

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.
J. FRONT RETAILING Co., Ltd. assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

[Securities code: 3086]
May 7, 2015

To Our Shareholders

Ryoichi Yamamoto, President
J. FRONT RETAILING Co., Ltd.
10-1, Ginza 6-chome, Chuo-ku, Tokyo

Notice of Convocation of the 8th Annual Shareholders Meeting

You are cordially invited to attend the 8th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the “Company”). The meeting will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the Internet. In each case, you are requested to exercise your voting rights so that your vote is received by 6:00 p.m. on Wednesday, May 27, 2015 (JST).

Details

- 1. Date and time:** Thursday, May 28, 2015, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
- 2. Venue:** NEW PIER HALL, 11-1, Kaigan 1-chome, Minato-ku, Tokyo
- 3. Purpose of the meeting:**
 - Matters to be reported:*
 1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 8th fiscal year (from March 1, 2014 to February 28, 2015)
 2. Audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements for the 8th fiscal year
 - Matters to be resolved:*
 - Proposal 1: Partial Revision of the Articles of Incorporation
 - Proposal 2: Election of Nine (9) Directors
 - Proposal 3: Election of Five (5) Audit & Supervisory Board Members
 - Proposal 4: Payment of Bonuses to Directors and Audit & Supervisory Board Members for Fiscal Year 2014
- 4. Decisions made for convocation:**

Please refer to Guide to the Exercise of Voting Rights on pages 3 to 4.

* If you are attending the meeting in person, please submit the enclosed voting form at the reception of the meeting.
Please note that persons who are not shareholders who can exercise voting rights, such as proxies who are not shareholders, and accompanying persons, will not be admitted. (The accompanying persons of shareholders with disabilities are exempt and will be admitted.)

- Of the documents attached to Notice of Convocation of the Annual Shareholders Meeting, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are provided on the Company's website in accordance with relevant laws and regulations and Article 16 of the Company's Articles of Incorporation, hence are not indicated on this Notice of Convocation.
- Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by Audit & Supervisory Board Members and the Accounting Auditor, shall include not only the documents stated in this Notice of Convocation, but also Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are provided on the Company's website.
- If any amendments to Reference Materials for Shareholders Meeting, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements are made, the revised version will be provided on the Company's website.

The Company's website: <http://www.j-front-retailing.com/>

Guide to the Exercise of Voting Rights

Attending the Shareholders Meeting in Person

Please submit the enclosed voting form at the reception of the meeting.

*You do not need to exercise your voting rights either by postal mail or via the Internet.

Attending a live relay venue

The live relay venues are not recognized as the venue of the shareholders meeting under the Companies Act. Please exercise your voting rights either by postal mail or via the Internet before arriving.

If you are unable to attend the meeting in person, please exercise your voting rights by either of the following methods.

Exercising voting rights by postal mail

Please indicate on the enclosed voting form whether you approve or disapprove of each proposal, and return the completed form to us.

Exercise due date: Received by 6:00 p.m. on Wednesday, May 27, 2015 (JST)

To institutional investors

To exercise voting rights at this meeting, institutional investors can use the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.

Exercising voting rights via the Internet

Please read the following items before exercising voting rights via the Internet.

Exercise due date: Received by 6:00 p.m. on Wednesday, May 27, 2015 (JST)

(Instructions concerning the exercise of voting rights via the Internet)

1. Access the voting website
Access the voting website and click the “Next” button.
Voting website: <http://www.evotep.jp/>
2. Login to the voting website
Enter the “Login ID” and the “Temporary password” shown on the enclosed voting form and click the “Login” button.

>>> With this your login is complete. Next, please follow the guidance on the screen.

- To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their “temporary password” on the voting website.
- You will receive a new “log-in ID” and a new “temporary password” with each convocation notice for a Shareholders Meeting.
- If you exercise your voting rights both in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as effective.
- If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as effective. If you exercise your voting rights more than once by using your personal computer, smartphone and mobile phone, we will only accept the last exercise of your voting rights as effective.

- * Fees for accessing the voting website (Internet access fees, telephone charges, packet communication fees, etc.) shall be borne by the shareholder.
- * Exercising voting rights via the Internet may not be possible depending on your Internet usage environment, for example if you use a firewall, etc. or if you have anti-virus software installed.

For inquiries about the system, please contact:

Corporate Agency Division (Help Desk)
Mitsubishi UFJ Trust and Banking Corporation
(Toll free) 0120-173-027
(available 9:00 a.m. – 9:00 p.m., only in Japan)

Business Report (From March 1, 2014 to February 28, 2015)

1. Current status of the corporate group

(1) Business summary and results

In the Japanese economy in the current fiscal year, there were signs of improvements in corporate results and the employment environment partly due to the effects of the economic and financial policies of the government and the Bank of Japan. However, the stagnation in personal consumption that occurred following the consumption tax rate hike in April 2014 continued, and the economic recovery remained moderate.

In the retail sector, there was a substantial year-on-year increase in net sales centered on durable items and highly priced items on the back of a surge in demand ahead of a hike in the consumption tax rate, and net sales to foreign visitors to Japan increased as well. Nevertheless, this sector also experienced a pullback in demand immediately after the consumption tax rate hike and a subsequent slump in consumer sentiment. As a result, the pace of the recovery in sales remained moderate.

Amid this environment, the J. Front Retailing Group (hereinafter the “Group”) started its “FY 2014 - FY 2016 Medium-term Business Plan.” Under this plan, with the aim of developing as a multifaceted retailer operating multiple businesses with the Department Store Business at their core, the Group worked to further strengthen the competitiveness and profitability of existing businesses while also investing management resources in fields of growth in a focused manner.

In the Department Store Business, the Group pressed ahead with its efforts to establish “A new department store business model” that brings innovation to the sector by such means as creating appealing stores that attract a wide range of customers and constructing a highly productive store management structure. As part of these efforts, the Group worked to meet the needs of the firmly performing affluent customer market by expanding luxury brand services, implementing large-scale refurbishments of food market spaces, and making aggressive efforts to acquire new out-of-store customers. The Group also strengthened its response to foreign visitors to Japan, who are dramatically growing in number.

In the PARCO Business, a new building opened at the Fukuoka PARCO in November, and floor space in the adjacent building was increased in March 2015. Moreover, the decision was taken to open a new building in the area around the west exit of Sendai station in 2016. At existing stores, PARCO Co., Ltd. worked to enhance store appeal and strengthen competitiveness further by creating sales spaces that utilize the respective characteristics of stores and providing information.

Meanwhile, the Group has been pushing ahead with initiatives centered on the Department Store Business and the PARCO Business for the Group’s unique “omni-channel retailing,” which has growth potential as a new business, providing customers with various forms of information, products and services through diverse sales channels including physical stores and internet mail order retailing.

Regarding the urban redevelopment project in the Ginza 6-chome district, a Retail Facility Planning Office was established in September and started full-fledged tenant leasing with the aim of developing a commercial facility fit for the globally renowned Ginza district. At the Matsuzakaya Ueno store, the South Wing was closed in March 2014 and a start was made on rebuilding work to turn it into a new complex containing commercial facilities in partnership with PARCO.

With respect to overseas operations, Shanghai New World Daimaru Department Store, a fully-fledged upscale department store in China operated as a joint venture, has been opened in stages since February, with full opening planned for May 2015. At JFR PLAZA, which operates general retailing stores “PLAZA TOKYO” in Taiwan, three new stores were opened, bringing the total number of stores to seven.

The Group also worked to construct a stronger operating structure by pushing ahead with reform of its organizational and workforce structures on a Group level. In parallel, the Group strove to improve management efficiencies by such means as reviewing all cost structures.

As a result of various measures including those mentioned above, in the current fiscal year, net

sales was ¥1,149,529 million, up 0.3% year on year, operating income was ¥42,091 million, up 0.7%, ordinary income was ¥40,404 million, down 0.2%, and net income was ¥19,918 million, down 36.9%.

J. FRONT RETAILING Co., Ltd. (hereinafter the “Company”) has decided to pay a year-end dividend of ¥13 per share. The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. With the addition of an interim dividend of ¥12 per share calculated in accordance with the standard after the consolidation of shares, the annual dividend is ¥25 per share, marking a year-on-year increase of ¥3.

Results by segment are as follows.

Department Store Business

At the Department Store Business, in order to establish “A new department store business model,” we continually pushed ahead with efforts to create appealing stores and enhance their competitiveness in all regions. We also focused efforts on various measures targeting affluent consumers and foreign visitors to Japan, who showed strong consumer confidence. As part of these measures, we worked to acquire new out-of-store customers in all regions and exceeded the target number of members. Furthermore, in order to strengthen our response to foreign visitors to Japan, who are growing in number every year, we established a position in charge of Inbound Business Promotion. In consideration of the widening of the range of duty free items from October, we not only worked to expand our range of products that respond to the needs of foreign visitors but also introduced a new system to speed up duty free procedures, and enhanced store environments by such means as expanding spaces for serving customers and introducing Wi-Fi connectivity. As a result, sales of duty free products increased substantially. In addition, we pushed ahead with introductions and expansions of luxury brands at stores including Daimaru Sapporo and Matsuzakaya Nagoya in order to meet needs in the strong upscale goods market.

At the Matsuzakaya Ueno store, whose South Wing was closed in March 2014 for rebuilding, the refurbished Main Building was opened as a more convenient department store offering products and services that are tailored to the lifestyles of nearby residents. At the Daimaru Kyoto store, aiming to create an impressive department store that continually projects an contemporary image in the refined, mature Shijo Karasuma area of Kyoto, we introduced the “Table Plus” specialty food zone, which has already been introduced to the Daimaru Kobe store and the Matsuzakaya Nagoya store, and new features including prepared foods from well-established Japanese restaurants, and opened the refurbished store in June. In addition, we opened the first Tokyu Hands in the Kyoto area as a new store located in the vicinity, which contributed to an increase in visitors to the area. In October, we upgraded the exterior of the Daimaru Kyoto store with a modern design that incorporates traditional styles. At the Hakata Daimaru Fukuoka Tenjin store, we refurbished the basement first floor of its East Building, transforming it into a specialty zone to be enjoyed by the whole family, particularly children.

In our “omni-channel retailing” initiatives, we worked to expand the items, brands and services handled in “Click & Collect,” through which customers can collect products they have ordered on the internet at home or at their preferred physical store, and “Net de Auction,” through which artworks are sold via the internet in a bidding process.

At the original merchandising business, in which we aim to improve profitability by integrating operations from buying to sale, we strengthened our efforts to develop and sell originally developed products that meet customer needs in areas including women’s shoes as well as men’s and women’s miscellaneous goods.

As a result of various initiatives including those mentioned above, net sales in this business was ¥759,866 million, down 1.2% year on year partly due to the impact of closing of the Matsuzakaya Ginza store and the South Wing of the Matsuzakaya Ueno store, while operating income was ¥23,115 million, up 0.6%.

PARCO Business

At the PARCO Business, we pushed ahead with expansion in the network of business bases in city

centers. At the Fukuoka PARCO, following the opening in November of the new building, in March 2015 we increased the floor space in the building adjacent to the Main Building. Furthermore, we transformed this PARCO into a newsworthy store as one of the largest shopping centers in the Tenjin district by such means as bringing in a large number of tenants opening their first stores in Kyushu in a wide variety of categories. In the ZERO GATE business, which develops and manages low- to medium-rise commercial facilities, Nagoya ZERO GATE, which is the largest facility in this format, was opened in October.

Among existing PARCO stores, we pushed ahead with refurbishments, particularly in urban stores, under the themes of expanding the core target, strengthening lifestyle proposals and responding to inbound demand, with the aim of making the stores more appealing and strengthening their competitiveness. At the Shibuya PARCO we introduced innovative and newsworthy shops under the theme of global information provision, while at the Ikebukuro PARCO we introduced features including a webcasting studio and an animation character goods shop.

Furthermore, in March 2014, in anticipation of demand ahead of the consumption tax rate hike, we worked to strengthen our acquisition of PARCO card members in tandem with implementation of preferential membership plans, achieving a large increase in card business volume. In September, we started accepting Daimaru and Matsuzakaya gift certificates and common gift certificates for department stores nationwide at all PARCO stores.

We also promoted use of the internet with stores as foundations, expanded the number of stores handling the “Kaeru PARCO” mail order service provided in coordination with shop blogs and introduced “POCKET PARCO,” a smartphone application that provides timely shop information.

As a result of the various initiatives mentioned above, net sales in this business was ¥274,212 million, up 2.2% year on year, and operating income was ¥12,255 million, up 2.0% year on year.

Wholesale Business

At the Wholesale Business, despite strong sales in the fields of chemical products and animal products, sales in the fields of electronic devices and imported wholesale clothing and general goods struggled.

As a result of the above, net sales in this business was ¥59,371 million, down 6.2% year on year, and operating income was ¥1,067 million, down 5.3%.

Credit Business

At the Credit Business, we invested aggressively in personnel to develop credit card business at all Daimaru Matsuzakaya Department Stores and worked to acquire new card members. In addition, we achieved a year-on-year increase in card business volume in line with an increase in Gaisho Otokuisama Gold Card members.

As a result, net sales in this business was ¥10,381 million, up 9.9% year on year, and operating income was ¥3,424 million, up 7.5%.

Other Businesses

In Other Businesses, net sales was ¥97,298 million, up 9.8% year on year, partly as a result of new addition of Forest which operates direct marketing business, while operating income was down 18.3% year on year to ¥2,418 million despite efforts to reduce selling, general and administrative expenses at each Group company.

