



This PDF is a page-by-page publication of the PARCO CSR website.

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Backed by both a powerful determination to enrich consumer lifestyles and the innovative and creative "PARCO Way," the PARCO Group will generate new value to share together with society at large

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The PARCO Group defines CSR as "measures taken in the course of business to gain the trust and satisfaction of stakeholders, and enhance corporate value," and many such initiatives have been undertaken. The Group has also drafted an environmental policy, and is advancing the creation of commercial spaces with low environmental impact and other environmental protection activities.

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We will further the origin that define PARCO, "Incubation," "Urban Revitalization," and "Trends Communication," which also represent our role in society.

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At PARCO, we define CSR initiatives as activities carried out through "business activities = core business." "Customers," "store tenants," "employees," "shareholders and investors," "local communities and society," "land owners and leaseholders," and "suppliers" are all stakeholders in our business. Our goal is to gain the sympathy, understanding and support of these seven groups of stakeholders, so that we can enhance our corporate value.

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Editorial Policy

- This report represents a reporting to customers and other stakeholders associated with business operations of the economic, social and environmental initiatives and achievements of the PARCO Group, which is striving to help realize a sustainable society.
 - The report is structured based on the main CSR themes described in the PARCO Group Fundamental CSR Policy, formulated in March 2012.
 - Activities included in this report are carried out before early November 2017, but mainly for the period from March 2016 to August 2017.
- *Names of companies, products and services listed in the report are the registered trademarks and trademarks of the respective companies.
*In principle, honorific titles are omitted from names of people, organizations and public institutions.

President's CSR message



Actively Develop CSR Activities with New ESG Perspective to Achieve Sustained Corporate Value Growth

We view CSR as the concrete embodiment of our Corporate Mission and the backbone of our business itself. That mission is expressed as “Creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper.” CSR for the PARCO Group consists of working through our business activities to realize this mission while earning the trust and satisfaction of stakeholders. Forwardthinking, innovative activities in this context means to further the evolution of the points or origin that define PARCO, “Incubation,” “Urban Revitalization,” and “Trends Communication,” which also represent our role in society, while staying on top of the changing times. We have organized this approach in a system diagram to more fully integrate it into the company. Our aim is to develop and grow as a company by creating value that satisfies all stakeholders, including customers, tenants, shareholders and employees, continuing to provide that value, and securing appropriate levels of profit as a result.

I have chaired the Diversity Committee since fiscal 2014, and we have promoted in an expedited manner a variety of initiatives to create a corporate culture that brings out the individual qualities of employees, encourages horizontal communication, supports the diverse working styles of diverse personnel and generates a succession of new ideas. Our efforts have been formally recognized through our inclusion as one of the 25 companies selected for the fiscal 2016 Semi-Nadeshiko Brands program, which was established by the Ministry of Economy, Trade and Industry to recognize companies with an exceptional record of promoting women’s workplace participation and advancement.

In addition, we believe that corporate governance is vital to continuing to raise corporate value. In 2016, we formulated the Fundamental Policy for Corporate Governance to stipulate our basic thinking on corporate governance and how it should best be applied to achieve sustained growth and increased corporate value over the medium/long term through the creation and provision of value that will satisfy customers, tenants, shareholders, investors and other stakeholders based on our Corporate Mission. We will also make appropriate accommodations for Japan’s Corporate Governance Code and carry out initiatives to raise corporate value on a sustained basis.

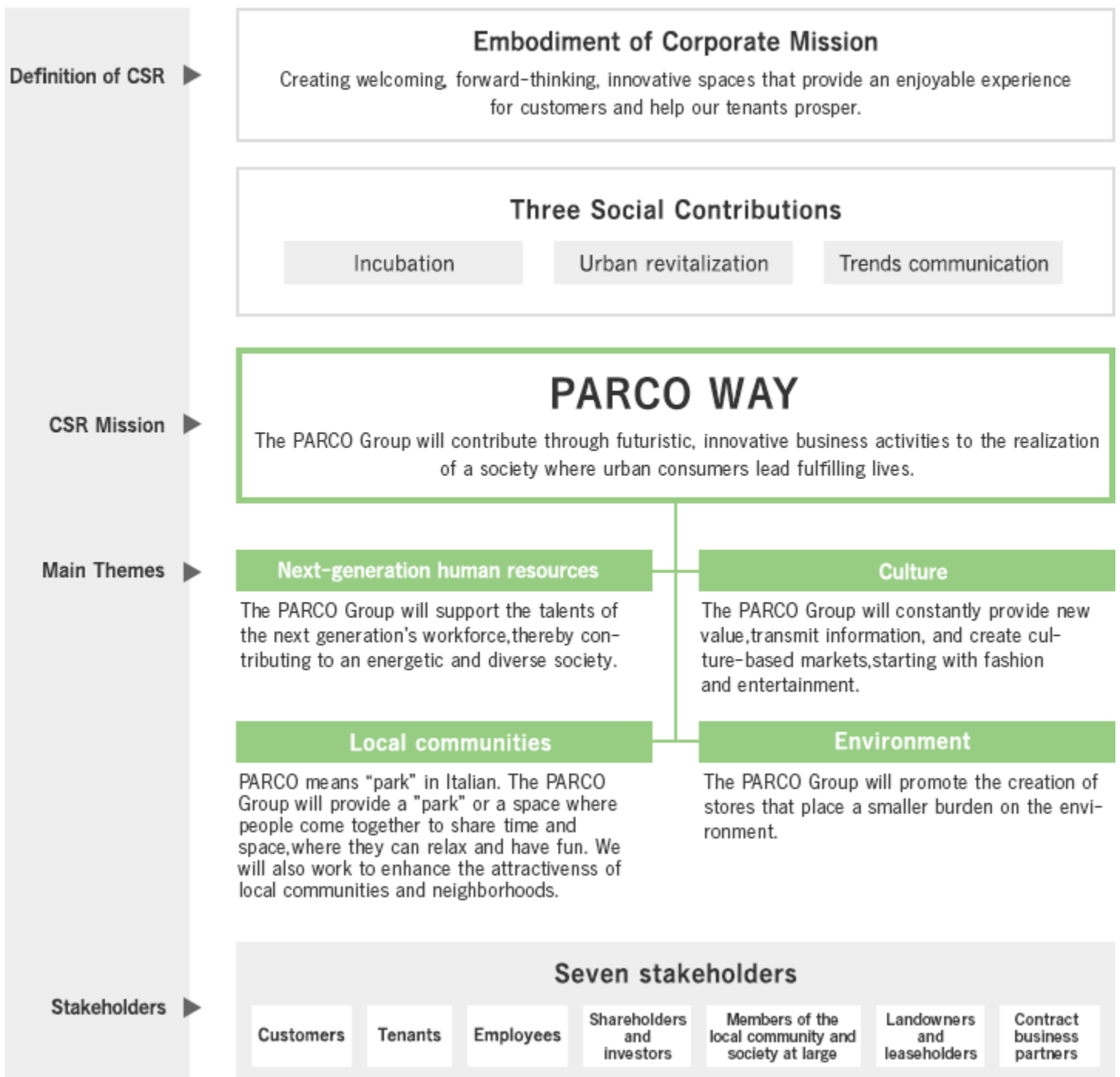
The PARCO Group has conducted a variety of activities on the basis of four priority themes, “next-generation human resources,” “culture,” “local communities,” and “environment,” in order to obtain the understanding and support of seven main groups of stakeholders, customers, tenants, employees, shareholders and investors, members of the local community and society at large, landowners and leaseholders, and contract business partners. Beginning in fiscal 2017, we will add to this an ESG perspective and actively conduct CSR activities to raise corporate value on a sustained basis.

PARCO CO., LTD.
President and Representative Executive Officer
Kozo Makiyama

Fundamental CSR Policy

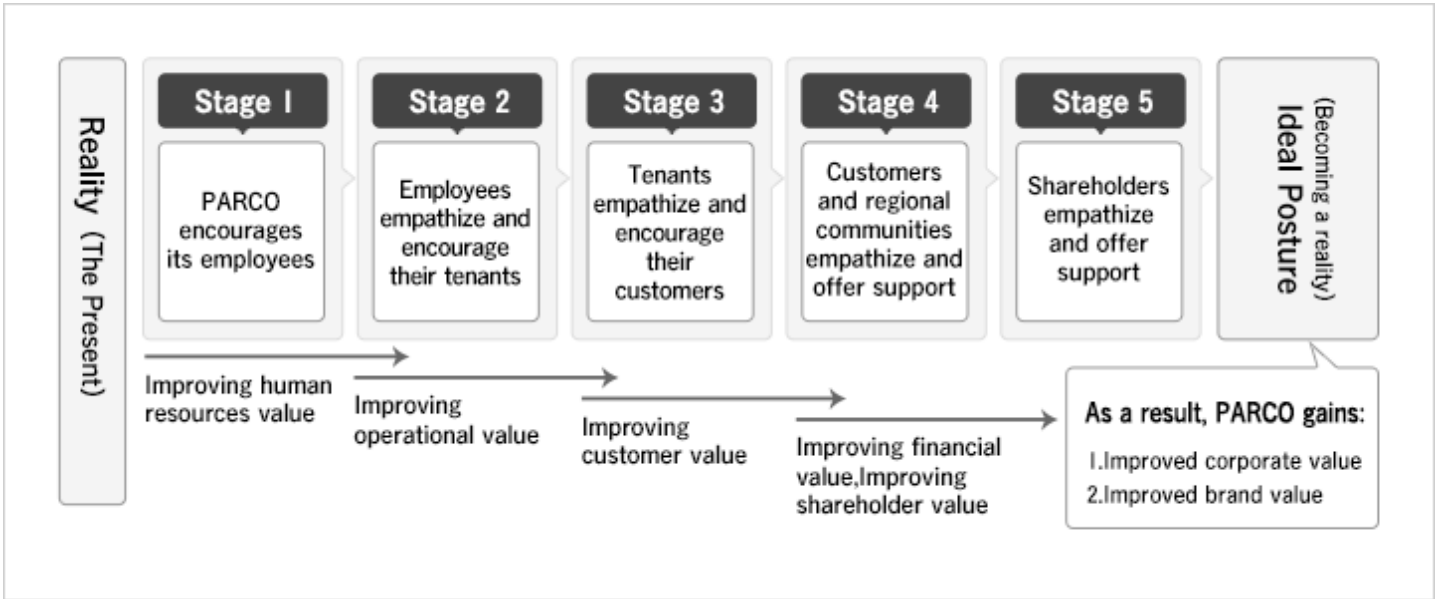
The PARCO Group defines CSR as “measures taken in the course of business to gain the trust and satisfaction of stakeholders, and enhance corporate value,” and many such initiatives have been undertaken. We formulated the PARCO Group Environmental Policy in 2010, and pushed forward with environmental conservation activities including the creation of commercial business spaces with little environmental impact. Next, we formulated a Fundamental CSR Policy in 2011 to further enhance the quality of future CSR activities. PARCO categorizes the group’s stakeholders into seven groups, led by “customers” and “tenants” and also “employees,” “shareholders and investors,” “members of the local community and society at large,” “landowners and leaseholders,” and “contract business partners.” At the same time, we work to bolster corporate governance by preserving management transparency while building smooth relationships with all stakeholders.

PARCO Group Fundamental CSR Policy



Process to enhance PARCO Group corporate value

Outlined below is the process by which we seek to raise the corporate value of the PARCO Group. Toward this objective, we work to gain the understanding and support of our stakeholders through CSR activities channeled through core business activities.



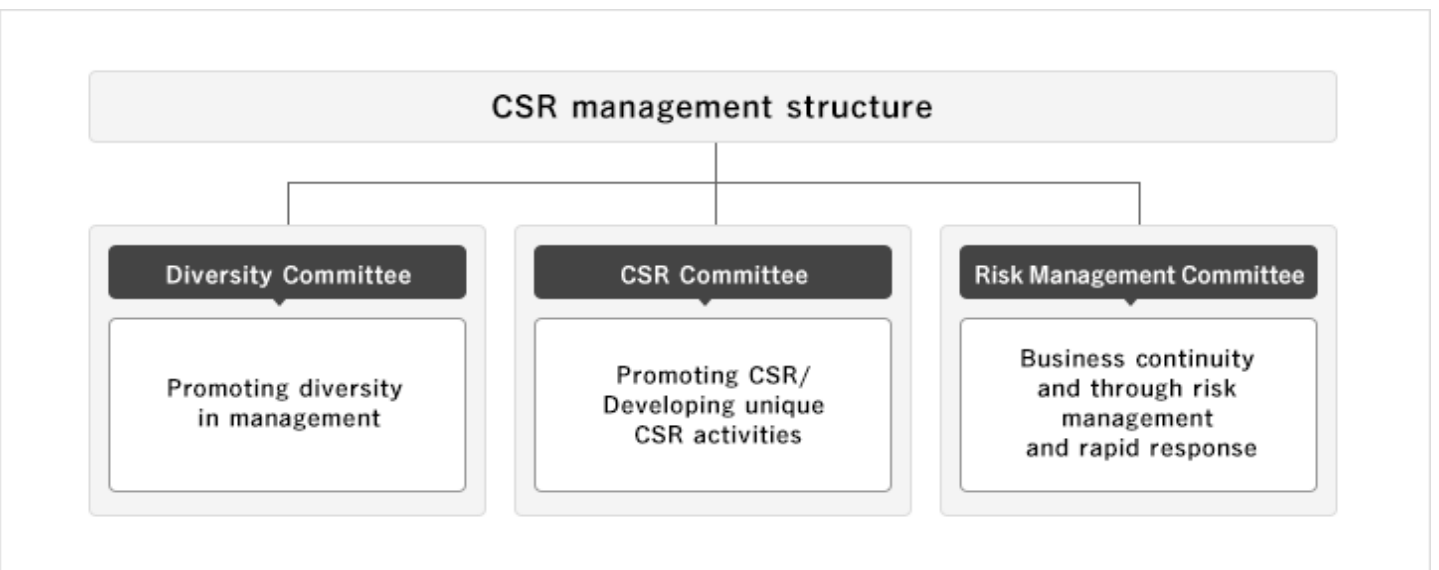
CSR management structure

PARCO considers its CSR initiatives to be “measures taken in the course of business to gain the trust and satisfaction of stakeholders, and enhance corporate value.” Based on this belief we have established a CSR management structure, comprised of a CSR Committee, a Diversity Committee, and a Risk Management Committee.

They work to strengthen internal controls and advance various other activities in support of their missions.

Risk management is another area of importance, and here the Risk Management Committee works to manage the risks entailed by our business activities and to maintain a comprehensive, groupwide system to assure business continuity through prompt and effective response to risk-related occurrences.

All executive officers are affiliated with a committee, and the committees meet regularly. By this, committee activities are directly linked to departments and units throughout the organization, facilitating efforts to gain the commitment and active support of all employees.



Three Social Roles of the PARCO Group

Incubation

Incubation Initiatives for Discovering and Supporting New Talent and Creating New Value Since the opening of Ikebukuro PARCO in 1969, PARCO has been at the forefront of introducing the public to the cutting edge of culture, whether in music, the arts, the theater or other areas, discovering and supporting a host of new talent along the way. PARCO is taking advantage of its domestic and overseas networks and business expertise to provide opportunities for business growth.

Corporate Message for discovering and supporting new talent

“SPECIAL IN YOU.”

In 2010, PARCO launched the corporate message “LOVE HUMAN.” Staying true to that sentiment, from 2014 we unveiled a new corporate message, “SPECIAL IN YOU.” This message drives PARCO to a more powerful focus on incubation activities to uncover and support talent.

In 2017 we will feature the brilliant ballet dancer Sergei Polunin, who has had the courage to continue to fight his own sense of isolation and failure while engaging in a dialogue with his body and mind.

Profile

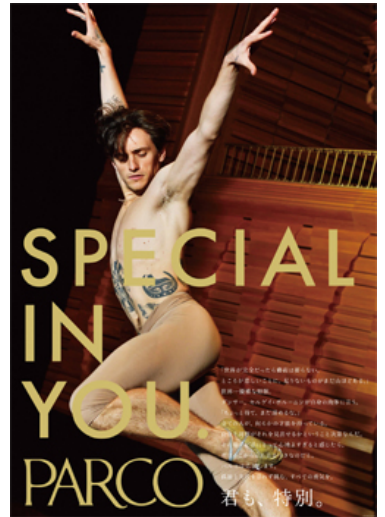
Sergei Polunin was born in Ukraine in 1989 and is 27 years old.

He underwent accelerated training in ballet from early childhood and entered The Royal Ballet School at the age of 13.

Dubbed the second-coming of Rudolf Nureyev, at the age of 19, Polunin became the Royal Ballet’s youngest ever principal. Just two years later, however, at the height of his powers, he resigned from the company, shocking the world. He was called the enfant terrible of the ballet world, and amid rumors of having traded glory for a path of self-destruction, he appeared in the music video for the song “Take Me to Church” by Hozier, which was directed by the photographer David LaChapelle. The video was viewed over 20 million times world-wide and once again put Polunin in the limelight globally.

A documentary on the dancer, an intimate portrait of Polunin’s glories and his struggles since childhood, entitled “Dancer,” will be released in Japan in July 2017 (distributed in Japan by PARCO/UPLINK).

This advertisement was shot at Tokyo University of the Arts’ Sogakudo Concert Hall on April 27, 2017 at a Japan premiere event sponsored by PARCO/UPLINK.



2017 Featured Artist Sergei Polunin

> [SPECIAL IN YOU. Website](#)

Support for Young Designer Fashion Show

FASHION PORT NEW EAST

We provided support for the 2017 spring-summer and autumn-winter collection shows at FASHION PORT NEW EAST, an event held as a part of Amazon Fashion Week TOKYO to discover and encourage young designers. FASHION PORT NEW EAST is a platform for supporting new designers by giving them the opportunity to show their work on their own terms. Changing the format from TOKYO NEW AGE, an event supported by PARCO over a number of years, for the future growth and independence of the brands, shows were held by each brand in an independent format. We also work to stimulate the industry as a whole by inviting in overseas designers and having Japan's young designers polish their skills alongside global talent.

We believe that having young designers show their designs to a domestic and overseas audience through this initiative will give them opportunities for further growth and that new talent for the next generation will serve as a new source of strength for the fashion industry.

Brands Participating in 2017 Autumn/Winter Collection Show



Profile

1. motoguo

A unisex brand launched in 2015 and based in Kuala Lumpur, and here showing its collection.

2. AKIKOAOKI

After graduating from Joshi University of Art and Design, studied fashion at Central Saint Martins College of Arts and Design, and following work as an assistant at MIKIOSAKABE, launched a ladieswear brand in 2014.

