



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

Contents

P.1 Message from President

We view CSR as the concrete embodiment of our Corporate Mission and the backbone of our business itself. That mission is expressed as "Creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper." CSR for the PARCO Group consists of working through our business activities to realize this mission while earning the trust and satisfaction of stakeholders.

P.2 Managing Executive Officer Committee Chair Message

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.

P.3 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. 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 CSR Activities / Main themes

The PARCO Group will gain our stakeholders' trust and ensure their satisfaction through our three social roles and promote initiatives to enhance our corporate value. In addition to four priority themes "next generation", "culture", "region" and "environment" in line with business activities, we have added "working style reform" and "compliance" to achieve sustainable management with SDGs in mind. We will take an ESG perspective and incorporate elements of the SDGs as we take active measures on our six main themes. 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.

P.6 CSR Activities

P.8 Society

- P. 8 Customers
- P. 10 Store tenants
- P. 12 Members of the local community and society at large
- P. 14 IR
- P. 15 Employees

P.22 Environment

- P. 22 Fundamental Policy
- P. 24 Specific environmental initiatives
- P. 28 Environmental data

P.30 Corporate Governance

- P. 41 Fundamental Policy for Corporate Governance
- P. 51 Compliance and Risk Management
- P. 53 Proactively supporting local communities in the event of a disaster

P.54 Main Themes

- P. 55 Next generation
- P. 59 Culture
- P. 64 Local communities
- P. 68 Environment
- P. 69 Work style reform
- P. 71 Compliance

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 2019, but mainly for the period from March 2018 to August 2019.

*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.

Message from President



Putting our Corporate Mission into practice is how we carry out CSR

We view CSR as the concrete embodiment of our Corporate Mission and the backbone of our business itself. That mission is expressed as “Creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper.” CSR for the PARCO Group consists of working through our business activities to realize this mission while earning the trust and satisfaction of stakeholders. Forward-thinking, innovative activities in this context means to further the evolution of the points or origin that define PARCO, “Incubation,” “Urban Revitalization,” and “Trends Communication,” which also represent our role in society, while staying on top of the changing times. We have organized this approach in a system diagram to more fully integrate it into the company. In addition, to 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. Our aim is to develop and grow as a company by creating value that satisfies all stakeholders, including customers, tenants, shareholders and employees, continuing to provide that value, and securing appropriate levels of profit as a result.

In fiscal 2018, we established six themes and actively pursued them, taking a fresh perspective on the SDGs and recognizing the PARCO group’s social role is to create new value in sympathy with society and develop constantly. We consider the themes to be trust and satisfaction of our stakeholders and increasing our corporate value. They include the four themes of “Next generation,” which involves supporting the talents of the next generation’s workforce, “Culture,” in the form of providing new cultural value and culture-based markets, “Local communities,” which includes working to enhance the attractiveness of local communities and neighborhoods, and the “Environment,” in which we aim to create commercial spaces with minimal environmental footprint. To these we have added the themes of “Work style reform” and “Compliance,” as we promote initiatives aimed at sustainable management. We will continue to recognize the PARCO group’s responsibilities and roles in accordance with social issues and demands. Mindful of the SDGs, we will tackle the Six Themes through our three social roles as we strive to contribute to solutions for social issues.

PARCO CO., LTD.

President and Representative Executive Officer

Kozo Makiyama

Managing Executive Officer CSR Committee Chair Message



Managing Executive Officer
CSR Committee Chair
Masaaki Abe

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. Furthermore, in the belief that CSR activities are in fact business activities, we have established four main themes in line with our business activities: "Next generation," "Culture," "Local communities," and "Environment," and we are actively engaged in these. To promote these activities, we have built a CSR management structure comprised of the CSR Committee, Diversity Committee and Risk Management Committee, which will advance our CSR activities even further.

In fiscal 2018, we aimed to achieve sustainable management with the SDGs in mind by actively addressing the issues of "Work style reform" and "Compliance," which have been added to our four main themes for a total of six themes, and carried out 117 initiatives. For "Next generation," we continued to support creators who will generate new expressions and discovered new shops and brands as well as supporting their development. For "Culture," we opened a new mini-theater, UPLINK Kichijoji PARCO, while works produced and invested by PARCO were well reviewed in the art field, receiving numerous awards. For "Local communities," we supported communities and people in Japan and overseas through the crowd-funding service BOOSTER, while each store cooperated with members of the local community and artists to contribute to regional revitalization. For "Environment," we continued our initiatives to save electricity, recycle, and reuse at each store and business. For "Work style reform," we revised the way in which employees work through measures such as expanding teleworking to continue providing support for diverse workstyles that do not require a specific workplace, and introduced a new second job program. For "Compliance," we systemized our risk management and worked to ensure thorough compliance.

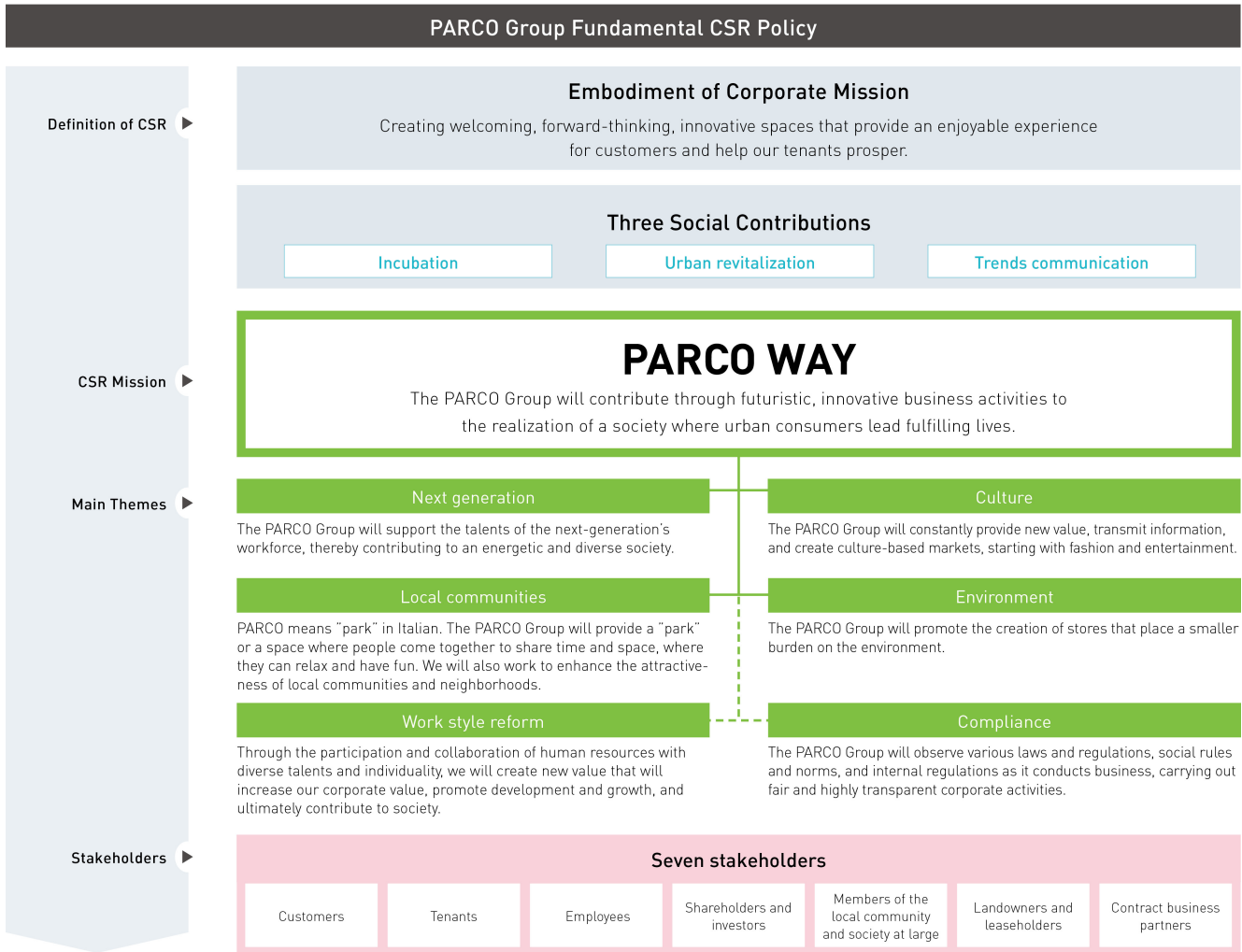
In fiscal 2019, as we mark our 50th anniversary, to ensure that we will continue to be sustainable going forward, we will take an ESG perspective and incorporate elements of the SDGs as we take active measures on our six main themes to contribute to resolving social and community issues. Moreover, at Shibuya PARCO, we will work to "create excitement with the surrounding community," "reduce environmental impact," and "collaborate with diverse companies and individuals."

[> Promotion of ESG Initiatives](#)

Fundamental CSR Policy

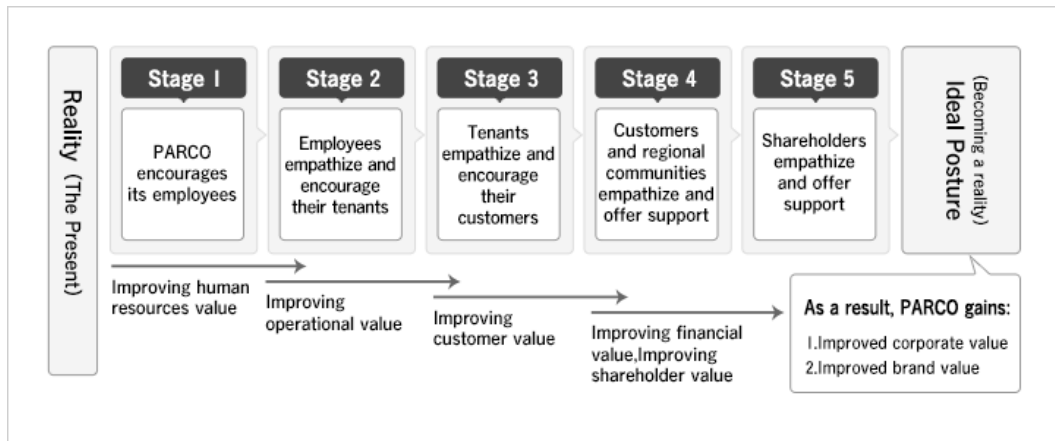
The PARCO Group considers the definition of CSR to be the embodiment of its Corporate Mission. We will gain our stakeholders' trust and ensure their satisfaction through our businesses and promote initiatives to enhance our corporate value.

