

Quarterly Report FY 2019 Q1

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PARCO has adopted International Financial Reporting Standards (IFRS) from Q1 FY2017, and IFRS 16 Leases from Q1 FY2019.

1 *Comments from the President*

In the first quarter of fiscal 2019, the third year of our Medium-term Business Plan for 2017-2021, consolidated revenue and profits increased due in part to contributions from Kinshicho PARCO, which opened in March. Looking ahead this fiscal year, we expect contributions from further store openings and by accomplishing our plan for fiscal 2019, we aim to achieve our target operating profit of ¥14.7 billion in fiscal 2021, the final year of the current Medium-term Business Plan.

During the current fiscal year, we plan to open four properties in different business formats. Already March has seen the opening of Kinshicho PARCO. It's tenant composition, including the food hall on the first floor, has been successful in capturing the needs of customers in the surrounding Sumida area, and business has been brisk. Additionally, SAN-A Urasoe West Coast PARCO CITY will open on June 27, boasting a total of 250 shops, including 94 that are making their Okinawa debut, and ZERO GATE in Kawasaki and Shibuya PARCO are scheduled to open in the fall.

Of the twelve development projects targeted in the Medium-term Business Plan, five have already opened, and plans for four projects, including the plan to open a new store in the North Building of Daimaru Shinsaibashi in spring 2021, are progressing smoothly. Development is also underway on the remaining three properties.

In view of the changing commercial environment, we made the decision to close two stores at the end of the previous fiscal year in February. Of these, Utsunomiya PARCO closed at the end of May 2019. Kumamoto PARCO is due to close at the end of February 2020 and we are looking into the possibility of redeveloping it as a new commercial facility. Progress is being made toward the opening of Shibuya PARCO scheduled for the end of November, including engagement and planning with leading-edge business partners.

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

Consolidated operating revenue increased primarily as a result of contributions from PARCO CO., LTD. store openings and strong performance in the Entertainment business. Consolidated operating profit and profit attributable to owners of parent (“profit”) increased.

- Operating revenue increased due in part to contributions from Sannomiya ZERO GATE, which opened in the previous fiscal year, and Kinshicho PARCO, which opened in March, as well as strong theater performances in the Entertainment business. This was despite sluggish sales performance at existing NEUVE A shops in the Retail business.
 - Operating profit increased due to the increase in operating revenue as well as increased profit margins at PARCO SPACE SYSTEMS CO., LTD.
 - Profit increased as a result of the increase in operating profit and despite an increase in interest expenses due to the effect of the application of IFRS 16.
- Full-year profit forecasts for fiscal 2019 are unchanged.

3 Medium-term Business Plan store openings and closures

FY2017	FY2018	FY2019	FY2021
<p>PARCO_ya (Ueno) Opened in November, 2017</p> <p>Kyoto ZERO GATE Opened in November, 2017</p>	<p>Harajuku ZERO GATE Opened in March, 2018</p> <p>Sannomiya ZERO GATE (Kobe) Opened in September, 2018</p>	<p>Kinshicho PARCO (Tokyo) Opened in March, 2019</p> <p>SAN-A Urasoe West Coast PARCO CITY*1 (Okinawa) Scheduled to open in June 2019</p> <p>Kawasaki ZERO GATE*2 (kawasaki) Scheduled to open in early autumn 2019</p> <p>Shibuya PARCO Scheduled to open in the late November 2019</p>	<p>New store in the North Building of Daimaru Shinsaibashi (Osaka) Scheduled to open in spring 2021</p>
<p>Otsu PARCO Closed in August, 2017</p>		<p>Utsunomiya PARCO Closed in May, 2019</p> <p>Kumamoto PARCO Scheduled to Closed in February, 2020</p>	

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

*2 provisional name

Consolidated Results

Millions of yen

	FY 2019	FY 2018	Change	Change	FY 2018
	1Q	1Q			4Q
For the Period					
Operating revenue	¥ 22,103	¥ 22,026	¥ 76	0.3%	¥ 89,969
Operating cost	14,446	14,881	(434)	(2.9%)	61,861
Operating gross profit	7,656	7,144	511	7.2%	28,108
SG&A	4,838	4,861	(22)	(0.5%)	19,384
Operating profit	3,408	2,750	657	23.9%	5,425
Profit	1,895	1,784	111	6.2%	3,370
Operating cash flow	8,576	2,598	5,978	-	4,529
Investing cash flow	(2,629)	(3,112)	483	-	(13,909)
Financing cash flow	(5,586)	(5,895)	308	-	5,610
EBITDA *1	7,174	4,200	2,973	70.8%	11,389
At the Period End *2					FY 2018 4Q
Total assets	364,241	-	88,871	-	275,369
Total equity	122,013	-	(4,894)	-	126,908
Interest-bearing debt	<i>Lease liabilities not included</i>	-	(2,080)	-	61,740
Per Share Data					
Profit (yen)	18.75	17.59	1.16	6.6%	33.30

