



PARCO

ANNUAL REPORT 2016

CONTENTS

Introduction

- 01 PARCO Corporate Mission and The Concept Behind Our Name
- 02 Three Social Roles of the PARCO Group
- 04 History of Value Creation
- 06 The PARCO Group Value Creation Process
- 08 To Our Stakeholders
- 10 PARCO SNAPSHOT
- 10 PARCO Group Business Fields
- 12 PARCO Business Model
- 14 PARCO Stores
- 16 Consolidated Financial and Non-Financial Highlights

Strategy

- 18 Interview with the President

Special Feature

- 28 Feature: In 2019, a New Stage for Shibuya PARCO

Performance

- 32 Success of Value Creation
- 32 Group Business Overview
- 32 Shopping Complex Business
- 36 Retail Business
- 37 Space Engineering and Management Business
- 38 Other Business
- 39 New PARCO Group Initiatives
- 40 Produced by PARCO Brand
- 40 Michihiko Yanai Talks with Hajime Inoue
- 40 PARCO Incubation
- 42 PARCO Entertainment
- 44 PARCO Group CSR

Corporate Governance

- 46 Corporate Governance
- 48 Message from the Committee Chair
- 49 Responding to the Corporate Governance Code
- 53 Board of Directors and Officers


Financial Section

- 54 Management's Discussion and Analysis
- 60 Consolidated Balance Sheets
- 62 Consolidated Statements of Income
- 63 Consolidated Statement of Comprehensive Income
- 64 Consolidated Statements of Changes in Net Assets
- 65 Consolidated Statements of Cash Flows
- 66 Notes to Consolidated Financial Statements
- 85 Independent Auditor's Report

Corporate Information

- 86 Information on PARCO's Website
- 87 About PARCO
- 88 Organization Chart
- 89 Stock Information

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

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

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

 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 Annual Report 2016" 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," "Three Social Roles of the PARCO Group," 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.

The design expresses the aspiration that, by combining like blocks the varied and diverse businesses of the PARCO Group, PARCO will become a company that offers a diverse array of value.

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 striving to create new value that surpasses what customers expect in order to provide a space where people can feel happy and inspired.

Three Social Roles of the PARCO Group

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

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

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.





▶ P28-31 Feature: In 2019, a New Stage for Shibuya PARCO

History of Value Creation

1970s

High economic growth	Stable growth
1970 10.3%	1973 8.1%
	1975 3.2%

- News**
- American Way of Life
 - 70 Japan World Exposition (Osaka Expo)
Breakup of The Beatles
 - 71 McDonald's first shop opened
Pierre Cardin and Yves Saint Laurent entered the Japanese market
 - 73 First oil crisis
 - 77 Karaoke appeared
Number of convenience stores open late at night increased
 - 78 Louis Vuitton's first store opened
Narita Airport opened
 - 79 Second oil crisis
WALKMAN launched

1980s

High consumption society	Bubble economy
1980 2.7%	1985 6.6%
	1988 7.3%

- Creation and diversification of lifestyle consumption
- Spread of emotional consumption and time/space consumption
- 81 Café bars and fringe theaters appeared
PC sales exceeded one million units
Family computers appeared
Tokyo Disneyland opened
- 84 Compact Disc (CD) launched
Agnes b opened its first boutique in Japan
Plaza Accord
- 85 Michael Jackson and Madonna fads
- 86 Equal Employment Opportunity Act for Men and Women
Chernobyl nuclear plant disaster
- 87 Division and privatization of Japan Railways
Tiffany & Co. gained phenomenal popularity
- 88 Tokyo Dome opened
- 89 Tiananmen Square incident
Fall of the Berlin Wall
Consumption tax (3%) introduced

1990s

The Heisei Recession (the lost decade)			
1990 5.1%	1993 0.3%	1996 1.9%	1998 -1.6%

- Real value (cost performance) conscious realistic consumption
- 90 Barneys New York and United Arrows opened their first stores
- 91 The bubble economy collapsed
The post-modern era
- 92 Revision of the large-scale retail store law
Pocket Bell (pager) boom
- 93 Soccer J-League launched
- 94 Japanese animation boom
- 95 The Great Hanshin-Awaji Earthquake
PHS and mobile phones gained popularity
Windows95 launched
- 96 Print Club (instant photo sticker) boom
- 97 Tamagotchi (toy game) boom
Neo-Japonism drew attention
Consumption tax hike (5%)
- 98 100-yen shops increased rapidly
Japan made its FIFA World Cup debut in France
- 99 i-mode launched

History of PARCO



1975
"Even models need more than a pretty face"

Era of PARCO Founding



1983
New wave illustrates series "very parco"

Era of PARCO Development



1996
"GO! PARCO"

Era of PARCO Growth



1969
Opened Ikebukuro PARCO
With the slogan "A New City, A New Night, A New IKEBUKURO," we proposed the enjoyment of "night shopping" after 5 PM on the way home from work as a new consumption style, with "21-year-old office ladies" as the core target.



1980
Opened Japan graphics exhibit and Japan objet d'art exhibit (selection and display of graphic art and objects by young Japanese artists)
The exhibit was started to identify talented new illustrators and photographers. Artists at the forefront of their fields were among the first panel judges, with many former winners now artists with global portfolios.



1988
Opened Shibuya PARCO QUATTRO (former QUATTRO by PARCO)
Started as the fourth Shibuya PARCO in the ongoing effort to identify quality music and new culture, this venue offering good, borderless live music created the adjective "Shibuya-style" in the 1990s.



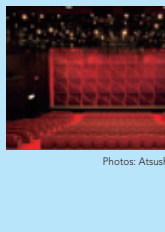
1973
Opened Shibuya PARCO
Contributed to ad creation and district formation with ad campaigns such as "Shibuya Park Street - where the people you pass are beautiful." and "The Shibuya Broadway Project," and through flourishes added to the local environment and cultural activities.



1981
Opened Shibuya PARCO PART 3
With consumption becoming more individualized and diverse, the opening of Shibuya PARCO PART 3 sought to propose not only original fashion, but abundant lifestyles in areas such as sports, sound, interiors and general merchandise.



1989
Opened Nagoya PARCO
With this site, we offered the "24-hour shopping center" as a new consumption style for Nagoya. In addition to CLUB QUATTRO, the location included a show pub, hotel, planetarium and fitness facilities.



1973
Opened PARCO Theater (former Seibu Theater)
As one image strategy for Shibuya PARCO, started marketing the site as a space with innovative advertising and a base for our cultural strategy to fulfill the intellectual curiosity of consumers. This culminated in the showing of many avant-garde artistic works, building Shibuya PARCO's reputation as a venue where visitors can always see something new.



1983
Opened Shin-Tokorozawa PARCO
PARCO presented the so-called "Fourth Yamanote Lifestyle" in which young people were encouraged to enjoy a suburban lifestyle. This move expanded trends communication about urban lifestyles to provincial areas and the suburbs. Shin-Tokorozawa PARCO featured a movie theater, creating a new suburban lifestyle as a multifunctional shopping center.



1999
Opened single-screen theater CINE QUINTO
From the desire to make mini theaters, their reputation for showing obscure or minor films, more accessible, CINE QUINTO offers customers cinematic works with high entertainment value under the concept of providing world entertainment.
©1998 Lions Gate Films Inc. All Rights Reserved.

- 74 Published first issue of Bikkuri Hausu (Surprise House)
- 75 Start of Parco Publishing
- 77 Published first issue of ACROSS Monthly
- 80 Started "fixed-point observation" of street fashion marketing

- 86 Opened PARCO Gallery
- 87 Stock listed on the 2nd Section of the Tokyo Stock Exchange
- 88 Stock listed on the 1st Section of the Tokyo Stock Exchange
- 89 Launched PARCO Card (former PEC Card)

- 89 First issue of Free Paper Gomes
- 91 Established PARCO (Singapore) Pte Ltd
- 92 Launched urban art exhibit (selection of works by Japanese artists)

2000s

2010s

Surpassed Izanagi economic boom
(Japan's rapid growth period from 1965 to 1970)

Worldwide recession

Low growth

2000
2.0%

2006
0.8%

2009
-4.0%

2010
3.5%

2015
0.6%

Information-divide consumption/diversification + multi-dimensional consumption

- 00 IT venture boom
BS digital broadcasting launched
French retailer Carrefour entered the Japanese market
Recycling stores became popular
Online auctions became popular
- 01 September 11 terrorist attacks
Broadband ADSL started
- 02 Outlet shopping malls increased
- 03 "Slow Life" became a buzz phrase
- 04 iPod mini appeared
Online media grew rapidly
Social media gained popularity
Maid café boom
- 05 iPod nano launched
COOL JAPAN

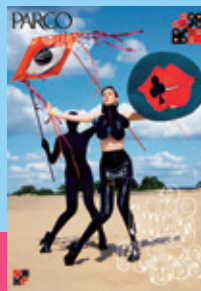
- 06 Three laws relating to urban development and retail business were revised
IKEA entered the Japanese market
- 07 Michelin Guide Tokyo published
Crocs boom
- 08 Bankruptcy of Lehman Brothers
Many brands entered character business
H&M entered the Japanese market
Boy bands and girl bands wage fierce competition (so-called "Pop Idol Wars")
- 09 Twitter and blogs gained popularity
Forever 21 entered Japan
Democratic Party of Japan established a cabinet
Outlet shopping malls opened one after another

- 10 Facebook gained popularity
Smartphones appeared
- 11 The Great East Japan Earthquake and the Fukushima Daiichi nuclear power plant accident
Pop singer Kyarypamyu pamyu debut
- 12 Fashion x IT
Curation media
- 13 Tokyo selected as the 2020 Olympics and Paralympics site
Shared housing became popular
- 14 Consumption tax hike (8%)
Instagram gained popularity
- 15 Youtubers increased
Number of annual tourists visiting Japan exceeded 19 million



2005
"PARCO SAYS,"

Era of PARCO Transformation



2016 Spring-Summer Campaign
"Anna, from Moon Phases to Moon Faces."

Era of PARCO Evolution



2000
Established PARCO-CITY CO., LTD.
2001
NEUVE A CO., LTD. started operations
Start of operations for NEUVE A CO., LTD., a specialty store business proposing new lifestyles to mature urban markets and consumers, and Web consultant business PARCO-CITY CO., LTD.



2010
Opened Fukuoka PARCO
As the first store following the rebirth of PARCO, space dedicated to apparel was reduced from 50% to 30%, while products such as general merchandise and accessories, food and beauty items were expanded. The result upon opening was a store ready for a diverse range of reasons to shop.



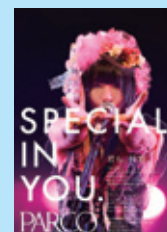
2014
Proprietary Utilization of Advanced ICT
PARCO offers an array of Web services designed to optimally highlight the appeal of its stores. Shop staff use blogs and other social networking services to deepen communication with customers. Through the Web, we offer a round-the-clock PARCO shopping experience.



2003
30th anniversary of Shibuya PARCO
With the slogan "VIA PARCO Renaissance," we carried out a three-year major renovation designed to leap a step ahead in value provision when recommending new lifestyles to consumers in mature urban markets. This move saw the introduction of concept shops proposing the enjoyment of cuisine, and stronger initiatives in partnership with next-generation designers.



Started PARCO arranged shops
At Fukuoka PARCO, we launched select shops produced by PARCO. These shops, where products are displayed and sold based on planned themes that change monthly, feature merchandise from around Japan from enterprises, authors and designers experimenting in fields such as fashion, general merchandise and food. Shibuya PARCO also began operating these arranged shops in 2012, which now encompass cooperation with over 400 business owners.



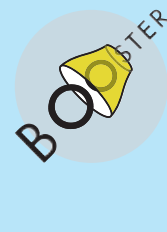
Launched PARCO Corporate Message "SPECIAL IN YOU."
As a company that since its founding has supported talented people in having the confidence to pave the way to the future, PARCO launched the corporate message "SPECIAL IN YOU." to focus in on its incubation (support for the next generation) activities. To this end, we aggressively pursue incubation in our business fields.



Start of New Initiatives for the Entertainment Business
Leveraging expertise and networks cultivated at PARCO Theater, from the late 1990s forward, we moved assertively to present stage productions at other venues. We also expanded our film production and rights business further, which contributed to the revival of Japan's film culture.



2011
Started ZERO GATE business
ZERO GATE was launched as a new business model designed for efficient operations pegged to scale by leveraging its role as a medium- to economy-priced shopping center in a prime city center location.



Started PARCO crowd-funding via BOOSTER
With the launch of BOOSTER, PARCO has a mechanism that supports the realization of projects across the entire spectrum of creative content, and allows it to join forces with individual consumers to put innovative new challenges out in the world. By taking advantage of PARCO Group strengths, we use the Web and physical reality (PARCO stores) to support business owners in growing their enterprises.

- 00 Changed name to PARCO SPACE SYSTEMS CO., LTD.
- 00 Launched Web ACROSS
- 11 Received the Kinokuniya Theater Prize's Group Award
Shibukaru Festival started

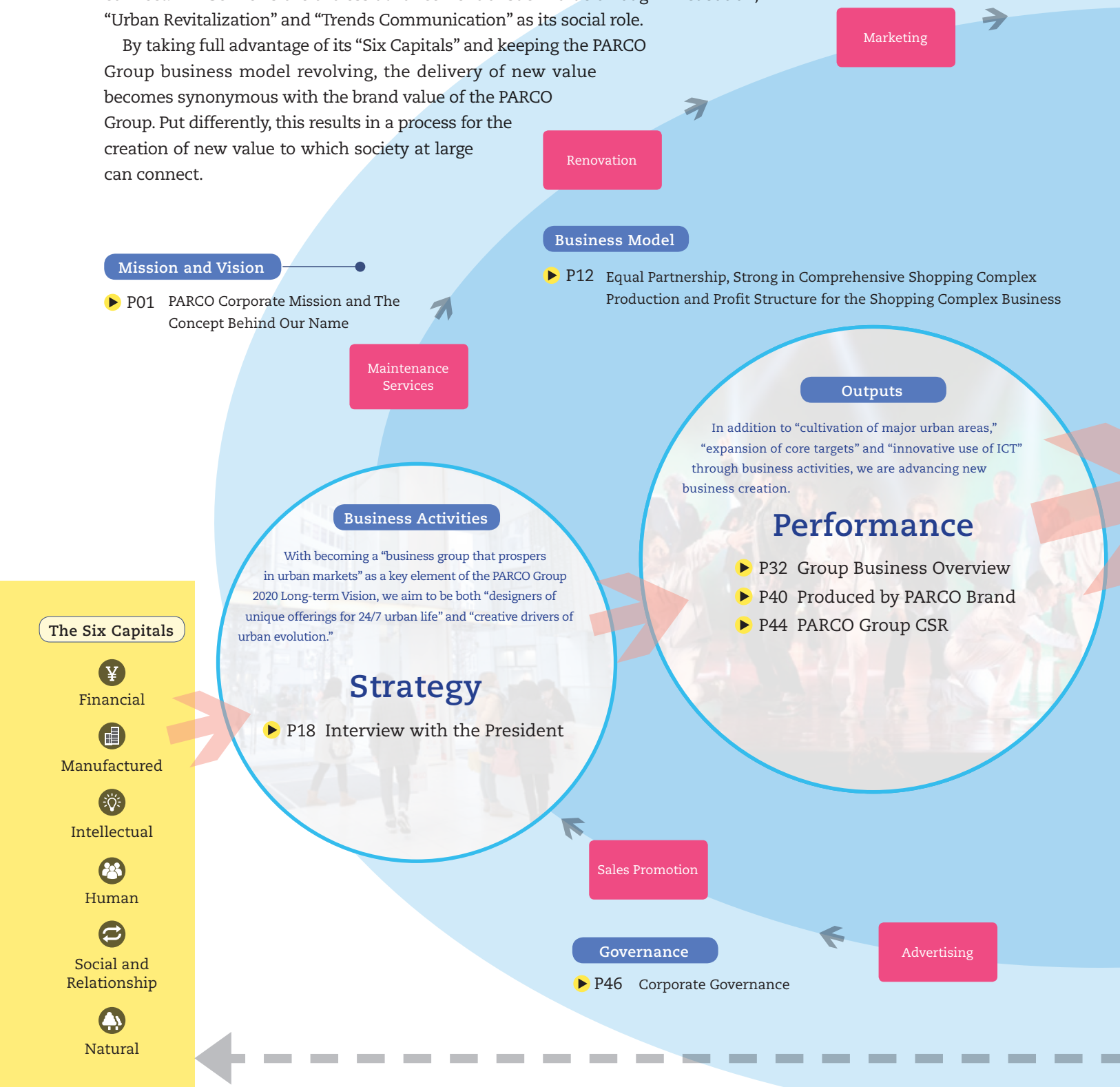
- 12 Strengthened development of new business formats for the digital age
Enacted COOL JAPAN outsourcing business in Singapore
- 13 Development of P-WALL digital signage with teamLab
- 14 Started collaboration cafes

- 14 Recorded 400th ACROSS street fashion check
Opened QUATTRO LABO music cafe and bar
Launched THE GUEST cafe & dinner character collaboration cafe
- 15 Opened neo-bistro " & éclé "

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.





The Six Capitals

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

- Financial** (¥ icon): Boosting financial and shareholder value
- Manufactured** (factory icon): PARCO stores that are futuristic, innovative and brimming with hospitality
- Intellectual** (lightbulb icon): Improving operational value
- Human** (people icon): Enhancing human resources and client value
- Social and Relationship** (handshake icon): Customer understanding, confidence and trust
- Natural** (tree icon): Creating commercial spaces with minimal environmental footprint

Sustainable growth

To Our Stakeholders

With becoming “a business group that prospers in urban markets” as a key element of the PARCO Group 2020 Long-term Vision, the PARCO Group aims to be both “designers of unique offerings for 24/7 urban life” and “creative drivers of urban evolution.” Based on management policies and business strategies for achieving our Long-term Vision, we formulated the Medium-term Business Plan (FY 2014-2016), scheduled to conclude at the end of the current fiscal year.

The domestic consumer environment is witnessing a dramatic transformation in market structure, particularly as urban populations rise in step with globalization and an ongoing return to urban areas, coupled with changes in the generational makeup of the population and more diverse customer needs triggered by increasing ICT sophistication. Outside of Japan, along with China’s maturing market, cities in the ASEAN region are entering a growth phase. Taken together, these changes signal that a plethora of new business opportunities are now emerging. To ensure that we capture these global changes and translate them into business opportunities, we are revolutionizing our business portfolio under the Medium-term Business Plan by spurring progress in existing businesses and adding vigorous support to new operations.

As steps to advance our existing businesses, in fiscal 2015, the year ended February 29, 2016, we enhanced services that enable customers to have the PARCO shopping experience anywhere 24 hours a day, with the aim of offering a new PARCO shopping experience through innovative use of ICT. We also moved to put a more comfortable working environment in place for PARCO tenant staff. Similarly, in fiscal 2015 we increased floor space in the Fukuoka PARCO Main Building and opened Nagoya PARCO midi, a store that not only offers fashion but also proposes new lifestyle options in areas such as food, general merchandise and digital culture.

As steps to strengthen new business, the ZERO GATE business, which focuses on operational efficiency by taking advantage of prime locations in urban centers, progressed smoothly, and saw the opening of Sapporo ZERO GATE as the sixth store in this chain. Scheduled openings going forward include Hiroshima ZERO GATE2, Kyoto ZERO GATE (tentative name), and Sannomiya ZERO GATE (tentative name).

As a result of this evolution in existing businesses and enhancement of new business, in fiscal 2015, operating and ordinary income both reached record highs for a fourth consecutive year. Furthermore, we are planning to raise the dividend scheduled for payment in fiscal 2016.

In conjunction with final decisions on April 6, 2016 regarding our redevelopment plan within the Udagawacho 15 Development Project, the decision was made to temporarily close Shibuya PARCO PART 1 and PART 3 after August 7, 2016, as part of the rebuilding necessary for the project. As our flagship store, Shibuya PARCO has played a critical role in cultural trends communication through the proposal of high-quality fashion and lifestyles and entertainment, and remains an essential store as the point of origin for the PARCO brand.

After my appointment as president, I used the phrase “evolving from our point of origin” in promoting business with the idea that we needed to closely review our roots to drive PARCO’s advancement forward. This urban redevelopment plan is responsible for delivering a next-generation global shopping center, and recognizes the importance of this business for making the PARCO Group’s aspirations to be “a business group that prospers in urban markets” a reality.

A newly redeveloped Shibuya PARCO will be ready for the maturity of urban markets, as well as technological innovation and other societal changes. To ensure it can become a hub for “Trends Communication,” we will push the evolution of this point of origin created by Shibuya PARCO over the years even further, as we aim for a next-generation global shopping center that breaks the mold of what a commercial facility is today.

We ask for the continued understanding and support of our many stakeholders as we move forward.

July 2016

PARCO CO., LTD.
President and Representative Executive Officer

Kozo Makiyama



PARCO Group Net Sales and Operating Income Composition

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.

Shopping Complex Business ▶ P32



Shibuya PARCO

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.

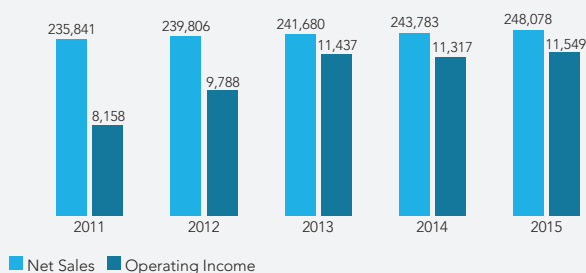
On the retail side, this business seeks to improve the sales of each tenant by enhancing the appeal of new shopping complex additions through renovation, attracting customers through advertisement and sales promotion activities, and by offering detailed tenant support. On the real estate side, this business 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 is involved in the promotion of ZERO GATE as a new business model, as well as undertaking property management/consulting work.

PARCO CO., LTD.		www.parco.co.jp/en/
Head Office	8-16 Shinsen-cho, Shibuya-ku, Tokyo	
Established	February 13, 1953	
Net Sales	¥249,366 million	
Operating Income	¥11,731 million	
Paid-in Capital	¥34,367 million	
Employees	630	
No. of locations (PARCO/ZERO GATE)	19 locations/6 locations	

Net Sales and Operating Income

(Millions of yen)



Retail Business ▶ P36



POKER FACE KYOTO TRADITION (An independent store on Teramachi-dori, Kyoto)

The Retail Business is centered on NEUVE A CO., LTD., which develops and operates select stores based on a five-business structure consisting of wristwatches, eyewear, cosmetics, fashion accessories, and business format development.