3. KEISUKEYOSHIDA

Launched activities with the 2015 fall/winter season after stints at coconogacco and ESMOND JAPON AMI.

Support for the Global Efforts of Young Designers from Asia

Asia Fashion Collection

Through partnerships with apparel design schools in Japan and fashion organizations in countries across Asia, PARCO is involved in measures to discover and encourage young designers in Japan, Korea, Taiwan and Hong Kong. Through various support programs, including runway shows at fashion events in Tokyo, New York and Taiwan, PARCO is providing designers with opportunities to grow their business. Our aim is to spur advancement of both the global efforts of young Asian designers and Asia's fashion industry.



Saturday, February 11, 2017

Commemorative photo after the runway show at New York Fashion Week Venue: Skylight Clarkson Sq

[> Asia Fashion Collection Website](#)

Creation of a Presentation Space for the Next Generation of Women Creators

Shibukaru Festival

The Shibukaru Festival, which has been held since 2011 with Shibuya PARCO as the main venue, provides young women creators the opportunity to show their work and interact with their peers. Over 1,000 young women artists and creators have participated. In 2016, the Shibukaru Summer Festival was held in August in connection with the temporary closing of Shibuya PARCO, and the Shibukaru Fall Festival was held in October with Shibuya CLUB QUATTRO as the main venue. Also, in December, the Shibukaru Girls Art Exhibition was held at GALLERY X BY PARCO as its inaugural exhibition. Even with Shibuya PARCO temporarily closed, we will continue supporting and encouraging the next generation of female creators.



Shibukaru Girls Art Exhibition
Friday, December 9 to Sunday, December 25, 2016
Venue: GALLERY X BY PARCO opened on Spain Hill Street in Shibuya

[> Shibukaru Festival Website](#)

PARCO's Crowd-Funding Service

BOOSTER

In 2014, PARCO launched BOOSTER, a crowd-funding service dedicated to supporting the realization of projects across the full spectrum of creative content domains through a framework that enables individual consumers to come together to put innovative challenges out into the public sphere. In addition to supporting the launch of projects, BOOSTER draws on the nationwide strengths of PARCO to expand awareness of projects and support business growth after launches.

In August 2016, the "FOR the THEATER LOVERS" charity event was held in connection with the temporary closure of Shibuya PARCO to raise money through the sale of furnishing and fixtures from PARCO Theater. Curtains used since 1973 and seats used by theatergoers over the years were refashioned by a spirited team of artists into commemorative merchandise. On the very first day of the sale, we achieved our goal to much fanfare. Going forward, we will continue to fuse online and physical retail (PARCO stores) to increase engagement with customers and encourage individuals and organizations that take on new challenges.

[> BOOSTER Website](#)

Message from stakeholders

Tei Shuwa

President, Architectural Design Office intentionallies



"PARCO THEATER Seat (for One) by intentionallies' Tei Shuwa," PARCO Theater memorial seat with number plate

Refashioning PARCO Theater Seats for "FOR the THEATER LOVERS"

It was on walks in Shibuya in the 1980s and at PARCO in particular that I went a bit beyond myself and first learned to engage style and culture on a life-size scale. Shibuya has its own unique atmosphere and its buildings and facilities do, too; it was a place that very much satisfied my curiosity. As the times change and facilities are being remade and reborn, I was given this opportunity to refashion the seats from a theater as a symbol of this; it was a very fresh, very distinctively PARCO way of bringing closure to the age. I look forward to seeing new initiatives and engagement with the future.

Profile

Tei Shuwa's recent projects include new architectural design for U-TOWN, a large-scale facility in Taipei, Sumida Aquarium, Yebisu Garden Cinema, and Edo Wonderland. He is also involved in the new ADDA project in Indonesia while participating in the IoT furniture brand KAMARQ and other ventures.

Daiki Masuki

President, MAMORIO Inc.



MAMORIO Gloves, IoT gloves developed with NEUVE A, a PARCO Group company

Pre-Sale Project for Japan's First IoT Gloves

We successfully commercialized Japan's first "Forget about forgetting" IoT gloves, the "MAMORIO Gloves," on BOOSTER. Due in part to being an almost in conceivably unique product, after its release it was picked up by television and other major media—the reaction was incredible—and this allowed us to successfully commercialize it. The project has been proven to be potentially applicable to various other fields as we II, and from the standpoint of developing our company, it has served as a major springboard toward future business growth.

Profile

Daiki Masuki joined SBI Holdings after graduating from college and worked in public offer underwriting and risk management at SBI Securities. He established otoshimono.com in July 2012, which provides comprehensive solutions for lost items, the first of its kind in Japan, and changed its name to MAMORIO in June 2016.

Three Social Roles of the PARCO Group

Urban Revitalization

Promoting Diverse Development to Create Distinctive Urban Areas

Alongside its existing businesses, PARCO also actively conducts area development centering on expansion of the ZERO GATE business, a new business model, in order to create new vital and pleasing urban districts. PARCO believes in equal partnerships with tenant stores and establishments, so to adequately respond to market potentials and meet the expectations of customers, we work with them to take on new challenges and create areas and districts with distinct personalities.

Stores opened in fiscal 2016

Sendai PARCO2 Opened on Friday, July 1, 2016



Sendai PARCO2 opened in front of the West Exit of JR Sendai Station, the gateway to the Tohoku region. Since Sendai PARCO opened in 2008, it has continued to evolve as a facility in a highly convenient location that offers new lifestyles to urban dwellers.

Sendai PARCO2 has an enhanced lineup of cosmetics, general merchandise and other products on its second floor, which serves as the facility's main floor due to being connected directly to the station via a pedestrian walkway. In light of the area's many streetlevel eating and drinking establishments, we have made the first floor of the complex a restaurant floor, which is a first for a PARCO facility. It also features a cinema complex, as there are very few theaters in the city, along with various other time-spending options. Going forward, we intend to further accentuate the presence of the two buildings in front of the station and lend greater vitality to the area.



Impressionable main floor-style lighting greets you on the second floor coming from the pedestrian walkway



The restaurant floor on the first floor reduces the sense of division between establishments to create the feel of an alleyway or side street



We have opened our second ZERO GATE facility, after Hiroshima ZERO GATE, which opened in 2013. It is located in a commercial area adjacent to Hiroshima PARCO Main Building that extends from Hon-dori street to Namiki-dori street. With the four complexes of Hiroshima PARCO Main Building and New Building, Hiroshima ZERO GATE, and Hiroshima ZERO GATE2, we intend to create new appeal for Hiroshima's Hatchobori district and further vitalize the area.



Scheduled Openings

Okinawa Urasoe West Coast Development project Due to open in summer 2019



Partnering with the major Okinawan retail company SAN-A CO., LTD., we established the joint venture SAN-A PARCO, Inc. to conduct operations for a new commercial complex in Okinawa Prefecture. The new facility planned by SAN-A for Urasoe, Okinawa Prefecture (“Okinawa Urasoe West Coast Development project”) is expected to draw a large number of customers given the excellent access from Naha Airport and the cruise ship terminal at Naha Port. Urasoe West Coast Development will combine

the extensive management resources and credibility of SAN-A and the expertise of PARCO in urban shopping complex operations to maximize the strengths of both and create a new, highly appealing commercial facility.



Message from stakeholders

Taku Toyoda

General Manager of Management Planning Department & Finance Department, SAN-A CO., LTD.



In moving forward with the Okinawa Urasoe West Coast Development project to create one of the largest shopping complexes in Okinawa Prefecture, we wanted the facility to be more appealing than anything that has come before. We felt that this would be possible by drawing on the planning and operational expertise of PARCO in urban shopping complexes while fully leveraging our own experience and track record in retail and other sectors cultivated in Okinawa Prefecture. We also formed a joint venture to develop an even stronger bond and higher level of trust.

PARCO Format

PARCO-ya Opened Saturday November 4, 2017

As part of J. Front Retailing Group's Urban Dominant Strategy, PARCO has opened a store from the 1st floor to the 6th floor of the Ueno Frontier Tower developed by Daimaru Matsuzakaya Department Stores Co. Ltd.

PARCO has yet to open a store in the Ueno area, and through this project will collaborate with Matsuzakaya Ueno to develop a shopping complex that meets the needs of the local market.



New Shibuya PARCO Due to open in fall 2019

The New Shibuya PARCO is slated to be a next-generation global shopping center that accommodates changes taking place in society, including the maturation of urban markets and innovations in technology, and contributes to further urban vitalization. The New Shibuya PARCO is slated to be a next-generation global shopping center that accommodates changes taking place in society, including the maturation of urban markets and innovations in technology, and contributes to further urban vitalization.



> [Shibuya PARCO to enter a new stage in 2019](#)

North Building of Daimaru Shinsaibashi Due to open in spring 2021

PARCO plans to open a new store in the North Building of Daimaru Shinsaibashi in the Shinsaibashi district of Osaka, an area where there are currently no PARCO stores. The new opening will mark the second collaboration between PARCO and the J. Front Retailing Group, following the joint project to open PARCO_ya in Ueno Frontier Tower. The opening of this new location represents a key component of PARCO's Medium-term Business Plan. As preparations for the launch continue, we hope the new store will fulfill the needs and expectations of local consumers and capture the essence of Shinsaibashi, an iconic commercial district in the Kansai region.

ZERO GATE Format

Kyoto ZERO GATE Opened (first round) in November 2017

Located adjacent to the Daimaru Kyoto department store, facing Shijo Street, Kyoto's commercial center, this new facility will contribute to creating fresh appeal for the area.



Harajuku ZERO GATE (tentative name) Due to open firstround in November 2018

This new facility scheduled to open in Harajuku, one of the premier, attention-grabbing areas in the country, will broadcast new appeal to Japan and beyond while helping to create even greater vitality for the district.



Sannomiya ZERO GATE (tentative name) Due to open in fall 2018

This new commercial facility is scheduled to open in an existing building acquired in the Sannomiya area of Kobe, a central commercial district, and aims to be an establishment broadly supported by the region's residents.



New Format

Kinshicho Station Area project Due to open in spring 2019

For this new commercial facility in eastern Tokyo, we are leasing a portion of the Rakutenchi Building and making major renovations to the interior and exterior



Three Social Roles of the PARCO Group

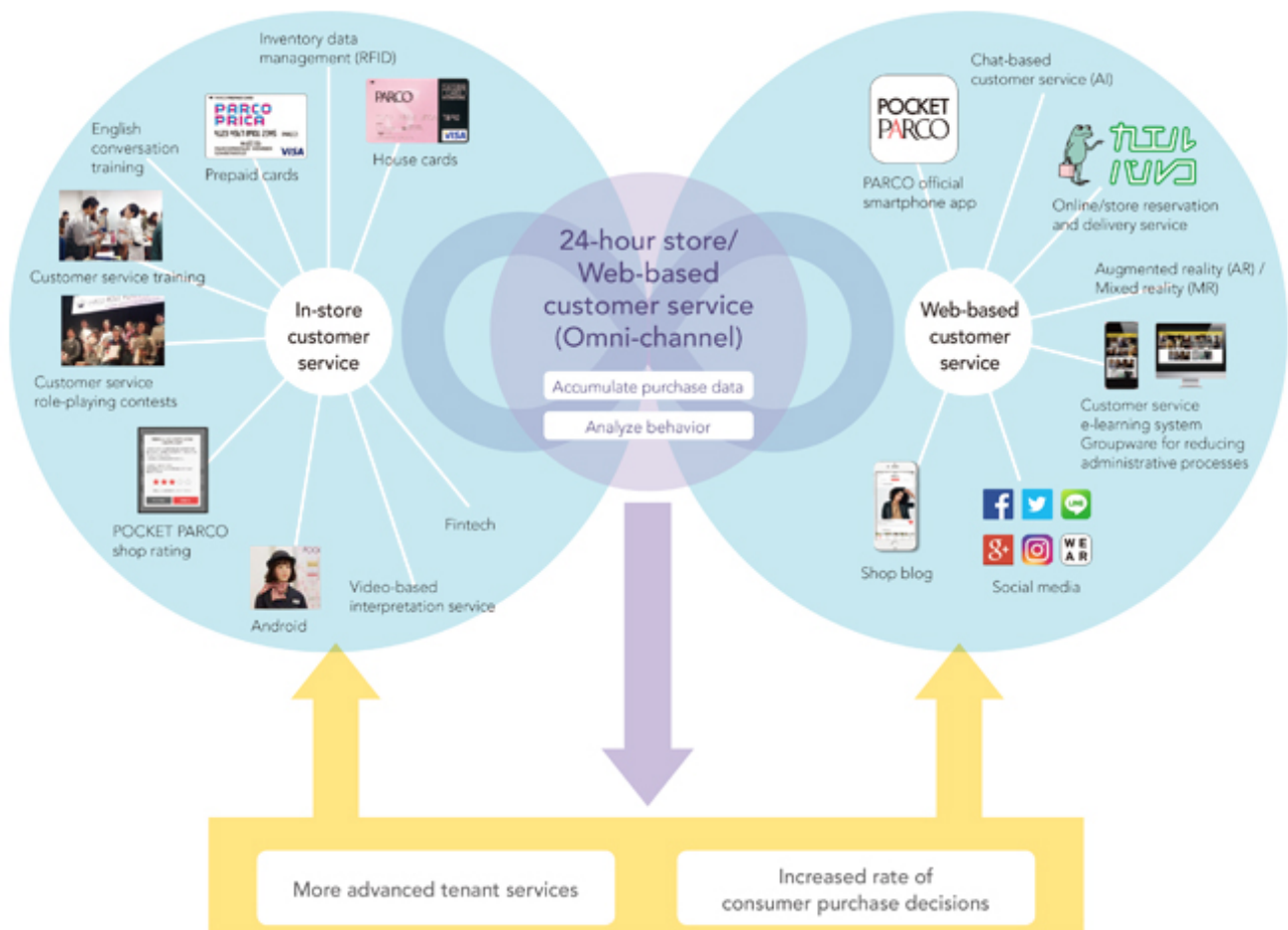
Trends Communication

Providing Web-based Trend Communication and Services for a “24-Hour PARCO”

PARCO is actively leveraging advanced ICT technologies backed by its store network and establishing a digital environment at stores in line with rapidly changing consumption patterns to create new modes of enjoyment at commercial facilities.

The PARCO Shop Blog is used by some 3,000 tenant shops within PARCO complexes to transmit information in a faster, more appealing way and promote store visits by customers. We also provide the “Kaeru PARCO” service, which allows in-store items seen on the Shop Blog to be reserved and purchased online, and have released POCKET PARCO, the official PARCO smartphone app, which allows us to provide information tailored to each individual user. Through these efforts, we are working to create infrastructure that allows customers to enjoy a “24-hour PARCO” over the Internet. What’s more, utilizing ICT, we are promoting improvements in the job efficiency of shop staff working at PARCO.

24-Hour PARCO Omni-channel Concept



Information provided using original advanced ICT

POCKET PARCO has made it possible to analyze customer purchase information that had not previously been rendered and has dramatically improved the PDCA cycle for increasing customer satisfaction. With POCKET PARCO, we can register the information of customers who use the PARCO Card, our house card, and since March 2016 we have been using artificial intelligence to provide information tailored to each individual customer based on their purchase and visit data, registered favorites and other types of information. Customers who have registered their PARCO Card information on POCKET PARCO are visiting PARCO 1.5 times more often and purchasing 1.7 times more than before, so it has been an effective tool for customer engagement. The day after customers make a purchase, they are contacted with a request for their satisfaction level and opinion, and their evaluations are fed back to shop staff. In fiscal 2016, 720,000 feedback items were received from customers, and the assessments and comments of so many customers have also helped to further motivate shop staff. In addition, in order to raise customer satisfaction amidst diversification in payment methods, in December 2016 we began issuing* the PARCO PRICA prepaid card, which is used with the POCKET PARCO app and provides 0.5% cash back on purchases. It is part of our efforts to also enhance services for customers using payment methods other than credit cards.

Further, we continue to reinforce online communications through Shop Blog, accounts for which have been provided to approximately 3,000 shops at our complexes. Shop Blog has a card function, and we have enhanced the functions of “Kaeru PARCO,” which allows customers to buy or reserve in-store products online. This means customers can take advantage of the same services as are available when making in-store purchases, such as special discounts when paying with the PARCO Card. In fiscal 2016, around 300 shops participated in “Kaeru PARCO,” utilizing it for lucky bags (gift bags filled with mystery items), sales of limited-time products, and more, which has enabled the shops to engage with customers beyond their local markets.

* Advance issue at Chofu PARCO and Fukuoka PARCO



Message from stakeholders

Narika Iwahara

Staff Member, Samantha Vega Hiroshima PARCO



Hiroshima Toyo Carp Tie-In Products

1. Large bag
2. Small bag
3. Mini wallet
4. Long wallet

To raise daily customer service levels, we have enhanced role-playing training based on a broad range of customers and strengthened presentation of our shop cards. These efforts have raised the shop's rate of repeat visits. We primarily promoted sales of products tied in with the Hiroshima Toyo Carp baseball team through communications that emphasized their high value as "rare items only available for a limited time." In addition, we utilize "Kaeru PARCO" to allow Carp fans around the country who are unable to come to the store to make purchases. We also maintain a blog and have received support even from people outside the prefecture.

Megumi Takano

Sales Chief, CECIL McBEE Hiroshima PARCO



Tunic-style dress available only at Hiroshima PARCO

Our store utilizes "Kaeru PARCO" and social networking services for sales of products tied in with the Hiroshima Toyo Carp baseball team. Carp tie-in merchandise is very popular each year with many customers, and people who come to the store for the products are increasing each year, from both inside and outside the prefecture.

Recently, for marketing the Carp tie-in products, in addition to the PARCO blog, we have also strengthened promotions on branded social media. "Kaeru PARCO" is a convenient service that allows even people far away and unable to come to the shop to make purchases easily, so it is a very helpful tool for our shop.

Looking ahead, we have high expectations for measures to increase awareness of "Kaeru PARCO." And, of course, all the staff members at our store actively introduce POCKET PARCO and "Kaeru PARCO" to customers so that even more people become aware of the services.

Main themes

With a strong determination to provide personal fulfillment to consumers, the PARCO Group will continue to create and share new value through advancement, innovation and the PARCO Way. Under our Fundamental CSR Policy, we pursue activities anchored by the following four main themes. “Next-generation human resources” involves supporting upcoming human resources and talent. Culture means creating new markets and new value in the cultural sphere. For local communities, PARCO improves the appeal of towns and regions. For the environment, we build stores with low environmental impact.

