



# **J.FRONT RETAILING NOW**

Annual Report 2016 (Year ended February 29, 2016)







# Contents

## Editorial policy:

J. Front Retailing Group (the "Group") issued this annual report in order to provide a deeper understanding of what actions it takes for sustainable growth of corporate value. The report explains the Group's value creation process at the beginning and it contains non-financial information including the Group's involvement in society and the environment through business activities and governance system that helps enhance corporate value in addition to financial information as the achievements based on specific management strategy. We have referred to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) to create this report.

## Timeframe:

This report mainly reviews the fiscal year 2015 (March 1, 2015 through February 29, 2016) but it also contains the latest information available at the time of issue to the extent possible.

## Scope:

J. Front Retailing Co., Ltd. and its consolidated subsidiaries

## Cautionary statement regarding forward-looking statements:

Forward-looking statements in this annual report represent our assumptions based on information currently available to us and inherently involve potential risks, uncertainties and other factors. Therefore, actual results may differ materially from the results anticipated herein due to changes in various factors.

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# J. Front Retailing Group's Value Creation Process

Under the Group Mission Statement consisting of the "basic mission statement," the "business operation policy," the "commitments to stakeholders" and the "principles of action," J. Front Retailing is committed to creating with its stakeholders affluent lifestyles, which are of high quality, fresh and highly hospitable and meet the changing times.

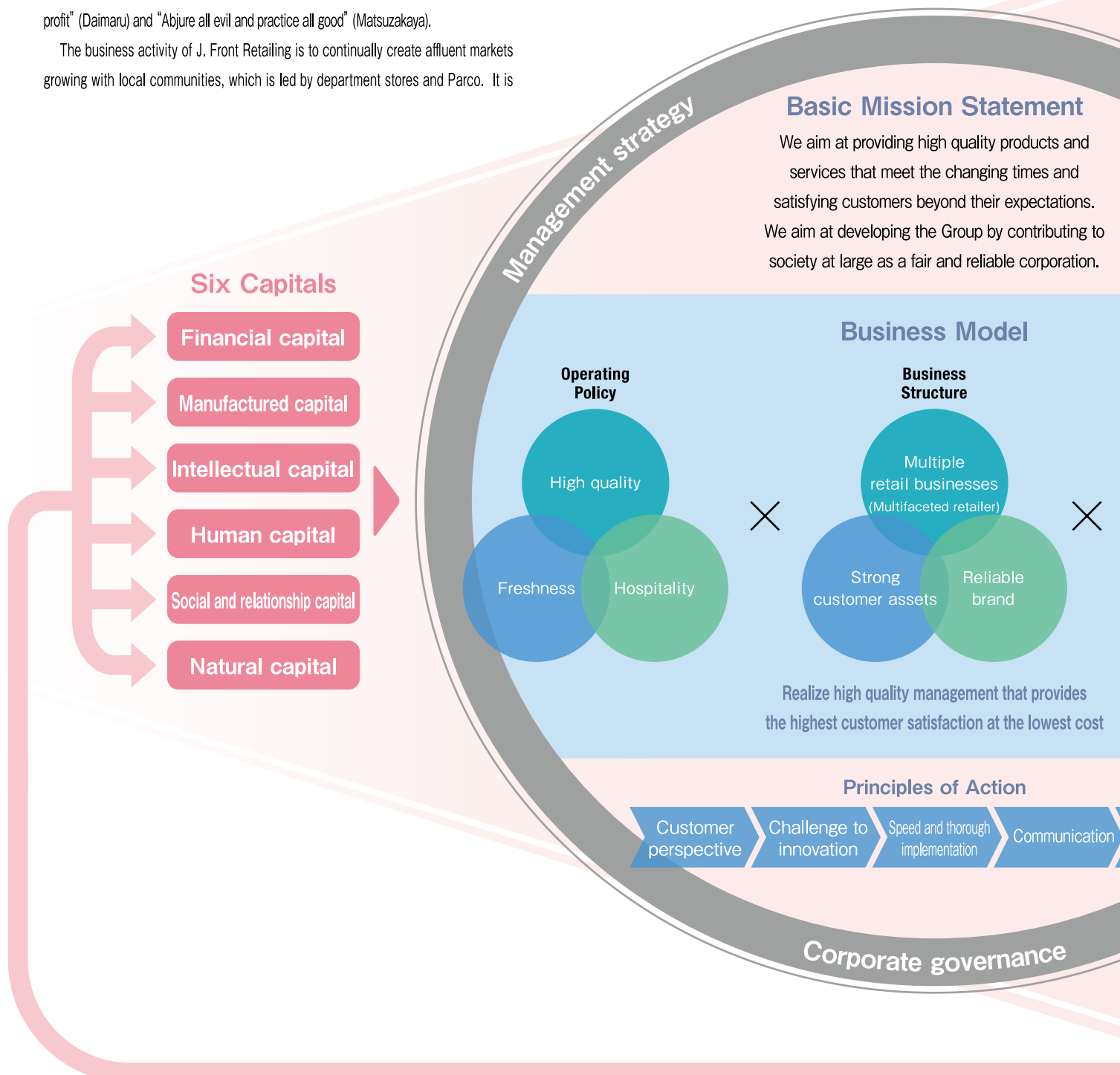
The "basic mission statement," which forms the basis of the Group Mission Statement, represents the elements of the "customer-first principle" and the "contribution to society" that are common to the corporate mission statements and traditional spirit of Daimaru and Matsuzakaya, which are the predecessor companies of J. Front Retailing: "Service before profit" (Daimaru) and "Abjure all evil and practice all good" (Matsuzakaya).

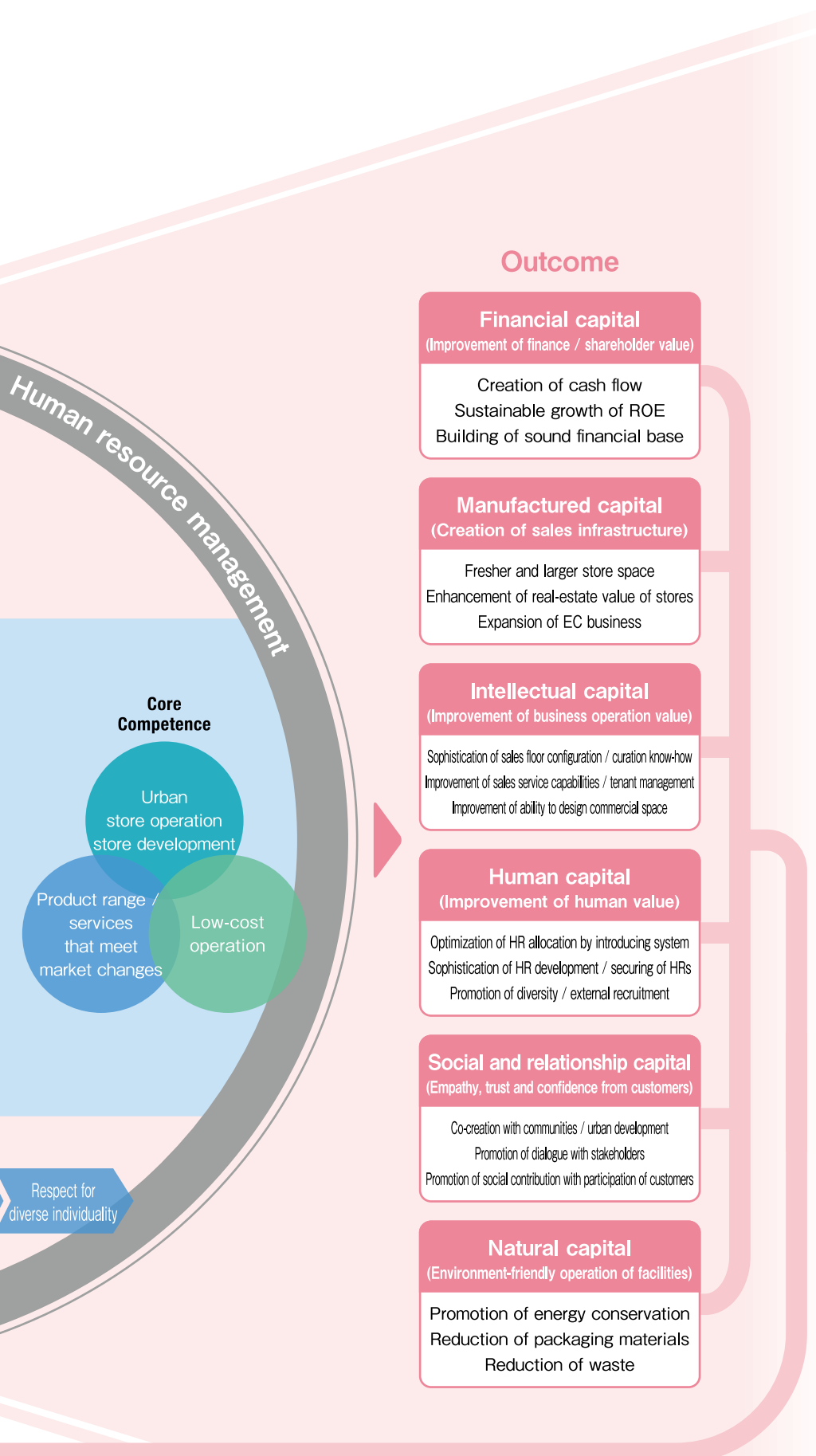
The business activity of J. Front Retailing is to continually create affluent markets growing with local communities, which is led by department stores and Parco. It is

nothing less than to create, as a public entity of society, new values with which its various stakeholders empathize.

Circulating the Group's business model and creating new values using the six capitals of J. Front Retailing effectively and efficiently are the process to create the brand value of J. Front Retailing, which will result in the creation of new values with which society empathizes.

Through this initiative, we aim to establish ourselves as a leading Japanese retail company both in terms of quality and quantity.





## Commitments to Stakeholders

### Customers

Provide genuine satisfaction  
captivating customers  
by offering new values.

### Shareholders

Increase corporate value over  
the long term through highly profitable  
and highly efficient practice.

### Business partners

Build the relations of trust  
by working hard together  
and aim to grow together.

### Employees

Realize workplaces in which employees' performance  
and contribution are fairly evaluated and they can realize  
their exhibition of ability and growth and have job satisfaction.

### Communities

Contribute to community development and  
promote environment-friendly business activities  
as a good corporate citizen.

# Blend of Tradition and Innovation — Develop as a Multifaceted Retailer

J. Front Retailing (the "Company") is a joint holding company, which was established in September 2007 through the management integration of department store operators The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. The histories of Daimaru and Matsuzakaya began respectively when Shimomura Hikoemon Shokei opened a kimono fabric store Daimonjiya in Fushimi, Kyoto in 1717 and Ito Genzaemon Sukenichi, a son of Ito Ranmaru Sukehiro who served Oda Nobunaga, opened a kimono fabric and fancy

goods wholesale store in Honmachi, Nagoya in 1611. Both companies started as kimono dealers but have changed their business models for as long as 300 and 400 years by responding appropriately to the changing times and grew as department stores in late years.

After management integration in 2007, while reorganizing the Group's businesses into one company per sector, the Company aggressively pursues M&A to expand its business

## Phase of business integration and reorganization

2007

2008

2009

2010

2011

2012

2013

The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. integrated management and established J. Front Retailing Co., Ltd. ("JFR").



● Phase I relocation and expansion of Daimaru Tokyo store

- Daimaru Design & Engineering Co., Ltd., Daimaru Mokko Co., Ltd., Matsuzakaya Seiko Co., Ltd. and Petix Japan, Inc. merged into J. Front Design & Construction Co., Ltd.
- Daimaru Credit Service, Inc. was renamed JFR Card Co., Ltd.
- The information systems of The Daimaru, Inc. and Matsuzakaya Co., Ltd. were integrated.
- Dimples' Co., Ltd. absorbed Daimaru Sales Associates Co., Ltd.
- Restaurant Peacock Co., Ltd. absorbed Shoei Foods Co., Ltd. to form J. Front Foods Co., Ltd.
- Matsuzakaya Service Co., Ltd. was renamed JFR Service Co., Ltd.
- The north wing of Daimaru Shinsaibashi store opened.
- JFR Service Co., Ltd. absorbed Daimaru Lease & Service Co., Ltd.

- The Daimaru Tomonokai, Inc. absorbed Matsuzakaya Tomonokai Co., Ltd. to form Daimaru Matsuzakaya Tomonokai Co., Ltd.
- J. Front Design & Construction Co., Ltd. absorbed DHU Co., Ltd.
- The Daimaru, Inc. and Matsuzakaya Co., Ltd. merged into Daimaru Matsuzakaya Department Stores Co., Ltd. ("Daimaru Matsuzakaya").

JFR acquired a 49% stake in StylingLife Holdings Inc. and converted it into an equity method associate.

- The Daimaru Home Shopping, Inc. took over part of the direct marketing business split off from Daimaru Matsuzakaya and was renamed JFR Online Co., Ltd.

● Daimaru Umeda store increased floor space.

JFR increased a stake in Parco to 65% through TOB and converted it into a consolidated subsidiary.

- Phase II expansion of Daimaru Tokyo store
- Dimples' Co., Ltd. spun off Daimaru Matsuzakaya Sales Associates Co., Ltd.
- JFR jointly established JFR Plaza Inc. with StylingLife Holdings Inc.
- JFR reached a basic agreement with Shanghai Xin Nan Dong Project Management Co., Ltd. and Shanghai New World Co., Ltd. to provide technical support and cooperation in opening and operating a new department store in Huangpu District, Shanghai, China.
- JFR acquired a 33.2% stake in Parco Co., Ltd. ("Parco") and converted it into an equity method associate.



JFR sold all shares in Peacock Stores Ltd., a supermarket chain, to Aeon Co., Ltd.

JFR acquired a 70.52% stake in Forest Co., Ltd. and converted it into a consolidated subsidiary.



September 2007  
Established J. Front Retailing



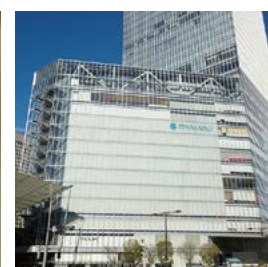
November 2009  
North wing of Daimaru Shinsaibashi store opened



March 2011  
Larger Daimaru Umeda store opened



August 2012  
Converted Parco into a consolidated subsidiary



October 2012  
Phase II expansion and opening of Daimaru Tokyo store

wings for growth. We converted Parco Co., Ltd. and Forest Co., Ltd. into consolidated subsidiaries and StylingLife Holdings Inc. and Senshukai Co., Ltd. into equity method associates to strengthen competitiveness and profitability of individual businesses and create synergy with department stores as their core for further development as a multifaceted retailer.

Our ongoing FY 2014 to 2016 Medium-term Business Plan is positioned as a phase of

constructing a foundation toward dramatic growth in fiscal year 2017 and beyond. We will strengthen the profitability of the Group's businesses including the core Department Store Business and the Parco Business and promote the Urban Dominant Strategy for growing with local communities and the omnichannel retailing initiatives that seamlessly connect physical stores to the Internet as well as new challenges for the future to increase operating income and capital efficiency with the aim of achieving ROE of 8% early.

## Phase of building a foundation for growth

2014

2015

2016

## Phase of dramatic growth

2017

2018

2019

Achieve 8% ROE early.

FY 2014 to 2016 Medium-term Three-year Plan started.

- JFR became affiliated with Rakuten R-Point Card service.
- Nagoya Zero Gate opened.
- The new building of Fukuoka Parco opened.

JFR invested in Cool Japan Fund.

- Fukuoka Parco increased floor space.

JFR acquired a 22.6% stake in Senshukai Co., Ltd. and converted it into an equity method associate.

- JFR decided to rebuild the main building of Daimaru Shinsaibashi store.
- Parco decided to rebuild Shibuya Parco.

JFR invested in Scrum Ventures.

- Sapporo Zero Gate opened.
- Phase III renovation and grand opening of Matsuzakaya Nagoya store.
- The new building of Sendai Parco will open (early summer).

- Hiroshima Zero Gate will open (fall).

New Medium-term Business Plan will start.

- The complex under the Ginza 6-chome District 10 Redevelopment Project will open (April).

- Kyoto Zero Gate will open (spring).

- The south wing of Matsuzakaya Ueno store will open (fall).

- The new main building of Daimaru Shinsaibashi store will open (fall).

- The complex under the Udagawa-cho 15 Development Project including Shibuya Parco will open (fall).

Women's Smiles Company

senshukai



May 2015  
Converted Senshukai into an equity method associate



Artist's impression  
Ginza 6-chome District 10 Redevelopment



Artist's impression  
New south wing of Matsuzakaya Ueno store



Artist's impression  
New main building of Daimaru Shinsaibashi store



Artist's impression  
Shibuya Parco



# Daimaru, Matsuzakaya and Parco Cover Major Big Cities across Japan

J. Front Retailing Group (the "Group") operates stores in major cities across Japan, from Hokkaido in the north to Kumamoto, Kyushu in the south.

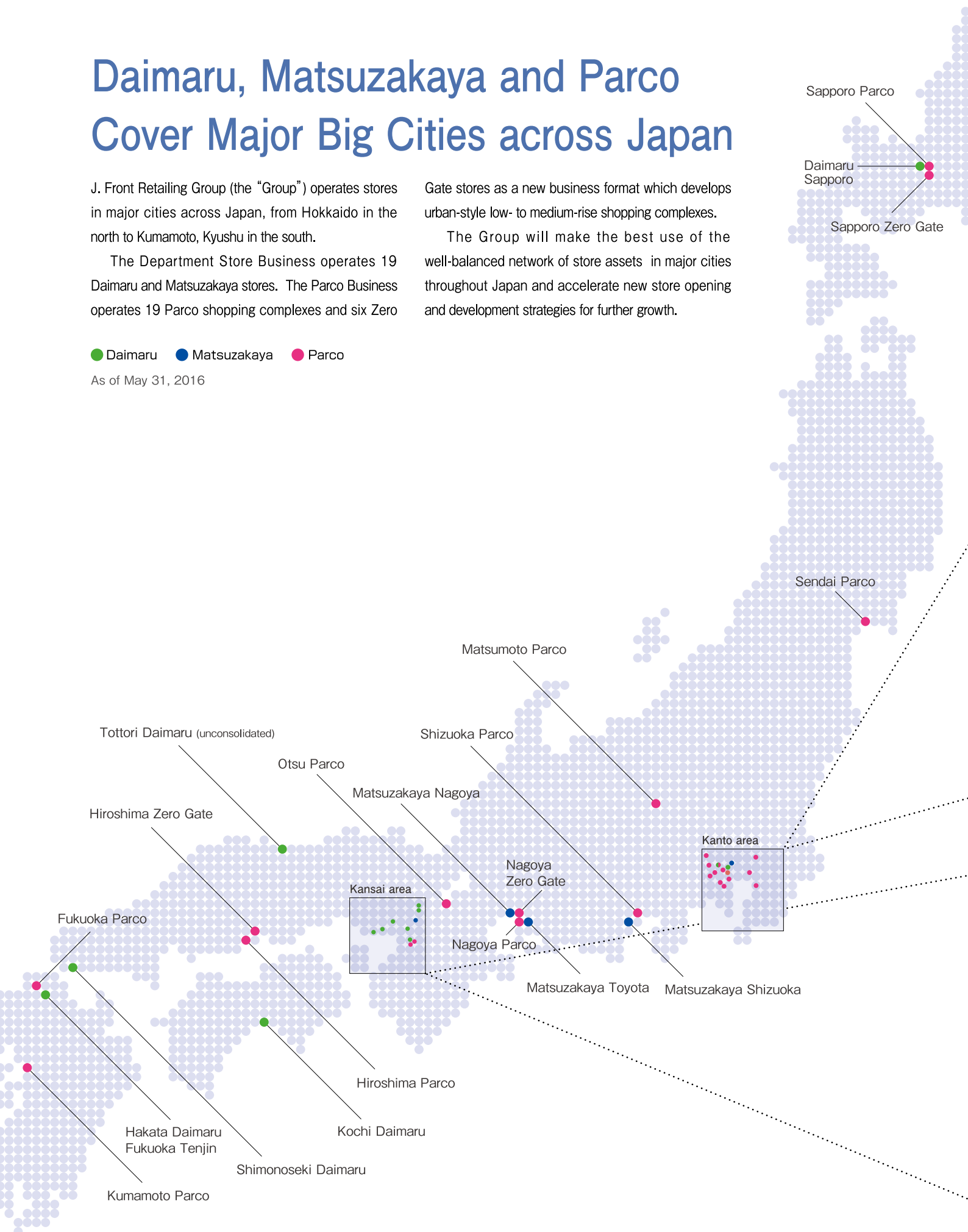
The Department Store Business operates 19 Daimaru and Matsuzakaya stores. The Parco Business operates 19 Parco shopping complexes and six Zero

Gate stores as a new business format which develops urban-style low- to medium-rise shopping complexes.

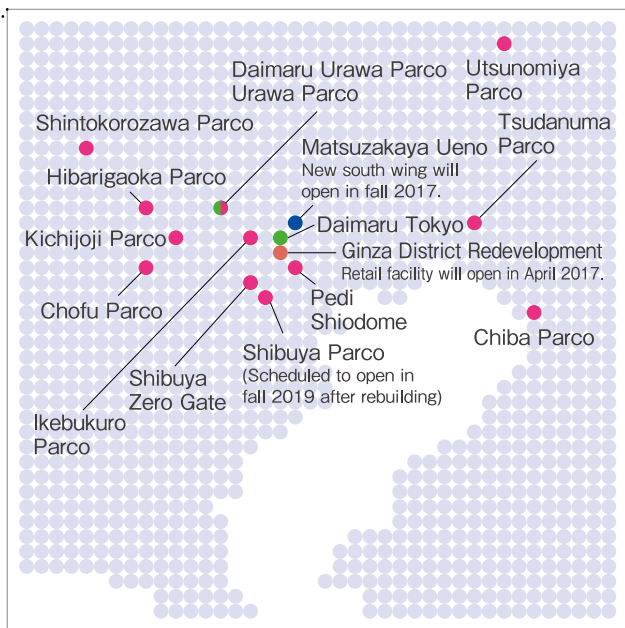
The Group will make the best use of the well-balanced network of store assets in major cities throughout Japan and accelerate new store opening and development strategies for further growth.

● Daimaru ● Matsuzakaya ● Parco

As of May 31, 2016



## Kanto area



Artist's impression of new south wing of Matsuzakaya Ueno store  
(New south wing will open in fall 2017.)

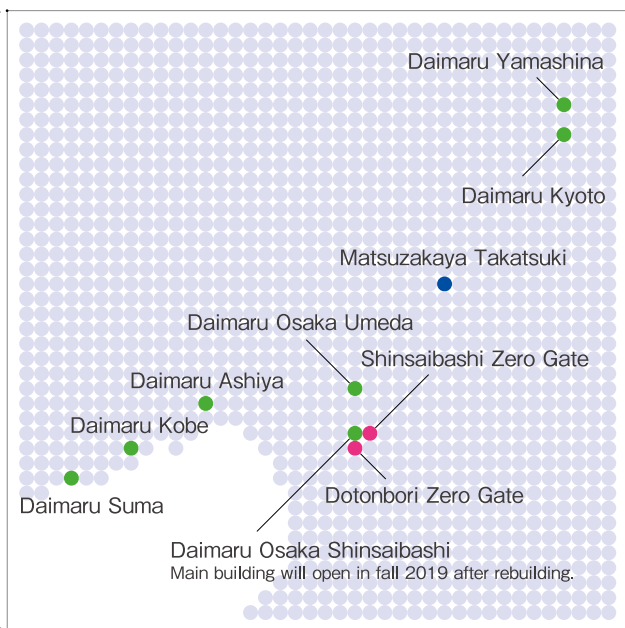


Artist's impression of Ginza 6-chome District 10 Redevelopment  
(Retail facility will open in April 2017.)



Artist's impression of Shibuya Parco  
(Scheduled to open in fall 2019 after rebuilding)

## Kansai area



Artist's impression of new main building of Daimaru Shinsaibashi store  
(Main building will open in fall 2019 after rebuilding.)

# Financial/Non-financial Highlights

## J. Front Retailing and Consolidated Subsidiaries

Millions of yen (except where otherwise indicated)

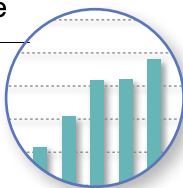
	FY2011	FY2012	FY2013	FY2014	FY2015
Net sales	941,415	1,092,756	1,146,319	1,149,529	1,163,564
Rent income	6,961	9,076	10,195	10,727	12,094
Gross profit	226,646	245,615	244,130	243,663	245,532
Selling, general and administrative expenses (SGA)	205,052	214,757	202,313	201,572	197,494
Operating income	21,594	30,857	41,816	42,091	48,038
Ordinary income	22,941	32,202	40,502	40,404	47,910
Net income	18,804	12,183	31,568	19,918	26,313
Total assets	767,543	1,009,165	998,730	1,018,700	1,019,146
Equity	332,917	341,318	370,173	376,091	383,699
Net assets	342,561	390,667	422,215	430,260	440,594
Interest-bearing debt	106,025	213,085	187,950	168,458	180,922
Cash flows from operating activities	24,365	26,025	37,532	44,650	36,799
Cash flows from investing activities	(26,781)	(73,977)	(8,858)	(16,272)	(39,741)
Cash flows from financing activities	(6,872)	58,275	(32,027)	(27,587)	(1,041)
Capital expenditures	19,246	19,038	52,758	24,277	37,110
Depreciation	13,347	16,482	17,698	17,963	18,345
<b>Per share information</b> [unit: ¥]					
Earnings per share (EPS) <sup>1</sup>	71.15	46.11	119.55	75.47	100.42
Book value per share (BPS) <sup>1</sup>	1,259.60	1,292.36	1,402.52	1,425.05	1,467.05
Dividends per share <sup>1</sup>	16.00	18.00	22.00	25.00	27.00
<b>Financial indicators</b> [unit: %]					
Gross margin	24.08	22.48	21.30	21.20	21.10
SGA ratio	21.8	19.7	17.6	17.5	17.0
Operating margin	2.6	2.8	3.6	3.7	4.1
Return on equity (ROE)	5.8	3.6	8.9	5.3	6.9
Return on assets (ROA)	2.8	3.5	4.2	4.2	4.7
Equity ratio	43.4	33.8	37.1	36.9	37.6
Dividend payout ratio	22.5	39.0	18.4	33.1	26.9
<b>Non-financial indicators</b>					
Number of employees (consolidated) [unit: persons]	13,413	14,838	11,561	11,149	11,023
Ratio of female employees (Daimaru Matsuzakaya*) [unit: %]	45.9	44.8	48.5	48.9	49.9
Ratio of female leaders [unit: %] <sup>2</sup>	19.0	15.7	24.6	27.7	28.2
Department store sales floor area (directly managed stores) [unit: m <sup>2</sup> ]	573,323	569,137	543,785	529,460	498,460
Parco sales floor area [unit: m <sup>2</sup> ]	443,000	442,600	442,600	451,000	456,089
Customer traffic (Daimaru Matsuzakaya) [unit: persons]	236,876	246,764	237,647	220,411	207,512
Average spend per customer (Daimaru Matsuzakaya) [unit: ¥]	3,797	3,838	4,107	4,215	4,414
Number of cards issued by Daimaru Matsuzakaya [unit: cards]	4,365	4,580	4,659	4,595	4,217
Number of cards issued by Parco [unit: cards]	1,612	1,614	1,643	1,754	1,885
Energy consumption (Daimaru Matsuzakaya) [unit: kl (crude oil equivalent)] <sup>3</sup>	96,860	93,498	87,083	81,639	79,812
Packaging material consumption (Daimaru Matsuzakaya) [unit: t] <sup>4</sup>	2,628	2,670	2,979	2,657	2,532
Waste disposal (Daimaru Matsuzakaya) [unit: t] <sup>5</sup>	10,919	10,711	10,361	9,173	8,610
Food waste disposal (Daimaru Matsuzakaya) [unit: t] <sup>6</sup>	2,327	2,109	1,955	1,717	1,617

<sup>1</sup>The Company's common shares were consolidated in the ratio of one share for every two shares as of September 1, 2014. Per share information has been calculated as if this consolidation of shares was conducted at the beginning of FY2011. <sup>2</sup>Up to FY2012: total numbers of general managers, managers, buyers, team leaders and assistant buyers of Daimaru Matsuzakaya / FY2013 and after: total numbers of general managers, managers, submanagers, buyers and team leaders of Daimaru Matsuzakaya (incl. those temporarily transferred to JFR\* and DMSA\*) and supervisors and section leaders of DMSA <sup>3-6</sup>Total of Daimaru Matsuzakaya, Hakata Daimaru, Shimonoseki Daimaru, Kochi Daimaru and Tottori Daimaru <sup>3</sup>Energy consumption is the crude oil equivalent of the total consumption of electricity, gas, gasoline, light/heavy oil, etc. (unit: kiloliter). <sup>4</sup>Packaging material consumption is the weights of wrapping paper, shopping bags, paper bags, plastic bags for food products, etc. (unit: ton). <sup>5</sup>Waste disposal is the weights after subtracting the weights of waste recycled from the total weights of waste generated incl. general waste, raw garbage, industrial waste, etc. (unit: ton). <sup>6</sup>Food waste disposal is included in waste disposal. \*Daimaru Matsuzakaya: Daimaru Matsuzakaya Department Stores / JFR: J. Front Retailing / DMSA: Daimaru Matsuzakaya Sales Associates



### Consolidated operating income

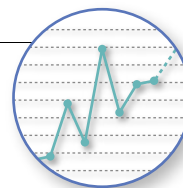
**¥48** billion



In the fiscal year ended February 29, 2016, consolidated operating income was ¥48 billion above forecast, marking the 6th consecutive year of growth and a record high due to strong sales of the main businesses such as department stores and Parco as well as thorough cost management.

