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For Immediate Release

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**Announcement of Opinion in Support of Tender Offer for Our Shares to be Conducted by J. FRONT RETAILING Co., Ltd., a Controlling Shareholder, and Recommendation for Our Shareholders to Tender Their Shares in Tender Offer**

PARCO CO., LTD. (the “Company”) hereby announces that the Board of Directors resolved, at its meeting held today, to express its opinion in support of a tender offer (the “Tender Offer”) conducted by J. FRONT RETAILING Co., Ltd. (the “Tender Offeror”), a controlling shareholder of the Company, for the Company’s common shares (the “Company Shares”) and to recommend that the Company’s shareholders tender their Company Shares in the Tender Offer, as set forth below.

The above resolution by the Board of Directors was adopted under the premise that the Tender Offeror intends to make the Company into a wholly-owned subsidiary of the Tender Offeror through the Tender Offer and a series of subsequent procedures and that the Company Shares will be delisted.

1. Outline of Tender Offeror

(1) Name	J. FRONT RETAILING Co., Ltd.								
(2) Address	10-1, Ginza 6-chome, Chuo-ku, Tokyo								
(3) Title and name of representative	Ryoichi Yamamoto, President and Representative Executive Officer								
(4) Description of business	Business planning and management of subsidiaries and group companies that engage in the department store and other businesses, and other business related thereto								
(5) Capital	31,974 million yen (as of August 31, 2019)								
(6) Date of establishment	September 3, 2007								
(7) Major shareholders and shareholding ratios (as of August 31, 2019)	<table> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust account)</td><td>10.10%</td></tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust account)</td><td>6.14%</td></tr> <tr> <td>Nippon Life Insurance Company</td><td>3.72%</td></tr> <tr> <td>J. Front Retailing Kyoei Supplier Shareholding Association</td><td>2.36%</td></tr> </table>	The Master Trust Bank of Japan, Ltd. (Trust account)	10.10%	Japan Trustee Services Bank, Ltd. (Trust account)	6.14%	Nippon Life Insurance Company	3.72%	J. Front Retailing Kyoei Supplier Shareholding Association	2.36%
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		The Dai-ichi Life Insurance Company, Ltd. 2.17% Japan Trustee Services Bank, Ltd. (Trust account 5) 1.87% MUFG Bank, Ltd. 1.65% JP MORGAN CHASE BANK 385151 1.53% Japan Trustee Services Bank, Ltd. (Trust account 9) 1.41% HSBC TRINKAUS AND BURKHARDT AG 1.40% RE:DE-CLTS A/C RE AIF
(8) Relationship between the Company and Tender Offeror		
	Capital relationship	As of today, the Tender Offeror owns 65,922,614 shares of the Company, equal to 64.98% (rounded down to two decimal places) (Note 1) of the total number of issued shares of the Company (101,462,977 shares).
	Personnel relationship	As of today, the Director, President and Representative Executive Officer of the Company concurrently serves as a Director and Managing Executive Officer of the Tender Offeror, and a Managing Executive Officer of the Tender Offeror concurrently serves as a Director of the Company. In addition, an employee of Daimaru Matsuzakaya Department Stores Co., Ltd. ("Daimaru Matsuzakaya"), a wholly-owned subsidiary of the Tender Offeror, is being seconded to the Company, and an employee of the Company is being seconded to GINZA SIX Retail Management Co., Ltd., a subsidiary of Daimaru Matsuzakaya, which is a wholly-owned subsidiary of the Tender Offeror.
	Business relationship	There is no business relationship between the Tender Offeror and the Company that needs to be stated. The Company Group (Note 2) recorded 563 million yen of operating revenue from its interior construction contract business, real estate leasing business and other business with the Tender Offeror Group (in the fiscal year ended February 28, 2019). On the other hand, the Tender Offeror Group recorded 342 million yen of sales revenue from its real estate leasing business and other business with the Company Group (in the fiscal year ended February 28, 2019).
	Status as a related party	The Tender Offeror is a parent company of the Company and, therefore, constitutes a related party of the Company.

Note 1: "Ownership ratio" means the ratio of (a) the number of the shares owned to (b) 101,456,830 shares, which is (i) the total number of shares issued by the Company (101,462,977 shares) as of November 30, 2019, as stated in the Consolidated Financial Results for the Nine Months of the Fiscal Year Ending February 29, 2020 <under IFRS> (the "Quarterly Report") announced by the Company on December 25, 2019, less (ii) the number of treasury shares currently owned by the Company (6,147 shares), as of

November 30, 2019 (which is the number obtained by deducting (x) the number of the Company Shares, included in the number of treasury shares below, owned by the Board Benefit Trust for Executive Officers as of November 30, 2019 (358,756 shares) from (y) the number of treasury shares stated in the Quarterly Report (364,903 shares)) (figures are rounded to two decimal places; the same applies hereinafter).

Note 2: “Company Group” means the Company and its subsidiaries and affiliates, and the “Tender Offeror Group” means the Tender Offeror and its subsidiaries and affiliates.

## 2. Price of Tender Offer

1,850 yen per common share (the “Tender Offer Price”).

## 3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer

### (1) Details of Opinion concerning Tender Offer

At the Board of Directors meeting held today, the Company adopted a resolution, based on the grounds and reasons stated below in “(2) Grounds and Reasons for Opinion Concerning Tender Offer,” to express an opinion supporting the Tender Offer and recommending that the Company’s shareholders tender their shares in the Tender Offer. This opinion and recommendation are based on determinations that the transactions, which are intended to make the Company into a wholly-owned subsidiary of the Tender Offeror (including the Tender Offer; the “Transactions”), will contribute to the enhancement of the Company’s corporate value and that the Tender Offer provides the Company’s shareholders with a reasonable opportunity to sell their shares.

The above Board of Directors resolution was adopted by the method described below in “(e) Unanimous Approval of all Non-interested Directors of Company” in “(6) Measures to Ensure Fairness of Tender Offer Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest.”

### (2) Grounds and Reasons for Opinion Concerning Tender Offer

#### (a) Outline of Tender Offer

The following is an outline of the Tender Offer as explained to the Company by the Tender Offeror.

The Tender Offeror, as of today, holds 65,922,614 shares of the Company’s common shares (ownership ratio: 64.98%) listed on the First Section of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) and the Company is a consolidated subsidiary of the Tender Offeror. The Tender Offeror, at a meeting of its board of directors held on December 26, 2019, resolved to make the Tender Offer for all of the Company’s issued shares (excluding, however, the Company Shares already owned by the Tender Offeror and treasury shares owned by the Company; the same applies hereinafter) with the objective of converting the Company into a wholly-owned subsidiary of the Tender Offeror.

In the Tender Offer, since the Tender Offeror is planning to make the Company into a wholly-owned subsidiary, the Tender Offeror has set the minimum number of shares to be purchased at 1,715,286 shares (ownership ratio: 1.69%), and if the total number of share certificates, etc. tendered for sale, etc. in response to the Tender Offer (the “Tendered Share Certificates, Etc.”) falls short of the minimum number of shares to be purchased, the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. However, the Tender Offeror has not set any maximum limit on the number of shares to be acquired, and will purchase all of the shares tendered if the total number of shares tendered is equal to or greater than the minimum number of shares to be purchased.

The minimum number of shares to be purchased has been set so that, if the Tender Offer is concluded, the total number of voting rights of the Company owned by Tender Offeror will be at least two-thirds of the voting rights of the Company (1,014,568 voting rights pertaining to the

number of shares (101,456,830 shares) found by subtracting the number of treasury shares currently owned by the Company (6,147 shares), as of November 30, 2019, as stated in the Quarterly Report (which is the number obtained by deducting (x) the number of the Company Shares, included in the number of treasury shares below, owned by the Board Benefit Trust for Executive Officers as of November 30, 2019 (358,756 shares) from (y) the number of treasury shares stated in the Quarterly Report (364,903 shares)).

The Tender Offeror has entered into agreements regarding tendering in the Tender Offer as stated below, but the Tender Offeror considered that if the Tender Offeror establishes a minimum number of shares to be purchased in the Tender Offer taking into consideration the number of shares to be subject to such agreements, it would cause the conclusion of the Tender Offer to be unstable and, if anything, would have the possibility of not benefitting the ordinary shareholders who wish to tender in the Tender Offer. Thus, the Tender Offeror has set the minimum number of shares to be purchased as stated above.

In making the Tender Offer, as of December 26, 2019, the Tender Offeror has entered into an agreement with the Company's second-largest shareholder, Aeon Co., Ltd. (number of shares held: 8,272,900; ownership ratio: 8.15%; "Aeon") to tender in the Tender Offer for all of the Company Shares owned by Aeon and all of the Company Shares for which Aeon has authority to dispose (number of shares with authority to dispose: 1,860,900 shares; ownership ratio: 1.83%) under the Specified Comprehensive Trust Agreement dated October 29, 2010 with Sumitomo Mitsui Trust Bank, Limited. In addition, as of the same date the Tender Offeror has entered into an agreement with the Company's third-largest shareholder, Credit Saison Co., Ltd. (number of shares held: 7,771,500; ownership ratio: 7.66%; "Credit Saison"; together with Aeon, individually or collectively, the "Accepting Shareholders") to tender in the Tender Offer for all of the Company Shares owned by Credit Saison (the agreements on accepting the Tender Offer entered into with Aeon and Credit Saison are referred to hereinafter individually or collectively as the "Offer Acceptance Agreements"). In the Offer Acceptance Agreements, the Accepting Shareholders have agreed to tender in the Tender Offer for all of the Company Shares owned by the Accepting Shareholders or for which the Accepting Shareholders have authority to dispose (the total number of shares owned: 17,905,300 shares, the total ownership ratio: 17.65%). Please refer to "4. Matters Relating to Material Agreements Between Tender Offeror and Company's Shareholders concerning Tendering Shares in Tender Offer" for more details of the Offer Acceptance Agreements.

If the Tender Offer is concluded, the Tender Offeror intends to receive a loan of up to 67 billion yen (the "Purchase Loan") from Nomura Capital Investment Co., Ltd. ("NCI"), the proceeds of which the Tender Offeror intends to apply to funds for settlement of the Tender Offer and expenses ancillary thereto. The financing conditions of the Purchase Loan are to be stipulated in a financing agreement pertaining to the Purchase Loan through separate discussions with NCI.

