



February 27, 2020

For Immediate Release

Company Name: PARCO CO., LTD.
Company Representative: Kozo Makiyama
President, Representative Executive Officer
Stock code: 8251 (TSE 1st Section)
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Announcement of J. FRONT RETAILING Co., Ltd.'s Decision to Make a Demand for Share Cash-Out, and Our Approval of Such Demand for Share Cash-Out and Delisting of Our Shares

As PARCO CO., LTD. (the "Company") announced in "Announcement Concerning Results of the Tender Offer for Our Shares by J. FRONT RETAILING Co., Ltd., a Controlling Shareholder" dated February 18, 2020, J. FRONT RETAILING Co., Ltd. ("J. FRONT RETAILING") conducted a tender offer for the Company's common shares (the "Company Shares") from December 27, 2019 (the "Tender Offer"), and, as a result, J. FRONT RETAILING came to own 97,837,574 shares of the Company Shares (Voting Rights Ownership Ratio (Note 1): 96.43%) as of February 25, 2020, which is the commencement date of the settlement regarding the Tender Offer, and became a special controlling shareholder of the Company (the "Special Controlling Shareholder") as defined in the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same applies).

As a result of the completion of the Tender Offer, J. FRONT RETAILING came to own 90% or more of the voting rights of all shareholders of the Company; and therefore, J. FRONT RETAILING decided to demand that all shareholders of the Company (excluding J. FRONT RETAILING and the Company; "Shareholders Subject to Cash-Out") sell all of their Company Shares ("Shares Subject to Cash-Out") to J. FRONT RETAILING (the "Demand for Share Cash-Out") under Article 179, Paragraph 1 of the Companies Act as part of the transactions intended to make the Company a wholly-owned subsidiary of J. FRONT RETAILING by acquiring all of the Company Shares (excluding those owned by J. FRONT RETAILING and the treasury shares held by the Company) (the "Transactions") as stated 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" of "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" by the Company on December 26, 2019 (the "Opinion Press Release"). The Company, as of today, received a notice to such effect from J. FRONT RETAILING. The Company hereby announces that, upon receiving such notice, it resolved at its Board of Directors meeting held today to approve the Demand for Share Cash-Out as detailed below.

In addition, the Company Shares have fallen under the delisting criteria of the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") upon the approval of the Demand for Share Cash-Out. Accordingly, the

Company Shares will be designated as stock to be delisted for the period from today through March 17, 2020, and they will be delisted on March 18, 2020. Please note that, after the delisting, the Company Shares will no longer be able to be traded on the Tokyo Stock Exchange.

Note 1: “Voting Rights Ownership Ratio” means the ratio of (a) the number of voting rights pertaining to the number of shares owned to (b) the 1,014,568 voting rights pertaining to 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 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.

1. Outline of Demand for Share Cash-Out

(1) Outline of Special Controlling Shareholder

(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> <tr> <td>The Dai-ichi Life Insurance Company, Ltd.</td><td>2.17%</td></tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust account 5)</td><td>1.87%</td></tr> <tr> <td>MUFG Bank, Ltd.</td><td>1.65%</td></tr> <tr> <td>JP MORGAN CHASE BANK 385151</td><td>1.53%</td></tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust account 9)</td><td>1.41%</td></tr> <tr> <td>HSBC TRINKAUS AND BURKHARDT AG RE:DE-CLTS A/C RE AIF</td><td>1.40%</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%	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 RE:DE-CLTS A/C RE AIF	1.40%
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(8) Relationship between the Company and																					

J. FRONT RETAILING	
Capital relationship	As of today, J. FRONT RETAILING owns 97,837,574 shares of the Company Shares (Voting Rights Ownership Ratio: 96.43%).
Personnel relationship	<p>As of today, the Director, President and Representative Executive Officer of the Company concurrently serves as a Director and Managing Executive Officer of J. FRONT RETAILING, and a Managing Executive Officer of J. FRONT RETAILING concurrently serves as a Director of the Company.</p> <p>In addition, an employee of Daimaru Matsuzakaya Department Stores Co., Ltd. (“Daimaru Matsuzakaya”), a wholly-owned subsidiary of J. FRONT RETAILING, 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 J. FRONT RETAILING.</p>
Business relationship	<p>There is no business relationship between J. FRONT RETAILING and the Company that needs to be stated.</p> <p>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 J. FRONT RETAILING Group (in the fiscal year ended February 28, 2019). On the other hand, J. FRONT RETAILING 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).</p>
Status as a related party	J. FRONT RETAILING is a parent company of the Company and, therefore, constitutes a related party of the Company.

