

PARCO CO., LTD.
FY2014 First Half Results
Investor Presentation
TSE 1st Section 8251



I Results overview

II FY2014 topics

Medium-term Business Plan (FY2014-16)

1. PARCO Stores Business
2. Development Projects
3. PARCO Group Businesses
4. CSR Initiatives

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Consolidated results

Achieved sales and profit growth due to strong performance at PARCO Group, with PARCO CO., LTD. at its core. Operating income, ordinary income, and net income exceeded forecasts and reached record highs for the second consecutive year.

Unit: Million yen

Consolidated	FY2014 H1 (Mar – Aug)	FY2013 H1 (Mar – Aug)	Change ¥	Change %	Forecast	Difference from Forecast ¥	Difference from forecast %
Net sales	131,183	129,401	1,781	1.4%	132,200	(1,016)	(0.8%)
Operating income	6,319	5,926	392	6.6%	6,100	219	3.6%
Ordinary income	6,329	5,824	505	8.7%	6,000	329	5.5%
Net income	3,619	3,280	339	10.4%	3,350	269	8.1%
EBITDA*	9,118	8,797	321	3.7%	-	-	-

Consolidated	End of FY2014 H1	End of FY2013	Change ¥
Total assets	222,450	220,757	1,693
Net assets	111,411	108,823	2,588
Interest-bearing debt	44,423	50,424	(6,001)
Equity ratio	50.1%	49.3%	0.8%

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

Consolidated results by segment

**Achieved sales growth in all businesses.
Achieved sales and profit growth in Shopping Complex Business,
Retail Business, and Other Business.**

Unit: Million yen

		FY2014 (Mar – Aug)	FY2013 (Mar – Aug)	Change ¥	Change %
Shopping Complex Business	Net Sales	118,836	118,107	729	0.6%
	Segment income	5,914	5,627	286	5.1%
Retail Business	Net Sales	9,663	9,001	662	7.4%
	Segment income	282	225	57	25.5%
Space Engineering and Management Business	Net Sales	9,232	8,992	239	2.7%
	Segment income	118	131	(13)	(10.1%)
Other Business	Net Sales	3,130	2,461	669	27.2%
	Segment income	30	(49)	80	-
Consolidated	Net Sales	133,165	131,261	1,904	1.5%
	Segment income	6,319	5,926	392	6.6%

Figures for net sales by segment include operating revenue

Segment income refers to operating income 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

Selling, general and administrative expenses; capital expenditure 6/31

Selling, general and administrative expenses

Unit: Million yen

Consolidated	FY2014 (Mar – Aug)	FY2013 (Mar – Aug)	Change ¥	Change %
Personnel	5,002	4,876	125	2.6%
Lease/rental	4,173	4,070	103	2.5%
Advertising	1,354	1,458	(103)	(7.1%)
Agency services	2,642	2,639	3	0.1%
Depreciation	2,799	2,870	(70)	(2.5%)
Total SG&A	15,676	15,618	58	0.4%

Capital expenditure

Consolidated	FY2014 (Mar – Aug)	FY2013 (Mar – Aug)	Change ¥	Change %
Capex*	5,809	32,110	(26,214)	(81.9%)

*The ¥26.2 billion decrease in capital expenditure was primarily due to financing for the acquisition of trust beneficiary rights in Fukuoka PARCO in the same period in the previous fiscal year.

Non-consolidated results

Achieved sales and profit growth.

Profit exceeded forecasts and operating income, ordinary income, and net income reached record highs for the second consecutive year.

Unit: Million yen

Non-consolidated	FY2014 H1 (Mar – Aug)	FY2013 H1 (Mar – Aug)	Change ¥	Change %	Forecast	Difference from forecast ¥	Difference from forecast %
Net sales	119,661	118,332	1,329	1.1%	120,900	(1,238)	(1.0%)
Operating income	6,080	5,750	329	5.7%	6,000	80	1.3%
Ordinary income	6,084	5,741	343	6.0%	5,950	134	2.3%
Net income	3,587	3,346	240	7.2%	3,450	137	4.0%
EBITDA*	8,672	8,417	254	3.0%	-	-	-

Non-consolidated	End of FY2013 H1	End of FY2012	Change ¥
Total assets	220,015	218,915	1,099
Net assets	112,099	109,554	2,545
Interest-bearing debt	48,953	53,275	(4,322)
Equity ratio	51.0%	50.0%	0.9%

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

Tenant sales by store

Sales were driven by Urban Stores, where inbound demand is strong, and by the expansion of customer segments, which was the result of renovations based around lifestyle offerings.

