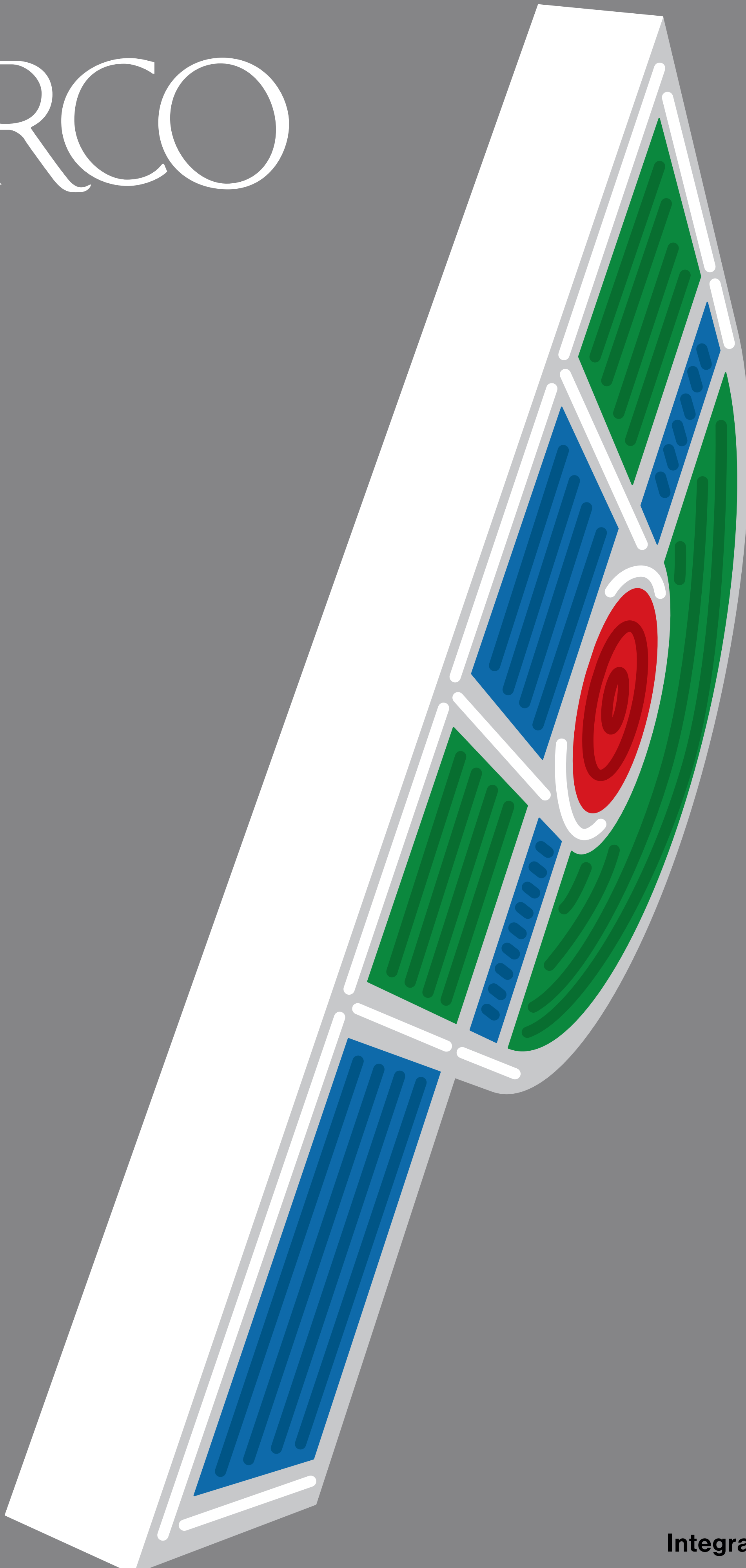
PARCO



Integrated Report 2019

PARCO Corporate Mission

Creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper.

The Concept Behind Our Name

Our company name, PARCO, is the Italian word for "park." Like a park, each PARCO location is a space where people come together to share time and space, where they can relax and have fun.

Our Corporate Mission is "Creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper."

The "main characters" at each PARCO location are the people who gather there, that is, customers and retail shops. The role of PARCO as a company is to create stores that customers want to visit, and then visit again, and to strengthen the link between retail shops and customers.

Our employees are constantly seeking to create new value that surpasses what customers expect in order to provide a space where people can feel happy and inspired.

PARCO Group 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

CONTENTS

Refer to the Investor Relations section of the PARCO website for more detailed information concerning financial reporting.

URL www.parco.co.jp/en/ir/

Refer to the Sustainability section of the PARCO website for detailed information concerning ESG.

URL www.parco.co.jp/en/csr/

Cautionary Statement About Forecasts

Descriptions related to future prospects in this report are based on our targets and forecasts and are not intended to provide any assurance or guarantee. Please use this report with the understanding that future earnings of PARCO may differ from our current forecasts.

"PARCO Integrated Report 2019" was compiled and edited with reference to the "International Integrated Reporting Framework" propagated by the International Integrated Reporting Council. In addition to the content found in previous reports, this latest report contains content describing non-financial business value, such as an explanation of the cycle of business activities labeled the "PARCO Group Value Creation Process" and insight into the corporate governance system that underpins business.

The cover for this year's report was produced by Cap, a design office involved in PARCO campaign posters and seasonal catalogs, as well as high-quality design advertising.

Comment from the Designer

Congratulations to PARCO on its 50th anniversary.

I have changed the style of the block letter P in the company logo so that the vertical stroke is now on an ascending angle to symbolize PARCO's aspirations for further growth in the next 50 years.

History of Value Creation

PARCO 50th Anniversary

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," provides the foundation that spurs business growth and is leading to the realization of our Long-term Vision and sustained profit growth.

Incubation

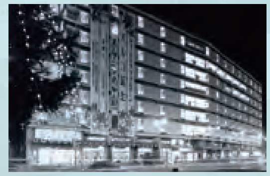
A new generation always follows the emergence of dynamic new talent. At the PARCO Group, we will continue to tirelessly identify, encourage and grow alongside new talent a process we call "Incubation."

Urban Revitalization

Leveraging a wealth of expertise in store development, PARCO pursues store operations, new development, and property renovations that contribute to the advancement and prosperity of towns and cities. To this end, we will contribute to appealing urban revitalization that strives for spaces where people can gather, share time and space, enjoy themselves and relax.

Trends Communication

PARCO produces quality cultural events in Japan and abroad, proposing options for enriching lifestyles. Utilizing advanced ICT, we are promoting steps to enhance services for delivering new enjoyment and cultivate communication.



1969
Opened Ikebukuro PARCO

1973
Opened Shibuya PARCO

1973
Promoted development of the adjacent street, Via PARCO (Park Street)

1970s Era of PARCO Founding

High economic growth | Stable growth

- **1974** Launched a culture magazine Bikkuri Hausu (Surprise House)
- **1975** Opened Sapporo PARCO
- **1977** Opened Tsudanuma PARCO

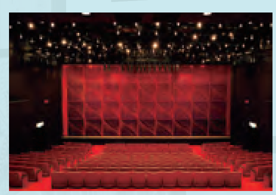
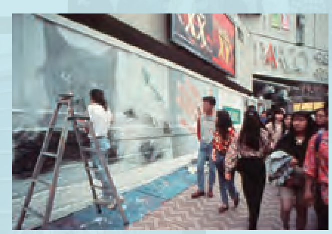


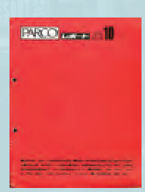
Photo by Atsushi Nishimura

1973
Opened PARCO Theater (former Seibu Theater)



1977
Communicating art culture information
Hosted "Wall Paint" event outside of Shibuya PARCO

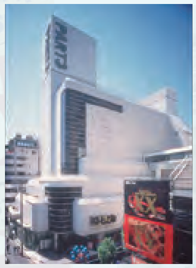
1975
Sapporo PARCO opening poster



1974
Launched PARCO Report, a sales analysis newsletter for tenant owners

1977
Launched marketing information magazine ACROSS Monthly

1980
Launched open competitions Japan graphics exhibit and Japan objet d'art exhibit aimed at discovering new talent in illustration and photography



1981
Opened Shibuya PARCO PART 3

1980
Started ACROSS fixed-point observation, which continues today

1981
The first Afternoon Tea shop opened inside Shibuya PARCO PART 3

1980s Era of PARCO Development

High consumption society | Bubble economy

- **1980** Opened Kichijoji PARCO
- **1981** Opened SPACE PART 3 inside Shibuya PARCO to serve as PARCO's cultural dissemination center
- **1983** Opened Shin-Tokorozawa PARCO
- **1984** Opened Matsumoto PARCO
- **1986** Opened Kumamoto PARCO
- **1988** Launched free paper Gomes
- **1989** Opened Chofu PARCO

1983
Opened SR6 (show room 6), a small annex to Shibuya PARCO

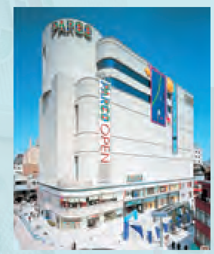
1989
Opened Nagoya PARCO

1988
Opened Shibuya CLUB QUATTRO, which offers live music

1991
Opened PARCO BOOK CENTER and LOGOS GALLERY inside Shibuya PARCO

1993
Opened Tokyo FM Shibuya Spain Hill Studio inside Shibuya PARCO PART 1

1992
Launched open competition urban art exhibit



1994
Opened Hiroshima PARCO

- **1993** Opened Hibarigaoka PARCO
- **1994** Opened Ikebukuro P'PARCO
- **1996** Expanded floor space of Matsumoto PARCO
- **1998** Opened Nagoya PARCO South Building
- **1999** Opened mini-theater CINE QUINTO

1990s to 2000s Era of PARCO Transformation

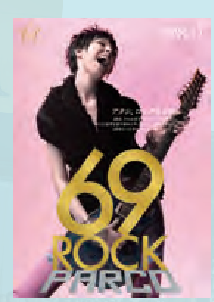
The Heisei Recession (the lost decade) | Surpassed Izanagi economic boom (Japan's rapid growth period from 1965 to 1970) | Worldwide recession

- **2001** NEUVE A CO., LTD. started Retail business
- Opened Hiroshima PARCO New Building
- **2002** Opened an art gallery PARCO MUSEUM inside Shibuya PARCO
- **2003** Launched swimsuit campaign SWIM DRESS PARCO
- **2007** Opened Shizuoka PARCO
- Opened Urawa PARCO

2001
Renovated Shibuya PARCO's main entrance in preparation to celebrate its 30th anniversary

2008
Opened Sendai PARCO

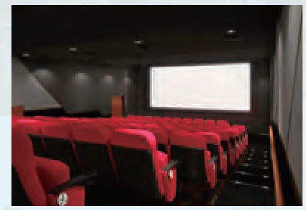
2007
Supported young designers' activities
Sponsored THEATRE PRODUCTS art floor



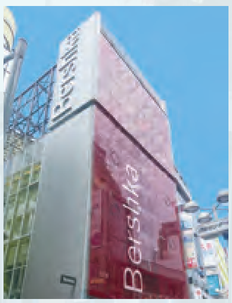
2009
Ikebukuro PARCO
40th anniversary campaign

2010
Opened Fukuoka PARCO

2014
Released POCKET PARCO, the official app



2018
Revival open of mini-theater CINE QUINTO



2011
Started ZERO GATE business

2014
Opened collaboration cafe THE GUEST cafe & diner

2018
Started joint operation of BOOSTER, a crowd funding service, with CAMPFIRE, Inc.

BOOSTER
by PARCO & CAMPFIRE

2010s Era of PARCO Evolution

Low growth | **Abenomics**

2010
- Launched PARCO Corporate Message "LOVE HUMAN."
- Launched "once A month" shop produced by PARCO

2012
- Held "Hello Shibuya TOKYO with Singapore" aiming to support overseas business growth of young Japanese creators
- Held Tenjin Laboratory culture event aiming to discover and support young creators in Kyushu

2013
- Opened Shinsaibashi ZERO GATE
- Opened Dotonbori ZERO GATE
- Opened Hiroshima ZERO GATE

2014
- Launched crowd-funding service BOOSTER
- Launched PARCO Corporate Message "SPECIAL IN YOU."
- Opened Nagoya ZERO GATE
- Opened Fukuoka PARCO New Building

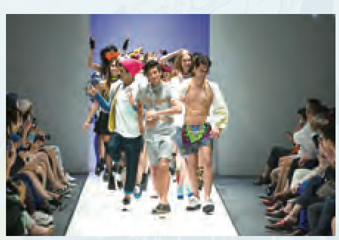
2015
- Expanded floor space of Fukuoka PARCO
- Opened Nagoya PARCO midi

2016
- Opened Sapporo ZERO GATE
- Opened Sendai PARCO2
- Opened Hiroshima ZERO GATE2
- Opened "itadakimasu by PARCO"

2017
- Opened Kyoto ZERO GATE

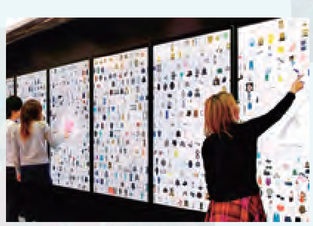
2018
- Opened Harajuku ZERO GATE
- Opened Sannomiya ZERO GATE

2011
Female creative talent-led cultural event Shibukaru Festival



2013
Singapore runway show "PARCO next NEXT" for grooming young Singaporean designers

2017
Opened PARCO_ya



2013
Introduced P-WALL giant digital signage display at Shibuya PARCO

2016
Shibuya PARCO temporarily closed for redevelopment

Matsumoto PARCO
35th anniversary

Nagoya PARCO
30th anniversary

Hiroshima PARCO
25th anniversary

Ikebukuro P'PARCO
25th anniversary

Anniversary Festival

The PARCO stores above held an anniversary festival. The exciting celebrations were attended by artists and customers with links to the local community, as well as prominent celebrities and others.

Opened March 16, 2019
Kinshicho PARCO

See ↘ P. 32 for details

Opened June 27, 2019
SAN-A Urasoe West Coast PARCO CITY

See ↘ P. 32 for details

50年目の、新しいパルコ。

2019 50th PARCO

PARCO 50th Anniversary

This year as PARCO marks its 50th anniversary, the company is busy with a host of new projects, including Kinshicho, Okinawa, Urasoe, and Shibuya. PARCO will strengthen its three social roles of "Incubation," "Urban Revitalization, and "Trends Communication" even further as a true "evolution from our point of origin." There is plenty to be excited about in 2019, our 50th anniversary year.

Due to open in November 2019
Shibuya PARCO

See ↘ P. 06 for details

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

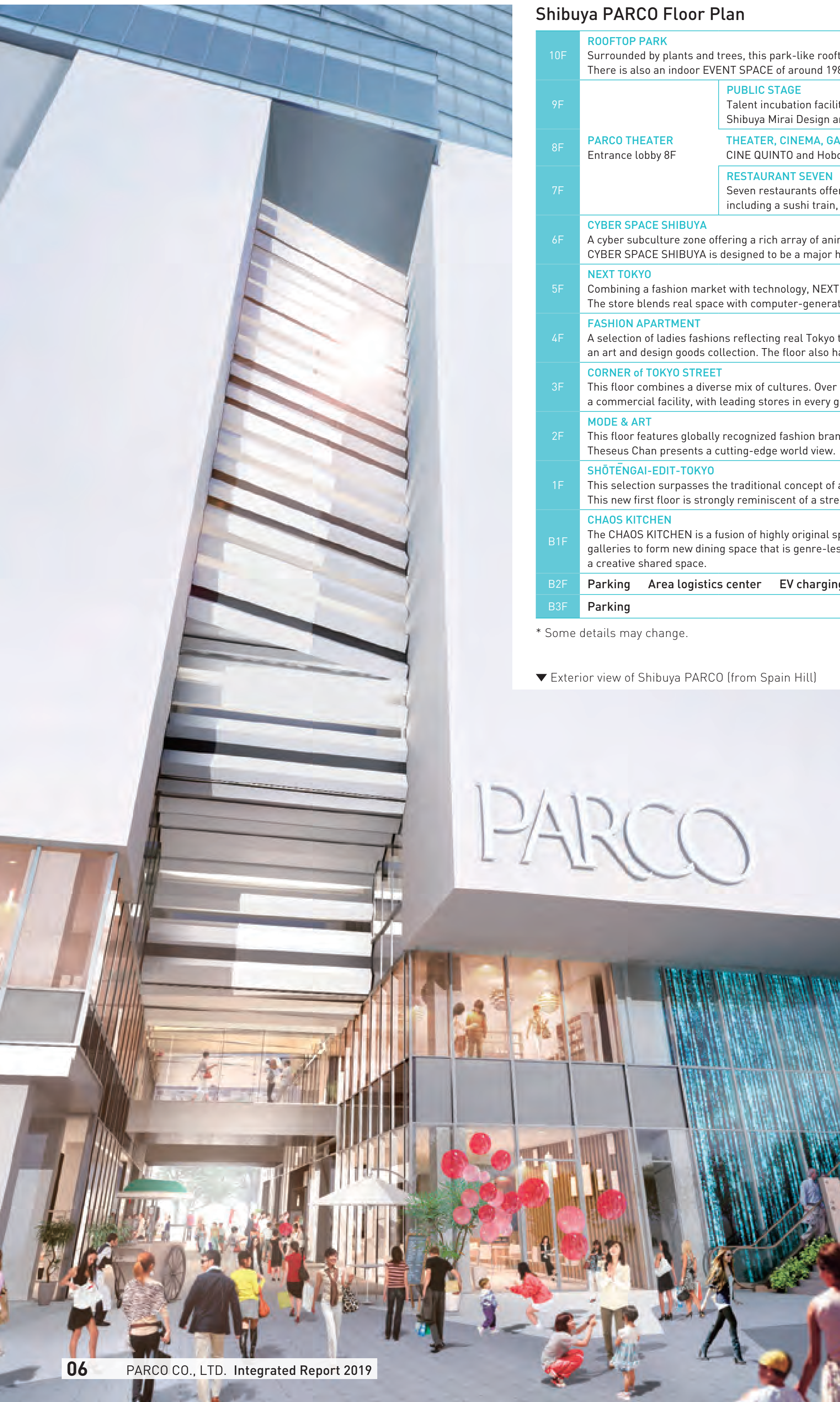
Kawasaki ZERO GATE is to be situated in a triangular plot bordered by the main road in front of JR Kawasaki Station and Shinkawa Street. We plan to open a commercial facility that will help to enhance the pleasure of walking in the town and enliven the local area.

Due to open in spring 2021
North Building of Daimaru Shinsaibashi

The North Building of Daimaru Shinsaibashi is located in Osaka's Shinsaibashi district, a leading commercial area in the Kansai region. The facility is to open there as a second joint venture with the J. Front Retailing Group.

Due to open in November 2019

Next-Generation Commercial Facility Shibuya PARCO



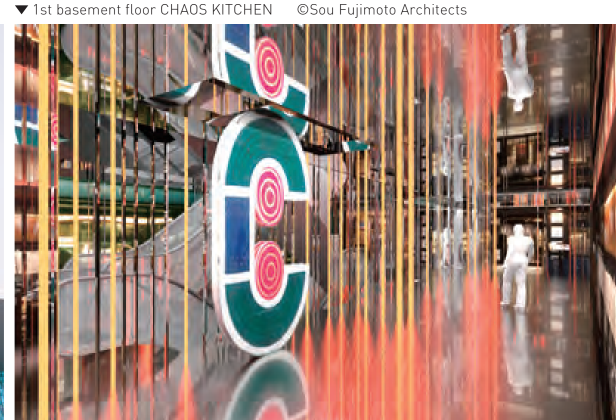
Shibuya PARCO Floor Plan

Floor			
10F	ROOFTOP PARK Surrounded by plants and trees, this park-like rooftop space covers approximately 1,388 m^2. There is also an indoor EVENT SPACE of around 198 m^2.		
9F	PARCO THEATER Entrance lobby 8F	PUBLIC STAGE Talent incubation facilities jointly operated with Shibuya City, Shibuya Mirai Design and Creative Studio	Cycle parking
8F		THEATER, CINEMA, GALLERY CINE QUINTO and Hobo Nichiyoubi	Cycle parking
7F		RESTAURANT SEVEN Seven restaurants offering exciting options for local and overseas visitors, including a sushi train, tempura, and ramen.	
6F	CYBER SPACE SHIBUYA A cyber subculture zone offering a rich array of anime, games, manga, and popular subculture content. CYBER SPACE SHIBUYA is designed to be a major hub for Japanese culture fans.		
5F	NEXT TOKYO Combining a fashion market with technology, NEXT TOKYO offers the joy of shopping with even more convenience. The store blends real space with computer-generated works to create a next-generation sales space for a digital age.		
4F	FASHION APARTMENT A selection of ladies fashions reflecting real Tokyo trends. In addition, PARCO MUSEUM TOKYO forms the core of an art and design goods collection. The floor also has a sustainable services zone.		
3F	CORNER of TOKYO STREET This floor combines a diverse mix of cultures. Over half of the floor area features stores opening for the first time in a commercial facility, with leading stores in every genre, including designer, street, and vintage fashion.		
2F	MODE & ART This floor features globally recognized fashion brands centered around MODE. A shared space created with Theseus Chan presents a cutting-edge world view.		
1F	SHŌTENGAI-EDIT-TOKYO This selection surpasses the traditional concept of a main floor by allowing customers to view a wide variety of items with ease. This new first floor is strongly reminiscent of a street where various people, cultures, and fashions can intermingle.		
B1F	CHAOS KITCHEN The CHAOS KITCHEN is a fusion of highly original specialty stores, popular eateries, and new formats, as well as record stores and galleries to form new dining space that is genre-less, scene-less, and gender-less. Designer Sou Fujimoto has worked to realize a creative shared space.		
B2F	Parking	Area logistics center	EV charging station
B3F	Parking		

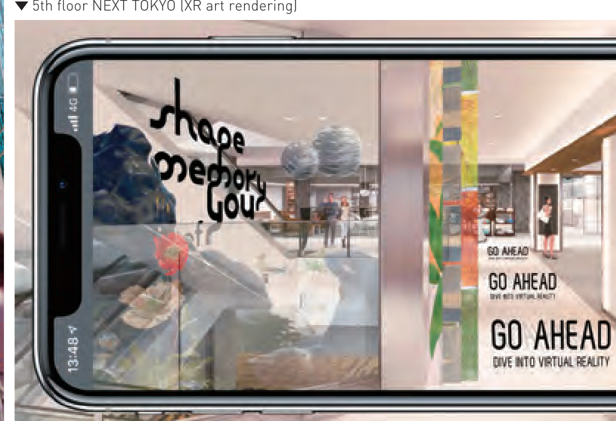
* Some details may change.

▼ Exterior view of Shibuya PARCO (from Spain Hill)

▼ 1st basement floor CHAOS KITCHEN ©Sou Fujimoto Architects



▼ 5th floor NEXT TOKYO (XR art rendering)



Shibuya PARCO is designed not to meet needs, but to create them, and in doing so, provide new consumption proposals and values. We aim to surpass the traditional concept of a commercial facility, sharing the sense and creativity of the designers and creators and conducting new initiatives to propose fresh stimulation and excitement as experience value. In this way, we will create a global center for trend communication.

PARCO THEATER (8F)

A luxury theater to appeal to the world as a cultural dissemination center with all premium-class seating

QUATTRO LABO (B1F)

A music café and bar equipped with a high-end audio system and a record collection of over 3,000 discs

MUSIC CAFÉ & BAR QUATTRO LABO

CINE QUINTO (tentative name) (8F)

A mini theater worth visiting offering a selection of films to satisfy culture-lovers

CINE QUINTO

GALLERY X (B1F)

Presented by PARCO with borderless, cutting-edge curation across all genres

BOOSTER STUDIO by CAMPFIRE (1F)

Introducing Japanese first experiential AI showroom created using crowd-funding

CUBE (tentative name) (5F)

An omni-channel sales space offering over-the-counter sales combined with an e-commerce facility

PARCO MUSEUM TOKYO (4F)

A museum to communicate information to the world as a cultural dissemination center

Contribution to the local community through redevelopment

We are creating a pedestrian-friendly environment and providing an area logistics center and car park within the building to help resolve local issues. Making use of our outdoor plaza, we will hold a wide range of events in coordination with the local community, fashion shows, music, and food events, to help create excitement in the town.

Outdoor plaza and elevated walkway
An elevated walkway that enables people to enjoy shopping just as though they were walking through Shibuya, and an outdoor space for resting

Nakashibu Street
A pedestrian-only corridor open 24 hours. Both sides of the cutout corridor are lined with road-side stores with art windows appearing on the second-floor section

A next-generation environmentally friendly building
The new PARCO Shibuya project has been evaluated highly by the Ministry of Land, Infrastructure, Transport and Tourism for (1) creation of attractive outdoor spaces with the outdoor plaza and elevated walkway, (2) highly efficient energy system based on a co-generation system, and (3) initiatives to promote efficient energy use through digital communications. As a result, the project was selected as a "Leading Sustainable Building Project (CO_2 Reduction Leader)".

A New PARCO Reborn

2019 marks the 50th anniversary of the opening of Ikebukuro PARCO in 1969. It is a year of dramatic change for us. Four major projects are under way: Kinshicho PARCO, SAN-A Urasoe West Coast PARCO CITY, Kawasaki ZERO GATE (tentative name), and Shibuya PARCO; and new buildings will be opening from spring through to autumn. Among these, the reopening of Shibuya PARCO is especially significant for us.

Since I was appointed to this position in 2011, I have considered our stance on "Incubation," "Urban Revitalization," and "Trends Communication" to be the very essence of PARCO's DNA. We have been searching for a new mode for PARCO that is aligned with the times under the concept of "evolving from our point of origin." When was PARCO's point of origin formed? Looking back 50 years, I feel that it was in 1981 with the opening of Shibuya PARCO PART 3 that PARCO's DNA was established. Shibuya PARCO grew together with tenants, gathered a host of young artists and creators into the Shibuya area, and contributed to its revitalization. It created a third building that was probably the first in Japan to propose lifestyles and not only engaged in communication of advertising and trends, but also the presentation of the building itself functioned as a proposal. I think this mode of operation is PARCO's point of origin, which continues to this day.

In November 2019, Shibuya PARCO, which can rightly be considered PARCO's point of origin, is to be reborn. To create a completely new Shibuya PARCO that surpasses all expectations, we feel it is necessary for PARCO itself to be reborn. Our task is to take PARCO's DNA and evolve it even further, aiming into the future from its 50th year.

For "Incubation," we have focused again on "individual" talent. PARCO has always discovered and developed new talent in the entertainment and advertising fields; but now our goal is to bring back shopping spaces that are heterogenous in a bid to rediscover the excitement of fashion. We will support fashion designers and producers who are striving alone as individuals, and have them unleash their talents in PARCO, which will become PARCO's driving power. This is another way that we will empower PARCO.

From a perspective of "Urban Revitalization" and "Trends Communication," it is important in this day and age to consider the virtual space of the internet. Just as Shibuya PARCO once provided stimulation for the district and built excitement around Shibuya while being stimulated by it in return, in the virtual world too, we seek to establish spaces that have an inherent PARCO character while engaging in interactive communication. Rather than a one-way flow of information with PARCO acting alone, I believe we can provide everyone with better value by cooperating with those around us, responding to local topics and feedback from our users, and sometimes collaborating on interesting new initiatives with other companies. In both the real and virtual spaces, my first goal is to have people come and visit the area around PARCO and drop by on their way home. Then their shopping experiences will be associated with memories of happy outings. I feel that this may be one of the essential things that makes shopping fun.

In 2019, PARCO will refashion its DNA. By responding to many expectations while simultaneously subverting and exceeding them, we will be reborn as a new PARCO. I ask all our stakeholders to continue their kind understanding and support.

July 2019

PARCO CO., LTD.
President and Representative Executive Officer
Kozo Makiyama

The PARCO Group Value Creation Process

PARCO, together with its stakeholders, strives to create new lifestyles, guided by the PARCO Group Corporate Mission and the sentiment embodied in the PARCO name. In business, PARCO leverages its capabilities as a comprehensive commercial space producer, while pursuing management strategies in step with the times, to propose ways to enrich consumer lifestyles. This encapsulates the creation of new value to which society can connect. PARCO views the tireless advancement of such value through “Incubation,” “Urban Revitalization” and “Trends Communication” as its social role.

By taking full advantage of its “Six Capitals” and keeping the PARCO Group business model revolving, the delivery of new value becomes synonymous with the brand value of the PARCO Group. Put differently, this results in a process for the creation of new value to which society at large can connect.

Mission and Vision

(Inside Cover)
PARCO Corporate Mission,
The Concept Behind Our Name and
PARCO Group Long-term Vision

Social Issues and Opportunities

- Empowerment of women
- Development of the sharing economy
- Diversification of values (lifestyles)
- Shift from goods to services
- Polarization between cities and regions
- Increase in overseas visitors to Japan
- Advancement of technologies
- Expansion of the e-commerce market
- Global warming

The Six Capitals

- Financial
- Manufactured
- Intellectual
- Human
- Social and Relationship
- Natural

Business Activities

With becoming a “business group that prospers in urban markets” as a key element of the PARCO Group’s Long-term Vision, we aim to be both “designers of unique offerings for 24/7 urban life” and “creative drivers of urban evolution.”

Strategy

P22 President’s Message
P27 PARCO Group’s Growth Strategy

Outputs

In addition to “cultivation of major urban areas,” “expansion of core targets” and “innovative use of ICT” through business activities, we are advancing new business creation.

Performance

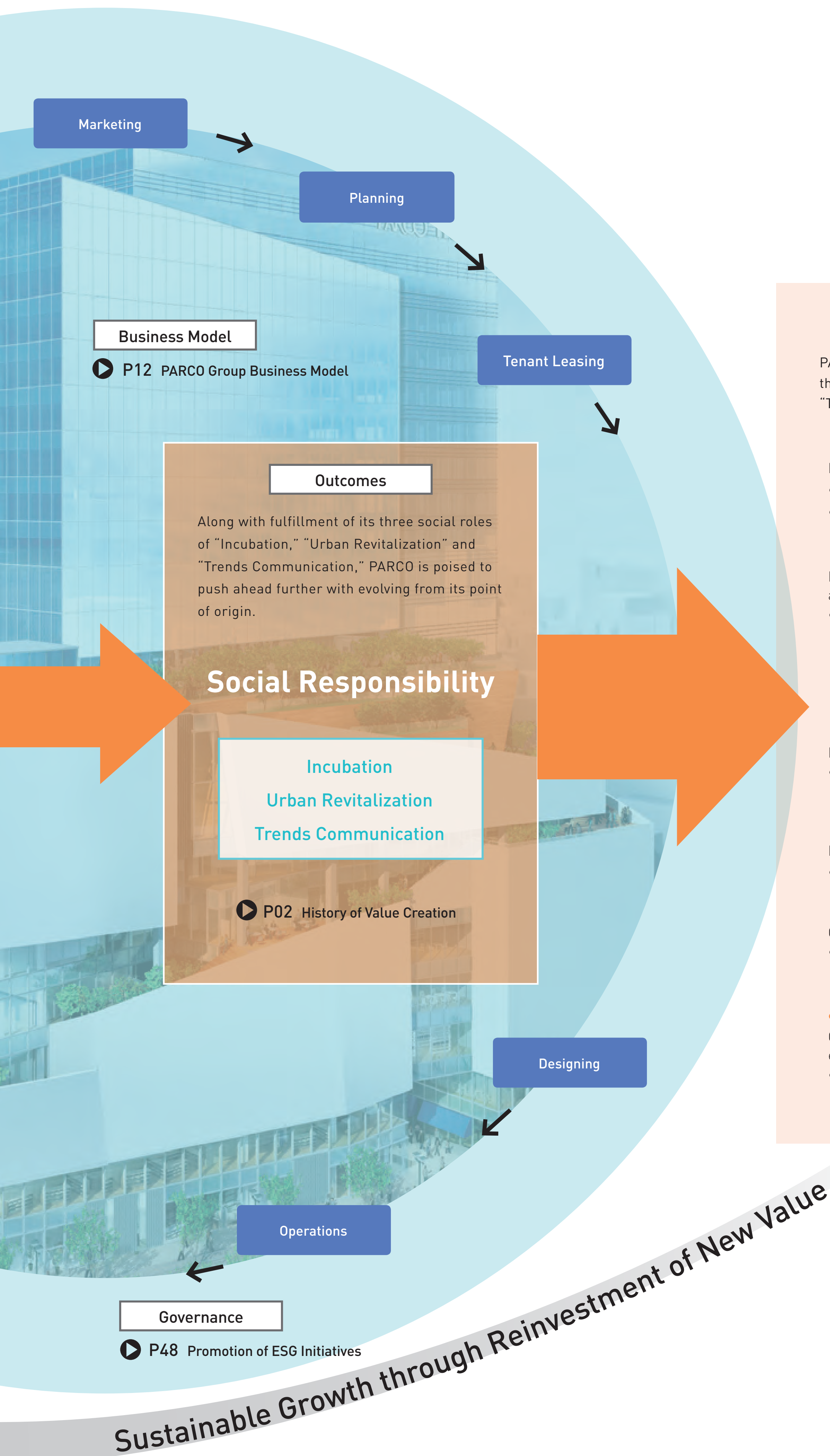
P36 PARCO Group Business Fields
P38 Group Business Overview
P44 Produced by PARCO Brand

Renovation

Maintenance Services

Sales Promotion

Advertising



Business Model

P12 PARCO Group Business Model

Outcomes

Along with fulfillment of its three social roles of "Incubation," "Urban Revitalization" and "Trends Communication," PARCO is poised to push ahead further with evolving from its point of origin.

P02 History of Value Creation

Governance

P48 Promotion of ESG Initiatives

The Six Capitals

PARCO is improving the value of its "Six Capitals" through "Incubation," "Urban Revitalization" and "Trends Communication."

Financial
Boosting financial and shareholder value
- **Operating profit: ¥5.4 billion**
- **Annual dividend per share: ¥24**

Manufactured
PARCO stores that are welcoming, forward-thinking, and innovate
- **PARCO complexes: 18***
  ZERO GATE complexes: 10
  Complexes under development: 4

* Including Shibuya PARCO, which is temporarily closed for redevelopment

Intellectual
Improving operational value
- **Fixed-point observation of street fashion: 458 times**

Human
Enhancing human resources and client value
- **Percentage of female managers: 15.6%**

Social and Relationship
Customer understanding, confidence and trust
- **Number of SNS followers: about 1.65 million**

Natural
Creating commercial spaces with minimal environmental footprint
- **Electricity consumption at existing stores: 29.8% reduction compared with fiscal 2010**

PARCO Group Business Model

Business Portfolio

The PARCO Group is involved in four categories of business. Our core Shopping Complex Business operates our PARCO Commercial facilities. The Retail Business operates distinctive specialty shops. The Space Engineering and Management Business conducts interior design, decorating and electrical work, and manages buildings. Finally, our Other Business segment operates our entertainment business and provides web-based information services.

PARCO works with its tenants to create commercial spaces that provide customers with enjoyment and maximize synergies within the Group.

Retail Business

NEUVE A CO., LTD.

TiCTAC (Kinshicho PARCO 2nd floor)

Shopping Complex Business

PARCO CO., LTD.
PARCO (Singapore) Pte Ltd

Ikebukuro PARCO

Space Engineering and Management Business

PARCO SPACE SYSTEMS CO., LTD.

H.I.S. The ROOM of journey
(Ikebukuro PARCO Main Building M2 floor)
Space design, display presentation, lighting design, and interior construction

Other Business

Entertainment Business

PARCO CO., LTD.'s Entertainment Department

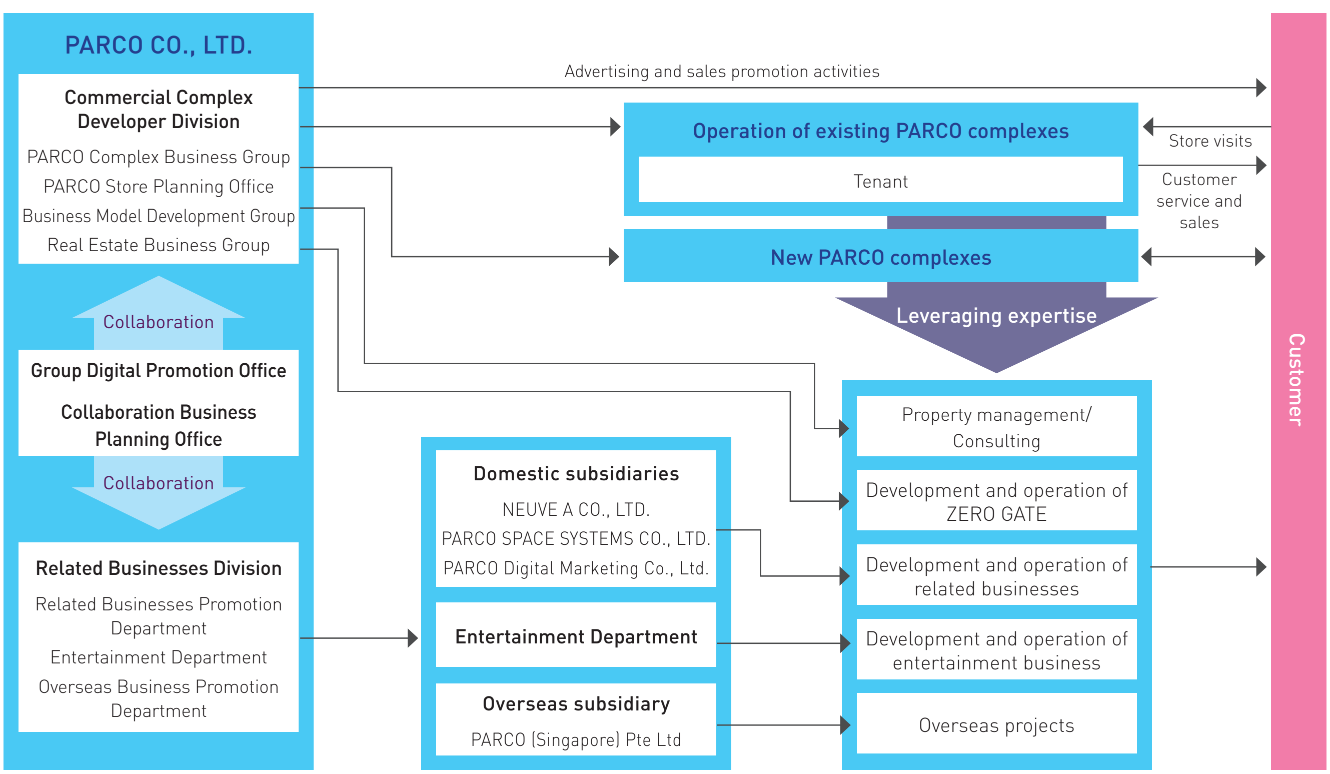
UPLINK Kichijoji PARCO
(Kichijoji PARCO 2nd basement floor)

Digital Marketing Business

PARCO Digital Marketing Co., Ltd.

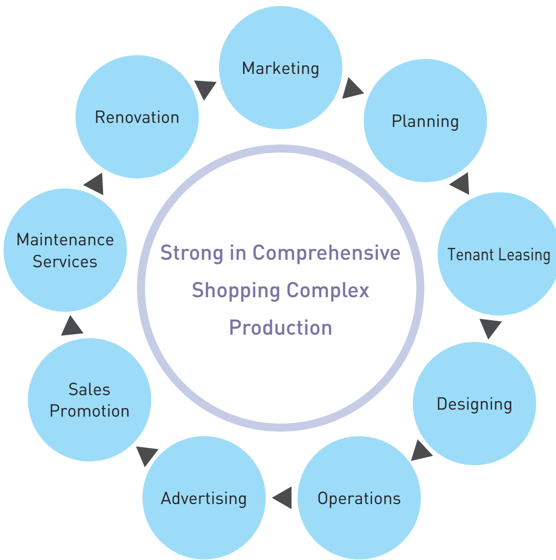
New PICTONA service bringing together the necessary groupware functions for commercial facilities and website management functions

Leveraging Expertise Cultivated in the Operation and Development of PARCO in New Businesses



Strong in Comprehensive Shopping Complex Production

The production of shopping complexes involves marketing in the area of the store, planning the building from the proposal stage onward, the selection of tenants and design of environments that fit the concept, and the store's management. At the same time, we enhance customer appeal through advertising and sales promotion activities utilizing ICT and through our management of daily maintenance, and support the peace of mind and safety operation of shops. In addition, we are constantly creating novel sales spaces by promoting their remodeling. This integrated production supports the creation of attractive commercial spaces.

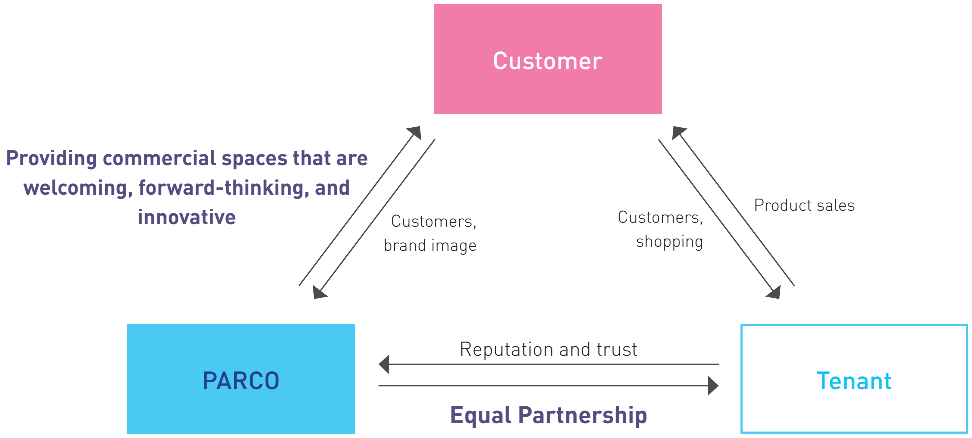


Equal Partnership

One of the main characteristics that distinguishes the PARCO Group's core Shopping Complex Business is our equal partnership with tenants. We view our tenants as partners with whom we can grow and develop by virtue of our mutually shared values. Every one of our corporate divisions at PARCO headquarters works to support the operations of the PARCO shopping complexes where our tenants open their stores.

The Commercial Complex Developer Division groups each PARCO store into the two categories of city complexes and community complexes and provides tenant support, promotion, CRM operations as well as handling new store operations. The Related Businesses Division leverages expertise cultivated by PARCO through development and operations in new business activities. Furthermore, the Group Digital Promotion Office promoted strategic information collection and analysis, while the Collaboration Business Planning Office creates new businesses and will provide support for each division and expand its businesses.

