J. FRONT RETAILING NOW
Editorial policy:
J. Front Retailing Group (the "Group") issued this annual report in order to provide a deeper understanding of what actions it takes for sustainable growth of corporate value. The report explains the Group's value creation process at the beginning and it contains non-financial information including the Group's involvement in society and the environment through business activities and governance system that helps enhance corporate value in addition to financial information as the achievements based on specific management strategy. We have referred to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) to create this report.

Timeframe:
This report mainly reviews the fiscal year 2015 (March 1, 2015 through February 28, 2016) but it also contains the latest information available at the time of issue to the extent possible.

Scope:
J. Front Retailing Co., Ltd. and its consolidated subsidiaries

Cautionary statement regarding forward-looking statements:
Forward-looking statements in this annual 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.
J. Front Retailing Group’s Value Creation Process

Under the Group Mission Statement consisting of the “basic mission statement,” the “business operation policy,” the “commitments to stakeholders” and the “principles of action,” J. Front Retailing is committed to creating with its stakeholders affluent lifestyles, which are of high quality, fresh and highly hospitable and meet the changing times.

The “basic mission statement,” which forms the basis of the Group Mission Statement, represents the elements of the “customer-first principle” and the “contribution to society” that are common to the corporate mission statements and traditional spirit of Daimaru and Matsuzakaya, which are the predecessor companies of J. Front Retailing; “Service before profit” (Daimaru) and “Abjure all evil and practice all good” (Matsuzakaya).

The business activity of J. Front Retailing is to continually create affluent markets growing with local communities, which is led by department stores and Parco. It is nothing less than to create, as a public entity of society, new values with which its various stakeholders empathize.

Circulating the Group’s business model and creating new values using the six capitals of J. Front Retailing effectively and efficiently are the process to create the brand value of J. Front Retailing, which will result in the creation of new values with which society empathizes.

Through this initiative, we aim to establish ourselves as a leading Japanese retail company both in terms of quality and quantity.

Basic 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.
Achieve 8% ROE early.
Daimaru, Matsuzakaya and Parco Cover Major Big Cities across Japan

J. Front Retailing Group (the “Group”) operates stores in major cities across Japan, from Hokkaido in the north to Kumamoto, Kyushu in the south. The Department Store Business operates 19 Daimaru and Matsuzakaya stores. The Parco Business operates 19 Parco shopping complexes and six Zero Gate stores as a new business format which develops urban-style low- to medium-rise shopping complexes.

The Group will make the best use of the well-balanced network of store assets in major cities throughout Japan and accelerate new store opening and development strategies for further growth.
## Financial/Non-financial Highlights

### J. Front Retailing and Consolidated Subsidiaries

**Millions of yen (except where otherwise indicated)**

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<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>941,415</td>
<td>1,092,756</td>
<td>1,146,319</td>
<td>1,149,529</td>
<td>1,163,564</td>
</tr>
<tr>
<td><strong>Rent Income</strong></td>
<td>6,961</td>
<td>9,076</td>
<td>10,195</td>
<td>10,727</td>
<td>12,094</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>226,646</td>
<td>245,615</td>
<td>244,130</td>
<td>243,663</td>
<td>245,532</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses (SGA)</strong></td>
<td>205,052</td>
<td>214,757</td>
<td>202,313</td>
<td>201,572</td>
<td>197,494</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>21,594</td>
<td>30,857</td>
<td>41,816</td>
<td>42,091</td>
<td>48,038</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>22,941</td>
<td>32,202</td>
<td>40,502</td>
<td>40,404</td>
<td>47,910</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>18,804</td>
<td>12,183</td>
<td>31,568</td>
<td>19,918</td>
<td>26,313</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>767,543</td>
<td>1,009,165</td>
<td>998,730</td>
<td>1,018,700</td>
<td>1,019,146</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>332,917</td>
<td>341,318</td>
<td>370,173</td>
<td>376,091</td>
<td>383,699</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>342,561</td>
<td>390,667</td>
<td>422,215</td>
<td>430,260</td>
<td>440,594</td>
</tr>
<tr>
<td><strong>Interest-bearing debt</strong></td>
<td>106,025</td>
<td>213,085</td>
<td>187,950</td>
<td>168,458</td>
<td>180,922</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>24,365</td>
<td>26,025</td>
<td>37,532</td>
<td>44,650</td>
<td>36,799</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(26,781)</td>
<td>(73,977)</td>
<td>(8,858)</td>
<td>(16,272)</td>
<td>(39,741)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(6,872)</td>
<td>58,275</td>
<td>32,027</td>
<td>(27,587)</td>
<td>(1,041)</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>19,246</td>
<td>19,038</td>
<td>52,758</td>
<td>24,277</td>
<td>37,110</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>13,347</td>
<td>16,482</td>
<td>17,698</td>
<td>19,963</td>
<td>18,345</td>
</tr>
</tbody>
</table>

### Per share information (unit: ¥)

- **Earnings per share (EPS)**<sup>1</sup> 71.15 46.11 119.55 75.47 100.42
- **Book value per share (BPS)**<sup>1</sup> 1,259.60 1,292.36 1,402.52 1,425.05 1,467.05
- **Dividends per share**<sup>1</sup> 16.00 18.00 22.00 25.00 27.00

### Financial indicators (unit: %)

- **Gross margin** 24.08 22.48 21.30 21.20 21.10
- **SGA ratio** 21.8 19.7 17.6 17.5 17.0
- **Operating margin** 2.6 2.8 3.6 3.7 4.1
- **Return on equity (ROE)** 5.8 3.6 8.9 5.3 6.9
- **Return on assets (ROA)** 2.8 3.5 4.2 4.2 4.7
- **Equity ratio** 43.4 33.8 37.1 36.9 37.6
- **Dividend payout ratio** 22.5 39.0 18.4 33.1 26.9

### Non-financial indicators

- **Number of employees** (consolidated) (unit: persons) 13,413 14,838 11,561 11,149 11,023
- **Ratio of female employees** (Daimaru Matsuoka)* (unit: %) 45.9 44.8 48.5 48.9 49.9
- **Ratio of female leaders** (unit: %)<sup>2</sup> 19.0 15.7 24.6 27.7 28.2
- **Department store sales floor area (directly managed stores)** (unit: m²) 573,323 569,137 543,785 529,460 498,460
- **Parco sales floor area** (unit: m²) 443,000 442,600 442,600 451,000 456,089
- **Customer traffic** (Daimaru Matsuoka) (unit: persons) 236,876 246,764 237,647 220,411 207,512
- **Average spend per customer** (Daimaru Matsuoka) (unit: ¥) 3,797 3,838 4,107 4,215 4,414
- **Number of cards issued by Daimaru Matsuoka** (unit: cards) 4,365 4,580 4,659 4,595 4,217
- **Number of cards issued by Parco** (unit: cards) 1,612 1,614 1,643 1,754 1,885
- **Energy consumption** (Daimaru Matsuoka) (unit: kwh or equivalent)<sup>3</sup> 96,860 93,498 87,083 81,639 79,812
- **Packaging material consumption** (Daimaru Matsuoka) (unit: ton)<sup>4</sup> 2,628 2,670 2,979 2,657 2,532
- **Waste disposal** (Daimaru Matsuoka) (unit: ton)<sup>5</sup> 10,919 10,711 10,361 9,173 8,610
- **Food waste disposal** (Daimaru Matsuoka) (unit: ton)<sup>6</sup> 2,327 2,109 1,955 1,717 1,617

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1. The Company’s common shares were consolidated in the ratio of one share for every two shares as of September 1, 2014. Per share information has been calculated as if this consolidation of shares was conducted at the beginning of FY2011. Up to FY2012: total numbers of general managers, managers, buyers, team leaders and assistant buyers of Daimaru Matsuoka / FY2013 and after: total numbers of general managers, managers, sub-managers, buyers and team leaders of Daimaru Matsuoka (incl. those temporarily transferred to JFR<sup>7</sup> and DMSA<sup>4</sup>) and supervisors and section leaders of DMSA<sup>4</sup>.<sup>2</sup>Total of Daimaru Matsuoka, Hakata Daimaru, Shiromei Daimaru, Kochi Daimaru and Tottori Daimaru.<sup>3</sup>Energy consumption is the crude oil equivalent of the total consumption of electricity, gas, gasoline, light/heavy oil, etc. (unit: kilter).<sup>4</sup>Packaging material consumption is the weights of wrapping paper, shopping bags, paper bags, plastic bags for food products, etc. (unit: ton).<sup>5</sup>Waste disposal is the weights after subtracting the weights of waste recycled from the total weights of waste generated incl. general waste, raw garbage, industrial waste, etc. (unit: ton).<sup>6</sup>Food waste disposal is included in waste disposal.
Consolidated operating income

¥48 billion

In the fiscal year ended February 29, 2016, consolidated operating income was ¥48 billion above forecast, marking the 6th consecutive year of growth and a record high due to strong sales of the main businesses such as department stores and Parco as well as thorough cost management.

ROE

6.9%

In the fiscal year ended February 29, 2016, return on equity (ROE) as the most important management indicator was 6.9% due to the efforts to enhance profit level and capital efficiency. We aim to achieve an 8% ROE as early as possible in the medium term.

Annual dividend

5th consecutive year of increase

Our basic policy is to maintain stable dividend payments and appropriately return profits targeting a dividend payout ratio of at least 30% in view of profit level, future capital investment, FCF trends, etc. while maintaining and enhancing the sound financial condition. In the fiscal year ended February 29, 2016, we bought back our own shares for ¥5 billion.

Customer traffic

300 million people

More than 200 million people visited 15 stores directly managed by Daimaru Matsuzakaya Department Stores during the year. Combined with Parco, more than 300 million people came into our stores. It is a quantitative indicator which clearly shows that our stores are loved by and familiar to local people.

Number of cardholders

6 million people

As of the end of February 2016, Daimaru Matsuzakaya Department Stores and Parco have 4.2 million and 1.88 million cardholders, respectively, totaling more than 6 million. The analysis of their data enables our promotions and merchandising to suit customer tastes.

Ratio of female employees

49.9%

The ratios of female employees and female leaders of Daimaru Matsuzakaya Department Stores are 49.9% and 28.2%, respectively, as of the end of February 2016. Women can play an active role in a wide range of work areas. Regardless of gender and nationality, we promote management with diversity as a source of competitive advantage.

Outside Directors’ attendance rate at the Board

100%

Two of the Company’s nine Directors are Outside Directors and their attendance rates at the Board of Directors meetings were both 100% in the fiscal year ended February 29, 2016. They generate active discussions with an outside perspective in strengthening the operation of the Board of Directors as a pillar of governance reform.

Reduction of energy consumption (basic unit)

-14.9%

The energy consumption of Daimaru Matsuzakaya Department Stores (incl. associated department stores) decreased by 14.9% in energy basic unit in FY2015 compared to FY2010. By installing high energy efficient equipment and fixtures such as LED lighting, we contribute to preventing global warming through the reduction of CO2 emissions as well as reducing costs.

*Energy basic unit is calculated by dividing the crude oil equivalent of the total consumption of electricity, gas, pipeline, light, heavy oil, etc. by the total floor area of store and business hours.
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

<table>
<thead>
<tr>
<th>Percentage of total net sales</th>
<th>Net sales ( Millions of yen)</th>
<th>Operating income ( Millions of yen)</th>
<th>Percentage of total operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>65.5%</td>
<td>768,928 FY2013; 759,866 FY2014; 763,222 FY2015</td>
<td>22,980 FY2013; 23,115 FY2014; 28,786 FY2015</td>
<td>59.9%</td>
</tr>
</tbody>
</table>

Parco Business

<table>
<thead>
<tr>
<th>Percentage of total net sales</th>
<th>Net sales ( Millions of yen)</th>
<th>Operating income ( Millions of yen)</th>
<th>Percentage of total operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.1%</td>
<td>268,292 FY2013; 274,212 FY2014; 281,050 FY2015</td>
<td>12,017 FY2013; 12,295 FY2014; 12,528 FY2015</td>
<td>26.2%</td>
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</tbody>
</table>

Wholesale Business

<table>
<thead>
<tr>
<th>Percentage of total net sales</th>
<th>Net sales ( Millions of yen)</th>
<th>Operating income ( Millions of yen)</th>
<th>Percentage of total operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2%</td>
<td>63,273 FY2013; 59,371 FY2014; 57,649 FY2015</td>
<td>1,127 FY2013; 1,067 FY2014; 1,315 FY2015</td>
<td>2.7%</td>
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</tbody>
</table>

Credit Business

<table>
<thead>
<tr>
<th>Percentage of total net sales</th>
<th>Net sales ( Millions of yen)</th>
<th>Operating income ( Millions of yen)</th>
<th>Percentage of total operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5%</td>
<td>9,444 FY2013; 10,381 FY2014; 10,455 FY2015</td>
<td>3,186 FY2013; 3,424 FY2014; 2,703 FY2015</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

Other Businesses

<table>
<thead>
<tr>
<th>Percentage of total net sales</th>
<th>Net sales ( Millions of yen)</th>
<th>Operating income ( Millions of yen)</th>
<th>Percentage of total operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.7%</td>
<td>88,576 FY2013; 97,298 FY2014; 104,739 FY2015</td>
<td>2,961 FY2013; 2,418 FY2014; 2,807 FY2015</td>
<td>5.8%</td>
</tr>
</tbody>
</table>
Companies / Business places

- Data on companies and business places are as of the end of May 2016.

- 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: Utsonomiya, Urawa, Ohta, Tsuzum, Shinkokozawa, Hanganpo, Kitashinjuku, Chofu, Matsumoto, Otsu and Kumamoto

- Zero Gate business: Shibuya, Shinsaibashi, Dotonbori, Hiroshima, Nagoya and Sapporo

- 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


- JFR Online Co., Ltd.  JFR Plaza Inc.  JFR Service Co., Ltd.

- Dimples’ Co., Ltd.  Forest Co., Ltd.  JFR Consulting Co., Ltd.


- Daimaru COM Development Inc.  JFR Information Center Co., Ltd.  Daimaru Matsuzakaya Tomonokai Co., Ltd.
YAMAMOTO Ryoichi

President and Representative Director
J. Front Retailing Co., Ltd.
We Will Further Reinforce the Business Base toward Dramatic Growth as a Multifaceted Retailer.

In fiscal year 2016, which is the final year of the FY 2014 to 2015 Medium-term Business Plan, we will focus our efforts on the following challenges to achieve our consolidated operating income target of ¥50 billion as well as dramatic growth as a multifaceted retailer in fiscal year 2017 and beyond.

The first is "to drastically enhance competitiveness and profitability as a multifaceted retailer."

