



July 5, 2012

For Immediate Release:

Company Name: PARCO Co., Ltd.
 Company Representative: Kozo Makiyama,
 President, Representative Executive Officer
 Stock Code: 8251, T S E 1 s t Section
 Inquiries: Akio Kobayashi,
 Senior Manager, Public Relations Office

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

PARCO Co., Ltd. (the “**Company**”) hereby announces that, with respect to the tender offer from J. FRONT RETAILING Co., Ltd. (the “**Tender Offeror**”), targeting the common shares of the Company (the “**Company Shares**”; and such tender offer to be referred to as the “**Tender Offer**”), the Company resolved, at a meeting of the board of directors held as of July 5, 2012, to express an opinion to support the Tender Offer and to leave the decision to the Company’s shareholders as to whether to tender their shares in the Tender Offer, and resolved to execute a capital and business alliance agreement (the “**Capital and Business Alliance Agreement**”) with the Tender Offeror.

Please note that the Company and the Tender Offeror have a common understanding of a policy to keep the Company’s common shares listed after the Tender Offer.

I. Opinion on the Tender Offer

1. Overview of the Tender Offeror

(1) Name	J. FRONT RETAILING Co., Ltd.																							
(2) Location	10-1, Ginza 6-chome, Chuo-ku, Tokyo																							
(3) Title and Name of Representative	Tsutomu Okuda, Chairman and CEO																							
(4) Type of Business	Business plan, management and any businesses incidental thereto of the subsidiaries and group companies conducting department store operation																							
(5) Stated Capital	30,000 million yen (as of February 29, 2012)																							
(6) Date of Incorporation	September 2007																							
(7) Major Shareholders and Shareholding Ratio	<table border="0"> <tr> <td>The Master Trust Bank of Jaapn, Ltd. (Trust Account)</td> <td>5.93%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account)</td> <td>5.77%</td> </tr> <tr> <td>Nippon Life Insurance Company</td> <td>5.39%</td> </tr> <tr> <td>J. Front Retailing Kyoei Supplier Shareholding Association</td> <td>2.83%</td> </tr> <tr> <td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td> <td>2.66%</td> </tr> <tr> <td>The Dai-ichi Mutual Life Insurance Company</td> <td>2.15%</td> </tr> <tr> <td>Tokio Marine & Nichido Fire Insurance Co., Ltd.</td> <td>1.56%</td> </tr> <tr> <td>Employee Shareholding Association of J. Front Retailing</td> <td>1.47%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd.</td> <td></td> </tr> <tr> <td>(Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by The Sumitomo Trust and Banking Co., Ltd.)</td> <td>1.19%</td> </tr> <tr> <td>Rabobank Nederland, Tokyo Branch</td> <td>1.10%</td> </tr> </table> <p>(As of February 29, 2012)</p>		The Master Trust Bank of Jaapn, Ltd. (Trust Account)	5.93%	Japan Trustee Services Bank, Ltd. (Trust Account)	5.77%	Nippon Life Insurance Company	5.39%	J. Front Retailing Kyoei Supplier Shareholding Association	2.83%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.66%	The Dai-ichi Mutual Life Insurance Company	2.15%	Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.56%	Employee Shareholding Association of J. Front Retailing	1.47%	Japan Trustee Services Bank, Ltd.		(Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by The Sumitomo Trust and Banking Co., Ltd.)	1.19%	Rabobank Nederland, Tokyo Branch	1.10%
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Relationship	Matsuzakaya Department Stores Co., Ltd., a wholly-owned subsidiary of the Tender Offeror concurrently serve as outside directors of the Company.
Business Relationship	Daimaru Matsuzakaya Store Co., LTD., a wholly-owned subsidiary of the Tender Offeror, has a store in the Company's store.
Status as a Related Party	The Tender Offeror is a affiliated company of the Company, and falls under the Company's relevant parties.

Note 1: J. Front Retailing Kyoei Supplier Shareholding Association is a shareholding association consisting of counterparties of the Tender Offeror's group.

Note 2: The Tender Offeror holds 7,436,822 shares of treasury shares and the percentage of shares held against the Tender Offeror's total number of issued shares is 1.38%.

Note 3: Sumitomo Trust and Banking Company, Limited merged with Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited as of April 1, 2012, and has changed its corporate name to "Sumitomo Mitsui Trust Holdings, Inc."

