



PARCO CO., LTD.  
FY2015 Financial Highlights  
(March 1, 2015 – February 29, 2016)  
**TSE 1st Section 8251**

Overview of FY2015 results and FY2016 forecasts

Development Projects

PARCO Stores Business

PARCO Group Related Businesses, Overseas  
Business, Other topics

Thank you very much for coming to the financial result briefing of PARCO Company Limited.

I am going to make a presentation along with this material.

## Overview of FY2015 results and FY2016 forecasts

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**Operating income, ordinary income, and EBITDA reached record highs for fourth consecutive fiscal year.**

Unit: Million yen

	FY2015	FY2014	Change ¥	Change %	Forecasts	Difference from forecasts ¥	Difference from forecasts %
Net sales	276,358	269,889	6,468	2.4%	283,800	(7,441)	(2.6%)
Operating income	12,772	12,508	263	2.1%	12,900	(127)	(1.0%)
Ordinary income	12,673	12,499	173	1.4%	12,600	73	0.6%
Net income <sup>1</sup>	6,061	6,294	(232)	(3.7%)	6,600	(538)	(8.2%)
EBITDA <sup>2</sup>	19,010	18,402	608	3.3%	19,064	(53)	(0.3%)

<sup>1</sup>Decline in net income and differences from forecasts are primarily due to loss on closure of Chiba PARCO and impairment loss at Utsunomiya PARCO.

<sup>2</sup>EBITDA in this table refers to operating income plus depreciation and amortization.

In FY2015, paid end-of-year dividend per share of ¥10 as planned. Annual dividend per share was ¥20; up ¥2 from previous year.

This slide shows the consolidated results of fiscal year 2015. Operating income, ordinary income and EBITDA reached record highs for the fourth consecutive year.

As for net sales, of PARCO, due to floor space expansion of main stores, including Fukuoka PARCO New Building, store network expansion of Retail Business of NEUVE A and increase in orders of PARCO SPACA SYSTEMS in Space Engineering and Management Business, it was 276 billion 358 million yen, increased by 6 billion 468 million yen, 2.4%.

Operating income was 12 billion 772 million yen, which was the highest ever, increased by 263 million yen 2.1% up. Although we spent expenses for building and repairs for existing PARCO stores and temporary expense related to new properties, newly opened stores of PARCO and NEUVE A and order increase in PARCO SPACA SYSTEMS contributed in increasing income.

Due to a decrease in interest payment in non-operating income, ordinary income was 12 billion 673 million yen, increased by 173 million yen, 1.4% up from the previous year. Actual ordinary income was 0.6% over the plan, exceeding by 73 million yen.

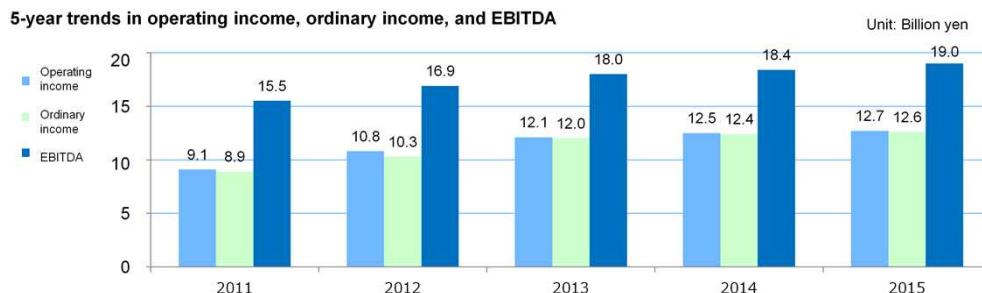
Net income was 6 billion 61 million yen decreased by 232 million yen 3.7% down year on year. EBITDA increased by 608 million yen from the previous year reaching to 19 billion 10 million yen, 3.3% up from the previous year.

As for dividend for the fiscal year 2015, as planned, we decided to pay 10 yen per share as year-end dividend. An annual dividend is 20 yen per share.

FY2015 Results (2)  
**Consolidated results**

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5-year trends in operating income, ordinary income, and EBITDA



	End of FY2015	End of FY2014	Change ¥	Change %
Total assets	236,315	226,830	9,485	4.2%
Net assets	116,474	113,211	3,263	2.9%
Interest-bearing debt	54,518	45,229	9,289	20.5%
Equity ratio	49.3%	49.9%	(0.6%)	
Market price-based equity ratio	37.2%	46.4%		
Debt service coverage ratio: years	3.7	3.0		
Interest coverage ratio: times	36.0	33.5		

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Total asset increased by 9 billion 485 million yen from the end of the previous fiscal year to 236 billion 315 million yen. This was due to increase in construction in progress for Sendai PARCO New Building and in fixed asset as we acquired land and building for Sannomiya Zero Gate.

To meet financial requirement for those strategic investments, interest-bearing debts increased by 9 billion 289 million yen.

Total of net asset was 116 billion 474 million yen. Equity ratio was 49.3%.

**Sales and profits grew in Shopping Complex Business,  
Retail Business, and Space Engineering and Management Business.**

## Consolidated results by segment

Unit: Million yen

		FY2015	FY2014	Change ¥	Change %
Shopping Complex Business	Net sales	248,078	243,783	4,294	1.8%
	Segment income	11,549	11,317	231	2.0%
Retail Business	Net sales	21,473	19,802	1,670	8.4%
	Segment income	694	647	46	7.2%
Space Engineering and Management Business	Net sales	19,969	18,983	986	5.2%
	Segment income	433	328	105	32.0%
Other Business	Net sales	6,850	6,891	(40)	(0.6%)
	Segment income	132	256	(123)	(48.3%)
Consolidated	Net sales	281,050	274,212	6,838	2.5%
	Segment income	12,772	12,508	263	2.1%

Figures for net sales by segment include operating revenue.

