

PARCO CO., LTD.
FY2016 Financial Highlights
(March 1, 2016 – February 28, 2017)

FY2017-21
PARCO Group
Medium-term Business Plan
TSE 1st Section 8251



Overview of FY2016 results
Medium-term Business Plan (FY2017-21)
FY2017 forecasts

FY2016 Results (1) Consolidated results (Income statement)

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**Operating income reached record highs for fifth consecutive fiscal year.
Net income was highest ever and achieved target.**

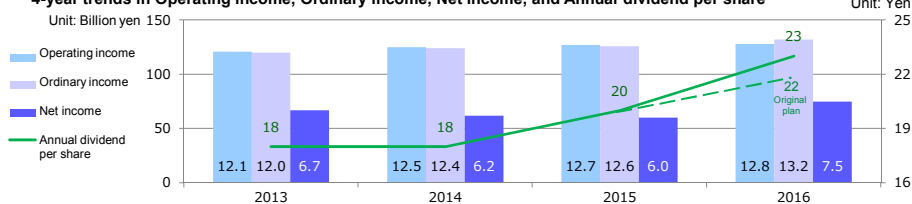
Unit: Million yen

Consolidated	FY2016	FY2015	Change ¥	Change %	Forecasts	Difference from forecast ¥	Difference from forecast %
Net sales	268,373	276,358	(7,984)	(2.9%)	271,000	(2,626)	(1.0%)
Operating income	12,812	12,772	40	0.3%	12,900	(87)	(0.7%)
Ordinary income	13,253	12,673	580	4.6%	13,100	153	1.2%
Net income attributable to parent ¹	7,525	6,061	1,463	24.1%	6,900	625	9.1%
EBITDA ²	18,189	19,010	(821)	(4.3%)	18,486	(296)	(1.6%)

¹ The main reason for the increase in net income and the difference from forecast was the recording extraordinary income from the sale of real estate related to the reconstruction on Shibuya PARCO

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

4-year trends in Operating income, Ordinary income, Net income, and Annual dividend per share



In FY2016, paid end-of-year dividend per share of ¥12.
Annual dividend per share was ¥23; a higher than forecast increase of ¥3.

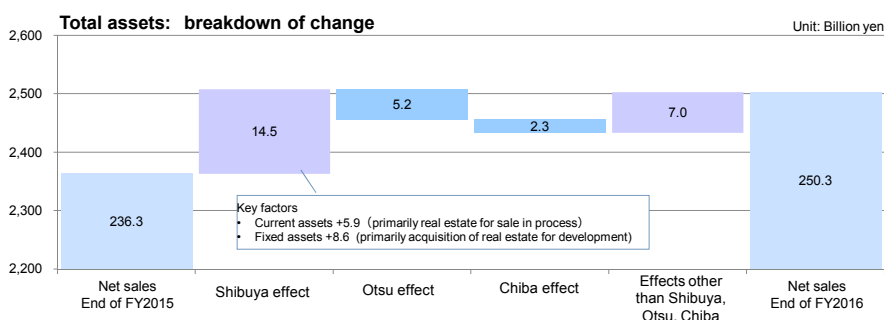
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FY2016 Results (2) Consolidated results (Balance sheet)

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Unit: Million yen

Consolidated	End of FY2016	End of FY2015	Change ¥	Change %
Total assets	250,323	236,315	14,007	5.9%
Net assets	122,039	116,474	5,564	4.8%
Interest-bearing debt	58,099	54,518	3,581	6.6%
Equity ratio	48.8%	49.3%	(0.5%)	
Market price-based equity ratio	47.3%	37.2%		
Debt service coverage ratio: years	4.5	3.7		
Interest coverage ratio: times	34.3	36.0		



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Achieved profit growth in Shopping Complex Business and sales and profit growth in Space Engineering and Management Business.

