

PARCO CO., LTD.
FY2016 First Half Results
Investor Presentation
TSE 1st Section 8251

into the black forest
chapter one

PARCO



Overview of FY2016 H1 results and FY2016 Full-year forecasts

Shopping Complex Business topics

- Development Projects

- PARCO Stores Business

- New businesses

- Overseas businesses

PARCO Group Related Businesses topics

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Results overview (1)

Consolidated results

5/30

Achieved record quarterly net income despite declines in net sales, operating income, and ordinary income.

Unit: Million yen

Consolidated	FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %	Forecasts	Difference from forecast ¥	Difference from forecast %
Net sales	134,029	136,721	(2,691)	(2.0%)	139,450	(5,420)	(3.9%)
Operating income	6,504	6,669	(164)	(2.5%)	7,150	(645)	(9.0%)
Ordinary income	6,085	6,602	(516)	(7.8%)	6,950	(864)	(12.4%)
Net income attributable to parent ¹	3,751	3,422	328	9.6%	4,100	(348)	(8.5%)
EBITDA ²	9,131	9,683	(552)	(5.7%)	9,835	(704)	(7.2%)

Consolidated	FY2016 End of Aug.	End of FY2015	Change ¥
Total assets	241,959	236,315	5,643
Net assets	119,192	116,474	2,718
Interest-bearing debt	54,918	54,518	400
Equity ratio	49.3%	49.3%	(0.0%)

¹The ¥328 million increase in net income was primarily due to effects of sale of non-current assets associated with the redevelopment of Shibuya PARCO.

²EBITDA in this table refers to operating income plus depreciation and amortization.

Consolidated results by segment

Sales declined in Shopping Complex Business, but achieved sales growth in Retail Business, sales and profit growth in Space Engineering and Management Business, and profit growth in Other Business.

Unit: Million yen

		FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %
Shopping Complex Business	Net sales	119,597	122,478	(2,881)	(2.4%)
	Segment income	5,913	6,151	(237)	(3.9%)
Retail Business	Net sales	10,458	10,395	63	0.6%
	Segment income	154	318	(164)	(51.5%)
Space Engineering and Management Business	Net sales	10,687	10,429	257	2.5%
	Segment income	408	203	205	100.7%
Other Business	Net sales	3,295	3,524	(228)	(6.5%)
	Segment income	54	16	37	228.7%
Consolidated	Net sales	136,523	139,103	(2,579)	(1.9%)
	Segment income	6,504	6,669	(164)	(2.5%)

Figures for net sales by segment include operating revenue.

Segment income refers to operating income.

PARCO's Entertainment Business earnings are included in Other Business.

*Due to adjustments between business segment results, totals of business segment figures differ from consolidated figures.

Selling, general & administrative expenses

Unit: Million yen

Consolidated	FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %
Personnel	5,155	5,108	46	0.9%
Lease/rental	4,483	4,493	(9)	(0.2%)
Advertising	1,562	1,443	119	8.3%
Agency services	2,692	2,700	(8)	(0.3%)
Depreciation	2,627	3,014	(387)	(12.9%)
Total SG&A	16,495	16,537	(41)	(0.3%)

Capital expenditure

Consolidated	FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %
Capex	10,689	14,841	(4,151)	(28.0%)

Results overview (4)

Full-year forecasts

8/30

Targeting record consolidated operating income, ordinary income, and net income.

Unit: Million yen

Consolidated	FY2016 Revised forecast	FY2014 results	Change ¥	Change %	Initial forecast	Change ¥
Net sales	271,000	276,358	(5,358)	(1.9%)	280,150	(9,150)
Operating income	12,900	12,772	127	1.0%	13,500	(600)
Ordinary income	13,100	12,673	426	3.4%	13,800	(700)
Net income attributable to parent	6,900	6,061	838	13.8%	7,850	(950)

Planning to set interim dividend per share of ¥11 (up ¥1) and annual dividend per share of ¥22 (up ¥2).

Overview of FY2016 H1 results and FY2016 Full-year forecasts

Shopping Complex Business topics

- Development Projects

- PARCO Stores Business

- New businesses






- Overseas businesses

PARCO Group Related Businesses topics

Development projects & opening schedule

10/30

Pursuing development focused on areas around PARCO's key urban locations and in cities where PARCO does not yet have a presence.