Segment income refers to operating income.

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

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

Looking at the consolidated results by segment, Shopping Complex Business centering around PARCO, Retail Business of NEUVE A and Space Engineering and Management Business of PARCO SPACA SYSTEMS increased both sales and income.

In Other Business segment, we have two businesses, PARCO CITY, which does web related business and PARCO's Entertainment Business. The Entertainment Business had a push-back from the previous year's strong performance of theater performances at external theaters in the regions. In total, the result of this year was a little declined from the previous year.

## Selling, general and administrative expenses

## Selling, general and administrative expenses

Unit: Million yen

Consolidated	FY2015	FY2014	Change ¥	Change %
Personnel	10,252	10,045	206	2.1%
Lease/rental	8,943	8,509	434	5.1%
Advertising	3,341	3,265	75	2.3%
Agency services	5,393	5,407	(14)	(0.3%)
Depreciation	6,238	5,894	344	5.8%
<b>Total SG&amp;A</b>	<b>33,883</b>	<b>32,760</b>	<b>1,122</b>	<b>3.4%</b>

## Capital expenditure

Consolidated	FY2015	FY2014	Change ¥	Change %
Capex*	23,487	10,532	12,955	123.0%

The ¥13 billion increase in capital expenditure was primarily due to Sendai PARCO New Building construction costs and acquisition of land and building for Sannomiya Zero Gate (provisional name)

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Consolidated SG&A expenses of fiscal year 2015 increased by 1 billion 122 million yen, 3.4% up year on year. This was due to increase of expenses in personnel, lease/rental and depreciation as we expanded floor space of Fukuoka PARCO Main Building and opened Nagoya Zero Gate and expanded store network of NEUVE A. For existing stores, expenses for building and repairs and maintenance for aging facilities increased.

Capex was about 23.5 billion yen, 13 billion yen up from the previous year. This was mainly due to increase in construction in progress for Sendai PARCO New Building and acquisition of land and building for Sannomiya Zero Gate.

Sales grew for second consecutive year due to expansion of floor area of key locations.  
Net income fell due to loss on closure of Chiba PARCO and impairment loss at Utsunomiya PARCO.

## Non-consolidated results

Unit: Million yen

	FY2015	FY2014	Change ¥	Change %	Forecasts	Difference from forecasts ¥	Difference from forecasts %
Net sales	249,366	245,646	3,720	1.5%	257,200	(7,833)	(3.0%)
Operating income	11,731	11,747	(15)	(0.1%)	11,900	(168)	(1.4%)
Ordinary income	11,727	11,718	8	0.1%	11,700	27	0.2%
Net income	5,932	5,994	(62)	(1.0%)	6,500	(567)	(8.7%)
EBITDA*	17,520	17,216	304	1.8%	17,687	(166)	(0.9%)

	End of FY2015	End of FY2014	Change
Total assets	233,450	222,876	10,573
Net assets	116,827	113,696	3,131
Interest-bearing debt	58,281	48,795	9,486
Equity ratio	50.0%	51.0%	(1.0)

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

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Non-consolidated results looked very similar to consolidated results. Net sales increased in two consecutive years due to floor expansion of main stores. But net income was decreased because of the reasons that I just explained.

Net sales was 249 billion 366 million yen, increased by 3 billion 720 million yen, 1.5% up year on year, partly because we added new locations.

Increase in building and repairs expense for existing PARCO stores and temporary expense related to new properties pushed down operating income by 15 million yen to 11 billion 731 million yen.



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

Unit: Million yen

Consolidated	FY2016 forecasts (year to Feb. 2017)	FY2015 results (year to Feb. 2016)	Change ¥	Change %
Net sales	280,150	276,358	3,791	1.4%
Operating income	13,500	12,772	727	5.7%
Ordinary income	13,800	12,673	1,126	8.9%
Net income	7,850	6,061	1,788	29.5%
Non-Consolidated	FY2016 forecasts	FY2015 results	Change ¥	Change %
Net sales	251,700	249,366	2,333	0.9%
Operating income	12,150	11,731	418	3.6%
Ordinary income	12,500	11,727	772	6.6%
Net income	7,050	5,932	1,117	18.8%

Consolidated	FY2016 forecasts	FY2015 results
Capital expenditure	10,434	23,487

\*Capex forecasts for FY2016 are on a recorded basis. Capex results for FY2015 are on a capital basis.

**Planning to increase dividend by ¥2 for second consecutive year, with interim dividend per share of ¥11 and annual dividend per share of ¥22.**

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4 pages from this slide cover forecast for fiscal year 2016. For fiscal year 2016, the final year of medium-term business plan, we include estimated negative impact from temporary closure of Sihbuya PARCO and store closure of Chiba PARCO, also upfront investment for development and temporary expenses.

On the other hand, we expect increase in income due to newly opened facilities in last fiscal year and this fiscal year as well as steady increase in income in related businesses such as NEUVE A and PARCO SPACA SYSTEMS. In consolidated forecast, we plan to increase both in sales and income and aim at renewing record high operating income, ordinary income and net income.

Planned capital expenditure is 10.4 billion yen.

