

**PARCO CO., LTD.**  
**FY2012 Results**  
**Investor Presentation**  
**(March 1, 2012 –**  
**February 28, 2013)**

TSE 1st Section 8251



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# **I. Overview of FY2012 results and forecast for FY2013**

# 1. FY2012 Consolidated results

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**Achieved sales and profit growth.  
Operating income, ordinary income, EBITDA reached record levels.**

Unit: Million yen

Consolidated	FY2012	FY2011	Change ¥	Change %	Forecasts	Change ¥	Change %
Net sales	264,779	259,789	4,989	1.9%	269,000	(4,220)	(1.6%)
Operating income	10,824	9,168	1,655	18.1%	10,700	124	1.2%
Ordinary income	10,329	8,966	1,363	15.2%	10,300	29	0.3%
Net income	5,083	4,319	764	17.7%	5,200	(116)	(2.2%)
EBITDA*1	16,926	15,508	1,418	9.1%	—	—	—

	FY2012	FY2011	Change ¥	Change %
Total assets	206,243	208,697	(2,454)	(1.2%)
Net assets	103,573	84,577	18,995	22.5%
Interest-bearing debt*2	37,375	59,536	(22,160)	(37.2%)
Equity ratio	50.2%	40.5%		
Market price-based equity ratio	43.6%	31.1%		
Debt service coverage ratio: years	2.7	5.3		
Interest coverage ratio: times	20.3	12.6		

\*1EBITDA in this table refers to operating income plus depreciation and amortization

\*2Of the ¥22.2 billion reduction in interest-bearing debt, ¥15 billion was due to the conversion of convertible bonds issued by PARCO CO., Ltd.

## 2. FY2012 Consolidated results by segment

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**Achieved sales and profit growth in 3 core business areas.  
Record profits in Shopping Complex Business.**

Unit: Million yen

		FY2012	FY2011	Change ¥
Shopping Complex Business	Net sales	239,806	235,841	3,965
	Segment income	9,788	8,158	1,629
Retail Business	Net sales	17,174	16,404	769
	Segment income	530	415	114
Space Engineering and Management Business	Net sales	18,581	18,221	360
	Segment income	410	406	4
Other Business	Net sales	6,287	6,630	(343)
	Segment income	90	167	(76)
Consolidated	Net sales	267,512	262,490	5,022
	Segment income	10,824	9,168	1,655

Figures for net sales by segment include operating revenue

Segment income refers to operating 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

### 3. Selling, general and administrative expenses; capital expenditure

6/35

#### Selling, general and administrative expenses

Unit: Million yen

Consolidated		Amount	Change ¥	Change %
FY2012	Personnel	9,538	65	0.7%
	Lease/rental	8,667	(153)	(1.7%)
	Advertising	3,034	(25)	(0.8%)
	Agency services	5,625	(187)	(3.2%)
	Building and repairs	1,671	1	0.1%
	Depreciation	6,101	(237)	(3.7%)
	Tax and dues	1,638	50	3.2%
	Reversal of common service charges	(7,919)	(160)	2.1%
	Total SG&A	31,742	(713)	(2.2%)

#### Capital expenditure

Unit: Million yen

Consolidated		Amount	Change ¥	Change %
FY2012	Capex	5,632	2,236	65.9%



## 4. FY2012 Non-consolidated results

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**Achieved sales and profit growth.  
Profit, EBITDA reached record levels.**

Unit: Million yen

Non-consolidated	FY2012	FY2011	Change ¥	Change %	Forecasts	Change ¥	Change %
Net sales	242,706	239,078	3,627	1.5%	248,000	(5,293)	(2.1%)
Operating income	10,166	8,526	1,639	19.2%	10,000	166	1.7%
Ordinary income	10,276	9,170	1,106	12.1%	10,000	276	2.8%
Net income	5,444	4,547	896	19.7%	5,400	44	0.8%
EBITDA*1	15,898	14,481	1,416	9.8%	—	—	—

