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[Securities code: 3086]  
May 2, 2016

To Our Shareholders

Ryoichi Yamamoto, President  
**J. FRONT RETAILING Co., Ltd.**  
10-1, Ginza 6-chome, Chuo-ku, Tokyo

## Notice of Convocation of the 9th Annual Shareholders Meeting

You are cordially invited to attend the 9th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the “Company”). The meeting will be held as described below.

**If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the Internet. In each case, you are requested to exercise your voting rights so that your vote is received by 6:00 p.m. on Wednesday, May 25, 2016 (JST).**

### Details

- 1. Date and time:** Thursday, May 26, 2016, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
- 2. Venue:** NEW PIER HALL, 11-1, Kaigan 1-chome, Minato-ku, Tokyo
- 3. Purpose of the meeting:**
  - Matters to be reported:*
    1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 9th fiscal year (from March 1, 2015 to February 29, 2016)
    2. Audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements for the 9th fiscal year
  - Matters to be resolved:*
    - Proposal 1: Election of Nine (9) Directors
    - Proposal 2: Payment of Bonuses to Directors and Audit & Supervisory Board Members for Fiscal Year 2015
- 4. Decisions made for convocation:**

Please refer to Guide to the Exercise of Voting Rights on pages 3 to 4.

\* If you are attending the meeting in person, please submit the enclosed voting form at the reception of the meeting.  
Please note that persons who are not shareholders who can exercise voting rights, such as proxies who are not shareholders, and accompanying persons, will not be admitted. (The accompanying persons of shareholders with disabilities are exempt and will be admitted.)

- Of the documents attached to Notice of Convocation of the Annual Shareholders Meeting, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are provided on the Company's website in accordance with relevant laws and regulations and Article 16 of the Company's Articles of Incorporation, hence are not indicated on this Notice of Convocation.
- Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by Audit & Supervisory Board Members and the Accounting Auditor, shall include not only the documents stated in this Notice of Convocation, but also Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are provided on the Company's website.
- If any amendments to Reference Materials for Shareholders Meeting, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements are made, the revised version will be provided on the Company's website.

The Company's website: <http://www.j-front-retailing.com/>

## Guide to the Exercise of Voting Rights

### Attending the Shareholders Meeting in Person

Please submit the enclosed voting form at the reception of the meeting.

\*You do not need to exercise your voting rights either by postal mail or via the Internet.

### Attending a live relay venue

The live relay venues are not recognized as the venue of the shareholders meeting under the Companies Act. Please exercise your voting rights either by postal mail or via the Internet before arriving.

If you are unable to attend the meeting in person, please exercise your voting rights by either of the following methods.

### Exercising voting rights by postal mail

Please indicate on the enclosed voting form whether you approve or disapprove of each proposal, and return the completed form to us.

Exercise due date: Received by 6:00 p.m. on Wednesday, May 25, 2016 (JST)

### To institutional investors

To exercise voting rights at this meeting, institutional investors can use the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.

### Exercising voting rights via the Internet

Please read the following items before exercising voting rights via the Internet.

Exercise due date: Received by 6:00 p.m. on Wednesday, May 25, 2016 (JST)

*(Instructions concerning the exercise of voting rights via the Internet)*

1. Access the voting website  
Access the voting website and click the “Next” button.  
Voting website: <http://www.evotep.jp/>
2. Login to the voting website  
Enter the “Login ID” and the “Temporary password” shown on the enclosed voting form and click the “Login” button.

>>> With this your login is complete. Next, please follow the guidance on the screen.

- To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their “temporary password” on the voting website.
- You will receive a new “log-in ID” and a new “temporary password” with each convocation notice for a Shareholders Meeting.
- If you exercise your voting rights both in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as effective.
- If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as effective. If you exercise your voting rights more than once by using your personal computer, smartphone and mobile phone, we will only accept the last exercise of your voting rights as effective.

- \* Fees for accessing the voting website (Internet access fees, telephone charges, packet communication fees, etc.) shall be borne by the shareholder.
- \* Exercising voting rights via the Internet may not be possible depending on your Internet usage environment, for example if you use a firewall, etc. or if you have anti-virus software installed.

**For inquiries about the system, please contact:**

Corporate Agency Division (Help Desk)  
Mitsubishi UFJ Trust and Banking Corporation  
**(Toll free) 0120-173-027**  
(available 9:00 a.m. – 9:00 p.m., only in Japan)

## **Business Report** (From March 1, 2015 to February 29, 2016)

### **1. Current status of the corporate group**

#### **(1) Business summary and results**

With respect to the Japanese economy in the current fiscal year, the pace of recovery slowed despite positive effects of economic and financial policies implemented by the Japanese government and the Bank of Japan along with a trend toward more upbeat corporate earnings and employment, amid an uncertain outlook in the latter half of the fiscal year largely involving concerns of a global economic slowdown.

In the retail sector, we faced a scenario of rapidly deteriorating consumer sentiment and diminishing strength in personal spending overall, largely evidenced by intensifying budget-minded consumer behavior. This was a result of sluggish growth in real wages and increasingly polarized consumption patterns, and also reflects the downturn in stock prices beginning in the latter half of the fiscal year along with a prevailing sense of uncertainty about what lies ahead.

Amid this environment, the J. Front Retailing Group (hereinafter the “Group”), under its “FY 2014 - FY 2016 Medium-term Business Plan,” worked to further strengthen the competitiveness and profitability of existing businesses while also investing management resources, such as M&A, in fields of growth in a focused manner, with the aim of developing as a multifaceted retailer operating multiple businesses with the Department Store Business at their core.

In the Department Store Business, the Group pressed ahead with large-scale refurbishments of the Matsuzakaya Nagoya store, the Daimaru Sapporo store and other key stores as part of our initiatives to establish “A new department store business model” geared to creating appealing stores that attract a wide range of customers and constructing a highly productive store management structure. We have also reinforced our efforts to serve the firmly performing affluent customer market and the market of foreign visitors to Japan which continues to grow.

In the PARCO Business, we adopted ICT (information and communications technology) solutions and forged ahead with store refurbishments. We also extended the floor space in the Main Building of the Fukuoka PARCO in March 2015, and opened the Nagoya “PARCO midi” facility, with the aim of boosting profitability by expanding new commercial locations in major urban areas. We also opened the new Sapporo ZERO GATE in February 2016.

In addition, in April 2015, J. FRONT RETAILING Co., Ltd. (hereinafter the “Company”) concluded a capital and business alliance agreement with Senshukai Co., Ltd. and converted it into an equity method associate, with the aim of developing as a multifaceted retailer operating multiple businesses. We are now pursuing initiatives that involve mutual sales and product development, drawing on the group assets and expertise of both companies.

With the aim of constructing a business model for growth along with regions in which it operates with its stores at the core of such growth (strategy of urban market dominance), we have been pursuing efforts that include the Ginza 6-chome District 10 Urban Redevelopment Project, plans for rebuilding the South Wing of the Matsuzakaya Ueno store, plans for rebuilding the Main Building of the Daimaru Shinsaibashi store, and the Udagawa-cho 15 Development Project (plans for rebuilding the Shibuya PARCO).

Our initiatives for promoting omni-channel retailing have entailed efforts with the “Click & Collect,” “Snap Diary” and other services, and creating synergies through collaboration with Senshukai.

With respect to overseas operations, “Shanghai New World Daimaru Department Store,” to which the Company has been providing technical support, fully opened for business in May 2015. Also, as of March 2016, there are a total of nine “PLAZA TOKYO” general merchandise retailing store locations, operated in Taiwan by JFR PLAZA. Meanwhile, PARCO entered into a business and capital alliance with Apparel-Web, Inc., with the aims of achieving more widespread market dominance in the retail store business through use of ICT solutions, and strengthening overseas business operations centered on e-commerce.

The Group also worked to construct a stronger operating structure and strove to improve management efficiencies by such means as reviewing all cost structures.

As a result of various measures including those mentioned above, in the current fiscal year, net

sales was ¥1,163,564 million, up 1.2% year on year, operating income was ¥48,038 million, up 13.9%, ordinary income was ¥47,910 million, up 18.4%, and net income was ¥26,313 million, up 31.8%.

The Company has decided to pay a year-end dividend of ¥14 per share. The annual dividend with the addition of an interim dividend of ¥13 per share is ¥27 per share, as calculated in accordance with the standard after the consolidation of shares, marking a year-on-year increase of ¥2.

Results by segment are as follows.

### **Department Store Business**

Our initiatives to establish “A new department store business model” involved refurbishing individual stores. In so doing, we reworked merchandise categories and sales floor configurations in response to changes in the market, while enhancing the competitive strengths and profitability of those stores. At the Matsuzakaya Nagoya store, we have forged ahead with efforts under the third-period refurbishment plan since March 2015 with the aim of having a “high-quality, evolutionary department store that is loved by customers in the area.” We have developed a department store framework geared to attracting customers of all ages to our stores as a result of efforts that include bringing in a “Yodobashi Camera” store in October 2015 to operate on the fourth to sixth floors of the South Building, and opening a retailer under the name “Matsuzakaya GENTA” in April 2016 to operate in the North Building on the refurbished men’s floor. At the Daimaru Sapporo store, we began featuring luxury brands on the first floor in October 2015, and progressively refurbished the women’s accessories section occupying the second floor.

To serve the firmly performing affluent customer market we continued to push ahead with efforts taken to land new customer accounts for the “Otokuisama Gold Card.” To better serve customers among the growing number foreign visitors to Japan, we implemented measures at respective stores that included promoting sales and allocating staff in a manner that accommodates customer traffic during peak seasons of inbound tourism.

As for our initiatives with Senshukai, we featured Senshukai’s fashion brand “Kcarat” shops for a limited time at the Daimaru Kobe store and the Matsuzakaya Nagoya store, and otherwise took steps to build a framework for collaboration that will enable us to develop merchandise and create synergies heading toward next fiscal year. Also, for the first time in six years we updated Daimaru Matsuzakaya Department Stores’ private “TROJAN” menswear brand.

As of December 30, 2015, the Main Building of the Daimaru Shinsaibashi store is temporarily closed for rebuilding. Going forward, we will proceed with construction of the new Main Building in a manner that ensures that the facility helps develop the area. To that end, we will make sure that its value as a historic building designed by the architect W.M.Vories can be retained while at the same time improving the building’s safety features.

As a result of the various initiatives mentioned above, net sales in this business was ¥763,222 million, up 0.4% year on year, and operating income was ¥28,786 million, up 24.1% year on year.

### **PARCO Business**

Net sales in the shopping center business exceeded previous year levels, reflecting the success of numerous initiatives. For instance, we increased overall urban store sales floor space in part by increasing floor space of the Main Building of the Fukuoka PARCO, opening the Nagoya “PARCO midi” facility, and opening the Sapporo ZERO GATE. We also refurbished stores based on the concept of targeting a greater range of customers with respect to our existing PARCO stores, and implemented store measures that call for adopting ICT solutions such as “Kaeru PARCO” and “POCKET PARCO.” Meanwhile, the bottom line was aided by new store openings and the development of new business formats in the shopping complex business, along with an increase in construction orders received in the space engineering & management business. As a result, net sales in this business was ¥281,050 million, up 2.5% year on year, and operating income was ¥12,582 million, up 2.7% year on year.

### **Wholesale Business**

Sales decreased in the area of food products as a result of diminished business in the marine and animal products, but sales were strong in the fields of electronic devices and automobile parts. As a result, net sales in this business was ¥57,849 million, down 2.6% year on year, and operating income

was ¥1,315 million, up 23.2% , reflecting improvement in the gross profit margin along with positive outcomes from having reviewed outlays for selling, general and administrative expenses.

### Credit Business

A review of the commission rate for transactions adversely affected results in this business, but card member accounts increased and initiatives were taken to boost earnings, such as by promoting the use of credit cards at external member stores. As a result, net sales in this business was ¥10,455 million, up 0.7% year on year, but operating income was ¥2,703 million, down 21.1%, due to a temporary increase in card renewal expenses.

### Other Businesses

In Other Businesses, sales decreased in JFR Online direct marketing business and other such operations, but J. Front Design & Construction performed well. As a result, net sales in this business was ¥104,739 million, up 7.6% year on year, and operating income was ¥2,807 million, up 16.1% year on year.

### Net sales and operating income by business segment of the corporate group

(Millions of yen)

Business segment	8th fiscal year (Fiscal 2014)				9th fiscal year (Current fiscal year) (Fiscal 2015)			
	Net sales		Operating income		Net sales		Operating income	
	Results	Composi- tion	Results	Composi- tion	Results	Composi- tion	Results	Composi- tion
		%		%		%		%
Department Store Business	759,866	66.1	23,192	55.0	763,222	65.6	28,786	59.9
PARCO Business	274,212	23.9	12,255	29.1	281,050	24.2	12,582	26.2
Wholesale Business	59,371	5.2	1,067	2.5	57,849	5.0	1,315	2.7
Credit Business	10,381	0.9	3,424	8.1	10,455	0.9	2,703	5.6
Other Businesses	97,298	8.4	2,418	5.7	104,739	9.0	2,807	5.8
Adjustments	(51,600)	(4.5)	(190)	(0.4)	(53,752)	(4.7)	(156)	(0.2)
Total	1,149,529	100.0	42,167	100.0	1,163,564	100.0	48,038	100.0

(Note) The Company has changed its inventory valuation method beginning with the current fiscal year. Respective financial figures have been revised based on the assumption of the change being implemented at the beginning of the 8th fiscal year (fiscal 2014).

Net sales by product and by company and store of the Department Store Business are as follows.

Net sales by product of the Department Store Business

(Millions of yen)

Product	Amount	Composition	Year-on-year changes
		(%)	(%)
Men's clothing and haberdashery	51,935	6.8	(2.8)
Ladies' clothing and haberdashery	224,833	29.5	(1.1)
Children's clothing and haberdashery	16,851	2.2	0.7
Kimono, bedding and other clothing	12,744	1.7	(8.5)
Personal belongings	77,513	10.2	(0.6)
Furniture	7,253	1.0	(13.6)
Home appliances	1,019	0.1	(28.5)
Household goods	25,363	3.3	(5.8)
Food products	181,678	23.8	(0.8)
Food halls and cafes	22,783	3.0	(0.4)
General goods	111,787	14.6	13.8
Services	3,030	0.4	15.6
Other	26,426	3.4	(1.2)
Total	763,222	100.0	0.4

Net sales by company and store of the Department Store Business

(Millions of yen)

Company / Store	Amount	Composition	Year-on-year changes
		%	%
Daimaru Matsuzakaya Department Stores Co. Ltd.			
Daimaru			
Osaka Shinsaibashi store	91,072	11.9	7.8
Osaka Umeda store	65,212	8.5	2.1
Tokyo store	73,169	9.6	4.3
Urawa Parco store	3,777	0.5	(6.8)
Kyoto store	70,000	9.2	(0.5)
Yamashina store	3,970	0.6	(5.0)
Kobe store	85,079	11.1	(1.1)
Suma store	9,537	1.3	(5.1)
Ashiya store	7,132	0.9	(3.2)
Sapporo store	62,710	8.2	2.2
Sub total	471,663	61.8	2.1
Matsuzakaya			
Nagoya store	124,834	16.4	(0.6)
Ueno store	41,577	5.4	(4.0)
Shizuoka store	22,027	2.9	(4.0)
Takatsuki store	9,061	1.2	(4.8)
Toyota store	8,346	1.1	(1.3)
Sub total	205,847	27.0	(1.9)
Sub total	677,511	88.8	0.9
The Hakata Daimaru, Inc.	56,747	7.4	(1.2)
The Shimonoseki Daimaru, Inc.	15,694	2.1	(6.5)
Kochi Daimaru Co., Ltd.	13,269	1.7	(4.4)
Total	763,222	100.0	0.4

(Notes) 1. The South Wing of the Matsuzakaya Ueno store closed temporarily on March 11, 2014, for rebuilding.



2. The Main Building of the Daimaru Shinsaibashi store closed temporarily on December 30, 2015, for rebuilding.

## **(2) Status of capital investment**

The basic approach taken regarding the Group's recurring capital investment is to keep such investment within the scope of the amount of depreciation. In the current fiscal year total capital investment was ¥37,110 million, which was a result of recurring investment combined with proactive implementation of strategic investment.