-  Existing PARCO store
-  Existing ZERO GATE store
-  Opened in H1 FY2016
-  Scheduled to open in H2 FY2016
-  Under development



Kyoto
Kyoto ZERO GATE*
Scheduled to open in 2017



Sendai
Sendai PARCO 2
Open July 2016



Ueno
Matsuzakaya Ueno
New South Wing
Store
Scheduled to open
in Autumn 2017

Kobe
Sannomiya ZERO GATE*
Opening date TBD

Hiroshima
Hiroshima ZERO GATE 2
Open Sep. 2016



Shibuya
Udagawa-cho 15
Development Project
Scheduled to open in
autumn 2019



*Shibuya PARCO Part 1 and Part 3 closed temporarily from August 2016

*Chiba PARCO is scheduled to close in November 2016

*Otsu PARCO is scheduled to close in August 2017

Sendai area

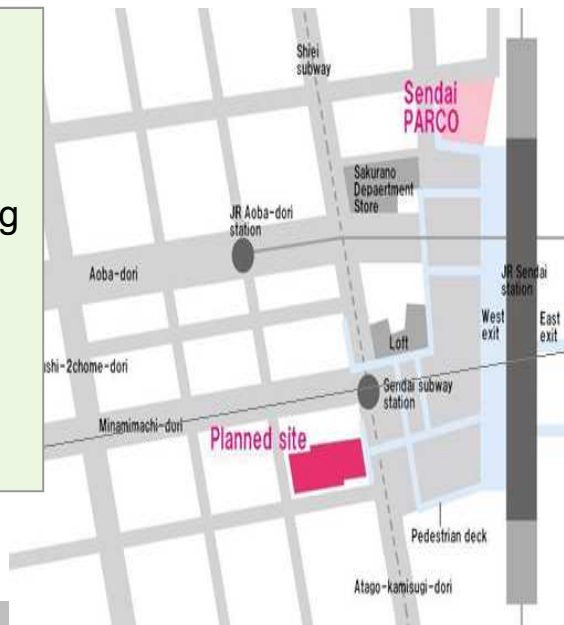
Sendai PARCO 2 opened on July 1, 2016.
A new commercial store in front of Sendai Station.



- Aiming for annual sales of approx. ¥7 billion. Together with Sendai PARCO Main Building annual sales target will exceed ¥20 billion*.
- Target consumers are families and mature individuals in their thirties and forties.
- Strong start with growth in share of cosmetics, foods, restaurants, and sundry goods, and synergies with cinema complex, and despite restrained clothing share.

Largest-scale renovation of Sendai PARCO Main Building since its opening.

- Renewal of 2,700m² of tenant floor area (approx. 20% of total) scheduled for this autumn.
- Renovated areas will propose seasonal fashions, primarily ladies' brands targeting consumers in their twenties and thirties.
- Improvement of 3rd floor as a select shop zone for mature consumers. Evolution of 4th – 6th floors as a youth zone and the No. 1 spot for fashion shops targeting consumers in their twenties.



Overview	Sendai PARCO 2
Area of site	Approx. 3,600m ²
Floor area	Approx. 25,000m ²
No. of floors	10 above-ground floors

*Integrated sales target. "Integrated sales" indicate the overall sales performance of a store, and is the sum sales of tenants on diminishing rent rate contracts and sales of tenants under fixed rent contracts.

Hiroshima area

Opened ZERO GATE store near Hiroshima PARCO on September 10, 2016.