Net sales and operating income by business segment of the corporate group

(Millions of yen)

| Business segment | 7th fiscal year (Fiscal 2013) | | | | 8th fiscal year (Current fiscal year) (Fiscal 2014) | | | |
|---------------------------|----------------------------------|------------------|------------------|------------------|--|------------------|------------------|------------------|
| | Net sales | | Operating income | | Net sales | | Operating income | |
| | Results | Composi- tion | Results | Composi- tion | Results | Composi- tion | Results | Composi- tion |
| | | % | | % | | % | | % |
| Department Store Business | 768,928 | 67.1 | 22,980 | 55.0 | 759,866 | 66.1 | 23,115 | 54.9 |
| PARCO Business | 268,292 | 23.4 | 12,017 | 28.7 | 274,212 | 23.9 | 12,255 | 29.1 |
| Wholesale Business | 63,273 | 5.5 | 1,127 | 2.7 | 59,371 | 5.2 | 1,067 | 2.5 |
| Credit Business | 9,444 | 0.8 | 3,186 | 7.6 | 10,381 | 0.9 | 3,424 | 8.1 |
| Other Businesses | 88,576 | 7.7 | 2,961 | 7.1 | 97,298 | 8.4 | 2,418 | 5.7 |
| Adjustments | (52,196) | (4.5) | (455) | (1.1) | (51,600) | (4.5) | (190) | (0.3) |
| Total | 1,146,319 | 100.0 | 41,816 | 100.0 | 1,149,529 | 100.0 | 42,091 | 100.0 |

Net sales by product and by company and store of the Department Store Business are as follows.

Net sales by product of the Department Store Business

(Millions of yen)

| Product | Amount | Composition | Year-on-year changes |
|--------------------------------------|---------|-------------|----------------------|
| | | (%) | (%) |
| Men's clothing and haberdashery | 53,411 | 7.0 | (0.1) |
| Ladies' clothing and haberdashery | 227,353 | 29.9 | (1.0) |
| Children's clothing and haberdashery | 16,733 | 2.2 | 0.5 |
| Kimono, bedding and other clothing | 13,928 | 1.8 | (7.6) |
| Personal belongings | 78,013 | 10.3 | (5.3) |
| Furniture | 8,395 | 1.1 | (13.9) |
| Home appliances | 1,426 | 0.2 | (4.0) |
| Household goods | 26,935 | 3.5 | (2.6) |
| Food products | 183,182 | 24.1 | (1.1) |
| Food halls and cafes | 22,881 | 3.0 | (4.2) |
| General goods | 98,225 | 12.9 | 5.0 |
| Services | 2,622 | 0.3 | (8.9) |
| Other | 26,757 | 3.7 | (2.5) |
| Total | 759,866 | 100.0 | (1.2) |

Net sales by company and store of the Department Store Business

(Millions of yen)

| Company / Store | Amount | Composition | Year-on-year changes |
|--|---------|-------------|----------------------|
| | | % | % |
| Daimaru Matsuzakaya Department Stores Co. Ltd. | | | |
| Daimaru | | | |
| Osaka Shinsaibashi store | 84,511 | 11.1 | 0.5 |
| Osaka Umeda store | 63,897 | 8.4 | 3.8 |
| Tokyo store | 70,160 | 9.2 | 4.7 |
| Urawa Parco store | 4,054 | 0.5 | (5.7) |
| Kyoto store | 70,321 | 9.3 | 1.8 |
| Yamashina store | 4,179 | 0.6 | (4.1) |
| Kobe store | 86,012 | 11.3 | 1.0 |
| Suma store | 10,049 | 1.3 | (4.7) |
| Ashiya store | 7,364 | 1.0 | (3.8) |
| Sapporo store | 61,355 | 8.1 | 2.3 |
| Sub total | 461,907 | 60.8 | 1.8 |
| Matsuzakaya | | | |
| Nagoya store | 125,625 | 16.5 | 1.2 |
| Ueno store | 43,311 | 5.7 | (11.8) |
| Shizuoka store | 22,941 | 3.0 | (1.4) |
| Takatsuki store | 9,521 | 1.3 | (3.0) |
| Toyota store | 8,460 | 1.1 | (2.5) |
| Sub total | 209,860 | 27.6 | (6.5) |
| Sub total | 671,767 | 88.4 | (1.0) |
| The Hakata Daimaru, Inc. | 57,435 | 7.6 | (2.1) |
| The Shimonoseki Daimaru, Inc. | 16,777 | 2.2 | (4.1) |
| Kochi Daimaru Co., Ltd. | 13,885 | 1.8 | (4.3) |
| Total | 759,866 | 100.0 | (1.2) |

(Notes) 1. The Matsuzakaya Ginza store closed temporarily on June 30, 2013, for redevelopment and rebuilding in the Ginza district.

2. The South Wing of the Matsuzakaya Ueno store closed on March 11, 2014, for rebuilding.

(2) Status of capital investment

(i) Major facilities completed during the current fiscal year

The total amount of capital investment during the current fiscal year was ¥24,277 million. The main investments in the Department Store Business included ¥3,244 million for refurbishments at all the sales spaces of the Daimaru Kyoto store, the Matsuzakaya Ueno store and others. In addition, the main investments in the PARCO Business included ¥4,758 million for construction of the new building of Fukuoka PARCO.

(ii) New establishments and expansions of major facilities with ongoing construction works during the current fiscal year

In the Department Store Business, the investments included rebuilding of the South Wing of the Matsuzakaya Ueno store and the urban redevelopment project in the Ginza 6-chome district. In the PARCO Business, the investments included new construction of a parking lot in line with the Chofu redevelopment project at the Chofu PARCO.

(iii) Sales, removals and losses of major non-current assets

No material items to report in the current fiscal year.

(3) Status of procurement

No material items to report in the current fiscal year.

(4) Issues to be addressed

There are signs of an upturn in consumer sentiment partly reflecting the postponement of a planned further rise in the consumption tax rate and improvements in the employment and income environments. Nevertheless, in the distribution sector, amid further population and birthrate declines and the aging of society, competition is expected to intensify further regardless of business area or type, and the operating environment surrounding the Group is expected to remain difficult.

In order to respond to this situation correctly, as part of the Group's aim to grow and develop as a multifaceted retailer, we will continue to push ahead with its Medium-term Business Plan and work to further strengthen the competitiveness and profitability of existing businesses while also vigorously investing management resources in fields of growth in a focused manner.

In our core Department Store Business, we will work to create appealing stores that attract a wide range of customers and realize a highly profitable business model by ensuring our efforts to create "A new department store business model." To achieve these aims, we will review our operation management structure at each of our stores to more fully leverage their individual characteristics and strengthen our response to regional market needs. As part of this, we will focus resources on four shops: the Matsuzakaya Nagoya store, which is undergoing large-scale refurbishment, and also the Daimaru Kobe, Daimaru Tokyo and Daimaru Sapporo stores. Furthermore, in the out-of-store business, which is an area of strength for the Department Store Business, we will continue strengthening our efforts to acquire new customers and work to enhance both our product lineup and our direct customer services in line with the needs of such customers. We will also redouble our efforts to create sales spaces and provide services that are responsive to the needs of foreign visitors to Japan, who are expected to continue to grow in number. In the original merchandising business, we will work to create new-concept sales spaces and strengthen product development, and aim to expand sales and improve profits.

In the PARCO Business, we will not only expand our targeted range of customer segments but also develop new business types and ways of arranging sales spaces; further develop each of our two types of management structure, Urban Complexes and Community Complexes; and strengthen our operations in areas including information provision over the internet and responses to inbound tourism. In parallel, we will continue working to secure stable profits by expanding our network of business bases through new store openings in city centers and floor space increases.

In addition, we will aim to grow along with the regions in which we operate with our stores at the core of such growth. Our efforts in this respect will include newly developing commercial facilities in the areas around existing stores and will be centered on major urban areas, where the population is increasingly concentrated. In this way, we will push ahead with constructing a highly profitable business model with a view to strengthening our business foundations for the future. In the Tokyo area, we aim to press ahead with the urban redevelopment project in the Ginza 6-chome district and open it as a world-class quality commercial facility in 2016. We will also push ahead with our plan for the rebuilding of the South Wing of the Matsuzakaya Ueno store and create an appealing store in partnership with PARCO and the area, with the aim of opening the building in 2017.

Meanwhile, in order to accelerate our initiatives to handle new business using information and communications technology, we established a new position in charge of Group ICT Strategy Promotion in March 2015, and work to expand and enhance the Group's unique "omni-channel retailing," which features a combination of diverse sales channels including physical stores and internet selling.

With respect to overseas business, we will steadily develop our operations in Asian regions, primarily through operation of Shanghai New World Daimaru Department Store in China and by developing an extensive store network for JFR PLAZA in Taiwan.

Furthermore, we will expand and develop business in fields with high growth and earnings potential by vigorously pursuing mergers and acquisitions, alliances and the like with high-quality, high-added value companies with the potential for synergistic effects with existing businesses.

In addition, as part of our growth strategy, we will push ahead with diversity management utilizing

diverse human resources, including employing foreign students and external human resources, and promoting active workplace participation by women. We will also work to create new structures for training and optimal allocation of human resources.

Furthermore, we will not only reflect the results of these initiatives in net sales and profits, but also work to enhance shareholder returns and aim to improve our ROE (return on equity). In parallel, partly in preparation for the “Corporate Governance Code,” which is scheduled for application from June, we will aim for sustainable improvement in corporate value by strengthening our governance system and ensuring thoroughgoing compliance operations.

We appreciate the continued support and encouragement of our shareholders.

(5) Status of assets and profit or loss

(i) Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

| Category | 5th fiscal year (Fiscal 2011) | 6th fiscal year (Fiscal 2012) | 7th fiscal year (Fiscal 2013) | 8th fiscal year (Current fiscal year) (Fiscal 2014) |
|----------------------------|----------------------------------|----------------------------------|----------------------------------|---|
| Net sales | 941,415 | 1,092,756 | 1,146,319 | 1,149,529 |
| Operating income | 21,594 | 30,857 | 41,816 | 42,091 |
| Ordinary income | 22,941 | 32,202 | 40,502 | 40,404 |
| Net income | 18,804 | 12,183 | 31,568 | 19,918 |
| Net income per share (Yen) | 35.57 | 23.05 | 59.77 | 75.47 |
| Total assets | 767,543 | 1,009,165 | 998,730 | 1,018,700 |
| Net assets | 342,561 | 390,667 | 422,215 | 430,465 |

(Note) The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Net income per share has been calculated as if this consolidation of shares was conducted at the beginning of the current fiscal year.

(ii) Changes in assets and profit or loss of the Company

(Millions of yen, unless otherwise stated)

| Category | 5th fiscal year (Fiscal 2011) | 6th fiscal year (Fiscal 2012) | 7th fiscal year (Fiscal 2013) | 8th fiscal year (Current fiscal year) (Fiscal 2014) |
|----------------------------|----------------------------------|----------------------------------|----------------------------------|---|
| Net sales | 7,144 | 22,744 | 8,983 | 11,147 |
| Operating income | 4,907 | 20,394 | 6,280 | 8,391 |
| Ordinary income | 4,871 | 19,972 | 6,398 | 8,460 |
| Net income | 4,745 | 19,930 | 12,405 | 8,388 |
| Net income per share (Yen) | 8.97 | 37.69 | 23.48 | 31.77 |
| Total assets | 322,295 | 450,201 | 438,491 | 429,226 |
| Net assets | 284,584 | 299,508 | 306,654 | 308,681 |

(Note) The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Net income per share has been calculated as if this consolidation of shares was conducted at the beginning of the current fiscal year.

(6) Status of significant parent company and subsidiaries

(i) Relationship with the parent company

No items to report.

(ii) Status of major subsidiaries

| Name | Capital (Millions of yen unless otherwise stated) | Ratio of ownership by the Company (%) | Major business |
|--|--|---|---|
| Daimaru Matsuzakaya Department Stores Co. Ltd. | 10,000 | 100.0 | Department Store Business |
| The Hakata Daimaru, Inc. | 3,037 | 69.9 | Department Store Business |
| The Shimonoseki Daimaru, Inc. | 480 | 100.0 | Department Store Business |
| Kochi Daimaru Co., Ltd. | 300 | 100.0 | Department Store Business |
| PARCO Co., Ltd. | 34,367 | 64.9 | PARCO Business |
| Parco (Singapore) Pte Ltd | S\$4 million | 64.9 | PARCO Business |
| NEUVE A Co., Ltd. | 490 | 64.9 | PARCO Business |
| PARCO SPACE SYSTEMS Co., Ltd. | 490 | 64.9 | PARCO Business |
| PARCO-CITY Co., Ltd. | 10 | 64.9 | PARCO Business |
| Daimaru Kogyo, Ltd. | 1,800 | 100.0 | Wholesale Business |
| Daimaru Kogyo International Trading (Shanghai) Co., Ltd. | US\$2 million | 100.0 | Wholesale Business |
| Daimaru Kogyo (Thailand) Co., Ltd. | THB202 million | 99.9 | Wholesale Business |
| Taiwan Daimaru Kogyo, Ltd. | NT\$60 million | 100.0 | Wholesale Business |
| JFR Card Co., Ltd. | 100 | 100.0 | Credit Business |
| J. Front Design & Construction Co., Ltd. | 100 | 100.0 | Design and construction contracting and manufacture and sale of furniture |
| JFR Online Co. Ltd. | 100 | 100.0 | Direct Marketing |
| Dimples' Co., Ltd. | 90 | 100.0 | Staffing service |
| J. Front Foods Co., Ltd. | 100 | 100.0 | Restaurant |
| Daimaru COM Development Inc. | 50 | 100.0 | Real estate leasing and tenant service |
| Consumer Product End-Use Research Institute Co., Ltd. | 450 | 100.0 | Merchandise test and quality control |
| JFR PLAZA Inc. | NT\$185 million | 90.0 | General Retailing |
| Forest Co., Ltd. | 90 | 72.9 | Direct Marketing |
| Angel Park Co., Ltd. | 400 | 50.2 | Parking |
| JFR Information Center Co., Ltd. | 10 | 100.0 | Information service |
| JFR Office Support Co., Ltd. | 100 | 100.0 | Commissioned back-office service |
| JFR Service Co. Ltd. | 100 | 100.0 | Leasing and parking management |
| JFR Consulting Co. Ltd. | 100 | 100.0 | Consulting |
| Daimaru Matsuzakaya Sales Associates Co. Ltd. | 90 | 100.0 | Commissioned sales and store management operations |
| Daimaru Matsuzakaya Tomonokai Co., Ltd. | 100 | 100.0 | Special prepayment-based transactions |

(Note) Taiwan Daimaru Kogyo, Ltd. was newly established on January 7, 2015.

