

<Excerpt English translation of the original Japanese-language document>



December 26, 2016

Consolidated Financial Results
for the Nine Months of the Fiscal Year Ending February 28, 2017
<under Japanese GAAP>

Company name: **PARCO CO., LTD.**

Listing: First Section of the Tokyo Stock Exchange

Stock code: 8251

URL: <http://www.parco.co.jp/>

Representative: Kozo Makiyama, Chairman of the Board, President, Representative Executive Officer

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Scheduled date to file Quarterly Securities Report: January 11, 2017

Scheduled date of dividend distribution: –

Preparation of supplementary material on quarterly earnings: Yes

Holding of quarterly earnings performance review: None

(All amounts have been rounded down to the nearest million yen.)

1. Consolidated performance for the nine months of the fiscal year ending February 28, 2017 (from March 1, 2016 to November 30, 2016)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
November 30, 2016	199,599	(2.3)	9,119	(1.9)	9,232	0.6	5,503	15.9
November 30, 2015	204,230	3.5	9,295	5.2	9,175	4.1	4,749	(5.9)

Note: Comprehensive income

For the nine months ended November 30, 2016: 5,509 million yen [32.1%]

For the nine months ended November 30, 2015: 4,171 million yen [(17.0)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
November 30, 2016	54.25	–
November 30, 2015	46.81	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
November 30, 2016	254,312	119,853	47.1
February 29, 2016	236,315	116,474	49.3

Reference: Equity

As of November 30, 2016: 119,853 million yen

As of February 29, 2016: 116,474 million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2016	–	10.00	–	10.00	20.00
Fiscal year ending February 28, 2017	–	11.00	–		
Fiscal year ending February 28, 2017 (Forecast)				11.00	22.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2017 (from March 1, 2016 to February 28, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2017	271,000	(1.9)	12,900	1.0	13,100	3.4	6,900	13.8	68.01

Note: Revisions to the consolidated earnings forecasts most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - b. Changes in accounting policies due to other reasons: Yes
 - c. Changes in accounting estimates: Yes
 - d. Restatement of prior period financial statements after error corrections: None
- (4) Number of issued shares (common shares)
 - a. Total number of issued shares at the end of the period (including treasury shares)

As of November 30, 2016	101,462,977 shares
As of February 29, 2016	101,462,977 shares
 - b. Number of treasury shares at the end of the period

As of November 30, 2016	4,494 shares
As of February 29, 2016	4,200 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the nine months ended November 30, 2016	101,458,642 shares
For the nine months ended November 30, 2015	101,459,226 shares

*** Indication regarding execution of quarterly review procedures**

The quarterly review procedures pursuant to the Financial Instruments and Exchange Act do not apply to this quarterly earnings report. At the time of disclosure of this quarterly earnings report, the quarterly review procedures for quarterly consolidated financial statements are in progress.

*** Proper use of earnings forecasts, and other special matters**

Caution concerning forward-looking statements

The forward-looking statements, including earnings forecasts, contained in these materials are based on information available to the Company at the time of the filing and certain assumptions deemed reasonable by the Company. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ significantly due to various unforeseen factors.

Method of accessing supplementary material on quarterly earnings

Supplementary material on quarterly earnings will be disclosed on TDnet, on the date of this report.

Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of February 29, 2016	As of November 30, 2016
Assets		
Current assets		
Cash and deposits	6,840	6,415
Notes and operating accounts receivable	8,289	13,004
Merchandise and finished goods	3,387	4,284
Work in process	653	505
Real estate for sale in process	–	5,760
Raw materials and supplies	37	35
Other	4,689	5,491
Allowance for doubtful accounts	(3)	(2)
Total current assets	23,894	35,493
Non-current assets		
Property, plant and equipment		
Buildings and structures	129,672	120,308
Accumulated depreciation	(82,301)	(70,356)
Accumulated impairment loss	(1,878)	(1,966)
Buildings and structures, net	45,492	47,985
Buildings and structures in trust	22,270	22,334
Accumulated depreciation	(5,411)	(6,161)
Buildings and structures in trust, net	16,858	16,172
Machinery, equipment and vehicles	887	863
Accumulated depreciation	(729)	(732)
Accumulated impairment loss	(0)	(0)
Machinery, equipment and vehicles, net	158	129
Machinery, equipment and vehicles in trust	171	171
Accumulated depreciation	(31)	(43)
Machinery, equipment and vehicles in trust, net	139	127
Other	6,885	9,287
Accumulated depreciation	(4,952)	(4,567)
Accumulated impairment loss	(163)	(107)
Other, net	1,769	4,611
Other in trust	194	194
Accumulated depreciation	(124)	(140)
Other in trust, net	69	54
Land	51,392	42,115
Land in trust	50,104	50,104
Construction in progress	6,229	18,509
Total property, plant and equipment	172,215	179,810
Intangible assets		
Leasehold right	10,237	10,237
Other	1,403	1,802
Total intangible assets	11,641	12,040
Investments and other assets		
Investment securities	1,192	753
Lease and guarantee deposits	23,863	23,342
Other	3,688	3,053
Allowance for doubtful accounts	(180)	(182)
Total investments and other assets	28,564	26,966
Total non-current assets	212,421	218,818
Total assets	236,315	254,312

(Millions of yen)