Next-generation human resources



The PARCO Group will support the talents of the next generation’s workforce, thereby contributing to an energetic and diverse society.

Culture



The PARCO Group will constantly provide new value, transmit information, and create culture-based markets, starting fashion and entertainment.

CSR Mission

The PARCO Group will contribute through futuristic, innovative business activities to the realization of a society where urban consumers lead fulfilling lives.

Local communities



The PARCO Group places great importance on contributing to improving the appeal of these towns and regions by actively engaging with the local community.

Environment



The PARCO Group will promote the creation of stores that place a smaller burden on the environment with its tenant companies.

Main themes

Next-generation human resources

Opened limited pop-up shop of “Asia Fashion Collection” in Ikebukuro PARCO

“Asia Fashion Collection (AFC),” is an incubation project, produced and supported by Vantan and PARCO, in cooperation with the supporting industry organizations based in Asia, looking to contribute to the further development of the fashion industry across Asia.

AFC aims to promote the growth of young designers through selection in Japan by contest to get the right to participate in the New York Collection, showing their collections, and various business support by Vantan and PARCO.

We opened limited pop-up shop and showcased designers' collections showed at the New York Collection in February for in April 2017 in Ikebukuro PARCO.

It aims to show their works for many customers and to expand the recognition of AFC and designers.

We will continue to support young designers we found through AFC.

[Asia Fashion Collection Website](#)



Fukuoka PARCO co-sponsored the fashion show "Revo × Labo Fukuoka"

Fukuoka PARCO co-sponsored the fashion show "Revo × Labo Fukuoka" held on February 11, 2017 for the purpose of supporting young fashion brands.

This fashion show was operated by Fukuoka Fashion Building for the first time with the aim of revitalizing Fukuoka's fashion industry and supporting young brands, and PARCO and H.P.France cooperated.

Three young brands "Fujimasyu", "DE: CODE (Decode)" and "Waka Erika" that are based in Fukuoka show off their unique collections, and a total of 300 visitors including buyers and journalists visited.



Supported young designer's fashion show

AKIKO AOKI, KEISUKEYOSHIDA

PARCO supported the fashion show "FASHION PORT NEW EAST" by members of the young designer group "Tokyo New Age" held at Amazon Fashion Week Tokyo.

"FASHION PORT NEW EAST" is a fashion show by young designers who participate in the project "Tokyo New Age" that PARCO has supported as part of incubation activities so far.

Designers who had held shows as 'Tokyo New Age' until the Spring / Summer Collection of 2016, held in an independent form to further grow.



"Shibukaru Autumn Festival ~Let's meet at Shibuya anyway~"

October 21, 2016

October 21, we held "Shibukaru Autumn Festival ~Let's meet at Shibuya anyway~" at Shibuya Club Quattro.

"Shibukaru Autumn Festival" of this time, creators showed live music, film screenings, DJ, Fashion Show Food sales and merchandising at Shibuya Club Quattro . More than 1,000 customers came and enjoyed this event.

In addition, we put up the 160 sheets of poster designed by 40 creators around the street of Shibuya and showed image video of Shibukaru Festival in the large street visions in order to be seen their works by a lot of people.

"Shibukaru Festival" is an event that female creators can express themselves. We gathered a total of over 1,000 creators, providing Shibuya PARCO as a space for expression from 2011.

We held "Shibukaru Festival" twice in this year, before and after Shibuya PARCO's closing, to continue to communicating with customers while its temporary closing.



Asia Fashion Collection Tokyo Stage

October 16, 2016

PARCO and Vantan held a runway show as final selection of "Asia Fashion Collection-Global Incubation Project-" (hereinafter AFC) in October 16, 2016 EBIS303(Ebisu).

AFC is a project to discover and support Asian young talented fashion designers. AFC aims to provide opportunities of growing their business.

Currently, Asian young designers have less and limited chances to presentation their works.

Under these conditions, AFC aims to provide young fashion designers opportunities to show their works and interact each other.

This year's AFC expanded participation limit. Fashion school students and graduates (within 2 years after graduation) can apply to AFC. The winner of AFC Tokyo stage can go to New York fashion week that will be held in February 2017.

As a result of this selection, 3 brands that can go to New York were selected from Japan.

We established for the first time a berth from the Parsons School of Design. The elected brand is Gahee Lim from South Korea graduated from the Parsons MFA in May 2016.

These brands will introduce 2017A/W collections at New York fashion week in February, 2017.

JAPAN

"R.Y/S.H" Ryunosuke Yamada and Stella Huang (Bunka Fashion College)

"DAIRIKU" Dairiku Okamoto(Vantan, X-SEED)

"BEHIND" Akira Takeuchi(Vantan)

Korea

"J.Chung" Jaesun Chung

Taiwan

"Ceci" Cecilia Chang

Hong Kong

"KEVIN HO" Kevin Ho

From Persons

"Gahee Lim" Gahee Lim



Meetscal Store opened its first overseas pop-up shop in Hong Kong PMQ

Meetscal Store opened its first overseas pop-up shop in Hong Kong PMQ that is an from September 6 to 25.

PMQ is reinforcing its position as a creative hub for disseminating the work of talented young designers. We provided Japanese young creators the chance of showing and selling their works abroad.

The shop brings together the complementary visions of PMQ and PARCO, which are both committed to cultivating and supporting new talent.

The BY PARCO shop & gallery, which opened on August 26 in Aoyama, Tokyo, plans to display and sell items from PMQ's young creative professionals.

PMQ and PARCO are sharing their resources and networks through the initiative to enhance recognition in each other's markets and develop new networks, thus reinforcing their information dissemination capabilities domestically and internationally.



Main themes

Culture

Androidol "U" came to Ikebukuro PARCO

PARCO is promoting "Androidol U grow-up project" make the android to idle with Ishiguro laboratory in Osaka University and Dwango Co., Ltd.

This project is a social experiment to create an android that can communicate richly with people.

We provided "U" as an opportunity for activities as an idol at Ikebukuro PARCO as part of the project on April 1 and 2.

"U" received a customer's question through the tablet as a staff of the information counter and informed recommended items by her voice.

Many customers including travelers from overseas enjoyed conversation and taking commemorative photos with "U".



[Androidol "U" came to Ikebukuro PARCO \(video\)](#)

MEETSCAL STORE collaborated with "mintdesigns"

PARCO runs its directly managed shop, produces original product, and sells products in real store "MEETSCAL STORE" and online.

MEETSCAL STORE has released a product collaborated with "mintdesigns", a designer brand from Tokyo, and a stationery maker "HIGHTIDE" in Fukuoka.

"mintdesigns" is a brand that conceives of clothing as a form of timeless product design that is not limited to the category of fashion.

In addition, "HIGHTIDE" is a goods maker designing stationery such as notebooks.

This time, we created products by imagining stationery placed in a corner of a bookstore with the theme of "bookstore in somewhere".

PARCO launched once a month, our first directly managed shop, in Fukuoka PARCO in 2010. After that, we have collaborated with over 500 manufacturers and creators so far with focusing on making unique products..



Movies which PARCO distributes got two awards of GOLDEN GLOBES

"Manchester by the Sea" and "Nocturnal Animals" which PARCO distributes in cooperation with Bitters End inc, were nominated for a total of 8 categories of 74TH GOLDEN GLOBES and received two awards. Both movies are universal works, one of the major American film companies.

"Manchester by the Sea" is scheduled to be released in May 2017 in Japan, "Nocturnal Animals" will be released in 2017.

"Manchester by the Sea"

Best Motion Picture - Drama

Best Performance by an Actor in a Motion Picture - Drama:Casey Affleck

Best Performance by an Actress in a Supporting Role in any Motion Picture:Michelle Williams

Best Director - Motion Picture:Kenneth Lonergan

Best Screenplay - Motion Picture:Kenneth Lonergan

A total of 5 nomination nominations, won Best Performance by an Actor in a Motion Picture - Drama



Opened "GALLERY X BY PARCO" as a trend communication space in Shibuya

We opened "GALLERY X BY PARCO" in Shibuya in December 9, 2016.

"GALLERY X BY PARCO" is located in the "Spain-Zaka" street as close as New Shibuya PARCO which is scheduled to open in the autumn of 2019. We will held cultural events in a wide range of fields including music, images and performances.

From January 13 to 29, 2017, We held Masayoshi Sukita photo exhibition, SUKITA meets BOWIE "SPEED of LIFE ". About 40 pictures of musicians David Bowie's portrait photographed by Japanese photographer Masayoshi Sukita who has worked on portraits and advertisements of numerous celebrities has exhibited.

We will continue to plan events of various genres such as art, fashion and animation at "GALLERY X BY PARCO" and aim to continuously create Shibuya's charm even during the temporary closure at Shibuya PARCO PART 1 and PART 3 .



Nagoya PARCO held "Nagoparu Culture Festival"

October 1 to October 23, 2016

Nagoya PARCO held "Nagoparu Culture Festival" from October 1 to October 23, 2016.

"Nagoparu Culture Festival" is event that introduces attractions of creators, writers and local companys under the theme of "young new talent discovery" and "proposal of pleasure that makes new discovery". This was 4th time that Nagoya PARCO held this event.

In Parco Gallery which was the main site, "N:BOOK STORE" that is the local culture magazine "N:BOOK" produced shop opened. The number of 17 stores from Tokai area gatherd and sold sundries, clothes, painting and books etc.

Also, Select 23 stores launched limited items collaborated with N:BOOK.

In Nagoya PARCO, POP-UP shops by creators that gathered from various place in Tokai area opened for the duration of this event.

By discovering and supporting new talent, we are, by extension, creating new value.

Nagoya PARCO will continue to discover young creators and introduce Nagoya's attraction.



"Frozen Fireworks Sayoko Yamaguchi" won the grand prize of the cultural documentary movie award of Agency for Cultural Affairs

Parco-funded film "Frozen Fireworks Sayoko Yamaguchi" won the grand prize of the cultural documentary movie award of Agency for Cultural Affairs, Government of Japan.

This award was set in order to contribute to the improvement and the development of the Japanese movie art.

"Frozen Fireworks Sayoko Yamaguchi" is a documentary film of Sayoko Yamaguchi who is a Japanese model walked the runway of Paris Collection for the first time as Japanese.

This movie attained a reputation as not only a record of her attractive life but also record of the world of fashion and dance from 1970s to 2000s.



写真提供：セルジュ・ルタンズ

Main themes

Local communities

Urawa PARCO and Shintokorozawa PARCO jointly held a customer service role playing contest

Urawa PARCO and Shintokorozawa PARCO jointly held a customer service role playing contest on June 15 and 22.

The final game after the first round started from a scene that staff called out to customers who were thinking about whether to buy goods or not. After that, staffs played to recommend our house card and our original app "POCKET PARCO" at the cash desk to the customer.

The teams that the shop staffs showed high level of customer service received the Best Award, Excellence Award, or PARCO Store Manager Award.

In feedback from customer service external lecturer, participants and viewers seriously listened and took notes.



Winners

Fire prevention campaign at Shintokorozawa PARCO

At Shintokorozawa PARCO, fire prevention campaign organized by the Tokorozawa central fire station was held on November 12, 2016.

This campaign aims to encourage customers to raise awareness about fire and disaster prevention. On the day of the campaign, exhibition of fire truck, events to wear fire protection clothes for children and take commemorative photography, and music performances by fire brigades were held at the 1F shared passage "Galleria". The hall was crowded with many customers including parents and children.



Shintokorozawa PARCO held "ShakeOut"

November 18, 2016

Shintokorozawa PARCO received the official certification of the Japan Shakeout Advocacy Congress, and held "ShakeOut" for the first time as a general corporation in Saitama Prefecture on November 18.

"ShakeOut" is an earthquake disaster drill that began in the United States in 2008. Training is to set the date and time in the community, prior registration and preliminary learning, and at the same time in each place, safe behavior to protect themselves from earthquake shaking 1-2-3 "Drop, Cover and Hold On".

At Shintokorozawa PARCO, after store opening on November 18, we distributed leaflets to customers who visited us, explained about training and asked for their cooperation. When an training sound flowed at 10:20 on the broadcast, the shop staff called out such as "Please lower posture", "Please protect your head" and so on, and customers participated in "ShakeOut".



Hiroshima PARCO held "Hiroshima Fashion week"

From October 6, 2016 to October 10, 2016

From October 6, 2016 to October 10, Hiroshima PARCO held a joint event "Hiroshima Fashion Week" with neighboring department stores and shopping districts to enhance Hiroshima by fashion.

"Hiroshima fashion week executive committee" including Hiroshima PARCO hosts this event.

This event started in 2014 centaring on Hiroshima PARCO, and reached third time hold in this year. Scale of event was magnified because stores in not only Hacchobori area with Hiroshima PARCO but also neighboring Kamiyachou areas joined for the first time.

During Hiroshima fashion week, over 100 stores including Hiroshima PARCO sold fair-limited items and held special fair. Additionally 11 stores held a lottery collectively. Main event "Night Runway" that carried out public square "Alice garden" in front of Hiroshima PARCO gathered a total of 4,000 customers.

Hiroshima PARCO continues to enhance Hiroshima city by holding events with surrounding area.



Main themes

Environment

PARCO's employee participated in fieldwork for revitalization of satoyama

PARCO's employees were participated in fieldwork for revitalization of satoyama(abandonment of cultivated land).

PARCO has collaborated with "global citizenship class" of International Business Strategy, Graduate School of International Corporate Strategy, Hitotsubashi University since 2014.

This was a part of field work that aimed to make a new business model for reviving satoyama. We reaped rice to harvest rice that we had planted in June, 2016.

Through this event, PARCO's employees who were participated in had an opportunity to interact with graduate

students, feel diversity and think about social and environmental issues, too.



CSR activities

At PARCO, we define CSR initiatives as activities carried out through "business activities = core business. PARCO is proactive in tackling ESG (Environment, Social, and Governance) issues and is promoting initiatives that will lead to the sustainable improvement of the PARCO Group.

Society

"Customers," "store tenants," "employees," "shareholders and investors," "local communities and society," "land owners and leaseholders," and "suppliers" are all stakeholders in our business. Our goal is to gain the sympathy, understanding and support of these seven groups of stakeholders, so that we can enhance our corporate value.

> Customers

PARCO databases the range of feedback received from customers, and uses this input to improve services offered.

> Store tenants

Since PARCO shares common values with store tenants, we have a partnership in which we all can grow and develop.

> Members of the local community and society at large

PARCO has taken a wide range of measures to ensure both the peace of mind and safety of the people who visit our stores.

> Shareholders and Investors

PARCO is working to speedily supply information, based on transparency, fairness, and continuity, to its shareholders and investors.

> Employees

PARCO views employees not as "human resources" but as "human capital," and considers each and every employee as an indispensable asset and a platform for future growth.

Environment

The PARCO Group recognizes global environmental issues as an important theme in its business activities in shopping centers and related fields. Through the promotion of environmental preservation activities, the Group seeks to leave a sustainable society for future generations. To this end, the Group aims to reduce the environmental impact of the commercial spaces it creates. These efforts include cooperating with tenants and other transaction partners, and making sure that customers and local communities are informed of the Groups activities and accept them.

> [Environmental initiatives](#)

> [Results of activities](#)

> [Environmental data](#)

Governance

We at PARCO are to constantly work to strengthen our system of corporate governance, recognizing that in order to enhance corporate value, we must: protect the rights and interests of our shareholders, build smooth relationships with stakeholders other than shareholders, preserve transparency in management, and establish an effective management oversight structure.

> [Corporate Governance](#)

Society

Customers

At PARCO, we are undertaking initiatives to gain the trust and satisfaction of all stakeholders, including store tenants, customers, and local communities and society.

Service improvement, reflecting our customers' wishes

Our salespeople and our staff who work at our information desks in our stores pass on to us questions and comments they receive from customers. This information, together with customer complaints received via phone calls, letters or e-mail are all entered into a database. All this data is shared throughout our company and forms the basis for service improvement.

Improvements to restrooms, powder rooms and nursing rooms

Reflecting our customers' opinions, we are adding new nursing rooms and restrooms, as well as upgrading existing facilities.



The artwork in the women's restroom at Sendai PARCO2 simulates sunlight shining through trees. Together with a powdering corner, we have created a revitalizing and relaxing space for women.



The nursing area in Sendai PARCO2 is designed to be a bright and welcoming environment

Stroller lending

We have strollers within our stores, to lend to customers who require them.

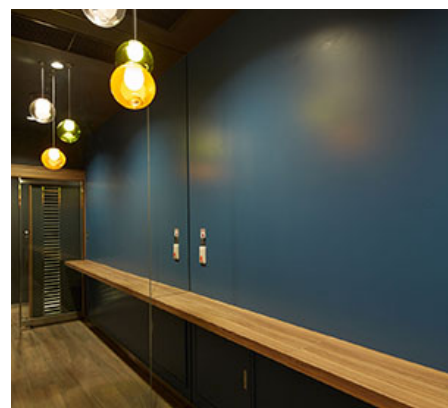
First-aid room

We have a first-aid room at our stores to assist any customers who might require medical assistance.

Smoking room

We are establishing new smoking areas for customers.

In addition to gender-neutral smoking areas, we set up women's only smoking areas in the women's restrooms at Fukuoka PARCO New Building and Sendai PARCO2.



Women's only smoking area at Sendai PARCO2

Providing Web-based Trends Communication

Backed by its store network, PARCO is aggressively leveraging advanced information and communications technology (ICT) to create new ways to enjoy commercial facilities.

To make PARCO store information available faster and more appealing, shops within PARCO make use of the PARCO Shop Blog, with roughly 3,000 such tenants involved in trends communication that encourages store visits.

Furthermore, we operate a service, called “Kaeru PARCO,” that enables in-store goods found on the PARCO Shop Blog to be reserved or ordered for delivery online, and have released a smartphone application, POCKET PARCO.

In these ways, we are creating an environment that allows customers to enjoy a “24-hour PARCO” via the Web.



Sendai PARCO2

Society

Store tenants

Our store activities are based on a model of equal partnership. As part of this, we maintain close communication with tenant staff to address problems and develop new solutions and expand opportunities for trainings and other programs.

An equal partnership

PARCO's equal partnership approach to our store tenants extends to landowners as well. We believe that a fair and equal relationship alongside a mutual sharing of values contributes to the growth and development of both PARCO and our partners.

PARCO Association activities

At PARCO, we base our store activities on "equal partnership" with the approximately 860 companies and 2,400 tenants within our stores, so that everyone can grow together.

The PARCO Association, formed from the tenants, promotes the maintenance and development of this relationship. PARCO and the PARCO Association members work together to make a contribution to local communities and achieve mutual prosperity, in the spirit of this equal partnership.