Consolidated results by segment

Unit: Million yen

		FY2016	FY2015	Change ¥	Change %
Shopping Complex Business	Net sales	239,447	248,078	(8,631)	(3.5%)
	Segment income	11,738	11,549	189	1.6%
Retail Business	Net sales	21,640	21,473	166	0.8%
	Segment income	435	694	(258)	(37.3%)
Space Engineering and Management Business	Net sales	20,242	19,969	272	1.4%
	Segment income	629	433	196	45.2%
Other Business	Net sales	6,774	6,850	(76)	(1.1%)
	Segment income	58	132	(74)	(55.9%)
Consolidated	Net sales	273,377	281,050	(7,673)	(2.7%)
	Segment income	12,812	12,772	40	0.3%

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.

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Selling, general and administrative expenses

Unit: Million yen

Consolidated	FY2016	FY2015	Change ¥	Change %
Personnel	10,339	10,252	87	0.9%
Lease/rental	9,106	8,943	163	1.8%
Advertising	3,287	3,341	(53)	(1.6%)
Agency services	5,259	5,393	(133)	(2.5%)
Depreciation	5,377	6,238	(861)	(13.8%)
Total SG&A	32,633	33,883	(1,249)	(3.7%)

Capital expenditure

Consolidated	FY2016	FY2015	Change ¥	Change %
Capex	18,723	23,487	(4,763)	(20.3%)

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Net sales declined but profit increased due to the progress of ZERO GATE business, and reduction in sales and general administrative expenses.

Non-consolidated results

Unit: Million yen

	FY2016	FY2015	Change ¥	Change %	Forecasts	Difference from forecast ¥	Difference from forecast %
Net sales	240,221	249,366	(9,145)	(3.7%)	242,600	(2,378)	(1.0%)
Operating income	11,815	11,731	84	0.7%	11,700	115	1.0%
Ordinary income	12,618	11,727	890	7.6%	12,200	418	3.4%
Net income attributable to parent	6,049	5,932	117	2.0%	5,500	549	10.0%
EBITDA*	16,788	17,520	(732)	(4.2%)	16,756	31	0.2%

	End of FY2016	End of FY2015	Change
Total assets	247,027	233,450	13,577
Net assets	120,758	116,827	3,931

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

Overview of FY2016 Results

Medium-term Business Plan for FY2017-2021

- Previous Medium-term Business Plan: target attainment
- Overview and outlook for the PARCO Group
- Three tactics for business growth
- Target figures for FY2017-2021 (Japanese GAAP & IFRS)
- Development by business

FY2017 full-year forecasts

Achieved ¥12.8 billion operating income and stable income growth in FY2016.

Differed from the final target for the 2014-2016 Business Plan (¥13.5 billion) by ¥0.7 billion due to changes in the consumer environment slowing growth in the PARCO Stores Business, delays to development schedules, and other factors.

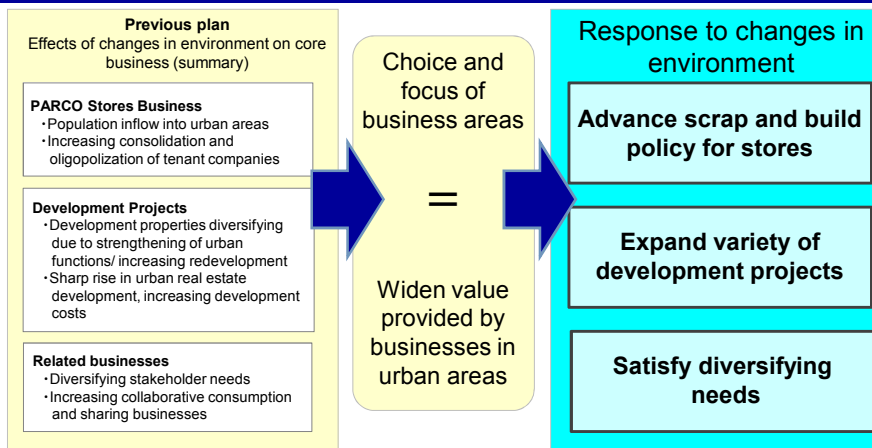
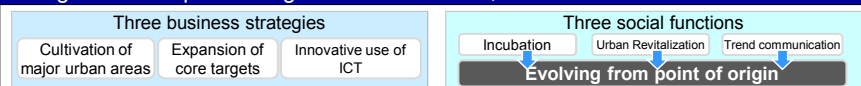
	2013-16 change	Actions taken
PARCO Stores Business	-¥0.1bn ※Excluding Shibuya and Chiba stores (+¥0.8bn)	<ul style="list-style-type: none"> Started work on Shibuya PARCO reconstruction plan Opened new stores Realized evolved commercial spaces Implemented ICT schemes Closed Chiba PARCO
Development Projects	+¥0.5bn	<ul style="list-style-type: none"> Continued development of ZERO GATE Formulated new development plan
Related Business	+¥0.7bn	<ul style="list-style-type: none"> Expanded related businesses externally Started development of overseas businesses

