

Quarterly Report FY 2016 Q4

- 1 *Comments from the President*
- 2 *Performance Overview*
- 3 *New store openings, temporary closures and store closures*
- 4 *Consolidated Results*
- 5 *Non-consolidated Results*
- 6 *Review of PARCO Store Operations*
- 7 *Major Companies of PARCO Group*
- 8 *Forecasts (IFRS)*

1 *Comments from the President*

FY2016 was the final year of the previous medium-term management plan (FY2014 – FY2016). The outcome of our investments in the future, including opening new stores and closing others, was that we fell short of our operating income target of 13.5 billion yen, affected by continuing changes in individual consumer preferences and other factors. Nevertheless, operating income for the full year reached record highs for the fifth consecutive fiscal year.

PARCO Group is currently engaged in selection choice and focus, and considering a direction for business development with an eye to achieving future growth. In FY2016, we opened Sendai PARCO2 and Hiroshima ZERO GATE 2. In FY2017, we will launch a new store in Ueno in collaboration with J. Front Retailing Co., Ltd., and will open ZERO GATE stores in the high-profile shopping area of Harajuku and in Kyoto.

Shibuya PARCO temporarily closed for reconstruction from August 2016. In addition, following recent changes in the commercial environment and taking into consideration future return on investment, Chiba PARCO was closed in November and Otsu PARCO is scheduled to close at the end of August. In our Overseas Business, itadakimasu by PARCO, a newly developed Japanese restaurant zone in Singapore, opened in December.

The annual dividend for FY2016 was increased to ¥23, a higher than forecast increase of ¥3.

In April 2017, we announced a new medium-term plan for FY2017 to FY2021. With the planned opening of the reborn Shibuya PARCO in 2019 at its core, the plan aims to expand the value of PARCO Group by revamping our business, increasing our business areas, and transforming our business portfolio.

PARCO Group is pursuing an aggressive forward-looking strategy while further strengthening trend communication and shop selection, and developing the captivating stores that customers from all over the world have come to associate with us. We ask for the continued support of the PARCO Group's many stakeholders in our activities moving forward.

Performance Overview

Consolidated net Sales declined due to sluggish net sales in the Shopping Complex Business, and other factors. Operating income reached record highs for the fifth consecutive fiscal year. Targets for net income attributable to owners of parent were achieved and a new record was set.

- Net sales decreased due to sluggish performance by PARCO stores, the effects of the temporary closure of Shibuya PARCO from August, the closure of Chiba PARCO at the end of November, and other factors, and despite an increase in sales from the opening of Sendai PARCO2 in the Shopping Complex Business.
- Operating income increased due to the opening of Sapporo ZERO GATE (opened February, 2016) and an increased profit contribution from PARCO Space Systems where construction orders increased.
- Net income attributable to owners of parent increased due to compensation received in relation to Shibuya PARCO, the sale of real estate, and other factors.

New store openings, temporary closures and store closures

2016	2017	After 2018
<p>Sendai PARCO 2 (opened July, 2016)</p> <p>Hiroshima ZERO GATE 2 (opened September, 2016)</p>	<p>New store in Ueno</p> <p>Scheduled opening of Harajuku ZERO GATE *₁</p> <p>Scheduled opening of Kyoto ZERO GATE *₁</p>	<p>Scheduled opening of Urasoe West Coast Development Project (Okinawa) *₂</p> <p>Scheduled completion of Udagawa-cho 15 Development Project (Shibuya)</p> <p>Scheduled opening of Sannomiya ZERO GATE (Kobe) *₁</p> <p>Scheduled opening of Kinshicho Ekimae property (Tokyo)</p>
<p>Shibuya PARCO Part 1 and Part 3 (closed temporarily as of August, 2016)</p> <p>Chiba PARCO (closed November, 2016)</p>	<p>Otsu PARCO (scheduled to closed in August, 2017)</p>	

*1 provisional name

*2 PARCO and SAN-A establish a joint corporation for the operation of a new shopping complex business in Okinawa prefecture.