Non-consolidated	FY2012	FY2011	Change ¥	Change %
Total assets	203,181	205,014	(1,833)	(0.9%)
Net assets	104,413	85,169	19,244	22.6%
Interest-bearing debt*2	39,928	61,406	(21,478)	(35.0%)
Equity ratio	51.4%	41.5%	9.8%	

\*1 EBITDA in this table refers to operating income plus depreciation and amortization

\*2 Of the ¥21.5 billion reduction in interest-bearing debt, ¥15 billion is due to the conversion of convertible bonds issued by PARCO CO., Ltd

**Decided to increase FY2012 annual dividend by ¥1 per share to ¥18 per share.**

# 5. FY2013 forecasts

**Targeting consecutive years of sales and profit growth and record profits.**

Unit: Million yen

Consolidated	FY2013 forecasts (year to Feb. 2014)	FY2012 results (year to Feb. 2013)	Change ¥	Change %
Net sales	271,400	264,779	6,621	2.5%
Operating income	11,800	10,824	976	9.0%
Ordinary income	11,350	10,329	1,021	9.9%
Net income	6,000	5,083	917	18.0%

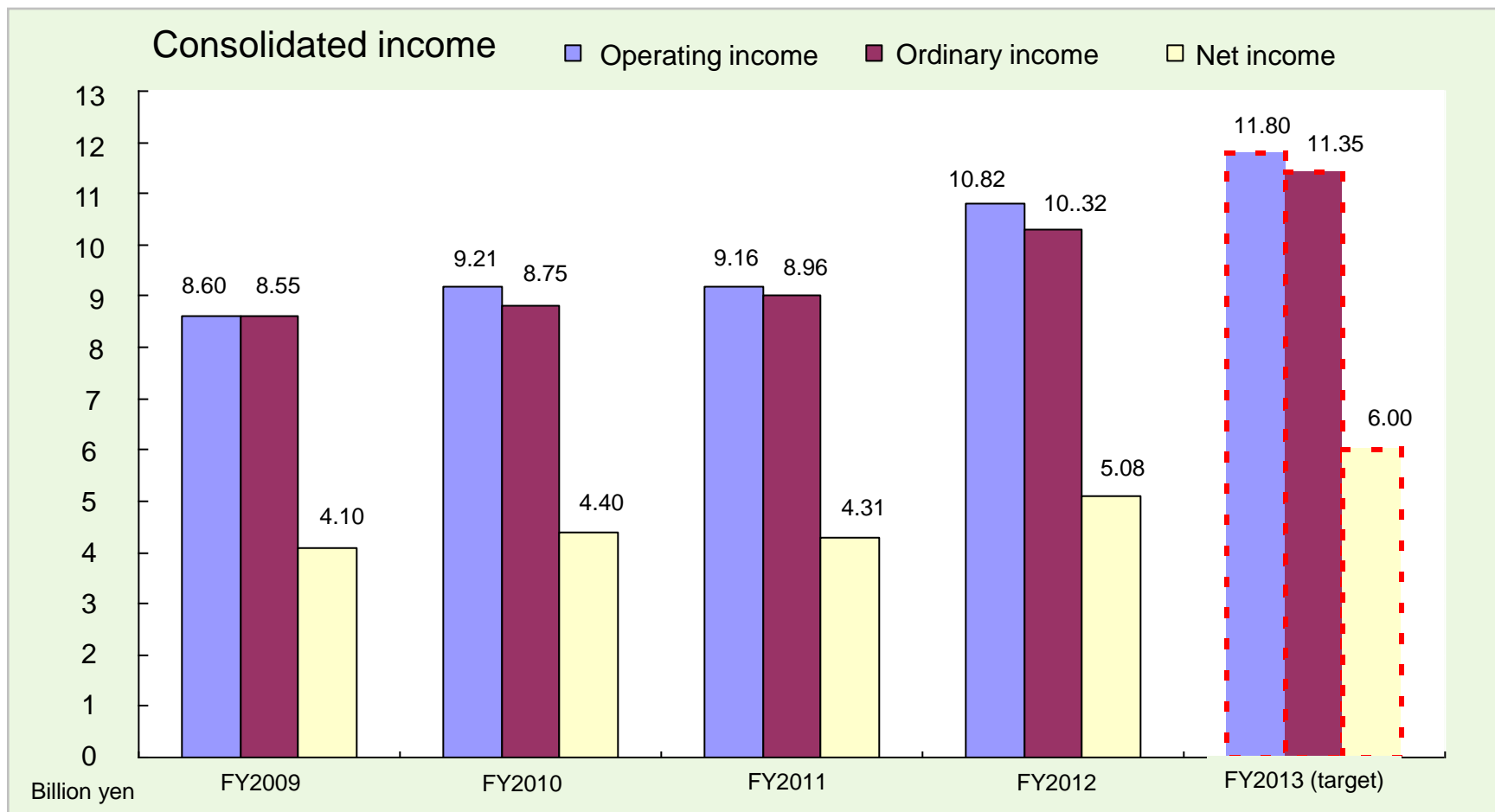
Non-consolidated	FY2013 forecasts (year to Feb. 2014)	FY2012 results (year to Feb. 2013)	Change ¥	Change %
Net sales	249,100	242,706	6,394	2.6%
Operating income	11,350	10,166	1,184	11.6%
Ordinary income	10,900	10,276	624	6.1%
Net income	5,850	5,444	406	7.5%

