

“J. Front Retailing and Parco joint press conference”
regarding the commencement of tender offer (TOB) for shares of Parco

Q & A summary

Date and time: 17:30 – 18:30 on Thursday, December 26, 2019

Q. What is the background of today’s announcement?

A (Mr. Makiyama):

Mr. Yamamoto gave me a Zen phrase “*saitaku doki*,” which means that when a mother bird sensed that her baby bird was about to hatch and starting pecking from the inside, she would peck from the outside. J. Front Retailing Group has grown understanding about the strengths of Parco and heightens the momentum toward growing business with Parco. We received a written proposal from J. Front Retailing in August this year and understood that it is good timing, which resulted in today’s announcement.

A (Mr. Yamamoto):

We have discussed to work together in terms on business and systems since we became the parent company of Parco in 2012. As a result, Parco opened in Ueno Frontier Tower and will open in the north wing of the Shinsaibashi store, which is scheduled to open in fall 2020. The presence of Parco is important in the Group strategy and we have come to understand that it can differentiate ourselves from competitors. The capital and business alliance agreement we entered into in 2012 contains a standstill provision. Therefore, we could not discuss capital-related matters and sought synergy in terms of business. While we better understood the spirit of innovation of Parco and its excellent human resources, the standstill provision expired. After that, J. Front Retailing had discussions of the future and the time is ripe.

Q. How about collaboration with Parco in the credit and finance area in terms of the future business synergy?

A (Mr. Yamamoto):

It is essential for retailers to improve customer base. We have a “Lifetime Service Hub plan” and we will integrate and use the customer information of Parco. Other matters are to be discussed.

Q. Will the current medium-term business plan change due to this TOB? By centralizing the real estate business, will there be a new development that is not included in Parco’s medium-term plan?

A (Mr. Yamamoto):

When considering the next medium-term plan, we will discuss concrete matters with Parco. I feel Parco has superior real estate skills and ability to collect information. By transferring the real estate business to Parco, we will improve revenue. Concrete matters are to be discussed.

Q. I think synergy will be generated unless Parco becomes a wholly-owned subsidiary. Will you convert Parco into a wholly-owned subsidiary to cancel the “parent-subsidiary listing.”

A (Mr. Yamamoto):

Parent-subsidiary listing is a general problem but our purpose is not to cancel it. As I explained at the beginning, we need to respond more quickly to changes in customers to improve performance in rapidly changing times. We have made this decision for more rapid decision making and speedy management.

Q. How will you maintain uniqueness of Parco?

A (Mr. Makiyama):

The origin of Parco is Shibuya Parco and the new Shibuya Parco enjoys a high reputation. Parco's social roles are "Urban Revitalization," "Incubation" and "Trends Communication" and Parco is responsible for creating and bringing to life "new happiness," which is the vision of J. Front Retailing Group, for most advanced urban people. I think we will be able to accelerate Parco's uniqueness in J. Front Retailing Group.

Q. How will you answer when a shareholder asks, "Was the purchase amount lower than ¥6.6 billion if you launched TOB immediately after the standstill provision expired?"

A (Mr. Yamamoto):

I myself think this is the best time for the Group to further grow and develop in the future.

Q. You mean that whether the current share price is high or low does not matter and that this is the time for both companies to mutually maximize corporate value in the future. I hope you will improve corporate value so that it will brush off the criticism that the purchase amount was high.

A (Mr. Yamamoto):

This is the "*saitaku doki*." We would like to improve corporate value by making good use of the management resources of two companies.

Q. The Group's big project (the north wing of the Shinsaibashi store) will be completed soon. So, on the contrary, isn't it too early? You will transfer the real estate to Parco and how will you position Ginza Six?

A (Mr. Yamamoto):

We will steadily proceed with the project. Regardless of that, however, we assessed the timing and made a decision. As I explained at the beginning, the business environment surrounding two companies faces a significant change and we need to make decisions more quickly than ever. What part of the real estate business and how we will transfer are to be discussed between Daimaru Matsuzakaya Department Stores and Parco.

Q. What impact will this TOB have on PL and BS?

A (Mr. Yamamoto):

It will have almost no impact on PL for the current period. Impacts on BS include an increase in interest-bearing liabilities and a decrease in shareholder equity. As for CF, there will be changes within financial CF. (Proceeds from borrowings and payments for acquisition of shares are the same amounts.)

Q. What are the advantages of delisting for Parco?

A (Mr. Makiyama):

Shareholder-related services will be centralized in the parent company and we can focus on our business. Many of our employees joined the company after listed. So I will properly explain to our employees that they will have new stages and various growth opportunities, which will make it easy for each of them to achieve self-fulfillment.

In Shibuya Parco, employees in their 30s and 40s use sensitivity freely. Parco's strength is to well combine such sensitivity by working with each other. I think the environment where we can focus on our business will create an environment where it is easy for people to work together and achieve self-fulfillment.

End