



FY2014-16
Medium-term Business Plan
PARCO Group

- Previous Medium-Term Business Plan: Target Attainment
 - Prospects for the PARCO Group toward 2020
 - Two Steps toward Growth
 - Business Deployment Outline for FY2014-16
 - Five tactics for Business Growth
 - ① PARCO Stores Business
 - ② Development Business
 - ③ Related Businesses
 - ④ Overseas Business
 - ⑤ Strengthening of Management Foundation
- *Collaboration with J Front Retailing Group

Previous Medium-Term Business Plan: Target Attainment (i) 3/20

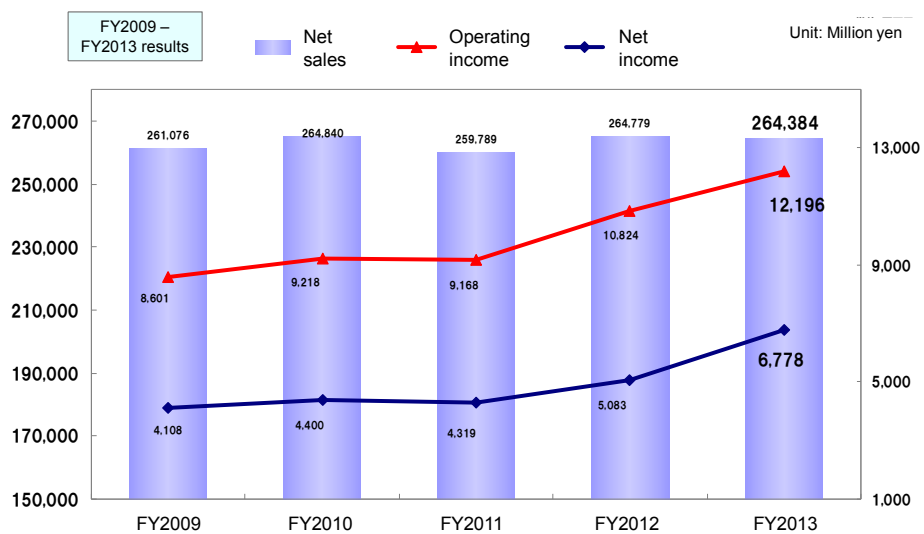
FY2013 operating income: ¥12.2 billion
Exceeded target of final year of FY2010-12 medium-term plan (¥12.0 billion)

Stable growth in shopping complex business through two-format conversion, renovation of existing stores; opening of Fukuoka PARCO; contributions from ZERO GATE, other new developments; growth in related businesses

	Targets within previous plan	Action
Shopping complexes	Innovation at existing complexes Two format conversions; renovating; cost reforms	<ul style="list-style-type: none"> Refined merchandise-specific operational methods for Urban Stores, Community Stores Improved profitability through store scrapping (Oita PARCO; Sapporo PARCO New Building; Shinsaibashi PARCO)
Domestic store development	Expansion to uncovered areas in greater Tokyo, Kansai	<ul style="list-style-type: none"> Opened Fukuoka PARCO (2010) Advanced ZERO GATE as up-and-coming format for new development (Shinsaibashi, Dotonbori, Hiroshima)
Expansion of related businesses and new businesses	EC business IT/website consulting Entertainment Retail Space Engineering & Management	<p>Growth through strengthening of overall business structure and expansion of projects with external partners</p> <ul style="list-style-type: none"> PARCO City: growth through IT/website consulting Entertainment: growth through quality content Retail: growth through store openings Space engineering/management: growth through external orders
Overseas expansion	Priority on expansion into China	<ul style="list-style-type: none"> Accumulated overseas business expertise through opening of NISON CITY MALL (Suzhou, China) and PARCO Marina Bay (Singapore) Business rebuilding under the current medium-term business plan
Strengthening of management foundation	Diversification of financial strategy Overhaul of real estate strategy Development of M&A and alliance strategy	<ul style="list-style-type: none"> Enhanced financial soundness by diversifying sources our funds, raising equity ratio Raised managerial efficiency by acquiring existing stores' assets Advanced an M&A and alliance strategy for further business growth based on the results of business collaborations with EC companies and other partners

Previous Medium-Term Business Plan: Target Attainment (ii) 4/20

Record high operating income for second consecutive year



2020: changes in the business environment

Growth in urban markets

Rising urban populations, demographic shift, increasingly diversified customer needs, municipal development

A new stage for overseas markets

China market reaches maturity; further growth in ASEAN cities

PARCO Group 2020 Long-term Vision

A business group that prospers in urban markets

- Designers of unique offerings for 24/7 urban life
- Creative drivers of urban evolution

Management policy toward the attainment of this long-term vision

The PARCO Group is to revamp its business portfolio to better create new added value through "incubation," "urban revitalization," and "trend communication," offering the goods and services required by urban consumers and commercial operators.

