Redevelopment Consortium, is to construct a building that will be owned under sectional ownership by 15 interest holders (as of March 2015) including Daimaru Matsuzakaya 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.

## Ginza area’s largest complex with approximately 46,000 square meters of retail facilities

This project is to create one of the largest complexes in the Ginza area with 13 floors above ground and six below, which consists of approximately 46,000-square-meter (approximately 13,900 tsubo) retail facilities, large office floors, a typical floor of which has rental rooms covering approximately 6,100 square meters (approximately 1,850 tsubo), and a cultural exchange facility Kanze Nohgakudo. We will also introduce a rooftop garden with the area’s largest space and facilities to welcome visitors, including tour bus loading/unloading space and a tourist station.



## Cross-section view from B1F to rooftop \*Subject to change



### 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 Kanzeikai, 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.

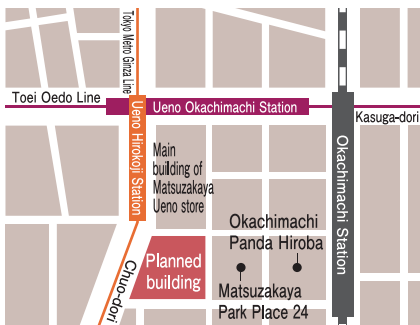


# Rebuild the South Wing of Ueno Store into a High-Rise Complex

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

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

Along with the rebuilding of the south wing, we renovated the store so that it can operate in the main building only. After moving the sales departments of the south wing to the main building and rearranging them and refurbishing the entire main building, the store made its grand opening in March 2014.



Map of the surroundings of Matsuzakaya Ueno store

## Parco will open on 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. On the 1st to 6th floors, Parco in the Group will open and the 7th to 10th floors will be occupied by Toho Cinemas. Thus we are developing a new commercial facility featuring the contents that have not been available in the Ueno Okachimachi area in the past.

In the meantime, the higher floors from the 12th to the 22nd 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 Ueno Okachimachi area where Ueno store is located. And more than 1,000 route buses run from the nearest Toei bus stop every day. The area has such good access to transportation and the daytime population is expected to increase by installing office facilities.

## Ueno Okachimachi area where redevelopment is in progress

In June 2009, the Company 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, commercial buildings are being rebuilt one after another. In fall 2015, a new commercial building using the real estate owned by the Company adjacent to Matsuzakaya Park Place 24 is scheduled to open. And under the elevated railway tracks between JR Okachimachi and Akihabara Stations, a new commercial facility, which is themed on “arts and crafts,” opened and new restaurants aiming at economically developing the area by offering local gourmet foods will open in summer 2015. Thus the Ueno Okachimachi area attracts attention as an area where redevelopment is in progress.

As mentioned above, we will combine the efforts of the Group’s businesses including department stores as a core and Parco and local people to draw new crowds to the Ueno Okachimachi area where redevelopment is progressing and build a business model that ensures contribution to local revitalization and mutual growth with local communities.

**New south wing after rebuilding**

- 12F-22F: Rental offices
- 7F-10F: Toho Cinemas
- 1F-6F: Parco
- B1: Matsuzakaya

\*Connected to the main building of Matsuzakaya Ueno store on the 1st basement, 3rd and 6th floors

**Main building**  
Matsuzakaya

### Outline of the project

<b>Location</b>	22, Ueno 3-chome, Taito-ku, Tokyo
<b>Site area</b>	Approximately 5,700 square meters
<b>Total floor area</b>	Approximately 42,000 square meters
<b>Number of floors</b>	2 floors below ground, 23 floors above ground and 1 penthouse floor, approximately 120 meters high

<b>Use</b>	<ul style="list-style-type: none"> <li>◆ 1st basement floor: Daimaru Matsuzakaya Department Stores</li> <li>◆ 1st to 6th floors above ground: Parco</li> <li>◆ 7th to 10th floors above ground: Toho Cinemas</li> <li>◆ 12th to 22nd floors above ground: Sophisticated offices</li> </ul>
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HERMÈS

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PARIS

45  
RUE DE LA HARPE



# From “Dots” to “Areas” — Increase the Appeal of the Area with Department Stores as a Core

From “dots” to “areas” —

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

## Shop development in the Former Foreign Settlement of Kobe

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 to draw more customers to the whole area. Now we operate 66 various unique brands and shops (as of the

last day of May 2015) 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 streets.

Such know-how is also applied to other stores.

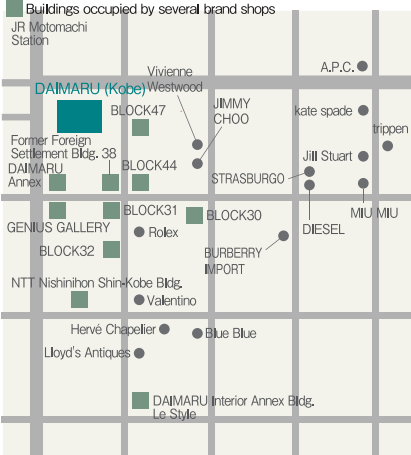
Daimaru Shinsaibashi store has been working with Shinsaibashi Shopping Arcade to create the prosperity of the area. However, amid changes in the environment surrounding the stores nearby and generational changes of their landlords beginning around 2003, some old stores have chosen to withdraw from the 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 23 brands and shops (as of the last day of May 2015).

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 11 brands and shops (as of the last day of May 2015) ranging from fashion brand shops to an aesthetic salon. And in June 2014, Tokyu Hands was opened. These developments contribute to attracting new crowds to the area.

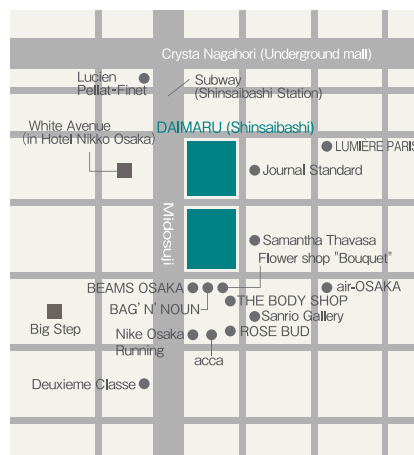
We would like to use the know-how cultivated through the development of shops in the surroundings of Kobe, Shinsaibashi and Kyoto stores for the “establishment of a business model for growth along with local communities,” which we will develop to a group-wide level.

Stores operated by Daimaru Kobe store



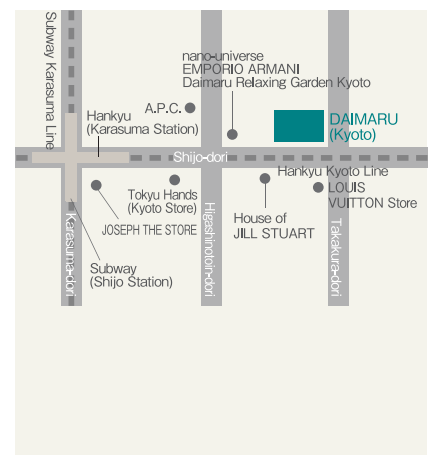
GENIUS GALLERY

Stores operated by Daimaru Shinsaibashi store



ROSE BUD

Stores operated by Daimaru Kyoto store



EMPORIO ARMANI



# Pursue Connections with Customers

## Expansion of cardholders

Amid diversifying consumer needs and consumer behavior, we are expected to understand our customers accurately and deeply and build and maintain strong 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 corporate value.

The Group issues various cards including credit cards such as Daimaru Matsuzakaya Card, reward cards for cash purchases such as Daimaru Matsuzakaya Point 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 2015 reached 4.6 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.

“Purchase amount” can be broken down into three elements including “product unit price,” “purchase

quantity” and the “number of customers who purchased.” For example, when purchase amount decreased due to a decrease in purchase quantity, we used to approach customers who had spent a lot of money to increase purchase quantity. In some departments, however, in order to boost purchase quantity, we identify target customers to be approached from the analysis of the “frequency of purchase” and the “time of purchase” using the J-CIS system because purchase quantity is closely related to the “frequency of visiting stores.” Buoyed by these active CRM initiatives, the percentage of sales to individual cardholders to the total sales of Daimaru Matsuzakaya Department Stores in fiscal year 2014 was 70.1%, marking the fourth 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 for its cardholders named My Mail Members who registered their mobile phone email addresses. In addition, in fiscal year 2011, we launched J-CIS Mail service that brands and shops provide information on their new arrivals and events directly to the members on request.

In May 2015, former reward cards for cash purchases Daimaru D Card and Matsuzakaya M Card were integrated as Daimaru Matsuzakaya Point Card. As well as renewing the design, we changed the system to invite customers to subscribe to an email newsletter when they register online to use the card. By promoting such subscription, we can directly approach to more customers. Through the delivery of shopping and event information that suits the needs of each customer, we will further strengthen relations with customers.

## Use of new communication tools

We are making 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 November 2013, we opened a fashion e-commerce site Click & Collect. Click & Collect is a service that allows customers to shop at their convenience and select either “home delivery” or “pickup in designated Daimaru or Matsuzakaya stores.” In October 2014, we launched a “layaway service (check of the stock at stores)” and a “backorder service (reservation of products)” on the e-commerce site to meet customer demand to “try on the products before buying them.” Now Click & Collect covers 41 brands of women’s clothing and 11 brands of men’s clothing, totaling 52 brands (as of the end of May 2015) and we will continue to increase the number of brands. With the aim of making its contents more attractive, we will deliver information through the posting of snapshots by store staff and other measures to lure customers to our stores and e-commerce site. And at the same time, we will strengthen relations with customers.

## Expansion of *gaisho* customer base and development of new sales methods

In an effort to build a new department store model, the Company has striven to expand customer base and the range of products while expanding the selection of big-ticket products including watches, jewelry and luxury brands, which have been its strengths. Thanks to the expansion of value-based consumption with a focus on value for money after the Great East Japan Earthquake in March 2011 and the subsequent effect of “higher stock prices” caused by Abenomics, the Company’s sales of big-ticket items including art works, kimono, jewelry and luxury brands continue to increase year on year since May in that year.

Keeping up with these changes, the Company has promoted an initiative to “expand *gaisho* customer base” since fiscal year 2013. We set up a “team dedicated to acquiring new accounts” in the *gaisho* unit in each area and each store. We acquired 10,000 new accounts of *gaisho* customers in fiscal year 2013 and 12,000 in fiscal year 2014. In fiscal year 2015, we aim to acquire 14,000 new accounts mainly among the new rich in urban areas and we will further strengthen bonds with customers through the development of products that meet customer needs and new sales methods such as the opening of *gaisho* customer-only e-commerce site.



Please introduce Sakura Panda using your preferred social networking service!

让樱花熊入驻大家的社交网站吧  
 请通过社群网站多多关注  
 萌宠小樱的动态消息

Take a picture together with Sakura Panda.  
 拍摄旁边的樱花熊猫照片。  
 拍摄一旁的猫熊小樱。

Post the picture using your preferred social networking service.  
 将照片上传到社交网站。  
 将照片上傳至自己的社群網路。

Show us your online post at the tax (duty) exemption counter.  
 将已上传照片的社交网站画面出示给免税柜台工作人员。  
 將上傳的社群網路畫面出示予免稅櫃檯。

Receive a special Sakura Panda gift item!  
 赠送樱花熊猫主题产品!  
 贈送猫熊小樱主题产品!

# Bloom in the Inbound Tourism Market

## Duty-free sales share is surging

J. Front Retailing is making active efforts to serve recently significantly increasing foreign tourists to Japan to expand its customer base.

The number of foreign visitors to Japan exceeded 13 million in 2014 and the amount they spent was reported to reach ¥2,030.5 billion. More than 15 million foreign people are expected to visit Japan in 2015, and at last the “age of 20 million foreign tourists visiting Japan” is approaching as reality.

Only so-called general goods including clothing, bags, jewelry and consumer electronics were exempt from sales tax for foreign tourists to Japan. But from October 2014, the duty-free list was expanded to include consumable items such as cosmetics and food.

In expectation of an increase in consumption due to these changes, Daimaru Matsuzakaya Department Stores improved services and facilities to receive increasing foreign tourists to Japan by introducing a tax refund system, enlarging tax refund counters, strengthening language support through the employment of additional interpreters and offering Wi-Fi connectivity in fiscal year 2014. We took various initiatives to attract more customers including collaboration with local travel agencies and the provision of multilingual information via SNS. Some stores set up prayer rooms, which can be used regardless of religion.

Partly thanks to these efforts, duty-free sales of Daimaru Matsuzakaya Department Stores in fiscal year 2014, which provides an indication of inbound tourist spending, grew by 2.3-fold year on year to more than ¥15 billion, and their share of total sales of all stores increased to 2.3%. The share was 3.2% in the second half of the year alone, when the list of duty-free items was expanded, and it jumped to 6.0% in February alone, when the Lunar New Year is celebrated. By store, Shinsaibashi store achieved the highest duty-free sales share of 7.8%, followed by Sapporo store and Umeda store whose shares were 4.8% and 3.0%, respectively.

