

[Translation]

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To whom it may concern

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Notice Regarding Absorption-type Merger of The Shimonoseki Daimaru, Inc.
by Daimaru Matsuzakaya Department Stores Co. Ltd.

J. FRONT RETAILING Co., Ltd. (the “Company”) hereby announces that it has decided together with its consolidated subsidiaries Daimaru Matsuzakaya Department Stores Co. Ltd. (“Daimaru Matsuzakaya Department Stores”) and The Shimonoseki Daimaru, Inc. (“The Shimonoseki Daimaru”) to absorb and merge The Shimonoseki Daimaru into Daimaru Matsuzakaya Department Stores as part of the Group’s restructuring of regional department stores.

1. Restructuring of regional department stores

The Group’s regional department stores face increasing competition from urban department stores and suburban shopping centers amid ongoing population decline and aging accompanied by a low birthrate. In addition, their current environment is rapidly changing as consumer trends shift from goods to experiences and from real stores to online shopping. In this situation, radical reforms based on the needs of each area are necessary to ensure that regional department stores can continue to play a part in the community and grow.

In March 2018, a Suburban Store Reform Promotion Division was established at Daimaru Matsuzakaya Department Stores. The division proceeded to work on the Group’s department store business to reform regional suburban department stores, including tackling issues that are difficult for the stores to address alone.

2. Purpose of bringing The Shimonoseki Daimaru under direct management

In light of the above, The Shimonoseki Daimaru will now be absorbed and merged with Daimaru Matsuzakaya Department Stores and brought under direct management with the aim of enabling its continued growth.

By establishing direct management, improved purchasing power can be expected by taking advantage of stronger negotiating capabilities with suppliers and scale benefits. In addition, store operations will be streamlined by consolidating back-office function within the Head Office organization, and human resources can now be stimulated by assigning them with a companywide perspective that was difficult to achieve when The Shimonoseki Daimaru was independent.

3. Schedule

March 2020: Implementation of the absorption-type merger

4. Effect on earnings

The impact of this absorption and merger on the Company's consolidated earnings for the fiscal year ending February 29, 2020 is expected to be negligible. However, the Company will promptly announce any matters requiring disclosure that may arise going forward.

END

(Reference) Overview of Daimaru Matsuzakaya Department Stores Co. Ltd. and The Shimonoseki Daimaru, Inc.

(1) Company name	Daimaru Matsuzakaya Department Stores Co. Ltd. (company surviving the absorption-type merger)	The Shimonoseki Daimaru, Inc. (company disappearing in the absorption-type merger)
(2) Headquarters	18-11, Kiba 2-chome, Koto-ku, Tokyo	4-10, Takezaki-cho 4-chome, Shimonoseki, Yamaguchi
(3) Representative	Tatsuya Yoshimoto, President and Representative Director	Kunihiro Kusunoki, President and Representative Director
(4) Business	Department store business	Department store business
(5) Capital stock	10,000 million yen	480 million yen
(6) Established	March 1, 2010 *Change in company name	September 15, 1950
(7) Net sales	680,428 million yen (Fiscal year ended February 28, 2019)	13,352 million yen (Fiscal year ended February 28, 2019)
(8) Operating profit	26,480 million yen (Fiscal year ended February 28, 2019)	78 million yen (Fiscal year ended February 28, 2019)
(9) Number of employees	2,285 (As of February 28, 2019)	225 (As of February 28, 2019)
(10) Major shareholder and shareholding ratio	J. FRONT RETAILING Co., Ltd. 100%	Daimaru Matsuzakaya Department Stores Co. Ltd. 100%