

Aiming for
“Multi Service Retailer”

Create and Bring to Life “New Happiness.”



Contents

Editorial policy:

J. Front Retailing Group (the "Group") issued this integrated report in order to provide a deeper understanding of what actions it takes for the 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 2016 (March 1, 2016 through February 28, 2017) but it also contains the latest information available at the time of issue to the extent possible.

Scope:

J. Front Retailing Co., Ltd. and consolidated subsidiaries and some associates accounted for using equity method

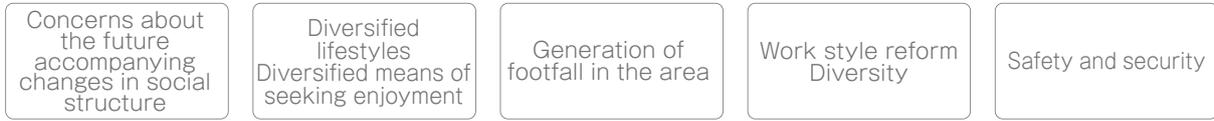
Cautionary statement regarding forward-looking statements:

Forward-looking statements in this integrated 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.

02	Value Creation Process
04	History of the Group
06	Store Network of Daimaru/Matsuzakaya/Parco
08	Financial/Non-financial Highlights
12	Business Overview At a Glance
14	Top Message
16	Top Interview
22	Group Vision
24	FY 2017 to 2021 Medium-term Business Plan
26	Urban Dominant Strategy
32	Innovation of Department Store Business
36	Innovation of Parco Business
38	Expansion of Business Domain
40	Promotion of ICT Strategy
42	Environment/Society/Governance (ESG Information)
56	Interview with Outside Director
58	<Illustration> Major Changes Resulting from Application of IFRS
60	Management / Corporate Data
	■ J. Front Retailing Co., Ltd.
	■ Daimaru Matsuzakaya Department Stores Co. Ltd.
	■ Parco Co., Ltd.
64	Group Companies
66	Daimaru/Matsuzakaya/Parco Store Information
68	Share Information

J. Front Retailing

Social issues we consider important



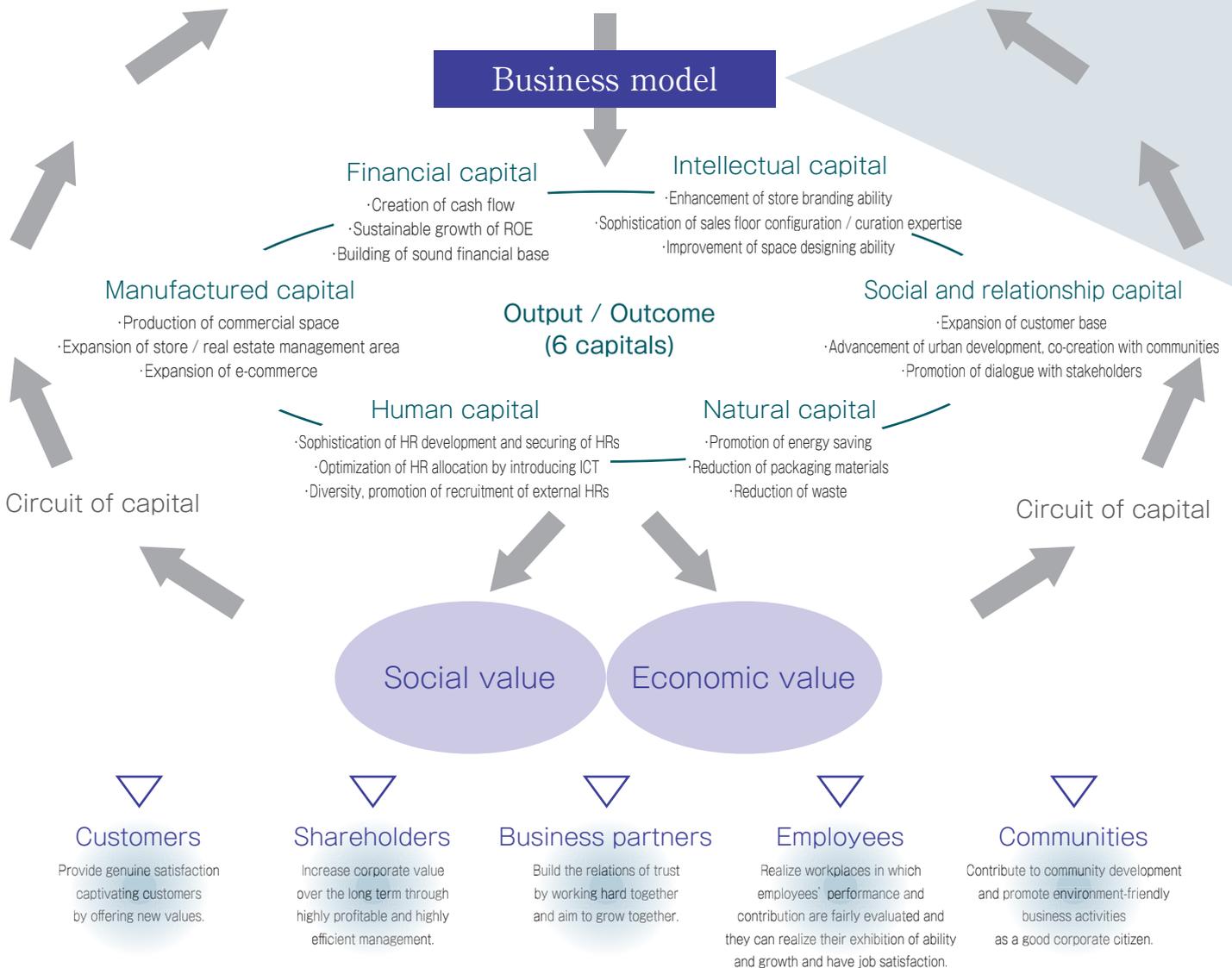
Basic Mission Statement

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.

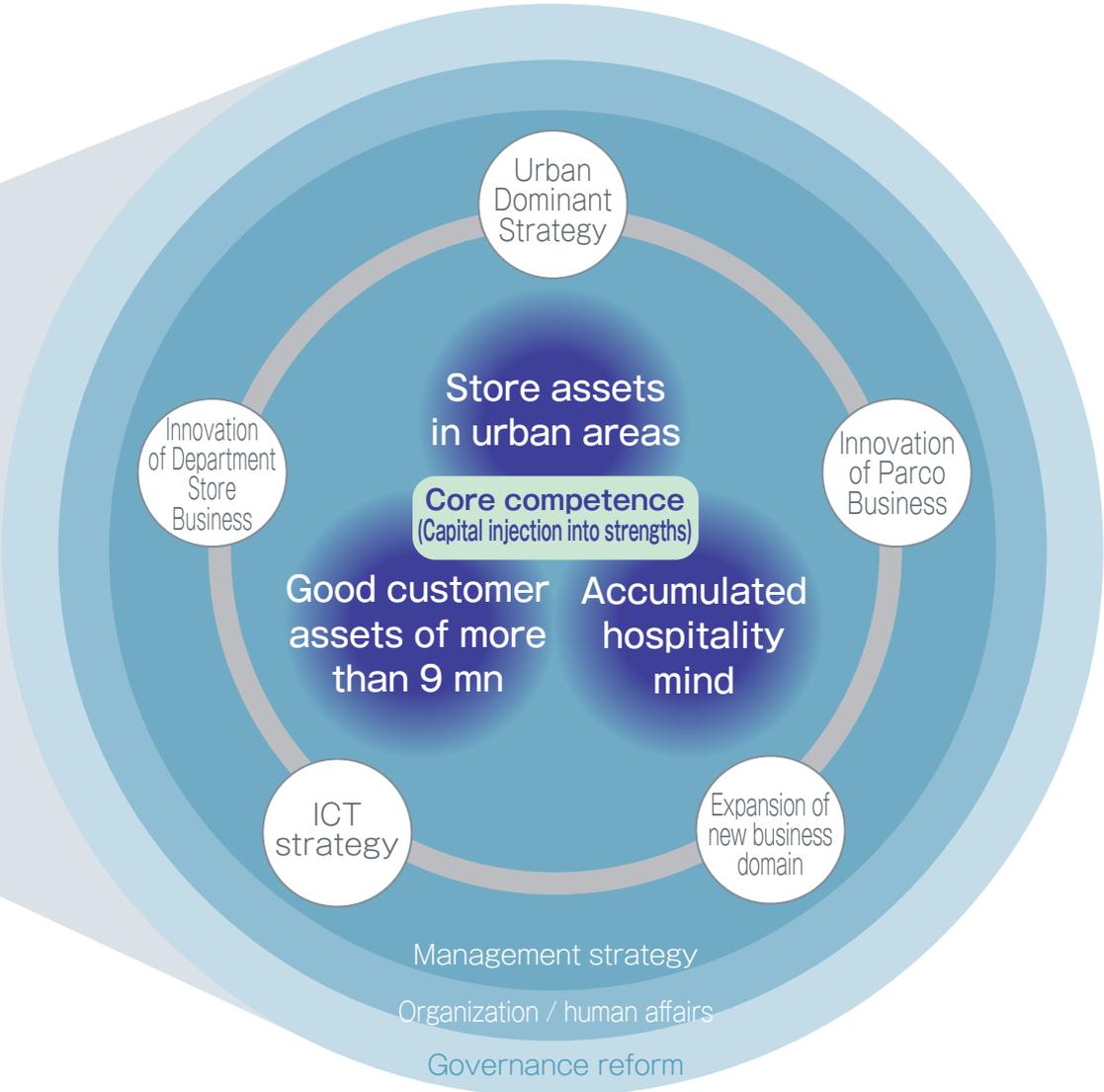
Group Vision

“Create and Bring to Life ‘New Happiness.’”



Value Creation Process

“Multi Service Retailer”
beyond the framework of retailing



Under the Basic Mission Statement and the Group Vision, J. Front Retailing is committed to creating affluent lifestyles with its stakeholders by providing high quality products and services that meet the changing times.

The business activity of J. Front Retailing is to continually create affluent markets, which grow 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 will contribute to society at large as well as aiming at developing the Group.

Blend of Tradition and Innovation — Now the Group Has Entered the “Phase of Structural Change”

J. Front Retailing (the “Company”) is a joint holding company, which was established in September 2007 through the management integration of department store operators The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd.

The histories of Daimaru and Matsuzakaya began respectively when Shimomura Hikoemon Shokei opened a kimono fabric store “Daimonjiya” in Fushimi, Kyoto in 1717 and Ito Genzaemon Sukemichi, a son of Ito Ranmaru Sukehiro who served Oda Nobunaga, opened a kimono fabric and fancy goods wholesale store in

Honmachi, Nagoya in 1611. Daimaru had a mission statement “Service before profit” and that of Matsuzakaya was “Abjure all evil and practice all good.” They can be rephrased as “Customer-first principle” and “Contribution to society” in the language of today. Both companies started as kimono dealers but have changed their business models for as long as 300 and 400 years by responding appropriately to the changing times and grew as department stores.

After management integration, the Company aggressively pursues M&A to

Phase of founding

Phase of business integration and reorganization

2007

The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. integrated management and established J. Front Retailing Co., Ltd.



2008

- Phase I relocation and expansion of Daimaru Tokyo store
- Daimaru Design & Engineering Co., Ltd., Daimaru Mokka Co., Ltd., Matsuzakaya Seiko Co., Ltd. and Benki Japan, Inc. merged into J. Front Design & Construction Co., Ltd.
- Daimaru Credit Service, Inc. was renamed JFR Card Co., Ltd.



2009

- JFR Service Co., Ltd. absorbed Daimaru Lease & Service Co., Ltd.
- The north wing of Daimaru Shinsaibashi store opened
- Matsuzakaya Service Co., Ltd. was renamed JFR Service Co., Ltd.
- Restaurant Peacock Co., Ltd. absorbed Shoel Foods Co., Ltd. to form J. Front Foods Co., Ltd.



2010

- The Daimaru Tomonokai, Inc. absorbed Matsuzakaya Tomonokai Co., Ltd. to form Daimaru Matsuzakaya Tomonokai Co., Ltd.
- J. Front Design & Construction Co., Ltd. absorbed DHU Co., Ltd.
- The Daimaru, Inc. and Matsuzakaya Co., Ltd. merged into Daimaru Matsuzakaya Department Stores Co., Ltd. (“Daimaru Matsuzakaya”)

2011

- Acquired a 49% stake in StylingLife Holdings Inc. and converted it into an equity method associate
- The Daimaru Home Shopping, Inc. took over part of the direct marketing business split off from Daimaru Matsuzakaya and was renamed JFR Online Co. Ltd.

2012

- Phase II expansion of Daimaru Tokyo store
- Dimples’ Co., Ltd. spun off Daimaru Matsuzakaya Sales Associates Co. Ltd.
- Increased a stake in Parco to 65% through TOB and converted it into a consolidated subsidiary
- Jointly established JFR Plaza Inc. with StylingLife Holdings Inc.
- Reached a basic agreement with Shanghai Xin Nan Dong Project Management Co., Ltd. and Shanghai New World Co., Ltd. to provide technical support and cooperation in operating a new department store in Huangpu District, Shanghai, China
- Acquired a 33.2% stake in Parco Co., Ltd. (“Parco”) and converted it into an equity method associate



2013

- Acquired a 70.52% stake in Forest Co., Ltd. and converted it into a consolidated subsidiary
- Sold all shares in Peacock Stores Ltd., a supermarket business, to Aeon Co., Ltd.



September 2007
Established J. Front Retailing



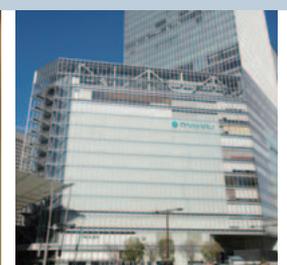
November 2009
North wing of Daimaru Shinsaibashi store opened



March 2011
Larger Daimaru Umeda store opened



August 2012
Converted Parco into a consolidated subsidiary



October 2012
Phase II expansion and opening of Daimaru Tokyo store

expand its business wings for growth. We converted Parco Co., Ltd. and Forest Co., Ltd. into consolidated subsidiaries and StylingLife Holdings Inc. and Senshukai Co., Ltd. into equity method associates to broaden our business as a multifaceted retailer with department stores as our core.

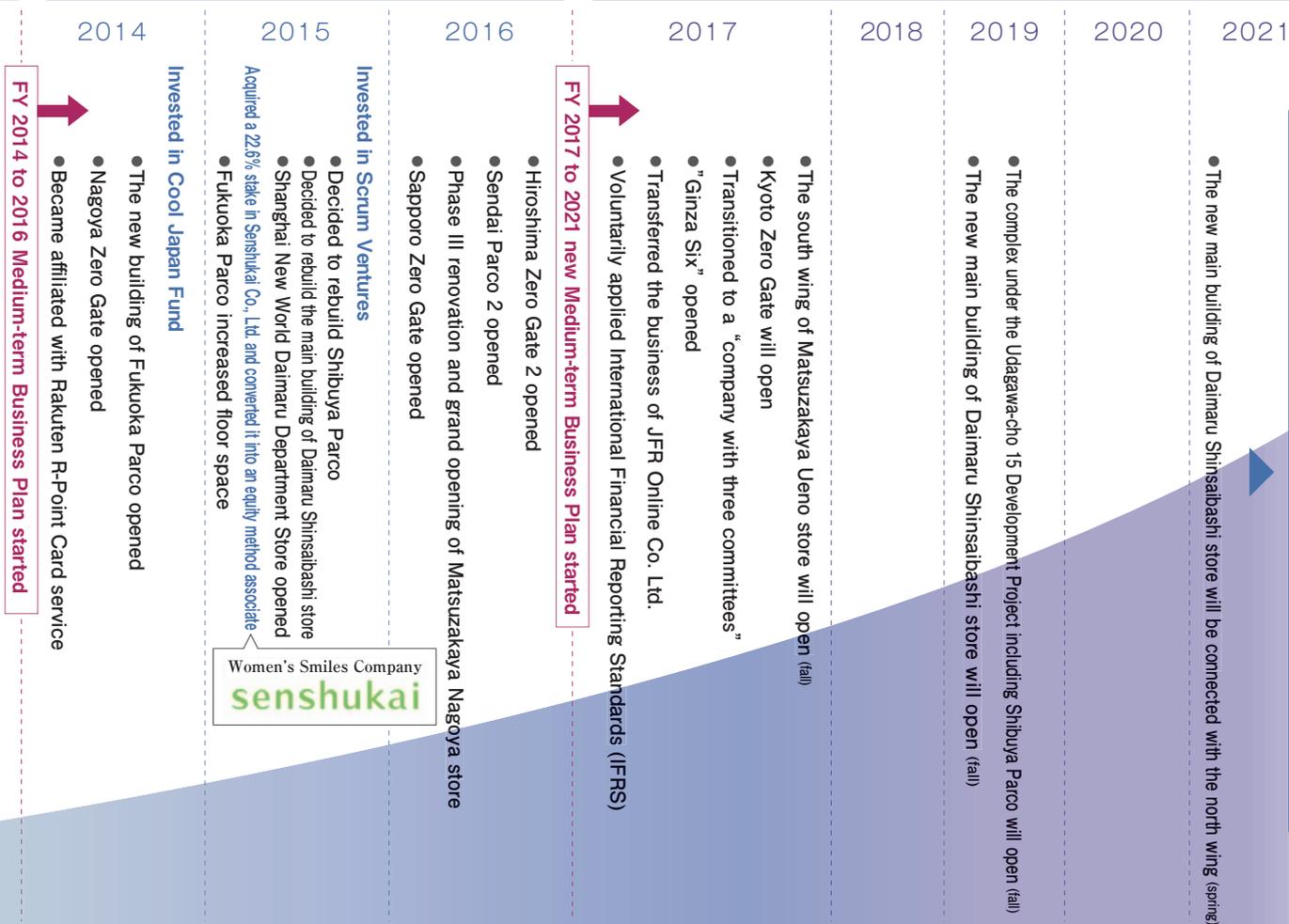
And in the "FY 2017 to 2021 Medium-term Business Plan," we will commit to changing the Group structure as a "Multi Service Retailer" beyond the framework of retail to expand our business domain for discontinuous growth based on the

new Group Vision. With respect to the business portfolio, while growing the core Department Store Business and Parco Business, we will expand the Real Estate Business and other new business areas to increase their shares.

By blending tradition and trust fostered in our long history with innovation and closely supporting customers through our business as an indispensable presence in society, we will aim at further development.

Phase of building a foundation

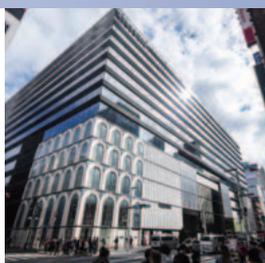
Phase of dramatic growth / Changing the Group structure



Achieve the Group Vision



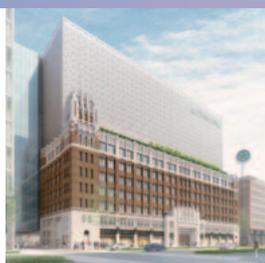
May 2015
Converted Senshukai into an equity method associate



April 2017
Ginza Six opened



Artist's impression
New south wing of Matsuzakaya Ueno store



Artist's impression
New main building of Daimaru Shinsaihashi store



Artist's impression
Shibuya Parco

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.

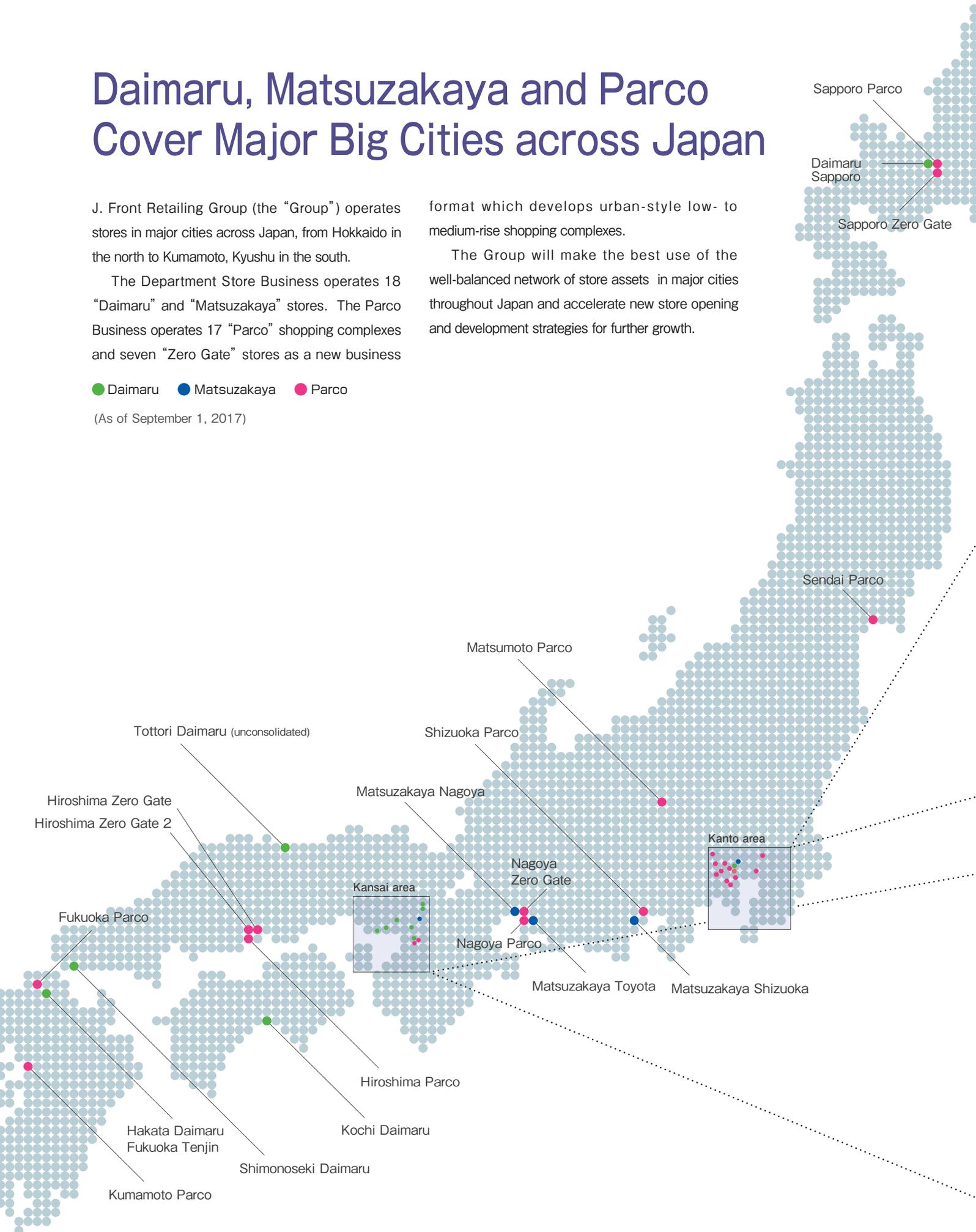
The Department Store Business operates 18 "Daimaru" and "Matsuzakaya" stores. The Parco Business operates 17 "Parco" shopping complexes and seven "Zero Gate" stores as a new business

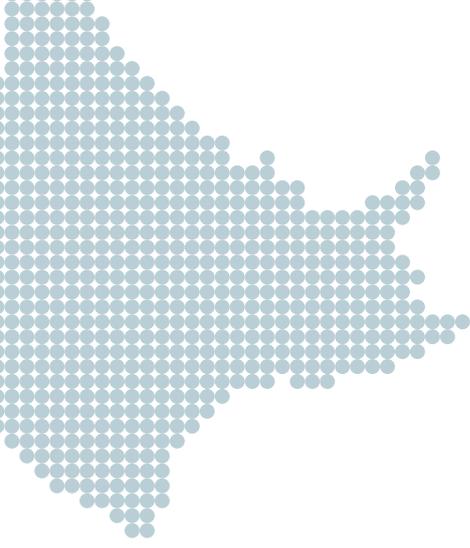
● Daimaru ● Matsuzakaya ● Parco

(As of September 1, 2017)

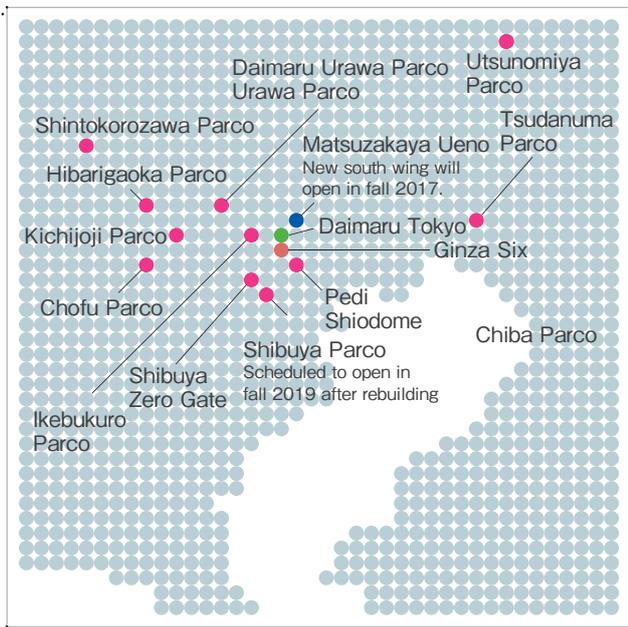
format which develops urban-style low- to medium-rise shopping complexes.