### **(i) Major facilities completed during the current fiscal year**

The main investments in the Department Store Business included ¥2,590 million for refurbishments at respective sales spaces of the Matsuzakaya Nagoya store, the Daimaru Kyoto store and others, and intensive relocation work involving the North Wing and South Wing of the Daimaru Shinsaibashi store in line with rebuilding of the Main Building of that store. In addition, the main investments in the PARCO Business included ¥4,957 million for asset purchases largely associated with store refurbishment of the Hiroshima PARCO.

### **(ii) New establishments and expansions of major facilities with ongoing construction works during the current fiscal year**

Mainly, in the Department Store Business this included rebuilding of both the South Wing of the Matsuzakaya Ueno store and the Main Building of the Daimaru Shinsaibashi store, and the Ginza 6-chome District 10 Urban Redevelopment Project, and in the PARCO Business this included new construction of New Wing (provisional name) of the Sendai PARCO.

### **(iii) Sales, removals and losses of major non-current assets**

Mainly, this consisted of retirement of non-current assets associated with rebuilding the Main Building of the Daimaru Shinsaibashi store.

## **(3) Status of procurement**

The Group's basic policy is to source funds needed for business activities using funds obtained from operating activities. Moreover, when the need arises to finance investment or other expenditure, such funds are procured mainly by issuing bonds and borrowing from financial institutions, with consideration placed on maintaining financial soundness and stability.

As a general rule, Group subsidiaries do not procure funds from financial institutions, but instead we promote centralized and streamlined means of procuring funds by means of intra-Group financing using a cash management system.

In the current fiscal year, the Company issued unsecured straight bonds amounting to a total of ¥15,000 million in August 2015. In November 2015, ¥12,000 million of the 2nd series of unsecured bonds (issued in November 2012) was redeemed upon those bonds having reached maturity. As a result, the balance of unsecured straight bonds outstanding as of the end of the current fiscal year is ¥27,000 million.

## **(4) Issues to be addressed**

We aim to prevail over the competition and make our vision of securing a position as a leading retail company a reality amid a challenging business environment. To that end, we will work to generate consolidated operating income of ¥50,000 million in fiscal 2016, which is the final year of our "FY 2014 - FY 2016 Medium-term Business Plan." Moreover, throughout the year we will also work to put ourselves in position to take a substantial leap forward as we embark on our next Medium-term Business Plan which is set to start in fiscal 2017. In so doing, we will pursue the initiatives described below.

■ **Dramatically strengthening competitiveness and profitability as a multifaceted retailer operating multiple businesses**

With the aim of acting as a retail group composed of competitive businesses centered on department stores, we have extended the breadth of our operations through initiatives that have included acquiring shares of PARCO, StylingLife Holdings and Forest, and making Senshukai an equity method associate in April 2015. Going forward, we will take steps to innovate each of our businesses, generate Group synergies, and strength the competitiveness and profitability of the entire Group.

**(Department Store Business)**

We aim to establish “A new department store business model,” and are forging ahead with efforts geared to strengthening our capacity to serve markets in a manner aligned with the distinctive characteristics of the areas in which our individual stores operate, and revamping our management structure with the aim of boosting profitability. In fiscal 2016, we will work toward making our stores more appealing by creating sales space that is tailored to changes in the market and wins the backing of a wide range of customers, primarily by refurbishing our key stores such as the Matsuzakaya Nagoya store. We are also redoubling efforts to encourage new customers visiting our stores to become card members. We will also take steps to build customer loyalty through CRM (customer relationship management) efforts that will involve enticing customers to repeatedly visit our stores by offering them timely and appropriate information tailored to their specific preferences, as gleaned from card data analysis.

With respect to serving the affluent customer market, which is an area of strength in our Department Store Business, we will continue fortifying our efforts to gain new out-of-store customer accounts, while also working to upgrade both our product lineup in line with the needs of such customers and customer service. We will also redouble our efforts to serve our customers from overseas who are visiting Japan, a segment which is poised for further growth, through initiatives that include introducing services geared to the prime customer category.

**(PARCO Business)**

We will compensate for the adverse effects of the Shibuya PARCO’s temporary closure during its rebuilding beginning in August 2016, and the Chiba PARCO’s closure in November, through initiatives that involve promoting store-specific strategies tailored respectively to our “urban” and “community” store formats, communicating information using ICT solutions, and restructuring tenant merchandising operations including those focused on inbound tourism. At the same time, we will focus on cultivating business in major urban areas and bringing about greater market dominance of our stores.

We will open a new building at the Sendai PARCO in early summer 2016, along with a ZERO GATE as our second store in Hiroshima this autumn. Our efforts will also include promoting development plans geared to achieving growth next fiscal year and beyond. To that end, we will open stores under the PARCO business format in the new South Wing of the Matsuzakaya Ueno store which is now under construction and is slated to open for business in autumn 2017, and we will also open ZERO GATE stores in Kyoto and Sannomiya.

In addition, with respect to operations related to the PARCO Business, we will redouble our efforts involving new projects and promote initiatives to achieve greater external expansion.

**(Business Alliance with Senshukai)**

To draw on our strengths as a multifaceted retailer operating multiple businesses, we are taking on efforts that involve joint planning and mutual development of private brands for Daimaru Matsuzakaya Department Stores and Senshukai. These efforts will entail opening physical stores featuring Senshukai’s “Kcarat” brand in Daimaru Matsuzakaya Department Stores beginning in March 2016, and making Daimaru Matsuzakaya Department Stores’ “SOFUOL” brand available through Senshukai’s e-commerce website. Going forward, we aim to increase sales of the “Kcarat” brand of original fashion products by venturing beyond offering the brand in our own retail stores and

online, through initiatives that involve opening street-level stores and making the brand available through commercial facilities and e-commerce websites externally. Also, given that Senshukai excels in the bridal, baby product and maternity segments, we will pursue joint initiatives in that regard and work to develop synergies with that company.

■ **Promoting omni-channel retailing**

We will promote omni-channel retailing drawing on diverse sales channels that include Daimaru Matsuzakaya Department Stores, PARCO and Senshukai. During fiscal 2016, we will respond to diversifying customer needs and purchasing patterns. This will involve swiftly enhancing our department store online shopping business platform by drawing on Senshukai's know-how in that regard, engaging in joint efforts between Daimaru Matsuzakaya Department Stores and Senshukai with respect to marketing, merchandise planning, promotions, customer intelligence, and other such operations, and offering products and services in a manner that extends beyond the physical store and online realms. In addition, we will promote initiatives geared to expanding our range of merchandise and developing new collaborative brands following on efforts with the "Kcarat" brand.

■ **Constructing a business model for growth along with regions in which it operates with its stores at the core of such growth (strategy of urban market dominance)**

We aim to ensure our survival amid a harsh competitive environment where the geographic areas in which Group stores operate are pitted against other localities. To that end, we are pursuing our "strategy of urban market dominance" where we help create vibrant communities, and achieve growth alongside those communities, by promoting urban development in a manner that enlists the support of Daimaru Matsuzakaya Department Stores, PARCO, Daimaru COM Development and other Group companies.

**(Ginza 6-chome District 10 Urban Redevelopment Project — the Ginza Redevelopment Project)**

The Ginza Redevelopment Project involves integrated redevelopment of an approximately 9,080 square-meter, two-block site located in the Ginza district of Chuo-ku, Tokyo, and encompassing the former site of the Matsuzakaya Ginza store.

Slated to open in April 2017, the complex will be world-class in terms of quality and one of the largest in the Ginza district. It will consist of commercial facilities with approximately 46,000 square meters (approximately 13,900 tsubo) of sales floor space, and large offices with single-floor leasable units of approximately 6,100 square meters (approximately 1,850 tsubo).

**(Plan for the rebuilding of the South Wing of the Matsuzakaya Ueno store)**

We are in the process of building the new South Wing of the Matsuzakaya Ueno store, which will consist of a department store, PARCO, TOHO Cinemas, offices and other facilities. Refurbishment of the Main Building was completed in spring 2014, and the new South Wing is slated for completion in autumn 2017. We are taking on other development projects mainly involving the Company's properties in the vicinity of the Matsuzakaya Ueno store, in the Okachimachi district where the store is located. Going forward, we will work with that community in efforts geared to attracting more visitors to the area and making it more vibrant.

**(Plan for the rebuilding of Main Building of the Daimaru Shinsaibashi store)**

To help make the Osaka-Shinsaibashi district more vibrant and to further revitalize the area, at the end of 2015 we temporarily closed the Main Building of the Daimaru Shinsaibashi store, and got started with construction to rebuild the facility. Slated to open for business in autumn 2019, the new Main Building will consist of three underground floors and 11 stories above ground, and feature a sales floor area of approximately 40,000 square meters. In spring 2021, the Main Building and North Wing will be connected, which will result in a more unified facility that is easier for people to navigate. At the same time, we will also continue to help make the area more dynamic by enlisting the entire Group in efforts to develop sites in the vicinity of the store.

**(Udagawa-cho 15 Development Project — plans for rebuilding the Shibuya PARCO)**

In December 2015, the government decided to proceed with an urban development plan in the special urban renaissance district situated on approximately 5,380 square meters of land in the Udagawa-cho 15 area, which encompasses the Shibuya PARCO Part 1 and Part 3, along with a commercial office complex which is also slated for development in that area. With our store situated in a pivotal location, we will promote initiatives aimed at making the town easier for people to navigate and fueling greater vibrancy in the area, while also engaging in efforts to educate and inform people about fashion and theater arts.

**(Sakae district of Nagoya City)**

In Nagoya City's Sakae district, location of a Matsuzakaya store and an adjacent PARCO store, we will pursue expansion such as has been the case with PARCO's opening of the Nagoya ZERO GATE store in October 2014 and "PARCO midi" in March 2015. Furthermore, we are moving forward with refurbishment plans that address changes in the market, with respect to both the Matsuzakaya Nagoya store and the Nagoya PARCO. Looking ahead, we will engage in development projects with the aim of revitalizing communities and efforts to fortify the competitive strengths of our stores.

**■ Enhancing the financial strategy**

We will redouble our efforts to formulate and promote our "Financial Strategy" with the aim of increasing our medium- to long-term corporate value. Specifically, this will involve implementing financial initiatives guided by the aims of generating free cash flows and improving return on equity, and to such ends we will further strengthen business management practices from the perspective of making profits in terms of net sales and operating income, and from the perspective of ensuring efficient use of assets and capital in a manner that is cognizant of the balance sheet and costs of capital. As a Group, we will optimally allocate our management resources, taking into account the need for improving our financial standing and monitoring trends in financial and capital markets. In so doing, we will take a flexible approach to securing funds in order to better pursue our growth strategy, while at the same time spelling out investment criteria with respect to development projects, store refurbishment, and merger and acquisition deals, while clarifying criteria for withdrawing from unprofitable and underperforming businesses.

**■ Strengthening corporate governance**

In December 2015, the Company established and disclosed its "Corporate Governance Guidelines," with the aim of ensuring sustainable growth of the Group and increasing its corporate value over the medium to long term by implementing the best possible corporate governance practices. The Company released its Corporate Governance Report on the same day, in conjunction with the Corporate Governance Guidelines.

The Corporate Governance Guidelines describe our ideals with respect to the Group's corporate governance, such as in terms of practices involving, "Relationships with Shareholders," "Information Disclosure," "Roles and Responsibilities of the Board of Directors, etc.," and other such content, including fundamental requirements of disclosure under Japan's Corporate Governance Code ("Group Philosophy," "Basic Ideas on Corporate Governance," and "Human Resources and Remuneration and Other Matters Involving Directors, Audit & Supervisory Board Members and Executive Officers"). We also disclosed information on matters including officer selection criteria, policy for determining officer remuneration, and basic policy regarding cross-shareholdings.

Going forward, we will work to address priority issues that include: 1.) improving the effectiveness of the Board of Directors by further drawing on the knowledge of Outside Directors and Outside Audit & Supervisory Board Members, while focusing on management strategy discussions involving proposals and 2.) improving functional capabilities of management personnel by strengthening the Personnel and Remuneration Committee and enhancing our managerial talent.

■ **Establishing the Group Vision and the next Medium-term Business Plan**

With the aim of achieving further Group-wide growth in fiscal 2017 and beyond, we will move forward in establishing a new Group Vision that illustrates where we would like to see ourselves in the future and pointing us in that direction, and also establishing our next Medium-term Business Plan.

We appreciate the continued support and encouragement of our shareholders.

**(5) Status of assets and profit or loss**

(i) Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

Category	6th fiscal year (Fiscal 2012)	7th fiscal year (Fiscal 2013)	8th fiscal year (Fiscal 2014)	9th fiscal year (Current fiscal year) (Fiscal 2015)
Net sales	1,092,756	1,146,319	1,149,529	1,163,564
Operating income	30,857	41,816	42,167	48,038
Ordinary income	32,202	40,502	40,480	47,910
Net income	12,183	31,568	19,967	26,313
Net income per share (Yen)	23.05	59.77	75.66	100.42
Total assets	1,009,165	998,730	1,018,495	1,019,146
Net assets	390,667	422,215	430,260	440,594

- (Notes) 1. The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Net income per share has been calculated as if this consolidation of shares was conducted at the beginning of the 8th fiscal year (fiscal 2014).
2. The Company has changed its inventory valuation method beginning with the current fiscal year. Respective financial figures have been revised based on the assumption of the change being implemented at the beginning of the 8th fiscal year (fiscal 2014).
3. The Company has adopted the Accounting Standard for Retirement Benefits, etc., beginning with the current fiscal year. As such, respective financial figures for the beginning of the 9th fiscal period (fiscal 2015) have been revised in line with transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits.

(ii) Changes in assets and profit or loss of the Company

(Millions of yen, unless otherwise stated)

Category	6th fiscal year (Fiscal 2012)	7th fiscal year (Fiscal 2013)	8th fiscal year (Fiscal 2014)	9th fiscal year (Current fiscal year) (Fiscal 2015)
Net sales	22,744	8,983	11,147	12,213
Operating income	20,394	6,280	8,391	9,194
Ordinary income	19,972	6,398	8,460	9,201
Net income	19,930	12,405	8,388	6,872
Net income per share (Yen)	37.69	23.48	31.77	26.22
Total assets	450,201	438,491	429,226	428,175
Net assets	299,508	306,654	308,681	303,737

- (Note) The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Net income per share has been calculated as if this consolidation of shares was conducted at the beginning of the 8th fiscal year (fiscal 2014).

**(6) Status of significant parent company and subsidiaries**

(i) Relationship with the parent company

No items to report.

(ii) Status of major subsidiaries

Name	Capital (Millions of yen unless otherwise stated)	Ratio of ownership by the Company (%)	Major business
Daimaru Matsuzakaya Department Stores Co. Ltd.	10,000	100.0	Department Store Business
The Hakata Daimaru, Inc.	3,037	69.9	Department Store Business
The Shimonoseki Daimaru, Inc.	480	100.0	Department Store Business
Kochi Daimaru Co., Ltd.	300	100.0	Department Store Business
PARCO Co., Ltd.	34,367	64.9	PARCO Business
Parco (Singapore) Pte Ltd	S\$4 million	64.9	PARCO Business
NEUVE A Co., Ltd.	490	64.9	PARCO Business
PARCO SPACE SYSTEMS Co., Ltd.	490	64.9	PARCO Business
PARCO-CITY Co., Ltd.	10	64.9	PARCO Business
Daimaru Kogyo, Ltd.	1,800	100.0	Wholesale Business
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	US\$2 million	100.0	Wholesale Business
Daimaru Kogyo (Thailand) Co., Ltd.	THB202 million	99.9	Wholesale Business
Taiwan Daimaru Kogyo, Ltd.	NT\$60 million	100.0	Wholesale Business
JFR Card Co., Ltd.	100	100.0	Credit Business
J. Front Design & Construction Co., Ltd.	100	100.0	Design and construction contracting and manufacture and sale of furniture
JFR Online Co. Ltd.	100	100.0	Direct marketing
Dimples' Co., Ltd.	90	100.0	Staffing service
J. Front Foods Co., Ltd.	100	100.0	Restaurant
Daimaru COM Development Inc.	50	100.0	Real estate leasing and tenant service
Consumer Product End-Use Research Institute Co., Ltd.	450	100.0	Merchandise test and quality control
JFR PLAZA Inc.	NT\$185 million	90.0	General merchandise retailing
Forest Co., Ltd.	90	72.9	Direct marketing
Angel Park Co., Ltd.	400	50.2	Parking
JFR Office Support Co., Ltd.	100	100.0	Commissioned back-office service
JFR Service Co. Ltd.	100	100.0	Leasing and parking management
JFR Consulting Co. Ltd.	100	100.0	Consulting
JFR Information Center Co., Ltd.	10	100.0	Information service
Daimaru Matsuzakaya Sales Associates Co. Ltd.	90	100.0	Commissioned sales and store management operations
Daimaru Matsuzakaya Tomonokai Co., Ltd.	100	100.0	Specified prepaid transaction service

## (iii) Matters relating to specified wholly-owned subsidiaries

(Millions of yen)

Name	Address	Total book value	Total assets of the Company
Daimaru Matsuzakaya Department Stores Co. Ltd.	18-11 Kiba 2-chome, Koto-ku, Tokyo	222,080	428,175

**(7) Major businesses**

The Department Store Business, the PARCO Business, the Wholesale Business, the Credit Business, and the Other Businesses including design and construction contracting and direct marketing.