## Expansion of product range and touch points

In fiscal year 2015, we are taking active initiatives related to the inbound tourism market including the development of new merchandise and services.

In Shinsaibashi store whose duty-free sales share is the highest in Daimaru Matsuzakaya Department Stores, two new sales areas were introduced. On March 5, 2015, the Inbound Corner was opened on the 5th floor of the north wing, targeting foreign tourists to Japan, to offer a selection of the products they want to buy in Japan, including cosmetics, rice cookers, water bottles, ironware, daily goods and towels. It is located on the same floor as a tax refund counter to drive related sales. We collected customers’ comments and added the products that had not been offered previously, including men’s cosmetics, food and school backpacks called *randoseru*, to increase sales per customer. It is operated by Daimaru Matsuzakaya Sales Associates of the Group. We will accumulate operational know-how through this initiative and consider expanding it into other stores. On March 7, a small shop of Laox, a mass retailer handling consumer electronics, was introduced on the same floor, which helps attract more customers.

Outside Japan, Daimaru Matsuzakaya Department Stores set up a booth at Touch The Japan, a Japan culture expo that was held in Taiwan from April 17 to

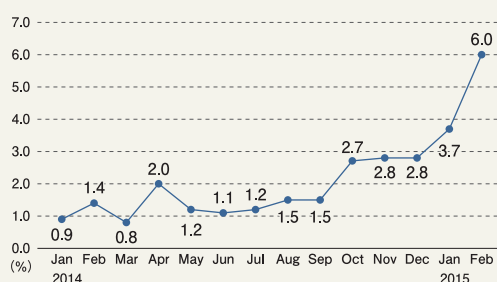
20 and attracted more than 40,000 visitors during the four-day period, to increase the awareness of Daimaru and Matsuzakaya brands. With the trend of foreign tourists to Japan recently shifting from traveling mainly in groups to traveling individually, we will add new measures to get in touch with customers in order to increase repeat customers.

At the same time, we will study and consider collaboration with accommodations and transportation in the neighborhood of our stores to actively attract customers.

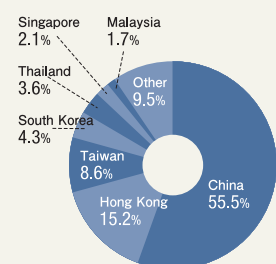
## Aim to be No. 1 in serving foreign visitors to Japan

Daimaru Matsuzakaya Department Stores addresses the radical strengthening of skills to serve foreign visitors to Japan. As part of this initiative, a new check item named Welcome Ticket was added to the Smile Card, a tool already in place at all stores to motivate sales staff, to improve their sales capabilities with the additional perspective of inbound tourism. A Smile Card will be given to a sales associate who provided excellent service to foreign visitors to Japan and a sales associate who collected 15 cards or more will be given a business card with Mt. Fuji printed on it as a privilege. All stores create such new motivation to enhance the quality of customer service regardless of nationality.

**Daimaru Matsuzakaya Department Stores duty-free sales share in fiscal year 2014 (January 2014 – February 2015)**



**Daimaru Matsuzakaya Department Stores duty-free sales share by country (October 2014 – February 2015)**





# Quick Response to Market Changes and Challenge to New Categories

J. Front Retailing moves forward with operation reform by dividing sales floor operations into two types including “self curation” 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 self-curated retail areas, we can quickly adapt to ever-changing markets and customers. Their gross margin is higher compared to the areas of shop operation because department stores take inventory risk. Therefore, their effective and efficient operation will help enhance profitability.

## “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/loss management. It covers the self-curated retail areas 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 self-curated retail areas, sell products there and make store-specific purchases are all under the control of the Original Merchandising Division and the Division is responsible for profits and losses as a virtual entity.

## Rebuild merchandising

In the Original Merchandising Business, we are working on rebuilding merchandising to radically strengthen profitability. In particular, with regard to goods purchased on a no-return basis, which are central to improving profit margin, we promote the development of self-planned products, which we plan and develop based on customers’ demands.

One such example is the development of Reasonable Price Series of our original women’s shoes brand Dixsept Dixsept in collaboration with shoe makers in Kobe in fiscal year 2014. We offered 30 models and 80 styles of “highly functional pumps, which are easy to wear and allow the wearer to keep comfortable for a long time,” at reasonable prices ranging from ¥7,900 to ¥8,900 and they were popular with customers. Sales of these products purchased on a no-return basis in fiscal year 2014

increased by about 60% year on year. Thus the system in which we take the risk to buy and sell high-margin products is steadily becoming established. We will work on the development of self-planned products with a focus on higher quality and higher fashionability as well as reasonable prices and functionality.



Dixsept Dixsept  
1 7 1 7  
Reasonable Price Series of  
self-planned products  
Dixsept Dixsept

## Create systems to sell out

As a system to sell out the products purchased on a no-return basis, we introduced a new “SKU management system” in the Original Merchandising Business in March 2014. Since the new system allows the head office and individual stores to obtain the sales and inventory status at SKU level instantly, 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. 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.

## Growth strategy of Original Merchandising Business

In the Original Merchandising Business whose gross margin is more than 10 points above the average of department stores, sales expansion leads directly to the improvement of the profitability of department stores. For this reason, we are working on expanding product range and sales opportunities.

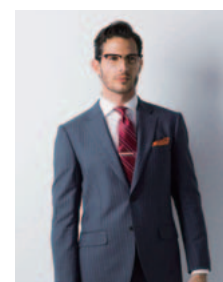
As part of the efforts to expand product range, we created a self-curated retail area with a collection of around 40 national and global brands of select accessories in the luxury brand zone on the 2nd floor of Kyoto store in March 2015. Amid increasingly polarized consumption, we curate burgeoning brands and the next generation designer brands of shoes, neckwear and

other items across categories, targeting the new rich who have high purchasing power and a great interest in fashion. We will gradually expand such self-curated select accessories retail area into major stores. In March 2015, we started to sell our original women’s and men’s accessories on the website of Daimaru Matsuzakaya Department Stores, thereby expanding sales opportunities.

## Private brands and collaboration

Products offered in the self-curated retail areas other than women’s and men’s accessories include our private brand of women’s clothing “Sofuol,” a collaborative business with World Co., Ltd. “Esche” and our private brand of men’s clothing “Trojan.” Based on trust in department stores, they all offer original goods with a good balance between quality and price and they attract popularity from customers.

Trojan, which has a history of over 50 years as our department store’s private brand of men’s clothing, was greatly remodeled in spring 2015. In addition to the existing basic model, two new models were added, totaling three models in 66 sizes. By offering not just ready-made clothes but also semi-custom-made ones in one shop, we aim to create a retail area where customers of all ages and



body shapes can select products with perfect fit and style for them.

TROJAN  
Smart Fit Model  
representing new Trojan

## Future initiatives

The Original Merchandising Business will contribute to improving company-wide profitability by adding new items and categories and increasing sales share. By improving the accuracy of the “system for taking the risk to buy and sell,” we will establish a business model that generates profits as an independent business in the future and aim to expand our presence outside the company.





# 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 are working on strengthening 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 also construct OJT systems and put in place Off-JT 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 Out-of-Store Sales Divisions.

In the “individual area,” we expand open learning opportunities including external trainings, MBA programs and overseas challenge systems. 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 promote the effective use of the self-application system and the career entry system. By improving and expanding the expertise courses of Career Support College (self-development school), we create opportunities to increase expertise and skills through personal development.

In the “area connecting organizations and individuals,” we 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 also increase opportunities for communication on career between individuals and companies through feedback including milestone interviews and multifaceted observation of behavior traits. In fiscal year 2015, we introduced a new human resource information system named “Talent Management System” in an effort to visualize and consolidate the human resource information of the Group. By grasping various personal traits and on-site information from many sides and “visualizing” them, we will find and select human resources to improve organizational performance through optimal human resource allocation across the Group.

## Development by human resource trait

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

For example, for the “entrepreneurial people,” we 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 also send them for external 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

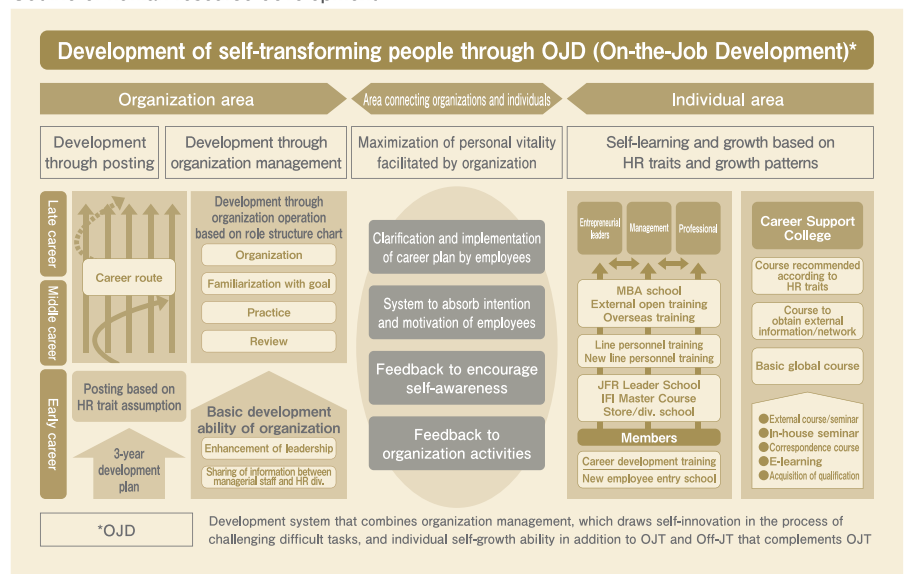
to achieving organization results using a high level of expertise and skills. We identify and systematically place people who have such qualities and abilities and provide development plans and training programs accordingly to develop people who create high added value.

## 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” and “learning ability”; 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 and; Career Support College, an in-house self-development school that provides 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





# Expand Growth Base in Urban Markets

The 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 provides topical 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.

## Become a “business group that prospers in urban markets”

Under its long-term vision of being a “business group that prospers in urban markets” to ensure that we will identify changes at home and abroad and turn them into business opportunities, the Parco Business aims to become a “pioneer group that designs 24/7 urban life” and a “creative driver group that creates urban maturity.”

### ◆In order to realize our vision, we are promoting the following three business strategies.

① “Cultivation of major urban areas” to offer more value to customers by adding new commercial presence and placing more emphasis on business expansion in urban areas;

② “Expansion of core targets” to accommodate diversified lifestyles and include mature individuals who retain youthful sensitivities; and

③ “Innovative use of ICT” to promote business innovation and operational reforms based on stores using advanced Internet and ICT.

## Active investment to secure predominance in urban areas

The 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 opened the new building in November 2014. It also extended floor space into part of the adjacent building in March 2015 to better meet the expansion of experimental consumption, more mature customers, demand for higher

quality and inbound tourism demand. In the same March, Nagoya Parco opened Nagoya Parco Midi adjacent to the west building. In addition, we decided to open the second Parco in Sendai and its opening is aimed for early summer 2016.

The 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 a new store in Nagoya, following openings in Shinsaibashi, Dotonbori and Hiroshima, and furthermore, we are planning to open a new location in Sapporo in 2016.

In order to increase the appeal and competitiveness of existing Parco stores, we renovated Shibuya, Ikebukuro, Nagoya and other stores, totaling approximately 46,000 square meters, in fiscal year 2014. For the purpose of adapting to changes in lifestyles and expanding our target into sensitive mature people, we will continue to renovate approximately 15% of retail floor space every year 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 the Parco Business to steadily build a solid operating base for the next growth.

## Started full-scale operation of services using ICT\*

A new service named Kaeru Parco was launched to allow customers to reserve and order products online from the stock of Parco stores. Beginning with Shizuoka Parco, it was expanded into eight urban stores in the previous fiscal year. In fiscal year 2015, it will become available at more than 100 shops in all Parco stores. Parco’s official smartphone application Pocket Parco was released when the new building of Fukuoka Parco was opened last year, and in March 2015, it was expanded into all stores. This application allows customers to browse products recommended by Parco’s tenant shop staff nationwide and reserve and buy products by linking with Kaeru Parco to offer even greater convenience to customers.

\*ICT, which stands for Information Communication Technology, is a generic term that refers to technologies and services in various fields related to information processing and telecommunications.

## Pursue synergy as a group

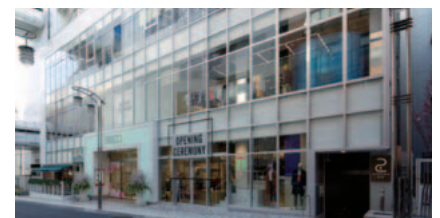
By working more closely with Parco, which has excellent expertise in developing and operating urban commercial facilities, we will be able to increase the group-wide growth potential as a retail group operating various businesses and channels, while accelerating our efforts to change a department store 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 they are trying to share information and strengthen collaboration. Especially, in terms of the 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 in fall 2017 and 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.

