

[Translation]

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To whom it may concern

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J. Front Retailing Group FY2014–2016 Medium-term Business Plan

The J. Front Retailing Group (the “Group”) has prepared its FY2014–2016 Medium-term Business Plan, as summarized below.

1. Past Initiatives

Since the Group’s establishment in 2007 through the management integration of Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd., we have been pursuing initiatives under the FY2011-2013 Medium-term Business Plan, which calls for creating a new business model for department store operations that will bring innovation to the sector, while also seeking development as a multi-channel retailer with the aim of enhancing the Group’s growth potential.

Our efforts to forge the new department store business model have involved making our stores more appealing by taking them beyond the confines of what traditional department stores offer, while also creating a highly efficient management structure. In that regard, we have expanded floor space of the Daimaru Umeda and Daimaru Tokyo stores and have also greatly refurbished the Matsuzakaya Nagoya and Daimaru Kobe stores.

In pursuing development as a multi-channel retailer, we have expanded into different areas of business by actively pursuing M&A deals, such that have involved making StylingLife Holdings Inc. (“SLH”) an equity method affiliate in 2011, and PARCO Co., Ltd. and Forest Co., Ltd. into consolidated subsidiaries in 2012 and 2013, respectively.

2. FY2014–2016 Business Environment

Structural economic and social changes are bound to ensue over the mid- to long-term, particularly involving demographic shifts, globalization and increasingly sophisticated

information-communications technologies. Meanwhile, Japan's sales tax hike slated for two-stage implementation raises concerns with respect to consumer spending over the three years beginning in 2014.

Still, we envisage growth in the senior citizen market along with an expanding consumer market targeting overseas visitors to Japan, and we furthermore expect many business opportunities to emerge from market changes that involve dwellers returning to city centers, growing ranks of affluent consumers, and increasingly polarized patterns of consumption.

The Group holds a well-balanced portfolio of retail store assets situated in the hearts of large Japanese cities nationwide, including mainly department stores as well as PARCO and SLH, and also maintains assets in the form of a healthy customer base. Going forward, we intend to effectively leverage these assets toward enabling the Group to achieve further growth, amid the prospect of increasing concentrations of residents in urban areas.

3. Positioning and Basic Policies of the FY2014–2016 Medium-term Business Plan

The Group intends to complete the Ginza 6-chome district 10 redevelopment project in 2016, and plans to open the South Wing of the Matsuzakaya Ueno store now under reconstruction in 2017.

In line with these plans, over fiscal 2014–2016, setting our sights on fiscal 2017 and beyond, we will not only continue to push ahead with efforts to establish a new department store business model, but also strengthen our initiatives as a multi-channel retailer that also consists of PARCO, SLH and Forest, thus meeting diverse customer needs and dramatically strengthening the competitiveness and profitability of the Group. In this way, we will enhance corporate value and earn the funds for our growth in 2017 and after.

By using the management resources of the Group, we also will push ahead with efforts in fields we consider to have medium and long term growth potential for the Group. Specifically, we will construct a foundation for a business model for growth along with the regions in which we operate with our stores at the core of such growth (strategy of urban market dominance) and promote omni-channel retailing.

In addition, we will work to expand the breadth of our businesses as a multi-channel retailer by actively pursuing mergers and acquisitions and joint ventures with external companies.

In order to put these strategies into practice, we will promote management that puts emphasis on human resources and values diversity, and foster a corporate culture that values creation and challenges. While we expand the Group and promote diversity in our workforce, we will also work to ensure thoroughgoing compliance and CSR operations.

Basic Policy for FY2014–2016

- 1) Drastically enhance competitiveness and profitability as a multi-channel retailer;
- 2) Construct a business model for growth along with the regions with our stores at the core of such growth (strategy of urban market dominance); and
- 3) Pursue opportunities with omni-channel retailing that leverage the strengths of our physical stores.