**(8) Major sales offices**

(Department Store Business)

Name	Location	Name	Location
Daimaru Matsuzakaya Department Stores Co. Ltd.			
Head Office	Koto-ku, Tokyo	Matsuzakaya Nagoya store	Naka-ku, Nagoya
Daimaru Osaka Shinsaibashi store	Chuo-ku, Osaka	Ueno store	Taito-ku, Tokyo
Osaka Umeda store	Kita-ku, Osaka	Shizuoka store	Aoi-ku, Shizuoka
Tokyo store	Chiyoda-ku, Tokyo	Takatsuki store	Takatsuki, Osaka
Urawa Parco store	Urawa-ku, Saitama	Toyota store	Toyota, Aichi
Kyoto store	Shimogyo-ku, Kyoto	The Hakata Daimaru, Inc.	Chuo-ku, Fukuoka
Yamashina store	Yamashina-ku, Kyoto	The Shimonoseki Daimaru, Inc.	Shimonoseki, Yamaguchi
Kobe store	Chuo-ku, Kobe	Kochi Daimaru Co., Ltd.	Kochi, Kochi
Suma store	Suma-ku, Kobe		
Ashiya store	Ashiya, Hyogo		
Sapporo store	Chuo-ku, Sapporo		

(PARCO Business)

Name	Location	Name	Location
PARCO Co., Ltd.			
Headquarters	Toshima-ku, Tokyo	Matsumoto PARCO	Matsumoto, Nagano
Shibuya Head Office	Shibuya-ku, Tokyo	Shizuoka PARCO	Aoi-ku, Shizuoka
Sapporo PARCO	Chuo-ku, Sapporo	Nagoya PARCO	Naka-ku, Nagoya
Sendai PARCO	Aoba-ku, Sendai	Otsu PARCO	Otsu, Shiga
Utsunomiya PARCO	Utsunomiya, Tochigi	Hiroshima PARCO	Naka-ku, Hiroshima
Urawa PARCO	Urawa-ku, Saitama	Fukuoka PARCO	Chuo-ku, Fukuoka
Shintokorozawa PARCO	Tokorozawa, Saitama	Kumamoto PARCO	Chuo-ku, Kumamoto
Ikebukuro PARCO	Toshima-ku, Tokyo	Sapporo ZERO GATE	Chuo-ku, Sapporo
Shibuya PARCO	Shibuya-ku, Tokyo	Nagoya ZERO GATE	Naka-ku, Nagoya
Hibarigaoka PARCO	Nishi-Tokyo, Tokyo	Shinsaibashi ZERO GATE	Chuo-ku, Osaka
Kichijoji PARCO	Musashino, Tokyo	Dotonbori ZERO GATE	Chuo-ku, Osaka
Chofu PARCO	Chofu, Tokyo	Hiroshima ZERO GATE	Naka-ku, Hiroshima
Tsudanuma PARCO	Funabashi, Chiba	PediSHIODOME	Minato-ku, Tokyo
Chiba PARCO	Chuo-ku, Chiba		
NEUVE A Co., Ltd.	Shibuya-ku, Tokyo	PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo
PARCO-CITY Co., Ltd.	Shibuya-ku, Tokyo	Parco (Singapore) Pte Ltd	Singapore

(Wholesale Business)

Name	Location
Daimaru Kogyo, Ltd.	Head Office: Chuo-ku, Osaka Office: Tokyo 1, Nagoya 1, Nagano 1, Oita 1, Overseas 5
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	Head Office: Shanghai, China
Daimaru Kogyo (Thailand) Co., Ltd.	Head Office: Bangkok, Thailand
Taiwan Daimaru Kogyo, Ltd.	Head Office: Taipei, Taiwan

(Credit Business)

Name	Location
JFR Card Co., Ltd.	Head Office: Takatsuki, Osaka Office: Tokyo 2, Osaka 2, Kyoto 1, Kobe 1, Sapporo 1, Nagoya 1, Shizuoka 1

(Other subsidiaries)

Head Office: Tokyo 2, Osaka 9, Kobe 1, Nagoya 1, Saitama 1, Taiwan 1
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**(9) Status of employees**

(i) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	112
Department Store Business	2,615
PARCO Business	1,496
Wholesale Business	198
Credit Business	114
Other Businesses	2,503
Total	7,038

(Note) Other than the employees shown above, the average number of temporary employees during the period is 3,985.

(ii) Employees of the Company

Number of employees	Average age
112	45.1

(Note) Other than the employees shown above, the average number of temporary employees during the period is 13.

(iii) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	2,029	46.1
PARCO Co., Ltd.	477	41.5
Daimaru Kogyo, Ltd.	164	44.0



**(10) Status of major creditors****Major creditors of the corporate group**

(Millions of yen)

Creditor	Amount payable	Creditor	Amount payable
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	33,909	Development Bank of Japan Inc.	12,225
Sumitomo Mitsui Banking Corporation	15,635	Mizuho Bank, Ltd.	11,675

**(11) Other important matters relating to current status of the corporate group**

No items to report.

## 2. Matters relating to shares of the Company

(1) Number of shares authorized: 1,000,000,000 shares

(2) Number of shares issued: 268,119,164 shares

(3) Number of shareholders: 86,095

### (4) Major shareholders

Name of shareholders	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,914	6.08
Japan Trustee Services Bank, Ltd. (Trust Account)	13,583	5.19
Nippon Life Insurance Company	9,828	3.75
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	7,565	2.89
J. Front Retailing Kyoei Supplier Shareholding Association	6,318	2.41
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,250	2.38
The Dai-ichi Mutual Life Insurance Company	5,732	2.19
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,666	1.40
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	3,348	1.28
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	3,204	1.22

(Note) Shareholding ratio is calculated by deducting treasury shares (6,575 thousand shares).

### **3. Matters relating to subscription rights to shares of the Company**

#### **(1) Status of subscription rights to shares held by the Company's Officers, etc. and granted as remuneration for the duties performed at the end of the fiscal year**

5th subscription rights to shares of J. Front Retailing Co., Ltd. (\*September 3, 2007)

\* In accordance with a share transfer carried out on September 3, 2007, these were granted in lieu of subscription rights to shares issued by Matsuzakaya Co., Ltd.

- (i) Persons and number of holders of subscription rights to shares (number of shares to be issued upon exercise of subscription rights to shares)
  - Directors 1 (8,500 shares)
- (ii) Class of shares to be issued upon exercise of subscription rights to shares
  - Common shares of the Company
- (iii) Amount to be paid in for subscription rights to shares
  - ¥635,000 per each subscription right to shares (¥1,270 per share)
- (iv) The value of assets to be contributed upon exercise of subscription rights to shares
  - ¥500 per each subscription right to shares (¥1 per share)
- (v) Exercise period of subscription rights to shares
  - September 3, 2007 to July 14, 2026
- (vi) Main conditions for exercise of subscription rights to shares
  - a. A holder of subscription rights to shares who holds a position of either Director, Audit & Supervisory Board Member or Executive Officer of the Company or any of its subsidiaries during the period in (v) shall not be able to exercise subscription rights to shares.
  - b. A holder of subscription rights to shares shall exercise the rights only during a period of ten days starting on the day immediately following the day on which the holder loses his/her position of either Director, Audit & Supervisory Board Member or Executive Officer of the Company or any of its subsidiaries.
  - c. If a holder of subscription rights to shares is unable to exercise the rights due to holding a position of either Director, Audit & Supervisory Board Member or Executive Officer of the Company or any of its subsidiaries until July 14, 2025, the said holder of subscription rights to shares shall exercise the rights from July 15, 2025 to July 14, 2026.
  - d. A holder of subscription rights to shares who relinquishes his/her subscription rights to shares shall not be able to exercise such rights.
- (vii) Main provisions for acquisition of subscription rights to shares
  - Not provided.
- (viii) Transfer of subscription rights to shares
  - Transfer of subscription rights to shares shall be subject to approval by resolution of the Company's Board of Directors.
- (ix) Particularly advantageous terms
  - No items to report.

#### **(2) Status of subscription rights to shares granted as remuneration for the duties performed during the fiscal year**

No items to report.

#### 4. Matters relating to corporate officers

##### (1) Names, etc. of Directors and Audit & Supervisory Board Members

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
Chairman (Representative Director)	SAMURA Shunichi	
President (Representative Director)	YAMAMOTO Ryoichi	
Director	YOSHIMOTO Tatsuya	President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Director	MAKIYAMA Kozo	Director, President and Representative Executive Officer of PARCO Co., Ltd.
Director and Senior Managing Executive Officer	KOBAYASHI Yasuyuki	Senior Executive General Manager of Affiliated Business Unit External Director of PARCO Co., Ltd.
Director and Managing Executive Officer	FUJINO Haruyoshi	Senior Executive General Manager of Management Strategy Unit External Director of PARCO Co., Ltd. Outside Director of Hakuseisha Co., Ltd.
Director and Managing Executive Officer	DOI Zenichi	Senior Executive General Manager of Administration Unit and in charge of Compliance and Risk Management
Director	TACHIBANA FUKUSHIMA Sakie	President and Representative Director of G&S Global Advisors Inc. Outside Director of Bridgestone Corporation Outside Director of Ajinomoto Co., Inc. Outside Director of Mitsubishi Corporation
Director	OTA Yoshikatsu	Special Advisor of KONICA MINOLTA, INC. Outside Director of YAMAHA CORPORATION
Audit & Supervisory Board Member	TSURUTA Rokurou	Attorney at law Outside Director of TPR Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. Outside Member of the Board of Directors of KYB Corporation
Audit & Supervisory Board Member	ISHII Yasuo	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
Audit & Supervisory Board Member	NISHIKAWA Koichiro	Outside Director of Kyowa Hakko Kirin Co., Ltd Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
Audit & Supervisory Board Member (full-time)	OCHI Bunshiro	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
Audit & Supervisory Board Member (full-time)	KATO Yoichi	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.

- (Notes)
1. Tachibana Fukushima Sakie and Ota Yoshikatsu are Outside Directors.
  2. Tsuruta Rokurou, Ishii Yasuo and Nishikawa Koichiro are Outside Audit & Supervisory Board Members.

(Reference)

- Executive Officers of the Company as of February 29, 2016 are as follows (excluding ones concurrently serving as Director).

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
Executive Officer	IMAZU Takahiro	Senior General Manager of Management Planning, Management Strategy Unit
Executive Officer	ENOMOTO Tomohiko	Senior General Manager of Group ICT Strategy Promotion, Management Strategy Unit
Executive Officer	TADATSU Takehiko	Group Organization and Personnel Policy, Management Strategy Unit and Executive Officer and Senior General Manager of Human Resources Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
Executive Officer	KUBOI Satori	Senior General Manager of Affiliated Business, Affiliated Business Unit
Executive Officer	TSUTSUMI Hiroyuki	Senior General Manager of Finance Division, Administration Unit
Executive Officer	WAKABAYASHI Hayato	Financial Strategy and Policy, Administration Unit

(Note) On March 1, 2016, “Areas of responsibility in the Company and important concurrent positions outside the Company” for an Executive Officer was changed as follows.

Name	Areas of responsibility in the Company and important concurrent positions outside the Company
IMAZU Takahiro	Senior General Manager of Group Management Strategy Promotion, Management Strategy Unit
WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit and in charge of Finance Policy
TSUTSUMI Hiroyuki	Senior General Manager of Finance and Accounting, Financial Strategy Unit

Please note that Enomoto Tomohiko retired from his office on March 1, 2016.

**(2) Attendance of Directors and Audit & Supervisory Board Members at meetings of the Board of Directors**

(i) Attendance of Directors at meetings of the Board of Directors

Samura Shunichi, Yamamoto Ryoichi, Yoshimoto Tatsuya, Makiyama Kozo, Kobayashi Yasuyuki, Fujino Haruyoshi and Tachibana Fukushima Sakie attended all 16 meetings of the Board of Directors held during the current fiscal year.

In addition, Doi Zenichi and Ota Yoshikatsu attended all 12 meetings of the Board of Directors held during the current fiscal year, subsequent to their appointment as Directors.

(ii) Attendance of Audit & Supervisory Board Members at meetings of the Board of Directors

Tsuruta Rokuro attended 15 of the 16 meetings of the Board of Directors held during the current fiscal year.

In addition, Ishii Yasuo, Nishikawa Koichiro, Ochi Bunshiro and Kato Yoichi attended all 12 meetings of the Board of Directors held during the current fiscal year, subsequent to their appointment as Audit & Supervisory Board Members.

**(3) Total amount of remuneration, etc. to Directors and Audit & Supervisory Board Members**

	Number of payees	Total amount of remuneration, etc. (Millions of yen)
Director	11	312
[of which, Outside Director]	[ 3]	[ 23]
Audit & Supervisory Board Member	9	42
[of which, Outside Audit & Supervisory Board Member]	[ 5]	[ 20]
Total	20	355

(Notes) 1. The total amount of remuneration, etc. includes ¥89 million in bonuses for Directors and Audit & Supervisory Board Members scheduled for approval at the 9th Annual Shareholders Meeting.

2. Other than the above, the total amount of remuneration, etc. received by Outside Audit & Supervisory Board Members from subsidiaries of the Company in the current fiscal year is ¥10 million.
3. The maximum remuneration for Directors is set at ¥50 million per month by resolution of the Annual Shareholders Meeting held in May 2008.
4. The maximum remuneration for Audit & Supervisory Board Members is set at ¥7 million per month by resolution of the Annual Shareholders Meeting held in May 2008.

**(4) Outline of method for determining policy regarding decisions on amounts of remuneration, etc. of each corporate officer or calculation method thereof, and contents of such policy**

**(i) Policy on determining remuneration of Directors and Audit & Supervisory Board Members**

For the current fiscal year (fiscal 2015), remuneration of the Company's Directors and Audit & Supervisory Board Members consists of monthly compensation, as well as bonuses for Directors and Audit & Supervisory Board Members which are tied to results and success in accordance with each year's business performance.

With respect to fiscal 2016 remuneration of the Company's Directors and Audit & Supervisory Board Members, we plan to make the following changes applicable to amounts paid for June 2016 and thereafter.

**Remuneration of Internal Directors**

- The Company has increased the proportion of bonuses for Directors and Audit & Supervisory Board Members (performance-based remuneration) in terms of total remuneration, with monthly compensation at 60% and bonuses for Directors and Audit & Supervisory Board Members at 40% (standard ranking), in order to provide incentives both for accomplishing objectives set under management strategies and business plans, and for achieving targets with respect to corporate performance.

**Remuneration of Outside Directors and Audit & Supervisory Board Members (both internal and outside)**

- The Company will discontinue bonuses for Directors and Audit & Supervisory Board Members and provide monthly compensation only.

In conjunction with that, with the aim of ensuring that the Group achieves sustainable growth and increases corporate value over the medium to long term, the Company aims to introduce remuneration for Internal Directors linked to their medium- to long-term performance (stock-based remuneration, etc.) beginning in fiscal 2017, and will forge ahead in reviewing such options.