Consolidated Results

Millions of yen

	FY 2016	FY 2015	Change	Change
For the Period				
Net sales	¥ 268,373	¥ 276,358	¥ (7,984)	(2.9%)
Operating gross profit	45,446	46,655	(1,209)	(2.6%)
Operating income	12,812	12,772	40	0.3%
Ordinary income	13,253	12,673	580	4.6%
Net income attributable to parent	7,525	6,061	1,463	24.1%
EBITDA	18,189	19,010	(821)	(4.3%)
Cash flows from operating activities	12,901	14,652	(1,751)	-
Cash flows from investing activities	(10,098)	(19,325)	9,227	-
Cash flows from financing activities	1,118	7,203	(6,084)	-
Cash and cash equivalents at end of period	10,582	6,840	3,742	54.7%
At the Period End				
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%
Per Share Data				
Net income	74.17	59.75	14.42	24.1%

	Millions of yen		
	FY 2016	change	Change
Consolidated Results by Segment			
Shopping Complex Business (PARCO, PARCO (Singapore))			
Sales	¥239,447	¥(8,631)	3.5%
Segment income	11,738	189	1.6%
Retail Business (NEUVE A)			
Sales	21,640	166	0.8%
Segment income	435	(258)	(37.3%)
Space Engineering and Management (PARCO SPACE SYSTEMS)			
Sales	20,242	272	1.4%
Segment income	629	196	45.2%
Other Business (PARCO-CITY, PARCO's Entertainment Business)			
Sales	6,774	(76)	(1.1%)
Segment income	58	(74)	(55.9%)
Total			
Sales	288,104	(8,268)	(2.8%)
Segment income	12,862	52	0.4%
Consolidated (after adjustment)			
Sales	273,377	(7,673)	(2.7%)
Segment income	12,812	40	0.3%

	Millions of yen		
	FY 2016	change	Change
Selling, general and administrative expenses			
Personnel	¥10,339	¥87	0.9%
Lease/rental	9,106	163	1.8%
Advertising	3,287	(53)	(1.6%)
Agency services	5,259	(133)	(2.5%)
Depreciation	5,377	(861)	(13.8%)
Total SG&A	32,633	(1,249)	(3.7%)
Millions of yen			
	FY 2016	change	
Non-operating income and expenses			
Non-operating income	¥ 1,407	¥ 1,041	
Interest earned	31	(6)	
Compensation income*	975	975	
*Compensation related to the Shibuya PARCO reconstruction plan			
Non-operating expenses	967	501	
Interest expenses	359	(17)	
Share of loss of entities accounted for using equity method	339	325	
Taxes and dues	130	130	

	Millions of yen		
	FY 2016	change	Main factors
Extraordinary income and loss			
Extraordinary income	¥3,541	¥2,291	
Gain on sales of non-current assets	3,158	3,158	Sale of land related to Shibuya PARCO
Gain on sales of investment securities	55	(1,165)	Sales of investment securities in the previous year
Extraordinary loss	4,965	1,179	
Loss on sales of noncurrent assets	258	237	Sale of land related to Shibuya PARCO
Loss on disposal of noncurrent assets	734	(88)	Renovation of PARCO stores
Impairment loss	781	(243)	Sannomiya ZERO GATE (provisional name) Impairment related to NEUVE A stores
Loss on closing stores	2,731	843	Loss related to decision of closure of Otsu PARCO, closure of Chiba PARCO in previous year

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

Figures for net sales by segment include operating revenue.

Segment income is adjusted to operating income in the quarterly consolidated statements of 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.

Non-consolidated Results

Millions of yen

	FY 2016	FY 2015	Change	Change
For the Period				
Net sales	¥240,221	¥ 249,366	¥(9,145)	(3.7%)
Gross profit	29,794	31,450	(1,655)	(5.3%)
Operating revenue	4,987	4,690	296	6.3%
Operating gross profit	34,782	36,140	(1,358)	(3.8%)
Operating income	11,815	11,731	84	0.7%
Ordinary income	12,618	11,727	890	7.6%
Net income	6,049	5,932	117	2.0%
EBITDA	16,788	17,520	(732)	(4.2%)
At the Period End				
Total assets	247,027	233,450	13,577	-
Net assets	120,758	116,827	3,931	-

	Millions of yen		
	FY 2016	change	Change
Selling, general and administrative expenses			
Personnel	¥5,648	¥(54)	(1.0%)
Lease/rental	7,056	99	1.4%
Advertising	3,074	(46)	(1.5%)
Agency services	5,831	(141)	(2.4%)
Depreciation	4,972	(817)	(14.1%)
Total SG&A	22,966	(1,443)	(5.9%)

	Millions of yen		
	FY 2016	change	Change
Non-operating income and expenses			
Non-operating income	¥1,399	¥948	
Interest earned	33	(6)	
Compensation income *3	975	975	
Non-operating expenses	596	142	
Interest expenses	371	(19)	
Taxes and dues	130	130	

*1 As of August 7, 2016, Shibuya PARCO have been closed temporarily

*2 As of November 30, 2016, Chiba PARCO have been closed.