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



Fukuoka Parco



Nagoya Parco Midi



# 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 13 business places including five domestic locations such as Tokyo, Nagoya and Osaka and eight foreign locations including Shanghai, Hong Kong, Nansha, 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. In addition to the expansion of the product range of resin materials, automotive parts and food materials, its operations include buying and selling in Thailand and export and import. As a core base in the ASEAN region, the company will stimulate and expand transactions utilizing four bases in the same region.

For the Chinese market, based in Daimaru Kogyo International Trading in Shanghai, we will strive to expand our business in China by stepping up efforts to find new suppliers in the field of electronic devices, expanding the range of products related to vehicles and metals, industrial

materials, textiles and miscellaneous goods and others and developing new businesses.

Furthermore, in January 2105, our Taipei office was incorporated and Taiwan Daimaru Kogyo, Ltd. was established. The company imports metals and vehicles, chemicals and electronic components from Japan and expands transactions in Taiwan and export based in Taiwan.

## Focus on growth areas

We will strengthen businesses using 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, while selling raw materials including civil engineering materials as an agent for major raw material manufacturers, we buy products including containers made by manufacturers to which we sell raw materials and sell them to manufacturers of cosmetics, food and other products.

## Create synergy with other companies of the Group

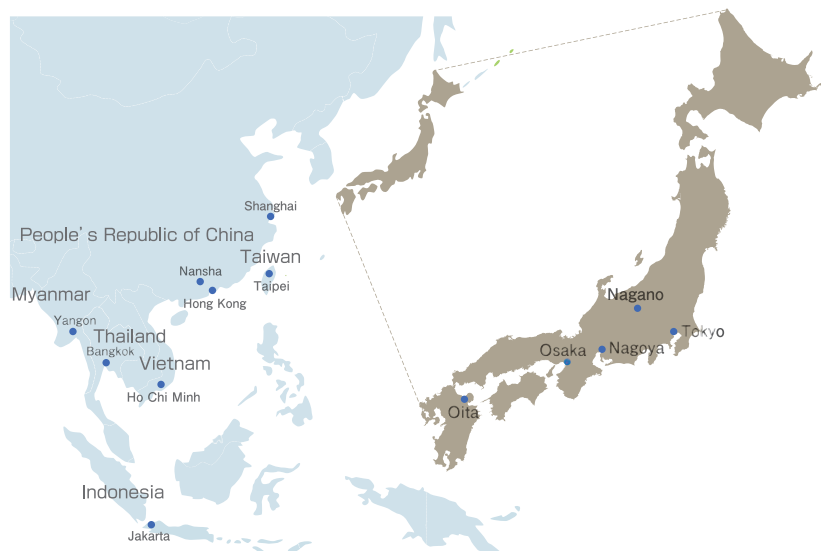
Daimaru Kogyo jointly develops with Daimaru Matsuzakaya Department Stores the items suitable for mid-year and year-end gifts including seaweed, shiitake mushrooms, canned crab meat and seasonings to sell them at Daimaru and Matsuzakaya stores

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 2010. Starting from three locations including Daimaru Shinsaibashi, Kyoto and Kobe stores, we are gradually expanding locations. As of May 2015, the company is entrusted with the operation of 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 the 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 in the Group in pursuit of greater synergy.





# 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.

## Opened China's most upscale department store in Shanghai in May 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 and such population influx from other areas continues. In terms of economics, the average annual income of workers in Shanghai surpassed Beijing and came out on top for the first time at 47,000 yuan in 2014. Thus Shanghai 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, planned to open a full-scale department store with a retail area of around 60,000 square meters in Nanjing Road, Huangpu District, one of the biggest commercial areas in Shanghai.

In January 2013, the Company concluded a business alliance agreement with Shanghai Xin Nan Dong Project Management and Shanghai New World. We sent around ten people including a store manager and rendered technical support in preparing for the opening of the department store including marketing, product mix, design of interior environment, sales service training for employees and card policy to create China's most upscale department store.

The new store was named Shanghai New World Department Store. Under the concept of a "contemporary

new high-end department store combining luxury and entertainment," the store celebrated its grand opening in May 2015. The store adopted full-scale Japanese-style department store floor composition. Western and Japanese brands account for over half of its brand lineup to differentiate itself from other department stores in Shanghai, which offer many Chinese local brands. China's first spiral escalators designed in the image of a dragon were installed in the huge atrium piercing the center of the building from the 1st to the 6th floor. The store exterior is neoclassical and the interior design is modern.

With the aim of realizing China's highest level of sales service, the store uses the know-how of Daimaru Matsuzakaya Sales Associates Co. Ltd. in J. Front Retailing Group, which provides sales operations. We train instructors to instruct sales staff and employees working for the store. These instructors teach customer service and sales and how to guide customers in the store. We will differentiate our services from our competitors by ensuring that totally hospitable sales staff greet and serve customers.

## Outline of Shanghai New World Daimaru Department Store

- Store name: Shanghai New World Daimaru Department Store
- Address: 228 East Nanjing Road, Huangpu District, Shanghai
- Retail area:  
60,000m<sup>2</sup>, 7 floors above ground and 5 below  
(The department store occupies the 6th floor to the 2nd basement floor.)
- Operator:  
Shanghai Xin Nan Dong Project Management Co., Ltd.  
(49% owned by Shanghai New World Co., Ltd.)
- Store hours: 10:00 – 22:00  
(The parking areas on the 3rd to the 5th basement floor are open 24 hours a day.)
- Open 7 days a week

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 and brand power 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 alliance, 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.

## Joint Plaza business with SLH starting in Taipei

In March 2011, the Company acquired a 49% stake in StylingLife Holdings Inc. ("SLH"), which operates several retail businesses including Plaza, Japan's leading general merchandise retail brand, and converted it into an associate accounted for using equity method.

The Company 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 major metropolitan 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 2015, the company operates seven shops in Taipei and surrounding areas and Kaohsiung. We would like to maintain the pace of opening four shops a year and increase the number of shops to 16 by the end of fiscal year 2016.

Pursuing the Dominant Strategy mainly in Taipei, we are planning to open the second shop in Kaohsiung and expand into medium-sized cities including Taichung and Tainan, and then, major metropolitan areas in ASEAN such as Singapore, Bangkok, Kuala Lumpur and Hong Kong.

## Promote proactive group-wide initiatives

In the meantime, J. Front Design & Construction in 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 companies in Thailand in January 2012 and in Taipei in January 2015 to expand business in the ASEAN region. Individual companies in the Group will leverage their strengths to aggressively develop overseas businesses.





# Propose Life with Art

We organize a wide variety of topical exhibitions and events of paintings, crafts, photos and prints in museums and event 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

The 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 designed and constructed for use as a museum only 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 from the time of planning.

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 art 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 25th year and boasts a total of 10,248,425 visitors at the end of February 2015. It gains high reputations from customers and local communities partly because large-scale exhibitions can be held there in spite of central urban location.

### Major exhibitions held in fiscal year 2014

- Montgomery and Hanako's Anne of Green Gables (Daimaru Shinsaibashi)
- Original Drawings for Space Battleship Yamato 2199 (Daimaru Umeda)
- Ishikawa Kenji Photo Exhibition Space of Spirit (Daimaru Sapporo)
- Kusama Yayoi Eternity of Eternal Eternity (Matsuzakaya Museum)
- Beauty of Handwritten Ukiyo-e - Ujiiie Ukiyo-e Collection - (Matsuzakaya Museum)



"Courtesan and Child Attendant under Cherry Blossoms" by Hishikawa Moronobu from Ujiiie Ukiyo-e Collection

### Major exhibitions planned for fiscal year 2015

- The 49th Japan Traditional Art Crafts Textile Exhibition (Daimaru Kyoto)
- The 100th Inten: Exhibition of the Japan Art Institution (Daimaru Shinsaibashi and Matsuzakaya Museum)
- Photo Exhibition: Iwago Mitsuki's World "Cats" Travelogue (Daimaru Sapporo)
- Hyogo Flower Arrangement Exhibition (Daimaru Kobe)
- Art Nouveau Glass from the Gerda Koeppf Collection Museum Kunst Palast, Dusseldorf (Matsuzakaya Museum)

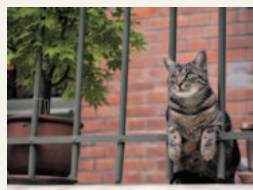


Photo Exhibition: Iwago Mitsuki's World "Cats" Travelogue Paris, France©Mitsuki Iwago



Entrance of Matsuzakaya Museum (7th floor of the south wing of Matsuzakaya Nagoya store)



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.



Entrance of Daimaru Museum (Event Hall on the 9th floor of Daimaru Kobe store)

## Basic Ideas on Corporate Governance

As the core of the unified governance of the Group, J. Front Retailing as a holding company 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 each organization's roles, responsibilities and authorities, thereby improving supervisory function and the internal control systems of the whole JFR Group. In addition, an executive officer system is in place to separate between decision-making and implementation, which facilitates speedier decision-making and implementation.

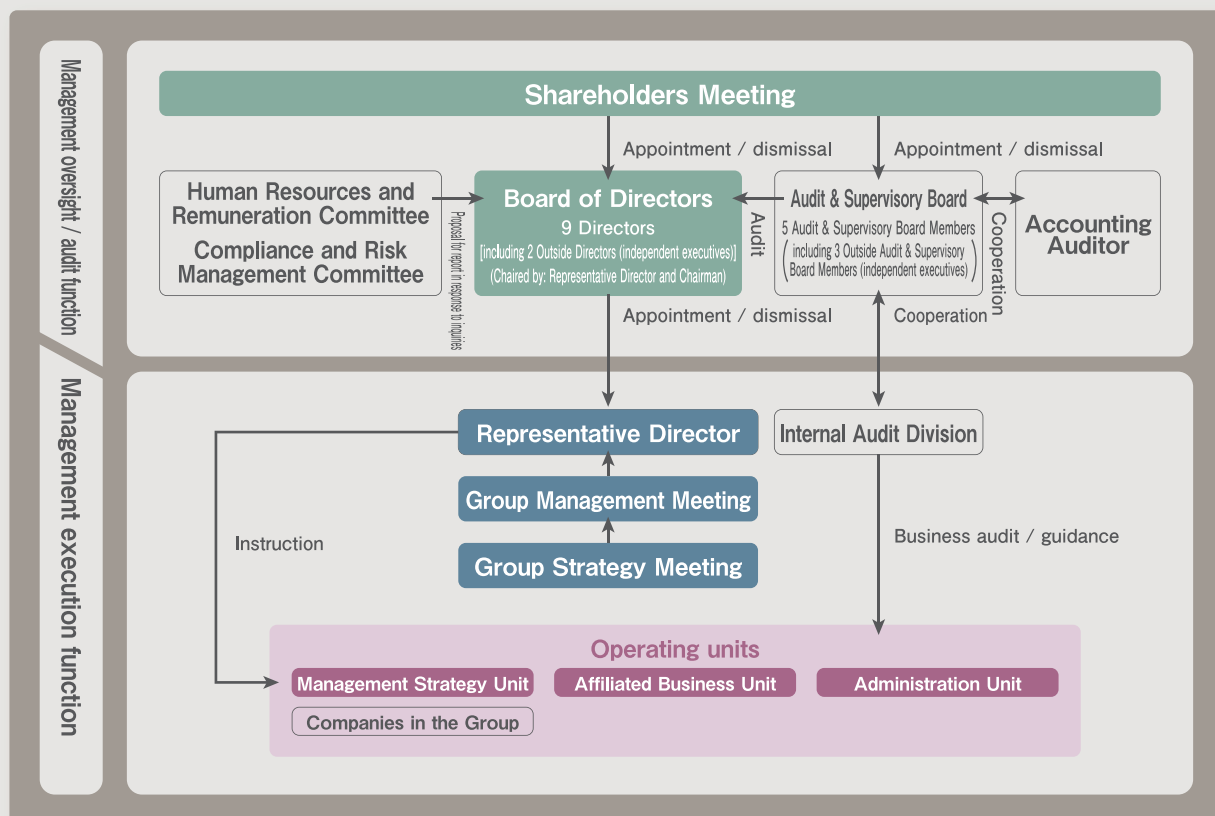
The term for Directors and Executive Officers is one year and the Human Resources and Remuneration Committee, on which Outside Directors sit, is entrusted to determine their remuneration based on their individual annual performance to clarify their responsibilities for the enhancement of management and business results.

The Company is a company with an Audit & Supervisory Board and it has a Shareholders Meeting, a Board of Directors, an Audit & Supervisory Board and Accounting Auditors as the company organizations provided in the Companies

Act, while adopting an executive officer system as a body to perform operations. The Compliance and Risk Management Committee is also in place as an advisory body to the Board of Directors and a whistleblowing system is adopted to resolve various issues related to compliance and risk management. A post in charge of Corporate Governance Promotion was created in the Management Strategy Unit to address the sustainable growth of the Group and the medium- and long-term enhancement of corporate value.

