

To whom it may concern

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**Announcement of Commencement of Tender Offer for Shares in PARCO CO., LTD. and  
Execution of the Capital and Business Alliance Agreement with PARCO CO., LTD.**

J. FRONT RETAILING Co., Ltd. (the “**Company**” or the “**Offeror**”) resolved at its board of directors meeting held today, to acquire the stock of PARCO CO., LTD. (stock code: 8251, First Section of the Tokyo Stock Exchange; the “**Target Company**”) through a tender offer (the “**Tender Offer**”) in accordance with the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “**Act**”) and to execute a capital and business alliance agreement with Target Company (the “**Capital and Business Alliance Agreement**”).

I. About the Commencement of Tender Offer

1. Purpose of Tender Offer

(1) Outline of Tender Offer

As of today, the Company holds 27,400,000 shares of common stock of the Target Company (the “**Target Company Shares**”) (the ratio (the “**Ownership Ratio**”) of the Target Company Shares to the total number of outstanding shares of the Target Company as of February 29, 2012 (82,475,677 shares) as set forth in the 73rd annual securities report submitted by the Target Company on May 28, 2012: 33.22% (rounded to two decimal places; the same applies to the calculation of the Ownership Ratio), or Ownership Ratio After Conversion (as defined below): 27.00%), and the Target Company is an equity method affiliate of the Company. The Company resolved at its board of directors’ meeting held on July 5, 2012 to commence the Tender Offer for the purpose of making the Target Company a consolidated subsidiary of the Company.

In connection with the Tender Offer, the Company has entered into a tender offer acceptance agreement (the “**Acceptance Agreement**”) dated July 5, 2012 with Development Bank of Japan Inc. (“**DBJ**”), under which the Company and DBJ have agreed that (i) DBJ shall exercise all of its share options attached to the PARCO Co., Ltd. series No. 1 unsecured convertible bonds (bonds with share options) (with inter-convertible bonds with share options pari passu clause) (the number of the share options as of today is 150 options, and the number of shares to be issued upon the

exercise of the share options as of today is 18,987,300 shares (Ownership Ratio After Conversion (as defined below): 18.71%); the “**Bonds with Share Options**”) that are held by DBJ as of today before August 1, 2012 (or, if the tender offer period for the Tender Offer (the “**Tender Offer Period**”) is extended before DBJ exercises such share options, the 13th business day prior to the last day (exclusive) of the Tender Offer Period after such extension) (the “**Conversion**”); and (ii) DBJ shall tender all of 18,987,300 shares issued or delivered to it upon the Conversion to the Tender Offer. The ratio of 27,400,000 shares of the Target Company Shares held by the Company to the total number of outstanding shares (101,462,977 shares) of the Target Company after the Conversion (the “**Ownership Ratio After Conversion**”) shall be 27.00%.

As of today, the Target Company Shares are listed on the First Section of the Tokyo Stock Exchange Group, Inc. (the “**Tokyo Stock Exchange**”). Because the Company intends to continue to maintain the listing of the Target Company Shares after the completion of the Tender Offer, and at the same time, strengthen the capital relationship as much as possible, the Company has set a maximum number of shares to be purchased (38,522,600 shares) (Ownership Ratio After Conversion: 37.97% Ownership Ratio After Conversion of the Target Company Shares that the Company will own by the Tender Offer for those 38,522,600 shares (65,922,600 shares) : 64.97%). If the total number of tendered share certificates, etc. exceeds the maximum number of shares to be purchased (38,522,600 shares), the Company will not purchase all or part of such excess, and will determine the purchase of shares certificates, etc. and handle other settlement matters on a pro rata bases, in accordance with Article 27-13, Paragraph 5 of the Act and Article 32 of the Ordinance. On the other hand, because there is no minimum number of shares to be purchased, if the total number of the tendered share certificates, etc. is less than or equal to the maximum number of shares to be purchased (38,522,600 shares), the Company will purchase all of the tendered share certificates, etc.

In connection with the Tender Offer, the Company and the Target Company have entered into the Capital and Business Alliance Agreement dated July 5, 2012 on the premise that the Tender Offer will be completed and the Target Company will become the Company’s consolidated subsidiary for the purpose of achieving an increase of mutual corporate value by effectively utilizing their store bases, customer bases, assets, management resources and know-how (for the terms of the Capital and Business Alliance Agreement, please see “(3)(ii) The Capital and Business Alliance Agreement”).

According to the “Announcement Concerning Opinion on Tender Offer from J. FRONT RETAILING Co., LTD. for Shares of the Company and Execution of the Capital and Business Alliance Agreement with the Tender Offeror” (the “**Target Company Press Release**”) published by the Target Company on July 5, 2012, taking the Target Company’s vision, management policy, and business environment into full consideration, strengthening the relationship with the Company through a capital and business alliance fits with the management strategy of the Target Company, and additionally the resulting environment (in which the Target Company will be able to push forward with corporate reform backed by a stable capital relationship) is in line with the expectations of all manner of stakeholders. Therefore, the Target Company came to the conclusion that the best option for the Target Company, in order for it to promote and improve its corporate value and its shareholder value, is for the Target Company and the Company to aim to develop further together as the No. 1 value added commercial group in large cities through a capital and business alliance.

It is stated that, based on (i) considerations relating to the improvement of the corporate value and shareholder value of the Target Company; (ii) the intentions of the Company; (iii) the advice from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“**Mitsubishi UFJ Morgan Stanley Securities**”), which is a third-party valuation institute independent from the Company, and the Target Company, and (iv) the advice from Nagashima Ohno & Tsunematsu, which is an independent legal advisor, the Target Company, at its board of directors’ meeting held on July 5, 2012, as a result of (a) comprehensively considering the various conditions of the Tender Offer and the benefits such as commercial synergies and effects and the complementary relationship to be enjoyed with the Company’s group through capital and business alliance with the Company, and (b) conducting careful consultation and deliberation, judged that--based on the stable capital relationship subject to the completion of the Tender Offer--establishing a firm collaborative relationship with the Company will improve the corporate value of the Target Company and, in doing so, contribute to improved shareholder value, and adopted a resolution to execute the Capital and Business Alliance Agreement, and to express an affirmative opinion on the Tender Offer. Because it is not contemplated that the Tender Offer will result in the delisting of the Target Company’s shares, and the listing of the Target Company’s shares is currently expected to be maintained after the Tender Offer, the Target Company board of directors’ meeting concurrently resolved that, although the tender offer price of the Tender Offer (the “**Tender Offer Price**”) is reasonable in the light of the share valuation statement obtained from Mitsubishi UFJ Morgan Stanley Securities, the decision regarding whether to tender shares for the Tender Offer will be left to the judgment of the shareholders of the Target Company.

The Target Company Press Release states that the above opinion relating to the Tender Offer was a resolution at its board of directors’ meeting held on July 5, 2012 adopted unanimously by 9 (of 12 in total, of which 10 are outside directors) directors of the Target Company. Of the total of 12 directors, one director was absent for private reasons and two directors did not participate in the deliberations or resolutions relating to the Tender Offer for the reasons stated as follows. Given that, of the directors of the Target Company, Mr. Hiroto Tsukada concurrently serves as a director and executive officer of the Company and Mr. Yasuyuki Kobayashi concurrently serves as a director and executive officer of a subsidiary of the Company, they did not participate in any deliberations or resolutions relating to any of the resolutions relating to the Tender Offer, including the above endorsement resolution, or any of the resolutions relating to the execution of the Capital and Business Alliance Agreement, and they did not participate in any consultations or negotiations with the Company on behalf of the Target Company, in order to improve fairness, transparency, and objectivity, and to avoid conflicts of interests in the decision making of the board of directors in relation to the Tender Offer and the Capital and Business Alliance Agreement.

(2) Purpose of, and Background to, the Tender Offer and the Management Policies after the Completion of the Tender Offer

The Company is a holding company which was incorporated on September 3, 2007 by integrating the management of Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. The group of the Company currently consists of the Company, 23 consolidated subsidiaries, 5 non-consolidated subsidiaries, 7 equity method affiliates and 1 non-equity-method affiliate, and has been engaged in the supermarket business focusing

on the department store business, wholesale business, credit business, mail order business, real estate leasing business, parking business, leasing business, interior construction contract business, manufacturing and sales of furniture business, general merchandise retailing business and other businesses by adopting the phrase “aiming to become a leading Japanese retail company both in terms of quality and quantity, with the department store business as its core” as its group vision.

The Company’s group currently strives to implement “improvement of competitiveness of the department store business” and “enhancement of group-wide growth” for the future growth and development of the group.

With respect to the department store business, recognizing that the existing department store business model will not help the Company survive the current global and domestic economic downturn, the Company, by way of a “new department store model” aimed at business innovation, is pressing forward to create a novel type of attractive store that rapidly responds to market changes and is supported by a wide range of customers, and is free from the boundaries defining traditional department stores, and also strives to establish a highly efficient and highly productive store management structure.

With respect to the enhancement of group-wide growth, the Company aims to expand business areas which generate synergy effects with a focus on the department stores, which is the group’s core business, and to grow as a multi-retailer engaged in a number of businesses. In March 2011, the Company made StylingLife Holdings Inc.--which runs stores such as “Plaza,” a retailer of general merchandise--an equity method affiliate. In an effort to expand its business development into foreign markets, the Company has determined to, jointly with StylingLife Holdings Inc., promote the “Plaza” business of StylingLife Holdings Inc. in Asian markets and aims to open the first store in Taiwan in Spring 2013. In addition, the Company has entered into a basic agreement with a local Chinese company in May 2012 regarding a business collaboration for the operation of a full-scale high-end department store in Hangpu, Shanghai in an effort to develop its department store business in China. In the relevant business areas, the Company actively endeavors to develop wholesale businesses and design and construction businesses.

Further, the Company is making group-wide efforts to review all manner of cost structures, reform organizations and personnel structures at the group level, and otherwise increase its human productivity and operational efficiency.

On the other hand, the group of the Target Company consists of the Target Company, 6 subsidiaries and 1 affiliate, and has been engaged in the shopping complex business as its core business by operating the commercial facility “PARCO”, mainly in the Tokyo metropolitan area as well as major cities throughout Japan (such as Nagoya, Sapporo and Fukuoka), and the retail business, space engineering and management business and other businesses. It has superior business know-how relating to the operation and development of highly advanced and culturally significant commercial facilities in urban areas.

Under its medium-term business plan, the group of the Target Company is currently proceeding with “business innovation at existing complexes,” “expansion of

commercial facilities in urban areas both in Japan and overseas,” and “rapid development of related and new businesses” by presenting an “urban lifestyle producer” that offers customers a fulfilling lifestyle as its new vision.