Unit: Million yen

	Store	Net sales	Change
Urban Store Group	Sapporo PARCO	5,668	5.8%
	Sendai PARCO	6,349	(1.3%)
	Ikebukuro PARCO	13,766	(1.5%)
	Shibuya PARCO	7,337	8.1%
	Shizuoka PARCO	4,908	(2.8%)
	Nagoya PARCO	16,794	(1.5%)
	Hiroshima PARCO	8,154	0.2%
	Fukuoka PARCO	6,443	9.6%
	8 store total	69,424	1.1%

Store	Net sales	Change
Total for all stores	116,674	0.5%

	Store	Net sales	Change
Community Store Group	Utsunomiya PARCO	2,219	(6.5%)
	Urawa PARCO	8,830	4.6%
	Shin-Tokorozawa PARCO	4,447	5.1%
	Chiba PARCO	2,967	(10.5%)
	Tsudanuma PARCO	4,477	(3.1%)
	Hibarigaoka PARCO	3,750	(0.3%)
	Kichijoji PARCO	3,722	(2.2%)
	Chofu PARCO	8,407	(0.5%)
	Matsumoto PARCO	3,685	1.5%
	Otsu PARCO	2,190	(1.3%)
	Kumamoto PARCO	2,550	0.4%
11 store total	47,249	(0.3%)	

Select shops continued to perform strongly in clothing sales. Personal items—in particular accent bags—and experience-based consumption categories, such as restaurants and services were also strong.

Category and item	YoY change
Womenswear	(6.5%)
Menswear	(7.6%)
General clothing	5.5%
Clothing	(2.8%)
Shoes	(4.0%)
Bags	27.1%
Accessories	(2.6%)
Cosmetics	3.2%
Personal items	2.8%

Category and item	YoY change
Culture-related	4.1%
Hobby and living-related	1.1%
Sundry goods	2.5%
Foods	(1.2%)
Restaurants	8.8%
Other (service, etc.)	8.3%

YoY change	FY2013	FY2014
Paying customers	0.3%	(0.2%)
Average spend per customer	1.0%	1.5%

*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

Full-year forecast

Targeting consecutive years of record high profits. Upward revision of full-year operating income and ordinary income forecast.

Unit: Million yen

Consolidated	FY2014 Revised forecast	FY2013 Results	Difference from forecast ¥	Difference from forecast %	Initial forecast	Change ¥	Change %
Net sales	272,000	264,384	7,615	2.9%	273,000	(1,000)	(0.4%)
Operating income	12,300	12,196	103	0.8%	12,200	100	0.8%
Ordinary income	12,150	12,013	136	1.1%	12,050	100	0.8%
Net income	6,800	6,778	21	0.3%	6,800	-	-

Non-consolidated	FY2014 Revised forecast	FY2013 Results	Difference from forecast ¥	Difference from forecast %	Initial forecast	Change ¥	Change %
Net sales	248,400	242,653	5,746	2.4%	249,400	(1,000)	(0.4%)
Operating income	11,500	11,823	(323)	(2.7%)	11,500	-	-
Ordinary income	11,350	11,725	(375)	(3.2%)	11,350	-	-
Net income	6,550	6,772	(222)	(3.3%)	6,550	-	-

We have decided to pay an interim dividend per share of ¥9 and are planning to pay an annual dividend per share of ¥18.

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Three business strategies to achieve long-term vision.

PARCO Group 2020 Long-term Vision

A business group that prospers in urban markets

Designers of unique offerings for 24/7 urban life

Creative drivers of urban evolution

Three business strategies

5 tactics

Cultivation of major urban areas

Prioritization of the PARCO Stores Business

Expansion of core targets

Development centered on areas around core urban stores and entry into new major cities in Japan

Expansion of Related Businesses and creation of new businesses

Innovative use of ICT*

Rebuilding of overseas business

Strengthening of management foundations for further business advances

* ICT : Information and Communication Technology

Overview of renovations

Responding to the changing and diversifying needs of customers and consistently reconfiguring offerings to win the favor of customers as a shopping complex that always offers something fresh.