Tenant staff support system

All the staff standing on the sales floors at PARCO value our customers. We offer staff various training programs to better equip them to make decisions and act on their own.

Examples of these programs include orientation training for staff before they join the shop, security and disaster-prevention training, and staff-development training to better understand customer needs and improve the quality of service.

In addition, each store is actively involved in providing opportunities for the development of staff skills through programs that include the

"Customer-service survey" that assesses the way that a staff member looks after customers from the customer's perspective, and the "Shine-as-a-team



★ customer-service role-play contest" designed to improve the service-delivery ability of an entire service team.

Improvements to work environments

PARCO is actively promoting improvements to work environments. Initiatives including renovations of break rooms and the addition of convenience stores and private phone booths will allow shop staff to focus on their work with customers.

Measures to leverage ICT to improve customer relations and enhance operational efficiency

SUTEKI LABO, the dedicated website for PARCO shop staff, is filled with information that can typically only be learned by taking part in group training seminars; staff can use their PCs or smartphones during free moments to watch how-to videos on customer service and other relevant topics.

Furthermore, tenant staff members receive daily “shop service rating” (five-star evaluations and comments) collected from registered customers through the PARCO original smartphone app “POCKET PARCO.” Words of praise from customers as well as things customers would like to see and other messages are also shared with staff, providing motivation in day-to-day activities and sparking sales floor improvement.



Credo

We established a code of conduct for shop staff as a credo serving as the motivation behind all activities by PARCO and tenants for customers.

While pursuing concrete activities based on this credo, we aim for qualitative improvement in interactions with customers across PARCO as a whole.

"PARCO shop staff and compliance hotline"

In addition to the reporting system for employees, this new help-desk for tenant employees to use to discuss or report rule or compliance violations by our company was set up in 2010. This help-desk is for all tenant employees who work in shops in PARCO. The aims of the help-desk are to eliminate violations of workplace rules, and by enabling tenant employees to work with peace of mind day by day, it can create a workplace that is easier to work in.

Society

Local communities

PARCO is the Italian word for “park,” and much like a park itself, we provide a place where people come together to share time and space, and where they can relax and have fun. We are working to enhance the appeal of local communities and contribute to realizing a society that offers urban consumers fulfillment by devising creative business activities with a grasp of local needs and trends.

Events and promotions held in collaboration with local communities

Collaborations spanning a range of partnerships are crucial to develop the appeal of local communities. PARCO is involved in close cooperative relationships with local authorities across all PARCO stores.



Initiatives for peace of mind and safety

Since PARCO stores are places where members of local communities gather, we have taken a wide range of measures to ensure both the peace of mind and safety of the people who visit our stores.

1. Initiatives to achieve “Safety in day-to-day living”

The restaurants and food stores inside PARCO conform to rigorous standards for health and safety management. Furthermore, PARCO conducts its own periodic health and safety inspections, checking the sanitary conditions in kitchens and the storage conditions for food products and ingredients.

Checks are also made as needed to ensure that restaurant menus display appropriate information, and that raw ingredients, potential allergens, and expiration dates are all properly displayed.



2. Initiatives to achieve “Safety in the shop”

There are many shop windows in a PARCO store. Each of these glass panes is coated with antishattering film to protect people in the unlikely event of window breakage. The large display shelves have mechanisms to prevent the shelves from collapsing.

We also have staff who are specially trained in disaster prevention roles, and they practice each day.

We actively participate in fire-fighting technology training tournaments held by local fire stations, and have achieved some good results. We also offer training to the shop staff on how to use fire extinguishers so that they can take action in initial fire fighting. We have set up an information system that links each shop to our Disaster Prevention Center so that the shops can rapidly respond to emergencies.

Furthermore, we are actively involved in crime prevention activities, holding regular training sessions designed to share examples of problematic behavior and other aspects of crime prevention.



3. Initiatives to achieve “Life-protecting safety”

To prepare for the possibility that a shopper may suffer an injury or suddenly take ill, all PARCO security staff and maintenance personnel undergo paramedic training with the local fire station staff. All shops have an AED (Automated External Defibrillator) and the staff is trained in their use.



PARCO Group Business Continuity Plan (BCP)

In the PARCO Group, our disaster-readiness efforts include periodic fire drills for PARCO building staff, coupled with paramedic response training courses, to protect lives and safeguard assets in the event of an emergency. In addition, to provide services on a continuous basis, we have procedures in place to prevent or minimize risks that could occur in the event of a major disaster. The “PARCO Basic Business Continuity Plan for Major Earthquake Disasters” was formulated in 2011. After two subsequent partial revisions, the document was completely revised in February 2014. We conduct regularly scheduled BCP drills each year to test our ability to react quickly to scenarios simulating the occurrence of an actual major disaster. At Nagoya PARCO, we adopted a ground filtration system as a measure to ensure potable water supplies exist should a natural disaster occur. The filtered groundwater is used for drinking water and facility equipment throughout the complex.



Our basic policy regarding IR activities

PARCO is working to speedily supply information, based on transparency, fairness, and continuity, to its shareholders and investors. We are working to supply information in compliance with the timely disclosure rules and regulations of both the Financial Instruments and Exchange Law and the Tokyo Stock Exchange.

Our website has a substantial corporate information and IR section. We issue press releases to the media. We also work to disclose information that is easy for shareholders and investors understand and in an environment that is easy for them to access. We do this through a wide range of media, including explanatory meetings held in Japan and overseas, and through various printed publications. Furthermore, we issue information via RSS, Facebook, and Twitter to make it easier for people to receive.

Semiannual financial results briefing

Financial results briefings and other explanatory meetings for analysts are held every six months



Explanatory meetings for individual investors within Japan

To help individual investors deepen their understanding of PARCO, we hold explanatory meetings for them from time to time.



[> PARCO Investor Relations](#)

Society

Employees

PARCO is supported by people, namely our employees. Our people make full use of their knowledge and spirit to ensure that they continue to provide customers with innovative solutions. This, in turn, earns PARCO the support of both our tenants and their customers. We understand that crafting an environment where every employee can contribute to the fullest is important to all stakeholders, and that is why PARCO is advancing internal systems to promote diversity and cultivate an open corporate culture.

[Promotion of Diversity](#)

[Employee Work/Life Balance Support System](#)

[Human Resources Development Initiatives](#)

[Promoting dynamic participation of women](#)

[Reference charts](#)

Promotion of Diversity

PARCO promotes diversity management because we believe that hiring and cultivating motivated employees with diverse abilities and characteristics creates new value, contributing to the improvement, development and growth of our business.

The Diversity Committee has been established comprising members from across the PARCO Group to ensure our hiring practices are inclusive and that we maximize the diverse abilities and characteristics our employees. The Committee contributes to business activity that incorporates diversity considerations, cultivating dynamic group-wide internal communication and awareness-raising activities, and creating an inclusive company culture through networking with external groups and organizations.

The Diversity Committee is discovering new ways of thinking about diversity management by carrying out internal research, introducing new systems by conducting trials of flexible working styles for a diverse staff, and interacting with external organizations, as well as taking action that will lead to a diverse range of working styles.

[Diversity Committee activities report \(PDF\)](#)

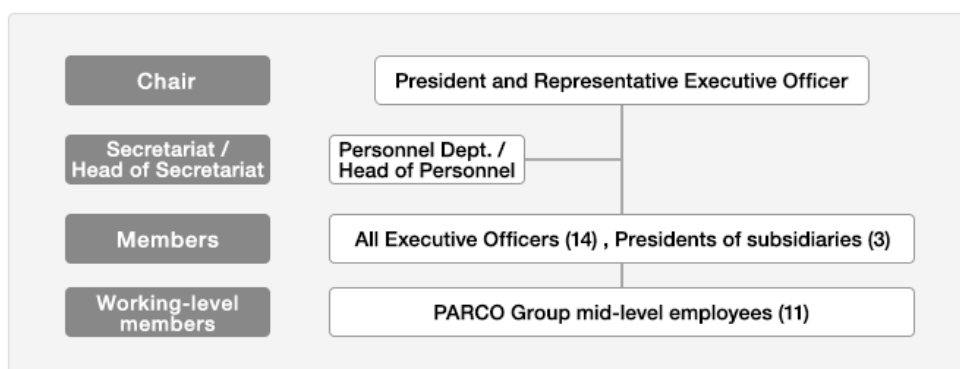
PARCO Group's vision for diversity management

Fostering diversity in our people, work styles, and approach to become the business group of choice for all our stakeholders

【Key message】

Difference is value.

Diversity Committee organizational structure



The establishment of the Diversity Committee

In 2005 we launched PARCO Women's Network, a company-wide project that aimed to promote the active participation of women. Since 2011 it has developed into the Diversity Project, broadening its scope beyond gender to cover all diversity and inclusion issues and has engaged in a range of activities to raise awareness and build an inclusive company culture. The Diversity Committee was established in 2014 to respond swiftly and flexibly to changes in the business environment, such as globalization and market competition, and to put a greater emphasis on the promotion of diversity management, in line with PARCO's management strategy. The Committee is chaired by the president of PARCO and comprises PARCO executive officers and the presidents of each group company, with mid-level PARCO Group employees participating at the working level. The Committee carries out diversity activities with both top-down and bottom-up approaches, and promotes initiatives to further unify the PARCO Group.

Employee Work/Life Balance Support System

PARCO is also promoting the dynamic participation of women in its business, supporting employees' work/life balance by reviewing work styles and implementing measures to ensure both work and childcare/nursing commitments can be maintained.

Promoting a review of working styles

Flexi-time system

As part of improving employee work-life balances, the flexi-time system, which enables more effective and flexible working, was expanded across the company in May 2016. The system makes it possible to adjust daily schedules to fit both work and personal plans, and this greater individual input into working hours is proving successful in leading to higher productivity. This has also resulted in employees becoming more conscious of working time and making their work more effective. The flexi-time system had already been introduced at head office, and following a trial period at certain PARCO stores, it has now been introduced companywide.

No-overtime day

We implement no-overtime days to encourage focused work.

Mobile work

We are promoting mobile work (remote desktop service) for employees whose duties involve a lot of time away from the office, allowing them to more effectively utilize working hours by working while travelling and the like, thus increasing productivity per hour worked. In 2015, we ran a pilot system involving employees with child-care or nursing-care responsibilities and other constraints on their work hours. Going forward, testing will be carried out to create a system around this.



Briefing on systems utilized for telecommuting

Encourage holiday time

We are working on creating an environment for 'focused work and relaxing time off'. Employees need to rest and 'recharge' in order to perform at their best and be creative and successful in their work. PARCO actively encourages employees to take holidays by holding an annual 'holiday promotion day' and recommending that each division does the same. We also commend divisions which have a high average number of paid holidays taken.

Seminars for management

We are holding awareness-raising seminars for managers to encourage the participation and growth of a diverse workforce in a way that uses working time effectively and maintains a work-life balance. In September 2016, we held a talk by an external lecturer on the topic of 'iku-bosses' (bosses, managers and supervisors who support their teams' careers and life outside work, ensuring a satisfying work-life balance while still meeting high targets and achieving success for their organizations).

Support for a childcare/nursing care and work balance

PARCO has made changes to its Employee Work/Life Balance Support System in accordance with January 2017 amendments to Japan's Child Care and Family Care Leave Law, and has expanded some systems beyond what is stipulated by law.



Systems beyond those stipulated by law

*Systems not outlined here also fulfill legal requirements

1) Systems for use during pregnancy

Mitigation of working hours during pregnancy	Working time can be reduced by up to an hour per day, paid.
Revival of expired annual paid leave days	Expired annual paid leave days from the previous year can be revived and taken.

2) Systems for use during childbirth

Spouse maternity leave	Three days of paid leave can be taken when a spouse enters childbirth (including common law spouses).
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3) Systems for use during childcare/nursing care

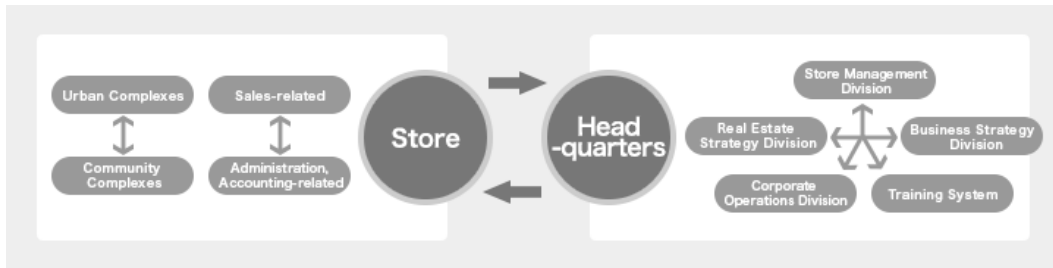
Childcare leave	Childcare	Leave can be taken until the April 10 following the child's first birthday (permanent employees). This leave can also be extended until the child is 18 months old in certain cases, such as when the child cannot get a place at a daycare facility.
Nursing care leave	Nursing care	Up to a year's leave can be taken per applicable family member, which can be divided into as many as three separate spells.
System for requesting a specific department upon return to work	Childcare Nursing care	Employees can request a specific department to return to after taking childcare or nursing care leave. In principle, they cannot be transferred from this department for two years after returning.
Childcare time off (paid)	Childcare	Working hours can be reduced by up to an hour per day paid, applicable until the child turns one-year-old.
Reduced working hours for childcare	Childcare	Working hours can be reduced by up to two hours per day, applicable until the child enters junior high school.
Reduced working hours for nursing care	Nursing care	Working hours can be reduced by up to two hours per day while nursing care is required, without limits to length or number of spells required.
System for selecting reduced hours or holidays	Childcare Nursing care	Up to two hours per day designated for reduced working hours can be converted into holidays instead. It is also possible to take a combination of reduced hours and holidays.
System for selecting workplace location	Childcare Nursing care	Employees with children not yet in junior high school or with a family member needing nursing care can select the region within which their workplace is located in order to avoid moving.
System for re-employment of former employees	Childcare Nursing care	Employees who resign due to childcare or nursing care responsibilities who apply and have their application accepted can take advantage of a system that allows their rehiring within three years of leaving.

We have set the period between now and June 2020 as the 4th phase of our targets to promote utilization of systems supporting work and childcare (nursing care) balance, provision of employment environment and improvement in working styles. To achieve those targets, we have enacted measures that promote reviewing working styles and awareness of systems supporting work and childcare (nursing care) balance.

[Our "General employer action plan" based on The Law for Measures to Support the Development of the Next Generation](#)

Human Resources Development Initiatives

We are engaged in implementing educational programs geared for different career paths and areas, with the aim of equipping each one of our staff with stronger skills and higher motivation. We are also implementing an educational rotating system that periodically rotates staff between various departments, business areas, and regions, allowing them to widen their horizons and to strengthen their adaptability. Through a variety of workshops, we are working to introduce a competency and ability based career progress system.



Administration Division

In addition to the rotating system, PARCO is working hard to support our employees' capacity for development through providing a wide range of training and learning opportunities.

Main training implementation

1) New employees

Induction training (e-learning, training trips), pre-assignment training (approximately two months), follow-up training

2) Young mid-level employees

Business skills training, tutor training (for new employee training), next-generation leadership training, industry placement training, business school support, support for attending external public seminars

3) Other

Department-specific skills training, female leadership training, management training, compliance training, market inspection training, e-learning/distance learning, financial reward for obtaining qualifications/paid examination fees

Promoting dynamic participation of women

The PARCO Group views efforts to promote greater participation by women as vital, taking steps to embed career seminars, management training sessions and work-life management internally throughout PARCO; we also pursue measures to comply with Japan's Act of Promotion of Women's Participation and Advancement in the Workplace (Advancement of Women Act).

PARCO promote participation by women through a variety of initiatives. We recognize that encouraging shorter working hours by promoting the use of paid leave and improving the percentage of women in managerial positions will go far in helping to resolve issues pertaining to female participation. Together with enacting measures to encourage taking leave, we formulated an action plan in response to the Advancement of Women Act that includes cultivating female managerial candidates, providing opportunities for boosting the career consciousness of young female employees, and creating a workplace more conducive for employees with time constraints. With respect to the annual average number of days of paid leave taken, we are aiming for 10 days by fiscal 2020, compared to five days in fiscal 2014. In parallel, we are striving to have women make up 20% or more of managers in fiscal 2020, versus 11% as of March 2015.

[Action plan based on the Advancement of Women Act](#)

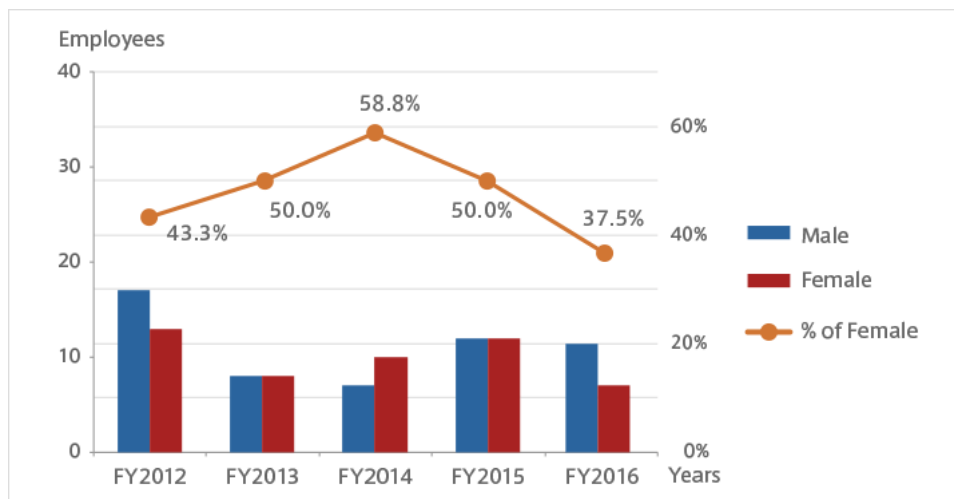
Participation in cross-industry consortiums PARCO takes active part in and shares information from cross-industry consortiums and other projects focused on work and female career education and work-life balance.