With respect to “business innovation at existing complexes,” the existing PARCO complexes are being divided into urban complexes and community complexes based on local market characteristics and the applicable product composition and operational methods are being optimized for each target customer, and in these ways and others the group of the Target Company is endeavoring to build a robust revenue base. With respect to the “expansion of commercial facilities in urban areas both in Japan and overseas,” the group of the Target Company is proceeding with the “ZERO GATE business” which is a development business of mid to low-rise commercial facilities in urban areas as a new business model for Japanese development, and in relation to overseas businesses, works with a number of local companies for future business development in China. In addition, with respect to “rapid development of related and new businesses,” the group of the Target Company continues to open new specialty stores and strives to promote new efforts in the E-commerce (EC) (Note) business.

*Note: E-commerce (EC) is an abbreviation for electronic commerce transactions, and means a form of transaction in which contracts or payments are made by using networks such as the internet.*

However, the consumption environment remains extremely severe, not only due to the unclear economic climate, but also due to issues such as (i) the shrinking Japanese market due to the falling birthrate and aging population and the decrease in the working-age population, (ii) uncertainty about the future of social security which is hampering the recovery of consumption, and (iii) the issue of whether the consumption tax will be increased. Furthermore, because competition in the retail industry is increasingly intense, the circumstances surrounding the group of the Company and the group of the Target Company is growing yet more severe. The Company’s group considers that further improving the competitiveness of the department store business and strengthening its group-wide activities in growing areas, and promoting further enhancement of productivity and operational efficiency, are its urgent priorities.

The group of the Target Company considers it essential that it continues to proceed with business innovation at existing complexes, while promoting the “ZERO GATE business” which is a new business model, and its overseas business, and speed up the development of related and new businesses.

Under these circumstances, the Company determined that by effectively utilizing the stores and customer bases of the Company and the Target Company, they would be able to mutually increase their corporate value, and so acquired 27,400,000 shares of the Target Company (Ownership Ratio: 33.22%) from Mori Trust Co., Ltd. (“**Mori Trust**”) through off-market trading in March 2012.

Since then, the Company and the Target Company have repeatedly consulted to strengthen the alliance between the two companies and generate business synergies. As a result, they have examined the potential for joint development of specific stores, alliances in store operation and expansion of opportunities for collaboration in related businesses, and other collaborations in a wide range of areas. Further, for the

Matsuzakaya Ueno Store of the Company, the south building of which is planned to be rebuilt, the Company has examined the store development jointly with the Target Company and the opening of complexes of the Target Company.

While examining such possible collaborations, the Company and the Target Company realized that they might be able to identify further collaboration opportunities beyond the mutual effective utilization of the store and customer bases of both companies, and from June 2012 started specific negotiations and examinations about how to further increase their corporate value.

While the Company and the Target Company are expected to pursue business synergies in various areas including the joint development of other stores, it is necessary to mutually provide and use the assets, management resources and know-how constituting the basis of the businesses of both companies, including, but not limited to, various operational know-how cultivated by the Company as an operator of department stores and development and operational know-how of urban commercial facilities of the Target Company as well as the store properties owned by the Company in city centers for the purpose of deepening the business collaboration between both companies and further increasing their corporate value. However, the companies' current capital structures prevent them from effectively mutually using the assets, management resources and know-how constituting the basis of the businesses of both companies. Therefore, the Company and the Target Company concluded that integration into the same group and cooperation in conducting mutual businesses under a robust capital relationship will help both companies to effectively use their management resources and further increase their corporate value.

The Company and the Target Company have determined that the following specific measures may increase the corporate value of the companies:

- (i) Strengthening the business base as an urban retail business group located in the city centers

Together the Company and the Target Company will be able to build a robust store base in Japan as an urban retail business group managing large-scale stores in the city centers of the Tokyo Metropolitan area and the major cities designated by government ordinance (Sapporo, Sendai, Saitama, Chiba, Shizuoka, Nagoya, Kyoto, Osaka, Kobe, Hiroshima, Fukuoka and Kumamoto).

- (ii) Strengthening the competitiveness of commercial facilities by jointly developing stores through the provision and use of know-how by both companies

Integration into the same consolidated group will enable the Company and the Target Company to proceed with development by mutually providing and using their assets, such as stores owned by both companies in city centers. In addition, the Company and the Target Company will be able to make commercial facilities more attractive by further promoting a more integrated development plan through the use of the know-how of both companies. The Company and the Target Company also believe that they will be able to seek to expand opportunities for store openings and joint development in foreign countries, backed by their recognition in Japan as a leading urban retail business group.

- (iii) Speeding up business innovation of the department store business of the Company by adopting the shopping complex operation know-how of the Target Company

The Company may be able to (i) speed up business innovation in the new department store model into which the Company currently put its efforts, and (ii) radically increase the competitiveness of its department store business by adopting the know-how of operation, management, discovery and training of tenants that are the basis of the shopping complex business of the Target Company.

- (iv) Strengthening business power by using mutual customer bases

Although the grades and tastes of the customer segments of the Company and the Target Company are similar, the age groups in which the Company and the Target Company specialize are different. Namely, in general, the Company specializes in middle aged to elderly people while the Target Company specializes in younger people. The Company and the Target Company will be able to proceed with store-wide joint promotions as the same consolidated group. In this case, because the customers' awareness of both companies as the same urban retail business group will increase, more marketing impact may be expected.

- (v) Expanding opportunities for collaboration in related businesses

Integration into the same consolidated group increases opportunities for the Company and the Target Company to collaborate in related businesses. Specifically, in addition to an increase in opportunities for specialty stores of the Target Company to be opened at the Company's stores, from the perspective of the expansion of intra-group transactions in the space formation business, building management business and temporary personnel business, in which the Target Company has not hitherto been engaged, the Company and the Target Company may attempt to expand opportunities for collaboration between each member company of the groups of both companies.

As described above, the Company and the Target Company have determined that it is desirable for the Target Company to become a consolidated subsidiary of the Company so that the corporate value of both companies may be further improved by strengthening the alliance between the Company and the Target Company and mutually providing and using the assets, management resources and know-how that constitute the basis of the businesses of both companies. Therefore, the Company has decided to conduct the Tender Offer on July 5, 2012 for the purpose of making the Target Company a consolidated subsidiary.

Regarding the management policies after the Tender Offer, it is expected after the completion of the Tender Offer that, while the group of the Target Company will continue to push forward with its business strategies such as "business innovation at existing complexes," "expansion of commercial facilities in urban areas both in Japan and overseas" and "rapid development of related and new businesses" under the vision of the "urban lifestyle producer" that offers customers a fulfilling lifestyle, it will deepen the alliance with the Company, and promote the collaboration contributing to the increase of corporate value of both companies.

In addition, after the completion of the Tender Offer, the Company plans to nominate the minimum number of the Target Company's directors which constitutes a majority of the board of directors of the Target Company after the 74th general shareholder's meeting of the Target Company to be held in May 2013. However, half or more of the directors are to be independent outside directors, and of the directors other than independent outside directors, the directors nominated by the Company and the directors originating from the Target Company are to be the same number.

The Company realizes that it is critical to maintain the original culture and management autonomy of the Target Company so that the Target Company may continue to develop in the future. The Target Company has endeavored to strengthen its corporate governance by placing emphasis on its management autonomy, and changed its structure to a company with committees in May 2003 with an aim to establish a highly transparent corporate governance system by strengthening the management supervisory function and clarifying the separation of the executive function. In addition, the Target Company implemented a policy which requires half or more of its directors to be independent officers (outside directors) to secure management objectivity. The Company expects that after the completion of the Tender Offer, the Target Company will continue its structure as a company with committees as long as the Capital and Business Alliance Agreement is in place.

### (3) Material Agreements for the Tender Offer

#### (i) The Acceptance Agreement

The Company executed the Acceptance Agreement as of July 5, 2012 with DBJ for the Tender Offer, and has agreed that (i) DBJ shall implement the Conversion of the Bonds with Share Options that are held by DBJ before August 1, 2012 (or, if the tender offer period is extended before DBJ implements the Conversion, the 13th business day prior to the last day (exclusive) of the tender offer period after such extension), and (ii) DBJ shall tender all of 18,987,300 shares (Ownership Ratio After Conversion: 18.71%) issued or delivered upon the Conversion to the Tender Offer (the "**Acceptance**").

The outline of the Acceptance Agreement is as follows:

#### (a) Conditions precedent for performance by DBJ of its obligations

It is prescribed that the performance by DBJ of its obligations as set out in (ii) is subject to the following conditions being fully satisfied on the date of the Acceptance: (x) all of the procedures necessary for the commencement of the Tender Offer have been taken under the Act and other applicable laws and ordinances, and the Tender Offer has commenced in accordance with the provisions of the Acceptance Agreement; (y) the board of directors of the Target Company has expressed an affirmative opinion on the Tender Offer and the expression of such opinion has not been withdrawn or changed; and (z) there is no material breach of the representations and warranties (Note) as of the execution date of the Acceptance Agreement as set out in the Acceptance Agreement or obligations as set out in the Acceptance Agreement (please see (d) below.) with respect to the Company. However, because DBJ may waive any of the conditions precedent above at its sole



discretion, DBJ may accept the Tender Offer even if the conditions precedent are not satisfied. Also, if it is discovered that any of the above conditions is not satisfied during the tender offer period after the Acceptance, DBJ may cancel the agreements regarding the Tender Offer executed as a result of the Acceptance. Unless DBJ breaches any matter set out in (b) below, if any third party other than the Company implements a tender offer for the shares of the Target Company or otherwise makes legally binding proposals for a tender offer for the shares of the Target Company, and if it is objectively and reasonably determined that the Acceptance is likely to breach the duty of care as a good manager owed by DBJ's directors, then DBJ will notify the Company of such proposals made by such third party, and DBJ and the Company will consult with each other regarding appropriate measures including changes in or other amendments to the terms of the Tender Offer. It is also prescribed that if DBJ and the Company fail to succeed in such consultation within 10 business days after such notice (but, the business day immediately prior to the last day of the tender offer period is to be the last day for consultation), DBJ will not accept the Tender Offer, or will cancel the agreements regarding the Tender Offer executed as a result of the Acceptance.

(b) DBJ's covenants

It is prescribed that after the execution date of the Acceptance Agreement and before the completion of the Tender Offer, DBJ will not, directly or indirectly, implement a tender offer for the shares and/or bonds with share options of the Target Company with any third party other than the Company, or otherwise make any proposal, solicitation or provision of information to, or other consultation with, any third party other than the Company regarding any act that competes with, contradicts or conflicts with, or is likely to compete with, contradict or conflict with, the Tender Offer.

(c) Cancellation by DBJ of the Acceptance Agreement

It is prescribed that if (w) it is discovered that the conditions precedent as set out in (a) above are not satisfied, (x) it is discovered that the Company materially breaches its representations and warranties (Note), (y) if the Company breaches its material obligations under the Acceptance Agreement (please see (d) below), or (z) if the Company withdraws from the Tender Offer in accordance with applicable laws and ordinances, and if DBJ determines that it will not commence the Tender Offer or does not commence the Tender Offer before July 31, 2012, then DBJ may immediately cancel the Acceptance Agreement. It is also prescribed that, notwithstanding any cancellation (excluding cancellation due to (iv) above) of the Acceptance Agreement, DBJ's obligations as set out in (i) above will remain effective, and that, notwithstanding any cancellation of the Acceptance Agreement, DBJ will implement the Conversion pursuant to its obligations as set out in (i) above.

