

[Translation]

April 17, 2015

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 Capital and Business Alliance with Senshukai Co., Ltd.
(Conversion into an Equity Method Associate)

J. FRONT RETAILING Co., Ltd. (the “Company”) resolved at a meeting of its Board of Directors held today to conclude a capital and business alliance with Senshukai Co., Ltd. (Securities code: 8165, First Section of the Tokyo Stock Exchange; “Senshukai”) and to convert Senshukai into an equity method associate. Details of the resolution are as follows.

1. Reason for the capital and business alliance

The J. FRONT RETAILING Group (the “Group”) has store assets of its core department stores including PARCO and StylingLife Holdings in a balanced manner in central urban areas throughout Japan as well as prime customer base. Under its Medium-term Business Plan, which covers the three years from 2014 to 2016, as the basic policies of the plan the Group is working to dramatically strengthen its competitiveness and profitability as a multi-channel retailer, to construct a business model for growth along with regions in which it operates with its stores at the core of such growth (strategy of urban market dominance), and to promote omni-channel retailing that leverages the strengths of physical stores.

Senshukai describes itself as the “Women’s Smiles Company” and deals in a wide-ranging lineup of merchandise including clothing, daily sundries, and interior goods, with a primary focus on original goods for women aged from their 30s to their 50s, centered on its mainstay mail order business “Belle Maison.” Under its Medium- to Long-term Business Plan, a five-year plan covering the years from 2014 to 2018, the core strategies are to develop optimal private brand products for each of the main target customer segments in the mail-order business, expand purchase opportunities by promoting the shift to an omni-channel format, and increase efficiency by investing in logistics and IT systems.

Recently, amid a significantly changing environment surrounding the retail industry with tougher competition within the industry, intensifying competition across industries, and so forth, the Company and Senshukai have had numerous discussions since October 2014, considering that both companies would be able to efficiently expand their share and develop their businesses through a business alliance because of the highly complementary nature of their business fields

and customer bases. As a result of these discussions, in order to ramp up their collaboration under their business alliance and realize its effects, the two companies recognized the need to enhance their framework for promoting joint operations, such as establishing joint projects together, and therefore agreed to conduct the following capital and business alliance.

2. Details of the capital and business alliance, etc.

(1) Details of the business alliance

- i) Expand sales channels and reduce the cost of merchandise through joint development of both companies' existing private brand merchandise
- ii) Conduct cross selling utilizing each company's resources and expertise with regard to certain merchandise groups that do not fully meet customers' needs
- iii) Develop and jointly operate new private brand merchandise, utilizing the Group's expertise in store development and operation, and sales service, and Senshukai's product development capabilities
- iv) Expand e-commerce business sales and earnings utilizing the Group's customer base and brand power and Senshukai's expertise in e-commerce operations
- v) Consider improving the operating efficiency and rebuilding the platform of the Group's direct marketing business, utilizing Senshukai's expertise and order fulfillment system in direct marketing
- vi) Generate profits in other ways by utilizing each other's group assets and expertise to the maximum extent
- vii) Establish a Business Alliance Promotion Committee to drive the above initiatives forward

(2) Details of the capital alliance

The Company will acquire the existing shares of Senshukai from its shareholders. In addition, Senshukai will conduct a disposal of treasury shares and issuance of new shares through a third-party allocation, and the Company shall underwrite all of these shares, having concluded an agreement to underwrite all of the shares conditional upon the entry into force of the securities registration statement pertaining to Senshukai's submission. As a result, the Company's equity stake in Senshukai will be 22.62% (share of voting rights: 22.65%), making Senshukai an equity method associate of the Company.