The PARCO Group has formulated the PARCO Group Fundamental CSR Policy to increase the quality of its CSR activities by clearly defining its position on CSR and establishing a system for its CSR activities.



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.



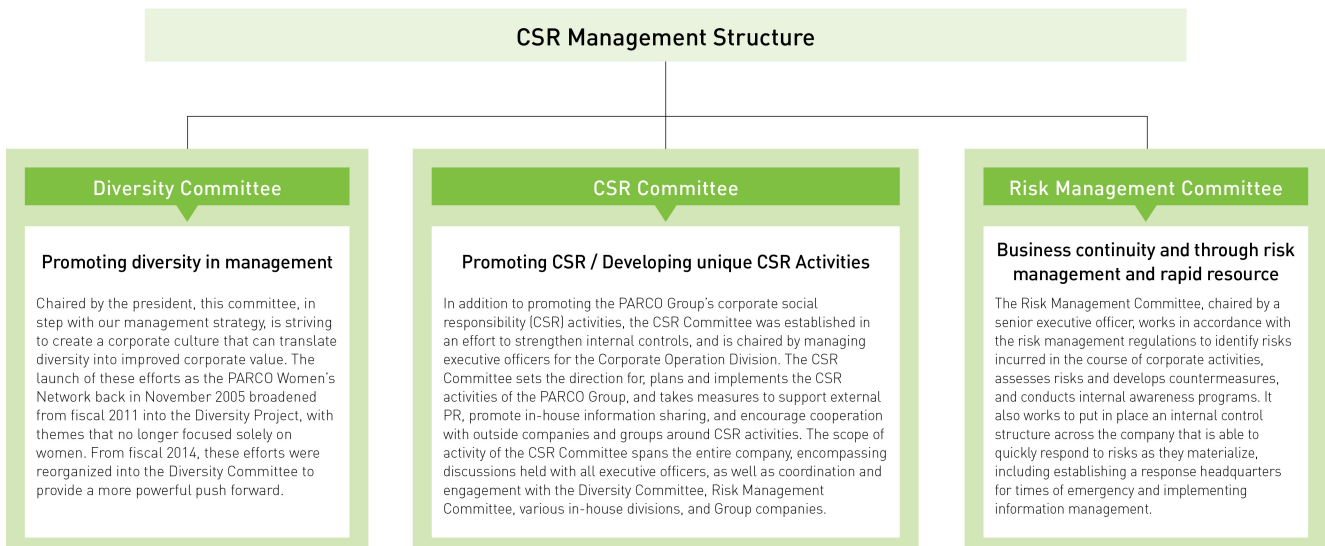
CSR management structure

To strengthen the foundation for our CSR activities, we have built a CSR management structure comprised of the CSR Committee, Diversity Committee and Risk Management Committee.

The CSR Committee and Diversity Committee are chaired by the president and work to strengthen internal controls and further advance activities.

In addition, the Risk Management Committee strives to manage risks incurred in the course of corporate activities and to put in place an internal control structure across the company that is able to quickly respond to risks as they materialize.

Each committee meets regularly, and all executive officers are involved as committee members, coordinating with each internal department and Group company to ensure that all employees of the PARCO Group are committed to society and promoting active initiatives.



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.



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.

<p>> Fundamental policy</p> <p>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.</p>	<p>> Specific environmental initiatives </p> <p>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.</p>
<p>> Enviromental data </p> <p>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.</p>	

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.

<p>> Corporate Governance</p> <p>We have established a corporate governance system that assures transparency and facilitating decision making and execution.</p>	<p>> Compliance and Risk Management </p> <p>We establish a system to assure the suitability of our company, and promote of compliance and risk management initiatives.</p>
<p>> Supporting local communities in the event of a disaster </p> <p>We carry out proactive, mutual assistance for local areas and neighboring businesses in the event of a disaster.</p>	

Society

Customers

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

Service improvement, reflecting our customers' wishes

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

Improvements to restrooms, powder rooms and nursing rooms

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

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



PARCO_ya 6th floor customer restroom



PARCO_ya 3rd floor baby nursing room

Stroller lending

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

First-aid room

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

Smoking room

We are establishing new smoking areas for customers.

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



Women's only smoking area at Sendai PARCO2

Providing Web-based Trends Communication

Backed by its store network, PARCO is aggressively leveraging advanced information and communications technology (ICT) to create new ways to enjoy commercial facilities. To make PARCO store information available faster and more appealing, shops within PARCO make use of the PARCO Shop Blog, with roughly 3,000 such tenants involved in trends communication that encourages store visits. Furthermore, we operate a service, called “Kaeru PARCO,” that enables in-store goods found on the PARCO Shop Blog to be reserved or ordered for delivery online, and have released a smartphone application, POCKET PARCO. In these ways, we are creating an environment that allows customers to enjoy a “24-hour PARCO” via the Web.



Sendai PARCO2

Use of digital signage

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



Sendai PARCO2

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



Sendai PARCO2

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

Society

Store tenants

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

An equal partnership

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

PARCO Association activities

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



Tenant staff support system

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

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



Tsudanuma PARCO social media training



Ikebukuro PARCO role-playing contest winners

Improvements to work environments

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



Sendai PARCO2 employee break room and dedicated phone booths



Nagoya PARCO employee break room and staff-only convenience store

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

PARCO and tenant shops use the PARCO SC Groupware communication tool to reduce the burden of management operations. We have also introduced an online video to provide orientation training for all shop staff on the sales floors. This enables staff to study at any time, so they can use short periods of free time for training even when they are often too busy to attend formal sessions. SUTEKI LABO, the dedicated website for PARCO shop staff, is filled with information that can typically only be learned by taking part in group training seminars; staff can use their PCs or smartphones to watch how-to videos on customer service and other relevant topics.

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



Online videos for orientation training



Fiscal 2017 “POCKET PARCO Customer Service Evaluation Service” Results

Credo

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

“PARCO shop staff and compliance hotline”

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

Society

Local communities

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

Events and promotions held in collaboration with local communities



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



Initiatives for peace of mind and safety



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

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

The restaurants and food stores inside PARCO conform to rigorous standards for health and safety management. Furthermore, PARCO conducts its own periodic health and safety inspections, checking the sanitary conditions in kitchens and the storage conditions for food products and ingredients.

Checks are also made as needed to ensure that restaurant menus display appropriate information, and that raw ingredients, potential allergens, and expiration dates are all properly displayed.



Staff undergo kitchen hygiene inspection by a third-party organization.

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.



Staff undergo firefighting training.



Staff undergo regular training sessions for crime prevention activities.

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.



Staff undergo firefighting training.

Society

IR

Our basic policy regarding IR activities

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

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

Semiannual financial results briefing

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



Explanatory meetings for individual investors within Japan

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



[> PARCO Investor Relations](#)

Society

Employees

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

[Promotion of Diversity](#)

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

[Human Resources Development Initiatives](#)

[Promoting dynamic participation of women](#)

[Reference charts](#)

Promotion of Diversity



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

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

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

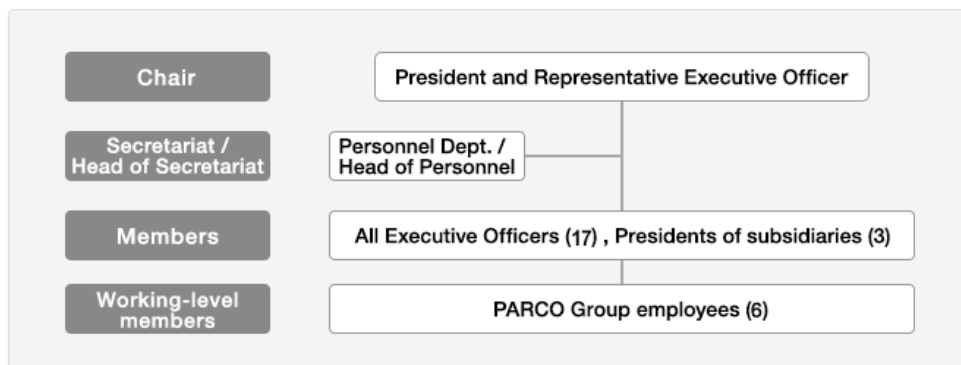
PARCO Group's vision for diversity management

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 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.

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

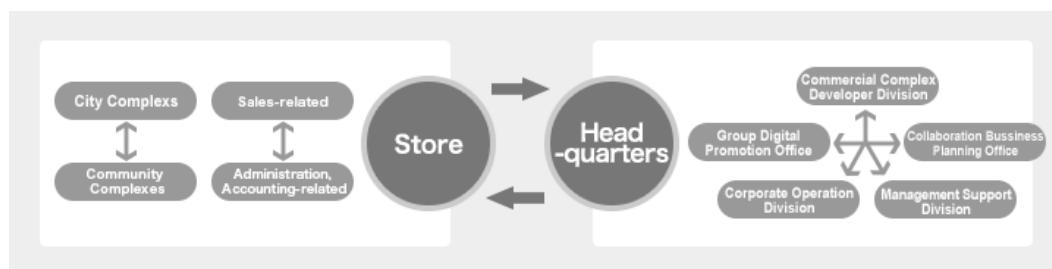
Childcare leave	Childcare	Leave can be taken until the April 10 following the child's first birthday (permanent employees). This leave can also be extended until the child is 18 months old in certain cases, such as when the child cannot get a place at a daycare facility.
Nursing care leave	Nursing care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

Supporting Diverse Work Styles



We believe it is important to provide an environment where individual employees feel motivated to make use of their talents. We are therefore working to create systems and an environment to secure diversity and to promote the creation of a corporate culture.