### ROE

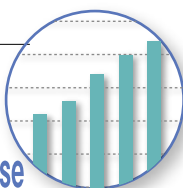
**6.9%**



In the fiscal year ended February 29, 2016, return on equity (ROE) as the most important management indicator was 6.9% due to the efforts to enhance profit level and capital efficiency. We aim to achieve an 8% ROE as early as possible in the medium term.

### Annual dividend

**5<sup>th</sup>** consecutive year of increase



Our basic policy is to maintain stable dividend payments and appropriately return profits targeting a dividend payout ratio of at least 30% in view of profit level, future capital investment, FCF trends, etc. while maintaining and enhancing the sound financial condition. In the fiscal year ended February 29, 2016, we bought back our own shares for ¥5 billion.

### Customer traffic

**300** million people



More than 200 million people visited 15 stores directly managed by Daimaru Matsuzakaya Department Stores during the year. Combined with Parco, more than 300 million people came into our stores. It is a quantitative indicator which clearly shows that our stores are loved by and familiar to local people.

### Number of cardholders

**6** million people



As of the end of February 2016, Daimaru Matsuzakaya Department Stores and Parco have 4.2 million and 1.88 million cardholders, respectively, totaling more than 6 million. The analysis of their data enables our promotions and merchandising to suit customer tastes.

### Ratio of female employees

**49.9%**



The ratios of female employees and female leaders of Daimaru Matsuzakaya Department Stores are 49.9% and 28.2%, respectively, as of the end of February 2016. Women can play an active role in a wide range of work areas. Regardless of gender and nationality, we promote management with diversity as a source of competitive advantage.

### Outside Directors' attendance rate at the Board

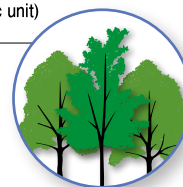
**100%**



Two of the Company's nine Directors are Outside Directors and their attendance rates at the Board of Directors meetings were both 100% in the fiscal year ended February 29, 2016. They generate active discussions with an outside perspective in strengthening the operation of the Board of Directors as a pillar of governance reform.

### Reduction of energy consumption (basic unit)

**-14.9%**



The energy consumption of Daimaru Matsuzakaya Department Stores (incl. associated department stores) decreased by 14.9% in energy basic unit\* in FY2015 compared to FY2010. By installing high energy efficient equipment and fixtures such as LED lighting, we contribute to preventing global warming through the reduction of CO<sub>2</sub> emissions as well as reducing costs.

\*Energy basic unit is calculated by dividing the crude oil equivalent of the total consumption of electricity, gas, gasoline, light/heavy oil, etc. by the total floor area of store and business hours.

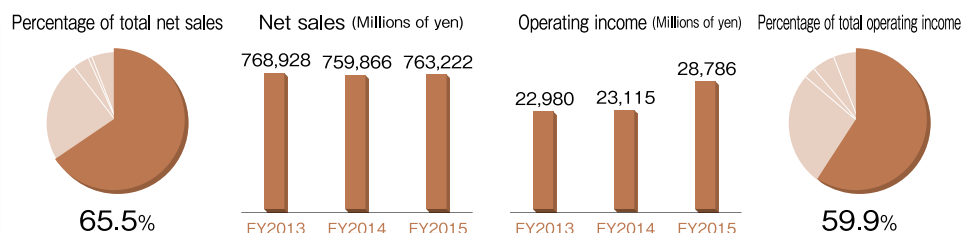
# Segment Overview

## At a Glance

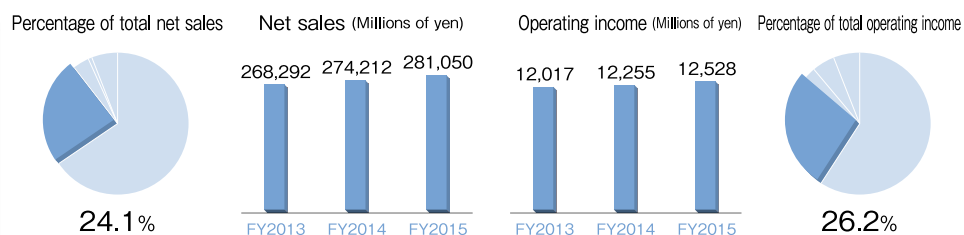
### Net sales and operating income

- The percentage of total sales represents the ratio of net sales to external customers after eliminating intersegment transactions.
- Net sales and operating income include intersegment transactions.

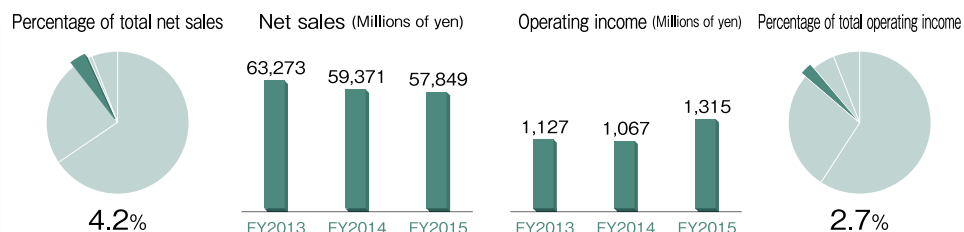
#### Department Store Business



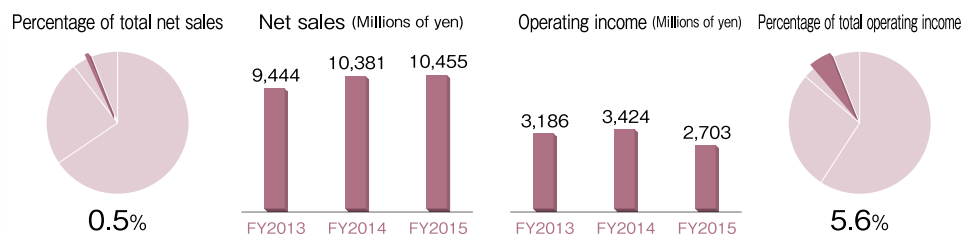
#### Parco Business



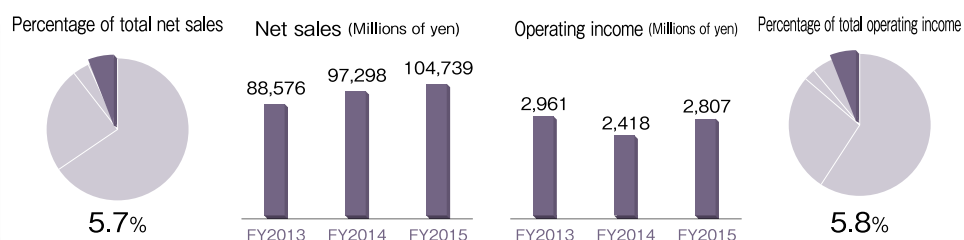
#### Wholesale Business



#### Credit Business



#### Other Businesses



## Companies / Business places

● Data on companies and business places are as of the end of May 2016.

■ Daimaru Matsuzakaya Department Stores Co. Ltd.

**10 Daimaru stores** : Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo, Urawa Parco, Yamashina, Suma and Ashiya

**5 Matsuzakaya stores** : Nagoya, Ueno, Shizuoka, Takatsuki and Toyota

■ The Hakata Daimaru, Inc. ■ The Shimonoseki Daimaru, Inc. ■ Kochi Daimaru Co., Ltd.



■ Parco Co., Ltd.

**8 urban complexes** : Sapporo, Sendai, Ikebukuro, Shibuya, Shizuoka, Nagoya, Hiroshima and Fukuoka

**11 community complexes** : Utsunomiya, Urawa, Chiba, Tsudanuma, Shintokorozawa, Hibarigaoka, Kichijoji, Chofu, Matsumoto, Otsu and Kumamoto

**Zero Gate business** : Shibuya, Shinsaibashi, Dotonbori, Hiroshima, Nagoya and Sapporo

■ Parco (Singapore) Pte Ltd

■ Neuve A Co., Ltd.

■ Parco Space Systems Co., Ltd.

■ Parco-City Co., Ltd.



■ Daimaru Kogyo, Ltd.

■ Daimaru Kogyo International Trading (Shanghai) Co., Ltd.

■ Daimaru Kogyo (Thailand) Co., Ltd.

■ Taiwan Daimaru Kogyo, Ltd.



■ JFR Card Co., Ltd.

**9 domestic offices** : Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo, Nagoya, Ueno and Shizuoka



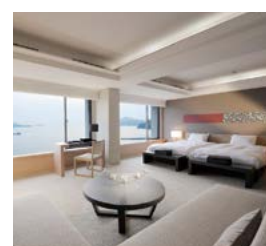
■ J. Front Design & Construction Co., Ltd. ■ Consumer Product End-Use Research Institute Co., Ltd. ■ JFR Office Support Co., Ltd.

■ JFR Online Co. Ltd. ■ JFR Plaza Inc. ■ JFR Service Co. Ltd.

■ Dimples' Co., Ltd. ■ Forest Co., Ltd. ■ JFR Consulting Co. Ltd.

■ J. Front Foods Co., Ltd. ■ Angel Park Co., Ltd. ■ Daimaru Matsuzakaya Sales Associates Co. Ltd.

■ Daimaru COM Development Inc. ■ JFR Information Center Co., Ltd. ■ Daimaru Matsuzakaya Tomonokai Co., Ltd.







## YAMAMOTO Ryoichi

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President and Representative Director  
J. Front Retailing Co., Ltd.

## We Will Further Reinforce the Business Base toward Dramatic Growth as a Multifaceted Retailer.

In fiscal year 2016, which is the final year of the FY 2014 to 2016 Medium-term Business Plan, we will focus our efforts on the following challenges to achieve our consolidated operating income target of ¥50 billion as well as dramatic growth as a multifaceted retailer in fiscal year 2017 and beyond.

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

In the core Department Store Business, we will try to create new growth markets by overhauling the sales floor configuration like already completed phase III renovation of the Matsuzakaya Nagoya store to adapt to market changes of respective stores while acquiring new customers and getting loyalty from them in collaboration with the Credit Business to expand our customer base. In the Parco Business, we will open the new Sendai Parco and Hiroshima Zero Gate II while actively renovating approximately 40,000 square meter sales floors of its existing stores. We will also create group synergy using the business expertise and customer assets of Senshukai, which was converted into an associate accounted for using equity method last May.

### **The second is to shape the “Urban Dominant Strategy” and expand the areas where it is implemented.**

We will actively increase the appeal of the entire area with a store as its core and promote the establishment of a business model for growing with local communities. While shaping big projects including the Ginza 6-chome District Redevelopment Project, which is scheduled to complete construction next January and open the retail facility next April, the Rebuilding Project for the South Wing of the Matsuzakaya Ueno Store, the Rebuilding Project for the Main Building of the Daimaru Shinsaibashi Store, and the Udagawa-cho 15 Development Project whose main purpose is the rebuilding of the Shibuya Parco and making maximum use of the Group's resources and external companies, we will strive to make the areas more attractive based on them. We, as a group, would like to further develop the Urban Dominant Strategy in full scale, which includes the consideration of the development of the neighborhood of the department store in the Sakae district, Nagoya.

### **The third is the radical strengthening of department store's online sales toward the “promotion of omnichannel retailing.”**

This fall we will implement the first phase of renewal of department store website and replace systems using Senshukai's e-commerce expertise. We will dramatically improve operations by renewing site design, overhauling user interface and order processing flow to enhance usability, and reducing delivery lead time. Furthermore, next spring the department store website will significantly expand its product range partly through integration with Click & Collect and make its grand opening.

In order to realize these initiatives, we believe it is more important to strengthen our corporate governance. Particularly, our focus will be on the strengthening of the operation of the Board of Directors based on the third-party assessment of the Board's effectiveness, the improvement of outputs using the knowledge of Outside Directors and Outside Audit & Supervisory Board Members, including the Group Vision, the Medium-term Business Plan and financial strategies, and the enhancement of transparent and objective management personnel function based on management personnel evaluation by the Human Resources and Remuneration Committee. Thus we will strengthen governance both “aggressively” and “defensively” to improve the quality of business activities.

Amid an increasingly severe business environment where fears of global economic slowdown and a sense of uncertainty about the future of the domestic economy are heightened, we will steadily and simply do what must be done now to fully meet these rapid changes and achieve tangible results. To this end, while seeking opportunities for further growth as a multifaceted retailer, we will ensure that our business activities thoroughly fulfill compliance requirements and corporate social responsibilities. And by earning the trust of society at large and contributing to society as well as ensuring legal compliance, we aim to develop the Group and will remain committed to sustainable growth and enhancing corporate value.

May 2016



# “Governance Reform Is Exactly Management Reform. Its Tangible Results Will Enhance Corporate Value.”



**YAMAMOTO Ryoichi**

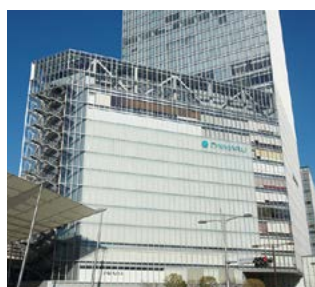
President and Representative Director

## **Q** Would you explain about an overview of business results for fiscal year 2015?

**A** Consolidated net sales of J. Front Retailing (the “Company”) were ¥1,163.5 billion, up 1.2% year on year. Consolidated operating income, consolidated ordinary income and consolidated net income were ¥48 billion, up 13.9% year on year, ¥47.9 billion, up 18.4% year on year, and ¥26.3 billion, up 31.8% year on year, respectively. As a result, operating income increased for the sixth consecutive year, achieving a record high since the Company was established and a 6.9% ROE, which we define as an important management index.

With regard to the year-end dividend, we have decided to pay ¥14 per share, ¥1 higher than planned. The annual dividend together with the interim dividend of ¥13 is ¥27 per share, up ¥2 from the previous year on a post-share consolidation basis, marking the fifth consecutive year of increase.

By segment, in the Department Store Business, net sales increased by 0.4% from the previous year due to favorable sales of mainly luxury brands and big-ticket items driven by the active consumption of affluent customers and foreign tourists to Japan mainly in urban stores and operating income rose by 24.1% thanks to stricter cost control.



Daimaru Tokyo store



Nagoya Zero Gate

In the Parco Business, net sales and operating income grew by 2.5% and 2.7%, respectively, compared to the previous year, supported by the continued strong performance of Fukuoka Parco, which increased floor space last year, the full operation of Nagoya Zero Gate and the new opening of Nagoya Midi. For your information, Parco Co., Ltd. reported another record high in operating income.

The Wholesale Business decreased net sales by 2.6%, but its operating income increased by 23.2%. The Credit Business increased net sales by 0.7% but decreased operating income by 21.1% due to increased costs of card replacement and write-off of doubtful accounts. The Other Businesses increased net sales by 7.6% and operating income by 16.1%, driven by the construction and interior design business.

Q

**The Department Store Business achieved 20%-plus income growth and serves as a driver. What are the main causes of such strong performance?**

A

Daimaru Matsuzakaya Department Stores focused on renovating the sales floors of flagship stores including the Nagoya and Sapporo stores to build a new department store model, better meeting inbound tourists' demand and acquiring new customers from the new rich class.

As a result of these efforts, net sales steadily increased by 1.9% year on year mainly in urban stores in the first to third quarters, but in the fourth quarter alone, net sales decreased by 1.8% due to approximately 40% reduced sales floor area of the Shinsaibashi store for the reconstruction work of its main building since January as well as a record warm winter and a rapid deterioration in business sentiment and full year net sales edged up by 0.9% from the previous year.

By store, sales of four flagship stores including the Shinsaibashi, Umeda, Tokyo and Sapporo stores exceeded the previous year's level. The Nagoya store slightly reduced sales by 0.6%, partly affected by the expansion of lease area since the end of October.

Duty-free sales of Daimaru Matsuzakaya Department Stores, which serve as an indicator of inbound tourist demand, increased 2.2-fold from the previous year to ¥33.8 billion and its share of total sales increased to 5.0%. In the second half when the effect of the expansion of duty-free coverage came to an end, average sales per customer decreased by 13.2% from the same period last year, but the number of customers jumped by 62.6%, which drove sales.

Gross margin was down 0.18 points in the first half, but in the second half, it rose by 0.09 points, pushed up by various improvement measures mainly for promotion methods and increased rental revenue.



Daimaru Sapporo store



Matsuzakaya Nagoya store

In terms of costs, SGA decreased by ¥4.9 billion from the previous year due to reduction of advertising expenses through a review and streamlining of loyal point program and reduction of labor costs through decreased retirement benefit expenses and human resource restructuring.

As a result, Daimaru Matsuzakaya Department Stores surged operating income by 30.0% to ¥26.1 billion.

Q

**After the start of the year, share markets plunged and the economic environment has greatly changed. What is your outlook for fiscal year 2016?**

A

Our awareness of the business environment is that uncertainty about the global economy has been heightened since the second half of last year and that fears of slowdown of the domestic economy are also increasing. The growth of real wages remains sluggish. Increasingly budget-minded consumer spending combined with a plunge in share prices at the start of the year have sharply deteriorated consumer confidence.

Thus the consumption environment allows no optimism. It is expected that the "polarization of income" and the "polarization of consumption" or the "polarization of a single person's consumption," which have become clearer after the consumption tax hike two years ago, will continue to increase and that the gap between urban and rural/suburban areas will become increasingly remarkable. In the meantime, it goes without saying that personal financial assets worth approximately ¥1,700 trillion in Japan can be a great opportunity if we take proper action.

According to the Family Income and Expenditures Survey of the Ministry of Internal Affairs and Communications, the ratio of "clothing" to the "annual average of monthly consumer spending per household" decreased from 7.3% in 1991 to 4.1% in 2014. Behind this trend, we assume that there are great changes in ways of self-expression and values particularly among young people as well as increasing globalization and casualization of fashion. In department stores, however, sales areas for clothing, particularly women's clothing, have been enlarged since around the bubble economy. And the current sales floor configuration does not respond to changes in customers sufficiently.

Under these circumstances, we believe that minor differences will become greater and gaps among companies will widen if we can capture growing markets properly and respond to struggling markets appropriately and carefully.

**Q What are the main measures that department stores take to establish a new business model?**

**A** We are “overhauling sales floor configuration” in respective areas where our stores are located to “establish a new department store model.” We will thoroughly scrutinize the sales floor productivity of each store and dare to reduce low productive sales areas and shops. In new spaces created through such reduction, we will expand strong sales areas and introduce new categories and brands to better respond to markets with growth potential.

Specifically, the Nagoya store renovated 30% of total sales floor area from last spring to this spring. By category, we reduced the sales floor area mainly for women’s clothing and homeware by about 15% and introduced Yodobashi Camera as a new category on the 4th to 6th floors of the south wing. In the north wing, which was renewed and reopened on April 21, “men’s clothing and accessories” are offered in increased sales areas on lower floors from the 1st to 3rd floors and “golf and sports goods” were brought together on the 4th floor right above them to offer a total assortment of men’s items on a larger scale. Also in the Kyoto and Sapporo stores, women’s volume zone clothing areas were reduced, and instead luxury zones were expanded to better cater to the new rich class.

We think it will become more important to enhance the appeal of stores by taking these actions and the measures against struggling women’s volume zone clothing.



Matsuzakaya Nagoya store

**Q What specific initiatives will you take to develop sales areas toward the creation of new markets?**

**A** Currently we are developing new curated sales areas in two directions.

The first is to expand the introduction of “accessible luxury.” At the present time when consumption is increasingly polarized, we see accessible luxury offered at relatively affordable prices as a new growth area for the future. The curated luxury area, which opened in the Kyoto store ahead of other stores and performs well, was exactly a trial to such a growth market. This initiative also started in the Shinsaibashi store in March and will be expanded into other stores.

The second is to develop “curated mixed-category areas.” We are currently developing a specific plan. In the second half of this year, a new curated area with cosmetics as its main items, which are one of the drivers to expand the inbound tourist market, combined with accessories will open in the Kyoto store. We hope the beauty shop with a clear concept will bring in a wide range of new customers.

In addition, we will accelerate our efforts to revitalize sales areas to create new markets including the curated area to which non-apparel categories are added on the mature women’s fashion floor.

**Q What do you do to attract affluent people and foreign tourists?**

**A** In order to strengthen the well-performing affluent market, we will continue efforts to acquire more new customers with the target of developing 14,600 accounts during the year. Especially in this fiscal year, we will implement promotion measures in the “Keihanshin area” on an unprecedented scale to minimize the effect of a decrease in the floor area of the Shinsaibashi store. Thereby we aim to increase the active account ratio of new and existing customers for earnings growth. At the same time, we will also strongly promote customer acquisition with an eye to the future in the “Tokyo metropolitan area” to expand our customer base.

As for inbound foreign tourists who drove sales last year, we will



strengthen initiatives to “retain the loyalty of steadily increasing repeat customers.” According to the data of a credit card company, the ratio of repeat customers among the foreign tourists who shopped with us has reached as many as about 10%. In order to certainly bring in these customers and encourage them to come back again and again, we issued the Exclusive Card with various services and benefits to the customers whose total purchase amount exceeds ¥1 million to retain them as loyal customers. We will also expand the adoption of the “WeChat payment”, which is spreading rapidly in China, in response to diversifying payment methods.

**Q Is the alliance with Senshukai, which was converted into an equity method associate last May, progressing?**

**A** With respect to the alliance with Senshukai, we are working to strengthen “product development” and “department store’s online sales.”

Firstly, as for the strengthening of product development, we recreated Senshukai’s original brand Kcarat as a new “original fashion brand” jointly planned and developed by Daimaru Matsuzakaya Department Stores and Senshukai and launched the products in five Daimaru stores in March 2016. In May, they became available on our website as well. Through this initiative, the customer information of our stores and website is centralized, and for example, sales staff can suggest the products that best meet individual customer preferences including items not available on store shelves by operating a tablet in the store. Even if the items are not available in the store, we can deliver them speedily using Senshukai’s excellent fulfillment.

Secondly, as for the strengthening of department store’s online sales, this fall we will implement the first phase of renewal of department store website and replace systems using Senshukai’s e-commerce expertise. Furthermore, next spring the department store website will significantly expand its product range partly through integration with Click & Collect and make its grand opening.



Catalogs of Senshukai

**Q The Urban Dominant Strategy is taking shape in one area after another and finally the Ginza store will open next April.**

**A** The Company is actively working to increase the appeal of the entire area with a store as its core and promoting the Urban Dominant Strategy, a business model for growing with local communities. Through this initiative, we will strive to “increase asset value” and “make real estates profitable” in the medium term. Currently four big projects are underway.



Exterior view of Ginza District Redevelopment



Artist's impression of new south wing of Matsuzakaya Ueno store

The first is the Ginza 6-chome District Redevelopment Project. We will develop a large-scale complex combining commercial facilities and offices with the functions necessary for the district including cultural facilities and a tourist hub in an effort to further enhance the appeal of the Ginza area, one of the most prestigious areas in Japan. With regard to the Ginza area’s largest retail space as the core of this redevelopment, we have already determined approximately 240 tenants which will occupy it and preparation for opening is steadily progressing. We will invest approximately ¥7 billion in interior work and others. The completion of construction is scheduled for next January and it will open next April.

The second is the Rebuilding Project for the South Wing of the Matsuzakaya Ueno Store. The south wing of the Ueno store will be rebuilt into a high-rise complex comprising Parco, a cinema complex and sophisticated office facilities. We are also developing mainly our own properties around the Ueno store. We will establish a business model to contribute to revitalizing the Ueno Okachimachi area and grow with local communities. The total investment amount for this project including the rebuilding of the south wing and the accompanying renovation of the main building will be approximately ¥21.3 billion and its opening is scheduled for next fall.

**Q** In addition, you have decided to rebuild the “main building of the Daimaru Shinsaibashi store” and “Shibuya Parco” last fiscal year.

**A** The third is the Rebuilding Project for the Main Building of the Daimaru Shinsaibashi Store, which we newly announced last fall. The new main building is expected to be approximately 60 meters high with three basement floors and 11 floors above ground. We will create sales floors totaling 40,000 square meters, about 30% larger than before. The main building is planned to open in fall 2019. Furthermore, the main building will be connected and unified with the north wing over the road after completing the reconstruction to dramatically improve each other’s accessibility. The connection work is planned to be completed in spring 2021. By thus creating the new Shinsaibashi store, we will increase the competitiveness of the area and draw new crowds while contributing to the development of the area by enhancing the safety of the building and inheriting the value of Vories’ architectural work. The total investment amount associated with this project is expected to be approximately ¥38 billion.



Artist's impression of new main building of Daimaru Shinsaibashi store

The fourth is the Shibuya Parco Rebuilding Project. Parco, as a scheduled executor of the Udagawa-cho 15 Development Project, submitted a future development proposal to the Tokyo Metropolitan Government for “urban planning as a special urban renaissance district” including existing Shibuya Parco in accordance with the Act on Special Measures Concerning Urban Renaissance last June and the project was approved in December. We will consider the details of the new building and expect it to be approximately 110



Artist's impression of Shibuya Parco

meters high with the total floor area of approximately 65,000 square meters comprising 20 floors above ground and three basement floors. The construction period is scheduled to start in March 2017 and end in September 2019.

