

Quarterly Report FY 2018 Q4

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1 *Comments from the President*

In fiscal 2018, the second year of our Medium-term Business Plan for 2017-2021, consolidated revenue and profits declined overall due in part to losses associated with the closure of Utsunomiya Parco and Kumamoto PARCO and sluggish sales performance in the PARCO stores business. This was despite an increase in revenue from contributions from PARCO_ya Ueno and Kyoto ZERO GATE, which opened in fiscal 2017, and Harajuku ZERO GATE and Sannomiya ZERO GATE, which opened in fiscal 2018.

In fiscal 2019, in line with one of the three core tactics of our Medium-term Business Plan—“produce commercial real estate”—we will open four properties in different business categories. Already March has seen the opening of Kinshicho PARCO in an existing commercial complex. The store has gotten off to a strong start, addressing local customer demand with food zones featuring well-known local stores and tenants offering health and lifestyle support, such as clinics and a post office. This summer, in a joint venture with an Okinawa-based company, we plan to open SAN-A Urasoe West Coast PARCO CITY as what will be Okinawa prefecture’s largest commercial development. From autumn, we plan to open a ZERO GATE store in Kawasaki, our 11th under this business model, as well as new Shibuya PARCO located in Japan’s first Special Urban Renaissance District. Other development plans, including the spring 2021 store opening in the North Building of Daimaru Shinsaibashi, are progressing steadily.

As part of our store brand evolution and in view of the changing commercial environment, we have made the decision to close Utsunomiya PARCO at the end of May 2019 and Kumamoto PARCO at the end of February 2020. We are looking into the possibility of redeveloping Kumamoto PARCO as a new commercial facility. Moreover, we will strengthen our approach to the market by harnessing the momentum created by PARCO’s 50th anniversary this year, the anniversaries of our core stores, and the opening of new Shibuya PARCO as a next-generation commercial facility. We will continue to pursue improvements to the Stores business, reorganizing PARCO Stores Group into Urban Stores and Community Stores to reflecting the characteristics of the market, and offer a more efficient, responsive, and appealing PARCO Store brand by bringing together the expertise of our Commercial Development business.

Finally, as part of our tactic to “expand soft content,” in July 2018 we reopened CINE QUINTO in Shibuya as the new hub of our Entertainment business, and in December opened UPLINK Kichijoji PARCO within the Kichijoji PARCO store. The opening of new Shibuya PARCO in fiscal 2019 will provide a new base to promote businesses that harness the strengths of PARCO’s unique content. In September 2018 Retail business NEUVE A launched TiCTAC USED+, a new style of e-commerce. In fiscal 2019, NEUVE A will partner with PARCO to develop original new business categories, while strengthening existing businesses through the continuation of its scrap & build policy and the acceleration of its digital strategy.

The annual dividend for fiscal 2019 will be 26 yen, a 2-yen increase compared with fiscal 2018 to mark PARCO’s 50th anniversary year.

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

In fiscal 2018, revenue and profits declined overall due in part to losses associated with the decision to close Utsunomiya Parco and Kumamoto PARCO and the impact of competition in the PARCO stores business. This was despite contributions from stores which opened in fiscal 2017 and fiscal 2018.

- Operating revenue decreased due in part to sluggish sales performance at some existing PARCO stores and a reduction in the number of NEUVE A shops in the Retail business. This was despite an increase in large-scale orders at PARCO SPACE SYSTEMS CO., LTD. in the Space Engineering and Management Business and contributions from PARCO_ya Ueno and Kyoto ZERO GATE, which opened in November of the previous fiscal year, and from Harajuku ZERO GATE and Sannomiya ZERO GATE, which opened in March and September, respectively, in the fiscal year under review.
- Operating profit and profit for the period declined due the recording of losses associated with the decision to close Utsunomiya PARCO and Kumamoto PARCO and impairment losses at some PARCO stores as Other expenses.

PARCO has adopted International Financial Reporting Standards (IFRS) from the first quarter of FY2017.

3 New store openings and store closures

2018	2019	After 2021
Harajuku ZERO GATE (Opened in March, 2018)	Opened in March, 2019 Kinshicho PARCO (Tokyo)	Scheduled opening of New store in the North Building of Daimaru Shinsaibashi (Osaka)
Sannomiya ZERO GATE (Kobe) (Opened in September, 2018)	Scheduled completion of SAN-A Urasoe West Coast PARCO CITY (Okinawa) *1 Scheduled opening of Kawasaki ZERO GATE (kawasaki)*2	
	Scheduled completion of the The new Shibuya PARCO (Udagawa-cho 15 Development Project)	
	Utsunomiya PARCO Scheduled to Closed in May, 2019	
	Kumamoto PARCO Scheduled to Closed in February, 2020	

*1 Managed and operated by SAN-A PARCO, Inc. a joint venture between and SAN-A CO., LTD. and PARCO CO., Ltd. (established Dec. 2016).