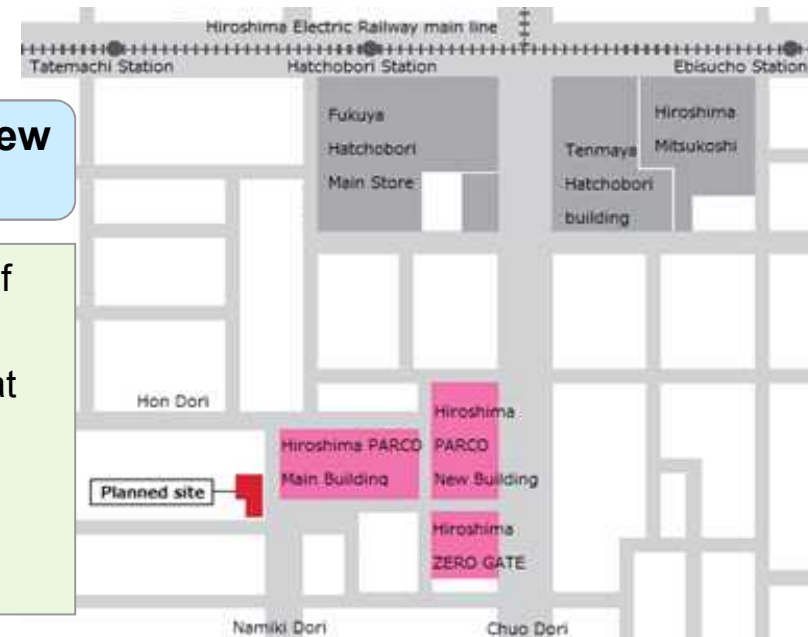


- Maximizing the appeal of the area with the opening of this new store near two Hiroshima PARCO stores and existing ZERO GATE store.
- WEGO will occupy the entire newly constructed building as the brand's flagship store in the Chu-Shikoku region, communicating fashion trends from Tokyo's Harajuku district.

Overview	Hiroshima ZERO GATE 2
Area of site	Approx. 285m ²
Floor area	Approx. 744m ²
No. of floors	3 above-ground floors

Largest-scale renovation of Hiroshima PARCO New Building since its opening.

- Renovation of 4,000m² of tenant floor area (approx. 20% of total) scheduled for this autumn.
- A large general merchandise store will be renovated as that brand's flagship store for the area and the centerpiece for attracting customers to all PARCO buildings.
- Renovation expanded floor area of Chu-Shikoku's most popular select shops and improve fashion offerings.



Progression of the urban development project for Udagawa-cho 14 and 15, encompassing the site of Shibuya PARCO, as a special urban renaissance district.

- In August, Tokyo Metropolitan Government approved the implementation of the Urban Redevelopment Project.
- In the same month, Shibuya PARCO Part 1 and Part 3 closed temporarily to enable the project to get underway.
- Accelerating specific plans and aiming to open in autumn 2019.

Project image



Project schedule		
2015	June	Urban plan submitted to Tokyo Metropolitan Government
	December	Tokyo Metropolitan Government approves urban plan
2016	March	Shibuya Project created in organization reform
	April	Temporary closure of Shibuya PARCO 1 and 3 announced
	August	Project implementation approved by Tokyo Metropolitan Government Temporary closure of Shibuya PARCO 1 and 3 for reconstruction
	November	Right Conversion Plan approval (scheduled)
2017	May	Construction on new premises begins (scheduled)
2019	Autumn	New premises opens (scheduled)

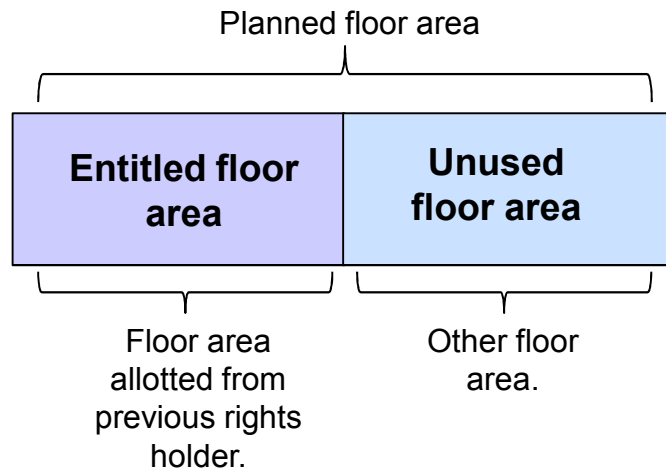
Overview	
Area of site	Approx. 5,380m ²
Floor area	Approx. 63,830m ²
No. of floors	18 above-ground floors, 3 below-ground

“Udagawa-cho 14/15 Urban Area Redevelopment Project” framework

December 2015

Tokyo Metropolitan Government approves the plan to develop area as a Special Urban Renaissance District.

