



This PDF is a page-by-page publication of the PARCO CSR website.

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Backed by both a powerful determination to enrich consumer lifestyles and the innovative and creative “PARCO Way,” the PARCO Group will generate new value to share together with society at large.

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The PARCO Group defines CSR as “measures taken in the course of business to gain the trust and satisfaction of stakeholders, and enhance corporate value,” and many such initiatives have been undertaken. The Group has also drafted an environmental policy, and is advancing the creation of commercial spaces with low environmental impact and other environmental protection activities.

### P. 5 **Three Social Roles of the PARCO Group**

We will further the origin that define PARCO, “Incubation,” “Urban Revitalization,” and “Trends Communication,” which also represent our role in society.

### P. 6 **Realizing Growth by Widening Unique Value Provided to Urban Areas**

The PARCO Group promotes business selection and concentration and accelerates the pace of business portfolio reform with the theme of increasing the unique value it provides to urban areas. To realize this growth, we are promoting various initiatives based on Three Tactics: “Evolve the store brand,” “Produce commercial real estate,” and “Expand soft content.”

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To increase the quality of its CSR activities, the PARCO Group has formulated the PARCO Group Fundamental CSR Policy, clearly defining its position on CSR and establishing a system for its CSR activities. We consider the definition of CSR to be the embodiment of our Corporate Mission. We will gain our stakeholders’ trust and ensure their satisfaction through our three social roles: “Incubation,” “Urban Revitalization,” and “Trends Communication;” and promote initiatives to enhance our corporate value. In fiscal 2017, we introduced the ESG perspective, aiming to achieve sustainable growth through our four main themes: “Next-generation human resources,” which involves supporting the workforce and talents of the next-generation; “Culture,” in the form of providing new cultural value and creating culture-based markets; “Local communities,” which includes working to enhance the attractiveness of local communities and neighborhoods; and “Environment,” where we aim to promote the creation of commercial spaces that place a smaller burden on the environment. In addition to these, we are also actively addressing “Work style reform” and “Compliance.”

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## Editorial Policy

- This report represents a reporting to customers and other stakeholders associated with business operations of the economic, social and environmental initiatives and achievements of the PARCO Group, which is striving to help realize a sustainable society.
  - The report is structured based on the main CSR themes described in the PARCO Group Fundamental CSR Policy, formulated in March 2012.
  - Activities included in this report are carried out before early November 2018, but mainly for the period from March 2017 to August 2018.
- \*Names of companies, products and services listed in the report are the registered trademarks and trademarks of the respective companies.  
\*In principle, honorific titles are omitted from names of people, organizations and public institutions.

# President's CSR message



## Promoting Sustainable Management Through “Incubation,” “Urban Revitalization,” and “Trends Communication”

I believe the social role of the PARCO Group is to evolve the points of origin that define PARCO, “Incubation,” “Urban Revitalization,” and “Trends Communication,” while staying abreast of the changing times. Furthermore, by working through these three social roles to realize our Corporate Mission “Creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper,” while earning the trust and satisfaction of our stakeholders, we will realize the PARCO Group’s corporate social responsibility (CSR), which is really the foundation of our business. To systemize this approach and help bring our daily activities closer to the ideal of the Corporate Mission, we have set out the “Ten guidelines for PARCO employees and Five actions being taken by PARCO,” which are promoted throughout the company. We hope to create value that will satisfy all of our stakeholders— customers, tenants, shareholders, and employees—and continue to provide this value. And we will aim to develop and grow as a result of these efforts.

In fiscal 2017, we introduced the new environment, society, and governance (ESG) perspective and actively conducted CSR activities.

In our “environment” initiatives, we have been working to reduce our energy usage, since this is linked to reducing CO<sub>2</sub>, which causes global warming. We established an energy saving target of “a reduction of 1% or more from the previous fiscal year,” and a recycling rate target of “higher than the previous fiscal year.” We conducted energy saving measures by promoting a switch-over to LED lighting, achieving our target as we reduced energy usage by 1.9% from the previous fiscal year. Our recycling rate also achieved the target, rising by 0.8% year on year. working time due to reasons such as childcare and nursing care, and we are promoting diversity.

In our “society” initiatives, we are constantly working to discover and support the next generation of creators. We have also utilized IoT and the Internet to support tenant store companies. For example, we used ICT to create online training for employees before they are assigned to stores, and we support the operations of shop staff so that they can concentrate on providing customer service in-store. Each PARCO store conducts events linked to the local community and society. Among various events conducted in fiscal 2017, Tsudanuma PARCO opened an antenna shop operated by the local chamber of commerce, Hibarigaoka PARCO held culture events together with creators and schools based in Nishitokyo City and surrounding areas, and Hiroshima PARCO held the event “Pantastic!!” for showcasing selected products from around Japan, including a popular bakery from the suburbs, as well as apparel and general merchandise, and extended the impact of the event into other stores. We also took steps to improve the work-life balance of our employees, such as instituting a home work program for employees who have restricted working time due to reasons such as childcare and nursing care, and we are promoting diversity.

In our “governance” initiatives, we have taken steps to strengthen the company’s corporate governance. For example, in 2003 we adopted the “Company with Committees System” (later renamed “Company with Three Committees” System) with the goal of building a highly transparent system. Since fiscal 2016, we have been conducting assessments of the effectiveness of the Board of Directors for all directors and have disclosed the results and subsequent points for improvement on our website. In fiscal 2017, we collected information about the status of the Board of Directors, an evaluation of the status of improvements since the previous fiscal year’s assessment, and opinions on how to enhance the Board’s effectiveness going forward. We elicited points for improvement such as increasing the opportunities for communication between the director and the executive officers and adopting a structure for further enhancing pre-briefings and facilitating more precise responses to questions. In addition, we actively promoted issues such as fair disclosure and women’s participation and advancement. Furthermore, under our Fundamental Policy for Corporate Governance, formulated in 2016, we have been promoting initiatives in response to the Corporate Governance Code. We have also abolished the corporate adviser system in order to make the management structure more transparent and clarify accountability with a view to further strengthening corporate governance.

In fiscal 2018, we will promote sustainable management, remaining mindful of the Sustainable Development Goals (SDGs) as a new perspective. Specifically, we will tackle issues proactively, recognizing that PARCO’s social role is to create new value to which society can connect and constantly develop it.

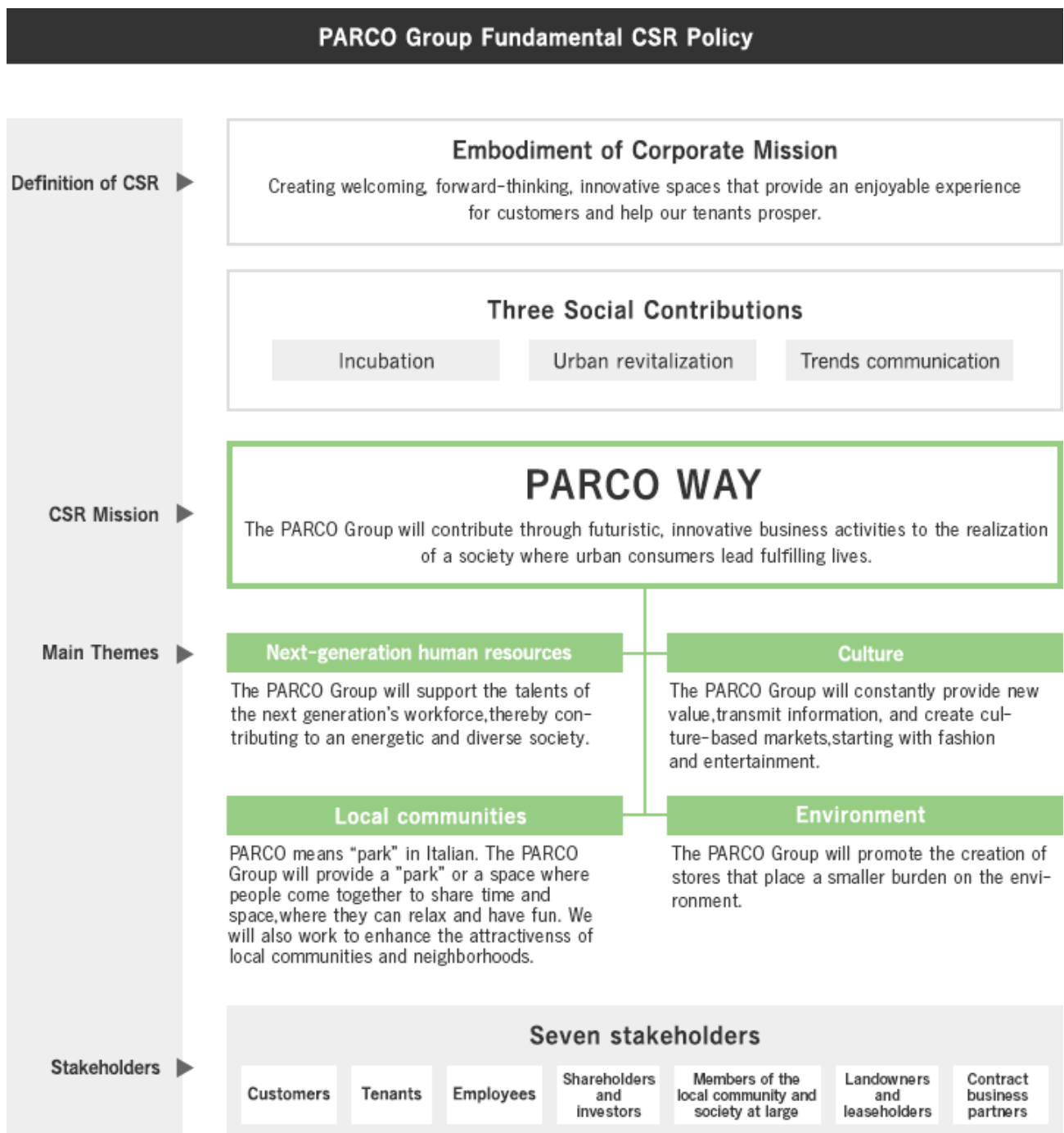
PARCO CO., LTD.