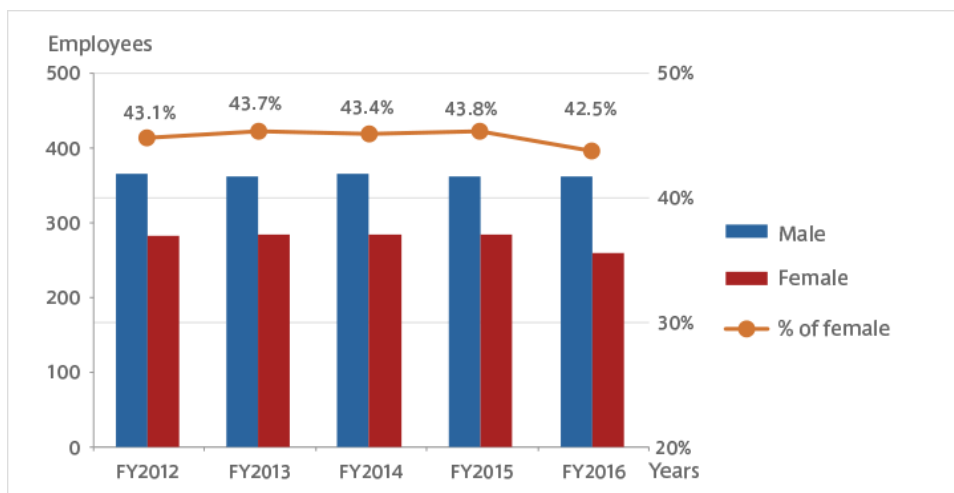
Lecture for women on successfully balancing work and childrearing

Reference charts

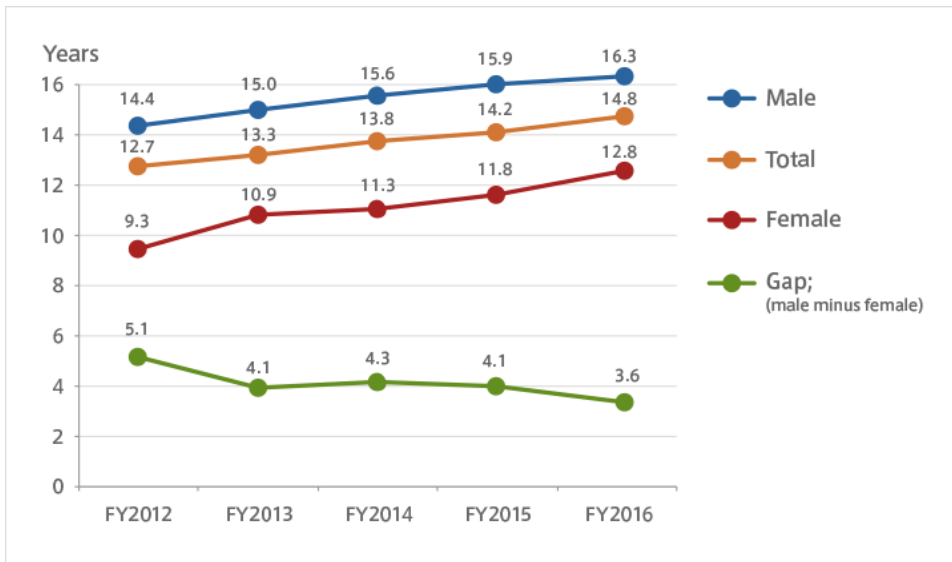
Trend in employee numbers, ratio of men vs women



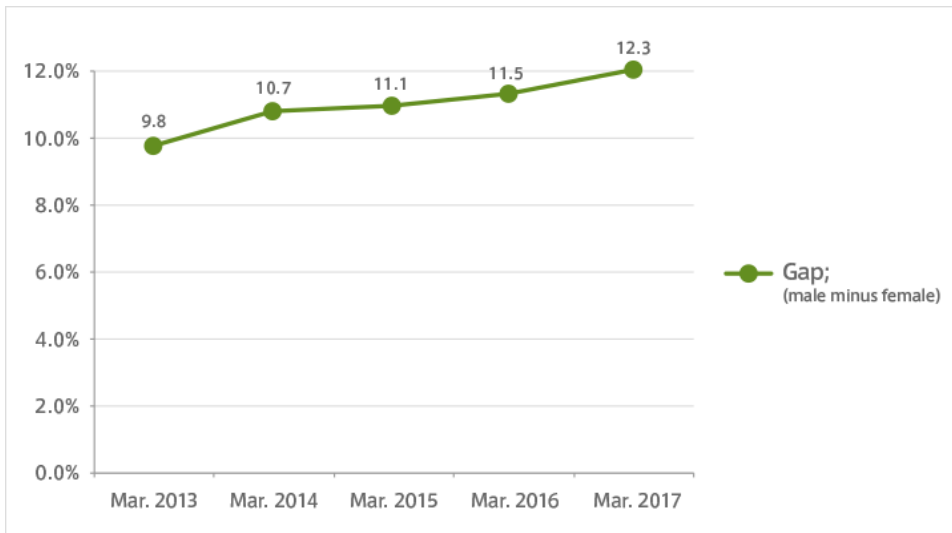
Employee numbers by gender/trend in ratio of female employees (total of both full and contract employees)



Trends in length of employment (at end of each year)



Trend in ratio of women in management positions



Environment

Fundamental Policy

The PARCO Group recognizes global environmental issues as an important theme in its business activities in shopping centers and related fields. Through the promotion of environmental preservation activities, the Group seeks to leave a sustainable society for future generations.

To this end, the Group aims to reduce the environmental impact of the commercial spaces it creates. These efforts include cooperating with tenants and other transaction partners, and making sure that customers and local communities are informed of the Groups activities and accept them.

Course of Action

Environmental preservation activities

1. In consideration of the environment, all PARCO Group stores and business locations will adopt measures to conserve resources and energy.
The Group will review its environmental initiatives periodically to continually improve them.
2. The Group will take initiatives to reduce electricity consumption, which accounts for the majority of energy consumed at commercial facilities.
In particular, the Group will strive to reduce energy consumption by facilities and equipment indispensable to the operation of shopping centers, such as air conditioning equipment, escalators and elevators, and lighting fixtures. Furthermore, the Group will use energy efficiently by introducing state-of-the-art technology and other measures.
3. The Group and its tenant companies will work together to conserve energy on an ongoing basis. Specific efforts will include reducing use of cooling and heating within buildings to optimize climate control, and precisely managing the operating hours of facilities and equipment.
4. The Group and its tenant companies will strive to reduce environmental impacts through initiatives to recycle and reuse, as well as to reduce waste.
5. In planning new stores, the Group will challenge itself to create new commercial facilities that have low environmental impact. This effort will include every aspect from plans for construction and facilities, to interior design.

Communal activities

6. The Group will actively participate in charitable activities as a member of local communities, and help build hospitable urban environments.

Event tie-up activities

7. The Group will actively incorporate campaigns with an environmental theme in the events it sponsors and its sales promotion activities.

Employee awareness and education

8. All PARCO employees will be made aware that they are a participant in environmental preservation activities. Whether at home or at work, employees will be expected to lead efforts to recycle, conserve energy and sort their waste.
The Group will encourage and support its employees in coordination with its tenant companies to promote these activities.

Compliance with laws and regulations

9. All PARCO Group employees will comply with treaties, laws, regulations and other rules concerning the environment, and act with care about humanity and the earth's environment.

Environment

Activities for environment

Activities to save energy and resources

Relaxation of air-conditioning temperature settings inside stores

We use an appropriate temperature setting and measure on-site temperatures separately on each floor and during each time period. In this way, we were able to reduce our CO2 emissions even more. Even after that period, we worked hard throughout the year to achieve air-conditioning by optimizing the volume of air taken in from outside, and running air conditioners intermittently.



Store entrance stickers

Promotion of switch-over to LED lighting

Following our efforts to introduce energy-saving lighting, chiefly LED lights, we are lowering not only the levels of heat that our lighting emits, but are also reducing CO2 emissions. With the exceptions of fluorescent lighting and high-efficiency lighting, we've changed our incandescent lighting in our all stores LED lighting since FY2012.



Common LED-lit walkways within stores

Reducing the environmental burdens of individual shops

We have several systems in place to reduce these burdens. For example, when a new shop is being planned or an existing shop is being renovated, we place restrictions on the amount of power that we will supply.

PARCO Space Systems is a member of the PARCO Group. We work with them to promote energy savings among the shops in our stores. They carry out an energy consumption audit of each shop and help shops to use less energy.

Promoting recycling and reuse

Through the cooperation of tenant businesses, PARCO is proactively working to reduce business garbage and increase renewable use. We are implementing practices including the reuse of plastic hangers, 100% recycling of cardboard and waste oil, and the recycling of compostable garbage into fertilizer. We also use garbage scales to visualize the amount of garbage generated by each tenant, creating a structure that promotes the recycling of every recyclable item.



Garbage scale (Urawa PARCO)

Initiatives on the facilities, equipment and usage front

All PARCO stores are making great efforts in energy conservation through the adoption of cooling with outside air in spring, autumn and winter, the introduction of low-energy-consumption lamps and switch timers and by water conservation through the introduction of automatic water conservation valves, toilet flush sound imitators and water conservation sensors.

We are also pursuing initiatives for drawing underground water from wells, cleaning well water, grey water and rain water to reuse as toilet drainage water. At Nagoya PARCO and Urawa PARCO we have adopted co-generation systems, effectively using waste heat from power generation to heat water and in pools.



Grey water facility

Procurement of Tradable Green Certificates

Some PARCO stores have gained Tradable Green Certificates. These certificates indicate that through the use of solar power and other means, the store has been able to reduce its annual power consumption by an amount equivalent to about 1,122 tons of CO2. We plan to use these certificates when we fulfill our obligations to reduce our CO2 emissions.

Participate in environmental campaigns and register for institution

Corporate registration with Fun to Share

Fun to Share is an environmental campaign started by the Ministry of the Environment in March 2014 that aims to realize a low-carbon society by broadly sharing and linking information, technology and knowledge pertaining to reducing CO2 emissions for companies and private citizens. PARCO, which is setting an environmental policy and working towards energy conservation, announced that it would register in the campaign as a company and pursue environmental initiatives.



Registering Cool Share and Warm Share spots at PARCO stores across Japan

Cool Share and Warm Share is a campaign promoting region-wide conservation of electricity by having people come together and share cool or warm places instead of using air conditioning by themselves. PARCO stores have seen an increase in visitors after registering in this program.

エアコン消して 涼しいところ集まろう

COOL
SHARE

Participation in the Light Down Campaign

All PARCO stores participated in the Light Down Campaign, led by the Ministry of the Environment, which calls for reducing CO2 emissions by turning off lights in buildings. Held every year on the summer solstice (around June 21) and Cool Earth Day (July 7), PARCO stores cooperate with this environmental initiative by simultaneously turning off rooftop, sign and other lights.



Chofu PARCO before (left) and after (right) turning off the lights

Certified Gold in the Chofu Eco Office System

The Chofu PARCO has received a Gold certification in the Chofu Eco Office System. This certification system is run by Chofu City to support businesses in becoming more eco-friendly.

There are three levels of public certification, gold, silver and bronze, for businesses that proactively work to develop consciousness about waste reduction and recycling.

Certified as an Musashino City Eco Partner

The Kichijoji Parco has received the Musashino City Eco Partner Certification. This certification is run by Musashino City to promote the reduction of waste from businesses. Businesses that meet standards on recycling magazines and compostable garbage are publically certified.

Activities to expand environmentally friendly commercial facilities

P'es Lighting

Group company PARCO Space Systems has, in collaboration with other companies, developed and is selling P'es Lighting, an original lighting fixture with a reduced burden on the environment. Together with LED lighting, design and interior construction with an eco-friendly theme, we are making proposals for comprehensive building maintenance.



Lighting consulting

PARCO Space Systems is making proposals for creating business environments that customers find comfortable based on lighting design that considers the characteristics of both the products and the space, and by unifying the lighting environment of the facility as a whole, through facility management including the lighting of shops.

Inspection committee for comparative inspection of the newest LEDs

In order to provide optimal lighting design that meets the space conditions that clients seek, with the cooperation of manufacturers we periodically convene a committee for comparative inspection of LED lighting fixtures beginning with new fixtures we are inspecting the abilities and energy conservation effects on lighting fixtures from a variety of makers and of different types.



Continuous improvement through acquisition of ISO50001 certification

Group company PARCO Space Systems received the international ISO50001 certification, which aims for continuous improvement in energy performance, energy efficiency and energy conservation from the Japan Quality Assurance Organization (JQA).

This is the first time a company in the building design, facilities and management industry has received this certification, and we will aim to expand subcontracting by utilizing this to aggressively promote proposals that include reductions to environmental burden and energy costs.



Internal approach

Reducing copy paper usage

In PARCO's offices we are working to reduce copy paper usage through two-sided and 'N up' (laying out several pages worth of data to print on one page) printing and promoting printing on the back sides of miscopied pages.

We also introduced a system to prevent miscopies where you have to enter you employee number to use complex copiers. We are also creating a paperless system by moving internal documents and notices online.

Purchasing environmentally conscious products

PARCO has selected copy paper as a priority for reducing the burden on the environment and is pursuing green procurement for some office supplies including stationery, file folders and DVD disks.

We are also contributing to reducing carbon emissions buy promoting the purchase of cleaning supplies such as detergent and wax with carbon offsets.

Plastic bottle cap collection

Through NPO Re Lifestyle, we sell plastic bottle caps as recycled resources, with profits donated to an international support organization* that helps provide vaccinations. (From May 2015)

*International support organization: NPO Japan Committee Vaccines for the World's Children

Cool Biz and Warm Biz

In order to reduce energy used for air conditioning, PARCO has established temperature settings for its offices in summer and winter and is practicing Cool Biz and Warm Biz.

We continued this in FY2014, setting thermostats at 28°C during the Cool Biz period in order to promote energy savings in the summer, and are encouraging styles such as short-sleeved shirts and polo shirts in addition to the usual no jacket and tie, where staff can work in the office comfortably in summer.

Increasing awareness of environmental issues among staff

In order to create opportunities for all staff to think about the environment as an issue close at hand, PARCO is participating in the Ministry of the Environment-led Challenge 25 Campaign and Fun to Share, as well as encouraging staff to take the Tokyo Chamber of Commerce and Industry-led Certification Test for Environmental Specialists® (Eco Test)*.

As of FY2015, PARCO has turned out a total of 174 certification holders and PARCO Group 362. By offering support including covering the entire test fee and distributing and lending texts internally, we have established a structure that makes it easy for staff to take the test.

*Certification Test for Environmental Specialists® is a registered trademark of the Tokyo Chamber of Commerce and Industry



> [Results of activities](#)

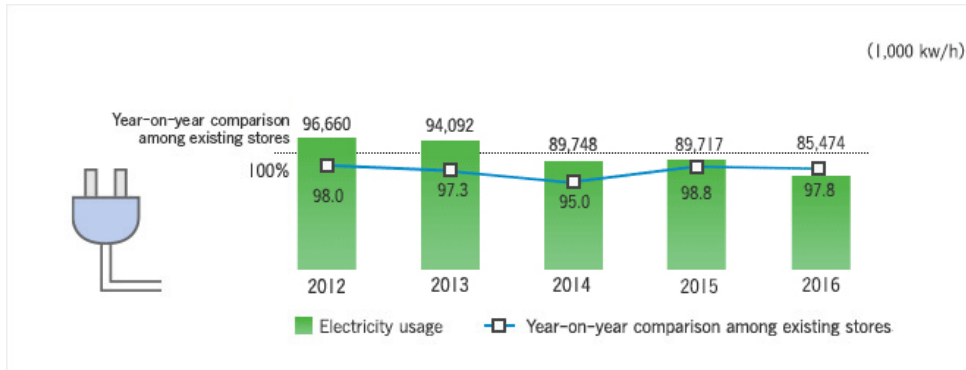
> [Environmental Data](#)

Environment

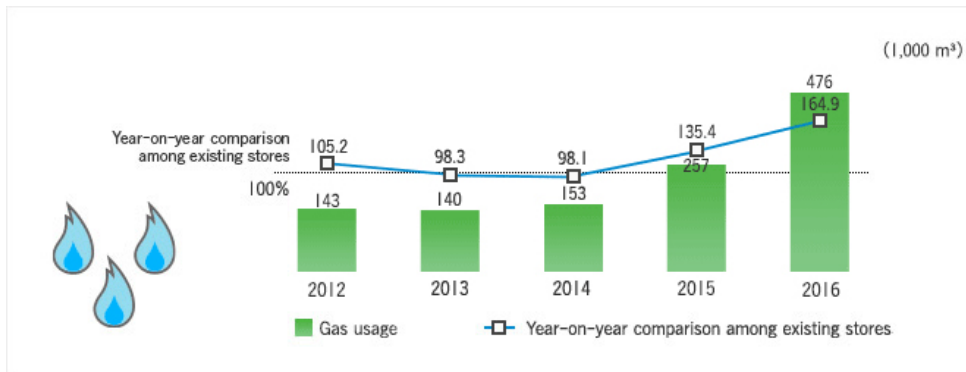
Environmental data

INPUT

Electricity usage



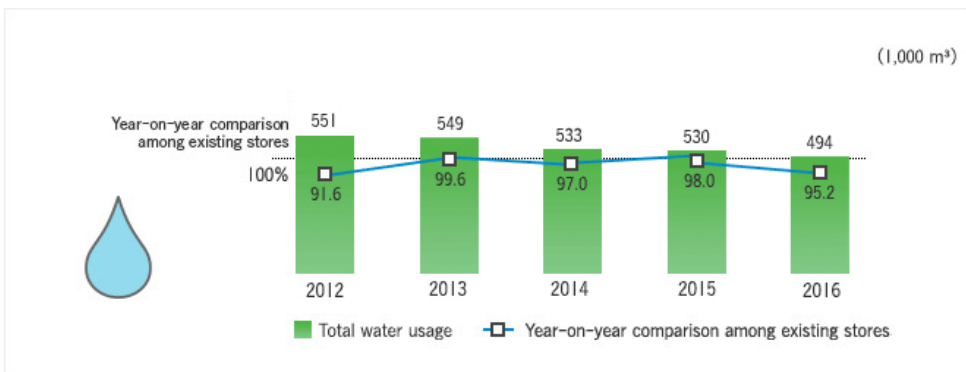
Gas usage



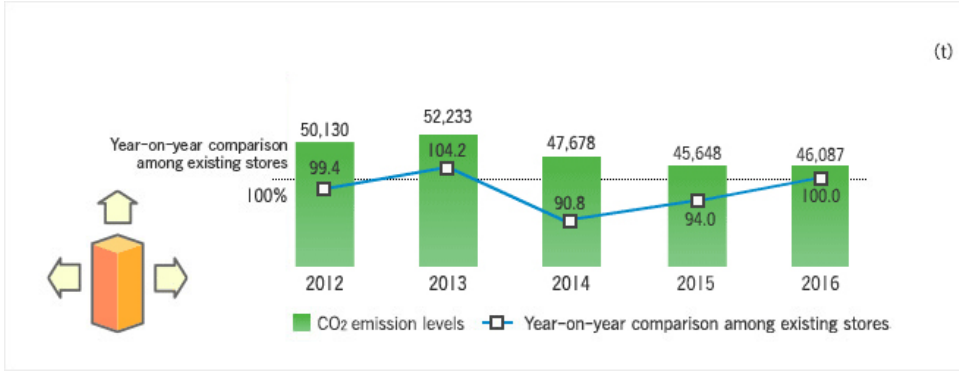
The increases in gas usage in fiscal 2015 and 2016 stemmed mainly from adoption of GHP* for air conditioning and gas cogeneration. With this step, the intent is to reduce electricity usage and the amount of energy consumed on a per-unit basis.