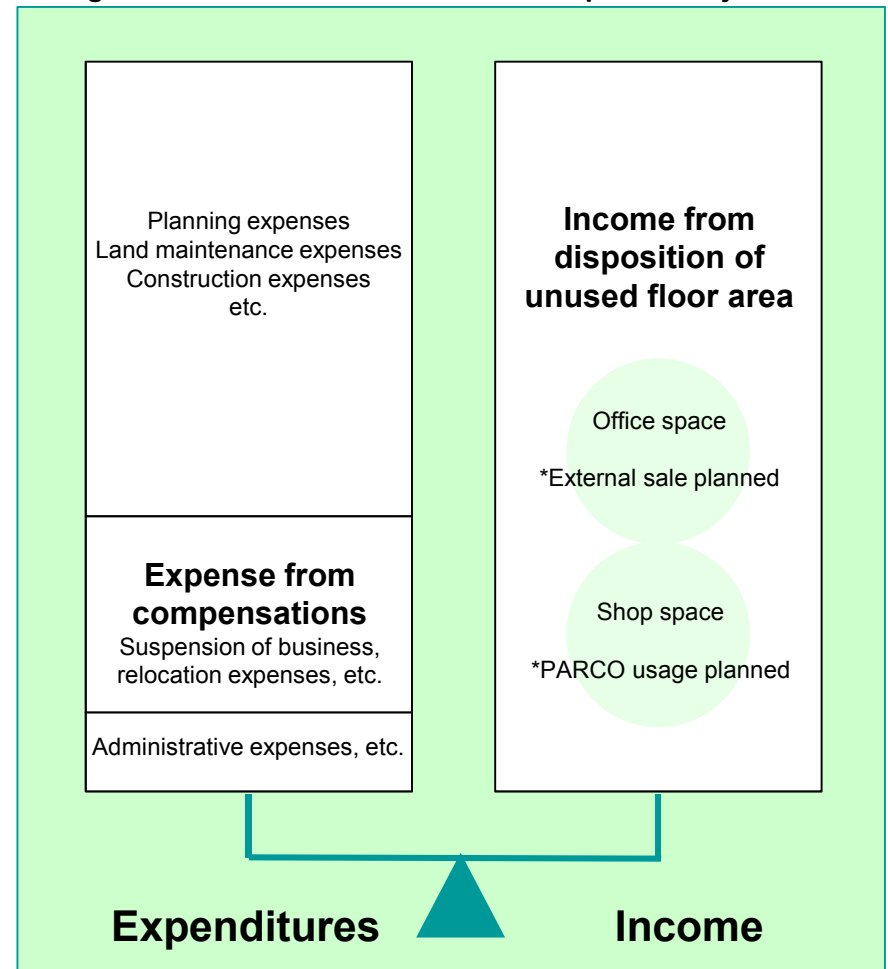
→ Increase in floor area ratio (increase in permitted floor area).



August 2016

Tokyo Metropolitan Government approves implementation of Urban Area Redevelopment Project.

Income and expenditures for the Udagawa-cho 14/15 Urban Area Redevelopment Project Phase 1



Tenant sales by store

Despite sales contributions from Sendai PARCO 2, which opened in July, sales decreased year on year as lower sales in the Urban Store Group affected the business as a whole.

Unit: Million yen

Store		Net sales	YoY change
Urban Store Group	Sapporo PARCO	5,831	(4.6%)
	Sendai PARCO	7,344	15.6%
	Ikebukuro PARCO	12,504	(8.2%)
	Shibuya PARCO	6,984	(10.4%)
	Shizuoka PARCO	5,062	(0.2%)
	Nagoya PARCO	17,268	(1.6%)
	Hiroshima PARCO	7,666	(3.5%)
	Fukuoka PARCO	9,387	(3.2%)
	8 store total	72,049	(2.9%)
Store		Net sales	YoY change
Total for all stores		116,855	(2.6%)
Existing store total*		107,494	(3.4%)

Store		Net sales	YoY change
Community Store Group	Utsunomiya PARCO	1,833	(15.6%)
	Urawa PARCO	8,505	(0.1%)
	Shin-Tokorozawa	4,613	0.7%
	Chiba PARCO	2,324	(15.6%)
	Tsudanuma PARCO	4,063	(6.9%)
	Hibarigaoka PARCO	3,579	(0.7%)
	Kichijoji PARCO	3,468	(3.2%)
	Chofu PARCO	8,457	1.1%
	Matsumoto PARCO	3,503	0.7%
	Otsu PARCO	1,792	(1.6%)
	Kumamoto PARCO	2,664	5.2%
	11 store total	44,805	(2.1%)

*As of August 7, 2016, Shibuya PARCO PART 1 and PART 3 have been closed temporarily.