In the core Department Store Business, we will try to create new growth markets by overhauling the sales floor configuration like already completed phase III renovation of the Matsuzakaya Nagoya store to adapt to market changes of respective stores while acquiring new customers and getting loyalty from them in collaboration with the Credit Business to expand our customer base. In the Parco Business, we will open the new Sendai Parco and Hiroshima Zero Gate II while actively renovating approximately 40,000 square meter sales floors of its existing stores. We will also create group synergy using the business expertise and customer assets of Senshukai, which was converted into an associate accounted for using equity method last May.

The second is to shape the “Urban Dominant Strategy” and expand the areas where it is implemented.

We will actively increase the appeal of the entire area with a store as its core and promote the establishment of a business model for growing with local communities. While shaping big projects including the Ginza 6-chome District Redevelopment Project, which is scheduled to complete construction next January and open the retail facility next April, the Rebuilding Project for the South Wing of the Matsuzakaya Ueno Store, the Rebuilding Project for the Main Building of the Daimaru Shinsaibashi Store, and the Udagawa-cho 15 Development Project whose main purpose is the rebuilding of the Shibuya Parco and making maximum use of the Group’s resources and external companies, we will strive to make the areas more attractive based on them. We, as a group, would like to further develop the Urban Dominant Strategy in full scale, which includes the consideration of the development of the neighborhood of the department store in the Sakae district, Nagoya.

The third is the radical strengthening of department store’s online sales toward the “promotion of omnichannel retailing.”

This fall we will implement the first phase of renewal of department store website and replace systems using Senshukai’s e-commerce expertise. We will dramatically improve operations by renewing site design, overhauling user interface and order processing flow to enhance usability, and reducing delivery lead time. Furthermore, next spring the department store website will significantly expand its product range partly through integration with Click & Collect and make its grand opening.

In order to realize these initiatives, we believe it is more important to strengthen our corporate governance. Particularly, our focus will be on the strengthening of the operation of the Board of Directors based on the third-party assessment of the Board’s effectiveness, the improvement of outputs using the knowledge of Outside Directors and Outside Audit & Supervisory Board Members, including the Group Vision, the Medium-term Business Plan and financial strategies, and the enhancement of transparent and objective management personnel function based on management personnel evaluation by the Human Resources and Remuneration Committee. Thus we will strengthen governance both “aggressively” and “defensively” to improve the quality of business activities.

Amid an increasingly severe business environment where fears of global economic slowdown and a sense of uncertainty about the future of the domestic economy are heightened, we will steadily and simply do what must be done now to fully meet these rapid changes and achieve tangible results. To this end, while seeking opportunities for further growth as a multifaceted retailer, we will ensure that our business activities thoroughly fulfill compliance requirements and corporate social responsibilities. And by earning the trust of society at large and contributing to society as well as ensuring legal compliance, we aim to develop the Group and will remain committed to sustainable growth and enhancing corporate value.

May 2016
“Governance Reform Is Exactly Management Reform. Its Tangible Results Will Enhance Corporate Value.”

Would you explain about an overview of business results for fiscal year 2015?

Consolidated net sales of J. Front Retailing (the “Company”) were ¥1,163.5 billion, up 1.2% year on year. Consolidated operating income, consolidated ordinary income and consolidated net income were ¥48 billion, up 13.9% year on year, ¥47.9 billion, up 18.4% year on year, and ¥26.3 billion, up 31.8% year on year, respectively. As a result, operating income increased for the sixth consecutive year, achieving a record high since the Company was established and a 6.9% ROE, which we define as an important management index.

With regard to the year-end dividend, we have decided to pay ¥14 per share, ¥1 higher than planned. The annual dividend together with the interim dividend of ¥13 is ¥27 per share, up ¥2 from the previous year on a post-share consolidation basis, marking the fifth consecutive year of increase.

By segment, in the Department Store Business, net sales increased by 0.4% from the previous year due to favorable sales of mainly luxury brands and big-ticket items driven by the active consumption of affluent customers and foreign tourists to Japan mainly in urban stores and operating income rose by 24.1% thanks to stricter cost control.

In the Parco Business, net sales and operating income grew by 2.5% and 2.7%, respectively, compared to the previous year, supported by the continued strong performance of Fukuoka Parco, which increased floor space last year, the full operation of Nagoya Zero Gate and the new opening of Nagoya Midi. For your information, Parco Co., Ltd. reported another record high in operating income.

The Wholesale Business decreased net sales by 2.6%, but its operating income increased by 23.2%. The Credit Business increased net sales by 0.7% but decreased operating income by 21.1% due to increased costs of card replacement and write-off of doubtful accounts. The Other Businesses increased net sales by 7.6% and operating income by 16.1%, driven by the construction and interior design business.
The Department Store Business achieved 20%-plus income growth and serves as a driver. What are the main causes of such strong performance?

Daimaru Matsuzakaya Department Stores focused on renovating the sales floors of flagship stores including the Nagoya and Sapporo stores to build a new department store model, better meeting inbound tourists’ demand and acquiring new customers from the new rich class.

As a result of these efforts, net sales steadily increased by 1.9% year on year mainly in urban stores in the first to third quarters, but in the fourth quarter alone, net sales decreased by 1.8% due to approximately 40% reduced sales floor area of the Shinsaibashi store for the reconstruction work of its main building since January as well as a record warm winter and a rapid deterioration in business sentiment and full year net sales edged up by 0.9% from the previous year.

By store, sales of four flagship stores including the Shinsaibashi, Umeda, Tokyo and Sapporo stores exceeded the previous year’s level. The Nagoya store slightly reduced sales by 0.6%, partly affected by the expansion of lease area since the end of October.

Duty-free sales of Daimaru Matsuzakaya Department Stores, which serve as an indicator of inbound tourist demand, increased 2.2-fold from the previous year to ¥33.8 billion and its share of total sales increased to 5.0%. In the second half when the effect of the expansion of duty-free coverage came to an end, average sales per customer decreased by 13.2% from the same period last year, but the number of customers jumped by 62.8%, which drove sales.

Gross margin was down 0.18 points in the first half, but in the second half, it rose by 0.09 points, pushed up by various improvement measures mainly for promotion methods and increased rental revenue.

In terms of costs, SGA decreased by ¥4.9 billion from the previous year due to reduction of advertising expenses through a review and streamlining of loyal point program and reduction of labor costs through decreased retirement benefit expenses and human resource restructuring.

As a result, Daimaru Matsuzakaya Department Stores surged operating income by 30.0% to ¥26.1 billion.

After the start of the year, share markets plunged and the economic environment has greatly changed. What is your outlook for fiscal year 2016?

Our awareness of the business environment is that uncertainty about the global economy has been heightened since the second half of last year and that fears of slowdown of the domestic economy are also increasing. The growth of real wages remains sluggish. Increasingly budget-minded consumer spending combined with a plunge in share prices at the start of the year have sharply deteriorated consumer confidence.

Thus the consumption environment allows no optimism. It is expected that the "polarization of income" and the "polarization of consumption," which have become clearer after the consumption tax hike two years ago, will continue to increase and that the gap between urban and rural/suburban areas will become increasingly remarkable. In the meantime, it goes without saying that personal financial assets worth approximately ¥1.7 trillion in Japan can be a great opportunity if we take proper action.

According to the Family Income and Expenditures Survey of the Ministry of Internal Affairs and Communications, the ratio of "clothing" to the "annual average of monthly consumer spending per household" decreased from 7.3% in 1991 to 4.1% in 2014. Behind this trend, we assume that there are great changes in ways of self-expression and values particularly among young people as well as increasing globalization and casualization of fashion. In department stores, however, sales areas for clothing, particularly women’s clothing, have been enlarged since around the bubble economy. And the current sales floor configuration does not respond to changes in customers sufficiently.

Under these circumstances, we believe that minor differences will become greater and gaps among companies will widen if we can capture growing markets properly and respond to struggling markets appropriately and carefully.
What are the main measures that department stores take to establish a new business model?

We are "overhauling sales floor configuration" in respective areas where our stores are located to "establish a new department store model." We will thoroughly scrutinize the sales floor productivity of each store and dare to reduce low productive sales areas and shops. In new spaces created through such reduction, we will expand strong sales areas and introduce new categories and brands to better respond to markets with growth potential.

Specifically, the Nagoya store renovated 30% of total sales floor area from last spring to this spring. By category, we reduced the sales floor area mainly for women’s clothing and homeware by about 15% and introduced Yodobashi Camera as a new category on the 4th to 6th floors of the south wing. In the north wing, which was renewed and reopened on April 21, “men’s clothing and accessories” are offered in increased sales areas on lower floors from the 1st to 3rd floors and "golf and sports goods" were brought together on the 4th floor right above them to offer a total assortment of men’s items on a larger scale. Also in the Kyoto and Sapporo stores, women’s volume zone clothing areas were reduced, and instead luxury zones were expanded to better cater to the new rich class.

We think it will become more important to enhance the appeal of stores by taking these actions and the measures against struggling women’s volume zone clothing.

What specific initiatives will you take to develop sales areas toward the creation of new markets?

Currently we are developing new curated sales areas in two directions.

The first is to expand the introduction of "accessible luxury." At the present time when consumption is increasingly polarized, we see accessible luxury offered at relatively affordable prices as a new growth area for the future. The curated luxury area, which opened in the Kyoto store ahead of other stores and performs well, was exactly a trial to such a growth market. This initiative also started in the Shinsaibashi store in March and will be expanded into other stores.

The second is to develop "curated mixed-category areas." We are currently developing a specific plan. In the second half of this year, a new curated area with cosmetics as its main items, which are one of the drivers to expand the inbound tourist market, combined with accessories will open in the Kyoto store. We hope the beauty shop with a clear concept will bring in a wide range of new customers.

In addition, we will accelerate our efforts to revitalize sales areas to create new markets including the curated area to which non-apparel categories are added on the mature women’s fashion floor.

What do you do to attract affluent people and foreign tourists?

In order to strengthen the well-performing affluent market, we will continue efforts to acquire more new customers with the target of developing 14,600 accounts during the year. Especially in this fiscal year, we will implement promotion measures in the "Keihanshin area" on an unprecedented scale to minimize the effect of a decrease in the floor area of the Shinsaibashi store. Thereby we aim to increase the active account ratio of new and existing customers for earnings growth. At the same time, we will also strongly promote customer acquisition with an eye to the future in the "Tokyo metropolitan area" to expand our customer base.

As for inbound foreign tourists who drove sales last year, we will
strengthen initiatives to "retain the loyalty of steadily increasing repeat customers." According to the data of a credit card company, the ratio of repeat customers among the foreign tourists who shopped with us has reached as many as about 10%. In order to certainly bring in these customers and encourage them to come back again and again, we issued the Exclusive Card with various services and benefits to the customers whose total purchase amount exceeds ¥1 million to retain them as loyal customers. We will also expand the adoption of the "WeChat payment", which is spreading rapidly in China, in response to diversifying payment methods.

Q: Is the alliance with Senshukai, which was converted into an equity method associate last May, progressing?

A: With respect to the alliance with Senshukai, we are working to strengthen "product development" and "department store's online sales."

Firstly, as for the strengthening of product development, we recreated Senshukai's original brand Koarat as a new "original fashion brand" jointly planned and developed by Daimaru Matsuzaikaya Department Stores and Senshukai and launched the products in five Daimaru stores in March 2016. In May, they became available on our website as well. Through this initiative, the customer information of our stores and website is centralized, and for example, sales staff can suggest the products that best meet individual customer preferences including items not available on store shelves by operating a tablet in the store. Even if the items are not available in the store, we can deliver them speedily using Senshukai’s excellent fulfillment.

Secondly, as for the strengthening of department store’s online sales, this fall we will implement the first phase of renewal of department store website and replace systems using Senshukai’s e-commerce expertise. Furthermore, next spring the department store website will significantly expand its product range partly through integration with Click & Collect and make its grand opening.

Q: The Urban Dominant Strategy is taking shape in one area after another and finally the Ginza store will open next April.

A: The Company is actively working to increase the appeal of the entire area with a store as its core and promoting the Urban Dominant Strategy, a business model for growing with local communities. Through this initiative, we will strive to "increase asset values" and "make real estates profitable" in the medium term. Currently four big projects are underway.

The first is the Ginza 6-chome District Redevelopment Project. We will develop a large-scale complex combining commercial facilities and offices with the functions necessary for the district including cultural facilities and a tourist hub in an effort to further enhance the appeal of the Ginza area, one of the most prestigious areas in Japan. With regard to the Ginza area’s largest retail space as the core of this redevelopment, we have already determined approximately 240 tenants which will occupy it and preparation for opening is steadily progressing. We will invest approximately ¥7 billion in interior work and others. The completion of construction is scheduled for next January and it will open next April.

The second is the Rebuilding Project for the South Wing of the Matsuzaikaya Ueno Store. The south wing of the Ueno store will be rebuilt into a high-rise complex comprising Parco, a cinema complex and sophisticated office facilities. We are also developing mainly our own properties around the Ueno store. We will establish a business model to contribute to revitalizing the Ueno Okachimachi area and grow with local communities. The total investment amount for this project including the rebuilding of the south wing and the accompanying renovation of the main building will be approximately ¥21.3 billion and its opening is scheduled for next fall.
Q: In addition, you have decided to rebuild the “main building of the Daimaru Shinsaibashi store” and “Shibuya Parco” last fiscal year.

A: The third is the Rebuilding Project for the Main Building of the Daimaru Shinsaibashi Store, which we newly announced last fall. The new main building is expected to be approximately 60 meters high with three basement floors and 11 floors above ground. We will create sales floors totaling 40,000 square meters, about 30% larger than before. The main building is planned to open in fall 2019. Furthermore, the main building will be connected and unified with the north wing over the road after completing the reconstruction to dramatically improve each other’s accessibility. The connection work is planned to be completed in spring 2021. By thus creating the new Shinsaibashi store, we will increase the competitiveness of the area and draw new crowds while contributing to the development of the area by enhancing the safety of the building and inheriting the value of Vories’ architectural work. The total investment amount associated with this project is expected to be approximately ¥38 billion.

The fourth is the Shibuya Parco Rebuilding Project. Parco, as a scheduled executor of the Udagawa-cho 15 Development Project, submitted a future development proposal to the Tokyo Metropolitan Government for “urban planning as a special urban renaissance district” including existing Shibuya Parco in accordance with the Act on Special Measures Concerning Urban Renaissance last June and the project was approved in December. We will consider the details of the new building and expect it to be approximately 110 meters high with the total floor area of approximately 65,000 square meters comprising 20 floors above ground and three basement floors. The construction period is scheduled to start in March 2017 and end in September 2019.

Q: You said you would strengthen the financial strategy and what specific initiatives are you taking?

