

May 10, 2021

To whom it may concern

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Notice Regarding Transfer of Shares Resulting in Changes in Consolidated Subsidiary

J. FRONT RETAILING Co., Ltd. (the “Company”) hereby announces that PARCO CO., LTD. (“PARCO”), a consolidated subsidiary of the Company, intends to transfer all of the shares of NEUVE • A CO., LTD. (“NEUVE • A”), a consolidated subsidiary of the Company, to Libra Invesco Co., Ltd. (“Libra Invesco”) on June 30, 2021 (planned; the “Share Transfer”), and has concluded a share transfer agreement with Libra Invesco concerning the Share Transfer.

NEUVE • A will cease to be a consolidated subsidiary of the Company as a result of the Share Transfer.

1. Reason for the transfer of shares

NEUVE • A was established as an associate of PARCO, which is owned by the Group. As a company that continues to offer new value proposals and contribute to enhancing customers’ lifestyles with general goods specialty stores at its core, NEUVE • A has opened and operated specialty stores throughout Japan in PARCO stores as well as in shopping centers, etc.

However, due to changes in the environment in which NEUVE • A operates, intensifying competition and other factors, the business environment has become challenging. Although NEUVE • A opened stores in new formats in recent years, strengthened EC, and worked to improve profitability by closing unprofitable stores, given the sudden changes in the management environment, such as the impact of temporary store closures due to the novel coronavirus disease (COVID-19) pandemic in the previous fiscal year, the business results have been sluggish.

Given the above points, although it is currently patronized by many customers, the Company has determined that the best option for NEUVE • A to grow in the future is for it to collaborate with and operate under the corporate umbrella of another company with broad-ranging business expertise, such as in specialty stores, and by enhancing the individuality and editing capabilities held by NEUVE • A, build a stable business foundation.

Furthermore, the Company believes that this action will allow the Company to promote business portfolio reforms and focus its management resources on our main businesses and growth areas by accelerating efforts for the reform of management structure that is included in the new medium-term business plan that started from this fiscal year.

Based on this, of the transfer counterparty candidates that the Company considered for NEUVE • A, the Company has reached an agreement with Libra Invesco on the terms and conditions of the transfer and has decided to transfer all of its shares of NEUVE • A to Libra Invesco.

2. Overview of changing subsidiary (NEUVE・A)

(As of February 28, 2021)

(1)	Name	NEUVE・A CO., LTD.		
(2)	Headquarters	8-16 Shinsencho, Shibuya-ku, Tokyo		
(3)	Representative	Mitsuhiro Matsuzaki, Representative Director		
(4)	Businesses	Specialty store business		
(5)	Share capital	¥100 million		
(6)	Established	June 1, 2001		
(7)	Major shareholder and shareholding ratio	PARCO CO., LTD.	100%	
(8)	Relationships with the Company	Capital relationship	Wholly owned subsidiary of PARCO	
		Personnel relationships	PARCO has dispatched to NEUVE・A two Directors and one Auditor. (Note)	
		Transactional relationship	Some of the Company’s consolidated subsidiaries have intra-Group transactional relationships with NEUVE・A relating to leasing of buildings; system maintenance and administration, and provision of other services; mutual lending and borrowing of funds; and other relationships. Furthermore, NEUVE・A operates 45 stores at stores operated by PARCO.	
		Status as a related party	NEUVE・A is a consolidated subsidiary of the Company and falls under a related party of the Company.	
(9)	Operating results and financial position for the most recent three fiscal years (Millions of yen, unless otherwise noted)			
	Fiscal year-end	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
	Net assets	2,840	1,416	(226)
	Total assets	6,429	5,314	3,915
	Net assets per share (yen)	289,875.34	144,509.92	(23,124.42)
	Net sales	19,740	18,016	11,954
	Operating profit	122	(458)	(872)
	Ordinary profit	122	(463)	(868)
	Profit	(65)	(1,424)	(1,642)
	Basic earnings per share (yen)	(6,718.45)	(145,365.42)	(167,634.34)
	Annual dividends per share (yen)	0.00	0.00	0.00

Note: Directors and an Auditor that have been dispatched to NEUVE・A will have retired from that company as of June 30, 2021, which is the date on which the Share Transfer is slated to go into effect.

3. Overview of transfer counterparty (Libra Invesco)

(As of April 30, 2021)

(1) Name	Libra Invesco Co., Ltd.	
(2) Headquarters	5F, Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo	
(3) Representative	Kenji Fukai, Representative Director	
(4) Businesses	Investment; credit and finance; operation and management of investment partnership assets; management consulting	
(5) Share capital	¥1 million	
(6) Established	December 26, 2020	
(7) Relationships with the Company	Capital relationship	No material relationship; no material relationships among related parties or companies.
	Personnel relationships	No material relationship; no material relationships among related parties or companies.
	Transactional relationship	No material relationship; no material relationships among related parties or companies.
	Status as a related party	Libra Invesco does not fall under the category of related party of the Company; related parties or companies of Libra Invesco do not fall under the category of related party of the Company.

4. Number of shares to be transferred, transfer price and share ownership before and after the transfer

(1) Number of shares held before the transfer	9,800 shares (Equity ownership: 100.0%)
(2) Number of shares to be transferred	9,800 shares (Equity ownership: 100.0%)
(3) Number of shares to be held after the transfer	0 shares (Equity ownership: 0.0%)

Due to a confidentiality provision in the agreement with the transfer counterparty, the Company is refraining from disclosing the transfer price.

5. Schedule

Share Transfer June 30, 2021

6. Future prospects

Following the Share Transfer, the Company expects to record relevant expenses, including loss on sale of businesses, in the consolidated earnings results for the first three months of the fiscal year ending February 28, 2022.

The amount of this impact is currently being assessed; however, at this stage it is expected to have a negative impact of around ¥2.5 billion (estimated) at the operating profit level. This impact has been factored into the consolidated earnings forecast for the fiscal year ending February 28, 2022 announced on April 13, 2021.

Details will be announced as they become clear.

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