We are planning to increase dividend per share by 2 yen in two consecutive years, with interim dividend per share of 11 yen and annual dividend per share of 22 yen.

### Developing the Sihbuya PARCO area as a Special Urban Renaissance District through the “Udagawa-cho 15 Development Project.”

- With Tokyo Metropolitan Government approval of the plan in December, we have decided to temporarily close Sihbuya PARCO from August 7, 2016 for reconstruction.
- Aiming to accelerate specific plan and open new premises in autumn 2019.

Project schedule	
June 2015	Development plan submission
December 2015	Plan approval by Tokyo Metropolitan Government
April 2016	Announce temporary closure of Sihbuya PARCO Part1/3
August 2016	August 7: Temporary closure of Sihbuya PARCO Part1/3 for reconstruction
March 2017	Construction begins on new premises (scheduled)
Autumn 2019	New premises opens (scheduled)

Overview	
Area of site	Approx. 5,380m <sup>2</sup>
Floor area	Approx. 65,000m <sup>2</sup>
No. of floors	20 above-ground floors, 3 below-ground floors Lower floors: commercial (including theatres, etc.) Upper floors: Offices, etc.



A major factor in the forecast for fiscal year 2016 is reconstruction of Sihbuya PARCO. This is the development plan of Udagawa-cyo 15 as the urban redevelopment special district area in which Sihbuya PARCO is located.

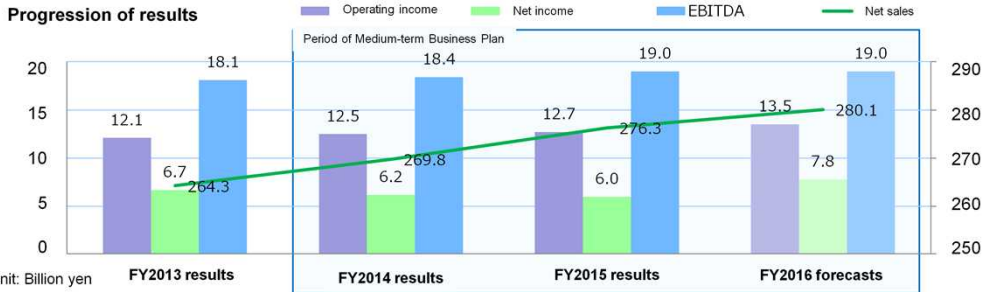
As Tokyo Metropolitan Government approved our development plan in December, we have just made a decision to close existing Sihbuya PARCO from the 7<sup>th</sup> of August for a while for reconstructing the building.

Sihbuya PARCO made a start in 1973 with PARCO Part 1. Since then, it has been proposing lifestyle for urban residents and communicating cultural information through entertainment. Sihbuya PARCO has been driving the image of PARCO as a flagship store.

PARCO has a long-term vision of what we will be in 2020's. The vision is 'To be a group of producers who create 24 hours of life in the cities'. For the progress of ourselves toward this vision, reconstruction of S Sihbuya PARCO will enhance PARCO store brand, and we believe building new Sihbuya PARCO as a new generation shopping center for global shoppers will contribute more for vitalization of the town. We will actively make this plan ahead.

**Achieving operating income targets of Medium-term Plan**

**Scheduled to achieve operating income of ¥13.5 billion in FY2016 under Medium-term Business Plan.**



**Operating income forecasts**

Unit: Million yen

	FY2016 forecasts	FY2015 forecasts	Change
PARCO	12,150	11,731	418
NEUVE A	905	694	211
PARCO SPACA SYSTEMS	565	433	131
PARCO CITY	60	32	27
Consolidated	13,500	12,772	727

• Anticipate approx. ¥1.2 billion decline in depreciation expenses due to change in depreciation method (fixed-rate method → straight-line method).  
 • The effect of the temporary closure of Sihbuya PARCO and the closure of Chiba PARCO is expected to be approx. ¥1.2 billion.

Here is a chart which describes how we are achieving operating income target of the mid-term business plan. We are pleased with our performance during the mid-term business plan period.

Operating income of fiscal year 2016 is planned to be 13.5 billion yen on the consolidated basis since we plan to increase income in businesses of PARCO, NEUVE A, PARCO SPACA SYSTEMS.

The negative factor will be temporary closure of Sihbuya PARCO from the 7<sup>th</sup> of August and a store closure of Chiba PARCO in November. The overall impact for the group including PARCO SPACA SYSTEMS is expected to be 1.2 billion.

Along with the accounting policy change, depreciation method is changed from this fiscal year. The impact is estimated to be 1.2 billion yen.

## Progression of results and Medium-term business plan forecasts

Unit: Billion yen

	FY2013 results	FY2016 forecasts	Difference	Medium-term plan target for FY2016	Difference
Net sales	264.3	280.1	15.7	293.0	(12.8)
Operating income	12.1	13.5	1.3	13.5	0.0
Net income	6.7	7.8	1.0	7.5	0.3
EBITDA	18.0	19.0	1.0	20.0	(0.9)

	FY2013 results	FY2016 forecasts	Difference
ROE (Ratio of net income to shareholders' equity)	6.4%	6.6%	0.2%
ROA (Ratio of ordinary income to total assets)	5.6%	5.7%	0.1%
Net earnings per share	¥66.81	¥77.73	¥10.92
Debt / Equity ratio (times)	0.46	0.47	0.01
Annual dividend	¥18	¥22	¥4

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We present the forecast in the table. In light of mid-term business plan target, we expect to maintain income and achieve target of operating income and net income.

