Annual Review 2009

J. FRONT RETAILING NOW

Year ended February 28, 2009

J. FRONT RETAILING NOW

CONTENTS

Cautionary statement regarding forward-looking statements:
Forward-looking statements in this 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.

Financial Highlights

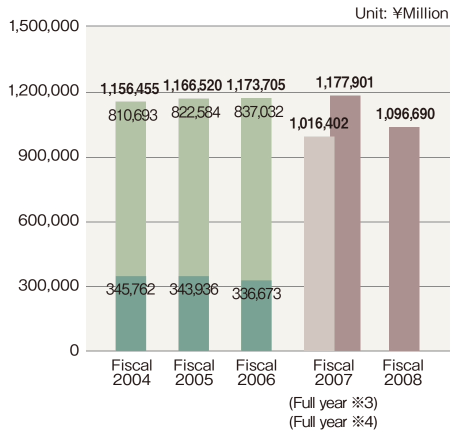
J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 28, 2009 and February 29, 2008 or at February 28, 2009 and February 29, 2008

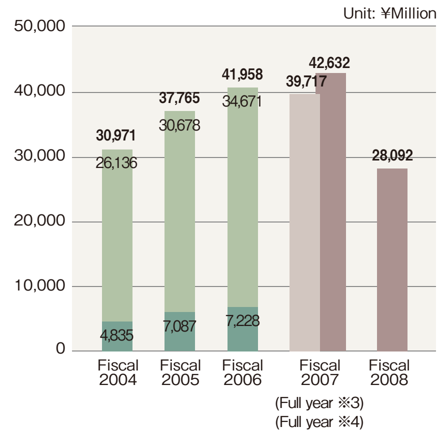
	Millions of yen (Except where otherwise indicated)			Thousands of U.S. dollars (Except where otherwise indicated)
	Fiscal 2008	Fiscal 2007 (Annual real terms)	Fiscal 2007	Fiscal 2008
Business results				
Sales	**¥1,096,690**	¥1,177,901	¥1,016,402	**$11,212,453**
Gross profit	**269,282**	291,115	251,301	**2,753,113**
Operating income	**28,092**	42,632	39,717	**287,210**
Ordinary income	**28,289**	43,151	39,812	**289,224**
Net income	**7,170**	23,404	20,538	**73,305**
Selling, general and administrative (SG & A) expenses	**241,189**	248,482	211,583	**2,465,893**
Financial condition				
Total assets	**776,616**	-	805,375	**7,940,047**
Shareholders' equity	**307,861**	-	307,823	**3,147,541**
Net assets	**316,268**	-	315,854	**3,233,494**
Interest-bearing debt	**94,677**	-	103,042	**967,969**
Condition of cash flows				
Net cash provided by operating activities	**22,686**	30,912	27,796	**231,939**
Net cash provided by investing activities	**(11,676)**	4,210	5,792	**(119,374)**
Net cash used in financing activities	**(13,510)**	(41,015)	(39,309)	**(138,125)**
Per share information (unit: ¥/$)				
Net income	**¥13.56**	-	¥45.74	**$0.14**
Net assets	**¥582.27**	-	¥581.97	**$5.95**
Cash dividends (Non-consolidated)	**¥8.0**	-	¥4.5 (Note)	**$0.08**
Financial indicators (unit: %)				
Gross margin	**24.55%**	24.71%	24.72%	-
Ratio of SG & A expenses to sales	**22.0%**	21.1%	20.8%	-
Operating margin	**2.6%**	3.6%	3.9%	-
Return on assets (ROA)	**3.6%**	5.3%	4.9%	-
Return on equity (ROE)	**2.3%**	7.6%	6.7%	-
Return on Investment (ROI)	**7.0%**	10.5%	9.7%	-
Shareholders' equity ratio	**39.6%**	38.2%	38.2%	-

*1 U.S. dollar figures are for reference only. They are translated from yen, at the rate of ¥97.81=U.S.$1 as of February 28, 2009 and rounded to the nearest U.S.$1,000.
*2 The amounts for fiscal 2007 (annual real terms) are the consolidated figures of the business results of Daimaru Group and Matsuzakaya Group for the year from March 1, 2007 to February 28, 2008.
*3 Net income per share for fiscal 2007 is based on the average number of shares outstanding calculated by deeming that the Company was established on March 1, 2007. The figures in annual real terms were calculated in the same way.
*4 Net income, operating income and ordinary income are used to calculate ROE, ROA and ROI respectively.
*5 Year-end shareholders' equity, total assets and capital invested are used to calculate ROE, ROA and ROI for fiscal 2007.
(Note) Daimaru and Matsuzakaya Holdings paid interim dividends of ¥6 and ¥3.50 per share respectively.

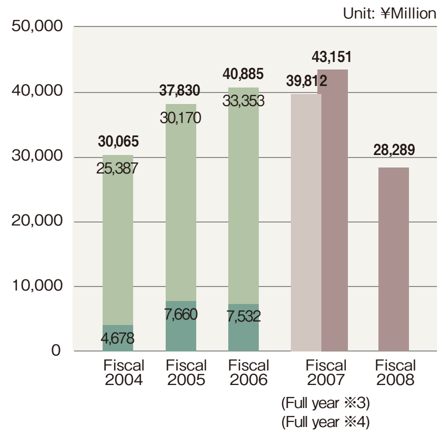
Sales



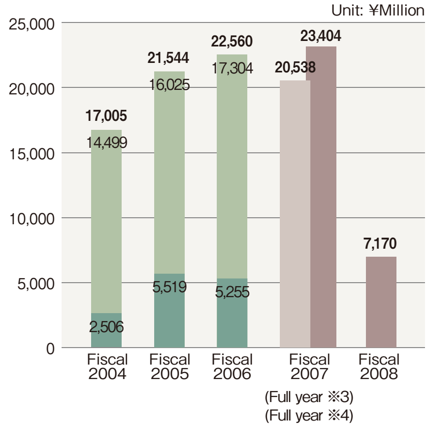
Operating Income



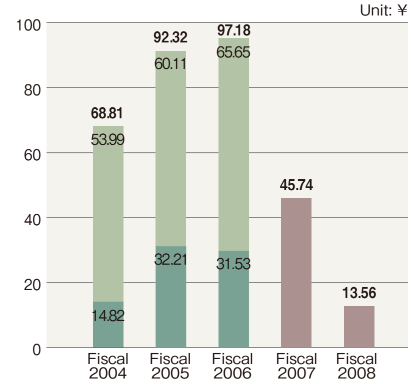
Ordinary Income



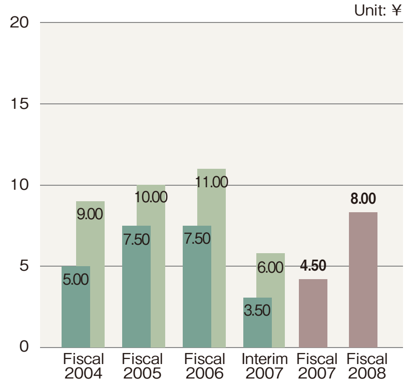
Net Income



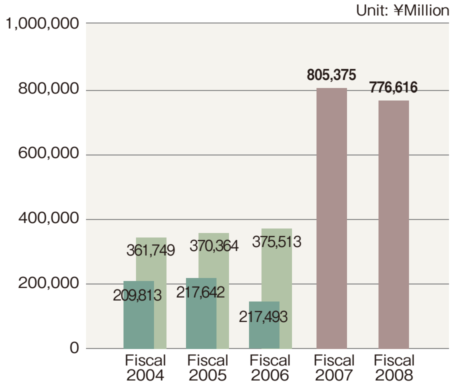
Net Income per Share



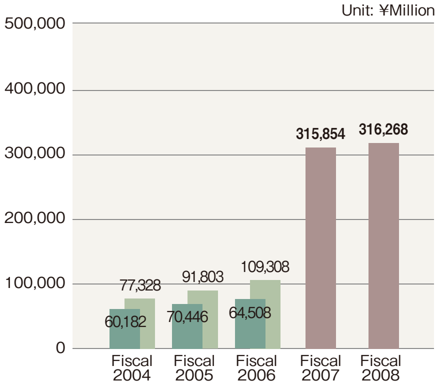
Cash Dividends per Share (Non-Consolidated)



Total Assets



Net Assets



Daimaru
Matsuzakaya Holdings
JFR

※1 The figures of Matsuzakaya Holdings for and before fiscal 2005 are the consolidated figures of Matsuzakaya Group before its transition to holding company.
※2 Sales of Daimaru for and before fiscal 2006 include other operating revenue.
※3 According to the accounting standard for business combinations, Daimaru Group and Matsuzakaya Group consolidated the financial results for the full year and the second half respectively.
※4 Concerning the performance of Matsuzakaya Group, the consolidated figures for the full year are stated for information purposes.

Implementing Drastic Management Reforms to Develop a New Department Store Business Model.

Now department stores are at a "historic turning point."

The current department store slump is fundamentally attributable to their own structural issues such as the "weak response capabilities to the market" and the "high-cost and low-profit structure" rather than the impact of rapidly deteriorating macroeconomic environment. It seems to be difficult for department stores even to survive, let alone grow in the future, as long as they continue to rely on the existing department store business model.

In this context, J. Front Retailing (JFR) seriously addresses the "development of a new department store business model" with a focus on the "improvement of marketing capabilities" and the "innovation in business operation structure" to revitalize the core department store business of the Group.

We aim to create an "urban lifestyle store" with a new operation model based on "popular appeal" and "lifestyle suggestions" as the fundamentals of department stores. To this end, we shift our operational focus from the past "merchandising-driven retailer type" ideas to the "creation of the appeal of stores as commercial facilities centered on marketing" and tackle the following three important tasks.

The first task is to "improve marketing capabilities and establish store strategies."

In the second half of fiscal 2008, JFR expanded its Marketing Planning Promotion Division to strengthen the function of planning basic measures to respond to market and customer changes mainly in department store business.

Particularly, in order to enhance store competitiveness in each area, which is our greatest challenge, we speed up joint efforts with our department stores to develop store strategies based on a detailed area marketing analysis. Beginning with Daimaru Kobe and Shinsaibashi stores and Matsuzakaya Nagoya and Ueno stores, we are developing store strategies based on market strategies and competition strategies through an area marketing analysis and will expand into other stores.

With the diversification of customers' purchasing channel choices, we will strengthen click-and-mortar business that aims to create a synergy effect between Internet sales and store sales to attract customers who do not shop in our physical stores and boost sales of the products that are not offered in our physical stores.

In the meantime, amid increasingly fierce competition, it is very important in terms of marketing strategy to expand the base of the identifiable customers who hold our own company-branded cards and build effective CRM. Mainly in our stores, we will increase customers holding our cards through company-wide campaigns and other measures to make our stores more attractive and consequently expand our customer base.

The second task is to "establish a store operation structure that enables both the development of stronger market response capabilities and low-cost management."

Daimaru is leading JFR's effort to "establish a new business operation structure" mainly for stores. Under this new structure, sales floor operation is divided into two types including "shop operation" and "independent operation" to be based on their respective different features.

Utilizing the strengths of each type and based on the floor classification meeting new customer needs, mainly in shop operation type sections, we will accelerate the renewal and replacement of brands and shops through the introduction of the best ones that will attract attention and popularity from customers, mix and scrapping and building. Thus we will improve the response to new market to maintain and enhance our appeal as commercial facilities.

As part of our specific efforts, we already began to introduce new shops to shop operation type sections without being constrained by the existing suppliers and will expand such shops into all our department stores based on store strategies to bolster low- to mid-priced offerings, which are in particularly strong demand from customers.

At the same time, in order to help implement these measures, we will develop highly skilled professionals, compile operating procedures in a manual for efficient operation, and improve information systems to support the streamlining of operations.

The third task is to "promote low-cost and high-efficiency management to increase human productivity."

The shift to a new department store model will significantly change our sales floor operation management.

First, we will shift our focus from sales to profit. It was reasonable to aim to maximize sales during the days when sales were steadily increasing. However, in the present day when sales are shrinking, the shift from sales orientation to profit orientation is needed to improve the motivation of our sales staff.

Second, operations organization and personnel structure will be radically overhauled to seek an increase of human productivity. We are planning a drastic overhaul of company-wide business operations, organizations and personnel planning including administrative support such as out-of-store sales, general affairs, human affairs and accounting in conjunction with the above-mentioned overhaul of sales floor operations through the building of a new department store model. Aiming to achieve the highly productive department store operation by a few select people, which involves changes in our way of thinking and working, we will pursue further low-cost operation.

In addition to these three business challenges, the integration of Daimaru and Matsuzakaya into one company will constitute one of the main pillars of our business structure reforms.

In March 2010, our department store businesses will be integrated into one company a year ahead of the original schedule. This will unify the management implementation structure and speed up decision-making, as well as significantly reducing duplication of organizational functions, with the aim of achieving high-efficiency and low-cost management.

We are also in the process of integrating the merchandise departments of the two companies' headquarters. In March 2009, women's accessories and children's wear departments were integrated, while women's wear departments, men's wear and accessories departments and foodstuff departments will be integrated in September 2009 and the integration of the remaining home furnishings departments and art work, kimono and jewelry departments will be completed in March 2010.

In fiscal 2009, we will manage our company based on the assumption that we will be placed under an extremely severe business environment that we have never experienced before. We will devote all our energies to "building a new department store business model" toward corporate survival and recovery and focus on "minimizing sales shrinkage and dramatically reducing costs," which is our greatest challenge for the year. And it is in these hard times that we aim to provide high quality management that can meet the expectations of all our stakeholders including customers and shareholders and fulfill our corporate social responsibility.

June 2009

Tsutomu Okuda
President and CEO

"We Need to Structurally Change the Framework of Department Store Business at This 'Historic Turning Point.'"

Tsutomu Okuda, President and CEO

Overview of operating results for fiscal 2008

Q Would you outline consolidated operating results for fiscal 2008?

A Consolidated sales of J. Front Retailing Group slightly increased compared with the forecast announced at the third quarter results presentation in January 2009 (an increase of ¥690 million and 0.1%). Thanks to the efforts to further reduce costs, operating income, ordinary income and net income increased by ¥3,090 million (12.4%), ¥2,990 million (11.8%) and ¥1,170 million (19.5%) respectively. However, that resulted in a fall of 6.9% in income and only reduced the range of decrease in operating income, ordinary income and net income.

The main cause of poor results is sluggish sales of department stores that account more than 70% of the total sales of the Group. Sales and operating income of department store business decreased by 7.0% and 36.6% respectively for the full year and dropped by 11.0% and 49.7% respectively for the second half of the year because a decline in consumer confidence was further accelerated and sales of clothing, branded accessories and big-ticket items, which have been the strong items of department stores, were poorer than expected. Particularly, a great slump in sales of the main stores in Shinsaibashi, Kobe and Nagoya affected the performance.

These are partly due to rapid changes in the macro environment, but the greater cause is the structural factors of department stores. We acknowledge that department stores are at the very "historic turning point."

Department stores at a "historic turning point"

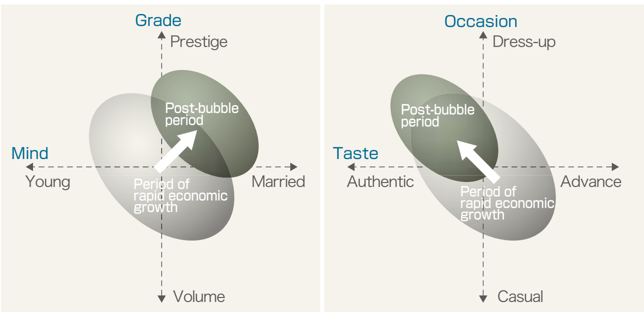
Q What is behind the fact that a department store business model is facing a "historic turning point"?

A The structural issues of department stores — "weak market response capabilities and high-cost structure" — have two main causes. One is "weak marketing mind as business quality and fundamental marketing strategy error."

"The goods on their shelves moved well without making an effort" in the period of rapid economic growth, which created the "supplier-dependent quality of companies" with weak "change response capabilities," "outer-directedness" and "thinking power." Department stores in Japan are different from in Europe and the U.S., and particularly, they differ radically in a business model from the U.S. department stores. Due to their basic business structure, the sales activities of Japanese department stores have been based on popular appeal and targeted a wide range of customers in terms of age, income and lifestyle.

With a view to catering to customers' various demands, their prices ranged from low to the highest and their product lineup included fashion, living and food products for occasions ranging from casual to dress-up to formal and with tastes varying from authentic to advance. At the same time, they have survived by responding to the changing times and customers and the characteristics of the local market and taking advantage of small inventory risk while balancing well and changing flexibly the weight of each of these factors.

However, after the bubble economy heyday in the late 1980s, they lost balance and they were excessively shifted to "high prices" and "clothing, the middle-aged, high-income persons, authentic and dress-up." That made them rigid and weakened their response capabilities to changes in consumers' values and lifestyles.



Changes in merchandise mix from the period of rapid economic growth to the post-bubble period

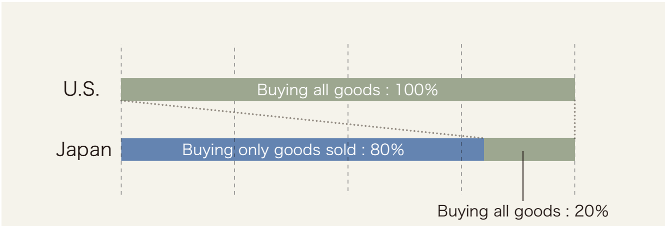
Q Do you mean that department stores themselves moved away from the "public" ?

A As a result, department stores lacked variation and individuality for consumers and "went beyond their reach" with high-priced offerings and little dailiness.

The second cause is "Japan's unique forms and ways of operating sales floors."

Unlike in other countries, department store sales structure in Japan is very unique. It consists of "shop operation type sections" with a sales share of 80% where the purchase of most goods is recorded only when they are sold and "independent operation type sections" with a sales share of 20% that are operated in American retail way of "purchasing and independent selling."

These two operation forms seem almost the same for



Difference in sales operation forms between Japan and U.S.

customers. Seen from the viewpoint of corporate management, however, they are "close but not the same." They are greatly different in "business operation process, the division of responsibilities and authorities between suppliers and department stores, merchandise information system, personnel planning and distribution, knowledge and skills required for staff and profit structure centered on margins and costs."

They also significantly differ in the concrete ways to respond to changes in the market. "Shop operation" type sections respond at the brand level while "independent operation" ones at the item or SKU level. Partly due to the historic background of Japanese department stores, however, the distinction between these two operation types remain unclear and they have been mixed up as if they were the same. This is one of the major factors that caused "weak market response capabilities" and "high cost structure" with low human productivity.

In addition, since fresh and attractive products that customers want and the items and brands that "sell well" in department stores generally have low margins, it is difficult to introduce them in the high cost structure. It caused a vicious cycle between the "poor assortment of items and brands that customers want in department stores" and the "high cost structure," which led to "loss of customers."

The performance of department stores will never recover until these structural issues are resolved, even if the economic environment improves in the future. We believe that we will see a completely different landscape when we go through a tunnel of the current global recession.

Development of new department store business model

Q What new department store business model will you develop to resolve these issues?

A In the second half of last year, J. Front Retailing initiated a full effort to develop a new department store model with a focus on the "improvement of marketing capabilities" and the "innovation of business operation structure" to revive department stores.

Our target image of a department store is an "urban lifestyle store" that adopts a new operation model.

For this purpose, we will basically shift our focus from the past "merchandising-driven retailer type" to the "creation of the appeal of stores as commercial facilities centered on marketing." We will "widely define customers, merchandise mix, price structure, tastes and occasions" based on "popular appeal" and "lifestyle proposing industry" as the fundamentals of department stores to determine their weights according to changes in customer needs and regional characteristics.

We will develop clear strategies for individual stores that place top priority on competition strategies in the local markets and effectively combine the factors including "merchandise, brands, software and hardware services, sales promotion and sales floor environment" based on these strategies to "create attractive stores that customers choose to visit."

In the meantime, we will focus on "quick response to the changes of the times" by always providing fresh information and suggestions, "appropriate fashionability," "good taste," "acceptable prices," "high quality services" and "exciting sales promotion" as well as further leveraging the strengths of department stores including "security, safety, high quality and trust." At the same time, we will establish a "business operation structure that can realize them with high efficiency and at low cost."

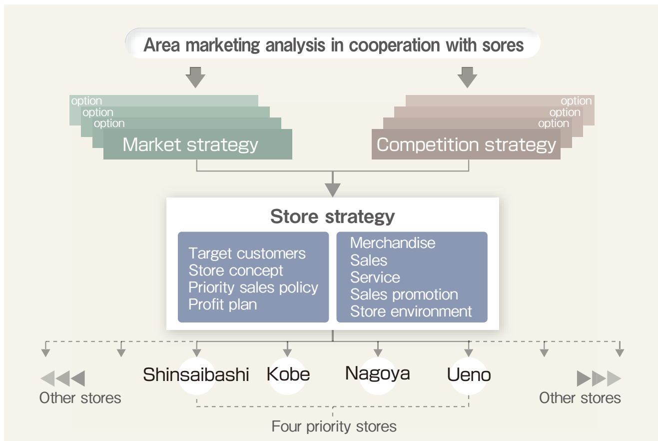
"Improvement of marketing capabilities and establishment of store strategies"

Q Would you specify the improvement of marketing capabilities?

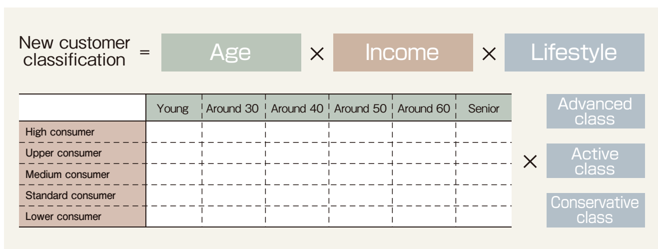
A **Development of new store strategies**

In order to meticulously respond to changes of customers on a daily basis, we need to clarify store strategies to define "to whom, what and how we should offer," that is, what products and services we should offer in what store environment and with what sales promotion to respond to what customer demands through regional analysis and increase competitiveness.

In developing store strategies, we will specify the target customers, store concept and image, priority sales policy and profit plan of each store. By integrating sales activities including products, sales, services, sales promotion and store environment in line with store concept, we will create step-by-step unique and competitive stores that fit the regional characteristics.



Particularly, we attach importance to "quantitative" analysis with a combination of the three axes such as "age, income and lifestyle" as well as traditional qualitative analysis to analyze and define target customers. We will "widely" determine the target customers of each store by weighting according to regional characteristics. And each sales department will offer finely-tuned products and services to meet the demands of each target customer cluster.



We are developing new store strategies for priority stores including Daimaru Kobe and Shinsaibashi stores and Matsuzakaya Nagoya and Ueno stores, and then other stores.

The market research of our stores revealed many problems in responding to the market. For example, though more than 60% of people who visit Shinsaibashi area in Osaka are 35 years old or younger, Daimaru Shinsaibashi store fails to attract many of them with the shares of sales on Daimaru-branded cards to its customers in their 30s and 20s of 16.5% and 7.8% respectively. Though Daimaru Kobe store has many identifiable customers aged around 30, the number of which accounts for 23% of the total, their sales share is 16%, seven percentage points lower. The purchase rates of cosmetics and confectionary are high, but that of women's clothing is as low as about 30%. While analyzing these actual conditions and reflecting them in store strategies, we will set a timeline to remodel and improve merchandise mix, assortment and pricing policy.

Q Customers' purchasing channels are not only real stores but their choices are diversified. Among them,Internet sales seem important.

A

Click-and-mortar business

The strengthening of Internet business is essential to attract customers who do not shop in our stores and to increase sales of the products that are not offered in our stores.