	As of February 29, 2016	As of November 30, 2016
Liabilities		
Current liabilities		
Notes and operating accounts payable - trade	17,258	22,632
Short-term loans payable	7,919	12,719
Income taxes payable	2,627	970
Provision	2,065	1,713
Other	20,862	25,207
Total current liabilities	50,732	63,242
Non-current liabilities		
Long-term loans payable	35,200	32,770
Guarantee deposits received	30,188	27,448
Provision	564	-
Net defined benefit liability	2,281	2,194
Other	874	8,803
Total non-current liabilities	69,108	71,216
Total liabilities	119,841	134,459
Net assets		
Shareholders' equity		
Capital stock	34,367	34,367
Capital surplus	35,129	35,129
Retained earnings	47,154	50,527
Treasury shares	(3)	(4)
Total shareholders' equity	116,647	120,020
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	37
Foreign currency translation adjustment	(86)	(125)
Remeasurements of defined benefit plans	(101)	(78)
Total accumulated other comprehensive income	(172)	(167)
Total net assets	116,474	119,853
Total liabilities and net assets	236,315	254,312

(2) Consolidated statements of (comprehensive) income
Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Net sales	204,230	199,599
Cost of sales	173,299	169,493
Gross profit	30,930	30,106
Operating revenue	3,557	3,791
Operating gross profit	34,488	33,897
Selling, general and administrative expenses	25,192	24,777
Operating income	9,295	9,119
Non-operating income		
Interest income	31	26
Compensation income	-	487
Miscellaneous income	181	265
Total non-operating income	213	780
Non-operating expenses		
Interest expenses	296	273
Share of loss of entities accounted for using equity method	0	332
Miscellaneous expenses	36	62
Total non-operating expenses	333	668
Ordinary income	9,175	9,232
Extraordinary income		
Gain on sales of non-current assets	0	2,748
Gain on sales of investment securities	1,220	55
Other	29	-
Total extraordinary income	1,250	2,803
Extraordinary losses		
Loss on sales of non-current assets	20	258
Loss on retirement of non-current assets	678	452
Impairment loss	42	168
Loss on closing of stores	1,886	1,701
Other	0	447
Total extraordinary losses	2,627	3,028
Income before income taxes and minority interests	7,797	9,007
Income taxes	3,048	3,503
Profit	4,749	5,503
Profit attributable to owners of parent	4,749	5,503

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Profit	4,749	5,503
Other comprehensive income		
Valuation difference on available-for-sale securities	(611)	22
Foreign currency translation adjustment	(21)	(39)
Remeasurements of defined benefit plans, net of tax	66	22
Share of other comprehensive income of entities accounted for using equity method	(10)	–
Total other comprehensive income	(577)	5
Comprehensive income	4,171	5,509
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,171	5,509
Comprehensive income attributable to non- controlling interests	–	–

(3) Consolidated statements of cash flows

(Millions of yen)

	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	7,797	9,007
Depreciation	4,629	4,031
Compensation income	–	(487)
Impairment loss	42	168
Decrease in provision for bonuses	(584)	(541)
Increase (decrease) in net defined benefit liability	26	(50)
Interest and dividend income	(53)	(29)
Interest expenses	296	273
Loss (gain) on sales and retirement of non-current assets	190	(2,405)
Gain on sales of investment securities	(1,220)	(55)
Loss on store closings	1,886	1,701
Share of loss of entities accounted for using equity method	0	332
Increase in notes and accounts receivable - trade	(1,889)	(4,714)
Increase in inventories	(644)	(6,450)
Increase in notes and accounts payable - trade	4,759	5,374
Increase/decrease in other assets/liabilities	378	3,010
Other, net	97	411
Subtotal	15,715	9,574
Interest and dividend income received	53	29
Interest expenses paid	(378)	(333)
Proceeds from compensation	–	7,855
Payment resulting from store closing	–	(163)
Income taxes paid	(5,555)	(4,774)
Net cash provided by operating activities	9,834	12,188
Cash flows from investing activities		
Payments into time deposits	(253)	(111)
Proceeds from withdrawal of time deposits	252	223
Purchase of property, plant and equipment	(15,301)	(16,512)
Proceeds from sales of property, plant and equipment	6	7,580
Purchase of investment securities	(402)	(2)
Proceeds from sales of investment securities	1,722	195
Payments for lease and guarantee deposits	(605)	(379)
Proceeds from collection of lease and guarantee deposits	3,692	722
Decrease in guarantee deposits received	(507)	(1,307)
Other, net	(1,015)	(857)
Net cash used in investing activities	(12,411)	(10,448)
Cash flows from financing activities		
Net increase in short-term loans payable	1,500	–
Net increase (decrease) in commercial papers	6,498	(1,999)
Proceeds from long-term loans payable	3,000	9,000
Repayments of long-term loans payable	(7,536)	(6,630)
Net increase in treasury shares	(0)	(0)
Cash dividends paid	(1,927)	(2,130)
Other, net	(130)	(251)
Net cash provided by (used in) financing activities	1,402	(2,012)
Effect of exchange rate change on cash and cash equivalents	(9)	(6)
Net decrease in cash and cash equivalents	(1,183)	(278)
Cash and cash equivalents at beginning of period	4,059	6,582
Cash and cash equivalents at end of period	2,876	6,304