**Q** You said you would strengthen the financial strategy and what specific initiatives are you taking?

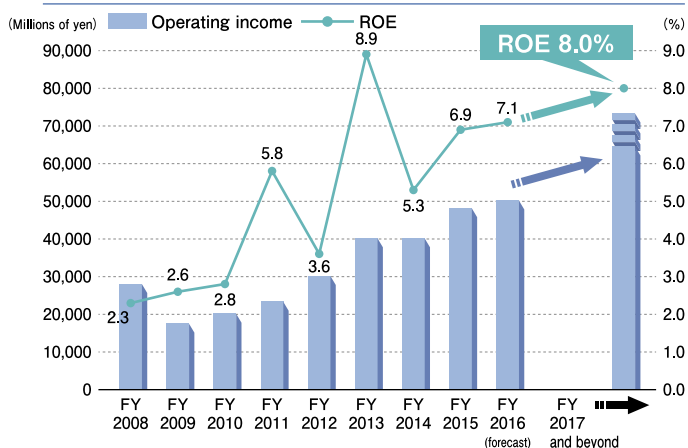
**A** The Company aims to achieve ROE of 8% early, and as its milestone, we are pursuing initiatives to achieve operating income of ¥50 billion and ROE of 7.1% in the fiscal year ending February 28, 2017, which is the final year of the current Medium-term Plan. In order to realize them, it is the most important to increase free cash flow, accompanied by steady profit growth, and continuously improve ROE. We believe this will result in sustainable growth and the mid-and-long term enhancement of corporate value.

In the meantime, we currently recognize some issues. Our internal sales management relies too much on P/L items. The processes to be followed by business divisions to achieve ROE of 8% and the breakdown into the field level are unclear.

Toward the resolution of these issues, we will introduce the concept of “by-store B/S” in the department store’s management perspective this fiscal year and decomposed ROE and ROA as management indicators into a tree structure to promote the efficient use of our assets and improve total assets turnover.

We will also determine a return on investment from a financial perspective by setting quantitative criteria for development, store renovation and M&A and forming the Investment Project Review Committee while recognizing our capital cost to strengthen the support system for management decision making.

### Operating income / ROE



Q

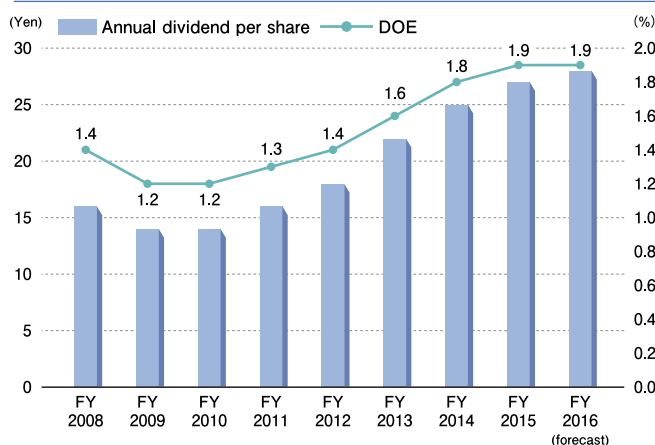
**You increase dividends for five consecutive years and what do you think about shareholder return?**

A

We would like to actively return profits to shareholders with an eye on the balance among investment for growth, free cash flow trends and others as well as enhance profit level. The Company's basic policy on shareholder return is to maintain stable dividend payments and appropriately return profits targeting a dividend payout ratio of at least 30%. At the same time, we will consider share buyback as appropriate for the purpose of improving capital efficiency and flexibly implementing our capital policy.

During the fiscal year ended February 29, 2016, we repurchased our own shares of ¥5 billion from April to May 2015. In the fiscal year ending February 28, 2017, we are planning to increase the annual dividend for six years in a row. We will continue efforts aimed at improving capital efficiency including such active shareholder return.

**Dividend\* and DOE** \*Annual dividend per share is shown on a post-share consolidation basis.



Q

**The year 2015 was said to be the “first year of governance reform” and what is J. Front Retailing’s progress?**

A

Last December the Company disclosed the Corporate Governance Report as well as the Corporate Governance Guidelines. Particularly, we focused on the following three points to strengthen our corporate governance.

The first is to strengthen the operation of the Board of Directors based on third-party assessment. In order to concentrate on critical strategic agenda at the Board of Directors, we reviewed the criteria for submitting agenda items to its meetings from both qualitative and quantitative aspects. And the Board system was changed to involve outside members in discussions on important matters including the Group Vision, financial strategies and the Medium-term Business Plan in early stage so that decisions can be made with an outside perspective.

The second is to strengthen the function of the Human Resources and Remuneration Committee and ensure its transparency. The Human Resources and Remuneration Committee was chaired by President, but now it is chaired by Outside Director to enhance transparency and objectivity through discussions based on internal performance data and objective third-party data.

The third is to use the knowledge of Outside Directors and Outside Audit & Supervisory Board Members by holding the meetings of the Governance Committee. The meetings provide opportunities for regular substantive discussions related to the essence of corporate governance including the development of initiatives to reform the Board of Directors, the establishment of the Corporate Governance Guidelines and an appropriate institutional design for the Company.

However, the initiatives to reform our corporate governance have only just begun. In order to meet the expectations of our stakeholders, we would like to change gears toward the “output stage” of generating tangible results.



## Grow with Local Communities

J. Front Retailing (the “Company”) is actively working to enhance the appeal of the entire area with a store as its core and promotes the Urban Dominant Strategy to build a business model for growing with local communities.

The Company has great advantages such as store assets located mainly in big cities across Japan in a balanced manner, including Daimaru and Matsuzakaya department stores and Parco and Zero Gate stores, as well as excellent customer assets. The population concentration in urban areas is

expected to continue and we, as a group, aim to gain dominance in urban areas through mutual effective use of these assets. Thereby we will draw new crowds to each area while increasing asset value and making real estates profitable in the medium term.

Currently four big projects are underway in the Ginza, Ueno, Shinsaihashi and Shibuya areas for the medium-term growth, which will be realized between 2017 and 2019.

### PROJECT 1

## Ginza Project (Ginza 6-chome District 10 Category 1 Urban Redevelopment Project)

While inheriting DNA from the Ginza Matsuzakaya store, which had been along with the streets of Ginza and continued to try something new and out of the box, J. Front Retailing gathers the full force of the Group and is working with its business partners including Mori Building Co., Ltd., L Real Estate and Sumitomo Corporation to go ahead with the project toward the creation of an unprecedented all-new commercial complex.

This project is to redevelop in an integrated manner an approximately 1.4-hectare two-block site comprising a block including the former site of the Matsuzakaya Ginza store (10, Ginza 6-chome) and the adjacent block (11, Ginza 6-chome) in Ginza, Chuo-ku, Tokyo.

The concept of the new retail facility is “Life at its Best.” We are planning to invite approximately 240 high-quality and high-class tenants ranging from

luxury brands and fashion and lifestyle retailers to restaurants and cafes to operate in the building with a façade spanning as long as 115 meters along the Chuo-dori street, which will further enhance the value of Ginza, one of the world’s most prestigious fashion streets.

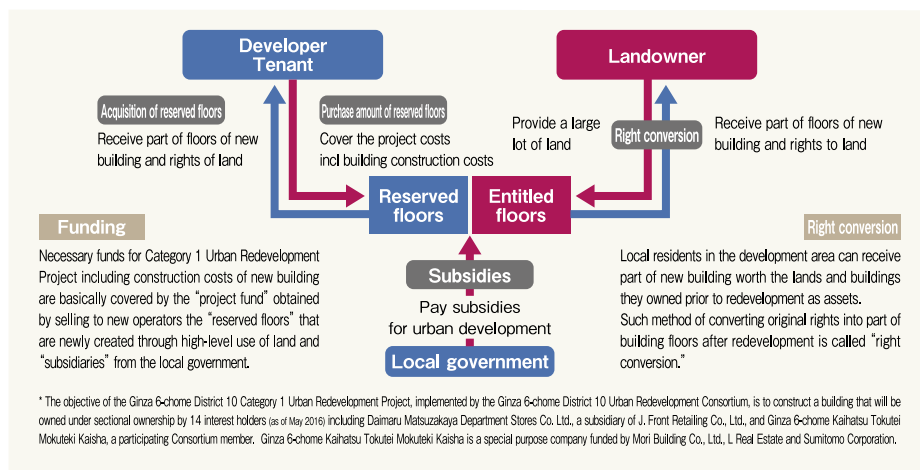
It is intended to become a world-class quality retail facility with environment and service solutions so that customers not only in Japan but from all over the world can enjoy shopping in an elegant, comfortable and pleasant manner.

It is being carried out as a Category 1 Urban Redevelopment Project. Therefore, the Company is expected to invest approximately ¥7 billion in interior work and others in accordance with the scheme below. The completion of construction is scheduled for next January and its opening for next April.

Map around Ginza Redevelopment



Scheme of the Project







Exterior view of Ginza District Redevelopment

## Overview of facility

### Ginza area's largest complex facility for various uses including retail and office

This project is to create one of the largest complexes in the Ginza area with 13 floors above ground and six below, which consists of approximately 46,000-square-meter (approximately 13,900 tsubo) retail facilities, large office floors, a typical floor of which has rental rooms

covering approximately 6,100 square meters (approximately 1,850 tsubo), and a cultural and exchange facility Kanze Nohgakudo. We will also introduce a rooftop garden with the area's largest space and facilities to welcome visitors, including tour bus loading/unloading space.



### Cross-section view from B1F to rooftop

\*Subject to change

#### Commercial facilities

##### B2F – 6F/13F (partial)

Commercial space of approximately 46,000 square meters (approximately 13,900 tsubo) (including sales floor aisles) will be created. It will blend in with surrounding commercial facilities and become a regional center.

#### Office

##### 7F – 12F/13F (partial)

Large plates of office space with Tokyo's largest approximately 6,100-square-meter (approximately 1,850 tsubo) rental rooms on one floor and a total office floor space of 38,000 square meters (approximately 11,500 tsubo) will be created in the Ginza area.

#### Rooftop

An approximately 3,900-square-meter rooftop garden tentatively named Ginza Garden, which will be the largest in the Ginza area and open to the region, will be installed.

#### Tourism hub [1F]

As Ginza Tourist Station (tentative name), "Ginza's first" tour bus loading/unloading space and a tourist information desk will be installed.

#### Cultural facility [B3F]

Kanze Nohgakudo, a noh theater of Kanzekai, the largest school of noh, will be installed.

\*In the Edo era, the Kanze family's houses with stages and residences stood in a row in Ginza.

## PROJECT 2

### Rebuilding Project for the South Wing of the Matsuzakaya Ueno Store



Artist's impression of south wing of Matsuzakaya Ueno store

The Company is rebuilding the south wing of the Matsuzakaya Ueno store to draw new crowds to the Ueno Okachimachi area where redevelopment is in progress and contribute to local revitalization. After rebuilding, the south wing will be reborn as a high-rise complex with 23 floors above ground and two basement floors featuring retail facilities, a cinema complex and office facilities in fall 2017.

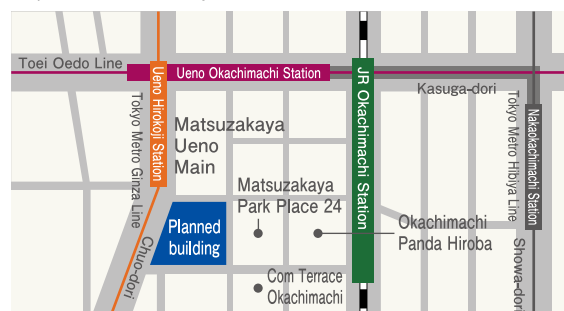
The “new south wing” will house retail facilities on the lower floors from the 1st basement floor to the 10th floor above ground. The 1st basement floor will be unified with the main building and the bridges on the 3rd and 6th floors above ground will connect the south wing to the main building. Daimaru Matsuzakaya Department Stores will operate the 1st basement floor, which will be unified with the main building. The 1st to 6th floors and the 7th to 10th floors will be occupied by Parco in the Group and Toho Cinemas, respectively. In the meantime, the higher floors from the 12th to 22nd will be leased as sophisticated office facilities to ensure stable rental revenue. Five rail lines including JR Yamanote Line, Keihin Tohoku Line, Tokyo Metro Ginza Line and Hibiya Line and Toei Subway Oedo Line run through the Okachimachi area where the Ueno store is located. The area has such good access to transportation and the daytime population is expected to increase by installing office facilities.

Prior to the rebuilding of the south wing, in June 2009, the Company opened the Matsuzakaya Park Place 24, a parking building with commercial space, in the block adjacent to the east of the south wing as part of the development of the surroundings of the Ueno store. After that, the block in front of the south exit of JR Okachimachi Station, which is adjacent to the east of the parking building, was developed as a square named Okachimachi Panda Hiroba. Thus we have been developing the area in cooperation with the government and the local community. In addition, we built a four-story commercial

building on our property on the south of the parking building. An outdoor equipment shop was invited to occupy the building and it opened as Com Terrace Okachimachi in September 2015. In the Okachimachi Panda Hiroba, the “Tohoku Reconstruction Support Event: Tohoku Support Campaign” was held. The event was organized by the Tohoku Reconstruction Support Committee in the Ueno Area, which was formed on the initiative of the Association of Okachimachi Station South Exit Stores and the Ueno store. Thus we contribute to attracting crowds to the area in cooperation with the government and merchants’ associations.

As mentioned above, we combine the efforts of the Group’s businesses including department stores as a core and Parco and local people to contribute to local revitalization and grow with the local community.

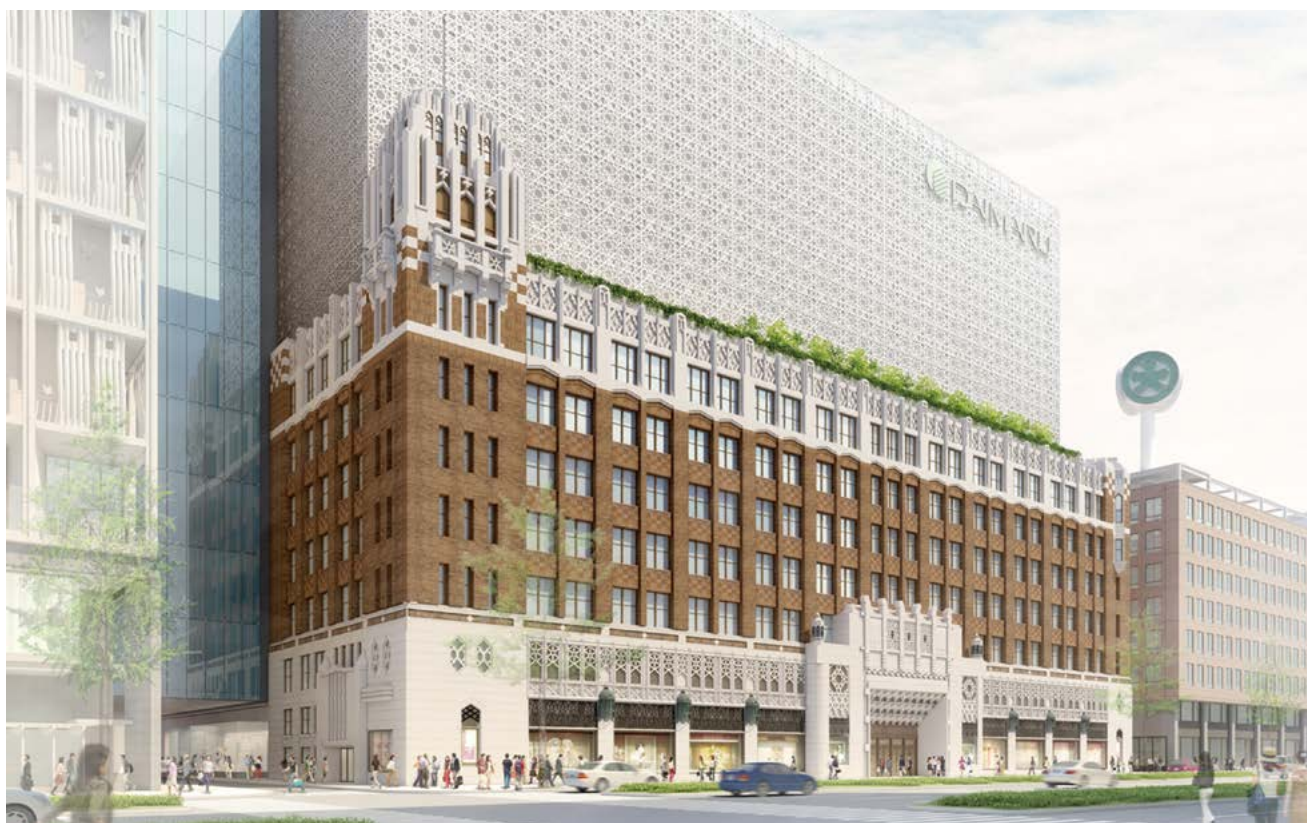
Map around Matsuzakaya Ueno store





# PROJECT 3

## Rebuilding Project for the Main Building of the Daimaru Shinsaibashi Store



Artist's impression of main building of Daimaru Shinsaibashi store

The main building of Daimaru Shinsaibashi store will be reborn as a full-scale department store which can maximize the possibility and potential of the Shinsaibashi area and better cater to global customers. The new main building is expected to be approximately 60 meters high with three basement floors and 11 floors above ground and about 30% larger sales floors of 40,000 square meters will be created. The exterior wall on the side of the Midotsuji street will be preserved and the newly built upper part will be set back to aesthetically harmonize with the preserved exterior wall. With respect to the interior, we will investigate existing interior and pick out reusable components and use them in the interior environment of the new building mainly on the first floor based on our concept of store planning. Furthermore, in order to improve access to the Shinsaibashisuji shopping arcade, we will renovate the underground walkway from the ticket gate of the subway station and make it barrier free by widening the walkway and installing elevators and up and down escalators. We will also create an underground bicycle parking area, which holds approximately 390 units, and green the roof to help resolve regional issues. At the same time, we will install facilities that contribute to increasing international competitiveness such as Inbound Center (tentative name) to revitalize the area. The new main building is planned to open in fall 2019.

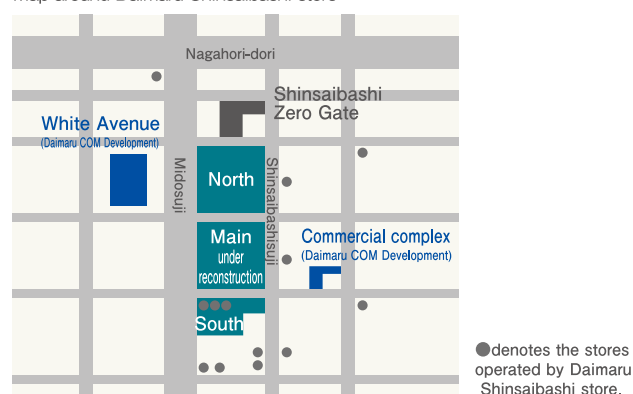
In conjunction with the rebuilding of the main building, we will actively introduce large specialty shops and popular brands in the north wing on the basis of the

achievements of our new department store model to attract new customers to the area while beefing up efforts to secure stable revenues by gaining rent income.

The main building will be connected and unified with the north wing over the road after completing the reconstruction to dramatically improve each other's accessibility. The connection work is planned to be completed in spring 2021.

By thus creating the new Shinsaibashi store, we will increase the competitiveness of the area and draw new crowds while contributing to the development of the area by enhancing the safety of the building and inheriting the value of Vories' architectural work.

Map around Daimaru Shinsaibashi store



## PROJECT 4

# Shibuya Parco Rebuilding Project

(Udagawa-cho 15 Development Project)



Artist's impression of urban planning

Parco, as a scheduled executor of the Udagawa-cho 15 Development Project, submitted a future development proposal to the Tokyo Metropolitan Government for “urban planning as a special urban renaissance district” including existing Shibuya Parco in accordance with the Act on Special Measures Concerning Urban Renaissance in June 2015 and the project was approved in December. We will consider the details of the new building and expect it to be approximately 110 meters high with the total floor area of approximately 65,000 square meters comprising 20 floors above ground and three basement floors. The construction period is scheduled to start in March 2017 and end in September 2019.

For this purpose, we decided to temporarily close existing Shibuya Parco on August 7, 2016. Shibuya Parco made a start with the opening of Shibuya Parco Part 1 in 1973. Since then it has led the image of Parco brand as a

flagship store by providing lifestyle proposals for urban consumers and cultural information through entertainment.

Parco has formulated a long-term vision toward 2020 to firmly capture recent major changes in domestic and international markets, environments and consumer sentiment and turn them into business opportunities. We recognize that this project plays a role in strengthening the Parco brand to achieve our long-term vision.

In addition, the Shibuya area is a unique and varied melting pot of values and cultures, and recently, many people visit it from abroad as a base for providing cultural information. Thus it is increasingly expected to develop and attract global attention.

We will enhance our contribution to revitalizing the area by creating new Shibuya Parco as a next-generation global shopping center through this project.



## Roots of the Urban Dominant Strategy

### From “Dots” to “Areas” —

## Shop Development Started around the Kobe Store

J. Front Retailing pursues the Urban Dominant Strategy. It has its roots in the shop development in the Former Foreign Settlement of Kobe, which was conducted by the Daimaru Kobe store to revitalize not the store alone but the area as a whole.

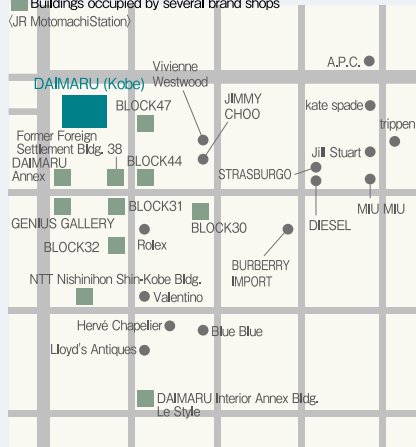
This initiative started in 1987. At that time, the center of transportation and business was shifted to Sannomiya. Therefore, Motomachi, where the Daimaru Kobe store is located, was relatively losing vitality and it was urgent to create the appeal of the store to attract footfall. The shop development around the store began with Daimaru's own buildings, but they were not enough to revitalize the area. So Daimaru actively invited some brands to open their boutiques in other buildings in the Former Foreign Settlement to draw more customers to the whole area. Now the number of various unique brands and shops we operate using the familiar but new appearance of historical modern Western-style buildings including the Former Foreign Settlement Building 38 and the Block 30 has reached as many as 61 and they bring new life to the history of the streets.

Such know-how has been applied to other stores. The Daimaru Shinsaibashi store operates 12 brands and shops including Agnès b. and Chanel Boutique mainly in the Shinsaibashi Shopping Arcade running north and south on the east of the store. The Daimaru Kyoto store operates eight brands and shops including Louis Vuitton Store and Tokyu Hands around the Shijo Karasuma area. They contribute to attracting crowds to these areas. We would like to use the know-how cultivated through the shop development in Kobe, Shinsaibashi and Kyoto at a group-wide level to “build a business model for growing with local communities.”

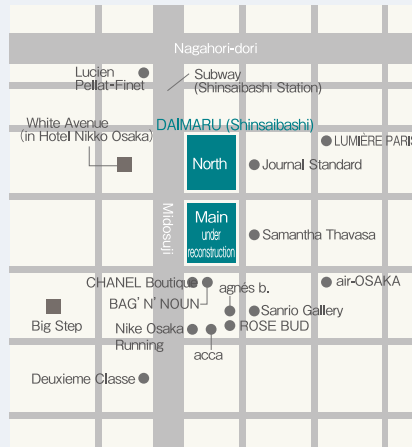
\*The numbers of brands and shops are as of the last day of February 2016.



Shops operated by Daimaru Kobe store  
(JR Motomachi Station)



Shops operated by Daimaru Shinsaibashi store



Shops operated by Daimaru Kyoto store



# Department Stores Will Further Change and Evolve

## 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 expanding target customer base, widening the range of products, promoting the development of new retail space and increasing management efficiency as well as maintaining and strengthening department store’s traditionally strong middle to high-end product offerings, while individual stores clarify and thoroughly implement store strategy, in a bid to adapt to major market changes including the consumer shift to “more casual lifestyles” and “more frugal and price-sensitive behavior.”

## Radical overhaul of sales floor configuration

Specifically, the Nagoya store renovated its young fashion, luxury brands, cosmetics and accessories floors in the first phase 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 in the third phase spanning about one year from spring 2015 to spring 2016, a large renovation of

around 30% of the total sales floor area was carried out. We mainly reduced its homeware and women’s apparel sales space while introducing Yodobashi Camera as a new category on the 4th to 6th floors of the south wing. In the north wing, which was renewed and reopened this April, “men’s clothing and accessories” are offered in increased sales areas on the lower floors from the 1st to 3rd floors and “golf and sports goods” were brought together on the 4th floor right above them to offer a total assortment of men’s items on a larger scale.

Also in the Kyoto and Sapporo stores, women’s volume zone clothing areas were reduced, and instead luxury zones were expanded to better cater to the new rich class.



Men’s shoes department, Matsuzakaya Nagoya store

## Try to develop new sales areas

In addition to these initiatives, we will develop new curated sales areas in two directions in the flagship stores.

One is to expand the introduction of “accessible luxury.” At the present time when consumption is increasingly polarized, we see accessible luxury offered at relatively affordable prices as a new growth area for the future. The curated luxury area, which opened in the Kyoto store ahead of other stores and performs well, is a trial to such a growth market. This initiative was also adopted in the Shinsaibashi store this March and will be expanded into other stores.

The other is to develop “curated mixed-category

areas.” In the second half of this year, by developing new curated areas including an accessories area mainly offering cosmetics with lifestyle at the core and an apparel area combined with non-apparel categories in the flagship stores such as the Tokyo and Kyoto stores, we will accelerate our efforts to revitalize sales areas to create new markets.

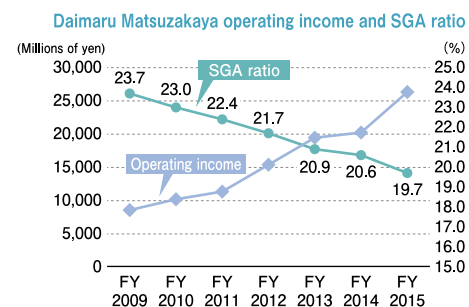
In conjunction with these initiatives to enhance the appeal of our stores, we will drastically overhaul the product selection, services and systems for online sales to promote omnichannel retailing and evolve our department store model.

## Progress of low-cost operation

Our sales floor operation formats are 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 the characteristics of respective formats.

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.

In fiscal year 2015, we streamlined the headquarters organization and drastically overhauled promotion methods to further increase productivity.









# Create More Customer Touch Points

## Organically connect with six million customers as our assets in physical stores and online

J. Front Retailing Group includes department stores, Parco and Senshukai and has various channels such as physical stores in major cities across Japan and the Internet as well as excellent customer assets including more than six million cardholders. We organically align them with each other to connect with customers anywhere, anytime and provide products, services and information seamlessly. We are conducting various trials to realize our own omnichannel retailing with the addition of coordinates and recommendations.

In fiscal year 2016, we will work on the radical overhaul of department store's online sales and the development of original products as important tasks.

## Greatly improve site design and usability

Our department store's online sales had many problems to solve in terms of product range, service, system and others.