The Company has entered into a limited liability agreement with Outside Directors and Audit & Supervisory Board Members pursuant to the provisions of Paragraph 1 of Article 427 of the Companies Act so that they can adequately fulfill the roles expected of them when they perform their duties. The limited liability agreement provides that the maximum amount of liability for damages for negligence of the duties of Outside Directors and Audit & Supervisory Board Members shall be the higher of the previously stipulated amount of not less than ¥12 million or the amount fixed by laws and regulations and that the limited liability is applied only in cases the Outside Director or Audit & Supervisory Board Member in question has good intentions and there is no gross negligence in performing his/her duties causing liability.

The Company recognizes that we will be able to continue to maintain sound corporate governance under the system mentioned above.



## Board of Directors

The Company has nine Directors, two of whom are Outside Directors including one female, as a management decision-making body and basically they meet once a month under the chairmanship of Representative Director and Chairman and in the presence of Audit & Supervisory Board Members to discuss and resolve the matters required by laws and regulations or prescribed by the articles of incorporation as well as the matters stipulated in the rules of the Board of Directors.

In fiscal year 2014, the Board of Directors had a total of 15 meetings to discuss and resolve the "FY 2014 to 2016 Medium-term Business Plan," a "change in the number of shares per unit and a consolidation of shares" and the "establishment of a joint venture property management company for planning the Ginza new store" as well as approve budgets and financial statements.

Two Outside Directors assume a role in strengthening the functions of and activating the Board of Directors by considering the management from a different perspective from Inside Directors. We invite TACHIBANA FUKUSHIMA Sakie and OTA Yoshikatsu as highly independent outside directors who can make appropriate decisions concerning decision-making and oversight by the Board of Directors independently of the top management. They are both in an objective position independent of the management team performing operations and reflect their involvement in the development of management strategies of domestic and foreign companies based on a global vision and their broad experience and extensive knowledge as managers of business corporations in the management of the Company.

With regard to the agenda for discussion at the Board of Directors meetings concerning important policies related to the Group's overall management, we discuss in advance at the Group Management Meeting, which consists of Inside Directors, Full-time Audit & Supervisory Board Members and others, and the Group Strategy Meeting, which consists of Inside Directors.

## Audit Function

In order to support the soundness of its management functions, the Company has an Audit & Supervisory Board, which consists of five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) 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. In accordance with the auditing standards established by the Audit & Supervisory Board, audit policies for the period under review, the division of duties and others, each of Audit & Supervisory Board Members works to communicate with Directors, Internal Audit Divisions and other employees in collecting information and improving the audit environment. Audit & Supervisory Board Members attend the Board of Directors meeting and other important meetings, receive reports from Directors, Executive Officers, employees and others on their performance of duties, seek explanations as necessary, review important decision-making documents, investigate the business and financial conditions, and monitor and verify the condition of internal control systems. The Company has set up an Internal Audit Division reporting directly to President to verify the appropriateness and effectiveness of the business processes of the daily routine and financial operations of the Company and other companies in the Group according to the annual audit plan. Important matters are duly reported to the Board of Directors and the Audit & Supervisory Board.

## Appointment of Outside Executives

Two of the Company's nine Directors are Outside Directors and three of its five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. When appointing outside executives, we confirm that there are no applicable items in the guidelines developed by the Tokyo Stock Exchange regarding independent executives and that they are in an objective position independent of the management team performing operations. Thereby the Company judges from the viewpoint of strengthening corporate governance that they can contribute greatly to the management of the Company.

### Outside Directors

#### TACHIBANA FUKUSHIMA Sakie

President and Representative Director, G&S Global Advisors

##### Reason for appointment

She has extensive knowledge and experience and deep insight concerning the utilization of human resources possessing global perspectives and the formulation of corporate management strategies of companies operating in Japan and overseas. In addition, she is in an objective position independent of the management team performing operations and the Company has judged from the viewpoint of strengthening corporate governance that she can contribute greatly to the management of the Company.

#### OTA Yoshikatsu

Special Advisor, Konica Minolta, Inc.

##### Reason for appointment

He has broad experience and extensive knowledge as a manager of a business corporation such as promoting the corporate merger between Minolta Co., Ltd. and Konica Corporation and serving as a chairman of the board of directors at companies with committees. In addition, he is in an objective position independent of the management team performing operations and the Company has judged from the viewpoint of strengthening corporate governance that he can contribute greatly to the management of the Company.

### Outside Audit & Supervisory Board Members

#### TSURUTA Rokurou

Attorney at law

##### Reason for appointment

He has deep insight as a person from legal circles, and from the viewpoint of strengthening corporate governance as well as the viewpoint of strengthening the compliance and risk management system, the Company has judged that he can contribute greatly to the management of the Company as an Outside Audit & Supervisory Board Member particularly through the implementation of objective and fair audit and advice for the Board of Directors from a legal perspective.

#### ISHII Yasuo

Audit & Supervisory Board Member, Daimaru Matsuzakaya Department Stores Co. Ltd.

##### Reason for appointment

He has extensive experience and knowledge as a manager of a business corporation such as a long career in Europe and, in particular, familiarity with overseas business development. In addition, he is in an objective position independent of the management team performing operations and the Company has judged from the viewpoint of strengthening corporate governance that he can contribute greatly to the management of the Company.

#### NISHIKAWA Koichiro

Director, Kyowa Hakko Kirin Co., Ltd.

##### Reason for appointment

He has been mainly involved in business alliance, M&A and business reforms and also many important international negotiations. Thus he has extensive experience and knowledge as a manager of a business corporation. In addition, he is in an objective position independent of the management team performing operations and the Company has judged from the viewpoint of strengthening corporate governance that he can contribute greatly to the management of the Company.

## Activation of Shareholders Meeting

The notice of convocation of shareholders meeting is required by law to be sent at least two weeks prior to the deadline for exercising voting rights in writing or electronically. But the Company strives to dispatch the notice as early as three weeks before the voting deadline.

The notice of convocation, reference documents for shareholders meeting and the documents attached to the notice of convocation are also posted on the Company's website.

Voting rights can be exercised on the Company's Internet voting site via a personal computer, a smartphone or a mobile phone. The electronic voting rights exercise platform for institutional investors operated by an external institution is also available.

The English translation of the notice of convocation is also posted on the Company's website and the electronic voting rights exercise platform.

In addition, in order to provide many shareholders who have become more distant from the meeting venue compared to the times when they were the shareholders of Daimaru or Matsuzakaya before J. Front Retailing was established as a holding company with opportunities to view the Company's shareholders meeting, we set up live relay venues in the Osaka area (Daimaru Shinsaibashi store) and the Nagoya area (Matsuzakaya Nagoya store).



Live relay venue in the Osaka area (Daimaru Shinsaibashi store)



Live relay venue in the Nagoya area (Matsuzakaya Nagoya store)

## Disclosure and IR Activities

Under the Group mission statement that "we aim at developing the Group by contributing to society at large as a fair and reliable corporation," the Company promotes IR activities for the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important information on the Company in a fair, timely and appropriate manner, we aim to improve management transparency and help stakeholders better understand the Company.

The Company discloses important corporate information in a timely and appropriate manner in accordance with laws and regulations including the Financial Instruments and Exchange Act and the timely disclosure rules enacted by the Financial Instruments Exchanges where the Company is listed. As for any information deemed useful to stakeholders including shareholders and investors, even where such laws and regulations and the timely disclosure rules do not apply to it, the Company recognizes it as important information on corporate activities, which is required by society, and proactively discloses it on its website and others fairly and promptly in an appropriate manner.

The Company discloses important corporate information to which the timely disclosure rules apply through the TDnet (Timely Disclosure Network) system provided by the Tokyo Stock Exchange, while posting the same information on its website and others as quickly as possible.

### Major dialogue activities with investors in fiscal year 2014

#### ◆ With individual investors

Participated in presentation meetings organized by securities companies (three times in total)

#### ◆ With analysts and institutional investors

Financial results presentations (on a semiannual basis)

#### ◆ With overseas institutional investors

Participated in conferences for overseas institutional investors in Japan (three times in total)

## Internal Control Systems

The Company implements 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 the 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 an appropriate assessment.

With President and Senior Executive General Manager 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 is 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 Strategy Meeting 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, infections and others to specify the criteria for forming the emergency headquarters and its members, emergency priority operations to continue business, emergency response procedures and others. And at the same time, we conduct training activities at each company in the Group to improve the effectiveness of the Plan.

## Compliance and Risk Management System

The Company is a company with an Audit & Supervisory Board and invites three Outside Audit & Supervisory Board Members to ensure fairer audit.

In addition, the Company has a Compliance and Risk Management Committee, which is chaired by President and consists of a legal advisor, the Directors and Audit & Supervisory Board Members named by the chairman, and others, as an advisory body to the Board of Directors related to compliance management, while adopting a whistleblowing system called JFR Group Compliance Hotline, which provides external contact (a legal advisor) as well as internal one for whistleblowing and is accessible to anyone working for the Group companies. Through these efforts, we strive to resolve compliance-related issues.

Persons in charge in each business site provide on-site guidance and inspection to check the firm 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.

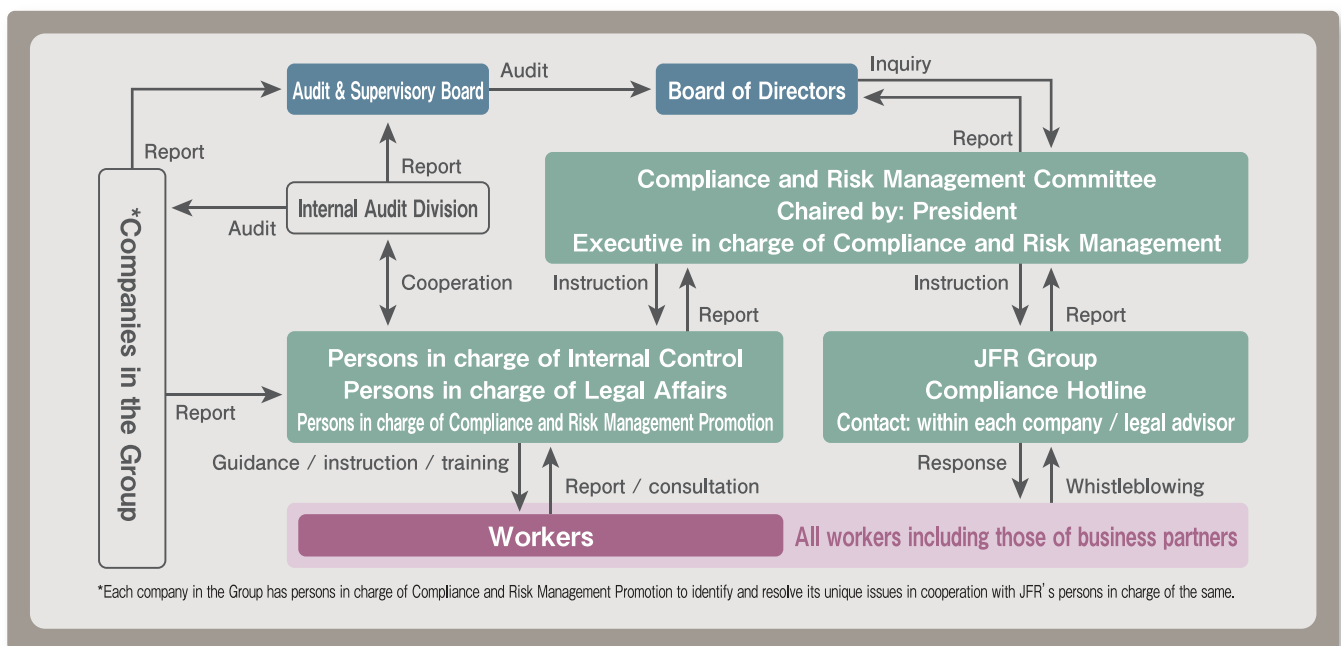
## Compliance and Risk Management Manual

The basic framework of the compliance system is based on a binary structure consisting of “voluntary compliance with laws and regulations, corporate ethics and others in conducting business in all companies and divisions in the Group” and “guidance, supervision and strict audit by compliance divisions, operational audit divisions and others.”

And we have developed JFR Group Compliance and Risk Management Manual to be followed by all executives and employees of J. Front Retailing Group, which clarifies the systems, the principles of action and the code of conduct to implement compliance management.

The principles of action consist of four perspectives and specify the code of conduct in each of these perspectives. Each employee carries a Compliance Self-check List to self-check his/her daily behavior and the List is displayed on a poster at each company to promote daily compliance behavior.

### ◆ Compliance and risk management system



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

#### 1 Always put customers first

We will always put the realization of customer satisfaction first and gain trust and support from customers through faithful actions in compliance with laws and regulations, the Company's regulations and other rules such as the fulfillment of promises with customers, the development and provision of socially useful and safe products and services and the ensuring of fair labeling.

#### 3 Create a fair and vibrant organization where individuality and ability are respected

With respect for each individual's basic human rights, we will form a vibrant organization where workers can be motivated to use their ability by creating a safe and secure work environment in compliance with labor-related laws and treating them based on a fair and equal evaluation.