Building "Win-Win" Relationships through Strong Ties of Trust with Tenants



820 companies
2,035 tenants
(As of February 28, 2019)

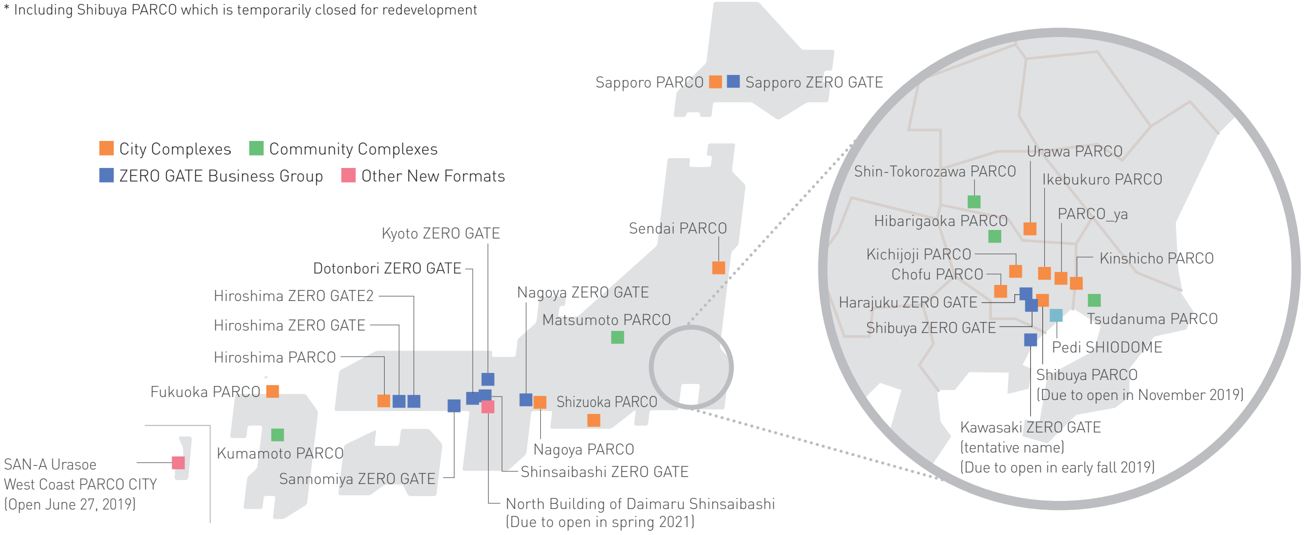
* The number of tenants excludes short-term contracts.

Development of Stores in the Shopping Complex Business

In each market where PARCO shopping complexes open, we utilize a different store concept. In order to be able to respond quickly and precisely to the constant changes in the environments of each location, we group the 18 shopping complexes* according to function based on their target market characteristics. After categorizing a complex as either a City Complex or a Community Complex, the next step in building a robust revenue base is to optimize product composition and operation methods at each facility to suit the applicable customer base.

We are promoting the diversification of development schemes, in the PARCO and ZERO GATE formats and in new formats, to acquire sites in primarily urban areas where we have not yet opened complexes.

* Including Shibuya PARCO which is temporarily closed for redevelopment



City Complexes

PARCO will secure predominance in the market by providing well-informed, active urban consumers with relevant themes and topics, while offering fashionable, innovative and enjoyable lifestyle propositions. We will also lay the foundation for new business by pursuing unique collaborations with tenants, creators and companies in other industries.

Sapporo PARCO

FY2018 Tenant Transaction Volume: ¥13,200 million

3-3 Minami-Ichijo Nishi, Chuo-ku,
Sapporo City, Hokkaido
B2F–8F
Open 24 August, 1975
sapporo.parco.jp

Sendai PARCO

FY2018 Tenant Transaction Volume: ¥20,197 million

1-2-3 Chuo, Aoba-ku, Sendai City, Miyagi
Main Building: B1F–9F
Open 23 August, 2008
Sendai PARCO2: 1F–9F
3-7-5 Chuo, Aoba-ku, Sendai City, Miyagi
Open 1 July, 2016
sendai.parco.jp

Urawa PARCO

FY2018 Tenant Transaction Volume: ¥26,095 million

11-1 Higashi-Takasago-cho, Urawa-ku,
Saitama City, Saitama
B1F–7F
Open 10 October, 2007
urawa.parco.jp

Ikebukuro PARCO

FY2018 Tenant Transaction Volume: ¥28,134 million

1-28-2 Minami-Ikebukuro, Toshima-ku, Tokyo
Main Building: B2F–8F
Open 23 November, 1969
P'PARCO: B2F–8F
Open 10 March, 1994
ikebukuro.parco.jp

PARCO_ya

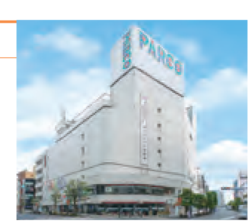
FY2018 Tenant Transaction Volume: ¥5,788 million

3-24-6 Ueno, Taito-ku, Tokyo
1F–6F
Open 4 November, 2017
parcoya-ueno.parco.jp

Kichijoji PARCO

FY2018 Tenant Transaction Volume: ¥9,668 million

1-5-1 Kichijoji-honcho, Musashino City, Tokyo
B2F–8F
Open 21 September, 1980
kichijoji.parco.jp



Shibuya PARCO

Due to open in November 2019

15-1 Udagawa-cho, Shibuya-ku, Tokyo
B3F–19F
CLUB QUATTRO:
32-13 Udagawa-cho, Shibuya-ku, Tokyo
4F–5F
Open 28 June, 1988
club-quattro.com

Kinshicho PARCO

Open 16 March, 2019

4-27-14 Kotobashi, Sumida-ku, Tokyo
1F–7F
Open 16 March, 2019
kinshicho.parco.jp

Chofu PARCO

FY2018 Tenant Transaction Volume: ¥17,994 million

1-38-1 Kojima-cho, Chofu City, Tokyo
B1F–10F
Open 25 May, 1989
chofu.parco.jp

Shizuoka PARCO

FY2018 Tenant Transaction Volume: ¥9,947 million

6-7 Koyamachi, Aoi-ku, Shizuoka City, Shizuoka
B1F–8F
Open 15 March, 2007
shizuoka.parco.jp

Nagoya PARCO

FY2018 Tenant Transaction Volume: ¥34,245 million

3-29-1 Sakae, Naka-ku, Nagoya City, Aichi
West Building: B1F–11F
East Building: B1F–8F
Open 29 June, 1989
South Building: B1F–10F
Open 6 November, 1998
midi: 1F–3F
Open 27 March, 2015
nagoya.parco.jp

Hiroshima PARCO

FY2018 Tenant Transaction Volume: ¥16,136 million

10-1 Hondori, Naka-ku, Hiroshima City, Hiroshima
Main Building: B1F–10F
Open 9 April, 1994
New Building: B1F–9F
Open 21 September, 2001
hiroshima.parco.jp

Fukuoka PARCO

FY2018 Tenant Transaction Volume: ¥22,350 million

2-11-1 Tenjin, Chuo-ku, Fukuoka City, Fukuoka
Main Building: B1F–8F
Open 19 March, 2010
New Building: B2F–6F
Open 13 November, 2014
fukuoka.parco.jp

Community Complexes

This category of complex does not merely market fashion but will make proposals that respond to regional needs by taking into account such market characteristics as functionality and convenience. Facilities are multi-functional and multi-purpose, featuring a range of goods and services from food, general merchandise, appliances, school supplies, to sports goods. Various activities such as community events will be organized to attract customers from the local neighborhood.

Tsudanuma PARCO

FY2018 Tenant Transaction Volume: ¥12,091 million

2-18-1 Maebara-Nishi, Funabashi City, Chiba
A Building: B1F–6F
B Building: B1F–6F
Open 1 July, 1977
tsudanuma.parco.jp

Shin-Tokorozawa PARCO

FY2018 Tenant Transaction Volume: ¥10,126 million

1-2-1 Midori-cho, Tokorozawa City, Saitama
PARCO: B1F–5F
Let's: B1F–4F
Open 23 June, 1983
shintokorozawa.parco.jp

Hibarigaoka PARCO

FY2018 Tenant Transaction Volume: ¥7,071 million

1-1-1 Hibarigaoka, Nishi-Tokyo City, Tokyo
B1F–5F
Open 8 October, 1993
hibarigaoka.parco.jp

Matsumoto PARCO

FY2018 Tenant Transaction Volume: ¥6,016 million

1-10-30 Chuo, Matsumoto City, Nagano
B1F–6F
Open 23 August, 1984
matsumoto.parco.jp

Kumamoto PARCO

FY2018 Tenant Transaction Volume: ¥4,007 million

5-1 Tetorihoncho, Chuo-ku, Kumamoto City, Kumamoto
B1F–9F
Open 2 May, 1986
kumamoto.parco.jp
* Scheduled to cease operating in February 2020

* Tenant transaction volume includes fixed rate tenant sales.

ZERO GATE Business

PARCO has been producing and proposing urban lifestyles centered on fashion, culture, and a variety of other themes. Now, the ZERO GATE business will propose new lifestyles and values based on the concepts of making a new beginning, or "ZERO," followed by a "GATE," which symbolizes making an entry to an urban area.

Sapporo ZERO GATE

3-15-1 Minami-Nijo Nishi, Chuo-ku, Sapporo City, Hokkaido
B2F, 1F–4F
Open 26 February, 2016

Shibuya ZERO GATE

16-9 Udagawa-cho, Shibuya-ku, Tokyo
B1F–4F
Open 16 April, 2011

Harajuku ZERO GATE

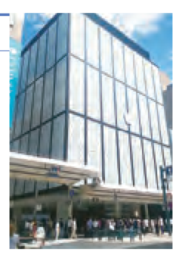
4-31-12 Jingumae, Shibuya-ku, Tokyo
1F–4F
Open 17 March, 2018

Nagoya ZERO GATE

3-28-11 Sakae, Naka-ku, Nagoya City, Aichi
1F–3F
Open 10 October, 2014

Kyoto ZERO GATE

83-1 Shijo Street Takakura Higashiiru, Tachiurinakanocho, Shimogyo-ku, Kyoto City, Kyoto
B2F–7F
Open 4 November, 2017



Pedi SHIODOME

1-9-1 Higashi-Shinbashi, Minato-ku, Tokyo B2F–B1F, 2F
Open 16 February, 2005
www.pedi-s.com

Shinsaibashi ZERO GATE

1-9-1 Shinsaibashi-suji, Chuo-ku, Osaka City, Osaka
B2F–4F
Open 13 April, 2013

Dotonbori ZERO GATE

1-8-22 Dotonbori, Chuo-ku, Osaka City, Osaka
1F–3F
Open 20 April, 2013

Hiroshima ZERO GATE

2-7, Shintenchi, Naka-ku, Hiroshima City, Hiroshima
1F–3F
Open 10 October, 2013

Hiroshima ZERO GATE2

9-4 Hondori, Naka-ku, Hiroshima City, Hiroshima
1F–3F
Open 10 September, 2016

Sannomiya ZERO GATE

2-11-3 Sannomiya-cho, Chuo-ku, Kobe City, Hyogo
1F–4F
Open 14 September, 2018

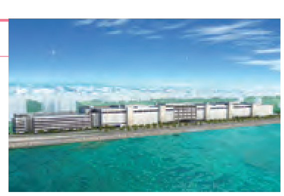
Kawasaki ZERO GATE (tentative name)

1-1, etc., Ogawa-cho, Kawasaki-ku, Kawasaki City, Kanagawa
1F–2F
Due to open in early fall 2019

Other New Formats

SAN-A Urasoe West Coast PARCO CITY

3-1-1 Irijima, Urasoe-shi, Okinawa
Open June 27, 2019
www.parcocity.jp



North Building of Daimaru Shinsaibashi

1-8-3 Shinsaibashi-suji, Chuo-ku, Osaka City, Osaka
B2F–7F
Due to open in spring 2021

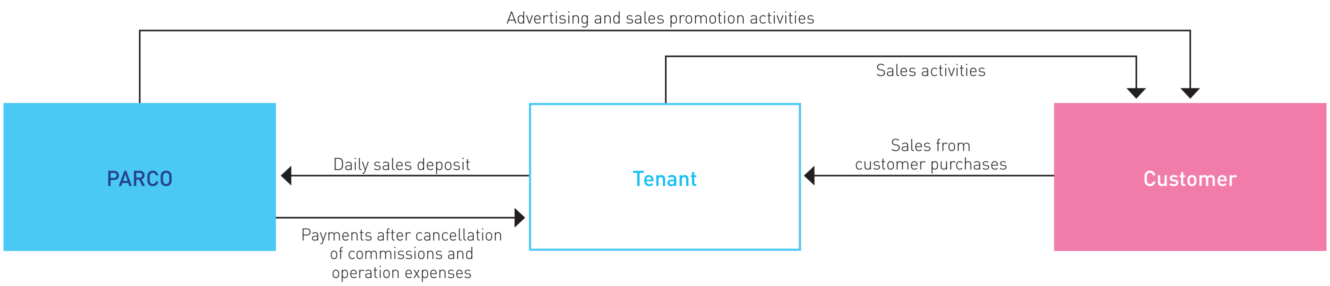
As of June 30, 2019
* Images of properties prior to opening are renderings.

Profit Structure for the Shopping Complex Business

Under store lease agreements, PARCO is responsible for advertising, sales promotion and other marketing activities. PARCO receives the gross sales that these tenants generate through sales to customers as sales deposits. After a certain period of time, PARCO pays tenants the amount after deduction of commission and other items from the sales deposits. This system has the advantages of eliminating the risks of carrying inventories and bad debt. Commissions are based on a declining rate system, with commissions fixed up to an established reference sales amount and a lower rate applying beyond that reference sales amount. The establishment of a reference sales amount hedges the risk of stagnant sales. The application of a diminishing rate to sales offers advantages to both the tenant and to PARCO. If tenant sales from customer purchases increase due to the tenant's sales efforts, the tenant's commission rate decreases. At the same time, PARCO's commission income increases in terms of the absolute amount.

In contrast to earlier PARCO-style operations, in the ZERO GATE business there are no sales promotions, and profits come from rental revenue.

PARCO-style Operations Profit Structure



ZERO GATE Business Profit Structure

Development of Stores in the Retail Business

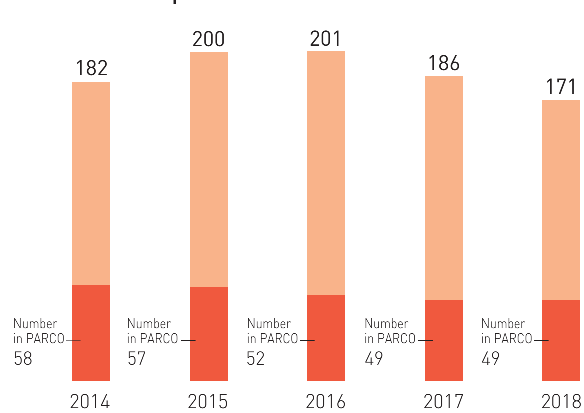
The Retail Business is centered on NEUVE A, which operates highly discerning select stores under three businesses, while developing new business formats in collaboration with the Shopping Complex Business. The business is currently undertaking a scrap-and-build program for its stores, aiming to increase revenue.

Number of locations: 171 (49 in PARCO complexes)

Ratio of shops outside of PARCO: 71.3%

Wristwear Business	
TiCTAC (Watch specialty shop)	**85** (15 in PARCO complex)
Beauty Business	
ROSEMARY (Cosmetics and accessories specialty shop)	**20** (13 in PARCO complex)
Cross Category Business	
POKER FACE (Eyeglass specialty shop)	**25** (10 in PARCO complex)
COLLECTORS (Men's variety shop)	**37** (11 in PARCO complex)
Other businesses	**4** (0 in PARCO complex)

Number of shops



Consolidated Financial and Non-Financial Highlights

Operating profit

¥5.4 billion

Profit declined due to losses incurred with the cessation of operations at Utsunomiya PARCO and Kumamoto PARCO as well as impairment losses at other stores, as the Company promoted scrap-and-build under the Medium-term Business Plan (FY2017-2021).

Commemorative dividend planned for fiscal 2019

¥26 annual dividend

PARCO positions the return of profit to shareholders as one of its most important management policies. In fiscal 2018, our annual dividend per share was ¥24. For fiscal 2019, we plan to pay a commemorative dividend of ¥2 per share for PARCO's 50th anniversary, for an annual dividend of ¥26.

Percent of independent external directors

50%

In 2003, PARCO adopted the "Company with Three Committees" system (formerly "Company with Committees" system), which includes a Nominating Committee, in order to build a highly transparent corporate governance structure. Independent directors (external directors) make up half of the Board of Directors, ensuring the objectivity necessary to supervise management.

Renovated zone year-on-year tenant transaction volume comparison

116.2%

We reorganized the tenant mix and expanded the product lineup to keep pace with changes in consumer values and purchasing behavior. In addition, we conducted renovations for every store totaling approximately 37,000 m^2, including opening a mini-theater, "UPLINK Kichijoji PARCO," as a new cultural dissemination center.

Number of POCKET PARCO downloads

Over 1 million downloads

We conducted a renewal of POCKET PARCO, our official smartphone application, to increase the enjoyment of shopping and offer greater convenience from the customer's perspective, including expanding article content and opening exclusive online stores.

Number of SNS followers

About 1.65 million

PARCO is connected with over 1.65 million followers through social networking services (Facebook, Twitter, Instagram and LINE) and provides new services and ways of enjoying commercial facilities that are rooted in stores and utilize the Internet.

Percentage of Female Managers

15.6%

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; and we are actively engaged in carrying it out.

Percent of employees returning to work after childrearing leave

100%

Work-life management is deeply embedded within PARCO, and we work to support both working life and the childrearing and nursing care demands of our employees. PARCO has a full menu of systems in place that exceed legal standards, and is sharing role models for diverse working styles.

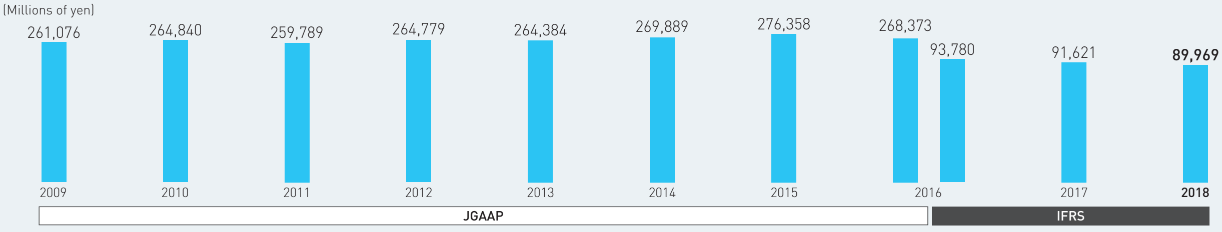
Electricity consumption at existing stores compared to FY2010*1

Down 29.8%

To reduce electricity consumption, which accounts for a majority of the energy used by commercial facilities, PARCO is converting to energy-saving facilities and equipment and working to utilize energy more efficiently through introduction of the latest technologies and other measures.

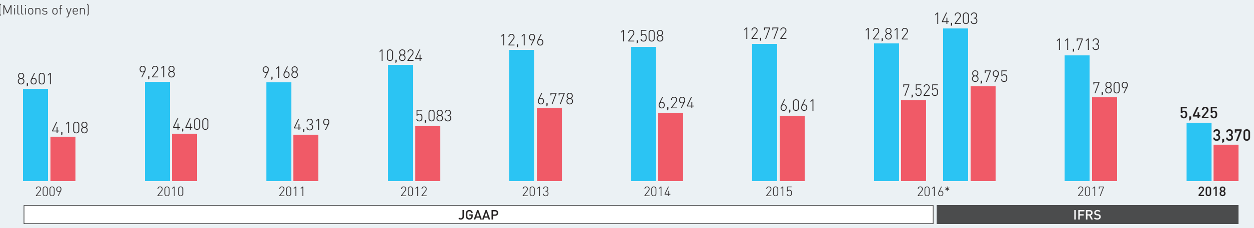
Net Sales/Operating Revenue

(Millions of yen)



Operating Income/Operating Profit and Profit Attributable to Owners of Parent

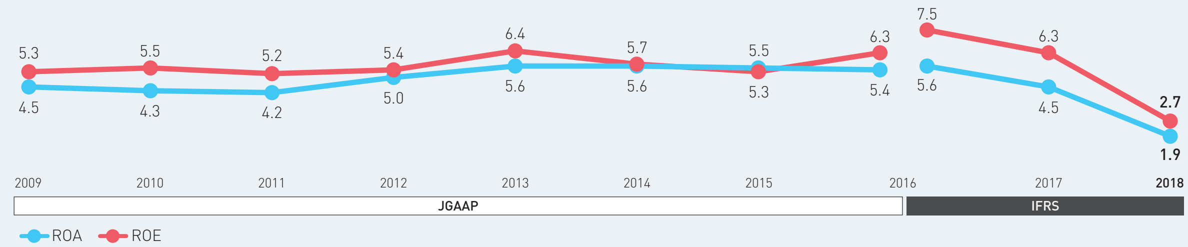
(Millions of yen)



* We recorded extraordinary income from gain on sales of non-assets and so forth

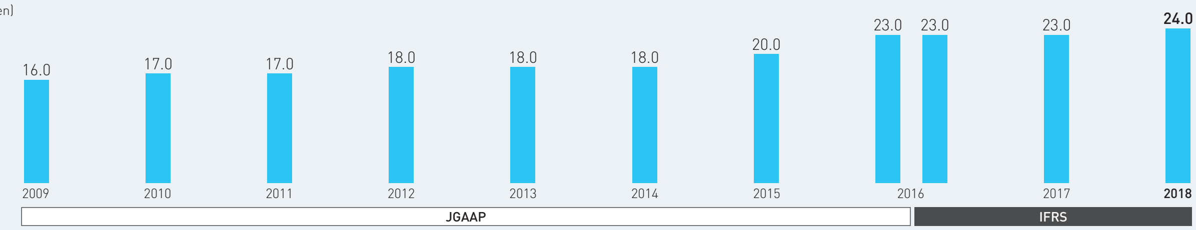
ROA*2/ROE

(%)



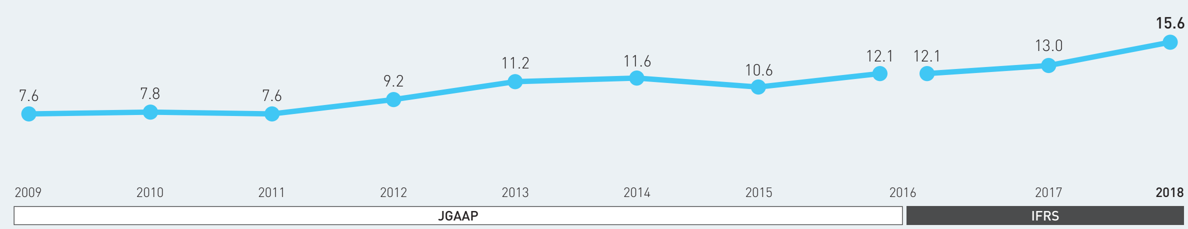
Cash Dividend per Share

(Yen)



Percentage of Female Managers

(%)



For long-term numerical data and other indices, please refer to the PARCO website and FACTBOOK 2019

[Investor Relations]

URL www.parco.co.jp/en/ir/

[Promotion of ESG Initiatives]

URL www.parco.co.jp/en/ir/esg/

[Sustainability]

URL www.parco.co.jp/en/csr/

[FACTBOOK 2019]

URL www.parco.co.jp/en/ir/library/financial/factbook.php

*1 We formulated the PARCO Group Environmental Policy in fiscal 2010 and recognize the importance of our relationship with the global environment in shopping center operations and other related activities as a key theme. On this basis, we promote environmental conservation activities to help pass on a sustainable society to future generations.

*2 Raito of ordinary income to total assets (Return on Assets)=Ordinary Income/Total Assets (average of start and end of year values) ×100/
Ratio of profit before tax to total assets (Return on Assets)=Profit Before Tax/Total Assets (average of start and end of year values) ×100

Eleven-Year Financial and Non-Financial Summary

JGAAP/IFRS	JGAAP			
	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Consolidated				
Net Sales/Operating Revenue	282,509	261,076	264,840	259,789
Operating Gross Profit	44,976	42,019	42,024	41,625
Selling, General and Administrative Expense	35,614	33,417	32,806	32,456
Business Profit*1	-	-	-	-
Operating Income/Operating Profit	9,362	8,601	9,218	9,168
Operating Income Ratio/Operating Profit Ratio	3.3	3.3	3.5	3.5
Ordinary Income	9,171	8,554	8,750	8,966
Profit Before Income Taxes/Profit Before Tax	6,248	7,053	7,717	7,333
Profit Attributable to Owners of Parent	3,730	4,108	4,400	4,319
EBITDA*2	14,953	14,189	15,837	15,508
Total Assets	191,681	187,093	222,135	208,697
Equity/Total Equity Attributable to Owners of Parent*3	75,592	78,632	81,844	84,555
Interest-Bearing Debt	40,777	38,487	73,447	59,536
Equity Ratio/Ratio of Total Equity Attributable to Owners of Parent (%)	39.4	42.0	36.8	40.5
Debt-to-Equity Ratio (times)	0.54	0.49	0.90	0.70
Return on Assets (ROA) (%)*4	4.8	4.5	4.3	4.2
Return on Equity (ROE) (%)	5.0	5.3	5.5	5.2
Net Cash Provided by Operating Activities	2,713	8,921	12,025	11,274
Net Cash Used in Investing Activities	(14,148)	(7,405)	(42,290)	(584)
Free Cash Flows	(11,434)	1,516	(30,265)	10,689
Capital Expenditure	14,306	7,796	43,553	3,395
Depreciation and Amortization/Depreciation and Amortization Expense*5	5,591	5,588	6,618	6,339
Basic Earnings per Share (Yen)	45.29	49.87	53.41	52.49
Cash Dividend per Share (Yen)	16.00	16.00	17.00	17.00
Non-consolidated				
Sales Floor Areas (m^2)	447,500	444,500	454,000	443,000
Area Renovated (m^2)	34,000	36,000	45,000	64,000
Renovation Effect (Year-on-year by zone) (%)	117.8	110.9	120.4	132.2
PARCO Card Sales Amounts	44,706	44,371	45,115	44,738
PARCO Card Holders (People)	1,564,331	1,574,888	1,618,616	1,612,634
Number of POCKET PARCO Downloads	-	-	-	-
Society (Non-consolidated)				
Percent of Female Employees (%)	42.0	45.2	44.5	43.6
20s (%)	54.0	61.2	62.2	60.1
30s (%)	52.3	54.5	49.7	47.9
40s (%)	34.5	36.4	38.6	40.6
50s or over (%)	19.4	20.4	24.8	24.6
Number of Female Managers (People)	12	12	9	9
Percentage of Female Managers (%)	10.7	7.6	7.8	7.6
SNS Followers (People)	-	-	-	-
Environment (Non-consolidated)				
Electricity Consumption at Existing Stores Year-on-year (%) *6	96.9	98.3	97.7	84.1
Total Water Consumption at Existing Stores Year-on-year (%) *6	96.1	99.7	98.1	89.7
CO_2 Emissions at Existing Stores Year-on-year (%) *6	109.1	102.4	98.2	82.8
Recycling Rate (%)	54.74	58.49	62.34	66.08

*1 Business profit=Operating gross profit – Selling, General and Administrative Expense
*2 EBITDA=Operating Profit + Depreciation and Amortization Expense
Depreciation accounted under Selling, General and Administrative Expense is used for EBITDA calculated under JGAAP, and Depreciation and Amortization Expense listed in the consolidated statements of cash flows is used for EBITDA calculated under IFRS.
*3 Equity is calculated based on Net Assets and Non-controlling Interest.
Total Equity Attributable to Owners of Parent is calculated based on Total Equity and Non-controlling Interest.

					IFRS		
				(Millions of yen)			(Millions of yen)
Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2016	Fiscal 2017	Fiscal 2018
264,779	264,384	269,889	276,358	268,373	93,780	91,621	89,969
42,567	43,776	45,269	46,655	45,446	31,302	29,263	28,108
31,742	31,580	32,760	33,883	32,633	18,505	18,979	19,384
-	-	-	-	-	12,797	10,284	8,723
10,824	12,196	12,508	12,772	12,812	14,203	11,713	5,425
4.1	4.6	4.6	4.6	4.8	15.1	12.8	6.0
10,329	12,013	12,499	12,673	13,253	-	-	-
9,102	11,283	10,582	10,137	11,829	13,669	11,455	5,049
5,083	6,778	6,294	6,061	7,525	8,795	7,809	3,370
16,926	18,052	18,402	19,010	18,189	19,502	17,372	11,389
206,243	220,757	226,830	236,315	250,323	248,806	261,835	275,369
103,573	108,823	113,211	116,474	122,039	120,600	126,311	126,908
37,375	50,424	45,229	54,518	58,099	58,162	52,820	61,740
50.2	49.3	49.9	49.3	48.8	48.5	48.2	46.1
0.36	0.46	0.40	0.47	0.48	0.48	0.42	0.49
5.0	5.6	5.6	5.5	5.4	5.6	4.5	1.9
5.4	6.4	5.7	5.3	6.3	7.5	6.3	2.7
13,938	9,864	15,281	14,652	12,901	7,690	21,386	4,529
(2,139)	(27,886)	(7,612)	(19,325)	(10,098)	(4,961)	(11,552)	(13,909)
11,798	(18,022)	7,668	(4,673)	2,802	2,729	9,834	(9,379)
5,632	36,330	10,532	23,487	18,723	18,723	12,895	14,449
6,101	5,856	5,894	6,238	5,377	5,298	5,659	5,963
54.44	66.81	62.04	59.75	74.17	86.69	76.97	33.30
18.00	18.00	18.00	20.00	23.00	23.00	23.00	24.00
442,600	442,600	451,000	456,000	409,000	409,000	398,000	401,000
53,000	44,000	46,000	40,000	55,000	55,000	35,000	37,000
117.4	111.0	118.6	116.6	112.7	112.7	126.7	116.2
49,214	52,465	56,478	58,158	58,539	58,539	56,091	51,078
1,614,637	1,643,027	1,754,321	1,885,972	1,990,970	1,990,970	2,031,988	2,018,475
-	-	23,797	273,274	540,234	540,234	781,538	1,040,650
43.1	43.7	43.4	43.8	42.5	42.5	43.7	45.2
59.2	58.5	58.2	56.8	56.2	56.2	54.9	61.5
46.4	49.2	47.4	50.3	49.0	49.0	52.4	52.9
39.8	42.2	44.6	44.6	43.1	43.1	44.4	46.4
24.6	28.3	29.3	29.8	30.2	30.2	30.3	30.7
13	16	17	16	19	19	21	26
9.2	11.2	11.6	10.6	12.1	12.1	13.0	15.6
-	480,684	1,027,045	1,206,903	1,217,630	1,217,630	1,541,355	1,656,896
98.0	97.3	95.0	98.8	97.8	97.8	98.1	100.0
91.6	99.6	97.0	98.0	95.2	95.2	97.5	101.1
99.4	104.2	90.8	94.0	100.0	100.0	97.1	100.0
66.51	66.71	67.29	67.69	68.29	68.29	68.95	69.24

*4 Raito of ordinary income to total assets (Return on Assets)=Ordinary Income/Total Assets (average of start and end of year values) ×100/
Ratio of profit before tax to total assets (Return on Assets)=Profit Before Tax/Total Assets (average of start and end of year values) ×100

*5 Depreciation and Amortization Expense in the Consolidated Statements of Cash Flows is the total including depreciation of cost of revenues at PARCO stores as well as depreciation of Selling, General and Administrative Expense.

*6 Calculated based on the closing of Atsugi PARCO and the opening of Sendai PARCO in fiscal 2008, the opening of Fukuoka PARCO and the closing of Oita PARCO in fiscal 2010, the closing of Shinsaibashi PARCO in fiscal 2011, the opening of Fukuoka PARCO New Building in fiscal 2014, the expanding floor space of Fukuoka PARCO Main Building and the opening of the Nagoya PARCO midi in fiscal 2015, the opening of Sendai PARCO2, the temporary closing of Shibuya PARCO, and the closing of Chiba PARCO in fiscal 2016, the closing of Otsu PARCO and the opening of PARCO_ya, excluding tenant areas.

President's Message

Overview of the business environment

The market is facing a time of dramatic change

Looking at population trends since 1969, when we opened Ikebukuro PARCO, up to 2010 the population increased, mainly in the 20 large cities known as ordinance-designated cities, such as Tokyo, and we saw increasing polarization between cities and regions. From 2010, the aging of the population progressed, and the general population began to decline. In 2018, population decline also became apparent in some of the ordinance-designated cities. Looking ahead, the aging and decline of the general population is expected to continue, and Japan is expected to see further densification of cities as the population flowing into cities around the country with people seeking greater convenience afforded by infrastructure and other facilities in urban areas.

In the retail industry in 2018, consumer confidence remained sluggish amid a string of natural disasters in Japan, including heavy rain, typhoons and earthquakes, and lackluster growth in sales of ladieswear. By industry type, shopping centers performance improved year on year, having made progress in renewals, while department stores' performance declined overall, with inbound sales the deciding factor due to the impact of China's revision of its e-commerce law. On the other hand, the e-commerce market continued to expand, mainly due to its high level of convenience, lifestyle exchanges, and increasing activity in C2C trading via smartphones. We have also seen the line between the real world and the internet fading as e-commerce stores made real store openings and developed services, and so forth.

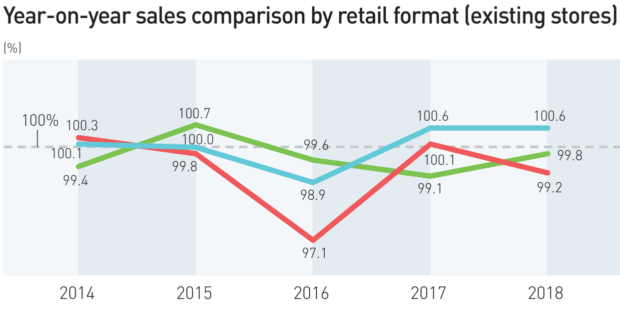
With respect to changing consumption trends, major changes include the sharing economy in which people share products and services with others, sympathetic consumption through use of social networking services, and a shift from goods to services and diversification of values driven by lifestyle changes associated with the empowerment of women. Moreover, there is also a change in consumption moving from goods to services among overseas customers, with increasing visitors to Japan each year promoting expansion in uniquely Japanese experiential services. The advance of technologies in various fields is considered likely to usher in an era of dramatic change in the markets, including new consumption experiences and store management methods.

Population of Tokyo and 20 large cities (ordinance-designated cities) in Japan

	1970	2010	Compared to 1970	2018	Compared to 2010
Japan's total	103,720,060	128,057,352	23.5	126,417,000	-1.3
Tokyo 23 wards	11,408,071	13,159,388	15.4	13,857,664	5.3
Yokohama, Kanagawa	2,238,264	3,688,773	64.8	3,740,172	1.4
Osaka, Osaka	2,980,487	2,665,314	-10.6	2,725,006	2.2
Nagoya, Aichi	2,036,053	2,263,894	11.2	2,320,361	2.5
Sapporo, Hokkaido	1,010,123	1,913,545	89.4	1,966,416	2.8
Fukuoka, Fukuoka	853,270	1,463,743	71.5	1,579,450	7.9
Kobe, Hyogo	1,288,937	1,544,200	19.8	1,527,407	-1.1
Kawasaki, Kanagawa	973,486	1,425,512	46.4	1,516,483	6.4
Kyoto, Kyoto	1,419,165	1,474,015	3.9	1,468,980	-0.3
Saitama, Saitama	600,976	1,222,434	103.4	1,295,607	6.0
Hiroshima, Hiroshima	541,998	1,173,843	116.6	1,199,252	2.2
Sendai, Miyagi	545,065	1,045,986	91.9	1,088,669	4.1
Chiba, Chiba	482,133	961,749	99.5	977,247	1.6
Kitakyushu, Fukuoka	1,042,321	976,846	-6.3	945,595	-3.2
Sakai, Osaka	594,367	841,966	41.7	831,017	-1.3
Niigata, Niigata	383,919	811,901	111.5	800,582	-1.4
Hamamatsu, Shizuoka	432,221	800,866	85.3	794,025	-0.9
Kumamoto, Kumamoto	440,020	734,474	66.9	739,556	0.7
Sagamihara, Kanagawa	278,326	717,544	157.8	723,012	0.8
Okayama, Okayama	375,106	709,584	89.2	721,329	1.7
Shizuoka, Shizuoka	651,344	716,197	10.0	695,416	-2.9

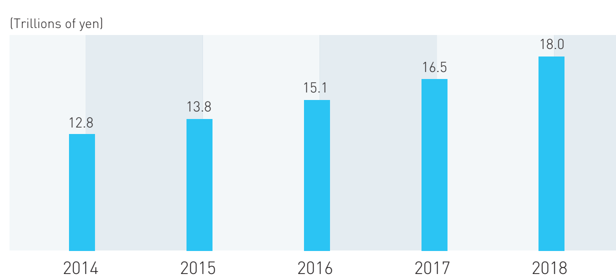
Cited from the Ministry of Health, Labour and Welfare's Vital Statistics

Year-on-year sales comparison by retail format (existing stores)



Sourced from the Japan Council of Shopping Centers, Japan Department Stores Association, and Japan Chain Stores Association

EC market scale



Cited from the Ministry of Economy, Trade and Industry's E-Commerce Market Survey

Earnings evaluation and forecast

Promote business portfolio innovation with speed

We continued as before to promote store openings in urban areas centered on ordinance-designated cities, while cultivating peripheral businesses to achieve growth. With the dramatic changes in the market presenting a mixture of risk and opportunities, in fiscal 2014, we announced the PARCO Group Long-term Vision and Three Business Strategies. Then, we formulated a Medium-term Business Plan to develop our businesses along the themes of execution of growth strategy from fiscal 2014 to fiscal 2016, and reforms to the business portfolio in fiscal 2017 and onward.

In the second year of the Medium-term Business Plan, fiscal 2018, we recorded decreases in revenue and profit, mainly due to a decision to close unprofitable locations in the Retail Business and close Utsunomiya PARCO and Kumamoto PARCO in the previous fiscal year. Meanwhile, we conducted various measures for future growth. On the theme of creating new added value corresponding to diverse consumption, we promote the structural reform of our buildings with the aim of proposing more enriching lifestyles for the highly attuned generations, and strengthening new functions for attracting customers at real stores. Moreover, increased strategies for bringing in customers by motivating them with experiences that can only be had at real stores, and bolstered events and programs coordinated with the local community, helped boost customer traffic and transaction volume at PARCO stores. For the e-commerce markets, we overhauled our official POCKET PARCO app, and renewed the official PARCO online sales portal, renaming it from KAERU PARCO to PARCO ONLINE STORE and taking steps to offer something different to our physical stores. In response to inbound demand, we worked to increase recognition of PARCO in China. These efforts included opening an official account on one of China's larges social networking services and holding campaigns featuring collaborations with Japanese artists that enjoy strong popularity in greater China.

The market environment for fiscal 2019 will include changes in the role of real stores due to acceleration of e-commerce among apparel companies, changes in consumer sentiment, such as service consumption and the sharing economy, rapid technology advances in various fields, and intensifying competition among commercial facilities, mainly in urban areas. A consumption tax hike has also been planned, which is expected to further depress consumer confidence, and cashless payments are expected to expand rapidly. In response to this external environment, in fiscal 2019 we will work quickly to reform our business portfolio and we are planning for increases in revenue and profit with a contribution from the opening of four buildings in different retail formats, starting with Kinshicho PARCO in March 2019. Furthermore, we will move ahead with strengthening our response to the digital environment and CRM strategy with a view to building a new customer-focused business model. These initiatives include diversifying our payment functions with the introduction of our point service, PARCO POINT, and the QR-code payment service, PARCO PAY in autumn.

In November 2019, we will open Shibuya PARCO, which is the origin of the Group. Shibuya PARCO will incorporate a range of experiential elements using digital technology, as it is reborn as a completely new shopping center. By creating a next-generation commercial space in the global city of Shibuya, PARCO's store brand will evolve even further. As the new spirit generated by Shibuya PARCO spreads through PARCO stores and Group businesses nationwide, I am certain that this will enable us to achieve the Medium-term Business Plan and thereby realize our Long-term Vision.

For details of our growth strategy, refer to "PARCO Group's Growth Strategy" beginning on page 27.

Risks

- Falling birthrate and aging society
- Increasingly tough competitive environment
- Expansion of the e-commerce market
- Expansion of the sharing economy
- Consumption tax increase

Opportunities

- Increase in urban population
- Empowerment of women
- Advancement of technologies
- Diversification of values
- Shift from goods to services
- Changes in inbound tourism demand

President Makiyama talking to the press at the preview event of Kinshicho PARCO

Shareholder returns

Dividend of ¥26 planned for fiscal 2019 with a commemorative dividend for PARCO 50th anniversary

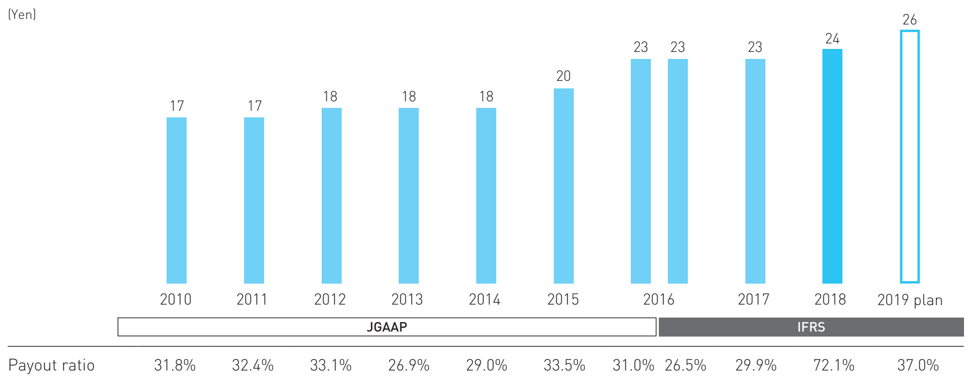
We view the return of profits to shareholders through the achievement of sustainable growth and medium- to long-term improvements in corporate value as one of our most important policies. In paying cash dividends from retained earnings, our basic stance is to pay a stable dividend to shareholders following careful consideration of business performance and the payout ratio. Our policy regarding internal reserves is to effectively utilize such funds to preserve financial soundness and promote future business development.

In fiscal 2018, our annual dividend per share was ¥24, an increase of ¥1, and the payout ratio was 72.1%. For fiscal 2019, we plan to pay a commemorative dividend of ¥2 per share for PARCO's 50th anniversary, for an annual dividend of ¥26 (ordinary dividend of ¥24 and commemorative dividend of ¥2) with an expected payout ratio of 37.0%. We have also instituted various reward programs to make shopping at PARCO nationwide even more enjoyable for shareholders.

Visit our website for details on shareholder rewards.

URL www.parco.co.jp/en/ir/benefit/

Cash dividend per share and payout ratio



Promotion of ESG Initiatives

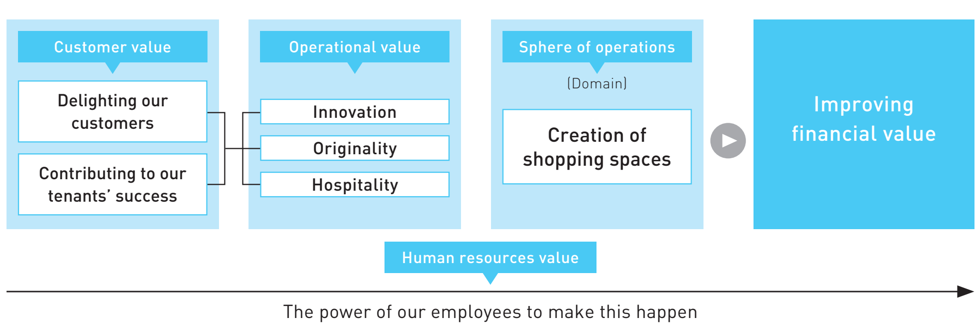
Putting our Corporate Mission into practice is how we carry out CSR

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.

