

To whom it may concern

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Notice Regarding Absorption-type Merger of Consolidated Subsidiaries

J. FRONT RETAILING Co., Ltd. (the “Company”) resolved at a meeting of its Board of Directors held today that the Company’s wholly-owned subsidiary Daimaru Matsuzakaya Department Stores Co. Ltd. (“Daimaru Matsuzakaya”) would absorb the Company’s wholly-owned subsidiary Daimaru COM Development Inc. (“Daimaru COM Development”) through a merger (the “Merger”), with the effective date of September 1, 2016, as described below.

1. Purpose of the Merger

The J. FRONT RETAILING Group (the “Group”) has been aiming to realize sustainable growth and development through expanding its business fields as a competitive and profitable “multifaceted retailer operating multiple businesses” under the FY 2014 - FY 2016 Medium-term Business Plan. The Group, moreover, possesses a good balance of retail properties in the centers of major cities, and it has been promoting the “strategy of urban market dominance for growth along with regions” by contributing to development of appealing urban environments and engaging in the revitalization and effective utilization of the Group’s own real estate, including idle assets. As part of this, Daimaru Matsuzakaya has been developing large-scale properties and Daimaru COM Development has been developing small-scale properties around department stores.

In fiscal 2017, the Group has been expanding its business projects that utilize real estate. Such newly started projects include the “Ginza 6-chome District 10 Urban Redevelopment Project,” a redevelopment project underway that is centered on the site of the former Matsuzakaya Ginza store, and the rebuilding project of the South Wing of the Matsuzakaya Ueno store.

Meanwhile, however, the competitive environment in commercial development has intensified, particularly in the large city centers, making it more than ever essential to ensure business projects are supported by strong market information, speedy decision making, and top-notch expertise.

We have therefore decided to combine the real estate operations that have up until now been respectively operated by the two companies, Daimaru Matsuzakaya and Daimaru COM Development. By consolidating the management resources, the Group will proceed with the planning, development, and the operational management of appealing commercial facilities in their respective regions under a unified management. Moreover, efforts will be made to further enhance, as an organization, the building of information networks, the accumulation of knowhow, and the training of personnel in order to realize a radical strengthening of the Group’s real estate development capabilities.

2. Summary of the Merger

(1) Schedule of the Merger

Date of resolutions of Boards of Directors (parties to merger)	June 30, 2016 (scheduled)
Date of entering into absorption-type merger agreement (parties to merger)	June 30, 2016 (scheduled)
Shareholders meeting to approve merger (surviving company)	Pursuant to Paragraph 2, Article 796 of the Companies Act, the Merger will be conducted without approval by resolution of shareholders meeting.
" (disappearing company)	August 12, 2016 (scheduled)
Date of merger (effective date)	September 1, 2016 (scheduled)

(2) Format of the Merger

Under an absorption-type merger whereby the surviving company will be Daimaru Matsuzakaya, Daimaru COM Development will be dissolved.

(3) Details of allotments related to the Merger

Since the parties to the merger are both wholly-owned subsidiaries of the Company, there is no allotment of shares or any other cash, etc. as a result of the Merger.

(4) Handling of subscription rights to shares and bonds with subscription rights to shares related to the Merger

No items to report.

3. Overview of parties to the Merger

(As of February 29, 2016)

(1) Company name	Daimaru Matsuzakaya Department Stores Co. Ltd. (surviving company)	Daimaru COM Development Inc. (disappearing company)
(2) Headquarters	18-11, Kiba 2-chome, Koto-ku, Tokyo	7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka
(3) Representative	President, YOSHIMOTO Tatsuya	President, KUCHIKI Kohei
(4) Business	Department store business	Real estate leasing and tenant service
(5) Capital stock	10,000 million yen	50 million yen
(6) Established	February 1, 1910	August 7, 1982
(7) Fiscal year-end	End of February	End of February
(8) Total assets	360,062 million yen	3,328 million yen
(9) Net assets	96,224 million yen	1,356 million yen
(10) Number of employees	2,462	35
(11) Major shareholder and shareholding ratio	J. FRONT RETAILING Co., Ltd. 100%	J. FRONT RETAILING Co., Ltd. 100%

4. Status after the Merger

(Scheduled on September 1, 2016)

(1) Company name	Daimaru Matsuzakaya Department Stores Co. Ltd.
(2) Headquarters	18-11, Kiba 2-chome, Koto-ku, Tokyo
(3) Representative	President, YOSHIMOTO Tatsuya
(4) Business	Department store business, real estate leasing and tenant service
(5) Capital stock	10,000 million yen
(6) Fiscal year-end	End of February
(7) Number of employees	2,497
(8) Major shareholder and shareholding ratio	J. FRONT RETAILING Co., Ltd. 100%

5. Future prospects

As the parties to the absorption-type merger are both wholly-owned subsidiaries of the Company, the impact on the Company's consolidated financial results of the fiscal year ending February 28, 2017 are expected to be insignificant.

END

(Reference) Consolidated earnings forecasts for the fiscal year ending February 28, 2017 (forecast announced on April 7, 2016) and previous year's consolidated results.

(Millions of yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Profit attributable to owners of parent
Consolidated earnings forecasts (Fiscal year ending February 28, 2017)	1,175,000	50,000	48,000	28,000
Previous year's consolidated results (Fiscal year ended February 29, 2016)	1,163,564	48,038	47,910	26,313