#### 2 Promote high quality management for sound growth and development

With the aim of becoming an open corporation that communicates with society at large, we will promote high quality management for sound growth and development by conducting fair, transparent and proper corporate activities, while maintaining fair relations with business partners whereby both grow together.

#### 4 Contribute to society (good corporate citizen living in harmony with society)

As a good corporate citizen living in harmony with society, we will actively conduct creative business activities that contribute to society at large including the contributions to communities and environmental initiatives to achieve sustainable growth.

We asked our Outside Director of four years, Ms. Sakie Tachibana FUKUSHIMA, who possesses global knowledge and experience and has been deeply involved in the management of many companies, about J. Front Retailing's business strategy and corporate governance.



## Ms. Sakie Tachibana FUKUSHIMA

Outside Director

Joined Braxton International in 1980. After working at Bain & Company, joined Korn/Ferry International in 1991, based in Tokyo. Served on the Board of Directors of the global US headquarters of Korn/Ferry International for 12 years from 1995. Appointed President and Representative Director of Korn/Ferry International - Japan in 2000 and Chairman and Representative Director in 2009. Became President and Representative Director of G&S Global Advisors in August 2010 (current position). Has served as Outside Director of J. Front Retailing since May 2012.

### Business models will change dramatically

Recently, the definition of “industries” is changing dramatically and becoming increasingly complex. Particularly in the retail industry, there was a relatively clear division among business categories such as department stores, supermarkets, and convenience stores, and they could coexist to some extent. Now, however, channels have diversified due to the use of ICT, and particularly because of the rise of Internet retailing, they have been changing drastically. Looking at J. Front Retailing, it ranks second in sales in the department store category, and its operating margin is higher than the top sales company. But as the industry's ROE is low, the pressure from shareholders is bound to increase. There will be significant industry-wide structural changes in the future. How the industry is defined varies, but the Company will not settle for the current position and, as a matter of course, it aims to be the top in the department store industry. However, I personally hope the Company will aim to reach the top in the wider retail industry, including convenience stores and others. In the traditional department store

category, I see J. Front Retailing as a pioneer because the Company successfully merged two companies (Daimaru and Matsuzakaya) and has taken proactive actions in an industry facing severe challenges. Changes in the buying behavior of customers can result in the rapid change of business models, so the Company needs to act ahead of such changes. I believe it has the ability to become an industry pioneer. In my previous job as a human resources consultant covering the luxury, retail, and consumer goods industry for almost 20 years, I saw the industry through the lens of human resources. Even in those days, I saw foreign luxury brands, which had been centered on department stores, expand their distribution channels to freestanding locations and to the Internet. However, even those changes pale in comparison to the speed of changes we see today.

I think J. Front Retailing's strategy of becoming a multifaceted retailer to meet the changes in customer buying behavior is heading in the right direction. The Company will be able to grow further by recognizing that the competitive paradigm is shifting and focusing on not just the Internet business but the adoption of ICT to manage with speed. To this end, it is crucial to achieve thorough synergy with acquired companies.

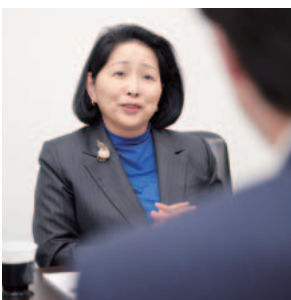
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### Changing the mindset is crucial to changing a company

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I think optimal corporate governance varies according to the country, industry, and company. Serving on the board of the headquarters of an American company, I experienced American-style governance, in which all the board members except the CEO and me were outside directors. During those years, I learned much from outside directors, who had the experience of serving as CEO and other positions at American companies, about the role of outside directors as well as the role of inside directors. At that time, the CEO of my company had just been recruited from the outside, so I was given the role of explaining to him and the board what had happened to the company in the past. I had to think of what to do so that outside people with different experiences in different industries could understand why we had made certain decisions. It forced me to look at my company objectively. I became keenly aware of the importance of the process of thinking about whether decisions had been really necessary, whether they were considered from the standpoint of optimizing the whole company rather than a particular team, and so on—that is, the importance of thinking objectively about the company from an outside perspective.

To change a company is to change the mindset of its people. I may think this way especially since my previous job was to find and recruit change agents to change the mindset of employees, improve performance, and change the company's business model. The best people for my clients differed according to their strategic needs, and my job was to find the best people for the position, that is, "to fill the position with the person who can accomplish the mission." Putting the right people in the right job is important when fostering people. When there are no right people in the company for the position, it is necessary to search outside the company "to fill the position with the



right person" because new perspectives and approaches are introduced. A company should use diversity to globalize. I believe that J. Front Retailing, which was successful in uniting different cultures in its merger, has the ability to utilize diversity effectively.

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### It is important to keep reiterating using a different benchmark

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The role of outside directors is to promote the improvement of executive performance through optimal governance. In this respect, the best form of governance may vary by company, but the role of outside directors is the same.

An important role of outside directors in Japan is to use a benchmark different from that of the company to ensure that "what is considered common sense inside the company is not something that is in fact contrary to common sense outside the company." This is because many CEOs in Japan work at only one company their entire career, whereas many in Europe and the US accumulate experience through career changes and form their own benchmarks independent of any one company.

The notion of who outside directors represent is also different between the US and Japan. In the US, they clearly represent the shareholders and ask how shareholders or markets would evaluate any decision made at a board meeting. In US business schools, maximizing shareholder value is thoroughly inculcated as the responsibility of management. In Japan, in general, stakeholders are broadly defined to include employees, partners, suppliers, and customers. Actually, the definition of stakeholder is also being reviewed in the US recently. In Japan, companies need to have more awareness of shareholders, and I make a point of consciously emphasizing this at board meetings.

And even if the management and the board don't like to hear what I have to say at the board meetings, I will insist on reiterating it as many times as needed. I have seen the retail industry and J. Front Retailing through my experience working for foreign consulting firms and a foreign human resources firm, so I always have in mind the competitive advantage of the Company and how it should differentiate itself in the industry and from other companies. In addition, I will continue to advocate the effective use of what was acquired through M&As, the use of ICT, and in particular, channel strategy. The Company's executives may get tired of hearing from me, but I intend to reiterate over and over what I think is globally and strategically important for the Company to succeed.

## Basic Ideas on CSR

The Group puts the guidelines for fulfilling CSR in J. Front Retailing Group Mission Statement, and under the Mission Statement, we remain fully committed to achieving the Group Vision. In order to incorporate the concept of CSR into management and steadily realize it, we divide it into seven subjects based on the international standards ISO 26000

and address these subjects. And by strengthening CSR, we will ensure accountability to various stakeholders including customers, shareholders, investors, business partners, communities and employees. Through these efforts, we will build trust relationships to achieve a sustainable increase in corporate value.

### ◆ J. Front Retailing Group Mission Statement

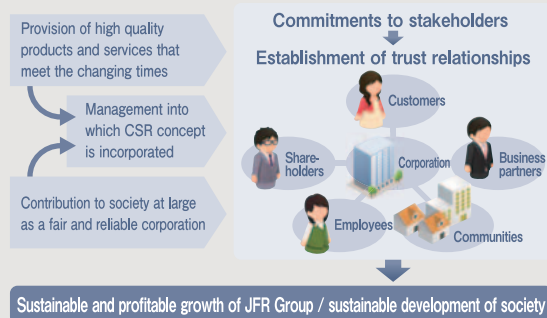
We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations.

We aim at developing the Group by contributing to society at large as a fair and reliable corporation.

### ◆ Group Vision

We will establish ourselves as a leading Japanese retail company both in terms of quality and quantity with the Department Store Business as its core.

### ◆ Basic concept of CSR



### ◆ Seven CSR subjects based on ISO 26000



## Human Rights

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

#### ◆ Contents of activities

- ① Participation in training → Training 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

The department store chain and other companies in the Group are improving 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.

## Labor Practices

Through the efficient reform of organizational and human resources structure and the improvement 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 in place systems that offer longer leave periods and more reduced working hours than required by law to support employees' 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

As our specific health care measures based on the basic idea that employees are the company's greatest asset and that 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, we focus on primary disease prevention in light of 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 accumulated skills" and from the standpoint that "the maintenance and creation of employment is a corporate social responsibility."

Considering the diversity of human resources as a source of competitiveness, we assign and use people based on individual ability, performance, aptitude and motivation regardless of gender. In addition, we actively promote the employment of the disabled in the recognition that it is a corporate social responsibility.

### Female employees of Daimaru Matsuzakaya Department Stores in management positions (as of March 2015)

- Number of female executive officers: 3
  - Number of female general managers: 13 (10.8% of total 120 general managers)
  - Number of female managerial employees: 204 (30.7% of total 664 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, submanagers, buyers and team leaders (including supervisors and section leaders from Daimaru Matsuzakaya Sales Associates).

## The Environment

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.

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 in the Group and strive for continuous improvement to reduce environmental load.

Provision of environment-friendly products, services and information

Effective use of resources and energy

Waste reduction and recycling

Reduction of CO<sub>2</sub> emissions

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 in the Group will tackle environmental tasks voluntarily.

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

## Propose 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.

## Participated in a kick-off event for Super Cool Biz 2015

Daimaru Matsuzakaya Department Stores participated in the Super Cool Biz Fashion Show of the kick-off event for Super Cool Biz 2015 “Coolbiz Next” organized by the Ministry of the Environment and the Cool Biz Promotion Council and some employees acted as models to present summer styles. Under the keywords for this year of “Local Creation – Made in Japan” and “Technology,” we presented comfortable and cool commuting styles.



Some employees participated as models in the Super Cool Biz Fashion Show, in which 11 department store chains in Tokyo participated.

Mr. Samura, the Chairman of J. Front Retailing and the Chairman of the Cool Biz Promotion Council, served as the presenter of the Best Cool Biz Award.

## ◆Contribution to creating low-carbon society

J. Front Retailing adopts various energy saving measures to reduce CO<sub>2</sub> emissions and prevent global warming. High energy efficient equipments are installed on the occasions of facility replacement, store renovation and new store opening.

### Increase LED lighting and install solar panels

We strive to reduce electricity consumption and CO<sub>2</sub> emissions by replacing existing lighting with LED units. Daimaru and Matsuzakaya stores actively replace their lighting with LED units. By February 2015, 180,000 units, which account for about 43% of the total number of relevant lighting fixtures, were replaced with LED units. In fiscal year 2015, we are planning to install 6,000 units or more.



Peacock with a solar panel (Daimaru Kyoto store)

At Daimaru Kyoto store, a solar panel, which is 11 meters long and 6.6 meters wide, was installed behind a peacock bronze sculpture when its exterior was renewed in October 2014. It is expected to generate electricity of 6,017 kWh per year, which will power digital signage and external signs.

### Power saving measures

In addition to 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 (installing electric fans in high temperature areas); (2) thorough light management using pull switches (making sure to turn off lights when leaving desks); (3) to curb the use of computers and other office equipments (curbing 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.

### Reduction and recycling of waste

We implement thorough waste separation to decrease final 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.

## ■Fair Operating Practices

J. Front Retailing puts the “promotion of high quality management for healthy growth and development” in JFR Group Compliance and Risk Management Manual and the Manual advocates “fair, transparent and appropriate corporate activities, the maintenance of fair relations with business partners, which allow mutual growth, and the promotion of high quality management for healthy growth and development.”

Specifically, we strive to comply with various relevant laws and regulations regarding fair trade, including the Antimonopoly Act, the Subcontract Act, the Act against Unjustifiable Premiums and Misleading Representations, insider trading regulations, the appropriate disclosure of corporate information and the severance of relations with antisocial forces.

### ◆Promotion of fair trade -----

We make a basic transaction contract with each business partner based on prior agreement while educating and enlightening all employees so that they understand and comply with relevant laws and regulations, including the Fair Trade Commission notification to large-scale retailers, the Subcontract Act and the Act against Unjustifiable Premiums and Misleading Representations, based on the fair trade manual developed by the Japan Department Stores Association.

Recently, we introduced e-learning on compliance to provide training and increase awareness more efficiently.

### ◆Appropriate management and disclosure of corporate information -----

We provide financial data, important decisions 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 on our website as needed. We also deliver IR

information by email magazines to help investors in their investment activities. Concerning major store renovations and hot promotions and products, we issue press releases to the media in a timely manner.

◆ **Prohibition of insider trading** -----

Companies in J. Front Retailing Group have set rules for preventing insider trading under the Financial Instruments and Exchange Act to prevent all executives and employees from handling shares in an improper manner and raise their awareness by displaying posters and by other measures.

◆ **Severance of relations with antisocial forces** -----

We have declared that we will sever all relationships with antisocial forces in accordance with the regulations of local governments and seek guidance from police authorities and others to review our trade practices.

## ■ Consumer Issues

With the basic philosophy that we aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations, J. Front Retailing Group as a multifaceted retailer recognizes that its fundamental mission is to provide consumers with appropriate information in a timely manner and with safe and secure products and services.

In the belief that it is important to promote good consumption activities, the Group recognizes that the right way of resolving consumer issues is to earn consumers' strong confidence by providing them with useful products and services while not just complying with laws and regulations but also widely practicing corporate ethics.