A: The Company aims to achieve ROE of 8% early, and as its milestone, we are pursuing initiatives to achieve operating income of ¥50 billion and ROE of 7.1% in the fiscal year ending February 28, 2017, which is the final year of the current Medium-term Plan. In order to realize them, it is the most important to increase free cash flow, accompanied by steady profit growth, and continuously improve ROE. We believe this will result in sustainable growth and the mid-and-long term enhancement of corporate value.

In the meantime, we currently recognize some issues. Our internal sales management relies too much on P/L items. The processes to be followed by business divisions to achieve ROE of 8% and the breakdown into the field level are unclear.

Toward the resolution of these issues, we will introduce the concept of “by-store B/S” in the department store’s management perspective this fiscal year and decomposed ROE and ROA as management indicators into a tree structure to promote the efficient use of our assets and improve total assets turnover.

We will also determine a return on investment from a financial perspective by setting quantitative criteria for development, store renovation and M&A and forming the Investment Project Review Committee while recognizing our capital cost to strengthen the support system for management decision making.

### Operating income / ROE

<table>
<thead>
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<th>Millions of yen</th>
<th>Operating income</th>
<th>ROE 6.9</th>
<th>ROE 8.0%</th>
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<tr>
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</tr>
<tr>
<td>FY 2010</td>
<td>2.8</td>
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</tr>
<tr>
<td>FY 2011</td>
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<tr>
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<tr>
<td>FY 2016 (beyond)</td>
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</table>

(%) 0.0  1.0  2.0  3.0  4.0  5.0  6.0  7.0  8.0

Artist’s impression of Shibuya Parco
You increase dividends for five consecutive years and what do you think about shareholder return?

We would like to actively return profits to shareholders with an eye on the balance among investment for growth, free cash flow trends and others as well as enhance profit level. The Company’s basic policy on shareholder return is to maintain stable dividend payments and appropriately return profits targeting a dividend payout ratio of at least 30%. At the same time, we will consider share buyback as appropriate for the purpose of improving capital efficiency and flexibly implementing our capital policy.

During the fiscal year ended February 29, 2016, we repurchased our own shares of ¥5 billion from April to May 2015. In the fiscal year ending February 28, 2017, we are planning to increase the annual dividend for six years in a row. We will continue efforts aimed at improving capital efficiency including such active shareholder return.

Dividend* and DOE  Annual dividend per share is shown on a post-share consolidation basis.

The first is to strengthen the operation of the Board of Directors based on third-party assessment. In order to concentrate on critical strategic agenda at the Board of Directors, we reviewed the criteria for submitting agenda items to its meetings from both qualitative and quantitative aspects. And the Board system was changed to involve outside members in discussions on important matters including the Group Vision, financial strategies and the Medium-term Business Plan in early stage so that decisions can be made with an outside perspective.

The second is to strengthen the function of the Human Resources and Remuneration Committee and ensure its transparency. The Human Resources and Remuneration Committee was chaired by President, but now it is chaired by Outside Director to enhance transparency and objectivity through discussions based on internal performance data and objective third-party data.

The third is to use the knowledge of Outside Directors and Outside Audit & Supervisory Board Members by holding the meetings of the Governance Committee. The meetings provide opportunities for regular substantive discussions related to the essence of corporate governance including the development of initiatives to reform the Board of Directors, the establishment of the Corporate Governance Guidelines and an appropriate institutional design for the Company.

However, the initiatives to reform our corporate governance have only just begun. In order to meet the expectations of our stakeholders, we would like to change gears toward the “output stage” of generating tangible results.
Grow with Local Communities

J. Front Retaining (the “Company”) is actively working to enhance the appeal of the entire area with a store as its core and promotes the Urban Dominant Strategy to build a business model for growing with local communities.

The Company has great advantages such as store assets located mainly in big cities across Japan in a balanced manner, including Daimaru and Matsuizakaya department stores and Parco and Zero Gate stores, as well as excellent customer assets. The population concentration in urban areas is expected to continue and we, as a group, aim to gain dominance in urban areas through mutual effective use of these assets. Thereby we will draw new crowds to each area while increasing asset value and making real estates profitable in the medium term.

Currently four big projects are underway in the Ginza, Ueno, Shin-Saibashi and Shibuya areas for the medium-term growth, which will be realized between 2017 and 2019.

PROJECT

Ginza Project (Ginza 6-chome District 10 Category 1 Urban Redevelopment Project)

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

This project is to redevelop in an integrated manner an approximately 1.4-hectare two-block site comprising a block including the former site of the Matsuizakaya Ginza store (10, Ginza 6-chome) and the adjacent block (11, Ginza 6-chome) in Ginza, Chuo-ku, Tokyo.

The concept of the new retail facility is “Life at its Best.” We are planning to invite approximately 240 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 the Chuo-dori street, which will further enhance the value of Ginza, one of the world’s most prestigious fashion streets.

It is intended to become a world-class quality retail facility 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.

It is being carried out as a Category 1 Urban Redevelopment Project. Therefore, the Company is expected to invest approximately ¥7 billion in interior work and others in accordance with the scheme below. The completion of construction is scheduled for next January and its opening for next April.

Map around Ginza Redevelopment

Scheme of the Project

Funding

Necessary funds for Category 1 Urban Redevelopment Project including construction costs of new building are basically covered by the project land obtained by selling to new operators the "reserved floor" that are newly created through high-level use of land and "subsidies" from the local government.

Subsidies

Pay subsidies for urban development.

Local government

Local residents in the development area can receive part of new buildings worth the lands and buildings they owned prior to redevelopment as assets. Such method of converting original rights into part of building floors after redevelopment is called "right conversion."
Overview of facility

Ginza area’s largest complex facility for various uses including retail and office

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 retail facilities, large office floors, a typical floor of which has rental rooms covering approximately 6,100 square meters (approximately 12,900 square feet), and a cultural and 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.

Cross-section view from B1F to rooftop

Commercial facilities
B2F – 6F/13F (partial)
Commercial space of approximately 46,000 square meters (approximately 12,900 square feet) (including retail stalls) will be created. It will blend in with surrounding commercial facilities and become a regional center.

Office
7F – 12F/13F (partial)
Large offices with area's largest approximately 6,100-square-meter space (approximately 12,900 square feet) on one floor; a substantial area of 10,000 square meters (approximately 11,000 square feet) will be created in the Ginza area.

Rooftop
An approximately 3,000-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 (4F)
A Ginza Tourist Station (tentative name) “Ginza’s first” tour bus loading/unloading space and a tourism information desk will be installed.

Cultural facility (9F)
Kanze Nohgakudo, a new theater of Kanze, the largest school of nō, will be installed.

In the future, the Kanze family’s houses with stages and residences will be in one in Ginza.
Rebuilding Project for the South Wing of the Matsuzakaya Ueno Store

The Company is rebuilding the south wing of the Matsuzakaya Ueno store to draw new crowds to the Ueno Okachimachi area where redevelopment is in progress and contribute to local revitalization. After rebuilding, the south wing will reemerge as a high-rise complex with 23 floors above ground and two basement floors featuring retail facilities, a cinema complex and office facilities in fall 2017.

The "new south wing" will house retail facilities on the lower floors from the 1st basement floor to the 10th floor above ground. The 1st basement floor will be unified with the main building and the bridges on the 3rd and 6th floors above ground will connect the south wing to the main building. Daimaru Matsuzakaya Department Stores will operate the 1st basement floor, which will be unified with the main building. The 1st to 6th floors and the 7th to 10th floors will be occupied by Parco in the Group and Toho Cinemas, respectively. In the meantime, the higher floors from the 12th to 22nd will be leased as sophisticated office facilities to ensure stable rental revenue. Five rail lines including JR Yamanote Line, Keihin Tohoku Line, Tokyo Metro Ginza Line and Hibiya Line and Toei Subway Oedo Line run through the Okachimachi area where the Ueno store is located. The area has such good access to transportation and the daytime population is expected to increase by installing office facilities.

Prior to the rebuilding of the south wing, in June 2005, the Company opened the 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 the Ueno store. After that, the block in front of the south exit of JR Okachimachi Station, which is adjacent to the east of the parking building, was developed as a square named Okachimachi Panda Hirsta. Thus we have been developing the area in cooperation with the government and the local community. In addition, we built a four-story commercial building on our property on the south of the parking building. An outdoor equipment shop was invited to occupy the building and it opened as Com Terrace Okachimachi in September 2015. In the Okachimachi Panda Hirsta, the "Tohoku Reconstruction Support Event: Tohoku Support Campaign" was held. The event was organized by the Tohoku Reconstruction Support Committee in the Ueno Area, which was formed on the initiative of the Association of Okachimachi Station South Exit Stores and the Ueno store. Thus we contribute to attracting crowds to the area in cooperation with the government and merchants’ associations.

As mentioned above, we combine the efforts of the Group’s businesses including department stores as a core and Parco and local people to contribute to local revitalization and grow with the local community.
Rebuilding Project for the Main Building of the Daimaru Shinsaibashi Store

The main building of Daimaru Shinsaibashi store will be reborn as a full-scale department store which can maximize the possibility and potential of the Shinsaibashi area and better cater to global customers. The new main building is expected to be approximately 60 meters high with three basement floors and 11 floors above ground and about 30% larger sales floors of 40,000 square meters will be created. The exterior wall on the side of the Midosuji street will be preserved and the newly built upper part will be set back to aesthetically harmonize with the preserved exterior wall. With respect to the interior, we will investigate existing interior and pick out reusable components and use them in the interior environment of the new building mainly on the first floor based on our concept of store planning. Furthermore, in order to improve access to the Shinsaibashi shopping arcade, we will renovate the underground walkway from the ticket gate of the subway station and make it barrier-free by widening the walkway and installing elevators and up and down escalators. We will also create an underground bicycle parking area, which holds approximately 390 units, and green the roof to help resolve regional issues. At the same time, we will install facilities that contribute to increasing international competitiveness such as Inbound Center (tentative name) to revitalize the area. The new main building is planned to open in fall 2019.

In conjunction with the rebuilding of the main building, we will actively introduce large specialty shops and popular brands in the north wing on the basis of the achievements of our new department store model to attract new customers to the area while beefing up efforts to secure stable revenues by gaining rent income.

The main building will be connected and unified with the north wing over the road after completing the reconstruction to dramatically improve each other’s accessibility. The connection work is planned to be completed in spring 2021.

By thus creating the new Shinsaibashi store, we will increase the competitiveness of the area and draw new crowds while contributing to the development of the area by enhancing the safety of the building and inheriting the value of Vories’ architectural work.
Parco, as a scheduled executor of the Udagawa-cho 15 Development Project, submitted a future development proposal to the Tokyo Metropolitan Government for “urban planning as a special urban renaissance district” including existing Shibuya Parco in accordance with the Act on Special Measures Concerning Urban Renaissance in June 2015 and the project was approved in December. We will consider the details of the new building and expect it to be approximately 110 meters high with the total floor area of approximately 65,000 square meters comprising 20 floors above ground and three basement floors. The construction period is scheduled to start in March 2017 and end in September 2019.

For this purpose, we decided to temporarily close existing Shibuya Parco on August 7, 2016. Shibuya Parco made a start with the opening of Shibuya Parco Part 1 in 1973. Since then it has led the image of Parco brand as a flagship store by providing lifestyle proposals for urban consumers and cultural information through entertainment.

Parco has formulated a long-term vision toward 2020 to firmly capture recent major changes in domestic and international markets, environments and consumer sentiment and turn them into business opportunities. We recognize that this project plays a role in strengthening the Parco brand to achieve our long-term vision.

In addition, the Shibuya area is a unique and varied melting pot of values and cultures, and recently, many people visit it from abroad as a base for providing cultural information. Thus it is increasingly expected to develop and attracts global attention.

We will enhance our contribution to revitalizing the area by creating new Shibuya Parco as a next generation global shopping center through this project.
Roots of the Urban Dominant Strategy

From “Dots” to “Areas” —

Shop Development Started around the Kobe Store

J. Front Retailing pursues the Urban Dominant Strategy. It has its roots in the shop development in the Former Foreign Settlement of Kobe, which was conducted by the Daimaru Kobe store to revitalize not the store alone but the area as a whole.

This initiative started in 1987. At that time, the center of transportation and business was shifted to Sannomiya. Therefore, Motomachi, where the Daimaru Kobe store is located, was relatively losing vitality and it was urgent to create the appeal of the store to attract footfall. The shop development around the store began with Daimaru’s own buildings, but they were not enough to revitalize the area. So Daimaru actively invited some brands to open their boutiques in other buildings in the Former Foreign Settlement to draw more customers to the whole area. Now the number of various unique brands and shops we operate using the familiar but new appearance of historical modern Western-style buildings including the Former Foreign Settlement Building 38 and the Block 30 has reached as many as 61 and they bring new life to the history of the streets.

Such know-how has been applied to other stores. The Daimaru Shinsaibashi store operates 12 brands and shops including Agnès b. and Chanel Boutique mainly in the Shinsaibashi Shopping Arcade running north and south on the east of the store. The Daimaru Kyoto store operates eight brands and shops including Louis Vuitton Store and Tokyu Hands around the Shijo Karasuma area. They contribute to attracting crowds to these areas. We would like to use the know-how cultivated through the shop development in Kobe, Shinsaibashi and Kyoto at a group-wide level to "build a business model for growing with local communities."

*The numbers of brands and shops are as of the last day of February 2016.*
Department Stores Will Further Change and Evolve

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 expanding target customer base, widening the range of products, promoting the development of new retail space and increasing management efficiency as well as maintaining and strengthening department store’s traditionally strong middle to high-end product offerings, while individual stores clarify and thoroughly implement store strategy, in a bid to adapt to major market changes including the consumer shift to “more casual lifestyles” and “more frugal and price-sensitive behavior.”

Radical overhaul of sales floor configuration

Specifically, the Nagoya store renovated its young fashion, luxury brands, cosmetics and accessories floors in the first phase 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 in the third phase spanning about one year from spring 2015 to spring 2016, a large renovation of around 30% of the total sales floor area was carried out. We mainly reduced its homeware and women’s apparel sales space while introducing Yodobashi Camera as a new category on the 4th to 6th floors of the south wing. In the north wing, which was renewed and reopened this April, “men’s clothing and accessories” are offered in increased sales areas on the lower floors from the 1st to 3rd floors and “golf and sports goods” were brought together on the 4th floor right above them to offer a total assortment of men’s items on a larger scale.

Also in the Kyoto and Sapporo stores, women’s volume zone clothing areas were reduced, and instead luxury zones were expanded to better cater to the new rich class.

Try to develop new sales areas

In addition to these initiatives, we will develop new curated sales areas in two directions in the flagship stores.

One is to expand the introduction of “accessible luxury.” At the present time when consumption is increasingly polarized, we see accessible luxury offered at relatively affordable prices as a new growth area for the future. The curated luxury area, which opened in the Kyoto store ahead of other stores and performs well, is a trial to such a growth market. This initiative was also adopted in the Shinjuku store this March and will be expanded into other stores.