*3 Compensation related to the Shibuya PARCO reconstruction plan

*4 Existing stores total does not include sales at Fukuoka PARCO Main Building extension (opened Mar.19, 2015), Nagoya PARCO midi (opened Mar. 27, 2015), Sendai PARCO 2 (opened Jul.1, 2016), Shibuya PARCO (closed temporarily as of August 7, 2016), and Chiba PARCO (closed Nov. 30, 2016).

	Millions of yen	
	FY 2016	Change
PARCO Tenant Sales by Store		
Urban store group		
Sapporo PARCO	¥11,897	(4.2%)
Sendai PARCO	17,015	27.8%
Ikebukuro PARCO	25,767	(5.6%)
Shibuya PARCO *1	7,615	(50.3%)
Shizuoka PARCO	10,310	(0.3%)
Nagoya PARCO	36,287	(1.3%)
Hiroshima PARCO	15,932	(4.3%)
Fukuoka PARCO	19,417	(0.8%)
8 store total	144,245	(4.9%)
Community store group		
Utsunomiya PARCO	3,576	(17.0%)
Urawa PARCO	17,319	2.7%
Shin-Tokorozawa PARCO	9,385	0.9%
Chiba PARCO *2	4,302	(16.6%)
Tsudanuma PARCO	8,106	(4.9%)
Hibarigaoka PARCO	7,066	(2.6%)
Kichijoji PARCO	6,904	(0.4%)
Chofu PARCO	16,950	(0.7%)
Matsumoto PARCO	7,133	(1.2%)
Otsu PARCO	3,500	(3.1%)
Kumamoto PARCO	5,482	6.8%
11 store total	89,727	(1.8%)
Total	233,973	(3.7%)
Existing store total *4	215,578	(2.4%)

	Millions of yen		Main factors
	FY 2016	Change	
Extraordinary income and loss			
Extraordinary income	¥1,894	¥644	
Gain on sales of non-current assets	1,511	1,511	Sale of land related to Shibuya PARCO
Gain on sales of investment securities	55	(1,165)	Sales of investment securities in the previous year
Extraordinary loss	5,332	1,897	
Loss on sales of noncurrent assets	258	237	Sale of land related to Shibuya PARCO
Loss on disposal of noncurrent assets	766	(44)	Renovation of PARCO stores
Impairment loss	583	(284)	Sannomiya ZERO GATE (provisional name) Impairment of Utsunomiya PARCO
Loss on valuation of investment securities	339	339	Loss on valuation of Apparel-Web, Inc.
Loss on closing stores	2,737	1,029	Loss related to decision of closure of Otsu PARCO, closure of Chiba PARCO in previous year

Review of PARCO Store Operations

Sales by item (Total of existing stores)	Change
Womenswear	(7.3%)
Menswear	(6.3%)
General clothing	0.4%
Clothing	(4.0%)
Shoes	(5.7%)
Bags	(4.9%)
Accessories	(0.6%)
Cosmetics	7.2%
Personal items	(2.1%)
Sundry goods	0.2%
Foods	(0.5%)
Restaurants	(3.9%)
Other (service, etc.)	(3.4%)

Paying customers, Average spend per customer (Total of existing stores)	Change
Paying customers	(3.4%)
Average spend per customer	0.6%

	Millions of yen		
	4Q	Change	Share in sales
Credit card sales amount			
Credit card	¥116,193	(1.7%)	43.6%
PARCO Card	58,538	0.7%	22.0%

Renovation			
Number of sections	441		
Of which are new store sections	225		
Renovated area	Approx.	55,000m ²	
Zone sale YoY comparison	12.7%		