For further information about the "Ten guidelines for PARCO employees and five actions being taken by PARCO," please visit the following website.

URL www.parco.co.jp/en/about/vision/guidelines.php

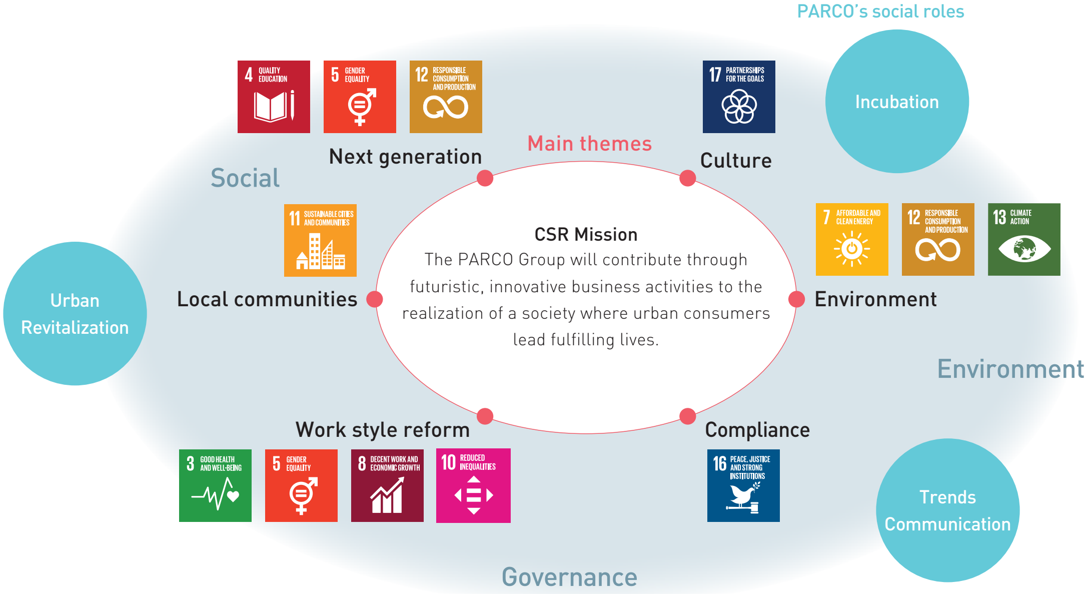
PARCO Corporate Mission System diagram



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 consistent with obtaining the 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.

For details, refer to "Promotion of ESG Initiatives" beginning on page 48.

PARCO's Six Themes and Related ESG and SDGs



PARCO Group's Growth Strategy

Positioning of the PARCO Group Long-term Vision and Medium-term Business Plan (FY2017-2021)

The structure of the market is changing dramatically, with the globalization of Japan's consumer environment, rising urban populations due to a trend of settlement in urban areas, and diversification in customer needs with further advancement in ICT technology. Overseas, as the China market reaches maturity and ASEAN cities continue their growth trajectory, we are encountering opportunities to expand new businesses.

To firmly grasp these changes in Japan and overseas and translate them into business opportunities, we established the PARCO Group Long-term Vision in 2014, which is to become "A business group that prospers in urban markets," and we are promoting Three Business Strategies. To achieve this vision, in the second period of the plan we formulated the Medium-term Business Plan based on Three Business Strategies, which we are now executing. Under Medium-term Business Plan (FY2014–FY2016), in the period for executing growth strategy, we built a stable foundation for stores, specified the Shibuya PARCO redevelopment plan for the next phase of growth, and opened new stores. We also worked to promote growth strategies by developing the ZERO GATE format in the area around the existing store. In Medium-term Business Plan (FY2017-FY2021), during the business portfolio reform period, we aim to promote business selection and concentration and realize growth by increasing the unique value we provide to urban areas.

PARCO Group Long-term Vision

A Business Group that Prospers in Urban Markets

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

Three Business Strategies

1. Cultivation of major urban areas
2. Expansion of core targets
3. Innovative use of ICT

Medium-term Business Plan (FY2017-2021)

Realizing Growth by Widening Unique Value Provided to Urban Areas

Three Tactics

- Tactic 1 Evolve the store brands
- Tactic 2 Produce commercial real estate
- Tactic 3 Expand soft content

Four Directions

- Direction 1 Expand domain to include commercial real estate and soft businesses that leverage PARCO's intrinsic expertise and capabilities
- Direction 2 Increase operational efficiency through business resource choice and focus—be a compact, high-yield business group
- Direction 3 Widen unique value provided to meet the diversifying needs of urban consumers and business owners
- Direction 4 Develop corporate culture that expands our purpose in society

Management indicator targets

Operating profit:	EBITDA:	ROE:	EPS (Basic earnings per share):
¥14.7 billion	¥23.5 billion	6.5–7.0%	¥92.02

Two steps toward growth

Up to FY2013	Phase 1: FY2014-2016	Phase 2: FY2017-2021
Stabilization of store business, germination of new businesses	Execution of growth strategy	Reforms to business portfolio
		Expansion of related businesses, development of new ones
Related businesses	Expansion of related businesses, development of new ones	Advancement of development business
Development business	Advancement of development business	
PARCO stores business	Advancement of PARCO stores business	Advancement of PARCO stores business

Overview of the Medium-term Business Plan (FY2017-2021)

Under Medium-term Business Plan (FY2017-2021), we are now executing Three Tactics: "Evolve the store brands," "Produce commercial real estate," and "Expand soft content" based on the three Business Strategies of our Long-term Vision. We will contribute to urban maturation by providing unique PARCO value, which encompasses values like personal fulfilment, new inspiration and contentment, throughout our Group businesses, including the PARCO stores business, to meet the needs of consumers seeking fulfilling urban lifestyles and business owners active in urban areas. Moreover, to achieve this we will refine our businesses and expand business areas to raise the value of the PARCO Group's existence and reform our business portfolio.

For Tactic 1, "Evolve the store brands," we will apply key concepts that emerge in the creation of Shibuya PARCO to strengthen existing stores. We will also work to create next-generation commercial spaces and stabilize earnings by enhancing unique tenant services and providing consumers with genuine retail experiences.

For Tactic 2, "Produce commercial real estate," we will work to increase format variety by creating new formats alongside the existing PARCO and ZERO GATE formats with the goal of acquiring sites primarily in urban areas with growth potential where we have not yet opened complexes. In addition, we will offer unique solutions to commercial facility operators and tenant stores, including the Space Engineering and Management Business and Digital Marketing Business operated by Group companies.

For Tactic 3, "Expand soft content," we plan to evolve our entertainment content and create new content, the locus of PARCO's unique soft content, and further expand the range of specialty stores managed by Group companies in the lifestyle business. Further, the PARCO Group will play the role of incubator and collaborate with up-and-coming creators and companies to provide novel experiences to consumers.

Realizing Growth by Widening Unique Value Provided to Urban Areas

Tactic 1
Evolve the store brands
See P. 30 for details

Strengthen urban stores
Create Shibuya PARCO
Advancing a scrap-and-build policy for stores
Diversify tenant services
Provide enjoyable experiences

Tactic 2
Produce commercial real estate
See P. 32 for details

Expand ZERO GATE business
- Expand areas
- Evolve formats

Diversify business categories
- PARCO format
- New formats
- Street-level properties, etc.

Diversify development methods
- Joint ventures, cyclical real estate model, etc.

Provide solutions
- Business owners
- Tenants

Tactic 3
Expand soft content
See P. 34 for details

Content creation
Entertainment
Lifestyle proposals
Incubation

PARCO Group ICT integration and development increase awareness of the PARCO brand in Asia (inbound and outbound)

Business portfolio innovation

Progress of Medium-term Management Plan (FY2017-2021)

In fiscal 2018, the second year of Medium-term Management Plan (FY2017-2021), operating revenue declined 1.8% year on year to ¥89,969 million, mainly reflecting the closure of unprofitable locations in the Retail Business in the previous fiscal year. Operating profit was ¥5,425 million, down 53.7% year on year, mainly reflecting losses related to the planned closure of Utsunomiya PARCO and Kumamoto PARCO in fiscal 2019 and the booking of impairment losses for other stores. Profit before tax was ¥5,049 million, down 55.9%, and profit attributable to owners of parent was ¥3,370 million, down 56.8%.

Meanwhile, in fiscal 2018, we worked steadily to develop new locations in urban markets. We opened Harajuku ZERO GATE in March and made the decision in April to open Kawasaki ZERO GATE (tentative name). In August, Kyoto ZERO GATE was fully opened and Sannomiya ZERO GATE opened its doors in September. We also made preparations to open a number of stores in fiscal 2019, including Kinshicho PARCO, which opened in March 2019, SAN-A Urasoe West Coast PARCO CITY, Kawasaki ZERO GATE (tentative name) and Shibuya PARCO. In the PARCO stores business, we stepped up efforts to adapt to changes in consumer values and the retail environment, such as intensifying competition between commercial facilities and growing use of online channels for apparel purchases. Specifically, we adjusted tenant composition, broadened product choice and worked to attract up-and-coming tenants. We also updated our official POCKET PARCO app and the PARCO ONLINE STORE to create a more enjoyable, convenient shopping experience for customers.

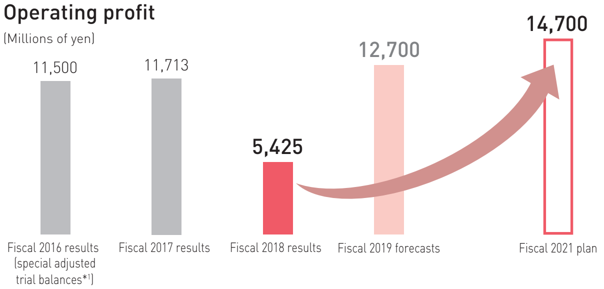
In fiscal 2019, to mark the 50th anniversary of the opening of Ikebukuro PARCO, we will develop proposals for next-generation commercial facilities, building on the momentum achieved with the redevelopment of Shibuya PARCO. We will also implement reforms in the stores business, aiming to respond to the evolving digital landscape by creating a new customer-focused business model anchored by a stronger CRM strategy. In addition, we will open four different retail formats. Through these measures, we aim to achieve our management indicator targets. By implementing the above initiatives, we are targeting fiscal 2019 operating revenue of ¥116.2 billion, up 29.2% year on year*, operating income of ¥12.7 billion, up 134.1%, and profit attributable to owners of parent of ¥7.1 billion, up 110.7% year on year.

* The forecast for operating revenue includes a one-off increase from the sale of land that was kept on hold during the Shibuya redevelopment project. The same amount has been factored into operating cost.

Progress on management indicator targets

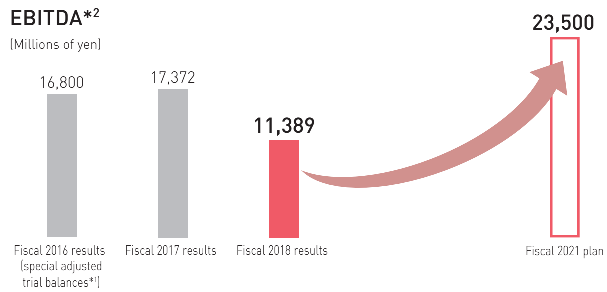
Operating profit

(Millions of yen)



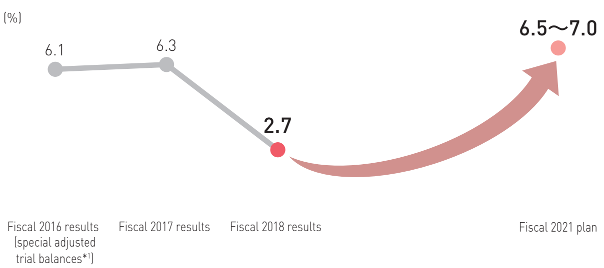
EBITDA*2

(Millions of yen)



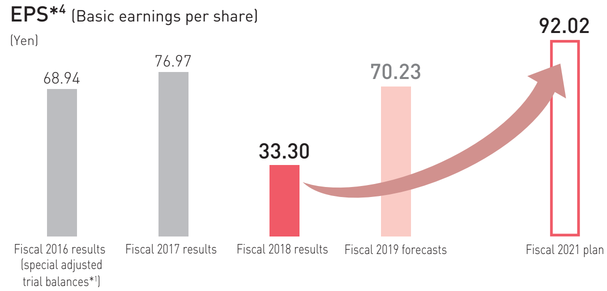
ROE*3

(%)



EPS*4 (Basic earnings per share)

(Yen)



*1 Adjustments have been made for proceeds from the sale of Shibuya ZERO GATE, proceeds from the sale of Chiba parking, losses on the closure of Otsu PARCO and other factors.
*2 EBITDA=Operating Profit + Depreciation and Amortization Expense
*3 ROE= Profit Attributable to Owners of Parent÷Shareholders' Equity
*4 EPS (basic earnings per share) = Profit Attributable to Owners of Parent÷Number of Common Shares Outstanding

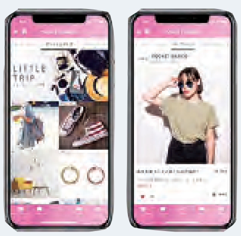
Progress on producing commercial real estate under the Medium-term Business Plan

	Target	Projects Opened/Planned		Opened/Scheduled 2017	2018	2019	2021	Remaining
PARCO Format	5 projects	4 projects	PARCO_ya	Nov.				1 project
			Kinshicho PARCO			Mar.		
			Shibuya PARCO			Nov.		
			North Building of Daimaru Shinsaibashi				Spring	
New Format	2 projects	1 project	SAN-A Urasoe West Coast PARCO CITY			Jun.		1 project
ZERO GATE Format	5 projects	4 projects	Kyoto ZERO GATE	Nov.				1 project
			Harajuku ZERO GATE		Mar.			
			Sannomiya ZERO GATE		Sept.			
			Kawasaki ZERO GATE (tentative name)			Early Fall		
Total	12 projects	9 projects (5 opened, 4 currently planned)						3 projects

Tactic 1 Evolve the Store Brands

POCKET PARCO

PARCO ONLINE STORE



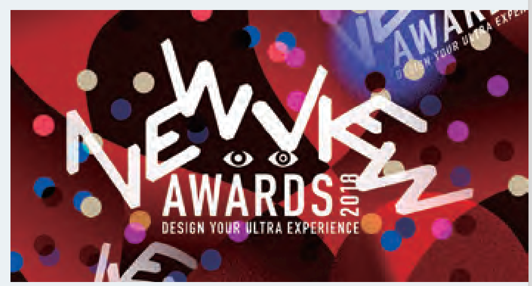
Expand the functions and content of POCKET PARCO, the official app

On November 22, 2018 (Thursday), we carried out a major overhaul of POCKET PARCO. The app now distributes PARCO Journal, an entertainment column edited by PARCO to provide a quick, one-minute read, which we operate as owned media. The column aims to satisfy users' curiosity by introducing seasonal fashion trends and items of interest, area-specific content highlighting local attractions, and providing PARCO's own entertainment information. We also renewed the official PARCO online sales portal, KAERU PARCO, as PARCO ONLINE STORE. In addition to the previous services and stores, we will promote cutting-edge new brands and select stores exclusively online, with a different perspective from physical PARCO stores. Looking ahead, we will build on the POCKET PARCO platform, which enables people to experience PARCO anytime, anywhere, by adding payment functions and other convenient features, while promoting customer communication using digital technology.

NEWVIEW AWARDS 2018 Calls for VR*1 Content

We set up NEWVIEW as a joint project with Psychic VR Lab Co., Ltd. and Loftwork Inc. and held the NEWVIEW AWARDS 2018. The awards look toward a time in the near future when everyone will have access to expression in three-dimensional space and seek to discover and support next-generation creators who are able to lead the way in new expressions of VR, culture, and lifestyles. In June and July 2018, we called for entries, and received 219 works from seven countries, 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," while the PARCO Award was presented for XR*2 space designer Discont's entry, "SHAPE MEMORY OF YOU."

*1 VR: Virtual Reality. A technology that enables users to experience a virtual world projected inside a special headset.
*2 XR: A collective term for technologies such as VR that enable users to experience virtual spaces and objects generated by computers as though they exist in the real world.



SHAPE MEMORY OF YOU
An experimental attempt to recover a lost body and body sense in a VR setting, SHAPE MEMORY OF YOU comprises seven installations that invoke the sense of the body's existence and then challenge the body sense.

Judge's Comment Managing Executive Officer Sensui of PARCO

It was a piece that stirred my expectations of "I wonder what's coming up next" while going around the seven exhibitions in the space, while the space changed as I advanced forward. In addition, among current creators of VR spaces, there are many skilled people who call themselves "engineers," but through this award, a creator appeared taking on the title of a "VR space designer" (the creator of this piece, Discont). This made me think that VR will be taking a huge step in shifting towards art, fashion and culture in the future, which is why I chose this piece.

We have started creating a piece with Discont.
The finished work will be unveiled on the 5th floor of Shibuya PARCO, which is scheduled for completion in November 2019.

Message from Stakeholders

Discont
XR space designer

After receiving the PARCO Award at NEWVIEW AWARDS 2018, I started exploring my potential as an XR space designer every day. As a creator, I am constantly aiming to generate superlative experiences that nobody has ever seen before. This is indeed the vision of NEWVIEW. I don't think that anyone can predict where the new phenomenon inspired by NEWVIEW will lead. However, as I experience the new winds of change on the front line of XR, I cannot help but feel that we are on the cusp of a new era.

When Shibuya PARCO opens, we will take the first step toward the vision of NEWVIEW with the presentation of this work.

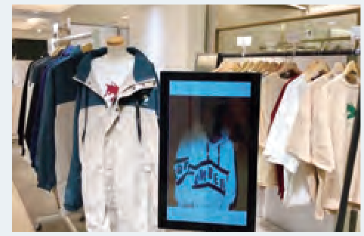
This is an important step in creating the future of XR. I am very excited to be able to create this moment together with PARCO.

Creating new value that crosses the divide between the internet and the real world

PARCO has been engaged in various initiatives such as the incubation space, UP NEXT, aiming to foster new stores and brands. Our aspiration is to create new value that crosses the divide between the internet and the real world, and to allow the potential of store brands to blossom and grow into stores that will become part of PARCO, and by extension the retail industry, in the future.

Supporting business expansion of SHOPCOUNTER and fashion brands

SHOPCOUNTER is a market-place service offering leases on empty stores in shopping centers, train stations, and other commercial spaces and retail areas, operated by COUNTERWORKS Inc. We collaborated with COUNTERWORKS Inc. to open a SHOPCOUNTER POP UP STORE to jointly operate the UP NEXT incubation space at Ikebukuro PARCO from April to July 2019. We called for applicants on SHOPCOUNTER, aiming to give creators and influencers active on YouTube and social networking services an opportunity to expand their businesses by opening a store for several weeks to showcase their own internet-based brands in a physical store.



Ikebukuro PARCO Main Building
1st basement floor UP NEXT
SHOPCOUNTER POP UP STORE
Unisex brand store, harapeco

Exchanging unwanted items for shopping coupons and providing instant buying and selling experiences on CASH

The popular app CASH provided by Bank, Inc., enables items to be exchanged instantly for cash. We collaborated with Bank, Inc. to open a pop up store, CASH here, in Ikebukuro PARCO. At the first store in November 2018, people brought in fashion items and exchanged them for Ikebukuro PARCO shopping coupons, providing an experience of being able to use the coupons directly to purchase new items, which can only be had at a physical store. For the second pop up store, which opened in March 2019, we provided an even more convenient experience, in that users did not need to carry items into the store, but needed only to show a photograph on a smartphone which could be scanned and bought on the spot by CASH.

Ikebukuro PARCO Main building
3rd floor event space
CASH here second pop up store

Opening the first pop up store selected by STORES.jp

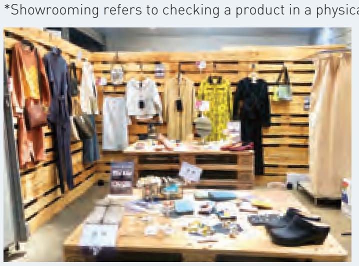
PARCO collaborated with STORES.jp, Inc., which operates the online store construction service STORES.jp, to open pop up stores at Fukuoka, Nagoya, and Ikebukuro PARCOs. STORES.jp Inc. carefully selected innovative and forward-looking owners who applied under the different themes of apparel and food. At the first pop up store in Fukuoka PARCO in December 2018, we introduced 16 brands of coffee, tea, and sweets to be enjoyed at home under theme of "Order in for a Cafe at Home." At the second pop up store at Nagoya PARCO in January 2019, we introduced 13 brands of selected accessories under the theme of "My Favorite Self."

Third pop up store in March 2019
Ikebukuro PARCO Main Building
1st basement floor UP NEXT
"Spring Coordination for Mother and Child"
Introducing 9 fashion item brands for mothers and children to enjoy together.

Showrooming store FACY STORE's debut opening in a commercial facility

FACY is a fashion service operated by STYLER Inc. offering professional online consultations. We collaborated with STYLER Inc. in the commercial facility debut opening of FACY STORE, a showrooming* store, at Kichijoji PARCO in February 2019, as a limited time project. We provided a new shopping experience by combining the ability to hold actual products, which can only be experienced at stores, with online services.

*Showrooming refers to checking a product in a physical store before purchasing it online.



Kichijoji PARCO 1st floor
Koen-dori street-front space
TURN the TABLE
FACY STORE

A personal styling experience event by airCloset

airCloset, Inc. operates Japan's first and largest monthly fashion rental service for women, airCloset. PARCO teamed up with airCloset, Inc. to hold personal styling experience events with professional stylists at Urawa and Kichijoji PARCOs. Customers were able to discuss their fashion concerns with stylists and receive proposals for styling that truly suits them, enjoying new encounters with fashion and communication with the stylists.

Urawa PARCO 2nd floor
event space
Personal styling experience event

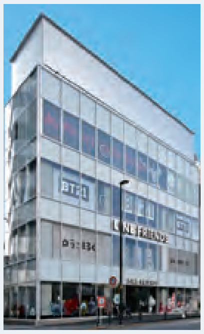
Tactic 2

Produce Commercial Real Estate

Stores Opened in Fiscal 2018

Opened in March 2018

Harajuku ZERO GATE



This facility opened in March 2018 on Meiji Dori avenue in the Harajuku and Jingumae area, which has a high profile both in Japan and internationally. With a popular social networking service character merchandise store LINE FRIENDS flagship store in Harajuku and a fitness gym, B.I.F BY NERGY, based on a new concept developed in Japan of using martial arts to pursue Japanese feminine beauty, the facility contributes to the vibrancy of the district and helps to improve circulation through the area.

Fully opened in August 2018

Kyoto ZERO GATE

Located adjacent to the Daimaru Kyoto department store, facing Shijo Street, Kyoto's commercial center, this facility opened on some of the upper floors in November 2017. The facility fully opened in August 2018 with the opening of Apple Kyoto, Apple's first directly managed store in Kyoto. Encased with huge sheets of glass presenting a traditional Japanese shoji screen motif, the entire building has a distinctive illumination effect in the evenings, when it lights up like a traditional Japanese lantern.

Opened in September 2018

Sannomiya ZERO GATE

This facility opened in September 2018 at the intersection of Kobe's Sannomiya Center Gai shopping street and Tor Road, which connects the former foreign settlement and the Yamate area. The facility's opening was preceded by the openings of Kobe's first lifestyle store, COLONY 2139, and the first adidas Brand Core Store in western Japan, based on the STADIUM concept. In February 2019, Hot Yoga Studio lolve and the photo sticker booth specialty store, girls mignon opened. The facility will contribute to enlivening Kobe's Sannomiya district.

Stores Opened in Fiscal 2019

Opened on March 16, 2019

Change is starting

Opening of Kinshicho PARCO

Kinshicho PARCO opened on March 16, 2019 in Sumida-ku, eastern Tokyo, which has been drawing attention following the appearance of the TOKYO SKYTREE. For this facility, we leased a portion of the Rakutenchi Building and made major renovations to the interior and exterior. Kinshicho PARCO will provide a new function in the Kinshicho urban subcenter, providing stores with an urban sensitivity and enhancing services that maximize the convenience of the station-front area. The building is designed to serve as local infrastructure for attracting visitors to the district for more than just shopping, and will meet the needs of local customers and help to increase the charm of the Kinshicho area. Tenants in the store are on-board with the Kinshicho PARCO concept and include some of the largest, or latest, format openings, as well as local stores from Sumida-ku and famous "Kinshicho Legend" stores from the area. Kinshicho PARCO will continue striving to be a facility where all kinds of people can spend quality time.

Opened on June 27, 2019

A shared sense of happiness— from here into the future

Opening of SAN-A Urasoe West Coast PARCO CITY

SAN-A Urasoe West Coast PARCO CITY was opened in Urasoe City, Okinawa Prefecture on June 27, 2019. It will be operated by major Okinawan distributor SAN-A CO., LTD. and SAN-A PARCO, Inc., a joint venture established by SAN-A CO., LTD. and PARCO CO., LTD. for operating commercial facilities. SAN-A Urasoe West Coast PARCO CITY is a large-scale facility with a store area of around 60,000m^2, set in a prime location approximately 15 minutes' drive from Naha Airport overlooking the beautiful sea. A rich variety of stores is combined with PARCO's environmental design and soft content to provide completely new value to the Okinawan market, targeting the growing local population and the expanding number of domestic and overseas tourists, who current number 9.8 million per year.

Hybrid store lineup offering urban sensitivity and a strong local flavor

Of the 105 stores, 69 are opening in the Kinshicho area for the first time

The first floor is the entrance floor looking onto the street, featuring imported brands, cosmetics, cafes, and a food hall with openings by famous local eateries. On the second, third and fifth floors, men's and ladies' fashion stores open along with related stores and large-scale accessory retailers. The entire fourth floor is dedicated to the lifestyle store MUJI, with a combined cafe. The sixth floor has a direct connection to a cinema, and is set up as a casual restaurant zone open to everyone, and an elaborately designed fashion and culture floor. The seventh floor is the top floor, offering service function for local living infrastructure such as a post office, a medical mall, and satellite offices. The facility is designed to be a close part of everyday life.

Kinshicho PARCO Floor Plan

7F	10 stores	Living support services as a new urban function
6F	16 stores	Eateries that cater to local needs and lifestyle proposals centered on family fashion
5F	24 stores	Men's and ladies' fashion & culture and life-long education floor
4F	1 store	Latest style large-scale lifestyle store covering an entire floor
3F	21 stores	Urban ladies fashion & kids world and cafe
2F	16 stores	Fashion-conscious zone
1F	17 stores	New Sumida Style

1F Sumida Food Hall

A food hall featuring well-known local eateries and popular restaurants from around the city

7F One-stop, convenient services

A post office providing social infrastructure functions and a host of service function stores such as clinics

Message from Stakeholders

Junichi Akaike
Representative Director and President
PEET co., LTD.
Kinshicho PARCO 6th floor
G-LAND EXTREME

We are very grateful to have the opportunity to open a store at Kinshicho PARCO. We have been selling apparel here in Kinshicho since 1968. We started opening directly operated stores around 20 years ago, and it is now the main format of our business.

The Rakutenchi Building where Kinshicho PARCO has opened holds memories for me as I used to come here to see movies as a child. At the time, the area around the south gate of Kinshicho Station was booming, and the north gate area was a bit lonely. Then, the north gate area was redeveloped about 25 years ago, and it was reborn with city hotels and office buildings. When the TOKYO SKYTREE opened, Kinshicho Station entered the spotlight as it is the nearest JR station. Kinshicho PARCO is in a superb location in the middle of the north and south gates, connecting them. I am certain that the complex will continue to develop going forward.

We will provide top quality casual wear to Kinshicho PARCO customers, with gratitude to Kinshicho for our 50 years of business there.

Thank you for your support.

A rich variety of tenant stores to cater to diverse needs, from daily shopping to special occasions

Of the 250 stores, 94 are opening in Okinawa for the first time

Ninety-four stores will be opening in Okinawa for the first time, including urban style fashion brands, fast fashions from overseas, cosmetics stores, and popular restaurants from around Japan. In addition, the facility features a full range of stores offering everything from classic souvenirs to new local store formats, and food themes from all over Japan to provide a flavor of Okinawa and Japan, along with 50 local Okinawan company's stores.

The first floor takes the theme of "enjoying living through the seasons," catering to daily needs as well as proposing a slightly more up-market every-day experience, and new lifestyles for enjoying abundant day-to-day living. The theme for the second floor is "enjoying urban style." It features the first select stores in the area, as well as overseas fast-fashion brands for a highly discerning fashion to propose urban lifestyles. The third floor theme is "enjoying local specialties," offering a new "third place" and entertainment for the community as a floor that proposes ways to spend leisure time.

SAN-A Urasoe West Coast PARCO CITY Floor Plan

3F	85 stores (including 36 stores opening in Okinawa for the first time)	Enjoying local specialties
2F	93 stores (including 47 stores opening in Okinawa for the first time)	Enjoying urban style
1F	72 stores (including 11 stores opening in Okinawa for the first time)	Enjoying living through the seasons

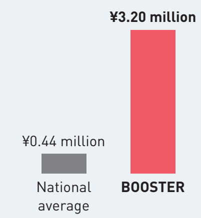
Tactic 3 Expand Soft Content

Crowd-Funding Service BOOSTER

URL https://camp-fire.jp/booster-parco

BOOSTER started in December 2014 to provide support for well-intentioned community contribution projects and new product development projects of start-ups with promising technologies and ideas. We add PARCO-style incubation and collaboration opportunities into the mix to provide support with fund raising, advertising, test marketing, and other challenges. In June 2018, PARCO concluded an alliance and investment agreement with CAMPFIRE, Inc., operator of Japan's No. 1 crowd-funding platform CAMPFIRE. The two companies began jointly operating BOOSTER in July. The crowdfunding services utilizes both company's strengths, including measures such as distributing information to around 540,000 CAMPFIRE members and approximately 1.65 million people following PARCO on social networking services and running sales promotions at real stores such as PARCO stores nationwide. The alliance has produced Japan's top crowdfunding service in terms of amounts fund circulation per project and target amount achievement rate. Now one year on since the alliance was formed, BOOSTER is performing strongly, not only with individual and start-up projects, but also with a growing number of major companies' ESG- and SDG-related projects and new product development projects.

High level of fund circulation per project

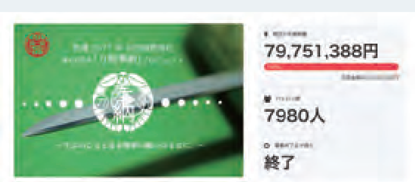


Cited from Yano Research Institute Ltd.'s "Crowdfunding Market 2018"

Collaboration with "ToukenRanbu-ONLINE-" and Daimaru Matsuzakaya

Promoting the Appeal of Osaka Town throughout Japan through a cultural property revitalization project at Osaka's iconic shrine

This project aimed to newly reconstruct the Ishikirimaru Sword, an important cultural property belonging to the Ishikiri Tsurugiya Shrine, and offer it to the shrine. Thank-you gifts for project supporters and advertising were prepared with cooperation from the wildly popular PC browser and smartphone game "ToukenRanbu-ONLINE-" (wild dance of swords), while Daimaru Umeda Store has also assisted with displays and advertising. Through this kind of PARCO-style collaboration, we received tremendous support and communicated the appeal of Osaka throughout Japan.



Press conference held at Daimaru Umeda Store

Japan's first showroom specialized for trialing products, BOOSTER STUDIO by CAMPFIRE to open in Shibuya PARCO

PARCO and CAMPFIRE plan to jointly operate Japanese first showroom store specialized for trialing products, using crowd-funding and AI. The store will display products at the trial stage, such as unique digital products, technologies, and ideas of start-ups and major manufacturers. The store will provide feedback to exhibitors for the exhibited products including customer behavior data and AI analysis, as well as information acquired through conversation with the store staff. By partnering with BOOSTER, the store can offer exhibitors both online and real-world marketing data, aiming to be of use in improving products, developing new products, and formulating the next retail strategy, such as opening a physical store.

BOOSTER STUDIO by CAMPFIRE

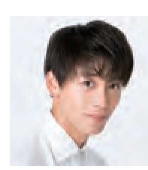
Cultural Information Dissemination Center PARCO MUSEUM

URL https://art.parco.jp

As part of the temporary closure of Shibuya PARCO, PARCO MUSEUM was relocated to the seventh floor of the Ikebukuro PARCO Main Building, then renovated and reopened in September 2016. Here it continues to create and curate diverse exhibitions and events transcending the existing categories of art, design and culture. In fiscal 2018, we ran a photography exhibition by a popular actor, "Ryoma Takeuchi Photograph Exhibition– unreleased -photo by Akinori Ito-." An alternative version of a photography collection that is already making waves, this exhibition contains only photos not included in the collection. A film was also shown with the photographs, providing a peek into the atmosphere of the shoots. We also sold original merchandise such as a version of the photography collection with a limited-edition cover for the gallery, which was highly regarded.

Ryoma Takeuchi at the press conference

Message from Stakeholders



Ryoma Takeuchi
Actor

Last year, I was delighted to create a photography exhibition together with PARCO at the same time as the "Ryoma Takeuchi" photography collection. It was my first time trying a photography exhibition, and since it toured Japan, it was a major event for me. There were some tough challenges, but with the help of everyone we succeeded. Thank you all so much.

Development of Collaboration Cafe

We develop various Collaboration Cafes through original content development and tie-ins with companies to provide new consumer experiences.

THE GUEST cafe & diner

URL www.the-guest.com

PARCO develops cafes tied in with various content such as popular characters, films and anime. Featuring themed menus, the cafes enable customers to engage in the unique worlds of particular works. There are now five* in operation around the country. In 2019, we collaborated with the new book "Tokyo Ghoul: re" in the popular manga series "Tokyo Ghoul," which has sold over 37 million publications. We have opened Tokyo Ghoul: re Cafes in five locations nationwide. The cafe will reprise popular menu items such as Disgusting Sandwich, which enjoyed great popularity in 2017 when we opened a Tokyo Ghoul Cafe that generated a huge response. We also created a collaboration menu featuring images of the unique characters in the "Tokyo Ghoul: re" manga.

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

Gourmet Tsukiyama's roast beef from "Tokyo Ghoul: re Cafe" collaboration menu
© Sui Ishida/Shueish

#Matcha PARCO

In our second collaboration with Morinaga Milk Industry Co., Ltd., we held limited-time openings of #Matcha PARCO collaboration cafes offering special matcha-flavored versions of Morinaga Milk Industry Co., Ltd.'s main brands, PINO, PARM, MOW, and Mitsu to Yuki. The #Matcha PARCO cafes opened at our PARCO stores in four cities: Nagoya, Fukuoka, Ikebukuro, and Hiroshima starting in April 2019. The cafe venues were decorated with matcha motifs, and offered matcha sampler plates with exclusive flavors and limited menus from each store. The cafes were highly popular, and sold out day after day.

Nagoya PARCO Limited Menu
"Every type of ice cream × mitarashi shiratama (sticky rice ball with sweet sauce)"

Fukuoka PARCO New Building 3rd floor
#Matcha PARCO operating in 24/7 cafe apartment

"Detective Conan Cafe in Bangkok"

In August 2018, we opened Thailand's first "Detective Conan Cafe in Bangkok" for a limited time—our fourth overseas collaboration cafe project. Using the popular Japanese manga character Detective Conan for the motif, this first full-fledged collaboration cafe overseas was enjoyed by many customers. This project was realized with the assistance of Siam Piwat Co., Ltd., a business alliance partner in our inbound tourism strategy.

©GA/S,Y,T ©2018 GA/DCC

Activities to communicate PARCO culture overseas

We will promote responses to both inbound visitors and consumers overseas through activities such as developing original soft content throughout Asia and collaborating with shopping centers overseas, boosting recognition of the PARCO brand throughout Asia.

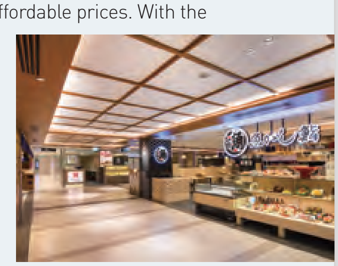
The olfactory exhibition "Smell Exhibition Super"

In cooperation with Aichi Television Broadcasting Co., Ltd. and MCIP Holdings Co., Ltd., we held the olfactory exhibition "Smell Exhibition Super" at the Huashan Laugh & Peace Factory inside Huashan 1914 Creative Park, an art and pop-culture area in Taiwan, for a limited time starting in April 2019. The event made full use of the olfactory sense to present a range of smells from pleasant to sharp. Sound, lighting, and images were also used to create an intriguing world of smell. The event had been highly popular in Japan, and was enjoyed by the overseas public as well, with over 30,000 visitors.

Japanese restaurant zone "itadakimasu by PARCO"

URL www.parcoitadakimasu.com

Since December 2016, we have been operating "itadakimasu by PARCO," a Japanese restaurant zone featuring seven restaurants, produced by PARCO, in the 100 AM commercial facility in the prominent Singapore office district of Tanjong Pagar. Based on the concept of "Japanese tastes every day of the week," the restaurants provide authentic Japanese taste and quality at affordable prices. With the increase in offices and residents that has accompanied development in the surrounding areas, the restaurants are performing steadily.



"itadakimasu by PARCO" opened in December 2016

Success of Value Creation PARCO Group Business Fields

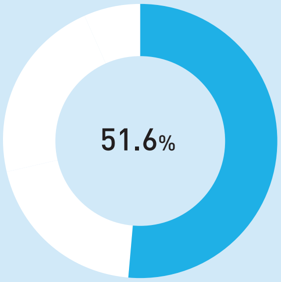
Shopping Complex Business

The Shopping Complex Business is the PARCO Group's flagship operation. As a commercial developer, this business functions as a hybrid business model that combines retail and real estate operations.

On the retail side, this business seeks to improve the sales of each tenant by enhancing the appeal of new shopping complex additions through renovation, attracting customers through advertisement and sales promotion activities, and by offering detailed tenant support. On the real estate side, this business serves as a comprehensive producer for a full menu of services essential to commercial facility operation, ranging from building development and planning to upkeep and management.

While focusing on the development and operation of PARCO locations, this business promotes development of ZERO GATE and other new business models.

Operating Revenue Composition



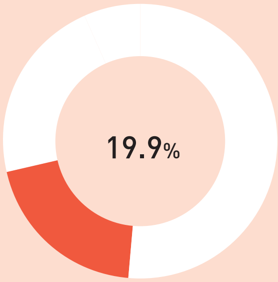
* Figures calculated using figures before eliminations of inter-segment transactions.

Retail Business

The Retail Business is centered on NEUVE A CO., LTD., which develops and operates select stores engaging in multiple businesses, namely wristwatches, eyewear, cosmetics, men's accessories, and stationery.

As a company that operates unique specialty stores with a focus on general merchandise, NEUVE A has 171 store locations across Japan (as of February 28, 2019) and an online store. NEUVE A aims to expand earnings by enhancing its lineup of original goods, taking steps to develop new business formats, promoting the development of an omni-channel structure by accelerating its digital strategy, and strengthening marketing.
(As of February 28, 2019, 122 non-PARCO locations, with 71.3% of locations outside of PARCO)

Operating Revenue Composition



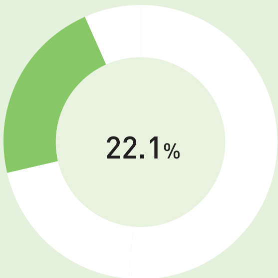
* Figures calculated using figures before eliminations of inter-segment transactions.

Space Engineering and Management Business

PARCO SPACE SYSTEMS CO., LTD., which handles the Space Engineering and Management Business, provides comprehensive services and solutions for every phase of the creation of a facility, including space design planning and construction, facility operation, and safety management. Services range from the space product business, which covers aspects of space creation such as interior design and display presentation, to the building management business, concerned with the maintenance and management of facility safety and comfort.

For shopping complexes, specialty stores, public facilities, large-scale city hotels, medical facilities, museums, and other facilities where users value aesthetic design and comfort, we take advantage of PARCO's deep expertise to help sustain and enhance the business partner's asset value.

Operating Revenue Composition



* Figures calculated using figures before eliminations of inter-segment transactions.

Other Business

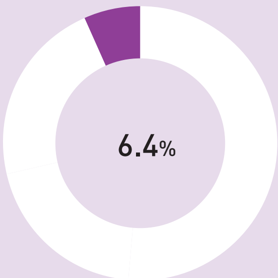
Entertainment Business

In the entertainment business, handled by PARCO CO., LTD., we produce a wide variety of compelling content for theater, music, movies and publications. Through this business, we disseminate information of the most popular topics of the day and create added value, which in turn enhances the PARCO brand.

Digital Marketing Business

PARCO Digital Marketing Co., Ltd. handles our digital marketing business and provides support for use of ICT technologies at PARCO. In its core business of providing support for ICT use at commercial facilities, the company draws on the technological and operational capacities it has cultivated through ICT use at PARCO to provide store operation solutions for more than 300 commercial facilities and specialty stores.

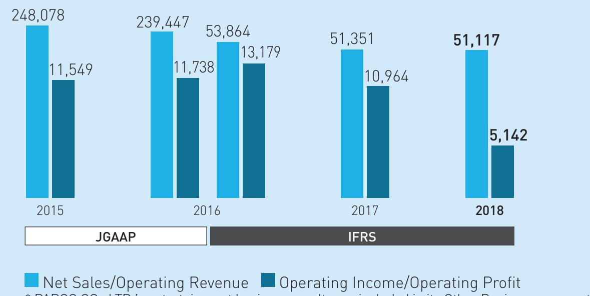
Operating Revenue Composition



* Figures calculated using figures before eliminations of inter-segment transactions.

Net Sales/Operating Revenue and Operating Income/Operating Profit*

(Millions of yen)



* PARCO CO., LTD.'s entertainment business results are included in its Other Business segment.

URL www.parco.co.jp/en/

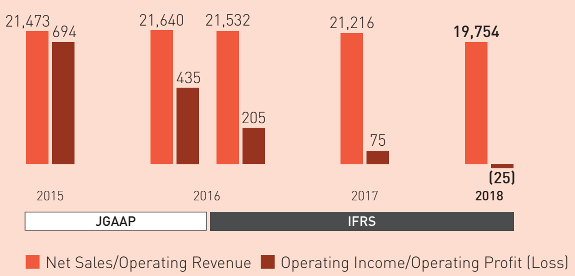
PARCO CO., LTD.	
Head Office	8-16 Shinsen-cho, Shibuya-ku, Tokyo
Established	February 13, 1953
Operating Revenue	¥56,288 million
Operating Profit	¥4,792 million
Paid-in Capital	¥34,367 million
Employees	651
No. of Locations (PARCO/ZERO GATE)	18 locations*1 /10 locations

*1 Including Shibuya PARCO, which is temporarily closed for redevelopment.