One of our unique approaches is an Internet cosmetics shopping site "Marucollet." Traditionally, department stores have dealt in top brand cosmetics. But the survey of customers' buying behavior revealed that they skillfully use cosmetics from department stores and others. Therefore, we launched a new business "Marucollet" in which we find excellent cosmetics, which complement the ones sold in department stores, and offer them to the customers of department stores.

http://www.marucollet.jp

Its sales are still small in total amount but have been growing on a doubling pace since it started in fiscal 2007. Using the infrastructure of this business model, we are expanding into women's accessories and other merchandise categories.

The number of customers registering their email addresses with Daimaru, with whom we can communicate through the Internet or cell phone text messages, is rapidly increasing and already exceeded 300 thousand persons. Thus the sales base interconnecting the website and stores is expanding.

Q The fiercer competition becomes, the more important "customer retention" seems to become. How will you address that?

A

Strengthening of regular customer strategies

Currently, Daimaru and Matsuzakaya have more than four million "identifiable" customers in total who hold their company-branded cards. The expansion of customer base and the strengthening of effective CRM (Customer Relationship Management) are one of our important tasks.

Sales from customers who hold Daimaru-branded cards account for about 70% of total sales from individual customers and Daimaru will improve CRM based on the cardholder information infrastructure, which is excellent in terms of both quality and quantity as the company's main strength, and the know-how to get regular customers. At the same time, Daimaru will improve and thoroughly implement its efforts to create, develop and retain regular customers.

Matsuzakaya will introduce Daimaru's systems and know-how and use the information system dramatically improved through integration to strengthen regular customer strategies that the company had hardly addressed in the past.

We will strengthen the interaction with store marketing strategies to increase the number of the high priority target customers and other regular customers of each store, while upgrading and bolstering our efforts to implement regular customer strategies including the improvement of the card usage rate and the sales rise to the top level.

Establishment of store operation structure that enables both stronger market response capabilities and low-cost management

Q Specifically, how will a business operation structure change in the future?

A New store operation

Daimaru is leading JFR's effort to "establish a new business operation structure" mainly for stores. Under this new structure, sales floor operation is divided into two types including "shop operation" and "independent operation" to be based on their respective different features.

	Shop operation	Independent operation
Sales share	About 80%	About 20%
Operation type	Buying only goods sold (No merchandise risk)	Buying all goods and sell independently (Some merchandise risk)
SCM plan and management	Supplier	JFR
JFR's major roles in operation	●Extracting and solving issues by brand in each SCM process with shop managers to increase sales ●Local operation by stores ●Scrapping and building brands and shops	●Merchandising = Headquarters Sales services = Stores ●Central operation ●Detailed and quick response to changes by item or SKU
Profit margin	Medium to low	High
Cost	Low	Medium

In "shop operation" type sections, suppliers plan and manage the whole process of SCM (Supply Chain Management), and basically, the purchase of goods are recorded only when they are sold and the company assumes no responsibility for inventory. Though their profit margin is low compared with independent operation type sections, they are low cost and highly profitable. Their sales account for about 80% of the total. Stores operate them locally. Managers in charge of these sections work with "shop managers" from suppliers to effectively extract and solve issues on a brand-by-brand basis in each SCM process with the main goal of "increasing sales."

In "independent operation" type sections, the company plans and manages SCM. All the goods are "purchased and independently sold" to achieve high profit at high margin and high cost. Their sales mainly from private brands and independently selected items offered in non-partitioned open space account for about 20% of the total. While stores provide sales and services, the operation of merchandising is centralized in the headquarters. Since they can reflect the company's intention in the whole SCM, they aim at agile operation to differentiate themselves from competing stores, develop people, complement the products that are not offered in shops, and flexibly and quickly respond to changes.

Q How will sales floor arrangement change?

A We will arrange sales floors by highlighting the strengths of and effectively combining these two operation types centered on shop operation type and based on the floor classification tailored to new customer needs. Utilizing the strengths of department stores such as "good location, large floor space, huge customer base and advanced information system connecting the customer base, strong customer drawing power and high reliability," we will introduce new shops and brands that actively respond to customer needs without being constrained by the existing suppliers.

Mainly in the sale of goods and other areas including restaurant business and services, we will improve the response to new market by accelerating the renewal and replacement of brands and shops through the introduction of the best ones that will attract attention and popularity from customers, and the mix and scrapping and building of brands and shops. Thus we will always maintain and enhance the appeal of our stores as commercial facilities.

As part of these efforts to "establish a new store operation structure," our stores already began to introduce new shops to their shop operation type sections without being limited to the existing suppliers to bolster "low- to mid-priced offerings," which are in particularly strong demand from customers. Independent operation type sections also try to increase the reasonable priced products of men's wear brands Trojan and Velocé and career women's wear brand Sofuol by using the advantages of being able to respond quickly to customer needs.

SOFUOL

Human resources development, business operation manual and improvement of support systems

Q If operation changes, will the required human resources also change?

A Under the new store operation, we have to mix shops and brands most effectively always in the interests of customer needs and profitability to keep our stores attractive and lively. That requires "highly skilled professionals," "the compilation of operating procedures in a manual for efficient operation" and "the improvement of information systems supporting the streamlining of operations."

Required expertise differs greatly between shop operation type and independent operation type. While independent operation type sections focus on "sophisticated merchandising capabilities and the capabilities to sell out products," shop operation type sections emphasize "producing capabilities and counseling capabilities."

"Producing capabilities" are to optimally combine and integrate various goods of popular brands and shops, services, sales promotion and store environment under the leadership of store managers to make the stores more attractive. "Counseling capabilities" are that our managers work with shop managers from suppliers based on the counseling program to help "increase sales" by analyzing the actual situation of the performance, assortment and sales structure of each shop.

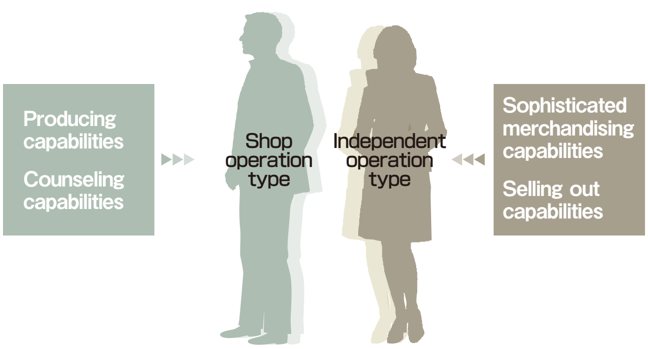
Q More expertise and efficiency of business operation will be required to implement these and how will you support stores?

A The counseling program as an operating procedures manual serves as important data that can be used to decide to replace shops and brands as well as helping develop and revitalize shops.

To this end, we introduced to Daimaru's six directly managed stores a sales productivity analysis system to be used for the operational management and counseling of shops in April 2009. The same system will be introduced to Matsuzakaya stores successively in and after September 2009.

With one click, this system visualizes the data necessary for evaluating shops and counseling, including each shop's daily sales, number of customers, per-customer sales as well as monthly sales per square meter, "deemed profit" calculated by deducting costs from earnings, and customer service satisfaction in service surveys. It enables us to see the situation at a glance.

Managers will use this system to improve counseling capabilities and management efficiency and shops will be supported and replaced to revitalize sales floors, which we expect will lead to sales growth.



Development and introduction of sales productivity analysis system

- Enhance the capabilities of counseling shops
- Improve management effciency
- Introduced the system to Daimaru's six directly managed stores in April 2009 and will introduce it to Matsuzakaya in September 2009

Promotion of low-cost and high-efficiency management to increase human productivity

Q The management of sales floors will also change.

A The shift to a new department store business model will significantly change our sales floor operation management.

As a profit and loss model by sales floor operation type, we will operate shop operation type sections flexibly to respond to customer needs and achieve a good balance between earnings and costs instead of focusing on profit margins as excessively as in the past, while in independent operation type sections, which was high margin and high cost, we will structurally reduce costs keeping profit margins high so that both sections will be able to achieve high profits.

Coupled with the above-mentioned overhaul of sales floor operations through a new approach, we are planning a drastic overhaul of business operations, organizations and personnel planning at a company-wide level including out-of-store sales, general affairs, human affairs, accounting and other administrative support sections when Daimaru and Matsuzakaya are integrated into one company in the next fiscal year. And thereby we will aim for highly productive department store operation by a few select people, which involves changes in our way of thinking and working.

Integration of Daimaru and Matsuzakaya into one company and integration of their merchandise

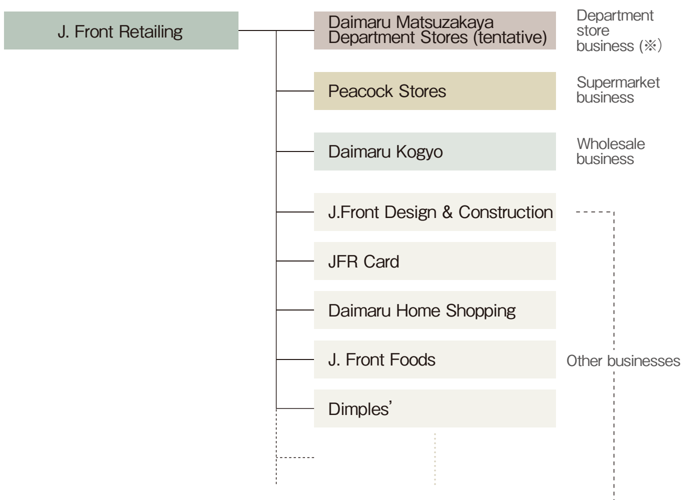
Q What effect is expected by integrating Daimaru and Matsuzakaya into one company?

A The "integration of Daimaru and Matsuzakaya into one company" as one of the main pillars of our business structure reforms will be carried out in March 2010, a year ahead of the original schedule. This will unify the management implementation structure and speed up decision-making, as well as significantly reducing duplication of organizational functions, with the aim of achieving high-efficiency and low-cost management.

We are also in the process of integrating the merchandise of the two companies. Following the integration of women's accessories and children's wear departments in March 2009, women's wear departments, men's wear and accessories departments and foodstuff departments will be integrated in September 2009 and the integration of the remaining home furnishings departments and art work, kimono and jewelry departments will be completed in March 2010.

The complete integration of merchandise under one company is expected to produce great results in terms of sales activities, including supplier policy and product development through scale expansion, and in terms of costs and productivity, including the streamlining and downsizing of purchasing organization.

〈Group organization for March 2010 and beyond〉



※In addition, Hakata Daimaru, Shimonoseki Daimaru, Kochi Daimaru and other companies will operate business as subsidiaries of the new department store company.

Outlook for fiscal 2009

Q Fiscal 2009 remains unpredictable and what is the financial outlook for the year?

A Consolidated performance for fiscal 2009 depends on department store sales. Honestly, it is very difficult to forecast our business for the year under these economic circumstances. Department store sales for fiscal 2009 are expected to be ¥745.7 billion (a decline of 10.8% from the previous year) because a sharp sales drop for the second half of fiscal 2008 will recover in the second half of fiscal 2009 but the consumption environment will remain severe.

Since we will reduce selling, general and administrative expenses by ¥10.3 billion from the previous year by strictly controlling expenses without sanctuary, operating income is projected to be ¥6.5 billion.

Sales of supermarket business, wholesale business and other businesses are forecasted to be ¥127.5 billion, ¥75.5 billion and ¥87 billion respectively, whereas we expect operating income to be ¥0.9 billion for supermarket business, ¥2.9 billion for wholesale business and ¥2.1 billion for other businesses.

As a result, consolidated sales and operating income are expected to be ¥990 billion and ¥12 billion respectively. On a consolidated basis, we will invest ¥64 billion mainly in big projects for the future including the new annex to Daimaru Shinsaibashi store, which will open in November 2009, and Daimaru Umeda store whose floor space will increase by 1.6 times in spring 2011.

Shareholder return

Q What do you think about profit distribution to shareholders?

A Our basic policy is to divide up profits appropriately with a dividend payout ratio of 30% in consideration of its profit level, future capital investment and cash flow trends while maintaining and improving sound financial position. We also consider stock buyback from time to time to improve capital efficiency and implement capital policies in a flexible manner.

For fiscal 2008, comprehensively evaluating the performance for the year and the business environment, we have decided to decrease a term-end dividend by ¥1 from ¥4.50 for the previous year to ¥3.50 and pay an annual dividend of ¥8 combined with an interim dividend of ¥4.50. That results in a dividend payout ratio of 59.0% for the year. However, excluding the effect of loss on valuation of investment securities caused by the unexpected rapidly deteriorating stock markets, it is 32.5%.

For fiscal 2009, comprehensively evaluating the interim and term-end earning forecasts in the largely unpredictable business environment, we will omit an interim dividend and pay a term-end dividend of ¥6.

Bigger and Newer Stores

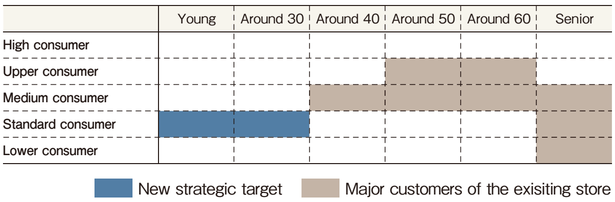
Rendering of Daimaru Tokyo store after increasing its floor space (Summer 2012)

Big Projects in Progress —
Strengthening Competitiveness by Expanding the Basis for Growth

J. Front Retailing is increasing the size of and innovatively renewing department stores in large cities to enhance the appeal of its stores and further strengthen its business infrastructure.

Daimaru Shinsaibashi store fails to attract customers in their 20s and 30s who constitute a large percentage of the persons visiting the district because it has focused to a certain extent on the upper class including its main *gaisho* (out-of-store sales) customers with a floor space of 37,490 square meters, a medium size for the current urban department store. Using the facilities of Sogo Shinsaibashi store that we have decided to acquire recently, we will open a 40,000-square-meter new annex next to the main building in November 2009 to develop a new market and further reduce costs by combining the operation of the main building and the annex. This is also positioned as a trial toward the establishment of a new department store business model for the future that J. Front Retailing is aiming at. We are planning to invest ¥41 billion in this project.

Existing customers and new strategic target of Shinsaibashi store

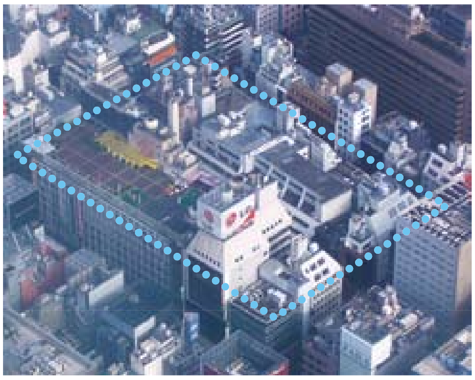


Daimaru Umeda store will increase its floor space by 1.6 times to 64,000 square meters in spring 2011. Under the redevelopment plan of JR Osaka station area, West Japan Railway Company and Osaka Terminal Building Co., Ltd. have considered the redevelopment and revitalization of the south side of JR Osaka station to "develop the south side of the station and create its face." Successive developments of commercial facilities including this project will increase the potential of Umeda area and we believe that the store will be able to substantially improve store competitiveness by increasing its floor space. Now it is a specialty department store focusing on fashion. However, by increasing its range of food and household products while keeping the present sensitivity and atmosphere, we will create a "fashionable and contemporary comprehensive department store" offering lifestyle products in a comprehensive manner. And then we will add "high sensitivity" of urban stores and "dailiness" to provide convenience to working women and businessmen. The investment amount will be ¥27 billion.

Rendering of Daimaru Umeda store after increasing its floor space

Daimaru Tokyo store completed the first phase of relocation and expansion and opened as a new store under the store concept of "TOKYO/ADULT/LIFESTYLE Department Store" in November 2007. In the first phase, while further improving and enhancing already strong food departments, the store expanded the cosmetics floor into Tokyo's largest scale and the restaurant floor into two floors with a restaurant open until 24:00 and gain popularity with women and men working around Tokyo station. In summer 2012, it will complete the second phase of construction and fully open with the floor space increased by 1.4 times to 46,000 square meters. Positioned as part of the "Tokyo Station City" plan, which sees Tokyo station including Yaesu, Nihonbashi and Marunouchi exits and JR station yard as a big city, it is meant to be an innovative store that is worthy of the gateway to the metropolis. The total investment amount of the first and second phases is planned to be ¥18 billion.

In the meantime, Matsuzakaya is working on a large-scale project to develop the combined two blocks of Ginza 6-chome district where Matsuzakaya Ginza store is located. The total redevelopment area is about 9,000 square meters, of which about 66% is owned by Matsuzakaya. While promoting a business plan by bringing together the department store operation know-how of JFR Group, we will create a high-grade and innovative symbol store of the department store business of JFR Group, which has a highly fashionable image and is worthy of the world-class commercial location Ginza.



Shop Development around Department Stores

From “Dots” to “Areas” —
Revitalization to Make the Areas Attractive

From “dots” to “areas” — J. Front Retailing operates highly sensitive shops around its department stores to revitalize the whole areas, as well as making the stores themselves attractive.

Daimaru Kobe store initiated these efforts in 1987. At that time, Motomachi, where Daimaru Kobe store is located, was relatively losing vitality because the center of transportation and business of Kobe area was shifted to Sannomiya. It was urgent to create the appeal of the store to attract people.

The development began with Daimaru’s own buildings, but they were not enough to revitalize the area. Therefore, Daimaru actively invited brand shops to open their branches in other buildings in the Former Foreign Settlement of Kobe to draw more customers throughout the area. Now we operate 68 various unique brands and shops using the familiar but new appearance of historical modern western-style architecture including “Former Foreign Settlement Bldg. 38” and “Block 30,” which bring new life to the history of the city.

Such know-how is applied to other stores.

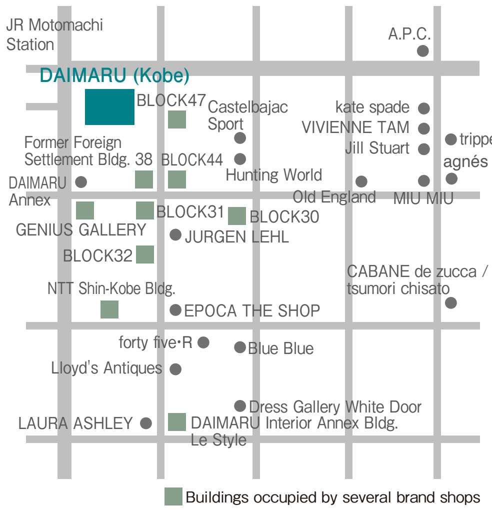
Daimaru Shinsaibashi store has been working with Shinsaibashisuji Shopping Arcade to create the prosperity of the area. However, amid changes in the environment surrounding the stores nearby and generational changes of their landlords beginning around 2003, some old stores have chosen to withdraw from the business. With a sense of crisis that the shopping area will damage the fashionable image of Shinsaibashi rather than losing vigor if the situation is left as it is, Daimaru Shinsaibashi store launched the development of shops around itself by adopting the method of Kobe store. Bold shop design and environment are possible in a stand-alone shop, whereas they are subject to certain restraints within a department store. And it attracted high-profile shops one after another and now operates 25 brands and shops.

For the purpose of revitalizing Shijo Karasuma area as much as Shijo Kawaramachi, a high commercial accumulation district, Kyoto Daimaru store has also developed shops around itself starting with Louis Vuitton Store, which opened as the first shop in 2004, and now operates 12 brands and shops to enhance the appeal of the whole area.

In the future, we will attract shops to the area around Matsuzakaya Ueno store in line with the progress of the ongoing development of the area.

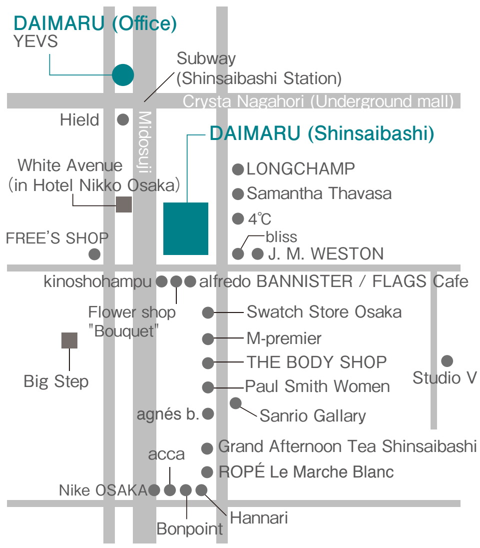
※All the numbers of stores are as of May 2009.

【Stores operated by Daimaru Kobe store】




GENIUS GALLERY

【Stores operated by Daimaru Shinsaibashi store】

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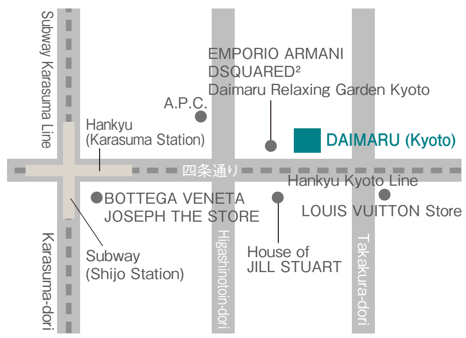
alfredo BANNISTER


ROPÉ Le Marche Blanc

【Stores operated by Daimaru Kyoto store】




EMPORIO ARMANI


LOUIS VUITTON Store

Original Merchandise and Services

"SOFUOL"

"SOFUOL" has marked the 10th anniversary. Targeting working women mainly in their 20s and 30s, the brand offers sophisticated styling based on four tastes including mode, natural, feminine and French trad to cater to their business, commuting and weekend fashion needs.

Seeking Originality Readily Adaptable to Changes in Customer Needs

The role of independently operated sales sections of which sales account for about 20% of total department store sales is differentiation and characterization through the quick change of product selections and displays in response to daily changes in the market and the offering of merchandise that is not included in the assortment of shops.

Such non-partitioned open space is scalable to customer needs, and there we can change merchandise mix and sell goods across shop boundaries. Making the best use of these strong points, we will respond to changes flexibly, as well as offering unique merchandise and using our sales and service capabilities, to overwhelmingly differentiate ourselves from competing department stores.

Private brands (PB)

Concerning private brands, we are involved in the whole SCM process from the stage of product planning. Basically, clothing items are priced at 20% off the prices of national brands. Lately, however, we expand our focus to a low price range of 50% off national brand prices to satisfy customers who are becoming more price-conscious.

A representative example is a men's wear brand "Trojan," which has celebrated the 50th anniversary of its establishment. Its high quality material, excellent tailoring and refined urbane image continue to attract sensible businessmen. A contemporary line was newly added to the existing basic line to strengthen our approach to new customers. A women's wear brand "Sofuol" marking its 10th anniversary is mainly targeted at working women in their 20s and 30s and caters to their business, commuting and weekend fashion needs with sophisticated styling.

As part of the efforts to seek synergy through the management integration between Daimaru and Matsuzakaya, we introduced these two brands, which were both created by Daimaru and have enjoyed a deep-rooted popularity among customers, to Matsuzakaya Nagoya and Ueno stores in fiscal 2008 to expand the offering of the private brands of the Group. We will leverage our private brands in terms of: (1) characterization and differentiation, (2) the increase of profitability, and (3) human resources development. We will review product development, logistics, information system, sales promotion, sales floor environment, sales activities and inventory control in a comprehensive manner and accelerate our efforts to restructure the supply chain.

Independently operated sales sections

Select shops are one of the factors constituting the originality of the store through the attractive items that buyers and sales staff select using their fashion sense. Daimaru operates "Season Message" offering women's wear and accessories to baby boomers and post baby boomers and "Meiprior" carrying trendy women's shoes and bags purchased directly from Italy, France and other European countries. Matsuzakaya's select shops include "Flair For Ef" targeting "women with a sharp eye for fashion" and "Denim Diner" with a wide selection of imported jeans popular abroad. Sales staff are working with buyers to stimulate potential needs using their information and sensibility, which can be obtained because they serve customers on the front line all the time.

