



PARCO CO., LTD.  
FY2019 First Half Results  
Investor Presentation  
TSE 1st Section 8251



## FY2019 H1 results summary

### ◆ Operating results

- Revenue increased due to contributions from store openings, etc. The application of IFRS 16 resulted in an increase in operating profit.
- Total assets grew due to increase in right-of-use assets and other effects of the application of IFRS 16
- Full-year profit forecasts for fiscal 2019 have been revised in view of these second quarter financial results

### ◆ Dividend

- Decision made to increase dividend by 1 yen. Full-year dividend to be increased by 2 yen to 26 yen

### ◆ Development plans

- Four properties in different business formats planned for FY2019. Three of these opened in H1
- Shibuya PARCO will open in H2, representing the evolution of the “Incubation,” “Urban Revitalization” and “Trends Communication” that are PARCO’s point of origin

### ◆ PARCO Stores Business, Entertainment Business

- Active introduction of shops that cater for diverse consumption contributing to increases in sales and customers
- Renew store brands using inspiration from Shibuya PARCO and PARCO’s 50th anniversary
- Renew card bonus and settlement environment.
- Opening PARCO Theater and a number of other locations in Shibuya, planning to increase variety of original content

### ◆ PARCO Group Related Businesses

- ◆ NEUVE A will conduct revamp, improving existing stores and reforming profit structure

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### Business and operating profits increased due to contributions from PARCO stores

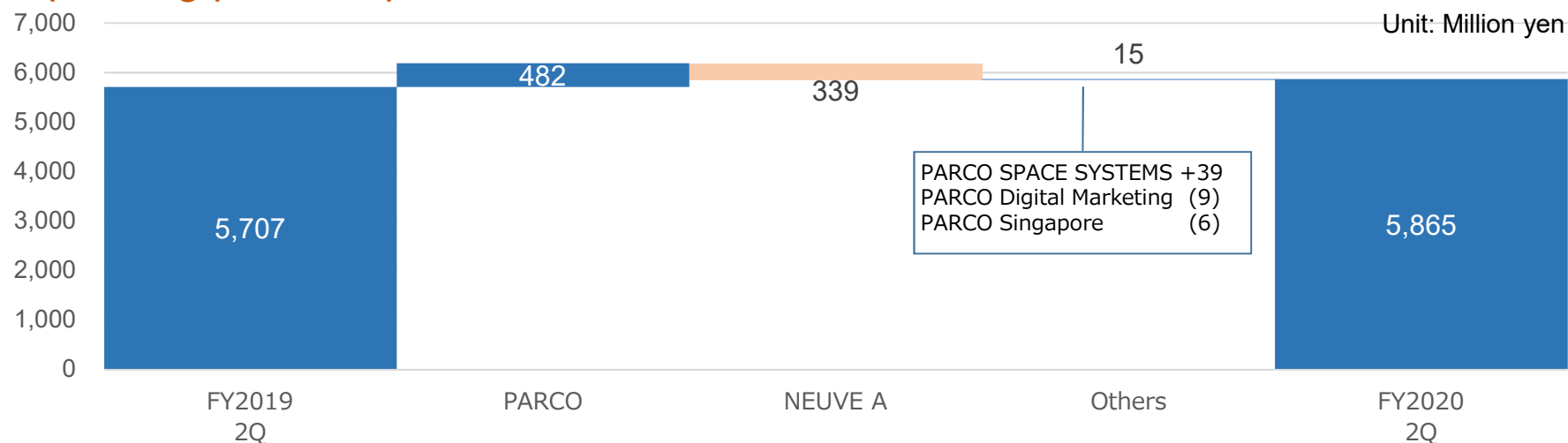
Unit: Million yen

	FY2019 Mar.-Aug.	FY2018 Mar.-Aug.	Change ¥	Change %	Forecasts	Difference from forecast ¥	Difference from forecast %
Operating revenue	43,694	44,184	(489)	(1.1%)	45,800	(2,105)	(4.6%)
Operating profit	5,865	5,707	158	2.8%	6,200	(334)	(5.4%)
Profit	2,843	3,786	(943)	(24.9%)	3,500	(656)	(18.8%)
EBITDA*1	13,499	8,625	4,874	56.5%	—	—	—

\*1 EBITDA (IFRS) in the table above refers to operating revenue plus depreciation and amortization (the depreciation and amortization expenses listed in the consolidated statements of cash flows).

