

<Excerpt English translation of the original Japanese-language document>



MEMBERSHIP

October 3, 2016

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending February 28, 2017 <under Japanese GAAP>

Company name: **PARCO CO., LTD.**

Listing: First Section of the Tokyo Stock Exchange

Stock code: 8251

URL: <http://www.parco.co.jp/>

Representative: Kozo Makiyama, Chairman of the Board, President, Representative Executive Officer

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Scheduled date to file Quarterly Securities Report: October 12, 2016

Scheduled date of dividend distribution: October 24, 2016

Preparation of supplementary material on quarterly earnings: Yes

Holding of quarterly earnings performance review: Yes (for institutional investors and analysts)

(All amounts have been rounded down to the nearest million yen.)

1. Consolidated performance for the first six months of the fiscal year ending February 28, 2017 (from March 1, 2016 to August 31, 2016)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months ended August 31, 2016	134,029	(2.0)	6,504	(2.5)	6,085	(7.8)	3,751	9.6
August 31, 2015	136,721	4.2	6,669	5.5	6,602	4.3	3,422	(5.4)

Note: Comprehensive income

For the first six months ended August 31, 2016: 3,732 million yen [30.7%]

For the first six months ended August 31, 2015: 2,856 million yen [(18.4)%]

	Basic earnings per share	Diluted earnings per share
First six months ended	Yen	Yen
August 31, 2016	36.97	—
August 31, 2015	33.74	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
August 31, 2016	241,959	119,192	49.3
February 29, 2016	236,315	116,474	49.3

Reference: Equity

As of August 31, 2016: 119,192 million yen

As of February 29, 2016: 116,474 million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2016	–	10.00	–	10.00	20.00
Fiscal year ending February 28, 2017	–	11.00			
Fiscal year ending February 28, 2017 (Forecast)			–	11.00	22.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2017 (from March 1, 2016 to February 28, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2017	271,000	(1.9)	12,900	1.0	13,100	3.4	6,900	13.8	68.01

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - b. Changes in accounting policies due to other reasons: Yes
 - c. Changes in accounting estimates: Yes
 - d. Restatement of prior period financial statements after error corrections: None
- (4) Number of issued shares (common shares)
 - a. Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2016	101,462,977 shares
As of February 29, 2016	101,462,977 shares
 - b. Number of treasury shares at the end of the period

As of August 31, 2016	4,405 shares
As of February 29, 2016	4,200 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the first six months ended August 31, 2016	101,458,689 shares
For the first six months ended August 31, 2015	101,459,335 shares

*** Indication regarding execution of quarterly review procedures**

The quarterly review procedures pursuant to the Financial Instruments and Exchange Act do not apply to this quarterly earnings report. At the time of disclosure of this quarterly earnings report, the quarterly review procedures for quarterly consolidated financial statements are in progress.

*** Proper use of earnings forecasts, and other special matters**

Caution concerning forward-looking statements

The forward-looking statements, including earnings forecasts, contained in these materials are based on information available to the Company at the time of the filing and certain assumptions deemed reasonable by the Company. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ significantly due to various unforeseen factors.

Method of accessing supplementary material on quarterly earnings

Supplementary material on quarterly earnings will be disclosed on TDnet, on the date of this report. The Company plans to hold an earnings performance review for institutional investors and analysts, and post a video of this earnings performance review on its website promptly after the review is held.

(Reference) Non-consolidated earnings forecasts

**Non-consolidated earnings forecasts for the fiscal year ending February 28, 2017
(from March 1, 2016 to February 28, 2017)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2017	242,600	(2.7)	11,700	(0.3)	12,200	4.0	5,500	(7.3)	54.21

Note: Revisions to the non-consolidated earnings forecasts most recently announced: Yes

Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of February 29, 2016	As of August 31, 2016
Assets		
Current assets		
Cash and deposits	6,840	5,767
Notes and operating accounts receivable	8,289	8,500
Merchandise and finished goods	3,387	3,537
Work in process	653	500
Raw materials and supplies	37	37
Other	4,689	6,126
Allowance for doubtful accounts	(3)	(3)
Total current assets	23,894	24,465
Non-current assets		
Property, plant and equipment		
Buildings and structures	129,672	137,676
Accumulated depreciation	(82,301)	(83,287)
Accumulated impairment loss	(1,878)	(2,628)
Buildings and structures, net	45,492	51,761
Buildings and structures in trust	22,270	22,279
Accumulated depreciation	(5,411)	(5,911)
Buildings and structures in trust, net	16,858	16,368
Machinery, equipment and vehicles	887	886
Accumulated depreciation	(729)	(744)
Accumulated impairment loss	(0)	(0)
Machinery, equipment and vehicles, net	158	141
Machinery, equipment and vehicles in trust	171	171
Accumulated depreciation	(31)	(39)
Machinery, equipment and vehicles in trust, net	139	131
Other	6,885	9,166
Accumulated depreciation	(4,952)	(4,561)
Accumulated impairment loss	(163)	(114)
Other, net	1,769	4,491
Other in trust	194	194
Accumulated depreciation	(124)	(135)
Other in trust, net	69	58
Land	51,392	54,397
Land in trust	50,104	50,104
Construction in progress	6,229	604
Total property, plant and equipment	172,215	178,059
Intangible assets		
Leasehold right	10,237	10,237
Other	1,403	1,794
Total intangible assets	11,641	12,032
Investments and other assets		
Investment securities	1,192	866
Lease and guarantee deposits	23,863	23,634
Other	3,688	3,083
Allowance for doubtful accounts	(180)	(182)
Total investments and other assets	28,564	27,401
Total non-current assets	212,421	217,493
Total assets	236,315	241,959

