

To whom it may concern

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(Securities code: 3086, First Section of the Tokyo  
Stock Exchange and Nagoya Stock Exchange)  
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Notice Regarding Approval of Capital Increase by Third-party Allocation/Acceptance of  
Purchase of Own Shares (scheduled) by Senshukai Co., Ltd.

J. FRONT RETAILING Co., Ltd. (the “Company”) has resolved at a meeting of its Board of Directors held today to approve issuance of preferred shares by Senshukai Co., Ltd. (Securities code: 8165, First Section of the Tokyo Stock Exchange; “Senshukai”), and also to accede to Senshukai purchasing its own shares (the “Purchase of Own Shares”). Our accedence shall be conditional upon Senshukai’s reduction of legal capital surplus and legal retained earnings, and appropriation of surplus, as well as its reduction of the amount of capital and legal capital surplus that are increased accompanying the incorporation into capital and legal capital surplus of the amount paid in for its issuance of preferred shares becoming effective. Details of the Purchase of Own Shares (method, timing, purchase price, number of shares to purchase, etc.) have not yet been determined at this point in time, and will be announced when they are determined.

1. Reason for acceding to Senshukai’s Purchase of Own Shares (scheduled)

On April 17, 2015, the Company has resolved to conclude a capital and business alliance with Senshukai, thus making it an equity method associate. Through development of a joint brand with Senshukai for department stores that is based on omni-channel retailing, utilization of Senshukai’s logistics in department store online shopping business, development of gift catalog utilizing know-how of the both companies, etc., the Company has promoted multiple projects with Senshukai, and has attained a certain level of positive results.

On the other hand, at a time when the business environment of Senshukai is deteriorating due to intensifying competition in the direct marketing industry, Senshukai gave notice that it will implement the issuance of preferred shares by means of third-party allocation (the “Issuance of Preferred Shares”) with the Chiiki Chukakukigyo Kasseika Fund(the “Allottee”), which is operated and managed by REVIC Partners Co., Ltd. as an unlimited liability partnership, as the Allottee. The Company reached the conclusion that the Issuance of Preferred Shares contributes to enhancing the corporate value of Senshukai, and therefore approved the Issuance of Preferred Shares.

Moreover, as a result of discussions between the Company and Senshukai regarding the form of the capital relationship after the Issuance of Preferred Shares, the Company agreed that, in response to Senshukai’s Purchase of Own Shares, the Company would transfer its holdings of Senshukai shares to Senshukai itself for reasons including the fact that, for Senshukai to form a partnership with the Allottee going forward and increase the likelihood that the new medium-term business plan is implemented, it is considered beneficial for Senshukai to integrate its partners into the Allottee while implementing the medium-term business plan and while reducing the Company’s influence as a shareholder of Senshukai by removing Senshukai as an equity method associate of the Company, and the fact that even if the capital relationship between the two companies were to disappear, it would be possible to maintain the excellent relationship that the two companies have

built, and to continue the business alliance. The agreement is conditional upon Senshukai's reduction of legal capital surplus and legal retained earnings, and appropriation of surplus, as well as its reduction of the capital and legal capital surplus that are increased accompanying the incorporation into capital and legal capital surplus of the amount paid in for the Issuance of Preferred Shares becoming effective.

For details of the Purchase of Own Shares, please refer to "Notice regarding the issuance of preferred shares through the capital increase by third-party allocation; partial amendments to the articles of incorporation; reduction in capital and legal capital surplus at the same time as issuance of shares; change in officers; purchase of own shares, and change in the largest shareholder that is also a major shareholder and other affiliate company(scheduled); change in the usage of funds" released today by Senshukai.

Details of the Purchase of Own Shares have not yet been finalized at this point in time and therefore the total purchase price also has not been finalized at this point in time, but the Company is expecting the total purchase price will be decided later at a value that is inside the 7.5 billion yen range. When the Purchase of Own Shares is carried out, Senshukai is planned to be removed from the scope of equity method associates of the Company. With regard to the capital and business alliance concluded between the Company and Senshukai, the Company will discuss this with Senshukai going forward, and review it at an appropriate time, but the Company and Senshukai will maintain the excellent relationship they have built, and consider to continue the business alliance.