(3) Acquisition price, etc. for shares of Senshukai to be newly acquired

The Company will accept a total of 11,815,000 shares of Senshukai through the following methods i), ii), and iii) (22.62% of the total number of issued shares of Senshukai after the issuance of new shares in iii) (share of voting rights: 22.65%); acquisition price per share of ¥846 (simple average of the closing price of Senshukai's common shares on the Tokyo Stock Exchange from January 19, 2015 to April 16, 2015); total acquisition price of ¥9,995,490,000).

i) Acceptance of shares from Senshukai shareholders

The Company will accept a total of 2,915,000 shares of Senshukai held by the share acquisition counterparties listed below in 4-1 and 4-2 from such counterparties (5.58% of the total number of issued shares of Senshukai after the issuance of new shares in iii) (share of voting rights: 5.59%); acquisition price per share of ¥846; total acquisition price of ¥2,466,090,000).

ii) Underwriting of disposed treasury shares

The Company will underwrite 4,300,000 shares of disposed treasury shares by a third-party allocation to be conducted by Senshukai (8.23% of the total number of issued shares of Senshukai after the issuance of new shares in iii) (share of voting rights: 8.24%); acquisition price per share of ¥846; total acquisition price of ¥3,637,800,000).

iii) Underwriting of newly issued shares

The Company will underwrite 4,600,000 shares to be newly issued by a third-party allocation of shares to be conducted by Senshukai (8.81% of the total number of issued shares of Senshukai after this issuance of new shares (share of voting rights: 8.82%); acquisition price per share of ¥846; total acquisition price of ¥3,891,600,000).

(4) Number of shares to be newly acquired by Senshukai and proportion of issued shares

No items to report.

3. Overview of the capital and business alliance partner (equity method associate to be transferred (Senshukai))

(As of December 31, 2014)

(1) Corporate name	Senshukai Co., Ltd.	
(2) Location	1-8-9 Doshin, Kita-ku, Osaka	
(3) Name and title of representative	Michio Tanabe, Representative Director	
(4) Businesses	Catalogue business, buyer's club business, bridal business, corporate business, other businesses	
(5) Capital	¥20,359 million	
(6) Established	November 9, 1955	
(7) Major shareholders and shareholding ratio	Brestsheave Co., Ltd.	7.66%
	Toppan Printing Co., Ltd.	3.86%
	Sawzan, Ltd.	3.76%
	Sumitomo Mitsui Banking Corporation	3.50%
	Dai Nippon Printing Co., Ltd.	3.17%

(8) Relationship between the Company and the company concerned	Capital relationship	There is no capital relationship between the Company and Senshukai required to be referred to herein. In addition, there is no capital relationship between interested parties and associated companies of the Company and interested parties and associated companies of Senshukai required to be referred to herein.		
	Personal relationship	There is no personal relationship between the Company and Senshukai required to be referred to herein. In addition, there is no personal relationship between interested parties and associated companies of the Company and interested parties and associated companies of Senshukai required to be referred to herein.		
	Business relationship	There is no business relationship between the Company and Senshukai required to be referred to herein. In addition, there is no business relationship between interested parties and associated companies of the Company and interested parties and associated companies of Senshukai required to be referred to herein.		
	Status of the company concerned as related party	Senshukai does not qualify as related party of the Company. In addition, the interested parties and associated companies of Senshukai do not qualify as related parties of the Company.		
(9) Consolidated operating results and consolidated financial position of the company concerned for the most recent three fiscal years				
Fiscal year ended	December 31, 2012	December 31, 2013	December 31, 2014	
Net assets	¥44,932 million	¥50,359 million	¥53,160 million	
Total assets	¥92,887 million	¥98,800 million	¥100,785 million	
Net assets per share	¥1,037.48	¥1,162.81	¥1,227.52	
Net sales	¥145,750 million	¥141,552 million	¥142,526 million	
Operating income	¥2,109 million	¥4,019 million	¥3,088 million	
Ordinary income	¥2,765 million	¥4,631 million	¥3,549 million	
Net income	¥2,029 million	¥4,046 million	¥1,798 million	
Net income per share	¥46.86	¥93.43	¥41.52	

4-1. Overview of share acquisition counterparty

(As of September 30, 2014)