Responding to changes in the environment to realize PARCO Group's Long-term Vision

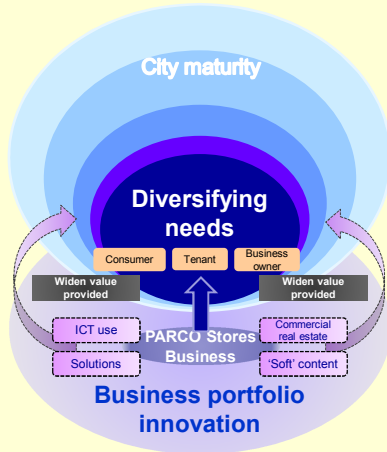
PARCO Group's Long-term Vision

To be a business group that prospers in urban markets

- designers of unique offerings for 24/7 urban life; creative drivers of urban evolution



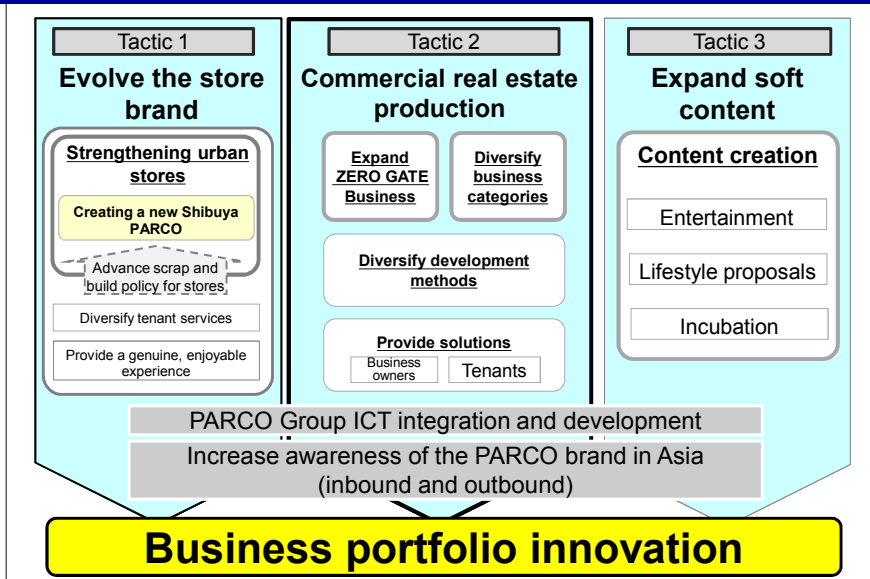
Recognize unfulfilled needs by providing value to maturing cities, primarily through the Stores Business



Contribute to 'city maturity' by leveraging Group businesses to meet the diversifying needs of consumers looking to enjoy an urban lifestyle and business owners in urban areas through the provision of PARCO's unique values, such as *personal fulfilment, new inspirations, and contentment*.