Note 4: Above chart (including Note 1 through Note 3) is prepared based on the fifth term securities report filed by the Tender Offeror as of May 25, 2012.

2. The Class of Shares, etc. to be Acquired by the Tender Offeror

Common shares

3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer

(1) Details of the Opinion

The Company resolved, at the meeting of the board of directors held as of July 5, 2012, to express an opinion to support the Tender Offer and to leave the decision to the Company's shareholders as to whether to tender their shares in the Tender Offer based on the grounds and reasons stated in the "Grounds and Reasons for Opinion" in (2) below.

Please note that the Tender Offer is a so called partial offer in which the maximum number to be purchased is set and the Company's common shares are expected to be kept listed. The Company would like the Company's shareholders to consider adequately the contents of the tender offer explanatory statement with respect to the Tender Offer and determine whether to tender their shares in the Tender Offer.

(2) Grounds and Reasons for the Opinion

(i) Overview of the Tender Offer

The Company received the following explanation regarding the outline of the Tender Offer from the Tender Offeror.

The Tender Offeror holds 27,400,000 shares of the Company's common shares (percentage accounting for the Company's total number of issued shares as of February 29, 2012 (82,475,677 shares), as stated in the 73rd term securities report filed by the Company as of May 28, 2012 (the "**Holding Ratio**"): 33.22% (rounded off to the second decimal point, the same hereinafter in the calculation of the Holding Ratio) and the Holding Ratio after the Conversion as defined below: 27.00%), as of July 5, 2012, and makes the Company an equity-method affiliate. However, at a meeting of the board of directors held as of July 5, 2012, the Tender Offeror resolved to commence the Tender Offer with the purpose of making the Company a consolidated subsidiary of the Tender Offeror.

In connection with the Tender Offer, the Tender Offeror 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 Tender Offeror 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 Company Shares held by the Tender Offeror to the total number of outstanding shares (101,462,977 shares) of the Company after the Conversion (the "**Ownership Ratio After Conversion**") shall be

27.00%.

Under the capital and business alliance agreement by and between the Company and DBJ as of August 25, 2010, although it is prescribed that during the term of the capital and business alliance (the contract term: from September 9, 2010 until August 25, 2013), DBJ may not exercise the share options in relation to the Bonds with Share Options without the prior written consent from the Company in principal, DBJ may exercise the share options pertaining to the Bond with Share Options without the prior written consent of the Company if the Company publishes an opinion to support the Tender Offer with respect to the Company.

As of July 5, 2012, the Company Shares are listed on the First Section of the Tokyo Stock Exchange Group, Inc. (the “**Tokyo Stock Exchange**”). Because the Tender Offeror intends to continue to maintain the listing of the Company Shares after the completion of the Tender Offer, and at the same time, strengthen the capital relationship as much as possible, the Tender Offeror 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 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 Tender Offeror 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 Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended) and Article 32 of the Cabinet Office Order Regarding Disclosure of Tender Offers for Shares by Non-Issuers (Ministry of Finance Order No. 38 of 1990, as amended). 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 Tender Offeror will purchase all of the tendered share certificates, etc.

In connection with the Tender Offer, the Company and the Tender Offeror have entered into the Capital and Business Alliance Agreement as of July 5, 2012 on the premise that the Tender Offer will be completed and the Company will become the Tender Offeror’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 details of the Capital and Business Alliance Agreement, please see “II. The Capital and Business Alliance Agreement”).

(ii) Decision-making Process Resulting in, and Reasons for, the Opinion to Support the Tender Offer, and Management Policies after the Tender Offer

(a) Purposes and Backgrounds of the Tender Offer

The group of the Company consists of the 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. The Company 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 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 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 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 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.

The Tender Offeror 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 Tender Offeror currently consists of the Tender Offeror, 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 Tender Offeror’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 Tender Offeror survive the current global and domestic economic downturn, the Tender Offeror, 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 Tender Offeror 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 Tender Offeror 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 Tender Offeror 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 Tender Offeror 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 Tender Offeror 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.

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 Tender Offeror and the group of the Company is growing yet more severe.

The group of the 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.

The Tender Offeror’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.

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

Since then, the Company and the Tender Offeror 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 Tender Offeror, the south building of which is planned to be rebuilt, the Tender Offeror has examined the store development jointly with the Company and the opening of complexes of the Company.

