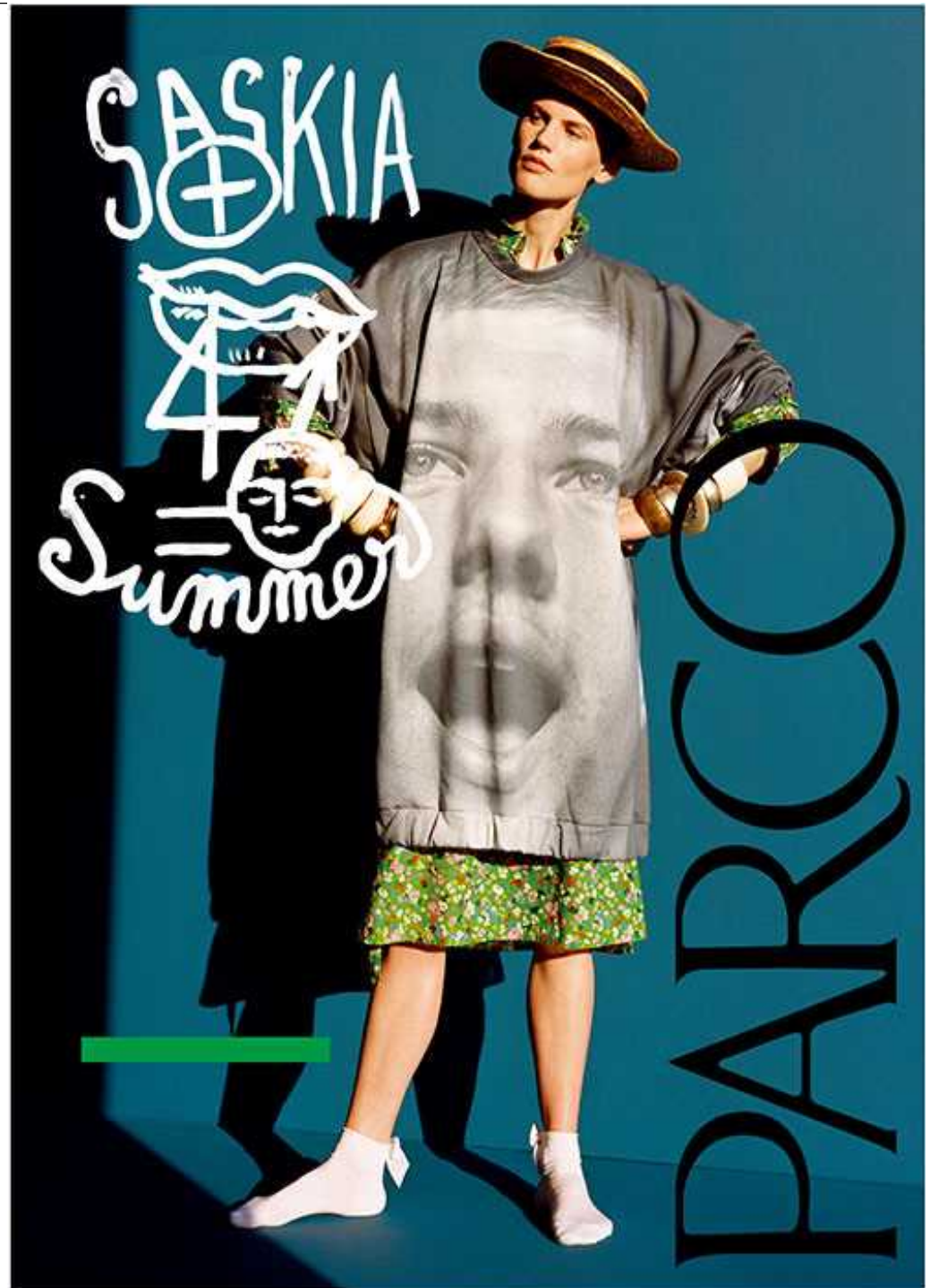


PARCO CO., LTD.
FY2017 Financial Highlights
(March 1, 2017 – February 28, 2018)
TSE 1st Section 8251



- **FY2017:** Operating profit and profit exceeded targets, primarily due to contributions from the opening of new stores in the current fiscal year and reversal of allowance on the closure of Otsu PARCO. This was despite decreases in revenue and profit caused by permanent and temporary store closures in the previous fiscal year and permanent store closures in the fiscal year under review.
- **FY2017:** PARCO_ya, a new commercial facility in Ueno, opened in November and early sales were strong. A section of Kyoto ZERO GATE opened in the same month.
- **FY2018:** A section of Harajuku ZERO GATE opened in March, and Sannomiya ZERO GATE is projected to open this autumn. Announcement of ZERO GATE Kawasaki store on April 9.
- Of the 12 development projects targeted in PARCO's Medium-term Business Plan, 3 have already opened, and an additional 6 are in development and making steady progress.
- **FY2018** profit is expected to be in line with forecasts for the second year of the Medium-term Management Plan. Revenue is expected to increase as a result of new store openings including ZERO GATE, with a marginal increase in operating profit after incorporating the closure of Otsu PARCO (reversal of allowance) in FY2017 and rising development costs in FY2018.
- Annual dividend per share in FY2018 is projected to be 24 yen, a 1 yen increase over FY2017.