*2 Provisional name.

Consolidated Results

Millions of yen

	FY 2018	FY 2017	Change	Change	Forecast *1	Difference from forecast	Difference from forecast
For the Period							
Operating revenue	¥ 89,969	¥ 91,621	¥ (1,651)	(1.8%)	¥ 90,800	(830)	(0.9%)
Operating cost	61,861	62,357	(496)	(0.8%)	-	-	
Operating gross profit	28,108	29,263	(1,155)	(3.9%)	-	-	
SG&A	19,384	18,979	405	2.1%	-	-	
Operating profit	5,425	11,713	(6,287)	(53.7%)	5,100	325	6.4%
Profit	3,370	7,809	(4,438)	(56.8%)	3,100	270	8.7%
Operating cash flow	4,529	21,386	(16,857)		-	-	
Investing cash flow	(13,909)	(11,552)	(2,356)		-	-	
Financing cash flow	5,610	(7,897)	13,508		-	-	
EBITDA *2	11,389	17,372	(5,982)	(34.4%)	(8.2%)	-	
At the Period End *2							
Total assets	275,369	261,835	13,534	5.2%	-	-	
Total equity	126,908	126,311	597	0.5%	-	-	
Interest-bearing debt	61,740	52,820	8,920	16.9%	-	-	
Per Share Data							
Profit	33.30	76.97	(43.67)	(56.7%)	-	-	

	Millions of yen		
	FY 2018	Change	Change
Selling, general and administrative expenses			
Total SG&A	¥ 19,384	¥ 405	2.1%
Personnel	8,315	283	3.5%
Lease/rental	3,006	(6)	(0.2%)
Advertising	580	(84)	(12.8%)
Agency services	1,353	152	12.7%
Depreciation	882	25	3.0%
Taxes and dues	777	(40)	(5.0%)

Consolidated Results by Segment *2				Millions of yen		
Consolidated Results by Segment *2				Millions of yen		
	FY 2018	Change	Change			
Shopping Complex Business (PARCO, PARCO (Singapore))						
Operating revenue	¥ 51,117	¥ (233)	(0.5%)			
Segment profit	5,142	(5,821)	(53.1%)			
Retail Business (NEUVE A)						
Operating revenue	19,754	(1,462)	(6.9%)			
Segment loss	(25)	(100)	-			
Space Engineering and Management (PARCO SPACE SYSTEMS)						
Operating revenue	21,882	483	2.3%			
Segment profit	662	9	1.4%			
Other Business (PARCO Digital Marketing, PARCO's Entertainment Business)						
Operating revenue	6,327	169	2.8%			
Segment loss	(297)	(350)	-			
Total						
Operating revenue	99,082	(1,043)	(1.0%)			
Segment profit	5,481	(6,264)	(53.3%)			
Consolidated (after adjustment)						
Operating revenue	89,969	(1,651)	(1.8%)			
Segment profit	5,425	(6,287)	(53.7%)			

	Millions of yen		
	FY 2018	change	Main factors
Other income and expense			
Other income	¥2,417	¥(436)	
Compensation income	1,951	-	Compensation related to Shibuya redevelopment
Reversal of impairment loss on closure	-	(432)	Otsu PARCO last year etc.
Other expense	5,715	4,290	
Loss on disposal of noncurrent assets	675	9	Renovation of PARCO stores
Impairment loss	1,386	899	Impairment of PARCO stores
Loss on closure of stores	3,139	3,139	Loss associated with decision to close Utsunomiya PARCO, Kumamoto Parco

Finance income and costs		
Share of income & loss of entities accounted for using equity method		
Finance income	¥154	¥10
Interest income	152	10
Finance costs (Interest expenses)	537	165
Share of income & loss of entities accounted for using equity method	6	35

*1 Forecast is figure announced externally on February 28, 2019.