The Group will make the best use of the well-balanced network of store assets throughout Japan and accelerate new store opening and development strategies for further growth.





Kanto area



Ginza Six (Opened in April 2017)

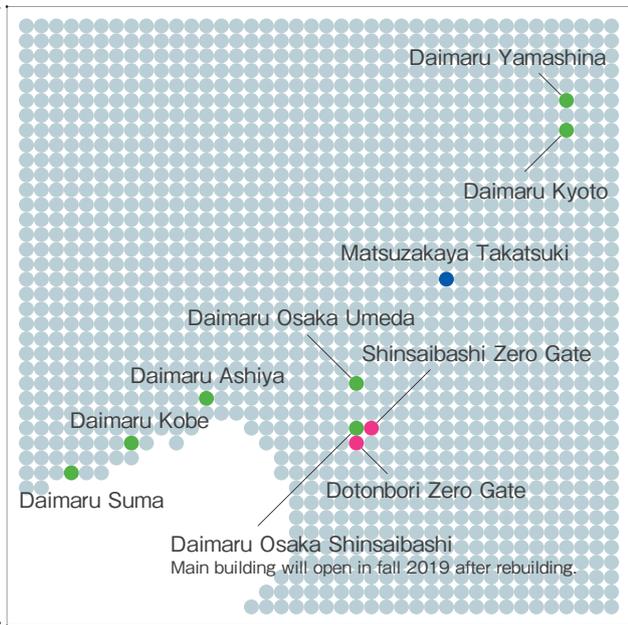


Artist's impression of new south wing of Matsuzakaya Ueno store (New south wing will open in fall 2017.)



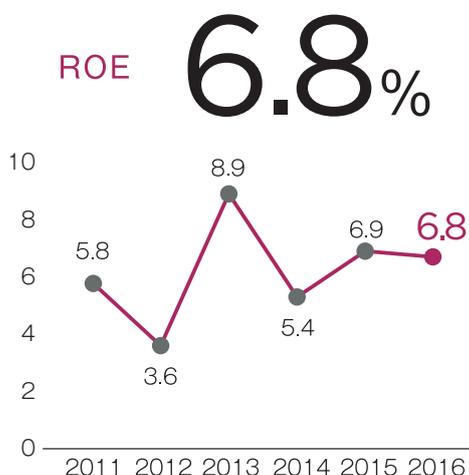
Artist's impression of Udagawa-cho 15 Development including Shibuya Parco (Scheduled to open in fall 2019 after rebuilding)

Kansai area

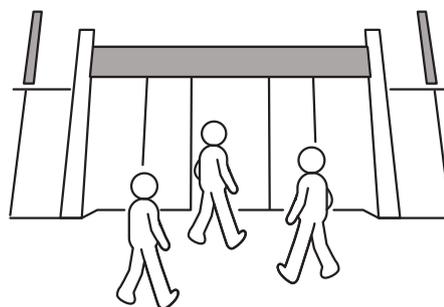


Artist's impression of new main building of Daimaru Shinsaibashi store (Main building will open in fall 2019 after rebuilding.)

Financial/Non-financial Highlights



In the fiscal year ended February 28, 2017, return on equity (ROE) as the most important management indicator was 6.8% due to the efforts to enhance profit level and capital efficiency. We aim to achieve an 8% or higher ROE in FY2021, the final year of the new Medium-term Business Plan.

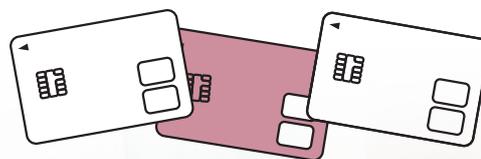


Customer traffic
300
million people

More than 300 million people visited 15 stores directly managed by Daimaru Matsuzakaya Department Stores and 18 Parco stores during the year. It serves as a gauge of their popularity which shows in a quantitative way that our stores are loved by and familiar to local people. (As of the end of February 2017)

Identifiable customers of the Group

9 million people



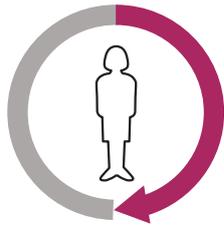
As of the end of February 2017, the Group had more than nine million customers whom it could always contact, including 4.2 million cardholders of Daimaru Matsuzakaya Department Stores and 1.88 million cardholders of Parco, totaling more than six million people, and customers of Senshukai, an equity method associate. These good customer assets are the Group's core competence.

Annual dividend
6th 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.

New employees
in FY2016





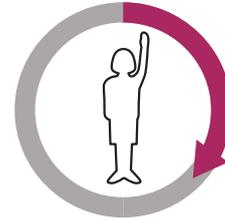
Ratio of female employees
50.2%

The ratio of female employees of Daimaru Matsuzakaya Department Stores was 50.2%, approximately half of total employees, as of the end of February 2017. Various systems in consideration of work-life balance, including the "reduced working hours system for childcare" and "childcare leave system," which were designed beyond the statutory scope, are in place to support female employees.

The ratio of female leaders to total leadership positions of Daimaru Matsuzakaya Department Stores was 32.0% as of March 1, 2017. 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.

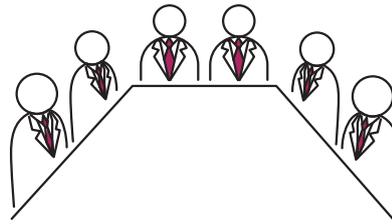
Ratio of female leaders

32.0%



Ratio of Outside Directors
38.5%

The organizational structure transitioned from a company with Audit & Supervisory Board to a company with three committees by a resolution of the annual shareholders meeting held in May 2017. Of 13 Directors, five are Independent Outside Directors. With a stronger outside perspective, we will strengthen governance.



A total of 15 meetings of the Board of Directors were held in the fiscal year ended February 28, 2017. The attendance rate of Outside Directors at these Board meetings was 100%. They generate active discussions with an outside perspective in strengthening the operation of the Board of Directors as a pillar of governance reform.

Outside Directors' attendance rate at the Board
100%

Number of items collected for recycling
256,000 pieces

Daimaru Matsuzakaya Department Stores conducted "Ecoff" recycling campaign once each in summer and winter in 2016. We received from customers nearly 260,000 disused articles including clothing, shoes and bags. The collected items were recycled as energy and fabric.

Reduction of energy consumption

△17.1%

The energy consumption of Department Store Business decreased by 17.1% in energy basic unit in FY2016 compared to FY2010. This is thanks to conversion to LED lighting at stores and various energy saving efforts in back-office sections to reduce CO₂ emissions and prevent global warming.



Financial/Non-financial Highlights

	FY2007	FY2008	FY2009	FY2010
Net sales	1,016,402	1,096,690	982,533	950,102
Rent income	3,181	4,242	4,652	5,962
Gross profit	251,301	269,282	240,211	229,588
Selling, general and administrative expenses (SGA)	211,583	241,189	221,627	209,265
Operating profit	39,717	28,092	18,584	20,323
Ordinary profit	39,812	28,289	19,966	21,092
Profit	20,538	7,170	8,167	8,862
Total assets	805,375	776,616	804,534	775,029
Equity	307,823	307,861	314,494	318,033
Net assets	315,854	316,268	323,506	327,242
Interest-bearing debt	103,042	94,677	125,937	108,658
Cash flows from operating activities	27,796	22,686	22,996	21,270
Cash flows from investing activities	5,792	(11,670)	(40,879)	(8,432)
Cash flows from financing activities	(39,309)	(13,510)	29,212	(23,128)
Capital expenditures	20,063	18,095	59,566	20,020
Depreciation (including cost)	11,301	13,257	13,295	13,610
Per share information [unit: ¥]				
Earnings per share (EPS) ¹	91.48	13.56	15.45	16.76
Book value per share (BPS) ¹	1,163.94	582.27	594.89	601.62
Dividends per share ¹	9.00	16.00	14.00	14.00
Financial indicators [unit: %]				
Gross margin	24.72	24.55	24.45	24.16
SGA ratio	20.8	22.0	22.6	22.0
Operating margin	3.9	2.6	1.9	2.1
Return on equity (ROE)	6.7	2.3	2.6	2.8
Return on assets (ROA)	4.9	3.6	2.4	2.6
Return on investment (ROI)	9.7	7.0	4.7	4.9
Equity ratio	38.2	39.6	39.1	41.0
Dividend payout ratio	19.4	59.0	45.3	41.8
Non-financial indicators				
Number of employees (consolidated) [persons]	17,524	16,873	15,431	14,307
Ratio of female employees (Daimaru Matsuzakaya ¹) (%)	41.6	42.6	43.5	44.7
Ratio of female leaders [%] ²	30.3	30.8	26.2	26.3
Number of re-employed workers (Daimaru Matsuzakaya) [persons] ³	316	337	307	332
Department store sales floor area (directly managed stores) [㎡]	541,546	541,546	570,117	549,739
Parco sales floor area [㎡]	425,600	447,500	444,500	454,000
Customer traffic (Daimaru Matsuzakaya) [1,000 persons]	—	—	—	224,242
Average spend per customer (Daimaru Matsuzakaya) [¥]	—	—	—	3,842
Number of cards issued by Daimaru Matsuzakaya [1,000 cards]	3,943	4,307	3,872	4,056
Number of holders of cards issued by Parco [1,000 persons]	1,542	1,564	1,574	1,618
GHG (CO ₂) emissions (CO ₂ -t) ⁴	—	—	—	166,801
Energy consumption [kl (crude oil equivalent)] ⁵	—	—	—	98,013
Packaging material consumption (t) ⁶	—	—	—	2,574
Waste disposal (t) ⁷	—	—	—	10,803
Food waste disposal (t) ⁸	—	—	—	2,517

¹The 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 FY2007.

²Up to FY2012: total numbers of general managers, managers, buyers, team leaders and assistant buyers of Daimaru Matsuzakaya

FY2013 and after: total numbers of general managers, managers, submanagers, buyers and team leaders of Daimaru Matsuzakaya and DMSA* and supervisors and section leaders of DMSA

³Daimaru Matsuzakaya has introduced a transfer system for employees aged 55 and above in September 2013.

Millions of yen (except where otherwise indicated)

FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
941,415	1,092,756	1,146,319	1,149,529	1,163,564	1,108,512
6,961	9,076	10,195	10,727	12,094	13,547
226,646	245,615	244,130	293,739	245,532	234,785
205,052	214,757	202,313	201,572	197,494	190,205
21,594	30,857	41,816	42,167	48,038	44,580
22,941	32,202	40,502	40,480	47,910	44,425
18,804	12,183	31,568	19,967	26,313	26,950
767,543	1,009,165	998,730	1,018,495	1,019,146	1,050,109
332,917	341,318	370,173	375,886	383,699	406,336
342,561	390,667	422,215	430,260	440,594	465,839
106,025	213,085	187,950	168,458	180,922	187,799
24,365	26,025	37,532	44,650	36,799	36,239
(26,781)	(73,977)	(8,858)	(16,272)	(39,741)	(30,353)
(6,872)	58,275	(32,027)	(27,587)	(1,041)	(2,189)
19,246	19,038	52,758	24,277	37,110	44,999
13,347	16,482	17,698	17,963	18,345	17,189
71.15	46.11	119.55	75.66	100.42	103.04
1,259.60	1,292.36	1,402.53	1,424.28	1,467.05	1,553.60
16.00	18.00	22.00	25.00	27.00	28.00
24.08	22.48	21.30	21.20	21.10	21.18
21.8	19.7	17.6	17.5	17.0	17.2
2.6	2.8	3.6	3.7	4.1	4.0
5.8	3.6	8.9	5.4	6.9	6.8
2.8	3.5	4.2	4.2	4.7	4.3
5.3	6.5	7.3	7.3	8.6	7.7
43.4	33.8	37.1	36.9	37.6	38.7
22.5	39.0	18.4	33.1	26.9	27.2
13,413	14,838	11,561	11,149	11,023	10,732
45.9	44.8	48.5	48.9	49.9	50.2
19.0	15.7	24.6	27.7	28.1	32.0
282	264	156	57	65	54
573,323	569,137	543,785	529,460	498,460	498,460
443,000	442,600	442,600	451,000	456,000	409,000
236,876	246,764	237,647	220,411	207,512	197,250
3,797	3,838	4,107	4,215	4,414	4,420
4,365	4,580	4,659	4,595	4,217	4,062
1,612	1,614	1,643	1,754	1,885	1,990
151,341	156,843	168,825	167,613	167,189	157,575
98,128	93,338	88,027	81,666	80,009	75,934
2,627	2,669	2,978	2,682	2,553	2,412
11,004	10,797	10,456	9,205	8,198	8,256
2,327	2,109	1,955	1,718	1,527	1,826

⁴⁻⁸Total of Daimaru Matsuzakaya, Hakata Daimaru, Shimonoseki Daimaru, Kochi Daimaru and Tottori Daimaru

⁵Energy consumption is the crude oil equivalent of the total consumption of electricity, gas, gasoline, light/heavy oil, etc. (unit: kiloliter).

⁶Packaging material consumption is the weights of wrapping paper, shopping bags, plastic bags for food products, etc. (unit: ton).

⁷Waste disposal is the weights after subtracting the weights of waste recycled from the total weights of waste generated incl. general waste, raw garbage and industrial waste (unit: ton).

⁸Food waste disposal is included in waste disposal.

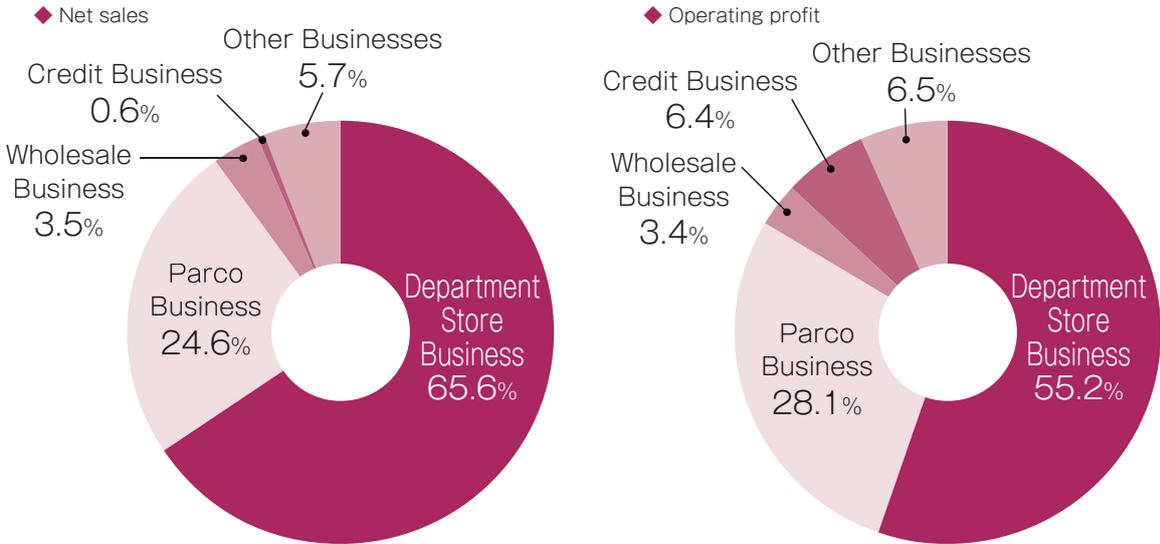
*Daimaru Matsuzakaya: Daimaru Matsuzakaya Department Stores / DMSA: Daimaru Matsuzakaya Sales Associates

Business Overview (FY2016)

At a Glance

In the fiscal year ended February 28, 2017, consolidated net sales were ¥1,108.5 billion, down 4.7% year on year, consolidated operating profit decreased by 7.2% from a year earlier to ¥44.5 billion, and consolidated profit increased by 2.4% over the previous year to ¥26.9 billion. That resulted in an important management indicator ROE of 6.8%.

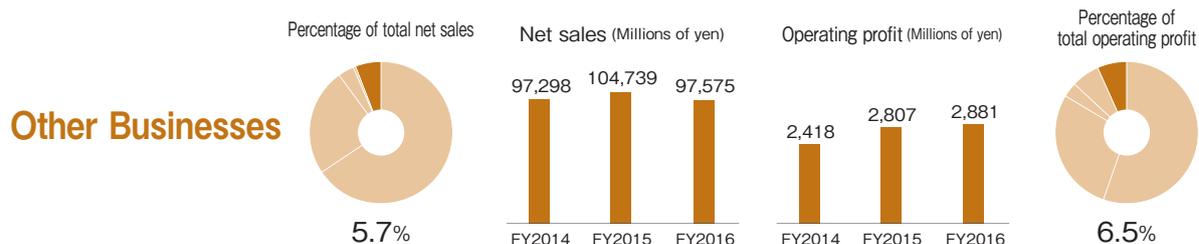
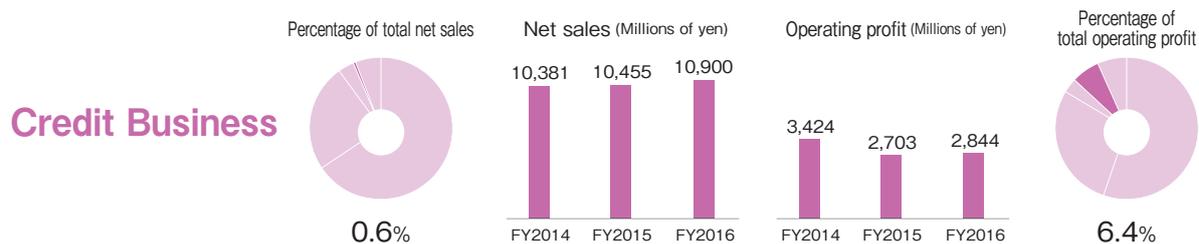
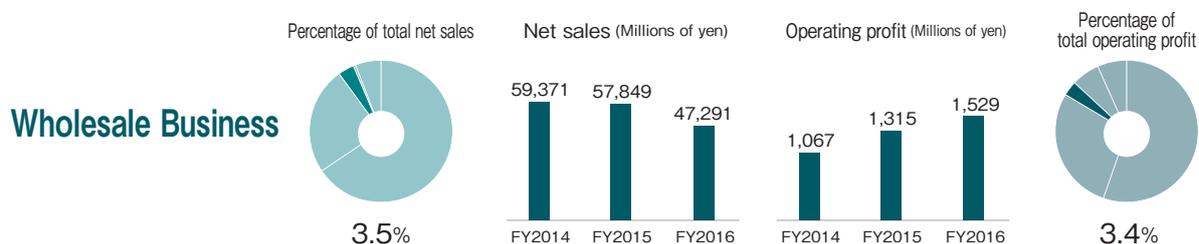
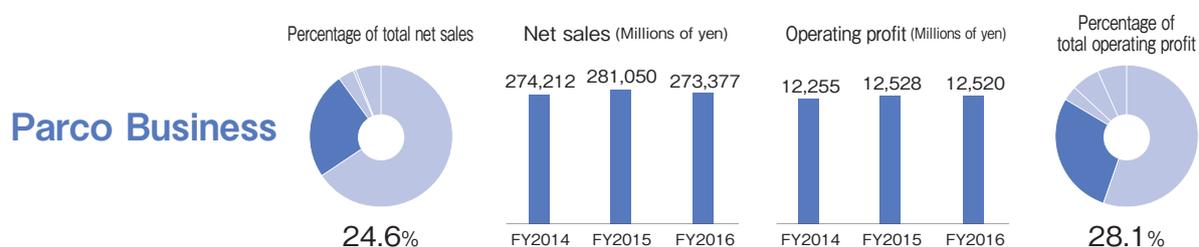
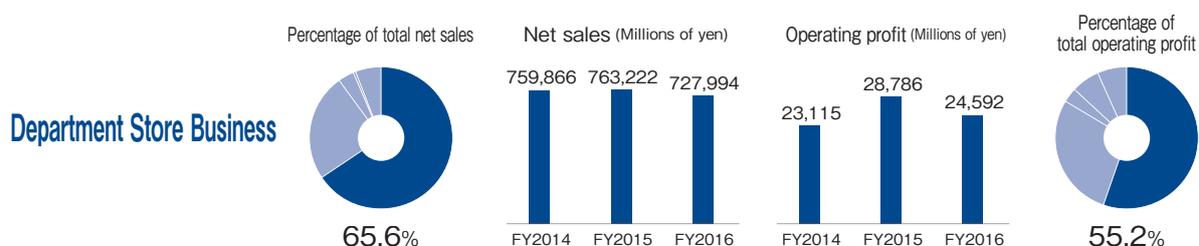
With regard to results by segment, in the Department Store Business, net sales and operating profit decreased by 4.6% and 14.6%, respectively, compared to the previous year partly due to significant decrease in sales floor area of the Shinsaibashi store for the reconstruction of its main building. In the Parco Business, net sales decreased by 2.7% year on year and operating profit slightly declined by 0.5% partly because Shibuya Parco temporarily closed in August for rebuilding and Chiba Parco closed in November. The Credit Business increased net sales and operating profit by 4.3% and 5.2%, respectively. Though the Wholesale Business and Other Businesses decreased net sales, their operating profit was up 16.3% and 2.7%, respectively, due to higher profitability.



<p>Consolidated ROE</p> <p>6.8%</p>	<p>Consolidated ROA</p> <p>4.3%</p>	<p>Consolidated operating margin</p> <p>4.0%</p>
<p>EPS</p> <p>¥103.04</p>	<p>Consolidated dividend payout ratio</p> <p>27.2%</p>	<p>Equity ratio</p> <p>38.7%</p>

Net sales and operating profit

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



*From FY2017, the Group has designated "Department Store Business," "Parco Business," "Real Estate Business" and "Credit and Finance Business" as reportable segments to highlight its focus on the Real Estate Business. The "Wholesale Business" has been included in "Other."



We Will Greatly Change the Group's Business Structure for "Discontinuous Growth."

YAMAMOTO Ryoichi

Director, President and Representative Executive Officer, J. Front Retailing Co., Ltd.

This year marks the 10th anniversary of the establishment of J. Front Retailing (the "Company") and the 300th anniversary of the foundation of Daimaru, a department store chain. It is thanks to support of our stakeholders and we would like to express our sincere appreciation.

We have considered what kinds of roles we will be able to play and how we will be able to contribute to society in anticipation of changes in the environment surrounding us over the next 10 and 20 years. And in hopes of providing new forms of value with respect to "lifestyles" as well as "means of seeking enjoyment," we newly developed the Group Vision phrased as "Create and Bring to Life 'New Happiness.'"

To achieve this vision, with the Medium-term Business Plan starting in this fiscal year as a starting point, we will drastically alter the course of the management to "discontinuous growth," which is not an extension of the past, and promote new initiatives.

The term for the new Medium-term Business Plan is the five years up until fiscal year 2021 when returns from large redevelopment projects we are currently working on will be generated. During the period, we aim at realization of dramatic growth. And by positioning the period as a "phase of the Group's structural change" for discontinuous growth, we will expand our business domain.

That is to say, during the five-year period, the Group will take one step away from its past approach as a multifaceted retailer focusing on retail business to act as a "Multi Service Retailer" expanding into new business fields and realize bold review of its business portfolio.

Specifically, we will expand the Real Estate Business through the

full implementation of the Urban Dominant Strategy for growing with local communities and innovate the business models of the core Department Store Business and Parco Business, which includes the enhancement of ICT compatibility. Furthermore, we will expand our business with a focus on existing businesses with growth potential including credit and finance, staffing service and design and construction. At the same time, we will make forays into new service business fields using our core competence through M&A and alliance.

We have decided to apply the International Financial Reporting Standards (IFRS) from the current fiscal year 2017. The purposes are effective management based on appropriate asset evaluation and business management emphasizing profit for the current period as well as the enhancement of accountability to domestic and overseas investors by improving the international comparability of financial information. At the same time, in order to further strengthen governance, the Company transitioned from a "company with Audit & Supervisory Board" to a "company with three committees" by a resolution of the annual shareholders meeting in May this year.