	Millions of yen		
	FY 2019 1Q	Change	Change
Selling, general and administrative expenses			
Total SG&A	¥ 4,838	¥ (22)	(0.5%)
Personnel	2,067	(17)	(0.9%)
Lease/rental	340	(387)	(53.2%)
Advertising	142	17	14.2%
Agency services	339	(0)	(0.1%)
Depreciation	618	414	203.5%
Taxes and dues	193	(12)	(6.1%)

	FY 2019 1Q	Effect	Without effect
	Consolidated: Effect of Application of IFRS 16		
Operating cost	¥ 14,446	¥ (348)	14,795
Lease/rental etc.	137	(2,143)	2,281
Depreciation	3,146	1,794	1,352
Total SG&A	4,838	(63)	4,901
Lease/rental etc.	340	(443)	784
Depreciation	618	380	238
Operating profit	3,408	412	2,996
Finance costs (Interest expenses)	628	393	234
Profit	1,895	12	1,883

	Millions of yen		Main factors
	FY 2019 1Q	change	
Other income and expense			
Other income	¥ 674	¥ 116	
Compensation income	487	-	Compensation related to Shibuya redevelopment
Others	53	53	Reversal of impairment loss on closure of Utsunomiya PARCO, etc.
Other expense	84	(6)	
Loss on disposal of noncurrent assets	57	(18)	Renovation of PARCO stores

Finance income and costs		
Share of income & loss of entities accounted for using equity method		
Finance income	¥45	¥ 6
Interest income	44	5
Finance costs (Interest expenses)	628	498
Share of income & loss of entities accounted for using equity method	3	(0)

	Millions of yen		
	FY 2019 1Q	Change	Change
Consolidated Results by Segment *3			
Shopping Complex Business (PARCO, PARCO (Singapore))			
Operating revenue	¥ 13,095	¥ 222	1.7%
Segment profit	3,266	498	18.0%
Retail Business (NEUVE A)			
Operating revenue	4,403	(530)	(10.8%)
Segment loss	(65)	(97)	-
Space Engineering and Management (PARCO SPACE SYSTEMS)			
Operating revenue	4,581	(368)	(7.4%)
Segment profit	124	41	49.6%
Other Business (PARCO Digital Marketing, PARCO's Entertainment Business)			
Operating revenue	1,774	620	53.7%
Segment profit	99	218	-
Total			
Operating revenue	23,855	(56)	(0.2%)
Segment profit	3,425	661	23.9%
Consolidated (after adjustment)			
Operating revenue	22,103	76	0.3%
Segment profit	3,408	657	23.9%

*1 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).

*2 Change in total assets, total equity, and interest-bearing debt was calculated in comparison with figures for FY 2018 4Q.

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

Non-consolidated Results

	Millions of yen				
	FY 2019	FY 2018	Change	Change	FY 2018
	1Q	1Q			4Q
For the Period					
Operating revenue	¥ 14,611	¥ 13,729	¥ 882	6.4%	¥ 56,288
Operating gross profit	5,143	4,437	705	15.9%	17,105
Operating profit	3,342	2,618	723	27.6%	4,792
Profit	2,104	1,940	164	8.5%	3,237
At the Period End *1					
Total assets	358,861	-	86,951	-	271,909
Total equity	121,231	-	(4,365)	-	125,596

	Millions of yen		
	FY 2019 1Q	Change	Change
Operating cost			
Total Operating cost	¥ 9,468	¥ 176	1.9%
Personnel	436	(37)	(7.9%)
Lease/rental	348	(1,988)	(85.1%)
Advertising	1,470	19	1.3%
Agency services	1,094	(0)	(0.1%)
Depreciation	3,103	1,852	148.1%
Utilities	914	81	9.7%
Building and repairs	372	(19)	(4.9%)
Other sales and marketing costs	945	297	46.0%

	Millions of yen		
	FY 2019 1Q	Change	Change
Selling, general and administrative expenses			
Total SG&A	¥ 2,370	¥ 90	3.9%
Personnel	1,001	(5)	(0.5%)
Lease/rental	39	(114)	(74.4%)
Advertising	69	21	44.9%
Agency services	287	(4)	(1.5%)
Depreciation	309	203	192.1%
Taxes and dues	134	(11)	(7.7%)

	Millions of yen	
	FY 2019 1Q	Change
PARCO Tenant Transaction Volume by Store *3		
Urban store group		
Sapporo PARCO	¥ 3,348	3.1%
Sendai PARCO	5,093	2.7%
Urawa PARCO	7,026	6.0%
Ikebukuro PARCO	6,921	0.5%
PARCO_ya Ueno	1,486	2.3%
Kichijoji PARCO	2,532	5.8%
Shibuya PARCO	366	1.8%
Kinshicho PARCO *4	2,395	-
Chofu PARCO	4,813	5.8%
Shizuoka PARCO	2,514	(0.1%)
Nagoya PARCO	8,749	2.3%
Hiroshima PARCO	3,953	(8.5%)
Fukuoka PARCO	5,784	4.6%
13 store total	54,985	6.9%
Community store group		
Utsunomiya PARCO	612	3.0%
Shin-Tokorozawa PARCO	2,697	2.8%
Tsudanuma PARCO	3,146	1.2%
Hibarigaoka PARCO	2,048	29.9%
Matsumoto PARCO	1,326	(12.7%)
Kumamoto PARCO	931	(10.6%)
6 store total	10,763	2.8%
Total	65,748	6.2%
Existing store total *5	63,353	2.3%