Note 2: “Company Group” means the Company and its subsidiaries and affiliates, and “J. FRONT RETAILING Group” means J. FRONT RETAILING and its subsidiaries and affiliates.

(2) Schedule of Demand for Share Cash-Out

Date of the demand for share cash-out	Thursday, February 27, 2020
Date when the resolution was passed at the Company's Board of Directors meeting	Thursday, February 27, 2020
Last trading day (scheduled)	Tuesday, March 17, 2020
Delisting date (scheduled)	Wednesday, March 18, 2020
Acquisition date	Monday, March 23, 2020

(3) Cash-Out Consideration

1,850 yen per common share

2. Details of Demand for Share Cash-Out

The Company received from J. FRONT RETAILING today notice of the Demand for Share Cash-Out,

with the following contents.

- (1) When Deciding not to Make Demand for Share Cash-Out to a Wholly-Owned Subsidiary Corporation of Special Controlling Shareholder, Such Decision and Name of Such Wholly-Owned Subsidiary Corporation of Special Controlling Shareholder (Article 179-2, Paragraph 1, Item 1 of the Companies Act)

Not applicable

- (2) Amount of Cash to be Delivered to Shareholders Subject to Cash-Out as Consideration for Shares Subject to Cash-Out Through Demand for Share Cash-Out and Matters Related to Allotment of Cash to Shareholders Subject to Cash-Out (Article 179-2, Paragraph 1, Items 2 and 3 of the Companies Act)

J. FRONT RETAILING will allocate and deliver to each of the Shareholders Subject to Cash-Out 1,850 yen per share of the Shares Subject to Cash-Out owned by such shareholder as consideration for the Shares Subject to Cash-Out (the “Cash-Out Consideration”).

- (3) Matters Related to a Demand for Share Option Cash-Out (Article 179-2, Paragraph 1, Item 4 of the Companies Act)

Not applicable

- (4) Date on Which Special Controlling Shareholder Acquires Shares Subject to Cash-Out (“Acquisition Date”) (Article 179-2, Paragraph 1, Item 5 of the Companies Act)

March 23, 2020

- (5) Method of Securing Funds for Payment of Cash-Out Consideration (Article 179-2, Paragraph 1, Item 6 of the Companies Act and Article 33-5, Paragraph 1, Item 1 of the Regulations for Enforcement of the Companies Act)

J. FRONT RETAILING plans to pay the Cash-Out Consideration with the funds to be raised by borrowing from financial institutions, issuing bonds or commercial papers (“CP”) or other methods. However, depending upon the status of the cash and deposits held by it at the time of the payment of the Cash-Out Consideration, J. FRONT RETAILING may pay the Cash-Out Consideration with the cash and deposits held by it in lieu of the funds raised by the said methods. In addition, no events that would affect the payment of the Cash-Out Consideration have occurred with respect to J. FRONT RETAILING nor is J. FRONT RETAILING currently aware of any possibility of such events occurring in the future.

- (6) Any Other Terms and Conditions for Demand for Share Cash-Out (Article 179-2, Paragraph 1, Item 6 of the Companies Act and Article 33-5, Paragraph 1, Item 2 of the Regulations for Enforcement of the Companies Act)

The Cash-Out Consideration will be delivered on, or within a reasonable period after, the Acquisition Date to the addresses of the Shareholders Subject to Cash-Out stated or recorded in the Company’s final shareholder register as of the day immediately preceding the Acquisition Date, or at any other place notified by the Shareholders Subject to Cash-Out to the Company, and that delivery will be made in the same manner as a delivery of dividends by the Company.

However, if it is not possible to effect delivery of the Cash-Out Consideration in the said manner, the Cash-Out Consideration will be paid to the relevant Shareholders Subject to Cash-Out at the head office of the Company in a manner designated by the Company (or, at any other place and in any other manner designated by J. FRONT RETAILING for delivery of the Cash-Out Consideration).

3. Grounds and Reasons for Decision to Approve Demand for Share Cash-Out

(1) Grounds and Reasons for Decision to Approve Demand for Share Cash-Out

The Demand for Share Cash-Out will be conducted as part of the Transactions; therefore the Cash-Out Consideration is set so as to be equal to the tender offer price per share of the Company Shares in the Tender Offer (the “Tender Offer Price”).