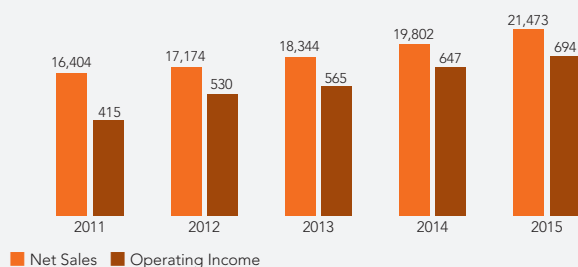
Guided by the concept of being a "group specializing in unique aspects of fashion," NEUVE A has 200 store locations across Japan (as of February 2016) and an online store, with 72 new locations opening in just the last five years. NEUVE A aims to expand earnings by enhancing its lineup of original goods, taking steps to develop new business formats, and promoting the opening of stores in highly fashionable commercial facilities in established and emerging urban centers.

(As of February 2016, 143 non-PARCO locations, with 71.5% of locations outside of PARCO)

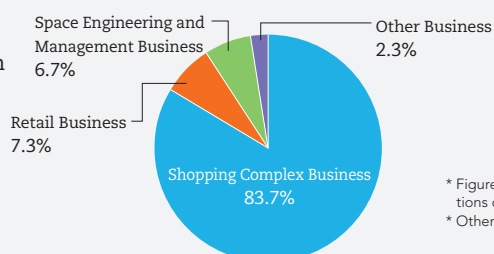
NEUVE A CO., LTD.		www.neuve-a.com
Head Office	8-16 Shinsen-cho, Shibuya-ku, Tokyo	
Established	June 1, 2001	
Net Sales	¥21,473 million	
Operating Income	¥694 million	
Paid-in Capital	¥490 million	
Employees	556	
No. of locations	200	

Net Sales and Operating Income

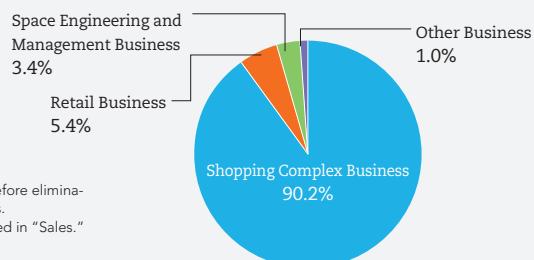
(Millions of yen)



Net Sales Composition (Fiscal 2015)



Net Income Composition (Fiscal 2015)



* Figures calculated using figures before eliminations of inter-segment transactions.
* Other operating revenue is included in "Sales."

Space Engineering and Management Business ▶ P37



Won an interior design planning and construction order from Détour à Bleuets (Jingumae, Tokyo)

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.

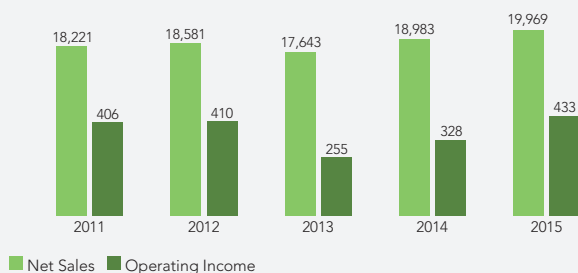
For shopping complexes, specialty stores, public facilities, large-scale city hotels, medical facilities, museums, and other facilities where users value aesthetic design and comfort, we take advantage of PARCO's deep expertise to help sustain and enhance the business partner's asset value.

PARCO SPACE SYSTEMS CO., LTD. www.parco-space.co.jp

Head Office	8-16 Shinsen-cho, Shibuya-ku, Tokyo
Established	April 1, 1969
Net Sales	¥19,969 million
Operating Income	¥433 million
Paid-in Capital	¥490 million
Employees	867
No. of locations	30

Net Sales and Operating Income

(Millions of yen)



Other Business ▶ P38



Planned and developed an application for Pepper, a humanoid robot that can read human emotions

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.

Web-based Consulting Business

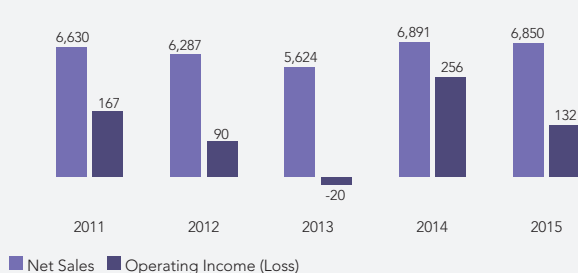
PARCO-CITY CO., LTD., responsible for the web-based consulting business, offers PARCO and a host of other commercial facilities and specialty stores consulting services in areas such as web-based sales promotions, as well as HR recruitment and training. Together with Group companies PARCO and NEUVE A, PARCO-CITY is involved in the development of effective services and applications for the sales floor. Its impressive track record and expertise have won PARCO-CITY praise from many companies in Japan, where it has provided ICT utilization support to over 100 commercial facilities and specialty stores.

PARCO-CITY CO., LTD. www.parco-city.co.jp

Head Office	8-16 Shinsen-cho, Shibuya-ku, Tokyo
Established	March 1, 2000
Net Sales	¥866 million
Operating Income	¥32 million
Paid-in Capital	¥10 million
Employees	60

Net Sales and Operating Income (Loss)

(Millions of yen)

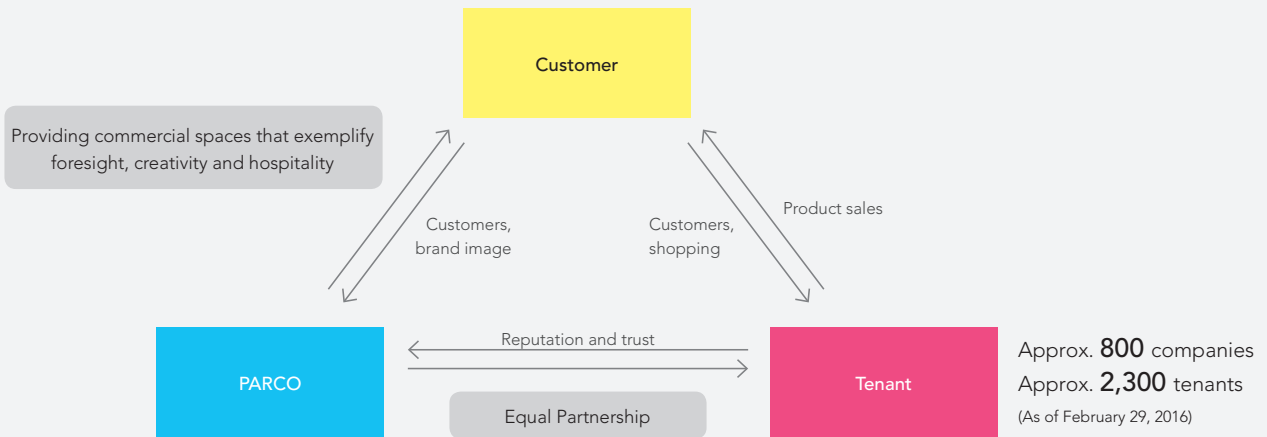


Equal Partnership

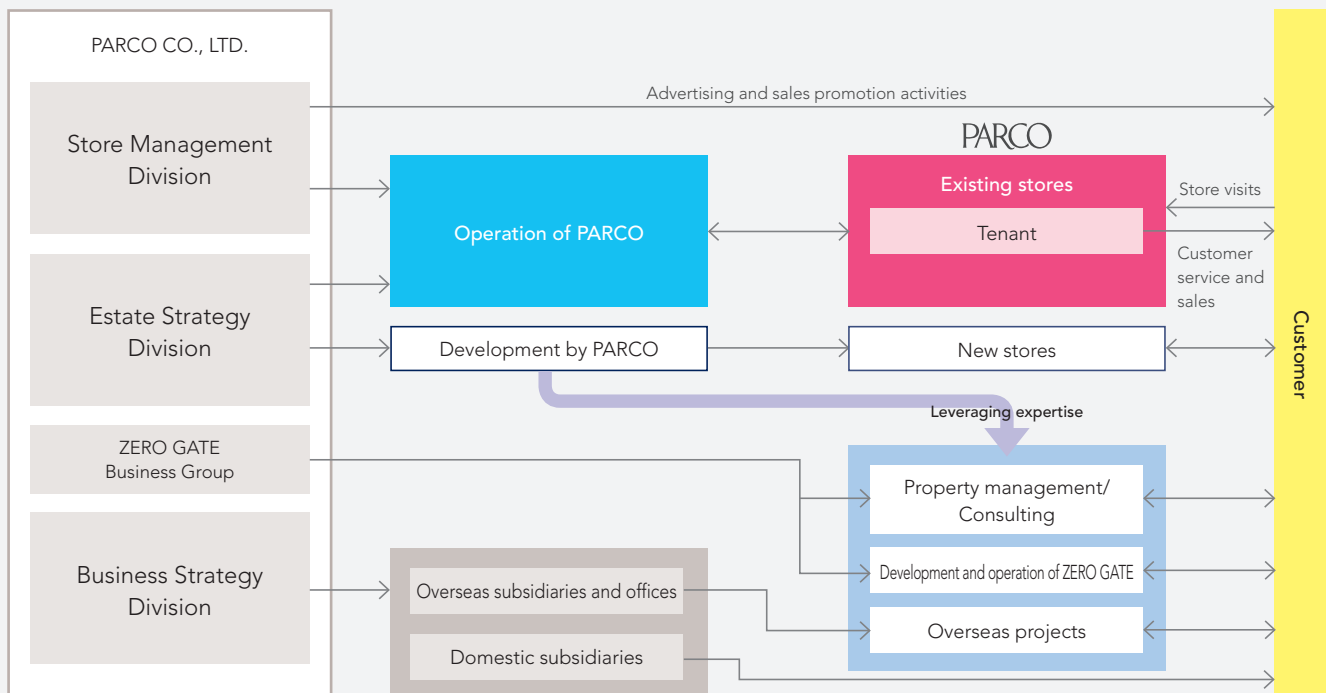
One of the main characteristics that distinguishes the PARCO Group's core Shopping Complex Business is our equal partnership with tenants. We view our tenants as partners with whom we can grow and develop by virtue of our mutually shared values. Every one of our corporate divisions at PARCO headquarters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

The Store Management Division is responsible for comprehensive oversight and support pertaining to the management of each store. The Estate Strategy Division proposes and enacts policies regarding the strategic utilization of owned real estate, and promotes the development of new real estate in ways that contribute to the PARCO business and shopping complexes based on new business formats. The ZERO GATE Business Group and Business Strategy Division, meanwhile, take advantage of expertise from the operation and development of PARCO shopping complexes in new businesses.

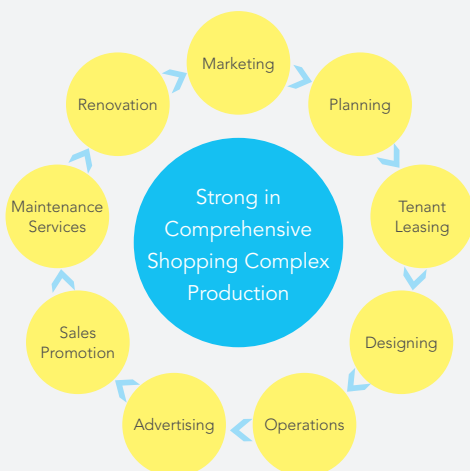
Building "Win-Win" Relationships through Strong Ties of Trust with Tenants



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



Strong in Comprehensive Shopping Complex Production



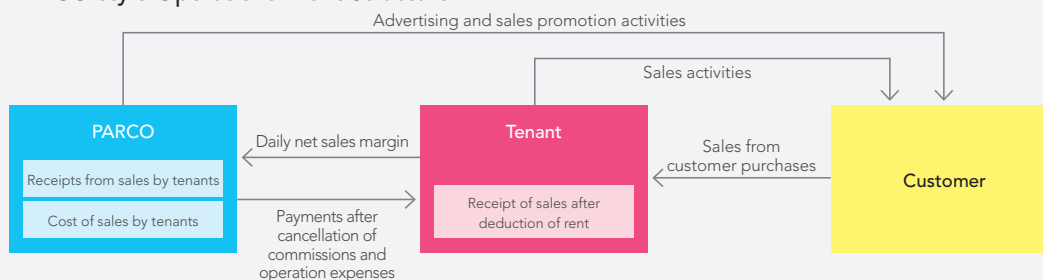
The production of shopping complexes involves marketing in the area of the store, planning the building from the proposal stage onward, the selection of tenants and design of environments that fit the concept, and the store's management. At the same time, we enhance customer appeal through advertising 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.

Profit Structure for the Shopping Complex Business

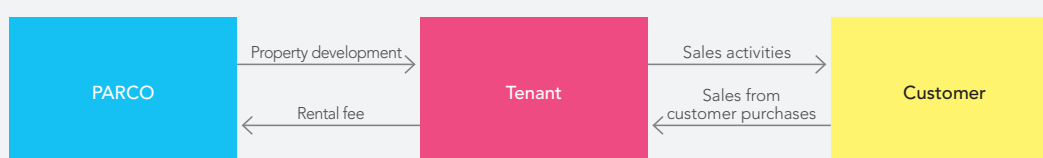
Under store lease agreements, tenants conduct sales with the support of PARCO's advertising, sales promotion and other marketing activities. PARCO receives the revenue that these tenants generate through sales to customers as its net sales. After a certain period of time, PARCO pays tenants a commission on these sales after deduction of rent and other items. 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 a certain amount of sales and a lower rate applying beyond a certain sales amount. The setting of a minimum rent amount hedges the risk of stagnant sales. The application of a diminishing rent 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 rent rate decreases. At the same time, PARCO's rent 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



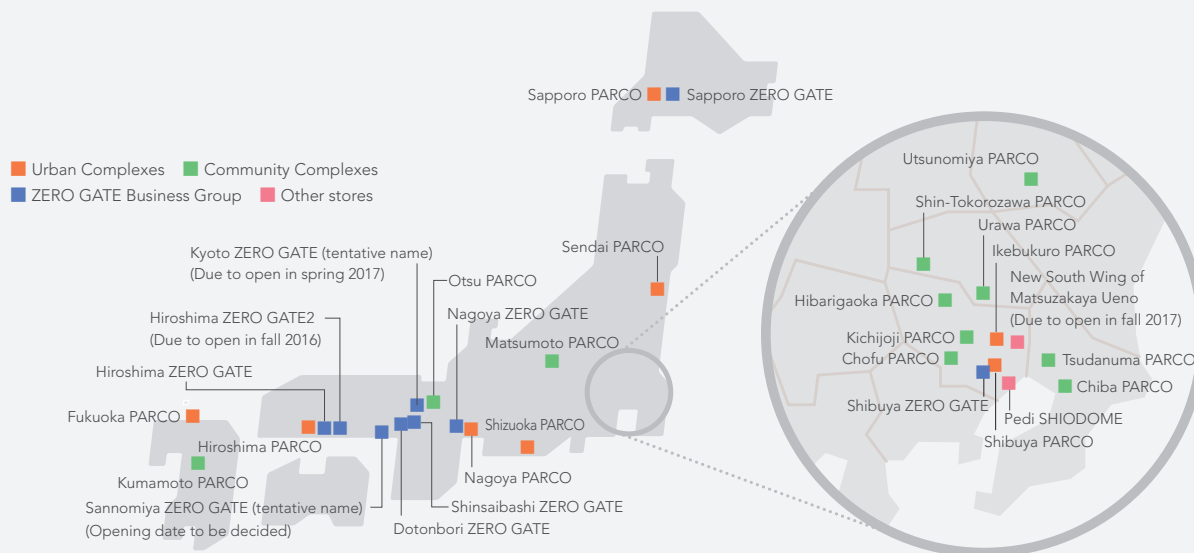
PARCO Stores

Development of Stores in the Shopping Complex Business

We operate PARCO Complexes as either Urban Complexes or Community Complexes, depending on the target market and are also strengthening our ZERO GATE business as a new business model.

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 19 shopping complexes according to function based on their target market characteristics. After categorizing a complex as either an Urban 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.

The ZERO GATE Business Group is strengthening the development of urban low- to medium-rise commercial facilities as a new business model established in the Shopping Complex Business. The Group is currently opening five facilities.



Urban 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

3-3 Minami-Ichijo Nishi, Chuo-ku, Sapporo City, Hokkaido
B2F-8F

Open 24 August, 1975
sapporo.parco.jp



Shibuya PARCO

15-1 Udagawa-cho, Shibuya-ku, Tokyo

PART 1: B1F-9F
Open 14 June, 1973
PART 3: B1F-8F
Open 10 September, 1981

CLUB QUATTRO: 4F-5F

Open 28 June, 1988

ZERO GATE: B1F-4F

Open 27 April, 2002

From April 16, 2011, it changed its business format to a ZERO GATE business.

shibuya.parco.jp

* Part 1 and Part 3 will be temporarily closed after 7 August, 2016.



Shizuoka PARCO

6-7 Koyamachi, Aoi-ku, Shizuoka City, Shizuoka
B1F-8F

Open 15 March, 2007
shizuoka.parco.jp



Sendai PARCO

1-2-3 Chuo, Aoba-ku, Sendai City, Miyagi

Main Building: B1F-9F

Open 23 August, 2008

sendai.parco.jp

Sendai PARCO2

3 Chuo, Aoba-ku, Sendai City, Miyagi

Open 1 July, 2016



Fukuoka PARCO

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



Ikebukuro PARCO

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



Nagoya PARCO

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

mid: 1F-3F

Open 27 March, 2015

nagoya.parco.jp



Hiroshima PARCO

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



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.

Utsunomiya PARCO

3-1-1 Baba-dori,
Utsunomiya City, Tochigi
B1F-10F
Open 20 March, 1997
utsunomiya.parco.jp



Shin-Tokorozawa PARCO

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



Matsumoto PARCO

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



Urawa PARCO

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



Hibarigaoka PARCO

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



Otsu PARCO

14-30 Uchidehama,
Otsu City, Shiga
B1F-8F
Open 2 November, 1996
otsu.parco.jp



Chiba PARCO

2-2-2 Chuo, Chuo-ku,
Chiba City, Chiba
B1F-8F
Open 1 December, 1976
chiba.parco.jp
* Scheduled to be closed in November, 2016.



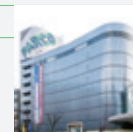
Kichijoji PARCO

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



Kumamoto PARCO

5-1 Tetorihoncho, Chuo-ku,
Kumamoto City, Kumamoto
B1F-9F
Open 2 May, 1986
kumamoto.parco.jp



Tsudanuma PARCO

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



Chofu PARCO

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



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.

Shibuya ZERO GATE

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



Nagoya ZERO GATE

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



Shinsaibashi ZERO GATE

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



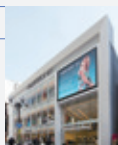
Sapporo ZERO GATE

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



Dotonbori ZERO GATE

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



Hiroshima ZERO GATE2

9-3 Hondori, Naka-ku,
Hiroshima City, Hiroshima
1F-3F
Due to open in fall 2016



Hiroshima ZERO GATE

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



Kyoto ZERO GATE (tentative name)

84 Shijo Street Takakura Higashiiru,
Tachiurinakanochi, Shimogyo-ku,
Kyoto City, Kyoto
B2F-7F
Due to open in spring 2017



Sannomiya ZERO GATE (tentative name)

2-11-3 Sannomiya-cho, Chuo-ku, Kobe City, Hyogo
Opening date to be decided

Other Stores

Pedi SHIODOME

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



New South Wing of Matsuzakaya Ueno

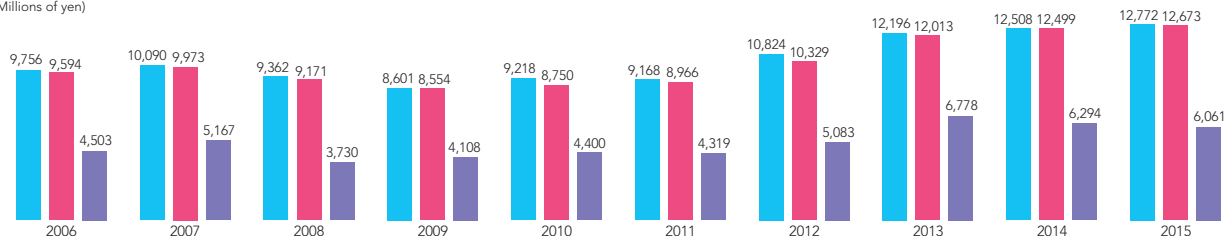
22-3 Ueno, Taito-ku, Tokyo
1F-6F
Due to open in fall 2017



As of May 31, 2016

Operating Income / Ordinary Income / Net Income

(Millions of yen)



■ Operating Income ■ Ordinary Income ■ Net Income

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Net Sales	259,789	264,779	264,384	269,889	276,358
Operating Income	9,168	10,824	12,196	12,508	12,772
Ordinary Income	8,966	10,329	12,013	12,499	12,673
Net Income	4,319	5,083	6,778	6,294	6,061
EBITDA*1	15,508	16,926	18,052	18,402	19,010
Cash Dividend per Share (Yen)	17.00	18.00	18.00	18.00	20.00
Return on Assets (ROA) (%)*2	4.2	5.0	5.6	5.6	5.5
Return on Equity (ROE) (%)	5.2	5.4	6.4	5.7	5.3
Sales Floor Areas (Non-consolidated) (m ²)	443,000	442,600	442,600	451,000	456,000
Area Renovated (Non-consolidated) (m ²)	64,000	53,000	44,000	46,000	40,000
PARCO Card Sales Amounts	44,738	49,214	52,465	56,478	58,158
PARCO Card Holders (People)	1,612,634	1,614,637	1,643,027	1,754,321	1,885,972
Percent of Female Employees (%)	43.6	43.1	43.7	43.4	43.8
Number of Female Managers (People)	9	13	16	17	16
Electricity Consumption (1,000 kw/h)*3	98,653	96,660	94,092	89,748	89,717
Total Water Consumption (1,000 m ³)*3	602	551	549	533	530
Recycling Rate (%)	66.08	66.51	66.71	67.29	67.69

*1 EBITDA=Operating Income + Depreciation and Amortization

*2 Return on Assets=Ordinary Income/Assets (average of start and end of year values) ×100

*3 Prior-year comparisons of electricity consumption and total water consumption at existing locations were calculated based on the closing of Shinsaibashi PARCO in fiscal 2011, the opening of Fukuoka PARCO New Building in fiscal 2014, the opening of the Nagoya PARCO midi and the expanding floor space of Fukuoka PARCO Main Building in fiscal 2015, excluding tenant areas.