**(ii) Procedures for determining remuneration for Directors and Audit & Supervisory Board Members**

The total monthly remuneration amount for the Company's Directors and Audit & Supervisory Board Members will be limited to that set upon passage of a resolution of a shareholders meeting, and the total amount of bonuses for Directors and Audit & Supervisory Board Members for the fiscal year will be that set upon passage of a resolution of an annual shareholders meeting held every fiscal year. The specific amounts of remuneration paid to respective Directors will be set based on standards for officer remuneration that are determined beforehand, and will be determined on the basis of respective performance evaluations conducted each fiscal year. Such amounts will be deliberated on and decided by the Human Resources and Remuneration Committee, which has a majority membership composed of Outside Directors and Outside Audit & Supervisory Board Members, and which is also chaired by an Outside Director. The committee will then report such details to the Board of Directors. The amount of remuneration paid to respective Audit & Supervisory Board Members will also be deliberated on by the Human Resources and Remuneration Committee, and such details will be subsequently reported to all Audit & Supervisory Board Members.

**(5) Matters relating to Outside Directors and Outside Audit & Supervisory Board Members**

[Outside Director]

		TACHIBANA FUKUSHIMA Sakie	OTA Yoshikatsu
A.	Important concurrent positions	President and Representative Director of G&S Global Advisors Inc. Outside Director of Bridgestone Corporation Outside Director of Ajinomoto Co., Inc. Outside Director of Mitsubishi Corporation	Special Advisor of KONICA MINOLTA, INC. Outside Director of YAMAHA CORPORATION
	Relationship with the Company	No special relationships exist	No special relationships exist
B.	Relationship with specified affiliated business operator	No items to report	No items to report
C.	Major activities during current fiscal year	Tachibana Fukushima Sakie attended all 16 meetings of the Board of Directors held during the current fiscal year. She contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of the Internal Directors in providing advice and oversight with respect to the direction of overall management and other such matters. She does so based on her in-depth understanding regarding globally-minded human resources and her abundant experience and knowledge as an international corporate manager. Moreover, she serves as the chairman of the Human Resources and Remuneration Committee which acts as an advisory committee to the Board of Directors, and helps ensure transparency and objectivity in matters of staffing and remuneration involving the management team.	Ota Yoshikatsu attended all 12 meetings of the Board of Directors held during the fiscal year, subsequent to his appointment as a Director. He contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of the Internal Directors in providing advice and oversight with respect to promoting Group management and other such matters. He does so based on his extensive experience and abundant knowledge as a corporate manager, underpinned by his background which includes promoting the corporate merger between Minolta Co., Ltd. and Konica Corporation, acting as a manager of a company that, like this Company, is a holding company, and serving as a chairman of the board of directors of a company with three committees (nomination, audit and remuneration committees). Moreover, he serves as a member of the Human Resources and Remuneration Committee which acts as an advisory committee to the Board of Directors, and helps ensure transparency and objectivity in matters involving the appointment of executives.

(Note) Outside Directors Tachibana Fukushima Sakie and Ota Yoshikatsu are independent officers, which are required to be put in place by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. for the protection of general shareholders.

[Outside Audit & Supervisory Board Member]

		TSURUTA Rokurou	ISHII Yasuo	NISHIKAWA Koichiro
A.	Important concurrent positions	Attorney at law Outside Director of TPR Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. Outside Member of the Board of Directors of KYB Corporation	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	Outside Director of Kyowa Hakko Kirin Co., Ltd Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
	Relationship with the Company	No special relationships exist	No special relationships exist	No special relationships exist
B.	Relationship with specified affiliated business operator	No items to report	No items to report	No items to report
C.	Major activities during current fiscal year	Tsuruta Rokurou attended 15 of the 16 meetings of the Board of Directors held during the current fiscal year. He contributes to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice, recommendations and other feedback to the Board of Directors, with respect to matters such as regulatory compliance in managing operations such as internal controls and audits. He does so based on his in-depth understanding of legal affairs as a legal professional. Moreover, he serves as a member of the Human Resources and Remuneration Committee which acts as an advisory committee to the Board of Directors, and helps ensure transparency and objectivity in matters involving the appointment of executives. In addition, he attended 14 of the 15 meetings of the Audit & Supervisory Board held during the current fiscal year, where his input included exchanging opinions on audit results and participating in deliberations on important audit matters.	Ishii Yasuo attended all 12 meetings of the Board of Directors held during the fiscal year, subsequent to his appointment as an Audit & Supervisory Board Member. He contributes to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice, recommendations and other feedback to the Board of Directors, with respect to concepts of management strategy and other such matters. He does so based on his longstanding experience working abroad, along with his abundant experience and suitable knowledge in the field of global management outside the retail industry, encompassing expertise in developing business overseas. Moreover, drawing on his experience as a director of a company with an audit & supervisory board, he furnishes advice on heightening precision with respect to initiatives of the Board of Directors and the Audit & Supervisory Board operating under the company with an audit & supervisory board. He attended all 11 meetings of the Audit & Supervisory Board held during the fiscal year subsequent to his appointment as an Audit & Supervisory Board Member, accordingly exchanging opinions on audit results and participating in deliberations on important audit matters.	Nishikawa Koichiro attended all 12 meetings of the Board of Directors held during the fiscal year, subsequent to his appointment as an Audit & Supervisory Board Member. He contributes to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice, recommendations and other feedback to the Board of Directors, with respect to matters such as taking risks regarding new business and M&As. He has been involved in business alliances, M&A activities, management reforms and other such endeavors, and also has suitable knowledge from a financial perspective gained through his experience being involved in important international negotiations on many occasions. He attended all 11 meetings of the Audit & Supervisory Board held during the fiscal year subsequent to his appointment as an Audit & Supervisory Board Member, accordingly exchanging opinions on audit results and participating in deliberations on important audit matters.

(Note) The three above-mentioned Outside Audit & Supervisory Board Members are independent officers, which are required to be put in place by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. for the protection of general shareholders.



**(6) Outline of limited liability agreements**

The Company enters into agreements limiting liability for damages such that are stipulated in Paragraph 1, Article 423 of the Companies Act, pursuant to Paragraph 1, Article 427 of the said Act, with Outside Directors Tachibana Fukushima Sakie and Ota Yoshikatsu, and with full-time Audit & Supervisory Board Members Ochi Bunshiro and Kato Yoichi, and with Outside Audit & Supervisory Board Members Tsuruta Rokurou, Ishii Yasuo and Nishikawa Koichiro. These agreements limit the amount of their liability for damages to the higher of either ¥12,000,000 or the minimum amount of liability such that is stipulated in Paragraph 1, Article 425 of the said Act.

## 5. Matters relating to Accounting Auditor

### (1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

### (2) Amount of remuneration, etc. of Accounting Auditor

(i) Amount of remuneration, etc. to be paid by the Company	¥65 million
(ii) Total cash and other financial profits to be paid by the Company and its subsidiaries	¥167 million

(Notes)

1. Among the significant subsidiaries of the Company, PARCO Co., Ltd. and its 4 subsidiaries are audited by auditing firms other than the Accounting Auditor of the Company. PARCO Co., Ltd. is audited by KPMG AZSA LLC.
2. The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in (i) above indicates the total of these two kinds of amounts.

### (3) Content of non-audit service

Consulting service for the introduction of International Financial Reporting Standards (IFRS)

### (4) Rationale for Audit & Supervisory Board's agreement on remuneration of the Accounting Auditor

The Audit & Supervisory Board furnished its agreement with respect to the amount of remuneration, etc. provided to the Accounting Auditor upon conducting a review regarding audit appropriateness with respect to the Accounting Auditor's audit plan, its execution of duties, the basis used for calculating remuneration estimates and other factors.

### (5) Policy for determining dismissal or non-reappointment of Accounting Auditor

The Audit & Supervisory Board is to take necessary measures that include dismissing the Accounting Auditor upon gaining consent of all Audit & Supervisory Board Members, or otherwise making a decision on proposals to dismiss or not reappoint the Accounting Auditor submitted to the Shareholders Meeting, in the event that the Audit & Supervisory Board deems it appropriate to dismiss or otherwise not reappoint the Accounting Auditor, either if there are grounds for dismissal as provided for in Article 340, Paragraph 1 of the Companies Act of Japan, or if a situation arises whereby the audit of the Company has been significantly impeded such as would be the case if the supervisory authorities were to issue an order requiring suspension of auditing activities.

### (6) Business suspension imposed on Accounting Auditor during the current fiscal year

Details regarding disciplinary action announced by Japan's Financial Services Agency (FSA) on December 22, 2015, are as follows.

- (i) Entity subject to disciplinary action  
Ernst & Young ShinNihon LLC
- (ii) Details of disciplinary action
  - Three-month suspension of operations related to conclusion of new contracts (January 1, 2016 to March 31, 2016)
  - Business improvement order
- (iii) Grounds for disciplinary action
  - A) With respect to Ernst & Young ShinNihon LLC's audit of Toshiba Corporation's financial statements for the fiscal years ended March 31, 2010, 2012 and 2013, seven certified public accountants acted in negligence of due care by having attested that those financial statements contained no material misstatements, even though those statements did in fact contain material misstatements.
  - B) The audit firm's operations were deemed conspicuously inappropriate.

On January 22, 2016, the FSA made the decision to impose a ¥2,111,000,000 fine.

## **6. Basic Ideas on Corporate Governance**

### **(1) Role of Corporate Governance**

We believe that ensuring sustainable growth of the JFR Group and increasing corporate value over the medium to long term is paramount to realizing ideals of the Group Philosophy. Accordingly, the role of corporate governance in the JFR Group must be to help enable us to realize the ideals of the Group Philosophy.

The Company assumes responsibility as a pure holding company for ensuring managerial transparency, soundness and compliance centered on corporate governance of the JFR Group, with the aim of realizing the ideals of the Group Philosophy.

### **(2) Relationship with Shareholders**

Our shareholders are the providers of the Company's capital and act as the main source of the JFR Group's corporate governance. Accordingly, the Company respects shareholder rights to the maximum extent (including those of minority shareholders and foreign shareholders), and substantively ensures their rights.

The Company treats its shareholders equitably and impartially, in accordance with types and numbers of shares held by shareholders. Moreover, neither the Company nor the JFR Group provides property benefits to any person, such that relate to the exercise of the rights of specific shareholders.

### **(3) Information Disclosure**

We believe that promoting constructive dialogue with our shareholders and investors helps the JFR Group achieve sustainable growth while increasing corporate value over the medium to long term. The Company is committed to timely and appropriate disclosure of information premised on constructive dialogue, and through such initiatives maintains and develops trusting relations with its stakeholders.

The Company discloses important information of the JFR Group in a timely and appropriate manner, in accordance with Japan's Financial Instruments and Exchange Act and other such laws and regulations, as well as in accordance with rules for timely disclosure stipulated by financial instruments exchanges on which the Company's shares are listed. Even in cases where such laws, regulations and the timely disclosure rules do not apply, the Company recognizes information deemed useful to shareholders, investors and other stakeholders as important with respect to its corporate activities as called for by society. As such, the Company proactively discloses such information in an impartial and swift manner using appropriate means, and with the added aim of facilitating more extensive understanding regarding the JFR Group.

#### **(4) Roles and Responsibilities of the Board of Directors, etc.**

Directors and Audit & Supervisory Board Members, who are appointed by the shareholders and are entrusted with management of the Company, are to carry out the roles and responsibilities in the Board of Directors as listed below. They are to do so in accordance with of their fiduciary responsibility and accountability to shareholders, and with the aim of realizing the ideals of the Group Philosophy. Accordingly, these roles and responsibilities include:

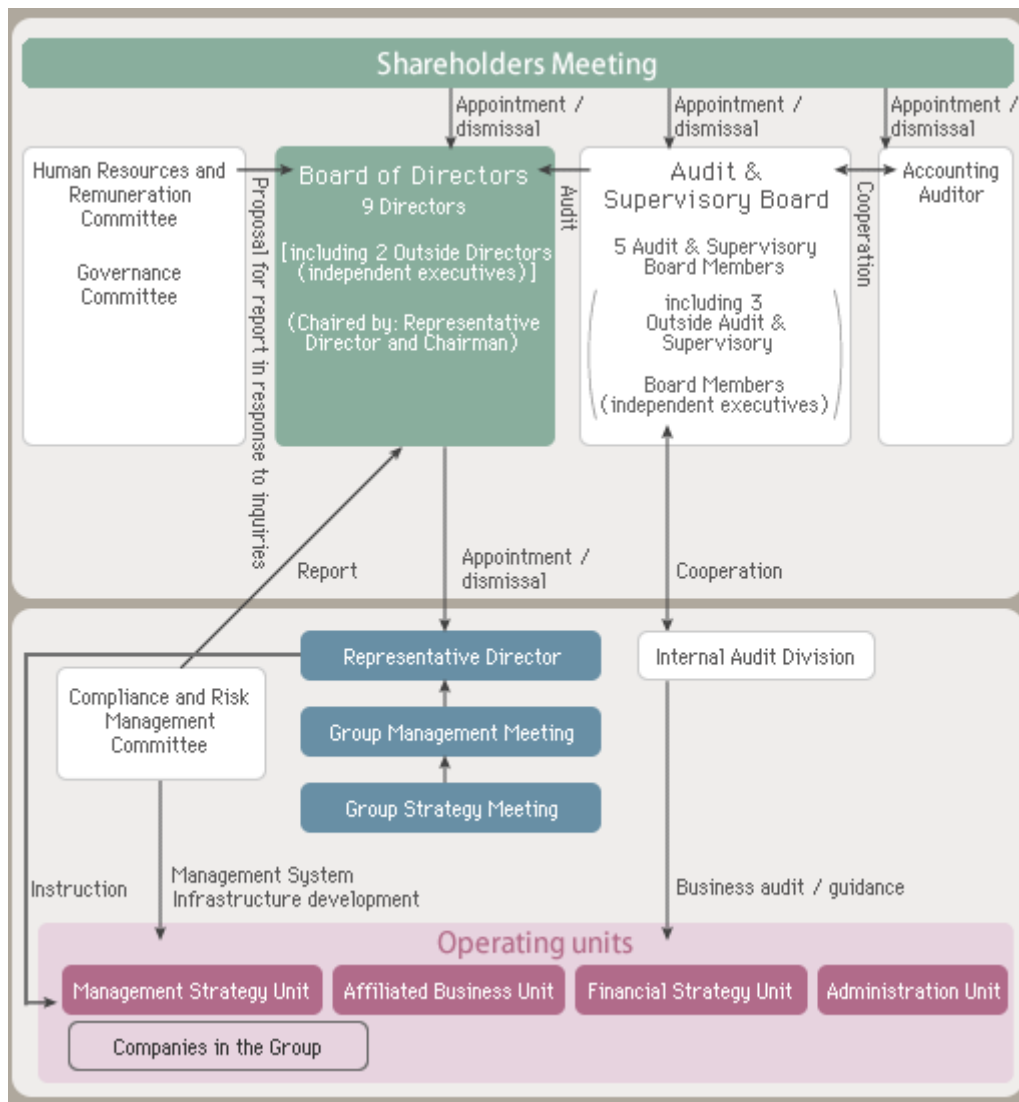
- (i) Indicating the overall direction that Group management is to take, by engaging in constructive discussions with respect to the vision, management strategies, business plans and other fundamental management policies, and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;
- (ii) Making swift and resolute decisions regarding important matters of business execution involving Group management on the basis of the direction noted above, while ensuring that the decision-making process is transparent, fair and rational;
- (iii) Tracking progress of management strategies and business plans, and also determining matters of staffing and remuneration involving the management team on the basis of assessing the aforementioned;
- (iv) Taking steps to build and develop internal control systems of the JFR Group overall, and otherwise overseeing the operational status of such systems;
- (v) Overseeing conflicts of interest between related parties; and
- (vi) Drawing up plans regarding successors (next senior management team) and overseeing progress made in that regard.

The Company has recently adopted the company with an Audit & Supervisory Board organizational structure\*. Rationale used in adopting this structure is as described below.

- (i) Under the structure, responsible persons who execute business of respective JFR Group businesses ensure that tasks are executed in a cohesive and ongoing manner by taking part in meetings of the Board of Directors where those involved deliberate and make decisions on important matters relating to business of the Group.
- (ii) The structure provides a rational means of carrying out audits for the purpose of ensuring legal compliance of Group management. Accordingly, Audit & Supervisory Board Members whose independence and autonomy are legally ensured perform highly objective audits, and full-time Audit & Supervisory Board Members perform extremely precise audits drawing on sophisticated capabilities to gather information.