We believe that the creation of safe and secure store environment is another important aspect and several equipment management and disaster prevention and security experts are assigned to each department store.

◆ **Thorough quality control**

Consumer Product End-Use Research Institute Co., Ltd., a company in the Group that specializes in quality control, contributes to strengthening product quality control by checking the quality of products and the legality of labeling at companies in the Group and conducting hygiene inspections at restaurants.

Persons in charge of compliance at the headquarters of the department store chain and persons in charge of hygiene at each store provide guidance and monitoring concerning proper labeling and quality maintenance in a timely manner to ensure quality control.

◆ **Set up Consultation Corners for Consumers**

We have set up the Consultation Corners for Consumers at a total of ten stores of Daimaru Matsuzakaya and associated department stores to appropriately respond to and handle complaints and requests for consultation from customers concerning the products they purchased. Certified Consultants for Consumers' Affairs are working to resolve them through consumers' eyes.



Consultation Corner for Consumers

◆ **Strengthen "food" quality control**

In order to ensure food safety, department stores and food-related companies have formulated voluntary rules as well as comply with relevant laws and regulations to promote appropriate management. Consumer Product End-Use Research Institute and persons in charge of hygiene at stores work together to strengthen the monitoring system through periodic on-site inspections on retail floors and at restaurants and other measures. Thus we have in place a system that enables prompt and appropriate actions through cooperation among companies in the Group, stores and persons in charge of compliance promotion and legal affairs at the headquarters if a food-related accident or misrepresentation should be found.

◆ **Promote the creation of safe and secure store environment**

At department stores and other stores and offices, we organize self-defense firefighting teams and conduct emergency drills and BCP trainings<sup>1</sup> in preparation for earthquakes and fires. We also promote the improvement of systems by introducing an earthquake early warning alert system, a safety confirmation system for all employees and satellite-based mobile phones.

Self-defense firefighting teams at stores carry out drills on a regular basis in preparation for emergencies such as fires and earthquakes with the participation of all workers including persons from suppliers to ensure that we can take prompt and appropriate actions including fire fighting, evacuation guidance for customers and information collection. We adopt a system in which an earthquake early warning alert, which is received when an earthquake measuring 5-lower or more on the Japanese intensity scale occurs, is automatically broadcast in stores in real time<sup>2</sup>.

AED (automatic external defibrillator) units are installed mainly in department stores and we continuously train employees to improve life saving measures in an emergency.

<sup>1</sup> BCP: a plan that allows an organization to continue to operate or resume business early in the event of disaster  
<sup>2</sup> Currently this system is in place in Daimaru Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo and Suma stores, Hakata Daimaru Tenjin and Kochi Daimaru stores and all Matsuzakaya 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 (Matsuzakaya Nagoya store)  
 (Employees acting as shoppers who keep down)  
 as instructed by a person in charge

◆ **Efforts to help people who have difficulty returning home in an earthquake**

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, each store of Daimaru Matsuzakaya Department Stores has in place a system to open part of its floor space as temporary evacuation space to shoppers in the store who have difficulty returning home based on the ideas of "self help," "mutual help" and "public help." In anticipation of shoppers and employees who will be forced to stay in a store for a considerable time, we store a considerable amount of hardtack and drinking water. We also gain agreement from more than 400 food-related suppliers to provide their stocks in our stores in case our stockpile is exhausted.

## Community Involvement and Development

The Group promotes social contribution activities through business activities to contribute to community revitalization and social issues as a corporate citizen with a focus on “support for the next generation,” “support for women,” “promotion of healthy food” and “close contact with communities.”

### ① Activities leading to “support for the next generation”

#### Let's Collect PET Bottle Caps to Fund Vaccines for the World's Children!

Daimaru Matsuzakaya Department Stores has placed collection boxes at its stores and employee facilities to collect unnecessary PET bottle caps as a community-based social contribution activity since December 2009. The collected caps are recycled through a non-profit organization Re Lifestyle and we donate the full amount paid for them to an authorized non-profit organization Japan Committee Vaccines for the World's Children (JCV) to fund vaccines for children around the world.

Since we started this initiative, the number of caps collected is increasing every year and as the number of local groups that bring caps is increasing and the total number of caps reached 79 million by May 2015. The amount received from recycling them and the total amount donated to JCV are equivalent to polio vaccines for approximately 170,000 children.

In September 2014, we sold Sakura Panda × Hello Kitty Collaboration Eco Bags with donations to JCV and donated ¥79,160, which is equivalent to polio vaccines for 3,958 persons, from their proceeds.



#### Sold Thanks Festival charity pins

At spring and fall Thanks Festivals held in March and September, respectively, Daimaru Matsuzakaya Department Stores sells charity pins and donates a portion of their proceeds to children's scholarship funds in Miyagi, Iwate and Fukushima to help rebuild the Tohoku region.

We donated ¥1,526,359 in spring 2014 (collaboration with Hiyoko-chan of Nissin Foods) and ¥2,482,368 in fall (collaboration with Funasshi), totaling ¥4,008,727, to (1) Higashi Nihon Daishinsai Miyagi Kodomo Ikuei Bokin in Miyagi, (2) Iwate no Manabi Kibo Bokin in Iwate and (3) Higashi Nihon Daishinsai Fukushima Kodomo Kifukin in Fukushima.



Funasshi × Sakura Panda pins



Hiyoko-chan × Sakura Panda pins

#### Charity Santa

As an initiative to support the next generation, Daimaru Matsuzakaya Department Stores conducted Christmas campaign 2014 “Charity Santa.” With the purchase

of specified amount or more at toy departments and others, customers could apply for this campaign and Santa Clauses delivered presents to the children of the winners selected in a drawing from among applicants.

Santa Clauses heading to children's homes to deliver presents to them.



### ② Activities for “support for women”

#### Pink Ribbon Campaign

Daimaru Matsuzakaya Department Stores and Parco 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. Mainly on Mother's Day and during Pink Ribbon Month (October), we conduct educational activities including the distribution of awareness booklets for the early detection of breast cancer, an experience event using a breast model and screening experience on a mammography van as well as donate proceeds from sales of original pins and Pink Ribbon charity bread to a Pink Ribbon awareness organization.



We donate a portion of proceeds from sales of original pins (¥200 including tax) and heart bread to a Pink Ribbon awareness organization.



Sakura Panda, a corporate character of Daimaru Matsuzakaya Department Stores, and Parcoala participated in the Pink Ribbon Campaign. (Matsuzakaya Nagoya store and Nagoya Parco)

#### Love 49 Project

We participate in the prevention and awareness activities for cervical cancer implemented by the Love 49 Project that designates April 9 as Uterus Day.

We hand out newsletters in Daimaru and Matsuzakaya stores in cooperation with local cytotechnologists while selling button badges and collecting money in stores to donate to an authorized non-profit organization known as Orange Clover, which is working to raise awareness of cervical cancer.



Newsletters were handed out to encourage cervical cancer screening. (Shimonoseki Daimaru)

### ③ Activities related to the “promotion of healthy food”

#### Participation in the Table for Two program

Daimaru Matsuzakaya Department Stores and Parco support the activities of an authorized non-profit organization Table for Two International (TFTI), which helps provide school meals for children in developing countries, by donating a portion of proceeds from their restaurants and staff cafeterias.

Daimaru Matsuzakaya Department Stores joins TFT's "One Million People to Share TFT Meals!" campaign on October 16, World Food Day, every year and offered TFT meals at its 107 restaurants and cafes to help provide school meals for children in Africa. We also conduct activities in collaboration with the local members of the university association that supports TFT.

Daimaru Matsuzakaya Department Stores planned and sold "traditional osechi (New Year's meals in Japan) with regional delicacies X Table for Two" and donated 1% of their sales.



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



Traditional osechi with regional delicacies X Table for Two Japanese-style food in three-tiered boxes only available in Daimaru and Matsuzakaya stores (¥27,000 including tax, for four people)

#### ④ Charity bazaars and fund-raising activities

Daimaru Matsuzakaya Department Stores continues the efforts to contribute to society at large using the department store's capabilities to draw customers and transmit information. Each store organizes charity bazaars and raises 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 and others.

#### ⑤ 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.



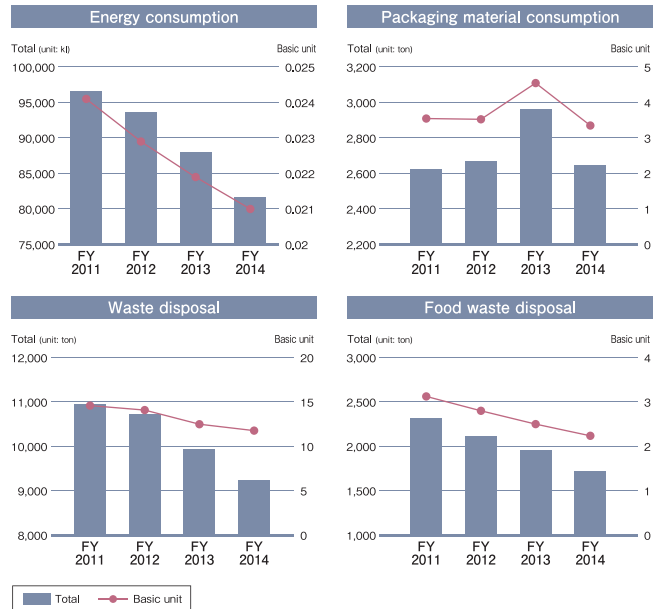
Daimaru kimono fabric store in Tokyo (Meiji period)



Kimono fabric store (Matsuzakaya) in Nagoya (Meiji period)

### Historical performance data

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



\*Energy consumption is crude oil equivalent of electricity, gas, gasoline, light oil and heavy oil (unit: kiloliter).  
 \*Packaging material consumption is the weights of wrapping paper, shopping 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 (㎡) ÷ business hours (h) (megaliter)/(㎡×h)  
 \*Packaging material basic unit: usage (ton×1000) ÷ sales (¥million) (kiloton)/(¥million)  
 \*Waste disposal basic unit: disposal (ton×1000) ÷ sales (¥million) (kiloton)/(¥million)  
 \*Food waste disposal basic unit: disposal (ton×1000) ÷ sales (¥million) (kiloton)/(¥million)

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

All Daimaru and Matsuzakaya stores		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
No. of PET bottle caps collected	Annual total	10,200,000	14,200,000	16,300,000	15,800,000	17,100,000
Polio vaccine equivalent	Annual total	19,600	26,700	31,200	28,900	31,000

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

#### ◆ Charitable donations (Note 1) (unit: ¥1,000)

Donated to	Details	Amount of donation
Scholarship funds to support children affected by the Great East Japan Earthquake	Donated a portion of proceeds from the sale of charity pins at Thanks Festivals in spring and fall (Note 2)	4,008
Authorized NPO Japan Committee Vaccines for the World's Children (JCV)	Donated proceeds from the sale of charity eco bags to fund vaccines in developing countries	79
Authorized NPO Orange Clover	Donated a portion of proceeds from the sale of original eco bags and others to support cervical cancer prevention awareness activities	310
Local Pink Ribbon support groups	Donated a portion of proceeds from the sale of original pins and heart bread and others to support breast cancer prevention awareness activities	811
Authorized NPO Table for Two International	Donated a portion of sales of healthy meals and others to help provide school meals in developing countries (Note 3)	1,524
	Donated a portion of sales of original osechi to help provide school meals in developing countries	276

Notes: 1. Major charitable donations made by Daimaru Matsuzakaya Department Stores in fiscal year 2014 are shown.  
 2. Total amount donated to scholarship funds for children affected by the Great East Japan Earthquake in Miyagi, Iwate and Fukushima  
 3. Total amount donated from restaurants and staff cafeterias in Daimaru and Matsuzakaya stores.

## History of Daimaru



Founder Shimomura Hikoemon Shokei



Osaka store opened in 1726



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

# History of Matsuzakaya

- 1611 ■ Ito Genzaemon Sukemichi, a son of Ito Ranmaru Sukehiro who served Oda Nobunaga, opened a kimono fabric and fancy goods wholesale store in Honmachi, Nagoya. (Foundation of Matsuzakaya)
- 1659 ■ Sukemichi's son Sukemoto opened a kimono fabric and fancy goods wholesale store in Chayamachi, Nagoya and called himself Ito Jirozaemon. (Since then the heads of the Ito family succeeded 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 (Matsuzakaya Co., Ltd.)."  
■ 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 m<sup>2</sup>).
- 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."



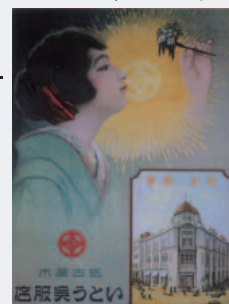
Matsuzakaya by Utagawa Hiroshige



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

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

# 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 converted it into an equity method associate.  
 (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 converted it into an equity method associate.  
 (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 converted it into 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 the redevelopment of the Ginza area.  
 (Dec) ■ Acquired a 70.52% stake in Forest Co., Ltd. and converted it into 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.
- 2015** (Apr) ■ Announced a plan to buy back up to 3.4 million shares or ¥5 billion of own shares.  
 (Apr) ■ Announced a capital and business alliance with Senshukai Co., Ltd.  
 (May) ■ Acquired a 22.62% stake in Senshukai Co., Ltd. and converted it into an equity method associate.