### Operating profit vs. previous FY

Total effect of application of IFRS16 was ¥838 million



Total assets increased due to right-to-use asset growth after application of IFRS16

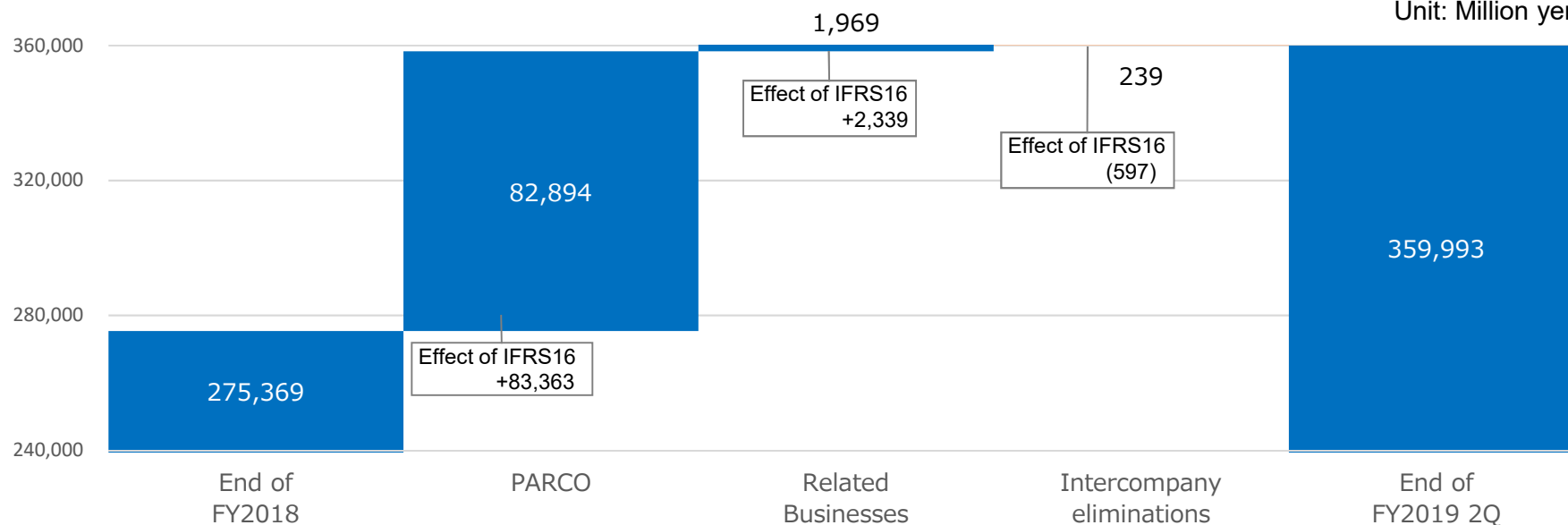
Unit: Million yen

	FY2018 End of Aug	End of FY2018	Change ¥
Total assets	359,993	275,369	84,624
Total equity	122,916	126,908	(3,992)
Interest-bearing debt Lease liabilities not included	57,650	61,740	(4,090)
Equity ratio	34.1%	46.1%	(11.9%)