Overview of FY2017 results / FY2018 full-year forecasts

Shopping Complex Business

Development Projects

PARCO Stores Business

PARCO Group Related Businesses

ESG Approach

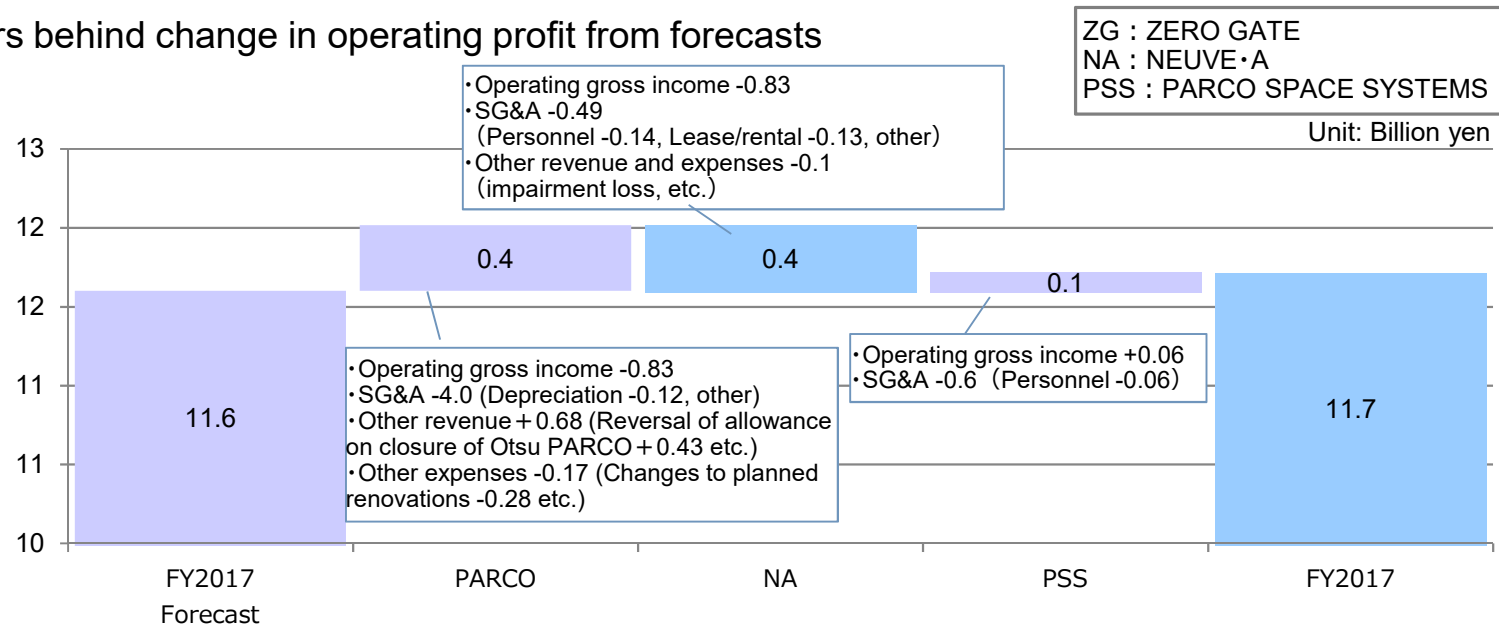
Profit and operating profit exceeded targets despite a decline in revenue and profit resulting from a decrease in the number of PARCO stores in the Shopping Complex Business and despite a gain on the sale of fixed assets relating to the redevelopment of Shibuya PARCO in the previous fiscal year.

Unit: Million yen

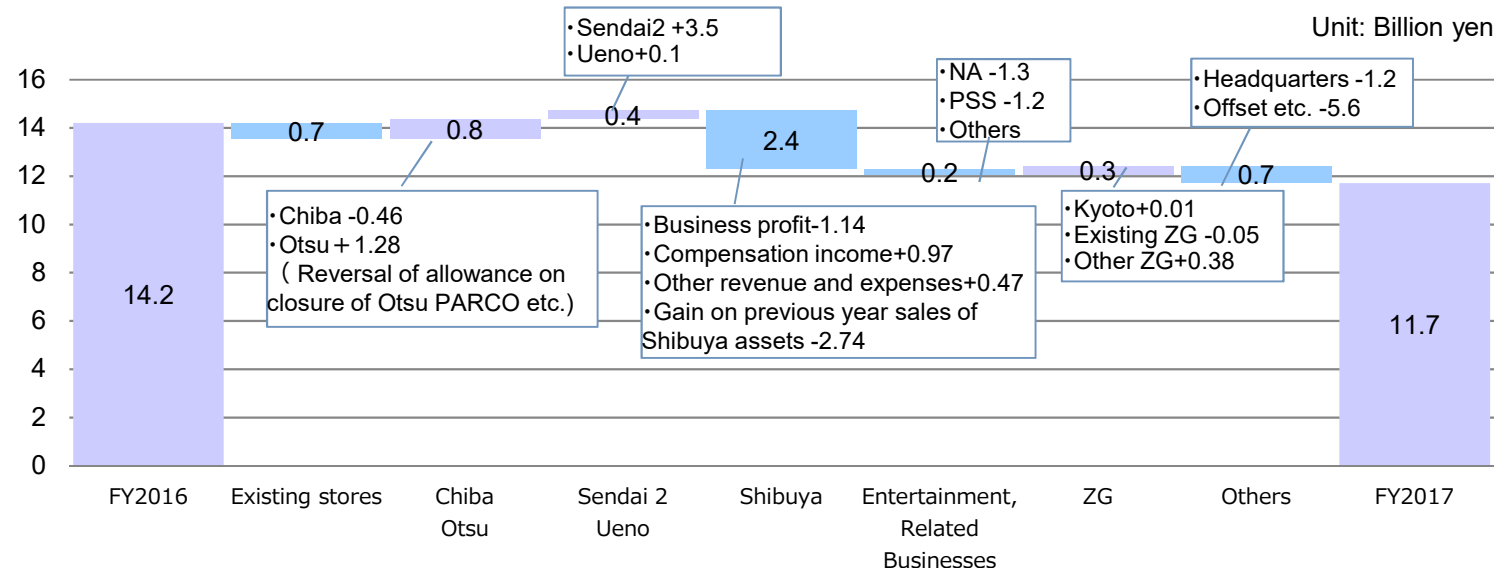
Consolidated	FY2017	FY2016	Change ¥	Change %	Forecasts	Difference from forecast ¥	Difference from forecast %
Operating revenue	91,621	93,780	(2,159)	(2.3%)	94,000	(2,378)	(2.5%)
Operating profit	11,713	14,203	(2,490)	(17.5%)	11,600	113	1.0%
Profit	7,809	8,795	(985)	(11.2%)	7,500	309	4.1%
EBITDA*	17,372	19,502	(2,130)	(10.9%)	—	—	—

*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).