Fourth straight year of record-high operating income

¥12.7 billion

From steady progress on the Medium-term Business Plan (FY2014-2016), operating income rose 2.1% year on year, with ordinary income also up 1.4%, for a fourth consecutive year of record-high earnings.

Planned increase in annual dividend

¥22 annual dividend

PARCO positions the return of profit to shareholders as one of its most important management policies. For fiscal 2016, we plan to increase the annual dividend by ¥2 per share to ¥22.

Percent of independent external directors

50%

PARCO has adopted the "Company with Three 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.

Number of postings on the shop blogs

130,000/year

PARCO provides blog accounts to its tenant shops and shop staff members update them on a daily basis. Through these blog sites, PARCO provides customers with a round-the-clock online shopping experience.

Number of POCKET PARCO downloads

300,000

By introducing AI (artificial intelligence) in our proprietary POCKET PARCO application, we provide rich information and services catering to individual customers.

Increase of PARCO Card members

107.5%

Regular customers are increasing with the growing number of PARCO Card memberships. Liaising with POCKET PARCO, we encourage card members to visit our stores to shop, and nurture them to become loyal PARCO customers.

Inbound sales growth
Year-on-year comparison of sales amounts for overseas issued credit cards**4

166.4%

Sales from foreign visitors to Japan are increasing. Thanks to growth in the number of duty-free stores and more robust multi-language support, we are creating an environment that makes shopping more enjoyable for those visiting from abroad.

Renovated zone year-on-year sales comparison

116.6%

Through renovations reflecting themes that propose new lifestyles, PARCO is aggressively unveiling shops that meet various needs, including those for new consumption and inbound demand.

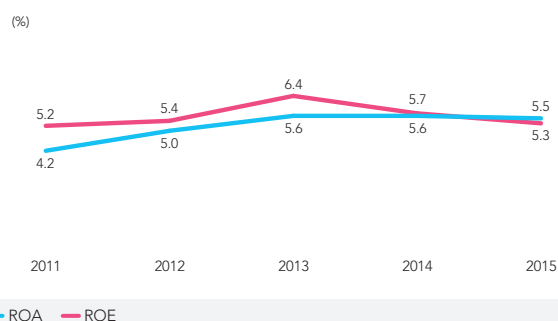
Percent of employees returning to work after childbirth

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.

*4 Calculated from sales amount accounted for by credit cards issued overseas used at PARCO (Shibuya, Ikebukuro, Sapporo, Fukuoka, and Nagoya). Does not include cash sales and other options used by visitors to Japan.

ROA / ROE



For long-term numerical data and other indices, please refer to the PARCO website and FACT BOOK 2016

[Investor Relations]

www.parco.co.jp/en/

[CSR]

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

[FACT BOOK 2016]

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

Interview with the President



Q1

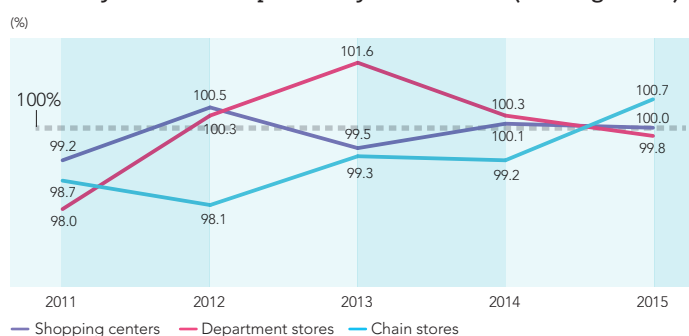
What is your view of the consumer environment during the three years of the Medium-term Business Plan (FY 2014-2016)?

A. My sense is that the consumer environment during the past three years has witnessed dramatic changes in the market environment itself, as well as significant changes in people's values and lifestyles. Of these changes, some of the biggest I've felt have been more diverse customer needs and lifestyles triggered by increasing ICT sophistication, along with China's maturing market and rapid growth in the ASEAN region. Thanks to the spread of smartphones and social networking services, communication has expanded radically in the past three years, transforming the environment into one in which consumers can access enormous amounts of information, making consumption-related choices more easily. In step with this, a steady stream of smartphone-based services have appeared, as have curation media tailored to search behavior and preferences; high convenience services, such as online same-day delivery services and reservation systems, as well as CtoC (customer to customer) transactions, have now become completely normalized. On the one hand, for consumers, the virtual world has now made highly efficient and convenient services commonplace, creating an environment in which getting the things they want in a short period of time whenever they want them is now a way of life. On the other, I think the tendency is stronger than ever to demand that bricks-and-mortar locations offer special experiences, spaces and times that are unique to the location and can't be had anywhere else, rather than compete on convenience.

Also, as the number of foreign visitors to Japan increases annually, the "shopping spree" trend is transforming inbound demand, with the number of foreign customers who are not only buying up lots of duty-free goods, but also enjoying experiences and encounters that only Japan can offer, on the rise. On the service provision side, the pressure is on to provide services and opportunities that fulfill the interests and preferences of these individuals. Given this diversification in

customer needs and lifestyles, the retail industry, too, is working to revolutionize business, developing formats that propose total lifestyle solutions for clothing, food and housing, devising new creations and products, and beefing up customer approaches and services that take advantage of ICT, just to name a few. In these ways, I look back even over the past three years and see both massive changes in the market environment and the need for new approaches to business.

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

Number of Foreign Visitors to Japan in 2015

Country/region	Number of Visitors (1,000)	Year-on-year change (%)	Year-on-year change (1,000)
China	4,994	207.3%	2,585
Korea	4,002	145.3%	1,247
Taiwan	3,677	129.9%	847
Hong Kong	1,524	164.6%	598
Thailand	797	121.2%	139
Total	19,737	147.1%	6,324

From foreign visitor data compiled by the Japan National Tourism Organization (JNTO)

Q2

What priorities did PARCO pursue during the three years of the Medium-term Business Plan (FY 2014-2016)?

A. To ensure that we securely capture these global changes and translate them into business opportunities, we formulated our Long-term Vision for the year 2020. Under this vision, we are promoting three business strategies, namely cultivation of major urban areas, expansion of core targets, and innovative use of ICT, aiming to revolutionize our business portfolio for further growth toward 2020.

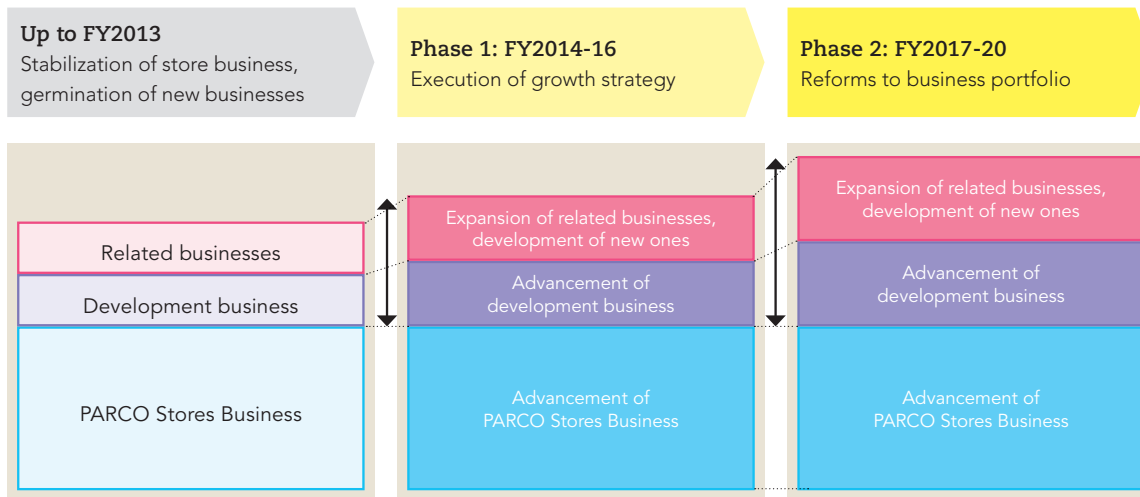
Also, positioning the period as a time for concrete enactment of growth strategies, we formulated the Medium-term Business Plan (FY 2014-2016), promoted the advancement and development of our existing PARCO Stores Business, and carried out related business expansion and new business creation. In terms of advancement of existing business, along with sustaining stable growth in the PARCO Stores Business, our key earnings base, primarily

through target expansion, tenant reconfiguration, web utilization and operational reform, we expanded connections to outside partners in related businesses, made aggressive upfront investments in development promotion, new business creation, and overseas business redevelopment. We also further strengthened diversity management necessary to support sustainable business growth in the future.

PARCO Group 2020 Long-term Vision and Medium-term Business Plan (FY2014-2016)

PARCO Group 2020 Long-term Vision	Three Business Strategies	Five Tactics
<p>A business group that prospers in urban markets</p> <ul style="list-style-type: none"> —Designers of unique offerings for 24/7 urban life —Creative drivers of urban evolution 	<ol style="list-style-type: none"> 1 Cultivation of major urban areas 2 Expansion of core targets 3 Innovative use of ICT 	<ol style="list-style-type: none"> 1. Prioritization of the PARCO store business 2. Development centered on areas around core urban stores and entry into new major cities in Japan 3. Expansion of related business and creation of new business 4. Rebuilding overseas business 5. Strengthen management foundation to support further business advances

Two Steps Toward Growth



Q3

Can you tell us about specific successes through year two of the Medium-term Business Plan (FY 2014-2016)?

A. The first success I can name is "Expansion of core targets," one of the three business strategies we are promoting in the advancement of our existing businesses.

To respond broadly to increasingly diverse values and lifestyles, we took steps to establish our position within the market, which saw PARCO promote renovation based on new themes. As high-quality lifestyle propositions to very attuned consumers in maturing markets, we took numerous actions including unveiling select shops offering the latest fashions from young Japanese designers, and adoption of organic cosmetics and restaurants for the health-conscious crowd. Similarly, through collaborations with apparel companies, we also developed fashion brands for trend sensitive working women, all promoted primarily through our urban stores. For needs surrounding foods, which grow every year, we moved to enhance themes

pertaining to food. In addition to popular eateries, this included aggressively inviting in bars and restaurants active in regional areas. For the digital generation, who enjoy using the Internet on a daily basis for gathering information, games, animated content and other interests, we introduced shops handling merchandise related to popular characters, and developed store floors that combine these kinds of shops with high affinity fashion brands. In inbound demand, beyond shopping sprees, interest is also rising in goods with high-added-value. For this reason, we are pushing Japan-brand fashion and general merchandise, particularly at our urban stores. Through target expansion and tenant reconfiguration of this kind, we renovated 380 zones covering 40,000 m² in fiscal 2015, with year-on-year growth in sales by renovated zone up a substantial 16.6%.



Past Inbound Demand for Reference (As of February 29, 2016)

	Shibuya PARCO	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO	Nagoya PARCO	Total
Year-on-year comparison of sales to foreign customers	144.7%	193.1%	179.7%	267.4%	178.6%	166.4%
Share of sales to foreign customers	11.0%	7.3%	2.1%	1.3%	0.5%	3.4%

"Year-on-year comparison of sales to foreign customers" is calculated based on year-on-year percentage change in the amount of total sales accounted for by credit cards issued overseas. Does not include cash sales and other options used by visitors to Japan



Nagoya PARCO East Building 2nd floor
Men's and women's clothing "UNITED TOKYO"



Sendai PARCO 2nd floor
Cosmetics "Kiehl's"



Sapporo PARCO B2
French fry "Daichino friet"



Ikebukuro PARCO Main Building 4th floor
Men's clothing "SOPH."

Next up is our “Innovative use of ICT.”

Aiming to have the number one shopping centers in ICT utilization, we promoted web-based avenues both for approaching customers and achieving greater operational efficiency for staff working at PARCO shops as measures to make our physical stores more appealing. Our original app, meanwhile, has resulted in dramatic improvement in PDCA cycles that lead directly to greater customer satisfaction by allowing us to analyze customer purchasing data that was not visible before. We provide shop blog accounts to the roughly 3,000 shops in PARCO stores, which is strengthening trends communications via the Web. Furthermore, we added shopping cart functions to shop blogs, and rolled out a service, Kaeru PARCO, that allows customers to purchase or reserve in-store products online. And since March 2015, we have offered POCKET PARCO, an original app from PARCO that takes advantage of shop blog information. In the roughly one year since its launch, the app has been downloaded 300,000 times, while the number of shop blog posts averages 130,000 per year. In these ways, we are using the Web to deepen communication between shop staff and customers.

Additionally, we are able to register customer data for our house card, PARCO Card, as part of POCKET PARCO, which we use to strengthen customer services that lead to future store visits through analysis of purchasing data. Among customers using PARCO Card, those who register their card on POCKET PARCO are roughly twice as likely to visit PARCO stores, while the average purchase per customer has also doubled, making this an extremely effective customer approach tool.

In March 2016, we adopted the use of AI (artificial intelligence), which made it possible to up our communication of personalized information matched to customer needs, and to offer more highly detailed services that shift the needle from customer satisfaction to individual satisfaction. We are also using Web utilization to enhance the operational efficiency of shop staff. We also use the Web to set up SUTEKI LABO, an e-learning site where shop staff can use downtime at

work to learn customer service techniques, and PARCO SC Groupware, which allows users to easily deal with paperwork for PARCO business offices and other matters online. In addition, we send POCKET PARCO users who register credit cards with the app requests to rate their satisfaction level or offer opinions the day after

purchases, and share that information with shop staff as feedback. Since the debut of this rating function in September 2015, we have received 170,000 pieces of feedback from customer so far, with words of praise and appreciation playing a key part in boosting motivation among shop staff.

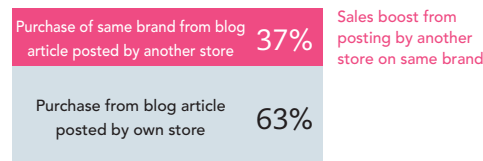
Four Steps from Clip to Purchase 3C+S user behavior analysis



In analyzing POCKET PARCO user behavior, for every posted article, of those customers who clip it (record an article as a favorite), 49% check in when visiting a PARCO store. Of this number, 81% are converted to purchase (clip to conversion percentage of 40%). What's more, as a rating function for customers, we send out a questionnaire the day after a purchase. Over 70% of customers give high ratings (four or five stars), suggesting a high evaluation of the customer service provided by shop staff. By sending on customer opinions and impressions to shops as feedback, the outcome is improvement in customer service.

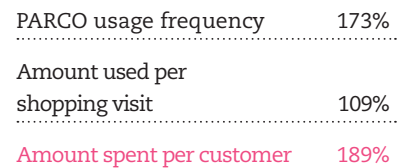
Analysis of Clip user behavior

Visualization of sales assist effect of blog article clipping for same brands



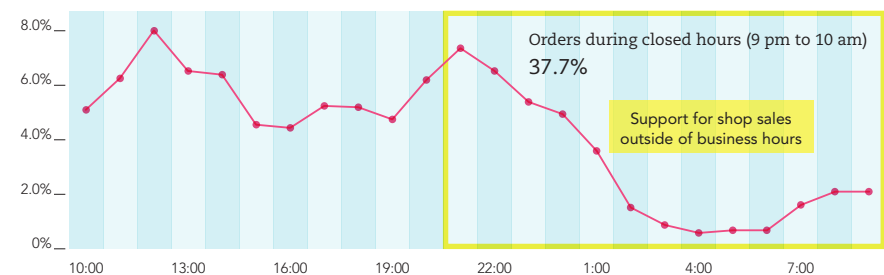
Shop blog information sent out by shop staff is delivered to customers as information on that same brand found in PARCO stores across Japan, regardless of the specific store where the information originated. This allows the same brands to support each other nationwide, and contributes to growth in shop sales.

Comparison of app-registered PARCO Card customers and unregistered card customers (FY2015)



Compared to unregistered cardholders, those who register their PARCO Card information on POCKET PARCO show an increase in both use of PARCO for shopping and the amount spent per shopping visit, leading to huge growth in the card amount used per customer.

Kaeru PARCO results for FY2015 (share by time of day)



Kaeru PARCO is a service that adds online reserve and mail-order service functions to PARCO shop blogs, making it possible for customers to reserve and purchase in-store merchandise found when checking blogs. This service enables sales creation outside of PARCO store operating hours and during times when in-store customer numbers are low, and is directly connected to customer service support for shop staff.

Our PARCO and ZERO GATE businesses in urban areas are moving ahead smoothly as part of the “Cultivation of major urban areas” vital to our development promotion and efforts to expand related businesses.

As part of PARCO development, we opened Fukuoka PARCO New Building next to the Fukuoka PARCO Main Building in November 2014, and in March 2015 increased floor space in the Fukuoka PARCO Main Building. The result is we now have the largest commercial facility in the Tenjin area. That same month, we opened a smaller building, Nagoya PARCO midi, next to Nagoya PARCO West Building. Along with introducing shops featuring cutting-edge fashion and trendy eateries, we also substantially renovated the existing Nagoya PARCO. Together with the opening of Nagoya ZERO GATE in October 2014, we can offer customers an enjoyable shopping experience across this entire area.

In July 2016, we will expand PARCO’s market presence with the opening of Sendai PARCO2, a new location near the Sendai PARCO Main Building. In the ZERO GATE business, in February 2016 we opened Sapporo ZERO GATE on the south side of Sapporo PARCO, with scheduled openings in fall 2016 of Hiroshima ZERO GATE2, Kyoto ZERO GATE (tentative name, spring 2017), and Sannomiya ZERO GATE (tentative name, opening date TBD).

When it comes to development methods, too, we will also diversify our approaches to include format conversions for existing commercial facilities, property management, and partnerships with the J. FRONT RETAILING Group. The decision was also made to open a store in the New South Wing of the Matsuzakaya Ueno shopping complex in fall 2017.



Sapporo ZERO GATE



Sendai PARCO2



Hiroshima ZERO GATE2



“Coulicious,” a dish on offer at “& éclé” that uses a distinctive French sauce made from seasonal vegetables

In new business creation, July 2015 saw the opening in Tokyo’s Aoyama district of “& éclé,” a restaurant directly managed by PARCO. Jointly developed and operated with former Michelin Star restaurant chef Olivier Rodriguez, this neo-bistro serves as a means to propose lifestyles in the field of food.

BOOSTER, a crowd-funding service we started in fiscal 2014, has allowed PARCO to accelerate growth support for organizations and individuals tackling new challenges. We do this by leveraging strengths unique to the PARCO Group, thanks to our nationwide network of physical stores, to increase opportunities for interaction with customers by merging our physical and Web-based store network. Business owners who perform

favorably through BOOSTER open their first shops in PARCO stores, a move that also contributes to existing businesses.

Turning to overseas business, we are taking advantage of knowhow gained from “THE GUEST cafe & diner,” a well-received collaboration cafe in Shibuya PARCO that recreates popular characters and menu items, to open similar cafes outside of Japan. Going forward, we also plan to treat “itadakimasu” as an independent business, and have it open branches in the restaurant zone of commercial facilities, office buildings, hotels and other venues in Singapore and surrounding countries.

Q4

What initiatives are in the works for fiscal 2016, the final year of the Medium-term Business Plan (FY 2014-2016)?

A. Along with formulating the direction of business development with an eye to achieving future growth, in fiscal 2016 we will move forward with efforts to build up our business foundations by enacting strategies after clarifying the highest priority initiatives in each business. July 2016 will see the opening of Sendai PARCO2, followed in fall 2016 by the opening of Hiroshima ZERO GATE2. In addition to establishing an even stronger market position, we are planning to renovate 40,000 m² of space throughout our entire store network. In these ways, we will further advance development in both our Urban Complex and Community Complex.

By promoting measures for each store in step with growth themes in the market, including continuing to respond to inbound demand and new cultures and lifestyles, we seek to respond to both diversification in consumer values and expansion in consumption of intangible goods. Also, in tandem with promoting more vigorous capacity to communicate tenant information, centered on our proprietary use of innovative ICT, we will also establish CRM*1 linked to PARCO Card.

As for new business, along with driving more business growth for our BOOSTER crowd-funding service and directly managed “& éclé” restaurants, we are planning robust

and distinctive product development tied to our PARCO-arranged shop “Mitsukaru Store,” and the strengthening of the EC business. For overseas business, we intend to develop PARCO Group content outside of Japan, pursue initiatives for cross-border EC, and promote development attuned to local needs abroad.

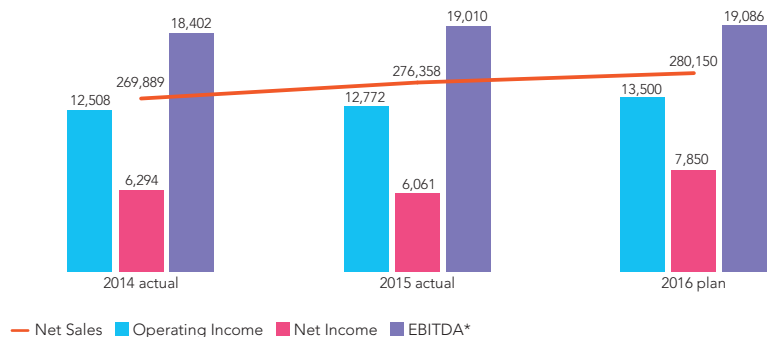
Through these initiatives, we are targeting top- and bottom-line growth and a fifth consecutive year of record-high earnings in fiscal 2016, with plans calling for net sales of ¥280,150 million (up 1.4% year

on year), operating income of ¥13,500 million (up 5.7%), and net income attributable to parent of ¥7,850 million (up 29.5%). Compared to management objectives in the medium-term business plan, while our net sales and EBITDA goals will likely remain unmet, we should achieve our objectives for operating income and profit attributable to owners of parent.

*1 Customer Relationship Management, a management approach for boosting sales and profit margins through management of customer data

Progress on management indicators and objectives

(Millions of yen)



* EBITDA=Operating Income + Depreciation and Amortization

Q5

Please tell us about the Udagawa-cho 15 Development Project that includes Shibuya PARCO PART 1 and PART 3.

A. As the planned developer of an area that includes Shibuya PARCO PART 1 and PART 3, we proposed to the City of Tokyo a special area for urban revitalization under the Udagawa-cho 15 Development Project. Our proposal was approved and officially announced. To move this project forward, Shibuya PARCO PART 1 and PART 3 will be temporarily closed after August 7, 2016.

