

CSR activities

At PARCO, we define CSR initiatives as activities carried out through "business activities = core business. PARCO is proactive in tackling ESG (Environment, Social, and Governance) issues and is promoting initiatives that will lead to the sustainable improvement of the PARCO Group.

Furthermore, at the United Nations Sustainable Development Summit of September 2015, the 2030 Agenda for Sustainable Development was adopted and the 17 Sustainable Development Goals and 169 targets were proclaimed. Through our CSR initiatives, the PARCO Group aims to contribute to the resolution of various social issues.



Society

"Customers," "store tenants," "employees," "shareholders and investors," "local communities and society," "land owners and leaseholders," and "suppliers" are all stakeholders in our business. Our goal is to gain the sympathy, understanding and support of these seven groups of stakeholders, so that we can enhance our corporate value.

> Customers

PARCO databases the range of feedback received from customers, and uses this input to improve services offered.

> Store tenants

Since PARCO shares common values with store tenants, we have a partnership in which we all can grow and develop.

> Members of the local community and society at large



PARCO has taken a wide range of measures to ensure both the peace of mind and safety of the people who visit our stores.

> Shareholders and Investors

PARCO is working to speedily supply information, based on transparency, fairness, and continuity, to its shareholders and investors.

> Employees



PARCO views employees not as "human resources" but as "human capital," and considers each and every employee as an indispensable asset and a platform for future growth.

The PARCO Group recognizes global environmental issues as an important theme in its business activities in shopping centers and related fields. Through the promotion of environmental preservation activities, the Group seeks to leave a sustainable society for future generations. To this end, the Group aims to reduce the environmental impact of the commercial spaces it creates. These efforts include cooperating with tenants and other transaction partners, and making sure that customers and local communities are informed of the Groups activities and accept them.

> Fundamental policy

The PARCO Group recognizes that protection of the environment is an important theme in its business, and seeks to contribute to a sustainable society for future generations through the promotion of initiatives to reduce its environmental footprint.

> Specific environmental initiatives



As part of its commitment to the environment, the PARCO Group has introduced energy- and resource-saving initiatives and is taking steps to expand environmentally friendly commercial facilities. The group participates in national environmental campaigns and is certified by a number of local eco schemes.

> Environmental data



The PARCO Group discloses data on energy and resource inputs including electricity usage, gas usage, and total water usage as well as outputs such as CO2 emission levels, recycling rate, and waste water volume.

Governance

We at PARCO are to constantly work to strengthen our system of corporate governance, recognizing that in order to enhance corporate value, we must: protect the rights and interests of our shareholders, build smooth relationships with stakeholders other than shareholders, preserve transparency in management, and establish an effective management oversight structure.

> Corporate Governance

Society

Customers

At PARCO, we are undertaking initiatives to gain the trust and satisfaction of all stakeholders, including store tenants, customers, and local communities and society.

Service improvement, reflecting our customers' wishes

Our salespeople and our staff who work at our information desks in our stores pass on to us questions and comments they receive from customers. This information, together with customer complaints received via phone calls, letters or e-mail are all entered into a database. All this data is shared throughout our company and forms the basis for service improvement.

Improvements to restrooms, powder rooms and nursing rooms

Reflecting our customers' opinions, we are adding new nursing rooms and restrooms, as well as upgrading existing facilities.

At PARCO_ya, we presented a relaxing, comfortable space using cypress wood, with the theme of “natural comfort.”



PARCO_ya 6th floor customer restroom



PARCO_ya 3rd floor baby nursing room

Stroller lending

We have strollers within our stores, to lend to customers who require them.

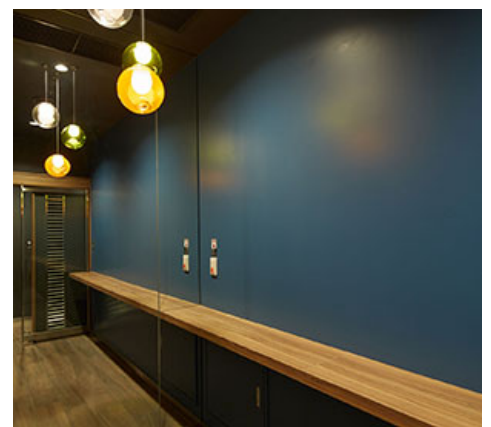
First-aid room

We have a first-aid room at our stores to assist any customers who might require medical assistance.

Smoking room

We are establishing new smoking areas for customers.

In addition to gender-neutral smoking areas, we set up women's only smoking areas in the women's restrooms at Fukuoka PARCO New Building and Sendai PARCO2.



Women's only smoking area at Sendai PARCO2

Providing Web-based Trends Communication

Backed by its store network, PARCO is aggressively leveraging advanced information and communications technology (ICT) to create new ways to enjoy commercial facilities.

To make PARCO store information available faster and more appealing, shops within PARCO make use of the PARCO Shop Blog, with roughly 3,000 such tenants involved in trends communication that encourages store visits.

Furthermore, we operate a service, called “Kaeru PARCO,” that enables in-store goods found on the PARCO Shop Blog to be reserved or ordered for delivery online, and have released a smartphone application, POCKET PARCO.

In these ways, we are creating an environment that allows customers to enjoy a “24-hour PARCO” via the Web.



Sendai PARCO2

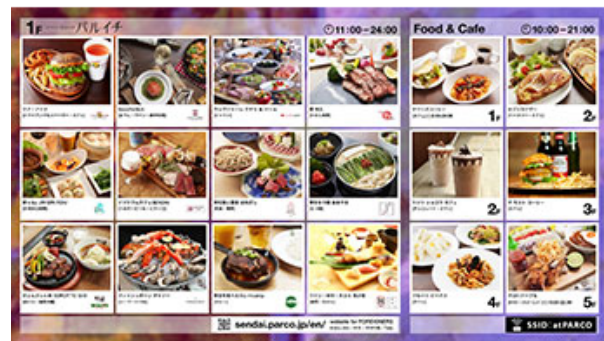
Use of digital signage

We are aiming to make our information paperless by using digital signage. The signage provides rich presentation reflecting the time of day and the season while swiftly communicating instore sale information and so forth.



Sendai PARCO2

A sign showing a floor map of the 4th floor and whole building. Background visuals change during the day through morning, afternoon, and evening, while also presenting a seasonal theme.



Sendai PARCO2

Restaurant floor signage links with blogs to present the latest information.

Society

Store tenants

Our store activities are based on a model of equal partnership. As part of this, we maintain close communication with tenant staff to address problems and develop new solutions and expand opportunities for trainings and other programs.

An equal partnership

PARCO's equal partnership approach to our store tenants extends to landowners as well. We believe that a fair and equal relationship alongside a mutual sharing of values contributes to the growth and development of both PARCO and our partners.

PARCO Association activities

At PARCO, we base our store activities on "equal partnership" with the approximately 800 companies and 2,050 tenants within our stores, so that everyone can grow together. The PARCO Association, formed from the tenants, promotes the maintenance and development of this relationship. PARCO and the PARCO Association members work together to make a contribution to local communities and achieve mutual prosperity, in the spirit of this equal partnership.



Tenant staff support system

All the staff standing on the sales floors at PARCO value our customers. We offer staff various training programs to better equip them to make decisions and act on their own.

Staff receive customer service training designed to sharpen their customer service abilities, enabling them to pick up on customers' needs and offer them proposals for an enjoyable shopping experience. In addition, we have also introduced social media training, where they learn how to use social media to build the shop's fan base. For shop managers who are struggling with how to develop and guide staff, we have launched human resource retention training. Our education and training programs are based on real-world situations to enable staff to enjoy working on our sales floors with a sense of fulfillment.

In addition, each store is actively involved in providing opportunities for the development of staff skills through programs that include the "Shine-as-a-team ★ customer-service role-play contest" designed to improve the service-delivery ability of an entire service team.



Tsudanuma PARCO social media training



Ikebukuro PARCO role-playing contest winners

Improvements to work environments

PARCO is actively promoting improvements to work environments. Initiatives including renovations of break rooms and the addition of convenience stores and private phone booths will allow shop staff to focus on their work with customers.



Sendai PARCO2 employee break room and dedicated phone booths



Nagoya PARCO employee break room and staff-only convenience store

Measures to leverage ICT to improve customer relations and reduce operational workloads

PARCO and tenant shops use the PARCO SC Groupware communication tool to reduce the burden of management operations. We have also introduced an online video to provide orientation training for all shop staff on the sales floors. This enables staff to study at any time, so they can use short periods of free time for training even when they are often too busy to attend formal sessions.

SUTEKI LABO, the dedicated website for PARCO shop staff, is filled with information that can typically only be learned by taking part in group training seminars; staff can use their PCs or smartphones to watch how-to videos on customer service and other relevant topics.

Furthermore, tenant staff members receive daily “shop service rating” (five-star evaluations and comments) collected from registered customers through the PARCO original smartphone app “POCKET PARCO.” Words of praise from customers as well as things customers would like to see and other messages are also shared with staff, providing motivation in day-to-day activities and sparking sales floor improvement.



Online videos for orientation training



Fiscal 2017 “POCKET PARCO Customer Service Evaluation Service” Results

Credo

We established a code of conduct for shop staff as a credo serving as the motivation behind all activities by PARCO and tenants for customers. While pursuing concrete activities based on this credo, we aim for qualitative improvement in interactions with customers across PARCO as a whole.

"PARCO shop staff and compliance hotline"

In addition to the reporting system for employees, this new help-desk for tenant employees to use to discuss or report rule or compliance violations by our company was set up in 2010. This help-desk is for all tenant employees who work in shops in PARCO. The aims of the help-desk are to eliminate violations of workplace rules, and by enabling tenant employees to work with peace of mind day by day, it can create a workplace that is easier to work in.

Society

Local communities

PARCO is the Italian word for “park,” and much like a park itself, we provide a place where people come together to share time and space, and where they can relax and have fun. We are working to enhance the appeal of local communities and contribute to realizing a society that offers urban consumers fulfillment by devising creative business activities with a grasp of local needs and trends.



Events and promotions held in collaboration with local communities

Collaborations spanning a range of partnerships are crucial to develop the appeal of local communities. PARCO is involved in close cooperative relationships with local authorities across all PARCO stores.



Initiatives for peace of mind and safety

Since PARCO stores are places where members of local communities gather, we have taken a wide range of measures to ensure both the peace of mind and safety of the people who visit our stores.

1. Initiatives to achieve “Safety in day-to-day living”

The restaurants and food stores inside PARCO conform to rigorous standards for health and safety management. Furthermore, PARCO conducts its own periodic health and safety inspections, checking the sanitary conditions in kitchens and the storage conditions for food products and ingredients. Checks are also made as needed to ensure that restaurant menus display appropriate information, and that raw ingredients, potential allergens, and expiration dates are all properly displayed.



2. Initiatives to achieve “Safety in the shop”

There are many shop windows in a PARCO store. Each of these glass panes is coated with antishattering film to protect people in the unlikely event of window breakage. The large display shelves have mechanisms to prevent the shelves from collapsing.

We also have staff who are specially trained in disaster prevention roles, and they practice each day.

We actively participate in fire-fighting technology training tournaments held by local fire stations, and have achieved some good results. We also offer training to the shop staff on how to use fire extinguishers so that they can take action in initial fire fighting. We have set up an information system that links each shop to our Disaster Prevention Center so that the shops can rapidly respond to emergencies.

Furthermore, we are actively involved in crime prevention activities, holding regular training sessions designed to share examples of problematic behavior and other aspects of crime prevention.



3. Initiatives to achieve “Life-protecting safety”

To prepare for the possibility that a shopper may suffer an injury or suddenly take ill, all PARCO security staff and maintenance personnel undergo paramedic training with the local fire station staff. All shops have an AED (Automated External Defibrillator) and the staff is trained in their use.

PARCO Group Business Continuity Plan (BCP)

In the PARCO Group, our disaster-readiness efforts include periodic fire drills for PARCO building staff, coupled with paramedic response training courses, to protect lives and safeguard assets in the event of an emergency. In addition, to provide services on a continuous basis, we have procedures in place to prevent or minimize risks that could occur in the event of a major disaster. The “PARCO Basic Business Continuity Plan for Major Earthquake Disasters” was formulated in 2011. After two subsequent partial revisions, the document was completely revised in February 2014. We conduct regularly scheduled BCP drills each year to test our ability to react quickly to scenarios simulating the occurrence of an actual major disaster. At Nagoya PARCO, we adopted a ground filtration system as a measure to ensure potable water supplies exist should a natural disaster occur. The filtered groundwater is used for drinking water and facility equipment throughout the complex.