While examining such possible collaborations, the Company and the Tender Offeror 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 Tender Offeror 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 Tender Offeror as an operator of department stores and development and operational know-how of urban commercial facilities of the Company as well as the store properties owned by the Tender Offeror 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 Tender Offeror 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 Tender Offeror 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 Tender Offeror 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 Tender Offeror and the 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 Tender Offeror and the 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 Tender Offeror and the 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 Tender Offeror by adopting the shopping complex operation know-how of the Company

The Tender Offeror may be able to (i) speed up business innovation in the new department store model into which the Tender Offeror 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 Company.

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

Although the grades and tastes of the customer segments of the Company and the Tender Offeror are similar, the age groups in which the Company and the Tender Offeror specialize are different. Namely, in general, the Tender Offeror specializes in middle aged to elderly people while the Company specializes in younger people. The Company and the Tender Offeror 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 Tender Offeror to collaborate in related businesses. Specifically, in addition to an increase in opportunities for specialty stores of the Company to be opened at the Tender Offeror'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 Company has not hitherto been engaged, the Company and the Tender Offeror may attempt to expand opportunities for collaboration between each

member company of the groups of both companies.

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

(b) Decision-making Process and Reasons for the Decision of the Company

The Company's group has cultivated its business in the form of commercial activities in urban areas and developed its value-added business by mainly focusing on developing and managing the shopping complex business under PARCO brand. Further, the Company's group strives to promote an urban lifestyle to the customers through further diversification of its business.

As a knowledge-creating corporate group centered on the shopping complex business, but with a unique range of businesses that extend to soft businesses, the Company is striving to become an "urban lifestyle producer" that offers consumers a fulfilling lifestyle. The Company has been implementing three (3) business strategies as set forth below:

1. Innovation at existing complexes: "Build a robust revenue base";
2. Expansion of commercial activities in urban areas both in Japan and overseas: Establish a business foundation for further growth; and
3. Rapid development of related and new businesses: Broaden business fields

Based on these business strategies, the Company has been continuously innovating its business, by classifying its existing complexes into two (2) categories based on the market characteristics, in order to optimize product composition and operation methods for the target customers of the respective categories.

In addition, the Company has established a nationwide network of complexes by aggressively opening complexes in major, government-ordinance-designated cities, i.e., Shizuoka, Urawa (2007), Sendai (2008) and Fukuoka (2010).

Strengthening its business foundation in Japan remains the key theme for the Company's future growth, and the Company has been aiming to enhance its network of complexes, giving priority to the parts of the area where the Company currently does not have a presence within the greater Tokyo metropolitan area and the Kansai region, by changing the style of its existing complexes and by other means.

On the other hand, the Tender Offeror's group vision aims at "becoming a leading Japanese retail company both in terms of quality and quantity, with department store business as its core." In order to realize this vision, the Tender Offeror sets aims to become a "multi-retailer" that develops a number of businesses that have synergetic effects, i.e., "a corporate group that develops a highly recognized group of companies in the market of high quality and value."

In addition, the Tender Offeror strives to introduce new commerce in large metropolitan areas, under a theme of the "new department store model" which pursues business innovation by incorporating elements of the shopping complex into the existing department store business.

In order to realize these objectives, the Tender Offeror presented the Company with two (2) expectations: (i) the Company demonstrates a spirit of innovation and the ability to make proposals, and adds innovative value to the Tender Offeror's group, and (ii) the Company seeks to produce innovative value together with the Tender Offeror's existing business. After such presentation of the Tender Offeror's expectations, in order to create business synergy at an early stage of the alliance, the Company received a proposal from the Tender Offeror to develop its business as a company within the consolidated group of the Tender Offeror and to share a mutual interest with the Tender Offeror, by strengthening its capital relationship with the Tender Offeror so that the Tender Offeror will be able to provide the Company with its assets, management resources and know-how, etc. that constitute the foundation of the Tender Offeror's business.

The consumption environment in Japan, upon which the business of both companies is based, remains extremely severe, including the further diversification of consumer needs and the shrinking market due to the declining birth rate and the aging population. In addition, the distribution industry has been

facing increasing competition across all business fields. In particular, that major terminal stations have become large commercial bases, an increase in the number of facilities in the form of malls in local cities and suburbs, and the growth of outlet businesses and other elements have had a significant influence on the business of the Company.

