

Customer Loyalty Strategy



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

Sales support through scientific approach

Scientific support of “relations with customers” — A customer loyalty strategy for about four million identifiable customers holding our company-branded cards provides a very effective tool to retain customers who visit specialty zones, which are the important strategic retail space of our new department store model, and make them repeaters as well as ensure steady sales. The customer information system of J. Front Retailing (J-CIS) consolidates information on customers holding our company-branded cards in units of household, individual and account and enables us to totally analyze and know individual buying status. This system is linked with MD information system, and based on information obtained through sales activities, we promote the strengthening of relations between customers and salespersons as well as are quickly aware of and analyze the characteristics and changes of customers and reflect them in store planning. For fiscal 2009, Daimaru and Matsuzakaya posted year-on-year sales declines of 6.6% and 10.1% respectively on an unconsolidated basis. Concerning sales to identifiable customers including mostly cardholders, however, they did well with Daimaru showing a drop of 4.3% and Matsuzakaya reporting a growth of 1.1% over the previous year, which means that we have achieved certain results by promoting CRM activities. While the percentage of sales to

identifiable customers to total sales to individuals of Daimaru was 71%, up 1.6 percentage points from the previous year, the same of Matsuzakaya was 59.3%, as many as six percentage points higher than the previous year. The company leaves much room for growth compared to the percentage of Daimaru and will continue to reinforce its efforts to attract new cardholders.

Increase of the use of mobile tools

Mobile phone users have reached 75 million throughout Japan and mobile phones have grown into a main tool to gather information regardless of age. J. Front Retailing is expanding its mobile membership “MY Mail Members,” which has increased to about 200 thousand members. We deliver to the mobile phones of MY Mail Members information including members-only additional point offerings and schedules of various events to encourage them to visit our stores. In addition, Daimaru and Matsuzakaya department stores implement a new innovative service “MMS MAIL.” MY Mail Members receive valuable store information on their mobile phones within five minutes after they visit the stores and insert their cards in welcome-point-giving machines (MMS: Multimedia Station). This service is a promotional tool that stimulates customers’ buying motivation, increases the frequency of their visit, promotes buying on several floors and ensures an increase in sales per customer because we can provide information suiting the tastes of customers

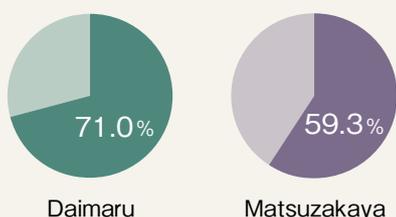
visiting our stores in a speedy and timely manner based on card customer information of MY Mail Members (age, gender, buying history and so on). In fiscal 2010, we began to seek applications for “Moba-Mate Members” whose membership non-cardholders can receive by registering only their email addresses and deliver them weekly email magazines containing bargain information of Daimaru and Matsuzakaya stores to encourage them to hold our cards.

Collaboration with specialty zones

The “specialty zones,” which we are developing under our new department store model, have the conditions to obtain customer loyalty more easily than other retail sections due to their clear concept and large scale. The “Ufufu Girls” floors of the north wing of Daimaru Shinsaibashi store issued “Ufufu Girls Card” in March 2010. The card is growing into an effective tool to attract and retain their target customers who are young women in their 20s and aged around 30 by delivering information on members-only events and others. JFR will enhance such efforts in line with the development of specialty zones to expand its customer base.



Ratio of sales to identifiable customers to total sales to individuals
(Actual figures for fiscal 2009)



Purposes of acquiring email members

Objectives	Measures
Expansion of mobile membership	① Acquiring MY Mail Members... Acquiring email addresses of identifiable customers ② Acquiring Moba-Mate Members... Sign-up with only email addresses
Multilayered use of email delivery	① Shift from PC emails to mobile emails ② Delivery of weekly email magazines ③ Delivery of CRM mails through J-CIS ④ Delivery of MMS mails when customers visit stores
Enhancement of MMS mails	① Information on additional point offerings ② Timely bargain information at the time of visit to stores ③ Delivery of information suiting customers' tastes based on card customer information

Increasing the number of customers and sales per customer