We think fiscal year 2017 will be a "turning point" to greatly change the Group's course of business. We will commit ourselves to achieving sustainable growth and the medium- to long-term enhancement of corporate value by steadily carrying out the Medium-term Business Plan stated herein so that it will produce visible results. And we will contribute to the development of society and the creation of the future as a public entity of society by "Creating and Bringing to Life 'New Happiness'" to closely support customers.

June 2017

Now the Group Is Facing a “Turning Point.” First of All, Change the Management by Implementing Governance Reform.



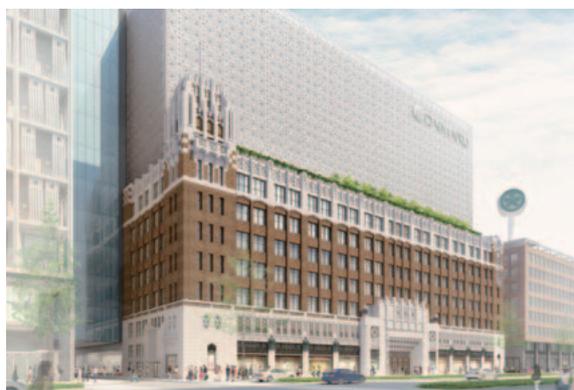
YAMAMOTO Ryoichi

Director, President and Representative Executive Officer

Would you explain about an overview of business results for fiscal year 2016?

Consolidated net sales of J. Front Retailing were ¥1,108.5 billion, down 4.7% year on year. Consolidated operating profit, consolidated ordinary profit and consolidated profit were ¥44.5 billion, down 7.2% year on year, ¥44.4 billion, down 7.3% year on year, and ¥26.9 billion, up 2.4% year on year, respectively. As a result, ROE, which we define as an important management indicator, was 6.8%.

Looking at results by segment, the Department Store Business was affected by significant reduction in sales floor area of the Shinsaibashi store for the reconstruction of its main building, and in downtown stores, sales to Japanese affluent customers and duty-free sales to foreign tourists, which had driven sales, were considerably sluggish in the first half of the fiscal year due to steep fall in stock prices and exchange rate fluctuations. After the U.S. presidential election in November, in reversal, stock prices rose and the yen weakened. Accordingly, the consumption of Japanese affluent customers and foreign tourists recovered sharply. On the other hand, at suburban stores, sales mainly of clothing remained sluggish. As a result, net sales were down 4.6% year on year and operating profit was down 14.6%.



Artist's impression of main building of Daimaru Shinsaibashi store

As for the Parco Business, while sales were boosted by the new opening of Sendai Parco 2 in July, Shibuya Parco temporarily closed in August for rebuilding and Chiba Parco closed in November. As a result, compared to the previous year, net sales decreased by 2.7% and operating profit slightly declined by 0.5%.

The Credit Business increased net sales by 4.3% and operating profit by 5.2%. The Wholesale Business and Other Businesses decreased net sales but increased operating profit by 16.3% and 2.7%, respectively, due to higher profitability.

We paid a year-end dividend of ¥14 per share as planned. The annual dividend including the interim dividend of ¥14 was ¥28 per share, up ¥1 year on year, marking the sixth consecutive year of increase.

The previous three-year Medium-term Plan was completed in fiscal year 2016. Would you look back at its outcome?

Positioning the Medium-term Business Plan for fiscal years 2014 to 2016 as a “phase of building a foundation” for dramatic growth in the future, the Company committed to strengthening its business.

With regard to the Department Store Business as a core existing business, in order to build a new department store model, the Nagoya store conducted a massive renovation in three phases, while each store reduced bloated women’s clothing area to the right size and started to introduce new categories and curated areas. In terms of low cost operation, SGA ratio reached a level below 20% due to human resource restructuring.

The Parco Business steadily expanded management floor area by increasing the floor area of Fukuoka Parco, opening Sendai Parco 2 and three Zero Gate stores.



Ginza Six



Fukuoka Parco



Artist's impression of new south wing of Matsuzakaya Ueno store



Artist's impression of Shibuya Parco

With regard to the “Urban Dominant Strategy,” we implemented four big redevelopment projects, including the opening of a new commercial complex Ginza Six, the rebuilding of the south wing of the Ueno store, the rebuilding of the main building of the Shinsaibashi store and the rebuilding of Shibuya Parco, to make real estates profitable.

We also aggressively addressed corporate governance reform by strengthening the operation of the Board of Directors and holding the meetings of the “Governance Committee.” In order to further strengthen governance, we decided to transition from a “company with Audit & Supervisory Board” to a “company with three committees.”

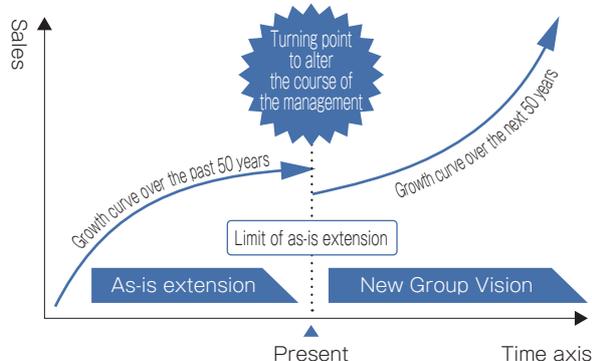
As for numerical results, however, consolidated operating profit, consolidated operating margin and consolidated ROA, all of which we position as important indicators, were below the target. Consolidated ROA was above the original target. But it was boosted by reversal of deferred tax liabilities due to reduction of corporate income tax rate, and in real terms excluding this factor, it stayed at the planned level.

What problems newly emerged?

The biggest cause for the failure to meet the target was a lack of responsiveness to environmental changes. In addition to that, we recognize that the Group's business structure overly dependent on the Department Store Business is a significant challenge. Furthermore, it cannot be denied that we are slow to respond to advanced technologies and fundamentally lack the ability to collect information or the sensitivity to information.

The environment surrounding consumption is changing faster than before. It is difficult to say that we, as a retail business group mainly consisting of department stores and Parco, can respond to such changes quickly and sufficiently. And our achievements during the three years of the Medium-term Business Plan did not reach a satisfactory level both quantitatively and qualitatively. If we remain as we are, we will not be able to maintain the status quo let alone respond to changes. It is inevitable that growth will reach its limit. We have increased our awareness that the Group is facing a big "turning point" now.

◆ Illustrative curve for "discontinuous growth"



Therefore, considering what kinds of roles we will be able to play and how we will be able to contribute to society in

anticipation of changes in the environment surrounding us over the next 10 and 20 years and in order to provide new forms of value with respect to "lifestyles" as well as "means of seeking enjoyment," we newly developed the Group Vision phrased as "Create and Bring to Life 'New Happiness.'"

To achieve this vision, with the Medium-term Business Plan starting in this fiscal year as a "starting point," we will drastically alter the course of the management to "discontinuous growth," which is not an extension of the past, and promote new initiatives.

What is the main aim of the new Medium-term Plan?

The term for the new Medium-term Business Plan is the five years up until fiscal year 2021 when returns from large redevelopment projects we are currently working on will be generated. During the period, we aim at realization of dramatic growth. And by positioning the period as a "phase of the Group's structural change" for discontinuous growth, we will expand our business domain.

That is to say, during the five-year period, the Group will take one step away from its past approach as a multifaceted retailer focusing on retail business to act as a "Multi Service Retailer" expanding into new business fields and realize bold review of its business portfolio.

Specifically, we will strengthen our business by expanding the Real Estate Business through the full implementation of the Urban Dominant Strategy, innovating the core Department Store Business and Parco Business, entering new businesses and promoting ICT strategy, and at the same time, we will tackle business operation reform and governance reform, which support these initiatives.

By steadily carrying them out so as to generate positive results, we aim to increase IFRS-based consolidated operating profit by

¥14.2 billion compared to fiscal year 2016 to ¥56 billion and achieve consolidated ROE of 8% or higher in fiscal year 2021, which is the final year of the Medium-term Plan.

Over these five years, we aim to achieve operating cash flow of more than ¥260 billion, and from the amount, we would like to allocate ¥200 billion to capital investment and growth investment to innovate existing businesses and transform our business portfolio. With regard to investment recovery, we set determination methods and quantitative criteria by type of case, e.g. the payback period method for store renovation, the NPV method for development investment and the DCF method for M&A, and add qualitative criteria such as business strategy and regional contribution so that we can determine in a comprehensive manner.

**Ginza Six opened at last.
How will you develop the
“‘Urban Dominant Strategy’ for
growing with local communities,”
which is represented by this project?**

Four big redevelopment projects in Ginza, Ueno, Shinsaibashi and Shibuya, which were launched in the previous Medium-term Plan, bloomed or will bloom one by one as new commercial complexes during the period of the current Medium-term Business Plan, drawing new crowds to these areas as well as greatly contributing to revenue.

First of all, Ginza Six has commercial space consisting of 241 brands, 122 brands of which are positioned as flagship stores. It was born as an innovative luxury mall without any peer not just in Japan but also in the world. The building itself is a mixed-use facility with offices on the 7th to 13th floors and a cultural and

exchange facility “Kanze Nohgakudo” on the 3rd basement floor. It has also a tour bus bay and a rooftop garden, which is open to the region. It can accept stranded people at the time of disaster. Thus the complex contributes to enhancing convenience, amenity and disaster prevention functions in the area. I believe that you can feel a part of the “discontinuous growth” at which the Company aims.

The new south wing of the Ueno store, which is scheduled to open this fall, will be a commercial complex with Parco on the 1st to 6th floors, a cinema complex on the 7th to 10th floors and sophisticated offices on the 12th to 22th floors. Parco in the south wing is conscious of slightly older people as its target as well as its existing target customers. Therefore, we think that it will contribute to tapping a new market in the area. In fall 2019, the new main building of the Daimaru Shinsaibashi store and new Shibuya Parco are scheduled to open.

In addition to these big redevelopment projects, using our “advantage” of operating stores in good downtown locations, we will expand our real estate management floor area mainly around existing department stores in Shinsaibashi, Kobe and Ueno in cooperation with Parco through the development of our own properties and the lease and acquisition of external properties. We will create bustle by developing real estates around existing stores with existing stores at the core and establishing dominance as the Group in the areas. And we will return such bustle to existing stores again for their own growth.



Ginza Six (Opening day)



This year marks the 10th anniversary of J. Front Retailing and the 300th anniversary of the foundation of Daimaru, a department store chain.

These milestones are exactly the “turning point.”

We will carve out a new future not by remaining as we are but through “discontinuous growth.” This direction provided by the Group does not deny the “tradition” fostered in the long histories of 300 years of Daimaru and over 400 years of Matsuzakaya. Or rather, by capitalizing on our strengths such as “tradition” and “trust,” which it is not easy to acquire, and blending “innovation” into them, we will strive to “create a new business group,” which is inimitable anywhere in the world.

Both Daimaru and Matsuzakaya started as kimono dealers. It is only because they have responded appropriately to the changing times that they could overcome many crises and continue to develop up to today. Consumption will significantly change in line with unavoidable great changes in social structure such as population decline and an aging population with fewer children. Consumers are expected to hold their purse strings more tightly and consumption in general and consumption by a single person will be increasingly polarized. In terms of the quality of consumption, we will see a stronger shift from “product-based consumption” to “service-based consumption” or “experience-based consumption.” ICT will also be increasingly applied. As for new movements, we need to pay close attention to the “sharing economy,” in which people borrow or lend products, places, techniques and others. Now is the time for us to respond to these unprecedented great changes in society and we see it as a big turning point for the

Group. I think the DNA, which enables us to respond to these changes, has been passed down to the Group as its strength.

You seem to accelerate governance reform initiatives including a change of the organizational structure and a review of the remuneration system to make it closely linked to performance.

What makes you do so?

In order to respond to changes in the environment surrounding our business, I think we have to speed up decision making to accelerate the cycle of plan and do. Our business will not present any problems if we will be able to survive over the next 50 years by staying the same as past 50 years without taking a risk and taking the challenge of developing new areas. Actually, however, I cannot help be skeptical of whether there will be sustainable growth curve at a level that meets stakeholders’ expectations. In that way, the Company is facing a big turning point and I think we need to change the management first in all aspects for “discontinuous growth,” which is not the continuation of the status quo.

In the past, our reforms were focused on on-site operations



such as sales activities and cost structure. From now on, we in the management team will change ourselves with the intention of facing the tough environment as professional corporate managers. With this stance, the Company decided to transition to a company with three committees. By creating three statutory committees, the assessment of the management team members will be left to the committee, not at the absolute discretion of President, and audits, which had been based on individual independence among Audit & Supervisory Board Members previously, will be performed within the strict organization audit framework. Thereby we will separate management from execution to speed up decision making. My recognition is that otherwise we will not be able to survive as a company in this age of rapid change.

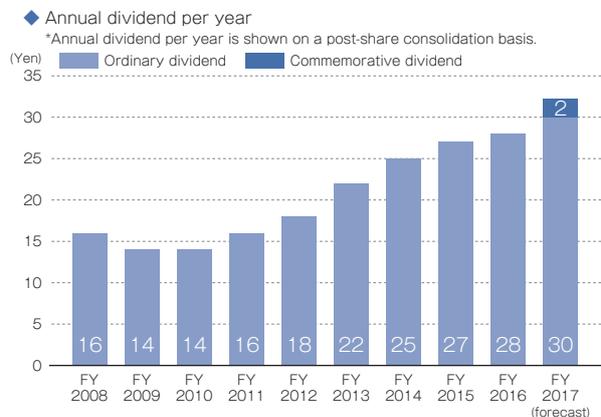
In order to commit to achieving an 8% ROE, I think we need to review the accounting standards themselves and manage the Company based on the fair evaluation of asset value. This is why we voluntarily applied IFRS. With regard to the remuneration system for Directors and Executive Officers, we designed a new system which contributes to the sustainable growth of the Group and the medium- to long-term enhancement of corporate value and is closely linked to performance, which motivates Executive Officers to accomplish management strategies and management plans and achieve the Company's performance targets.

We also reviewed our shareholders meeting as a venue for dialogue and revised the Articles of Incorporation so that institutional investors who are beneficial shareholders will be able to attend a shareholders meeting from the next time.

Thus we in the "management team" will implement various reforms and produce steady results from them with the intention of "changing ourselves first" in all aspects.

What do you think about shareholder return?

With a focus on shareholder return, we increased dividends for six consecutive years while seeking to achieve sustainable profit growth. Also in the fiscal year ending February 28, 2018, we are planning to increase dividends. Our basic policy is to maintain stable dividend payments and appropriately return profits targeting a dividend payout ratio of at least 30% in consideration of profit level, future capital investment and free cash flow trends while striving to maintain and improve a sound financial condition. We will also consider share buyback as appropriate for the purpose of improving capital efficiency and flexibly implementing our capital policy.



Based on the new Group Vision, the Company has just steered the management in the direction of drastically changing the course of the Group's business by developing the Medium-term Business Plan for the realization of the Vision, applying IFRS and transitioning to a company with three committees. Instead of remaining as we are, we will take on the challenge of changing our business portfolio as a "Multi Service Retailer" beyond the traditional framework of retailing for sustainable growth and the enhancement of corporate value.

Create and Bring to Life “New Happiness.”

Now is the time when lifestyles are changing speedily. To meet these changes quickly, and what is more, to find budding needs are J. Front Retailing’s important missions. More women’s social advancement. Changing lifestyles due to falling birthrate and aging population. Expansion of consumption by inbound tourists and digital consumption. Various factors bring you more new ways to enjoy your life as well as triggering concerns and stresses. Seeing both these “positive and negative” factors, we will evolve into a group that can serve you in all aspects of life. With regard to “enjoyment,” we will not only “sell goods” but create new events and experiences to excite you. With regard to “concerns,” we will cover “shortfall” such as “busyness,” “uneasiness” and “hassle” and create services to clear the fog in your mind. Our domain will expand beyond the framework of “retailing.” And there should be creative ideas, or the creation of “new happiness.” Now is the time for J. Front Retailing to drastically change. And we promise you to closely support your life in a “present progressive form” after 10 years and even 100 years by “changing all the time.”



Story behind the development of the Vision

J. Front Retailing Group was formed through the management integration of The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. in September 2007, and with the vision of “establishing ourselves as a leading Japanese retail company both in terms of quality and quantity with the Department Store Business as its core,” we implemented various initiatives to become a multifaceted retailer. In the core Department Store Business, we deepened the establishment of new department store model as well as expanding our customer base. Furthermore, we have steadily expanded our business areas other than the Department Store Business through aggressive M&A including the conversion of StylingLife Holdings Inc. (SLH) into an associate accounted for using equity method in 2011 and the conversion of Parco Co., Ltd. into a consolidated subsidiary in 2012.

In the meantime, the business environment is greatly changing. We expect “lifestyles” to be increasingly “diversified” due to falling birthrate and aging population and changing family dynamics and the “means of seeking enjoyment” are also expected to grow increasingly “diverse” due to shift from product-based consumption to experience-based consumption and the evolution of ICT. That is to say, as it is difficult to grow just by continuing the current business model as it is, we see the present time as a turning point to drastically alter the course of the Group’s management.

In these circumstances, considering what makes people happy and strategically expanding business fields and transforming existing businesses to provide new forms of value with respect to “lifestyles” and “means of seeking enjoyment,” we developed the new Group Vision “Create and Bring to Life ‘New Happiness.’” with the aim of becoming a business group which contributes to realizing spiritually affluent lifestyles.

By showing the future directions to aim for with this Group Vision, we aim to greatly change the Group and realize discontinuous growth.

New cause assumed by the Group

The main business of the Group was the offering of products and services mainly for “festive occasions” by the core businesses including department store chains Daimaru and Matsuzakaya and Parco to meet customer needs. With increasingly diversified lifestyles, however, customer needs are seen not just on festive occasions but also widely in daily life. By relieving customers of “concerns” and “frustrations” in daily life so that they can live more conveniently and more comfortably, we hope many customers will be able to spare more time for festive occasions. I think that is the social role we will have to fill, i.e., the cause.

In fact, as the means of seeking enjoyment are diversified, many customers cannot gain sufficient satisfaction from a stereotypical form of consumption as in the past. Consumers “want new and different experiences” or “want to enjoy with like-minded people.” Thus the focus of consumption is shifting to experiences. Another recent big trend is heightened awareness of social contribution. People “want to care more about the environment and ethics” and “want to feel that their own existence is meaningful in society.” The Group has to be able to offer something more enjoyable and more exciting in response to such diversification of the means of seeking enjoyment.

Familiarization of the Vision with individual employees of the Group

Needless to say, the Vision is not finished when it is phrased and announced. It is each and every employee who will realize the Vision. The sum of their performance will constitute our corporate value. That is, I think the key will be how we will raise awareness of the Vision in each site and drive the specific actions of individual employees.

To this end, the Company prepared a handbook setting forth the direction of the Vision and action guidelines and provided it to all employees. At the same time, the top management visited the bases of the Group across Japan and held briefing sessions on the Vision for management level employees. In each session, the top management had a dialogue for more than two hours, not just sharing his thoughts in person but answering questions. In the next step, people in the Executive Officer or higher management positions posted their action declarations for the realization of the Vision in a company magazine. And then, individual employees posted their action declarations on the intranet. The entire Group started to move strongly toward achieving the Vision.

◆ Basic Mission Statement, Group Vision and JFR Way



“Multi Service Retailer” beyond the Framework of Retailing

We set the term of five years from fiscal year 2017 to fiscal year 2021 for the current Medium-term Business Plan when the big development projects launched under the FY 2014 to 2016 Medium-term Business Plan will be completed and they will generate revenue. Positioning the period as a turning point to drastically alter the course of the management toward realizing dramatic growth and discontinuous growth based on the new Group Vision, that

is, a “phase of the Group’s structural change,” we aim to achieve ROE of 8% in fiscal year 2021.

To this end, we will take a step forward from the past idea of a multifaceted retailer to expand into new business fields as a “Multi Service Retailer” beyond the framework of retailing while further accelerating our efforts to identify unprofitable business fields and aggressively promoting business reshuffle.

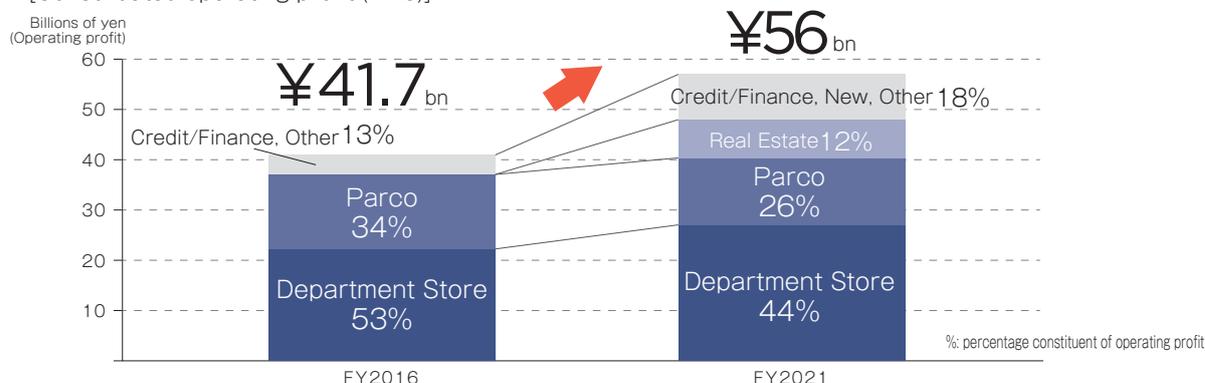
Application of International Financial Reporting Standards (IFRS)

For the purpose of implementing efficient management based on appropriate asset evaluation and managing our business with a focus on profit for the current period as well as strengthening accountability to domestic and overseas investors by improving the international comparability of financial information, we decided to voluntarily apply the International Financial Reporting Standards (IFRS) from March 2017. (Illustrated on page 58)

Idea on business portfolio

The “Real Estate Business” was newly added as a reportable segment from fiscal year 2017. We will decrease the share of the Department Store Business and the Parco Business, which represented almost 90% of operating profit of the Group, to around 70%, and instead, strengthen the Real Estate Business and expand new business fields to increase their share.

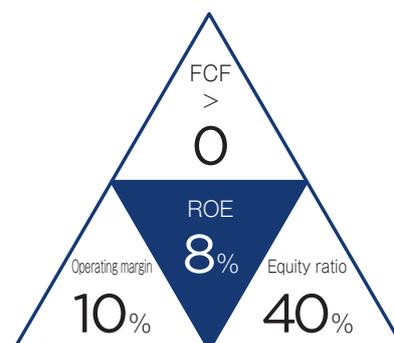
◆ Image for transforming business portfolio [Consolidated operating profit (IFRS)]



Quantitative management objectives (IFRS)

◆ Quantitative management objectives	FY2021 Target	FY2016 Results (approximate)
Consolidated operating profit	¥56 bn	¥41.7 bn
Consolidated operating margin	10.0%	9.2%
Consolidated ROE (Profit to equity attributable to owners of parent ratio)	8.0% or higher	7.6%
Total FY 2017 to 2021		
Operating cash flow	¥260 bn or more	
Capital investment / growth investment	¥200 bn	

◆ Financial strategy structure diagram



Growth strategy to change the Group structure

◆ Urban Dominant Strategy (strengthening of Real Estate Business)

We will further accelerate ongoing initiatives of the "Urban Dominant Strategy" to establish a business model for growing with local communities with our stores at the core. By enhancing the collaboration between the Real Estate Division, which was newly created in the Department Store Business, and the real estate development division of Parco as well as developing new commercial facilities including "Ginza Six" and the "new south wing of the Ueno store," which is scheduled to open in fall this year, and expanding leasable floor area, we will strengthen the Real Estate Business as a pillar of the segments of the Group.



Ginza Six

◆ Innovation of Parco Business

We will expand business fields for consumers seeking fulfilling urban lifestyles using Parco's specific strengths. We will evolve the store brand of Parco by "creating new Shibuya Parco" and enhance the appeal of urban stores by promoting a scrap-and-build approach for stores. Parco will strengthen its ability to produce commercial real estates such as Zero Gate and the Entertainment Business' ability to develop content. We will also develop business outside the company on a full scale.



Artist's impression of Shibuya Parco

◆ ICT strategy

In order to cater to the "lifestyles in the IoT era when everything connects to the Internet," we will strive to improve profitability by strengthening e-commerce, reinforcing relations with customers using ICT and realize new businesses. And we will promote human resource

◆ Innovation of Department Store Business

Placing the strengthening of the ability to pull in more customers and the expansion of customer base at the heart of store strategy, we will strive to realize the Group Vision in anticipation of diversified customer needs. In order to transform our stores into the ones that provide attractive experience value, we will overhaul existing sales areas of our own curation, and thereby, introduce and expand newly curated sales areas as well as introducing a wide range of tenants that provide not just products but also experiences and services. In addition, the "Future Standard Laboratory" was created to promote open innovation.