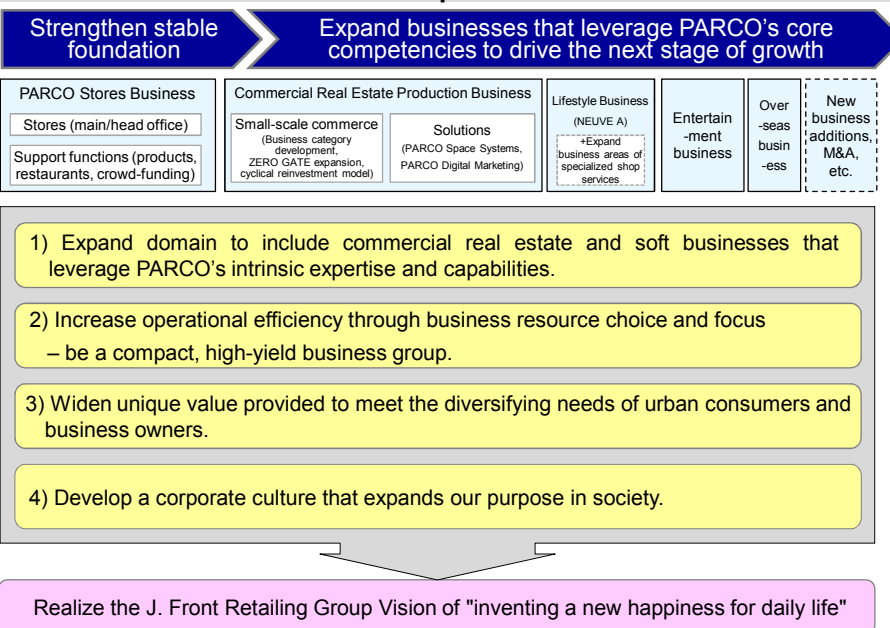
To achieve this, PARCO Group will update its businesses and expand into new business areas to improve existing value provided and realize business portfolio innovation.

Realizing growth by widening unique value provided to urban areas



Four directions for business restructuring and growth under the Medium-term Business plan

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The new Shibuya PARCO ① – core initiative of the Medium-term Business Plan's key tactics

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Creating a new Shibuya PARCO

- Creating a next-generation commercial space by reconstructing Shibuya PARCO, the venue that shaped the PARCO Group's unique qualities.
- Realizing new concepts that have never been applied to shopping complexes to provide evolved values such as *growth spaces for business owners*, and *new inspiration for urban consumers*.



- Increase opportunities to connect with new companies through a multi-use complex building
- Create advanced tenant services in anticipation of developments in e-commerce
- Improve soft content and partnerships on the creation of Shibuya Entertainment City.
- Increase the PARCO brand's global presence as the original next-generation shopping complex.

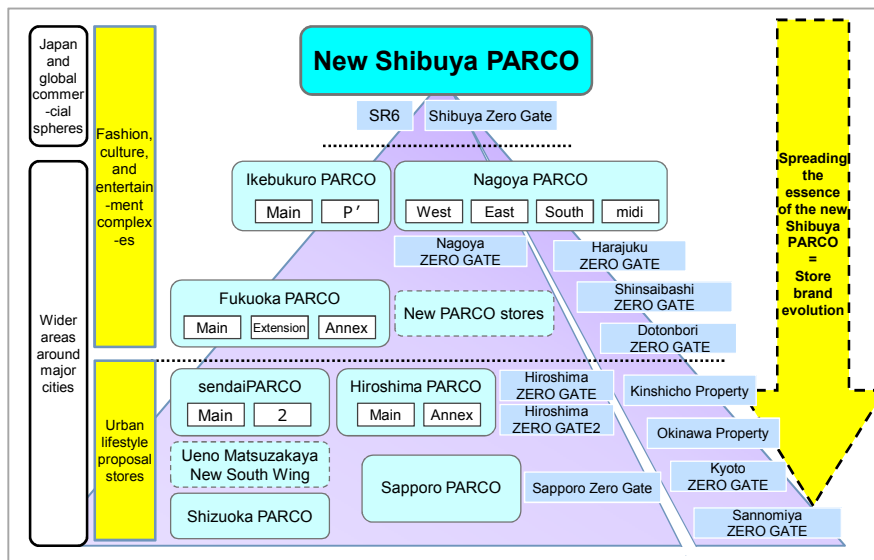
Realize the evolution of the PARCO Store brand by applying new Shibuya PARCO concepts to other PARCO urban stores.