(d) Others

In addition to the above, the Company and DBJ assume confidentiality obligations, and obligations to not transfer any contractual status or rights or obligations under the Acceptance Agreement.

*Note: In the Acceptance Agreement, the Company represents and warrants on the execution date of the Acceptance Agreement and the settlement commencement date for the Tender Offer (i) the valid and effective incorporation and existence of the Company, (ii) the existence of the authority and powers necessary for the execution and performance of the Acceptance Agreement, and performance of necessary procedures, (iii) the legally binding force of the Acceptance Agreement, (iv) the acquisition of permits and other approvals necessary for the execution and performance of the Acceptance Agreement, and performance of procedures under the laws and ordinances, (v) the absence of any conflict of the execution and performance of the Acceptance Agreement with laws or ordinances, (vi) the procurement of sufficient funds for the payment of the funds necessary for the Tender Offer, and (vii) the absence of future plans for immediate resale of the Target Company Shares.*

(ii) The Capital and Business Alliance Agreement

The Company and the Target Company executed the Capital and Business Alliance Agreement as of July 5, 2012.

The details of the Capital and Business Alliance Agreement are as described below.

(a) Purpose

In order for the Target Company and the Company, both of which aim at conducting retail business in a high quality, value-added manner, to enhance each other's corporate value by making effective use of each other's store base and customer base, on the condition that the Tender Offer has been completed and the Target Company has become a consolidated subsidiary of the Company, the Target Company and the Company shall agree to the following matters provided in the Capital and Business Alliance Agreement. In the capital and business alliance, the Company shall understand that creation of corporate value for the Target Company is originated from autonomy of management of the Target Company, and autonomy and creativity of officers and employees of the Target Company endorsed by such implementation of management of the Target Company, and shall respect the autonomy of management of the Target Company.

(b) Details of Capital Alliance and Business Alliance

- (y) After resolving an opinion to support the Tender Offer, the Target Company shall announce such supporting opinion (including announcement of timely disclosure on the same date and filing of the report concerning the expression of opinion), and shall not withdraw or change the opinion. However, this shall not apply when not withdrawing or not changing the opinion violates the Target Company's directors' duties as directors.
- (z) The Company and the Target Company shall consult with each other in good faith about the details, including the contents, conditions and schedules etc., of alliance and cooperation between both companies regarding the following matters, and shall act in good faith to achieve and execute such matters:

- Strengthening the business base as a retail business group;
  - Strengthening the competitiveness of commercial facilities by way of provision and by use of the know-how of the Target Company and the Company;
  - Strengthening the business power by use of each other's customer base;
  - Expansion of opportunities for cooperation in related businesses; and
  - Other matters agreed by the Target Company and the Company.
- (c) Prohibition on the Additional Acquisition of the Target Company Shares
- The Company shall not purchase any more the Target Company Shares after the completion of the Tender Offer without the consent of the Target Company;
  - The Company shall use its best efforts so that the shares of the Target Company may be continued to be listed during the term of the Capital and Business Alliance Agreement; and
  - If the Company intends to dispose of the shares of the Target Company, the Company shall obtain the Target Company's prior consent regarding the timing, method and counterparty of such disposal.
- (d) Management Structure of the Target Company
- The Company shall maintain the "Company with Committees" system of the Company with respect to the governance structure.
  - The composition of the Target Company's Board of Directors
    - Half or more of the directors shall be independent outside directors.
    - The minimum majority of the board of directors of the Target Company shall be directors nominated by the Company.
    - With respect to directors other than independent outside directors, there shall be the same number of directors nominated by the Company and directors originated from the Target Company.
  - Committees
    - The majority of members of the nominating committee and the compensation committee of the Company shall be independent outside directors, including the director who serves concurrently as president and representative executive officer of the Target Company.
  - Business Execution Regime of the Target Company
    - The representative executive officer(s) shall be a director(s) originated from the Target Company.
    - The Company will respect the decision of the Target Company with respect to the organization and executive regime of the Target Company.
  - Application Period
    - The foregoing management system shall be applied as from the ordinary general meeting of shareholders for the 74th fiscal year to be held in May 2013, and up to then, the as of the execution date of the Capital and Business Alliance Agreement management structure shall not be voluntarily changed.
- (e) Maintenance of the Brands of the Target Company

The Company shall recognize the value of the brands of the Target Company (including those brands that are held by the group; the same hereinafter), maintain the brands of the Target Company, and shall not change the brand of the Target Company. The Company shall leave the management and use of the brands of the Target Company to the business decision of the Target Company.

(f) Interchange of Personnel

Interchange of personnel between the Company and the Target Company shall be conducted upon agreement through mutual consultation.

(g) Employment System

The Company shall respect the employment relationship, employment condition and employment practice adopted by the Target Company as of the execution date of the Capital and Business Alliance Agreement.

(h) Matters to be Independently Judged by the Target Company

- If the Target Company conducts any M&A, acquisition and disposition of assets, development etc., with respect to which the Target Company shall undertake the duty of timely disclosure pursuant to the Securities Listing Enforcement Rules established by Tokyo Stock Exchange, or if the Target Company executes the capital policy which is accompanied by the dilution of the Target Company Shares and new share options, etc., the Target Company shall be required to obtain prior consent from the Company.
- If the Target Company conducts any M&A, acquisition and disposition of assets, development etc., which is accompanied by expenditure or gain in the amount of 1 billion yen or more for one such act, or any acquisition or disposition of the assets in the amount of 1 billion yen or more, or any other acts which may affect the Target Company's net income before income taxes in the amount of 500 million yen or more, the Target Company shall notify the Company thereof in advance, and, if the Company requests, shall consult with the Company.
- The Company shall respect the customer policy and the sales policy adopted by the Target Company.
- The Company shall respect the Target Company's existing business relationships and cooperative relationships.
- It shall be ensured that the transaction between the Company and the Target Company shall be conducted on terms equivalent to an arm's length transaction.

(i) Miscellaneous

In addition to the above, the Target Company and the Company assume confidentiality obligations, and obligations to not transfer any contractual status or rights or obligations under the Capital and Business Alliance Agreement.

(j) Duration of the Capital and Business Alliance Agreement

The effective term of the Capital and Business Alliance Agreement shall, on the condition that the Target Company becomes a consolidated subsidiary of the Company, begin from the settlement date of the Tender Offer (provided, however, that the respective effective terms of (b) (y) above, (h) above and (j) above begin from the time of execution of the Capital and Business Alliance Agreement) and continue for five (5) years from the settlement date of the Tender Offer (the “**Effective Term of the Capital and Business Alliance Agreement**”). The Company and the Company shall consult with each other in good faith with respect to the situation subsequent to the Effective Term of the Capital and Business Alliance Agreement.

Notwithstanding the provisions of the preceding paragraph, the obligations of the Company prescribed in (e) above shall continue until such agreement terminates after the end of the Effective Term of the Capital and Business Alliance Agreement.

The Capital and Business Alliance Agreement shall expire in the case where any of the following events occur:

- In the event that the Target Company and the Company agree to cancel the Capital and Business Alliance Agreement.
- In the event that the Target Company or the Company violates any provision of the Capital and Business Alliance Agreement, and despite the other party having provided thirty (30) days’ prior notice, thirty (30) days have passed without such violation being corrected.
- In the event that the Target Company ceases to fall under a consolidated subsidiary of the Company.

If, during the term of the Capital and Business Alliance Agreement, the level of the business performance or the amount of dividends of the Target Company deteriorates considerably from the level of the business performance or the amount of dividends for the fiscal year ending on February 29, 2012 (excluding cases due to acts of God, political disputes, terrorism, the business environment, deterioration of results in the entire retail industry or other reasons beyond the Target Company’s control), the Target Company and the Company shall consult with each other in good faith on the provisions and the term of the Capital and Business Alliance Agreement (provided, however, that the period for such consultation shall not exceed thirty (30) days). If, after the consultation, the Company reasonably determines that the level of the performance or the amount of dividends of the Target Company is not likely to recover to the same level of the business performance or the amount of dividends for the fiscal year ending on February 29, 2012, the Company may terminate the Capital and Business Alliance Agreement.

- (4) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest

Although the Target Company is not a subsidiary of the Company as of July 5, 2012 and the Tender Offer does not fall into the category of a tender offer by the controlling shareholder, in consideration of the fact that the Target Company is treated as an equity method affiliate of the Company with the Company owning 27,400,000 shares (Ownership Ratio: 33.22%) of the Target Company Shares, and that two outside directors of the Target Company were assigned from the Company, the Company and the Target

Company implemented the following measures from the viewpoint of ensuring the fairness of the Tender Offer. Among the matters stated below, the measures implemented by the Target Company are based on the explanations given by the Target Company.

- (i) Obtainment by the Company of a Share Valuation Statement from an Independent Third-Party Appraiser

For the determination of the Tender Offer Price, the Company engaged Nomura Securities Co., Ltd. (“**Nomura Securities**”), which is a third-party valuation institute, independent from both the Company and the Target Company, to calculate the share value of the Target Company. Nomura Securities has, as a result of its consideration of the calculation methods used in the Tender Offer, calculated the share value of the Target Company by employing each of (i) the average market share price method, (ii) the comparable companies method, and (iii) the discounted cash flow (“**DCF**”) method. The Company obtained a share valuation statement of the share value of the Target Company (the “**Share Valuation Statement**”) from Nomura Securities on July 5, 2012. The Company has not obtained from Nomura Securities a written opinion on the fairness of the Tender Offer Price (fairness opinion).

The Share Valuation Statement states the methods employed and the range of share value per Target Company Share that is calculated based on those methods as follows.

Average market share price method:	776 yen to 822 yen
Comparable companies method:	623 yen to 861 yen
DCF method:	732 yen to 1,226 yen

For the average market price method, the calculation record date was set at July 3, 2012, and the valuation per Target Company Share was analyzed based on the closing price on the record date (822 yen) and the simple average closing prices over the one-week, one-month, and three-month periods prior to the record date (797 yen, 779 yen and 776 yen respectively), and the simple average closing price over the period from February 24, 2012, on which the Company announced that it would acquire the Target Company Shares from Mori Trust, to the record date (783 yen) (rounded to the nearest whole yen)), as quoted on the First Section of the Tokyo Stock Exchange. A range of 776 yen to 822 yen per Target Company Share was derived from the analysis using this method.

For the comparable companies method, multiple listed companies in similar businesses to those of the Target Company were selected in order to evaluate the share value of the Target Company by comparing the market value of shares and financial indicators representing profitability. A range of 623 yen to 861 yen per Target Company Share was derived from the analysis using this method.

For the DCF method, the free cash flow that the Target Company is expected to create in the future based on the elements such as the Target Company’s estimated future earnings in its business plan, investment plan, and publicly disclosed information, was discounted to the current value by using a certain discount rate, in order to analyze

the Target Company's corporate value and share value. A range of 732 yen to 1,226 yen per Target Company Share was derived from the analysis using this method.