President and Representative Executive Officer

*Kozo Makiyama*

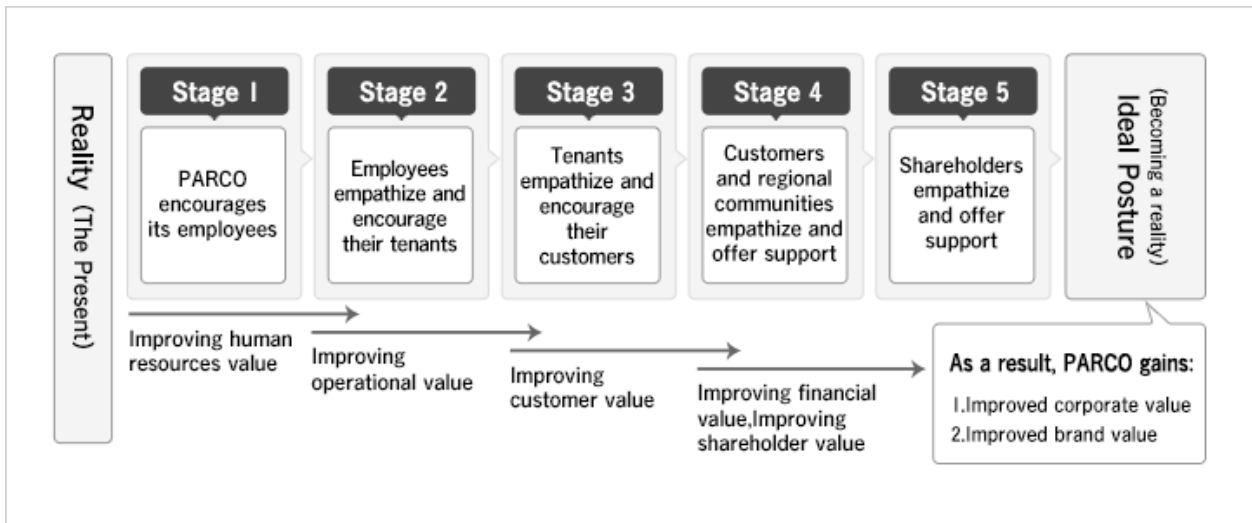
# Fundamental CSR Policy

The PARCO Group defines CSR as “measures taken in the course of business to gain the trust and satisfaction of stakeholders, and enhance corporate value,” and many such initiatives have been undertaken. We formulated the PARCO Group Environmental Policy in 2010, and pushed forward with environmental conservation activities including the creation of commercial business spaces with little environmental impact. Next, we formulated a Fundamental CSR Policy in 2011 to further enhance the quality of future CSR activities. PARCO categorizes the group’s stakeholders into seven groups, led by “customers” and “tenants” and also “employees,” “shareholders and investors,” “members of the local community and society at large,” “landowners and leaseholders,” and “contract business partners.” At the same time, we work to bolster corporate governance by preserving management transparency while building smooth relationships with all stakeholders.



## Process to enhance PARCO Group corporate value

Outlined below is the process by which we seek to raise the corporate value of the PARCO Group. Toward this objective, we work to gain the understanding and support of our stakeholders through CSR activities channeled through core business activities.

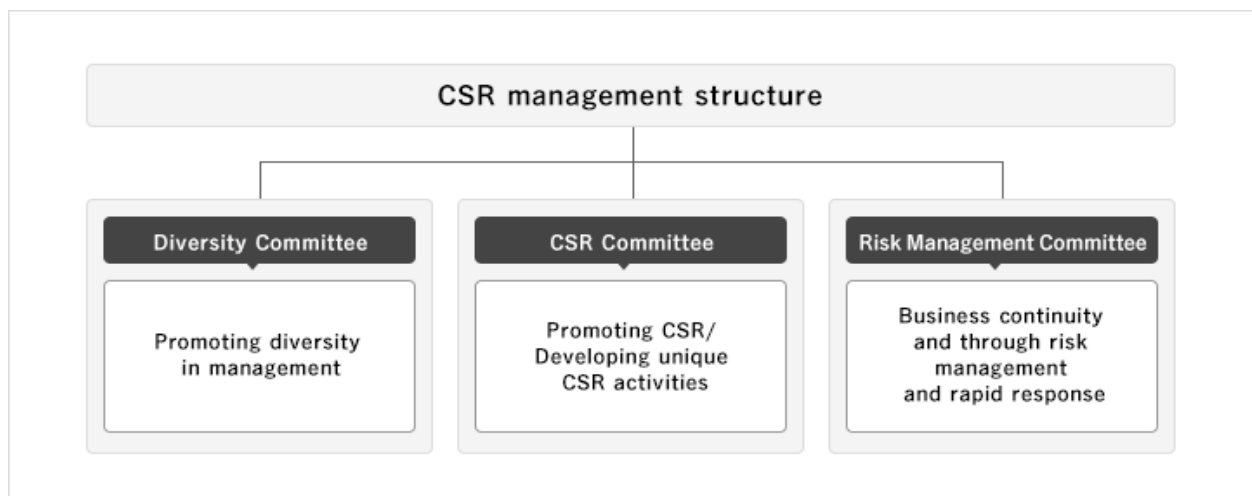


## CSR management structure

PARCO considers its CSR initiatives to be “measures taken in the course of business to gain the trust and satisfaction of stakeholders, and enhance corporate value.” Based on this belief we have established a CSR management structure, comprised of a CSR Committee, a Diversity Committee, and a Risk Management Committee.

They work to strengthen internal controls and advance various other activities in support of their missions. Risk management is another area of importance, and here the Risk Management Committee works to manage the risks entailed by our business activities and to maintain a comprehensive, groupwide system to assure business continuity through prompt and effective response to risk-related occurrences.