Because the Tender Offeror's objective is to convert the Company into a wholly-owned subsidiary of the Tender Offeror, in the event it is not possible to acquire all of the issued shares of the Company in the Tender Offer, the Tender Offeror intends to acquire all of the issued shares of the Company by implementing the Transactions described in "(5) Policy on Organizational Restructuring, Etc. after Tender Offer (Matters Relating to So-called "Two-Step Acquisition"))".

(b) Background and Purpose of, and Decision-Making Process for, Tender Offeror That Led to Its Decision to Implement Tender Offer, and Its Management Policy after Tender Offer

The following is an explanation of the background and purpose of, and the decision-making process for, the Tender Offeror that led to its decision to implement the Tender Offer, and the management policy by the Tender Offeror after the Tender Offer, as explained to the Company by the Tender Offeror.

(i) Background of Tender Offer

The Tender Offeror is a holding company that was established in September 2007 by a management integration between The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. and at the time of its establishment, was listed on the First Section of the Tokyo Stock Exchange, the First Section of the Osaka Securities Exchange, Co. Inc., and the First Section of the Nagoya Stock Exchange, Inc. (as a result of the integration of the spot markets of the Tokyo Stock Exchange and the Osaka Securities Exchange, Co. Inc., in July 2013, the Tender Offeror is currently listed only on the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange, Inc.). The Tender Offeror Group currently consists of the Tender Offeror itself as a pure holding company, 32 subsidiaries, and 7 affiliates (40 companies in total). With a focus on the department store business, the Tender Offeror Group is developing the PARCO business, real estate business, credit and finance business, and other businesses (including temporary staffing business, interior construction business, and wholesale business). Under a stated Group Vision of “Create and Bring to life ‘New Happiness’”, and based on the FY2017–2021 JFR Group Medium-term Business Plan (the “Tender Offeror Group’s Medium-Term Business Plan”) announced on October 5, 2016, the Tender Offeror Group is aiming to become a ‘multi-service retailer’ (Note 3) that transcends the traditional boundaries of the retail business by working to further strengthen the competitiveness and earnings capabilities of its established businesses while also stepping-up efforts in three key businesses (credit and finance business, temporary staffing business, and interior construction business).

Note 3: The Tender Offeror explains that “Multi service retailer” means, having promoted on the one hand the strengthening of competitiveness and earning power in the Tender Offeror Group as a multi retailer (i.e., a hybrid retailing business) such as by reforming the existing business model, including the establishment of a new department store model, the strategy of currently expanding the business domain to the services domain based on the determination that growth in the retail industry alone will be difficult.

In the two years following the formulation of the Tender Offeror Group’s Medium-Term Business Plan, the Tender Offeror has steadily pursued initiatives designed to reform its business portfolio, including by opening unprecedented new multi-purpose retail facilities like GINZA SIX, the largest retail space in the Ginza area (approximately 47,000 m<sup>2</sup>) boasting stores from 241 brands, 122 of which are flagship stores with the power to send their messages, at the time of the opening, April 2017, and Ueno Frontier Tower, large-scale multi-purpose facility with a shopping space comprising Matsuzakaya Ueno, PARCO\_ya, and a multiplex cinema, and an office space in the Ueno Okachimachi area.

At the same time, as described in “(ii) Background and Purpose of Tender Offeror That Led to Its Decision to Implement Tender Offer” below, the Tender Offeror recognizes a need to take steps to continue achieving growth across the Tender Offeror Group overall even amidst future changes in the operating environment, such as the declining population and the shrinking of the fashion retail market. To ensure achievement of the earnings target (consolidated operating profit) set out by the Tender Offeror Group’s Medium-Term Business Plan for its third year, fiscal 2019, the Tender Offeror recognizes a need to step up the speed at which it is addressing the achievement of dramatic growth and the realization of a growth strategy designed to reform its business portfolio. Moreover, a core management issue for the Tender Offeror is ESG (Note 4) initiatives directed to sustainable business growth and the realization of a sustainable society. In that context, the Tender Offeror recognizes that it is required to act with ESG perspectives in mind in all aspects of its operations.

Note 4: “ESG” is an acronym for “Environment”, “Social” and “Governance”

Meanwhile, the Company was established as Ikebukuro Station Building Co., Ltd. in February 1953, changed its trade name to Marubutsu Co., Ltd. in May 1957, and again changed its trade name to PARCO CO., LTD. in April 1970. The Company was listed on the Second Section of the Tokyo Stock Exchange in January 1987 and transferred to the First Section of the Tokyo Stock Exchange in August 1988. As of today, the Company Group is comprised of the Company, five subsidiaries and two affiliates (eight companies in total), and it currently engages in the Shopping Complex Business, as its core business, operating PARCO commercial facilities, primarily in the Tokyo metropolitan region and other major cities throughout Japan, including Nagoya, Sapporo and Fukuoka, and it also engages in other businesses, including Retail Business, Space Engineering and Management Business, Digital Marketing Business, Entertainment Business and Overseas Business. The Company believes that the Company Group possesses outstanding business know-how relating to the operation and development of advanced and culturally valuable urban commercial facilities. With “A Business Group that Prospers in Urban Markets” as its long-term vision, the Company announced as of April 6, 2017 the Company’s Medium-term Business Plan (FY2017-2021) (the “Medium-term Business Plan”) based on such vision, and aims, under its three social roles, i.e., “Incubation,” “Urban Revitalization,” and “Trends Communication,” to promote business selection and concentration and realize growth by increasing the unique value it provides to urban areas.

With regard to the relationships between the Company and the Tender Offeror, based on the belief that the two companies can improve each other's corporate value by effectively utilizing their store bases and customer basis each other, in March 2012, the Tender Offeror acquired 27,400,000 shares of the Company Shares (an ownership ratio of 33.22% based on the total number of issued shares at that time), and made the Company an equity-method affiliate. Subsequently, in July 2012, based on the decision that the collaborative pursuit of both companies’ businesses under a stronger capital relationship will lead to the seamless use of management resources of both companies, the two companies concluded a capital and business alliance agreement. In August 2012, the Tender Offeror acquired the Company Shares through a tender offer by the Tender Offeror (after the acquisition, the number of the Company Shares held by the Tender Offeror is 65,922,614 shares (ownership ratio: 64.98%)) and the Company became a consolidated subsidiary of the Tender Offeror.

The Company Group positioned the period for the Medium-term Business Plan as the business portfolio reform period and adopted three strategies: “Evolve the store brands,” “Produce commercial real estate” and “Expand soft content.” Recently, the Company Group has been steadily taking various measures based on these three strategies, including undertaking large-scale projects, such as the new Shibuya PARCO, Kinshicho PARCO and SAN-A Urasoe West Coast PARCO CITY, developing low to medium-rise shopping complexes, such as Kyoto ZERO GATE, Harajuku ZERO GATE and Kawasaki ZERO GATE, and making the decision to close unprofitable locations in the Retail Business and close the Utsunomiya PARCO and Kumamoto PARCO.

In fiscal 2019, the third year of the Medium-term Business Plan, the Company is aware that it needs to confirm the progress and results of the Medium-term Business Plan, accelerate business portfolio transformation to achieve financial results targets (operating revenue, operating profit, profit attributable to owners of parent, EBITDA and ROE), and aim to achieve further growth by widening the value provided through business in urban areas. Furthermore, in 2019, the Company marked its 50th anniversary of the opening of the Ikebukuro PARCO, the first store of the Company, and the Company reaches a significant milestone for deepening deliberations on the next long-term business vision.

(ii) Background and Purpose of Tender Offeror That Led to Its Decision to Implement Tender Offer

The Tender Offeror made the Company a subsidiary of Tender Offeror through the following

transactions for the purpose of strengthening its competitiveness and improving corporate value through collaboration with the Company, which has excellent know-how in the business domain that is the development and operation of urban commercial facilities. Firstly, in March 2012, the Tender Offeror acquired 27,400,000 of the Company Shares (33.22% of issued shares at that time) from Mori Trust Co., Ltd. and made the Company an equity-method affiliate. Subsequently, in July 2012, the Tender Offeror and the Company entered into a capital and business alliance agreement, and in August 2012 the Tender Offeror implemented a tender offer for the Company Shares, thereby acquiring 38,522,614 the Company Shares (ownership ratio: 37.97%) and bringing its holding of Company Shares to 65,922,614 shares (ownership ratio: 64.98%).

Through that tender offer the Tender Offeror became the parent company of the Company, and over the seven years or so since that tender offer settlement date, that has been a catalyst for efforts between the two companies in a broad range of areas designed to boost the corporate value and the brand value of the Tender Offeror Group, including the Company. Examples include strengthening the business foundation as a retail business group, enhancing the competitiveness of retail facilities by sharing and deploying expertise, and improving sales activities by making mutual use of each other's customer bases.

More specifically, in addition to the two companies having jointly developed stores in Ueno Frontier Tower, which opened in November 2017, and in the north wing of Daimaru Shinsaibashi, a project which is still ongoing, they have achieved business synergies in many areas such as through joint sales promotions that make use of both companies' customer bases, with the Nagoya area leading the list. The Tender Offeror believes that the growth of the Tender Offeror Group, the Company included, has benefited from the realization of the alliance in a broad range of areas, including the development of a greater mutual understanding through personnel exchanges and the sharing of business connections.

The environment surrounding the Tender Offeror Group is expected to become ever more challenging in the future due to the October 2019 consumption tax increase and the uncertain outlook for the economy in the wake of the 2020 Tokyo Olympics and Paralympics, as well as due to having to confront market transformations such as the declining population and the shrinking of the fashion retail market, changes to the operating environment for established businesses, particularly physical stores, as a result of the rise of EC (Note 5), advances in ICT (Note 6), and the increasing diversity of people's lifestyles and values.

Note 5: "EC" is an abbreviation for Electronic Commerce.

Note 6: "ICT" is an abbreviation for Information and Communications Technology.

With such major shifts in environment expected, further improvements in the companies' corporate value and brand value will require flexible adaptation to ever-changing consumer needs. Further collaboration than ever is therefore considered essential. In the current capital relationship between the Tender Offeror and the Company, with respect to the collaborations already pursued to date, in joint store development and sales promotion, consolidation of group resources and unification of management and development functions cannot be sufficiently conducted. Also because the Tender Offeror and the Company are listed, and each management has a certain degree of independence, it takes time for Tender Offeror Group to make decisions, and transformation of its business portfolio cannot be sufficiently conducted across business units at the group level. The Tender Offeror believes that in order to move ahead with a thorough and flexible transformation of the Tender Offeror Group's business portfolio with a sense of speed backed by rapid decision-making, it will be necessary to further deepen the alignment between the two companies and to concentrate management resources and for this purpose, it is necessary to make the Company into a wholly-owned subsidiary of the Tender Offeror.