Shibuya PARCO began with the opening of Shibuya PARCO PART 1 in 1973. Since then, Shibuya PARCO has taken on many challenges that propose options that are a step ahead of the times, including proposing lifestyles to urban dwellers and using entertainment to communication cultural information. In these ways, Shibuya PARCO has been essential in building the PARCO brand we know today. The Udagawa-cho 15 Development Project is charged with strengthening the PARCO brand, and is an operation we recognize as critical to our ambition to making the PARCO Group's commitment to becoming a "business group that prospers in urban markets" a reality. What's more, the Shibuya area is full of transformation, an area rich in individuality thanks to the convergence of a variety of values and cultures there. This

reputation as a hotspot for communicating this distinctive culture has made Shibuya a destination for many visitors from abroad in recent years, making it a city that will continue to capture the global spotlight as it develops. Both the district itself and those who visit it have shown us that this is where we should go next, and Shibuya PARCO has now evolved to this point. We are grateful for this, and hope

to show our appreciation by creating something next that goes far beyond expectations. If Shibuya PARCO can become the nucleus of Shibuya's evolution going forward, nothing would make us happier. In creating a reimagined Shibuya PARCO as a next-generation global shopping center, we want to make our contribution to further energizing the Shibuya district.



Visit our website for more details on the "Last Dance_" campaign.

 http://shibuya.parco.jp/lastdance_/



Q6

What does CSR mean for the PARCO Group?

A. 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." Working through business activities to realize this mission, while earning the trust and satisfaction of our stakeholders, is the definition of CSR for the PARCO Group. The business of creating forward-thinking, innovative spaces in this mission refers to our commitment to accurately capture the changing times, while pushing the evolution of the PARCO Group's social roles of "Incubation," "Urban Revitalization," and "Trends Communication," the points of origin that define PARCO.

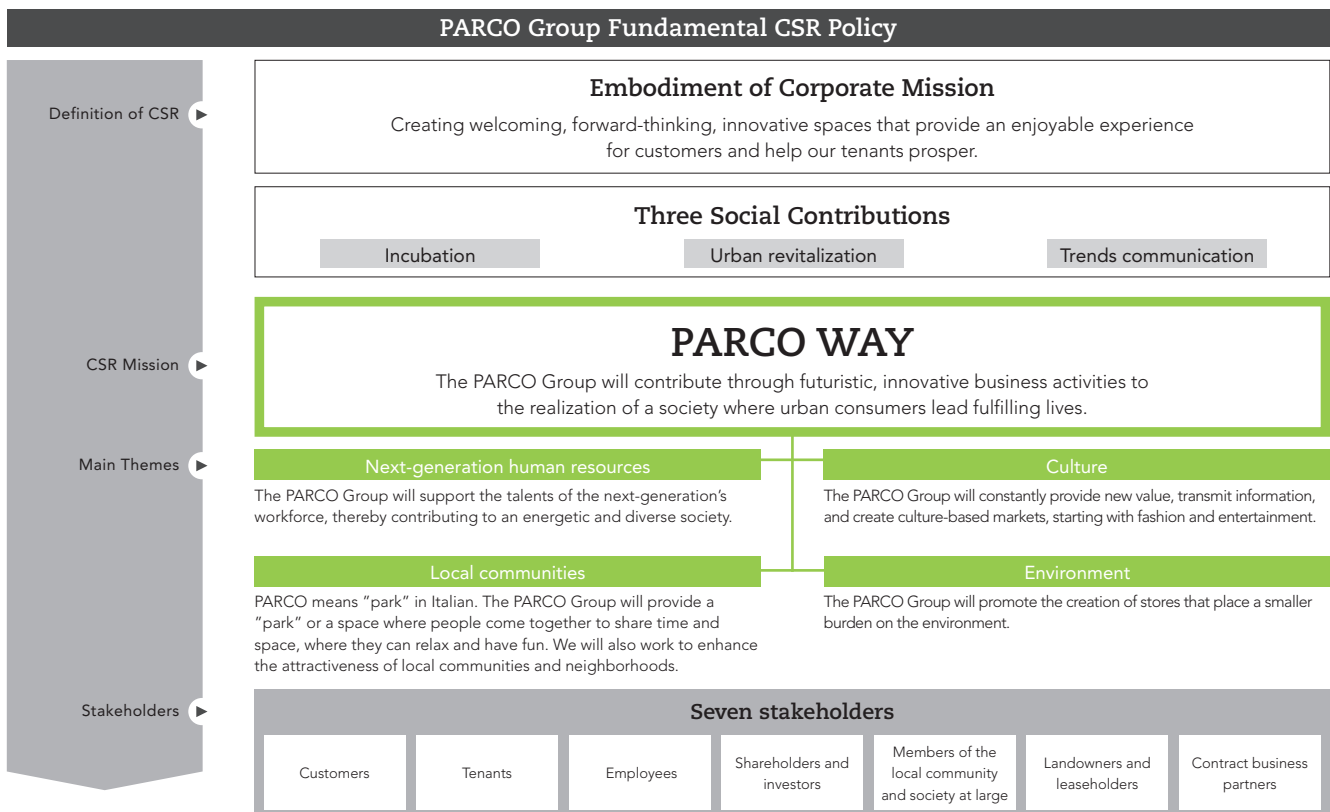
To this end, every employee in the PARCO Group must always approach business with new concepts in mind. To optimally highlight the individuality of our employees and,

through horizontal communication to create a corporate climate that produces a stream of new ideas thanks to diverse human resources and working styles, I have chaired the Diversity Committee since fiscal 2014, and have moved with speed to propel these aspirations forward. To propagate work-life management within the Company, we are enacting measures that foster taking leave, while also establishing an environment where people with time constraints will still find it easy to work. To promote the advancement of women, we take part in external seminars designed to raise career consciousness, and also have a full lineup of in-house seminars in the works.

We consider stronger corporate governance to be vital to ongoing improvement in corporate value. In 2016, we formulated our Fundamental Policy for Corporate Governance. This policy formulates our basic way of thinking with regard to corporate governance. That is, it

sets down how PARCO believes corporate governance should best be applied to achieve continual growth and a medium-to-long-term enhancement of corporate value under the PARCO Corporate Mission, which calls for the creation and provision of value in a manner that satisfies our customers, tenants, shareholders, and other stakeholders. We are also responding to Japan's 2015 Corporate Governance Code, and are pursuing initiatives with the aim of achieving ongoing improvements in corporate value.

As a business group that prospers in urban markets outlined in our Long-term Vision for 2020, the PARCO Group, guided by a powerful commitment to enriching the hearts and minds of our customers, will take in and respond to consumer sentiment as we come together as a Group and with our stakeholders to move forward into a new era.





Q7

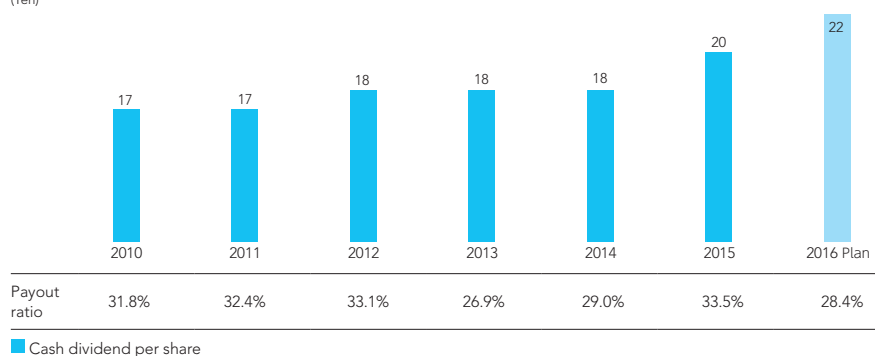
What are your thoughts on shareholder returns?

A. 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 2015, our annual dividend per share was ¥20, and the payout ratio was 33.5%. For fiscal 2016, we plan to raise the annual dividend by ¥2 per share for a second straight year to ¥22, with an expected payout ratio of 28.4%. We are also improving shareholder rewards to make shopping at PARCO an even more enjoyable experience for our shareholders.

Cash dividend per share and Payout ratio

(Yen)



Visit our website for details on shareholder rewards.

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

Feature:

In 2019, a New Stage for Shibuya PARCO

PARCO's Evolving Point of Origin

In a time of major waves of change, the psychology, mindset and behavior of consumers has been gradually changing.

Since opening in 1973, Shibuya PARCO has sensed both the changing atmosphere of the times and slight changes in consumer sentiment to create new value that surpasses customer expectations.

The ideas propagated by Shibuya PARCO trigger small changes that one day will become major trends....

To spur these trends, we have sought a repeated cycle of "Incubation," "Urban Revitalization" and "Trends Communication" for more than four decades.

These three key initiatives are the point of origin for PARCO, and can be thought of as PARCO's ever-evolving belief.

PARCO's Point of Origin

Incubation

Thinking outside the box to bring change to the world through new ideas.

While focused on fashion, Shibuya PARCO has provided a platform for the discovery and activity of a host of new talent that bucks the mainstream in a variety of fields, including music, art and theater. With Shibuya PARCO as the stage, we have fostered talented individuals while growing together with them, and including many artists and creators who are at the forefront of their respective fields today.

Urban Revitalization

Designing a district on a hill away from the train station. It's not about building shopping centers where there are people; it's about creating areas that people want to visit. When Shibuya PARCO opened, the intent was to undertake urban revitalization at the same time, creating foot traffic on a hilly road, which was once called Ward Office Street, 500 meters from Shibuya Station. Taking advantage of the atmosphere of the area, we created a flow of foot traffic through district-level design that both highlighted the attraction and appeal of the area surrounding Shibuya PARCO.

Trends Communication

Converting the entire complex to media as a means to attract customers.

From its opening, Shibuya PARCO exceeded the boundaries of a typical large-scale shopping center by functioning as a tool for communicating culture. PARCO Theater (formerly Seibu Theater), opened from day one on the ninth floor of Shibuya PARCO, announced many unique and provocative works, and had an enormous impact on the theater world in Japan. Shibuya PARCO also introduced various movements in music, art, video and events both in and outside of Japan, serving as a means to make customers think, "There's always something happening at Shibuya PARCO." In this way, Shibuya PARCO has constantly pursued "Trends Communication" that goes beyond simply the purchase of goods and services.

What Has Shibuya PARCO Created?

1970s

Founding

Founding of Shibuya PARCO, Creation of a Stage for a New Era

PARCO's perspective

Seek to design urban areas to propose new consumption.

In preparation for the opening, Shibuya PARCO was viewed as more than just a place to shop; steps were taken to offer a surrounding environment suited to a new era of consumers by utilizing the characteristics of the street itself. The environment aimed for was a place where one can see and be seen that stimulates free self-expression; in fact, the catchphrase for Shibuya PARCO's opening ad campaign was "Shibuya Park Street – where the people you pass are beautiful." Shibuya PARCO transformed the street by setting up beautiful lily of the valley-shaped lampposts, planting roadside trees and flowers, and even placing stylish phone booths. Shibuya PARCO's urban revitalization, which predicted an era of great change in the values of the Japanese people, where affluent lifestyles combined with an admiration of and concepts from Western lifestyles, triggered affection for VIA PARCO among many young people, as intended.

PARCO's Actions

Change the area into a new stage for consumption centered on Shibuya PARCO.

Turning the demerit of a location a bit far from the train station and on a hill into an advantage, we produced features on the street itself and put many measures into play. Through a strategy for establishing Shibuya PARCO as a stage for those visiting the entire district, centered on VIA PARCO, the area began its transformation into one where people gather to share time and space, and have fun and relaxation.

Creating a Place to See and Be Seen



Cafe De La Paix

At the first floor entrance, a cafe was set up similar to that of a hotel salon. The space is enclosed with large panes of glass, allowing full visibility from the outside into the cafe, highlighting the space as a place for relaxation and enjoyment.

Opening of PARCO Theater (formerly Seibu Theater)



"Show Girl" was a hit production that ran for 16 series on stage, from 1974 through 1988.

Shibuya PARCO was created to be the nexus of a new cultural sphere forming in Shibuya, Tokyo. PARCO produced and unveiled one after another a range of unique and provocative works by up-and-coming names in theater.

Trends Communication for Arts and Culture



Wall painting

Taking a hint from New York subway graffiti, we commissioned wall paintings featuring many different works on the walls of the parking garage and the building itself. Painters worked on the wall daily, with passersby seeing the process to see the process of starting and completing the painting as a performance in and of itself.

1980s

Fostering Individuality

Media Conversion of Shibuya and Lifestyle Performance

PARCO's perspective

From “same as everyone” to “be distinctive”: the emergence of individuality and diversity in consumption.

As government and the economy entered a period of stability, and with greater abundance in daily life, the demand among people began to switch to calls for more and more distinctiveness, from wanting the same things as others to wanting things different from other people. The realm of goods, meanwhile, saw the consumption of richly diverse products that hit the market one after another. A stream of lifestyle magazines also appeared, and as lifestyles became more fashionable, the thought was that an increase in “picky consumption” was on the horizon. So in the field of fashion, we actively introduced designer brands and other unique fashions. Similarly, we ramped up our proposals of diverse lifestyles that stimulate the senses in areas such as sports, interiors, sound and general merchandise.

PARCO's Actions

Predicting an era where fashion is infused in the complete lifestyle, we deepened the media transformation of the district.

In 1975, we opened Shibuya PARCO PART 2 and pursued a niche, unique approach to fashion by establishing a floor dedicated to DC (designers and characters) brands. Furthermore, in 1981, we opened Shibuya PARCO PART 3, designed to propose options for living abundant lives through a collection encompassing sports, sound, interiors and general merchandise. This was followed in 1983 with the opening of PARCO SR (Show Room) 6, a space tailored to the discriminating consumption of men. With each addition, we responded to the diversification of consumer needs.

Presentation of the Ideal Lifestyle



Opening of Shibuya PARCO PART 3

Opened in 1981, Shibuya PARCO PART 3 mainly featured interior products and general merchandise, proposing options for “shelter” alongside the other basic of “food” and “clothing,” and responding to needs from increasingly individualized and diverse lifestyles.

Individuality as a Focus Point in Fashion



Customers queuing in line for a designers' bazaar

The first half of the 1980s saw the boom in DC brands emerge. Men also started to become more fashionable with publication of the first men's lifestyle and fashion magazine in 1986. This triggered a phenomenon that would see men, for the first time, standing in line for DC brand sales.

1990s

Development of the District

A Collection of Creative Pieces for a Golden Age in Street Culture

PARCO's perspective

Communicating about creative pieces, with street growth centered on Shibuya.

The media transformation of the Shibuya district, centered on Shibuya PARCO, that took place in the 1980s saw the concentration in the area of new information and new culture. The area also saw the congregation of sophisticated people attuned to the free and creative atmosphere there. Particularly in music, in addition to independently operated niche record shops, some of the world's largest mega shops appeared, elevating Shibuya to be one of the world's most prominent music scenes. As for the art scene, Shibuya was also a focal point for underground culture from Japan and abroad. As people seeking creative and stylish lifestyles gathered there, the area transformed so much into a district rich in individuality that it practically gave rise to a new adjective, “Shibuya-style.” Streets emanating from VIA PARCO also developed, as rows of select shops and other roadside stores ushered in an era of growth in street culture. Shibuya PARCO enacted various initiatives at the vanguard of street culture.

PARCO's Actions

Our full lineup of culture facilities in areas such as music, art and books contributed to the advancement of Shibuya street culture.

We reinforced development in ways that led the creative transformation of the individuality and uniqueness of Shibuya. In 1988, we opened Shibuya CLUB QUATTRO, a live music venue, followed in 1999 by the opening of CINE QUINTO, a cinema for individual film releases. In these and other ways, bases for trends communication in the arts, film and books increased. In fashion, we proposed high-quality casual fashion, and strengthened the introduction of 90s fashion, which properly balanced life-sized trends popular in the streets.

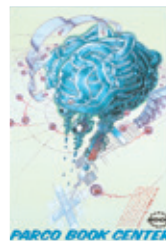
Opening of Shibuya CLUB QUATTRO



Opening live music poster

PARCO provides good live music not bound by genre or nationality. We made club-style enjoyment of good music and good live entertainment a set feature of Japan's music scene. Shibuya CLUB QUATTRO, now known as a launch pad for new artists from around the globe, has seen many artists who got their start there step up to the next level.

Opening of PARCO BOOK CENTER and LOGOS GALLERY



PARCO BOOK CENTER Poster

PARCO BOOK CENTER opened as a niche select book center in 1991. The center featured a full range of items for highly creativity-conscious readers, including art and professional magazines and books from Western countries. Built with an attached gallery next door, the center conducted exhibits related to book publication, photo exhibits and other events.

2000s

Diversification of Value

Further Approach to a Growing District and Maturing Sensibilities

PARCO's perspective

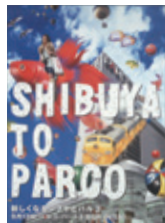
PARCO predicted the flattening of goods and services from the innovative district of Shibuya. The widespread use of the Internet, where individuals can easily obtain information, brought a shift from an era of information and trend expansion through mass marketing to the "Era of the Individual," where the personal spread of information creates trends. This flattening of information changed people's values and mindsets, and in the creative world heralded the appearance of genre-less artists active across multiple domains, while previously underground culture and the creative perspective of a new generation started to strike a chord with consumers. Many companies opened offices in Shibuya as the district began acquiring a reputation for innovation and being the home ground to IT startups. SHIBUYA, ground zero for Japanese street culture, was now in the spotlight. It was during this time that the number of foreign nationals there also began to rise. Having added an image for being innovative and international to its reputation as a unique spot that has given rise to a stream of street culture, Shibuya became a borderless place that flattens the divide between all goods and services by merging together values that transcend nationality, generation, gender and conventional thinking. Sensing the dawn of this era faster than anyone, Shibuya PARCO carried out a host of experimental initiatives.

PARCO's Actions

With an ever-flatter society as a backdrop, we communicated highly sensitive content to a broad generation with new values.

On the 30th anniversary of the opening of Shibuya PARCO, we sought to deliver major hard and soft innovation to a new generation with multifaceted values. Together with the complete renovation of Shibuya PARCO, we carried out numerous experimental initiatives designed to mix cultures.

Major Renovation of Shibuya PARCO



Shibuya PARCO PART 3 renovation poster

With the flattening of values of all sorts, and agelessness also gaining momentum in fashion, Shibuya PARCO sought to more aggressively propose lifestyles to highly sensitive consumers through a major renovation around the theme "Park Street Renaissance" in the run up to its 30th anniversary. We aggressively took on the challenge to propose new lifestyles by, for example, introducing high-sense fashion from around the world, and through restaurants and lounges that combine food, fashion and art.

Fashion Presentation Based on New Modes of Expression



Parco Museum's "Theater Products art floor"

Theater Products, a store that presents fashion in a theatrical manner, saw its first directly managed store in Japan transfer a set of collector's chairs to Shibuya ZERO GATE, with college students also chipping in on interior remodeling work that culminated in the opening of a handcrafts shop. At Parco Museum, an actual studio was relocated within the museum, for a unique way of exhibiting the art floor to the public.

2010-2015

Evolving From Our Point of Origin

Creating Moving Spaces that Surpass Consumer Expectations in an Era of Co-Creation.

PARCO's perspective

With the flattening of values gaining momentum, an era of complete coexistence is emerging.

The widespread use of smartphones and the social networking services (SNS) they enable have significantly transformed interpersonal communication and behavior. In the Internet world, various layers of values combine without conflict, leading to less hierarchy. The scrambling intersection crossing in Shibuya so surprising to people outside Japan is called an example of "order within chaos," and the amount of attention itself is a phenomenon that could only come about in a flatter society. Amid these changing values, we are making the interior of Shibuya PARCO more chaotic, making it a space to experience a condensed version of the Shibuya district itself.

PARCO's Actions

Development of a new floor for digital natives and turning encounters where culture meets culture into events.

Shibuya PARCO PART 1 has a collection of up-and-coming domestic fashion brands on the first floor, and on the sixth floor an area called the "Shibu Pop Floor," featuring anime and other pop culture. This is just some of the bold chaos found throughout the entire building. In a shopping complex that expresses how flat society has become, we are throwing a host of culture content together to create a mechanism where new chemical reactions offer surprises and excitement.

Opening of Shibu Pop Floor



"ONE PIECE" shop on the Shibu Pop Floor

In 2012, we introduced "Shibu Pop Floor," an area specializing in anime, games and subculture, to the sixth floor of Shibuya PARCO PART 1. Rather than an old-fashioned geeky image, it is a floor where women can gather to enjoy fashion and culture in a flatter way. Many customers from abroad who support Japanese subculture are frequent visitors to this floor.

Co-Creation of a Presentation Space for the Next Generation of New Talent



Opening event at the Shibukaru Festival

Since 2011, we have held the Shibukaru Festival as a space where female creators can express themselves. We gather female creators involved in new initiatives from every field imaginable, providing Shibuya PARCO as a space for expression. Over the last five times, the festival has attracted participation by roughly 1,000 female creators.

A New Challenge Space for Japanese Designers



Shibuya PARCO PART 1 1st floor "MADSTORE UNDERCOVER"

Shibuya PARCO PART 1 is home to a collection of select shops from up-and-coming designers, including young Japanese designers tackling the challenge of expanding overseas. We also promote groundbreaking shops from venerable brands.

About the Udagawa-cho 15 Development Project

As the planned developer of an area that includes Shibuya PARCO PART 1 and PART 3, we proposed to the City of Tokyo a special area for urban revitalization under the Udagawa-cho 15 Development Project. Our proposal was approved and officially announced. In step with this, the decision was made to temporarily close Shibuya PARCO PART 1 and PART 3 as part of the rebuilding necessary to move this project forward.

Shibuya PARCO began with the opening of Shibuya PARCO PART 1 in 1973. Since then, we have proposed lifestyles to urban dwellers and used entertainment to communicate cultural information, with the image of Shibuya PARCO leading the way as the flagship store of the PARCO brand.

