





# Department Stores Will Further Change

## Implementation of a new department store model

J. Front Retailing is advancing the establishment of a new department store model to become more market responsive and realize a structural switch to low-cost operation.

The new department store model is a “department store renewal program to create attractive and profitable stores that entice customers to visit.” Specifically, we are working on:

- (1) expanding target customer base;
- (2) widening the range of products and prices in particular;
- (3) developing specialty zones; and
- (4) increasing management efficiency;

as well as maintaining and strengthening department store's traditionally strong middle to high-end product offerings, while clarifying and thoroughly implementing store strategy in each store, in a bid to adapt to major market changes including the consumer shift to “more casual lifestyles” and “more frugal and price-sensitive behavior.”

## Wider product range and customer base

As an effort to “broaden product range and customer base,” which is a key element in building a new department store model, in June 2014, Daimaru Kyoto store opened Table Plus, a specialty zone that proposes highly sophisticated Western eating styles, on its food floor and Kyoto's first Tokyu Hands nearby, which brought more customer traffic to the area. In October, by completely renewing its exterior for the first time in half a century, the store added new appeal to the landscape of the area. Furthermore, in March 2015, its international boutique was renewed and reopened with 16 brands newly added particularly in an effort to better cater to the new rich who we had not served well enough.

In order to consolidate its position as the number one store in the region, Daimaru Sapporo store significantly improved the luxury zone by introducing Chanel Boutique and Franck Muller so that it can better cater, in terms of product range, particularly to *gaisho* customers and foreign tourists to Japan who are remarkably increasing in number recently.

## Radical overhaul of sales floor composition

Nagoya store renovated its young fashion, luxury brands, cosmetics and accessories floors in the first phase of renovation in 2012 and the entire food floors on the first and second basement levels of the main building in the second phase in 2013. Many Japan's first and Nagoya's first popular shops were introduced to create “Nagoya's greatest food zone ‘Gochiso Paradise’.” On the second basement floor, we newly installed a specialty zone “Table Plus.” In terms of facilities, we eliminated differences in level in the center, which had blocked the view, and overhauled traffic flow on the floors to ensure better visibility and easier shopping. Following that, Pokemon Center was introduced and it attracted much more customers with children. Thus the expansion of customer base created a ripple effect on each floor.

And now in the third phase spanning about one year from spring 2015 to spring 2016, the renovation of around 30% of the total sales floor area is under way. We will mainly reduce its homeware and women's apparel sales space while expanding women's accessories and men's clothing and introducing new categories.

## Progress of low-cost operation

Our sales floor operation is divided into two types including “shop operation” and “self curation” and we are working on establishing operation systems, planning staff distribution and training human resources to suit their respective characteristics.

In September 2012, a new company named Daimaru Matsuzakaya Sales Associates Co. Ltd. was spun off from the Group's staffing company Dimples' Co., Ltd. We transferred department store sales floor operations to the new company and thereby improve expertise in order to further increase the efficiency of sales floor operation.

During fiscal year 2015, we will also streamline the headquarters to further increase productivity.



Gochiso Paradise, Matsuzakaya Nagoya store



Table Plus, Matsuzakaya Nagoya store