Supporting Workstyles That Do Not Require a Specific Workplace

We are promoting communication and faster and more intense operations through the utilization and expansion of ICT.

- Renew internal Groupware with the introduction of cloud services, etc.
- Provide all employees with mobile PCs and smartphones
- Promote internal exchanges and flexible workstyles (expand web meetings, partially introduce free addresses, establish free working spaces and concentration areas)



Free working spaces

Second Job Program

in February 2019 we introduced the side job program as part of our new workstyle. (As of May 31, 2019, four people are using the program).

Basic Policy on the Program

- Second jobs and other experiences outside the Company provide opportunities for employees to grow, and employee growth leads to Company growth
- The Company has employees with diverse talents, and second jobs can provide opportunities for employees to utilize their talents

Objectives and Expectations of the Program

- Promote growth and autonomy of employees
- Revitalize internal activity (promote innovation)
- Retain and acquire diverse human resources
- Opportunities for employees to utilize diverse talents



• Experiences outside the Company will

- Stimulate competitive awareness and promote innovation - Expand employee perspectives and human networks, leading to transformation of Company culture

• Through the second job program, the Company will –

Expand options for self-realization - Positively impact human resource recruitment

Promoting dynamic participation of women



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

PARCO promote participation by women through a variety of initiatives. We recognize that encouraging shorter working hours by promoting the use of paid leave and improving the percentage of women in managerial positions will go far in helping to resolve issues pertaining to female participation. Together with enacting measures to encourage taking leave, we formulated an action plan in response to the Advancement of Women Act that includes cultivating female

managerial candidates, providing opportunities for boosting the career consciousness of young female employees, and creating a workplace more conducive for employees with time constraints.

With respect to the annual average number of days of paid leave taken, we are aiming for 10 days by fiscal 2020, compared to five days in fiscal 2014. In parallel, we are striving to have women make up 20% or more of managers in fiscal 2020, versus 11% as of March 2015. [Action plan based on the Advancement of Women Act](#)

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



Lecture for women on successfully balancing work and childrearing

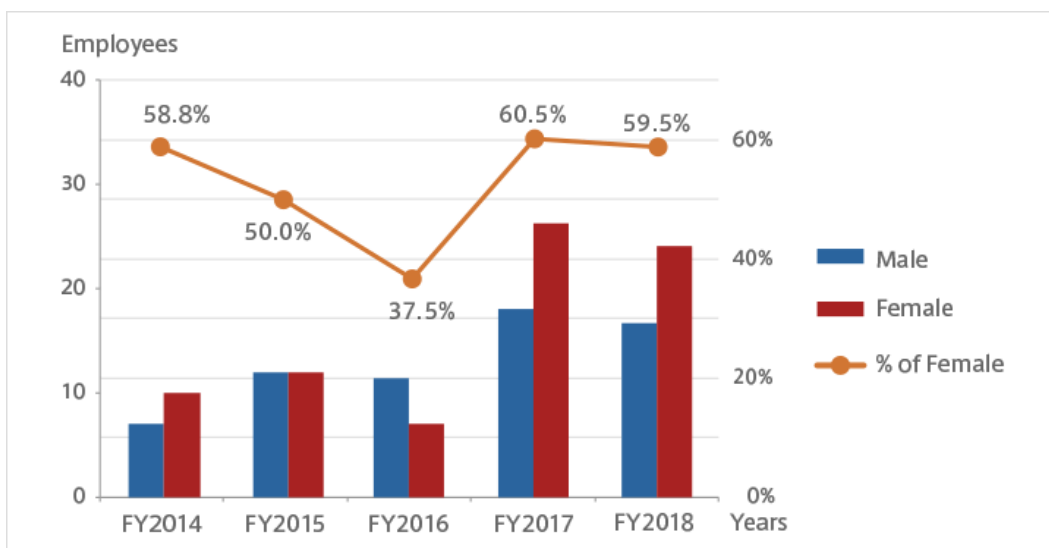
PARCO's Basic Principles of Compliance stipulates that all PARCO executives and employees shall conduct fair and highly transparent business activities in compliance with applicable laws in Japan and overseas, social norms, and internal company regulations.

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.

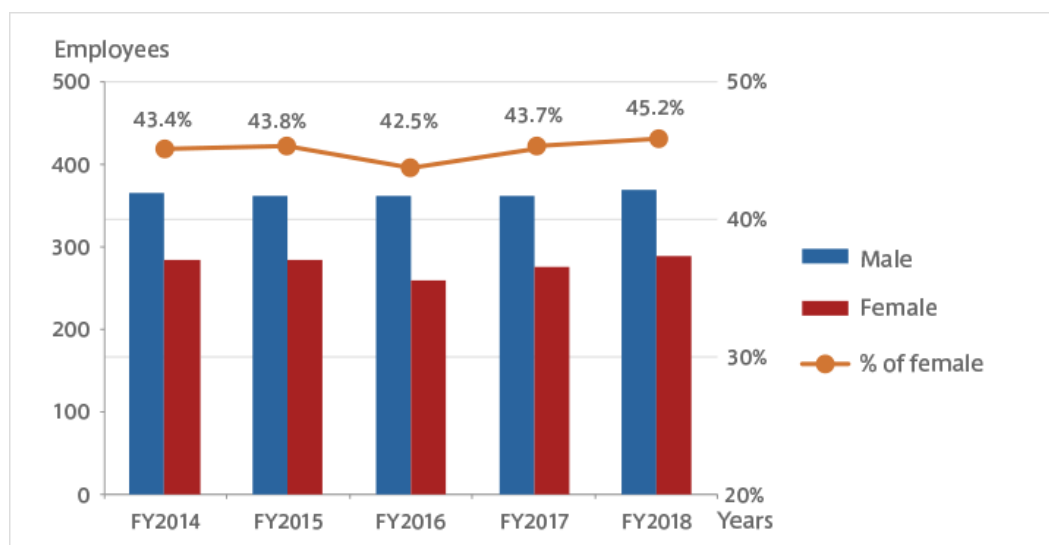
As part of PARCO's continuous efforts to improve as a company, we have established a number of internal reporting systems to guard against corruption and encourage employees to report violations of laws and regulations so that these acts may be identified and corrected early. [Basic Principles of Compliance](#)

Reference charts

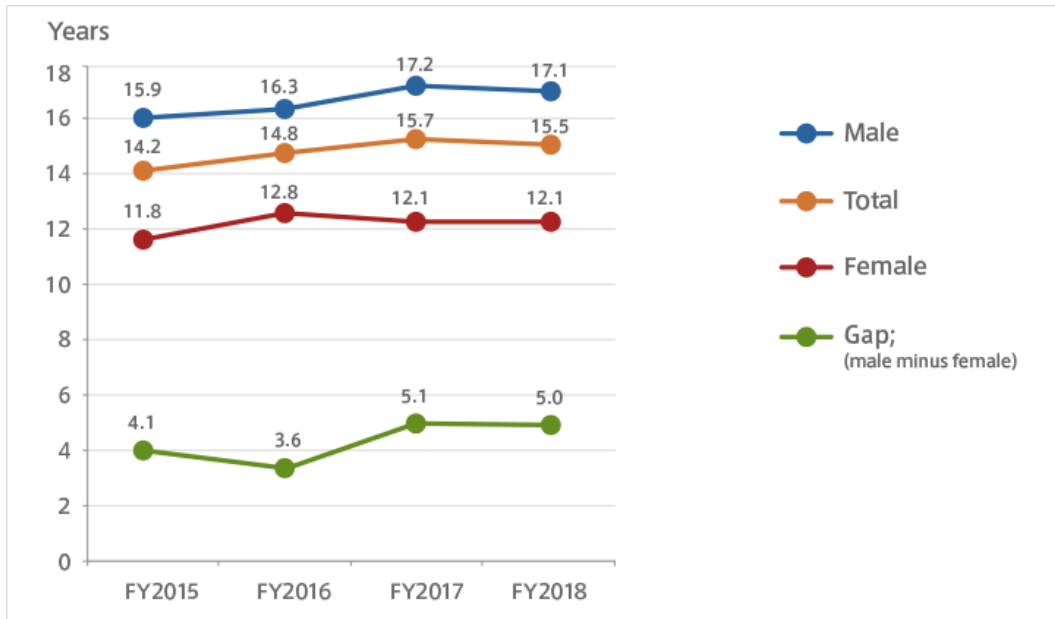
Trend in employee numbers, ratio of men vs women



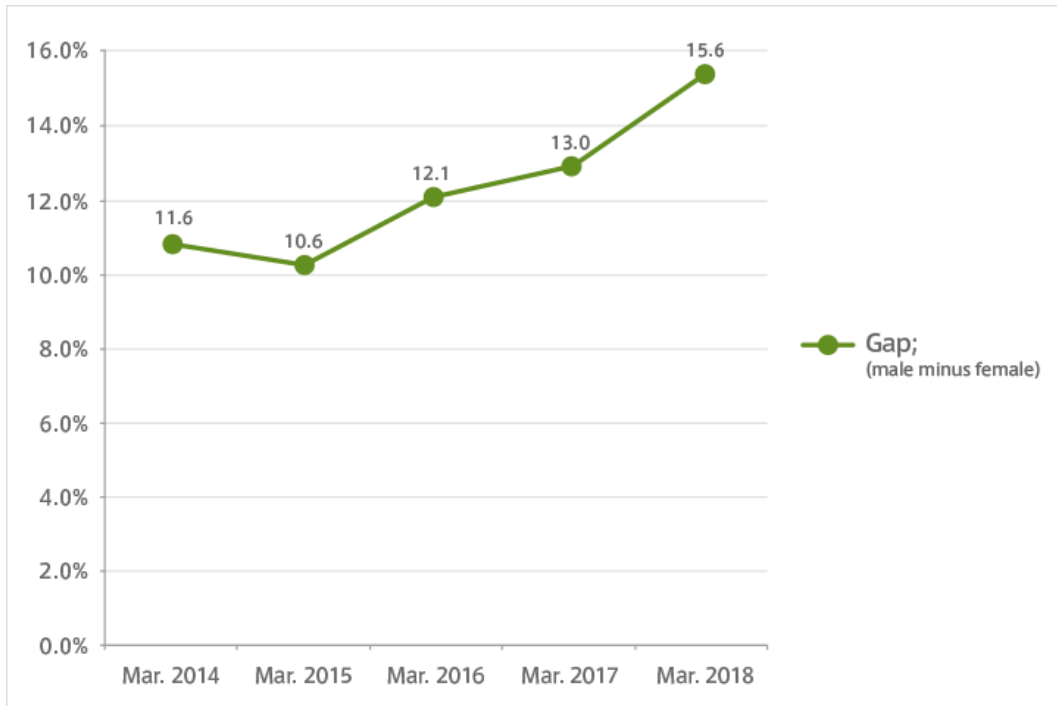
Employee numbers by gender/trend in ratio of female employees (total of both full and contract employees)



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.