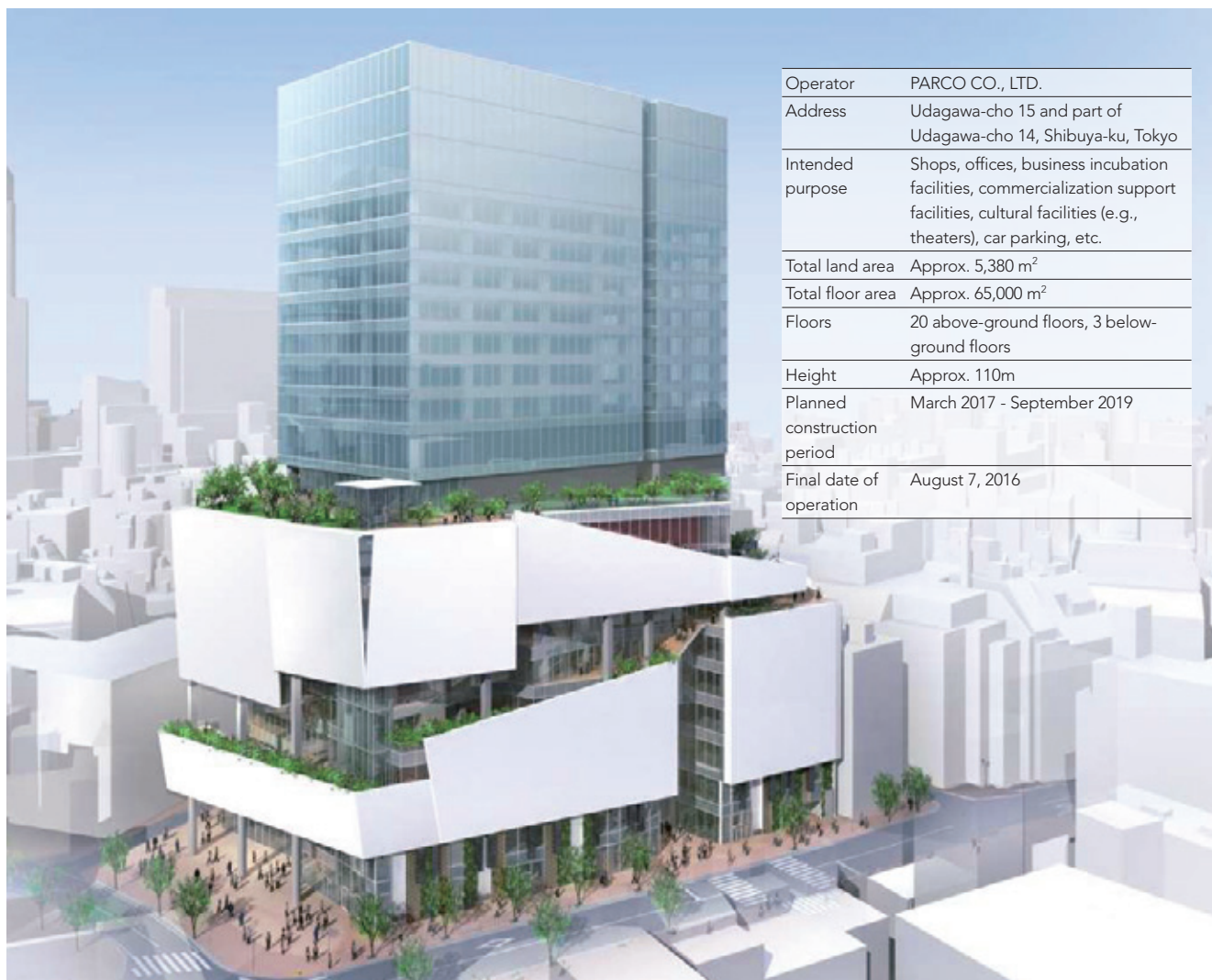
In recent years, the market structure, environment and consumer mindset in Japan and elsewhere have without question undergone massive changes. To tie these changes to business opportunities, PARCO has formulated a long-term vision and is promoting a business strategy aimed at realizing this vision. We recognize this redevelopment plan will play a key role in strengthening the PARCO brand to achieve our long-term vision.

Additionally, the Shibuya area is one that is rich with change, and a place of abundant individuality where various values and cultures merge. In recent years, this reputation as a base that communicates a unique culture has made Shibuya a destination for many foreign visitors, a point that will only heighten expectations for its development as one of the world's most watched cities. The creation of a newly redeveloped Shibuya PARCO as a next-generation global shopping center will, we believe, contribute even more to the district's revitalization as we drive the redevelopment plan forward.



Poster from the "Last Dance_" ad campaign ahead of temporary closing of Shibuya PARCO

<http://shibuya.parco.jp/lastdance/>



An artist's rendering

Operator	PARCO CO., LTD.
Address	Udagawa-cho 15 and part of Udagawa-cho 14, Shibuya-ku, Tokyo
Intended purpose	Shops, offices, business incubation facilities, commercialization support facilities, cultural facilities (e.g., theaters), car parking, etc.
Total land area	Approx. 5,380 m ²
Total floor area	Approx. 65,000 m ²
Floors	20 above-ground floors, 3 below-ground floors
Height	Approx. 110m
Planned construction period	March 2017 - September 2019
Final date of operation	August 7, 2016

Success of Value Creation

Group Business Overview

Shopping Complex Business

Net Sales: **¥248,078 million**

Operating Income: **¥11,549 million**

Themes for Fiscal 2016

- Stronger base from opening of Sapporo ZERO GATE and Sendai PARCO2
- At all PARCO stores, expand core target audience and respond to service consumption and inbound demand
- Expanding operational scale by pushing forward with related and new businesses
- Promoting innovative use of ICT

Store Data Highlights

Steadily increasing customer traffic and average spend per customer

Sales floor area: 456,000 m² (101.1%)

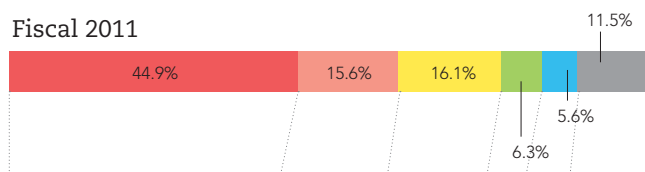
Store visitors: 150,720,000 (104.9%)

Year-on-year comparison of existing avg. spend per customer: 101.1%

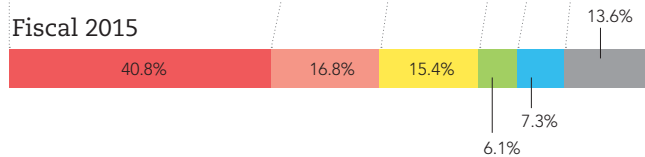
Sales Composition by Category

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

Fiscal 2011



Fiscal 2015



■ Clothing ■ Personal goods ■ General merchandise ■ Foods
■ Restaurants ■ Other

Year-on-year comparisons use total store sales.

In order to demonstrate the total sales capability of each store, total store sales include tenant sales as well as sales from fixed-rate rent tenants such as PARCO Theater.

Store Renovations Results

We are driving forward with tenant leasing initiatives to address the changing and diversifying needs of consumers, capture inbound demand, and cater to the consumption patterns of digital natives.

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Zones renovated	639	522	450	425	380
Area renovated (m ²)	64,000	53,000	44,000	46,000	40,000
Renovation effect (Year-on-year sales comparison by zone/%)	132.2	117.4	111.0	118.6	116.6
New tenant store openings in renovated zones	255	232	249	233	219

Sales by Store (Tenant Sales and Year-on-year Sales Comparison*)

Total sales rose owing to extended floor space at the Fukuoka PARCO Main Building and the opening of Nagoya PARCO midi Urban Complex. Another growth driver was strong sales in Urban Complexes, which organized tenant mixes through new style proposals.

	(Millions of yen)		
	Fiscal 2014	Fiscal 2015	Year-on-year change
Urban Complexes Group	145,078	151,689	104.6%
Sapporo PARCO	11,891	12,415	104.4%
Sendai PARCO	13,135	13,309	101.3%
Ikebukuro PARCO	28,256	27,296	96.6%
Shibuya PARCO	14,666	15,336	104.6%
Shizuoka PARCO	10,096	10,339	102.4%
Nagoya PARCO	35,215	36,772	104.4%
Hiroshima PARCO	16,989	16,645	98.0%
Fukuoka PARCO	14,827	19,573	132.0%
Community Complexes Group	94,078	91,389	97.1%
Utsunomiya PARCO	4,478	4,311	96.3%
Urawa PARCO	17,441	16,869	96.7%
Shin-Tokorozawa PARCO	9,051	9,303	102.8%
Chiba PARCO	5,718	5,157	90.2%
Tsudanuma PARCO	8,811	8,526	96.8%
Hibarigaoka PARCO	7,460	7,255	97.3%
Kichijoji PARCO	7,274	6,934	95.3%
Chofu PARCO	16,915	17,064	100.9%
Matsumoto PARCO	7,477	7,219	96.5%
Otsu PARCO	4,276	3,613	84.5%
Kumamoto PARCO	5,173	5,135	99.3%
Total of Existing Store Group*2	237,532	235,979	99.3%
Total	239,157	243,079	101.6%

*1 Tenant sales exclude fixed rent tenants.

*2 Data for Fukuoka PARCO New Building, extended floor area at Fukuoka PARCO Main Building and Nagoya PARCO midi excluded from "Total of Existing Store Group."

PARCO CO., LTD.

In existing store operations, we continued business category innovations by cultivating Urban Complexes and Community Complexes. We renovated around 40,000 m² of floor space in response to changing customer needs. Sales of renovated zones were up 16.6%.

On the sales planning front, we stepped up efforts to secure new PARCO Card members and rolled out special offers for members. We also deployed customer relationship management measures linked to boosting the usage of POCKET PARCO and marketing activities with

that smartphone application. These efforts led to higher sales among Class S PARCO Card members, our top customers with strong loyalty to the brand, with member transaction volume climbing 3.0% year on year. Parco Museum and event spaces at stores rolled out highly compelling projects. Mobilization projects attracted 1,170,000 people, up 21.8% from a year earlier. Initiatives to accommodate foreign visitors to Japan included expanding the number of duty-free shops and disseminating information through media outlets targeting these people.

Centering Development on Areas Around Urban Flagship Stores and Major Cities

In fiscal 2015, we began operations at three facilities surrounding PARCO flagship stores. In March 2015, we opened an extended floor area in the Fukuoka PARCO Main Building and launched Nagoya PARCO midi. In February 2016, we opened Sapporo ZERO GATE on the south side of Sapporo PARCO.

In fiscal 2016, we opened Sendai PARCO2 in July 2016, with Hiroshima ZERO GATE2 opening in the fall. We look to open Kyoto ZERO GATE (tentative name) in spring 2017. The New South Wing of Matsuzakaya Ueno and Sannomiya ZERO GATE (tentative name) are slated to begin operations in fall 2017.

Tenant Message



Vinos Yamazaki Co., Ltd.

Yuko Tanemoto
President

We were very grateful to have an opportunity to set up a Got Wine? Vinos Yamazaki shop, our first operation in the Tohoku region, in Sendai PARCO2. We will endeavor to learn from PARCO in striving to satisfy customers with our new business.

We wanted to create a new business with a casual atmosphere that attracts not only wine lovers but also those wishing to enjoy this beverage for the first time. We aim to help enhance lifestyles with wines and foods that work well with it.

We will do our best as part of the Sendai PARCO community to provide a lot of happiness through wine to a dynamically recovering Tohoku region.



Vinos Yamazaki
Sapporo PARCO B2

Stores opened in fiscal 2015

Fukuoka PARCO additional floor space Opened March 19, 2015

As the largest shopping complex in the Tenjin area, this store offers lifestyle inspirations as part of a very enjoyable and comfortable shopping experience.

Nagoya PARCO midi Opened March 27, 2015

This compact store functions as a new community zone that revitalizes the surrounding area by encouraging foot traffic.

Sapporo ZERO GATE Opened February 26, 2016

This store is located on the southern side of Sapporo PARCO in the Odori district, Sapporo's bustling commercial center, contributing to customer traffic in the area.

Stores opened after the start of fiscal 2016

Sendai PARCO2 Opened July 1, 2016

Sendai PARCO2 is located in front of JR Sendai Station in the largest city of the Tohoku region, and features a cinema complex on the sixth floor. Together with Sendai PARCO, the new facility will bolster PARCO's market presence in the years ahead.

Hiroshima ZERO GATE2 Due to open in fall 2016

This site is opposite the Hiroshima PARCO Main Building on a street with the highest foot traffic in the city center, and will generate new appeal for the city.

Kyoto ZERO GATE (tentative name) Due to open in spring 2017

The site is adjacent to the Daimaru Kyoto department store, facing Shijo Street, Kyoto's commercial center.

New South Wing of Matsuzakaya Ueno Due to open in fall 2017

This new commercial facility will combine the comprehensive strengths of the PARCO Group with the operational assets of J. FRONT RETAILING.

Sannomiya ZERO GATE (tentative name) Opening date to be decided

The site is in one of western Japan's leading commercial locations, and is near the former foreign settlement, a popular tourist attraction, and other areas.



Nagoya PARCO midi



Sendai PARCO2

Innovative Use of ICT

We have made tremendous progress since adopting advanced ICT systems in fiscal 2014 in undertaking promotions and streamlining shop staff operations. PARCO's POCKET PARCO app has proven a valuable tool for analyzing information to accommodate customer needs, and is helping us provide more personalized services to customers.

We will leverage artificial intelligence with apps to enhance the precision of the information we disseminate, linking PARCO Card and apps to reinforce customer relations. We will also draw on ICT to help enhance the efficiency of PARCO staff members and reinforce our online information dissemination, thereby engaging around the clock with customers.



Reinforcing the Capabilities of the POCKET PARCO Smartphone App

① Deploying Artificial Intelligence to Reinforce Recommendation Capabilities and Display Articles that Match User Tastes

We draw on records for user purchases and store visits, clips (bookmarking), and article reading in harnessing artificial intelligence to learn about customer preferences and provide recommendations that match individual tastes.

② Overhauling Our Ranking System to Bolster Service to Top Customers

Customers can exchange virtual coins that they accumulate through our smartphone app for shopping coupons. In March 2016, we overhauled our ranking system so customers can exchange up to ¥3,000 annually in coupons, double the previous level.

③ Adding Feed Customization Function, Allowing Customers to Edit their Own Feedback

Customers can now create multiple categories or edit feed screens displaying shopping blogs. Customers can thus enjoy an app enabling completely unique customization.



Drawing on Kaeru PARCO to Approach Customers Outside Operating Territories

① Selling Regional Goods Nationwide through Kaeru PARCO

We have attracted shop enthusiasts by drawing on social networking sites and Kaeru PARCO to offer unique regional goods that customers can order from anywhere in Japan.

② Collaborating with Overseas Purchase Support Agents to Enable Ordering from Abroad

We use overseas purchase support agents so foreign customers who have purchased from PARCO stores can keep buying our offerings after they return to their countries.



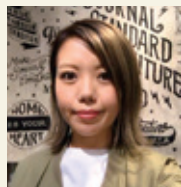
Employing ICT to Help Boost Shop Staff Efficiency and Enhance Employee Satisfaction

SUTEKI LABO

The SUTEKI LABO e-learning site enables shop staff to take advantage of breaks in their routines to efficiently acquire customer service techniques.

We deployed a function in which PARCO shoppers can use POCKET PARCO to rate customer service on a scale of 1 to 5. The feedback goes to tenants on the following day to guide ongoing improvements.

Messages from Tenant Staffers Refining Online and Store Customer Service Techniques



journal standard Furniture
Fukuoka PARCO

Chika Yamada
Web-site personnel

Kaeru PARCO is used to introduce products in conjunction with PARCO's Web service and social networking sites and enhance the online shopping experience. We have found this tool vital, as it has enabled us to build a nationwide customer base that we can use according to inventory and customer situations and ensure flexible responses. Enabling customers to get store and product information more swiftly encourages them to shop and energizes stores, so we look forward to more initiatives and offerings for customers of PARCO, which is making Web services a key priority, as well as staff training and other activities.



SHIPS
Ikebukuro PARCO

Syoe Mimura
Store manager

At our store, we engage in mini role-playing exercises and identifying benefits to raise our customer service standards to encourage more visits and purchases. We use the Web to attract more customers, posting blogs, Instagrams, and other information every week. We put considerable effort into uploading eye-catching headlines and images for customers.

Undertaking Renovations that Reflect Changing Consumer Lifestyles

Renovations in fiscal 2015 entailed work on tenant leasing to accommodate changing and diversifying lifestyles, catering to inbound tourist demand, and themes that address emerging needs for digital natives.

In fiscal 2016, we will reinforce our market position by rolling out store initiatives that match market growth themes, including in terms of quality living, new culture, and lifestyle responses.

Tenant Message



Java Corporation
Yasuhiko Nakamura
Executive Officer

We are grateful to have been able to open shops in Nagoya PARCO and Ikebukuro PARCO. We greatly appreciated the input of PARCO's people in the J' STUDIO EDIT development process.

Consumption patterns are changing dramatically in the apparel sector, and it is difficult to accommodate consumer needs without proposing items in the context of usage situations.

So, we consider it essential to offer daily proposals that clarify usage situations and do away with age group-based branding approaches.

J' STUDIO EDIT started out to combine original, select, and domestic lines, making its debut through PARCO. We offer diverse lifestyle ideas for women.



Nagoya PARCO West Building 2nd floor
J' STUDIO EDIT ladies fashion

Key Renovations in Fiscal 2015

Urban Complexes

Nagoya PARCO

We complemented Nagoya PARCO midi, which houses shops offering high-level fashion and very noteworthy foods and beverages, by renovating the first floor of the east wing of Nagoya PARCO as a unisex and accessories area to enhance shopping experiences and energize sales areas at all Nagoya PARCO buildings. Renovations in the west wing entailed bringing in numerous shops offering fashions and cosmetics accessories for more comfortable and stylish living.



Nagoya PARCO West Building 1st floor
BLUE by ROYAL COPENHAGEN houseware

Fukuoka PARCO

Here, we increased floor space to position the store as offering outstanding comfort in the Tenjin area, deploying the Oichica food and beverages zone on the B1 floor, an inaugural interiors and miscellaneous goods shop, an information café, and other facilities. To broaden the customer base, we opened the Fuku Pop animated cartoon culture zone and accommodated growing inbound tourist traffic with personal item and other shops.



Fukuoka PARCO Main Building 1st floor
W&E shoes and sportswear

Community Complexes

Chofu PARCO

We endeavored to broaden the customer base by undertaking major renovations in the entrance area on the first floor, setting up shops offering fashions, cosmetics, lifestyle goods, and food and beverages for senior citizens purchasing items for younger family members while improving convenience by reconstructing an adjacent parking building.



Chofu PARCO 1st floor
SABON body care, cosmetics, and sundry items

Reinforcing Services to Cater to Inbound Tourist Demand

Our initiatives for catering to inbound tourists have included disseminating information through social networking sites and continuing to step up the dissemination of information through websites that are very popular with foreign tourists. We have leveraged our overseas network in promotional efforts that include collaborating with commercial facilities overseas and exhibiting at travel fairs. We have also brought in tenants that are popular with inbound tourists while showcasing Cool Japan, animated cartoons, and other new contents that are unique to Japan. We have expanded the number of duty-free shops and rolled out Wi-Fi and other services for these tourists. We have launched multilingual call center services that can handle direct inquiries from shops. We also allocated additional bilingual information staffers during inbound tourism seasons and bolstered multilingual smartphone sites and other infrastructure.



Sapporo PARCO set up a multilingual service counter during Chinese New Year.



Shibuya PARCO held a new kimono styling ideas show.

Retail Business

Net Sales: ¥21,473 million
 Operating Income: ¥694 million

Themes for Fiscal 2016

- Aggressively open new stores, including through new business format development
- Boost profit margins through a full range of original products and an improved product mix
- Expand profits by reinforcing e-commerce operations

NEUVE A CO., LTD.

Top- and bottom-line growth through aggressive store openings and robust response to inbound demand
 For fiscal 2016, continue to cultivate new business formats and expand business by focusing on e-commerce operations

NEUVE A CO., LTD. operates select stores based on a five-business structure consisting of wristwatches, eyewear, cosmetics, fashion accessories, and business format development. It has two sales channels—a network of 200 stores (26 newly opened) and an online store. During the year under review, results were solid for 21 stores opened, including those in new business formats, and five stores whose businesses were transferred. Performances also improved steadily for existing stores, with both sales and operating income increasing.

In fiscal 2016, NUEVA A plans to open 19 new stores, including those in new business formats. It will endeavor to boost profit margins through a full range of original products and an improved product mix while expanding profits by reinforcing its e-commerce operations.



TiC TAC

This business maintains shop brands that reflect target market tastes and offers merchandise based on the sensibilities of buyers and shop staff. It identifies emerging foreign brands that have yet to enter the Japanese market and collaborates with popular brands and develops original products to cultivate new appeal for watches beyond their timepiece functionality.



POKER FACE

Committed to setting a “high-quality standard,” POKER FACE offers a carefully selected range of fashionable eyewear, from domestic frames to imported brands, and also focuses on cultivating related gift items.

It also maintains its own programs and comprehensive training system to cultivate its expert and technologically savvy professional staff.



Rirerecipe

Rirerecipe offers crafted soaps that are both functional and gentle on the skin, as well as a range of related goods incorporating natural materials. It offers additive-free cold process soaps that take around 40 days to complete, as well as beauty wash, oils, bath salts and other related products made from carefully selected ingredients. Rirerecipe has earned male and female devotees of all ages for its commitment to rigorous quality control.

Number of locations: 200 (57 in PARCO complexes)

Ratio of shops outside of PARCO: 71.5%

TiC TAC Business	Watch specialty store	100 (18 in PARCO complex)
EYEWEAR Business	Eyeglass specialty store	32 (11 in PARCO complex)
ROSEMARY Business	Cosmetics and accessories specialty shop	23 (15 in PARCO complex)
COLLECTORS Business	Men's variety shop/Women's variety shop	40 (12 in PARCO complex)
Business format development		5 (1 in PARCO complex)

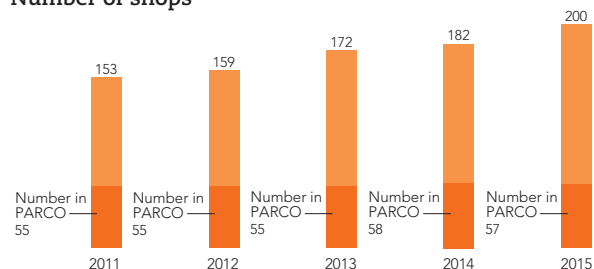


Satoru Abe
President

Accommodating Customer Style Preferences through Our Quality Specialty Shops

We develop and operate specialty shops based on our select fashion items concept. We serve a clientele that values fashion as a vehicle for self-expression, heightening their shopping enjoyment by providing opportunities to find fashion items that match their sensibilities and individualities, and enhancing customers' lifestyles by consistently offering outstanding contemporary merchandising.

Number of shops



Space Engineering and Management Business

Net Sales: ¥19,969 million

Operating Income: ¥433 million

Themes for Fiscal 2016

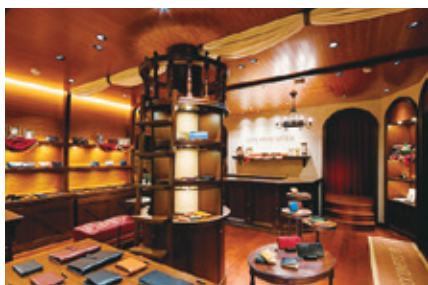
- Leverage expertise and technologies honed through work with PARCO and outside commercial facilities as a key strength, building a structure to handle complex orders for external projects, centered on electrical work orders for outside facilities and interior work for specialty stores
- Review costs and boost earnings

PARCO SPACE SYSTEMS CO., LTD.

