Annual Review 2011

J.FRONT RETAILING NOW

Year ended February 28, 2011

J. FRONT RETAILING NOW

CONTENTS

Financial Highlights

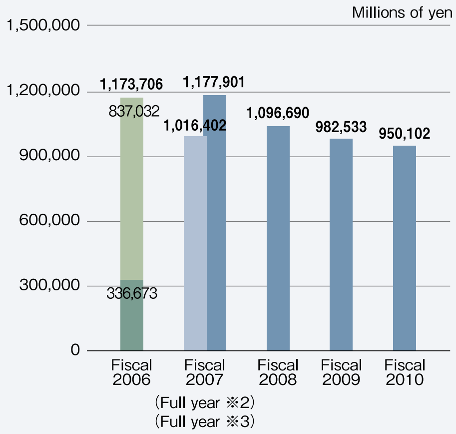
J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 28, 2011, February 28, 2010, February 28, 2009 and February 29, 2008 or at February 28, 2011, February 28, 2010, February 28, 2009 and February 29, 2008

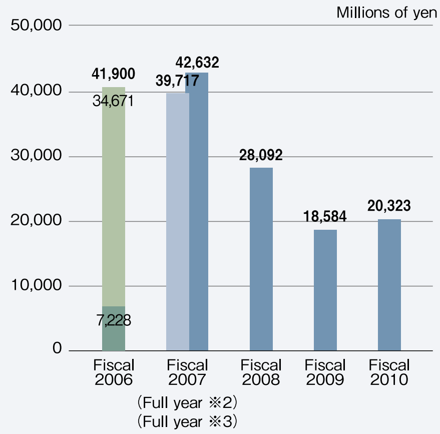
	Millions of yen (Except where otherwise indicated)					Thousands of U.S. dollars (Except where otherwise indicated)
	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007 (Annual real terms)	Fiscal 2007	Fiscal 2010
Business results						
Sales	**¥950,102**	¥982,533	¥1,096,690	¥1,177,901	¥1,016,402	**$11,627,732**
Gross profit	**229,588**	240,211	269,282	291,115	251,301	**2,809,791**
Operating income	**20,323**	18,584	28,092	42,632	39,717	**248,721**
Ordinary income	**21,092**	19,966	28,289	43,151	39,812	**258,132**
Net income	**8,862**	8,167	7,170	23,404	20,538	**108,457**
Selling, general and administrative (SG&A) expenses	**209,265**	221,627	241,189	248,482	211,583	**2,561,070**
Financial condition						
Total assets	**775,029**	804,534	776,616	-	805,375	**9,485,118**
Equity	**318,033**	314,494	307,861	-	307,823	**3,892,216**
Net assets	**327,242**	323,506	316,268	-	315,854	**4,004,920**
Interest-bearing debt	**108,658**	125,937	94,677	-	103,042	**1,329,801**
Condition of cash flows						
Net cash provided by operating activities	**21,270**	22,996	22,686	30,912	27,796	**260,311**
Net cash provided by investing activities	**(8,432)**	(40,879)	(11,676)	4,210	5,792	**(103,194)**
Net cash used in financing activities	**(23,128)**	29,212	(13,510)	(41,015)	(39,309)	**(283,050)**
Per share information (unit: ¥/$)						
Net income	**¥16.76**	¥15.45	¥13.56	-	¥45.74	**$0.21**
Net assets	**¥601.62**	¥594.89	¥582.27	-	¥581.97	**$7.36**
Cash dividends (Unconsolidated)	**¥7.0**	¥7.0	¥8.0	-	¥4.5 (Note)	**$0.09**
Financial indicators (unit: %)						
Gross margin	**24.16%**	24.45%	24.55%	24.71%	24.72%	-
Ratio of SG&A expenses to sales	**22.0%**	22.6%	22.0%	21.1%	20.8%	-
Operating margin	**2.1%**	1.9%	2.6%	3.6%	3.9%	-
Return on assets (ROA)	**2.6%**	2.4%	3.6%	5.3%	4.9%	-
Return on equity (ROE)	**2.8%**	2.6%	2.3%	7.6%	6.7%	-
Return on investment (ROI)	**4.9%**	4.7%	7.0%	10.5%	9.7%	-
Equity ratio	**41.0%**	39.1%	39.6%	38.2%	38.2%	-

*1 U.S. dollar figures are for reference only. They are translated from yen at the rate of ¥81.71=U.S.$1 as of February 28, 2011 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 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.

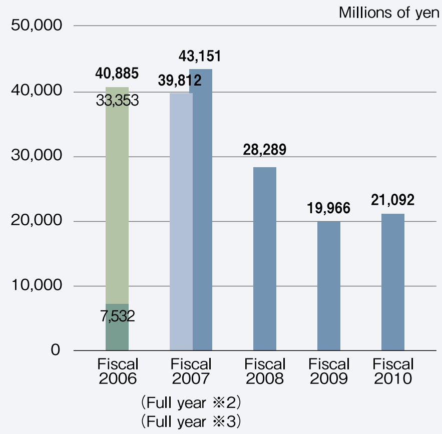
Sales



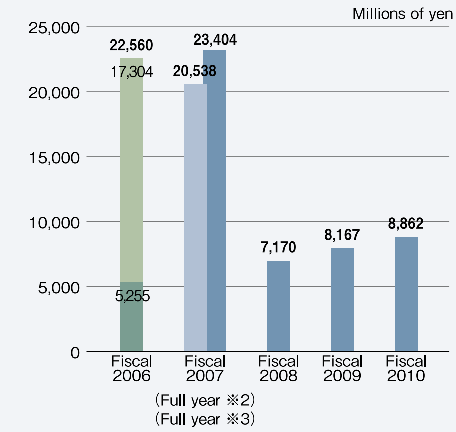
Operating Income



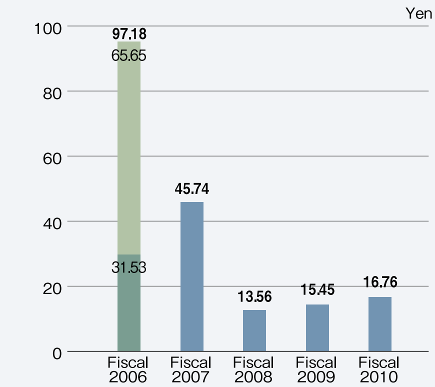
Ordinary Income



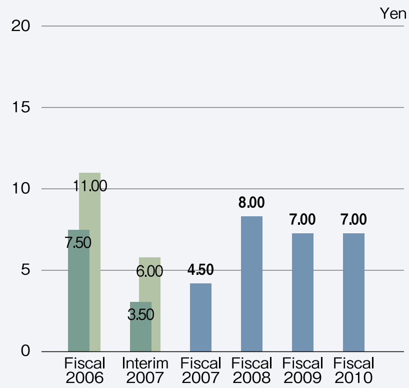
Net Income



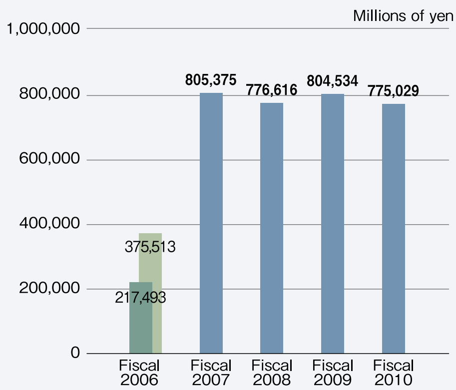
Net Income per Share



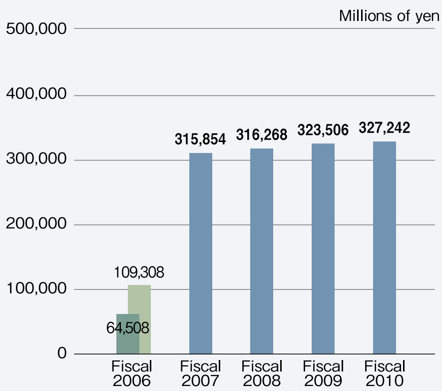
Cash Dividends per Share (Unconsolidated)



Total Assets



Net Assets



Daimaru
Matsuzakaya Holdings
JFR

※1 Sales of Daimaru for and before fiscal 2006 include other operating revenue.
※2 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.
※3 Concerning the performance of Matsuzakaya Group, the consolidated figures for the full year are stated for information purposes.

T O P   M E S S A G E

We Will Accelerate the Efforts toward the Establishment of New Department Store Model to Enhance Our Corporate Value.

We would like to express our deepest sympathy to all those affected by the Great East Japan Earthquake and pray for their safety and earliest possible recovery.

J. Front Retailing is working on establishing "a new department store model" toward the renewal of its core department store business. We have two important tasks of our new department store model including "the improvement of market response capabilities" and "a structural switch to highly efficient operation."

Striking and the most important changes in the recent consumer market are "the trend toward a more casual lifestyle" and "belt-tightening and higher price sensitivity." These two major changes have developed with the economic globalization and were accelerated rapidly by Lehman's collapse. However, existing department stores failed to meet these significant market changes because they did not change their traditional selection of brands and merchandise focused on women of mature age and high-income persons as their main target customers, high-grade and high-priced items and authentic and dress-up fashion tastes. As a result, while narrowing their target market and customer base, they became increasingly homogenized.

Our "new department store model" addresses adaptation to these major market changes including "the trend toward a more casual lifestyle" and "belt-tightening and higher price sensitivity" and the expansion of our target market and customer base. Specifically, we thoroughly analyze the regional market of each store, develop a store strategy with the aim of enhancing competitiveness in each area and drastically review the lineup of products and brands and sales services based on this store strategy.

In order to expand our target market, we need to increase the assortment of value for money and department store worthy low- to middle-priced items, which are strongly demanded by the current consumers, while maintaining the middle to super-high price range that department stores have traditionally been good at. We base our merchandise policy on "high sensitivity, high quality and good taste" and introduce reasonably priced products that not only are low-priced but also keep department store worthy levels when increasing the lineup of low- to middle-priced goods.

In order to expand our target customer base, we develop sales space targeting young people that existing department stores have not put much effort into, and we will offer brands and shops targeted at young people, which customers newly expect from department stores, with the addition of department store worthy store environment, high quality image and meticulous services.

Our main urban large-scale stores with more than 50,000 square meters of retail space will be able to select and assort a well-balanced and wide variety of brands and merchandise ranging from great value and reasonably priced items to luxury goods by revising the traditional lineup too heavily weighted toward high-priced luxury products. In addition to that, it is quite possible to widely cater to young to older age groups in a balanced manner while continuing to serve and even better serving existing customers of mature age.

The results of our past efforts are obvious in the form of the recent increased number of people visiting our stores. We understand that is because the customers who had moved to other retail channels including shopping centers and station buildings

OKUDA Tsutomu
Chairman and CEO

visit Daimaru and Matsuzakaya stores. Amid declining purchase amount per person due to customers' continuing "belt-tightening and higher price sensitivity," we believe we will be able to boost sales by increasing the number of people visiting our stores as well as increasing the quantity purchased per shopper by using the department stores' strengths of a wide selection of products and high quality services, which no other retail channels have.

In order to respond continuously and quickly to market changes, we are trying to find new suppliers that have not done business with department stores and develop new brands and merchandise in collaboration with existing suppliers. In addition, we will create a division specializing in marketing, which will develop new merchandise including intangible items and services and collect and analyze information on new suppliers, and develop retail space new to department stores to meet the customer demands that could not be satisfied within the framework or organization formed by the traditional product classification such as women's wear and men's wear.

With regard to "the independent operation type sales sections" in which department stores are responsible for their activities from buying to selling, we will further strengthen them as department stores' unique advantage over other retail channels and as a differentiating strategy from other department store chains in terms of competitive strategy as well as from the perspective of profit.

With respect to a structural switch to highly efficient operation, we will continue to promote mainly radical reforms of personnel structure. We will consolidate back-office sections, which are placed individually in each store, by area such as the Kansai area and the Tokyo metropolitan area in a bid to further streamline operations as well as establishing an operation system for each sales operation type and promoting efficient personnel distribution and training based on these systems. We will radically overhaul all other costs with no sacred cows to further control costs.

In addition to the efforts mentioned above, we will change business structure from the traditional management with an excessive focus on department store business to raise profits and grow in a balanced manner throughout the Group by reinforcing existing affiliated businesses and increasing expansion into new growth areas including internet retailing. To this end, instead of concentrating management resources on department store business, we will make a well-balanced investment in affiliated businesses as well.

In March 2011, StylingLife Holdings Inc., a company operating variety stores "PLAZA," cosmetics business, direct marketing business and restaurant and confectionery business, became our equity method affiliate and we will continue to work on alliance and M&A.

The recent great earthquake is one of the greatest crises in Japanese history and we believe the most important mission imposed on us in this situation is to contribute to the early recovery of the Japanese economy as one company. Taking this crisis positively as an opportunity to expedite further changes, J. Front Retailing will further accelerate management reforms including the establishment of a new department store model and accumulate tangible results to enhance its corporate value.

June 2011

〈Top Interview〉

Our Mission Is to Contribute to the Early Recovery of the Japanese Economy as One Company.
For This Purpose, We Need to Further Speed Up Management Reforms.

OKUDA Tsutomu, Chairman and CEO

Q First, would you outline operating results for fiscal 2010?

A While consolidated sales for fiscal 2010 fell slightly, 0.8%, below the forecast announced at the second quarter results presentation in October 2010, operating income and ordinary income exceeded the forecast by 7.0% or ¥1.32 billion and 8.7% or ¥1.69 billion respectively due to thorough cost control. As a result, the percentage decrease in sales significantly improved from 10.4% in the previous year to 3.3%. Operating income, ordinary income and net income increased by 9.4%, 5.6% and 8.5% to ¥20.3 billion, ¥21 billion and ¥8.8 billion respectively. Operating income and ordinary income both increased for the first time in three years since fiscal 2007 and net income rose for the second consecutive year following the previous fiscal year. We have decided to pay a year-end dividend of ¥3.5 per share as planned. Together with the interim dividend restored for the first time in two years, the annual dividend will total ¥7 per share, the same amount as the previous fiscal year.

Daimaru Matsuzakaya Department Stores, which was formed through merger in March 2010, implemented various measures including reviewing the selection of products and brands, actively introducing brands and shops new to department stores to widen its target customer base and promoting the development and introduction of sales space offering items selected according to clear target and concept. Meanwhile, the whole company united efforts to further streamline costs.

As a result of these efforts, sales of five stores including Daimaru Shinsaibashi and Sapporo stores were above the previous year's level. However, total sales declined by 2.9% and gross profit fell by ¥7.7 billion (4.7%) from a year earlier partly because the floor space of Daimaru Umeda store significantly decreased by an annual average of about 45% due to expansion work. In terms of costs, SG&A expenses decreased by ¥9.1 billion (5.9%) over the previous year owing to the efforts to reduce labor costs by reviewing retail floor operation and cut all other costs including advertising expenses. As a result, operating income increased by 15.8% from the previous year to ¥10 billion.

We think the results of our efforts to build a new department store model as a pillar of our management reforms are beginning to show up in figures, though only gradually.

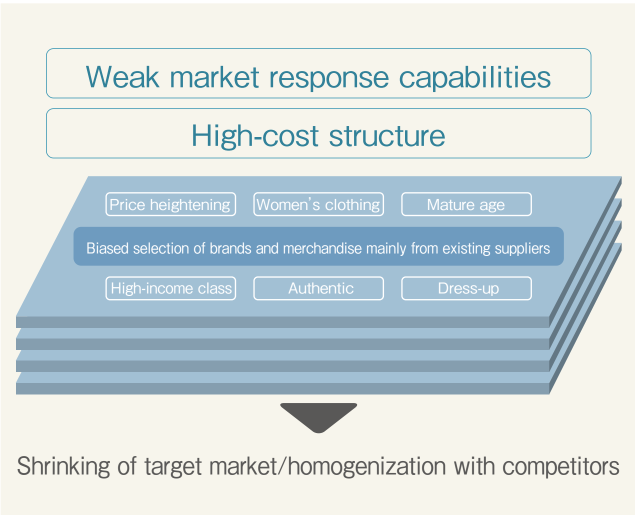
Q Why has not the department store industry seen a real recovery even two years after Lehman's collapse?

A We think sluggish department store business is essentially attributed to the structural problems of existing department store business model including "weak market response capabilities" and "high-cost structure" as well as an economy-wide slowdown.

Especially, department stores could not meet major market changes such as "the trend toward a more casual lifestyle" and "belt-tightening and higher price sensitivity" and have selected brands and merchandise mainly from among their existing suppliers with too much weight on high prices, women's clothing, mature age, high-income persons, authentic taste and dress-up. As a result, department stores have narrowed their target market and customer base and have become increasingly homogenized though they have large-scale stores in prime locations in big cities.

"The trend toward a more casual lifestyle" and "belt-tightening and higher price sensitivity" are worldwide tendencies, but not temporary phenomena. Therefore, as long as department stores continue the current business model, we think their performance will remain weak and continue to deteriorate, and we are working on establishing a new department store business model to replace the traditional one. This view of ours basically has not changed after the recent great earthquake, and rather, we think we need to further speed up our efforts.

Structural problems of department stores



Q What is "the new department store model" you are working on at the level of changing business formats to break out of such sluggish performance?

A The new department store model we are working on is "a department store renewal program to create attractive and profitable stores that entice customers to visit."

Unlike department stores in Europe and especially in the U.S., Japanese department stores have developed and prospered, mainly supported by a wide customer base, that is, "the masses." They have been admired and strongly supported by the overwhelming majority of customers by offering a wide variety of merchandise without omission ranging from fashion items to household goods and food products, which are widely priced from department store worthy low to super high, to meet the demands of their wide customer base.

However, "the masses" have changed both qualitatively and quantitatively with the times and we are aware that department stores failed to meet these changes and have moved away from the current "masses."

With the new department store model, we would like to go back to the starting points of "department stores walking with the masses" and simply rethink "what we should do to bring many customers back again" to transform ourselves into new department stores that adapt to the times.

What are the starting points of department stores?

Where do the concrete results appear?

The new department store model has two important tasks. One is "to improve market response capabilities" and the other is "a switch to low-cost operation structure."

In order to "improve market response capabilities," we thoroughly analyze the regional market of each store and develop a store strategy with the aim of strengthening competitiveness in each area, and based on this store strategy, we are specifically reviewing the lineup of merchandise and brands to adapt to major market changes including "the trend toward a more casual lifestyle" and "belt-tightening and higher price sensitivity" and expand target market. The results of these efforts are visible in the form of the increased number of customers visiting our stores. Though visitors to department stores have been on the decrease after Lehman's collapse, more customers visit Daimaru and Matsuzakaya department stores since we started working on building a new department store model. During fiscal 2010, the number of visitors to 10 major stores increased by 5.8% from a year earlier, and especially in the second half, most stores except Umeda store, which was affected by expansion work, had more customers. We understand that is because the customers who had moved to other retail channels including shopping centers and station buildings visit Daimaru and Matsuzakaya stores as a result of the efforts to expand our target customer base.

Change in no. of customers visiting 10 major stores
(YoY %)

	Fiscal 2010	
	1H	2H
Shinsaibashi	78.9	15.1
Umeda	△8.9	△8.5
Tokyo	△1.2	△2.0
Kyoto	2.9	2.8
Kobe	4.0	0.2
Sapporo	4.4	2.6
Nagoya	△1.1	3.8
Ueno	4.5	4.8
Shizuoka	△2.3	1.9
Ginza	38.4	25.6

That means that the efforts to "expand customer base" as a challenge are steadily advanced.

Especially as a result of speedily opening "Ufufu Girls" zones, which made a debut when the north wing of Daimaru Shinsaibashi store opened in November 2009, in many stores including Daimaru Kyoto store in April 2010, Matsuzakaya Ginza store in October 2010 and Daimaru Kobe store in February 2011, more young and around 30-year-old women who had seldom shopped at department stores seem to visit our stores.

Sales to identifiable young and around 30-year-old customers are increasing significantly across the board. Sales to young and around 30-year-old customers at our stores except Umeda store whose floor space reduced due to refurbishment work affected sales and closed stores increased by 11.8% over the previous year, and among them, sales to young customers greatly increased by 59.3%.

We know these new customers shop at not only "Ufufu Girls" but also other departments including cosmetics, food products such as confectionery and luxury brands. Thus, amid declining purchase amount per person due to customers' continuing "belt-tightening and higher price sensitivity," we believe we will be able to boost sales by increasing the number of visitors to our stores as well as increasing the quantity purchased per person with the use of the department stores' strengths of merchandise mix and a wide selection of products, which no other retail channels have.

The number of customers who visited Kyoto store, which completed refurbishment in April 2010, increased by almost 3% in both the first and second halves. Among four specialty zones introduced after refurbishment, "Ufufu Girls" is enjoying strong sales with the support of women working nearby who were newly set as a strategic target. Sales of "International Boutique," which carries luxury brands, were also favorable, up 13.8% from a year earlier. Though sales of Kyoto store fell slightly below the previous year's level in the first half partly due to refurbishment work and competitor's closing-out sale, sales for the second half increased by 0.7% year on year and its share in the area was also up 0.6 points from the previous year, driven by women's wear that enjoyed good sales in specialty zones.

What is the progress on the switch to low-cost operation structure?

With regard to "a switch to low-cost operation structure," we mainly worked on radical reforms of personnel structure. Based on the premise that we should maintain employment for our employees, we promoted "the streamlining of organization and personnel" and "the wide use and reassignment of personnel from the perspective of the Group" through three approaches including ① the streamlining of headquarters back-office functions, ② the establishment of operation fitting with the respective characteristics of "shop operation type sales sections" and "independent operation type sales sections" and personnel assignment based on such operation and ③ the reassignment of streamlined personnel. As a result, the total number of the workers including regular and contract ones employed by J. Front Retailing alone and Daimaru Matsuzakaya Department Stores decreased by about 1,500 persons from 7,500 persons in March 2010 to 6,000 persons in March 2011. In March, the back-office operations of Daimaru Shinsaibashi and Umeda stores in the Osaka area were integrated, which was followed by the integration of the back-office functions in the Tokyo metropolitan area in June. Thus we will continue to promote personnel structure reforms and aim to achieve a reduction to 5,500 employees by the end of this fiscal year.

Additionally, since the earnings environment for this fiscal year is expected to become harsher in the aftermath of the great earthquake, we will radically overhaul all costs with no sacred cows to further control costs.

Q In 2011, Osaka department store war finally broke out. With what store planning will Umeda store fight?

A Daimaru Umeda store, of which all floors grand reopened on April 19, 2011, has changed from a specialty department store specializing in women's fashion items to a fashionable and contemporary urban lifestyle store making comprehensive lifestyle proposals with broader mix and assortment of food, household products, luxury brands and other goods. There are three points in the store planning of Daimaru Umeda.

The first is to use its locational advantage to thoroughly bring in visitors to the area and greatly widen its customer base. By identifying families with small children who seldom shop at department stores and the younger set visiting the area around Umeda as its new strategic targets while retaining existing regular customers and by introducing merchandise that department stores lack, Umeda store will meet more customers' demands and attract more customers.

The next is to further enhance fashionability based on the contemporary taste that has been cultivated since it opened. Western luxury brands, which Umeda store had hardly carried, were introduced on the third floor, which became a new entrance after the remodeling of Osaka station, and many "specialty zones" including the company's largest 5,100-square-meter "Ufufu Girls" and the Kansai area's biggest women's lingerie department were newly developed and introduced.