Our basic policy regarding IR activities

PARCO is working to speedily supply information, based on transparency, fairness, and continuity, to its shareholders and investors. We are working to supply information in compliance with the timely disclosure rules and regulations of both the Financial Instruments and Exchange Law and the Tokyo Stock Exchange.

Our website has a substantial corporate information and IR section. We issue press releases to the media. We also work to disclose information that is easy for shareholders and investors understand and in an environment that is easy for them to access. We do this through a wide range of media, including explanatory meetings held in Japan and overseas, and through various printed publications. Furthermore, we issue information via RSS, Facebook, and Twitter to make it easier for people to receive.

Semiannual financial results briefing

Financial results briefings and other explanatory meetings for analysts are held every six months



Explanatory meetings for individual investors within Japan

To help individual investors deepen their understanding of PARCO, we hold explanatory meetings for them from time to time.



[PARCO Investor Relations](#)

Society

Employees

PARCO is supported by people, namely our employees. Our people make full use of their knowledge and spirit to ensure that they continue to provide customers with innovative solutions. This, in turn, earns PARCO the support of both our tenants and their customers. We understand that crafting an environment where every employee can contribute to the fullest is important to all stakeholders, and that is why PARCO is advancing internal systems to promote diversity and cultivate an open corporate culture.

[Promotion of Diversity](#)

[Employee Work/Life Balance Support System](#)

[Human Resources Development Initiatives](#)

[Promoting dynamic participation of women](#)

[Reference charts](#)

Promotion of Diversity



PARCO promotes diversity management because we believe that hiring and cultivating motivated employees with diverse abilities and characteristics creates new value, contributing to the improvement, development and growth of our business.

The Diversity Committee has been established comprising members from across the PARCO Group to ensure our hiring practices are inclusive and that we maximize the diverse abilities and characteristics our employees. The Committee contributes to business activity that incorporates diversity considerations, cultivating dynamic group-wide internal communication and awareness-raising activities, and creating an inclusive company culture through networking with external groups and organizations.

The Diversity Committee is discovering new ways of thinking about diversity management by carrying out internal research, introducing new systems by conducting trials of flexible working styles for a diverse staff, and interacting with external organizations, as well as taking action that will lead to a diverse range of working styles.

[Diversity Committee activities report \(PDF\)](#)

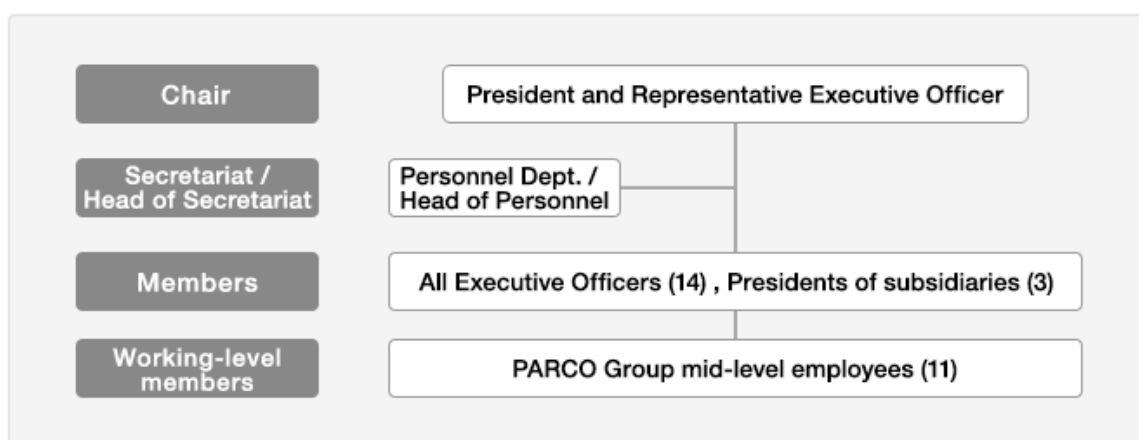
PARCO Group's vision for diversity management

Fostering diversity in our people, work styles, and approach to become the business group of choice for all our stakeholders

【Key message】

Difference is value.

Diversity Committee organizational structure



The establishment of the Diversity Committee

In 2005 we launched PARCO Women's Network, a company-wide project that aimed to promote the active participation of women. Since 2011 it has developed into the Diversity Project, broadening its scope beyond gender to cover all diversity and inclusion issues and has engaged in a range of activities to raise awareness and build an inclusive company culture. The Diversity Committee was established in 2014 to respond swiftly and flexibly to changes in the business environment, such as globalization and market competition, and to put a greater emphasis on the promotion of diversity management, in line with PARCO's management strategy. The Committee is chaired by the president of PARCO and comprises PARCO executive officers and the presidents of each group company, with mid-level PARCO Group employees participating at the working level. The Committee carries out diversity activities with both top-down and bottom-up approaches, and promotes initiatives to further unify the PARCO Group.

Employee Work/Life Balance Support System



PARCO is also promoting the dynamic participation of women in its business, supporting employees' work/life balance by reviewing work styles and implementing measures to ensure both work and childcare/nursing commitments can be maintained.

Promoting a review of working styles

Flexi-time system

As part of improving employee work-life balances, the flexi-time system, which enables more effective and flexible working, was expanded across the company in May 2016. The system makes it possible to adjust daily schedules to fit both work and personal plans, and this greater individual input into working hours is proving successful in leading to higher productivity. This has also resulted in employees becoming more conscious of working time and making their work more effective. The flexi-time system had already been introduced at head office, and following a trial period at certain PARCO stores, it has now been introduced companywide.

No-overtime day

We implement no-overtime days to encourage focused work.

Mobile work

We are promoting mobile work (remote desktop service) for employees whose duties involve a lot of time away from the office, allowing them to more effectively utilize working hours by working while travelling and the like, thus increasing productivity per hour worked. In 2015, we ran a pilot system involving employees with child-care or nursing-care responsibilities and other constraints on their work hours. Going forward, testing will be carried out to create a system around this.



Briefing on systems utilized for telecommuting

Encourage holiday time

We are working on creating an environment for 'focused work and relaxing time off'. Employees need to rest and 'recharge' in order to perform at their best and be creative and successful in their work. PARCO actively encourages employees to take holidays by holding an annual 'holiday promotion day' and recommending that each division does the same. We also commend divisions which have a high average number of paid holidays taken.

Seminars for management

We are holding awareness-raising seminars for managers to encourage the participation and growth of a diverse workforce in a way that uses working time effectively and maintains a work-life balance. In September 2016, we held a talk by an external lecturer on the topic of 'iku-bosses' (bosses, managers and supervisors who support their teams' careers and life outside work, ensuring a satisfying work-life balance while still meeting high targets and achieving success for their organizations).

Support for a childcare/nursing care and work balance

PARCO has made changes to its Employee Work/Life Balance Support System in accordance with January 2017 amendments to Japan's Child Care and Family Care Leave Law, and has expanded some systems beyond what is stipulated by law.



Systems beyond those stipulated by law

*Systems not outlined here also fulfill legal requirements

1) Systems for use during pregnancy

| | |
|--|---|
| Mitigation of working hours during pregnancy | Working time can be reduced by up to an hour per day, paid. |
| Revival of expired annual paid leave days | Expired annual paid leave days from the previous year can be revived and taken. |

2) Systems for use during childbirth

| | |
|------------------------|---|
| Spouse maternity leave | Three days of paid leave can be taken when a spouse enters childbirth (including common law spouses). |
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3) Systems for use during childcare/nursing care

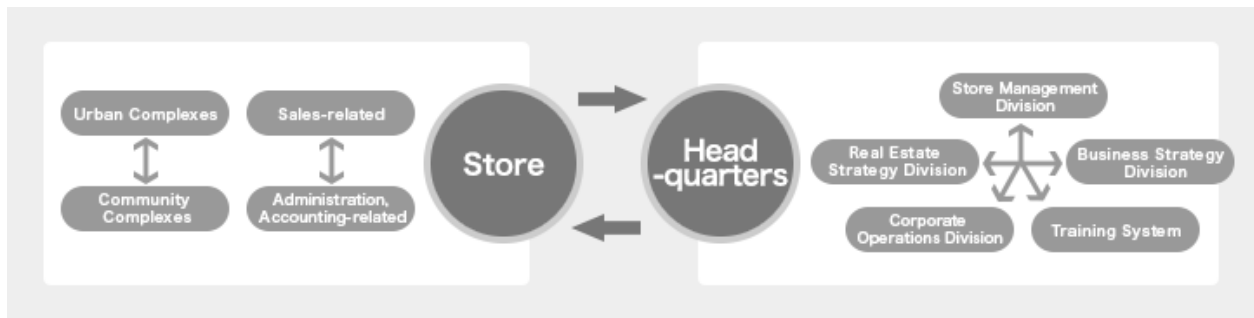
| | | |
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| Childcare leave | Childcare | Leave can be taken until the April 10 following the child's first birthday (permanent employees). This leave can also be extended until the child is 18 months old in certain cases, such as when the child cannot get a place at a daycare facility. |
| Nursing care leave | Nursing care | Up to a year's leave can be taken per applicable family member, which can be divided into as many as three separate spells. |
| System for requesting a specific department upon return to work | Childcare Nursing care | Employees can request a specific department to return to after taking childcare or nursing care leave. In principle, they cannot be transferred from this department for two years after returning. |
| Childcare time off (paid) | Childcare | Working hours can be reduced by up to an hour per day paid, applicable until the child turns one-year-old. |
| Reduced working hours for childcare | Childcare | Working hours can be reduced by up to two hours per day, applicable until the child enters junior high school. |
| Reduced working hours for nursing care | Nursing care | Working hours can be reduced by up to two hours per day while nursing care is required, without limits to length or number of spells required. |
| System for selecting reduced hours or holidays | Childcare Nursing care | Up to two hours per day designated for reduced working hours can be converted into holidays instead. It is also possible to take a combination of reduced hours and holidays. |
| System for selecting workplace location | Childcare Nursing care | Employees with children not yet in junior high school or with a family member needing nursing care can select the region within which their workplace is located in order to avoid moving. |
| System for re-employment of former employees | Childcare Nursing care | Employees who resign due to childcare or nursing care responsibilities who apply and have their application accepted can take advantage of a system that allows their rehiring within three years of leaving. |

We have set the period between now and June 2020 as the 4th phase of our targets to promote utilization of systems supporting work and childcare (nursing care) balance, provision of employment environment and improvement in working styles. To achieve those targets, we have enacted measures that promote reviewing working styles and awareness of systems supporting work and childcare (nursing care) balance.

[Our "General employer action plan" based on The Law for Measures to Support the Development of the Next Generation](#)

Human Resources Development Initiatives

We are engaged in implementing educational programs geared for different career paths and areas, with the aim of equipping each one of our staff with stronger skills and higher motivation. We are also implementing an educational rotating system that periodically rotates staff between various departments, business areas, and regions, allowing them to widen their horizons and to strengthen their adaptability. Through a variety of workshops, we are working to introduce a competency and ability based career progress system.



Administration Division

In addition to the rotating system, PARCO is working hard to support our employees' capacity for development through providing a wide range of training and learning opportunities.

Main training implementation

1) New employees

Induction training (e-learning, training trips), pre-assignment training (approximately two months), follow-up training

2) Young mid-level employees

Business skills training, tutor training (for new employee training), next-generation leadership training, industry placement training, business school support, support for attending external public seminars

3) Other

Department-specific skills training, female leadership training, management training, compliance training, market inspection training, e-learning/distance learning, financial reward for obtaining qualifications/paid examination fees

Promoting dynamic participation of women



The PARCO Group views efforts to promote greater participation by women as vital, taking steps to embed career seminars, management training sessions and work-life management internally throughout PARCO; we also pursue measures to comply with Japan's Act of Promotion of Women's Participation and Advancement in the Workplace (Advancement of Women Act).