Moreover, under the company with an Audit & Supervisory Board structure, multiple independent Outside Directors are appointed to supplement functions of the Board of Directors, particularly with the aim of ensuring the effectiveness of the oversight function. Meanwhile, we take initiatives to enhance functions of the Board of Directors by establishing the Human Resources and Remuneration Committee and the Governance Committee to act as advisory committees of the Board of Directors.

\*) We continually review options for adopting optimal systems with respect to the Company's organizational structure (involves selecting a corporate governance structure among options that include the company with an Audit & Supervisory Board, company with supervisory committee, and company with three committees {nomination, audit and remuneration committees} structures) and with respect to making use of Internal Directors who do not execute business, in order to further heighten the effectiveness of our corporate governance, and to help the JFR Group achieve sustainable growth while increasing corporate value over the medium to long term.



## 7. System and policies of the Company

### (1) Systems to ensure properness of operations <Basic Policy to Build Internal Control System>

(Revised on March 25, 2016)

This policy sets forth basic policy on developing internal control systems with the aim of ensuring appropriateness of operations performed by the entire corporate group which is composed of the Company and its subsidiaries (hereinafter, the “Group”). Accordingly, we aim to increase corporate value through specific initiatives geared toward promoting this policy.

- I. System to ensure that execution of duties by Directors, etc., and employees of all Group companies complies with laws and regulations and the Articles of Incorporation  
(Item 6, Paragraph 4, Article 362 of the Companies Act and Item 4 and Item 5 (d), Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

#### (1) Corporate governance

- (i) Final decision making on important matters relating to management and supervision of execution of duties by Directors shall be in compliance with the “Rules of the Board of Directors” and shall be carried out at meetings of the Board of Directors held at least once every month.
- (ii) For decision making, monitoring action and the like by the Board of Directors, highly independent Outside Directors able to make judgments with independence from top

management and to make appropriate decisions shall be appointed.

- (iii) Audit & Supervisory Board Members shall carry out auditing of execution of duties by Directors and Executive Officers in compliance with the “Rules of the Audit & Supervisory Board” and the “Audit & Supervisory Board Members’ Audit Standard.”
- (iv) The Company shall bring in Outside Audit & Supervisory Board Members with knowledge and experience to monitor the management of the Company from an objective standpoint and shall strengthen its auditing function.
- (v) Other than the Board of Directors and the Audit & Supervisory Board, the Company shall operate the following meeting structures.

Group Management Meeting

(This meeting shall be composed of Internal Directors and attendance by Full-time Audit & Supervisory Board Members shall be required. It shall deliberate over and determine important policies and measures with respect to overall group management.)

Group Strategy Meeting

(This meeting shall be composed of Internal Directors. It shall carry out debates on important issues with respect to group management and shape approaches to such issues.)

Group Results and Strategy Examination Meeting

(This meeting shall be composed of Internal Directors, etc. Its activities shall include carrying out debates on group results and related important issues and following them up.)

Group Liaison Meeting

(This meeting shall be composed of Internal Directors, etc. Its activities shall include sharing information on important matters among all Group companies.)

Affiliated Business Presidents Meeting, SS Business Presidents Meeting

(These meetings shall confirm progress of results, confirm issues and exchange information at all Group companies excluding department stores.)

- (vi) The Company shall establish the Management Strategy Unit, the Affiliated Business Unit, Financial Strategy Unit and the Administration Unit and clarify the roles, responsibilities and authorities of organizations, and shall introduce an Executive Officer system and work to separate management decision making from the execution of business.

(2) Compliance and risk management

- (i) The Company shall ensure that all officers and employees of all Group companies are thoroughly familiarized with the “JFR Group Mission Statement” and the “JFR Group Compliance and Risk Management Manual.”
- (ii) The Company shall establish the Compliance and Risk Management Committee. The President shall be the chairperson and the members of the committee shall be corporate lawyers and Directors, Audit & Supervisory Board Members and others selected by the chairperson.
- (iii) An officer shall be put in charge of compliance and risk management in order to promote the operation of compliance and risk management.
- (iv) At each Group company, departments and responsible persons shall be put in charge of promotion of compliance and risk management, and shall carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.
- (v) The Compliance and Risk Management Committee shall work to develop the foundations of compliance and risk management such as internal company rules, operation management manuals and formulation of management systems. In addition, the committee shall strengthen systems that are in compliance with laws and regulations and internal company rules at all Group companies by periodically carrying out work rank-tailored compliance and risk management training through departments in charge of promotion of compliance and risk management at each company. Internal company rules, manuals and the like shall be made

available for inspection and verification by all officers and employees at any time by posting them on the intranet.

- (vi) The Compliance and Risk Management Committee shall periodically request reports from persons in charge of promotion of compliance and risk management at each Group company regarding the status of compliance and risk management in their respective areas of responsibility, and take proper rectification measures. In addition, the committee shall formulate guidelines and measures to prevent recurrence to be followed and taken by the Group as a whole, and implement the said guidelines and measures.
  - (vii) The Company shall establish the “JFR Group Compliance Hotline” as the whistle-blowing system of the JFR Group that also extends beyond companies (to a corporate lawyer), which may be used by all persons working at all Group companies.
  - (viii) The Company shall establish the Internal Audit Division, which shall audit the operations of all Group companies or which shall properly report the results of audits of operations, examine the properness and effectiveness of the processes for these operations, and provide guidance and education to all departments at the Company and all Group companies. Important matters shall be properly reported to the Board of Directors and the Audit & Supervisory Board.
- (3) System to secure appropriateness of financial reporting
- The Company shall be in compliance with accounting standards and various associated laws and regulations, and shall construct an internal company system to secure the legality and appropriateness of its financial reporting. In addition, all Group companies shall also construct the same system.

## II. Rules concerning management of risk of losses of all Group companies and other systems

(Item 2 and Item 5 (b), Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) For risks involved in business operations, the Compliance and Risk Management Committee shall carry out evaluations and management, and for important risks, the committee shall periodically report on the risk management status to the Board of Directors.
- (ii) Of the risks involved in business operations that are identified, for particularly serious items, the Compliance and Risk Management Committee shall deliberate over and determine a policy in response, and shall prevent them from occurring by having each of the responsible departments of all Group companies execute the said policy.
- (iii) For crisis events such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the “Emergency Response Headquarters” headed by the President.

## III. System for storage and management of information regarding execution of duties by Directors

(Item 1, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) For the below-mentioned documents relating to the execution of duties by Directors, in accordance with the rules on document management, each responsible department shall carry out document storage and management during the stipulated period and shall develop a system to enable inspections of such documents at any time.
  - 1) Minutes of shareholders meetings and related documents
  - 2) Minutes of Board of Directors meetings and related documents
  - 3) Circular approval memos, applications, and reports
  - 4) Documents relating to financial reporting
- (ii) For minutes and related documents regarding meetings chaired by Directors and other important documents relating to the execution of duties by Directors, each responsible department shall carry out document storage and management and shall develop a system to enable inspections of such documents at any time.

IV. System to ensure efficient execution of duties by Directors, etc. of all Group companies

(Item 3 and Item 5 (c), Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) The Company shall have the Management Strategy Unit, the Affiliated Business Unit, the Financial Strategy Unit and the Administration Unit as management bodies of the Company, and Directors shall be, in principle, appointed as the heads of the units. Under this structure, communication of decision-making matters at the Board of Directors to the Executive Officers shall be facilitated and business shall be executed expeditiously.
- (ii) The President and the unit heads of the Company shall work to achieve management targets and medium- and long-term plans based on their respective roles, responsibilities and authorities by thoroughly making them known to all officers and employees of all Group companies, and giving execution instructions and carrying out monitoring of efficient execution of business. Regarding progress in achieving targets at each department based on the management targets and medium- and long-term plans, they shall also demand reports at the Group Results and Strategy Examination Meeting and the like, and manage such progress accordingly.
- (iii) For deliberation and determination of company-wide important matters, the Group Management Meeting, the Group Strategy Meeting and others shall be used effectively to contribute to decision making by the Board of Directors.
- (iv) The Company shall plan and formulate the Group's business strategies, optimally allocate the Group's management resources, and track the progress and results of the Group's strategies. Moreover, the Company shall provide to Group companies various types of services, such as necessary and appropriate guidance and management, etc. for management operations, based on the contracts with each Group company to increase the business value of the entire Group.
- (v) The Company shall construct systems to raise overall efficiency of the Group such as the introduction of the Group's common accounting system in principle and promotion of centralized management of Group funds.

V. System for reporting to the Company on matters involving execution of duties by Directors, etc. of all Group companies

(Item 5 (a), Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) The President and the unit heads of the Company shall provide guidance to all Group companies for the development of a proper internal control system regarding operations deemed necessary.
- (ii) The President and the unit heads of the Company shall require all Group companies to make reports on their businesses through bodies such as the Group Results and Strategy Examination Meeting, the Affiliated Business Presidents Meeting and the SS Business Presidents Meeting, and shall supervise the proper execution of business.
- (iii) The Internal Audit Division shall carry out internal audits of everyday operations at all Group companies or which shall properly report the results of audits of operations, examine the properness and effectiveness of the processes for these operations, and provide guidance and education to all departments at the Company and all Group companies. Important matters shall be properly reported to the Board of Directors and the Audit & Supervisory Board.
- (iv) The Compliance and Risk Management Committee shall control the departments and persons in charge of promotion of compliance and risk management at each Group company and promote compliance and risk management operations at all Group companies through use of the meeting bodies.
- (v) In cases where the Company's business management or the contents of its management guidance is in violation of laws and regulations or other problems in terms of compliance and risk management are recognized, Group companies shall report the matter to the Audit & Supervisory Board Members and the Compliance and Risk Management Committee of the Company. If this occurs, the Audit & Supervisory Board Members and the Compliance and Risk Management Committee of the Company may state an opinion to the Board of Directors and request the formulation of an improvement plan.
- (vi) Group companies shall report to the Company with respect to matters involving business



operational risk and situations involving any occurrence of a crisis event such as a large-scale earthquake, fire or accident.

VI. Matters regarding employees who assist Audit & Supervisory Board Members in their duties when Audit & Supervisory Board Members request assignment of such employees, and the independence of such employees from Directors, and ensuring that effective instructions are provided to such employees from Audit & Supervisory Board Members

(Items 1, 2 and 3, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) Dedicated staff assigned to Audit & Supervisory Board Members shall be in charge of assistance for Audit & Supervisory Board Members in their duties.
- (ii) Appointments and transfers of staff assigned to Audit & Supervisory Board Members shall be carried out with the consent of Internal Audit & Supervisory Board Members.
- (iii) Personnel evaluations of staff assigned to Audit & Supervisory Board Members shall be carried out with the consent of Internal Audit & Supervisory Board Members.
- (iv) The authority to give directions and commands to staff assigned to Audit & Supervisory Board Members shall reside with the Audit & Supervisory Board Members.

VII. System for reporting by Directors, etc., and employees of all Group companies to Audit & Supervisory Board Members and other systems to ensure effective execution of audits by Audit & Supervisory Board Members

(Item 4 (a), (b) and Item 7, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

- (i) If there is an event or risk of event that is significantly damaging to all Group companies, if unlawful or wrongful conduct by a Director, etc. or an employee of all Group companies is discovered, or if any other event stipulated by the Audit & Supervisory Board as a matter to be reported occurs, Directors, and employees of the Company shall report such fact to the Audit & Supervisory Board. Furthermore, notwithstanding the foregoing, an Audit & Supervisory Board Member may at any time request a report from a Director, etc. or an employee of all Group companies as necessary.
- (ii) In order to enable Audit & Supervisory Board Members to grasp important decision-making processes and the status of execution of duties, Audit & Supervisory Board Members may attend important meetings and committees such as meetings of the Board of Directors and the Group Management Meeting. In addition, they may inspect important documents associated with the execution of duties, such as circular approval memos, and request explanations of the said documents from officers and employees of all Group companies where necessary.
- (iii) Audit & Supervisory Board Members of subsidiaries and the Internal Audit Division and the Internal Audit Departments of all Group companies shall carry out necessary audits, submissions of audit reports and other duties if requested or demanded to do so by an Audit & Supervisory Board Member.
- (iv) The Audit & Supervisory Board shall be in compliance with the “Rules of the Audit & Supervisory Board” and shall have periodic meetings and the like with the Representative Directors in order to develop the environment for auditing by Audit & Supervisory Board Members, strengthen the relationship between them and the Representative Directors, and provide feedback to management based on their auditing.
- (iv) The Audit & Supervisory Board shall be in compliance with the “Rules of the Audit & Supervisory Board” and shall have periodic meetings and the like with the Representative Directors in order to develop the environment for auditing by Audit & Supervisory Board Members, strengthen the relationship between them and the Representative Directors, and provide feedback to management based on their auditing.
- (v) The head of the secretariat of the Compliance and Risk Management Committee shall swiftly report to the Compliance and Risk Management Committee and the Audit & Supervisory Board Members on the details of matters (excluding immaterial matters) reported to the “JFR Group Compliance Hotline.”
- (vi) Audit & Supervisory Board Members of subsidiaries and the Internal Audit Division and Internal Audit Departments of all Group companies shall swiftly report to the Audit &

Supervisory Board Members of the Company on the results of internal audits and when unlawful or wrongful conducts are discovered.

(vii) The department managing the Group companies, such as the Affiliated Business Unit shall swiftly report to the Audit & Supervisory Board Members of the Company on unlawful or wrongful conduct from each of the Group companies.

(viii) Audit & Supervisory Board Members of the Company shall have periodic meetings and the like with the Audit & Supervisory Board Members of subsidiaries to enhance and strengthen the auditing of the entire Group.

VIII. System to ensure that persons who report the matters of VII above do not receive disadvantageous treatment for making such reporting

(Item 5, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) No Group company shall subject a person who made a report to disadvantageous treatment for the reason that the person made the report.

(ii) If it is reported that a person who made a report is receiving disadvantageous treatment, then the head of the secretariat of the Compliance and Risk Management Committee shall instruct the relevant Group company to carry out investigation of the facts.

IX. Matters related to policy on the processing of costs, etc. incurred by Audit & Supervisory Board Members as part of their execution of duties

(Item 6, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) Budgets shall be provided for in the annual budget plan for miscellaneous costs relating to audits.

(ii) When an invoice is received for miscellaneous costs relating to audits, the payment procedures shall, in principle, be carried out swiftly based on the aforementioned invoice.

(iii) Even when there are miscellaneous costs expended by the Audit & Supervisory Board Member in extraordinary cases or in times of emergency not included in the budget, the payment procedures shall, in principle, be carried out swiftly based on the aforementioned invoice.

## **(2) Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control Systems>**

The Company endeavors to maintain its internal control systems and properly operate such systems on the basis of its “Basic Policy to Build Internal Control Systems.” Details regarding the overall status of such operations during the current fiscal year are as follows.

### **I. Corporate governance**

(i) The Company has prepared its “Corporate Governance Guidelines” specifying the role of corporate governance within the Group, with the aims of sustainable growth, increasing corporate value over the medium to long term, and bringing about the best possible corporate governance practices with respect to the Group.

(ii) In accordance with the Group Philosophy, the Company believes that parties who assume management of the Group should be equipped with qualities that include a “strategic mindset,” “reform-oriented leadership,” “tenacity for achieving results,” “organization development strengths,” and “human resource development strengths.” To that end, matters involving human resources with respect to Directors, Audit & Supervisory Board Members and Executive Officers of the Company and its major subsidiaries are carried out on the basis of the policy for nominations and appointments, and such decisions are made in accordance with results of managerial talent evaluations performed by a third-party organization.

(iii) Over the months June to September 2015, the Company had a third-party organization perform an evaluation with respect to the Board of Directors. The evaluation itself brought the roles and responsibilities of the Board of Directors into focus, and accordingly involved performing analyses and evaluation with respect to each evaluation category, which included the Board of Directors’ composition, its operational status, meeting agenda items, and

materials for deliberations. The evaluation was performed using a methodology where the Board of Directors carried out deliberations on the basis of a report that had been prepared by the third-party organization, containing summaries and analyses of the results of individual interviews regarding the views and issue awareness of those interviewed with respect to all Audit & Supervisory Board Members and the Board of Directors, along with direct observations of the Board of Directors.