In addition, in the Japanese market which became mature after the economic growth, consumers are starting and will likely continue to evolve to adopt fulfilling lifestyles and consumption patterns that stress social values from here on.

The distribution industry has been struggling for survival, the success of which is dependent on the strength of each corporation, and the Company acknowledges that, in order to survive through sustained innovation, it must innovate its own business model, i.e., by diversifying its line of business and expanding its customer base, etc. The Company believes that it will be able to contribute to its major stakeholders by growing as a member of the Tender Offeror's group through the capital and business alliance with the Tender Offeror.

<To Shareholders>

While maintaining managerial transparency and fairness as an independent listed company as well as a company with committees, further improvement of the Company's operating results by increasing the presence of its business in the urban areas of Japan will contribute to the enhancement of the Company's corporate value and shareholder value.

<To Tenants>

As for the tenants, who are equal partners of the Company, the capital and business alliance with the Tender Offeror will contribute to the expansion of opportunities to open new stores, and provide opportunities to expand their businesses while developing new types of businesses, such as opening new stores under the "new department store model" located in city centers, through the Company.

<To Customers>

Based on its vision of becoming an "urban lifestyle producer", the Company will be able to provide urban residents with the enjoyment of shopping and the pleasure of city life by realizing new methods of consumerism in urban areas and creating unique spaces.

<To Employees>

To employees, one of the sources of the Company's corporate value, the capital and business alliance with the Tender Offeror will provide new opportunities, for employees to participate, on a more stable management foundation, and enable them to obtain more diverse growth opportunities through the acquisition of new know-how and by educating themselves with the resources held by the Tender Offeror.

The maximum number of shares to be tendered will be set with respect to the Tender Offer and maintenance of the listing of the Company's common shares is a prerequisite for the Tender Offer. The Company believes that the Tender Offeror set the said conditions in the Tender Offer as it recognizes the need to maintain the Company's autonomy, while both companies aim to provide each other with management resources and know-how, etc., and enhance the corporate value of both companies by way of the Company becoming a consolidated subsidiary of the Tender Offeror, for future development.

By maintaining the autonomy of the management of the Company as a listed company and ensuring the stable capital as a result of the Tender Offeror becoming the parent company of the Company, the Company will be able to dedicate itself to business activities and focus on enhancing the Company's corporate value and realizing the Company's vision more than ever.

In addition, while the Company has been pursuing partnerships with external companies for the purpose of sustained enhancement of the Company's corporate value, the Company understands that the business foundation and know-how of the Company will be enhanced by the alliance with the Tender Offeror and that various companies will benefit from collaboration and alliance with the Company more than ever.

As mentioned above, taking the Company's aforementioned vision, the Company's management policy and the environment surrounding the Company's business into comprehensive consideration, strengthening relationship with the Tender Offeror through the capital and business alliance is consistent with the Company's management strategy. In addition, preparing an environment where the Company will be able to strive for innovation based on a stable capital relationship is in line with the expectations of all stakeholders of the Company. Consequently, the Company has recognized that it would be the best for the Company to decide to strive for further development as, along with the Tender Offeror, the No. 1 value-proposing commercial group in large metropolitan areas, by way of the capital and business alliance with the Tender Offeror, for the purpose of sustained enhancement of the Company's corporate value and shareholder value.

Based on the aforementioned discussion concerning the enhancement of the Company's corporate

value and shareholder value, the intention of the Tender Offeror and the advice, etc., from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“**Mitsubishi UFJ Morgan Stanley**”), a third party appraiser independent from the Company and the Tender Offeror, and Nagashima Ohno & Tsunematsu, an independent legal advisor of the Company, at the meeting of the board of directors held as of July 5, 2012, considering various factors such as the terms of the Tender Offer and the synergistic effects and complementary relationship with the Tender Offeror’s group that can be achieved through the capital and business alliance with the Tender Offeror, the Company decided, after deliberate consultations and discussions, that the establishment of the stronger alliance with the Tender Offeror based on the stable capital relationship that is premised on the completion of the Tender Offer will enhance the corporate value of the Company and consequently contribute to increase in the Company’s shareholder value. Therefore, the Company resolved to execute the Capital and Business Alliance Agreement and support the Tender Offer.

