
Making PARCO Co., Ltd. a Wholly- Owned Subsidiary

December 26, 2019

J. FRONT RETAILING Co., Ltd.

Create and Bring “New Happiness” to Your Life



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Outline of the Conversion of PARCO Co., Ltd. Into a Wholly-Owned Subsidiary (This Deal)

- Target company : PARCO Co., Ltd. (First Section of the Tokyo Stock Exchange: securities code 8251)
- Method : Tender offer (TOB)
- Tender offer price : 1,850 yen per share
 - Premium of 35.63 % on the closing price of 1,364 yen on December 25, 2019
- Number of shares to be purchased : 35,534,216 shares
 - All except for the number of shares held by J. FRONT RETAILING Co., Ltd. and treasury shares held by PARCO Co., Ltd.
- Total purchase amount: About 65.8 billion yen
- Tender offer schedule
 - December 26, 2019 (Thur.) Announcement of this deal
 - December 27, 2019 (Fri.) Start of the tender offer period
 - February 17, 2020 (Mon.) Expiration of the tender offer period
 - February 18, 2020 (Tue.) Announcement of purchase results
 - February 25, 2020 (Tue.) Purchase price settlement date

Current Medium-Term Plan is a “Phase of Changing the Group Structure”



Towards a “Multi-Service Retailer”

that transcends the traditional boundaries of the retail business



History of Capital Ties between two companies



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Capital ties

- ▶ March 2012 J. FRONT RETAILING Co., Ltd. acquired 33.2% of PARCO Co., Ltd., making it into an equity-method affiliate
- ▶ July 2012 J. FRONT RETAILING Co., Ltd. entered into a capital and business alliance agreement with PARCO Co., Ltd. Decided to implement a tender offer (TOB) with the purpose of making PARCO Co., Ltd. a consolidated subsidiary
- ▶ August 2012 J. FRONT RETAILING Co., Ltd. conducted an additional acquisition of PARCO Co., Ltd. up to 65% through a TOB, making it a consolidated subsidiary

Major Initiatives by Both Companies to Date

Strengthening business foundation as a retail business group

Enhancing competitive edge as retail facilities

Improving sales capabilities by making customer bases



Specific examples

- ▶ Joint development Ueno Frontier Tower (November 2017), the north wing of Daimaru Shinsaibashi store (planned for Fall 2020)
- ▶ Joint sales promotion Roll out sales promotions by utilizing both companies' customer bases represented by the Nagoya area
- ▶ Other Personnel exchanges, mutual introduction of business partners, etc.

Changing Environment Surrounding the Management of Both Companies

Consumption tax increase, heightened sense of economic uncertainty after the Tokyo Olympics and Paralympics

Declining population

Shrinking fashion retail market

Changing business environment of established businesses, particularly physical stores due to the rise of e-commerce

Information and Communication Technology (ICT) Progress

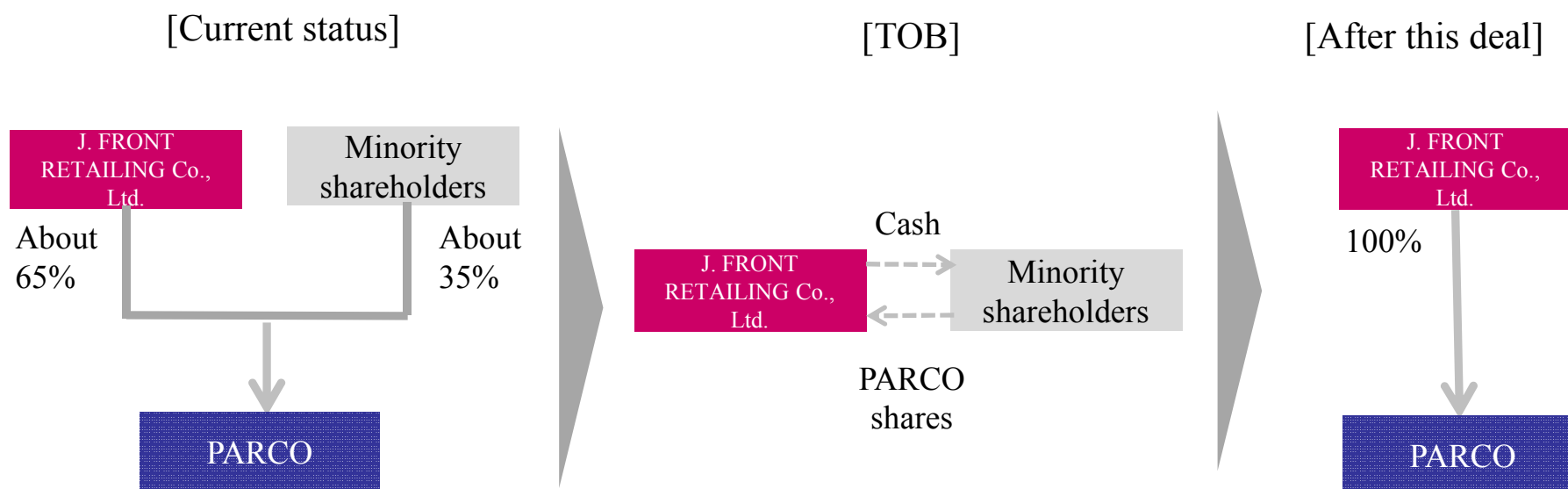
Diversification of consumer's lifestyles and values