One example during fiscal 2008 is the baggy pants that some sales staff of Flair For Ef jointly developed with suppliers. They were also involved in order placement and product planning. Reflecting customer needs for comfortable and figure-forgiving denim pants and adding a trendy touch, they proposed the new item.

Collaboration

Daimaru and World Co., Ltd., an apparel company achieving good results in SPA brand strategy, established a new business model and collaborate to offer a women's wear brand "Esche." Forming a virtual joint business unit as business partners, instead of the traditional supplier-buyer relationships, Daimaru and World share information and clarify the distribution of profits to collaborate using the core competence of each company, that is, Daimaru's ability to operate stores and World's ability to develop and supply merchandise, instead of the conventional way of developing PB apparel products through OEM. In the business process from product planning to selling out, the two companies are working together to ensure PDCA (Plan-Do-Check-Action) cycle and respond quickly and accurately to customer needs and wants. Targeting plugged-in and trend-conscious youthful baby boomers and post baby boomers, we offer good quality, elegant and reasonable "outing and work clothes" with young minds and trends.

"Trojan"

"Trojan" has celebrated the 50th anniversary. Its high quality material, excellent tailoring and refined urbane image continue to attract sensible businessmen. In 2009, a new contemporary line was added to the existing basic line to strengthen our approach to new customers.

"esche"

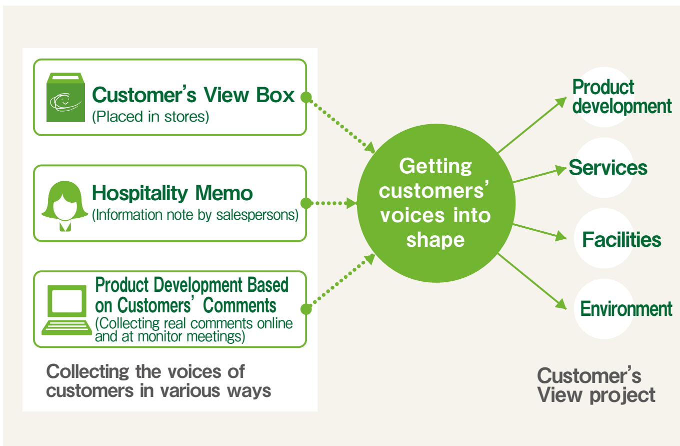
This is a total coordinate brand for youthful baby boomers and post baby boomers featuring high quality, refinement and reasonable prices. It offers simple and basic elegance-oriented street clothes following moderately trends.

Customer's View Project —
Shape Born from the Voices of Customers

CUSTOMER'S VIEW

Semi-custom boots born from the voices of customers

As part of the efforts to implement the "customer-first principle," J. Front Retailing carries on a company-wide "Customer's View project" to develop merchandise and improve services and store environment by attending to the voices of customers reaching into the tens of thousands every year. We have in place the systems such as "Hospitality Memo," "Questionnaire on Merchandise" and "Product Development Based on Customers' Comments" to actively collect various views and needs from customers, while widely cooperating with Consumer Product End-Use Research Institute, which belongs to the Group, and material manufacturers. Many products and services have been thus developed, including "machine-washable cashmere knitwear" of which annual sales exceed ¥100 million.



Lately, from the voices of customers that it is difficult to find boots fitting well around the calves and that they want to choose the design and color they like, we developed semi-custom boots called "pattern order boots," which are available in seven shaft circumferences, six colors for elegant type and 12 colors for jockey type, and two heel heights. A "bag-in-bag" (a drawstring bag to put in another bag) made its debut six years ago to resolve customers' concerns that the contents show through and that the contents often drop out when they use bags without closures. It has become established as a popular item with greater variation in colors and patterns.

Bag-in-bag

An example of the improvement of store environment is a "multiple fitting room with light simulation" in the women's wear department on the 4th floor of Daimaru Kobe store. This fitting room was born out of customers' desires to see how they would look outdoors in the garments they try on. It simulates various lighting conditions including in a building and a park so that a customer can see how different the clothing colors look throughout the body. And it has enough space for wheelchair users and mothers with daughters.

Multiple fitting room on the 4th floor of Daimaru Kobe store

Since various lighting conditions are simulated, a customer can see how different the clothing colors look throughout the body.

Handrails and other equipments are installed.

Multipurpose restroom on the 3rd floor of Daimaru Umeda store

The multipurpose restroom on the east side of Daimaru Umeda store was born from the demands of the elderly and customers with babies for a user-friendly restroom. It secures enough space for a person using a large wheelchair and an attendant to move easily. In addition, it is equipped with ostomate-friendly functions, a flush lever in easy-to-operate size and shape, a fold-down bed and a fitting room. It is accessible to many customers including the elderly and persons with babies.

New products and services are born from the voices of customers and then they are improved and evolved. Customer's View project developed with customers enjoys great popularity. We will continue to identify the demands and complaints of customers through daily dialogues with them, create ideas with them and develop services, store environment and merchandise to satisfy them.

Living with Art —
Spiritually Rich Life

Museums providing easy access to art

J. Front Retailing has museums in its major department stores and holds topical exhibitions to provide easier access to excellent art works in Japan and abroad. We offer spiritually affluent lifestyles to visitors through paintings and a wide variety of other fascinating works of art including photos, deigns and picture book illustrations to make a cultural contribution to local communities.

Matsuzakaya has a full-scale museum named “Matsuzakaya Museum” in Nagoya store, which is unusual for department stores. It is a modern museum complete with dignified and calm display space and the equipments to keep exhibits in good condition and protect them from crimes and disasters. “Daimaru Museums” are placed in Shinsaibashi, Umeda, Tokyo, Kyoto and Kobe stores.

The exhibitions that Daimaru and Matsuzakaya held during fiscal 2008 are listed on the right. (Daimaru Sapporo store gives exhibitions in the hall on the 7th floor.)

■ Major cultural events held during fiscal 2008

Kobori Enshu: Encounter with Beauty (Matsuzakaya Museum and Daimaru Kobe)
Aida Mitsuo (Matsuzakaya Museum and Daimaru Shinsaibashi)
Twentieth Century Masters: Eyes Looking at Beauty and Eyes Looking at Society (Daimaru Umeda and Tokyo)
Nakau Collection: Four Great Ukiyoe Masters (Daimaru Tokyo)
Koiso Ryohei and Higashiyama Kaii (Daimaru Kobe)
Original Illustrations by John Burningham (Daimaru Sapporo)
Ancient Egypt (Matsuzakaya Museum and Daimaru Kobe)
Nakamura Ikuo Photo Exhibition: The Sea and its Creatures (Daimaru Umeda and Sapporo)
Rouault and Matisse (Matsuzakaya Museum)
Camille Pissarro (Daimaru Tokyo)
Hokusai Painting Mt.Fuji (Matsuzakaya Museum)
The 93rd Inten: Exhibition of the Japan Art Institute (Daimaru Shinsaibashi)
Shirasu Jiro and Masako (Daimaru Kobe and Sapporo)
Great Romance of the Three Kingdoms (Matsuzakaya Museum)

■ Exhibition schedule for fiscal 2009


1


2


3


4

1. Léonard Fujita “Portrait in 1927”
2. Four Great Dinner Sets of Ekaterina II
   From the Collection of the State Hermitage Museum
   (From left) Creamer, sugar bowl and saucer, coffee pot and coffee cup and saucer
   from the “Cameo Service”
   Sèvres Royal Porcelain Factory, France (1778-79)
   ©Texts, photos, The State Hermitage Museum, St.Petersburg, 2009
3. Italian Art and Napoleon
   “Madonna and Child with an Angel” by Sandro Botticelli (1467-70)
   Photo:Jean-François Paccosi
4. The History and Various Treasures of Higashi Honganji
   One part of the Annyo Rokushu Zu (Six Types of Birds in the Pure Land)
   from the sliding-door panel paintings in the Goeido
   (Founder's Hall) by Mochizuki Gyokusen

Léonard Fujita (Matsuzakaya Museum and Daimaru Kobe)
Four Great Dinner Sets of Ekaterina II from the Collection of the State Hermitage Museum (Daimaru Shinsaibashi)
Botticelli: Italian Art and Napoleon
-Collection of Fesch Museum in Corsica (Daimaru Tokyo)
Hashimoto Kansetsu (Daimaru Kyoto)
Nakahara Junichi (Daimaru Kobe)
In Commemoration of the 750th Memorial for Shinran Shonin: The History and Various Treasures of Higashi Honganji (Matsuzakaya Museum)
The 94th Inten: Exhibition of the Japan Art Institute (Daimaru Shinsaibashi)
The Legacy of Carthage (Daimaru Tokyo)
※Details of the exhibitions to be held in fiscal 2009, including titles, are subject to changes.

The world of Art Deco created by architect W. M. Vories

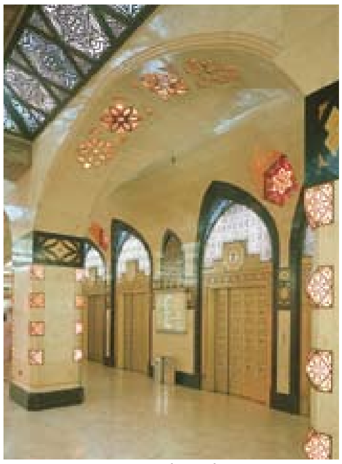
It was in 1914 that Daimaru kimono fabric store, which was founded in 1717, opened a Western style store with display windows in the present Shinsaibashi. A few years later, in October 1918, a unique Gothic style four-story timber-frame and brick department store was born, which was rare even in Osaka. It was the first building that W. M. Vories (1880-1964) designed for Daimaru. Regrettably, however, it was burned down only one year and four months later. The current building of Shinsaibashi store was constructed in four phases according to a plan. In the first phase of construction, the southern half facing the arcade street of Shinsaibashisuji was completed in 1922, and in the second phase, the northern part facing the same street was completed in 1925. And then the third and fourth phases of additional construction of the part facing Midosuji street were completed in 1932 and the following 1933 respectively. This is how a Neo-Gothic style department store with seven stories above ground came into existence.

The middle layer of the building is covered with grave scratched tiles. It is between the granite exterior wall of the first floor and the outer wall of the top floor elaborately designed with terra cotta. Once you step into the store through the entrance with a relief of a peacock, which is a symbol of Daimaru, you will find gorgeous details one after another, including fresco paintings on the ceiling and a stained glass clock on the upper wall of the central elevator hall. All of them, including geometric patterns, abstract flowers and trees, and snow and mineral crystals, form the world of Art Deco unified in one tone.

Department stores should have different characteristics from region to region. Here is one of the approaches of Shinsaibashi store to offer customers special time and space as well as products and services.

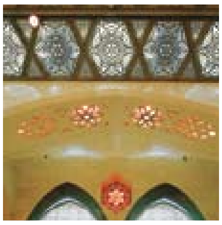

Peacock relief


Mezzanine of the main building

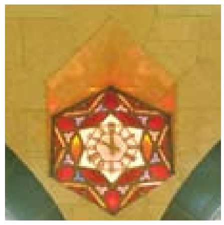

Elevator hall on the 1st floor of the main building


Elevators on the 2nd floor of the main building


East side of the central staircase of the main building

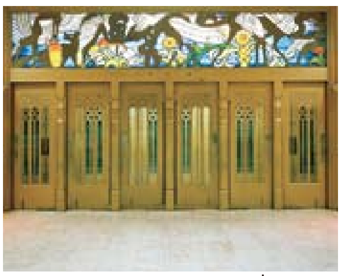

Decoration of elevator hall


Relief ceiling


Stained glass clock


Ceiling of light and colors


Fresco ceiling


Stained glass designed after Aesop's Fables

Kyoto Dyeing and Weaving Design Institute and Matsuzakaya Kimono Museum

Kyoto Dyeing and Weaving Design Institute, *machiya* architecture of the Edo era

Matsuzakaya Kimono Museum housing 10,000 pieces of dyed textiles

Kyoto Dyeing and Weaving Design Institute was inaugurated in 1745 as Kyoto Merchandising Branch of Matsuzakaya, a major kimono fabric dealer at the time, and had bought Kyoto kimono fabric for many years. Since Matsuzakaya Kimono Museum was opened in Kyoto Merchandising Branch in 1931 to collect dyed textile works of art from all ages and countries, it has pursed the beauty of Japanese kimono and has researched and developed the design of trendy kimono. In 1957, Matsuzakaya Kimono Museum was established as a modern storage and treasures precious pieces of dyed textile art of national important cultural property class. (Kyoto Merchandising Branch was renamed Kyoto Dyeing and Weaving Design Institute in 1990.)

History of Kyoto Merchandising Branch

Matsuzakaya, which was founded as a kimono fabric dealer Ito Gofukuten in Nagoya in 1611, expanded the business to become a kimono fabric purveyor to the Owari Tokugawa clan around 1740 and advanced into Kyoto in 1745. In order to further develop the business, Kyoto Merchandising Branch was established as a store with buying functions in Kyoto, which was a production center of quality kimono fabric at the time. Originally, the branch was opened in Muromachi Nishikikoji, and four years later, it was moved to the present location in Shinmachidori Rokkaku-sagaru. Though it repeatedly suffered fires and incidents including Donguri Fire in 1788, Hamaguri Rebellion in 1864 and the Great Fire of Meiji in 1900, it was rebuilt each time and retains the architecture of *machiya* (town house) of the Edo era.

Establishment of Matsuzakaya Kimono Museum

From the Taisho era to the Showa era, department stores were expected to produce top quality kimono fabric using traditional dyeing skills, while they were transformed like department stores through popularization and the expansion of offerings other than kimono fabric. With that historical backdrop, Matsuzakaya Kimono Museum was set up in Kyoto Merchandising Branch in 1931 and began to collect dyed textile works of art from the Nara era to the Edo era from Japan and other countries across the world to help create original kimono fabric. The collection includes clothes such as *kosode* (small-sleeved kimono) of the Edo era, Noh costume, *furisode* (long-sleeved kimono), *katabira* (unlined summer kimono), *jinbaori* (battle surcoat) and *obi* (kimono belt) and *kireji* (cloth) of all countires such as Coptic cloth from Egypt, Incan cloth and Indian chintz. In addition, a wide variety of arts and crafts including sample books of *kosode* designs, Noh masks, *byobu* (folding screens) and armor and helmets were collected. They were initially housed in a storehouse of Kyoto Merchandising Branch, and in 1957, Matsuzakaya Kimono Museum was built with modern equipment on the premises to keep them permanently as cultural assets. Now it houses as many as 10,000 pieces of dyed textiles and related materials.

Roles of Kyoto Dyeing and Weaving Design Institute

Kyoto Dyeing and Weaving Design Institute asks a group of the industry's leading manufacturers to plan and produce original kimono fabric based on the designs developed through the study of the collection of Matsuzakaya Kimono Museum and Matsuzakaya organizes the "Exhibition of Kimono Masterpieces" every year to show and sell these works to customers. The first exhibition was held in Tokyo, Nagoya and Osaka in fall 1935. During the war, Matsuzakaya were forced to suspend it. However, after the war was over and the exhibition made a comeback in 1950, the company continues to organize it and held the 63rd exhibition in spring 2009. The institute is also committed to corporate philanthropy to inherit traditional culture of dyed textiles. In 1934, the institute asked Chiso Shoten (present Chiso), a kimono manufacturer in Kyoto, to restore the Keicho Kosode allegedly owned by Yodo-dono (concubine of Toyotomi Hideyoshi) from the collection of Matsuzakaya Kimono Museum and it appeared in literature. When requested by domestic and overseas museums to allow them to show some works from its collection in their special exhibitions of dyed textiles and others, the museum lends them after due consideration. Recently, an exhibition titled "Kosode: Haute Couture Kimonos of the Edo Period" was held in Tokyo (Suntory Museum of Art) and Nagoya (Nagoya City Museum) in 2008 and in Osaka (Osaka Municipal Museum of Art) in 2009 to show about 300 items, mainly including *kosode* of the Edo era, from the treasured collection of Matsuzakaya Kimono Museum and received extremely good reaction from about 130,000 visitors in the total of these three locations. We will continue to assume a role in inheriting the precious traditional beauty of Japan by creating opportunities to expose many people to the essence of Japanese dyed textile works of art unlike any other in the world.

Keicho Kosode allegedly worn by Yodo-dono

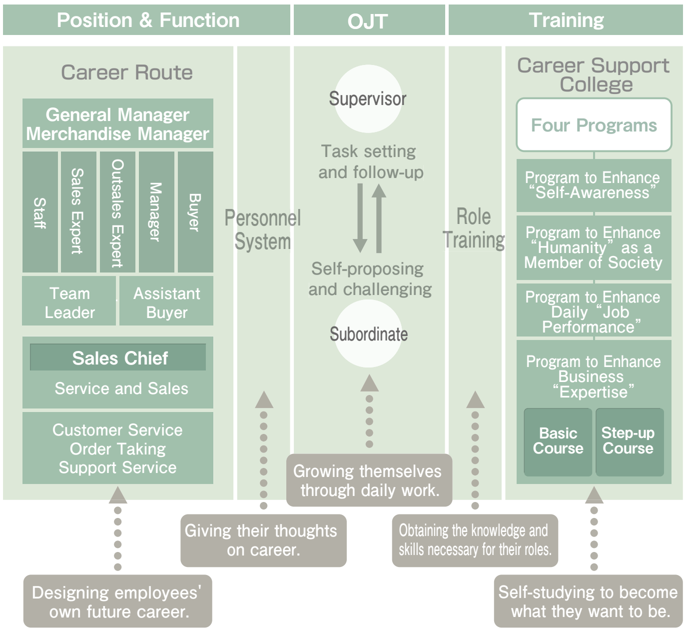
Furisode with design of fans on dark green crepe (Mid-Edo era)

Human Resource Development

Developing Independent Professionals Who Can Adapt to Changes

With the belief that "people grow by getting their jobs done and continuing these efforts to build their career," J. Front Retailing (JFR) develops human resources based on the following four pillars.

【Independent Career Building System】



1. Feedback to enhance self-awareness

JFR has in place systems to provide feedback to each employee including multifaceted observation of behavior traits from the viewpoints of colleagues and milestone interviews to exchange views between the company and individual employees at their milestone ages. In addition, JFR gives 30- and 40-year-old employees "career development training" to help them become aware of their own career and make a career building plan.

2. Establishment of learning systems

JFR improves the menu of Career Support College (in-house self-development school) based on the concept of career independence that "we should develop our career on our own," while clarifying knowledge and skills required for each position and providing trainings to help employees fulfill their roles. The attendance histories of employees are registered in the personnel information system and respected as an indication of their intentions and motivations.

3. Development through job and role

JFR enhances various assessment tools to know the abilities and aptitudes of individual employees. Respecting their will and motivation, JFR assigns them to the best positions to demonstrate their abilities. To this end, JFR improves various assessment tools after defining career concept and job requirements and develops people by putting the right person in the right place. JFR also improves the systems to fulfill the intentions of employees, including the online self-application system.

4. Human resource development through organization management

JFR systematically provides the management knowledge required by the Group to enhance the functions of OJT (On-the-Job Training) and steadily carries out RPDC activities in office organization to "give subordinates roles and tasks and follow up their progress and evaluate and feedback their results."

Three-Year Training Program for New Employees

JFR recognizes the first three years as an important training period for new employees to acquire basic knowledge of department store operations. The basic policy of this program is to provide new employees with basic business knowledge step by step in conjunction with OJT at stores, group training and feedback so that they can assume the role of sales chief in their fourth year. Their progress of learning and aptitude are shared between the company and individual employees through regular interviews.

■ Major activities during fiscal 2008

●JFR provided trainings to make employees acquire knowledge and skills required for their roles in conjunction with the ongoing business structure reform. JFR gave general managers trainings on a marketing strategy and a complete form of store-based sales reform. Dividing mangers into independent operation type and shop operation type in a new business operation structure, JFR offered trainings to give knowledge and skills corresponding to their specialized jobs.

●In order to develop leaders bearing the future of JFR Group, Daimaru, Matsuzakaya and other subsidiaries of the Group jointly provided three-tier leadership training programs including JES*1 to train management personnel, JMS*2 to train department head level personnel and JBS*3 to train manager and buyer level personnel. (All of them marked the second term in the period under review.)

●Daimaru and Matsuzakaya jointly gave trainings to foster expert staff teaching sales and services. (The second term in the period under review)

●JFR improved the curriculum of Career Support College based on the concept of career independence that "we should develop our career on our own" and about 2,500 persons in annual total from JFR Group attended in-house and outside seminars or took correspondence courses.

JFR will develop strong professional personnel in a well-planned manner in conjunction with the business structure reform by further clarifying the abilities and requirements needed for each of independent operation type and shop operation type and enhancing training programs to improve expertise.

*1…JFR Executive School
*2…JFR Management School
*3…JFR Basic Management School

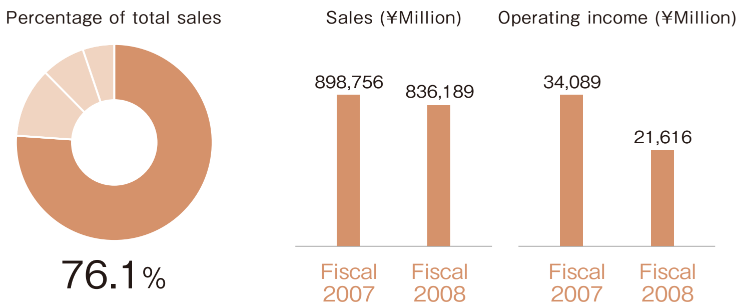
Segment Overview

At a Glance

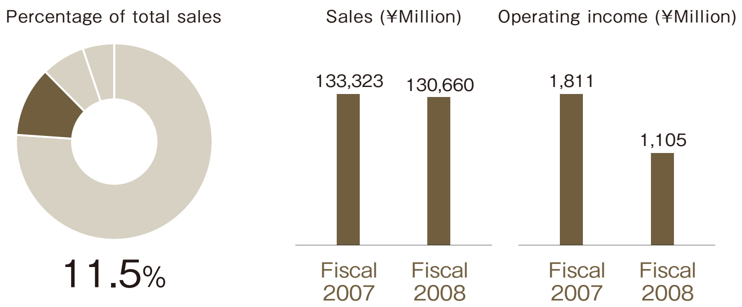
Sales and operating income

- The percentage of total sales represents the ratio of sales to external customers after eliminating intersegment sales.
- Sales and operating income include inter-segment transactions.
- The figures for fiscal 2007 are in real terms. (※)

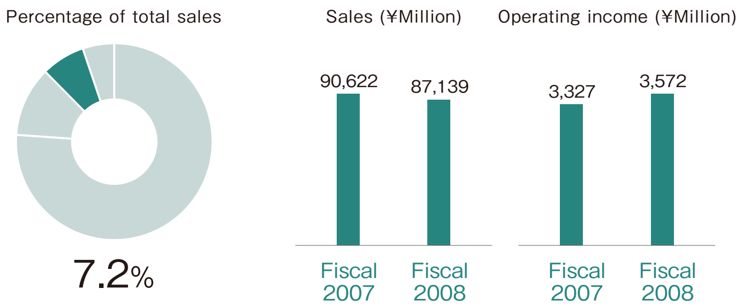
Department store business



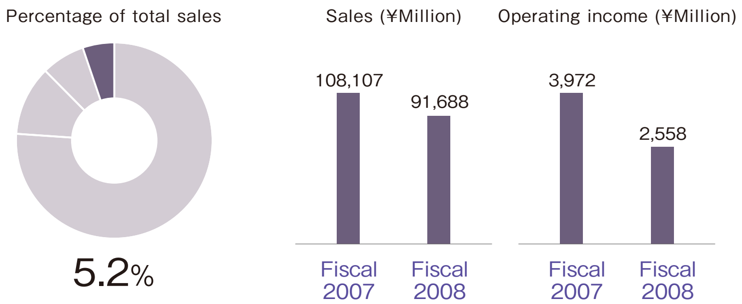
Supermarket business



Wholesale business



Other businesses



※The amounts in annual real terms for fiscal 2007 are the consolidated figures of Daimaru and Matsuzakaya groups for the year from March 1, 2007 to February 28, 2008.