- (iv) The Company has been reviewing the composition, operations and rules of the Human Resources and Remuneration Committee, which acts as an advisory committee to the Board of Directors, and at the same time has established a new Governance Committee, which has been holding discussions and exchanging views regarding issues of corporate governance and business management overall (this includes views with respect to the Company's organizational structure).

## II. Compliance and risk management system and managing risk of loss

- (i) The Company has posted the "J. Front Retailing Group Mission Statement" and the "J. Front Retailing Group Compliance and Risk Management Manual" to the corporate intranet, and furthermore implements educational instruction on the basis of job position and e-learning instruction to promote awareness of compliance issues. During the current fiscal year, the central themes in this regard included measures for ensuring security of personal information and measures against falsely misrepresenting the advantages or quality of a product or service, with a focus on claims made in advertising.
- (ii) The Company has established the Compliance and Risk Management Committee whose membership includes corporate lawyers for the purpose of addressing issues of JFR Group compliance management practices and appropriately managing and evaluating risks involved in business operations. The Compliance and Risk Management Committee draws up policy for addressing matters involving serious compliance-related violations and matters involving risk. In addition, the committee also works to develop the foundations of compliance and risk management systems (such as establishing internal company rules, operation management manuals and management systems) for departments in charge of promoting compliance and risk management.

The committee also reports details on deliberations of Compliance and Risk Management Committee meetings (held four times during the current fiscal year) to the Board of Directors regularly and in a timely manner.

- (iii) The Company has established a whistle-blowing system (JFR Group Compliance Hotline). Under the whistle-blowing system, the Company has established internal rules of the Group which rigorously protect the confidentiality of whistle-blowers and prohibit disadvantageous treatment of such individuals. Moreover, the Company also appropriately addresses issues that have been reported.
- (iv) For crisis events such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the "Emergency Response Headquarters" headed by the President. During the current fiscal year, there were no large-scale earthquakes, fires, accidents or other such calamities.

## III. Execution of duties by Directors

- (i) The Board of Directors carries out its roles and responsibilities with respect to management strategies, business plans and other fundamental management policies, by indicating the overall direction that Group management is to take through constructive discussions in that regard, and through multifaceted and objective deliberations that included evaluation of risks in that regard; and the Board of Directors carries out its roles and responsibilities with respect to important matters of business execution by making swift and resolute decisions.

With respect to meetings of the Board of Directors, the Directors have reviewed meeting agenda items stipulated in the "Rules of the Board of Directors" in order to better focus discussions in a strategic direction. On the basis of the "Rules of the Board of Directors," the Board of Directors is also engaging in discussions taking into account the opinions of the outside officers during their meetings (held 16 times during the current fiscal year).

- (ii) To support outside officers and coordinate information with them, explanations of the overall business are being provided upon newly assuming their office. Also, proposals to be made at

meetings of the Board of Directors are being explained to them before such meetings are held, including details on proceedings of discussions that have taken place within the Company and the background to such matters.

- (iii) Annual agendas are being scheduled; in terms of making decisions on executing management strategy and other important matters of business, an effective and efficient management framework has been established, which involves engaging in a series of discussions beginning in the direction planning phase; minutes of the meetings of the Board of Directors are being accurately recorded and prepared, and; information is being properly stored and managed.

IV. System to ensure properness of operations at the corporate group

- (i) Systems are being developed for receiving resolutions of the Company's Board of Directors and other approvals involving important matters pertaining to Group management.
- (ii) The "Group Management Meeting" and other such forums are receiving reports from respective Group companies with respect to the status of business execution.
- (iii) With respect to internal controls for financial reporting, the Internal Audit Division is evaluating internal controls of respective Group companies that are subject to evaluation, on the basis of the "Rules on Internal Controls for Financial Reporting."

V. System to ensure effective execution of duties and audits by Audit & Supervisory Board Members

- (i) In attending important meetings that include meetings of the Board of Directors, the Group Management Meeting, and the Compliance and Risk Management Committee, the Audit & Supervisory Board Members check details of decisions made on business execution.
- (ii) The Audit & Supervisory Board Members conduct on-site audits at respective Group companies. They also regularly exchange information and opinions with the Representative Directors, the Internal Audit Division, the Accounting Auditor and others, and they improve the effectiveness and efficiency of audits.
- (iii) The Company has established the Audit & Supervisory Board Secretariat and assigned to it one person, in order for it to function as a system for enabling Audit & Supervisory Board Members to smoothly carry out their duties. Moreover, a budget is set to cover anticipated expenses required by Audit & Supervisory Board Members in carrying out their duties.

**(3) Basic policy regarding control of the Company**

I. Contents of basic policy

The Company believes it is necessary for the party controlling the Company's financial and business policy decisions to be a party who sufficiently understands the financial and business details of the Group and the sources of the Group's corporate value, continuously and sustainably ensures that the corporate value of the Group and, by extension, the common interests of shareholders are served, and enables further improvement in this area.

As the Company is a listed enterprise, the Company's policy regarding its shareholders is that, in general, they are determined through free market transactions on the financial instruments market. Furthermore, even in the case of a purchase of shares of the Company above a certain scale by specific shareholders or specific groups (hereinafter "Large-Scale Purchase"), if this Large-Scale Purchase will contribute to the corporate value of the Group and, by extension, the common interests of its shareholders, the Company believes that this should not be rejected outright and that, ultimately, the decision on whether to accept or reject it should be left to the discretion of the Company's shareholders.

Nevertheless, a Large-Scale Purchase that involves a serious risk of causing damage to the corporate value of the Group may be envisaged. This may include a Large-Scale Purchase that, in view of its purpose and other factors, would demonstrably harm the Group's corporate value; one with the potential to involve substantial coercion of shareholders to sell shares of the Company; or one that would not provide sufficient time and information for the Company's Board of Directors and shareholders to consider factors such as the details of the large-scale purchaser's proposal, or for the Company's Board of Directors to make an alternative proposal.

A party attempting this kind of Large-Scale Purchase, which would not contribute to the corporate value of the Group and, by extension, the common interests of its shareholders

(hereinafter, the “Large-Scale Purchaser”), would not be appropriate as a party controlling the Company’s financial and business policy decisions. Accordingly, the Company believes that it is the duty of the Company’s Board of Directors, which is entrusted by the shareholders to manage the Company, to respond to this kind of Large-Scale Purchase by ensuring that processes such as provision of information by the Large-Scale Purchaser and considerations and evaluations by the Company’s Board of Directors are carried out, and securing sufficient time for the Company’s Board of Directors and shareholders to consider the details of the Large-Scale Purchaser’s proposal in order to prevent damage to the corporate value of the Group and, by extension, the common interests of its shareholders.

## II. Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has been engaged in businesses of kimono fabric stores and department stores for many years based on the corporate philosophies and traditional spirits of these businesses, which are: “Service before profit (those who place service before profit will prosper),” “Abjure all evil; pursue all good” and “In doing good to others, we do good to ourselves.”

The Company believes that the sources of the Group’s corporate value are the relationships of trust it has established with customers and with society, which have been refined on the basis of these philosophies and spirits.

Accordingly, in order to exemplify the principles of “customer-first principle” and “contribution to society,” which are in common with these philosophies and spirits, the Company has established the following basic philosophies of the Group: “to aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations” and “to aim at developing the Group by making a broad contribution to society as a fair and trusted business entity.” Based on these basic philosophies, the Company implements a wide range of measures with the aim of realizing the Group’s vision, which is to secure a position as a leading Japanese retail company both in terms of quality and quantity, with the Department Store Business at its core, in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

## III. Framework to prevent parties deemed inappropriate in light of basic policy from controlling the financial and business policy decisions of the Company

At present, the Company has not specifically stipulated a concrete framework for a case in which a Large-Scale Purchaser appears, commonly known as takeover defense measures.

Nevertheless, the Company believes that, in order to prevent damage to the Group’s corporate value if a Large-Scale Purchaser appears, it is necessary to carefully examine the impact a Large-Scale Purchase would have on the Group’s corporate value after ascertaining certain information about the Large-Scale Purchaser. Such information would include the nature of the Large-Scale Purchaser, the purpose of the Large-Scale Purchase, the Large-Scale Purchaser’s proposed financial and business policies and their policy for handling shareholders, the Group’s customers, business partners, employees, the communities that surround the Group and other stakeholders.

Accordingly, if this occurs, the Company will establish an independent committee composed of outside officers and experts with viewpoints that are independent from the Company’s Internal Directors. If the Company judges that the said Large-Scale Purchaser is inappropriate in light of the aforementioned basic policy after considering advice and opinions from the committee, the Company will act to secure the Group’s corporate value and, by extension, the common interests of shareholders by taking necessary and appropriate countermeasures.

## IV. Judgment of the Company’s Board of Directors regarding concrete framework and reasons for such judgment

Various measures formulated by the Group are formulated based on the Group’s basic philosophy, and are intended to further build up the relationships of trust with customers and with society, which are the sources of the Group’s corporate value. Therefore, the Company believes that these measures are in line with the contents of the basic policy and contribute to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

Furthermore, if the Company takes necessary and appropriate countermeasures against a Large-Scale Purchaser judged to be inappropriate in light of the basic policy, the fairness, neutrality and rationality of this judgment will be ensured by making it in consideration of advice and opinions from an independent committee whose independence from the Internal Directors of the Company is assured. Accordingly, the Company believes that these measures would not damage the corporate value of the Group or the common interests of shareholders, and that they are not intended to maintain the positions of the officers of the Company.

**(4) Basic Capital Policy**

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

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

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

**(5) Policy regarding decisions on dividends of surplus, etc.**

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

# Consolidated Financial Statements

## Consolidated Balance Sheet (As of February 29, 2016)

(Millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b><u>Current assets</u></b>	<b><u>180,890</u></b>	<b><u>Current liabilities</u></b>	<b><u>302,944</u></b>
Cash and deposits	30,039	Notes and accounts payable - trade	90,768
Notes and accounts receivable - trade	68,049	Short-term loans payable	40,219
Securities	1,233	Commercial papers	30,798
Inventories	28,205	Income taxes payable	8,322
Deferred tax assets	11,671	Advances received	19,318
Other	41,865	Gift certificates	38,599
Allowance for doubtful accounts	(173)	Provision for bonuses	5,709
		Provision for directors' bonuses	204
		Provision for sales returns	21
		Provision for books unsold	121
		Provision for sales promotion expenses	709
		Reserve for gift certificates	13,913
		Provision for loss on business liquidation	487
		Provision for loss on stores rebuilding	1,245
		Other	52,504
<b><u>Non-current assets</u></b>	<b><u>838,170</u></b>	<b><u>Non-current liabilities</u></b>	<b><u>275,607</u></b>
<b><u>Property, plant and equipment</u></b>	<b><u>668,651</u></b>	Bonds payable	27,000
Buildings and structures	182,772	Long-term loans payable	82,905
Land	360,297	Deferred tax liabilities	89,158
Construction in progress	120,751	Net defined benefit liability	32,707
Other	4,829	Provision for directors' retirement benefits	37
		Provision for loss on business liquidation	564
		Provision for loss on stores rebuilding	1,191
		Other	42,043
<b><u>Intangible assets</u></b>	<b><u>41,444</u></b>	<b><u>Total liabilities</u></b>	<b><u>578,552</u></b>
Goodwill	568	<b><u>Net assets</u></b>	
Other	40,876	<b><u>Shareholders' equity</u></b>	<b><u>392,236</u></b>
<b><u>Investments and other assets</u></b>	<b><u>128,074</u></b>	Capital stock	30,000
Investment securities	46,985	Capital surplus	209,551
Long-term loans receivable	1,503	Retained earnings	163,971
Lease and guarantee deposits	61,515	Treasury shares	(11,286)
Net defined benefit asset	5,687	<b><u>Accumulated other comprehensive income</u></b>	<b><u>(8,537)</u></b>
Deferred tax assets	5,112	Valuation difference on available-for-sale securities	2,113
Other	9,980	Deferred gains or losses on hedges	223
Allowance for doubtful accounts	(2,710)	Foreign currency translation adjustment	516
		Remeasurements of defined benefit plans	(11,391)
<b><u>Deferred assets</u></b>	<b><u>85</u></b>	<b><u>Subscription rights to shares</u></b>	<b><u>14</u></b>
Bond issuance cost	85	<b><u>Minority interests</u></b>	<b><u>56,880</u></b>
		<b><u>Total net assets</u></b>	<b><u>440,594</u></b>
<b><u>Total assets</u></b>	<b><u>1,019,146</u></b>	<b><u>Total liabilities and net assets</u></b>	<b><u>1,019,146</u></b>

(Note) Amounts have been rounded down to the nearest one million yen.

# Consolidated Statement of Income (From March 1, 2015 to February 29, 2016)

(Millions of yen)

Item	Amount	
<b>Net sales</b>		
Net sales of goods	1,151,469	
Rent income of real estate	12,094	<b>1,163,564</b>
<b>Cost of sales</b>		
Cost of goods sold	910,927	
Cost of real estate rent	7,104	918,031
<b>Gross profit</b>		<b>245,532</b>
<b>Selling, general and administrative expenses</b>		<b>197,494</b>
<b>Operating income</b>		<b>48,038</b>
<b>Non-operating income</b>		
Interest income	369	
Dividend income	365	
Share of profit of entities accounted for using equity method	1,886	
Other	3,595	6,216
<b>Non-operating expenses</b>		
Interest expenses	1,419	
Other	4,924	6,344
<b>Ordinary income</b>		<b>47,910</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	960	
Gain on sales of shares of subsidiaries and associates	131	1,091
<b>Extraordinary losses</b>		
Loss on disposal of non-current assets	2,629	
Impairment loss	1,570	
Loss on stores rebuilding	7,492	
Loss on liquidation of business	1,719	
Other	891	14,303
<b>Income before income taxes and minority interests</b>		<b>34,698</b>
Income taxes - current	14,626	
Income taxes - deferred	(9,791)	4,834
<b>Income before minority interests</b>		<b>29,863</b>
Minority interests in income		3,549
<b>Net income</b>		<b>26,313</b>

(Note) Amounts have been rounded down to the nearest one million yen.



# Consolidated Statement of Changes in Equity (From March 1, 2015 to February 29, 2016)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance as of March 1, 2015	30,000	209,556	147,760	(6,369)	380,947	2,352	(35)	659	(7,832)	(4,855)
Cumulative effects of changes in accounting policies			(3,270)		(3,270)					
Restated balance	30,000	209,556	144,490	(6,369)	377,677	2,352	(35)	659	(7,832)	(4,855)
Changes of items during the fiscal year										
Dividends of surplus			(6,832)		(6,832)					
Net income			26,313		26,313					
Purchase of treasury shares				(5,025)	(5,025)					
Disposal of treasury shares		(4)		108	103					
Net changes of items other than shareholders' equity						(238)	258	(143)	(3,558)	(3,681)
Total changes of items during the fiscal year	—	(4)	19,481	(4,917)	14,559	(238)	258	(143)	(3,558)	(3,681)
Balance as of February 29, 2016	30,000	209,551	163,971	(11,286)	392,236	2,113	223	516	(11,391)	(8,537)

	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 1, 2015	15	54,357	430,465
Cumulative effects of changes in accounting policies		(114)	(3,384)
Restated balance	15	54,243	427,080
Changes of items during the fiscal year			
Dividends of surplus			(6,832)
Net income			26,313
Purchase of treasury shares			(5,025)
Disposal of treasury shares			103
Net changes of items other than shareholders' equity	(1)	2,637	(1,045)
Total changes of items during the fiscal year	(1)	2,637	13,513
Balance as of February 29, 2016	14	56,880	440,594

(Note) Amounts have been rounded down to the nearest one million yen.

[Reference]

**Consolidated Statement of Cash Flows (Summary)**

(From March 1, 2015 to February 29, 2016)

(Millions of yen)

Item	Amount
Cash flows from operating activities	36,799
Cash flows from investing activities	(39,741)
Cash flows from financing activities	(1,041)
Effect of exchange rate change on cash and cash equivalents	(0)
Net increase (decrease) in cash and cash equivalents	(3,985)
Cash and cash equivalents at beginning of period	32,132
Cash and cash equivalents at end of period	28,147

(Note) Amounts have been rounded down to the nearest one million yen.