It is essential to promote cooperation between two companies that is broader and deeper than to date with a sense of speed based on rapid decision-making

Scheme in This Deal

- ▶ Acquisition for cash consideration through the procedures for a tender offer (TOB) for PARCO Co., Ltd.
- ▶ The tender offer price will be 1,850 yen per share, and the total purchase amount will be about 65.8 billion yen
- ▶ The tender offer period will be from December 27, 2019 (Fri.) until February 17, 2020 (Mon.)



- ▶ If the Company cannot acquire all of PARCO Co., Ltd.'s issued shares under the TOB, the Company plans to implement procedures for the purpose of acquiring all of PARCO Co., Ltd.'s issued shares using a demand for share cash out or a share consolidation after the conclusion of the tender offer.

Financial impact of this deal

Fundraising

- ▶ Funds required for the tender offer will be obtained from borrowings
- ▶ Refinancing into long-term debt, etc. will be considered in the future

Financial leverage

- ▶ Interest-bearing liabilities will be about 485 billion yen, and net D/E will temporarily rise to 1.17x. Furthermore, net D/E will be 0.61x on the basis that it excludes lease liabilities

Shareholder equity

- ▶ The difference of roughly 22 billion yen between the acquisition price of 65.8 billion yen and non-controlling interest etc. will be reduced due to a direct deduction from J. FRONT RETAILING Co., Ltd.'s shareholder equity