(7) Major businesses

The Department Store Business, the PARCO Business, the Wholesale Business, the Credit Business, and the Other Businesses including design and construction contracting and direct marketing.

(8) Major sales offices

(Department Store Business)

| Name | Location | Name | Location |
|---|---------------------|-------------------------------|---------------------------|
| Daimaru Matsuzakaya Department Stores Co. Ltd. | | | |
| Head Office | Koto-ku, Tokyo | Matsuzakaya Nagoya store | Naka-ku, Nagoya |
| Daimaru Osaka Shinsaibashi store | Chuo-ku, Osaka | Ueno store | Taito-ku, Tokyo |
| Osaka Umeda store | Kita-ku, Osaka | Shizuoka store | Aoi-ku, Shizuoka |
| Tokyo store | Chiyoda-ku, Tokyo | Takatsuki store | Takatsuki, Osaka |
| Urawa Parco store | Urawa-ku, Saitama | Toyota store | Toyota, Aichi |
| Kyoto store | Shimogyo-ku, Kyoto | The Hakata Daimaru, Inc. | Chuo-ku, Fukuoka |
| Yamashina store | Yamashina-ku, Kyoto | | |
| Kobe store | Chuo-ku, Kobe | The Shimonoseki Daimaru, Inc. | Shimonoseki, Yamaguchi |
| Suma store | Suma-ku, Kobe | | |
| Ashiya store | Ashiya, Hyogo | Kochi Daimaru Co., Ltd. | Kochi, Kochi |
| Sapporo store | Chuo-ku, Sapporo | | |

(PARCO Business)

| Name | Location | Name | Location |
|----------------------|---------------------|-------------------------------|--------------------|
| PARCO Co., Ltd. | | | |
| Headquarters | Toshima-ku, Tokyo | Chiba PARCO | Chuo-ku, Chiba |
| Shibuya Head Office | Shibuya-ku, Tokyo | Matsumoto PARCO | Matsumoto, Nagano |
| Sapporo PARCO | Chuo-ku, Sapporo | Shizuoka PARCO | Aoi-ku, Shizuoka |
| Sendai PARCO | Aoba-ku, Sendai | Nagoya PARCO | Naka-ku, Nagoya |
| Utsunomiya PARCO | Utsunomiya, Tochigi | Otsu PARCO | Otsu, Shiga |
| Urawa PARCO | Urawa-ku, Saitama | Hiroshima PARCO | Naka-ku, Hiroshima |
| Shintokorozawa PARCO | Tokorozawa, Saitama | Fukuoka PARCO | Chuo-ku, Fukuoka |
| Ikebukuro PARCO | Toshima-ku, Tokyo | Kumamoto PARCO | Chuo-ku, Kumamoto |
| Shibuya PARCO | Shibuya-ku, Tokyo | Nagoya ZERO GATE | Naka-ku, Nagoya |
| Hibarigaoka PARCO | Nishi-Tokyo, Tokyo | Shinsaibashi ZERO GATE | Chuo-ku, Osaka |
| Kichijoji PARCO | Musashino, Tokyo | Dotonbori ZERO GATE | Chuo-ku, Osaka |
| Chofu PARCO | Chofu, Tokyo | Hiroshima ZERO GATE | Naka-ku, Hiroshima |
| Tsudanuma PARCO | Funabashi, Chiba | PediSHIODOME | Minato-ku, Tokyo |
| NEUVE A Co., Ltd. | Shibuya-ku, Tokyo | PARCO SPACE SYSTEMS Co., Ltd. | Shibuya-ku, Tokyo |
| PARCO-CITY Co., Ltd. | Shibuya-ku, Tokyo | Parco (Singapore) Pte Ltd | Singapore |

(Wholesale Business)

| Name | Location |
|--|--|
| Daimaru Kogyo, Ltd. | Head Office: Chuo-ku, Osaka Office: Tokyo 1, Nagoya 1, Nagano 1, Oita 1, Overseas 5 |
| Daimaru Kogyo International Trading (Shanghai) Co., Ltd. | Head Office: Shanghai, China |
| Daimaru Kogyo (Thailand) Co., Ltd. | Head Office: Bangkok, Thailand |
| Taiwan Daimaru Kogyo, Ltd. | Head Office: Taipei, Taiwan |

(Credit Business)

| Name | Location |
|--------------------|---|
| JFR Card Co., Ltd. | Head Office: Takatsuki, Osaka Office: Tokyo 2, Osaka 2, Kyoto 1, Kobe 1, Sapporo 1, Nagoya 1, Shizuoka 1 |

(Other subsidiaries)

| |
|--|
| Head Office: Tokyo 2, Osaka 9, Kobe 1, Nagoya 1, Saitama 1, Taiwan 1 |
|--|

(9) Status of employees

(i) Employees of the corporate group

| Category | Number of employees |
|------------------------------|---------------------|
| J. FRONT RETAILING Co., Ltd. | 84 |
| Department Store Business | 2,857 |
| PARCO Business | 1,453 |
| Wholesale Business | 213 |
| Credit Business | 114 |
| Other Businesses | 2,469 |
| Total | 7,190 |

(Note) Other than the employees shown above, the average number of temporary employees during the period is 3,959.

(ii) Employees of the Company

| Number of employees | Average age |
|---------------------|-------------|
| 84 | 45.7 |

(Note) Other than the employees shown above, the average number of temporary employees during the period is 11.

(iii) Employees of major subsidiaries

| Name | Number of employees | Average age |
|--|---------------------|-------------|
| Daimaru Matsuzakaya Department Stores Co. Ltd. | 2,237 | 45.7 |
| PARCO Co., Ltd. | 477 | 41.2 |
| Daimaru Kogyo, Ltd. | 177 | 42.7 |

(10) Status of major creditors

Major creditors of the corporate group

(Millions of yen)

| Creditor | Amount payable | Creditor | Amount payable |
|--|----------------|--------------------------------|----------------|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 28,929 | Development Bank of Japan Inc. | 14,365 |
| Sumitomo Mitsui Banking Corporation | 14,894 | Mizuho Bank, Ltd. | 11,613 |

(11) Other important matters relating to current status of the corporate group

No items to report.

2. Matters relating to shares of the Company

(1) Number of shares authorized: 1,000,000,000 shares

(2) Number of shares issued: 268,119,164 shares

(3) Number of shareholders: 74,415

(4) Major shareholders

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

(Notes) 1. Shareholding ratio is calculated by deducting treasury shares (4,103 thousand shares).

2. The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014.

3. Matters relating to subscription rights to shares of the Company

(1) Status of subscription rights to shares held by the Company's Officers, etc. and granted as remuneration for the duties performed at the end of the fiscal year

5th subscription rights to shares of J. Front Retailing Co., Ltd. (*September 3, 2007)

* In accordance with a share transfer carried out on September 3, 2007, these were delivered in lieu of subscription rights to shares granted by Matsuzakaya Co., Ltd.

- (i) Persons and number of holders of subscription rights to shares (number of shares to be issued upon exercise of subscription rights to shares)
Directors (excluding Outside Directors) 1 (8,500 shares)
Outside Directors 1 (1,000 shares)
- (ii) Class of shares to be issued upon exercise of subscription rights to shares
Common shares of the Company
- (iii) Amount to be paid in for subscription rights to shares
¥635,000 per each subscription right to shares (¥1,270 per share)
- (iv) The value of assets to be contributed upon exercise of subscription rights to shares
¥500 per each subscription right to shares (¥1 per share)
- (v) Exercise period of subscription rights to shares
September 3, 2007 to July 14, 2026
- (vi) Main conditions for exercise of subscription rights to shares
 - a. A holder of subscription rights to shares who holds a position of either director, audit & supervisory board member or executive officer of the Company or any of its subsidiaries during the period in (v) shall not be able to exercise subscription rights to shares.
 - b. A holder of subscription rights to shares shall exercise the rights only during a period of ten days starting on the day immediately following the day on which the holder loses his/her position of either director, audit & supervisory board member or executive officer of the Company or any of its subsidiaries.
 - c. If a holder of subscription rights to shares is unable to exercise the rights due to holding a position of either director, audit & supervisory board member or executive officer of the Company or any of its subsidiaries until July 14, 2025, the said holder of subscription rights to shares shall exercise the rights from July 15, 2025 to July 14, 2026.
 - d. A holder of subscription rights to shares who relinquishes his/her subscription rights to shares shall not be able to exercise such rights.
- (vii) Main provisions for acquisition of subscription rights to shares
Not provided.
- (viii) Transfer of subscription rights to shares
Transfer of subscription rights to shares shall be subject to approval by resolution of the Company's Board of Directors.
- (ix) Particularly advantageous terms
No items to report.

(2) Status of subscription rights to shares granted as remuneration for the duties performed during the fiscal year

No items to report.

(3) Other significant matters concerning subscription rights to shares

4th subscription rights to shares of J. Front Retailing Co., Ltd. (*September 3, 2007)

* In accordance with a share transfer carried out on September 3, 2007, these were delivered in lieu of subscription rights to shares granted by The Daimaru, Inc.

- Total number of subscription rights to shares
205
- Class and number of shares to be issued upon exercise of subscription rights to shares
143,500 common shares (700 shares per each subscription right to shares)
- Issue price of each subscription right to shares
No payment is required.
- Amount to be paid in upon exercise of each subscription right to shares
¥1,382 per share
- Exercise period of subscription rights to shares
September 3, 2007 to May 26, 2015
- Conditions for exercise of subscription rights to shares
 - a. The grantee of subscription rights to shares shall be a director, an audit & supervisory board member, an executive officer or an employee of the Company or any of its subsidiaries when he or she exercises the rights. However, if there is a valid reason, such as retirement due to the expiration of his/her term of office, death, mandatory retirement or other reason equivalent to this, those rights may be exercised for 2 years after the grantee loses his/her position.
 - b. Other terms and conditions for the exercise of subscription rights to shares are as specified in the “Subscription Rights to Shares Allocation Agreement” entered into individually between the Company and a grantee of subscription rights to shares.
- Events and conditions for acquisition of subscription rights to shares by the Company
 - a. When an absorption-type merger agreement under which the Company disappears is approved, or when a proposal on approval of a share exchange agreement or a proposal on a share transfer under which the Company will become a wholly-owned subsidiary is approved at a shareholders meeting, the Company may acquire the subscription rights to shares for no consideration.
 - b. If a holder of subscription rights to shares is unable to exercise the subscription rights to shares due to losing his/her position of director, audit & supervisory board member or employee of the Company or any of its subsidiaries before exercising the rights, the Company shall acquire the subscription rights to shares for no consideration. However, if there is a valid reason, such as retirement due to the expiration of his/her term of office, death, mandatory retirement or other reason equivalent to this, those rights shall be acquired after 2 years have passed since the timing at which the holder loses his/her position.

4. Matters relating to corporate officers

(1) Names, etc. of Directors and Audit & Supervisory Board Members

| Position in the Company | Name | Areas of responsibility in the Company and important concurrent positions outside the Company |
|--|------------------------------|---|
| Chairman (Representative Director) | SAMURA Shunichi | |
| President (Representative Director) | YAMAMOTO Ryoichi | |
| Director | YOSHIMOTO Tatsuya | President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Sales Associates Co. Ltd. |
| Director | MAKIYAMA Kozo | Director, President and Representative Executive Officer of PARCO Co., Ltd. |
| Director and Managing Executive Officer | FUJINO Haruyoshi | Senior Executive General Manager of Management Strategy Unit External Director of PARCO Co., Ltd. Outside Director of Hakuseisha Co., Ltd. |
| Director and Managing Executive Officer | KOBAYASHI Yasuyuki | Senior Executive General Manager of Affiliated Business Unit External Director of PARCO Co., Ltd. |
| Director and Managing Executive Officer | HAYASHI Toshiyasu | Senior Executive General Manager of Administration Unit and in charge of Compliance and Risk Management Outside Director of Hakuyosha Company, Ltd. |
| Director | TAKAYAMA Tsuyoshi | Special Advisor of Daido Steel Co., Ltd. |
| Director | TACHIBANA FUKUSHIMA Sakie | President and Representative Director of G&S Global Advisors Inc. Outside Director of Bridgestone Corporation Outside Director of Ajinomoto Co., Inc. Outside Director of Mitsubishi Corporation |
| Audit & Supervisory Board Member | TSURUTA Rokurou | Attorney at law Outside Director of TPR Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. |
| Audit & Supervisory Board Member | NOMURA Akio | Advisor of Osaka Gas Co., Ltd. Outside Director of THE ROYAL HOTEL, LIMITED Outside Director of SHIONOGI & CO., LTD. Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. |
| Audit & Supervisory Board Member | NATSUME Kazuyoshi | Director and Advisor of CHUBU-NIPPON BROADCASTING CO., LTD. Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. |
| Audit & Supervisory Board Member (full-time) | ARAI Kenji | Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. |
| Audit & Supervisory Board Member (full-time) | NISHIHAMA Tsuyoshi | Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. |

- (Notes)
1. Takayama Tsuyoshi and Tachibana Fukushima Sakie are Outside Directors.
 2. Tsuruta Rokurou, Nomura Akio and Natsume Kazuyoshi are Outside Audit & Supervisory Board Members.
 3. Director Takayama Tsuyoshi's term of office ended upon his death on April 7, 2015.

