

Quarterly Report FY 2017 Q1

- 1 *Comments from the President*
- 2 *Performance Overview*
- 3 *New store openings and store closures*
- 4 *Consolidated Results*
- 5 *Non-consolidated Results*
- 6 *Review of PARCO Store Operations*
- 7 *Major Companies of PARCO Group*
- 8 *Ref: Comparison of IFRS and GAAP disclosure items*

1 *Comments from the President*

FY2017 is the first year of the new Medium-term Business Plan (FY2017-21), and Q1 is the first quarter for which we have adopted International Financial Reporting Standards (IFRS). Profits this quarter increased due to cost optimization at PARCO stores and other factors, and despite a decline in Operating revenue stemming from the temporary closure of Shibuya PARCO and the closure of Chiba PARCO.

PARCO's Medium-term Business Plan outlines our business portfolio innovation as the direction we will take to develop our business to achieve future growth. We are continuing to advance our policy of business selection and focus. In FY2017, we will launch a new store in Ueno in collaboration with J. Front Retailing Co., Ltd., and will open a ZERO GATE store in a high-profile shopping area in Kyoto. Following recent changes in the commercial environment and taking into consideration future return on investment, Otsu PARCO is scheduled to close at the end of August. Construction on the new Shibuya PARCO officially began in May, and other developments including finalization of transfer agreements for office floor space are progressing smoothly.

Our ongoing corporate initiatives also received recognition in Q1. At PARCO, we are dedicated to promoting diversity in management, and the systems we have set up to promote work-life balance have been well received. As a result, this past March PARCO was selected by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) as a "Semi-Nadeshiko Brand," a designation that acknowledges listed companies that excel in encouraging the empowerment of women in the workplace. One of the strategies for achieving PARCO's Long-term Vision is innovative use of ICT. Our ICT services for both customers at PARCO stores and staff at tenant shops were highly evaluated by METI, and in May PARCO was named a "Noteworthy IT Strategy Company" in recognition of this.

PARCO Group will continue to pursue these initiatives and 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.

2 Performance Overview

PARCO has adopted International Financial Reporting Standards (IFRS) in place of Japanese accounting standards (Japanese GAAP) from the first quarter of FY2017.

Consolidated operating revenue for the period declined due to sluggish net sales in the Shopping Complex Business. Operating profit and profit attributable to owners of parent (hereafter 'profit') increased.

- Operating revenue decreased due to effects from the temporary closure of Shibuya PARCO in August and the closure of Chiba PARCO at the end of November, and despite increases from the opening of Sendai PARCO 2 in July 2016.
- Operating profit increased as a result of increases in other income associated with the Shibuya redevelopment project, cost optimization at PARCO stores, and improvements in the gross profit ratio at PARCO SPACE SYSTEMS.
- Profit rose due to the increase in operating profit and following a decrease in the corporate tax rate from the previous year

3 New store openings and store closures

2017	2018	After 2019
New store in Ueno	Scheduled opening of Kinshicho Ekimae property (Tokyo)	Scheduled completion of the Urasoe West Coast Development Project (Okinawa) * 2
Scheduled opening of Kyoto ZERO GATE *1	Scheduled opening of Harajuku ZERO GATE *1	Scheduled completion of the Udagawa-cho 15 Development Project (the new Shibuya PARCO)
		Scheduled opening of Sannomiya ZERO GATE (Kobe) *1
<hr/> <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

For the Period	Millions of yen					
	FY 2017	FY 2016	Change	Change	FY 2016	FY 2016
	1Q	1Q			Ref:1Q	4Q
	IFRS	IFRS			Japanese GAAP	IFRS
Operating revenue(IFRS)/Net sales (Japanese GAAP)	¥ 23,508	¥ 23,706	¥ (197)	(0.8%)	¥ 68,208	¥ 93,780
Operating gross profit	7,594	8,052	(458)	(5.7%)	11,533	31,302
Operating profit(IFRS)/Operating income(Japanese GAAP)	3,497	3,412	85	2.5%	3,231	14,203
Profit(IFRS)/Net income(Japanese GAAP)	2,301	2,186	114	5.2%	1,725	8,795
Cash flows from operating activities *1	6,503	3,061	3,441	-	2,760	-
Cash flows from investing activities *1	(2,478)	(1,835)	(642)	-	(1,534)	-
Cash flows from financing activities *1	(5,557)	(3,403)	(2,153)	-	(3,403)	-
EBITDA *1,2	4,858	4,667	190	4.1%	4,492	-
At the Period End *3						
Total assets	252,139	-	3,333	-	-	248,806
Net assets	121,640	-	1,040	-	-	120,600
Interest-bearing debt	53,877	-	(4,285)	-	-	58,162
Per Share Data						
Profit	22.68	21.55	1.13	5.2%	17.01	86.68