Department store business

Overview for fiscal 2008

During fiscal 2008, this segment worked mainly on the enhancement of marketing functions and store strategy, the restructuring of sales floor operation structure and the reinforcement of regular customer base.

Since competition within regions, which were among department stores, are becoming complex and multilayered beyond industrial boarders, it is important to base our strategies on the enhancement of store competitiveness to increase our share in the competition of each region for survival. For this purpose, J. Front Retailing began to develop new store strategies mainly for priority stores including Daimaru Shinsaibashi and Kobe stores and Matsuzakaya Nagoya and Ueno stores, while strengthening marketing sections and performing qualitative and quantitative analyses. In addition, Daimaru Shinsaibashi store has decided to acquire the adjoining store real estate to improve and expand the business infrastructure toward the strengthening of store competitiveness.

To rebuild sales floor operation structure, Daimaru drastically changed the sales operation structure mainly of women's wear and men's wear departments toward the complete form of store-based sales reform. Specifically, the company divided sales floor operation into "independent operation type" and "shop operation type" and redesigned operations to fit the features of each type. Based on the structure, we reviewed the roles of the headquarters and stores. Matsuzakaya introduced the know-how of the store-based sales reform that Daimaru has tackled in the past to Nagoya, Ueno and Shizuoka stores in March and all other stores in September to promote the standardization and centralization of operations.

To reinforce regular customer base, the card systems of Daimaru and Matsuzakaya were standardized in March and Matsuzakaya issued "Matsuzakaya Card" that has the same functions as "Daimaru Card." That allowed central control of vast amount of data on more than four million customers and the customer information infrastructure, which can be utilized efficiently for sales activities and sales promotion, was established.

In addition, in order to increase our presence in Tokyo area, Matsuzakaya Ginza store remodeled its sales floors with a focus on the basement food floor, accessories department on the first floor and women's shoes department on the second floor targeting working women in their 30s, and successfully attracted new customers.

However, consumption environment became worse in the latter half of the year. The main stores of the Group such as Daimaru Shinsaibashi and Kobe stores and Matsuzakaya Nagoya store suffered sluggish sales of clothing and big-ticket items. As a result, Daimaru posted sales of ¥453.4 billion (a year-on-year decline of 5.9%) and operating income of ¥10.4 billion (a year-on-year decline of 45.8%) on a non-consolidated basis, whereas Matsuzakaya saw sales of ¥259.9 billion (a year-on-year decline of 8.9%) and operating income of ¥5.7 billion (a year-on-year decline of 27.6%). Affiliated department stores including Hakata Daimaru also saw both revenue and profit fall and sales and operating income of the whole department store business were ¥836.1 billion (down 7.0% from the previous year) and ¥21.6 billion (down 36.6% from the previous year) respectively.

Outlook for fiscal 2009

For the first half of fiscal 2009, this segment expects sales of department store business to be ¥367.7 billion (a year-on-year decline of 12.7%) based on the assumption that the sales trend for the second half of fiscal 2008 will continue. It is more difficult to forecast the economic trends for the second half than those for the first half. In light of some reaction against a sharp drop in sales in the second half of the previous year and the results of management measures to be taken during fiscal 2009, the companies project sales for the second half of the year to be ¥378 billion (down 9.0% from the previous year) and annual sales to be ¥745.7 billion (a decrease of 10.8% from the previous year).

In the meantime, in fiscal 2008, selling, general and administrative expenses decreased by ¥6.9 billion compared with the previous year, and in fiscal 2009, the companies will further reduce them by ¥10.3 billion. In spite of the factors increasing them by ¥4.6 billion including retirement benefit expenses (a year-on-year increase of ¥1.7 billion), the companies will strictly control expenses through the effects of the closure of Yokohama Matsuzakaya and Imabari Daimaru in fiscal 2008 and the reduction of personnel expenses by not filling the positions of retirees and in other areas including advertising, rent and logistics. As a result of these efforts, operating income in this segment for fiscal 2009 is expected to be ¥6.5 billion (down 69.9% from the previous year).

These projections do not include the effects of the new annex to Shinsaibashi store that will open in November.

Matsuzakaya Ginza store reopened after remodeling

Supermarket business

Overview for fiscal 2008

In September 2008, Daimaru Peacock Co., Ltd., Matsuzakaya Store Co., Ltd., Yokohama Matsuzakaya Store Co., Ltd. and Nozawa Shoji Co., Ltd. were integrated into a new company named Peacock Stores Ltd. to increase competitiveness and profitability. Through this integration, the company centralized its product buying functions to strengthen purchasing capabilities while developing information systems including POS and unifying the headquarters functions.

In order to strengthen the operational base, Peacock Stores actively worked on scrapping and building by opening six new stores in dominant areas, including Shinsenri Nishimachi, Dojima Crosswalk, Kanda Tsumakoisaka and Kami Ikebukuro stores and new type small urban stores "Exe Peacock," and closing two unprofitable stores. The company did extensive remodeling of highly profitable downtown stores including Kyodo, Yokodai and Korigaoka stores to attract more customers.

However, sales and operating income were ¥130.6 billion (down 2% from the previous year) and ¥1.1 billion (down 39.0% from the previous year) due to consumers' growing awareness of the defense of their livelihood and the effects of the rebuilding and closure of large scale stores.

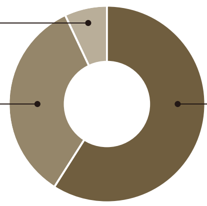
Peacock Store Korigaoka

Private brand "Peacock Choice"

Outlook for fiscal 2009

Since the consumption environment is uncertain, the business environment is expected to become severer. This is why, during fiscal 2009, Peacock Stores will open only Nikke Colton Plaza store in May and reopen Rokkakubashi store in fall, which has been closed for rebuilding, while focusing on the revitalization of the existing stores and enhancing cost efficiency toward low-cost management through the improvement of the operations of the head office and the headquarters. Through these efforts, the company projects sales of ¥127.5 billion (down 2.4% from the previous year) and operating income of ¥0.9 billion (down 18.6% from the previous year).

Sales by district (Year ended February 2009)



■ Store locations (As of May 2009)

Tokyo district (54stores)

■ **Daimaru Peacock**
Aoyama
Sodegaura
Takanawa Gyoranzaka
Mejiro
Jiyugaoka
Asagaya
Shimokitazawa
Fujisawa
Misato
Ebis
Tama
Kunitachi Sakuradori
Tsurumi
Yokohamabashi
Kugayama
Takadanobaba
Azabu Juban
Iogi
Kyodo
Shinurayasu
Toritsukasei
Sakurashinmachi
Takanodai
Granpark Tamachi
Higashikoganei
Kamiikedai
Bunkyo Green Court
Mita Isarago
Tamagawa Josui
Ishikawadai
Hanakoganei
Kunitachi Bentendori
Fujisawa Treage Shirahata
Sangenchaya no Mori
Tomare Nihonbashi Hamacho
Daikanyama Peacock
Higashi Ikebukuro
Shibaura Island
Daimaru Tokyo Store
Kanda Tsumakoisaka

■ **Matsuzakaya Store**
Takenotsuka
Ebisu Minami
Takashimadaira
Tokiwadaira
Toyoshiki
Ojima
Katakuracho
Hongodai
Isogo

■ **Exe Peacock**
Passage Aoyama
Granduo Kamata

■ **Peacock Store**
Kami Ikebukuro
Yokodai
Nikke Colton Plaza

※Closed due to rebuilding
Daimaru Peacock Rokkakubashi (Reopen in fall 2009)
Daimaru Peacock Nakano (Reopen in winter 2010)

Kansai district (31 stores)

■ **Daimaru Peacock**
Senri Daimaru Plaza
Tsukumodai
Kitasenri
Meimai
Nakamiya
Chayamadai
Harumidai
Takakuradai
Matsugaoka
Myodani
Karibadai
Tsukahara
Hoshida
Senri Minamimachi Plaza
Ashiya Nangu
Koshien
Kotoen
Yamada
Mukonoso
Senriyama
Mino Sakuragaoka
Konan
Ashiya Kawanishi
Kitayamato Mayumi
Takarazuka Nakayama
Mino Gein
Nishi Umeda
Shin Kobe
Shinsenri Nishimachi
Dojima Crosswalk

■ **Peacock Store**
Korigaoka

Chubu district (8 stores)

■ **Matsuzakaya Store**
Motoyama
Tsukimigaoka
Fujigaoka
Hishino
Hongo
Hirabari
Miyoshi
Chiyoda

Wholesale business

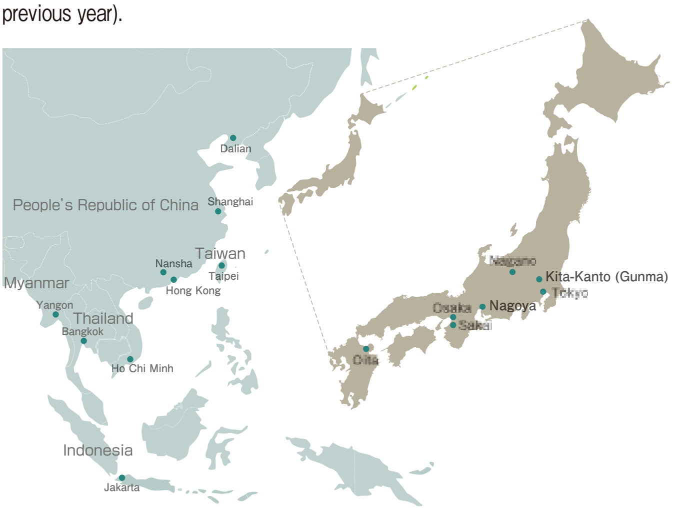
Overview for fiscal 2008

A wholesale company Daimaru Kogyo, Ltd. deals in electronic parts, food products, software, chemical products, metal and resin products, housing materials, apparel and fishing rods. The company has 16 business places in Japan and abroad and provides solutions to customers mainly in the triangular market including Japan, China and ASEAN through various services ranging from the procurement of industrial materials and retail merchandise to after-sales care.

During fiscal 2008, the company strived to enhance the capabilities to make suggestions to the existing customers, develop new merchandise mainly in soft business areas and cultivate new customers, while strongly promoting the transformation of the business structure primarily in metal and resin products and housing materials. By merchandise category, electronic device-related products and finished food materials continued to sell strongly, but sales of other products were sluggish due to fiercer competition and decreased demand. Daimaru Kogyo made an efficient use of costs to reduce selling, general and administrative expenses. As a result, sales decreased to ¥87.1 billion (down 3.8% from the previous year), but operating income increased to ¥3.5 billion (up 7.4% from the previous year).

Outlook for fiscal 2009

For fiscal 2009, based on the assumption that the competition environment including prices will become severer, the company will ① maintain and expand the core electronic device business; ② expand the business with J. Front Retailing Group by exercising its purchasing capabilities and information capabilities to contribute to the Group synergy; ③ develop and create new businesses multilaterally; ④ promote the triangular market structure including Japan, China and ASEAN; ⑤ change the business and profit structures based on selection and concentration to thoroughly increase competitiveness; and ⑥ establish and operate the internal control system to realize the sophistication of the management as its basic strategy and basic policy. Sales and operating income are expected to be ¥75.5 billion (down 13.4% from the previous year) and ¥2.9 billion (down 18.8% from the previous year).



Other businesses

Overview for fiscal 2008

Other businesses mainly include a design and construction business and a credit business.

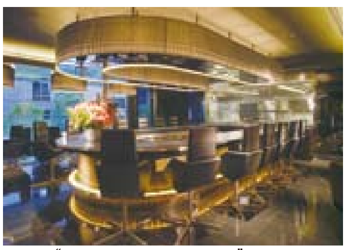
In September 2008, four design and construction companies were integrated into a new company named J. Front Design & Construction Co., Ltd. Its business lines include the interior finish works of stores and ships and the production and sales of interior furniture and special mirrors. The company provides high quality plans, designs, constructions and products. During fiscal 2008, the company accepted orders for the remodeling of commercial facilities including Hakata Daimaru, Daimaru Kobe store and Matsuzakaya Ginza store of the Group and the repair works of hotels. A credit company JFR Card Co., Ltd. issued "Matsuzakaya Card" in March 2008 by standardizing the card system with Daimaru and devoted all its energies to cultivating new customers and encouraging the existing customers to replace their old cards with the new ones. As a result, the revenue base including merchant fee is steadily expanding.

However, sales of design and construction business decreased, affected by the backlash against the extensive renewal work of Tokyo store, which relocated and opened with increased floor space in November 2007, and a decline in orders caused by the reduction of business investment and sales in this segment decreased to ¥91.6 billion (down 15.2% from the previous year). In addition, JFR Card incurred large temporary expenses resulted from the issue of "Matsuzakaya Card" and operating income in this segment decreased to ¥2.5 billion (down 35.6% from the previous year).

Outlook for fiscal 2009

For fiscal 2009, JFR Card expects to increase sales and profit because the recruitment of new cardholders and temporary expenses will come full circle. In the entire segment, however, assuming that the business environment will become increasingly severe, we forecast sales and operating income to be ¥87 billion (down 5.1% from the previous year) and ¥2.1 billion (down 17.9% from the previous year) respectively.


O's residence


Store "U: PONTEVECCHIO"

Corporate Governance

Group Philosophy

We at J. Front Retailing Group aim at:
(1) Providing high quality products and services that meet the changes of the times and satisfying customers beyond their expectations; and
(2) Developing the Group by making a broad contribution to society as an honest and reliable company.

Group Vision

We will establish a status as a leading Japanese retail company both in terms of quality and quantity with the department store business as our core.
(1) We will gain the highest popularity from customers in Japan by offering sales services and products that exceed their expectations.
(2) We will achieve the Group's operating margin of more than 5% early.

Corporate Governance

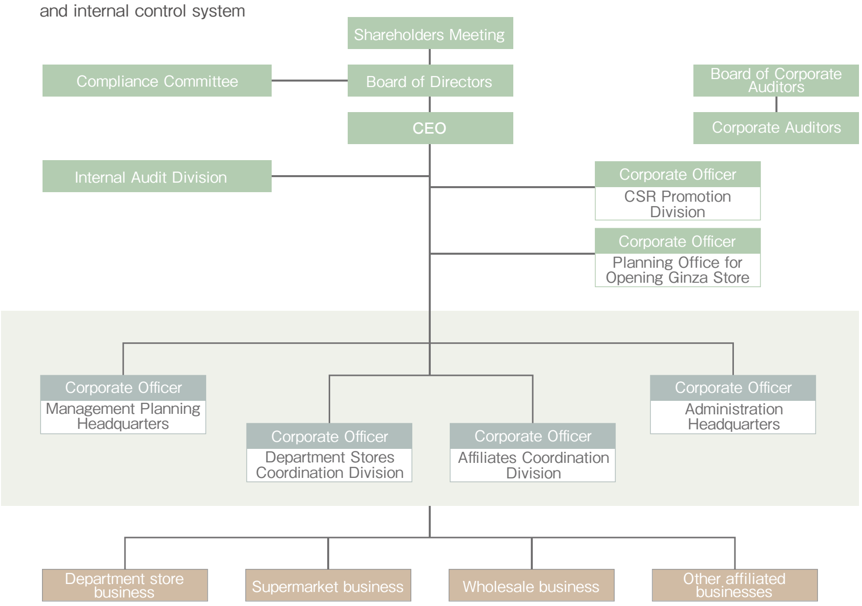
Basic Concepts

As the core of the unified governance of the Group, J. Front Retailing positions the strengthening of corporate governance as one of the most important business challenges to ensure the transparency, soundness and compliance of the management of the whole Group and thoroughly fulfill its accountability to its stakeholders (including customers, shareholders, employees, suppliers and communities).

To this end, we created two headquarters and two policy departments in the company organization to clarify roles, responsibilities and authorities, thereby improving supervisory function and the internal control systems of the whole J. Front Retailing Group. In addition, a corporate officer system is in place to separate between decision-making and execution of the management, which enables more speedy decision-making and implementation.

The term for Directors and Corporate Officers is one year and they are remunerated based on their individual annual performance to clarify their responsibilities for the enhancement of management and business results.

Corporate governance organization and internal control system



Corporate Bodies and Internal Control Systems

J. Front Retailing has the Board of Corporate Auditors. Its corporate bodies include Shareholders Meeting, the Board of Directors, the Board of Corporate Auditors and independent auditors as stipulated in the Corporate Law. In addition, the Company adopts a corporate officer system as a body to perform operations. It also has a Compliance Committee as an advisory body to the Board of Directors and adopts a whistle-blowing system to solve compliance issues.

Meetings of the Board of Directors and Outside Directors

The Board of Directors as a management decision-making body consists of nine Directors (including two outside directors) and generally meets once a month under the chairmanship of President and CEO and with the attendance of Corporate Auditor to discuss and resolve the matters required by laws or prescribed by the articles of incorporation as well as the matters stipulated in the rules and regulations of the Board of Directors.

During fiscal 2008, the Board of Directors had 17 meetings to discuss and resolve the mid- to long-term management plan, the integration of department store business into one company, the reorganization of businesses of the Group, the acquisition of fixed asset by a subsidiary Daimaru, the winding-up of Imabari Daimaru and the closure of Yokohama Matsuzakaya department store, as well as approve budgets and settlements.

J. Front Retailing has invited Tsuyoshi Takayama and Isao Takeuchi as highly independent outside directors who can judge independently from the top management and appropriately determine the decisions and supervisory actions made by the Board of Directors. They are both in an objective position independent from the management team performing operations. We expect Takayama as an executive of a business entity and Takeuchi as an executive of a financial institution and a business entity to reflect their rich experience, achievements and insights in the management of J. Front Retailing.

Audit Function

In order to support the soundness of its management structure, J. Front Retailing has five Corporate Auditors (including three outside auditors) 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 also has Internal Audit Division (30 members) reporting directly to CEO to audit according to the annual audit plan whether each department carries out its operations appropriately and efficiently in accordance with laws, the articles of incorporation and internal regulations and duly report to the Board of Directors and the Board of Corporate Auditors. Internal Audit Division, the Board of Corporate Auditors and independent auditors cooperate with each other by exchanging information and views and discussing as needed.

Internal Control Systems

J. Front Retailing develops systems in line with the "Basic Policy to Build Internal Control Systems." In 2009, marking the first year in which an internal control reporting system is adopted, the Company established the "Rules and Regulations for Internal Control over Financial Reporting" to clarify roles and authorities concerning their improvement and operation. Accordingly, internal control administration function and independent assessment function were transferred to CSR Promotion Division and Internal Audit Division respectively.

Risk Management

With its general manager and policy manager as responsible supervisors, each division defines check items for its specific business risks and analyzes and manages these risks and reports the management status on a regular basis.

In respect to particularly significant business risk factors thus identified, we discuss and determine a policy to deal with them in a strategy meeting and other meetings of the Group and concerned divisions implement it to prevent such risks from arising. In case of emergencies including great earthquakes, fires and accidents, the "Emergency Headquarters" headed by CEO are responsible for managing a crisis.

Preparation of the Compliance Manual of JFR Group

In January 2009, JFR Group prepared a compliance manual to define its structure and principles and code of conduct to implement compliance management.

The manual provides that the basic framework of the compliance system of the Group is a binary structure consisting of "all companies' and divisions' voluntary compliance with laws and corporate ethics in conducting business" and "training, supervision and strict audit by compliance divisions, operational audit divisions and others." It also sets compliance principles and code of conduct with four perspectives to be followed by all officers and employees of JFR Group.

The Group ensures thorough compliance activities on a daily basis by posting "compliance self-check lists" in each company, which enable employees to check their own everyday behavior.

Monitoring of Implementation

Persons in charge in each business place provide on-site guidance and inspection to check the steady implementation of compliance policies and rules. In case an accident should happen, it will be reported immediately to the Compliance Committee and remedial actions will be taken under the leadership of the Committee.

Practice of Compliance under Company Regulations and Operation Manuals

J. Front Retailing develops company regulations and various operation manuals to ensure the implementation of the corporate code of conduct and the corporate behavior charter on the job, while setting its own strict standards on quality control and the protection and management of personal information to thoroughly carry out daily compliance activities.

● "Food" Quality Control

Sanitary supervisors are placed in the food departments of all Daimaru stores to ensure the high level of quality expected of department stores. For customers' security and safety, they periodically inspect the conditions of quality control in cooperation with Consumer Product End-Use Research Institute based on the "Food Sanitation Law" and Daimaru's "Quality Control Regulations" and rules for running. All Matsuzakaya stores also address the strengthening of food quality control and sanitary supervisors were newly placed in Nagoya and Ueno stores in March 2008.

● Protection of Personal Information

In order to ensure the protection of personal information, J. Front Retailing Group established the "basic principles" and the "code of conduct" and continuously provides employee training and checks the management status in all companies of the Group. JFR Information Center Co., Ltd. and JFR Card Co., Ltd., which handle all the customer information data of Daimaru, and Matsuzakaya Co., Ltd. and Sakae Printing Co., Ltd. acquired the "Privacy Mark" certification to protect the personal information of customers.

● Customer Consultation Service

Daimaru has "Consultation Corners for Consumers" in its stores and consultants certified as advisory specialists for consumers' affairs offer consultation for customers. Customer complaints about products are sent online to Consumer Product End-Use Research Institute for scientific quality inspection. Consultants inform customers of the results. These test results are also provided to stores and manufacturers to prevent recurrence and improve quality.

Matsuzakaya has a "Consultation Corner for Consumers" in Nagoya store and customer consultation service staff is always stationed in all stores to offer consultation for customers. When receiving inquiries about quality, like Daimaru, they work with Consumer Product End-Use Research Institute to conduct tests and ensure that the results are reported to customers.

Corporate Social Responsibility

Commitment to Be an Environment- and People-Friendly Department Store

J. Front Retailing is working with customers and suppliers to conserve the global environment toward the building of a "sustainable society" for the 21st century. Daimaru and Matsuzakaya, which manage the core department store business, operate an ISO 14001-based environmental management system to continuously reduce the effects on the environment.

■ Energy Use Reduction

By carefully controlling lighting and air conditioning as well as participating various activities including "weaker air conditioning in stores" and the "Light Down Campaign" promoted by the Japan Department Stores Association, all employees are making energy saving efforts to reduce CO_2 emissions and prevent global warming. On the occasion of replacing equipment or opening new stores, energy-efficient appliances are introduced.

■ Reduction of Packaging Materials

JFR develops company-wide packaging standards and provides training based on a smart wrapping manual so that all employees can pack in an unwasted and appropriate manner. Our stores promote "simple packaging" and "one-bag campaign" to put all stuff in one bag with the cooperation of customers. JFR also develops and sells "eco bags" with a focus on design and added value to offer a department store-like shopping style.

Specifically, original eco bags "with carbon offsets" are sold in all 25 stores of Daimaru and Matsuzakaya. A carbon offset fee of ¥50 per bag is added. JFR has acquired emission credits generated from a wind power project in India and expects to reduce CO_2 emissions of about 14 kg per bag.

〈Eco bags〉
¥500 including tax/Black and beige/Pocketable
100%PET bottle recycled polyester

■ Reduction and Recycling of Waste

JFR implements thorough waste separation to decrease final waste and promote recycling. Food waste is recycled as fertilizer by the "garbage disposers" installed in stores. We also outsource the recycling of fish trimmings and food oil waste as fertilizer, feed, biofuel and soap according to the output situation of each store.