PARCO Group: endeavoring to realize long-term vision by advancing three strategies

Three business strategies

Cultivation of major urban areas

- Emphasize business expansion in urban areas
- Offer more value to our customers by expanding our network of shopping facilities in such areas

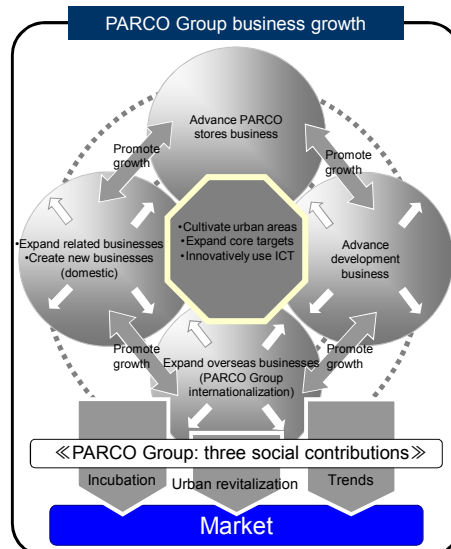
Expansion of core targets

- Accommodate a demographic shift and an increasingly diverse lifestyles by broadening our core market to include all who seek to enjoy city life, from young people to older, more mature individuals who retain youthful sensitivities

Innovative use of ICT*

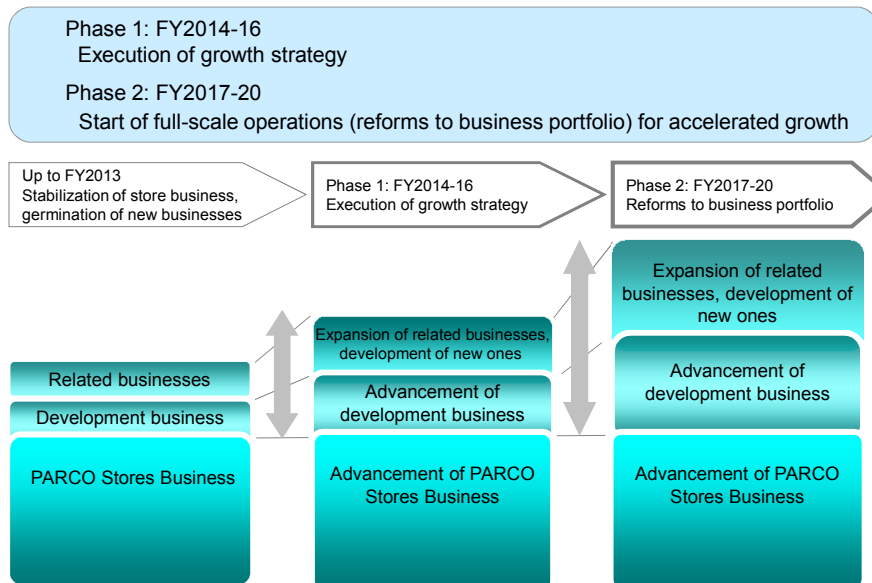
- Create a new form of shopping pleasure based on the web use of stores
- Revolutionize/recreate businesses through ICT

*ICT: Information and Communication Technology



Two Steps Toward Growth

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Business Deployment Outline for FY2014-16 (1st Phase)

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- Upfront investment and expenditure to promote development, foster business creation, and rebuild overseas operations to open a path for growth toward 2020
- Concurrently, we aim to maintain stable growth within the mainstay PARCO Stores Business through target expansion, tenant reconfiguration, web utilization, and operational reform. We are also aiming to achieve revenue and profit growth through expansion of projects with external partners in related businesses.
- An emphasis on diversity management to set a stage for continual business growth into the future