## 2. Overview of equity method associate conducting the Purchase of Own Shares (scheduled) (Senshukai)

(As of December 31, 2017)

(1)	Name	Senshukai Co., Ltd.	
(2)	Headquarters	1-8-9 Doshin, Kita-ku, Osaka	
(3)	Representative	Hiroyuki Hoshino, President and Representative Director	
(4)	Businesses	Mail-order business, bridal business, corporate business, other businesses	
(5)	Capital stock	¥22,304 million	
(6)	Established	November 9, 1955	
(7)	Major shareholder and shareholding ratio (As of June 30, 2017)	J. FRONT RETAILING Co., Ltd.	22.62%
		Brestsheave Co., Ltd.	6.99%
		TOPPAN PRINTING CO., LTD.	3.52%
		Sumitomo Mitsui Banking Corporation	3.19%
		Dai Nippon Printing Co., Ltd.	2.89%
		Mizuho Bank, Ltd.	2.14%
		Senshukai Group Employee Stock Ownership Plan	1.68%
		Nippon Life Insurance Company	1.51%
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.44%
(8)	Relationship with the Company	Capital relationship	The Company holds 11,815 thousand shares of Senshukai (Equity ownership: 22.65%; as of June 30 2017, the percentage is rounded to the nearest two decimal place).
		Personal relationship	One Director has been dispatched from the Company's wholly owned subsidiary Daimaru Matsuzakaya Department Stores Co. Ltd.
		Transactional relationship	Daimaru Matsuzakaya Department Stores Co. Ltd., which is a wholly owned subsidiary of the Company, sells private brands from Senshukai, and the Company is carrying out joint development, etc. of catalog gifts.

	Status as related party	Senshukai corresponds to an equity method associate of the Company.	
(9) Consolidated operating results and consolidated financial position for the most recent three fiscal years (Millions of yen, unless otherwise noted)			
Fiscal year-ended	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net assets	53,705	52,572	41,548
Total assets	105,352	101,959	90,441
Net assets per share (yen)	1,028.17	1,009.26	797.13
Net sales	134,321	129,074	125,999
Operating income	(3,437)	1,194	(4,287)
Ordinary income	(2,540)	1,673	(4,206)
Profit attributable to owners of parent	(5,307)	1,420	(11,090)
Basic earnings per share (yen)	(108.03)	27.26	(213.16)
Cash dividends per share (yen)	8.00	8.00	0.00

### 3. Shares to be transferred

The Company holds 11,815 thousand shares of Senshukai, for an equity ownership ratio of 22.65% as of June 30, 2017 (the percentage is rounded to the nearest two decimal place). As a result of acceding to Senshukai's Purchase of Own Shares, Senshukai is planned to be removed from the scope of equity method associates of the Company.

### 4. Schedule

(1) Resolution of the Board of Directors	February 26, 2018
(2) Purchase of Own Shares	A day after the effective date of Senshukai's reduction of legal capital surplus and legal retained earnings, and appropriation of surplus, as well as its reduction of the capital and legal capital surplus that are increased accompanying the incorporation into capital and legal capital surplus of the amount paid in for the Issuance of Preferred Shares (To be determined)

### 5. Future prospects

An impairment loss on investments in associates is expected to occur in the consolidated earnings for the current period, but the amount is under examination. At this time, there is no change to the consolidated earnings forecasts of the current period.

END

(Reference)

Consolidated earnings forecasts of the current period (announced on December 26, 2017) and actual consolidated earnings results of the previous fiscal year.

(Millions of yen)

	Sales revenue	Operating profit	Profit before tax	Profit attributable to owners of parent
Consolidated earnings forecasts (Fiscal year ending February 28, 2018)	472,000	49,000	47,000	28,500
Actual consolidated earnings results (Fiscal year ended February 28, 2017)	452,505	41,727	42,608	27,052

Note: The Company has adopted IFRS from the fiscal year ending February 28, 2018. Earnings results for the fiscal year ended February 28, 2017 are also presented in accordance with IFRS.