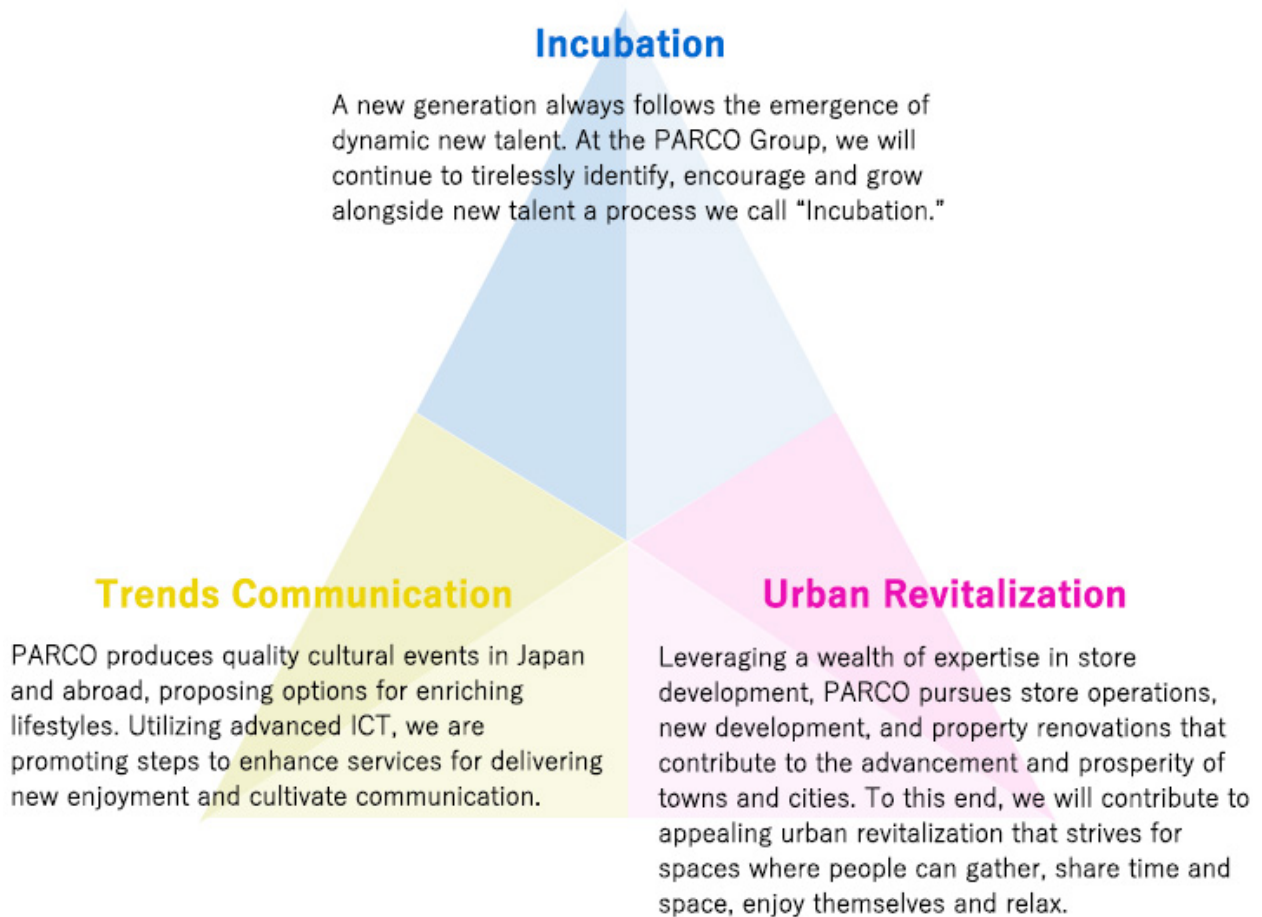
All executive officers are affiliated with a committee, and the committees meet regularly. By this, committee activities are directly linked to departments and units throughout the organization, facilitating efforts to gain the commitment and active support of all employees.



# Three Social Roles of the PARCO Group

Since its initial opening, PARCO has proposed new lifestyles to the public by actively introducing the cutting edge of culture not only in fashion but also music, the arts, theater, and other areas. By functioning as a space for the creativity of many new people of talent, PARCO has also created new value shared by society at large.

Amid the changing times and economic climate, and even transformation in consumer trends, facing these challenges and evolving the social role of the PARCO Group, namely its origin points of “Incubation,” “Urban Revitalization,” and “Trends Communication,” will become the foundation that spurs business growth.





# Realizing Growth by Widening Unique Value Provided to Urban Areas

## Evolve the Store Brands

We will enhance unique tenant services and provide consumers with genuine retail experiences in order to create next-generation commercial spaces and stabilize earnings, aiming to further promote the evolution of the PARCO store brand.

### New Shopping Experiences

#### VR and MR Create New Shopping Spaces

In March 2018, we participated in the SXSW Trade Show held in Austin, Texas, United States, by developing an exhibit of virtual reality (VR) shopping content on the theme of “Shopping in 2020” using the STYLY VR platform developed by Psychic VR Lab Co., Ltd. After the exhibition, in May we conducted a demonstration at the RUNWAY channel Lab. SHIBUYA store of MARK STYLER Co., Ltd., in the SR6 facility operated by PARCO. We aim to provide services that encourage sales by presenting fashion together with experiences that cannot be had in real space.

In the VR space, it is possible to design spaces that are free from constraints such as size and gravity. This enables us to express the brand concept, the designer’s intention, and the seasonal theme as a space without having to create the physical decor. It also enables us to place 3D ensembles of apparel and accessories in the space. Moreover, arranging data within the space eliminates the need to hold actual apparel inventory and enables placement of a greater volume of stock than what is possible in a real store.



Products can be placed in a virtual space that could not be constructed in a real space (rendering)

Visitors can enjoy shopping surrounded by countless products, just like selecting products on an e-commerce website. Furthermore, by detecting the visitor’s movement using sensors, it is possible for multiple people to share the VR space, enabling people to enjoy chatting with friends and looking at products while in the VR space.

### Message from Stakeholders



**Nobuhiko Watanabe**  
**Psychic VR Lab Co., Ltd.**  
**Director and COO**

We have worked together with PARCO to create a shopping experience of the future using next-generation VR and MR interfaces.

I think that PARCO’s desire to spark innovation by incorporating advanced initiatives ahead of anyone else has created a new culture, and I’m delighted that we have achieved this together. I’m excited about the prospect of creating new shopping experiences and an even newer PARCO together, looking forward to 2020.

## Promoting Digital Customer Services Using 3D Data

On Thursday, December 14, 2017, we introduced a 3D scanner at the RUNWAY channel Lab. SHIBUYA store at SR6. The scanner captures images of an object from multiple points to grasp its three-dimensional shape and converts them into data. We offered a service that allowed customers to capture 3D image data of their own clothing and view it on a web browser, and shop staff provided digital customer service using the 3D data, such as capturing ensembles of apparel in 3D and posting them on a website or social media.

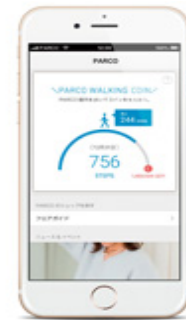
\* The service at SR6 finished at the end of May 2018.



A 3D scanner installed at SR6

## Promoting Circulation through a Facility Using an App

PARCO WALKING COIN is a new function that measures the number of steps taken by users inside a facility and awards a coin when they reach a target number of steps. The system was introduced at PARCO stores nationwide on Monday, May 14, 2018, after an advance introduction at Urawa PARCO, Chofu PARCO, Fukuoka PARCO, and Tsudanuma PARCO. Visitors start the official PARCO smartphone app, POCKET PARCO, inside the facility and begin counting their steps. When they reach a target number of steps, they can obtain a coin. Adding a function that can be enjoyed inside the facility creates opportunities for customers to encounter store blogs and event information posted on the app when they are in the facility and to discover stores that they have never visited before as they walk around.



Smartphone screen shot



\* Customers receive gift vouchers according to the number of coins collected



### Robots Support Store Operations

The Siriusbot robot was jointly developed by 08 WORKS Inc. and Nihon Unisys, Ltd. specially to provide guidance to customers and assist employee operations in commercial facilities and retail stores. The robots were trialed at Ikebukuro PARCO in October 2017, PARCO\_ya in November 2017, and Nagoya PARCO in May 2018. Siriusbot responds to customer inquiries in English or Japanese using both voice and screen and can guide customers to the store they seek. After closing time, Siriusbot patrolled the inside of the stores, collected data on tenant store stock inventories by reading electronic tags, and supported tenant staff in stocktaking operations.



Siriusbot

This initiative was selected as a Fiscal 2016 Public Offering Joint Research and Development Project by the Tokyo Metropolitan Industrial Technology Research Institute.

### Voice Guidance Service Using Smart Speaker

In November 2017, we developed PARCO Skills, a voice dialogue application specially designed for providing guidance in commercial facilities. The application works with the Amazon Alexa\* cloud-based voice service provided by Amazon. By installing Amazon Echo smart speakers in stores and starting voice dialog guidance services, customers can use the application in-store as well as in their own homes.

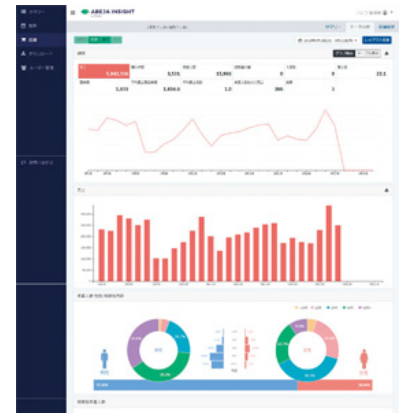
On Tuesday, April 3, 2018, the speakers were installed at several locations inside Ikebukuro PARCO. The system can provide information about shops, restaurants, and available products, as well as responding to over 600 question variations, mainly based on frequently asked questions taken from records of daily inquiries compiled at the Information Center. The system was also installed at Nagoya PARCO on Thursday, May 17, and for a limited time until Monday, May 28, we trialed a service where customers requiring the assistance of a Siriusbot were able to call for one by talking to Amazon Echo.

\*Amazon Alexa is the brain supporting Amazon Echo. It is built on a cloud platform and is constantly evolving.