Units: billion yen

Consolidated	FY2016 target	FY2013 actual	FY2016 plan vs. FY2013 actual		3-yr plan	Description
			Growth	Difference		
Net sales	293.0	264.4	+10.8%	+28.6	Recurring investments	Store renovations, related businesses, etc.
Operating income	13.5	12.2	+10.7%	+1.3	Strategic investments	Shopping complex development, new business development, etc.
Net income	7.5	6.8	+10.7%	+0.7		
EBITDA*	20.0	18.1	+10.8%	+1.9	Total investment	37.0

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

Five tactics: First Phase (FY2014-16)

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Tactic ①	Prioritization of the PARCO Stores Business	Stable growth as an earnings foundation
Tactic ②	Development centered on areas around core urban stores and entry into new major cities in Japan	More development projects than under the previous medium-term plan
Tactic ③	Expansion of related businesses and creation of new businesses	Creation and development of a third revenue pillar
Tactic ④	Rebuilding of overseas business	Earnings improvement through expanded application of "small package business model" (attainment of profitability by overseas subsidiaries)
Tactic ⑤	Strengthening of management foundations for further business advances	

Seek further growth through strengthened collaboration with J Front Retailing Group

Tactic ①: Prioritization of the PARCO Stores Business (i)

10/20

Make PARCO stores the leaders in urban retail by attracting tenants, increasing customer traffic

Urban Stores, Community Stores two-pronged advance

	Urban Stores	Community Stores
Directionality	<u>Proposal for concept of new shopping complexes</u> Ripple effects originating from innovation at Shibuya PARCO, a new shopping center model ¹⁾ at Fukuoka PARCO New Building* (*centered on tenant optimization/web utilization)	<u>Optimization through operational reconfiguration</u> Application of multi-function shopping complex model to Urawa PARCO and Chofu PARCO, and application of extension of efficient operations
Expansion of core target market	Core target to extend up to "adults with youthful sensibilities who enjoy urban life"	Responding to the needs of consumers who center their daily activities on suburban commuter stations
Tenant reconfiguration	<u>Strengthen lifestyle propositions</u> • More variety, more items (shift in emphasis from apparel to food & living) • Introduction, advancement of themes (subcultures; anime; digital life; etc.)	<u>Increase, diversity customer traffic</u> • Tenants that are part of the community • Food service tenants • Diverse tenants (sundries, sports clubs, consumer electronics, various services)
	Annual renewal/revitalization of 15% of total tenant lease area	
Advance operational reforms	<u>Strengthen tenant communications</u> • Stronger on-site support	<u>Efficiency through operational centralization</u> • Headquarters to handle renovation, advertising & promotion, repetitive store tasks

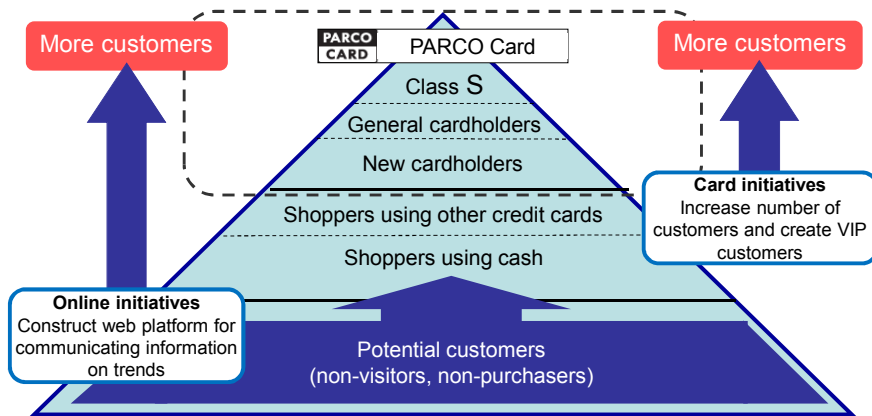
*Provisional name

Tactic ①: Prioritization of the PARCO Stores Business (ii)

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Turn potential customers into loyal, VIP customers (Class S) by utilizing a web-based approach and the PARCO Card

- Utilize the web to turn potential customers into PARCO fans
- Utilize the PARCO Card to turn new fans into VIP customers

