

[Translation]

June 28, 2017

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: Takayuki Makita, Executive Officer,  
Senior General Manager of Corporate Governance  
Promotion Division, Management Strategy Unit  
(TEL: +81-3-6895-0178 (from overseas))

### Notice Regarding Issuance of New Shares as Stock-based Remuneration by Third-Party Allotment in Line with the Introduction of the Stock-based Remuneration System for Officers

J.FRONT RETAILING Co., Ltd. (the “Company”) has resolved at the meeting of its Board of Directors held today to issue new shares as stock-based remuneration by third-party allotment in line with the introduction of the stock-based remuneration system for officers (the “Issuance of New Shares”) as described below.

#### 1. Outline of the issuance

(1) Payment date	Monday, July 24, 2017
(2) Class and number of shares to be issued	Ordinary shares of the Company 2,446,600 shares
(3) Issuance price	¥1,614 per share
(4) Total value of shares to be issued	¥3,948,812,400
(5) The amount of share capital to be increased	¥1,974,406,200 (¥807 per share)
(6) The amount of capital reserve to be increased	¥1,974,406,200 (¥807 per share)
(7) Method of allocation (Planned allottee)	Through third-party allotment (i) The Master Trust Bank of Japan, Ltd. (Board Incentive Plan (BIP) Trust Account: 76085) (ii) The Master Trust Bank of Japan, Ltd. (Board Incentive Plan (BIP) Trust Account: 76086)
(8) Other	The Issuance of New Shares is conditioned on the registration taking effect in accordance with the Financial Instruments and Exchange Act.

#### 2. Purposes and reasons of the issuance

As described in the “Notice Regarding Introduction of a Stock-based Remuneration System for Officers” released on June 28, 2017, the Company has resolved to introduce a stock-based remuneration system utilizing trust (the “System”) as a new incentive plan, targeting the Company’s Directors and Executive Officers, and directors and executive officers of the Company’s main subsidiary, Daimaru Matsuzakaya Department Stores Co., Ltd. (collectively, the “Officers”).

The Issuance of New Shares is an issuance of new shares by a third-party allotment to The Master Trust Bank of Japan, Ltd. a joint trustee of the trust agreement regarding the System which will be entered into with Mitsubishi UFJ Trust and Banking Corporation when the Company introduces the System.

### 3. Overview of the share allotment agreement

#### (1) Outline of the planned allottee

##### Planned allottee (i) (Trust I)

The Master Trust Bank of Japan, Ltd.

(Board Incentive Plan (BIP) Trust Account: 76085)

##### Planned allottee (ii) (Trust II)

The Master Trust Bank of Japan, Ltd.

(Board Incentive Plan (BIP) Trust Account: 76086)

\* The Company has researched websites, disclosure documents and other public information regarding investors, their investment ratios, officers, etc. of The Master Trust Bank of Japan, Ltd. and concludes that neither the planned allottee or the officers or major shareholders (major investors) of the planned allottee have any relationships with crime syndicates, etc. The Company also confirms through the corporate code of conduct of The Master Trust Bank of Japan, Ltd. the efforts made toward the “Basic Policy against Antisocial Forces” presented in the planned allottee’s websites, disclosure documents and other public information, and has submitted a written confirmation to the Tokyo Stock Exchange, Inc. to that effect.

#### (2) Main details of trust regarding the System (BIP Trust)

	Trust I	Trust II
(i) Type of trust	Monetary trust other than designated individually-operated monetary trust (third party benefit trust)	
(ii) Purpose of trust	To provide incentives to the Company’s Executive Officers, directors and executive officers of the Company’s subsidiary	To involve the Company’s Non-executive Directors in management with a medium- to long-term view from a different standpoint to the executives as representatives of stakeholders
(iii) Settlor	The Company	
(iv) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)	
(v) Beneficiaries	The Company’s Executive Officers, directors and executive officers of the Company’s subsidiary who satisfy the criteria of beneficiary	The Company’s Non-executive Directors who satisfy the criteria of beneficiary
(vi) Trust administrator	Third party who has no special interests with the Company (certified public accountant)	
(vii) Trust agreement date	July 14, 2017	
(viii) Trust period	From July 14, 2017 till the end of August 2022 (Scheduled)	
(ix) Starting date of System	July 14, 2017	
(x) Exercise of voting rights	Voting rights shall not be exercised	
(xi) Class of shares to be acquired	Ordinary shares of the Company	
(xii) Total value of shares to be acquired	¥3,564,841,800	¥383,970,600
(xiii) Timing of acquisition of shares	July 24, 2017	
(xiv) Method of acquisition of shares (upon establishment of trust)	Acquisition of the Company’s shares through third party allotment (Issuance of new shares by third-party allotment)	
(xv) Vested right holder	The Company	
(xvi) Residual assets	Residual assets receivable by the Company as the vested right holder shall be within the amount of the reserve for trust expenses, after deducting the funds for purchasing shares from the trust money.	

(3) Reasons for selecting the planned allottee

When introducing the System, the Company was proposed by Mitsubishi UFJ Trust and Banking Corporation and others. Its consulting skills, quality, etc. were comprehensively judged, and as a result, the Company decided to enter into a BIP (Board Incentive Plan) trust agreement regarding the System with Mitsubishi UFJ Trust and Banking Corporation.