The other is to develop “curated mixed-category areas.” In the second half of this year, by developing new curated areas including an accessories area mainly offering cosmetics with lifestyle at the core and an apparel area combined with non-apparel categories in the flagship stores such as the Tokyo and Kyoto stores, we will accelerate our efforts to revitalize sales areas to create new markets.

In conjunction with these initiatives to enhance the appeal of our stores, we will drastically overhaul the product selection, services and systems for online sales to promote omnichannel retailing and evolve our department store model.

Progress of low-cost operation

Our sales floor operation formats are 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 the characteristics of respective formats.

In September 2012, a new company named Daimaru Matsuizakaya 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.

In fiscal year 2015, we streamlined the headquarters organization and drastically overhauled promotion methods to further increase productivity.

Daimaru Matsuizakaya operating income and SGA ratio

(Millions of yen)

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Note: SGA ratio represents the percentage of sales that are spent on store general and administrative expenses.
Create More Customer Touch Points

Organically connect with six million customers
as our assets in physical stores and online
J. Front Retailing Group includes department stores,
Parco and Senshukai and has various channels
such as physical stores in major cities across Japan
and the Internet as well as excellent customer
assets including more than six million cardholders.
We organically align them with each other to
connect with customers anywhere, anytime and
provide products, services and information
seamlessly. We are conducting various trials to
realize our own omnichannel retailing with the
addition of coordinates and recommendations.
In fiscal year 2016, we will work on the radical
overhaul of department store’s online sales and the
development of original products as important tasks.

Greatly improve site design and usability

Our department store’s online sales had many problems
to solve in terms of product range, service, system and
others.

Therefore, we will renew our department store website
in the first phase and replace systems this fall using
Senshukai’s e-commerce expertise. Specifically, the first
phase of renewal aims at the renewal of the site design,
the improvement of usability through the overhaul of user
interface and order processing flow; the strengthening of
merchandising through the expansion of product range
and the partial release of product selection plans; and
the improvement of services by enabling customers to
specify earlier delivery date and time.

The site design will be changed to fashion-conscious,
sophisticated one with feminine sensitivity. In addition,
we will also drastically overhaul the strength shown with
images and navigation and search functions while
benchmarking in various ways.

With respect to usability, since the current flow was
designed mainly to receive orders for mid-year and
year-end gifts, it was slightly hard to use for many
customers who often buy fashion items, accessories and
so on online for their own use. We will overhaul that and
create an order processing flow which is greatly easier to
use in either case of ordering items for shoppers’ own
use or gifts.

With respect to product range, we will further expand
our line of food products in “depachika,” or department
store basements, by increasing our offering of wine and
featuring its related goods while strengthening our
product appeal in the homeware category, which is
positioned as a future growth market, through the
alliance with Senshukai and other measures.

Next spring, the department store website will
significantly expand its product range partly through
integration with Click & Collect and make its full-scale
grand opening.

Jointly develop “omnichannel fashion brands” with Senshukai

The company and Senshukai remodeled Senshukai’s original
women’s fashion brand Kocarat and sell the products in the
physical stores of Daimaru Matsuzakaya Department Stores,
Senshukai’s catalogs and on the e-commerce sites of both
companies. The new Kocarat is the first of so-called “omnichannel
fashion brands” whose product planning, manufacture, promotion,
marketing and customer data use are jointly conducted by the two
companies to meet increasingly diverse customer needs and
buying styles. While retaining the original image and values of
the brand, we widened the ranges of prices and tastes using the
strengths of the two companies. It caters to a wide variety of
customers ranging from mail order customers to department store
customers as well as adapt to the balanced consumption and
diversified buying methods of a single customer. With a view to
not just our own stores and websites but also standalone stores
and other companies’ commercial facilities and e-commerce
sites, we will strive to increase brand strength and sales.

Click & Collect offers more brands

The number of the brands offered by Click & Collect,
which allows customers to choose to receive the
items purchased on the e-commerce site at home or
stores according to their lifestyles, increased to as
many as 145 as of May 2016 with the addition of
Kocarat, a popular collaborative brand between
Senshukai and Daimaru Matsuzakaya Department
Stores. While developing closer links between this
e-commerce site and Snap Diary, a website on
which shop staff post product information and
comments, we will increase the number of brands in
our offering in preparation for the integration with the
department store website in the next spring.

Parco omnichannel strategy

Parco also offers various web-based services to
maximize the appeal of its stores. With the Kaeru Parco
service, customers can reserve the items on the Parco
shop blog for pickup in stores or order such items for
home delivery. It is intended to meet the needs of
customers who want to make a buying decision after
looking at or trying on actual items in stores.

Through the smartphone application Pocket
Parco, customized information including the shop
blog and store event information is displayed. In
addition, users receive virtual coins, which are
redeemable for shopping coupons, when visiting
stores or purchasing with pre-registered credit
cards. In order to further improve these
initiatives, we take some actions including regular
web-based customer service training to enhance
the ability to serve customers using the Internet.
Try New Product Development through Alliance

J. Front Retailing moves forward with operation reform by dividing sales floor operation formats into two major groups including “self curation” and “shop operation.”

Since department stores can expand or shrink sales space and change product mix at will in the self-curated areas, we can quickly adapt to ever-changing markets and customers. Their gross margin is higher compared to the shop operation areas because department stores take inventory risks. Therefore, their effective and efficient operation helps enhance profitability.

We see such self-curated areas as the Original Merchandising Business in which we plan and manage the whole process of “buying and selling” ranging from marketing to buying, procuring and selling. The main offerings in the self-curated areas are women’s accessories (women’s furnishings and women’s shoes) and men’s accessories (ties/furnishings, shirts, men’s underwear/hosiery, bags/traveling gear and men’s shoes).

Develop self-planned products reflecting customer demands

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 customer demands.

For our private label women’s shoes Discept Dixcept, we interviewed women in a wide variety of jobs in collaboration with the students of the Faculty of Policy Studies of Kansai University who act under the theme of the “revitalization of local industries” to learn their “complaints about shoes.” In response to the results of these interviews, we developed “pumps for demanding working women” which have features to “solve five complaints.”

In fiscal year 2015, the total sales of the products purchased on a no-return basis of the Original Merchandising Business increased by about 25% 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 continue to develop high-quality and highly fashionable self-planned products making the most of the voice of the customer.

Promote product development through alliance

In the Original Merchandising Business, we promote product development through the alliance with Senshu-kaikan. Specifically, the Company and Senshu-kaikan reestablished Senshu-kaikan’s original brand Kcarat, which is produced by Ms. KURUDA Chieko, a fashion model who is popular among women in their 50s, as a new original fashion brand planned and developed by the Company and Senshu-kaikan and opened shops-in-shop in five Daimaru stores in March 2016. The new Kcarat will adapt to increasingly diverse customer needs and buying styles as an “omnichannel fashion brand,” which is sold in the physical stores of Daimaru Matsuoka Department Stores, Senshu-kaikan’s catalogs and on the e-commerce sites of both companies. We will promote new product development through alliance in other merchandise categories such as women’s shoes as well.

Private brands and collaboration

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

Trojan, which has a history of over 50 years as our department store’s men’s clothing private brand, was greatly remodeled in spring 2015. Two new models were introduced in addition to the existing basic models and the brand offers not just ready-made clothing but also semi-custom-made clothing in one shop to meet the needs of customers of all ages and body shapes. Sofuw collects the demands of a wide range of working women through online questionnaire and actually develops products with customers as monitors in an effort to reflect customer demands.

Launches “select accessories” zones

In the Original Merchandising Business, we are expanding our line of high-priced items in response to increasingly polarized consumption. In March 2015, we launched a self-curated zone featuring a special selection of accessories from approximately 40 national and international brands in the luxury brand area on the 2nd floor of the Kyoto store. Targeting the new rich who have high purchasing power and a great interest in fashion, we curated shoes, bags, neckwear and other items from burgeoning brands and the next-generation designer brands across categories. Thereby we could successfully acquire new customers and the ratio of repeaters increased to about 20%, which shows that conversion into regular customers is steadily progressing. In March 2016, we launched a new zone in the special selection area on the 3rd floor of the north wing of the Shinsaibashi store. We will expand it into the special selection areas of other flagship stores as an “accessible luxury” accessories zone.

Expand sales channels

In the Original Merchandising Business, we are expanding into new sales channels. Since March 2015, we offer women’s shoes, men’s shoes and shirts on Daimaru Matsuoka Department Stores’ fashion website Click & Collect. In fiscal year 2015, we also started to sell private label items and accessories in Mitsui Outlet Park Shiga Ryuo and Marine Pia Kobe and gained popularity with customers. We will strive to expand into various sales channels to increase profitable sales.
Promote the Creation of Loyal Customers with Various Cards

Expand cardholders

Amid greatly changing consumer needs with diversified lifestyles, 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 "creating loyal customers" through the Customer Relationship Management (CRM) in an effort to continuously build relations with customers, enhance customer satisfaction, and then increase corporate value.

The Group issues various cards including credit cards such as Daimaru Matsuzakaya Card and reward cards for cash purchases such as Daimaru Matsuzakaya Point 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 as new members (identifiable customers) as possible. As a result, the total number of cards issued by Daimaru Matsuzakaya Department Stores was more than 4.2 million as of the last day of February 2016.

Help build relations with customers

We not only invite customers to sign up for our cards and membership organizations but also analyze the purchase information of our cardholders and provide them with shopping and event information that suits their individual lifestyles to deepen relations with customers and enhance customer satisfaction. Daimaru Matsuzakaya Department Stores uses a customer information system J-CIS to scientifically support staff 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 based on information obtained at the point of sale. It also serves as an important infrastructure for staff to strengthen relations with customers.

Direct access to customers

In fiscal year 2008, as an effective promotional tool replacing newspaper advertisements and inserts to attract customers to its stores, Daimaru Matsuzakaya Department Stores launched email delivery service for its cardholders who registered information in their mobile phone email addresses. In addition, in fiscal year 2011, we launched a new service in which individual brands and shops provide information on their new arrivals and events directly to customers on request.

In May 2015, we integrated former reward cards for cash purchases Daimaru D Card and Matsuzakaya M Card as Daimaru Matsuzakaya Point Card and also renewed the design. The system was changed to ask customers to subscribe to an email newsletter when they "register online to use the card." These initiatives enable us to directly approach more customers, and through the delivery of shopping and event information that suits the needs of individual customers, we are building relations with customers.

Expansion of gaisha customer base

In an effort to build a new department store model, we have striven to expand our 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 and the rise of relatively young and affluent class called the "new rich," Daimaru Matsuzakaya Department Stores sales of big-ticket items including art works, kimono, jewelry and luxury brands continue to increase year on year since the middle of 2011.

Keeping up with these changes, we have promoted an initiative to "expand our gaisha customer base" since fiscal year 2013. We set up a "team dedicated to acquiring new accounts" in the gaisha units in individual areas and stores. While promoting initiatives to acquire more than 10,000 new gaisha customers every year, we issued credit cards with international brands for gaisha customers. They can be used in Daimaru and Matsuzakaya stores and other member stores as international cards and offer a lot of convenience including points accumulated according to the purchase made.

By issuing such various credit cards to increase loyal customers, we aim to boost sales of the Department Store Business. These cards also contribute to the growth of the Credit Business by offering the convenience of using them in a wide range of life situations.
Further Grow in Urban Markets

Four business segments
The Parco Business consists of the core Shopping Complex Business, the Retail Business, the Space Engineering and Management Business and the Other Business.

In the Shopping Complex Business, which operates commercial complexes Parco, we run a hybrid business combining commercial business and real estate business as a commercial developer. In the commercial business, we aim to increase sales of individual tenants by regenerating through renovation, attracting customers through advertisement and promotional activities, and providing meticulous support to our tenants. And in the real estate business, we offer a total package of services necessary for the operation of commercial complex ranging from the development and planning of building to maintenance and management.

In the Retail Business, which operates unique specialty stores, we develop and operate select shops in five categories including watches, eyewear, cosmetics, personal items and business format development. Under the concept of a group of specialty shops selling unique fashion items, we operate 185 stores (as of the last day of February 2016) across Japan and an online store. We also expand our range of original products, develop new business formats, and open new stores in fashion-sensitive commercial complexes in urban and semi-urban central areas in an effort to increase revenue.

In the Space Engineering and Management Business ranging from the space product business that creates space including interior design and display setting to the building management business that maintains facility safety, we provide comprehensive services and solutions that accommodate all stages of facility development including space design, designing, construction, facility operation and safety management.

The Other Business includes the entertainment business, which produces diverse attractive contents in theater, music, films and publishing, the web consulting business, which provides web-based information services, and other businesses.

Toward the achievement of Parco Group 2020 Long-term Vision
With a goal of realizing a "business group that prospers in urban markets" under the 2020 Long-term Vision, Parco Group aims to become a "pioneer group that designs 24/7 urban life" and a "creative driver group that creates urban maturity." In order to achieve this vision, we focus on three business strategies including the "cultivation of major urban areas," the "expansion of core targets" and the "unique and innovative use of ICT."

With regard to the "cultivation of major urban areas" to add new commercial presence in Tokyo and government-designated cities across Japan, the main building of Fukuoka Parco increased its floor space and Nagoya Parco Midi opened in the area adjacent to Nagoya Parco in March 2015 and the new building of Sendai Parco will open in summer 2016. In fall 2017, a new format of Parco will open in the south wing of the Matsuzakaya Ueno store, which will be being rebuilt, and in fall 2019, Shibuya Parco, which we decided to rebuild, will be reborn as a "next-generation global shopping complex." With regard to the full-scale operation of Zero Gate, a new business model in urban areas, the 6th store Sapporo Zero Gate opened in February 2016 and Hiroshima Zero Gate II (tentative name) will also open in fall 2016.

With regard to the "expansion of core targets," we expand our target to mature generations who are as sensitive as young people to broadly accommodate values and lifestyles which are diversifying with urban maturation and changes in social environment.

With regard to the "unique and innovative use of ICT," we are transforming our business to omnichannel retailing by creating a fun atmosphere with digital signage and events, offering attractive experiences only physical stores can provide, and developing new buying methods through websites and our own smartphone applications.
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 its customers with all its operations ranging from material procurement to after-sales care.

Our main products include electronic components, automotive parts, metal and resin products and chemicals. We also render various services including 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, Nana, Taipei, Bangkok, Ho Chi Minh, Yangon and Jakarta.

China and the ASEAN region where we operate have the population of approximately 2 billion people, which accounts for nearly 30% of the world’s population of 7.2 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. Mainly at Daimaru Kogyo (Thailand) Co., Ltd., which was established in January 202, we will further stimulate and expand transactions through buying and selling in and export from and import to Thailand in addition to the expansion of the product range of automotive parts, resin materials and food materials.