Therefore, we will renew our department store website in the first phase and replace systems this fall using Senshukai's e-commerce expertise. Specifically, the first phase of renewal aims at the renewal of the site design; the improvement of usability through the overhaul of user interface and order processing flow; the strengthening of merchandising through the expansion of product range and the partial release of product selection plans; and the improvement of services by enabling customers to specify earlier delivery date and time.

The site design will be changed to fashion-conscious, sophisticated one with feminine sensitivity. In addition, we will also drastically overhaul the strength shown with images and navigation and search functions while benchmarking in various ways.

With respect to usability, since the current flow was designed mainly to receive orders for mid-year and year-end gifts, it was slightly hard to use for many customers who often buy fashion items, accessories and

so on online for their own use. We will overhaul that and create an order processing flow which is greatly easier to use in either case of ordering items for shoppers' own use or gifts.

With respect to product range, we will further expand our line of food products in "depachika," or department store basements, by increasing our offering of wine and featuring its related goods while strengthening our product appeal in the homeware category, which is positioned as a future growth market, through the alliance with Senshukai and other measures.

Next spring the department store website will significantly expand its product range partly through integration with Click & Collect and make its full-scale grand opening.

## Jointly develop "omnichannel fashion brands" with Senshukai

The Company and Senshukai remodeled Senshukai's original women's fashion brand Kcarat and sell the products in the physical stores of Daimaru Matsuzakaya Department Stores, Senshukai's catalogs and on the e-commerce sites of both companies. The new Kcarat is the first of so-called "omnichannel fashion brands" whose product planning, manufacture, promotion, marketing and customer data use are jointly conducted by the two companies to meet increasingly diverse customer needs and buying styles. While retaining the original image and values of the brand, we widened the ranges of prices and tastes using the strengths of the two companies. It caters to a wide variety of customers ranging from mail order customers to department store customers as well as adapts to the balanced consumption and diversified buying methods of a single customer. With a view to not just our own stores and websites but also standalone stores and other companies' commercial facilities and e-commerce sites, we will strive to increase brand strength and sales.

## Click & Collect offers more brands

The number of the brands offered by Click & Collect, which allows customers to choose to receive the items purchased on the e-commerce site at home or stores according to their lifestyles, increased to as

many as 145 as of May 2016 with the addition of Kcarat, a popular collaborative brand between Senshukai and Daimaru Matsuzakaya Department Stores. While developing closer links between this e-commerce site and Snap Diary, a website on which shop staff post product information and comments, we will increase the number of brands in our offering in preparation for the integration with the department store website in the next spring.

## Parco omnichannel strategy

Parco also offers various web-based services to maximize the appeal of its stores. With the Kaeru Parco service, customers can reserve the items on the Parco shop blog for pickup in stores or order such items for home delivery. It is intended to meet the needs of customers who want to make a buying decision after looking at or trying on actual items in stores.



Through the smartphone application Pocket Parco, customized information including the shop blog and store event information is displayed. In addition, users receive virtual coins, which are redeemable for shopping coupons, when visiting stores or purchasing with pre-registered credit cards. In order to further improve these initiatives, we take some actions including regular web-based customer service training to enhance the ability to serve customers using the Internet.



Pocket Parco



# Try New Product Development through Alliance

J. Front Retailing moves forward with operation reform by dividing sales floor operation formats into two major groups including “self curation” and “shop operation.”

Since department stores can expand or shrink sales space and change product mix at will in the self-curated areas, we can quickly adapt to ever-changing markets and customers. Their gross margin is higher compared to the shop operation areas because department stores take inventory risks. Therefore, their effective and efficient operation helps enhance profitability.

We see such self-curated areas as the Original Merchandising Business in which we plan and manage the whole process of “buying and selling” ranging from marketing to buying, procuring and selling. The main offerings in the self-curated areas are women’s accessories (women’s furnishings and women’s shoes) and men’s accessories (ties/furnishings, shirts, men’s underwear/hosiery, bags/travelling gear and men’s shoes).

## Develop self-planned products reflecting customer demands

In the Original Merchandising Business, we are working on rebuilding merchandising to radically strengthen profitability. In particular, with regard to goods purchased on a no-return basis, which are central to improving profit margin, we promote the development of self-planned products, which we plan and develop based on customer demands.

For our private label women’s shoes Dixsept Dixsept, we interviewed women in a wide variety of jobs in collaboration with the students of the Faculty of Policy Studies of Kansai University who act under the theme of the “revitalization of local industries” to learn their “complaints about shoes.” In response to the results of these interviews, we developed “pumps for demanding working women,” which have features to “solve five complaints.”

In fiscal year 2015, the total sales of the products purchased on a no-return basis of the Original Merchandising Business increased by about 25% year on year. Thus the system in which we take the risk to buy and sell high-margin products is steadily becoming established. We will continue to develop high quality and highly fashionable self-planned products making the most of the voice of the customer.

## Promote product development through alliance

In the Original Merchandising Business, we promote product development through the alliance with Senshukai. Specifically, the Company and Senshukai reestablished Senshukai’s original brand Kcarat, which is produced by Ms. KURODA Chieko, a fashion model who is popular among women in their 50s, as a new original fashion brand planned and developed by the Company and Senshukai and opened shops-in-shop in five Daimaru stores in March 2016. The new Kcarat will adapt to increasingly diverse customer needs and buying styles as an “omnichannel fashion brand,” which is sold in the physical stores of Daimaru Matsuzakaya Department Stores, Senshukai’s catalogs and on the e-commerce sites of both companies. We will promote new product development through alliance in other merchandise categories such as women’s shoes as well.



## Launched “select accessories” zones

In the Original Merchandising Business, we are expanding our line of high-priced items in response to increasingly polarized consumption. In March 2015, we launched a self-curated zone featuring a special selection of accessories from approximately 40 national and international brands in the luxury brand area on the 2nd floor of the Kyoto store. Targeting the new rich who have high purchasing power and a great interest in fashion, we curated shoes, bags, neckwear and other items from burgeoning brands and the next-generation designer brands across categories. Thereby we could successfully acquire new customers and the ratio of repeaters increased to about 20%, which shows that conversion into regular customers is steadily progressing. In March 2016, we launched a new zone in the special selection area on the 3rd floor of the north wing of the Shinsaibashi store. We will expand it into the special selection areas of other flagship stores as an “accessible luxury” accessories zone.

## Private brands and collaboration

Products offered in the self-curated areas other than women’s and men’s accessories include Sofuol, our private brand of women’s clothing, Esche, a collaborative business with World Co., Ltd., and Trojan, our private brand of men’s clothing. Based on trust in department stores, they all offer original goods with a good balance between quality and price and attract popularity from customers.

Trojan, which has a history of over 50 years as our department store’s men’s clothing private brand, was greatly remodeled in spring 2015. Two new models were introduced in addition to the existing basic models and the brand offers not just ready-made clothing but also semi-custom-made clothing in one shop to meet the needs of customers of all ages and body shapes. Sofuol collects the demands of a wide range of working women through online questionnaire and actually develop products with customers as monitors in an effort to reflect customer demands.



Private brand of men’s clothing Trojan

## Expand sales channels

In the Original Merchandising Business, we are expanding into new sales channels. Since March 2015, we offer women’s shoes, men’s shoes and shirts on Daimaru Matsuzakaya Department Stores’ fashion website Click & Collect. In fiscal year 2015, we also started to sell private label items and accessories in Mitsui Outlet Park Shiga Ryuo and Marine Pia Kobe and gained popularity with customers. We will strive to expand into various sales channels to increase profitable sales.







# Promote the Creation of Loyal Customers with Various Cards

## Expand cardholders

Amid greatly changing consumer needs with diversified lifestyles, we are expected to understand our customers accurately and deeply and build and maintain strong relations with them. Daimaru Matsuzakaya Department Stores is working on “creating loyal customers” through the Customer Relationship Management (CRM) in an effort to continuously build relations with customers, enhance customer satisfaction, and then increase corporate value.

The Group issues various cards including credit cards such as Daimaru Matsuzakaya Card and reward cards for cash purchases such as Daimaru Matsuzakaya Point Card and runs various membership organizations including Bridal Circle and Daimaru Matsuzakaya Tomonokai. We take initiatives to encourage sign-up for these cards and membership organizations and acquire as many as new members (identifiable customers) as possible. As a result, the total number of cards issued by Daimaru Matsuzakaya Department Stores was more than 4.2 million as of the last day of February 2016.

## Help build relations with customers

We not only invite customers to sign up for our cards and membership organizations but also analyze the purchase information of our cardholders and provide them with shopping and event information that suits their individual lifestyles to deepen relations with customers and enhance customer satisfaction. Daimaru Matsuzakaya Department Stores uses a

customer information system J-CIS to scientifically support staff who are working on “building relations with customers.” Since J-CIS is linked to MD information, we can get an early grip on the attributes of customers and changes in their purchase behavior based on information obtained at the point of sale. It also serves as an important infrastructure for staff to strengthen relations with customers.

## Direct access to customers

In fiscal year 2008, as an effective promotional tool replacing newspaper advertisements and inserts to attract customers to its stores, Daimaru Matsuzakaya Department Stores launched email delivery service for its cardholders who registered their mobile phone email addresses. In addition, in fiscal year 2011, we launched a new service in which individual brands and shops provide information on their new arrivals and events directly to customers on request.

In May 2015, we integrated former reward cards for cash purchases Daimaru D Card and Matsuzakaya M Card as Daimaru Matsuzakaya Point Card and also renewed the design. The system was changed to ask customers to subscribe to an email newsletter when they “register online to use the card.” These initiatives enable us to directly approach more customers, and through the delivery of shopping and event information that suits the needs of individual customers, we are building relations with customers.

## Expansion of *gaisho* customer base

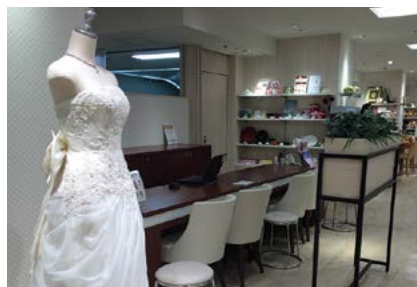
In an effort to build a new department store model, we have striven to expand our customer base and the range of products while expanding the selection of big-ticket products including watches, jewelry and luxury brands, which have been its strengths. Thanks to the expansion of value-based consumption with a focus on value for money and the rise of relatively young and affluent class called the “new rich,” Daimaru Matsuzakaya Department Stores sales of big-ticket items including art works, kimono, jewelry and luxury brands continue to increase year on year since the middle of 2011.

Keeping up with these changes, we have promoted an initiative to “expand our *gaisho* customer base” since fiscal year 2013. We set up a “team dedicated to acquiring new accounts” in the *gaisho* units in individual areas and stores. While promoting initiatives to acquire more than 10,000 new *gaisho* customers every year, we issued credit cards with international brands for *gaisho* customers. They can be used in Daimaru and Matsuzakaya stores and other member stores as international cards and offer a lot of convenience including points accumulated according to the purchase made.

By issuing such various credit cards to increase loyal customers, we aim to boost sales of the Department Store Business. These cards also contribute to the growth of the Credit Business by offering the convenience of using them in a wide range of life situations.



Customer Counter, Daimaru Tokyo store



Bridal Salon, Matsuzakaya Nagoya store



D's Lounge Tokyo, Daimaru Tokyo store







## Further Grow in Urban Markets

### Four business segments

The Parco Business consists of the core Shopping Complex Business, the Retail Business, the Space Engineering and Management Business and the Other Business.

In the Shopping Complex Business, which operates commercial complexes Parco, we run a hybrid business combining commercial business and real estate business as a commercial developer. In the commercial business, we aim to increase sales of individual tenants by regenerating through renovation, attracting customers through advertisement and promotional activities, and providing meticulous support to our tenants. And in the real estate business, we offer a total package of services necessary for the operation of commercial complex ranging from the development and planning of building to maintenance and management.

In the Retail Business, which operates unique specialty stores, we develop and operate select shops in five categories including watches, eyeglasses, cosmetics, personal items and business format development. Under the concept of a group of specialty shops selling unique fashion items, we operate 185 stores (as of the last day of February 2016) across Japan and an online store. We also expand our range of original products, develop new business formats, and open new stores in fashion-sensitive commercial complexes in urban and semi-urban central areas in an effort to increase revenue.

In the Space Engineering and Management Business ranging from the space product business that creates space including interior design and display setting to the building management business that maintains facility safety, we provide comprehensive services and solutions that accommodate all stages of facility development including space design, designing, construction, facility operation and safety management.

The Other Business includes the entertainment business, which produces diverse attractive contents in theater, music, films and publishing, the web consulting business, which provides web-based information services, and other businesses.

### Toward the achievement of Parco Group 2020 Long-term Vision

With a goal of realizing a “business group that prospers in urban markets” under the 2020 Long-term Vision, Parco Group aims to become a “pioneer group that designs 24/7 urban life” and a “creative driver group that creates urban maturity.” In order to achieve this vision, we focus on three business strategies including the “cultivation of major urban areas,” the “expansion of core targets” and the “unique and innovative use of ICT.”

With regard to the “cultivation of major urban areas” to add new commercial presence in Tokyo and government-designated cities across Japan, the main building of Fukuoka Parco increased its floor space and Nagoya Parco Midi opened in the area adjacent to Nagoya Parco in March 2015 and the new building of Sendai Parco will open in summer 2016. In fall 2017, a new format of Parco will open in the south wing of the Matsuzakaya Ueno store, which will be being rebuilt, and in fall 2019, Shibuya Parco, which we decided to rebuild, will be reborn as a “next-generation global shopping complex.” With regard to the full-scale operation of Zero Gate, a new business model in urban areas, the 6th store Sapporo Zero Gate opened in February 2016 and Hiroshima Zero Gate II (tentative name) will also open in fall 2016.

With regard to the “expansion of core targets,” we expand our target to mature generations who are as sensitive as young people to broadly accommodate values and lifestyles which are diversifying with urban maturation and changes in social environment.

With regard to the “unique and innovative use of ICT,” we are transforming our business to omnichannel retailing by creating a fun atmosphere with digital signage and events, offering attractive experiences only physical stores can provide, and developing new buying methods through websites and our own smartphone applications.

### Pursue group synergy

With regard to synergy as J. Front Retailing Group, results are produced in new opening in the new south wing of the Matsuzakaya Ueno store, joint supplier policy, joint promotions in the areas where its stores adjoin Daimaru or Matsuzakaya stores, cost reduction through the economies of scale such as package buying, and collaborative interior works between J. Front Design & Construction and Parco Space Systems. In addition to them, we will strive to create a greater synergy in the Urban Dominant Strategy and overseas business strategy.



Fukuoka Parco



Nagoya Parco Midi





Artist's impression of Sendai Parco



Artist's impression of Hiroshima Zero Gate



## Deeply Cultivate Niche Markets in Growth Areas

### Wide lineup of businesses

As a trading company mainly operating business in triangular market including Japan, China and ASEAN countries, a wholesaler Daimaru Kogyo provides a wide variety of products and services and strives to meet the needs of the times and markets to satisfy its customers with all its operations ranging from material procurement to after-sales care.

Our main products include electronic components, automotive parts, metal and resin products and chemicals. We also render various services including insurance services as a life and non-life insurance agent.

### Strengthen business in China and the ASEAN region

Daimaru Kogyo has a total of 13 business places including five domestic locations such as Tokyo, Nagoya and Osaka and eight foreign locations including Shanghai, Hong Kong, Nansha, Taipei, Bangkok, Ho Chi Minh, Yangon and Jakarta.

China and the ASEAN region where we operate have the population of approximately 2 billion people, which accounts for nearly 30% of the world's population of 7.2 billion. Though their GDP is only approximately 15% of the world total, they are expected to further grow economically in the future against the backdrop of abundant labor force and natural resources.

In the past, the company mainly purchased raw materials and products from Japan and abroad and sold them to customers in Japan. In the future, we will use our strength of having many bases in China and the ASEAN region to reinforce overseas operations. Mainly at Daimaru Kogyo (Thailand) Co., Ltd., which was established in January 202, we will further stimulate and expand transactions through buying and selling in and export from and import to Thailand in addition to the expansion of the product range of automotive parts, resin materials and food materials.

For the Chinese market, based in Daimaru Kogyo International Trading in Shanghai, we will strive to expand our business in China by stepping up efforts to find new suppliers in the field of electronic devices, expanding the range of products related to vehicles and metals, industrial materials and others and developing new businesses. In Taiwan, our Taipei office was incorporated and Taiwan

Daimaru Kogyo, Ltd. was established in January 2105. The company imports metals and vehicles, chemicals and electronic components from Japan and expands transactions in Taiwan and export based in Taiwan.

### Focus on growth areas

We will strengthen businesses using these overseas bases and focus on the growth areas of each business to achieve sustainable growth.

Specifically, in the field of automotive parts, amid a major shift in automobile technological innovation to electric vehicles, we are actively working to supply mass produced components for eco-friendly cars, starting from trial production. And in the field of chemicals, while selling raw materials including industrial cleaners as an agent for major raw material manufacturers, we buy products including containers made by manufacturers to which we sell raw materials and sell them to manufacturers of cosmetics, food and other products.

### Create synergy with other companies of the Group

Daimaru Kogyo jointly develops with Daimaru Matsuzakaya Department Stores the items suitable for mid-year and year-end gifts including seaweed, shiitake mushrooms, canned crab meat and seasonings to sell them at Daimaru and Matsuzakaya stores across Japan. The company clarifies quality standards including the methods of selecting and processing raw materials and solely undertakes the entire process from production to delivery. And for consumers, Daimaru Kogyo provides

reassurance by ensuring that certificates of origin and production evidence accompany these quality products.

The company also imports wine and food directly from France and Italy to sell them at Daimaru and Matsuzakaya stores. We select and import excellent products made with a focus on quality, scent and taste including wine recommended by a famous French chef Paul Bocuse.



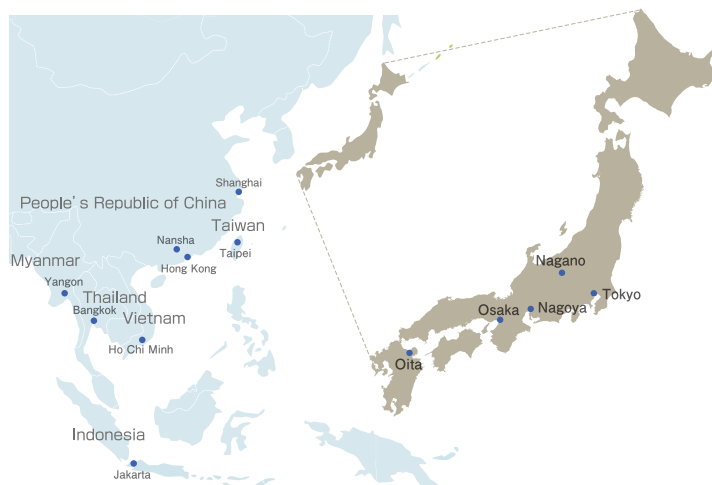
Daimaru Matsuzakaya  
original gift product



Daimaru Matsuzakaya  
original direct import wine

Using such know-how, Daimaru Kogyo entered retail business that undertakes the operations of liquor departments of Daimaru Matsuzakaya Department Stores in March 2010. Starting from three locations including the Daimaru Shinsaibashi, Kyoto and Kobe stores, the company is entrusted with the operation of liquor departments in nine flagship stores of Daimaru Matsuzakaya Department Stores as of May 2016. The undertaking of all operations from planning and procurement to sales also contributes to streamlining department store operations.

In the future, while increasing the product range using direct import function and strengthening sales capabilities to further improve operating revenue, Daimaru Kogyo will deepen partnership with not only department stores but also direct marketing and other companies in the Group in pursuit of greater synergy.







## 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

Shanghai is the biggest commercial city in China that has the population of 24 million people. In 2014, Shanghai's per-capita GDP was 97,000 yuan, more than twice China's average, and the average wage of workers was 65,000 yuan. Thus Shanghai as well as the capital Beijing 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 measures to create China's most upscale department store.

The new store was named Shanghai New World Daimaru Department Store. Under the concept of a "contemporary new high-end department store combining luxury and entertainment," the store celebrated its formal grand opening on May 15, 2015. The store adopted full-scale Japanese-style department store floor configuration. 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. As for the store environment, China's first spiral escalators with an image of dragon were installed in the huge atrium piercing the center of the building from the 1st to the 6th floor to differentiate the store space with modern interior design.

With the aim of realizing China's highest level of sales service, we develop instructors to train sales staff and employees working for the store using the know-how of Daimaru Matsuzakaya Sales Associates Co. Ltd., a commissioned provider of sales operations in J. Front Retailing Group. These instructors teach customer service and sales and how to guide customers in the store and ensure hospitable greetings and services to differentiate ourselves from our competitors in terms of services.

At the same time, we implement Japanese-style card measures by issuing membership cards in an effort to create loyal customers. The name of the card is Shanghai New World Daimaru. Points are given with a purchase and they can be redeemed for the next purchase or later. We aim to acquire Shanghai's largest membership of 500,000 people and work to build promotion systems using WeChat and other tools.

Through this business alliance, we expect to not only acquire China's business know-how but also raise the awareness and brand appeal of Daimaru in Shanghai and other cities in China and boost sales by referring Chinese tourists to Japan to the Daimaru stores. We would like to accumulate know-how to create and operate stores abroad and consider various ways of entering overseas markets 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, and as of May 2016, the company operates nine 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 15 by the end of fiscal year 2017. We are planning to open new shops in the major metropolitan areas in ASEAN such as Singapore, Bangkok and Kuala Lumpur and Hong Kong.

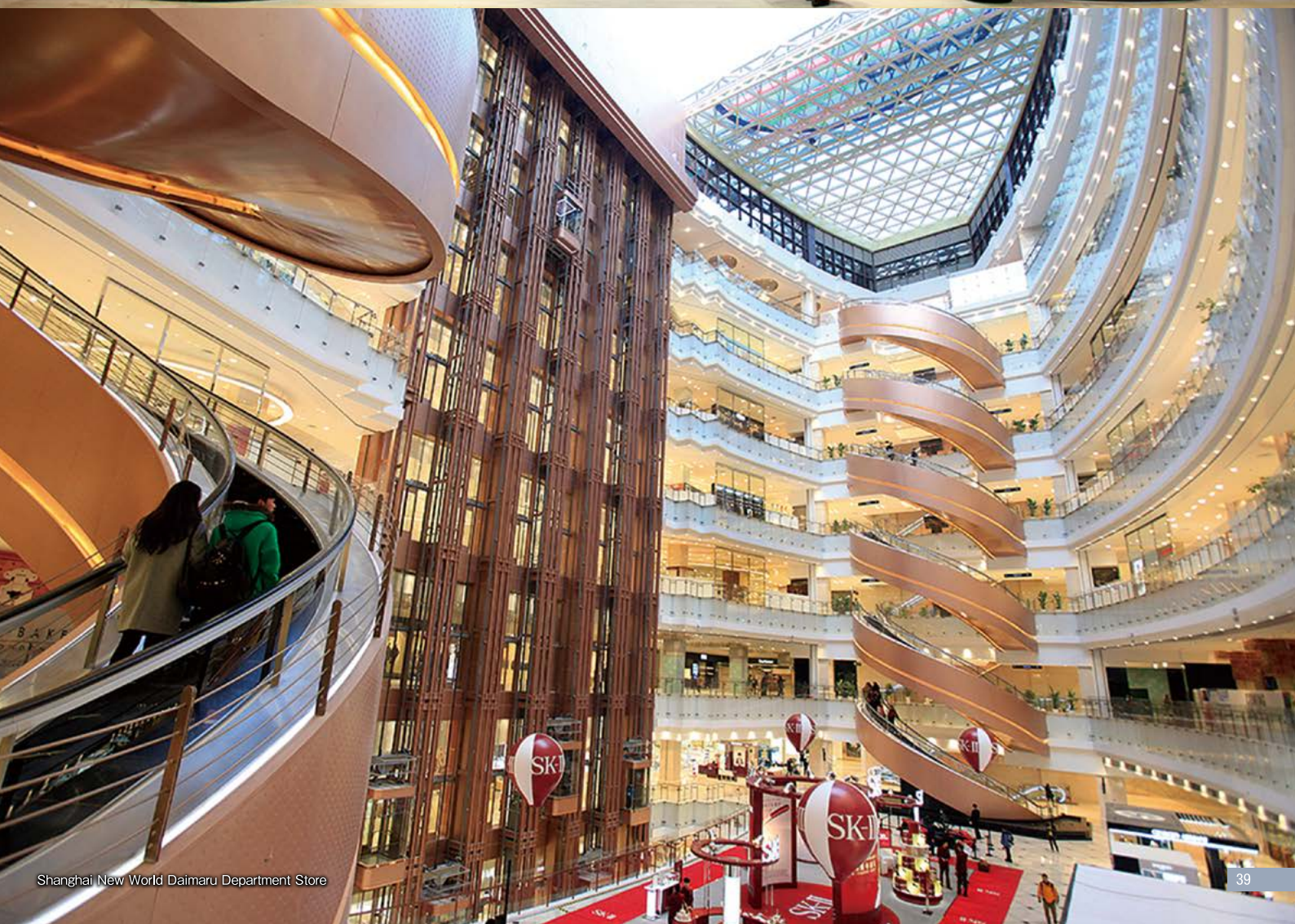


Plaza Tokyo

### Open innovation through investment in venture capital

Consumer needs are changing due to the diversification of lifestyles and payment methods are diversified with advances in IT technology. Thus the environment surrounding the retail industry is drastically changing. In order to better adapt to these changes, the Company invested in Scrum Ventures, a venture capital ("VC") based in Silicon Valley, USA, in November 2015. The company jointly invests with leading local VCs to support entrepreneurs who try to innovate with technology. We will incorporate cutting-edge technologies and business models from outside to develop new businesses using internal resources.







# Develop “Self-transforming People” Full of Creativity and Challenging Spirit

J. Front Retailing aims to develop people with high ability to transform themselves who have a high level of expertise in individual fields and can envision and implement new growth strategies with creativity and challenging spirit. To this end, for people who set a goal high and actively challenge something new, we provide growth opportunities and put in place systems to develop them through jobs, while striving to improve human resource capabilities according to individual abilities and traits.

## Stances and initiatives on human resource development

### Individuals set their own career goals and challenge toward them

### Individuals grow by getting their jobs done and companies actively provide such opportunities

Based on two stances above, we position human resource development as the activity of the whole organization and address human resource development by integrating the “organization area,” the “individual area” and the “area connecting organizations and individuals.”

In the “organization area,” we are working on strengthening organization management capabilities using a “role structure chart” as an organization operation tool to develop people in the process of accomplishing difficult tasks on the job. We also construct OJT systems and put in place Off-JT systems that provide expertise and skills systematically so that workers can acquire the expertise and skills required to achieve organization goals.

In the “individual area,” we expand open learning opportunities including external trainings, MBA programs and overseas challenge systems. Employees challenge these opportunities toward the achievement of their career goals. And at the same time, we promote the effective use of the self-application system and the career entry system.

In the “area connecting organizations and individuals,” we create a human resource map based on the information on the comprehensive assessment of human resources and develop a plan to strengthen human resource capabilities from a medium- to long-term perspective in an effort to promote systematic posting, appointment and development. We also increase opportunities for communication on career between individual employees and companies through feedback including milestone interviews and multifaceted observation of behavior traits.

## Learning systems to support human resource development

Various learning programs are in place to help individuals learn independently and acquire various abilities.

