

Quarterly Report FY 2016 Q1

1 Performance Overview

Sales and profits declined in the first quarter due to a decrease in net sales in the Shopping Complex Business, and other factors.

- Net sales decreased due to sluggish performance at PARCO in the Shopping Complex Business and despite an increase in sales at NEUVE A CO., LTD. in the Retail Store Business, which was driven by new store openings.
- Operating income declined by 3.9% and net income attributable to parent declined by 12.2% year on year due to a decrease in net sales and other factors, and despite a full-quarter contribution from Sapporo ZERO GATE, which opened in February, as well as higher profit margins at PARCO SPACE SYSTEMS Co., LTD. in the Space Engineering and Management Business.

2 Comments from the President

First quarter results show a decline in sales and income for the first time since Q1 FY2011 due to a large slump in clothing sales at PARCO stores affected by slowing individual consumption since last winter. Sapporo ZERO GATE, which opened in February 2016, is contributing to income, and further contributions are also expected this year from Sendai PARCO 2, scheduled to open in July, and Hiroshima ZERO GATE 2, scheduled to open in the autumn.

Future plans include opening Kyoto ZERO GATE in spring 2017 and opening a new store in Ueno the following autumn. We have begun formulating specific plans for a special urban renaissance district for the area including Shibuya PARCO and are aiming to complete the project in FY2019. In line with the plan to create a reborn Shibuya PARCO, the store will close temporarily for reconstruction purposes from August.

Other forward-looking measures include developing our business overseas. In addition to making a decision to leverage our previous successful experience in Singapore by developing *itadakimasu by PARCO*, an authentic Japanese cuisine zone, we also opened a character collaboration guest café that has proven successful in Shibuya PARCO and Nagoya PARCO for a limited time in Singapore in May. We are also expanding our guest café business in Japan, including opening the first café outside of a PARCO store in Shinsaibashi, Osaka, in April.

FY2016 is the final year of the Medium-term Business Plan. PARCO Group 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.

Store-Opening Plans

2016

2017

2019

to be decided

Scheduled opening of
Sendai PARCO 2Scheduled opening of
Kyoto ZERO GATE
(provisional name)Scheduled completion of
Udagawa-cho 15
Development ProjectScheduled opening of
Sannomiya ZERO GATE
(provisional name)

Hiroshima ZERO GATE 2

New store in Ueno

Financial Highlights

Millions of yen

	FY 2016	FY 2015	Change	Change	FY 2015
	1Q	1Q			
For the Period					
Net sales	¥ 68,208	¥ 70,620	¥ (2,412)	(3.4%)	¥ 276,358
Operating income	3,231	3,363	(131)	(3.9%)	12,772
Ordinary income	3,157	3,314	(156)	(4.7%)	12,673
Net income attributable to parent	1,725	1,965	(239)	(12.2%)	6,061
EBITDA	4,492	4,840	(348)	(7.2%)	19,010
Cash flows from operating activities	2,760	2,549	211	-	14,652
Cash flows from investing activities	(1,534)	(6,138)	4,604	-	(19,325)
Cash flows from financing activities	(3,403)	3,657	(7,061)	-	7,203
Cash and cash equivalents at end of period	4,628	4,385	243	-	6,840
At the Period End					
Total assets	238,678	-	2,363	-	236,315
Net assets	117,191	-	717	-	116,474
Per Share Data					
Net income	17.01	19.37	(2.36)	(12.2%)	59.75

Consolidated Results by Segment

	Millions of yen		
	1Q	change	Change
Shopping Complex Business			
Sales	¥ 60,964	¥(1,761)	(2.8%)
Segment income	2,873	(106)	(3.6%)
Retail Business			
Sales	5,167	112	2.2%
Segment income	39	(65)	(62.3%)
Space Engineering and Management Business			
Sales	5,661	(509)	(8.3%)
Segment income	302	93	44.6%
Other Business			
Sales	1,480	(607)	(29.1%)
Segment income	36	(57)	(61.2%)
Total			
Sales	73,274	(2,766)	(3.6%)
Segment income	3,252	(136)	(4.0%)
Consolidated (after adjustment)			
Sales	69,431	(2,413)	(3.4%)
Segment income	3,231	(131)	(3.9%)

EBITDA in this table refers to operating income plus depreciation and amortization.

Figures for net sales by segment include operating revenue.

Segment income is adjusted to operating income in the quarterly consolidated statements of 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.