Total Integrated Sales Results (Change)	Mar. *1	Apr.	May	Jun.	Jul. *2	Aug. *3
Total stores	(4.0)%	(2.6)%	(5.5)%	(2.7)%	3.6%	(8.2)%
Existing stores	(4.6)%	-	-	-	(0.4)%	(7.8)%
	Sep. *3	Oct. *3	Nov. *3			
Total stores	(7.9)%	(2.1)%	(0.7)%	(6.2)%	(7.9)%	(9.2)%
Existing stores	(4.7)%	1.3%	2.6%	(1.6)%	(2.9)%	(3.3)%

	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO	Total stores *5
--	---------------	-----------------	---------------	-----------------

Reference : Purchases by foreign-issued credit cards in main stores *6				
YoY change in purchases		50.6%	41.5%	33.4%
Share of net sales of each store accounted		11.4%	3.2%	1.6%
YoY change in share of net sales of each store accounted		+ 4.1%	+ 1.1%	+ 0.8%

Existing stores total does not include sales at Fukuoka PARCO Main Building extension (opened Mar.19, 2015), Nagoya PARCO midi (opened Mar. 27, 2015), Sendai PARCO 2 (opened Jul.1, 2016), Shibuya PARCO (closed temporarily as of August 7, 2016), and Chiba PARCO (closed Nov. 30, 2016). Figures for review of PARCO store operations are based on "integrated sales" of stores. "Integrated sales" indicates the overall sales performance of a store and includes tenant sales, sales at PARCO Theatre and other facilities, and sales of tenants under fixed rent contracts. Figures of renovation exclude Shibuya PARCO and Chiba PARCO.

*1 Existing stores' excludes sales at Nagoya PARCO midi, and Fukuoka PARCO Main Building Extension.

*2 Existing stores' excludes sales at Sendai PARCO2.

*3 Existing stores' excludes sales at Sendai PARCO2 and Shibuya PARCO.

*4 Existing stores' excludes sales at Sendai PARCO2, Shibuya PARCO and Chiba PARCO.

*5 The inbound sales totals for all stores do not include figures from Shibuya PARCO from August and Chiba PARCO from December onwards (current quarter and previous quarter)

*6 As of 2016, China Union Pay is accepted at all shops (tenants) in Sapporo PARCO, Sendai PARCO, Ikebukuro PARCO, Kichijoji PARCO, Hiroshima PARCO, Fukuoka PARCO, and Nagoya PARCO

Major Companies of PARCO Group

For the Period	Millions of yen				
	PARCO	NEUVE A	PARCO SPACE SYSTEMS	PARCO-CITY	PARCO (Singapore)
Net sales	¥ 240,221	¥ 21,640	¥ 20,242	¥ 921	¥ 77
Operating income	11,815	435	629	70	(89)
Ordinary income	12,618	463	596	71	(87)
Net income	6,049	105	554	62	(87)
Ownership ratio by PARCO	-	100%	100%	100%	100%

NEUVE A

Sales increased and profits decreased due to the opening of 15 new shops, including new formats. 201-shop structure as of the end of FY2016.

PARCO SPACE SYSTEMS

Sales and profits increased due to an increase in orders for interior and electrical construction, new projects from hotels, and other factors.

PARCO-CITY

Sales and profits increased as the number of commercial facility customers introducing website production services surpassed 100.

PARCO (Singapore)

Opened Japanese restaurant zone itadakimasu by PARCO, in Singapore in December.

Forecasts (IFRS)

	Millions of yen			
	FY 2017	Change	FY 2017	Change
	2Q		4Q	
Consolidated FY 2017 (IFRS)				
Net sales	¥45,500	(4.0)%	¥95,100	1.1%
Operating income	5,900	(38.7)%	11,500	(19.0)%
Profit attributable to owners of parent	3,800	(32.3)%	7,400	(15.9)%
Basic earnings per share	37.45	-	72.94	-

	Millions of yen			
	FY 2017	Change	FY 2017	Change
	2Q		4Q	
Non-Consolidated FY 2017 (IFRS)				
Net sales	¥28,246	(5.8)%	¥58,310	(1.2)%
Operating income	5,724	(23.5)%	10,599	(6.5)%
Net income	3,996	(14.8)%	7,146	(3.2)%

*Result values for FY2016 year-on-year changes are approximate values, and it is possible that they will change depending on the result of the accounting audit.