Vegetables grown using organic fertilizer recycled from food waste from Daimaru stores are sold in Daimaru and Matsuzakaya stores.

■ Offering Environment-Friendly Lifestyles

JFR provides ideas for smart "eco"-friendly living as a priority item of the environmental activities in department stores. We offer "environment-friendly products and services" based on our own selection criteria, while actively suggesting "eco-friendly products" to outside corporate customers and accepting orders from them and organizing environmental events.

Recently, we began to offer repair, remaking and reform services as "environment-friendly services." They are environmental activities to cater to customers' wishes to use long the items they are attached to and not to throw them away when they become old. JFR also holds a "Recycle Fair" to collect used clothing.

■ Creating Comfortable and Customer-Friendly Stores

Daimaru and Matsuzakaya stores regularly carry out emergency drills for all workers and introduced the Earthquake Early Warning system that issues real-time alerts over the in-store PA system just as an earthquake starts. (This system is installed in Daimaru Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo, Shinnagata, Suma and Ashiya and Hakata Daimaru Fukuoka Tenjin stores and all Matsuzakaya stores. It will be introduced to all other stores.)

AED (automatic external defibrillator) units are installed in all stores and 1,443 employees from all stores (881 from Daimaru and 562 from Matsuzakaya) have completed training in normal lifesaving so that we can provide an initial response in case of emergencies.

(Some stores that occupy as tenants share AED units with building owner companies.)

Regional and Social Contribution Activities

■ Regional Revitalization

Daimaru and Matsuzakaya as community-based department stores actively participate in creating pleasant and beautiful towns that attract people in cooperation with local people and the governments. The stores also support local industries and new designers through business operations and make environmental efforts that customers and local people can take part in.

[Major participation in local events]

● Daimaru

Sapporo : Sapporo Snow Festival/YOSAKOI Soran Festival
Kobe : Luminarie/Motomachi East Jazz Picnic
Hakata Daimaru Fukuoka Tenjin :
Hakata Gion Yamakasa Festival
Shimonoseki Daimaru: Shimonoseki Kaikyo Festival

● Matsuzakaya

Nagoya : Sakae Minami Music Festival
Ikeda Park Summer Festival
Domannaka Festival
Ueno : Grand Festival of Gojo Tenjin Shrine
Shizuoka : Lovely Town Shizuoka (Seasonal events)
Takatsuki : Takatsuki Jazz Street

[Rooftop Greening]

Daimaru Kyoto and Kobe stores have open spaces covered with natural grass on the rooftops. They serve as urban oases where visitors can relax, as well as reducing the heat-island effect.

Kobe store also has a vegetable garden and the children attending Yume Nursery plant potatoes there in March. After harvesting them at the end of June, the children made themselves and ate curry.

[Cleaning Activities and Clean Campaign]

We are working with community groups to rid the streets of illegally parked bicycles and remove graffiti, while cleaning the streets around the stores on a regular basis.

[Promotion of Public Transportation Use]

Shimonoseki Daimaru ran a "Going-Shopping-by-Bus Campaign" jointly with Seamall Shimonoseki and Sanden Kotsu, in which customers received 50% off bus fares with purchases, in order to reduce CO_2 emissions by encouraging them to use public transportation instead of their private cars. The campaign drew a great response.

Matsuzakaya Okazaki store became one of about 230 "Town Bus Ticket Service Stores" in the city and issues the customers making purchases with service tickets that allow a free bus ride in order to encourage them to visit the store by public transportation.

[Support for Local Industries and Learning]

〈Kobe Creator Selection "DRAFT!"〉

Kobe Fashion Organization, Kobe City and other organizations organize this audition event to provide new fashion creators with opportunities of publishing and selling their works. Daimaru has participated in it since the beginning and sells these jointly designed products in the handbag department "Meiprior" of its directly managed stores.

〈Environmental Study and Sales Experience〉

Daimaru and Matsuzakaya stores help the integrated learning of local elementary and junior high school students by showing their environmental activities and providing opportunities to try out jobs in department stores.

■ Social Action Programs

We continue the efforts to widely contribute to the communities using the department store's capabilities to draw customers and transmit information.

Our stores organize charity bazaars, run fund-raising campaigns and participate in events in order to preserve the global environment, support the regions suffering from severe hunger and poverty and enlighten people for safe and healthy living.

[Christmas Charity Shop]

Daimaru and Matsuzakaya stores organized an auction of the original works of a famous paper cutout artist Robert Ryan and charity sales of original goods, as well as collecting donations to support the activities of "Save the Children Japan," the UN-authorized private international aid organization for children.

[Disaster Fund-Raising Campaigns]

When major disasters occur, we run fund-raising campaigns in stores and offices and send relief supplies to disaster areas through the Japanese Red Cross Society.

[PET Bottle Cap Collection Campaigns]

Special boxes are placed in the Elgala Passage Plaza of Hakata Daimaru Fukuoka Tenjin store, the customers' rest space and employees' cafeteria and tearoom of Matsuzakaya Nagoya store and the employees' rest areas on all the floors of Matsuzakaya Ueno store to collect PET bottle caps.

We send collected caps to recycling companies through the NPO "Ecocap Movement" to use them as recycling materials. Proceeds from the sale of these caps are used by the NPO "Japan Committee Vaccines for the World's Children (JCV)" to buy vaccines for developing countries.

History of Daimaru


Founder Hikoemon Shokei Shimomura


Osaka store opened in 1726


Edo store in Odenma-cho
by Utagawa Hiroshige


Daimaru's famous umbrella
borrowing in *ukiyoe* print


Show windows of Osaka store that
first appeared in Osaka in 1914


Osaka store whose first phase of
construction was completed in 1922

1717
- Hikoemon Shokei Shimomura opened a kimono fabric store "Daimonjiya" in Fushimi, Kyoto. (Foundation of Daimaru)

1726
- Osaka store "Matsuya" opened in Shinsaibashisuji, Osaka and began cash sales at fixed prices (present location of Shinsaibashi store).

1728
- Nagoya store opened at Honmachi 4-chome, Nagoya and used the name "Daimaruya" for the first time.

1736
- Announced the store creed of "Service Before Profit" to all stores.
- Daimaru flagship store "Daimonjiya" opened in Funaya-cho, Higashinotoin, Kyoto.

1743
- Edo (Tokyo) store opened at Odenma-cho 3-chome, Nihonbashi, Edo.

1837
- The Oshio Rebellion broke out. Daimaru escaped burning at the hands of mobs due to its reputation as a philanthropic merchant.

1907
- Established "Kabushiki Goshi Kaisha (joint-stock limited partnership) Daimaru Gofukuten (kimono fabric store)" with a capital of ¥500,000.

1910
- Closed Edo and Nagoya stores.

1912
- Kyoto store opened at the present location.

1913
- Kobe branch opened in Motomachi, Kobe.

1920
- Established "Kabushiki Kaisha (stock company) Daimaru Gofukuten" with a capital of ¥12 million.

1922
- Established the first weekly holiday (Monday) system in the department store industry.

1927
- Kobe store moved to the present location.
- Established the first "Dyeing Laboratory & Hygienic Laboratory" (present Consumer End-Use Research Institute) in the department store industry in Osaka store (present Shinsaibashi store).

1928
- Changed the company name to "Kabushiki Kaisha Daimaru."

1947
- Kochi Daimaru opened.

1948
- Established Daimaru Kogyo, Ltd.

1950
- Shimonoseki Daimaru opened.

1953
- Hakata Daimaru opened.

1954
- Tokyo store opened at the Yaesu exit of Tokyo station.

1959
- Launched the original men's brand "Trojan."

1960
- Established Peacock Industries Co., Ltd. (present Peacock Stores).

1983
- Adopted a corporate identity system (CIS) and created a new logo.
- Umeda store opened in Osaka Terminal Building "Acty Osaka."

1987
- Kobe store opened its first nearby directly-operated store (present Former Foreign Settlement Bldg. 38).

1995
- Kobe store was hit by the Great Hanshin Earthquake.

1997
- Kobe store was restored and grand opened.
- The annex to Fukuoka Tenjin store of Hakata Daimaru grand opened with increased floor space.

1999
- Out-of-store sales reform started.
- Store-based sales reform started.
- The "Customer's View" project started.

2000
- Personnel system reform started.
- Back-office functions reform started.

2002
- Established Daimaru's environmental philosophy.
- Introduced a new merchandise information system.

2003
- Hakata Daimaru and Nagasaki Daimaru merged.
- Sapporo store opened.
- Launched a new customer information system.

2005
- The 2nd store-based sales reform started.

2006
- New personnel system reform started.
- Newly formed Planning Office for New Umeda Store.

2007
- LaLaport Yokohama store opened.

September 3, 2007 The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. established

- Urawa Parco store opened.
- Tokyo store moved to a new building and opened in first phase.

History of Matsuzakaya

1611 ■ Genzaemon Sukemichi Ito, a son of Ranmaru Sukehiro Ito who served Nobunaga Oda, opened a kimono fabric and fancy goods wholesale store in Honmachi, Nagoya. (Foundation of Matsuzakaya)

1659 ■ Sukemichi's son Sukemoto opened a kimono fabric and fancy goods wholesale store in Chayamachi, Nagoya and called himself Jirozaemon Ito. (Since then the heads of the Ito family succeed to the name Jirozaemon.)

1736 ■ Ito Gofukuten changed its trade from a silk kimono fabric wholesaler to a silk and cotton kimono fabric retailer.

1740 ■ Ito Gofukuten became a kimono fabric purveyor to the Owari Tokugawa clan.

1745 ■ Kyoto Merchandising Branch opened in Muromachi Anekoji. (Newly built at the present location in Shinmachidori Rokkaku in 1749)

1768 ■ Acquired Matsuzakaya in Ueno Hirokoji and began business as "Ito Matsuzakaya."

1907 ■ Ueno store was rebuilt into a Western-style building to display goods for sale and reorganized into "Goshi Kaisha (limited partnership) Ito Gofukuten" (capital ¥250,000) to become financially independent. Employed saleswomen.

1910 ■ Established "Kabushiki Kaisha Ito Gofukuten" with a capital of ¥500,000. Reopened Nagoya store at Sakaemachi Kado, Nagoya as the first department store in the Nagoya region.

1911 ■ Formed Ito Gofukuten Boys Music Band. (Present Tokyo Philharmonic Orchestra)

1917 ■ Completed the new main building of Ueno store. (Burnt down in the Great Kanto Earthquake in 1923)

1918 ■ Introduced uniforms for the first time in the department store industry. (Striped cotton kimono with a muslin sash)

1924 ■ Ginza store opened at the present location. Allowed customers to enter all floors with their shoes on for the first time in the department store industry.

1925 ■ Changed the company name to "Kabushiki Kaisha Matsuzakaya."
■ Nagoya store moved to Minamiotsumachi (present location).

1929 ■ Rebuilt the new main building of Ueno store at the present location.
■ The first elevator girls in the department store industry debuted in Ueno store.

1930 ■ The basement of Ueno store was directly connected to Ueno Hirokoji station on subway Ginza line.

1932 ■ Shizuoka store opened.

1957 ■ Added a south wing to Ueno store.
■ Established Matsuzakaya Kimono Museum in Kyoto.

1966 ■ Held a huge sale on live animals on the roof of Ginza store.

1971 ■ Okazaki store opened.

1972 ■ Built an annex to Ginza store and opened an underground passage leading to Ginza subway station.
■ Added a north wing to Nagoya store.

1974 ■ Nagoya Station store opened.

1979 ■ Takatsuki store opened.

1991 ■ Issued Matsuzakaya My Card.
■ Nagoya store added a south wing to consist of three buildings.
■ Opened "Matsuzakaya Museum" in the south wing of Nagoya store.

1993 ■ Established a corporate philosophy.

1995 ■ Put up a website and opened an online shop.

1996 ■ Added a north wing to Shizuoka store.

1998 ■ Established an employee code of conduct and basic business transaction rules.

2000 ■ Developed the Matsuzakaya environment program and launched a new information system.

2001 ■ Toyota store opened.

2003 ■ Nagoya store added a new south wing to increase its floor space to the largest level in Japan (86,758 m²).

2004 ■ Introduced an executive officer system and established a management code for personal information protection.

2005 ■ Opened an official goods shop at the Exposition of Global Harmony.

2006 ■ Established a pure holding company "Matsuzakaya Holdings Co., Ltd."

a joint holding company J. Front Retailing Co., Ltd. and integrated management.


Matsuzakaya by Utagawa Hiroshige


Nagoya store reopened in Sakaemachi in 1910


Women wearing the industry's first uniforms (kimono)


Poster of Ito Gofukuten


Ginza store, the first department store allowing customers to enter with their shoes on


Nagoya store moved to the present location in Minamiotsumachi (at that time)


Elevator girls of Ueno store

Corporate Data (As of May 26, 2009)

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
Line of business	:	Department store operation, retail, restaurants, wholesale, import and export, supervising and contracting of construction works, direct marketing, credit cards, merchandise inspection and consulting, labor dispatch service, and others
Number of employees (Consolidated)	:	9,094 (As of February 28, 2009)
U R L	:	http://www.j-front-retailing.com/

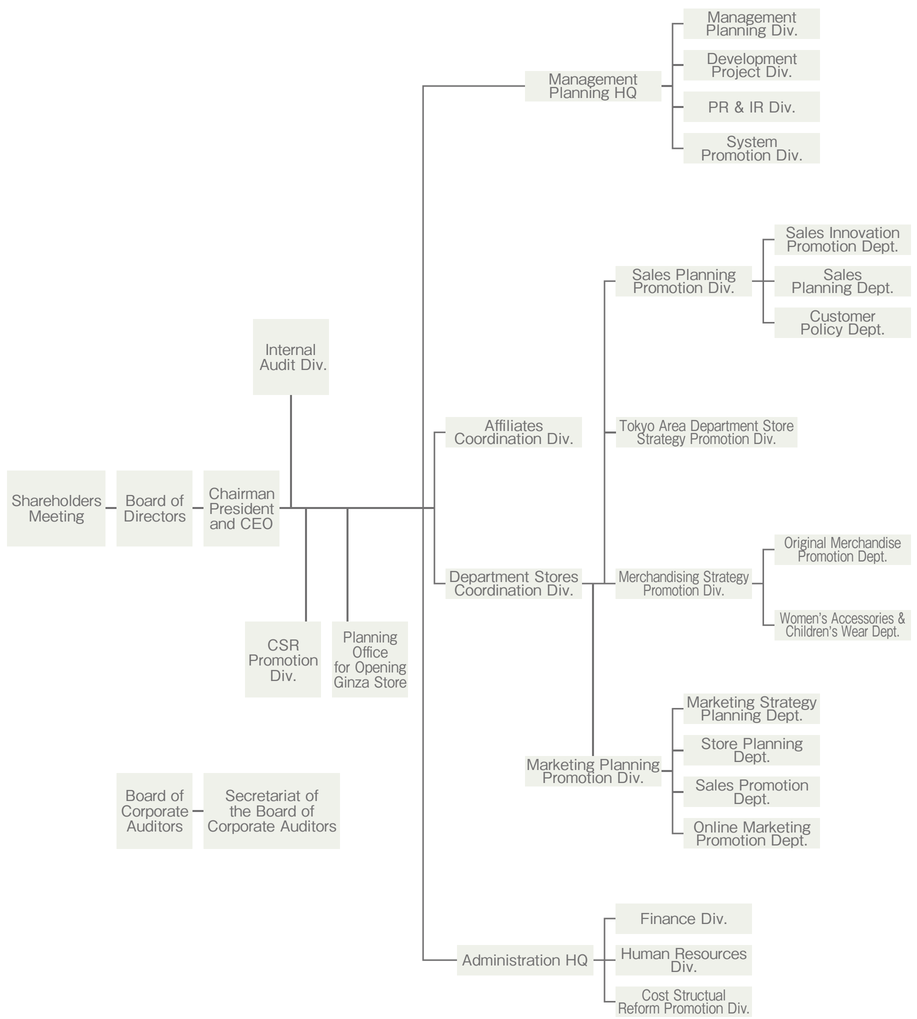
Front page of the website

Management (As of May 26, 2009)

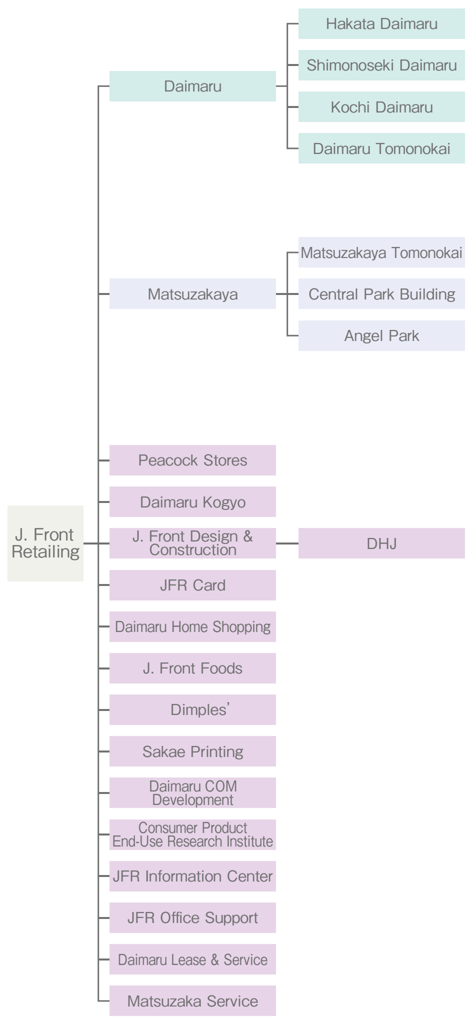
Chairman	Kunihiko Okada	
President and CEO	Tsutomu Okuda	Executive General Manager of Department Stores Coordination Division and Chairman of Daimaru
Director	Ryoichi Yamamoto	In charge of Promotion of Store-Based and Out-of-Store Sales Reforms and President of Daimaru and Director of Matsuzakaya
Director	Shunichi Samura	In charge of Ginza Redevelopment and President of Matsuzakaya and Director of Daimaru
Director and Corporate Senior Executive Officer	Toshiaki Tsushima	Executive General Manager of Administration Headquarters
Director and Corporate Executive Officer	Kiyozo Kojima	Executive General Manager of Affiliates Coordination Division
Director and Corporate Executive Officer	Hiroto Tsukada	Executive General Manager of Management Planning Headquarters and Assistant in charge of Ginza Redevelopment
Director	Tsuyoshi Takayama	
Director	Isao Takeuchi	
Corporate Auditor (Full-time)	Toshio Kido	
Corporate Auditor (Full-time)	Junji Nakamura	
Corporate Auditor	Takeshi Furuta	
Corporate Auditor	Sadahiko Shimizu	
Corporate Auditor	Rokurou Tsuruta	
Corporate Officer	Koji Yamakawa	General Manager of CSR Promotion Division
Corporate Officer	Shinji Matsuda	General Manager of Planning Office for Opening Ginza Store and Development Project Division and Corporate Officer and General Manager of Planning Office for New Nagoya Station Store of Matsuzakaya
Corporate Officer	Seiichiro Hirayama	General Manager of Human Resources Division
Corporate Officer	Kazuo Doi	General Manager of Cost Structural Reform Promotion Division
Corporate Officer	Takaharu Harada	Deputy Executive General Manager of Department Stores Coordination Division and General Manager of Merchandising Strategy Promotion Division and Tokyo Area Department Store Strategy Promotion Division
Corporate Officer	Tomohiko Enomoto	General Manager of Sales Planning Promotion Division
Corporate Officer	Masaichi Higuchi	General Manager of Women's Accessories & Children's Wear Department
Associate Director	Tadaaki Hirano	General Manager of Internal Audit Division
Associate Director	Yoshihiro Saito	General Manager of Management Planning Division
Associate Director	Ichiro Fukuyama	General Manager of PR & IR Division
Associate Director	Masatoshi Sakashita	General Manager of System Promotion Division and President of JFR Information Center
Associate Director	Masaru Ozawa	General Manager of Finance Division

(Note) 1. Tsuyoshi Takayama and Isao Takeuchi are outside directors.
2. Takeshi Furuta, Sadahiko Shimizu and Rokurou Tsuruta are outside corporate auditors.

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



Organization Chart of J. Front Retailing Group



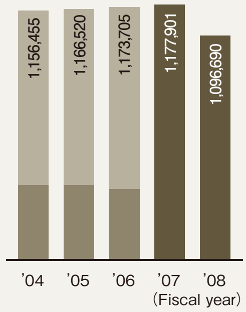
(As of May 2009)

Financial Information

Analysis of Financial Condition and Operating Results

Sales

(Unit: ¥Million)



Sales by Business Segment

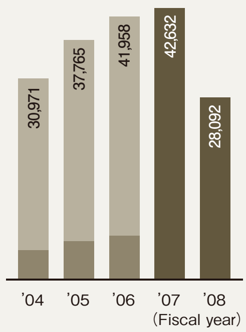
<Composition of sales not including intersegment sales>

<Including intersegment sales>
(Unit: ¥Million)

Department store business	836,189
Supermarket business	130,660
Wholesale business	87,139
Other businesses	91,688

Operating Income

(Unit: ¥Million)



- Daimaru
- Matsuzakaya Holdings
- JFR

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Business overview

During the consolidated fiscal year under review (fiscal 2008), the Japanese economy worsened rapidly. The global financial and economic crisis originating in the U.S. sharply decreased imports and also reduced business investment and consumer spending since last fall.

Department store sales fell far below the levels of the previous year because of intensifying competition across categories or types of businesses and changes in consumer buying behavior as well as loss of consumer confidence and tighter purse strings resulted from the weak economy.

With the aim of realizing the Group's vision of "establishing a status as a leading Japanese retail company both in terms of quality and quantity with the department store business as its core," J. Front Retailing (JFR) launched a mid- to long-term plan "Frontier 21" for three terms of nine years, while further reducing costs to respond to radical changes in business environment.

During the period under review, which marks the first year of "Frontier 21," we unified the policy-making functions of the department store business, including the marketing, product planning and sales planning, and the headquarters functions, including finance, personnel affairs and public relations, as well as integrating information systems that form the foundation of business operation, to improve and develop the basis for the growth of the Group.

As our efforts to reorganize and integrate the Group's businesses into one company per section, we integrated four supermarket companies, four design and construction companies and two staffing companies into one company each in September 2008 and two restaurant companies into one company in March 2009. To finalize such reorganization and integration, we have decided to integrate Daimaru and Matsuzakaya in March 2010 to speed up decision-making and further improve management efficiency in the department store business.

Toward future growth, we worked on the plans to increase the floor space of the existing stores including Daimaru Umeda and Tokyo stores and redevelop the Ginza 6-chome district. In light of future fiercer competition in Osaka area, we have decided to acquire the facilities of Sogo Shinsaibashi flagship store adjacent to Daimaru Shinsaibashi store to strengthen store competitiveness and revenue base for the future.

In the meantime, drastically reviewing the future profit structure and businesses of the whole Group, we closed Yokohama Matsuzakaya and Imabari Daimaru. In addition, as a result of reexamining our overall investment plan in consideration of abrupt changes in business environment, we gave up our plan to open a new store in Hamamatsu.

In order to thoroughly reduce costs, JFR took a big step as a control tower to review and narrow the cost plans of the whole Group, while minimizing all orders and purchases.

As our efforts to improve human productivity and corporate vitality, we are working on personnel structure reform through downsizing to a few select people and the optimal arrangement of personnel within the Group. In September 2008, Matsuzakaya adopted the personnel system based on job evaluation, which is the same as Daimaru's system.