PARCO promote participation by women through a variety of initiatives. We recognize that encouraging shorter working hours by promoting the use of paid leave and improving the percentage of women in managerial positions will go far in helping to resolve issues pertaining to female participation. Together with enacting measures to encourage taking leave, we formulated an action plan in response to the Advancement of Women Act that includes cultivating female managerial candidates, providing opportunities for boosting the career consciousness of young female employees, and creating a workplace more conducive for employees with time constraints. With respect to the annual average number of days of paid leave taken, we are aiming for 10 days by fiscal 2020, compared to five days in fiscal 2014. In parallel, we are striving to have women make up 20% or more of managers in fiscal 2020, versus 11% as of March 2015.

[Action plan based on the Advancement of Women Act](#)

Participation in cross-industry consortiums PARCO takes active part in and shares information from cross-industry consortiums and other projects focused on work and female career education and work-life balance.



Lecture for women on successfully balancing work and childrearing

Promoting Compliance



PARCO's Basic Principles of Compliance stipulates that all PARCO executives and employees shall conduct fair and highly transparent business activities in compliance with applicable laws in Japan and overseas, social norms, and internal company regulations.

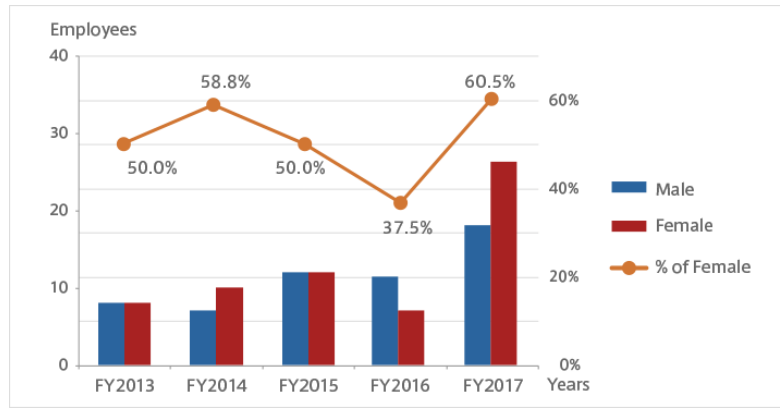
PARCO conducts compliance training on topics such as the Personal Information Protection Act and on the risks associated with social media and other online activity. All employees are also required to participate in training designed to prevent harassment by increasing awareness.

As part of PARCO's continuous efforts to improve as a company, we have established a number of internal reporting systems to encourage employees to report violations of laws and regulations so that these acts may be identified and corrected early.

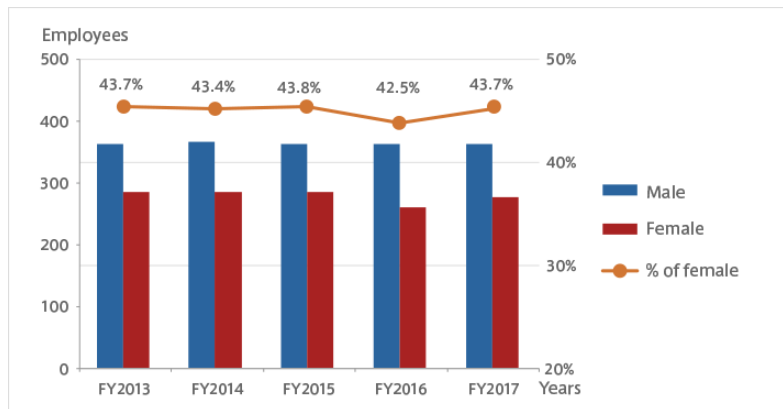
[Basic Principles of Compliance](#)

Reference charts

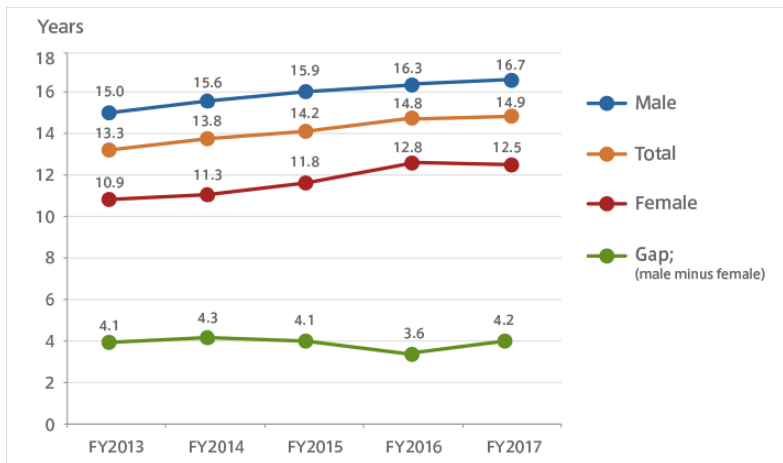
Trend in employee numbers, ratio of men vs women



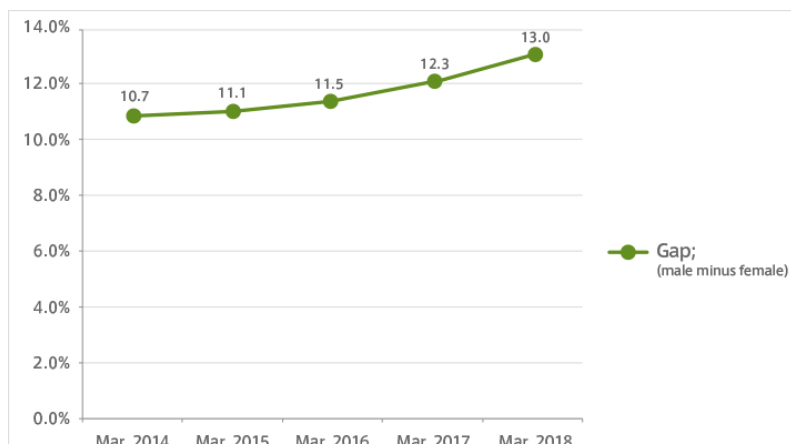
Employee numbers by gender/trend in ratio of female employees (total of both full and contract employees)



Trends in length of employment (at end of each year)



Trend in ratio of women in management positions



Environment

Fundamental Policy

The PARCO Group recognizes global environmental issues as an important theme in its business activities in shopping centers and related fields. Through the promotion of environmental preservation activities, the Group seeks to leave a sustainable society for future generations.

To this end, the Group aims to reduce the environmental impact of the commercial spaces it creates. These efforts include cooperating with tenants and other transaction partners, and making sure that customers and local communities are informed of the Groups activities and accept them.

Environmental preservation activities

Course of Action

1. In consideration of the environment, all PARCO Group stores and business locations will adopt measures to conserve resources and energy.

The Group will review its environmental initiatives periodically to continually improve them.

2. The Group will take initiatives to reduce electricity consumption, which accounts for the majority of energy consumed at commercial facilities.

In particular, the Group will strive to reduce energy consumption by facilities and equipment indispensable to the operation of shopping centers, such as air conditioning equipment, escalators and elevators, and lighting fixtures. Furthermore, the Group will use energy efficiently by introducing state-of-the-art technology and other measures.

3. The Group and its tenant companies will work together to conserve energy on an ongoing basis. Specific efforts will include reducing use of cooling and heating within buildings to optimize climate control, and precisely managing the operating hours of facilities and equipment.

4. The Group and its tenant companies will strive to reduce environmental impacts through initiatives to recycle and reuse, as well as to reduce waste.

5. In planning new stores, the Group will challenge itself to create new commercial facilities that have low environmental impact. This effort will include every aspect from plans for construction and facilities, to interior design.

Communal activities

6. The Group will actively participate in charitable activities as a member of local communities, and help build hospitable urban environments.

Event tie-up activities

7. The Group will actively incorporate campaigns with an environmental theme in the events it sponsors and its sales promotion activities.

Employee awareness and education

8. All PARCO employees will be made aware that they are a participant in environmental preservation activities. Whether at home or at work, employees will be expected to lead efforts to recycle, conserve energy and sort their waste.

The Group will encourage and support its employees in coordination with its tenant companies to promote these activities.

Compliance with laws and regulations

9. All PARCO Group employees will comply with treaties, laws, regulations and other rules concerning the environment, and act with care about humanity and the earth's environment.

Environment

Specific environmental initiatives



Activities to save energy and resources

Relaxation of air-conditioning temperature settings inside stores

We use an appropriate temperature setting and measure on-site temperatures separately on each floor and during each time period. In this way, we were able to reduce our CO2 emissions even more. Even after that period, we worked hard throughout the year to achieve air-conditioning by optimizing the volume of air taken in from outside, and running air conditioners intermittently.



Store entrance stickers

Promotion of switch-over to LED lighting

Following our efforts to introduce energy-saving lighting, chiefly LED lights, we are lowering not only the levels of heat that our lighting emits, but are also reducing CO2 emissions. With the exceptions of fluorescent lighting and high-efficiency lighting, we've changed our incandescent lighting in our all stores LED lighting since FY2012.



Common LED-lit walkways within stores

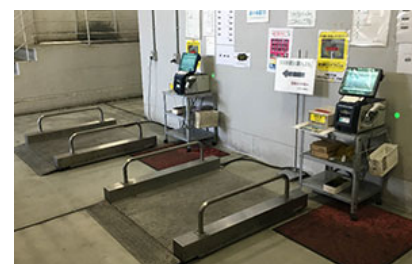
Reducing the environmental burdens of individual shops

We have several systems in place to reduce these burdens. For example, when a new shop is being planned or an existing shop is being renovated, we place restrictions on the amount of power that we will supply.

PARCO Space Systems is a member of the PARCO Group. We work with them to promote energy savings among the shops in our stores. They carry out an energy consumption audit of each shop and help shops to use less energy.

Promoting recycling and reuse

Through the cooperation of tenant businesses, PARCO is proactively working to reduce business garbage and increase renewable use. We are implementing practices including the reuse of plastic hangers, 100% recycling of cardboard and waste oil, and the recycling of compostable garbage into fertilizer. We also use garbage scales to visualize the amount of garbage generated by each tenant, creating a structure that promotes the recycling of every recyclable item.



Garbage scale (Urawa PARCO)

Initiatives on the facilities, equipment and usage front

All PARCO stores are making great efforts in energy conservation through the adoption of cooling with outside air in spring, autumn and winter, the introduction of low-energy-consumption lamps and switch timers and by water conservation through the introduction of automatic water conservation valves, toilet flush sound imitators and water conservation sensors.



Grey water facility

We are also pursuing initiatives for drawing underground water from wells, cleaning well water, grey water and rain water to reuse as toilet drainage water. At Nagoya PARCO and Urawa PARCO we have adopted co-generation systems, effectively using waste heat from power generation to heat water and in pools.

Procurement of Tradable Green Certificates

Some PARCO stores have gained Tradable Green Certificates. These certificates indicate that through the use of solar power and other means, the store has been able to reduce its annual power consumption by an amount equivalent to about 1,122 tons of CO₂. We plan to use these certificates when we fulfill our obligations to reduce our CO₂ emissions.

Participate in environmental campaigns and register for institution



Corporate registration with Fun to Share

Fun to Share is an environmental campaign started by the Ministry of the Environment in March 2014 that aims to realize a low-carbon society by broadly sharing and linking information, technology and knowledge pertaining to reducing CO₂ emissions for companies and private citizens. PARCO, which is setting an environmental policy and working towards energy conservation, announced that it would register in the campaign as a company and pursue environmental initiatives.



Registering Cool Share and Warm Share spots at PARCO stores across Japan

Cool Share and Warm Share is a campaign promoting region-wide conservation of electricity by having people come together and share cool or warm places instead of using air conditioning by themselves.

PARCO stores have seen an increase in visitors after registering in this program.

エアコン消して 涼しいところ集まろう

COOL
SHARE

Participation in the Light Down Campaign

All PARCO stores participated in the Light Down Campaign, led by the Ministry of the Environment, which calls for reducing CO₂ emissions by turning off lights in buildings.

Held every year on the summer solstice (around June 21) and Cool Earth Day (July 7), PARCO stores cooperate with this environmental initiative by simultaneously turning off rooftop, sign and other lights.



