

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 it has resolved at the meeting of its Board of Directors held today to transfer part of the shares of Dimples’ Co., Ltd. (“Dimples”), a consolidated subsidiary of the Company, to WORLD HOLDINGS CO., LTD. (“WORLD HOLDINGS”) on February 28, 2022 (planned; the “Share Transfer”), and has concluded a share transfer agreement with WORLD HOLDINGS concerning the Share Transfer.

Dimples’ will cease to be a consolidated subsidiary of the Company as a result of the Share Transfer.

1. Reason for the transfer of shares

Dimples’ was established as an associate of the Group’s Daimaru department store. Under the vision of “Expand opportunities for ‘people who can make someone happy with their smile’ to be active,” Dimples’ has been developing businesses centered on staffing and recruiting services for and consignment of business operations from external companies, making use of hospitality mind of department stores, in addition to a consignment business, etc. related to customer services at Daimaru and Matsuzakaya department stores across Japan.

In light of the business environment surrounding the staffing service business including changes in the environment and fiercer competition, the said company has mainly worked to strengthen the recruiting service business and expand consignment of business operations from external companies in recent years. On the other hand, transactions with department stores are on the decrease at present with the spread of COVID-19, and with the progress of the shift of the department business model, synergy as a group is expected to also be reduced in the future.

Given the above points, the Company has determined that the best option for Dimples’ to grow in the future is for it to operate under the corporate umbrella of another company with broad-ranging expertise in the human resource services industry, enhance its sales foundation, further improve customer service and build a stable business foundation.

Based on this, of the transfer counterparty candidates that the Company considered for Dimples’, the Company has reached an agreement with WORLD HOLDINGS, which aims to expand human resources and education businesses in retail and service fields, on the terms and conditions of the transfer and has decided to transfer part of its shares of Dimples’ to WORLD HOLDINGS.

The Company believes that the Share Transfer will enable business growth and strengthening of the management foundation for Dimples’ due to synergy between high hospitality cultivated by Dimples’ so far and know-how and network for the human resources business in the service field possessed by WORLD HOLDINGS. Furthermore, the Company believes that it can focus its management resources on its main businesses in order to reform the business portfolio.

Dimples' will continue its transactional relationships with the Group as a supplier of manpower to department stores of the Group, service provider of business outsourcing, etc. for the time being even after the Share Transfer.

2. Overview of changing subsidiary (Dimples' Co., Ltd.)

(As of January 6, 2022)

(1) Name	Dimples' Co., Ltd.		
(2) Headquarters	1-7-3, Nishishinsaibashi, Chuo-ku, Osaka		
(3) Representative	Mitsuo Kinoshita, President and Representative Director		
(4) Businesses	Staffing service and employment placement dispatching business, recruiting service business, consignment business (such as information and store operation), education and training business		
(5) Share capital	¥90 million		
(6) Established	August 5, 1991		
(7) Major shareholder and shareholding ratio	J. FRONT RETAILING Co., Ltd. 100%		
(8) Relationships with the Company	Capital relationship	Wholly owned subsidiary of the Company	
	Personnel relationships	The Company has dispatched to Dimples' three Directors and three Audit & Supervisory Board Members. In addition, 502 employees (as of December 1, 2021) have been seconded from the Company's wholly owned subsidiary Daimaru Matsuzakaya Department Stores Co. Ltd. (Note)	
	Transactional relationship	The Company has intra-Group transactional relationships with Dimples' concerning managerial guidance and administration. Some of the Company's consolidated subsidiaries also have intra-Group transactional relationships with Dimples' relating to leases; system maintenance and administration, and provision of other services; mutual lending and borrowing of funds; and other relationships. Furthermore, Dimples' undertakes checkout services, reception and guidance services and other services consigned by the Company's wholly owned subsidiary Daimaru Matsuzakaya Department Stores Co. Ltd.	
	Status as a related party	Dimples' 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 <Japanese GAAP>	(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	3,250	1,085	1,120
Total assets	3,935	2,381	1,728
Net assets per share (yen)	1,805,873.42	602,942.63	622,646.15
Net sales	13,805	13,626	9,653
Operating profit	734	504	(48)
Ordinary profit	734	504	(47)
Profit	494	296	183
Basic earnings per share (yen)	274,665.31	164,469.21	102,003.52
Annual dividends per share (yen)	1,367,400	82,300	51,100

Note: Two of three Audit & Supervisory Board Members that have been dispatched to Dimples' will have retired from that company as of February 28, 2022, which is the date on which the Share Transfer is slated to go

into effect, and will be transferred back to the Company. In addition, secondment of employees from Daimaru Matsuzakaya Department Stores Co. Ltd. will be continued for the time being.

3. Overview of transfer counterparty (WORLD HOLDINGS CO., LTD.)

(As of January 6, 2022)

(1) Name	WORLD HOLDINGS CO., LTD.	
(2) Headquarters	11-2 Otemachi, Kokurakita-ku, Kitakyushu-shi, Fukuoka	
(3) Representative	Eikichi Iida, Chairman and President	
(4) Businesses	Human resources and education business, real estate business, information and telecommunications business, etc.	
(5) Share capital	¥1,248.00 million	
(6) Established	February 12, 1993	
(7) Net assets	(Consolidated) ¥30,061 million (As of December 31, 2020)	
(8) Total assets	(Consolidated) ¥79,157 million (As of December 31, 2020)	
(9) Major shareholder and shareholding ratio	Mirai Research Institute, Limited Custody Bank of Japan, Ltd. (Trust Account) BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch) The Kitakyushu Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.) (As of June 30, 2021)	45.63% 6.26% 4.58% 4.06%
(10) 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	WORLD HOLDINGS does not fall under the category of related party of the Company; related parties or companies of WORLD HOLDINGS 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	1,800 shares (Equity ownership: 100.0%)
(2) Number of shares to be transferred	1,620 shares (Equity ownership: 90.0%)
(3) Transfer price	¥3,780 million
(4) Number of shares to be held after the transfer	180 shares (Equity ownership: 10.0%)

5. Schedule

Conclusion of share transfer agreement	January 6, 2022
Share Transfer	February 28, 2022

6. Future prospects

Following the Share Transfer, the Company expects to record gain from share transfer in the consolidated earnings results for the fourth quarter of the fiscal year ending February 28, 2022.

At this stage, this gain is expected to have an impact of around ¥3.5 billion (estimated) on operating profit; however, this impact has been factored into the consolidated earnings forecast for the fiscal year ending February 28, 2022 announced on October 12, 2021.

END

(Reference)

Consolidated earnings forecasts of the current period (announced on October 12, 2021) and actual consolidated earnings results of the previous fiscal year

(Millions of yen)

	Gross sales	Sales revenue	Business profit	Operating profit	Profit before tax
Consolidated earnings forecasts (Fiscal year ending February 28, 2022)	922,000	357,500	12,000	5,500	2,000
Actual consolidated earnings results (Fiscal year ended February 28, 2021)	766,297	319,079	2,366	(24,265)	(28,672)

	Profit attributable to owners of parent
Consolidated earnings forecasts (Fiscal year ending February 28, 2022)	1,000
Actual consolidated earnings results (Fiscal year ended February 28, 2021)	(26,193)