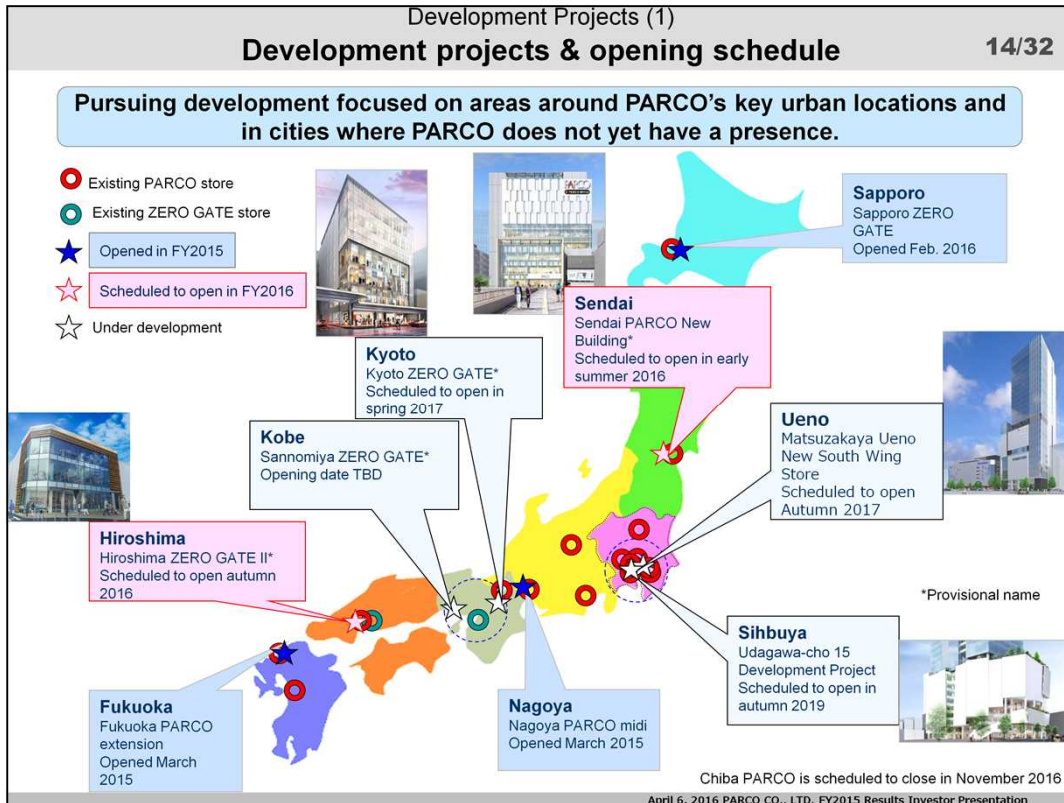
As for management efficiency indicators, ROE and ROA will be slightly improved from fiscal year 2013 which was before the start of mid-term business plan. Net income per share, D/E ratio, an annual dividend per share are in line with the plan.

Overview of FY2015 results and FY2016 forecasts

**Development Projects**

PARCO Stores Business

PARCO Group Related Businesses, Overseas  
Business, Other topics



First is Development projects.

Present development projects and future development projects are indicated on a map.

Our development projects are located mainly in the surrounding area of main stores located at the center of the city and in the ordinance-designated cities in which we have not had stores yet.

In fiscal year 2015, main stores in Fukuoka and Nagoya were expanded in March, and Sapporo Zero Gate was opened next to Sapporo PARCO in February 2016, which was at the end of fiscal year 2015. In fiscal year 2016, we plan to open what we tentatively call 'New Building' in Sendai area which will be the same scale as existing one. Furthermore, we have a plan to open Hiroshima Zero Gate 2 in addition to Main Building, New Building and Zero Gate.

Besides them, there is a project in progress for which opening is not scheduled in fiscal year 2016. It is to open PARCO in the South Building of Matsuzakaya Ueno Store which is owned by J Front Retailing. There will be offices and cinema complex in the same building. Our schedule is to open it in Autumn in 2017.

Also, we made an announcement of Zero Gate business plan for Kyoto and Sannomiya in Kobe. In Kyoto, we plan to open Zero Gate in 2017. For Sannomiya, we are in the process of planning contents.



In FY2015, opened three premises in areas around key PARCO locations.

Extended Fukuoka PARCO Main Building on Nishitetsu Fukuoka (Tenjin) Station side.



Opened Nagoya PARCO midi in a small building adjacent to the West Building in March 2015.



Opened Sapporo ZERO GATE on south side of Sapporo PARCO in Feb. 2016.

Tenant: FOREVER 21

In fiscal year 2015, main stores in Fukuoka and Nagoya were expanded in March, and Sapporo Zero Gate was opened next to Sapporo PARCO in February 2016, which was at the end of fiscal year 2015.

**New Sendai store scheduled to open in early summer 2016.**

- New PARCO building planned for the area in front of Sendai station, known as the gateway to the Tohoku region.
- Two buildings in the heart of Sendai will expand the expression of PARCO's unique qualities.
- Attracting a cinema complex to the upper floors provides added function as an entertainment hub.



In fiscal year 2016, we plan to open what we tentatively call 'New Building' in Sendai area which will be the same scale as existing one.