- In Urban Stores, through the promotion of select shops and restaurants that are popular with a wide age demographic, we are continuously strengthening urban lifestyle offerings and broadening our core target.
- In Community Stores, by adding functions as a community-based shopping center we aim to promote synergy with the local region and increase customer visits.

H1 achievements

Area renovated	<p>Approx. 25,000m² (29.5% more than projected; sales in renovated zones grew 25.6% YoY)</p>
<ul style="list-style-type: none"> • Urban Stores Group: Renovations on Ikebukuro PARCO, Shibuya PARCO, and Shizuoka PARCO. Sales growth in renovated areas +26.1%. • Community Stores Group: Renovations focused on Utsunomiya PARCO and Urawa PARCO. Sales growth in renovated areas +25.1%. 	

H2 plans

Area scheduled for renovation	<p>Approx. 22,000m² scheduled for renovation</p>
<ul style="list-style-type: none"> • Urban Stores Group: Seek to differentiate PARCO stores through initiatives such as making early moves into high fashion ahead of competitors, strengthening our ability to welcome overseas customers, and continuing our lifestyle offerings with restaurant concepts that respond to the needs of mature female customers. • Community Stores Group: Pursue regional-based policies for each market while cultivating customer approval by introducing new items in anticipation of local needs. 	

Shibuya PARCO

Continuing to communicate trends globally.



H1 achievements

Introduced current fashion brands, leading select shops, and highly topical cafes.

- In PART 1, introduced current trend shops.
- In the first basement floor of PART 3, reorganized items in timing with the opening of large-scale casual shop.
- In PART 1, opened collaboration cafés with popular characters.

H2 plans

Leverage popularity of store with overseas customers and enhance floors that showcase Japan style.

- Introduce new concept shops from the designers driving Japanese fashion.
- Attract popular brands that emerged at New York collections.



Ikebukuro PARCO

Ikebukuro PARCO Main Building attracted popular large-scale sundry goods stores.

P'PARCO responds to the consumption trends of “digital natives.”

H1 achievements

Changed the focus of the Main Building to target mature female consumers. Further enticed tenants that would increase customer numbers.

- Attracted topical large-scale Scandinavian shops selling sundry goods.
- Opened Hawaiian beer garden designed to appeal to women.



*Design image



H2 plans

Rebrand P'PARCO under the theme of “Urban Entertainment”, marking its 20th anniversary.

- Open a new studio for Japan’s largest video site and enhance experience-based consumption that allows customers to participate in various events and other activities.
- Respond to new consumer needs by introducing shops geared towards digital natives and promote the integration of casual fashion.

Class S member numbers increased significantly, contributing to sales.

H1
 achievements

PARCO Card sales amount (YoY change)	¥27.1 billion (+8.0%)
PARCO Card share of net sales (YOY change)	19.9% (+1.2%)
Number of PARCO Card members at end August 2013 (YoY)	1,703,000 (+4.5%)
Number of Class S members (YoY change)	13.7%

Major growth in inbound demand. Infrastructure improvements planned.

Reference

H1	Shibuya PARCO	Sapporo PARCO	Fukuoka PARCO
Overseas customer sales (YoY change)*	45.2%	83.2%	43.3%
Overseas customer share of net sales	6.8%	2.9%	0.6%

H2 Plans

Continue to select effective measures to respond to growing inbound demand and upgrade infrastructure to improve convenience for tenants and overseas customers.

1. Implement system to facilitate introduction of duty-free shopping at tenant stores (Shibuya PARCO, Sapporo PARCO).

- Reduce paperwork to done at tenant store by digitizing application procedure.

2. Introduce free Wi-Fi to improve convenience for foreign customers.

- Introduce at all Fukuoka PARCO buildings in timing with the opening of Fukuoka New Building. Expand to Shibuya, Sapporo, and other PARCO stores.

*“Overseas customer sales (YoY change)” and “Overseas customer share of net sales” refer to percentage of overall store sales accounted for by credit cards issued overseas

Enhance service on web platform* that connects with physical stores to create a cutting-edge service that is convenient for tenants and customers.

Launched and gradually expanded Kaeru PARCO, a web service that allows customers to make online reservations or purchases from the inventories of physical PARCO stores.

- Added Kaeru PARCO function to PARCO Shop Blog pages on the PARCO website.
- Launched the service with Shizuoka PARCO in May, gradually expanded service to eight Urban Group stores from October.



