

International Market

Projects in Overseas Markets



Group-wide Entry into Overseas Markets in Pursuit of Growth

Growing and promising overseas markets

The domestic consumption market is predicted to increasingly shrink due to the aging population combined with the falling birthrate and fewer productive workers. Therefore, it is essential to enter growing overseas markets in order to achieve group-wide sustainable growth. Particularly, we see China and the ASEAN region, which are rapidly expanding and developing, as growing and promising markets for the businesses of the Group. While taking account of the local situation and business characteristics, we would like to actively develop businesses in these regions.

Launched department store business in China

Shanghai is the biggest commercial city in China that has the population of 23 million people. Recently it has been rapidly urbanized due to drastic population flow from rural areas and its population has increased by as many as 5.2 million people in five years since 2005. Shanghai, as well as China's capital Beijing, is also known as one of the cities with many wealthy residents.

Near the People's Square in central Shanghai, there is a department store New World City, which boasts the second largest sales in the city. Shanghai Xin Nan Dong Project Management Co., Ltd. whose largest shareholder is Shanghai New World Co., Ltd., which operates New World City, is building a full-scale department store with the floor space of 110,000 square meters in Land 163, Huangpu District, one of the biggest commercial areas in Shanghai. In May 2012, we have reached a basic agreement with Shanghai Xin Nan Dong Project Management and Shanghai New World that we will render support and cooperation to make it one of the most upscale department stores in China. We will send to the department store some ten employees, one of whom will become a store manager. Using our marketing capabilities,

supplier relations and expertise in store planning and services to customers and adopting the Japanese way of creating and operating a department store, we will provide technical support on store operations including store planning before opening and sales promotions and the building of customer loyalty after opening.

The new store was tentatively named Shanghai New World Daimaru Department Store. We aim to create China's most upscale department store with many luxury brands targeting wealthy and middle class people.

Through this business alliance, we will be able to experience the local retail business and acquire China's business know-how. Raised awareness of Daimaru in Shanghai and other cities in China is expected to increase the number of Chinese tourists to Japan who shop at Daimaru stores and boost sales. With this business alliance, we will tackle department store business in the promising Chinese market.

Outline of Land 163, Huangpu District Project

- Name of store: Shanghai New World Daimaru Department Store (tentative)
- Address: Land 163, Huangpu District, Shanghai
- Size
 - Land area: 13,709.3m²
 - Total floor area of the building: 116,000m²
 - Building: 7 floors above ground and 5 basement floors
 - Department store: 7 floors above ground and 2 basement floors
- Operator:
 - Shanghai Xin Nan Dong Project Management Co., Ltd.
 - (49% owned by Shanghai New World Co., Ltd.)
- Schedule:
 - Scheduled for completion in late 2014 or early 2015 (under construction)

Jointly operating Plaza business with SLH

In March 2011, we acquired a 49% stake in StylingLife Holdings Inc. ("SLH"), which operates several retail businesses including Plaza, and the company became an equity method affiliate.

SLH operates Plaza, a representative Japanese brand that sells general merchandise, in

Japan. J. Front Retailing and SLH are jointly planning to develop a new brand that offers the products and services tailored to the local market with a selection of Plaza goods as its core and open tenant stores in large urban commercial facilities in Asia. First, we will open some stores in department stores and shopping centers only in the Taipei area, Taiwan. The first store is planned to open around spring 2013. After that, once putting the business in Taipei on track, we will expand into other cities in Taiwan including Taichung and Kaohsiung, and then, rapidly growing other Asian countries. In the future, we would like to develop the business that operates 100 to 200 stores across Asia.

Outline of new company

- Location: Taipei, Taiwan
- Capital: ¥500 million
- Investment ratio:

J. Front Retailing	90%
StylingLife Holdings	10%
- Establishment: Around summer 2012
- Line of business:
 - Sales of new Plaza brand of general merchandise
- Channel:
 - Stores in department stores and shopping centers in the Taipei area (The first store is planned to open around spring 2013.)
- Business area:
 - In addition to the above, other cities in Taiwan including Taichung and Kaohsiung and other Asian countries (under consideration)

Promoting group-wide proactive initiatives

J. Front Design & Construction of the Group opened a representative office in Shanghai in December 2011 to receive orders for designing commercial facilities in China. A wholesaler Daimaru Kogyo established a company in Thailand in January 2012 to expand business in the ASEAN region. Individual companies of the Group will leverage their strengths to aggressively develop overseas businesses.