According to the Tender Offeror, the Tender Offeror has not intended the delisting of the Company Shares through the Tender Offer and it is currently expected that the Company Shares will be kept listed even after the Tender Offer. Therefore, the Company’s board of directors has also resolved to have the Company’s shareholders determine whether to tender their shares in the Tender Offer at their discretion, although the offer price is fair in light of the share value appraisal report obtained by the Company from Mitsubishi UFJ Morgan Stanley as described in “(a) Share value appraisal report obtained by the Company from an independent third party appraiser” in “(vi) Measures to Assure Fairness of the Tender Offer Including Measures to Assure Fairness of the Offer Price and Measures to Avoid Conflicts of Interest” set forth below.

(c) Overview of the Capital and Business Alliance Agreement

With respect to the details of the Capital and Business Alliance Agreement, please see II. 2. “Details, etc. of the Capital and Business Alliance Agreement” below.

(3) Business Plan after the Tender Offer

Even after the completion of the Tender Offer, the Company’s group will, under the vision of becoming an “urban lifestyle producer” that proposes a new, more fulfilling lifestyle, continue (i) to promote the each business strategy of “innovation at existing complexes,” “expansion of commercial activities in urban areas both in Japan and overseas,” and “rapid development of related and new businesses,” as well as (ii) to further deepen the alliance with the Tender Offeror and to promote cooperation that will contribute in enhancing corporate value for both companies.

In order for the Company to continue to develop in the future, we consider it extremely important to maintain the Company’s unique culture, autonomy in management, etc. The Tender Offeror also recognizes that the maintenance of the Company’s autonomy is necessary for the Company’s future development.

The Company has thus far constantly strived to strengthen its corporate governance by placing value on autonomy in management, and for the purpose of enhancing supervision and making a clear distinction between supervision and execution in management, and building a highly transparent corporate governance structure, the Company made a transition to a “Company with Committees” system in May 2003; and further, to assure objectivity in management, more than half of the members of the board of directors are independent directors (outside directors). The Company plans to continue the said “Company with Committees” system after the completion of the Tender Offer.

(4) Likelihood of and Reasons for Delisting

The Company Share are currently listed in the First Section of the Tokyo Stock Exchange. Since the Tender Offeror set a maximum number of shares to be purchased (38,522,600 shares) in the Tender Offer, the number of the Company Shares held by the Tender Offeror after the Tender Offer is expected to remain at 65,922,600 shares (Ownership Ratio after Conversion: 64.97%) at maximum. According to the Tender Offeror, the delisting of the Company is not intended by the Tender Offer. The Company and the Tender Offeror commonly recognize the policy to maintain the listing of the Company Shares even after the completion of the Tender Offer.

(5) Matters Relating to the Second-Step Takeover

No second-step takeover is scheduled for the Tender Offer.

(6) Measures to Assure Fairness of the Tender Offer Including Measures to Assure Fairness of the

Offer Price and Measures to Avoid Conflicts of Interest

As of July 5, 2012, the Tender Offeror does not fall under a tender offer by a controlling shareholder; however, the Tender Offeror has made the Company an equity-method affiliate of the Tender Offeror by holding 27,400,000 common shares of the Company (Holding Ratio: 33.22%) and the Tender Offeror has sent two (2) outside directors to the Company. Taking such situation into consideration, the Company has taken measures as set forth below.

- (i) Share value appraisal report obtained by the Company from an independent third party appraiser

The Tender Offer Price of 1,100 yen per share of the Company Shares is equal to the price after adding (i) a premium of 13.17% to 972 yen, the closing price for the Company Shares in the First Section of the Tokyo Stock Exchange as of July 4, 2012 (percentages to be rounded to the nearest tenth; the same shall apply hereinafter for the calculation of premiums in this section); (ii) a premium of 39.59% to 788 yen, the average closing price of the Company Shares (prices to be rounded to the nearest yen; the same shall apply hereinafter for the calculation of average closing price in this section) for the immediately preceding 1-month period (June 5, 2012, through July 4, 2012); (iii) a premium of 41.39% to 778 yen, the average closing price of the Company Shares for the immediately preceding 3-month period (April 5, 2012, through July 4, 2012); and (iv) a premium of 49.46% to 736 yen, the average closing price of the Company Shares for the immediately preceding 6-month period (January 5, 2012, through July 4, 2012).

In order to determine the appropriateness of the Tender Offer Price, the Company requested that Mitsubishi UFJ Morgan Stanley Securities, the financial advisor as a third party appraiser independent from the Company and the Tender Offeror, to evaluate and analyze the value of the Company Shares (Mitsubishi UFJ Morgan Stanley Securities is not an affiliate of the Company and the Tender Offeror and does not have any material conflict of interest regarding the Tender Offer).