**Planning to pay interim dividend per share of ¥9 and annual dividend per share of ¥18.**



# 6. FY2013 Guidance

Further drive growth by solidifying projects that were planned in the previous fiscal year, strengthening cooperation within PARCO Group, and through the addition of JFR management resources



\* JFR is an abbreviation of J. Front Retailing

## **II. New business development**

## Promote development of areas surrounding core PARCO urban stores.

### Acquisition of Fukuoka PARCO and adjacent land and building

#### Purpose of acquisition

- Ensure stable future growth of Fukuoka PARCO's operating base
- Important component in strengthening PARCO's business base

A plan to use the adjacent building as a shopping complex will be swiftly formulated.



Fukuoka PARCO opened March 2010



## Rapid expansion of locations with the opening of 3 ZERO GATE stores

Shinsaibashi ZERO GATE and Dotonbori ZERO GATE opening date decided.

Kansai region	Opening date	Tenant
Shinsaibashi ZERO GATE	April 13 (Sat)	H&M
Dotonbori ZERO GATE	April 20 (Sat)	FOREVER 21

Generate buzz and revitalization of shopping streets by attracting leading foreign brands with high global recognition to West Japan for the first time and on the largest scale seen in Japan.

### Hiroshima Zero Gate

(Planned for the land adjacent to Hiroshima PARCO New Building.)

- PARCO will lease the shopping complex section on the lower floors of a new building complex
- Scheduled to open in Autumn this year

### Zero Gate business:

New business model deploying low to medium-rise urban shopping complexes.

Accelerate ZERO GATE business through specific store openings in FY 2013



Design image of Shinsaibashi ZERO GATE



Design image of Dotonbori ZERO GATE



**NISON CITY MALL, which PARCO received the contract to operate and manage, will open sequentially from May.**



Image of full view of Nison Plaza Project.  
The shopping complex will be in the lower section

Local corporation  
PARCO CONSULTING (SUZHOU) CO.,Ltd will operate and manage.

NISON CITY MALL:  
Nison Plaza Project shopping complex, Suzhou City.



Subway line No. 1 (under construction)  
Artists impression of Nison Project and surrounding area

### **III. PARCO stores business**

# FY2012 Tenant sales by store

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The Urban Store Group grew through renovations and other initiatives.  
The Community Store Group also continued steadily.