With the calculation results in the Share Valuation Statement obtained from Nomura Securities as a reference, and having considered the Tender Offer Price by comprehensively taking into account such factors as (i) the results of due diligence conducted on the Target Company by the Company, (ii) examples of the premiums added when determining purchase prices in tender offers conducted in the past by a party other than an issuer, (iii) whether the Target Company's board of directors would express an affirmative opinion on the Tender Offer, (iv) trends in the market value of Target Company Shares, and (v) the estimated number of shares to be tendered in the Tender Offer, the Company's board of directors ultimately decided on a Tender Offer Price of 1,100 yen per share at its meeting held on July 5, 2012.

The Tender Offer Price of 1,100 yen per share includes (a) a premium of 13.17% (rounded to two decimal places) on 972 yen, which is the closing price of the Target Company Shares quoted on the First Section of the Tokyo Stock Exchange on July 4, 2012, which is the business day immediately preceding the announcement date for the Tender Offer, (b) a premium of 31.74% (rounded to two decimal places) on 835 yen, which is the simple average closing price of the Target Company Shares quoted for the one-week prior to July 4, 2012, (c) a premium of 39.59% (rounded to two decimal place) on 788 yen, which is the simple average closing price of the Target Company Shares quoted for the one-month period prior to July 4, 2012, (d) a premium of 41.39% (rounded to two decimal places) on 778 yen, which is the simple average closing price quoted for the three-month period prior to July 4, 2011, and (e) a premium of 49.46% (rounded to two decimal places) on 736 yen, which is the simple average closing price quoted for the six-month period prior to July 4, 2012.

(ii) Obtainment by the Target Company of a Share Valuation Statement from an Independent Third-Party Appraiser

The Target Company Press Release states that the Target Company, in judging the appropriateness of the Tender Offer Price, has engaged Mitsubishi UFJ Morgan Stanley Securities, which is a third-party valuation institute independent from both the Company and the Target Company, to appraise and analyze the share value of the Target Company (it is also stated that Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Company and the Target Company and has no material interest in the Tender Offer).

It is stated that Mitsubishi UFJ Morgan Stanley Securities appraised and analyzed the share value of the Target Company Shares by using the methods of (i) market share price analysis, (ii) comparable companies analysis, and (iii) discounted cash flow analysis ("**DCF analysis**"), and that the Target Company obtained a share valuation statement from Mitsubishi UFJ Morgan Stanley Securities on July 4, 2012 (but that, however, the Target Company has not obtained any statement regarding the fairness of the Tender Offer Price (fairness opinion) from Mitsubishi UFJ Morgan Stanley Securities).

The ranges of the value per Target Company Share analyzed by each method mentioned above are as follows.

Market share price analysis:	776 yen to 783 yen
Comparable companies analysis:	543 yen to 981 yen
DCF analysis:	864 yen to 1,207 yen

For the market price analysis, it is stated that the calculation record date was set at July 3, 2012, and the valuation per Target Company Share was based on the simple average regular trading closing prices over the one-month and three-month periods prior to the record date (779 yen and 776 yen respectively) and the simple average regular trading closing price since February 24, 2012, on which it was announced that the Company would acquire 33.2% of the shares of the Target Company from Mori Trust and make the Target Company an equity method affiliate (783 yen), as quoted on the First Section of the Tokyo Stock Exchange. A range of 776 yen to 783 yen per Target Company Share was derived using this analysis.

For the comparable companies analysis, it is stated that multiple listed companies engaged in comparatively similar businesses to those of the Target Company were selected in order to analyze the corporate value and share value of the Target Company by comparing the market value of shares and financial indicators representing profitability. A range of 543 yen to 981yen per Target Company Share was derived using this analysis.

For the DCF analysis, it is stated that the free cash flow that the Target Company is expected to create in the future based on the estimated future earnings of the Target Company, taking into consideration elements such as the Target Company's business plan, trends in recent business performance, and the business environment, was discounted to the current value by using a certain discount rate to account for capital costs of the Target Company and other factors, in order to analyze the Target Company's corporate value and share value. A range of 864 yen to 1,207 yen per Target Company Share was derived using this analysis.

(iii) Advice from a Law Firm Independent from the Target Company

The Target Company Press Release states that the Target Company has received legal advice about the method and process of decision making by the Target Company board of directors relating to the Tender Offer from Nagashima Ohno & Tsunematsu, which is a legal advisor independent from the Company and the Target Company, in order to secure the fairness and appropriateness of the method and process of its decision making.

(iv) Approval of All Disinterested Directors of the Target Company

The Target Company Press Release states that the opinion relating to the Tender Offer was a resolution at its board of directors held on July 5, 2012 adopted unanimously by 9 (of 12 in total, of which 10 are outside directors) directors of the Target Company. Of the total of 12 directors, one director was absent for private reasons and two directors did not participate in the deliberations or resolutions relating to the Tender Offer for the reasons stated as follows. Given that, of the directors of the Target Company, Mr. Hiroto Tsukada concurrently serves as a director and executive officer of the Company and Mr. Yasuyuki Kobayashi concurrently serves as a



director and executive officer of a subsidiary of the Company, they did not participate in any deliberations or resolutions relating to any of the resolutions relating to the Tender Offer, including the resolution to express an affirmative opinion on the Tender Offer, or any of the resolutions relating to the execution of the Capital and Business Alliance Agreement, and they did not participate in any consultations or negotiations with the Company on behalf of the Target Company, in order to improve fairness, transparency, and objectivity, and avoid conflicts of interests, in the decision making of the board of directors in relation to the Tender Offer and the Capital and Business Alliance Agreement.

The Target Company Press Release states that given that, taking the Target Company's vision, management policy, and business environment into full consideration, strengthening the relationship with the Company through a capital and business alliance is in accordance with the management strategy of the Target Company, and additionally the resulting environment (in which the Target Company will be able to push forward with corporate reform backed by a stable capital relationship) is in line with the expectations of all manner of stakeholders--the Target Company came to the conclusion that the best option for the Target Company, in order for it to promote and improve its corporate value and its shareholder value, is for the Target Company and the Company to aim to develop further together as the No. 1 value added commercial group in large cities through a capital and business alliance.

It is stated that, based on (i) considerations relating to the improvement of the corporate value and shareholder value of the Target Company; (ii) the intentions of the Company; (iii) the share valuation statement of Mitsubishi UFJ Morgan Stanley Securities, (iv) legal advice from Nagashima Ohno & Tsunematsu, and (v) other relevant materials, the Target Company, at its board of directors held on July 5, 2012, as a result of (a) comprehensively considering the various conditions of the Tender Offer and the benefits such as commercial synergies and effects and the complementary relationship to be enjoyed with the Company's group through capital and business alliance with the Company, and (b) conducting careful consultation and deliberation, judged that--based on the stable capital relationship subject to the completion of the Tender Offer--establishing a firm collaborative relationship with the Company will improve the corporate value of the Target Company and, in doing so, contribute to improved shareholder value, and adopted a resolution to execute the Capital and Business Alliance Agreement and to express an affirmative opinion on the Tender Offer. Because the Tender Offer is not contemplated to result in the delisting of the Target Company's shares, and the listing of the Target Company's shares is currently expected to be maintained after the Tender Offer, the Target Company board of directors' meeting at the same time resolved that, although the tender offer price is reasonable in the light of the share valuation statement obtained from Mitsubishi UFJ Morgan Stanley Securities, the decision regarding whether to tender shares for the Tender Offer will be left to the judgment of the shareholders of the Target Company.

- (v) Measures for Securing an Opportunity for any Party Other than the Company to Purchase

While the minimum tender offer period stipulated by law is 20 business days, the Company has set the tender offer period at 30 business days. Setting a comparatively long tender offer period ensures an appropriate opportunity for the shareholders of the

Target Company to make a decision about the Tender Offer, while ensuring an opportunity for counter offers by other parties, as a means to guarantee fairness.

The Company and the Target Company have never agreed on any matter that would restrict a counter offeror from contacting or performing other acts with the Target Company, including an agreement on a transaction protection clause that prohibits the Target Company from contacting the counter offerors. In addition to the tender offer period outlined above, by securing opportunities for counter tender offers, the fairness of the Tender Offer is ensured.

(5) Intention of Acquisition of Stock or the like After the Tender Offer

Since the Company will implement the Tender Offer with the objective to make the Target Company a consolidated subsidiary, the Company presently does not intend to additionally acquire the shares of stock of the Target Company after the Tender Offer if that objective is accomplished via the Tender Offer.

(6) Possibility of and Reasons for Delisting

As of the date of this Statement, the Target Company Shares are listed on the First Section of the Tokyo Stock Exchange. The Tender Offer is not intended to delist the Target Company and for this reason the Company will implement the Tender Offer with an upper limit of 38,522,600 shares (Ownership Ratio After Conversion: 37.97% Ownership Ratio After Conversion of the Target Company Shares that the Company will own by the Tender Offer for those 38,522,600 shares (65,922,600 shares) : 64.97%). On this basis the Target Company Shares will continue to be maintained as listed on the First Section of the Tokyo Stock Exchange after the Tender Offer.

2. Outline of Tender Offer

(1) Outline of Target Company

(i) Name	PARCO CO., LTD.	
(ii) Address	1-28-2 Minami-Ikebukuro, Toshima-ku, Tokyo	
(iii) Name and title of representative	President and Representative Executive Officer: Kozo Makiyama	
(iv) Description of business	Shopping Complex Business, Retail Business, Space Engineering and Management Business, and Other Business	
(v) Stated capital	26,867 million yen	
(vi) Date of incorporation	February 13, 1953	
(vii) Major shareholders and shareholding ratios (as of February 29, 2012) (Note 1)	Mori Trust Holdings Inc. (Note 2)	33.22%
	AEON CO., LTD.	10.03%
	Credit Saison Co.,Ltd.	9.41%
	Japan Trustee Services Bank, Ltd.	5.00%
	The Master Trust Bank of Japan ,Ltd.	3.43%
	JUNIPER	2.19%
	(Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	
	NORTHERN TRUST CO. (AVFC) SUB A/C	1.98%
	AMERICAN CLIENTS	

	(Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch) Mizuho Corporate Bank, Ltd. 1.58% Sumitomo Mitsui Banking Corporation 1.47% BNP PARIBAS SEC SVC LONDON/ JAS/ 1.21% ABERDEEN INVESTMENT FUNDS ICVC/ AGENCY LENDING (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)
(viii)	Relationship between Company and Target Company
	Capital relationship
	Personnel relationship
	Business relationship
	Status as related party

Note 1: The shareholding ratios described in “(vii) Major shareholders and shareholding ratios (as of February 29, 2012)” are the ratios of shares owned to the total number of issued shares of the Target Company, rounded off to two decimal places.

Note 2: The Company acquired 27,400,000 shares of Target Company from Mori Trust Holdings Inc. on March 23, 2012 outside of Financial Instruments Exchange Markets.

(2) Schedule, etc.

