

To whom it may concern

Company name: J. FRONT RETAILING Co., Ltd.
Representative: Ryoichi Yamamoto, President
(Securities code: 3086, First Section of the Tokyo
Stock Exchange and Nagoya Stock Exchange)
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Notice Regarding Decision to
Enter into Basic Agreement on Business Transfer of Consolidated Subsidiary

J. FRONT RETAILING Co., Ltd. (the “Company”) resolved at a meeting of its Board of Directors held today to enter into a basic agreement on the transfer of all business of JFR Online Co. Ltd. (Chuo-ku, Osaka, President: Kenichi Hayashi, “JFR Online”) engaged in the direct marketing business, a consolidated subsidiary of the Company (the “Business”), to Feel Life Inc. (“Feel Life”) that Senshukai Co., Ltd. (Kita-ku, Osaka, President and Representative Director: Hiroyuki Hoshino, “Senshukai”) will establish as a wholly owned subsidiary that is scheduled to engage in the direct marketing business, as described below.

1. Background and reason of the business transfer

JFR Online was established as The Daimaru Home Shopping, Inc. (changed to current name in March 2011) in March 1988 through a company split performed by The Daimaru, Inc. (currently Daimaru Matsuzakaya Department Stores Co. Ltd.) to spin out its catalog direct marketing business. It has been proposing the total spectrum of lifestyle products ranging from fashion to interior through the “Daimaru Matsuzakaya Direct Marketing Catalog” as the major channel of marketing.

Since the capital and business alliance between the Company and Senshukai was established in April 2015, the Company has been utilizing the knowhow of Senshukai’s direct marketing business to strengthen areas of its business including catalog media production and customer management.

Aiming to maximize the value of the Business going forward, the Company has decided to enter into the basic agreement as it judges that it would be effective to make use of the Company’s customer base centered on approximately 300,000 women in the senior age bracket who are with JFR Online to provide continuity with Senshukai’s direct marketing business whose main customer group is women in their thirties to fifties.

2. Overview of the business transfer

(1) Overview of transferor company

(As of February 29, 2016)

| | | |
|--|---|--|
| (1) Company name | JFR Online Co. Ltd. | |
| (2) Headquarters | 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka | |
| (3) Representative | President, HAYASHI Kenichi | |
| (4) Business | Direct marketing | |
| (5) Capital stock | 100 million yen | |
| (6) Established | March 1, 1988 | |
| (7) Major shareholder and shareholding ratio | J. FRONT RETAILING Co., Ltd. | 100.0% |
| (8) Relationship with the Company | Capital relationship | 100% owned by the Company |
| | Personnel relationship | One Director and one Audit & Supervisory Board Member of the Company are concurrently serving as officers at JFR Online. |
| | Transactional relationship | Lending funds, etc. |
| | Status as a related party | A consolidated subsidiary of the Company and categorized as a related party |

(2) Operating results of the Business (Fiscal year ended February 29, 2016)

(Millions of yen)

| | Fiscal year ended February 29, 2016 | (Reference) Consolidated results of the Company for the fiscal year ended February 29, 2016 |
|------------------|--|--|
| Net sales | 11,623 | 1,163,564 |
| Operating income | (394) | 48,038 |
| Ordinary income | (394) | 47,910 |
| Profit | (690) | 26,313 |

(3) Items and transfer price of transferred assets and liabilities

The items and transfer price of transferred assets and liabilities are undisclosed. However, the Company forecasts that neither the amount of assets nor the amount of liabilities will exceed 500 million yen. Accordingly, the transfer price is expected to be minimal.

3. Overview of the transferee

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| (1) Company name | Feel Life Inc. | |
| (2) Headquarters | 8-9, Doshin 1-chome, Kita-ku, Osaka | |
| (3) Representative | President and Representative Director, KAIHARA Toshiaki | |
| (4) Business | Direct marketing | |
| (5) Capital stock | 250 million yen | |
| (6) Established | Mid-January 2017 (scheduled) | |
| (7) Major shareholder and shareholding ratio | Senshukai Co., Ltd. | 100.0% |

4. Schedule of the business transfer

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|--|-------------------------------|
| Date of resolutions of Boards of Directors (the Company, Senshukai) | December 27, 2016 |
| Date of entering into basic agreement (the Company, Senshukai) | December 27, 2016 |
| Date of entering into business transfer agreement (JFR Online, Feel Life) | Mid-February 2017 (scheduled) |
| Date of business transfer (JFR Online, Feel Life) | March 1, 2017 (scheduled) |

5. Future prospects

Looking ahead, discussions between parties of the business transfer will proceed toward entering into a business transfer agreement. Then, after the business transfer, JFR Online will be dissolved. The Company expects liquidation of JFR Online to be finalized in February 2019.

In addition, the Company has recognized an expected loss on dissolution of JFR Online of 800 million yen in extraordinary losses on the consolidated financial results for the first nine months of the fiscal year ending February 28, 2017 disclosed today.

In accordance with this, no revision has been made to the consolidated earnings forecasts.

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