The Tender Offeror believes that by making the Company into a wholly-owned subsidiary of the

Tender Offeror, the Tender Offeror and the Company will be united, enabling swift and flexible decision-making, and additionally, as stated in (A) through (D) below, it will be possible to generate and maximize business synergies that result from alignment with the Company more rapidly and to a greater extent, to pursue the vision of the Tender Offeror Group as a multi service retailer, and therefore contribute to further increases in the corporate value and the brand value of both companies.

In addition, the Tender Offeror Group is considering growth by strengthening each business such as its “life solutions and lifestyle business” and “future pathways business,” which makes inroads to new markets as well as its “department store business,” “shopping center real-estate business,” and “credit finance business.” Making the Company into a wholly-owned subsidiary of the Tender Offeror will enable a thorough and flexible transformation of the Tender Offeror’s group’s business portfolio, thereby the Tender Offeror will create synergies with the Company in each business and establish a business foundation that can respond to any changes. Through these initiatives, the Tender Offeror Group, including the Company, will accelerate the group transformation aiming to achieve the Group Vision of “Create and Bring to life ‘New Happiness.’”

**(A) Strengthening the Business Base as a Retail/Real Estate Business Group**

In jointly developing stores, including large-scale multi-purpose facilities that the Company would find it difficult to handle alone, we believe that in addition to working together to promote development, it will be possible for the Company make effective use of the land and properties owned by the Tender Offeror.

As part of these efforts, once the Company has become a wholly-owned subsidiary of the Tender Offeror, by transferring the real estate business of Daimaru Matsuzakaya, Tender Offeror’s consolidated subsidiary, to the Company which has superior business expertise in the management and development of urban commercial facilities and seeking to consolidate group resources and unify management and development functions. The Tender Offeror anticipates that the Company will basically take the lead in running the Tender Offeror Group’s real estate business. By doing so, the Tender Offeror Group intends to fully utilize the Company’s superior business expertise and strengthen its business bases as a retail and real estate group.

In addition, it is anticipated that customer data of both companies will be mutually utilized to further strengthen sales capabilities of the Tender Offeror Group, including the Company.

**(B) Strengthening Related Businesses Aimed at Development as a Multi-Service Retailer**

In addition to store development, it is expected to be possible to promote cooperation in similar related businesses such as interior construction contract business, across business units at the group level. By enabling full utilization of the Company’s superior business expertise in areas like the entertainment business on the Tender Offeror side as well, it will be possible to expand the scope of the service and business offerings of the Tender Offeror Group overall.

**(C) Improving Management Efficiency**

Faced with a need to address the increasing diversification of lifestyles, the group will pursue integrated new business development at the group level and thereby attain improvements in management efficiency. It is expected that integrating back-office functions, including investor-related operations, financing operations, and general shareholders meeting convocation and management operations and implementing systems investments across the Tender Offer Group will generate substantial efficiency improvements.

**(D) Enhancement of Competitiveness by Sharing Expertise through Personnel Exchange**

Because it will allow the promotion of an even greater degree of cross-business-unit personnel



exchange, it will be possible to share the varied expertise on which the Tender Offeror Group and the Company have built their competitiveness, which will help with the provision of a broad range of services to meet increasingly diverse customer needs. In this way, the enhancement of competitiveness of the entire Tender Offeror Group, including the Company, will be realized.

After becoming the Company's parent company, the Tender Offeror has continuously discussed business cooperation and the form of the group structure with the Company. With respect to measures to help boost the corporate value of the two companies even further, in late August 2019, the Tender Offeror judged that further strengthening cooperation with the Company and pursuing thorough and flexible transformations of the Tender Offeror Group's business portfolio necessitated further deepening the alliance of the two companies and concentrating management resources by making the Company into a wholly-owned subsidiary of the Tender Offeror and. The Tender Offeror appointed Nomura Securities Co., Ltd. ("Nomura Securities"), which is independent from the Tender Offeror and the Company, as a financial advisor and third-party appraiser and Miura & Partners as a legal advisor, and the Tender Offeror deliberated the Transactions. After carrying out that deliberation, the Tender Offeror, on August 28, 2019, informed the Company that it wished to commence deliberations and discussions of the Transactions. The Tender Offeror subsequently engaged in due diligence to look carefully at the feasibility of the Tender Offer from mid-October 2019 and early December 2019, while continuing to negotiate in parallel with the Company on the terms and conditions of the Transactions, including the Tender Offer. In addition, since mid-November, 2019, the Tender Offeror has held several rounds of discussions and negotiations with the Company regarding the Tender Offer Price. Specifically, in mid-November 2019, the Tender Offeror submitted an initial proposal (1,750 yen per share) regarding the Tender Offer Price, comprehensively taking into consideration examples of premiums offered when determining the price in purchases, etc. in examples of past tender offers for share certificates, etc. by parties other than the issuer (example cases of tender offers aimed at making a company a wholly-owned subsidiary), whether the Company's Board of Directors will approve the Tender Offer, trends in the market share price for the Company Shares, and forecasts regarding the number of shares to be tendered in the Tender Offer. Thereafter, through several rounds of discussions and negotiations with the Company, in late November 2019, the Tender Offeror increased the initial offer price and made the final proposal (1,850 yen per share) for the Tender Offer to the Company and continued discussions and negotiations with the Company.

As described above, the Tender Offeror considers that in order to fully realize the aforementioned synergies stated in (A) through (D) above, it will be necessary to move ahead with a thorough and flexible transformation of the Tender Offeror Group's business portfolio with a sense of speed backed by rapid decision making by making the Company into a wholly-owned subsidiary. As a result, in today's meeting of its board of directors, the Tender Offeror determined that by making the Company into a wholly-owned subsidiary of the Tender Offeror it will be possible to deepen alignment with the Company further and to concentrate management resources, and thereby increase the corporate value and the brand value of the Tender Offeror Group, including the Company, and allow the creation of a corporate group that can draw a bright future, thus accelerating progress toward the Tender Offeror Group's vision of a multi-service retailer that exceeds the limits of retail business, and resolved to commence the Tender Offer.

### (iii) Management Policy after Tender Offer

The Tender Offeror believes the Company's group has been able to realize its ability to develop and operate progressive urban retail facilities with highly cultural values that find support from large numbers of customers thanks to the advanced corporate culture, atmosphere, and personnel that the Company's group has fostered. Based on this view, although the specific management

policy of the Company after the Tender Offer will be decided through consultation between the Tender Offeror and the Company. After the Company becomes a wholly-owned subsidiary of the Tender Offeror, the Tender Offeror intends to strengthen the alignment between the Company and the Tender Offeror, and to maintain the independent management approaches, trade names, and store brands established by the Company in order to avoid damaging the unique identity of the progressive corporate culture, atmosphere, and personnel of the Company. Meanwhile, the functions and roles of the Tender Offeror as a pure holding company will be made explicit, including through revision of the Group Management Rules, and those functions that can be made more efficient by unification, primarily back-office functions, will be transferred to the Tender Offeror pursuant to a consultation process that takes the Company's opinion into account. This is intended to improve the corporate value and brand value of the Tender Offeror Group, including the Company.

Currently, Mr. Kozo Makiyama, the Director, Chairman of the Board, President and Representative Executive Officer of the Company concurrently serves as a Director and Managing Executive Officer of the Tender Offeror, and Mr. Taro Sawada, a Managing Executive Officer of the Tender Offeror concurrently serves as a Director of the Company. Regarding the management structure after the conversion of the Company into a wholly-owned subsidiary of the Tender Offeror, The Tender Offeror plans that the Company's current management team will continue to take responsibility for management, but that the details will be worked out through consultation with the Company, taking into account also the management structures of companies in the Tender Offeror Group. In terms of the organizational design of the Company, it is anticipated that there will be a transition from a Company with a Nominating Committee, etc. to a Company with Auditors. The Tender Offeror also plans that there will be personnel exchanges between the Tender Offeror and the Company. The Tender Offeror does not plan to change, among others, the terms and conditions of employment of the Company Group employees.

(c) Background and Reasons of Company That Led to Its Decision to Support Tender Offer

The Company received a proposal concerning the Transactions from the Tender Offeror on August 28, 2019. In light of the structural potential conflicts that may arise in the course of the review of the Transactions by the Company due to the fact that the Tender Offeror is a controlling shareholder of the Company and two of the Company's Directors also serve as Executive Officers of the Tender Offeror, as described in "(6) Measures to Ensure Fairness of Tender Offer Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest," in order to ensure the fairness of the Transactions, the Company determined, by resolution of its Board of Directors meeting on August 29, 2019, to appoint Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("Mitsubishi UFJ Morgan Stanley Securities") as its financial advisor and third-party valuation institution independent from the Tender Offeror and the Company and to appoint Nagashima Ohno & Tsunematsu as its legal advisor, also independent from the Tender Offeror and the Company, and requested that Mitsubishi UFJ Morgan Stanley Securities as the third-party appraiser submit a valuation report concerning the Company Shares (the "Company's Share Valuation Report"). On the same day, the Company's Board of Directors adopted a resolution to establish a special committee (the "Special Committee") consisted of independent third-party members to avoid conflicts of interest, establishing a structure for conducting deliberations and negotiations regarding the Transactions. For details regarding the composition of the Special Committee and details of its specific actions, refer to "(d) Establishment of a Special Committee of Company and Receipt of Report from Special Committee" in "(6) Measures to Ensure Fairness of Tender Offer Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

Subsequently, on August 29, 2019, the Company determined that the proposal concerning the

Transactions by the Tender Offeror dated August 28, 2019 would enable the Company to pursue further increase of the corporate value of the Company by the Company becoming a wholly-owned subsidiary of the Tender Offeror and undertaking integrated business development on the basis of a stronger capital relationship, and the Tender Offeror and the Company commenced concrete deliberations and discussions on whether and how the Transactions should be implemented. After undergoing the Tender Offeror's due diligence from mid-October to early December 2019, the Company conducted continuous discussions with the Tender Offeror.