The third is to combine "high sensitivity" and "dailiness." The new Umeda store aims to be a "daily" store offering "highly sensitive and reasonable-priced" merchandise by realizing a wide selection of products that can satisfy the immediate and daily needs of people working around Umeda and uniting the excitement of shopping and the convenience of daily use. Food department was expanded by 1.5 times and its lineup was significantly increased to range from specialties unique to *depachika* (department store's basement food floor) to daily food products. Women's accessories department aims to create the floor that customers can enjoy even if they visit every day by offering trends as quickly as possible with the area's greatest assortment.

In terms of operation, six departments divided by merchandise category were consolidated into three departments by floor and back-office functions were integrated with those of Shinsaibashi store to greatly streamline the organization.

Daimaru Umeda store

Ufufu Girls, Daimaru Umeda store

Q Other than department store business, on what are you strengthening your efforts?

A While promoting the management reforms of department store business, we are working on changing business structure from the traditional management with an excessive focus on department store business to raise profits and grow in a balanced manner throughout the Group by reinforcing existing affiliated businesses and increasing expansion into new growth areas. To this end, instead of concentrating management resources on department store business as in the past, we will make a well-balanced investment in affiliated businesses as well to increase the operating income of affiliated businesses for fiscal 2011.


Daimaru
Web Shopping website

Matsuzakaya
Internet Shopping
website

With regard to direct marketing, which is expected to grow in the future, the internet retail business of Daimaru Matsuzakaya Department Stores was consolidated into The Daimaru Home Shopping, Inc., a direct retailer mainly via catalogs, and made a fresh start as JFR Online Co. Ltd. in March 2011. For the time being, the company will expand and reinforce internet retail business with funds from earnings generated by the underlying catalog retail business.

As for Peacock Stores, its business declined in the second half of fiscal 2010 partly due to the effect of closed stores and prices set too low to meet competition from its rivals. For fiscal 2011, however, we would like to recover performance early through the enhancement of merchandise accuracy and the improvement of the capabilities to negotiate with and make proposals to suppliers resulted from the integration and rebuilding of information system planned for late this fiscal year as well as the emerging effect of supplier consolidation and the standardization and streamlining of operation process.

Q You acquired a stake in StylingLife Holdings Inc. and will you continue to work on such M&A and alliance?

A The Group looks to survive as a general retailer with department store chain as its core and seeks additional value to contribute to customers' rich lives.

In this situation, on March 30, 2011, we acquired a 48.5% (49.0% as of April 28, 2011) stake in StylingLife Holdings Inc. (SLH), a company operating variety stores "PLAZA," cosmetics business, direct marketing business and restaurant and confectionery business, and made it an equity method affiliate. We think deeper partnership with SLH, which has some advantages not shared by us, will lead to an increase in the number of customers in their 20s to 30s and the enhancement of our own selection of merchandise and sales floor development by using chain operation ideas and the know-how of editing sales floors that we lack. In terms of human resource development, we expect to learn and adopt SLH's excellent corporate culture through personnel exchanges.

We would like to continue to work on alliance and M&A toward the growth of the Group.


PLAZA Shinsaibashi store

TOP INTERVIEW

It became difficult to forecast for the new fiscal year due to the aftermath of the Great East Japan Earthquake and do you see a change in consumer behavior?

Our department stores were heavily affected immediately after the earthquake, posting a decline of more than 50% in sales of five stores in the Tokyo metropolitan area and a decrease of more than 10% in sales of other stores due to a nationwide mood of self-restraint. In April, rolling blackouts and transportation adjustment in the Tokyo metropolitan area, which had been the causes for concern, were suspended and the opening hours of department stores returned to normal. Stores in the Tokyo metropolitan area greatly increased sales as the days passed and sales of other stores recovered to above the previous year's level in late March.

For the future, the impacts on businesses are expected to be severer, including the disruption of supply chains, sluggish production activities caused by electricity shortages and harmful rumors hitting Japanese products in Japan and abroad stemming from nuclear power plant accident as well as power saving that is likely to affect stores in the Tokyo metropolitan area in summer and winter. And there is a fear that consumer confidence could cool down due to the effect of weak corporate performance on employment and income, a mood of self-restraint and an expected tax increase to generate reconstruction funds.

Thus the earthquake is expected to make the business environment severe and likely to even more change customers' values and lifestyles, which have been changing since the end of high economic growth period. Especially, we think major market trends including "the trend toward a more casual lifestyle" and "belt-tightening and higher price sensitivity" will further accelerate.

What roles and responsibilities do you think JFR should fulfill to meet this unprecedented crisis?

The recent earthquake was the worst postwar disaster combined with tsunami and nuclear power plant accident. Immediately after the earthquake, the Group began support activities including a monetary donation and delivery of blankets, masks, food and daily necessities to suit the needs of the affected areas. We started to raise money on the day after the earthquake and received a goodwill donation of more than ¥30 million from customers, employees and suppliers by the end of April. We will present the money together with J. Front Retailing's donation of ¥30 million to the Japanese Red Cross Society and other institutions to benefit disaster victims. We sincerely appreciate their kind cooperation.

The whole country needs to unite efforts to recover from this historic crisis. As we feel through fund raising and other activities, Japanese people are united like never before. On the other hand, it is undeniable that such sense of unity unnecessarily enhances a mood of self-restraint. If economic activity is dampened, the recovery of the disaster areas will not progress.

We believe the greatest mission the Group should carry out is to contribute to the early recovery of the Japanese economy as one company. Companies have a fundamental mission to cause the growth and affluence of society through their activities, and in that sense, they are "the public institutions of society." Taking this crisis positively as an opportunity to expedite further changes, the whole Group will more speedily work together on management reforms including the establishment of a new department store model and be fully committed to contributing to the reconstruction of society facing unprecedented difficulties.

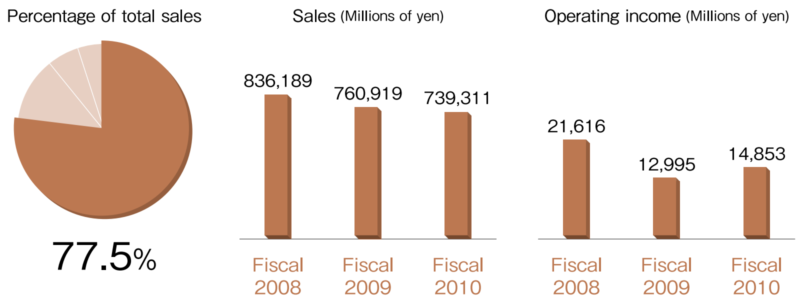
Segment Overview

At a Glance

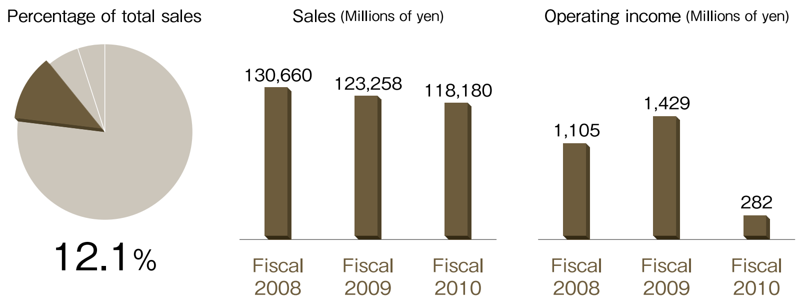
Sales and operating income

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

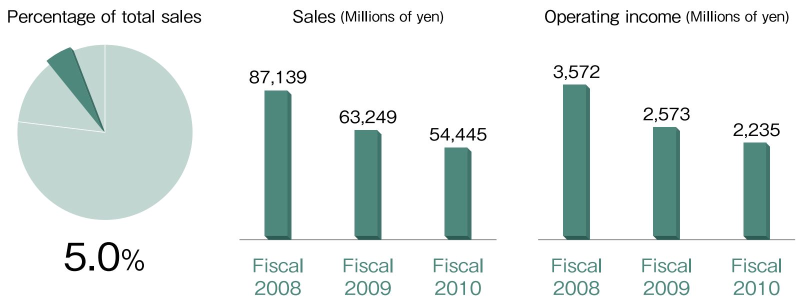
Department store business



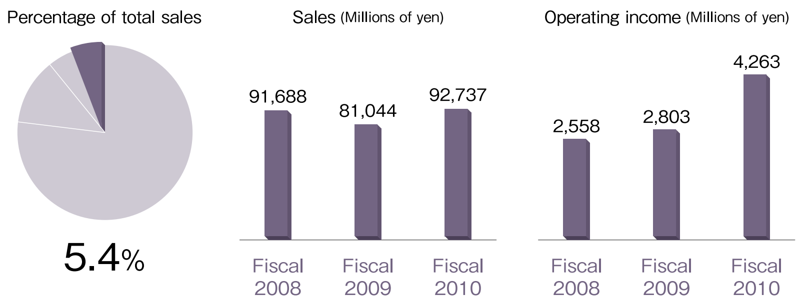
Supermarket business



Wholesale business



Other businesses



Company / Business places

Daimaru Matsuzakaya Department Stores Co. Ltd.

12 Daimaru stores : Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo, LaLaport Yokohama, Urawa Parco, Yamashina, Shinnagata, Suma and Ashiya

6 Matsuzakaya stores : Nagoya, Ueno, Shizuoka, Ginza, Takatsuki and Toyota

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

Peacock Stores Ltd.

50 stores in Tokyo area : Aoyama, Takanawa Gyoranzaka, Jiyugaoka, Shimokitazawa, Fujisawa, Ebisu, Kunitachi Sakuradori, Takadanobaba, Azabu Jyuban, Kyodo, Sakurashinmachi, Higashikoganei, Fujisawa Toreage Shirahata, Sangenjaya no Mori, Tornare Nihonbashi Hamacho, Daikanyama Peacock, Shibaura Island, etc.

29 stores in Kansai area : Senri Daimaru Plaza, Tsukumodai, Meimai, Takakuradai, Ashiya Nangu, Koshien, Yamada, Konan, Mukonoso, Mino Sakuragaoka, Ashiya Kawanishi, Kitayamato Mayumi, Takarazuka Nakayama, Nishi Umeda, Shin Kobe, Dojima Crosswalk, Korigaoka, Senboku Harumidai, etc.

8 stores in Chubu area : Motoyama, Tsukimigaoka, Fujigaoka, Hishino, Hongo, Hirabari, etc.

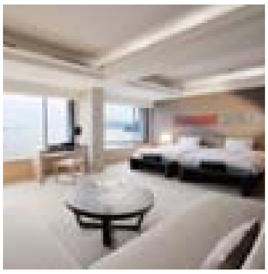
Daimaru Kogyo, Ltd.

6 domestic offices : Tokyo, Nagoya, Osaka, Kita Kanto, Nagano and Oita

9 overseas offices : Dalian, Shanghai, Nansha, Hong Kong, Taipei, Jakarta, Yangon, Bangkok and Ho Chi Minh

- J. Front Design & Construction Co., Ltd.
- JFR Card Co., Ltd.
- JFR Online Co. Ltd.
- Dimples' Co., Ltd.
- J. Front Foods Co., Ltd.
- Daimaru COM Development Inc.
- Consumer Product End-Use Research Institute Co., Ltd.
- JFR Information Center Co., Ltd.
- JFR Office Support Co., Ltd.
- JFR Service Co. Ltd.
- JFR Consulting Co. Ltd.
- Central Park Building Co., Ltd.
- Angel Park Co., Ltd.
- Daimaru Matsuzakaya Tomonokai Co., Ltd.

※The Daimaru Home Shopping, Inc. was renamed JFR Online Co. Ltd. on March 1, 2011.



Renewal

Realization of New Department Store Model

Accelerating "the Renewal of Department Stores"

The culmination of new department store model — Daimaru Umeda store grand reopened with increased floor space.

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

The new department store model is "a department store renewal program to create attractive and profitable stores that entice customers to visit." The newborn Daimaru Umeda store, which represents the present culmination of the new department store model, grand opened with increased floor space (64,000 square meters, 1.6 times larger than before) on April 19, 2011. It has changed from a specialty department store specializing in women's fashion items to a fashionable and contemporary urban lifestyle store making comprehensive lifestyle proposals with a broader assortment of food, household products, luxury brands and other goods.

There are three points in the store planning of Daimaru Umeda. The first is "the expansion of customer base" by using its locational advantage to thoroughly draw in visitors to the area. The second is "the enhancement of fashionability" by increasing specialty zones. And the third is "the combination of high sensitivity and dailiness" uniting the excitement of shopping and the convenience of daily use.

JR Osaka station

Expansion of customer base

As a result of the selection of brands and merchandise with too much weight on high prices, mature age, authentic taste and dress-up, department stores have narrowed their target market and customer base and have become increasingly homogenized though they have large-scale stores in prime locations in big cities. While retaining existing regular customers, the newborn Umeda store identified families with small children who had seldom shopped at department stores and the younger set visiting the area around Umeda as its new strategic targets. In order to meet more customers' demands and pull in much more customers, it increases low-priced items and broadens the price range by offering brands that are popular in so-called fashion buildings and men's wear shops that developed from roadside stores while broadening the range of category by introducing merchandise and services that department stores lacked, including Tokyu Hands and Pokemon Center.

Enhancement of fashionability

One of the critical factors that motivate customers to visit our stores is that the store has "specialty." Umeda store has developed a contemporary taste since its opening and the newborn Umeda store further enhances fashionability based on it. In addition to creating a super high-end zone by increasing luxury brands that the store had hardly carried before, it introduced the company's largest 5,100-square-meter "Ufufu Girls" zone targeting young and around 30-year-old women whose name now became a brand and provides many other zones with specialty including "Cinderella Avenue" offering shoes together with accessories and bags and the Kansai area's biggest women's lingerie department "Aux Lingeriese" combined with a supplement shop with a focus on beauty and health.

Combination of high sensitivity and dailiness

One of the factors that kept customers away from department stores is the selection of products overly biased toward extraordinary or glorious consumption. The newborn Umeda store aims to be a "daily" store offering "highly sensitive and reasonable-priced" merchandise by realizing a wide selection of products that can satisfy the immediate and daily needs of people working around Umeda and combining the excitement of shopping with the convenience of daily use. It increased casual fashion brands and items as well as expanding food department by 1.5 times and significantly increasing its lineup to range from specialties unique to *depachika* (department store's basement food floor) to daily food products. Women's accessories department offers trends as quickly as possible with the area's greatest assortment and we realized the floor where customers can enjoy themselves even if they visit it every day. Ten unique cafes are located from the 2nd basement to the 14th floor and restaurants also contribute to increasing customers' frequency of visiting the store by expanding reasonable lunch menu.

Structural switch to low-cost operation

Our retail floor operation is divided into two types including "shop operation" and "independent operation" and we are working on establishing an operation system, planning staff distribution and training personnel to suit their respective characteristics.

In addition, the newborn Umeda store consolidated the former six departments by merchandise category into three departments by floor to realize the matrix operation of the organization beyond merchandise categories as well as to downsize the organization. And at the same time, back-office functions were merged into and integrated with those of Shinsaibashi store and are integrally operated to further promote efficiency.

These "changes in retail floor operation" will enable the business to operate with a small number of employees, and thus improved productivity will greatly advance low-cost operation. With these efforts the total number of workers at our department stores including Umeda store is expected to decrease from 7,500 persons at the beginning of the last fiscal year (in March 2010) to 5,500 persons (at the end of February 2012).


DAIMARU

Specialty

Specialty Zone

Offering "Specialty" to Strengthen Store Competitiveness

Ufufu Girls, Daimaru Umeda store

Core of new department store model — Specialty zone

J. Front Retailing is expanding specialty zones, which are the core of its new department store model.

Specialty zones are the zones that customers feel at first glance are "their shopping places." We are accelerating our efforts to aggressively develop and brand "the specialty zones" that create "special added value" by selecting and offering brands, shops and products on the basis of a store strategy based on the market research of each area and under the "concept" and "theme" that fit the values and lifestyles of each group of target customers.

Among various types of specialty zones, we will develop mainly two types, including "a tightly targeted type" that seeks specialty in lifestyles and "a power category type" that narrows down items, for the time being. By placing many zones having such specialty in stores, we will generate their competitiveness and favorable image.

Ufufu Girls

A typical example of specialty zone is "Ufufu Girls," which opened in the north wing of Daimaru Shinsaibashi store in November 2009. Its target is narrowed down to young to around 30-year-old women. As well as assorting fashion items and accessories of the brands that department stores had not dealt in before, we placed a stylish cafe and adopted new communication tools including a blog site and free information paper. Its new space and values and floor name created toward a clear target have rapidly pervaded and we succeeded in branding "Ufufu Girls." After that "Ufufu Girls" zones opened in Kyoto and Ginza stores in 2010 and in Kobe, Umeda and Sapporo stores in 2011 and contribute to expanding our customer base as intended.

Cinderella Avenue

"Cinderella Avenue" was created with the concept of ensuring that customers can find the right size shoes that satisfy their preferences like Cinderella's glass slippers. Kyoto store has 13 shoe fitters to more meticulously meet customer needs and provide highly professional services. Umeda store created an corner with our own selection of items "Select & Creator" to effectively present shoes coordinated with other items including bags, hats and neckwear like a select shop and make a stronger appeal to women working nearby, as well as adopting problem-solving type selection by occasion, size and function so that customers can find precisely what they are looking for.

Cinderella Avenue, Daimaru Umeda store

Aux Lingeriese

"Aux Lingeriese" zone, which was created in the added part of the floor of Umeda store, provides shoppers with not only traditional credible consulting services but also the pleasure of looking for favorite accessories while strolling through the streets. It widened the range of products by introducing low-priced brands and room accessories, which department stores had hardly dealt in, to cultivate female customers in their 20s and 30s who had seldom bought lingerie at department stores. By opening a supplement shop and a concept shop of carefully selected cosmetics in the zone, a sense of specialty was added. These efforts enhanced the ease of cross shopping among the women's shoes zone, the handbag zone and this zone on the same floor and generate synergy effects as expected.

Other specialty zones created one after another

Other specialty zones include "Gochiso Paradise," which strengthens the lineup of daily use products while offering well-established store brands unique to *depachika*, "Season Message" offering our own selection of casual styling to around 40-year-old women with a special focus on an assortment of pants and "SAUZALEAF," a new generation sales section that offers men's accessories, stationery, watches and bicycles. We will strengthen our efforts to create zones in pursuit of specialty based on each store strategy.


ufufugirls
うふふガールズ


Barbie

Growth

Bigger and Newer Stores
Area Redevelopment

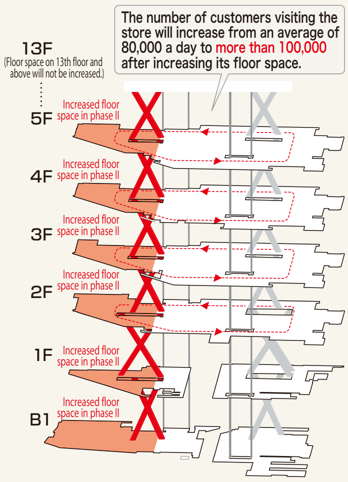
Big Projects in the Tokyo Metropolitan Area —
Increasing Our Presence by Expanding Business Infrastructure

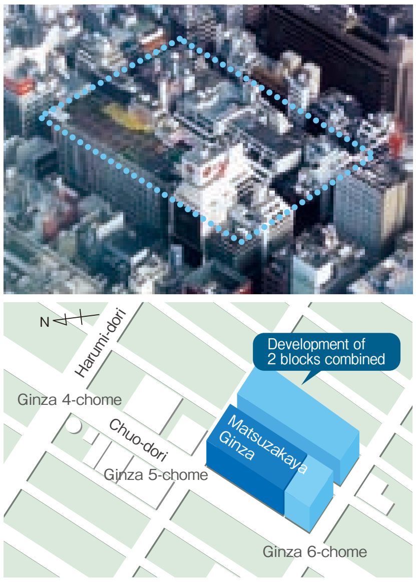
Daimaru Tokyo store (Image of new entrance on the 1st floor & deck on the 2nd floor)

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

Following Daimaru Umeda store that increased its floor space by 1.6 times on April 16, 2011, Daimaru Tokyo store will increase its floor space by 1.4 times to 46,000 square meters and open in the second phase in fall 2012. 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 gains popularity with women and men working around Tokyo station and various people using Tokyo station. On the occasion of its full opening in the second phase, targeting a wide range of customers who use Tokyo station, it will assort appropriately fashionable goods with strong brand power that are popular in Tokyo and create new entrances on the 1st basement, 1st and 2nd floors to enhance the circulation of customers. While further strengthening its already strong food products to make them overwhelmingly strong, we will offer a wide lineup of fashion items ranging from department store brands to shops that are popular in fashion-oriented commercial buildings and are considering introducing large shops that have the ability to draw in customers. 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 amount of investment in the first and second phases is planned to be ¥18 billion.

Tokyo Station City





Planned redevelopment site of Matsuzakaya Ginza store

In the meantime, Matsuzakaya Ginza store is working on a large-scale project to develop the combined two blocks of Ginza 6-chome district where it is located. The total redevelopment area is about 9,000 square meters of which about 65% is owned by Matsuzakaya. We are planning to build a 56-meter-high building with 12 floors above ground and 6 below of which 2nd underground to 6th aboveground floors will be used for commercial purposes and 7th to 12th aboveground floors will provide offices. We are also considering regional contributions by creating bus loading space to welcome tourists and underground passages to enhance the urban functions of entire Ginza and greening the rooftop to create greenery and reduce the effects on the environment from the perspective of contributing to the environment and the improvement of urban infrastructure. J. Front Retailing Group will develop a high-grade, innovative and highly fashionable commercial facility that is worthy of the world-class commercial location Ginza.

Through these two big projects in the Tokyo station area and Ginza area, we would like to dramatically increase our presence as J. Front Retailing Group in the Tokyo metropolitan area.

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


DAIMARU
DAIMARU

Area

Shop Development around Department Stores

From "Dots" to "Areas"— Enhancing Area Appeal to Attract More Customers

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

Daimaru Kobe store initiated these efforts in 1988. 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 70 various unique brands and shops (as of May 2011) 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.

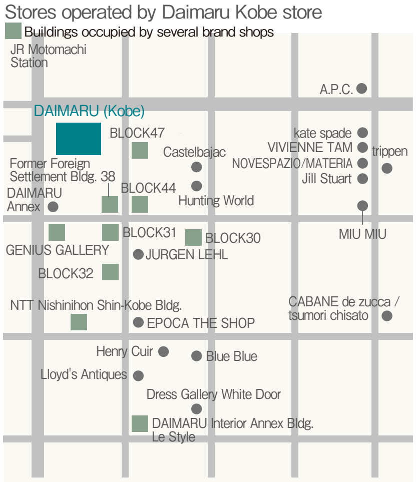
Such know-how is also applied to other stores.

Daimaru Shinsaibashi store has been working with Shinsaibashi 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 not only lose vigor but also damage the fashionable image of Shinsaibashi 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. Since stand-alone shops enable bold shop design and environment, which are subject to certain restraints within a department store, it attracted high-profile shops one after another and now operates 23 brands and shops (as of May 2011).

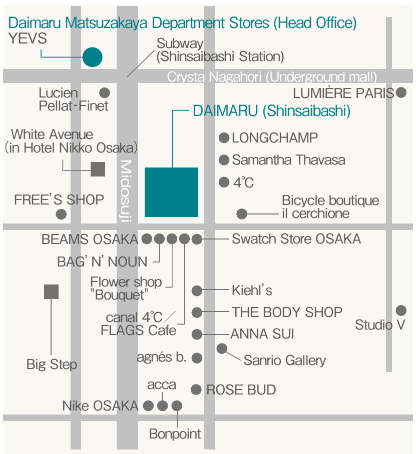
For the purpose of revitalizing Shijo Karasuma area as much as Shijo Kawaramachi, a high commercial accumulation district, Daimaru Kyoto store has also developed shops around itself starting with Louis Vuitton Store, which opened as the first shop in 2004, and now operates 12 brands and shops (as of May 2011) to enhance the appeal of the whole area.

