

December 4, 2018

[English Excerpted Version]

Notice of Acquisition of Treasury Stock and Tender Offer of Treasury Stock

At the Board of Directors meeting held on December 4, 2018, we have resolved to acquire our treasury stock pursuant to the Article 156, Paragraph 1 of the Companies Act (Act No. 86 of 2005, including subsequent amendments; hereinafter referred to as the "Companies Act") as applied by replacing the terms of Article 165, Paragraph 3 of the Companies Act, and the Articles of Incorporation. As a concrete method of acquiring treasury stock, we have resolved to make a tender offer of treasury stock (hereinafter referred to as the "Tender Offer"). Details are as follows.

◆ Purpose of the tender offer

We are striving to achieve sustainable growth through aggressive investment, increase shareholder value over the medium to long term, and increase returns to shareholders in line with the growth of the company. Our basic policy on capital is to maintain a stable dividend payout ratio by emphasizing ROE (return on equity) as a benchmark for capital efficiency, while also emphasizing the balance between growth investment and shareholder returns. In addition, pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act, our Articles of Incorporation provides that the Company may repurchase its own shares through market transactions by resolution of the Board of Directors. The purpose of the plan is to implement flexible capital policies in response to changes in the business environment.

In accordance with this policy, as a result of considering measures to further strengthen the return of profits to its shareholders, we have concluded that the acquisition of a certain amount of treasury stock will contribute to the improvement of our capital efficiency, such as EPS (net income per share) and ROE, and thereby contributing to its shareholders' profits as well. As a method of repurchasing its treasury stock, if we decide to use the market purchase method, the purchase volume will be limited. However, if we acquire a portion of its common shares held by its major shareholders, we determined that we will be able to repurchase its own shares in a relatively short period of time without reducing the liquidity.

Therefore, since mid-September 2018, we have been approaching AEON CO., LTD. (hereinafter referred to as "AEON"), our major and the second largest shareholder and our parent company, to sell our common stock. The number of shares held by AEON as of today is 13,195,250, and the ratio to the total number of shares outstanding (54,169,633 shares) is 24.36% (rounded to the nearest whole number; hereinafter the same shall apply in the calculation of the ratio to the total number of shares outstanding). Meanwhile, we have confirmed their intention to sell our common stock and have been considering its specific methods. In addition, as a result of thorough examination of the specific methods of purchasing treasury stock, we have determined that the tender offer is appropriate method from the viewpoints of equality among shareholders and transparency of transactions.

With taking into account that the Company's common stock is listed on a financial instruments exchange and that the acquisition of treasury stock by listed companies are often made through market purchases via financial instruments exchanges, we have determined that the Tender Offer Price (hereinafter referred to as the "Tender Offer Price") should be calculated on the basis of market prices with an emphasis on clarity and objectivity.

Based on this decision, we decided that it would be desirable to purchase the shares at a discount price to the market price in order to minimize the outflow of assets as much as possible with respecting the interests of shareholders who do not subscribe to the Tender Offer and who continue to hold our common stock. Therefore, in mid-November 2018, we confirmed with AEON whether to accept a tender offer for shares of our common stock on the First Section of the Tokyo Stock Exchange, Inc. (hereinafter referred to as the "Tokyo Stock Exchange") at a discount to the market price of our common stock. We received the answer that AEON positively considers the tender offer.

In response, on December 3, 2018, we deliberated on the specific conditions of the Tender Offer based on our financial condition and the discount rate on the market price of the tender offer price determined in reference to the case of other companies. (For specific conditions, please refer to "(1) Basis of Calculation" in "(3) Basis of Calculation of the Purchase Price, etc." in "3. Summary of Purchase, etc." below.) As a result, AEON responded that it will subscribe to the Tender Offer for 2,700,000 shares (4.98% of the total number of issued shares), which is part of the 13,195,250

shares (24.36% of the total number of issued shares) of our common stock held by AEON under the above conditions. Moreover, AEON will continue to hold 10,495,250 shares of our common stock (19.37% of the total number of issued shares) that do not subscribe to the Tender Offer.

The entire amount of funds required for the Tender Offer will be appropriated from the Company's own funds. As of August 31, 2018, the Company's consolidated liquidity (cash and deposits) was approximately 38.5 billion yen, which will be used as the funds for the Tender Offer. Even after appropriating approximately 11.0 billion yen, we expect to be able to secure sufficient liquidity on hand and to accumulate a certain amount of cash flow from operations. Therefore, we believe that we will be able to maintain our financial soundness and stability in the future.

In light of the above, at the Board of Directors meeting held on December 4, based on the Article 156, Paragraph 1 of the Companies Act as applied by replacing the terms of Article 165, Paragraph 3 of the Companies Act and the Articles of Incorporation and in order to provide shareholders other than Aeon with the opportunity to subscribe for our shares, we have resolved the following: acquisition of treasury stock with the purchase limit up to 2,970,000 shares (5.48% of the total number of issued shares), implementation of the Tender Offer as a specific acquisition method, and decision of the Tender Offer Price to 3,669 yen (rounded off to the nearest yen; hereinafter the same shall apply in the calculation of the simple average of the closing prices) with applying a 7% discount rate to the simple average closing price of 3,945 yen (rounded off to the nearest yen; hereinafter the same shall apply in the calculation of the simple average of the closing prices) of our common shares on the First Section of the Tokyo Stock Exchange for the past three months up to the business day prior to the resolution of the Board of Directors (December 3, 2018). Ippei Nakayama, Chairman of the Board of our company, concurrently serves as Executive Officer of AEON, and therefore may have a special interest in the Tender Offer. Therefore, he has not participated in the prior discussions between our Company and AEON, nor has he participated in the deliberations and resolutions of the Board of Directors meeting regarding the Tender Offer.