Course of Action

Environmental preservation activities

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.

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.



Grey water facility

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.



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.

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.

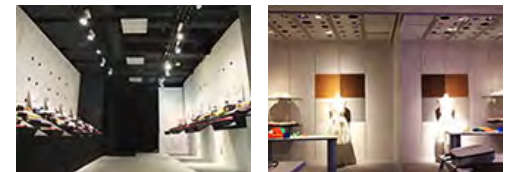


Lighting consulting

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 you 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 buy 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](#)

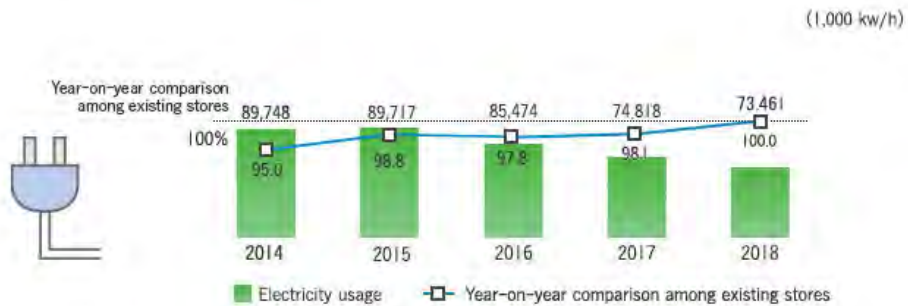
Environment

Environmental data

INPUT



Electricity usage

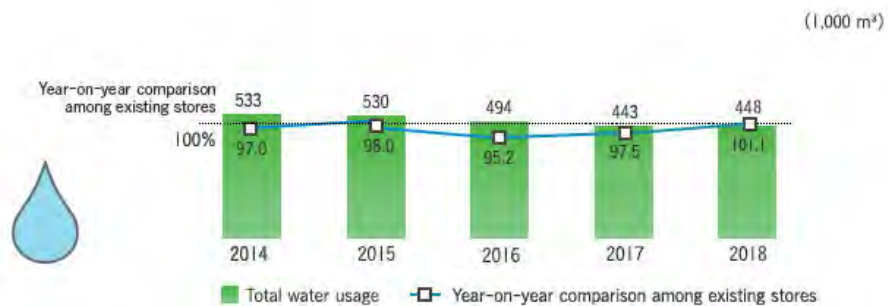


Gas usage

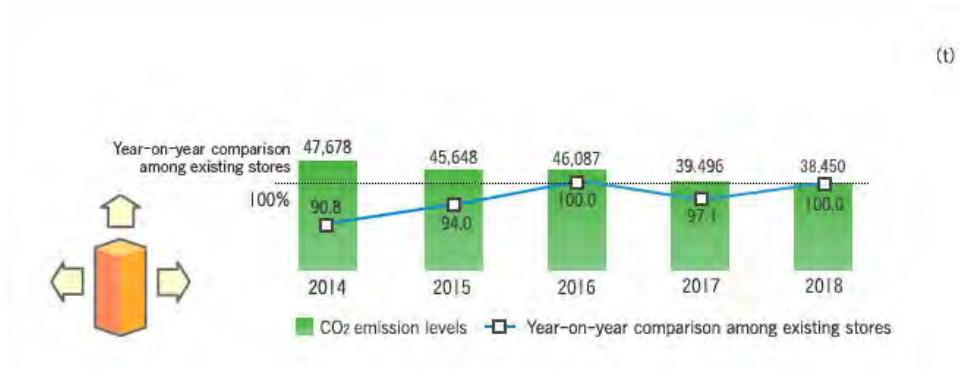


The increases in gas usage in fiscal 2015, 2016, 2017 and 2018 stemmed mainly from adoption of GHP* for air conditioning and gas cogeneration. With this step, the intent is to reduce electricity usage and the amount of energy consumed on a per-unit basis. *GHP (gas heat pumps) is an air conditioning 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



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, FY 2019 Kinshicho PARCO opened.

Environmental data (other than waste emission levels, recycling rate and final disposal amount) do not include data from our tenant shops.

Corporate Governance

Fundamental Policy

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

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

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

[Fundamental Policy for Corporate Governance](#)  [PDF] 335 KB (2018.7.26)

[Corporate Governance Report](#)  [PDF] 1 MB (2019.10.04)

[Overview of the PARCO Corporate Governance System](#)

[Message from the Committee Chair](#)

[Internal controls and risk management system](#)

[Relations with shareholders and other stakeholders](#)

[Standards and Criteria for Determining the Independence of External Directors](#)

[Related Party Transactions](#)

[Evaluation of the Board of Directors](#)

[Training Policy for Directors](#)

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

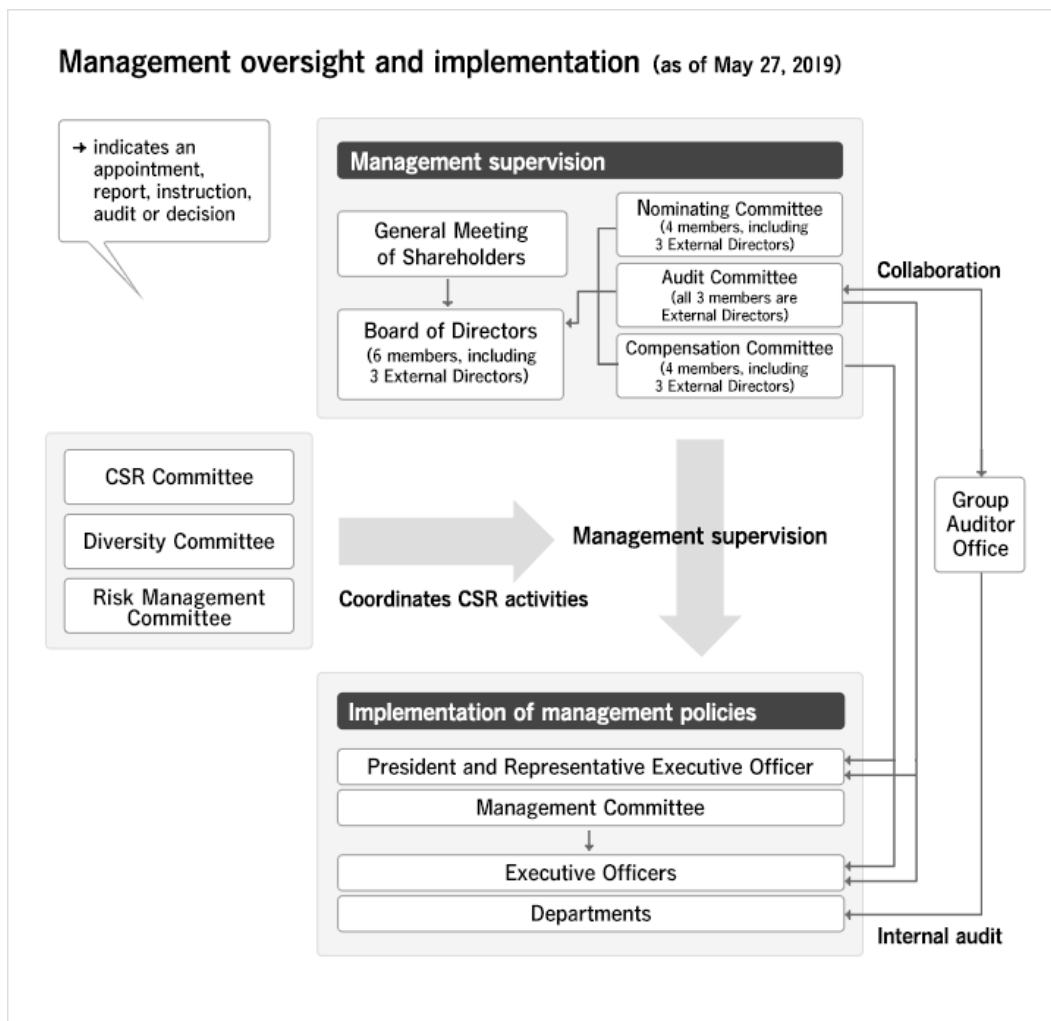
[Approach to Officer compensation](#)

[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

Audit Committee Chair



Hiroshi Takahashi

External Director (Independent director)

Audit Committee Chair

PARCO has adopted the “Company with Three Committees” system, which includes a Nominating Committee, in order to explicitly separate the oversight function from the executive function of management and build a highly transparent corporate governance structure, while allowing rapid decision-making and execution of operations. The roles of the external directors in a “Company with Three Committees,” are 1) advisors on management policy and improving management, 2) a supervisory function over management, 3) a supervisory function over conflicts of interest, and 4) to ensure transparency. In light of these roles, to achieve an increase in corporate value for the medium to long term, the external directors must be ready to act on the following two points in particular. The first is to point out and offer advice directly on issues that people inside the company find difficult to bring up with management if they deem it necessary. Next, to enable the growth of the company, the external directors with their different backgrounds must emphasize teamwork in order to build and maintain the effective “proactive corporate governance” that is the objective of the Corporate Governance Code.