Sales

In spite of the measures mentioned above, consolidated sales of the department store business for the period under review remained far below the level of the previous year due to an unprecedentedly severe consumption environment. Sales of supermarket, wholesale and other businesses also dropped compared with the previous year and this resulted in total consolidated sales of ¥196,690 million, a decrease of 6.9% over the previous year.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥241,189 million, down 2.9% from the previous year. While work-related expenses substantially increased due to the system integration between Daimaru and Matsuzakaya, we reduced personnel costs by reforming the ways of working and not filling the vacancies caused by retirement and reviewed and lowered advertising costs and supplies costs as well.

Operating income

With a decrease of ¥21,833 million in gross operating profit, we drastically cut selling, general and administrative expenses. However, operating income fell by 34.1% from the previous year to ¥28,092 million, seriously affected by sluggish sales of the department store business.

Other income and expenses

Other expenses (income) resulted in a net loss of ¥19,634 million, a decline of ¥16,784 million in income from the previous year. This is mainly because as an extraordinary loss, the Group recorded a loss on revaluation of investment securities of ¥9,833 million caused by plunging stock markets, a loss on business restructuring of ¥5,761 million resulting from the closure of Yokohama Matsuzakaya and Imabari Daimaru department stores and the impairment loss of ¥2,824 million posted by the supermarket and other businesses.

Net income

As a result, income before income taxes and minority interests decreased by 78.7% from the previous year to ¥8,459 million and net income amounted to ¥7,170 million, a decrease of 69.4% from the previous year.

(Note) Year-on-year figures above and below are comparison with the consolidated figures of Daimaru and Matsuzakaya groups in annual real terms for the period from March 1, 2007 to February 29, 2008.

Segment overview

● Department store business

This segment strived to improve the infrastructure to reinforce marketing capabilities and profitability through the "improvement of market response capabilities," the "enhancement of sales and service capabilities" and the "expansion of customer base."

To "improve market response capabilities," following the creation of Marketing Planning Promotion Division in March 2008, the sales policy sections of Daimaru and Matsuzakaya were unified into JFR in September 2008 to strengthen strategy and planning functions. Meanwhile, responsibilities and authorities in sales activities were transferred to stores to adapt to market characteristics, which differ from region to region, and quickly respond to changes. In March 2009, the merchandise sections related to women's accessories and children's wear of Daimaru and Matsuzakaya were unified into one section of JFR to make the product lineup more attractive and improve productivity through the increase of transaction size. Other merchandise sections will also be integrated successively. Daimaru's original men's wear brand "Trojan" and women's wear brand "Sofuol" were introduced to Matsuzakaya Nagoya and Ueno stores to expand the offering of the private brands of JFR Group. In addition, we reviewed the price structure of all private fashion brands because the deterioration of consumption environment late the fiscal year under review made customers more sensitive to prices.

To "enhance sales and service capabilities," we have developed "service trainers" who are instructors to train sales professionals and assume a central role in improving sales capabilities. In order to identify issues to increase the levels of sales services, we conducted service surveys in all Daimaru and Matsuzakaya stores to quantify and assess objectively their sales service capabilities. Based on the results of these surveys, we will make improvements to further enhance customer satisfaction with sales services.

To "expand customer base," we standardized the card systems of Daimaru and Matsuzakaya by issuing "Matsuzakaya Card" in March 2008 and "Matsuzakaya M Card" for cash purchases in November 2008 to offer greater convenience to customers and attract new customers. At the same time, the integration of customer information systems enabled us to unify the management of information on more than four million customers across Japan from Sapporo to Hakata and accurately understand customer needs.

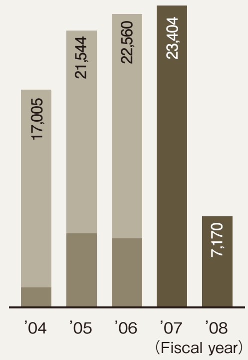
As our store-based sales reform to maximize customer satisfaction at the lowest cost, Matsuzakaya started to standardize and centralize operations in Nagoya, Ueno and Shizuoka stores in March 2008 and in all other stores in September 2008 so that salespersons can devote all their energy to sales activities. Daimaru examined the effects of the past store-based sales reform to build a more highly efficient and profitable new department store model.

Besides the efforts mentioned above, Daimaru and Matsuzakaya conducted joint sales promotions including events and catalog sales of selected goods targeted at the *gaisho* (out-of-store sales) customers of both companies. In July 2008, three stores in the Tokyo area jointly held "Summer Food Festival" to increase our presence there and attracted many customers. In September 2008, Matsuzakaya Ginza store was remodeled to newly target "working women in their 30s" and the number of customers visiting the store has increased dramatically.

In spite of these measures, consumers have

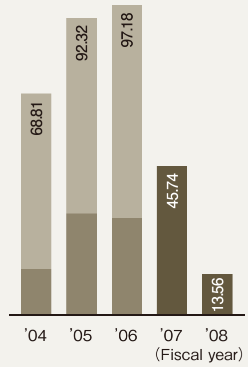
Net Income

(Unit: ¥Million)



Net Income per Share

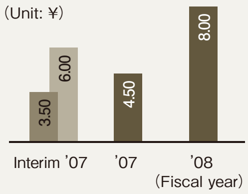
(Unit: ¥)



Cash Dividends per Share

(Non-Consolidated)

(Unit: ¥)



Daimaru
Matsuzakaya Holdings
JFR

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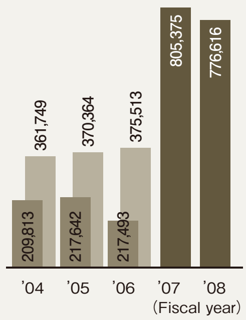
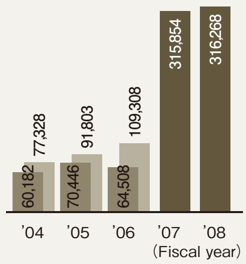
Total Assets

(Unit: ¥Million)



Net Assets

(Unit: ¥Million)



Daimaru
Matsuzakaya Holdings
JFR

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increasingly kept from buying big-ticket and fashion items, which are the main products of department stores, and *gaisho* sales were sluggish, though food sales remained steady. As a result, sales in this segment decreased by 7.0% to ¥836,189 million and operating income also fell by 36.6% to ¥21,616 million in spite of the efforts to streamline selling, general and administrative expenses.

● Supermarket business

In September 2008, four supermarket companies including Daimaru Peacock and Matsuzakaya Store were integrated into a new company named Peacock Stores Ltd. to improve competitiveness and profitability.
Using this opportunity of integration, the company strengthened purchasing capabilities through the centralization of product buying functions, as well as developing information systems including POS and unifying the headquarters functions, to further increase marketing capabilities and management efficiency. In order to strengthen revenue base, Yokodai and Korigaoka stores were remodeled as "Peacock Stores" and new type small urban stores "Exe Peacock" opened. In addition, the company developed private brand products combining "food security and safety" with "affordability" and thoroughly controlled products to enhance the accuracy of business operation.
Though we implemented these measures, sales and operating income in this segment decreased by 2.0% and 39.0% to ¥130,660 million and ¥1,105 million respectively due to a decline in purchase amount per person, which was attributable to consumers' growing awareness of the defense of their livelihoods, and the effects of the rebuilding and closure of large scale stores.

● Wholesale business

Though Daimaru Kogyo, Ltd. opened a new market and developed new merchandise in the existing businesses, it suffered weak sales of industrial materials and apparel partly because of the deteriorating market environment and sales in this segment decreased by 3.8% to ¥87,139 million. However, its continuing efforts to improve operating profit margin and the thorough reduction of selling, general and administrative expenses through the standardization and centralization of business operation resulted in operating income of ¥3,572 million, up 7.4%.

● Other businesses

Though the companies including the integrated design and construction company and staffing company addressed the improvement of profitability through differentiation and characterization in their respective business fields, sales in this segment decreased by 15.2% to ¥91,688 million partly due to a significant decline in the revenue of J. Front Design & Construction Co., Ltd. Operating income also fell by 35.6% to ¥2,558 million partly because of the temporary expenses incurred by JFR Card Co., Ltd. to issue "Matsuzakaya Card."

Financial condition

We worked on making effective use of the assets owned by the Group and reducing interest-bearing debt to improve the efficiency of assets and funds, while unifying the management of the funds of the Group to improve financial strength. These efforts resulted in total assets of ¥776,616 million (a decrease of ¥28,759 million compared with the end of the previous period), whereas total liabilities were ¥460,347 million (a decrease of ¥29,173 million compared with the end of the previous period) and total net assets amounted to ¥316,268 million (an increase of ¥414 million compared with the end of the previous period).
As a result, return on asset (ROA) was 3.6% and shareholders' equity ratio was 39.6%.

Cash flows

The Group is making efforts to generate stable operating cash flows and secure a wide range of financing methods to ensure appropriate funds for business activities, maintain liquidity and achieve a sound fiscal condition. We raise working capital, business investment funds and investment and loan funds needed in the future to maintain the growth of the Group through borrowing and the issue of bonds in addition to cash reserves and cash flows from operating activities.
We generated a cash inflow of ¥22,686 million from operating activities because of income before income taxes and minority interests of ¥8,459 million, depreciation of ¥13,257 million and income taxes paid of ¥12,934 million. Investing activities resulted in a cash outflow of ¥11,676 million due to a cash outflow of ¥12,765 million from the acquisition of fixed assets including the remodeling of department stores and a cash inflow of ¥4,618 million from the sales of marketable securities.

Financing activities including the repayment of loans and the payment of dividends led to a cash outflow of ¥13,510 million.

As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥32,307 million, a decrease of ¥2,636 million compared with the end of the previous period, whereas the balance of interest-bearing debt amounted to ¥94,677 million, a decrease of ¥8,365 million compared with the end of the previous period.

Basic policy on profit distribution and dividends

The basic policy of JFR is to divide up profits appropriately with a dividend payout ratio of 30% in consideration of its profit level, future capital investment and cash flow trends while maintaining and improving sound financial position. We will also consider stock buyback from time to time to improve capital efficiency and implement capital policies in a flexible manner.

We intend to use retained earnings to strengthen marketing capabilities through store remodeling and business expansion and increase financial strength in order to heighten our corporate value.

For the period under review, JFR has decided to pay an annual dividend of ¥8: an interim dividend of ¥4.50 and a term-end dividend of ¥3.50.

Our annual dividend for the next period is expected to be ¥6.

Business risk factors

The Group's business risk factors that could have a material impact on investment decisions are discussed below.

The forward-looking statements herein are based on the Group's expectations as of February 28, 2009, and could be affected by domestic and overseas economic conditions. Therefore, the Group's business risk factors are not limited to them.

❶ Business environment

Economic conditions, including business, consumption and financial trends, and competition with other retailers of the same and different types have a material impact on the Group's main department store and supermarket business segments. These business environment factors could adversely affect the performance and financial position of the Group.

❷ Laws and regulations and legal revisions

The Group is subject to the laws and regulations relating to the new opening of large-scale retail stores, antitrust, consumer protection, tax systems and environment and recycling. In addition, a rise in consumption tax rate resulting from the future amendment to tax systems could reduce consumer spending. Thus these laws and regulations and legal revisions may lead to a restriction of business activities, an increase in costs and a decline in sales, which could adversely affect the performance and financial position of the Group.

❸ Changes in natural environment and accidents

Natural disasters, including earthquakes, floods and typhoons, and unexpected accidents could damage stores and facilities, lead to a loss of sales opportunities and affect operations. Abnormal weather conditions including cold summers and warm winters may also lead to a decrease in sales of the Group's main products including clothing and foodstuffs. Thus changes in natural environment and accidents could adversely affect the performance and financial position of the Group.

❹ Information management

The Group has an internal system in place to strictly manage and protect personal and confidential information held by the Group. However, leaks of such information caused by unexpected accidents and incidents could damage the reputation of the Group and adversely affect the performance and financial position of the Group.

❺ Overseas operations

The Group is engaged in business activities abroad mainly in the wholesale business segment. In such overseas operations, unpredictable economic and currency fluctuations, political and social confusion arising from terrorism, wars and civil wars and legislative and taxation changes could adversely affect the performance and financial position of the Group.

❻ Significant lawsuits

During the consolidated fiscal year under review, there were no lawsuits that had a material impact on the Group. However, if a significant lawsuit occurs and judgment is taken against the Group in the future, the performance and financial position of the Group could be adversely affected.

CONSOLIDATED BALANCE SHEETS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

February 28, 2009 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2009**	2008	**2009**
Current assets:			
Cash on hand and in banks (Note 3)	**¥32,858**	¥37,562	**$335,937**
Marketable securities (Notes 3 and 4)	**1,093**	1,531	**11,175**
Notes and accounts receivable:	**62,137**	74,311	**635,283**
Less: allowance for doubtful accounts	**(743)**	(784)	**(7,596)**
Inventories	**42,939**	45,154	**439,004**
Deferred tax assets (Note12)	**10,993**	10,349	**112,391**
Other current assets	**27,554**	25,400	**281,709**
Total current assets	**176,833**	193,525	**1,807,924**
Property and equipment			
Land (Note 5)	**334,271**	335,025	**3,417,554**
Buildings and structures (Notes 5, 9 and 10)	**342,240**	346,189	**3,499,029**
Other	**12,879**	14,716	**131,674**
Construction in progress	**2,362**	1,047	**24,149**
Total	**691,753**	696,979	**7,072,416**
Accumulated depreciation	**(224,579)**	(224,190)	**(2,296,074)**
Net property and equipment	**467,173**	472,788	**4,776,332**
Investments and other assets:			
Investment securities (Notes 4 and 5)	**30,330**	44,582	**310,091**
Investments in unconsolidated subsidiaries and affiliates	**3,701**	3,834	**37,839**
Long-term loans	**1,089**	1,205	**11,134**
Leasehold and other deposits	**50,048**	47,362	**511,686**
Deferred tax assets (Note 12)	**12,263**	10,008	**125,376**
Other	**35,176**	32,068	**359,636**
Total investment and other assets	**132,608**	139,059	**1,355,771**
Total assets	**¥776,616**	¥805,375	**$7,940,047**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2009**	2008	**2009**
Current liabilities:			
Notes and accounts payable	**¥79,685**	¥89,956	**$814,692**
Short-term bank loans (Note 5)	**42,556**	47,968	**435,088**
Current portion of long-term debt (Note 5)	**14,000**	—	**143,135**
Income taxes payable (Note 12)	**3,563**	11,314	**36,428**
Advances received	**29,232**	30,319	**298,865**
Gift certificates	**35,275**	36,844	**360,648**
Allowance for employees' bonuses	**7,735**	6,216	**79,082**
Allowance for directors' and corporate auditors' bonuses	**185**	263	**1,891**
Reserve for sales promotion	**354**	1,999	**3,619**
Reserve for loss on collection of gift certificates	**7,317**	5,975	**74,808**
Reserve for loss on business restructuring (Note 10)	**2,679**	—	**27,390**
Other current liabilities	**51,644**	47,400	**528,003**
Total current liabilities	**274,228**	278,259	**2,803,681**
Long-term liabilities:			
Bonds (Note 5)	**5,000**	19,000	**51,120**
Long-term loans payable (Note 5)	**33,121**	36,073	**338,626**
Deferred tax liabilities (Note 12)	**98,072**	101,919	**1,002,679**
Deferred tax liabilities on revaluation	**1,492**	1,518	**15,254**
Reserve for retirement benefits (Note 6)	**34,422**	36,143	**351,927**
Reserve for directors' and corporate auditors' retirement allowances	**51**	206	**521**
Negative goodwill	**8,086**	10,502	**82,670**
Other	**5,871**	5,896	**60,025**
Total long-term liabilities	**186,118**	211,260	**1,902,852**
Total liabilities	**460,347**	489,520	**4,706,543**
Net assets (Note 7):			
Shareholders' equity:			
Common stock:			
Authorized: 2,000,000 thousand shares			
Issued: 536,238,328 shares in 2009 and 2008	**30,000**	30,000	**306,717**
Capital surplus	**209,657**	209,787	**2,143,513**
Retained earnings	**75,310**	72,938	**769,962**
Less: Treasury stock, at cost, 7,507,521 shares in 2009 7,301,098 shares in 2008	**(5,980)**	(5,973)	**(61,139)**
Total shareholders' equity	**308,987**	306,753	**3,159,053**
Valuation and translation adjustments:			
Unrealized gains (losses) on available-for-sale securities	**(1,161)**	1,098	**(11,870)**
Deferred gains (losses) on hedges	**35**	(29)	**358**
Total valuation and translation adjustments	**(1,125)**	1,069	**(11,502)**
Stock acquisition rights	**130**	136	**1,329**
Minority interests	**8,276**	7,895	**84,613**
Total net assets	**316,268**	315,854	**3,233,494**
Total liabilities and net assets	**¥776,616**	¥805,375	**$7,940,047**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 28, 2009 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Sales:			
Net sales	**¥1,092,448**	¥1,013,221	**$11,169,083**
Real estate lease income	**4,242**	3,181	**43,370**
	1,096,690	1,016,402	**11,212,453**
Operating expenses:			
Cost of sales	**825,628**	763,698	**8,441,141**
Cost of real estate lease	**1,779**	1,403	**18,188**
	827,407	765,101	**8,459,329**
Gross profit	**269,282**	251,301	**2,753,113**
Selling, general and administrative expenses	**241,189**	211,583	**2,465,893**
Operating income	**28,092**	39,717	**287,210**
Other income (expenses):			
Interest and dividend income	**910**	642	**9,304**
Interest expenses	**(1,616)**	(1,543)	**(16,522)**
Net gain (loss) on sales or disposal of fixed assets	**(1,748)**	(723)	**(17,871)**
Gain on sales of investment securities	**1,352**	32	**13,823**
Loss on revaluation of investment securities	**(9,833)**	(362)	**(100,532)**
Loss on impairment (Note 9)	**(2,824)**	(2,078)	**(28,872)**
Gain on restructuring liabilities	**3,317**	2,447	**33,913**
Amortization of negative goodwill	**2,336**	1,199	**23,883**
Provision for loss on collection of gift certificates	**(3,731)**	(4,602)	**(38,145)**
Loss on business restructuring (Note 10)	**(5,761)**	—	**(58,900)**
Other, net	**(2,033)**	586	**(20,785)**
	(19,634)	(4,404)	**(200,736)**
Income before income taxes and minority interests	**8,459**	35,314	**86,484**
Income taxes: (Note 12)			
Current	**5,812**	15,710	**59,421**
Deferred	**(5,275)**	(1,756)	**(53,931)**
	537	13,953	**5,490**
Minority interests in earnings of consolidated subsidiaries	**751**	822	**7,678**
Net income	**¥7,170**	¥20,538	**$73,305**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHAGES IN NET ASSETS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 28, 2009 and February 29, 2008

		Millions of yen					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance, February 28, 2007	270,830,356	¥20,283	¥23,184	¥60,982	¥(5,493)	¥98,956
Increase due to stock transfer	271,707,972	9,716	185,921			195,638
Cash dividends paid				(3,745)		(3,745)
Net income				20,538		20,538
Purchase of treasury stock			682		(5,448)	(4,766)
Disposal of treasury stock			0	(2)	135	132
Retirement of treasury stock	(6,300,000)			(4,834)	4,834	—
Net changes of items other than shareholders' equity during the year						
Balance, February 29, 2008	536,238,328	30,000	209,787	72,938	(5,973)	306,753
Cash dividends paid				**(4,760)**		**(4,760)**
Net income				**7,170**		**7,170**
Purchase of treasury stock					**(364)**	**(364)**
Disposal of treasury stock			**(63)**		**180**	**116**
Disposal of treasury stock due to stock exchange			**(67)**		**176**	**109**
Decrease in affiliates accounted for by the equity method				**(38)**		**(38)**
Net changes of items other than shareholders' equity during the year						
Balance, February 28, 2009	**536,238,328**	**¥30,000**	**¥209,657**	**¥75,310**	**¥(5,980)**	**¥308,987**

	Millions of yen					
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance, February 28, 2007	¥6,561	¥(1)	¥6,560	—	¥3,791	¥109,308
Increase due to stock transfer						195,638
Cash dividends paid						(3,745)
Net income						20,538
Purchase of treasury stock						(4,766)
Disposal of treasury stock						132
Retirement of treasury stock						—
Net changes of items other than shareholders' equity during the year	(5,462)	(28)	(5,491)	136	4,103	(1,251)
Balance, February 29, 2008	1,098	(29)	1,069	136	7,895	315,854
Cash dividends paid						**(4,760)**
Net income						**7,170**
Purchase of treasury stock						**(364)**
Disposal of treasury stock						**116**
Disposal of treasury stock due to stock exchange						**109**
Decrease in affiliates accounted for by the equity method						**(38)**
Net changes of items other than shareholders' equity during the year	**(2,260)**	**65**	**(2,195)**	**(5)**	**381**	**(1,819)**
Balance, February 28, 2009	**¥(1,161)**	**¥35**	**¥(1,125)**	**¥130**	**¥8,276**	**¥316,268**

See notes to consolidated financial statements.

		Thousands of U.S. dollars (Note 1)				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance, February 29, 2008	536,238,328	$306,717	$2,144,842	$745,711	$(61,067)	$3,136,213
Cash dividends paid				**(48,666)**		**(48,666)**
Net income				**73,305**		**73,305**
Purchase of treasury stock					**(3,722)**	**(3,722)**
Disposal of treasury stock			**(644)**		**1,840**	**1,186**
Disposal of treasury stock due to stock exchange			**(685)**		**1,799**	**1,114**
Decrease in affiliates accounted for by the equity method				**(389)**		**(389)**
Net changes of items other than shareholders' equity during the year						
Balance, February 28, 2009	**536,238,328**	**$306,717**	**$2,143,513**	**$769,962**	**$(61,139)**	**$3,159,053**

	Thousands of U.S. dollars (Note 1)					
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance, February 29, 2008	$11,226	$(296)	$10,929	$1,390	$80,718	$3,229,261
Cash dividends paid						**(48,666)**
Net income						**73,305**
Purchase of treasury stock						**(3,722)**
Disposal of treasury stock						**1,186**
Disposal of treasury stock due to stock exchange						**1,114**
Decrease in affiliates accounted for by the equity method						**(389)**
Net changes of items other than shareholders' equity during the year	**(23,106)**	**665**	**(22,441)**	**(51)**	**3,895**	**(18,597)**
Balance, February 28, 2009	**$(11,870)**	**$358**	**$(11,502)**	**$1,329**	**$84,613**	**$3,233,494**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 28, 2009 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥8,459**	¥35,314	**$86,484**
Depreciation	**13,257**	11,301	**135,538**
Loss on impairment	**4,554**	2,078	**46,560**
Amortization of negative goodwill	**(2,336)**	(1,199)	**(23,883)**
Increase (decrease) in allowance for doubtful accounts	**476**	30	**4,867**
Increase (decrease) in allowance for bonuses	**1,439**	133	**14,712**
Decrease in reserve for employees' retirement benefits	**(1,603)**	(3,606)	**(16,389)**
Increase in reserve for sales promotion	**(1,645)**	118	**(16,818)**
Decrease in reserve for loss on collection of gift certificates	**1,342**	5,975	**13,720**
Increase in reserve for business restructuring	**2,679**	—	**27,390**
Interest and dividend income	**(910)**	(643)	**(9,304)**
Interest expenses	**1,616**	1,543	**16,522**
Equity in earnings of affiliated companies	**(122)**	(158)	**(1,247)**
Gain on sales of property and equipment, net	**—**	(3,827)	**—**
Loss on sales or disposal of property and equipment	**1,665**	4,174	**17,023**
Gain on sale of investment securities, net	**(1,352)**	(32)	**(13,823)**
Write-down of investment securities	**9,833**	362	**100,532**
Increase in notes and accounts receivable	**12,115**	3,854	**123,863**
Increase in inventories	**2,214**	(488)	**22,636**
Increase in notes and accounts payable	**(10,264)**	(2,012)	**(104,938)**
Increase in other receivables	**(1,112)**	(3,357)	**(11,369)**
Increase in prepaid expenses	**(1,989)**	(2,961)	**(20,335)**
Other	**(1,953)**	(3,021)	**(19,967)**
Subtotal	**36,362**	43,579	**371,762**
Interest and dividend income received	**899**	738	**9,191**
Interest expenses paid	**(1,641)**	(1,594)	**(16,777)**
Income taxes paid	**(12,934)**	(14,927)	**(132,236)**
Net cash provided by operating activities	**22,686**	27,796	**231,939**
Cash flows from investing activities:			
Purchase of securities	**(1,903)**	(407)	**(19,456)**
Proceeds from sales of securities	**4,618**	416	**47,214**
Purchase of property and equipment	**(12,765)**	(16,122)	**(130,508)**
Proceeds from sale of property and equipment	**526**	21,322	**5,378**
Increase in long-term loans	**(29)**	(23)	**(296)**
Proceeds from collection of long-term loans	**148**	156	**1,513**
Net (increase) decrease in short-term loans	**111**	327	**1,135**
Other	**(2,383)**	122	**(24,364)**
Net cash provided by (used in) investing activities	**(11,676)**	5,792	**(119,374)**
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	**16,699**	(15,889)	**170,729**
Proceeds from long-term bank loans	**1,500**	8,499	**15,336**
Payment of long-term bank loans	**(26,563)**	(14,007)	**(271,578)**
Redemption of bonds	**—**	(13,500)	**—**
Purchase of treasury stock	**(357)**	(752)	**(3,650)**
Cash dividends paid	**(4,763)**	(3,722)	**(48,696)**
Cash dividends paid to minority shareholders	**(111)**	(68)	**(1,135)**
Other	**87**	132	**889**
Net cash used in financing activities	**(13,510)**	(39,309)	**(138,125)**
Effect of exchange rate changes	**(136)**	(73)	**(1,390)**
Net decrease in cash and cash equivalents	**(2,636)**	(5,794)	**(26,950)**
Cash and cash equivalents at beginning of year	**34,944**	33,103	**357,264**
Increase due to stock transfer	**—**	7,634	**—**
Cash and cash equivalents at end of year (Note 3)	**¥32,307**	¥34,944	**$330,304**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2009 and February 29, 2008

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

On September 3, 2007, J. Front Retailing Co., Ltd. was established as a joint holding company through the management integration which was agreed between the Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd.