(Reference)

- Executive officers of the Company as of February 28, 2015 are as follows (excluding ones concurrently serving as director).

| Position in the Company | Name | Areas of responsibility in the Company and important concurrent positions outside the Company |
|-------------------------|-------------------|---|
| Executive Officer | ENOMOTO Tomohiko | Executive General Manager of Group IT New Business Development Division |
| Executive Officer | KUBOI Satori | Senior General Manager of Affiliated Business, Affiliated Business Unit |
| Executive Officer | TSUTSUMI Hiroyuki | Senior General Manager of Finance Division |

(Note) On March 1, 2015, “Areas of responsibility in the Company and important concurrent positions outside the Company” for an Executive Officer was changed as follows.

| Name | Areas of responsibility in the Company and important concurrent positions outside the Company |
|------------------|---|
| ENOMOTO Tomohiko | Senior General Manager of Group ICT Strategy Promotion, Management Strategy Unit |

(2) Total amount of remuneration, etc. to Directors and Audit & Supervisory Board Members

| | Number of payees | Total amount of remuneration, etc. (Millions of yen) |
|--|------------------|---|
| Director | 11 | 303 |
| [of which, Outside Director] | [2] | [23] |
| Audit & Supervisory Board Member | 5 | 41 |
| [of which, Outside Audit & Supervisory Board Member] | [3] | [20] |
| Total | 16 | 345 |

- (Notes)
1. The total amount of remuneration, etc. includes ¥73 million in bonuses for directors and audit & supervisory board members scheduled for approval at the 8th Annual Shareholders Meeting.
 2. Other than the above, the total amount of remuneration, etc. received by Outside Audit & Supervisory Board Members from subsidiaries of the Company in the current fiscal year is ¥10 million.
 3. The maximum remuneration for directors is set at ¥50 million per month by resolution of the Annual Shareholders Meeting held in May 2008.
 4. The maximum remuneration for audit & supervisory board members is set at ¥7 million per month by resolution of the Annual Shareholders Meeting held in May 2008.

(3) Outline of method for determining policy regarding decisions on amounts of remuneration, etc. of each corporate officer or calculation method thereof, and contents of such policy

These matters are left to the discretion of the “Personnel and Remuneration Committee,” in which Outside Directors participate as members, and a framework is adopted in which remuneration is tied to results and success in accordance with each year’s business results.

(4) Matters relating to Outside Directors and Outside Audit & Supervisory Board Members

[Outside Director]

| | | TAKAYAMA Tsuyoshi | TACHIBANA FUKUSHIMA Sakie |
|----|--|---|--|
| A. | Important concurrent positions | Special Advisor of Daido Steel Co., Ltd. | President and Representative Director of G&S Global Advisors Inc. Outside Director of Bridgestone Corporation Outside Director of Ajinomoto Co., Inc. Outside Director of Mitsubishi Corporation |
| | Relationship with the Company | No special relationships exist | No special relationships exist |
| B. | Relationship with specified affiliated business operator | No items to report | No items to report |
| C. | Major activities during current fiscal year | He attended 10 of the 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and made proposals necessary for deliberating items of business from a broader perspective, as appropriate, based on his extensive experience and insight regarding corporate management. In addition, even when he was unable to attend meetings due to unavoidable circumstances, he endeavored to understand the contents of reported matters and resolved matters based on materials distributed in advance. | She attended all 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and made proposals necessary for deliberating items of business, as appropriate, based on her experience and insight as a corporate manager. |
| D. | Outline of limited liability agreement | No items to report | No items to report |

- (Notes)
1. Outside Directors Takayama Tsuyoshi and Tachibana Fukushima Sakie are independent officers, which are required to be put in place by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. for the protection of general shareholders.
 2. Takayama Tsuyoshi's term of office ended upon his death on April 7, 2015.

[Outside Audit & Supervisory Board Member]

| | | TSURUTA Rokurou | NOMURA Akio | NATSUME Kazuyoshi |
|----|--|--|--|--|
| A. | Important concurrent positions | Attorney at law Outside Director of TPR Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. | Advisor of Osaka Gas Co., Ltd. Outside Director of THE ROYAL HOTEL, LIMITED Outside Director of SHIONOGI & CO., LTD. Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. | Director and Advisor of CHUBU-NIPPON BROADCASTING CO., LTD. Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. |
| | Relationship with the Company | No special relationships exist | No special relationships exist | No special relationships exist |
| B. | Relationship with specified affiliated business operator | No items to report | No items to report | No items to report |
| C. | Major activities during current fiscal year | He attended all 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and stated opinions, as appropriate, in order to clarify questions and other matters. In addition, he attended 13 of the 15 meetings of the Audit & Supervisory Board held during the current fiscal year, where his input included exchanging opinions on audit results and participating in deliberations on important audit matters. | He attended 14 of the 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and stated opinions, as appropriate, in order to clarify questions and other matters. In addition, he attended all 15 meetings of the Audit & Supervisory Board held during the current fiscal year, where his input included exchanging opinions on audit results and participating in deliberations on important audit matters. | He attended 14 of the 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and stated opinions, as appropriate, in order to clarify questions and other matters. In addition, he attended 14 of the 15 meetings of the Audit & Supervisory Board held during the current fiscal year, where his input included exchanging opinions on audit results and participating in deliberations on important audit matters. |
| D. | Outline of limited liability agreement | No items to report | No items to report | No items to report |

(Note) The three above-mentioned Outside Audit & Supervisory Board Members are independent officers, which are required to be put in place by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. for the protection of general shareholders.

5. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young Shin Nihon LLC

(2) Amount of remuneration, etc. of Accounting Auditor

| | |
|--|--------------|
| (i) Amount of remuneration, etc. to be paid by the Company | ¥64 million |
| (ii) Total cash and other financial profits to be paid by the Company and its subsidiaries | ¥166 million |

- (Notes)
1. Among the significant subsidiaries of the Company, PARCO Co., Ltd. and its 4 subsidiaries are audited by auditing firms other than the Accounting Auditor of the Company. PARCO Co., Ltd. is audited by KPMG AZSA LLC.
 2. The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in (i) above indicates the total of these two kinds of amounts.

(3) Content of non-audit service

Consulting service for the introduction of International Financial Reporting Standards (IFRS)

(4) Policy for determining dismissal or non-reappointment of Accounting Auditor

If the Accounting Auditor falls under any of the reasons for dismissal prescribed in Paragraph 1, Article 340 of the Companies Act, or there is a situation that significantly obstructs its auditing of the Company, for example where an order to suspend auditing activities is received from the competent authorities, and such factors are deemed appropriate reasons to dismiss or not reappoint the Accounting Auditor, the Audit & Supervisory Board shall deliberate whether to dismiss the Accounting Auditor through the agreement of all Audit & Supervisory Board Members or to request the Board of Directors to include the dismissal or non-reappointment of the Accounting Auditor in the purpose of a shareholders meeting. The Board of Directors shall, in consideration of the opinion of the Audit & Supervisory Board, deliberate whether to include the dismissal or non-reappointment of the Accounting Auditor in the purpose of a shareholders meeting.

6. System and policies of the Company

(1) System to ensure that execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and other systems to ensure properness of operations

I. System to ensure that execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation

(Item 6, Paragraph 4, Article 362 of the Companies Act and Item 4, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(1) Corporate governance

- (i) Final decision making on important matters relating to management and supervision of execution of duties by directors shall be in compliance with the “Rules of the Board of Directors” and shall be carried out at meetings of the Board of Directors held at least once every month.
- (ii) For decision making, monitoring action and the like by the Board of Directors, highly independent Outside Directors able to make judgments with independence from top management and to make appropriate decisions shall be appointed.
- (iii) Audit & supervisory board members shall carry out auditing of execution of duties by directors and executive officers in compliance with the “Rules of the Audit & Supervisory Board” and the “Audit & Supervisory Board Members’ Audit Standard.”
- (iv) The Company shall bring in Outside Audit & Supervisory Board Members with knowledge and experience to monitor the management of the Company from an objective standpoint and shall strengthen its auditing function.
- (v) Other than the Board of Directors and the Audit & Supervisory Board, the Company shall operate the following meeting structures.

Group Management Meeting

(This meeting shall be composed of internal directors and attendance by full-time audit & supervisory board members is required. It shall deliberate over and determine important policies and measures with respect to overall group management.)

Group Strategy Meeting

(This meeting shall be composed of internal directors. It shall carry out debates on important issues with respect to group management and shape approaches to such issues.)

Group Results and Strategy Examination Meeting

(This meeting shall be composed of internal directors and others. Its activities shall include carrying out debates on group results and related important issues and following them up.)

Group Liaison Meeting

(This meeting shall be composed of internal directors and others. Its activities shall include sharing information on important matters among all Group companies.)

Affiliated Business Presidents Meeting, SS Business Presidents Meeting

(These meetings shall confirm progress of results, confirm issues and exchange information at all Group companies excluding department stores.)

- (vi) The Company shall establish the Management Strategy Unit, the Affiliated Business Unit and the Administration Unit and clarify the roles, responsibilities and authorities of organizations, and shall introduce an Executive Officer system and work to separate management decision making from the execution of business.

(2) Compliance and risk management

- (i) The Company shall ensure that all Group officers and employees are thoroughly familiarized with the “JFR Group Mission Statement” and the “JFR Group Compliance and Risk Management Manual.”
- (ii) The Company shall establish the Compliance and Risk Management Committee as an advisory body to the Board of Directors regarding the operation of compliance and risk management. The President shall be the chairperson and the members of the committee shall

be corporate lawyers and directors, audit & supervisory board members and others selected by the chairperson.

- (iii) An officer shall be put in charge of compliance and risk management in order to promote the operation of compliance and risk management.
- (iv) At each Group company, departments and responsible persons shall be put in charge of promotion of compliance and risk management, and shall carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.
- (v) The Compliance and Risk Management Committee shall work to develop the foundations of compliance and risk management such as internal company rules, operation management manuals and formulation of management systems. In addition, the committee shall strengthen systems that are in compliance with laws and regulations and internal company rules at all Group companies by periodically carrying out work rank-tailored compliance and risk management training through departments in charge of promotion of compliance and risk management at each company. Internal company rules, manuals and the like shall be made available for inspection and verification by all officers and employees at any time by posting them on the intranet.
- (vi) The Compliance and Risk Management Committee shall periodically request reports from persons in charge of promotion of compliance and risk management at each Group company regarding the status of compliance and risk management in their respective areas of responsibility, and take proper rectification measures. In addition, the committee shall formulate guidelines and measures to prevent recurrence to be followed and taken by the Group as a whole, and implement the said guidelines and measures.
- (vii) The Company shall establish the “JFR Group Compliance Hotline” as the whistle-blowing system of the JFR Group that also extends beyond companies (to a corporate lawyer), which may be used by all persons working at all Group companies.
- (viii) The Company shall establish the Internal Audit Division, which will audit the operations of the Company and all Group companies, examine the properness and effectiveness of the processes for these operations, and provide guidance and education to all departments at the Company and all Group companies. Important matters shall be properly reported to the Board of Directors and the Audit & Supervisory Board.

(3) System to secure appropriateness of financial reporting

The Company shall be in compliance with accounting standards and various associated laws and regulations, and shall construct an internal company system to secure the legality and appropriateness of its financial reporting.

II. Rules concerning management of risk of losses and other systems

(Item 2, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) For risks involved in business operations, the Compliance and Risk Management Committee shall carry out evaluations and management, and for important risks, the committee shall periodically report on the risk management status to the Board of Directors.
- (ii) Of the risks involved in business operations that are identified, for particularly serious items, the Compliance and Risk Management Committee shall deliberate over and determine a policy in response, and shall prevent them from occurring by having each of the responsible departments execute the said policy.
- (iii) For crisis events such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the “Emergency Response Headquarters” headed by the President.

III. System for storage and management of information regarding execution of duties by directors

(Item 1, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) For the below-mentioned documents relating to the execution of duties by directors, in accordance with the rules on document management, each responsible department shall carry out document storage and management during the stipulated period and shall develop a system to enable inspections of such documents at any time.