See P. 38 for details

Net Sales/Operating Revenue and Operating Income/Operating Profit (Loss)

(Millions of yen)



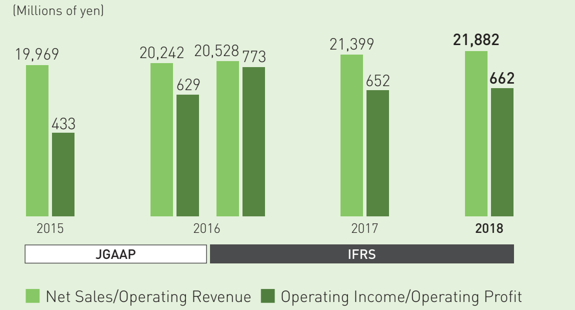
URL www.neuve-a.com

NEUVE A CO., LTD.	
Headquarters	8-16 Shinsen-cho, Shibuya-ku, Tokyo
Established	June 1, 2001
Operating Revenue	¥19,754 million
Operating Loss	¥25 million
Paid-in Capital	¥490 million
Employees	580
No. of Locations	171

See P. 40 for details

Net Sales/Operating Revenue and Operating Income/Operating Profit

(Millions of yen)



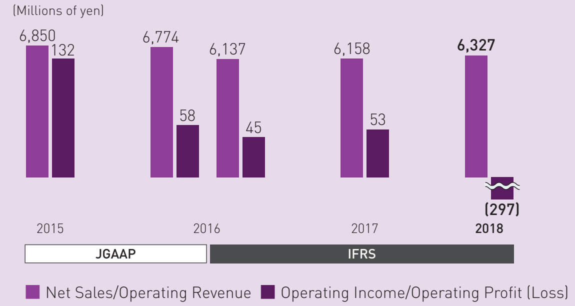
URL www.parco-space.co.jp

PARCO SPACE SYSTEMS CO., LTD.	
Headquarters	8-16 Shinsen-cho, Shibuya-ku, Tokyo
Established	April 1, 1969
Operating Revenue	¥21,882 million
Operating Profit	¥662 million
Paid-in Capital	¥490 million
Employees	912
No. of Locations	32

See P. 41 for details

Net Sales/Operating Revenue and Operating Income/Operating Profit (Loss)*

(Millions of yen)



* PARCO CO., LTD.'s entertainment business results are included in its Other Business segment.

URL www.parco-digital.co.jp

PARCO Digital Marketing CO., LTD.	
Headquarters	8-16 Shinsen-cho, Shibuya-ku, Tokyo
Established	April 1, 2000
Operating Revenue	¥1,017 million
Operating Profit	¥77 million
Paid-in Capital	¥10 million
Employees	60

See P. 42 for details

Shopping Complex Business

Operating Revenue: ¥51,117 million Operating Profit: ¥5,142 million

PARCO CO., LTD.

URL www.parco.co.jp/en/

Risks
- Falling birthrate and aging society
- Increasingly tough competitive environment
- Expansion of the e-commerce market
- Development of the sharing economy
- Consumption tax increase

Opportunities
- Increase in urban population
- Empowerment of women
- Diversification of values
- Shift from goods to services
- Changes in inbound tourism demand
- Shift to cashless transactions

Achievements in Fiscal 2018

In the PARCO stores business, we pushed ahead with preparations to open a number of stores in fiscal 2019, including Kinshicho PARCO, which opened in March 2019, and Shibuya PARCO, scheduled to open in November. Under our store policies, in order to evolve and establish store brands in the categories of Urban Complexes and Community Complexes, we reorganized the tenant mix and expanded the product lineup so that we can respond to the changing consumers' values and behavior. We also opened UPLINK Kichijoji PARCO, a new cultural dissemination center with a mini-theater. As a result, during fiscal 2018, we renovated approximately 37,000 m^2 of floor space across all our stores. PARCO tenant transaction volume in this refurbished area grew by 16.2% year on year.

In store promotions, we ran a number of events that helped boost customer traffic and transaction volume at our stores. Events included "SUPER COOKIE LAND neoneo," an exhibition by comedian Cookie of Yasei Bakudan, and an exhibition of previously unreleased photos of popular actor Ryoma Takeuchi, taken by photographer Akinori Ito. We also strengthened collaboration with local TV stations, resulting in several events for kids themed around topics as diverse as poisonous insects, the science of smell and interesting animals.

As for the use of ICT in customer strategy, we conducted a major overhaul of our official POCKET PARCO app to enhance its usability. In addition, we renewed our official PARCO online sales portal, changing it from KAERU PARCO to PARCO ONLINE STORE. Featuring exclusive online shops, the new site is designed to offer something different to our physical stores.

In other areas, we sponsored the VR* content NEWVIEW AWARDS 2018 with Psychic VR Lab and Loftwork Inc. Through the pioneering joint project, we aim to help develop new ways of using VR technology and uncover and support the next generation of creators in the fields of fashion and art.

* Short for virtual reality: the use of computer technology to create virtual environments that appear real.

Themes for Fiscal 2019

In 2019, which marks our 50th opening anniversary, we will complete the redevelopment of Shibuya PARCO and open its doors for business. Our goal is to use the new Shibuya PARCO store as a hub to link all the Group's content, creating a next-generation commercial facility that brings together physical and digital retail and promotes the strengths of our new PARCO store brand. We will also implement reforms to build a new customer-focused business model to adapt to the evolving digital landscape, create a more enjoyable and convenient shopping experience for customers, develop new consumer themes and attract tenants. From fiscal 2019, we will realign each PARCO store as either a City Complex* or a Community Complex*, based on customers and markets.

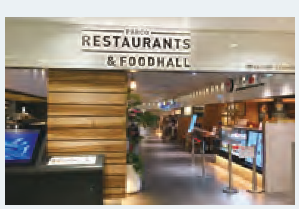
*See "Development of Stores in the Shopping Complex Business" on page 14 for a breakdown.

Key Renovations in Fiscal 2018

Urban Complexes

At Nagoya, Ikebukuro, and Hiroshima PARCOs, we targeted discerning adults who enjoy urban lifestyles with the introduction for the first time in the market of a popular cosmetics shop and a combined men's and ladies' shop catering to couples. In addition to respond to demand for service consumption at our Urban Complexes, we introduced topical food specialty stores, restaurants, cafes, and services. At Nagoya PARCO, we increased the floor area of eight stores, including food hall formats, helping expand a new customer segment.

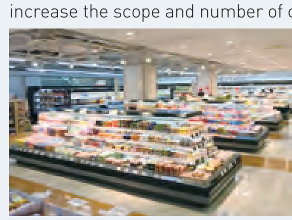
Shizuoka PARCO 2nd floor
Women's clothing GRACE CONTINENTAL



Nagoya PARCO West Building 7th floor
Restaurants Floor
PARCO RESTAURANTS & FOODHALL

Community Complexes

Aiming to maintain close links to local communities, we introduced a high-quality supermarket at Hibarigaoka PARCO and renovated the food floor at Shin-Tokorozawa PARCO to propose items to brighten up and enrich life for a wide range of customer segments in the market. Meanwhile, at Kichijoji PARCO, we opened UPLINK Kichijoji PARCO, a five-screen mini-theater to serve as a cultural dissemination center. By expanding the functions of our community complexes to serve as one-stop facilities offering a wider range of enjoyment for visitors, we are working to increase the scope and number of customers.



Shin-Tokorozawa PARCO 1st basement floor
Supermarket KITCHEN LAND

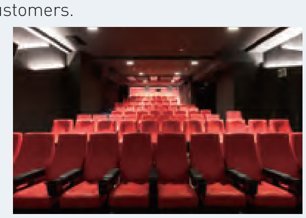


Photo by Takehiko Murata
Kichijoji PARCO 2nd basement floor
Mini-theater UPLINK Kichijoji PARCO

Store Data Highlights

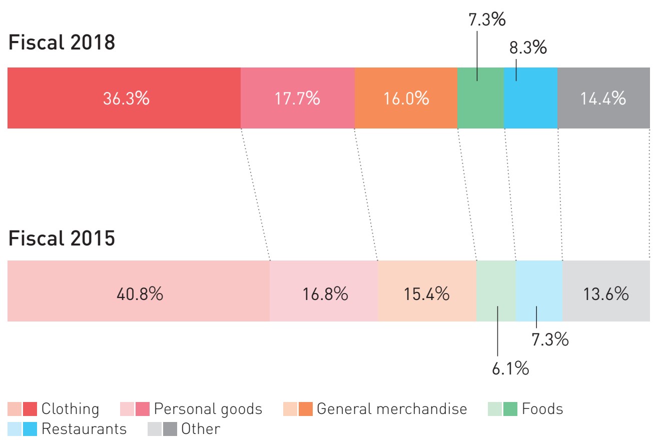
Sales floor area: 401,000 m^2 (100.8%)

Store visitors: 141,866,000 (101.9%) (Existing stores)

Year-on-year comparison of existing average spend per customer: 95.2% (Existing stores)

Sales Composition by Category

Strengthening our hand not only in fashion, but also in personal goods, general merchandise, and foods, in response to changing lifestyles.



Store Renovations Results

We reorganized the tenant mix and expanded the product lineup to keep pace of changes in consumer values and purchasing behavior. In addition, we conducted renovations for every store including opening a mini-theater as a new cultural dissemination center.

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Zones renovated	425	380	441	289	348
Area renovated (m^2)	46,000	40,000	55,000	35,000	37,000
Renovation effect (Year-on-year sales comparison by zone/ %)	118.6	116.6	112.7	126.7	116.2
New tenant store openings in renovated zones	233	219	225	174	193

Operating Revenue by Store

(Year-on-year Tenant Transaction Volume and Transaction Volume Comparison*1)

Total sales fell due to the impact of competition on existing stores, despite the contribution from newly opened stores.

(Millions of yen)

	Fiscal 2017	Fiscal 2018	Year-on-year change
Urban Complexes Group	149,549	151,415	101.2%
Sapporo PARCO	13,421	13,200	98.4%
Sendai PARCO	20,030	20,197	100.8%
Ikebukuro PARCO	28,458	28,134	98.9%
PARCO_ya	2,265	5,788	-
Shibuya PARCO	1,138	1,413	124.2%
Shizuoka PARCO	10,600	9,947	93.8%
Nagoya PARCO	34,671	34,245	98.8%
Hiroshima PARCO	16,719	16,136	96.5%
Fukuoka PARCO	22,243	22,350	100.5%
Community Complexes Group	99,901	95,185	95.3%
Utsunomiya PARCO	3,061	2,113	69.0%
Urawa PARCO	24,618	26,095	106.0%
Shin-Tokorozawa PARCO	10,614	10,126	95.4%
Tsudanuma PARCO	10,682	12,091	113.2%
Hibarigaoka PARCO	8,162	7,071	86.6%
Kichijoji PARCO	9,619	9,668	100.5%
Chofu PARCO	18,576	17,994	96.9%
Matsumoto PARCO	7,278	6,016	82.7%
Otsu PARCO	2,297	-	-
Kumamoto PARCO	4,989	4,007	80.3%
Total of Existing Store Group*2	237,466	240,811	98.3%
Total	249,451	246,600	98.9%

*1 Tenant transaction volume includes fixed rate tenant sales. The values for the previous year used to calculate YoY percentages are calculated on the same basis.

*2 Data for extended floor area at Shibuya PARCO PART 1 and PART 3, Sendai PARCO2, Otsu PARCO, and PARCO_ya excluded from "Fiscal 2017 Total of Existing Store Group"
Data for extended floor area at Otsu PARCO, and PARCO_ya excluded from "Fiscal 2018 Total of Existing Store Group"

Retail Business

Operating Revenue: ¥19,754 million Operating Loss: ¥25 million

NEUVE A CO., LTD.

URL www.neuve-a.com

Risks
- Changes in inbound tourism demand
- Difficulty in securing human resources
- Consumption tax increase

Opportunities
- Diversification of values
- Advancement of technologies

Achievements in Fiscal 2018

NEUVE A CO., LTD. reported lower operating revenue and operating profit year on year, reflecting a decrease in the number of stores and changes in the inbound demand environment and in year-end shopping season demand trends. We are working to bolster profits by developing and selling original products in each business.

Themes for Fiscal 2019

In fiscal 2019, the company will reinforce existing businesses by implementing a scrap-and-build policy and work with the Shopping Complex Business to develop innovative new approaches, including new formats. The company will also continue to reinforce CRM in line with Group's digital strategy, in a bid to expand our customer contact points.

NEUVE A Members app
NEUVE A's app enables members to enjoy shopping at special prices through all brands and online stores.

Development of highly discerning select stores

TiCTAC (Watch specialty shop)
Comprehensive offering of superb watches from Japan and abroad, from select to originals

ROSEMARY (Cosmetics and accessories specialty shop)
ROSEMARY aims to realize the total possibilities of beauty through product offerings attuned to women's lifestyles

POKER FACE (Eyeglass specialty shop)
Offering high-quality and stylish eyewear options

COLLECTORS (Men's variety shop)
Offering men's fashion accessories rich in design and functionality for uses from casual to business

CHRONO TOKYO
Mechanical timepieces designed by independent watchmaker Hajime Asaoka. TiCTAC's original brand.

THE WHITE SCREEN
NEUVE A original brand

COMPLETE WORKS
COLLECTORS original products

Mitsuhiro Matsuzaki
President

We intend to realize an exciting second founding, bringing together the strengths of our existing business, our digital strategy, and our new businesses.

As the retail environment continues to change rapidly, PARCO's strengths lie in having a host of highly differentiated accessories specialty shops, such as TiCTAC. With prime store locations throughout Japan and strong capabilities in tenant selection, we have proposed lifestyle consumption goods in the form of accessories. Looking ahead, we will bring together our physical store network with our digital strategy (e-commerce, omni-channel, CRM, and trends communication). With the creation of new businesses, we will add a new customer segment to our current base of 700,000 members, and use digital technology to expand customer contact points without limitations on time and space. As the core of our business, stores will serve as a physical space for customers to visit, and we will enhance their content through merchandising and services.

Space Engineering and Management Business

Operating Revenue: ¥21,882 million Operating Profit: ¥662 million

PARCO SPACE SYSTEMS CO., LTD.

URL www.parco-space.co.jp

Risks
- Human resource shortages
- Increase in personnel expenses and construction material costs
- Decline in new store openings
- Slowdown in construction business sentiment
- Automation and elimination of human workers in the building maintenance industry

Opportunities
- Continued demand for stock renewal and renovation
- Expansion of the inbound market
- Introduction of 5G mobile telecommunication system

Achievements in Fiscal 2018

PARCO SPACE SYSTEMS CO., LTD. reported higher operating revenue compared with the previous fiscal year, mainly due to new orders for construction ahead of the opening of Kinshicho PARCO and operation contracts from several new facilities.

Themes for Fiscal 2019

In fiscal 2019, the company will leverage the expertise and technologies it has built up through contracting work for PARCO and external clients. Using those strengths, the company aims to consolidate its functions in the facility management department and the retail space design department to reinforce its system for securing combined orders in building management services for external commercial facilities. Also, building on efforts in the previous fiscal year, the company will continue to work closely with the J. Front Retailing Group to expand its business.

Service operations

Interior Construction	Facility Management	Construction Administration
Security	Parking	Housekeeping
Advertising Visuals	Interior Design	Electrical Work
Lighting / LED / ECO	Property Management	Information
Cleaning	Hotel Banquet	Display / Visual Merchandising

Kowa Indei
President

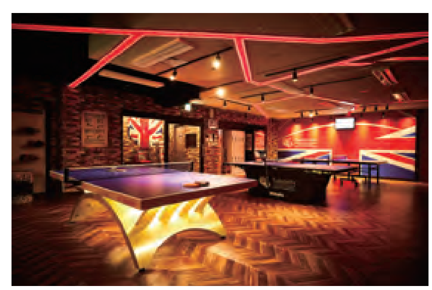
Creating analogue value in the age of digitalization to create comfortable spaces for everyone

Our professional group has accumulated a wealth of experience through facility management and space creation. We use our total capabilities to provide services at every stage in the facility life cycle, working closely with shops, facilities, and real estate, we excel at operating from the owner's perspective.

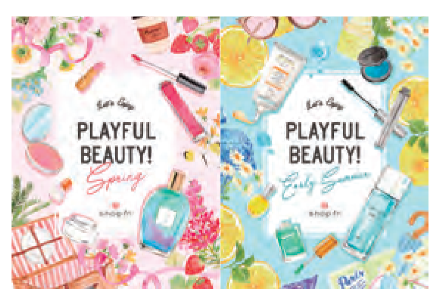
The digitalization of the big data we have accumulated over about 50 years, enables us to offer smart facility operation and space creation services. As well as increasing the value of facilities, these services will also provide analogue solutions that enable people to relax and enjoy themselves with a sense of comfort that will create new encounters and ideas.

Space design, lighting design, partial construction assistance
Dazaifu Station (Nishitetsu Dazaifu Line)

Facility management, space design, display presentation, lighting design, interior construction
Odakyu Hon-Atsugi MYLORD



Space design and interior construction
TaKuSuRu (Table tennis space in Tokyo Dome City)



Direction for advertising visuals
2018 Spring/Summer visuals for "shop in" select cosmetics shop

Other Business (Entertainment Business and PARCO Digital Marketing CO., LTD.)

Operating Revenue: ¥6,327 million Operating Loss: ¥297 million

Entertainment Business

URL www.parco-enta.com

Risks
- Decline in popularity of hit products
- Advancement of technologies
- Consumption tax increase

Opportunities
- Diversification of values
- Shift from goods to services

Achievements in Fiscal 2018

The entertainment business of PARCO CO., LTD. opened two mini-theaters in fiscal 2018, CINE QUINTO and UPLINK Kichijoji PARCO, which will serve as new cultural dissemination centers in our movie business, and staged a number of plays and shows, including "Touch and Go," written and directed by Koki Mitani, and "Do You Wanna Dance?," featuring pop idol group, "Momoiro Clover Z." The popularity of the events supported higher operating revenue in the entertainment business compared with the previous fiscal year. However, operating profit declined year on year, with the business unable to absorb an increase in expenses related to new initiatives, such as the cost of opening new entertainment facilities.

Mini-theater CINE QUINTO
Opened in July 2018

Themes for Fiscal 2019

In fiscal 2019, we plan to develop theaters and multiple other cultural dissemination centers, along with the reopening of Shibuya PARCO. Also, the business will work to generate synergies with the PARCO stores business by developing unique content and strengthening cultural dissemination centers, such as CINE QUINTO and UPLINK Kichijoji PARCO, which were opened in fiscal 2018.

Produced by PARCO Photo by Akihito Abe
Monday, September 24, 2018 to Monday, October 8, 2018
"Do You Wanna Dance?"

Movies

Friday, July 5, 2019 Nationwide roadshow

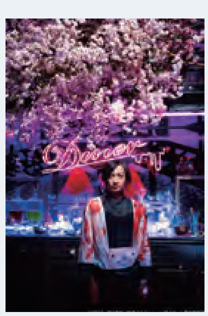
Sponsored by PARCO **"Diner"**

Tatsuya Fujiwara, Tina Tamashiro
Masataka Kubota, Kanata Hongo, Shinji Takeda, Takumi Saitoh, Eriko Sato, Nobuaki Kaneko
Shun Oguri, Anna Tsuchiya, Miki Maya, Eiji Okuda
Novel: Yumeaki Hirayama "Diner" (POPLAR Bunko series, POPLAR Publishing)
Adapted screenplay: Hirohito Goto, Yoshikazu Sugiyama and Mika Ninagawa
Music: Shinichi Osawa
Director: Mika Ninagawa
Distribution: Warner Bros.

Smash hit "Helter Skelter" director Mika Ninagawa's first film with a male lead actor is pure entertainment from start to finish.

The film has a vibrant cast, including Tatsuya Fujiwara as the lead actor and Tina Tamashiro cast as the heroine.

At a diner staffed entirely by assassins, a new battle to the death is about to begin. In the space between first-class cooking and death, a gripping and highly colorful thriller takes place!



Movies

Mini-theater UPLINK Kichijoji PARCO

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 five screens will show exciting selections from global film festivals, art films, independent films, and others that had been shown at UPLINK Shibuya, as well as family-oriented films enjoyed by the community. By screening a diverse range of films, the theater aspires to provide patrons with a window on the world.

URL https://joji.uplink.co.jp/

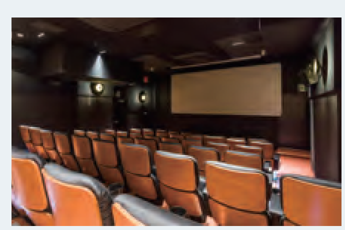


Photo by Takehiko Murata
Kichijoji PARCO 2nd basement floor
Mini-theater UPLINK Kichijoji PARCO

Theater

Friday, August 9 to Sunday, September 1, 2019
Venue: Kinokuniya southern theatre TAKASHIMAYA

Produced by PARCO

"A Doll's House, Part 2"

Script: Lucas Hnath Translation: Keiko Tsuneda Director: Tamiya Kuriyama
Cast: Hiromi Nagasaku, Hajime Yamazaki, Rin Nasu and Masayo Umezawa

"A Doll's House, Part 2" written by up-and-coming playwright Lucas Hnath, picks up after Henrik Ibsen's "A Doll's House" concludes. This innovative work will be performed for the first time in Japan, directed by Tamiya Kuriyama.

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, by emergent American playwright Lucas Hnath, boldly continues the story in an ambitious work written for contemporary audiences. Following on from PARCO's award-winning production, "The Children," with director Tamiya Kuriyama being awarded The 26th Yomiuri Theater Awards for The Theater Award and The Best Director Award, "A Doll's House, Part 2" is an early challenger in the category of topical translated play. With the talented Hiromi Nagasaku playing the leading role, the play is certain to impress.

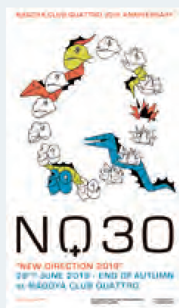
Music

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."

URL www.club-quattro.com



Publishing

"Kojitsu Nikki–Kisetsu no Youni Ikiru"

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

Author: Noriko Morishita
List price: ¥1,500 (tax exclusive) Size: 188 mm × 130 mm

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.

Forty years after taking up tea ceremony, what has happened to the author? This book tells the story of a journey of the heart to confront the self while experiencing each of the traditional 24 seasons of the year and the tea house.

Full of tasteful illustrations by the author.

Each essay is a challenging pearl of wisdom.

URL https://publishing.parco.jp

PARCO Digital Marketing CO., LTD.

URL www.parco-digital.co.jp

Risks
- Conservative mindset due to fear of risk

Opportunities
- Advancement and popularization of technologies

Achievements in Fiscal 2018

PARCO Digital Marketing CO., LTD. stepped up efforts to win new clients, focusing on diverse services using ICT for commercial facilities and specialty retailers. As a result, operating revenue and operating profit both increased compared with the previous fiscal year.

Themes for Fiscal 2019

In fiscal 2019, the company will make efforts to cultivate external clients and expand its business by reinforcing its core business of providing integrated digital services to commercial facilities and specialty retailers.

New PICTONA service bringing together the necessary groupware functions for commercial facilities and website management functions

Shiro Morinaga
President

Creating Solutions for Physical Retail in a New Era

Our role is to help with the use of digital technology to support commercial facilities and specialty stores. In January 2019, we launched PICTONA, a new service to resolve the communication issues with both customers and tenancies using a single interface. We also support stores in all stages of using digital technologies from planning and proposal to content creation and operation for items such as digital signage for expanding customer contact in stores and marketing tools. We listen carefully to feedback from staff working in physical retail and contribute to enjoyable physical retail experiences for customers and the staff as a digital services provider focused on practical real-world solutions.

Success of Value Creation Produced by PARCO Brand

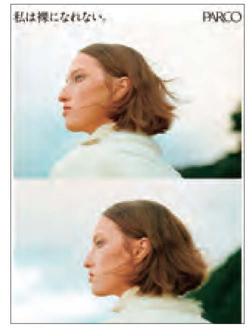
PARCO since its founding has not simply sold things; rather, our business has always been producing new ways of spending time and enjoying life. We have worked to create distinctive forms of culture as a communicator of new lifestyles, and this has played an important role in enhancing our corporate brand and differentiating "PARCO" shopping complexes from competitors.

Seasonal Ad Campaigns

PARCO 2018 Autumn/Winter and PARCO 2019 Spring/Summer

URL **www.parco.jp/style/**

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. For PARCO 2019 Spring/Summer, we asked up-and-coming director Aya Igashi to direct and script a short movie. Ms. Igashi's film "TOKERU," a graduation project from her student days, was selected for the Cinéfondation division at the 70th Festival de Cannes, making her the youngest Japanese director to officially present a film at the festival. The lead role and graphic model for the PARCO 2019 Summer/Spring movie was played by actor Yuki Sakurai, while for the art director we hired designer and illustrator Asuka Wakida, whose work shows a vibrant sensitivity. Their own unique interpretations of the themes of the movie are expressed through the graphics.



PARCO 2018 Autumn/Winter season poster

PARCO 2019 Spring/Summer season poster

Corporate Message for Discovering and Supporting New Talent

"SPECIAL IN YOU."

URL **www.parco.co.jp/specialinyou/**

In 2010, PARCO launched the corporate message "LOVE HUMAN." Staying true to that sentiment, from 2014 we unveiled a new corporate message, "SPECIAL IN YOU." This message drives PARCO to a more powerful focus on incubation activities to uncover and support talent. In our 11th message, we featured the musician St. Vincent, an international female singer, songwriter, and guitarist of the 21st century whose work as a creator is highly respected. For our 12th message, we have featured singer and songwriter Masayoshi Oishi.

11th message 2018 "SPECIAL IN YOU." Featuring St. Vincent

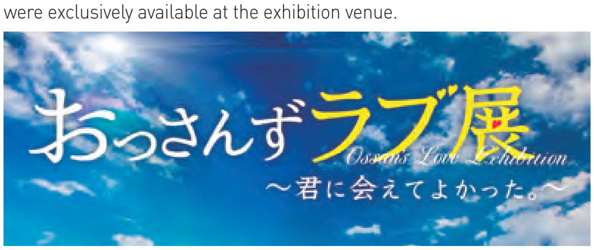
12th message 2019 "SPECIAL IN YOU." Featuring Masayoshi Oishi

Culture Dissemination Center and Art Space

GALLERY X BY PARCO

URL **https://art.parco.jp**

GALLERY X BY PARCO, opened in Shibuya in December 2016, generates culture across genres, including art, music, fashion and anime, and sends it out into Shibuya and beyond. In September 2018, the gallery teamed up with TV Asahi Corporation to present "Ossan's Love Exhibition – I'm Glad I Met You," the first official exhibition based on the sensational popular TV drama "Ossan's Love," a comedy about an office love triangle between three men that has whipped up a storm on social networking services. The exhibition featured several props used in shooting the series and photographs of several notable scenes to create a space where visitors could really feel the world and energy of the drama. Many items of original merchandise items were exclusively available at the exhibition venue.



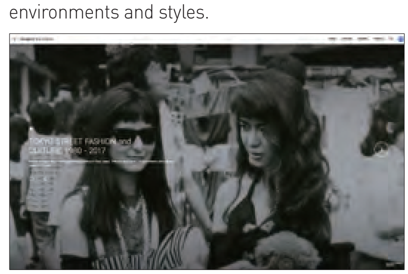
Street Fashion Marketing

"ACROSS"

URL **www.web-across.com**

"ACROSS" is a media distributed by the think-tank department that studies Tokyo youth fashion and culture. Based on fixed-point observation, and initially started in August 1980, ACROSS now takes requests from inside and outside the company to conduct research on various fields in Japan and overseas.

Since June 2017, ACROSS has been participating in the Google Arts & Culture: We Wear Culture project of Google Inc.'s non-profit organization Google Cultural Institute. We present around 40 years of records on urban environments and styles.


Google Arts & Culture: We Wear Culture

URL **https://artsandculture.google.com/**

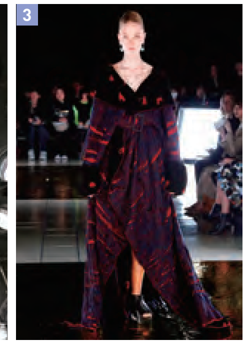
Supporting Young Designers and Artists

PARCO supports various activities for discovering and incubating young designers and artists, aiming to create new cultures. These activities have helped to grow brands and networks of like-minded people that are helping to boost our corporate brand.

FASHION PORT NEW EAST

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



1 SHUSHU/TONG
2 kotohayokozawa
3 malamute

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)

Asia Fashion Collection

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.

DANCE DANCE ASIA—Crossing the Movements

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, Vince Mendoza of the Philippines, Koutei Sennin of Japan, and Hamdi Fabas of Indonesia, 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 2018

Shibuya StreetDance Week

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.

Fiscal 2018 Accolades and Awards

PARCO Group

Corporate Website Wins Various Awards

The company received the 2018 Internet IR Excellence Awards by Daiwa Investor Relations Co., Ltd. The company also received an AAA rating in the overall category of the 2018 All Japanese Listed Companies' Website Ranking from Nikko Investor Relations Co., Ltd. In the Gomez IR Website Ranking for 2018, the company was ranked third in the retail business category and received a Silver Prize overall.

Award Ceremony for the 2018 Internet IR Excellence Awards
From left: Representative Director and President Hasegawa, Daiwa Investor Relations Co., Ltd.; Managing Executive Officer Abe of PARCO; Professor Kitagawa, Aoyama Business School.

Named a Noteworthy IT Strategy Company for Three Consecutive Years

PARCO has been named a Noteworthy IT Strategy Company* for three consecutive years, as a company conducting noteworthy initiatives regarding proactive use of IT in management. This time, the company was recognized for the uniqueness of its concept of providing real-store sales of products and services developed by customers assisted by the crowdfunding service BOOSTER. The company also received an evaluation that its willingness to use robots, smart speakers, and VR as measures to lift store sales have contributed to profitability and growth.

* The Noteworthy IT Strategy Company: In the process of the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange jointly selecting the Competitive IT Strategy Company Stock Selection program, companies that were not included in the program but demonstrated outstanding efforts for IT utilization are awarded the Noteworthy IT Strategy Company designation by METI.

Selected as one of the "Companies with Greatest Improvement in IR"

At the 2018 IR Awards held by the Japan Investor Relations Association (JIRA), the Company was selected as one of the "Companies with Greatest Improvement in IR." This new category was set up to commemorate the 25th anniversary of the JIRA's establishment.

Shopping Complex Business

Received the Information Technology Utilization Prize and the Heisei Memorial Special Prize

At the 21st Grand Prize for Developers & Tenants chosen by leading national developers and tenants sponsored by Senken Shimbun, PARCO_ya won the Information Technology Utilization Prize, and Ikebukuro PARCO won the Heisei Memorial Special Prize for its contribution to the local community through its efforts to maintain sales in tandem with its tenants.

Left: General Manager Kurihara of PARCO_ya
Right: General Manager Ueno of Ikebukuro PARCO

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

Bronze Award at the 3rd Animonozukuri Awards

第3回 アニものづくり AWARD BRONZE

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"
©GA/S,Y,T
©2018 GA/DCC

Entertainment Department

PARCO's Entertainment Department produced theater productions and purchased and distributed film productions that received awards.

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 53th Kinokuniya Theatre Awards to individuals

"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

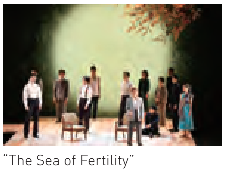
"The Sea of Fertility" performed in November 2018

Ikue Osada (Script)
- The 53th Kinokuniya Theatre Awards to individuals

Masahiro Inoue (Sound)
- The 26th Yomiuri Theater Awards for The Outstanding Staff Award

"Antigone"

"The Children"



"The Sea of Fertility"

Movies

"C'est la Vie!" purchased and distributed by PARCO
- Air France Audience Award at Festival du Film Français au Japon 2018

"Nichinichi Kore Kojitsu" for which PARCO participated in the production committee
- The 43rd Hochi Theater Awards for Director and Supporting Actress

C'est la Vie!" purchased and distributed by PARCO

"Nichinichi Kore Kojitsu" for which PARCO participated in the production committee

Message from Stakeholders

Kosuke Kawamura
Collage artist, graphic designer, and art director

First Art Installation
Tuesday, October 17, 2017 to Tuesday, May 15, 2018
©MASH•ROOM/KODANSHA
©Kosuke Kawamura
Photo by TAKAMURADAISUKE

AKIRA ART WALL, a public art wall created on the temporary barrier around the Shibuya PARCO construction site

Over a reconstruction period of around three years for Shibuya PARCO until its opening in November 2019, we used the art of the "AKIRA" manga created by Katsuhiro Otomo to create an art installation on the temporary barrier around the construction site to create excitement in the area. The collage design for the AKIRA ART WALL was created by Kosuke Kawamura. Mr, Kawamura has been involved in various initiatives with PARCO, such as providing art next to the escalator for the mini-theater UPLINK Kichijoji PARCO, which opened on the second floor of Kichijoji PARCO. As an artist, he has also been active internationally in across and expanding area, including space presentation and provision of works in the art, product, and commercial fields. We asked him to talk more about the AKIRA ART WALL.

"From the beginning, I definitely wanted to create something new. Nowadays, putting productions on temporary barriers is taken for granted, but initially I was wondering whether the actual production itself would be possible! One new aspect was that unlike an ordinary work, this one was created on the assumption that it would be removed. Moreover, there was no specific target audience as with an advertisement. If anything, the audience was the district. It was for humanity. For the Earth."

This initiative will culminate in an individual exhibition, the "KOSUKE KAWAMURA-ARCHIVE-" at PARCO MUSEUM in Ikebukuro PARCO from June to July 2019. Then Mr. Kawamura will move on to his next project.

"I'm looking forward to seeing everything updated in the new Shibuya PARCO. Although it will be new, I hope that it will continue to be a place that attracts cool artists as it used to be."

Second Art Installation
Wednesday, May 16, 2018 to Wednesday, February 27, 2019
©MASH•ROOM/KODANSHA
©Kosuke Kawamura
Photo by TAKAMURADAISUKE

Third Art Installation
Thursday, February 28, 2019 to Early Summer
©MASH•ROOM/KODANSHA
©Kosuke Kawamura

The AKIRA ART WALL received the Good Design Award 2018

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.

Promotion of ESG Initiatives PARCO Group CSR

Masaaki Abe
Managing Executive Officer
CSR Committee Chair

Contribution to Resolving Social and Community Issues

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."

Please visit our website for further details of our initiatives.

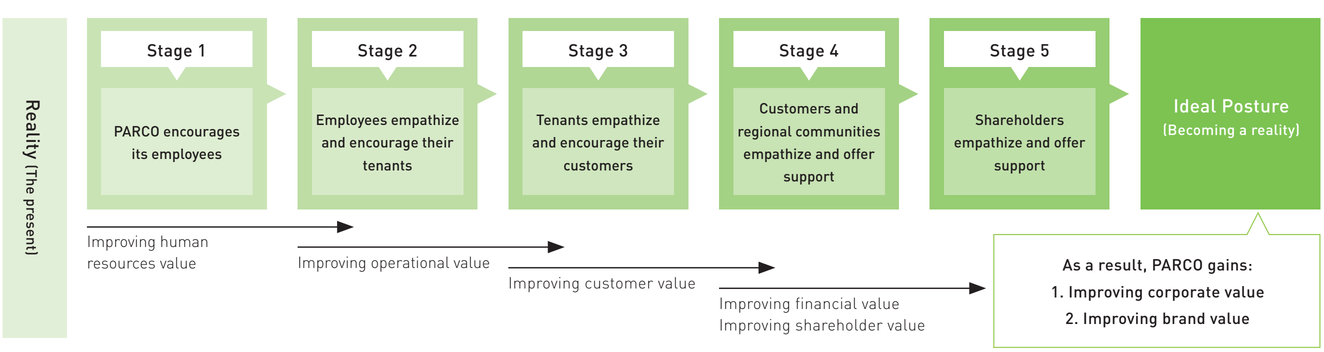
[Promotion of ESG Initiatives] URL **www.parco.co.jp/en/ir/esg/**

[Sustainability] URL **www.parco.co.jp/en/csr/**

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.

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.



PARCO Group Fundamental CSR Policy

Definition of CSR

Embodiment of Corporate Mission

Creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper.

Three Social Contributions

- Incubation
- Urban revitalization
- Trends communication

CSR Mission

PARCO WAY

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

Main Themes

Next generation

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

Culture

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

Local communities

PARCO means "park" in Italian. The PARCO Group will provide a "park" or a space where people come together to share time and space, where they can relax and have fun. We will also work to enhance the attractiveness of local communities and neighborhoods.

Environment

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

Work style reform

Through the participation and collaboration of human resources with diverse talents and individuality, we will create new value that will increase our 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.

Stakeholders

Seven stakeholders

- Customers
- Tenants
- Employees
- Shareholders and investors
- Members of the local community and society at large
- Landowners and leaseholders
- Contract business partners

CSR Management Structure

PARCO defines CSR activities as "measures taken in the course of business to gain the trust and satisfaction of stakeholders, and enhance corporate value," and to strengthen the foundation for this, it has established a CSR management structure comprised of the CSR Committee, Diversity Committee and Risk Management Committee. 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.

CSR Management Structure

Diversity Committee

Promoting diversity in management

Chaired by the president, this committee, in step with our management strategy, is striving to create a corporate culture that can translate diversity into improved corporate value. The launch of these efforts as the PARCO Women's Network back in November 2005 broadened from fiscal 2011 into the Diversity Project, with themes that no longer focused solely on women. From fiscal 2014, these efforts were reorganized into the Diversity Committee to provide a more powerful push forward.

CSR Committee

Promoting CSR / Developing unique CSR Activities

In addition to promoting the PARCO Group's corporate social responsibility (CSR) activities, the CSR Committee was established in an effort to strengthen internal controls, and is chaired by managing executive officers for the Corporate Operation Division. The CSR Committee sets the direction for, plans and implements the CSR activities of the PARCO Group, and takes measures to support external PR, promote in-house information sharing, and encourage cooperation with outside companies and groups around CSR activities. The scope of activity of the CSR Committee spans the entire company, encompassing discussions held with all executive officers, as well as coordination and engagement with the Diversity Committee, Risk Management Committee, various in-house divisions, and Group companies.

Risk Management Committee

Business continuity and through risk management and rapid resource

The Risk Management Committee, chaired by a senior executive officer, works in accordance with the risk management regulations to identify risks incurred in the course of corporate activities, assesses risks and develops countermeasures, and conducts internal awareness programs. It also works to put in place an internal control structure across the company that is able to quickly respond to risks as they materialize, including establishing a response headquarters for times of emergency and implementing information management.

Social Initiatives

The PARCO Group recognizes as 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, and "Local communities," which includes working to enhance the attractiveness of local communities and neighborhoods, with the additions of "Work style reform" and "Compliance." We are involved in a variety of related activities and promote management based on the values of diversity and inclusion.

* For further information about our initiatives for "Next generation," "Culture," and "Local communities," please refer also to "PARCO Group's Growth Strategy" beginning on page 27 and "Success of Value Creation" beginning on page 36.

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 space

Promoting Dynamic Participation of Women

We recognize that encouraging shorter working hours by promoting the use of paid leave throughout the company will go far in helping to create an environment where women can work and contribute more easily. Moreover, to encourage participation and improve the percentage of women in managerial positions, 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 10.6% in fiscal 2015.

Percentage of female managers

Target 20% or above

Childrearing and Nursing Care Support Programs

We have been working to support employees balancing childrearing and nursing care with work, and in some of our programs we have expanded allowances in excess of statutory minimums. The result of establishing these programs and cultivating our internal culture has been a 100% rate of employees returning to work after maternity leave since fiscal 2012. In addition, since March 2017 we have had a home work program.

Childrearing support program	Nursing care support programs	Home work program
Fiscal 2018 **56** employees	Fiscal 2018 **6** employees	Fiscal 2018 **35** employees

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

Ensuring Compliance

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.

Childrearing support program	BCP training	Anti-harassment training
Fiscal 2018 Held **5** times **516** participants	Fiscal 2018 Held **5** times **83** participants	Fiscal 2017 to 2018 Held **4** times **569** participants

Links with the Community

Our participation in the local community through events at our stores and other initiatives and our contribution to more attractive districts and local areas by maintaining safe, secure commercial facilities helps to improve the PARCO brand.

Nagoya PARCO

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

Nagoya PARCO's restaurant floor 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

Hibarigaoka PARCO

Hibari Culture Festival Held to Commemorate 25th Opening Anniversary

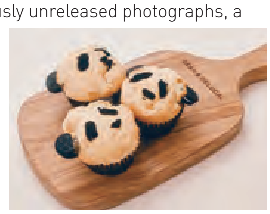
The popular Hibari Culture Festival was held again in 2018 with an enhanced program to mark the 25th opening anniversary of the store. The theme of the festival was "Learn, Play, and Have Fun at PARCO." It included exhibitions, seminars, and our first ever field trip where visitors can learn about Hibarigaoka's geography and history. The various events also included live music, workshops, and limited time stores to provide opportunities for playing and having fun. In addition, the event contributed to communication with local people aimed at making the Hibarigaoka area market more fun and attractive as a place to live going forward. For example, in order to mark the 25th anniversary we held programs to symbolize "25 years of PARCO and 25 years of local people in Hibarigaoka."

Photography Exhibition "Portraits of Hibari"

PARCO_ya

Happy "Pandaful" Days Program Celebrates the Birthday of Xiang Xiang the Panda

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.

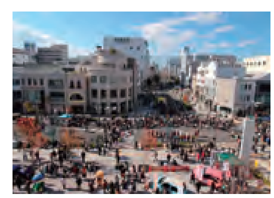


PARCO_ya 1st floor
DEAN & DELUCA CAFE
Panda Crushed Chocolate Muffin

Matsumoto PARCO

Matsumoto PARCO Festival

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

Environmental Initiatives

We recognize the importance of our relationship with the global environment in shopping center operations and other related activities, and out of this recognition we promote environmental conservation activities to help pass on a sustainable society to future generations. To this end, PARCO collaborates with tenant partners and other companies with which we do business to create commercial spaces with minimal environmental impact while gaining the understanding of customers and community members.

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 scales at Chofu PARCO

Recycling Rate

Fiscal 2018

69.24%

Promotion of switch-over to LED lighting

We have been working to reduce electricity consumption by systematically phasing in a change from inefficient lighting to LED lighting for shared spaces in PARCO stores. Currently we have installed LED lighting in approximately 64% of PARCO's total area, excluding areas with high-efficiency lighting and fluorescent lighting. We will address areas that have not yet been converted to LED systematically in consideration of renovation schedules and other factors.

LED lighting is now used in 100% of shared areas in PARCO_ya

Electricity Consumption at Existing Stores Year-on-year

100.0%

Fundamental Policy

PARCO constantly works to strengthen its corporate governance, recognizing that to enhance its corporate value it is essential for it to protect the rights and earnings of shareholders, build smooth relationships with stakeholders other than shareholders, preserve transparency in management and establish an effective management oversight structure. 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. Independent directors (external directors) make up half of the Board of Directors, ensuring the objectivity necessary to supervise management. Furthermore, as a member of the J. FRONT RETAILING Group, PARCO will strive to increase its corporate value by promoting business management towards realizing the group vision. Meanwhile, the PARCO Group has its own independent PARCO Group Vision as well as its own corporate governance systems to ensure autonomy and transparency of management.

Internal Controls

Fundamental Policy

PARCO retains a structure to maintain the appropriateness of the operations of PARCO and the PARCO Group in terms of the effectiveness and efficiency of operations, the credibility of financial statements, compliance with laws and regulations related to business activities and the protection of assets and other areas. At the same time, PARCO works to further improve corporate value.