Chofu PARCO before (left) and after (right) turning off the lights

Certified Gold in the Chofu Eco Office System

The Chofu PARCO has received a Gold certification in the Chofu Eco Office System. This certification system is run by Chofu City to support businesses in becoming more eco-friendly.

There are three levels of public certification, gold, silver and bronze, for businesses that proactively work to develop consciousness about waste reduction and recycling.

Certified as an Musashino City Eco Partner

The Kichijoji Parco has received the Musashino City Eco Partner Certification. This certification is run by Musashino City to promote the reduction of waste from businesses. Businesses that meet standards on recycling magazines and compostable garbage are publically certified.

Activities to expand environmentally friendly commercial facilities

P'es Lighting

Group company PARCO Space Systems has, in collaboration with other companies, developed and is selling P'es Lighting, an original lighting fixture with a reduced burden on the environment. Together with LED lighting, design and interior construction with an eco-friendly theme, we are making proposals for comprehensive building maintenance.

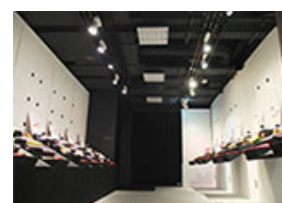


Lighting consulting

PARCO Space Systems is making proposals for creating business environments that customers find comfortable based on lighting design that considers the characteristics of both the products and the space, and by unifying the lighting environment of the facility as a whole, through facility management including the lighting of shops.

Inspection committee for comparative inspection of the newest LEDs

In order to provide optimal lighting design that meets the space conditions that clients seek, with the cooperation of manufacturers we periodically convene a committee for comparative inspection of LED lighting fixtures beginning with new fixtures we are inspecting the abilities and energy conservation effects on lighting fixtures from a variety of makers and of different types.



Continuous improvement through acquisition of ISO50001 certification

Group company PARCO Space Systems received the international ISO50001 certification, which aims for continuous improvement in energy performance, energy efficiency and energy conservation from the Japan Quality Assurance Organization (JQA).



This is the first time a company in the building design, facilities and management industry has received this certification, and we will aim to expand subcontracting by utilizing this to aggressively promote proposals that include reductions to environmental burden and energy costs.

Reducing copy paper usage

In PARCO's offices we are working to reduce copy paper usage through two-sided and 'N up' (laying out several pages worth of data to print on one page) printing and promoting printing on the back sides of miscopied pages. We also introduced a system to prevent miscopies where you have to enter your employee number to use complex copiers. We are also creating a paperless system by moving internal documents and notices online.

Purchasing environmentally conscious products

PARCO has selected copy paper as a priority for reducing the burden on the environment and is pursuing green procurement for some office supplies including stationery, file folders and DVD disks.

We are also contributing to reducing carbon emissions by promoting the purchase of cleaning supplies such as detergent and wax with carbon offsets.

Plastic bottle cap collection

Through NPO Re Lifestyle, we sell plastic bottle caps as recycled resources, with profits donated to an international support organization* that helps provide vaccinations. (From May 2015)

*International support organization: NPO Japan Committee Vaccines for the World's Children

Cool Biz and Warm Biz

In order to reduce energy used for air conditioning, PARCO has established temperature settings for its offices in summer and winter and is practicing Cool Biz and Warm Biz.

We continued this in FY2014, setting thermostats at 28°C during the Cool Biz period in order to promote energy savings in the summer, and are encouraging styles such as short-sleeved shirts and polo shirts in addition to the usual no jacket and tie, where staff can work in the office comfortably in summer.

Increasing awareness of environmental issues among staff

In order to create opportunities for all staff to think about the environment as an issue close at hand, PARCO is participating in the Ministry of the Environment-led Challenge 25 Campaign and Fun to Share, as well as encouraging staff to take the Tokyo Chamber of Commerce and Industry-led Certification Test for Environmental Specialists® (Eco Test)*. As of FY2015, PARCO has turned out a total of 174 certification holders and PARCO Group 362. By offering support including covering the entire test fee and distributing and lending texts internally, we have established a structure that makes it easy for staff to take the test.



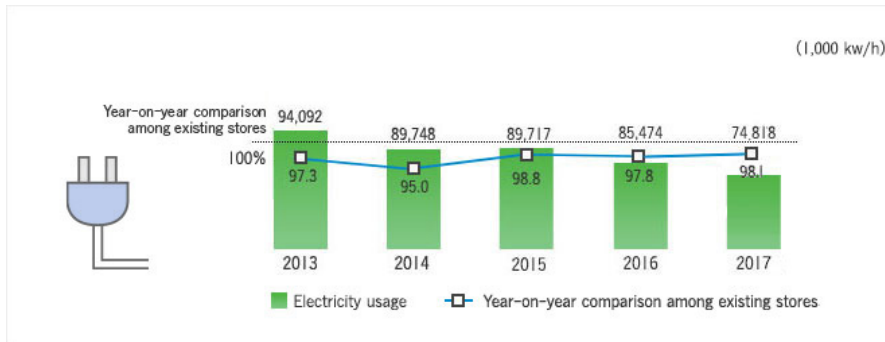
*Certification Test for Environmental Specialists® is a registered trademark of the Tokyo Chamber of Commerce and Industry

> [Results of activities](#)

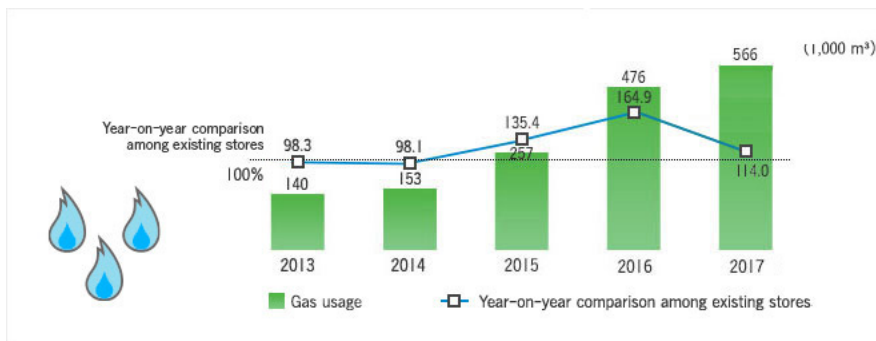
> [Environmental Data](#)

INPUT

Electricity usage

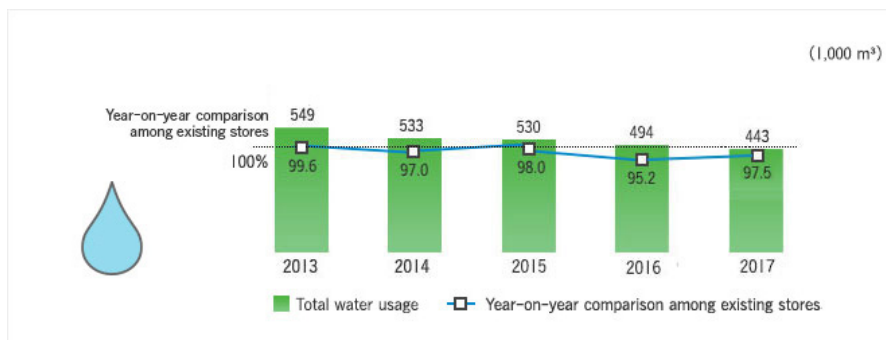


Gas usage

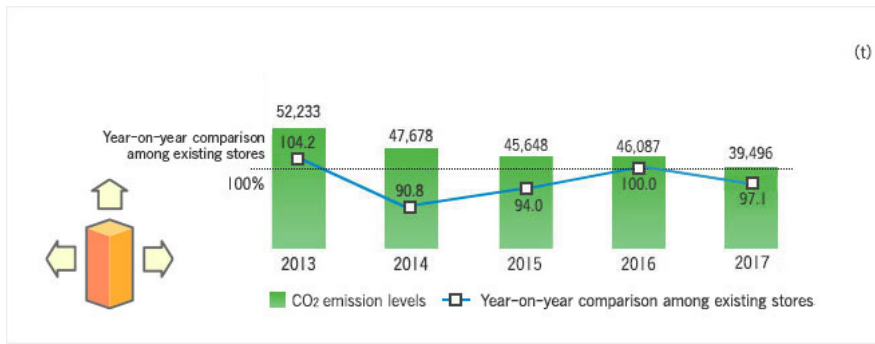


The increases in gas usage in fiscal 2015, 2016 and 2017 stemmed mainly from adoption of GHP* for air conditioning and gas cogeneration. With this step, the intent is to reduce electricity usage and the amount of energy consumed on a per-unit basis. *GHP (gas heat pumps) is an air conditioning system in which an external unit with a gas engine-powered compressor powers a heat pump for heating and cooling.

Total water usage



CO2 emission levels

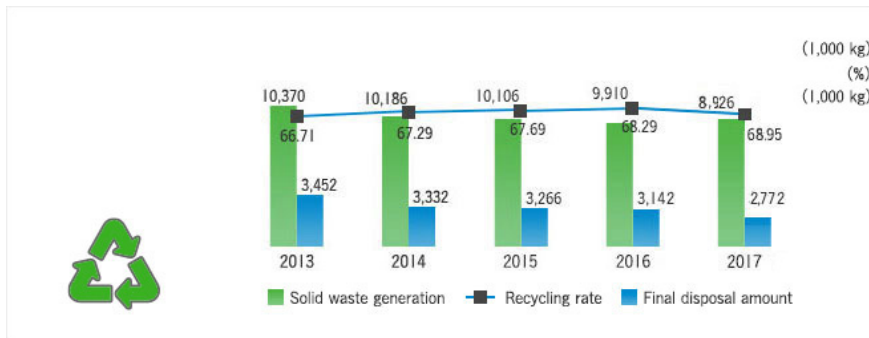


The primary cause of the increase in CO2 emissions in FY2013 is the increase in each power company's factors in CO2 emission calculations (changes every year based on fuel mix ratios) over last year.

Solid waste generation

Recycling rate

Final disposal amount



Continuing initiatives for reducing waste generated and final amount processed has led to annual increases in recycling ratio.

Waste water volume



The primary cause of the increase in waste water volume in FY2014 is the increase in spring in some store.

A year-on-year comparison among our existing stores. Calculations except the effects of the following events: FY 2016 Sendai PARCO2 opened, Shibuya PARCO temporarily closed, and Chiba PARCO closed, FY 2017 Otsu PARCO closed and PARCO_ya opened. Environmental data (other than waste emission levels, recycling rate and final disposal amount) do not include data from our tenant shops.

Corporate Governance

Fundamental Policy

We at PARCO are to constantly work to strengthen our system of corporate governance, recognizing that in order to enhance corporate value, we must: protect the rights and interests of our shareholders, build smooth relationships with stakeholders other than shareholders, preserve transparency in management, and establish an effective management oversight structure.

Our corporate governance system is to be characterized by a clear distinction between supervision and execution. Here, to assure a high degree of transparency in corporate governance while facilitating decisionmaking and execution, we adopt a corporate managerial structure that includes a Nominating Committee and other such entities.

We at PARCO established *Fundamental Policy for Corporate Governance* in 2016. This policy formulates our basic way of thinking with regards to corporate governance. That is, it sets down how PARCO believes corporate governance should best be applied to achieve continual growth and a medium-to-long-term enhancement of corporate value under the [PARCO Corporate Mission](#), which calls for the creation and provision of value in a manner that satisfies our customers, tenants, shareholders, and other stakeholders.