Factors behind change in operating profit from forecasts



Factors behind YoY change in operating profit

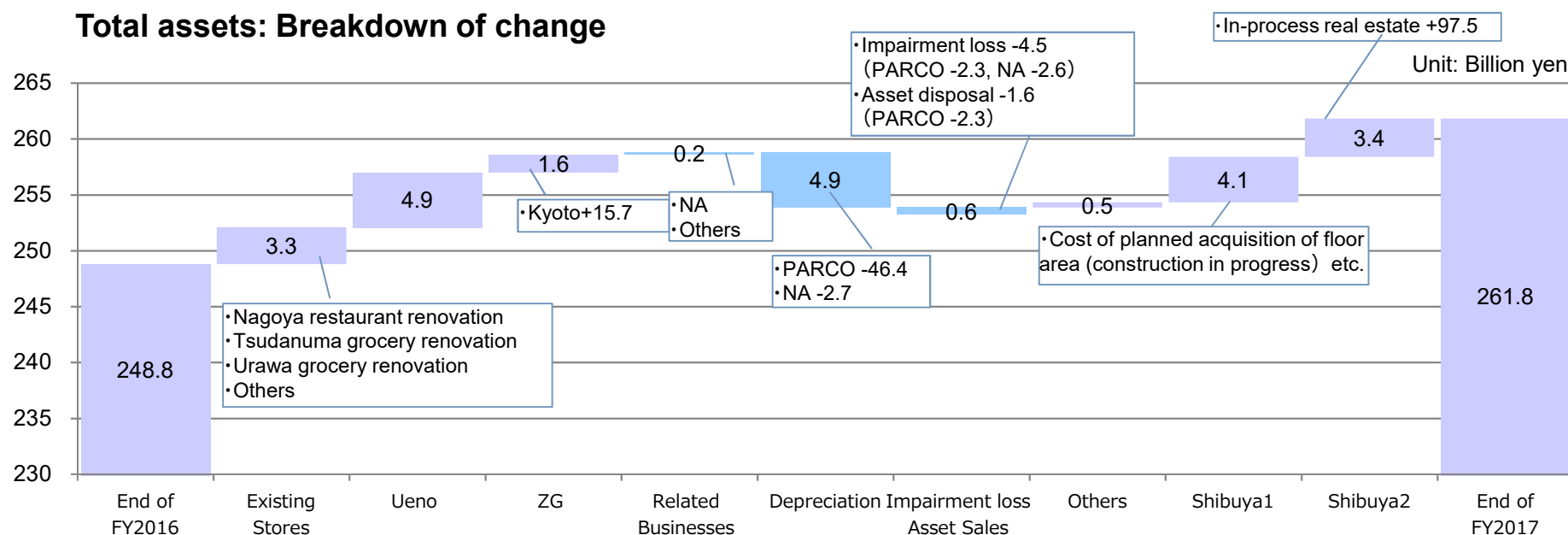


Total assets increased due to the one-off accounting treatment effects of progress in the new Shibuya PARCO development plan.

Unit: Million yen

	End of FY2017	End of FY2016	Change ¥	Change %
Total assets	261,835	248,806	13,029	5.2%
Total equity	126,311	120,600	5,710	4.7%
Interest-bearing debt	52,820	58,162	(5,342)	(9.2%)
Equity ratio	48.2%	48.5%	(0.2%)	
ROE (Equity attributable to the owners of the parent)	6.3%	7.5%	(1.2%)	
ROA (Ratio of gross income to net asset value)	4.5%	5.6%	(1.1%)	

Total assets: Breakdown of change



Revenue and profit decreased in the Retail Business due to impairment losses and poor performance of key businesses. Revenue increased in the Space Engineering and Management Business due to strong orders in exterior construction, but profits decreased due to profits recorded on the sale of fixed assets in the previous fiscal year.

Unit: Million yen

		FY2017	FY2016	Change ¥	Change %
Shopping Complex Business	Operating revenue	51,351	53,864	(2,513)	(4.7%)
	Segment profit	10,964	13,179	(2,215)	(16.8%)
Retail Business	Operating revenue	21,216	21,532	(315)	(1.5%)
	Segment profit	75	205	(129)	(63.3%)
Space Engineering and Management Business	Operating revenue	21,399	20,528	870	4.2%
	Segment profit	652	773	(121)	(15.6%)
Other Business	Operating revenue	6,158	6,137	20	0.3%
	Segment profit	53	45	7	17.2%
Consolidated	Operating revenue	91,621	93,780	(2,159)	(2.3%)
	Segment profit	11,713	14,203	(2,490)	(17.5%)

Segment profit or loss refers to operating profit.

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.

FY2017 Results (5)

Consolidated selling, general and administrative expenses and capital expenditure

8/23

Selling, general & administrative expenses

Unit: Million yen

Consolidated	FY2017	FY2016	Change ¥	Change %
Personnel	8,032	8,097	(65)	(0.8%)
Lease/rental	3,013	2,885	127	4.4%
Advertising	665	580	85	14.7%
Agency services	1,200	1,152	48	4.2%
Depreciation *1	857	835	21	2.6%
Taxes and dues *2	818	544	273	50.2%
Total SG&A	18,979	18,505	474	2.6%

*1 Figures for depreciation include depreciation from processing of selling, general and administrative expenses and processing of operating costs, a total of 5.7 billion JPY, a YoY increase of 6.8%.