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 and others and developing new businesses. In Taiwan, our Taipei office was incorporated and Taiwan Daimaru Kogyo, Ltd. was established in January 2105. The company imports metals and vehicles, chemicals and electronic components from Japan and exports 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 automotive parts, 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. And in the field of chemicals, while selling raw materials including industrial cleaners 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 joint develops with Daimaru Matsuzakaya Department Stores the items suitable for mid-year and year-end gifts including seaweed, shitake 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 the Daimaru Shinagawa, Kyoto and Kobe stores, the company is entrusted with the operation of liquor departments in nine flagship stores of Daimaru Matsuzakaya Department Stores as of 5 May 2016. 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 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

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 “a 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 Matsuizakaya 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 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 JVR 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.
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 jobs, 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 the expertise and skills required to achieve organization goals.

In the “individual area,” we expand learning opportunities including external trainings, MBA programs and overseas challenge systems. Employees challenge these opportunities toward the achievement of their career goals. And at the same time, we promote the effective use of the self-application system and the career entry system.

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 individual employees and companies through feedback including milestone interviews and multitiered observation of behavior traits.

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 to find vibrant human resources aged around 30 in the Group and encourage dramatic growth into “transformable leaders”;

career development training (for 27-year-olds) to find requirements 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.”

Introduced the Talent Management System

In fiscal year 2015, we introduced a new human resource information system Talent Management System in an effort to visualize and consolidate the human resource information of the Group. We analyze big data on approximately 11,000 employees of the Group in terms of expertise (functional skills / experience) and personal quality (basic skills / personality) and grasp the current status of human resources to promote human resource allocation in the Group which best meets the needs of individual companies and organizations.

After introducing the system, we already conduct common aptitude test for all employees of the Group and feed back data on human resource traits to individuals and use them for talent development through trainings and sessions. Using its communication function, employees can provide information on their knowledge and skills including qualifications and language fluency to their companies and disclose such information in the companies. In addition, we systematized employee performance evaluation to integrate various human resource data.

Based on the initiatives above, we will focus on each individual employee, find new talents and actively provide opportunities to “put the right people in the right jobs” at the Group’s level, which will vitalize individuals and maximize their potential.

Outline of human resource development

Development of self-transforming people through OJD (On-the-Job Development)*

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<th>Organization area</th>
<th>Individual area</th>
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<tr>
<td>Development through posting</td>
<td>Development through organization management</td>
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</table>

- Development through posting
- Development through organization management
- Maximization of personal vitality facilitated by organization
- Self-learning and growth based on HR traits and growth patterns

*OJD: Development system that combines organization management, which draws self-innovation in the process of challenging difficult tasks, and individual self-growth ability in addition to OJT and Off-JT that complements OJT.
Basic Ideas on CSR

With the aim of achieving the Group Vision, J. Front Retailing incorporates the concept of CSR into management by dividing it into seven subjects based on the international standards ISO 26000 and addressing these subjects. 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 and contribute to the sustainable development of society.

Human Rights

The Company provides human rights education and strives to raise employees’ awareness of human rights from the perspective that individual employees 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
  - Chairman (Senior General Managers of Human Resource Division and Business Coordination Division), promotion commissioners (division managers), promotion staff (members), and secretariat

- Theme of activities
  ① Sexual issues (Japan’s historical case-based discrimination issues)
  ② Disability issues
  ③ Women’s issues
  ④ Other human rights issues

- Contents of activities
  ① Participation in training
  ② Participation in outside training
  ③ Hands-on activities

“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, the Company 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 develop and steadily implement relevant leave and work systems.
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. With respect to mental health, we have provided living conditions surveys as a self-care tool. We also offer stress checks under the stress check system, which companies are required by the Industrial Safety and Health Act to implement since December 2015. We put importance on health guidance provided by health care teams based on their results.

Maintenance and creation of employment opportunities and response to diversity

The Company reviews the system for reemploying its employees who have reached the mandatory retirement age based on the enforcement of the revised Law Concerning Stabilization of Employment of Older Persons to develop well-balanced systems and criteria for treating them according to their motivation and willingness and the degree of their contribution to performance.

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 and nationality. 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 leadership positions (as of March 2016) |
|-------------------------------------------------|-----------------|-----------------|
| General manager                                 | Number of females | Percentage of females |
|                                                | 13               | 11.7%            |
| Other leadership positions                      | 190              | 31.3%            |
| Total                                           | 203              | 28.2%            |

*The figure above include workers temporarily transferred to J. Front Retailing and Daimaru Matsuzakaya Sales Associates.
*The number of “other leadership positions” is the total of Managers, Submanagers, Buyers and Team Leaders (including Supervisors and Section Leaders of Daimaru Matsuzakaya Sales Associates).
*Daimaru Matsuzakaya Department Stores has three female Executive Officers.

Fair Operating Practices

The Company 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 Store Association. And since recently, we provide training and increase awareness efficiently using comprehensive e-learning programs.

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 magazine 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 the 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 in these companies and by other measures.

Severance of relations with antisocial forces

We have declared that we will sever all relations 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

In the belief that it is important to promote good consumption activities with consumers, the Company 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 and hygiene at each department 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 and 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.

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 a safe and secure store environment

At department stores and other stores and offices, we organize self-defense firefighting teams and conduct fire drills and SOP trainings for employees. We also promote the improvement of systems by introducing an earthquake early warning 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 business partners 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 5.0 or lower on the Japanese intensity scale occurs, is automatically broadcasted in stores in real time.

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

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

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

Daimaru and Matsuzakaya stores have placed collection boxes in the 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 ReLifestyle 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 as the number of local groups that bring caps is increasing and the total number of caps reached 96 million by May 2016. The amount received from recycling them and the total amount donated to JCV are equivalent to polio vaccines for approximately 180,000 children. Since September 2015, we sell Sakura Panda & My Melody Charity Eco Bags with donations to JCV and donate ¥20 per bag from their proceeds.

<table>
<thead>
<tr>
<th>All Daimaru and Matsuzakaya stores</th>
<th>Annual total no. of PET bottle caps collected</th>
<th>Annual total polio vaccine equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>10,200,000</td>
<td>19,600</td>
</tr>
<tr>
<td>FY2011</td>
<td>14,200,000</td>
<td>26,700</td>
</tr>
<tr>
<td>FY2012</td>
<td>16,300,000</td>
<td>31,200</td>
</tr>
<tr>
<td>FY2013</td>
<td>15,800,000</td>
<td>28,900</td>
</tr>
<tr>
<td>FY2014</td>
<td>17,100,000</td>
<td>31,000</td>
</tr>
<tr>
<td>FY2015</td>
<td>17,200,000</td>
<td>34,000</td>
</tr>
</tbody>
</table>

*The number of PET bottle caps collected is calculated at 40 pieces per kilogram.
*Polio vaccine equivalent is calculated at approximately ¥20 per child (unit: persons).
Sold Thanks Festival charity pins

At spring and fall Thanks Festivals held in March and September, respectively, Dainarui and Matsuzakaya stores sell charity pins and donate a portion of their proceeds to children’s scholarship funds in Miyagi, Iwate and Fukushima to help rebuild the Tohoku region.

We donated ¥1,744,470 in spring 2015 (collaboration with My Melody of Sanrio) and ¥811,350 in fall (collaboration with Pom Pom Purin), totaling ¥2,555,820, to (1) Higashi Nihon Daishinsi Miyaiga Kodomo Ikuei Bokin in Miyagi, (2) Iwate no Manabi Kibo Bokin in Iwate and (3) Higashi Nihon Daishinsi Fukushima Kodomo Kilukin in Fukushima.

Activities for “support for women”

Pink Ribbon Campaign

Dainarui and Matsuzakaya stores, Parco, JFR Card and Sembukai are involved in the Pink Ribbon Campaign, an educational activity to promote early diagnosis, detection and treatment of breast cancer, as the eight social contribution activity for the companies that have many female customers and employees. Mainly on Mother’s Day and during Pink Ribbon Month (October), Dainarui and Matsuzakaia 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.

Love 49 Project

Dainarui and Matsuzakaya stores participate in the prevention and awareness activities for cervical cancer implemented by the Love 49 Project that designates April 9 as Utens Day.

We hand out newsletters in stores in cooperation with local cytotechnologists to promote educational activities 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.

Activities related to the promotion of healthy food

Participation in the Table for Two program

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

Dainarui and Matsuzakaya join TTT’s “One Million People to Share TTT Meals” campaign on October 16, World Food Day, every year and offered TTT meals at their 92 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 TTT.

Charity bazaars and fundraising activities

Dainarui and Matsuzakaya stores continue 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 our stores and offices and donate the money to disaster areas through the Japanese Red Cross Society and others.

Major fundraising activities in FY2015

<table>
<thead>
<tr>
<th>Name of fundraising</th>
<th>Donated to</th>
<th>Amount of donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyclone Support for the Republic of Vanuatu in the South Pacific Ocean</td>
<td>Authorized NGO (Japan Red Cross Society)</td>
<td>131,974</td>
</tr>
<tr>
<td>Support for Nepal Earthquake</td>
<td>Japanese Red Cross Society</td>
<td>587,135</td>
</tr>
<tr>
<td>Support for Heavy Rain by Typhoon No. 18</td>
<td>Japanese Red Cross Society</td>
<td>295,991</td>
</tr>
</tbody>
</table>

Major charitable donations in FY2015

<table>
<thead>
<tr>
<th>Donated to</th>
<th>Details</th>
<th>Amount of donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarship funds to support children affected by the Great East Japan Earthquake (2011)</td>
<td>Donated a portion of proceeds from the sale of charity pins at Thanks Festivals and the charity goods of the Japan Department Stores Association, etc.</td>
<td>6,398</td>
</tr>
<tr>
<td>Authorized NGO Orange Clover</td>
<td>Donated a portion of proceeds from the sale of original pins, etc. to support cervical cancer prevention awareness activities</td>
<td>362</td>
</tr>
<tr>
<td>Local Pink Ribbon support groups</td>
<td>Donated a portion of proceeds from the sale of various pins and bread, etc. to support breast cancer prevention awareness activities</td>
<td>683</td>
</tr>
<tr>
<td>Authorized NGO Table for Two International (2011)</td>
<td>Donated a portion of proceeds at healthy meals and other meals to help provide school meals in developing countries</td>
<td>2,102</td>
</tr>
</tbody>
</table>

Notes: 1. Total amount donated to scholarship funds for children affected by the Great East Japan Earthquake in Miyagi, Iwate and Fukushima
2. Total amount donated from restaurants, cafes and staff cafeteria in Dainarui, Matsuzakaya and Parco stores.
5: Contribution to the local community

Expand the network of recovery support in the Ueno Okachimachi area as the "north gateway"!

Participated in Tohoku Support Campaign 2016

The Company actively participates in recovery support activities involving the entire Ueno Okachimachi area, which has long made a deep connection with Tohoku as the "north gateway."

On April 9 and 10, 2016, Ueno Tohoku Festival was held under the slogan of "Ganbare Tohoku" in the square Okachimachi Panda Hiroba in front of the Matsuzakaya Ueno store. On the stage created in the square, some local idol groups in Tohoku gave concerts and a female professional wrestling organization Sendai Girls was invited to perform an exciting show. In addition, various tent events were held to support Tohoku, including a special workshop by Tokyo University of the Arts "Decorate tote bags with felt for connection."

6: Contribution to art and culture

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 the local community.

The Matsuzakaya Museum in the south wing of the Matsuzakaya Nagoya store 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. The museum continues to organize exhibitions in cooperation with other museums in Japan and around the world up to the present marking the 26th year and boasts a total of 10,574,430 visitors (as of the last day of February 2016). Thus it gains high reputations from visitors and the local people.

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.

The Environment

Since the Company 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, associated department stores, Daimaru Kaguya 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 CO₂ 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.

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.
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 these 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 2015 of "Local Creation - Made in Japan" and "Technology," we presented comfortable and cool commuting styles.

Contribution to creating a low-carbon society

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

Increase LED lighting and install solar panels

Daimaru and Matsuzakaya stores strive to reduce electricity consumption and CO2 emissions by replacing existing lighting with LED units. By February 2016, 189,000 units, which account for about 44% of the total number of relevant lighting fixtures, were replaced with LED units. In fiscal year 2016, we are planning to install 7,000 units or more.

At the 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 generates electricity of approximately 6,000 kWh per year, which powers 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) to turn off lights by using pull switches (keeping the lights off when leaving the store); (3) to curtail the use of computers and other office equipments (cutting 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 campaigns).

Contribution to creating a 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

At Daimaru and Matsuzakaya stores, we implement thorough waste separation to decrease final waste and promote recycling. These stores 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 the Daimaru Tokyo, Kyoto, and Sapporo stores and the Matsuzakaya Ueno store, we greatly reduce the volume of EPS waste generated in these stores by compressing and dissolving it to recycle it. In our staff cafeterias, we use chopsticks that can be repeatedly washed and reused instead of disposable wooden chopsticks.

Historical performance data

Daimaru Matsuzakaya Department Stores energy saving and reduction of waste disposal

<table>
<thead>
<tr>
<th>Energy consumption</th>
<th>Packaging material consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2011</td>
<td>FY 2012</td>
</tr>
<tr>
<td>100,000</td>
<td>95,000</td>
</tr>
<tr>
<td>FY 2011</td>
<td>FY 2012</td>
</tr>
<tr>
<td>3,200</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Waste disposal

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total tons</td>
<td>12,000</td>
<td>11,000</td>
<td>10,000</td>
<td>9,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Base unit</td>
<td>100</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
</tr>
</tbody>
</table>

Food waste disposal

<table>
<thead>
<tr>
<th>Food waste disposal</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total tons</td>
<td>1,000</td>
<td>900</td>
<td>800</td>
<td>700</td>
<td>600</td>
</tr>
<tr>
<td>Base unit</td>
<td>5</td>
<td>4.5</td>
<td>4</td>
<td>3.5</td>
<td>3</td>
</tr>
</tbody>
</table>

*Data disposal is the weight after subtracting the weight of waste recycled from the total weight of waste generated (including general waste, waste paper and mixed waste paper etc.).

**Food waste disposal is calculated in terms of disposal.

Basic unit

- Energy basic unit: usage (kW/h)/100 = total floor space (m²) / business hours (hr) / (1,000,000 / 365)
- Packaging material basic unit: usage (t)/100 = sales (million yen) / (1,000,000 / 365)
- Waste disposal basic unit: usage (t)/100 = sales (million yen) / (1,000,000 / 365)
- Food waste disposal basic unit: usage (t)/100 = sales (million yen) / (1,000,000 / 365)
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 four supervisory units (Management Strategy Unit, Affiliated Business Unit, Financial Strategy 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 Group. In addition, an executive officer system is in place to separate between decision-making and execution, which facilitates speedier decision-making and execution.