The accompanying consolidated financial statements of J. Front Retailing Co., Ltd. (hereafter the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company, prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

All figures in the consolidated financial statements and notes are stated in millions of Japanese yen by discarding fractional amounts of less than ¥1 million as permitted by the Financial Instruments and Exchange Law. As a result, the totals shown in the consolidated financial statements and notes in yen do not necessarily agree with the sum of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 28, 2009, which was ¥97.81 to U.S. $1. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 27 (38 in 2008) significant subsidiaries (hereafter the "Companies").

Investments in 5 (6 in 2008) significant affiliated companies are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining unconsolidated subsidiaries and affiliated companies are not accounted for by the equity method because of the immaterial effect on the consolidated financial statements. Such investments are, therefore, stated at cost, adjusted for any substantial and non-recoverable impairment in value, and income from those unconsolidated subsidiaries and affiliated companies is recognized only when the Companies receive dividends therefrom.

In accordance with the accounting standards for consolidation, the Company's subsidiaries include companies over which substantial control is exerted through either majority ownership of voting stock and/or by other means. Also, the Company's affiliated companies include companies over which the Company has the ability to exercise significant influence.

All significant intercompany transactions and unrealized profits among the Group have been eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries (goodwill or negative goodwill) are amortized on a straight-line basis over 5 years with the exception of minor differences, which are charged or credited to income in the period of acquisition.

All the Company's unconsolidated subsidiaries are of a limited scale in terms of total assets, net sales, profit, retained earnings and other indicators, and taken together they do not have a significant impact on the consolidated financial statements.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date, and translation gains and losses are charged to income.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of acquisition.

(d) Securities

No trading securities and held-to-maturity securities are held by the Companies. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for by the equity method are stated at moving-average cost. Available-for-sale securities with fair market value are stated at fair market value. Net unrealized gains or losses on these securities are reported, net of applicable income taxes, as a separate component of net assets in the balance sheets. Realized gains and losses on sale of such securities are computed using the moving-average cost method. Available-for-sale securities with no available fair market value are stated at moving average cost.

(e) Derivatives and hedging transactions

Derivative financial instruments are stated at fair value and changes in the fair value are charged to income unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

In cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, hedged items are stated using the forward foreign exchange contract rates.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use forward foreign currency contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange and increases in the interest rate.

The related hedged items are trade receivables, trade payables, loans payables, and interest on foreign currency bonds.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts is provided principally for amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to specific items and possible losses on collection calculated by applying a percentage based on collection experience to the remaining items.

(g) Inventories

Inventories are stated at cost determined principally by the retail inventory method.

(h) Property and equipment

Property and equipment are stated at cost. Depreciation of buildings and structures is computed mainly by the straight-line method and other properties are depreciated using the declining-balance method over the estimated useful lives of the assets as prescribed by the Corporate Tax Law. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. The range of useful lives is principally 3 to 50 years for buildings and structures and 2 to 20 years for other properties.

Certain subsidiaries had used the declining-balance method in depreciating building attachments and structures, but effective the year ended February 28, 2009, they changed their depreciation method to the straight-line method. The effect of this change was to increase operating income and income before income taxes and minority interests by ¥1,295 million ($13,240 thousand), compared with the previous method.

In addition, pursuant to an amendment to the Corporate Tax Law, the salvage value (5% of the acquisition costs) of the assets fully depreciated based on the Corporate Tax Law before the amendment is depreciated equally over five years starting from the year ended February 28, 2009. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥736 million ($7,525 thousand), compared with the previous method.

(i) Impairment of fixed assets

The Companies review their fixed assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(j) Software

Software purchased or internally developed for internal use is amortized using the straight-line method over its estimated useful life (five years).

(k) Reserve for Sales Promotion

Reserve for sales promotion is provided for the estimated future costs on the issuance of point card certificates and other gift certificates based on the historical experience rate of usage.

(l) Allowance for employees' bonuses

An allowance for employees' bonuses is provided for the estimated amounts which is attributable to the fiscal year.

(m) Allowance for directors' and corporate auditors' bonuses

An allowance for directors' and corporate auditors' bonuses is provided for the estimated amounts which is attributable to the fiscal year.

(n) Reserve for loss on collection of gift certificates

Reserve for loss on collection of gift certificates is provided for estimated future loss to be incurred when gift certificates were collected after derecognition of the related liability based on the historical experience.

(o) Reserve for loss on business restructuring

Reserve for loss on business restructuring is provided for estimated loss on restructuring affiliated companies.

(p) Reserve for retirement benefits

Reserve for retirement benefits is provided based on the projected benefit obligations and plan assets at the balance sheet date.

The unrecognized prior service cost obligations are recognized as expenses and recorded in equal amounts mainly 10 – 12 years from their recognition, which are less than the average remaining service years of the employees. Actuarial gains or losses incurred during the year are amortized by using the straight-line method over a certain period of time (mainly 10 – 12 years), which are less than the average remaining service years of the employees, commencing from the following fiscal year after they are incurred.

(q) Allowance for directors' and corporate auditors' retirement benefits

An allowance for directors' and corporate auditors' retirement benefits is provided by certain consolidated subsidiaries based on the internal rules for the estimated amount which would be payable if all officers were to retire at the balance sheet date.

The payments are subject to an approval of the shareholders' meeting.

(r) Leases

Under the current Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. All other leases are accounted for as operating leases.

(s) Income taxes

Income taxes consist of national and local income taxes.

The Companies recognize the tax effects of temporary differences between the financial statement's carrying amounts and the tax basis of assets and liabilities. The provision for income taxes is computed based on the income before income taxes and minority interests included in the statements of income of each of the Companies. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(t) Per share information

Net income per share is based on the weighted average number of shares of common stock outstanding during each year and diluted net income per share reflects the potential dilution that could occur if it were converted into common stock.

Cash dividends per share represent interim dividends resolved by the Board of Directors in each year and year-end dividends resolved by the Board of Directors subsequent to the end of the fiscal year.

(u) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. These changes had no impact on previously reported results of operations.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statements of cash flows at February 28, 2009 and February 29, 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash on hand and in banks	**¥32,858**	¥37,562	**$335,937**
Time deposits with maturities exceeding three months	**(568)**	(2,635)	**(5,807)**
Short-term investments	**16**	16	**164**
Cash and cash equivalents	**¥32,307**	¥34,944	**$330,304**

4 SECURITIES

Marketable securities classified as available-for-sale securities at February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	February 28, 2009					
	Acquisition cost	**Carrying value**	**Unrealized gains (losses)**	**Acquisition cost**	**Carrying value**	**Unrealized gains (losses)**
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥2,417**	**¥4,420**	**¥2,002**	**$24,711**	**$45,190**	**$20,468**
Debt securities	**872**	**878**	**6**	**8,915**	**8,977**	**61**
Subtotal	**3,290**	**5,299**	**2,009**	**33,637**	**54,176**	**20,540**
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	**21,093**	**17,127**	**(3,966)**	**215,653**	**175,105**	**(40,548)**
Debt securities	**1,812**	**1,715**	**(96)**	**18,526**	**17,534**	**(980)**
Subtotal	**22,905**	**18,842**	**(4,063)**	**234,179**	**192,639**	**(41,540)**
Total	**¥26,195**	**¥24,142**	**¥(2,053)**	**$267,815**	**$246,825**	**$(20,990)**

	Millions of yen		
	February 29, 2008		
	Acquisition cost	Carrying value	Unrealized gains (losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥7,152	¥13,774	¥6,621
Debt securities	2,631	2,648	17
Subtotal	9,784	16,423	6,638
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	27,066	22,177	(4,888)
Debt securities	361	360	(0)
Subtotal	27,428	22,538	(4,889)
Total	¥37,212	¥38,961	¥1,749

The Companies review available-for-sale securities with fair value for impairment when the fair value declined more than 30% from the acquisition cost. When the cost is not considered to be recoverable, impairment loss would be recognized. Impairment losses recognized for available-for-sale securities whose fair value is available for the years ended February 28, 2009 and February 29, 2008 amounted to ¥9,833 million ($100,532 thousand) and ¥362 million, respectively.

Available-for-sale securities whose fair value is not available at February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Unlisted equity securities	**¥3,172**	¥3,184	**$32,430**
Other	**4,108**	3,967	**42,000**
Total	**¥7,281**	¥7,151	**$74,440**

Proceeds from sales of available-for-sale securities and gross realized gains on these sales for the year ended February 28, 2009 was ¥4,618 million ($47,214 thousand) and ¥1,352 million ($13,823 thousand), respectively.

The carrying values of debt securities and other securities by contractual maturities for securities classified as available-for-sale at February 28, 2009 are as follows:

	Millions of yen			
	2009			
	Due in 1 year or less	**Due after 1 year through 5 years**	**Due after 5 years through 10 years**	**Due after 10 years**
Debt securities:				
Government and municipal bonds	**¥280**	**¥100**	—	—
Other	**796**	**1,416**	—	—
Other securities:				
Investment trust	**16**	—	—	—
Total	**¥1,093**	**¥1,517**	—	—

	Thousands of U.S. dollars			
	2009			
	Due in 1 year or less	**Due after 1 year through 5 years**	**Due after 5 years through 10 years**	**Due after 10 years**
Debt securities:				
Government and municipal bonds	**$2,863**	**$1,022**	—	—
Other	**8,138**	**14,477**	—	—
Other securities:				
Investment trust	**164**	—	—	—
Total	**$11,175**	**$15,510**	—	—

5 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at February 28, 2009 and February 29, 2008 consisted of notes to banks and bank overdrafts. The annual weighted average interest rate applicable to the short-term bank loans was 0.93%. Long-term debt at February 28, 2009 and February 29, 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Unsecured 0.76% straight bonds due 2009	**¥6,000**	¥6,000	**$61,343**
Unsecured 0.74% straight bonds due 2009	**3,000**	3,000	**30,672**
Unsecured 1.01% straight bonds due 2009	**3,000**	3,000	**30,672**
Unsecured 1.10% straight bonds due 2009	**2,000**	2,000	**20,448**
Unsecured 1.07% straight bonds due 2011	**3,000**	3,000	**30,672**
Unsecured 1.06% straight bonds due 2011	**2,000**	2,000	**20,448**
Loans from banks and others due serially to 2021	**37,494**	62,557	**383,335**
Total	**56,494**	81,557	**577,589**
Less: Current portion of long-term debt	**18,373**	26,484	**187,844**
	¥38,121	¥55,073	**$389,745**

Annual maturities of long-term debt including bonds at February 28, 2009 are as follows:

Years ending February 28 or 29	Millions of yen	Thousands of U.S. dollars
2010	**¥18,373**	**$187,844**
2011	**10,956**	**112,013**
2012	**11,634**	**118,945**
2013	**8,390**	**85,779**
2014 and thereafter	**7,141**	**73,009**
Total	**¥56,494**	**$577,589**

The carrying amounts of assets pledged as collateral for short-term loans of ¥2,886 million ($29,506 thousand) and the long-term loans of ¥11,685 million ($119,466 thousand) at February 28, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	**¥12,608**	**$128,903**
Buildings and structures	**15,429**	**157,745**
Investment securities	**521**	**5,327**
Total	**¥28,560**	**$291,995**

As is customary in Japan, the Companies maintain substantial deposit balances with banks with which they have borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

6 RESERVE FOR RETIREMENT BENEFITS

The Companies have defined benefit pension plans, i.e., corporate pension plans, tax qualified pension plans, lump-sum retirement plans and defined contribution pension plans. In certain cases, additional severance payments may be granted to the eligible employees. Such payments are not included in retirement benefit obligations actuarially computed in accordance with the accounting standard for retirement benefits. Certain consolidated subsidiaries have established retirement benefit trusts.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at February 28, 2009 and February 29, 2008 for the Companies' retirement benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Retirement benefit obligation	**¥84,230**	¥92,686	**$861,159**
Plan assets at fair value	**(35,720)**	(50,471)	**(365,198)**
Retirement benefit trusts	**(8,095)**	(14,530)	**(82,762)**
Unfunded retirement benefit obligation	**40,414**	27,683	**413,189**
Unrecognized prior service cost	**3,428**	3,007	**35,048**
Unrecognized actuarial differences	**(19,589)**	(2,791)	**(200,276)**
	24,253	27,899	**247,960**
Prepaid pension cost	**10,168**	8,244	**103,957**
Reserve for retirement benefits	**¥34,422**	¥36,143	**$351,927**

The component of net retirement benefit costs for the years ended February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Service cost	**¥2,961**	¥2,602	**$30,273**
Interest cost	**1,798**	1,506	**18,383**
Expected return on plan assets	**(1,206)**	(928)	**(12,330)**
Amortization of prior service cost	**(552)**	(501)	**(5,644)**
Recognized actuarial differences	**294**	(824)	**3,006**
Net retirement benefit cost	**3,295**	1,855	**33,688**
Contribution to defined contribution plan	**283**	147	**2,893**
Total	**¥3,579**	¥2,003	**$36,591**

Assumptions used in the calculation of the above information were as follows:

	2009	2008
Interperiod allocation method of estimated retirement benefits	**Straight-line**	Straight-line
Discount rate	**2.0%**	2.0%
Expected return on plan assets	**1.0%-2.0%**	1.0%-2.0%
Amortization of unrecognized prior service costs	**Mainly 10-12 years**	Mainly 10-13 year
Amortization of unrecognized actuarial differences	**10-12 year**	10-13 years

7 NET ASSETS

Japanese companies are subject to the Corporate Law of Japan (the "Corporate Law"). The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of services of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount of equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of net assets.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

At the Board of Directors' meeting held on April 14, 2009, distribution of cash dividends amounting to ¥1,851 million ($18,924 thousand) was resolved. This distribution has not been accrued in the consolidated financial statements as of February 28, 2009 and is recognized in the period in which they were resolved.

8 STOCK OPTIONS

The stock options outstanding as of February 28, 2009 are as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise Period
1st	12 directors 4 corporate auditors 6 employees	140,000 common shares	May 23, 2002	Sep. 3, 2007 to May 23, 2012
2nd	7 directors 4 corporate auditors 16 executive officers 1 employee	161,000 common shares	May 22, 2003	Sep. 3, 2007 to May 22, 2013
3rd	7 directors 4 corporate auditors 14 executive officers 1 employee	308,000 common shares	May 27, 2004	Sep. 3, 2007 to May 27, 2014
4th	7 directors 4 corporate auditors 12 executive officers 1 employee	336,000 common shares	May 26, 2005	Sep. 3, 2007 to May 26, 2015
5th	8 directors 5 corporate auditors	63,000 common shares	May 25, 2006	Sep. 3, 2007 to Jul. 14, 2026
6th	135 employees	300,000 common shares	May 25, 2006	Jul. 15, 2008 to Jul. 14, 2012

The stock option activity is as follows:

	1st	2nd	3rd	4th	5th	6th
Vested:						
February 28, 2007-outstanding	140,000	161,000	308,000	336,000	63,000	300,000
Exercised						
Forfeited						
February 29, 2008-outstanding	140,000	161,000	308,000	336,000	63,000	300,000
Exercised		42,000			7,000	
Forfeited						
February 28, 2009-outstanding	140,000	119,000	308,000	336,000	56,000	300,000

Price information is as follows:

	Yen					
Year ended February 28, 2009	1st	2nd	3rd	4th	5th	6th
Exercise price	¥404	¥317	¥699	¥691	¥1	¥794
Average stock price at time of exercise	—	634	—	—	661	—
Fair value at date of grant	*	*	*	*	833	279

	U.S. dollar					
Year ended February 28, 2009	1st	2nd	3rd	4th	5th	6th
Exercise price	$4.13	$3.24	$7.15	$7.06	$0.01	$8.12
Average stock price at time of exercise	—	6.48	—	—	6.76	—
Fair value at date of grant	*	*	*	*	8.52	2.85

*Fair value at date of grant is not disclosed since these options were granted before the enforcement of the Corporate Law.
No stock options were exercised during the year ended February 29, 2008.

9 LOSS ON IMPAIRMENT

The Companies recognized impairment losses on fixed assets including buildings and other assets in stores for the years ended February 28, 2009 and February 29, 2008 as follows:

The Companies identify groups of assets principally on a store or warehouse basis which is the smallest identifiable group of assets generating cash inflows.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Buildings and other	**¥2,824**	¥2,078	**$28,872**

The carrying values of these assets were reduced to the recoverable amounts. The recoverable amounts of stores are measured based on the value of use and written-down to nil since no future cash inflows are expected.

10 LOSS ON BUSINESS RESTRUCTURING

After the management integration, the Companies have been proceeding business restructuring in order to improve management efficiency throughout the organization. Pursuant to the management's strategic plan, the Companies have recognized loss on business restructuring for the year ended February 28, 2009 as follows:

	Millions of yen			
	Yokohama Matsuzakaya	**Imabari Daimaru**	**J. Front Retailing**	**Total**
Provision for loss on business restructuring	**¥2,680**	**¥1,239**	**¥104**	**¥4,023**
Impairment loss on buildings and other properties	**397**	**1,331**	—	**1,728**
Other	**9**	—	—	**9**
Total	**¥3,087**	**¥2,570**	**¥104**	**¥5,761**

	Thousands of U.S. dollars			
	Yokohama Matsuzakaya	**Imabari Daimaru**	**J. Front Retailing**	**Total**
Provision for loss on business restructuring	**$27,400**	**$12,667**	**$1,063**	**$41,130**
Impairment loss on buildings and other properties	**4,059**	**13,608**	—	**17,667**
Other	**92**	—	—	**92**
Total	**$31,561**	**$26,275**	**$1,063**	**$58,900**

11 LEASES

a. Finance leases

The companies lease machinery and equipment and other assets.

Information regarding finance leases other than those which deem to transfer ownership of the leased assets to the lessee is as follows:

(As a lessee)

Pro forma information of leased assets such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense and other information of finance leases "as if capitalized" basis for the years ended February 28, 2009 and February 29, 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Property and equipment (Machinery, equipment, vehicles and other)			
Acquisition cost	**¥14,631**	¥15,927	**$149,586**
Accumulated depreciation	**6,588**	8,218	**67,355**
Accumulated impairment loss	**364**	178	**3,722**
Net leased assets	**¥7,677**	¥7,529	**$78,489**

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥2,568**	¥2,500	**$26,255**
Due after one year	**5,393**	5,189	**55,138**
Total	**¥7,961**	¥7,690	**$81,392**
Impairment loss on leased assets	**¥283**	¥160	**$2,893**

Total lease payments and other information:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Total lease payments	**¥2,711**	¥2,322	**$27,717**
Reversal of allowance for impairment loss on leased assets	**117**	4	**1,196**
Depreciation expense	**2,594**	2,318	**26,521**
Impairment loss	**240**	109	**2,454**
Adjustment to allowance for impairment loss on leased assets	**—**	42	**—**

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, is computed by the straight-line method over the lease periods.

(As a lessor)

Pro forma information of leased assets such as acquisition cost, accumulated depreciation, receivables under finance leases, depreciation expense and other information of finance leases for the years ended February 28, 2009 and February 29, 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Property and equipment (Machinery, equipment, vehicles and other)			
Acquisition cost	**¥1,284**	¥1,352	**$13,127**
Accumulated depreciation	**761**	649	**7,780**
Net leased assets	**¥522**	¥703	**$5,337**

Commitment received under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥161**	¥187	**$1,646**
Due after one year	**361**	515	**3,691**
Total	**¥522**	¥703	**$5,337**

Lease income and depreciation expense:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease income	**¥186**	¥188	**$1,901**
Depreciation expense	**186**	188	**1,901**

b. Operating leases

Future minimum lease payments under non-cancellable leases subsequent to February 28, 2009 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
As a lessee:		
Within one year	**¥3,482**	**$35,600**
After one year	**25,602**	**261,752**
Total	**¥29,084**	**$297,352**
As a lessor:		
Within one year	**¥827**	**$8,455**
After one year	**947**	**9,682**
Total	**¥1,775**	**$18,147**

12 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% for the years ended February 28, 2009 and February 29, 2008. The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Reserve for retirement benefits	**¥9,769**	¥11,233	**$99,877**
Securities under retirement benefit trusts	**4,780**	4,606	**48,870**
Loss on evaluation recognized upon merger of consolidated subsidiaries	**4,516**	4,516	**46,171**
Allowance for bonuses	**3,165**	3,441	**32,359**
Tax loss carryforwards	**2,980**	1,269	**30,467**
Reserve for loss on collection of gift certificates	**2,979**	2,148	**30,457**
Loss on impairment	**2,849**	2,849	**29,128**
Reserve for loss on business restructuring	**1,087**	—	**11,113**
Allowance for doubtful accounts	**1,026**	890	**10,490**
Unrealized profits on fixed assets	**804**	867	**8,220**
Payables related to an amendment to the retirement benefit plan	**783**	1,217	**8,005**
Inventories	**480**	470	**4,907**
Accrued enterprise tax	**380**	1,051	**3,885**
Reserve for sales promotion	**143**	811	**1,462**
Other	**5,564**	5,719	**56,886**
Gross deferred tax assets	**41,312**	41,092	**422,370**
Less: Valuation allowance	**(10,297)**	(11,347)	**(105,276)**
Total deferred tax assets	**¥31,015**	¥29,745	**$317,094**
Deferred tax liabilities:			
Adjustments of book values by fair value method	**¥(96,014)**	¥(97,610)	**$(981,638)**
Deferred gains	**(6,585)**	(6,813)	**(67,324)**
Returned shares of retirement benefit trusts	**(3,179)**	(6,156)	**(32,502)**
Unrealized gains on available-for-sale securities	—	(700)	—
Others	**(52)**	(25)	**(532)**
Total deferred tax liabilities	**(105,831)**	(111,306)	**(1,082,006)**
Net of deferred tax assets	**¥(74,816)**	¥(81,561)	**$(764,912)**

These deferred tax assets and liabilities are recorded under the following captions of the accompanying consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current assets	**¥10,993**	¥10,349	**$112,391**
Investments and other assets	**12,263**	10,008	**125,376**
Long-term liabilities	**(98,072)**	(101,919)	**(1,002,679)**

13 DERIVATIVE TRANSACTIONS

There was no derivative transaction that is required to disclose its fair value as of February 28, 2009 and February 29, 2008, since all derivatives are accounted for under hedge accounting.