Artist's impression of main building of Daimaru Shinsaibashi store

◆ Expansion of new business fields

We will promote initiatives to expand business domain beyond the framework of retailing with the aim of realizing the new Group Vision. We will expand into new business areas including service fields in an effort to resolve the challenges facing customers, including families with small children, double-income families and seniors, and meet their needs. We will also expand the domain of highly efficient businesses with market growth potential, for which we can expect to use our resources, including the Credit and Finance Business, the staffing business and the design and construction business.



Strengthening of the business base that supports growth strategy

◆ The Group organization and human resource reform

We will commit to "developing human resources" and "revitalizing human resources and organizations," which will generate high added value, and actively promote the employment and use of external talents who have expertise as well as establishing a system in which people who take on challenges receive recognition and changing working styles so as to extract creativity.

◆ Strengthening of corporate governance

By transitioning to a company with three committees, we will strengthen the management oversight function, promote agile management and maintain and improve audit accuracy. We will strive to clarify the authority and responsibilities of the holding company and business subsidiaries and strengthen the Group governance. At the same time, we will strengthen the management personnel function with high transparency and objectivity and review and strengthen the internal control system.

◆ Renovation of the Group operation system

We will promote operation process reform centered on the use of ICT and paperless processing including the automation of operations using ICT and the computerization of accounting slips and payment. At the same time, with the aim of realizing working style reform to enhance productivity, we will improve the office environment by renovating internal and external communication tools.

◆ Promotion of CSR activities

We classify our CSR activities into subjects according to the international standards ISO 26000 including the "environment," "human rights," "labor practices," "business risks" and "community involvement" to promote initiatives for the sustainable growth of the Group and the medium- to long-term enhancement of corporate value. With the aim of achieving sustainable objectives such as "sustainable society," the "sustainable growth of society and business" and the "long-term enhancement of corporate value," we will engage in environmental and social activities.



中央区
銀座五丁目
Ginza 5

GINZA SIX

GINZA SIX

New Business Model “Ginza Six” Was Born. Discontinuous Growth Begins Here.

New bustle in the area.

Accelerate the Urban Dominant Strategy

J. Front Retailing is committed to initiatives under the “Urban Dominant Strategy” to maximize the appeal of the areas with its stores as their core and grow with these areas. The Company has great advantages such as store assets located mainly in the heart of big cities across Japan in a balanced manner, including Daimaru and Matsuzakaya department stores and Parco and Zero Gate stores, as well as good customer assets. The population concentration in urban areas is expected to continue and we, as a group, aim to establish 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 medium term. These initiatives will gain rapid speed in the Medium-term Business Plan, which started in fiscal year 2017.

“Ginza Six,” not a department store but a new commercial complex

The Ginza 6-chome District 10 Category 1 Urban Redevelopment Project “Ginza Six” is to redevelop in an integrated manner an approximately 1.4-hectare two-block site comprising a block including the former site of the “Matsuzakaya Ginza store” and the adjacent block. With exceptional speed for a redevelopment project, the urban plan was finalized in December 2011, its construction started in April 2014, and the complex opened on April 20, 2017.

“Ginza Six” was born as the Ginza area’s largest complex with a frontage of approximately 115 meters along the Chuo-dori avenue, Ginza, and a total floor space of approximately 148,700 square meters through the redevelopment of combined two blocks and accommodates various city functions including one of the largest retail facility in the Ginza area (approximately 47,000 square meters), large office floors whose single-floor rental area is approximately 6,140 square meters, largest in Tokyo, and a cultural and exchange facility “Kanze Noh Theater,” which disseminates Japanese traditional culture. In addition, It has a rooftop garden, a

tour bus bay, a safe and comfortable transportation and pedestrian network and, what is more, disaster prevention support functions such as an emergency power facility and a disaster reserve warehouse. Thus we think the complex, as a place open to the local community, will greatly contribute to improving the convenience and comfort of visitors from all over the world and become a new magnetic power in “Ginza,” one of the major global areas in Tokyo.

Offer massive value on an epic scale

The “Ginza” area symbolizes Japan as a commercial district that incorporates the world’s cutting-edge innovation while inheriting Japanese good tradition and history. The facility’s name “Ginza Six” expresses our determination and pride in inheriting the history and innovative character of the one and only “Ginza” area and existing alongside the area while giving it new value. The name proudly shows that it is a symbol of Ginza 6-chome and illustrates that it is a six-star establishment beyond five-star quality where products and services that satisfy all five senses come together and inspire joy and satisfaction that transcend those senses.

“Ginza Six” boasts a total floor area of approximately 148,700 square meters and the Ginza area’s largest retail floor area of approximately 47,000 square meters. This is not an isolated replacement of the Matsuzakaya Ginza store. By redeveloping two blocks including the surrounding area, we created the area’s largest world-class commercial space on an epic scale, which brings together a wide range of 241 brands. With a full length (frontage) of approximately 115 meters facing the Chuo-dori, which is a symbolic main avenue of the Ginza area, there are large two- to five-level flagship stores of six world-class luxury brands whose distinctive facades create a new face of the Ginza area.

More than half of brands opened flagship stores

Aside from fashion, there are a range of lifestyle products to add color to your home life and luxurious restaurants and cafes. In

addition, the elegant space, membership program, exquisitely attentive services and creative art and events make for a fulfilling time and experience.

Out of a total of 241 stores, 122, more than half, are “flagship stores.” A flagship store provides service of a higher quality than anywhere else and offers a richer range of products than anywhere else faster than anywhere else, and thus occupies a special position of the brand. This is a representation of the vitality of the Ginza area, which attracts attention from the world, and Ginza Six, which was born there. In addition, with the intention of “taking on a new challenge in Ginza,” 81 stores opened for the first time in Ginza and 65 stores are operated in new business formats.

Special space only in a real store, not on the Internet

The concept of “Ginza Six” is “Life At Its Best.” Ginza Six aims to offer everything ranging from cutting-edge styles and true luxury to services and environments at high levels and to ensure that all experiences there are creative and that visitors can feel truly rich life.

As Japan has developed into a mature society, luxury does not simply mean expensive or high class products but items and experiences of the highest quality that enrich and fulfill life. Ginza Six creates unique spaces and features that can be found nowhere else in the world for people who want “Life At Its Best” and provides the world with “New Luxury” as new value.

Precisely because this is an age when people shop online, we think real spaces, which allow visitors to experience special areas and services, will produce value. With pride in being located in the special area Ginza or being flagship stores, all 241 stores will develop and try in various ways with Ginza Six, fully displaying their brand philosophies and worldviews.

Create experience space with art that can be enjoyed nowhere else

Ginza Six provides inspiring art programs in collaboration with

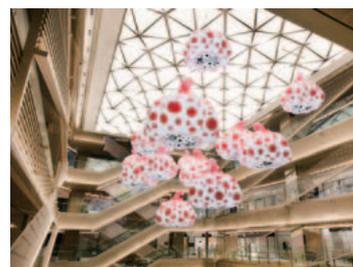


artists and creators, which are filled with creative energy and surprising elements.

In the large central atrium, the latest installation of Kusama Yayoi, a world-renowned avant-garde artist, is displayed under the supervision of the Mori Art Museum for a limited time to celebrate the opening. In public spaces such as elevator halls, the works of domestically and internationally praised artists such as Ohmaki Shinji, Funai Misa and Domoto Yuumi are on permanent exhibit.

In addition, on the two 12-meter-long living walls (located in the open-ceiling spaces on the Chuo-dori side and the Mihara-dori side), the works of teamLab, a group of professionals called ultratechnologists, and Patric Blanc, a botanist and artist, are exhibited. In “Lounge Six,” a special lounge for loyal customers, the works of Sugimoto Hiroshi, a global contemporary artist, are displayed.

Ginza Six, which was born in the “Ginza” area that has various faces including history, tradition, dignity, culture and innovation, will make its retail facility collaborate with art to create things and experiences unlike any other in the world. We will increase opportunities to access art and propose affluent lifestyles.



Retail facility [B2F-6F / 13F (partial)]



Special space for loyal customers “Lounge Six”

“Lounge Six” is always staffed by concierges who speak multiple languages to provide customers with one-to-one services. These services include special menus developed in collaboration with the restaurants in Ginza Six and personal styling and makeup services. Cultural events are also planned.

The space was designed by Sugimoto Hiroshi and Sakakida Tomoyuki of New Material Research Laboratory and features an original design only possible in Japan that applies modern detail to traditional materials, producing a space that has the feeling of a Japanese aesthetic sense.

Beacon of traditional culture “Kanze Noh Theater”

The “Kanze Noh Theater” (480 seats, approximately 1,600 square meters) serves as a base for the largest noh school Kanze. The theater, as a beacon of Japanese traditional culture, will heighten Ginza’s presence as an international tourist destination. It will also be open to the local community as a venue for various events. In the event of a disaster, it can be used to temporarily accommodate stranded people.



Cultural and exchange facility “Kanze Noh Theater” (B3F)

Form an international commercial and tourism hub that contributes to the whole area

The “Tourist Service Center” acts as a convenient one-stop location for travelers from Japan and abroad that provides tourist information, exchanges money, refunds taxes, stores baggage, makes home deliveries and sells a curated range of souvenirs as a convenience store.

The adjoining café acts as a space where travelers can

mingle. In addition, there is a tourist bus station facing the Mihara-dori street. The facility forms an international commercial and tourism hub that contributes to the whole Ginza area by offering functions that make it the “gateway to Ginza.”



Tourism hub (1F)

Rooftop garden open to the community “Ginza Six Garden”

The Ginza’s largest 4,000-square-meter garden symbolically expresses a feeling of closeness to the natural environment in the city. It acts as a haven for leisurely interaction among visitors to Ginza. Seasonal events are also planned.



Rooftop garden (roof)

Spread the process and outcome of this project across the Group

Four companies in different sectors including J. Front Retailing, Mori Building, L. Real Estate and Sumitomo Corporation united to implement the big project Ginza Six. Making a decision not to operate a department store in Ginza, we created an unconventional commercial model as a never-before-seen “luxury mall.” It is a new challenge using the tradition and DNA of department stores and blending innovation into them. We will spread widely across the Group the process, knowledge and know-how with respect to this project and the tangible results created by it to achieve the Group Vision.

A City Is an Ecosystem. There Is a Reason Why People Gather There.

Rebuilding of the south wing of the Matsuzakaya Ueno store

A city bustles. Everyone has his/her own ordinary days and festive days. As customers' lifestyles are diversified and how they enjoy themselves is also diversified, it is needless to say that the roles to be fulfilled by the Company including products and services demanded in each area are not uniform in all areas.

The "new south wing" of the Matsuzakaya Ueno store, which is under reconstruction, will be unified with the main building on the 1st basement floor and connected to the main building by the bridges on the 3rd and 6th floors above ground. The lower floors from the 1st basement floor to the 10th floor will house a retail facility and the 1st basement floor, which will be combined with the 1st basement floor of the main building, will be operated by Daimaru Matsuzakaya Department Stores. "Parco" in the Group will open a new store on the 1st to 6th floors and the 7th to 10th floors will be occupied by "Toho Cinemas." Thus it will be reborn as a new commercial complex featuring the contents that have not been available in the Okachimachi area in the past.

The higher floors from the 12th to 22nd will be leased as high function offices to ensure stable rent income. Five rail lines including JR Yamanote

Line and Keihin Tohoku Line, Tokyo Metro Ginza Line and Hibiya Line and Toei Subway Oedo Line run through the Okachimachi area where the Ueno store is located. And more than 1,000 route buses run from the nearest Toei bus stop every day. The area has such good access to transportation and the daytime population is expected to increase by installing offices.

In conjunction with this development of the new south wing, we will promote the use of the Company's own properties and external properties to establish the dominance of the products, services and experiences that are demanded in attractive areas and draw more customers.

Map around Matsuzakaya Ueno store



Artist's impression of new south wing of Matsuzakaya Ueno store



From “Points” to “Areas.”

Shop Development around Department Stores Ensures Greater Growth of Areas.

Shop development around department stores

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 single “point” but the “area” as a whole.

This initiative started in 1987. At that time, the center of transportation and business of the Kobe area shifted to Sannomiya and it was urgent to create the appeal of the store to attract customers to the Daimaru Kobe store in Motomachi. The shop development around the store began with Daimaru’s own buildings, and then, 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. The number of brands and shops we operate has reached more than 60 and they bring new life to the history of the area.

Such know-how has been applied to other stores.

The Daimaru Shinsaibashi store has cooperated with the Shinsaibashisuji Shopping Arcade in bringing prosperity to the area. However, amid changes in the environment surrounding the business of neighboring stores and generational changes of their landlords beginning around 2003, some old stores have chosen to withdraw from the business. With a sense of crisis that the shopping area would not only lose vigor but also damage the fashionable image of Shinsaibashi if the situation was left as it was, the Daimaru Shinsaibashi store launched the development of shops around it by adopting the approach of the Kobe store. Since stand-alone shops enable bold shop design

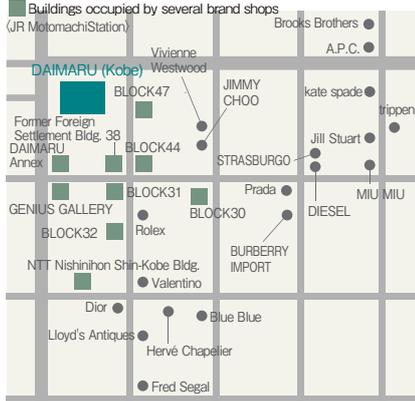


and environment, which are subject to certain restraints within a department store, it attracts high-profile shops.

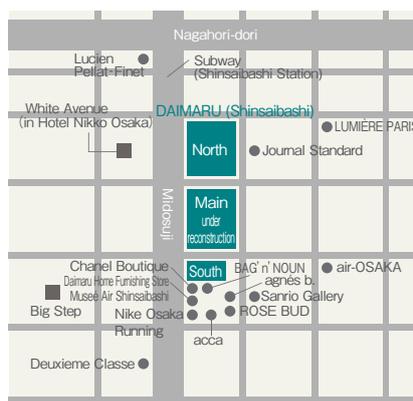
In order to survive intensifying competition among areas, the Daimaru Kyoto store has developed a wide variety of shops ranging from fashion to accessories and services and contributes to attracting crowds to the area. Starting by opening “Louis Vuitton Store” in 2004, the store opened “Tokyu Hands” in June 2014 and “Hermès Gion-mise” in November 2016 for a limited time under the “Machiya project” in Gion, Kyoto, as a part of local contribution.

Such a role will be assumed mainly by the newly created Real Estate Division. Using our “advantage” of operating stores in good downtown locations, we will expand our real estate management floor area mainly around existing stores in cooperation with Parco through the development of our own properties and the lease and acquisition of external properties to grow the Real Estate Business as a “new pillar of the Group.”

Shops operated by Daimaru Kobe store



Shops operated by Daimaru Shinsaibashi store



Shops operated by Daimaru Kyoto store





Artist's impression of main building of Daimaru Shinsaibashi store

From Store Space to Business Management. Department Stores Can Change Even Further.

Radical overhaul of sales floor composition

The core competence of department stores is to operate large scale facilities in good downtown locations and have abundant good customer assets. However, the biggest problem is that we fail to make the most use of such core competence in the present circumstances. Reaffirming that, we will “overwhelmingly reinforce the ability to attract customers” and “create a strong customer base” to maximize the value of physical stores.

According to the Family Income and Expenditure Survey by the Ministry of Internal Affairs and Communication, the percentage of expenditure on clothing of the “annual average of monthly consumption expenditures per household” decreased from 7.2% in 1990 to 4.2% in 2016. 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 spite of these changes in customers’ buying behavior, in flagship department stores, the sales floor space of women’s clothing remains bloated since the latter half of 1980’s. We will reduce the area by 30% or approximately 16,000 square meters during the period of the current Medium-term Plan in an effort to correct this gap.

Challenge of new retail space of our own curation

In the newly created spaces, based on the strategies developed by scrutinizing the markets of individual stores, we will expand distinctive new spaces of our own curation and new categories demanded in individual areas, which include an option of concluding fixed-term lease contracts. Through this initiative, we will create new markets to enhance the ability to attract customers and broaden our customer base.

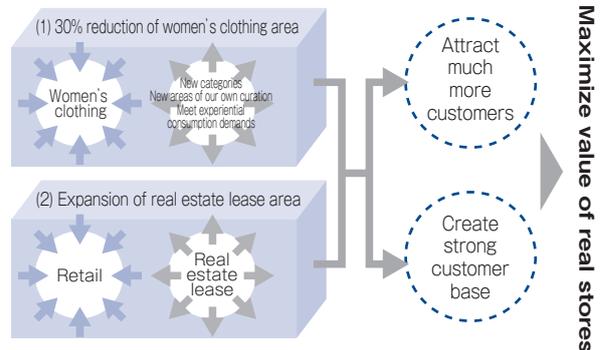
One specific example of our new challenges is “Sixième Ginza,” which opened on the 2nd floor of “Ginza Six.” The shop name “Sixième” means “sixth” in French. We put into this name our hope of creating a retail space which stimulates customers’ sixth sense as a next level of the senses of vision, hearing, smell, taste and touch. As values are changing rapidly in recent years, in the Ginza area that

◆ Change of percentage of expenditure on clothing of consumption expenditures (workers’ households of two-or-more-person households)



* “Family Income and Expenditure Survey” by the Ministry of Internal Affairs and Communication

◆ Innovation of new department store model



particularly sophisticated mature people visit, we provide new lifestyles supported by discerning mature people as a “selection of accessories” including next luxury items on the floor that brings together luxury brands.



Sixième Ginza

“Lib Tokyo,” which opened on the 6th floor of Daimaru Tokyo store, a concept-based zone combining sales of products including books and a café in a 130-tsubo open environment, which was produced using external knowledge. By better meeting the demands for consumption based on time, experiences and services, we will encourage existing customers to make multiple purchases and increase our opportunities to approach new customers.



Lib Tokyo

Innovation of new department store model

In particular, the model most representing these initiatives is the “new main building of the Daimaru Shinsaibashi store,” which is under reconstruction and scheduled to open in fall 2019. In the new main building, we would like to realize the innovative “new department store model” showing the future direction of department stores, which has not been seen before in traditional department stores, in all aspects including a range of products, services and environments.

The main building of the Daimaru Shinsaibashi store will be reborn as a full-scale department store which maximizes the possibility and potential of the Shinsaibashi area and better caters 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 investigate existing interior and pick out reusable components and use them in the interior environment of the new building mainly on the 1st floor based on our concept of store planning. Furthermore, in order to improve access to the Shinsaibashisuji 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.

After opening this new main building, we will drastically transform the business model of the adjacent north wing to the “shopping center with real estate lease as its main business.” After that, by connecting these two buildings, we would like to create a novel and profitable hybrid commercial complex with a total floor space of more than 80,000 square meters. At the same time, the Real Estate Division takes the initiative in developing mainly our own properties around the store to make ourselves more dominant in the area.

Creation of “Future Standard Laboratory” a new organization that promotes innovation

It is essential to rebrand the stores and develop attractive content in order to have the overwhelming ability to draw customers and build a strong customer base. The “Future Standard Laboratory” is positioned as their driving engine. Combining the functions of information transmission through the media, curation and business development, it not just analyzes the current conditions but also conducts marketing and branding activities to create markets for five years ahead. To this end, we will not stick to using in-house staff but mobilize planning personnel including through the recruitment of outside talent and assign the right persons to each project to promote open innovation.

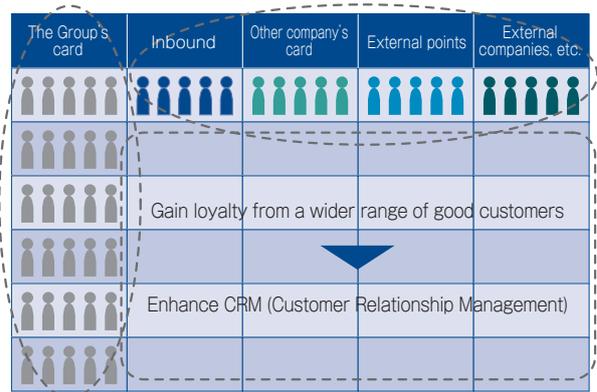
Expansion of customer base

In order to boost sales to affluent *gaisho* (out-of-store sales) customers, we will set a key target in each area and a dedicated team will continue to acquire new customers and enhance sales activities to provide more personalized services according to buying behavior. At the same time, by providing a smartphone application with payment function, of which introduction we are currently considering, we will acquire a wider range of good customers. Furthermore, in order to attract steadily growing consumption by inbound tourists to Japan from neighboring Asian countries, particularly, China, Hong Kong and Korea, which we position as the so-called “expansion of trade area,” by issuing the “Exclusive Card” to foreign tourists who made a large amount of purchases, we will acquire buying information and encourage repeat buying by providing promotional information to retain them as our loyal customers.

Introduction of store-by-store B/S to innovate business management

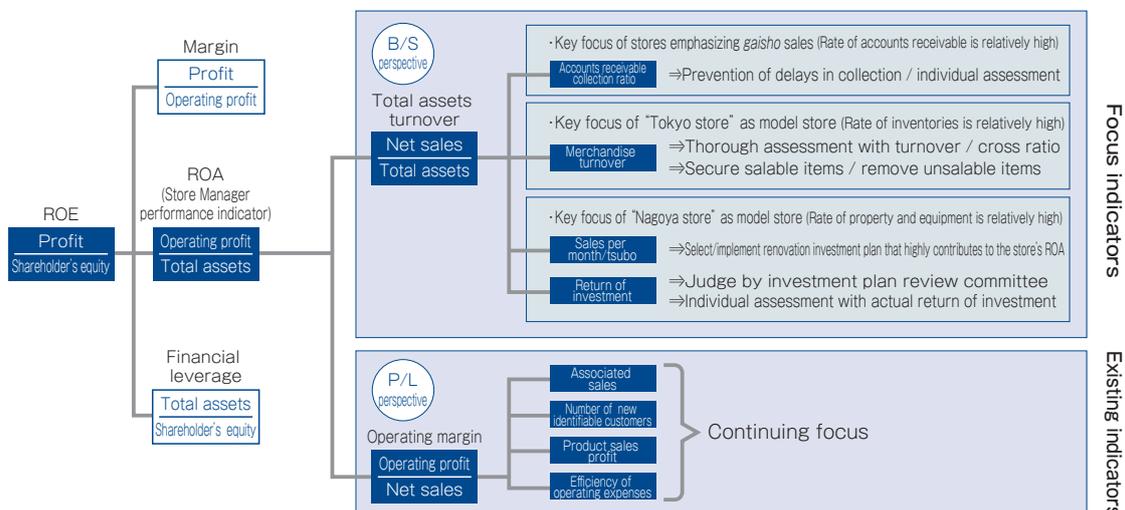
We conduct the activities of the Department Store Business having very large store assets. However, it is undeniable that the stores lacked thought of seeking return based on recognition of these assets though our consciousness of and attention to sales and profit were strong. We have made a company-wide declaration of enhancing ROE. It is essential for the Department Store Business to make specific

- ◆ Gain loyalty from customers including the affluent



efforts to improve ROA, which is a component of ROE, that is, asset efficiency. To this end, we started to use store-by-store balance sheets for business management in March this year. By adding a viewpoint of enhancing asset efficiency instead of focusing only on profit and loss statements as we did in the past, we will improve ROA at a store level. An example of the breakdown of ROA is illustrated below. ROA is broken down to appropriate indicators at a store level according to the store characteristics to enhance asset efficiency, and thereby, increase ROE, which is an important company-wide management indicator.

- ◆ Enhance business management by introducing store-by-store B/S





HULIC

HULIC

PARCO

PARCO

Artist's impression of Shibuya Parco

By Redeveloping Shibuya, Store Brand Will Evolve.

Evolution of store brand through new Shibuya Parco

We will promote three major tactics to meet the diversifying needs of consumers seeking fulfilling urban lifestyles and business owners active in urban areas and “contribute to urban maturation” by providing Parco’s unique values such as personal fulfillment, new inspiration and contentment through the Parco Business including the stores business.

The first is the “evolution of the store brand.” In the “new Shibuya Parco,” which is scheduled to open in fall 2019, we would like to create next-generation commercial spaces by bringing together new initiatives which were not seen in conventional commercial facilities.

Parco, as a scheduled executor of the “Udagawa-cho 15 Development Project” including existing Shibuya Parco, submitted a future development proposal to the Tokyo Metropolitan Government for “urban planning as a special urban renaissance district” in accordance with the Act on Special Measures Concerning Urban Renaissance in June 2015 and the project was finalized in December. The details of the new building are under consideration and expected to be a commercial complex including offices with a total floor area of approximately 63,930 square meters consisting of 19 floors above ground and three basement floors.