Increased sales and earnings on strength of orders for specialty store interior and electrical work
For fiscal 2016, step up comprehensive marketing and engage in selection and concentration to secure highly profitable complex orders

PARCO SPACE SYSTEMS CO., LTD. boosted sales and operating income in the year under review on the strength of higher orders for specialty store interior and electrical work and new building maintenance business orders.

In fiscal 2016, the company will undertake diverse marketing approaches to expand its customer base and offer optimal proposals and continue to negotiate to generate new work. At the same time, it will endeavor in the hotel business to reinforce its revenue base by securing complex orders in peripheral areas, centered on room cleaning.



Interior and Electrical Work

We will draw on our expertise in commercial, public, medical, hotel and other facilities, as well as our experience and expertise-driven technical prowess and responsiveness to create and offer sophisticated spaces that accurately and safely materialize client requirements.

We manage construction period schedules and make adjustments to ensure that work proceeds safely and smoothly in line with facilities' rules. We also mediate between architects and construction contractors, working closely with them in efforts to enhance quality.

Electrical construction work spans every facet of electrical work for facilities from that relating to electrical equipment to that on cellular antenna base stations outdoors to ensure comfort and safety for facilities users.



Conserving Energy and Cutting Environmental Impact

Efforts to lower energy consumption and environmental impact are a social responsibility and an important issue to address company-wide.

We endeavor to safeguard the environment in all aspects of our work in creating spaces. We employ high-performance, energy-saving lighting designs, install LED and other high-efficiency lighting fixtures, and propose interiors and furniture incorporating recycled materials.



Displays and Visual Merchandising

We accommodate diverse requirements from clients, optimizing presentations of merchandise and exhibits that they most wish to promote to attract and connect with customers.

We also employ visual merchandising, which utilizes not only show windows but also stores and other sales areas to offer examples of how and where products should be staged, creating sales areas that present attractive merchandise in ways that make it easy for customers to select and buy items.



Tatsumi Imaeda
President

PARCO SPACE SYSTEMS CO., LTD. has operated for more than 40 years as part of the PARCO Group, a commercial facilities leader in Japan, focusing on its space product business and the building management business, which aims to enhance the safety and comfort of facilities.

Our management structure combines years of expertise and ample resources, covering every phase of the space business, from development support and space production to post-launch operations. We provide valuable solutions as an optimal partner for our customers.

Service operations

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

Other Business (Entertainment Business and PARCO-CITY CO., LTD.)

Net Sales: ¥6,850 million Operating Income: ¥132 million

Entertainment Business



"Tango at the End of Winter"
(Directed by Isao Yukisada, Starring: Hiroshi Mikami)



"The Sea of Trees"
©2015 Grand Experiment, LLC.

Themes for Fiscal 2016

- Reinforce high-profile show performances at PARCO Theater Climax Stage and at other locations
- Deploy character-themed cafés inside and outside PARCO stores
- Expand business with unique entertainment content

The Entertainment Business of PARCO CO., LTD. enjoyed great success in staging Japanese language versions of "Mary Stuart," starring Miki Nakatani and Misuzu Kanno, "Macbeth," starring Kuranosuke Sasaki, and other productions. "Tango at the End of Winter," starring Hiroshi Mikami, was another of several well-received productions. Trendsetting cafés based on popular character motifs were also popular, contributing to sales and attendance growth.

This business plans to stage a series of high-profile shows called "PARCO Theater Climax Stage" to mark the suspension of performances at PARCO Theater due to the temporary closure of Shibuya PARCO. It also intends to expand its program of shows at other locations. In trendsetting cafés, the business will increase its network inside and outside PARCO stores, and in visual entertainment, it will use its links with overseas talent agents to develop new content, including the acquisition of rights to films such as "The Sea of Trees," (released in April 2016) starring Ken Watanabe and Matthew McConaughey, aiming to expand its business with unique entertainment content.

PARCO-CITY CO., LTD.



Website Update Classes for Shop Staff

The role of the official corporate website is changing such that it not only disseminates information from facilities operation staffers but also functions as a tool for communicating with customers. We are leveraging our expertise with building and operating numerous websites to conduct homepage update classes for shop staff. The classes offer detailed instruction about everything from using basic management screens to writing reader-friendly articles and taking quality photos.

Themes for Fiscal 2016

- PARCO-CITY CO., LTD. aims to grow profits by stepping up its proposals for non-PARCO retail facilities, such as SC Concierges®, an ICT utilization support service for shopping centers.

PARCO-CITY CO., LTD. boosted orders in its Web consulting business in the year under review. Key contributors were its planning and development of an app for Pepper and website production. Pepper is an emotion-recognizing robot that provides multilingual support for shopping center information operations. Sales and operating income were both up from a year earlier.

In fiscal 2016, PARCO-CITY will draw on SC Concierges® and Kaeru Blog® as powerful online customer engagement vehicles to streamline operations, providing marketing and other ICT-based services to drive success for commercial facilities.



Kenji Kawase
President

Aiming to contribute to everyone working at shopping complexes as SC Concierges®

The company helps commercial facilities and specialty shops nationwide employ ICT.

By deploying PARCO's innovative ICT technologies in empirical settings, we are continuing to amass knowhow in ICT that produces results.

We draw on ICT for active trends communication from sales staff and provide support at commercial facilities nationwide for e-commerce that harnesses the customer service and hospitality normally found during shop visits.

We will endeavor to make ICT technology a more familiar and user-friendly tool for invigorating bricks-and-mortar commerce.

New PARCO Group Initiatives

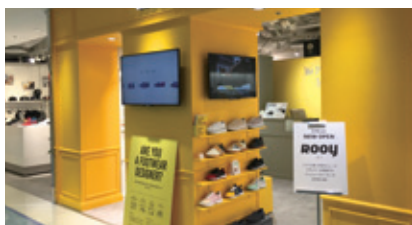
We will draw on our expertise and networks to enable the entire PARCO Group to pursue new initiatives. The objective is to thereby create a third revenue pillar to follow on from PARCO's stores and development businesses by helping consumers enjoy even more exciting urban lifestyles.

PARCO's crowd-funding business **BOOSTER**

BOOSTER draws on the nationwide strengths of PARCO to expand awareness of projects and support business growth after launches.

We will integrate online and PARCO's physical store operations to engage more with customers and support organizations and individuals pursuing new challenges.

To date, we have leveraged PARCO facilities to offer unique support for projects. They have included the launch of a first shop in Japan for an overseas-based business owner developing products that bring fashion and technology together. Another example is an art event linked to visitor promotion plans. In the fashion arena, we have helped a noteworthy young designer launch internationally and start a studio, and are supporting ideas for developing urban areas and resolving regional issues.



ROOY Footwear Creation Platform
Shibuya PARCO PART 1 B1

ROOY is a crowdsourcing platform for shoe design. It is a project for entering the Japanese market and reached its objectives right after launching. The business has expanded steadily since its first shop in Japan opened at the Shibuya PARCO PART 1 store.

PARCO's directly managed neo-bistro **"& éclé"**

July 2015 saw the opening of "& éclé," a restaurant directly managed by PARCO in Tokyo's trendy Aoyama district. This neo-bistro serves as a means to propose urban lifestyles in the field of food.

"& éclé" is the first neo-bistro operated jointly between PARCO and Olivier Rodriguez, its goal being to offer accessible luxury. He is the former head chef of Signature, a Michelin-starred restaurant at the Mandarin Oriental Hotel Tokyo.

Mr. Rodriguez built his career in haute cuisine. He applies his unique techniques in the kitchen to bring out the flavors of ingredients, and delivering Michelin quality at bistro prices in this establishment.

His signature dish is Coulicious. This healthy and innovative offering pairs coulis, a French-style vegetable puree, with various varieties of rice and cereals that are familiar to Japanese people.



The dishes of Mr. Rodriguez combine the haute cuisine techniques he accumulated over the years with the light flavors, aromas, textures, and colors of his native southern French origins. His artistic arrangements have won him accolades from all quarters. He is renowned for his intimate knowledge of Japanese food and his combinations of seasonal Japanese and French ingredients.

Japanese restaurant zone **"itadakimasu by PARCO"**

In winter 2016, PARCO (SINGAPORE) PTE LTD and Amara Hotel Properties Pte Ltd plan to open the "itadakimasu by PARCO" Japanese restaurant zone in the 100 AM commercial facility in Tanjong Pagar, Singapore.

PARCO SINGAPORE operated the first "itadakimasu" restaurant zone, which featured Japanese establishments as tenants, at PARCO Marina Bay from 2010 through 2014.

Three policies guided the selection and arrangement of restaurants in the zone by PARCO from its unique perspective – it should consist largely of restaurants from Japan; customers should encounter flavors and service comparable to a Japanese dining experience; and the cuisine on offer should be appropriately priced. The zone has since earned a loyal following among resident Japanese and other nationals, as well as local customers.

PARCO will leverage "itadakimasu" as one of its overseas businesses in setting up operations in the restaurant zones of commercial facilities, office buildings, hotels, and other locations in Singapore and neighboring countries.



An artist's rendering

Fiscal 2015 Accolades and Awards

PARCO Productions

The 18th Korea Senda Award to Isao Yukisada for "Tango at the End of Winter" and others

The 23rd Haruko Sugiura Award to Mitsuki Takahata for "Iyaounashini (Whether you like it or not)" and others

2015 Musical Category in WOWOW Theater Awards for 2015 Musical Productions for "Iyaounashini (Whether you like it or not)"



"Iyaounashini (Whether you like it or not)"

The Sea of Trees, acquired by PARCO

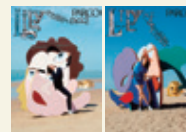
Entered in competition at the Cannes Film Festival

PARCO 2014 Autumn/Winter and 2015 Spring/Summer Season

Creative director M/M (Paris) and photographer Viviana Sassen won 2015 Art Directors Club awards

Posters and commercials

Lily, from Solstice to Solstice, PARCO's seasonal campaign, took second prize at the Asahi Advertising Awards



PARCO 2014 Autumn/Winter and 2015 Spring/Summer Season

PARCO's digital marketing initiatives, including Kaeru PARCO and POCKET PARCO

Third CNET Japan CMO Award

Fukuoka PARCO in commercial facilities category

Innovation Prize in the 17th Grand Prize (for Commercial Facilities) for Developers Chosen by Leading National Tenants

PARCO Group Corporate Website

Received an Excellence in Corporate Website Award 2015 in all listed companies in Japan and Commendation Award in the industry category from Nikko Investor Relations Co., Ltd. ranking in all listed companies in Japan

Received an Internet IR Commendation Award 2015 from Daiwa Investor Relations Co., Ltd., which recognizes outstanding websites of listed companies



"The Sea of Trees"
©2015 Grand Experiment, LLC.

Collecting PET Bottle Caps

PARCO received a letter of appreciation from NPO Re Lifestyle for store contributions to PET bottle cap recycling

EAT & SMILE ACTION

PARCO received a letter of appreciation from NPO TABLE FOR TWO International for store sales of charity menu items

Success of Value Creation Produced by PARCO Brand



Michihiko Yanai

Creative Director

Talks with

Hajime Inoue

Executive Officer for
the Entertainment Department

As Shibuya PARCO, the point of origin for the PARCO Group itself, gets set for the next stage in its evolution, we sat down for a conversation between Creative Director Michihiko Yanai, known for his involvement in numerous PARCO ad campaigns, and Executive Officer for the Entertainment Department Hajime Inoue on producing the PARCO brand.

Inoue: Since 2011, PARCO has had “Evolving From Our Point of Origin” as our slogan. What is this point of origin? It is three key concepts – “Incubation,” “Urban Revitalization,” and “Trends Communication” – that form an unbroken connection to PARCO’s roots. When we talk about “Evolving From Our Point of Origin,” we mean spurring the evolution of these concepts in step with the present day.

Yanai: PARCO really is one of a kind, isn’t it?

I’d wager you would be hard-pressed to find another company anywhere that sets those three concepts as the core of its branding efforts. You might be apt to think that this probably won’t deliver an even return on investment. From where I’m standing, I see this act as throwing a ball far into the future. As people, we often tend to want results that materialize relatively quickly, so that posture really does set PARCO apart.

That said, I both know and have

experienced the enormous things those three concepts have brought, and I have nothing but respect for PARCO’s commitment to using those three cores as anchors to remain unshakeable no matter how times may change.

“Urban Revitalization” Can’t Happen Alone

Inoue: It was often said after the opening of

PARCO Incubation

Corporate Message “SPECIAL IN YOU.”



www.parco.co.jp/specialinyou/

From its founding and through to today, PARCO has been assertive in showcasing and identifying new talent not only in fashion but also in a host of cultural areas, including music, visual arts and theater, supporting talented individuals to give them the confidence needed to pave the future.

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.

For the Spring 2016 ad campaign, UK art troupe “Tomato,” which continues to reign atop the global creative scene, and electronic music group “Underworld” offer powerful words of encouragement to the many people out there who continue to take on the challenge to strive for more.

Development of Shibukaru Festival in Bangkok



“Shibukaru Festival 2015” marked the fifth year of providing Shibuya PARCO to female creators as a space for expression encompassing a collection of events that include art, music, video and live performances. Networking between creators brought together by the Shibukaru Festival has given rise to new and exciting artistic challenges. For this reason, in June 2015, PARCO hosted an event in Thailand called “SHIBUKARU MATSURI goes to BANGKOK” that promoted cultural exchange with local creators.

Shibuya PARCO that it changed the flow of people, and I think this was huge for PARCO. On the streetlamps, we hung signs reading “VIA PARCO = Park Street,” installed red phone booths and took other actions that, one by one, contributed to urban revitalization.

Yanai: It’s really something that the name of a public street was changed because of a new commercial facility, isn’t it? Parco is a general term meaning ‘park,’ but VIA PARCO is actually PARCO Street!

Looking at PARCO from the outside, PARCO changed the image of the district, which happened to be Shibuya, through the PARCO brand. While having its own effect on the district, PARCO itself absorbed the transformation of the district. There was a direct relationship between PARCO’s own branding and the new and interesting ways in which Shibuya as an urban area would transform.

Inoue: PARCO’s approach is that we can’t do urban revitalization alone. For example, during the existence of PARCO Theater, we saw the emergence of The Tokyu Group’s Bunkamura venue, as well as lots of mini theaters after the appearance of CINE QUINTO. Starting with CLUB QUATTRO, there are also many live music venues. So with theater, cinema and music, an air of culture has come to infuse the

entire Shibuya district. While the number of competitors has also risen, things will get interesting as PARCO, not alone but together with other people, raises the level of cultural activities in the district.

Entertainment and “Trends Communication”

Inoue: PARCO has always been a company that creates spaces. That’s why live events are the heart of its Entertainment business. The notion that we should create something entertaining for those deciding to actually go to a venue in person is what sets PARCO’s Entertainment business apart. For example, the space that we label PARCO Theater has featured comedy, serious dramas, and traditional Japanese satire. After doing this for four decades, people have finally started to say, “That’s a lineup we expect from PARCO Theater.” Our desire is to continue hosting spaces in the same way for music and films, too.

Yanai: For lots of people, I think their curiosity goes to how content within a space is created. But what happens is you create an empty container, toss many different things in, and watch something new emerge. The decision to be fine with just having the container is the essence of PARCO’s originality.

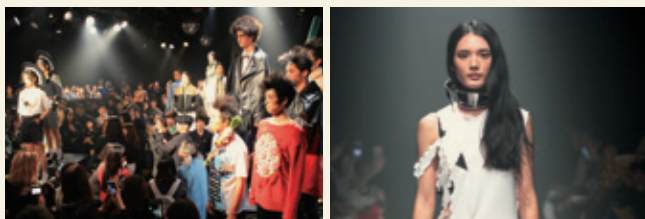
Inoue: I think the creation of a space and the many things that come from it all contribute to PARCO branding. “Trends Communication” is about more than what advertising can convey. It’s about a sense of what the essence of PARCO really is, what comes through from a combination of the shops and products found within PARCO, with the entertainment provided by venues like PARCO Theater, Shibuya CLUB QUATTRO and CINE QUINTO.

“Incubation” for Each Era

Inoue: One of our cores, “Incubation,” is something we’ve focused on for years. For instance, young fashion brands have become popular and grown after being PARCO tenants, while new actors and performers have become stars through appearances at PARCO Theater, just to name a few examples. PARCO is a stage where new people create new things. I think that is the essence of what PARCO is.

Yanai: When I was trying to get into college years ago, I encountered PARCO for the first time. It was during the Japan Graphics Exhibition, which calls on public submissions and of which PARCO is a main sponsor. It was at the time when now famous artists Katsuhiko Hibino and Noriyuki Tanaka made their debut

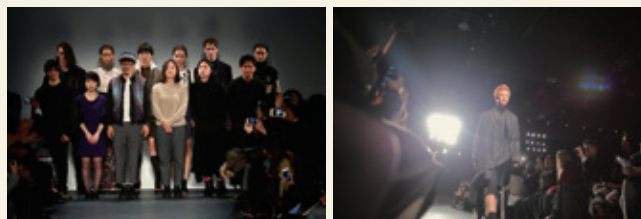
Support for TOKYO NEW AGE Fashion Show



PARCO provided support to bring a fashion show to life for the Tokyo collection of TOKYO NEW AGE, a gathering of young Japanese designers who, through their experimental approaches, strive to convey the fun and excitement of fashion.

As part of related business growth support, we provided opportunities for designers to open limited-time shops in Shibuya PARCO, and to learn about the creative and business sides of things through communication with customers.

Asia Fashion Collection



“Asia Fashion Collection – Global Incubation Project” is a project for identifying and supporting young fashion designers from Asia. Through a show-style competition in which designers make their runway debut as part of a New York collection, PARCO is identifying promising designers and providing them with business growth opportunities.

With three rounds now completed, as a next step to support designers who have debuted collections, by utilizing PARCO crowd-funding service “BOOSTER,” we were able to establish a shared studio for young designers.



PROFILE Michihiko Yanai

Creative director. Born in Japan's Fukushima Prefecture in 1964. After a stint at ad firm Hakuodo, established magazine Kazetorock. Involved in numerous PARCO advertising campaigns, including "SPECIAL IN YOU." "LOVE HUMAN." "Last Dance_" as well as Tower Records' "NO MUSIC, NO LIFE." and Recruit's "Zexy" campaigns. He is an Associate Professor at the Tokyo University of the Arts Department of DESIGN, Director of Shibuya Radio (FM87.6MHz), Publisher and Editor-in-Chief of Kazetorock Monthly, Creative Director for Fukushima Prefecture, and guitarist for the group Inawashirokos, which appeared on the nationally televised 2011 NHK Kouhaku Uta Gassen music competition.



Yanai's first ad for PARCO, "MOTTO PARCO" (1994) poster for the opening of Hiroshima PARCO



The poster "LOVE HUMAN." (2011) created together with Sendai PARCO staff after the Great East Japan Earthquake.

Visit the website for details on the "Last Dance_" campaign.

shibuya.parco.jp/lastdance_/

at the exhibition. The artists who entered were used in advertising, which led to their next jobs and the opening of exhibits. You could say that I saw "Incubation" at work right before my own eyes.

Inoue: This PARCO exhibition, enabled by public submissions, has continued through name changes, and will come to be called the "Touchstone for young artists" by some, but has always involved several thousand young artists bringing their work to an underground parking garage.

Yanai: I remember that! Throngs of young people lined up along VIA PARCO with their

works, some wrapped in traditional carrying cloth, others in panel portfolios. But because lots of people turned out, that doesn't mean it translated into sales at all for Shibuya PARCO (well, I'm sure sales probably rose a little). It was really about incubation, right? For some, this public art exhibit catapulted them to stardom. For others, it made memories for those who submitted works and those who saw the lines. And in some cases, the outcome was tangible and intangible assets that have lasted for decades.

Inoue: In 2010, when we thought about an approach of how we can realize "incubation"

in a concrete way, we concluded that the competition-type public exhibit we did in the past is no longer viable. That was how the Shibukaru Festival was born. While the idea of discovering and introducing young talent to the world was the same, we didn't feel that giving an award under the "crown" of PARCO was really appropriate for this era.

Yanai: The mindset of young people has really changed, hasn't it? Rather than being in the spotlight of competition, this generation wants to connect in a less hierarchical way and collaborate. I think PARCO was spot on in calling this trend.

PARCO Entertainment

PARCO's Entertainment business actively strives to introduce new culture to the fields of theater, music and the visual arts, as a means of proposing vibrant lifestyles.

Along with a range of appealing content for the theater, music, cinema and publication, the Entertainment business, in addition to the multimedia development of content through conversion to DVD and book formats and collaboration cafes, provides live entertainment that is moving and innovative.

In recent years, PARCO has been proactive in participating in performances and events outside of its own cultural facilities, leading to high-quality "Trends Communication" produced by PARCO both in and outside of Japan.

Theater

www.parco-play.com

Produced by PARCO "Haha to Wakusei ni Tsuite, Oyobi Jiten Suru Onnatachi no Kiroku" (Regarding Mothers and Planets, and Recollections of the Rotating Women)

Dates: Thursday, July 7 to Sunday, July 31, 2016
PARCO Theater



Written by Ryuta Hourai
Directed by Tamiya Kuriyama
Cast: Mirai Shida, An Suzuki, Tomoko Tabata and Yuki Saito

After living a wild, carefree life, a mother suddenly dies. Three sisters subconsciously fear that they, too, have inherited the same tendencies. From mother to daughter, the things we accept, and those we reject. Through three sisters looking to break with their old selves for a new start, this tale highlights both the hardship and preciousness of actually living the lives we choose.

Movies

www.cinequinto.com

PARCO entertainment rights business "Museum"

Fall 2016 Nationwide Roadshow



©Ryosuke Tomoe/Kodansha ©2016
Eiga "Museum" Production Committee

Starring: Shun Oguri
From the original manga "Museum" by Ryosuke Tomoe Young Magazine published by Kodansha Co., Ltd. Directed by Keishi Otomo of the "Ryoma Den" and "Rurouni Kenshin" series Script by Izumi Takahashi, Kiyomi Fujii, Keishi Otomo

A mysterious note left at the scene of a bizarre series of murders that occur when it rains; and a body that the killer apparently wanted to be found. The culprit is called the Frog Man, so named for a frog mask worn. As the investigation led by Detective Sawamura (played by Shun Oguri), who recognized the serial nature of the crimes, gains ground, who will be the Frog Man's next target? But instead of chasing down the suspect, Sawamura finds himself increasingly trapped by his own despair and hopelessness. Ultimately, what is the Frog Man's real objective?