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

Non-consolidated Results

Millions of yen

	FY 2018	FY 2017	Change	Change	Forecast *1	Difference from forecast	Difference from forecast
For the Period							
Operating revenue	¥ 56,288	¥ 56,462	¥ 173	(0.3%)	¥ 56,241	¥ 47	0.1%
Operating gross profit	17,105	17,766	(661)	(3.7%)	-	-	-
Operating profit	4,792	11,016	(6,224)	(56.5%)	4,520	271	6.0%
Profit	3,237	7,680	(4,442)	(57.8%)	3,078	159	5.2%
At the Period End							
Total assets	271,909	258,562	13,347	5.2%	-	-	-
Total equity	125,596	125,089	507	0.4%	-	-	-

	Millions of yen		
	FY 2018	change	Change
Operating cost			
Total Operating cost	¥ 39,183	¥ 488	1.3%
Personnel	1,794	(141)	(7.3%)
Lease/rental	9,392	399	4.4%
Advertising	4,956	(214)	(4.1%)
Agency services	4,434	(58)	(1.3%)
Depreciation	5,100	287	6.0%
Utilities	3,639	66	1.9%
Building and repairs	1,620	(44)	(2.7%)
Other sales and marketing costs	3,926	242	6.6%

	Millions of yen		
	FY 2018	change	Change
Selling, general and administrative expenses			
Total SG&A	¥ 9,036	¥ 607	7.2%
Personnel	3,996	258	6.9%
Lease/rental	677	75	12.5%
Advertising	236	(55)	(19.0%)
Agency services	1,111	107	10.7%
Depreciation	480	71	17.5%
Tax and dues	569	(28)	(4.8%)

PARCO Tenant Transaction Volume by Store *3		
	Millions of yen	
	FY 2018	Change
Urban store group		
Sapporo PARCO	¥ 13,200	(1.6%)
Sendai PARCO	20,197	0.8%
Ikebukuro PARCO	28,134	(1.1%)
Shibuya PARCO	5,788	-
Shizuoka PARCO	1,413	24.2%
Nagoya PARCO	9,947	(6.2%)
Hiroshima PARCO	34,245	(1.2%)
Fukuoka PARCO	16,136	(3.5%)
PARCO_ya Ueno	22,350	0.5%
9 store total	151,415	1.2%
Community store group		
Utsunomiya PARCO	2,113	(31.0%)
Urawa PARCO	26,095	6.0%
Shin-Tokorozawa PARCO	10,126	(4.6%)
Tsudanuma PARCO	12,091	13.2%
Hibarigaoka PARCO	7,071	(13.4%)
Kichijoji PARCO	9,668	0.5%
Chofu PARCO	17,994	(3.1%)
Matsumoto PARCO	6,016	(17.3%)
Kumamoto PARCO	4,007	(19.7%)
9 store total *4	95,185	(4.7%)
Total *4	246,600	(1.1%)
Existing store total *5	240,811	(1.7%)

	Millions of yen		
	FY 2018	change	Main factors
Other income and expense			
Other income	¥ 2,368	¥ (468)	
Compensation income	1,951	-	Compensation related to Shibuya redevelopment
Reversal of impairment loss on closure	-	(432)	Otsu PARCO last year etc.
Other income and expense	5,644	4,485	
Loss on disposal of noncurrent assets	698	31	Renovation of PARCO stores
Impairment loss	1,296	1,060	Impairment of PARCO stores
Loss on closure of stores	3,147	3,147	Loss associated with decision to close Utsunomiya PARCO, Kumamoto Parco

	Millions of yen	
	FY 2018	change
Finance income and costs		
Finance income	¥ 405	¥ (26)
Interest income	157	9
Dividend income *2	248	(36)
Finance costs	551	167

*1 Forecast is figure announced externally on February 28, 2019.

*2 Dividend income from subsidiaries.

*3 Tenant transaction volume is a measure of the total number of transactions conducted by tenants at PARCO stores.

*4 Previous-year figures used to calculate year-on-year change include Otsu PARCO (closed Aug. 31, 2017)

*5 Existing store total does not include sales from PARCO_ya Ueno (opened Nov. 4, 2017).

