

International Market
Projects in Overseas Markets



NEW WORLD DAIMARU

Group-wide Entry into Asian Markets

Promising overseas growth markets

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

Open China's most upscale department store in Shanghai in January 2015

Shanghai is the biggest commercial city in China that has the population of 24 million people. Its population increased by more than six million people in a decade until 2010. The city has been rapidly urbanized recently due to population inflow from other regions and a sharp increase in non-agricultural population. In terms of economics, the average annual income of workers in Shanghai almost tripled in a decade to 56,000 yuan in 2012 and Shanghai, as well as China's capital Beijing, is 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, will open a full-scale department store with a total floor space of 110,000 square meters in Land 163, Huangpu District, one of the biggest commercial areas in Shanghai, in January 2015.

In May 2012, we agreed with Shanghai Xin Nan Dong Project Management and Shanghai New World to render support and cooperation to make it one of the most upscale department stores in China and we sent ten people including a store manager to the store. Using our marketing capabilities, supplier relations and expertise in store planning and customer services 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 building of customer loyalty after opening.

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

Through this business alliance, we will be able to experience the local retail business firsthand and thereby acquire China's business know-how. Raised awareness of Daimaru in Shanghai and other cities in China is expected to attract Chinese tourists to Japan to Daimaru stores and boost sales. Taking advantage of this business partnership, we would like to accumulate know-how to create and operate stores abroad and consider various ways of entering overseas markets mainly including business alliance to expand our business in the future.

Outline of Huangpu District Land 163 Project

- Store name: Shanghai New World Daimaru Department Store (tentative)
- Address: Land 163, Huangpu District, Shanghai (No. 228 East Nanjing Road)
- Size: Land area: 13,700m²
Total floor area of the building: 118,000m²
Construction: 7 floors above ground and 2 below
- Operator:
Shanghai Xin Nan Dong Project Management Co., Ltd.
(49% owned by Shanghai New World Co., Ltd.)
- Scheduled to:
Open in January 2015

Joint Plaza business with SLH starting in Taipei

In March 2011, we acquired a 49% stake in StylingLife Holdings Inc. ("SLH"), which operates several retail businesses including Plaza, Japan's leading general merchandise retail brand, and SLH became an equity method affiliate.

J. Front Retailing and SLH jointly developed a new brand "Plaza Tokyo" that offers products and services tailored to the local markets with a selection of Plaza goods as its core. In August

2012, we established JFR Plaza Inc. in Taipei, Taiwan to promote new shop openings concentrated in large urban areas in Asia. In March 2013, the first shop was opened on the 5th floor of Pacific Sogo Fuxing store in Taipei, and as of May 2014, the company operates four shops mainly in Taipei. We would like to continue to open four shops every year and increase the number of shops to 16 by the end of fiscal year 2016.

Once putting the business in Taipei on track, we expect to expand into other cities in Taiwan including Taichung and Kaohsiung, and then, rapidly growing other Asian countries. And in the future, we would like to develop it into a business that operates 100 to 200 shops across Asia.

Outline of new company

- Company name: JFR Plaza Inc.
- Established: August 20, 2012
- Location: Taipei, Taiwan
- Capital: NT\$185 million
(approximately ¥500 million at the rate when the company was established)
- Investment ratio:
J. Front Retailing Co., Ltd. 90%
StylingLife Holdings Inc. 10%
- Business line:
General merchandise retailing under Plaza Tokyo brand
- New shop opening:
Plan to open shops in department stores and shopping malls in the Taipei area

Promote proactive group-wide initiatives

In the meantime, 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.