*2 The effects of the pro forma standard taxation system is the primary factor behind the increase in taxes and dues.

Capital Expenditure

Unit : Million yen

Consolidated	FY2017	FY2016	Change ¥	Change %
Capex*	12,895	18,723	(5,827)	(31.0%)

*YoY change in capital expenditure principally reflects investments pertaining to the renovation of Shibuya PARCO in the previous year.

Consolidated profit forecasts are in line with the second year targets of the Medium-term Business Plan.

Unit: Million yen

Consolidated	FY2018 Forecast (to Feb 2019)	FY2017 Results (to Feb 2018)	Change ¥	Change %
Operating revenue	96,000	91,621	4,378	4.8%
Operating profit	11,750	11,713	36	0.3%
Profit	7,700	7,809	(109)	(1.4%)

- Operating revenue is projected to increase due to contributions from the opening of Harajuku ZERO GATE and Sannomiya ZERO GATE, and the opening of PARCO_ya Ueno in FY2017.
- The increase in operating profit is projected to be marginal, impacted by the closure of Otsu PARCO last year and growing development costs from FY2018.

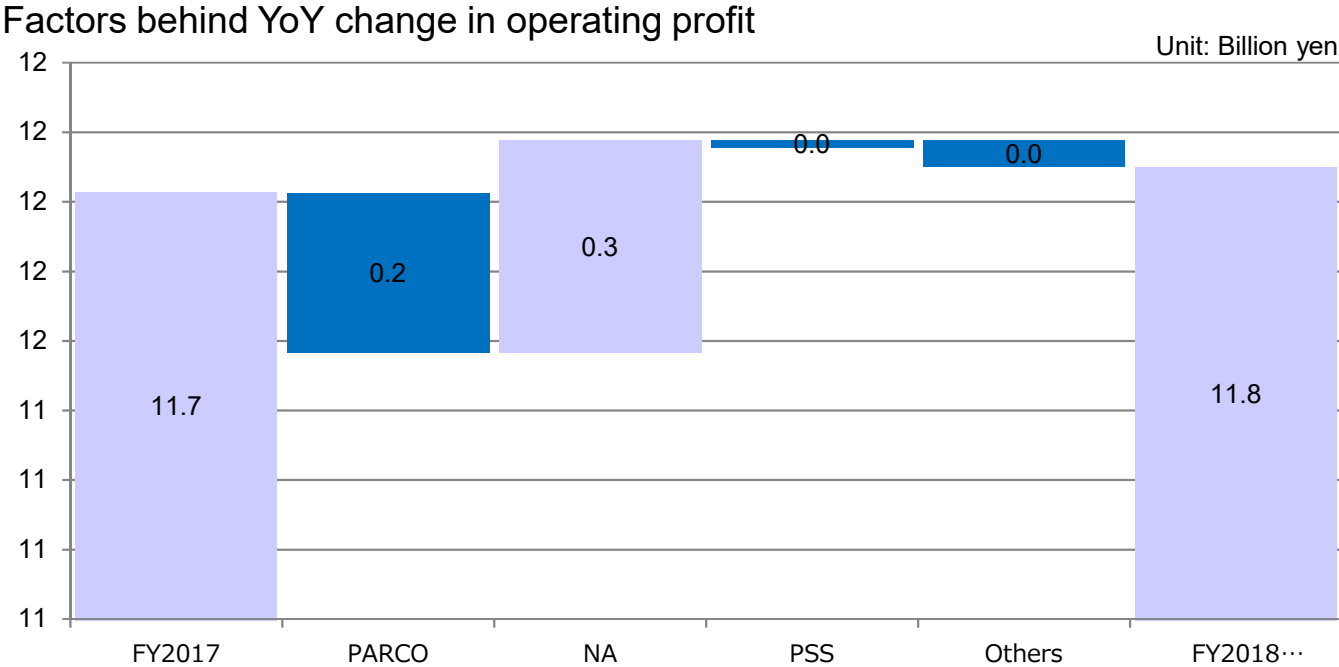
Capital expenditure

Unit: Million yen

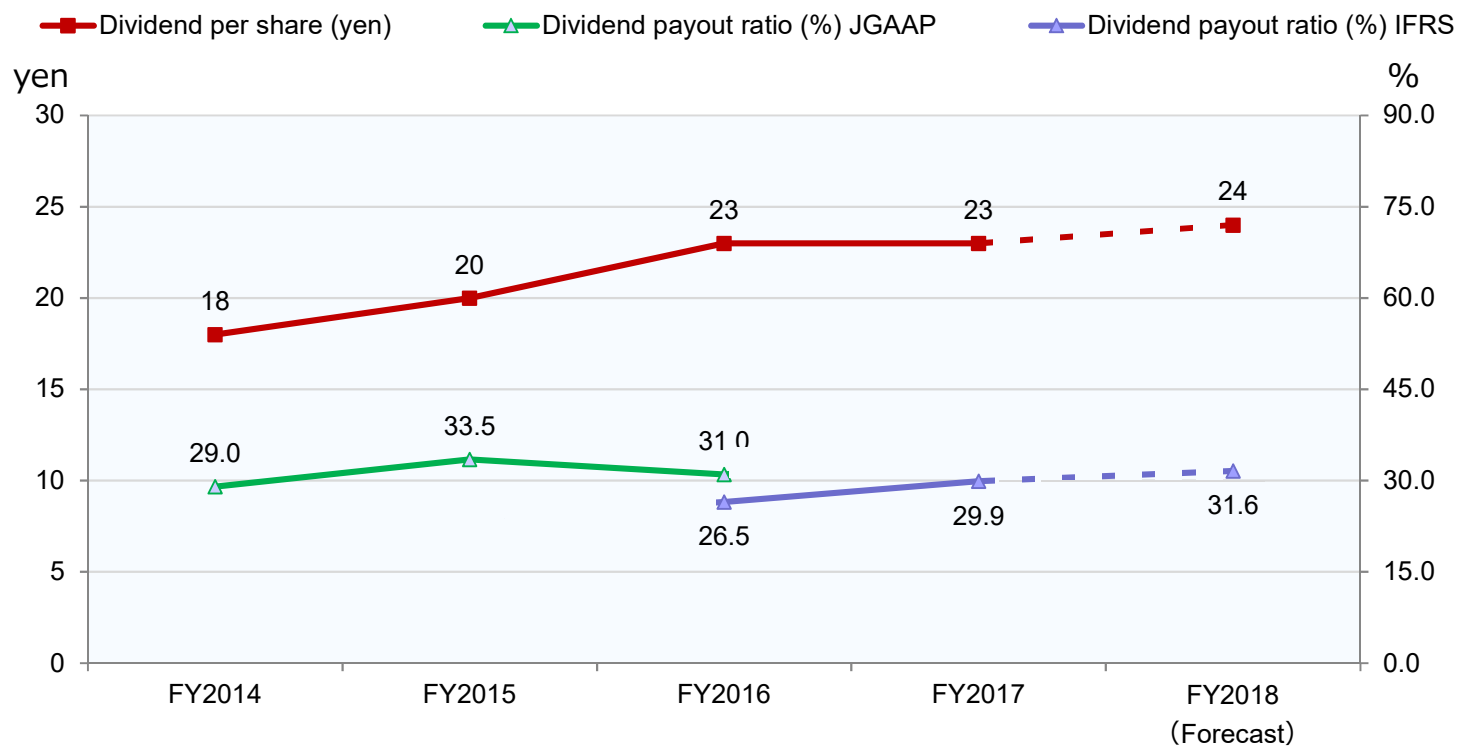
Consolidated	FY2018 Plan (Appropriation base)	FY2017 (Capital base)
Capex	20,375	12,895

- FY2018 capex targets will be set in line with progress of the Shibuya redevelopment project and other development projects.

*Capex forecasts for FY2018 are on an accrual basis, and include a finance lease portion of about 3.5 billion yen.








Plan to increase FY2018 annual dividend per share by 1 JPY to 24 JPY.

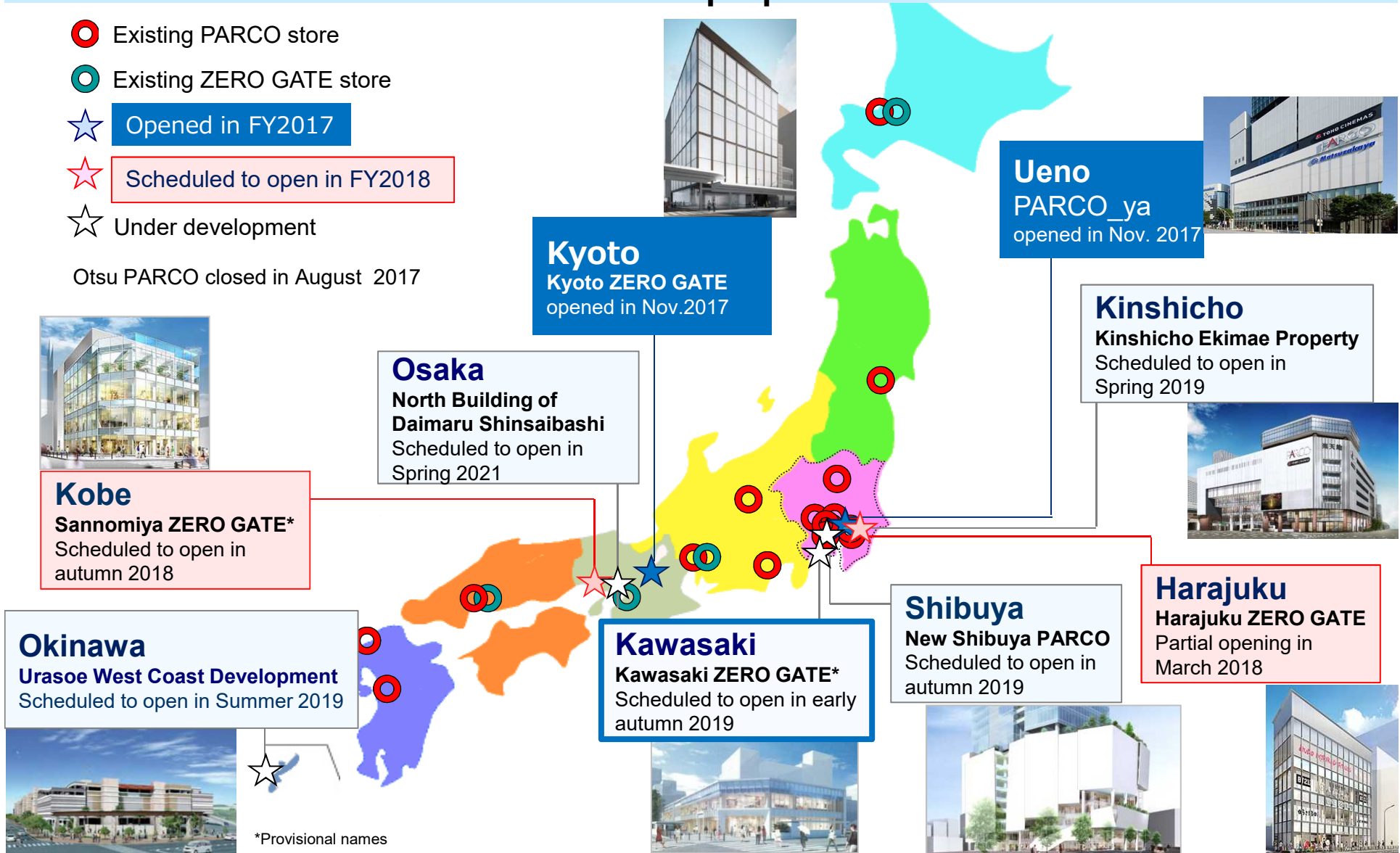


- Core policy is to maintain stable dividends, while considering business results and the payout ratio.
- End year dividend in FY2017 was 12 JPY per share. Total dividend for the year was 23 JPY per share as planned.
- Annual dividend for FY2018 planned to increase by 1 JPY per share, to a total of 24 JPY, with an interim dividend of 12 JPY per share.