Review of PARCO Store Operations

Sales by item *1	Change
Womenswear	(10.6%)
Menswear	(10.0%)
General clothing	0.7%
Clothing	(6.9%)
Shoes	(6.4%)
Bags	(11.1%)
Accessories	(7.5%)
Cosmetics	7.9%
Personal items	(1.1%)
Sundry goods	(2.3%)
Foods	9.3%
Restaurants	(0.2%)
Other (service, etc.)	4.2%

Paying customers, Average spend per customer *1	Change
Paying customers	3.2%
Average spend per customer	(4.8%)

	Millions of yen		
		Change	Share in sales
Credit card sales amount *1			
Credit card	¥ 106,985	(3.1%)	44.4%
PARCO Card	50,317	(9.4%)	20.9%

Renovation	
Number of sections	348
Of which are new store sections	193
Renovated area	Approx. 37,000m ²
Zone sale YoY comparison	16.2%

Total tenant transaction volume results(Change)

	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Total stores	0.6%	(1.4%)	(5.6%)	3.8%	(6.0%)	0.3%	1.1%	2.5%	(2.6%)	(1.2%)	(3.3%)	0.3%
Existing stores *1	(0.1%)	(1.9%)	(6.1%)	3.3%	(6.6%)	0.2%	(1.2%)	0.2%	(1.9%)	-	-	-

	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO	Nagoya PARCO	Existing stores *1
Ref: Purchases by inbound customers in main stores*					
YoY change in purchases	9.2%	(0.2%)	35.7%	54.3%	15.2%
Share of total sales of each store accounted	13.5%	3.9%	3.6%	2.0%	2.1%
YoY change in share of total sales of each store accounted	1.3%	0.0%	0.9%	0.7%	0.3%

*Includes purchases by Chinese mobile payment systems and foreign-issued credit cards.

*1 Existing stores totals do not include sales from PARCO_ya Ueno.

Major Companies of PARCO Group

Million yen

	FY 2018	Change	
PARCO CO., LTD.			
Operating Revenue	¥ 56,288	¥ (173)	Revenue and profit declined due in part to sluggish sales performance some existing PARCO stores and the recording of losses associated with the decision to close Utsunomiya Parco and Kumamoto PARCO. This was despite contributions from new store openings.
Operating Profit	4,792	(6,224)	
Profit	3,237	(4,442)	
NEUVE A CO., LTD.			
Operating Revenue	19,754	(1,462)	Revenue and profit declined due to the closure of unprofitable stores in the previous fiscal year and the fiscal year under review and due to changes in the inbound market environment.
Operating Profit(loss)	(25)	(100)	
Profit(loss)	(71)	(111)	
PARCO SPACE SYSTEMS CO., LTD.			
Operating Revenue	21,882	483	Revenue and profit increased due to an increase in orders for interior construction from external clients and PARCO tenants.
Operating Profit	662	9	
Profit	464	18	
PARCO Digital Marketing CO., LTD.			
Operating Revenue	1,017	134	Revenue and profit increased due in part to aggressive marketing of ICT services for commercial facilities.
Operating Profit	77	9	
Profit	50	0	
PARCO (Singapore) Pte Ltd			
Operating Revenue	148	(20)	Revenue declined due to the absence of gains from the character café initiative in the previous fiscal year and despite a strong performance by "itadakimasu by PARCO", the Japanese-restaurant zone concept. Losses were curtailed.
Operating Profit(loss)	(25)	42	
Profit(loss)	(24)	42	

* For the four companies excluding PARCO, the ownership ratio by PARCO is 100%.

	Millions of yen			
	FY 2019	Change	FY 2019	Change
	2Q		4Q	
Consolidated FY 2019				
Operating revenue	¥ 45,800	3.7%	¥ 116,200	29.2%
Operating profit	6,200	8.6%	12,700	134.1%
Profit	3,500	(7.6%)	7,100	110.7%
Basic earnings per share	34.62	-	70.23	-

	Millions of yen			
	FY 2019	Change	FY 2019	Change
	2Q		4Q	
Non-Consolidated FY 2019				
Operating revenue	¥ 29,402	6.5 %	¥ 81,553	44.9%
Operating Profit	5,994	8.6%	11,783	145.9%
Profit	3,542	(9.2%)	6,745	108.3%

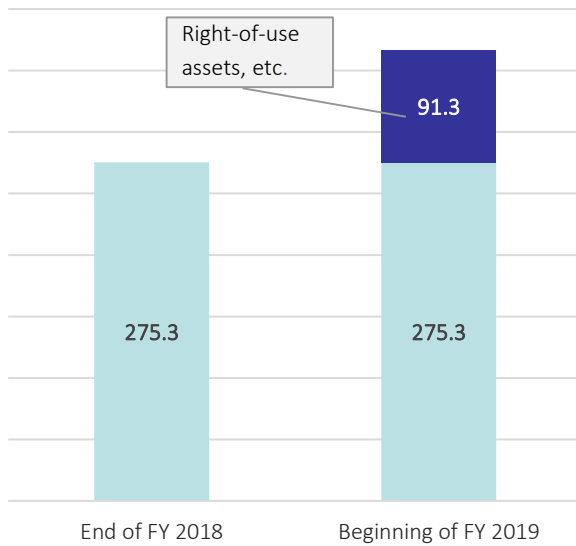
	YoY comparison of Tenant Transaction Volume FY 2019		
	1Q,2Q	3Q,4Q	4Q cumulative
Total stores	6.8%	12.0%	9.4%
Existing stores *	2.5%	3.4%	3.0%