	Millions of yen		Main factors
	FY 2019 1Q	Change	
Other income and expense			
Other income	¥ 652	¥ 95	
Compensation income	487	-	Compensation related to Shibuya redevelopment
Others	35	35	Reversal of impairment loss on closure of Utsunomiya PARCO, etc.
Other income and expense	82	(12)	
Loss on disposal of noncurrent assets	60	(19)	Renovation of PARCO stores

	Millions of yen	
	FY 2019 1Q	Change
Finance income and costs		
Finance income	¥ 308	¥ 20
Interest income	41	3
Dividend income *2	266	17
Finance costs (Interest expenses)	627	494

*1 Change in total assets, total equity, and interest-bearing debt was calculated in comparison with figures for FY 2018 4Q.

*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 Kinshicho PARCO was opened March 16, 2019.

*5 Existing store total does not include sales from Kinshicho PARCO.

Review of PARCO Store Operations

Sales by item	Change
Womenswear	(6.7%)
Menswear	(5.3%)
General clothing	2.1%
Clothing	(2.8%)
Shoes	(3.0%)
Bags	(9.5%)
Accessories	0.1%
Cosmetics	5.7%
Personal items	0.3%
Sundry goods	(0.0%)
Foods	19.0%
Restaurants	8.5%
Other (service, etc.)	9.3%

Paying customers, Average spend per customer	Change
Paying customers	7.5%
Average spend per customer	(4.8%)

	Millions of yen		
		Change	Share in sales
Credit card sales amount			
Credit card	¥28,573	0.1%	45.1%
PARCO Card	13,206	(8.6%)	20.8%

Renovation *1			
Number of sections			90
Of which are new store sections			46
Renovated area	Approx.		11,000m ²
Zone sale YoY comparison *2			(1.9%)

Total tenant transaction volume results (Change)	Mar.	Apr.	May
Total stores	4.8%	7.8%	6.3%
Existing stores *1	1.4%	3.4%	2.4%

	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO	Nagoya PARCO	Existing stores *1
Ref: Purchases by inbound customers in main stores *3					
YoY change in purchases	(1.7%)	(7.3%)	23.7%	(12.5%)	0.3%
Share of total sales of each store accounted	11.4%	3.8%	3.7%	2.0%	2.0%
YoY change in share of total sales of each store accounted	(0.6%)	(0.3%)	0.6%	(0.3%)	(0.0%)

* Existing stores totals do not include sales from Kinshicho PARCO.

*1 Renovation does not include Utsunomiya PARCO and Kumamoto PARCO as they are not undergoing regular renovations

*2 Adjusting the zone sale YoY comparison to exclude the effects of renovations to include service shops, which are not recorded in zone sales, makes it 10.8%

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

Major Companies of PARCO Group

	Million yen		
	FY 2019 1Q	Change	
PARCO CO., LTD.			
Operating Revenue	¥ 14,611	¥ 882	Revenue and profit increased due to due in part to contributions from Sannomiya ZERO GATE, which opened in the previous fiscal year, and Kinshicho PARCO, which opened in March, and strong theater performances in the Entertainment business. Scrap & build policy was advanced through the closure of Utsunomiya PARCO in May, etc.
Operating Income	3,342	723	
Profit	2,104	164	
NEUVE A CO., LTD.			
Operating Revenue	4,403	(530)	Revenue and profit decreased due in part to sluggish sales performance at existing stores and a decrease in the number of stores compared to the previous fiscal year, despite contributions from new stores.
Operating Income	(65)	(97)	
Profit	(44)	(63)	
PARCO SPACE SYSTEMS CO., LTD.			
Operating Revenue	4,581	(368)	Profit increased due to increased profit margins, etc.
Operating Income	124	41	
Profit	87	28	
PARCO Digital Marketing CO., LTD.			
Operating Revenue	247	(2)	Aggressive promotion of ICT services for commercial facilities.
Operating Income	15	(8)	
Profit	10	(5)	
PARCO (Singapore) Pte Ltd			
Operating Revenue	11	(35)	Revenue decreased due to the absence of gains from the character café initiative in the previous fiscal year, while profit increased due in part to a steady performance by "itadakimasu by PARCO", the Japanese-restaurant zone concept.
Operating Income	8	2	
Profit	8	2	

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

PARCO
www.parco.co.jp