### AI-Based Store Analysis Solution

ABEJA, Inc. provides a retail and distribution service for analyzing the number and characteristics of store visitors called ABEJA Insight for Retail. The service has now been introduced for tenant stores at PARCO\_ya (with certain exceptions). The data obtained is used to quantitatively measure the impact of marketing initiatives such as promotions and events. We also provide the system to tenants as part of our services for them. Tenants use the system to increase operational efficiency by confirming trends in store visitor numbers at different times of the day, and on different days, helping the tenants to optimize their staffing systems. PARCO\_ya is the first in Japan to introduce ABEJA Insight for Retail tenant service for all of its facilities.



Screen shot of the analysis screen

### Messages from PARCO Partners



**Susumu Sasaki**  
**Chairman, PARCO Association**  
**CEO & President, JUN Group**

#### Expectations for New Shibuya PARCO

Shibuya PARCO is the origin of PARCO. It was an epoch-making store when it opened its doors in 1973, giving birth to the concept of a commercial facility for Japanese fashion and it continued to evolve as a source for cultural dissemination over the years.

As a consumer, I have great expectations for the new start in fall of 2019. With the country's leading design capabilities, PARCO, of all companies, is certain to be reborn as a challenging and appealing facility that creates new surprises as a cultural dissemination point amid the dramatically changing fashion environment of today.

# Realizing Growth by Widening Unique Value Provided to Urban Areas

## Produce Commercial Real Estate

We are working to expand format variety by creating new formats alongside the existing PARCO and ZERO GAT E formats with the goal of expanding sites primarily in urban areas with growth potential where we have not yet opened complexes.

### Stores Opened in Fiscal 2017

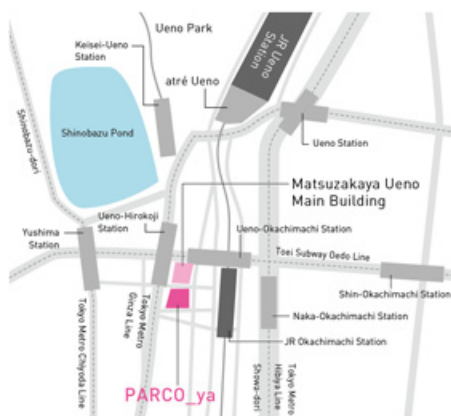
The first PARCO format store in the east side of Tokyo, and the first in the 23 wards in Tokyo in 44 years

**PARCO\_ya opened** Opened Saturday, November 4, 2017



PARCO\_ya, a new shopping complex brand, opened in the east side of Tokyo as the first PARCO format store to open in the 23 wards in Tokyo in 44 years. PARCO\_ya opened on the first through sixth floors of Ueno Frontier Tower, which was built on the site of the former South Wing of Matsuzakaya Ueno. The store composition is designed to promote circulation with TOHO Cinemas Ueno on the 7th floor and the neighboring Matsuzakaya Ueno, and to satisfy a broad cross-section of customers who visit the Ueno and Okachimachi area, such as users of the offices on the upper levels.

Under the store concept of “a slightly up-market, sophisticated spot that’s fun to visit with friends,” PARCO\_ya incorporates 52 stores opening in Tokyo’s Ueno Okachimachi area for the first time, as well as 11 companies with strong ties to the local community. The facility aims to grow in step with the local market, for example by offering exclusive panda merchandise.



## Proposing Topical Foods

We are meeting the needs of a wide range of customer segments, mainly with topical cafes, long-established local stores, and famous specialty stores. We are also introducing cafes to create communication spaces on each floor.



6th floor Ueno Yabusoba



1st floor KURIYA otona KUROGI Kuromitsu kinako parfait

## Exclusive PARCO\_ya products sold in stores

Ueno has a strong association with pandas. The giant panda cub Xiang Xiang, which had its first birthday in June, 2018, has become increasingly popular. PARCO\_ya is proposing panda-themed merchandise and menus at many stores to provide visitors with an exciting encounter with the highly individualistic pandas.



1st floor Smith

Left: Five-Partition A4 Folder

Right: Rollbahn L-size Notebook with Pocket



4th floor AYANOKOJI

Left: Shoulder Case with Clasp

Right: Card Case with Divisions and Clasp

\* Sales of some items may have finished.

## Kyoto ZERO GATE

Opened partially in November 2017



Located adjacent to the Daimaru Kyoto department store, facing Shijo Street, Kyoto's commercial center, this facility opened on some of the upper floors in November 2017. With support from the local community, the facility aims to contribute to creating fresh appeal for the area.

### Store Opened in Fiscal 2018

## Harajuku ZERO GATE

Opened in March 2018



This facility opened in March 2018 on Meiji Dori avenue in the Harajuku and Jingumae area, which has a high profile both in Japan and internationally. With a popular social media character merchandise store and a fitness gym, the facility contributes to the vibrancy of the district and helps to improve circulation through the area.

## Sannomiya ZERO GATE

Opened in September 2018



We decided to rebuild an existing building acquired in the Sannomiya area, Kobe's central commercial district. We plan to open a commercial facility designed to contribute to enlivening the Sannomiya district and creating new appeal.

### Scheduled Openings

## PARCO Format

### New Shibuya PARCO

Due to open in fall 2019

The New Shibuya PARCO is designed to be a next-generation global shopping center that will contribute to a vibrant atmosphere in the area around Shibuya Station, serving as a hub for nurturing and disseminating fashion and performing arts culture.



New Shibuya PARCO rendering



## North Building of Daimaru Shinsaibashi Due to open in spring 2021

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The North Building of Daimaru Shinsaibashi is located in Osaka's Shinsaibashi district, a leading commercial area in the Kansai region. The facility is to open there as a second joint venture with the J. Front Retailing Group. It will form a new local landmark for Shinsaibashi, combining a department store with a dedicated collection of fashion stores.



North Building of Daimaru Shinsaibashi rendering

## New Format

### Sumida-ku Kinshicho Station Area project Due to open in spring 2019

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For this new commercial facility in eastern Tokyo, we are leasing a portion of the Rakutenchi Building and making major renovations to the interior and exterior.



Sumida-ku Kinshicho Station Area project rendering

### Okinawa Urasoe West Coast Development project Due to open in summer 2019

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We established a joint corporation with leading Okinawan retailer SAN-A CO., LTD. on Urasoe's west coast, which has excellent access. PARCO and SAN-A aim to create an attractive new shopping complex by fully exercising their respective strengths.



Okinawa Urasoe West Coast Development project rendering

## ZERO GATE Format

### Kawasaki ZERO GATE(tentative name) Due to open in early fall 2019

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Kawasaki ZERO GATE is to be situated in a triangular plot bordered by the main road in front of JR Kawasaki Station and Shinkawa Street. We plan to open a commercial facility that will help to enhance the pleasure of walking in the town and enliven the local area.



Kawasaki ZERO GATE (tentative name) rendering



# Realizing Growth by Widening Unique Value Provided to Urban Areas

## Expand Soft Content

We will work to evolve and create new entertainment content, the locus of PARCO's unique soft content. Further, the Group will play the role of incubator and collaborate with up-and-coming creators and companies to provide novel experiences to consumers.

### Development Utilizing PARCO's Information Dissemination Centers Ryuji Akiyama (Robert ) Presents "Creator's File Festival"

"Tokyo Creator's File Festival Ikebukuro Creative Operation" produced by Ryuji Akiyama (Robert) was held at PARCO MUSEUM in Ikebukuro PARCO from Saturday, April 29 to Monday, May 22, 2017. The event featured content exclusive to the exhibition as well as multiple events in which Akiyama took the stage in a series of impersonations of various creators. It caught the attention of the public, drawing approximately 50,000 visitors in 24 days. Subsequently the event was held in Nagoya, Fukuoka, Sendai, Sapporo, and Hiroshima, drawing approximately 220,000 people in total nationwide, including spin-off events.

In response to the hit performance around the country, the complete version of the Tokyo Creator's File Festival was held at PARCO MUSEUM from Friday, March 2 to Monday, April 2, 2018, with updated exhibition content and products. Over 30,000 people attended, with a national cumulative total exceeding 250,000. On Thursday, February 22, 2018 around the same time, we collaborated again with a campaign at Ikebukuro PARCO that was used in a poster visual.

Furthermore, at THE GUEST cafe & diner, we held a collaboration cafe called Creator's File Cafe, which was run at sites throughout Japan, starting at Ikebukuro PARCO. Under the direction of Ryuji Akiyama (Robert), the collaboration menu featured 11 popular impersonated creators.

Looking ahead, we will produce a variety of content and provide customers with new consumption experiences using PARCO as a center for information dissemination.