In FY2017, Ueno and Kyoto properties opened, Kinshicho and Shinsaibashi properties were announced.

-  Existing PARCO store
-  Existing ZERO GATE store
-  Opened in FY2017
-  Scheduled to open in FY2018
-  Under development

Otsu PARCO closed in August 2017



One PARCO store and one ZERO GATE store opened in FY2017.

PARCO_ya opened in November inside Ueno Frontier Tower, as part of the Matsuzakaya former south building redevelopment project.

*Includes only portion rented by PARCO

- Cater to new market as the first new PARCO store opening in the 23 wards of Tokyo in 44 years since Shibuya PARCO.
- Opening in large-scale multi-use complex with selection of specialty shops tailored to target demographics.
- Strong performance that exceeded targets and achieved profitability, with the restaurant floor performing particularly well.



Building scale*	1F-6F
Total floor area*	Approx. 8,200m ²

Upper floor of Kyoto ZERO GATE opened in November

- Located in high profile area of central Kyoto
- Adjacent to Daimaru Kyoto
- Achieved profitability and contributed to consolidated profit

Building scale	B2F-7F
Total floor area	Approx. 5,200m ²

Plans for two new large-scale properties announced.



*PARCO lease portion

Sumida Ward, Kinshicho Ekimae Property. Opening set for spring of 2019.

- Store opening in Kinshicho, Sumida Ward, where urban development and revitalization are expected.
- New location in Eastern Tokyo area.

Scale*	B1F-7F
Floor area*	26,654m ² (planned)
Investment	Approx. ¥1.9bn (planned)

North Building of Daimaru Shinsaibashi, owned by J. Front Retailing Group. Opening set for spring of 2021.

- A lively commercial area in Osaka popular among foreign visitors to Japan where there are currently no PARCO stores.
- Walkway connecting North Building to Main Building planned for 2F – 10F.

Scale*	B2F-7F
Floor area*	Approx. 22,000m ² (planned)
Investment	Approx. ¥4bn (planned)

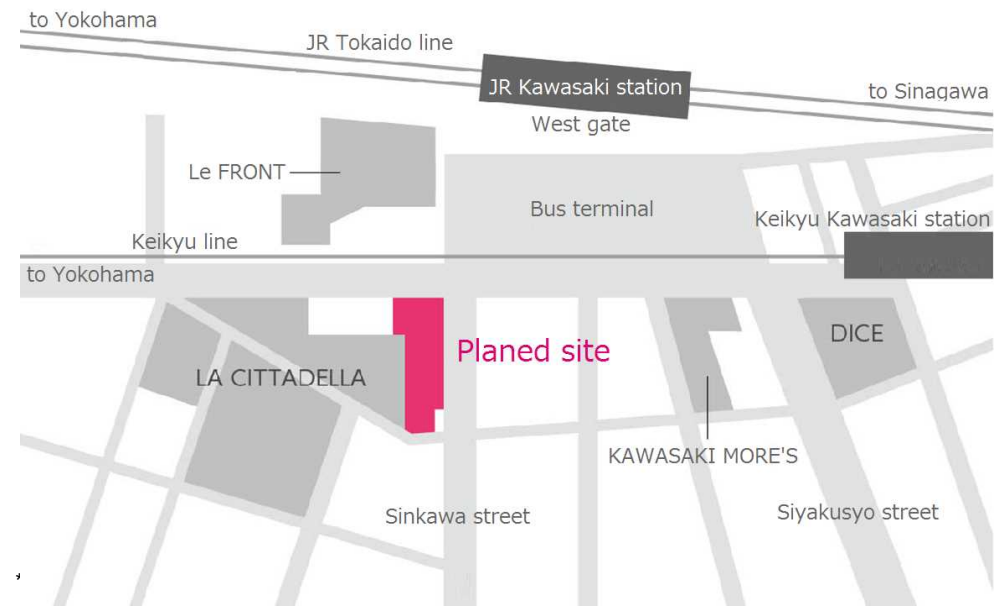


Kawasaki ZERO GATE*. Opening set for Autumn of 2019.

- Kawasaki ZERO GATE is expected to expand and develop the urban functions of Kawasaki city center.
- High visibility location on the corner of a major intersection in front of Kawasaki Station.
- New commercial facility aiming to contribute to the area by generating even more activity.

Scale	1F-2F
Floor area	Approx.3,400m ² (planned)
Investment	Approx. ¥0.1bn (planned)

Image



Two ZERO GATE store openings.

Harajuku ZERO GATE, opened in March 2018.

- Opened in area with high concentration of large domestic and international shopping complexes and fashionable, street-facing stores.
- So far has attracted a popular SNS character-goods shop and a fitness gym.

Scale	1F–4F
Floor area	Approx. 943m ²
Investment	¥0.45bn (planned)



LINE FRIENDS flagship store opened in Harajuku ZERO GATE*

Sannomiya ZERO GATE*, opening set for autumn of 2018.

- New store opening in Sannomiya, the lively commercial center of Kobe, one of Kansai’s biggest cities.
- Construction began in July 2017.