(1)	Corporate name	Sawzan, Ltd.											
(2)	Location	1-5-12 Hobai, Takarazuka-shi, Hyogo											
(3)	Name and title of representative	Kaoru Takai, Representative Director											
(4)	Businesses	Non-life insurance agency business											
(5)	Capital	¥11,790 thousand											
(6)	Established	December 10, 1987											
(7)	Net assets	¥360 million											
(8)	Total assets	¥363 million											
(9)	Major shareholders and shareholding ratio	<table> <tr> <td>Kazuyo Takai</td> <td>33.59%</td> </tr> <tr> <td>Tomoyuki Takai</td> <td>16.54%</td> </tr> <tr> <td>Michihiro Takai</td> <td>16.54%</td> </tr> <tr> <td>Daiki Takai</td> <td>16.54%</td> </tr> <tr> <td>Yukiko Kudo</td> <td>16.54%</td> </tr> </table>		Kazuyo Takai	33.59%	Tomoyuki Takai	16.54%	Michihiro Takai	16.54%	Daiki Takai	16.54%	Yukiko Kudo	16.54%
Kazuyo Takai	33.59%												
Tomoyuki Takai	16.54%												
Michihiro Takai	16.54%												
Daiki Takai	16.54%												
Yukiko Kudo	16.54%												
(10)	Relationship between the Company and the company concerned	Capital relationship	There is no capital relationship between the Company and Sawzan, Ltd. required to be referred to herein. In addition, there is no capital relationship between interested parties and associated companies of the Company and interested parties and associated companies of Sawzan, Ltd. required to be referred to herein.										
		Personal relationship	There is no personal relationship between the Company and Sawzan, Ltd. required to be referred to herein. In addition, there is no personal relationship between interested parties and associated companies of the Company and interested parties and associated companies of Sawzan, Ltd. required to be referred to herein.										
		Business relationship	There is no business relationship between the Company and the Sawzan, Ltd. required to be referred to herein. In addition, there is no business relationship between interested parties and associated companies of the Company and interested parties and associated companies of the Sawzan, Ltd. required to be referred to herein.										
		Status of the seller as related party	Sawzan, Ltd. does not qualify as related party of the Company. In addition, the interested parties and associated companies of the business alliance partner do not qualify as related parties of the Company.										

4-2. Overview of share acquisition counterparties

(1) Name and address	Kaoru Takai (Takarazuka-shi, Hyogo) Kazuyo Takai (Takarazuka-shi, Hyogo) Eiko Yukimachi (Suginami-ku, Tokyo) Yukari Yukimachi (Suginami-ku, Tokyo)
(2) Relationship between the Company and the individuals concerned	There is no relationship between the Company and the individuals concerned to be referred to herein.

5. Number of shares to be acquired, acquisition price, and shareholding status before and after the acquisition

(1) Number of shares held before the transfer	0 shares (Number of voting rights: 0) (Ratio of voting rights held: 0%)
(2) Number of shares to be acquired	11,815,000 shares (Number of voting rights: 118,150)
(3) Acquisition price	Common shares of Senshukai ¥9,995 million Advisory fees, etc. (estimated) ¥250 million Total (estimated) ¥10,245 million
(4) Number of shares held after the transfer	11,815,000 shares (Number of voting rights: 118,150) (Ratio of voting rights held: 22.65%)

6. Schedule

(1) Date of resolution by the Board of Directors	April 17, 2015
(2) Date of share transfer agreement and capital and business alliance agreement conclusion	April 17, 2015
(3) Date of executing the share transfer	April 22, 2015
(4) Date of underwriting disposed treasury shares and newly issued shares	May 7, 2015

The underwriting of disposed treasury shares and newly issued shares is subject to the completion of a review of business combination by the Japan Fair Trade Commission.

Moreover, this share transfer and underwriting of disposed treasury shares fall under Buying Up as specified in Article 167 of the Financial Instruments and Exchange Act and Article 31 of the Order for Enforcement of the Financial Instruments and Exchange Act; however the take-over bid system prescribed in Article 27 Paragraph 2 of the Act and Article 7 of its Order for Enforcement is not applicable.

7. Outlook

The Company expects to post approximately ¥2,000 million as share of profit of entities accounted for using equity method for a one-time amortization of negative goodwill in its consolidated earnings for the first three months of the fiscal year ending February 29, 2016.

END

(Reference) Consolidated earnings forecasts for the current fiscal year (announced on April 9, 2015) and results for the previous fiscal year

	Net sales	Operating income	Ordinary income	Net income
Forecasts for the current fiscal year (Fiscal year ending February 29, 2016)	¥1,177,000 million	¥45,000 million	¥42,500 million	¥28,000 million
Results for the previous fiscal year (Fiscal year ended February 28, 2015)	¥1,149,529 million	¥42,091 million	¥40,404 million	¥19,918 million