Compliance Structure

To ensure legal compliance and to conduct fair and highly transparent corporate activities, PARCO has formulated a basic philosophy on compliance and behavioral expectations; it has also drafted compliance regulations, including those stipulating preventive mechanisms, action steps, and corrective procedures regarding legal violations by executive officers and other key personnel. As part of its measures for the compliance structure, PARCO has implemented an internal awareness program that includes formulation of the Basic Principles of Compliance, and a Code of Conduct, which all employees are expected to adhere to and follow, the posting of conduct guidelines in business offices, and distribution to all employees and directors of the PARCO Employee Handbook incorporating guidelines for compliance activities. Also, in order to enhance its compliance management, PARCO has implemented an internal whistleblowing process for the Group that sets forth processes for handling information received regarding unlawful conduct and the like. The system is structured in a manner appropriate for the handling of information on unlawful conduct, such as using a third party as the contact for receiving said information.

Refer to the PARCO website for detailed information concerning Corporate Governance.
URL www.parco.co.jp/en/about/governance/

Framework for Management Supervision and Execution

CSR Management Structure

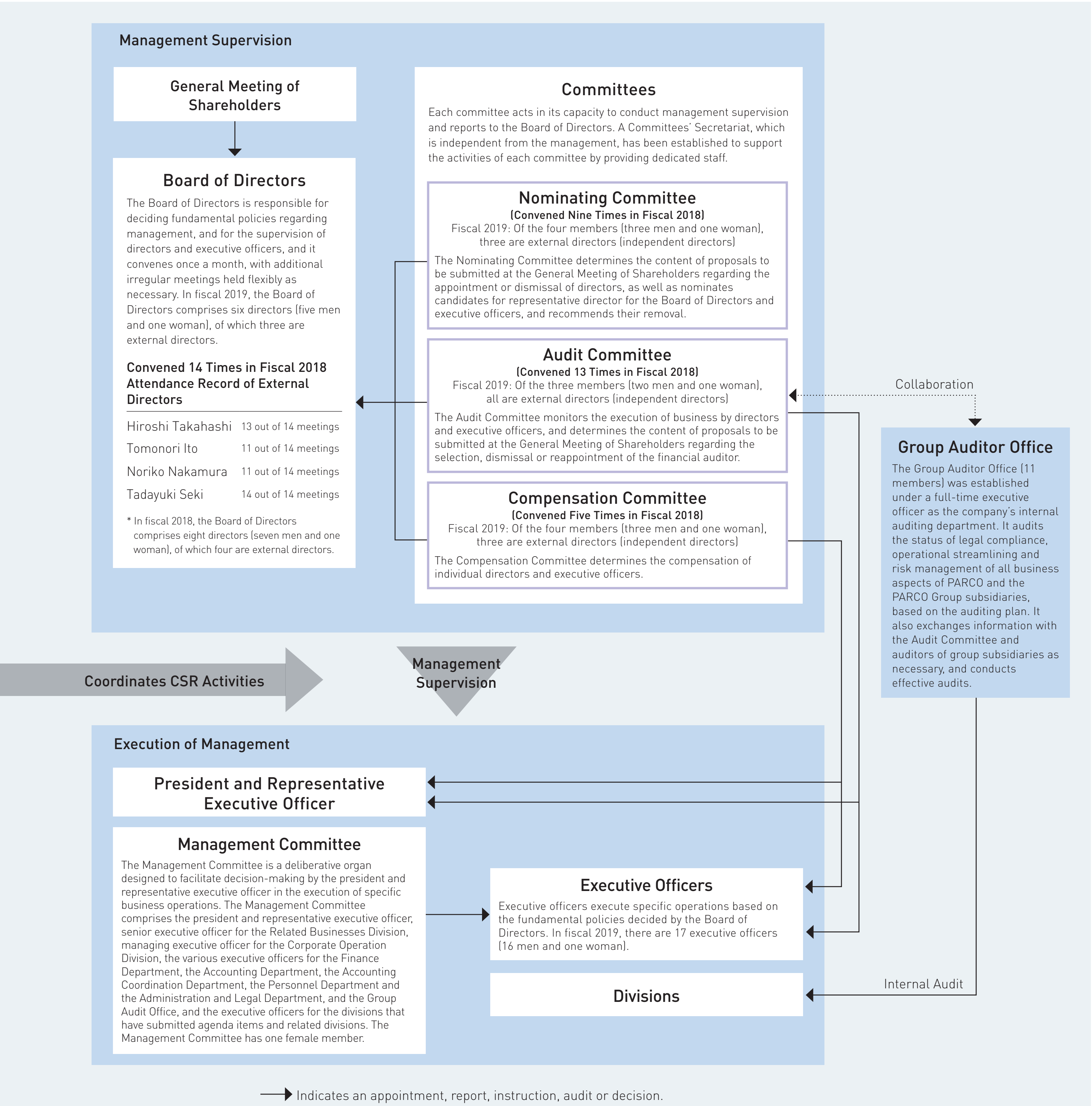
CSR Committee

Diversity Committee

Risk Management Committee

Trends in Directors

		Adopted "Company with Committees System" (later renamed			
		2003	2004	2005	2006
Directors	(People)	5	5	5	5
External Directors (Number of female directors)	(People)	4	4	5 (1)	5 (1)
Ratio of Outside Directors	(%)	44.4	44.4	50.0	50.0



"Company with Three Committees" System) in 2003

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
5	6	6	5	6	7	4	4	4	4	4	4	3
5 (1)	5 (1)	5 (1)	5 (1)	4 (1)	5 (1)	6 (1)	6 (2)	6 (2)	4 (1)	4 (1)	4 (1)	3 (1)
50.0	45.5	45.5	50.0	40.0	41.7	60.0	60.0	60.0	50.0	50.0	50.0	50.0

Messages from External Directors

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.

Noriko Nakamura

External Director (Independent director)
Compensation Committee Chair

The ratio of working women in Japan is higher than in the U.S. at 81%; 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 GDP would increase by 15% 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.

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.

Policy and Procedures for Selection and Dismissal of Directors and Other Officers

PARCO is a Company with Three Committees-type managerial structure. Under this structure, the Nominating Committee decides criteria for the selection and dismissal of directors and other officers, and in the selection and dismissal of directors, representative executive officers, and executive officers, adds these candidates to the agenda for the General Meeting of Shareholders, and decides which candidates will be recommended to the Board of Directors for appointment. Criteria for the selection of directors and other officers are outlined in the Fundamental Policy for Corporate Governance.

Reasons for Selection of Directors and External Directors

Name	Reason for selection
Kozo Makiyama	After many years of involvement with the Store Management Division, Mr. Makiyama was appointed President and Representative Executive Officer of PARCO in May 2011. In addition to a wealth of experience related to PARCO operations as a whole, since May 2008, Mr. Makiyama has actively contributed to deliberations and discussions as a member of PARCO's Board of Directors. This experience to date, as well as the management supervision and check functions based on actual performance he is expected to embody, is the reason for his nomination for Director.
Hidekazu Hirano	Mr. Hirano was involved for many years in the Store Management Division and Corporate Operations Division. From March 2008, he served as President and Representative Executive Officer, and was appointed Senior Executive Officer from May 2011. In addition to a wealth of experience related to PARCO operations as a whole, since May 2008, Mr. Hirano has actively contributed to deliberations and discussions as a member of PARCO's Board of Directors. This experience to date, as well as the management supervision and check functions based on actual performance he is expected to embody, is the reason for his nomination for Director.
Hiroshi Takahashi	Mr. Takahashi is a Certified Public Accountant (formerly Senior Partner with Ernst & Young ShinNihon LLC) and President and CEO for Pronet Inc. The management supervision and check functions he is expected to embody based on specialized knowledge, experience and insight into finance and accounting cultivated through this professional background is the reason for his nomination for External Director.
Noriko Nakamura	Ms. Nakamura has been Chairman of Poppins Corporation and Management Advisory Board Member of Nikkei Inc. The management supervision and check functions she is expected to embody based on knowledge, experience and insight from a global perspective cultivated as a manager through this professional background is the reason for her nomination for External Director.
Tadayuki Seki	Mr. Seki was involved for many years in the management of ITOCHU Corporation. The management supervision and check functions he is expected to embody based on knowledge, experience and insight from a global perspective cultivated as a manager through this professional background is the reason for his nomination for External Director.
Taro Sawada	Through his service as Director and Managing Executive Officer of J. FRONT RETAILING Co., Ltd. and Director of its consolidated subsidiary Daimaru Matsuzakaya Department Stores Co., Ltd., Mr. Sawada has a wealth of experience, achievements and insight regarding management and the retail business. The valuable advice he is expected to offer by leveraging his experience in corporate management to facilitate the smooth and proper execution of operations in PARCO businesses by Executive Officers is the reason for his nomination for Director.

Analyzing and Assessing Overall Effectiveness of the Board of Directors

To improve the effectiveness of the Board of Directors, in January 2019, PARCO conducted an effectiveness Evaluation of its Board of Directors and each Board member (for the fourth time). Evaluation results were shared at the Board of Directors, and substantive discussions conducted. We will continue these annual assessments given our view that repeated assessment, analysis, debate, and reform can lead to favorable changes in the Board and enhance its effectiveness.

(i) Evaluation process

The Committees Secretariat and the Board Secretariat (Corporate Planning Team, Corporate Operation Division) conduct questionnaires and hearings with all Board members on an individual basis to evaluate the Board's effectiveness.

(ii) Evaluation points

Evaluation is conducted on the current status of issues such as the current composition of the Board of Directors, the status of debate, agenda topics, and the operations and support structure, and opinions are collected on how to enhance the Board's effectiveness going forward.

(iii) Results of effectiveness evaluation

In fiscal 2018, the Company took responsive measures such as ensuring substantive debate, selecting motions, enhancing the structure for providing information and responses, and strengthening communication with the executive side. As a result, the Company's corporate governance was evaluated highly overall for fiscal 2018, and as a Company using the "Company with Three Committees" system, the Board of Directors was judged to be functioning effectively. Areas that received notably positive evaluations were "System for selection of motions for the Board of Directors and ensuring serious discussion," "Composition of the Board of Directors," and "Time allocation for Board of Directors meetings, number of meetings per year."

(iv) Subsequent points for improvement of effectiveness

1. Ensuring opportunities for bilateral communication between Directors and the execution side, and further improving Directors' understanding of the company
2. Improving substantive debate about high priority strategic issues, such as management strategy, financial policy, etc.
3. Improve execution plan proposal capabilities and clarify points in meeting materials to achieve the above

Policy for Determining Officer Compensation and Related Procedures

Under our Nominating Committee managerial structure, PARCO has a Compensation Committee that sets standards for compensation and determines the compensation of individual directors and executive officers in a fair and impartial manner based on assessment of roles, responsibilities and work results.

Compensation for Directors and Other Officers in Fiscal 2018

Category	Individuals Paid (Persons)	Total Amount Paid (Millions of yen)	By type: Monetary compensation (Millions of yen)	By type: Share-based compensation (Millions of yen)
Directors (excluding external directors)	9 (4)	56 (31)	56 (31)	-
Executive officers	16	451	376	75
Total	25	507	432	75

* The above figures include compensation for one external director who left office as of PARCO's 79th Ordinary General Meeting of Shareholders held on May 26, 2018.

Standards for Determining Director and Executive Officer Compensation

Compensation Committee standards for director and executive officer compensation will be set and administered as below.

(1) The director annual salary will take the form of fixed compensation and, depending on the role, comprise of a basic annual salary, a Committee chairman annual salary and/or a Committee member annual salary.

(2) The executive officer annual salary will take the form of fixed compensation and, depending on the role/position, comprise of a basic annual salary, performance pay (based on company performance and personal performance) and, depending on the role, stock-based compensation from the Board Benefit Trust.

(3) The ratios of executive officer basic annual salary, performance pay (standard), and stock-based compensation are to be 40%-50% depending on position: 30% (equivalent value): 20%-30% (equivalent value).

(4) The executive officer basic annual salary is to be based on that person's role/position for the current term.

(5) The 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) The executive officer stock-based compensation 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.

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.

We 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 also strive to maintain a good understanding of our shareholder base by conducting periodic surveys twice annually. In addition, we arrange and schedule interviews with external directors as necessary.

The company regularly holds 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. For individual investors, we provide information with a particular emphasis on promptness and usefulness. We also create integrated annual reports as a tool for constructive dialogue. 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.

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. In fiscal 2018, we revised our disclosure policy, which contains sections on basic policy on information disclosure, information disclosure standards, information disclosure methods, improving information disclosure and IR activities, silent periods, handling of information and disclosure to third parties prior to public announcements, and concerning forecasts, in order to manage insider information. We posted this revised policy on our website in fiscal 2018 and strive to disclose information in a manner that is fundamentally transparent, balanced and consistent.

Activities in Fiscal 2018

Measures for individual investors	We are continuously increasing the quantity of IR-related information on the website. We also send out regular IR newsletters and provide information over social networking services.
Measures for analysts and institutional investors	Small meetings are held twice a year for analysts and institutional investors (in April and October). Both are run by the President and Representative Executive Officer, who provides a financial summary of the PARCO Group and explains the management status and approach, among other topics, as well as presenting a video. In addition, individual meetings were held by managing executive officers with institutional investors and analysts in Japan.
Measures for overseas investors	Inside Japan, individual meetings with overseas investors are held. To strengthen our approach for overseas investors, we also provide English translations of earnings presentations and videos on our website on the same day as results announcements to enhance the information provided and its timeliness.

Responding to the Corporate Governance Code

PARCO considers it important to have a sincere understanding and response to the principles of the Corporate Governance Code in order to realize the PARCO Group's sustainable growth and increase of corporate value over the medium- to long-term. To this end, the company is reinforcing and revising its systems in order to implement all of the principles and clearly documenting its approach.

Refer to the PARCO website for detailed information.

Fundamental Policy for Corporate Governance   Corporate Governance Report   URL www.parco.co.jp/en/about/governance/

Board of Directors and Officers (As of May 31, 2019)

Directors

Kozo Makiyama

Director, Chairman of the Board, President and Representative Executive Officer

1981 Enters PARCO CO., LTD.
2004 Serves as Executive Officer
2007 Serves as Managing Executive Officer
2008 Serves as Director and Senior Executive Officer
2011 Serves as Director, President and Representative Executive Officer
2013 Serves as Director, Chairman of the Board, President and Representative Executive Officer (current post)
Serves as Director for J. FRONT RETAILING Co., Ltd.
2017 Serves as Director and Managing Executive Officer for J. FRONT RETAILING Co., Ltd. (current post)

Hidekazu Hirano

Director, Senior Executive Officer for the Related Businesses Division

1981 Enters PARCO CO., LTD.
2004 Serves as Executive Officer
2007 Serves as Managing Executive Officer
2008 Serves as Director, Chairman of the Board, President and Representative Executive Officer
2011 Serves as Senior Executive Officer
2013 Serves as Director and Senior Executive Officer (current post)

Hiroshi Takahashi

External Director (Independent director)
Audit Committee Chair

1973 Enters Huso Audit Corporation
1986 Serves as Partner for Shinko Audit Corporation
1995 Serves as Representative Partner for Chuo Audit Corporation
2007 Serves as Representative Partner and Regular Officer responsible for business development in the Marketing Department for Shin Nihon Audit Corporation (currently Ernst & Young ShinNihon LLC.)
2009 Serves as Regular Officer of the Business Development Office, Audit Supervision Division, Client Service Department for the company above
2010 Serves as Manager of the Business Development Office, Audit Operation Department for the company above
2011 Serves as External Director for PARCO CO., LTD. (current post)
Serves as President & CEO for Pronet Inc. (current post)
2012 Serves as External Director for Sansei Landic Co., Ltd. (current post)
2017 Serves as External Vice President for eSOL Co., LTD. (current post)
Serves as External Director for Realize Inc. (currently Netamoto Inc.) (current post)

Noriko Nakamura

External Director (Independent director)
Compensation Committee Chair

1973 Enters TV Asahi Corporation
1985 Serves as Representative for Japan Association for Female Executives (current post)
1987 Serves as Representative Director for JAFE Service Co., Ltd. (currently Poppins Corporation)
1989 Serves as Vice Chairman for All-Japan Babysitter Association
2011 Serves as Chief Executive Officer for Poppins Corporation
2014 Serves as External Director for PARCO CO., LTD. (current post)
2016 Serves as Management Advisory Board Member, Nikkei Inc. (current post)
Serves as Chief Executive Officer for Poppins Holdings Co., Ltd.
2018 Serves as Chairman for Poppins Corporation
2019 Serves as Chairman for Poppins Holdings Co., Ltd. (current post)

Tadayuki Seki

External Director (Independent director)
Nominating Committee Chair

1973 Enters ITOCHU Corporation
1998 Serves as General Manager of Finance Division for ITOCHU International Inc. (Stationed in New York)
2004 Serves as Executive Officer and CFO of Food Company for ITOCHU Corporation
2005 Serves as Executive Officer, General Manager of Finance Division and CFO Office for the company above
2007 Serves as Managing Executive Officer, General Manager of Finance Division for the company above
2009 Serves as Representative Director, Managing Director, Chief Officer of Finance, Accounting, Risk Management and CFO for the company above
2010 Serves as Representative Director and Senior Managing Executive Officer for the company above
2011 Serves as Representative Director, Senior Managing Executive Officer and CFO for the company above
2013 Serves as Representative Director, Executive Vice President and CFO for the company above
2014 Serves as Representative Director, Executive Vice President, Executive Advisory Officer and CFO & CAO for the company above
2016 Serves as External Director for PARCO CO., LTD. (current post)
Serves as Outside Director for NIPPON VALQUA INDUSTRIES, LTD. (currently VALQUA, LTD.) (current post)
2017 Serves as Outside Director for JSR Corporation (current post)
Serves as Outside Statutory Auditor for Asahi Mutual Life Insurance Company (current post)

Taro Sawada

Director

1983 Enters The Daimaru, Inc. (currently Daimaru Matsuzakaya Department Stores Co. Ltd.)
2011 Serves as Corporate Officer, Executive Store Manager of Daimaru Kobe for the company above
2015 Serves as Executive Officer, Executive Store Manager of Daimaru Osaka Shinsaibashi, Executive General Manager of Shinsaibashi New Store Planning Office for the company above
2016 Serves as Corporate Officer, Senior General Manager of Management Planning Division for the company above
2017 Serves as Corporate Officer, Senior General Manager of Management Planning Division and Senior General Manager of Management Planning Division and Senior General Manager of Management Planning Division, Senior General Manager of Future Standards Laboratory for the company above
Serves as Director and Corporate Executive Officer for the company above
2018 Serves as Director for the company above (current post)
Serves as Director and Managing Executive Officer for J. FRONT RETAILING Co., Ltd.
Serves as Director for PARCO CO., LTD. (current post)
2019 Serves as Managing Executive Officer for J. FRONT RETAILING Co., Ltd. (current post)

Executive Officers

Masaaki Abe
Managing Executive Officer for the Corporate Operation Division

Takashi Sensui
Managing Executive Officer for the PARCO Store Planning Office

Tomoyuki Yamaki
Managing Executive Officer for Business Model Development Group

Tatsumi Imaeda
Managing Executive Officer for the PARCO Complex Business Group

Yuji Hirai
Executive Officer for the Real Estate Business Group

Kazuko Hamada
Executive Officer for the Group Audit Office

Shigeyoshi Sato
Executive Officer for the Overseas Business Promotion Department

Hideki Noguchi
Executive Officer for the Finance Department, the Accounting Department, and the Accounting Coordination Department

Hajime Inoue
Executive Officer for the Entertainment Department

Gaku Mizoguchi
Executive Officer for the Market Creation Department

Masao Tominaga
Executive Officer for the Personnel Department and Administration and Legal Department

Takashi Kashimoto
Executive Officer for the Shibuya Planning Office

Naotaka Hayashi
Executive Officer for the Group Digital Promotion Office

Masaki Utsunomiya
Executive Officer for the Business Policy Department, the Store Operation Department and CRM Promotion Department

Kenji Kawase
Executive Officer for the Collaboration Business Planning Group

Financial Section

For long-term numerical data and graph data, please refer to the PARCO website and FACTBOOK 2019.

Investor Relations
http://www.parco.co.jp/en/ir/

FACTBOOK 2019
www.parco.co.jp/en/ir/library/financial/factbook.php

Management's Discussion and Analysis

Current Situation

In fiscal 2018, ended February 28, 2019, the Japanese economy continued to recover at a moderate pace, supported by rising corporate earnings and an improvement in employment and income conditions. However, consumer confidence remained sluggish amid uncertainty about economic trends and policies overseas and a string of natural disasters in Japan, including heavy rain, typhoons and earthquakes.

Evaluating Fiscal 2018 Results

Overview

Under the market environment described above, the PARCO Group pushed ahead with business development in line with the second-year goals of its Medium-term Business Plan (FY2017-2021).

In fiscal 2018, we worked steadily to develop new locations in urban markets. We opened Harajuku ZERO GATE in March and made the decision in April to open Kawasaki ZERO GATE (tentative name). In August, Kyoto ZERO GATE was fully opened and Sannomiya ZERO GATE opened its doors in September. We also made preparations to open a number of stores in fiscal 2019, including Kinshicho PARCO, which opened in March 2019, SAN-A Urasoe West Coast PARCO CITY, Kawasaki ZERO GATE (tentative name) and Shibuya PARCO. In the PARCO stores business, we stepped up efforts to adapt to changes in consumer values and the retail environment, such as intensifying competition between commercial facilities and growing use of online channels for apparel purchases. Specifically, we adjusted tenant composition, broadened product choice and worked to attract up-and-coming tenants. We also updated our official POCKET PARCO app and the PARCO ONLINE STORE to create a more enjoyable, convenient shopping experience for customers. Earnings were firm in the Space Engineering and Management Business, which grew engineering orders by working closely with other businesses in the Group.

Despite the above measures, operating revenue declined 1.8%, or ¥1,651 million year on year, to ¥89,969 million, mainly reflecting the closure of unprofitable locations in the Retail Business in the previous fiscal year. Operating gross profit was ¥28,108 million, down 3.9%, or ¥1,155 million. The operating gross profit margin was 31.2%, down 0.7 of a percentage point from the previous fiscal year.

Selling, general and administrative expense increased 2.1%, or ¥405 million, to ¥19,384 million, while the ratio of SG&A expense to operating revenue increased 0.8 of a percentage point year on year to 21.5%.

Other income was ¥2,417 million, down 15.3%, or ¥436 million year on year. Other expense was ¥5,715 million, an increase of 301.0%, or ¥4,290 million year on year, mainly reflecting losses related to the planned closure of Utsunomiya PARCO and Kumamoto PARCO in fiscal 2019 and the booking of impairment losses for other stores.

As a result, operating profit was ¥5,425 million, down 53.7%, or ¥6,287 million year on year. The operating profit ratio was 6.0%, down 6.8 percentage points from the previous fiscal year.

Profit before tax was ¥5,049 million, down 55.9%, or ¥6,406 million, and profit attributable to owners of parent was ¥3,370 million, down 56.8%, or ¥4,438 million.

Earnings per share was ¥33.30 and return on equity (ROE) was 2.7%, a decline of 3.6 percentage points from the previous fiscal year.

In line with its policy of maintaining stable shareholder returns, the Company paid a year-end dividend of ¥12 per share for fiscal 2018, giving a total cash dividend applicable to the year of ¥24 per share.

Segment Performances

Shopping Complex Business

The Shopping Complex Business reported operating revenue of ¥51,117 million, down 0.5% year on year, and operating profit of ¥5,142 million, down 53.1%. The decline in operating profit largely reflected losses related to the planned closure of Utsunomiya PARCO and Kumamoto PARCO in fiscal 2019 and the booking of impairment losses for other stores.

PARCO tenant transaction volume*1 totaled ¥246.6 billion, down 1.1% year on year.

In the PARCO stores business, we pushed ahead with preparations to open a number of stores in fiscal 2019, including Kinshicho PARCO, which opened in March 2019, and Shibuya PARCO, scheduled to open in November. Changes in the retail environment such as intensifying competition between commercial facilities and growing use of online channels for apparel purchases are impacting transaction volume, particularly for apparel. To address those changes, we adjusted tenant composition and broadened product choice, and ahead of the planned opening of Shibuya PARCO in November, we worked on new technology-driven shopping experiences and services for customers. Also, we stepped up support for new companies. Specifically, to provide better incubation capabilities for up-and-coming tenants, we opened incubation spaces called UP NEXT at seven Urban Complexes.

In store strategy, we continued to focus on developing and establishing store brands using two different types of shopping facilities – Urban Complexes and Community Complexes. We adjusted tenant composition and expanded the range of merchandise items to target discerning adults who enjoy urban lifestyles, consumption by couples, and the shift in consumption away from goods to services. We also opened UPLINK Kichijoji PARCO, a new cultural dissemination center with a mini-theater. As a result, during fiscal 2018, we renovated approximately 37,000m^2 of floor space across all our stores, supporting an increase of 16.2% year on year in PARCO tenant transaction volume in the refurbished areas.

In store promotions, we ran a number of events that helped boost customer traffic and transaction volume at our stores. Events included "SUPER COOKIE LAND neoneo," an exhibition by comedian Cookie of Yasei Bakudan created with Yoshimoto Creative Agency Co., Ltd., and an exhibition of previously unreleased photos of popular actor Ryoma Takeuchi, taken by photographer Akinori Ito. We also strengthened collaboration with local TV stations, resulting in several events for kids themed around topics as diverse as poisonous insects, the science of smell and interesting animals.

We continue to use ICT in customer strategy. In November 2018 we overhauled our official POCKET PARCO app. In addition to store information, users can now access news about PARCO theaters and galleries, and the app is designed to make shopping more convenient by acting as the gateway to a seamless sales flow, guiding customers from physical stores through to the online store. Along with the redesigned app, we changed the name of the official PARCO online sales portal from KAERU PARCO to PARCO ONLINE STORE. Featuring exclusive online shops, the new site is designed to offer something different to our physical stores.

In inbound strategy, we held the Shibukaru Festival in Hong Kong in May 2018 as an event to raise the visibility of the PARCO brand overseas. We also recruited popular overseas influencers to promote PARCO on social networking services and rolled out initiatives using Alipay and other payment methods. As a result, transaction volume for mobile payment apps and overseas-issued credit cards*2 increased 15.2% year on year.

In domestic store development, we continued to expand our store network. We opened Harajuku ZERO GATE in March, fully opened Kyoto ZERO GATE in August and opened Sannomiya ZERO GATE in September, which marked our tenth store in the ZERO GATE format. We also made steady progress with four upcoming store projects set to open in fiscal 2019 based on different development approaches: Kinshicho PARCO, which opened in March 2019, is a renovation-type development project; SAN-A Urasoe West Coast PARCO CITY is a joint development project with SAN-A Co., Ltd.; Kawasaki ZERO GATE (tentative name) is a ZERO GATE format store; and Shibuya PARCO is a store redevelopment project.

In new businesses, our BOOSTER crowd-funding business formed a business and capital alliance with CAMPFIRE, Inc., Japan's largest provider of fee-based crowd-funding services. The companies have now started working together on identifying promising projects and promoting the business, which is aiming to expand by further strengthening its incubation capabilities.

In overseas business, we leveraged the PARCO Group's content and expertise to set up a "Detective Conan Cafe in Bangkok," Thailand with a local restaurant operator. We also provided consulting services for the development of a shopping complex in Ho Chi Minh, Vietnam.

In other areas, we sponsored the VR*3 content NEWVIEW AWARDS 2018 with Psychic VR Lab Co., Ltd. and Loftwork Inc. Through the pioneering joint project, we aim to help develop new ways of using VR technology and uncover and support the next generation of creators in the fields of fashion and art.

*1 PARCO tenant transaction volume is sales at tenants in PARCO stores.
*2 Transaction volume for mobile payment apps and overseas-issued credit cards does not include transactions at Otsu PARCO, which closed in 2017, or PARCO_ya, which opened in 2017.
*3 Short for virtual reality: the use of computer technology to create virtual environments that appear real.

Retail Business

The Retail Business reported operating revenue of ¥19,754 million, down 6.9% year on year, and an operating loss of ¥25 million, compared with operating profit of ¥75 million a year earlier.

NEUVE A CO., LTD. reported lower operating revenue and operating profit year on year, reflecting a decrease in the number of stores and changes in the inbound demand environment and in year-end shopping season demand trends. As of the end of fiscal 2018, the company operated a total of 171 stores.

Space Engineering and Management Business

The Space Engineering and Management Business reported operating revenue of ¥21,882 million, up 2.3% year on year, and operating profit of ¥662 million, up 1.4%.

PARCO SPACE SYSTEMS CO., LTD. reported higher operating revenue and operating profit year on year, reflecting an increase in orders from external clients and from PARCO tenants.

Other Business

The Other Business reported operating revenue of ¥6,327 million, up 2.8% year on year, and an operating loss of ¥297 million, compared with operating profit of ¥53 million in the previous fiscal year.

The entertainment business of PARCO CO., LTD. opened two mini-theaters in fiscal 2018, CINE QUINTO and UPLINK Kichijoji PARCO, and staged a number of plays and shows, including "Touch and Go," written and produced by Koki Mitani, and "Do You Wanna Dance," featuring Momoiro Clover Z. The popularity of the events supported higher operating revenue in the entertainment business compared with the previous fiscal year. However, operating profit declined year on year, with the business unable to absorb an increase in expenses related to new initiatives, such as the cost of opening new entertainment facilities.

PARCO Digital Marketing CO., LTD. stepped up efforts to win new clients, focusing on digital services for commercial facilities and specialty retailers. As a result, operating revenue and operating profit both increased compared with the previous fiscal year.

Financial Position

Assets

Total assets at the end of fiscal 2018 were ¥275,369 million, up ¥13,534 million.

Total current assets were ¥42,749 million, an increase of ¥3,503 million. That primarily reflected an increase of ¥7,088 million for inventories, which was related to the Shibuya PARCO redevelopment project.

Total non-current assets were ¥232,620 million, an increase of ¥10,030 million. This was largely due to an increase of ¥8,826 million for property, plant and equipment related to the Shibuya PARCO redevelopment project and the opening of Kinshicho PARCO.

Total asset turnover was 0.33 times and return on assets (ROA) was 1.9%.

Liabilities

Total liabilities were ¥148,460 million, an increase of ¥12,936 million from the end of the previous fiscal year.

Current liabilities were ¥53,798 million, an increase of ¥1,284 million, mainly reflecting a rise of ¥754 million for provision for loss on store closing.

Non-current liabilities were ¥94,662 million, an increase of ¥11,652 million, which largely reflected a rise of ¥9,020 million for borrowings.

Interest-bearing debt was ¥61,740 million, up ¥8,920 million from the end of the previous fiscal year. The debt-to-equity ratio was 0.49.

Equity

Total equity was ¥126,908 million, an increase of ¥597 million from the end of the previous fiscal year. This mainly reflected an increase in retained earnings due to an increase in profit attributable to owners of parent. As a result, the ratio of total equity attributable to owners of parent was 46.1% and equity attributable to owners of parent per share was ¥1,255.30.

Cash Flows

Net cash provided by operating activities was ¥4,529 million, down from net cash provided of ¥21,386 million in the previous fiscal year. The main items in operating cash flow were profit before tax of ¥5,049 million, an adjustment for depreciation and amortization expense, a non-cash item, and increase in inventories related to the redevelopment of Shibuya PARCO.

Net cash used in investing activities was ¥13,909 million, compared with net cash used of ¥11,552 million in the previous fiscal year. The increase in cash used was mainly due to the purchase of property, plant and equipment related to the Shibuya PARCO redevelopment project.

Net cash provided by financing activities was ¥5,610 million, compared with net cash used of ¥7,897 million in the previous fiscal year, mainly reflecting an increase in funds procured through interest-bearing debt.

Capital Expenditure

Capital expenditure increased ¥1,554 million to ¥14,449 million, and included property, plant and equipment, intangible assets, investment property, and lease and guarantee deposits.

Depreciation and amortization expense increased ¥304 million to ¥5,963 million.

Fiscal 2019 Initiatives

In fiscal 2014, we formulated a long-term vision for the Group, aiming to transform PARCO into a "business group that prospers in urban markets—designers of unique offerings for 24/7 urban life; creative drivers of urban revolution." Based on that vision, we have developed a new medium-term business plan covering fiscal 2017 to fiscal 2021. The plan has three main business strategies: cultivation of major urban areas, expansion of core targets, and innovative use of ICT.

Outline of the Medium-term Business Plan

PARCO will contribute to city maturity by leveraging the businesses of the entire Group, including the stores business, to meet the diversifying needs of consumers who enjoy urban lifestyles and business owners active in urban areas through the provision of unique PARCO values, such as personal fulfillment, new inspirations, and contentment.

To achieve this, PARCO Group will update its businesses and expand into new business areas to improve existing value provided and realize business portfolio innovation.

< Three tactics for realizing the Medium-term Business Plan >

Tactic 1: Evolve the store brands
Tactic 2: Produce commercial real estate
Tactic 3: Expand soft content

< Four directions for advancing the three tactics >

1. Expand domain to include commercial real estate and soft businesses that leverage PARCO's intrinsic expertise and capabilities
2. Increase operational efficiency through business resource choice and focus—be a compact, high-yield business group
3. Widen unique value provided to meet the diversifying needs of urban consumers and business owners
4. Develop a corporate culture that expands our purpose in society

In fiscal 2019, we will accelerate improvements to the Group's business portfolio. Specifically, after opening Kinshicho PARCO in March 2019, we plan to open three further locations with different retail formats – SAN-A Urasoe West Coast PARCO CITY, Kawasaki ZERO GATE (tentative name) and Shibuya PARCO. We also decided to close Utsunomiya PARCO in May 2019 and Kumamoto PARCO in February 2020. To mark the 50th anniversary of the opening of Ikebukuro PARCO, we will develop proposals for next-generation commercial facilities, building on the momentum achieved with the redevelopment of Shibuya PARCO. We will also implement reforms in the Stores Business, aiming to respond to the evolving digital landscape by creating a new customer-focused business model anchored by a stronger CRM strategy.

Please refer to PARCO Group's Growth Strategy on P27 and our website for more details about the Medium-term Business Plan.
http://www.parco.co.jp/en/ir/plan/

Shopping Complex Business

In 2019, which marks the 50th anniversary of the opening of Ikebukuro PARCO, we will complete the redevelopment of Shibuya PARCO and open its doors for business. Our goal is to use the new Shibuya PARCO store as a hub to link all the Group's content, creating a next-generation commercial facility that brings together physical and digital retail and promotes the strengths of our new PARCO store brand. We will also implement reforms to build a new customer-focused business model to adapt to the evolving digital landscape, create a more enjoyable and convenient shopping experience for customers, develop new consumer themes and attract tenants.

To ensure those reforms are implemented at a rapid pace, we have created a new joint organization that brings together the know-how of the PARCO stores business and the developer business to accelerate the development of new tenants and new retail formats that are compatible with changing trends in consumption, based on the perspective of customers. We will realign each PARCO store as either a City Complex*1 or a Community Complex*2, based on customers and markets.

In customer strategy, we aim to maximize customer satisfaction through our CRM strategy. To support that, we will use digital tools to gather data and reinforce our proprietary digital channels and content. Specifically, we will use our official POCKET PARCO app as a gateway for sales promotions tailored to individual customers to encourage them to visit physical PARCO stores and the PARCO ONLINE STORE. In fiscal 2019, we also plan to launch a new customer-focused loyalty point program and change some related PARCO Card services. In addition, to support overseas visitors, we will continue to upgrade store environments to accommodate the growing range of payment methods.

In store development, we will expand our business in urban markets by pushing ahead with four different retail formats scheduled to open in fiscal 2019. After opening Kinshicho PARCO in March 2019, we will focus on opening SAN-A Urasoe West Coast PARCO CITY, Kawasaki ZERO GATE (tentative name) and Shibuya PARCO. We will also continue to push forward our second joint project with Daimaru Matsuzakaya Department Stores Co. Ltd., a new store in the North Building of Daimaru Shinsaibashi.

In new businesses, our goal is to stimulate innovation to transform the Group's business model. We plan to use M&A deals, as well as alliances and collaborative projects with partners inside and outside the Group, to create new businesses. To lead our efforts, we have established a new Collaboration Business Planning Office, and we have created a proprietary merchandise business to run our MEETSCAL Stores and a cloud-funding business called BOOSTER

In overseas businesses, we plan to raise the visibility of the PARCO brand overseas, as well as in Japan, by strengthening our agent functions and using Shibuya PARCO as a hub to roll out the Group's various content overseas. We will also continue to provide input for PARCO-produced commercial facilities across Asia.

*1 City Complexes: Sapporo PARCO, Sendai PARCO, Urawa PARCO, Ikebukuro PARCO, PARCO_ya, Kinshicho PARCO (opened March 16, 2019), Shibuya PARCO (PART 1, PART 3 temporarily closed since August 8, 2016), Kichijoji PARCO, Chofu PARCO, Shizuoka PARCO, Nagoya PARCO, Hiroshima PARCO, Fukuoka PARCO

*2 Community Complexes: Utsunomiya PARCO (closed on May 31, 2019), Shin-Tokorozawa PARCO, Tsudanuma PARCO, Hibarigaoka PARCO, Matsumoto PARCO, Kumamoto PARCO

Retail Business

NEUVE A CO., LTD. will reinforce existing businesses by implementing a scrap-and-build policy and work with the Shopping Complex Business to develop innovative new approaches, including new formats. The company will also continue to reinforce CRM in line with Group's digital strategy.

Space Engineering and Management Business

PARCO SPACE SYSTEMS CO., LTD.'s strengths are its expertise and technologies built up through contracting work for PARCO and external clients. Using those strengths, the company aims to consolidate its functions in the facility management department and the retail space design department to reinforce its system for securing combined orders in building management services for external commercial facilities. Also, building on efforts in the previous fiscal year, the company will continue to work closely with the J. Front Retailing Group to expand its business.

Other Business

PARCO CO., LTD.'s entertainment business plans to develop entertainment programs for theatres and multiple other venues, along with the reopening of venues at Shibuya PARCO. Also, the business will work to generate synergies with the PARCO stores business by developing unique content and venues, such as CINE QUINTO and UPLINK Kichijoji PARCO, which were opened in fiscal 2018.

PARCO Digital Marketing CO., LTD. will step up efforts to cultivate external clients and expand its business by reinforcing its core business of providing integrated digital services to commercial facilities and specialty retailers.

Outlook for Fiscal 2019

By implementing the above initiatives, we are targeting fiscal 2019 operating revenue of ¥116.2 billion, up 29.2% year on year*, operating income of ¥12.7 billion, up 134.1%, and profit attributable to owners of parent of ¥7.1 billion, up 110.7% year on year.

* The forecast for operating revenue includes a one-off increase from the sale of land that was kept on hold during the Shibuya redevelopment project. The same amount has been factored into operating cost.

Risks Related to Our Business

With respect to information contained in the financial statements relating to business and accounting conditions, the following factors may significantly affect investment decisions. Recognizing these risks, the PARCO Group will strive to prevent their occurrence and to respond appropriately in the event they occur Information pertaining to the future is based on the PARCO Group's knowledge as of May 27, 2019.

1. Risk of Fluctuations in Demand

The PARCO Group engages in the Shopping Complex Business, including the operation of shopping centers; the Retail Business; and the Space Engineering and Management Business. The Group's business performance and financial position may be significantly affected by decreased sales and orders caused by declining consumer confidence and a slowdown in corporate profitability due to deterioration in the economy and tax reforms such as higher consumption tax rates. Sluggish sales of seasonal products caused by unusual weather, such as cool summers and warm winters, could also dampen sales.

2. Risk of Natural Disasters and Accidents

The PARCO Group has business bases in Japan and overseas. It operates, or operates under contract, shopping complexes in major cities in Japan, as well as standalone tenant stores in shopping complexes in Japan. These locations may experience difficulties in their sales activities in the event of disasters such as earthquakes, fire, conflicts, acts of terrorism, or unrest. In particular, the PARCO Group has stores and locations in the Tokai and Kanto regions, where major earthquakes are predicted, and may therefore incur damages in these regions. A risk response system is being set up and enhanced to minimize damage from such incidents by implementing countermeasures such as ensuring anti-seismic measures, formulating and disseminating the Manual on Major Earthquakes, and conducting disaster drills at the stores. However, depending on the specific circumstances, the PARCO Group's business performance and financial position may be significantly affected.

3. Risk of Regulatory Restraints

The PARCO Group operates its business under a regulated environment, shaped by legislation including the Large-Scale Retail Stores Location Law, the Central City Invigoration Law, the City Planning Law, the Building Law and the Building Standard Law. In planning new store openings and expanding floor space in the future, we may be subject to regulatory controls that may affect our new store plans and operational plans, and restrict our business activities. Under such circumstances, the PARCO Group's business performance and financial position may be significantly affected.

4. Risk of Fluctuations in the Industry and Markets

The PARCO Group conducts detailed marketing to develop shopping complexes and launch new outlets for specialty stores. However, an unpredictable intensification of competition and changes in market conditions may affect store sales and new store opening plans. To quickly respond to such changes in the business environment, the Group is rationalizing its store operating system and adopting a scrap-and-build approach. However, under certain circumstances, the Group's business performance and financial position may be significantly affected.

5. Risk of Corporate Reorganization

The PARCO Group undertakes its business as an integrated whole, comprising PARCO CO., LTD. and its affiliates in Japan and abroad, through an organic collaboration among the Group members. In the future, the scope or business domain of this corporate group may change due to mergers, transfers or acquisition of operations, and the sale or disposal of affiliated companies, in which case the Group's business performance and financial position may be significantly affected.

6. Risk Related to Business Associates

The PARCO Group provides fixed leasehold deposits to land and property owners in its Shopping Complex and Retail Businesses. It also has claims to sales receivables against its business associates in the Space Engineering and Management Business. While we conduct due diligence in credit management with respect to these business associates, land and property owners may experience financial difficulties, causing problems in the collection of fixed leasehold deposits. The business associates may also suffer deterioration in credit standing, giving rise to irrecoverable loans. Under these circumstances, the PARCO Group's business performance and financial position may be significantly affected.

7. Risk Related to the Supply of Products and Services

The PARCO Group handles clothing, sundries and foods, and provides services including interior design and construction work, and building management and operation. While the utmost care is exercised to control quality and ensure the hygienic aspects of products and services, should flaws or defects in products or services cause damage to customers, the Group may lose customers and the public's trust, with a resulting impact on business performance and financial position.

8. Risk Related to Fixed Assets in Possession

The PARCO Group possesses fixed assets for business purposes, including land intended for stores and buildings, as part of its business activities. In the event that profits from business and cash flows deteriorate, or should the application of impairment accounting result in a decline in land prices, the PARCO Group's business performance and financial position may be significantly affected.

9. Risk Related to the Protection of Personal Information

The PARCO Group possesses personal information of its customers for marketing activities. Recognizing the consequences of any leakage of personal information on corporate management and trust, the Group has established a system for managing personal information, including a manual of rules, employee education, and certification regarding the handling of personal information. However, in the event a leak of personal information results in claims for damages and loss of the public's trust, the Group's business performance and financial position may be significantly affected.

10. Risk Related to IT systems

The PARCO Group utilizes various IT systems in its business operations. Management of these systems is largely carried out at data centers operated by external contractors. These data centers incorporate various safety measures, such as earthquake-proof designs, redundancy in power and communications cabling, on-site power generation and security systems to prevent unauthorized access. However, in the event of a natural disaster or accident that exceeds expectations, the Group's business activities could be affected by damage to facilities, system outages and communication difficulties between business sites, which may have a significant impact on the PARCO Group's business performance and financial position.