	Millions of yen		
	1Q	change	Change
Selling, general and administrative expenses			
Personnel	¥ 2,567	¥ 35	1.4%
Lease/rental	2,212	(42)	(1.9%)
Advertising	1,152	23	2.0%
Agency services	1,328	(0)	(0.1%)
Depreciation	1,260	(217)	(14.7%)
Total SG&A	8,301	(133)	(1.6%)

	Millions of yen	
	1Q	change
Non-operating income and expenses		
Non-operating income	¥ 63	¥ 2
Non-operating expenses	137	28

	Millions of yen	
	1Q	change
Extraordinary income and loss		
Extraordinary income	-	-
Extraordinary loss	¥ 474	¥ 356
Loss on sales of noncurrent assets	259	238
Loss on disposal of noncurrent assets	205	109

Non-consolidated results

Millions of yen

	FY 2016	FY 2015	Change	Change	FY 2015
	1Q	1Q			

For the Period					
Net sales	¥ 60,978	¥ 63,379	¥ (2,400)	(3.8%)	¥ 249,366
Operating income	2,903	3,070	(166)	(5.4%)	11,731
Ordinary income	2,861	3,108	(247)	(8.0%)	11,727
Net income	1,570	1,914	(344)	(18.0%)	5,932
EBITDA	4,071	4,440	(369)	(8.3%)	17,520

Tenant Sales by Store

	Millions of yen	
	1Q	Change
Urban store group		
Sapporo PARCO	¥ 2,941	(4.2%)
Sendai PARCO	3,114	(5.5%)
Ikebukuro PARCO	6,437	(6.9%)
Shibuya PARCO	3,767	(3.8%)
Shizuoka PARCO	2,527	(1.7%)
Nagoya PARCO	8,900	(0.6%)
Hiroshima PARCO	4,046	(3.3%)
Fukuoka PARCO	4,726	(4.9%)
8 store total	36,460	(3.7%)
Community store group		
Utsunomiya PARCO	944	(16.1%)
Urawa PARCO	4,386	(0.5%)
Shin-Tokorozawa PARCO	2,440	2.3%
Chiba PARCO	1,167	(15.0%)
Tsudanuma PARCO	2,116	(4.9%)
Hibarigaoka PARCO	1,911	0.6%
Kichijoji PARCO	1,814	2.1%
Chofu PARCO	4,491	2.9%
Matsumoto PARCO	1,795	2.0%
Otsu PARCO	921	(0.8%)
Kumamoto PARCO	1,196	(7.8%)
11 store total	23,186	(1.5%)
Total	59,646	(2.9%)
Existing store total	58,848	(3.1%)

Sales by item (Total of existing stores)

	Change
Womenswear	(8.1%)
Menswear	(7.0%)
General clothing	(0.3%)
Clothing	(5.1%)
Shoes	(2.1%)
Bags	1.7%
Accessories	(1.9%)
Cosmetics	12.1%
Personal items	(0.5%)
Sundry goods	(1.9%)
Foods	0.8%
Restaurants	(6.0%)
Other (service, etc.)	(10.3%)

Paying customers, Average spend per customer

	Change
Paying customers	(5.6%)
Average spend per customer	1.4%

Millions of yen

	1Q	Change	Share in sales
Credit card sales amount			
Credit card	¥ 30,322	0.0%	44.8%
PARCO Card	15,919	2.3%	23.5%

Renovation

Number of sections	172
Of which are new store sections	97
Renovated area	Approx. 20,000㎡
Zone sale YoY comparison	19.8%

Purchases by foreign-issued credit cards in main stores

	Shibuya PARCO	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO
YoY change in purchases	22.3%	49.4%	26.7%	33.8%
Share of net sales of each store accounted	13.1%	9.8%	2.5%	1.4%
YoY change in share of net sales of each store accounted	+4.0%	+3.5%	+0.7%	+0.4%

Existing stores total does not include sales at Fukuoka PARCO Main Building extension (opened Mar.19, 2015), Nagoya PARCO midi (opened Mar. 27, 2015).

YoY comparisons of sales by item, paying customers, average spend per customer, sales in renovated zones, share of sales by credit card, as well as purchases by foreign-issued credit cards are based on overall store sales, which are calculated by adding tenant sales, PARCO Theatre sales, and fixed-rent tenant sales to show the overall selling power of stores.

Figures of renovation exclude Shibuya PARCO and Chiba PARCO.