[Fundamental Policy for Corporate Governance](#)



[PDF] 335 KB (2018.7.26)

[Corporate Governance Report](#)



[PDF] 813 KB (2018.10.3)

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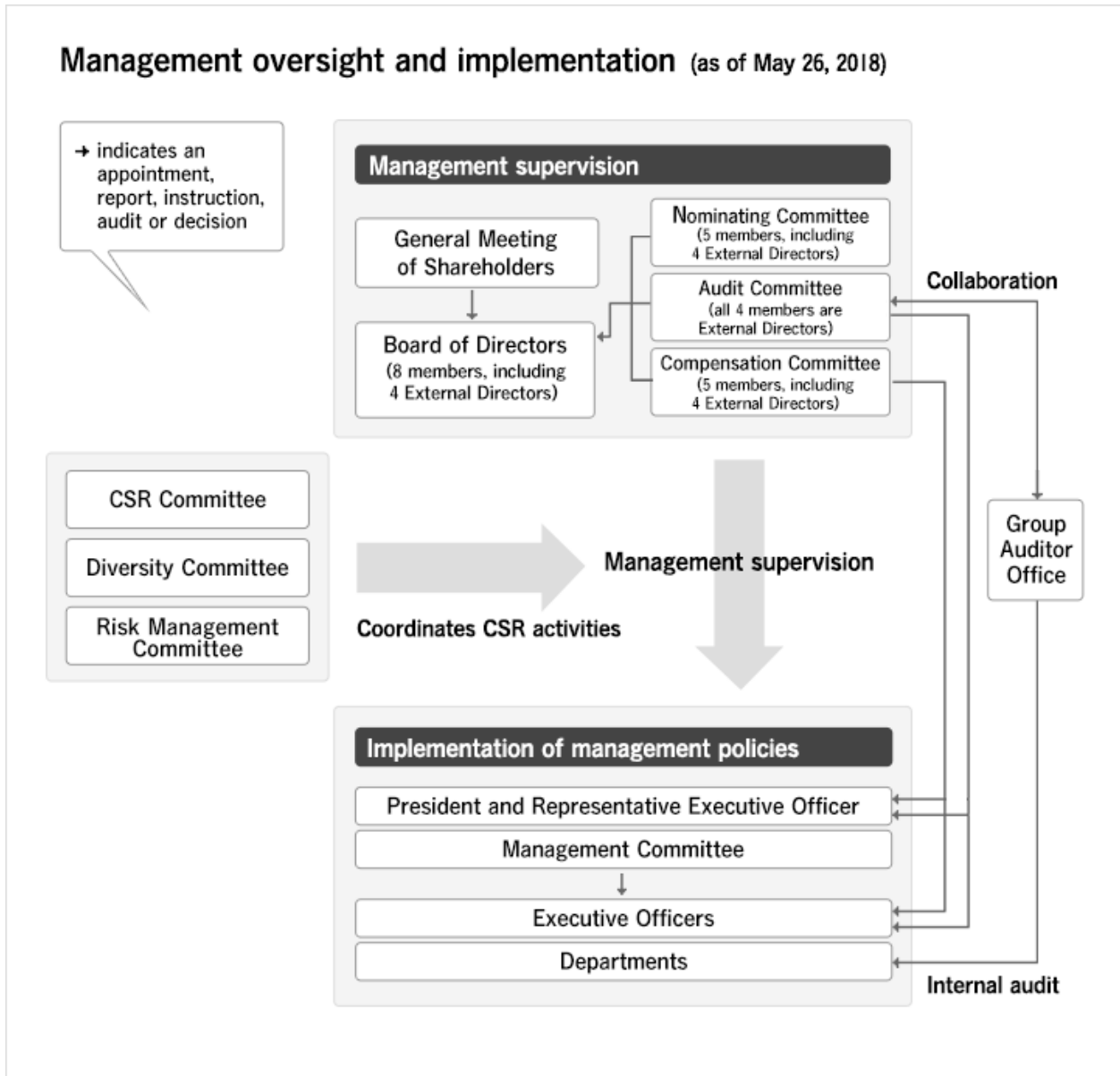
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Overview of the PARCO Corporate Governance System



Board of Directors

The Board of Directors is to strive for a sustained increase in corporate value. To this end and under a full realization of its fiduciary and explanatory duties to shareholders, the Board is to determine a strategic direction for the company, provide an environment conducive to risk management and, in collaboration with the Nominating Committee, the Audit Committee and the Compensation Committee, assure a high degree of supervision over Directors and Executive Officers.

Composition of the Board of Directors

The Board of Directors is to be comprised of a variety of individuals with differing backgrounds, including area of expertise and experience, based on selection criteria formulated by the Nominating Committee. At least half of the members are to be External Directors, and the total number of members is to be maintained at a level that provides an optimal level of efficiency and effectiveness.

Selection criteria is disclosed at *Fundamental Policy for Corporate Governance*.

Committees

PARCO has adopted the “Company with three Committees” system and has established a Nominating Committee, an Audit Committee and a Compensation Committee, all of which contain company Directors.

The Committees are to supervise managerial activities within their respective areas of responsibility and to report accordingly to the Board of Directors. Also, to help invigorate their activities, we have installed a Committees Secretariat, which is independent of the management team and staffed by employees assigned solely to it.

Nominating Committee

The Nominating Committee is to determine the content of proposals to be submitted at the General Meeting of Shareholders regarding the appointment or dismissal of Directors. It also nominates candidates for Representative Executive Officer and Executive Officers to the Board of Directors; and can recommend their removal. The Committee is to be comprised of at least three Directors, a majority of whom must be External Directors.

Audit Committee

The Audit Committee monitors the execution of duties by Directors and Executive Officers, and has determines the content of proposals on the election and dismissal or non-reappointment of the auditor, which are submitted at the General Meeting of Shareholders. The Committee is comprised of at least three Directors, all of whom, in principle, must be External Directors.

Compensation Committee

The Compensation Committee determines the compensation of individual Directors and Executive Officers. The Committee is to be comprised of at least three Directors, a majority of whom must be External Directors.

Executive Officers and the Management Committee

Executive Officers are to execute specific duties based on the fundamental policy determined by the Board of Directors. The Management Committee is to serve as a deliberative body to support concrete operational decision-making by the President and Representative Executive Officer.

External Accounting Auditor

In the interests of auditing effectiveness, the Audit Committee is to verify the reputation of the External Accounting Auditor, as well as their independence and specialized knowledge. The External Accounting Auditor is expected to maintain communications with the President and Representative Executive Officer and discuss the handling of matters such as improprieties and errors in collaboration with the Audit Committee.

Message from the Committee Chair

Audit Committee Chair



Hiroshi Takahashi

External Director(Independent director)

The Audit Committee consists of four members, all of whom are external directors (independent directors).

The Audit Committee is tasked with monitoring and inspecting the development and operational status of the Company's system of internal controls to ensure corporate soundness and sustainable growth, and to establish a quality corporate governance structure that earns public trust. In so doing, the Audit Committee strives to maintain a system that ensures audit effectiveness.

The Audit Committee audits the actions of executive officers and others in the conscientious, faithful and legally prescribed performance of their duties by receiving reports from the Group Auditor Office, the Independent Auditor, and the external auditors of Group companies, requesting reports from relevant executive officers, and attending weekly meetings of the Management Committee, among other actions. Through coordination with the Group Auditor Office, the department responsible for internal audits, the Audit Committee not only audits the reliability of our financial reporting and appropriateness of business execution as a corporate group, but strives to propose improvements essential for realizing growth in corporate value through the kind of proactive governance targeted in Japan's Corporate Governance Code.

Nominating Committee Chair



Tomonori Ito

External Director(Independent director)

The five-person Nominating Committee consists of four external directors (all independent directors) and the President and Representative Executive Officer. The Nominating Committee is responsible for two key tasks—drafting, as required by law, agenda items for submission to the General Meeting of Shareholders regarding the election or termination of directors; and the proposal, pursuant to Company regulations, of recommendations regarding candidates for, or the termination of, the posts of executive officer and Representative Executive Officer.

Japan's Corporate Governance Code was formulated three years ago and corporate governance in the country has undergone a major transformation in the time since. With companies adopting various governance formats, there has been an increase in companies establishing a nominating committee, some on a voluntary basis. The importance of nominating committees, which evaluate representative executive officers and nominate their successors, is being progressively recognized. PARCO works to operate its Nominating Committee in a manner that contributes to the creation of shareholder value from a long-term standpoint.



Noriko Nakamura

External Director (Independent director)

The five-person Compensation Committee consists of four external directors (all independent directors) and the President and Representative Executive Officer. The Compensation Committee is tasked with determining compensation for individual directors and executive officers. Under this remit, the Compensation Committee, in accordance with its compensation policies and set regulations and criteria, determines compensation for directors based on the director's specific role, and for executive officers based on rank, role, and an evaluation of corporate performance and individual duty performance. PARCO recognizes the importance of preserving objectivity and transparency in the decision-making process regarding compensation. Through fair and open decision-making guided by predetermined regulations regarding annual base salary and evaluation rules, we hope to fulfill our obligation to explain our actions to shareholders and other stakeholders, while contributing to improvements in corporate value.

Internal controls and risk management system

Our company will work to increase corporate value by establishing a system to assure the suitability of our company and group's operations regarding factors such as the efficiency and effectiveness of these operations, the credibility of our financial reports, the legal compliance of our business activities, and preservation of company assets.

Risk Management System

We are to work to provide a cross-organizational risk management system centered on our Risk Management Committee that, in addition to identifying and assessing the risks entailed by corporate activities, taking countermeasures against them and heightening our internal awareness of them, is capable of a swift response to risk-related occurrences through emergency action including taskforce deployment and information management.

Compliance system

We are to advance an internal awareness program through methods such as issuing a *PARCO Employee Handbook* to all Officers and employees, in addition to formulating [Basic Principles of Compliance](#) and a [Code of Conduct](#), to which all employees are expected to adhere. Also, we have set up a group-wide internal reporting system utilizing a third-party contact to encourage the reporting of infractions or other improper activities and to facilitate corrective responses to same.

Internal auditing system

To reinforce the internal auditing capabilities of our group, we have established a Group Auditor Office which audits the legality, economic rationality, and risk exposure of the group as a whole, based on audit plans and under the direction of a Director assigned solely to this task. We also strive to improve audit efficiency through the timely exchange of auditing information with the Audit Committee and auditors at group subsidiaries.

Relations with shareholders and other stakeholders

Ensuring shareholder rights, equality, etc.

PARCO believes that in order to continually increase corporate value, it is imperative to protect the rights and interests of shareholders, including minority shareholders. Therefore we strive to protect those rights, to assure an environment in which shareholders can exercise their rights at the General Meeting of Shareholders, and to monitor any actions that harbor the risk of damaging shareholder rights, including related-party transactions and changes to capital policy.

Appropriate collaboration with stakeholders other than shareholders

In order to support efforts to build smooth relationships with stakeholders beyond our shareholders, we have created a [Corporate Mission](#) and a [Code of Conduct](#) and are taking measures to strengthen compliance management and promote diversity, including encouraging the active involvement of women within the organization.

CSR (corporate social responsibility) initiatives

We have established a CSR Committee to promote CSR activities within the PARCO Group and strengthen internal controls. The Committee will set PARCO Group policies for CSR activities, create action plans, support external publicity efforts, promote internal information sharing, and cooperate with external companies and organizations.

Committee activities are to span the organization, with related efforts covering everything from discussion sessions with PARCO Group Presidents and Executive Officers, to group-wide collaboration drawing together the Diversity Committee, Risk Management Committee, group companies, and PARCO internal departments.

Promoting and ensuring diversity within the organization, including encouraging the active involvement of women

We have installed a Diversity Committee to promote diversity initiatives across the company. The Committee will carry out initiatives aimed at cultivating a corporate culture characterized by tolerance and openness to new ideas, in which people of diverse views, talents, capabilities, and cultures can work to their full potential. We regard ensuring the active involvement of women within the organization as an important issue and strive to assure full female representation in our selection of leaders and managerial candidates. The Committee will promote other cross-organization initiatives including discussion sessions with PARCO Group Presidents and Executive Officers, and collaboration among group companies and PARCO internal departments.

Internal reporting system

In order to strengthen our compliance management, we have installed an internal reporting system that provides mechanisms for handling reports of infractions and other behavior that runs counter to laws, regulations or the like. The system includes the utilization of a third-party liaison to receive such information and measures to ensure that it is properly handled. One feature is that persons providing information, or persons cooperating with a subsequent investigation, are not to be dismissed or suffer other negative consequences as a result.

Standards and Criteria for Determining the Independence of External Directors

PARCO has created its own standards for determining the independence of External Directors, based on the independence standards of the Tokyo Stock Exchange and the Japan Association of Corporate Directors, which is set forth in the Fundamental Policy on Corporate Governance.

Related Party Transactions

In order to ensure that transactions entered into with related parties are appropriate, PARCO conducts a survey of all officers of PARCO and its subsidiaries regarding whether they have engaged in related party transactions, and on the basis of this submits to the Board of Directors a report on transactions between PARCO and its officers and major shareholders. Any transaction between PARCO and a Director or Executive Officer that gives rise to a conflict of interest is subject to approval by the Board of Directors based on the relevant laws and PARCO's regulations for Directors.

