

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)
Inquiries: Hajime Inagami, Senior General
Manager of Investor Relations and Group
Communications Promotion Division,
Management Strategy Unit
(TEL: +81-3-6895-0178 (from overseas))

Notice Regarding Subscription to Purchase of Own Shares by Senshukai Co., Ltd. and
Cancellation of Capital and Business Alliance with Senshukai Co., Ltd.

J. FRONT RETAILING Co., Ltd. (the “Company”) announced today a decision to subscribe to a purchase of own shares to be conducted by Senshukai Co., Ltd. (“Senshukai”; this purchase is hereinafter referred to as the “Purchase of Own Shares”) related to the sale of Senshukai’s common shares (“Senshukai Shares”) held by the Company, as announced in the Company’s timely disclosure dated February 26, 2018, “Notice Regarding Approval of Capital Increase by Third-party Allocation/Acceptance of Purchase of Own Shares (scheduled) by Senshukai Co., Ltd.”, and to cancel its capital and business alliance with Senshukai. Details are as follows.

I. Subscription to Purchase of Own Shares

1. Number of shares to be tendered

11,815 thousand Senshukai shares held by the Company (Equity ownership: 22.65% as of December 31, 2017 (the percentage is rounded to the nearest two decimal places))

Where the Purchase of Own Shares is settled on a pro rata basis, the Company may not be able to sell all of the tendered shares.

2. Overview of the Purchase of Own Shares

On May 1, 2018 at 8:45 a.m., Senshukai will place a purchase order at the closing price today (April 27, 2018) of ¥573 through the Off-Auction Own Share Repurchase Trading (ToSTNeT-3) System of the Tokyo Stock Exchange.

3. Reason for subscription

As described in “1. Reason for cancellation of the capital and business alliance” under “II. Cancellation of the capital and business alliance” below, the Company decided to accede to the Purchase of Own Shares.

II. Cancellation of the capital and business alliance

1. Reason for cancellation of the capital and business alliance

As described in the Company’s timely disclosure dated February 26, 2018, “Notice Regarding Approval of Capital Increase by Third-party Allocation/Acceptance of Purchase of Own Shares (scheduled) by Senshukai Co., Ltd.”, on April 17, 2015, the Company 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 knowhow 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 Senshukai shares to Senshukai itself, and in conjunction with this, cancel its capital and business alliance with Senshukai. The reasons for this decision include 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.

The Company and Senshukai will continue to maintain an excellent trading relationship as before, even after the cancellation of the capital and business alliance.

2. Details of the cancellation of the capital and business alliance

As described above in “1. Reason for cancellation of the capital and business alliance”, the Company plans to cancel the capital and business alliance, effective today, and to sell its Senshukai Shares through the Purchase of Own Shares.

3. Overview of Senshukai, counterparty to the capital and business alliance cancellation and conductor of the Purchase of Own Shares

(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	
(5) Capital stock	¥22,304 million	
(6) Established	November 9, 1955	
(7) Major shareholder and shareholding ratio (As of December 31, 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%
	Nippon Life Insurance Company	1.51%
	Senshukai Group Employee Stock Ownership Plan	1.48%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.44%	

(8) Relationships with the Company	Capital relationship	The Company holds 11,815 thousand shares of Senshukai. Senshukai does not hold any of the Company's shares.	
	Personnel relationships	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 subsidiary of the Group, sells private brands from Senshukai, and the Company is carrying out joint development, etc. of catalog gifts.	
	Status as related party	None	
(9) Consolidated operating results and consolidated financial position for the most recent three fiscal years (Millions of yen, unless otherwise noted)			
	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

4. Schedule

Date of capital and business alliance cancellation: April 27, 2018

5. Future prospects

The Company and Senshukai will maintain the excellent relationship they have built and consider continuing the individual initiatives under the business alliance.

The impact of this decision on the Company's consolidated earnings for the current period is negligible and no change has been made to the consolidated earnings forecasts of the current period at this time.

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