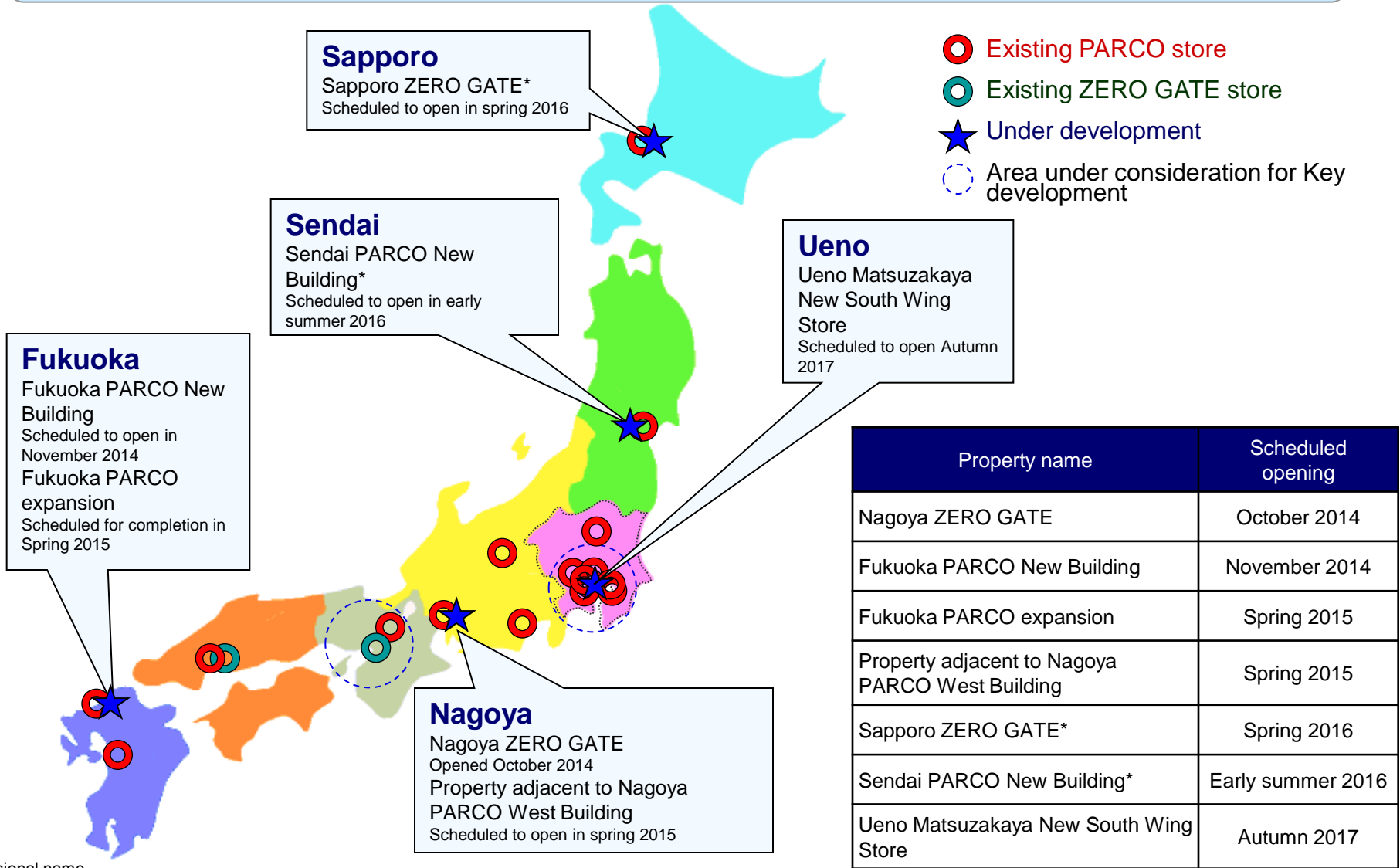
Design image

Release smartphone app “POCKET PARCO” in November.

- Achieve even greater level of personalized service with official PARCO smartphone app.
- Customers can buy or reserve products recommended by tenant store staff throughout Japan.
- Check in at a store or make a purchase to receive virtual coins that can be exchanged for discounts.
(launching at Fukuoka PARCO on a trial basis).

Property location and opening schedules

Pursued development focused on areas around key urban stores and in cities where PARCO does not yet have a presence.



