

New Model

Realization of
New Department
Store Model



Accelerating “the Renewal of Department Stores”

Implementation of new department store model

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

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

- (1)expanding target customer base;
- (2)widening the range of products and prices in particular;
- (3)developing specialty zones; and
- (4)increasing management efficiency;

as well as maintaining and strengthening department store's traditionally strong middle to high-end product offerings, while clarifying and thoroughly implementing store strategy in each store, in a bid to adapt to major market changes including the consumer shift to more casual lifestyles and more frugal and price-sensitive behavior.

Wider range of customers

Following the first phase of relocation and reopening in November 2007, Daimaru Tokyo store increased its floor space by 1.4 times to 46,000 square meters and celebrated its second phase of grand opening in October 2012.

On the occasion of its full opening in the second phase, it was reborn as a store strong in gift items, souvenirs and traveling gear by adopting the achievements and know-how gained from the expansion and grand opening of Umeda store including store planning and operations and, as a store located at Tokyo station, targeting various customers ranging from female office workers and businessmen around the store, business travelers and tourists to residents nearby and in the suburbs who purposely visit the store by train or car, and offering a wide range of appropriately fashionable goods with strong brand power that are popular in Tokyo with the store concept of “Department Store with an Assortment of ‘Current’ Tokyo.”

◆ Main points

- (1)Strengthened food products both in quality and quantity, including boxed lunches, prepared meals and sweets
- (2)Expanded and reorganized women's and men's accessories departments
- (3)Developed a fashion brand zone with popular select shops, targeting around 30 and 40 year olds
- (4)Developed a luxury zone with nine popular brands mainly offering accessories
- (5)Opened large specialty shops that can drive great traffic on the upper floors, including Tokyu Hands on the 8th to 10th floors and ICI Ishii Sports on the 11th floor.

Much more traffic

As a result, traffic to Tokyo store increased by 41.5% in the second half of fiscal 2012. Even though more than half a year has passed since its grand opening, the store has around 100,000 shoppers on weekdays and around 150,000 shoppers on weekends and holidays. As originally intended, it attracts a wide range of customers. Sales of already strong food products are further increasing due to floor expansion and newly introduced luxury brands and big specialty shops such as ICI Ishii Sports are also enjoying brisk sales. Sales for the second half of fiscal 2012 increased by 33.7% year on year, exceeding our goal.

In the meantime, sales in pre-existing parts were also better than expected and the profitability of the whole store improved beyond our expectations. Accordingly, profits also far exceeded our goal in the second half of fiscal 2012.

In the second half of fiscal 2013, a pedestrian deck connected to the Yaesu entrance of Tokyo station will be completed and it will allow easier access from Tokyo station and neighborhood areas. Since the verdant Yaesu Entrance Plaza will be completed around fall 2014 to strengthen the function of transportation hub as a terminal station, much more traffic is expected around Tokyo station and we believe it will further revitalize Tokyo store.

Progress of low-cost operation

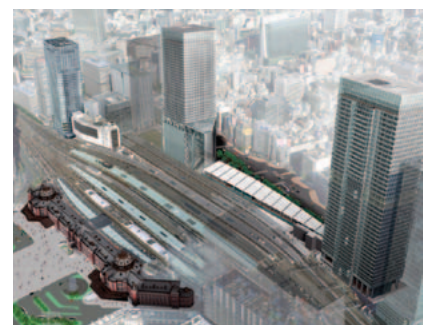
Our sales floor operation is divided into two types including “shop operation” and “our own operation” and we are working on establishing an operation system, planning staff distribution and training human resources to suit their respective characteristics.

In September 2012, a new company named Daimaru Matsuzakaya Sales Associates Co. Ltd. was spun off from the Group's staffing company Dimples' Co., Ltd. We transferred department store sales operations and sales floor operations to the new company and thereby improve expertise in order to further increase the efficiency of sales floor operation.

With regard to back-office sections, four stores in the Kansai area, including Shinsaibashi, Umeda, Kyoto and Kobe stores, and Tokyo, Ueno and other stores in the Tokyo area already merged their organizations and functions in each area to further streamline our department store organization.



Tokyu Hands, Daimaru Tokyo store



Tokyo Station City