*Existing Store total sales figures do not include sales at Fukuoka PARCO Main Building extension (opened March 19, 2015), Nagoya PARCO midi (opened March 27, 2015), Sendai PARCO2 (opened July 1, 2016), and Shibuya PARCO PART 1 and PART 3 (closed temporarily as of August 7, 2016).

Sales by item, customer numbers, average spend per customer

Sales decreased year on year, especially clothing sales, despite strong performance of bags and cosmetics due to inbound demand.

YoY comparison by item		Existing stores
	Womenswear	(8.5%)
	Menswear	(9.6%)
	General clothing	(0.0%)
	Clothing	(5.3%)
	Shoes	(2.8%)
	Bags	1.0%
	Accessories	(0.5%)
	Cosmetics	9.3%
	Personal items	(1.4%)

YoY comparison by item		Existing stores
Sundry goods		(2.1%)
Foods		(0.3%)
Restaurants		(6.8%)
Other (service, etc.)		(4.2%)

Existing stores YoY change	FY2014	FY2015
Paying customers	(1.8%)	(4.9%)
Average spend per customer	1.0%	1.2%

Sales by item, paying customers and average spend per customer are based on “integrated sales” of stores. “Integrated sales” indicates the overall sales performance of a store and includes tenant sales, sales at PARCO Theatre and other facilities, and sales of tenants under fixed rent contracts.

Overview of PARCO store renovations

Differentiate and improve customer appeal by strengthening lifestyle proposals corresponding to consumer trends and individual store characteristics.

- Themes for FY2016:
1. Set initiatives in line with the growing market
 2. Set priority items
 3. Extend development of the incubation and trend communication functions at Shibuya PARCO to other stores

H1 achievements

- Area renovated: Approx. 26,000 m²; renovated zone YoY sales comparison: 10.6%
- Urban Stores Group: Renovations mainly at Nagoya PARCO and Fukuoka PARCO. Renovated zone YoY sales comparison: 9.9%
- Community Stores Group: Renovations mainly at Shin-Tokorozawa PARCO. Renovated zone YoY sales comparison: 12.3%

H2 Plans

1. Approx. 24,000m² scheduled for renovation in H2, 50,000m² total for FY2016 (initial plan: 40,000m²).
2. Maintain the essence of Shibuya PARCO at other PARCO locations.
 - Transfer of PARCO Museum and character collaboration cafés to Ikebukuro PARCO.
 - Expand PARCO Mode at Shibuya PARCO PART 1 to Ikebukuro PARCO, Nagoya PARCO, and Kichijoji PARCO.
3. Strengthen initiatives for tenants in line with the growing market.
4. Establish dominance in the market by attracting key tenants.

*Renovation area figures do not include Shibuya PARCO or Chiba PARCO

Continue to foster strong growth in inbound sales through highly effective communication strategies and the introduction of payment systems targeting visitors to Japan.

H1 achievements

1. Chose the most effective communication tools (SNS, video sites, etc.) and adopted a unique approach for each country.
2. Continue promotional campaigns to attract tourists to PARCO stores, such as multichannel coupon distributions.
3. Introduced payment systems that accept China UnionPay cards in all shops at the five PARCO stores with the most inbound demand.

Reference: Inbound achievements	Shibuya ¹ PARCO	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO
YOY change purchases by foreign-issued credit cards	12.6%	64.6%	35.0%	31.5%
Share of net sales accounted for by foreign-issued credit cards (YOY change) ²	11.7% (+1.9%)	11.0% (+4.6%)	2.7% (+0.9%)	1.5% (+0.4%)

¹ Figures for shown Shibuya PARCO reflect the period until July.

² Figures calculated as the share of total sales.

H2 Plans

1. Continue to utilize and fine tune video/SNS-based communication and coupon strategies.
2. Collect information locally and secure information routes based on relationship building with overseas companies.
3. Introduce payment systems that accept China UnionPay cards in all shops at two additional PARCO stores for a total of seven PARCO stores.