Regarding the BIP trust agreement, Mitsubishi UFJ Trust and Banking Corporation and The Master Trust Bank of Japan, Ltd. are joint trustees on the ground that The Master Trust Bank of Japan, Ltd. specializes in asset management business. By also dividing clerical tasks, etc. in the trust property management business arising from the BIP trust with The Master Trust Bank of Japan, Ltd., an efficient operational structure may be developed.

Furthermore, since The Master Trust Bank of Japan, Ltd. will conduct clerical tasks on the BIP trust along with custodies and settlements of trust property as the joint trustee, The Master Trust Bank of Japan, Ltd. (Board Incentive Plan (BIP) Trust Account: 76085) and The Master Trust Bank of Japan, Ltd. (Board Incentive Plan (BIP) Trust Account: 76086) will each be selected as the planned allottee.

(4) Holding policy of planned allottee

The Master Trust Bank of Japan, Ltd. (Board Incentive Plan (BIP) Trust Account: 76085) and The Master Trust Bank of Japan, Ltd. (Board Incentive Plan (BIP) Trust Account: 76086), the planned allottees, will issue the Company's shares (in certain cases, Company's shares will be converted into cash within the trust and cash in the amount equivalent to their conversion value will be paid) to the Officers in accordance with the rank and level of achievement with respect of the performance targets, etc. throughout the trust period. Such will be conducted on a certain period during the trust period in accordance with the share granting rules.

The Company plans to receive reports monthly during the trust period from Mitsubishi UFJ Trust and Banking Corporation, the trustee, regarding the number of the Company's shares under the trust property and the status of trust property, etc. and plans to review them.

Furthermore, the Company plans to obtain a written confirmation from the planned allottee which agrees that, if the planned allottee assigns all or any portion of the Company's shares acquired through the Issuance of New Shares within two years from the record date, 1) the planned allottee will report the details in writing to the Company, 2) such reported details will be reported to the Tokyo Stock Exchange, Inc. by the Company, and 3) the reported details to the Tokyo Stock Exchange, Inc. will be made available to the public.

(5) Details confirmed regarding funds required for the payment by the planned allottee

Regarding cash equivalent to funds required for the payment by the planned allottee, the Company has confirmed in the BIP trust agreement that, initial trust funds contributed to the BIP Trust by the Company is expected to be secured under the trust property on the due date of payment.

4. Basis of calculation and specific details for the payment amount

The purpose of the Issuance of New Shares is the introduction of the System.

In compliance with "Guidelines Concerning Treatment of Capital Increase by Third-Party Allotment" stipulated by Japan Securities Dealers Association to eliminate arbitrariness in setting the price, the issuance price was set at ¥1,614, the closing price for the ordinary shares of the Company on Tokyo Stock Exchange, Inc. on the day immediately prior to the date of the resolution concerning the Issuance of New Shares at the meeting of the Board of Directors (June 27, 2017).

The Company has adopted the closing price for the Company's shares on Tokyo Stock Exchange, Inc. on the day immediately prior to the date of the resolution concerning the Issuance of New Shares at the meeting of the Board of Directors as it believes the closing price to be reasonable, appropriately reflecting the Company's corporate value.

Furthermore, the said price is the average closing price of ¥1,635 (rounded down to the nearest yen) on the Tokyo Stock Exchange, Inc. for the one-month period immediately prior to the date of such resolution at the meeting of the Board of Directors (from May 29, 2017 to June 27, 2017) multiplied by 98.72% (deviation of (1.28)%; rounded to the nearest hundredth percent, the same shall apply in the following); the average closing price of ¥1,615 (rounded down to the nearest yen) on the Tokyo Stock Exchange, Inc. for the three-month period immediately prior to the same date (from March 28, 2017 to June 27, 2017) multiplied by 99.94% (deviation of (0.06)%); and the average closing price of ¥1,652 (rounded down to the nearest yen) on the Tokyo Stock Exchange, Inc. over the six-month period immediately prior to the same date (from December 28, 2016 to June 27, 2017) multiplied by 97.70% (deviation of (2.30)%). Therefore, the Company has judged that the said price does not particularly correspond to any favorable issuance price.

The number of shares to be issued is the number of shares expected to be issued as the Company's shares (in certain cases, the Company's shares will be converted into cash within the trust and cash in the amount equivalent to their conversion value will be paid) to persons holding office as the Officers during the trust period in accordance with the share granting rules resolved by the meetings of the Company's Remuneration Committee, etc. The scale of dilution is small at 0.94% (rounded up to the nearest hundredth percent) of the total shares issued excluding treasury shares (as of February 28, 2017). Furthermore, the Company believes the impact on the secondary market will be slight as the Company's shares allotted from the Issuance of New Shares are shares which will be issued to the Officers in accordance with the share granting rules.

From the above, the Company judges that impact of the Issuance of New Shares is slight and reasonable.

#### 5. Procedures on corporate code of conduct

Procedures for receipt of opinions from independent third parties or procedures for confirmation of the intent of shareholders under Article 432 of the Securities Listing Regulations set forth by the Tokyo Stock Exchange, Inc. will not be necessary, since the dilution rate due to the Issuance of New Shares is less than 25% with no changes in the controlling shareholders.

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