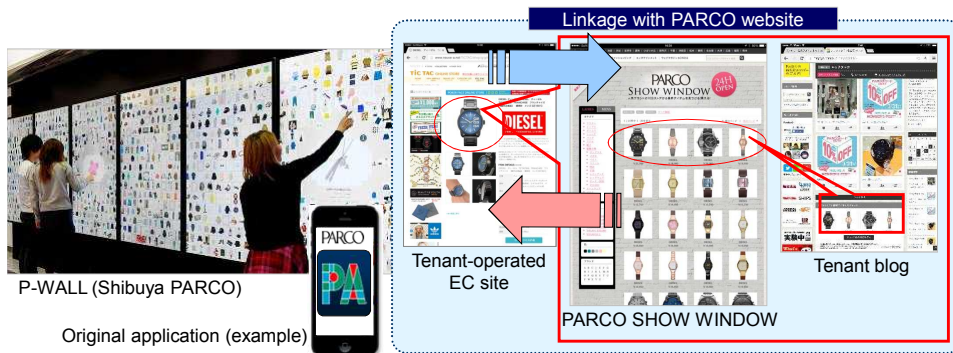


Tactic ①: Prioritization of the PARCO Stores Business (iii)

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24/7 PARCO for the enjoyment of consumers and tenant business operations
 A new consumption experience - A new consumption environment
 - Raising the added-value proposition of our shopping complexes-

- Expanded opportunities for customer interaction via PARCO website (tenant blogs, external collaboration)
- Leading viewers to tenant-operated electronic-commerce (EC) sites (PARCO SHOW WINDOW)
- EC sales out of tenant inventory in PARCO shopping complexes
- Personalized approaches (original application development)
- Electronic signage for in-store use (P-WALL)

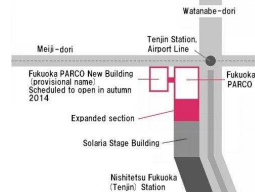


Realization of “shopping complex evolution” at Fukuoka PARCO (New Building*, additional floor space)

- Tenant rearrangement at Fukuoka PARCO (New concept shops, extended selection of items ranging from apparel to food and housing)
- New consumption experiences via digital communication environment (Wi-Fi coverage throughout, original digital signage, internally developed applications, client data analysis support for tenants, etc.)

*Provisional name

	Construction of New Building*, to open autumn 2014 Additional floor space at Solaria Stage, to open spring 2015	
Overview	Fukuoka PARCO New Building*	Additional floor space
Structure	3 below-ground floors 6 above-ground floors	B1, 3M, 3F, 4F
Floor area	Approx. 14,000m ²	Approx. 3,300m ² (planned)
Opening	Autumn 2014	Spring 2015



Diverse set of developments, including PARCO and ZERO GATE categories, new categories, property management, collaboration with J Front Retailing

Three-year development goals

- Four PARCO-type/new category (additional floor space, new annexes) [Fukuoka PARCO New Building*, Fukuoka PARCO (additional floor space), Sendai PARCO New Building*, etc.]
Development area: major cities where we do not yet have a presence (particularly areas in central Tokyo, Yokohama, and the Kyoto/Osaka/Kobe metropolitan area) and areas around our Urban Stores
- Seven ZERO GATE projects
Five ZERO GATE stores (Nagoya, Sapporo, etc.), two property management
Development area: prime districts in central Tokyo, areas around core PARCO stores, and urban communities
- Format conversion of pre-existing commercial facilities

Group business growth through advancement of development projects

- Area revitalization by peripheral development of areas around existing stores
- Efforts to extend to Building Management Business (PARCO Space Systems) and the Web Consulting Business for shopping centers (PARCO-CITY)
- Streamline operations in PARCO Stores Business to allow us to develop stores in urban areas where the cost of real-estate is high

*Provisional name

Tactic ②: Development centered around core urban stores, entry into new major cities in Japan (ii)

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Central Sendai—new store slated to open in spring 2016

Expansion near JR Sendai Station to further vitalize an actively developing district

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



Overview	Sendai PARCO New Building*
Site area	Approx. 3,600m ²
Floor area	Approx. 25,000m ² (planned)
Opening	Spring 2016 (planned)

*Provisional name

Tactic ②: Development centered around core urban stores, entry into new major cities in Japan (iii)

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ZERO GATE—accelerated development around core urban stores (Nagoya, Sapporo)