Unit: Million yen

PARCO store		Net sales	Change %
Urban Store Group	Sapporo PARCO* <sup>1</sup>	10,847	0.4%
	Sendai PARCO	13,362	9.9%
	Ikebukuro PARCO	29,275	1.9%
	Shibuya PARCO	12,790	4.2%
	Shizuoka PARCO	10,317	(2.6%)
	Nagoya PARCO	34,899	1.0%
	Hiroshima PARCO	17,164	1.0%
	Fukuoka PARCO	11,934	4.8%
8 store total		140,593	2.3%

PARCO store		Net sales	Change %
Sapporo PARCO New Building		—	—
Shinsaibashi PARCO		—	—
All store total* <sup>2</sup>		236,711	1.7%
Existing store total* <sup>3</sup>		236,711	2.1%

PARCO store		Net sales	Change %
Community Store Group	Utsunomiya PARCO	5,103	(3.6%)
	Urawa PARCO	16,175	9.8%
	Shin-Tokorozawa PARCO	8,409	4.1%
	Chiba PARCO	7,101	(0.5%)
	Tsudanuma PARCO	9,169	(1.0%)
	Hibarigaoka PARCO	7,817	(0.1%)
	Kichijoji PARCO	7,940	(2.6%)
	Chofu PARCO	16,904	1.8%
	Matsumoto PARCO	7,639	(1.2%)
	Otsu PARCO	4,596	2.9%
	Kumamoto PARCO	5,258	3.2%
11 store total		96,118	1.8%

\*1 Change % for Sapporo PARCO excludes sales of the New Building (closed Mar. 30, 2011)

\*2 Change % for All store total includes the previous year's sales of the now closed Sapporo PARCO New Building and Shinsaibashi PARCO

\*3 Existing store total exclude sales of Sapporo PARCO New Building (closed Mar. 30, 2011), and Shinsaibashi PARCO (closed Sept. 30, 2011)



**PARCO store renovations and higher quality consumption were mutually beneficial. Restaurants and services (Other) performed well amidst trend for experiential consumption and discerning consumption.**

Category and item	Existing stores FY2012
Womenswear	(3.1%)
Menswear	(0.8%)
General clothing	15.5%
<b>Clothing</b>	<b>1.7%</b>
Shoes	2.5%
Bags	9.1%
Accessories	(0.1%)
Cosmetics	0.9%
<b>Personal items</b>	<b>3.6%</b>

Category and item	Existing stores FY2012
Culture-related	(3.0%)
Hobby and living-related	(2.2%)
General merchandise	(3.0%)
Foods	2.9%
Restaurants	11.6%
Other	14.4%

Existing stores YoY change %	FY2011	FY2012
Paying customers	(1.5%)	2.7%
Average spend per customer	2.7%	0.7%

\*Paying customers and average spend per customer are based on “integrated sales” of stores. “Integrated sales” indicate the overall sales strength of a store, and include tenant sales, sales at PARCO Theater and other facilities, and sales to tenants under fixed rent contracts

\* Existing store total exclude sales of Sapporo PARCO New Building (closed Mar. 30, 2011) and Shinsaibashi PARCO (closed Sept. 30, 2011)

**Renovated-zone sales strong, up 17.4% in FY 2012.  
In FY 2013 we will continue to focus on promotion of thematic renovations  
that demonstrate our strength in proposing solutions.**

## FY 2012 results

Area	Approx. 53,000m <sup>2</sup> (planned 46,000m <sup>2</sup> )
Net sales increase in renovated zone	17.4%
Result	<ul style="list-style-type: none"><li>• Thematic, merchandise selection-type zone renovation</li><li>• Deployment of leading shops at multiple PARCO stores</li><li>• Strengthened engagement with new companies and business categories</li><li>• Expanded customer base by responded to local needs and diversifying products</li></ul>

## FY 2013 plans

Area	Approx. 46,000m <sup>2</sup> (about 15% of store space)
Theme	<ul style="list-style-type: none"><li>• Propose lifestyle that goes beyond fashion, and respond to life-stage diversity and experiential consumption</li><li>• Strengthen proposals to acquire new customers</li><li>• Continue thematic renovations that demonstrate our strength in proposing solutions</li></ul>

Urban Store Group: Improved innovation and ability to communicate trends.