*Provisional name

Fukuoka area

Evolving the concept of “highly amenable Tenjin store Fukuoka PARCO,” offering new lifestyle options that pursue and curate ways of living and enjoying life.

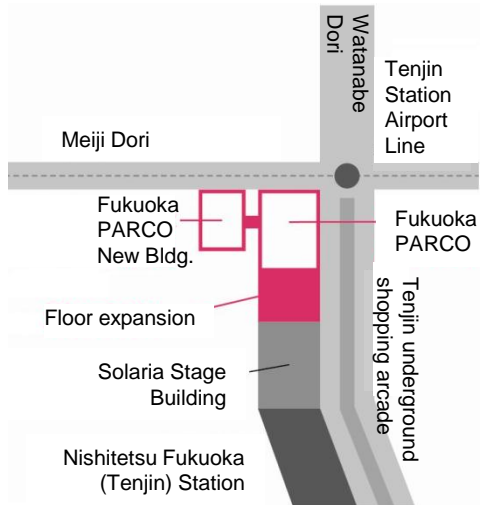
Fukuoka PARCO New Building is scheduled to open in November 2014 with 45 tenants, including 8 making their Japan debut.

Annual sales target: ¥5 billion
Annual visitor target: 6 million

Fukuoka PARCO New Building will:

- Not only offer merchandise, but will also present restaurants and other settings for experience-based consumption.
- Propose new communication with customers, taking advantage of ICT.

Renewal of 21 tenant stores and approx. 1,600m² of floor area at Fukuoka Main Building.



Overview	Fukuoka PARCO New Building
Building scale	6 above-ground floors 3 below-ground floors
Total floor area	Approx. 14,000m ²

Overview	Floor expansion section
Building scale	Basement floor 1, Mezzanine floor 3, 3rd floor, 4th floor
Leased floor area	Approx. 3,300m ² (planned)



Expansion into part of Solaria Stage Building scheduled to open in spring 2015.

Nagoya area 1

With the opening of Nagoya ZERO GATE in October and the planned opening of the property adjacent to the Nagoya PARCO West Building in the spring, we are further developing the face of the Sakae area and making a stroll through the town a greater pleasure, as part of our strategy for area development.

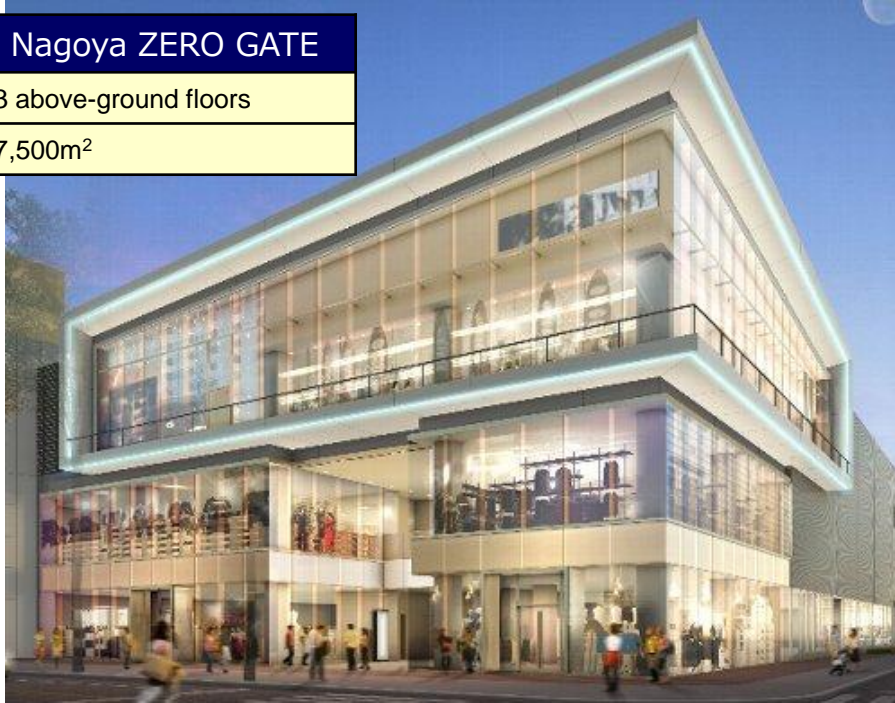
Opened Nagoya ZERO GATE in October. Our largest-ever ZERO GATE.