Total assets: Breakdown of change

Total effect of application of IFRS16 was ¥85,105 million

Unit: Million yen



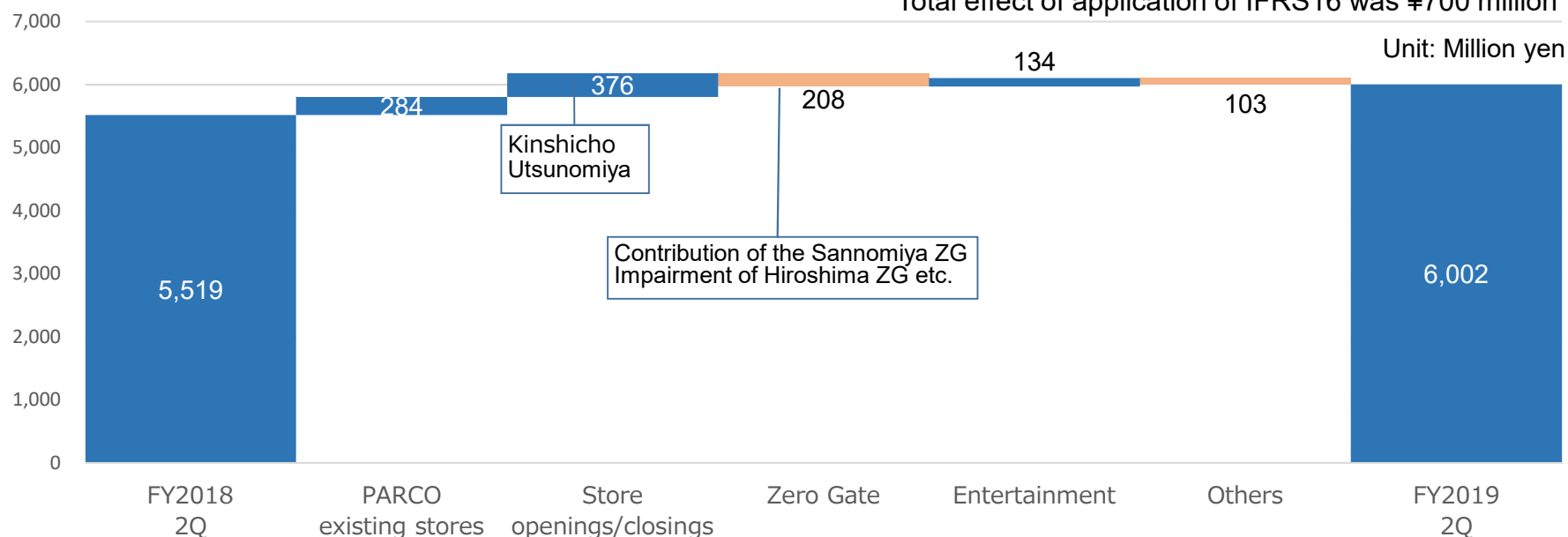
Revenue increased due to contributions from property openings.  
Operating profits increased due to effect of IFRS16

Unit: Million yen

	FY2019 Mar.-Aug.	FY2018 Mar.-Aug.	Change ¥	Change %	Forecasts	Difference from forecast ¥	Difference from forecast %
Operating revenue	28,199	27,597	601	2.2%	29,402	(1,202)	(4.1%)
Operating Profit	6,002	5,519	482	8.7%	5,994	8	0.1%
Profit	3,526	3,900	(373)	(9.6%)	3,542	(15)	(0.4%)

### Non-consolidated Results Operating profit vs. previous FY

Total effect of application of IFRS16 was ¥700 million



## (4) Consolidated results by segment and Capex

Unit: Million yen

Consolidated results by segment		FY2019 Mar.-Aug.	FY2018 Mar.-Aug.	Change ¥	Change %
Shopping Complex Business	Operating revenue	25,680	25,490	190	0.7%
	Segment profit	6,116	5,764	351	6.1%
Retail Business	Operating revenue	8,938	9,927	(988)	(10.0%)
	Segment loss	(342)	(3)	(339)	-
Space Engineering and Management Business	Operating revenue	9,586	9,990	(403)	(4.0%)
	Segment profit	204	165	39	23.6%
Other Business	Operating revenue	3,081	2,692	388	14.4%
	Segment loss	(82)	(198)	115	-
Consolidated	Operating revenue	43,694	44,184	(489)	(1.1%)
	Segment profit	5,865	5,707	158	2.8%

- Segment profit or loss refers to operating profit or loss.
- 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.