As a result, on December 26, 2019, the Company determined that, as described in "(iii) Management Policy after Tender Offer" in "(b) Background and Purpose of, and Decision-Making Process for, Tender Offeror That Led to Its Decision to Implement Tender Offer, and Its Management Policy after Tender Offer" in "(2) Grounds and Reasons for Opinion Concerning Tender Offer" above, considering that (A) it is expected that the Tender Offeror will manage the Company not to avoid damaging the Company's unique identity, such as its corporate culture, natural atmosphere and human resources, and (B) a certain understanding and consideration for the sources of the Company's corporate value are expressed, no significant disadvantage can be found as a result of the Transactions, and further increase in its corporate value can be expected by carrying out the following through the Transactions.

i. Acceleration of Growth of Entire Company Group

By becoming a wholly-owned subsidiary of the Tender Offeror, which is the holding company of the Company, through the Transactions, the Company will be able to accelerate the future growth it envisions by leveraging the Tender Offeror's management resources, increasing the feasibility of such growth and expanding the growth areas themselves. This will enable the Company to take on challenges in new fields transcending the boundaries of the Company's business development to date, such as large-scale real estate development in urban areas, small-scale real estate development other than ZERO GATE stores, which are low to medium-rise shopping complexes in prime urban locations, and development of new businesses corresponding to diverse consumption. In addition, stock listing and back-office costs and operations will be streamlined, creating an environment in which the Company can concentrate on business expansion as an operating company.

ii. Reinforcement of Bases of Real Estate Business and Diversification of Real Estate Development

The real estate business of Daimaru Matsuzakaya, a consolidated subsidiary in the Tender Offeror Group, is scheduled to be transferred to the Company following the Company becoming a wholly-owned subsidiary of the Tender Offeror. This will enable the Company (a) to take charge of income-generating properties, in particular, the prime locations in major urban areas, such as Osaka, Kyoto and Nagoya, which are currently managed by the real estate business of Daimaru Matsuzakaya, and (b) to acquire new commercial bases, including those in the areas where the Company has not yet opened stores.

In addition, since the Company will take the lead in the real estate business of the Tender Offeror Group, the Company will be able to make the maximum use of financial resources, networks, and intelligence assets of the Tender Offeror in the development of real estate. This will enable the Company to establish a business foundation that will lead to the diversification of the Company's development strategies, including business development that goes beyond the scope of commercial development that has been conducted independently by the Company to date, and expansion of opportunities for mixed-use development in major urban areas and development of new business formats. The Company believes that it will be able to provide new commercial facilities and value beyond its existing business formats (i.e., PARCO stores and

ZERO GATE), and thereby contribute to the improvement of the corporate value of the Company Group.

iii. Increase of Value to be Provided by Existing Stores and Improvement of Their Competitiveness

The Company and Daimaru Matsuzakaya will be able to link together the customers and customer data possessed by both companies more than ever before, which will enable the Company to approach customer segments that had no contact with the Company and also improve the accuracy of its marketing activities. Furthermore, by utilizing Daimaru Matsuzakaya's business partners and networks, the Company will be able to have new business partners open their stores in the Company's commercial facilities, such as existing PARCO stores, and develop new business formats. This will enable Daimaru Matsuzakaya and the Company to provide customers who visit their stores with new retail shops and products that they have never experienced as well as mutual services and information, thereby providing increased value to customers.

In addition, the Company believes that the competitiveness of existing stores of the two companies will increase in major urban areas where both companies operate stores in the same districts, and that the Company will be able to offer additional value, such as Daimaru Matsuzakaya's products, retail shops and services, in the areas where only the Company operates stores.

iv. Evolution of Related Businesses and Establishment of a Position in Industry

The expansion of real estate development as described in ii. above will increase the commercial spaces which the Company manages, and as a result, will also expand the scale, bases and domains of the related businesses of the Company (i.e., Space Engineering and Management Business, Retail Business, Digital Marketing Business and Entertainment Business), as well as collaboration within the Tender Offeror Group. The Company believes that this will lead to the evolution of each related business and the increase of opportunities for expansion of business into new customer segments and sales channels (including overseas expansion) and collaboration with new business partners, and therefore the Company will be able to further establish its position within the industry.

v. Realization of New Businesses

By combining the customer data owned by both parties, such as the customer data for Department Store Business of the Tender Offeror Group and that for Shopping Complex Business of the Company Group, it will be possible to provide value to a wide range of customers and provide new services and products tailored to the various life stages of the relevant customers.

Also, in addition to combining the above customer data, the financial resources of the Tender Offeror and the alignment of the R&D Functions (Note 7) of the Company and the Tender Offeror will lead to the development of new businesses in business areas where it would be highly difficult to do so by the Company itself, and to the acceleration and increase of the likelihood of the realization of new businesses.

Note 7: R&D (Research and Development) Functions means the functions, among others, related to the scientific research or the technological development of a company.

vi. Contribution to Development of Business Partners of Company

The Company believes that, through the aforementioned business expansion and enlargement of business domains, the Company will be able to provide more opportunities for tenants and

business partners, who are equal partners of the Company, to open new stores or develop new businesses.

vii. Provision of New Stages of Performance for Employees of Company Group

For employees, who are a source of the corporate value of the Company Group, the Company believes that the evolution and expansion of each business of the Company will enable them to reach new stages of performance and obtain diverse growth opportunities, which will lead to the self-fulfillment of each employee.

Furthermore, in mid-November 2019, the Tender Offeror and the Company commenced concrete deliberations and discussions concerning the terms and conditions of the Transactions including the Tender Offer Price and engaged in ongoing discussions and negotiations.

On December 26, 2019, the Company determined that the Tender Offer provides the Company's shareholders a reasonable opportunity to sell their shares based on the fact that: (a) the Tender Offer Price exceeds the upper end of the calculation results pursuant to the market price analysis in the Company's Share Valuation Report and is within the range of the calculation results pursuant to the discounted cash flow analysis ("DCF Analysis") as described in "(b) Overview of Calculation" in "(3) Matters Relating to Valuation" below; (b) the Tender Offer Price represents a premium of 35.63% (here and hereafter in relation to calculation of premiums, rounded to two decimal places) over 1,364 yen, which was the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange on December 25, 2019, a premium of 37.55% over 1,345 yen (here and hereafter in relation to calculation of simple averages of closing prices, rounded to the nearest whole yen), which is the simple average of closing prices during the one-month period ending on December 25, 2019, and a premium of 40.47% over 1,317 yen, which is the simple average of closing prices during the three-month period ending on December 25, 2019, a premium of 46.94% over 1,259 yen, which is the simple average of closing prices during the six-month period ending on December 25, 2019; (c) consideration was given to the interests of minority shareholders when determining the Tender Offer Price including the adoption of measures to ensure the fairness of the Tender Offer such as measures to avoid conflicts of interests as described below in "(6) Measures to Ensure Fairness of Tender Offer Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest"; (d) after taking the measures described above, the Tender Offeror and the Company engaged in discussions and negotiations on multiple occasions to the same extent as discussions and negotiations for a transaction between independent parties, and more specifically, the Tender Offer Price was proposed as the result of sincere and ongoing discussions and negotiations conducted while taking into consideration the valuation results for the share value of the Company Shares by Mitsubishi UFJ Morgan Stanley Securities as well as the deliberations of the Special Committee; and (e) the Special Committee expressed an opinion to the effect that the terms and conditions of the Tender Offer including the Tender Offer Price are appropriate.

Based on the above, the Company determined that the Transactions will contribute to the enhancement of the Company's corporate value and that the Tender Offer provides the Company's shareholders with a reasonable opportunity to sell their shares, and at a meeting held today, the Company's Board of Directors adopted a resolution expressing an opinion supporting the Tender Offer and recommending that the Company's shareholders tender their shares to the Tender Offer.

For details of the method of the above resolution by the Board of Directors, refer to "(e) Unanimous Approval of all Non-interested Directors of Company" in "(6) Measures to Ensure Fairness of Tender Offer Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

(3) Matters Relating to Valuation

(a) Name of Appraiser and its Relationship with Company and Tender Offeror

When reviewing the Tender Offer Price presented by the Tender Offeror and expressing an opinion on the Tender Offer, to ensure fairness, the Company requested that Mitsubishi UFJ Morgan Stanley Securities, a third-party appraiser independent from the Company and the Tender Offeror, calculate the value of the Company Shares and received from Mitsubishi UFJ Morgan Stanley Securities the Company's Share Valuation Report dated December 26, 2019. Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Company or the Tender Offeror and has no material interests relating to the Transactions.

(b) Overview of Calculation

As a result of its examination of the valuation methods used for the Tender Offer, Mitsubishi UFJ Morgan Stanley Securities adopted the following valuation methods, and calculated the value of the Company Shares, with the assumption that the Company is a going concern and based on a belief that a multifaceted valuation is appropriate with regard to the value of the Company Shares: since the Company is listed on the First Section of the Tokyo Stock Exchange and has a market value, market price analysis; and the DCF Analysis in order to reflect assessment of intrinsic value based on the status of future business activities. The Company has not received an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from Mitsubishi UFJ Morgan Stanley Securities.

The following are the ranges of values per share of the Company Shares calculated according to each of the valuation methods indicated above.

Market price analysis:	1,259 yen to 1,364 yen
DCF Analysis:	1,548 yen to 2,008 yen

The range of the value per share of the Company Shares obtained from market price analysis is from 1,259 yen to 1,364 yen with December 25, 2019 being the calculation reference date; based on 1,364 yen, which is the closing price of Company Shares quoted on the First Section of the Tokyo Stock Exchange on the reference date; 1,345 yen, which is the simple average of closing prices during the most recent one-month period; 1,317 yen, which is the simple average of closing prices during the most recent three-month period; and 1,259 yen, which is the simple average of closing prices during the most recent six-month period.

The range of the value per share of the Company Shares obtained from the DCF Analysis is from 1,548 yen to 2,008 yen, which is based on the corporate value and share value of the Company calculated by discounting, to the current value at a certain discount rate, the free cash flow that the Company is expected to generate in and after the fiscal year ending February 29, 2020, taking into consideration the business plan prepared by the Company for the period from the fiscal year ending February 29, 2020 to the fiscal year ending February 28, 2023, recent performance trends, information publicly disclosed by the Company, and other factors. The discount rates used for the calculation range from 3.25% to 3.75%, the multiple method was used to calculate the going concern value, and the EBITDA multiples used for the calculation range from 9.0 times to 11.0 times.

