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[Securities code: 3086]
May 7, 2015

To Our Shareholders

Ryoichi Yamamoto, President
J. FRONT RETAILING Co., Ltd.
10-1, Ginza 6-chome, Chuo-ku, Tokyo

Notice of Convocation of the 8th Annual Shareholders Meeting

You are cordially invited to attend the 8th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the "Company"). The meeting will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the Internet. In each case, you are requested to exercise your voting rights so that your vote is received by 6:00 p.m. on Wednesday, May 27, 2015 (JST).

Details

1. Date and time: Thursday, May 28, 2015, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
2. Venue: NEW PIER HALL, 11-1, Kaigan 1-chome, Minato-ku, Tokyo
3. Purpose of the meeting:
Matters to be reported:
1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 8th fiscal year (from March 1, 2014 to February 28, 2015)
2. Audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements for the 8th fiscal year

Matters to be resolved:
Proposal 1: Partial Revision of the Articles of Incorporation
Proposal 2: Election of Nine (9) Directors
Proposal 3: Election of Five (5) Audit & Supervisory Board Members
Proposal 4: Payment of Bonuses to Directors and Audit & Supervisory Board Members for Fiscal Year 2014

4. Decisions made for convocation:
Please refer to Guide to the Exercise of Voting Rights on pages 3 to 4.

* If you are attending the meeting in person, please submit the enclosed voting form at the reception of the meeting.
Please note that persons who are not shareholders who can exercise voting rights, such as proxies who are not shareholders, and accompanying persons, will not be admitted. (The accompanying persons of shareholders with disabilities are exempt and will be admitted.)

- Of the documents attached to Notice of Convocation of the Annual Shareholders Meeting, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are provided on the Company's website in accordance with relevant laws and regulations and Article 16 of the Company's Articles of Incorporation, hence are not indicated on this Notice of Convocation.
- Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by Audit & Supervisory Board Members and the Accounting Auditor, shall include not only the documents stated in this Notice of Convocation, but also Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are provided on the Company's website.
- If any amendments to Reference Materials for Shareholders Meeting, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements are made, the revised version will be provided on the Company's website.

The Company's website: http://www.j-front-retailing.com/

Guide to the Exercise of Voting Rights

Attending the Shareholders Meeting in Person
Please submit the enclosed voting form at the reception of the meeting.

*You do not need to exercise your voting rights either by postal mail or via the Internet.

Attending a live relay venue
The live relay venues are not recognized as the venue of the shareholders meeting under the Companies Act. Please exercise your voting rights either by postal mail or via the Internet before arriving.

If you are unable to attend the meeting in person, please exercise your voting rights by either of the following methods.

Exercising voting rights by postal mail
Please indicate on the enclosed voting form whether you approve or disapprove of each proposal, and return the completed form to us.
Exercise due date: Received by 6:00 p.m. on Wednesday, May 27, 2015 (JST)

To institutional investors

To exercise voting rights at this meeting, institutional investors can use the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.

Exercising voting rights via the Internet
Please read the following items before exercising voting rights via the Internet.
Exercise due date: Received by 6:00 p.m. on Wednesday, May 27, 2015 (JST)

(*Instructions concerning the exercise of voting rights via the Internet*)
1. Access the voting website
   Access the voting website and click the "Next" button.
   Voting website: http://www.evote.jp/
2. Login to the voting website
   Enter the "Login ID" and the "Temporary password" shown on the enclosed voting form and click the "Login" button.

   >>> With this your login is complete. Next, please follow the guidance on the screen.

- To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their "temporary password" on the voting website.
- You will receive a new "log-in ID" and a new "temporary password" with each convocation notice for a Shareholders Meeting.
- If you exercise your voting rights both in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as effective.
- If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as effective. If you exercise your voting rights more than once by using your personal computer, smartphone and mobile phone, we will only accept the last exercise of your voting rights as effective.

* Fees for accessing the voting website (Internet access fees, telephone charges, packet communication fees, etc.) shall be borne by the shareholder.
* Exercising voting rights via the Internet may not be possible depending on your Internet usage environment, for example if you use a firewall, etc. or if you have anti-virus software installed.

For inquiries about the system, please contact:

Corporate Agency Division (Help Desk)
Mitsubishi UFJ Trust and Banking Corporation
(Toll free) 0120-173-027
(available 9:00 a.m. – 9:00 p.m., only in Japan)

[Reference Document for the 8th Annual Shareholders Meeting]

Business Report (From March 1, 2014 to February 28, 2015)

1. Current status of the corporate group

(1) Business summary and results

In the Japanese economy in the current fiscal year, there were signs of improvements in corporate results and the employment environment partly due to the effects of the economic and financial policies of the government and the Bank of Japan. However, the stagnation in personal consumption that occurred following the consumption tax rate hike in April 2014 continued, and the economic recovery remained moderate.

In the retail sector, there was a substantial year-on-year increase in net sales centered on durable items and highly priced items on the back of a surge in demand ahead of a hike in the consumption tax rate, and net sales to foreign visitors to Japan increased as well. Nevertheless, this sector also experienced a pullback in demand immediately after the consumption tax rate hike and a subsequent slump in consumer sentiment. As a result, the pace of the recovery in sales remained moderate.

Amid this environment, the J. Front Retailing Group (hereinafter the "Group") started its "FY 2014 - FY 2016 Medium-term Business Plan." Under this plan, with the aim of developing as a multifaceted retailer operating multiple businesses with the Department Store Business at their core, the Group worked to further strengthen the competitiveness and profitability of existing businesses while also investing management resources in fields of growth in a focused manner.

In the Department Store Business, the Group pressed ahead with its efforts to establish "A new department store business model" that brings innovation to the sector by such means as creating appealing stores that attract a wide range of customers and constructing a highly productive store management structure. As part of these efforts, the Group worked to meet the needs of the firmly performing affluent customer market by expanding luxury brand services, implementing large-scale refurbishments of food market spaces, and making aggressive efforts to acquire new out-of-store customers. The Group also strengthened its response to foreign visitors to Japan, who are dramatically growing in number.

In the PARCO Business, a new building opened at the Fukuoka PARCO in November, and floor space in the adjacent building was increased in March 2015. Moreover, the decision was taken to open a new building in the area around the west exit of Sendai station in 2016. At existing stores, PARCO Co., Ltd. worked to enhance store appeal and strengthen competitiveness further by creating sales spaces that utilize the respective characteristics of stores and providing information.

Meanwhile, the Group has been pushing ahead with initiatives centered on the Department Store Business and the PARCO Business for the Group's unique "omni-channel retailing," which has growth potential as a new business, providing customers with various forms of information, products and services through diverse sales channels including physical stores and internet mail order retailing.

Regarding the urban redevelopment project in the Ginza 6-chome district, a Retail Facility Planning Office was established in September and started full-fledged tenant leasing with the aim of developing a commercial facility fit for the globally renowned Ginza district. At the Matsuzakaya Ueno store, the South Wing was closed in March 2014 and a start was made on rebuilding work to turn it into a new complex containing commercial facilities in partnership with PARCO.

With respect to overseas operations, Shanghai New World Daimaru Department Store, a fully-fledged upscale department store in China operated as a joint venture, has been opened in stages since February, with full opening planned for May 2015. At JFR PLAZA, which operates general retailing stores "PLAZA TOKYO" in Taiwan, three new stores were opened, bringing the total number of stores to seven.

The Group also worked to construct a stronger operating structure by pushing ahead with reform of its organizational and workforce structures on a Group level. In parallel, the Group strove to improve management efficiencies by such means as reviewing all cost structures.

As a result of various measures including those mentioned above, in the current fiscal year, net

sales was ¥1,149,529 million, up 0.3% year on year, operating income was ¥42,091 million, up 0.7%, ordinary income was ¥40,404 million, down 0.2%, and net income was ¥19,918 million, down 36.9%.

J. FRONT RETAILING Co., Ltd. (hereinafter the "Company") has decided to pay a year-end dividend of ¥13 per share. The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. With the addition of an interim dividend of ¥12 per share calculated in accordance with the standard after the consolidation of shares, the annual dividend is ¥25 per share, marking a year-on-year increase of ¥3.

Results by segment are as follows.

Department Store Business

At the Department Store Business, in order to establish "A new department store business model," we continually pushed ahead with efforts to create appealing stores and enhance their competitiveness in all regions. We also focused efforts on various measures targeting affluent consumers and foreign visitors to Japan, who showed strong consumer confidence. As part of these measures, we worked to acquire new out-of-store customers in all regions and exceeded the target number of members. Furthermore, in order to strengthen our response to foreign visitors to Japan, who are growing in number every year, we established a position in charge of Inbound Business Promotion. In consideration of the widening of the range of duty free items from October, we not only worked to expand our range of products that respond to the needs of foreign visitors but also introduced a new system to speed up duty free procedures, and enhanced store environments by such means as expanding spaces for serving customers and introducing Wi-Fi connectivity. As a result, sales of duty free products increased substantially. In addition, we pushed ahead with introductions and expansions of luxury brands at stores including Daimaru Sapporo and Matsuzakaya Nagoya in order to meet needs in the strong upscale goods market.

At the Matsuzakaya Ueno store, whose South Wing was closed in March 2014 for rebuilding, the refurbished Main Building was opened as a more convenient department store offering products and services that are tailored to the lifestyles of nearby residents. At the Daimaru Kyoto store, aiming to create an impressive department store that continually projects an contemporary image in the refined, mature Shijo Karasuma area of Kyoto, we introduced the "Table Plus" specialty food zone, which has already been introduced to the Daimaru Kobe store and the Matsuzakaya Nagoya store, and new features including prepared foods from well-established Japanese restaurants, and opened the refurbished store in June. In addition, we opened the first Tokyu Hands in the Kyoto area as a new store located in the vicinity, which contributed to an increase in visitors to the area. In October, we upgraded the exterior of the Daimaru Kyoto store with a modern design that incorporates traditional styles. At the Hakata Daimaru Fukuoka Tenjin store, we refurbished the basement first floor of its East Building, transforming it into a specialty zone to be enjoyed by the whole family, particularly children.

In our "omni-channel retailing" initiatives, we worked to expand the items, brands and services handled in "Click & Collect," through which customers can collect products they have ordered on the internet at home or at their preferred physical store, and "Net de Auction," through which artworks are sold via the internet in a bidding process.

At the original merchandising business, in which we aim to improve profitability by integrating operations from buying to sale, we strengthened our efforts to develop and sell originally developed products that meet customer needs in areas including women's shoes as well as men's and women's miscellaneous goods.

As a result of various initiatives including those mentioned above, net sales in this business was ¥759,866 million, down 1.2% year on year partly due to the impact of closing of the Matsuzakaya Ginza store and the South Wing of the Matsuzakaya Ueno store, while operating income was ¥23,115 million, up 0.6%.

PARCO Business

At the PARCO Business, we pushed ahead with expansion in the network of business bases in city

centers. At the Fukuoka PARCO, following the opening in November of the new building, in March 2015 we increased the floor space in the building adjacent to the Main Building. Furthermore, we transformed this PARCO into a newsworthy store as one of the largest shopping centers in the Tenjin district by such means as bringing in a large number of tenants opening their first stores in Kyushu in a wide variety of categories. In the ZERO GATE business, which develops and manages low- to medium-rise commercial facilities, Nagoya ZERO GATE, which is the largest facility in this format, was opened in October.

Among existing PARCO stores, we pushed ahead with refurbishments, particularly in urban stores, under the themes of expanding the core target, strengthening lifestyle proposals and responding to inbound demand, with the aim of making the stores more appealing and strengthening their competitiveness. At the Shibuya PARCO we introduced innovative and newsworthy shops under the theme of global information provision, while at the Ikebukuro PARCO we introduced features including a webcasting studio and an animation character goods shop.

Furthermore, in March 2014, in anticipation of demand ahead of the consumption tax rate hike, we worked to strengthen our acquisition of PARCO card members in tandem with implementation of preferential membership plans, achieving a large increase in card business volume. In September, we started accepting Daimaru and Matsuzakaya gift certificates and common gift certificates for department stores nationwide at all PARCO stores.

We also promoted use of the internet with stores as foundations, expanded the number of stores handling the “Kaeru PARCO” mail order service provided in coordination with shop blogs and introduced “POCKET PARCO,” a smartphone application that provides timely shop information.

As a result of the various initiatives mentioned above, net sales in this business was ¥274,212 million, up 2.2% year on year, and operating income was ¥12,255 million, up 2.0% year on year.

Wholesale Business

At the Wholesale Business, despite strong sales in the fields of chemical products and animal products, sales in the fields of electronic devices and imported wholesale clothing and general goods struggled.

As a result of the above, net sales in this business was ¥59,371 million, down 6.2% year on year, and operating income was ¥1,067 million, down 5.3%.

Credit Business

At the Credit Business, we invested aggressively in personnel to develop credit card business at all Daimaru Matsuzakaya Department Stores and worked to acquire new card members. In addition, we achieved a year-on-year increase in card business volume in line with an increase in Gaisho Otokuisama Gold Card members.

As a result, net sales in this business was ¥10,381 million, up 9.9% year on year, and operating income was ¥3,424 million, up 7.5%.

Other Businesses

In Other Businesses, net sales was ¥97,298 million, up 9.8% year on year, partly as a result of new addition of Forest which operates direct marketing business, while operating income was down 18.3% year on year to ¥2,418 million despite efforts to reduce selling, general and administrative expenses at each Group company.

Net sales and operating income by business segment of the corporate group

(Millions of yen)

Business segment	7th fiscal year (Fiscal 2013)				8th fiscal year (Current fiscal year) (Fiscal 2014)			
	Net sales		Operating income		Net sales		Operating income	
	Results	Composition	Results	Composition	Results	Composition	Results	Composition
		%		%		%		%
Department Store Business	768,928	67.1	22,980	55.0	759,866	66.1	23,115	54.9
PARCO Business	268,292	23.4	12,017	28.7	274,212	23.9	12,255	29.1
Wholesale Business	63,273	5.5	1,127	2.7	59,371	5.2	1,067	2.5
Credit Business	9,444	0.8	3,186	7.6	10,381	0.9	3,424	8.1
Other Businesses	88,576	7.7	2,961	7.1	97,298	8.4	2,418	5.7
Adjustments	(52,196)	(4.5)	(455)	(1.1)	(51,600)	(4.5)	(190)	(0.3)
Total	1,146,319	100.0	41,816	100.0	1,149,529	100.0	42,091	100.0

Net sales by product and by company and store of the Department Store Business are as follows.