- 1) Minutes of shareholders meetings and related documents
 - 2) Minutes of Board of Directors meetings and related documents
 - 3) Circular approval memos, applications, reports
 - 4) Documents relating to financial reporting
- (ii) For minutes and related documents regarding meetings chaired by directors and other important documents relating to the execution of duties by directors, each responsible department shall carry out document storage and management and shall develop a system to enable inspections of such documents at any time.
- IV. System to ensure efficient execution of duties by directors
(Item 3, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)
- (i) The Company shall have the Management Strategy Unit, the Affiliated Business Unit and the Administration Unit as management bodies of the Group, and directors shall be appointed as the heads of the units. Under this structure, communication of decision-making matters at the Board of Directors to the executive officers shall be facilitated and business shall be executed expeditiously.
 - (ii) The President and the unit heads shall work to achieve management targets and medium- and long-term plans based on their respective roles, responsibilities and authorities by thoroughly making them known to all officers and employees, and giving execution instructions and carrying out efficient monitoring of business execution. Regarding progress in achieving targets at each department based on the management targets and medium- and long-term plans, they shall also demand reports at the Group Results and Strategy Examination Meeting and the like, and manage such progress accordingly.
 - (iii) For deliberation and determination of company-wide important matters, the Group Management Meeting, the Group Strategy Meeting and others shall be used effectively to contribute to decision making by the Board of Directors.
- V. System to ensure properness of operations at the corporate group composed of the Company and its subsidiaries
(Item 5, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)
- (i) The President and the unit heads shall provide guidance to all Group companies for the development of a proper internal control system regarding operations deemed necessary.
 - (ii) The President and the unit heads shall require all Group companies to make reports on their businesses through bodies such as the Group Results and Strategy Examination Meeting, the Affiliated Business Presidents Meeting and the SS Business Presidents Meeting, and shall supervise the proper execution of business.
 - (iii) The Internal Audit Division shall carry out internal audits of everyday operations at all Group companies, examine the properness and effectiveness of the processes for these operations, and provide guidance and education to all departments at the Company and all Group companies. Important matters shall be properly reported to the Board of Directors and the Audit & Supervisory Board.
 - (iv) The Compliance and Risk Management Committee shall control the departments and persons in charge of promotion of compliance and risk management at each Group company and promote compliance and risk management operations at all Group companies through use of the meeting bodies.
 - (v) In cases where the Company's business management or the contents of its management guidance is in violation of laws and regulations or other problems in terms of compliance and risk management are recognized, Group companies shall report the matter to the audit & supervisory board members or the Compliance and Risk Management Committee. If this occurs, the audit & supervisory board members or the Compliance and Risk Management Committee may state an opinion to the Board of Directors and request the formulation of an improvement plan.

VI. Matters regarding employees who assist audit & supervisory board members in their duties when audit & supervisory board members request assignment of such employees, and the independence of such employees from directors

(Items 1 and 2, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) Dedicated staff assigned to audit & supervisory board members shall be in charge of assistance for audit & supervisory board members in their duties.
- (ii) Appointments and transfers of staff assigned to audit & supervisory board members shall be carried out following consultations with internal audit & supervisory board members.
- (iii) Personnel evaluations of staff assigned to audit & supervisory board members shall be carried out following consultations with internal audit & supervisory board members.

VII. System for reporting by directors and employees to audit & supervisory board members and other systems for reporting to audit & supervisory board members, and other systems to ensure effective execution of audits by audit & supervisory board members

(Items 3 and 4, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) If there is an event or risk of event that is significantly damaging to the Company, if unlawful or wrongful conduct by a director or employee is discovered, or if any other event stipulated by the Audit & Supervisory Board as a matter to be reported occurs, directors and employees shall report such fact to the Audit & Supervisory Board. Furthermore, notwithstanding the foregoing, an audit & supervisory board member may at any time request a report from a director or employee as necessary.
- (ii) In order to enable audit & supervisory board members to grasp important decision-making processes and the status of execution of duties, audit & supervisory board members may attend important meetings and committees such as meetings of the Board of Directors and the Group Management Meeting. In addition, they may inspect important documents associated with the execution of duties, such as circular approval memos, and request explanations of the said documents from officers and employees where necessary.
- (iii) The Internal Audit Division shall carry out necessary audits, submissions of audit reports and other duties if requested or demanded to do so by an audit & supervisory board member.
- (iv) The Audit & Supervisory Board shall be in compliance with the “Rules of the Audit & Supervisory Board” and shall have periodic meetings and the like with the representative directors in order to develop the environment for auditing by audit & supervisory board members, strengthen the relationship between them and the representative directors, and provide feedback to management based on their auditing.

(2) Basic policy regarding control of the Company

I. Contents of basic policy

The Company believes it is necessary for the party controlling the Company’s financial and business policy decisions to be a party who sufficiently understands the financial and business details of the Group and the sources of the Group’s corporate value, continuously and sustainably ensures that the corporate value of the Group and, by extension, the common interests of shareholders are served, and enables further improvement in this area.

As the Company is a listed enterprise, the Company’s policy regarding its shareholders is that, in general, they are determined through free market transactions on the financial instruments market. Furthermore, even in the case of a purchase of shares of the Company above a certain scale by specific shareholders or specific groups (hereinafter “Large-Scale Purchase”), if this Large-Scale Purchase will contribute to the corporate value of the Group and, by extension, the common interests of its shareholders, the Company believes that this should not be rejected outright and that, ultimately, the decision on whether to accept or reject it should be left to the discretion of the Company’s shareholders.

Nevertheless, a Large-Scale Purchase that involves a serious risk of causing damage to the corporate value of the Group may be envisaged. This may include a Large-Scale Purchase that, in view of its purpose and other factors, would demonstrably harm the Group’s corporate value; one with the potential to involve substantial coercion of shareholders to sell shares of the Company; or

one that would not provide sufficient time and information for the Company's Board of Directors and shareholders to consider factors such as the details of the large-scale purchaser's proposal, or for the Company's Board of Directors to make an alternative proposal.

A party attempting this kind of Large-Scale Purchase, which would not contribute to the corporate value of the Group and, by extension, the common interests of its shareholders (hereinafter, the "Large-Scale Purchaser"), would not be appropriate as a party controlling the Company's financial and business policy decisions. Accordingly, the Company believes that it is the duty of the Company's Board of Directors, which is entrusted by the shareholders to manage the Company, to respond to this kind of Large-Scale Purchase by ensuring that processes such as provision of information by the Large-Scale Purchaser and considerations and evaluations by the Company's Board of Directors are carried out, and securing sufficient time for the Company's Board of Directors and shareholders to consider the details of the Large-Scale Purchaser's proposal in order to prevent damage to the corporate value of the Group and, by extension, the common interests of its shareholders.

II. Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has been engaged in businesses of kimono fabric stores and department stores for many years based on the corporate philosophies and traditional spirits of these businesses, which are: "Service before profit (those who place service before profit will prosper)," "Abjure all evil; pursue all good" and "In doing good to others, we do good to ourselves."

The Company believes that the sources of the Group's corporate value are the relationships of trust it has established with customers and with society, which have been refined on the basis of these philosophies and spirits.

Accordingly, in order to exemplify the principles of "customer-first principle" and "contribution to society," which are in common with these philosophies and spirits, the Company has established the following basic philosophies of the Group: "to aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations" and "to aim at developing the Group by making a broad contribution to society as a fair and trusted business entity." Based on these basic philosophies, the Company implements a wide range of measures with the aim of realizing the Group's vision, which is to secure a position as a leading Japanese retail company both in terms of quality and quantity, with the Department Store Business at its core, in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

III. Framework to prevent parties deemed inappropriate in light of basic policy from controlling the financial and business policy decisions of the Company

At present, the Company has not specifically stipulated a concrete framework for a case in which a Large-Scale Purchaser appears, commonly known as takeover defense measures.

Nevertheless, the Company believes that, in order to prevent damage to the Group's corporate value if a Large-Scale Purchaser appears, it is necessary to carefully examine the impact a Large-Scale Purchase would have on the Group's corporate value after ascertaining certain information about the Large-Scale Purchaser. Such information would include the nature of the Large-Scale Purchaser, the purpose of the Large-Scale Purchase, the Large-Scale Purchaser's proposed financial and business policies and their policy for handling shareholders, the Group's customers, business partners, employees, the communities that surround the Group and other stakeholders.

Accordingly, if this occurs, the Company will establish an independent committee composed of outside officers and experts with viewpoints that are independent from the Company's internal directors. If the Company judges that the said Large-Scale Purchaser is inappropriate in light of the aforementioned basic policy after considering advice and opinions from the committee, the Company will act to secure the Group's corporate value and, by extension, the common interests of shareholders by taking necessary and appropriate countermeasures.

IV. Judgment of the Company's Board of Directors regarding concrete framework and reasons for such judgment

Various measures formulated by the Group are formulated based on the Group's basic

philosophy, and are intended to further build up the relationships of trust with customers and with society, which are the sources of the Group's corporate value. Therefore, the Company believes that these measures are in line with the contents of the basic policy and contribute to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

Furthermore, if the Company takes necessary and appropriate countermeasures against a Large-Scale Purchaser judged to be inappropriate in light of the basic policy, the fairness, neutrality and rationality of this judgment will be ensured by making it in consideration of advice and opinions from an independent committee whose independence from the internal directors of the Company is assured. Accordingly, the Company believes that these measures would not damage the corporate value of the Group or the common interests of shareholders, and that they are not intended to maintain the positions of the officers of the Company.

(3) Policy regarding decisions on dividends of surplus, etc.

The Company's basic policy is to return profits appropriately in accordance with a targeted consolidated dividend payout ratio of 30% or more, with the aim of maintaining and enhancing the Company's sound financial standing while keeping profit levels, future capital investment, cash flow trends and other such factors in consideration. The Company also considers carrying out purchases of its own shares as appropriate in accordance with such aims as improving capital efficiency and implementing a flexible capital policy.

Consolidated Financial Statements

Consolidated Balance Sheet (As of February 28, 2015)

(Millions of yen)

| Item | Amount | Item | Amount |
|---|-----------------------|---|-----------------------|
| Assets | | Liabilities | |
| <u>Current assets</u> | <u>192,310</u> | <u>Current liabilities</u> | <u>305,463</u> |
| Cash and deposits | 34,106 | Notes and accounts payable - trade | 95,020 |
| Notes and accounts receivable - trade | 75,556 | Short-term loans payable | 22,220 |
| Securities | 1,353 | Commercial papers | 28,691 |
| Inventories | 31,204 | Current portion of bonds | 12,000 |
| Deferred tax assets | 12,182 | Income taxes payable | 12,702 |
| Other | 38,058 | Advances received | 18,656 |
| Allowance for doubtful accounts | (151) | Gift certificates | 37,973 |
| | | Provision for bonuses | 5,630 |
| | | Provision for directors' bonuses | 194 |
| | | Provision for sales returns | 22 |
| | | Provision for books unsold | 113 |
| | | Provision for sales promotion expenses | 722 |
| | | Reserve for gift certificates | 13,241 |
| | | Provision for loss on business liquidation | 121 |
| | | Provision for loss on stores rebuilding | 760 |
| | | Other | 57,392 |
| <u>Non-current assets</u> | <u>826,346</u> | <u>Non-current liabilities</u> | <u>282,771</u> |
| <u>Property, plant and equipment</u> | <u>656,804</u> | Bonds payable | 12,000 |
| Buildings and structures | 187,935 | Long-term loans payable | 93,546 |
| Land | 349,578 | Deferred tax liabilities | 101,486 |
| Construction in progress | 114,097 | Net defined benefit liability | 31,514 |
| Other | 5,192 | Provision for directors' retirement benefits | 39 |
| | | Other | 44,185 |
| <u>Intangible assets</u> | <u>43,007</u> | | |
| Goodwill | 2,005 | Total liabilities | 588,235 |
| Other | 41,001 | | |
| | | Net assets | |
| <u>Investments and other assets</u> | <u>126,535</u> | <u>Shareholders' equity</u> | <u>380,947</u> |
| Investment securities | 37,516 | Capital stock | 30,000 |
| Long-term loans receivable | 1,506 | Capital surplus | 209,556 |
| Lease and guarantee deposits | 61,985 | Retained earnings | 147,760 |
| Net defined benefit asset | 11,864 | Treasury shares | (6,369) |
| Deferred tax assets | 4,159 | <u>Accumulated other comprehensive income</u> | <u>(4,855)</u> |
| Other | 12,067 | Valuation difference on available-for-sale securities | 2,352 |
| Allowance for doubtful accounts | (2,564) | Deferred gains or losses on hedges | (35) |
| | | Foreign currency translation adjustment | 659 |
| | | Remeasurements of defined benefit plans | (7,832) |
| <u>Deferred assets</u> | <u>43</u> | <u>Subscription rights to shares</u> | <u>15</u> |
| Bond issuance cost | 43 | <u>Minority interests</u> | <u>54,357</u> |
| | | | |
| Total assets | 1,018,700 | Total net assets | 430,465 |
| | | Total liabilities and net assets | 1,018,700 |

(Note) Amounts have been rounded down to the nearest one million yen.

Consolidated Statement of Income (From March 1, 2014 to February 28, 2015)

(Millions of yen)

| Item | Amount | |
|---|-----------|------------------|
| Net sales | | |
| Net sales of goods | 1,138,801 | |
| Rent income of real estate | 10,727 | 1,149,529 |
| Cost of sales | | |
| Cost of goods sold | 899,379 | |
| Cost of real estate rent | 6,486 | 905,865 |
| Gross profit | | 243,663 |
| Selling, general and administrative expenses | | 201,572 |
| Operating income | | 42,091 |
| Non-operating income | | |
| Interest income | 372 | |
| Dividend income | 434 | |
| Share of profit of entities accounted for using equity method | 735 | |
| Other | 3,869 | 5,411 |
| Non-operating expenses | | |
| Interest expenses | 1,481 | |
| Other | 5,617 | 7,098 |
| Ordinary income | | 40,404 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 84 | |
| Gain on sales of investment securities | 2,811 | 2,896 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 1,894 | |
| Loss on valuation of investment securities | 36 | |
| Impairment loss | 965 | |
| Loss on liquidation of business | 654 | |
| Construction indemnification expenses | 650 | |
| Other | 209 | 4,411 |
| Income before income taxes and minority interests | | 38,888 |
| Income taxes - current | 16,396 | |
| Income taxes - deferred | (500) | 15,896 |
| Income before minority interests | | 22,992 |
| Minority interests in income | | 3,073 |
| Net income | | 19,918 |

(Note) Amounts have been rounded down to the nearest one million yen.