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. Following are the reasons why the Company has adopted the organizational structure of a company with an audit & supervisory board.

1. Unity and continuity with the execution of operations are ensured by involving the persons who are responsible for business execution of the individual businesses of the Group in deliberations and decision-making on important matters relating to the management of the Group in the meetings of the Board of Directors.

2. Highly objective audits by Audit & Supervisory Board Members whose independence and autonomy are legally ensured and highly accurate audits by Full-time Audit & Supervisory Board Members who have a high ability to collect information are rational in order to ensure legal compliance of the Group management.

On that basis, multiple independent Audit & Supervisory Board Members are appointed to supplement the functions of the Board of Directors under the structure of a company with an audit & supervisory board, and in particular, ensure the effectiveness of its oversight function. In addition, we have established the Human Resources and Remuneration Committee and the Governance Committee as the advisory committees of the Board of Directors to strengthen the functions of the Board of Directors.

With regard to the Company’s organizational structure (choose among a company with an audit & supervisory board, a company with an audit & supervisory committee and a company with nominating and other committees) and the use of Non-executive Inside Directors, we will continuously consider adopting an optimal structure to further enhance the effectiveness of corporate governance as well as to achieve sustainable growth of the Group and increase corporate value over the medium to long term.
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 President and Representative Director and in the presence of Audit & Supervisory Board Members to deliberate 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. 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.

In fiscal year 2015, the Board of Directors had a total of 16 meetings to deliberate and resolve the “capital and business alliance with Sembhulai Co., Ltd.” a “repurchase of the Company’s own shares” and the “rebuilding of the main building of the Daianai Shinsalaku store” as well as approve budgets and financial statements.

With regard to the agenda for discussion at the Board of Directors meetings concerning important policies related to the Group’s overall management, we deliberate 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.

Establishment of Advisory Committees

The Company has established the Human Resources and Remuneration Committee and the Governance Committee as voluntary advisory committees to supplement the functions of the Board of Directors under the structure of a company with an audit & supervisory board, and in particular, ensure the effectiveness of its oversight function.

The Human Resources and Remuneration Committee deliberates and decides the appointment of Directors, Audit & Supervisory Board Members and Executive Officers of the Company and its major subsidiaries based on the nomination and election policy determined in advance and the results of third-party assessment of management personnel and submits personnel proposals to the Board of Directors. In April 2016, the Committee deliberated and decided a partial revision of the policy for determining the remuneration of Directors, Audit & Supervisory Board Members and Executive Officers applied to payments in June 2016 and several for the purpose of achieving sustainable growth of the Group and increasing corporate value over the medium to long term and submitted a report to the Board of Directors.

The Governance Committee has discussions and exchanges opinions in a constructive manner concerning various issues to increase the effectiveness of the Board of Directors and the Company’s organizational structure based on the results of the assessment of the Board of Directors.

Audit & Supervisory Board

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, three of whom are 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. 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.

Audit & Supervisory Board Members collaborate with the Board of Directors to play a role in the oversight function of the Company and the Group by auditing the performance of duties by Directors, investigating the conditions of business and property and providing the Board of Directors with their opinions such as advice and recommendations in an effort to achieve sustainable growth of the Group and increase corporate value over the medium to long term.
Assessment of the Board of Directors

The Company conducted a third-party assessment of the Board of Directors from June to September 2015.

The composition, operation, agenda items and meeting materials of the Board of Directors were analyzed and assessed in light of the roles and responsibilities of the Board of Directors.

A third-party institution prepared a report compiling and analyzing the results of “interviews with individual members of the Board of Directors” and the “direct observation of the Board of Directors” and the Board of Directors discussed based on the report.

The third-party institution interviewed all Directors and Audit & Supervisory Board Members (both inside and outside) individually to ask about their ideas and awareness concerning the Board of Directors. The third-party institution attended the Board of Directors meetings and directly observed actual discussions there.

As a result, it was confirmed that the Board of Directors has some points to be improved in the selection of agenda items, essential discussion, the quality of meeting materials and other items in light of its roles and responsibilities. Based on these results, we strive to ensure the effectiveness of the whole Board of Directors by revising the Rules of the Board of Directors to clarify agenda items and criteria for proposing agenda items, ensuring sufficient time for discussion through thorough prior explanation and reduction in time for explanation on agenda at the Board of Directors meetings, and improving meeting materials.

Election 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 electing outside executives, we confirm in light of our criteria for independence that there is no risk of conflict of interest with our shareholders and that they are in objective positions independent of our management team that engages in business execution.

Policy and Procedures for Determining Executive Remuneration

The existing remuneration of the Company’s Directors, Audit & Supervisory Board Members and Executive Officers consists of monthly compensation and merit-based annual executive bonuses contingent on each year’s performance, both of which are monetary remuneration. With regard to the policy for determining the remuneration of Directors, Audit & Supervisory Board Members and Executive Officers, the Company made the following changes applicable to amounts paid in June 2016 and thereafter by the resolution of the Board of Directors based on the report submitted by the Human Resources and Remuneration Committee in April 2016.

Remuneration of Inside Directors and Executive Officers

The Company has increased the proportion of annual executive bonuses (performance-based remuneration) to total remuneration, with monthly compensation at 60% and annual executive bonuses at 40% (standard ratio), in order to provide incentives for completing management strategies and business plans and achieving corporate performance targets.

Remuneration of Outside Directors and Audit & Supervisory Board Members (both Outside and Inside)

The Company has decided to discontinue executive bonuses and provide monthly compensation only.

In conjunction with the above, with the aim of ensuring that the Group achieves sustainable growth and increases corporate value over the medium to long term, the Company will consider introducing remuneration for Inside Directors and Executive Officers linked to their medium- to long-term performance (share-based remuneration, etc) beginning in fiscal year 2017.

Succession Plan

The appointment of Chief Executive Officer is the most important strategic decision-making and the Company positions the development and implementation of succession plans (for next management positions) as a particularly important item in terms of management strategy.

The Human Resources and Remuneration Committee will “develop an appointment policy based on...” “appoint prospective successors based on such policy” and “develop and implement succession plans for individual prospective successors.”

Basic Capital Policy

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To this end, the Company promotes a capital policy that takes a balanced approach to “undertaking strategic investment,” “enhancing shareholder returns,” and “expanding net worth” being equipped to address risks.

Moreover, in procuring funds through interest-bearing debt we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into consideration our capacity for generating free cash flows and our balance of interest-bearing debt.

A business strategy where higher sales are accompanied by profits and a financial strategy (comprising the capital policy) that heightens profitability of invested capital are essential elements with respect to improving free cash flows and ROE. In addition, we believe it is crucial that we maximize our operating income and continually improve our operating margin by strengthening our core business and concentrating management resources on initiatives such as business field expansion and active development of new businesses.

Shareholder Return Policy

The Company’s basic policy is to appropriately return profits. Hence, while maintaining and enhancing its sound financial standing, the Company strives to provide stable dividends and target a consolidated dividend payout ratio of no less than 30%, taking profit levels, future capital investment, free cash flow trends and other such factors into consideration. The Company also gives consideration to the option of purchasing its own shares as appropriate, in accordance with aims that include improving capital efficiency and implementing a flexible capital policy.

Policy on Cross-shareholdings

The Group reduces its cross-shareholdings, which means holdings of listed shares other than those of subsidiaries and associates which are not held for pure investment purposes, as appropriate considering the market environment, share price trends and other such factors. However, this does not apply to shares with respect to which rationale for such holdings has been verified by means of validation as described below.

The Board of Directors validates the rationale for the Group to maintain its major cross-shareholdings on a yearly basis from both qualitative and quantitative perspectives. From a qualitative perspective, the Board of Directors considers such business strategies as maintaining harmonious and favorable business relationships with corporate customers and business partners and securing supply chains, and from a quantitative perspective, it considers dividend income and other economic rationale.

Decisions with respect to voting on matters regarding cross-shareholdings are made from both perspectives of whether cross-shareholdings contribute to the sustainable growth of the company whose shares are held and the medium- to long-term improvement of its corporate value and of whether the cross-shareholdings contribute to the Group’s sustainable growth and the medium- to long-term improvement of its corporate value. When necessary, we also consider the possibility of engaging in dialogue with the companies whose shares are held when exercising voting rights.
**TACHIBANA FUKUSHIMA Sakie**  
President and Representative Director, G&S Global Advisors

**Reason for election**

TACHIBANA FUKUSHIMA Sakie has in-depth understanding regarding globally-minded human resources and abundant knowledge and experience as an international corporate manager. Based on that, she has contributed to ensuring more effective meetings of the Board of Directors since being elected as Outside Director of the Company in 2012, by adequately providing advice and oversight with respect to the direction of overall management and other such matters, from an objective viewpoint, independent of the management team that engages in business execution. In light of her track record, the Company has judged that in acting as Outside Director she is likely to contribute greatly to the management of the Company from the perspective of enhancing corporate governance. As such, she has been elected as a candidate to continue serving as Outside Director.

TACHIBANA FUKUSHIMA Sakie is an independent executive who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

The Company has entered into an agreement with TACHIBANA FUKUSHIMA Sakie to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 16/16 (100%)

**OTA Yoshikatsu**  
Special Advisor, Konica Minolta, Inc.

**Reason for election**

OTA Yoshikatsu has extensive experience and abundant insight acting as a manager of a company that, like the Company, is a holding company. In that capacity, he promoted the corporate merger between Minolta Co., Ltd. and Konica Corporation, and has served as a chairman of the board of directors of a company with committees (currently a company with nominating and other committees). Accordingly, since being elected as Outside Director of the Company in May 2015, he has contributed to ensuring more effective meetings of the Board of Directors by adequately providing advice and oversight with respect to promoting management of the Group and other such matters, from an objective viewpoint, independent of the management team that engages in business execution. In light of his track record, the Company has judged that in acting as Outside Director he is likely to contribute greatly to the management of the Company from the perspective of enhancing corporate governance. As such, he has been elected as a candidate to continue serving as Outside Director.

OTA Yoshikatsu is an independent executive who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

The Company has entered into an agreement with OTA Yoshikatsu to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 15/16 (93.75%)

**TSURUTA Rokou**  
Attorney at law

**Reason for election**

TSURUTA Rokou has deep insight as a person from legal circles, and 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 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.

TSURUTA Rokou meets all the conditions for independence stipulated in the guidelines of the Tokyo Stock Exchange and the Company recognizes that he maintains a high degree of independence.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 15/15 (100%)

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

**Reason for election**

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.

Since ISHII Yasuo meets all the conditions for independence stipulated in the guidelines of the Tokyo Stock Exchange and he is in an objective position independent of the management team that engages in business execution, the Company has judged from the viewpoint of strengthening corporate governance that he can contribute greatly to the management of the Company.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 15/15 (100%)

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

**Reason for election**

NISHIKAWA Koichiro has been mainly involved in business alliance, M&A and business reforms and also many important international negotiations. Through such experience, he has appropriate knowledge in finance.

Since NISHIKAWA Koichiro meets all the conditions for independence stipulated in the guidelines of the Tokyo Stock Exchange and he is in an objective position independent of the management team that engages in business execution, the Company has judged from the viewpoint of strengthening corporate governance that he can contribute greatly to the management of the Company.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 15/15 (100%)

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 15/15 (100%)
Improvement of Shareholders Meeting

With the aim of promoting constructive dialogue with its shareholders, the Company dispatches the notices of convocation of shareholders meetings early (at least three weeks before the meeting) as well as delivers them to financial instruments exchanges and posts them on its website as soon as practicable before the dispatch of the notices to ensure sufficient time for consideration to exercise voting rights. We disclosed the notice of convocation of the 9th annual shareholders meeting to financial instruments exchanges and on our website four weeks before the meeting prior to dispatching its hard copies.

For the convenience of shareholders including institutional investors in Japan and abroad in exercising voting rights, the Company made available Internet voting and uses the Electronic Voting Platform. Moreover, we prepare English translations of the notices of convocation of shareholders meetings and disclose them on our website and the Electronic Voting Platform so that foreign shareholders can exercise their voting rights properly.

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 (the Daimaru Shinsaibashi store) and the Nagoya area (the Matsuzakaya Nagoya store).

Starting with the 9th annual shareholders meetings, we deliver video of “business report” presentation given at the meeting on demand.

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 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. As for information deemed to help deepen the understanding of shareholders about the Company, even where the timely disclosure rules do not apply to it, we strive to disclose it through SNS and annual reports. We disclose information in a timely and appropriate manner using TDnet, EDINET and our website according to the characteristics of information. In order to ensure fairness in information disclosure, we prepare and disclose English translations of the notices of convocation of shareholders meetings, annual reports, timely disclosure information, financial information and our website.

In conjunction with timely disclosure and the provision of information on our website, we hold various presentations and meetings and respond to inquiries from shareholders and investors in an effort to improve communication. Comments and requests from shareholders and investors are widely shared between the Company and concerned companies in the Group to help manage these companies and enhance corporate value.

Major dialogue activities with investors in fiscal year 2015

◆ With individual investors
Participated in presentation meetings organized by securities companies (seven times in total)

◆ With analysts and institutional investors
Financial results presentations (on a semiannual basis)

◆ With overseas institutional investors
Overseas IR roadshows (twice in total)
Participated in conferences for overseas institutional investors in Japan (three times in total)

Internal Control Systems

The Company has set the Basic Policy on the Building of Internal Control Systems to ensure the appropriateness of operations of the whole Group, and by promoting the Policy in a concrete manner, we strive to achieve the sustainable growth of the Group and increase its corporate value over the medium to long term.

The operation status of the internal control systems of the whole Group is reported to the Board of Directors regularly (twice a year) and timely, and it is properly supervised by the Board of Directors. Its overview is disclosed in the notice of convocation of shareholders meeting (business report).
Compliance and Risk Management

The Company has formed the Compliance and Risk Management Committee whose membership includes a legal advisor for the purpose of addressing issues on the Group’s compliance management, and managing and evaluating risks associated with the Group’s business operations in a proper manner.

The Committee draws up policies for addressing matters involving serious compliance-related violations and matters involving risk management. In addition, it develops the foundations of compliance and risk management systems (such as establishing internal rules, operation management manuals and management systems for departments in charge of compliance and risk management) and instructs and trains individual departments to ensure their compliance with laws and regulations and business ethics. The Committee holds meetings regularly (six times a year) and timely and reports to the Board of Directors as needed.

For particularly serious operational risks that are identified, the Compliance and Risk Management Committee will deliberate and determine policies for addressing them and prevent them occurring by having the responsible departments of the Group companies implement these policies. For emergency situations including large-scale earthquakes, fires and accidents, crisis management will be controlled by the Emergency Response Headquarters headed by President.