Shun Oguri and creator of the hit "Rurouni Kenshin" series Keishi Otomo join forces to bring this robust and thrilling entertainment!

Ad Expression Attuned to the Times

Inoue: We have long entrusted our corporate campaign to you, Mr. Yanai, and the “LOVE HUMAN.” poster developed in 2011, the same year as the terrible earthquake, was also created by you.

Yanai: Immediately after the quake, I went to the epicenter. I would argue that the ad photo I took there with the staff in front of Sendai PARCO was, as a work, a turning point both for myself and for PARCO. Being able to create an ad that could declare to readers, “Hey, Japan will survive, we can overcome this together,” was hugely important for me. For PARCO, meanwhile, it was a work that in an instant seemed to change the Company’s course. My impression was that it went beyond advertising to alter PARCO’s approach at a higher level; in other words, it clarified the resolve to declare PARCO’s commitment to “Evolving From Our Point of Origin.”

Inoue: Without question, it felt as if a new day had dawned. It was different from the stylish photos and text of earlier PARCO ads, and gave rise to a new way of expressing PARCO.

Yanai: You might say that PARCO had chosen a sharper direction that was a break from the past but in touch with the times.

Advertising and “Incubation”

Yanai: I would say PARCO is a company that has also pushed “Incubation” in the field of advertising. This is of course true in my case, given how my work with PARCO has shaped my career. A long time ago, I decided on my own to create a video where I challenged PARCO to “make a commercial more like this one!” and sent it on VHS tape along with a letter to the head of the advertising department. All of a sudden my phone rang, and the voice on the other end said, “I was deeply moved by your work.” A few years later, that same person contacted me again, this time to formally hire me for a job. My guess is that many creators have been groomed and shaped by PARCO in this way.

Inoue: Now that is quite a story! (laughs)

Yanai: The first time I was put in charge of PARCO advertising, I was still employed by Hakuodo. I remember the ad department chief of PARCO at the time declared, “after working for my department, everyone ends up starting their own business.” PARCO has continued to give creators job opportunities that become turning points for them. The fact that the head of the advertising department understood this clearly is something I’ve never forgotten.

Inoue: Mr. Yanai, you are, in the present tense, in charge of Shibuya PARCO’s temporary



closing campaign, called “Last Dance_”

Yanai: In creating “Last Dance_” advertising, driven by art director Tsuguya Inoue, I remember feeling a bit weird as everyone went about preparing for this breakpoint for Shibuya PARCO. A bunch of us whose professional lives have been shaped by PARCO came together, worked hard to prepare meals, receive guests, and decorate with flowers, all while showing our appreciation to and respect for Shibuya PARCO. “I want to give something back. I want to live in a way that makes PARCO proud to have backed me.” For those on the receiving end of PARCO’s “Incubation,” I would say that everyone has a similar sentiment in some way.

Music

 www.club-quattro.com

CLUB QUATTRO

CLUB QUATTRO offers quality, genre-spanning live music from Japan and abroad. As its reputation grows as a launch pad for new artists from home and overseas, the list of artists who got their start at CLUB QUATTRO before going on to even bigger stages and stardom is growing.



Live performance at Shibuya CLUB QUATTRO

Publishing www.parco-publishing.jp

Yoshiyuki Okuyama photo collection “BACON ICE CREAM”

Yoshiyuki Okuyama has captured attention as a leader in the photography world in recent years with his unique methods of artistic expression.

His poetic and visual works shake up the mind of the observer, inviting them into a deeply imaginary world.

In addition to published photo collections, Okuyama is having his first major photo exhibit at Parco Museum in connection with the release of his latest collection, assembled from work over the last five years.



Yoshiyuki Okuyama photo collection “BACON ICE CREAM”
240 pages/H257 x W190mm/¥2,800 plus tax/
PARCO Publishing

Content Development

THE GUEST cafe & dinner

Shibuya PARCO, Nagoya PARCO, Fukuoka PARCO, Shinsaibashi 161

PARCO is developing collaboration cafes themed around popular characters that offer food menus that offer recreations of adorable character-related products. In spring 2016, we leveraged our expertise from work in Japan to open abroad in Singapore to rave reviews a collaboration cafe featuring popular Japanese characters.



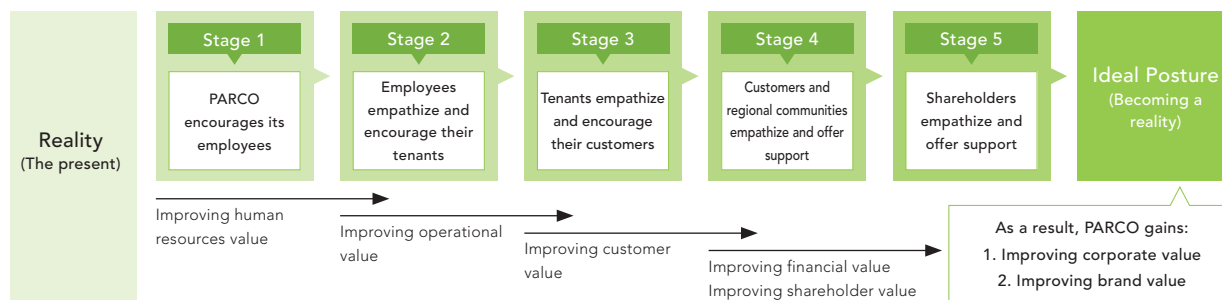
Nagoya PARCO West Building 8th floor
Dates: Thursday, May 12 to Monday, July 11, 2016
Kanahei’s YURUTTO CAFE

Success of Value Creation

PARCO Group CSR

At the PARCO Group, we believe that the definition of our CSR activities is embodied in our corporate mission—creating welcoming, forward-thinking, innovative spaces that provide an enjoyable experience for customers and help our tenants prosper. To this end, we have established four main themes that anchor a host of CSR activities—“next-generation human resources,” “culture,” “local communities,” and “environment.” We also proactively conduct fundamental CSR activities, including initiatives targeting the career advancement of women, peace of mind and safety. In doing so, our aim is to improve corporate value by earning the understanding and support of our seven key stakeholders, specifically customers, tenants, employees, shareholders and investors, members of the local community and society at large, landowners and leaseholders, and contract business partners.

Process to Enhance PARCO Group Corporate Value



Visit the website for details regarding CSR-related initiatives. www.parco.co.jp/en/csr/

Promoting diversity management

The PARCO Group is promoting diversity management as a move for achieving a sturdier business base that will lead directly to its advancement as a company. Guided by the Diversity Committee, we pursue measures for fostering a corporate climate in which diverse values are mutually recognized, and real opportunities exist for all employees to showcase their skills and to grow. Among the issues addressed, one of the most important is promoting the dynamic participation of women. To this end, we propagate career seminars, management seminars, and work-life management extensively within the Company, and are moving to ensure compliance with Japan’s “Act on Promotion of Women’s Participation and Advancement in the Workplace.” The Group is taking several actions in light of two key provisions of the law—encouraging shorter working hours by promoting use of paid leave, and improving the percentage of women in managerial positions. These include enacting measures that foster taking leave, providing opportunities to cultivate female managerial candidates and career consciousness among younger female employees, and establishing an environment where people with time constraints will still find it easy to work.

Initiatives to Improve Career Consciousness Among Female Employees



Cross-industry event: Discussions for women seeking to balance work and childrearing
We actively participate in and share information regarding the career development of women, work-life balance and other topics from projects formed by cross-industry coalitions on these issues.

Improving work environment friendly to employees



Support for Working at Home
Systems briefing on utilizing mobile work
For employees facing time constraints due to childrearing and other concerns, we provide systems that link to the office environment for work from home, and promote the most efficient use of working hours.

Action Plan Based on the Career Advancement of Women Act

(1) Plan Period

April 1, 2016 to February 28, 2021

(2) Target Indicators and Initiatives

[1] Fiscal 2020: 10 days average annual paid leave taken (5 days as of February 2015)

<Specific Target Initiatives>

- Encourage taking at least 8 days consecutive leave twice annually
- Increase efficiency during working hours through adoption of a companywide flextime system, expansion of mobile work, and continuation of “no overtime” days

[2] March 2020: More than 20% of managers are women (11.1% as of March 2015)

<Specific Target Initiatives>

- Identify and groom female managerial candidates
- For younger female employees, proactively provide opportunities that lead to improved career consciousness
- Expand work opportunities for employees with time constraints

Initiatives for peace of mind and safety

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

1. Initiatives to achieve “Peace of mind and safety in day-to-day living”

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

2. Initiatives to achieve “Peace of mind and safety in the shop”

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

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

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

3. Initiatives to achieve “Peace of mind and safeguard lives”

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

PARCO Group Business Continuity Plan (BCP)

In the PARCO Group, to provide services on a continuous basis, we have procedures in place to prevent or minimize risks that could occur in the event of a major disaster. The “PARCO Basic Business Continuity Plan for Major Earthquake Disasters” was formulated in 2011 and has been periodically reviewed since. We conduct BCP drills each year to test our ability to react quickly to scenarios simulating the occurrence of an actual major disaster. Following the 2016 Kumamoto earthquake, we set up a Risk Management Committee based on the BCP, which made it possible to reopen quickly. This included having staff back in Kumamoto PARCO ready to deal with any issues the next day.

At Nagoya PARCO, we adopted a ground filtration system as a measure to ensure potable water supplies exist should a natural disaster occur. The filtered groundwater is used for drinking water and facility equipment throughout the complex.

Environmental initiatives

We formulated the PARCO Group Environmental Policy in fiscal 2010, and since then have worked in shopping center operations and related fields to spur recognition of our relationship with the natural environment as a vital topic, as we promote environmental conservation activities to leave a sustainable society to future generations. Electricity usage accounts for the bulk of energy used by commercial spaces. For this reason, we strive to convert air conditioners, elevators, lighting fixtures and other equipment to models with low-power consumption, and are using energy more efficiently by, among other things, adopting the latest technologies.



Third-party hygiene inspection



Fire extinguisher training drill



Fire drill



Groundwater filtration system at Nagoya PARCO



Common LED-lit walkways within Nagoya PARCO

Corporate Governance

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 and investors, 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 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. Furthermore, PARCO has signed a capital partnership agreement with parent company J. FRONT RETAILING. The purpose of this agreement is to respect the autonomy of PARCO, recognizing that the autonomy and creativity of our management and employees is the source of PARCO’s corporate value creation efforts.

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 consideration of compliancy and risk management, we have set up an internal reporting system to protect persons providing information from any negative consequences that might arise from disclosure.

Refer to the PARCO website for detailed information concerning Corporate Governance.

www.parco.co.jp/en/about/governance/

Framework for Management Supervision and Execution

CSR Management Structure

CSR Committee

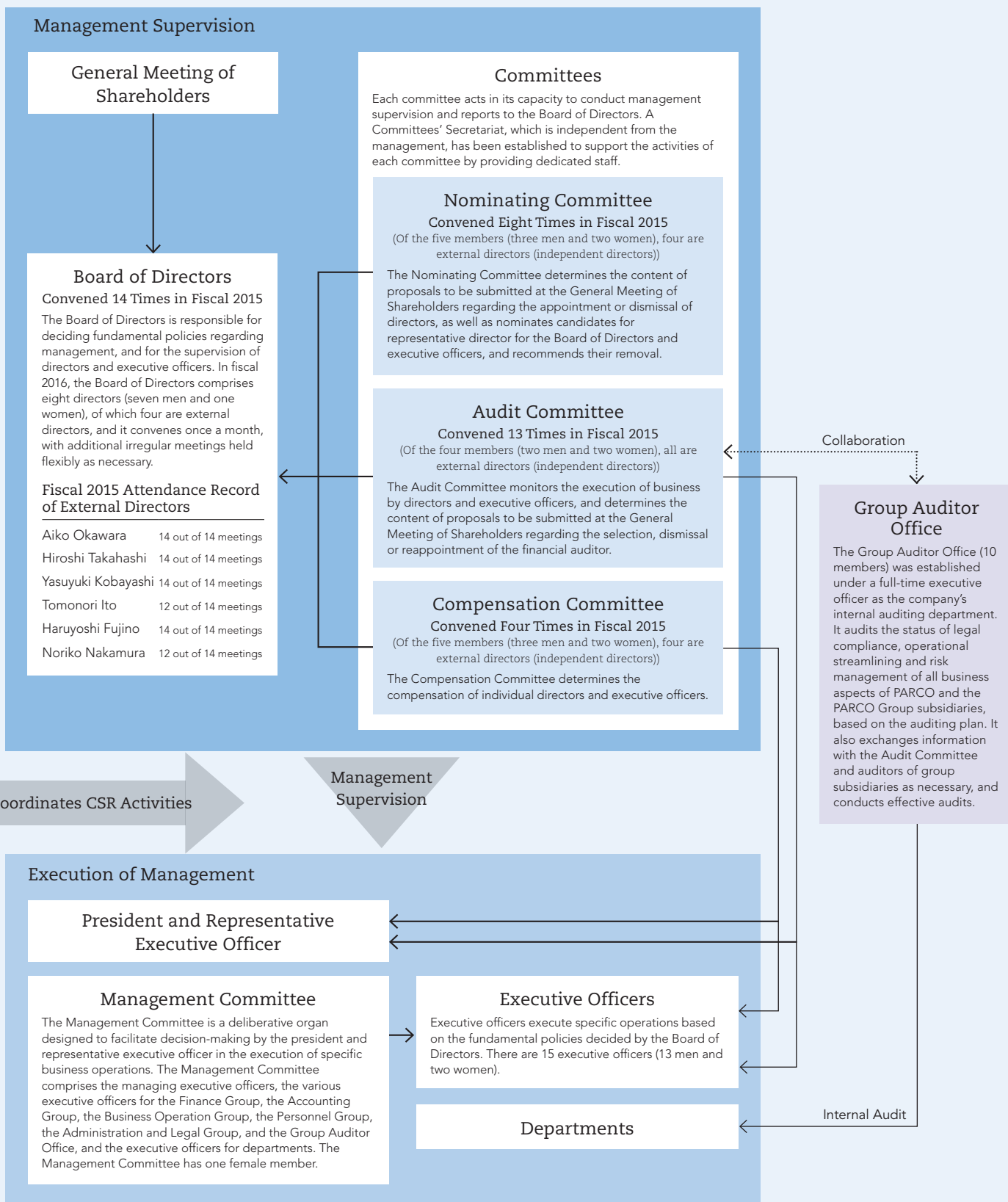
In addition to promoting the PARCO Group’s corporate social responsibility (CSR) activities, the CSR Committee was established in an effort to strengthen internal controls, and is chaired alternatively by managing executive officers or the heads of the Corporate Planning Office, the Public Relations and Investor Relations Office, the IT Promotion Office, and the Executive Assistants Office. 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 presidents of the Group companies and all executive officers, as well as coordination and engagement with the Diversity Committee, Risk Management Committee, various in-house divisions, and Group companies.

Diversity Committee

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 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.

Risk Management Committee

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.



Message from the Committee Chair

Audit Committee Chair



Hiroshi Takahashi

External Director
(Independent director)

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

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

The Audit Committee audits the actions of executive officers and others in the conscientious, faithful and legally prescribed performance of their duties by receiving reports from the Group Auditor Office, the Independent Auditor, and the external auditors of Group companies, requesting reports from relevant executive officers, and attending weekly meetings of the Management Committee, among other actions.

Through coordination with the Group Auditor Office, the department responsible for internal audits, the Audit Committee not only audits the reliability of our financial reporting and appropriateness of business execution as a corporate group, but strives to propose improvements essential for realizing growth in corporate value through the kind of proactive governance targeted in Japan's Corporate Governance Code.

Nominating Committee Chair



Tomonori Ito

External Director
(Independent director)

The five-person Nominating Committee consists of four external directors (all independent directors) and the President and Representative Executive Officer.

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

The formulation in June 2015 of Japan's Corporate Governance Code triggered a dramatic transformation in corporate governance for listed companies in Japan. Among the most important changes were more objective evaluation of representative executive officer performance and the training and nomination of their successors. For most companies today, attention here is focused on the role of the nominating committee. For its part, PARCO operates its own Nominating Committee in a manner that can contribute to the creation of shareholder value from a long-term perspective.

Compensation Committee Chair



Noriko Nakamura

External Director
(Independent director)

The five-person Compensation Committee consists of four external directors (all independent directors) and the President and Representative Executive Officer.

The Compensation Committee is tasked with determining compensation for individual directors and executive officers. Under this remit, the Compensation Committee, in accordance with its compensation policies and set regulations and criteria, determines compensation for directors based on the director's specific role, and for executive officers based on rank, role, and an evaluation of corporate performance and individual duty performance.

PARCO recognizes the importance of preserving objectivity and transparency in the decision-making process regarding compensation. Through fair and open decision-making guided by predetermined regulations regarding annual base salary and evaluation rules, we hope to fulfill our obligation to explain our actions to shareholders and other stakeholders, while contributing to improvements in corporate value.

Responding to the Corporate Governance Code

From June 2015, the Tokyo Stock Exchange began application of the Corporate Governance Code, defining the posture expected of publicly listed companies. By responding to this code and advancing related initiatives, PARCO is striving for sustainable growth and medium-to-long-term enhancement in corporate value.

In 2016, we formulated our Fundamental Policy for Corporate Governance. This policy formulates our basic way of thinking with regard to

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

Basic Principle

1

Ensuring shareholder rights and equality

Establish the appropriate responses and environment to effectively ensure shareholder rights. Similarly, effectively ensure shareholder equality.

Our response

Basic approach to Capital Policy

We position the return of earnings to shareholders through continual growth and medium-to-long-term enhancement of corporate value as one of our key policies. Regarding the distribution of earned surpluses, we consider stable distributions to be fundamental and determine the

level of these in reference to our earnings performance and dividend payout ratio. As for retained earnings, we strive to utilize them effectively to support business advancement into the future in line with our growth strategy, in addition to assuring an adequate financial foundation.

Strategic shareholdings

Shareholding policy

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

Standards for the execution of voting rights

We will decide whether to exercise those rights based on an overall consideration of whether doing so would contribute to an increase in the corporate value of our company and of the company in which we are invested.

Related-party transactions

We conduct a survey of all officers of our company and our subsidiaries to ascertain the presence or absence of related-party transactions. We will also create a system for the appropriate management of related-party transactions, with reports of the situation regarding transactions between our company and our officers, our major shareholders or other

such parties to be made to the Board of Directors. Transactions between our company and our directors or executive officers that may entail a conflict of interests are to require the approval of the Board of Directors based on relevant laws and PARCO's regulations for directors.

Basic Principle

2

Appropriate collaboration with stakeholders other than shareholders

We fully recognize that sustainable growth and the creation of corporate value over the medium and long term is the end-result of the provision of resources by and contributions from our stakeholders, and thus strive for appropriate collaboration.

Our response

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

We have established a Diversity Committee to promote diversity initiatives across the PARCO Group. The Committee will carry out initiatives aimed at cultivating a corporate culture characterized by tolerance and openness to new ideas, in which people of diverse views, talents, capabilities, and cultures can work to their full potential. We regard ensuring the active involvement of women within the organization as an important

issue and strive to assure full female representation in our selection of leaders and managerial candidates. The Committee will promote other cross-organization initiatives including discussion sessions with PARCO Group Presidents and executive officers, and collaboration among group companies and PARCO internal departments.

Appropriate information disclosure and ensuring transparency

In addition to financial information, we appropriately disclose non-financial information, including management strategies and issues, and information regarding risk and governance, based on relevant laws and regulations.

Our response

Approach to information disclosure

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

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

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.

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, remuneration for the purpose of acquiring company stock.
- (3) The ratio of executive officer basic annual salary, performance pay (standard), and remuneration for the purpose of acquiring company stock is to be 50% : 45% (equivalent value) : 5% (equivalent value).
- (4) 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 remuneration for the purpose of acquiring company stock is to be based on that person's role/position for the current term.
- (7) As for executive officers who also serve as directors, payment is calculated by adding executive officer annual compensation to director annual compensation.

Compensation for Directors and Other Officers in Fiscal 2015

Category	Individuals Paid (Name)	Amount Paid (Millions of yen)
Directors (excluding external directors)	2	15
External directors	6	43
Executive officers	14	367
Total	22	425

Policy and procedures for selection of directors and other officers

PARCO is a company with a Nominating Committee-type managerial structure. Under this structure, the Nominating Committee decides criteria for the selection of directors and other officers, selects candidates deemed suitable for the roles of director, representative executive officer, and executive officer, 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
Kouzou 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.
Yasuyuki Kobayashi	Through his service as Representative Director and Senior Managing Executive Officer of J. FRONT RETAILING Co., Ltd., Mr. Kobayashi 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.
Tomonori Ito	Mr. Ito is a Professor at Hitotsubashi University's Graduate School of International Corporate Strategy. The management supervision and check functions he is expected to embody based on knowledge, experience and insight into finance and accounting cultivated through a rich career in and outside of Japan and his professional background is the reason for his nomination for External Director.
Haruyoshi Fujino	Through his service as Director and Managing Executive Officer of J. FRONT RETAILING Co., Ltd., Mr. Fujino 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.
Noriko Nakamura	Ms. Nakamura has served for many years as CEO of Poppins Corporation, and serves as a representative for the Japan Association for Female Executives (JAFE). 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 has been 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.

Basic Principle

4

Responsibilities of the Board of Directors

The role and responsibilities of the Board of Directors is to accelerate the Company's sustainable growth and enhance its medium-to-long-term corporate value and strive for improving the Company's performance, such as earnings and capital efficiency.

Our response

Scope of responsibility over the managerial team

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

Effective utilization of independent (external) directors

To assure objectivity regarding company management, four of the eight members of the Board of Directors are independent (external) directors. By bringing in the views of external directors and the diverse range of knowledge and experience that they possess to the Board, we seek to enhance managerial transparency and the effectiveness of executional oversight. External directors are to satisfy the independent standards of the Tokyo Stock Exchange, as well as those of our company, and serve as a member or chairman of the Nominating Committee, Audit Committee or Compensation Committee.

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

Standards and criteria for determining independent (external) directors' independence

Our company will formulate a set of standards for determining the independence of candidates for independent (external) director based on the independence standards of the Tokyo Stock Exchange and the Japan Association of Corporate Directors.

Standards for Determining the Independence of Independent (External) Directors

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

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

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

Also, any person who currently serves as an independent (external) director at our company may not be reappointed as an independent (external) director if that person has served in that capacity for a total of more than six years.

Analyzing and assessing overall effectiveness of the Board of Directors

To improve the effectiveness of the Board of Directors, from September to October 2015, PARCO conducted an effectiveness evaluation of its Board of Directors and each Board member. 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 Office) conduct questionnaires and hearings with all Board members on an individual basis to evaluate the Board's effectiveness.