Scale	1F-4F
Floor area	Approx. 1,500m ² (planned)
Investment (construction)	Approx. ¥0.62bn (planned)



*Provisional name

Out of twelve development projects laid out in the five year plan, three have launched and six are currently underway.

Medium-term Business plan progress

	Target	Planned		Planned opening				Remaining
				2017	2018	2019	2021	
PARCO	4	3	PARCO_ya	Nov.				1
			New Shibuya PARCO			Autumn		
			North Building of Daimaru Shinsaibashi				Spring	
New formats	3	2	Kinshicho Ekimae Property			Spring		1
			Urasoe West Coast Development			Summer		
ZERO GATE	5	4	Kyoto ZERO GATE	Nov.				2
			Harajuku ZERO GATE		Mar.			
			Sannomiya ZERO GATE		Autumn			
			Kawasaki ZERO GATE			Early Autumn		
Total	12	9 (3 launched, 6 currently underway)						3

Progress with renovation proposals to the market based on changes in consumption and store characteristics.

FY2017 : Total renovation area: approx. 35,000m²
(Renovation zone transaction volume YoY increase of 26.7%)

● Urban stores

Renovation zone transaction volume

YoY increase of 22.6%

Increased introduction restaurants that serve as an information space, and proposals for spaces that offer new ways of communicating



Fukuoka PARCO: The first co-working/shared office space in a commercial facility

● Community stores

Renovation zone transaction volume

YoY increase of 31.7%

Promote customer retention and on-site shopping habits centred around the renovation of food floor and attraction of large-scale key tenants with strong ability bring in customers



Urawa PARCO: Large-scale supermarket "YAOKO" attracted to basement level 1st floor

FY2018 planned renovation area: Approx. 35,000m²

Create new added value based on consumption diversity, expand variety of fashion zones by strengthening the introduction of new items centered on cosmetic and food related products

● Urban stores

Introduce "Health & Beauty," a provider of added value for lifestyles, and pursue ideas for new food styles, including new shop offerings and interiors, and the use common spaces in PARCO stores.

● Community stores

Continue strengthening proposals matched to market needs by renovating food speciality stores and introducing high-quality supermarkets

Expansion of transaction volume among priority customers and key policy targets.

Credit card sales amount

Transaction volume expansion by PARCO class S card holders which rewards high customer loyalty

Card Results	Unit: Million yen		
	Credit card	PARCO Card	
		PARCO Card Class S	
PARCO Tenant Transaction Volume (existing stores)	109,138	55,430	37,144
YoY	(0.4%)	(2.4%)	7.5%
Transaction volume shares of existing stores (YoY)	44.8% (+0.7%)	22.8% (▲0.1%)	15.2% (+1.3%)

Reference: Results of inbound demand from overseas visitors to Japan

Continue to expand inbound transaction volume by approaching customers before they visit and expanding services at time of visit.

Reference: Inbound achievements	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO	Nagoya PARCO	All-store total*1
YoY change in purchases by foreign-issued credit card	3.7%	25.2%	54.2%	183.2%	25.1%
Share of transaction volume accounted for by foreign-issued credit cards (YoY change)*2	12.2% (+0.7%)	3.9% (+0.7%)	2.7% (+0.9%)	1.3% (+0.8%)	1.7% (+0.1%)

*1 All-store totals for YoY change in purchases by foreign-issued credit cards do not include figures from Shibuya PARCO, PARCO_ya, Otsu PARCO and Chiba PARCO.

*2 Share of net sales accounted for by foreign-issued credit cards represent the share in PARCO tenant transaction volume by store.

Implementing proof-of-concept testing ahead of full-scale introduction at new Shibuya PARCO (opening in autumn 2019).



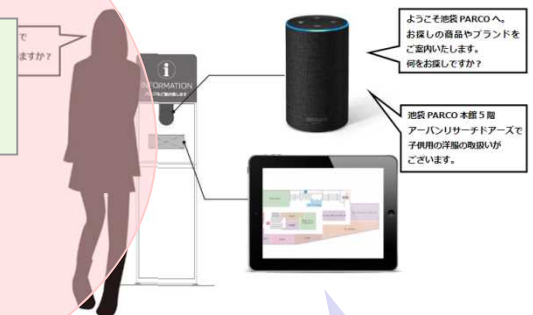
Image

Trial Run for Coordinate 3D scanner
Broad promotion of fashion through customers social media activity

Guidance via Alexa voice service
Developing in-shop voice search services,
Launching at Ikebukuro PARCO

Improving Pocket PARCO media outreach
Enhancing the purchase menu with links to detailed information (planned introduction for second half of FY2018)

For customers



For companies and stores

Shop staff web training
Focusing on customer service at store front with boosted efficiency.

Data analysis of customer numbers and attribution processes
Optimizing personnel structure and utilizing product reviews.

Proxy management of brand EC site
Handling overall operations including website Creation.



Image



PARCO's ANREALAGE EC site

Screenshot image



PARCO Group Related Businesses (1)

Retail Store Business (NEUVE A), Space Engineering and Management Business (PARCO SPACE SYSTEMS)

21/23

Retail Business (NEUVE A) Revenue and profit down due in part to poor performance at key TicTAC business and impairment loss. Change of strategy planned for FY2018.

FY2017 achievements

- ROSEMARY, EYEWEAR, performing well but key TiCTAC business struggling.
- 4 shops opened, but 19 shops being closed due to underperformance, slimming down store numbers.

FY2018 plans

- Strategy shift from “expanding number of shops” to “expanding customer contact.”
- Improve existing shop revenues and profitability
- Further scrapping of unprofitable shops, shift our management resources to best performing shops, new business areas, and EC.