Net sales by product of the Department Store Business (Millions of yen)

Product	Amount	Composition	Year-on-year changes
		(%)	(%)
Men's clothing and haberdashery	53,411	7.0	(0.1)
Ladies' clothing and haberdashery	227,353	29.9	(1.0)
Children's clothing and haberdashery	16,733	2.2	0.5
Kimono, bedding and other clothing	13,928	1.8	(7.6)
Personal belongings	78,013	10.3	(5.3)
Furniture	8,395	1.1	(13.9)
Home appliances	1,426	0.2	(4.0)
Household goods	26,935	3.5	(2.6)
Food products	183,182	24.1	(1.1)
Food halls and cafes	22,881	3.0	(4.2)
General goods	98,225	12.9	5.0
Services	2,622	0.3	(8.9)
Other	26,757	3.7	(2.5)
Total	759,866	100.0	(1.2)

Net sales by company and store of the Department Store Business (Millions of yen)

Company / Store			Amount	Composition	Year-on-year changes
				%	%
Daimaru Matsuzakaya Department Stores Co. Ltd.					
	Daimaru				
		Osaka Shinsaibashi store	84,511	11.1	0.5
		Osaka Umeda store	63,897	8.4	3.8
		Tokyo store	70,160	9.2	4.7
		Urawa Parco store	4,054	0.5	(5.7)
		Kyoto store	70,321	9.3	1.8
		Yamashina store	4,179	0.6	(4.1)
		Kobe store	86,012	11.3	1.0
		Suma store	10,049	1.3	(4.7)
		Ashiya store	7,364	1.0	(3.8)
		Sapporo store	61,355	8.1	2.3
		Sub total	461,907	60.8	1.8
	Matsuzakaya				
		Nagoya store	125,625	16.5	1.2
		Ueno store	43,311	5.7	(11.8)
		Shizuoka store	22,941	3.0	(1.4)
		Takatsuki store	9,521	1.3	(3.0)
		Toyota store	8,460	1.1	(2.5)
		Sub total	209,860	27.6	(6.5)
	Sub total		671,767	88.4	(1.0)
The Hakata Daimaru, Inc.			57,435	7.6	(2.1)
The Shimonoseki Daimaru, Inc.			16,777	2.2	(4.1)
Kochi Daimaru Co., Ltd.			13,885	1.8	(4.3)
Total			759,866	100.0	(1.2)

(Notes) 1. The Matsuzakaya Ginza store closed temporarily on June 30, 2013, for redevelopment and rebuilding in the Ginza district.
2. The South Wing of the Matsuzakaya Ueno store closed on March 11, 2014, for rebuilding.

(2) Status of capital investment

(i) Major facilities completed during the current fiscal year

The total amount of capital investment during the current fiscal year was ¥24,277 million. The main investments in the Department Store Business included ¥3,244 million for refurbishments at all the sales spaces of the Daimaru Kyoto store, the Matsuzakaya Ueno store and others. In addition, the main investments in the PARCO Business included ¥4,758 million for construction of the new building of Fukuoka PARCO.

(ii) New establishments and expansions of major facilities with ongoing construction works during the current fiscal year

In the Department Store Business, the investments included rebuilding of the South Wing of the Matsuzakaya Ueno store and the urban redevelopment project in the Ginza 6-chome district. In the PARCO Business, the investments included new construction of a parking lot in line with the Chofu redevelopment project at the Chofu PARCO.

(iii) Sales, removals and losses of major non-current assets

No material items to report in the current fiscal year.

(3) Status of procurement

No material items to report in the current fiscal year.

(4) Issues to be addressed

There are signs of an upturn in consumer sentiment partly reflecting the postponement of a planned further rise in the consumption tax rate and improvements in the employment and income environments. Nevertheless, in the distribution sector, amid further population and birthrate declines and the aging of society, competition is expected to intensify further regardless of business area or type, and the operating environment surrounding the Group is expected to remain difficult.

In order to respond to this situation correctly, as part of the Group's aim to grow and develop as a multifaceted retailer, we will continue to push ahead with its Medium-term Business Plan and work to further strengthen the competitiveness and profitability of existing businesses while also vigorously investing management resources in fields of growth in a focused manner.

In our core Department Store Business, we will work to create appealing stores that attract a wide range of customers and realize a highly profitable business model by ensuring our efforts to create "A new department store business model." To achieve these aims, we will review our operation management structure at each of our stores to more fully leverage their individual characteristics and strengthen our response to regional market needs. As part of this, we will focus resources on four shops: the Matsuzakaya Nagoya store, which is undergoing large-scale refurbishment, and also the Daimaru Kobe, Daimaru Tokyo and Daimaru Sapporo stores. Furthermore, in the out-of-store business, which is an area of strength for the Department Store Business, we will continue strengthening our efforts to acquire new customers and work to enhance both our product lineup and our direct customer services in line with the needs of such customers. We will also redouble our efforts to create sales spaces and provide services that are responsive to the needs of foreign visitors to Japan, who are expected to continue to grow in number. In the original merchandising business, we will work to create new-concept sales spaces and strengthen product development, and aim to expand sales and improve profits.

In the PARCO Business, we will not only expand our targeted range of customer segments but also develop new business types and ways of arranging sales spaces; further develop each of our two types of management structure, Urban Complexes and Community Complexes; and strengthen our operations in areas including information provision over the internet and responses to inbound tourism. In parallel, we will continue working to secure stable profits by expanding our network of business bases through new store openings in city centers and floor space increases.

In addition, we will aim to grow along with the regions in which we operate with our stores at the core of such growth. Our efforts in this respect will include newly developing commercial facilities in the areas around existing stores and will be centered on major urban areas, where the population is increasingly concentrated. In this way, we will push ahead with constructing a highly profitable business model with a view to strengthening our business foundations for the future. In the Tokyo area, we aim to press ahead with the urban redevelopment project in the Ginza 6-chome district and open it as a world-class quality commercial facility in 2016. We will also push ahead with our plan for the rebuilding of the South Wing of the Matsuzakaya Ueno store and create an appealing store in partnership with PARCO and the area, with the aim of opening the building in 2017.

Meanwhile, in order to accelerate our initiatives to handle new business using information and communications technology, we established a new position in charge of Group ICT Strategy Promotion in March 2015, and work to expand and enhance the Group's unique "omni-channel retailing," which features a combination of diverse sales channels including physical stores and internet selling.

With respect to overseas business, we will steadily develop our operations in Asian regions, primarily through operation of Shanghai New World Daimaru Department Store in China and by developing an extensive store network for JFR PLAZA in Taiwan.

Furthermore, we will expand and develop business in fields with high growth and earnings potential by vigorously pursuing mergers and acquisitions, alliances and the like with high-quality, high-added value companies with the potential for synergistic effects with existing businesses.

In addition, as part of our growth strategy, we will push ahead with diversity management utilizing

diverse human resources, including employing foreign students and external human resources, and promoting active workplace participation by women. We will also work to create new structures for training and optimal allocation of human resources.

Furthermore, we will not only reflect the results of these initiatives in net sales and profits, but also work to enhance shareholder returns and aim to improve our ROE (return on equity). In parallel, partly in preparation for the "Corporate Governance Code," which is scheduled for application from June, we will aim for sustainable improvement in corporate value by strengthening our governance system and ensuring thoroughgoing compliance operations.

We appreciate the continued support and encouragement of our shareholders.

(5) Status of assets and profit or loss

(i) Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

Category	5th fiscal year (Fiscal 2011)	6th fiscal year (Fiscal 2012)	7th fiscal year (Fiscal 2013)	8th fiscal year (Current fiscal year) (Fiscal 2014)
Net sales	941,415	1,092,756	1,146,319	1,149,529
Operating income	21,594	30,857	41,816	42,091
Ordinary income	22,941	32,202	40,502	40,404
Net income	18,804	12,183	31,568	19,918
Net income per share (Yen)	35.57	23.05	59.77	75.47
Total assets	767,543	1,009,165	998,730	1,018,700
Net assets	342,561	390,667	422,215	430,465

(Note) The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Net income per share has been calculated as if this consolidation of shares was conducted at the beginning of the current fiscal year.

(ii) Changes in assets and profit or loss of the Company

(Millions of yen, unless otherwise stated)

Category	5th fiscal year (Fiscal 2011)	6th fiscal year (Fiscal 2012)	7th fiscal year (Fiscal 2013)	8th fiscal year (Current fiscal year) (Fiscal 2014)
Net sales	7,144	22,744	8,983	11,147
Operating income	4,907	20,394	6,280	8,391
Ordinary income	4,871	19,972	6,398	8,460
Net income	4,745	19,930	12,405	8,388
Net income per share (Yen)	8.97	37.69	23.48	31.77
Total assets	322,295	450,201	438,491	429,226
Net assets	284,584	299,508	306,654	308,681

(Note) The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Net income per share has been calculated as if this consolidation of shares was conducted at the beginning of the current fiscal year.

(6) Status of significant parent company and subsidiaries

(i) Relationship with the parent company

No items to report.

(ii) Status of major subsidiaries

Name	Capital (Millions of yen unless otherwise stated)	Ratio of ownership by the Company (%)	Major business
Daimaru Matsuzakaya Department Stores Co. Ltd.	10,000	100.0	Department Store Business
The Hakata Daimaru, Inc.	3,037	69.9	Department Store Business
The Shimonoseki Daimaru, Inc.	480	100.0	Department Store Business
Kochi Daimaru Co., Ltd.	300	100.0	Department Store Business
PARCO Co., Ltd.	34,367	64.9	PARCO Business
Parco (Singapore) Pte Ltd	S$4 million	64.9	PARCO Business
NEUVE A Co., Ltd.	490	64.9	PARCO Business
PARCO SPACE SYSTEMS Co., Ltd.	490	64.9	PARCO Business
PARCO-CITY Co., Ltd.	10	64.9	PARCO Business
Daimaru Kogyo, Ltd.	1,800	100.0	Wholesale Business
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	US$2 million	100.0	Wholesale Business
Daimaru Kogyo (Thailand) Co., Ltd.	THB202 million	99.9	Wholesale Business
Taiwan Daimaru Kogyo, Ltd.	NT$60 million	100.0	Wholesale Business
JFR Card Co., Ltd.	100	100.0	Credit Business
J. Front Design & Construction Co., Ltd.	100	100.0	Design and construction contracting and manufacture and sale of furniture
JFR Online Co. Ltd.	100	100.0	Direct Marketing
Dimples' Co., Ltd.	90	100.0	Staffing service
J. Front Foods Co., Ltd.	100	100.0	Restaurant
Daimaru COM Development Inc.	50	100.0	Real estate leasing and tenant service
Consumer Product End-Use Research Institute Co., Ltd.	450	100.0	Merchandise test and quality control
JFR PLAZA Inc.	NT$185 million	90.0	General Retailing
Forest Co., Ltd.	90	72.9	Direct Marketing
Angel Park Co., Ltd.	400	50.2	Parking
JFR Information Center Co., Ltd.	10	100.0	Information service
JFR Office Support Co., Ltd.	100	100.0	Commissioned back-office service
JFR Service Co. Ltd.	100	100.0	Leasing and parking management
JFR Consulting Co. Ltd.	100	100.0	Consulting
Daimaru Matsuzakaya Sales Associates Co. Ltd.	90	100.0	Commissioned sales and store management operations
Daimaru Matsuzakaya Tomonokai Co., Ltd.	100	100.0	Special prepayment-based transactions

(Note) Taiwan Daimaru Kogyo, Ltd. was newly established on January 7, 2015.

(7) Major businesses

The Department Store Business, the PARCO Business, the Wholesale Business, the Credit Business, and the Other Businesses including design and construction contracting and direct marketing.

(8) Major sales offices

(Department Store Business)

Name	Location	Name	Location
Daimaru Matsuzakaya Department Stores Co. Ltd.			
Head Office	Koto-ku, Tokyo	Matsuzakaya Nagoya store	Naka-ku, Nagoya
Daimaru Osaka Shinsaibashi store	Chuo-ku, Osaka	Ueno store	Taito-ku, Tokyo
Osaka Umeda store	Kita-ku, Osaka	Shizuoka store	Aoi-ku, Shizuoka
Tokyo store	Chiyoda-ku, Tokyo	Takatsuki store	Takatsuki, Osaka
Urawa Parco store	Urawa-ku, Saitama	Toyota store	Toyota, Aichi
Kyoto store	Shimogyo-ku, Kyoto	The Hakata Daimaru, Inc.	Chuo-ku, Fukuoka
Yamashina store	Yamashina-ku, Kyoto		
Kobe store	Chuo-ku, Kobe	The Shimonoseki Daimaru, Inc.	Shimonoseki, Yamaguchi
Suma store	Suma-ku, Kobe		
Ashiya store	Ashiya, Hyogo	Kochi Daimaru Co., Ltd.	Kochi, Kochi
Sapporo store	Chuo-ku, Sapporo		

(PARCO Business)

Name	Location	Name	Location
PARCO Co., Ltd.			
Headquarters	Toshima-ku, Tokyo	Chiba PARCO	Chuo-ku, Chiba
Shibuya Head Office	Shibuya-ku, Tokyo	Matsumoto PARCO	Matsumoto, Nagano
Sapporo PARCO	Chuo-ku, Sapporo	Shizuoka PARCO	Aoi-ku, Shizuoka
Sendai PARCO	Aoba-ku, Sendai	Nagoya PARCO	Naka-ku, Nagoya
Utsunomiya PARCO	Utsunomiya, Tochigi	Otsu PARCO	Otsu, Shiga
Urawa PARCO	Urawa-ku, Saitama	Hiroshima PARCO	Naka-ku, Hiroshima
Shintokorozawa PARCO	Tokorozawa, Saitama	Fukuoka PARCO	Chuo-ku, Fukuoka
Ikebukuro PARCO	Toshima-ku, Tokyo	Kumamoto PARCO	Chuo-ku, Kumamoto
Shibuya PARCO	Shibuya-ku, Tokyo	Nagoya ZERO GATE	Naka-ku, Nagoya
Hibarigaoka PARCO	Nishi-Tokyo, Tokyo	Shinsaibashi ZERO GATE	Chuo-ku, Osaka
Kichijoji PARCO	Musashino, Tokyo	Dotonbori ZERO GATE	Chuo-ku, Osaka
Chofu PARCO	Chofu, Tokyo	Hiroshima ZERO GATE	Naka-ku, Hiroshima
Tsudanuma PARCO	Funabashi, Chiba	PediSHIODOME	Minato-ku, Tokyo
NEUVE A Co., Ltd.	Shibuya-ku, Tokyo	PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo
PARCO-CITY Co., Ltd.	Shibuya-ku, Tokyo	Parco (Singapore) Pte Ltd	Singapore

(Wholesale Business)

Name	Location
Daimaru Kogyo, Ltd.	Head Office: Chuo-ku, Osaka Office: Tokyo 1, Nagoya 1, Nagano 1, Oita 1, Overseas 5
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	Head Office: Shanghai, China
Daimaru Kogyo (Thailand) Co., Ltd.	Head Office: Bangkok, Thailand
Taiwan Daimaru Kogyo, Ltd.	Head Office: Taipei, Taiwan

(Credit Business)

Name	Location
JFR Card Co., Ltd.	Head Office: Takatsuki, Osaka Office: Tokyo 2, Osaka 2, Kyoto 1, Kobe 1, Sapporo 1, Nagoya 1, Shizuoka 1

(Other subsidiaries)

Head Office: Tokyo 2, Osaka 9, Kobe 1, Nagoya 1, Saitama 1, Taiwan 1

(9) Status of employees

(i) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	84
Department Store Business	2,857
PARCO Business	1,453
Wholesale Business	213
Credit Business	114
Other Businesses	2,469
Total	7,190

(Note) Other than the employees shown above, the average number of temporary employees during the period is 3,959.

(ii) Employees of the Company

Number of employees	Average age
84	45.7

(Note) Other than the employees shown above, the average number of temporary employees during the period is 11.

(iii) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	2,237	45.7
PARCO Co., Ltd.	477	41.2
Daimaru Kogyo, Ltd.	177	42.7

(10) Status of major creditors

Major creditors of the corporate group

(Millions of yen)

Creditor	Amount payable	Creditor	Amount payable
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	28,929	Development Bank of Japan Inc.	14,365
Sumitomo Mitsui Banking Corporation	14,894	Mizuho Bank, Ltd.	11,613

(11) Other important matters relating to current status of the corporate group

No items to report.