Daimaru Tokyo store



Plaza



Shibuya Parco



## J. Front Retailing Co., Ltd.

### Corporate Profile

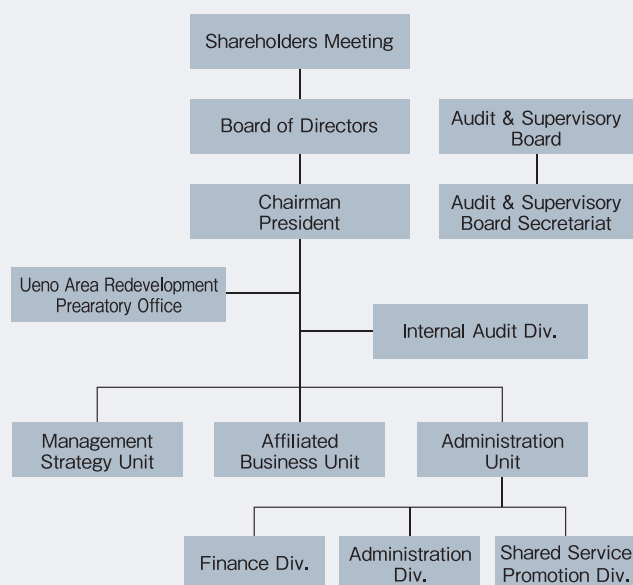
Company name : J. FRONT RETAILING Co., Ltd.  
 Main store : 10-1, Ginza 6-chome, Chuo-ku, Tokyo  
 Office : 1-1, Yaesu 2-chome, Chuo-ku, Tokyo  
 Established : September 3, 2007  
 Capital : ¥30,000 million  
 Line of business : Department store operation; retail; restaurants; wholesale; import and export; design, supervision and contracting of construction works; direct marketing; credit cards; labor dispatch service; merchandise inspection and consulting; and others  
 Number of employees : 7,190 (As of February 28, 2015) (Consolidated)  
 URL : <http://www.j-front-retailing.com/>

### Management

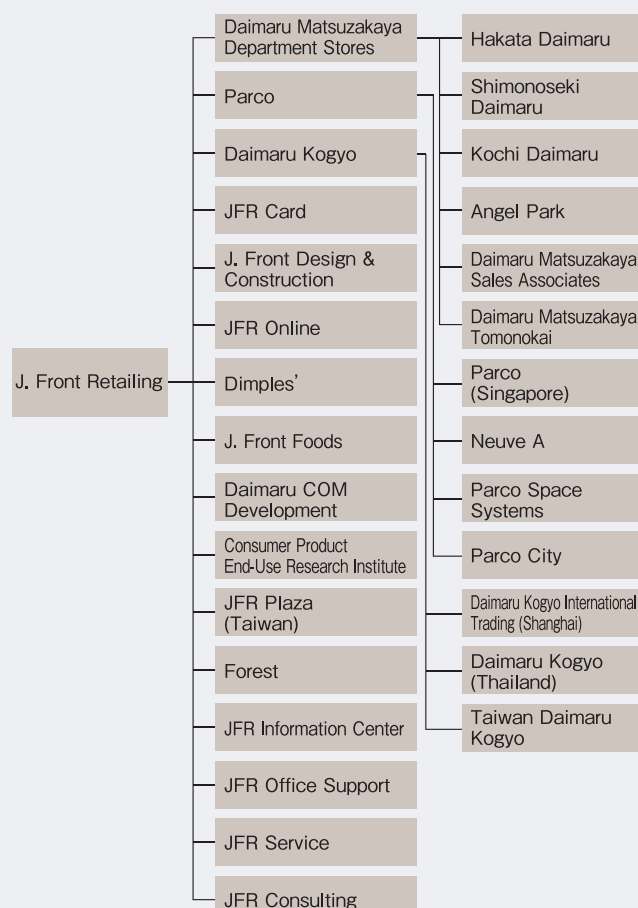
Chairman	SAMURA Shunichi	
President	YAMAMOTO Ryoichi	
Director	YOSHIMOTO Tatsuya	President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Director	MAKIYAMA Kozo	Director, President and Representative Executive Officer of Parco Co., Ltd.
Director and Senior Managing Executive Officer	KOBAYASHI Yasuyuki	Senior Executive General Manager of Affiliated Business Unit
Director and Managing Executive Officer	FUJINO Haruyoshi	Senior Executive General Manager of Management Strategy Unit
Director and Managing Executive Officer	DOI Zenichi	Senior Executive General Manager of Administration Unit Compliance and Risk Management
Director	TACHIBANA FUKUSHIMA Sakie	
Director	OTA Yoshikatsu	
Audit & Supervisory Board Member	OCHI Bunshiro	
Audit & Supervisory Board Member	KATO Yoichi	
Audit & Supervisory Board Member	TSURUTA Rokuro	
Audit & Supervisory Board Member	ISHII Yasuo	
Audit & Supervisory Board Member	NISHIKAWA Koichiro	
Executive Officer	IMAZU Takahiro	Senior General Manager of Management Planning, Management Strategy Unit
Executive Officer	ENOMOTO Tomohiko	Senior General Manager of Group ICT Strategy Promotion, Management Strategy Unit
Executive Officer	TADATSU Takehiko	Group Organization and Personnel Policy, Management Strategy Unit
Executive Officer	KUBOI Satori	Senior General Manager of Affiliated Business, Affiliated Business Unit
Executive Officer	TSUTSUMI Hiroyuki	Senior General Manager of Finance Division

Notes: 1. Tachibana Fukushima Sakie and Ota Yoshikatsu are Outside Directors.  
 2. Tsuruta Rokuro, Ishii Yasuo and Nishikawa Koichiro are Outside Audit & Supervisory Board Members.

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



### Organization Chart of J. Front Retailing Group



(As of May 31, 2015)

# Daimaru Matsuzakaya Department Stores Co. Ltd.

## Corporate Profile

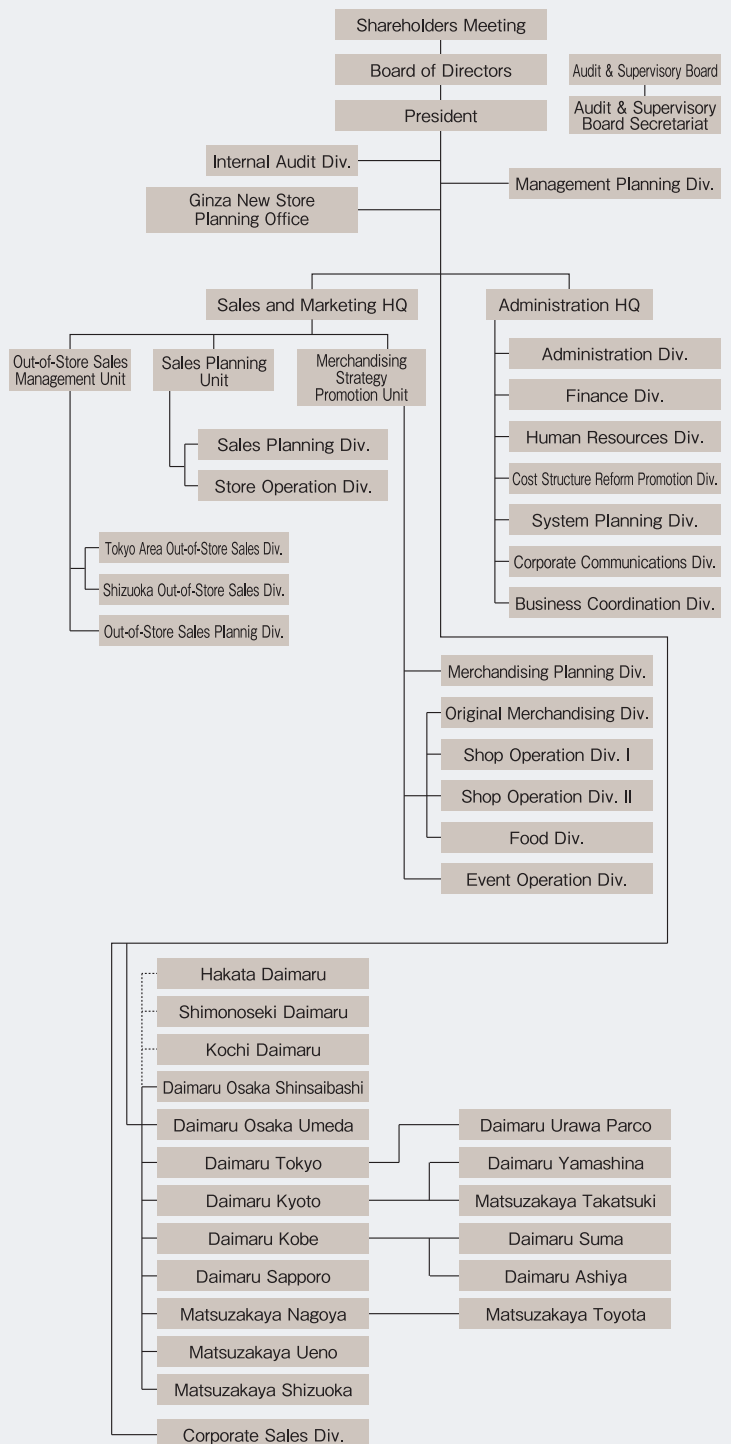
Company name	: Daimaru Matsuzakaya Department Stores Co. Ltd.
Head office	: 18-11, Kiba 2-chome, Koto-ku, Tokyo
Renamed	: March 1, 2010
Capital	: ¥10,000 million
Line of business	: Department store operation
Major shareholder and shareholding ratio	: J. Front Retailing Co., Ltd. 100%
U R L	: <a href="http://www.daimaru-matsuzakaya.com/">http://www.daimaru-matsuz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

## 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 Executive General Manager of Merchandising Strategy Promotion Unit
Director and Executive Officer	MATSUDA Hirokazu	Senior Executive General Manager of Administration Headquarters Compliance and Risk Management
Director and Executive Officer	IMURA Ario	Executive General Manager of Sales Planning Unit and Out-of-Store Sales Management Unit
Audit & Supervisory Board Member	OCHI Bunshiro	
Audit & Supervisory Board Member	KATO Yoichi	
Audit & Supervisory Board Member	ISHII Yasuo	
Audit & Supervisory Board Member	NISHIKAWA Koichiro	
Managing Executive Officer	HARADA Takaharu	Chairman of Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.
Managing Executive Officer	YUNOKI Kazuyo	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 Department Store Omnichannel Retailing Promotion
Executive Officer	YOSHIKAWA Tatsuji	Senior General Manager of Shop Operation Division II Inbound Business Promotion
Executive Officer	OYAKE Yoshihiro	Senior General Manager of Food Division
Executive Officer	TADATSU Takehiko	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	OTA Yukio	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

Note: Ishii Yasuo and Nishikawa Koichiro are Outside Audit & Supervisory Board Members.