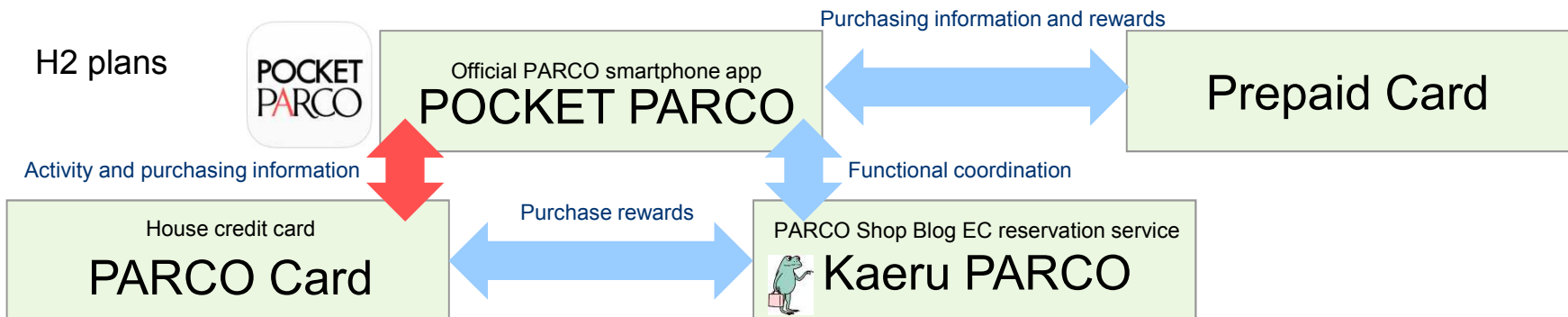


Promote linkage between POCKET PARCO and PARCO Card and strengthen planning activities.

H1 achievements

- Launched the “Pre-Members System” for top-rank PARCO Card Class S members in March.
- Incorporated AI into POCKET PARCO in April allowing for more precise personalized recommendations.

PARCO Card sales amount (YoY change)	¥28,529 million (1.8%)	Number of PARCO Card members at end August 2016 (YoY)	1,955,000 (6.2%)
PARCO Card share of net sales (YoY)	21.3% (+1.0%)	YoY change in number of Class S members	6.5%



Strengthen connectivity between tools to promote store visits and purchases and drive improvement of customer base.

- Linkage planned for Kaeru PARCO and PARCO Card to extend PARCO Card customer discounts to Kaeru PARCO.
- Reinforcement of CRM strategy with early launch of prepaid cards in some PARCO stores. Coin reward linkage planned with Kaeru PARCO.

Opening a product-development hub store, and an overseas trial store.



Opening of a street-level antenna shop in Tokyo's Aoyama district.

“Meetscal Store” and the two-tenant store “By PARCO” opened on August 26.

MEETSCAL STORE

Opening of a trial store in Hong Kong.

Limited-time opening of “Meetscal Store by PARCO POP UP SHOP in PMQ”.

Opening at PMQ, a commercial center and creative hub for young creators and designers in Hong Kong.

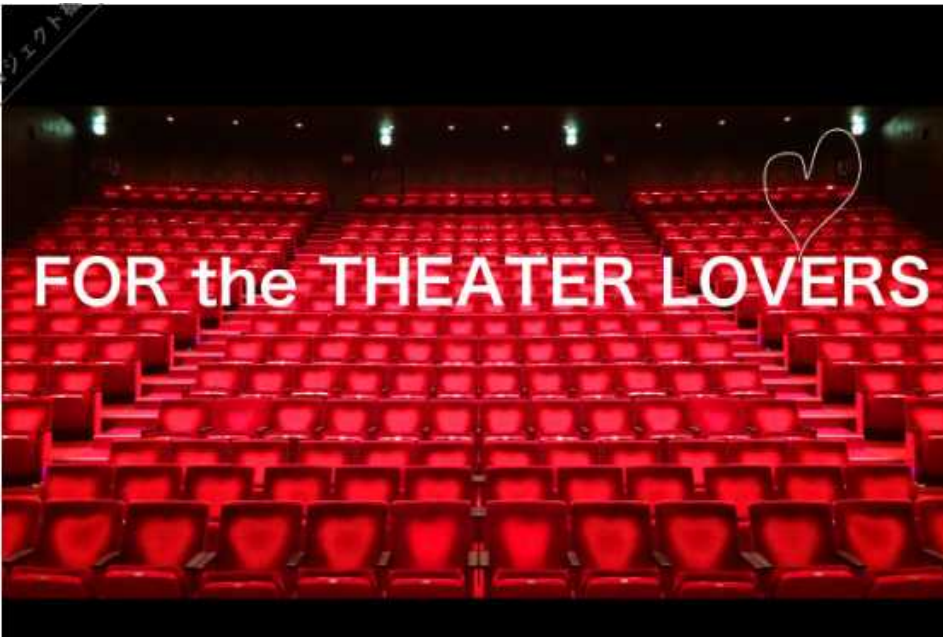
Increasing PARCO's presence in the Asian market.