## Shibuya PARCO

Strengthened incubation and trend communication.

- Opened PARCO-run shops and emerging-designer shops
- Created *Shibu-Pop* (Shibuya Pop culture market), a floor featuring next generation subculture, providing items and experiences unique to PARCO

## Nagoya PARCO

Proposed latest fashion and lifestyle trends to urbanites under a 3-building system.

- Attracted a full line of large-scale select shops to the 1st and 2nd floor of the South Building
- West and East Buildings in combination achieved market-leading variety in men's, women's, and kids' department



Community Stores Group: Proposed new community-based consumption unique to PARCO.



## Tsudanuma PARCO

Enhanced the store's function as a community-based shopping complex.

- Proposed a new family zone with the introduction of large-scale casual fashion shops
- Relocated latest model blood donation center. Public service aspect and purposefulness contributed to increased customer numbers

## Matsumoto PARCO

Strengthened the store's ability to attract customers and greatly enhanced product variety to meet the needs of diverse customers from a wide catchment.

- Newly introduced a large-scale outdoor store, taking advantage of the stores location at the gateway to the Northern Alps
- Remodeled interior goods, lifestyle, and travel floors to meet diversifying consumption needs





Renovation to increase our significance as an anchor of urban life.



## Shibuya PARCO

Sequential opening from March 1<sup>st</sup>.

Continue to strengthen the fashion and culture image of Shibuya PARCO as it approaches 40<sup>th</sup> anniversary.

- In addition to improving the fashion sense, promote communication to the next generation PARCO fans in diverse areas such as art, design, entertainment

## Nagoya PARCO

Grand opening on March 20<sup>th</sup>.

Add a new appeal to the largest gathering of select shops.

- Fully renovate the 3rd floor of the South Building and attract emerging select shops
- Make new proposals to highly-sensitive local consumers regardless of age and gender



Improve appeal of building that is responsive to market and location



## Kichijoji PARCO

Grand opening February 28<sup>th</sup>.

Propose lifestyle solutions under the theme of female beauty.  
Promote differentiation in the market

- Incentivize consumption among female customers by raising fashion quality and enhancing line up of cosmetic products

## Shizuoka PARCO

Grand opening March 15<sup>th</sup>.


Continuously evolve to become the region's number 1 fashion building.

- Completely renovate women's floor (3F) in spring, and introduce a new-style café shop
- Refresh by attracting brands new to the area
- Provide a topic of interest in the market with continuous renovations that follow last year's first floor renewal



**Achieved an increase in new PARCO Card members by strengthening enrollment services.  
Supported sales by improving customer acquisition and utilization rate.**

Ensured new members became PARCO Card Class S members after one year.




Full activation of new members and new Class S members in 2013.

## FY 2012 results

Number of new cards issued (YoY)	259,409 (47.4%)
Spending by new card holders (YoY)	¥10.4 billion (77.9%)
PARCO Card sales amount (YoY), share of net sales	¥49.2 billion (10.0%), 18.0%
Number of PARCO Card members at end of FY 2012(YoY)	1,615,000 (0.1%)

## Details of service change

		Previous system	New system
1	5%-off period following issuance of card	1 month	1 year
2	Minimum spend per year from the year following issuance in order to qualify for 5% discount	¥200,000	¥100,000





## Integration of real stores and Web, and realization of 24-hour PARCO.

Streamline and maximize communication with tenants and customers.

- Establish Web Communication Department in this fiscal year
- Transfer management and administration of PARCO-CITY online shopping mall from PARCO City to PARCO Co., Ltd.