Major programs include JFR Entry School for the three years after joining the companies, which is designed to strengthen “individual basic skills” and “learning ability”; JFR Leader School to find vibrant human resources aged around 30 in the Group and encourage dramatic growth into “transformable leaders”; a career development training (for 27-year-olds) to find requirements for the achievement of future career vision and provide opportunities for independent career development; and Career Support College, an in-house self-development school that provides 400 courses including group trainings, correspondence courses and e-learning based on the concept of “career independence,” which means that we should create our careers ourselves. We will continue to expand and improve programs to support people who have their own career goals and try to become the “persons they want to be.”

## Introduced the Talent Management System

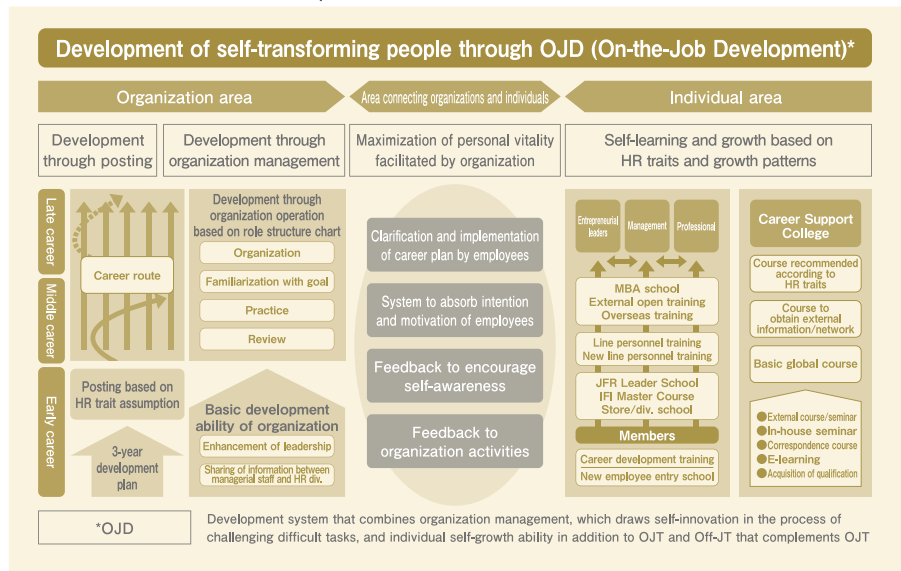
In fiscal year 2015, we introduced a new human resource information system Talent Management System in an effort to visualize and consolidate the

human resource information of the Group. We analyze big data on approximately 11,000 employees of the Group in terms of expertise (functional skills / experience) and personal quality (basic skills / personality) and grasp the current status of human resources to promote human resource allocation in the Group which best meets the needs of individual companies and organizations.

After introducing the system, we already conduct common aptitude test for all employees of the Group and feed back data on human resource traits to individuals and use them for talent development through trainings and sessions. Using its communication function, employees can provide information on their knowledge and skills including qualifications and language fluency to their companies and disclose such information in the companies. In addition, we systematized employee performance evaluation to integrate various human resource data.

Based on the initiatives above, we will focus on each individual employee, find new talents and actively provide opportunities to “put the right people in the right jobs” at the Group’s level, which will vitalize individuals and maximize their potential.

## Outline of human resource development



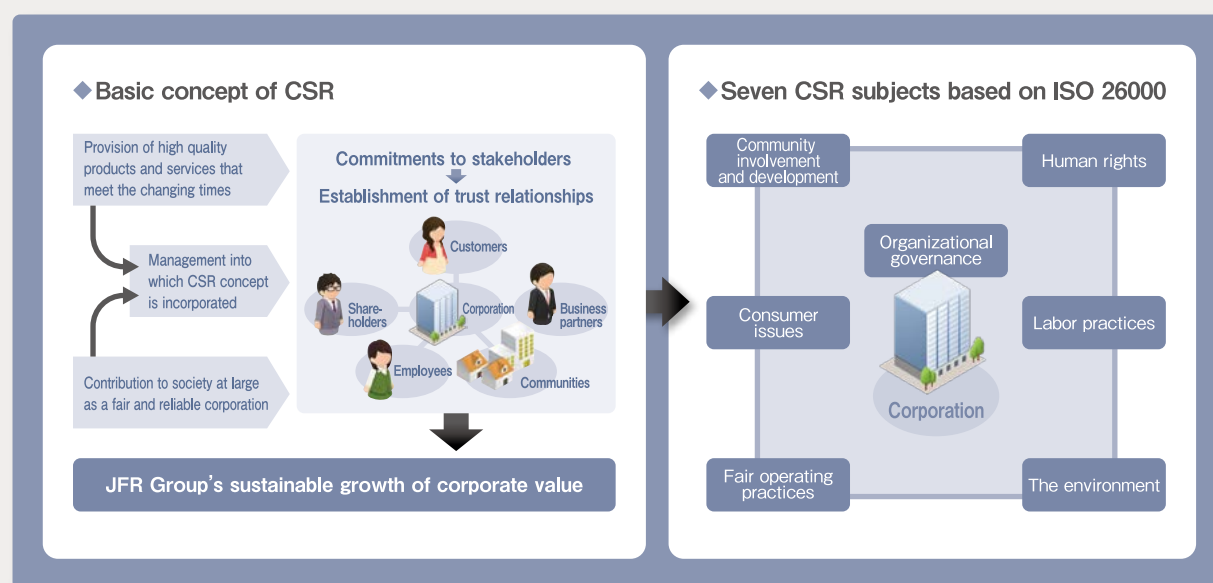




## Basic Ideas on CSR

With the aim of achieving the Group Vision, J. Front Retailing incorporates the concept of CSR into management by dividing it into seven subjects based on the international standards ISO 26000 and addressing these subjects. By strengthening CSR, we will ensure accountability to various

stakeholders including customers, shareholders, investors, business partners, communities and employees. Through these efforts, we will build trust relationships to achieve a sustainable increase in corporate value and contribute to the sustainable development of society.



## Human Rights

The Company provides human rights education and strives to raise employees' awareness of human rights from the perspective that individual employees should correctly recognize and understand human rights issues and that we should further promote the creation of corporate culture and corporate social responsibility based on respect for human rights.

### Establishment of the Human Rights Awareness Promotion Committee

#### ◆Composition

Chairmen (Senior General Managers of Human Resources Division and Business Coordination Division), promotion commissioners (division managers), promotion staff (members) and secretariat

#### ◆Theme of activities

- ① Dowa issues (Japan's historical caste-based discrimination issues) → Correct understanding of dowa issues
- ② Disability issues → Correct recognition and understanding of disabilities
- ③ Women's issues → Understanding and prevention of sexual harassment, etc.
- ④ Other human rights issues → Protection of the confidentiality of personal information and others

#### ◆Contents of activities

- ① Participation in training → Training when joining the company, in-house human rights seminars and others
- ② Participation in outside training → Various seminars organized by governments
- ③ Hands-on activities → Distribution of various educational materials and notices of seminars

## "Harassment" prevention

The department store chain and other companies in the Group are improving systems to prevent all harassment including power harassment as well as sexual harassment, take prompt action at the time of occurrence, and prevent a recurrence by setting up the Harassment Prevention Committee and the Harassment Consultation Desk.

## Labor Practices

Through the efficient reform of organizational and human resources structure and the improvement of human resource system underlying the structure as well as health care and the improvement of work conditions and environment, the Company strives to build systems to revitalize human resources. These efforts include the formation of an organization beneficial to both companies and employees, which takes into account work-life balance, the improvement of employee training programs and the creation of human resource development support programs.

### Development and implementation of various systems based on work-life balance

Work-life balance is becoming more important to secure human resources and keep employees healthy both mentally and physically with the backdrop of changes in society and family environment and changes in work environment. We develop and steadily implement relevant leave and work systems.

#### Development of various leave and work systems and encouragement to use the systems

We strive to reduce extra working hours by streamlining business operations and setting no-overtime day.

We have in place systems that offer longer leave periods and more reduced working hours than required by law to support employees' child care and family care.

We encourage employees to take annual paid holidays by introducing a half-holiday system and an event leave system and raising employee awareness.

We have adopted a system to make available annual paid holidays after the termination of the right to claim them in case of long-term illness, family care and fertility treatment.

## Health care measures

As our specific health care measures based on the basic idea that employees are the company's greatest asset and that it is the most important of all things to keep employees healthy both mentally and physically in order to provide better services and a pleasant shopping experience to customers, we focus on primary disease prevention in light of changes in disease structure.

To this end, we conduct health examinations to prevent lifestyle diseases and gynecological examinations for all employees aged 35 and over, as well as legal regular health examinations. With respect to mental health, we have provided living conditions surveys as a self-care tool. We also offer stress checks under the stress check system, which companies are required by the Industrial Safety and Health Act to implement since December 2015. We put importance on health guidance provided by health care teams based on their results.

## Maintenance and creation of employment opportunities and response to diversity

The Company reviews the system for reemploying its employees who have reached the mandatory retirement age based on the enforcement of the revised Law Concerning Stabilization of Employment of Older Persons to develop well-balanced systems and criteria for treating them according to their motivation and willingness and the degree of their contribution to performance.

Considering the diversity of human resources as a source of competitiveness, we assign and use people based on individual ability, performance, aptitude and motivation regardless of gender and nationality. In addition, we actively promote the employment of the disabled in the recognition that it is a corporate social responsibility.

#### ◆Female employees of Daimaru Matsuzakaya Department Stores in leadership positions (as of March 2016)

	Number of females	Percentage of females
General manager	13	11.7%
Other leadership positions	190	31.3%
Total	203	28.2%

\*The figures above include workers temporarily transferred to J. Front Retailing and Daimaru Matsuzakaya Sales Associates.

\*The number of "other leadership positions" is the total of Managers, Submanagers, Buyers and Team Leaders (including Supervisors and Section Leaders of Daimaru Matsuzakaya Sales Associates).

\*Daimaru Matsuzakaya Department Stores has three female Executive Officers.

## Fair Operating Practices

The Company puts the "promotion of high quality management for healthy growth and development" in JFR Group Compliance and Risk Management Manual and the Manual advocates "fair, transparent and appropriate corporate activities, the maintenance of fair relations with business partners, which allow mutual growth, and the promotion of high quality management for healthy growth and development."

Specifically, we strive to comply with various relevant laws and regulations regarding fair trade, including the Antimonopoly Act, the Subcontract Act, the Act against Unjustifiable Premiums and Misleading Representations, insider trading regulations, the appropriate disclosure of corporate information and the severance of relations with antisocial forces.

#### ◆Promotion of fair trade

We make a basic transaction contract with each business partner based on prior agreement while educating and enlightening all employees so that they understand and comply with relevant laws and regulations, including the Fair Trade Commission notification to large-scale retailers, the Subcontract Act and the Act against Unjustifiable Premiums and Misleading Representations, based on the fair trade manual developed by the Japan Department Stores Association. And since recently, we provide training and increase awareness efficiently using compliance-related e-learning programs.

#### ◆Appropriate management and disclosure of corporate information

We provide financial data, important decisions and information related to shareholders meetings to relevant authorities including the Finance Bureau and the Tokyo Stock Exchange in a timely manner and promptly disclose such information on our website as needed. We also deliver IR information by email magazines to help investors in their investment activities. Concerning major store renovations and hot promotions and products, we issue press releases to the media in a timely manner.

#### ◆Prohibition of insider trading

Companies in J. Front Retailing Group have set rules for preventing insider trading under the Financial Instruments and Exchange Act to prevent all executives and employees from handling shares in an improper manner and raise their awareness by displaying posters in these companies and by other measures.

#### ◆Severance of relations with antisocial forces

We have declared that we will sever all relationships with antisocial forces in accordance with the regulations of local governments and seek guidance from police authorities and others to review our trade practices.

## Consumer Issues

In the belief that it is important to promote good consumption activities with consumers, the Company recognizes that the right way of resolving consumer issues is to earn consumers' strong confidence by providing them with useful products and services while not just complying with laws and regulations but also widely practicing corporate ethics.

We believe that the creation of safe and secure store environment is another important aspect and several equipment management and disaster prevention and security experts are assigned to each department store.

## Thorough quality control

Consumer Product End-Use Research Institute Co., Ltd., a company in the Group that specializes in quality control, contributes to strengthening product quality control by checking the quality of products and the legality of labeling at companies in the Group and conducting hygiene inspections at restaurants.

Persons in charge of compliance and hygiene at each department store provide guidance and monitoring concerning proper labeling and quality maintenance in a timely manner to ensure quality control.



## ◆Set up Consultation Corners for Consumers

We have set up the Consultation Corners for Consumers at a total of ten stores of Daimaru and Matsuzakaya and associated department stores to appropriately respond to and handle complaints and requests for consultation from customers concerning the products they purchased. Certified Consultants for Consumers' Affairs are working to resolve them through consumers' eyes.



Consultation Corner for Consumers

## ◆Strengthen "food" quality control

In order to ensure food safety, department stores and food-related companies have formulated voluntary rules as well as comply with relevant laws and regulations to promote appropriate management. Consumer Product End-Use Research Institute and persons in charge of hygiene at stores work together to strengthen the monitoring system through periodic on-site inspections on retail floors and at restaurants and other measures. Thus we have in place a system that enables prompt and appropriate actions through cooperation among companies in the Group, stores and persons in charge of compliance promotion and legal affairs at the headquarters if a food-related accident or misrepresentation should be found.

## ◆Promote the creation of safe and secure store environment

At department stores and other stores and offices, we organize self-defense firefighting teams and conduct emergency drills and BCP trainings<sup>\*1</sup> in preparation for earthquakes and fires. We also promote the improvement of systems by introducing an earthquake early warning alert system, a safety confirmation system for all employees and satellite-based mobile phones.

Self-defense firefighting teams at stores carry out drills on a regular basis in preparation for emergencies such as fires and earthquakes with the participation of all workers including persons from business partners to ensure that we can take prompt and appropriate actions including fire fighting, evacuation guidance for customers and information collection. We adopt a system in which an earthquake early warning alert, which is received when an earthquake measuring 5-lower or more on the Japanese intensity scale occurs, is automatically broadcast in stores in real time<sup>\*2</sup>.

AED (automatic external defibrillator) units are installed mainly in department stores and we continuously train employees in their use to improve life saving measures in an emergency.

<sup>\*1</sup> BCP: a plan that allows an organization to continue to operate or restore business early in the event of disaster

<sup>\*2</sup> Currently this system is in place in the Daimaru Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo and Suma stores and the Hakata Daimaru Tenjin and Kochi Daimaru stores and all the Matsuzakaya stores.



At the disaster prevention center of the Daimaru Tokyo store, we centralize control through various monitors to confirm the safety of the whole building.



Training in case of receiving the earthquake early warning (Matsuzakaya Nagoya store)  
(Employees acting as shoppers who keep down as instructed by a person in charge)

## ◆Efforts to help people who have difficulty returning home in an earthquake

From the experience of the Great East Japan Earthquake, the Tokyo Metropolitan Ordinance Covering the Measures for People Who Have Difficulty Returning Home was enacted in April 2013. In line with that, each store of Daimaru Matsuzakaya Department Stores has in place a system to open part of its floor space as temporary evacuation space to shoppers in the store who have difficulty returning home based on the ideas of "self help," "mutual help" and "public help." In anticipation of shoppers and employees who will be forced to stay in a store for a considerable time, we store hardtack and drinking water. We also gain agreement from more than 400 suppliers mainly including food-related ones concerning the offering of their products at the time of large-scale disaster.

## ■Community Involvement and Development

The Company promotes social contribution activities through business activities to contribute to community revitalization and social issues as a corporate citizen with a focus on "support for the next generation," "support for women," "promotion of healthy food" and "close contact with communities."

### ①Activities leading to "support for the next generation"

#### Let's Collect PET Bottle Caps to Fund Vaccines for the World's Children!

Daimaru and Matsuzakaya stores have placed collection boxes in the stores and employee facilities to collect unnecessary PET bottle caps as a community-based social contribution activity since December 2009. The collected caps are recycled through a non-profit organization Re Lifestyle and we donate the full amount paid for them to an authorized non-profit organization Japan Committee Vaccines for the World's Children (JCV) to fund vaccines for children around the world.

Since we started this initiative, the number of caps collected is increasing every year as the number of local groups that bring caps is increasing and the total number of caps reached 95 million by May 2016. The amount received from recycling them and the total amount donated to JCV are equivalent to polio vaccines for approximately 180,000 children.

Since September 2015, we sell Sakura Panda & My Melody Charity Eco Bags with donations to JCV and donate ¥20 per bag from their proceeds.



#### ◆"Let's Collect PET Bottle Caps to Fund Vaccines for the World's Children!" campaign

All Daimaru and Matsuzakaya stores	Annual total no. of PET bottle caps collected	Annual total polio vaccine equivalent
FY2010	10,200,000	19,600
FY2011	14,200,000	26,700
FY2012	16,300,000	31,200
FY2013	15,800,000	28,900
FY2014	17,100,000	31,000
FY2015	17,200,000	34,000

\*The number of PET bottle caps collected is calculated at 40 pieces per kilogram.

\*Polio vaccine equivalent is calculated at approximately ¥20 per child (unit: persons).

## Sold Thanks Festival charity pins

At spring and fall Thanks Festivals held in March and September, respectively, Daimaru and Matsuzakaya stores sell charity pins and donate a portion of their proceeds to children's scholarship funds in Miyagi, Iwate and Fukushima to help rebuild the Tohoku region.

We donated ¥1,744,470 in spring 2015 (collaboration with My Melody of Sanrio) and ¥811,350 in fall (collaboration with Pompompurin), totaling ¥2,555,820, to (1) Higashi Nihon Daishinsai Miyagi Kodomo Ikuei Bokin in Miyagi, (2) Iwate no Manabi Kibo Bokin in Iwate and (3) Higashi Nihon Daishinsai Fukushima Kodomo Kifukin in Fukushima.



My Melody & Sakura Panda pins



Pompompurin & Sakura Panda pins

## ②Activities for “support for women”

### Pink Ribbon Campaign

Daimaru and Matsuzakaya stores, Parco, JFR Card and Senshukai are involved in the Pink Ribbon Campaign, an educational activity to promote early diagnosis, detection and treatment of breast cancer, as the right social contribution activity for the companies that have many female customers and employees. Mainly on Mother's Day and during Pink Ribbon Month (October), Daimaru and Matsuzakaya conduct educational activities including the distribution of awareness booklets for the early detection of breast cancer, an experience event using a breast model and screening experience on a mammography van as well as donate proceeds from sales of original pins and Pink Ribbon charity bread to a Pink Ribbon awareness organization.



We donate a portion of proceeds from sales of original pins and heart bread to a Pink Ribbon awareness organization.



Pink Ribbon Campaign event on Mother's Day to feel a breast lump (Daimaru Kobe store)

### Love 49 Project

Daimaru and Matsuzakaya stores participate in the prevention and awareness activities for cervical cancer implemented by the Love 49 Project that designates April 9 as Uterus Day.

We hand out newsletters in stores in cooperation with local cytotechnologists to promote educational activities while selling button badges and collecting money in stores to donate to an authorized non-profit organization known as Orange Clover, which is working to raise awareness of cervical cancer.



Violin concert by Bloom Quartet & Ensemble and an educational talk show were held. (Daimaru Ashiya store)

## ③Activities related to the promotion of healthy food

### Participation in the Table for Two program

Daimaru and Matsuzakaya stores and Parco support the activities of an authorized non-profit organization Table for Two International (TFT), which helps provide school meals for children in developing countries, by donating a portion of proceeds from their restaurants and staff cafeterias.

Daimaru and Matsuzakaya join TFT's "One Million People to Share TFT Meals!" campaign on October 16, World Food Day, every year and offered TFT meals at their 92 restaurants and cafes to help provide school meals for children in Africa. We also conduct activities in collaboration with the local members of the university association that supports TFT.



"Healthy meal using dry food"  
"Dim sum set" at Cattleya, Matsuzakaya Ueno store  
(¥1,532 including tax \*Donation of ¥20 included)



Poster with the theme of  
"Have today's meal with that child."

## ④Charity bazaars and fundraising activities

Daimaru and Matsuzakaya stores continue the efforts to contribute to society at large using the department store's capabilities to draw customers and transmit information. Each store organizes charity bazaars and raises money with customer participation in order to preserve the global environment and support the regions suffering from severe hunger and poverty. When great disasters occur, we collect money in our stores and offices and donate the money to disaster areas through the Japanese Red Cross Society and others.

### ◆Major fundraising activities in FY2015

(unit: ¥)

Name of fundraising	Donated to	Amount of donation
Cyclone Support for the Republic of Vanuatu in the South Pacific Ocean	Authorized NPO Japan Committee Vaccines for the World's Children (JCV)	131,974
Support for Nepal Earthquake	Japanese Red Cross Society	587,135
Support for Heavy Rain by Typhoon No. 18	Japanese Red Cross Society	295,991

### ◆Major charitable donations in FY2015

(unit: ¥1,000)

Donated to	Details	Amount of donation
Scholarship funds to support children affected by the Great East Japan Earthquake (Note 1)	Donated a portion of proceeds from the sale of charity pins at Thanks Festivals and the charity goods of Japan Department Stores Association, etc.	6,398
Authorized NPO Orange Clover	Donated a portion of proceeds from the sale of original eco bags, etc. to support cervical cancer prevention awareness activities	362
Local Pink Ribbon support groups	Donated a portion of proceeds from the sale of original pins and heart bread, etc. to support breast cancer prevention awareness activities	683
Authorized NPO Table for Two International (Note 2)	Donated a portion of sales of healthy meals and others to help provide school meals in developing countries	2,102

Notes: 1. Total amount donated to scholarship funds for children affected by the Great East Japan Earthquake in Miyagi, Iwate and Fukushima  
2. Total amount donated from restaurants, cafes and staff cafeterias in Daimaru, Matsuzakaya and Parco stores.



## ⑤ Contribution to the local community

### Expand the network of recovery support in the Ueno Okachimachi area as the “north gateway”! Participated in Tohoku Support Campaign 2016

The Company actively participates in recovery support activities involving the entire Ueno Okachimachi area, which has long made a deep connection with Tohoku as the “north gateway.”

On April 9 and 10, 2016, Ueno Tohoku Festival was held under the slogan of “Ganbaro Tohoku!” in the square Okachimachi Panda Hiroba in front of the Matsuzakaya Ueno store. On the stage created in the square, some local idol groups in Tohoku gave concerts and a female professional wrestling organization Sendai Girls was invited to perform an exciting show. In addition, various tent events were held to support Tohoku, including a special workshop by Tokyo University of the Arts “Decorate tote bags with felt for connection.”



Michinoku Pro Wrestling held in Panda Hiroba near the Matsuzakaya Ueno store

## ⑥ Contribution to art and culture

### Propose life with art

We organize a wide variety of topical exhibitions and events of paintings, crafts, photos and prints in museums and event halls in our major department stores to provide easier access to the works of popular Japanese and foreign artists ranging from traditional to contemporary art. Through them, we propose a spiritually rich life to visitors and make a cultural contribution to the local community.

The Matsuzakaya Museum in the south wing of the Matsuzakaya Nagoya store is the highest level of full-fledged museum in a department store and a leading museum with equipment comparable to well-known museums in Japan because it was designed and constructed for use as a museum only aiming at the same level as registered museums in terms of lighting, temperature and humidity control, fire protection equipment and carry-in and carry-out of exhibits from the time of planning. The museum continues to organize exhibitions in cooperation with other museums in Japan and around the world up to the present marking the 26th year and boasts a total of 10,574,430 visitors (as of the last day of February 2016). Thus it gains high reputations from visitors and the local people.



Entrance of Matsuzakaya Museum (7th floor of south wing, Matsuzakaya Nagoya store)

## J. Front Retailing Archives Foundation

J. Front Retailing Archives Foundation Inc. (JFR Archives Foundation) was established in March 2011 with the aim of passing on the cultural assets of the Group to the future generations and making an academic and cultural contribution. Specifically, the Foundation maintains and manages: (1) kimono fabric designs, industrial designs and historical materials; and (2) materials on the foundation and history of Daimaru Matsuzakaya Department Stores Co. Ltd., which is the core of the Group.

Matsuzakaya, which has a long history as a kimono fabric dealer, has collected dyed textile products including kosode (small-sleeved kimono) of the Edo period in order to use the excellent designs and dyeing techniques of antique dyed textile products to make original luxury kimono fabrics. The Foundation’s collection ranges widely from kosode and Noh costumes to cloth including ancient cloth and foreign cloth and furniture.

The Foundation maintains and manages these valuable cultural assets and organizes their public displays and exhibitions to contribute to art and culture.



Daimaru kimono fabric store in Tokyo (Meiji period)



Ito kimono fabric store (Matsuzakaya) in Nagoya (Meiji period)

## ■ The Environment

Since the Company mainly operates retail business, it can most contribute to the environment through product sales and other activities at stores and we believe that it is our social mission.

Daimaru Matsuzakaya Department Stores, associated department stores, Daimaru Kogyo and Consumer Product End-Use Research Institute operate ISO 14001-certified environmental management systems and implement sustainable improvement measures with participation by all workers to reduce environmental impact.

### J. Front Retailing Environmental Policy

Recognizing our roles and responsibilities to hand down the irreplaceable global environment to the next generation, we at J. Front Retailing Group (the “Group”) proactively promote “environment-friendly corporate management” toward the “realization of a sustainable society” with customers, business partners and community members.

- (1) Recognizing environmental impacts and their causes, we will establish structures and systems to promote environmental conservation activities through the business activities of the companies in the Group and strive for continuous improvement to reduce environmental load.

Provision of environment-friendly products, services and information

Effective use of resources and energy

Waste reduction and recycling

Reduction of CO<sub>2</sub> emissions

Promotion of environmental conservation activities and social contribution activities with customers, business partners and community members

- (2) We will comply with the requirements of environmental laws, regulations and agreements and strive to prevent contamination.
- (3) We will raise awareness of environmental conservation through educational and awareness activities to strengthen the foundation on which each worker in the Group will tackle environmental tasks voluntarily.
- (4) We will make this environmental policy known to all workers of the companies in the Group and make the policy available to the public.

## ◆Propose environment-friendly lifestyles

At Daimaru and Matsuzakaya stores, we provide ideas for smart “eco”-friendly living as a priority item of our environmental activities. In June and October, which have been designated as Environment Months, we offer environment-conscious products and make various lifestyle proposals to reduce environmental load at these stores.

### Participated in a kick-off event for Super Cool Biz 2015

Daimaru Matsuzakaya Department Stores participated in the Super Cool Biz Fashion Show of the kick-off event for Super Cool Biz 2015 “Coolbiz Next” organized by the Ministry of the Environment and the Cool Biz Promotion Council and some employees acted as models to present summer styles. Under the keywords for 2015 of “Local Creation – Made in Japan” and “Technology,” we presented comfortable and cool commuting styles.



Some employees participated as models in the Super Cool Biz Fashion Show, in which 11 department store chains in Tokyo participated.

## ◆Contribution to creating a low-carbon society

The Company adopts various energy saving measures to reduce CO<sub>2</sub> emissions and prevent global warming. High energy efficient equipments are installed on the occasions of facility replacement, store renovation and new store opening.

### Increase LED lighting and install solar panels

Daimaru and Matsuzakaya stores strive to reduce electricity consumption and CO<sub>2</sub> emissions by replacing existing lighting with LED units. By February 2016, 189,000 units, which account for about 44% of the total number of relevant lighting fixtures, were replaced with LED units. In fiscal year 2016, we are planning to install 7,000 units or more.