Consolidated Statement of Changes in Equity (From March 1, 2014 to February 28, 2015)

(Millions of yen)

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|---|------------------------------------|---|---|--|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |
| Balance as of March 1, 2014 | 30,000 | 209,557 | 134,178 | (6,343) | 367,392 | 2,357 | (25) | 449 | — | 2,780 |
| Changes of items during the fiscal year | | | | | | | | | | |
| Dividends of surplus | | | (6,336) | | (6,336) | | | | | |
| Net income | | | 19,918 | | 19,918 | | | | | |
| Purchase of treasury shares | | | | (39) | (39) | | | | | |
| Disposal of treasury shares | | (1) | | 14 | 12 | | | | | |
| Net changes of items other than shareholders' equity | | | | | | (4) | (9) | 210 | (7,832) | (7,636) |
| Total changes of items during the fiscal year | — | (1) | 13,581 | (25) | 13,554 | (4) | (9) | 210 | (7,832) | (7,636) |
| Balance as of February 28, 2015 | 30,000 | 209,556 | 147,760 | (6,369) | 380,947 | 2,352 | (35) | 659 | (7,832) | (4,855) |

| | Subscription rights to shares | Minority interests | Total net assets |
|--|-------------------------------|--------------------|------------------|
| Balance as of March 1, 2014 | 15 | 52,025 | 422,215 |
| Changes of items during the fiscal year | | | |
| Dividends of surplus | | | (6,336) |
| Net income | | | 19,918 |
| Purchase of treasury shares | | | (39) |
| Disposal of treasury shares | | | 12 |
| Net changes of items other than shareholders' equity | — | 2,331 | (5,304) |
| Total changes of items during the fiscal year | — | 2,331 | 8,250 |
| Balance as of February 28, 2015 | 15 | 54,357 | 430,465 |

(Note) Amounts have been rounded down to the nearest one million yen.

[Reference]

Consolidated Statement of Cash Flows (Summary)

(From March 1, 2014 to February 28, 2015)

(Millions of yen)

| Item | Amount |
|---|----------|
| Cash flows from operating activities | 44,650 |
| Cash flows from investing activities | (16,272) |
| Cash flows from financing activities | (27,587) |
| Effect of exchange rate change on cash and cash equivalents | 65 |
| Net increase (decrease) in cash and cash equivalents | 856 |
| Cash and cash equivalents at beginning of period | 31,276 |
| Cash and cash equivalents at end of period | 32,132 |

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2015)

(Millions of yen)

| Item | Amount | Item | Amount |
|--|-----------------------|---|-----------------------|
| Assets | | Liabilities | |
| <u>Current assets</u> | <u>57,922</u> | <u>Current liabilities</u> | <u>49,776</u> |
| Cash and deposits | 15,955 | Short-term loans payable | 12,500 |
| Short-term loans receivable from subsidiaries and associates | 39,919 | Commercial papers | 24,191 |
| Deferred tax assets | 166 | Current portion of bonds | 12,000 |
| Other | 1,880 | Accrued expenses | 307 |
| | | Income taxes payable | 67 |
| | | Provision for bonuses | 148 |
| | | Provision for directors' bonuses | 73 |
| | | Other | 487 |
| <u>Non-current assets</u> | <u>371,260</u> | <u>Non-current liabilities</u> | <u>70,769</u> |
| <u>Property, plant and equipment</u> | <u>64</u> | Bonds payable | 12,000 |
| Buildings and structures | 63 | Long-term loans payable | 58,760 |
| Other | 0 | Other | 9 |
| | | | |
| <u>Intangible assets</u> | <u>134</u> | Total liabilities | 120,545 |
| Software | 133 | Net assets | |
| Other | 0 | <u>Shareholders' equity</u> | <u>308,655</u> |
| | | Capital stock | 30,000 |
| | | Capital surplus | 247,102 |
| <u>Investments and other assets</u> | <u>371,061</u> | Legal capital surplus | 7,500 |
| Investment securities | 568 | Other capital surplus | 239,602 |
| Shares of subsidiaries and associates | 315,770 | Retained earnings | 37,085 |
| Long-term loans receivable from subsidiaries and associates | 54,536 | Other retained earnings | 37,085 |
| Deferred tax assets | 44 | Retained earnings brought forward | 37,085 |
| Other | 141 | Treasury shares | (5,532) |
| | | | |
| | | <u>Valuation and translation adjustments</u> | <u>9</u> |
| | | Valuation difference on available-for-sale securities | 9 |
| | | | |
| <u>Deferred assets</u> | <u>43</u> | <u>Subscription rights to shares</u> | <u>15</u> |
| Bond issuance cost | 43 | Subscription rights to shares | 15 |
| | | | |
| Total assets | 429,226 | Total net assets | 308,681 |
| | | Total liabilities and net assets | 429,226 |

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Statement of Income (From March 1, 2014 to February 28, 2015)

(Millions of yen)

| Item | Amount | |
|--|--------|---------------|
| Operating revenue | | |
| Dividend income | 8,479 | |
| Consulting fee income | 2,668 | 11,147 |
| General and administrative expenses | | 2,755 |
| Operating income | | 8,391 |
| Non-operating income | | |
| Interest income | 792 | |
| Other | 65 | 857 |
| Non-operating expenses | | |
| Interest expenses | 674 | |
| Other | 115 | 789 |
| Ordinary income | | 8,460 |
| Income before income taxes | | 8,460 |
| Income taxes - current | 6 | |
| Income taxes - deferred | 66 | 72 |
| Net income | | 8,388 |

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Statement of Changes in Equity (From March 1, 2014 to February 28, 2015)
(Millions of yen)

(millions of yen)

| | Shareholders' equity | | | | | | Valuation and translation adjustments | Subscription rights to shares | Total net assets |
|--|----------------------|-----------------------|-----------------------|-----------------------------------|-----------------|----------------------------|---|-------------------------------|------------------|
| | Capital stock | Capital surplus | | Retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | | |
| | | Legal capital surplus | Other capital surplus | Other retained earnings | | | | | |
| | | | | Retained earnings brought forward | | | | | |
| Balance as of March 1, 2014 | 30,000 | 7,500 | 239,601 | 35,034 | (5,507) | 306,628 | 9 | 15 | 306,654 |
| Changes of items during the fiscal year | | | | | | | | | |
| Dividends of surplus | | | | (6,336) | | (6,336) | | | (6,336) |
| Net income | | | | 8,388 | | 8,388 | | | 8,388 |
| Purchase of treasury shares | | | | | (37) | (37) | | | (37) |
| Disposal of treasury shares | | | 0 | | 12 | 12 | | | 12 |
| Net changes of items other than shareholders' equity | | | | | | | | | |
| Total changes of items during the fiscal year | — | — | 0 | 2,051 | (24) | 2,026 | — | — | 2,026 |
| Balance as of February 28, 2015 | 30,000 | 7,500 | 239,602 | 37,085 | (5,532) | 308,655 | 9 | 15 | 308,681 |

(Note) Amounts have been rounded down to the nearest one million yen.

THE AUDIT REPORT OF INDEPENDENT AUDITORS
CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS (COPY)

Report of Independent Auditors

April 7, 2015

The Board of Directors

J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC
Hiroyuki Koichi (seal)
Certified Public Accountant
Designated and Engagement Partner
Hiroki Suzuki (seal)
Certified Public Accountant
Designated and Engagement Partner
Takao Oshitani (seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. Front Retailing Co., Ltd. (the “Company”) applicable to the 8th fiscal year from March 1, 2014 through February 28, 2015.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the J. Front Retailing Group, which consisted of the Company and consolidated subsidiaries, applicable to the 8th fiscal year from March 1, 2014 through February 28, 2015 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF INDEPENDENT AUDITORS
CONCERNING THE NON-CONSOLIDATED FINANCIAL STATEMENTS (COPY)

Report of Independent Auditors

April 7, 2015

The Board of Directors

J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC
Hiroyuki Koichi (seal)
Certified Public Accountant
Designated and Engagement Partner
Hiroki Suzuki (seal)
Certified Public Accountant
Designated and Engagement Partner
Takao Oshitani (seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the related supplementary schedules of J. Front Retailing Co., Ltd. (the “Company”) applicable to the 8th fiscal year from March 1, 2014 through February 28, 2015.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of J. Front Retailing Co., Ltd. applicable to the 8th fiscal year from March 1, 2014 through February 28, 2015 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF AUDIT & SUPERVISORY BOARD MEMBERS

Audit Report

The Audit & Supervisory Board hereby reports as follows regarding the performance of duties by Directors of J. Front Retailing Co., Ltd. (the “Company”) during the 8th fiscal year from March 1, 2014 to February 28, 2015, based on audit reports prepared by each Audit & Supervisory Board Member and subsequent deliberations of the Audit & Supervisory Board.

1. Method of the audits by the individual Audit & Supervisory Board Members and the Audit & Supervisory Board; content of audits

In addition to receiving reports on the progress in and results of audits by the individual Audit & Supervisory Board Members, based on the Audit & Supervisory Board’s policies for this fiscal year and division of duties and the like, the Audit & Supervisory Board also received reports on business performance from Directors and the Accounting Auditor, and requested explanations from them as necessary.

In accordance with the auditing standards, set forth by the Audit & Supervisory Board, policies for this fiscal year and division of duties and the like, each of Audit & Supervisory Board Members worked to communicate with Directors, the Internal Audit Department, and other employees in collecting information and establishing an appropriate audit environment. Audit & Supervisory Board Members participated in meetings of the Board of Directors and other key meetings, received reports from Directors, Executive Officers, employees and others regarding the performance of their duties, and when necessary, requested explanations of those reports. Audit & Supervisory Board Members also reviewed key decision documents, and conducted surveys of the operations and assets. Further, Audit & Supervisory Board Members regularly received reports from Directors, Executive Officers, employees and others, requested explanations as necessary, and expressed opinions on the status of establishment and operation of matters necessary to ensure compliance by Directors with laws and regulations, and the Articles of Incorporation, and those needed to ensure the fair performance of the Company’s operations as a stock corporation as described in the Business Report, namely decisions by the Board of Directors regarding the establishment of systems as set forth in Items 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act (the internal control system). Additional consideration was given to the basic policy and activities set forth in Items 3 (a) and 3 (b), Article 118 of the Ordinance for Enforcement of the Companies Act, as noted in the Business Report, based on the status of deliberations at the meeting of the Board of Directors and other key meetings. Regarding subsidiaries, Audit & Supervisory Board Members worked to communicate with Directors, Audit & Supervisory Board Members, and other parties at those subsidiaries, and when necessary conduct hearings with them regarding their business and visit them for surveys of operations and assets of those subsidiaries. Based on the above methods, Audit & Supervisory Board Members examined the Business Report and the supplementary schedules regarding the current fiscal year.

Further, while also monitoring and reviewing the audit of the Accounting Auditor to ensure they maintained an independent position and conducted their audits fairly, Audit & Supervisory Board Members received reports from them regarding the performance of their duties, and when necessary, asked for further explanation regarding those reports. Audit & Supervisory Board Members also received notice from the Accounting Auditor in accordance with “the system for ensuring appropriate execution of their duties” (as enumerated in each Item of Article 131 of the Company Accounting Regulation Ordinance) in compliance with the “Quality Control Standards Relating to Auditing” (adopted by the Business Accounting Deliberations Council in October 28, 2005), and, where necessary, Audit & Supervisory Board Members requested further explanation regarding that notice. Based on the above methods, Audit & Supervisory Board Members proceeded to review the non-consolidated financial statements (consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to the non-consolidated financial statements) with the supplementary schedules, and the consolidated financial statements (consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements) for the current fiscal year.

2. Audit Results

(1) Results of Audit of Business Report, etc.

(i) The Audit & Supervisory Board confirms that the Business Report and the supplementary schedules conformed to the applicable laws and regulations, and the Articles of Incorporation, and that they accurately present the situation of the Company.

(ii) With respect to the performance of duties by Directors, the Audit & Supervisory Board found no improper acts or important violation of applicable laws and regulations or the Articles of Incorporation.

(iii) The Audit & Supervisory Board confirms that decisions by the Board of Directors regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors.

(iv) The Audit & Supervisory Board found no items that need to be pointed out regarding the basic policy regarding those who control the determination of the Company's financial and operational policies, noted in the Business Report. The Audit & Supervisory Board confirms that activities set forth in Item 3 (b), Article 118 of the Ordinance for Enforcement of the Companies Act, as noted in the Business Report, are in line with this basic policy, are not harmful to the common interest of the Company's shareholders, and are not intended to maintain the positions of Directors or Audit & Supervisory Board Members of the Company.

(2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

The Audit & Supervisory Board confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

(3) Results of Audit of Consolidated Financial Statements

The Audit & Supervisory Board confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

April 8, 2015

Audit & Supervisory Board
J. Front Retailing Co., Ltd.

ARAI Kenji (seal)
Full-time Audit & Supervisory Board
Member

NISHIHAMA Tsuyoshi (seal)
Full-time Audit & Supervisory Board
Member

TSURUTA Rokurou (seal)
Outside Audit & Supervisory Board
Member

NOMURA Akio (seal)
Outside Audit & Supervisory Board
Member

NATSUME Kazuyoshi (seal)
Outside Audit & Supervisory Board
Member

(Reference)

I. Capital and Business Alliance with Senshukai Co., Ltd. (Conversion into an Equity Method Associate)

The Company resolved at a meeting of its Board of Directors held on April 17, 2015 to conclude a capital and business alliance with Senshukai Co., Ltd. (Securities code: 8165, First Section of the Tokyo Stock Exchange, “Senshukai”) and to convert Senshukai into an equity method associate, as described below.