Accelerated growth in project proposals on crowd-funding service Booster.

Accelerated the formation of incubation projects, such as creator discovery and regional revitalization projects. As of the end of August, the total amount raised had grown to double that of the previous year.

BOOSTER: An incubation crowd-funding service managed by PARCO. Individual creators and organizations taking on a new challenge can raise funds from individuals through the internet before the project starts.



A project producing a collection of monster designs from an artist who has drawn the Godzilla series throughout the Heisei period.



In August a project was implemented to produce a return from products made by creators using the seats and curtains, etc., from PARCO Theater.

TM & (C)TOHO CO., LTD.

Progressing with overseas businesses using Japanese restaurant tenant plans and PARCO domestic content.
Ascertaining local needs and relaunching Singapore operations through Restaurant development.



Itadakimasu by PARCO, a Japanese restaurant zone developed by PARCO (Singapore), is scheduled to open this winter in the popular Tanjong Pagar area of central Singapore.

PARCO's Entertainment Department carried out a trial run of character collaboration cafes in Singapore. The trial was successfully completed after becoming a topic of conversation across the whole of Southeast Asia and being extended due to good reviews.

The second phase is scheduled to be implemented heading into the Christmas season.

Continue to announce and implement reciprocal store card campaigns with leading shopping centers in both Thailand and Hong Kong.

Original menu items at the character collaboration Pokemon Café.



Overview of FY2016 H1 results and FY2016 Full-year forecasts

Shopping Complex Business topics

- Development Projects

- PARCO Stores Business

- New businesses

- Overseas businesses

PARCO Group Related Businesses topics

**Although cosmetic-related business drove sales growth in H1, profits decreased due to slow sales in other businesses and increased expenses.
 In H2, we will re-strengthen three core businesses by adding new categories, etc.**

H1 achievements

Opened six new stores including new formats, total of 200 shops as of end of August.

- ROSEMARY business achieved sales and income equivalent to the previous year due to strong performance of natural brands.

H2 plans

Focus on re-strengthening three struggling core businesses in H2 (TiCTAC, COLLECTORS, EYEWEAR).

- Analyze product composition and introduce new categories and brands, plan original products, etc.
- Continue aggressive shop openings, nine shops decided

	YoY change in sales	Sales share (YoY change)
Outside PARCO	(0.5%)	64.6%
Inside PARCO	2.0%	35.4% (+ 0.6%)

Business name (item)	No. of shops
TiCTAC (watches)	98
EYEWEAR (eyeglasses)	31
ROSEMARY (cosmetics, sundry goods)	26
COLLECTORS (men's sundry goods)	40
Other new business categories	5

*Sales: FY2016 Q2; No. of shops :As of end of August, 2016



Tour de Brain Namba shop (Namba City South Building)

**Sales and profits increased in H1 due to an increase in shopping complex-related orders and improved gross profit margins.
 Further improve profit margins in H2 by restructuring Building Management Businesses.**



Amu Plaza Kagoshima: Environment design, lighting-related work, interior orders from tenants.

H1 achievements

Increase in shopping complex-related orders and contracts.

- Part-time security and cleaning contracts increased together with orders for interior and electrical work.
- Increased sales in PBM Business, increased orders for multiple services and orders from existing customers.

New contracts for the hotel housekeeping business

Increased profits due to improved gross profit margins, especially in Construction and Hotel Divisions.