2. Matters relating to shares of the Company

(1) Number of shares authorized: 1,000,000,000 shares

(2) Number of shares issued: 268,119,164 shares

(3) Number of shareholders: 74,415

(4) Major shareholders

Name of shareholders	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,115	6.10
Japan Trustee Services Bank, Ltd. (Trust Account)	15,846	6.00
Nippon Life Insurance Company	10,776	4.08
J. Front Retailing Kyoei Supplier Shareholding Association	6,871	2.60
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,250	2.36
The Dai-ichi Mutual Life Insurance Company	5,732	2.17
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	5,700	2.15
BNP Paribas Securities (Japan) Limited	4,107	1.55
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	3,204	1.21
Employee Shareholding Association of J. Front Retailing	2,893	1.09

(Notes) 1. Shareholding ratio is calculated by deducting treasury shares (4,103 thousand shares).
2. The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014.

3. Matters relating to subscription rights to shares of the Company

(1) Status of subscription rights to shares held by the Company's Officers, etc. and granted as remuneration for the duties performed at the end of the fiscal year

5th subscription rights to shares of J. Front Retailing Co., Ltd. (*September 3, 2007)

* In accordance with a share transfer carried out on September 3, 2007, these were delivered in lieu of subscription rights to shares granted by Matsuzakaya Co., Ltd.

(i) Persons and number of holders of subscription rights to shares (number of shares to be issued upon exercise of subscription rights to shares)

Directors (excluding Outside Directors)	1	(8,500 shares)
Outside Directors	1	(1,000 shares)

(ii) Class of shares to be issued upon exercise of subscription rights to shares

Common shares of the Company

(iii) Amount to be paid in for subscription rights to shares

¥635,000 per each subscription right to shares (¥1,270 per share)

(iv) The value of assets to be contributed upon exercise of subscription rights to shares

¥500 per each subscription right to shares (¥1 per share)

(v) Exercise period of subscription rights to shares

September 3, 2007 to July 14, 2026

(vi) Main conditions for exercise of subscription rights to shares

a. A holder of subscription rights to shares who holds a position of either director, audit & supervisory board member or executive officer of the Company or any of its subsidiaries during the period in (v) shall not be able to exercise subscription rights to shares.

b. A holder of subscription rights to shares shall exercise the rights only during a period of ten days starting on the day immediately following the day on which the holder loses his/her position of either director, audit & supervisory board member or executive officer of the Company or any of its subsidiaries.

c. If a holder of subscription rights to shares is unable to exercise the rights due to holding a position of either director, audit & supervisory board member or executive officer of the Company or any of its subsidiaries until July 14, 2025, the said holder of subscription rights to shares shall exercise the rights from July 15, 2025 to July 14, 2026.

d. A holder of subscription rights to shares who relinquishes his/her subscription rights to shares shall not be able to exercise such rights.

(vii) Main provisions for acquisition of subscription rights to shares

Not provided.

(viii) Transfer of subscription rights to shares

Transfer of subscription rights to shares shall be subject to approval by resolution of the Company's Board of Directors.

(ix) Particularly advantageous terms

No items to report.

(2) Status of subscription rights to shares granted as remuneration for the duties performed during the fiscal year

No items to report.

(3) Other significant matters concerning subscription rights to shares

4th subscription rights to shares of J. Front Retailing Co., Ltd. (*September 3, 2007)

* In accordance with a share transfer carried out on September 3, 2007, these were delivered in lieu of subscription rights to shares granted by The Daimaru, Inc.

- Total number of subscription rights to shares
  205
- Class and number of shares to be issued upon exercise of subscription rights to shares
  143,500 common shares (700 shares per each subscription right to shares)
- Issue price of each subscription right to shares
  No payment is required.
- Amount to be paid in upon exercise of each subscription right to shares
  ¥1,382 per share
- Exercise period of subscription rights to shares
  September 3, 2007 to May 26, 2015
- Conditions for exercise of subscription rights to shares
  a. The grantee of subscription rights to shares shall be a director, an audit & supervisory board member, an executive officer or an employee of the Company or any of its subsidiaries when he or she exercises the rights. However, if there is a valid reason, such as retirement due to the expiration of his/her term of office, death, mandatory retirement or other reason equivalent to this, those rights may be exercised for 2 years after the grantee loses his/her position.
  b. Other terms and conditions for the exercise of subscription rights to shares are as specified in the "Subscription Rights to Shares Allocation Agreement" entered into individually between the Company and a grantee of subscription rights to shares.
- Events and conditions for acquisition of subscription rights to shares by the Company
  a. When an absorption-type merger agreement under which the Company disappears is approved, or when a proposal on approval of a share exchange agreement or a proposal on a share transfer under which the Company will become a wholly-owned subsidiary is approved at a shareholders meeting, the Company may acquire the subscription rights to shares for no consideration.
  b. If a holder of subscription rights to shares is unable to exercise the subscription rights to shares due to losing his/her position of director, audit & supervisory board member or employee of the Company or any of its subsidiaries before exercising the rights, the Company shall acquire the subscription rights to shares for no consideration. However, if there is a valid reason, such as retirement due to the expiration of his/her term of office, death, mandatory retirement or other reason equivalent to this, those rights shall be acquired after 2 years have passed since the timing at which the holder loses his/her position.

4. Matters relating to corporate officers

(1) Names, etc. of Directors and Audit & Supervisory Board Members

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
Chairman (Representative Director)	SAMURA Shunichi	
President (Representative Director)	YAMAMOTO Ryoichi	
Director	YOSHIMOTO Tatsuya	President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Director	MAKIYAMA Kozo	Director, President and Representative Executive Officer of PARCO Co., Ltd.
Director and Managing Executive Officer	FUJINO Haruyoshi	Senior Executive General Manager of Management Strategy Unit External Director of PARCO Co., Ltd. Outside Director of Hakuseisha Co., Ltd.
Director and Managing Executive Officer	KOBAYASHI Yasuyuki	Senior Executive General Manager of Affiliated Business Unit External Director of PARCO Co., Ltd.
Director and Managing Executive Officer	HAYASHI Toshiyasu	Senior Executive General Manager of Administration Unit and in charge of Compliance and Risk Management Outside Director of Hakuyosha Company, Ltd.
Director	TAKAYAMA Tsuyoshi	Special Advisor of Daido Steel Co., Ltd.
Director	TACHIBANA FUKUSHIMA Sakie	President and Representative Director of G&S Global Advisors Inc. Outside Director of Bridgestone Corporation Outside Director of Ajinomoto Co., Inc. Outside Director of Mitsubishi Corporation
Audit & Supervisory Board Member	TSURUTA Rokurou	Attorney at law Outside Director of TPR Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc.
Audit & Supervisory Board Member	NOMURA Akio	Advisor of Osaka Gas Co., Ltd. Outside Director of THE ROYAL HOTEL, LIMITED Outside Director of SHIONOGI & CO., LTD. Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
Audit & Supervisory Board Member	NATSUME Kazuyoshi	Director and Advisor of CHUBU-NIPPON BROADCASTING CO., LTD. Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
Audit & Supervisory Board Member (full-time)	ARAI Kenji	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
Audit & Supervisory Board Member (full-time)	NISHIHAMA Tsuyoshi	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.

(Notes) 1. Takayama Tsuyoshi and Tachibana Fukushima Sakie are Outside Directors.
2. Tsuruta Rokurou, Nomura Akio and Natsume Kazuyoshi are Outside Audit & Supervisory Board Members.
3. Director Takayama Tsuyoshi's term of office ended upon his death on April 7, 2015.

(Reference)

○ Executive officers of the Company as of February 28, 2015 are as follows (excluding ones concurrently serving as director).

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
Executive Officer	ENOMOTO Tomohiko	Executive General Manager of Group IT New Business Development Division
Executive Officer	KUBOI Satori	Senior General Manager of Affiliated Business, Affiliated Business Unit
Executive Officer	TSUTSUMI Hiroyuki	Senior General Manager of Finance Division

(Note) On March 1, 2015, "Areas of responsibility in the Company and important concurrent positions outside the Company" for an Executive Officer was changed as follows.

Name	Areas of responsibility in the Company and important concurrent positions outside the Company
ENOMOTO Tomohiko	Senior General Manager of Group ICT Strategy Promotion, Management Strategy Unit

(2) Total amount of remuneration, etc. to Directors and Audit & Supervisory Board Members

	Number of payees	Total amount of remuneration, etc. (Millions of yen)
Director	11	303
[of which, Outside Director]	[2]	[23]
Audit & Supervisory Board Member	5	41
[of which, Outside Audit & Supervisory Board Member]	[3]	[20]
Total	16	345

(Notes)
1. The total amount of remuneration, etc. includes ¥73 million in bonuses for directors and audit & supervisory board members scheduled for approval at the 8th Annual Shareholders Meeting.
2. Other than the above, the total amount of remuneration, etc. received by Outside Audit & Supervisory Board Members from subsidiaries of the Company in the current fiscal year is ¥10 million.
3. The maximum remuneration for directors is set at ¥50 million per month by resolution of the Annual Shareholders Meeting held in May 2008.
4. The maximum remuneration for audit & supervisory board members is set at ¥7 million per month by resolution of the Annual Shareholders Meeting held in May 2008.

(3) Outline of method for determining policy regarding decisions on amounts of remuneration, etc. of each corporate officer or calculation method thereof, and contents of such policy

These matters are left to the discretion of the "Personnel and Remuneration Committee," in which Outside Directors participate as members, and a framework is adopted in which remuneration is tied to results and success in accordance with each year's business results.

(4) Matters relating to Outside Directors and Outside Audit & Supervisory Board Members

[Outside Director]

		TAKAYAMA Tsuyoshi	TACHIBANA FUKUSHIMA Sakie
A.	Important concurrent positions	Special Advisor of Daido Steel Co., Ltd.	President and Representative Director of G&S Global Advisors Inc. Outside Director of Bridgestone Corporation Outside Director of Ajinomoto Co., Inc. Outside Director of Mitsubishi Corporation
	Relationship with the Company	No special relationships exist	No special relationships exist
B.	Relationship with specified affiliated business operator	No items to report	No items to report
C.	Major activities during current fiscal year	He attended 10 of the 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and made proposals necessary for deliberating items of business from a broader perspective, as appropriate, based on his extensive experience and insight regarding corporate management. In addition, even when he was unable to attend meetings due to unavoidable circumstances, he endeavored to understand the contents of reported matters and resolved matters based on materials distributed in advance.	She attended all 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and made proposals necessary for deliberating items of business, as appropriate, based on her experience and insight as a corporate manager.
D.	Outline of limited liability agreement	No items to report	No items to report

(Notes) 1. Outside Directors Takayama Tsuyoshi and Tachibana Fukushima Sakie are independent officers, which are required to be put in place by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. for the protection of general shareholders.

2. Takayama Tsuyoshi's term of office ended upon his death on April 7, 2015.

[Outside Audit & Supervisory Board Member]

		TSURUTA Rokurou	NOMURA Akio	NATSUME Kazuyoshi
A.	Important concurrent positions	Attorney at law Outside Director of TPR Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc.	Advisor of Osaka Gas Co., Ltd. Outside Director of THE ROYAL HOTEL, LIMITED Outside Director of SHIONOGI & CO., LTD. Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	Director and Advisor of CHUBU-NIPPON BROADCASTING CO., LTD. Outside Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
	Relationship with the Company	No special relationships exist	No special relationships exist	No special relationships exist
B.	Relationship with specified affiliated business operator	No items to report	No items to report	No items to report
C.	Major activities during current fiscal year	He attended all 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and stated opinions, as appropriate, in order to clarify questions and other matters. In addition, he attended 13 of the 15 meetings of the Audit & Supervisory Board held during the current fiscal year, where his input included exchanging opinions on audit results and participating in deliberations on important audit matters.	He attended 14 of the 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and stated opinions, as appropriate, in order to clarify questions and other matters. In addition, he attended all 15 meetings of the Audit & Supervisory Board held during the current fiscal year, where his input included exchanging opinions on audit results and participating in deliberations on important audit matters.	He attended 14 of the 15 meetings of the Board of Directors held during the current fiscal year, and asked questions and stated opinions, as appropriate, in order to clarify questions and other matters. In addition, he attended 14 of the 15 meetings of the Audit & Supervisory Board held during the current fiscal year, where his input included exchanging opinions on audit results and participating in deliberations on important audit matters.
D.	Outline of limited liability agreement	No items to report	No items to report	No items to report

(Note) The three above-mentioned Outside Audit & Supervisory Board Members are independent officers, which are required to be put in place by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. for the protection of general shareholders.

5. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young Shin Nihon LLC

(2) Amount of remuneration, etc. of Accounting Auditor

(i) Amount of remuneration, etc. to be paid by the Company	¥64 million
(ii) Total cash and other financial profits to be paid by the Company and its subsidiaries	¥166 million

(Notes) 1. Among the significant subsidiaries of the Company, PARCO Co., Ltd. and its 4 subsidiaries are audited by auditing firms other than the Accounting Auditor of the Company. PARCO Co., Ltd. is audited by KPMG AZSA LLC.

2. The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in (i) above indicates the total of these two kinds of amounts.

(3) Content of non-audit service

Consulting service for the introduction of International Financial Reporting Standards (IFRS)

(4) Policy for determining dismissal or non-reappointment of Accounting Auditor

If the Accounting Auditor falls under any of the reasons for dismissal prescribed in Paragraph 1, Article 340 of the Companies Act, or there is a situation that significantly obstructs its auditing of the Company, for example where an order to suspend auditing activities is received from the competent authorities, and such factors are deemed appropriate reasons to dismiss or not reappoint the Accounting Auditor, the Audit & Supervisory Board shall deliberate whether to dismiss the Accounting Auditor through the agreement of all Audit & Supervisory Board Members or to request the Board of Directors to include the dismissal or non-reappointment of the Accounting Auditor in the purpose of a shareholders meeting. The Board of Directors shall, in consideration of the opinion of the Audit & Supervisory Board, deliberate whether to include the dismissal or non-reappointment of the Accounting Auditor in the purpose of a shareholders meeting.

6. System and policies of the Company

(1) System to ensure that execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and other systems to ensure properness of operations

I. System to ensure that execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation

(Item 6, Paragraph 4, Article 362 of the Companies Act and Item 4, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(1) Corporate governance

(i) Final decision making on important matters relating to management and supervision of execution of duties by directors shall be in compliance with the "Rules of the Board of Directors" and shall be carried out at meetings of the Board of Directors held at least once every month.

(ii) For decision making, monitoring action and the like by the Board of Directors, highly independent Outside Directors able to make judgments with independence from top management and to make appropriate decisions shall be appointed.

(iii) Audit & supervisory board members shall carry out auditing of execution of duties by directors and executive officers in compliance with the "Rules of the Audit & Supervisory Board" and the "Audit & Supervisory Board Members' Audit Standard."

(iv) The Company shall bring in Outside Audit & Supervisory Board Members with knowledge and experience to monitor the management of the Company from an objective standpoint and shall strengthen its auditing function.

(v) Other than the Board of Directors and the Audit & Supervisory Board, the Company shall operate the following meeting structures.

Group Management Meeting

(This meeting shall be composed of internal directors and attendance by full-time audit & supervisory board members is required. It shall deliberate over and determine important policies and measures with respect to overall group management.)

Group Strategy Meeting

(This meeting shall be composed of internal directors. It shall carry out debates on important issues with respect to group management and shape approaches to such issues.)

Group Results and Strategy Examination Meeting

(This meeting shall be composed of internal directors and others. Its activities shall include carrying out debates on group results and related important issues and following them up.)

Group Liaison Meeting

(This meeting shall be composed of internal directors and others. Its activities shall include sharing information on important matters among all Group companies.)