The Shibuya area is a unique and varied melting pot of values and cultures. As a base for providing unique cultural information, the area receives many visitors from abroad. It is one of the cities attracting a lot of global attention, which is increasingly expected to develop.

Under this project, utilizing the advantages of commercial complex including offices, we will expand the business through the expansion of contact with various companies, further advance the use of ICT and collaborate on the creation of Shibuya “Entertainment City” to contribute to further revitalizing the area. And by spreading the new achievements and know-how gained through this project to other urban stores gradually, we will realize the evolution of the store brand of Parco.

Production of commercial real estate using diverse schemes

The second is the “production of commercial real estate.” In addition to existing formats such as Parco and Zero Gate, we will develop new formats and expand our bases into urban areas with growth potential, mainly the areas where we do not operate yet. Specifically, we will promote the development of a total of 12 stores including five stores in Zero Gate format in Kyoto, Harajuku and other areas, four stores in Parco format including the one in the new south wing of the Matsuzakaya Ueno store and the new Shibuya Parco and three stores in new formats including the ones in front of Kinshicho station and under the Okinawa Urasoe West Coast Project using diverse development schemes including collaboration with external companies and the use of cyclical investment model to ensure profit generation.

In addition, the Space Engineering and Management Business and the Web Consulting Business of Parco Group will provide Parco’s unique solutions to commercial facility operators and tenant stores to expand the scope of business.

Provide novel experiences to consumers by expanding content

The third is the “expansion of soft content.” We will reinforce Parco’s strong Entertainment Business and increase live entertainment bases as represented by the opening of the new Shibuya Parco theater while evolving existing content, creating new content, and what is more, providing content globally. In the Retail Business of Parco Group, we will promote the expansion of its business area in alliance with external companies. At the same time, using Parco’s unique incubation function, we will provide novel experiences to consumers through collaboration with creators and companies.





Expansion of Business Domain

We Will Use Strong Resources and Go Beyond the Framework of “Retail.”

The Group has customer assets of more than nine million people

The Group has good customer assets of approximately nine million people mainly in the Department Store Business and the Parco Business. However, the Group has provided value mainly through retailing activities, that is, sale of products in the past. In order to make the most of these customer assets, the Group will expand its business domain into the service field in addition to the retail field.

To be concrete, with the aim of realizing “convenient and more comfortable services that relieve daily concerns and frustrations” in line with the idea of the Vision, we will consider the “expansion of existing businesses” in which we already have resources and the “development of new businesses” including the provision of new services.

Expansion of existing businesses

As for the expansion of existing businesses, positioning the “Credit and Finance Business,” the “staffing service business” and the “design and construction business” as highly efficient businesses that are promising as markets, we will allocate our management resources heavily to them.

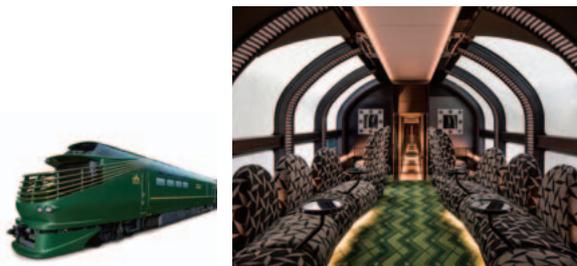
JFR Card has 1.57 million accounts of credit card holders and obtain stable earnings mainly from merchant fees, installment sale interest and annual membership fees. In the meantime, as payment functions are increasingly diversified, we see growth potential in the finance business field. Therefore, we reorganized the former Credit Business segment as the Credit and Finance Business in fiscal year 2017. We will respond to payment methods, which are changing due to evolution of new technologies, review the scheme of credit card operations and drastically increase the number of accounts to expand the business.

The staffing service business Dimples¹ has a pool of human resources using the advantages fostered in the Department Store Business such as sales service and hospitality and provides appropriate manpower in a timely manner to meet clients’ needs. The company boasts the top sales in Japan as a customer service and sales staffing company. It



has a network in major cities throughout Japan from Hokkaido to Kyushu. We will strategically exploit the Tokyo market, which has especially high needs for human resource supply, and expand the business field into information and concierge services using hospitality.

J. Front Design & Construction as the design and construction business is widely engaged in the renovation works of the Group’s department stores and the interior works of various commercial facilities, hotels, rail vehicles and vessels and strong in high quality markets. It also has distinctive production technologies such as the production of “Refex,” lightweight, unbreakable and safe film mirrors. Using these advantages, the company will consider expanding the scope of its business by extending its value chain to the upstream or the downstream and better respond to growing renovation market.



JR West Japan Railway Company Twilight Express Mizukaze

Entry into new business fields

In considering expanding into new business fields, we will make the most of our hard and soft management resources and develop businesses beyond the framework of retailing in an effort to resolve the challenges facing individual customers, including families with small children, double-income families and seniors, and meet their needs.

First, we are considering entering into the “childcare business” and the “education business.” It is said that it is essential for women to play an active role for future economic growth. As required by society in order to realize that, the number of double-income families is expected to increase further and we predict that needs for the facilities that provide long hours of childcare will increase. By providing more convenient and more comfortable early childhood education services that resolve these daily concerns and frustrations, we would like to support the living of families with small children.



■ Promotion of ICT Strategy

Use of ICT Will Deepen Shopping Experience.

Full-scale efforts to expand e-commerce

The “IoT era” when everything connects to the Internet has come. Lifestyles are more greatly changing through the Internet. In order to make e-commerce as well as shopping in physical stores more comfortable and more convenient, we think we have many roles to be filled.

Actually, e-commerce represents only around 1% of the Department Store Business, but it has enough room to grow by using the Group’s advantages. Therefore, combining the use of the know-how and fulfillment of Senshukai, the Group’s equity method associate, and the improvement of attractive content that has a competitive advantage such as offering of “*depachika* (department store’s basement food floor)” products, which is department store’s strength, we will radically renew our department store e-commerce website.

As for e-commerce fulfillment, we created a warehouse dedicated to our e-commerce in the Minokamo Distribution Center of Senshukai and built a system where we entrust Senshukai with operations in the warehouse including the management and shipment of part of the product stocks offered on our e-commerce website.

We will accelerate market expansion by Senshukai and Daimaru Matsuzakaya Department Stores and the improvement of management efficiency as well as establishing the omnichannel brand and deepening the use of Senshukai’s know-how on the department store website. Especially, in terms of market expansion, we are considering the expansion of mutual sale using the customer bases and merchandising of Senshukai and Daimaru Matsuzakaya Department Stores and collaboration on Senshukai’s strong maternity, baby and childcare categories and department store’s strong national brand category.

Evolution of communication methods

We will also try to establish the communication methods customized for each customer by developing and using a smartphone application. The use of the application will enable, for example, not just the identification of customers but also cashless payment by registering credit card information. In addition, it will be able to be used as a real-time and bidirectional communication channel. It is also expected to serve as a

tool which provides incentives such as points and coupons and collects buying information and behavior information. Thus, with the use of ICT, we will newly build important customer touch points and deepen shopping experiences through the sophistication of services.

◆ Strengthening of customer touch points using application <schematic illustration>



Invest in and send human resources to venture capital firms

We invest in a venture capital firm in North America from 2016 to efficiently obtain information on advanced ICT-related technologies and new business models which can have a favorable impact on the business of the Group. We also send employees who are engaged in management strategies to local companies for a long term for continuous human resource development. With these initiatives, we will embody new services and businesses through open innovation.

And ICT also helps reform working styles

We will renovate our operation system using ICT to support the promotion of growth strategy. First, by analyzing the operation process from the upstream to the downstream, we will renew the infrastructure for the operation system centered on the introduction of RPA* and paperless processing and promote the computerization of business forms. And then, by centralizing and modularizing common operation functions which are dispersed in each company in the Group, we will establish a platform which can seamlessly respond to business expansion and cooperation among businesses. Through the promotion of these initiatives, we will help each company in the Group reform its working styles to increase productivity.

*RPA: Robotic Process Automation

Environment/Society/Governance [ESG Information]

Basic approach

J. Front Retailing strives to build and foster relations of trust with all stakeholders (customers, shareholders, business partners, employees and communities) through corporate activities in the spirit of the Basic Mission Statement and the Group Vision and positively and actively addresses the challenges related to sustainability including social and environmental issues for the sustainable growth of the Group and the medium- to long-term enhancement of corporate value.

Environment



Daimaru Kyoto store façade with a solar panel

Recently, various environmental issues arise on earth. In particular, the emission of greenhouse gases (CO₂, etc.) and biodiversity loss, which affects food and health, are issues common to all humankind because they affect the entire earth.

Since the Group mainly operates retail business, it can make the greatest contribution through product sales and other activities at stores and we believe that it is our social mission.

Any organizations consume energy and produce waste, whether on a large or small scale, when conducting business activities, and in addition to actions that can be easily

incorporated into daily operations including energy saving and resource saving, which are regulated by laws, we will consider and implement other unique approaches to the extent humanly, technologically and economically feasible.

Daimaru Matsuzakaya Department Stores 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 each company in the Group and strive for continuous improvement to reduce environmental load.
 - (1) Provision of environment-friendly products, services and information;
 - (2) Effective use of resources and energy;
 - (3) Reduction of CO₂ emissions;
 - (4) Waste reduction and recycling; and
 - (5) 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 each company in the Group and make the policy available to the public.

(1) Proposal for environment-friendly lifestyles

The main focus of the environmental activities of the Daimaru and Matsuzakaya stores is on making proposals to make customers' lives "ecological" and "ethical" in an effort to contribute to building a sustainable society. In the Environment Months in June and October, these stores offer environment-conscious products and make various lifestyle proposals to reduce environmental load.

Offering of good products and high quality products

Using high quality products for a long time forms the basis of environment-friendly lifestyles. The Matsuzakaya Nagoya store organized a store-wide fair "Japanese Good Products" focused on artisanship which shows Japanese aesthetics. Through limited-time shops and demonstrations by artisans, we showed excellence in Japanese manufacturing, and on each floor, we offered "good products" to which users become more attached with longer use.



Attractive traditional Japanese Arimatsu tie-dyed caddie bag

Promotion of recycling activities

Daimaru Matsuzakaya Department Stores conducts a recycling campaign "Ecoff." We receive disused clothing, shoes and bags from customers and give them shopping support tickets in exchange so that they can buy new items at a little lower prices. The collected articles are recycled into bioethanol, coke and the like.



(2) Contribution to creating a low-carbon society

The Group 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

By replacing existing lighting with LED units, we strive to reduce electricity consumption and CO₂ emissions. We actively install LED units in the Daimaru and Matsuzakaya stores, and by February 2017, 197,000 units, which account for about 46% of the total number of relevant lighting fixtures, were replaced with LED units.

At the Daimaru Kyoto store, a solar panel (rated output: 10kW), which is 11 meters long and 6.6 meters wide, was installed behind the peacock bronze sculpture. It is expected to generate approximately 6,000 kWh of electricity per year, which powers digital signage and external signs.



(3) Contribution to creating a resource-saving and recycling-based society

Reduction of water use

We save water by equipping our toilets with water-saving sensors, imitation sound devices or water-saving automatic flushing equipment and mounting automatic water faucets. Groundwater is used to flush the toilets at the Daimaru Kyoto, Kobe and Sapporo stores and the Matsuzakaya Nagoya store, and at the Matsuzakaya Ueno store, kitchen wastewater is used for the same purpose. The Daimaru Kyoto store introduced a "well water purifier" in 2003 and purifies groundwater with a filter for drinking.

Reduction of packaging materials

At the Daimaru and Matsuzakaya stores, workers are repeatedly trained based on a smart wrapping manual to promote economical and appropriate packaging. 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.

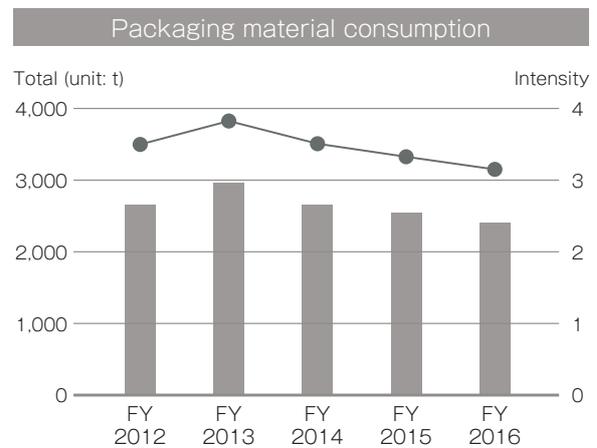
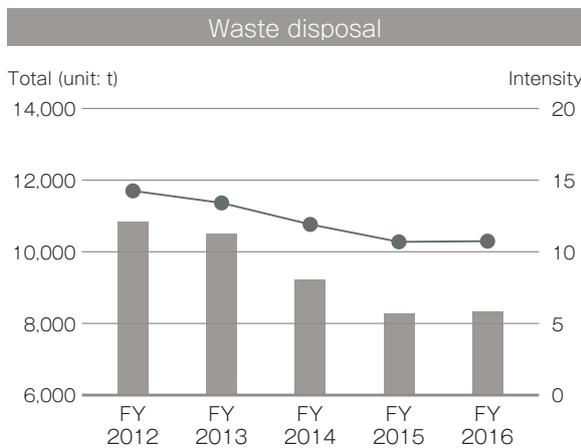
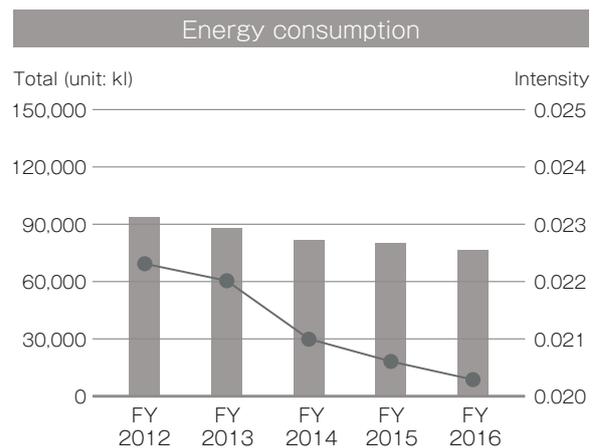
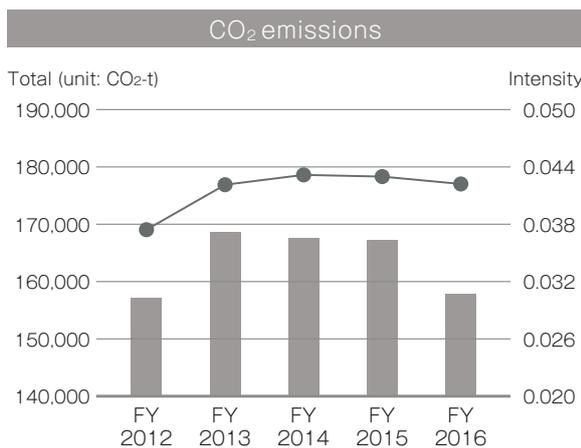


Eco bags with Japanese traditional "Ise paper stencil" motifs

Reduction and recycling of waste

We thoroughly separate waste to decrease final waste and promote recycling. The Daimaru and Matsuzakaya stores strive to decrease the total amount of waste by promoting recycling systems such as the use of collapsible containers and standardized department store hangers, which helps reduce the amount of packaging, with the cooperation of suppliers. At the Daimaru Tokyo, Kyoto and Sapporo stores and the Matsuzakaya Ueno store, we recycle EPS waste generated in these stores after compressing and dissolving it to significantly reduce its volume.

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



■ Total ● Intensity

*The increase in CO₂ emissions in FY2013 is attributable to an increase in thermal power generation.
 *The figures above include associated department stores (Hokata Daimaru, Shimonoaki Daimaru, Kochi Daimaru and Tottori Daimaru).
 *Energy consumption is the crude oil equivalent of the total consumption of electricity, gas, gasoline, and light/heavy oil (unit: kiloliter).
 *Packaging material consumption is the weights of wrapping paper, shopping bags and plastic bags for food products (unit: ton).
 *Waste disposal is the weights after subtracting the weights of waste recycled from the total weights of waste generated including general waste, raw garbage and industrial waste (unit: ton).

Intensity
 • Energy intensity: Amount used (kiloliter×1000) ÷ Total floor space (m²) × Business hours (h) (megajoule)/(m²×h)
 • Packaging material intensity: Amount used (ton×1000) ÷ Sales (¥million) (kiloton)/(¥million)
 • Waste disposal intensity: Amount disposed (ton×1000) ÷ Sales (¥million) (kiloton)/(¥million)

Society



(1) Employees

J. Front Retailing promotes the creation of the systems for revitalizing human resources including 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 through health care measures and the efforts to improve work conditions and environment.

Systems based on work-life balance

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

Human resource development

We address human resource development based on the two stances: "Individuals set their own career goals and take on challenges to achieve them." and "Individuals grow by getting their jobs done and companies actively provide such opportunities." By knowing the status of the human resources of the whole Group using the Talent Management System and putting the right people in the right jobs based on the information thus

obtained, we aim to "develop human resources through jobs" and "foster employees' sense of achievement and growth."

(i) Systems to support employee career formation

- The Group's three-year training school for new employees with college degrees (JES) thoroughly develops and strengthens "individual basic skills" required for leaders.
- The Group provides a "career development training" to employees aged 27. It gives them opportunities to review their experiences from the past to the present, confirm their future career visions and develop their future career.
- We invite applications for jobs at external companies, MBA programs and external training, provide employees with opportunities to show their intentions including the self-application system, milestone interviews and the career entry system. And as opportunities to obtain knowledge and skills, we hold study sessions for young employees and improve the expertise courses of the Career Support College (self-development school). (177 employees attended the Career Support College in the 1st half of 2016 and 293 in the 2nd half, totaling 470.)



Three-year training school for new employees

Major systems of Daimaru Matsuzakaya Department Stores

• Shorter working hours systems for childcare and nursing care

In addition to the "shorter working hours systems for childcare and nursing care" whose coverage is expanded based on law, the "optional working hours system" is in place to allow reduced hours of work for childcare until the child enters a junior high school and for nursing care during the period when relevant events exist.

• Extensive leave systems for childcare and nursing care

The systems of longer leave than required by law are in place.

• System to make available annual paid leave after the termination of the right to claim it

In case of fertility treatment in addition to long-term medical treatment and family care, employees are entitled to the number of days of paid leave that expired in the most recent two years (up to 40 days).

• System to encourage the use of annual paid leave

We encourage employees to take annual paid leave by introducing the half-day leave system (allowing a maximum of five full days of paid leave per year to be split into half-day leave) and the event leave system (granting three days of paid leave per year according to each employee's life event plan) and raising employee awareness.

• Flexible working hours system

This system is applied to the divisions where each employee can decide the start and finish times of work.

• Introduction of employees (area limited)

In response to diversifying sense of working, values and lifestyles, we created the status of "employees (area limited)" to increase work options and build a foundation on which employees autonomously think of their career formation and life balance and act accordingly. Employees can choose their place of work from among five areas including Sapporo, Tokyo, Kansai, Chubu and Shizuoka.

(ii) System to develop the next top management

In fiscal year 2017, we opened "JFR Top Management School" (for candidates for the next top management), "JFR Management School" (for candidates for the next general managers) and "JFR Leader School" (for candidates for the next managers). Among them, "JFR Top Management School" aims to develop next generation leaders as soon as possible by fostering the perspective of management, sharing awareness of issues with the top management and applying strategies to specific action plans and implementing these plans with a focus on grit-based "strategic mindset," "reform-oriented leadership," "tenacity to achieve results," "organization development strengths" and "human resource development strengths," which are the qualities required of the Group's managerial talent.

Appointment of women to higher positions

Regardless of gender, we promote the assignment and use of human resources based on individual ability, performance, aptitude and motivation. Daimaru Matsuzakaya Department Stores, which is our core business, places women in 32.0% of total leadership positions. As for the career path after joining the company, we will actively appoint women to leadership positions and other important positions so that motivated women can play a more important role.

◆ Daimaru Matsuzakaya Department Stores female employees in leadership positions (as of March 1, 2017)

	Number of females	Percentage of females
General manager	12	12.1%
Other leadership positions	215	35.2%
Total	227	32.0%

*The figures 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 (including Supervisors and Section Leaders from Daimaru Matsuzakaya Sales Associates).

Daimaru Matsuzakaya Department Stores has three female executive officers.

(i) Creation of a pleasant working environment for women

From the perspective of ease of working, various systems are in place as listed below and we will improve such systems and take measures to help women perform better and increase productivity.

Daimaru Matsuzakaya Department Stores childcare-related systems beyond legal requirements

- Childcare leave: Up to the last day of the month in which the child enters an elementary school (for children under a year old under the law)
- Reduced hours of work for childcare: Up to the last day of the month in which the child enters an elementary school (for children under three years old under the law). The "optional working hours system" allows shorter working hours until the child enters a junior high school.
- Sick/injured child care leave: Paid (unpaid under the law)
- Childcare support leave: Four days of paid leave for raising children under three years old (No such leave is granted by law.)
- Maternity leave for spouse: One day of paid leave (No such leave is granted by law.)

(ii) Dimples' support for women's active participation

The Group's staffing business Dimples' Co., Ltd. thinks it is essential to promote women's active participation in order to develop the company. Therefore, it promotes

the use of human resources based on individual ability, performance, aptitude and motivation and the percentage of women in section head and other leadership positions in the head office, branch offices and outsourcing departments reaches approximately 60%. As a company which actively strives to create a pleasant working environment for women, it received the certificates of "Leading Companies with Actively Participating Women" in Osaka City, "Aichi Josei Kagayaki Company (Aichi's Company with Active Participation of Women)" in Aichi and "Ishikawa Company Declaring the Promotion of Gender Equality" in Ishikawa.



Employment of the disabled

We established "JFR Create Co., Ltd." on April 3, 2017 to fulfill our social responsibility for the employment of the disabled and contribute to society. On the assumption of acquiring certification as a "special subsidiary company" pursuant to the law, it aims to secure a stable workplace environment as a place for participation in society where persons with disabilities can demonstrate their capabilities.

Human rights

We provide human rights education and strive 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.

◆Major initiative: Establishment of the "Human Rights Awareness Promotion Committee"

Composition

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

Activity themes

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

Specific activities

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

Health care measures

We conduct health examinations to prevent lifestyle diseases and

gynecological examinations for all employees aged 35 and over, as well as legal regular health examinations. By dealing with mental health within the large framework of total mental and physical health care, living conditions surveys are provided as a self-care tool. We put importance on health guidance provided by health care teams based on the results of these examinations and surveys.

Labor-management relations

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

The common purposes of J. Front Retailing and J. Front Retailing Group labor unions are to grow and develop the Group companies and to improve the total welfare of the Group companies' union members by cooperating based on mutual respect for basic stances and mutual trust and increasing productivity.

(2) Customers

Thorough quality control

J. Front Retailing Group makes its operating companies use Consumer Product End-Use Research Institute, which specializes in quality control, to maintain and improve their quality control and thus makes efforts so that both companies and consumers can enhance the quality of life safely and securely.

Consumer Product End-Use Research Institute Co., Ltd. is the Group's total solution company of quality and hygiene control. Since it was inaugurated as the dyeing laboratory and hygienic laboratory of the Daimaru department stores in 1927, the company has conducted the activities that build relations of trust between companies and consumers as a pioneer in quality control services in the retail industry. It provides scientific and professional consulting services by meeting the requirement standards under relevant laws and regulations and from consumer's perspective so as not to cause disadvantage and health damage to consumers.

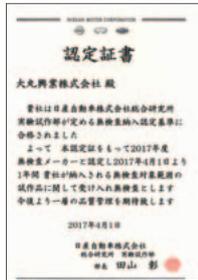
(i) Consultation Corner for Consumers

The "Consultation Corners for Consumers" are placed in a total of ten stores of Daimaru, Matsuzakaya and associated department stores and certified consultants for consumers' affairs appropriately respond to and handle complaints and requests for consultation from customers concerning the products they purchased and strive to resolve them through the eyes of consumers.

(ii) Daimaru Kogyo's initiatives to improve quality control

At the Quality Control Center that provides inspection services for the Vehicle Department, Daimaru Kogyo received an inspection-free manufacturer certificate from Nissan Research Center, Nissan Motor Co., Ltd. for the 26th consecutive year since 1992.

"The inspection-free manufacturer certification requires the non-defective rate of not less than 98% and the delivery date achievement rate of not less than 95%. At present, only two companies including Daimaru Kogyo receive such certification.

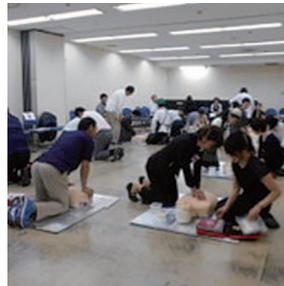


Creation of safe and secure store environment

At department stores and other stores and offices, we organize self-defense fighting teams and conduct emergency drills and BCP trainings¹ in preparation for earthquakes and fires. We also promote the improvement of systems by introducing an earthquake early warning alert system, a safety confirmation system for all employees and satellite-based mobile phones.