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The new Shibuya PARCO ② – core initiative of the Medium-term Business Plan’s key tactics

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Cultivate urban areas by applying original concepts from the new Shibuya PARCO



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Target figures for FY2017-2021 ① (IFRS)

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From FY2017, International Financial Reporting Standards (IFRS) will be adopted for all consolidated financial statements

Aim: strengthen efforts to boost profit creation capabilities by improving the international comparability of financial information for stakeholders and increasing understanding and awareness of our business model by more accurately reflecting it in financial statements.

Units: billion yen

Consolidated	FY2021 target	FY2016 results	FY2021 plan vs. FY2016 actual	
			Growth	Difference
Net sales	121.4	94.0	29.1%	+ 27.4
Operating income	14.7	14.2	3.5%	+ 0.5
Net income	9.3	8.7	6.9%	+ 0.6
EBITDA*	23.5	19.4	21.1%	+ 4.1

Operating income margins: Japanese GAAP (vs. sales) FY2021 4.7% ⇔ IFRS (vs. operating revenue) 12.2%

Changes to major items in the statements of income

	Japanese GAAP	IFRS
Net sales	Sales by commission-contract tenants Sales at PARCO Theatre, etc.	Tenant rent Sales at PARCO Theatre, etc., Expenses borne by tenants (reversal items for SG&A expenses under Japanese GAAP)
Cost of sales	Tenant sales minus tenant rent Expenses borne by tenants	Store-related expenses (SG&A expenses items other than reversal items)
Non-operating income, expenses, extraordinary profit / loss	Not included in operating income	Included in operating income (excludes net financial revenue)

* FY2016 financial results (restated from Japanese GAAP figures) are pro-forma figures after restatement of Japanese GAAP figures to IFRS. The auditing process has not been completed and figures are subject to change.

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Target figures for FY2017-2021② (IFRS)

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Reference: performance indicators for FY2016 excluding special circumstances
(Special circumstances: gain on sale of Shibuya ZERO GATE, gain on sale of Chiba parking area, loss on closure of Otsu PARCO, etc.)

Units: billion yen

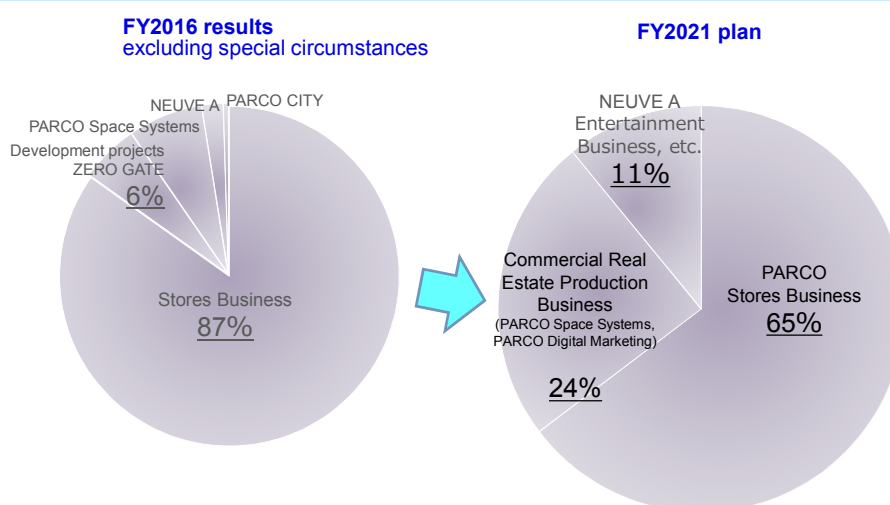
Consolidated	FY2021 target	FY2016 results	FY2021 plan vs. FY2016 actual	
			Growth	Difference
Operating revenue	121.4	94.0	29.1%	+27.4
Operating income	14.7	11.5	27.8%	+3.2
Net income	9.3	7.0	32.9%	+2.3
EBITDA *	23.5	16.8	39.9%	+6.7
*EBITDA in this table refers to operating income plus depreciation and amortization				
ROE	6.5~7.0%	6.1%	-	+0.4~+0.9%
EPS	92.02	68.94	-	+23.07

