

# Responding Quickly to Market Changes and Seeking Originality and Profitability

J. Front Retailing moves forward with operation reform by dividing sales floor operations into two types including "our own operation" and "shop operation" and creating the organizations, operation process and human resource system that are best suited to each business model.

Unlike in shop operation sections, in our own merchandising sections, we can expand or shrink sales space and change product selection freely at our discretion, and that enables quick response to market and customer changes. They are department store's unique strength not shared by other channels including station buildings and shopping centers. They also serve as an effective tool to differentiate us from other department stores. Since their gross margin rate is higher compared to shop operation sections, their effective and efficient operation will help enhance profitability.

## Planning and managing the whole process of "buying and selling" by business operation organization

In September 2011, in an effort to further evolve our new department store model, we reorganized the merchandise departments of our head office, which had been divided by merchandise category, into Original Merchandising Division and Shop Operation Division so as to correspond to the operation forms of individual sales sections.

Original Merchandising Division mainly handles women's accessories and men's accessories. It started as the business operation organization that plans and manages the whole process of buying and selling ranging from marketing to buying and procuring, selling and profit/loss management. As a virtual entity, the Division is responsible for the bottom line, overseeing the head office organization and store staff who manage our own operation sections, sell products there and make purchases for individual stores.

In September 2012, Daimaru Matsuzakaya Sales Associates Co. Ltd. was established to strengthen sales capabilities and create a highly productive store operation system. And the new company took over sales operations for Original Merchandising Division. Based on sales plans, they sell focused high margin products and develop salespersons working for several departments to increase the productivity of each worker.

#### Development of new original sales space

Original Merchandising Division decreases traditional item-based sales space and creates sales space featuring a new selection of products, which are expected to have a new market, at individual store level for a limited time. The one judged to certainly have a market as a result of such trial will be made permanent.

In March 2013, the Division opened a newly edited retail section "Woop Woop!" at Shinsaibashi, Umeda and Sapporo stores. It is a select shop offering our original selection of accessories to the customers of our specialty zone "Ufufu Girls" targeting young and around 30-year-old women. With the eyes of girls today who pursue what they love with free sensitivity, the shop selects and offers products, which were not sold at our stores in the past, including pop smartphone cases and stationery and cute aprons, lunch box gear, bags and pouches.



WOOP WOOP!

# Expansion of high margin completely bought products

Using its characteristics that it takes the risk of buying and selling, Original Merchandising Division sells completely bought products. Its line-up mainly includes import goods such as women's neckwear, headwear and shoes and men's ties, shoes and bags.

In September 2012, the Division launched the exclusive sale of Italian shirt brand "Camicissima" at seven Daimaru and Matsuzakaya stores. These high quality shirts in various designs are presented by size in an easy-to-find way so that shoppers can enjoy choosing from them. They are reasonably priced and sold in a bundle (one for ¥4,900 → two for ¥7,900 → three for ¥9,900), which is rarely found in department

stores

Since the gross margin rate of completely bought products is high, they can significantly contribute to our earnings if their sell-through rates are increased by strengthening sales capabilities. We will identify the most effective items and further expand our offerings.



CAMICISSIMA

#### Other our own merchandising sections

Our own merchandising sections offering products other than women's accessories and men's accessories include our private brand of women's wear "Sofuol," item selections "Season Message" and "Jeaning Casual," a collaboration with World Co., Ltd. "Esche" and our private brand of men's wear "Trojan." Based on trust in department stores,

they all offer their original products with well-balanced quality and price and selections aiming at clear targets and they attract popularity from customers.



SOFUOL

### Future efforts in our own merchandising sections

For fiscal 2012, Original Merchandising Division increased sales by 3.4% and gross margin rate by 0.45 points from the previous year. We will decrease existing item-based sales space, and more dynamically introduce new products and expand and shrink seasonal sales space to boost sales. At the same time, we will increase the purchase of high margin merchandise including completely bought products and improve the productivity of each worker by using Daimaru Matsuzakaya Sales Associates to further strengthen profitability. The Division is also eyeing the possibility of opening new shops in Parco and other commercial complexes as new growth opportunities.