(i) Schedule

Meeting of Board of Directors	July 5, 2012 (Thursday)
Date of public notice of commencement of Tender Offer	July 9, 2012 (Monday) The Offeror will issue an electronic public notice and publish a statement to that effect in the <i>Nihon Keizai Shimbun</i> . (Address of electronic public notice <a href="http://info.edinet-fsa.go.jp/">http://info.edinet-fsa.go.jp/</a> )
Filing date of Tender Offer registration statement	July 9, 2012 (Monday)

(ii) Tender Offer Period at time of filing of registration statement

From July 9, 2012 (Monday) through August 20, 2012 (Monday) (30 business days)

(iii) Possibility of extension of Tender Offer Period upon request of Target Company

Not applicable.

(3) Tender Offer Price

1,100 yen per share of common stock

(4) Basis of valuation of Tender Offer Price

(i) Basis of calculation

For the determination of the Tender Offer Price, the Company engaged Nomura Securities, which is a third-party valuation institute, independent from both the Company and the Target Company, to calculate the share value of the Target Company. Nomura Securities has, as a result of its consideration of the calculation methods used in the Tender Offer, calculated the share value of the Target Company by employing each of (i) the average market share price method, (ii) the comparable companies method, and (iii) the DCF method. The Company obtained the Share Valuation Statement from Nomura Securities on July 5, 2012. The Company has not obtained from Nomura Securities a written opinion on the fairness of the Tender Offer Price (fairness opinion).

The Share Valuation Statement states the methods employed and the range of share value per Target Company Share that is calculated based on those methods as follows.

Average market share price method:	776 yen to 822 yen
Comparable companies method:	623 yen to 861 yen
DCF method:	732 yen to 1,226 yen

For the average market price method, the calculation record date was set at July 3, 2012, and the valuation per Target Company Share was analyzed based on the closing price on the record date (822 yen) and the simple average closing prices over the one-week, one-month, and three-month periods prior to the record date (797 yen, 779 yen and 776 yen respectively), and the simple average closing price over the period from February 24, 2012, on which the Company announced that it would acquire the Target Company Shares from Mori Trust, to the record date (783 yen) (rounded to the nearest whole yen)), as quoted on the First Section of the Tokyo Stock Exchange. A range of 776 yen to 822 yen per Target Company Share was derived from the analysis using this method.

For the comparable companies method, multiple listed companies in similar businesses to those of the Target Company were selected in order to evaluate the share value of the Target Company by comparing the market value of shares and financial indicators representing profitability. A range of 623 yen to 861 yen per Target Company Share was derived from the analysis using this method.

For the DCF method, the free cash flow that the Target Company is expected to

create in the future based on the elements such as the Target Company's estimated future earnings in its business plan, investment plan, and publicly disclosed information, was discounted to the current value by using a certain discount rate, in order to analyze the Target Company's corporate value and share value. A range of 732 yen to 1,226 yen per Target Company Share was derived from the analysis using this method.

With the calculation results in the Share Valuation Statement obtained from Nomura Securities as a reference, and having considered the Tender Offer Price by comprehensively taking into account such factors as (i) the results of due diligence conducted on the Target Company by the Company, (ii) examples of the premiums added when determining purchase prices in tender offers conducted in the past by a party other than an issuer, (iii) whether the Target Company's board of directors would express an affirmative opinion on the Tender Offer, (iv) trends in the market value of Target Company Shares, and (v) the estimated number of shares to be tendered in the Tender Offer, the Company's board of directors ultimately decided on a Tender Offer Price of 1,100 yen per share at its meeting held on July 5, 2012.

The Tender Offer Price of 1,100 yen per share includes (a) a premium of 13.17% (rounded to two decimal places) on 972 yen, which is the closing price of the Target Company Shares quoted on the First Section of the Tokyo Stock Exchange on July 4, 2012, which is the business day immediately preceding the announcement date for the Tender Offer, (b) a premium of 31.74% (rounded to two decimal places) on 835 yen, which is the simple average closing price of the Target Company Shares quoted for the one-week prior to July 4, 2012, (c) a premium of 39.59% (rounded to two decimal place) on 788 yen, which is the simple average closing price of the Target Company Shares quoted for the one-month period prior to July 4, 2012, (d) a premium of 41.39% (rounded to two decimal places) on 778 yen, which is the simple average closing price quoted for the three-month period prior to July 4, 2011, and (e) a premium of 49.46% (rounded to two decimal places) on 736 yen, which is the simple average closing price quoted for the six-month period prior to July 4, 2012.

(ii) Background of calculation

*Process of decision on Tender Offer Price*

The Company and the Target Company started specific negotiations and examinations about how to further increase their corporate value from June 2012.

While the Company and the Target Company are expected to pursue business synergies in various areas including the joint development of other stores, it is necessary to mutually provide and use the assets, management resources and know-how constituting the basis of the businesses of both companies, including, but not limited to, various operational know-how cultivated by the Company as an operator of department stores and development and operational know-how of urban commercial facilities of the Target Company as well as the store properties owned by the Company in city centers for the purpose of deepening the business collaboration between both companies and further increasing their corporate value. However, the companies' current capital structures prevent them from effectively mutually using the assets, management resources and know-how constituting the basis of the businesses of both companies. Therefore, the Company and the Target Company concluded that integration into the same group and cooperation in conducting mutual businesses under

a robust capital relationship will help both companies to effectively use their management resources and further increase their corporate value.

The Company and the Target Company have determined that (i) to strengthen a business base by building a robust store base an urban retail business group located in the city centers, (ii) to provide and use by mutually their assets such as stores owned by both companies and to strengthen the competitiveness of commercial facilities by jointly developing stores through the provision and use of know-how by both companies, (iii) to speed up business innovation of the department store business of the Company by adopting the shopping complex operation know-how of the Target Company, (iv) to strengthen business power by using mutual customer bases, and (v) to expand opportunities for collaboration in related businesses may increase the corporate value of the companies:

As described above, the Company and the Target Company have determined that it is desirable for the Target Company to become a consolidated subsidiary of the Company so that the corporate value of both companies may be further improved by strengthening alliance between the Company and the Target Company and mutually providing and using the assets, management resources and know-how that constitute the basis of the businesses of both companies. Therefore, the Company has decided to conduct the Tender Offer on July 5, 2012 for the purpose of making the Target Company a consolidated subsidiary and decided the Tender Offer Price by the process described below.

(a) Name of Third-Party Consulted in Valuation

For the determination of the Tender Offer Price, the Company referred to the Share Valuation Statement provided by Nomura Securities, which is a third-party valuation institute, independent from both the Company and the Target Company. The Company has not obtained from Nomura Securities a written opinion on the fairness of the Tender Offer Price (fairness opinion).

(b) Outline of the Opinion

Nomura Securities has calculated the share value of the Target Company by employing each of (i) the average market share price method, (ii) the comparable companies method, and (iii) the DCF method. The range of share value per Target Company Share that is calculated based on those methods is as follows.

Average market share price method:	776 yen to 822 yen
Comparable companies method:	623 yen to 861 yen
DCF method:	732 yen to 1,226 yen

(c) Process of Decision on Tender Offer Price in accordance with the Opinion

With the calculation results in the Share Valuation Statement obtained from Nomura Securities as a reference, and having considered the Tender Offer Price by fully taking into account such factors as (i) the results of due diligence conducted on the Target Company by the Company, (ii) examples of the premiums added when

determining purchase prices in tender offers conducted in the past by a party other than an issuer, (iii) whether the Target Company's board of directors would express an affirmative opinion on the Tender Offer, (iv) trends in the market value of Target Company Shares, and (v) the estimated number of shares to be tendered in the Tender Offer, the Company's board of directors ultimately decided on a Tender Offer Price of 1,100 yen per share at its meeting held on July 5, 2012.

*Measures to ensure fairness of tender offer such as measures to ensure fairness of tender offer price and measures to avoid conflicts of interest*

- (a) Obtainment by the Company of a Share Valuation Statement from an Independent Third-Party Appraiser

For the determination of the Tender Offer Price, the Company engaged Nomura Securities, which is a third-party valuation institute, independent from both the Company and the Target Company, to calculate the share value of the Target Company. Nomura Securities has, as a result of its consideration of the calculation methods used in the Tender Offer, calculated the share value of the Target Company by employing each of (i) the average market share price method, (ii) the comparable companies method, and (iii) the DCF method. The Company obtained the Share Valuation Statement from Nomura Securities on July 5, 2012. The Company has not obtained from Nomura Securities a written opinion on the fairness of the Tender Offer Price (fairness opinion).

The Share Valuation Statement states the methods employed and the range of share value per Target Company Share that is calculated based on those methods as follows.

Average market share price method:	776 yen to 822 yen
Comparable companies method:	623 yen to 861 yen
DCF method:	732 yen to 1,226 yen

For the average market price method, the calculation record date was set at July 3, 2012, and the valuation per Target Company Share was analyzed based on the closing price on the record date (822 yen) and the simple average closing prices over the one-week, one-month, and three-month periods prior to the record date (797 yen, 779 yen and 776 yen respectively), and the simple average closing price over the period from February 24, 2012, on which the Company announced that it would acquire the Target Company Shares from Mori Trust, to the record date (783 yen) (rounded to the nearest whole yen)), as quoted on the First Section of the Tokyo Stock Exchange. A range of 776 yen to 822 yen per Target Company Share was derived from the analysis using this method.

For the comparable companies method, multiple listed companies in similar businesses to those of the Target Company were selected in order to evaluate the share value of the Target Company by comparing the market value of shares and financial indicators representing profitability. A range of 623 yen to 861 yen per Target Company Share was derived from the analysis using this method.

For the DCF method, the free cash flow that the Target Company is expected to create in the future based on the elements such as the Target Company's estimated future earnings in its business plan, investment plan, and publicly disclosed information, was discounted to the current value by using a certain discount rate, in order to analyze the Target Company's corporate value and share value. A range of 732 yen to 1,226 yen per Target Company Share was derived from the analysis using this method.

With the calculation results in the Share Valuation Statement obtained from Nomura Securities as a reference, and having considered the Tender Offer Price by comprehensively taking into account such factors as (i) the results of due diligence conducted on the Target Company by the Company, (ii) examples of the premiums added when determining purchase prices in tender offers conducted in the past by a party other than an issuer, (iii) whether the Target Company's board of directors would express an affirmative opinion on the Tender Offer, (iv) trends in the market value of Target Company Shares, and (v) the estimated number of shares to be tendered in the Tender Offer, the Company's board of directors ultimately decided on a Tender Offer Price of 1,100 yen per share at its meeting held on July 5, 2012.

The Tender Offer Price of 1,100 yen per share includes (a) a premium of 13.17% (rounded to two decimal places) on 972 yen, which is the closing price of the Target Company Shares quoted on the First Section of the Tokyo Stock Exchange on July 4, 2012, which is the business day immediately preceding the announcement date for the Tender Offer, (b) a premium of 31.74% (rounded to two decimal places) on 835 yen, which is the simple average closing price of the Target Company Shares quoted for the one-week prior to July 4, 2012, (c) a premium of 39.59% (rounded to two decimal place) on 788 yen, which is the simple average closing price of the Target Company Shares quoted for the one-month period prior to July 4, 2012, (d) a premium of 41.39% (rounded to two decimal places) on 778 yen, which is the simple average closing price quoted for the three-month period prior to July 4, 2011, and (e) a premium of 49.46% (rounded to two decimal places) on 736 yen, which is the simple average closing price quoted for the six-month period prior to July 4, 2012.