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Target figures for FY2017-2021③ (Reference: IFRS/operating income excluding special circumstances)

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Realizing business portfolio innovation by growing revenue from other businesses to move away from an over-reliance on Stores Business



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**Promoting growth
by using 60% of ¥66.8 billion for Strategic investments.**

Units: billion yen

	5-yr Plan	Weight		Description
Strategic investments	40.4	60%		Shopping complex development, new business development, etc.
Recurring investments	26.4	40%		Store renovations, related businesses, etc.
Total investment	66.8	-		

Plan five-year total operating cash flow of 77.3 billion yen

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**Medium-term Management Plan development by business:
PARCO Stores Business①**

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Initiatives to consolidate business advantages and widen value provided

Focus business resources on Urban Stores

Build – Ueno Matsuzakaya New South Wing Store (autumn 2017),
new Shibuya PARCO (autumn 2019), two other new stores
Scrap – Otsu PARCO (August 2017)

Consumers – widen store appeal

Provide spaces for genuine new experiences – creating unique in-store value

Evolve tenant composition

- Encourage businesses providing new customer experiences to become tenants
- Collaborations with tenant companies, tenant business category development, new business category creation

Provide enjoyment that transcends previous retail experience

- Create new value to provide to consumers – fulfilling lifestyles, services, information, realizations, shared experience, etc.

Store owners – provide unique tenant services

Provide a platform to maximize communication with consumers (create fans) – increase benefit to tenants

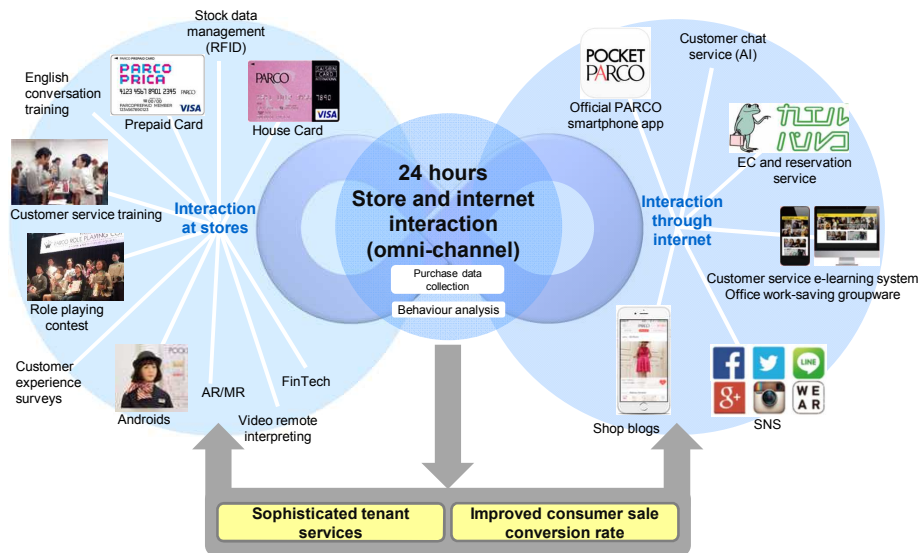
- Evolve a retail environment for securing stable sales – encourage CRM strategy and shopfront selling operations, etc.
- Update store functions to accommodate increase in tenant EC operations
- Apply ICT to increase effectiveness of the Stores Business – increase time for communication between tenants and customers

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Medium-term Management Plan development by business:
PARCO Stores Business ②

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Use ICT to evolve customer policy
 – expand customer sale conversion ratios, upgrade tenant services



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Medium-term Management Plan development by business:
Commercial Real Estate Production Business ①

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Advance into new areas to contribute to local development
 and secure greater profitability

Small-scale commercial business development plan (5-year): 12 new openings

- **ZERO GATE: 5 stores**
 (Kyoto, Harajuku, Sannomiya, and 2 others)
- **PARCO: 4 stores**
 (Matsuzakaya Ueno New South Wing Store, new Shibuya PARCO, and 2 others)
- **New formats: 3 stores**
 (Okinawa, Kinshicho, and 1 other)
- **Development expansion**
- Diversify business categories (ZERO GATE: adopt multi-tenant system, medium-to-high-end targets, etc.)
- Evolve business categories (Matsuzakaya Ueno New South Wing Store, new Shibuya PARCO)
- Diversify development framework (collaborations with outside companies, cyclical real estate investment model etc.)

