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
Shanghai is the biggest commercial city in China that has the population of 24 million people. In 2014, Shanghai’s per-capita GDP was 97,000 yuan, more than twice China’s average, and the average wage of workers was 65,000 yuan. Thus Shanghai as well as the capital Beijing is known as one of the cities with many wealthy residents.

Near the People’s Square in central Shanghai, there is a department store New World City, which boasts the second largest sales in the city. Shanghai Xin Nan Dong Project Management Co., Ltd. whose largest shareholder is Shanghai New World Co., Ltd., which operates New World City, 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 measures to create China’s most upscale department store.

The new store was named Shanghai New World Daimaru Department Store. Under the concept of “contemporary new high-end department store combining luxury and entertainment,” the store celebrated its formal grand opening on May 15, 2015. The store adopted full-scale Japanese-style department store floor configuration. 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. As for the store environment, China’s first spiral escalators with an image of dragon were installed in the huge atrium piercing the center of the building from the 1st to the 6th floor to differentiate the store space with modern interior design.

With the aim of realizing China’s highest level of sales service, we develop instructors to train sales staff and employees working for the store using the know-how of Daimaru Matsuzaakaya Sales Associates Co., Ltd., a commissioned provider of sales operations in J. Front Retailing Group. These instructors teach customer service and sales and how to guide customers in the store and ensure hospitable greetings and services to differentiate ourselves from our competitors in terms of services.

At the same time, we implement Japanese-style card measures by issuing membership cards in an effort to create loyal customers. The name of the card is Shanghai New World Daimaru Points. Points are given with a purchase and they can be redeemed for the next purchase or later. We aim to acquire Shanghai’s largest membership of 500,000 people and work to build promotion systems using WeChat and other tools.

Through this business alliance, we expect to not only acquire China’s business know-how but also raise the awareness and brand appeal of Daimaru in Shanghai and other cities in China and boost sales by referring Chinese tourists to Japan to the Daimaru stores. We would like to accumulate know-how to create and operate stores abroad and consider various ways of entering overseas markets 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, and as of May 2016, the company operates nine 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 15 by the end of fiscal year 2017. We are planning to open new shops in the major metropolitan areas in ASEAN such as Singapore, Bangkok and Kuala Lumpur and Hong Kong.

Open innovation through investment in venture capital
Consumer needs are changing due to the diversification of lifestyles and payment methods are diversified with advances in IT technology. Thus the environment surrounding the retail industry is drastically changing. In order to better adapt to these changes, the Company invested in Scrum Ventures, a venture capital ("VC") based in Silicon Valley, USA, in November 2015. The company jointly invests with leading local VCs to support entrepreneurs who try to innovate with technology. We will incorporate cutting-edge technologies and business models from outside to develop new businesses using internal resources.