Ikebukuro PARCO Main Building 7th floor  
PARCO MUSEUM  
March 2018 "Complete edition of Tokyo Creator's File Festival—Operation Grand Finale of the National Tour: Thank you and one more time"



April 2017 Opening ceremony of the "Tokyo Creator's File Festival"



December 2017 Hiroshima PARCO live event with Ryuji Akiyama (Robert)

## PARCO MUSEUM

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As part of the temporary closure of Shibuya PARCO, PARCO MUSEUM was relocated to the seventh floor of the Ikebukuro PARCO Main Building, then renovated and reopened in September 2016. Here it continues to create and curate diverse exhibitions and events transcending the existing categories of art, design and culture.

In 2017, the art museum has been transmitting culture in and outside Japan. Activities include the hit exhibition "Tokyo Creator's File Festival" in 2017, followed in November by an exhibition of the fashion brand ANREALAGE, which went on to tour Los Angeles in January 2018.

> [PARCO MUSEUM](#)

### A Mini Theater Operated by PARCO

## CINE QUINTO

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CINE QUINTO was reopened on Friday, July 6, 2018. The mini theater operated by PARCO had been closed temporarily for the rebuilding of Shibuya PARCO. The cinema has screened unique, high-quality domestic and foreign productions of all genres under the concept of "Entertainment from around the world." The reopened cinema has been expanded from a one-screen to a two-screen theater, and has introduced pair seats that are unique in Shibuya with a view to making CINE QUINTO one of the area's most engaging movie theaters. In this role, the cinema will now work to provide live entertainment that delivers an authentic experience and sense of discovery. Based on the success of productions purchased and distributed by the company that have won support from many customers, PARCO will bring diverse foreign and domestic entertainment to Shibuya, including the high-quality artistic independent art productions with which it has come to be associated.

Going forward, CINE QUINTO will collaborate in multifaceted projects and events with the new Shibuya PARCO, working together as a facility that contributes to the vibrancy of the overall Shibuya district.

> [CINE QUINTO](#)



CINE QUINTO

Location:

7F Shibuya Mitsuba Building, 20-11 Udagawa-cho,  
Shibuya, Tokyo

Seating:

162 seats / 115 seats + 1 wheelchair space per screen

## Shibukaru Festival

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The Shibukaru Festival culture event has been held since 2011 with Shibuya PARCO as the main venue, aiming to provide young women creators the opportunity to show their work. Shibuya PARCO was closed in 2017, but GALLERY X BY PARCO on Spain Hill Street in Shibuya provided a space for the young women creators to display their work and contribute to information dissemination and creation of excitement in Shibuya. In addition, live events were held at Shibuya CLUB QUATTRO and Shibuya WWW (Live Performance), while the construction site of Shibuya PARCO in mid-rebuild was used as a venue for a fashion show for highly individual next-generation designers.

In May 2018, the event was held in Hong Kong, for the third time overseas following events in Singapore in 2013 and Bangkok in 2015. The event will further promote the presence of PARCO in overseas markets and we will link it to the opening of New Shibuya PARCO in fall of 2019, aiming to evolve into a center for transmitting culture and fashion not only in Japan, but to the whole world.

[> Shibukaru Festival](#)

### Culture Dissemination Center and Art Space

## GALLERY X BY PARCO

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GALLERY X BY PARCO, opened in Shibuya in December 2016, will generate culture across genres, including art, music, fashion and anime, and send it out into Shibuya and beyond.

[> GALLERY X BY PARCO](#)



Shibukaru Festival



October 2017 Shibukaru Festival main theater  
GALLERY X BY PARCO

## Collaboration Cafe

### THE GUEST cafe & diner

PARCO develops cafes tied in with various content such as popular characters, films and anime. Featuring themed menus, the cafes enable customers to engage in the unique worlds of particular works. There are now five\* in operation around the country. In 2017, we started promoting overseas development with the “Minion Daidassou Cafe” opening for a limited period in Singapore, after “Minions Cafe” was so well received throughout Japan.

\*Ikebukuro PARCO, Nagoya PARCO, Fukuoka PARCO, Sapporo PARCO and Shinsaibashi 161

> [THE GUEST cafe & diner](#)

## PARCO’s Crowd-Funding Service

### BOOSTER

In 2014, PARCO launched BOOSTER, a crowd-funding service dedicated to supporting the realization of projects across the full spectrum of creative content domains through a framework that enables individual consumers to come together to put innovative challenges out into the public sphere. In addition to supporting the launch of projects, BOOSTER draws on the nationwide strengths of PARCO to expand awareness of projects and support business growth after launches.

In Jun 2018, PARCO concluded an alliance agreement and investment agreement with CAMPFIRE, Inc., operator of Japan’s No. 1 crowd-funding platform CAMPFIRE. Through the alliance, both companies will jointly operate BOOSTER and work to achieve its further growth.

> [BOOSTER](#)

Sample from the “Minion Daidassou Cafe”  
collaboration cafe



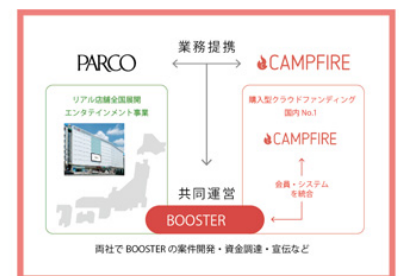
MINIONS CAFE custard pudding



MINIONS prison break rice gratin



From left: Representative Director and President Kazuma Ieiri of CAMPFIRE, Inc. and Managing Executive Officer Sensui of PARCO





## Messages from PARCO Partners



**Ryuji Akiyama (Robert)**  
Comedian

### Expectations for New Shibuya PARCO

PARCO really helped me at the Creator's File exhibition. Starting at the PARCO MUSEUM at Ikebukuro PARCO then moving on to Nagoya PARCO, Fukuoka PARCO, Kumamoto PARCO, Sendai PARCO, Sapporo PARCO, Hiroshima PARCO, Matsumoto PARCO, Shizuoka PARCO, Peter PARCO picked a peck of Pickled PARCO... excuse me. My tongue ran away with me. At any rate, I really felt that the PARCO stores in every region took it in turns to work with us, each one making a big effort to ensure that we had an exciting event at every store. I'm really grateful for their help.

In 2019, New Shibuya PARCO is to be completed. I remember visiting the former Shibuya PARCO once, prior to my moving to Tokyo to pursue my career. I went by myself to see an exhibition of Yusaku Matsuda. I recall looking at clothes and general merchandise, even though I didn't know anything about them, and getting a little drunk on the experience of being in Tokyo and Shibuya (Laughs). Ever since then, I have always felt that Shibuya PARCO is Shibuya. People might associate Shibuya with all kinds of things: scramble crossing, Shibuya Center-gai Street, the Hachi-ko dog statue, Nishimura Fruits parlor, Guardian Angels, Kenji Ozawa, Minoru Ujita, Drug store Sanzenri – but I think the real heart of Shibuya is definitely Shibuya PARCO.

I'm really looking forward to the completion of New Shibuya PARCO. And I would be really delighted if New Shibuya PARCO let me put on a fun event someday too.

## Messages from PARCO Partners



**Tatekawa Shinosuke**  
Rakugo performer

### Expectations for New Shibuya PARCO

PARCO Theater was the stage of my dreams. My connection to the theater goes back 20 years. I've had the privilege of performing rakugo there (including a one-month show for 11 of those years), and the birth of countless new rakugo stories such as "Kanki no Uta" (Ode to Joy) would never have happened without PARCO; moreover, the development of its unique presentation style, with its theatrical presentation in terms of art, sound, lighting, and even the lobby, is really thanks to the efforts of PARCO staff. That's right. PARCO is the home of the Shinosuke-style rakugo. I can't wait for the day when I can perform again in my newly rebuilt "home."

# Main themes

With a strong determination to provide personal fulfillment to consumers, the PARCO Group will continue to create and share new value through advancement, innovation and the PARCO Way. Under our Fundamental CSR Policy, we pursue activities anchored by the following four main themes. “Next-generation human resources” involves supporting upcoming human resources and talent. Culture means creating new markets and new value in the cultural sphere. For local communities, PARCO improves the appeal of towns and regions. For the environment, we build stores with low environmental impact.

## Next-generation human resources



The PARCO Group will support the talents of the next generation's workforce, thereby contributing to an energetic and diverse society.

## Culture



The PARCO Group will constantly provide new value, transmit information, and create culture-based markets, starting fashion and entertainment.

## CSR Mission

The PARCO Group will contribute through futuristic, innovative business activities to the realization of a society where urban consumers lead fulfilling lives.

## Local communities



The PARCO Group places great importance on contributing to improving the appeal of these towns and regions by actively engaging with the local community.

## Environment



The PARCO Group will promote the creation of stores that place a smaller burden on the environment with its tenant companies.



# Main themes

## Next-generation human resources

### Opened limited pop-up shop of “Asia Fashion Collection” in Ikebukuro PARCO

“Asia Fashion Collection (AFC),” is an incubation project, produced and supported by Vantan and PARCO, in cooperation with the supporting industry organizations based in Asia, looking to contribute to the further development of the fashion industry across Asia.