Offer solutions and support growth for entrepreneurs

Utilize the expertise cultivated through collaboration in PARCO's Stores Business and offer a range of original services
(PARCO SPACE SYSTEMS) (PARCO Digital Marketing)

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Development projects

- Existing PARCO store
- Existing ZERO GATE store
- ★ Scheduled to open in FY2017
- ☆ Announced projects currently under development

*Shibuya PARCO Part 1 and Part 3 closed temporarily from August 2016
*Chiba PARCO closed in November 2016
*Otsu PARCO is scheduled to close in August 2017



Provide urban stakeholders with *personal fulfillment, inspiration, and new lifestyles*

Neuve A

- Expand business areas of specialized shop services
 - Expand shops in 4 existing and 8 new business categories
 - Improve profitability through full EC operations
 - Collaborate with external specialized shops on initiatives in new business areas

Entertainment Business

- Expand original live entertainment and globalize
 - Create a new entertainment space with the opening of the new Shibuya PARCO Theater
 - Raise familiarity in the global market by developing and distributing original content

Overseas businesses

- Raise brand recognition in Asia (inbound and outbound)
 - Adapt PARCO Group content overseas
 - Overseas shopping centers and business owner collaboration

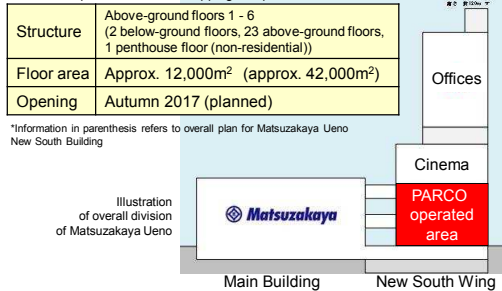
Leverage JFR Group assets to expand value provided

Engaging in an urban dominant strategy: Matsuzakaya Ueno New South Wing Store

- Evolve Stores Business to create new business categories in new markets
- Launch stores in multi-use complexes to develop new approaches to building operations

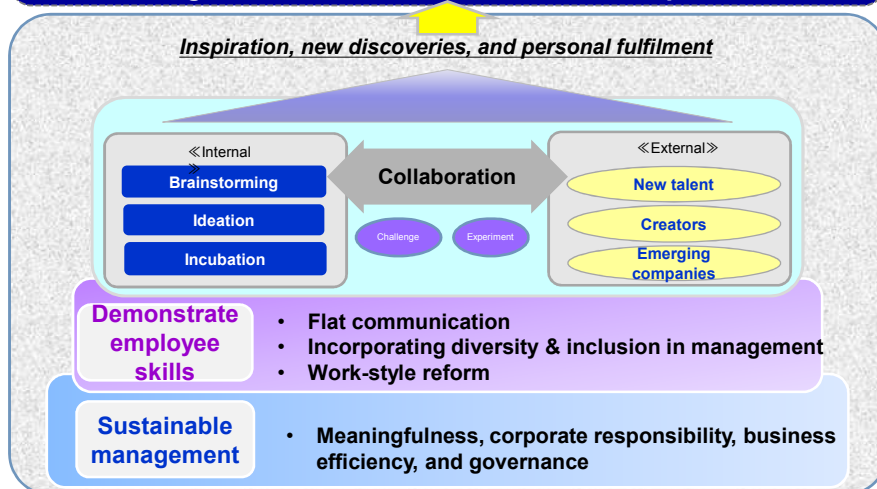


Overview of plan for PARCO shopping complex



Expand the PARCO Group's purpose in society, promote the development of a unique company culture, and improve sustainable business practices

Building a movement that exceeds market expectations



Overview of FY2016 results
 Medium-term Business Plan (FY2017-21)
 FY2017 forecasts