As stated 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 “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer” of the Opinion Press Release, at the Board of Directors meeting held on December 26, 2019, the Company adopted a resolution, owing to the background and reasons described below, to express an opinion supporting the Tender Offer and recommending that the Company’s shareholders tender their shares in the Tender Offer. With respect to the method of adoption of the above Board of Directors resolution, 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” in “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer” of the Opinion Press Release.

The Company received a proposal concerning the Transactions from J. FRONT RETAILING on August 28, 2019. Upon receiving such proposal, 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 J. FRONT RETAILING is a controlling shareholder of the Company and two of the Company’s Directors also serve as Executive Officers of J. FRONT RETAILING, 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 “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer” of the Opinion Press Release, 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 appraiser independent from J. FRONT RETAILING and the Company and to appoint Nagashima Ohno & Tsunematsu as its legal advisor, also independent from J. FRONT RETAILING 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” in “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer” of the Opinion Press Release.

Subsequently, on August 29, 2019, the Company determined that the proposal concerning the Transactions by J. FRONT RETAILING 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 J. FRONT RETAILING and undertaking integrated business development on the basis of a stronger capital relationship, and J. FRONT RETAILING and the Company commenced concrete deliberations and discussions on whether and how the Transactions should be implemented. After undergoing J. FRONT RETAILING's due diligence from mid-October to early December 2019, the Company conducted continuous discussions with J. FRONT RETAILING.

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” in “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer” of the Opinion Press Release, considering that (A) it is expected that J. FRONT RETAILING 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 J. FRONT RETAILING, 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 J. FRONT RETAILING'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 of J. FRONT RETAILING, is scheduled to be transferred to the Company following the Company becoming a wholly-owned subsidiary of J. FRONT RETAILING. 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 J. FRONT RETAILING Group, the Company will be able to make the maximum use of financial resources, networks, and intelligence assets of J. FRONT RETAILING 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 J. FRONT RETAILING 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 J. FRONT RETAILING 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 J. FRONT RETAILING and the alignment of the R&D Functions (Note 3) of the Company and J. FRONT RETAILING 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 3: 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, J. FRONT RETAILING 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" in "3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer" of the Opinion Press Release; (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, 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, and 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 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" of the Opinion Press Release; (d) after taking the measures described above, J. FRONT RETAILING 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.

On February 18, 2020 the Company received from J. FRONT RETAILING a report on the results of the Tender Offer to the effect that 31,914,960 shares of the Company Shares were tendered and that J. FRONT RETAILING would acquire all of those shares. As a result, J. FRONT RETAILING's Voting Rights Ownership Ratio represented by its holding of the Company Shares became 96.43% as of February 25, 2020 (the commencement date of the settlement of the Tender Offer), and J. FRONT RETAILING became the Special Controlling Shareholder of the Company.

Based on this, the Company received today from J. FRONT RETAILING notice of the Demand for Share Cash-Out, as part of the Transactions, as stated 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" in the Opinion Press Release. Upon receipt of that notice, the Company prudently discussed and deliberated whether to approve the Demand for Share Cash-Out.

As a result of such discussion and deliberation, the Company's Board of Directors decided that due consideration had been given to the interest of the Shareholders Subject to Cash-Out in the Demand for Share Cash-Out and that terms and conditions of the Demand for Share Cash-Out are fair based

on the following reasons:

(i) the Demand for Share Cash-Out is to be conducted as part of the Transactions, and, as explained above, the Company determined that the Transactions would contribute to improve the Company's corporate value, and there are no particular circumstances that require that determination to be changed;

(ii) the Cash-Out Consideration of 1,850 yen per Share Subject to Cash-Out is equal to the Tender Offer Price, and it is believed that the Cash-Out Consideration is a reasonable price for the Shareholders Subject to Cash-Out and that due consideration has been given to the interests of the Company's minority shareholders, since the measures to ensure the fairness of the terms and conditions of the Transactions are taken, as stated in "(4) Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest" below;