With real stores as the base point, provide a platform that allows customer service, even online.

Achieve **24-hour (omni-channel) PARCO** through Real + Web

Creating proprietary media that renders the real-store PARCO experience online.

Direct users from PARCO online tenant shop blog to PARCO EC mall / Tenant EC.

Enhance online tenant service that facilitates O2O\*.

(\*online to offline)



## **IV. PARCO Group business**

**Achieved sales and profit growth.**  
**Record high sales, operating income, and ordinary income.**  
**Aggressive new store openings also planned for 2013.**

**FY 2012**

- TiCTAC drove business with a strong sales promotion plan which ties together environmental themes and social contribution
- Sales of original products grew substantially
- Aggressive new store openings in shopping complexes with a broad customer base
- Opened 8 stores in one-year period
- 159-store network as of end of FY2012

Share of stores outside PARCO	65.4%
Share of stores inside PARCO	34.6%

Business (product)	Stores
TiCTAC (wristwatches)	73
EYEWEAR (eyeglasses)	26
ROSEMARY (cosmetics, general merchandise)	25
COLLECTORS (men's/ladies' general merchandise)	35

\*As of end of February, 2013



**FY 2013**

- Expand store network to 172 by end of FY2013
- Further expand the lineup of original products
- Improve profit margin, continue business expansion



TiCTAC LaLaport Yokohama

**Achieved sales and profit growth in FY 2012.  
Aim to also expand business in FY 2013 by leveraging know-how  
and ability to propose solutions.**

FY 2012

- Increase in interior work contracts from large-scale tenants
- Increase in LED conversion contracts from shopping complexes
- Increase in facility management contracts from foreign-owned hotels



FY 2013

**Lighting, electrical work, interior construction:**

Increase contracts from shopping complexes and hotels outside PARCO stores.  
(Using ability to propose energy-saving, reduced environmental impact solutions.)

**Building Management Business:**

Cultivate new clients in areas surrounding PARCO stores.  
(Using know-how at PARCO stores.)

**In FY 2013, in collaboration with PARCO, further strengthen Web Consulting Business which was expanded in FY 2012.**

FY 2012

**Web Consulting Business:**

- Production and administration of shopping complex web sites
- Expansion of Facebook and other SNS management work

**EC Business: (transfer of control to PARCO CO., Ltd. from FY 2013)**

- Attract leading fashion tenants
- Expand unique contents centered around culture and entertainment

FY 2013

**Specialization of Web Consulting Business**

- Enhance development of products utilizing PARCO Group know-how
- Business expansion focused on Retail Business and shopping complexes outside PARCO Group

# Entertainment Business

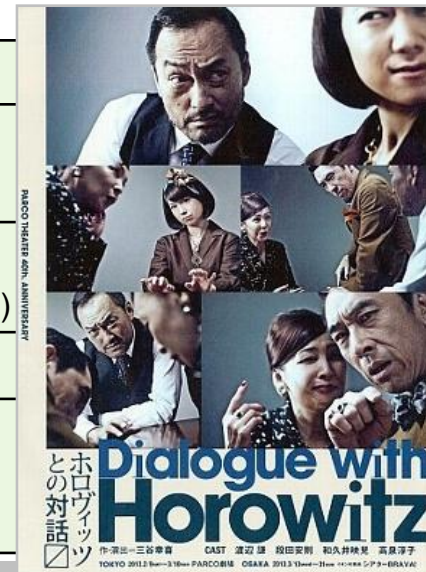
**In 2012, we staged highly topical plays by proven producers and actors.  
In 2013 we will feature PARCO Theatre anniversary performances throughout the year.**

## FY 2012

Theatre	Chekov's "The Cherry Orchard"	Koki Mitani (producer)
	"Much ado about love suicides"	Koki Mitani's first Bunraku effort (writer, producer)
	"The Wiz"	Amon Miyamoto (translator, producer)
Movie	"Helter Skelter"	Movie financed by PARCO
Live house	UMEDA CLUB QUATTRO opened in April 2012 and has been performing strongly	

