



Group-wide Entry into Asian Markets

Promising overseas growth markets

The domestic consumption market is predicted to increasingly shrink due to the aging population combined with a falling birthrate and decreasing productive population. Therefore, it is essential to enter growing overseas markets in order for the Group to achieve sustainable growth. Particularly, we see China and the ASEAN region, which are rapidly expanding and developing, as promising growth markets for the businesses of the Group. While taking account of the local situations and business characteristics, we would like to actively develop businesses in these regions.

Opened China's most upscale department store in Shanghai in May 2015

Shanghai is the biggest commercial city in China that has the population of 24 million people. Its population increased by more than six million people in a decade until 2010 and such population influx from other areas continues. In terms of economics, the average annual income of workers in Shanghai surpassed Beijing and came out on top for the first time at 47,000 yuan in 2014. Thus Shanghai is known as one of the cities with many wealthy residents.

Near the People's Square in central Shanghai, there is a department store New World City, which boasts the second largest sales in the city. Shanghai Xin Nan Dong Project Management Co., Ltd. whose largest shareholder is Shanghai New World Co., Ltd., which operates New World City, planned to open a full-scale department store with a retail area of around 60,000 square meters in Nanjing Road, Huangpu District, one of the biggest commercial areas in Shanghai.

In January 2013, the Company concluded a business alliance agreement with Shanghai Xin Nan Dong Project Management and Shanghai New World. We sent around ten people including a store manager and rendered technical support in preparing for the opening of the department store including marketing, product mix, design of interior environment, sales service training for employees and card policy to create China's most upscale department store.

The new store was named Shanghai New World Department Store. Under the concept of a "contemporary

new high-end department store combining luxury and entertainment," the store celebrated its grand opening in May 2015. The store adopted full-scale Japanese-style department store floor composition. Western and Japanese brands account for over half of its brand lineup to differentiate itself from other department stores in Shanghai, which offer many Chinese local brands. China's first spiral escalators designed in the image of a dragon were installed in the huge atrium piercing the center of the building from the 1st to the 6th floor. The store exterior is neoclassical and the interior design is modern.

With the aim of realizing China's highest level of sales service, the store uses the know-how of Daimaru Matsuzakaya Sales Associates Co. Ltd. in J. Front Retailing Group, which provides sales operations. We train instructors to instruct sales staff and employees working for the store. These instructors teach customer service and sales and how to guide customers in the store. We will differentiate our services from our competitors by ensuring that totally hospitable sales staff greet and serve customers.

Outline of Shanghai New World Daimaru Department Store

- Store name: Shanghai New World Daimaru Department Store
- Address: 228 East Nanjing Road, Huangpu District, Shanghai
- Retail area:
60,000m², 7 floors above ground and 5 below
(The department store occupies the 6th floor to the 2nd basement floor.)
- Operator:
Shanghai Xin Nan Dong Project Management Co., Ltd.
(49% owned by Shanghai New World Co., Ltd.)
- Store hours: 10:00 – 22:00
(The parking areas on the 3rd to the 5th basement floor are open 24 hours a day.)
- Open 7 days a week

Through this business alliance, we will be able to experience the local retail business firsthand and thereby acquire China's business know-how. Raised awareness and brand power of Daimaru in Shanghai and other cities in China is expected to attract Chinese tourists to Japan to Daimaru stores and boost sales. Taking advantage of this business alliance, we

would like to accumulate know-how to create and operate stores abroad and consider various ways of entering overseas markets mainly including business alliance to expand our business in the future.

Joint Plaza business with SLH starting in Taipei

In March 2011, the Company acquired a 49% stake in StylingLife Holdings Inc. ("SLH"), which operates several retail businesses including Plaza, Japan's leading general merchandise retail brand, and converted it into an associate accounted for using equity method.

The Company and SLH jointly developed a new brand "Plaza Tokyo" that offers products and services tailored to the local markets with a selection of Plaza goods as its core. In August 2012, we established JFR Plaza Inc. in Taipei, Taiwan to promote new shop openings concentrated in major metropolitan areas in Asia. In March 2013, the first shop was opened on the 5th floor of Pacific Sogo Fuxing store in Taipei, and as of May 2015, the company operates seven shops in Taipei and surrounding areas and Kaohsiung. We would like to maintain the pace of opening four shops a year and increase the number of shops to 16 by the end of fiscal year 2016.

Pursuing the Dominant Strategy mainly in Taipei, we are planning to open the second shop in Kaohsiung and expand into medium-sized cities including Taichung and Tainan, and then, major metropolitan areas in ASEAN such as Singapore, Bangkok, Kuala Lumpur and Hong Kong.

Promote proactive group-wide initiatives

In the meantime, J. Front Design & Construction in the Group opened a representative office in Shanghai in December 2011 to receive orders for designing commercial facilities in China. A wholesaler Daimaru Kogyo established companies in Thailand in January 2012 and in Taipei in January 2015 to expand business in the ASEAN region. Individual companies in the Group will leverage their strengths to aggressively develop overseas businesses.