Self-defense firefighting teams at stores carry out drills on a regular basis with the participation of all workers including people from business partners to ensure that we can take prompt and appropriate actions including firefighting, evacuation guidance for customers and information collection. We adopt a system in which an earthquake early warning alert, which is received when an earthquake measuring 5-lower or more on the Japanese intensity scale occurs, is automatically broadcast in stores in real time².

AED (automatic external defibrillator) units are installed mainly in department stores and we continuously train employees in their use.



AED training

¹ BCP: A plan that allows an organization to continue to operate or restore business early in the event of disaster.
² Currently this system is in place in the Daimaru Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo and Suma stores and the Hakata Daimaru Tenjin and Kochi Daimaru stores and all the Matsuzakaya stores.

(3) Business partners

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 including the Antimonopoly Act, the Subcontract Act, the Act against Unjustifiable Premiums and Misleading Representations, insider trading regulations, and laws

and regulations concerning the appropriate disclosure of corporate information and the severance of relations with antisocial forces. 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 based on the fair trade manual developed by the Japan Department Stores Association. Recently, we introduced compliance-related e-learning programs for more efficient education and awareness activities.

(4) Contribution to society

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

From December 2009, collection boxes are placed mainly in the Daimaru and Matsuzakaya stores and their employee facilities and the offices of the Group companies to collect unnecessary PET bottle caps. The collected caps are recycled through the non-profit organization "Re Lifestyle" and we donate the full amount paid for them to the authorized non-profit organization "Japan Committee Vaccines for the World's Children" to fund vaccines for children around the world.



PET bottle cap collection box

Since we started this initiative, 111.7 million PET bottle caps were collected by May 2017. The total amount donated is equivalent to polio vaccines for more than 210,000 children.

Pink Ribbon Campaign

Daimaru, Matsuzakaya, Parco and JFR Card are involved in the "Pink Ribbon Campaign," an educational activity to promote early diagnosis, detection and treatment of breast cancer. Mainly on "Mother's Day" and in "Pink Ribbon Month (October)," at the Daimaru and Matsuzakaya stores, we conduct educational activities including the distribution of awareness booklets and screening experience on a mammography van as well as donating proceeds from the sale of original pins and Pink Ribbon charity bread to a Pink Ribbon awareness organization.



Feel-a-breast-lump event

Love 49 Project

The Daimaru and Matsuzakaya stores participate in the prevention and awareness activities for cervical cancer implemented by the "Love 49 Project" that designates April 9 as "Uterus Day." We hand out newsletters in stores in

cooperation with local cytotechnologists while selling button badges and collecting money in stores to donate to the authorized non-profit organization known as “Orange Clover,” which is working to raise awareness of cervical cancer.



Charity button badges

Participation in the Table for Two program

Daimaru, Matsuzakaya and Parco support the activities of the authorized non-profit organization “Table for Two International” (TFT), which helps provide school meals for children in developing countries, by donating a portion of sales at their restaurants and staff cafeterias.

Daimaru and Matsuzakaya join TFT’s “One Million People to Share TFT Meals!” campaign on October 16, “World Food Day,”



“Table for Two” poster

every year and offer TFT meals at their restaurants and cafes. J. Font Foods develops menus in collaboration with neighboring university associations that support TFT.

Regional contribution activities

The Matsuzakaya Nagoya store and National University Corporation Nagoya University concluded a partnership agreement in May 2017.

The purpose of this agreement is to enable mutual collaboration between Nagoya University and the Matsuzakaya Nagoya store in the fields of culture, industry, education, academics and so on with the aim of contributing to the development of the local region and human resources. Beginning with the research on the revitalization of the Sakae area using ICT, we will implement various initiatives that contribute to service innovation and the development of local appeal toward the “creation of Nagoya, a hospitable city in information services.”



Signing ceremony at Nagoya University [Executive Store Manager of Matsuzakaya Nagoya (left) and President of Nagoya University (right)]

Contribution to art and culture

J. Front Retailing Archives Foundation Inc. (the “Foundation”) co-organized an exhibition titled “Kimono, au bonheur des dames” with the Japan Foundation and the Guimet National Museum of Asian Art in France (the “Museum”) at the Museum for about three months from February 22 to May 22, 2017.

120 pieces of *kosode* (small-sleeved kimono), *obi* (sash belts), wedding furniture, *ukiyo*e (woodblock prints), etc. selected from the

collection of the Foundation and the Nagoya City Museum including more than 5,000 items were displayed abroad for the first time. The works of a renowned fashion designer influenced by kimono were exhibited to show the role of kimono in modern fashion.



Kosode in the Edo period

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

Support for disaster areas

J. Front Retailing and Parco donated ¥10 million each to people in the areas affected by the Kumamoto Earthquake. Using the core business, the Daimaru Kobe store and Hakata Daimaru supported their sales channels with the Kumamoto Prefectural Government and the Organization for Small & Medium Enterprises and Regional Innovation, Japan.

Support for Tohoku

The Matsuzakaya Ueno store conducts support activities for the Tohoku area in early spring every year since the Great East Japan Earthquake. In April 2017, the store held support events for the Tohoku area, including product sales, workshops and street rugby, during the store’s Tohoku local products fair.

In addition, a donation box was placed at the information desk on the 1st floor of the main building during the fair in support of the Japanese Red Cross Society’s “We Will Never Forget” campaign.



Ueno store Tohoku support event in Panda Hiroba

◆Major fundraising activities and charitable support in FY2016 (Daimaru Matsuzakaya Department Stores) (Unit: ¥1,000)

Name of fundraising / recipient organization	Description	Amount donated
Kumamoto Earthquake Disaster Relief Fund	Cooperated in the Japanese Red Cross Society’s events and activities, donated a portion of proceeds from the sale of the charity straps of the Japan Department Stores Association, etc.	1,317
Scholarship funds to support children affected by the Great East Japan Earthquake (Note 1)	Donated a portion of proceeds from the sale of the charity pins at “Thanks Festivals,” cooperated in the Japanese Red Cross Society’s events and activities, etc.	242
Authorized NPO Orange Clover	Donated a portion of proceeds from the sale of original eco bags, etc. to support cervical cancer prevention awareness activities	588
Local Pink Ribbon support groups	Donated a portion of proceeds from the sale of original pins and heart bread, etc. to support breast cancer prevention awareness activities	788
Authorized NPO Table for Two International (Note 2)	Donated a portion of the sales of healthy meals, etc. to help provide school meals in developing countries	1,424

Notes: 1. Total amount donated to the scholarship funds for children affected by the Great East Japan Earthquake in Miyagi, Iwate and Fukushima
2. Total amount of donations collected at restaurants, cafes and staff cafeterias in the Daimaru and Matsuzakaya stores

Governance



Transition to a company with three committees

The Company resolved to change into a company with three committees at the annual shareholders meeting in May 2017. The purpose of this change is to further strengthen corporate governance from the following standpoints:

- (i) Strengthening the management oversight function by separating oversight from execution;
- (ii) Clarifying authority and responsibility in business execution and promoting agile management;
- (iii) Improving the transparency and objectivity of management; and
- (iv) Building a globally applicable governance system.

Overview of corporate governance system

The Company is a pure holding company and, with the exception of authority for important matters relating to the management of the Group, it accordingly delegates authority to its respective business subsidiaries with respect to matters involving business execution by the business subsidiaries in order to speed up management decision making and to make managerial responsibilities clear.

The Company has four supervisory units (Management Strategy Unit, Affiliated Business Unit, Financial Strategy Unit and Administration Unit) as management bodies to clarify each unit's roles, responsibilities and authorities, thereby strengthening the oversight function and improving the internal control systems of the entire Group.

Board of Directors

(1) Basic roles and responsibilities of the Board of Directors

Directors who are appointed by shareholders and are entrusted with the management of the Company are to carry out the roles and responsibilities in the Board of Directors in accordance with their fiduciary responsibility and accountability to shareholders with the aim of realizing the Basic Mission Statement, the Group Vision, etc.

(2) Composition of the Board of Directors

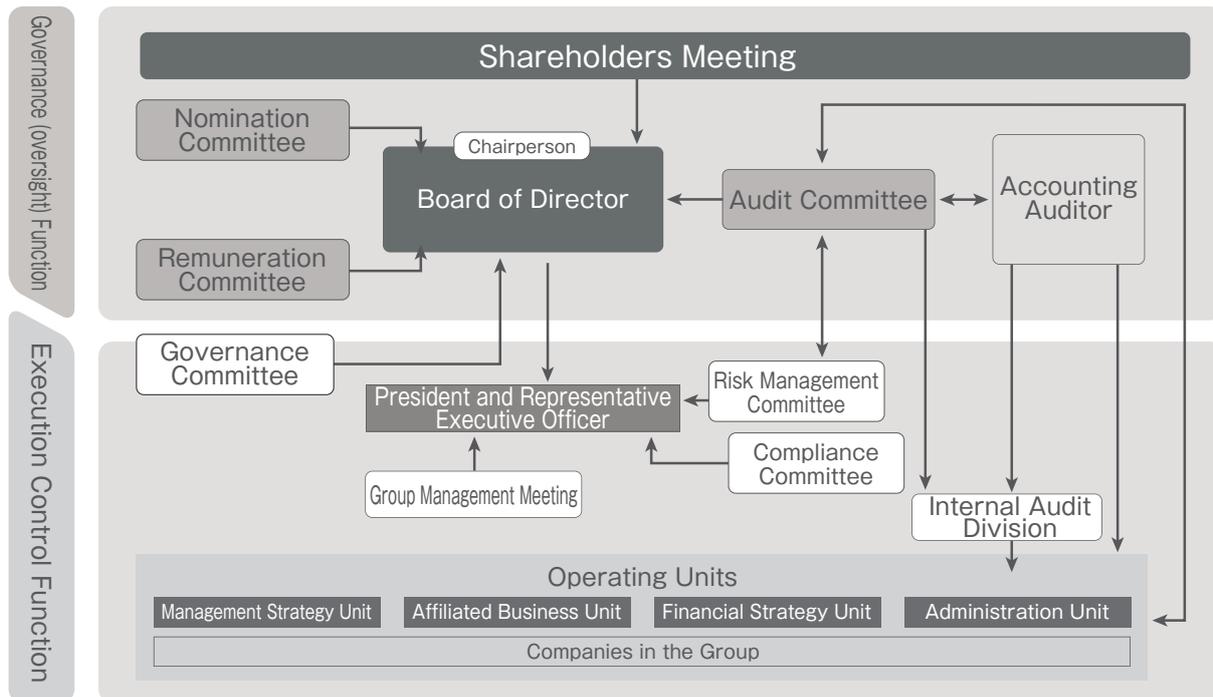
Currently the number of Directors is thirteen (five of whom are independent Outside Directors including one female Director) and the term of office is one year. From the standpoint of separating oversight from execution and enhancing the effectiveness of discussions at the Board of Directors meetings, one-third or more of Directors are independent Outside Directors and the majority of Directors are independent Outside Directors and internally promoted Directors who do not execute business. The Chairperson of the Board of Directors is chosen from among internally promoted Directors who do not execute business from the standpoint of separating oversight and execution and ensuring the smooth operation of the Board of Directors.

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 Executive Officers and the Senior Executive General Managers of the supervisory units.

(3) Matters discussed at the Board of Directors meetings in FY2016

In fiscal year 2016, the Board of Directors had 15 meetings to deliberate and resolve the "Group Vision" and the "next Medium-term Business Plan" as strategic discussion

◆ Corporate governance structure chart



for the medium- to long-term growth of the Group, a “transition to a company with three committees,” the “validation of the rationale for cross-shareholdings and sales of such shares,” etc. as discussion concerning corporate governance, the “progress of the Shibuya Parco rebuilding project,” the “renovation plan of the Daimaru Kobe store” and the “reorganization of the Real Estate Business” as discussion concerning individual growth businesses, and the “closure of the Daimaru Urawa Parco store,” the “closure of Otsu Parco,” the “business transfer of JFR Online” and the “withdrawal from the business of JFR Plaza” to react to unprofitable businesses.

Nomination Committee / Audit Committee / Remuneration Committee

(1) Nomination Committee

The Nomination Committee is composed of three Outside Directors, the Chairperson of the Board of Directors who does not execute business and President and Representative Executive Officer. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity.

(2) Audit Committee

The Audit Committee is composed of three Outside Directors and two full-time Inside Directors who do not execute business and are well informed about the Company’s internal information to maintain and improve the accuracy of audit. In fiscal year 2017, an internally promoted Director who does not execute business chairs the Committee from the standpoint of achieving a smooth transition from the current structure of Audit & Supervisory Board system. However, the Company will

reconsider reviewing this system and establishing the most appropriate system.

(3) Remuneration Committee

The Remuneration Committee is composed of three Outside Directors, the Chairperson of the Board of Directors who does not execute business and President and Representative Executive Officer. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity.

◆ Committees to which Directors belong (© Chairperson)

Name	Nomination Committee	Audit Committee	Remuneration Committee	Remarks
KOBAYASHI Yasuyuki	○		○	Chairperson of Board of Directors
DOI Zenichi		◎		Non-executive
TSUTSUMI Hiroyuki		○		Non-executive
TACHIBANA FUKUSHIMA Sakie	◎		○	Independent Outside Director
OTA Yoshikatsu	○		◎	Independent Outside Director
TSURUTA Rokuro	○	○	○	Independent Outside Director
ISHII Yasuo		○		Independent Outside Director
NISHIKAWA Koichiro		○		Independent Outside Director
YAMAMOTO Ryoichi	○		○	President and Representative Executive Officer
YOSHIMOTO Tatsuya				Representative Managing Executive Officer
MAKIYAMA Kozo				Managing Executive Officer
FUJINO Haruyoshi				Managing Executive Officer
WAKABAYASHI Hayato				Managing Executive Officer

Governance Committee

The Company has a "Governance Committee" as a voluntary advisory committee since when it was a company with an audit & supervisory board. The Committee has had discussions and exchanges of opinions in a constructive manner concerning various issues to increase the effectiveness of the Board of Directors based on the results of the evaluation of the Board of Directors and the Company's organizational structure. At the Board of Directors meeting in October 2016, the Committee submitted a report concerning the transition to a company with three committees in fiscal year 2017, and after that, it studied the policy and approach of the new corporate governance structure and submitted a report to the Board of Directors.

After the Company transitioned to a company with three committees, the "Governance Committee" continues to serve as a voluntary advisory committee which consists of President and Representative Executive Officer, the Chairperson of the Board of Directors and all Outside Directors.

Evaluation of the Board of Directors

As the second evaluation by a third-party organization continued from 2015, the Company analyzed and evaluated each of the items including the Board of Directors' composition, operational status, agenda items and materials for deliberations in light of the roles and responsibilities of the Board of Directors from August to September 2016.

The evaluation was performed using a methodology whereby the third-party organization prepared a report containing summaries and analyses of the results of "individual interviews" and the "direct observation of the Board of Directors" and the Board of Directors carried out deliberations on the evaluation based on the report.

Based on the results of the evaluation in 2015, the Company has taken initiatives, including revising the Rules of the Board of Directors to clarify agenda proposals and benchmarks on agenda proposals, securing time for discussions by ensuring prior explanations and reducing explanations on proposals at the meetings of the Board of Directors, and improving materials on proposals, and has striven to secure the effectiveness of the Board of Directors as a whole.

As a result, the evaluation identified significant improvements with regard to the "Board's focus on management strategy agendas" and "setting up mechanisms to ensure effective discussions such as prior explanations for Outside Directors and Outside Audit & Supervisory Board Members and holding off-site trips for Directors and Audit & Supervisory Board Members." In addition, the evaluation concluded that the supervisory function is steadily improving as a result of changes to the decision-making process such as submitting important matters for consideration to the Board of Directors at an early stage.

On the other hand, there was an evaluation that problems still remain with regard to improving implementation (the speed of execution) in order to expedite the planning of the Group strategies, which came from further expectations for the reform of the Board of Directors. Therefore, we are trying some measures. For example, concerning the issues pointed out at the Board of Directors meeting, we confirm how and when we will address them at the beginning of

the next Board of Directors meeting. And we resumed our efforts to make improvements including the strengthening of the organizational structure of Management Strategy Unit. We will remain committed to securing the effectiveness of the whole Board of Directors.

Policy and procedures for determining executive remuneration

We formulated a new executive remuneration policy and began to apply it in May 2017 based on the standpoints including increasing the proportion of performance-based remuneration to total remuneration, introducing remuneration based on medium- to long-term performance with the aim of increasing corporate value over the medium to long term, and developing a uniform fixed-remuneration scheme covering non-executive Directors and Outside Directors.

In order to ensure that remuneration levels and remuneration amounts are appropriate and that their determination process is transparent, the determination of the specific remuneration amounts to be paid is made by a resolution of the Remuneration Committee chaired by an independent Outside Director, in which the majority of its members are independent Outside Directors.

◆ Remuneration of Executive Officers

The remuneration of Executive Officers comprises (i) "basic remuneration" (monetary remuneration) in accordance with position, (ii) "bonuses" (monetary remuneration) based on individual evaluations conducted each business year, and (iii) "performance shares" (trust-type stock-based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system. In the Executive Officers' remuneration composition, the ratios of performance-linked remuneration and stock-based remuneration are set so as to function as a healthy incentive for sustainable growth. Specifically, "bonuses" and "performance shares" are each set at around 60% of "basic remuneration," which serves as the standard.

◆ Remuneration of non-executive Directors

The remuneration of Directors who do not engage in business execution consists only of fixed remuneration, which includes (i) "basic remuneration" (monetary remuneration) in accordance with position and (ii) "restricted stock" (trust-type stock-based remuneration), which is not linked to performance, as a stock-based remuneration system.

Succession planning

The selection of Chief Executive Officer is the most important strategic decision making, and accordingly the Company positions the drawing up and implementation of plans regarding successors (the next senior management team) as matters of particular importance in terms of management strategy.

The Company ensured clarity and transparency in the process of selecting successor

candidates through repeated reviews of successor candidates' individual evaluations based on assessments made by a third-party organization using internal data. The deliberations were conducted by the Human Resources and Remuneration Committee (a committee in existence until May 2017 while the Company was a company with an audit & supervisory board), in which the majority of its members are Outside Directors. With regard to the qualities required of successors, the Company has clearly defined the necessary values, capabilities and behavioral traits in the form of five qualities including "strategic mindset," "reform-oriented leadership," "tenacity to achieve results," "organizational development strengths" and "human resource development strengths." The Company has endeavored to ensure the impartial cultivation and selection of successors by sharing these qualities among all members of the Human Resources and Remuneration Committee to make them all aware of the measures used in cultivating and assessing successors.

Basic capital policy

The Company believes that any increase in free cash flow and improvement in ROE will help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, 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.

Appointment of Outside Directors

With the aim of separating oversight and execution, ensuring the effectiveness of the Board of Directors' discussions and ensuring transparency and objectivity, five of thirteen Directors are independent Outside Directors. In appointing Outside Directors, the Company confirms in light of its criteria for determining independence of Outside Directors that nominees are not susceptible to conflicts of interests involving the Company's shareholders and are in objective positions independent of the Company's management team that engages in business execution.

◆ Outside Directors after the transition to a "company with three committees" on May 25, 2017

Outside Director	Reasons for appointment	Number of attendance at the Board of Directors meetings during FY2016
TACHIBANA FUKUSHIMA Sakie President and Representative Director of G&S Global Advisors Inc.	TACHIBANA FUKUSHIMA Sakie has broad insight based on her abundant experience in internal and external governance as a director at a U.S. company's global headquarters and as an outside director at numerous Japanese companies. She has gained corporate management experience as a president of a foreign-owned human resource consulting company's local Japanese branch, and accordingly possesses in-depth knowledge regarding global human resources. Accordingly, since being appointed as an Outside Director of the Company in May 2012, she has adequately provided 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.	15/15
OTA Yoshikatsu Special Advisor of Konica Minolta, Inc.	OTA Yoshikatsu has abundant insight gained through his extensive experience 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 chairperson of the board of directors of a company with committees (currently a company with three committees). Accordingly, since being appointed as an Outside Director of the Company in May 2015, he has adequately provided advice and oversight with respect to promoting the Group management, change in the form of corporate organization of the Company and other such matters from an objective viewpoint independent of the management team that engages in business execution.	15/15
TSURUTA Rokurou Attorney at law	TSURUTA Rokurou possesses in-depth understanding of legal affairs as a person from legal circles. In his service up until now as an Outside Audit & Supervisory Board Member of the Company, he has actively and assertively furnished advice, recommendations and other feedback to the Board of Directors with respect to matters such as regulatory compliance in managing operations such as internal controls and audits and legal risks in managing business.	14/15*
ISHII Yasuo	ISHII Yasuo has long-standing overseas work experience and possesses insight based on his abundant experience in the field of global corporate management outside the retail industry such as special familiarity with business development in overseas countries. In his service up until now as an Outside Audit & Supervisory Board Member of the Company, he has actively and assertively furnished advice, recommendations and other feedback to the Board of Directors with respect to overall management strategy such as strengthening the holding company functions aimed at swift decision making for business execution.	15/15*
NISHIKAWA Koichiro Outside Director of Kyowa Hakko Kirin Co., Ltd.	NISHIKAWA Koichiro possesses suitably useful insight even with respect to financial matters from his practical experience in business alliances, M&A, business reforms, and his involvement in numerous important international negotiations. In his service up until now as an Outside Audit & Supervisory Board Member of the Company, he has actively and assertively furnished advice, recommendations and other feedback to the Board of Directors with respect to matters such as taking risks regarding new business and M&A, advancing progress management and results verification for corporate management strategies, and the suitability of numerical-target-based planning.	15/15*

*Tsuruta Rokurou, Ishii Yasuo and Nishikawa Koichiro attended the Board of Directors meetings as Audit & Supervisory Board Members in fiscal year 2016.

A “business strategy” where higher sales are accompanied by profits and a “financial strategy (encompassing the capital policy)” that heightens profitability of invested capital are essential elements with respect to improving cash flows and ROE. In addition, we believe it is crucial that we maximize our operating profit and continually improve our operating margin by strengthening our core businesses 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 targets 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 the aims that include improving capital efficiency and implementing a flexible capital policy.

Policy on cross-shareholdings

The Group reduces its cross-shareholdings (which means the 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 factors. However, this does not apply to shares with respect to which rationale for such holdings has been verified by means of validation conducted at the Board of Directors on a yearly basis from qualitative perspectives with respect to business strategies such as maintaining harmonious and favorable business relationships with corporate customers and business partners and securing supply chains and from quantitative perspectives such as dividend income and other economic rationale.

Decisions with respect to voting on matters regarding cross-shareholdings are made from both perspectives of whether or not the 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 or not the cross-shareholdings contribute to the Group’s sustainable growth and the medium- to long-term improvement of its corporate value. We also consider the possibility of engaging in dialogue with companies whose shares we hold if necessary when we exercise voting rights.

Internal control systems

The Company has established the “Basic Policy on Developing Internal

Control Systems” with the aim of ensuring appropriateness of operations performed by the entire Group. Accordingly, we take steps to facilitate the Group’s sustainable growth and increase corporate value over the medium to long term through specific initiatives geared toward promoting the policy.

The operational status of the internal control systems of the overall Group is reported to the Board of Directors regularly and in a timely manner and the Board of Directors engages in appropriate oversight in that regard. Moreover, summaries of the operational status are disclosed in our convocation notices for shareholders meetings (in the Business Report section).

Risk management and compliance

The Company regrets that it has not so far considered positive risks adequately to ensure growth opportunities. Therefore, we have newly established the “Risk Management Committee” under our management execution framework to systematically manage and address strategic and other risks as a whole from a company-wide perspective. The Committee is chaired by President and Representative Executive Officer and consists of members including the Senior Executive General Managers of the supervisory units and the Presidents of major subsidiaries. Drawing on extensive specialized knowledge of the committee members, the Committee assesses a variety of risks, prepares necessary measures and monitors progress in that regard.

And the Company has established the “Compliance Committee” (whose membership includes corporate lawyers) for the purpose of appropriately addressing issues concerning the Group’s compliance management practices. The Committee draws up a policy for addressing matters involving serious compliance-related violations, and through close collaboration with departments in charge of promoting compliance, develops the foundation of compliance system (e.g. the preparation of promotion systems and plans) and continuously oversees the status of implementation to promote compliance with laws and regulations, corporate ethics and other such standards.

Both Committees report the details of their deliberations to the Audit Committee regularly and in a timely manner.