In line with the move to develop the area around itself, Matsuzakaya Ueno store invited a large-scale sports shop and a sweets shop to open on the first floor of the multilevel parking facility completed in 2009 to attract new customers with a wider offering.

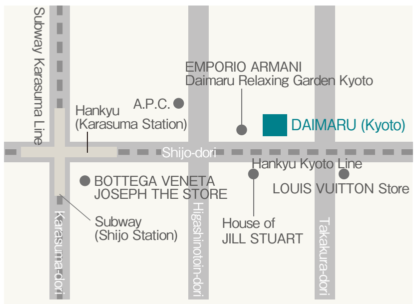
Stores operated by Daimaru Kobe store



Stores operated by Daimaru Shinsaibashi store



Stores operated by Daimaru Kyoto store



GENIUS GALLERY

FREE'S SHOP

EMPORIO ARMANI


LIVE LAB WEST

Customer

Customer Loyalty Strategy

Knowing More about Customers —
Expansion of Customer Base and Improvement of CRM Activities

Sales support through scientific approach

A customer loyalty strategy is primarily intended to organize about four million identifiable customers holding Daimaru- or Matsuzakaya-branded cards and ensure steady sales. To this end, we need to understand the buying behavior of each customer and continue to expand our customer base by encouraging customers to visit our stores. Daimaru Matsuzakaya Department Stores operates a customer information system "J-CIS" to scientifically support frontline sales staff working on such "customer relations." Since "J-CIS" is linked with our MD information system, we can quickly get a grip on the attributes and changes of customers based on the information obtained at the point of sale. The system also enables us to consolidate customer information in units of household, individual and account. We will analyze the buying patterns of customers from such information to reflect them in retail space planning, as well as strengthening relations between customers and salespersons.

Through thus improved CRM (Customer Relationship Management) activities, our customer base is steadily expanded and strengthened. The total number of the identifiable customers of Daimaru Matsuzakaya Department Stores for fiscal 2010 rose by 4.8% from the previous year, buoyed by the issue of Daimaru- or Matsuzakaya-branded credit cards and cash customer cards increased due to stronger efforts to cultivate new members, and the percentage of sales to these individual cardholders to total sales was 69.1%, up 1.1 points from a year earlier.

Enhancement of communication tools

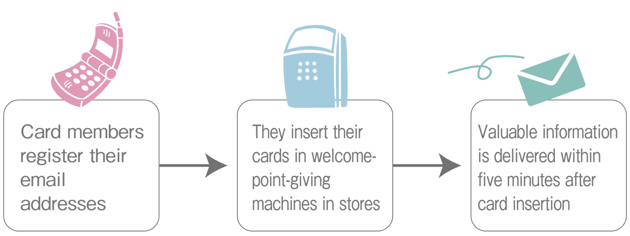
During fiscal 2008, Daimaru Matsuzakaya Department Stores launched email delivery service to provide "MY Mail Members," the company's card members registering their mobile phone email addresses, with good buy information of the sales sections that suit their likes and tastes. It has already been established as an effective way to encourage customers to visit the stores to replace newspaper advertisements and inserts. It is not only routine information such as an event schedule that is delivered to MY Mail Members. The innovative "MMS Mail" service is also available in all Daimaru and Matsuzakaya stores. Valuable store information is delivered to MY Mail Members' mobile phones based on their card information within five minutes after they visit the stores and insert their cards in the stores' welcome-point-giving machines (MMS: Multimedia Station). It is a new promotional tool that stimulates customers' buying motivation and increases the frequency of their visit, which ensures that customers are encouraged to buy on several floors and that sales per customer increase.

At present Daimaru Matsuzakaya Department Stores has about 370,000 MY Mail Members and more than three million card members who can register their email addresses, which means that there is enough room to expand the membership in the future. Since fiscal 2010 the company has sought applications for "Moba-Mate Members" whose membership non-cardholders can receive by registering only their email addresses and delivers them weekly email magazines containing bargain information of Daimaru and Matsuzakaya stores to encourage them to become its card members.

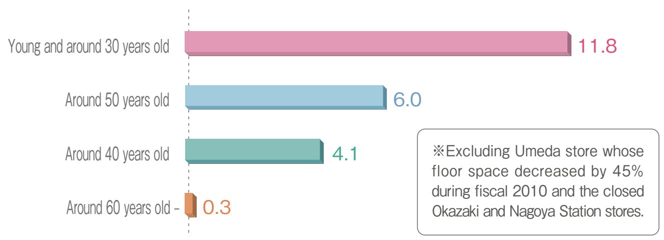
Collaboration with specialty zones

When we develop specialty zones as a core of our new department store model, we try to organize their target customers as their own card members to expand our customer base. This effort has achieved great results. The popular "Ufufu Girls" representing specialty zones started to issue "Ufufu Girls Card" in Daimaru Shinsaibashi store in March 2010. As a result of continuing to deliver their own email information on members-only events, extra point offerings and others, the annual card membership has reached about 20,000 people. For fiscal 2010, the number of young and around 30-year-old identifiable customers of Shinsaibashi store and the amount purchased by them increased by 28.6% and 40.9% respectively from the previous year. Thus they fulfill their role as a strong tool to attract and retain young women as their target customers. After that, Kyoto, Kobe and Umeda stores opened "Ufufu Girls" and started the same effort and their customers are steadily becoming regular ones as expected.

MMS email delivery system



Growth rate of sales to identifiable customers by generation for fiscal 2010 (%)




MATSUZAKAYA CARD
INTERNATIONAL
MasterCard
DAIMARU
DAIMARU CARD
MasterCard
ufufugirls
うふふガールズ
DAIMARU
DAIMARU CARD
MATSUZAKAYA CARD
INTERNATIONAL
VISA

Originality

Our Own Merchandising Sections
Original Merchandise

Responding Quickly to Changing Customer Needs and Seeking Originality and Profitability

Season Message (4th floor, Daimaru Kobe store)

The role of independently operated sections of which sales account for 15 to 20% of total department store sales is differentiation and characterization through the quick change of product selections and displays in response to market needs changing day by day and the offering of merchandise that is not included in the assortment of shops.

The independently operated sections are operated at the department store's risk on the assumption that a department store buys all goods and is solely responsible for selling them. Since we plan and implement the whole SCM (supply chain management) process, these sections feature: ① differentiability; ② easy response to changes; ③ high margin and profitability; and ④ easy job standardization and central operation. Armed with our own merchandising and sales service prowess, we aim to create sales areas that overwhelmingly stand out from competing department stores and other channels including station buildings and shopping centers.

Our own merchandising sections

Our own merchandising sections mainly offer item assortments including women's wear, women's accessories (hats, scarves, shoes and others) and men's accessories (shirts, ties, underwear and others). During fiscal 2010, we introduced original high tension pants (stretch pants) at a great value in non-partitioned open space offering independently selected women's wear to suit the trend toward more casual fashion and they became a hit selling 9,300 units at all Daimaru and Matsuzakaya stores in a year. As for women's accessories, we created a new market by offering a total of about 250 plans of new items (eco-friendly accessories, makeup accessories, craft accessories and others), which lead to the excitement of shopping and surprise, for a limited period of one week or two. As a result, we could acquire new customers and add to sales.

Started "Season Message" as our own merchandising section for around 40-year-old women

We renewed the concept of "Season Message," which had offered independently selected items of women's wear in non-partitioned open space, and started newborn "Season Message" as our own merchandising section for around 40-year-old women who are the main customers of department stores in February 2011. By meeting the needs of around 40-year-old women to "be elegantly dressed in casual attire" or "enjoy styling without worrying about their body shape," we aim to create sales sections that make them feel they are "their ideal shopping places." Their item strategy is to offer pants, which are a must for casual occasions, as a core. They are priced 20 to 30% lower than general apparel brands to satisfy price-sensitive customers.

Private brand (PB)

Among the independently operated sections, we are involved in the whole SCM process of private brands (PB) from the stage of product planning. Based on trust in department stores, we offer original products well balanced between quality and price.

After management integration, Daimaru Matsuzakaya Department Stores introduced Daimaru's PBs of men's wear "Trojan" and women's wear "Sofuol" to Matsuzakaya stores to expand the PB offering of JFR Group. We will review logistics, information systems, sales promotion, sales floor environment, sales activities and inventory control as well as product development in a comprehensive manner and accelerate our efforts to establish highly accurate supply chain.

Collaboration

Daimaru Matsuzakaya Department Stores and World Co., Ltd., an apparel company achieving good results in SPA (specialty store retailer of private label apparel) 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 traditional supplier-buyer relationships, the two companies share information and clarify the distribution of profits to collaborate using their respective core competence, that is, Daimaru Matsuzakaya Department Stores' 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 (original equipment manufacture). In the business process from product planning to selling out, the two companies are working together to ensure PDCA (plan-do-check-act) cycle and respond quickly and accurately to customer needs and wants.

TROJAN

Daimaru created this brand as pioneering men's ready-made garments in Japan in 1959. It has enjoyed enormous popularity as department store's men's wear PB for more than 50 years. Trojan means a warrior of Troy. As "battle dress adapting to the times," the brand offers safe and reliable quality at prices acceptable to customers by putting wear comfort first and combining high quality materials and fine tailoring with contemporariness.

S O F U O L

SOFUOL

SOFUOL stands for Sophisticated Full-length Office Lady. Targeting "working women" in their 30s and above, the brand offers feminine and sophisticated styling to cater to their business, commuting and daily fashion needs.

Available at:

Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo, Suma, Nagoya and Ueno stores and Hakata Daimaru, Shimonoseki Daimaru and Kochi Daimaru

Art

Museum/Store Space

Matsuzakaya Museum, Matsuzakaya Nagoya store

Offering Living with Art

Museum

We hold a wide variety of topical exhibitions and events of paintings, crafts, photos and picture book illustrations in museums and multipurpose halls in our major department stores to provide easier access to the works of popular Japanese and foreign artists ranging from classic to contemporary art. Through them, we encourage visitors to live a spiritually rich life and make a cultural contribution to local communities.

Kawai Gyokudo "Tinted Rain"
1940, owned by the National Museum of Modern Art, Tokyo

Yakinuki type black Raku tea bowl named "Hakuraku" made by Raku Kichizaemon XV
1986, owned by Raku Museum

Major exhibitions held during fiscal 2010

- ■Go Go Miffy: 55 Years with Miffy
  (Daimaru Sapporo and Kobe and Matsuzakaya Museum)
- ■Ten Years After, Migishi Setsuko
  (Matsuzakaya Museum)
- ■Jimmy Onishi: Pieces of Dreams
  (Daimaru Shinsaibashi)
- ■Returning Home:
  Edo Paintings from the Gitter-Yelen Collection
  (Matsuzakaya Museum)
- ■Munakata Shiko
  (Daimaru Kyoto)

Major exhibitions planned for fiscal 2011

- ■Atae Yuki: Showa Memorial
  (Matsuzakaya Museum and Daimaru Kobe and Sapporo)
- ■Iwago Mitsuaki Photo Exhibition: Cats
  (Daimaru Kyoto and Shinsaibashi)
- ■Oguiss Takanori: 110th Anniversary of His Birth
  (Matsuzakaya Museum)
- ■Licca-chan in Osaka
  (Daimaru Shinsaibashi)
- ■Kawai Gyokudo: Japanese Scenery
  (Matsuzakaya Museum)
- ■The 96th Inten: Exhibition of the Japan Art Institute
  (Daimaru Shinsaibashi)
- ■Tea Bowls Living in the Present: Raku and Other Masterpieces
  (Matsuzakaya Museum)
- ■Tekemasa Takeo: Glass Engraving
  (Daimaru Kyoto)

"Keicho kosode" owned by J. Front Retailing Archives Foundation became a national important cultural property

Matsuzakaya has collected as many as about 10,000 dyed textile products including kosode (small-sleeved kimono) of the Edo period since 1931. "Keicho kosode" from the collection was highly recognized for its design, dyeing technology and state of preservation and designated as a national important cultural property by the Agency for Cultural Affairs. J. Front Retailing established J. Front Retailing Archives Foundation Inc. for the purpose of passing the Group's cultural assets on to future generations and contributing to academic culture. The foundation will maintain these precious cultural assets and organize their public displays and exhibitions.

Public display of newly designated important cultural property "Keicho kosode"
Period: Saturday, July 9 - Sunday, August 7, 2011
Venue: Matsuzakaya Museum

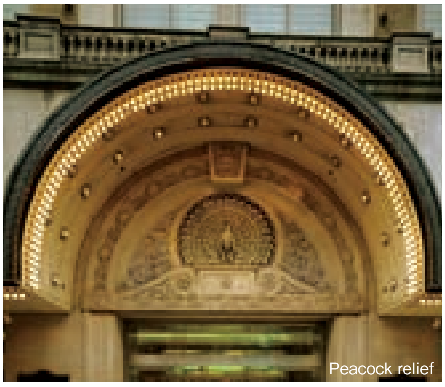
The World of Art Deco Created by Architect W. M. Vories

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 location of Shinsaibashi store. 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.

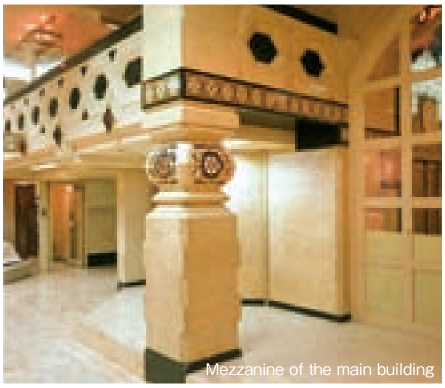
The middle layer of the building is covered with grave scratched tiles. It is between the granite exterior wall of the first floor and the outer wall of the top floor elaborately designed with terra cotta. Once you step into the store through the entrance with a relief of a peacock, which is a symbol 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.

Daimaru Shinsaibashi store



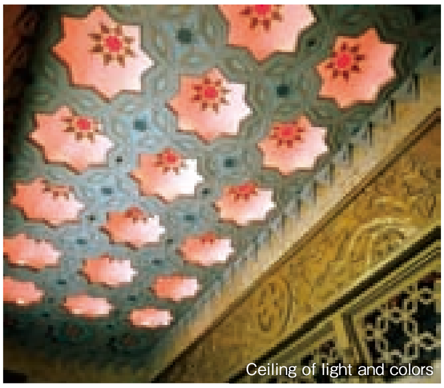
Peacock relief



Mezzanine of the main building

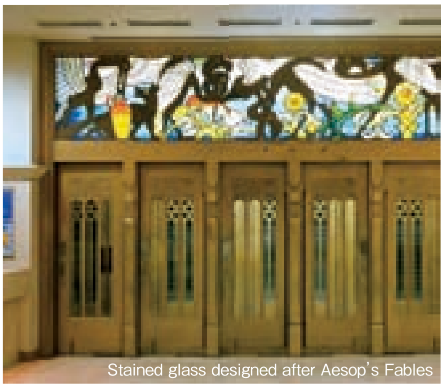
Relief ceiling

Elevator hall on the 1st floor of the main building



Ceiling of light and colors

Fresco ceiling



Stained glass designed after Aesop's Fables

Stained glass clock

Human Resource

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 develops human resources based on the following four pillars.

1 Feedback to enhance self-awareness

We have 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, we give 30-, 40- and 50-year-old employees "career development training" to help them become aware of their own careers and make a career building plan.

2 Establishment of learning systems

We improve the menu of Career Support College (in-house self-development school) based on the concept of career independence that we should develop our careers on our own, while clarifying the 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.

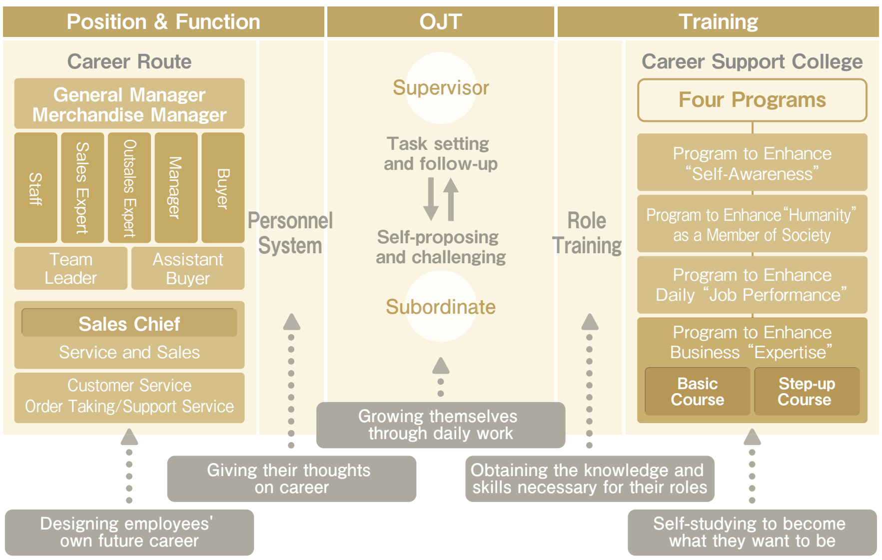
3 Development through jobs and roles

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

4 Human resource development through organization management

We systematically provide the management knowledge required by the Group to enhance the functions of OJT (On the Job Training) and steadily carry out RPDC (research-plan-do-check) activities in office organization to give subordinates roles and tasks and follow up their progress and evaluate and feedback their results.

Independent Career Building System



Three-year training program for new employees

We position the first three years after new employees join the company as a period to make them socially acceptable. OJT in stores, group training and feedback are combined to build a foundation of members of society. Their progress of acquiring knowledge and aptitude are shared between companies and individual employees through regular interviews to train them well.

Major activities during fiscal 2010

We tackled "the development and enhancement of leaders having both strong leadership and change response capabilities" and "the development and enhancement of shop operation managers having both shop counseling capabilities and market response capabilities required for the new department store model."

- Division manager training, JES*1 and JLS*2 were conducted to develop and enhance leaders having both strong leadership and change response capabilities.
- Shop operation and independent operation training was conducted to develop and enhance shop operation managers having both shop counseling capabilities and market response capabilities required for the new department store model.
- Counseling facilitators were assigned to each store and department to establish the basic RPDC practices of counseling.
- We 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 2,000 persons in annual total from J. Front Retailing Group attended in-house and outside seminars or took correspondence courses.

*1…JFR Executive School (executive training school)
*2…JFR Leader School (manager and buyer training school)

We will develop human resources who promote "management reforms" represented by the new department store model and increase organizational power that is fundamental to promoting the reforms.

Supermarket

Supermarket Business

Community-based High Quality Supermarket

Operating 87 stores in the Tokyo, Kansai and Chubu areas

Peacock Stores operates a total of 87 supermarkets (as of May 2011) in the areas where Daimaru Matsuzakaya Department Stores has its main stores: 50 stores in the Tokyo metropolitan area, 29 in the Kansai area and eight in the Chubu area. The company defines the center of Tokyo and Yokohama and Shonan areas in the Tokyo metropolitan district, Hanshinkan area in the Kansai district and the area along the Nagoya Municipal Subway Higashiyama Line in the Chubu district as dominant areas and puts a stronger focus on them. Peacock Stores actively offers reasonable original products tailored to the characteristics of each store as well as a "high quality" assortment backed by the brand image of the Group's main department store business to become a secure and safe food supermarket chain supported by local customers.

Implementing scrap-and-build measures

In order to improve the business structure, Peacock Stores minimizes new openings and gives priority to remodeling and activating existing main stores while drastically closing unprofitable stores. During fiscal 2010, the company newly opened @Nakano Marui store and remodeled existing 11 locations including Senboku Harumidai, Takanodai, Sodegaura and Fujisawa Treage Shirahata stores. By reviewing merchandise composition and price structure, introducing new brands and changing circulation in retail space to fit with store attributes in each area, Peacock Stores tried to stimulate the business. In the meantime, the company closed five unprofitable stores to accelerate the improvement of profit structure.

For fiscal 2011, Peacock Stores will continue to reinforce these commitments and aggressively remodel and revitalize strong stores to increase profitability of existing stores.

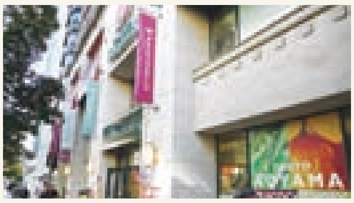
Improving merchandising capabilities

Peacock Stores improves the offering of high quality products typical of the company through central buying while enhancing the assortment of each store to meet the needs of local customers. For the purpose of strengthening central buying, Peacock Stores enhances partnership with suppliers and built a logistics center to enhance product availability.

The company's private brand "Peacock Choice" mainly provides nonperishable food items and groceries and ensures a stable supply of daily necessities. With regard to prepared meals, Peacock Stores develops original products that adhere to materials, making process and appropriate amount including sushi in the amount you can eat at a time "Rokkantei" and freshly-fried pork cutlets "Bimisakusakutei," which are made using a special recipe, and further improves the offering of prepared meals, box lunches and sushi to meet lunch and dinner needs.

Reforming operations and systems to improve operation capabilities

Peacock Stores restructures operations to standardize store operations by creating a manual from the perspectives of order placement, putting goods on shelves and backyard management and training personnel to ensure operations strictly follow the manual. Based on these efforts, the company is preparing to integrate three merchandising information systems in the Tokyo metropolitan, Kansai and Chubu areas in late fiscal 2011. The new system will prevent products from running out of stock and enable a speedy response to the improvement and discontinuance of goods. By implementing this system, buyers will be able to unify assortment management at the level of shelf allocation and each store will be able to allocate shelves to meet the regional characteristics. With this, Peacock Stores will radically strengthen store operation capabilities. The company also aims to improve trade negotiating capabilities through central buying that uses the unified information thus obtained and increase profit margins by reducing merchandise loss through dramatically enhanced information accuracy.



Peacock Store Aoyama

Private brand "Peacock Choice"

Store locations (As of May 2011)

Tokyo district (50 stores)

Daimaru Peacock
Aoyama
Sodegaura
Takanawa Gyoranzaka
Mejiro
Jiyugaoka
Asagaya
Shimokitazawa
Fujisawa
Misato
Ebisu
Kunitachi Sakuradori
Yokohamabashi
Kugayama
Takadanobaba
Azabu Juban
Iogi
Kyodo
Shinurayasu
Toritsukasei
Sakurashinmachi
Takanodai
Higashikoganei
Kamiikedai
Bunkyo Green Court
Mita Isarago
Tamagawa Josui
Ishikawadai
Hanakoganei
Kunitachi Bentendori
Fujisawa Treage Shirahata
Sangenjaya no Mori
Tomare Nihonbashi Hamacho
Daikanyama Peacock
Shibaura Island
Kanda Tsumakoisaka

Matsuzakaya Store
Takenotsuka
Ebisu Minami
Takashimadaira
Toyoshiki
Ojima
Katakuracho
Hongodai
Isogo

Exe Peacock
Granduo Kamata

Peacock Store
Hakuraku Rokkakubashi
Granpark Tamachi
Kami Ikebukuro
Yokodai
Nikke Colton Plaza
@Nakano Marui

Kansai district (29 stores)

Daimaru Peacock
Senri Daimaru Plaza
Tsukumodai
Kitasenri
Meimai
Nakamiya
Takakuradai
Matsugaoka
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
Senboku Harumidai

Chubu district (8 stores)

Matsuzakaya Store
Motoyama
Tsukimigaoka
Fujigaoka
Hishino
Hongo
Hirabari
Miyoshi
Chiyoda

Strengthening Bases in Asia and Challenging the Growing Market

Responding to customer needs with a diversity of businesses

A wholesale company Daimaru Kogyo deals in electronic parts, food products, software, chemical products, metal and resin products, housing materials, fishing rods and others and provides solutions to customers through various services ranging from the procurement of industrial materials and retail merchandise to after-sale care.