AFC aims to promote the growth of young designers through selection in Japan by contest to get the right to participate in the New York Collection, showing their collections, and various business support by Vantan and PARCO.

We opened limited pop-up shop and showcased designers' collections showed at the New York Collection in February for in April 2017 in Ikebukuro PARCO.

It aims to show their works for many customers and to expand the recognition of AFC and designers.

We will continue to support young designers we found through AFC.

[Asia Fashion Collection Website](#)



### Fukuoka PARCO co-sponsored the fashion show "Revo × Labo Fukuoka"

Fukuoka PARCO co-sponsored the fashion show "Revo × Labo Fukuoka" held on February 11, 2017 for the purpose of supporting young fashion brands.

This fashion show was operated by Fukuoka Fashion Building for the first time with the aim of revitalizing Fukuoka's fashion industry and supporting young brands, and PARCO and H.P.France cooperated.

Three young brands "Fujimasyu", "DE: CODE (Decode)" and "Waka Erika" that are based in Fukuoka show off their unique collections, and a total of 300 visitors including buyers and journalists visited.



# Main themes

## Culture

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### MEETSCAL STORE collaborated with "mintdesigns"

PARCO runs its directly managed shop, produces original product, and sells products in real store "MEETSCAL STORE" and online.

MEETSCAL STORE has released a product collaborated with "mintdesigns", a designer brand from Tokyo, and a stationery maker "HIGHTIDE" in Fukuoka.

"mintdesigns" is a brand that conceives of clothing as a form of timeless product design that is not limited to the category of fashion.

In addition, "HIGHTIDE" is a goods maker designing stationery such as notebooks. This time, we created products by imagining stationery placed in a corner of a bookstore with the theme of "bookstore in somewhere".

PARCO launched once a month, our first directly managed shop, in Fukuoka PARCO in 2010. After that, we have collaborated with over 500 manufacturers and creators so far with focusing on making unique products..

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## Movies which PARCO distributes got two awards of GOLDEN GLOBES

"Manchester by the Sea" and "Nocturnal Animals" which PARCO distributes in cooperation with Bitters End inc, were nominated for a total of 8 categories of 74TH GOLDEN GLOBES and received two awards. Both movies are universal works, one of the major American film companies.

"Manchester by the Sea" is scheduled to be released in May 2017 in Japan, "Nocturnal Animals" will be released in 2017.



"Manchester by the Sea"

Best Motion Picture - Drama

Best Performance by an Actor in a Motion Picture - Drama: Casey Affleck

Best Performance by an Actress in a Supporting Role in any Motion Picture: Michelle Williams

Best Director - Motion Picture: Kenneth Lonergan

Best Screenplay - Motion Picture: Kenneth Lonergan

A total of 5 nomination nominations, won Best Performance by an Actor in a Motion Picture - Drama

## Opened "GALLERY X BY PARCO" as a trend communication space in Shibuya

We opened "GALLERY X BY PARCO" in Shibuya in December 9, 2016.

"GALLERY X BY PARCO" is located in the "Spain-Zaka" street as close as New Shibuya PARCO which is scheduled to open in the autumn of 2019. We will held cultural events in a wide range of fields including music, images and performances.

From January 13 to 29, 2017, We held Masayoshi Sukita photo exhibition, SUKITA meets BOWIE "SPEED of LIFE ". About 40 pictures of musicians David Bowie's portrait photographed by Japanese photographer Masayoshi Sukita who has worked on portraits and advertisements of numerous celebrities has exhibited.

We will continue to plan events of various genres such as art, fashion and animation at "GALLERY X BY PARCO" and aim to continuously create Shibuya's charm even during the temporary closure at Shibuya PARCO PART 1 and PART 3 .



# Main themes

## Local communities

### Urawa PARCO and Shintokorozawa PARCO jointly held a customer service role playing contest

Urawa PARCO and Shintokorozawa PARCO jointly held a customer service role playing contest on June 15 and 22.

The final game after the first round started from a scene that staff called out to customers who were thinking about whether to buy goods or not. After that, staffs played to recommend our house card and our original app "POCKET PARCO" at the cash desk to the customer.

The teams that the shop staffs showed high level of customer service received the Best Award, Excellence Award, or PARCO Store Manager Award. In feedback from customer service external lecturer, participants and viewers seriously listened and took notes.

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Winners

# Main themes

## Environment

### PARCO's employee participated in fieldwork for revitalization of satoyama

PARCO's employees were participated in fieldwork for revitalization of satoyama(abandonment of cultivated land).

PARCO has collaborated with "global citizenship class" of International Business Strategy, Graduate School of International Corporate Strategy, Hitotsubashi University since 2014.

This was a part of field work that aimed to make a new business model for reviving satoyama. We reaped rice to harvest rice that we had planted in June, 2016.

Through this event, PARCO's employees who were participated in had an opportunity to interact with graduate students, feel diversity and think about social and environmental issues, too.



# 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**

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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.

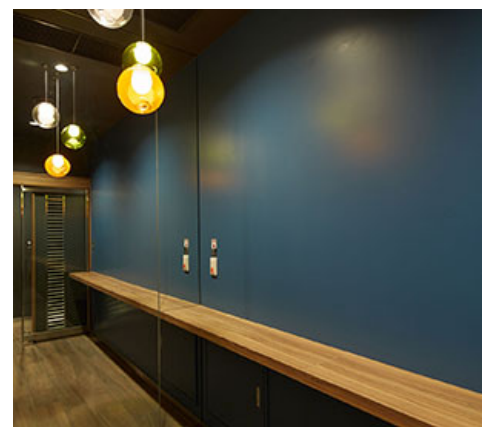
#### **First-aid room**

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

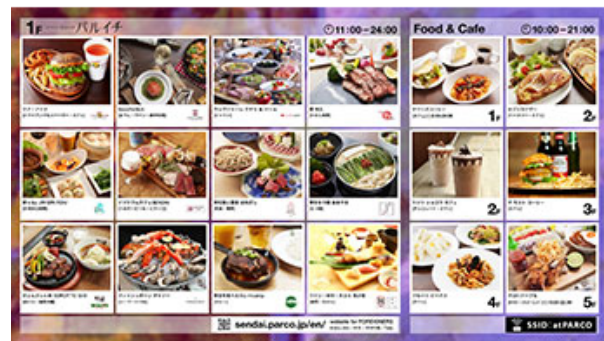
## Use of digital signage

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.



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[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 \(PDF\)](#)

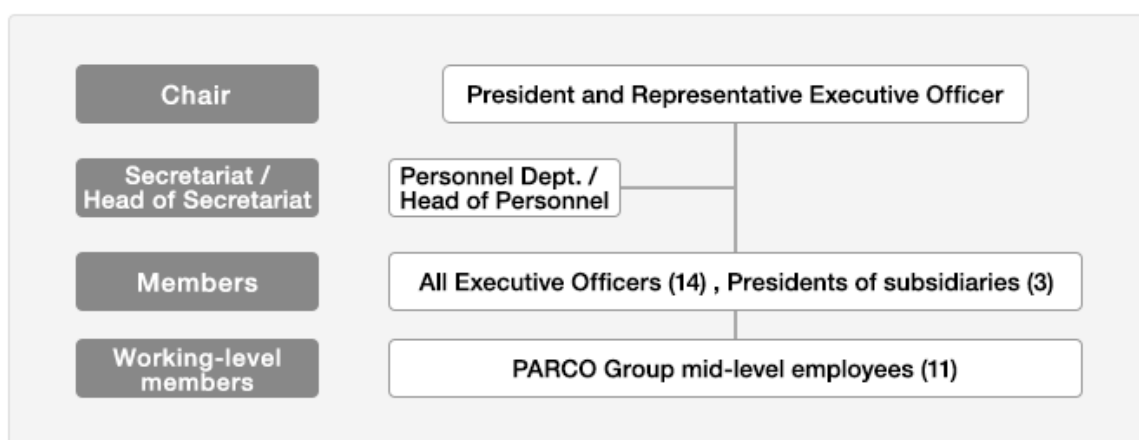
### **PARCO Group's vision for diversity management**

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

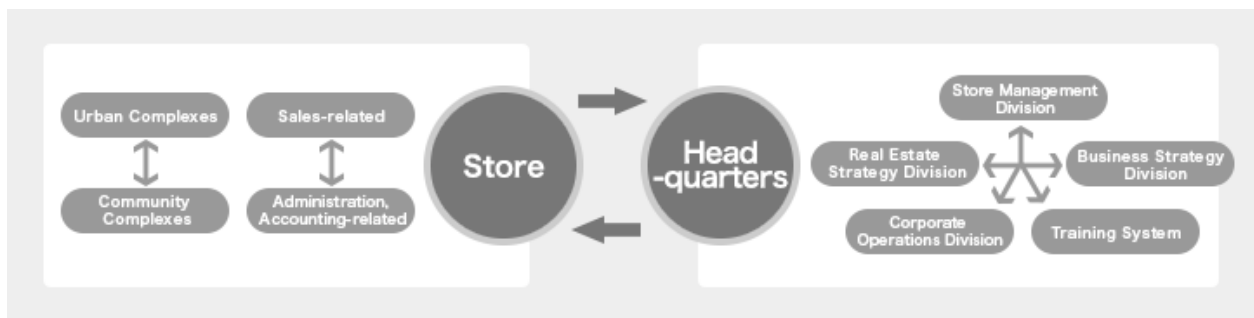
Childcare leave	Childcare	Leave can be taken until the April 10 following the child's first birthday (permanent employees). This leave can also be extended until the child is 18 months old in certain cases, such as when the child cannot get a place at a daycare facility.
Nursing care leave	Nursing care	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

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.