Affiliated Business Presidents Meeting, SS Business Presidents Meeting

(These meetings shall confirm progress of results, confirm issues and exchange information at all Group companies excluding department stores.)

(vi) The Company shall establish the Management Strategy Unit, the Affiliated Business Unit and the Administration Unit and clarify the roles, responsibilities and authorities of organizations, and shall introduce an Executive Officer system and work to separate management decision making from the execution of business.

(2) Compliance and risk management

(i) The Company shall ensure that all Group officers and employees are thoroughly familiarized with the "JFR Group Mission Statement" and the "JFR Group Compliance and Risk Management Manual."

(ii) The Company shall establish the Compliance and Risk Management Committee as an advisory body to the Board of Directors regarding the operation of compliance and risk management. The President shall be the chairperson and the members of the committee shall

be corporate lawyers and directors, audit & supervisory board members and others selected by the chairperson.

(iii) An officer shall be put in charge of compliance and risk management in order to promote the operation of compliance and risk management.

(iv) At each Group company, departments and responsible persons shall be put in charge of promotion of compliance and risk management, and shall carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.

(v) The Compliance and Risk Management Committee shall work to develop the foundations of compliance and risk management such as internal company rules, operation management manuals and formulation of management systems. In addition, the committee shall strengthen systems that are in compliance with laws and regulations and internal company rules at all Group companies by periodically carrying out work rank-tailored compliance and risk management training through departments in charge of promotion of compliance and risk management at each company. Internal company rules, manuals and the like shall be made available for inspection and verification by all officers and employees at any time by posting them on the intranet.

(vi) The Compliance and Risk Management Committee shall periodically request reports from persons in charge of promotion of compliance and risk management at each Group company regarding the status of compliance and risk management in their respective areas of responsibility, and take proper rectification measures. In addition, the committee shall formulate guidelines and measures to prevent recurrence to be followed and taken by the Group as a whole, and implement the said guidelines and measures.

(vii) The Company shall establish the "JFR Group Compliance Hotline" as the whistle-blowing system of the JFR Group that also extends beyond companies (to a corporate lawyer), which may be used by all persons working at all Group companies.

(viii) The Company shall establish the Internal Audit Division, which will audit the operations of the Company and all Group companies, examine the properness and effectiveness of the processes for these operations, and provide guidance and education to all departments at the Company and all Group companies. Important matters shall be properly reported to the Board of Directors and the Audit & Supervisory Board.

(3) System to secure appropriateness of financial reporting

The Company shall be in compliance with accounting standards and various associated laws and regulations, and shall construct an internal company system to secure the legality and appropriateness of its financial reporting.

II. Rules concerning management of risk of losses and other systems

(Item 2, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) For risks involved in business operations, the Compliance and Risk Management Committee shall carry out evaluations and management, and for important risks, the committee shall periodically report on the risk management status to the Board of Directors.

(ii) Of the risks involved in business operations that are identified, for particularly serious items, the Compliance and Risk Management Committee shall deliberate over and determine a policy in response, and shall prevent them from occurring by having each of the responsible departments execute the said policy.

(iii) For crisis events such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the "Emergency Response Headquarters" headed by the President.

III. System for storage and management of information regarding execution of duties by directors

(Item 1, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) For the below-mentioned documents relating to the execution of duties by directors, in accordance with the rules on document management, each responsible department shall carry out document storage and management during the stipulated period and shall develop a system to enable inspections of such documents at any time.

1) Minutes of shareholders meetings and related documents
2) Minutes of Board of Directors meetings and related documents
3) Circular approval memos, applications, reports
4) Documents relating to financial reporting

(ii) For minutes and related documents regarding meetings chaired by directors and other important documents relating to the execution of duties by directors, each responsible department shall carry out document storage and management and shall develop a system to enable inspections of such documents at any time.

IV. System to ensure efficient execution of duties by directors

(Item 3, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) The Company shall have the Management Strategy Unit, the Affiliated Business Unit and the Administration Unit as management bodies of the Group, and directors shall be appointed as the heads of the units. Under this structure, communication of decision-making matters at the Board of Directors to the executive officers shall be facilitated and business shall be executed expeditiously.

(ii) The President and the unit heads shall work to achieve management targets and medium- and long-term plans based on their respective roles, responsibilities and authorities by thoroughly making them known to all officers and employees, and giving execution instructions and carrying out efficient monitoring of business execution. Regarding progress in achieving targets at each department based on the management targets and medium- and long-term plans, they shall also demand reports at the Group Results and Strategy Examination Meeting and the like, and manage such progress accordingly.

(iii) For deliberation and determination of company-wide important matters, the Group Management Meeting, the Group Strategy Meeting and others shall be used effectively to contribute to decision making by the Board of Directors.

V. System to ensure properness of operations at the corporate group composed of the Company and its subsidiaries

(Item 5, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) The President and the unit heads shall provide guidance to all Group companies for the development of a proper internal control system regarding operations deemed necessary.

(ii) The President and the unit heads shall require all Group companies to make reports on their businesses through bodies such as the Group Results and Strategy Examination Meeting, the Affiliated Business Presidents Meeting and the SS Business Presidents Meeting, and shall supervise the proper execution of business.

(iii) The Internal Audit Division shall carry out internal audits of everyday operations at all Group companies, examine the properness and effectiveness of the processes for these operations, and provide guidance and education to all departments at the Company and all Group companies. Important matters shall be properly reported to the Board of Directors and the Audit & Supervisory Board.

(iv) The Compliance and Risk Management Committee shall control the departments and persons in charge of promotion of compliance and risk management at each Group company and promote compliance and risk management operations at all Group companies through use of the meeting bodies.

(v) In cases where the Company's business management or the contents of its management guidance is in violation of laws and regulations or other problems in terms of compliance and risk management are recognized, Group companies shall report the matter to the audit & supervisory board members or the Compliance and Risk Management Committee. If this occurs, the audit & supervisory board members or the Compliance and Risk Management Committee may state an opinion to the Board of Directors and request the formulation of an improvement plan.

VI. Matters regarding employees who assist audit & supervisory board members in their duties when audit & supervisory board members request assignment of such employees, and the independence of such employees from directors

(Items 1 and 2, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) Dedicated staff assigned to audit & supervisory board members shall be in charge of assistance for audit & supervisory board members in their duties.

(ii) Appointments and transfers of staff assigned to audit & supervisory board members shall be carried out following consultations with internal audit & supervisory board members.

(iii) Personnel evaluations of staff assigned to audit & supervisory board members shall be carried out following consultations with internal audit & supervisory board members.

VII. System for reporting by directors and employees to audit & supervisory board members and other systems for reporting to audit & supervisory board members, and other systems to ensure effective execution of audits by audit & supervisory board members

(Items 3 and 4, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) If there is an event or risk of event that is significantly damaging to the Company, if unlawful or wrongful conduct by a director or employee is discovered, or if any other event stipulated by the Audit & Supervisory Board as a matter to be reported occurs, directors and employees shall report such fact to the Audit & Supervisory Board. Furthermore, notwithstanding the foregoing, an audit & supervisory board member may at any time request a report from a director or employee as necessary.

(ii) In order to enable audit & supervisory board members to grasp important decision-making processes and the status of execution of duties, audit & supervisory board members may attend important meetings and committees such as meetings of the Board of Directors and the Group Management Meeting. In addition, they may inspect important documents associated with the execution of duties, such as circular approval memos, and request explanations of the said documents from officers and employees where necessary.

(iii) The Internal Audit Division shall carry out necessary audits, submissions of audit reports and other duties if requested or demanded to do so by an audit & supervisory board member.

(iv) The Audit & Supervisory Board shall be in compliance with the "Rules of the Audit & Supervisory Board" and shall have periodic meetings and the like with the representative directors in order to develop the environment for auditing by audit & supervisory board members, strengthen the relationship between them and the representative directors, and provide feedback to management based on their auditing.

(2) Basic policy regarding control of the Company

I. Contents of basic policy

The Company believes it is necessary for the party controlling the Company's financial and business policy decisions to be a party who sufficiently understands the financial and business details of the Group and the sources of the Group's corporate value, continuously and sustainably ensures that the corporate value of the Group and, by extension, the common interests of shareholders are served, and enables further improvement in this area.

As the Company is a listed enterprise, the Company's policy regarding its shareholders is that, in general, they are determined through free market transactions on the financial instruments market. Furthermore, even in the case of a purchase of shares of the Company above a certain scale by specific shareholders or specific groups (hereinafter "Large-Scale Purchase"), if this Large-Scale Purchase will contribute to the corporate value of the Group and, by extension, the common interests of its shareholders, the Company believes that this should not be rejected outright and that, ultimately, the decision on whether to accept or reject it should be left to the discretion of the Company's shareholders.

Nevertheless, a Large-Scale Purchase that involves a serious risk of causing damage to the corporate value of the Group may be envisaged. This may include a Large-Scale Purchase that, in view of its purpose and other factors, would demonstrably harm the Group's corporate value; one with the potential to involve substantial coercion of shareholders to sell shares of the Company; or

one that would not provide sufficient time and information for the Company's Board of Directors and shareholders to consider factors such as the details of the large-scale purchaser's proposal, or for the Company's Board of Directors to make an alternative proposal.

A party attempting this kind of Large-Scale Purchase, which would not contribute to the corporate value of the Group and, by extension, the common interests of its shareholders (hereinafter, the "Large-Scale Purchaser"), would not be appropriate as a party controlling the Company's financial and business policy decisions. Accordingly, the Company believes that it is the duty of the Company's Board of Directors, which is entrusted by the shareholders to manage the Company, to respond to this kind of Large-Scale Purchase by ensuring that processes such as provision of information by the Large-Scale Purchaser and considerations and evaluations by the Company's Board of Directors are carried out, and securing sufficient time for the Company's Board of Directors and shareholders to consider the details of the Large-Scale Purchaser's proposal in order to prevent damage to the corporate value of the Group and, by extension, the common interests of its shareholders.

II. Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has been engaged in businesses of kimono fabric stores and department stores for many years based on the corporate philosophies and traditional spirits of these businesses, which are: "Service before profit (those who place service before profit will prosper)," "Abjure all evil; pursue all good" and "In doing good to others, we do good to ourselves."

The Company believes that the sources of the Group's corporate value are the relationships of trust it has established with customers and with society, which have been refined on the basis of these philosophies and spirits.

Accordingly, in order to exemplify the principles of "customer-first principle" and "contribution to society," which are in common with these philosophies and spirits, the Company has established the following basic philosophies of the Group: "to aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations" and "to aim at developing the Group by making a broad contribution to society as a fair and trusted business entity." Based on these basic philosophies, the Company implements a wide range of measures with the aim of realizing the Group's vision, which is to secure a position as a leading Japanese retail company both in terms of quality and quantity, with the Department Store Business at its core, in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

III. Framework to prevent parties deemed inappropriate in light of basic policy from controlling the financial and business policy decisions of the Company

At present, the Company has not specifically stipulated a concrete framework for a case in which a Large-Scale Purchaser appears, commonly known as takeover defense measures.

Nevertheless, the Company believes that, in order to prevent damage to the Group's corporate value if a Large-Scale Purchaser appears, it is necessary to carefully examine the impact a Large-Scale Purchase would have on the Group's corporate value after ascertaining certain information about the Large-Scale Purchaser. Such information would include the nature of the Large-Scale Purchaser, the purpose of the Large-Scale Purchase, the Large-Scale Purchaser's proposed financial and business policies and their policy for handling shareholders, the Group's customers, business partners, employees, the communities that surround the Group and other stakeholders.

Accordingly, if this occurs, the Company will establish an independent committee composed of outside officers and experts with viewpoints that are independent from the Company's internal directors. If the Company judges that the said Large-Scale Purchaser is inappropriate in light of the aforementioned basic policy after considering advice and opinions from the committee, the Company will act to secure the Group's corporate value and, by extension, the common interests of shareholders by taking necessary and appropriate countermeasures.

IV. Judgment of the Company's Board of Directors regarding concrete framework and reasons for such judgment

Various measures formulated by the Group are formulated based on the Group's basic

philosophy, and are intended to further build up the relationships of trust with customers and with society, which are the sources of the Group's corporate value. Therefore, the Company believes that these measures are in line with the contents of the basic policy and contribute to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

Furthermore, if the Company takes necessary and appropriate countermeasures against a Large-Scale Purchaser judged to be inappropriate in light of the basic policy, the fairness, neutrality and rationality of this judgment will be ensured by making it in consideration of advice and opinions from an independent committee whose independence from the internal directors of the Company is assured. Accordingly, the Company believes that these measures would not damage the corporate value of the Group or the common interests of shareholders, and that they are not intended to maintain the positions of the officers of the Company.

(3) Policy regarding decisions on dividends of surplus, etc.

The Company's basic policy is to return profits appropriately in accordance with a targeted consolidated dividend payout ratio of 30% or more, with the aim of maintaining and enhancing the Company's sound financial standing while keeping profit levels, future capital investment, cash flow trends and other such factors in consideration. The Company also considers carrying out purchases of its own shares as appropriate in accordance with such aims as improving capital efficiency and implementing a flexible capital policy.

Consolidated Financial Statements

Consolidated Balance Sheet (As of February 28, 2015)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**192,310**	**Current liabilities**	**305,463**
Cash and deposits	34,106	Notes and accounts payable - trade	95,020
Notes and accounts receivable - trade	75,556	Short-term loans payable	22,220
Securities	1,353	Commercial papers	28,691
Inventories	31,204	Current portion of bonds	12,000
Deferred tax assets	12,182	Income taxes payable	12,702
Other	38,058	Advances received	18,656
Allowance for doubtful accounts	(151)	Gift certificates	37,973
		Provision for bonuses	5,630
		Provision for directors' bonuses	194
		Provision for sales returns	22
		Provision for books unsold	113
		Provision for sales promotion expenses	722
		Reserve for gift certificates	13,241
		Provision for loss on business liquidation	121
		Provision for loss on stores rebuilding	760
		Other	57,392
Non-current assets	**826,346**	**Non-current liabilities**	**282,771**
Property, plant and equipment	**656,804**	Bonds payable	12,000
Buildings and structures	187,935	Long-term loans payable	93,546
Land	349,578	Deferred tax liabilities	101,486
Construction in progress	114,097	Net defined benefit liability	31,514
Other	5,192	Provision for directors' retirement benefits	39
Intangible assets	**43,007**	Other	44,185
Goodwill	2,005		
Other	41,001	**Total liabilities**	**588,235**
		Net assets	
Investments and other assets	**126,535**	**Shareholders' equity**	**380,947**
Investment securities	37,516	Capital stock	30,000
Long-term loans receivable	1,506	Capital surplus	209,556
Lease and guarantee deposits	61,985	Retained earnings	147,760
Net defined benefit asset	11,864	Treasury shares	(6,369)
Deferred tax assets	4,159	**Accumulated other comprehensive income**	**(4,855)**
Other	12,067	Valuation difference on available-for-sale securities	2,352
Allowance for doubtful accounts	(2,564)	Deferred gains or losses on hedges	(35)
		Foreign currency translation adjustment	659
		Remeasurements of defined benefit plans	(7,832)
Deferred assets	**43**	**Subscription rights to shares**	**15**
Bond issuance cost	43	**Minority interests**	**54,357**
		Total net assets	**430,465**
Total assets	**1,018,700**	**Total liabilities and net assets**	**1,018,700**

(Note) Amounts have been rounded down to the nearest one million yen.