The business plan for the period from the fiscal year ending February 29, 2020 to the fiscal year ending February 28, 2023, which has been prepared by the Company and used by Mitsubishi UFJ Morgan Stanley Securities for the DCF Analysis, includes business years in which a significant increase or decrease in revenues or profits is expected. Specifically, a substantial increase in operating profit is expected in the fiscal year ending February 29, 2020 as a result of recovery from the store closing related expenses that arose in the fiscal year ended February 28, 2019, and a substantial increase in operating profit is expected in the fiscal year ending February 28, 2022 as a

result of the opening of Shinsaibashi PARCO. These financial forecasts do not take into account the synergy effects that can be expected to be realized through the Transactions, because it is difficult to specifically estimate such synergy effects at present.

(million yen)

	FY 2020	FY 2021	FY 2022	FY 2023
Operating revenue	114,100	107,314	115,166	115,445
Operating profit	10,800	11,289	14,764	14,773
EBITDA	18,066	19,789	23,664	23,691
Free cash flow	13,371	3,115	9,275	8,888

(fiscal year ending in February)

Furthermore, Mitsubishi UFJ Morgan Stanley Securities performed a calculation using comparable company analysis as reference values. The range of the value per share of the Company Shares obtained from comparable company analysis is as indicated below.

Comparable company analysis: 480 yen to 1,174 yen

Comparable company analysis calculated the Company's corporate value and share value by comparison with, among others, the market prices and other financial indices indicating profitability of the listed companies that engage in the business relatively comparable to the business of the Company. In light of the fact that there are certain limitations to the comparability of the Company's business and that of other listed companies, the analysis results are intended as reference values only. The listed companies determined to be relatively comparable are J. FRONTRETAILING Co., Ltd., Isetan Mitsukoshi Holdings Ltd., Takashimaya Company, Limited, and AEON Mall Co., Ltd. The calculation was performed using EBITDA multiples and the range of the value per share of the Company Shares obtained from comparable company analysis is from 480 to 1,174 yen.

Note 8: The analysis by Mitsubishi UFJ Morgan Stanley Securities, and the analysis of value of the Company Shares that serves as its basis, is intended only to contribute to the reference of the Company. The analysis does not constitute a financial opinion or recommendation by Mitsubishi UFJ Morgan Stanley Securities or its affiliates and does not express an opinion or make any recommendation concerning any actions of shareholders of the Company or the Tender Offeror in relation to the Tender Offer, or any exercise of voting rights by shareholders in relation to any general meeting of shareholders regarding the Transactions. When performing its analysis, Mitsubishi UFJ Morgan Stanley Securities relied on information that has been publicly disclosed or was obtained by provision by the Company or other means with the assumption that information is accurate and complete, and Mitsubishi UFJ Morgan Stanley Securities makes no independent verification concerning the accuracy or completeness of that information. Furthermore, Mitsubishi UFJ Morgan Stanley Securities assumed that financial forecasts were reasonably prepared and produced by the Company reflecting the best available forecasts and determinations available as of December 25, 2019 relating to the Company's future financial standing. Mitsubishi UFJ Morgan Stanley Securities did not perform any independent evaluation or examination of the Company's assets and liabilities (including contingent liabilities). The analysis by Mitsubishi UFJ Morgan Stanley Securities is based on financial, economic, currency, market, and other conditions as of December 25, 2019 and information obtained by Mitsubishi UFJ Morgan Stanley Securities as of December 25, 2019. Events occurring after the said date may have an impact on the analysis by Mitsubishi UFJ Morgan Stanley Securities and the assumptions used in the preparation of its valuation report, but Mitsubishi UFJ Morgan

Stanley Securities is not obligated to update, amend, or reconfirm the valuation report or analysis.

The preparation of the valuation report and its underlying analysis are complex processes, and they may not necessarily be suitable for partial analysis or summary descriptions. The valuation range based on the specific analyses identified in the said valuation report may not be construed as an assessment by Mitsubishi UFJ Morgan Stanley Securities of the Company's actual value.

Mitsubishi UFJ Morgan Stanley Securities provided the service as the Company's financial advisor in relation to the Transactions and will receive the fees as consideration for the relevant service. Receipt of a substantial portion of those fees is conditioned on the public announcement and completion of the Transactions.

#### (4) Possibility of and Reasons for Delisting

As of today, the Company Shares are listed on the First Section of the Tokyo Stock Exchange, but the Tender Offeror is not establishing a maximum number for the share certificates, etc. that it will purchase in the Tender Offer. Therefore, depending on the result of the Tender Offer, the Company Shares may be delisted through the prescribed procedures in accordance with the delisting standards set out by the Tokyo Stock Exchange. In addition, even if the Company Shares does not fall under those standards at the time of completion of the Tender Offer, if each of the procedures described in "(5) Policy on Organizational Restructuring, Etc. after Tender Offer (Matters Relating to So-called "Two-Step Acquisition"))" below are carried out after concluding the Tender Offer, the Company Shares will fall under the delisting standards, and will be delisted through the prescribed procedures. Further, after delisting the Company Shares, the Company Shares will no longer be able to be traded on the Tokyo Stock Exchange.

#### (5) Policy on Organizational Restructuring, Etc. after Tender Offer (Matters Relating to So-called "Two-Step Acquisition")

If the Tender Offeror cannot acquire all of the Company Shares under the Tender Offer as detailed in "(a) Outline of Tender Offer" in "(2) Grounds and Reasons for Opinion Concerning Tender Offer" above, the Tender Offeror plans to implement procedures for the purpose of acquiring all of the Company Shares using the following methods after the completion of the Tender Offer.

##### (a) Demand for Share Cash-Out

If the total number of voting rights of the Company owned by the Tender Offeror comes to 90% or more of the number of voting rights of all shareholders of the Company as a result of the completion of the Tender Offer, the Tender Offeror plans to demand from all shareholders of the Company (excluding the Tender Offeror and the Company) to sell all shares of the Company Shares that they own (the "Demand for Share Cash-Out") in accordance with Article 179 of the Companies Act (Act No. 86 of 2005; as amended; hereinafter the same) promptly after the completion of the settlement of the Tender Offer. In the Demand for Share Cash-Out, the Tender Offeror plans to stipulate that it will deliver to the Company's shareholders (excluding the Tender Offeror and the Company) the same amount of money as the Tender Offer Price as consideration per share of the Company Shares. In that case, the Tender Offeror shall notify the Company to that effect and seek approval of the Demand for Share Cash-Out from the Company. If the Company approves the Demand for Share Cash-Out by a board of directors resolution, the Tender Offeror shall acquire all of the Company Shares owned by all of the Company's shareholders (excluding the Tender Offeror and the Company) from those Company's shareholders on the acquisition date set out in the Demand for Share Cash-Out without requiring the individual consent of the Company's



shareholders in accordance with the procedures set out in the relevant laws and regulations. It is planned that if the Tender Offeror makes the Demand for Share Cash-Out, the Company's board of directors will approve such Demand for Share Cash-Out. If the Demand for Share Cash-Out is carried out, the Company's shareholders may petition for a court to determine the sale price of the Company Shares that they own in accordance with Article 179-8 of the Companies Act or any other relevant laws and regulations.

If the Transactions are forecasted to be completed in the period until May 31, 2020 as a result of the Demand for Share Cash-Out, the Tender Offeror plans to demand to the Company that, on the condition of the completion of the Transactions, the Company partially amend its Articles of Incorporation to the effect of abolishing the provisions for the record date for voting rights at the annual shareholders meeting in order to make the shareholders after completion of the Transactions (meaning the Tender Offeror) the shareholders who are entitled to exercise their rights at the annual shareholders meeting of the Company for the period ending February 29, 2020 (the "Annual Shareholders Meeting"). Therefore, even if a shareholder is entered or recorded in the Company's shareholder register on February 29, 2020, that shareholder may not be entitled to exercise its rights at the Annual Shareholders Meeting.

(b) Share Consolidation

If the total number of voting rights of the Company owned by the Tender Offeror after the completion of the Tender Offer is less than 90% of the number of voting rights of all shareholders of the Company, the Tender Offeror plans to demand as an agenda item for discussion at the Annual Shareholders Meeting for the Company to consolidate the Company Shares in accordance with Article 180 of the Companies Act (the "Share Consolidation") and to amend the Articles of Incorporation to the effect that the provisions regarding share units will be abolished on the condition that the Share Consolidation is effected. The Tender Offeror plans to approve the above agenda item at the Annual Shareholders Meeting.

If the agenda item for the Share Consolidation is approved at the Annual Shareholders Meeting, on the date that the Share Consolidation becomes effective, the Company's shareholders will own the number of Company Shares that is in proportion to the ratio for the Share Consolidation approved at the Annual Shareholders Meeting. If due to the Share Consolidation there is a fraction less than one share in the number of shares, the cash obtained by selling the Company Shares equivalent to the total number of fractional shares (if there is a fraction less than one share in the total number of fractional shares, that fraction will be rounded down; hereinafter the same) to the Company or the Tender Offeror in accordance with the procedures set out in Article 235 of the Companies Act and other relevant laws and regulations will be delivered to the shareholders of the Company. With regard to the sale price of the Company Shares equivalent to the total number of fractional shares, after establishing that the amount of cash to be delivered to the shareholders of the Company who did not tender in the Tender Offer (excluding the Tender Offeror and the Company) as a result of the sale will be the same as the price obtained by multiplying the Tender Offer Price by the number of shares of the Company Shares owned by each such shareholder, the Tender Offeror plans to demand that the Company file for permission for sale by private contract with the court. In addition, the ratio for consolidation of the Company Shares has not been established as of today, but it is planned that the number of shares of the Company Shares owned by shareholders of the Company who did not tender in the Tender Offer (excluding the Tender Offeror and the Company) will be determined as a fraction that is less than one share so that only the Tender Offeror owns all of the Company Shares (excluding treasury shares owned by the Company).

If the Share Consolidation is carried out and due to carrying out the Share Consolidation there is a fraction less than one share in the number of shares, it is provided under the Companies Act to the effect that, in accordance with Article 182-4 and Article 182-5 of the Companies Act and other

relevant laws and regulations, the Company's shareholders who did not tender in the Tender Offer (excluding the Tender Offeror and the Company) may demand that the Company purchase all of the fractional shares less than one share of the shares that they own at a fair price, and they may file a petition with the court to determine the price of the Company Shares. Further, the Tender Offer is not at all for soliciting approval by all of the Company's shareholders at the Annual Shareholders Meeting.

