

To whom it may concern

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Representative: Ryoichi Yamamoto, President
(Securities code: 3086, First Section of the Tokyo
Stock Exchange and Nagoya Stock Exchange)
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Notice Regarding Transfer of Shares Due to Changes in Consolidated Subsidiary

J. FRONT RETAILING Co., Ltd. (the “Company”) has resolved at the meeting of its Board of Directors held today to transfer all of the shares of Forest Co., Ltd. (“Forest”), a consolidated subsidiary of the Company, to EDION Corporation (securities code: 2730, first section of the Tokyo Stock Exchange and Nagoya Stock Exchange; “EDION”) on August 31, 2017 (planned; the “Share Transfer”).

1. Reason for the transfer of shares

In December 2013, the Company made Forest, which operates a mail order business, a consolidated subsidiary with the aim of acquiring the knowhow related to Forest’s logistics operations and its development and operation of information systems.

On the other hand, we are taking one step away from our approach thus far as a multifaceted retailer operating multiple businesses to act as a multifaceted services retailer, thereby expanding our business domain to encompass endeavors in new fields extending beyond the retail industry framework, given that we are now finding it more difficult to generate growth by remaining on the path prescribed in terms of our current business model due to recent substantial changes emerging in the business environment.

Based on this approach, the Company is working to reform the Group’s structure through aggressive switching of the business portfolio, and it has determined that conducting the Share Transfer of shares will contribute to increasing the Group’s corporate value. In addition, we deem that Forest is also likely to achieve further growth as a result of becoming a member of the EDION Group which is bound to result in even greater synergies.

Going forward, the JFR Group will take steps to achieve sustainable growth and enhance corporate value over the medium to long term, by steadily promoting initiatives geared to realizing our growth strategies that include a multifaceted services retailer strategy, a strategy of urban market dominance, an ICT strategy, and reform of the Department Store and PARCO Businesses on the basis of the trajectory set forth in the Group Vision and the new Medium-term Business Plan.

2. Method for the transfer of shares

Upon having made Forest a wholly owned subsidiary prior to executing the Share Transfer, the Company will transfer such shareholdings in their entirety to EDION on the day of executing the Share Transfer. In addition, on the same day, the Company will transfer to EDION the outstanding loan receivables held by Forest (the “Assignment of Receivables”) as of the date of executing the Share Transfer. EDION will pay the Company a total of ¥3,311 million as consideration for the Share Transfer and the Assignment of Receivables.

3. Overview of changing subsidiary (Forest Co., Ltd.)

(As of February 28, 2017)

(1) Name	Forest Co., Ltd.		
(2) Headquarters	1-1, Shimo-cho 2-chome, Omiya-ku, Saitama-shi, Saitama		
(3) Representative	Toshiro Fuchigami, President		
(4) Businesses	Mail order retailing of supplies for business use, office furniture, office automation equipment, etc.		
(5) Capital stock	¥90 million		
(6) Established	July 20, 1992		
(7) Major shareholder and shareholding ratio	J. FRONT RETAILING Co., Ltd.		72.91%
	Waon King Co., Ltd.		27.09%
(8) Relationship with the Company	Capital relationship	The Company holds 43,895 shares of Forest stock (Equity ownership: 72.91%).	
	Personnel relationship	The Company has dispatched to Forest four Directors, two Audit & Supervisory Board Members. In addition, three employees have been dispatched from the Company's wholly owned subsidiary Daimaru Matsuzakaya Department Stores Co. Ltd. (Note)	
	Transactional relationship	The Company provides services to Forest related to managerial guidance and management.	
	Status as a related party	Forest is categorized as a consolidated subsidiary 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, 2015	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Net assets	1,027	1,090	1,199
Total assets	3,557	3,080	3,127
Net assets per share (yen)	17,071	18,114	19,928
Net sales	12,611	12,656	12,890
Operating income	21	131	198
Ordinary income	22	135	232
Profit	(34)	62	131
Basic earnings per share (yen)	(565)	1,043	2,178
Annual dividends per share (yen)	—	365	763

Note: Some of the Directors and Audit & Supervisory Board Members that have been dispatched to Forest will have resigned as of August 31, 2017, which is the date on which the Share Transfer is slated to go into effect. The other Directors, Audit & Supervisory Board Members and employees will similarly resign in due course.

4. Overview of transfer counterparty

(As of March 31, 2017)

(1) Name	EDION Corporation	
(2) Headquarters	2-1-18 Kamiya-cho, Naka-ku, Hiroshima	
(3) Representative	Masataka Kubo, President, Chairman, Representative Director	
(4) Businesses	Sale of home electrical appliances, etc.	
(5) Capital stock	¥11,940 million	
(6) Established	March 29, 2002	
(7) Consolidated net assets	¥151,512 million	
(8) Consolidated total assets	¥368,177 million	
(9) Major shareholder and shareholding ratio	LIXIL Group Corporation	8.00%
	EDION Group Employee Shareholding Association	7.22%
	Japan Trustee Services Bank, Ltd. (Trust Account)	3.38%
	The Master Trust Bank of Japan, Ltd. (Trust Account)	3.09%
	Daiichi Corporation	3.08%
	Japan Trustee Services Bank, Ltd. (Trust Account 9)	2.47%
	Japan Trustee Services Bank, Ltd. (Trust Account 4)	2.14%
	Masataka Kubo	1.81%
	The Dai-ichi Life Insurance Company, Limited	1.62%
	EDION Group Trading-Partner Shareholding Association	1.53%
(10) Relationship with the Company	Capital relationship	No material relationship; no material relationships among related parties or companies.
	Personnel relationship	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	EDION does not fall under the category of related party of the Company; related parties or companies of EDION do not fall under the category of related party of the Company.

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

(1) Number of shares held before the transfer	45,855 shares (Equity ownership: 100.0%) (Note)
(2) Number of shares to be transferred	45,855 shares (Equity ownership: 100.0%) (Note)
(3) Transfer price	¥3,311 million (However, this constitutes the total consideration for the Share Transfer and the Assignment of Receivables)
(4) Number of shares to be held after the transfer	0 shares (Equity ownership: 0.0%)

Note: Whereas the Company's holdings of Forest stock currently amount to 43,895 shares (equity ownership: 72.91%), the Company plans to make Forest a wholly owned subsidiary of the Company prior to executing the Share Transfer.

6. Schedule

(1)	Resolution of the Board of Directors	July 25, 2017
(2)	Conclusion of agreement	July 25, 2017
(3)	Share Transfer and Assignment of Receivables	August 31, 2017 (planned)

7. Future prospects

The effect of the Share Transfer and the Assignment of Receivables has been deemed immaterial with respect to consolidated earnings for the year ending February 28, 2018.

END

(Reference)

Consolidated earnings forecasts of the current period (announced June 28, 2017) and actual consolidated earnings results of the previous fiscal year

(Millions of yen)

	Sales revenue	Operating profit	Profit before tax	Profit attributable to owners of parent
Consolidated earnings forecasts (Fiscal year ending February 28, 2018)	469,000	44,500	44,700	26,500
Actual consolidated earnings results (Fiscal year ended February 28, 2017)	452,505	41,727	42,608	27,052

Note: The Company has adopted IFRS from the fiscal year ending February 28, 2018. Earnings results for the fiscal year ended February 28, 2017 are also presented in accordance with IFRS.