Mitsubishi UFJ Morgan Stanley evaluated and analyzed the value of the Company Shares by employing each of (i) market price analysis, (ii) comparable company analysis, and (iii) discounted cash flow analysis (the “**DCF analysis**”). The Company obtained a share valuation statement from Mitsubishi UFJ Morgan Stanley on July 4, 2012 (The Company has not obtained from Mitsubishi UFJ Morgan Stanley a written opinion on the fairness of the Tender Offer Price (fairness opinion)).

The per share value of the Company’s Shares analyzed by each of above methods are as follows:

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

For the market price analysis, using July 3, 2012, as the reference date, the range of the per-share value of the Company Shares has been determined to be 776 yen to 783 yen, based on the respective average closing prices of ordinary transaction for the most recent 1 month (779 yen), the most recent 3 months (776 yen) and the period subsequent to February 24, 2012, the day on which the Tender Offeror announced that the Tender Offeror would acquire 33.2% of the Company Shares from Mori Trust Co., Ltd. and make the Company the Tender Offeror’s equity-method affiliate (783 yen) of the Company Shares in the First Section of the TSE.

For the comparable company analysis, the value of the Company Shares has been evaluated by comparing the market shares prices and financial indicators that show profitability, etc. of those listed companies that are engaged in businesses that are relatively similar to the Company, and the range of the per-share value of the Company Shares has been determined to be 543 yen to 981 yen.

For the DCF analysis, based on the estimated profit in the future taking in to account certain elements such as the Company’s business plan, the latest performance and business environments, the value of the Company and the Company Shares are evaluated by discounting the future free cash flow that the Company will generate to present value at an appropriate discount rate, and the range of the per-share value of the Company’s Shares has been determined to be 864 yen to 1,207 yen.

- (ii) Advice obtained by the Company from an independent legal advisor

In order to assure fairness and appropriateness of the decision-making method and process, the

Company obtained legal advice on the decision-making method and process of the board of directors for the Tender Offer from Nagashima Ohno & Tsunematsu as a legal advisor independent of the Company and the Tender Offeror.

(iii) Unanimous Approval by the Non-Interested Directors

At the meeting of the board of directors held as of July 5, 2012, in light of the share value appraisal report described in “(a) Share value appraisal report obtained by the Company from an independent third party appraiser” above, the legal advice described in “(b) Advice obtained by the Company from an independent legal advisor” above, and other related materials, and considering various factors such as the terms of the Tender Offer and the synergetic effects and complementary relationship with the Tender Offeror’s group that can be achieved through the capital and business alliance with the Tender Offeror, the Company decided, after deliberate consultations and discussions, that the establishment of the stronger alliance with the Tender Offeror based on the stable capital relationship that is achieved by the completion of the Tender Offer will enhance the corporate value of the Company, and consequently, contribute to increase in the Company’s shareholder value. Therefore, the Company resolved to enter into the Capital and Business Alliance Agreement and to support the Tender Offer, as well as to have the Company’s shareholders determine whether to tender their shares in the Tender Offer at their discretion.

With respect to the opinion above on the Tender Offer, at the meeting of the board of directors held as of July 5, 2012, with the unanimous approval of nine (9) directors out of the total of twelve (12) directors (including 10 outside directors) who participated in discussions and resolutions on the Tender Offer, excluding a director who was absent from the board of the directors due to personal reasons and two directors who did not participate in discussions and resolutions on the Tender Offer due to the reasons as described below. Enhancing fairness, transparency and objectivity, and avoiding potential conflicts of interest of the Company in the decision-making by the board of directors on the Tender Offer and the Capital and Business Alliance Agreement, among the Directors of the Company, Mr. Hiroto Tsukada, who is the Director and Executive Officer of the Tender Offeror, and Mr. Yasuyuki Kobayashi, the Director and Executive Officer of a subsidiary of the Tender Offeror, were not involved with any of the resolutions and the discussions with respect to any of the resolutions on the Tender Offer including the above resolution to support the Tender Offer, or any of the resolutions on the execution of the Capital and Business Alliance Agreement, and they did not participate in discussions and resolutions with the Tender Offeror on behalf of the Company.