Consolidated Statement of Income (From March 1, 2014 to February 28, 2015)

(Millions of yen)

Item	Amount	
Net sales		
Net sales of goods	1,138,801	
Rent income of real estate	10,727	**1,149,529**
Cost of sales		
Cost of goods sold	899,379	
Cost of real estate rent	6,486	905,865
Gross profit		**243,663**
Selling, general and administrative expenses		**201,572**
Operating income		**42,091**
Non-operating income		
Interest income	372	
Dividend income	434	
Share of profit of entities accounted for using equity method	735	
Other	3,869	5,411
Non-operating expenses		
Interest expenses	1,481	
Other	5,617	7,098
Ordinary income		**40,404**
Extraordinary income		
Gain on sales of non-current assets	84	
Gain on sales of investment securities	2,811	2,896
Extraordinary losses		
Loss on disposal of non-current assets	1,894	
Loss on valuation of investment securities	36	
Impairment loss	965	
Loss on liquidation of business	654	
Construction indemnification expenses	650	
Other	209	4,411
Income before income taxes and minority interests		**38,888**
Income taxes - current	16,396	
Income taxes - deferred	(500)	15,896
Income before minority interests		**22,992**
Minority interests in income		3,073
Net income		**19,918**

(Note) Amounts have been rounded down to the nearest one million yen.

Consolidated Statement of Changes in Equity (From March 1, 2014 to February 28, 2015)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance as of March 1, 2014	30,000	209,557	134,178	(6,343)	367,392	2,357	(25)	449	–	2,780
Changes of items during the fiscal year										
Dividends of surplus			(6,336)		(6,336)					
Net income			19,918		19,918					
Purchase of treasury shares				(39)	(39)					
Disposal of treasury shares		(1)		14	12					
Net changes of items other than shareholders' equity						(4)	(9)	210	(7,832)	(7,636)
Total changes of items during the fiscal year	–	(1)	13,581	(25)	13,554	(4)	(9)	210	(7,832)	(7,636)
Balance as of February 28, 2015	30,000	209,556	147,760	(6,369)	380,947	2,352	(35)	659	(7,832)	(4,855)

	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 1, 2014	15	52,025	422,215
Changes of items during the fiscal year			
Dividends of surplus			(6,336)
Net income			19,918
Purchase of treasury shares			(39)
Disposal of treasury shares			12
Net changes of items other than shareholders' equity	–	2,331	(5,304)
Total changes of items during the fiscal year	–	2,331	8,250
Balance as of February 28, 2015	15	54,357	430,465

(Note) Amounts have been rounded down to the nearest one million yen.

[Reference]

Consolidated Statement of Cash Flows (Summary)

(From March 1, 2014 to February 28, 2015)

(Millions of yen)

Item	Amount
Cash flows from operating activities	44,650
Cash flows from investing activities	(16,272)
Cash flows from financing activities	(27,587)
Effect of exchange rate change on cash and cash equivalents	65
Net increase (decrease) in cash and cash equivalents	856
Cash and cash equivalents at beginning of period	31,276
Cash and cash equivalents at end of period	32,132

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2015)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**57,922**	**Current liabilities**	**49,776**
Cash and deposits	15,955	Short-term loans payable	12,500
Short-term loans receivable from subsidiaries and associates	39,919	Commercial papers	24,191
		Current portion of bonds	12,000
Deferred tax assets	166	Accrued expenses	307
Other	1,880	Income taxes payable	67
		Provision for bonuses	148
		Provision for directors' bonuses	73
		Other	487
Non-current assets	**371,260**		
Property, plant and equipment	**64**	**Non-current liabilities**	**70,769**
Buildings and structures	63	Bonds payable	12,000
Other	0	Long-term loans payable	58,760
		Other	9
Intangible assets	**134**	**Total liabilities**	**120,545**
Software	133	**Net assets**	
Other	0	**Shareholders' equity**	**308,655**
		Capital stock	30,000
		Capital surplus	247,102
Investments and other assets	**371,061**	Legal capital surplus	7,500
Investment securities	568	Other capital surplus	239,602
Shares of subsidiaries and associates	315,770	Retained earnings	37,085
Long-term loans receivable from subsidiaries and associates	54,536	Other retained earnings	37,085
		Retained earnings brought forward	37,085
Deferred tax assets	44		
Other	141	Treasury shares	(5,532)
		Valuation and translation adjustments	**9**
		Valuation difference on available-for-sale securities	9
		Subscription rights to shares	**15**
Deferred assets	**43**	Subscription rights to shares	15
Bond issuance cost	43		
		Total net assets	**308,681**
Total assets	**429,226**	**Total liabilities and net assets**	**429,226**

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Statement of Income (From March 1, 2014 to February 28, 2015)

(Millions of yen)

Item	Amount	
Operating revenue		
Dividend income	8,479	
Consulting fee income	2,668	**11,147**
General and administrative expenses		**2,755**
Operating income		**8,391**
Non-operating income		
Interest income	792	
Other	65	857
Non-operating expenses		
Interest expenses	674	
Other	115	789
Ordinary income		**8,460**
Income before income taxes		**8,460**
Income taxes - current	6	
Income taxes - deferred	66	72
Net income		**8,388**

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Statement of Changes in Equity (From March 1, 2014 to February 28, 2015)

(Millions of yen)

	Shareholders' equity						Valuation and translation adjustments	Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities		
		Legal capital surplus	Other capital surplus	Other retained earnings					
				Retained earnings brought forward					
Balance as of March 1, 2014	30,000	7,500	239,601	35,034	(5,507)	306,628	9	15	306,654
Changes of items during the fiscal year									
Dividends of surplus				(6,336)		(6,336)			(6,336)
Net income				8,388		8,388			8,388
Purchase of treasury shares					(37)	(37)			(37)
Disposal of treasury shares			0		12	12			12
Net changes of items other than shareholders' equity									
Total changes of items during the fiscal year	–	–	0	2,051	(24)	2,026	–	–	2,026
Balance as of February 28, 2015	30,000	7,500	239,602	37,085	(5,532)	308,655	9	15	308,681

(Note) Amounts have been rounded down to the nearest one million yen.

THE AUDIT REPORT OF INDEPENDENT AUDITORS
CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS (COPY)

Report of Independent Auditors

April 7, 2015

The Board of Directors
J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC
Hiroyuki Koichi (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroki Suzuki (seal)
Certified Public Accountant
Designated and Engagement Partner

Takao Oshitani (seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. Front Retailing Co., Ltd. (the "Company") applicable to the 8th fiscal year from March 1, 2014 through February 28, 2015.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the J. Front Retailing Group, which consisted of the Company and consolidated subsidiaries, applicable to the 8th fiscal year from March 1, 2014 through February 28, 2015 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF INDEPENDENT AUDITORS
CONCERNING THE NON-CONSOLIDATED FINANCIAL STATEMENTS (COPY)

Report of Independent Auditors

April 7, 2015

The Board of Directors
J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC
Hiroyuki Koichi (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroki Suzuki (seal)
Certified Public Accountant
Designated and Engagement Partner

Takao Oshitani (seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the related supplementary schedules of J. Front Retailing Co., Ltd. (the "Company") applicable to the 8th fiscal year from March 1, 2014 through February 28, 2015.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of J. Front Retailing Co., Ltd. applicable to the 8th fiscal year from March 1, 2014 through February 28, 2015 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF AUDIT & SUPERVISORY BOARD MEMBERS

Audit Report

The Audit & Supervisory Board hereby reports as follows regarding the performance of duties by Directors of J. Front Retailing Co., Ltd. (the "Company") during the 8th fiscal year from March 1, 2014 to February 28, 2015, based on audit reports prepared by each Audit & Supervisory Board Member and subsequent deliberations of the Audit & Supervisory Board.

1. Method of the audits by the individual Audit & Supervisory Board Members and the Audit & Supervisory Board; content of audits

In addition to receiving reports on the progress in and results of audits by the individual Audit & Supervisory Board Members, based on the Audit & Supervisory Board's policies for this fiscal year and division of duties and the like, the Audit & Supervisory Board also received reports on business performance from Directors and the Accounting Auditor, and requested explanations from them as necessary.

In accordance with the auditing standards, set forth by the Audit & Supervisory Board, policies for this fiscal year and division of duties and the like, each of Audit & Supervisory Board Members worked to communicate with Directors, the Internal Audit Department, and other employees in collecting information and establishing an appropriate audit environment. Audit & Supervisory Board Members participated in meetings of the Board of Directors and other key meetings, received reports from Directors, Executive Officers, employees and others regarding the performance of their duties, and when necessary, requested explanations of those reports. Audit & Supervisory Board Members also reviewed key decision documents, and conducted surveys of the operations and assets. Further, Audit & Supervisory Board Members regularly received reports from Directors, Executive Officers, employees and others, requested explanations as necessary, and expressed opinions on the status of establishment and operation of matters necessary to ensure compliance by Directors with laws and regulations, and the Articles of Incorporation, and those needed to ensure the fair performance of the Company's operations as a stock corporation as described in the Business Report, namely decisions by the Board of Directors regarding the establishment of systems as set forth in Items 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act (the internal control system). Additional consideration was given to the basic policy and activities set forth in Items 3 (a) and 3 (b), Article 118 of the Ordinance for Enforcement of the Companies Act, as noted in the Business Report, based on the status of deliberations at the meeting of the Board of Directors and other key meetings. Regarding subsidiaries, Audit & Supervisory Board Members worked to communicate with Directors, Audit & Supervisory Board Members, and other parties at those subsidiaries, and when necessary conduct hearings with them regarding their business and visit them for surveys of operations and assets of those subsidiaries. Based on the above methods, Audit & Supervisory Board Members examined the Business Report and the supplementary schedules regarding the current fiscal year.

Further, while also monitoring and reviewing the audit of the Accounting Auditor to ensure they maintained an independent position and conducted their audits fairly, Audit & Supervisory Board Members received reports from them regarding the performance of their duties, and when necessary, asked for further explanation regarding those reports. Audit & Supervisory Board Members also received notice from the Accounting Auditor in accordance with "the system for ensuring appropriate execution of their duties" (as enumerated in each Item of Article 131 of the Company Accounting Regulation Ordinance) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberations Council in October 28, 2005), and, where necessary, Audit & Supervisory Board Members requested further explanation regarding that notice. Based on the above methods, Audit & Supervisory Board Members proceeded to review the non-consolidated financial statements (consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to the non-consolidated financial statements) with the supplementary schedules, and the consolidated financial statements (consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements) for the current fiscal year.

2. Audit Results

(1) Results of Audit of Business Report, etc.

(i) The Audit & Supervisory Board confirms that the Business Report and the supplementary schedules conformed to the applicable laws and regulations, and the Articles of Incorporation, and that they accurately present the situation of the Company.

(ii) With respect to the performance of duties by Directors, the Audit & Supervisory Board found no improper acts or important violation of applicable laws and regulations or the Articles of Incorporation.

(iii) The Audit & Supervisory Board confirms that decisions by the Board of Directors regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors.

(iv) The Audit & Supervisory Board found no items that need to be pointed out regarding the basic policy regarding those who control the determination of the Company's financial and operational policies, noted in the Business Report. The Audit & Supervisory Board confirms that activities set forth in Item 3 (b), Article 118 of the Ordinance for Enforcement of the Companies Act, as noted in the Business Report, are in line with this basic policy, are not harmful to the common interest of the Company's shareholders, and are not intended to maintain the positions of Directors or Audit & Supervisory Board Members of the Company.

(2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

The Audit & Supervisory Board confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

(3) Results of Audit of Consolidated Financial Statements

The Audit & Supervisory Board confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

April 8, 2015

Audit & Supervisory Board
J. Front Retailing Co., Ltd.

ARAI Kenji (seal)
Full-time Audit & Supervisory Board Member

NISHIHAMA Tsuyoshi (seal)
Full-time Audit & Supervisory Board Member

TSURUTA Rokurou (seal)
Outside Audit & Supervisory Board Member

NOMURA Akio (seal)
Outside Audit & Supervisory Board Member

NATSUME Kazuyoshi (seal)
Outside Audit & Supervisory Board Member

(Reference)

I. Capital and Business Alliance with Senshukai Co., Ltd. (Conversion into an Equity Method Associate)

The Company resolved at a meeting of its Board of Directors held on April 17, 2015 to conclude a capital and business alliance with Senshukai Co., Ltd. (Securities code: 8165, First Section of the Tokyo Stock Exchange; "Senshukai") and to convert Senshukai into an equity method associate, as described below.

1. Reason for the capital and business alliance

The Group has store assets of its core department stores including Parco and StylingLife Holdings in a balanced manner in central urban areas throughout Japan as well as prime customer assets. Under its Medium-term Business Plan, which covers the three years from 2014 to 2016, as the basic policies of the plan the Group is working to dramatically strengthen its competitiveness and profitability as a multifaceted retailer, to construct a business model for growth along with regions in which it operates with its stores at the core of such growth (strategy of urban market dominance), and to promote omni-channel retailing that leverages the strengths of physical stores.

Senshukai describes itself as the "Women's Smiles Company" and deals in a wide-ranging lineup of merchandise including clothing, daily sundries, and interior goods, with a primary focus on original goods for women aged from their 30s to their 50s, centered on its mainstay mail order business "Belle Maison." Under its Medium- to Long-term Business Plan, a five-year plan covering the years from 2014 to 2018, the core strategies are to develop optimal private-brand products for each of the main target customer segments, expand purchase opportunities by promoting the shift to an omni-channel format, and increase efficiency by investing in logistics and IT systems.

Recently, amid a significantly changing environment surrounding the retail industry with tougher competition within the industry, intensifying competition across industries, and so forth, the Company and Senshukai have had numerous discussions since October 2014, considering that both companies would be able to efficiently expand their share and develop their businesses through a business alliance because of the highly complementary nature of their business fields and customer bases. As a result of these discussions, in order to ramp up their collaboration under their business alliance and realize its effects, the two companies recognized the need to enhance their framework for promoting joint operations, such as establishing joint projects together, and therefore agreed to conduct the following capital and business alliance.

2. Details of the capital and business alliance, etc.

(1) Details of the business alliance

(i) Expand sales channels and reduce the cost of merchandise through joint development of both companies' existing private brand merchandise

(ii) Conduct cross selling utilizing each company's resources and expertise with regard to certain merchandise groups that do not fully meet customers' needs

(iii) Develop and jointly operate new private brand merchandise, utilizing the Group's expertise in store development and operation, and sales service, and Senshukai's product development capabilities

(iv) Expand e-commerce business sales and earnings utilizing the Group's customer base and brand power and Senshukai's expertise in e-commerce operations

(v) Consider improving the operating efficiency and rebuilding the platform of the Group's direct marketing business, utilizing Senshukai's expertise and order fulfillment system in direct marketing

(vi) Generate profits in other ways by utilizing each other's group assets and expertise to the maximum extent

(vii) Establish a Business Alliance Promotion Committee to drive the above initiatives forward

(2) Details of capital alliance

The Company will acquire the existing shares of Senshukai from its shareholders. In addition,

Senshukai will conduct a disposal of treasury shares and issuance of new shares through a third-party allocation, and the Company shall subscribe to and acquire all of these shares. As a result, the Company's equity stake in Senshukai will be 22.62% (share of voting rights: 22.65%), making Senshukai an equity method associate of the Company.

3. Number of shares to be acquired, acquisition price, and shareholding status before and after the acquisition

(1) Number of shares held before the transfer
0 shares (Number of voting rights: 0) (Ratio of voting rights held: 0%)

(2) Number of shares to be acquired
11,815,000 shares (Number of voting rights: 118,150)

(3) Acquisition price (estimated)
¥10,245 million (including Advisory fees, etc.)