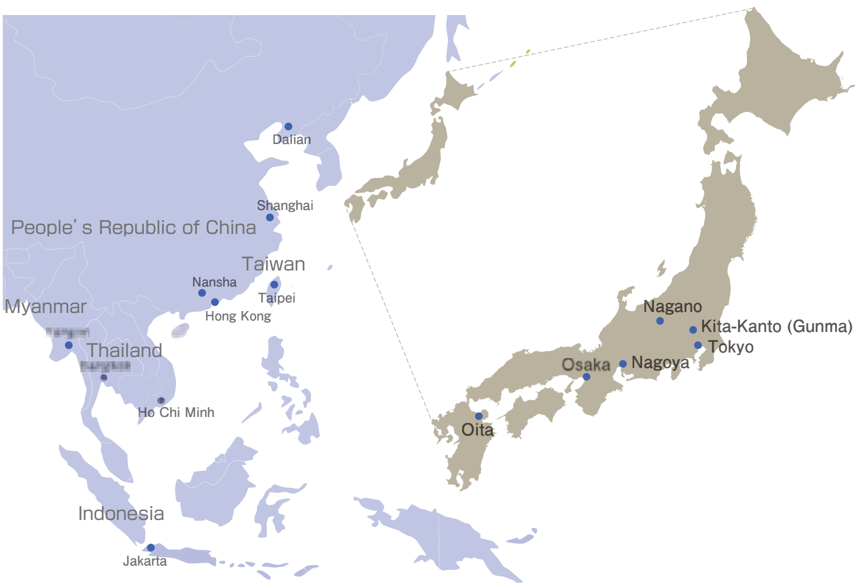
For example, in the field of metal and resin products, Daimaru Kogyo provides various parts of global strategic cars of major automobile manufacturers, and in the field of chemical products, the company supplies materials of the recently much talked about "liquid glass" to manufacturers. In the field of electronic parts, the company attacks a niche in the printed circuit board and semiconductor market and is competing with the world's leading electronic parts manufacturers to develop and procure products. In the field of packaging materials, Daimaru Kogyo reduces costs by using foreign manufacturing plants and supplies many famous confectionery packages.

Synergy with the businesses of the Group

Daimaru Kogyo jointly develops with Daimaru Matsuzakaya Department Stores items suitable for mid-year and year-end gifts including seaweed, shiitake mushrooms, canned crab meat and seasonings, which are sold at Daimaru and Matsuzakaya stores throughout Japan. The company clarifies quality standards including the methods of selecting and processing raw materials and solely undertakes the entire process from production to delivery. Daimaru Kogyo prepares reliable certificates of origin and production evidence and provides consumers with carefully manufactured products together with reassurance.

Daimaru Kogyo imports wine and food directly from France and Italy to sell them at Daimaru and Matsuzakaya stores and the supermarkets of Peacock Stores. The company selects and imports excellent products made with a focus on quality, scent and taste including wine recommended by a famous French chef Paul Bocuse. Using such know-how, Daimaru Kogyo undertook the operation of liquor department in some locations of Daimaru Matsuzakaya Department Stores in fiscal 2010 and entered the retail field. By operating consistently from planning and procurement to sales, the company contributes to the streamlining of department store sales operations.

Daimaru Kogyo will deepen partnership with other companies of the Group including direct marketing, design and construction and a restaurant chain as well as department store and supermarket chains to seek further synergy.



Strategic use of Asian bases

Daimaru Kogyo has a total of 15 business places mainly in the triangular market of Japan, China and ASEAN countries including six domestic locations such as Tokyo, Nagoya and Osaka and nine overseas locations such as Chinese mainland, Hong Kong, Taiwan, Thailand, Indonesia and Myanmar. The world population is estimated to reach nine billion in 2050 from the current 6.7 billion and Asian countries in which the majority of the world population is concentrated are said to be likely to account for 50% of global GDP. From a global standpoint, Daimaru Kogyo, which has the function of trading company, seems to have many opportunities, and with a stronger focus on Southeast Asian and ASEAN countries as information-gathering and business bases, the company will expand into emerging countries whose demand is expected to increase.

Topics for fiscal 2010

Received an inspection-free manufacturer certificate and R&D thank-you cards from Nissan Motor

On May 10, 2010, a ceremony to present an inspection-free manufacturer certificate was held at Daimaru Kogyo Quality Control Center and Daimaru Kogyo received a pass certificate. This is the company's 19th consecutive year of achieving certification as an inspection-free manufacturer. The inspection-free manufacturer certification requires very high quality standards to be met: the non-defective rate of not less than 99% and the delivery date achievement rate of not less than 95%. Parts from such certified suppliers are used by Nissan Research Center for experiments and researches without inspection.

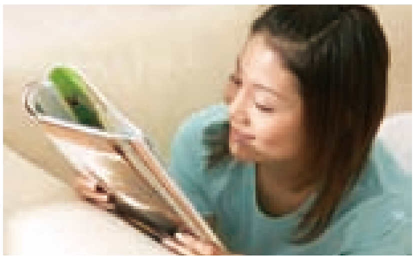
On October 29, 2010, Nissan Motor gave R&D thank-you cards to two members of Daimaru Kogyo Automobile Processed Parts Team at the pre-launch presentation of Nissan's hybrid vehicle Fuga (launched on November 2, 2010). These R&D thank-you cards were awarded to 50 companies that had contributed to the research and development of new technologies for the hybrid vehicle Fuga.

※R&D stands for research and development.

Responding to Customer Needs with the Diversity of Channels

Consolidating direct marketing businesses into JFR Online

With the advance of information technology and the diversification of lifestyles and shopping styles, how to deal with direct marketing business has been becoming an increasingly important management challenge. J. Front Retailing Group has operated four direct marketing businesses including the catalog business of Daimaru Home Shopping, Daimaru Matsuzakaya Department Stores' online cosmetics shopping site Marucollet business, Social Net business that combines the recycling of unnecessary items with donation, and department store internet retail business that mainly offers gift items. Expecting direct marketing business to grow further, we consolidated these businesses into Daimaru Home Shopping and the company was renamed JFR Online and made a fresh start on March 1, 2011. JFR Online will operate the direct marketing business of the Group more efficiently and concentrate management resources on growing businesses for further development and expansion.



Changing direct marketing business model

Instead of focusing on a physical sales channel of stores including department stores and supermarkets as in the past, the company will use several sales channels and diverse approaches to expand its business. First, the company will transform its key catalog business into a business model that adapts to a market by creating sales channels accessible to the elderly who are frequent users and offering the products that meet customer needs.

With respect to the businesses using the internet, JFR Online will review customer contact points and the way of communicating with customers to increase traffic to the websites and encourage continuous buying.

The company will widely collect information to provide sales methods and channels that reflect the changes of the times and will develop its business with a view to a tie-up with other companies. In addition, the company intends to actively deal in the products unavailable at department stores if they are appropriate to customer needs.

Besides these businesses, JFR Online will positively consider entering new businesses including the commissioned operation of direct marketing business of other companies of the Group to grow as a company that supports the growth of the Group.

Creating a synergy through standardization and commonalization

In terms of operations, JFR Online will standardize platforms including customer information, EC systems and logistics, which are infrastructures common to each direct marketing business, and mutually use the know-how and skills of each business for the operations common to direct marketing businesses in order to realize more efficient business operations.

At the same time, all direct marketing businesses will work together on improving customer service and responding to diversifying methods of communication with customers by using the latest systems to further increase productivity.

Making internet retailing core business

Our direct marketing business has more than three million customers. At present, catalog sales account for 95% of the total sales. While maintaining such strength of catalog sales business, JFR Online will radically strengthen internet retail business in the medium- and long-term. For this purpose, internet retail business will vigorously promote the expansion of its item offering, the improvement of its mobile sites and alliances with other companies to increase the sales share of businesses other than catalog sales business to about 25% three years later in 2013 and finally to about 60%.

Four business fields

Catalog business

Its catalogs cover all categories of products including fashion items, household goods and food. About 70% of customers live in the Kansai area and it will reinforce the Chubu and Tokyo metropolitan areas. It will build the foundation of direct marketing business accessible to its main elderly customers.

Marucollet business

It sells online problem-solving beauty goods such as moisturizing and anti-aging care products, ranging from cosmetics including popular beauty essence on which beauty professionals give advice and beauty supplements to organic cosmetics.

Social Net business

This new type of business promotes eco-friendly cycle (reuse and recycle) by buying unnecessary brand products from customers and selling them, and at the same time, contributes to society by donating part of the amount sold and bought. It responds to increasing awareness of recyclable consumption and social contribution.

Department store internet retail business

It is commissioned to operate Daimaru Matsuzakaya Department Stores shopping sites. It adds the site's original attractive product lineup to its main gift market offering mid-year, year-end and general gift items, which is department stores' strength, to increase traffic to the sites and encourage continuous buying.

Catalog business
http://dmall.jp

Marucollet business
http://www.marucollet.jp

Department store internet retail business
http://www.daimaru.jp
http://shop.matsuzakaya.co.jp

Social Net business
http://www.jfr-socialnet.com

Alliance

Alliance
M & A

Creating a New Synergy for Next Growth

Acquired a 49.0% stake in StylingLife Holdings Inc.

J. Front Retailing (JFR) is aiming to establish status as a leading retail company in Japan in terms of both quality and quantity with the department store business as its core.

On March 30, 2011, we acquired a 48.5% (49.0% as of April 28, 2011) stake in StylingLife Holdings Inc. (SLH) and made it an equity method affiliate. SLH operates four main businesses including general merchandise retailing under the "PLAZA" brand, which is popular among young women, the manufacture and sales of cosmetics, direct marketing and the manufacture and sales of food, beverage and confectionery products under the mission statement of "offering a lifestyle to customers" and "working on and trying something new." Some of their shops operate in the stores of JFR Group.

We believe that our core department store business will become more competitive through a deeper alliance with a company that has an advantage not shared by us, which will improve our ability to edit sales floors and expand the number of young customers, and that we will be able to increase the growth potential of the Group as a whole by adding a strong new business.

Shareholder composition of StylingLife Holdings Inc.
(As of April 28, 2011)

	Number of shares held	Shareholding percentage
Tokyo Broadcasting System Holdings, Inc.	76,500 shares	51.0%
J. Front Retailing Co., Ltd.	73,500 shares	49.0%
Total	150,000 shares	100.0%

Using synergy to enhance the appeal of sales floors

We think JFR and SLH will be able to easily produce a synergy because the two companies have a lot in common in core business (retailing and direct marketing), customer base (income class and lifestyle) and corporate direction (high quality oriented and high value added oriented).

Favorable effects on JFR include: ① the appeal of women's accessories of department stores increased by introducing SLH's core business "PLAZA" shops; ② the enhancement of Daimaru and Matsuzakaya stores' own selection of merchandise and the joint development of new sales floors by adopting SLH's strengths such as the buying of variety goods and floor editing in its "PLAZA" business; ③ the mutual use of customers and merchandise in direct marketing business after putting in place the conditions concerning personal information and so on; ④ the expansion of business opportunities for the companies of JFR Group such as Dimples' (staffing service), Consumer Product End-Use Research Institute (merchandise test) and JFR Information Center; and ⑤ the absorption of SLH's excellent corporate culture through personnel exchanges.

At the same time, we will use our long years experience and expertise in retailing and our infrastructure to improve SLH's corporate value.

Stepping stone for becoming a multichannel retailer

We also think this stock acquisition is an important stepping stone for evolving from the former Group with an excessive focus on department store business into a multichannel retailer that owns strong businesses.

We will continue to proactively work on alliance and M&A with businesses and companies that can be expected to generate a synergy.

Four businesses of StylingLife Holdings Inc.

Operation of about 120 shops nationwide including PLAZA and MINIPLA

PLAZASTYLE COMPANY

【Founded】February 11, 1966
【Line of business】Retailing of imported household goods, operation of MINIPLA shops, licensing business and planning and development of original products
【Number of shops】PLAZA: 73 shops / PLAZA BEAUTILICIOUS: 2 shops
MINIPLA: 10 directly operated shops and 36 affiliated shops
QUOMIST: 3 shops / Cuddlesome: 2 shops
Online shop: 2 sites / TED'S Bakery: 3 shops

Catalogue mail-order service, advertisement and online shopping service of clothing and general merchandise

LightUp Shopping Club Inc.

【Founded】March 1971
【Line of business】Direct marketing and in-store retailing of clothing, sporting and leisure goods, electric appliances, household goods, jewelry, books, optical instruments and watches
Brand: LightUP/Zekoo/SHOKUSAI Club/BEYES
【Number of shops】8 shops
(Ginza Sony Building, Omotesando Hills, Umeda Herbis Ent and other locations)

Manufacture and sales of cosmetics

BCL COMPANY

【Founded】February 1996
【Line of business】Development, manufacture and sales of cosmetics and quasi-drugs and manufacture and sales of makeup tools, hairdressing and beauty equipment and laboratory equipment
【Number of shops】Cosmetics for general retail stores: about 10,000 locations
Cosmetics for department stores (VECUA): 24 locations

CP Cosmetics Inc.

【Founded】January 2006
【Line of business】Development, manufacture and sales of cosmetics and quasi-drugs and manufacture and sales of makeup tools, hairdressing and beauty equipment and laboratory equipment
【Number of shops】CP Salon: about 1,260 locations

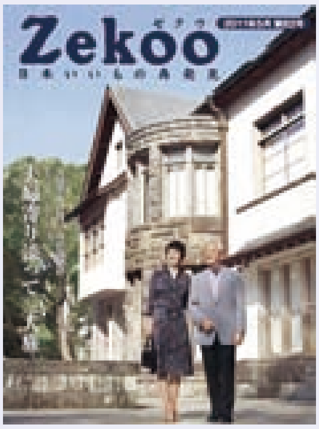
Management of French restaurants and cake shops

Maxim's de Paris Ltd.

【Founded】November 1966
【Line of business】Management of French restaurants, bakery shops, cafes, teashops and snack shops and manufacture and sales of confectionery
【Number of shops】Restaurant: 2 locations / Cafe: 3 locations / Bakery: 13 locations
Teashop and snack shop: 5 locations /
Cake shop: 9 locations

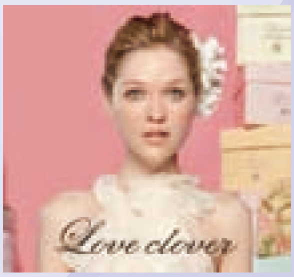
General merchandise retailing

Direct marketing



Food

Beauty & wellness



Corporate Governance

J. Front Retailing Group Philosophy

The philosophy system of J. Front Retailing Group consists of "basic philosophy," "business operation policy," "commitments to stakeholders" and "our principles of action."

●Basic Philosophy

(1) We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations.

(2) We aim at developing the Group by making a broad contribution to society as a fair and trusted business entity.

●Business Operation Policy

(1) Realizing high quality management that provides the highest customer satisfaction at the lowest cost.

(2) Thoroughly pursuing high quality, freshness and hospitality.

●Commitments to Stakeholders

They represent the Group's commitments to customers, shareholders, business partners, employees and communities.

●Our Principles of Action

They represent the principles of action that every person working for the companies of JFR Group should try to follow concerning customer perspective, challenge to innovation, speed and thorough implementation, communication, respect for diverse individuality and ethics and fairness.

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.

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).

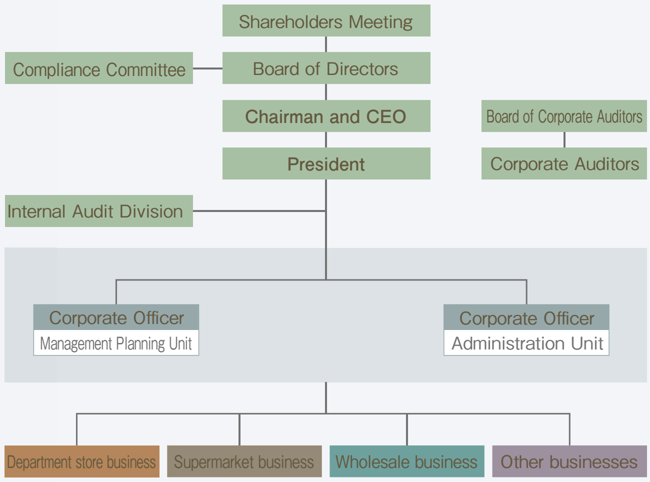
To this end, we have two units (Management Planning Unit and Administration Unit) in the company organization to clarify roles, responsibilities and authorities, thereby improving supervisory function and the internal control systems of the whole Group. In addition, a corporate officer system is in place 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 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, which is chaired by CEO and consists of a corporate lawyer and Directors and Corporate Auditors named by the chairman, as an advisory body to the Board of Directors and adopts a whistle-blowing system to solve compliance issues.

Corporate governance organization and internal control system



Meetings of the Board of Directors and Outside Directors

The Board of Directors as a management decision-making body consists of seven Directors (including two outside directors) and generally meets once a month under the chairmanship of Chairman and CEO and with the attendance of Corporate Auditors 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 2010, the Board of Directors had 15 meetings to discuss and resolve the closure of Hakata Daimaru Nagasaki store and the acquisition of shares in StylingLife Holdings Inc., as well as approving budgets and settlements.

J. Front Retailing has invited Takayama Tsuyoshi and Takeuchi Isao 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 reporting directly to President to verify the appropriateness and effectiveness of the business process of daily routine and financial operations of J. Front Retailing and J. Front Retailing Group according to the annual audit plan. Important matters are duly reported to the Board of Directors and the Board of Corporate Auditors.

■Internal Control Systems

J. Front Retailing develops internal control in line with the Basic Policy to Build Internal Control Systems. With respect to internal control over financial reporting, the General Affairs Division of Administration Unit that has the function of overseeing internal control and the Internal Audit Division that has the function of independent assessment clarify their roles and authorities and discuss to make a fair assessment. During fiscal 2010, we reviewed and redeveloped the internal control of Daimaru Matsuzakaya Department Stores, which was formed by merger in March.

■Risk Management

With President and Executive General Managers of two units as responsible supervisors, each division assesses and manages risks in a manner suiting the division and reports the management status of important risks to the Board of Directors on a regular basis. With respect to particularly significant business risk factors thus identified, policies dealing with them are discussed and determined at the Group's strategy meetings and concerned divisions implement them to prevent such risks from arising.

In response to increasingly diverse and complex business risks and growing social demands for companies to react quickly and accurately when risks occur, the Risk Management Guidelines were developed in March 2011 to set out the basic policy and framework for risk management and the Emergency Headquarters headed by President is responsible for handling crises in case of emergencies.

■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 Group philosophy 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.

■Preparation of Compliance Manual

J. Front Retailing prepared a compliance manual to demonstrate its structure, principles of action and code of conduct to implement compliance management.

The manual provides that the basic framework of the compliance system 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 of action and code of conduct consisting of four perspectives to be followed by all officers and employees of J. Front Retailing 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.

"Food" Quality Control

Sanitary supervisors are placed in the food departments of all locations of Daimaru Matsuzakaya Department Stores and affiliated department 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," "Quality Control Regulations" and rules for running.

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 Matsuzakaya Department Stores, acquired the "Privacy Mark" certification to protect the personal information of customers.

Customer Consultation Service

Major stores of Daimaru and Matsuzakaya have "Consultation Corners for Consumers" 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.

■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.

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 Matsuzakaya Department Stores, which runs the core department store business, operates an ISO 14001-based environmental management system to continuously reduce the effects on the environment.

Environmental Policy of JFR Group

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

1. Recognizing the environmental impacts and their causes, we will establish structures and systems to promote environmental conservation activities through the business activities of the Group companies and actively work on reducing environmental load.
   1. Effective use of resources and energy
   2. Reduction of CO_2 emissions
   3. Waste reduction and recycling
   4. Provision of environment-friendly products, services and information
   5. Promotion of environmental conservation activities with customers, suppliers and community members
2. We will comply with the requirements of environmental laws, regulations and agreements.
3. We will raise awareness of environmental conservation through training and educational activities to strengthen the foundations on which each worker in the Group will tackle environmental tasks voluntarily.
4. We will make this environmental policy known to all workers of the Group companies and make the policy available to the public.

Offering Environment-Friendly Lifestyles

Daimaru and Matsuzakaya stores provide ideas for smart eco-friendly living as a priority item of their environmental activities. They offer "environment-friendly products and services" based on their own selection criteria, while actively offering "eco-friendly products" to outside corporate customers and accepting orders from them and organizing environmental events.

Reduction of Packaging Materials

We provide training based on a smart wrapping manual so that all workers 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.

Original eco bags

Original eco bags

Original eco bags "with carbon offsets" are sold in all 21 Daimaru and Matsuzakaya stores to promote resource saving and reduce waste by encouraging customers to bring their own shopping bags.

Energy Use Reduction

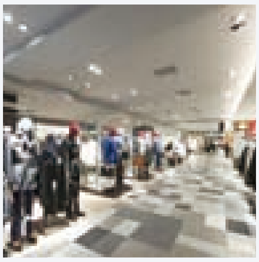
According to a medium- to long-term plan, Daimaru Matsuzakaya Department Stores is promoting energy saving facility replacement including the replacement of existing lighting fixtures with LED units, the introduction of inverters to control air conditioners, elevators and escalators and the use of highly efficient air conditioning heat sources to reduce CO_2 emissions and help prevent global warming.

By carefully controlling lighting and air conditioner temperature as well as participating in various activities including "raising air conditioner temperature settings in stores during summer" and "the Light Down Campaign" promoted by the Japan Department Stores Association, all employees are making energy saving efforts.

In response to tight power supply and demand this summer, Daimaru and Matsuzakaya stores in the Tokyo metropolitan area are implementing power saving measures to reduce peak power consumption by 15% and daylight saving working hour system was adopted for workers in the head office in Yanmar Tokyo Building.

Daimaru Umeda store received the Grand Prix of 2010 Energy Saving Lighting Design Awards from the Ministry of the Environment

LED lighting fixtures were installed on the ceilings throughout the store when the store grand reopened with increased floor space on April 19, 2011. Lighting in back-office areas was also replaced with highly efficient Hf-type motion sensor fluorescent lights. Since LED lights generate much less heat compared to halogen lights, they contribute significantly to improving the efficiency of in-store cooling.



Reduction and Recycling of Waste

We implement 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 discharge status of each store.

Creating Customer-Friendly, Safe and Comfortable 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*. Daimaru Matsuzakaya Department Stores is working on developing a business continuity plan (BCP) to enable continuation of important businesses and early recovery when facing emergencies such as earthquakes directly below Tokyo.

*This system is already installed in all stores managed directly by Daimaru Matsuzakaya Department Stores and Hakata Daimaru Tenjin store (except some stores that occupy as tenants).

AED (automatic external defibrillator) units are installed in all stores and about 1,400 employees from all stores 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.)

Social Contribution Activities

As a business group that contributes widely to society, J. Front Retailing Group actively engages in great earthquake relief activities and participates in charity bazaars and events to protect the global environment, support the regions suffering serious starvation and poverty and raise awareness about living a safe and healthy life.

