

Alliance

Alliance
M & A



New Alliance to Develop into “Multi-retailer”

Acquired a 33.2% stake in Parco Co., Ltd.

J. Front Retailing aims to achieve the status of leading retail company in Japan both in quality and quantity with the department store business as its core.

In the core department store business of the Group, we are building a new out-of-the-box department store business model adapting to market changes through new department store model that aims to change the business formats, while working on developing ourselves into a multi-retailer that operates multiple businesses to increase the growth potential of the Group.

To this end, following the acquisition of 49% stake in StylingLife Holdings Inc. in 2011, we acquired a 33.2% stake in Parco Co., Ltd. (“Parco”) from Mori Trust Co., Ltd. in March 2012 and made it an equity method affiliate of the Group.

With the vision of “Urban Lifestyle Producer” that makes spiritually affluent lifestyle proposals, a shopping complex operator Parco operates commercial facilities named PARCO in the Tokyo metropolitan area and other major cities in Japan including Nagoya, Sapporo and Fukuoka and the company has excellent expertise in developing and operating advanced and highly cultural urban commercial facilities.

Deeper alliance with Parco that has excellent know-how in the development and operation of urban commercial facilities will allow us to accelerate our efforts to change our department store business model through new department store model and strengthen our competitive edge. And at the same time, as a retail group operating various businesses and channels, we will be able to increase the growth potential of the whole Group.

Expectations for various synergies

The future alliance with Parco is expected to bring about many synergy effects between the two companies. The synergy effects we expect at present are:

- (1) Reinforcement of business base by effectively sharing each other’s store and customer bases;
- (2) Enhancement of competitiveness of our department store business by adopting Parco’s know-how in operating urban commercial facilities;
- (3) Enhancement of appeal of our facilities by adopting Parco’s know-how in developing and planning stores;
- (4) Increase of our presence in the Tokyo metropolitan area through deeper alliance with Parco, which is strong in the Tokyo metropolitan area;
- (5) Increase of growth potential as a retail group operating various businesses and channels;
- (6) Expansion of business opportunities in related business areas including staffing service and direct marketing; and
- (7) Expansion of possibilities of opening new stores abroad by use of Parco’s channels.

Set up an operation study committee

We will discuss with Parco the details of this alliance. Especially, our shop operation sales areas, which constitute the majority of our department store sales, will greatly benefit from Parco’s know-how in their efforts to enhance their counseling capabilities related to sales and services and their producing capabilities needed to select shops and brands and create attractive sales space.

Parco and J. Front Retailing both intend to operate high quality and high value added retail business in big cities and their customers are also similar in grade and taste. Therefore, we believe we will be able to increase each other’s corporate value by effectively sharing each other’s store and customer bases and maximizing synergy.

We already set up an operation study committee with Parco and have meetings on a regular basis. And we will speed up our efforts to achieve synergy and results.

《Parco Co., Ltd.》

Corporate profile

- Name: Parco Co., Ltd.
- Headquarters:
1-28-2, Minamiikebukuro
Toshima-ku, Tokyo
- Line of business:
· Shopping complex business
· Retail business
· Space engineering and management business
· Other businesses
- Capital: ¥26,867 million
- Established:
February 13, 1953

Recent operating results and financial conditions

	FY 2/2010	FY 2/2011	FY 2/2012
Net profit (Millions of yen)	78,657	81,868	84,577
Total assets (Millions of yen)	187,093	222,135	208,697
Net assets per share	¥954.52	¥993.52	¥1,028.21
Net sales (Millions of yen)	261,076	264,840	259,789
Operating profit (Millions of yen)	8,601	9,218	9,168
Ordinary profit (Millions of yen)	8,554	8,750	8,966
Net profit (Millions of yen)	4,108	4,400	4,319
Net profit per share	¥49.87	¥53.41	¥52.49
Cash dividends per share	¥16.00	¥17.00	¥17.00