1. Reason for the capital and business alliance

The Group has store assets of its core department stores including Parco and StylingLife Holdings in a balanced manner in central urban areas throughout Japan as well as prime customer assets. Under its Medium-term Business Plan, which covers the three years from 2014 to 2016, as the basic policies of the plan the Group is working to dramatically strengthen its competitiveness and profitability as a multifaceted retailer, to construct a business model for growth along with regions in which it operates with its stores at the core of such growth (strategy of urban market dominance), and to promote omni-channel retailing that leverages the strengths of physical stores.

Senshukai describes itself as the “Women’s Smiles Company” and deals in a wide-ranging lineup of merchandise including clothing, daily sundries, and interior goods, with a primary focus on original goods for women aged from their 30s to their 50s, centered on its mainstay mail order business “Belle Maison.” Under its Medium- to Long-term Business Plan, a five-year plan covering the years from 2014 to 2018, the core strategies are to develop optimal private-brand products for each of the main target customer segments, expand purchase opportunities by promoting the shift to an omni-channel format, and increase efficiency by investing in logistics and IT systems.

Recently, amid a significantly changing environment surrounding the retail industry with tougher competition within the industry, intensifying competition across industries, and so forth, the Company and Senshukai have had numerous discussions since October 2014, considering that both companies would be able to efficiently expand their share and develop their businesses through a business alliance because of the highly complementary nature of their business fields and customer bases. As a result of these discussions, in order to ramp up their collaboration under their business alliance and realize its effects, the two companies recognized the need to enhance their framework for promoting joint operations, such as establishing joint projects together, and therefore agreed to conduct the following capital and business alliance.

2. Details of the capital and business alliance, etc.

(1) Details of the business alliance

- (i) Expand sales channels and reduce the cost of merchandise through joint development of both companies’ existing private brand merchandise
- (ii) Conduct cross selling utilizing each company’s resources and expertise with regard to certain merchandise groups that do not fully meet customers’ needs
- (iii) Develop and jointly operate new private brand merchandise, utilizing the Group’s expertise in store development and operation, and sales service, and Senshukai’s product development capabilities
- (iv) Expand e-commerce business sales and earnings utilizing the Group’s customer base and brand power and Senshukai’s expertise in e-commerce operations
- (v) Consider improving the operating efficiency and rebuilding the platform of the Group’s direct marketing business, utilizing Senshukai’s expertise and order fulfillment system in direct marketing
- (vi) Generate profits in other ways by utilizing each other’s group assets and expertise to the maximum extent
- (vii) Establish a Business Alliance Promotion Committee to drive the above initiatives forward

(2) Details of capital alliance

The Company will acquire the existing shares of Senshukai from its shareholders. In addition,

Senshukai will conduct a disposal of treasury shares and issuance of new shares through a third-party allocation, and the Company shall subscribe to and acquire all of these shares. As a result, the Company's equity stake in Senshukai will be 22.62% (share of voting rights: 22.65%), making Senshukai an equity method associate of the Company.

3. Number of shares to be acquired, acquisition price, and shareholding status before and after the acquisition

- (1) Number of shares held before the transfer
0 shares (Number of voting rights: 0) (Ratio of voting rights held: 0%)
- (2) Number of shares to be acquired
11,815,000 shares (Number of voting rights: 118,150)
- (3) Acquisition price (estimated)
¥10,245 million (including Advisory fees, etc.)
- (4) Number of shares held after the transfer
11,815,000 shares (Number of voting rights: 11,815,000) (Ratio of voting rights held: 22.65%)

4. Schedule

- (1) Date of resolution by the Board of Directors
April 17, 2015
- (2) Date of share transfer agreement and capital and business alliance agreement conclusion
April 17, 2015
- (3) Date of executing the share transfer
April 22, 2015
- (4) Date of underwriting disposed treasury shares and newly issued shares
May 7, 2015

5. Outlook

The Company expects to post approximately ¥2,000 million as share of profit of entities accounted for using equity method for a one-time amortization of negative goodwill in its consolidated earnings for the first three months of the fiscal year ending February 29, 2016.

II. Matters regarding determination of matters relating to repurchase of own shares

The Company resolved at a meeting of its Board of Directors held on April 17, 2015 on matters relating to repurchase of own shares, pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act and the Articles of Incorporation, as described below.

1. Reason for repurchase of own shares

In order to enhance shareholder returns and capital efficiency, and to enable the execution of a flexible capital policy.

2. Details of repurchase

- (1) Type of the shares to be acquired
Common shares
- (2) Total number of shares to be repurchased
Up to 3,400,000 shares
[Percentage to the total number of issued shares: (excluding treasury shares) 1.29 %]
- (3) Total price of repurchase
Up to ¥5,000,000,000
- (4) Repurchase period
April 20, 2015 to July 31, 2015
- (5) Repurchase method
Stock exchange purchase based on trust agreement relating to repurchase of own shares

Reference Materials for Shareholders Meeting

Proposals and Reference Information

Proposal 1: Partial Revision of the Articles of Incorporation

1. Reason for proposal

On and after the effective date (May 1, 2015) of the “Act for partial revision of the Companies Act” (Act No. 90 of 2014), which was promulgated on June 27, 2014, it will be possible to execute a limited liability agreement with Directors other than executive Directors, etc. and Audit & Supervisory Board Members, pursuant to articles of incorporation. In line with this revision of the Companies Act, the Company plans to make partial revision to Articles 29 and 37 of the articles of incorporation to ensure that such Directors and Audit & Supervisory Board Members can adequately fulfill the role expected of them.

Please note that the Company has received approval from each Audit & Supervisory Board Member for the partial revision of Article 29 of the articles of incorporation.

2. Details of revision of the articles of incorporation

The details of the revision are as set forth below:

(Revised portions are underlined.)

| Current articles of incorporation | Draft revised articles of incorporation |
|---|---|
| Article 1 (Omitted) to Article 28 (Omitted) | Article 1 (Same as the present) to Article 28 (Same as the present) |
| (Limited Liability Agreement with <u>Outside</u> Directors) Article 29 The Company and each <u>Outside</u> Director may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations. | (Limited Liability Agreement with Directors) Article 29 The Company and each Director <u>(excluding a person who is executive Director, or employee, including manager)</u> may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations. |
| Article 30 (Omitted) to Article 36 (Omitted) | Article 30 (Same as the present) to Article 36 (Same as the present) |

| Current articles of incorporation | Draft revised articles of incorporation |
|--|--|
| <p>(Limited Liability Agreement with <u>Outside</u> Audit & Supervisory Board Members)</p> <p>Article 37</p> <p>The Company and each <u>Outside</u> Audit & Supervisory Board Member may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations.</p> <p>Article 38 (Omitted) to Article 41 (Omitted)</p> | <p>(Limited Liability Agreement with Audit & Supervisory Board Members)</p> <p>Article 37</p> <p>The Company and each Audit & Supervisory Board Member may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations.</p> <p>Article 38 (Same as the present) to Article 41 (Same as the present)</p> |

Proposal 2: Election of Nine (9) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this Annual Shareholders Meeting, and the term of office of Director Takayama Tsuyoshi ended upon his death on April 7, 2015. Accordingly, the Company proposes to elect nine (9) Directors.

The candidates for the Directors are as follows:

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company | |
|-----|---|---|---|
| 1 | SAMURA Shunichi (January 31, 1946) Number of the Company's shares owned (shares): 64,200 Special interests between the Company and the Candidate: None | March 1969 | Joined Matsuzakaya Co., Ltd. |
| | | May 1998 | General Manager of Shizuoka Store |
| | | May 1999 | Director |
| | | | General Manager of Nagoya Business Department and Nagoya Store |
| | | May 2000 | Managing Director |
| | | May 2002 | Senior Managing Director |
| | | May 2003 | General Manager of Business Division, Head Office |
| | | May 2004 | Representative Director |
| | | | Senior Executive Officer, Chief of Business Planning Section, Head Office |
| | | September 2004 | Chief of Business Planning Section and Business Reform Section, Head Office |
| | | March 2006 | Chief of Business Planning Section, Head Office |
| | | May 2006 | President and Executive Officer |
| | | September 2006 | President of Matsuzakaya Holdings Co., Ltd. |
| | | May 2007 | General Manager of Business Administration Division of Matsuzakaya Co., Ltd. |
| | | September 2007 | Director of J. Front Retailing Co., Ltd. In charge of Ginza Redevelopment Director of The Daimaru, Inc. |
| | | May 2008 | President of Matsuzakaya Co., Ltd. |
| | | March 2010 | President of J. Front Retailing Co., Ltd. |
| | | April 2013 | Chairman (present) |

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company | |
|-----|--|--|--|
| 2 | <p>YAMAMOTO Ryoichi (March 27, 1951)</p> <p>Number of the Company's shares owned (shares): 52,000</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1973 February 2001</p> <p>March 2003</p> <p>May 2003</p> <p>March 2005</p> <p>January 2007</p> <p>September 2007</p> <p>March 2008</p> <p>March 2010 September 2012</p> <p>April 2013</p> | <p>Joined The Daimaru, Inc. Associate Director General Manager of Business Innovation Office and Business Planning Office of Department Store Headquarters, Head Office</p> <p>General Manager of Merchandise Network Promotion Division, Department Store Operations, Group Headquarters</p> <p>President and COO and General Manager of Department Store Operations, Group Headquarters</p> <p>General Manager of Metropolitan Area New Business Development Division, Group Headquarters</p> <p>Executive General Manager of Planning Office for New Umeda Store of Department Store Operations Headquarters, Group Headquarters</p> <p>Director of J. Front Retailing Co., Ltd. In charge of Sales Reform and Out-of-Store Sales Reform Promotion</p> <p>Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store, Head Office of The Daimaru, Inc. Director of Matsuzakaya Co., Ltd.</p> <p>Executive General Manager of Sales Headquarters, Head Office of The Daimaru, Inc.</p> <p>President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd.</p> <p>President of J. Front Retailing Co., Ltd. (present)</p> |
| 3 | <p>YOSHIMOTO Tatsuya (April 13, 1956)</p> <p>Number of the Company's shares owned (shares): 19,200</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1979 March 2000</p> <p>January 2008</p> <p>May 2008</p> <p>January 2010</p> <p>March 2010</p> <p>May 2012</p> <p>April 2013</p> <p>May 2013</p> | <p>Joined The Daimaru, Inc. Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office</p> <p>General Manager of Tokyo Store</p> <p>Corporate Officer, General Manager of Tokyo Store</p> <p>Corporate Officer, General Manager of Sales Planning Promotion Division and Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd.</p> <p>Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division</p> <p>Director and Corporate Officer</p> <p>President of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)</p> <p>Director of J. Front Retailing Co., Ltd. (present)</p> |
| 4 | <p>MAKIYAMA Kozo (August 28, 1958)</p> <p>Number of the Company's shares owned (shares): 5,400</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1981 March 2004</p> <p>March 2007</p> <p>March 2008</p> <p>May 2008</p> <p>March 2009</p> <p>March 2010</p> <p>March 2011</p> <p>May 2011</p> <p>May 2013</p> | <p>Joined Parco Co., Ltd. Executive Officer, Executive General Manager of Store Operation Division</p> <p>Managing Executive Officer, Executive General Manager of Store Management Division</p> <p>Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division</p> <p>Director and Senior Executive Officer</p> <p>Supervisor of Store Operation Division</p> <p>In charge of Store Management</p> <p>In charge of Business Management</p> <p>Director and President and Representative Executive Officer (present)</p> <p>Director of J. Front Retailing Co., Ltd. (present)</p> |

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company | |
|-----|---|--|---|
| 5 | <p>FUJINO Haruyoshi (March 10, 1961)</p> <p>Number of the Company's shares owned (shares): 6,800</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1983 April 2004 September 2008 January 2010 May 2010 January 2014 May 2014 May 2014 June 2014</p> | <p>Joined The Daimaru, Inc. General Manager of Preparatory Office for New Tokyo Store, Group Headquarters General Manager of Marketing Planning Promotion Division, Department Stores Coordination Division of J. Front Retailing Co., Ltd. Executive Store Manager of Tokyo Store and General Manager of Planning Office for Phase II Expansion of New Tokyo Store of The Daimaru, Inc. Corporate Officer, Executive Store Manager of Tokyo Store and Senior General Manager of Planning Office for Phase II Expansion of New Daimaru Tokyo Store, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd. Corporate Officer of J. Front Retailing Co., Ltd. In charge of Group Business Structural Reforms of Management Strategy Unit Director (present) Managing Executive Officer (present) Senior Executive General Manager of Management Strategy Unit (present) External Director of Parco Co., Ltd. (present) Outside Director of Hakuseisha Co., Ltd. (present)</p> |
| 6 | <p>KOBAYASHI Yasuyuki (March 30, 1951)</p> <p>Number of the Company's shares owned (shares): 26,800</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1973 February 2003 May 2003 January 2004 September 2007 January 2008 March 2010 May 2010 May 2012 April 2013 May 2013</p> | <p>Joined The Daimaru, Inc. Associate Director, General Manager of Sapporo Store Corporate Officer, General Manager of Sapporo Store General Manager of Tokyo Store Corporate Officer of J. Front Retailing Co., Ltd. Director and Corporate Officer of The Daimaru, Inc. Deputy Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Merchandising Management Unit, Head Office 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. Director and Corporate Executive Officer External Director of Parco Co., Ltd. (present) Managing Executive Officer of J. Front Retailing Co., Ltd. (present), Senior Executive General Manager of Affiliated Business Unit (present) Director (present)</p> |