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 governments and make environmental efforts that customers and local people can take part in.

Major participation in community events

Daimaru	Matsuzakaya
●Sapporo: Sapporo Snow Festival YOSAKOI Soran Festival	●Nagoya: Nagoya Festival Domannaka Festival
●Kyoto: Gion Festival	●Ueno: Grand Festival of Gojo Tenjin Shrine
●Kobe: Kobe Luminarie Motomachi East Jazz Picnic	●Shizuoka: Shizuoka Festival (Seasonal events)
●Hakata Daimaru Tenjin: Hakata Gion Yamakasa Festival	
●Shimonoseki Daimaru: Shimonoseki Kaikyo Festival	●Takatsuki: Takatsuki Jazz Street

Rooftop Greening

In September 2010, Matsuzakaya Nagoya store opened an eco-friendly garden "Sora Terrace" on the rooftop as part of the 100th anniversary celebration of Matsuzakaya Department Store. It is a relaxing garden where people enjoy many plants including 100 kinds of roses, herbs, vegetables and seasonal flowers. It also provides various information on flowers and greens including gardening schools and events.

Job experience of elementary school students (Matsuzakaya Nagoya store)

Environmental Study and Sales Experience

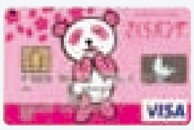
Daimaru and Matsuzakaya stores accept local elementary and junior high school students during spring consecutive holidays and summer vacation and help their integrated learning by showing the stores' environmental activities and providing opportunities to try out jobs in department stores.

Our contribution to local environmental conservation activities was recognized.

Matsuzakaya Nagoya store received the Nagoya Excellent Eco Business Establishment Award
Hakata Daimaru Tenjin store received the Fukuoka Best Environmental Action Award and the Fukuoka Special Urban Beautification Award

Participation in the Pink Ribbon Movement (breast cancer educational activities)

JFR Card Co., Ltd. has supported the Pink Ribbon Movement since April 2010 by donating in proportion to the amount of money raised from customers, the number of the holders of Sakura Panda Card and the amount purchased with the card during the Pink Ribbon Movement Awareness Month (October) to the NPO "J. POSH (Japan Breast Cancer Pink Ribbon Movement)."



Sakura Panda Card

"Collect PET Bottle Caps to Provide Vaccines to the World's Children!" Campaign

Daimaru and Matsuzakaya place collection boxes in their stores and employee facilities to collect PET bottle caps.

The collected caps are sent to recycling companies through the NPO "Re Lifestyle" and we donate the full amount paid for them to the NPO "Japan Committee Vaccines for the World's Children (JCV)" to provide vaccines to children around the world.

We launched this campaign in all stores in November 2009. Receiving a great deal of cooperation from customers, a total of more than 14.3 million caps (equivalent to polio vaccines for about 27,300 persons) were collected up to April 2011.

Now that more than one year has elapsed since we launched the campaign, many customers express sympathy and participate in it community-wide or school-wide.

In March 2011, the first anniversary event was held in all stores and we reported the contents and results of our activities to many customers.

Matsuzakaya Nagoya and Daimaru Kobe stores held JCV supporter Takeshita Keiko's talk show and auctions of goods provided by famous actresses and professional soccer players and donated the proceeds from them to JCV.

The Great East Japan Earthquake Relief Operations

Fundraising

In-store fundraising activity (Matsuzakaya Ueno store)

We raised money in all locations of Daimaru, Matsuzakaya and Peacock Stores and donated a total of about ¥38 million together with the donations from the employees of the Group and workers from suppliers to the Japanese Red Cross Society.

The Group sent ¥30 million to the Japanese Red Cross Society and other organizations and ¥1 million each to Miyagi, Iwate, Fukushima and Aomori, with which the Group has relations through Tohoku products fairs and other events.

Delivery of emergency supplies

Aid delivery to Iwate

We provided Ofunato-shi, Iwate, with 1,000 blankets, 200,000 masks, portable toilets and radios through the NGO "Peace Winds Japan" immediately after the earthquake occurred. After that, we asked the earthquake headquarters of each affected prefecture what they needed at that time and sent 1.43 million masks to Iwate and about 80,000 goods including food and daily necessities to Miyagi and Iwate. In the meantime, in response to a request for assistance from the community-based NGO "JOICFP," we delivered 1,500 maternity goods and 1,200 bottles of drinking water for babies to affected areas and handed them over to pregnant women.

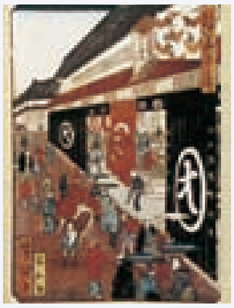
Support fair

Vegetable fair (Daimaru Tokyo store)

Daimaru Tokyo, Matsuzakaya Ueno and other stores held "support fairs" to sell fresh vegetables grown in and local sake brewed in the Tohoku and Kanto areas.

History of Daimaru


Founder Shimomura Hikoemon Shokei


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	■ Shimomura Hikoemon Shokei 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.
	■ Urawa Parco store opened.
	■ Tokyo store moved to a new building and opened in the first phase.
2009	■ The north wing of Shinsaibashi store opened.
2010	March 1, 2010 Merged The Daimaru, Inc. and Matsuzakaya Co., Ltd.
2011	■ Umeda store reopened with increased floor space.

History of Matsuzakaya

1611	■ Ito Genzaemon Sukemichi, a son of Ito Ranmaru Sukehiro who served Oda Nobunaga, 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 Ito Jirozaemon. (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	■ Adopted 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 m^2).
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."

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

2007	■ Store-based sales reform started.
2008	■ Out-of-store sales reform started.
	■ Integrated information systems with Daimaru.

to form Daimaru Matsuzakaya Department Stores Co. Ltd.

2011	■ "Keicho kosode" from the Matsuzakaya collection was designated as an important cultural property.


Matsuzakaya by Utagawa Hiroshige


Nagoya store reopened in Sakaemachi in 1910


Women in 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

J. FRONT RETAILING Co., Ltd.

Corporate Profile

Company name	:	J. FRONT RETAILING Co., Ltd.
Main store	:	10-1, Ginza 6-chome, Chuo-ku, Tokyo
Office	:	1-1, Yaesu 2-chome, Chuo-ku, Tokyo
Established	:	September 3, 2007
Capital	:	¥30,000 million
Line of business	:	Department store operation; retail; restaurants; wholesale; import and export; design, supervision and contracting of construction works; direct marketing; credit cards; merchandise inspection and consulting; labor dispatch service; and others
Number of employees (Consolidated)	:	7,768 (As of February 28, 2011)
URL	:	http://www.j-front-retailing.com/

Management

Chairman and CEO	OKUDA Tsutomu	
President	SAMURA Shunichi	
Director	YAMAMOTO Ryoichi	President of Daimaru Matsuzakaya Department Stores Co. Ltd.
Director and Corporate Executive Officer	TSUKADA Hiroto	Executive General Manager of Management Planning Unit
Director and Corporate Executive Officer	HAYASHI Toshiyasu	Executive General Manager of Administration Unit
Director	TAKAYAMA Tsuyoshi	
Director	TAKEUCHI Isao	
Corporate Auditor	ARAI Kenji	
Corporate Auditor	NISHIHAMA Tsuyoshi	
Corporate Auditor	TSURUTA Rokurou	
Corporate Auditor	NOMURA Akio	
Corporate Auditor	NATSUME Kazuyoshi	
Corporate Officer	SAITO Yoshihiro	General Manager of Management Planning, Management Planning Unit
Corporate Officer	SAKASHITA Masatoshi	General Manager of Group System Strategy, Management Planning Unit
Corporate Officer	MATSUDA Shinji	General Manager of Development Project, Management Planning Unit
Corporate Officer	SHIMIZU Mikio	General Manager of Affiliated Business, Management Planning Unit
Corporate Officer	HIRAYAMA Seiichiro	In Charge of Group Organization Personnel Policy, Management Planning Unit
Corporate Officer	OZAWA Masaru	Senior General Manager of Finance Division
Corporate Officer	HIGUCHI Masaichi	President of Peacock Stores Ltd.
Corporate Officer	ENOMOTO Tomohiko	President of JFR Online Co. Ltd.
Associate Director	HIRANO Tadaaki	Senior General Manager of Internal Audit Division

Notes: 1. Takayama Tsuyoshi and Takeuchi Isao are outside directors.
2. Tsuruta Rokurou, Nomura Akio and Natsume Kazuyoshi are outside corporate auditors.

(As of May 31, 2011)

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

- Shareholders Meeting
  - Board of Directors
    - Chairman and CEO
      - President
        - Internal Audit Div.
        - Management Planning Unit
        - Administration Unit
          - Finance Div.
          - General Affairs Div.
- Board of Corporate Auditors
  - Secretariat of the Board of Corporate Auditors

Organization Chart of J. Front Retailing Group

- J. Front Retailing
  - Daimaru Matsuzakaya Department Stores
    - Hakata Daimaru
    - Shimonoseki Daimaru
    - Kochi Daimaru
    - Central Park Building
    - Angel Park
    - Daimaru Matsuzakaya Tomonokai
  - Peacock Stores
  - Daimaru Kogyo
  - J. Front Design & Construction
  - JFR Card
  - JFR Online
  - J. Front Foods
  - Dimples'
  - Daimaru COM Development
  - Consumer Product End-Use Research Institute
  - JFR Information Center
  - JFR Office Support
  - JFR Service
  - JFR Consulting

(As of May 31, 2011)

Daimaru Matsuzakaya Department Stores Co. Ltd.

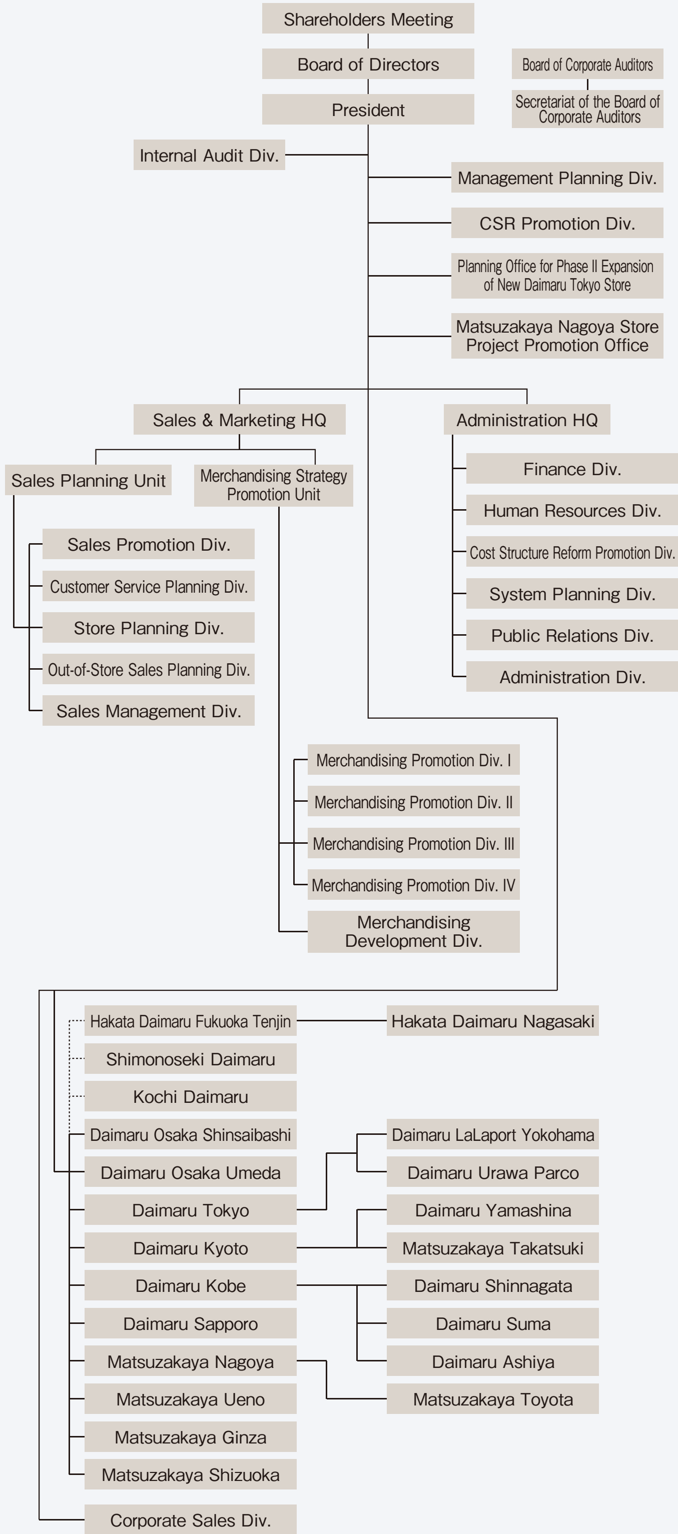
Corporate Profile

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

Management

President	YAMAMOTO Ryoichi	
Director and Corporate Executive Officer	KOBAYASHI Yasuyuki	Executive General Manager of Sales & Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit
Director and Corporate Executive Officer	HONDA Yoji	Executive General Manager of Administration Headquarters
Director and Corporate Officer	DOI Zenichi	Senior General Manager of Sales Planning Unit
Corporate Auditor	KAWABE Haruo	
Corporate Auditor	FUJII Shinji	
Corporate Auditor	NOMURA Akio	
Corporate Auditor	NATSUME Kazuyoshi	
Corporate Executive Officer	HARADA Takaharu	President of The Hakata Daimaru, Inc.
Corporate Officer	YOSHIMOTO Tatsuya	Senior General Manager of Management Planning Division
Corporate Officer	IKEDA Hideyuki	General Merchandise Manager of Merchandising Promotion Division I
Corporate Officer	FUJI Hiroko	General Merchandise Manager of Merchandising Promotion Division II
Corporate Officer	NISHII Toshiro	General Merchandise Manager of Merchandising Promotion Division III
Corporate Officer	IDE Yoichiro	General Merchandise Manager of Merchandising Promotion Division IV
Corporate Officer	HIRAYAMA Seiichiro	General Manager of Human Resources Division
Corporate Officer	SAKASHITA Masatoshi	General Manager of System Planning Division
Corporate Officer	DOI Ryohei	Executive Store Manager of Daimaru Osaka Shinsaibashi
Corporate Officer	MURATA Soichi	Executive Store Manager of Daimaru Osaka Umeda
Corporate Officer	FUJINO Haruyoshi	Executive Store Manager of Daimaru Tokyo and Senior General Manager of Planning Office for Phase II Expansion of New Daimaru Tokyo Store
Corporate Officer	UCHIDA Takashi	Executive Store Manager of Daimaru Kyoto
Corporate Officer	SAWADA Taro	Executive Store Manager of Daimaru Kobe
Corporate Officer	YUNOKI Kazuyo	Executive Store Manager of Daimaru Sapporo
Corporate Officer	KUMAKI Toshi	Executive Store Manager of Matsuzakaya Nagoya and Senior General Manager of Matsuzakaya Nagoya Store Project Promotion Office
Corporate Officer	ISHINO Manabu	Executive Store Manager of Matsuzakaya Ueno
Corporate Officer	SUEMATSU Sumio	Division Manager of Corporate Sales

Note: Nomura Akio and Natsume Kazuyoshi are outside corporate auditors.



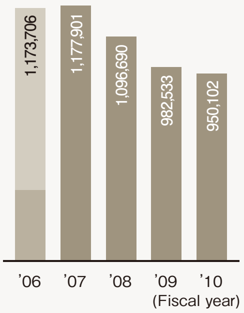
(As of May 31, 2011)

Financial Information

Analysis of Financial Condition and Operating Results

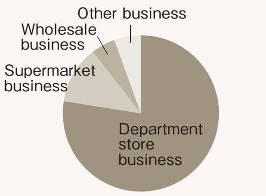
Sales

(Millions of yen)



Sales by Business Segment

〈Composition of sales not including intersegment sales〉

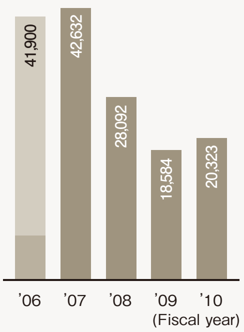


〈including intersegment sales〉
(Millions of yen)

Department store business	739,311
Supermarket business	118,462
Wholesale business	54,445
Other businesses	92,737

Operating Income

(Millions of yen)



Daimaru
Matsuzakaya Holdings
JFR

*1 Sales of Daimaru for and before fiscal 2006 include other operating revenue.
*2 For fiscal 2007, full-year consolidated figures are used for Matsuzakaya Group.

Business overview

During the consolidated fiscal year under review (fiscal 2010), an improvement in corporate earnings and other developments provided evidence of a rebound in the Japanese economy. Amid continuing deflation, however, conditions surrounding employment and incomes remained severe, and there was little sense that a recovery had taken hold.

Department store sales fell short of the previous year's levels amid fierce competition crossing the boundaries of business type and segment, coupled with changes in consumer values and a deep-seated sense of consumer thrift.

Under these circumstances, the Group completed the creation of a one industry, one company structure through the merger of Daimaru and Matsuzakaya in March 2010. And, with a new Group management structure as the foundation, we stepped up the pace in resolving outstanding issues facing our company.

In our department store business, we set the rapid establishment of a "new department store model" as our goal. Toward this end, we pressed forward with efforts to create a novel type of store that responds to market changes and is free of the boundaries defining traditional department stores, and also strove to establish a highly efficient and highly productive store management structure.

In order to establish a more robust business foundation for the future, we forged ahead with plans to increase the floor space of the Daimaru Umeda store in response to increasingly intense competition in the Umeda district in Osaka. The Daimaru Tokyo store is also increasing its floor space. Meanwhile, the Matsuzakaya Nagoya Station store closed its doors on August 29, 2010, and we reached a decision to close the Hakata Daimaru Nagasaki store in July 2011 (scheduled).

With respect to initiatives designed to enhance Group-wide growth, we embarked on efforts to bolster our catalog shopping business with a focus on the Internet, which holds promise for further growth. Toward this end, we consolidated a portion of Daimaru Matsuzakaya Department Stores Co. Ltd.'s catalog shopping business into Daimaru Home Shopping, Inc., which was relaunched in March 2011 under the new name of JFR Online Co. Ltd. In March we also acquired shares in StylingLife Holdings Inc., which runs Plaza, a retailer of miscellaneous goods popular among young women, and made it an equity-method affiliate. In the area of cost cutting, we made further revisions to our cost structure, taking on additional tasks in-house that had previously been outsourced and consolidating facilities. In addition, we strengthened cost controls targeting individual companies within the Group, thereby promoting greater cost efficiencies.

Furthermore, in our drive to improve human productivity, the entire Group tackled structural and personnel reform initiatives, including efforts to promote both a slimmed-down workforce and the cultivation of a select group of employees through the optimal deployment of personnel within the Group.

Sales

Sales for our flagship department store business again underperformed the previous year's result, and sales for our supermarket, wholesale and other businesses also fell. As a result of the measures outlined above, however, total consolidated sales amounted to ¥950,102 million, a decrease of 3.3% compared to the previous year.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥209,265 million, down 5.6% from the previous year. Work-related expenses decreased as a result of cost cuts achieved through insourcing, while store closures led to lower leasing costs. And, in addition to lowering personnel costs by reforming work methods and leaving retirement vacancies unfilled, we made progress on reducing advertising and other costs.

Operating income

Gross profit decreased by ¥10,623 million. However, we achieved substantial cuts of ¥12,362 million in selling, general and administrative expenses, centering on personnel expenses. As a result, operating income rose by 9.4% from the previous year to ¥20,323 million.

Other income and expenses

The Group recorded a net loss of ¥5,670 million in other expenses (income), compared to a net loss of ¥4,762 million the previous year. While we recorded income of ¥1,600 million received on the closure of the Matsuzakaya Nagoya Station store and a ¥569 million gain on the sale of investment securities, we recorded expenses in the amount of ¥3,382 million on the disposal of fixed assets as a result of improvements to sales floors, and a ¥1,434 million loss on the revaluation of investment securities.

Net income

As a result of the foregoing, income before income taxes and minority interests increased by 6.0% from the previous year to ¥14,652 million, and net income increased by 8.5% from the previous year to ¥8,862 million.

Segment overview

Department store business

In this segment, we committed our full energies to creating a "new department store model" to overcome two existing issues: a "weakness in market response capabilities" and a "high cost/low profit structure."

Efforts to strengthen market responsiveness included the enhancement of product offerings so as to appeal to a variety of age groups and a review of product pricing for enhanced affordability. Particular effort was expended to create sales floors with clearly defined targets and concepts. These "specialty zones" allow customers to sense at a glance that a shop fits their values and lifestyle. A representative example is the "ufufu girls" fashion floor targeting young women, which has been a hit since it opened at the Daimaru Shinsaibashi store. "ufufu girls" was subsequently introduced at the Daimaru Kyoto, Daimaru Kobe and Matsuzakaya Ginza stores, where it has sparked significant gains in both store visits and purchases by women in their 20's and 30's. So that we might meet the needs of local customers as never before, we established and upgraded "specialty zones" such as the "International Boutique & Salon du Goût" exclusive women's sales floor, "Cinderella Avenue" women's shoes boutiques and the "Daimaru Gochipara-kan" food floor. Elsewhere, we worked to create retail spaces that are unencumbered by the boundaries defining conventional department stores, and to expand our customer demographic through measures such as the introduction of a "Forever 21" fast fashion boutique and a "Laox" home electronics store at the Matsuzakaya Ginza store.

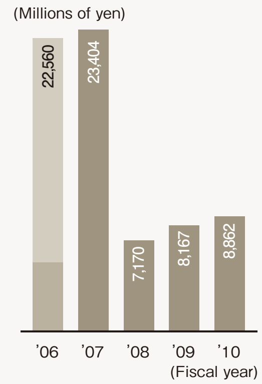
With the realization of a highly productive store management structure as our goal, we created two categories of sales floor management. They consist of "shop management," focusing on purchasing and sales functions primarily executed by our trading partners, and "self-management" functions executed by the department store itself. We strove to establish operations suited to the characteristics of each category of management and also addressed personnel deployment and human resource development.

As the culmination of our efforts to create a "new department store model," the Daimaru Osaka Umeda store, which implemented a large-scale expansion, worked to create multiple "specialty zones" and to realize efficient store management.

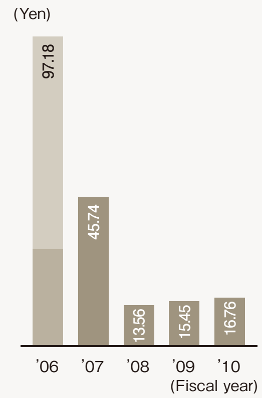
In the area of sales promotion activities, we staged highly topical projects including a spring and autumn "Thanks Festival" at all of our stores and a commemorative event in honor of "the 400th anniversary of Matsuzakaya's establishment." In addition, we proactively made use of new communication tools in the form of "digital sales promotions" incorporating the Internet and email. And in keeping with our decision to place greater importance on using cards to develop regular customers, we endeavored to increase the number of new card members by issuing "Sakura Panda" and "ufufu girls" cards.

In spite of the foregoing measures, sales in the segment decreased by 2.8% to ¥739,311 million. Contributing factors included a 50% reduction in sales floor area at the Daimaru Osaka Umeda store resulting from the store's expansion work and the effects of the closure of the Matsuzakaya Okazaki store and the Matsuzakaya Nagoya Station store. Operating income, however, rose 14.3% to ¥14,853 million, thanks to cost-cutting initiatives targeting selling, general and administrative expenses.