(End of 2016, 201 stores → End of 2017, 186 stores)

Business name (item)	No. of shops
TiCTAC (watches)	93
EYEWEAR (eyeglasses)	26
ROSEMARY (cosmetics, sundry goods)	22
COLLECTORS (men’s sundry goods)	40
Other new business categories	5

Space Engineering and Management Business (PARCO SPACE SYSTEMS)

Increased profits from higher number of external construction orders.

Continuing to strengthen business base for FY2018.

FY2017 achievements

- Increased revenue from new hotel consignments and external construction orders.
- Profits increased when gains on sale of Chiba PARCO related assets in the previous fiscal year are excluded.

FY2018 plans

- Further strengthen business base by implementing personnel management measures and improving office environment, while further driving expansion of external business.

Other Business (PARCO Digital Marketing)

Increase profits by focusing on web business. Continue strengthening business base.

FY2017 achievements

- Despite a sales decrease due to withdrawal from the human resources business, operating income increased due to cost efficiency of increased concentration on web business.

FY2018 plans

- Further strengthen development by supporting use of digital services both online and in storefronts, continue accepting orders from commercial facilities and specialty stores using the latest ICT and a diverse array of support menus.

Other Business (Entertainment Business (PARCO CO., LTD))

Revenue increased in FY2017. FY2018 goals include establishing a business base and planning large external projects.

FY2017 achievements

- Several films distributed domestically by PARCO have been highly rated internationally, winning and being nominated for several academy awards.
- Theatrical performances of *The Rocky Horror Picture Show* were huge hits that generated a lot of attention.

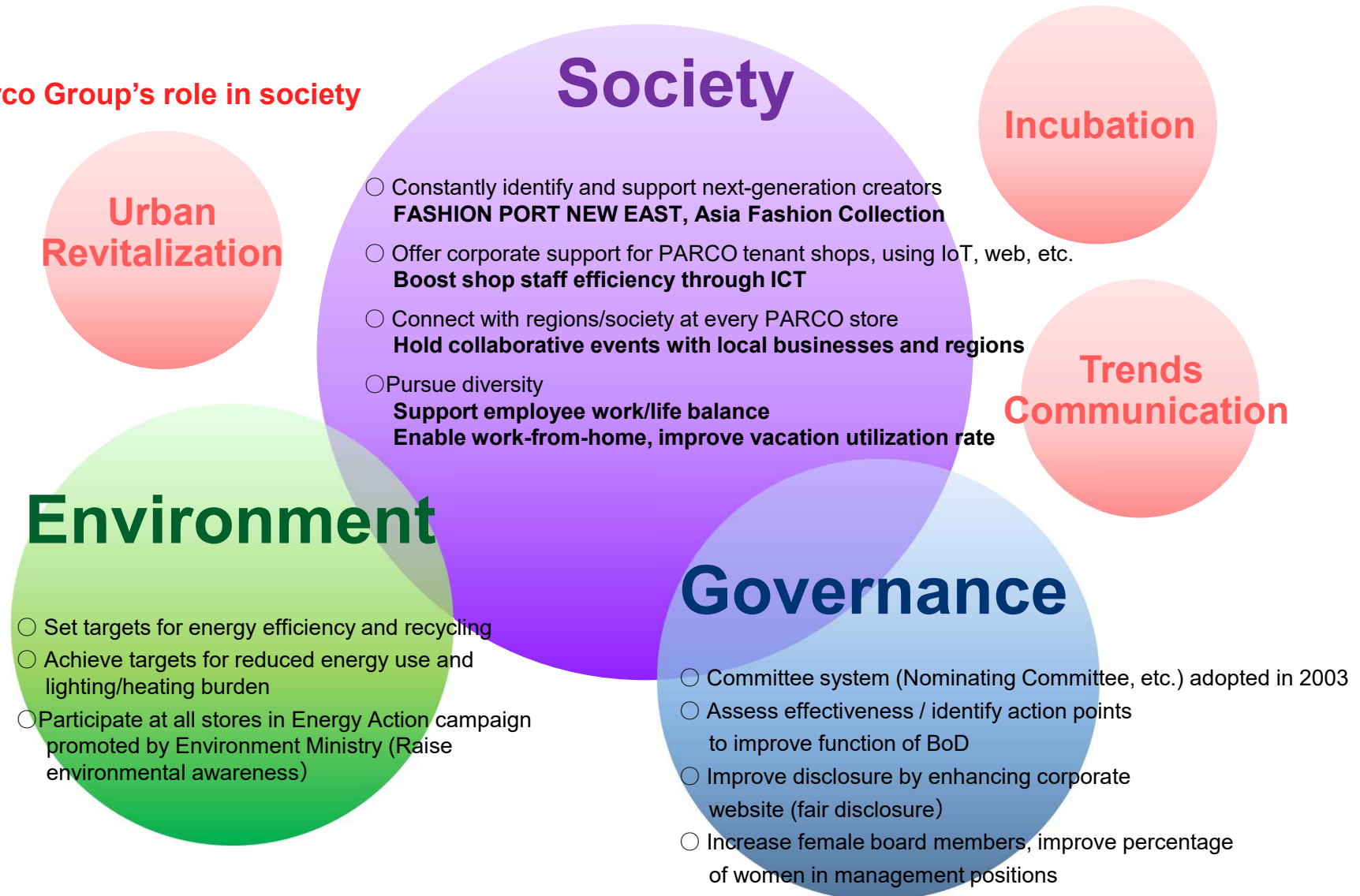
FY2018 plans

- Re-open mini theater “CNE QUINTO” in Shibuya this July as a two-screen theater.
- Organize staging of productions such as *Edo wa moeteiru ka*, written and produced by Koki Mitani, and Irish screenwriter Martin McDonagh’s *Hangmen*.



Through the relentless pursuit of value by fulfilling the PARCO Group's social role create new value to which Society can connect

Parco Group's role in society





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