Whistleblowing System

The Company has set up a whistleblowing system in which all executives and employees of the Group and any other persons working for the Group (including part-time workers and workers from business partners) can report any compliance issues directly to the Compliance Hotline and seek correction. It provides external contact (a legal advisor) as well as internal one for whistleblowing.

With respect to this whistleblowing system, the Group’s internal rules strictly stipulate the protection of whistleblower confidentiality and the prohibition of disadvantageous treatment of whistleblowers.

◆ Compliance and risk management system

Companies in the Group

Audit & Supervisory Board

Board of Directors

Audit

Companies in the Group

Internal Audit Division

Compliance and Risk Management Committee

Chair by: President

Executive in charge of Compliance and Risk Management

Persons in charge of Legal Affairs

Persons in charge of Compliance and Risk Management

Persons in charge of Internal Control

JFR Group Compliance Hotline

Contact within each company / legal advisor

Workers

All workers including those of business partners

*Each company in the Group has persons in charge of Compliance and Risk Management Promotion to identify and resolve its unique issues in cooperation with JFR’s persons in charge of the same.

Four perspectives of principles of action and code of conduct for compliance and risk management

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, internal rules and others 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.

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.

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.

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 Mr. OTA Yoshikatsu, who has extensive experience and abundant insight as a manager of a business corporation, about J. Front Retailing’s initiative to strengthen corporate governance and his roles.

J. Front Retailing’s governance initiative

In the last year 2015, which is said to be the “first year of governance,” a governance code was published and many listed companies in Japan were forced to review their governance systems. While many of them remain reluctant to strengthen governance, I find it great and encouraging that the top management of J. Front Retailing takes the lead in actively implementing such initiative.

J. Front Retailing has worked on improving its structure and changing the consciousness of employees since its management integration in 2007 and its business performance is steadily enhancing. In the meantime, I think the Company asked itself whether its governance is in a desirable state in terms of management transparency, that is, from an outside perspective, particularly investors’ perspective.

Let me take one example of the Company’s initiative to strengthen governance. The Board of Directors strives to increase its effectiveness based on a third-party assessment and the Governance Committee is extending the Company’s discussions to the organizational structure with a strong awareness of the state required by the governance code itself. In order to develop the Company’s new vision, which will start to be implemented in the next fiscal year, Inside and Outside Directors and Audit & Supervisory Board Members lodged together, and thus the Company is taking a broad view by involving outside members in early stage. If J. Front Retailing can develop firm growth strategy by strengthening governance with the aim of developing as a multifaceted retailer, the percentage of shareholding by foreign investors is likely to increase. Therefore, it may be said that such initiative is essential.

Challenges for sustainable growth of corporate value

The Company’s current business portfolio includes the provisions of goods and services selected by the multifaceted retailer whose main business is the department store business. However, I think it is necessary to develop so-called problem-solving “occasions” that transcend the traditional provision of goods and services and further pursues customer satisfaction in connecting with customers. Now we are in the Internet society where an enormous amount of information spreads instantly and people’s options are increasing. Therefore, the Company should go beyond just selecting and providing goods and services. Connection with people on the Internet will not be limited to only selling and buying but spread
beyond that. Programming may be required as a compulsory subject in elementary schools. Thus the world is expected to more and more change. It will not be enough only to run physical stores and receive customers as in the past. With a stronger awareness of this than ever, the Company needs to develop strategies. The Company should not only expand occasions but also consider how it will be able to respond to the changing society itself that creates occasions and the changing recognition of people as a corporation. Since J. Front Retailing converges and gets a grip on a wide variety of management resources, I think the Company has reached a point where it should take some measures using them.

To strengthen governance will help widely boost investor confidence in the Company. Resulting good figures in the management indices are not enough. It is very important for investors that the management team manages the Company under the system that ensures future returns correctly on a sustainable basis always with an awareness of the eyes of investors. At the same time, that will bring a sense of security, a sense of satisfaction and a rewarding sense to customers, business partners, employees and other many concerned stakeholders. Simply stated, corporate growth may be an increase in economic value including sales and profits. I think it is also important to increase the number of underlying customers who have a sense of confidence and social value including the building of a strong relationship with stakeholders.

Roles I want to fulfill

Detailed comments on business strategies from an outside perspective of Outside Director do not necessarily hit the mark. Since the Company, as a listed company, pursues growth for many stakeholders, it needs to proceed with discussions in a to-the-point manner and from the standpoint of pursuing medium- to long-term development with a broad view. By adopting an outside perspective, matters thought to be nothing special in the Company may be found special. Inside members may think, “Why did that Outside Director say such a thing?” But on second thought, he may be correct.” That may be necessary to deepen discussions.

I worked abroad longer than in Japan and our company’s ratios of overseas sales and overseas investors were 80% and 40% to 45%, respectively. Therefore, its focus of interest was always on trends in exchange rates, the economic trends of countries around the world, the development of the Internet and user trends. As a matter of course, legislation is different from abroad, but I was inevitably involved in governance, an investor perspective, management speed and M&A.

With respect to M&A in particular, I carried out many deals every year and it has become my second nature in a way. I think I will be able to use such experience.

Every company has a history and people who belong to the company tackle their individual tasks every day. Amid technological changes, competition and environmental changes, how to perceive, judge and do things is roughly finalized and determined over long periods. People often see environmental changes, but many of them seem to spend much time looking at their domestic peers. They do not find that completely different industry’s state of being, for example, technological evolution in the field of Internet, will inevitably urge them to greatly change their management, though they can find that if looking a little more broadly at changes in the overall economy and developments in the world economy. Some may understand that but it takes time before they move into action. When I find something that misses the point, like “what is considered common sense inside the company is something that is contrary to common sense outside the company,” I will point it out without hesitation. An outside perspective means to suggest through past experience and daily network that the Company’s management needs to keep up with and adapt to the changing world. I think it is what is expected of me.
J. Front Retailing Co., Ltd.

Directors

YAMAMOTO Ryooichi
President and Representative Director
Date of birth: March 27, 1951
Number of the Company’s shares held: 4,730

Apr 1973 Joined The Daimaru, Inc.
May 2003 President and CEO and General Manager of Department Store Operations of Group Headquarters of the same company
Mar 2005 General Manager of Metropolitan Area New Business Development Division of Group Headquarters of the same company
Jan 2007 Executive General Manager of Planning Office for New Undertakings of Department Store Operations Headquarters of Group Headquarters of the same company
Sep 2007 Director of J. Front Retailing Co., Ltd. and Director of Matsuzakaya Co., Ltd.
Mar 2008 Executive General Manager of Sales Headquarters of Head Office of The Daimaru, Inc.
Mar 2010 President of Daimaru, Matsuzakaya Department Stores Co., Ltd. and President of Daimaru, Matsuzakaya Sales Associates Co., Ltd.
Apr 2013 President and Representative Director of J. Front Retailing Co., Ltd. (present)

KOBAYASHI Yasuyuki
Deputy Director of Office of Commercial Affairs Officer
Date of birth: March 26, 1963
Number of the Company’s shares held: 3,438

Apr 1983 Joined The Daimaru, Inc.
Feb 2003 Associate Director and General Manager of Department Store Operations of the same company
May 2003 Corporate Officer and General Manager of Department Store Operations of the same company
Jan 2004 General Manager of Toyko Store of the same company
Jan 2006 Director and Corporate Officer and Deputy General Manager of Department Store Operations Headquarters and Executive General Manager of Merchandizing Management Unit of Head Office of the same company
Mar 2010 Director and Corporate Officer of Daimaru, Matsuzakaya Department Stores Co., Ltd.
May 2012 External Director of Parco Co., Ltd. (present)
May 2015 Director and Managing Executive Officer and Senior Executive General Manager of Affiliate Retailing Unit (present) of J. Front Retailing Co., Ltd. (present)
May 2015 Director and Senior Managing Executive Officer (present) of the same company
May 2016 Representative Director of the same company (present)

YOSHIHITO Matsuya
Director
Date of birth: April 13, 1960
Number of the Company’s shares held: 3,400

Apr 1979 Joined The Daimaru, Inc.
Mar 2000 Senior Manager of Preparatory Office for Opening Subsidiary Store of Department Store Operations Headquarters of Group Headquarters of the same company
Jan 2008 General Manager of Toyko Store of the same company
May 2008 Corporate Officer and Senior Manager of Toyko Store of the same company
Jan 2010 Director and General Manager of Sales Headquarters of Department Store Operations Headquarters of Group Headquarters of the same company
Mar 2010 Corporate Officer and Senior General Manager of Department Store Operations Headquarters of Group Headquarters of the same company
Apr 2013 President and Representative Director of the same company (present)

MAKIYAMA Kozo
Director
Date of birth: August 28, 1964
Number of the Company’s shares held: 3,780

Mar 1983 Joined Parco Co., Ltd.
Mar 2004 Executive Officer and Executive General Manager of Store Operation Division of the same company
Mar 2007 Managing Executive Officer and Executive General Manager of Department Store Operations Division of the same company
Mar 2008 Senior Executive Officer and Senior Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Store Management of the same company
Mar 2008 Director and Senior Executive Officer of the same company
Mar 2009 Supervisor of Store Operation Division of the same company
Mar 2010 in Charge of Store Management of the same company
Mar 2011 in Charge of Business Management of the same company
May 2011 Director and President and Representative Executive Officer of the same company (present)
May 2013 Director of J. Front Retailing Co., Ltd. (present)

FUJIO Haruyoshi
Director and Managing General Manager
Date of birth: March 10, 1961
Number of the Company’s shares held: 3,800

Mar 1976 Joined Matsuzakaya Co., Ltd.
Mar 2006 Executive Officer of the same company
Mar 2006 Managing Executive Officer of the same company
Jan 2009 Director and Executive Officer of the same company
Mar 2010 Director and Corporate Officer of Daimaru, Matsuzakaya Department Stores Co., Ltd.
May 2012 Director and Managing Executive Officer of the same company
May 2015 Director of J. Front Retailing Co., Ltd. (present)
May 2015 Managing Executive Officer of the same company (present)

DOI Zenichi
Director and Managing Executive Officer
Date of birth: September 19, 1963
Number of the Company’s shares held: 31,008

Jun 1983 Joined Kiihara International
Jun 1987 Joined Lion & Company, Inc.
Aug 1988 Ph.D. in Business Administration of National Graduate School of Public Policy (present)
Jun 1990 Further of the same company
May 1995 Member of the Board of Kirin Brewery Co., Ltd. (present)
Sep 2000 Managing Director of Kirin Brewery Co., Ltd. and U.S. Kirin Brewery Co., Ltd. (present)
May 2001 President and Representative Director of Kirin Brewery Co., Ltd. and Member of the Board of Kirin Brewery Co., Ltd. (present)
Sep 2007 President and Representative Director of Kirin Brewery Co., Ltd. (present)
May 2009 President and Representative Director of Kirin Brewery Co., Ltd. and Member of the Board of Kirin Brewery Co., Ltd. (present)
Mar 2010 Outside Director of Bridgestone Corporation (present)
Jul 2012 President and Representative Director of Kirin Brewery Co., Ltd. (present)
Oct 2011 Asia Pacific Senior Advisor of Kirin Brewery International
Nov 2011 Outside Director of Aizumono Co., Ltd. (present)
May 2012 Outside Director of J. Front Retailing Co., Ltd. (present)
Jun 2013 Outside Director of Mitsukoshi Corporation (present)

WAKABAYASHI Hayato
Director and Executive Officer
Date of birth: August 31, 1961
Number of the Company’s shares held: 3,580

Jun 1985 Joined Matsuzakaya Electric Co., Ltd. (present Panasonic Corporation)
Apr 1998 President of Panasonic Financial Center Malaysia Co., Ltd.
Apr 2007 Director and Chief Executive Officer of Matsuzakaya Electric (China) Co., Ltd. (present)
Feb 2009 Managing Director and Representative Director of Panasonic Malaysia (present)
Jun 2013 Member of the Board of Panasonic Corporation (present)
Jul 2013 Managing Director of Panasonic & R & D Group of Corporate Strategy Division and Panasonic Finance (present) (Leader (present) of Panasonic Corporation)
May 2016 Retired from the same company
May 2015 Joined J. Front Retailing Co., Ltd.
Sep 2015 Executive Director of the same company (present)
May 2016 Director of the same company (present)

TACHIBANA FUKUSUKI Salio
Outside Director
Date of birth: September 18, 1949
Number of the Company’s shares held: 2,280

OITA Yoshihiko
Outside Director
Date of birth: September 28, 1941
Number of the Company’s shares held: 4,730
Corporate Profile

Company name: J. Front Retailing Co., Ltd.
Main store: 10-1, Ginza 6-chome, Chuuo-ku, Tokyo
Office: 1-1, Yaesu 2-chome, Chuuo-ku, Tokyo
Established: September 3, 2007
Capital: ¥30,000 million
The Group’s business lines: 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: 7,038 (as of February 29, 2016)
URL: http://www.j-front-retailing.com/

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

Audit & Supervisory Board Members and Executive Officers

OCHI Bunshiro
Audit & Supervisory Board Member
Born: January 25, 1957
Number of the Company’s shares: 8,928

Apr 1980: Joined The Daimaru, Inc.
Mar 1994: Manager in charge of Personnel and Recruitment of Personnel Division of Kyoto Store of the same company
Jun 2001: Manager in charge of Human Resources of Business Management Division of Head Office (or charge of Umeda Store) of the same company
Mar 2003: Division Manager of Business Central Division of Group Headquarters (in charge of Kyoto Store) and Assistant to General Manager of Kyoto Store of the same company
Mar 2011: Director and Senior Executive General Manager of Administration Unit of The Hakata Daimaru, Inc.
May 2015: Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)

KSUTA Rokuro
Outside Audit & Supervisory Board Member
Born: June 13, 1943
Number of the Company’s shares: 200

Apr 1970: Public Prosecutor of Tokyo District Public Prosecution Office
Apr 2006: Supervising Prosecutor of Nago High Public Prosecution Office
Jun 2006: Retired from the same office
Jul 2006: Registered as lawyer at law
Oct 2006: Professor at Chiba University Law School
May 2007: Outside Audit & Supervisory Board Member of The Daimaru, Inc. (present)
Jun 2007: Outside Director of Tokyu Department Store Co., Ltd. (present 710 Co., Ltd.) (present)
Sep 2007: Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)
Apr 2009: Professor at Soguwaga University Law School
Jun 2010: Outside Audit & Supervisory Board Member of Mitsubishi Chemical Holdings Corporation
Jun 2012: Outside Audit & Supervisory Board Member of SunShine Mitsui Financial Group, Inc. (present)

ISHII Yasuo
Outside Audit & Supervisory Board Member
Born: September 4, 1947
Number of the Company’s shares: 4,533