Unit: Million yen

Consolidated Capital Expenditure	FY2019 Mar.-Aug.	FY2018 Mar.-Aug.	Change ¥	Change %
Capital Expenditure	4,570	4,384	185	4.2%

## Revision to full-year forecast in view of H1 performance

Unit: Million yen

Consolidated forecasts	FY2019 Revised forecast	FY2018 results	Change ¥	Change %	Initial forecast	Change ¥
Operating revenue	114,100	89,969	24,130	26.8%	116,200	(2,100)
Operating profit	12,500	5,425	7,074	130.4%	12,700	(200)
Profit	6,600	3,370	3,229	95.8%	7,100	(500)

\*Operating profit includes that temporary sales floor expansion at the Shibuya redevelopment project, which is forecasted as an operating cost.

## Interim dividend per share will be increased by 1 yen as planned

Interim dividend amount is ¥13 per share, a ¥1 increase compared with fiscal 2018. The annual dividend for fiscal 2019 will be increased to ¥26, to commemorate PARCO's 50<sup>th</sup> anniversary



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# Development plans (1) Planning map

Four properties in different business categories are planned for fiscal 2019, with three opening in the first half of the fiscal year

-  Existing PARCO store
-  Existing ZERO GATE store
-  Properties opened in H1 2019
-  Planned properties



Osaka  
New store in the North Building of Daimaru Shinsaibashi  
Scheduled to open in spring 2021



Kinshicho  
**Kinshicho PARCO**  
Opened in Mar. 2019



Okinawa  
**SAN-A Urasoe West Coast PARCO CITY**  
Opened in Jun. 2019



Shibuya  
New **Shibuya PARCO**  
Scheduled to open in Nov. 2019



Kawasaki  
**Kawasaki ZERO GATE**  
Opened in Aug. 2019

Utsunomiya PARCO closed in May 2019  
Kumamoto Parco scheduled to close in February 2020

## Kinshicho PARCO opened in March 2019 to a strong start

- Maximized synergies by opening in a multi-use complex that also houses amusement facilities
- The facility contributes to regional infrastructure through an abundant line-up of tenants offering lifestyle support services other than shopping.
- In addition to food and drink shops, including Food hall that meets the needs of Sumida area customers, large general merchandise shops attract customers throughout the building.



Scene from the opening



In front of Sumida Food Hall on the first floor

\*PARCO lease portion

Scale*	1F-7F
Floor area*	Approx.22,857m <sup>2</sup>

Opening the largest shopping mall in Okinawa Prefecture, managed by local corporation and joint venture

## SAN-A Urasoe West Coast PARCO CITY opened in June 2019



- Boasts a selection of best-in-market cosmetics, waterfront dining, and the Okinawa debut of many shops
- Okinawa's leading shopping center off to a strong start

Scale	Commercial area: 1F-3F
Floor area	Approx. 60,000m <sup>2</sup>

## Kawasaki ZERO GATE opened in August 2019

- Advanced, low-rise, multi-function facility
- Supports urban lifestyles and is host to nine shops that enhance the city's functionality