## Non-consolidated Financial Statements

### Non-consolidated Balance Sheet (As of February 29, 2016)

(Millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b><u>Current assets</u></b>	<b><u>41,911</u></b>	<b><u>Current liabilities</u></b>	<b><u>51,543</u></b>
Cash and deposits	11,457	Short-term loans payable	31,100
Short-term loans receivable from subsidiaries and associates	28,325	Commercial papers	19,398
Deferred tax assets	129	Accrued expenses	337
Other	1,998	Income taxes payable	64
		Provision for bonuses	169
		Provision for directors' bonuses	89
		Other	385
<b><u>Non-current assets</u></b>	<b><u>386,178</u></b>	<b><u>Non-current liabilities</u></b>	<b><u>72,894</u></b>
<b><u>Property, plant and equipment</u></b>	<b><u>55</u></b>	Bonds payable	27,000
Buildings and structures	54	Long-term loans payable	45,880
Other	0	Deferred tax liabilities	5
		Other	9
<b><u>Intangible assets</u></b>	<b><u>23</u></b>	<b>Total liabilities</b>	<b>124,438</b>
Software	22	<b>Net assets</b>	
Other	0	<b><u>Shareholders' equity</u></b>	<b><u>303,705</u></b>
<b><u>Investments and other assets</u></b>	<b><u>386,100</u></b>	Capital stock	30,000
Investment securities	813	Capital surplus	247,100
Shares of subsidiaries and associates	324,054	Legal capital surplus	7,500
Long-term loans receivable from subsidiaries and associates	61,090	Other capital surplus	239,600
Other	142	Retained earnings	37,126
		Other retained earnings	37,126
		Retained earnings brought forward	37,126
		Treasury shares	(10,521)
<b><u>Deferred assets</u></b>	<b><u>85</u></b>	<b><u>Valuation and translation adjustments</u></b>	<b><u>17</u></b>
Bond issuance cost	85	Valuation difference on available-for-sale securities	17
		<b><u>Subscription rights to shares</u></b>	<b><u>14</u></b>
		Subscription rights to shares	14
<b>Total assets</b>	<b>428,175</b>	<b>Total net assets</b>	<b>303,737</b>
		<b>Total liabilities and net assets</b>	<b>428,175</b>

(Note) Amounts have been rounded down to the nearest one million yen.

# Non-consolidated Statement of Income (From March 1, 2015 to February 29, 2016)

(Millions of yen)

Item	Amount	
<b>Operating revenue</b>		
Dividend income	9,172	
Consulting fee income	3,040	<b>12,213</b>
<b>General and administrative expenses</b>		<b>3,018</b>
<b>Operating income</b>		<b>9,194</b>
<b>Non-operating income</b>		
Interest income	746	
Other	100	846
<b>Non-operating expenses</b>		
Interest expenses	701	
Other	138	839
<b>Ordinary income</b>		<b>9,201</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	50	50
<b>Extraordinary losses</b>		
Loss on valuation of shares of subsidiaries and associates	1,963	
Loss on support to subsidiaries and associates	300	2,263
<b>Income before income taxes</b>		<b>6,989</b>
Income taxes - current	31	
Income taxes - deferred	84	116
<b>Net income</b>		<b>6,872</b>

(Note) Amounts have been rounded down to the nearest one million yen.

**Non-consolidated Statement of Changes in Equity** (From March 1, 2015 to February 29, 2016)  
(Millions of yen)

(millions of yen)

	Shareholders' equity						Valuation and translation adjustments	Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
		Legal capital surplus	Other capital surplus	Other retained earnings					
				Retained earnings brought forward					
Balance as of March 1, 2015	30,000	7,500	239,602	37,085	(5,532)	308,655	9	15	308,681
Changes of items during the fiscal year									
Dividends of surplus				(6,832)		(6,832)			(6,832)
Net income				6,872		6,872			6,872
Purchase of treasury shares					(5,023)	(5,023)			(5,023)
Disposal of treasury shares			(1)		34	33			33
Net changes of items other than shareholders' equity							7	(1)	5
Total changes of items during the fiscal year	—	—	(1)	40	(4,989)	(4,949)	7	(1)	(4,943)
Balance as of February 29, 2016	30,000	7,500	239,600	37,126	(10,521)	303,705	17	14	303,737

(Note) Amounts have been rounded down to the nearest one million yen.

**THE AUDIT REPORT OF INDEPENDENT AUDITORS**  
**CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS (COPY)**

Report of Independent Auditors

April 5, 2016

The Board of Directors

J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC  
Hiroyuki Koichi (seal)  
Certified Public Accountant  
Designated and Engagement Partner  
Hiroki Suzuki (seal)  
Certified Public Accountant  
Designated and Engagement Partner  
Takao Oshitani (seal)  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. Front Retailing Co., Ltd. (the “Company”) applicable to the 9th fiscal year from March 1, 2015 through February 29, 2016.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the J. Front Retailing Group, which consisted of the Company and consolidated subsidiaries, applicable to the 9th fiscal year from March 1, 2015 through February 29, 2016 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

**THE AUDIT REPORT OF INDEPENDENT AUDITORS**  
**CONCERNING THE NON-CONSOLIDATED FINANCIAL STATEMENTS (COPY)**

Report of Independent Auditors

April 5, 2016

The Board of Directors

J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC  
Hiroyuki Koichi (seal)  
Certified Public Accountant  
Designated and Engagement Partner  
Hiroki Suzuki (seal)  
Certified Public Accountant  
Designated and Engagement Partner  
Takao Oshitani (seal)  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the related supplementary schedules of J. Front Retailing Co., Ltd. (the “Company”) applicable to the 9th fiscal year from March 1, 2015 through February 29, 2016.

*Management's Responsibility for the Financial Statements and the Related Supplementary Schedules*

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of J. Front Retailing Co., Ltd. applicable to the 9th fiscal year from March 1, 2015 through February 29, 2016 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## **THE AUDIT REPORT OF AUDIT & SUPERVISORY BOARD MEMBERS**

### **Audit Report**

The Audit & Supervisory Board hereby reports as follows regarding the performance of duties by Directors of J. Front Retailing Co., Ltd. (the “Company”) during the 9th fiscal year from March 1, 2015 to February 29, 2016, based on audit reports prepared by each Audit & Supervisory Board Member and subsequent deliberations of the Audit & Supervisory Board.

1. Method of the audits by the individual Audit & Supervisory Board Members and the Audit & Supervisory Board; content of audits

(1) In addition to receiving reports on the progress in and results of audits by the individual Audit & Supervisory Board Members, based on the Audit & Supervisory Board’s policies for this fiscal year and division of duties and the like, the Audit & Supervisory Board also received reports on business performance from Directors and the Accounting Auditor, and requested explanations from them as necessary.

(2) In accordance with the auditing standards, set forth by the Audit & Supervisory Board, policies for this fiscal year and division of duties and the like, each of Audit & Supervisory Board Members worked to communicate with Directors, the Internal Audit Department, and other employees in collecting information and establishing an appropriate audit environment, and performed the audit in accordance with the following procedures.

(i) Audit & Supervisory Board Members participated in meetings of the Board of Directors and other key meetings, received reports from Directors, Executive Officers, employees and others regarding the performance of their duties, and when necessary, requested explanations of those reports. Audit & Supervisory Board Members also reviewed key decision documents, and conducted surveys of the operations and assets of the head office and of other principal places of business. Further, regarding subsidiaries, Audit & Supervisory Board Members worked to communicate with Directors, Audit & Supervisory Board Members, and other parties at those subsidiaries, and when necessary conduct hearings with them regarding their business.

(ii) Audit & Supervisory Board Members regularly received reports from Directors, Executive Officers, employees and others, requested explanations as necessary, and expressed opinions on the status of establishment and operation of matters necessary to ensure compliance by Directors with laws and regulations, and the Articles of Incorporation, and those needed to ensure the fair performance of operations of the Company as a stock corporation and the corporate group consisting of its subsidiaries as described in the Business Report, namely decisions by the Board of Directors regarding the establishment of systems as set forth in Items 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act (the internal control system).

(iii) Additional consideration was given to the basic policy and activities set forth in Items 3 (a) and 3 (b), Article 118 of the Ordinance for Enforcement of the Companies Act, as noted in the Business Report, based on the status of deliberations at the meeting of the Board of Directors and other key meetings.

(iv) While monitoring and reviewing the audit of the Accounting Auditor to ensure they maintained an independent position and conducted their audits fairly, Audit & Supervisory Board Members received reports from them regarding the performance of their duties, and when necessary, asked for further explanation regarding those reports. Audit & Supervisory Board Members also received notice from the Accounting Auditor in accordance with “the system for ensuring appropriate execution of their duties” (as enumerated in each Item of Article 131 of the Company Accounting Regulation Ordinance) in compliance with the “Quality Control Standards Relating to Auditing” (adopted by the Business Accounting Deliberations Council in October 28, 2005), and, where necessary, Audit & Supervisory Board Members requested further explanation regarding that notice.

Based on the above methods, Audit & Supervisory Board Members proceeded to review the Business Report with the supplementary schedules, the non-consolidated financial statements (consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of



changes in equity, and the notes to the non-consolidated financial statements) with the supplementary schedules, and the consolidated financial statements (consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements) for the current fiscal year.

## 2. Audit Results

### (1) Results of Audit of Business Report, etc.

(i) The Audit & Supervisory Board confirms that the Business Report and the supplementary schedules conformed to the applicable laws and regulations, and the Articles of Incorporation, and that they accurately present the situation of the Company.

(ii) With respect to the performance of duties by Directors, the Audit & Supervisory Board found no improper acts or important violation of applicable laws and regulations or the Articles of Incorporation.

(iii) The Audit & Supervisory Board confirms that decisions by the Board of Directors and the operational status regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors.

(iv) The Audit & Supervisory Board found no items that need to be pointed out regarding the basic policy regarding those who control the determination of the Company's financial and operational policies, noted in the Business Report. The Audit & Supervisory Board confirms that activities set forth in Item 3 (b), Article 118 of the Ordinance for Enforcement of the Companies Act, as noted in the Business Report, are in line with this basic policy, are not harmful to the common interest of the Company's shareholders, and are not intended to maintain the positions of Directors or Audit & Supervisory Board Members of the Company.

### (2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

The Audit & Supervisory Board confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

### (3) Results of Audit of Consolidated Financial Statements

The Audit & Supervisory Board confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

April 6, 2016

Audit & Supervisory Board  
J. Front Retailing Co., Ltd.

OCHI Bunshiro (seal)  
Full-time Audit & Supervisory Board  
Member

KATO Yoichi (seal)  
Full-time Audit & Supervisory Board  
Member

TSURUTA Rokurou (seal)  
Outside Audit & Supervisory Board  
Member

ISHII Yasuo (seal)  
Outside Audit & Supervisory Board  
Member

NISHIKAWA Koichiro (seal)  
Outside Audit & Supervisory Board  
Member

## Reference Materials for Shareholders Meeting

### Proposals and Reference Information

#### Proposal 1: Election of Nine (9) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, the Company proposes to elect nine (9) Directors. The candidates for the Directors are as follows.

(Reference 1)

The Company's policy for nominating and appointing Directors is as follows.

(Internal Directors)

We appoint individuals who possess qualities that make them capable of carrying out proper oversight of business execution, based on a grasp of risks and challenges from a Group perspective that is not limited to their own realm of responsibility. Accordingly, such individuals must be able to fulfill the duty of care of a prudent manager and the duty of loyalty required by the Companies Act of Japan; they must have an abundance of experience in the JFR Group's respective operations that is needed to deliberate on important matters of JFR Group management and make business decision; and they must have a profound understanding of the JFR Group's operating environment (including its strengths and challenges).

(Outside Directors)

We appoint individuals who are expected to furnish advice and perform the oversight function on the Board of Directors by drawing on points of view and perspectives that vary from those of our Internal Directors. Accordingly, such individuals must be able to fulfill the duty of care of a prudent manager and the duty of loyalty required by the Companies Act of Japan; they must offer a sense of pragmatism along with a high-level overview and sweeping perspective of business based on abundant experience as corporate managers; and they must have careers outside the retail industry or have a global managerial background.

For the position of Outside Director, we nominate those who meet our "Criteria for Determining Independence of Outside Directors and Outside Audit & Supervisory Board Members" separately provided, to thereby avoid the prospect of any conflicts of interest arising with the Company's shareholders.

(Reference 2)

The Company's criteria for determining independence of Outside Directors and Outside Audit & Supervisory Board Members are as follows.

In appointing the Company's Outside Directors and Outside Audit & Supervisory Board Members, we select individuals who maintain a high degree of independence and consequently are not susceptible to conflicts of interest involving the Company's shareholders. An individual does not meet the criteria for independence if one or more of the items listed below apply to that individual.

- (i) Person who executes business in the JFR Group
- (ii) Major shareholder of the Company (including person who executes business thereof; the same applies with items (iii) to (vi), below)
- (iii) Major business partner of the JFR Group
- (iv) Person affiliated with a law office, audit firm, consultancy or other entity that receives payment other than executive compensation of more than a certain amount from the JFR Group
- (v) Recipient of donations of more than a certain amount contributed by the JFR Group
- (vi) Related party in cases where the party is engaged in an arrangement involving a reciprocal officer appointment with the JFR Group

- (vii) Person with respect to whom any of items (i) to (vi) has applied at any point over the last five years
- (viii) Spouse or relative within the second degree of consanguinity of a person with respect to whom any of the items (i) to (vii) applies

With respect to the above, “person who executes business” refers to an Executive Director, a Corporate Officer, an Executive Officer, and other employees; “major shareholder” refers to a shareholder who holds voting rights accounting for no less than 10% to the Company’s voting rights; “major business partner” refers to a business partner whose transactions with the JFR Group account for 2% or more of the Company’s annual consolidated net sales or the business partner’s annual net sales for any of the fiscal years over the last five years; “a certain amount” refers to an annual amount of 10 million yen in any of the fiscal years over the last five years.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
1	<p><b>YAMAMOTO Ryoichi</b> (March 27, 1951)</p> <p>Number of the Company’s shares owned (shares): <b>61,600</b></p> <p>Special interests between the Company and the Candidate: <b>None</b></p> <p>Number of attendance at the Board of Directors meetings for the 9th fiscal year: <b>16/16</b></p> <p>Tenure as Director (at the conclusion of this Meeting): <b>approx. 8 years and 9 months</b></p>	<p>April 1973 May 2003 March 2005 January 2007 September 2007 March 2008 March 2010 September 2012 April 2013</p>	<p>Joined The Daimaru, Inc. President and COO and General Manager of Department Store Operations, Group Headquarters General Manager of Metropolitan Area New Business Development Division, Group Headquarters Executive General Manager of Planning Office for New Umeda Store of Department Store Operations Headquarters, Group Headquarters Director of J. Front Retailing Co., Ltd. In charge of Sales Reform and Out-of-Store Sales Reform Promotion Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store, Head Office of The Daimaru, Inc. Director of Matsuzakaya Co., Ltd. Executive General Manager of Sales Headquarters, Head Office of The Daimaru, Inc. President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. President of J. Front Retailing Co., Ltd. (present)</p>

■ Reasons for nomination as candidate for Director

YAMAMOTO Ryoichi possesses broad-based insight and an elevated perspective gained through his abundant experience spanning overall management of retail operations. Since being appointed as President of the Company in 2013, he has been precisely and efficiently managing business of the Group overall. In addition to his outstanding abilities and qualities with respect to pointing the Company in the right direction taking the external environment in which the Group operates into account, he also causes transformation and reform to take hold across the entire organization and exerts strong leadership that generates results. As such, the Company has judged that he is a competent professional who is capable of helping ensure the sustained growth of its corporate value by executing business acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
2	<p><b>YOSHIMOTO</b> Tatsuya (April 13, 1956)</p> <p>Number of the Company's shares owned (shares): <b>24,000</b></p> <p>Special interests between the Company and the Candidate: <b>None</b></p> <p>Number of attendance at the Board of Directors meetings for the 9th fiscal year: <b>16/16</b></p> <p>Tenure as Director (at the conclusion of this Meeting): <b>approx. 3 years</b></p>	<p>April 1979 March 2000 January 2008 May 2008 January 2010 March 2010 May 2012 April 2013 May 2013</p>	<p>Joined The Daimaru, Inc. Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office General Manager of Tokyo Store Corporate Officer, General Manager of Tokyo Store Corporate Officer, General Manager of Sales Planning Promotion Division and Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd. Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division Director and Corporate Officer President of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present) Director of J. Front Retailing Co., Ltd. (present)</p>