## FY 2013 PARCO Theatre 40<sup>th</sup> anniversary performances etc.

Theatre	"Dialogue with Horowitz"	Koki Mitani (writer, producer)
	"Shumi no heya" (The Hobby Room)	Furusawa Ryota (writer), Isao Yukisada (producer)
	"Lemming"	Shuji Terayama (project marking 30-year anniversary of his death)
Live house	Planning SHIBUYA CLUB QUATTRO 25th anniversary project	
Collaborative projects with PARCO stores through multi-businessization of content Develop new Entertainment Business		



## **V. Engagement with J. Front Retailing**



## Themes of engagement.

### 1. Strengthen business base as a retail business group

Implement exchange of personnel.

Speed up cultivation of mutual understanding and creation of business synergies.

### 2. Strengthen competitiveness as a shopping complex using the know-how of both companies

### 3. Expand opportunities for collaboration on mutual customer base

Mutual provision of shareholder rewards (from FY 2013).

Implement and increase scale of planning of joint promotions.

### 4. Expand opportunities for collaboration in related businesses

## Expansion of joint promotion.

Joint implementation  
in Fukuoka area.

Daimaru, Matsuzakaya and PARCO joint development  
of area around stores.  
(Sapporo area, Shizuoka area, Nagoya area, Fukuoka area.)

Company-wide joint promotion efforts from FY 2013.  
To be held at all Daimaru, Matsuzakaya and PARCO stores.



Daimaru, Matsuzakaya X PARCO first joint project  
Spring's Ultra Thanks Festival.

## **VI. CSR initiatives**

## Mechanism to support the people and businesses leading the next generation.

### 1. HELLO, SHIBUYA TOKYO

Evaluated highly for strengths in tenant cultivation and selection and on-site network.  
Selected for “2012 Cool Japan promotion” (METI).  
Supported growth of Japan’s next generation of fashion operators.

- Opened Japanese fashion brand shops in Singapore
- Held fashion shows and trade fairs in Singapore



### 2. FIGHT FASHION FUND

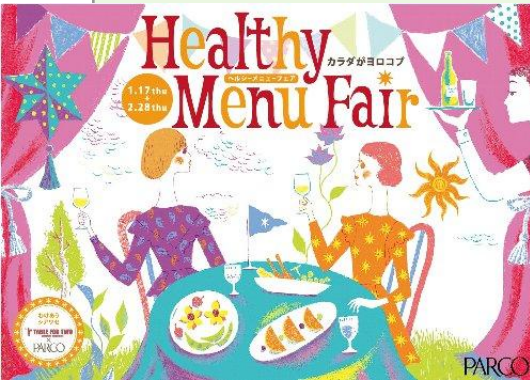
Developed by PARCO, this is Japan’s first consumer-participation-type fashion micro fund supporting the business growth of the next generation of fashion designers.

- The first fund is fully subscribed and has been closed
- Fashion show, product development conferences, networking events
- Open shops at Shibuya PARCO and Ikebukuro PARCO



## External collaboration on CSR initiatives.

### 3. PARCO × TABLE FOR TWO



Project held at PARCO restaurants as part of **TABLE FOR TWO** initiative

CSR project in cooperation with university student association, to donate one school meal for a child in a developing country for every food and drink purchase at participating PARCO restaurants.

80 participating restaurants at 11 PARCO stores nationwide.

→ Largest scale held at shopping complex

- Achieved donation total of 18,000 meals, greatly exceeding target of 10,000

### 4. NEUVE A Co., LTD. ongoing CSR project

Pink Ribbon activities: Breast cancer screening educational activities.

“Mottainai” watch exchange: Watch reuse and recycle.

LET'S ECO RECYCLING: Bags, wallets, hats trade-in campaign.





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