It is possible that depending on the revision or enforcement of relevant laws and regulations or interpretations by the relevant authorities, time will be required for implementation or changes in the method of implementation will arise with respect to the procedures set forth in (i) and (ii) above. However, even in that case, if the Tender Offer is concluded, it is planned that a method for delivering cash to the Company's shareholders who do not tender in the Tender Offer (excluding the Tender Offeror and the Company) will finally be adopted, and the amount of money to be delivered to those Company's shareholders in that case is planned to be calculated to be the same as the price obtained by multiplying the Tender Offer Price by the number of shares of the Company Shares that were owned by those Company's shareholders. However, if there is a petition for a decision for the sale price regarding the Demand for Share Cash-Out or a petition for a share appraisal with regard to the Share Consolidation, the sale price for shares of the Company Shares or the price regarding the share appraisal will be finally determined by the court.

It is planned that the Company will make a public announcement promptly after the decision is made, with respect to the specific procedures and timing for implementation in each of the cases above after discussions with the Tender Offeror. Further, each of the Company's shareholders are personally responsible for confirming with a tax specialist the handling of taxes in relation to the subscription to the Tender Offer or the above procedures.

(6) Measures to Ensure Fairness of Tender Offer Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest

The Tender Offeror and the Company have implemented the following measures as measures to ensure the fairness of the Tender Offer including measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest, in light of the Company being a consolidated subsidiary of the Tender Offeror and the Transactions, including the Tender Offer, constituting a material transaction with a controlling shareholder, and the continued personnel and business relationship between the Tender Offeror and the Company. Further, Mr. Kozo Makiyama, Director, President and Representative Executive Officer of the Company, serves concurrently as the director and Managing Executive Officer of the Tender Offeror, and Mr. Taro Sawada, Director of the Company, serves concurrently as the Managing Executive Officer of the Tender Offeror.

(a) Procurement by Company of a Share Valuation Report from an Independent Third-Party Appraiser

To ensure fairness in the decision-making process concerning the Tender Offer Price presented by Tender Offeror, the Company procured the Share Valuation Report from Mitsubishi UFJ Morgan Stanley Securities, the Company's financial advisor, as a third-party appraiser that is independent from the Company and the Tender Offeror. For a summary of Company's Share Valuation Report, refer to "(b) Overview of Calculation" in "(3) Matters Relating to Valuation" below.

(b) Procurement by Tender Offeror of a Share Valuation Report from an Independent Third-Party Appraiser

When determining the Tender Offer Price, in order to ensure the fairness of the Tender Offer Price, the

Tender Offeror requested that Nomura Securities, a financial advisor, calculate the share value of the Company, as a third-party appraiser independent from the Tender Offeror and the Company. Nomura Securities is not a related party of the Tender Offeror or the Company and has no material interest relating to the Tender Offer.

As a result of considering the calculation method for the Tender Offer, Nomura Securities carried out the calculation using the average market price method because the Company Shares are listed on the First Section of the Tokyo Stock Exchange, the comparable company comparison method because there are listed companies that are comparable to the Company and it is possible to infer the share value of the Company Shares using the comparable company comparison method, and the discounted cash flow method (the “DCF Method”) to reflect the situation regarding future business activities in the calculation, and the Tender Offeror obtained the share valuation report (the “Tender Offeror Valuation Report”) from Nomura Securities on December 26, 2019. Further, the Tender Offeror has not obtained an opinion regarding the appropriateness of the Tender Offer Price (known as a fairness opinion) from Nomura Securities.

According to Nomura Securities, the results of the calculation of the share value per share of the Company Shares are as follows:

Average market price method:	1,259 yen to 1,364 yen
Comparable company comparison method:	831 yen to 1,188 yen
DCF Method:	1,470 yen to 2,040 yen

The calculation under the average market price method demonstrates that the range of the share value per share of the Company Shares is between 1,259 yen and 1,364 yen, on the basis that the closing price of regular transactions for the Company Shares on the First Section of the Tokyo Stock Exchange on the record date of December 25, 2019 was 1,364 yen, the simple average of the closing prices on the previous five business days was 1,355 yen, the simple average of the closing prices in the most recent one month was 1,345 yen, the simple average of the closing prices in the most recent three months was 1,317yen, and the simple average of the closing prices in the most recent six months was 1,259yen.

Under the comparable company comparison method, the share value of the Company is calculated by comparison with the market price and, among others, financial indicators showing profitability of listed companies that conduct business that is comparatively similar to the Company’s business, and the range of the share value per share of the Company Shares is calculated as being between 831 yen and 1,188 yen.

The calculation under the DCF Method demonstrates that the range of the share value per share of the Company Shares is between 1,470 yen and 2,040 yen, as a result of analyzing the corporate value and the share value of the Company by discounting the free cash flow that is expected to be generated by the Company in and after the fiscal year ending February 29, 2020 to the current value using a certain discount rate, based on various factors such as revenues and investment plans in the business plan for the period from the fiscal year ending February 29, 2020 to the fiscal year ending February 28, 2023 of the Company and information publicly available.

The business plan period from the for the fiscal year ending February 29, 2020 to the fiscal year ending February 28, 2023 of the Company, which was used by Nomura Securities for the DCF Method, includes fiscal years in which significant increases in revenues or profits are expected. Specifically, in the fiscal year ending February 29, 2020, a significant increase in operating profits is expected resulting from rebound from the store closing related expenses that arose in the fiscal year ended February 28, 2019, and in the fiscal year ending February, 28 2022, a significant increase in operating profits is expected resulting from the opening of Shinsaibashi PARCO. Additionally, the financial forecasts do not take into account the synergy effects that can be expected to be realized through the Transactions, because it is difficult to specifically estimate such synergy effects at present.

The Tender Offeror has referred to the calculation results for each method detailed in the Tender Offeror Valuation Report obtained from Nomura Securities, considering the price is within the range of the calculation results for DCF Method, and finally determined the Tender Offer Price of 1,850 yen per share through a resolution at a meeting of the board of directors held on December 26, 2019, comprehensively taking into consideration examples of premiums offered when determining the price in purchases, etc. in examples of past tender offers for share certificates, etc. by parties other than the issuer (example cases of tender offers aimed at making a company into a wholly-owned subsidiary of the Tender Offeror), whether the Company's Board of Directors will express its opinion in support of the Tender Offer, trends in the market share price for the Company Shares, and forecasts regarding the number of shares to be tendered in the Tender Offer, and based on the results of consultations and negotiations with the Company.

Further, the Tender Offer Price of 1,850 yen per share is the amount obtained by adding a premium of, respectively, 35.63% to 1,364 yen, which was the closing price for regular transactions for the Company Shares on the First Section of the Tokyo Stock Exchange on December 25, 2019, which is the business day before the announcement day for the implementation of the Tender Offer, 37.55% to 1,345 yen, which is the simple average of the closing prices for regular transactions in the one month prior to the same date (i.e., from November 26, 2019 to December 25, 2019), 40.47% to 1,317 yen, which is the simple average of the closing prices for regular transactions in the three months prior to the same date (i.e., from September 26, 2019 to December 25, 2019), and 46.94 % to 1,259 yen, which is the simple average of the closing prices for regular transactions in the six months prior to the same date (i.e., from June 26, 2019 to December 25, 2019).

Note 9: In calculating the Company's share value, Nomura Securities has assumed that public information and all information provided to it are accurate and complete, and it has not independently verified the accuracy or completeness thereof. Nomura Securities has not independently evaluated, appraised or assessed, or requested that any third-party organization appraise or assess, any assets or liabilities (including financial derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of the Company or its affiliated companies, including analyzing and evaluating their individual assets and liabilities. The Company's financial forecast (including profit plans and other information) is assumed to have been reasonably examined or prepared based on the best, bona-fide forecast and decision-making that are presently available to the Company's management. Calculations by Nomura Securities reflect the information and economic conditions obtained by Nomura Securities up to and including December 25, 2019. Further, calculations by Nomura Securities are solely for reference purposes for the Tender Offeror's board of directors to consider the Company's share value.

(c) Advice to Company from an Independent Law Firm

To ensure fairness and appropriateness in the decision-making methods and process by the Company's Board of Directors in relation to the Transactions including the Tender Offer, the Company obtained legal advice from Nagashima Ohno & Tsunematsu, a legal advisor that is independent from the Tender Offeror and the Company, on the decision-making methods and process by the Company's Board of Directors in relation to the Transactions including the Tender Offer. Nagashima Ohno & Tsunematsu is not a related party of the Tender Offeror or the Company, and has no material interests to be described relating to the Transactions.

(d) Establishment of a Special Committee of Company and Receipt of Report from Special Committee

In light of the facts that the Company is a consolidated subsidiary of the Tender Offeror and the Transactions including the Tender Offer constitute material transactions with the controlling shareholder, the Company's Board of Directors established the Special Committee on August 29,

2019 consisting of three members, Mr. Hiroshi Takahashi (External Director of the Company; an independent officer), Ms. Noriko Nakamura (External Director of the Company; an independent officer), and Mr. Tadayuki Seki (External Director of the Company; an independent officer), in order to avoid arbitrariness in the Company's decision-making relating to the Transactions including the Tender Offer and to ensure fairness, transparency, and objectiveness in the decision-making process. The Board of Directors consulted with the Special Committee on: (A) whether the Transactions are appropriate as transactions contributing to enhancement of the Company's corporate value and (B) whether the Transactions including the Tender Offer are disadvantageous to the Company's minority shareholders upon consideration of (x) the appropriateness of the Tender Offer Price and other terms and conditions of the Tender Offer, premised upon the conduct of the Transactions, and (y) the fairness of negotiations and other procedures leading up to the Transactions (collectively, the "Consultation Matters") and requested the Special Committee to submit a report. The membership of the Special Committee has not changed since its establishment, and the members elected Mr. Hiroshi Takahashi as committee chairman from among the members. Each member of the Special Committee will be paid a fixed amount of remuneration in exchange for his/her duties, besides his/her remuneration as an External Director.