Nagoya ZERO GATE*

- Located in Sakae, the central Nagoya commercial district
- Slated to open in autumn 2014

Sapporo ZERO GATE*

- Located in the Odori, the central Sapporo commercial district
- Slated to open in spring 2016

Nagoya ZERO GATE* design image



Overview	Nagoya ZERO GATE*	Sapporo ZERO GATE*
Structure	3 above-ground floors (planned)	B2, B1, 1F-4F
Floor area	Approx. 7,500m ² (planned)	2,965.52m ² (PARCO share of total project floor area)
Opening	Autumn 2014 (planned)	Spring 2016 (planned)

Sapporo ZERO GATE* design image

*Provisional name

**Tactic ③: Expansion of related businesses
and creation of new businesses**

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Corporate value, customer satisfaction — create and develop a third revenue pillar to follow on PARCO Stores Business and development business

Further delighting and moving urban consumers

Retail Business

- Aggressive store expansion centered on key TICTAC business
- Revitalization of existing business categories, development of new ones through planning and development of original merchandise

Entertainment Business

- Development of high-quality content, diversification of earnings base by utilization in multiple forums
- Development of new business opportunities through collaboration with overseas agents

PARCO-operated Shops Business

- Opening of stores in non-PARCO shopping complexes, development of original products

Proposing solutions to contribute to the development of Japanese commerce

Space Engineering and Management Business

- Leveraging comprehensive strength in facility-related business to expand business in interior construction, property management, building management, and hotel facility management
- Expansion of external client base by establishing a combined order-receiving system

Web Consulting Business

- Development of the SC Concierge—a service that supports the ICT strategy of shopping centers—and expansion of human resources consulting services

Tactic ④: Rebuilding of overseas business

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Establish a foundation for a globalized PARCO business

Build a global business by utilizing our domestic tenant network, shopping center operational expertise

Concentrate on areas where we can put our expertise to work

- Southeast Asia ⇒ Singapore, Bangkok, Kuala Lumpur
- East Asia ⇒ Taipei, major cities in China

Identify local needs, nimbly expand bases to support overseas advances of Japanese restaurants

- Deploy special restaurant zones (3-year target: 4 locations)
 - Nimble deployment by use of small-scale business schemes
 - Establish contact with potential partners

Utilize PARCO Group expertise in collaboration with local partners

- Select business schemes that align with regional characteristics
 - Pursue business development through investment-based business model that allows us to take the initiative in shopping complex management

Tactic ⑤: Strengthening of management foundations to support further business advances

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1. Promotion of diversity

- Establishment of Diversity Committee
- Appointments of talented leaders toward minimum goal of 15% female representation in managerial posts
- Promotion of a suitable work-life balance
- Strengthening of internal communication to lead to new business creation

2. Development of uniquely-PARCO CSR activities centered on incubation

- Promotion/encouragement of promising young fashion designers
- Expanded crowd funding to support talented young creators

3. Promotion of ICT

- Enhancement of work efficiency and quality
- Business growth through deeper communication with tenants

4. Strengthening of financial base

- Reinforcement of financial stature, primarily through an emphasis on cash flow
- Consideration of business model based on self-sustaining reinvestment
- Advancement of financial strategy toward ROA target of 5.7% in FY2016
- Enhance corporate valuation ahead of introduction of IFRS accounting standards

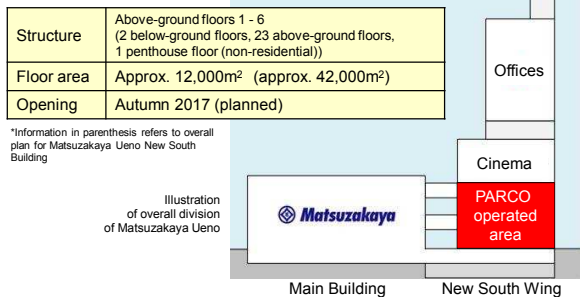
Seek further growth through strengthened collaboration with J Front Retailing Group

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

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

Overview of plan for PARCO shopping complex



- Enhance urban appeal by linking the assets of J Front Retailing Group to the comprehensive capabilities of PARCO Group
- Promote growth at PARCO and J. Front Retailing Group through joint tenant development, expansion of PARCO-operated stores, and collaboration in related businesses



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