

To whom it may concern

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Transition to a “Company with Three Committees (Nomination,
Audit and Remuneration Committees)”

J. FRONT RETAILING Co., Ltd. (the “Company”) decided at a meeting of its Board of Directors held today a policy for the Company to transition from a company with Audit & Supervisory Board to a company with three committees (nomination, audit and remuneration committees), subject to approval at the Annual Shareholders Meeting of the Company scheduled to be held in late May 2017, as described below.

1. Transition to a “company with three committees (nomination, audit and remuneration committees)”

(1) Background of the transition

Aiming for sustainable growth and improved corporate value over the medium to long term of the J. FRONT RETAILING Group (the “Group”), the Company has been implementing initiatives to strengthen corporate governance. These initiatives include the establishment of a dedicated body to promote governance, the strengthening functions of the Board of Directors based on the Board of Directors’ effectiveness evaluation, improvement of transparency and objectivity of the Human Resources and Remuneration Committee, and enhancing of our managerial talent. The building of a corporate governance structure that is optimal for the Company is one of the Company’s important management challenges. There has been mounting discourse on this topic, which has been held mostly by the Board of Directors. Today’s decision to formulate the policy to transition to a company with three committees (nomination, audit and remuneration committees) is part of further system strengthening.

(2) Purpose of the transition

The Company carries out initiatives to further strengthen corporate governance from the following perspectives:

- i. Strengthening of the management oversight function by separating oversight from execution
The Company will strengthen the oversight function for business execution of the Board of Directors by separating oversight from execution. In addition, the Company aims to promote sophistication of strategy by having the Board of Directors actively include the insights of external persons in order to hold rigorous discourse on important strategic issues relating to the Group management.
- ii. Greater clarity of authority and responsibility in business execution and promotion of agile management
The Company will enable decisions of business execution to be delegated to Executive Officers (Note), clarify the authority and responsibility between the Board of Directors and

Executive Officers and between the holding company and the operating subsidiaries, and carry out speedy management decision making.

(Note) With regard to Executive Officers (*shikkoyaku*), although the English name is the same as Executive Officers, which were previously referred to as “*shikkoyakuin*” in Japanese, the Japanese name and their functions are different.

iii. Improvement of transparency and objectivity of management

The Company will improve the transparency and objectivity of management by transitioning to a company with three committees (nomination, audit and remuneration committees). The majority of the members of each of these committees are Outside Directors.

iv. Building an organizational structure compatible with global perspectives

The Company will build a governance structure that is easy to understand from global perspectives, such as those of overseas investors.

(3) Transition timetable

The Company plans to transition to a company with three committees (nomination, audit and remuneration committees) after obtaining approval for the necessary changes to the Articles of Incorporation at the Annual Shareholders Meeting of the Company scheduled to be held in late May 2017.

2. Other

The Company plans to announce details including the content of the changes to the Articles of Incorporation and the personnel changes at the time these details are determined.

END