The meetings of the Special Committee were held 10 times in total during the period from September 25, 2019 to December 24, 2019, at which the members engaged in serious deliberation and discussion on the Consultation Matters. Specifically, at the first meeting of the Special Committee, the committee confirmed that it shall operate in the following manner: Proposals, questions, and other opinions from the Special Committee shall be conveyed via the Company to the Tender Offeror; if there is a request from the Special Committee to provide an opportunity for direct discussions with the Tender Offeror, the Company shall make its best effort to secure such an opportunity; the Special Committee shall receive timely reports from the Company on the status of discussions with the Tender Offeror; the Special Committee shall establish, as necessary, policies concerning negotiation with the Tender Offeror about the terms and conditions of the Transactions; and the Special Committee may express its opinions on material matters. In addition, the Special Committee confirmed that with regard to Mitsubishi UFJ Morgan Stanley Securities, which the Company selected as its financial advisor and third-party appraiser, and Nagashima Ohno & Tsunematsu, which the Company selected as its legal advisor, there are no doubt on their expertise and independence, and accordingly, the Special Committee has no objection to receiving professional advice from these advisors and also, when the Special Committee deems it necessary, the Special Committee may independently appoint attorneys, certified public accountants, and other advisors and seek their advice at the Company's expense. Subsequently the special Committee received an explanation from the Company concerning the background of receiving the proposal for the Transactions from the Tender Offeror, the purpose of the Transactions, the status and future outlook of the Company's and the Tender Offeror's business, synergy effects that can be expected from the Transactions, and other topics, and the Company responded to questions from the Special Committee. The Special Committee also received a report from the Company on the structure for, background of, and details of deliberations and negotiations concerning the Transactions between the Tender Offeror and the Company and discussed those details. In addition, upon the Company's preparation of the business plan containing the financial forecasts, which will be disclosed to the Tender Offeror, or which Mitsubishi UFJ Morgan Stanley Securities will use for the basis of calculation of the share value of the Company Shares, the Special Committee has received explanations from the Company and Mitsubishi UFJ Morgan Stanley Securities about, among others, details and preparation process of the proposed business plan, and the material assumptions, and the Company and Mitsubishi UFJ Morgan Stanley Securities responded to questions from the Special Committee. Upon receiving those explanations and answers to such questions, the Special

Committee has confirmed the reasonableness of the details and the preparation process of the definitive business plan. Furthermore, the Special Committee received an explanation from Mitsubishi UFJ Morgan Stanley Securities on the calculation of the value of the Company Shares and an explanation from Nagashima Ohno & Tsunematsu on the Transactions including measures that should be taken to mitigate or prevent conflicts of interest in the Transactions, and each responded to questions from the Special Committee. In light of these details, the Special Committee had repeated discussions with Mitsubishi UFJ Morgan Stanley Securities and Nagashima Ohno & Tsunematsu and deliberated and discussed on the purpose of the Transactions, the decision-making process for the Transactions, and the terms and conditions of the Transactions including the Tender Offer Price.

Through this process and as a result of in-depth deliberation and discussion concerning the Consultation Matters, on December 26, 2019, upon a resolution adopted unanimously by the Special Committee members the Special Committee submitted to the Company's Board of Directors the report summarized as follows (the "Report").

i. Opinion of Special Committee

The Special Committee believes that:

- (i) the Transactions are appropriate since they contribute to enhancing the Company's corporate value;
- (ii) the Transactions including the Tender Offer are not disadvantageous to the Company's minority shareholders since (x) tender offer price and other terms and conditions of the Tender Offer as a part of the Transactions are believed to be appropriate, and (y) the negotiations and other procedures leading up to the Transactions are believed to be fair; and
- (iii) in addition, it is appropriate that the Company's Board of Directors makes decision (a) to express its opinion to support the Tender Offer and recommend shareholders of the Company to tender shares in response to the Tender Offer and (b) to approve the Demand for Share Cash Out or the Share Consolidation implemented as part of the Transaction after the Tender Offer, since each decision contributes to enhancing the Company's corporate value and is not disadvantageous to the minority shareholders of the Company.

ii. Whether Transactions are appropriate as they contribute to enhancing Company's corporate value (Consultation Matter (A))

The significance and objectives of the Tender Offeror's carrying out the Transactions, the expected synergies for the Tender Offeror from the Transactions, and the management policies after the Transactions and other factors of the Tender Offeror in the Transactions are described generally above in "(ii) Background and Purpose of Tender Offeror That Led to Its Decision to Implement Tender Offer" and "(iii) Management Policy after Tender Offer" in "(b) Background and Purpose of, and Decision-Making Process for, Tender Offeror That Led to Its Decision to Implement Tender Offer, and Its Management Policy after Tender Offer" of "(2) Grounds and Reasons for Opinion concerning Tender Offer". Further, the value that the Company expects to achieve through the Transactions is described generally above in "(c) Background and Reasons of Company That Led to Its Decision to Support Tender Offer" in "(2) Grounds and Reasons for Opinion concerning Tender Offer".

In addition, since the Company's human resources and corporate cultures are particularly important elements for the purpose of maintaining and developing the source of the Company's corporate value, the Special Committee believes it is an important factor for judging whether the Transactions are appropriate as transactions contributing to enhancing the Company's corporate

value that such human resources and corporate culture will not be impaired after the Transactions. With respect to this point, since the commencement of full blown negotiation between the Tender Offeror and the Company, both parties have engaged in ongoing discussions. Furthermore, as described above in “(iii) Management Policy after Tender Offer” in “(b) Background and Purpose of, and Decision-Making Process for, Tender Offeror That Led to Its Decision to Implement Tender Offer, and Its Management Policy after Tender Offer” in “(2) Grounds and Reasons for Opinion concerning Tender Offer,” the Tender Offeror will operate the Company in a manner that does not impair the Company’s unique characteristics, such as its corporate culture, environment and human resources, which indicates a certain level of understanding and consideration by the Tender Offeror.

The Special Committee engaged in in-depth deliberations and discussions, taking into consideration the above, and concluded that the abovementioned explanations from the Tender Offeror and the Company achieved a certain degree of specificity and further concluded that there were no contradictions between the explanations provided by the Tender Offeror and the explanations provided by the Company, nor was there any inconsistency in their understanding. Moreover, the Special Committee has no particularly doubts about the Company’s understanding of the management environment and the relevant values the Company intends to realize through the Transactions, and the Special Committee concluded that while there are many multiple advantages to be found in the Transactions, there is no particularly significant disadvantages in respect of the Transactions.

Accordingly, the Special Committee believes that the Transactions are appropriate since they contribute to enhancing the Company’s corporate value. In addition, it is appropriate that the Company’s Board of Directors makes decision (a) to express its opinion to support the Tender Offer and recommend shareholders of the Company to tender shares in response to the Tender Offer and (b) to approve the Demand for Share Cash Out or resolve the Share Consolidation implemented as part of the Transaction after the Tender Offer, since each decision contributes to enhancing the Company’s corporate value.

iii. Appropriateness of tender offer price and other terms and conditions of Tender Offer based on Transactions (Consultation Matter (B)(x))

The Company conducted negotiations concerning the Tender Offer Price with the advice from Mitsubishi UFJ Morgan Stanley Securities, and the Special Committee expressed an opinion on the negotiations after receiving explanations concerning the status of negotiations from Mitsubishi UFJ Morgan Stanley Securities and the Company. The Company presented the Tender Offeror with a tender offer price that the Company considered to be fair by taking into consideration the opinion of the Special Committee. Furthermore, the final Tender Offer Price agreed by the parties is adequately and reasonably higher than the price initially offered by the Tender Offeror to the Company. In light of the above, the Special Committee believes that the Tender Offer Price was determined as a result of negotiations based on objective and consistent discussions between the Company and the Tender Offeror on an arm’s length basis.

Moreover, the Tender Offer Price exceeds the upper limit value of the calculation results based on the market price analysis conducted by Mitsubishi UFJ Morgan Stanley Securities, a third-party appraiser, based on the business plan prepared by the Company, the content and preparation process, among others, of which were determined by the Special Committee to be reasonable. Further, the Tender Offer Price is within the price range of the calculation results based on the DCF analysis and exceeds the median value of such price range. Furthermore, it exceeds the price range of the calculation results based on the comparable company analysis, although it is only a reference value. Additionally, the Tender Offer Price includes a premium at a level comparing well with premiums in recent similar cases.

It is also believed that the transaction terms and conditions of the Tender Offer other than the

Tender Offer Price, including the matters set forth in paragraph iv below, are equivalent to the terms and conditions of transactions of similar type and scope.

Therefore, the Special Committee believes that tender offer price and other terms and conditions of the Tender Offer as a part of the Transactions are appropriate.

iv. Fairness of negotiations and other procedures leading up to Transactions (Consultation Matter (B)(y))

The Special Committee believes that necessary and adequate measures to ensure the fairness of the Transactions have been taken and that those measures to ensure fairness have actually been effectively implemented since (i) when deliberating on the Transactions, the Company established the Special Committee, and various measures taken to enhance the effectiveness of the Special Committee are deemed adequate in light of the policies set out in “Fair M&A Guidelines: Enhancing Corporate Value and Securing Shareholders’ Interests” dated June 28, 2019, which was formulated by the Ministry of Economy, Trade and Industry, and are comparable to those in recent similar cases, (ii) the Directors who may have interests in the Transactions are not expected to participate in relevant deliberations and resolutions of the Company’s Board of Directors, and, with respect to the negotiations regarding the Transactions thus far, structural conflicts of interest have also been handled with prudence in light of the relationship between the Tender Offeror, as a controlling shareholder, and the Company, as a controlled company, (iii) the Company received advice from attorneys with Nagashima Ohno & Tsunematsu, which the Company appointed as its legal advisor independent from the parties involved in the Transactions, and received the Company’s Share Valuation Report from Mitsubishi UFJ Morgan Stanley Securities, which the Company appointed as a third-party appraiser independent from the parties involved in the Transactions, (iv) it is believed that a so-called indirect market check is being conducted by taking measures to secure an opportunity for other offerors to carry out a tender offer and other opportunities, (v) it is recognized that the Company is providing sufficient information to the shareholders of the Company so that the shareholders have significant decision-making materials that will contribute to determining, among others, the appropriateness of the transaction terms and conditions, and (vi) it is believed that measures to eliminate coerciveness have been taken in relation to the Transactions, and so on. It should be noted that no “majority-of-minority” condition has been set in relation to the minimum number of shares to be purchased by the Tender Offer, but it is considered that this should not necessarily be interpreted as an indicator that the measures to ensure fairness are inadequate.

Therefore, it is believed that due consideration has been given to the interests of the Company’s minority shareholders through fair procedures in the Transactions.

v. Whether Transactions including Tender Offer are disadvantageous to Company’s minority shareholders (Consultation Matter (B))

As examined in detail above in iii. and iv., the Special Committee believes that the fairness of the overall terms and conditions of the Transaction, including the Tender Offer Price, has been ensured from the perspective of the Company’s minority shareholders and due consideration has been given to the interests of the Company’s minority shareholders through fair procedures.