Consolidated Results by Segment *4,5				Millions of yen	
	FY 2017 1Q	Change	Change		
Shopping Complex Business (PARCO, PARCO (Singapore))					
Operating revenue	¥ 12,850	¥ (890)	(6.5%)		
Segment profit	3,245	187	6.1%		
Retail Business (NEUVE A)					
Operating revenue	5,199	69	1.4%		
Segment loss	(18)	(52)	-		
Space Engineering and Management (PARCO SPACE SYSTEMS)					
Operating revenue	5,695	(4)	(0.1%)		
Segment profit	323	30	10.3%		
Other Business (PARCO Digital Marketing, PARCO's Entertainment Business)					
Operating revenue	1,931	605	45.6%		
Segment profit	(43)	(84)	-		
Total					
Operating revenue	25,677	(220)	(0.9)%		
Segment profit	3,506	81	2.4%		
Consolidated (after adjustment)					
Operating revenue	23,508	(197)	(0.8)%		
Segment profit	3,497	85	2.5%		

Millions of yen			
	FY 2017 1Q	change	Change
Selling, general and administrative expenses			
Total SG&A	¥ 4,786	¥ 223	4.9%
Personnel	2,004	35	1.8%
Lease/rental	714	34	5.0%
Advertising	202	50	33.5%
Agency services	269	(14)	(5.0%)
Depreciation	212	20	10.7%

Millions of yen		
	FY 2017 1Q	change
Finance income and costs		
Share of loss of entities accounted for using equity method		
Finance income	¥ 24	¥ (22)
Interest income	23	¥ (22)
Finance costs (Interest expenses)	87	0
Share of loss of entities accounted for using equity method	11	(4)

Millions of yen			
	FY 2017 1Q	change	Main factors
Other income and expense			
Other income	¥ 928	774	
Compensation income	487	487	Compensation related to Shibuya redevelopment
Gain on sales of non-current assets	0	(94)	Sale of land related to Shibuya redevelopment
Other income and expense	238	7	
Loss on disposal of noncurrent assets	220	16	Renovation of PARCO stores

*1 Figures for consolidated statements of cash flows for Q4 FY2016 are not given as they are under accounting audit.

*2 EBITDA (IFRS) in the table above refers to operating income plus depreciation and amortization (the depreciation and amortization expenses listed in the consolidated statements of cash flows).

*3 Change in total assets, net assets, and interest-bearing debt was calculated in comparison with figures for FY 2016 4Q (IFRS).

*4 Segment profit and loss is adjusted to operating profit in the quarterly consolidated statements of income.

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

Non-consolidated Results

	Millions of yen					
	FY 2017	FY 2016	Change	Change	FY 2016	FY 2016
	1Q	1Q			Ref: 1Q	4Q
For the Period	IFRS	IFRS			Japanese GAAP	IFRS
Operating revenue(IFRS)	¥ 14,555	¥ 14,862	¥ (307)	(2.1%)	¥ 60,978	¥ 58,991
Operating gross profit	4,659	5,180	(521)	(10.1%)	8,849	19,803
Operating profit	3,202	3,091	111	3.6%	2,903	11,338
Profit	2,398	2,019	379	18.8%	1,570	7,380
At the Period End *1						
Total assets	248,306	-	2,503	-	-	245,802
Net assets	120,748	-	1,126	-	-	119,621

	Millions of yen		
	FY 2017 1Q	change	Change
Selling, general and administrative expenses			
Total SG&A	¥ 2,118	¥ 113	5.6%
Personnel	918	43	5.0%
Lease/rental	124	(33)	(21.0%)
Advertising	107	58	119.1%
Agency services	224	(25)	(10.4%)
Depreciation	98	6	7.6%

	Millions of yen	
	FY 2017 1Q	change
Finance income and costs		
Finance income	¥ 308	¥ 246
Interest income	24	(19)
Dividend income *2	283	266
Finance costs	89	3

	Millions of yen	
	FY 2017 1Q	Change
PARCO Tenant Transaction Volume by Store *2		
Urban store group		
Sapporo PARCO	¥ 3,311	(1.8%)
Sendai PARCO	4,977	56.7%
Ikebukuro PARCO	7,074	4.3%
Shibuya PARCO *4	348	(92.1%)
Shizuoka PARCO	2,640	0.1%
Nagoya PARCO	8,611	(9.3%)
Hiroshima PARCO	4,103	(4.5%)
Fukuoka PARCO	5,513	3.0%
8 store total	36,582	(7.5%)
Community store group		
Utsunomiya PARCO	810	(16.8%)
Urawa PARCO	6,543	8.9%
Shin-Tokorozawa PARCO	2,810	5.6%
Tsudanuma PARCO	2,583	(1.4%)
Hibarigaoka PARCO	2,138	(0.1%)
Kichijoji PARCO	2,334	0.6%
Chofu PARCO	4,888	0.8%
Matsumoto PARCO	1,998	(0.6%)
Otsu PARCO	1,121	(6.3%)
Kumamoto PARCO	1,425	4.7%
10 store total	26,655	(3.6%)
Total *5	63,237	(5.9%)
Existing store total *6	61,327	(0.5%)

	Millions of yen		
	FY 2017 1Q	change	Main factors
Other income and expense			
Other income	¥ 918	¥ 769	
Compensation income	487	487	Compensation related to Shibuya redevelopment
Gain on sales of non-current assets	0	(94)	Sale of land related to Shibuya redevelopment
Other income and expense	255	23	
Loss on disposal of noncurrent assets	238	25	Renovation of PARCO stores

*1 Change in total assets, and net assets was calculated in comparison with figures for FY 2016 4Q (IFRS).