14 CONTINGENT LIABILITIES

The Companies had the following contingent liabilities at February 28, 2009:

	Millions of yen	Thousands of U.S. dollars
Guarantees on employees' home mortgage loans	**¥82**	**$838**
Guarantees on bank loans and lease arrangements for a subsidiary	**24**	**245**
Total	**¥106**	**$1,084**

15 PER SHARE INFORMATION

The financial data for the computation of basic net income per share for the years ended February 28, 2009 and February 29, 2008 is as follows:

	Millions of yen	Thousands of shares	Yen	Dollar
	Net income	**Weighted average shares**	**EPS**	
For the year ended February 28, 2009:				
Basic EPS				
Net income available to common shareholders	**¥7,170**	**528,667**	**¥13.56**	**$0.14**
For the year ended February 29, 2008:				
Basic EPS				
Net income available to common shareholders	¥20,538	449,037	¥45.74	

Net assets per share at February 28, 2009 and February 29, 2008 were calculated as follows:

	Millions of yen	Thousands of shares	Yen	Dollar
	Net assets	**Common shares at end of fiscal year**	**Net assets per shares**	
For the year ended February 28, 2009:				
Total net assets	**¥316,268**			
Amounts not attributable to common shares:	**8,407**			
—Stock subscription rights	**(130)**			
—Minority interests	**(8,276)**			
Net assets attributable to common shares	**¥307,861**		**¥582.27**	**$5.95**
Outstanding number of common shares issued		**528,730**		
For the year ended February 29, 2008:				
Total net assets	¥315,854			
Amounts not attributable to common shares:	8,031			
—Stock subscription rights	(136)			
—Minority interests	(7,895)			
Net assets attributable to common shares	¥307,823		¥581.97	
Outstanding number of common shares issued		528,937		

16 SEGMENT INFORMATION

(a) Business segment information

The Companies operate in the four business segments consisting of "Department store," "Super market," "Wholesale" and "Other." "Other" segment includes various business including mail order, real estate leasing, interior construction contract, manufacturing and sales of furniture, credit business, etc.

Business segment information for the years ended February 28, 2009 and February 29, 2008 was as follows:

	Millions of yen					
Year ended February 28, 2009	**Department store**	**Super market**	**Wholesale**	**Other**	**Elimination or corporate**	**Consolidated**
I. Sales and operating income						
Sales						
1) Sales to outside customers	**¥834,097**	**¥125,833**	**¥79,554**	**¥57,204**	**¥—**	**¥1,096,690**
2) Intersegment sales	**2,091**	**4,826**	**7,584**	**34,483**	**(48,987)**	—
Total	**836,189**	**130,660**	**87,139**	**91,688**	**(48,987)**	**1,096,690**
Operating expenses	**814,572**	**129,555**	**83,567**	**89,129**	**(48,226)**	**1,068,597**
Operating income	**¥21,616**	**¥1,105**	**¥3,572**	**¥2,558**	**¥(760)**	**¥28,092**
II. Assets, depreciation, impairment loss and capital expenditure						
Assets	**¥679,624**	**¥44,033**	**¥28,707**	**¥140,828**	**¥(116,578)**	**¥776,616**
Depreciation	**12,225**	**916**	**102**	**273**	**(260)**	**13,257**
Loss on impairment	**3,413**	**964**	—	**190**	**(14)**	**4,554**
Capital expenditure	**10,140**	**1,314**	**37**	**1,532**	**(208)**	**12,817**

	Millions of yen					
Year ended February 29, 2008	Department store	Super market	Wholesale	Other	Elimination or corporate	Consolidated
I. Sales and operating income						
Sales						
1) Sales to outside customers	¥754,195	¥114,908	¥82,733	¥64,565	¥—	¥1,016,402
2) Intersegment sales	1,625	4,825	7,888	32,866	(47,205)	—
Total	755,820	119,733	90,622	97,431	(47,205)	1,016,402
Operating expenses	724,479	117,848	87,295	93,797	(46,736)	976,684
Operating income	¥31,341	¥1,884	¥3,327	¥3,634	¥(469)	¥39,717
II. Assets, depreciation, impairment loss and capital expenditure						
Assets	¥728,833	¥43,791	¥29,732	¥98,549	¥(95,531)	¥805,375
Depreciation	10,047	832	159	473	(211)	11,301
Loss on impairment	—	1,939	—	179	(41)	2,078
Capital expenditure	15,438	1,275	115	376	(688)	16,517

Year ended February 28, 2009	Thousands of U.S. dollars					
	Department store	**Super market**	**Wholesale**	**Other**	**Elimination or corporate**	**Consolidated**
I. Sales and operating income						
Sales						
1) Sales to outside customers	**$8,527,727**	**$1,286,504**	**$813,352**	**$584,848**	**$—**	**$11,212,453**
2) Intersegment sales	**21,276**	**49,341**	**77,538**	**352,551**	**(500,838)**	**—**
Total	**8,549,116**	**1,335,855**	**890,901**	**937,409**	**(500,838)**	**11,212,453**
Operating expenses	**8,328,106**	**1,324,558**	**854,381**	**911,246**	**(493,058)**	**10,925,233**
Operating income	**$221,000**	**$11,297**	**$36,520**	**$26,153**	**$(7,770)**	**$287,210**
II. Assets, depreciation, impairment loss and capital expenditure						
Assets	**$6,948,410**	**$450,189**	**$293,498**	**$1,439,812**	**$(1,191,882)**	**$7,940,047**
Depreciation	**124,987**	**9,365**	**1,043**	**2,791**	**(2,658)**	**135,538**
Loss on impairment	**34,894**	**9,856**	**—**	**1,943**	**(143)**	**46,560**
Capital expenditure	**103,670**	**13,434**	**378**	**15,663**	**(2,127)**	**131,040**

Notes:

(1) As discussed in the note 2(h), certain subsidiaries changed the depreciation method from the declining-balance method to the straight-line method effective the year ended February 28, 2009. The effect of this change was to decrease operating expenses of "Department store," "Super market," "Wholesale" and "Other" by ¥1,200 million ($12,269 thousand), ¥30 million ($307 thousand), ¥15 million ($153 thousand) and ¥50 million ($511 thousand), respectively, and accordingly, operating income increased by the same amount.

(2) As discussed in the note 2(h), pursuant to the amendment to the Corporate Tax Law, the salvage value of the assets which were fully depreciated based on the Corporate Tax Law before the amendment is depreciated equally over five years starting from the year ended February 28, 2009. The effect of this change was to increase operating expenses of "Department store," "Super market," "Wholesale" and "Other" by ¥667 million ($6,819 thousand), ¥54 million ($552 thousand), ¥4 million ($41 thousand) and ¥10 million ($102 thousand), respectively, and accordingly, operating income decreased by the same amount.

(b) Geographic segment information

Geographic segment information is not disclosed, due to sales and total assets of overseas subsidiaries not being material compared to consolidated sales and consolidated total assets, respectively.

(c) Information for overseas sales

Information for overseas sales is not disclosed, due to overseas sales not being material compared to consolidated sales.

17 RELATED PARTIES

There were no significant transactions and balances with related parties as of and for the years ended February 28, 2009 and February 29, 2008.

Group Companies

Department Store Business

The Daimaru, Inc.

Location: 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 542-8501, Japan
Capital: ¥20,283 million   Investment ratio: 100%   http://www.daimaru.co.jp/

Daimaru Osaka Shinsaibashi Store
Location: 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 542-8501, Japan
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, Japan
Phone: +81-6-6343-1231
Opened: April 1983

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

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

Daimaru Kobe Store
Location: 40, Akashi-cho, Chuo-ku, Kobe 650-0037, Japan
Phone: +81-78-331-8121
Opened (Present location): April 1927

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

Daimaru LaLaport Yokohama Store
Location: 1st Fl., LaLaport Yokohama, 4035-1, Ikebe-cho, Tsuzuki-ku, Yokohama 224-0053, Japan
Phone: +81-45-287-5000
Opened: March 2007

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

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

Daimaru Shinnagata Store
Location: 5-1, Wakamatsu-cho 5-chome, Nagata-ku, Kobe 653-0038, Japan
Phone: +81-78-643-2951
Opened: April 1977

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

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

Matsuzakaya Co., Ltd.

Location: 16-1, Sakae 3-chome, Naka-ku, Nagoya 460-8430, Japan
Capital: ¥9,765 million   Investment ratio: 100%   http://www.matsuzakaya.co.jp/

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

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

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

Matsuzakaya Ginza Store
Location: 10-1, Ginza 6-chome, Chuo-ku, Tokyo 104-8166, Japan
Phone: +81-3-3572-1111
Opened: December 1924

Matsuzakaya Takatsuki Store
Location: 2-1, Konya-cho, Takatsuki 569-8522, Japan
Phone: +81-72-682-1111
Opened: November 1979

Matsuzakaya Nagoya Station Store
Location: 1-2, Meieki 1-chome, Nakamura-ku, Nagoya 450-8502, Japan
Phone: +81-52-561-1111
Opened: November 1974

Matsuzakaya Toyota Store
Location: 85-1, Nishimachii 6-chome, Toyota 471-8560, Japan
Phone: +81-565-37-1111
Opened: October 2001

Matsuzakaya Okazaki Store
Location: 15-4, Koseidori Nishi 3-chome, Okazaki 444-8515, Japan
Phone: +81-564-23-1111
Opened: April 1971

The Hakata Daimaru, Inc.

Location: 4-1, Tenjin 1-chome, Chuo-ku, Fukuoka 810-8717, Japan
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 750-8503, Japan
Phone: +81-83-232-1111
Capital: ¥480 million   Investment ratio: 100%
http://daimaru.shimonoseki.ne.jp/index.html

Kochi Daimaru Co., Ltd.

Location: 6-1, Obiya-machi 1-chome, Kochi 780-8566, Japan
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, Japan
Phone: +81-857-25-2111
Capital: ¥180 million   Investment ratio: 14%
http://www.daimaru-tottori.co.jp/

Supermarket Business

Peacock Stores Ltd.

Location: Daimaru Core Bldg., 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-8510, Japan
Phone: +81-3-3630-1511
Capital: ¥2,550 million Investment ratio: 100%
http://www.peacock.co.jp/

Wholesale Business

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

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

Other Businesses

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

Location: 2nd & 4th Fls., Shingu Bldg., 4-2, Toyo 2-chome, Koto-ku, Tokyo 135-0016, Japan
Phone: +81-3-5665-1800
Location: 5th & 6th Fls., Ueyama Bldg., 1-3, Minamisemba 2-chome, Chuo-ku, Osaka 542-0081, Japan
Phone: +81-6-4705-6200
Capital: ¥100 million Investment ratio: 100%
http://www.jfdc.co.jp/

DHJ Co, Ltd. (Wholesale and retail of furniture)

Location: 34-10, Toyosato-cho, Neyagawa 572-0071, Japan
Phone: +81-72-828-2256
Capital: ¥180 million Investment ratio: 100%
http://www.drexel.co.jp/

The Daimaru Home Shopping, Inc. (Direct marketing)

Location: 4th Fl., Higashikobe Center Bldg., 6-26, Motoyama Minamimachi 8-chome, Higashinada-ku, Kobe 658-0015, Japan
Phone: +81-78-441-8800
Capital: ¥100 million Investment ratio: 100%
http://www.daimaru-lim.co.jp/

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

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

Dimples' Co., Ltd. (Staffing service)

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

JFR Card Co., Ltd. (Credit service)

Location: 4-10, Minamisemba 4-chome, Chuo-ku, Osaka 542-8551, Japan
Phone: +81-6-6243-3140
Capital: ¥100 million Investment ratio: 100%
http://www.jfr-card.co.jp/

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

Location: 3-24, Osaka 1-chome, Tennoji-ku, Osaka 543-0062, Japan
Phone: +81-6-6775-3700
Capital: ¥10 million Investment ratio: 100%

JFR Office Support Co., Ltd. (Business processing)

Location: Daimaru Kitasumiyamachi Bldg. 7-3, Nishishinsaibashi 1-chome, Chuo-ku, Osaka 542-0086, Japan
Phone: +81-6-6281-5040
Capital: ¥10 million Investment ratio: 100%

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

Location: O's 605, ATC Bldg., 1-10, Nankokita 2-chome, Suminoe-ku, Osaka 559-0034, Japan
Phone: +81-6-6615-5285
Location: Daimaru Core Bldg., 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-8510, Japan
Phone: +81-3-3820-7330
Capital: ¥450 million Investment ratio: 100%
http://www.shoukaken.jp/

Sakae Printing Co., Ltd. (Printing)

Location: 158, Sunami-cho, Minato-ku, Nagoya 455-0056, Japan
Phone: +81-52-652-1251
Capital: ¥100 million Investment ratio: 100%
http://www.sakaeprint.co.jp/

Matsuzaka Service Co., Ltd.
(Building maintenance, store decoration, parking management and staffing service)

Location: 2nd Annex to Matsuzakaya Ginza Store, 9-9, Ginza 5-chome, Chuo-ku, Tokyo 104-0061, Japan
Phone: +81-3-3572-8611
Capital: ¥100 million Investment ratio: 100%
http://www.matsuzaka-service.co.jp/

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

Location: 2nd Fl., Daimaru Kitasumiyamachi Bldg. 7-3, Nishishinsaibashi 1-chome, Chuo-ku, Osaka 542-0086, Japan
Phone: +81-6-6245-8481
Capital: ¥50 million Investment ratio: 100%

Daimaru Lease & Service Co., Ltd. (Leasing and parking management)

Location: 4-10, Minamisemba 4-chome, Chuo-ku, Osaka 542-8551, Japan
Phone: +81-6-6282-1233
Capital: ¥30 million Investment ratio: 100%

Angel Park Co., Ltd. (Parking)

Location: 16-10, Sakae 3-chome, Naka-ku, Nagoya 460-0008, Japan
Phone: +81-52-261-5745
Capital: ¥400 million Investment ratio: 49.8%
http://www.angelpark.co.jp/

Central Park Building Co., Ltd. (Parking and real estate leasing)

Location: 15-6, Koseidori Nishi 3-chome, Okazaki 444-0059, Japan
Phone: +81-564-23-1321
Capital: ¥100 million Investment ratio: 85.7%
http://www.celbi.jp/

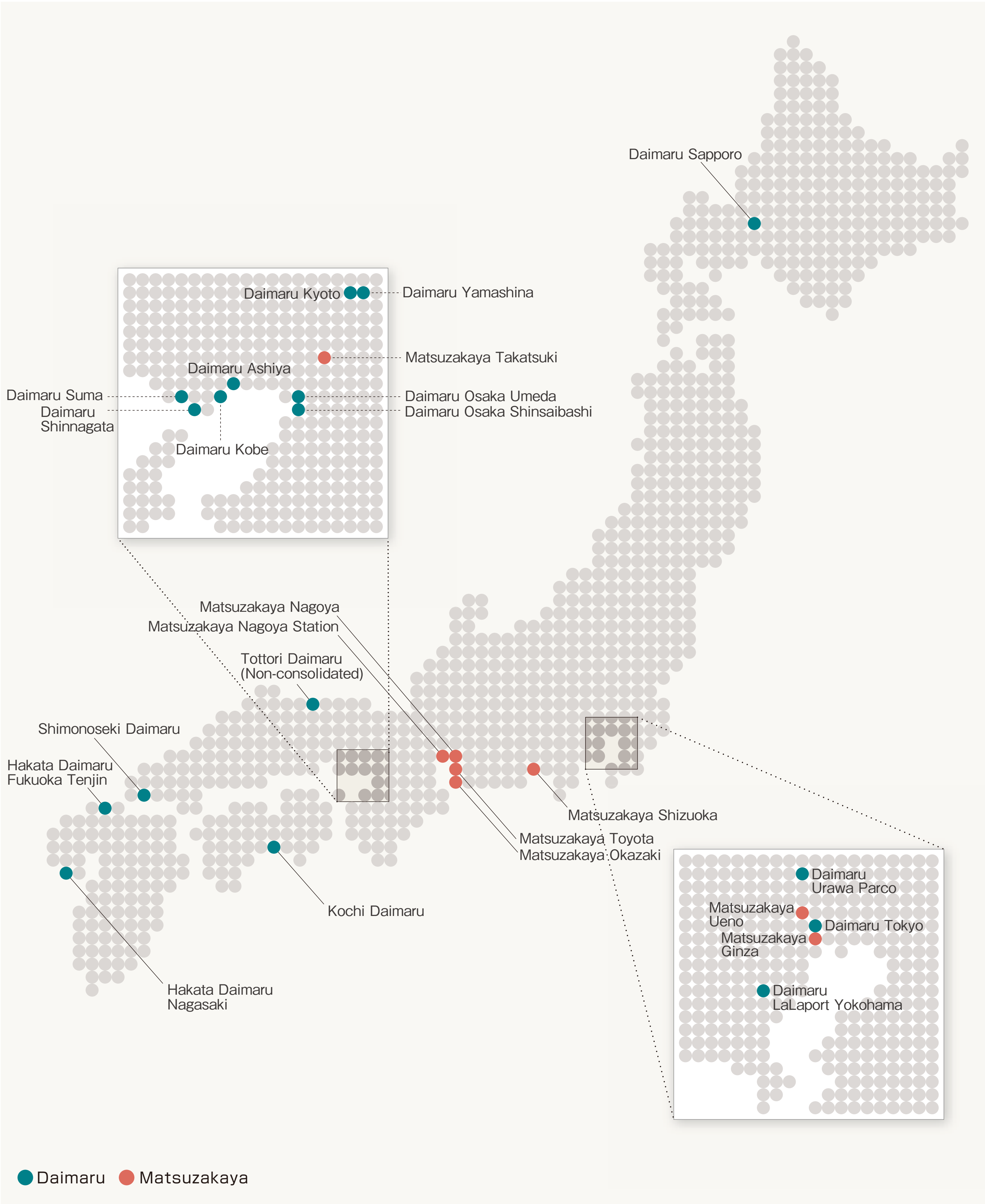
The Daimaru Tomonokai, Inc. (Special prepayment-based transactions)

Location: 4-10, Minamisemba 4-chome, Chuo-ku, Osaka 542-0083, Japan
Phone: +81-6-6281-9013
Capital: ¥100 million Investment ratio: 100%
http://www.daimaru.co.jp/tomonokai/

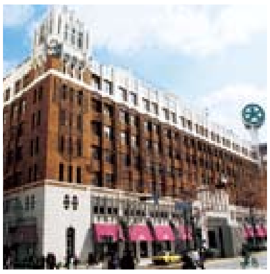
Matsuzakaya Tomonokai Co., Ltd. (Special prepayment-based transactions)

Location: 16-1, Sakae 3-chome, Naka-ku, Nagoya 460-0008, Japan
Phone: +81-52-264-7711
Capital: ¥50 million Investment ratio: 100%
http://www.matsuzakaya.co.jp/honten/tomonokai/index.html

Locations of Daimaru and Matsuzakaya Department Stores



Daimaru Department Stores


Daimaru Osaka Shinsaibashi
(Floor space: 37,490㎡)


Daimaru Kyoto
(Floor space: 50,830㎡)


Daimaru LaLaport Yokohama
(Floor space: 3,840㎡)


Daimaru Suma
(Floor space: 13,076㎡)


Shimonoseki Daimaru
(Floor space: 23,912㎡)


Daimaru Urawa Parco
(Floor space:4,000㎡)


Daimaru Ashiya
(Floor space: 4,300㎡)


Kochi Daimaru
(Floor space: 16,068㎡)


Daimaru Osaka Umeda
(Floor space: 40,416㎡)


Daimaru Kobe
(Floor space: 50,656㎡)


Daimaru Yamashina
(Floor space: 9,260㎡)


Hakata Daimaru Fukuoka Tenjin
(Floor space: 44,192㎡)


Tottori Daimaru
(Floor space: 13,637㎡)


Daimaru Tokyo
(Floor space: 34,000㎡)


Daimaru Sapporo
(Floor space: 45,000㎡)


Daimaru Shinnagata
(Floor space: 9,091㎡)


Hakata Daimaru Nagasaki
(Floor space: 9,176㎡)

Matsuzakaya Department Stores


Matsuzakaya Nagoya (Floor space: 86,758㎡)


Matsuzakaya Shizuoka
(Floor space: 25,452㎡)


Matsuzakaya Nagoya Station
(Floor space: 16,521㎡)


Matsuzakaya Okazaki
(Floor space: 11,429㎡)


Matsuzakaya Toyota
(Floor space: 18,220㎡)


Matsuzakaya Ueno
(Floor space: 35,213㎡)


Matsuzakaya Ginza
(Floor space: 25,352㎡)


Matsuzakaya Takatsuki
(Floor space: 20,642㎡)

Overseas Offices

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

Paris Office
267, Boulevard Pereire, 75017 Paris, France
Phone : +33-1-4574-2151

London Office
20 Hanover Square, London W1S 1HZ, UK
Phone : +44-20-3178-4606

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

Shanghai Office
14-D Xin Hua Lian West Tower 775 Huai Hai Zhong Lu, Shanghai 200020, China
Phone : +86-21-6445-0742
Aviation Center Rm-323, 1600 Nanjing Rd(W), Shanghai 200040, China
Phone : +86-21-6248-1538

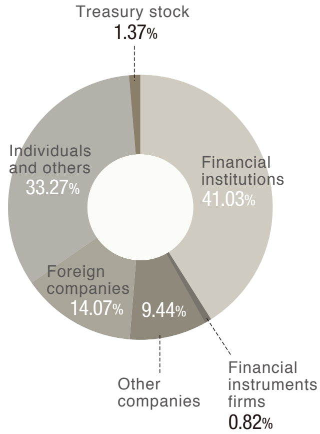
Share Information

■ Status of Shares (As of February 28, 2009)

Number of share authorized	:	2,000,000,000 shares
Number of share issued	:	536,238,328 shares
Stock code	:	3086
Stock exchange listings	:	Tokyo, Osaka and Nagoya
Transfer agent	:	Mitsubishi UFJ Trust and Banking Corporation
Number of shareholders	:	74,195

	Major shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
1	Nippon Life Insurance Company	28,906	5.39
2	Japan Trustee Services Bank, Ltd. (Trust Account 4G)	26,314	4.90
3	Japan Trustee Services Bank, Ltd. (Trust Account)	25,580	4.77
4	The Master Trust Bank of Japan, Ltd. (Trust Account)	25,074	4.67
5	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	17,903	3.33
6	The Dai-ichi Mutual Life Insurance Company	11,564	2.15
7	Daimaru Kyoei Supplier Shareholding Association	8,745	1.63
8	Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,369	1.56
9	Employee Shareholding Association of J. Front Retailing	7,992	1.49
10	The Sumitomo Trust and Banking Co., Ltd.	7,722	1.44

Distribution by shareholder type	Number of shareholders (Persons)	Number of shares (1,000 shares)	Percentage (%)
Financial institutions	85	220,024	41.03
Financial instruments firms	48	4,411	0.82
Other companies	867	50,596	9.44
Foreign companies	371	75,446	14.07
Individuals and others	72,823	178,430	33.27
Treasury stock	1	7,329	1.37



J. FRONT RETAILING

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-004447

FSC

Printed with soy ink on FSC-certified paper to help protect the environment.