Compensation Committee Chair



Noriko Nakamura

External Director (Independent director)

Compensation Committee Chair

The ratio of working women in Japan is higher than in the U.S. at U1B however, inequalities between men and women persist in every industry. One reason for this is that the majority of women work part time or in non-regular positions. It is estimated that Japan's GaP would increase by 1RB if women had the same working hours and pay as men. I started by developing female managers and have been involved for over 30 years in services to support working women with their childcare and nursing care roles. As an external director of PARCO, I have been working to foster a corporate culture that allows women to play a role and to create an environment where customers who are raising children can easily visit stores. PARCO has a large number of energetic young employees, and the directors and executive officers act as leaders in helping people adjust to ideas rather than pushing their opinions on others. I hope to continue working proactively to provide the same opportunities to women and to develop the next generation.

Nominating Committee Chair



Tadayuki Seki

External Director (Independent director)

Nominating Committee Chair

The management environment for retail, including PARCO, is a tough one. I feel that in this environment, PARCO maintains a unique competitive advantage that differs from other companies. The sources of this advantage include a solid financial foundation along with the creativity and originality of PARCO's employees and management team, and their way of engaging with society. I aim to carefully monitor management to ensure that this unique competitive advantage is not lost, that the allocation strategy for management resources including human resources can achieve its full potential, and finally that the Company is managed so that it can achieve its medium-term management plan as a result. To ensure effective monitoring, it is important as an external director to have even better communication with employees and management and deepen my understanding of the Company. I consider this to be my duty as an external officer.

Internal controls and risk management system

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

Risk Management System

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

Compliance system

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

Internal auditing system

To reinforce the internal auditing capabilities of our group, we have established a Group Auditor Office which audits the legality, economic rationality, and risk exposure of the group as a whole,

based on audit plans and under the direction of a Director assigned solely to this task. We also strive to improve audit efficiency through the timely exchange of auditing information with the Audit Committee and auditors at group subsidiaries.

Relations with shareholders and other stakeholders

Ensuring shareholder rights, equality, etc.

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

Appropriate collaboration with stakeholders other than shareholders

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

CSR (corporate social responsibility) initiatives

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

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

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

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

Internal reporting system

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

Standards and Criteria for Determining the Independence of External Directors

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

Related Party Transactions

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

Evaluation of the Board of Directors

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

(i) Evaluation Process

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

(ii) Focus of evaluation

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

(iii) Evaluation Results

Evaluations were performed in FY2015 and FY2016, but as FY2017 was the first year of the new Medium-term Business Plan, strategic measures focused on core businesses were implemented, the starting period of Board of Directors meeting was accelerated to ensure that more substantive debate could take place, and plans were implemented to provide additional information to Directors and to strengthen communication with the execution side. As a result, the FY2017 evaluation showed trends of overall improvement.

Assessments were made by each Director based on standardized evaluation criteria, and as a Company with Committees, there has been a noticeable a rise in the effectiveness of the Board of Directors.

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

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

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

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

Training Policy for Directors

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

Reason for appointment as a Director and main activities of Directors

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

Director	
Name	Reason for appointment
Kozo Makiyama	After serving for many years in the Store Management Operation Divisions, Mr. Makiyama was appointed President and Representative Executive Officer in May 2011. Through his years of service, he has amassed a wealth of experience that broadly covers PARCO's business operations. As a PARCO Director, he has been actively contributing to discussion and deliberation at Board meetings since May 2008 and he was appointed to supervise operations and provide management oversight based on his experience and track record to date.
Hidekazu Hirano	After serving for many years in the Store Management and Corporate Operations Divisions, Mr. Hirano was appointed President and Representative Executive Officer in March 2008, and has served as a Senior Executive Officer since May 2011. Through his years of service, he has amassed a wealth of experience that broadly covers PARCO's business operations. As a PARCO Director, he has been actively contributing to discussion and deliberation at Board meetings since May 2008 and he was appointed to supervise operations and provide management oversight based on his experience and track record to date.
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 2018)
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.
Noriko Nakamura	CEO of Poppins Holdings and the Representative Director Chairman, 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.	Attended 11 of the 14 Board meetings and 10 of 13 Audit Committee meetings held this fiscal year and Provided her perspective as a vastly experienced business manager when needed.
Tadayuki Seki	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.	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.

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 2018

Position	Individuals paid	Amount paid (Millions of yen)
Directors (excluding External Directors) External	5	25
Directors	4	31
Executive Officers	16	451
Total	25	507

Notes

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

Position on shareholdings

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

Criteria for exercise of voting rights

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

Status of shareholdings

1. Investment equities held for purposes other than portfolio investment

Number of companies: 7

Total value recorded on balance sheet: 525 million yen

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

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

Fundamental Policy for Corporate Governance

Section 1: General Provisions

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

1. Corporate Mission

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

2. Basic Approach to Corporate Governance

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

3. Our Corporate Governance System

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

Section 2: Overview of the PARCO Corporate Governance System

1. Board of Directors

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

(1) Role of the Board of Directors

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

(Scope of responsibility over the managerial team)

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

(Supervision of successor planning)

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

(2) Composition of the Board of Directors

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

(Effective utilization of External Directors)

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

Furthermore, meetings of these Committees may be held with only External Directors in attendance when necessary, such as when assessing the performance of the President and Representative Executive Officer.

We do not appoint a Senior Independent Director. However, the Chairman of the Audit Committee is to work together with the management team by, for example, attending Management Committee meetings in an observer status. Chairmen of the other Committees are also expected to work closely with management.

(Standards and criteria for determining External Director independence)

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

(Scope of Director fiduciary duties)

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

(Disclosure of Director's duties at other companies)

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

(3) Approach to Officer appointment

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

(4) Approach to Officer compensation

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

(5) Ensuring vigorous debate at Board of Directors meetings

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

(6) Analyzing and assessing effectiveness

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

(7) Internal controls and risk management system

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

(Risk Management System)

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

(Compliance system)

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

(Internal auditing system)

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

(8) Information acquisition and support structure

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

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

(9) Officer training policy

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

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

2. Committees

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

(1) Roles

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

(2) Committee Composition

(Nominating Committee)

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

(Audit Committee)

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

(Compensation Committee)

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

3. Executive Officers and the Management Committee

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

4. External Accounting Auditor

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

(1) System to maintain audit effectiveness

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

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

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

Section 3: Relations with shareholders and other stakeholders

1. Ensuring shareholder rights, equality, etc.

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

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

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

(Provision of information, issuance of convocation notices)

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

(General Meeting date)

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

(Exercising electronic voting rights)

We utilize a platform for exercising electronic voting rights.

(Exercising voting rights by substantial shareholders)

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

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

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

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

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

(4) Basic approach to Capital Policy

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

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

(5) Strategic shareholdings

(Shareholding policy)

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

(Standards for the execution of voting rights)

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

(6) Basic Policy Regarding Company Control

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

(7) Related-party transactions

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

2. Appropriate collaboration with stakeholders other than shareholders

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

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

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

(2) Formulating and implementing company standards of conduct

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

(3) CSR (corporate social responsibility) initiatives

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

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

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

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

(5) Internal reporting system

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

Section 4: Information disclosure

1. Appropriate information disclosure and ensuring transparency

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

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

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

2. Policy regarding constructive dialogue with shareholders

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

(1) Interviews with company management or External Directors

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

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

(2) Engagement with individual investors

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

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

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

(4) Management of insider information

We work to prevent insider transactions by Officers and employees by providing PARCO Group Regulations for the Control of Insider Trading and Regulations for the Prevention of Insider Trading which set out rules for the management of insider information pertaining to our company and its subsidiaries, and for the handling of stock, including buying and selling, of our company and subsidiaries. We have also established a disclosure policy, including sections on basic policy on information disclosure, information disclosure standards, information disclosure methods, improving information disclosure, silent periods, and concerning forecasts. We have posted this policy on our website and strive to disclose information in a manner that is fundamentally transparent, balanced and consistent.

(5) Formulation and public announcement of management strategy

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

(Supplemental Provisions)

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

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

Standards for Determining the Independence of External Directors

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

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

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

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

Standards for Determining Director and Executive Officer Compensation

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

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

Officer Selection Standards

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

Selection of Directors

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

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

1. Executive Director

The candidate must:

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

2. Non- Executive Director

The candidate must:

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

Recommendation of Candidates for Executive Officer or Representative Executive Officer

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

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

1. Executive Officer

The candidate is to:

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

2. Representative Executive Officer

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

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

Compliance and Risk Management

PARCO has established a framework to ensure the appropriateness of company and group operations with regard to business efficiency and effectiveness, the credibility of financial reports, legal compliance, and the preservation of company assets. Under this framework we are working to promote compliance and risk management and improve corporate value.



Compliance system

PARCO's Basic Principles of Compliance and Code of Conduct stipulate 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. In addition, we pursue internal awareness programs and initiatives, including the distribution of a PARCO Employee Handbook to all officers and employees.

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 required to participate in awareness training designed to prevent harassment.

[Basic Principles of Compliance](#)

[Code of Conduct](#)

Whistle-blower system

We have established multiple whistle-blower systems in order to quickly understand possible risks within each group company. The systems enable us to accept reports of legal and regulatory violations, prevent corruption, and detect and correct fraud. We have also established an appropriate processing system for reporting violations through a third-party organization.

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.

Risk management system

We implement a cross-organizational risk management framework centered on our Risk Management Committee that identifies and assesses the risks entailed in corporate activities, heightens internal awareness of these risks, and takes countermeasures to deal with them. The risk management framework enables the Risk Management Committee to take emergency action in response to risk events including taskforce deployment and information management.

In order to prevent the occurrence of risk events and minimize the adverse effects on the business should they occur, PARCO has established The PARCO Risk Management Code and other regulations for risk assessment. If serious risk arises, the Risk Management Committee plays a key role in establishing an integrated response headquarters to address the issue systematically.

Risk management framework

In principle, the Risk Management Committee holds a general meeting once every six months. Special committee meetings are also held to discuss and implement various measures as necessary.

Additionally, each department at PARCO head office, each PARCO store, and each group company has a risk management leader who promotes proper compliance and risk management, shares risk management information to facilitate discussion on proper and timely response methods, and encourages management and on-site employees to work together to enact measures in accordance with environmental changes both inside and outside of the company. Details related to risk management initiatives, including the above strategies for serious risks, are reported to the Management Committee once every six months.