(4) Number of shares held after the transfer
11,815,000 shares (Number of voting rights: 11,815,000) (Ratio of voting rights held: 22.65%)

4. Schedule

(1) Date of resolution by the Board of Directors
April 17, 2015

(2) Date of share transfer agreement and capital and business alliance agreement conclusion
April 17, 2015

(3) Date of executing the share transfer
April 22, 2015

(4) Date of underwriting disposed treasury shares and newly issued shares
May 7, 2015

5. Outlook

The Company expects to post approximately ¥2,000 million as share of profit of entities accounted for using equity method for a one-time amortization of negative goodwill in its consolidated earnings for the first three months of the fiscal year ending February 29, 2016.

II. Matters regarding determination of matters relating to repurchase of own shares

The Company resolved at a meeting of its Board of Directors held on April 17, 2015 on matters relating to repurchase of own shares, pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act and the Articles of Incorporation, as described below.

1. Reason for repurchase of own shares

In order to enhance shareholder returns and capital efficiency, and to enable the execution of a flexible capital policy.

2. Details of repurchase

(1) Type of the shares to be acquired
Common shares

(2) Total number of shares to be repurchased
Up to 3,400,000 shares
[Percentage to the total number of issued shares: (excluding treasury shares) 1.29 %]

(3) Total price of repurchase
Up to ¥5,000,000,000

(4) Repurchase period
April 20, 2015 to July 31, 2015

(5) Repurchase method
Stock exchange purchase based on trust agreement relating to repurchase of own shares

Reference Materials for Shareholders Meeting

Proposals and Reference Information

Proposal 1: Partial Revision of the Articles of Incorporation

1. Reason for proposal

On and after the effective date (May 1, 2015) of the "Act for partial revision of the Companies Act" (Act No. 90 of 2014), which was promulgated on June 27, 2014, it will be possible to execute a limited liability agreement with Directors other than executive Directors, etc. and Audit & Supervisory Board Members, pursuant to articles of incorporation. In line with this revision of the Companies Act, the Company plans to make partial revision to Articles 29 and 37 of the articles of incorporation to ensure that such Directors and Audit & Supervisory Board Members can adequately fulfill the role expected of them.

Please note that the Company has received approval from each Audit & Supervisory Board Member for the partial revision of Article 29 of the articles of incorporation.

2. Details of revision of the articles of incorporation

The details of the revision are as set forth below:

(Revised portions are underlined.)

Current articles of incorporation	Draft revised articles of incorporation
Article 1 (Omitted) to Article 28 (Omitted)	Article 1 (Same as the present) to Article 28 (Same as the present)
(Limited Liability Agreement with Outside Directors) Article 29 The Company and each Outside Director may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations.	(Limited Liability Agreement with Directors) Article 29 The Company and each Director (excluding a person who is executive Director, or employee, including manager) may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations.
Article 30 (Omitted) to Article 36 (Omitted)	Article 30 (Same as the present) to Article 36 (Same as the present)

Current articles of incorporation	Draft revised articles of incorporation
(Limited Liability Agreement with Outside Audit & Supervisory Board Members) Article 37 The Company and each Outside Audit & Supervisory Board Member may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations. Article 38 (Omitted) to Article 41 (Omitted)	(Limited Liability Agreement with Audit & Supervisory Board Members) Article 37 The Company and each Audit & Supervisory Board Member may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations. Article 38 (Same as the present) to Article 41 (Same as the present)

Proposal 2: Election of Nine (9) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this Annual Shareholders Meeting, and the term of office of Director Takayama Tsuyoshi ended upon his death on April 7, 2015. Accordingly, the Company proposes to elect nine (9) Directors.

The candidates for the Directors are as follows:

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
1	SAMURA Shunichi (January 31, 1946) Number of the Company's shares owned (shares): **64,200** Special interests between the Company and the Candidate: **None**	March 1969	Joined Matsuzakaya Co., Ltd.
		May 1998	General Manager of Shizuoka Store
		May 1999	Director General Manager of Nagoya Business Department and Nagoya Store
		May 2000	Managing Director
		May 2002	Senior Managing Director
		May 2003	General Manager of Business Division, Head Office
		May 2004	Representative Director Senior Executive Officer, Chief of Business Planning Section, Head Office
		September 2004	Chief of Business Planning Section and Business Reform Section, Head Office
		March 2006	Chief of Business Planning Section, Head Office
		May 2006	President and Executive Officer
		September 2006	President of Matsuzakaya Holdings Co., Ltd.
		May 2007	General Manager of Business Administration Division of Matsuzakaya Co., Ltd.
		September 2007	Director of J. Front Retailing Co., Ltd. In charge of Ginza Redevelopment Director of The Daimaru, Inc.
		May 2008	President of Matsuzakaya Co., Ltd.
		March 2010	President of J. Front Retailing Co., Ltd.
		April 2013	Chairman (present)

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
2	YAMAMOTO Ryoichi (March 27, 1951) Number of the Company's shares owned (shares): **52,000** Special interests between the Company and the Candidate: **None**	April 1973 February 2001 March 2003 May 2003 March 2005 January 2007 September 2007 March 2008 March 2010 September 2012 April 2013	Joined The Daimaru, Inc. Associate Director General Manager of Business Innovation Office and Business Planning Office of Department Store Headquarters, Head Office General Manager of Merchandise Network Promotion Division, Department Store Operations, Group Headquarters President and COO and General Manager of Department Store Operations, Group Headquarters General Manager of Metropolitan Area New Business Development Division, Group Headquarters Executive General Manager of Planning Office for New Umeda Store of Department Store Operations Headquarters, Group Headquarters Director of J. Front Retailing Co., Ltd. In charge of Sales Reform and Out-of-Store Sales Reform Promotion Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store, Head Office of The Daimaru, Inc. Director of Matsuzakaya Co., Ltd. Executive General Manager of Sales Headquarters, Head Office of The Daimaru, Inc. President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. President of J. Front Retailing Co., Ltd. (present)
3	YOSHIMOTO Tatsuya (April 13, 1956) Number of the Company's shares owned (shares): **19,200** Special interests between the Company and the Candidate: **None**	April 1979 March 2000 January 2008 May 2008 January 2010 March 2010 May 2012 April 2013 May 2013	Joined The Daimaru, Inc. Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office General Manager of Tokyo Store Corporate Officer, General Manager of Tokyo Store Corporate Officer, General Manager of Sales Planning Promotion Division and Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd. Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division Director and Corporate Officer President of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present) Director of J. Front Retailing Co., Ltd. (present)
4	MAKIYAMA Kozo (August 28, 1958) Number of the Company's shares owned (shares): **5,400** Special interests between the Company and the Candidate: **None**	April 1981 March 2004 March 2007 March 2008 May 2008 March 2009 March 2010 March 2011 May 2011 May 2013	Joined Parco Co., Ltd. Executive Officer, Executive General Manager of Store Operation Division Managing Executive Officer, Executive General Manager of Store Management Division Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division Director and Senior Executive Officer Supervisor of Store Operation Division In charge of Store Management In charge of Business Management Director and President and Representative Executive Officer (present) Director of J. Front Retailing Co., Ltd. (present)

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
5	FUJINO Haruyoshi (March 10, 1961) Number of the Company's shares owned (shares): **6,800** Special interests between the Company and the Candidate: **None**	April 1983	Joined The Daimaru, Inc.
		April 2004	General Manager of Preparatory Office for New Tokyo Store, Group Headquarters
		September 2008	General Manager of Marketing Planning Promotion Division, Department Stores Coordination Division of J. Front Retailing Co., Ltd.
		January 2010	Executive Store Manager of Tokyo Store and General Manager of Planning Office for Phase II Expansion of New Tokyo Store of The Daimaru, Inc.
		May 2010	Corporate Officer, Executive Store Manager of Tokyo Store and Senior General Manager of Planning Office for Phase II Expansion of New Daimaru Tokyo Store, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd.
		January 2014	Corporate Officer of J. Front Retailing Co., Ltd. In charge of Group Business Structural Reforms of Management Strategy Unit
		May 2014	Director (present) Managing Executive Officer (present) Senior Executive General Manager of Management Strategy Unit (present)
		May 2014	External Director of Parco Co., Ltd. (present)
		June 2014	Outside Director of Hakuseisha Co., Ltd. (present)
6	KOBAYASHI Yasuyuki (March 30, 1951) Number of the Company's shares owned (shares): **26,800** Special interests between the Company and the Candidate: **None**	April 1973	Joined The Daimaru, Inc.
		February 2003	Associate Director, General Manager of Sapporo Store
		May 2003	Corporate Officer, General Manager of Sapporo Store
		January 2004	General Manager of Tokyo Store
		September 2007	Corporate Officer of J. Front Retailing Co., Ltd.
		January 2008	Director and Corporate Officer of The Daimaru, Inc. Deputy Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Merchandising Management Unit, Head Office
		March 2010	Director and Corporate Officer, Senior Executive General Manager of Sales and Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit of Daimaru Matsuzakaya Department Stores Co. Ltd.
		May 2010	Director and Corporate Executive Officer
		May 2012	External Director of Parco Co., Ltd. (present)
		April 2013	Managing Executive Officer of J. Front Retailing Co., Ltd. (present), Senior Executive General Manager of Affiliated Business Unit (present)
		May 2013	Director (present)

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company,
and important concurrent positions outside the Company</th></tr>
<tr><td rowspan="8">7</td><td rowspan="8">New Candidate
DOI Zenichi
(September 15, 1953)

Number of the Company's shares owned (shares):
29,200
Special interests between the Company and the Candidate:
None</td><td>March 1976</td><td>Joined Matsuzakaya Co., Ltd.</td></tr>
<tr><td>May 2002</td><td>Executive General Manager of Corporate Planning Unit of Nagoya Business Division</td></tr>
<tr><td>May 2006</td><td>Executive Officer, Executive General Manager of Sales Planning Unit</td></tr>
<tr><td>May 2008</td><td>Managing Executive Officer, Executive General Manager of General Planning Unit and Executive General Manager of Sales Reform Promotion Unit and Executive General Manager of Sales Planning Unit</td></tr>
<tr><td>January 2009</td><td>Director and Executive Officer, Executive General Manager of Sales Management Unit</td></tr>
<tr><td>March 2010</td><td>Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)
Corporate Officer
Senior General Manager of Sales Planning Unit of Sales and Marketing Headquarters (present)</td></tr>
<tr><td>March 2012</td><td>Senior General Manager of Out-of-Store Sales Management Division of Sales and Marketing Headquarters (present)</td></tr>
<tr><td>May 2012</td><td>Managing Executive Officer (present)</td></tr>
<tr><td>January 2015</td><td>Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management</td></tr>
<tr><td rowspan="13">8</td><td rowspan="13">Outside Director
Independent

TACHIBANA FUKUSHIMA Sakie
(September 10, 1949)

Number of the Company's shares owned (shares):
2,500
Special interests between the Company and the Candidate:
None</td><td>June 1980</td><td>Joined Braxton International</td></tr>
<tr><td>September 1987</td><td>Joined Bain & Company, Inc.</td></tr>
<tr><td>August 1991</td><td>Principal Consultant of Japan Branch Office of Korn/Ferry International</td></tr>
<tr><td>June 1993</td><td>Partner</td></tr>
<tr><td>May 1995</td><td>Member of the Board of Korn/Ferry International (Global Headquarters)</td></tr>
<tr><td>September 2000</td><td>Regional Managing Director of Korn/Ferry International-Japan
Member of the Board of Korn/Ferry International (Global Headquarters)</td></tr>
<tr><td>May 2001</td><td>President and Representative Director of Korn/Ferry International-Japan
Member of the Board of Korn/Ferry International (Global Headquarters)</td></tr>
<tr><td>September 2007</td><td>President and Representative Director of Korn/Ferry International-Japan</td></tr>
<tr><td>May 2009</td><td>Chairman and Representative Director</td></tr>
<tr><td>March 2010</td><td>Outside Director of Bridgestone Corporation (present)</td></tr>
<tr><td>July 2010</td><td>President and Representative Director of G&S Global Advisors Inc. (present)</td></tr>
<tr><td>August 2010</td><td>Asia Pacific Senior Advisor of Korn/Ferry International</td></tr>
<tr><td>June 2011</td><td>Outside Director of Ajinomoto Co., Inc. (present)</td></tr>
<tr><td>May 2012</td><td>Outside Director of J. Front Retailing Co., Ltd. (present)</td></tr>
<tr><td>June 2013</td><td>Outside Director of Mitsubishi Corporation (present)</td></tr>
<tr><td colspan="4">Special Notes regarding the Candidate
- TACHIBANA FUKUSHIMA Sakie possesses abundant knowledge, experience and in-depth understanding concerning the utilization of human resources possessing global perspectives and the formulation of corporate management strategies of companies operating in Japan and overseas. In addition, she has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance, the Company has judged she can contribute greatly to the management of the Company as an Outside Director.
- The term of office of TACHIBANA FUKUSHIMA Sakie as an Outside Director will be approximately three years at the conclusion of this Annual Shareholders Meeting.
TACHIBANA FUKUSHIMA Sakie is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.
- The Company plans to enter into an agreement with TACHIBANA FUKUSHIMA Sakie to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.</td></tr>
</table>

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
9	New Candidate Outside Director Independent OTA Yoshikatsu (December 28, 1941) Number of the Company's shares owned (shares): **0** Special interests between the Company and the Candidate: **None**	April 1964	Joined Minolta Camera Co., Ltd.
		June 1991	Director, General Manager of Copying Machine Business Division and General Manager of Copying Machine Sales Division
		July 1994	Director, Executive General Manager of Information Device Business Management Unit and Executive General Manager of Information Device Sales Unit of Minolta Co., Ltd.
		June 1995	Managing Director
		June 1999	President and Representative Director
		April 2001	President and Executive Officer, Representative Director
		August 2003	Director and Vice President, Representative Executive Officer of Konica Minolta Holdings, Inc.
		October 2003	President and CEO of Konica Minolta Technologies, Inc.
		April 2006	Director, President and CEO of Konica Minolta Holdings, Inc.
		April 2009	Director, Chairman of the Board of Directors
		June 2012	Outside Director of YAMAHA CORPORATION (present)
		April 2013	Director, Chairman of the Board of Directors of KONICA MINOLTA, INC.
		April 2014	Director
		June 2014	Special Advisor (present)
	Special Notes regarding the Candidate - OTA Yoshikatsu possesses broad-ranging experience and abundant insight as a manager of a business corporation, such as promoting the corporate merger between Minolta Co., Ltd. and Konica Corporation and serving as a chairman of the board of directors of a company with committees. In addition, he has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance, the Company has judged he can contribute greatly to the management of the Company as an Outside Director. - The Company plans to register OTA Yoshikatsu as an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders. - The Company plans to enter into an agreement with OTA Yoshikatsu to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.		

Proposal 3: Election of Five (5) Audit & Supervisory Board Members

The terms of office of all five (5) Audit & Supervisory Board Members will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, the Company proposes to elect five (5) Audit & Supervisory Board Members. We have obtained the consent of the Audit & Supervisory Board to our submission of this proposal.