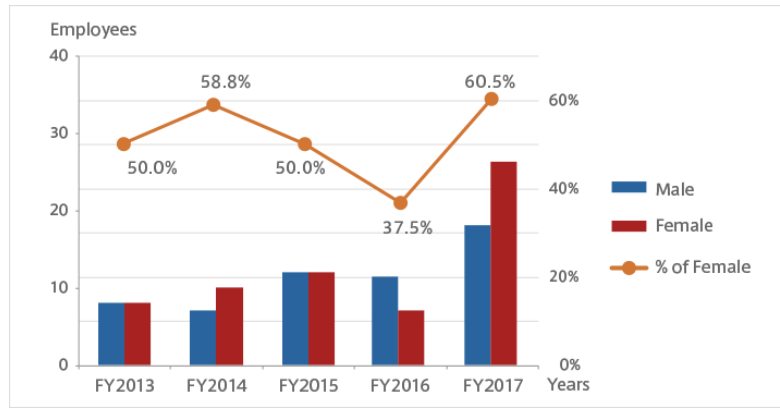
PARCO conducts compliance training on topics such as the Personal Information Protection Act and on the risks associated with social media and other online activity. All employees are also required to participate in training designed to prevent harassment by increasing awareness.

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.

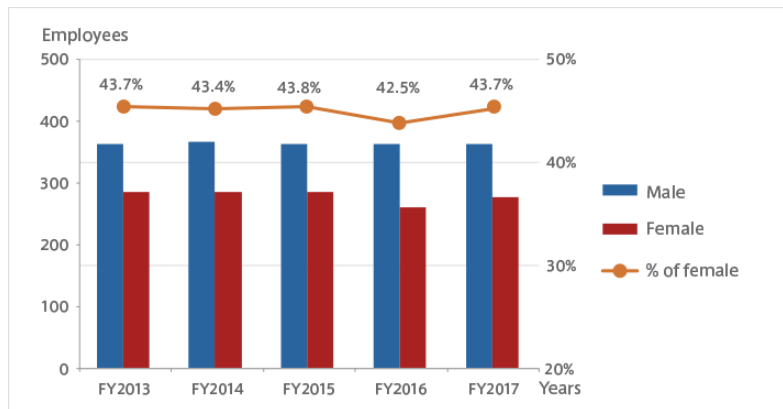
### [Basic Principles of Compliance](#)

## Reference charts

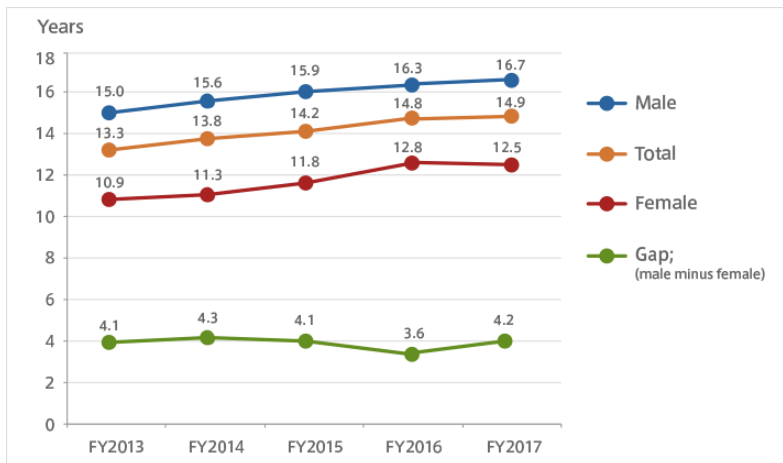
### Trend in employee numbers, ratio of men vs women



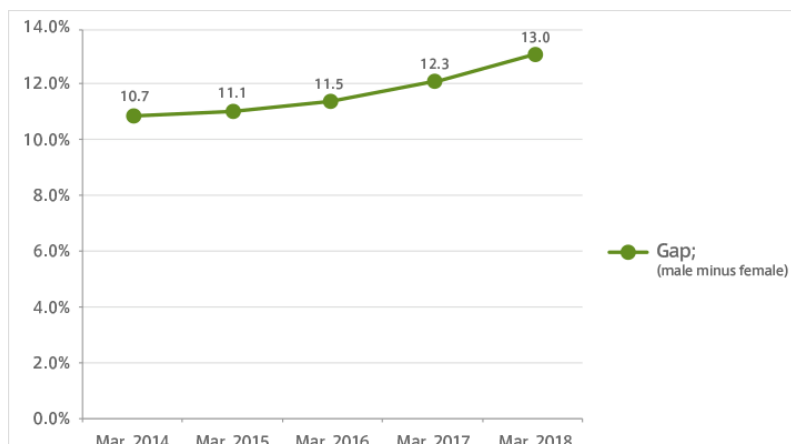
### Employee numbers by gender/trend in ratio of female employees (total of both full and contract employees)



### 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.

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### **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

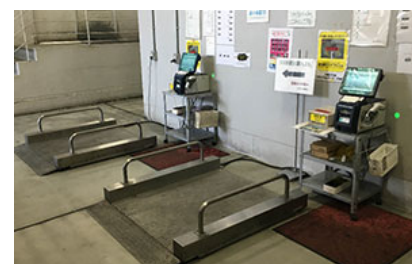
#### Reducing the environmental burdens of individual shops

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.



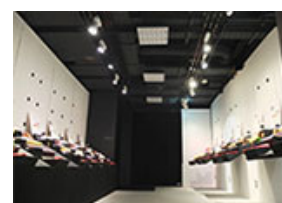
### Lighting consulting

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.



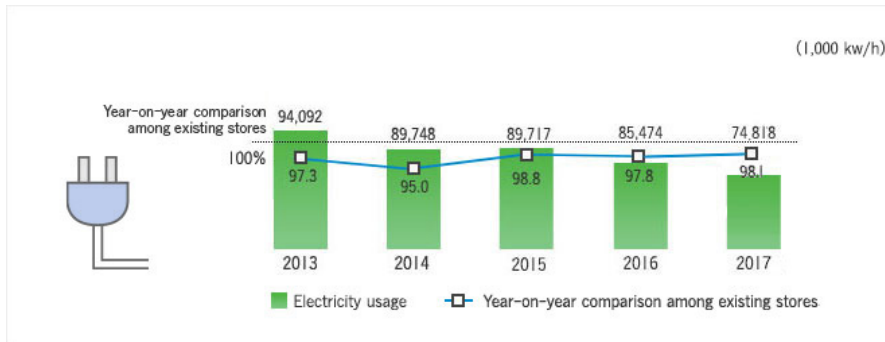
\*Certification Test for Environmental Specialists® is a registered trademark of the Tokyo Chamber of Commerce and Industry

> [Results of activities](#)

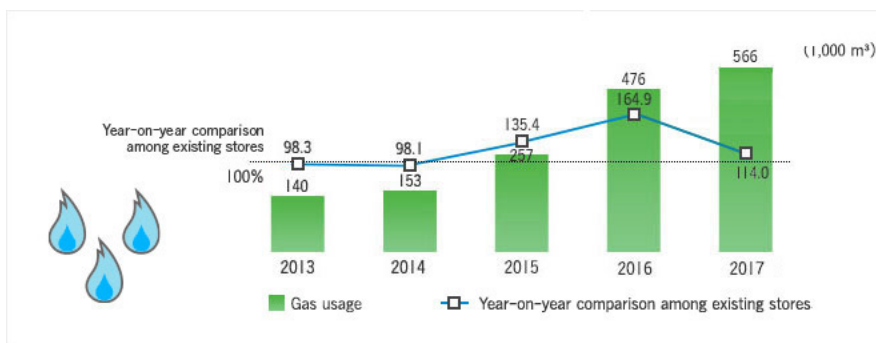
> [Environmental Data](#)