PARCO Group Business Continuity Plan (BCP)



PARCO's Business Continuity Plan for Major Earthquake Disasters was formulated to ensure that PARCO can quickly resume business operations and fulfill its social mission even in the event of a large-scale disaster that damages our commercial facilities or impacts Head Office functions.

Upon confirming the safety of customers, shop staff, and PARCO Group employees, the plan provides direction on mobilizing the strengths of all employees to maintain a level of service and commercial space that will enable us to continue to pursue our corporate mission of "creating welcoming spaces." The plan sets forth PARCO's post-disaster recovery plans, ongoing support, and basic conditions for resuming business operations.



Staff undergo Business Continuity Plan training at a PARCO store, with a focus on the initial response, when correct decisions must be made within a predetermined time, and resumption of business operations.

Proactively supporting local communities in the event of a disaster



Major earthquake disasters threaten not only businesses, but also local governments and residents, and cooperation with these groups is essential for the smooth and effective recovery of affected areas, including PARCO stores. We believe that proactive, mutual assistance for local areas and neighboring businesses should be carried out in parallel with the recovery of PARCO stores. PARCO's Business Continuity Plan for Major Earthquake Disasters also sets forth our policy for providing assistance to customers who have difficulty returning home in the event of a disaster.

Pre-arrangements with tenant shops for sale of daily necessities

PARCO has made arrangements with shops that carry daily necessities—primarily food, medicine, outdoor goods, and light clothing such as underwear—so that these items can be provided or sold at outside locations in the event of a disaster to affected areas.

Collaboration with residents and government

Local cooperation, partnerships and support

To the extent possible, PARCO will provide voluntary assistance and relief support and equipment to victims of natural disasters in the areas in which we operate. We will also support regional restoration activities and work to provide information and other forms of aid through our tenant shops.

Cooperation with local governments

In the event of a large-scale disaster such as an earthquake, business continuity is necessary both from the perspective of resuming store operations and contributing to local recovery. For that reason, PARCO exchanges information with local governments not just when disasters occur, but in normal times too.

Mutual support among local businesses

PARCO is strengthening relationships with neighboring businesses in the areas in which we operate and exchanging information and establishing cooperative frameworks as a means of providing mutual support and assistance. In the event of a disaster, this cooperation helps facilitate local recovery by providing evacuation guidance, personnel, equipment, and supplies.

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.



Main Themes

The PARCO Group Fundamental CSR Policy recognizes six main themes: “Next generation,” which involves supporting the talents of the next-generation’s workforce, “Culture,” in the form of providing new cultural value and culture-based markets, “Local communities,” which includes working to enhance the attractiveness of local communities and neighborhoods, “Environment,” in which the Group promotes the creation of commercial spaces with minimal environmental impact, “Work style reform,” which involves creating new value that will increase our corporate value through the participation and collaboration of human resources with diverse talents and individuality, and “Compliance,” under which the PARCO Group observe various laws and regulations, social rules and norms, and internal regulations as it conducts business, carrying out fair and highly transparent corporate activities.

CSR Mission

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

Next generation >

The PARCO Group will support the talents of the next-generation’s workforce using its expertise and networks, 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 with fashion and entertainment.

Local communities >

The PARCO Group will participate in the local community through events at its stores and other initiatives and contribute to more attractive districts and local areas by maintaining safe, secure commercial facilities.

Environment >

The PARCO Group will collaborate with tenant partners and other companies with which it does business to create commercial spaces with minimal environmental impact.

Work style reform >

Through the participation and collaboration of human resources with diverse talents and individuality, the PARCO Group will create new value that will increase its corporate value, promote development and growth, and ultimately contribute to society.

Compliance >

The PARCO Group will observe various laws and regulations, social rules and norms, and internal regulations as it conducts business, carrying out fair and highly transparent corporate activities.

Main Themes

【Next generation】 Main activity and achievements

VR content award for fashion, culture, and the arts

NEWVIEW AWARDS 2018

Nine works awarded from 219 entries by next-generation creators in seven countries

October 2018

The awards were held looking toward a time in the near future, aiming to discover and support next-generation creators who are able to lead the way in new expressions of VR, culture and lifestyles and provide them with an opportunity to advance to the next step. We received 219 entries from seven countries, with 19 entries selected in the first screening by the secretariat. These were submitted for a second, final judgement by all of the judges together giving them rigorous and fair consideration, with nine being selected for awards. The Gold prize (Grand Prix) was awarded to virtual YouTuber Emoco's personal VR exhibition, "EMOCO'S FIRST PRIVATE EXHIBITION." In 2019 the call for entries began in July, and four further prizes were decided. After their awards, the recipients will be supported as VR creators. The final judging result is to be announced in December.



Discovery and support of young designers

FASHION PORT NEW EAST

October 2018

We provided support for the 2019 spring-summer and autumn-winter collection shows at FASHION PORT NEW EAST, an event held as a part of Amazon Fashion Week TOKYO to discover and support young designers. We have provided continuous support for this event, which has run twice in the past four years since October 2015.

We provided support for the 2019 spring-summer and autumn-winter collection shows at FASHION PORT NEW EAST, an event held as a part of Amazon Fashion Week TOKYO to discover and support young designers. We have provided continuous support for this event, which has run twice in the past four years since October 2015. Having young designers present their designs, we hope that new talent for the next generation will serve as a new source of strength for the Japanese fashion industry. For the 2020 Spring/Summer Collection, we are planning projects to back this new talent by renaming and revamping the format of the event to increase its impact.



Brands Participating in 2019 Autumn/Winter Collection Show

From left: SHUSHU/TONG; kotohayokozawa; malamute

Discovery and incubation of young Asian designers

Asia Fashion Collection

February 2018 and 2019

PARCO and Vantan Inc. are jointly involved in measures to discover and incubate young designers in Asia. For this collection, young designers from Japan, South Korea, Taiwan, and Thailand compete for the right to appear in international events such as the runway at the New York Fashion Week and Taipei IN Style, as well as to exhibit a collection at PARCO. At the New York Stage held in February 2019, we held a fashion show featuring seven brands by young Asian designers which was attended by around 350 people connected with the global fashion industry. We aim to continue developing Asia's fashion industry by discovering and incubating young Asian designers.



Group photograph with participating designers
President Ishikawa of Vantan Inc. (center left) and
Executive Officer Mizoguchi of PARCO for the
Market Creation Department (center right)

A contest just for junior high school and high school students who aspire to become designers

Asia Fashion Collection for Junior High School and High School Students “AFC U-18 contest and exhibition

June 2018—March, April 2019 at Ikebukuro PARCO Museum

Asia Fashion Collection (AFC) is a global project aimed at discovering and incubating young designers with a view to further developing Asia's fashion industry. The “AFC High School Contest,” a contest just for high school students held last year, was extended this year to include entries from junior high school students, as “AFC U-18.” To enable the five contestants who made it through to the second round of judging to complete their work for the final round in March 2019 with confidence, even if they were inexperienced, they were given support from specialist staff, such as provision of materials and advice on selection of materials, and technical instruction on patterns and sewing. The final round of judging was carried out by leading stylists in the industry, who style for numerous celebrities. The Grand Prize was awarded to Toko Kamimura, with two runner-up prizes awarded to Risa Ochiai and Nene Sogo. Their work was exhibited at Ikebukuro PARCO Museum in April.



Image of the design worn by a model

Collaboration with Textile Companies

“KIRE KIRE TEN Contemporary Folk Dress” exhibition expresses contemporary folk dress in collaboration between discerning designers and textile companies

April 2018 at Ikebukuro PARCO Museum

KIRE KIRE TEN Contemporary Folk Dress expressed contemporary folk dress in collaboration with textile companies and with a total of 20 participating brands, from brands already active in mode and fashion to new brands making their debut at the event. The participating designers focused on materials (fabric) through a process of selection, development, and processing with cooperation from industrial plants located throughout Japan, adding flavor to them through various techniques including tie dying, needle punching, printing, and weft knitting. Each designer created their own interpretation of the shared theme of contemporary folk dress for the exhibition.



DANCE ASIA—Crossing the Movements

March 2018

The Asia Center was established by the Japan Foundation to promote cultural and sports exchange and the Japanese language within the ASEAN region. Since 2014, we have collaborated with the Asia Center to pursue the potential of performing arts through street dance with a backdrop of independently developing Asian culture. In March 2018, the fourth year of our collaboration, we invited three people, from the Philippines, Indonesia, and Japan, to perform and choreograph three pieces with emerging new dancers comprised of multiple nationalities to showcase a fusion of diverse expressive capabilities, exquisite technique, and music. The program has been scheduled again for July 2019, this time for five pieces combining the superb technique, expressive capabilities, and music of 48 artists and dancers in total from Japan and six Southeast Asian countries.



© Yosuke Kamiyama/DANCE DANCE ASIA Tokyo performance 2018
“Uchu” (Cosmos) Choreographed and produced by Koutei Sennin

Shibuya StreetDance Week

November 2018

We serve as the Executive Committee Secretariat for Shibuya StreetDance Week, one of the largest street dance festivals in Japan, which has been running since 2015. Shibuya StreetDance Week aims to establish street dance as a new form of art and culture that is widely enjoyed by all manner of people, and to transmit high-quality entertainment from Shibuya, which is an important cultural center for street dance, to the world, thereby helping to create excitement in the Shibuya area. The event was held for the fourth time in November 2018, and featured various collaborations by local Shibuya dance studios and performances in front of local commercial facilities.



Shibuya StreetDance Week 2018

PARCO Advertising for 2018-2019

Hiring a Team of Young Creators

PARCO 2018 Autumn/Winter season poster

PARCO 2019 Spring/Summer season poste

From the 2018 Seasonal Ad Campaigns, we have aimed to create new forms of advertising expression by hiring young Japanese creators and gathering young talent to work together. This process embodies our corporate approach of incubation and taking up new challenges, which we have developed over the years. In PARCO 2018 Autumn/Winter, we hired young creators, mainly in their 20s, such as photographer Kisshomaru Shimamura and film maker Kento Yamada. The images for the campaign also provided an opportunity for young creators to showcase their talents, winning the Jury Selection for the Entertainment Division in the 22nd Japan Media Arts Festival.