 Apr 1970: Joined Yamaneuchim Pharmaceuticals Co., Ltd.
 Apr 2006: Director of the Board and Director of Sales & Marketing Division of the same company
 Jun 2006: Member of Board of Directors and Chairman of Yamaneuchim Europe B.V.
 Jun 2003: Director of the Board of Yamaneuchim Pharmaceuticals Co., Ltd.
 Jun 2004: Chairman of Yamaneuchim UK Ltd. and Chairman of Yamaneuchim Europe B.V.
 Jul 2003: Managing Director of the Board of Yamaneuchim Pharmaceuticals Co., Ltd.
 Jun 2004: Senior Corporate Executive of Astellas Pharma Inc., and Chairman & CEO of Astellas Pharma Europe Ltd.
 Jul 2008: Executive Global Head and Representative Director of Astellas Pharma Inc.
 Jun 2011: Vice Chief Officer and Representative Director of the same company
 Jun 2013: Retired from the same office
 May 2015: Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)

NISHIKAWA Koichiro
Outside Audit & Supervisory Board Member
Born: July 15, 1947
Number of the Company’s shares: 290

Apr 1970: Joined Hitachi, Ltd.
Aug 1995: Vice President of Hitachi America, Ltd.
Jun 2001: Managing Officer and General Manager of Global Business Development Division of Hitachi, Ltd.
Apr 2003: President and Manager of Business Development Division of the same company
Jan 2006: Vice President and Executive Officer in charge of Business Development of the same company
Apr 2007: Senior Vice President and Executive Officer in charge of Business Development of the same company
Apr 2010: Senior Vice President and Executive Officer of Hitachi Cable, Ltd.
Aug 2012: Senior Advisor of Hitachi Research Institute
Mar 2013: Retired from the same office
May 2014: Outside Director of Inoue Nihon Kikai Co., Ltd. (present)
May 2015: Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)

Executive Officers

IMAZU Takahiro
Senior General Manager of Group Management Strategy Promotion, Management Strategy Unit

Makita Takayuki
Senior General Manager of Corporate Governance Promotion, Management Strategy Unit

TADATSU Takehiko
Executive Officer and Group General Manager of Corporate Governance Promotion Division, Hitachi Chemical Corporation

ARISAWA Hisashi
Senior General Manager of Affiliated Business, Affiliated Business Unit

TSUTSUMI Hiroyuki
Senior General Manager of Finance and Accounting, Financial Strategy Unit

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# Group Information

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Group Companies

Department Store Business

Daimaru Matsuzakaya Department Stores Co., Ltd.
• Location: 18-11, Kitagata 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, Shinsaibashi-ku 1-chome, Chuo-ku, Osaka 542-8501
• Phone: +81-6-6271-1231 • Opened (Present location): November 1726

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

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

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

Daimaru Suma Store
• Location: 2-4, Nakaokai 2-chome, Suma-ku, Kobe, Hyogo 654-0154
• Phone: +81-78-829-8111 • Opened: March 1980

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

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

Daimaru Parco Store
• Location: 15-1, Takehana Takeno-cho, Nishinomiya-ku, Akashi, Hyogo 690-8560
• Phone: +81-54-254-1111 • Opened: November 1993

Matsuzakaya Shizuoka Store
• Location: 10-2, Miyuki-cho, Aoi-ku, Shizuoka 420-8560
• Phone: +81-54-254-1111 • Opened: November 1993

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: +81-565-67-1111 • Opened: October 2001

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

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

Kochi Daimaru Co., Ltd.
• Location: 6-1, Obiyamachi 1-chome, Kochi 780-8566
• Phone: +81-88-422-5111 • Capital: ¥300 million • Investment ratio: 100%
http://www.kochi-daimaru.co.jp/

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

Parco Business

Parco Co., Ltd. (Shopping complex business)
• Location: Shibuya First Place Bldg, 8-16, Shinshо-cho, Shibuyaku, 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: $815 million • Investment ratio: 64.9%

Neuve A Co., Ltd. (Retail business)
• Location: Shibuya First Place Bldg, 8-16, Shinshо-cho, Shibuyaku, Tokyo 150-0045
• Phone: +81-3-5428-2600 • Capital: ¥490 million • Investment ratio: 64.9%

Parco Space Systems Co., Ltd. (Space engineering and management business)
• Location: Shibuya First Place Bldg, 8-16, Shinshо-cho, Shibuyaku, Tokyo 150-0045
• Phone: +81-3-5459-8811 • Capital: ¥490 million • Investment ratio: 64.9%

Parco-City Co., Ltd. (Internet-related business)
• Location: Shibuya First Place Bldg, 8-16, Shinshо-cho, Shibuyaku, Tokyo 150-0045
• Phone: +81-3-3477-9810 • Capital: ¥10 million • Investment ratio: 64.9%
Wholesale Business

Daimaru Kogyo, Ltd. (Wholesale and import-export business)
- Location: Yushutsu Seni Kaikan, 4-9, Bungomachi 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, Satthorn Square Office Building, 98 North Satthorn, Kwae Siam, Khet Bangtok, Bangkok 10500, Thailand
- Phone: +66-2-163-2903  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, Higashinippori 4-chome, Arakawa-ku, Tokyo 116-0014
- Phone: +81-3-5850-4700  Capital: ¥500 million  Investment ratio: 100%
  http://www.jfr-design.com/

Daimaru Kogyo (Thailand) Co., Ltd. (Import-export business)
- Location: Unit 1902, 19th Floor, Satthorn Square Office Building, 98 North Satthorn, Kwae Siam, Khet Bangtok, Bangkok 10500, Thailand
- Phone: +66-2-163-2903  Capital: THB102 million  Investment ratio: 100%

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-inc.jp/

JFR Office Support Co., Ltd. (Commissioned back-office service)
- Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
- Phone: +81-72-681-7245  Capital: ¥100 million  Investment ratio: 100%

JFR Service Co., Ltd. (Leasing and parking management)
- Location: 2nd Fl., Matsuzakaya Ryutsu Center, 36-20, Higashinippori 4-chome, Arakawa-ku, Tokyo 116-0014
- Phone: +81-3-5615-3317  Capital: ¥100 million  Investment ratio: 100%

JFR Consulting Co., Ltd. (Consulting)
- Location: 18-11, Labo 2-chome, Koto-ku, Tokyo 135-0042
- Phone: +81-3-820-1741  Capital: ¥100 million  Investment ratio: 100%
  http://www.jfr-consulting.jp/

Daimaru Matsuzakaya Sales Associates Co., Ltd. (Commissioned sales agency)
- 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.tomonokai.co.jp/
Daimaru and Matsuzakaya Department Stores

Daimaru Osaka Shinsaibashi (Floor space: 46,490㎡)
*The new main building is scheduled to open in fall 2023.

Daimaru Kyoto (Floor space: 50,830㎡)

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

Daimaru Kobe (Floor space: 50,656㎡)

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

Daimaru Yamashita (Floor space: 4,432㎡)

Shimosenki Daimaru (Floor space: 29,973㎡)

Kochi Daimaru (Floor space: 16,069㎡)

Daimaru Suma (Floor space: 13,076㎡)

Tottori Daimaru (Floor space: 13,637㎡)

Matsuzakaya Nagoya (Floor space: 86,758㎡)

Matsuzakaya Takatsuki (Floor space: 17,387㎡)

Matsuzakaya Toyota (Floor space: 18,220㎡)

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

Matsuzakaya Shizuoka (Floor space: 25,452㎡)

Ginza Area Redevelopment (Commercial facilities are scheduled to open in April 2017)

Overseas Offices and Company

New York Representative Office
52 Vanderbilt Avenue, #304 New York, N.Y. 10017, U.S.A.
Phone: +1-212-681-8725

Shanghai Representative Office
Huaxin Hazin Building 13F Rm-82, 666 Fuzhu Rd, Shanghai 200001, China.
Phone: +86-21-6248-1538

Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.
Huaxin Hazin Building 13F Rm-81, 666 Fuzhu Rd, Shanghai 200001, China.
Phone: +86-21-6248-1538

Paris Representative Office
21 rue Aubert, 75009 Paris, France
Phone: +33-1-4574-2151

Milan Representative Office
Conservatorie 22 Business Center, Via Conservatorie 22, 20122 Milan, Italy
Phone: +39-02-77291

*Subject to change
Parco Stores

Urban complexes

Sapporo Parco
3-11, Nishihaltei, Chikusa, Sapporo, Hokkaido
B1F-1F
Opened: August 24, 1975
www.parco-sapporo.com

Sendai Parco
1-3-1, Chuo, Aoba-ku, Sendai, Miyagi
B1F-6F
Opened: August 23, 2008
www.parco-sendai.com

Shizuoka Parco
6-7, Koyamachi, Aki-ku, Shizuoka
B1F-6F
Opened: March 15, 2007
www.parco-shizuoka.com

Nagoya Parco
3-25-1, Saiwa, Nakaku, 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, Honchou, 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, Tanjincho, Chuo-ku, Fukuoka
Main Building: B1F-4F
New Building: B2F-6F
Opened: March 19, 2010
www.parco-fukuoka.com

Shibuya Parco
15-1, Udagawa-cho, Shibuya-ku, Tokyo
Part 1: B1F-9F
Opened: June 14, 1973
Part 3: B1F-9F
Opened: September 10, 1981
Club Quatre: 4F-5F
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: B3F-8F
Opened: November 23, 1969
P Parco: B3F-8F
Opened: March 10, 1994
www.parco-ikebukuro.com

Community complexes

Utsunomiya Parco
3-1-1, Babado, Utsunomiya, Tochigi
B1F-10F
Opened: March 20, 1987
www.parco-utsunomiya.com

Urawa Parco
151, Higashiasaba-cho, Urawa, Saitama
B1F-1F
Opened: October 10, 2007
www.parco-urawa.com

Chiba Parco
2-2-2, Chuou, Chuo-ku, Chiba
B1F-4F
Opened: December 1, 1976
www.parco-chiba.com

Tsudanuma Parco
3-8-1, Watari-shi, Futabach, Chiba
A Building: B1F-4F
B Building: B1F-4F
Lafayette: B1F-4F
Opened: July 1, 1977
www.parco-tsudanuma.com

Shintokorozawa Parco
1-1-1, Midori-cho, Tokorozawa, Saitama
Parco: B1F-5F
Opened: June 23, 1983
www.parco-shintokorozawa.com

Hibarigaoka Parco
1-1, Hibarigaoka, Nishiohji, Tokyo
B1F-6F
Opened: October 8, 1993
www.parco-hibarigaoka.com

Kichijoji Parco
1-3-1, Kichijoji, Musashino, Tokyo
B1F-9F
Opened: September 21, 1980
www.parco-kichijoji.com

Chofu Parco
1-8-1, Kojimachi, Chofu, Tokyo
B1F-10F
Opened: May 25, 1989
www.parco-chofu.com

Matsumoto Parco
10-30, Chou, Matsumoto, Nagano
B1F-4F
Opened: August 23, 1984
www.parco-matsumoto.com

Otsubo Parco
14-30, Uchidehama, Otsubo, Shiga
1F-4F
Opened: November 2, 1996
www.parco-otsubo.com

Kumamoto Parco
51, Tetsuyocho, Chuo-ku, Kumamoto
B1F-6F
Opened: May 2, 1986
www.parco-kumamoto.com

Zero Gate business

Shinsaibashi Zero Gate
1-3-31, Shinsaibashishita, Chuo-ku, Osaka
B1F-4F
Opened: April 13, 2013

Dotonbori Zero Gate
1-9-32, Dotonbori, Chuo-ku, Osaka
1F-3F
Opened: April 20, 2013

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

Nagoya Zero Gate
3-28, Saiwa, Nagoya, Aichi
Opened: October 10, 2014

Sapporo Zero Gate
3-15-1, Minami 2jo Nishi, Chuo-ku, Sapporo, Hokkaido
B1F-4F
Opened: February 26, 2016

Other store

Pedi Shiodome
1-9-1, Nihachishimbashi, Minato-ku, Tokyo
B3F-1F, 2F
Opened: February 16, 2005
www.pedi-s.com

As of May 31, 2016
### Share Information

#### Status of Shares  (As of February 29, 2016)

- 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: 86,095

<table>
<thead>
<tr>
<th>Major shareholders</th>
<th>Number of shares held (1,000 shares)</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>15,914</td>
<td>6.08</td>
</tr>
<tr>
<td>2 Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>13,583</td>
<td>5.19</td>
</tr>
<tr>
<td>3 Nippon Life Insurance Company</td>
<td>9,828</td>
<td>3.75</td>
</tr>
<tr>
<td>4 Trust &amp; Custody Services, Ltd. (Investment Trust Collateral Account)</td>
<td>7,565</td>
<td>2.89</td>
</tr>
<tr>
<td>5 J. Front Retailing Kyoeki Supplier Shareholding Association</td>
<td>6,318</td>
<td>2.41</td>
</tr>
<tr>
<td>6 The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
<td>6,250</td>
<td>2.38</td>
</tr>
<tr>
<td>7 The Dai-ichi Mutual Life Insurance Company</td>
<td>5,732</td>
<td>2.19</td>
</tr>
<tr>
<td>8 Japan Trustee Services Bank, Ltd. (Trust Account 9)</td>
<td>3,666</td>
<td>1.40</td>
</tr>
<tr>
<td>9 State Street Bank West Client - Treaty 505234 (Standing proxy: Settlement &amp; Clearing Services Division, Mizuho Bank, Ltd.)</td>
<td>3,348</td>
<td>1.28</td>
</tr>
<tr>
<td>10 Japan Trustee Services Bank, Ltd. (Standing proxy: Nomura Securities Co., Ltd.)</td>
<td>3,204</td>
<td>1.22</td>
</tr>
</tbody>
</table>

Note: Shareholding ratio is calculated by deducting treasury stock (6,575,000 shares).

#### Distribution by shareholder type

<table>
<thead>
<tr>
<th>Distribution by shareholder type</th>
<th>Number of shareholders (Persons)</th>
<th>Number of shares (1,000 shares)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government and local public entities</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>81</td>
<td>105,077</td>
<td>39.19</td>
</tr>
<tr>
<td>Financial instruments firms</td>
<td>41</td>
<td>5,534</td>
<td>2.06</td>
</tr>
<tr>
<td>Other companies</td>
<td>816</td>
<td>21,706</td>
<td>8.10</td>
</tr>
<tr>
<td>Foreign companies</td>
<td>497</td>
<td>59,247</td>
<td>22.10</td>
</tr>
<tr>
<td>Individuals and others</td>
<td>84,659</td>
<td>69,980</td>
<td>26.10</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>1</td>
<td>6,575</td>
<td>2.45</td>
</tr>
</tbody>
</table>

![Graph showing distribution of shareholders](image)
J. FRONT RETAILING NOW