Evaluation of the Board of Directors

PARCO perform an assessment of the effectiveness of all Directors in the interests of improving the effectiveness of the Board of Directors. The evaluation process, evaluation focus, the findings and the resulting improvements are disclosed below.

(i) Evaluation Process

The Committees Secretariat and Board Secretariat (Corporate Planning Office) conducted surveys and interviews with each individual Director concerning their assessment of the effectiveness of the Board of Directors.

(ii) Focus of evaluation

The evaluation covered the makeup of the Board of Directors, the quality of debate, agenda items, and management and support arrangements. Feedback on the current situation and progress on improvements from the previous year's evaluations was compiled to inform how the Board of Directors could be made more effective in future.

(iii) Evaluation Results

Evaluations were performed in FY2015 and FY2016, but as FY2017 was the first year of the new Medium-term Business Plan, strategic measures focused on core businesses were implemented, the starting period of Board of Directors meeting was accelerated to ensure that more substantive debate could take place, and plans were implemented to provide additional information to Directors and to strengthen communication with the execution side. As a result, the FY2017 evaluation showed trends of overall improvement. Assessments were made by each Director based on standardized evaluation criteria, and as a Company with Committees, there has been a noticeable a rise in the effectiveness of the Board of Directors.

The measures that received an especially positive assessment were, “Effectiveness of a Company with Committees,” “Contribution to the management of Board of Directors’ discussions and resolutions,” and “Determining the hours and number of meetings for the Board of Directors and establishing a support system for committee Members.”

(iv) Areas in which effectiveness can be improved even further:

1. Improving substantive debate about high priority strategic issues, such as management strategy, financial policy, etc.
2. Improving project planning and making progress on the implementation of the above-mentioned debate.
3. Ensuring opportunities for bilateral communication between Directors and the execution side, and further improving Directors’ understanding of the company.

We conduct an evaluation of the effectiveness of the Board of Directors on an annual basis, believing that by repeating the process of evaluation, analysis, debate, and improvement, the Board of Directors will change, leading to increased effectiveness.

Training Policy for Directors

All newly-appointed Executive Officers, including Internal Directors, are briefed on the roles, obligations and responsibilities of Directors and Executive Officers, the nature of their agreement with PARCO, and related regulations. Compliance training is offered after appointment. Upon joining the Board, External Directors are also given an overview of the company and briefed on its management philosophy, business situation, corporate governance matters and related regulations. Ongoing briefing on PARCO’s business operations, trends in the retail sector, and the business environment in which we are placed is also provided to these External Directors after appointment, along with opportunities to visit stores, in the interest of giving them a better understanding of our company.

Reason for appointment as a Director and main activities of Directors

PARCO ensures that more than half of its Directors are External Directors. By serving on the Board of Directors and Executive Committees, these External Directors work to improve the effectiveness of internal controls by overseeing the execution of duties by Executive Officers and the like.

| Director | |
|-----------------|--|
| Name | Reason for appointment |
| Kozo Makiyama | After serving for many years in the Store Management Operation Divisions, Mr. Makiyama was appointed President and Representative Executive Officer in May 2011. Through his years of service, he has amassed a wealth of experience that broadly covers PARCO's business operations. As a PARCO Director, he has been actively contributing to discussion and deliberation at Board meetings since May 2008 and he was appointed to supervise operations and provide management oversight based on his experience and track record to date. |
| Hidekazu Hirano | After serving for many years in the Store Management and Corporate Operations Divisions, Mr. Hirano was appointed President and Representative Executive Officer in March 2008, and has served as a Senior Executive Officer since May 2011. Through his years of service, he has amassed a wealth of experience that broadly covers PARCO's business operations. As a PARCO Director, he has been actively contributing to discussion and deliberation at Board meetings since May 2008 and he was appointed to supervise operations and provide management oversight based on his experience and track record to date. |

| Name | Reason for appointment |
|--------------------|---|
| Yasuyuki Kobayashi | Serving as the Representative Director and Senior Managing Executive Officer of J. Front Retailing, Mr. Kobayashi possesses a strong track record and a wealth of experience and insight regarding both management and the retail industry. He was appointed as a Director in order to utilize his business management experience to provide valuable advice that will enable PARCO Executive Officers to execute their duties in an effective and appropriate manner. |
| Taro Sawada | Serving as the Director and Managing Executive Officer of Daimaru Matsuzakaya Department Stores Co. Ltd., Mr. Sawada possesses a strong track record and a wealth of experience and insight regarding both management and the retail industry. We are confident that as a PARCO Director, Mr. Sawada will utilize his business management experience to provide valuable advice that will enable PARCO Executive Officers to execute their duties in an effective and appropriate manner. |

External Director

Each of the External Directors was designated as an independent officer because he is in a position to oversee the management of the business and possesses an adequate degree of independence.

| Name | Reason for appointment as an independent officer | Main activities (FY 2017) |
|-------------------|---|--|
| Hiroshi Takahashi | Mr. Takahashi is a certified public accountant (formerly a Senior Partner at Ernst and Young ShinNihon LLC), and a Representative Director of Pronet Inc. PARCO appointed Mr. Takahashi as an External Director on the expectation that he can perform the function of business oversight and checking on the basis of the specialized knowledge, experience, and judgement regarding finance and accounting he has gained over the course of his career. | Attended 13 of 14 Board meetings and all 13 Audit Committee meetings held this fiscal year and provided his specialist perspective as a certified public accountant when needed. |

| Name | Reason for appointment as an independent officer | Main activities (FY 2017) |
|-----------------|---|---|
| Tomonori Ito | <p>Mr. Ito is a professor at Hitotsubashi University's Graduate School of Business Administration. PARCO appointed Mr. Ito as an External Director on the expectation that he can perform the function of business oversight and checking on the basis of the knowledge, experience and judgement he has gained over the course of his extensive career, and his experience working both within Japan and overseas.</p> | <p>Attended 11 of 14 Board meetings and 11 of 13 Audit Committee meetings held this fiscal year and provided advice when needed based on a professional point of view as a scholar.</p> |
| Noriko Nakamura | <p>CEO of Poppins Holdings and the Representative Director and Chairman of Poppins Corporation, and is a member of the Nikkei's Management Advisory Board. PARCO appointed Ms. Nakamura as an External Director on the expectation that she can perform the function of business oversight and checking on the basis of her knowledge of management, and the experience and judgement from a global perspective gained over the course of her career.</p> | <p>Attended 13 of the 14 Board meetings and 11 of 13 Audit Committee meetings held this fiscal year and Provided her perspective as a vastly experienced business manager when needed.</p> |
| Tadayuki Seki | <p>Mr. Seki was involved in the management of Itochu Corporation for many years. PARCO appointed Mr. Seki as an External Director on the expectation that he can perform the function of business oversight and checking on the basis of the knowledge, experience, and global perspective he has gained over the course of his career.</p> | <p>Attended all 14 Board meetings and all 13 Audit Committee meetings held this fiscal year and advised based on his perspective as a vastly experienced business manager when needed, and global knowledge and experience.</p> |

Approach to Officer compensation

Under our Nominating Committee managerial structure, a Compensation Committee is to set standards for compensation and determine the compensation of individual Directors and Executive Officers in a fair and impartial manner based on assessment of roles, responsibilities and work results.

Standards for Determining Director and Executive Officer Compensation

1. Director annual salary will take the form of fixed compensation which, depending on role, will comprise a basic annual salary, a Committee chairman annual salary and/or a Committee member annual salary.
2. Executive Officer annual salary will take the form of fixed compensation which, depending on role/position, will comprise of a basic annual salary, performance pay (based on company performance and personal performance) and stock compensation from a stock issuance trust.
3. The ratio of Executive Officer basic annual salary, performance pay (standard), and stock compensation is to be based on roles and responsibilities at 40%~50% : 30% (equivalent value) : 20%~30% (equivalent value).
4. Executive Officer basic annual salary is to be based on that person's role/position for the current term.
5. Executive Officer performance reward is to be determined by distributing a payment pool, linked to company earnings for the previous term, among Directors based on personal performance (0-200% allocation ratio).
6. Executive Officer stock compensation is to be based on that person's role/position for the current term.
7. For Executive Officers who also serve as Directors, payment is calculated by adding Executive Officer annual compensation to Director annual compensation

Officer compensation in FY 2017

| Position | Individuals paid | Amount paid (Millions of yen) |
|--|------------------|-------------------------------|
| Directors (excluding External Directors) | 4 | 25 |
| External Directors | 4 | 31 |
| Executive Officers | 16 | 433 |
| Total | 24 | 489 |

Notes

1. While PARCO officially abolished its retirement bonus system at the end of FY 2004, the payment of retirement bonuses was recorded for Directors and Executive Officers serving prior to this period, and was scheduled to be provided at the time of their retirement. As of the end of FY 2017, unpaid retirement bonuses totaled 5 million yen for Directors and 2 million yen for Executive Officers.
2. The number of Officers as of the end of the current fiscal year are as follows 4 Directors (excluding External Directors), 4 External Directors, and 16 Executive Officers, with 2 of the aforementioned serving concurrent roles as both Directors and Executive Officers.

Position on shareholdings

PARCO does not generally maintain policy shareholdings, except in cases where it has judged that doing so will help to enhance the value of the company in the mid-to long-term as a result of the maintenance and strengthening of trading relationships and the maintenance and development of business alliances.

Criteria for exercise of voting rights

Voting rights are exercised appropriately, and on the basis of an overall assessment of whether or not the vote in question will contribute to the value of PARCO or the companies in which it invests.

Status of shareholdings

1. Investment equities held for purposes other than portfolio investment

Number of companies: 6

Total value recorded on balance sheet: 517 million yen

2. PARCO does not maintain any equity holdings solely for the purpose of portfolio investment.

3. PARCO does not have any holdings in investment equities solely for the purpose of portfolio investment

Fundamental Policy for Corporate Governance

Section 1: General Provisions

This policy formulates our basic way of thinking with regards to corporate governance. That is, it sets down how PARCO believes corporate governance should best be applied to achieve continual growth and a medium-to-long-term enhancement of corporate value under the PARCO Corporate Mission, which calls for the creation and provision of value in a manner that satisfies our customers, tenants, shareholders, and other stakeholders.

1. Corporate Mission

Our corporate mission is expressed as "creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper."

2. Basic Approach to Corporate Governance

We at PARCO are to constantly work to strengthen our system of corporate governance, recognizing that in order to enhance corporate value, we must: protect the rights and interests of our shareholders, build smooth relationships with stakeholders other than shareholders, preserve transparency in management, and establish an effective management oversight structure.

3. Our Corporate Governance System

Our corporate governance system is to be characterized by a clear distinction between supervision and execution. Here, to assure a high degree of transparency in corporate governance while facilitating decisionmaking and execution, we adopt a corporate managerial structure that includes a Nominating Committee and other such entities.

Section 2: Overview of the PARCO Corporate Governance System

1. Board of Directors

The Board of Directors is to strive for a sustained increase in corporate value. To this end and under a full realization of its fiduciary and explanatory duties to shareholders, the Board is to determine a strategic direction for the company, provide an environment conducive to risk management and, in collaboration with the Nominating Committee, the Audit Committee and the Compensation Committee, assure a high degree of supervision over Directors and Executive Officers.

(1) Role of the Board of Directors

The Board of Directors is to be responsible for fundamental managerial policy decision making and for the supervision of Directors and Executive Officers.

(Scope of responsibility over the managerial team)

PARCO utilizes a Nominating Committee type of managerial structure. Under this structure and as a general principle, the Board of Directors delegates authority to Executive Officers, retaining for itself only those powers stipulated by regulations and our Articles of Incorporation, and instead concerns itself with the supervision of Executive duties. This said, the Board of Directors is to itself resolve matters that it deems necessary to be addressed by the Board.

(Supervision of successor planning)

The Nominating Committee is to prepare a list of successor candidates and, upon subsequent monitoring, nominate suitable individuals. Also, the Committee is to check related progress as appropriate and oversee related matters in conjunction with the Board.