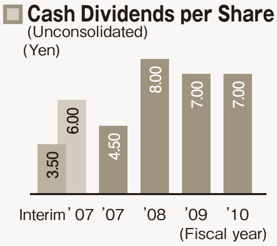
Net Income



Net Income per Share



Cash Dividends per Share
(Unconsolidated)

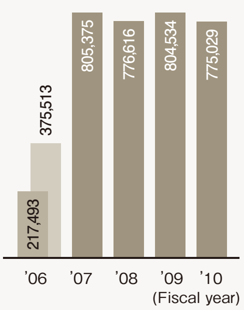


Daimaru
Matsuzakaya Holdings
JFR

*1 Sales of Daimaru for and before fiscal 2006 include other operating revenue.
*2 For fiscal 2007, full-year consolidated figures are used for Matsuzakaya Group.

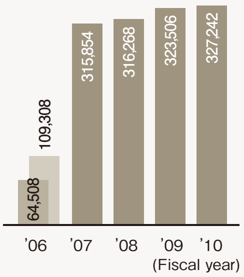
Total Assets

(Millions of yen)



Net Assets

(Millions of yen)



Daimaru
Matsuzakaya Holdings
JFR

*1 Sales of Daimaru for and before fiscal 2006 include other operating revenue.
*2 For fiscal 2007, full-year consolidated figures are used for Matsuzakaya Group.

Supermarket business

In keeping with our aim of operating a high-quality foods supermarket with close ties to local communities, Peacock Stores focused on providing products that offer food safety and security, enhancing its lineup of reasonably priced original products, and also developed products commemorating the 50th anniversary of its founding. Responding to changes in local markets, we remodeled stores including the Senboku Harumidai store (Sakai City, Osaka) and the Takanodai store (Nerima-ku, Tokyo). And in January we reopened the Nakano store (Nakano-ku, Tokyo), which had been closed for reconstruction. In spite of these measures, sales for the segment decreased by 3.9% to ¥118,462 million and operating income fell by 80.2% to ¥282 million. These results were partly due to the effects of closing five stores, a move made in consideration of future trends in the market.

Wholesale business

Daimaru Kogyo, Ltd. focused on the procurement of new commodities and materials overseas, mainly in ASEAN nations, and on the expansion of its sales channels. While there were signs of a recovery in some product categories, such as metal and resin products and food products, market conditions overall remained harsh. Sales decreased by 13.9% to ¥54,445 million, while operating income fell by 13.1% to ¥2,235 million.

Other businesses

J. Front Design & Construction Co., Ltd. enjoyed an increase in orders received for interior design work covering facilities used in every type of business, particularly in metropolitan areas, while growth in cardholder numbers fueled a steady gain in profit for JFR Card Co., Ltd. These businesses, along with Dimples Co. Ltd. (staffing company), contributed to a 14.4% rise in this segment's sales to ¥92,737 million, and a 52.1% jump in operating income to ¥4,263 million.

Financial condition

As a result of our efforts to improve asset efficiency and capital efficiency by effectively utilizing Group-owned assets, and to create a unified management structure for our Group assets to foster greater financial strength, total assets came to ¥775,029 million. Total liabilities amounted to ¥447,786 million and total net assets came to ¥327,242 million.

On the basis of these results, return on assets (ROA) was 2.6%, and the shareholders' equity ratio was 41.0%.

Cash flows

The Group is striving to generate stable operating cash flows and to secure broad-based financing methods with the goals of ensuring access to appropriate funds for its business activities, maintaining liquidity and achieving a sound financial condition. We raise working capital, capital investment funds and investment and loan funds needed to sustain the Group's future growth primarily through cash reserves and cash flows from operating activities, as well as through borrowing and by issuing bonds.

We generated a net cash inflow of ¥21,270 million from operating activities, a decrease of ¥1,726 million from the previous consolidated fiscal year. Although income before income taxes and minority interests increased, accounts payable recorded as "Other" decreased.

We recorded a cash outflow of ¥8,432 million on investing activities. While sales of property and equipment resulted in an inflow of ¥3,359 million, property and equipment purchases associated with the renovation of sales floors, including the expansion of the Daimaru Osaka Umeda store, resulted in an outflow of ¥14,601 million. Cash flows decreased by ¥32,447 million as compared with the previous consolidated fiscal year, when we acquired the North Building of the Daimaru Shinsaibashi store.

The cash outflow on financing activities amounted to ¥23,128 mainly due to the repayment of debt. The outflow increased by ¥52,340 million compared to the previous consolidated fiscal year, when we obtained ¥47,450 in loans as investment funds.

As a result of the above, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥33,204 million, a decrease of ¥10,311 million compared with the previous period. The balance of interest-bearing debt came to ¥108,658 million, a decrease of ¥17,279 million compared with the previous period.

Going forward, the Group intends to continue appropriate levels of profit distribution and capital investment, taking into consideration trends in our profit levels and cash flows.

Basic policy on profit distribution and dividends

JFR's basic policy is to distribute profits appropriately with a dividend payout ratio of 30%, taking into consideration profit levels, future capital investment and cash flow trends, while simultaneously working to maintain and improve upon our sound financial standing. We will consider stock buybacks when appropriate, with the aim of improving capital efficiency and flexibly implementing capital policies.

We intend to use retained earnings to improve our corporate value, by strengthening our marketing capabilities through investment in store remodeling and business expansion, and by enhancing our financial strength.

For the period under review, JFR has decided to distribute an interim dividend of ¥3.50 and a year-end dividend of ¥3.50, for an annual dividend of ¥7.

With respect to the next fiscal year, we plan to distribute mid-term and year-end dividends of ¥3.50 each, for an annual dividend of ¥7.

Business risk factors

Business risk factors for the Group that could have a material impact on investment decisions are discussed below.

The forward-looking statements herein are based on the Group's assessments as of February 28, 2011. Since they could be affected by domestic and overseas economic conditions, the Group's business risk factors are not limited to those discussed here.

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, regulations and legal revisions

The Group is subject to laws and regulations relating to the opening of large-scale retail stores, antitrust, consumer protection, tax systems, the environment and recycling. In addition, an increase in the consumption tax rate resulting from any future amendments to the tax system could reduce consumer spending. Thus the laws and regulations and legal revisions described here 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 the natural environment and accidents

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

❺ Overseas operations

The Group engages in business activities abroad, primarily in the wholesale business segment. Unpredictable economic and currency fluctuations, political and social confusion arising from terrorism, wars and civil wars, and legislative and taxation changes impacting these overseas operations 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, should a significant lawsuit arise and judgment be made 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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2011	2010	2011
Current assets:			
Cash on hand and in banks (Notes 4 and 16)	**¥34,087**	¥44,103	**$417,170**
Marketable securities (Notes 4, 5 and 16)	**1,484**	776	**18,162**
Notes and accounts receivable:	**53,937**	59,598	**660,103**
Less: allowance for doubtful accounts	**(761)**	(673)	**(9,313)**
Inventories (Notes 3(a) and 6)	**30,382**	35,186	**371,827**
Deferred tax assets (Note15)	**13,020**	13,295	**159,344**
Other current assets	**25,945**	26,456	**317,525**
Total current assets	**158,096**	178,744	**1,934,843**
Property and equipment:			
Land (Note 7)	**354,742**	358,177	**4,341,476**
Buildings and structures (Notes 7, 11 and 12)	**352,574**	352,718	**4,314,943**
Other	**12,827**	12,573	**156,982**
Construction in progress	**5,634**	2,870	**68,951**
Total	**725,777**	726,338	**8,882,352**
Accumulated depreciation	**(227,100)**	(226,768)	**(2,779,342)**
Net property and equipment	**498,678**	499,571	**6,103,023**
Investments and other assets:			
Investment securities (Notes 5, 7 and 16)	**23,053**	24,588	**282,132**
Investments in unconsolidated subsidiaries and affiliates	**3,831**	3,817	**46,885**
Long-term loans	**1,505**	992	**18,419**
Leasehold and other deposits (Note 16)	**47,760**	51,420	**584,506**
Deferred tax assets (Note 15)	**7,764**	11,215	**95,019**
Other	**34,340**	34,185	**420,267**
Total investment and other assets	**118,253**	126,218	**1,447,228**
Total assets	**¥775,029**	¥804,534	**$9,485,118**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Notes and accounts payable (Note 16)	**¥76,310**	¥76,955	**$933,913**
Short-term bank loans (Notes 7 and 16)	**43,181**	46,324	**528,467**
Current portion of bonds (Note 7)	**—**	5,000	**—**
Income taxes payable (Note 15)	**3,296**	2,972	**40,338**
Advances received	**17,463**	27,610	**213,719**
Gift certificates	**41,727**	33,311	**510,672**
Allowance for employees' bonuses	**6,352**	6,979	**77,738**
Allowance for directors' and corporate auditors' bonuses	**164**	221	**2,007**
Provision for sales promotion	**337**	350	**4,124**
Provision for loss on collection of gift certificates	**9,179**	8,413	**112,336**
Provision for loss on business liquidation (Note 12)	**1,666**	1,641	**20,389**
Other current liabilities	**46,510**	53,328	**569,208**
Total current liabilities	**246,190**	263,109	**3,012,973**
Long-term liabilities:			
Long-term loans payable (Notes 7 and 16)	**65,476**	74,612	**801,322**
Deferred tax liabilities (Note 15)	**95,717**	98,331	**1,171,423**
Deferred tax liabilities on revaluation	**1,492**	1,492	**18,260**
Provision for retirement benefits (Note 8)	**29,409**	32,002	**359,919**
Provision for directors' and corporate auditors' retirement allowances	**65**	58	**795**
Negative goodwill	**3,443**	5,761	**42,137**
Other	**5,990**	5,660	**73,308**
Total long-term liabilities	**201,596**	217,918	**2,467,213**
Total liabilities	**447,786**	481,028	**5,480,186**
Net assets (Note 9) :			
Shareholders' equity:			
Common stock:			
Authorized: 2,000,000,000 shares			
Issued: 536,238,328 shares in 2011 and 2010	**30,000**	30,000	**367,152**
Capital surplus	**209,605**	209,636	**2,565,231**
Retained earnings	**84,895**	81,585	**1,038,979**
Less: Treasury stock, at cost, 7,611,040 shares in 2011 7,582,002 shares in 2010	**(5,976)**	(5,991)	**(73,137)**
Total shareholders' equity	**318,523**	315,231	**3,898,213**
Valuation and translation adjustments:			
Unrealized gains (losses) on available-for-sale securities	**(477)**	(676)	**(5,838)**
Deferred gains (losses) on hedges	**(12)**	(60)	**(147)**
Total valuation and translation adjustments	**(490)**	(736)	**(5,997)**
Stock acquisition rights	**115**	124	**1,407**
Minority interests	**9,093**	8,887	**111,284**
Total net assets	**327,242**	323,506	**4,004,920**
Total liabilities and net assets	**¥775,029**	¥804,534	**$9,485,118**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

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

Years ended February 28, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Sales:			
Net sales	**¥944,140**	¥977,880	**$11,554,767**
Rent income of real estate	**5,962**	4,652	**72,965**
	950,102	982,533	**11,627,732**
Operating expenses:			
Cost of sales	**718,067**	740,429	**8,787,994**
Cost of real estate rent	**2,447**	1,892	**29,947**
	720,514	742,321	**8,817,942**
Gross profit	**229,588**	240,211	**2,809,791**
Selling, general and administrative expenses	**209,265**	221,627	**2,561,070**
Operating income	**20,323**	18,584	**248,721**
Other income (expenses):			
Interest and dividend income	**756**	756	**9,252**
Interest expenses	**(1,717)**	(1,679)	**(21,013)**
Net gain (loss) on sales or disposal of fixed assets	**(3,129)**	1,756	**(38,294)**
Gain on sales of investment securities	**569**	970	**6,964**
Loss on revaluation of investment securities	**(1,434)**	(1,800)	**(17,550)**
Loss on impairment (Note 11)	**(1,097)**	(3,505)	**(13,426)**
Gain on restructuring liabilities	**3,441**	3,371	**42,112**
Amortization of negative goodwill	**2,317**	2,326	**28,356**
Provision for loss on collection of gift certificates	**(3,436)**	(3,615)	**(42,051)**
Loss on business restructuring (Note 12)	**(1,940)**	(1,251)	**(23,743)**
Reversal of provision for loss on business liquidation	**136**	938	**1,664**
Loss on valuation of inventories	—	(665)	—
Expenses related to acquisition of real estates	—	(1,822)	—
Compensation for store removal	**1,600**	—	**19,581**
Business structure improvement expenses (Note 13)	**(1,148)**	(868)	**(14,050)**
Other, net	**(586)**	327	**(7,172)**
	(5,670)	(4,762)	**(69,392)**
Income before income taxes and minority interests	**14,652**	13,822	**179,317**
Income taxes: (Note 15)			
Income taxes - current	**4,550**	4,807	**55,685**
Income taxes for prior periods	—	1,598	—
Income taxes - deferred	**938**	(1,411)	**11,480**
	5,489	4,993	**67,177**
Minority interests in earnings of consolidated subsidiaries	**300**	661	**3,672**
Net income	**¥8,862**	¥8,167	**$108,457**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Years ended February 28, 2011 and 2010

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance, February 28, 2009	536,238,328	¥30,000	¥209,657	¥75,310	¥(5,980)	¥308,987
Cash dividends paid				(1,851)		(1,851)
Net income				8,167		8,167
Purchase of treasury stock					(52)	(52)
Disposal of treasury stock			(20)		42	21
Decrease resulting from exclusion of subsidiaries from consolidation				(41)		(41)
Net changes of items other than shareholders' equity during the year						
Balance, February 28, 2010	536,238,328	30,000	209,636	81,585	(5,991)	315,231
Cash dividends paid				**(5,552)**		**(5,552)**
Net income				**8,862**		**8,862**
Purchase of treasury stock					**(53)**	**(53)**
Disposal of treasury stock			**(31)**		**67**	**36**
Net changes of items other than shareholders' equity during the year						
Balance, February 28, 2011	**536,238,328**	**¥30,000**	**¥209,605**	**¥84,895**	**¥(5,976)**	**¥318,523**

	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, 2009	¥(1,161)	¥35	¥(1,125)	¥130	¥8,276	¥316,268
Cash dividends paid						(1,851)
Net income						8,167
Purchase of treasury stock						(52)
Disposal of treasury stock						21
Decrease resulting from exclusion of subsidiaries from consolidation						(41)
Net changes of items other than shareholders' equity during the year	484	(95)	388	(5)	611	994
Balance, February 28, 2010	(676)	(60)	(736)	124	8,887	323,506
Cash dividends paid						**(5,552)**
Net income						**8,862**
Purchase of treasury stock						**(53)**
Disposal of treasury stock						**36**
Net changes of items other than shareholders' equity during the year	**199**	**47**	**246**	**(9)**	**205**	**443**
Balance, February 28, 2011	**¥(477)**	**¥(12)**	**¥(490)**	**¥115**	**¥9,093**	**¥327,242**

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 28, 2010	536,238,328	$367,152	$2,565,610	$998,470	$(73,320)	$3,857,924
Cash dividends paid				**(67,948)**		**(67,948)**
Net income				**108,457**		**108,457**
Purchase of treasury stock					**(649)**	**(649)**
Disposal of treasury stock			**(379)**		**820**	**441**
Net changes of items other than shareholders' equity during the year						
Balance, February 28, 2011	**536,238,328**	**$367,152**	**$2,565,231**	**$1,038,979**	**$(73,137)**	**$3,898,213**

	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 28, 2010	$(8,273)	$(734)	$(9,007)	$1,518	$108,763	$3,959,197
Cash dividends paid						**(67,948)**
Net income						**108,457**
Purchase of treasury stock						**(649)**
Disposal of treasury stock						**441**
Net changes of items other than shareholders' equity during the year	**2,435**	**575**	**3,011**	**(110)**	**2,509**	**5,422**
Balance, February 28, 2011	**$(5,838)**	**$(147)**	**$(5,997)**	**$1,407**	**$111,284**	**$4,004,920**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Years ended February 28, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥14,652**	¥13,822	**$179,317**
Depreciation	**13,610**	13,295	**166,565**
Loss on impairment	**1,936**	3,769	**23,694**
Amortization of negative goodwill	**(2,317)**	(2,326)	**(28,356)**
Increase in allowance for doubtful accounts	**23**	409	**281**
Decrease in allowance for bonuses	**(683)**	(705)	**(8,359)**
Decrease in provision for employees' retirement benefits	**(2,592)**	(2,275)	**(31,722)**
Decrease in provision for sales promotion	**(13)**	(3)	**(159)**
Increase in provision for loss on collection of gift certificates	**765**	1,096	**9,362**
Increase (decrease) in provision for business liquidation	**25**	(1,038)	**306**
Interest and dividend income	**(756)**	(756)	**(9,252)**
Interest expenses	**1,717**	1,679	**21,013**
Equity in earnings of affiliated companies	**(66)**	(200)	**(808)**
(Gain) loss on sales or disposal of property and equipment, net	**2,927**	(1,939)	**35,822**
Gain on sales of investment securities, net	**(569)**	(970)	**(6,964)**
Write-down of investment securities	**1,434**	1,800	**17,550**
Decrease in notes and accounts receivable	**5,660**	2,310	**69,269**
Decrease in inventories	**4,803**	7,703	**58,781**
Decrease in notes and accounts payable	**(645)**	(2,622)	**(7,894)**
(Increase) decrease in other receivables	**(1,216)**	1,884	**(14,882)**
Increase in prepaid expenses	**(328)**	(1,741)	**(4,014)**
Other	**(12,597)**	(3,612)	**(154,167)**
Subtotal	**25,769**	29,581	**315,371**
Interest and dividend income received	**710**	711	**8,689**
Interest expenses paid	**(1,728)**	(1,574)	**(21,148)**
Income taxes paid	**(3,480)**	(5,721)	**(42,590)**
Net cash provided by operating activities	**21,270**	22,996	**260,311**
Cash flows from investing activities:			
Purchase of securities	**(1,538)**	(2,149)	**(18,823)**
Proceeds from sales of securities	**1,872**	8,327	**22,910**
Purchase of property and equipment	**(14,601)**	(55,748)	**(178,693)**
Proceeds from sales of property and equipment	**3,359**	7,971	**41,109**
Increase in long-term loans	**(95)**	(36)	**(1,163)**
Proceeds from collection of long-term loans	**158**	375	**1,934**
(Increase) decrease in short-term loans	**122**	(87)	**1,493**
Other	**2,288**	468	**28,001**
Net cash used in investing activities	**(8,432)**	(40,879)	**(103,194)**
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	**(8,818)**	2,184	**(107,918)**
Proceeds from long-term bank loans	**2,500**	47,450	**30,596**
Payments of long-term bank loans	**(5,960)**	(4,374)	**(72,941)**
Redemption of bonds	**(5,000)**	(14,000)	**(61,192)**
Purchase of treasury stock	**(51)**	(50)	**(624)**
Cash dividends paid	**(5,523)**	(1,858)	**(67,593)**
Cash dividends paid to minority shareholders	**(94)**	(83)	**(1,150)**
Other	**(180)**	(54)	**(2,203)**
Net cash provided by (used in) financing activities	**(23,128)**	29,212	**(283,050)**
Effect of exchange rate changes	**(20)**	(121)	**(245)**
Net increase (decrease) in cash and cash equivalents	**(10,311)**	11,208	**(126,190)**
Cash and cash equivalents at beginning of year	**43,515**	32,307	**532,554**
Cash and cash equivalents at end of year (Note 4)	**¥33,204**	¥43,515	**$406,364**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended February 28, 2011 and 2010

1 BASIS OF PRESENTING CONSOLIDATED FINANCIALSTATEMENTS

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. (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, 2011, which was ¥81.71 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 21 (23 in 2010) significant subsidiaries (hereafter the "Companies").

Investments in 5 significant affiliates are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining unconsolidated subsidiaries and affiliates 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 affiliates 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 affiliates 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 affiliates 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 foreign exchange forward contracts are used as hedges and meet certain hedging criteria, hedged items are stated using the foreign exchange forward contract rates.

Also, if interest rate swaps 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 foreign exchange forward 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 the lower of cost or market determined principally by the retail inventory method (lower than book value due to decline in profitability).

(h) Property and equipment (except for leased assets)

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.

(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 (except for leased assets)

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

(k) Provision for Sales Promotion

Provision for sales promotion is provided for the estimated future costs on the issuance of point card 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 are 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 are attributable to the fiscal year.

(n) Provision for loss on collection of gift certificates

Provision 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) Provision for loss on business liquidation

Provision for loss on business liquidation is provided for estimated loss on liquidation of unconsolidated subsidiaries and affiliates and closing stores.

(p) Provision for retirement benefits

Provision 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

Finance leases transactions other than those which are deemed to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the period of the lease, with no residual value. Finance leases transactions other than those which are deemed to transfer ownership of the leased property to the lessee commenced on or before February 28,2009 are accounted for in manner similar to ordinary operating lease transactions with disclosure of certain "as if capitalized" information in the note to the consolidated financial statements.

(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 CHANGES IN ACCOUNTING POLICIES AND ADOPTION OF NEW ACCOUNTING STANDARDS

(a) Accounting Standard for Measurement of Inventories

Effective from the year ended February 28, 2010, the Companies adopted the, "Accounting Standard for Measurement of Inventories"(ASBJ Statement No. 9, issued on July 5, 2006) and inventories are stated at the lower of cost or market determined principally by the retail inventory method (lower than book value due to decline in profitability).

The effect of this change was to decrease operating income and income before income taxes and minority interests for the year ended February 28, 2010 by ¥158 million and ¥823 million, respectively, compared with the previous method.

(b) Accounting Standard for Lease Transactions as Lessee

Effective from the year ended February 28, 2010, the Companies adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007, revised from standard originally issued by the Business Accounting Deliberation Council on June 17, 1993) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 30, 2007, originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994). Accordingly, from the year ended February 28, 2010, such leases are accounted for in manner similar to ordinary sale or purchase transactions.

There were no effects on operating income and income before income taxes and minority interests for the year ended February 28, 2010.

Also, there were no effects on operating income in the segment information for the year ended February 28, 2010.

(c) Accounting Standard for Retirement Benefits

Effective from the year ended February 28, 2011, the Companies have adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on July 31, 2008).

There are no effects on operating income and income before income taxes and minority interests for the year ended February 28, 2011.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statements of cash flows at February 28, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash on hand and in banks	**¥34,087**	¥44,103	**$417,170**
Time deposits with maturities exceeding three months	**(900)**	(605)	**(11,015)**
Short-term investments	**17**	17	**208**
Cash and cash equivalents	**¥33,204**	¥43,515	**$406,364**

5 SECURITIES

Marketable securities classified as available-for-sale securities at February 28, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	February 28, 2011					
	Acquisition cost	Carrying value	Unrealized gains (losses)	Acquisition cost	Carrying value	Unrealized gains (losses)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥4,539**	**¥6,396**	**¥1,857**	**$55,550**	**$78,277**	**$22,727**
Debt securities	**3,306**	**3,340**	**34**	**40,460**	**40,876**	**416**
Subtotal	**7,845**	**9,737**	**1,892**	**96,010**	**119,165**	**23,155**
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	**13,100**	**10,484**	**(2,615)**	**160,323**	**128,307**	**(32,003)**
Debt securities	**1,112**	**1,108**	**(4)**	**13,609**	**13,560**	**(49)**
Subtotal	**14,213**	**11,592**	**(2,620)**	**173,944**	**141,868**	**(32,065)**
Total	**¥22,058**	**¥21,329**	**¥(728)**	**$269,955**	**$261,033**	**$(8,910)**

	Millions of yen		
	February 28, 2010		
	Acquisition cost	Carrying value	Unrealized gains (losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥5,177	¥7,504	¥2,327
Debt securities	3,094	3,136	42
Subtotal	8,272	10,641	2,369
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	14,275	10,848	(3,427)
Debt securities	659	644	(15)
Subtotal	14,935	11,492	(3,442)
Total	¥23,207	¥22,134	¥(1,073)

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, 2011 and 2010 amounted to ¥1,434 million ($17,550 thousand) and ¥1,800 million, respectively.