### INPUT

#### Electricity usage

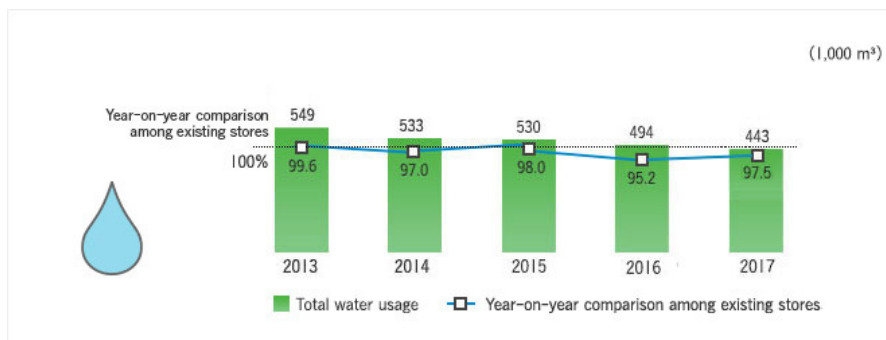


#### Gas usage

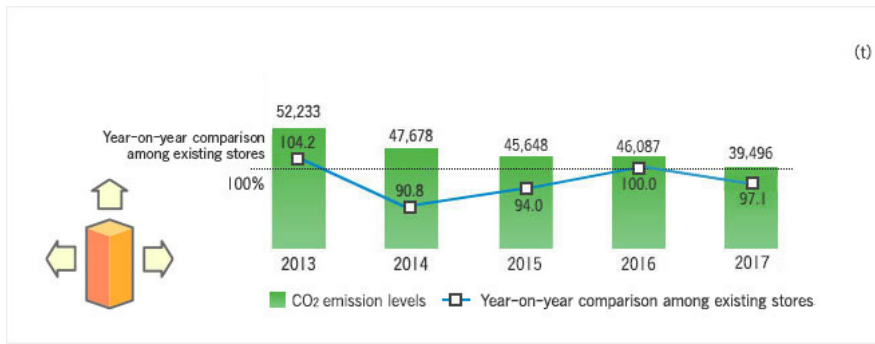


The increases in gas usage in fiscal 2015, 2016 and 2017 stemmed mainly from adoption of GHP\* for air conditioning and gas cogeneration. With this step, the intent is to reduce electricity usage and the amount of energy consumed on a per-unit basis. \*GHP (gas heat pumps) is an air conditioning system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

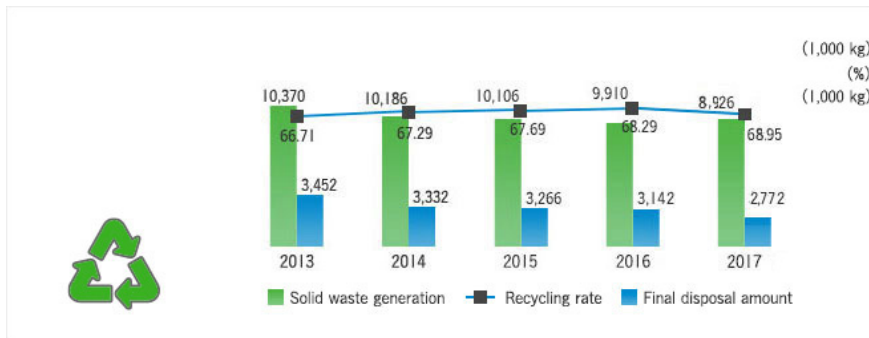


The primary cause of the increase in CO2 emissions in FY2013 is the increase in each power company's factors in CO2 emission calculations (changes every year based on fuel mix ratios) over last year.

Solid waste generation

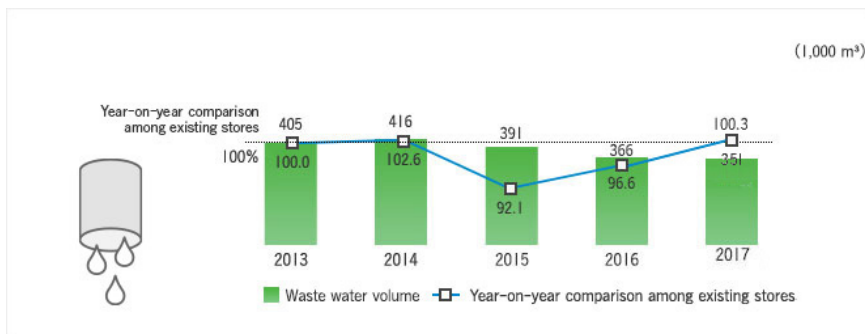
Recycling rate

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

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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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[Training Policy for Directors](#)

[Reason for appointment as a Director and main activities of Directors](#)

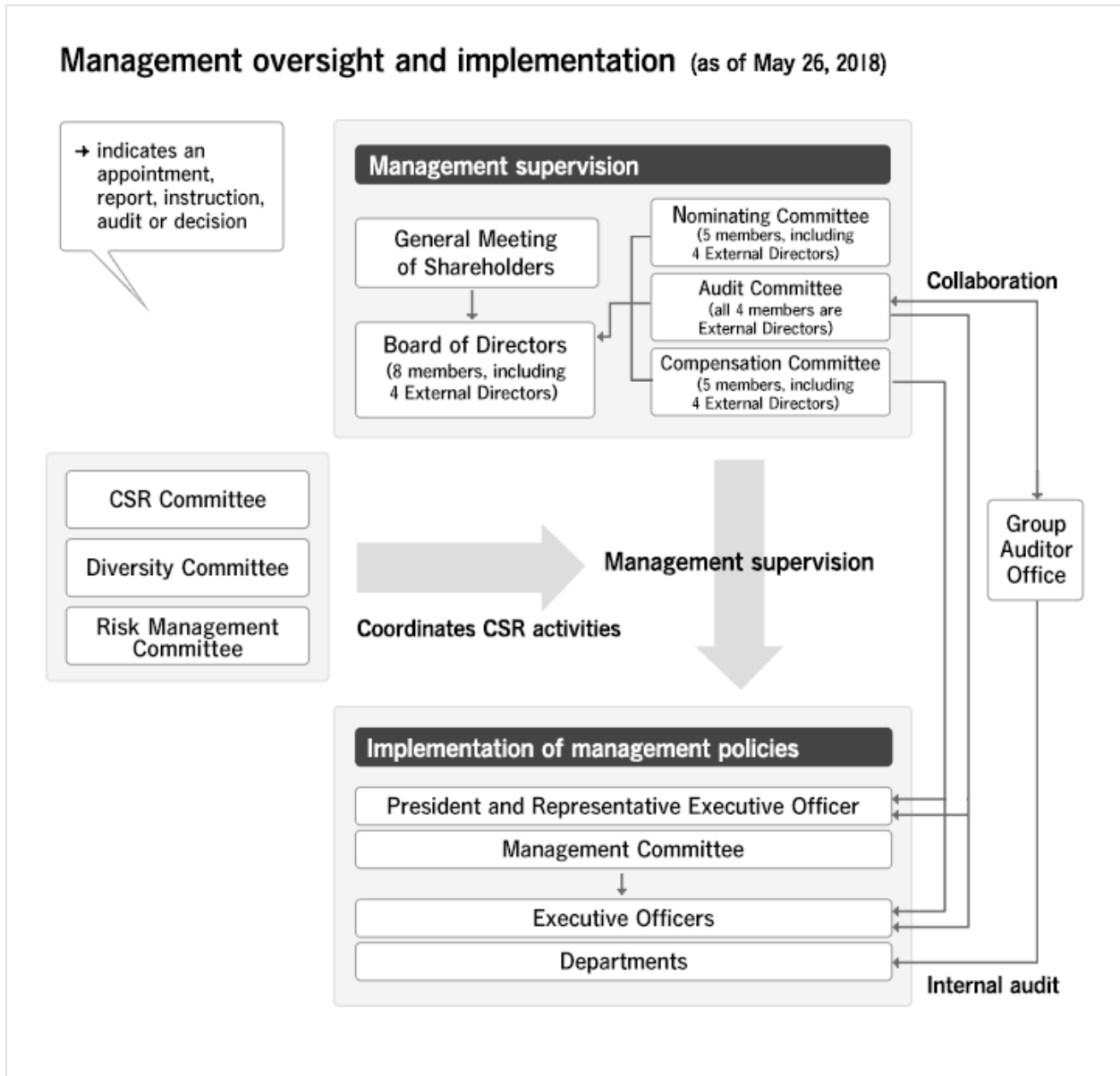
[Approach to Officer compensation](#)

[Position on shareholdings](#)

[Criteria for exercise of voting rights](#)

[Status of shareholdings](#)

# 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

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### 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

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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

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### 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

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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

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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

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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**

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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**

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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**

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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**

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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

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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

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### 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**

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### 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**

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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

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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

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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

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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

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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

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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.