4. Matters Related to Material Agreements Concerning Tendering in the Tender Offer between the Tender Offeror and the Company’s Shareholders

As described in “3. (2) (i) Overview of the Tender Offer” the Company received the following explanation.

The Tender Offeror has entered into the Acceptance Agreement as of July 5, 2012 with DBJ, under which the Tender Offeror and DBJ have 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 to it upon the Conversion to the Tender Offer.

5. Details Regarding Provision of Benefits by the Tender Offeror or its Specially Interested Persons

Not applicable.

6. Policy for Responses Regarding Basic Policies on the Control of the Company

Not applicable.

7. Inquiries to the Tender Offeror

Not applicable.

8. Request for Extension of the Tender Offer Period

Not applicable.

9. Future Prospects

The Tender Offer's impact on the forecast of the Company's business results for the fiscal year ending on February 28, 2013 is unknown at present. Although synergistic effects are expected to be generated in the business of the Company in the future due to the capital and business alliance with the Tender Offeror through the Tender Offer, the Company will announce the details of the business alliance at a time in the future when specific plans are fixed, since such details of the business alliance are now being discussed by the "Business Discussion Committee" consisting of the Company and the Tender Offeror, and the plans for the next fiscal year onwards are planned to be established based on the discussions of the said committee. If an event which is required to be disclosed arises, the Company will promptly announce such event.

II. The Capital and Business Alliance Agreement

1. Reasons for the Capital and Business Alliance

For the reasons behind the execution of the Capital and Business Alliance Agreement, please refer to I. 3. (2) (ii) (b) "Decision-making Process and Reasons for the Decision of the Company" above.

2. Details, etc. of the Capital and Business Alliance

(1) The Details of the Capital and Business Alliance Agreement

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

(i) Purpose

In order for the Company and the Tender Offeror, 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 Company has become a consolidated subsidiary of the Tender Offeror, the Company and the Tender Offeror shall agree to the following matters provided in the Capital and Business Alliance Agreement. In the capital and business alliance, the Tender Offeror shall understand that creation of corporate value for the Company is originated from autonomy of management of the Company, and autonomy and creativity of officers and employees of the Company endorsed by such implementation of management of the Company, and shall respect the autonomy of management of the Company.

(ii) Details of Capital Alliance and Business Alliance

- a) After resolving an opinion to support the Tender Offer, the 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 the Company's directors' duties as directors.
- b) The Company and the Tender Offeror shall consult with each other in good faith about the details, including the contents, conditions and schedules etc., of alliance and cooperation between the 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 Company and the Tender Offeror;
 - 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 Company and the Tender Offeror.

(iii) Prohibition on the Additional Acquisition of the Company Shares

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

(iv) Management Structure of the Company

- a) The Tender Offeror shall maintain the "Company with Committees" system of the Company with

- respect to the governance structure.
- b) The composition of the 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 Company shall be directors nominated by the Tender Offeror.
 - With respect to directors other than independent outside directors, there shall be the same number of directors nominated respectively by the Tender Offeror and directors originated from the Company.
 - c) 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 Company.
 - d) Business Execution Regime of the Company
 - The representative executive officer(s) shall be a director(s) originated from the Company.
 - The Tender Offeror will respect the decision of the Company with respect to the organization and executive structure of the Company.
 - e) 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 management structure as of the execution date of the Capital and Business Alliance Agreement shall not be voluntarily changed.

(v) Maintenance of the Brands of the Company

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

(vi) Interchange of Personnel

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

(vii) Employment System

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

(viii) Matters to be Independently Judged by the Company

- a) If the Company conducts any M&A, acquisition and disposition of assets, development etc., with respect to which the Company shall undertake the duty of timely disclosure pursuant to the Securities Listing Enforcement Rules established by Tokyo Stock Exchange, or if the Company executes the capital policy which is accompanied by the dilution of the Company Shares and share options, etc., the Company shall be required to obtain prior consent from the Tender Offeror.
- b) If the 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 Company's net income before income taxes in the amount of 500 million yen or more, the Company shall notify the Tender Offeror thereof in advance, and, if the Tender Offeror requests, shall consult with the Tender Offeror.
- c) The Tender Offeror shall respect the customer policy and the sales policy adopted by the Company.
- d) The Tender Offeror shall respect the Company's existing business relationships and cooperative relationships (including the cooperation concerning the credit card business).
- e) It shall be ensured that the transaction between the Tender Offeror and the Company shall be conducted on terms equivalent to an arm's length transaction.