* Forecasts in YoY comparison of Tenant Transaction Volume do not include Kinshicho PARCO (opened March 16, 2019), Utsunomiya PARCO (scheduled to close end of May 2019), or Shibuya PARCO (scheduled to open autumn 2019)

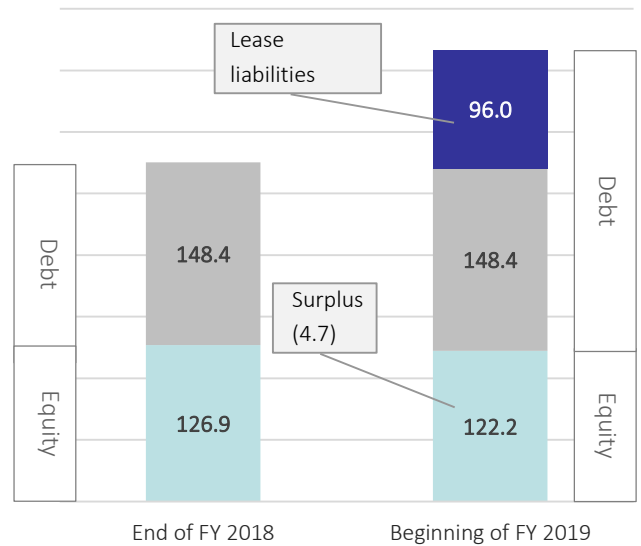
Ref: Effect of Application of IFRS 16

Unit: Billion yen

Total Assets

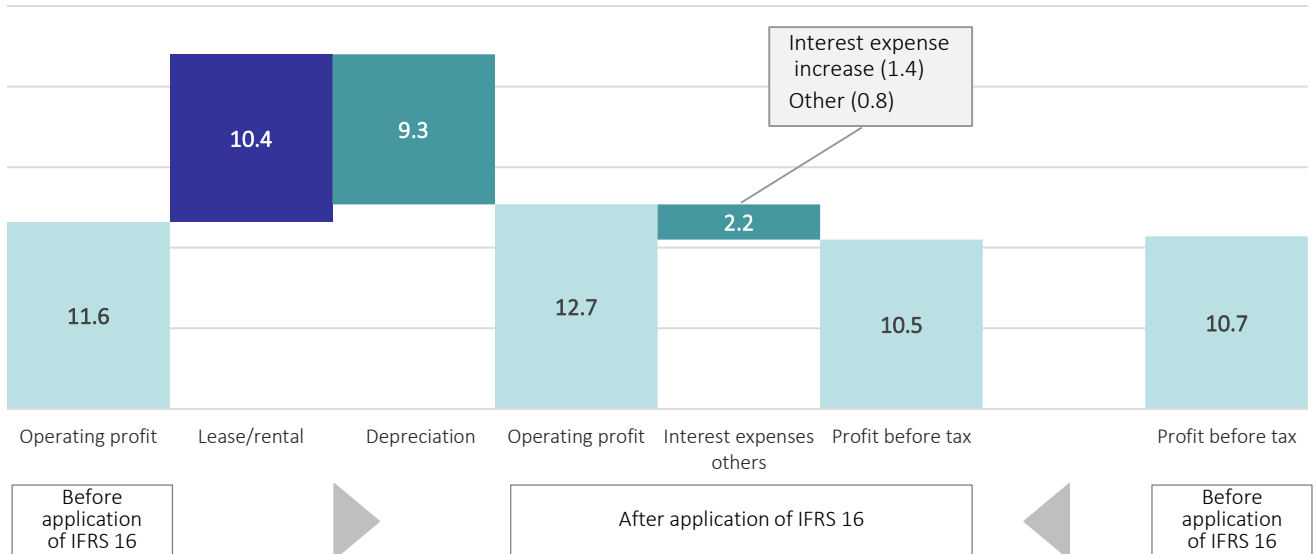


Debt / Equity



FY2019 Forecasts: Operating profit, Profit before tax

Unit: Billion yen



※Figures for the beginning of FY2019 after the application of IFRS 16 are pre-audit estimates and are subject to change.

PARCO
www.parco.co.jp