*PBM: Property and Building Management

*FY2016 Q2

	YoY change in sales	Sales share (YoY change)
Outside PARCO	(1.9%)	59.7%
Inside PARCO	9.7%	40.3% (+2.7%)

H2 plans

- Restructure three Building Management Businesses – Equipment Management, Environment Enhancement, and Security Services.
- Improve profit margins and increase productivity by cultivating new clients and subcontractors.
- Supplement the business area through cooperation and synergies between each business.

Success in strengthening business activity in our Web Consulting Business in H1.
Achieved sales and profit growth.
Aim to increase orders in H2 by strengthening approach to clients.

H1 achievements

- Efforts to strengthen business activity since last year improved performance in our Web Consulting Business.
- Application providing multilingual support for shopping center information services planned and developed by PARCO CITY for Pepper implemented at Ikebukuro PARCO and Sendai PARCO 2.

	YoY change in sales	Sales share (YoY change)
Outside PARCO	28.9%	52.0% (+1.4%)
Inside PARCO	21.6%	48.0%

*FY2016 Q2



Emotionally aware humanoid robot Pepper supporting information services

H2 plans

- Strengthen the cultivation of new clients through business activities that fully leverage the web management expertise accumulated by PARCO and SC consulting experience.
- Expand orders by promoting proposals for the further application of ICT to existing customers.

**Held last Climax Stage at PARCO Theater before temporary closure in H1.
 Increase number of PARCO-productions at external locations in H2.**

- PARCO Theater has been temporarily closed since August 8. The new PARCO Theater is scheduled to open in approximately three years.
- To improve service for theater customers, the PARCO Stage smart phone app was released and began operation in August.
- In H1, 'THE GUEST café & diner' character collaboration café, which has been successful in Shibuya PARCO, opened its fourth location in Shinsaibashi. An overseas opening as part of a trial in Singapore was popular, driving an increase in income. A café will open at Ikebukuro PARCO in H2.

Examples of PARCO Stage functions:

- Registers 'wish list' and seen productions
- Ticket purchases
- Point awards, etc.

FY2016 H1 main theater performances

<i>Ryoju</i> (Director: Francois Girard/Lead: Miki Nakatani)	PARCO Theater, others
<i>Kegawa no mari</i> (Writer: Shuji Terayama/Director and lead: Akihiro Miwa)	New National Theater Playhouse, PARCO Theater, others
<i>Haha to wakusei ni tsuite, oyobi jiten suru onnatachi no kiroku</i>	PARCO Theater, others



FY2016 H2 main planned theater performances

<i>Hoshikaikiisen</i> (Writer and director: Ryuta Horai/lead: Osamu Mukai)	Tokyo Metropolitan Theatre West, others
<i>Sun visor brothers</i> (Writer and director: Kankuro Kudo)	Sunshine Theatre, others



(Reference)

Non-consolidated

FY2016 First Half Results

FY2016 Full-year forecasts

Non-consolidated results

29/30

Unit: Million yen

Non-consolidated	FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %	Forecasts	Difference from forecast ¥	Difference from forecast %
Net sales	119,880	123,232	(3,351)	(2.7%)	125,200	(5,319)	(4.2%)
Operating income	5,943	6,181	(238)	(3.9%)	6,450	(506)	(7.8%)
Ordinary income	5,844	6,201	(357)	(5.8%)	6,300	(455)	(7.2%)
Net income	2,836	3,463	(626)	(18.1%)	3,700	(863)	(23.3%)
EBITDA ¹	8,375	8,975	(600)	(6.7%)	8,890	(515)	(5.8%)

Non-consolidated	FY2016 End of Aug.	End of FY2015	Change ¥
Total assets	238,095	233,450	4,644
Net assets	118,649	116,827	1,821
Interest-bearing debt	59,315	58,281	1,033
Equity ratio	49.8%	50.0%	(0.2%)

¹ EBITDA in this table refers to operating income plus depreciation and amortization.

Non-consolidated Full-year forecasts

30/30

Unit: Million yen

Non-consolidated	FY2016 Revised forecast	FY2015 results	Change ¥	Change %	Initial forecast	Change ¥
Net sales	242,600	249,366	(6,766)	97.3%	251,700	(9,100)
Operating income	11,700	11,731	(31)	99.7%	12,150	(450)
Ordinary income	12,200	11,727	472	104.0%	12,500	(300)
Net income	5,500	5,932	(432)	92.7%	7,050	(1,550)



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