(2) Composition of the Board of Directors

The Board of Directors is to be comprised of a variety of individuals with differing backgrounds, including area of expertise and experience, based on selection criteria formulated by the Nominating Committee. At least half of the members are to be External Directors, and the total number of members is to be maintained at a level that provides an optimal level of efficiency and effectiveness.

(Effective utilization of External Directors)

To assure a degree of independence in company management, at least half of the Board membership is to be comprised of External Directors. Here, by bringing in the views of External Directors and the diverse range of knowledge and experience that they possess, we seek to enhance managerial transparency and the effectiveness of executional oversight. External Directors are to satisfy the independent standards of the Tokyo Stock Exchange, as well as those of our company, and serve as a member or chairman of the Nominating Committee, Audit Committee or Compensation Committee.

Furthermore, meetings of these Committees may be held with only External Directors in attendance when necessary, such as when assessing the performance of the President and Representative Executive Officer. We do not appoint a Senior Independent Director. However, the Chairman of the Audit Committee is to work together with the management team by, for example, attending Management Committee meetings in an observer status. Chairmen of the other Committees are also expected to work closely with management.

(Standards and criteria for determining External Director independence)

Our company will formulate a set of standards for determining the independence of candidates for External Director based on the independence standards of the Tokyo Stock Exchange and the Japan Association of Corporate Directors.

(Scope of Director fiduciary duties)

At least half of the Board of Directors is to be comprised of External Directors. Internal Directors are to employ their broad range of knowledge and experience to the supervision and confirmation of managerial tasks, while External Directors, through participation in Board of Director and Committee meetings, are to supervise the execution of work by Executive Officers and strive to enhance the effectiveness of internal controls.

(Disclosure of Director's duties at other companies)

Directors are to work in accordance with rules concerning the roles of Directors and may serve concurrently at other companies to the extent that this dual assignment does not interfere with their duties. Any substantial concurrent service arrangement by a Director is to be publicly disclosed.

(3) Approach to Officer appointment

Under our Nominating Committee managerial structure, the Nominating Committee is to: set standards for the appointment of Officers; select suitable candidates for Directors, Representative Executive Officers and Executive Officers; determine resolutions for presentation to the General Meeting of Shareholders; and prepare recommendations for the Board of Directors. Standards for Officer appointment, together with the selection of Directors and reasons for doing so, are to be publicly disclosed.

(4) Approach to Officer compensation

Under our Nominating Committee managerial structure, a Compensation Committee is to set standards for compensation and determine the compensation of individual Directors and Executive Officers in a fair and impartial manner based on assessment of roles, responsibilities and work results. Standards for determining Officer compensation are to be disclosed.

(5) Ensuring vigorous debate at Board of Directors meetings

We are to continue in our efforts to encourage vigorous and active debate by the Board of Directors by promptly setting annual schedules, proposing matters for discussion, making preliminary explanations, and distributing related documents. Also, in response to requests from Directors, we are working to improve the provision of information.

(6) Analyzing and assessing effectiveness

We consider the effectiveness of the Board of Directors to be an important element for the continual growth and a medium-to-long-term enhancement of shareholder value. With this understanding, we are to compile the views and opinions of Directors regarding, for instance, the composition of the Board of Directors, the contents of discussion, and the conduction of Board meetings together with the support system for same; analyze and assess the effectiveness of Board meetings; and present a summary of our findings. We will also continue these annual assessments in our view that repeated assessment, analysis, debate, and reform can lead to favorable changes in the Board and enhance its effectiveness.

(7) Internal controls and risk management system

Our company will work to increase corporate value by establishing a system to assure the suitability of our company and group's operations regarding factors such as the efficiency and effectiveness of these operations, the credibility of our financial reports, the legal compliance of our business activities, and preservation of company assets.

(Risk Management System)

We are to work to provide a cross-organizational risk management system centered on our Risk Management Committee that, in addition to identifying and assessing the risks entailed by corporate activities, taking countermeasures against them and heightening our internal awareness of them, is capable of a swift response to risk-related occurrences through emergency action including taskforce deployment and information management.

(Compliance system)

We are to advance an internal awareness program through methods such as issuing a PARCO Employee Handbook to all Officers and employees, in addition to formulating Basic Principles of Compliance and a Code of Conduct, to which all employees are expected to adhere. Also, we have set up a group-wide internal reporting system utilizing a third-party contact to encourage the reporting of infractions or other improper activities and to facilitate corrective responses to same.

(Internal auditing system)

To reinforce the internal auditing capabilities of our group, we have established a Group Auditor Office which audits the legality, economic rationality, and risk exposure of the group as a whole, based on audit plans and under the direction of a Director assigned solely to this task. We also strive to improve audit efficiency through the timely exchange of auditing information with the Audit Committee and auditors at group subsidiaries.

(8) Information acquisition and support structure

Directors and Committee members are to work to obtain the information they need to meet the responsibilities of their roles. Here, we adopt a system by which a Board Secretariat and a Committees Secretariat provide such information as necessary and appropriate.

Also, Audit Committee members are to collaborate with internal auditing divisions.

In principle, the company is to bear the expense incurred by a Director, within reason, when seeking the advice of an external specialist in relation to the execution of their duties.

(9) Officer training policy

Upon assuming office, newly appointed Executive Officers, including Internal Directors, are, given explanations of the duties, obligations and responsibilities of Executive Officers and/or Directors, contractual arrangements between them and the company, related rules and regulations, and so on. Also, compliance training and the like are to be held after assuming office.

Newly appointed External Directors are, upon assuming office, given explanations on subjects such as our company, Corporate Mission, management situation, matters relating to corporate governance, and related rules and regulations. After assuming office, there will be ongoing measures aimed at deepening their understanding of our company, such as explanations and store observations focusing on subjects such as our business operations, managerial environment, and trends within the retail industry.

2. Committees

PARCO has adopted the “Company with three Committees” system and has established a Nominating Committee, an Audit Committee and a Compensation Committee, all of which contain company Directors.

(1) Roles

The Committees are to supervise managerial activities within their respective areas of responsibility and to report accordingly to the Board of Directors. Also, to help invigorate their activities, we have installed a Committees Secretariat, which is independent of the management team and staffed by employees assigned solely to it.

(2) Committee Composition

(Nominating Committee)

The Nominating Committee is to determine the content of proposals to be submitted at the General Meeting of Shareholders regarding the appointment or dismissal of Directors. It also nominates candidates for Representative Executive Officer and Executive Officers to the Board of Directors; and can recommend their removal. The Committee is to be comprised of at least three Directors, a majority of whom must be External Directors.

(Audit Committee)

The Audit Committee monitors the execution of duties by Directors and Executive Officers, and has determines the content of proposals on the election and dismissal or non-reappointment of the auditor, which are submitted at the General Meeting of Shareholders. The Committee is comprised of at least three Directors, all of whom, in principle, must be External Directors.

(Compensation Committee)

The Compensation Committee determines the compensation of individual Directors and Executive Officers. The Committee is to be comprised of at least three Directors, a majority of whom must be External Directors.

3. Executive Officers and the Management Committee

Executive Officers are to execute specific duties based on the fundamental policy determined by the Board of Directors. The Management Committee is to serve as a deliberative body to support concrete operational decision-making by the President and Representative Executive Officer.

4. External Accounting Auditor

In the interests of auditing effectiveness, the Audit Committee is to verify the reputation of the External Accounting Auditor, as well as their independence and specialized knowledge. The External Accounting Auditor is expected to maintain communications with the President and Representative Executive Officer and discuss the handling of matters such as improprieties and errors in collaboration with the Audit Committee.

(1) System to maintain audit effectiveness

Sufficient time is to be provided for an audit based on an audit plan. Also, the External Accounting Auditor is to methodically communicate with the President and Representative Executive Officer and is to hold discussions with the Chairman of the Audit Committee with regards to audit results. Should an impropriety, error or the like be discovered, the external accounting auditor is report to and discuss its handling with the Audit Committee.

(2) Evaluation of External Accounting Auditor by the Audit Committee

The Audit Committee is to determine selection and evaluation standards for financial auditors, with the standards comprising of criteria for independence, specialist knowledge and other such items pertaining to audit work performance. The Audit Committee is to evaluate the financial auditor based on these standards. The Audit Committee is also to assess, among other items, quality control reviews per the Japanese Institute of Certified Public Accountants, results of investigations per the Certified Public Accountants and Auditing Oversight Board, and reportable items under Article 131 of Company Calculation Rules.

Section 3: Relations with shareholders and other stakeholders

1. Ensuring shareholder rights, equality, etc.

PARCO believes that in order to continually increase corporate value, it is imperative to protect the rights and interests of shareholders, including minority shareholders. Therefore we strive to protect those rights, to assure an environment in which shareholders can exercise their rights at the General Meeting of Shareholders, and to monitor any actions that harbor the risk of damaging shareholder rights, including related-party transactions and changes to capital policy.

(1) Providing an environment in which shareholders can exercise their rights at the General Meeting of Shareholders

We are working to create an environment in which shareholders can exercise their voting and other rights at the General Meeting of Shareholders and will take preparations such as providing related information, setting a suitable date for the meeting, and issuing convocation notices.

(Provision of information, issuance of convocation notices)

In our belief that shareholders should be promptly provided with information for use in making suitable and informed decisions at the General Meeting of Shareholders and provided with ample time to deliberate shareholder resolutions, we will send convocation notices before the legal deadline. A convocation notice is to be displayed on our website and on the Tokyo Stock Exchange's website before the convocation notice mailing date. We will also post a condensed English-language version of the convocation notice and other shareholder-related materials on our website.

(General Meeting date)

We are to select a date for our General Meeting of Shareholders that avoids surges of such meetings by other companies and thus is convenient for our shareholders to attend.

(Exercising electronic voting rights)

We utilize a platform for exercising electronic voting rights.

(Exercising voting rights by substantial shareholders)

To accommodate cases in which an institutional or other such investor holds company shares under the name of a trust bank or other such institution and wishes to, for instance, execute its voting rights in place of that trust bank or other such institution, we, in collaboration with the trust bank or the like, are to consider ways in which that wish can be met.

(2) Necessity for response when a significant number of 'against' votes are cast at a General Meeting of Shareholders

Following a General Meeting of Shareholders, we are to report the results of resolution voting to the Board of Directors and Management Committee. Also, if a significant number of 'against' votes are cast, we are to analyze the reasons why and, if necessary, consider corrective action.

(3) Entrustment of General Meeting of Shareholder resolutions to the Board of Directors

Our company has adopted a suitable system of corporate governance. Of the resolutions approved at the General Meeting of Shareholders, those permitted to be entrusted to the Board of Directors under the Companies Act, such as the distribution of retained earnings, buybacks of company shares, and other such matters under our Articles of Incorporation that demand a high degree of managerial flexibility or specialized knowledge, are to be thus entrusted.

(4) Basic approach to Capital Policy

We position the return of earnings to shareholders through continual growth and medium-to-long-term enhancement of corporate value as one of our key policies. With regards to the distribution of earned surpluses, we consider stable distributions to be fundamental and determine the level of these in reference to our earnings performance and dividend payout ratio. As for retained earnings, we strive to utilize them effectively to support business advancement into the future in line with our growth strategy, in addition to assuring an adequate financial foundation.

The Board of Directors, having at least one half of its membership comprised of External Directors, is to deliberate on any capital policy initiative that entails possible dilution.

(5) Strategic shareholdings

(Shareholding policy)

Our fundamental policy is not to hold strategic shareholdings on principle. However, we may maintain such shareholdings in cases where we determine that doing so would contribute to medium-to-long-term growth in corporate value by maintaining and strengthening business relationships or maintaining and developing operational alliances.

(Standards for the execution of voting rights)

With regards to the execution of voting rights granted under strategic shareholdings, we will decide whether to exercise those rights based on an overall consideration of whether doing so would contribute to an increase in the corporate value of our company and of the company in which we are invested.

(6) Basic Policy Regarding Company Control

With regards to large-scale acquisitions moves and under our Basic Policy Regarding Company Control, we are to take appropriate action within the scope permissible under the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations so as to assure, for example, that shareholders are provided with sufficient information and have sufficient time to study the situation.

(7) Related-party transactions

We conduct a survey of all Officers of our company and our subsidiaries to ascertain the presence or absence of related-party transactions. We will also create a system for the appropriate management of related-party transactions, with reports of the situation regarding transactions between our company and our Officers, our major stockholders or other such parties to be made to the Board of Directors. Transactions between our company and our Directors or Executive Officers that may entail a conflict of interests are to require the approval of the Board of Directors based on relevant laws and PARCO's regulations for Directors.