Available-for-sale securities whose fair value is not available at February 28, 2010 were as follows:

	Millions of yen
	2010
Unlisted equity securities	**¥3,195**
Other	**35**
Total	**¥3,230**

Information on available-for-sale securities whose fair value is not available at February 28, 2011 is described in Note 16 FINANCIAL INSTRUMENTS.

Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses on these sales for the year ended February 28, 2011 and 2010 were ¥1,013 million ($12,398 thousand) and ¥8,327 million, ¥569 million ($6,964 thousand) and ¥970 million, and ¥15 million ($184 thousand) and ¥96 million, respectively.

6 INVENTORIES

Inventories as of February 28, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise and products	**¥29,729**	¥34,364	**$363,836**
Work in process	**294**	398	**3,598**
Raw materials and supplies	**358**	423	**4,381**
Total	**¥30,382**	¥35,186	**$371,827**

7 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at February 28, 2011 and 2010 consisted of notes to banks and bank overdrafts. The annual weighted average interest rate applicable to the short-term bank loans was 0.57%. Long-term debt at February 28, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured 0.88% straight bonds due 2011	**¥—**	¥3,000	**$—**
Unsecured 0.86% straight bonds due 2011	—	2,000	—
Loans from banks and others due serially to 2021	**77,108**	80,569	**943,679**
Total	**77,108**	85,569	**943,679**
Less: Current portion of long-term debt	**11,632**	10,957	**142,357**
	¥65,476	¥74,612	**$801,322**

Annual maturities of long-term debt including bonds due subsequent to February 28, 2011 were as follows:

Years ending February 28	Millions of yen	Thousands of U.S. dollars
2012	**¥11,632**	**$142,357**
2013	**42,389**	**518,774**
2014	**15,285**	**187,064**
2015	**4,049**	**49,553**
2016 and thereafter	**3,753**	**45,931**
Total	**¥77,108**	**$943,679**

The carrying amounts of assets pledged as collateral for short-term loans of ¥2,668 million ($32,652 thousand) and the long-term loans of ¥8,314 million ($101,750 thousand) at February 28, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	**¥13,881**	**$169,881**
Land	**12,612**	**154,351**
Investment securities	**441**	**5,397**
Total	**¥26,935**	**$329,641**

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.

8 PROVISION FOR RETIREMENT BENEFITS

The Companies have defined benefit pension plans, i.e., corporate pension fund 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, 2011 and 2010 for the Companies' retirement benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Retirement benefit obligation	**¥75,350**	¥83,381	**$922,164**
Plan assets at fair value	**(35,660)**	(37,161)	**(436,421)**
Retirement benefit trusts	**(9,476)**	(9,039)	**(115,971)**
Unfunded retirement benefit obligation	**30,213**	37,180	**369,759**
Unrecognized prior service cost	**2,892**	2,191	**35,393**
Unrecognized actuarial differences	**(15,004)**	(18,087)	**(183,625)**
	18,101	21,284	**221,527**
Prepaid pension cost	**11,308**	10,717	**138,392**
Provision for retirement benefits	**¥29,409**	¥32,002	**$359,919**

The component of net retirement benefit costs for the years ended February 28, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	**¥2,678**	¥2,768	**$32,774**
Interest cost	**1,603**	1,671	**19,618**
Expected return on plan assets	**(888)**	(952)	**(10,868)**
Amortization of prior service cost	**(574)**	(292)	**(7,025)**
Recognized actuarial differences	**1,742**	1,653	**21,319**
Net retirement benefit cost	**4,560**	4,848	**55,807**
Contribution to defined contribution plan	**215**	248	**2,631**
Total	**¥4,775**	¥5,097	**$58,438**

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

	2011	2010
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 10-12 years
Amortization of unrecognized actuarial differences	**Mainly 10-12 years**	Mainly 10-12 years

9 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 12, 2011, distribution of cash dividends amounting to ¥1,850 million ($22,641 thousand) was resolved. This distribution has not been accrued in the consolidated financial statements as of February 28, 2011 and is recognized in the period in which they were resolved.

10 STOCK OPTIONS

The stock options outstanding as of February 28, 2011 were 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 corporate officers 1 employee	161,000 common shares	May 22, 2003	Sep. 3, 2007 to May 22, 2013
3rd	7 directors 4 corporate auditors 14 corporate officers 1 employee	308,000 common shares	May 27, 2004	Sep. 3, 2007 to May 27, 2014
4th	7 directors 4 corporate auditors 12 corporate 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, 2009-outstanding	140,000	119,000	308,000	336,000	56,000	300,000
Exercised		14,000			7,000	
Forfeited						
February 28, 2010-outstanding	140,000	105,000	308,000	336,000	49,000	300,000
Exercised	35,000	35,000			11,000	
Forfeited						
February 28, 2011-outstanding	105,000	70,000	308,000	336,000	38,000	300,000

Price information is as follows:

	Yen					
Year ended February 28, 2011	1st	2nd	3rd	4th	5th	6th
Exercise price	¥404	¥317	¥699	¥691	¥1	¥794
Average stock price at time of exercise	548	546	—	—	523	—
Fair value at date of grant	*	*	*	*	833	279

	U.S. dollar					
Year ended February 28, 2011	1st	2nd	3rd	4th	5th	6th
Exercise price	$4.94	$3.88	$8.55	$8.46	$0.12	$9.72
Average stock price at time of exercise	6.71	6.68	—	—	6.40	—
Fair value at date of grant	*	*	*	*	10.19	3.41

*Fair value at date of grant is not disclosed since these options were granted before the enforcement of the Corporate Law.

11 LOSS ON IMPAIRMENT

The Companies recognized impairment losses on property and equipment including buildings, other properties and land in stores for the years ended February 28, 2011 and 2010 as follows:
The Companies identify groups of assets principally on a store basis which is the smallest identifiable group of assets generating cash inflows.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Buildings and other properties	**¥727**	¥2,640	**$8,898**
Land	**369**	864	**4,516**
Total	**¥1,097**	¥3,505	**$13,426**

The carrying values of these assets were reduced to the recoverable amounts. The recoverable amounts of buildings and other properties were measured based on the value of use and written-down to nil since no future cash inflows are expected. The recoverable amounts of land were measured according to the estimated net sale value, which are based on the appraisal value by quotation from a real-estate appraiser. The recoverable amounts of some buildings were measured according to the estimated net sale value, which are based on the appraisal value by quotation from a real-estate appraiser for the year ended February 28, 2010.

12 LOSS ON BUSINESS LIQUIDATION

After the management integration, the Companies have been proceeding business liquidation in order to improve management efficiency throughout the organization. Pursuant to the management's strategic plan, the Companies have recognized loss on business liquidation for the years ended February 28, 2011 and 2010 as follows:

	Millions of yen	
	2011	
	Hakata Daimaru Nagasaki store	Total
Provision for loss on business liquidation	**¥1,102**	**¥1,102**
Impairment loss on buildings and other properties	**838**	**838**
Total	**¥1,940**	**¥1,940**

	Thousands of U.S. dollars	
	2011	
	Hakata Daimaru Nagasaki store	Total
Provision for loss on business liquidation	**$13,487**	**$13,487**
Impairment loss on buildings and other properties	**10,256**	**10,256**
Total	**$23,743**	**$23,743**

	Millions of yen		
	2010		
	Matsuzakaya Okazaki store	Matsuzakaya Nagoya station store	Total
Provision for loss on business liquidation	**¥345**	**¥301**	**¥646**
Impairment loss on buildings and other properties	**15**	**248**	**263**
Asset restoration costs and other	**340**	**—**	**340**
Total	**¥701**	**¥550**	**¥1,251**

13 BUSINESS STRUCTURE IMPROVEMENT EXPENSES

The main components of business structure improvement expenses are registration expense for the transfer of real property related to the merger of The Daimaru, Inc. and Matsuzakaya Co., Ltd. and expenses associated with implementing flexible retirement system.

14 LEASES

a. Finance leases

The companies lease machinery and equipment and other assets.

Information regarding finance leases transactions other than those which are deemed to transfer ownership of the leased property to the lessee commenced on or before February 28, 2009 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, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Property and equipment (Machinery, furniture and fixtures)			
Acquisition cost	**¥10,713**	¥13,159	**$131,110**
Accumulated depreciation	**6,969**	7,477	**85,289**
Accumulated impairment loss	**568**	547	**6,951**
Net leased assets	**¥3,174**	¥5,135	**$38,845**

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	**¥1,714**	¥2,104	**$20,977**
Due after one year	**1,757**	3,390	**21,503**
Total	**¥3,471**	¥5,494	**$42,480**
Impairment loss on leased assets	**¥296**	¥359	**$3,623**

Total lease payments and other information:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total lease payments	**¥2,086**	¥2,532	**$25,529**
Reversal of allowance for impairment loss on leased assets	**172**	145	**2,105**
Depreciation expense	**1,913**	2,387	**23,412**
Impairment loss	**109**	220	**1,334**

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, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Property and equipment (Machinery, furniture and fixtures)			
Acquisition cost	**¥713**	¥1,172	**$8,726**
Accumulated depreciation	**474**	813	**5,801**
Net leased assets	**¥239**	¥358	**$2,925**

Commitment received under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2010
Due within one year	**¥72**	¥119	**$881**
Due after one year	**166**	239	**2,032**
Total	**¥239**	¥358	**$2,925**

Lease income and depreciation expense:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Lease income	**¥97**	¥156	**$1,187**
Depreciation expense	**97**	156	**1,187**

b. Operating leases

Future minimum lease payments under non-cancelable leases subsequent to February 28, 2011 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
As a lessee:		
Within one year	**¥3,793**	**$46,420**
After one year	**21,534**	**263,542**
Total	**¥25,327**	**$309,962**
As a lessor:		
Within one year	**¥730**	**$8,934**
After one year	**901**	**11,027**
Total	**¥1,632**	**$19,973**

15 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, 2011 and 2010. The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of February 28, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Provision for retirement benefits	**¥7,342**	¥8,611	**$89,854**
Securities under retirement benefit trusts	**4,921**	4,843	**60,225**
Loss on evaluation recognized upon merger of consolidated subsidiaries	**4,516**	4,516	**55,269**
Loss on impairment	**4,538**	3,717	**55,538**
Provision for loss on collection of gift certificates	**3,697**	3,380	**45,245**
Points payable	**2,884**	2,809	**35,296**
Allowance for bonuses	**2,607**	2,878	**31,906**
Tax loss carryforwards	**2,174**	2,272	**26,606**
Allowance for doubtful accounts	**1,249**	1,193	**15,286**
Unrealized gains on fixed assets	**742**	598	**9,081**
Provision for loss on business liquidation	**697**	666	**8,530**
Accrued enterprise tax	**374**	406	**4,577**
Provision for sales promotion	**136**	173	**1,664**
Payables related to an amendment to the retirement benefit plan	**159**	415	**1,946**
Inventories	**132**	228	**1,615**
Other	**4,356**	5,044	**53,310**
Gross deferred tax assets	**40,532**	41,755	**496,047**
Less: Valuation allowance	**(11,214)**	(10,797)	**(137,241)**
Total deferred tax assets	**¥29,317**	¥30,958	**$358,793**
Deferred tax liabilities:			
Adjustments of book values by fair value method	**¥(94,546)**	¥(94,970)	**$(1,157,092)**
Deferred gains	**(7,615)**	(7,344)	**(93,195)**
Returned shares of retirement benefit trusts	**(2,063)**	(2,464)	**(25,248)**
Other	**(25)**	—	**(306)**
Total deferred tax liabilities	**(104,250)**	(104,778)	**(1,275,854)**
Net of deferred tax assets	**¥(74,933)**	¥(73,820)	**$(917,060)**

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets	**¥13,020**	¥13,295	**$159,344**
Investments and other assets	**7,764**	11,215	**95,019**
Long-term liabilities	**(95,717)**	(98,331)	**1,171,423**

16 FINANCIAL INSTRUMENTS

The Companies have adopted the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 10, 2008) effective from the year ended February 28, 2011.

(1) Overview

(a) The Companies policy for financial instruments

The Companies manage funds through low-risk bank deposits and bonds only. Funds are raised through bank borrowings, issuance of corporate bonds and securitization receivables. Derivatives are only utilized to hedge foreign currency fluctuation risk to accounts receivable and accounts payable denominated in foreign currencies and interest rate fluctuation risk to loans payable and bonds, and are not used for speculative purposes.

(b) Types of financial instruments and related risk and risk management

Trade receivables such as notes and accounts receivable are exposed to credit risk.

Leasehold and other deposits are mainly associated with store rentals and exposed to lessors' credit risk. For these credit risks, the Companies manage the due date and balances for each counterparty periodically and keep track of the adverse financial conditions of them in the early stage to mitigate bad debts.

Stocks as Investment securities are exposed to market fluctuation risk, but mainly consist of securities of companies with which a business relationship has been established. The Companies review these fair value periodically and readjusting the portfolio on an ongoing basis.

Most of trade payables such as notes and accounts payable are due within one year. Some of these trade payables are denominated in foreign currencies that are exposed to foreign currency fluctuation risk. The Companies utilizes foreign exchange forward contracts to hedge foreign currency fluctuation risk to trade payables denominated in foreign currencies.

Short-term bank loans and securitization receivables are mainly used to finance operating capital and long-term loans payable are mainly used to finance necessary funds for the capital investments. Variable interest rate loans payable are exposed to interest rate fluctuation risk. The Companies utilize derivative transactions (interest rate swaps) as hedging instruments for each long-term loan to mitigate the interest fluctuation risk and fix interest payment. The Companies evaluate the effectiveness of each hedge transaction periodically. For some debts that meet short-cut method of interest rate swaps, evaluation of hedge effectiveness is omitted.

Implementation and management of derivative transactions are based on the internal rules which determines the authorization and maximum amounts of the transactions. The Companies enter into derivative transactions only with creditworthy financial institutions to mitigate credit risk.

Trade payables and loans payable are exposed to liquidity risk. The Companies manage the risk by preparing and updating the monthly cash management schedule and keep the necessary liquidity by commitment lines and overdraft contracts with several financial institutions.

(2) Fair value of financial instruments

Carrying amount on the consolidated balance sheet as of February 28, 2011, fair value and difference are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

	Millions of Yen			Thousands of U.S. dollars		
	2011					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash on hand and in banks	¥35,387	¥35,387	¥—	$433,080	$433,080	$—
Notes and accounts receivable	53,937	53,937	—	660,103	660,103	—
Marketable and investment securities:						
Available-for-sale securities	21,329	21,329	—	261,033	261,033	—
Investments in affiliates	1,237	484	(752)	15,139	5,923	(9,203)
Leasehold and other deposits	37,458	33,191	(4,267)	458,426	406,205	(52,221)
Total assets	¥149,351	¥144,331	¥(5,020)	$1,827,818	$1,766,381	$(61,437)
Notes and accounts payable	¥76,310	¥76,310	¥—	$933,913	$933,913	$—
Short-term bank loans	31,549	31,549	—	386,893	386,893	—
Long-term loans payable	77,109	78,244	1,135	943,691	957,582	13,891
Total liabilities	¥184,969	¥186,104	¥1,135	$2,264,509	$2,278,399	$13,891
Derivative transactions, net	¥(21)	¥(21)	¥—	$(257)	$(257)	$—

(Note 1) Valuation method for financial instruments and information on investment securities and derivative transactions are summarized below:

Cash on hand and in banks and Notes and accounts receivable
Fair value of cash on hand and in banks is based on its carrying amount since these are primarily paid in short-term and the fair value approximates carrying amount. The amounts in the above table include deposits with maturities exceeding one year.

Marketable and investment securities
Fair value of stocks is based on the quoted price on stock exchanges and that of bonds is based on the quoted price on bond markets or price presented by the counter party financial institutions.

Leasehold and other deposits
Fair value of leasehold and other deposits is determined by discounting the future cash flows at the rate considering credit risk. The amounts in the above table include leasehold and other deposits which refundable within one year.

Notes and accounts payable and Short-term bank loans
Fair value of notes and accounts payable is based on its carrying amount since these are paid in short-term and the fair value approximates carrying amount.

Long-term loans payable
Fair value of variable interest rate long-term loans payable is based on its carrying amount since these reflect interest rates market in short-term and the fair value approximates carrying amount. Some of them subject to the short-cut method of the interest rate swaps are calculated by discounting the sum of principal and interest including the interest swaps, using the reasonable interest rate applied to when a new borrowing is made.

Fair value of fixed interest rate long-term loans payable are calculated by discounting the sum of principal and interest, using the rate assumed when a similar and new borrowing is made. The amounts in the above table include current portion of long-term loans payable.

Derivative transactions
Please see Note 17 DERIVATIVE TRANSACTIONS.

(Note2) Financial instruments whose fair value is extremely difficult to determine as of February 28, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
	Carrying Value	
Unlisted stock	¥5,800	$70,983
Leasehold and other deposit	10,705	131,012

(Note3) The redemption schedule for financial instruments and securities with maturities as of February 28, 2011 is as follows:

	Millions of yen			
	2011			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash in banks	¥29,136	¥1,300	¥—	¥—
Notes and accounts receivable	53,937	—	—	—
Marketable and investment securities:				
Available-for-sale securities with maturities				
Government bonds	—	250	—	—
Corporate bonds	1,300	2,200	100	—
Other	176	400	—	—
Leasehold and other deposits	964	2,970	1,833	7,829
Total	¥85,515	¥7,120	¥1,933	¥7,829

	Thousands of U.S. dollars			
	2011			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash in banks	$356,578	$15,910	$—	$—
Notes and accounts receivable	660,103	—	—	—
Marketable and investment securities:				
Available-for-sale securities with maturities				
Government bonds	—	3,060	—	—
Corporate bonds	15,910	26,924	1,224	—
Other	2,154	4,895	—	—
Leasehold and other deposits	11,798	36,348	22,433	95,814
Total	$1,046,567	$87,137	$23,657	$95,814

17 DERIVATIVE TRNSACTIONS

There are no derivative transactions where hedge accounting is not applied as of February 28, 2011.

Derivative transactions to which hedge accounting is applied as of February 28, 2011 are as follows:

(a) Currency related

		Millions of yen		
		2011		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Allocation method				
Foreign exchange forward contracts:				
USD (Selling)	Accounts receivable	**¥290**	**¥**–	*
HKD (Selling)	Accounts receivable	**0**	–	*
USD (Buying)	Accounts payable	**1**	–	*
Benchmark method				
Foreign exchange forward contracts:				
USD (Buying)	Foreign-currency-dominated forecasted transactions (Accounts payable)	**759**	–	**¥(9)**
EUR (Buying)	Foreign-currency-dominated forecasted transactions (Accounts payable)	**685**	–	**(10)**
GBP (Buying)	Foreign-currency-dominated forecasted transactions (Accounts payable)	**0**	–	**(0)**
THB (Buying)	Foreign-currency-dominated forecasted transactions (Accounts payable)	**12**	–	**(0)**

		Thousands of U.S. dollars		
		2011		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Allocation method				
Foreign exchange forward contracts:				
USD (Selling)	Accounts receivable	**$3,549**	**$**–	*
HKD (Selling)	Accounts receivable	**0**	–	*
USD (Buying)	Accounts payable	**12**	–	*
Benchmark method				
Foreign exchange forward contracts:				
USD (Buying)	Foreign-currency-dominated forecasted transactions (Accounts payable)	**9,289**	–	**¥(110)**
EUR (Buying)	Foreign-currency-dominated forecasted transactions (Accounts payable)	**8,383**	–	**(122)**
GBP (Buying)	Foreign-currency-dominated forecasted transactions (Accounts payable)	**0**	–	**(0)**
THB (Buying)	Foreign-currency-dominated forecasted transactions (Accounts payable)	**147**	–	**(0)**

*Fair value of the foreign exchange forward contracts to which allocation method of accounting have been applied is included in the fair value of corresponding accounts receivable and accounts payable as hedged item.

Fair value of derivatives is measured at quoted price obtained from the financial institutions.

(b) Interest rate related

	Hedged item	Contract amount	Contract amount due after one year	Fair value
		Millions of yen		
		2011		
Short-cut method				
Interest rate swaps:				
Receive floating and pay fixed rate	Long-term loans payable	**¥44,000**	**¥41,000**	*

	Hedged item	Contract amount	Contract amount due after one year	Fair value
		Thousands of U.S. dollars		
		2011		
Short-cut method				
Interest rate swaps:				
Receive floating and pay fixed rate	Long-term loans payable	**$538,490**	**$501,775**	*

* Fair value of the interest rate swaps to which short-cut method have been applied is included in the fair value of corresponding long-term loans payable as hedged item.

As described in Note 16 FINANCIAL INSTRUMENTS, the Companies have adopted the "Accounting Standard for Financial Instruments" and the " Guidance on Disclosures about Fair Value of Financial Instruments". The accounting standard and the guidance are effective from the years ending on or after March 31, 2010; therefore, the required information regarding derivatives is disclosed only for the year ended February 28, 2011.

18 CONTINGENT LIABILITIES

The Companies had the following contingent liabilities at February 28, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Guarantees of payment for Daimaru Kogyo International Trading (Shanghai) Co., Ltd. (a subsidiary of Daimaru Kogyo Ltd.)	**¥100**	¥—	**$1,224**
Guarantees on employees' home mortgage loans	**54**	68	**661**
Guarantees on lease arrangements for SDS Planning Co.,Ltd.(a subsidiary of The Shimonoseki Daimaru,Inc.)	**17**	20	**208**
Total	**¥172**	¥89	**$2,105**

19 PER SHARE INFORMATION

The financial data for the computation of basic net income per share for the years ended February 28, 2011 and 2010 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollar
	Net income	Weighted average shares	EPS	
For the year ended February 28, 2011:				
Basic EPS				
Net income available to common shareholders	**¥8,862**	**528,676**	**¥16.76**	**$0.21**
For the year ended February 28, 2010:				
Basic EPS				
Net income available to common shareholders	¥8,167	528,689	¥15.45	

Net assets per share at February 28, 2011 and 2010 were calculated as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollar
	Net assets	Common shares at end of fiscal year	Net assets per shares	
For the year ended February 28, 2011:				
Total net assets	**¥327,242**			
Amounts not attributable to common shares:	**9,209**			
—Stock subscription rights	**(115)**			
—Minority interests	**(9,093)**			
Net assets attributable to common shares	**318,033**		**¥601.62**	**$7.36**
Outstanding number of common shares issued		**528,627**		
For the year ended February 28, 2010:				
Total net assets	¥323,506			
Amounts not attributable to common shares:	9,012			
—Stock subscription rights	(124)			
—Minority interests	(8,887)			
Net assets attributable to common shares	¥314,494		¥594.89	
Outstanding number of common shares issued		528,656		

20 BUSINESS COMBINATION

Transactions under common control

(a) Department store business

Matsuzakaya Co., Ltd. and The Daimaru, Inc., both wholly owned subsidiaries of the Company, merged on March 1, 2010. Overview of the merger is as follows:

(1) Names of combined parties and description of the business:

Absorbing company:

Company name	Matsuzakaya Co., Ltd.
Description of the business	Department store business

Absorbed company:

Company name	The Daimaru, Inc.
Description of the business	Department store business

(2) Date of the business combination

March 1, 2010

(3) Legal form of the business combination

The merger was an absorption-type merger with Matsuzakaya Co., Ltd. as a surviving company, and The Daimaru, Inc. went into liquidation on March 1, 2010.