Based on the above, the Special Committee believes that the Transactions including the Tender Offer are not disadvantageous to the Company’s minority shareholders. In addition, it is appropriate that the Company’s Board of Directors makes decision (a) to express its opinion to support the Tender Offer and recommend shareholders of the Company to tender shares in response to the Tender Offer and (b) to approve the Demand for Share Cash Out or resolve the Share Consolidation implemented as part of the Transaction after the Tender Offer, since each decision is not disadvantageous to the minority shareholders of the Company.



(e) Unanimous Approval of all Non-interested Directors of Company

Upon the grounds and reasons discussed in “(c) Background and Reasons of Company That Led to Its Decision to Support Tender Offer” in “(2) Grounds and Reasons for Opinion Concerning Tender Offer” above, at the meeting of the Company’s Board of Directors held today, out of the six Directors (including three External Directors), with unanimous votes by the four Directors, excluding the two Directors who did not participate in the deliberations and resolutions relating to the Transactions including the Tender Offer for the reasons set forth below, the Company resolved to express an opinion in support of the Tender Offer, and to recommend that the Company’s shareholders tender their shares in the Tender Offer. Among the Company’s directors, Mr. Kozo Makiyama is also a Director and Managing Executive Officer of the Tender Offeror, and from the perspective of avoiding conflicts of interest, Mr. Makiyama did not participate in the deliberation and resolution by the Board of Directors, when the above-stated resolution in support of the Tender Offer was adopted. However, in light of the fact that (i) as the Company’s Representative Executive Officer and President, Mr. Makiyama has irreplaceable knowledge and experience that will be essential for deliberating and negotiating the Transactions from the perspective of enhancing the Company’s corporate value; and (ii) Mr. Makiyama handles “PARCO business” at the Tender Offeror as well, Mr. Makiyama participated in the discussions and negotiations relating to the Transactions from the Company’s perspective, while he did not participate at all in the discussions and negotiations or the Board of Directors deliberations or resolutions relating to the Transactions from the perspective of the Tender Offeror. Furthermore, among the Company’s Directors, Mr. Taro Sawada is also a Managing Executive Officer of the Tender Offeror, and from the perspective of enhancing the fairness, transparency, and objectiveness of the Company’s Board of Directors decision making and avoiding conflicts of interest in relation to the Tender Offer, Mr. Sawada did not participate in the deliberations and resolutions by the Board of Directors relating to the Tender Offer including the above-stated resolution in support of the Tender Offer and did not participate in the discussions and negotiations with the Tender Offeror from the Company’s perspective.

(f) Measures to Secure Acquisition Opportunities for Other Purchasers

The Tender Offeror has set a relatively long period of 30 business days as the purchase, etc. period in the Tender Offer (the “Tender Offer Period”), when the minimum period set out in laws and regulations is 20 business days. The establishment of a relatively long Tender Offer Period is intended to ensure an appropriate opportunity for all shareholders of the Company to decide whether to tender in the Tender Offer and to ensure parties other than the Tender Offeror an opportunity to carry out a counter purchase, etc., thereby ensuring the appropriateness of the Tender Offer Price. Further, the Tender Offeror and the Company have not formed any agreement, etc. with details that restrict contact between a party making a counter purchase offer and the Company, such as any agreement containing a deal protection provision that prohibits contact by the Company with a party making a counter purchase offer, and by establishing the above Tender Offer Period and ensuring the opportunity for a counter purchase, etc., consideration has been given to ensuring the fairness of the Tender Offer.

Further, as described in “1. Outline of Tender Offeror” above, because the Tender Offeror owns 65,922,614 shares (64.98% ownership ratio) of the Company Shares as of today, establishing a minimum number of shares to be purchased of a so-called Majority of Minority in the Tender Offer would cause the formation of the Tender Offer to be unstable and is, if anything, considered to have the possibility of not benefitting the ordinary shareholders who wish to tender in the Tender Offer, and therefore a minimum number of shares to be purchased of a so-called Majority of Minority has not been established, however the Tender Offeror believes that sufficient consideration has been

given to the interests of the Company's minority shareholders by establishing the measures in (a) through (f) above with regard to the Tender Offeror and the Company.

4. Matters Relating to Material Agreements Between Tender Offeror and Company's Shareholders Concerning Tendering Shares in Tender Offer

As detailed in "(a) Outline of Tender Offer" in "(2) Grounds and Reasons for Opinion Concerning Tender Offer" above, the Tender Offeror enters into the Offer Acceptance Agreements with the Accepting Shareholders as of December 26, 2019, whereby Accepting Shareholders agree to tender in the Tender Offer all of the Company Shares owned, or for which the rights of disposition are held, by Accepting Shareholders (the total number of shares owned, or for which the rights of disposition are held, by the Accepting Shareholders: 17,905,300 shares, the total ownership ratio: 17.65%).

The Offer Acceptance Agreements prescribe as conditions precedent to tendering the Company Shares in the Tender Offer by Accepting Shareholders that (i) the Tender Offer by the Tender Offeror is duly and validly commenced in accordance with the applicable laws and regulations, and has not been withdrawn, (ii) the representations and warranties (Note 10) by the Tender Offeror are true and accurate in all material respects, and (iii) there is no significant breach by the Tender Offeror of the obligations under the Offer Acceptance Agreements (Note 11). However, even if all or part of the above conditions precedent are not satisfied, there are no restrictions on Accepting Shareholders waiving those conditions precedent at their own discretion and tendering its Company Shares in the Tender Offer.

Note 10: In the Offer Acceptance Agreements, the Tender Offeror sets out its representations and warranties regarding (a) its duly establishment and valid existence, (b) the holding of the necessary capacity and the performance of the necessary procedures to execute and perform Offer Acceptance Agreements, (c) the enforceability, (d) the acquisition of authorizations and permissions, (e) the non-existence of any violation of any law or regulation, (f) having sufficient funds required for a purchase, etc. on the commencement date of the settlement regarding the Tender Offer, and (g) the non-existence of a relationship with antisocial forces.

Note 11: In the Offer Acceptance Agreements, the Tender Offeror bears the obligation to implement the Tender Offer, the obligation to carry out the required procedures for the Tender Offer, the compensation obligation, the obligation to pay its taxes, public dues and other expenses, the confidentiality obligation, and the obligation regarding no-assignment of contractual rights and obligations.

5. Details of Benefits Received from Tender Offeror or Parties with Special Relationships with Tender Offeror

Not applicable.

6. Response Policy with Respect to Basic Policies Relating to Control of Company

Not applicable.

7. Questions to Tender Offeror

Not applicable.

8. Requests for Extension of Tender Offer Period

Not applicable.

9. Future Prospects

Refer to "(b) Background and Purpose of, and Decision-Making Process for, Tender Offeror That Led to Its Decision to Implement Tender Offer, and Its Management Policy after Tender Offer" and "(c)

Background and Reasons of Company That Led to Its Decision to Support Tender Offer” in “(2) Grounds and Reasons for Opinion Concerning Tender Offer,” “(4) Possibility of and Reasons for Delisting” and “(5) Policy on Organizational Restructuring, Etc. after Tender Offer (Matters Relating to So-called “Two-Step Acquisition”)” in “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer” above.

10. Matters Relating to Transactions with Controlling Shareholder

(1) Transactions with Controlling Shareholder and Status of Conformity with Policy on Measures to Protect Minority Shareholders

The Tender Offeror is the Company’s controlling shareholder, and therefore, the expression of an opinion concerning the Tender Offer by the Company’s Board of Directors constitutes a material transaction with a controlling shareholder. The Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder indicated in the Corporate Governance Report disclosed on the Company on October 4, 2019 is as follows.

“As a Company with Committees with the aim of implementing a highly transparent corporate governance framework, PARCO appoints independent officers (External Directors) to over half the positions on the Board of Directors in order to ensure objectivity in the management of the business. This ensures that a degree of autonomy is exercised in PARCO’s management, with transactions entered into with the controlling shareholder determined by way of a fair and appropriate process.”

As discussed in above “(6) Measures to Ensure Fairness of Tender Offer Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer,” with respect to the Transactions including the Tender Offer, the Company has (i) obtained the Company’s Share Valuation Report from an independent third-party appraiser, (ii) obtained advice from an independent law firm, (iii) established the Special Committee to avoid arbitrariness in decision-making and ensure fairness, transparency, and objectiveness in the Company’s decision-making process and received the Report to the effect that the Transactions are not disadvantageous to the Company’s minority shareholders, and (iv) obtained unanimous approval of the Company’s non-interested Directors. Accordingly, the Company believes that adequate independence from the controlling shareholders in the Company’s decision-making has been ensured and that these measures are consistent with the above policy.

(2) Details of Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest

Refer to “(6) Measures to Ensure Fairness of Tender Offer Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer.”

(3) Overview of Opinion Obtained from a Party with No Interests in Controlling Shareholder Stating That Transactions Would Not Be Disadvantageous to Minority Shareholders

On December 26, 2019, the Company received from the Special Committee the Report to the effect that it is appropriate that the Company’s Board of Directors makes decision (a) to express its opinion to support the Tender Offer and recommend shareholders of the Company to tender shares in response to the Tender Offer and (b) to approve the Demand for Share Cash Out or resolve the Share Consolidation implemented as part of the Transaction after the Tender Offer, since each decision is not disadvantageous to the minority shareholders of the Company. For details, refer to “(d) Establishment of a Special Committee of Company and Receipt of Report from Special Committee” in “(6) Measures to Ensure Fairness of Tender Offer Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer.” The Report includes the opinion

that the procedures aiming at the acquisition of all of the Company Shares following the completion of the Tender Offer as described above in “(5) Policy on Organizational Restructuring, Etc. after Tender Offer (Matters Relating to So-called “Two-Step Acquisition”)” in “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer” would not be disadvantageous to the Company’s minority shareholders.

#### 11. Revision of Dividend Forecast for Fiscal Year Ending February 29, 2020 and Elimination of Shareholder Rewards System

At the Board of Directors meeting held today, the Company adopted, subject to the completion of the Tender Offer, a resolution to (i) revise its dividend forecast for the fiscal year ending February 29, 2020, which was announced in the Quarterly Report, so that the Company will not pay a year-end dividend for the fiscal year ending February 29, 2020 or a commemorative dividend for the 50th anniversary of PARCO, and (ii) eliminate its shareholder rewards system effective as of the fiscal year ending February 29, 2020. For details, refer to the Announcement Concerning Revision of Year-End Dividend Forecast for Fiscal Year Ending February 29, 2020 and Elimination of Shareholder Rewards System dated December 26, 2019.

[End]