

# New Model

Realization of New Department Store Model



# Further “Renewal of Department Stores”

## Implementation of a 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.”

## Expansion of product range

With the aim of further expanding its target customer base, Matsuzakaya Nagoya store underwent two years of large-scale renovation since 2012 to differentiate each of the main building, the north wing and the south wing.

In the first phase of renovation in 2012, young fashion, luxury brands, cosmetics and accessories floors were renovated in March and April. In the south wing, the “Ufufu Girls” zone was created on the second floor. And on the first floor, selected women’s fashion items were brought together and the Chubu region’s first and Japan’s

largest H&M shop was introduced. In the main building, we shook up the lineup of cosmetics and women’s accessories to introduce many brands that had not been available in Nagoya. The special selection floor on the second level, which is the strength of Nagoya store, was remodeled by adding six new luxury brands, some of which were new to Nagoya. Thus we further enhanced already Nagoya’s number-one product range and thoroughly differentiated the floor. Furthermore, the first floor of the north wing was reborn as Nagoya’s largest natural cosmetics zone with an assortment of skin care, body care and hair care products.

## Renovation of food floors stimulated other floors at once

And in the second and final phase of renovation in 2013, the entire first and second basement food floors were renovated. The floors were opened in stages from March and made their grand opening on June 19.

In the second phase of renovation, many popular shops new to Japan and Nagoya were introduced to create “Nagoya’s greatest food zone ‘Gochiso Paradise.’” On the second basement floor, we newly installed a specialty zone “Table Plus,” which proposes highly sophisticated Western eating styles and enjoys popularity at Daimaru Kobe store. In terms of facilities, we eliminated differences in level in the center, which had blocked the view, and overhauled traffic flow on the floors to ensure better visibility and easier shopping.

In April, food sales increased by 9.1% though floor space was reduced by renovation work. As the floors were opened in stages after that, food sales further increased, which resulted in an increase of 11.7% in the

first half.

Like at Daimaru Kobe store whose entire food floor was renovated in 2012, increased customer traffic drove sales on upper floors, and particularly, sales at women’s accessories and other departments, which were remodeled in the first phase, increased significantly.

In March, Nagoya store also introduced Pokemon Center, which is popular at Daimaru Umeda store. This caused an increase of 19.6% in children’s wear sales and attracted much more customers with children. We expect that this will also have a major ripple effect on other floors through the expansion of customer range.

In addition, since Nagoya store is overwhelmingly strong in serving affluent customers, big-ticket products sell very well mainly to *gaisho* customers. Sales of luxury brands were up 12.7% and sales of fine arts, jewelry and precious metals soared by 54.9% in the first half.

As a result of the foregoing, sales at Nagoya store for the first half significantly increased by 11.5% year on year without increasing floor space. We think this represents the results of developing a new department store model. Nagoya store is positioned as one of priority stores and we will continue to improve its management efficiency to enhance profitability.

## Progress of low-cost operation

Our sales floor operation is divided into two types including “shop operation” and “independent operation” and we are working on establishing operation systems, 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 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 metropolitan area already merged their organizations and functions in each area to further streamline their organizations.



Ufufu Girls, Matsuzakaya Nagoya store



Gochiso Paradise, Matsuzakaya Nagoya store