	FY2014–2016 (Phase for enhancing profitability and constructing business model foundations)	FY2017 and beyond (Phase of dramatic growth)
Drastically enhance competitiveness and profitability as a multi-channel retailer	<ul style="list-style-type: none"> Firmly establish the new department store business model, and otherwise transform the business model with respect to existing business Further improve management efficiency (organizational and workforce structure reform, cost optimization) Enhance competitiveness by upgrading core technologies 	
Construct a business model for growth along with regions (strategy of urban market dominance)	<ul style="list-style-type: none"> Develop real estate in the vicinity of store locations Strengthen networks with local communities Pursue more extensive Group business opportunities 	<ul style="list-style-type: none"> Engage in Group-wide efforts to enhance the appeal of urban areas with our stores at the core, and achieve growth in line with development of local communities Enhance the Tokyo metropolitan area business through the Ginza 6-chome district 10 redevelopment project and Ueno store South Wing rebuilding project
Promote omni-channel retailing	<ul style="list-style-type: none"> Expand business partner networks, product range and target areas with respect to Click & Collect and Endless Aisle services Build up order fulfillment capabilities (series of operations from receipt of an order to distribution) 	<ul style="list-style-type: none"> Provide the same products, services and information as that available through physical stores, while creating an environment to enable customer access anytime, anywhere

4. Quantitative Management Objectives and Financial Policies

(1) Quantitative management objectives

We are looking toward achieving ROE of 8%, and are accordingly targeting consolidated operating profit of ¥50.0 billion, consolidated ROE of 5.8% and consolidated ROA of 4.8% for the business plan's last fiscal year of FY2016.

	FY2016 targets	FY2013 results
Consolidated operating profit (operating profit margin in parenthesis)	¥50.0 billion (4.2%)	¥41.8 billion (3.6%)
Consolidated ROE (net income/shareholders' equity)	5.8%	4.8% ^(Note)
Consolidated ROA (operating income/total assets)	4.8%	4.2%

(Note) These figures exclude extraordinary factors from transfer of shares of Peacock Stores Ltd.

(2) Financial Policies

We aim to generate operating cash flows in excess of ¥130.0 billion over three years, of which ¥110.0 billion will go toward large-scale capital investment and growth-oriented

investment, while also providing shareholder returns on the basis of a consolidated dividend payout ratio of at least 30%.

	Accumulated results of FY2014–2016
Operating cash flows	¥130.0 billion or more
Capital and growth investments	¥110.0 billion
Shareholder returns	Basic policy for dividend payout ratio of at least 30%

5. Key Initiatives

(1) Drastically enhance competitiveness and profitability as a multi-channel retailer

1) Department Store Business (FY2016 operating profit of ¥28.5 billion, ¥5.5 billion higher than FY2013)

<Establishment of the new department store business model and clarification of store strategies geared toward respective regions>

- We will accelerate the establishment of “A new department store business model” to create appealing stores that attract a wide range of customers and realize a highly profitable business model.
- We will strengthen our competitiveness in all of our regions through identifying needs of markets and customers at each of our store locations, while implementing store strategies tailored to respective regions in a manner that embraces the notion of community revitalization and omni-channel retailing.
- We will place particular emphasis on achieving significantly higher profits, particularly at the Matsuzakaya Nagoya, Daimaru Tokyo, Daimaru Sapporo, and Daimaru Kobe stores.

<Development of the upscale market centered on sales to core customers (out-of-store sales)>

- We will deliver extensive value to the upscale market which promises future growth, thereby providing such customers with not only our conventional product categories but also services as well.
- Utilizing our powerful marketing tool, the Customer Gold Card, which has been converted to a credit card, we will work to enroll 10,000 new cardholders per year, centering our efforts on the urban nouveau riche.

<Rebuilding of original businesses and development of new businesses>

- We will dramatically enhance merchandise planning, inventory control and sales capabilities for the improvement of operating profit, while playing a part in making our stores more appealing and distinctive.
- We will also create a business model that generates profits as an independent business while aiming to expand such business and open new shops elsewhere.