(ix) Miscellaneous

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.

(x) Duration of the Capital and Business Alliance Agreement

- a) The effective term of the Capital and Business Alliance Agreement shall, on the condition that the Company becomes a consolidated subsidiary of the Tender Offeror, begin from the settlement date of the Tender Offer (provided, however, that the respective effective terms of (ii) a) above, (viii) above and (ix) 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 Tender Offeror 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
- b) Notwithstanding the provisions of the preceding paragraph, the obligations of the Tender Offeror prescribed in (v) above shall continue until such agreement terminates after the end of the Effective Term of the Capital and Business Alliance Agreement.
- c) The Capital and Business Alliance Agreement shall expire in the case where any of the following events occur:
 - In the event that the Company and the Tender Offeror agree to cancel the Capital and Business Alliance Agreement.
 - In the event that the Company or the Tender Offeror 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 Company ceases to fall under a consolidated subsidiary of the Tender Offeror.
- d) If, during the term of the Capital and Business Alliance Agreement, the level of the business performance or the amount of dividends of the 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 Company’s control), the Company and the Tender Offeror 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 Tender Offeror reasonably determines that the level of the performance or the amount of dividends of the Company is not likely to recover to the same level of the performance or the amount of dividends for the fiscal year ending on February 29, 2012, the Tender Offeror may terminate the Capital and Business Alliance Agreement.

(2) Amount of Newly Acquired Stocks or Shares

Not applicable.

(3) Total Number and Portion Issued Shares of Shares to be Acquired

The Company was given by the Tender Offeror the following explanation as to the number of the Company Shares to be newly acquired by the Tender Offeror through the Tender Offer.

Number of Shares to be purchased 38,522,600 shares
 (Percentage of the number of the voting rights of the shares to be purchased etc. with respect to the number of the voting rights of all shareholders etc. of the Company: 37.98%)

Maximum Number of Shares to be purchased 38,522,600 shares
 (Ownership ratio of the shares owned by the Tender Offeror after the Tender Offer : 65.00%)

Note: 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, 13th business day prior to the last day (exclusive) of the Tender Offer Period after such extension) in accordance with the Acceptance Agreement as of July 6, 2012, “Total number of voting rights of all shareholders of the Company” is 1,014,195, which is added the number of voting rights (189,873) of shares of the Company issued or delivered in accordance with the conversion (18,987,300) to the total number of voting rights (824,332) of the Company as of February 29, 2012 as stated in the 73rd term securities report filed by the Company as of May 28, 2012.

The minimum number of the shares to be purchased through the Tender Offer is not set, and all of the tendered

shares etc., are expected to be purchased if the total number of tendered shares etc. is the maximum number of shares to be purchased (38,522,600 shares) or less.

3. Details of the Capital and Business Cooperation Partner

With respect to the overview of the counter party to the Capital and Business Alliance Agreement, please see I.1. "Overview of Tender Offeror".

4. Schedule

(1)	Resolution by the Company's Board of Directors	July 5, 2012 (Thursday)
(2)	Execution of the Capital and Business Alliance Agreement	July 5, 2012 (Thursday)
(3)	Commencement of the Tender Offer	(scheduled to be) July 9, 2012 (Monday)
(4)	End of the Tender Offer	(scheduled to be) August 20, 2012 (Monday)
(5)	Commencement of Settlement of the Tender Offer	(scheduled to be) August 27, 2012 (Monday)
(6)	Effective Date of the Capital and Business Alliance Agreement	(scheduled to be) August 27, 2012 (Monday)

5. Future Prospects

The impact that the execution of the Capital and Business Alliance Agreement will have on the forecast of the Company's business results for the fiscal year ending on February 28, 2013 is unknown at present. Although synergistic effects are expected to be generated in the business of the Company in the future due to execution of the Capital and Business Alliance Agreement with the Tender Offeror through the Tender Offer, the Company will announce the details of the business alliance at a time in the future when specific plans are fixed, since such details of the business alliance are now being discussed by the "Business Discussion Committee" of the Company and the Tender Offeror, and plans for the next fiscal year onwards are scheduled to be established based on the discussions of the said committee. If an event which is required to be disclosed arises, the Company will promptly announce such event.

End

(FYI) The Press by the Tender Offeror