PARCO 2018 Autumn/
Winter season poster

PARCO 2019 Spring/
Summer season poster

Main Themes

【Culture】 Main activities and achievements

Reopening of PARCO's Mini-theater CINE QUINTO

July 2018

In July 2018, the mini-theater CINE QUINTO reopened in the Shibuya Sanyo Building, just four minutes on foot from Shibuya Station, after closing temporarily for the rebuilding of Shibuya PARCO in August 2016. The theater aims to provide real thrills and discoveries in live entertainment as Shibuya's premier movie theater offering human interaction and fun, such as installing the only pair-seats in Shibuya.



<Theater>

“A Doll’s House, Part 2”

Produced by PARCO August 2019

Henrik Ibsen’s “A Doll’s House” upset social conventions when it was first unveiled with an ending that painted a picture of women’s independence. Since then, the play has become a modern classic that continues to be performed around the world 140 years later. The new play, which opened in August 2019, is by emergent American playwright Lucas Hnath, and boldly continues the story in an ambitious work written for contemporary audiences. Following on from PARCO’s award-winning production, “The Children,” “A Doll’s House, Part 2” was an early challenger in the category of topical translated play.



<Publishing>

“Kojitsu Nikki–Kisetsu no Youni Ikiru”

(Every day a good day diary-living each season as it passes)

The much anticipated follow up to the original essays that inspired the hit movie “Nichinichi Kore Kojitsu” (Every Day a Good Day) starring Haru Kuroki, Kiki Kirin, and Mikako Tabe. Full of tasteful illustrations by the author, each essay is a challenging pearl of wisdom.



<Music>

CLUB QUATTRO

We run live music events at our four “CLUB QUATTRO” venues in Shibuya, Nagoya (Nagoya PARCO East Building 8th floor), Umeda, and Hiroshima (Hiroshima PARCO Main Building 10th floor). In 2019, Nagoya CLUB QUATTRO celebrated its 30th opening anniversary with a series of special live performances running from June through to autumn under the title “NEW DIRECTION 2019.”



PARCO received awards for its theater productions as well as film productions that it purchased and distributed and its advertisements and so forth.

<Theater>

“Antigone” performed in January 2018

Yu Aoi (Antigone)

The 69th Art Encouragement Prize for New Artists (Drama)
The 26th Yomiuri Theater Awards for The Best Actress Award
The 53rd Kinokuniya Theatre Awards to individuals



“Antigone”

“The Children” performed in September 2018

Tamiya Kuriyama (Director)

The 26th Yomiuri Theater Awards for The Theater Award and The Best Director Award

Mayumi Wakamura (Rose)

The 44th Kazuo Kikuta Theater Awards (Drama)

Jun Ogasawara (Lighting)

The 26th Yomiuri Theater Awards for The Outstanding Staff Award

Masahiro Inoue (Sound)

The 26th Yomiuri Theater Awards for The Outstanding Staff Award



“The Children”

“The Sea of Fertility” performed in November 2018

Ikue Osada (Script)

The 53th Kinokuniya Theatre Awards to individuals

Masahiro Inoue (Sound)

The 26th Yomiuri Theater Awards for The Outstanding Staff Award



“The Sea of Fertility”

<Movies>

“C'est la Vie!” purchased and distributed by PARCO

Air France Audience Award at Festival du Film Francais au Japon 2018



“C'est la Vie!” purchased and distributed by PARCO

“Nichinichi Kore Kojitsu” for which PARCO participated in the production committee

The 43rd Hochi Theater Awards for Director and Supporting Actress



“Nichinichi Kore Kojitsu” for which PARCO participated in the production committee

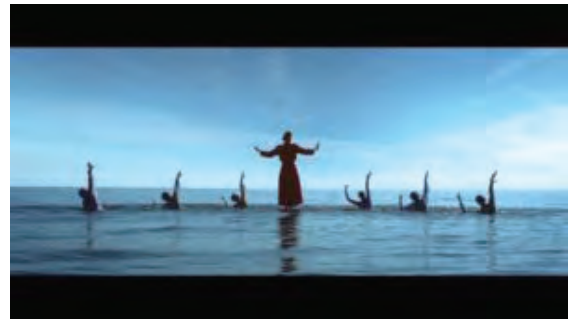
<PARCO Advertisement>

PARCO was selected for the Jury Selection at 22nd Japan Media Arts Festival

At the 22nd Japan Media Arts Festival, the PARCO 2018 AW Campaign video created by a young creative team in their 20s, including photographer Kisshomaru Shimamura and film maker Kento Yamada, was included in the Jury Selection for the Entertainment Division.



PARCO 2018 AW poster



PARCO 2018 AW campaign video

<Shibuya PARCO>

AKIRA ART WALL, a public art wall created on the temporary barrier around the Shibuya PARCO construction site, received the Good Design Award.

The AKIRA ART WALL, which used the temporary barrier around the reconstruction site for Shibuya PARCO, received the Good Design Award 2018. It is a collaboration between prominent Japanese manga creator and film director Katsuhiro Otomo's renowned work, "AKIRA," and collage artist Kosuke Kawamura. The art production was installed on the temporary barrier in October 2017, with the intention of creating excitement around the Via PARCO (Park Street) and Spain Hill areas during the construction period. It received the award for its affinity with the Shibuya district, which is undergoing redevelopment, and for having attracted many visitors from in and outside Japan as a point of interest. In February 2019, it will be changed to Art Wall Project No. 3, the largest project of its kind ever, communicating to the world that Shibuya is a flashpoint for art and culture.



The Good Design Award presentation ceremony

<DETECTIVE CONAN CAFE in Bangkok>

The café received the Bronze Award at the 3rd Animonozukuri Awards.

At the 3rd Animonozukuri Awards for collaborative works and advertising promotions featuring anime, manga, and characters, the collaboration cafe, “Detective Conan Cafe in Bangkok,” which opened in Thailand in August 2018, received the Bronze Award in the International Division.



“Detective Conan Cafe in Bangkok”

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©2018 GA/DCC

Main Themes

【Local communities】 Main activities and achievements

Mini-theater UPLINK Kichijoji PARCO

Kichijoji PARCO 2nd basement floor

UPLINK Kichijoji PARCO is a five-screen, 300-seat mini-theater that opened on the second basement floor of Kichijoji PARCO in December 2018. Up until now, we had conducted joint distribution and advertising of movie products with UPLINK, and the operation of movie theaters is our first joint business with them. The theater will show exciting selections from global film festivals, art films, independent films, and others, as well as family-oriented films enjoyed by the community. The theater aspires to become a local movie theater that contributes to the film culture of Kichijoji.



December 2018

Photo by Takehiko Murata

Hibarigaoka PARCO

Hibari Culture Festival Held to Commemorate 25th Opening Anniversary

October 19 to November 1, 2019

The Hibari Culture Festival was held to mark the 25th opening anniversary of Hibarigaoka PARCO, with the theme of “Learn, Play, and Have Fun at PARCO.” Creators, cultural leaders, and musicians active in the west Tokyo area, as well as local shops and schools, gave performances, seminars, and workshops. A local paper cutout artist, designer, and photographer were used to create the paper cutout for the main visual, as well as the design logo and the advertisement poster. A photography exhibition, “Portraits of Hibari,” featured photographs of memories taken in the Hibarigaoka district displayed alongside current photographs recreated in the same locations by professional photographers. With their nostalgic scenery and comments from participating customers, the photographs attracted a large number of visitors each day.



Shizuoka PARCO

Launch of a crowdfunding appeal for a bronze statue product of Yoshimoto Imagawa

Started on July 23, 2019

A project was launched to erect a bronze statue of Shizuoka City founder Yoshimoto Imagawa on the 500th anniversary of his birth. The plan is to install the statue at the North Gate of JR Shizuoka Station, the main entry point to the city, as a symbol and as part of an initiative to reevaluate Yoshimoto's achievements and restore his place in history. The project ran from July 23 to October 10 as a collaborating effort between the Shizuoka Chamber of Commerce and Industry (the project owner) and PARCO, designed to support regional revitalization. It is being jointly promoted by Matsuzakaya Shizuoka Store and Shizuoka PARCO.



Kumamoto PARCO

Higo Ichinomiya Aso Shrine Restoration Support Project

First Round of Support for Aso Shrine Special exhibition of model replica of Aso Shrine tower gate, a designated national treasure and one of Japan's three famous tower gates

June 28 to September 22, 2019

To support our coexistence with the local community and speed the process of recovery from the Kumamoto Earthquake of April 2016, PARCO Kumamoto store has been conducting a restoration support project for Higo Ichinomiya Aso Shrine, which was severely damaged by the earthquake. As a first round of support for Aso Shrine, we held a special exhibition of "Aso Shrine Tower Gate Model Replica." We will continue to support Aso Shrine going forward.



Aso Shrine Tower Gate Model Replica

Nagoya PARCO

Crowd-Funding Project to Build Excitement over Local Producers and Food Culture

February 27, 2019 Renewal opening of the restaurant floor

The restaurant floor on the 7th floor of the West Building of Nagoya PARCO, includes stores opened by Okuyama Yasuzou Shouten, a live fish wholesaler from Mie Prefecture, and Aim Enterprise, which has opened popular stores in its home prefecture of Aichi. To conduct their openings, both stores used the crowd-funding service BOOSTER in a project to promote interest in environmental improvements by producers and local food culture through collaboration between local restaurants and producers. Part of the funds received to support the project were returned to producers to fund development of young fishing professionals, improvements to fishing facilities, and other support for the fishing industry. In return, premium gourmet tickets for use on the restaurant floor were offered, along with other gifts, which resulted in visits from many customers.



Nagoya PARCO West Building 7th floor
Okuyama Yasuzou Shouten Himono Terrace

PARCO_ya

Happy “Pandaful” Days Program Celebrates the Birthday of Xiang Xiang the Panda

May 22 to June 18, 2019

The Happy “Pandaful” Days program was held to celebrate the birthday of popular Ueno Zoo resident, Xiang Xiang the panda on June 12. In collaboration with the neighboring Matsuzakaya Ueno Store, the program featured a Xiang Xiang photography exhibition including previously unreleased photographs, a panda quiz rally, sales of exclusive panda merchandise at PARCO_ya, and original menu offerings as part of efforts to join with the neighborhood to create a birthday celebration. Visitors to the store appeared to be caught up in the festive mood as they walked about.