<Reinforcing capabilities to serve tourists from overseas>

- With the number of overseas tourists visiting Japan increasing in recent years, we will actively work to serve such customers and increase sales to that market. To that end, we will take steps that include enhancing the product line-up and services that

reflect particularities of respective regions and stores, and redoubling our efforts to attract such customers through use of digital and overseas media.

2) PARCO Business (FY2016 operating profit of ¥13.3 billion, ¥1.3 billion higher than FY2013)

- We will focus on ensuring a full line-up of stores upon opening the new Fukuoka PARCO in autumn 2014 and completing the floor space expansion of the main building in spring 2015, with the aim of heightening the appeal of the Fukuoka and Tenjin area, while also building up the business base in that area, together with Hakata Daimaru Fukuoka Teijin Store.
- We will push ahead with the development of the new addition to the Sendai New Wing (tentative name), which will be our second PARCO in the Sendai region, with the aim of opening the unit in spring 2016.
- We will pursue swift development of the ZERO GATE business designed to meet urban demand for commercial facilities, targeting development of seven or more properties including the Nagoya and Sapporo projects slated for opening in autumn 2014 and spring 2016, respectively.
- We will strive to improve our capabilities for attracting customers and boosting sales. Toward such ends, we will renovate roughly 15% of overall floor space every year, and deliver consistently fresh information tailored to shifting and diversifying consumer needs.

3) Credit Business (FY2016 operating profit of ¥4.0 billion, ¥0.8 billion higher than FY2013)

- We will work to significantly increase the number of members of company's own card through such ways as enhancing our efforts of acquiring new members by forging new arrangements with department stores, encouraging customers to shift over from loyalty cards that award points for cash purchases, and revamping our loyalty card policies. We will also work to increase earnings in the Credit Business by enhancing the appeal of our cards and offering greater customer convenience through efforts to expand our network of member stores and provide more extensive cardholder privileges.

4) Staffing Services and Sales Outsourcing Services (FY2016 operating profit of ¥1.3 billion, ¥0.4 billion higher than FY2013)

- Staffing services company Dimples' Co., Ltd. will work to expand its business area centered in the Tokyo metropolitan area, while enlarging business fields mainly in the highly-specialized fields of sales (luxury brands, cosmetics, etc.), information services, and retail support (store shelf stocking, cash register, etc.).
- Sales outsourcing services company Daimaru Matsuzakaya Sales Associates Co., Ltd. will take its know-how in hospitality, sales and training to the next level, contribute to improving selling capabilities of Group department stores, and develop more expansive business in store management outsourcing involving the partners of our

department stores and also external commercial facilities.

5) Further increase in management efficiency (FY2016 operating profit income to net sales ratio of 4.2%, a 0.6 ppt gain over FY2013)

- We will push ahead with efforts to optimize our cost structure and raise management efficiency across the entire Group. This will entail moves to heighten employee productivity and reduce labor costs through organizational and workforce structure reform as well as asset reduction and streamlining, and reform of distribution systems.

(2) Forge a business model for growth along with regions, with our stores at the core (strategy of urban market dominance)

- Focusing on the potential of the Group's management resource concentrated in urban areas such as Daimaru Matsuzakaya Department Stores, PARCOs and other stores, we will actively work to enhance the appeal of the overall areas surrounding our stores, thereby strengthening our competitiveness in those regions while also enabling expansion and greater market penetration of Group businesses.
- We will seek further progress in terms of community revitalization experience gained in developing the surroundings of the Daimaru Kobe and Daimaru Shinsaibashi stores, and engage in such initiatives more than ever before. In that regard, we will link up with Group companies such as PARCO and Daimaru COM Development Inc. and also with outside companies and other organizations, in order to create communities from a broader perspective beyond that held by department store management in terms of what it takes to create appealing communities.
- We will fully leverage offerings not only of our physical stores, but also with respect to online services now evolving at a rapid pace, while working to create highly original omni-channel retailing by offering a full range of 'soft' services tailored to respective regions.