Peacock with a solar panel (Daimaru Kyoto store)

At the Daimaru Kyoto store, a solar panel, which is 11 meters long and 6.6 meters wide, was installed behind a peacock bronze sculpture when its exterior was renewed in October 2014. It generates electricity of approximately 6,000 kWh per year, which powers digital signage and external signs.

## Power saving measures

In addition to the replacement of store lighting with LED units, the company-wide efforts of back-office sections include: (1) to keep the air conditioning at set temperatures of 28 degrees centigrade or above in summer and 20 or below in winter (installing electric fans in high temperature areas); (2) thorough light management using pull switches (making sure to turn off lights when leaving desks); (3) to curb the use of computers and other office equipments (curbing the use of high power consuming computers and other appliances in offices); and (4) to promote the use of stairs (two up and three down campaign).

## ◆Contribution to creating a recycling-based society

Creating a recycling-based society is an important task to facilitate sustainable social growth. Recognizing the environmental impacts of business activities and

their causes, J. Front Retailing is engaged in various efforts to reduce environmental load, including the “reduction of the usage of packaging materials,” the “reduction and recycling of waste” and the “reduction of food waste.”

## Reduction of packaging materials

At Daimaru and Matsuzakaya stores, workers are repeatedly trained based on a smart wrapping manual. At checkout counters, salespersons ask for shoppers’ cooperation for simple packaging such as packing their purchases with their baggage in one bag. We also develop and sell beautifully designed and high value added “eco bags” to propose department store worthy shopping styles.



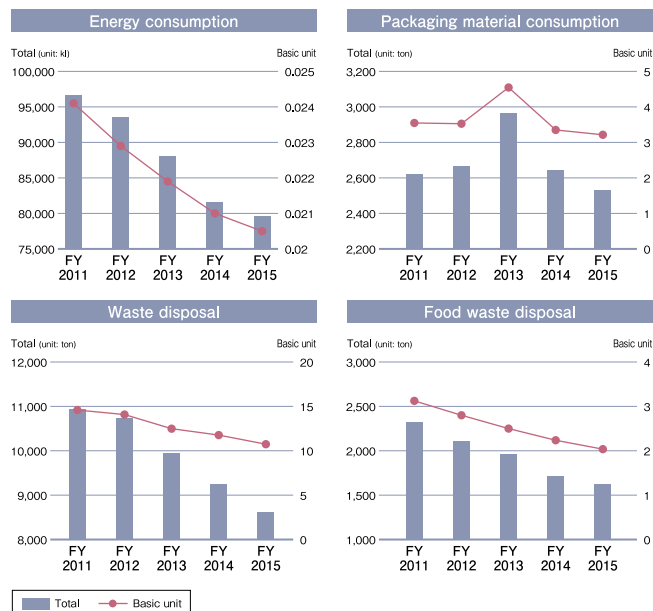
Eco bags with Japanese traditional “Ise paper stencil” motifs

## Reduction and recycling of waste

At Daimaru and Matsuzakaya stores, we implement thorough waste separation to decrease final waste and promote recycling. These stores promote recycling systems by using collapsible containers and standardized department store hangers with the cooperation of suppliers to reduce packaging and the total amount of waste. At the Daimaru Tokyo, Kyoto and Sapporo stores and the Matsuzakaya Ueno store, we greatly reduce the volume of EPS waste generated in these stores by compressing and dissolving it to recycle it. In our staff cafeterias, we use chopsticks that can be repeatedly washed and reused instead of disposable *waribashi* chopsticks.

## Historical performance data

### ◆Daimaru Matsuzakaya Department Stores energy saving and reduction of waste disposal



\*The figures above include associated department stores (Hakata Daimaru, Shimonoseki Daimaru, Kochi Daimaru and Tottori Daimaru).  
 \*Energy consumption is the crude oil equivalent of the total consumption of electricity, gas, gasoline and light/heavy oil (unit: kiloliter).  
 \*Packaging material consumption is the weights of wrapping paper, shopping bags and plastic bags for food products (unit: ton).  
 \*Waste disposal is the weights after subtracting the weights of waste recycled from the total weights of waste generated including general waste, raw garbage and industrial waste (unit: ton).  
 \*Food waste disposal is included in waste disposal.

#### Basic unit

•Energy basic unit: usage (kiloliter×1000) ÷ total floor space (m<sup>2</sup>) ÷ business hours (h) (megajitter)/(m<sup>2</sup>×h)  
 •Packaging material basic unit: usage (ton×1000) ÷ sales (¥million) (kiloton)/(¥million)  
 •Waste disposal basic unit: disposal (ton×1000) ÷ sales (¥million) (kiloton)/(¥million)  
 •Food waste disposal basic unit: disposal (ton×1000) ÷ sales (¥million) (kiloton)/(¥million)





## Basic Ideas on Corporate Governance

As the core of the unified governance of the Group, J. Front Retailing as a holding company puts the strengthening of corporate governance at the top of its business agenda to ensure transparency, soundness and legal compliance of the management of the whole Group and focus on and thoroughly fulfill its accountability to its stakeholders (customers, shareholders, employees, business partners, communities and others).

The Company has four supervisory units (Management Strategy Unit, Affiliated Business Unit, Financial Strategy Unit and Administration Unit) in its corporate organization to clarify each organization's roles, responsibilities and authorities, thereby improving supervisory function and the internal control systems of the whole Group. In addition, an executive officer system is in place to separate between decision-making and execution, which facilitates speedier decision-making and execution.

The Company is a company with an audit & supervisory board and it has a shareholders meeting, a board of directors, an audit & supervisory board and accounting auditors as the company organizations provided in the Companies Act, while adopting an executive officer system as a body to perform operations. Following are the reasons why the Company has adopted the organizational structure of a company with an audit & supervisory board.

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① Unity and continuity with the execution of operations are ensured by involving the persons who are responsible for business execution of the individual businesses of the Group in deliberations and decision-making on important matters relating to the management of the Group in the meetings of the Board of Directors.

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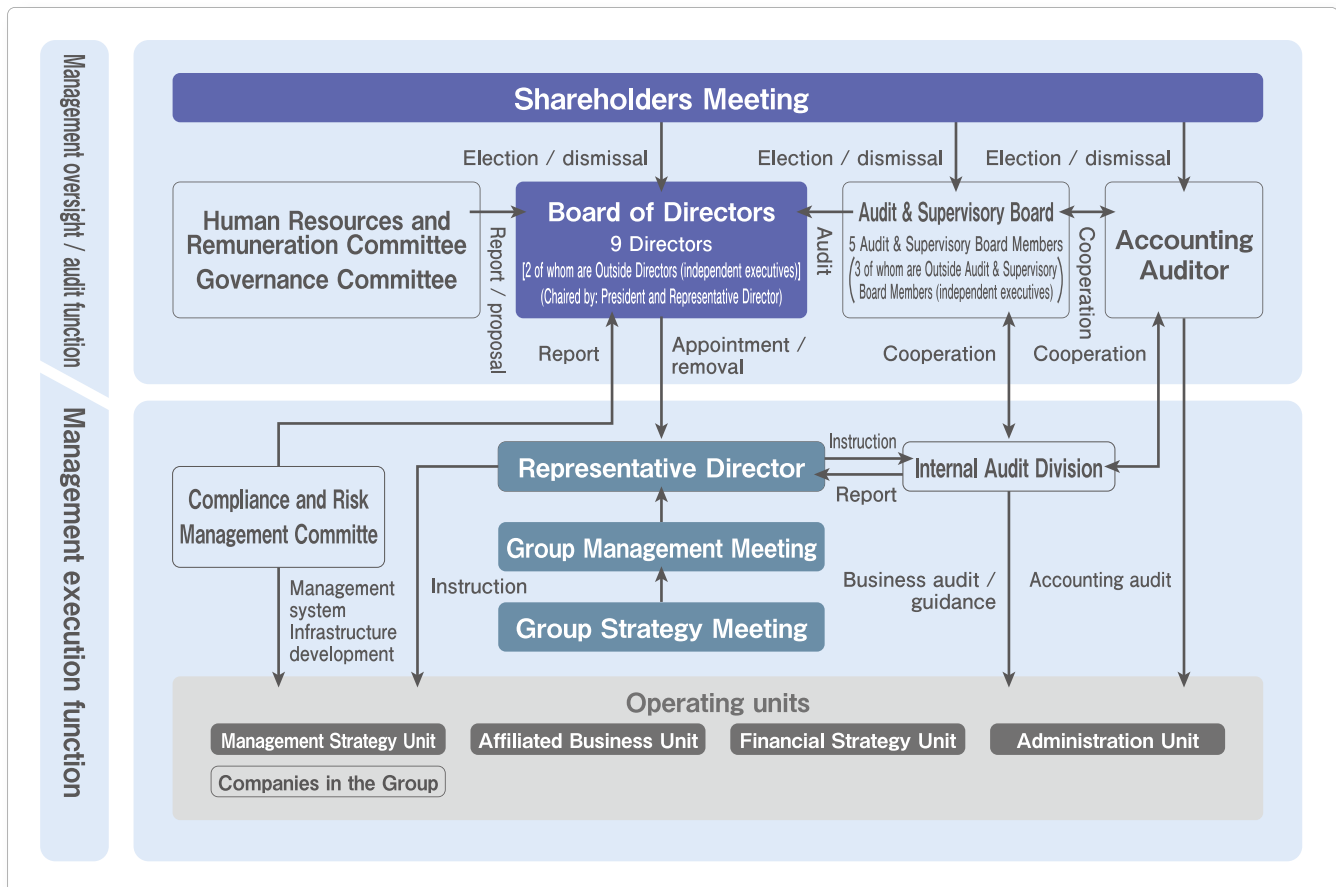
② Highly objective audits by Audit & Supervisory Board Members whose independence and autonomy are legally ensured and highly accurate audits by Full-time Audit & Supervisory Board Members who have a high ability to collect information are rational in order to ensure legal compliance of the Group management.

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On that basis, multiple independent Audit & Supervisory Board Members are appointed to supplement the functions of the Board of Directors under the structure of a company with an audit & supervisory board, and in particular, ensure the effectiveness of its oversight function. In addition, we have established the Human Resources and Remuneration Committee and the Governance Committee as the advisory committees of the Board of Directors to strengthen the functions of the Board of Directors.

With regard to the Company's organizational structure (choice among a company with an audit & supervisory board, a company with an audit & supervisory committee and a company with nominating and other committees) and the use of Non-executive Inside Directors, we will continuously consider adopting an optimal structure to further enhance the effectiveness of corporate governance as well as to achieve sustainable growth of the Group and increase corporate value over the medium to long term.

## ◆ Corporate governance structure chart



## Board of Directors

The Company has nine Directors, two of whom are Outside Directors including one female, as a management decision-making body and basically they meet once a month under the chairmanship of President and Representative Director and in the presence of Audit & Supervisory Board Members to deliberate and resolve the matters required by laws and regulations or prescribed by the articles of incorporation as well as the matters stipulated in the Rules of the Board of Directors. Two Outside Directors assume a role in strengthening the functions of and activating the Board of Directors by considering the management from a different perspective from Inside Directors.

In fiscal year 2015, the Board of Directors had a total of 16 meetings to deliberate and resolve the "capital and business alliance with Senshukai Co., Ltd.," a "repurchase of the Company's own shares" and the "rebuilding of the main building of the Daimaru Shinsaibashi store" as well as approve budgets and financial statements.

With regard to the agenda for discussion at the Board of Directors meetings concerning important policies related to the Group's overall management, we deliberate in advance at the Group Management Meeting, which consists of Inside Directors, Full-time Audit & Supervisory Board Members and others, and the Group Strategy Meeting, which consists of Inside Directors.

## Establishment of Advisory Committees

The Company has established the Human Resources and Remuneration Committee and the Governance Committee as voluntary advisory committees to supplement the functions of the Board of Directors under the structure of a company with an audit & supervisory board, and in particular, ensure the effectiveness of its oversight function.

The Human Resources and Remuneration Committee deliberates and decides the appointment of Directors, Audit & Supervisory Board Members and Executive Officers of the Company and its major subsidiaries based on the nomination and election policy determined in advance and the results of third-party assessment of management personnel and submits personnel proposals to the Board of

Directors. In April 2016, the Committee deliberated and decided a partial revision of the policy for determining the remuneration of Directors, Audit & Supervisory Board Members and Executive Officers (applied to payments in June 2016 and beyond) for the purpose of achieving sustainable growth of the Group and increasing corporate value over the medium to long term and submitted a report to the Board of Directors.

The Governance Committee has discussions and exchanges opinions in a constructive manner concerning various issues to increase the effectiveness of the Board of Directors and the Company's organizational structure based on the results of the assessment of the Board of Directors.

## Audit & Supervisory Board

In order to support the soundness of its management functions, the Company has an Audit & Supervisory Board, which consists of five Audit & Supervisory Board Members, three of whom are Outside Audit & Supervisory Board Members, to determine its audit policy and approach, while having a system that enables their views concerning important audit matters to be reflected in the Board of Directors. The Company has set up an Internal Audit Division reporting directly to President to verify the appropriateness and effectiveness of the business processes of the daily routine and financial operations of the Company and other companies in the Group according to the annual audit plan. Important matters are duly reported to the Board of Directors and the Audit & Supervisory Board.

Audit & Supervisory Board Members collaborate with the Board of Directors to play a role in the oversight function of the Company and the Group by auditing the performance of duties by Directors, investigating the conditions of business and property and providing the Board of Directors with their opinions such as advice and recommendations in an effort to achieve sustainable growth of the Group and increase corporate value over the medium to long term.



## Assessment of the Board of Directors

The Company conducted a third-party assessment of the Board of Directors from June to September 2015.

The composition, operation, agenda items and meeting materials of the Board of Directors were analyzed and assessed in light of the roles and responsibilities of the Board of Directors.

A third-party institution prepared a report compiling and analyzing the results of "interviews with individual members of the Board of Directors" and the "direct observation of the Board of Directors" and the Board of Directors discussed based on the report.

The third-party institution interviewed all Directors and Audit & Supervisory Board Members (both Inside and Outside) individually to ask about their ideas and awareness concerning the Board of Directors. The third-party institution attended the Board of Directors meetings and directly observed actual discussions there.

As a result, it was confirmed that the Board of Directors has some points to be improved in the selection of agenda items, essential discussion, the quality of meeting materials and other items in light of its roles and responsibilities. Based on these results, we strive to ensure the effectiveness of the whole Board of Directors by revising the Rules of the Board of Directors to clarify agenda items and criteria for proposing agenda items, ensuring sufficient time for discussion through thorough prior explanation and reduction in time for explanation on agenda at the Board of Directors meetings, and improving meeting materials.

## Election of Outside Executives

Two of the Company's nine Directors are Outside Directors and three of its five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. When electing outside executives, we confirm in light of our criteria for independence that there is no risk of conflict of interest with our shareholders and that they are in objective positions independent of our management team that engages in business execution.

## Policy and Procedures for Determining Executive Remuneration

The existing remuneration of the Company's Directors, Audit & Supervisory Board Members and Executive Officers consists of monthly compensation and merit-based annual executive bonuses contingent on each year's performance, both of which are monetary remuneration. With regard to the policy for determining the remuneration of Directors, Audit & Supervisory Board Members and Executive Officers, the Company made the following changes applicable to amounts paid in June 2016 and thereafter by the resolution of the Board of Directors based on the report submitted by the Human Resources and Remuneration Committee in April 2016.

### ◆ Remuneration of Inside Directors and Executive Officers

The Company has increased the proportion of annual executive bonuses (performance-based remuneration) to total remuneration, with monthly compensation at 60% and annual executive bonuses at 40% (standard ranking), in order to provide incentives for completing management strategies and business plans and achieving corporate performance targets.

### ◆ Remuneration of Outside Directors and Audit & Supervisory Board Members (both Outside and Inside)

The Company has decided to discontinue executive bonuses and provide monthly compensation only.

In conjunction with the above, with the aim of ensuring that the Group achieves sustainable growth and increases corporate value over the medium to long term, the Company will consider introducing remuneration for Inside Directors and Executive Officers linked to their medium- to long-term performance (stock-based remuneration, etc.) beginning in fiscal year 2017.

## Succession Plan

The appointment of Chief Executive Officer is the most important strategic decision-making and the Company positions the development and implementation of succession plan (for next management positions) as a particularly important item in terms of management strategy.

The Human Resources and Remuneration Committee will "develop an appointment policy based on 'what the management personnel of the Group should be'," "appoint prospective successors based on such policy," and "develop and implement succession plans for individual prospective successors."

## Basic Capital Policy

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to "undertaking strategic investment," "enhancing shareholder returns," and "expanding net worth" being equipped to address risks.

Moreover, in procuring funds through interest-bearing debt we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into consideration our capacity for generating free cash flows and our balance of interest-bearing debt.

A business strategy where higher sales are accompanied by profits and a financial strategy (encompassing the capital policy) that heightens profitability of invested capital are essential elements with respect to improving free cash flows and ROE. In addition, we believe it is crucial that we maximize our operating income and continually improve our operating margin by strengthening our core business and concentrating management resources on initiatives such as business field expansion and active development of new businesses.

## Shareholder Return Policy

The Company's basic policy is to appropriately return profits. Hence, while maintaining and enhancing its sound financial standing, the Company strives to provide stable dividends and target a consolidated dividend payout ratio of no less than 30%, taking profit levels, future capital investment, free cash flow trends and other such factors into consideration. The Company also gives consideration to the option of purchasing its own shares as appropriate, in accordance with aims that include improving capital efficiency and implementing a flexible capital policy.

## Policy on Cross-shareholdings

The Group reduces its cross-shareholdings, which means holdings of listed shares other than those of subsidiaries and associates which are not held for pure investment purposes, as appropriate considering the market environment, share price trends and other such factors. However, this does not apply to shares with respect to which rationale for such holdings has been verified by means of validation as described below.

The Board of Directors validates the rationale for the Group to maintain its major cross-shareholdings on a yearly basis from both qualitative and quantitative perspectives. From a qualitative perspective, the Board of Directors considers such business strategies as maintaining harmonious and favorable business relationships with corporate customers and business partners and securing supply chains, and from a quantitative perspective, it considers dividend income and other economic rationale.

Decisions with respect to voting on matters regarding cross-shareholdings are made from both perspectives of whether cross-shareholdings contribute to the sustainable growth of the company whose shares are held and the medium- to long-term improvement of its corporate value and of whether the cross-shareholdings contribute to the Group's sustainable growth and the medium- to long-term improvement of its corporate value. When necessary, we also consider the possibility of engaging in dialogue with the companies whose shares are held when exercising voting rights.

## Outside Directors

### TACHIBANA FUKUSHIMA Sakie

President and Representative Director, G&S Global Advisors

#### Reason for election

TACHIBANA FUKUSHIMA Sakie has in-depth understanding regarding globally-minded human resources and abundant knowledge and experience as an international corporate manager. Based on that, she has contributed to ensuring more effective meetings of the Board of Directors since being elected as Outside Director of the Company in 2012, by adequately providing advice and oversight with respect to the direction of overall management and other such matters, from an objective viewpoint independent of the management team that engages in business execution. In light of her track record, the Company has judged that in acting as Outside Director she is likely to contribute greatly to the management of the Company from the perspective of enhancing corporate governance. As such, she has been elected as a candidate to continue serving as Outside Director.

TACHIBANA FUKUSHIMA Sakie is an independent executive who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

The Company has entered 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.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 16/16 (100%)

### OTA Yoshikatsu

Special Advisor, Konica Minolta, Inc.

#### Reason for election

OTA Yoshikatsu has extensive experience and abundant insight acting as a manager of a company that, like the Company, is a holding company. In that capacity, he promoted the corporate merger between Minolta Co., Ltd. and Konica Corporation, and has served as a chairman of the board of directors of a company with committees (currently a company with nominating and other committees). Accordingly, since being elected as Outside Director of the Company in May 2015, he has contributed to ensuring more effective meetings of the Board of Directors by adequately providing advice and oversight with respect to promoting management of the Group and other such matters, from an objective viewpoint independent of the management team that engages in business execution. In light of his track record, the Company has judged that in acting as Outside Director he is likely to contribute greatly to the management of the Company from the perspective of enhancing corporate governance. As such, he has been elected as a candidate to continue serving as Outside Director.

OTA Yoshikatsu is an independent executive who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

The Company has entered 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.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 12/12 (100%) after election

## Outside Audit & Supervisory Board Members

### TSURUTA Rokurou

Attorney at law

#### Reason for election

TSURUTA Rokurou has deep insight as a person from legal circles, and the viewpoint of strengthening corporate governance as well as the viewpoint of strengthening the compliance and risk management system, the Company has judged that he can contribute greatly to the management of the Company as Outside Audit & Supervisory Board Member particularly through the implementation of objective and fair audit and advice for the Board of Directors from a legal perspective.

TSURUTA Rokurou meets all the conditions for independence stipulated in the guidelines of the Tokyo Stock Exchange and the Company recognizes that he maintains a high degree of independence.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 15/16 (93.8%)

### ISHII Yasuo

Audit & Supervisory Board Member, Daimaru Matsuzakaya Department Stores Co. Ltd.

#### Reason for election

He has extensive experience and knowledge as a manager of a business corporation such as a long career in Europe and in particular, familiarity with overseas business development.

Since ISHII Yasuo meets all the conditions for independence stipulated in the guidelines of the Tokyo Stock Exchange and he is in an objective position independent of the management team that engages in business execution, the Company has judged from the viewpoint of strengthening corporate governance that he can contribute greatly to the management of the Company.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 12/12 (100%) after election

### NISHIKAWA Koichiro

Audit & Supervisory Board Member, Daimaru Matsuzakaya Department Stores Co. Ltd.

#### Reason for election

NISHIKAWA Koichiro has been mainly involved in business alliance, M&A and business reforms and also many important international negotiations. Through such experience, he has appropriate knowledge in finance.

Since NISHIKAWA Koichiro meets all the conditions for independence stipulated in the guidelines of the Tokyo Stock Exchange and he is in an objective position independent of the management team that engages in business execution, the Company has judged from the viewpoint of strengthening corporate governance that he can contribute greatly to the management of the Company.

◆Number of attendance at the Board of Directors meetings during the current fiscal year: 12/12 (100%) after election



## Improvement of Shareholders Meeting

With the aim of promoting constructive dialogue with its shareholders, the Company dispatches the notices of convocation of shareholders meetings early (at least three weeks before the meeting) as well as delivers them to financial instruments exchanges and posts them on its website as soon as practicable before the dispatch of the notices to ensure sufficient time for consideration to exercise voting rights. We disclosed the notice of convocation of the 9th annual shareholders meeting to financial instruments exchanges and on our website four weeks before the meeting prior to dispatching its hard copies.

For the convenience of shareholders including institutional investors in Japan and abroad in exercising voting rights, the Company made available Internet voting and uses the Electronic Voting Platform. Moreover, we prepare English translations of the notices of convocation of shareholders meetings and disclose them on our website and the Electronic Voting Platform so that foreign shareholders can exercise their voting rights properly.

In addition, in order to provide many shareholders who have become more distant from the meeting venue compared to the times when they were the shareholders of Daimaru or Matsuzakaya before J. Front Retailing was established as a holding company with opportunities to view the Company's shareholders meeting, we set up live relay venues in the Osaka area (the Daimaru Shinsaibashi store) and the Nagoya area (the Matsuzakaya Nagoya store).

Starting with the 9th annual shareholders meetings, we deliver video of "business report" presentation given at the meeting on demand.



Recorded shareholders meeting presentation posted on our website



Shareholders meeting

## Disclosure and IR Activities

Under the Group mission statement that "we aim at developing the Group by contributing to society at large as a fair and reliable corporation," the Company promotes IR activities for the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important information on the Company in a fair, timely and appropriate manner, we aim to improve management transparency and help stakeholders better understand the Company.

The Company discloses important corporate information to which the timely disclosure rules apply through the TDnet (Timely Disclosure Network) system provided by the Tokyo Stock Exchange, while posting the same information on its website and others as quickly as possible. As for information deemed to help deepen the understanding of shareholders about the Company, even where the timely disclosure rules do not apply to it, we strive to disclose it through SNS and annual reports. We disclose information in a timely and appropriate manner using TDnet, EDINET and our website according to the characteristics of information. In order to ensure fairness in information disclosure, we prepare and disclose English translations of the notices of convocation of shareholders meetings, annual reports, timely disclosure information, financial information and our website.

In conjunction with timely disclosure and the provision of information on our website, we hold various presentations and meetings and respond to inquiries from shareholders and investors in an effort to improve communication. Comments and requests from shareholders and investors are widely shared between the Company and concerned companies in the Group to help manage these companies and enhance corporate value.

### Major dialogue activities with investors in fiscal year 2015

#### ◆ With individual investors

Participated in presentation meetings organized by securities companies (seven times in total)

#### ◆ With analysts and institutional investors

Financial results presentations (on a semiannual basis)

#### ◆ With overseas institutional investors

Overseas IR roadshows (twice in total)

Participated in conferences for overseas institutional investors in Japan (three times in total)

## Internal Control Systems

The Company has set the Basic Policy on the Building of Internal Control Systems to ensure the appropriateness of operations of the whole Group, and by promoting the Policy in a concrete manner, we strive to achieve the sustainable growth of the Group and increase its corporate value over the medium to long term.

The operation status of the internal control systems of the whole Group is reported to the Board of Directors regularly (twice a year) and timely and it is properly supervised by the Board of Directors. Its overview is disclosed in the notice of convocation of shareholders meeting (business report).

## Compliance and Risk Management

The Company has formed the Compliance and Risk Management Committee whose membership includes a legal advisor for the purpose of addressing issues on the Group's compliance management and managing and evaluating risks associated with the Group's business operations in a proper manner.

The Committee draws up policies for addressing matters involving serious compliance-related violations and matters involving risk management. In addition, it develops the foundations of compliance and risk management systems (such as establishing internal rules, operation management manuals and management systems) for departments in charge of compliance and risk management and instructs and trains individual departments to ensure their compliance with laws and regulations and business ethics. The Committee holds meetings regularly (four times a year) and timely and reports to the Board of Directors as needed.