- Five tenants confirmed, offering products from lifestyle to casual, including three international fashion brands, one Japanese brand offering global trends, and a general sports store.



Overview	Nagoya ZERO GATE
Building scale	3 above-ground floors
Total floor area	7,500m ²

Design image of Nagoya ZERO GATE



Nagoya area 2

Reorganize Nagoya PARCO in H2 to target “mature female consumers who retain youthful sensibilities.”

- Large scale renewal of approx. 5,400m² of floor space, featuring 88 tenant stores, including 29 coming to the Nagoya area for the first time.
- Provide various lifestyle options centered on food, reorganizing the first basement floors of the West Building and the East Building under the theme of sundry goods and food, and opening an organic restaurant on the second floor of the West Building.

Design image of new building adjacent to Nagoya PARCO West Building



Expansion into new building adjacent to Nagoya PARCO West Building.

- Scheduled to open in spring 2015.
- Attract non-department store retailers with strong customer appeal to the area in between the existing Nagoya PARCO West Building, the East Building, and the South Building.

Overview	
Building scale	3 above-ground floors (planned)
Total floor area	1,180m ² (planned)

Sendai area

Two-store deployment within central Sendai, the urban hub of the Tohoku region, to further raise PARCO's market visibility.

In summer 2016, open new shopping facility in area near station in central Sendai. Contribute to further vitalizing the area near the station.



Overview	Sendai PARCO New Building*
Total floor area	Approx. 25,000m ² (planned)

Design image of Sendai PARCO New Building*



*Provisional name

Sapporo area

Create a new commercial space south of Sapporo PARCO in the Odori area, the commercial heart of Sapporo.

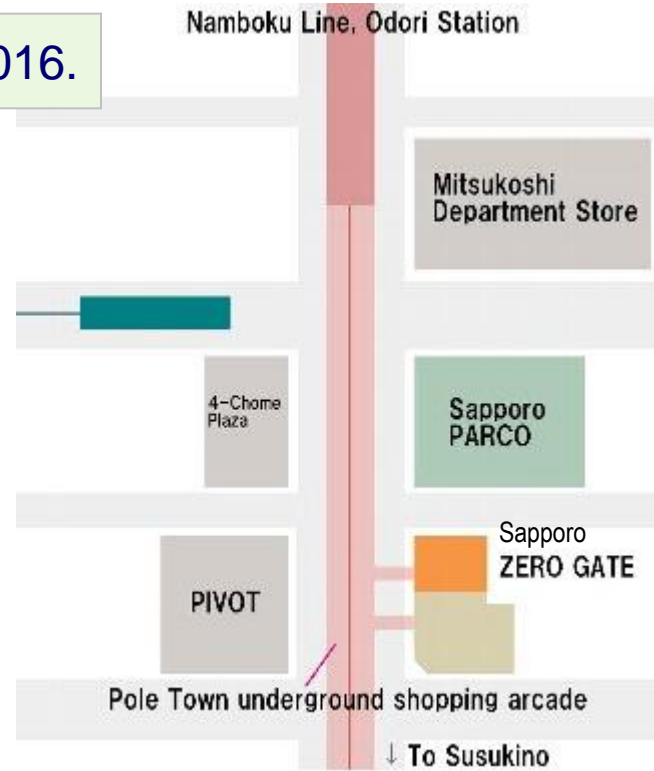
Sapporo ZERO GATE* scheduled to open in spring 2016.

Overview	Sapporo ZERO GATE*
Building scale	4 above-ground floors 2 below-ground floors
Total floor area	Approx. 3,000m ²

Design image of Sapporo ZERO GATE*



The ZERO GATE business model involves establishing low- to medium-rise shopping complexes in prime urban areas and running them efficiently and strategically in line with their size, while availing of their good locations. The shopping complexes are a departure from those that PARCO traditionally manages.



Strengthen Sapporo PARCO's ability to respond to inbound demand.

- Implement renovations, bringing in topical new restaurants and shops popular with overseas customers.