**Hiroshima ZERO GATE II\* scheduled to open in autumn 2016.**

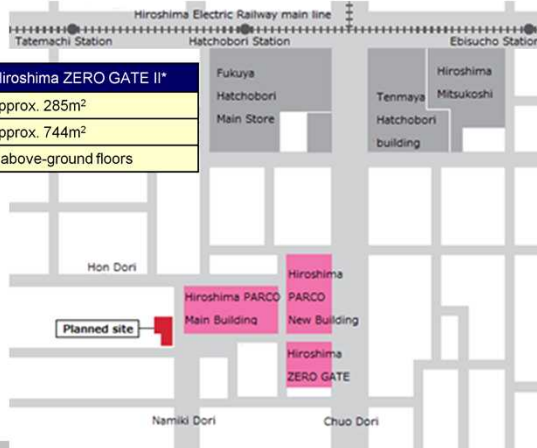
- Announced Hiroshima ZERO GATE II\* in addition to the existing ZERO GATE and opposite Hiroshima PARCO.
- Opening in the same neighborhood as Hiroshima PARCO Main Building, New Building and ZERO GATE, increasing the appeal of the area.
- One new building planned for leasing.

\*Provisional name

Exterior



Overview	Hiroshima ZERO GATE II*
Area of site	Approx. 285m <sup>2</sup>
Floor area	Approx. 744m <sup>2</sup>
No. of floors	3 above-ground floors



We have a plan to open Hiroshima Zero Gate 2 in addition to Main Building, New Building and Zero Gate.

**ZERO GATE expansion centered on major cities in which PARCO does not yet have a presence.**



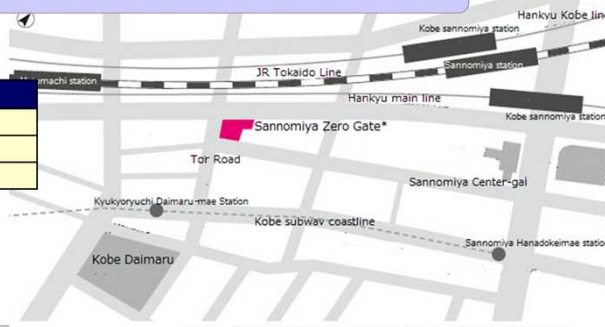
**Kyoto ZERO GATE\* scheduled to open in spring 2017 on Kyoto's Shijo Street.**

Overview	Kyoto ZERO GATE*
Area of site	Approx. 750m <sup>2</sup>
Floor area	Approx. 5,400m <sup>2</sup> (planned)
No. of floors	7 above-ground floors, 2 below-ground (planned)

**Decision to open Sannomiya ZERO GATE\* in Kobe.**

Overview	Sannomiya ZERO GATE*
Area of site	Approx. 470m <sup>2</sup>
Floor area	Approx. 1,500m <sup>2</sup>
No. of floors	4 above-ground floors, 1 below-ground

Real estate trust beneficiary rights for land and building were acquired in December.



\*Provisional name

There are some projects in progress.

We made an announcement of Zero Gate business plan for Kyoto and Sannomiya in Kobe. In Kyoto, we plan to open Zero Gate in 2017. For Sannomiya, we are in the process of planning contents.

Overview of FY2015 results and FY2016 forecasts

Development Projects

**PARCO Stores Business**

PARCO Group Related Businesses, Overseas  
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Stores Business (1)  
**Tenant sales by store**

20/32

**Sales increased due to floor expansion at core urban locations.  
 Tenant selection proposing the latest styles has driven sales at strong  
 performing urban stores.**

Unit: Million yen

Store		Net sales	Change
Urban Store Group	Sapporo PARCO	12,415	4.4%
	Sendai PARCO	13,309	1.3%
	Ikebukuro PARCO	27,296	(3.4%)
	Sihbuya PARCO	15,336	4.6%
	Shizuoka PARCO	10,339	2.4%
	Nagoya PARCO	36,772	4.4%
	Hiroshima PARCO	16,645	(2.0%)
	Fukuoka PARCO	19,573	32.0%
	8 store total	151,689	4.6%
Store		Net sales	Change
Total for all stores		243,079	1.6%
Existing store total*		235,979	(0.7%)

Store		Net sales	Change
Community Store Group	Utsunomiya PARCO	4,311	(3.7%)
	Urawa PARCO	16,869	(3.3%)
	Shin-Tokorozawa PARCO	9,303	2.8%
	Chiba PARCO	5,157	(9.8%)
	Tsudanuma PARCO	8,526	(3.2%)
	Hibarigaoka PARCO	7,255	(2.7%)
	Kichijoji PARCO	6,934	(4.7%)
	Chofu PARCO	17,064	0.9%
	Matsumoto PARCO	7,219	(3.5%)
	Otsu PARCO	3,613	(15.5%)
	Kumamoto PARCO	5,135	(0.7%)
11 store total	91,389	(2.9%)	

\*Existing Store total sales figures do not include sales at Nagoya PARCO midi (opened March 27, 2015), Fukuoka PARCO New Building (opened November 13, 2014), and Fukuoka PARCO Main Building extension (opened March 19, 2015).

I will talk about store business from here. As for tenant sales by store, main stores of Sapporo PARCO, Sihbuya PARCO, Nagoya PARCO and Fukuoka PARCO steadily increased sales, as a result, total of Urban Store Group increased by 4.6% from the previous year.

As for Community Store Group, tenant sales of large stores declined due to slow down of sales of travel, service and movies, as a result, total of sales declined by 2.9% from the previous year. But we were able to record positive growth of 1.6% for all stores.