*GHP (gas heat pumps) is an air conditioning system in which an external unit with a gas engine-powered compressor powers a heat pump for heating and cooling.

Total water usage



CO2 emission levels

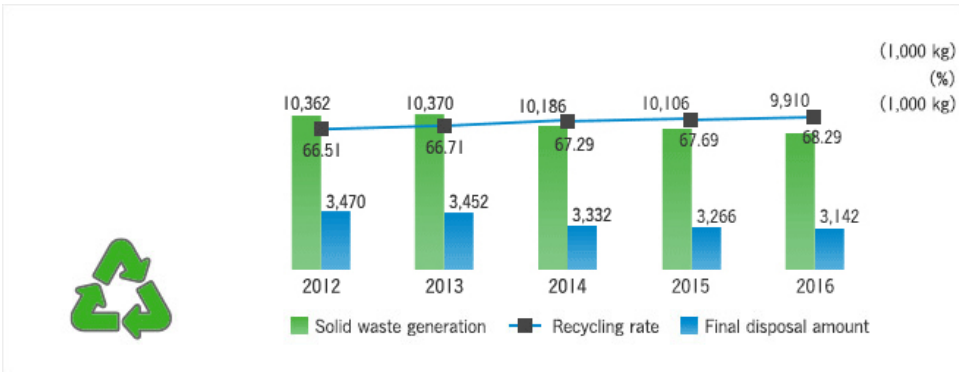


The primary cause of the increase in CO2 emissions in FY2013 is the increase in each power company's factors in CO2 emission calculations (changes every year based on fuel mix ratios) over last year.

Solid waste generation

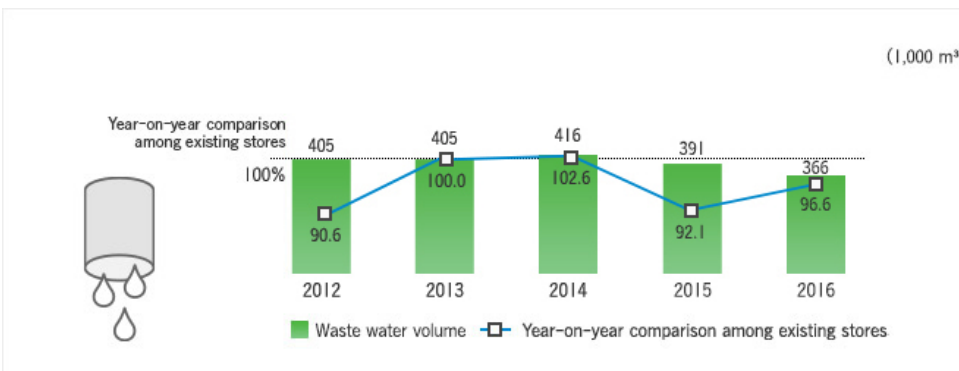
Recycling rate

Final disposal amount



The primary cause of the increase in CO2 emissions in FY2013 is the increase in each power company's factors in CO2 emission calculations (changes every year based on fuel mix ratios) over last year.

Waste water volume



The primary cause of the increase in waste water volume in FY2014 is the increase in spring in some store.

A year-on-year comparison among our existing stores. Calculations except the effects of the following events: FY 2014 Fukuoka PARCO new Building opened; FY 2015 Nagoya PARCO midi new Building opened and Fukuoka PARCO Main Building extension; FY 2016 Sendai PARCO2 opened, Shibuya PARCO temporarily closed, and Chiba PARCO closed. Environmental data (other than waste emission levels, recycling rate and final disposal amount) do not include data from our tenant shops.

Corporate Governance

Fundamental Policy

We at PARCO are to constantly work to strengthen our system of corporate governance, recognizing that in order to enhance corporate value, we must: protect the rights and interests of our shareholders, build smooth relationships with stakeholders other than shareholders, preserve transparency in management, and establish an effective management oversight structure.

Our corporate governance system is to be characterized by a clear distinction between supervision and execution. Here, to assure a high degree of transparency in corporate governance while facilitating decisionmaking and execution, we adopt a corporate managerial structure that includes a Nominating Committee and other such entities.

We at PARCO established *Fundamental Policy for Corporate Governance* in 2016. This policy formulates our basic way of thinking with regards to corporate governance. That is, it sets down how PARCO believes corporate governance should best be applied to achieve continual growth and a medium-to-long-term enhancement of corporate value under the [PARCO Corporate Mission](#), which calls for the creation and provision of value in a manner that satisfies our customers, tenants, shareholders, and other stakeholders.

[Fundamental Policy for Corporate Governance](#)  [PDF] 184KB (2016.2.24)

[Corporate Governance Report](#)  [PDF] 292KB (2017.10.4)

[Overview of the PARCO Corporate Governance System](#)

[Message from the Committee Chair](#)

[Internal controls and risk management system](#)

[Relations with shareholders and other stakeholders](#)

[Standards and Criteria for Determining the Independence of External Directors](#)

[Related Party Transactions](#)

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[Reason for appointment as a Director and main activities of Directors](#)

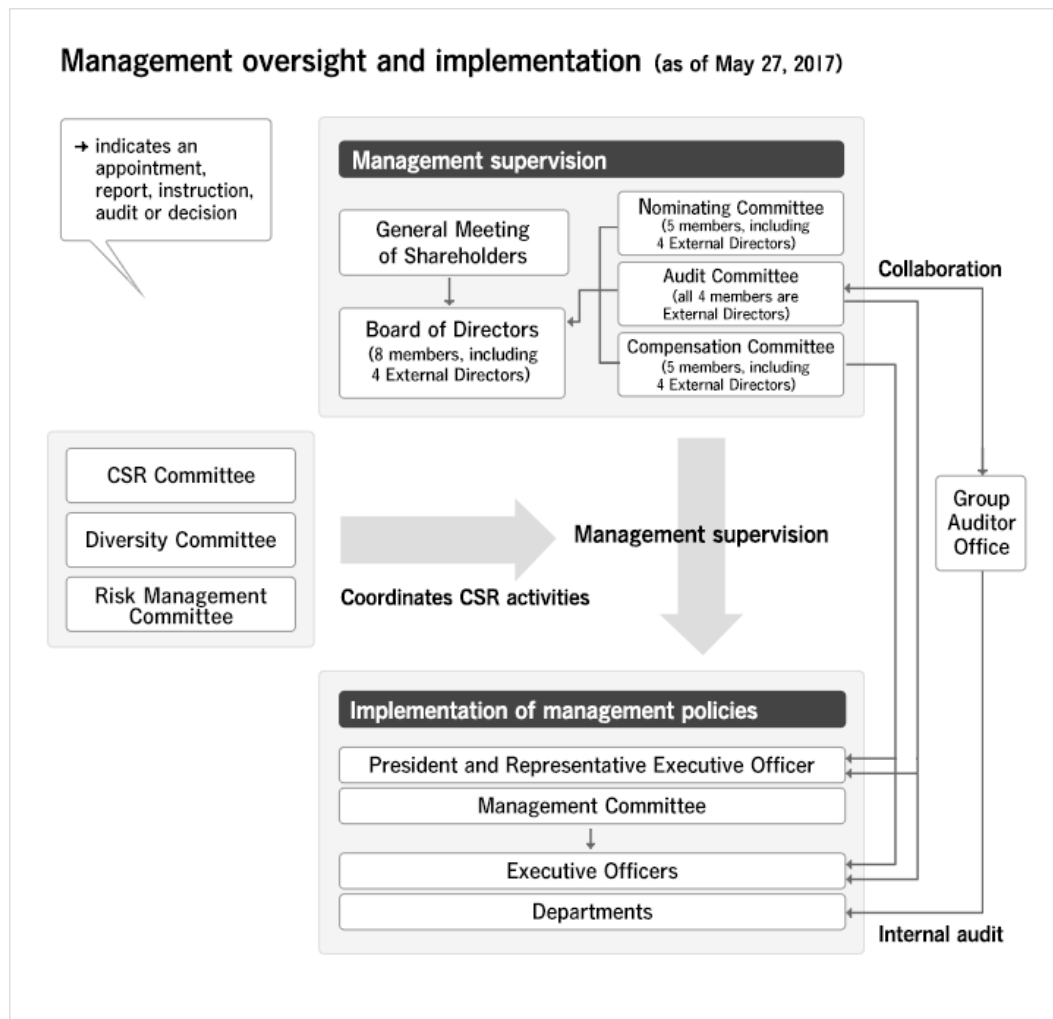
[Approach to Officer compensation](#)

[Position on shareholdings](#)

[Criteria for exercise of voting rights](#)

[Status of shareholdings](#)

Overview of the PARCO Corporate Governance System



Board of Directors

The Board of Directors is to strive for a sustained increase in corporate value. To this end and under a full realization of its fiduciary and explanatory duties to shareholders, the Board is to determine a strategic direction for the company, provide an environment conducive to risk management and, in collaboration with the Nominating Committee, the Audit Committee and the Compensation Committee, assure a high degree of supervision over Directors and Executive Officers.

Composition of the Board of Directors

The Board of Directors is to be comprised of a variety of individuals with differing backgrounds, including area of expertise and experience, based on selection criteria formulated by the Nominating Committee. At least half of the members are to be External Directors, and the total number of members is to be maintained at a level that provides an optimal level of efficiency and effectiveness.

Selection criteria is disclosed at *Fundamental Policy for Corporate Governance*.

Committees

PARCO has adopted the “Company with three Committees” system and has established a Nominating Committee, an Audit Committee and a Compensation Committee, all of which contain company Directors.

The Committees are to supervise managerial activities within their respective areas of responsibility and to report accordingly to the Board of Directors. Also, to help invigorate their activities, we have installed a Committees Secretariat, which is independent of the management team and staffed by employees assigned solely to it.

Nominating Committee

The Nominating Committee is to determine the content of proposals to be submitted at the General Meeting of Shareholders regarding the appointment or dismissal of Directors. It also nominates candidates for Representative Executive Officer and Executive Officers to the Board of Directors; and can recommend their removal. The Committee is to be comprised of at least three Directors, a majority of whom must be External Directors.

Audit Committee

The Audit Committee monitors the execution of duties by Directors and Executive Officers, and has determines the content of proposals on the election and dismissal or non-reappointment of the auditor, which are submitted at the General Meeting of Shareholders. The Committee is comprised of at least three Directors, all of whom, in principle, must be External Directors.

Compensation Committee

The Compensation Committee determines the compensation of individual Directors and Executive Officers. The Committee is to be comprised of at least three Directors, a majority of whom must be External Directors.

Executive Officers and the Management Committee

Executive Officers are to execute specific duties based on the fundamental policy determined by the Board of Directors. The Management Committee is to serve as a deliberative body to support concrete operational decision-making by the President and Representative Executive Officer.

External Accounting Auditor

In the interests of auditing effectiveness, the Audit Committee is to verify the reputation of the External Accounting Auditor, as well as their independence and specialized knowledge. The External Accounting Auditor is expected to maintain communications with the President and Representative Executive Officer and discuss the handling of matters such as improprieties and errors in collaboration with the Audit Committee.

Audit Committee Chair



Hiroshi Takahashi

External Director(Independent director)

The Audit Committee consists of four members, all of whom are external directors (independent directors). The Audit Committee is tasked with monitoring and inspecting the development and operational status of the Company's system of internal controls to ensure corporate soundness and sustainable growth, and to establish a quality corporate governance structure that earns public trust. In so doing, the Audit Committee strives to maintain a system that ensures audit effectiveness.

The Audit Committee audits the actions of executive officers and others in the conscientious, faithful and legally prescribed performance of their duties by receiving reports from the Group Auditor Office, the Independent Auditor, and the external auditors of Group companies, requesting reports from relevant executive officers, and attending weekly meetings of the Management Committee, among other actions. Through coordination with the Group Auditor Office, the department responsible for internal audits, the Audit Committee not only audits the reliability of our financial reporting and appropriateness of business execution as a corporate group, but strives to propose improvements essential for realizing growth in corporate value through the kind of proactive governance targeted in Japan's Corporate Governance Code.

Nominating Committee Chair



Tomonori Ito

External Director(Independent director)

The five-person Nominating Committee consists of four external directors (all independent directors) and the President and Representative Executive Officer. The Nominating Committee is responsible for two key tasks—drafting, as required by law, agenda items for submission to the General Meeting of Shareholders regarding the election or termination of directors; and the proposal, pursuant to Company regulations, of recommendations regarding candidates for, or the termination of, the posts of executive officer and Representative Executive Officer.

Japan's Corporate Governance Code was formulated two years ago and corporate governance in the country has undergone a major transformation in the time since. With companies adopting various governance formats, there has been an increase in companies establishing a nominating committee, some on a voluntary basis. The importance of nominating committees, which evaluate representative executive officers and nominate their successors, is being progressively recognized. PARCO works to operate its Nominating Committee in a manner that contributes to the creation of shareholder value from a long-term standpoint.



Noriko Nakamura

External Director(Independent director)

The five-person Compensation Committee consists of four external directors (all independent directors) and the President and Representative Executive Officer. The Compensation Committee is tasked with determining compensation for individual directors and executive officers. Under this remit, the Compensation Committee, in accordance with its compensation policies and set regulations and criteria, determines compensation for directors based on the director's specific role, and for executive officers based on rank, role, and an evaluation of corporate performance and individual duty performance. PARCO recognizes the importance of preserving objectivity and transparency in the decision-making process regarding compensation. Through fair and open decision-making guided by predetermined regulations regarding annual base salary and evaluation rules, we hope to fulfill our obligation to explain our actions to shareholders and other stakeholders, while contributing to improvements in corporate value.

Internal controls and risk management system

Our company will work to increase corporate value by establishing a system to assure the suitability of our company and group's operations regarding factors such as the efficiency and effectiveness of these operations, the credibility of our financial reports, the legal compliance of our business activities, and preservation of company assets.

Risk Management System

We are to work to provide a cross-organizational risk management system centered on our Risk Management Committee that, in addition to identifying and assessing the risks entailed by corporate activities, taking countermeasures against them and heightening our internal awareness of them, is capable of a swift response to risk-related occurrences through emergency action including taskforce deployment and information management.

Compliance system

We are to advance an internal awareness program through methods such as issuing a *PARCO Employee Handbook* to all Officers and employees, in addition to formulating *Basic Principles of Compliance* and a *Code of Conduct*, to which all employees are expected to adhere. Also, we have set up a group-wide internal reporting system utilizing a third-party contact to encourage the reporting of infractions or other improper activities and to facilitate corrective responses to same.

Internal auditing system

To reinforce the internal auditing capabilities of our group, we have established a Group Auditor Office which audits the legality, economic rationality, and risk exposure of the group as a whole, based on audit plans and under the direction of a Director assigned solely to this task. We also strive to improve audit efficiency through the timely exchange of auditing information with the Audit Committee and auditors at group subsidiaries.

Relations with shareholders and other stakeholders

Ensuring shareholder rights, equality, etc.

PARCO believes that in order to continually increase corporate value, it is imperative to protect the rights and interests of shareholders, including minority shareholders. Therefore we strive to protect those rights, to assure an environment in which shareholders can exercise their rights at the General Meeting of Shareholders, and to monitor any actions that harbor the risk of damaging shareholder rights, including related-party transactions and changes to capital policy.

Appropriate collaboration with stakeholders other than shareholders

In order to support efforts to build smooth relationships with stakeholders beyond our shareholders, we have created a *Corporate Mission* and a *Code of Conduct* and are taking measures to strengthen compliance management and promote diversity, including encouraging the active involvement of women within the organization.

CSR (corporate social responsibility) initiatives

We have established a CSR Committee to promote CSR activities within the PARCO Group and strengthen internal controls. The Committee will set PARCO Group policies for CSR activities, create action plans, support external publicity efforts, promote internal information sharing, and cooperate with external companies and organizations.

Committee activities are to span the organization, with related efforts covering everything from discussion sessions with PARCO Group Presidents and Executive Officers, to group-wide collaboration drawing together the Diversity Committee, Risk Management Committee, group companies, and PARCO internal departments.

Promoting and ensuring diversity within the organization, including encouraging the active involvement of women

We have installed a Diversity Committee to promote diversity initiatives across the company. The Committee will carry out initiatives aimed at cultivating a corporate culture characterized by tolerance and openness to new ideas, in which people of diverse views, talents, capabilities, and cultures can work to their full potential. We regard ensuring the active involvement of women within the organization as an important issue and strive to assure full female representation in our selection of leaders and managerial candidates. The Committee will promote other cross-organization initiatives including discussion sessions with PARCO Group Presidents and Executive Officers, and collaboration among group companies and PARCO internal departments.

Internal reporting system

In order to strengthen our compliance management, we have installed an internal reporting system that provides mechanisms for handling reports of infractions and other behavior that runs counter to laws, regulations or the like. The system includes the utilization of a third-party liaison to receive such information and measures to ensure that it is properly handled. One feature is that persons providing information, or persons cooperating with a subsequent investigation, are not to be dismissed or suffer other negative consequences as a result.

Standards and Criteria for Determining the Independence of External Directors

PARCO has created its own standards for determining the independence of External Directors, based on the independence standards of the Tokyo Stock Exchange and the Japan Association of Corporate Directors, which is set forth in the Fundamental Policy on Corporate Governance.

Related Party Transactions

In order to ensure that transactions entered into with related parties are appropriate, PARCO conducts a survey of all officers of PARCO and its subsidiaries regarding whether they have engaged in related party transactions, and on the basis of this submits to the Board of Directors a report on transactions between PARCO and its officers and major shareholders. Any transaction between PARCO and a Director or Executive Officer that gives rise to a conflict of interest is subject to approval by the Board of Directors based on the relevant laws and PARCO's regulations for Directors.

Evaluation of the Board of Directors

PARCO perform an assessment of the effectiveness of all Directors in the interests of improving the effectiveness of the Board of Directors. The evaluation process, evaluation focus, the findings and the resulting improvements are disclosed below.