Scale	1F-2F
Floor area	Approx. 3,300m <sup>2</sup>



## An evolution based on PARCO's core concepts of "Incubation," "Urban Revitalization," and "Trends Communication"

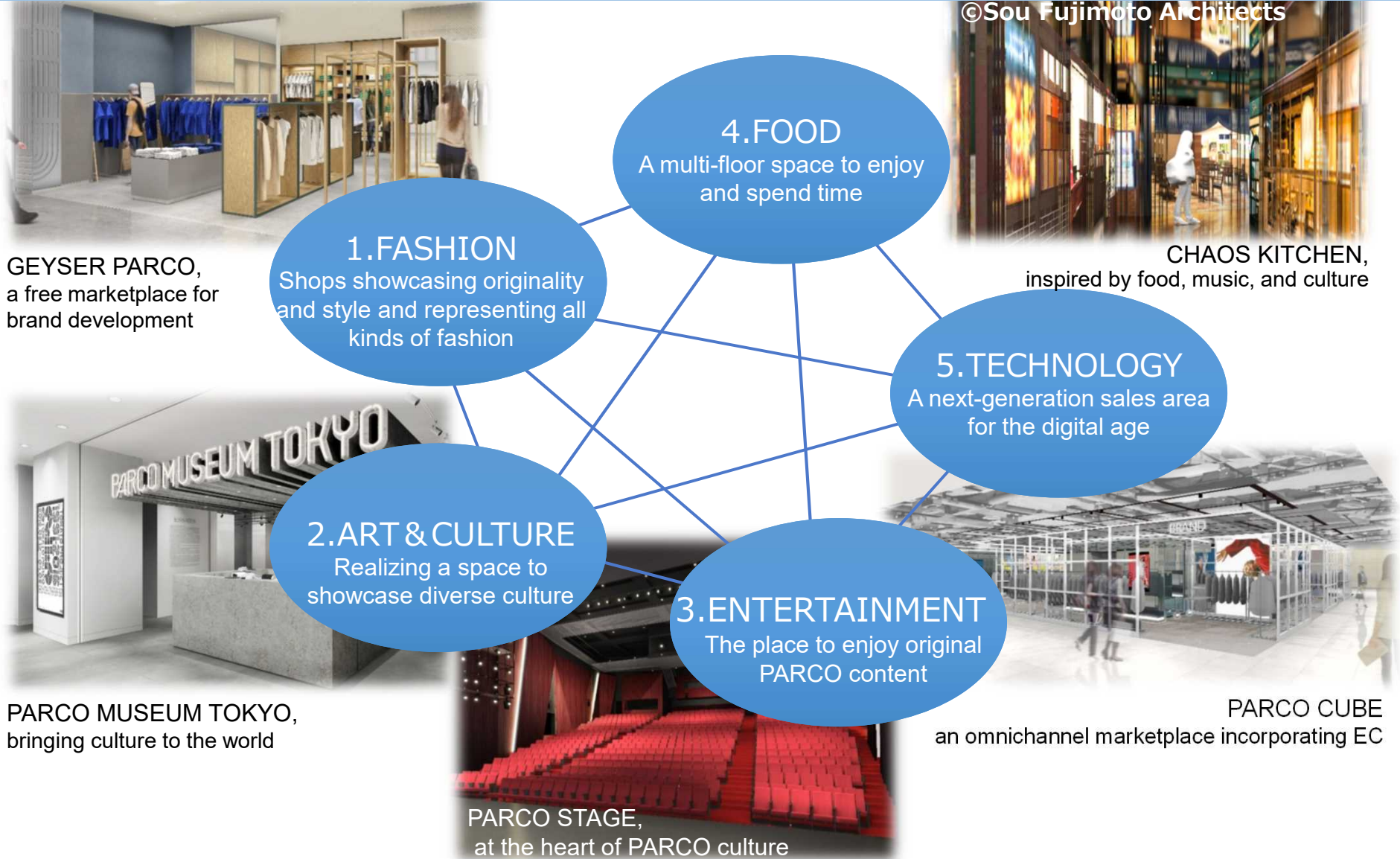


- Scheduled to open Nov. 22, 2019 with 193 shops
- Leverage opportunity as first opening in a special urban renaissance district
- Realization of unique commercial facility with global appeal
- Creating a "3D town" based on the perception of Shibuya as a "town of hills and roads"
- Building constructed using ESG principles: environmental consideration through CO<sub>2</sub> reduction, contribution to the area, etc.



Floor area	Approx. 64,000m <sup>2</sup> Commercial area: approx. 42,000m <sup>2</sup>
Scale	B3-19 Commercial area: B1-9, 10 (partial use)

## Combining five elements to create new value and consumer experience



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## Active introduction of shops that cater for diverse consumption contributing to increases in sales and customers

- Implemented anniversary plans primarily at core stores, including the 30th anniversaries of Nagoya PARCO and Chofu PARCO
- Pursued Scrap & Build policy. Opened Kinshicho PARCO in March and closed Utsunomiya PARCO in May
- H1 store visitors: Total of all stores - 9.2%, existing store group - 4.3%
- Total renovation area: Approx. 15,000m<sup>2</sup>, renovation zone transaction volume of 7.5%  
\*Excluding effects of service-category shops not included in the transaction volume