The candidates for the Audit & Supervisory Board Members are as follows:

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions in the Company,
and important concurrent positions outside the Company</th></tr>
<tr><td rowspan="2">1</td><td>New Candidate

OCHI Bunshiro
(January 22, 1957)

Number of the Company's shares owned (shares):
2,200
Special interests between the Company and the Candidate:
None</td><td>April 1980
March 1994

June 2001

March 2003

May 2011

February 2014
March 2015</td><td>Joined The Daimaru, Inc.
Manager in charge of Personnel and Recruitment of Personnel Division, Kyoto Store
Manager in charge of Human Resources of Business Management Division, Head Office (in charge of Umeda Store)
Division Manager of Business Control Division, Group Headquarters (in charge of Kyoto Store) and Assistant to General Manager of Kyoto Store
Director, Senior Executive General Manager of Administration Unit of The Hakata Daimaru, Inc.
In charge of Compliance and Risk Management
Assistant to Senior Executive General Manager of Administration Unit of J. Front Retailing Co., Ltd. (present)
Assistant to Senior Executive General Manager of Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)</td></tr>
<tr><td colspan="3">The Company plans to enter into an agreement with OCHI Bunshiro to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act, if Proposal 1 is approved.</td></tr>
<tr><td rowspan="2">2</td><td>New Candidate

KATO Yoichi
(April 13, 1955)

Number of the Company's shares owned (shares):
2,600
Special interests between the Company and the Candidate:
None</td><td>April 1978
March 2000

March 2006

March 2008

September 2008

March 2012

March 2015</td><td>Joined Matsuzakaya Co., Ltd.
Manager of Staff Training, Training Department of Administration Unit, Nagoya Business Division
Manager of Human Resources Department of Human Resources and Administration Division, Administration Management Headquarters
Senior General Manager of Planning Staff Division, Nagoya Store and Senior General Manager of Store Administration Management Staff Division of Administration Management Headquarters
Senior General Manager of Administration Promotion Division of Nagoya Store
Division Manager of Out-of-Store Sales Management Division of Nagoya Store, Daimaru Matsuzakaya Department Stores Co. Ltd.
Assistant to Senior Executive General Manager of Administration Unit of J. Front Retailing Co., Ltd. (present)
Assistant to Senior Executive General Manager of Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)</td></tr>
<tr><td colspan="3">The Company plans to enter into an agreement with KATO Yoichi to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act, if Proposal 1 is approved.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions in the Company,
and important concurrent positions outside the Company</th></tr>
<tr><td rowspan="2">3</td><td>Outside Audit & Supervisory Board Member
Independent
TSURUTA Rokurou
(June 16, 1943)

Number of the Company's shares owned (shares):
3,400
Special interests between the Company and the Candidate:
None</td><td>April 1970
April 2005
June 2006
July 2006
October 2006
May 2007
June 2007
September 2007
April 2009
June 2010
June 2012</td><td>Public Prosecutor of Tokyo District Public Prosecutors Office
Superintending Prosecutor of Nagoya High Public Prosecutors Office
Retired from the office of Superintending Prosecutor of Nagoya High Public Prosecutors Office
Registered as attorney at law
Professor at Chiba University Law School
Outside Audit & Supervisory Board Member of The Daimaru, Inc.
Outside Director of Teikoku Piston Ring Co., Ltd. (present)
Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present)
Professor at Surugadai University Law School
Outside Audit & Supervisory Board Member of Mitsubishi Chemical Holdings Corporation
Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. (present)</td></tr>
<tr><td colspan="3">Special Notes regarding the Candidate
- TSURUTA Rokurou possesses in-depth understanding as a person from legal circles, and he has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance as well as the viewpoint of strengthening the compliance and risk management system, the Company has judged he can contribute greatly to the management of the Company as an Outside Audit & Supervisory Board Member, and wishes to continue to receive his services for auditing.
- The term of office of TSURUTA Rokurou as an Audit & Supervisory Board Member will be approximately seven years and nine months at the conclusion of this Annual Shareholders Meeting.
TSURUTA Rokurou is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.
- The Company plans to enter into an agreement with TSURUTA Rokurou to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.</td></tr>
<tr><td rowspan="2">4</td><td>New Candidate
Outside Audit & Supervisory Board Member
Independent
ISHII Yasuo
(September 4, 1947)

Number of the Company's shares owned (shares):
0
Special interests between the Company and the Candidate:
None</td><td>April 1970
June 2000
January 2001
March 2003
June 2003
June 2004
April 2005
June 2008
June 2011
June 2013</td><td>Joined Yamanouchi Pharmaceutical Co., Ltd.
Director of the Board, Director of Ethical Products Marketing Department of Sales& Marketing Division
Director of the Board and Chairman of Yamanouchi Europe B.V.
Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. and Chairman of Yamanouchi U.K. Limited and Chairman of Yamanouchi Europe B.V.
Managing Director of the Board of Yamanouchi Pharmaceutical Co., Ltd.
Senior Corporate Executive
Senior Corporate Executive of Astellas Pharma Inc. and Chairman & CEO of Astellas Pharma Europe Ltd.
Executive Vice President and Representative Director of Astellas Pharma Inc.
Vice Deputy Chairman and Representative Director
Retired from the office of Vice Deputy Chairman and Representative Director</td></tr>
<tr><td colspan="3">Special Notes regarding the Candidate
- ISHII Yasuo possesses abundant experience and insight as a manager of a business corporation such as long-standing work experience in Europe and special familiarity with business development in overseas countries. In addition, he has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance, the Company has judged he can contribute greatly to the management of the Company as an Outside Audit & Supervisory Board Member.
- The Company plans to register ISHII Yasuo as an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.
- The Company plans to enter into an agreement with ISHII Yasuo to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions in the Company,
and important concurrent positions outside the Company</th></tr>
<tr><td rowspan="2">5</td><td>New Candidate
Outside Audit & Supervisory Board Member
Independent

NISHIKAWA Koichiro
(July 12, 1947)

Number of the Company's shares owned (shares):
0

Special interests between the Company and the Candidate:
None</td><td>April 1970
August 1995
June 2001

April 2003
June 2003
January 2006

April 2007

April 2010
April 2012
March 2013
March 2014</td><td>Joined Hitachi, Ltd.
Vice President of Hitachi America, Ltd.
Managing Officer, General Manager of Global Business Development Division of Hitachi, Ltd.
Manager of Business Development Division
Executive Officer, Manager of Business Development Division
Vice President and Executive Officer, in charge of Business Development
Senior Vice President and Executive Officer, in charge of Business Development
Senior Vice President and Executive Officer of Hitachi Cable, Ltd.
Senior Advisor of Hitachi Research Institute
Retired from the office of Senior Advisor
Outside Director of Kyowa Hakko Kirin Co., Ltd. (present)</td></tr>
<tr><td colspan="3">Special Notes regarding the Candidate
- NISHIKAWA Koichiro possesses abundant experience and insight as a manager of a business corporation, notably he has experience in business alliances, M&A, and business reforms and he has been involved in numerous important international negotiations. In addition, he has an objective standpoint independent from the management team that executes business operations. Accordingly, taking the viewpoint of strengthening corporate governance, the Company has judged he can contribute greatly to the management of the Company as an Outside Audit & Supervisory Board Member.
- The Company plans to register NISHIKAWA Koichiro as an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.
- The Company plans to enter into an agreement with NISHIKAWA Koichiro to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.</td></tr>
</table>

Proposal 4: Payment of Bonuses to Directors and Audit & Supervisory Board Members for Fiscal Year 2014

After comprehensively considering the operating results of the current fiscal year and other various circumstances, the Company plans to pay bonuses to Directors and Audit & Supervisory Board Members of a total amount of 73,000,000 yen or less (of which 6,400,000 yen or less for Outside Directors, and 9,000,000 yen or less for Audit & Supervisory Board Members) to the nine (9) Directors (including two (2) Outside Directors) and five (5) Audit & Supervisory Board Members in office at the end of the current fiscal year. With respect to the specific amounts to be paid to each Director and Audit & Supervisory Board Member, the amounts will be decided by resolution of the Board of Directors in the case of Directors and by deliberation of the Audit & Supervisory Board in the case of Audit & Supervisory Board Members.

Please kindly give us your understanding and approval.

End of Document

Internet Disclosure Items
for Notice of Convocation of the 8th Annual Shareholders Meeting

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(From March 1, 2014 to February 28, 2015)

J. FRONT RETAILING Co., Ltd.

As for Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, the Company provides those to shareholders by means of disclosure through the Internet (on the Company's website: http://www.j-front-retailing.com/) in accordance with the laws and regulations and the Company's Articles of Incorporation.

Notes to Consolidated Financial Statements

Notes on important matters forming the basis of preparation of consolidated financial statements, etc.

1. Matters concerning the scope of consolidation

(1) Consolidated subsidiaries 29 companies (Daimaru Matsuzakaya Department Stores Co. Ltd., The Hakata Daimaru, Inc., PARCO Co., Ltd., Daimaru Kogyo, Ltd., JFR Card Co., Ltd., and others)

Daimaru Kogyo, Ltd.'s subsidiary, Taiwan Daimaru Kogyo, Ltd. was established on January 7, 2015 and included in the scope of consolidation from the current fiscal year.

(2) Non-consolidated subsidiaries 8 companies (Hakata Daimaru Tomonokai Co., Ltd., Shimonoseki Daimaru Tomonokai Co., Ltd., and others)

These non-consolidated subsidiaries are excluded from the scope of consolidation as their total assets, net sales, net income or loss (amount corresponding to the Company's equity in such subsidiaries), and retained earnings (amount corresponding to the Company's equity in such subsidiaries) do not have significant impact on the consolidated financial statements.

2. Matters concerning the application of the equity method

(1) Non-consolidated subsidiaries and associates accounted for by the equity method

Non-consolidated subsidiaries 2 companies (JAPAN RETAIL ADVISORS Co., Ltd., Straits Parco Retail Management Pte Ltd)

Associates 6 companies (StylingLife Holdings Inc., Hakuseisha Co., Ltd., and others)

(2) Non-consolidated subsidiaries and associates not accounted for by the equity method

Non-consolidated subsidiaries 6 companies (Hakata Daimaru Tomonokai Co., Ltd., Shimonoseki Daimaru Tomonokai Co., Ltd., and others)

Associates 3 companies (Gokou Ltd., White Express Co., Ltd., and others)

These non-consolidated subsidiaries and associates not accounted for by the equity method are excluded from the scope of application of the equity method as they have a minimal effect on net income or loss and retained earnings and they are not material as a whole.

(3) With regard to equity method companies whose balance sheet dates are different from the consolidated balance sheet date, the Company uses the financial statements of the relevant companies as of their fiscal year ends.

3. Matters concerning the fiscal year of consolidated subsidiaries

Of the Company's consolidated subsidiaries, JFR PLAZA Inc., Parco (Singapore) Pte Ltd, Daimaru Kogyo International Trading (Shanghai) Co., Ltd., Daimaru Kogyo (Thailand) Co., Ltd. and Taiwan Daimaru Kogyo, Ltd. have a balance sheet date of December 31. In preparing the consolidated financial statements, the financial statements as of said balance sheet date are used. The Company made the adjustments necessary for consolidation purposes if major transactions were executed between the balance sheet date and the consolidated balance sheet date.

The balance sheet dates of the other consolidated subsidiaries are the same as the consolidated balance sheet date.

4. Matters concerning accounting standards

(1) Basis and method of valuation of significant assets

(i) Securities

Other securities

Securities with available fair market values

Stated at fair value based on the market prices at the end of the current fiscal year

(Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)

Securities without available fair market values

Stated at cost using the moving-average method

The Company records investments in limited liability investment partnerships or similar partnerships (deemed as "securities" under the provisions set forth in Paragraph 2, Article 2 of the Financial Instruments and Exchange Act) using the amount corresponding to the Company's equity in such partnerships based on the latest financial reports accessible depending on the reporting dates stipulated in the partnership agreement.

(ii) Derivatives — Stated at fair value

(iii) Inventories — Mainly stated at lower of cost or market, using the cost percentage method (the book value is written down based on the decreased profitability)

(2) Depreciation method of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Buildings and structures are mainly depreciated using the straight-line method, while other property, plant and equipment are depreciated using the declining-balance method.

(ii) Intangible assets (excluding leased assets)

Straight-line method — Internal use software is amortized using the straight-line method over the internally expected useful life (5 years).

(iii) Leased assets

Leased assets in finance leases that do not transfer ownership

Straight-line method with zero residual value assuming the lease periods as useful lives

Finance leases that do not transfer ownership and that commenced on or before February 28, 2009 are continued to be accounted for using a method that is applicable to ordinary rental transactions.

(3) Accounting method for significant deferred assets

Bond issuance cost

Amortized using the straight-line method over the period until redemption

(4) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

(ii) Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(iii) Provision for directors' bonuses

To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.

(iv) Provision for sales returns

To prepare for losses from sales returns expected to occur on or after the end of the current fiscal year, the amount corresponding to the allowable limit of deductible expenses pursuant to the provisions of tax law is provided.

(v) Provision for books unsold

To prepare for losses from the occurrence of unsold inventory with respect to books for which a certain amount of time has passed since publication, the amount corresponding to the allowable limit of deductible expenses pursuant to the provisions of tax law is provided.

(vi) Provision for sales promotion expenses

To cover the unused amount of points issued under the points system for sales promotion purposes, the amount expected to be used in the future based on the rate of usage in the past is provided.

(vii) Reserve for gift certificates

To prepare for losses incurred in cases of gift certificates used after their derecognition from liabilities, the amount expected to be used in the future based on usage in the past is provided.

(viii) Provision for loss on business liquidation

To prepare for losses from business liquidations or store closures at subsidiaries and associates, the necessary amount is provided.

(ix) Provision for directors' retirement benefits

At certain consolidated subsidiaries, to prepare for the payment of retirement benefits to corporate officers, the amount to be paid at the end of the current fiscal year, based on an internal rule, is provided.

(x) Provision for loss on stores rebuilding

To prepare for losses incurred from stores rebuilding, the necessary amount is provided.

(5) Criteria for converting significant assets or liabilities denominated in foreign currencies into Japanese currency

Monetary claims and liabilities denominated in foreign currencies are converted into Japanese yen using the spot exchange rate on the consolidated balance sheet date, and any differences generated by this conversion are included in gains or losses. Monetary claims and liabilities denominated in foreign currencies to which *Furiate-shori* (accounting method in which the difference of amount using the current and forward rate is allocated by period length for the calculation at the accounting period) for forward exchange contracts is applied are converted into the Japanese yen amounts of the said forward exchange contracts.

(6) Accounting method for retirement benefits

(i) Method for attributing expected retirement benefits to accounting periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to accounting periods up to the end of the current fiscal year using the straight-line basis.

(ii) Method for recognizing actuarial gains and losses and prior service costs

Prior service costs are amortized by the straight-line method over a certain number of years (principally 10 to 12 years) within the average remaining service period of employees at the time of occurrence, starting in the fiscal year in which the prior service costs accrue.

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (principally 10 to 12 years) within the average remaining service period of employees at the time of occurrence, starting in the respective fiscal years following each occurrence.

(7) Significant hedge accounting method

(i) Hedge accounting method

Hedging activities are accounted for under the deferral hedge method. *Furiate-shori* is applied to monetary claims and liabilities denominated in foreign currencies with forward exchange contracts and exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.

(ii) Hedging instruments and hedged items

Hedging instruments	Forward exchange contracts, interest rate swaps
Hedged items	Operating receivables and payables denominated in foreign currencies, forecast transactions in foreign currencies, loans payable and interest expenses on loans payable

(iii) Hedging policy

Based on the Group's risk management policy, hedging is undertaken to hedge foreign exchange fluctuation risk and interest rate fluctuation risk.

(iv) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets or liabilities of hedged items and hedging instruments.