For particularly serious operational risks that are identified, the Compliance and Risk Management Committee will deliberate and determine policies for addressing them and prevent them occurring by

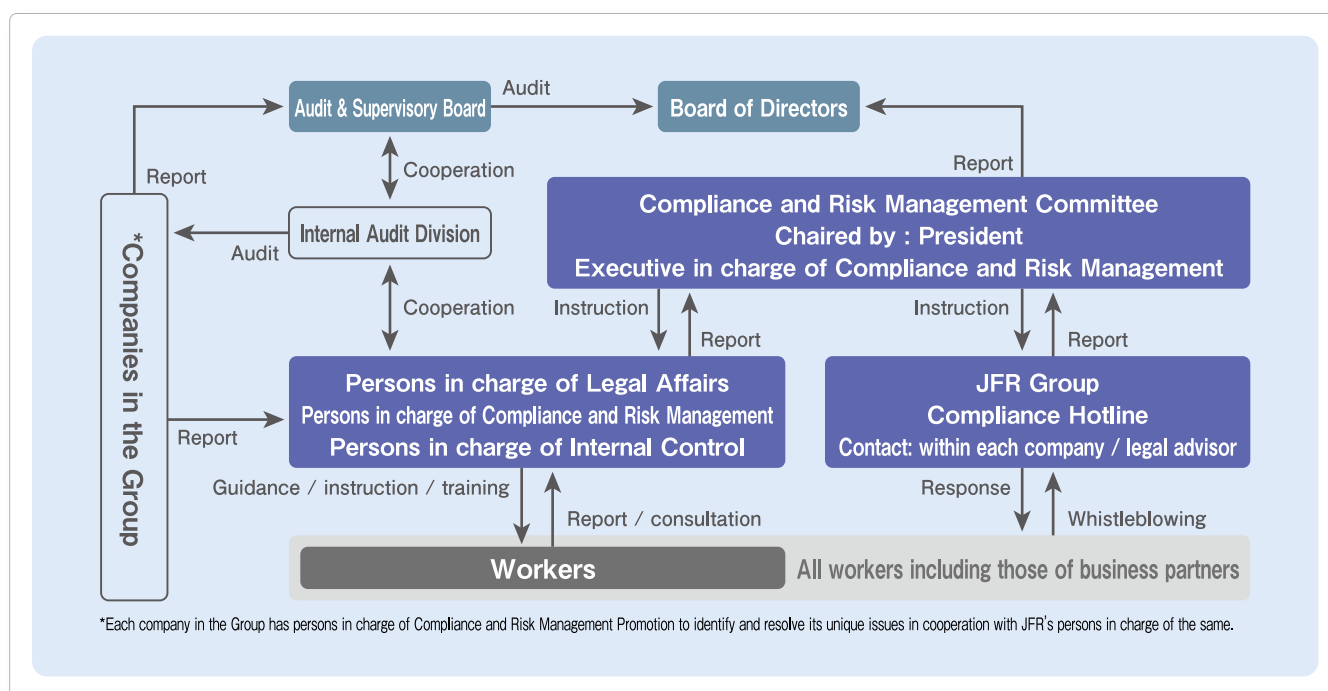
having the responsible departments of the Group companies implement these policies. For emergency situations including large-scale earthquakes, fires and accidents, crisis management will be controlled by the Emergency Response Headquarters headed by President.

## Whistleblowing System

The Company has set up a whistleblowing system in which all executives and employees of the Group and any other persons working for the Group (including part-time workers and workers from business partners) can report any compliance issues directly to the Compliance Hotline and seek correction. It provides external contact (a legal advisor) as well as internal one for whistleblowing.

With respect to this whistleblowing system, the Group's internal rules strictly stipulate the protection of whistleblower confidentiality and the prohibition of disadvantageous treatment of whistleblowers.

### ◆ Compliance and risk management system



## Four perspectives of principles of action and code of conduct for compliance and risk management

### 1 Always put customers first

We will always put the realization of customer satisfaction first and gain trust and support from customers through faithful actions in compliance with laws and regulations, internal rules and others such as the fulfillment of promises with customers, the development and provision of socially useful and safe products and services and the ensuring of fair labeling.

### 3 Create a fair and vibrant organization where individuality and ability are respected

With respect for each individual's basic human rights, we will form a vibrant organization where workers can be motivated to use their ability by creating a safe and secure work environment in compliance with labor-related laws and treating them based on a fair and equal evaluation.

### 2 Promote high quality management for sound growth and development

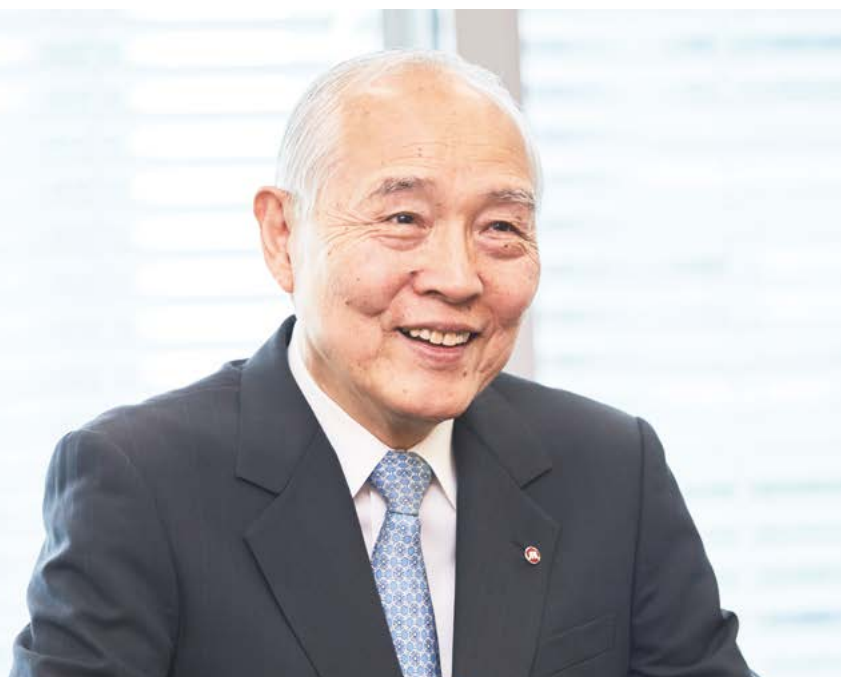
With the aim of becoming an open corporation that communicates with society at large, we will promote high quality management for sound growth and development by conducting fair, transparent and proper corporate activities, while maintaining fair relations with business partners whereby both grow together.

### 4 Contribute to society (good corporate citizen living in harmony with society)

As a good corporate citizen living in harmony with society, we will actively conduct creative business activities that contribute to society at large including the contributions to communities and environmental initiatives to achieve sustainable growth.



We asked our Outside Director Mr. OTA Yoshikatsu, who has extensive experience and abundant insight as a manager of a business corporation, about J. Front Retailing's initiative to strengthen corporate governance and his roles.



### OTA Yoshikatsu

Outside Director

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1964	Joined Minolta Camera Co., Ltd.
1991	Director of the same company
1994	Director of Minolta Co., Ltd.
1995	Managing Director of the same company
1999	President and Representative Director of the same company
2001	President and Executive Officer, Representative Director of the same company
2003	Director and Vice President, Representative Executive Officer of Konica Minolta Holdings, Inc.
2006	Director, President and CEO of the same company
2009	Director, Chairman of the Board of Directors of the same company
2013	Director, Chairman of the Board of Directors of Konica Minolta, Inc.
2014	Special Advisor of the same company (present)
2015	Outside Director of J. Front Retailing Co., Ltd. (present)

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#### J. Front Retailing's governance initiative

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In the last year 2015, which is said to be the “first year of governance,” a governance code was published and many listed companies in Japan were forced to review their governance systems. While many of them remain reluctant to strengthen governance, I find it great and encouraging that the top management of J. Front Retailing takes the lead in actively implementing such initiative.

J. Front Retailing has worked on improving its structure and changing the consciousness of employees since its management integration in 2007 and its business performance is steadily enhancing. In the meantime, I think the Company asked itself whether its governance is in a desirable state in terms of management transparency, that is, from an outside perspective, particularly investors' perspective.

Let me take one example of the Company's initiative to strengthen governance. The Board of Directors strives to increase its effectiveness based on a third-party assessment and the Governance Committee is extending the Company's discussions to the organizational structure with a strong awareness of the state required by the governance code itself. In order to develop the Company's new vision, which will start

to be implemented in the next fiscal year, Inside and Outside Directors and Audit & Supervisory Board Members lodged together, and thus the Company is taking a broad view by involving outside members in early stage. If J. Front Retailing can develop firm growth strategy by strengthening governance with the aim of developing as a multifaceted retailer, the percentage of shareholding by foreign investors is likely to increase. Therefore, it may be said that such initiative is essential.

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#### Challenges for sustainable growth of corporate value

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The Company's current business portfolio includes the provisions of goods and services selected by the multifaceted retailer whose main business is the department store business. However, I think it is necessary to develop so-called problem-solving “occasions” that transcend the traditional provision of goods and services and further pursues customer satisfaction in connecting with customers. Now we are in the Internet society where an enormous amount of information spreads instantly and people's options are increasing. Therefore, the Company should go beyond just selecting and providing goods and services. Connection with people on the Internet will not be limited to only selling and buying but spread

beyond that. Programming may be required as a compulsory subject in elementary schools. Thus the world is expected to more and more change. It will not be enough only to run physical stores and receive customers as in the past. With a stronger awareness of this than ever, the Company needs to develop strategies. The Company should not only expand occasions but also consider how it will be able to respond to the changing society itself that creates occasions and the changing recognition of people as a corporation. Since J. Front Retailing converges and gets a grip on a wide variety of management resources, I think the Company has reached a point where it should take some measures using them.

To strengthen governance will help widely boost investor confidence in the Company. Resulting good figures in the management indices are not enough. It is very important for investors that the management team manages the Company under the system that ensures future returns correctly on a sustainable basis always with an awareness of the eyes of investors. At the same time, that will bring a sense of security, a sense of satisfaction and a rewarding sense to customers, business partners, employees and other many concerned stakeholders. Simply stated, corporate growth may be an increase in economic value including sales and profits. I think it is also important to increase the number of underlying customers who have a sense of confidence and social value including the building of a strong relationship with stakeholders.

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### **Roles I want to fulfill**

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Detailed comments on business strategies from an outside perspective of Outside Director do not necessarily hit the mark. Since the Company, as a listed company, pursues growth for many stakeholders, it needs to proceed with discussions in a to-the-point manner and from the standpoint of pursuing medium- to long-term development with a broad view. By adopting an outside perspective, matters thought to be nothing special in the Company may be found special. Inside members may think, “Why did that Outside Director say such a thing? But on second thought, he may be correct.” That may be necessary to deepen discussions.

I worked abroad longer than in Japan and our company’s ratios of

overseas sales and overseas investors were 80% and 40% to 45%, respectively. Therefore, its focus of interest was always on trends in exchange rates, the economic trends of countries around the world, the development of the Internet and user trends. As a matter of course, legislation is different from abroad, but I was inevitably involved in governance, an investor perspective, management speed and M&A. With respect to M&A in particular, I carried out many deals every year and it has become my second nature in a way. I think I will be able to use such experience.

Every company has a history and people who belong to the company tackle their individual tasks every day. Amid technological changes, competition and environmental changes, how to perceive, judge and do things is roughly finalized and determined over long periods. People often see environmental changes, but many of them seem to spend much time looking at their domestic peers. They do not find that completely different industry’s state of being, for example, technological evolution in the field of Internet, will inevitably urges them to greatly change their management, though they can find that if looking a little more broadly at changes in the overall economy and developments in the world economy. Some may understand that but it takes time before they move into action. When I find something that misses the point, like “what is considered common sense inside the company is something that is contrary to common sense outside the company,” I will point it out without hesitation. An outside perspective means to suggest through past experience and daily network that the Company’s management needs to keep up with and adapt to the changing world. I think it is what is expected of me.





## J. Front Retailing Co., Ltd.

### Directors



#### YAMAMOTO Ryoichi

President and Representative Director  
Date of birth: March 27, 1951  
Number of the Company's shares held: 61,600

Apr 1973 Joined The Daimaru, Inc.  
May 2003 President and COO and General Manager of Department Store Operations of Group Headquarters of the same company  
Mar 2005 General Manager of Metropolitan Area New Business Development Division of Group Headquarters of the same company  
Jan 2007 Executive General Manager of Planning Office for New Umeda Store of Department Store Operations Headquarters of Group Headquarters of the same company  
Sep 2007 Director of J. Front Retailing Co., Ltd. and Director of Matsuzakaya Co., Ltd.  
Mar 2008 Executive General Manager of Sales Headquarters of Head Office of The Daimaru, Inc.  
Mar 2010 President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd.  
Apr 2013 President and Representative Director of J. Front Retailing Co., Ltd. (present)



**KOBAYASHI Yasuyuki**  
Representative Director and Senior Managing Executive Officer  
Date of birth: March 30, 1951  
Number of the Company's shares held: 34,200

Apr 1973 Joined The Daimaru, Inc.  
Feb 2003 Associate Director and General Manager of Sapporo Store of the same company  
May 2003 Corporate Officer and General Manager of Sapporo Store of the same company  
Jan 2004 General Manager of Tokyo Store of the same company  
Jan 2008 Director and Corporate Officer and Deputy Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Merchandising Management Unit of Head Office of the same company  
Mar 2010 Director and Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd.  
May 2012 External Director of Parco Co., Ltd. (present)  
May 2013 Director and Managing Executive Officer and Senior Executive General Manager of Affiliated Business Unit (present) of J. Front Retailing Co., Ltd.  
May 2015 Director and Senior Managing Executive Officer (present) of the same company  
May 2016 Representative Director of the same company (present)



**YOSHIMOTO Tatsuya**  
Director  
Date of birth: April 13, 1956  
Number of the Company's shares held: 24,000

Apr 1979 Joined The Daimaru, Inc.  
Mar 2000 Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store of Head Office of the same company  
Jan 2008 General Manager of Tokyo Store of the same company  
May 2008 Corporate Officer and General Manager of Sales Planning Promotion Division and Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd.  
Mar 2010 Corporate Officer and Senior General Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.  
May 2012 Director and Corporate Director of the same company  
Apr 2013 President and Representative Director of the same company (present) and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)  
May 2013 Director of J. Front Retailing Co., Ltd (present)



**MAKIYAMA Kozo**  
Director  
Date of birth: August 28, 1958  
Number of the Company's shares held: 7,800

Apr 1981 Joined Parco Co., Ltd.  
Mar 2004 Executive Officer and Executive General Manager of Store Operation Division of the same company  
Mar 2007 Managing Executive Officer and Executive General Manager of Store Management Division of the same company  
Mar 2008 Senior Executive Officer and Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division of the same company  
May 2008 Director and Senior Executive Officer of the same company  
Mar 2009 Supervisor of Store Operation Division of the same company  
Mar 2010 In charge of Store Management of the same company  
Mar 2011 In charge of Business Management of the same company  
May 2011 Director and President and Representative Executive Officer of the same company (present)  
May 2013 Director of J. Front Retailing Co., Ltd. (present)



**FUJINO Haruyoshi**  
Director and Managing Executive Officer  
Date of birth: March 10, 1961  
Number of the Company's shares held: 7,800

Apr 1983 Joined The Daimaru, Inc.  
Apr 2004 General Manager of Preparatory Office for New Tokyo Store of Group Headquarters of the same company  
Sep 2008 General Manager of Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd.  
Jan 2010 Executive Store Manager of Daimaru Tokyo and General Manager of Planning Office for Phase II Expansion of New Tokyo Store of The Daimaru, Inc.  
May 2010 Corporate Officer and Executive Store Manager of Daimaru Tokyo of Daimaru Matsuzakaya Department Stores Co. Ltd.  
Jan 2014 Corporate Officer of J. Front Retailing Co., Ltd.  
May 2014 Director of the same company (present)  
May 2014 Executive Officer of the same company (present)  
May 2014 External Director of Parco Co., Ltd. (present)  
Jun 2014 Outside Director of Hakuseisha Co., Ltd. (present)



**DOI Zenichi**  
Director and Managing Executive Officer  
Date of birth: September 15, 1953  
Number of the Company's shares held: 31,000

Mar 1976 Joined Matsuzakaya Co., Ltd.  
May 2006 Executive Officer of the same company  
May 2008 Managing Executive Officer of the same company  
Jan 2009 Director and Executive Officer of the same company  
Mar 2010 Director and Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd.  
May 2012 Director and Managing Executive Officer of the same company  
May 2015 Director of J. Front Retailing Co., Ltd. (present)  
Managing Executive Officer of the same company (present)



**WAKABAYASHI Hayato**  
Director and Executive Officer  
Date of birth: August 31, 1961  
Number of the Company's shares held: 200

Apr 1985 Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)  
Apr 1998 President of Panasonic Financial Center Malaysia Co., Ltd.  
Apr 2007 Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited  
Feb 2009 Finance Planning Team Leader (Manager) of Headquarters Finance & IR Group of Panasonic Corporation  
Jul 2013 General Manager of Finance & IR Group of Corporate Strategy Division and Finance Planning Team Leader (Director) of Panasonic Corporation  
Apr 2015 Retired from the same company  
May 2015 Joined J. Front Retailing Co., Ltd.  
Sep 2015 Executive Officer of the same company (present)  
Mar 2016 Senior Executive General Manager of Financial Strategy Unit and in charge of Finance Policy of the same company (present)  
May 2016 Director of the same company (present)



**TACHIBANA FUKUSHIMA Sakie**  
Outside Director  
Date of birth: September 10, 1949  
Number of the Company's shares held: 3,200

Jun 1980 Joined Braxton International  
Sep 1987 Joined Bain & Company, Inc.  
Aug 1991 Principal Consultant of Japan Branch Office of Kom/Ferry International  
Jun 1993 Partner of the same company  
May 1995 Member of the Board of Kom/Ferry International (Global Headquarters)  
Sep 2000 Regional Managing Director of Kom/Ferry International-Japan and Member of the Board of Kom/Ferry International (Global Headquarters)  
May 2001 President and Representative Director of Kom/Ferry International-Japan and Member of the Board of Kom/Ferry International (Global Headquarters)  
Sep 2007 President and Representative Director of Kom/Ferry International-Japan  
May 2009 Chairman and Representative Director of the same company  
Mar 2010 Outside Director of Bridgestone Corporation (present)  
Jul 2010 President and Representative Director of G&S Global Advisors Inc. (present)  
Aug 2010 Asia Pacific Senior Advisor of Kom/Ferry International  
Jun 2011 Outside Director of Ajinomoto Co., Inc. (present)  
May 2012 Outside Director of J. Front Retailing Co., Ltd. (present)  
Jun 2013 Outside Director of Mitsubishi Corporation (present)



**OTA Yoshikatsu**  
Outside Director  
Date of birth: December 28, 1941  
Number of the Company's shares held: 3,700

Apr 1964 Joined Minolta Camera Co., Ltd.  
Jun 1991 Director of the same company  
Jul 1994 Director of Minolta Co., Ltd.  
Jun 1995 Managing Director of the same company  
Jun 1999 President and Representative Director of the same company  
Apr 2001 President and Executive Officer and Representative Director of the same company  
Aug 2003 Director and Vice President and Representative Executive Officer of Konica Minolta Holdings, Inc.  
Apr 2006 Director, President and CEO of the same company  
Apr 2009 Director and Chairman of the Board of Directors of the same company  
Jun 2012 Outside Director of Yamaha Corporation (present)  
Apr 2013 Director and Chairman of the Board of Directors of Konica Minolta, Inc.  
Jun 2014 Special Advisor of the same company (present)  
May 2015 Outside Director of J. Front Retailing Co., Ltd. (present)

## Corporate Profile

Company name : J. Front Retailing Co., Ltd.

Main store : 10-1, Ginza 6-chome, Chuo-ku, Tokyo

Office : 1-1, Yaesu 2-chome, Chuo-ku, Tokyo

Established : September 3, 2007

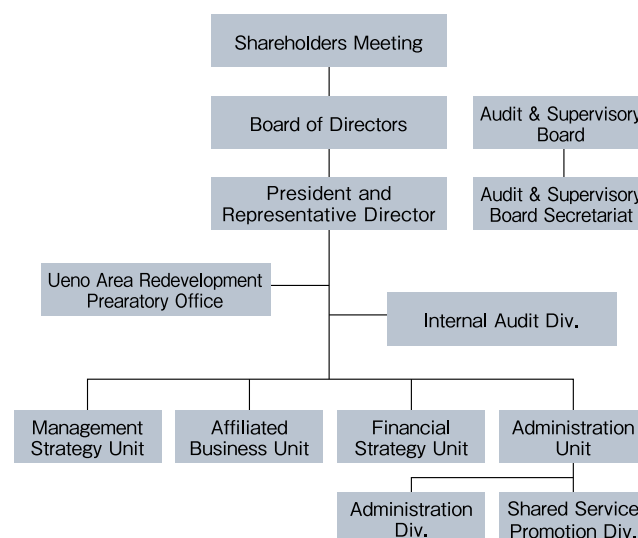
Capital : ¥30,000 million

The Group's business lines : Department store operation; retail; restaurants; wholesale; import and export; design, supervision and contracting of construction works; direct marketing; credit cards; labor dispatch service; merchandise inspection and consulting; and others

Number of employees : 7,038 (as of February 29, 2016)  
(Consolidated)

URL : <http://www.j-front-retailing.com/>

## Organization Chart of J. Front Retailing Co., Ltd.



## Audit & Supervisory Board Members and Executive Officers



**OCHI Bunshiro**  
Audit & Supervisory Board Member  
Date of birth: January 22, 1957  
Number of the Company's shares held: 2,600

Apr 1980  
Mar 1994  
Jun 2001  
Mar 2003  
Mar 2011  
May 2015

Joined The Daimaru, Inc.  
Manager in charge of Personnel and Recruitment of Personnel Division of Kyoto Store of the same company  
Manager in charge of Human Resources of Business Management Division of Head Office (in charge of Umeda Store) of the same company  
Division Manager of Business Control Division of Group Headquarters (in charge of Kyoto Store) and Assistant to General Manager of Kyoto Store of the same company  
Director and Senior Executive General Manager of Administration Unit of The Hakata Daimaru, Inc.  
Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)



**KATO Yoichi**  
Audit & Supervisory Board Member  
Date of birth: April 13, 1955  
Number of the Company's shares held: 3,054

Apr 1978  
Mar 2000  
Mar 2006  
Mar 2008  
Sep 2008  
Mar 2012  
May 2015

Joined Matsuzakaya Co., Ltd.  
Manager of Staff Training of Training Department of Administration Unit of Nagoya Business Division of the same company  
Manager of Human Resources Department of Human Resources and Administration Division of Administration Management Headquarters of the same company  
Senior General Manager of Planning Staff Division of Nagoya Store and Senior General Manager of Store Administration Management Staff Division of Administration Management Headquarters of the same company  
Senior General Manager of Administration Promotion Division of Nagoya Store of the same company  
Division Manager of Out-of-Store Sales Management Division of Nagoya Store of Daimaru Matsuzakaya Department Stores Co., Ltd.  
Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)



**TSURUTA Rokuro**  
Outside Audit & Supervisory Board Member  
Date of birth: June 16, 1943  
Number of the Company's shares held: 3,600

Apr 1970  
Apr 2005  
Jun 2006  
Jul 2006  
Oct 2006  
May 2007  
Jun 2007  
Sep 2007  
Apr 2009  
Jun 2010  
Jun 2012

Public Prosecutor of Tokyo District Public Prosecutors Office  
Superintending Prosecutor of Nagoya High Public Prosecutors Office  
Retired from the same office  
Registered as attorney at law  
Professor at Chiba University Law School  
Outside Audit & Supervisory Board Member of The Daimaru, Inc.  
Outside Director of Teikoku Piston Ring Co., Ltd. (present TPR Co., Ltd.) (present)  
Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)  
Professor at Surugadai University Law School  
Outside Audit & Supervisory Board Member of Mitsubishi Chemical Holdings Corporation  
Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. (present)



**ISHII Yasuo**  
Outside Audit & Supervisory Board Member  
Date of birth: September 4, 1947  
Number of the Company's shares held: 400

Apr 1970  
Jun 2000  
Jan 2001  
Mar 2003  
Jun 2003  
Jun 2004  
Apr 2005  
Jun 2008  
Jun 2011  
Jun 2013  
May 2015

Joined Yamanouchi Pharmaceutical Co., Ltd.  
Director of the Board and Director of Ethical Products Marketing Department of Sales & Marketing Division of the same company  
Director of the Board of the same company and Chairman of Yamanouchi Europe B. V.  
Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. and Chairman of Yamanouchi U.K. Limited and Chairman of Yamanouchi Europe B. V.  
Managing Director of the Board of Yamanouchi Pharmaceutical Co., Ltd.  
Senior Corporate Executive of the same company  
Senior Corporate Executive of Astellas Pharma Inc. and Chairman & CEO of Astellas Pharma Europe Ltd.  
Executive Vice President and Representative Director of Astellas Pharma Inc.  
Vice Deputy Chairman and Representative Director of the same company  
Retired from the same office  
Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)



**NISHIKAWA Koichiro**  
Outside Audit & Supervisory Board Member  
Date of birth: July 12, 1947  
Number of the Company's shares held: 200

Apr 1970  
Aug 1995  
Jun 2001  
Apr 2003  
Jun 2003  
Jan 2006  
Apr 2007  
Apr 2010  
Apr 2012  
Mar 2013  
Mar 2014  
May 2015

Joined Hitachi, Ltd.  
Vice President of Hitachi America, Ltd.  
Managing Officer and General Manager of Global Business Development Division of Hitachi, Ltd.  
Manager of Business Development Division of the same company  
Executive Officer and Manager of Business Development Division of the same company  
Vice President and Executive Officer in charge of Business Development of the same company  
Senior Vice President and Executive Officer in charge of Business Development of the same company  
Senior Vice President and Executive Officer of Hitachi Cable, Ltd.  
Senior Advisor of Hitachi Research Institute  
Retired from the same office  
Outside Director of Kyowa Hakko Kirin Co., Ltd. (present)  
Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)

### Executive Officers

<b>IMAZU Takahiro</b>	Senior General Manager of Group Management Strategy Promotion, Management Strategy Unit
<b>MAKITA Takayuki</b>	Senior General Manager of Corporate Governance Promotion, Management Strategy Unit Executive Officer and Senior General Manager of Corporate Governance Promotion Division, Daimaru Matsuzakaya Department Stores Co., Ltd.
<b>TADATSU Takehiko</b>	In charge of Group Organization and Personnel Policy, Management Strategy Unit Executive Officer and Senior General Manager of Human Resources Division, Daimaru Matsuzakaya Department Stores Co., Ltd.
<b>ARISAWA Hisashi</b>	Senior General Manager of Affiliated Business, Affiliated Business Unit
<b>TSUTSUMI Hiroyuki</b>	Senior General Manager of Finance and Accounting, Financial Strategy Unit



# Daimaru Matsuzakaya Department Stores Co. Ltd.

## Corporate Profile

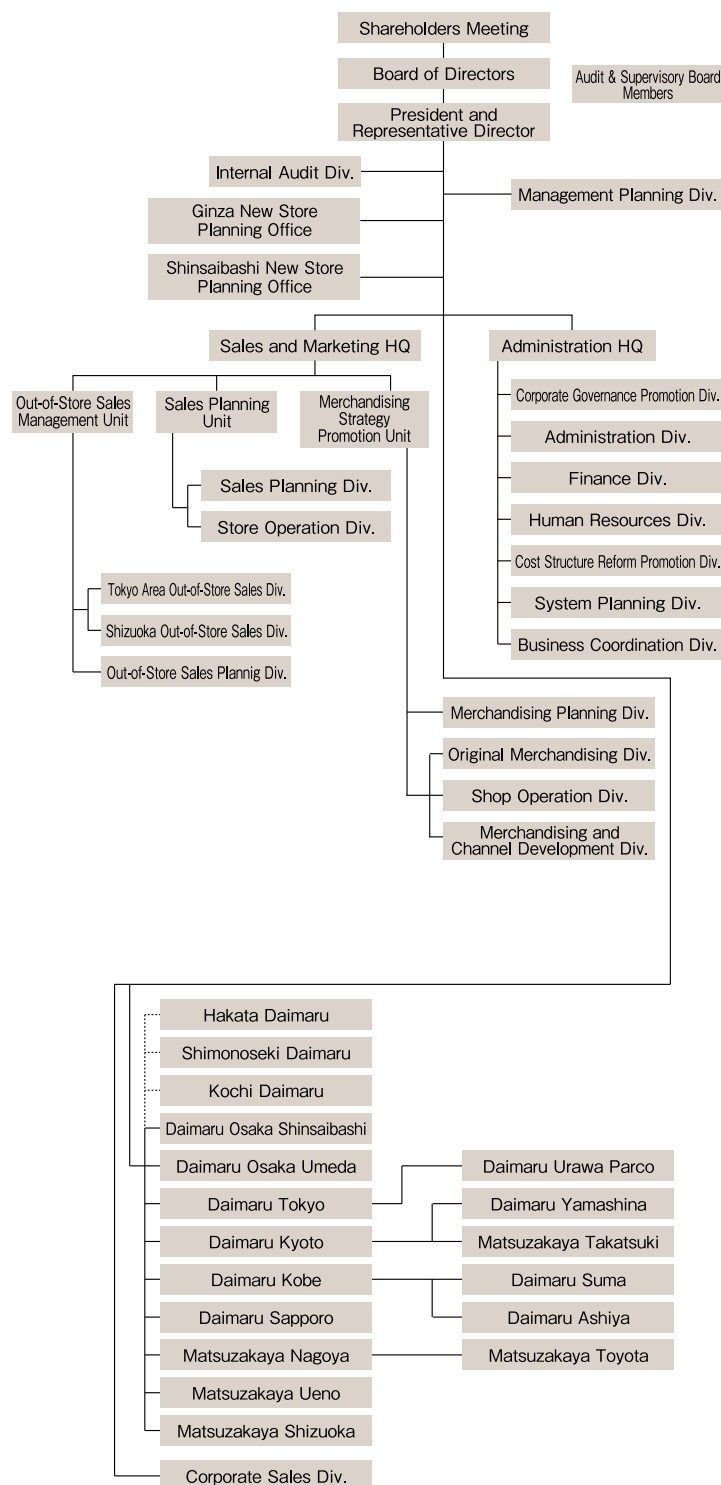
Company name	: Daimaru Matsuzakaya Department Stores Co. Ltd.
Head office	: 18-11, Kiba 2-chome, Koto-ku, Tokyo
Renamed	: March 1, 2010
Capital	: ¥10,000 million
Line of business	: Department store operation
Major shareholder and shareholding ratio	: J. Front Retailing Co., Ltd. 100%
U R L	: <a href="http://www.daimaru-matsuzakaya.com/">http://www.daimaru-matsuzakaya.com/</a>