2. Appropriate collaboration with stakeholders other than shareholders

In order to support efforts to build smooth relationships with stakeholders beyond our shareholders, we have created a Corporate Mission and a Code of Conduct and are taking measures to strengthen compliance management and promote diversity, including encouraging the active involvement of women within the organization.

(1) Formulating a Corporate Mission as a basis for the medium-to-long-term enhancement of corporate value

In achieving our Corporate Mission, PARCO hopes to continue to create value that satisfies all of our stakeholders, including customers, tenants, and shareholders. We aim to develop and grow as a company by achieving reasonable profits through these activities.

(2) Formulating and implementing company standards of conduct

We have formulated a Code of Conduct for group employees. It is intended to bring our daily activities closer to the ideals of our Corporate Mission and to provide a shared set of values and behavioral standards for application across the company.

(3) CSR (corporate social responsibility) initiatives

We have established a CSR Committee to promote CSR activities within the PARCO Group and strengthen internal controls. The Committee will set PARCO Group policies for CSR activities, create action plans, support external publicity efforts, promote internal information sharing, and cooperate with external companies and organizations. Committee activities are to span the organization, with related efforts covering everything from discussion sessions with PARCO Group Presidents and Executive Officers, to group-wide collaboration drawing together the Diversity Committee, Risk Management Committee, group companies, and PARCO internal departments.

(4) Promoting and ensuring diversity within the organization, including encouraging the active involvement of women

We have installed a Diversity Committee to promote diversity initiatives across the company. The Committee will carry out initiatives aimed at cultivating a corporate culture characterized by tolerance and openness to new ideas, in which people of diverse views, talents, capabilities, and cultures can work to their full potential. We regard ensuring the active involvement of women within the organization as an important issue and strive to assure full female representation in our selection of leaders and managerial candidates. The Committee will promote other cross-organization initiatives including discussion sessions with PARCO Group Presidents and Executive Officers, and collaboration among group companies and PARCO internal departments.

(5) Internal reporting system

In order to strengthen our compliance management, we have installed an internal reporting system that provides mechanisms for handling reports of infractions and other behavior that runs counter to laws, regulations or the like. The system includes the utilization of a third-party liaison to receive such information and measures to ensure that it is properly handled. One feature is that persons providing information, or persons cooperating with a subsequent investigation, are not to be dismissed or suffer other negative consequences as a result.

Section 4: Information disclosure

1. Appropriate information disclosure and ensuring transparency

PARCO strives to present all our stakeholders, including shareholders and investors, with timely information that is fundamentally transparent, balanced and consistent. As well as increasing management transparency, PARCO endeavors to build trusting relationships with all stakeholders and promote a deeper understanding of the company through the timely disclosure of relevant information.

In order to provide appropriate information to stakeholders, beginning with shareholders and investors, we disclose information such as our Corporate Mission; Medium-term Business Plan; Fundamental Policy for Corporate Governance; and Officer appointments, dismissals, and compensation.

We approach disclosure with an eye to providing shareholders, investors, and other users with information that is convenient and useful. Furthermore, disclosures posted on our website are, if necessary, presented in both Japanese and English.

2. Policy regarding constructive dialogue with shareholders

Shareholder dialogue is handled by the Executive Officers of departments responsible for investor relations. Requests for constructive dialogue submitted by a shareholder or investor are first examined to surmise their basic outline and intent and then handled by either the President and Representative Executive Officer, the Executive Officer of the relevant department, or an External Director. The departments responsible for investor relations are to coordinate closely with relevant internal departments in their approach to shareholder dialogue.

(1) Interviews with company management or External Directors

We are to conduct IR activities in a manner that builds smooth relationships with investors, including our shareholders; promotes active dialogue and, by extension, mutual understanding; and contributes to a medium-to-long-term increase in corporate value. We are also to maintain a good understanding of our shareholder base by conducting periodic surveys.

In addition, we are to arrange and schedule interviews with External Directors as necessary.

(2) Engagement with individual investors

Our company holds periodic financial results briefings for analysts and institutional investors and also separate explanatory briefings to discuss business progress. Explanatory materials, videos, and other materials for our financial results briefings are posted on our website in both Japanese and English. With regards to individual investors, we provide information with a particular emphasis on promptness and usefulness. We also create comprehensive annual reports as a tool for constructive dialogue.

(3) Feedback for members of management and Board of Directors

Views, opinions, and questions obtained through investor dialogue are fed back as appropriate to the management team. We also compile the results of our financial results briefings and report these to the Board of Directors.

(4) Management of insider information

We work to prevent insider transactions by Officers and employees by providing PARCO Group Regulations for the Control of Insider Trading and Regulations for the Prevention of Insider Trading which set out rules for the management of insider information pertaining to our company and its subsidiaries, and for the handling of stock, including buying and selling, of our company and subsidiaries.

We have also established a disclosure policy, including sections on basic policy on information disclosure, information disclosure standards, information disclosure methods, improving information disclosure, silent periods, and concerning forecasts. We have posted this policy on our website and strive to disclose information in a manner that is fundamentally transparent, balanced and consistent.

(5) Formulation and public announcement of management strategy

We will publicly announce our long-term vision and medium-term business plans, as well as revealing investment plans and both qualitative and quantitative targets towards achieving our strategic and tactical goals.

(Supplemental Provisions)

Any revision or abolition of this basic policy is to be determined by resolution of the Board of Directors.

This fundamental policy is to take effect on 29 January, 2016.

Standards for Determining the Independence of External Directors

External Directors are to be selected from among people with a high degree of independence and with no conflicts of interest vis-à-vis our company or general shareholders. A Director will not be deemed independent if he or she falls under any of the following categories or descriptions:

- (1) A person who executes the operations of PARCO Group (either currently or at any time over the past 10 years)
- (2) An employee of the parent company or one of its subsidiaries. This restriction also applies to Executive Officers, as do restrictions (3) to (8) below.
- (3) A major shareholder of PARCO Group
- (4) A major contract business partner of PARCO Group
- (5) A major lender to PARCO Group
- (6) A law firm, an auditing firm, or other consultant, etc., that that has received payment exceeding a certain amount from PARCO Group as something other than Executive compensation
- (7) A beneficiary of funds from PARCO Group exceeding a certain amount
- (8) An employee of a company with which PARCO Group has reciprocal appointments to the Board of Directors
- (9) A person to whom any of restrictions (2) through (8) has applied over the past 5 years
- (10) A person whose spouse or close relative (up through the second degree of kinship) falls under any of restrictions (1) through (9) above.

“A person who executes the operations of PARCO Group” above, refers to Executive Directors, Executive Officers, or other key personnel. “Major shareholder” refers to a shareholder who holds a 10% or higher share of voting rights. “Major contract business partner” refers to a contract business partner who, in any fiscal year over the past five years, has, in transactions with PARCO Group, accounted for at least 2% of our annual consolidated revenues or at least 2% of that partner’s annual revenues. “Major lender to PARCO Group” refers to a company that ranks among the top three in terms of the value of borrowings by PARCO within the most recent business year. “Certain amount” refers to “¥10 million annually in any fiscal year over the past five years.”

Also, any person who currently serves as an External Director at our company may not be reappointed as External Director if that person has served in that capacity for more a total of more than 6 years.

Standards for Determining Director and Executive Officer Compensation

Compensation Committee standards for Directors and Executive Officer compensation will be set and administered as below.

1. Director annual salary will take the form of a fixed compensation and, depending on role, comprise a basic annual salary, a Committee chairman annual salary and/or a Committee member annual salary.
2. Executive Officer annual salary will take the form of fixed compensation and, depending on role/position, comprised of a basic annual salary, performance pay (based on company performance and personal performance) and, depending on role, remuneration for the purpose of acquiring company stock.
3. The ratio of Executive Officer basic annual salary, performance pay (standard), and remuneration for the purpose of acquiring company stock is to be 50% : 45% (equivalent value) : 5% (equivalent value).
4. Executive Officer basic annual salary is to be based on that person's role/position for the current term.
5. Executive Officer performance reward is to be determined by distributing a payment pool, linked to company earnings for the previous term, among Directors based on personal performance (0-200% allocation ratio).
6. Executive Officer remuneration for the purpose of acquiring company stock is to be based on that person's role/position for the current term.
7. As for Executive Officers who also serve as Directors, payment is calculated by adding Executive Officer annual compensation to Director annual compensation.

Officer Selection Standards

PARCO has adopted the "Company with three Committees" system, which includes a Nominating Committee, and determines Officer selection policies and procedures within Company with three Committees Bylaws as below.

Selection of Directors

(1) From among individuals satisfying the criteria below and recommended by a Nominating Committee member, the Nominating Committee is to select those deemed suitable for an appointment (either a new appointment or reappointment) to a post as a PARCO Director and present them as candidates for approval by resolution of the General Meeting of Shareholders.

(2) Criteria for nomination as a candidate for Director are as follows:

1. Executive Director

The candidate must:

- (1) Possess a superior managerial sense, and be well versed in various corporate management issues
- (2) Excel at strategic formulation, including an ability to view the managerial environment from an international perspective and accommodate changes within it
- (3) Abide by the law
- (4) Be of excellent character and superior discernment
- (5) Be physically and mentally healthy

2. Non- Executive Director The candidate must:

- (1) Possess a superior managerial sense, and be well versed in various corporate management issues
- (2) Excel at strategic formulation, including an ability to view the managerial environment from an international perspective and accommodate changes within it
- (3) Abide by the law
- (4) Be of excellent character and superior discernment
- (5) If an External Director, be able to maintain independence
- (6) Be physically and mentally healthy

Recommendation of Candidates for Executive Officer or Representative Executive Officer

(1) From among individuals satisfying the criteria below and recommended by a nominating Committee member, the Nominating Committee is to select those deemed suitable as a PARCO Executive Officer; or, from among Executive Officers, those deemed suitable as a Representative Executive Officer. The Committee is then to recommend them to the Board of Directors as new appointments and/or reappointments.

(2) Criteria for nomination as a candidate for Executive Officer or Representative Executive Officer are as follows:

1. Executive Officer

The candidate is to:

- (1) Possess a superior managerial sense
- (2) Have an excellent operational record
- (3) Excel at strategic formulation, including an ability to view the managerial environment and accommodate changes within it
- (4) Have a strong, tenacious leadership style
- (5) Have foresight and insight, as well as the ability to innovate, plan, and take action
- (6) Have a superior ability to command, lead, and nurture
- (7) Abide by the law
- (8) Be of excellent character and superior discernment
- (9) Be physically and mentally healthy

2. Representative Executive Officer

In addition to the qualities listed in 1. above, the candidate is to:

- (1) Be well versed in various corporate management issues
- (2) Be able to create innovative management visions
- (3) With regards to work execution and fulfillment of duties, possess the ability to view matters from a group-wide perspective and, as a representative of our company, to make judgments and decisions in an appropriate and timely manner

Basic Principles of Compliance

Basic Principles of Compliance

In the conduct of our business, all PARCO executives and employees conduct fair and highly-transparent business activities in compliance with the various laws in Japan and overseas, social rules, social norms, and various internal company regulations.

Code of Conduct

1. Each and every executive and employee is to respect basic human rights and is not to discriminate against or harass other people.
2. Each and every executive and employee is to behave in a manner that takes into consideration other people and the environment, and that is in compliance with environmental treaties and laws.
3. Each and every executive and employee is to properly handle and manage intellectual property and business-confidential information gathered in the course of business activities.
4. Each and every executive and employee is to refrain from conducting illegal trading in shares (insider trading).
5. Each and every executive and employee is to distinguish between public and private interests and is not to conduct acts that are in conflict with public interests.
6. Each and every executive and employee is to accept gifts and entertainment only within the scope that is considered appropriate in general societal terms and in compliance with laws and regulations.
7. Each and every executive and employee is to take a resolute attitude towards and refuse to respond to the demands of anti-social influences that would threaten the order and safety of citizens and society.
8. Each and every executive and employee is to promptly report in accordance with the whistleblowing regulations all acts in conflict with this Code, whether they discovered the act or carelessly conducted the act themselves.