(Millions of yen)

	As of February 29, 2016	As of August 31, 2016
Liabilities		
Current liabilities		
Notes and operating accounts payable - trade	17,258	18,943
Short-term loans payable	7,919	12,569
Income taxes payable	2,627	2,229
Provision	2,065	1,898
Other	20,862	20,330
Total current liabilities	50,732	55,970
Non-current liabilities		
Long-term loans payable	35,200	32,850
Guarantee deposits received	30,188	27,839
Provision	564	541
Net defined benefit liability	2,281	2,219
Other	874	3,345
Total non-current liabilities	69,108	66,796
Total liabilities	119,841	122,766
Net assets		
Shareholders' equity		
Capital stock	34,367	34,367
Capital surplus	35,129	35,129
Retained earnings	47,154	49,891
Treasury shares	(3)	(4)
Total shareholders' equity	116,647	119,383
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	13
Foreign currency translation adjustment	(86)	(117)
Remeasurements of defined benefit plans	(101)	(87)
Total accumulated other comprehensive income	(172)	(190)
Total net assets	116,474	119,192
Total liabilities and net assets	236,315	241,959

(2) Consolidated statements of (comprehensive) income
Consolidated statements of income (cumulative)

(Millions of yen)

	First six months ended August 31, 2015	First six months ended August 31, 2016
Net sales	136,721	134,029
Cost of sales	115,896	113,523
Gross profit	20,824	20,505
Operating revenue	2,382	2,494
Operating gross profit	23,206	22,999
Selling, general and administrative expenses	16,537	16,495
Operating income	6,669	6,504
Non-operating income		
Interest income	21	18
Miscellaneous income	131	118
Total non-operating income	153	136
Non-operating expenses		
Interest expenses	200	185
Share of loss of entities accounted for using equity method	0	325
Miscellaneous expenses	19	45
Total non-operating expenses	220	555
Ordinary income	6,602	6,085
Extraordinary income		
Gain on sales of non-current assets	0	2,747
Gain on sales of investment securities	1,220	–
Other	29	–
Total extraordinary income	1,250	2,747
Extraordinary losses		
Loss on sales of non-current assets	20	258
Loss on retirement of non-current assets	232	382
Impairment loss	42	168
Loss on closing of stores	1,886	1,689
Other	0	53
Total extraordinary losses	2,182	2,553
Income before income taxes and minority interests	5,670	6,280
Income taxes	2,247	2,529
Profit	3,422	3,751
Profit attributable to owners of parent	3,422	3,751

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	First six months ended August 31, 2015	First six months ended August 31, 2016
Profit	3,422	3,751
Other comprehensive income		
Valuation difference on available-for-sale securities	(606)	(1)
Foreign currency translation adjustment	(0)	(30)
Remeasurements of defined benefit plans, net of tax	43	14
Share of other comprehensive income of entities accounted for using equity method	(2)	–
Total other comprehensive income	(566)	(18)
Comprehensive income	2,856	3,732
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,856	3,732
Comprehensive income attributable to non- controlling interests	–	–

(3) Consolidated statements of cash flows

(Millions of yen)

	First six months ended August 31, 2015	First six months ended August 31, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	5,670	6,280
Depreciation	3,030	2,656
Impairment loss	42	168
Increase in provision for bonuses	64	31
Increase (decrease) in net defined benefit liability	12	(37)
Interest and dividend income	(42)	(20)
Interest expenses	200	185
Loss (gain) on sales and retirement of non-current assets	70	(2,387)
Gain on sales of investment securities	(1,220)	–
Loss on store closings	1,886	1,689
Share of loss of entities accounted for using equity method	0	325
Decrease (increase) in notes and accounts receivable - trade	2,682	(210)
Decrease in inventories	43	2
Increase in notes and accounts payable - trade	2,526	1,685
Increase/decrease in other assets/liabilities	(1,130)	(1,283)
Other, net	58	(6)
Subtotal	13,894	9,079
Interest and dividend income received	42	20
Interest expenses paid	(215)	(192)
Payment resulting from store closing	–	(134)
Income taxes paid	(3,404)	(2,467)
Net cash provided by operating activities	10,317	6,306
Cash flows from investing activities		
Payments into time deposits	(273)	(152)
Proceeds from withdrawal of time deposits	272	230
Purchase of property, plant and equipment	(14,038)	(9,804)
Proceeds from sales of property, plant and equipment	5	3,980
Purchase of investment securities	(401)	(1)
Proceeds from sales of investment securities	1,722	–
Payments for lease and guarantee deposits	(541)	(304)
Proceeds from collection of lease and guarantee deposits	3,462	556
Decrease in guarantee deposits received	(313)	(388)
Other, net	(510)	(604)
Net cash used in investing activities	(10,614)	(6,488)
Cash flows from financing activities		
Net increase in short-term loans payable	700	–
Net increase (decrease) in commercial papers	6,499	(1,899)
Proceeds from long-term loans payable	–	6,000
Repayments of long-term loans payable	(4,550)	(3,700)
Net increase in treasury shares	(0)	(0)
Cash dividends paid	(913)	(1,014)
Other, net	(96)	(166)
Net cash provided by (used in) financing activities	1,638	(780)
Effect of exchange rate change on cash and cash equivalents	(0)	(5)
Net increase (decrease) in cash and cash equivalents	1,341	(968)
Cash and cash equivalents at beginning of period	4,059	6,582
Cash and cash equivalents at end of period	5,401	5,614