## Management

President and Representative Director	YOSHIMOTO Tatsuya	Director of J. Front Retailing Co., Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Director and Managing Executive Officer	MURATA Soichi	Senior Executive General Manager of Sales and Marketing Headquarters and Executive General Manager of Merchandising Strategy Promotion Unit
Director and Executive Officer	MATSUDA Hirokazu	Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management
Director and Executive Officer	IMURA Ario	Executive General Manager of Sales Planning Unit and Out-of-Store Sales Management Unit
Audit & Supervisory Board Member	OCHI Bunshiro	
Audit & Supervisory Board Member	KATO Yoichi	
Audit & Supervisory Board Member	ISHII Yasuo	
Audit & Supervisory Board Member	NISHIKAWA Koichiro	
Managing Executive Officer	HARADA Takaharu	Chairman of Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.
Managing Executive Officer	YUNOKI Kazuyo	President and Representative Director of The Hakata Daimaru, Inc.
Executive Officer	YOSHIKAWA Tatsuji	Executive General Manager of Management Planning Division
Executive Officer	HIGUCHI Masaichi	Senior General Manager of Original Merchandising Division
Executive Officer	KATO Toshiaki	Senior General Manager of Shop Operation Division
Executive Officer	MAKITA Takayuki	Senior General Manager of Corporate Governance Promotion Division
Executive Officer	TADATSU Takehiko	Senior General Manager of Human Resources Division
Executive Officer	SAWADA Taro	Executive Store Manager of Daimaru Osaka Shinsaibashi and Executive General Manager of Shinsaibashi New Store Planning Office
Executive Officer	FUJI Hiroko	Executive Store Manager of Daimaru Osaka Umeda
Executive Officer	NISHISAKA Yoshiharu	Executive Store Manager of Daimaru Tokyo
Executive Officer	NIWA Toru	Executive Store Manager of Daimaru Kyoto
Executive Officer	OTA Yukio	Executive Store Manager of Daimaru Kobe
Executive Officer	KAGAWA Akiko	Executive Store Manager of Daimaru Sapporo
Executive Officer	KONDO Yasuhiko	Executive Store Manager of Matsuzakaya Nagoya
Executive Officer	OYAKE Yoshihiro	Senior General Manager of Corporate Sales Division

Note: Ishii Yasuo and Nishikawa Koichiro are Outside Audit & Supervisory Board Members.

## Organization Chart of Daimaru Matsuzakaya Department Stores



(As of May 31, 2016)

## Group Information

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60	Group Companies
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62	Daimaru and Matsuzakaya Department Stores
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63	Parco Stores
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## Group Companies

### Department Store Business

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#### Daimaru Matsuzakaya Department Stores Co. Ltd.

• Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042  
• Capital: ¥10,000 million • Investment ratio: 100%  
<http://www.daimaru-matsuzakaya.com>

##### Daimaru Osaka Shinsaibashi Store

• Location: 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 542-8501  
• Phone: +81-6-6271-1231 • Opened (Present location): November 1726

##### Daimaru Osaka Umeda Store

• Location: 1-1, Umeda 3-chome, Kita-ku, Osaka 530-8202  
• Phone: +81-6-6343-1231 • Opened: April 1983

##### Daimaru Tokyo Store

• Location: 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6701  
• Phone: +81-3-3212-8011 • Opened: October 1954

##### Daimaru Kyoto Store

• Location: 79, Shijo Takakura, Shimogyo-ku, Kyoto 600-8511  
• Phone: +81-75-211-8111 • Opened (Present location): October 1912

##### Daimaru Kobe Store

• Location: 40, Akashimachi, Chuo-ku, Kobe, Hyogo 650-0037  
• Phone: +81-78-331-8121 • Opened (Present location): April 1927

##### Daimaru Sapporo Store

• Location: 7, Nishi 4-chome, Kita 5-jo, Chuo-ku, Sapporo, Hokkaido 060-0005  
• Phone: +81-11-828-1111 • Opened: March 2003

##### Matsuzakaya Nagoya Store

• Location: 16-1, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-8430  
• Phone: +81-52-251-1111 • Opened: March 1910

##### Matsuzakaya Ueno Store

• Location: 29-5, Ueno 3-chome, Taito-ku, Tokyo 110-8503  
• Phone: +81-3-3832-1111 • Opened: April 1768

##### Daimaru Urawa Parco Store

• Location: 1st Basement Fl., Urawa Parco, 11-1, Higashitakasago-cho, Urawa-ku, Saitama 330-0055  
• Phone: +81-48-615-6000 • Opened: October 2007

##### Daimaru Yamashina Store

• Location: 91, Takehana Takenokaido-cho, Yamashina-ku, Kyoto 607-8080  
• Phone: +81-75-255-7365 • Opened: October 1998

##### Daimaru Suma Store

• Location: 2-4, Nakaochiai 2-chome, Suma-ku, Kobe, Hyogo 654-0154  
• Phone: +81-78-791-3111 • Opened: March 1980

##### Daimaru Ashiya Store

• Location: 1-31, Funato-cho, Ashiya, Hyogo 659-0093  
• Phone: +81-797-34-2111 • Opened: October 1980

##### Matsuzakaya Shizuoka Store

• Location: 10-2, Miyuki-cho, Aoi-ku, Shizuoka 420-8560  
• Phone: +81-54-254-1111 • Opened: November 1932

##### Matsuzakaya Takatsuki Store

• Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522  
• Phone: +81-72-682-1111 • Opened: November 1979

##### Matsuzakaya Toyota Store

• Location: 85-1, Nishimachi 6-chome, Toyota, Aichi 471-8560  
• Phone: +81-565-37-1111 • Opened: October 2001

#### The Hakata Daimaru, Inc.

• Location: 4-1, Tenjin 1-chome, Chuo-ku, Fukuoka 810-8717  
• Phone: +81-92-712-8181 • Capital: ¥3,037 million • Investment ratio: 69.9%  
<http://www.daimaru.co.jp/fukuoka/index.html>

#### The Shimonoseki Daimaru, Inc.

• Location: 4-10, Takezaki-cho 4-chome, Shimonoseki, Yamaguchi 750-8503  
• Phone: +81-83-232-1111 • Capital: ¥480 million • Investment ratio: 100%  
<http://shimonoseki.daimaru.co.jp/>

#### Kochi Daimaru Co., Ltd.

• Location: 6-1, Obiyamachi 1-chome, Kochi 780-8566  
• Phone: +81-88-822-5111 • Capital: ¥300 million • Investment ratio: 100%  
<http://www.kochi-daimaru.co.jp/>

#### Tottori Daimaru Co., Ltd.

• Location: 151, Imamachi 2-chome, Tottori 680-8601  
• Phone: +81-857-25-2111 • Capital: ¥180 million • Investment ratio: 14%  
<http://www.daimaru-tottori.co.jp/>

### Parco Business

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#### Parco Co., Ltd. (Shopping complex business)

• Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045  
• Phone: +81-3-3477-5710 • Capital: ¥34,367 million • Investment ratio: 64.9%

#### Parco(Singapore)Pte Ltd (Shopping complex business)

• Location: 10 Anson Road #09-05/06 International Plaza Singapore 079903  
• Phone: +65-6595-9100 • Capital: S\$15 million • Investment ratio: 64.9%

#### Neuve A Co., Ltd. (Retail business)

• Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045  
• Phone: +81-3-5428-2600 • Capital: ¥490 million • Investment ratio: 64.9%

#### Parco Space Systems Co., Ltd. (Space engineering and management business)

• Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045  
• Phone: +81-3-5459-6811 • Capital: ¥490 million • Investment ratio: 64.9%

#### Parco-City Co., Ltd. (Internet-related business)

• Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045  
• Phone: +81-3-3477-8910 • Capital: ¥10 million • Investment ratio: 64.9%

## Wholesale Business

### Daimaru Kogyo, Ltd. (Wholesale and import-export business)

- Location: Yushutsu Senri Kaikan, 4-9, Bingomachi 3-chome, Chuo-ku, Osaka 541-0051
- Phone: +81-6-6205-1000 • Capital: ¥1,800 million • Investment ratio: 100%  
<http://www.daimarukogyo.co.jp/>

### Daimaru Kogyo International Trading (Shanghai) Co., Ltd. (Import-export business)

- Location: 6th Floor, Heng Seng Bank Tower, 1000 Lujiazui Ring Rd., Pudong New Area, Shanghai, China
- Phone: +86-21-6841-3588 • Capital: U.S.\$2 million • Investment ratio: 100%

### Daimaru Kogyo (Thailand) Co., Ltd. (Import-export business)

- Location: Unit 1902, 19th Floor, Sathorn Square Office Building, 98 North Sathorn, Kwaeng Silom, Khet Bangrak, Bangkok 10500, Thailand
- Phone: +66-2163-2903
- Capital: THB102 million • Investment ratio: 100%

### Taiwan Daimaru Kogyo, Ltd. (Import-export business)

- Location: Room 709, No. 142, Sec. 3, Ming Chuan East Road, Taipei 10542, Taiwan, R.O.C.
- Phone: +886-2-2718-7215
- Capital: NT\$60 million • Investment ratio: 100%

## Credit Business

### JFR Card Co., Ltd. (Credit service)

- Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
- Phone: +81-72-686-0108 • Capital: ¥100 million • Investment ratio: 100%  
<http://www.jfr-card.co.jp/>

## Other Businesses

### J. Front Design & Construction Co., Ltd. (Design and construction contracting and manufacture and sale of furniture)

- Location: 36-20, Higashinipori 4-chome, Arakawa-ku, Tokyo 116-0014
- Phone: +81-3-5850-4700
- Location: 5th & 6th Fls., Phoenix Minamisemba Bldg., 1-3, Minamisemba 2-chome, Chuo-ku, Osaka 542-0081
- Phone: +81-6-4705-6200
- Capital: ¥100 million • Investment ratio: 100%  
<http://www.jfdc.co.jp/>

### JFR Online Co. Ltd. (Direct marketing)

- Location: 6th Fl., GLP Osaka, 4-43, Nankominami 2-chome, Suminoe-ku, Osaka 559-0032
- Phone: +81-6-6615-0371 • Capital: ¥100 million • Investment ratio: 100%  
<http://www.jfr-online.co.jp/>

### Dimples' Co., Ltd. (Staffing service)

- Location: 22nd Fl., Osaka Ekimae 4th Bldg., 11-4, Umeda 1-chome, Kita-ku, Osaka 530-0001
- Phone: +81-6-6344-0312 • Capital: ¥90 million • Investment ratio: 100%  
<http://www.dimples.co.jp/>

### J. Front Foods Co., Ltd. (Restaurant)

- Location: 2nd Fl., Daimaru Kitasumiyamachi Bldg., 7-3, Nishishinsaibashi 1-chome, Chuo-ku, Osaka 542-0086
- Phone: +81-6-6281-1125 • Capital: ¥100 million • Investment ratio: 100%  
<http://www.j-frontfoods.co.jp/>

### Daimaru COM Development Inc. (Real estate leasing and tenant service)

- Location: 4th Fl., Daimaru Kitasumiyamachi Bldg., 7-3, Nishishinsaibashi 1-chome, Chuo-ku, Osaka 542-0086
- Phone: +81-6-6245-8481 • Capital: ¥50 million • Investment ratio: 100%

### Consumer Product End-Use Research Institute Co., Ltd. (Merchandise test and quality control)

- Location: 20th & 21st Fls., Edobori Center Bldg., 1-1, Edobori 2-chome, Nishi-ku, Osaka 550-0002
- Phone: +81-6-6445-4670
- Location: 5th Fl., Matsuzakaya Ryutsu Center, 36-20, Higashinipori 4-chome, Arakawa-ku, Tokyo 116-0014
- Phone: +81-3-5615-5390
- Location: 10th Fl., Matsuzakaya Park Place, 2-36, Sakae 5-chome, Naka-ku, Nagoya, Aichi 460-0008
- Phone: +81-52-261-2030
- Capital: ¥450 million • Investment ratio: 100%  
<http://www.shoukaken.jp/>

### JFR Plaza Inc. (General merchandise retail business)

- Location: 6F-2, No. 129, Sec. 2, Chung Shan North Road, Taipei, Taiwan
- Capital: NT\$185 million • Investment ratio: 90%

### Forest Co., Ltd. (Direct marketing)

- Location: 3rd Fl., Omiya Prime East, 1-1, Shimocho 2-chome, Omiya-ku, Saitama 330-0844
- Phone: +81-48-610-0100 • Capital: ¥90 million • Investment ratio: 72.9%  
<http://www.forest.co.jp/>

### Angel Park Co., Ltd. (Parking)

- Location: 16-10, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-0008
- Phone: +81-52-261-5746 • Capital: ¥400 million • Investment ratio: 50.2%  
<http://www.angelpark.co.jp/>

### JFR Information Center Co., Ltd. (Information service)

- Location: 3-24, Osaka 1-chome, Tennoji-ku, Osaka 543-0062
- Phone: +81-6-6775-3700 • Capital: ¥10 million • Investment ratio: 100%  
<http://www.jfr-ic.jp/>

### JFR Office Support Co., Ltd. (Commissioned back-office service)

- Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
- Phone: +81-72-681-7245 • Capital: ¥100 million • Investment ratio: 100%

### JFR Service Co. Ltd. (Leasing and parking management)

- Location: 2nd Fl., Matsuzakaya Ryutsu Center, 36-20, Higashinipori 4-chome, Arakawa-ku, Tokyo 116-0014
- Phone: +81-3-5615-3317 • Capital: ¥100 million • Investment ratio: 100%

### JFR Consulting Co. Ltd. (Consulting)

- Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042
- Phone: +81-3-3820-1741 • Capital: ¥100 million • Investment ratio: 100%  
[http://www.j-front-retailing.com/jfr\\_con/](http://www.j-front-retailing.com/jfr_con/)

### Daimaru Matsuzakaya Sales Associates Co. Ltd. (Commissioned sales operations)

- Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
- Phone: +81-72-684-8145 • Capital: ¥90 million • Investment ratio: 100%

### Daimaru Matsuzakaya Tomonokai Co., Ltd. (Specified prepaid transaction service)

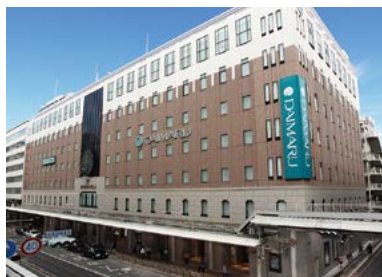
- Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
- Phone: +81-72-684-8101 • Capital: ¥100 million • Investment ratio: 100%  
<http://www.dmtomonokai.co.jp/>



## Daimaru and Matsuzakaya Department Stores



Daimaru Osaka Shinsaibashi (Floor space: 46,490m<sup>2</sup>)  
\*The new main building is scheduled to open in fall 2019.



Daimaru Kyoto (Floor space: 50,830m<sup>2</sup>)



Daimaru Urawa Parco  
(Floor space: 4,000m<sup>2</sup>)



Hakata Daimaru Fukuoka Tenjin  
(Floor space: 44,192m<sup>2</sup>)



Daimaru Osaka Umeda (Floor space: 64,000m<sup>2</sup>)



Daimaru Kobe (Floor space: 50,656m<sup>2</sup>)



Daimaru Yamashina (Floor space: 5,403m<sup>2</sup>)



Shimonoseki Daimaru (Floor space: 23,912m<sup>2</sup>)



Daimaru Suma (Floor space: 13,076m<sup>2</sup>)



Kochi Daimaru (Floor space: 16,068m<sup>2</sup>)



Daimaru Tokyo (Floor space: 46,000m<sup>2</sup>)



Daimaru Sapporo (Floor space: 45,000m<sup>2</sup>)



Daimaru Ashiya (Floor space: 4,300m<sup>2</sup>)



Tottori Daimaru (Floor space: 13,637m<sup>2</sup>)



Matsuzakaya Nagoya (Floor space: 86,758m<sup>2</sup>)



Matsuzakaya Takatsuki (Floor space: 17,387m<sup>2</sup>)



Matsuzakaya Toyota (Floor space: 18,220m<sup>2</sup>)



Matsuzakaya Ueno (Floor space: 20,888m<sup>2</sup>) \*The new south wing is scheduled to open in fall 2017.



Matsuzakaya Shizuoka (Floor space: 25,452m<sup>2</sup>)



Ginza Area Redevelopment  
\*Subject to change  
[Commercial facilities are scheduled to open in April 2017.]

## Overseas Offices and Company

### New York Representative Office

52 Vanderbilt Avenue, #904 New York, N.Y. 10017, U.S.A.  
Phone : +1-212-681-8725

### Shanghai Representative Office

Huaxin Haixin Building 13F Rm-B2, 666 Fuzhou Rd, Shanghai 200001, China  
Phone : +86-21-6248-1538

Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.  
Huaxin Haixin Building 13F Rm-B1, 666 Fuzhou Rd, Shanghai 200001, China  
Phone : +86-21-6248-1538

### Paris Representative Office

21 rue Auber, 75009 Paris, France  
Phone : +33-1-4574-2151

### Milan Representative Office

Conservatorio 22 Business Center, Via Conservatorio 22, 20122 Milan, Italy  
Phone : +39-02-77291



# Parco Stores

## Urban complexes



### Sapporo Parco

3-3, Minami 1-jo Nishi, Chuo-ku, Sapporo, Hokkaido  
B2F-8F  
Opened: August 24, 1975  
[www.parco-sapporo.com](http://www.parco-sapporo.com)



### Sendai Parco

1-2-3, Chuo, Aoba-ku, Sendai, Miyagi  
B1F-9F  
Opened: August 23, 2008  
[www.parco-sendai.com](http://www.parco-sendai.com)



### Shizuoka Parco

6-7, Koyamachi, Aoi-ku, Shizuoka  
B1F-8F  
Opened: March 15, 2007  
[www.parco-shizuoka.com](http://www.parco-shizuoka.com)



### Shibuya Parco

15-1, Udagawa-cho, Shibuya-ku, Tokyo  
Part 1: B1F-9F  
Opened: June 14, 1973  
Part 3: B1F-8F  
Opened: September 10, 1981  
Club Quattro: 4F-5F  
Opened: June 28, 1988  
Zero Gate: B1F-4F  
Opened: April 27, 2002  
From April 16, 2011, it changed its business format to Zero Gate business.  
[www.parco-shibuya.com](http://www.parco-shibuya.com)



### Ikebukuro Parco

1-28-2, Minami-Ikebukuro, Toshima-ku, Tokyo  
Main Building: B2F-8F  
Opened: November 23, 1969  
P' Parco: B2F-8F  
Opened: March 10, 1994  
[www.parco-ikebukuro.com](http://www.parco-ikebukuro.com)



### Nagoya Parco

3-29-1, Sakae, Naka-ku, Nagoya, Aichi  
West Building: B1F-11F  
East Building: B1F-8F  
Opened: June 29, 1989  
South Building: B1F-10F  
Opened: November 6, 1998  
[www.parco-nagoya.com](http://www.parco-nagoya.com)



### Hiroshima Parco

10-1, Hondori, Naka-ku, Hiroshima  
Main Building: B1F-10F  
Opened: April 9, 1994  
New Building: B1F-9F  
Opened: September 21, 2001  
[www.parco-hiroshima.com](http://www.parco-hiroshima.com)



### Fukuoka Parco

2-11-1, Tenjin, Chuo-ku, Fukuoka  
Main Building: B1F-8F  
New Building: B2F-6F  
Opened: March 19, 2010  
[www.parco-fukuoka.com](http://www.parco-fukuoka.com)

## Community complexes



### Utsunomiya Parco

3-1-1, Baba-dori, Utsunomiya, Tochigi  
B1F-10F  
Opened: March 20, 1997  
[www.parco-utsunomiya.com](http://www.parco-utsunomiya.com)



### Urawa Parco

11-1, Higashitakasago-cho, Urawa-ku, Saitama  
B1F-7F  
Opened: October 10, 2007  
[www.parco-urawa.com](http://www.parco-urawa.com)



### Chiba Parco

2-2-2, Chuo, Chuo-ku, Chiba  
B1F-8F  
Opened: December 1, 1976  
[www.parco-chiba.com](http://www.parco-chiba.com)



### Tsudanuma Parco

2-18-1, Maebaranishi, Funabashi, Chiba  
A Building: B1F-6F  
B Building: B1F-6F  
Opened: July 1, 1977  
[www.parco-tsudanuma.com](http://www.parco-tsudanuma.com)



### Shintokorozawa Parco

1-2-1, Midori-cho, Tokorozawa, Saitama  
Parco: B1F-5F  
Let's: B1F-4F  
Opened: June 23, 1983  
[www.parco-shintokorozawa.com](http://www.parco-shintokorozawa.com)



### Hibiya Parco

1-1-1, Hibiya, Nishi-ku, Tokyo  
B1F-5F  
Opened: October 8, 1993  
[www.parco-hibiya.com](http://www.parco-hibiya.com)



### Kichijoji Parco

1-5-1, Kichijojihoncho, Musashino, Tokyo  
B2F-8F  
Opened: September 21, 1980  
[www.parco-kichijoji.com](http://www.parco-kichijoji.com)



### Chofu Parco

1-38-1, Kojima-cho, Chofu, Tokyo  
B1F-10F  
Opened: May 25, 1989  
[www.parco-chofu.com](http://www.parco-chofu.com)



### Matsumoto Parco

1-10-30, Chuo, Matsumoto, Nagano  
B1F-6F  
Opened: August 23, 1984  
[www.parco-matsumoto.com](http://www.parco-matsumoto.com)



### Otsu Parco

14-30, Uchidehama, Otsu, Shiga  
1F-8F  
Opened: November 2, 1996  
[www.parco-otsu.com](http://www.parco-otsu.com)



### Kumamoto Parco

5-1, Totorihoncho, Chuo-ku, Kumamoto  
B1F-9F  
Opened: May 2, 1986  
[www.parco-kumamoto.com](http://www.parco-kumamoto.com)

## Zero Gate business

[www.parco.co.jp/group/zerogate/](http://www.parco.co.jp/group/zerogate/)



### Shibuya Zero Gate

15-1, Udagawa-cho, Shibuya-ku, Tokyo  
B1F-4F  
Opened: April 16, 2011

### Shinsaibashi Zero Gate

1-9-1, Shinsaibashisuji, Chuo-ku, Osaka  
B2F-4F  
Opened: April 13, 2013

### Dotonbori Zero Gate

1-8-22, Dotonbori, Chuo-ku, Osaka  
1F-3F  
Opened: April 20, 2013

### Hiroshima Zero Gate

2-7, Shintenchu, Naka-ku, Hiroshima  
B1F-14F  
(Floors that are leased to Parco: 1F-3F)  
Opened: October 10, 2013

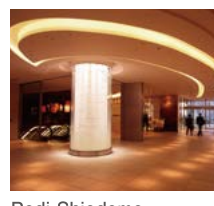
### Nagoya Zero Gate

3-28, Sakae, Nagoya, Aichi  
Opened: October 10, 2014

### Sapporo Zero Gate

3-15-1, Minami 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido  
B2F-4F  
Opened: February 26, 2016

## Other store



### PEDI SHIODOME

1-9-1, Higashishinbashi, Minato-ku, Tokyo  
B2F-B1F, 2F  
Opened: February 16, 2005  
[www.pedi-s.com](http://www.pedi-s.com)

## Share Information

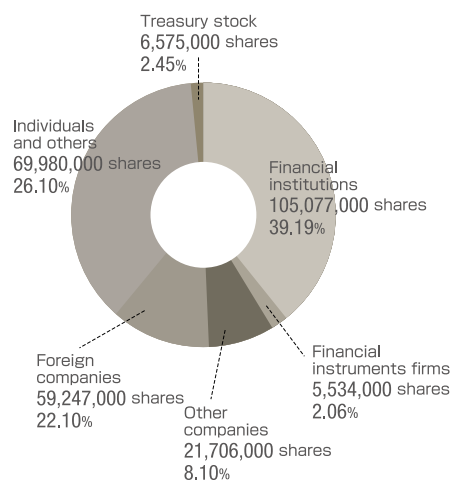
### ■ Status of Shares (As of February 29, 2016)

Number of shares authorized	: 1,000,000,000 shares
Number of shares issued	: 268,119,164 shares
Stock code	: 3086
Stock exchange listings	: Tokyo and Nagoya
Transfer agent	: Mitsubishi UFJ Trust and Banking Corporation
Number of shareholders	: 86,095

Major shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
1 The Master Trust Bank of Japan, Ltd. (Trust Account)	15,914	6.08
2 Japan Trustee Services Bank, Ltd. (Trust Account)	13,583	5.19
3 Nippon Life Insurance Company	9,828	3.75
4 Trust & Custody Services, Ltd. (Investment Trust Collateral Account)	7,565	2.89
5 J. Front Retailing Kyoei Supplier Shareholding Association	6,318	2.41
6 The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,250	2.38
7 The Dai-ichi Mutual Life Insurance Company	5,732	2.19
8 Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,666	1.40
9 State Street Bank West Client - Treaty 505234 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	3,348	1.28
10 Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	3,204	1.22

Note: Shareholding ratio is calculated by deducting treasury stock (6,575,000 shares).

Distribution by shareholder type	Number of shareholders (Persons)	Number of shares (1,000 shares)	Percentage (%)
■ Government and local public entities	—	—	—
■ Financial institutions	81	105,077	39.19
■ Financial instruments firms	41	5,534	2.06
■ Other companies	816	21,706	8.10
■ Foreign companies	497	59,247	22.10
■ Individuals and others	84,659	69,980	26.10
■ Treasury stock	1	6,575	2.45









**J. FRONT RETAILING**