(i) Evaluation Process

The Committees Secretariat and Board Secretariat (Corporate Planning Office) conducted surveys and interviews with each individual Director concerning their assessment of the effectiveness of the Board of Directors.

(ii) Focus of evaluation

The evaluation covered the makeup of the Board of Directors, the quality of debate, agenda items, and management and support arrangements. Feedback on the current situation and progress on improvements from the previous year's evaluations was compiled to inform how the Board of Directors could be made more effective in future.

(iii) Outcomes of the Evaluation and Resulting Areas for Improvement

1. Makeup of Board of Directors

While some positive feedback was received following a change in External Directors, some commented that there was insufficient information to enable External Directors to perform their duties, particular regarding the views held by those executing the work, and working conditions. In response to this, we will increase reporting by Executive Officers and provide more opportunities for communication between Directors and the respective Executive Officers. Increasing said opportunities for communication will also facilitate our succession plan.

2. Quality of Debate and Agenda Items

The improvements achieved in FY2016 regarding selection and expedient scheduling of agenda items in strategically important areas led to a positive evaluation of agenda item selection for an effective debate. However, processing agenda items and securing committee time to improve the quality of debate remain an issue, and some feedback indicated the need for clarification of topics for debate and a thorough response system. In response to this, we will further improve how explanations are provided in advance and ensure a system is in place to allow for accurate responses to questions.

Furthermore, feedback supported the need to continue debate on priority topics. This year, we will continue to set agenda items in advance for a strategic debate and ensure expedient scheduling.

3. Management and Support Arrangements

While some positive feedback was received concerning advanced provision of information, some respondents stated that we need to make more effective use of meeting time in order for there to be more substantive debate at actual meetings of the Board of Directors. We will therefore make reports delivered at Board of Directors sessions simpler and more efficient. The outcome of the assessment was shared with and debated substantively by the Board. We conduct an evaluation of the effectiveness of the Board of Directors on an annual basis, believing that by repeating the process of evaluation, analysis, debate, and improvement, the Board of Directors will change, leading to increased effectiveness.

Training Policy for Directors

All newly-appointed Executive Officers, including Internal Directors, are briefed on the roles, obligations and responsibilities of Directors and Executive Officers, the nature of their agreement with PARCO, and related regulations. Compliance training is offered after appointment. Upon joining the Board, External Directors are also given an overview of the company and briefed on its management philosophy, business situation, corporate governance matters and related regulations. Ongoing briefing on PARCO's business operations, trends in the retail sector, and the business environment in which we are placed is also provided to these External Directors after appointment, along with opportunities to visit stores, in the interest of giving them a better understanding of our company.

Reason for appointment as a Director and main activities of Directors

PARCO ensures that more than half of its Directors are External Directors. By serving on the Board of Directors and Executive Committees, these External Directors work to improve the effectiveness of internal controls by overseeing the execution of duties by Executive Officers and the like.

Director	
Name	Reason for appointment
Kozo Makiyama	After serving for many years in the Store Management Operation Divisions, Mr. Makiyama was appointed President and Representative Executive Officer in May 2011. Through his years of service, he has amassed a wealth of experience that broadly covers PARCO's business operations. As a PARCO Director, he has been actively contributing to discussion and deliberation at Board meetings since May 2008 and he was appointed to supervise operations and provide management oversight based on his experience and track record to date.
Hidekazu Hirano	After serving for many years in the Store Management and Corporate Operations Divisions, Mr. Hirano was appointed President and Representative Executive Officer in March 2008, and has served as a Senior Executive Officer since May 2011. Through his years of service, he has amassed a wealth of experience that broadly covers PARCO's business operations. As a PARCO Director, he has been actively contributing to discussion and deliberation at Board meetings since May 2008 and he was appointed to supervise operations and provide management oversight based on his experience and track record to date.

Name	Reason for appointment	Main activities (FY 2016)
Yasuyuki Kobayashi	<p>Serving as the Representative Director and Senior Managing Executive Officer of J. Front Retailing, Mr. Kobayashi possesses a strong track record and a wealth of experience and insight regarding both management and the retail industry. He was appointed as a Director in order to utilize his business management experience to provide valuable advice that will enable PARCO Executive Officers to execute their duties in an effective and appropriate manner.</p>	<p>Attended 13 of the 14 Board meetings held this fiscal year and provided his specialist perspective when needed, especially regarding management and retail.</p>
Haruyoshi Fujino	<p>Serving as the Director and Managing Executive Officer of J. Front Retailing, Mr. Fujino possesses a strong track record and a wealth of experience and insight regarding both management and the retail industry. He was appointed as a Director in order to utilize his business management experience to provide valuable advice that will enable PARCO Executive Officers to execute their duties in an effective and appropriate manner.</p>	<p>Attended all 14 Board meetings held this fiscal year and provided his specialist perspective when needed, especially regarding management and retail.</p>

External Director

Each of the External Directors was designated as an independent officer because he is in a position to oversee the management of the business and possesses an adequate degree of independence.

Name	Reason for appointment as an independent officer	Main activities (FY 2016)
Hiroshi Takahashi	Mr. Takahashi is a certified public accountant (formerly a Senior Partner at Ernst and Young ShinNihon LLC), and a Representative Director of Pronet Inc. PARCO appointed Mr. Takahashi as an External Director on the expectation that he can perform the function of business oversight and checking on the basis of the specialized knowledge, experience, and judgement regarding finance and accounting he has gained over the course of his career.	Attended 13 of 14 Board meetings and all 14 Audit Committee meetings held this fiscal year and provided his specialist perspective as a certified public accountant when needed.
Tomonori Ito	Mr. Ito is a professor at Hitotsubashi University's Graduate School of International Corporate Strategy. PARCO appointed Mr. Ito as an External Director on the expectation that he can perform the function of business oversight and checking on the basis of the knowledge, experience and judgement he has gained over the course of his extensive career, and his experience working both within Japan and overseas.	Attended all 14 Board meetings and all 14 Audit Committee meetings held this fiscal year and provided advice when needed based on the knowledge, experience, and insight garnered from his experiences during a stellar career both in Japan and abroad.
Noriko Nakamura	Ms. Nakamura is Representative Director and CEO of Poppins Holdings and Poppins Corporation, and is a member of the Nikkei's Management Advisory Board. PARCO appointed Ms. Nakamura as an External Director on the business oversight and checking on the basis of her knowledge of management, and the	Attended 11 of the 14 Board meetings and all 14 Audit Committee meetings held this fiscal year and Provided her perspective as a vastly experienced business manager when needed.
Tadayuki Seki	Mr. Seki was involved in the management of Itochu Corporation for many years. PARCO appointed Mr. Seki as an External Director on the expectation that he can perform the function of business oversight and checking on the basis of the knowledge, experience, and global perspective he has gained over the course of his career.	Attended all 14 Board meetings and all 14 Audit Committee meetings held this fiscal year after his inauguration and advised based on his perspective as a vastly experienced business manager when needed, and global knowledge and experience.

Approach to Officer compensation

Under our Nominating Committee managerial structure, a Compensation Committee is to set standards for compensation and determine the compensation of individual Directors and Executive Officers in a fair and impartial manner based on assessment of roles, responsibilities and work results.

Standards for Determining Director and Executive Officer Compensation

1. Director annual salary will take the form of a fixed compensation and, depending on role, comprise a basic annual salary, a Committee chairman annual salary and/or a Committee member annual salary.
2. Executive Officer annual salary will take the form of fixed compensation and, depending on role/position, comprised of a basic annual salary, performance pay (based on company performance and personal performance) and, depending on role, remuneration for the purpose of acquiring company stock.
3. The ratio of Executive Officer basic annual salary, performance pay (standard), and remuneration for the purpose of acquiring company stock is to be 50% : 45% (equivalent value) : 5% (equivalent value).
4. Executive Officer basic annual salary is to be based on that person's role/position for the current term.
5. Executive Officer performance reward is to be determined by distributing a payment pool, linked to company earnings for the previous term, among Directors based on personal performance (0-200% allocation ratio).
6. Executive Officer remuneration for the purpose of acquiring company stock is to be based on that person's role/position for the current term.
7. As for Executive Officers who also serve as Directors, payment is calculated by adding Executive Officer annual compensation to Director annual compensation.

Officer compensation in FY 2016

Position	Individuals paid	Amount paid (Millions of yen)
Directors (excluding External Directors) External	4	22
Directors	7	34
Executive Officers	15	390
Total	26	446

Notes

1. The above total for External Directors includes payment of compensation to one individual whose term as External Director officially concluded following the 77th Ordinary General Meeting of Shareholders on May 28, 2016.
2. The above total for External Directors includes, in addition to the payment of compensation indicated in Note 1 above, payment of compensation to two Directors in accordance with their tenure as External Directors.
3. In addition to the above, two External Directors were provided with compensation totaling 30 million yen from PARCO's parent company in FY 2016.
4. While PARCO officially abolished its retirement bonus system at the end of FY 2004, the payment of retirement bonuses was recorded for Directors and Executive Officers serving prior to this period, and was scheduled to be provided at the time of their retirement. As of the end of FY 2016, unpaid retirement bonuses totaled 5 million yen for Directors and 2 million yen for Executive Officers.
5. The number of Officers as of the end of the current fiscal year are as follows: 2 Directors (excluding External Directors), 6 External Directors, and 15 Executive Officers, with 2 of the aforementioned serving concurrent roles as both Directors and Executive Officers.

Position on shareholdings

PARCO does not generally maintain policy shareholdings, except in cases where it has judged that doing so will help to enhance the value of the company in the mid-to long-term as a result of the maintenance and strengthening of trading relationships and the maintenance and development of business alliances.

Criteria for exercise of voting rights

Voting rights are exercised appropriately, and on the basis of an overall assessment of whether or not the vote in question will contribute to the value of PARCO or the companies in which it invests.

Status of shareholdings

Investment equities held for purposes other than portfolio investment

Number of companies: 9

Total value recorded on balance sheet: 583 million yen

Company name, number of shares held, total recorded on balance sheet, and holding objective for specified investment equities * in FY2016 are listed below**.

Company name	Number of shares held	Total recorded on balance sheet (Millions of yen)	Holding objective
TOKYO THEATRES COMPANY Inc.	907,000	105	Strengthen transactional relations to facilitate business activities
SLD Entertainment, Inc.	36,300	63	Strengthen transactional relations to facilitate business activities

Note: While the total for all shareholdings is included in the total value recorded on balance sheet above, it accounts for less than 1% of total capital.

*Specified investment equities refer to equity holdings other than deemed shareholdings, not in non-listed companies, and not held solely for the purpose of investment.

**PARCO does not have any holdings in investment equities solely for the purpose of portfolio investment

Fundamental Policy for Corporate Governance

Section 1: General Provisions

This policy formulates our basic way of thinking with regards to corporate governance. That is, it sets down how PARCO believes corporate governance should best be applied to achieve continual growth and a medium-to-long-term enhancement of corporate value under the PARCO Corporate Mission, which calls for the creation and provision of value in a manner that satisfies our customers, tenants, shareholders, and other stakeholders.

1. Corporate Mission

Our corporate mission is expressed as "creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper."

2. Basic Approach to Corporate Governance

We at PARCO are to constantly work to strengthen our system of corporate governance, recognizing that in order to enhance corporate value, we must: protect the rights and interests of our shareholders, build smooth relationships with stakeholders other than shareholders, preserve transparency in management, and establish an effective management oversight structure.

3. Our Corporate Governance System

Our corporate governance system is to be characterized by a clear distinction between supervision and execution. Here, to assure a high degree of transparency in corporate governance while facilitating decisionmaking and execution, we adopt a corporate managerial structure that includes a Nominating Committee and other such entities.

Section 2: Overview of the PARCO Corporate Governance System

1. Board of Directors

The Board of Directors is to strive for a sustained increase in corporate value. To this end and under a full realization of its fiduciary and explanatory duties to shareholders, the Board is to determine a strategic direction for the company, provide an environment conducive to risk management and, in collaboration with the Nominating Committee, the Audit Committee and the Compensation Committee, assure a high degree of supervision over Directors and Executive Officers.

(1) Role of the Board of Directors

The Board of Directors is to be responsible for fundamental managerial policy decision making and for the supervision of Directors and Executive Officers.

(Scope of responsibility over the managerial team)

PARCO utilizes a Nominating Committee type of managerial structure. Under this structure and as a general principle, the Board of Directors delegates authority to Executive Officers, retaining for itself only those powers stipulated by regulations and our Articles of Incorporation, and instead concerns itself with the supervision of Executive duties. This said, the Board of Directors is to itself resolve matters that it deems necessary to be addressed by the Board.

(Supervision of successor planning)

The Nominating Committee is to prepare a list of successor candidates and, upon subsequent monitoring, nominate suitable individuals. Also, the Committee is to check related progress as appropriate and oversee related matters in conjunction with the Board.

(2) Composition of the Board of Directors

The Board of Directors is to be comprised of a variety of individuals with differing backgrounds, including area of expertise and experience, based on selection criteria formulated by the Nominating Committee. At least half of the members are to be External Directors, and the total number of members is to be maintained at a level that provides an optimal level of efficiency and effectiveness.

(Effective utilization of External Directors)

To assure a degree of independence in company management, at least half of the Board membership is to be comprised of External Directors. Here, by bringing in the views of External Directors and the diverse range of knowledge and experience that they possess, we seek to enhance managerial transparency and the effectiveness of executional oversight. External Directors are to satisfy the independent standards of the Tokyo Stock Exchange, as well as those of our company, and serve as a member or chairman of the Nominating Committee, Audit Committee or Compensation Committee.

Furthermore, meetings of these Committees may be held with only External Directors in attendance when necessary, such as when assessing the performance of the President and Representative Executive Officer.

We do not appoint a Senior Independent Director. However, the Chairman of the Audit Committee is to work together with the management team by, for example, attending Management Committee meetings in an observer status. Chairmen of the other Committees are also expected to work closely with management.

(Standards and criteria for determining External Director independence)

Our company will formulate a set of standards for determining the independence of candidates for External Director based on the independence standards of the Tokyo Stock Exchange and the Japan Association of Corporate Directors.

(Scope of Director fiduciary duties)

At least half of the Board of Directors is to be comprised of External Directors. Internal Directors are to employ their broad range of knowledge and experience to the supervision and confirmation of managerial tasks, while External Directors, through participation in Board of Director and Committee meetings, are to supervise the execution of work by Executive Officers and strive to enhance the effectiveness of internal controls.

(Disclosure of Director's duties at other companies)

Directors are to work in accordance with rules concerning the roles of Directors and may serve concurrently at other companies to the extent that this dual assignment does not interfere with their duties. Any substantial concurrent service arrangement by a Director is to be publicly disclosed.

(3) Approach to Officer appointment

Under our Nominating Committee managerial structure, the Nominating Committee is to: set standards for the appointment of Officers; select suitable candidates for Directors, Representative Executive Officers and Executive Officers; determine resolutions for presentation to the General Meeting of Shareholders; and prepare recommendations for the Board of Directors. Standards for Officer appointment, together with the selection of Directors and reasons for doing so, are to be publicly disclosed.

(4) Approach to Officer compensation

Under our Nominating Committee managerial structure, a Compensation Committee is to set standards for compensation and determine the compensation of individual Directors and Executive Officers in a fair and impartial manner based on assessment of roles, responsibilities and work results. Standards for determining Officer compensation are to be disclosed.

(5) Ensuring vigorous debate at Board of Directors meetings

We are to continue in our efforts to encourage vigorous and active debate by the Board of Directors by promptly setting annual schedules, proposing matters for discussion, making preliminary explanations, and distributing related documents. Also, in response to requests from Directors, we are working to improve the provision of information.

(6) Analyzing and assessing effectiveness

We consider the effectiveness of the Board of Directors to be an important element for the continual growth and a medium-to-long-term enhancement of shareholder value. With this understanding, we are to compile the views and opinions of Directors regarding, for instance, the composition of the Board of Directors, the contents of discussion, and the conduction of Board meetings together with the support system for same; analyze and assess the effectiveness of Board meetings; and present a summary of our findings. We will also continue these annual assessments in our view that repeated assessment, analysis, debate, and reform can lead to favorable changes in the Board and enhance its effectiveness.

(7) Internal controls and risk management system

Our company will work to increase corporate value by establishing a system to assure the suitability of our company and group's operations regarding factors such as the efficiency and effectiveness of these operations, the credibility of our financial reports, the legal compliance of our business activities, and preservation of company assets.

(Risk Management System)

We are to work to provide a cross-organizational risk management system centered on our Risk Management Committee that, in addition to identifying and assessing the risks entailed by corporate activities, taking countermeasures against them and heightening our internal awareness of them, is capable of a swift response to risk-related occurrences through emergency action including taskforce deployment and information management.

(Compliance system)

We are to advance an internal awareness program through methods such as issuing a PARCO Employee Handbook to all Officers and employees, in addition to formulating Basic Principles of Compliance and a Code of Conduct, to which all employees are expected to adhere. Also, we have set up a group-wide internal reporting system utilizing a third-party contact to encourage the reporting of infractions or other improper activities and to facilitate corrective responses to same.

(Internal auditing system)

To reinforce the internal auditing capabilities of our group, we have established a Group Auditor Office which audits the legality, economic rationality, and risk exposure of the group as a whole, based on audit plans and under the direction of a Director assigned solely to this task. We also strive to improve audit efficiency through the timely exchange of auditing information with the Audit Committee and auditors at group subsidiaries.

(8) Information acquisition and support structure

Directors and Committee members are to work to obtain the information they need to meet the responsibilities of their roles. Here, we adopt a system by which a Board Secretariat and a Committees Secretariat provide such information as necessary and appropriate. Also, Audit Committee members are to collaborate with internal auditing divisions.

In principle, the company is to bear the expense incurred by a Director, within reason, when seeking the advice of an external specialist in relation to the execution of their duties.

(9) Officer training policy

Upon assuming office, newly appointed Executive Officers, including Internal Directors, are, given explanations of the duties, obligations and responsibilities of Executive Officers and/or Directors, contractual arrangements between them and the company, related rules and regulations, and so on. Also, compliance training and the like are to be held after assuming office.

Newly appointed External Directors are, upon assuming office, given explanations on subjects such as our company, Corporate Mission, management situation, matters relating to corporate governance, and related rules and regulations. After assuming office, there will be ongoing measures aimed at deepening their understanding of our company, such as explanations and store observations focusing on subjects such as our business operations, managerial environment, and trends within the retail industry.

2. Committees

PARCO has adopted the “Company with three Committees” system and has established a Nominating Committee, an Audit Committee and a Compensation Committee, all of which contain company Directors.