(4) Name of company following the business combination

Daimaru Matsuzakaya Department Stores Co., Ltd.

(5) Overview of the transactions including purposes

The Company promotes to reorganize the structures and functions among the Company, The Daimaru, Inc. and Matsuzakaya Co., Ltd. and integrate into a simple business operating structure, to speed up the decision-making and further improve management efficiency and productivity in the department store business, including centralizing and downsizing of organization, personnel, facilities and others.

As the both companies were wholly owned subsidiaries of the Company, merger ratio was not determined and there was no issuance of new shares or increase in capital.

On the effective date of the merger, the surviving company increased in share capital by reclassifying a portion of its capital surplus to share capital. As a result, share capital of the surviving company increased to ¥10,000 million ($122,384 thousand).

(6) Overview of accounting procedures implemented

This merger has been accounted for as a transaction under common control according to the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

(b) Special prepayment-based transaction business

The Daimaru Tomonokai Inc. and Matsuzakaya Tomonokai Co., Ltd., both wholly owned subsidiaries of the Company, merged on September 1, 2010. Overview of the merger is as follows:

(1) Names of combined parties and description of the business:

Absorbing company:

Company name The Daimaru Tomonokai, Inc.

Description of the business

Special prepayment-based transaction business based on the Installment Sales Act

Absorbed company:

Company name Matsuzakaya Tomonokai, Co., Ltd.

Description of the business

Special prepayment-based transaction business based on the Installment Sales Act

(2) Date of the business combination

September 1, 2010

(3) Legal form of the business combination

The merger was an absorption-type merger with The Daimaru Tomonokai, Inc. as a surviving company, and Matsuzakaya Tomonokai Co., Ltd. went into liquidation on September 1, 2010.

(4) Name of company following the business combination

Daimaru Matsuzakaya Tomonokai Co., Ltd.

(5) Overview of the transactions including purposes

The Company aims to have stable financial ground by scale expansion, establish efficient management base by streamlining overlapping services. And through building up the structure of membership association of Daimaru Matsuzakaya Department Stores Co., Ltd, "tomonokai", that can provide more convenient, better and new customer services continuously in the broader area, it contributes to strategic advantages in regular customers, corporate survival and growth strategy of the Companies.

As the both companies were wholly owned subsidiaries of the Company, merger ratio was not determined and there was no issuance of new shares or increase in capital.

(6) Overview of accounting procedures implemented

This merger has been accounted for as a transaction under common control according to the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

21 INVESTMENT AND RENTAL PROPERTY

Effective from the year ended February 28, 2011, the Companies have adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, issued on November 28, 2008) and the " Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, issued on November 28, 2008).

Certain consolidated subsidiaries of the Company own buildings for rent (including land) in Tokyo and other areas.

Revenue and cost related to the real estate for rent are recorded in rent income of real estate in sales and cost of real estate rent in operating expenses, respectively. Net profit of the real estate for rent is ¥3,515 million ($43,018 thousand) for the year ended February 28, 2011.

Gain on sales of fixed assets of ¥448 million ($5,483 thousand), loss on disposal of fixed assets of ¥254 million ($3,109 thousand), and loss on impairment of ¥363 million ($4,443 thousand) are recorded in other income (expense), respectively, for the year ended February 28, 2011.

The carrying amounts, increase/decrease in balances and the fair value of the properties at February 28, 2011 are as follows:

Millions of yen			
Carrying amount			Fair value
February 28, 2010	Increase/ Decrease	February 28, 2011	February 28, 2011
¥92,590	¥25,230	¥117,820	¥112,958

Thousands of U.S. dollars			
Carrying amount			Fair value
February 28, 2010	Increase/ Decrease	February 28, 2011	February 28, 2011
$1,133,154	$308,775	$1,441,929	$1,382,426

(Note1) Carrying amount is net of accumulated depreciation.

(Note2) Increase during the year ended February 28, 2011 is mainly due to the transfer from real estate for own use to real estate for rent of ¥26,256 million ($321,332 thousand) and the acquisition of real estate of ¥1,655 million ($20,255 thousand). Decrease during the year ended February 28, 2011 was mainly due to the sales of real estate for rent of ¥2,332 million ($28,540 thousand).

(Note3) Fair value of significant properties as of February 28, 2011 is calculated by the outside real-estate appraiser, based on the real estate appraisal standards. Fair value of other properties is measured by the Company using market indexes and other information.

22 SEGMENT INFORMATION

(a) Business segment information

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

Business segment information for the years ended February 28, 2011 and 2010 was as follows:

	Millions of yen					
Year ended February 28, 2011	Department store	Super market	Wholesale	Other	Elimination or corporate	Consolidated
I. Sales and operating income						
Sales						
1) Sales to outside customers	**¥736,570**	**¥114,688**	**¥47,628**	**¥51,216**	**¥—**	**¥950,102**
2) Intersegment sales	**2,741**	**3,774**	**6,817**	**41,521**	**(54,854)**	**—**
Total	**739,311**	**118,462**	**54,445**	**92,737**	**(54,854)**	**950,102**
Operating expenses	**724,457**	**118,180**	**52,209**	**88,473**	**(53,541)**	**929,779**
Operating income	**¥14,853**	**¥282**	**¥2,235**	**¥4,263**	**¥(1,312)**	**¥20,323**
II. Assets, depreciation, impairment loss and capital expenditure						
Assets	**¥671,811**	**¥40,025**	**¥26,650**	**¥129,291**	**¥(92,748)**	**¥775,029**
Depreciation	**12,526**	**846**	**99**	**367**	**(228)**	**13,610**
Loss on impairment	**838**	**649**	**78**	**369**	**—**	**1,936**
Capital expenditure	**18,564**	**578**	**107**	**1,134**	**(608)**	**19,776**

	Millions of yen					
Year ended February 28, 2010	Department store	Super market	Wholesale	Other	Elimination or corporate	Consolidated
I. Sales and operating income						
Sales						
1) Sales to outside customers	¥758,069	¥118,626	¥56,510	¥49,326	¥—	¥982,533
2) Intersegment sales	2,850	4,631	6,738	31,717	(45,938)	—
Total	760,919	123,258	63,249	81,044	(45,938)	982,533
Operating expenses	747,924	121,829	60,675	78,241	(44,721)	963,949
Operating income	¥12,995	¥1,429	¥2,573	¥2,803	¥(1,216)	¥18,584
II. Assets, depreciation, impairment loss and capital expenditure						
Assets	¥691,741	¥43,546	¥25,342	¥135,266	¥(91,361)	¥804,534
Depreciation	12,223	889	122	301	(241)	13,295
Loss on impairment	2,020	633	—	1,135	(19)	3,769
Capital expenditure	53,121	514	166	828	(153)	54,476

Year ended February 28, 2011	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	$9,014,441	$1,403,598	$582,891	$626,802	$—	$11,627,732
2) Intersegment sales	33,545	46,188	83,429	508,151	(671,325)	—
Total	9,047,987	1,449,786	666,320	1,134,953	(671,325)	11,627,732
Operating expenses	8,866,198	1,446,335	638,955	1,082,768	(655,256)	11,379,011
Operating income	$181,777	$3,451	$27,353	$52,172	$(16,057)	$248,721
II. Assets, depreciation, impairment loss and capital expenditure						
Assets	$8,221,895	$489,842	$326,153	$1,582,316	$(1,135,088)	$,9,485,118
Depreciation	153,298	10,354	1,212	4,491	(2,790)	166,565
Loss on impairment	10,256	7,943	955	4,516	—	23,694
Capital expenditure	227,194	7,074	1,310	13,878	(7,441)	242,027

Notes: As discussed in the note 3 (a), the Companies have adopted the "Accounting Standards for Measurement of Inventories" (ASBJ Statement No.9, issued on July 5, 2006), and inventories are stated at the lower of cost or market determined principally by the retail inventory method (lower than book value due to decline in profitability) effective from the year ended February 28, 2010. The effect of this change was to increase operating income of "Department store" by ¥38 million and decrease operating income of "Supermarket" and "Other" by ¥193 million and ¥2 million, respectively, compared with the previous method for the year ended February 28, 2010.

(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.

23 RELATED PARTIES

There were no significant transactions between the Company and related parties for the year ended February 28, 2011.

Significant transactions between the consolidated subsidiaries and a related party for the year ended February 28, 2011 were as follows:

Name of related party	Type of transaction	Millions of yen 2011	Thousands of U.S. dollars 2011
Ryoichi Yamamoto	Contract for housing construction	¥113	$1,383

Ryoichi Yamamoto is a director of the Company and owns 0.01% of voting rights of the Company.
The contract amount is determined based on general terms and conditions.

There were no significant transactions and balances with related parties as of and for the year ended February 28, 2010.

24 SUBSEQUENT EVENT

The Company entered into share transfer agreements for acquiring stocks of StylingLife Holdings Inc. (hereafter "SLH") with Sony Corporation, MITSUI & Co., LTD. and Senshukai Co., Ltd. on March 1, 2011 and Tokyu Corporation on March 28, 2011 upon the resolution by the Board of Directors' meeting held on February 25, 2011 and March 28, 2011, respectively, and acquired the stocks of SLH on March 30, 2011 and SLH became its affiliated company accounted for by the equity method.

(1) Purposes of the stock acquisition

The Companies aim at establishing a status as a leading Japanese retail company both in terms of quality and quantity with the department store business as its core.

SLH is involved in the 4 core business areas, general merchandise, known as "PLAZA" stores and popular among young women, mail-order, manufacturing and distribution of beauty products and food services, under its fundamental principles, "enhancing the lifestyles of customers" and "pursuing something new ". Some of these stores are in the department stores of the Companies.

The Company believes that strengthening cooperation with SLH enables the enhancement of competitiveness in main department store business through improving the store arrangement and gaining young customers. The Company also believes that introducing new effective businesses will contribute to the future growth of the Companies as a whole.

Hereafter the Company works on improving the corporate value of SLH, in cooperation with Tokyo Broadcasting systems holdings, Inc., the parent company of SLH.

(2) Overview of the acquired company:

Company name: StylingLife Holdings Inc.
Address: 2-12-2 Kita Aoyama, Minato-ku, Tokyo
Representative: Kimio Uchida, President and CEO
Description of the business: Retailing, cosmetic manufacturing and sales. Management of business, finance, HR, compliance and IR and business development as a holding company for retail businesses, comprised of LightUp Shopping Club inc. (mail-order business), CP Cosmetics Inc. (cosmetics wholesaler) and Maxim's de Paris Ltd. (restaurant and confectionary).
Capital: ¥1,048 million ($12,826 thousand)

(3) Overview of the companies from which the shares were acquired:

a) Sony Corporation
Company name: Sony Corporation
Address: 1-7-1 Konan, Minato-ku, Tokyo
Representative: Howard Stringer, Chairman, CEO and President
Description of the business: Manufacturing and distribution of electronic and electric machinery and appliances

b) MITSUI & Co., LTD.
Company name: MITSUI & Co., LTD.
Address: 1-2-1 Ohtemachi, Chiyoda-ku, Tokyo
Representative: Masami Iijima, President and CEO
Description of the business: Business developments in the fields of Iron and Steel products, Mineral and Metal Resources, Chemicals, Energy, Foods and Retail, Consumer Services, Information, Financial Markets and Transportation Logistics.

c) Senshukai Co., Ltd.
Company name: Senshukai Co., Ltd.
Address: 1-8-9 Doushin, Kita-ku, Osaka
Representative: Michio Tanabe, Representative Director
Description of the business: Catalog business, hanpukai business and other business

d) Tokyu Corporation
Company name: Tokyu Corporation
Address: 5-6 Nanpeidai-cho, Shibura-ku, Tokyo
Representative: Toshiaki Koshimura, President and Representative Director
Description of the business: Transportation, real estate business, retail business, leisure and service business, hotel business and other business.

(4) Number of shares holding before and after the acquisition, holding ratio, acquisition cost and investment ratio:

a) Number of shares before the acquisition: 0 shares (share holding ratio 0.0%)
b) Number of shares acquired: 72,786 shares
c) Acquisition cost: ¥9,826 million ($120,255 thousand)
d) Number of shares after the acquisition: 72,786 shares (share holding ratio 48.5%)
e) Investment ratio after the acquisition:

Name of company	Number of shares	Holding ratio
Tokyo Broadcasting System Holdings, Inc.	**76,500**	**51.0%**
J. Front Retailing Co., Ltd. (the Company)	**72,786**	**48.5%**
StylingLife group shareholding association	**714**	**0.5%**
Total	**150,000**	**100.0%**

Group Companies

Department Store Business

Daimaru Matsuzakaya Department Stores Co. Ltd.

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

Daimaru Osaka Shinsaibashi Store

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

Daimaru Osaka Umeda Store

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

Daimaru Tokyo Store

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

Daimaru Kyoto Store

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

Daimaru Kobe Store

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

Daimaru Sapporo Store

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

Matsuzakaya Nagoya Store

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

Matsuzakaya Ueno Store

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

Matsuzakaya Shizuoka Store

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

Matsuzakaya Ginza Store

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

Daimaru LaLaport Yokohama Store

Location: 1st Fl., LaLaport Yokohama, 4035-1, Ikebe-cho, Tsuzuki-ku, Yokohama, Kanagawa 224-0053
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
Phone: +81-48-615-6000
Opened: October 2007

Daimaru Yamashina Store

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

Daimaru Shinnagata Store

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

Daimaru Suma Store

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

Daimaru Ashiya Store

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

Matsuzakaya Takatsuki Store

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

Matsuzakaya Toyota Store

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

The Hakata Daimaru, Inc.

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

Kochi Daimaru Co., Ltd.

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

The Shimonoseki Daimaru, Inc.

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

Tottori Daimaru Co., Ltd.

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

Supermarket Business

Peacock Stores Ltd.

Location: Daimaru Core Bldg., 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-8510
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
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: 36-20, Higashinippori 4-chome, Arakawa-ku, Tokyo 116-0014
Phone: +81-3-5850-4700
Location: 5th & 6th Fls., Ueyama Bldg., 1-3, Minamisemba 2-chome, Chuo-ku, Osaka 542-0081
Phone: +81-6-4705-6200
Capital: ¥100 million Investment ratio: 100%
http://www.jfdc.co.jp/

JFR Card Co., Ltd. (Credit service)

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

JFR Online Co. Ltd. (Direct marketing)
(The Daimaru Home Shopping, Inc. was renamed on March 1, 2011.)

Location: 4th Fl., Higashikobe Center Bldg., 6-26, Motoyama Minamimachi 8-chome, Higashinada-ku, Kobe, Hyogo 658-0015
Phone: +81-78-441-8801
Capital: ¥100 million Investment ratio: 100%
http://www.daimaru-lim.co.jp/

Dimples' Co., Ltd. (Staffing service)

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

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

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

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

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

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

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

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

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

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

Location: 7th Fl., North Wing, Matsuzakaya Nagoya Store 16-1, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-0008
Phone: +81-52-261-7322
Capital: ¥100 million Investment ratio: 100%

JFR Consulting Co. Ltd. (Consulting)

Location: 8th Fl., Office Wing, Matsuzakaya Ginza Store 11-19, Ginza 6-chome, Chuo-ku, Tokyo 104-8163
Phone: +81-3-6891-5700
Capital: ¥100 million Investment ratio: 100%

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

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

Angel Park Co., Ltd. (Parking)

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

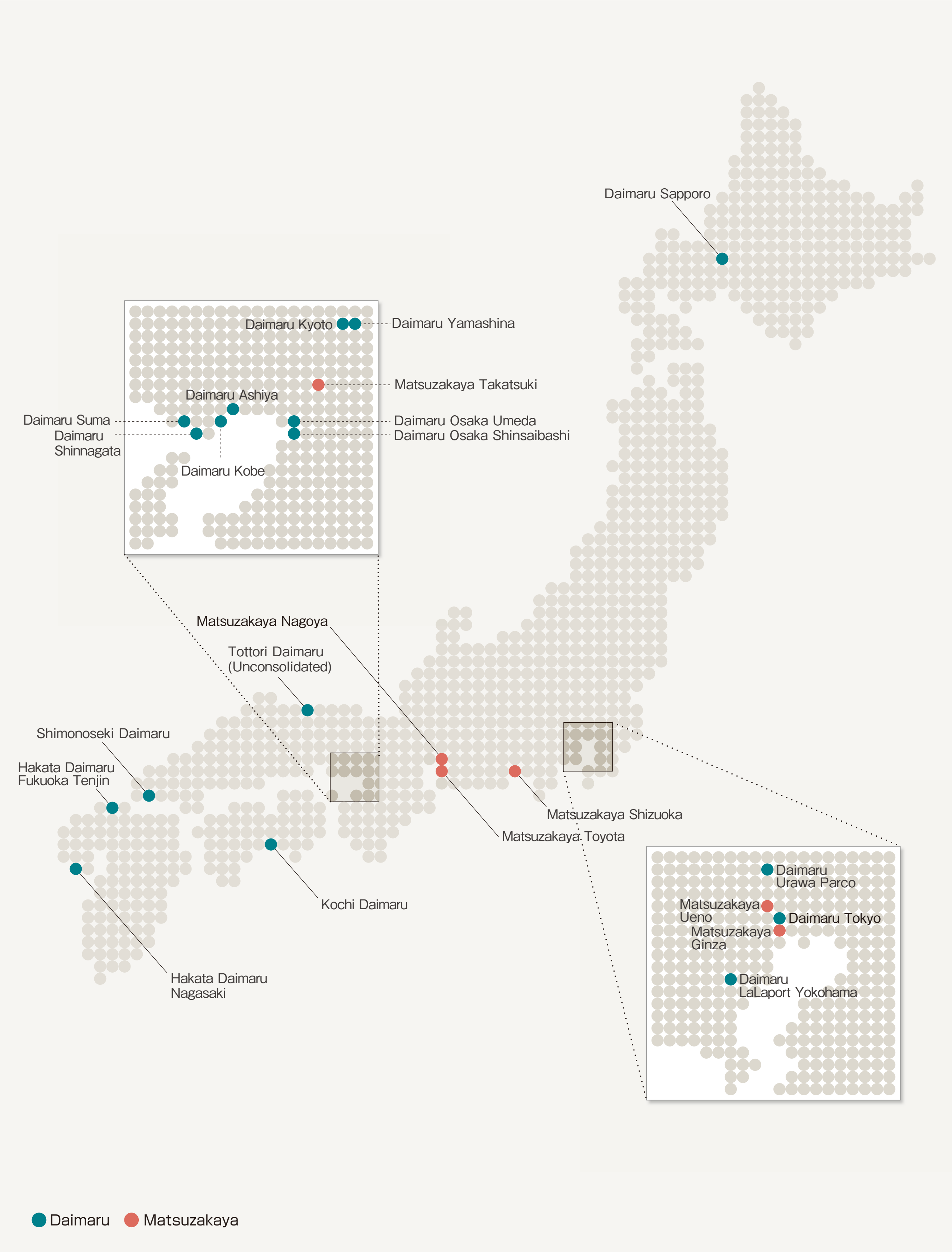
Daimaru Matsuzakaya Tomonokai Co., Ltd.
(Special prepayment-based transactions)

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

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
Phone: +81-6-6615-5285
Location: 5th Fl., Matsuzakaya Ryutsu Center, 36-20, Higashinippori 4-chome, Arakawa-ku, Tokyo 116-0014
Phone: +81-3-5615-5390
Capital: ¥450 million Investment ratio: 100%
http://www.shoukaken.jp/

Locations of Daimaru and Matsuzakaya Department Stores



Daimaru Department Stores


Daimaru Osaka Shinsaibashi (Floor space: 77,490㎡)


Daimaru Kyoto (Floor space: 50,830㎡)

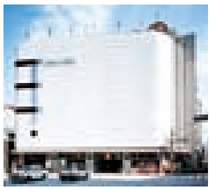

Daimaru LaLaport Yokohama
(Floor space: 3,840㎡)


Daimaru Suma
(Floor space: 13,076㎡)


Shimonoseki Daimaru
(Floor space: 23,912㎡)


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

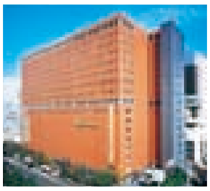

Daimaru Ashiya
(Floor space: 4,300㎡)


Kochi Daimaru
(Floor space: 16,068㎡)

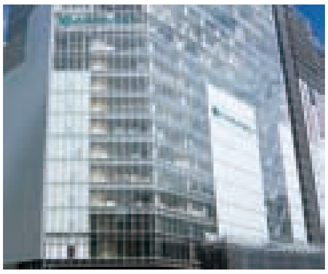

Daimaru Osaka Umeda (Floor space: 64,000㎡)


Daimaru Kobe (Floor space: 50,656㎡)


Daimaru Yamashina
(Floor space: 5,403㎡)


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 Takatsuki (Floor space: 20,642㎡)


Matsuzakaya Toyota (Floor space: 18,220㎡)


Matsuzakaya Shizuoka (Floor space: 25,452㎡)


Matsuzakaya Ginza (Floor space: 25,352㎡)


Matsuzakaya Ueno (Floor space: 35,213㎡)

Overseas Offices

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

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

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

Shanghai Representative Office
Aviation Center Rm-309, 1600 Nanjing Rd(W), Shanghai 200040, China
Phone : +86-21-6248-1538

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

As of May 31, 2011

Share Information

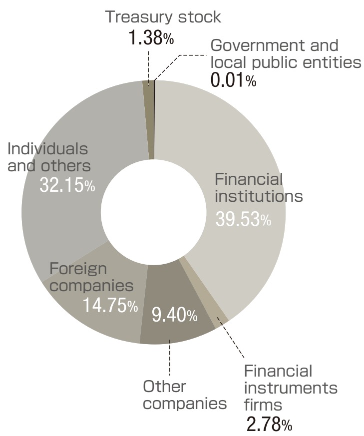
Status of Shares (As of February 28, 2011)

Number of shares authorized	:	2,000,000,000 shares
Number of shares 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	:	73,028

	Major shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	32,576	6.16
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	32,178	6.08
3	Nippon Life Insurance Company	28,906	5.46
4	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,291	2.70
5	J. Front Retailing Kyoei Supplier Shareholding Association	14,222	2.68
6	The Dai-ichi Mutual Life Insurance Company	11,564	2.18
7	Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,369	1.58
8	Employee Shareholding Association of J. Front Retailing	7,693	1.45
9	Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by The Sumitomo Trust and Banking Co., Ltd.)	6,409	1.21
10	Takenaka Corporation	5,725	1.08

Note: Shareholding ratio is calculated by deducting treasury stock (7,423 thousand shares).

Distribution by shareholder type	Number of shareholders (Persons)	Number of shares (1,000 shares)	Percentage (%)
Government and local public entities	1	59	0.01
Financial institutions	82	211,977	39.53
Financial instruments firms	54	14,891	2.78
Other companies	841	50,433	9.40
Foreign companies	356	79,071	14.75
Individuals and others	71,693	172,380	32.15
Treasury stock	1	7,423	1.38



J. FRONT RETAILING NOW

J. FRONT RETAILING