- (b) Obtainment by the Target Company of a Share Valuation Statement from an Independent Third-Party Appraiser

The Target Company Press Release states that the Target Company, in judging the appropriateness of the Tender Offer Price, has engaged Mitsubishi UFJ Morgan Stanley Securities, which is a third-party valuation institute independent from both the Company and the Target Company, to appraise and analyze the share value of the Target Company (it is also stated that Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Company and the Target Company and has no material interest in the Tender Offer).

It is stated that Mitsubishi UFJ Morgan Stanley Securities appraised and analyzed the share value of the Target Company Shares by using the methods of (i) market share price analysis, (ii) comparable companies analysis, and (iii) DCF analysis, and that the Target Company obtained a share valuation statement from Mitsubishi UFJ Morgan Stanley Securities on July 4, 2012 (but that, however, the Target Company has not obtained any statement regarding the fairness of the Tender



Offer Price (fairness opinion) from Mitsubishi UFJ Morgan Stanley Securities).

The ranges of the value per Target Company Share analyzed by each method mentioned above are as follows.

Market share price analysis:	776 yen to 783 yen
Comparable companies analysis:	543 yen to 981 yen
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For the market price analysis, it is stated that the calculation record date was set at July 3, 2012, and the valuation per Target Company Share was based on the simple average regular trading closing prices over the one-month and three-month periods prior to the record date (779 yen and 776 yen respectively) and the simple average regular trading closing price since February 24, 2012, on which it was announced that the Company would acquire 33.2% of the shares of the Target Company from Mori Trust and make the Target Company an equity method affiliate (783 yen), as quoted on the First Section of the Tokyo Stock Exchange. A range of 776 yen to 783 yen per Target Company Share was derived using this analysis.

For the comparable companies analysis, it is stated that multiple listed companies engaged in comparatively similar businesses to those of the Target Company were selected in order to analyze the corporate value and share value of the Target Company by comparing the market value of shares and financial indicators representing profitability. A range of 543 yen to 981 yen per Target Company Share was derived using this analysis.

For the DCF analysis, it is stated that the free cash flow that the Target Company is expected to create in the future based on the estimated future earnings of the Target Company, taking into consideration elements such as the Target Company's business plan, trends in recent business performance, and the business environment, was discounted to the current value by using a certain discount rate to account for capital costs of the Target Company and other factors, in order to analyze the Target Company's corporate value and share value. A range of 864 yen to 1,207 yen per Target Company Share was derived using this analysis.

(c) Advice from a Law Firm Independent from the Target Company

The Target Company Press Release states that the Target Company has received legal advice about the method and process of decision making by the Target Company board of directors relating to the Tender Offer from Nagashima Ohno & Tsunematsu, which is a legal advisor independent from the Company and the Target Company, in order to secure the fairness and appropriateness of the method and process of its decision making.

(d) Approval of All Disinterested Directors of the Target Company

The Target Company Press Release states that the opinion relating to the Tender Offer was a resolution at its board of directors' meeting held on July 5, 2012 adopted unanimously by 9 (of 12 in total, of which 10 are outside directors) directors of the Target Company. Of the total of 12 directors, one director was absent for

private reasons and two directors did not participate in the deliberations or resolutions relating to the Tender Offer for the reasons stated as follows. Given that, of the directors of the Target Company, Mr. Hiroto Tsukada concurrently serves as a director and executive officer of the Company and Mr. Yasuyuki Kobayashi concurrently serves as a director and executive officer of a subsidiary of the Company, they did not participate in any deliberations or resolutions relating to any of the resolutions relating to the Tender Offer, including the resolution to express an affirmative opinion on the Tender Offer, or any of the resolutions relating to the execution of the Capital and Business Alliance Agreement, and they did not participate in any consultations or negotiations with the Company on behalf of the Target Company, in order to improve fairness, transparency, and objectivity, and avoid conflicts of interests, in the decision making of the board of directors in relation to the Tender Offer and the Capital and Business Alliance Agreement.

The Target Company Press Release states that given that, taking the Target Company's vision, management policy, and business environment into full consideration, strengthening the relationship with the Company through a capital and business alliance is in accordance with the management strategy of the Target Company, and that additionally that the resulting environment (in which the Target Company will be able to push forward with corporate reform backed by a stable capital relationship) is in line with the expectations of all manner of stakeholders--the Target Company came to the conclusion that the best option for the Target Company, in order for it to promote and improve its corporate value and its shareholder value, is for the Target Company and the Company to aim to develop further together as the No. 1 value added commercial group in large cities through a capital and business alliance.

It is stated that, based on (i) considerations relating to the improvement of the corporate value and shareholder value of the Target Company; (ii) the intentions of the Company; (iii) the share valuation statement of Mitsubishi UFJ Morgan Stanley Securities, and (iv) legal advice from Nagashima Ohno & Tsunematsu, and (v) other relevant materials, the Target Company, at its board of directors' meeting held on July 5, 2012, as a result of (a) comprehensively considering the various conditions of the Tender Offer and the benefits such as commercial synergies and effects and the complementary relationship to be enjoyed with the Company's group through capital and business alliance with the Company, and (b) conducting careful consultation and deliberation, judged that--based on the stable capital relationship subject to the completion of the Tender Offer--establishing a firm collaborative relationship with the Company will improve the corporate value of the Target Company and, in doing so, contribute to improved shareholder value, and adopted a resolution to execute the Capital and Business Alliance Agreement and to express an affirmative opinion on the Tender Offer. Because the Tender Offer is not contemplated to result in the delisting of the Target Company's shares, and the listing of the Target Company's shares is currently expected to be maintained after the Tender Offer, the Target Company board of directors' meeting at the same time resolved that, although the tender offer price is reasonable in the light of the share valuation statement obtained from Mitsubishi UFJ Morgan Stanley Securities, the decision regarding whether to tender shares for the Tender Offer will be left to the judgment of the shareholders of the Target Company.

(e) Measures for Securing an Opportunity for any Party Other than the Company to Purchase

While the minimum tender offer period stipulated by law is 20 business days, the Company has set the tender offer period at 30 business days. Setting a comparatively long tender offer period ensures an appropriate opportunity for the shareholders of the Target Company to make a decision about the Tender Offer, while ensuring an opportunity for counter offers by other parties, as a means to guarantee fairness.

The Company and the Target Company have never agreed on any matter that would restrict a counter offeror from contacting or performing other acts with the Target Company, including an agreement on a transaction protection clause that prohibits the Target Company from contacting the counter offerors. In addition to the tender offer period outlined above, by securing opportunities for counter tender offers, the fairness of the Tender Offer is ensured.

(iii) Relationship with valuation institution

Nomura Securities is a financial advisor (valuation institution) of the Company and is not an affiliate of the Company and the Target Company and does not have any material interest regarding the Tender Offer.

(5) Number of shares to be purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
38,522,600 shares	—	38,522,600 shares

Note 1 In the event that the total number of tendered shares is less than or equal to the maximum number of shares to be purchased (38,522,600 shares), the Offeror will purchase all the shares tendered in the Tender Offer. If the total number of tendered shares exceeds the maximum number of shares to be purchased (38,522,600 shares), the Offeror will not purchase the excess in whole or in part. Instead, the Offeror shall determine the purchase of shares and handle other settlement matters on a pro rata basis, in accordance with Article 27-13, Paragraph 5 of the Act and the provisions of Article 32 of the Cabinet Ordinance.

Note 2 Shares less than one unit are also subject to the Tender Offer. In the event that any shareholder exercises his/her right to demand purchase of shares less than one unit pursuant to the applicable provisions of the Companies Act (Act No. 86 of 2005, as amended), the Target Company may purchase its own shares during the Tender Offer Period in accordance with the relevant procedures under the applicable laws and regulations.

Note 3 The Offeror does not intend to acquire the treasury shares owned by the Target Company through the Tender Offer.

(6) Changes in ownership ratio of share certificates, etc. through Tender Offer

Number of voting rights represented by share certificates, etc. held by Offeror before Tender Offer	274,000 units	(Ownership ratio of shares before Tender Offer 27.02%)
Number of voting rights represented by share certificates,	— units	(Ownership ratio of shares before Tender Offer —%)

etc. held by special related parties before Tender Offer		
Number of voting rights represented by share certificates, etc. to be purchased	385,226 units	(Ownership ratio of shares after Tender Offer 37.98%)
Total number of voting rights of all shareholders of Target Company	824,322 units	

Note 1 “Number of voting rights represented by share certificates, etc. to be purchased” is the number of voting rights represented by the shares to be purchased in the Tender Offer (38,522,600 shares).

Note 2 “Number of voting rights represented by share certificates, etc. held by special related parties before Tender Offer” is the total number of voting rights represented by the share certificates, etc. held by the special related parties (other than those excluded from being considered special related parties in accordance with Article 3, Paragraph 2, Item 1, of the Cabinet Ordinance with respect to the calculation of ownership ratio of shares under each Item of Article 27-2, Paragraph 1 of the Act).

Note 3 “Total number of voting rights of all shareholders of Target Company” is the number of voting rights of all shareholders of the Target Company as of February 29, 2012 indicated in the annual securities report of the 73rd fiscal year filed by the Target Company on May 28, 2012 (described as the share unit number of the Target Company is 100 shares). When calculating the “Ownership ratio of shares before Tender Offer” and the “Ownership ratio of shares after Tender Offer,” however, because DBJ has agreed that DBJ shall exercise the Conversion of all of the Bonds with Share Options that are held by DBJ before August 1, 2012 (or, if the Tender Offer Period is extended before DBJ exercises the Conversion, 13 business day prior to the last day (exclusive) of the Tender Offer Period after such extension) in accordance with the Acceptance Agreement as of today, “Total number of voting rights of all shareholders of Target Company” is 1,014,195, which is added the number of voting rights (189,873) of shares of the Target Company issued or delivered in accordance with the conversion (18,987,300).

Note 4 “Ownership ratio of shares before Tender Offer” and “Ownership ratio of shares after Tender Offer” are rounded off to two decimal places.

(7) Purchase Price 42,374 million yen

Note The purchase price provided above is the product of the Tender Offer Price (1,100 yen) multiplied by the number of shares to be purchased (38,522,600 shares).

(8) Method of settlement

(i) Name and address of head office of financial instruments firms or bank in charge of settlement of Tender Offer

Nomura Securities Co., Ltd. 1-9-1 Nihombashi, Chuo-ku, Tokyo

(ii) Commencement date of settlement

August 27, 2012 (Monday)

(iii) Method of settlement

A notice of purchase through the Tender Offer will be mailed to the address of the tendering shareholder (or to the address of their standing proxies for foreign shareholders) without delay after the expiration of the Tender Offer Period. If electronic delivery of documents has been approved by tendering shareholders on

Nomura Net & Call, the notice of purchase will be given to the shareholders electronically on Nomura Net & Call's website (<https://nc.nomura.co.jp/>).