*Provisional name

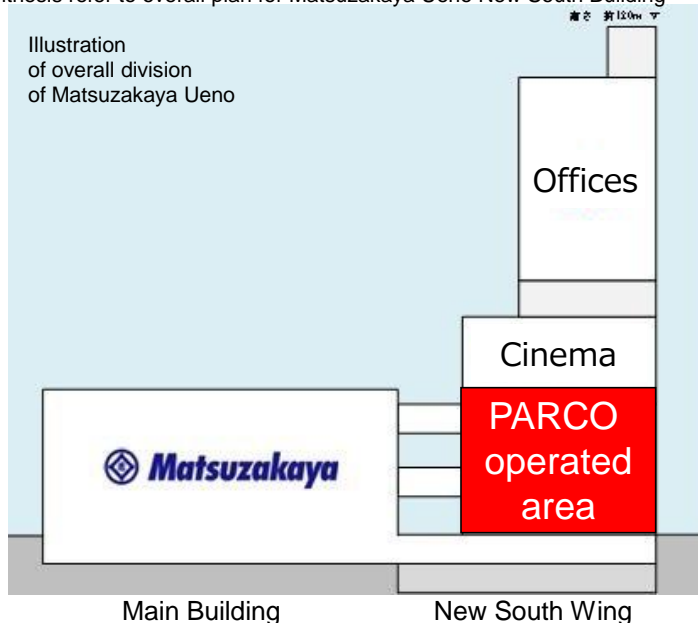
Ueno property

Open store in New South Wing of Matsuzakaya Ueno, which is scheduled to open in autumn 2017.

Open store in new high-rise complex (New South Wing) and aim to create a shopping complex in tune with the market by utilizing our strength in comprehensive production of urban-type shopping complexes.

Overview	
Building scale	Above-ground floors 1 - 6 (2 below-ground floors, 23 above-ground floors, 1 penthouse floor (non-residential))
Total floor area	Approx. 12,000m ² (approx. 42,000m ²)
Opening	Autumn 2017 (planned)

*Figures in parenthesis refer to overall plan for Matsuzakaya Ueno New South Building



NEUVE A Co., LTD

Aggressive store openings in H1 were successful and sales and profits grew. In H2 focus on development of new business categories and further expand existing businesses.

H1 topics

**Opened 10 stores in H1.
176-store network as of August 31.**

- Opened multi-category select shop in Karuizawa as a new business category comprising TiCTAC (watches), POKER FACE (eyeglasses), and Collectors (men's sundry goods).



*As of August 31, 2014

Share of stores outside PARCO	68.8%
Share of stores inside PARCO	31.2%



H2 plans

Continue aggressive store openings in H2. Seven stores confirmed.

- Pursue development of new business categories and open specialist store for handmade, additive-free soaps in Ikebukuro PARCO.
- Begin item reorganization and development in existing businesses.

Business name (item)	No. of stores
TiCTAC (watches)	85
EYEWEAR (eyeglasses)	26
ROSEMARY (cosmetics, general merchandise)	25
COLLECTORS (men's sundry goods)	35
Other new business categories	5

*COLLECTORS (men's/ladies' sundry goods) was included in Other new business categories until the end of FY2013. Number of stores increased by one in H1 FY2014

**Increased sales in H1 due to new orders from large-scale commercial facilities.
In H2, continue to focus on acquiring new orders
and aim for full-year sales and profit growth.**



BALL PARK STORE. Total store production by PARCO SPACE SYSTEMS

H1 topics

Introduced combined order-receiving system to respond to orders for software as well as hardware.

- By providing support not only in interior construction, but also in design, display, and planning we have acquired new clients and received construction orders from existing large-scale commercial facilities.

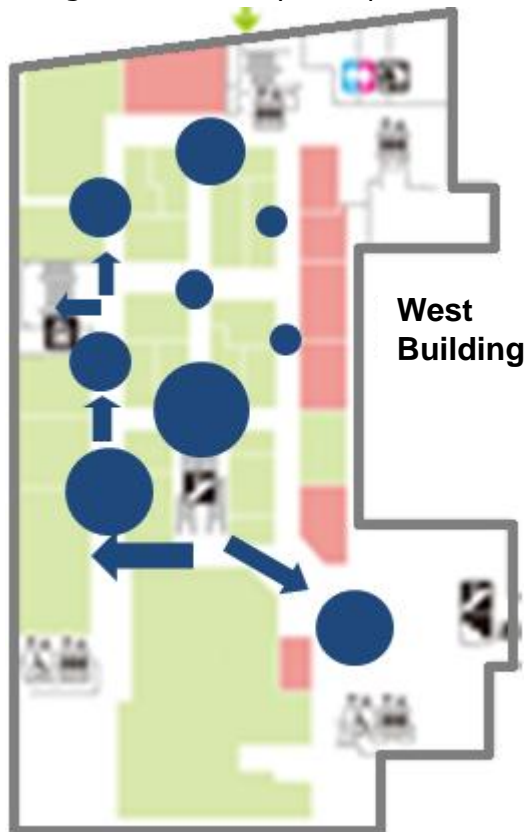
H2 plans

- First PM project at Nagoya ZERO GATE. Aim to further expand this business.
- Receive BM project orders from new clients and operate as fully fledged resident manager business.
- Receive new orders for housekeeping in hotel business.
- Receive new orders for interior construction and electrical work at commercial facilities.