## Sales by item, customers, average spend per customer

**Large-sized casual clothing, personal items including bags and cosmetics, and lifestyle sundry goods performed strongly. Hobby and living-related sales were steady.**

Category and item	Total of existing stores	Category and item	Total of existing stores
Womenswear	(5.9%)	Culture-related	(1.9%)
Menswear	(7.6%)	Hobby and living-related	1.8%
General clothing	2.1%	Sundry goods	(0.1%)
Clothing	(4.0%)	Foods	(1.2%)
Shoes	2.3%	Restaurants	(0.9%)
Bags	9.6%	Other (service, etc.)	(3.5%)
Accessories	(2.1%)	Existing stores YoY change %	
Cosmetics	9.1%	Paying customers	(0.6%)
Personal items	4.1%	Average spend per customer	1.2%
			FY2015
			(2.7%)
			1.1%

\*Sales by item, paying customers and average spend per customer are based on "integrated sales" of stores. "Integrated sales" indicate the overall sales performance of a store, and include tenant sales, sales at PARCO Theater and other facilities, and sales to tenants under fixed rent contracts.

This page shows sales by item. Large scale casual clothing, personal items including bags and cosmetics, and lifestyle sundry goods performed strongly. Hobby and living-related sales were steady.

**Catching trends amongst urban consumers and promoting proposal-based renovation for evolving lifestyles.**

**FY2015 Results**

Area renovated: Approx. 40,000m<sup>2</sup> (sales in renovated zones grew 16.6% YoY)

Carried out renovations proposing revised tenant lineups and new commercial environments corresponding to individual store characteristics.

- Urban Stores Group: Actively proposed contemporary new consumer themes aiming to lead the market
- Community Stores Group: Strengthened initiatives for restaurants and introducing in-demand items. Improved the environment outside Chofu PARCO in timing with the opening of multi-story car park.

**FY2016 Plan**

Area scheduled for renovation: Approx. 40,000m<sup>2</sup> (excluding Sihbuya PARCO and Chiba PARCO)

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

1. Largest-scale renovation since opening planned at Urban Stores (Nagoya PARCO, Fukuoka PARCO, Sendai PARCO).
2. Set priority items for growth, strengthen initiatives in these areas.
3. Transfer of Sihbuya PARCO trend communication functions to Ikebukuro PARCO, renovation planned to boost charm of Main Building. Refurbishment of outer walls to include installation of large-sized screen (completed in March 2016).

This page is over view of PARCO stores renovations.

In fiscal year 2015, total renovated area was 40 thousand square meters, and sales in renovated zone were strong with the growth of 16.6%. We were able to make double digit growth because we mainly implemented proposal-based renovation for the zone.

In fiscal year 2016, there will be floor space reduction due to Sihbuya PARCO and Chiba PARCO, but we plan to vitalize sales by renovating for the same scale of 40 thousand square meters.



**Inbound sales grew due to highly effective communications and successful website upgrade.**

FY2015 results

- Disseminated information through key influencers\* using SNS.
- Added multi-lingual function to smartphone websites to improve accessibility from overseas.
- Increased the number of duty-free shops by promoting installation of duty-free system for tenants.

\*Individuals who exert an influence on consumer trends

Reference: Inbound achievements	Suibuya PARCO	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO
YoY change in purchases by foreign-issued credit cards	+44.7%	+93.1%	+79.7%	+167.4%
Share of net sales accounted for by foreign-issued credit cards (YoY change)	11.0% (+3.4%)	7.3% (+3.4%)	2.1% (+0.9%)	1.3% (+0.7%)

FY2016 plan

- Introduce payment systems that accept China UnionPay cards in all shops at stores strengthening capacity for inbound demand.
- Choose the most effective communication tools (SNS/internet/travel products) and adopt a unique approach for each country.
- Communicate trends to and plan services for customers using credit cards from Chinese banks.

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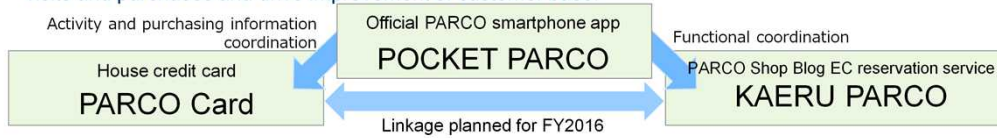
This is an overview of inbound.

Inbound sales are steadily growing. This was due to our effort for encouraging influencers to utilize SNS for dispatching information on PARCO for people before they come to Japan. We also improved usability of web-site on smart phones with adding multi lingual function. And of course, we improved duty-free function for the system. As a result of these, inbound demand increased.

The approach is to grow sales of good performing stores. We will continuously enhance these efforts in fiscal year 2016 to capture more inbound demand.

**Promoting CRM and tenant support measures using ICT.**

Strengthen connectivity between smartphone app, PARCO Card, and KAERU PARCO to promote store visits and purchases and drive improvement of customer base.



**FY2015 results**

PARCO Card sales amount (YoY change)	¥58,158 million (3.0%)
PARCO Card share of net sales (YoY)	20.9% (+0.6%)
Number of PARCO Card members at end FY2015 (YoY)	1,886,000 (7.5%)
YoY change in number of Class S members	6.3%

- Sales figures per customer for app-registered PARCO cardholders reached roughly double those of cardholders yet to register. The smartphone app contributed to strong PARCO Card sales and growth in the number of Class S members.
- 219 shops participating in KAERU PARCO. Success in popular and exclusive products.
- Set up the e-learning system for shop staff to provide training and information pertaining to customer service.