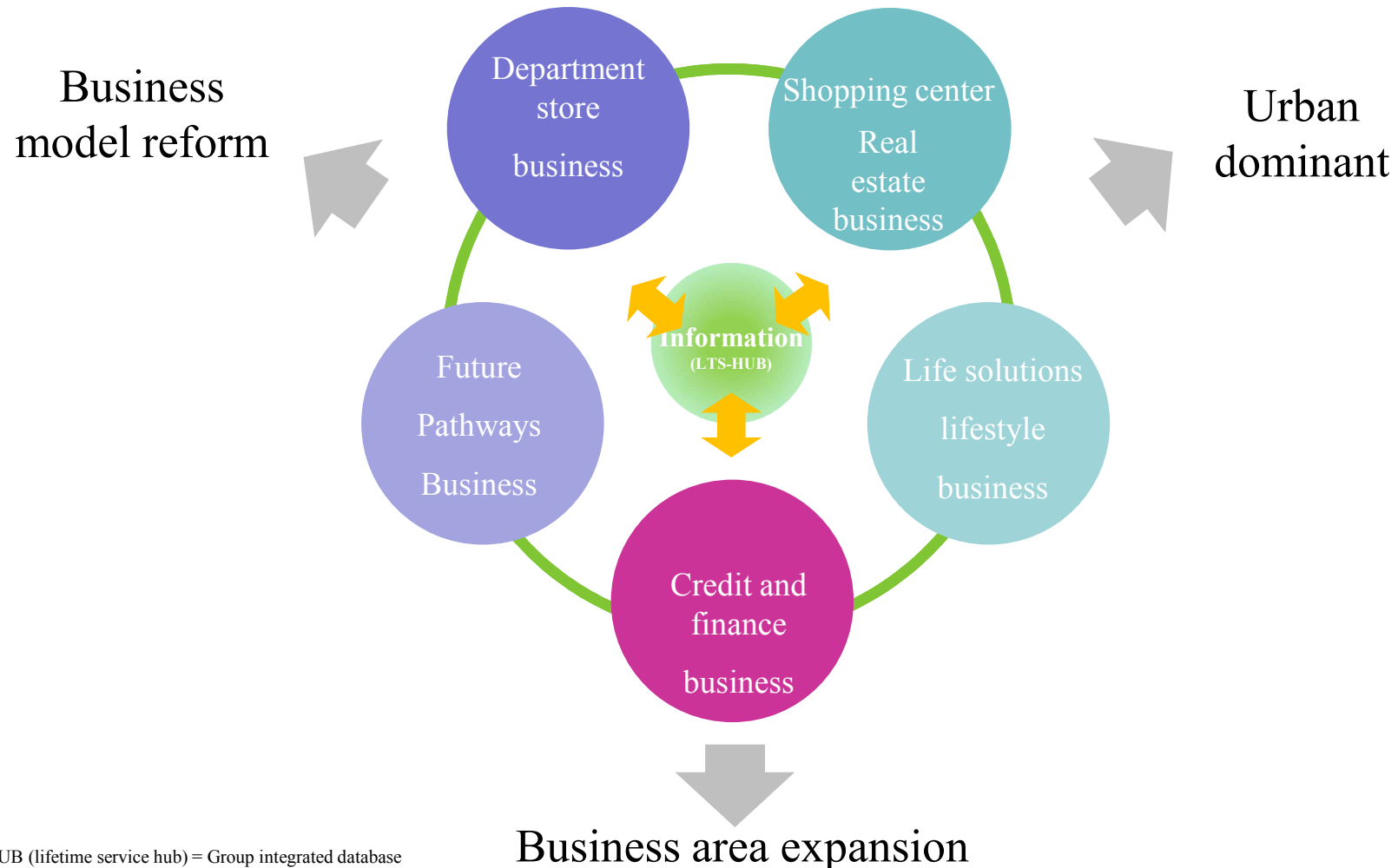
ROE

- ▶ The equivalent of 35% of PARCO's profit for current term will contribute to an increase in net profit attributable to the owners of the parent due to the removal of external outflows of non-controlling interest
- ▶ The aforementioned reduction in owned capital, in conjunction with the effect of increasing ROE that this will lead to, will increase the likelihood of the company achieving its current medium- 7 term plan target of at least 8% ROE

Group vision

“Create and Bring to life ‘New Happiness’”

Accelerate changing of the group structure towards realization



* LTS-HUB (lifetime service hub) = Group integrated database

1. Strengthening the Business Base as a Retail/Real Estate Business Group

- Further promotion of the joint development of stores, including large-scale multi-purpose facilities that would be difficult to handle alone
- Strengthened real estate development capabilities through effective utilization of land and building holdings
- Transfer of the real estate business to PARCO after making PARCO a wholly-owned subsidiary. Consolidation of group resources and centralization of management and development functions
- Improvement of sales capabilities through mutual utilization of customer data

2. Strengthening Related Businesses Aimed at Development as a Multi-Service Retailer

- Promotion of cooperation not only for store development, but also in similarly related businesses such as design and construction
- Expand the service area and business offerings by as a group utilizing to the fullest extent PARCO's superior business know-how in areas like the entertainment business

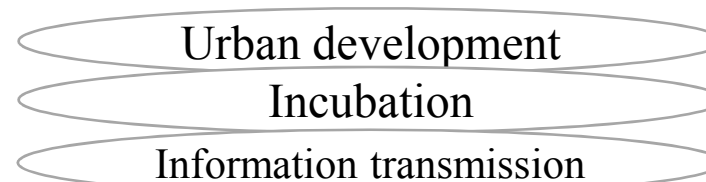
3. Improving Management Efficiency

- In response to the increasing diversification of lifestyles, as a group work to develop new businesses to improve management efficiency
- Improve management efficiency by integrating indirect departments and operations such investor-related operations, financing operations and those related to general meetings of shareholders
- Generate substantial efficiency improvements by implementing systems investments across the group

4. Enhancement Competitiveness by Sharing Expertise through Personnel exchange

- Promotion of an even greater degree of cross-business-unit personnel exchange
- Provision of a broad range of services to meet increasingly diverse customer needs by sharing the expertise respectively built by both companies

Role Expected From PARCO



Centralization of real estate business

Transfer the real estate business held by Daimaru Matsuzakaya to PARCO. In the future, the real estate business will be led by PARCO, having a variety of real estate development solutions and capabilities.