(iii) with respect to the prospect of the payment of the Cash-Out Consideration, the Company's Board of Directors determined that J. FRONT RETAILING's means of securing funds for the payment of the Cash-Out Consideration is appropriate, and that the delivery of the Cash-Out Consideration is expected, because, J. FRONT RETAILING plans to pay the Cash-Out Consideration by borrowing from financial institutions, or by using the funds to be raised by issuance of the bonds or the CP, and according to J. FRONT RETAILING, (a) it has secured the authorized amount of unissued CP in excess of the aggregate amount of the Cash-Out Consideration; (b) in light of the current credit rating of J. FRONT RETAILING, it is possible to issue the CP upon J. FRONT RETAILING reaching agreement on the details of the terms and conditions of the issuance with the financial institution that underwrites the CP; (c) in view of the fact that there are no circumstances that would disrupt the issuance of the CP and the payment of the Cash-Out Consideration, and no possibility of such disruption thereof is recognized, it is possible for J. FRONT RETAILING to secure the funds for the payment of the Cash-Out Consideration by issuance of the CP; and (d) J. FRONT RETAILING will procure the funds by issuance of the CP if it does not procure the funds by any other means;

(iv) the terms and conditions of the Demand for Share Cash-Out are considered to be appropriate because no unreasonable points have been found with respect to the period until the delivery and the payment method of the Cash-Out Consideration; and

(v) no event that will significantly change the Company's corporate value has arisen since the commencement of the Tender Offer to date.

The Company therefore resolved today at its Board of Directors meeting to approve the Demand for Share Cash-Out as it was stated in the notice from J. FRONT RETAILING, with the unanimous approval of four Directors, among the six Directors (including three External Directors) of the Company, excluding 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.

Among the Company's directors, Mr. Kozo Makiyama is also a Director and Managing Executive Officer of J. FRONT RETAILING, and from the perspective of avoiding conflicts of interest, Mr. Makiyama did not participate in the above deliberations and resolutions by the Board of Directors held today. 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 J. FRONT RETAILING 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 deliberations and resolutions by the Board of Directors relating to the Transactions from the perspective of J. FRONT RETAILING. Furthermore, among the Company’s Directors, Mr. Taro Sawada is also a Managing Executive Officer of J. FRONT RETAILING, 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 Demand for Share Cash-Out, Mr. Sawada did not participate in the above deliberations and resolutions by the Board of Directors held today and did not participate in the discussions and negotiations with J. FRONT RETAILING from the Company’s perspective.

(2) Matters Relating to Valuation

The Demand for Share Cash-Out will be conducted as the second step of the so-called “Two-Step Acquisition” after the Tender Offer, and the Cash-Out Consideration is set to be equal to the Tender Offer Price. Therefore, when making the decision to approve the Demand for Share Cash-Out, the Company did not obtain another share valuation report.

(3) Possibility of Delisting

The Company Shares are listed on the First Section of the Tokyo Stock Exchange as of today. However, the Company Shares will come to fall under the delisting criteria of the Tokyo Stock Exchange upon the approval of the Demand for Share Cash-Out. Therefore, the Company Shares will be designated as stock to be delisted for the period from today through March 17, 2020, and will be delisted on March 18, 2020. Please note that after the delisting, the Company Shares will no longer be able to be traded on the First Section of the Tokyo Stock Exchange.

(4) Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest

The Demand for Share Cash-Out will be conducted as the second step of the so-called “Two-Step Acquisition” after the Tender Offer as part of the Transactions. 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 “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer” in the Opinion Press Release, J. FRONT RETAILING and the Company have implemented the following measures to ensure the fairness of the Transaction, in the light of the Company being a consolidated subsidiary of J. FRONT RETAILING, and that the Transactions, including the Tender Offer, constitute a material transaction with a controlling shareholder, as well as the continued personnel and business relationship between J. FRONT RETAILING and the Company.

(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 J. FRONT RETAILING, 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 J. FRONT RETAILING. Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Company or J. FRONT RETAILING and has no material interest relating to the Tender Offer. A summary of Company’s Share Valuation Report is as follows:

As a result of its examination of the valuation methods used for the Tender Offer, and 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, Mitsubishi UFJ Morgan Stanley Securities adopted in calculating the value of the Company Shares (a) market price analysis the following valuation methods since the Company is listed on the First Section of the Tokyo Stock Exchange and has a market value, and (b) 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.

	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

(million yen)
(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. FRONT RETAILING CO, 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 4: 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 J. FRONT RETAILING 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.