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FY2017 forecasts (IFRS)

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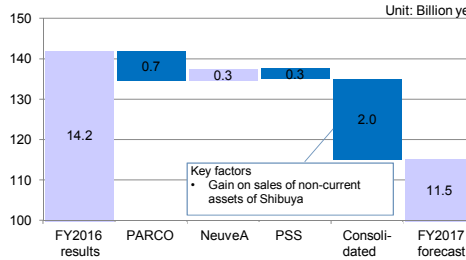
Forecasting an increase in consolidated sales and a decline in consolidated profit due to store closings, temporary store closings, and an increase in depreciation and amortization, and other factors.

Unit: Million yen

Consolidated (IFRS)	FY2017 forecasts (year to Feb. 2018)	FY2016 results (year to Feb. 2017)	Change ¥	Change %
Net sales	95,100	94,022	1,077	1.1%
Operating income	11,500	14,203	(2,703)	(19.0%)
Net income attributable to owners of parent	7,400	8,795	(1,395)	(15.9%)

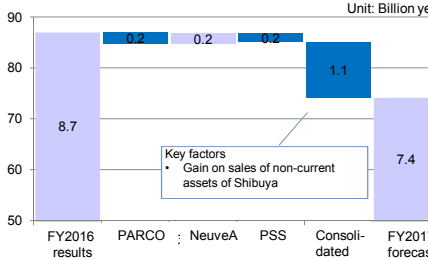
Reasons for YoY differences in operating income

Unit: Billion yen



Reasons for YoY differences in net income

Unit: Billion yen

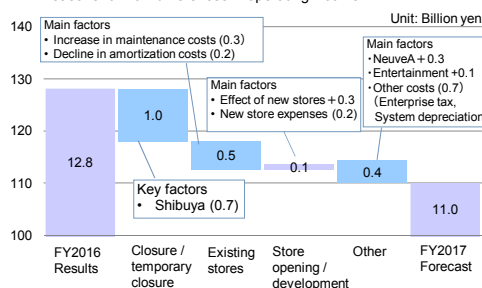


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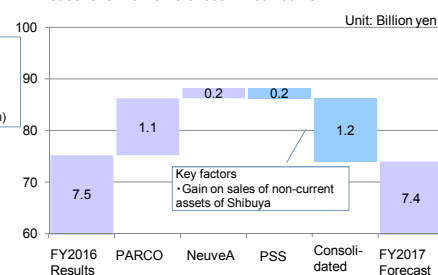
Unit: Million yen

Consolidated (Japanese GAAP)	FY2017 forecasts (year to Feb. 2018)	FY2016 results (year to Feb. 2017)	Change ¥	Change %
Net sales	267,100	268,373	(1,273)	(0.5%)
Operating income	11,000	12,812	(1,812)	(4.1%)
Net income attributable to parent	7,400	7,525	(125)	(1.7%)

Reasons for YoY differences in operating income



Reasons for YoY differences in net income



FY2017 forecasts under Japanese GAAP are pro-forma figures and are subject to change.

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FY2017: Other targets and forecasts

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1. Consolidated Capital expenditure

Unit: Million yen

Consolidated	FY2017 forecasts	FY2016 results
Capital expenditure	15,389	18,723

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

2. Share

Targeting annual dividend per share of ¥23 (planned interim dividend per share of ¥11)

3. Store-Opening Plans

1. Matsuzakaya Ueno New South Wing Store: Scheduled to open in autumn 2017
2. Jingumae, Shibuya "Harajuku ZERO GATE"*: Scheduled to open in winter 2017
3. Shijo Street, Kyoto "Kyoto ZERO GATE"*: Scheduled to open in FY2017

*Provisional name

4. PARCO store renovation

Area scheduled for renovation : Approx.44,000 m² (FY2016 achievement: Approx.55,000m²)

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Statements in this presentation that are not historical fact, such as forecasts, are forward-looking statements, based on information available as of April. 6, 2017, and are subject to a number of risks and uncertainties. Actual results may be materially different.

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