(1) Roles

The Committees are to supervise managerial activities within their respective areas of responsibility and to report accordingly to the Board of Directors. Also, to help invigorate their activities, we have installed a Committees Secretariat, which is independent of the management team and staffed by employees assigned solely to it.

(2) Committee Composition

(Nominating Committee)

The Nominating Committee is to determine the content of proposals to be submitted at the General Meeting of Shareholders regarding the appointment or dismissal of Directors. It also nominates candidates for Representative Executive Officer and Executive Officers to the Board of Directors; and can recommend their removal. The Committee is to be comprised of at least three Directors, a majority of whom must be External Directors.

(Audit Committee)

The Audit Committee monitors the execution of duties by Directors and Executive Officers, and has determines the content of proposals on the election and dismissal or non-reappointment of the auditor, which are submitted at the General Meeting of Shareholders. The Committee is comprised of at least three Directors, all of whom, in principle, must be External Directors.

(Compensation Committee)

The Compensation Committee determines the compensation of individual Directors and Executive Officers. The Committee is to be comprised of at least three Directors, a majority of whom must be External Directors.

3. Executive Officers and the Management Committee

Executive Officers are to execute specific duties based on the fundamental policy determined by the Board of Directors. The Management Committee is to serve as a deliberative body to support concrete operational decision-making by the President and Representative Executive Officer.

4. External Accounting Auditor

In the interests of auditing effectiveness, the Audit Committee is to verify the reputation of the External Accounting Auditor, as well as their independence and specialized knowledge. The External Accounting Auditor is expected to maintain communications with the President and Representative Executive Officer and discuss the handling of matters such as improprieties and errors in collaboration with the Audit Committee.

(1) System to maintain audit effectiveness

Sufficient time is to be provided for an audit based on an audit plan. Also, the External Accounting Auditor is to methodically communicate with the President and Representative Executive Officer and is to hold discussions with the Chairman of the Audit Committee with regards to audit results. Should an impropriety, error or the like be discovered, the external accounting auditor is report to and discuss its handling with the Audit Committee.

(2) Evaluation of External Accounting Auditor by the Audit Committee

The Audit Committee is to determine selection and evaluation standards for financial auditors, with the standards comprising of criteria for independence, specialist knowledge and other such items pertaining to audit work performance. The Audit Committee is to evaluate the financial auditor based on these standards. The Audit Committee is also to assess, among other items, quality control reviews per the Japanese Institute of Certified Public Accountants, results of investigations per the Certified Public Accountants and Auditing Oversight Board, and reportable items under Article 131 of Company Calculation Rules.

Section 3: Relations with shareholders and other stakeholders

1. Ensuring shareholder rights, equality, etc.

PARCO believes that in order to continually increase corporate value, it is imperative to protect the rights and interests of shareholders, including minority shareholders. Therefore we strive to protect those rights, to assure an environment in which shareholders can exercise their rights at the General Meeting of Shareholders, and to monitor any actions that harbor the risk of damaging shareholder rights, including related-party transactions and changes to capital policy.

(1) Providing an environment in which shareholders can exercise their rights at the General Meeting of Shareholders

We are working to create an environment in which shareholders can exercise their voting and other rights at the General Meeting of Shareholders and will take preparations such as providing related information, setting a suitable date for the meeting, and issuing convocation notices.

(Provision of information, issuance of convocation notices)

In our belief that shareholders should be promptly provided with information for use in making suitable and informed decisions at the General Meeting of Shareholders and provided with ample time to deliberate shareholder resolutions, we will send convocation notices before the legal deadline. A convocation notice is to be displayed on our website and on the Tokyo Stock Exchange's website before the convocation notice mailing date. We will also post a condensed English-language version of the convocation notice and other shareholder-related materials on our website.

(General Meeting date)

We are to select a date for our General Meeting of Shareholders that avoids surges of such meetings by other companies and thus is convenient for our shareholders to attend.

(Exercising electronic voting rights)

We utilize a platform for exercising electronic voting rights.

(Exercising voting rights by substantial shareholders)

To accommodate cases in which an institutional or other such investor holds company shares under the name of a trust bank or other such institution and wishes to, for instance, execute its voting rights in place of that trust bank or other such institution, we, in collaboration with the trust bank or the like, are to consider ways in which that wish can be met.

(2) Necessity for response when a significant number of 'against' votes are cast at a General Meeting of Shareholders

Following a General Meeting of Shareholders, we are to report the results of resolution voting to the Board of Directors and Management Committee. Also, if a significant number of 'against' votes are cast, we are to analyze the reasons why and, if necessary, consider corrective action.

(3) Entrustment of General Meeting of Shareholder resolutions to the Board of Directors

Our company has adopted a suitable system of corporate governance. Of the resolutions approved at the General Meeting of Shareholders, those permitted to be entrusted to the Board of Directors under the Companies Act, such as the distribution of retained earnings, buybacks of company shares, and other such matters under our Articles of Incorporation that demand a high degree of managerial flexibility or specialized knowledge, are to be thus entrusted.

(4) Basic approach to Capital Policy

We position the return of earnings to shareholders through continual growth and medium-to-long-term enhancement of corporate value as one of our key policies. With regards to the distribution of earned surpluses, we consider stable distributions to be fundamental and determine the level of these in reference to our earnings performance and dividend payout ratio. As for retained earnings, we strive to utilize them effectively to support business advancement into the future in line with our growth strategy, in addition to assuring an adequate financial foundation.

The Board of Directors, having at least one half of its membership comprised of External Directors, is to deliberate on any capital policy initiative that entails possible dilution.

(5) Strategic shareholdings

(Shareholding policy)

Our fundamental policy is not to hold strategic shareholdings on principle. However, we may maintain such shareholdings in cases where we determine that doing so would contribute to medium-to-long-term growth in corporate value by maintaining and strengthening business relationships or maintaining and developing operational alliances.

(Standards for the execution of voting rights)

With regards to the execution of voting rights granted under strategic shareholdings, we will decide whether to exercise those rights based on an overall consideration of whether doing so would contribute to an increase in the corporate value of our company and of the company in which we are invested.

(6) Basic Policy Regarding Company Control

With regards to large-scale acquisitions moves and under our Basic Policy Regarding Company Control, we are to take appropriate action within the scope permissible under the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations so as to assure, for example, that shareholders are provided with sufficient information and have sufficient time to study the situation.

(7) Related-party transactions

We conduct a survey of all Officers of our company and our subsidiaries to ascertain the presence or absence of related-party transactions. We will also create a system for the appropriate management of related-party transactions, with reports of the situation regarding transactions between our company and our Officers, our major stockholders or other such parties to be made to the Board of Directors. Transactions between our company and our Directors or Executive Officers that may entail a conflict of interests are to require the approval of the Board of Directors based on relevant laws and PARCO's regulations for Directors.

2. Appropriate collaboration with stakeholders other than shareholders

In order to support efforts to build smooth relationships with stakeholders beyond our shareholders, we have created a Corporate Mission and a Code of Conduct and are taking measures to strengthen compliance management and promote diversity, including encouraging the active involvement of women within the organization.

(1) Formulating a Corporate Mission as a basis for the medium-to-long-term enhancement of corporate value

In achieving our Corporate Mission, PARCO hopes to continue to create value that satisfies all of our stakeholders, including customers, tenants, and shareholders. We aim to develop and grow as a company by achieving reasonable profits through these activities.

(2) Formulating and implementing company standards of conduct

We have formulated a Code of Conduct for group employees. It is intended to bring our daily activities closer to the ideals of our Corporate Mission and to provide a shared set of values and behavioral standards for application across the company.

(3) CSR (corporate social responsibility) initiatives

We have established a CSR Committee to promote CSR activities within the PARCO Group and strengthen internal controls. The Committee will set PARCO Group policies for CSR activities, create action plans, support external publicity efforts, promote internal information sharing, and cooperate with external companies and organizations.

Committee activities are to span the organization, with related efforts covering everything from discussion sessions with PARCO Group Presidents and Executive Officers, to group-wide collaboration drawing together the Diversity Committee, Risk Management Committee, group companies, and PARCO internal departments.

(4) Promoting and ensuring diversity within the organization, including encouraging the active involvement of women

We have installed a Diversity Committee to promote diversity initiatives across the company. The Committee will carry out initiatives aimed at cultivating a corporate culture characterized by tolerance and openness to new ideas, in which people of diverse views, talents, capabilities, and cultures can work to their full potential. We regard ensuring the active involvement of women within the organization as an important issue and strive to assure full female representation in our selection of leaders and managerial candidates. The Committee will promote other cross-organization initiatives including discussion sessions with PARCO Group Presidents and Executive Officers, and collaboration among group companies and PARCO internal departments.

(5) Internal reporting system

In order to strengthen our compliance management, we have installed an internal reporting system that provides mechanisms for handling reports of infractions and other behavior that runs counter to laws, regulations or the like. The system includes the utilization of a third-party liaison to receive such information and measures to ensure that it is properly handled. One feature is that persons providing information, or persons cooperating with a subsequent investigation, are not to be dismissed or suffer other negative consequences as a result.

Section 4: Information disclosure

1. Appropriate information disclosure and ensuring transparency

PARCO strives to present all our stakeholders, including shareholders and investors, with timely information that is fundamentally transparent, balanced and consistent. As well as increasing management transparency, PARCO endeavors to build trusting relationships with all stakeholders and promote a deeper understanding of the company through the timely disclosure of relevant information.

In order to provide appropriate information to stakeholders, beginning with shareholders and investors, we disclose information such as our Corporate Mission; Medium-term Business Plan; Fundamental Policy for Corporate Governance; and Officer appointments, dismissals, and compensation.

We approach disclosure with an eye to providing shareholders, investors, and other users with information that is convenient and useful. Furthermore, disclosures posted on our website are, if necessary, presented in both Japanese and English.

2. Policy regarding constructive dialogue with shareholders

Shareholder dialogue is handled by the Executive Officers of departments responsible for investor relations. Requests for constructive dialogue submitted by a shareholder or investor are first examined to surmise their basic outline and intent and then handled by either the President and Representative Executive Officer, the Executive Officer of the relevant department, or an External Director. The departments responsible for investor relations are to coordinate closely with relevant internal departments in their approach to shareholder dialogue.

(1) Interviews with company management or External Directors

We are to conduct IR activities in a manner that builds smooth relationships with investors, including our shareholders; promotes active dialogue and, by extension, mutual understanding; and contributes to a medium-to-long-term increase in corporate value. We are also to maintain a good understanding of our shareholder base by conducting periodic surveys.

In addition, we are to arrange and schedule interviews with External Directors as necessary.

(2) Engagement with individual investors

Our company holds periodic financial results briefings for analysts and institutional investors and also separate explanatory briefings to discuss business progress. Explanatory materials, videos, and other materials for our financial results briefings are posted on our website in both Japanese and English. With regards to individual investors, we provide information with a particular emphasis on promptness and usefulness. We also create comprehensive annual reports as a tool for constructive dialogue.

(3) Feedback for members of management and Board of Directors

Views, opinions, and questions obtained through investor dialogue are fed back as appropriate to the management team. We also compile the results of our financial results briefings and report these to the Board of Directors.

(4) Management of insider information

We work to prevent insider transactions by Officers and employees by providing PARCO Group Regulations for the Control of Insider Trading and Regulations for the Prevention of Insider Trading which set out rules for the management of insider information pertaining to our company and its subsidiaries, and for the handling of stock, including buying and selling, of our company and subsidiaries. We have also established a disclosure policy, including sections on basic policy on information disclosure, information disclosure standards, information disclosure methods, improving information disclosure, silent periods, and concerning forecasts. We have posted this policy on our website and strive to disclose information in a manner that is fundamentally transparent, balanced and consistent.

(5) Formulation and public announcement of management strategy

We will publicly announce our long-term vision and medium-term business plans, as well as revealing investment plans and both qualitative and quantitative targets towards achieving our strategic and tactical goals.

(Supplemental Provisions)

Any revision or abolition of this basic policy is to be determined by resolution of the Board of Directors.

This fundamental policy is to take effect on 29 January, 2016.

Standards for Determining the Independence of External Directors

External Directors are to be selected from among people with a high degree of independence and with no conflicts of interest vis-à-vis our company or general shareholders. A Director will not be deemed independent if he or she falls under any of the following categories or descriptions:

- (1) A person who executes the operations of PARCO Group (either currently or at any time over the past 10 years)
- (2) An employee of the parent company or one of its subsidiaries. This restriction also applies to Executive Officers, as do restrictions (3) to (8) below.
- (3) A major shareholder of PARCO Group
- (4) A major contract business partner of PARCO Group
- (5) A major lender to PARCO Group
- (6) A law firm, an auditing firm, or other consultant, etc., that that has received payment exceeding a certain amount from PARCO Group as something other than Executive compensation
- (7) A beneficiary of funds from PARCO Group exceeding a certain amount
- (8) An employee of a company with which PARCO Group has reciprocal appointments to the Board of Directors
- (9) A person to whom any of restrictions (2) through (8) has applied over the past 5 years
- (10) A person whose spouse or close relative (up through the second degree of kinship) falls under any of restrictions (1) through (9) above.

“A person who executes the operations of PARCO Group” above, refers to Executive Directors, Executive Officers, or other key personnel. “Major shareholder” refers to a shareholder who holds a 10% or higher share of voting rights. “Major contract business partner” refers to a contract business partner who, in any fiscal year over the past five years, has, in transactions with PARCO Group, accounted for at least 2% of our annual consolidated revenues or at least 2% of that partner’s annual revenues. “Major lender to PARCO Group” refers to a company that ranks among the top three in terms of the value of borrowings by PARCO within the most recent business year. “Certain amount” refers to “¥10 million annually in any fiscal year over the past five years.”

Also, any person who currently serves as an External Director at our company may not be reappointed as External Director if that person has served in that capacity for more a total of more than 6 years.

Standards for Determining Director and Executive Officer

Compensation

Compensation Committee standards for Directors and Executive Officer compensation will be set and administered as below.

1. Director annual salary will take the form of a fixed compensation and, depending on role, comprise a basic annual salary, a Committee chairman annual salary and/or a Committee member annual salary.
2. Executive Officer annual salary will take the form of fixed compensation and, depending on role/position, comprised of a basic annual salary, performance pay (based on company performance and personal performance) and, depending on role, remuneration for the purpose of acquiring company stock.
3. The ratio of Executive Officer basic annual salary, performance pay (standard), and remuneration for the purpose of acquiring company stock is to be 50% : 45% (equivalent value) : 5% (equivalent value).
4. Executive Officer basic annual salary is to be based on that person's role/position for the current term.
5. Executive Officer performance reward is to be determined by distributing a payment pool, linked to company earnings for the previous term, among Directors based on personal performance (0-200% allocation ratio).
6. Executive Officer remuneration for the purpose of acquiring company stock is to be based on that person's role/position for the current term.
7. As for Executive Officers who also serve as Directors, payment is calculated by adding Executive Officer annual compensation to Director annual compensation.

Officer Selection Standards

PARCO has adopted the "Company with three Committees" system, which includes a Nominating Committee, and determines Officer selection policies and procedures within Company with three Committees Bylaws as below.

Selection of Directors

(1) From among individuals satisfying the criteria below and recommended by a Nominating Committee member, the Nominating Committee is to select those deemed suitable for an appointment (either a new appointment or reappointment) to a post as a PARCO Director and present them as candidates for approval by resolution of the General Meeting of Shareholders.

(2) Criteria for nomination as a candidate for Director are as follows:

1. Executive Director

The candidate must:

- (1) Possess a superior managerial sense, and be well versed in various corporate management issues
- (2) Excel at strategic formulation, including an ability to view the managerial environment from an international perspective and accommodate changes within it
- (3) Abide by the law
- (4) Be of excellent character and superior discernment
- (5) Be physically and mentally healthy

2. Non- Executive Director

The candidate must:

- (1) Possess a superior managerial sense, and be well versed in various corporate management issues
- (2) Excel at strategic formulation, including an ability to view the managerial environment from an international perspective and accommodate changes within it
- (3) Abide by the law
- (4) Be of excellent character and superior discernment
- (5) If an External Director, be able to maintain independence
- (6) Be physically and mentally healthy

Recommendation of Candidates for Executive Officer or Representative Executive Officer

(1) From among individuals satisfying the criteria below and recommended by a nominating Committee member, the Nominating Committee is to select those deemed suitable as a PARCO Executive Officer; or, from among Executive Officers, those deemed suitable as a Representative Executive Officer. The Committee is then to recommend them to the Board of Directors as new appointments and/or reappointments.

(2) Criteria for nomination as a candidate for Executive Officer or Representative Executive Officer are as follows:

1. Executive Officer

The candidate is to:

- (1) Possess a superior managerial sense
- (2) Have an excellent operational record
- (3) Excel at strategic formulation, including an ability to view the managerial environment and accommodate changes within it
- (4) Have a strong, tenacious leadership style
- (5) Have foresight and insight, as well as the ability to innovate, plan, and take action
- (6) Have a superior ability to command, lead, and nurture
- (7) Abide by the law
- (8) Be of excellent character and superior discernment
- (9) Be physically and mentally healthy

2. Representative Executive Officer

In addition to the qualities listed in 1. above, the candidate is to:

- (1) Be well versed in various corporate management issues
- (2) Be able to create innovative management visions
- (3) With regards to work execution and fulfillment of duties, possess the ability to view matters from a group-wide perspective and, as a representative of our company, to make judgments and decisions in an appropriate and timely manner

Basic Principles of Compliance

Basic Principles of Compliance

In the conduct of our business, all PARCO executives and employees conduct fair and highly-transparent business activities in compliance with the various laws in Japan and overseas, social rules, social norms, and various internal company regulations.

Code of Conduct

1. Each and every executive and employee is to respect basic human rights and is not to discriminate against or harass other people.
2. Each and every executive and employee is to behave in a manner that takes into consideration other people and the environment, and that is in compliance with environmental treaties and laws.
3. Each and every executive and employee is to properly handle and manage intellectual property and business-confidential information gathered in the course of business activities.
4. Each and every executive and employee is to refrain from conducting illegal trading in shares (insider trading).
5. Each and every executive and employee is to distinguish between public and private interests and is not to conduct acts that are in conflict with public interests.
6. Each and every executive and employee is to accept gifts and entertainment only within the scope that is considered appropriate in general societal terms and in compliance with laws and regulations.
7. Each and every executive and employee is to take a resolute attitude towards and refuse to respond to the demands of anti-social influences that would threaten the order and safety of citizens and society.
8. Each and every executive and employee is to promptly report in accordance with the whistleblowing regulations all acts in conflict with this Code, whether they discovered the act or carelessly conducted the act themselves.