(b) Procurement by J. FRONT RETAILING 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, J. FRONT RETAILING requested that Nomura Securities Co., Ltd. (“Nomura Securities”), a financial advisor, calculate the share value of the Company, as a third-party appraiser independent from J. FRONT RETAILING and the Company. Nomura Securities is not a related party of J. FRONT RETAILING 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 J. FRONT RETAILING obtained the share valuation report (the “J. FRONT RETAILING Valuation Report”) from Nomura Securities on December 26, 2019. Further, the J. FRONT RETAILING 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 for the period from 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.

J. FRONT RETAILING has referred to the calculation results for each method detailed in the J. FRONT RETAILING 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 5: 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 J. FRONT RETAILING'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 J. FRONT RETAILING 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 J. FRONT RETAILING 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 J. FRONT RETAILING 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 J. FRONT RETAILING; if there is a request from the Special Committee to provide an opportunity for direct discussions with J. FRONT RETAILING, 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 J. FRONT RETAILING; the Special Committee shall establish, as necessary, policies concerning negotiation with J. FRONT RETAILING 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 J. FRONT RETAILING, the purpose of the Transactions, the status and future outlook of the Company's and J. FRONT RETAILING'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 J. FRONT RETAILING 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 J. FRONT RETAILING, 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) the 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 J. FRONT RETAILING's carrying out the Transactions, the expected synergies for J. FRONT RETAILING from the Transactions, and the management policies after the Transactions and other factors of J. FRONT RETAILING in the Transactions are described generally 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" in "3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer" of the Opinion Press Release. 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 "3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer" of the Opinion Press Release.

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 J. FRONT RETAILING and the Company, both parties have engaged in ongoing discussions. Furthermore, 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" in "3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer" of the Opinion Press Release, J. FRONT RETAILING 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 J. FRONT RETAILING.

The Special Committee engaged in in-depth deliberations and discussions, taking into consideration the above, and concluded that the abovementioned explanations from J. FRONT RETAILING and the Company achieved a certain degree of specificity and further concluded that there were no contradictions between the explanations provided by J. FRONT RETAILING and the explanations provided by the Company, nor was there any inconsistency in their understanding. Moreover, the Special Committee has no particular 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 J. FRONT RETAILING 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 J. FRONT RETAILING 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 J. FRONT RETAILING 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 J. FRONT RETAILING, 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” in “3. Details of and Grounds and Reasons for Opinion Concerning Tender Offer” of the Opinion Press Release, at the meeting of the Company’s Board of Directors held on December 26, 2019, 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 J. FRONT RETAILING, 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 J. FRONT RETAILING 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 deliberations and resolutions by the Board of Directors relating to the Transactions from the perspective of J. FRONT RETAILING. Furthermore, among the Company’s Directors, Mr. Taro Sawada is also a Managing Executive Officer of J. FRONT RETAILING, 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 J. FRONT RETAILING from the Company’s perspective.

(f) Measures to Secure Acquisition Opportunities for Other Purchasers

J. FRONT RETAILING 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 J. FRONT RETAILING an opportunity to carry out a counter purchase, etc., thereby ensuring the appropriateness of the Tender Offer Price. Further, J. FRONT RETAILING 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, because J. FRONT RETAILING owned 65,922,614 shares (64.98% ownership ratio (Note

6)) of the Company Shares as of the announcement day of the Tender Offer (December 26, 2019), establishing a minimum number of shares to be purchased of a so-called Majority of Minority in the Tender Offer would cause the completion 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 J. FRONT RETAILING 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 J. FRONT RETAILING and the Company.

Note 6: "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 Quarterly Report, less (ii) the number of treasury shares held 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).

4. Future Prospects

The Company's management structure, etc. following the Demand for Share Cash-Out is scheduled to be deliberated and discussed between J. FRONT RETAILING and the Company in the future.

5. Matters Relating to Transactions with Controlling Shareholder

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

J. FRONT RETAILING is the Company's controlling shareholder, and therefore, the approval by the Company's Board of Directors of the Demand for Share Cash-Out 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 by 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 above in "(4) Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest" in "3. Grounds and Reasons for Decision to Approve Demand for Share Cash-Out," 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 "(4) Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest" in "3. Grounds and Reasons for Decision to Approve Demand for Share Cash-Out" above.

(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 "(4) Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest" in "3. Grounds and Reasons for Decision to Approve Demand for Share Cash-Out" above. Since 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, including the Demand for Share Cash-Out, would not be disadvantageous to the Company's minority shareholders, in approving the Demand for Share Cash-Out, the Company did not separately obtain an additional opinion from a party that has no interest in J. FRONT RETAILING.

[End]