Consolidated Statements of Financial Position

As of February 28, 2018 and February 28, 2019

	Notes	As of February 28, 2018	As of February 28, 2019
		(Millions of yen)	(Millions of yen)
Assets			
Current assets			
Cash and cash equivalents	7	12,464	8,690
Trade and other receivables	8 26	10,839	10,859
Other financial assets	9 35	721	510
Inventories	10	13,458	20,547
Other current assets	11	1,762	2,140
Total current assets		39,245	42,749
Non-current assets			
Property, plant and equipment	12	186,791	195,617
Intangible assets	13	1,494	1,696
Investment property	14	8,493	8,825
Investments accounted for using equity method	16	21	27
Other financial assets	9 35	21,065	21,155
Deferred tax assets	17	1,855	2,654
Other non-current assets	11	2,867	2,643
Total non-current assets		222,590	232,620
Total assets		261,835	275,369
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	18	8,580	8,480
Trade and other payables	20	23,780	22,651
Other financial liabilities	18 35	1,212	1,683
Income tax payables		1,475	1,599
Provisions	22	7	761
Contract liabilities	2 26	—	14,479
Other current liabilities	2 23	17,457	4,142
Total current liabilities		52,514	53,798
Non-current liabilities			
Borrowings	18	44,240	53,260
Other financial liabilities	18 35	33,447	37,435
Net defined benefit liability	21	1,792	1,705
Provisions	22	503	2,033
Contract liabilities	2 26	—	19
Other non-current liabilities	2 23	3,026	209
Total non-current liabilities		83,010	94,662
Total liabilities		135,524	148,460
Equity			
Share capital	24	34,367	34,367
Share premium	24	35,129	35,205
Treasury shares	24	(5)	(520)
Other components of equity	24	(209)	(59)
Retained earnings	24	57,029	57,915
Total equity attributable to owners of parent		126,311	126,908
Total equity		126,311	126,908
Total liabilities and equity		261,835	275,369

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

For the years ended February 28, 2018 and February 28, 2019

	Notes	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
		(Millions of yen)	(Millions of yen)
Operating revenue	6 26	91,621	89,969
Operating cost	27	(62,357)	(61,861)
Operating gross profit		29,263	28,108
Selling, general and administrative expense	28	(18,979)	(19,384)
Other income	29	2,853	2,417
Other expense	29	(1,425)	(5,715)
Operating profit	6	11,713	5,425
Finance income	30	144	154
Finance cost	30	(372)	(537)
Share of profit (loss) of entities accounted for using equity method	16	(29)	6
Profit before tax		11,455	5,049
Income tax expense	17	(3,646)	(1,678)
Profit		7,809	3,370
Profit attributable to			
Owners of parent		7,809	3,370
Profit		7,809	3,370
Earnings per share			
Basic earnings per share (Yen)	32	76.97	33.30
Diluted earnings per share (Yen)	32	—	—

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

For the years ended February 28, 2018 and February 28, 2019

	Notes	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
		(Millions of yen)	(Millions of yen)
Profit		7,809	3,370
Other comprehensive income	31		
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income		6	88
Remeasurements of defined benefit plans		184	9
Total amount of items that will not be reclassified to profit or loss		191	97
Items that might be reclassified to profit or loss			
Cash flow hedges		37	2
Exchange differences on translation of foreign operations		6	(5)
Total amount of items that might be reclassified to profit or loss		44	(2)
Other comprehensive income, net of tax		235	95
Comprehensive income		8,045	3,465
Comprehensive income attributable to			
Owners of parent		8,045	3,465
Comprehensive income		8,045	3,465

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Equity

For the years ended February 28, 2018 and February 28, 2019

Fiscal year ended February 28, 2018

		Equity attributable to owners of parent					
					Other components of equity		
	Notes	Share capital	Share premium	Treasury shares	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Cash flow hedges
		(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017		34,367	35,129	(4)	(185)	—	19
Profit		—	—	—	—	—	—
Other comprehensive income		—	—	—	6	184	37
Total comprehensive income		—	—	—	6	184	37
Purchase of treasury shares	24	—	—	(1)	—	—	—
Dividends	25	—	—	—	—	—	—
Transfer to retained earnings		—	—	—	(15)	(184)	(60)
Total amount of transactions with owners		—	—	(1)	(15)	(184)	(60)
Balance as of February 28, 2018		34,367	35,129	(5)	(193)	—	(3)

		Equity attributable to owners of parent				
		Other components of equity				
	Notes	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Total
		(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017		(18)	(184)	51,292	120,600	120,600
Profit		—	—	7,809	7,809	7,809
Other comprehensive income		6	235	—	235	235
Total comprehensive income		6	235	7,809	8,045	8,045
Purchase of treasury shares	24	—	—	—	(1)	(1)
Dividends	25	—	—	(2,333)	(2,333)	(2,333)
Transfer to retained earnings		—	(260)	260	—	—
Total amount of transactions with owners		—	(260)	(2,072)	(2,334)	(2,334)
Balance as of February 28, 2018		(12)	(209)	57,029	126,311	126,311

The accompanying notes are an integral part of these statements.

Fiscal year ended February 28, 2019

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Share premium	Treasury shares	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Cash flow hedges
		(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2018		34,367	35,129	(5)	(193)	—	(3)
Profit		—	—	—	—	—	—
Other comprehensive income		—	—	—	88	9	2
Total comprehensive income		—	—	—	88	9	2
Purchase of treasury shares	24	—	—	(515)	—	—	—
Dividends	25	—	—	—	—	—	—
Share-based payment transactions	34	—	76	—	—	—	—
Transfer to retained earnings		—	—	—	63	(9)	—
Total amount of transactions with owners		—	76	(515)	63	(9)	—
Balance as of February 28, 2019		34,367	35,205	(520)	(42)	—	(0)

	Notes	Equity attributable to owners of parent				
		Other components of equity				
		Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Total
		(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2018		(12)	(209)	57,029	126,311	126,311
Profit		—	—	3,370	3,370	3,370
Other comprehensive income		(5)	95	—	95	95
Total comprehensive income		(5)	95	3,370	3,465	3,465
Purchase of treasury shares	24	—	—	—	(515)	(515)
Dividends	25	—	—	(2,429)	(2,429)	(2,429)
Share-based payment transactions	34	—	—	—	76	76
Transfer to retained earnings		—	53	(53)	—	—
Total amount of transactions with owners		—	53	(2,483)	(2,868)	(2,868)
Balance as of February 28, 2019		(17)	(59)	57,915	126,908	126,908

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended February 28, 2018 and February 28, 2019

	Notes	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
		(Millions of yen)	(Millions of yen)
Cash flows from operating activities			
Profit before tax		11,455	5,049
Depreciation and amortization expense		5,659	5,963
Impairment loss		497	2,239
Increase (decrease) in net defined benefit liability		(337)	(87)
Finance income		(144)	(154)
Finance cost		372	537
Share of (profit) loss of entities accounted for using equity method		29	(6)
Loss (gain) on sales and retirement of non-current assets		146	164
Decrease (increase) in trade receivables		(1,133)	266
Decrease (increase) in inventories		(3,365)	(7,088)
Increase (decrease) in trade payables		655	441
Increase/decrease in other assets/liabilities		10,391	(343)
Other, net		449	408
Subtotal		24,677	7,391
Interest and dividends received		32	21
Interest paid		(414)	(570)
Payment resulting from store closing		(276)	—
Income taxes paid		(2,631)	(2,312)
Net cash provided by (used in) operating activities		21,386	4,529
Cash flows from investing activities			
Proceeds from withdrawal of time deposits		81	—
Purchase of property, plant and equipment		(11,273)	(12,499)
Proceeds from sales of property, plant and equipment		19	6
Payments for investments in real estates		(709)	(845)
Purchase of investment securities		(3)	(103)
Proceeds from sales of investment securities		96	—
Payments for lease and guarantee deposits		(387)	(403)
Proceeds from collection of lease and guarantee deposits		1,249	752
Other, net		(626)	(816)
Net cash provided by (used in) investing activities		(11,552)	(13,909)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	33	1,000	(1,000)
Net increase (decrease) in commercial papers	33	(2,099)	—
Proceeds from non-current borrowings	33	14,000	19,000
Repayments of non-current borrowings	33	(18,180)	(9,080)
Net decrease (increase) in treasury shares		(1)	(515)
Dividends paid	25	(2,333)	(2,429)
Other, net	33	(282)	(364)
Net cash provided by (used in) financing activities		(7,897)	5,610
Net increase (decrease) in cash and cash equivalents		1,936	(3,768)
Cash and cash equivalents at beginning of period		10,522	12,464
Effect of exchange rate changes on cash and cash equivalents		5	(4)
Cash and cash equivalents at end of period	7	12,464	8,690

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

PARCO CO., LTD. (hereinafter referred to as the "Company") is a company incorporated in Japan. The addresses of its registered head office and principal business offices are disclosed on the Company's website (URL https://www.parco.co.jp/en/).

The consolidated financial statements of the Company, which were prepared at the end of the fiscal year on February 28, 2019, comprise the Company and its subsidiaries (hereinafter referred to as the "Group"), as well as equity in associates of the Company.

For the Group's major business activities, please refer to "6. Segment Information." In addition, the Company's parent company is J. FRONT RETAILING Co., Ltd.

2. Basis of Preparation

(1) Compliance with IFRS and first-time adoption

Pursuant to the provisions of Article 93 of the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976), the consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards (IFRS) since the Company qualifies as a "Specified Company Complying with Designated International Accounting Standards" prescribed in Article 1-2 of the Regulation.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, assets and liabilities related to the post-employment benefit plan measured at fair value as stated in "3. Significant Accounting Policies."

(3) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and figures are rounded down to the nearest million yen.

(4) Change in Accounting Policy

The Group has adopted the following standard from the current fiscal year.

IFRS	Description of new standards and interpretations or revisions
IFRS 15 Revenue from Contracts with Customers	Revision of accounting treatment for revenue recognition

The Group has adopted "IFRS15 Revenue from Contracts with Customers" (Publication in May 2014) and "Clarifications to IFRS 15" (Publication in April 2016; hereinafter referred to as "IFRS 15") from the current fiscal year. In the application of IFRS 15, the Group has adopted a method, which is recognized as a transitional measure, to recognize the cumulative effects of the application of this standard at the initial application date. There is no cumulative effect at the initial application date.

With the adoption of IFRS 15, the amount of consideration that the Group expects to be entitled in exchange for the transfer of promised goods or services to customers is recognized as revenue based on the following five-step approach. (Interest and dividend income recognized in accordance with IFRS 9 "Financial Instruments" and lease payments receivable in accordance with IAS17 "Leases" are excluded.)

Step 1: Identifying the contract with a customer
Step 2: Identifying the performance obligations in the contract
Step 3: Determining the transaction price
Step 4: Allocating the transaction price to performance obligations
Step 5: Recognizing revenue when a performance obligation is satisfied

As services by operating a shopping complex are rendered continuously, the Group has judged that performance obligations are satisfied over a certain period of time, and revenue is recognized to the extent that services are rendered. With regard to the sale of goods, in many cases the customer obtains control over the goods at the time of delivery, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the goods. If the outcome of a construction contract can be estimated reliably, revenue concerning construction such as design and construction of interior work is recognized based on progress of performance obligation. Input methods based on costs incurred are used for the measurement of progress. If reliable estimation of the outcome of a construction contract is not possible, contract revenue shall be recognized only for contract costs incurred that have probable recoverability. Revenue is measured at the amount of the consideration promised in the contract with the customer, less discounts, rebates and sales-related taxes.

With the adoption of IFRS 15, from the current consolidated fiscal year, advances received and unearned revenue included in other current liabilities, and long-term advances received included in other non-current liabilities are presented as contract liabilities of current liabilities and non-current liabilities, respectively.

As a result of this adoption, compared with the case where the previous accounting standard has been applied, in the consolidated statement of financial position at the end of the current consolidated fiscal year, the contract liabilities of current liabilities increased by 14,479 million yen and the contract liabilities of non-current liabilities increased by 19 million yen. Along with the increase, other current liabilities decreased by 14,479 million yen and other non-current liabilities decreased by 19 million yen.

3. Significant Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. Control means the power to govern the financial and operating policies of the entity so as to obtain benefits from its business activities.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when the Group gains control until the date when it ceases to control the subsidiary.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary. All intergroup balances, transactions and unrealized gains or losses arising from transactions within the Group are eliminated in preparing the consolidated financial statements.

When the Company retains control when there has been partial disposal of ownership interest in a subsidiary, the partial disposal is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of parent.

When there are subsidiaries whose fiscal year-ends are different from that of the Company because the legal system of the region where such subsidiary is located does not allow it to have the same fiscal year-end as that of the Company, or for other reasons, additional adjustments are made when preparing the consolidated financial statements to prepare such subsidiary's financial statements as of the fiscal year-end of the Company, or to make similar preparations. Furthermore, the fiscal year-end of such subsidiaries is December 31.

2) Associates

An associate is defined as an entity over which the Group has significant influence on financial and operating policies but does not have control over such entity.

Investments in associates are recognized at cost at the time of the acquisition, and are accounted for by the equity method thereafter. Goodwill recognized on acquisition is included in investments in associates.

For associates whose fiscal year-ends are different from that of the Company, due to relationships with other shareholders or other reasons, adjustments are made by additionally preparing their financial statements as of the fiscal year-end of the Company or other means.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred, liabilities assumed and equity instruments issued by the Company in exchange for control of the acquiree. Any excess of the consideration transferred over the fair value of identifiable assets and liabilities is recognized as goodwill in the consolidated statements of financial position. Conversely, any deficit is immediately recognized as profit in the consolidated statements of income.

Acquisition-related costs are expensed as incurred.

The additional acquisition of non-controlling interests is accounted for as an equity transaction, and therefore no goodwill is recognized with respect to such transaction.

(3) Foreign currency translation

1) Foreign currency transactions

Each entity of the Group has set its own functional currency as the currency of the primary economic environment in which the entity operates. Transactions of each entity are measured at the functional currency.

When each entity prepares non-consolidated financial statements, transactions in currencies other than its functional currency are translated using the exchange rate prevailing at the dates of transactions.

Non-monetary items that are denominated and measured at cost in foreign currencies are translated using the exchange rate prevailing at the dates of transactions. Non-monetary items that are denominated and measured at fair value in foreign currencies are translated using the exchange rates at the date on which the fair value was measured. Foreign currency monetary assets and liabilities at the end of the reporting period are translated using exchange rates at the end of the reporting period.

Exchange differences arising from translation or settlement are recognized as profit or loss. However, when gains or losses on non-monetary items are recorded in other comprehensive income, exchange differences are also recorded in other comprehensive income.

2) Financial statements of foreign operations

Assets and liabilities of foreign subsidiaries, etc., are translated into Japanese yen at the exchange rate prevailing at the end of the reporting period. Income and expenses of foreign subsidiaries, etc., are translated into Japanese yen at the exchange rates that approximate the rates at the dates of the transactions, unless there are significant changes in the exchange rates.

Exchange differences arising from translation of the financial statements of foreign subsidiaries, etc., are recognized in other comprehensive income. Exchange differences for foreign subsidiaries, etc., are recognized as profit or loss in the period during which the foreign subsidiaries, etc., are disposed of.

(4) Financial instruments

1) Non-derivative financial assets

Trade and other receivables are initially recognized on the date when they are incurred. All other financial assets are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instruments.

An overview of classification and measurement model of non-derivative financial assets is as follows:

(i) Financial assets measured at amortized cost

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is to hold the instrument to collect contractual cash flows, the debt instruments are initially measured at fair value. Transaction cost directly attributable to acquisition of financial assets measured at amortized cost is included in the fair value at the time of acquisition.

After the initial recognition, amortization cost is measured using the effective interest method. Interest revenue, foreign exchange gains and losses and impairment losses on financial assets measured at amortized cost are recognized in profit or loss.

(ii) Financial assets measured at fair value through other comprehensive income (hereinafter the "financial assets at FVTOCI")

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is both to collect contractual cash flows and to sell the financial assets, the debt instruments are measured at fair value. In this case, interest revenue measured using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss, and changes in the fair value excluding them are recognized in other comprehensive income (may be reclassified to profit or loss).

For investments in equity instruments that are not held for trading, the Group may make an election (irrevocable) at the initial recognition to measure them at fair value and recognize any changes in the fair value in other comprehensive income. In this case, changes in the fair value are recognized in other comprehensive income (not reclassified to profit or loss). However, dividends are recognized in profit or loss.

Transaction cost directly attributable to acquisition of financial assets at FVTOCI is included in the fair value of financial assets initially recognized.

(iii) Financial assets measured at fair value through profit or loss (hereinafter the "financial assets at FVTPL")

Financial assets other than above are measured at fair value with changes in fair value recognized in profit or loss. Transaction cost directly attributable to acquisition of financial assets at FVTPL is recognized in profit or loss as incurred.

The Group does not designate any debt instrument as measured at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(iv) Impairment of financial assets

The Group measures impairment of debt instruments measured at amortized cost or at fair value through other comprehensive income based on its evaluation at the end of each reporting period whether there is a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there is no significant increase in credit risk since initial recognition, expected credit losses for 12 months are measured as allowance for doubtful accounts. On the other hand, when there is a significant increase in credit risk since initial recognition, lifetime expected credit losses of the financial assets are measured as allowance for doubtful accounts. Whether credit risk is significantly increased or not is determined based on the changes in default risk.

For trade receivables, lease receivables, etc., without a significant financing component, allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses.

(v) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to cash flows from the financial asset expire, when it transfers the contractual rights to receive cash flows from the financial asset in a transaction transferring substantially all the risks and rewards related to ownership of the financial asset, and when it neither transfers nor retains substantially all the risks and rewards related to ownership of the financial asset, but does not retain control over the financial asset. Even if the Group transfers an asset recognized in the statements of financial position, the Group does not derecognize the transferred asset when it concludes a transaction that retains all or substantially all the risks and rewards related to the transferred asset or part of the transferred asset. Any interests in transferred financial assets that are created or continuously retained by the Group are recognized as a separate asset or liability.

2) Non-derivative financial liabilities

The Group recognizes financial liabilities at the date of transaction when the Group becomes a party to the contract for the financial instrument.

The Group derecognizes a financial liability when the financial liability is extinguished, i.e., when the contractual obligation is discharged or cancelled or expired.

The Group principally has borrowings, bonds, trade payables, other short-term payables, etc., as non-derivative financial liabilities. These financial liabilities are initially recognized at fair value and subsequently measured at amortized cost based on the effective interest method.

3) Derivatives and hedge accounting

The Group uses derivatives to hedge interest rate fluctuation risk. Derivatives used by the Group include interest rate swaps.

At the time of initial designation of the hedge, the Group documents the relationship between the hedging instrument and the hedged item, the risk management objective, the strategy for implementation of the hedge transaction, the hedging instrument and the hedged item, the nature of hedged risk, the method for assessing effectiveness of the hedge relationship and the method of measuring the effective portion and ineffective portion.

The Group assesses whether the hedging instrument is expected to be highly effective in achieving offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated, at the inception of the hedge and on an ongoing basis.

To apply cash flow hedges to forecast transactions, the possibility that the forecast transaction occurs must be very high.

Derivatives are initially recognized at fair value and the transaction costs are recognized as profit or loss when they are incurred. After the initial recognition, derivatives are measured at fair value, and any changes in the fair value are accounted for as follows:

(i) Cash flow hedges

When a derivative is designated as a hedging instrument to hedge changes in cash flows attributable to certain risks related to highly likely forecast transactions that could affect recognized assets and liabilities or profit or loss, the effective portion of the hedge in changes in fair value of the derivative is included in other components of equity as "cash flow hedges." When a forecast transaction that is hedged will subsequently cause the recognition of a non-financial asset or non-financial liability, the balance of cash flow hedges is directly transferred to the initial cost or other carrying amount of the asset or liability. The balance of other cash flow hedges not included in the above is deducted from other comprehensive income in the consolidated statements of comprehensive income and transferred to profit or loss under the same item as the hedged item in the same period as the period in which cash flows of the hedged item affect profit or loss. The ineffective portion of the hedge in changes in fair value of the derivative is immediately recognized in profit or loss.

When the hedge does not meet requirements of hedge accounting, the hedging instrument is expired, sold, terminated or exercised, or the designation of the hedge is cancelled, the application of hedge accounting is discontinued prospectively.

In the case that hedge accounting is discontinued, the Group continues to record the balance of cash flow hedges that have already been recognized in other comprehensive income until the forecast transaction affects profit or loss. When forecast transactions are no longer expected to occur, the balance of cash flow hedges is immediately recognized in profit or loss.

(ii) Fair value hedges

Changes in the fair value of hedging instruments are recognized as profit or loss. The carrying amounts of hedged items are adjusted and a profit or loss is recognized for the portion of changes in the fair value of hedged items caused by hedged risk.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The acquisition cost is calculated mainly using the identified cost method, and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(7) Assets held for sale

If the carrying amounts of non-current assets are recovered principally through a sale transaction rather than through continuing use, these assets (or disposal groups) are classified as "Assets held for sale."

The condition for classifying an asset under "assets held for sale" can only be met by an asset whose sale is highly probable, and which is available for immediate sale in its present condition. The management must have committed to the execution of a sales plan for that asset, and the sale of the asset must be scheduled to be completed within one year from the date it is classified as an asset held for sale.

An asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

After property, plant and equipment, intangible assets and investment property have been classified under "assets held for sale," depreciation or amortization will not be applied to these assets.

(8) Property, plant and equipment

Property, plant, and equipment is measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment.

The acquisition cost includes costs directly attributable to the acquisition of the asset, costs related to disassembly, retirement and site restoration, and borrowing costs that should be capitalized.

Depreciation of assets other than land and construction in progress is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of major components of property, plant and equipment are as follows:

- Buildings and structures (including buildings and structures in trust) 3 to 60 years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(9) Intangible assets

1) Goodwill

The Company measures goodwill at the amount calculated by deducting the net recognized amount (usually, fair value) of identifiable assets acquired and liabilities assumed at the date of acquisition from fair value of consideration for the transfer including the recognized amount of non-controlling interests in the acquiree, which is measured at the date of acquisition. Goodwill is not amortized. Instead, it is tested for impairment in each period, or whenever there are indications of potential impairment. Impairment losses of goodwill are recognized in the consolidated statements of income, and not reversed subsequently. In addition, goodwill is carried at cost less accumulated impairment on consolidated statements of financial position.

2) Other intangible assets

Intangible assets are measured using the cost model and stated at cost less accumulated amortization and accumulated impairment.

Intangible assets acquired separately are measured at cost at initial recognition.

After the initial recognition, intangible assets other than goodwill are amortized using the straight-line method over respective estimated useful lives, except for intangible assets with indefinite useful lives. The estimated useful lives of major intangible assets are as follows:

- Software 5 years

The estimated useful lives, residual values and amortization methods are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(10) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership of leased assets are transferred under the contract. All other leases are classified as operating leases. Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement, in accordance with IFRIC 4, Determining whether an Arrangement contains a Lease, even if the arrangement does not have the form of a lease from the standpoint of the law.

(Lessee)

In finance lease transactions, leased assets are recorded in the consolidated statements of financial position at the inception of the lease term at the lower of the fair value of the leased property or the present value of the aggregated minimum lease payments, each determined at the inception of the lease. Leased assets are depreciated over the shorter of their estimated useful lives or the lease term.

Lease payments are apportioned between the interest expense based on the interest method and the payment of the lease obligations, and interest expense is recognized in the consolidated statements of income.

Lease payments under an operating lease are recognized as an expense on the straight-line method over the lease term in the consolidated statements of income. In addition, contingent rent is recognized as an expense in the period in which it is incurred.

(Lessor)

In finance lease transactions, at the inception of the lease, lease receivables are recorded at the net receivable amount of the lease investment as of the starting date of the lease term. In operating lease transactions, leased assets are recorded in the consolidated statements of financial position, and lease income is recognized as revenue in the consolidated statements of income using the straight-line method over the lease term. In addition, contingent rent is recognized as revenue in the period in which it occurs.

(11) Investment property

Investment property is property held to earn rentals or for capital gains or both.

Investment property is measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment. (For the depreciation method and useful lives, please refer to "(8) Property, plant and equipment")

When it is difficult to account for investment property and other portions separately, the entire property is accounted for as investment property only if the owner-occupied portion is insignificant.

(12) Impairment of non-financial assets

The Group determines every reporting period whether there is any indication that carrying amounts of the Group's non-financial assets excluding inventories and deferred tax assets may be impaired. If any indication exists, the recoverable amount of the asset is estimated. For goodwill and intangible assets with indefinite useful lives or not yet available for use, the recoverable amount is estimated at the same time each year.

The recoverable amount of an asset or a cash-generating unit is the larger of its value in use and fair value less cost of disposal. In calculating value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset.

The cash-generating unit is the smallest group of assets that generates cash inflows, from continuous use, that are largely independent of the cash inflows from other assets or groups of assets.

Since the Group's corporate assets do not generate independent cash inflows, the recoverable amount of cash-generating units to which the corporate assets are attributed is determined if there is any indication of impairment in the corporate assets.

An impairment loss is recognized as profit or loss, if the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. The impairment loss recognized in association with a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to this unit, and then the carrying amounts of other assets in the cash-generating unit are reduced on a pro rata basis.

Impairment losses related to goodwill are not reversed. With regard to other assets, for previously recognized impairment losses, the Group assesses whether there is any indication that the loss has decreased or been extinguished at the end of each reporting period. An impairment loss is reversed when there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognized, net of necessary depreciation and amortization.

(13) Employee benefits

As retirement benefit plans for employees, the Group has defined benefit plans (lump-sum retirement plan, corporate pension fund plan, and prepaid retirement benefit plan) and defined contribution plans.

The projected unit credit method is used to determine the present value of defined benefit obligation, related current service cost and past service cost.

The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds corresponding to the discount period established based on the period to the date when the future benefits for each fiscal year are to be paid.

Net defined benefit liability or asset is determined as the present value of defined benefit obligation less the fair value of plan assets.

Remeasurements of net defined benefit liability or asset are recognized as other comprehensive income and immediately transferred from other components of equity to retained earnings. Remeasurements consist of actuarial gains and losses on defined benefit obligation, return on plan assets (excluding the amount of interest revenue on plan assets) and others.

Past service costs are immediately accounted for as profit or loss.

The contributions to the defined contribution plans are recognized as expenses over the period for which employees have rendered service.

(14) Share-based payment

In order to strengthen the link between stock value and remuneration, and share interests with shareholders, the Company has adopted a stock delivery trust as share-based payment for executive officers. The stock delivery trust is a system of granting the Company's shares to officers in accordance with the officers' rank (The Company will deliver the stock and pay cash in the amount equivalent to their conversion value at the time of retirement.). The consideration for the services received is calculated using the fair value of the Company's shares on the grant date. This value is expensed over the vesting period from the grant date, and a corresponding amount is recognized as an increase in equity.

(15) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, when it is highly probable that an outflow of financial resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. To determine the amount of a provision, when the effect of the time value of money is material, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the inherent risks of the liability. Reversal of discounts over time are recognized as finance costs.

1) Asset retirement obligations
   Asset retirement obligations are recorded at the estimated amount of restoration costs for leased stores, etc., for which the Group has obligations to restore them to the original state at the time when the lease arrangement is terminated and costs for removing harmful substances related to non-current assets.
2) Provision for loss on store closing
   Of losses expected to arise in future for stores decided to be closed, amounts meeting the requirements for provisions are recorded.

(16) Revenue

1) Accounting standard applied from March 1, 2018
   For the contract with a customer, the amount of consideration that the Group expects to be entitled in exchange for the transfer of promised goods or services to customers is recognized as revenue based on the following five-step approach. (Interest and dividend income recognized in accordance with IFRS 9 "Financial Instruments" and lease payments receivable in accordance with IAS 17 "Leases" are excluded.)
   Step 1: Identifying the contract with a customer
   Step 2: Identifying the performance obligations in the contract
   Step 3: Determining the transaction price
   Step 4: Allocating the transaction price to performance obligations
   Step 5: Recognizing revenue when a performance obligation is satisfied

   As services are rendered continuously, the Group has judged that performance obligations are satisfied over a certain period of time, and revenue is recognized to the extent that services are rendered.

   With regard to the sale of goods, in many cases the customer obtains control over the goods upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore mainly recognized at the time of delivery of the goods.

   With regard to sales under a customer loyalty program, which provides customers with points that can be redeemed as discounts on future purchases, the transaction price is allocated to points and goods based on the ratio of the stand-alone selling prices.

   If the outcome of a construction contract can be estimated reliably, revenue concerning construction such as design and construction of interior work is recognized based on progress of performance obligation. Input methods based on costs incurred are used for the measurement of progress. Reliable estimation of the outcome of a construction contract is deemed possible when all the following conditions are satisfied:
   - total contract revenue can be measured reliably;
   - it is probable that the economic benefits associated with the contract will flow to the entity;
   - both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and
   - the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

   If reliable estimation of the outcome of a construction contract is not possible, contract revenue shall be recognized only for contract costs incurred that have probable recoverability.

   When it is probable that total contract costs will exceed total contract revenue, the excess amount shall be recognized as an expense immediately.
2) Accounting standard applied before March 1, 2018
   Revenue is measured at the fair value of the consideration received from the sale of goods, rendering of services, construction contracts, etc., less any discounts, rebates and sales-related taxes.
   (i) Sale of goods
   Revenue from the sale of goods is recognized when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer; the Group retains neither continuing managerial involvement nor effective control over the goods; it is probable that economic benefits related to the transaction will flow to the Group; and these benefits and corresponding costs can be measured reliably.

   For sales under a customer loyalty program in which points are granted at the time of sales, fair value of the points is estimated and the revenue less the estimated fair value is recognized.
   (ii) Rendering of services
   Rendering of services is principally the operation of shopping centers, and revenue is recognized to the extent that services are rendered.

(iii) Construction contracts

When the outcome of a construction contract can be estimated reliably, the percentage of completion method is applied. Under the percentage of completion method, revenue is recognized based on the percentage of construction costs incurred until the reporting date against estimated total costs required for the construction contract, etc. Reliable estimation of the outcome of a construction contract is deemed possible when all the following conditions are satisfied:

- total contract revenue can be measured reliably;
- it is probable that the economic benefits associated with the contract will flow to the entity;
- both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

If reliable estimation of the outcome of a construction contract is not possible, contract revenue shall be recognized only for contract costs incurred that have probable recoverability.

When it is probable that total contract costs will exceed total contract revenue, the excess amount shall be recognized as an expense immediately.

iv) Interest revenue

Interest revenue is recognized using the effective interest method.

v) Gross and net presentation of revenue

When the Group conducts transactions as a principal, revenue is presented at the gross amount of consideration received from customers. When the Group conducts transactions as an agent for the benefit of a third party, revenue is presented at the net amount calculated by deducting the amount collected for the benefit of the third party from the gross amount of consideration received from customers.

The following indicators are taken into account in the determination of whether the Group conducts a transaction as a principal or agent:

- Whether the Group has principal responsibility for providing the goods or services to the customer or for fulfilling the order
- Whether the Group has inventory risk before or after the customer order, during shipping or on return
- Whether the Group has discretion in establishing prices directly or indirectly
- Whether the Group bears credit risk of the customer in association with receivables from the customer
- Whether the amount received is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed

(17) Government grants

Government grants are measured and recognized at fair value, if the conditions associated with them are complied with, and there is reasonable assurance that the grants will be received. Grants for expenses incurred are recorded as income in the same fiscal year as the fiscal year in which the expenses are incurred. Grants related to acquisition of an asset are recorded as other income on a systematic basis over the useful life of the asset, and unearned government grants are recorded in liabilities as deferred income.

(18) Income tax

Income tax consists of current taxes and deferred taxes. Income tax is recognized as profit or loss, except for taxes related to business combinations and taxes related to items that are recognized directly in equity or in other comprehensive income.

1) Current taxes

Current taxes are measured in the amount of the expected tax payables to or receivables from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period in countries where the Group conducts businesses and earns taxable income.

2) Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts of assets or liabilities in the statements of financial position and its tax base, and for unused tax losses and unused tax credits.

No deferred tax assets and liabilities are recognized on following temporary differences:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income nor taxable income
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized, and a deferred tax liability is recognized for all taxable temporary differences in principle.

The carrying amount of deferred tax assets is reviewed in each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to use all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reassessed in each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and by the tax laws that are expected to apply to the period when the assets are realized or the liabilities are settled, based on the statutory tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

(19) Earnings per share
Basic earnings per share are calculated by dividing profit (loss) attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period, adjusting treasury shares.

(20) Operating segments
Operating segments are constituent units of business activities that earn revenue and incur costs including transactions with other operating segments. Business results of all the operating segments, for which the financial information is separately available, are reviewed periodically by the Management Committee for the purpose of allocating management resources to each segment and evaluating business results.

(21) Treasury shares
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of the Company's treasury shares. Any difference between the carrying amount and consideration received on the sale of treasury shares is recognized as a share premium.

(22) Borrowing costs
The Group includes borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, that is, qualifying asset as part of the cost until the asset is substantially ready for its intended use or sale.

All borrowing costs other than those above are recognized as profit or loss in the fiscal period during which they are incurred.

4. Significant Accounting Estimates and Judgments
In the preparation of consolidated financial statements, the management is required to make judgments, estimates and assumptions that affect the application of accounting policies as well as amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the accounting period in which the review was conducted and future accounting periods.

Judgments and estimates made by the management that significantly affect the amounts in the consolidated financial statements are as follows:

(1) Impairment of property, plant and equipment, intangible assets and investment property
The Group conducts impairment tests if there is an indication that property, plant and equipment, intangible assets and investment property may be impaired. The Group performs an impairment test on goodwill at least once a year until the end of the fiscal year regardless of whether there is any indication that the goodwill may be impaired.

Impairment tests are performed by comparing the carrying amount and the recoverable amount of the asset. If the recoverable amount is less than the carrying amount, an impairment loss is recognized.

In calculating the recoverable amount, the Group estimates the discounted present value of future cash flows generated from use of the asset and the discounted present value of future cash flows generated from ultimate disposal of the asset. These estimates are based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions.

(2) Useful lives of property, plant and equipment and investment property
The useful lives of property, plant and equipment and investment property are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

If revisions to the useful lives become necessary, such revisions could have a material impact on the amounts recognized in the consolidated financial statements in future accounting periods.

(3) Recoverability of deferred tax assets
The Group recognizes deferred tax assets to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized, and the judgment of the recoverability is made on the basis of an estimate for taxable income for each future fiscal year determined based on the Group's business plan. The estimate for taxable income for future fiscal years may be affected by changes in uncertain future economic conditions.

(4) Provisions
The Group recognizes asset retirement obligations and provision for loss on store closing as provisions in the consolidated statements of financial position.

The amount recognized as provisions is estimated based on best estimates, which take into account past records and others on the reporting date, for expenditure necessary to settle current obligations but may differ from actual results.

(5) Post-employment benefits
The Group has post-employment defined benefit plans for employees and retirees. The present value of defined benefit obligations, service costs and others are determined based on various actuarial assumptions. For actuarial assumptions, a variety of factors, such as discount rates, future payment of salaries, those who withdraw from the plan in the future and life expectancy of members, are estimated. These estimates are made based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions and amendment or promulgation of relevant laws and regulations.

5. Accounting Standards that have been published but not yet applied

The accounting standard and interpretation newly established or revised by the approval date of the consolidated financial statements but not early applied by the Group is as follows:

IFRS	Mandatory application (From the fiscal year beginning on or after)	Applicable to the Group from the	Description of new standards and interpretations or revisions
IFRS 16 Leases	January 1, 2019	Fiscal year ending February 29, 2020	Revision of accounting treatment for leases

Under IFRS 16, the lessee's lease is not classified as a finance or operating lease, and the Group recognizes all leases excluding leases with short lease terms and leases with a small amount of underlying assets as right-of-use assets that represent the right to use underlying assets and leases liabilities that represent obligation to pay lease payments. Depreciation expenses of the right-of-use assets and interest costs for the lease liabilities during the lease term are recorded after recognition of right-of-use assets and lease liabilities.

The main impact of this change on the consolidated financial statements of the Group is as follows: in the consolidated statement of financial position as of the beginning of the fiscal year ending February 29, 2020, assets and liabilities are estimated to increase by approximately 88 billion yen and 93.1 billion yen, respectively, and equity is estimated to decrease by 5.1 billion yen. In the consolidated statement of income, the impact on profit is estimated to be minor.

6. Segment Information

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which discrete financial information is available and which are subject to periodic reviews at the Management Committee in order to make decisions about resources to be allocated to the respective segments and to assess their respective performances.

The Group operates businesses focusing on shopping centers, and, taking into consideration the content of services, the way of providing them, and other factors, aggregates its businesses into the following reportable segments: the Shopping Complex Business, Retail Business, Space Engineering and Management Business, and Other Business.

The Shopping Complex Business undertakes the development, management, supervision and operation of shopping centers.

The Retail Business undertakes the sale of personal goods, general merchandise, and other products. The Space Engineering and Management Business undertakes interior design and construction, and building maintenance, including cleaning, safety and security services, and facilities maintenance. The Other Business operates an entertainment business and an Internet-related business.

(2) Segment revenues and performance

Revenues and performance of the Group's reportable segments are as follows.

Intersegment transactions are based on prevailing market prices.

Fiscal year ended February 28, 2018

	Shopping Complex Business	Retail Business	Space Engineering and Management Business	Other Business	Total	Adjustments (Note)	Consolidated
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Operating revenue							
Revenue from external customers	50,491	21,216	14,302	5,609	91,621	—	91,621
Intersegment revenue	859	—	7,096	548	8,504	(8,504)	—
Total	51,351	21,216	21,399	6,158	100,125	(8,504)	91,621
Segment profit (Operating profit)	10,964	75	652	53	11,745	(32)	11,713
Finance income	—	—	—	—	—	—	144
Finance cost	—	—	—	—	—	—	(372)
Share of profit (loss) of entities accounted for using equity method	—	—	—	—	—	—	(29)
Profit before tax	—	—	—	—	—	—	11,455
Segment assets	255,643	6,854	10,092	3,166	275,758	(13,922)	261,835
Other items							
Depreciation and amortization expense	5,160	360	124	71	5,716	(56)	5,659
Impairment loss	235	266	—	—	501	(4)	497
Increase in property, plant and equipment and intangible assets	12,262	242	43	58	12,607	(99)	12,507

(Note) Adjustments are eliminations of intersegment transactions.

Fiscal year ended February 28, 2019

	Shopping Complex Business	Retail Business	Space Engineering and Management Business	Other Business	Total	Adjustments (Note)	Consolidated
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Operating revenue							
Revenue from external customers	50,315	19,754	14,158	5,741	89,969	—	89,969
Intersegment revenue	802	—	7,724	586	9,113	(9,113)	—
Total	51,117	19,754	21,882	6,327	99,082	(9,113)	89,969
Segment profit (loss) (Operating profit (loss))	5,142	(25)	662	(297)	5,481	(55)	5,425
Finance income	—	—	—	—	—	—	154
Finance cost	—	—	—	—	—	—	(537)
Share of profit (loss) of entities accounted for using equity method	—	—	—	—	—	—	6
Profit before tax	—	—	—	—	—	—	5,049
Segment assets	268,189	6,506	10,657	3,993	289,346	(13,976)	275,369
Other information							
Depreciation and amortization expense	5,498	348	88	95	6,031	(67)	5,963
Impairment loss	2,135	107	20	22	2,285	(46)	2,239
Increase in property, plant and equipment and intangible assets	12,785	187	65	377	13,415	630	14,046

(Note) Adjustments are eliminations of intersegment transactions.

(3) Information about products and services

Information about products and services for the fiscal years ended February 28, 2018 and February 28, 2019 is omitted as similar information is provided in "(1) Overview of reportable segments" and "(2) Segment revenues and performance."

(4) Information about geographical areas

As operating revenue from external customers in Japan for the fiscal years ended February 28, 2018 and February 28, 2019 accounted for the majority of operating revenue in the consolidated statements of income, this information is omitted.

In addition, as the amounts of non-current assets located in Japan accounted for the majority of the amounts of non-current assets in the consolidated statements of financial position, this information is omitted.

(5) Information about major customers

Information about major customers is omitted, as operating revenue from a specific customer of operating revenue from external customers for the fiscal years ended February 28, 2018 and February 28, 2019 was less than 10% of operating revenue in the consolidated statements of income.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Cash and deposits	12,464	8,690

(Note) "Cash and cash equivalents" recorded in the consolidated statements of financial position as of February 28, 2018 and February 28, 2019 are equal to "cash and cash equivalents" recorded in the consolidated state ments of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

Notes receivable, operating accounts receivable and accounts receivable-other are classified as financial assets measured at amortized cost.

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Notes receivable	118	129
Operating accounts receivable	7,392	7,586
Accounts receivable-other	1,055	1,347
Accounts receivable from completed construction contracts	1,205	1,144
Contract assets	—	491
Lease receivables	1,066	160
Total	10,839	10,859

Of the above, trade and other receivables expected to be recovered more than 12 months after February 28, 2018 are 160 million yen and trade and other receivables expected to be recovered more than 12 months after February 28, 2019 are 133 million yen.

9. Other Financial Assets

The breakdown of other financial assets is as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Other financial assets		
Financial assets measured at amortized cost		
Lease and guarantee deposits	21,399	21,047
Loans receivable	110	100
Other	1	11
Financial assets measured at fair value through other comprehensive income		
Equity securities	275	506
Total	21,787	21,666
Current assets	721	510
Non-current assets	21,065	21,155
Total	21,787	21,666

10. Inventories

The breakdown of inventories is as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Merchandise and finished goods	3,150	3,189
Work in process	353	187
Real estate for sale in process	9,846	17,070
Raw materials and supplies	107	99
Total	13,458	20,547
Inventories scheduled to be sold after 12 months (Real estate for sale in process)	9,846	—

The amount of inventories recognized as expenses for the fiscal years ended February 28, 2018 and February 28, 2019 are 22,108 million yen and 21,147 million yen, respectively.

In addition, the amount of inventory write-downs recognized as expenses for the fiscal years ended February 28, 2018 and February 28, 2019 are 153 million yen and 152 million yen, respectively.