- Introduced the group wear to connect PARCO and tenants. Promoted expansion of time spent on customer service and reduction of time spent on clerical work for tenants.
- Set up Wi-Fi network throughout all shops and ensured tenants can access networks for work purposes.

**FY2016 plan**

- Load AI onto smartphone app to allow for more precise personalized recommendations and expand promotion efficiency for store visits and purchases.
- Debut the "Pre-Members System," which offers a sample of top-rank Class S member benefits, and drive early-stage customer adoption through PARCO Card service improvements.
- KAERU PARCO discounts and other PARCO Card services planned for H2; improve cardholder convenience and strengthen omni-channel services.

ICT: Information and Communication Technology CRM: Customer Relationship Management AI: Artificial Intelligence

I prepared this to explain ICT and credit card policy.

In fiscal year 2015, we started full-scale operations of smart phone app of 'Pocket PARCO'. Average customer spend of those who came to our shopping site from Pocket PARCO and use PARCO Card for shopping has doubled. Comparing with general PARCO Card holders, demand for PARCO Card of Pocket PARCO users is substantially high.

In fiscal year 2016, we would like to encourage more customers come through Pocket PARCO and apply for PARCO Card on site. In order to do that, we need to enhance linkage with KAERU PARCO. Since PARCO is tenant business, it should be possible to combine Pocket PARCO with KAERU PARCO in order to distribute products from the physical shops of the tenants in PARCO stores to the customers. Building the platform for this is an agenda in fiscal year 2016.

We have already loaded artificial intelligence on the app in March 2016, and by July, AI will be learning about customers and eventually it will be able to pick relevant information for the customer from Pocket PARCO and distribute it to the customer. This is called personalized recommendation which will promote customers' store visit and purchase further.



Overview of FY2015 results and FY2016 forecasts

Development Projects

PARCO Stores Business

PARCO Group Related Businesses, Overseas  
Business, Other topics

**In FY2015, sales exceeded ¥20bn due to successful aggressive shop openings and inbound demand.  
 In FY2016, will expanded business through further shop openings, growth of new business categories and focus on EC.**

FY2015 results

Opened 21 new shops including new businesses. 200-shop network as of end of FY2015.

- Acquired five shops in excellent urban locations within central Osaka with the aim of growing the TICTAC business.
- Duty-free sales, primarily at TICTAC, grew 90.8% YoY (up 56.9% over existing stores). Share in overall sales grew to 3.4% contributed to sales.

FY2016 plan

Pursue aggressive shop openings with 19 planned launches while also focusing on EC.



	YoY change in sales	Sales share (YoY change)
Outside PARCO	6.0%	65.3% (+0.7%)
Inside PARCO	9.5%	34.7%

Business name (item)	No. of stores
TICTAC (watches)	100
EYEWEAR (eyeglasses)	32
ROSEMARY (cosmetics, sundry goods)	23
COLLECTORS (men's sundry goods)	40
Other new business categories	5

From this page, it is about PARCO Group business.

Net sales of NEUVE A exceeded 20 billion yen in fiscal year 2015.

In fiscal year 2016, we will be continuously aggressive in store opening to develop new store format, and also, we will focus more on EC business for further growth of the business.

**In FY2015, strong growth in sales and operating income due to increase in new construction orders.**  
**In FY2016, aim to expand sales across businesses and realize high-profit compound orders through selection choice and focus.**



Space design and interior work orders for Détour à Bleuet (Jingu-mae, Tokyo)

FY2015 results

- Increased tenant interior work, electrical work, and mobile-phone base station work orders from external large-scale commercial facilities, and increased design-related contracts.
- Received trustee contracts in the new Building Management Business as well as orders for construction of government buildings.
- Sales increased in Hotel Business due to increase in operation rate and contract prices.

	YoY change in sales	Sales share (YoY change)
Outside PARCO	9.9%	64.8% (+2.8%)
Inside PARCO	(2.5%)	35.2%

\*Year ending Feb. 2016

FY2016 plan

- Identify customer needs through multi-faceted operations, and continue new business development through customer negotiation and optimized proposals.
- Strengthen profit base in Hotel Business through compound orders in room cleaning and related areas.
- Investigate potential for development of specific synergy through mutual coordination with the JFR Group in areas including interior work, electrical work, and lighting planning.

In PARCO SPACA SYSTEMS, Space Engineering and Management Business, we were able to achieve high growth of net sales and operating income due to increase in new construction orders.

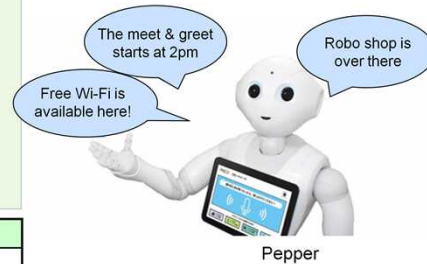
In fiscal year 2016, we will continue to explore new business opportunities through sales activities and develop revenue base by acquiring high-profit compound orders.

In terms of collaboration with J Front Retailing Group for the works of interior, electrical works or lighting plannings, each party has its strength. PARCO SPACA SYSTEMS excels at small scale design and electrical facilities while J Front Retail Group has a capability of drawing high level design. We would like to generate synergy by combining such different capabilities to grow the business of PARCO SPACA SYSTEMS.

**In FY2015, sales and profits grew due to new website orders from external commercial facilities.  
 In FY2016, aim for business growth with SC Concierge as a key project.**

FY2015 results

- In the Web Consulting Business, planned and developed applications for Pepper, the emotion-sensing humanoid robot capable of providing multilingual support in shopping center information services.
- In the HR Support Business, held seminars and sponsored information exchange meetings focusing on the apparel industry.