### 30th Anniversary of Nagoya PARCO

Developed campaigns in partnership with local businesses and venues

- Held anniversary day events and developed collaborative goods with local sweet makers
- Sold 30th anniversary limited-edition goods at each shop and a special limited-edition menu on the restaurant floor

An anniversary day event



### <H1 Achievements>

PARCO Tenant Transaction Volume by Store	Change
Total	4.4%
Existing store total	1.0%

Existing stores totals	Change
Paying customers	6.4%
Average spend per customer	(5.1%)



## Renew store brands using inspiration from Shibuya PARCO and PARCO's 50th anniversary

- Implement leading-edge initiatives ahead of the opening of Shibuya PARCO and PARCO's 50th anniversary
- Move ahead with CRM\* strategy and shift to a customer-focused business model
- Start new inbound tourism measures at Shibuya PARCO
- Total renovation area of around 24,000m<sup>2</sup> planned for H2, resulting in approximately 39,000m<sup>2</sup> of renovations for the entire year

\* Customer relationship management



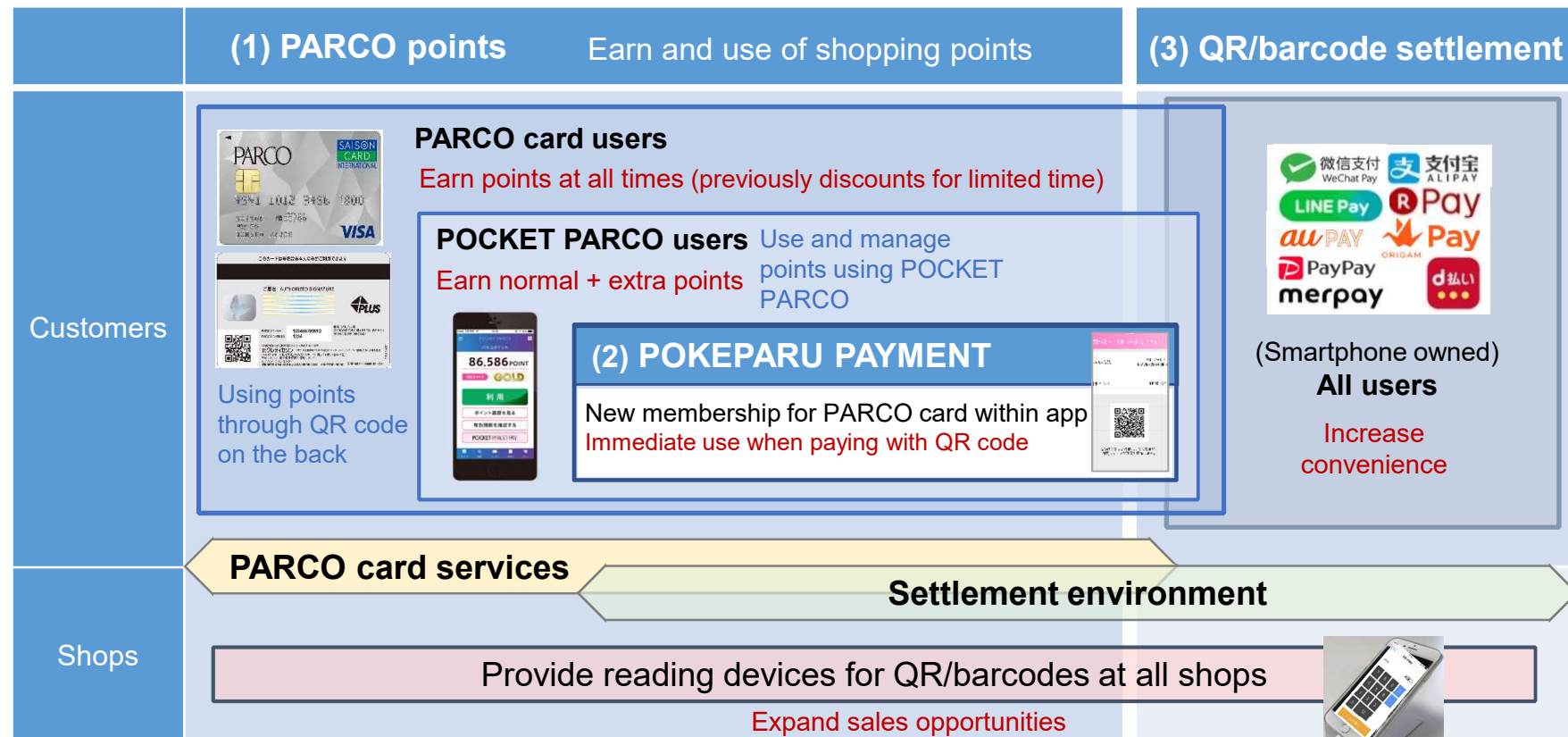
PARCO's 50th anniversary campaign ads



Teaser collection of the first batch of Shibuya PARCO launch ads

## Renew card bonus and settlement environment. Improve customer satisfaction and enhance tenant services

- (1) Shift sales promotion from discounts to PARCO points and improve services
- (2) Begin new customer acquisition tool through cashless transactions POKEPARU PAYMENT
- (3) Introduce each QR/barcode settlement type in stages. Scheduled implementation at 6 core stores in H2



## Entertainment Business (PARCO)

Opening PARCO Theater and a number of other locations in Shibuya, planning to increase variety of original content

### H1 Performance

- Revenue increased due to strong performance of theater business at external venues and full-scale operation of two movie theaters which opened in the previous fiscal year

### H2 plans

- A new PARCO Theater with Approx. 1.5x number of seats
- 14 opening performances and opening series planned

### Entertainment venues other than PARCO Theater in Shibuya PARCO

QUATTRO LABO	Musical café & bar
WHITE CINE QUINTO	Mini movie theater
TOKYO PARADE goods & café	Collaboration café
GALLERY X	Gallery



PARCO Theater



Shinosuke Rakugo in PARCO 2020

LOVE LETTERS

Pizarro

KOKI MITANI'S SHOW GIRL

Mitani Bunraku : Much Ado about Love Suicide

Image



WHITE CINE QUINTO