Whistleblowing system

The Company has established a whistleblowing system that enables all officers and employees of the Group as well as all individuals working at the Group (including part-timers and employees seconded from business partners) to notify the “Compliance Committee” directly with respect to compliance-related issues and seek corrective action. The Company has set up points of contact for whistleblowers both internally and outside the

Company (corporate lawyers).

The Group's internal company rules rigorously provide for the whistleblowing system in terms of protecting the confidentiality of whistleblowers and prohibiting disadvantageous treatment of whistleblowers.

Improvement of shareholders meeting

With the aim of engaging in constructive dialogue with its shareholders, the Company sends convocation notices for shareholders meetings as early as possible (at least three weeks prior to the date on which a shareholders meeting is to be held), and at the same time, the Company submits such content to financial instruments exchanges and posts it to the Company's website as early as practicably possible before sending its convocation notices to ensure that there is adequate time for its shareholders to consider matters with respect to which they will exercise their voting rights. The convocation notice of the 10th annual shareholders meeting was provided to financial instruments exchanges and made available on the Company's website before delivery of the printed version and four weeks prior to the date of the shareholders meeting.

The Company gives consideration to ensuring that its shareholders are able to conveniently exercise their voting rights, including domestic and overseas institutional investors. To this end, the Company has adopted online and other means of exercising voting rights and otherwise uses the Electronic Voting Platform. We also prepare English translations of our convocation notices and make them available on our website and the Electronic Voting Platform so that our overseas shareholders are able to properly exercise their voting rights.

At the 10th annual shareholders meeting in May 2017, we partially revised the Articles of Incorporation to allow an institutional investor that owns shares in the name of a trust bank, etc. and does not own shares in their own name to attend a shareholders meeting and exercise voting rights as a proxy. This clause will apply from the next shareholders meeting.

Disclosure and IR activities

Under the Basic Mission Statement "We aim at developing the Group by contributing to society at large as a fair and reliable corporation.," the Company promotes IR activities for

【Major dialogue activities with investors in fiscal year 2016】

<For domestic institutional investors>	
Results presentation	2
Small meeting	13
Individual interview	121
IR event	3
<For overseas institutional investors>	
Overseas IR roadshow	37
Domestic and overseas conference	53
Individual interview	55
<For individual investors>	
Company presentation	7

the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important information about 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 company 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 the Company's website, etc. as quickly as possible. With respect to any information that is deemed to help stakeholders better understand the Company, even where the timely disclosure rules do not apply to it, the Company works to publicize such information on its website as well as by using SNS and publishing integrated reports. The Company releases information in a timely and appropriate manner by making use of the TDnet and EDINET platforms, the Company's website and other means in line with the attributes of the information being disclosed. Moreover, to ensure that we disclose information in an impartial manner, we prepare and release English translations of our convocation notices for shareholders meetings, integrated reports, timely disclosure information, financial information and the Company's website.

The Company's efforts to improve communication include timely disclosure and information transmission on its website in combination with various briefings and meetings and responses to inquiries from shareholders and investors are widely shared among the Company and related companies of the Group, and we refer to them in company management to increase corporate value.

Received the Best IR Award

The Company received the 2016 (21st) "Best IR Award" (hosted by the Japan Investor Relations Association). According to the news release of the Japan Investor Relations Association, the Company was selected for the award for the following reasons: "J. Front Retailing's top management is highly conscious of the importance of IR activities, which is shared company-wide. In addition to top management's attitude and presentation skills, the convincing argument regarding its management strategy earned high marks. The IR team is resourceful and highly accessible. The team promptly makes efforts related to governance-related matters, which include ensuring enough time for shareholders to consider agenda items of the General Meeting of Shareholders and enhanced fair information disclosure. Moreover, the company provides great IR tools, such as the Fact Book, Annual Report and Supplementary Data for Financial Results Briefing."



Interview with Outside Director

TSURUTA Rokurou

Outside Director

Apr 1970	Public Prosecutor of Tokyo District Public Prosecutors Office
Apr 2005	Superintending Prosecutor of Nagoya High Public Prosecutors Office
Jun 2006	Retired from the same office
Jul 2006	Registered as attorney at law
Oct 2006	Professor at Chiba University Law School
May 2007	Outside Audit & Supervisory Board Member of The Daimaru, Inc.
Jun 2007	Outside Director of Teikoku Piston Ring Co., Ltd. (present TPR Co., Ltd.) (present)
Sep 2007	Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd.
Apr 2009	Professor at Surugadai University Law School
Jun 2010	Outside Audit & Supervisory Board Member of Mitsubishi Chemical Holdings Corporation
Jun 2012	Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. (present)
Jun 2015	Outside Member of the Board of Directors of Kabaya Industry Co., Ltd. (present KYB Corporation) (present)
May 2017	Outside Director of J. Front Retailing Co., Ltd. (present)



The Company's governance reform initiatives

In the "Revision of Japan Revitalization Strategy" in June 2014, the government announced its policy of developing the Corporate Governance Code to enhance the earning power of companies and experts worked to draft the Code. The Company created an organizational position responsible for Corporate Governance Promotion in March 2015 and began to study appropriate corporate governance including the roles and operation of the Board of Directors. In June 2015, we set up the "Governance Committee" whose membership includes then Chairperson, President and Outside Directors and Audit & Supervisory Board Members. At the "Governance Committee," we actively discussed mainly the form of corporate organization, the enhancement of the effectiveness of the Board of Directors and other such matters. During these discussions, our opinions were gradually aggregated into a consensus that the Company should transition from then company with an audit & supervisory board to a company with three committees, and at the Governance Committee meeting in July 2016, its direction was decided.

I think the change of the form of corporate organization proceeded through repeated discussions. But at the basis of that, I feel President Yamamoto's extraordinary passion worked as a great driving force. Based on reflection on the current state of the Company's governance in light of the Corporate Governance Code, Mr. Yamamoto seemed to try to greatly change the Company and achieve dramatic growth by implementing all the principles of the Corporate Governance Code to strengthen the Company's corporate

governance.

The assessment of the effectiveness of the Board of Directors through individual interviews and the direct observation of the Board of Directors by a third-party organization based on the self-assessment of all the Board members of the Company has greatly contributed to advancing governance reform centered on the Board of Directors. Based on the results of the assessment of the Board of Directors, the review and consolidation of matters to be discussed at and reported to the Board of Directors, the strengthening of prior explanation and so on progressed and the allocation of time in and the density of strategic discussions concerning the Group management strategies, resource allocation, capital policy and so on were improved, which helped revitalize deliberations at the Board of Directors meetings.

Roles of Outside Directors

Outside Directors make efforts in different fields and play different roles depending on their backgrounds, insights, etc. However, I think they should strive to adequately provide advice and oversight in terms of "defensive governance" as well as contributing in terms of so-called "aggressive governance" such as the development of management strategies. By combining these two aspects, they should contribute to increasing corporate value. Particularly, at a company with three committees, the Audit Committee audits the business execution of Executive Officers as an "organization audit" through the internal control systems unlike the previous audit & supervisory board member system. Therefore, it is important not just to build the internal

control systems but also to check whether they actually function effectively.

The role of the Company as a holding company is to evaluate the business companies under its control based on its management philosophy, vision and strategies and facilitate the restructuring and optimization of business portfolio. The Medium-term Business Plan, which started in fiscal year 2017, is positioned as a “phase of the Group’s structural change” when we will change our business portfolio by expanding the Real Estate Business and other associated businesses and new businesses that are expected to grow as markets without overly depending on the core Department Store Business and Parco Business. In other words, while steadily examining the results of existing investments, the Company has to create new businesses and innovate existing businesses looking ahead five or ten years. In doing so, I think it is important for Outside Directors to provide advice and oversight from an “outside viewpoint,” which is different from that of people from retailers, based on their management experiences and insights.

In the business management conducted by a holding company, risk management is important. Risks include “positive risks” such as strategic risks associated with the development and implementation of strategies and finance risks associated with the procurement, operation and management of funds and “negative risks” such as hazard risks including natural disasters and compliance risks. Depending on circumstances, positive risks may help increase corporate value over the medium- to long-term by accepting them as opportunities with entrepreneurship. On the other hand, if negative risks are realized, loss will inevitably arise. Out of regret that the Company has not so far considered positive risks adequately to ensure growth opportunities, the governance reform was conducted by newly establishing the “Risk Management Committee” under the management execution framework to systematically manage and address strategic and other risks as a whole from a company-wide perspective, which enabled management decision-making focusing on risk management. The “Compliance Committee” will further strengthen the development of the foundations of compliance system and the oversight function of the status of the implementation of the system. The “Audit Committee,” in which the majority of its members are Outside Directors, will be responsible for the audit of the management of both risks.

My roles to be filled and expectations of the Company

I serve as an Outside Director and Audit Committee Member. Since I was mainly engaged in the audits of legality as an Audit & Supervisory Board

Member based on my legal career, my greatest interest is in the sound management of the Company, and in this regard, I would like to use my experiences and insights fostered in the past. I, as an Outside Director, will strive to adequately provide advice and oversight with respect to matters such as regulatory compliance in managing operations such as internal controls and audits and legal risks in managing business. Specifically, I would like to pay attention, for example, to ensure that the Company will not systematically commit a legal violation with respect to compliance and that the Company will never cause a fire that will cause great damage to the local community, let alone customers. I, at a holding company, would also like to pay close attention to whether corporate governance works well and whether business risks are adequately assessed and management systems appropriate for these risks are in place at subsidiaries.

Both aggressive governance and defensive governance are important for companies. However, I think I also have a key role to provide



commonsensical opinions as an “outside eye” to ensure that the Group will not run counter to what is considered common sense in the world.

Daimaru had a mission statement “Service before profit” and that of Matsuzakaya was “Abjure all evil” and “Practice all good.” I think their common meanings include “responding appropriately to changes in society” as well as “customer first” and “serving the public.” The employees of the Group may not be aware, I think they can continue to grow for a long time by implementing measures that meet the needs of the times because these spirits have been inherited for 300 or 400 years. “Service before profit” and “Abjure all evil” and “Practice all good” are difficult wordings and their concrete meanings may change with the times. However, I hope the Group will pick up their real meanings in line with the demands of the times and turn them into specific corporate activities.

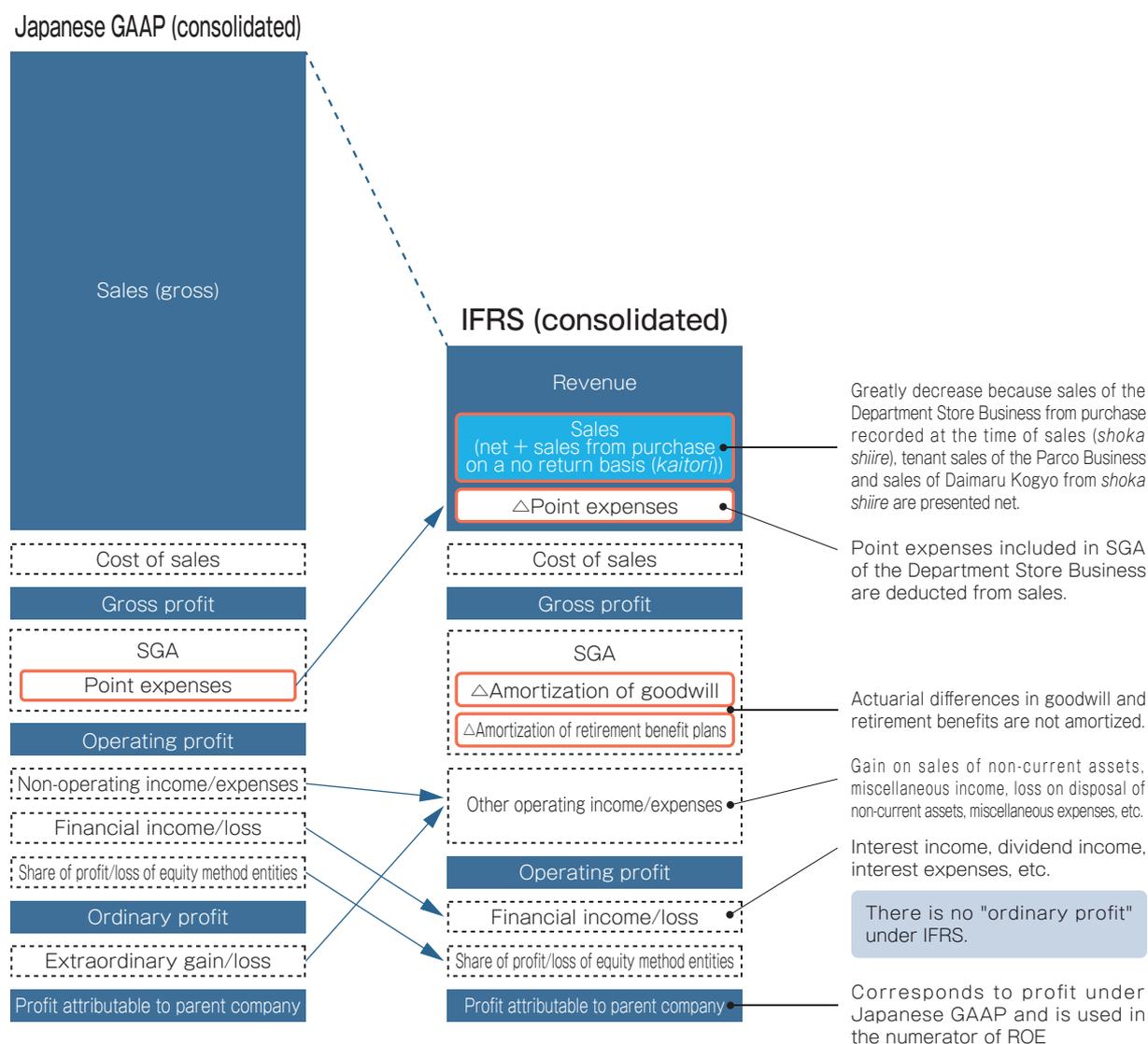


Major Changes Resulting from Application of IFRS (International Financial Reporting Standards)

The Company has decided to apply the International Financial Reporting Standards (IFRS) beginning in March 2017 for the purpose of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and enhancing accountability to domestic and overseas investors by improving the international comparability of financial information.

The Group discloses earnings forecasts and financial results, including the quantitative management objectives set forth in the Medium-term Business Plan, which started in fiscal year 2017, on an IFRS basis.

Comparison between Japanese GAAP and IFRS



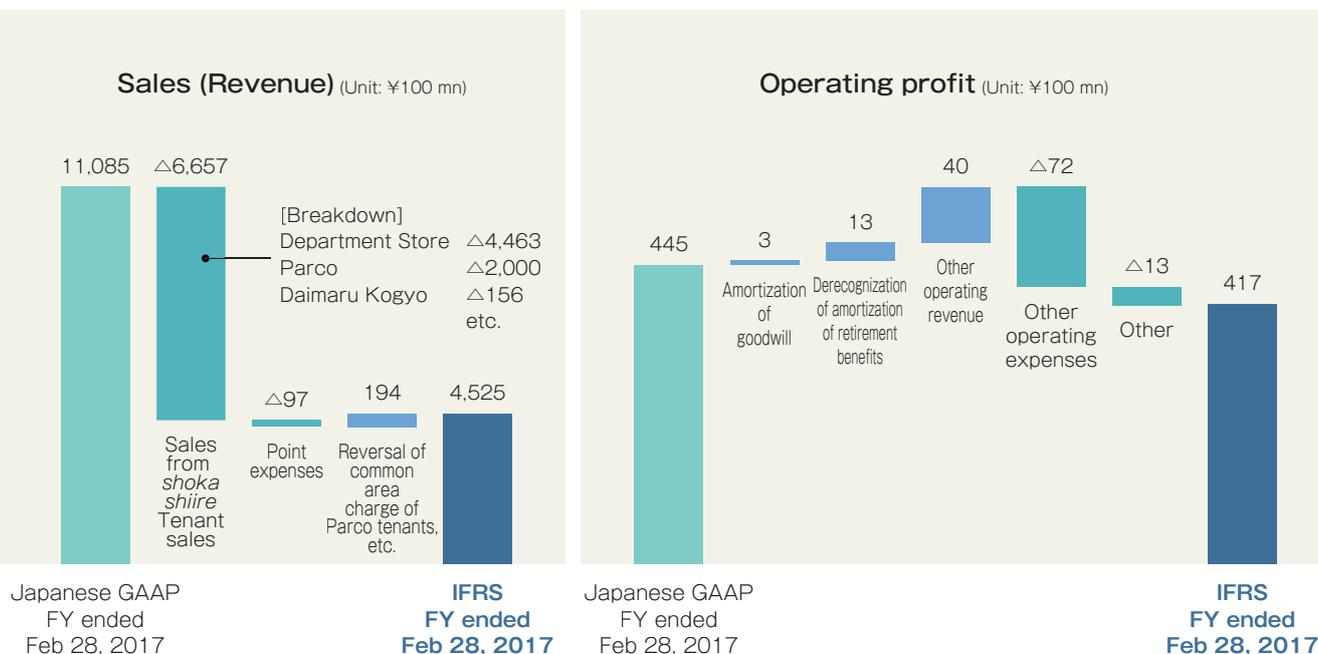
Reference indicator

In consolidated financial statements, with the objective of maintaining comparability with previous periods, the following reference indicators are presented.

Gross sales	Of revenue under IFRS, mainly sales from <i>shoka shiire</i> of the Department Store Business have been converted into gross amount and the net amount of sales of the Parco Business into tenant transaction amount (gross amount basis).
Business profit	(Operating profit under IFRS) - (Other operating revenue, etc. under IFRS) + (Other operating expenses, etc. under IFRS)

Consolidated P/L

- Sales decrease by around 60% due to net presentation of sales from *shoka shiire* and tenant sales and deduction of point expenses.
- Operating profit decreases partly due to reclassification of non-operating income/expenses and extraordinary gain/loss (e.g. loss on disposal of non-current assets).



Consolidated B/S

- Assets (land, leasehold right and others) and shareholders' equity (retained earnings) decrease due to recalculation of the book value of land, etc. made at market value at the time of transition to IFRS. Liabilities decrease due to tax effect.

(Unit: ¥100 mn)



Management / Corporate Data (as of May 31, 2017)

Directors



KOBAYASHI Yasuyuki

Number of the Company's shares held: 34,800

Chairperson of Board of Directors
Nomination Committee Member
Remuneration Committee Member

Apr 1973 Joined The Daimaru, Inc.
Feb 2003 Associate Director and General Manager of Sapporo Store of the same company
May 2003 Corporate Officer of the same company
Jan 2004 General Manager of Tokyo Store of the same company
Sep 2007 Corporate Officer of J. Front Retailing Co., Ltd.
Jan 2008 Director and Corporate Officer, Deputy Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Merchandising Management Unit of Head Office of The Daimaru, Inc.
Mar 2010 Director and Corporate Officer, Senior Executive General Manager of Sales and Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2010 Director and Corporate Executive Officer of the same company
May 2012 Director of Parco Co., Ltd. (present)
Apr 2013 Managing Executive Officer and Senior Executive General Manager of Affiliated Business Unit of J. Front Retailing Co., Ltd.
May 2013 Director and Managing Executive Officer of the same company
May 2015 Senior Managing Executive Officer of the same company
May 2016 Representative Director of the same company
May 2017 Director and Chairperson of Board of Directors of the same company (present)



DOI Zenichi

Number of the Company's shares held: 33,600

Chairperson of Audit Committee

Mar 1976 Joined Matsuzakaya Co., Ltd.
May 2002 Executive General Manager of Corporate Planning Unit of Nagoya Business Division of the same company
May 2006 Executive Officer and Executive General Manager of Sales Planning Unit of the same company
May 2008 Managing Executive Officer, Executive General Manager of General Planning Unit, Sales Reform Promotion Unit and Sales Planning Unit of the same company
Jan 2009 Director and Executive Officer and Executive General Manager of Sales Management Unit of the same company
Mar 2010 Director and Corporate Officer and Senior General Manager of Sales Planning Unit of Sales and Marketing Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd.
Mar 2012 Senior General Manager of Out-of-Store Sales Management Division of Sales and Marketing Headquarters of the same company
May 2012 Director and Managing Executive Officer of the same company
Jan 2015 Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management of the same company
May 2015 Director and Managing Executive Officer, Senior Executive General Manager of Administration Unit and in charge of Compliance and Risk Management of J. Front Retailing Co., Ltd.
Mar 2017 Outside Director of Hakuyosha Co., Ltd. (present)
May 2017 Director of J. Front Retailing Co., Ltd. (present)



TSUTSUMI Hiroyuki

Number of the Company's shares held: 14,998

Audit Committee Member

Apr 1980 Joined The Daimaru, Inc.
Mar 1993 Executive General Manager of Accounting Division of Hong Kong Daimaru Limited
Mar 2001 General Manager of Finance Headquarters of The Daimaru, Inc.
Sep 2007 General Manager of Finance Division of Administration Unit of J. Front Retailing Co., Ltd.
Mar 2010 General Manager of Finance Division of Administration Unit of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2013 Executive Officer and Senior General Manager of Finance Division of Administration Unit of J. Front Retailing Co., Ltd.
May 2016 Senior General Manager of Finance and Accounting of Financial Strategy Unit of the same company
Mar 2017 Special Assignments from
May 2017 President of the same company
Director of the same company (present)



TACHIBANA FUKUSHIMA Sakie

Outside Director
Number of the Company's shares held: 4,000

Chairperson of Nomination Committee
Remuneration Committee Member

Jun 1980 Joined Braxton International
Sep 1987 Joined Bain & Company, Inc.
Aug 1991 Principal Consultant of Japan Branch Office of Korn/Ferry International
Jun 1993 Partner of the same company
Sep 2000 Regional Managing Director of Korn/Ferry International-Japan and Member of the Board of Korn/Ferry International (Global Headquarters)
May 2001 President and Representative Director of Korn/Ferry International-Japan and Member of the Board of Korn/Ferry International (Global Headquarters)
Sep 2007 President and Representative Director of Korn/Ferry International-Japan
May 2009 Chairperson and Representative Director of the same company
Mar 2010 Outside Director of Bridgestone Corporation (present)
Jul 2010 President and Representative Director of G&S Global Advisors Inc. (present)
Aug 2010 Asia Pacific Senior Advisor of Korn/Ferry International
Jun 2011 Outside Director of Ajinomoto Co., Inc. (present)
May 2012 Outside Director of J. Front Retailing Co., Ltd. (present)
Jun 2013 Outside Director of Mitsubishi Corporation
Jun 2016 Outside Director of Ushio Inc. (present)



OTA Yoshikatsu

Outside Director
Number of the Company's shares held: 5,400

Chairperson of Remuneration Committee
Nomination Committee Member

Apr 1964 Joined Minolta Camera Co., Ltd.
Jun 1991 Director, General Manager of Copying Machine Business Division and General Manager of Copying Machine Sales Division of the same company
Jul 1994 Director and Executive General Manager of Information Device Business Management Unit and Information Device Sales Unit of Minolta Co., Ltd.
Jun 1995 Managing Director of the same company
Jun 1999 President and Representative Director of the same company
Apr 2001 President and Executive Officer and Representative Director of the same company
Aug 2003 Director and Vice President and Representative Executive Officer of Konica Minolta Holdings, Inc. President and CEO of Konica Minolta Technologies, Inc.
Apr 2006 Director, President and CEO of Konica Minolta Holdings, Inc.
Apr 2009 Director and Chairman of the Board of Directors of the same company
Jun 2012 Outside Director of Yamaha Corporation
Apr 2013 Director and Chairman of the Board of Directors of Konica Minolta, Inc.
Apr 2014 Director of the same company
Jun 2014 Special Advisor of the same company (present)
May 2015 Outside Director of J. Front Retailing Co., Ltd. (present)



TSURUTA Rokuro

Outside Director
Number of the Company's shares held: 3,900

Nomination Committee Member
Audit Committee Member
Remuneration Committee Member

Apr 1970 Public Prosecutor of Tokyo District Public Prosecutors Office
Apr 2005 Superintending Prosecutor of Nagoya High Public Prosecutors Office
Retired from the same office
Jul 2006 Registered as attorney at law
Oct 2006 Professor at Chiba University Law School
May 2007 Outside Audit & Supervisory Board Member of The Daimaru, Inc.
Jun 2007 Outside Director of Teikoku Piston Ring Co., Ltd. (present TPR Co., Ltd.) (present)
Sep 2007 Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd.
Apr 2009 Professor at Sungadal University Law School
Jun 2010 Outside Audit & Supervisory Board Member of Mitsubishi Chemical Holdings Corporation
Jun 2012 Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. (present)
Jun 2015 Outside Member of the Board of Directors of KYB Corporation (present)
May 2017 Outside Director of J. Front Retailing Co., Ltd. (present)



ISHII Yasuo

Outside Director
Number of the Company's shares held: 1,200

Audit Committee Member

Apr 1970 Joined Yamanouchi Pharmaceutical Co., Ltd.
Jun 2000 Director of the Board and Director of Ethical Products Marketing Department of Sales & Marketing Division of the same company
Jan 2001 Director of the Board of the same company and Chairman of Yamanouchi Europe B. V.
Mar 2003 Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. and Chairman of Yamanouchi U.K. Limited and Yamanouchi Europe B. V.
Jun 2003 Managing Director of the Board of Yamanouchi Pharmaceutical Co., Ltd.
Jun 2004 Senior Corporate Executive of the same company
Apr 2005 Senior Corporate Executive of Astellas Pharma Inc. and Chairman & CEO of Astellas Pharma Europe Ltd.
Jun 2008 Executive Vice President and Representative Director of Astellas Pharma Inc.
Jun 2011 Vice Deputy Chairman and Representative Director of Astellas Pharma Inc.
May 2015 Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd.
May 2017 Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
Outside Director of J. Front Retailing Co., Ltd. (present)



NISHIKAWA Koichiro

Outside Director
Number of the Company's shares held: 600

Audit Committee Member

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 Manager of Business Development Division of the same company
Jun 2003 Executive Officer 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.
Apr 2012 Senior Advisor of Hitachi Research Institute
Mar 2014 Outside Director of Kyowa Hakkō Kirin Co., Ltd. (present)
May 2015 Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd.
Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2017 Outside Director of J. Front Retailing Co., Ltd. (present)

*The numbers of the Company's shares held by Directors are as of February 28, 2017.