11. Other Current Assets and Other Non-current Assets

The breakdown of other current assets and other non-current assets is as follows:

	As of February 28, 2018 (Millions of yen)	As of February 28, 2019 (Millions of yen)
Other current assets		
Prepaid expenses	1,218	1,294
Other	544	846
Total	1,762	2,140
Other non-current assets		
Long-term prepaid expenses	2,116	1,935
Other	750	707
Total	2,867	2,643

12. Property, Plant and Equipment

(1) Schedule of changes

Costs, accumulated depreciation and accumulated impairment losses, and the carrying amounts of property, plant and equipment are as follows:

Costs

	Land (Millions of yen)	Buildings and structures (Millions of yen)	Machinery, equipment and vehicles (Millions of yen)	Tools, furniture and fixtures (Millions of yen)	Construction in progress (Millions of yen)
Balance as of March 1, 2017	32,250	111,500	855	6,860	42,023
Acquisitions	—	7,291	5	517	4,686
Sales or disposals	—	(1,255)	(1)	(464)	—
Reclassification	—	568	—	1	(615)
Other	—	1	—	0	—
Balance as of February 28, 2018	32,250	118,107	858	6,914	46,094
Acquisitions	—	7,604	31	725	7,940
Sales or disposals	—	(1,272)	(13)	(284)	—
Reclassification	—	904	—	0	(978)
Other	—	(1)	—	(0)	—
Balance as of February 28, 2019	32,250	125,341	876	7,356	53,055

	Land in trust (Millions of yen)	Buildings and structures in trust (Millions of yen)	Machinery, equipment and vehicles in trust (Millions of yen)	Tools, furniture and fixtures in trust (Millions of yen)	Total (Millions of yen)
Balance as of March 1, 2017	42,297	22,040	171	193	258,192
Acquisitions	—	30	6	—	12,536
Sales or disposals	—	(3)	—	—	(1,725)
Reclassification	—	—	—	—	(45)
Other	—	—	—	—	2
Balance as of February 28, 2018	42,297	22,067	177	193	268,960
Acquisitions	—	30	—	—	16,332
Sales or disposals	—	—	—	—	(1,570)
Reclassification	—	—	—	—	(73)
Other	—	—	—	—	(1)
Balance as of February 28, 2019	42,297	22,097	177	193	283,646

Accumulated depreciation and accumulated impairment losses

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017	(143)	(66,347)	(704)	(4,575)	—
Depreciation expense	—	(3,297)	(35)	(575)	—
Impairment loss	(38)	(351)	(0)	(60)	—
Sales or disposals	—	1,134	1	423	—
Reclassification	—	—	—	—	—
Other	—	(0)	—	(0)	—
Balance as of February 28, 2018	(182)	(68,862)	(739)	(4,788)	—
Depreciation expense	—	(3,478)	(21)	(606)	—
Impairment loss	(20)	(2,036)	(0)	(85)	—
Sales or disposals	—	1,125	12	258	—
Reclassification	—	—	—	—	—
Other	—	0	—	0	—
Balance as of February 28, 2019	(202)	(73,251)	(748)	(5,222)	—

	Land in trust	Buildings and structures in trust	Machinery, equipment and vehicles in trust	Tools, furniture and fixtures in trust	Total
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017	—	(6,384)	(47)	(145)	(78,349)
Depreciation expense	—	(982)	(16)	(20)	(4,927)
Impairment loss	—	—	—	—	(451)
Sales or disposals	—	1	—	—	1,560
Reclassification	—	—	—	—	—
Other	—	—	—	—	(0)
Balance as of February 28, 2018	—	(7,365)	(64)	(166)	(82,168)
Depreciation expense	—	(983)	(16)	(8)	(5,114)
Impairment loss	—	—	—	—	(2,142)
Sales or disposals	—	—	—	—	1,396
Reclassification	—	—	—	—	—
Other	—	—	—	—	0
Balance as of February 28, 2019	—	(8,348)	(80)	(175)	(88,028)

Carrying amounts

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017	32,106	45,153	150	2,284	42,023
Balance as of February 28, 2018	32,067	49,244	119	2,125	46,094
Balance as of February 28, 2019	32,047	52,089	128	2,134	53,055

	Land in trust	Buildings and structures in trust	Machinery, equipment and vehicles in trust	Tools, furniture and fixtures in trust	Total
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017	42,297	15,655	123	48	179,843
Balance as of February 28, 2018	42,297	14,701	113	27	186,791
Balance as of February 28, 2019	42,297	13,748	96	18	195,617

(Notes) 1. The amount of depreciation expense of property, plant and equipment is included in "operating cost" and "selling, general and administrative expenses" in the consolidated statements of income.
2. Please refer to "29. Other Income and Expenses" for loss on retirement of property, plant and equipment for the fiscal years ended February 28, 2018 and February 28, 2019.

(2) Leased assets

Carrying amounts of leased assets under finance leases included in property, plant and equipment are as follows:

	Buildings and structures	Tools, furniture and fixtures	Total
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017	279	737	1,017
Balance as of February 28, 2018	3,477	637	4,114
Balance as of February 28, 2019	**6,575**	**665**	**7,241**

(3) Assets pledged as collateral

Not applicable.

(4) Commitments

Please refer to "39. Commitments" for commitments related to acquisition of property, plant and equipment.

(5) Property, plant and equipment under construction

Amounts paid recognized and included in the carrying amounts of property, plant and equipment items are presented under construction in progress in "(1) Schedule of changes" above.

(6) Borrowing costs

Borrowing costs capitalized as assets as components of the costs of qualifying assets for the fiscal years ended February 28, 2018 and February 28, 2019 are 115 million yen and 183 million yen, respectively.

Furthermore, the capitalization rates applied to these cases for the fiscal years ended February 28, 2018 and February 28, 2019 are 0.55% and 0.47%, respectively.

13. Intangible Assets

(1) Schedule of changes

Costs, accumulated amortization and accumulated impairment losses, and the carrying amounts of goodwill and intangible assets are as follows:

Costs

	Goodwill	Software	Other	Total
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017	53	3,091	56	3,202
Acquisitions	—	476	15	492
Sales or disposals	—	(134)	—	(134)
Reclassification	—	1	(1)	(0)
Balance as of February 28, 2018	53	3,435	70	3,559
Acquisitions	**—**	**616**	**134**	**751**
Sales or disposals	**—**	**(138)**	**(74)**	**(212)**
Reclassification	**—**	**72**	**—**	**72**
Balance as of February 28, 2019	**53**	**3,985**	**131**	**4,170**

Accumulated amortization and accumulated impairment losses

	Goodwill	Software	Other	Total
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017	(43)	(1,531)	(56)	(1,631)
Amortization expense	—	(512)	—	(512)
Impairment loss	(10)	(29)	—	(39)
Sales or disposals	—	118	—	118
Other	—	—	—	—
Balance as of February 28, 2018	(53)	(1,954)	(56)	(2,064)
Amortization expense	**—**	**(528)**	**—**	**(528)**
Impairment loss	**—**	**(11)**	**—**	**(11)**
Sales or disposals	**—**	**131**	**—**	**131**
Other	**—**	**—**	**—**	**—**
Balance as of February 28, 2019	**(53)**	**(2,363)**	**(56)**	**(2,474)**

Carrying amounts

	Goodwill (Millions of yen)	Software (Millions of yen)	Other (Millions of yen)	Total (Millions of yen)
Balance as of March 1, 2017	10	1,560	—	1,570
Balance as of February 28, 2018	—	1,480	13	1,494
Balance as of February 28, 2019	**—**	**1,621**	**74**	**1,696**

(Note) The amount of amortization expense of intangible assets is included in "operating cost" and "selling, general and administrative expenses" in the consolidated statements of income.

14. Investment Property

(1) Schedule of changes

Costs, accumulated depreciation and accumulated impairment losses, and the carrying amounts and fair values of investment properties are as follows:

Costs

	Fiscal year ended February 28, 2018 (Millions of yen)	**Fiscal year ended February 28, 2019** (Millions of yen)
Balance at beginning of period	7,516	**9,351**
Acquisitions	2,457	**728**
Sales or disposals	(357)	**(721)**
Reclassification	(265)	**668**
Balance at end of period	9,351	**10,027**

Accumulated depreciation and accumulated impairment losses

	Fiscal year ended February 28, 2018 (Millions of yen)	**Fiscal year ended February 28, 2019** (Millions of yen)
Balance at beginning of period	(995)	**(857)**
Depreciation expense	(217)	**(318)**
Impairment loss	—	**(25)**
Sales or disposals	355	**—**
Balance at end of period	(857)	**(1,201)**

Carrying amounts and fair values

	As of February 28, 2018		**As of February 28, 2019**	
	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Carrying amount (Millions of yen)	Fair value (Millions of yen)
Investment property	8,493	16,508	**8,825**	**18,499**

Appraisals by real estate appraisers, etc., are used for the fair values at the end of each fiscal year. These appraisals are calculated using the income approach, based on expected rental from each property and other input data.

As unobservable inputs are included, the measurement of investment property is categorized within Level 3 of the fair value hierarchy.

(2) Income and expenses from investment property

	Fiscal year ended February 28, 2018 (Millions of yen)	**Fiscal year ended February 28, 2019** (Millions of yen)
Rental income	2,818	**3,504**
Direct operating expenses	1,585	**2,016**

The amounts of rental income from investment property and accompanying direct operating expenses are included in "operating revenue" and "operating cost," respectively, in the consolidated statements of income.

In addition, direct operating expenses from investment property that did not generate rental income for the fiscal year ended February 28, 2018 are 4 million yen and are included in "operating cost" in the consolidated statements of income. There are no relevant matters for the current consolidated fiscal year.

(3) Commitments

Please refer to "39. Commitments" for commitments related to purchase of investment property.

15. Impairment of Non-financial Assets

(1) Cash-generating units

The Group determines cash-generating units taking into consideration management accounting classifications. For idle land, each property is considered as a cash-generating unit.

(2) Impairment loss

Impairment loss is recorded in "other expense" in the consolidated statements of income.

The breakdown of impairment loss by class of assets is as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Shopping Complex Business		
Property, plant and equipment	197	1,999
Intangible assets	29	7
Investment property	—	25
Other non-current assets	5	59
Total Shopping Complex Business	232	2,092
Retail Business, Space Engineering and Management Business, and Other Business		
Property, plant and equipment	254	142
Intangible assets	10	4
Total Retail Business, Space Engineering and Management Business, and Other Business	264	146
Total	497	2,239

The details of impairment losses recorded during the fiscal year ended February 28, 2018 are as follows:

1) Shopping Complex Business

In regard to Utsunomiya PARCO, the Group reduced the carrying amount of the cash-generating unit to the recoverable amount and recognized the amount of the reduction as an impairment loss (143 million yen; breakdown: building, etc., 98 million yen; land, etc., 44 million yen) because operating activities were expected to generate a loss on an ongoing basis.

Furthermore, the recoverable amount (194 million yen) of Utsunomiya PARCO is based on fair value less costs of disposal. The fair value less costs of disposal is based on the appraisal value by real estate appraisers (income approach, etc.), and the fair value measurement is categorized within Level 3 of the fair value hierarchy.

2) Retail Business, Space Engineering and Management Business, and Other Business

In regard to the Retail Business, Space Engineering and Management Business, and Other Business, the Group reduced the carrying amount of the cash-generating units to the recoverable amount and recognized the amount of the reduction as an impairment loss (264 million yen; breakdown: buildings, etc., 254 million yen; goodwill, 10 million yen) because operating activities have generated a loss on an ongoing basis, and thus the profitability of these cash-generating units has declined and recovery of the investment amount cannot be anticipated.

Furthermore, the recoverable amount (11 million yen) of each of these cash-generating units is based on value in use, and the carrying amount of each asset was reduced to the value in use, calculated by discounting future cash flows at 4%.

The details of impairment losses recorded during the fiscal year ended February 28, 2019 are as follows:

1) Shopping Complex Business

In regard to Kumamoto PARCO, as a result of taking into account the building's age and changes to Kumamoto's business environment, etc., the Group decided to close Kumamoto PARCO in timing with the expiration of the building's lease agreement. The Group reduced the carrying amount of the cash-generating unit to the recoverable amount and recognized the amount of the reduction as an impairment loss (693 million yen; breakdown: buildings, etc., 692 million yen; software, 0 million yen).

Furthermore, the recoverable amount (65 million yen) of Kumamoto PARCO is based on value in use, and the carrying amount was reduced to the value in use, calculated by discounting future cash flows until the end of the business at 4%.

In regard to Utsunomiya PARCO, as a result of taking into account the future changes in the commercial environment surrounding the store, the Group decided to close Utsunomiya PARCO as of May 31, 2019. The Group reduced the carrying amount of the cash-generating unit to the recoverable amount and recognized the amount of the reduction as an impairment loss (143 million yen; breakdown: buildings, etc., 63 million yen; land, etc., 22 million yen; software, 0 million yen; long-term prepaid expense, 56 million yen).

Furthermore, the recoverable amount (101 million yen) of Utsunomiya PARCO is based on the fair value less costs of disposal. The fair value less costs of disposal is based on the appraisal value by a real estate appraiser based on the real appraisal standard, and the fair value measurement is categorized within Level 3 of the fair value hierarchy.

In regard to Tsudanuma PARCO, the Group reduced the carrying amount of the cash-generating unit to the recoverable amount, as it is expected that the revenue will decline due to tenant withdrawals, etc., and the amount of the reduction was recognized as an impairment loss (1,220 million yen; breakdown: buildings, etc., 1,220 million yen).

Furthermore, the recoverable amount (138 million yen) of Tsudanuma PARCO is measured by value in use based on the budget for the next fiscal year approved by the management, and the carrying amount was reduced to the value in use, calculated by discounting future cash flows at 4% taking into consideration the future profitability and other factors.

2) Retail Business, Space Engineering and Management Business, and Other Business

In regard to Retail Business, Space Engineering and Management Business, and Other Business, the Group reduced the carrying amount of the cash-generating units to a recoverable amount, as the profitability of the cash-generating unit has declined and recovery of the investment amount cannot be anticipated due to the stores, etc., that the Group had decided to close, and the stores, etc., where operating activities have generated a loss on an ongoing basis. The amount of the reduction was recognized as an impairment loss (146 million yen; breakdown: buildings, etc., 122million yen; lease assets, 20 million yen; software, 4 million yen).

Furthermore, the recoverable amount (16 million yen) of the cash-generating units is measured by value in use, and the carrying amount was reduced to the value in use, calculated by discounting future cash flows at 4%.

3) Loss on closing of stores

As of February 28, 2019

The main breakdown is as follows:

Loss on closing of stores 2,286 million yen

Impairment loss 852 million yen

16. Investments Accounted for Using Equity Method

Investments in associates are accounted for using the equity method. In addition, there are no individually material associates.

The carrying amount of investments in individually immaterial associates is as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Total carrying amount	21	27

The Group's share of comprehensive income of the individually insignificant associates is as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Share of profit	(29)	6
Share of other comprehensive income	—	—
Share of comprehensive income	(29)	6

17. Income Taxes

(1) Deferred tax assets and liabilities

The breakdown of and changes in deferred tax assets and deferred tax liabilities by major cause are as follows:

Fiscal year ended February 28, 2018

	Balance as of March 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of February 28, 2018
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Deferred tax assets				
Prepaid expenses (leasehold right)	2,938	11	—	2,949
Accrued sales promotion expenses	140	(15)	—	125
Retirement benefits	694	(24)	(81)	588
Non-current assets	527	60	—	587
Provision for loss on store closing	328	(328)	—	—
Accrued employees' bonuses	363	(14)	—	348
Long-term deferred revenue	2,116	(603)	—	1,513
Loss on valuation of shares	250	—	15	266
Accrued paid leave	169	0	—	169
Accrued property taxes	465	10	—	476
Asset retirement obligations	145	8	—	153
Accrued enterprise tax	122	25	—	147
Other	851	(157)	9	703
Total	9,114	(1,028)	(55)	8,030
Deferred tax liabilities				
Non-current assets	6,067	(5)	—	6,061
Other	89	11	11	112
Total	6,156	6	11	6,174

Fiscal year ended February 28, 2019

	Balance as of March 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of February 28, 2019
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Deferred tax assets				
Prepaid expenses (leasehold right)	2,949	11	—	2,961
Accrued sales promotion expenses	125	(35)	—	90
Retirement benefits	588	(17)	(4)	566
Non-current assets	587	250	—	838
Provision for loss on store closing	—	699	—	699
Accrued employees' bonuses	348	(10)	—	338
Deferred revenue	1,513	(603)	—	910
Loss on valuation of shares	266	—	(42)	224
Accrued paid leave	169	24	—	193
Accrued property taxes	476	10	—	486
Asset retirement obligations	153	(34)	—	119
Accrued enterprise tax	147	(1)	—	145
Other	703	189	(1)	891
Total	8,030	482	(47)	8,465
Deferred tax liabilities				
Non-current assets	6,061	(999)	—	5,062
Other	112	639	(3)	748
Total	6,174	(359)	(3)	5,811

When recognizing deferred tax assets, the Group considers the possibility that unused tax losses or deductible temporary differences can be utilized against future taxable profit. With respect to the recoverability of deferred tax assets, scheduled reversal of deferred tax liabilities, expected future taxable profit and tax planning are taken into account.

As a result of the above assessment of the recoverability of deferred tax assets, the Group has not recognized deferred tax assets for certain unused tax losses and deductible temporary differences. The amounts of unused tax losses and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Unused tax losses	1,595	1,543
Deductible temporary differences	49	118
Total	1,645	1,662

The expiry of unused tax losses for which deferred tax assets have not been recognized is as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
1st year	0	—
2nd year	—	—
3rd year	—	—
4th year	—	—
5th year and after	1,595	1,543
Total	1,595	1,543

As of February 28, 2018 and February 28, 2019, the total amounts of temporary differences associated with investments in subsidiaries that are not recognized as deferred tax liabilities are 2,738 million yen and 2,904 million yen, respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Current tax expense:		
Current period	2,643	2,536
Prior periods	(24)	(14)
Total current tax expense	2,618	2,521
Deferred tax expense:		
Origination and reversal of temporary differences, etc.	1,011	(918)
Changes in unrecognized deferred tax assets	27	26
Changes in tax rates, etc.	(4)	21
Total deferred tax expense	1,034	(870)
Total tax expense related to comprehensive income	(6)	28
Total	3,646	1,678

(3) Reconciliation of effective tax rates

Factors for differences between the effective statutory tax rate and average effective tax rate are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	%	%
Effective statutory tax rate	30.9	30.9
Expense not deductible in determining taxable profit	0.5	1.0
Revenue not taxable in determining taxable profit	0.0	0.0
Unrecognized deferred tax assets	0.2	0.5
Share of profit (loss) of entities accounted for using equity method	0.1	0.0
Adjustments to deferred tax assets owing to changes in tax rates	0.0	0.4
Deduction of unrealized profit	0.0	0.1
Other, net	0.1	0.2
Average effective tax rate	31.8	33.2

18. Borrowings and Other Financial Liabilities

(1) Breakdown of financial liabilities

The breakdown of borrowings and other financial liabilities is as follows:

	As of February 28, 2018	As of February 28, 2019	Average interest rate (Note)	Repayment deadline
	(Millions of yen)	(Millions of yen)	%	
Current borrowings	1,000	—	—	—
Current portion of non-current borrowings	7,580	8,480	0.68	—
Non-current borrowings	44,240	53,260	0.4	From March 2020 to September 2025
Current lease obligations	386	497	—	—
Non-current lease obligations	6,265	10,175	—	From March 2020 to March 2039
Current portion of guarantee deposits received	821	1,184	—	—
Guarantee deposits received	27,181	27,259	—	—
Other	4	0	—	—
Total	87,480	100,858		
Current liabilities	9,792	10,163		
Non-current liabilities	77,687	90,695		
Total	87,480	100,858		

(Note) The average interest rate represents the weighted average interest rate applicable to the borrowings, etc., that are outstanding at the end of the period.

There are no financial covenants attached to the borrowings that will significantly affect the Group's financial activities.

(2) Assets pledged as collateral

Not applicable.

19. Leases

(1) As lessee

1) Finance Leases

The Group rents real estate for commercial use, etc., as the lessee under finance leases.

The total of future minimum lease payments under finance lease arrangements and their present value are as follows. Furthermore, future finance costs are the difference between minimum lease payments for real estate lease transactions and present values.

	Minimum lease payments		Present value of minimum lease payments	
	As of February 28, 2018	As of February 28, 2019	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Due within one year	815	**1,414**	386	**497**
Due after one year through five years	2,819	**5,035**	1,203	**1,562**
Due after five years	8,453	**15,907**	5,062	**8,613**
Total	12,088	**22,356**	6,652	**10,673**
Future finance costs	5,435	**11,683**		
Present value of minimum lease payments	6,652	**10,673**		

As of February 28, 2018 and February 28, 2019, future minimum sublease payments expected to be received under non-cancellable subleases were 2,799 million yen and 2,510 million yen, respectively.

There are no contingent rents, renewal or purchase options, escalation clauses (clauses specifying a raise in the lease contract amount) or restrictions imposed by lease arrangements (such as restrictions concerning dividends, additional debt and further leasing) on lease arrangements.

2) Operating Leases

The Group rents real estate for commercial use, etc., as the lessee under operating leases.

Future minimum lease payments under non-cancellable operating leases are as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Due within one year	3,029	**3,497**
Due after one year through five years	6,223	**7,725**
Due after five years	8,095	**8,493**
Total	17,349	**19,716**

Minimum lease payments and contingent rents under operating lease arrangements recognized as an expense are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Minimum lease payments	11,324	**11,251**
Contingent rents	686	**714**
Total	12,010	**11,966**

Future minimum sublease payments expected to be received under non-cancellable subleases as of February 28, 2018 and February 28, 2019 were 2,814 million yen and 1,834 million yen, respectively.

Sublease payments recognized as income under cancellable or non-cancellable operating leases for the fiscal years ended February 28, 2018 and February 28, 2019 were 9,582 million yen and 9,246 million yen, respectively.

Some lease arrangements contain renewal options. In addition, there are no purchase options, escalation clauses (clauses specifying a raise in the lease contract amount) or restrictions imposed by lease arrangements (such as restrictions concerning dividends, additional debt and further leasing).

(2) As lessor

The Group leases real estate for commercial use, etc., as the lessor under finance leases and operating leases.

1) Finance leases

The gross investment in the leases under finance leases and the present value of future minimum lease payments receivable are as follows:

	Gross investment in leases		Present value of minimum lease payments receivable	
	As of February 28, 2018	As of February 28, 2019	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Due within one year	905	27	905	27
Due after one year through five years	108	101	108	101
Due after five years	52	32	52	32
Total	1,066	160	1,066	160
Deferred finance income	—	—		
Net investment in leases	1,066	160		
Unguaranteed residual values	—	—		
Present value of minimum lease payments receivable	1,066	160		

There are no accumulated provisions for uncollectible minimum lease payments receivable as of February 28, 2018 and February 28, 2019, or contingent rents recognized as income during the period.

2) Operating Leases

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Due within one year	3,656	4,059
Due after one year through five years	5,422	5,397
Due after five years	569	363
Total	9,647	9,820

Total contingent rents recognized as income for the fiscal years ended February 28, 2018 and February 28, 2019 were 25,968 million yen and 25,396 million yen, respectively.

20. Trade and Other Payables

The breakdown of trade and other payables is as follows.

Both are classified as financial liabilities measured at amortized cost.

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Electronically recorded obligations - operating	2,186	2,107
Operating accounts payable	13,177	13,090
Accounts payable for construction contracts	991	1,599
Accounts payable - other	5,623	4,047
Accounts payable - facilities	1,801	1,806
Total	23,780	22,651

21. Employee Benefits

As retirement benefit plans for employees, the Group has defined benefit plans (corporate pension fund plan, lump-sum retirement plan, and prepaid retirement plan) and defined contribution plans. In addition, the Group may pay extra retirement payments when employees retire before their normal retirement date.

In regard to the corporate pension fund plan, the Group has obligations including paying contributions to the corporate pension fund under the Defined-Benefit Corporate Pension Act, etc. Directors of the fund have responsibilities including a duty of loyalty to comply with dispositions made by the Minister of Health, Labour and Welfare and Heads of Regional Bureaus of Health and Welfare in accordance with laws and regulations, and the rules of the corporate pension fund and resolutions of the Board of Representatives, and faithfully execute operations related to managing and operating funds in the interests of the fund. In addition, it is stipulated that Directors are forbidden from entering into any asset management contract aimed at serving the interests of a third party, and rules of conduct are clarified that include forbidding acts that create a conflict of interest.

The plan is operated by a corporate pension fund that is independent from the Group. The Board of Representatives comprises the same number of Representatives elected by the employer (Elected Representatives) and Representatives elected by employees (Mutually Elected Representatives), and the Chairperson (President) of the Board of Representatives is elected by the employer.

Decisions of the Board of Representatives are made by a majority of members in attendance, but in cases of a tie, the President, who is the Chairperson, has the authority to make a decision. However, it is stipulated that decisions related to particularly important matters shall be determined by a majority in excess of the above.

The Board of Representatives holds the authority to make decisions about all important matters, such as investment policies. Actual asset management is conducted by a contract management institution under an investment service agreement, and directions from the Board of Representatives regarding investment in individual securities, etc., are forbidden by laws and regulations.

The Group is required to pay contributions to the corporate pension fund, contributions are regularly reviewed within the range permitted by laws and regulations, and the Group will be obliged to pay contributions determined by the corporate pension fund into the future.

The plan is exposed to actuarial risk and fair value change risk of plan assets. Actuarial risk is mainly interest rate risk. Interest rate risk is the risk that the debt may increase if the discount rate falls, because the present value of the defined benefit obligation is calculated using the discount rate determined based on the market yield of the high-quality corporate bonds. The fair value change risk of plan assets is that the funded status of the plan may deteriorate, when the interest rate on plan assets falls below the interest rate specified in the investment standard of plan assets.

In regard to the lump-sum retirement plan and prepaid retirement plan, the Group is obliged to make payments directly to recipients. There are no statutory requirements regarding funding.

(1) Defined benefit plans

The relationship between defined benefit obligations and plan assets and the amounts recognized in the consolidated statement of financial position is as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Defined benefit obligations (with plan assets)	5,408	5,226
Fair value of plan assets	(4,008)	(3,937)
Subtotal	1,400	1,288
Defined benefit obligations (no plan assets)	392	417
Liabilities of defined benefit plans	1,792	1,705
Net defined benefit liability (asset) in the consolidated statement of financial position	1,792	1,705

Changes in the present value of the defined benefit obligations are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Balance at beginning of period	5,878	5,800
Service cost	309	300
Interest cost	20	18
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	—	—
Actuarial gains and losses arising from changes in financial assumptions	(81)	(83)
Benefits paid	(325)	(392)
Balance at end of period	5,800	5,643

Changes in the fair value of the plan assets are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Balance at beginning of period	3,748	4,008
Interest income	12	12
Remeasurements		
Return on plan assets	184	(69)
Contributions by employer	365	361
Benefits paid	(303)	(375)
Balance at end of period	4,008	3,937

The fair value of each item of plan assets is as follows:

	As of February 28, 2018			As of February 28, 2019		
Items of plan assets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Cash and cash equivalents	69	—	69	83	—	83
Jointly managed trusts (equity securities)	—	1,036	1,036	—	1,021	1,021
Jointly managed trusts (public and corporate bonds)	—	1,610	1,610	—	1,575	1,575
Life insurance general accounts	—	547	547	—	545	545
Other	—	743	743	—	711	711
Total	69	3,938	4,008	83	3,854	3,937

The Group's management of plan assets is aimed at ensuring the necessary income over the long term to reliably make pension and lump-sum payments into the future. With that objective, the investment policy is based on diversified investment in multiple investment targets with different risk and return characteristics, within the range of acceptable risk, taking into consideration the characteristics of liabilities of the corporate pension fund into the future and the circumstances of the Group.

Specifically, management is conducted by the contract management institution, maintaining an asset allocation over the long term based on a strategic asset composition ratio formulated based on the optimal combination into the future, projecting expected rates of return on investment assets and taking into consideration correlation with standard deviation.

In regard to plan assets, the status of asset management is managed by regularly confirming the financial position of the plans, formulating long-term management policies, monitoring the status of asset allocation, etc.

The Group's pension funding takes into consideration various factors, including the funded status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for service already rendered, in addition to benefits for service to be rendered in future.

In accordance with the provisions of the Defined-Benefit Corporate Pension Act, the rules of the corporate pension fund stipulate that the amount of contributions shall be recalculated, mostly every three years, with a record date of the fiscal year-end, in order to preserve financial equilibrium into the future. In the recalculation, the basic rates related to contributions (expected interest rates, expected mortality rates, expected withdrawal rates, expected salary increase indexes, expected number of new participants, etc.) are reviewed, and the appropriateness of the contributions is reverified.

The Group plans to pay contributions of 361 million yen in the fiscal year ending February 29, 2020.

The weighted average duration of the defined benefit obligations as of February 28, 2018 and February 28, 2019 was 11 years in each case.

The main actuarial assumptions used to calculate the present value of the defined benefit obligations are as follows:

	As of February 28, 2018	As of February 28, 2019
	%	%
Discount rate	Mainly 0.3	Mainly 0.3
Anticipated rate of salary increase	Mainly 7.8	Mainly 7.4

Sensitivity analyses are conducted based on changes in assumptions that are reasonably possible, as of the end of the fiscal year.

The sensitivity analysis is based on the premise that all actuarial assumptions remain constant other than the actuarial assumption that is the focus of the analysis, but in reality, there is a possibility that changes in other actuarial assumptions may affect the sensitivity analysis.

If there are no changes to other assumptions, the sensitivity of defined benefit obligations at the end of each fiscal year to changes in the discount rate is as follows. Furthermore, the Group does not expect any changes in the anticipated rate of salary increase.

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Changes in discount rate		
0.1% increase	(63)	(60)
0.1% decrease	65	61

Amounts recognized as retirement benefit expenses are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Service cost	309	300
Net interest	7	6
Other, net	197	144
Total	514	451

(2) Defined contribution plans

The amount recognized as expenses in association with defined contribution plans for the fiscal year ended February 28, 2018 and the fiscal year ended February 28, 2019 is 52 million yen and 69 million yen, respectively.

(3) Employee benefit expenses

Total employee benefit expenses included in "operating cost" and "selling, general and administrative expenses" in the consolidated statements of income for the fiscal years ended February 28, 2018 and February 28, 2019 were 14,637 million yen and 14,581 million yen, respectively.

22. Provisions

The breakdown and changes of provisions are as follows:

	Asset retirement obligations	Provision for loss on store closing	Total
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2018	510	—	510
Increase during the period	23	2,286	2,310
Period interest expenses for the discount calculation	4	—	4
Decrease during the period (use)	(36)	—	(36)
Decrease during the period (reversal)	6	—	6
Other	(0)	—	(0)
Balance as of February 28, 2019	508	2,286	2,794

The breakdown of provisions in the consolidated statements of financial position is as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Current liabilities	7	761
Non-current liabilities	503	2,033
Total	510	2,794

(1) Asset retirement obligations

Asset retirement obligations are recorded at the estimated amount of restoration costs for rented stores, offices, etc., for which the Group has obligations to restore them to the original state at the time when the lease arrangement is terminated and costs for removing harmful substances related to non-current assets. These costs are mainly expected to be paid after 0 to 33 years, and will be affected by future business plans, etc.

(2) Provision for loss on store closing

In regard to stores that will close, the Group records a reasonably estimated amount in light of the status of negotiations with business partners, etc., to provide for losses expected to occur. These costs are mainly expected to be paid within three years of the stores closing, and will be affected by the progress of negotiations with business partners, etc.

23. Other Current Liabilities and Other Non-current Liabilities

The breakdown of other current liabilities and other non-current liabilities is as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Other current liabilities		
Accrued expenses	1,498	1,516
Accrued bonuses	1,035	1,048
Advances received	11,173	—
Other	3,750	1,578
Total	17,457	4,142
Other non-current liabilities		
Deferred revenue	2,988	—
Government grants	—	129
Other	38	79
Total	3,026	209

24. Equity and Other Equity Items

(1) Share capital and share premium

Changes in the number of authorized shares, number of issued shares, and the balance of share capital, etc., are as follows:

	Number of authorized shares	Number of issued shares	Share capital	Share premium
	(Shares)	(Shares)	(Millions of yen)	(Millions of yen)
As of March 1, 2017	320,000,000	101,462,977	34,367	35,129
Changes during the period	—	—	—	—
As of February 28, 2018	320,000,000	101,462,977	34,367	35,129
Changes during the period	—	—	—	76
As of February 28, 2019	320,000,000	101,462,977	34,367	35,205

(Note) All shares issued by the Company are common shares with no restrictions and no par value. Issued shares are fully paid.

(2) Treasury shares

Changes in the number and balance of treasury shares are as follows:

	Number of shares	Amount
	(Shares)	(Millions of yen)
As of March 1, 2017	4,591	(4)
Changes during the period	778	(1)
As of February 28, 2018	5,369	(5)
Changes during the period	359,158	(515)
As of February 28, 2019	364,527	(520)

(Notes) 1. Changes as of February 28, 2018 are mainly due to purchase of shares less than one unit or demands for sale.
2. The number and balance of treasury shares for the current consolidated fiscal year includes the Company's shares owned by the Stock Delivery Trust for Executive Officers. Changes as of February 28, 2019 are mainly due to acquisition of the Company's shares by the Stock Delivery Trust for Executive Officers

(3) Share premium

Share premium comprises legal share premium and other share premium. Under the Companies Act of Japan (hereinafter referred to as the "Companies Act"), at least 50% of the contribution for share issue shall be credited to share capital, and the remainder shall be credited to legal share premium included in share premium. In addition, under the Companies Act, legal share premium can be transferred to share capital by resolution of the shareholders meeting.

(4) Retained earnings

Retained earnings comprise legal retained earnings and other retained earnings. Under the Companies Act, 10% of the amount paid as dividends from surplus shall be accumulated as legal share premium (an item of share premium) or legal retained earnings (an item of retained earnings), until the total amount of legal share premium and legal retained earnings reaches 25% of share capital. The legal retained earnings may be used to eliminate or reduce a deficit, or may also be reversed by resolution of the shareholders meeting.

(5) Other components of equity

1) Exchange differences on translation of foreign operations
Exchange differences on translation of foreign operations represent the translation difference in consolidating a foreign operation whose financial statements are denominated in a foreign currency.
2) Cash flow hedges
The Group uses derivatives to hedge the risk of fluctuations in future cash flows. Cash flow hedges represent the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.
3) Financial assets measured at fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income represent the changes in fair value of financial assets measured at fair value through other comprehensive income, etc.
4) Remeasurements of defined benefit plans
Remeasurements of defined benefit plans represent actuarial differences on defined benefit obligations and the return on plan assets (excluding the amount included in interest income).

25. Dividends

(1) Dividends paid

Fiscal year ended February 28, 2018

Resolution	Class of shares	Total amount of dividends	Amount of dividends per share	Reference date	Effective date
		(Millions of yen)	(Yen)		
Meeting of the Board of Directors held on April 6, 2017	Common shares	1,217	12.00	February 28, 2017	May 8, 2017
Meeting of the Board of Directors held on October 6, 2017	Common shares	1,116	11.00	August 31, 2017	October 23, 2017

Fiscal year ended February 28, 2019

Resolution	Class of shares	Total amount of dividends	Amount of dividends per share	Reference date	Effective date
		(Millions of yen)	(Yen)		
Meeting of the Board of Directors held on April 9, 2018	Common shares	1,217	12.00	February 28, 2018	May 7, 2018
Meeting of the Board of Directors held on October 5, 2018	Common shares	1,217	12.00	August 31, 2018	October 22, 2018

(Note) The total dividend resolved by the Meeting of the Board of Directors held on October 5, 2018 includes a dividend of 5 million for Company's shares owned by the Stock Delivery Trust for Executive Officers.

(2) Dividends whose effective date belongs to the following fiscal year

Fiscal year ended February 28, 2018

Resolution	Class of shares	Total amount of dividends	Amount of dividends per share	Reference date	Effective date
		(Millions of yen)	(Yen)		
Meeting of the Board of Directors held on April 9, 2018	Common shares	1,217	12.00	February 28, 2018	May 7, 2018

Fiscal year ended February 28, 2019

Resolution	Class of shares	Total amount of dividends	Amount of dividends per share	Reference date	Effective date
		(Millions of yen)	(Yen)		
Meeting of the Board of Directors held on April 8, 2019	Common shares	1,217	12.00	February 28, 2019	May 7, 2019

(Note) The total dividend resolved by the Meeting of the Board of Directors held on April 8, 2019 includes a dividend of 5 million for Company's shares owned by the Stock Delivery Trust for Executive Officers.

26. Operating Revenue

(1) Disaggregation of revenue

In accordance with IFRS 8 Business Segments, the Group reports four segments: Shopping Complex Business, Retail Business, Space Engineering and Management Business, and Other Business. The reportable segments are components of the Group for which discrete financial information is available and which are subject to periodic reviews at the Management Committee in order to make decisions about resources to be allocated to the respective segments and to assess their respective performances.

The Group has determined that the classification of the reportable segment can be used to meet the objective of the disaggregation disclosure requirement in paragraph 114 of IFRS 15. The following table illustrates the disaggregation revenue based on the above categories, including a reconciliation of how the disaggregated revenue ties in with segments.

Revenues generated from these businesses are recorded in accordance with contracts with customers, and the amount of operating revenue related to variable consideration, etc., is immaterial. In addition, the amount of the promised consideration does not include any significant financial factors.

Reportable segments		Fiscal year ended February 28, 2019 (Millions of yen)
	PARCO stores business	46,666
	Zero gate business	3,965
	Other business	485
Shopping Complex Business		51,117
Retail Business		19,754
Space Engineering and Management Business		21,882
Other Business		6,327
Eliminations of intersegment operating revenue		(9,113)
Total		89,969

	Revenue from contracts with customers	58,383
	Revenue from other sources	31,585
Operating revenue		89,969

(Note) Revenue from other sources includes mainly revenue from lease contracts.

1) Shopping Complex Business

The Shopping Complex Business undertakes the development, management, supervision and operation of shopping centers.

As provision of services by operation of shopping centers is rendered continuously, the Group has judged that performance obligations are satisfied over a certain period of time, and revenue is recognized to the extent that services are rendered.

2) Retail Business

The Retail Business undertakes the sales of personal goods, general merchandise, and other products. In many cases, the customer obtains control over the goods upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore mainly recognized at the time of delivery of the goods.

For sales under a customer loyalty program, which provides customers with points that can be redeemed as discounts on future purchases, the transaction price is allocated to points and goods based on the ratio of the stand-alone selling prices.

3) Construction contracts

The Space Engineering and Management Business undertakes interior design and construction, and building maintenance, including cleaning, safety and security services, and facilities maintenance. If the outcome of a construction contract can be estimated reliably, revenue concerning work such as interior design and construction is recognized based on progress of performance obligation. Input methods based on costs incurred are used for the measurement of progress. Reliable estimation of the outcome of a construction contract is deemed possible when all the following conditions are satisfied:

- total contract revenue can be measured reliably;
- it is probable that the economic benefits associated with the contract will flow to the entity;
- both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

If reliable estimation of the outcome of a construction contract is not possible, contract revenue shall be recognized only for contract costs incurred that have probable recoverability.

When it is probable that total contract costs will exceed total contract revenue, the excess amount shall be recognized as an expense immediately.

4) Other Business

The Other Business operates an entertainment business and an internet-related business. In the entertainment business, etc., when the Group conducts transactions as a principal, revenue is presented at the gross amount of consideration received from customers. When the Group conducts transactions as an agent for the benefit of a third party, revenue is presented at the net amount calculated by deducting the amount collected for the benefit of the third party from the gross amount of consideration received from customers.

The following indicators are taken into account in the determination of whether the Group conducts a transaction as a principal or agent:
Whether the Group has principal responsibility for providing the goods or services to the customer or for fulfilling the order
Whether the Group has inventory risk before or after the customer order, during shipping or on return
Whether the Group has discretion in establishing prices directly or indirectly
Whether the Group bears credit risk of the customer in association with receivables from the customer
Whether the amount received is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed

(2) Contract balances

The breakdown of contract balances is as follows:

	Balance as of March 1, 2018 (Millions of yen)	Balance as of February 28, 2019 (Millions of yen)
Receivables from contracts with customers	3,656	4,204
Contract assets	228	491
Contract liabilities	16,542	14,498

The amount included in the balance of contract liabilities at the beginning of the fiscal year, which is recognized as revenue in the current consolidated fiscal year, is 2,992 million yen.

Significant changes in contract assets during the fiscal year are 263 million yen mainly due to an increase in construction orders.

Significant changes in contract liabilities during the fiscal year are 2,043 million yen, mainly due to a decrease by revenue recognition.

(3) Transaction price allocated to the unfulfilled performance obligation

As of February 28, 2019, with respect to the total transaction price allocated to the unfulfilled performance obligation amounting to 25,683 million yen, the Group expects to recognize 25,616 million yen in the consolidated fiscal year 2019 and 67 million yen in the consolidated fiscal year 2020 as revenue.

In addition, in the consideration resulting from contracts with customers, there are no significant amounts that are not included in the transaction price.

27. Operating Cost

The breakdown of operating cost is as follows:

	Fiscal year ended February 28, 2018 (Millions of yen)	Fiscal year ended February 28, 2019 (Millions of yen)
Cost of goods sold	11,815	10,882
Personnel expenses	6,605	6,265
Leasehold and office rents	8,531	8,961
Outsourcing expenses	12,514	12,493
Depreciation and amortization expense	4,802	5,081
Promotion expenses	4,768	4,584
Utilities expenses	3,573	3,642
Taxes and dues	1,305	1,347
Other	8,439	8,603
Total	62,357	61,861

28. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	Fiscal year ended February 28, 2018 (Millions of yen)	Fiscal year ended February 28, 2019 (Millions of yen)
Personnel expenses	8,032	8,315
Leasehold and office rents	3,013	3,006
Outsourcing expenses	1,200	1,353
Depreciation and amortization expense	857	882
Promotion expenses	665	580
Taxes and dues	818	777
Other	4,391	4,467
Total	18,979	19,384

29. Other Income and Expenses

The breakdown of other income is as follows:

	Fiscal year ended February 28, 2018 (Millions of yen)	Fiscal year ended February 28, 2019 (Millions of yen)
Compensation income	1,951	1,951
Other	901	465
Total	2,853	2,417

(Note) Compensation income is compensation for the Shibuya PARCO redevelopment project.

The breakdown of other expenses is as follows:

	Fiscal year ended February 28, 2018 (Millions of yen)	Fiscal year ended February 28, 2019 (Millions of yen)
Loss on closing of stores	—	3,139
Impairment loss	497	1,386
Loss on retirement of non-current assets	665	675
Other	261	514
Total	1,425	5,715

30. Finance Income and Finance Cost

The breakdown of finance income is as follows:

	Fiscal year ended February 28, 2018 (Millions of yen)	Fiscal year ended February 28, 2019 (Millions of yen)
Interest income		
Financial assets measured at amortized cost		
Deposits, etc.	30	27
Lease and guarantee deposits	111	125
Dividend income		
Financial assets measured at fair value through other comprehensive income	2	1
Total finance income	144	154

The breakdown of finance cost is as follows:

	Fiscal year ended February 28, 2018 (Millions of yen)	Fiscal year ended February 28, 2019 (Millions of yen)
Interest expenses		
Financial liabilities measured at amortized cost		
Borrowings, etc.	181	82
Guarantee deposits received	(45)	(33)
Lease obligations	231	484
Other	4	4
Total finance cost	372	537

31. Other Comprehensive Income

	Fiscal year ended February 28, 2018 (Millions of yen)	Fiscal year ended February 28, 2019 (Millions of yen)
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income		
Additions during the period	9	127
Tax effect	(3)	(38)
Financial assets measured at fair value through other comprehensive income	6	88
Remeasurements of defined benefit plans		
Additions during the period	266	13
Tax effect	(81)	(4)
Remeasurements of defined benefit plans	184	9
Total amount of items that will not be reclassified to profit or loss	191	97
Items that might be reclassified to profit or loss		
Cash flow hedges		
Additions during the period	27	3
Reclassification adjustments	—	—
Amount before tax effect adjustments	27	3
Tax effect	9	(1)
Cash flow hedges	37	2
Exchange differences on translation of foreign operations		
Additions during the period	6	(5)
Reclassification adjustments	—	—
Amount before tax effect	6	(5)
Tax effect	—	—
Exchange differences on translation of foreign operations	6	(5)
Total amount of items that might be reclassified to profit or loss	44	(2)
Total other comprehensive income	235	95

32. Earnings per Share

Basis of calculating basic earnings per share is as follows:

	Fiscal year ended February 28, 2018 (Millions of yen)	Fiscal year ended February 28, 2019 (Millions of yen)
Profit attributable to owners of parent (Millions of yen)	7,809	3,370
Weighted average number of ordinary shares outstanding (Thousands of shares)	101,458	101,203
Basic earnings per share (Yen)	76.97	33.30
Diluted earnings per share (Yen)	—	—

(Notes) 1. Since the Company's shares held by Stock Delivery Trust for the Executive Officer are treated as treasury shares in the calculation of basic earnings per share, the number of shares is deducted from the weighted average number of ordinary shares outstanding.
2. Information on diluted earnings per share is omitted due to an absence of potential shares.

33. Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended February 28, 2018

	Balance as of March 1, 2017	Changes involving cash flows	Changes not involving cash flows: Exchange differences on translation of foreign operations	Changes not involving cash flows: Changes in fair values	Changes not involving cash flows: Lease obligations	Balance as of February 28, 2018
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Current borrowings	—	1,000	—	—	—	1,000
Non-current borrowings	56,062	(4,240)	(1)	—	—	51,820
Commercial paper	2,099	(2,099)	—	—	—	—
Lease obligations	1,283	(282)	—	—	5,651	6,652
Derivatives	(67)	60	—	6	—	—
Total	59,378	(5,562)	(1)	6	5,651	59,472

(Notes) 1. Derivatives are held in order to hedge non-current borrowings.
2. Non-current borrowings include current portion of non-current borrowings.

Fiscal year ended February 28, 2019

	Balance as of March 1, 2018	Changes involving cash flows	Changes not involving cash flows: Exchange differences on translation of foreign operations	Changes not involving cash flows: Changes in fair values	Changes not involving cash flows: Lease obligations	Balance as of February 28, 2019
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Current borrowings	1,000	(1,000)	—	—	—	—
Non-current borrowings	51,820	9,920	—	—	—	61,740
Commercial paper	—	—	—	—	—	—
Lease obligations	6,652	(364)	—	—	4,384	10,673
Derivatives	—	—	—	—	—	—
Total	59,472	8,555	—	—	4,384	72,413

(Note) Non-current borrowings include current portion of non-current borrowings.

(2) Non-cash transactions

Property, plant and equipment and investment property acquired through finance leases are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Property, plant and equipment and investment property acquired through finance leases	4,983	3,591

34. Share-based Payment

(1) Details of share-based payment

In order to strengthen the link between stock value and remuneration and share interests with shareholders, the Company has adopted a stock delivery trust as share-based payment for executive officers. The stock delivery trust, which the Company has set up by contributing money within the range approved by the Compensation Committee, acquires the Company's shares and is a system of granting the number of shares equivalent to the number of points to each executive officer.

The consideration for the services received is calculated using the fair value of the Company's shares on the grant date. The consideration is expensed over the vesting period from the grant date, and a corresponding amount is recognized as an increase in equity.

(2) Number of points granted during the period and weighted average fair value of the points

In the measurement of fair value, a calculation is made based on the market price of the Company's shares adjusted after taking into account expected dividends. The number of points granted during the period and weighted average fair value of the points are as follows:

	As of February 28, 2018	As of February 28, 2019
Number of points granted during the period	—	61,244
Weighted average fair value (Yen)	—	1,252

(3) Share-based payment expense

The amount recognized as share-based payment expense, which is included in the consolidated statement of profit or loss, was 76 million yen in the fiscal year ended February 28, 2019

35. Financial Instruments

(1) Capital management

In order to realize sustainable growth and the medium- to long-term enhancement of corporate value, the Group's capital management policy is to enhance capital efficiency, while maintaining financial soundness and maintaining a financial base tailored to future uncertain risks and ensuring strategic investment opportunities.

The main monitoring indicators for capital management are ROE and the D/E ratio. Furthermore, the Group is not subject to any material capital regulations.

(2) Financial risk management policy

In the process of engaging in management activities, the Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, interest rate risk, and the risk of fluctuations in market prices), and engages in risk management to reduce these financial risks.

The Group uses derivative transactions to avoid foreign currency fluctuation risk or interest rate fluctuation risk and, in accordance with its policy, does not carry out any speculative transactions.

(3) Credit risk management

The Group is exposed to credit risk from trade receivables, etc., held. Credit risk is the risk that a trade partner will default on contractual obligations and cause the Group to incur a financial loss.

In regard to the risk, each Group company manages due dates and balances for each trade partner, and endeavors to promptly identify and reduce any concerns about collection.

The Group's receivables are from a number of trade partners in a wide range of industries and regions.

Furthermore, the Group does not have any credit risk overly concentrated in a single counterparty or a group to which the counterparty belongs.

1) Changes to allowance for doubtful accounts

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for doubtful accounts. Specifically, if the credit risk has not increased significantly since initial recognition, allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses. On the other hand, if the credit risk has increased significantly since initial recognition, allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses. Whether credit risk has significantly increased or not is determined based on changes in default risk. Regardless of the above, for trade receivables, lease receivables, etc., without a significant financing component, allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses.

In addition, the Group deems receivables to be in default when 90 days or more have passed since the due date, and receivables are classed as credit-impaired financial assets when they are categorized as in default, or when proof of impairment exists, such as cases when the issuer or debtor is in serious financial difficulty, and allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses. Furthermore, if it is reasonably judged that all or part of a financial asset is uncollectible, such as cases when the receivables are legally extinguished, then the Group writes off the total carrying amount of the financial asset.

When measuring these expected credit losses, the Group uses reasonable and supportable information that is available as of the end of the fiscal year for historical bad debt data and the status of delinquent receivables, the financial status of creditors, etc., historical events, recent circumstances, and forecasts of economic circumstances.

For financial assets whose credit risk has not increased significantly and trade receivables, lease receivables, etc., without a significant financing component, expected credit losses are collectively valued based on historical credit loss data, with all these assets classed as one group, as their credit risk characteristics are almost the same.

For financial assets whose credit risk has increased significantly and credit-impaired financial assets, expected credit losses are valued on an individual basis, after adjustment for historical credit loss data, future estimated recoverable amount, etc.

Changes in allowance for doubtful accounts are as follows:

	Trade and other receivables	Financial assets other than trade and other receivables		
	Lifetime expected credit losses (trade receivables, etc., without a significant financing component)	12-month expected credit losses	Lifetime expected credit losses (Financial assets whose credit risk has increased significantly since initial recognition)	Credit-impaired financial assets (Lifetime expected credit losses)
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017	3	—	115	114
Provision (net)	1	0	—	—
Use	—	—	—	(10)
Balance as of February 28, 2018	5	0	115	103
Provision (net)	3	0	107	—
Use	—	—	—	(39)
Balance as of February 28, 2019	9	1	222	64

2) The carrying amounts of financial assets by risk type (before deducting allowance for doubtful accounts) are as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Trade and other receivables (Lifetime expected credit losses)	10,844	10,869
Financial instruments other than trade and other receivables (12-month expected credit losses)	21,338	20,466
Financial instruments whose credit risk has increased significantly since initial recognition (Lifetime expected credit losses)	289	917
Credit-impaired financial instruments (Lifetime expected credit losses)	103	64

There are no significant changes to the total amount of carrying amounts of the kind that would materially affect allowance for doubtful accounts.

Credit risk for trade and other receivables on each reporting date was assessed as extremely low. In addition, for financial instruments other than trade and other receivables, the Group does not have any credit risk overly concentrated in any specific counterparty or a group to which the counterparty belongs.

Furthermore, the maximum exposure to credit risk on financial assets is the carrying amount after impairment presented in consolidated financial statements. The Group does not hold any properties as collateral or other credit enhancements in regard to exposure to these credit risks.

(4) Liquidity risk management

Liquidity risk is the risk of failure to make payments on the due date in situations when the Group is required to fulfill its repayment obligations for financial liabilities due.

The Group manages liquidity risk by methods including preparing monthly cash flow plans at each company, in addition to managing liquidity risk through overdraft agreements with its main banks.

The balance of financial liabilities (other than lease obligations) by maturity is as follows:

As of February 28, 2018

	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Non-derivative financial liabilities								
Trade and other payables	23,780	23,780	23,780	—	—	—	—	—
Current borrowings	1,000	1,000	1,000	—	—	—	—	—
Non-current borrowings	51,820	52,686	7,827	7,560	5,216	10,891	6,085	15,105
Guarantee deposits received	28,002	27,988	821	3,823	2,925	3,065	1,710	15,641
Derivative financial liabilities								
Interest rate swaps	4	4	3	1	—	—	—	—
Total	104,608	105,460	33,433	11,384	8,142	13,956	7,796	30,747

As of February 28, 2019

	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Non-derivative financial liabilities								
Trade and other payables	22,651	22,651	22,651	—	—	—	—	—
Current borrowings	—	—	—	—	—	—	—	—
Non-current borrowings	61,740	62,645	8,721	7,872	13,540	8,726	7,196	16,589
Guarantee deposits received	28,444	28,467	1,184	4,033	3,850	2,183	1,747	15,467
Derivative financial liabilities								
Interest rate swaps	0	0	0	—	—	—	—	—
Total	112,837	113,765	32,558	11,905	17,390	10,909	8,943	32,057

(Note) Net receivables and liabilities resulting from derivative transactions are presented on a net basis.

If funds are temporarily insufficient for the payment of trade payables, etc., the Group procures funds with the following financing methods. Fund procurement methods and the status of procurement in each fiscal year were as follows:

	As of February 28, 2018	As of February 28, 2019
	(Millions of yen)	(Millions of yen)
Commitment line		
Used	—	—
Unused	—	—
Total	—	—
Overdraft limit		
Used	1,000	—
Unused	28,560	29,560
Total	29,560	29,560
Commercial paper issuance limit		
Used	—	—
Unused	20,000	20,000
Total	20,000	20,000

(5) Foreign currency risk management

The Group conducts transactions denominated in foreign currencies and is exposed to the risk of fluctuations in exchange rates of foreign currencies against the Japanese yen.

In order to mitigate the risk of fluctuations in exchange rates, the Group hedges the risk by entering exchange contracts.

Foreign exchange sensitivity analysis

In regard to transactions denominated in foreign currencies with the risk of fluctuations in exchange rates, the Group uses exchange contracts, etc., to ensure fixed cash flows and mitigate the risk of fluctuations in exchange rates. Accordingly, the Group's exposure to the risk of fluctuations in exchange rates is limited, and the effect from fluctuations in exchange rates is immaterial.

Furthermore, other comprehensive income fluctuates in line with the translation of financial statements of the Group's foreign subsidiaries, etc., but the Group does not consider the effect thereof as material.

(6) Interest rate risk management

The Group procures funds through interest-bearing liabilities. A variable interest rate is applied to certain interest-bearing liabilities, and the Group is exposed to the risk of fluctuations in interest rates.

In order to mitigate the risk of fluctuations in interest rates for all variable interest rates, the Group hedges the risk by conducting interest rate swaps.

Interest rate sensitivity analysis

In regard to variable interest rate non-current borrowings with the risk of interest rate fluctuations, the Group uses interest rate swaps to ensure fixed cash flows and mitigate the risk of fluctuations in interest rates. Accordingly, the Group's exposure to the risk of fluctuations in interest rates is limited, and the effect from fluctuations in interest rates is immaterial.

(7) Market price fluctuation risk management

The Group is exposed to the risk of fluctuations in prices caused by equity securities held. The Group regularly grasps the fair values, financial condition of issuers, etc., of equity instruments, and reviews the status of holdings on an ongoing basis.

Stock market price sensitivity analysis

Equity securities are designated as financial assets measured at fair value through other comprehensive income, and fluctuations in share prices have no impact on profit or loss, and the effect on other comprehensive income is immaterial.

(8) Fair value of financial instruments

1) Calculation method of fair value

The calculation methods of the fair value of financial instruments are as follows:

Other financial assets and other financial liabilities

In regard to lease and guarantee deposits and guarantee deposits received, the Group calculates fair value by discounting future cash flows at an interest rate adjusted for the period until the due date and credit risk.

Borrowings

In regard to borrowings, fair value is calculated by the method that the total principal and interest are discounted at an interest rate expected if similar new borrowings were conducted.

Lease obligations

Fair value is calculated by the method that the total principal and interest are discounted at an interest rate expected if similar new lease transactions were conducted.

2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

Furthermore, financial instruments measured at fair value and financial instruments whose carrying amount and fair value are extremely close are not included in the following table.

	As of February 28, 2018		As of February 28, 2019	
	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Carrying amount (Millions of yen)	Fair value (Millions of yen)
Assets:				
Financial assets measured at amortized cost				
Other financial assets				
Lease and guarantee deposits	21,399	22,551	21,047	22,325
Total	21,399	22,551	21,047	22,325
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings				
Borrowings	52,820	52,647	61,740	62,103
Other financial liabilities				
Guarantee deposits received	28,002	27,990	28,444	28,500
Total	80,822	80,638	90,184	90,603

The fair value of borrowings is categorized within Level 2 and that of lease and guarantee deposits and guarantee deposits received is categorized within Level 3.

3) Lease obligations

The carrying amount and fair value of the lease obligations are as follows:

	As of February 28, 2018		As of February 28, 2019	
	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Carrying amount (Millions of yen)	Fair value (Millions of yen)
Liabilities:				
Lease obligations	6,652	11,010	10,673	20,330

(9) Financial assets measured at fair value through other comprehensive income

The Group holds investments in equity instruments mainly in order to maintain and strengthen business relationships, and therefore the Group designates them as financial assets measured at fair value through other comprehensive income.

1) Fair value of each security

In regard to investments in equity instruments designated as financial assets measured at fair value through other comprehensive income, the fair value of each security is mainly as follows:

	As of February 28, 2018		As of February 28, 2019
Securities	(Millions of yen)	Securities	(Millions of yen)
Tower Records Japan Inc.	116	Tower Records Japan Inc.	346
Ryohin Keikaku Co., Ltd.	66	Ryohin Keikaku Co., Ltd.	49
NOMURA Co., Ltd.	37	NOMURA Co., Ltd.	57
FamilyMart UNY Holdings Co., Ltd.	18	Other	53
Other	37		

2) Dividend income

Fiscal year ended February 28, 2018		Fiscal year ended February 28, 2019	
Investments derecognized during the period	Investments held on February 28, 2018	Investments derecognized during the period	Investments held on February 28, 2019
(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
0	1	—	1

3) Financial assets measured at fair value through other comprehensive income derecognized during the period

In order to increase efficiency and ensure effective utilization of assets held, the Group sells financial assets measured at fair value through other comprehensive income, and fair value on the date of sale thereof and cumulative gain or loss on the sale (before tax) are as follows:

Fiscal year ended February 28, 2018		Fiscal year ended February 28, 2019	
Fair value on the date of sale	Cumulative gain (loss) on sale	Fair value on the date of sale	Cumulative gain (loss) on sale
(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
96	22	—	—

4) Transfer to retained earnings

If disposing of investments, or in cases when fair value has significantly declined compared with the acquisition cost, the Group transfers cumulative gain or loss caused by fluctuations in the fair value of financial assets measured at fair value through other comprehensive income to retained earnings. In the fiscal years ended February 28, 2018 and February 28, 2019, cumulative gain or loss (after tax) in other comprehensive income transferred to retained earnings was 15 million yen and (63) million yen, respectively.

(10) Derivatives and hedges

1) Cash flow hedges

Cash flow hedges are hedges to avoid the risk of fluctuations in future cash flows. The Company uses interest rate swaps to hedge fluctuations in cash flows related to variable interest rate borrowings. Furthermore, the hedge ratio of variable interest rate borrowings and their hedging instruments, interest rate swaps, is 1:1, as they are conducted with the same amounts. Of changes in the fair value of derivatives transactions that are hedging instruments, the effective portion of the hedge is recognized as other comprehensive income and reclassified to profit or loss in the same period during which the hedged cash flows affect profit or loss.

Furthermore, the Group determines the economic relationship between the hedged item and hedging instrument based on the amount and timing of related cash flows, etc. In addition, the critical terms of the hedging instrument and the hedged item match in hedging relationships to which the Group currently applies hedge accounting, and at the same time, transaction counterparties are highly rated financial institutions with low credit risk, and therefore, the Group basically does not expect hedges to become ineffective, and in fact no hedges have become ineffective.

The details of hedging instruments designated as cash flow hedges are as follows:

As of February 28, 2018

	Notional principal	Exceeding one year	Carrying amount: Assets	Carrying amount: Liabilities	Line item in the consolidated statement of financial position
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	
Interest rate risk					
Interest rate swaps	1,660	380	—	4	Other financial liabilities (current liabilities)

The average interest rate on interest rate swaps is 0.72%.

As of February 28, 2019

	Notional principal	Exceeding one year	Carrying amount: Assets	Carrying amount: Liabilities	Line item in the consolidated statement of financial position
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	
Interest rate risk					
Interest rate swaps	380	—	—	0	Other financial liabilities (current liabilities)

The average interest rate on interest rate swaps is 0.69%.

Changes in other components of equity (changes in the fair value of hedging instruments) are as follows:

Fiscal year ended February 28, 2018

	Effective portion of changes in the fair value of cash flow hedges		
	Foreign currency risk	Interest rate risk	Total
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2017	46	(27)	19
Other comprehensive income			
Amount arising during the period (Note) 1	(6)	34	27
Reclassification adjustments (Note) 2	(60)	—	(60)
Tax effect	20	(10)	9
Balance as of February 28, 2018	—	(3)	(3)

Information on changes in the value of hedged items used as the basis for recognizing ineffective portions of hedges is omitted, as no ineffective portions of hedges were recognized in profit or loss.

(Notes) 1. The Group designates all interest rate swaps and currency swaps as hedging instruments, and at the same time, no hedges became ineffective, and therefore this information matches the changes in the fair value of hedging instruments.
2. The line item of reclassification adjustments is included in other expense.

Fiscal year ended February 28, 2019

	Effective portion of changes in the fair value of cash flow hedges		
	Foreign currency risk	Interest rate risk	Total
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Balance as of March 1, 2018	—	(3)	(3)
Other comprehensive income			
Amount arising during the period (Note) 1	—	3	3
Reclassification adjustments (Note) 2	—	—	—
Tax effect	—	(1)	(1)
Balance as of February 28, 2019	—	(0)	(0)

Information on changes in the value of hedged items used as the basis for recognizing ineffective portions of hedges is omitted, as no ineffective portions of hedges were recognized in profit or loss.

(Notes) 1. The Group designates all interest rate swaps as hedging instruments, and at the same time, no hedges became ineffective, and therefore this information matches the changes in the fair value of hedging instruments.
2. The line item of reclassification adjustments is included in other expense.

36. Fair Value Measurement

In regard to financial instruments measured at fair value, the fair value amounts measured are categorized into three levels, from Level 1 to Level 3, in accordance with the observability and materiality of inputs used in measurement.

Level 1: Market prices for identical assets or liabilities in active markets
Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price
Level 3: Fair value that is determined using a valuation technique including unobservable inputs

(1) Sensitivity analysis for changes in significant unobservable inputs

Of the fair values of assets measured at fair value on a recurring basis that are categorized within Level 3, the fair values of financial assets measured at fair value through other comprehensive income valued with the income approach decrease (increase) with increases (decreases) in the discount rate, and increase (decrease) with increases (decreases) in the revenue growth rate.

(2) Fair value hierarchy

The fair value hierarchy of financial instruments measured at fair value is as follows:
As of February 28, 2018

	Level 1 (Millions of yen)	Level 2 (Millions of yen)	Level 3 (Millions of yen)	Total (Millions of yen)
Assets:				
Financial assets measured at fair value through other comprehensive income				
Equity securities	122	—	153	275
Total	122	—	153	275
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	4	—	4
Total	—	4	—	4

As of February 28, 2019

	Level 1 (Millions of yen)	Level 2 (Millions of yen)	Level 3 (Millions of yen)	Total (Millions of yen)
Assets:				
Financial assets measured at fair value through other comprehensive income				
Equity securities	114	—	392	506
Total	114	—	392	506
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	0	—	0
Total	—	0	—	0

Transfers between fair value hierarchy levels are recognized on the date of the event or change in circumstances that caused the transfer. In the fiscal years ended February 28, 2018 and February 28, 2019, no transfers between levels have occurred.

For derivative financial assets whose fair value measurement is categorized within Level 2, the fair value is determined by a reasonable valuation method based on available data, including fair value presented by counterparty financial institutions, etc.

Financial instruments whose fair value measurement is categorized within Level 3 comprise non-listed securities. The fair value of non-listed securities is measured using a valuation model based on the market prices of similar companies, with an illiquidity discount (30%) as the main unobservable input.

Furthermore, the Group does not expect any significant changes in the fair values of financial instruments whose fair value measurement is categorized within Level 3 if one or more unobservable inputs are changed to reflect reasonably possible alternative assumptions.

(3) Valuation process

In regard to financial instruments whose fair value measurement is categorized within Level 3, external valuation specialists or suitable persons responsible for valuation conduct valuations and analyze valuation results in accordance with valuation policies and procedures approved by managers in finance departments. Valuation results are reviewed and approved by the managers of finance departments.

(4) Reconciliation of financial instruments whose fair value measurement is categorized within Level 3 from the opening balances to the closing balances

Changes in financial instruments whose fair value measurement is categorized within Level 3 are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Balance at beginning of period	224	153
Total gains or losses		
Other comprehensive income (Note)	(50)	138
Purchase	—	100
Sale	(19)	—
Other, net	—	—
Balance at end of period	153	392

(Note) Gains or losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the reporting date. These gains or losses are included in "financial assets measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

(5) Assets and liabilities measured at fair value on a non-recurring basis

For assets and liabilities measured at fair value on a non-recurring basis, please refer to "15. Impairment of Non-financial Assets."

37. Important Subsidiaries

(1) Subsidiaries

Status of major subsidiaries at the end of each fiscal year is as follows:

Name	Location	Reportable segment	Proportion of voting rights held (%) As of February 28, 2018	Proportion of voting rights held (%) As of February 28, 2019
NEUVE A CO., LTD.	Japan	Retail Business	100.0	100.0
PARCO SPACE SYSTEMS CO., LTD.	Japan	Space Engineering and Management Business	100.0	100.0
PARCO Digital Marketing CO., LTD.	Japan	Other Business	100.0	100.0
PARCO (Singapore) Pte Ltd	Singapore	Shopping Complex Business	100.0	100.0

(2) Subsidiaries with non-controlling interests that are material to the reporting entity

The Company has no subsidiaries with non-controlling interests that are material to it.

38. Related Parties

(1) Parent company

The parent company of the Group is J. FRONT RETAILING Co., Ltd.

There are no significant transactions between the Group and its parent company.

(2) Related party transactions

Fiscal year ended February 28, 2018

Category	Name	Content of transactions	Amount of transactions	Amount of outstanding balances
			(Millions of yen)	(Millions of yen)
Subsidiary of parent company	Daimaru Matsuzakaya Department Stores Co. Ltd.	Lease of real estate for commercial use	97	5,861
Key management personnel of the Company and close members of the family thereof	Poppins Corporation (Note) 1	Contracting of construction work	158	114

(Notes) 1. Director Ms. Noriko Nakamura and her close members of the family hold a majority of voting rights.
2. Of the above amounts, the amount of transactions does not include consumption taxes, etc., while the amount of outstanding balances includes consumption taxes, etc.
3. Terms and conditions of transactions and the policy of determining the terms and conditions of the transactions:
•Leases of real estate for commercial use are determined after negotiation, based on prices presented, etc.
•In regard to contracting of construction work, transaction amounts are determined in the same way as general transaction criteria.
4. There are no transactions with collateral or guarantee, and transactions are settled in cash. In addition, an allowance for doubtful accounts is established for receivables as general receivables, but as it is immaterial, disclosure is omitted.

Fiscal year ended February 28, 2019

Category	Name	Content of transactions	Amount of transactions	Amount of outstanding balances
			(Millions of yen)	(Millions of yen)
Subsidiary of parent company	Daimaru Matsuzakaya Department Stores Co. Ltd.	Lease of real estate for commercial use	276	5,562
Key management personnel of the Company and close members of the family thereof	Poppins Corporation (Note) 1	Contracting of construction work	131	0

(Notes) 1. Director Ms. Noriko Nakamura and her close members of the family hold a majority of voting rights.
2. Of the above amounts, the amount of transactions does not include consumption taxes, etc., while the amount of outstanding balances includes consumption taxes, etc.
3. Terms and conditions of transactions and the policy of determining the terms and conditions of the transactions:
•Leases of real estate for commercial use are determined after negotiation, based on prices presented, etc.
•In regard to contracting of construction work, transaction amounts are determined in the same way as general transaction criteria.
4. There are no transactions with collateral or guarantee, and transactions are settled in cash. In addition, an allowance for doubtful accounts is established for receivables as general receivables, but as it is immaterial, disclosure is omitted.

(3) Key management personnel compensation

Key management personnel compensation is as follows.

The key management personnel of the Group are Directors and Executive Officers of the Company in each fiscal year.

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	(Millions of yen)	(Millions of yen)
Base compensation, etc.	489	432
Share-based payment	—	76
Total	489	509

39. Commitments

As of February 28, 2018 and February 28, 2019, material commitments contractually committed to in regard to the acquisition of property, plant and equipment and investment property were 8,568 million yen and 5,237 million yen, respectively.

40. Subsequent Events

Not applicable.

41. Approval of Consolidated Financial Statements

The Company's consolidated financial statements were approved on May 27, 2019 by Kozo Makiyama, President and Representative Executive Officer.

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of PARCO Co., Ltd.:

We have audited the accompanying consolidated financial statements of PARCO Co., Ltd. and its consolidated subsidiaries , which comprise the consolidated statement of financial position as at February 28, 2019, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PARCO Co., Ltd. and its consolidated subsidiaries as at February 28, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG AZSA LLC

July 10, 2019
Tokyo, Japan

About PARCO

Corporate Profile (As of February 28, 2019)

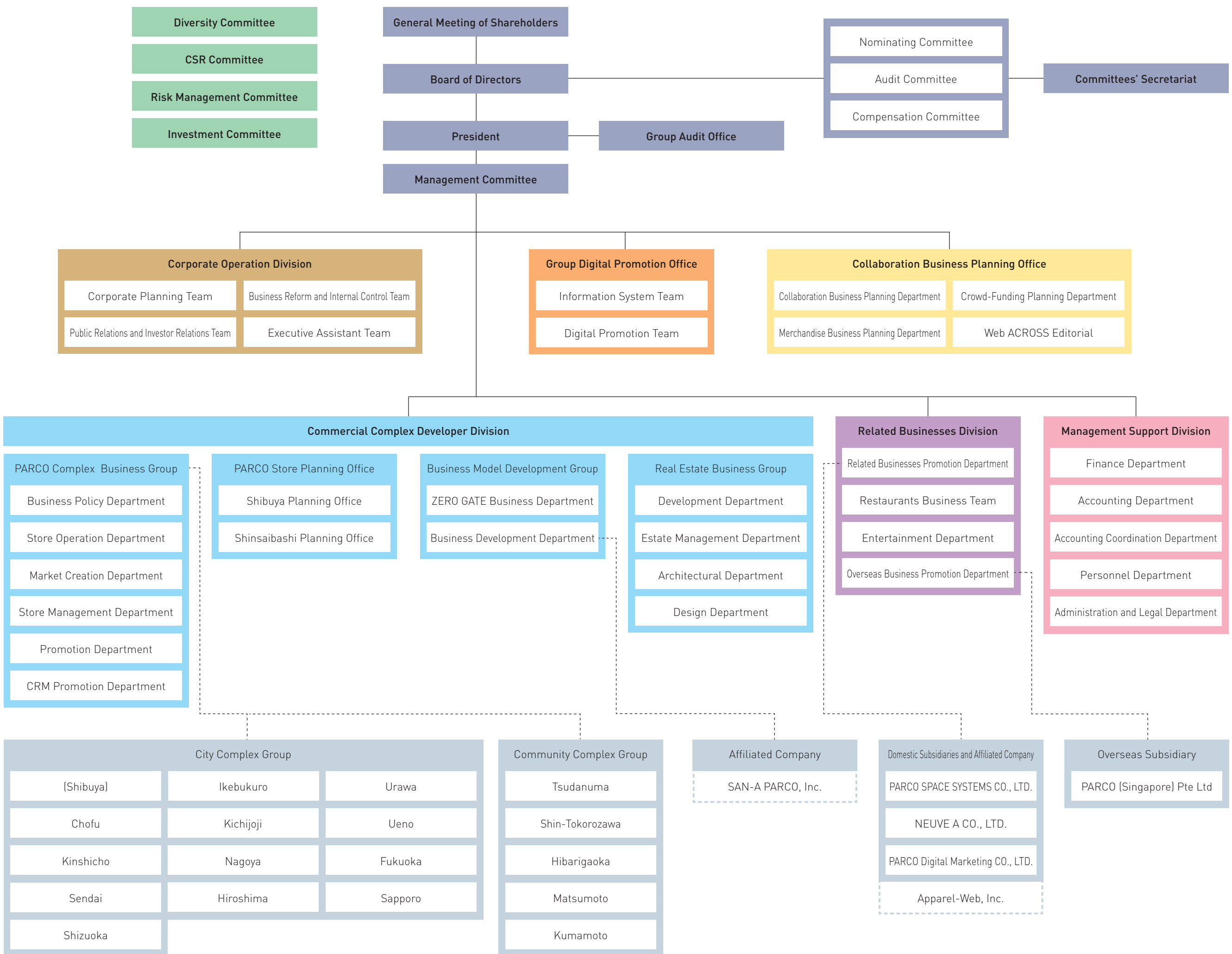
Company Name	PARCO CO., LTD.
Headquarters	1-28-2 Minami-Ikebukuro, Toshima-ku, Tokyo 171-0022, Japan
Head Office	Shibuya First Place Bldg. 8-16 Shinsen-cho, Shibuya-ku, Tokyo 150-0045, Japan
Founded	February 13, 1953
Paid-in Capital	¥34,367 million
Employees	651 (male 357, female 294)
Consolidated Employees	2,208
Consolidated Operating Revenue	¥89,969 million (Fiscal 2018)
Sales Floor Area	401,000 m^2
Tenants	2,035
Group Companies	NEUVE A CO., LTD. (Retail Business) PARCO SPACE SYSTEMS CO., LTD. (Space Engineering and Management Business) PARCO Digital Marketing CO., LTD. (Digital Marketing Business) PARCO (Singapore) Pte Ltd (Southeast Asia Shopping Center Development)

Corporate History

1953	Feb.	Established Ikebukuro Station Building Co., Ltd.
1954	Oct.	With the capital participation of Marubutsu Co., Ltd., the company shifted operations from the management of the Ikebukuro Station Building to the operation of department stores
1957	May	Changed company name to Tokyo Marubutsu Co., Ltd.
	Dec.	Started operation of department store under the name Tokyo Marubutsu
1963	Jul.	Tokyo Marubutsu Co., Ltd. became a registered stock with the Osaka Securities Dealers Association
1969	Jun.	Tokyo Marubutsu closed; commenced preparations for the establishment of the PARCO store
	Nov.	Opened Ikebukuro PARCO
1970	Apr.	Changed company name to PARCO CO., LTD.
1973	Jun.	Opened Shibuya PARCO Opened PARCO Theater (former Seibu Theater)
1975	Aug.	Opened Sapporo PARCO
1977	Jul.	Opened Tsudanuma PARCO
1980	Sept.	Opened Kichijoji PARCO
1981	Sept.	Opened Shibuya PARCO PART 3
1983	Jun.	Opened Shin-Tokorozawa PARCO
1984	Aug.	Opened Matsumoto PARCO
1986	May	Opened Kumamoto PARCO
1987	Jan.	Stock listed on the 2nd Section of the Tokyo Stock Exchange
1988	Jun.	Opened Shibuya CLUB QUATTRO (former QUATTRO by PARCO)
	Aug.	Stock listed on the 1st Section of the Tokyo Stock Exchange
	Sept.	Established PARCO PROMOTION CO., LTD.
1989	Apr.	Launched PEC Card
	May	Opened Chofu PARCO
	Jun.	Opened Nagoya PARCO
1991	Sept.	Acquired stake in SEIDENKO CO., LTD.
	Nov.	Established PARCO (Singapore) Pte Ltd
1993	Oct.	Opened Hibarigaoka PARCO
1994	Mar.	Opened Ikebukuro P'PARCO
	Apr.	Opened Hiroshima PARCO
1996	Apr.	Expanded floor space of Matsumoto PARCO
1997	Mar.	Opened Utsunomiya PARCO
1998	Nov.	Opened Nagoya PARCO South Building
2000	Mar.	Established PARCO-CITY CO., LTD.
	Sept.	Merged SEIDENKO CO., LTD. and PARCO ROMOTION CO., LTD.; adopted new corporate name of PARCO SPACE SYSTEMS CO., LTD.
2001	Jun.	NEUVE A CO., LTD. started operations
	Sept.	Opened Hiroshima PARCO New Building
2002	Apr.	Opened Shibuya ZERO GATE
2003	May	Adopted "Company with Committees System" (later renamed "Company with Three Committees" System)
2005	Feb.	Opened Pedi SHIODOME
2006	Mar.	Credit card PEC Card renamed as PARCO Card
2007	Mar.	Opened Shizuoka PARCO
	Oct.	Opened Urawa PARCO
2008	Aug.	Opened Sendai PARCO
2010	Mar.	Opened Fukuoka PARCO
2011	Apr.	Complex format of Shibuya ZERO GATE changed
2013	Apr.	Opened Shinsaibashi ZERO GATE Opened Dotonbori ZERO GATE
	Oct.	Opened Hiroshima ZERO GATE
2014	Oct.	Opened Nagoya ZERO GATE
	Nov.	Opened Fukuoka PARCO New Building
2015	Mar.	Expanded floor space of Fukuoka PARCO Opened Nagoya PARCO midi
2016	Feb.	Opened Sapporo ZERO GATE
	Jul.	Opened Sendai PARCO2
	Aug.	Temporarily closed Shibuya PARCO (PART 1, PART 3) for redevelopment
	Sept.	Opened Hiroshima ZERO GATE2
2017	Mar.	Changed company name from PARCO-CITY CO., LTD. to PARCO Digital Marketing CO., LTD.
	Nov.	Opened PARCO_ya Ueno Opened Kyoto ZERO GATE
2018	Mar.	Opened Harajuku ZERO GATE
	Sept.	Opened Sannomiya ZERO GATE
2019	Mar.	Opened Kinshicho PARCO

Organization Chart (As of March 31, 2019)

To realize the PARCO Group's Long-term Vision, we will promote our Medium-term Business Plan (FY2017-2021) and provide distinctive value in the form of inspirations, personal fulfilment, contentment, new lifestyles and more to consumers seeking their own fully satisfying brand of urban living through our three main social roles of "Incubation," "Urban Revitalization," and "Trends Communication."



* Shibuya store scheduled to open in fiscal 2019

Commercial Complex Developer Division

Consisting of the PARCO Complex Business Group, PARCO Store Planning Office, Business Model Development Group, and Real Estate Business Group, the division promotes the evolution of the real estate business as a producer of spaces for conducting stores business reforms and rebuilding the PARCO brand.

Related Business Division

Consisting of the Related Business Promotion Department, Restaurants Business Team, Entertainment Department, and Overseas Business Promotion Department, the division strengthens coordination with the PARCO stores business and works to prepare a foundation for related businesses.

Management Support Division

Consisting of the Finance Department, Accounting Department, Accounting Coordination Department, Personnel Department, and Administration and Legal Department, the division aims to strengthen functions that support growth and increase productivity throughout the overall PARCO Group.

Corporate Operation Division

Consisting of the Corporate Planning Team, Business Reform and Internal Control Team, Public Relations and Investor Relations Team, and Executive Assistant Team, the division promotes policies for maximizing corporate value by drafting business strategy and strengthening external communications, while also conducting business structure reforms and adding coordinating functions to internal controls. It also coordinates operations for promoting ESG.

Group Digital Promotion Office

Consisting of the Information System Team and Digital Promotion Team, the office coordinates the Group's overall ICT strategy, such as converting businesses to the omni-channel strategy, promoting business management reforms that utilize ICT, researching evolving technologies and providing support for the introduction of those technologies. The office also maintains close ties with the CRM officer of each Group company and strengthens functions for strategic information collection and analysis.

Collaboration Business Planning Office

Consisting of the Collaboration Business Planning Department, Crowd-Funding Planning Department, Merchandise Business Planning Department, and Web ACROSS Editorial, the office will work through a team comprised of internal and external members to expand the value of the PARCO Group's content and stimulate innovation, aiming to create new business through M&As and alliances and collaborations with partners in and outside the Group.

Stock Information (As of February 28, 2019)

Number of shares authorized	320,000,000
Number of shareholders	30,447
Number of shares issued and outstanding	101,462,977

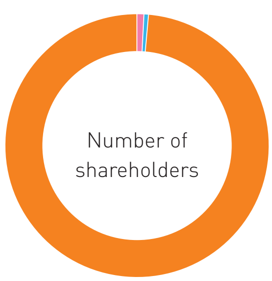
Stock Listings	The Tokyo Stock Exchange 1st Section
Independent Auditor	KPMG AZSA LLC

Principal Shareholders

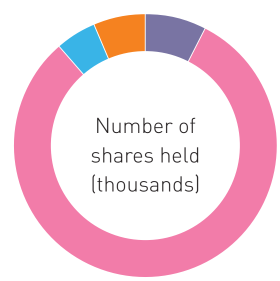
Name	Number of shares held (thousands)	Shareholding ratio (%)
J. FRONT RETAILING Co., Ltd.	65,922	64.98
Aeon Co., Ltd.	8,272	8.15
Credit Saison Co., Ltd.	7,771	7.66
Japan Trustee Services Bank, Ltd. (Trust Account)	3,571	3.52
MUFG Bank, Ltd.	930	0.92
BARCLAYS BANK PLC A/C CLIENT SEGREGATED A/C PB CAYMAN CLIENTS	906	0.89
Japan Trustee Services Bank, Ltd. (Trust Account 9)	758	0.75
UBS AG London Asia Equities	631	0.62
The Master Trust Bank of Japan, Ltd. (Trust Account)	614	0.61
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	589	0.58

* Shareholding ratios are calculated after deduction of treasury stock (5,771 shares).

Breakdown of Shares by Type of Shareholder

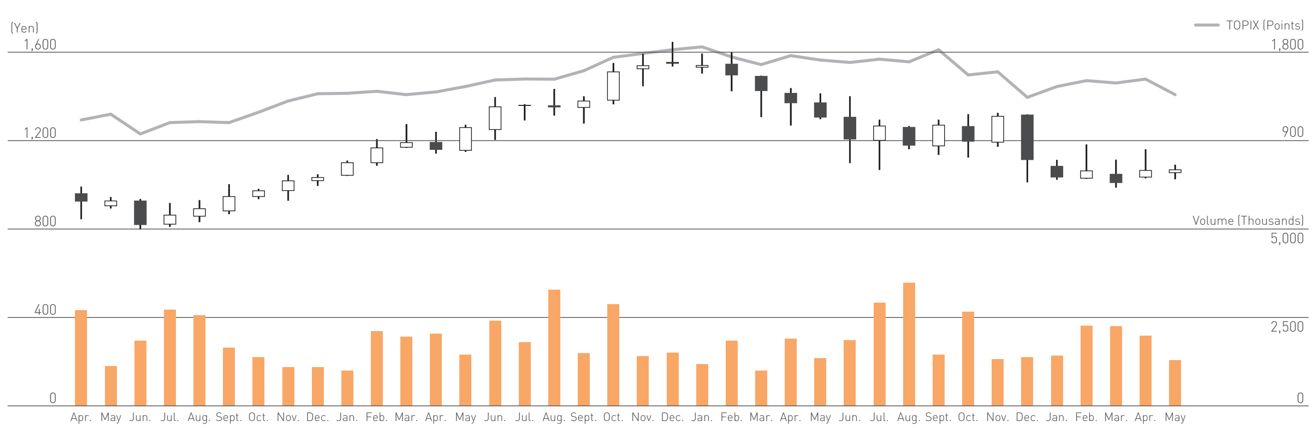


Japanese financial institutions and Japanese securities companies	47	0.2%
Other Japanese companies	291	1.0%
Foreign investors	166	0.5%
Japanese individuals and others	29,942	98.3%
Treasury stock	1	0.0%



Japanese financial institutions and Japanese securities companies	7,752	7.6%
Other Japanese companies	82,220	81.0%
Foreign investors	5,099	5.0%
Japanese individuals and others	6,384	6.3%
Treasury stock	5	0.0%

Stock Performance



Information on PARCO's Website

Store and Entertainment Information (Japanese)

www.parco.jp

Information is presented on PARCO stores, entertainment and more in an appealing manner using the latest Web functions.

About PARCO

www.parco.co.jp/en/

The website offers an intuitive introduction to PARCO Group business data, such as corporate and investor relations information, news releases, and information on our corporate social responsibility (CSR) activities.

There is also a PARCO Group Information Blog where we post the latest information

FACTBOOK 2019
Detailed management indicators can be found here.

Investor Relations

www.parco.co.jp/en/ir/

IR News			IR news and other timely disclosures are posted here.
Management policy			Visit here for Message from the President, Corporate Governance, Long-term Vision, Medium-term Business Plan, Business Risk, and Disclosure Policy.
Financial Data			Visit here for graphs of operating revenue, operating profit and other key financial indicators, with data downloadable in PDF and Excel formats.
IR Documents	Financial Reports	Financial Results	Check here for disclosure of quarterly financial results.
		FACTBOOK	The FACTBOOK provides disclosure of detailed information including key indicators on a consolidated and non-consolidated basis and an itemized breakdown of sales by category.
		Financial Presentations	Supporting materials from financial presentations are disclosed here.
		Results of Major Companies of PARCO Group	Here we disclose trends in business results for Group companies.
		Quarterly Report	PARCO's quarterly reports distributed to investors are posted here.
	Integrated Report		PARCO's latest Integrated Report is available in downloadable PDF and E@BOOK formats.
IR Calendar			View schedules for announcements of financial results and other events.
Stock and Bond Information	Stock Information		View information on PARCO's current principal shareholders and related matters.
	Guide to Shareholders		View various procedures, etc., related to shares.
	Shareholder Returns		View our dividend policy, dividends, and acquisition of treasury shares.
	Shareholder Rewards		Details concerning shareholder rewards can be viewed here.
	General Meeting of Shareholders		Convocation notices of the general meetings of shareholders can be viewed here.
	Stock Price Information		Information on PARCO's stock price is presented via Bloomberg.
	Ratings and Corporate Bonds		View information on ratings and bonds here.
Promotion of ESG Initiatives			View information on our environmental, social, and corporate governance activities.

Sustainability

www.parco.co.jp/en/csr/

View for an introduction to sustainability initiatives by the PARCO Group.

The President's CSR Message, PARCO's Fundamental CSR Policy, and CSR activities are reported here.

PARCO CO., LTD.
www.parco.co.jp

Printed in Japan

50年目の、新しいパルコ。