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### NEUVE A (Retail Business)

Decline in revenue and profit in H1. Plan to strengthen stores and reform profit structures

#### H1 achievements

- Despite contributions from 5 new stores, performance at existing stores continued to be sluggish due to the reduction in the number of shops, and other factors
- The core watch business struggled even with popular original merchandise. The cosmetics business was affected by the absence of the large-scale buying seen in the previous year



POKER FACE in SAN-A Urasoe West Coast PARCO CITY



Image



New business type store, ReSTOCK, mainly focused on maintenance services

#### H2 plans

- Aiming for increase in profitability by strengthening sales capabilities and reviewing products
- Pursue omnichannel strategy by uniting e-commerce and real stores  
E.g. the start of e-commerce of cosmetic business in September
- Planning opening of three shops in Shibuya PARCO and elsewhere which are expected to improve profit

### PARCO SPACE SYSTEMS (Space Engineering and Management)

Decline in revenue and increase in profit in H1. Increase in construction orders expected in H2

#### H1 achievements

- Revenue declined due to the absence of gains from large-scale projects in the same period of the previous fiscal year, profit increased due to the strong performance of highly profitable construction projects

#### H2 plan

- Orders expected to increase due to the steady success of Shibuya PARCO related construction work

### PARCO Digital Marketing (Other Business)

Increase in revenue and decline in profit. Promote conversion to comprehensive digital services

#### H1 achievements

- Revenue increased due to growth in external client projects in both Store Digital business and Web Consulting business

#### H2 plan

- Grow external clients by providing a Web service for commercial facilities using PICTONA and a combined store digital service

### PARCO Singapore (Shopping Complex Business)

While the performance of the Japanese restaurant zone concept was solid, revenue and profit declined

#### H1 achievements

- Decline in revenue and profit due to the absence of commercial facility design consulting fees received in the same period of the previous fiscal year

#### H2 plan

- Increase floor space facility due to the continued strong performance of the Japanese restaurant zone concept in Singapore



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