## Organization chart of Daimaru Matsuzakaya Department Stores



(As of May 31, 2015)

## Group Information

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58 Group Companies

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60 Locations of Daimaru and Matsuzakaya  
Department Stores

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62 Locations of Parco Stores

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# 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

### 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/>

## 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: 10 Anson Road #09-05/06 International Plaza Singapore 079903
- 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%

### 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

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

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

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

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

## Wholesale Business

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

- Location: Yushutsu Seni Kaikan, 4-9, 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%

### Taiwan Daimaru Kogyo, Ltd. (Import-export business)

- Location: Room 709, No. 142, Sec. 3, Ming Chuan East Road, Taipei 10542, Taiwan, R.O.C.
- Phone: +886-2-2718-7215
- Capital: NT\$60 million • Investment ratio: 100%

## Credit Business

### JFR Card Co., Ltd. (Credit service)

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

## Other Businesses

### J. Front Design & Construction Co., Ltd. (Design and construction contracting and manufacture and sale of furniture)

- Location: 36-20, Higashinipori 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, Higashinipori 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/>

### 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, Higashinipori 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/](http://www.j-front-retailing.com/jfr_con/)

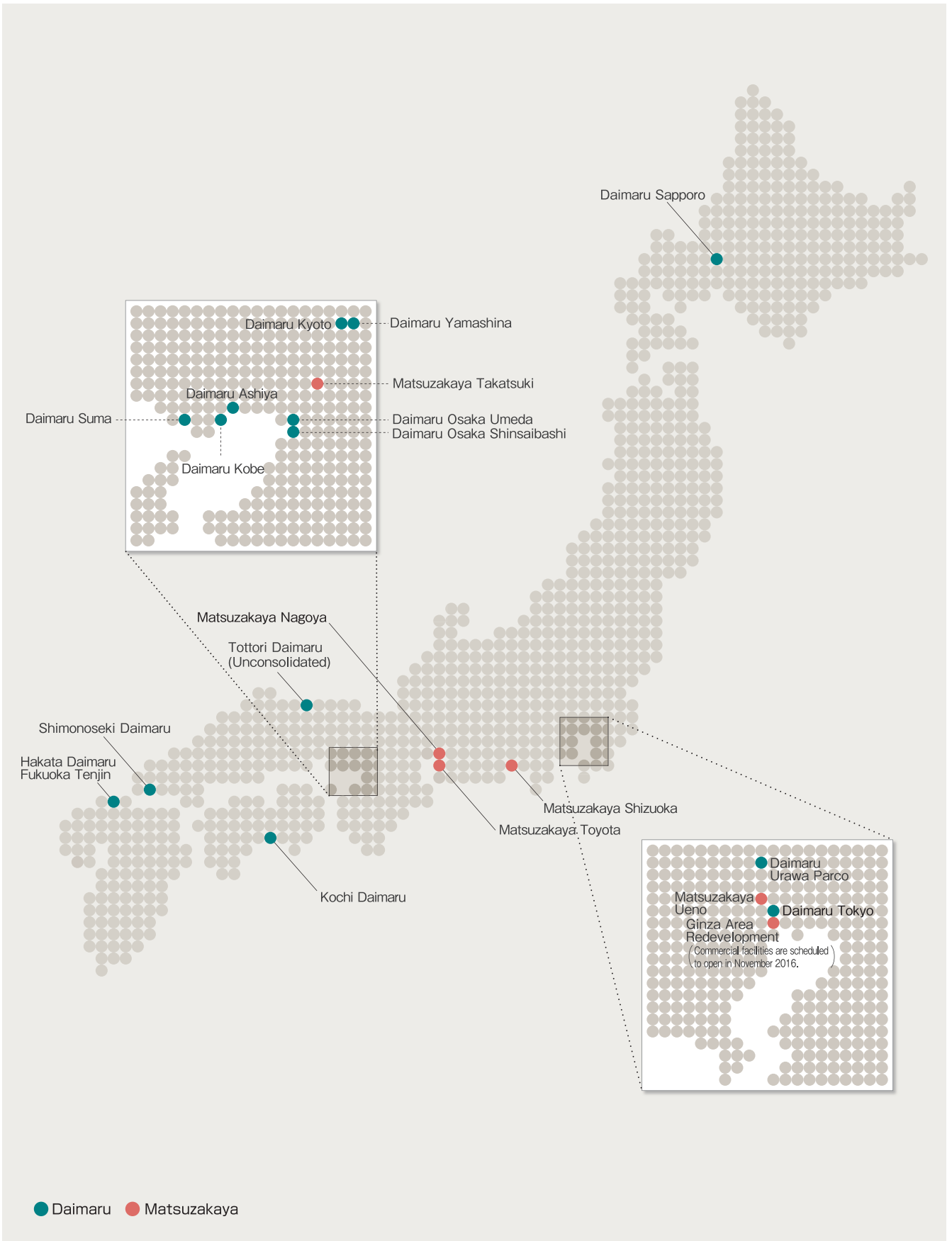
### Daimaru Matsuzakaya Sales Associates Co. Ltd. (Commissioned sales operations)

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

### Daimaru Matsuzakaya Tomonokai Co., Ltd. (Specified prepaid transaction service)

- 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: 77,490m<sup>2</sup>)



Daimaru Kyoto (Floor space: 50,830m<sup>2</sup>)



Daimaru Urawa Parco  
(Floor space: 4,000m<sup>2</sup>)



Hakata Daimaru Fukuoka Tenjin  
(Floor space: 44,192m<sup>2</sup>)



Daimaru Osaka Umeda (Floor space: 64,000m<sup>2</sup>)



Daimaru Kobe (Floor space: 50,656m<sup>2</sup>)



Daimaru Yamashina (Floor space: 5,403m<sup>2</sup>)



Shimomoseki Daimaru (Floor space: 23,912m<sup>2</sup>)



Daimaru Tokyo (Floor space: 46,000m<sup>2</sup>)



Daimaru Sapporo (Floor space: 45,000m<sup>2</sup>)



Daimaru Suma (Floor space: 13,076m<sup>2</sup>)



Kochi Daimaru (Floor space: 16,068m<sup>2</sup>)



Matsuzakaya Nagoya (Floor space: 86,758m<sup>2</sup>)



Matsuzakaya Takatsuki (Floor space: 17,387m<sup>2</sup>)



Matsuzakaya Toyota (Floor space: 18,220m<sup>2</sup>)



Matsuzakaya Ueno (Floor space: 20,888m<sup>2</sup>) \*The new south wing is scheduled to open in fall 2017.



Matsuzakaya Shizuoka (Floor space: 25,452m<sup>2</sup>)



Ginza Area Redevelopment \*Subject to change  
(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

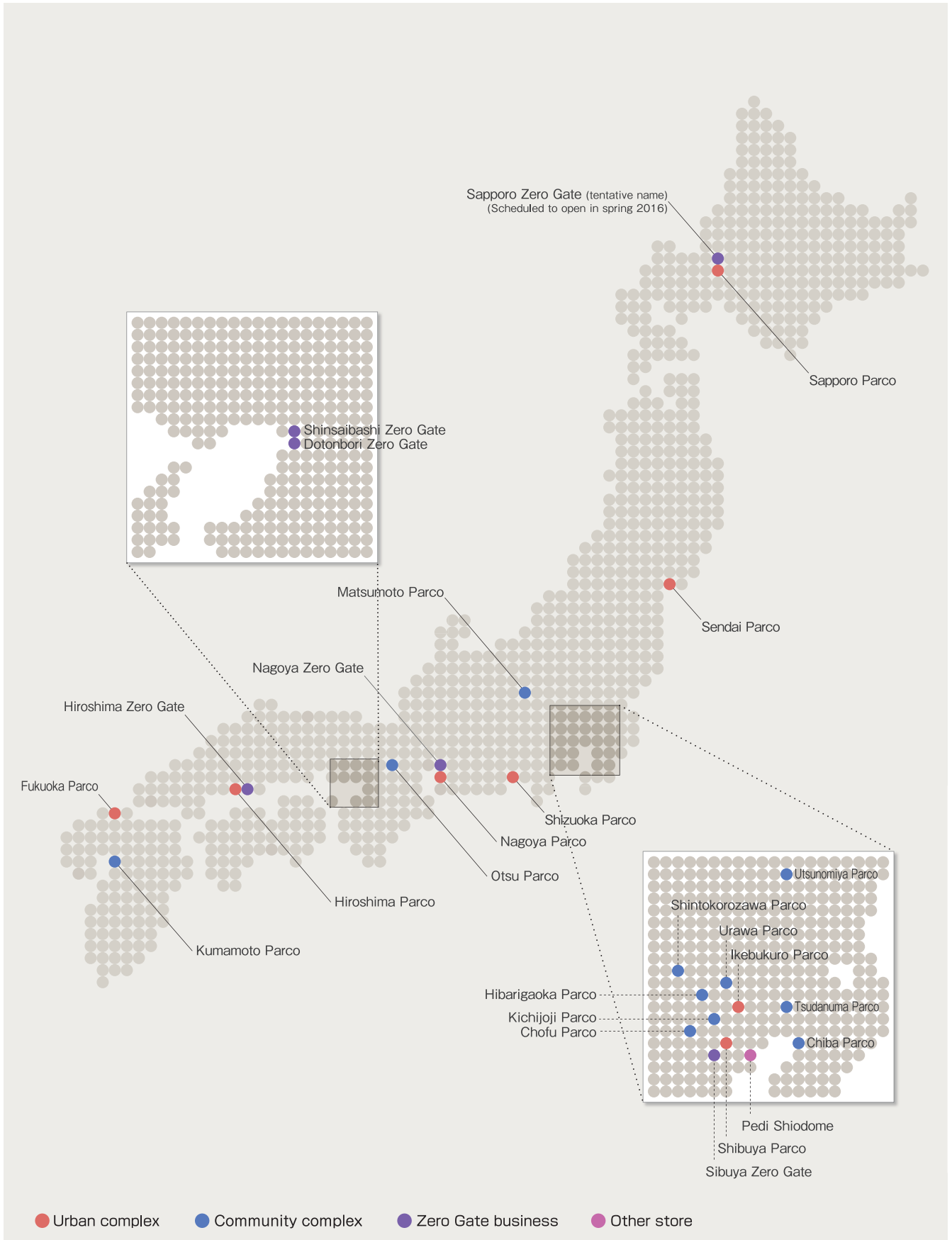
Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.  
Huaxin Haixin Building 13F Rm-B1, 666 Fuzhou Rd, Shanghai 200001, China  
Phone : +86-21-6248-1538

**Paris Representative Office**  
21 rue Auber, 75009 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**  
17 Hanover Square, London W1S 1BN, 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-5F  
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  
Part 1: B1F-9F  
Opened: June 14, 1973  
Part 3: B1F-8F  
Opened: September 10, 1961  
Club Quattro: 4F-5F  
Main Building: B1F-8F  
Opened: June 28, 1988  
Zero Gate: B1F-4F  
Opened: April 27, 2002  
From April 16, 2011, it changed its business format to 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  
Main Building: B1F-8F  
New Building: B2F-6F  
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, Maebanarishi, 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



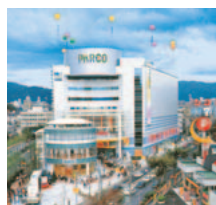
**Kichijoji Parco**  
1-5-1, Kichijojihoncho, Musashino, Tokyo  
B2F-8F  
Opened: September 21, 1980  
www.parco-kichijoji.com



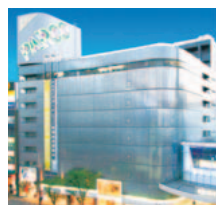
**Chofu Parco**  
1-38-1, Kojima-cho, Chofu, Tokyo  
B1F-10F  
Opened: May 25, 1989  
www.parco-chofu.com



**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/](http://www.parco.co.jp/group/zerogate/)



**Shinsaibashi Zero Gate**  
1-9-1, Shinsaibashisuji, Chuo-ku, Osaka  
B2F-4F  
Opened: April 13, 2013

**Dotonbori Zero Gate**  
1F-3F  
Opened: April 20, 2013

**Hiroshima Zero Gate**  
2-7, Shintechi, Naka-ku, Hiroshima  
B1F-14F  
(Floors that are leased to Parco: 1F-3F)  
Opened: October 10, 2013

**Shibuya Zero Gate**  
15-1, Udagawa-cho, Shibuya-ku, Tokyo  
B1F-4F  
Opened: April 16, 2011

**Nagoya Zero Gate**  
3-28, Sakae, Nagoya, Aichi  
Opened: October 10, 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

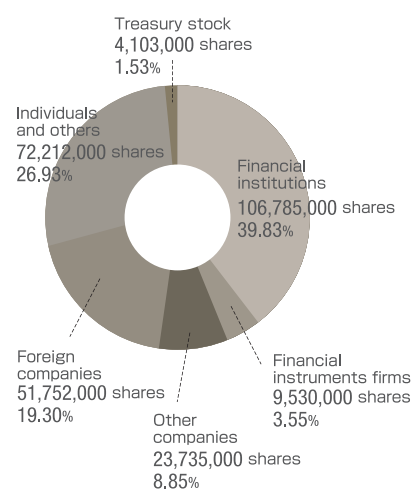
## ■ Status of Shares (As of February 28, 2015)

Number of shares authorized	: 1,000,000,000 shares
Number of shares issued	: 268,119,164 shares
Stock code	: 3086
Stock exchange listings	: Tokyo and Nagoya
Transfer agent	: Mitsubishi UFJ Trust and Banking Corporation
Number of shareholders	: 74,415

Major shareholders		Number of shares held (1,000 shares)	Shareholding ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	16,115	6.10
2	Japan Trustee Services Bank, Ltd. (Trust Account)	15,846	6.00
3	Nippon Life Insurance Company	10,776	4.08
4	J. Front Retailing Kyoei Supplier Shareholding Association	6,871	2.60
5	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,250	2.36
6	The Dai-ichi Mutual Life Insurance Company	5,732	2.17
7	Trust & Custody Services, Ltd. (Investment Trust Collateral Account)	5,700	2.15
8	BNP Paribas Securicies (Japan) Limited	4,107	1.55
9	Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	3,204	1.21
10	Employee Shareholding Association of J. Front Retailing	2,893	1.09

Note: Shareholding ratio is calculated by deducting treasury stock (4,103 thousand shares).

Distribution by shareholder type	Number of shareholders (Persons)	Number of shares (1,000 shares)	Percentage (%)
■ Government and local public entities	—	—	—
■ Financial institutions	71	106,785	39.83
■ Financial instruments firms	38	9,530	3.55
■ Other companies	777	23,735	8.85
■ Foreign companies	435	51,752	19.30
■ Individuals and others	73,093	72,212	26.93
■ Treasury stock	1	4,103	1.53







**J. FRONT RETAILING**