<Ginza 6-chome district 10 redevelopment project (scheduled to open in November 2016)>

- The Ginza 6-chome redevelopment aims to heighten the appeal and liveliness of Japan's well-known Ginza area. Accordingly, it will feature a large complex offering not only commercial and office facilities but also performing essential community functions by providing cultural facilities and acting as a destination for tourism.
- We are committed to ensuring that the new Ginza 6-chome development becomes an unparalleled commercial facility that aptly reflects the essential concept of Ginza which has long attracted a diverse range of visitors from throughout Japan and the entire world. To achieve this goal, we will work with others who hold commercial space in seamlessly managing all of the commercial floors.

<Project to rebuild the South Wing of the Matsuzakaya Ueno store (scheduled to open in autumn 2017)>

- The South Wing will be rebuilt as a high-rise complex featuring a PARCO store, a cinema complex and sophisticated office facilities such that are not currently available in the Ueno-Okachimachi district.
- This project is enabling us to forge a business model for achieving growth along with respective communities, whereby this project once completed will stand as an initiative for community building that brings the department store, PARCO and Group businesses together with local communities, thereby breathing new life into the redeveloping Ueno-Okachimachi district and contributing to the vitality of the area.

<Shinsaibashi district redevelopment>

- An over-abundance of large commercial facilities in the Osaka area has resulted in intense competition in the area. To make us significantly more competitive in this region we are moving forward with the Shinsaibashi district redevelopment project which is centered on the Daimaru Shinsaibashi store (the main building and north and south wings), and also involves use of real estate and commercial facilities in the district.

(3) Promote omni-channel retailing that leverage the strengths of our physical stores

- With the aim to establishing predominance over the competition in the mid- to long-term, we will raise the level of customer support of the Group centered on retail stores in key urban areas, offer products, services and information similarly online and in physical stores, thus realizing fine-tuned response to our customers by providing them with seamless access anytime, anywhere.
- We will work to provide greater customer convenience by expanding business partner networks, product range and target areas with respect to our Click & Collect and Endless Aisle services.
- We will work to establish and upgrade fulfillment capabilities centered in the Tokyo metropolitan area working with Forest, by drawing on Forest's know-how in handling highly-efficient logistics operations as well as their expertise in developing and implementing sophisticated information systems.
- We are targeting net sales attributable to online shopping of ¥25.0 billion in fiscal 2016, generated through the initiatives described above and other efforts.

(4) Promote growth of overseas business

1) Shanghai New World Daimaru Department Store (Shanghai)

- We will work to ensure the success of the Shanghai New World Daimaru Department Store joint project (scheduled to open in January 2015). Through business alliances, we will also amass know-how with respect to setting up and operating overseas stores, and apply what we have learned to future business expansion efforts.

2) JFR Plaza (Taiwan)

- JFR Plaza will pick up the pace in opening more Plaza Tokyo general retailing stores, in addition to its current four stores in and around Taipei, while also working to establish chain store operations in Taiwan which will lead to store openings in other Asian countries.

(5) Develop a corporate culture that values creativity and challenge

- We will remain committed to acting as an organization of creative employees driven to take on new challenges, with sophisticated expertise in their respective fields, and highly productive in terms of generating substantial added value. To such ends, we will provide them with opportunities to demonstrate their abilities, and create an employee evaluation scheme that sets the bar high while recognizing those who actively take on new challenges.
- We will actively promote sourcing employees engaged in various fields from outside the company, and in working out strategies for leveraging their talents.
- We will promote diversity management practices geared toward enabling us to meet increasingly diversifying customer needs while deriving competitiveness from a more diverse workforce. In particular, we will encourage the active involvement and advancement of our female employees, while redoubling management efforts in that regard.

(6) Ensure thorough compliance and corporate social responsibility management practices

- We aim for the Group to achieve growth in a manner that contributes to society at large, while acting as an equitable company that engenders trust and complies with laws and regulations as a matter of course.

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