Full-scale expansion of business areas

The group utilizes to the fullest extent PARCO's superior business know-how in areas like entertainment and ICT. Aim to create business synergies aimed at development as a Multi-Service Retailer

While maintaining PARCO's business structure, trade name, and store names, aim for the creation of new value through the maximization of group synergies that leverage the cutting-edge corporate culture, atmosphere and personnel that were fostered by PARCO.

<https://www.j-front-retailing.com>

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These materials are reference materials intended for the purpose of explaining the tender offer by the Company for shares of PARCO Co., Ltd. For the details of this deal, please see the company's press release entitled "Notice Regarding Commencement of Tender Offer for Shares of PARCO Co., Ltd. (Securities Code: 8251)" released on this date.

Soliciting Regulations

These materials are intended to announce the Tender Offer to the public and have not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the tender offer explanation statement concerning the Tender Offer and make an offer to sell their shares at their own discretion. These materials shall neither be, nor constitute a part of, an offer to sell or purchase, or solicitation to sell or purchase any securities, and neither these materials (or a part of these materials) nor their distribution shall be interpreted to constitute the basis of any agreement in relation to the Tender Offer, and these materials may not be relied upon at the time of entering into any such agreement.

U.S. Regulations

The Tender Offer shall be implemented in compliance with the procedures and information disclosure standards provided by the Financial Instruments and Exchange Act of Japan, which procedures and standards are not necessarily identical to the procedures and information disclosure standards applied in the United States. Specifically, Article 13 (e) and Article 14 (d) the Securities Exchange Act of 1934 (as amended; hereinafter, the "1934 Securities Exchange Act") and the rules promulgated under such Articles do not apply to the Tender Offer, and the Tender Offer is not necessarily in compliance with the procedures and standards thereunder. All of the financial information contained in these materials is based on Japanese accounting standards or the International Financial Reporting Standards (IFRS), not U.S. accounting standards, and may not necessarily be comparable to financial information based on U.S. accounting standards. Further, it may be difficult to enforce any right or demand arising under U.S. federal securities laws, because both the Tender Offeror and the Target Company are incorporated outside the United States and none of their officers are U.S. residents. It may be impossible to take legal action against a non-U.S. company or its officers in a non-U.S. court for a violation of U.S. securities laws. Furthermore, there is no guarantee that a non-U.S. company or officer is subject to the jurisdiction of a U.S. court.

All procedures in connection with the Tender Offer shall be conducted in the Japanese language. While all or part of the documents in connection with the Tender Offer may be prepared in English, the Japanese documents shall prevail in case of any discrepancy between the Japanese documents and the corresponding English documents.

The Tender Offeror, its affiliates, and their respective financial advisors (including their affiliates) may, in the ordinary course of their business, purchase shares of the Target Company, or act in preparation for such purchase, for their own account or for their customers' account before or during the purchase period of the Tender Offer, in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934 and to the extent permitted under Japanese financial instruments and exchange regulations and other applicable laws and ordinances. If any information concerning such purchase is disclosed in Japan, the relevant purchaser will also disclose such information on its English website.

Forward-Looking Statements

These materials contain statements of what the Tender Offeror and other companies "anticipate," "expect," "intend," "plan," and "believe" about future business, and other "forward-looking statements" as defined in Article 27A of the United States Securities Act of 1933 (as amended) and Article 21E of the 1934 Securities Exchange Act. The actual results may significantly differ from the projections implied or expressly stated as "forward-looking statements" due to known or unknown risks, uncertainties or other factors. The Tender Offeror and its affiliates are not in the position to covenant that the projections implied or expressly stated as "forward-looking statements" will actually be realized. The "forward-looking statements" contained herein have been prepared based on the information available to the Tender Offeror as of the date of these materials and, unless required by laws and regulations, neither the Tender Offeror nor its affiliates is obligated to update or correct the statements made herein in order to reflect future events or circumstances.

Other Countries

The announcement, issuance, or distribution of these materials may be legally restricted in some countries or territories. In such case, shareholders should be aware of and comply with such restrictions. The announcement, issue or distribution of these materials should not be interpreted as an offer to purchase or a solicitation of an offer to sell, but simply as a distribution of information.