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company | |
|--|--|--|---|
| 7 | <div>New Candidate</div> <p>DOI Zenichi (September 15, 1953)</p> <p>Number of the Company's shares owned (shares): 29,200</p> <p>Special interests between the Company and the Candidate: None</p> | <p>March 1976 May 2002 May 2006 May 2008 January 2009 March 2010 March 2012 May 2012 January 2015</p> | <p>Joined Matsuzakaya Co., Ltd. Executive General Manager of Corporate Planning Unit of Nagoya Business Division Executive Officer, Executive General Manager of Sales Planning Unit Managing Executive Officer, Executive General Manager of General Planning Unit and Executive General Manager of Sales Reform Promotion Unit and Executive General Manager of Sales Planning Unit Director and Executive Officer, Executive General Manager of Sales Management Unit Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) Corporate Officer Senior General Manager of Sales Planning Unit of Sales and Marketing Headquarters (present) Senior General Manager of Out-of-Store Sales Management Division of Sales and Marketing Headquarters (present) Managing Executive Officer (present) Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management</p> |
| 8 | <div>Outside Director</div> <div>Independent</div> <p>TACHIBANA FUKUSHIMA Sakie (September 10, 1949)</p> <p>Number of the Company's shares owned (shares): 2,500</p> <p>Special interests between the Company and the Candidate: None</p> | <p>June 1980 September 1987 August 1991 June 1993 May 1995 September 2000 May 2001 September 2007 May 2009 March 2010 July 2010 August 2010 June 2011 May 2012 June 2013</p> | <p>Joined Braxton International Joined Bain & Company, Inc. Principal Consultant of Japan Branch Office of Korn/Ferry International Partner Member of the Board of Korn/Ferry International (Global Headquarters) Regional Managing Director of Korn/Ferry International-Japan Member of the Board of Korn/Ferry International (Global Headquarters) President and Representative Director of Korn/Ferry International-Japan Member of the Board of Korn/Ferry International (Global Headquarters) President and Representative Director of Korn/Ferry International-Japan Chairman and Representative Director Outside Director of Bridgestone Corporation (present) President and Representative Director of G&S Global Advisors Inc. (present) Asia Pacific Senior Advisor of Korn/Ferry International Outside Director of Ajinomoto Co., Inc. (present) Outside Director of J. Front Retailing Co., Ltd. (present) Outside Director of Mitsubishi Corporation (present)</p> |
| <p><u>Special Notes regarding the Candidate</u></p> <ul style="list-style-type: none"> - TACHIBANA FUKUSHIMA Sakie possesses abundant knowledge, experience and in-depth understanding concerning the utilization of human resources possessing global perspectives and the formulation of corporate management strategies of companies operating in Japan and overseas. In addition, she has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance, the Company has judged she can contribute greatly to the management of the Company as an Outside Director. - The term of office of TACHIBANA FUKUSHIMA Sakie as an Outside Director will be approximately three years at the conclusion of this Annual Shareholders Meeting. TACHIBANA FUKUSHIMA Sakie is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders. - The Company plans to enter into an agreement with TACHIBANA FUKUSHIMA Sakie to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act. | | | |

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company | |
|---|---|---|--|
| 9 | <div>New Candidate</div> <div>Outside Director</div> <div>Independent</div> <div>OTA Yoshikatsu (December 28, 1941)</div> | April 1964 | Joined Minolta Camera Co., Ltd. |
| | | June 1991 | Director, General Manager of Copying Machine Business Division and General Manager of Copying Machine Sales Division |
| | | July 1994 | Director, Executive General Manager of Information Device Business Management Unit and Executive General Manager of Information Device Sales Unit of Minolta Co., Ltd. |
| | | June 1995 | Managing Director |
| | | June 1999 | President and Representative Director |
| | Number of the Company's shares owned (shares): | April 2001 | President and Executive Officer, Representative Director |
| | 0 | August 2003 | Director and Vice President, Representative Executive Officer of Konica Minolta Holdings, Inc. |
| | Special interests between the Company and the Candidate: | October 2003 | President and CEO of Konica Minolta Technologies, Inc. |
| | None | April 2006 | Director, President and CEO of Konica Minolta Holdings, Inc. |
| | | April 2009 | Director, Chairman of the Board of Directors |
| | | June 2012 | Outside Director of YAMAHA CORPORATION (present) |
| | | April 2013 | Director, Chairman of the Board of Directors of KONICA MINOLTA, INC. |
| | | April 2014 | Director |
| | | June 2014 | Special Advisor (present) |
| <u>Special Notes regarding the Candidate</u> - OTA Yoshikatsu possesses broad-ranging experience and abundant insight as a manager of a business corporation, such as promoting the corporate merger between Minolta Co., Ltd. and Konica Corporation and serving as a chairman of the board of directors of a company with committees. In addition, he has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance, the Company has judged he can contribute greatly to the management of the Company as an Outside Director. - The Company plans to register OTA Yoshikatsu as an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders. - The Company plans to enter into an agreement with OTA Yoshikatsu to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act. | | | |

Proposal 3: Election of Five (5) Audit & Supervisory Board Members

The terms of office of all five (5) Audit & Supervisory Board Members will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, the Company proposes to elect five (5) Audit & Supervisory Board Members. We have obtained the consent of the Audit & Supervisory Board to our submission of this proposal.

The candidates for the Audit & Supervisory Board Members are as follows:

| No. | Name (Date of birth) | Career summary, positions in the Company, and important concurrent positions outside the Company | |
|-----|--|---|--|
| 1 | <div>New Candidate</div> <p>OCHI Bunshiro (January 22, 1957)</p> <p>Number of the Company's shares owned (shares): 2,200</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1980 March 1994 June 2001 March 2003 May 2011 February 2014 March 2015</p> | <p>Joined The Daimaru, Inc. Manager in charge of Personnel and Recruitment of Personnel Division, Kyoto Store Manager in charge of Human Resources of Business Management Division, Head Office (in charge of Umeda Store) Division Manager of Business Control Division, Group Headquarters (in charge of Kyoto Store) and Assistant to General Manager of Kyoto Store Director, Senior Executive General Manager of Administration Unit of The Hakata Daimaru, Inc. In charge of Compliance and Risk Management Assistant to Senior Executive General Manager of Administration Unit of J. Front Retailing Co., Ltd. (present) Assistant to Senior Executive General Manager of Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)</p> |
| | The Company plans to enter into an agreement with OCHI Bunshiro to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act, if Proposal 1 is approved. | | |
| 2 | <div>New Candidate</div> <p>KATO Yoichi (April 13, 1955)</p> <p>Number of the Company's shares owned (shares): 2,600</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1978 March 2000 March 2006 March 2008 September 2008 March 2012 March 2015</p> | <p>Joined Matsuzakaya Co., Ltd. Manager of Staff Training, Training Department of Administration Unit, Nagoya Business Division Manager of Human Resources Department of Human Resources and Administration Division, Administration Management Headquarters Senior General Manager of Planning Staff Division, Nagoya Store and Senior General Manager of Store Administration Management Staff Division of Administration Management Headquarters Senior General Manager of Administration Promotion Division of Nagoya Store Division Manager of Out-of-Store Sales Management Division of Nagoya Store, Daimaru Matsuzakaya Department Stores Co. Ltd. Assistant to Senior Executive General Manager of Administration Unit of J. Front Retailing Co., Ltd. (present) Assistant to Senior Executive General Manager of Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)</p> |
| | The Company plans to enter into an agreement with KATO Yoichi to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act, if Proposal 1 is approved. | | |

| No. | Name (Date of birth) | Career summary, positions in the Company, and important concurrent positions outside the Company | |
|-----|---|--|--|
| 3 | <div>Outside Audit & Supervisory Board Member</div> <div>Independent</div> <p>TSURUTA Rokurou (June 16, 1943)</p> <p>Number of the Company's shares owned (shares): 3,400</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1970</p> <p>April 2005</p> <p>June 2006</p> <p>July 2006</p> <p>October 2006</p> <p>May 2007</p> <p>June 2007</p> <p>September 2007</p> <p>April 2009</p> <p>June 2010</p> <p>June 2012</p> | <p>Public Prosecutor of Tokyo District Public Prosecutors Office</p> <p>Superintending Prosecutor of Nagoya High Public Prosecutors Office</p> <p>Retired from the office of Superintending Prosecutor of Nagoya High Public Prosecutors Office</p> <p>Registered as attorney at law</p> <p>Professor at Chiba University Law School</p> <p>Outside Audit & Supervisory Board Member of The Daimaru, Inc.</p> <p>Outside Director of Teikoku Piston Ring Co., Ltd. (present)</p> <p>Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)</p> <p>Professor at Surugadai University Law School</p> <p>Outside Audit & Supervisory Board Member of Mitsubishi Chemical Holdings Corporation</p> <p>Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. (present)</p> |
| | <p><u>Special Notes regarding the Candidate</u></p> <p>- TSURUTA Rokurou possesses in-depth understanding as a person from legal circles, and he has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance as well as the viewpoint of strengthening the compliance and risk management system, the Company has judged he can contribute greatly to the management of the Company as an Outside Audit & Supervisory Board Member, and wishes to continue to receive his services for auditing.</p> <p>- The term of office of TSURUTA Rokurou as an Audit & Supervisory Board Member will be approximately seven years and nine months at the conclusion of this Annual Shareholders Meeting.</p> <p>TSURUTA Rokurou is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.</p> <p>- The Company plans to enter into an agreement with TSURUTA Rokurou to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.</p> | | |
| 4 | <div>New Candidate</div> <div>Outside Audit & Supervisory Board Member</div> <div>Independent</div> <p>ISHII Yasuo (September 4, 1947)</p> <p>Number of the Company's shares owned (shares): 0</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1970</p> <p>June 2000</p> <p>January 2001</p> <p>March 2003</p> <p>June 2003</p> <p>June 2004</p> <p>April 2005</p> <p>June 2008</p> <p>June 2011</p> <p>June 2013</p> | <p>Joined Yamanouchi Pharmaceutical Co., Ltd.</p> <p>Director of the Board, Director of Ethical Products Marketing Department of Sales & Marketing Division</p> <p>Director of the Board and Chairman of Yamanouchi Europe B.V.</p> <p>Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. and Chairman of Yamanouchi U.K. Limited and Chairman of Yamanouchi Europe B.V.</p> <p>Managing Director of the Board of Yamanouchi Pharmaceutical Co., Ltd.</p> <p>Senior Corporate Executive</p> <p>Senior Corporate Executive of Astellas Pharma Inc. and Chairman & CEO of Astellas Pharma Europe Ltd.</p> <p>Executive Vice President and Representative Director of Astellas Pharma Inc.</p> <p>Vice Deputy Chairman and Representative Director</p> <p>Retired from the office of Vice Deputy Chairman and Representative Director</p> |
| | <p><u>Special Notes regarding the Candidate</u></p> <p>- ISHII Yasuo possesses abundant experience and insight as a manager of a business corporation such as long-standing work experience in Europe and special familiarity with business development in overseas countries. In addition, he has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance, the Company has judged he can contribute greatly to the management of the Company as an Outside Audit & Supervisory Board Member.</p> <p>- The Company plans to register ISHII Yasuo as an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.</p> <p>- The Company plans to enter into an agreement with ISHII Yasuo to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.</p> | | |

| No. | Name (Date of birth) | Career summary, positions in the Company, and important concurrent positions outside the Company | |
|-----|---|--|--|
| 5 | <div> <div>New Candidate</div> <div>Outside Audit & Supervisory Board Member</div> <div>Independent</div> </div> <p>NISHIKAWA Koichiro (July 12, 1947)</p> <p>Number of the Company's shares owned (shares): 0</p> <p>Special interests between the Company and the Candidate: None</p> | <p>April 1970</p> <p>August 1995</p> <p>June 2001</p> <p>April 2003</p> <p>June 2003</p> <p>January 2006</p> <p>April 2007</p> <p>April 2010</p> <p>April 2012</p> <p>March 2013</p> <p>March 2014</p> | <p>Joined Hitachi, Ltd.</p> <p>Vice President of Hitachi America, Ltd.</p> <p>Managing Officer, General Manager of Global Business Development Division of Hitachi, Ltd.</p> <p>Manager of Business Development Division</p> <p>Executive Officer, Manager of Business Development Division</p> <p>Vice President and Executive Officer, in charge of Business Development</p> <p>Senior Vice President and Executive Officer, in charge of Business Development</p> <p>Senior Vice President and Executive Officer of Hitachi Cable, Ltd.</p> <p>Senior Advisor of Hitachi Research Institute</p> <p>Retired from the office of Senior Advisor</p> <p>Outside Director of Kyowa Hakko Kirin Co., Ltd. (present)</p> |
| | <p><u>Special Notes regarding the Candidate</u></p> <ul style="list-style-type: none"> - NISHIKAWA Koichiro possesses abundant experience and insight as a manager of a business corporation, notably he has experience in business alliances, M&A, and business reforms and he has been involved in numerous important international negotiations. In addition, he has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance, the Company has judged he can contribute greatly to the management of the Company as an Outside Audit & Supervisory Board Member. - The Company plans to register NISHIKAWA Koichiro as an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders. - The Company plans to enter into an agreement with NISHIKAWA Koichiro to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act. | | |

Proposal 4: Payment of Bonuses to Directors and Audit & Supervisory Board Members for Fiscal Year 2014

After comprehensively considering the operating results of the current fiscal year and other various circumstances, the Company plans to pay bonuses to Directors and Audit & Supervisory Board Members of a total amount of 73,000,000 yen or less (of which 6,400,000 yen or less for Outside Directors, and 9,000,000 yen or less for Audit & Supervisory Board Members) to the nine (9) Directors (including two (2) Outside Directors) and five (5) Audit & Supervisory Board Members in office at the end of the current fiscal year. With respect to the specific amounts to be paid to each Director and Audit & Supervisory Board Member, the amounts will be decided by resolution of the Board of Directors in the case of Directors and by deliberation of the Audit & Supervisory Board in the case of Audit & Supervisory Board Members.

Please kindly give us your understanding and approval.

End of Document