■ Reasons for nomination as candidate for Director

YOSHIMOTO Tatsuya serves as President of Daimaru Matsuzakaya Department Stores Co. Ltd., and has abundant experience and insight related to the Department Store Business overall, particularly encompassing areas such as business management, planning and store operations. He has been involved in planning and executing high-quality department store business strategy taking the roles and expectations of the Department Store Business with respect to the Group's strategy into account, and is a hands-on leader capable of engaging in swift and resoundingly effective implementation of initiatives based on a solid results-oriented approach. As such, the Company has judged that he is a competent professional who is capable of helping ensure the sustained growth of its corporate value in acting as a manager of a major business subsidiary, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
3	<b>MAKIYAMA Kozo</b> (August 28, 1958)	April 1981	Joined Parco Co., Ltd.
		March 2004	Executive Officer, Executive General Manager of Store Operation Division
	Number of the Company's shares owned (shares):	March 2007	Managing Executive Officer, Executive General Manager of Store Management Division
	<b>7,800</b>	March 2008	Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division
	Special interests between the Company and the Candidate:	May 2008	Director and Senior Executive Officer
	<b>None</b>	March 2009	Supervisor of Store Operation Division
	Number of attendance at the Board of Directors meetings for the 9th fiscal year:	March 2010	In charge of Store Management
	<b>16/16</b>	March 2011	In charge of Business Management
	Tenure as Director (at the conclusion of this Meeting):	May 2011	Director and President and Representative Executive Officer (present)
	<b>approx. 3 years</b>	May 2013	Director of J. Front Retailing Co., Ltd. (present)

■ Reasons for nomination as candidate for Director

MAKIYAMA Kozo serves as Representative Executive Officer of PARCO Co., Ltd., and has abundant experience and insight related to the business management and store operations of PARCO. Drawing on a sufficient understanding of PARCO business roles and expectations with respect to Group's strategy, he promotes the management vision leveraging attributes of the PARCO Business, and is capable of engaging in resoundingly effective implementation of initiatives based on his ability to act as a unifying force within the organization. As such, the Company has judged that he is a competent professional who is capable of helping ensure the sustained growth of its corporate value in acting as a manager of a major business subsidiary, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
4	<b>KOBAYASHI Yasuyuki</b> (March 30, 1951)  Number of the Company's shares owned (shares):  <b>34,200</b>  Special interests between the Company and the Candidate:  <b>None</b>  Number of attendance at the Board of Directors meetings for the 9th fiscal year:  <b>16/16</b>  Tenure as Director (at the conclusion of this Meeting):  <b>approx. 3 years</b>	April 1973 February 2003 May 2003 January 2004 September 2007 January 2008  March 2010  May 2010 May 2012 April 2013  May 2013 May 2015	Joined The Daimaru, Inc. Associate Director, General Manager of Sapporo Store Corporate Officer, General Manager of Sapporo Store General Manager of Tokyo Store Corporate Officer of J. Front Retailing Co., Ltd. Director and Corporate Officer of The Daimaru, Inc. Deputy Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Merchandising Management Unit, Head Office Director and Corporate Officer, Senior Executive General Manager of Sales and Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit of Daimaru Matsuzakaya Department Stores Co. Ltd. Director and Corporate Executive Officer External Director of Parco Co., Ltd. (present) Managing Executive Officer of J. Front Retailing Co., Ltd., Senior Executive General Manager of Affiliated Business Unit (present) Director (present), Managing Executive Officer Senior Managing Executive Officer (present)

■ Reasons for nomination as candidate for Director

KOBAYASHI Yasuyuki has extensive experience and insight related to Group business overall. This has involved serving in a Department Store Business company up to this point as a project leader with respect to the Daimaru Sapporo store opening, and furthermore demonstrating his ability as a facilitator in promoting merchandising strategy. Moreover, since April 2013 he has served as Senior Executive General Manager of the Affiliated Business Unit of the Company, and has been in charge of the Wholesale Business, Credit Business and other business areas besides the Department Store Business. He is capable of taking on planning and promotion of business strategies from the perspective of overall management taking the roles and expectations of individual businesses with respect to the Group's strategy into account. As such, the Company has judged that he is a competent professional who is capable of helping ensure the sustained growth of its corporate value by executing business acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
5	FUJINO Haruyoshi (March 10, 1961)	April 1983	Joined The Daimaru, Inc.
		April 2004	General Manager of Preparatory Office for New Tokyo Store, Group Headquarters
	Number of the Company's shares owned (shares):	September 2008	General Manager of Marketing Planning Promotion Division, Department Stores Coordination Division of J. Front Retailing Co., Ltd.
	<b>7,800</b>	January 2010	Executive Store Manager of Tokyo Store and General Manager of Planning Office for Phase II Expansion of New Tokyo Store of The Daimaru, Inc.
	Special interests between the Company and the Candidate:	May 2010	Corporate Officer, Executive Store Manager of Tokyo Store and Senior General Manager of Planning Office for Phase II Expansion of New Daimaru Tokyo Store, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd.
	<b>None</b>	January 2014	Corporate Officer of J. Front Retailing Co., Ltd. In charge of Group Business Structural Reforms of Management Strategy Unit
	Number of attendance at the Board of Directors meetings for the 9th fiscal year:	May 2014	Director (present) Managing Executive Officer (present) Senior Executive General Manager of Management Strategy Unit (present)
	<b>16/16</b>	May 2014	External Director of Parco Co., Ltd. (present)
	Tenure as Director (at the conclusion of this Meeting):	June 2014	Outside Director of Hakuseisha Co., Ltd. (present)
	<b>approx. 2 years</b>		

■ Reasons for nomination as candidate for Director

FUJINO Haruyoshi has extensive experience and insight related to overall business of the Group. This has involved serving in a Department Store Business company up to this point, thereby engaging in planning and promotion for new business development, and furthermore handling store management acting as Executive Store Manager of the Tokyo Store. Moreover, since May 2014 he has served as Senior Executive General Manager of the Management Strategy Unit, and has been in charge of augmenting operations through overseas expansion and M&A initiatives, as well as drawing up and promoting Group strategy. He has outstanding insight and is highly creative in terms of his ability to formulate business plans and comprehensively manage operations taking the roles and expectations of individual businesses with respect to the Group's strategy into account. As such, the Company has judged that he is a competent professional who is capable of helping ensure the sustained growth of its corporate value by executing business acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
6	DOI Zenichi (September 15, 1953)	March 1976	Joined Matsuzakaya Co., Ltd.
		May 2002	Executive General Manager of Corporate Planning Unit of Nagoya Business Division
	Number of the Company's shares owned (shares):	May 2006	Executive Officer, Executive General Manager of Sales Planning Unit
	<b>31,000</b>	May 2008	Managing Executive Officer, Executive General Manager of General Planning Unit and Executive General Manager of Sales Reform Promotion Unit and Executive General Manager of Sales Planning Unit
	Special interests between the Company and the Candidate:	January 2009	Director and Executive Officer, Executive General Manager of Sales Management Unit
	<b>None</b>	March 2010	Director and Corporate Officer and Senior General Manager of Sales Planning Unit of Sales and Marketing Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd.
	Number of attendance at the Board of Directors meetings for the 9th fiscal year:	March 2012	Senior General Manager of Out-of-Store Sales Management Division of Sales and Marketing Headquarters
	<b>12/12</b>	May 2012	Director and Managing Executive Officer
	Tenure as Director (at the conclusion of this Meeting):	January 2015	Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management
	<b>approx. 1 year</b>	May 2015	Director (present) Managing Executive Officer (present) Senior Executive General Manager of Administration Unit (present) In charge of Compliance and Risk Management (present)

■ Reasons for nomination as candidate for Director

DOI Zenichi has extensive experience and insight in the respective areas of business to which he has been assigned. This has involved serving on the management team of Daimaru Matsuzakaya Department Stores Co. Ltd. up to this point, where he has demonstrated his ability in core Department Store Business operations that include sales promotion, customer strategy, and out-of-store strategy. Moreover, since being appointed as Director of the Company in May 2015, he has mainly been in charge of compliance and risk management, acting as Senior Executive General Manager of the Administration Unit. He has outstanding capabilities for causing initiatives to take hold in the organization, based on his insight related to the retail industry overall and his ability to take Group strategy into account in establishing compliance and risk management policies and frameworks essential for ensuring sound and appropriate management of the Group and also building internal control systems in that regard. As such, the Company has judged that he is a competent professional who is capable of helping ensure the sustained growth of its corporate value by executing business acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.



No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
7	New Candidate	April 1985	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)
	WAKABAYASHI Hayato (August 31, 1961)	April 1998	President of Panasonic Financial Center Malaysia Co., Ltd.
		April 2007	Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited
	Number of the Company's shares owned (shares): <b>200</b>	February 2009	Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation
		July 2013	General Manager, Finance & IR Group, Corporate Strategy Division and Finance Planning Team Leader (Director) of Panasonic Corporation
	Special interests between the Company and the Candidate: <b>None</b>	April 2015	Retired from Panasonic Corporation
		May 2015	Joined J. Front Retailing Co., Ltd. In charge of Finance Policy, Administration Unit
		September 2015	Executive Officer (present) In charge of Financial Strategy and Policy, Administration Unit
		March 2016	Senior Executive General Manager of Financial Strategy Unit and in charge of Finance Policy (present)
<p>■Reasons for nomination as candidate for Director</p> <p>WAKABAYASHI Hayato has pursued a career mainly in the financial realm of Panasonic Corporation and its group companies, and as such has adequate insight and sufficient experience related to financial policy with respect to enhancing financial standing, improving levels of cash management and other such initiatives. As such, he was invited into the Group in May 2015. He is apt to play a key role in establishing and promoting a financial strategy encompassing the entire Group going forward, and has the commensurate abilities with respect to what the Company requires of a management professional in terms of his strategic and transformation-minded leadership, results-oriented approach and other such attributes. As such, the Company has judged that he is a competent professional who is capable of helping ensure the sustained growth of its corporate value by executing business acting as a Director, and has accordingly appointed him as a candidate to serve as a new Director.</p>			

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
8	<div>Outside Director</div> <div>Independent</div> <p><b>TACHIBANA FUKUSHIMA Sakie</b> (September 10, 1949)</p> <p>Number of the Company's shares owned (shares): <b>3,200</b></p> <p>Special interests between the Company and the Candidate: <b>None</b></p> <p>Number of attendance at the Board of Directors meetings for the 9th fiscal year: <b>16/16</b></p> <p>Tenure as Director (at the conclusion of this Meeting): <b>approx. 4 years</b></p>	<p>June 1980</p> <p>September 1987</p> <p>August 1991</p> <p>June 1993</p> <p>May 1995</p> <p>September 2000</p> <p>May 2001</p> <p>September 2007</p> <p>May 2009</p> <p>March 2010</p> <p>July 2010</p> <p>August 2010</p> <p>June 2011</p> <p>May 2012</p> <p>June 2013</p>	<p>Joined Braxton International</p> <p>Joined Bain &amp; Company, Inc.</p> <p>Principal Consultant of Japan Branch Office of Korn/Ferry International</p> <p>Partner</p> <p>Member of the Board of Korn/Ferry International (Global Headquarters)</p> <p>Regional Managing Director of Korn/Ferry International-Japan</p> <p>Member of the Board of Korn/Ferry International (Global Headquarters)</p> <p>President and Representative Director of Korn/Ferry International-Japan</p> <p>Member of the Board of Korn/Ferry International (Global Headquarters)</p> <p>President and Representative Director of Korn/Ferry International-Japan</p> <p>Chairman and Representative Director</p> <p>Outside Director of Bridgestone Corporation (present)</p> <p>President and Representative Director of G&amp;S Global Advisors Inc. (present)</p> <p>Asia Pacific Senior Advisor of Korn/Ferry International</p> <p>Outside Director of Ajinomoto Co., Inc. (present)</p> <p>Outside Director of J. Front Retailing Co., Ltd. (present)</p> <p>Outside Director of Mitsubishi Corporation (present)</p>

■ Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

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

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

-The Company has entered into an agreement with TACHIBANA FUKUSHIMA Sakie to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
9	Outside Director	April 1964	Joined Minolta Camera Co., Ltd.
	Independent	June 1991	Director, General Manager of Copying Machine Business Division and General Manager of Copying Machine Sales Division
	OTA Yoshikatsu (December 28, 1941)	July 1994	Director, Executive General Manager of Information Device Business Management Unit and Executive General Manager of Information Device Sales Unit of Minolta Co., Ltd.
	Number of the Company's shares owned (shares):  <b>3,700</b>	June 1995	Managing Director
		June 1999	President and Representative Director
		April 2001	President and Executive Officer, Representative Director
		August 2003	Director and Vice President, Representative Executive Officer of Konica Minolta Holdings, Inc.
	Special interests between the Company and the Candidate:  <b>None</b>	October 2003	President and CEO of Konica Minolta Technologies, Inc.
		April 2006	Director, President and CEO of Konica Minolta Holdings, Inc.
		April 2009	Director, Chairman of the Board of Directors
	Number of attendance at the Board of Directors meetings for the 9th fiscal year:  <b>12/12</b>	June 2012	Outside Director of YAMAHA CORPORATION (present)
		April 2013	Director, Chairman of the Board of Directors of KONICA MINOLTA, INC.
		April 2014	Director
		June 2014	Special Advisor (present)
	Tenure as Director (at the conclusion of this Meeting):  <b>approx. 1 year</b>	May 2015	Outside Director of J. Front Retailing Co., Ltd. (present)
<p>■ Reasons for nomination as candidate for Outside Director and special notes regarding the candidate</p> <p>-OTA Yoshikatsu has extensive experience and abundant insight acting as a manager of a company that, like this Company, is a holding company. In that capacity, he promoted the corporate merger between Minolta Co., Ltd. and Konica Corporation, and has served as a chairman of the board of directors of a company with committees (currently a company with nominating and other committees). Accordingly, since being appointed as Outside Director of the Company in May 2015, he has contributed to ensuring more effective meetings of the Board of Directors by adequately providing advice and oversight with respect to promoting Group management and other such matters, from the independent and objective viewpoint of a member of a management team that engages in business execution. In light of his track record, the Company has judged that in acting as an Outside Director he is likely to contribute greatly to management of the Company from the perspective of enhancing corporate governance. As such, he has been appointed as a candidate to continue serving as Outside Director.</p> <p>-OTA Yoshikatsu is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.</p> <p>-The Company has entered into an agreement with OTA Yoshikatsu to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.</p>			

## **Proposal 2: Payment of Bonuses to Directors and Audit & Supervisory Board Members for Fiscal Year 2015**

After comprehensively considering the operating results of the current fiscal year and other various circumstances, the Company plans to pay bonuses to Directors and Audit & Supervisory Board Members of a total amount of 89,000,000 yen or less (of which 6,700,000 yen or less for Outside Directors, and 10,000,000 yen or less for Audit & Supervisory Board Members) to the nine (9) Directors (including two (2) Outside Directors) and five (5) Audit & Supervisory Board Members in office at the end of the current fiscal year. With respect to the specific amounts to be paid to each Director and Audit & Supervisory Board Member, the amounts will be decided by resolution of the Board of Directors in the case of Directors and by deliberation of the Audit & Supervisory Board in the case of Audit & Supervisory Board Members.

Please kindly give us your understanding and approval.

(Reference 3)

“Policy on Determining Remuneration for Directors, Audit & Supervisory Board Members”

The remuneration of the Company’s Directors, Audit & Supervisory Board Members for the current fiscal year (fiscal 2015) consists of monthly compensation and executive bonuses which is tied to results and success in accordance with each year’s business performance.

With respect to fiscal 2016 remuneration of the Company’s Directors and Audit & Supervisory Board Members, the Company plans to make the following changes applicable to amounts paid for June 2016 and thereafter.

[Remuneration of Internal Directors]

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

[Remuneration of Outside Directors and Audit & Supervisory Board Members (both outside and internal)]

- The Company will discontinue executive bonuses and provide monthly compensation only.  
In conjunction with that, with the aim of ensuring that the Group achieves sustainable growth and increases corporate value over the medium to long term, the Company aims to introduce remuneration for Outside Directors linked to their medium- to long-term performance (stock-based remuneration, etc.) beginning in fiscal 2017, and will forge ahead in reviewing such options.

End of Document