(8) Method and period for amortization of goodwill

Amortization of goodwill is carried out by the straight-line method during the five-year period from occurrence. For items for which the amount is immaterial, one-time amortization of the full amount is carried out in the fiscal year in which they occur.

(9) Accounting treatment for consumption taxes

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

5. Changes in accounting policies

Adoption of accounting standard for retirement benefits

The "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) were adopted effective as of the end of the current fiscal year; provided however, they were adopted except for the provisions specified in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Under the new accounting policy, the amount of retirement benefit obligations net of plan assets was recorded as net defined benefit liability, while the unrecognized actuarial gains and losses and unrecognized prior service cost were recorded in net defined benefit liability.

Adoption of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with transitional treatment provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change has been added to, or deducted from remeasurements of defined benefit plans in accumulated other comprehensive income as of the end of the current fiscal year.

As a result, as of the end of the current fiscal year, net defined benefit asset of ¥11,864 million and net defined benefit liability of ¥31,514 million were recorded. In addition, accumulated other comprehensive income decreased by ¥7,832 million.

The impact on per share information is stated in the relevant section.

6. Additional information

Note on change in rates of income taxes subsequent to balance sheet date

On March 31, 2015, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015)

and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated, resulting in changes in the rates of income taxes for fiscal years beginning on or after April 1, 2015.

In accordance with these revisions, for temporary differences expected to be reversed in the fiscal year beginning on or after March 1, 2016, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed from 35.6% to 33.1%. In addition, for temporary differences expected to be reversed in fiscal years beginning on or after March 1, 2017, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed to 32.3%.

As a result of these changes, if remeasured based on the temporary differences as of February 28, 2015, deferred tax assets in current assets and non-current assets will decrease by ¥316 million and ¥206 million, respectively, deferred tax liabilities in non-current liabilities will decrease by ¥9,907 million, deferred tax liabilities for land revaluation will decrease by ¥118 million, while valuation difference on available-for-sale securities (credit) and income taxes - deferred (credit) will increase by ¥120 million and ¥9,383 million, respectively.

Notes on consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment

¥298,382 million

2. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Buildings and structures	¥22,942 million
Land	¥18,093 million
Investment securities	¥241 million
Other	¥60 million
Total	¥41,338 million

(2) Secured liabilities

Short-term loans payable	¥1,620 million
Long-term loans payable	¥10,125 million
Other	¥432 million
Total	¥12,177 million

3. Guarantee obligations

Guarantee of financing for employee housing and others	¥18 million
Guarantee of lease agreement of White Express Co., Ltd. (associate of Forest Co., Ltd.)	¥49 million
Total	¥67 million

Notes on consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year

Common shares 268,119,164 shares

(Note) The Company has conducted a consolidation of common shares at a rate of one share for every two shares as of September 1, 2014.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2014	Common shares	3,168	6.00	February 28, 2014	May 2, 2014
Board of Directors meeting held on October 7, 2014	Common shares	3,168	6.00	August 31, 2014	November 10, 2014

(2) Dividends with the record date falling within the current fiscal year and with the effective date falling within the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 9, 2015	Common shares	Retained earnings	3,432	13.00	February 28, 2015	May 8, 2015

3. Class and number of shares to be delivered upon exercise of subscription rights to shares outstanding at the end of the current fiscal year (excluding those for which the exercise period has not started)

Common shares 153,000 shares

Notes on financial instruments

1. Matters concerning conditions of financial instruments

(1) Policy for handling financial instruments

The Group limits its management of funds to highly stable deposits, bonds and the like. For the procurement of funds, the Group's policy is to use bank loans, issuances of commercial papers, issuances of bonds, securitized receivables and the like. The Group uses derivatives solely to avoid foreign exchange fluctuation risks on monetary claims and liabilities denominated in foreign currencies and interest rate fluctuation risks on loans payable and bonds, and does not enter into derivative transactions for speculative purposes.

(2) Details of financial instruments, their risks and risk management structure

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risk.

Lease and guarantee deposits are primarily those related to store rents and are exposed to lessor credit risk. To handle this risk, all Group companies carry out due date management and balance management by customer or lessor and seek early identification and mitigation of collectibility concerns.

For shares and the like, which are investment securities, although such securities are exposed to market price fluctuation risk, the Group mainly holds shares of companies with which it has business relationships, and not only periodically monitors their market prices but also continuously reviews its shareholding positions.

The majority of the Group's notes and accounts payable - trade and income taxes payable, which are operating debts, are those with payment dates within one year. Although some of these are denominated in foreign currencies and are exposed to foreign exchange fluctuation risk, the Group enters into forward exchange contracts for some of the settlement amounts to avoid this risk.

Short-term loans payable, commercial papers, securitized receivables and the like are mainly to procure funds for operational transactions, while bonds and long-term loans payable are mainly to procure funds for capital investment. Although loans payable with floating interest rates are exposed

to interest rate fluctuation risk, for some of the long-term loans payable, derivative transactions (interest rate swaps) for each individual contract are used as hedging instruments to avoid fluctuation risk on interest to be paid and to fix the interest to be paid. As a method for assessing hedge effectiveness, the Group periodically verifies hedging effects for each individual contract. For contracts that satisfy the requirements for exceptional treatment of interest rate swaps, assessment of effectiveness is omitted in accordance with that judgment.

Execution and management of derivative transactions are carried out in accordance with internal rules that stipulate contract limits, and the use of derivatives is limited to contracts with financial institutions that have high ratings in order to reduce credit risk.

In addition, although operating debts, loans payable and the like are exposed to liquidity risk, the Group manages this risk with methods such as preparing monthly cash flow management plans at all companies, and secures sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

2. Matters concerning fair values of financial instruments

Consolidated balance sheet amounts, fair values as of February 28, 2015, and their differences are as follows.

The amounts shown in the following table do not include financial instruments whose fair values are deemed extremely difficult to determine. (see Note 2)

(Millions of yen)

	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Cash and deposits	36,806	36,806	–
(2) Notes and accounts receivable - trade	75,556	75,556	–
(3) Securities and investment securities			
(i) Other securities	18,994	18,994	–
(ii) Shares of associates	1,448	730	(718)
(4) Lease and guarantee deposits	40,650	39,435	(1,214)
(5) Notes and accounts payable - trade	[95,020]	[95,020]	–
(6) Short-term loans payable	[9,268]	[9,268]	–
(7) Commercial papers	[28,691]	[28,691]	–
(8) Income taxes payable	[12,702]	[12,702]	–
(9) Bonds payable	[24,000]	[24,094]	94
(10) Long-term loans payable	[106,498]	[107,400]	901
(11) Derivatives (*2)	[27]	[27]	–

(*1) The items recorded in liabilities on the consolidated balance sheet are shown in square brackets.
(*2) Assets and liabilities arising from derivative transactions are presented on a net basis. Net liability is indicated in square brackets.

(Note 1) Method for measuring fair values of financial instruments and matters concerning securities and derivative transactions

(1) Cash and deposits, and (2) Notes and accounts receivable - trade

The book value is used as the fair value of these assets, given that the fair value is almost the same as the book value, as they are mostly settled in a short time. Time deposits over one year are included in (1) Cash and deposits.

(3) Securities and investment securities

To measure fair values of these assets, prices at the exchange are used for stocks and prices at the exchange as well as prices presented by the counterparty financial institutions or the like are used for bonds.

(4) Lease and guarantee deposits

The fair values of lease and guarantee deposits are measured based on the present values obtained by discounting the future cash flows by the rate for which credit risk is taken into account. Current portion of lease and guarantee deposits is included.

(5) Notes and accounts payable - trade, (6) Short-term loans payable, (7) Commercial papers, and (8) Income taxes payable

The book value is used as the fair value of these liabilities, given that the fair value is almost the same as the book value, as they are settled in a short time.

(9) Bonds payable

The fair values of bonds payable are measured based on the market prices. Current portion of bonds payable is included.

(10) Long-term loans payable

The book value is used as the fair value of those loans payable with floating interest rate, given that the fair value is almost the same as the book value, as their interest rates are reviewed on a short-term interval to reflect market interest rates. In addition, as some of them qualify for exceptional treatment for an interest rate swap, their fair value is measured by discounting the total of principal and interest accounted for together with the said interest rate swap at the reasonably estimable rate applied when a similar loan is made.

The fair values of loans payable with fixed interest rate are measured by discounting the total of principal and interest at the rate assumed when a new similar loan is made. Current portion of long-term loans payable is included.

(11) Derivatives

The fair values are measured based on prices presented by the counterparty financial institutions or the like.

Items to which exceptional treatment for interest rate swaps or *Furiate-shori* for forward exchange contracts is applied are accounted for together with the hedged long-term loans payable and trade accounts receivable and payable. Consequently, the fair values are included in the fair values of the said long-term loans payable and trade accounts receivable and payable. (Please refer to (10) above).

(Note 2) Financial instruments whose fair values are deemed extremely difficult to determine

Unlisted stocks (whose consolidated balance sheet amount is ¥18,427 million) are excluded from "(3) Securities and investment securities" because they do not have market prices and it is deemed extremely difficult to determine the fair values.

Part of lease and guarantee deposits (whose consolidated balance sheet amount is ¥26,304 million) and long-term guarantee deposited (whose consolidated balance sheet amount is ¥32,700 million) are not subject to fair value measurement because they do not have market prices and it is deemed extremely difficult to estimate future cash flows, etc.

Notes on investment and rental property

1. Matters concerning status of investment and rental property

Some of the Company's subsidiaries own rental buildings (including land) in Tokyo and other regions.

2. Matters concerning fair values of investment and rental property

(Millions of yen)

Consolidated balance sheet amount	Fair value at the end of the current fiscal year
109,530	104,985

(Note 1) The consolidated balance sheet amount is the acquisition cost less accumulated depreciation.

(Note 2) For major properties, fair value at the end of the current fiscal year is an amount based on the real estate appraisal standards of an external real estate appraiser, etc. For other properties, fair value is an amount estimated by employing the land price index with necessary adjustments applied at the Company.

(Note 3) The urban redevelopment project in the Ginza 6-chome district and the like (whose consolidated balance sheet amount is ¥124,365 million) involve developments of large-scale commercial facilities and are still at the development stage at present. For these reasons, their fair values are extremely difficult to determine and are not included in the above table.

Notes on per share information

1. Net assets per share: ¥1,425.05
2. Net income per share: ¥75.47

(Note 1) The Company has conducted a consolidation of common shares at a rate of one share for every two shares as of September 1, 2014. Net assets per share and net income per share are calculated on the assumption that the said share consolidation was implemented as of the beginning of the current fiscal year.

(Note 2) As stated in "Changes in accounting policies," the Company adopted the Accounting Standard for Retirement Benefits, etc., in line with transitional treatment provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. Consequently, net assets per share decreased by ¥29.68 in the current fiscal year.

Notes on significant subsequent events

No items to report.

Notes to Non-consolidated Financial Statements

Notes on matters concerning important accounting policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

Shares of subsidiaries and associates	Stated at cost using the moving-average method
Other securities	
Securities with available fair market values	Stated at fair value based on the market prices at the fiscal year-end (Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)
Securities without available fair market values	Stated at cost using the moving-average method

(2) Basis and method of valuation of derivatives

Derivatives	Stated at fair value

(3) Basis and method of valuation of inventories

Supplies	Stated at cost using the FIFO method (the book value is written down based on the decreased profitability)

2. Depreciation method of non-current assets

Property, plant and equipment (excluding leased assets)	
Buildings and structures	Straight-line method
Other property, plant and equipment	Declining-balance method
Intangible assets (excluding leased assets)	Straight-line method Internal use software is amortized using the straight-line method over the internally expected useful life (5 years).
Leased assets	
Leased assets in finance leases that do not transfer ownership	Straight-line method with zero residual value assuming the lease periods as useful lives

3. Accounting method for deferred assets

Bond issuance cost	Amortized using the straight-line method over the period until redemption

4. Accounting policy for provisions

Provision for bonuses	To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.
Provision for directors' bonuses	To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.

5. Hedge accounting method

Hedge accounting method	Exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.
Hedging instruments and hedged items	
Hedging instruments	Interest rate swaps
Hedged items	Loans payable and interest expenses on loans payable
Hedging policy	Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.
Method for assessing the hedge effectiveness	At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets or liabilities of hedged items and hedging instruments.

6. Accounting treatment for consumption taxes

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

Of consumption tax amounts on assets that are not qualified for tax deductions, amounts of deferred consumption taxes stipulated under tax law are recorded in long-term prepaid expenses and amortized on a straight-line basis during a five-year period.

Notes on non-consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment

¥81 million

2. Balance of guarantee obligations

Daimaru Matsuzakaya Department Stores Co. Ltd.
Guarantee for trip charge collected from customers based on request from business partner
¥0 million

Notes on non-consolidated statement of income

Transaction with subsidiaries and associates

Operating revenue	¥11,147 million
General and administrative expenses	¥154 million
Non-operating transactions	¥875 million

Notes on non-consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year
   Common shares 268,119,164 shares
2. Class and number of treasury shares as of the end of the current fiscal year
   Common shares 4,103,265 shares

   (Note) The Company has conducted a consolidation of common shares at a rate of one share for every two shares as of September 1, 2014.

Notes on tax effect accounting

1. Deferred tax assets by major category of cause

Deferred tax assets	
Provision for bonuses	¥52 million
Accrued insurance expenses	¥6 million
Accrued enterprise tax	¥21 million
Loss carried forward	¥117 million
Other	¥18 million
Total deferred tax assets	¥216 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥5 million
Net deferred tax assets	¥211 million

Net deferred tax assets are included in the following items in the non-consolidated balance sheet.

Current assets — Deferred tax assets	¥166 million
Non-current assets — Deferred tax assets	¥44 million

2. Note on change in rates of income taxes subsequent to balance sheet date

On March 31, 2015, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated, resulting in changes in the rates of income taxes for fiscal years beginning on or after April 1, 2015.

In accordance with these revisions, for temporary differences expected to be reversed in the fiscal year beginning on or after March 1, 2016, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed from 35.6% to 33.1%. In addition, for temporary differences expected to be reversed in fiscal years beginning on or after March 1, 2017, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed to 32.3%.

The impact of this change is immaterial.

Notes on transactions with related parties

Subsidiaries and associates, etc.

(Millions of yen)

Type	Company name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 4)	Account item	Balance at the end of the fiscal year
Subsidiary	Daimaru Matsuzakaya Department Stores Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Receipt of consulting fee income (Note 1)	2,103	—	—
				Lending of funds	2,000	Short-term loans receivable	18,640
				Collection of funds	8,640	Long-term loans receivable	54,280
				Receipt of interests (Note 2)	712	—	—
Subsidiary	JFR Office Support Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and collection of funds (Note 3)	15,864	Short-term loans receivable	21,079
				Receipt of interests (Note 2)	71	—	—

Transaction conditions and policy for deciding transaction conditions

(Note 1) Consulting fee income is determined by contract terms.

(Note 2) Interest rates on loans are determined reasonably with reference to market interest rates.

(Note 3) As transactions for lending and collection of funds are carried out repetitively, the amount shown in the transaction amount column is the average balance during the period.

(Note 4) Transaction amounts do not include consumption taxes.

Notes on per share information

1. Net assets per share: ¥1,169.12
2. Net income per share: ¥31.77

(Note) The Company has conducted a consolidation of common shares at a rate of one share for every two shares as of September 1, 2014. Net assets per share and net income per share are calculated on the assumption that the said share consolidation was implemented as of the beginning of the current fiscal year.