*PM: Property management
BM: Building management

**In H1 developed a new smartphone app
and broadened our range of service tools.
In H2 utilize these tools further and strengthen relationships
with existing clients while developing new customers.**

Image of flow analysis report



Analyze customer movement within Nagoya PARCO and use data in future renovation plan.

H1 topics

Developed “flow analysis” service tool that analyzes the movement of customers in a shopping complex.

- Commissioned by external commercial facilities to conduct studies and analysis.
- Devise study method based on awareness of client issues and use analysis to test hypothesis.



H2 plans

- Introduce to existing clients the value of new tools such as a mechanism that lets customers purchase items through the store’s blog.
- Expand sales of apps and other new tools through joint seminars with partners for the purpose of developing new clients.
- Promote Shopsnavi recruitment media and increase numbers of job applicants and successful hires.

Entertainment Business

**Proactive in staging topical, quality performances at PARCO Theatre and external venues.
New projects by our Content Development Business were strong.**

H1 topics and main theatre performances

- “Manju Kowai”, a PARCO production staged at Theatre PARCO, was selected in the top 5 productions of the first half of the year in the Yomiuri Theatre Prize’s interim selection.
- As part of our content development, we opened two consecutive hits with collaboration cafés with popular characters at Shibuya PARCO (more planned for H2).
- Gyatoruzu 1-3, published by PARCO Publishing, was awarded the Tokyo Governor’s prize in the Japan Federation of Printing Industries Book Design & Binding Contest.

Manju Kowai (writer: Kankuro Kudo)	PARCO Theatre
Hymne A L’Amour – Akihiro Miwa version	The Playhouse, New National Theatre

H2 topics and main planned theatre performances

- Open new business category, music, café & bar “QUATTRO LABO” in Kichijoji in November.

SINGIN’ IN THE RAIN	TOKYU THEATRE Orb
The Authoresses (writer, producer: Koki Mitani)	PARCO Theatre



PARCO-run Businesses

**Continue fashion / design incubation and promotion.
Open PARCO-run shops externally.**

OMISE PARCO opened April 2014.

- Travel-themed designer product shop.
- Third PARCO-curated shop.
- Located in Narita International Airport shopping area.
- Aim to increase awareness of the Parco brand with foreign customers and attract them to all PARCO stores.



Existing PARCO-run businesses include Fukuoka Parco's once A month and Shibuya Parco's Meetscal store by once A month



Developed original goods, commenced sales in July.

- Introduced Kaitenzushi (sushi train) suitcase covers in response to demand from overseas customers.
- Impact inside and outside Japan, broke through 30,000 Retweets and Likes on SNS.

*SNS: Social network services

*Retweet: Other users reference and spread a contribution on Twitter

Continuing and expanding initiative to discover and support designers and creators, providing entire PARCO buildings, including galleries and public areas, as spaces to exhibit their work.

Shibu-cul Matsuri 2014 --All in together!-- in Shibuya Parco.*

Under the theme of “Meet. Experience.” more than 100 groups of young female creators came together. Creators collaborated with visitors, shops, and each other.

* *Shibu-cul Matsuri* presents expressive works of young female creators and provides a space for creators to network. This was the fourth *Shibu-cul Matsuri*, which has been held every year since 2011.

Local artists, visitors create a picture at Shintencho, Fukuoka.



*Shibuya Culture Festival
**Nagoya Culture Festival



*Nagoparu Bunka-sai** in Nagoya Parco 2014.*

Art, music, fashion – local artist’s and creators’ festival.
Held for second consecutive year.

Tenjin Lab 2014 in Fukuoka Parco.

Offered Fukuoka and Kyushu artists and creators an expressive space. This year, the third year of the festival, a Tenjin Lab On The Road event was held on Shintencho’s main shopping street.



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