The policy for the disposal of treasury stock acquired through the Tender Offer is undecided at this point, and we will promptly disclose any specific decisions made.

◆ Details of resolutions of the Board of Directors regarding the acquisition of treasury stock

1. Details of resolution

Type of share certificates, etc.	Total number of shares	Total Purchase Amount
Common stock	Up to 2,970,100 shares	10,897,296,900 yen (maximum)

(Note 1) Number of shares outstanding as of December 4, 2018: 54,169,633

(Note 2) Ratio to the total number of issued shares: 5.48%

(Note 3) Period for acquisition: From Wednesday, December 5, 2018 to Thursday, February 28, 2019

(Note 4) The total number of shares to be purchased by the Board of Directors is calculated by adding one unit (100 shares) to the planned number of shares to be purchased because subscriptions to shares may exceed the planned number of shares to be purchased as a result of the unit adjustment.

2. Share certificates, etc. related to the shares already repurchased in accordance with this resolution.
None applicable

◆ Outline of the Purchase, etc.

1. Schedule, etc.

① Resolution of the Board of Directors	Tuesday, December 4, 2018
② Notification date of the commencement of the tender offer	Wednesday, December 5, 2018 Electronic public notices will be published in the Nihon Keizai Shimbun. (Electronic Public Notice: http://disclosure.edinet-fsa.go.jp/)
③ Filing Date of Tender Offer Statement	Wednesday, December 5, 2018
④ Period of Purchase, etc.	From Wednesday, December 5, 2018 through January 8, 2019 (Tuesday) (20 business days)

2. Purchase price

3,669 yen per share of common stock

3. Basis for Calculating the Purchase Price, etc.

In order to calculate the fair market value of our common stock, it is required to take into consideration the stock price fluctuation for a certain period of time as the market price may fluctuate on a daily basis depending on the economic conditions and various other conditions. Therefore, we have calculated the purchase price based on our closing stock price on the First Section of the Tokyo Stock Exchange as of December 3, 2018, the business day prior to December 4, 2018, the date of the resolution of the Board of Directors of the Tender Offer, the simple average of the closing price of our common stock for the past month up to December 3, 2018: 3,986 yen, and the simple average of closing price of our common stock for the past three months up to December 3, 2018: 3,945 yen. We have proposed to AEON that the discount rate of 7% is applied to the simple average of 3,945 yen of the closing price of our common stock on the First Section of the Tokyo Stock Exchange for the past three months up to December 3, 2018, the business day preceding the date of resolution of the Board of Directors of the Tender Offer, when calculating the Tender Offer Price.

Discount rates are based on cases of past tender offers. As a result, AEON responded that they will subscribe to the Tender Offer for 2,700,000 shares (4.98% of the total number of issued shares), which is part of the 13,195,250 shares of our common stock (24.36% of the total number of issued shares) held by AEON under the above conditions, and that AEON will continue to hold 10,495,250 shares of our common stock (19.37% of the total number of issued shares) that do not subscribe to the Tender Offer.

In light of the above, by resolution of the Board of Directors on December 4, 2018, we decided the Tender Offer Price of 3,669 yen based on a 7% discount to the simple average of 3,945 yen of the closing price of our common stock on the First Section of the Tokyo Stock Exchange for the past three months up to December 3, 2018, the business day preceding the date of resolution of the Board of Directors of the Tender Offer.

The Tender Offer Price of 3,669 yen is the amount calculated by discounting from 4,120 yen, the closing price of our common stock on the First Section of the Tokyo Stock Exchange for the past three months up to December 3, 2018, the business day preceding the date of resolution of the Board of Directors of the Tender Offer on December 4, 2018, to 10.95% (rounding off to the nearest whole number; hereinafter the same shall apply in the calculation of the discount rate), from 3,986 yen, the simple average closing price of our common stock for the past month up to December 3, 2018, to 7.95%, and from 3,945 yen, the simple average closing price of our common stock for the past three months up to December 3, 2018, to 7.00%.

◆ Settlement method

1. Name and address of head office of Financial Instruments Business Operators and Banks, etc. that settle purchase of treasury stock, etc.

(Tender Offer Agent)

Daiwa Securities Co., Ltd. 1-9-1 Marunouchi, Chiyoda-ku, Tokyo

2. Settlement commencement date: January 31, 2019 (Thursday)

3. Settlement method

Without delay after the end of the Tender Offer Period, a notice of the purchase, etc. shall be mailed to the address of the person who submits an application for acceptance or sale, etc. of the purchase, etc. of share certificates, etc. pertaining to this Tender Offer (In the case of a foreign resident, it shall be mailed to a standing proxy.)