	YoY change in sales	Sales share (YoY change)
Outside PARCO	33.5%	50.8% (+2.8%)
Inside PARCO	19.1%	49.2%

\*Year to Feb. 2016

FY2016 plan

- In the Web consulting Business, offer diverse services with SC Concierge as a key pillar.
- In the HR Support Business, focus on providing PARCO tenant companies with recruitment channels.
- Considering cooperation scheme between the Web Consulting Business and Apparel-Web Inc., which is currently collaborating with the HR Support Business.

\*SC Concierge is a business support system for shopping centers. People-flow analysis is one component of the system, and functions to analyze the movement of customers throughout shopping complexes.

This is about PARCO CITY, which is web-related business.

In fiscal year 2015, new website orders from external commercial facilities contributed in sales and profit growth.

In fiscal year 2016, we will try to grow web consulting business by providing multi-facet services with 'SC Concierge' as a key project.

**Staged high-quality productions at theaters.  
 New business expansion from collaboration café plans and films.**

- The program from January 2016 includes productions consistent with the image of PARCO Theater and includes series and encore performances.
- Strong performance as a result of ongoing expansion of PARCO-produced character collaboration cafes at Sihbuya PARCO, Nagoya PARCO, and Fukuoka PARCO. The cafes contribute to raising the appeal of physical stores. A café is planned for the Osaka Shinsaibashi area.
- In the Film Division, PARCO won all rights in Japan, including screening rights, for *The Sea of Trees*, starring Ken Watanabe and Matthew McConaughey, and will distribute to movie theater companies throughout Japan.

FY2015 Main theater Performances

<i>burst!</i> - <i>Kiken na futari</i>	PARCO Theater
Stage version of <i>Maku-ga Agaru</i> (investment in film version)	Zepp Blue Theater Roppongi

FY2016 Main Planned Theater Performances

<i>Ryoju</i> (Director: Francois Girard)	PARCO Theater, others
<i>Kegawa no mari</i> (Writer: Shuji Terayama)	New National Theater, PARCO Theater, others



Entertainment Business.

Sihbuya PARCO which has PARCO Theater in the building will be temporarily closed in summer this year. For the last one or two years, we have been shifting the stages of our own creation from PARCO Theater to the theaters of external facilities. We plan to promote it more to increase performances at external locations.

Also, Character Collaboration Café, which has become a new success case in Entertainment Business, will be expanded from Sihbuya to Nagoya PARCO and Fukuoka PARCO. To expand this business externally, we will open the Café in Shinsai-bashi area. Also we are looking at the possibilities to start pop-up shops in overseas market.



**Developing PARCO's domestic content and Japanese restaurant tenant ideas overseas.****Begin development in ASEAN, capturing local demand and contributing to existing business**

Café image

Signed agreement in Singapore for a trial run of the PARCO-produced character collaboration café organized by PARCO's Entertainment Department.



PARCO (Singapore) is currently in discussions with local developers regarding a development contract for a Japanese restaurant zone in Singapore to be opened in 2016.

Announce and implement reciprocal store card campaign with leading overseas shopping complexes, including in Thailand and Hong Kong.

Promote collaboration to support Apparel-Web cross-border EC at PARCO (Singapore).

Cross-border EC: International e-commerce

April 6, 2016 PARCO CO., LTD. FY2015 Results Investor Presentation

This is about Overseas Business.

For Overseas Business, the plan in fiscal year 2016 is to come up with specific plan for development of business in ASEAN market by introducing our contents into the market. The contents will be those owned by Entertainment Business, 'TiCTAC' of NEUVE A and 'Itadaki-masu', Japanese restaurant zone developed by PARCO in Singapore.

We would like to take our tenants to overseas market eventually. It can be done by opening physical sales floors or by introducing tenants of PARCO through affiliation with Apparel Web cross-border EC.

These are the specific ideas for the development of Overseas Business.



**Established the Restaurant Business Development Group and opened directly managed restaurants in Minami Aoyama.**

- PARCO initiative centered on food, a key theme in lifestyle proposals.

**Incubation initiative crowd-funding service Booster performed strongly.**

- In FY2015, discovered and supported creative talent in 31 projects. Aiming for further expansion.
- In FY2016, launch participating brands at Sihbuya PARCO and strengthen collaboration.

**Business and capital alliance with Apparel-Web Inc.**

- Collaborated on ICT strategy to support growth of domestic retail businesses
- Group-wide linkage including coordination on cross-border EC in Overseas Business



**Formulated Fundamental policy for Corporate Governance.**

- Formulated fundamental policy for stakeholders that 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.

On the last page of my presentation, I have a other topics.

I would like talk about 'food' as one of the other topics. Food is one of the major themes for shopping centers and it has become fashion these days.

We thought it is important to announce that PARCO would like to run food business. To start with, we opened 'And Ecle' in Minami-Aoyama last year. We will be working on this project so that people will know that PARCO, which has been well known for life-style proposal, is engaged in food business.

BOOSTER, a cloud funding service in PARCO's incubation business was started. This service has gained confidence among people with the high success rate. In fiscal year 2016 we will drive the business further by accelerating progress.

As I mentioned before, we signed an agreement for affiliation with Apparel Web. This will support to increase transaction volume not only with Overseas Business but also with PARCO CITY and web marketing business of PARCO. The idea behind is to enhance services for tenants.



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