*The Company transitioned to a company with three committees as of May 25, 2017 by a resolution of the annual shareholders meeting held on the same day.

Directors



YAMAMOTO Ryoichi

Number of the Company's shares held: 63,300

President and Representative Executive Officer
Nomination Committee Member
Remuneration Committee Member

Apr 1973 Joined The Daimaru, Inc.
May 2003 President and COO 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 Umeda Store of Department Store Operations Headquarters of Group Headquarters of the same company
Sep 2007 Director and in charge of Sales Reform and Out-of-Store Sales Reform of J. Front Retailing Co., Ltd. Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store of Head Office of The Daimaru, Inc. Director of Matsuzakaya Co., Ltd.
Mar 2008 Executive General Manager of Sales Headquarters of Head Office of The Daimaru, Inc.
Mar 2010 President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Sep 2012 President and Representative Director of the same company and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Apr 2013 President and Representative Director of J. Front Retailing Co., Ltd.
May 2017 Director, President and Representative Executive Officer of the same company (present)



YOSHIMOTO Tatsuya

Number of the Company's shares held: 30,900

Representative Managing Executive Officer

Apr 1979 Joined The Daimaru, Inc.
Mar 2000 Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store of Head Office of the same company
Jan 2008 General Manager of Tokyo Store of the same company
May 2008 Corporate Officer and General Manager of Tokyo Store of the same company
Jan 2010 Corporate Officer and General Manager of Sales Planning Promotion Division and Marketing Coordination Division of J. Front Retailing Co., Ltd.
Mar 2010 Corporate Officer and Senior General Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2012 Director and Corporate Officer of the same company
Apr 2013 President and Representative Director of the same company and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)
May 2013 Director of J. Front Retailing Co., Ltd.
May 2017 Director and Representative Managing Executive Officer of the same company (present)



MAKIYAMA Kozo

Number of the Company's shares held: 11,300

Managing Executive Officer

Apr 1981 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 Store Management Division of the same company
Mar 2008 Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division of the same company
May 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, President and Representative Executive Officer of the same company (present)
May 2013 Director of J. Front Retailing Co., Ltd.
May 2017 Director and Managing Executive Officer of the same company (present)



FUJINO Haruyoshi

Number of the Company's shares held: 9,500

Managing Executive Officer

Apr 1983 Joined The Daimaru, Inc.
Apr 2004 General Manager of Preparatory Office for New Tokyo Store of Group Headquarters of the same company
Sep 2008 General Manager of Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd. Executive Store Manager of Daimaru Tokyo and General Manager of Planning Office for Phase II Expansion of New Tokyo Store of The Daimaru, Inc.
Jan 2010 Corporate Officer, Executive Store Manager of Daimaru Tokyo and Senior General Manager of Planning Office for Phase II Expansion of New Daimaru Tokyo Store of Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2010 Corporate Officer and in charge of Group Business Structural Reforms of Management Strategy Unit of J. Front Retailing Co., Ltd.
Jan 2014 Director and Managing Executive Officer and Senior Executive General Manager of Management Strategy Unit of the same company
May 2014 Director and Managing Executive Officer and Senior Executive General Manager of Management Strategy Unit of the same company
May 2017 Director and Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management of J. Front Retailing Co., Ltd. and Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)



WAKABAYASHI Hayato

Number of the Company's shares held: 1,100

Managing Executive Officer

Apr 1985 Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)
Apr 1998 President of Panasonic Financial Center Malaysia Co., Ltd.
Apr 2007 Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited
Feb 2009 Finance Planning Team Leader (Manager) of Headquarters Finance & IR Group of Panasonic Corporation
Jul 2013 General Manager of Finance & IR Group of Corporate Strategy Division and Finance Planning Team Leader (Director) of Panasonic Corporation
May 2015 Joined J. Front Retailing Co., Ltd. In charge of Finance Policy of Administration Unit of the same company
Sep 2015 Executive Officer and in charge of Financial Strategy and Policy of Administration Unit of the same company
Mar 2016 Senior Executive General Manager of Financial Strategy Unit and in charge of Finance Policy of the same company
May 2016 Director of the same company
May 2017 Director and Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit and in charge of Financing and Finance Policy of the same company (present)

Executive Officers

YAMAMOTO Ryoichi

President and Representative Executive Officer

WAKABAYASHI Hayato

Managing Executive Officer
Senior Executive General Manager of Financial Strategy Unit

MAKITA Takayuki

Executive Officer
Senior General Manager of Board of Directors Secretariat and Corporate Governance Promotion Division of Management Strategy Unit
Executive Officer and Senior General Manager of Corporate Governance Promotion Division of Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd.

IWATA Yoshimi

Executive Officer
Senior General Manager of Budget and Management Support of Financial Strategy Unit

YOSHIMOTO Tatsuya

Representative Managing Executive Officer

ARISAWA Hisashi

Managing Executive Officer
Senior Executive General Manager of Affiliated Business Unit

MAKIYAMA Kozo

Managing Executive Officer

MURATA Soichi

Managing Executive Officer
Senior Executive General Manager of Administration Unit

FUJINO Haruyoshi

Managing Executive Officer
Senior Executive Manager of Management Strategy Unit

IMAZU Takahiro

Executive Officer
Senior General Manager of Management Planning Division of Management Strategy Unit

Corporate Profile

Company name : J. Front Retailing Co., Ltd.
Main store : 10-1, Ginza 6-chome, Chuo-ku, Tokyo
Office : 1-1, Yaesu 2-chome, Chuo-ku, Tokyo
Established : September 3, 2007
Capital : ¥30,000 million
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 (Consolidated) : 6,871 (as of February 28, 2017)
URL : <http://www.j-front-retailing.com/>

Daimaru Matsuzakaya Department Stores Co. Ltd.

Corporate profile

Company name : Daimaru Matsuzakaya Department Stores Co. Ltd.
Line of business : Department store operation
Head office : 18-11, Kiba 2-chome, Koto-ku, Tokyo
Renamed : March 1, 2010
Capital : ¥10,000 million

Directors

YOSHIMOTO Tatsuya	President and Representative Director and Director and Representative Managing Executive Officer of J. Front Retailing Co., Ltd. and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.
KATO Toshiki	Director and Managing Executive Officer and Senior Executive General Manager of Sales and Marketing Headquarters
MATSUDA Hirokazu	Director and Managing Executive Officer, Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management
SAWADA Taro	Director and Managing Executive Officer, Executive General Manager of Management Planning Unit and Future Standard Laboratory and Senior General Manager of Management Planning Division
FUJINO Haruyoshi	Director and Director and Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management of J. Front Retailing Co., Ltd.

Audit & Supervisory Board Members

KATO Yoichi	
TSUTSUMI Hiroyuki	Director of J. Front Retailing Co., Ltd.

Executive Officers

YUNOKI Kazuyo	Managing Executive Officer and President and Representative Director of The Hakata Daimaru, Inc.
OTA Yukio	Executive Officer and Executive General Manager of Merchandising Strategy Promotion Unit of Sales and Marketing Headquarters
KIYOHARA Katsuhiko	Executive Officer and Executive General Manager of Sales Planning Unit and Out-of-Store Sales Management Unit of Sales and Marketing Headquarters
MAKITA Takayuki	Executive Officer and Senior General Manager of Corporate Governance Promotion Division of Administration Headquarters and Executive Officer and Senior General Manager of Board of Directors Secretariat and Corporate Governance Promotion Division of Management Strategy Unit of J. Front Retailing Co., Ltd.
TADATSU Takehiko	Executive Officer and Senior General Manager of Human Resources Division of Administration Headquarters and Executive Officer and Senior General Manager of Group Human Resources Division of Administration Unit of J. Front Retailing Co., Ltd.
NISHISAKA Yoshiharu	Executive Officer, Executive Store Manager of Daimaru Osaka Shinsaibashi and Executive General Manager of Shinsaibashi New Store Planning Office
KOYAMA Masato	Executive Officer and Executive Store Manager of Daimaru Osaka Umeda
KAGAWA Akiko	Executive Officer and Executive Store Manager of Daimaru Tokyo
NIWA Toru	Executive Officer and Executive Store Manager of Daimaru Kyoto
FUJI Hiroko	Executive Officer and Executive Store Manager of Daimaru Kobe
OKA Hiroyuki	Executive Officer and Executive Store Manager of Daimaru Sapporo
KONDO Yasuhiko	Executive Officer and Executive Store Manager of Matsuzakaya Nagoya
YOSHIKAWA Tatsuji	Executive Officer and Senior General Manager of Real Estate Division
OYAKE Yoshihiro	Executive Officer and Senior General Manager of Corporate Sales Division

Parco Co., Ltd.

Corporate profile

Company name : Parco Co., Ltd.
Registered head office : 28-2, Minamiikebukuro 1-chome, Toshima-ku, Tokyo
Actual head office : Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo
Established : February 13, 1953
Capital : ¥34,367 million (as of February 28, 2017)
Number of employees : 607 (consolidated number of employees: 2,089) (as of February 28, 2017)

Directors

MAKIYAMA Kozo	Director, President and Representative Executive Officer
HIRANO Hidekazu	Director and Senior Executive Officer
KOBAYASHI Yasuyuki	Director
FUJINO Haruyoshi	Director
TAKAHASHI Hiroshi	External Director
ITO Tomonori	External Director
NAKAMURA Noriko	External Director
SEKI Tadayuki	External Director

Executive Officers

MAKIYAMA Kozo	Director, Chairman of the Board, President and Representative Executive Officer
HIRANO Hidekazu	Director and Senior Executive Officer for the Related Businesses Division and the Related Business Department
ABE Masaaki	Managing Executive Officer for the Corporate Planning Office, the Public Relations and Investor Relations Office and the Executive Assistants' Office
SENSUI Takashi	Managing Executive Officer for the New Business Planning Division, the Ueno New South Building Planning Office and the New Business Planning Department
YAMAKI Tomoyuki	Managing Executive Officer for the Parco Complex Division and the Urban Complex Group Department
HIRAI Yuji	Executive Officer for the Development Department, the Architectural Department and the Estate Management Department
HAMADA Kazuko	Executive Officer for the Group Audit Office
SATO Shigeyoshi	Executive Officer for the Overseas Business Department
NOGUCHI Hideki	Executive Officer for the Finance Department, the Accounting Department and the Accounting Coordination Department
INOUE Hajime	Executive Officer for the Entertainment Department
MIZOGUCHI Gaku	Executive Officer for the Zero Gate Business Department and the Business Development Department
NAKANO Chiaki	Executive Officer for the Store Management Department
TOMINAGA Masao	Executive Officer for the Personnel Department and the Administration and Legal Department
KASHIMOTO Takashi	Executive Officer for the Shibuya Project
HAYASHI Naotaka	Executive Officer for the Group ICT Strategy Office
UTSUNOMIYA Masaki	Executive Officer for the Community Complex Group Department

Group Information

64 Group Companies

66 Daimaru and Matsuzakaya Stores

67 Parco Stores

Group Companies

Department Store Business / Real Estate Business

Daimaru Matsuzakaya Department Stores Co. Ltd.

Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042
Capital: ¥10,000 million Investment ratio: 100%
<http://www.daimaru-matsuzakaya.com>

Daimaru Osaka Shinsaibashi Store

Location: 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 542-8501
Phone: +81-6-6271-1231 Opened (Present location): November 1726

Daimaru Osaka Umeda Store

Location: 1-1, Umeda 3-chome, Kita-ku, Osaka 530-8202
Phone: +81-6-6343-1231 Opened: April 1983

Daimaru Tokyo Store

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

Daimaru Kyoto Store

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

Daimaru Kobe Store

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

Daimaru Sapporo Store

Location: 7, Nishi 4-chome, Kita 5-jo, Chuo-ku, Sapporo, Hokkaido 060-0005
Phone: +81-11-828-1111 Opened: March 2003

Matsuzakaya Nagoya Store

Location: 16-1, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-8430
Phone: +81-52-251-1111 Opened: March 1910

Matsuzakaya Ueno Store

Location: 29-5, Ueno 3-chome, Taito-ku, Tokyo 110-8503
Phone: +81-3-3832-1111 Opened: April 1768

Daimaru Yamashina Store

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

Daimaru Suma Store

Location: 2-4, Nakaochiai 2-chome, Suma-ku, Kobe, Hyogo 654-0154
Phone: +81-78-791-3111 Opened: March 1980

Daimaru Ashiya Store

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

Matsuzakaya Shizuoka Store

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

Matsuzakaya Takatsuki Store

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-682-1111 Opened: November 1979

Matsuzakaya Toyota Store

Location: 85-1, Nishimachi 6-chome, Toyota, Aichi 471-8560
Phone: +81-565-37-1111 Opened: October 2001

Real Estate Division

Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042
Phone: +81-3-6860-1141

The Hakata Daimaru, Inc.

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

The Shimonoseki Daimaru, Inc.

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

Kochi Daimaru Co., Ltd.

Location: 6-1, Obiyamachi 1-chome, Kochi 780-8566
Phone: +81-88-822-5111 Capital: ¥300 million Investment ratio: 100%
<http://www.kochi-daimaru.co.jp/>

Tottori Daimaru Co., Ltd.

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

Parco Business

Parco Co., Ltd. (Shopping complex business)

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

Parco(Singapore)Pte Ltd (Shopping complex business)

Location: 10 Anson Road #09-05/06 International Plaza Singapore 079903
Phone: +65-6595-9100 Capital: S\$4.5 million Investment ratio: 64.9%

Neuve A Co., Ltd. (Retail business)

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

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

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

Parco Digital Marketing Co., Ltd. (Internet-related business)

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

Credit and Finance Business

JFR Card Co., Ltd. (Credit and finance business)

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

Daimaru Kogyo, Ltd. (Wholesale business)

Location: Yushutsu Seni Kaikan, 4-9, Bingomachi 3-chome, Chuo-ku, Osaka 541-0051
Phone: +81-6-6205-1000 Capital: ¥1,800 million Investment ratio: 100%
<http://www.daimarukogyo.co.jp/>

Daimaru Kogyo International Trading (Shanghai) Co., Ltd. (Wholesale 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. (Wholesale business)

Location: Unit 1902, 19th Floor, Sathorn Square Office Building, 98 North Sathorn, Kwaeng Silom, Khet Bangrak, Bangkok 10500, Thailand
Phone: +66-2163-2903
Capital: THB102 million Investment ratio: 100%

Taiwan Daimaru Kogyo, Ltd. (Wholesale 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%

J. Front Design & Construction Co., Ltd.

(Design and construction contracting and manufacture and sale of furniture)

Location: 36-20, Higashinippori 4-chome, Arakawa-ku, Tokyo 116-0014
Phone: +81-3-5850-4700
Location: 5th & 6th Fls., Phoenix Minamisemba Bldg., 1-3, Minamisemba 2-chome, Chuo-ku, Osaka 542-0081
Phone: +81-6-4705-6200
Capital: ¥100 million Investment ratio: 100%
<http://www.jfdc.co.jp/>

Dimples' Co., Ltd. (Staffing service)

Location: 22nd Fl., Osaka Ekimae 4th Bldg., 11-4, Umeda 1-chome, Kita-ku, Osaka 530-0001
Phone: +81-6-6344-0312 Capital: ¥90 million Investment ratio: 100%
<http://www.dimples.co.jp/>

J. Front Foods Co., Ltd. (Restaurant)

Location: 2nd Fl., Daimaru Kitasumiyamachi Bldg., 7-3, Nishishinsaibashi 1-chome, Chuo-ku, Osaka 542-0086
Phone: +81-6-6281-1125 Capital: ¥100 million Investment ratio: 100%
<http://www.j-frontfoods.co.jp/>

Consumer Product End-Use Research Institute Co., Ltd. (Merchandise test and quality control)

Location: 20th & 21st Fls., Edobori Center Bldg., 1-1, Edobori 2-chome, Nishi-ku, Osaka 550-0002
Phone: +81-6-6445-4670

Location: 5th Fl., Matsuzakaya Ryutsu Center, 36-20, Higashinippori 4-chome, Arakawa-ku, Tokyo 116-0014
Phone: +81-3-5615-5390

Location: 10th Fl., Matsuzakaya Park Place, 2-36, Sakae 5-chome, Naka-ku, Nagoya, Aichi 460-0008
Phone: +81-52-261-2030
Capital: ¥450 million Investment ratio: 100%
<http://www.shoukaken.jp/>

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 Service Co. Ltd.

(Commissioned back-office service / leasing / 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 Information Center Co., Ltd. (Information service)

Location: 3-24, Osaka 1-chome, Tennoji-ku, Osaka 543-0062
Phone: +81-6-6775-3700 Capital: ¥10 million Investment ratio: 100%
<http://www.jfr-ic.jp/>

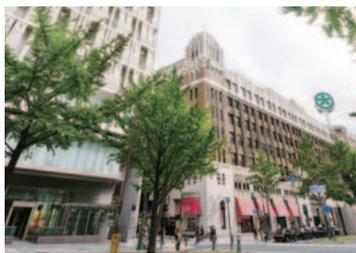
Daimaru Matsuzakaya Sales Associates Co. Ltd. (Commissioned sales and store operations)

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

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

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-684-8101 Capital: ¥100 million Investment ratio: 100%
<http://www.dmtomonokai.co.jp/>

Daimaru and Matsuzakaya Stores



Daimaru Osaka Shinsaibashi (Floor space: 46,490m²)
*The new main building is scheduled to open in fall 2019.



Daimaru Kyoto (Floor space: 50,830m²)



Daimaru Yamashina (Floor space: 5,403m²)



Shimonoseki Daimaru (Floor space: 23,912m²)



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



Daimaru Kobe (Floor space: 50,656m²)



Daimaru Suma (Floor space: 13,076m²)



Kochi Daimaru (Floor space: 16,068m²)



Daimaru Tokyo (Floor space: 46,000m²)



Daimaru Sapporo (Floor space: 45,000m²)



Daimaru Ashiya (Floor space: 4,300m²)



Tottori Daimaru (Floor space: 13,637m²)



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



Matsuzakaya Nagoya (Floor space: 86,758m²)



Matsuzakaya Takatsuki (Floor space: 17,387m²)



Matsuzakaya Toyota (Floor space: 18,220m²)



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



Matsuzakaya Shizuoka (Floor space: 25,452m²)



Ginza Six (Floor space: 47,000m²)

Overseas Offices and Company

New York Representative Office

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

Shanghai Representative Office

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

Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.

Huaxin Haixin Building 13F Rm-B1, 666 Fuzhou Rd, Shanghai 200001, China
Phone : +86-21-6248-1538

Paris Representative Office

21 rue Auber, 75009 Paris, France
Phone : +33-1-4574-2151

Milan Representative Office

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

Parco Stores

Urban complexes

New Shibuya Parco
Udagawa-cho 15 and part of Udagawa-cho 14, Shibuya-ku, Tokyo
B3F-19F
Scheduled to open in fall 2019
Club Quattro
32-13, Udagawa-cho, Shibuya-ku, Tokyo
4F-5F
Opened: June 28, 1988
www.club-quattro.com



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



Sendai Parco
1-2-3, Chuo, Aoba-ku, Sendai, Miyagi
B1F-9F
Opened: August 23, 2008
Parco 2: 1F-9F
3-7-5, Chuo, Aoba-ku, Sendai, Miyagi
Opened: July 1, 2016
www.parco-sendai.com



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

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



Nagoya Parco
3-29-1, Sakae, Naka-ku, Nagoya, Aichi
West Building: B1F-11F
East Building: B1F-8F
Opened: June 29, 1989
South Building: B1F-10F
Opened: November 6, 1998
Parco midi: 1F-3F
Opened: March 27, 2015
www.parco-nagoya.com



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



Fukuoka Parco
2-11-1, Tenjin, Chuo-ku, Fukuoka
Main Building: B1F-8F
Opened: March 19, 2010
New Building: B2F-6F
Opened: November 13, 2014
www.parco-fukuoka.com

Community complexes



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



Urawa Parco
11-1, Higashitakasago-cho, Urawa-ku, Saitama
B1F-7F
Opened: October 10, 2007
www.parco-urawa.com



Tsudanuma Parco
2-18-1, Maebaranishi, Funabashi, Chiba
A Building: B1F-6F
B Building: B1F-6F
Opened: July 1, 1977
www.parco-tsudanuma.com



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



Hibarigaoka Parco
1-1-1, Hibarigaoka, Nishitokyo, Tokyo
B1F-5F
Opened: October 8, 1993
www.parco-hibarigaoka.com



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



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



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



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

Zero Gate business



Sapporo Zero Gate
3-15-1, Minami 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido
B2F, 1F-4F
Opened: February 26, 2016

Nagoya Zero Gate
3-28-11, Sakae, Nagoya, Aichi
1F-3F
Opened: October 10, 2014

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

Shibuya Zero Gate
16-9, Udagawa-cho, Shibuya-ku, Tokyo
B1F-4F
Opened: April 16, 2011

Dotonbori Zero Gate
1-8-22, Dotonbori, Chuo-ku, Osaka
1F-3F
Opened: April 20, 2013

Hiroshima Zero Gate
2-7, Shintenchu, Naka-ku, Hiroshima
1F-3F
Opened: October 10, 2013

Hiroshima Zero Gate 2
9-4, Hondori, Naka-ku, Hiroshima
1F-3F
Opened: September 10, 2016

Other store



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

Share Information

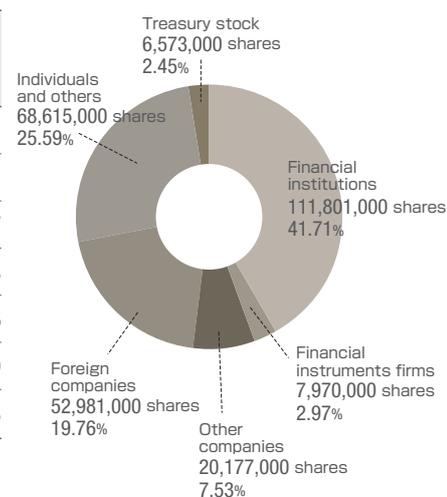
■ Status of Shares (As of February 28, 2017)

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	:	91,185

Major shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
1 The Master Trust Bank of Japan, Ltd. (Trust Account)	19,371	7.40
2 Japan Trustee Services Bank, Ltd. (Trust Account)	16,630	6.35
3 Nippon Life Insurance Company	9,828	3.75
4 Trust & Custody Services, Ltd. (Investment Trust Collateral Account)	6,868	2.62
5 J. Front Retailing Kyoei Supplier Shareholding Association	6,519	2.49
6 The Dai-ichi Mutual Life Insurance Company	5,732	2.19
7 The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,624	2.15
8 Japan Trustee Services Bank, Ltd. (Trust Account 9)	5,383	2.05
9 Japan Trustee Services Bank, Ltd. (Trust Account 7)	3,429	1.31
10 State Street Bank West Client - Treaty 505234	3,293	1.25

Note: Shareholding ratio is calculated by deducting treasury stock (6,573,000 shares).

Distribution by shareholder type	Number of shareholders (Persons)	Number of shares (1,000 shares)	Ratio (%)
■ Government and local public entities	—	—	—
■ Financial institutions	83	111,801	41.71
■ Financial instruments firms	41	7,970	2.97
■ Other companies	826	20,177	7.53
■ Foreign companies	520	52,981	19.76
■ Individuals and others	89,714	68,615	25.59
■ Treasury stock	1	6,573	2.45





J. FRONT RETAILING