PARCO_ya 1st floor
DEAN & DELUCA CAFE
Panda Crushed Chocolate Muffin

Matsumoto PARCO

Matsumoto PARCO Festival

November 3, 2018

In coordination with the citizen's festival in Matsumoto City, Nagano Prefecture, Matsumoto PARCO collaborated with local trust banks, stores, and magazines to hold the Matsumoto PARCO Festival. In 2018, districts of Matsumoto City were blocked to vehicle traffic to create pedestrian-only areas. Ten brands with stores in Matsumoto PARCO participated in a fashion show featuring local models from Nagano. Other events offered various experiences, such as a popular Pan-Pa-Pan Festival held by a group of bakeries, a PARCO Kitchen, featuring a group of nine mobile eateries, along with workshops and stamp rallies held inside PARCO. The festival was attended by many visitors, contributing to the excitement in Matsumoto City.



The Citizen's Festival in which Matsumoto PARCO participated

Donation Collection and Support Activities

We collected donations to support those affected by the Hokkaido Eastern Iburi Earthquake in 2018.

A total of ¥94,877 was collected between Tuesday, September 18 and Friday, November 16, 2018. The collected amount was donated as aid to support the recovery of disaster-affected areas through the Japanese Red Cross Society.

We collected donations to support those affected by the torrential rains in July 2018.

A total of ¥535,279 was collected between Tuesday, July 17 and Friday, October 19, 2018. The collected amount was donated as aid to support the recovery of disaster-affected areas through the Japanese Red Cross Society.

We collected donations to support those affected by the 2018 Northern Osaka Prefecture Earthquake.

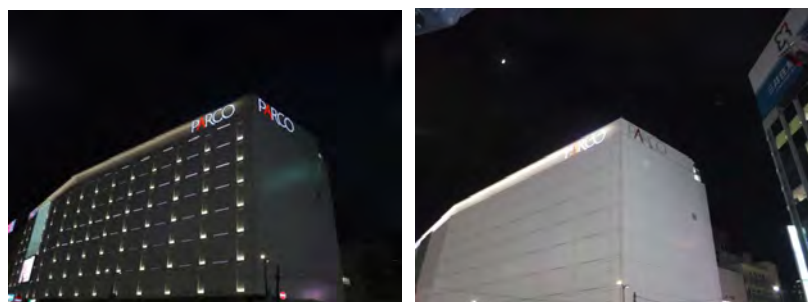
A total of ¥82,398 was collected between Tuesday, June 26 and Friday, September 28, 2018. The collected amount was donated as aid to support the recovery of disaster-affected areas through the Japanese Red Cross Society.

Main Themes

【Environment】 Main activities and achievements

Participated in the Ministry of Environment’s “CO2 Reduction/Lights Down Campaign”

This year, PARCO participated again in the “CO2 Reduction/Lights Down Campaign” of the Ministry of the Environment, which calls on illuminated facilities and households to turn off their illumination. On Thursday, June 21, 2018, the day of the summer solstice, 16 PARCO stores throughout Japan conducted a lights down, turning off mainly the illumination around the outside of their buildings. We will continue striving to contribute to the prevention of global warming as much as possible.



Ikebukuro PARCO before lights down (left) and during lights down (right) on June 21, 2018

Participating stores: 16 PARCO stores nationwide
*Excluding PARCO_ya

First time: Thursday, June 21, 2018 summer solstice 8:00
—10:00 p.m.

*Light down time may differ at some stores
Second time: Saturday, July 7, 2018
Cool Earth Day, Tanabata Festival

Sharing the Achievements of All Stores by Issuing ECO Action Reports

The electricity usage, recycle rate, and PET bottle cap recovery for each PARCO store are detailed in a report on the performance of each store and shared throughout the Company. In addition, the report includes a variety of information on social issues to promote better awareness of environmental responses among employees.

Main Themes

[Workstyle reform] Main activities and achievements

Supporting Workstyles That Do Not Require a Specific Workplace

We are promoting communication and faster and more intense operations through the utilization and expansion of ICT.

- Renew internal Groupware with the introduction of cloud services, etc.
- Provide all employees with mobile PCs and smartphones
- Promote internal exchanges and flexible workstyles
(expand web meetings, partially introduce free addresses, establish free working spaces and concentration areas)



Introduction of Second Job Program

Started in February 2019

Our basic policies for the program are that

- (1) second jobs and other experiences outside the Company provide opportunities for employees to grow, and employee growth leads to Company growth and
- (2) the Company has employees with diverse talents, and second jobs can provide opportunities for employees to utilize their talents.

Objectives and Expectations of the Program

(Objectives)

- Promote growth and autonomy of employees
- Revitalize internal activity (promote innovation)
- Retain and acquire diverse human resources
- Opportunities for employees to utilize diverse talents

(Expectations)

- Experiences outside the Company will
 - Stimulate competitive awareness and promote innovation
 - Expand employee perspectives and human networks, leading to transformation of Company culture
- Through the second job program, the Company will
 - Expand options for self-realization
 - Positively impact human resource recruitment

First Time Participation in National Work Style Reform Campaign, “Telework Days,” and Tokyo Government’s “Jisa Biz” Campaign

○ Telework Days Two days within July 23 to 27, 2018

○ Jisa Biz July 11 to August 10, 2018

To enable diverse human resources to work in flexible ways, we have introduced the home work program and expanded our child rearing and nursing care support programs. Now we have participated in the national work style reform campaign, “Telework Days,” as well as the Tokyo Government’s “Jisa Biz” campaign, in an effort to promote flexible work styles.

Main Themes

[Compliance] Main activities and achievements

Various Compliance Training

The Risk Management Committee works proactively with employees through continuous training and drills to ensure compliance. We have been working to have all employees attend anti-harassment training since fiscal 2017.

2017 to 2018	Anti-harassment training
July to August 2018	Compliance and anti-fraud training
October 2018	Basic training on the Act on the Protection of Personal Information Training on
November 2018	dealing with complaints
February 2019	Basic training on contracts
April 2018 to January 2019	BCP training held five times
October to November 2018	Influenza vaccinations

Introduction of Multilingual Emergency Announcements (Sapporo Store, Ikebukuro Store, Chofu Store)

To prepare for an increase in customers from overseas, particularly during the 2020 Tokyo Olympic and Paralympic Games, we are introducing multilingual emergency announcements to be played automatically when fire alarms operate. In the first half of fiscal 2019, the announcements were introduced at three stores: the Sapporo store, the Ikebukuro store, and at the Chofu store, which is near to Tokyo Stadium where the Olympics will be held, and where Olympic staff will be accommodated in the Creston Hotel on the upper floors. During a fire, the emergency announcement will be played in three languages: Japanese, English, and Chinese. The introduction of multilingual announcements will be extended to other stores going forward.

Distribution of Magnesium Batteries at All Stores for Disaster Readiness

After the Hokkaido Eastern Iburi Earthquake struck in September 2018, large scale power outages occurred in Hokkaido. At Sapporo PARCO, it was vitally important to ensure the necessary communication and gathering of information amid the dual event of an earthquake and power outage. From this experience, we have recognized the importance of securing communications during power outages, and have distributed magnesium air batteries to every store for recharging mobile phones during emergencies. The batteries generate electricity when salt water is poured into them, and a single battery can fully recharge 30 smartphones. Ensuring that the necessary communications can be conducted without worrying about batteries going flat, helps to alleviate uncertainty on site.

Ikebukuro PARCO

Participation in “Drill on Measures for People Who Have Difficulty Returning Home” in the Area around Ikebukuro Station in Toshima Ward

November 15, 2018

At the Ikebukuro store, over 1,000 people from commercial facilities, companies, universities and so forth in the Toshima Ward participated in a drill on measures for people who have difficulty returning home. This drill envisages the total stoppage of all public transport, including trains, in the event of a major earthquake. In conducting the drill, we cooperated by providing notices on a large screen on the wall of Ikebukuro PARCO in an effort to participate in the drill with the local community.

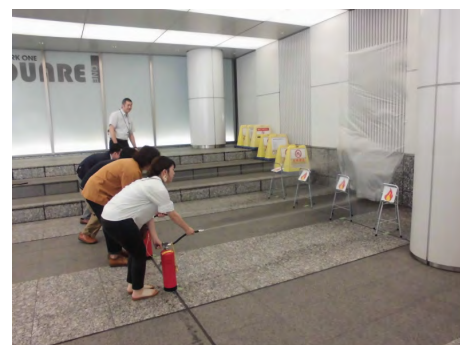


Sendai PARCO

Disaster Readiness Experience Courses

July 26, 2018

At the Sendai store, we held four disaster readiness experience courses: earthquake experience, thick smoke experience, fire extinguisher experience, and emergency service calling experience. Many of the participants commented that they would like the courses to be held regularly and made available to other staff. At the next training, foreign national volunteers also participated, to practice guiding foreign nationals in evacuations and making emergency announcements for them.



Tsudanuma PARCO

Drill on countermeasures for violent persons

May 17, 2018

At the Tsudanuma store, crime prevention seminars are held on various themes once a year, and the shop staff participate with interest. The most recent seminar was held just before the store opened, on the theme of countermeasures for violent persons. We held a joint drill on countermeasures with Funabashi Police Station and Chiba Prefectural Police Headquarters.

Chofu PARCO

Anti-Terrorism Seminar

At the Chofu store, we held crime prevention workshops in coordination with the Tokyo Metropolitan Police Department and Chofu Police Station since Tokyo Stadium is a major site for the 2019 Rugby World Cup and the 2020 Tokyo Olympic and Paralympic Games. The workshops included examples of previous international events such as Olympics being used as targets for terrorist activities. A police officer explained how the ingredients for making a bomb could be purchased from an ordinary home goods store, and we made sure that staff understood that they should promptly contact the police if they sensed anything unusual.