The purchase price will be paid in cash. Tendering shareholders may receive the sales proceeds from the Tender Offer in the manner they designate, including by way of remittance (a remittance fee might be charged).

(iv) Method of returning Shares, etc.

In the event that all or in part of the tendered shares are not purchased pursuant to the terms and conditions mentioned in “(i) Terms and conditions set forth in each item of Article 27-13, Paragraph 4 of the Act” or “(ii) Existence of terms and conditions for withdrawal of Tender Offer, conditions detail and procedures for disclosing withdrawal” in “(9) Other conditions and procedures for Tender Offer” below, the shares to be returned will be promptly returned on and after the settlement commencement date (or the date of withdrawal, when the Tender Offer was withdrawn, etc.) by restoring the record of the shares to its state immediately prior to the tender. (If you would like to transfer the record of the shares to the account of the tendering shareholders established in any other financial instruments firms, please indicate accordingly.)

(9) Other conditions and procedures for Tender Offer

(i) Terms and conditions set forth in each item of Article 27-13, Paragraph 4 of the Act

If the total number of tendered shares is less than or equal to the maximum number of shares to be purchased (38,522,600 shares), the Offeror will purchase all of the tendered shares. If the total number of tendered shares exceeds the maximum number of shares to be purchased (38,522,600 shares), the Offeror will not purchase the excess in whole or in part. Instead, the Offeror shall determine the purchase of shares and handle other settlement matters on a pro rata basis, in accordance with Article 27-13, Paragraph 5 of the Act and the provisions of Article 32 of the Cabinet Ordinance (If the number of tendered shares by a shareholder contains a portion of shares less than one unit (100 shares), the number of shares to be purchased, as calculated on a pro rata basis, will be limited to the number of tendered shares by each shareholder.).

If the total number of shares to be purchased from each tendering shareholder, after rounding down the number of shares constituting less than one unit resulting from pro rata calculation, is less than the maximum number of shares to be purchased, the Offeror will purchase one unit from each of the tendering shareholders, beginning with the tendering shareholder with the largest number of disregarded fractional shares due to rounding down, until the maximum number of shares to be purchased is reached (if purchase of one additional unit exceeds the number of tendered shares, the purchase will be limited to the number of tendered shares). However, if the maximum number of shares to be purchased is exceeded as a result of making purchases via this method from all tendering shareholders with the same number of disregarded fractional shares, purchases will be determined by lottery among said shareholders to the extent that the number of shares to be purchased does not fall below the maximum number of shares to be purchased.

If the total number of shares to be purchased from each tendering shareholder, after rounding down the number of shares constituting less than one unit resulting from pro rata calculation, is more than the maximum number of shares to be purchased, the Offeror will reduce the purchase by one unit from each of the tendering shareholders, beginning with the tendering shareholder with the most shares rounded up to a unit, to the extent that the number of shares to be purchased does not fall below the maximum number of shares to be purchased (if the number of shares to be purchased, as calculated on a pro rata basis, contains a portion of shares less than one unit, the purchase will be reduced by that amount). However, if the maximum number of shares to be purchased is not reached as a result of reducing purchases via this method from all tendering shareholders with the same number of fractional shares raised to one unit, reductions will be determined by lottery among said shareholders to the extent that the number of shares to be purchased does not fall below the maximum number of shares to be purchased.

- (ii) Existence of terms and conditions for withdrawal of Tender Offer, conditions detail and procedures for disclosing withdrawal

If any of the events listed in Article 14, Paragraph 1, Item 1.1 through 1.9 and 1.12 through 1.18, Item 2, Item 3.1 through 3.8 and 3.10, Item 4, Item 5, and Article 14, Paragraph 2, Item 3 through 6 of the Enforcement Order of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the “**Enforcement Order**”) occurs, the Offeror may withdraw the Tender Offer.

In the Tender Offer, with respect to Article 14, Paragraph 1, Item 3.10 of the Enforcement Order, “an event equivalent to those listed in Items 3.1 through 3.9” refers to an event in which a statutory disclosure document submitted by the Target Company in the past is found to contain a false statement on a material fact, or omit a statement on a material fact that should have been stated.

If the Offeror receives a Prior Notice of Cease and Desist Order up until the day before expiration of the Tender Offer Period, from the Japan Fair Trade Commission, ordering the disposal of all or some of the Target Company’s shares or transfer of some businesses in relation to the Prior Notice to the Japan Fair Trade Commission, or the Cease and Desist Period has not ended, or the Company receives a temporary restraining order from a court of law for an alleged breach of the provisions of Article 10, Paragraph 1 of the Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended), the Offeror may withdraw the Tender Offer because the Offeror could not gain “clearance” in accordance with Article 14, Paragraph 1, Item 4 of the Enforcement Order.

If the Offeror seeks to withdraw the Tender Offer, the Offeror will issue an electronic public notice and publish a statement to that effect in the *Nihon Keizai Shimbun*. However, if it is difficult to issue a public notice by the last day of the Tender Offer Period, the Offeror will make an announcement pursuant to Article 20 of the Cabinet Ordinance and then immediately issue a public notice.

- (iii) Existence of terms and conditions for reducing Tender Offer Price, conditions detail and procedures for disclosing a reduction

In accordance with Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company performs any act listed in Article 13, Paragraph 1 of the Enforcement Order during the Tender Offer Period, the Offeror may reduce the Tender Offer Price pursuant to the standards set out in Article 19, Paragraph 1 of the Cabinet Ordinance. When reducing the Tender Offer Price, the Offeror will issue an electronic public notice and publish a statement to that effect in the *Nihon Keizai Shimbun*. However, if it is difficult to issue a public notice by the last day of the Tender Offer Period, the Offeror will make an announcement pursuant to Article 20 of the Cabinet Ordinance and then immediately issue a public notice. If the Tender Offer Price is reduced, the Offeror will purchase shares tendered on or before the day of the public notice at such reduced Tender Offer Price.

(iv) Matters regarding tendering shareholders' right to cancel agreement

A tendering shareholder may cancel an agreement for the Tender Offer at any time during the Tender Offer Period. To cancel an agreement, tendering shareholders must deliver or send a document specifying that they intend to cancel their agreement for the Tender Offer (the "**Cancellation Document**"), with a tender receipt attached, to the head office or domestic branch office of the agent designated below where they applied for the Tender Offer, by 3:30 p.m. on the last day of the Tender Offer Period. The Cancellation Document that is sent must arrive at the head office or domestic branch office of the agent by 3:30 p.m. of the last day of the Tender Offer Period. To cancel an agreement made through Nomura Net & Call, the tendering shareholder must complete the cancellation procedures via Nomura Net & Call's website (<https://nc.nomura.co.jp/>) or by sending the Cancellation Document. To cancel the agreement via Nomura Net & Call's website, the tendering shareholder must complete the cancellation procedures in the manner described on that website by 3:30 p.m. on the last day of the Tender Offer Period. To cancel the agreement by sending the Cancellation Document, the tendering shareholder must request the form of the Cancellation Document in advance from Nomura Net & Call's customer support and then send the filled out format to Nomura Net & Call. (If a tender receipt had been delivered by the Tender Offer Agent upon tendering shares in the Tender Offer, the tendering shareholder is required to attach such tender receipt to the Cancellation Document.) The Cancellation Document that is sent must arrive at Nomura Net & Call by 3:30 p.m. of the last day of the Tender Offer Period.

Agent with Authority to Receive Cancellation Document  
Nomura Securities Co., Ltd. 1-9-1 Nihombashi, Chuo-ku, Tokyo  
(and any other branch offices of Nomura Securities Co., Ltd. in Japan)

The Offeror will not make any claim for damages or penalty payment in the case that the cancellation of the agreement by the tendering shareholders from the tendering shareholders. Also, the Offeror will incur cost related to returning Shares.

(v) Procedures for disclosing amendments to Tender Offer terms and conditions

The Offeror may revise the conditions of the purchase during the Tender Offer Period, except in cases prohibited under Article 27-6 of the Act and Article 13 of the Enforcement Order. When amending any of the Tender Offer terms or conditions, the

Offeror will issue an electronic public notice on the details of the amendment and publish a statement to that effect in the *Nihon Keizai Shimbun*. However, if it is difficult to issue a public notice by the last day of the Tender Offer Period, the Offeror will make an announcement pursuant to Article 20 of the Cabinet Ordinance and then immediately issue a public notice. If any of the Tender Offer terms or conditions is amended, the Offeror will purchase shares tendered on or before the day of the public notice on such amended terms and conditions.

(vi) Procedures for disclosing filing of amendment registration statement

If the Offeror files an amendment registration statement with the director of the Kanto Local Finance Bureau (other than the case set down in exceptional clause of Article 27-8, Paragraph 11), the Offeror will immediately announce amendments relating to the matters listed in the public notice of the commencement of the Tender Offer included in the matters listed in the amendment registration statement, pursuant to Article 20 of the Cabinet Ordinance. The Offeror will immediately amend the tender offer explanatory statement and deliver an amended tender offer explanatory statement to any tendering shareholder who has already received a tender offer explanatory statement. However, if amendments have only been made to a limited extent, the Offeror may prepare a document stating the reason for, and the details of, the amendment (both before and after the amendment), and deliver that document to the tendering shareholder.

(vii) Procedure for disclosing result of Tender Offer

The Offeror will issue a public notice regarding the result of the Tender Offer on the day immediately following the last day of the Tender Offer Period, pursuant to Article 9-4 of the Enforcement Order and Article 30-2 of the Cabinet Ordinance.

(10) Date of public notice of commencement of Tender Offer

July 9, 2012 (Monday)

(11) Tender Offer Agent

Nomura Securities Co., Ltd. 1-9-1 Nihombashi, Chuo-ku, Tokyo

3. Policy after Tender Offer and future outlook

(1) Policy after Tender Offer

Please refer to “1. Purpose of Tender Offer” “(2) Purpose of, and Background to, the Tender Offer and the Management Policies after the Completion of the Tender Offer” above for the policy after the Tender Offer.

(2) Outlook of impact on the Offeror’s future consolidated performance

The Offeror is currently investigating the effects of the Tender Offer on the Offeror’s consolidated performance of this fiscal year. The Offeror will promptly disclose amendments to prospects for the future performance and any other matters to be



announced (if any).

#### 4. Other information

##### (1) Agreements between Offeror and Target Company or its directors

###### (i) Affirmative opinion on the Tender Offer

The Target Company Press Release states that given that, taking the Target Company's vision, management policy, and business environment into full consideration, strengthening the relationship with the Company through a capital and business alliance is in accordance with the management strategy of the Target Company, and that additionally that the resulting environment (in which the Target Company will be able to push forward with corporate reform backed by a stable capital relationship) is in line with the expectations of all manner of stakeholders--the Target Company came to the conclusion that the best option for the Target Company, in order for it to promote and improve its corporate value and its shareholder value, is for the Target Company and the Company to aim to develop further together as the No. 1 value added commercial group in large cities through a capital and business alliance.

