

We Aim for Sustainable Growth and Development as a Competitive and Profitable “Multifaceted Retailer.”

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J. Front Retailing (the “Company”) positions its ongoing FY 2014 to 2016 Medium-term Business Plan as a phase of enhancing profitability and constructing a foundation toward leap in fiscal year 2017 and beyond. Last fiscal year, as the first year of the Medium-term Business Plan, we could not make an entirely satisfactory start though we achieved our fifth consecutive year of operating income growth, reaching a record high since the Company was established. We think it is essentially attributable to our lack of capability to keep up with the speed of market changes as a company as well as significant changes in our external environment including slower-than-expected recovery of consumer confidence due to a sales tax hike and a price rise resulting from a weakening yen, increasingly polarized consumption, and a greater gap between urban and rural areas.

Based on such recognition, in fiscal year 2015, we will focus

our efforts on the following challenges toward dramatic growth as a multifaceted retailer, which we aim for.

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

In the core Department Store Business, in order to establish a new department store model combining the store’s appeal to a wide range of customers with highly efficient operations, during this fiscal year, we will overhaul the sales floor composition primarily of Matsuzakaya Nagoya and Daimaru Sapporo stores among four key stores selected in the current Medium-term Business Plan to adapt to market changes. All our department store operators will increase their presence in the affluent consumer markets centering on the development of new *gaisho* (or out-of-store sales) card holders and enhance efforts to meet the rapidly expanding

demands of inbound tourists. In the Parco Business, we will expand the business infrastructure through active investment. During fiscal year 2015, we are planning to renovate 48,000 square meter sales floors, which account for approximately 15% of total floor area of all stores, including Fukuoka Parco, which increased the sales floor area of the main building this spring, and Nagoya Parco Midi, which opened this spring.

At the same time, we will actively pursue mergers and acquisitions to expand our business areas as a multifaceted retailer. Following the conversion of Parco into a consolidated subsidiary and the conversion of StylingLife Holdings into an associate accounted for using equity method, on April 17, 2015, the Company has concluded a capital and business alliance agreement with Senshukai Co., Ltd. and converted it into an associate accounted for using equity method by acquiring 22.62% of its shares. Since the Company and Senshukai are highly complementary to each other in business domain and customer base, we believe the business alliance will enable both companies to expand their shares and develop business efficiently.

In conjunction with such expansion of business, we will further seek synergy as a group.

The second is “to promote the Urban Dominant Strategy for growing along with local communities.”

The Company has store assets including department stores and Parco stores in a balanced manner in central urban areas throughout Japan as well as prime customer assets. Based on this advantage, we will bring together the combined strength of J. Front Retailing Group (the “Group”) including Daimaru COM Development with department stores and Parco stores in respective areas as a core to activate and make effective use of real estate including idle assets in terms of what appealing areas should be.

With the newly added projects to develop the Shinsaibashi area and the Nagoya area as well as the ongoing big projects such as

the “Ginza 6-chome District Redevelopment” and the “Matsuzakaya Ueno Store South Wing Rebuilding” and incorporating the perspective of real estate development more than ever, we will vigorously push forward the activation of the areas around our stores. To this end, we will radically consolidate the promotion systems by creating dedicated teams and establishing cross-group projects and speed up our efforts to consider the effective use of the Group’s assets and the maximization of revenue.

The third is “to strengthen corporate governance function.”

Following the establishment, publication and implementation of Japan’s Stewardship Code last year, the draft of Corporate Governance Code was published in March 2015 toward its application from June 1 and listed companies kicked into full gear and accelerate their initiatives to strengthen corporate governance. Taking this as an opportunity to achieve sustainable growth and increase corporate value through “aggressive governance,” we would like to have constructive dialogue with our stakeholders through the strengthening of organizational structure by creating a new position in charge of Corporate Governance Promotion in the Management Strategy Unit and the efforts with a particular focus on a review of the “roles and responsibilities of the Board of Directors,” “shareholder relations” and “information disclosure.”

Mainly through the foregoing initiatives, we, as a multifaceted retailer, will meet market changes quickly and create and continue to provide customers with new values, and accumulate their results toward the future dramatic expansion of corporate value.

At the same time, we will ensure that our business activities thoroughly fulfill compliance requirements and corporate social responsibilities and we aim to develop the Group by earning the trust of society at large and contributing to society, as well as ensuring legal compliance.