*2 Dividend income from subsidiaries

*3 Tenant transaction volume is a measure of the total number of transactions conducted by tenants at PARCO stores and is used as an indicator of overall store sales performance. Figures for the previous year have been calculated based on identical standards.

*4 As of August 7, 2016, Shibuya PARCO has been closed temporarily

*5 Previous-year figures used to calculate year-on-year change include Chiba PARCO (closed Nov. 30, 2016)

*6 Existing store total does not include sales from Sendai PARCO 2 (opened Jul. 1, 2016) and Shibuya PARCO.

Review of PARCO Store Operations

Sales by item	Change
Womenswear	(8.3%)
Menswear	(4.4%)
General clothing	(0.4%)
Clothing	(5.0%)
Shoes	(6.6%)
Bags	(7.8%)
Accessories	(2.5%)
Cosmetics	5.1%
Personal items	(2.6%)
Sundry goods	6.5%
Foods	(0.8%)
Restaurants	2.0%
Other (service, etc.)	6.8%

Paying customers, Average spend per customer	Change
Paying customers	(0.7%)
Average spend per customer	0.2%

	Millions of yen		
	FY 2017 1Q	Change	Share in sales
Credit card sales amount *1			
Credit card	¥28,231	1.2%	46.3%
PARCO Card	15,431	1.2%	25.3%

Renovation			
Number of sections	118		
Of which are new store sections	68		
Renovated area	Approx.	15,000㎡	
Zone sale YoY comparison	30.7%		

Total tenant transaction volume results (Change) *2	Mar.	Apr.	May
Total stores	(6.0%)	(5.9%)	(5.8%)
Existing stores	(1.1%)	0.5%	(0.5%)

	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO	Nagoya PARCO	Total stores
Ref: Purchases by foreign-issued credit cards in main stores *3					
YoY change in purchases	2.2%	47.9%	75.9%	98.7%	35.3%
Share of total sales of each store accounted	9.8%	3.5%	2.3%	1.1%	1.4%
YoY change in share of total sales of each store accounted	(0.1%)	+1.0%	+0.9%	+0.6%	+0.3%

Existing stores totals for sales by item, paying customers, average spend per customer, and total tenant transaction volume results do not include sales from Sendai PARCO 2 and Shibuya PARCO.

*1 Credit card sales amount totals do not include figures from Shibuya PARCO and Sendai PARCO 2.

*2 Figures of renovation exclude Shibuya PARCO and Otsu PARCO.

*3 Purchases by foreign-issued credit cards in main stores do not include figures from Shibuya PARCO.

Major Companies of PARCO Group

For the Period	Millions of yen				
	PARCO	NEUVE A	PARCO SPACE SYSTEMS	PARCO Digital Marketing	PARCO (Singapore)
Operating revenue	14,555	5,199	5,695	188	41
Operating profit	3,202	(18)	323	15	(16)
Profit	2,398	(9)	222	9	(16)
Ownership ratio by PARCO	-	100%	100%	100%	100%

NEUVE A

Profits decreased due to an increase in expenses despite growth in Operating revenue stemming from an increase in new stores.

PARCO SPACE SYSTEMS

Profits increased despite a decline in Operating revenue resulting from the completion of large projects in the previous year due to improvements in interior work-related costs.

PARCO Digital Marketing
PARCO (Singapore)

Operating revenue and profits decreased as a result of the completion of large projects in the previous year. Projects including the Japanese restaurant zone progressed smoothly. Contracted for design consultation for a commercial facility in Ho Chi Minh City, Vietnam.

Ref: Comparison of IFRS and GAAP disclosure items

Japanese GAAP (consolidated)		IFRS (consolidated)	
Net sales	Sales by commission-contract tenants Sales at PARCO Theatre, etc.	Operating revenue	
Cost of sales		Operating cost	
Gross profit	Income from tenant rent, theater sales, etc.		
Operating revenue	Income from fixed rent contracts, etc.		
Operating gross profit		Operating gross profit	
Selling, general and administrative expenses		Selling, general and administrative expenses	
(Store-related expenses)			
(Other expenses)		Other income, Other expenses	
(Reversal items)			
Operating income		Operating profit	
Non-operating income, expenses			
Dividend Income, Finance income and costs		Finance income and costs	
Share of loss of entities accounted for using equity method		Share of loss of entities accounted for using equity method	
(Other non-operating income and expenses)			
Ordinary income			
extraordinary profit / loss			
Profit before income taxes		Profit before tax	
Corporate tax, etc.		Corporate tax, etc.	
Net income attributable to parent		Profit attributable to owners of parent	

PARCO
www.parco.co.jp