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**For Immediate Release**

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**Shareholder proposal at upcoming AGM  
 and views of PARCO's Board of Directors on this proposal**

PARCO Co., Ltd. ("PARCO") announced today that it received from Mori Trust Co., Ltd. ("Mori Trust") on March 31, 2011 documents relating to the exercise by Mori Trust of its right to submit a proposal at PARCO's Ordinary General Meeting of Shareholders scheduled for May 2011 ("the AGM"). The details are as follows.

**1. Shareholder making proposal**

Mori Trust Co., Ltd.

**2. Overview of contents of proposal**

(1) Title

Appointment of 10 directors

(2) Overview of main points

Mori Trust is proposing that the following 10 people be appointed as directors at the AGM. Munehiko Ohno, Shin Takahashi, Hiroshi Matsui, Naoki Hayashi and Masaki Toyoshima have already consented to being appointed as directors.

Kouzou Makiyama	Member of the Board, Senior Executive Officer, PARCO Co., Ltd.
Tomohiro Niizato	Member of the Board (External Director), PARCO Co., Ltd.; Certified Public Accountant
Keiji Aritomi	Member of the Board (External Director), PARCO Co., Ltd.; Director and Adviser, Yamato Holdings Co., Ltd.; External Director, Meiji Yasuda Life Insurance Company
Yasuhito Hanado	Member of the Board (External Director), PARCO Co., Ltd.; Professor, Waseda Business School, Waseda University;



	External Director, Sanrio Company, Ltd.
Sakie T. Fukushima	Member of the Board (External Director), PARCO Co., Ltd.; Senior Adviser, Korn/Ferry International – Asia-Pacific; President & Representative Director, G&S Global Advisors Inc.; Member of the Board (External Director), Bridgestone Corporation
Munehiko Ohno	Executive Vice President, Mori Trust Co., Ltd.; Director, FORETSEINE CO., LTD.; Director, Nippon Intelligent-Building Systems Corporation; Corporate Auditor, MT Labo Co., Ltd.; Corporate Auditor, Shiroyama Heating & Cooling Supply Co., Ltd.
Shin Takahashi	Deputy head, Investment Division, Mori Trust Co., Ltd.; Corporate Auditor, Mori Trust Asset Management Co., Ltd.
Hiroshi Matsui	Executive Officer and Chief Executive Officer of Exclusive Stores, AEON Co., Ltd.
Naoki Hayashi	Director, AEON Co., Ltd.
Masaki Toyoshima	Senior Managing Executive Officer and Chief Executive Officer of Developer Business, AEON Co., Ltd.; Non-Executive Director, AEON RETAIL Co., Ltd.

### **3. Views of PARCO's Board of Directors on this proposal**

This proposal has the same contents as a proposal already received from AEON Co., Ltd. ("AEON"). As stated in PARCO's press release of March 29, 2011 entitled "Receipt of proposals from AEON Co., Ltd. and views of PARCO's Board of Directors on those proposals" ("PARCO's views"), PARCO is opposed to the proposal.

#### **Reason for shareholder proposal** (excerpt from document received from Mori Trust)

"Since the financial crisis from the second half of 2008, the market environment is becoming increasingly severe and there are concerns about PARCO's future growth prospects. Amid such circumstances, AEON issued a press release on February 22, 2011, and proposed that it develop a cooperative relationship with PARCO. Mori Trust agrees with the business alliance proposal presented by AEON to PARCO, and in order to promptly achieve this business alliance and maximize synergies, Mori Trust believes that it would be extremely effective to dispatch to PARCO directors from Mori Trust and AEON. Mori Trust also considers it extremely important to strive to ensure rapid decision-making processes at PARCO and strengthen the company's management oversight functions. Mori Trust also believes that the number of people concurrently holding the post of director and executive officer should be kept to a minimum by increasing the proportion of external directors, including by reappointing four of PARCO's currently serving external directors. Mori Trust is submitting this resolution in order to establish an appropriate governance structure and



ensure that PARCO carries out active growth strategies under this structure.”

### **Views of PARCO’s Board of Directors**

PARCO’s Board of Directors consists of senior management of PARCO with broad expertise and rich experience of PARCO’s business, as well as deep knowledge of the relationships and so forth that have been developed between the customers, employees, business partners and other stakeholders that form the source of PARCO’s corporate value. It also contains five external directors, who are experts in their particular fields and provide instruction and oversight on the management of the business. We believe that managing the business under this structure is the most appropriate way to continuously achieve improvements in corporate value and shared returns to shareholders. Furthermore, given that the necessity of independent directors is being pointed out, PARCO’s Board of Directors understands that it is desirable not to have many directors representing the interests of specific shareholders.

However, this proposal suggests the appointment of only one director from PARCO but five from Mori Trust and AEON. Additionally, the proposal suggests that one of these director candidates should also be appointed as CEO. PARCO’s Board of Directors must say that this will not help to develop and maintain PARCO’s corporate value and shareholder value.

Furthermore, with regard to the synergies with AEON mentioned in the proposal, as outlined in PARCO’s views, PARCO has not received sufficient explanation on various points that could have a significant impact on PARCO’s corporate value and shareholder value, and at this stage PARCO has just proposed further discussion on the proposed business alliance. However, based on analysis of the proposals already received, PARCO believes that significant synergies cannot be expected and that the proposals would actually damage PARCO’s brand image, instead. PARCO considers it highly likely that customers and tenants would not support these proposals. PARCO has built a strong brand image by successfully opening stores in major urban areas. As indicated in the company’s medium-term business plan announced last year, based on which PARCO is currently achieving favorable business results, PARCO believes that its business resources should now be further focused on urban areas, with the company aiming to become an “urban lifestyle producer.” AEON is suggesting that control of its VIVRE and FORUS shopping centers be transferred to PARCO and that PARCO should open stores in shopping complexes operated by AEON. However, the details of the business conditions of VIVRE and FORUS are completely unknown to PARCO. According to the proposal by AEON, the transfer of economic responsibilities for these properties would be negotiated after the conclusion of the business alliance, and at this time PARCO’s Board of Directors cannot assess if such an alliance would satisfy customers amid the downtrend in overall commerce due to decreased consumer spending. Given these circumstances, accepting this shareholder proposal would ultimately create a considerable risk for PARCO’s brand image. PARCO is not opposed to building a cooperative relationship with AEON, but PARCO is proud of its achievements and relatively long history in operating urban shopping



complexes, and PARCO believes that, with the points outlined above remaining unclear, AEON's participation in the management of PARCO is likely to damage PARCO's corporate value and shareholder value.

As a result, the Board of Directors of PARCO, including the four candidates for external director included in the proposal, unanimously opposes this shareholder proposal.

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