It is stated that, based on (i) considerations relating to the improvement of the corporate value and shareholder value of the Target Company; (ii) the intentions of the Company; (iii) advice from Mitsubishi UFJ Morgan Stanley Securities independent from the Company and the Target Company, and Nagashima Ohno & Tsunematsu which is an independent legal advisor of the Target Company, the Target Company, at its board of directors' meeting held on July 5, 2012, as a result of (a) comprehensively considering the various conditions of the Tender Offer and the benefits such as commercial synergies and effects and the complementary relationship to be enjoyed with the Company's group through capital and business alliance with the Company, and (b) conducting careful consultation and deliberation, judged that--based on the stable capital relationship subject to the completion of the Tender Offer--establishing a firm collaborative relationship with the Company will improve the corporate value of the Target Company and, in doing so, contribute to improved shareholder value, and adopted a resolution to execute the Capital and Business Alliance Agreement and to express an affirmative opinion on the Tender Offer. Because the Tender Offer is not contemplated to result in the delisting of the Target Company's shares, and the listing of the Target Company's shares is currently expected to be maintained after the Tender Offer, the Target Company board of directors' meeting at the same time resolved that, although the tender offer price is reasonable in the light of the share valuation statement obtained from Mitsubishi UFJ Morgan Stanley Securities, the decision regarding whether to tender shares for the Tender Offer will be left to the judgment of the shareholders of the Target Company.

###### (ii) The Capital and Business Alliance Agreement

The Company and the Target Company executed the Capital and Business Alliance Agreement as of July 5, 2012.

The details of the Capital and Business Alliance Agreement are as described below.

(a) Purpose

In order for the Target Company and the Company, both of which aim at conducting retail business in a high quality, value-added manner, to enhance each other's corporate value by making effective use of each other's store base and customer base, on the condition that the Tender Offer has been completed and the Target Company has become a consolidated subsidiary of the Company, the Target Company and the Company shall agree to the following matters provided in the Capital and Business Alliance Agreement. In the capital and business alliance, the Company shall understand that creation of corporate value for the Target Company is originated from autonomy of management of the Target Company, and autonomy and creativity of officers and employees of the Target Company endorsed by such implementation of management of the Target Company, and shall respect the autonomy of management of the Target Company.

(b) Details of Capital Alliance and Business Alliance

- (y) After resolving an opinion to support the Tender Offer, the Target Company shall announce such supporting opinion (including announcement of timely disclosure on the same date and filing of the report concerning the expression of opinion), and shall not withdraw or change the opinion. However, this shall not apply when not withdrawing or not changing the opinion violates the Target Company's directors' duties as directors.
- (z) The Company and the Target Company shall consult with each other in good faith about the details, including the contents, conditions and schedules etc., of alliance and cooperation between both companies regarding the following matters, and shall act in good faith to achieve and execute such matters:
  - Strengthening the business base as a retail business group;
  - Strengthening the competitiveness of commercial facilities by way of provision and by use of the know-how of the Target Company and the Company;
  - Strengthening the sales force by use of each other's customer base;
  - Expansion of opportunities for cooperation in related businesses; and
  - Other matters agreed by the Target Company and the Company.

(c) Prohibition on the Additional Acquisition of the Target Company Shares

- The Company shall not purchase any more the Target Company Shares after the completion of the Tender Offer without the consent of the Target Company;
- The Company shall use its best efforts so that the shares of the Target Company may be continued to be listed during the term of the Capital and Business Alliance Agreement; and
- If the Company intends to dispose of the shares of the Target Company, the Company shall obtain the Target Company's prior consent regarding the timing, method and counterparty of such disposal.

(d) Management Structure of the Target Company

- The Company shall maintain the “Company with Committees” system of the Company with respect to the governance structure.
- The composition of the Target Company’s Board of Directors
  - Half or more of the directors shall be independent outside directors.
  - The minimum majority of the board of directors of the Target Company shall be directors nominated by the Company.
  - With respect to directors other than independent outside directors, there shall be the same number of directors nominated by the Company and directors originated from the Target Company.
- Committees
  - The majority of members of the nominating committee and the compensation committee of the Company shall be independent outside directors, including the director who serves concurrently as president and representative executive officer of the Target Company.
- Business Execution Regime of the Target Company
  - The representative executive officer(s) shall be a director(s) originated from the Target Company.
  - The Company will respect the decision of the Target Company with respect to the organization and executive regime of the Target Company.
- Application Period
  - The foregoing management system shall be applied as from the ordinary general meeting of shareholders for the 74th fiscal year to be held in May 2013, and up to then, the as of the execution date of the Capital and Business Alliance Agreement management structure shall not be voluntarily changed.

(e) Maintenance of the Brands of the Target Company

The Company shall recognize the value of the brands of the Target Company (including those brands that are held by the group; the same hereinafter), maintain the brands of the Target Company, and shall not change the brand of the Target Company. The Company shall leave the management and use of the brands of the Target Company to the business decision of the Target Company.

(f) Interchange of Personnel

Interchange of personnel between the Company and the Target Company shall be conducted upon agreement through mutual consultation.

(g) Employment System

The Company shall respect the employment relationship, employment condition and employment practice adopted by the Target Company as of the execution date of the Capital and Business Alliance Agreement.

(h) Matters to be Independently Judged by the Target Company

- If the Target Company conducts any M&A, acquisition and disposition of assets, development etc., with respect to which the Target Company shall undertake the duty of timely disclosure pursuant to the Securities Listing

Enforcement Rules established by Tokyo Stock Exchange, or if the Target Company executes the capital policy which is accompanied by the dilution of the Target Company Shares and new share options, etc., the Target Company shall be required to obtain prior consent from the Company.

- If the Target Company conducts any M&A, acquisition and disposition of assets, development etc., which is accompanied by expenditure or gain in the amount of 1 billion yen or more for one such act, or any acquisition or disposition of the assets in the amount of 1 billion yen or more, or any other acts which may affect the Target Company's net income before income taxes in the amount of 500 million yen or more, the Target Company shall notify the Company thereof in advance, and, if the Company requests, shall consult with the Company.
- The Company shall respect the customer policy and the sales policy adopted by the Target Company.
- The Company shall respect the Target Company's existing business relationships and cooperative relationships.
- It shall be ensured that the transaction between the Company and the Target Company shall be conducted on terms equivalent to an arm's length transaction.

(i) Miscellaneous

In addition to the above, the Target Company and the Company assume confidentiality obligations, and obligations to not transfer any contractual status or rights or obligations under the Capital and Business Alliance Agreement.

(j) Duration of the Capital and Business Alliance Agreement

The effective term of the Capital and Business Alliance Agreement shall, on the condition that the Target Company becomes a consolidated subsidiary of the Company, begin from the settlement date of the Tender Offer (provided, however, that the respective effective terms of (b) (y) above, (h) above and (j) above begin from the time of execution of the Capital and Business Alliance Agreement) and continue for five (5) years from the settlement date of the Tender Offer. The Company and the Company shall consult with each other in good faith with respect to the situation subsequent to the Effective Term of the Capital and Business Alliance Agreement.

Notwithstanding the provisions of the preceding paragraph, the obligations of the Company prescribed in (e) above shall continue until such agreement terminates after the end of the Effective Term of the Capital and Business Alliance Agreement.

The Capital and Business Alliance Agreement shall expire in the case where any of the following events occur:

- In the event that the Target Company and the Company agree to cancel the Capital and Business Alliance Agreement.
- In the event that the Target Company or the Company violates any provision of the Capital and Business Alliance Agreement, and despite the other party having provided thirty (30) days' prior notice, thirty (30) days have passed without such violation being corrected.

- In the event that the Target Company ceases to fall under a consolidated subsidiary of the Company.

If, during the term of the Capital and Business Alliance Agreement, the level of the business performance or the amount of dividends of the Target Company deteriorates considerably from the level of the business performance or the amount of dividends for the fiscal year ending on February 29, 2012 (excluding cases due to acts of God, political disputes, terrorism, the business environment, deterioration of results in the entire retail industry or other reasons beyond the Target Company's control), the Target Company and the Company shall consult with each other in good faith on the provisions and the term of the Capital and Business Alliance Agreement (provided, however, that the period for such consultation shall not exceed thirty (30) days). If, after the consultation, the Company reasonably determines that the level of the performance or the amount of dividends of the Target Company is not likely to recover to the same level of the business performance or the amount of dividends for the fiscal year ending on February 29, 2012, the Company may terminate the Capital and Business Alliance Agreement.

- (2) Other information necessary for investors' decision on Tender

Not applicable.

## II. About the Capital and Business Alliance Agreement

### 1. The Background and Purpose of the Capital and Business Alliance Agreement

Please refer to “I. About the Commencement of Tender Offer” “1. Purpose of Tender Offer” “(2) Purpose of, and Background to, the Tender Offer and the Management Policies after the Completion of the Tender Offer” above.

### 2. Details of the Capital and Business Alliance Agreement

Please refer to “I. About the Commencement of Tender Offer” “1. Purpose of Tender Offer” “(3) Material Agreements for the Tender Offer” “(ii) The Capital and Business Alliance Agreement” above.

### 3. Outline of the Partner of the Capital and Business Alliance Agreement

Please refer to “I. About the Commencement of Tender Offer” “2. Outline of Tender Offer” “(1) Outline of Target Company” above.

Consolidated operating results and financial position of the Target Company for the past three years			
Fiscal year	Year ended February 2010	Year ended February 2011	Year ended February 2012
Net assets (Consolidated)	¥78,657 million	¥81,868 million	¥84,577 million
Total assets (Consolidated)	¥187,093 million	¥222,135 million	¥208,697 million
Net assets (Consolidated) per share	¥954.52	¥993.52	¥1,028.21
Net revenues (Consolidated)	¥261,076 million	¥264,840 million	¥259,789 million
Operating profit (Consolidated)	¥8,601 million	¥9,218 million	¥9,168 million
Recurring profit (Consolidated)	¥8,554 million	¥8,750 million	¥8,966 million
Net income (Consolidated)	¥4,108 million	¥4,400 million	¥4,319 million
Net income (Consolidated) per share	¥49.87	¥53.41	¥52.49
Dividend per share	¥16.00	¥17.00	¥17.00

### 4. Schedule

Meeting of Board of Directors	July 5, 2012 (Thursday)
Date of Execution of the Capital and Business Alliance Agreement	July 5, 2012 (Thursday)
Date of commencement of Tender Offer	July 9, 2012 (Monday)
End of Tender Offer	August 20, 2012 (Monday)
Date of public notice of the result of the Tender Offer	August 21, 2012 (Tuesday)

5. Outlook of the future

The Company is currently investigating the effects of the Tender Offer on the Company's consolidated performance of this fiscal year. The Company will promptly disclose amendments to prospects for the future performance and any other matters to be announced (if any).

End of Document