(ii) Evaluation points

Evaluation is conducted regarding 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 collected on how to enhance the Board's effectiveness going forward.

(iii) Results of effectiveness evaluation and subsequent points for improvement

1. Composition of the Board of Directors

Although a certain level was achieved in the overall evaluation, in several evaluations, the opinion emerged that external directors lack information vital to fulfilling their roles, particularly information regarding the thought process of executive officers and the status of their duties. Accordingly, we will increase the opportunities for reports from each executive officer and communication between directors and individual executive officers. Increasing opportunities for such communication will also lead to an effective succession plan.

2. Status of debate and agenda topics

Although a certain level was achieved in the overall evaluation regarding Board proceedings, some expressed the opinion on the selection and quality of debate surrounding agenda items that more strategic debate is necessary, notably regarding management structure, corporate culture and management strategy. Others suggested the need to check whether forward-looking management that will raise corporate value in the future is taking place. To this end, we will move to a structure that enables substantive debate by scheduling in agenda topics that the Board should debate, with emphasis on strategic agenda items.

3. Operations and support structure

Although a certain level was achieved in the evaluation on pre-briefing, several opinions suggested the need for more effective utilization of meeting times in order to fully debate issues on-site at the Board meetings. Going forward, we plan to make the content of reports offered at meetings of the Board of Directors simpler and more efficient.

Officer training policy

Upon assuming office, newly appointed executive officers, including internal directors, are given explanations of the duties, obligations and responsibilities of executive officers and/or directors, contractual arrangements between them and the company, related rules and regulations, and so on. Also, compliance training and the like are to be held after assuming office. Newly appointed external directors are, upon assuming office, given explanations on subjects such as our company,

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

Basic Principle

5

Dialogue with shareholders

We strive for mutual understanding through constructive dialogue with shareholders, who contribute to our sustainable growth and medium-to-long-term enhancement of our corporate value.

Our response

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.

Twice annually, our company holds periodic financial results briefings for analysts and institutional investors, and also separate explanatory briefings to discuss business progress. Explanatory materials, videos, and other materials for our financial results briefings are posted on our website in

both Japanese and English. For individual investors, we provide information with a particular emphasis on promptness and usefulness.

From fiscal 2015, we will also create comprehensive 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 2015, we revised our disclosure policy, which contains sections on basic policy on information disclosure, information disclosure standards, information disclosure methods, improving information disclosure, silent periods, and concerning forecasts. We have posted this revised policy on our website and strive to disclose information in a manner that is fundamentally transparent, balanced and consistent.

Board of Directors and Officers (As of 30 June, 2016)

Directors



Kouzou 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 for J. FRONT RETAILING Co., Ltd. (current post)
- Serves as Director, Chairman of the Board, President and Representative Executive Officer (current post)



Hidekazu Hirano

Director, Senior Executive Officer, Senior Manager of the Business Strategy Division, Executive Officer for the Restaurant Business Development Group, the New Business Planning Group and the Related Business Group

- 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 auditor above
- 2010 Serves as Manager of the Business Development Office, Audit Operation Department for the auditor above
- 2011 Serves as External Director for PARCO CO., LTD. (current post)
- Serves as President & CEO for FRONET Inc. (current post)
- 2012 Serves as External Director for Sansei Landic Co., Ltd. (current post)



Yasuyuki Kobayashi

Director

- 1973 Enters The Daimaru, Inc.
- 2003 Serves as Director and Executive Officer for the company above
- 2007 Serves as Executive Officer for J. FRONT RETAILING Co., Ltd.
- 2008 Serves as Director and Executive Officer for The Daimaru, Inc.
- 2010 Serves as Director and Executive Officer for Daimaru Matsuzakaya Department Stores Co., Ltd. and Director and Managing Executive Officer for The Daimaru, Inc.
- 2012 Serves as Director for PARCO CO., LTD. (current post)
- 2013 Serves as Director and Managing Executive Officer for J. FRONT RETAILING Co., Ltd.
- 2015 Serves as Director and Senior Managing Executive Officer for J. FRONT RETAILING Co., Ltd.
- 2016 Serves as Representative Director and Senior Managing Executive Officer for J. FRONT RETAILING Co., Ltd. (current post)



Tomonori Ito

External Director
(Independent director)
Nominating Committee Chair

- 1979 Enters The Bank of Tokyo, Ltd. (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
- 1990 Serves as Investment Banking Group Vice President for the New York Branch of the bank's trust company
- 1995 Enters Tokyo Branch of Union Bank of Switzerland (currently UBS-AG)
- 1997 Serves as Tokyo Branch Manager and Investment Banking Unit Manager for the bank above
- 1998 Serves as General Manager, Japan Investment Banking Division, Managing Director for UBS Securities Japan Co., Ltd.
- 2011 Serves as Visiting Professor at Hitotsubashi University's Graduate School of International Corporate Strategy
- 2012 Serves as External Director for PARCO CO., LTD. (current post)
- Serves as Professor at Hitotsubashi University's Graduate School of International Corporate Strategy (current post)
- 2014 Serves as External Director for Aozora Bank, Ltd. (current post)
- 2016 Serves as External Director for Electric Power Development Co., Ltd. (current post)



Haruyoshi Fujino

Director

- 1983 Enters The Daimaru, Inc.
- 2010 Serves as Executive Officer for Daimaru Matsuzakaya Department Stores Co., Ltd.
- 2014 Serves as Executive Officer for J. FRONT RETAILING Co., Ltd.
- Serves as Director & Managing Executive Officer for J. FRONT RETAILING Co., Ltd. (current post)
- Serves as Director for PARCO CO., LTD. (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 (JAFFE) (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
- 2001 Serves as Member of Council for Promoting Women's Success, Ministry of Health, Labour and Welfare
- 2003 Serves as Member of Independent Administrative Institution Evaluation Committee, Ministry of Economy, Trade and Industry
- Serves as Special Member of Special Zones for Structural Reform Evaluation Committee, Cabinet Secretariat
- 2010 Serves as Member of Central Environment Council, Ministry of the Environment (current post)
- 2011 Serves as Member of Commission on Evaluation of Independent Administrative Institutions, Ministry of the Environment
- Serves as CEO for Poppins Corporation (current post)
- 2014 Serves as External Director for PARCO CO., LTD. (current post)



Tadayuki Seki

External Director
(Independent director)

- 1973 Enters ITOCHU Corporation
- 1998 Serves as General Manager of Finance Division for ITOCHU International Inc. (Stationed in New York)
- 2002 Serves as CFO of Food Company for ITOCHU Corporation
- 2005 Serves as Executive Officer, General Manager of Finance Division and CFO Office for ITOCHU Corporation
- 2009 Serves as Representative Director, Managing Director, Chief Officer of Finance, Accounting, Risk Management and CFO for ITOCHU Corporation
- 2011 Serves as Representative Director, Senior Managing Executive Officer and CFO for ITOCHU Corporation
- 2013 Serves as Representative Director, Executive Vice President and CFO for ITOCHU Corporation
- 2015 Serves as Adviser for ITOCHU Corporation (current post)
- 2016 Serves as External Director for NIPPON VALQUA INDUSTRIES, LTD. (current post)
- Serves as External Director for PARCO CO., LTD. (current post)

Executive Officers

Masaaki Abe

Managing Executive Officer for the Corporate Planning Office, the Public Relations and Investor Relations Office, the IT Promotion Office and Executive Assistants Office

Takashi Sensui

Managing Executive, Senior Manager of the Store Management Division, Executive Officer for the Business Planning Group

Yuji Hirai

Executive Officer for the Estate Management Group, the Development Group, the Architectural Group, and the ZERO GATE Business Group

Kazuko Hamada

Executive Officer for the Group Audit Office

Shigeyoshi Sato

Executive Officer for the Overseas Business Group

Hideki Noguchi

Executive Officer for the Finance Group, the Accounting Group, and the Accounting Coordination Group

Hajime Inoue

Executive Officer for the Entertainment Department

Tomoyuki Yamaki

Executive Officer for the Store Manager of Nagoya PARCO

Gaku Mizoguchi

Executive Officer for the Store Planning Group and Store Design Group

Chiaki Nakano

Executive Officer for the Store Operation Group and Environment and Store Administration Group

Masao Tominaga

Executive Officer for the Personnel Group and Administration and Legal Group

Takashi Kashimoto

Executive Officer for the Store Manager of Shibuya PARCO

Naotaka Hayashi

Executive Officer for the Web Marketing Group and Media Communication Group

Financial Section

54	Management's Discussion and Analysis
60	Consolidated Balance Sheets
62	Consolidated Statements of Income
63	Consolidated Statement of Comprehensive Income
64	Consolidated Statements of Changes in Net Assets
65	Consolidated Statements of Cash Flows
66	Notes to Consolidated Financial Statements
85	Independent Auditor's Report

For long-term numerical data and graph data, please refer to the PARCO website and FACTBOOK 2016.

Investor Relations

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

FACTBOOK 2016

http://www.parco.co.jp/pdf/jp/library/file160406e_GkkSnNJG.pdf

Management's Discussion and Analysis

Current Situation

In fiscal 2015, ended February 29, 2016, the Japanese economy recovered at a moderate pace, supported by improving employment and income conditions. The domestic consumption environment was firm due to factors such as an increase in spending by overseas visitors. However, there was increased uncertainty amid slower growth in overseas economies, and signs of weakness in consumer spending due to unfavorable weather and changes in the consumption environment.

Evaluating Fiscal 2015 Results

Overview

Under the market environment described above, the PARCO Group pushed ahead with business development in line with the Medium-term Business Plan (FY 2014-2016). In fiscal 2015, the second year of the plan, we expanded our urban business locations.

In fiscal 2015, we expanded our business locations in urban markets. We increased floor space in the Fukuoka PARCO Main Building and opened Nagoya PARCO midi on a site adjoining Nagoya PARCO's West and East buildings and Sapporo ZERO GATE on an adjoining site to the south of Sapporo PARCO.

At existing PARCO stores, we carried out refurbishment work aimed at expanding our target customer segment and implemented customer relationship management (CRM) initiatives tied in with our

existing PARCO Card and the official PARCO smartphone app POCKET PARCO, which was launched in March 2015 and is designed to enhance communication with customers. We also stepped up efforts to address inbound demand and strengthened event and exhibition planning linked to trending artists and animation content. Earnings were strong in the Retail Business, which opened new stores and developed new formats, and in the Space Engineering and Management Business, which achieved an increase in engineering orders year on year.

As a result, the PARCO Group's net sales increased 2.4%, or ¥6,469 million, to ¥276,358 million. Gross profit was up 2.5%, or ¥1,017 million, to ¥41,963 million. The gross profit ratio was 15.2%, steady year on year.

Selling, general and administrative expenses rose 3.4%, or ¥1,123 million, to ¥33,883 million. The ratio of SG&A expenses to net sales increased 0.2 of a percentage point, to 12.3%.

Operating income increased 2.1%, or ¥264 million, to ¥12,772 million, a record high for the fourth consecutive year. The operating margin was 4.6%, unchanged from the previous fiscal year.

In other income (expenses), the Company booked net other expenses of ¥2,634 million, mainly due to losses related to the decision to close Chiba PARCO.

As a result of the foregoing, net income decreased 3.7%, or ¥233 million, to ¥6,061 million.

Net income per share was ¥59.75, while return on equity declined 0.4 of a percentage point to 5.3%.

In line with our policy of maintaining stable shareholder returns, management paid a year-end dividend of ¥10 per share for fiscal 2015, giving a total cash dividend applicable to the year of ¥20 per share.

Segment Performances

■ Shopping Complex Business

Shopping Complex Business sales were ¥248,078 million, up 1.8%. Operating income rose 2.0% to ¥11,549 million.

At PARCO's 19 complexes across Japan, we continued to carry out renovation work to enhance our two different types of shopping facilities: Urban Complexes and Community Complexes.

In store renovations, we focused on three main themes—adjusting tenant composition to address the changing and diversifying needs of consumers, capturing inbound demand, and responding to the consumption patterns of today's digital native generation. Based on these themes, we renovated roughly 40,000 m² of floor space across all our stores, with newly refurbished areas recording a combined increase in sales of 16.6% year on year.

In CRM initiatives, we stepped up efforts to attract new PARCO Card members, conducted reward campaigns for existing members to encourage more store visits, and used greater awareness of the POCKET PARCO app and credit card data in marketing activities. These efforts led to higher sales among Class S PARCO Card members, our top customers with strong loyalty to the brand, and growth in the number of active new PARCO Card members, lifting PARCO Card transaction volume 3.0% year on year.

Also, we ran a number of popular promotional events featuring trending content, including GUNPLA EXPO WORLD TOUR JAPAN 2015, Fuchiko on the Cup Exhibition, and BLACK BOX – unpainted face of Mr.Children – a photo exhibition by Osami Yabuta. In total, promotional events during the fiscal year attracted 1.17 million people, an increase of 21.8% year on year, contributing to an increase in customer traffic at our stores. Another event, Yowamushi Pedal Café, was held as a tie-in with the summer sales period, helping to boost profits.

Also, as part of efforts to address the growing number of overseas visitors to Japan, we upgraded the shopping environment, including adding more tax-free shops, and enhanced communication using media aimed at overseas visitors.

We also continued to push ahead with ICT initiatives. In addition to our POCKET PARCO smartphone app, we strengthened systems to support the operation of the Kaeru PARCO service, which allows customers to reserve and purchase merchandise from PARCO shops online.

In store development, we have finalized plans to open a number of new stores in Japan. In December 2015, we received approval for our

development project proposal for Udagawa-cho 15 as a special urban renaissance district, which includes the Shibuya PARCO store. We have also decided to open Kyoto ZERO GATE (tentative name), due to open in spring 2017, Sannomiya ZERO GATE (tentative name), opening date to be decided, and Hiroshima ZERO GATE2, due to open in fall 2016.

In new businesses, our BOOSTER crowd-funding business, which was launched in the previous fiscal year to support the development of new talent, has been performing well, helping to start up a total of 31 projects as of February 29, 2016. We also opened a new directly managed restaurant in Aoyama called “& éclé,” which offers new lifestyle dining ideas for urban consumers.

■ Retail Business

Retail Business sales were ¥21,473 million, up 8.4%. Operating income rose 7.3% to ¥694 million.

NEUVE A CO., LTD. opened 21 stores, including new formats, and acquired five other stores in fiscal 2015. These 26 additional stores contributed to earnings growth. Earnings at existing stores also increased, with sales and operating income both rising year on year. As of the end of fiscal 2015, the company operated a total of 200 stores.

■ Space Engineering and Management Business

Space Engineering and Management Business sales were ¥19,969 million, up 5.2%. Operating income was up 32.0% to ¥433 million.

PARCO SPACE SYSTEMS CO., LTD. reported higher sales and operating income compared with the previous fiscal year, supported by an increase in orders for interior fitting and electrical work from specialty retailers.

■ Other Business

The Other Business reported sales of ¥6,850 million, down 0.6%, and operating income of ¥132 million, down 48.4% from the previous fiscal year.

PARCO CO. LTD.'s entertainment business successfully produced a number of popular plays translated from their original languages, including “Mary Stuart”, starring Miki Nakatani and Misuzu Kanno, and “Macbeth”, starring Kuranosuke Sasaki, as well as the home-grown play “Tango at the End of Winter.” Character-themed cafes also performed well, supporting growth in sales and customers.

PARCO-CITY CO., LTD.'s website consulting business saw an increase in website construction orders, leading to higher sales and operating income compared with the previous fiscal year.

In fiscal 2015, we acquired shares in Apparel-Web, Inc. and formed a capital and business alliance with the company, making it an equity-method affiliate. This step was taken to utilize its unique and advanced ICT and to expand related businesses and overseas operations.

Financial Position

Assets

Total assets at the end of fiscal 2015 were ¥236,315 million, up ¥9,485 million.

Total current assets were ¥23,894 million, a decrease of ¥3,516 million that primarily reflected a ¥3,366 million decrease in notes and operating accounts receivable—trade.

Investments and other assets increased ¥155 million, to ¥29,968 million. The main factor was a ¥1,061 million increase in deferred tax assets.

Property and equipment was ¥182,453 million, an increase of ¥12,847 million, mainly reflecting the opening of Sapporo ZERO GATE, the construction of Sendai PARCO2, and the acquisition of real estate trust beneficiary rights for Sannomiya ZERO GATE (tentative name).

Total asset turnover was 1.19 times, while return on assets was 5.5%.

Liabilities

Total liabilities were ¥119,841 million, up ¥6,223 million from the close of the previous term.

Current liabilities were ¥50,732 million, up ¥3,260 million. This was largely due to a net increase of ¥6,900 million in commercial papers.

Non-current liabilities were ¥69,108 million, up ¥2,962 million. This was due largely to an increase of ¥3,039 million in long-term loans payable.

Interest-bearing debt was ¥54,518 million, up ¥9,289 million. The debt-equity ratio was 0.47.

Net Assets

Net assets at the end of the term were ¥116,474 million, up ¥3,263 million from a year earlier. This mainly reflected an increase in retained earnings due to an increase in net income. The equity ratio was thus 49.3%, while the net asset value per share was ¥1,148.00.

Cash Flows

Net cash provided by operating activities was ¥14,652 million, down from ¥15,281 million a year earlier. This was after adjustments to ¥10,137 million in income before income taxes and minority interests for noncash items including depreciation, and extraordinary income (loss).

Net cash used in investing activities was ¥19,325 million, up from ¥7,612 million in the previous term. The main uses of cash were for the opening of Sapporo ZERO GATE, the construction of Sendai PARCO2, and the acquisition of property, plant and equipment such as real estate trust beneficiary rights for Sannomiya ZERO GATE (tentative name).

Net cash provided by financing activities was ¥7,203 million, compared with net cash used of ¥7,206 million in the previous fiscal year. This mainly reflected an increase in funds procured through interest-bearing debt.

Capital Investment

Capital investment increased ¥12,955 million, to ¥23,487 million, and included tangible fixed assets, intangible fixed assets, long-term prepaid expenses, and lease and guarantee deposits.

Depreciation and amortization increased ¥355 million, to ¥6,238 million.

Fiscal 2016 Initiatives

We have formulated a long-term corporate vision to take the PARCO Group through to fiscal 2020 and a medium-term business plan ending in fiscal 2016. In fiscal 2014-16, we are working to realize our long-term vision by implementing five tactics in line with three business strategies.

< Long-term corporate 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 >

- Cultivation of major urban areas
- Expansion of core targets
- Innovative use of ICT

< Five strategic initiatives >

1. Prioritization of the PARCO Stores Business
2. Development centered on areas around core urban stores and entry into new major cities in Japan
3. Expansion of related businesses and creation of new businesses
4. Rebuilding overseas business
5. Strengthen management foundations to support further business advances

Please refer to the Interview with the President on page 18 and our website for more details about the Medium-term Business Plan.
www.parco.co.jp/en/ir/plan/

■ Shopping Complex Business

To counter the drop in retail floor space due to the temporary closure of Shibuya PARCO (scheduled from August 7, 2016) and the permanent closure of Chiba PARCO (scheduled for November 2016), we will continue to develop two types of shopping facilities – Urban Complexes and Community Complexes – and strengthen initiatives on an individual store basis. We will also adjust tenant composition to address diversifying consumer values and inbound demand, including growth in the consumption of “value” rather than “things,” use ICT to energize communication by shop tenants, and create CRM initiatives linked to PARCO Card. In fiscal 2016, we plan to refurbish a total of 40,000m² of retail floor space across our store network, excluding Shibuya PARCO and Chiba PARCO. Initiatives will be rolled out at

individual stores based on market growth themes, such as responding to inbound demand and emerging cultures and lifestyles, enabling us to address changing consumer values and growth in the consumption of "value." The main spring renovation projects are as follows:

Nagoya PARCO

We aim to improve access, enhance shopping experiences and energize sales areas at all Nagoya PARCO buildings, including Nagoya ZERO GATE and Nagoya PARCO midi, which were opened in fiscal 2014 and fiscal 2015. To respond to changes in the market, we will focus on increasing merchandise for adult female shoppers, whose consumption styles are becoming increasingly diverse, and on offering better proposals for male and female consumers who shop as couples.

Fukuoka PARCO

We opened a new building at Fukuoka PARCO and increased retail floor space in the main building in fiscal 2014 and fiscal 2015. These new areas have attracted a much wider base of shoppers, including families, adults with a youthful outlook, and people from the digital native generation, in addition to the large number of young shoppers who have always visited Fukuoka PARCO. To create a more fashionable and refined mix of tenants, we intend to refurbish 40 stores in Fukuoka PARCO, mainly on the flagship first and second floors. This will be the largest refurbishment of the store since it was first opened.

In marketing activities, we aim to create a more advanced customer base by using individually targeted promotions. Specifically, we will reinforce links between our POCKET PARCO smartphone app and PARCO Card, enhance personalized communication with customers, and implement CRM initiatives that translate into sales when shoppers visit our stores. Also, to increase PARCO Card transaction volume, we will continue to step up efforts to attract new members, conduct reward campaigns to encourage more store visits, and run events that bring more shoppers to our stores. In addition, we plan to continue expanding the use of ICT, such as increasing the number of stores that offer the Kaeru PARCO service, incorporating the service into marketing plans, and revamping services for PARCO Card members.

To address growth in overseas visitors to Japan, we will continue to improve the shopping environment, such as adding more tax-free shops, and enhance communication using media aimed at overseas visitors.

In store development, we will develop areas around some of our flagship stores in fiscal 2016. Specifically, we plan to open Sendai PARCO2 on July 1, 2016 and Hiroshima ZERO GATE2 in fall 2016. We will also push ahead with development plans for new stores to drive growth from fiscal 2017, including Kyoto ZERO GATE (tentative name),

due to open in spring 2017, Sannomiya ZERO GATE, opening date to be determined, and the Udagawa-cho 15 development proposal. We will also work towards the opening of a PARCO format store in the new South Wing of Matsuzakaya Ueno, a joint project with the J. Front Retailing Group, due to open in fall 2017.

In new businesses, we aim to deliver further growth in the BOOSTER cloud-funding business and at our directly managed restaurant "& écl  ," develop a wider choice of unique new products by working with our in-house curated MEETSCAL Store, and reinforce our e-commerce business.

In overseas businesses, we plan to use our proprietary content overseas, build an e-commerce business that transcends borders, and develop merchandise tailored to local needs.

■ Retail Business

NEUVE A CO., LTD. plans to actively open new stores, including new formats. The company will also work to lift margins by offering a wider choice of original products and improving the product mix, as well as increase profits by strengthening the e-commerce business.

■ Space Engineering and Management Business

PARCO SPACE SYSTEMS CO., LTD. will leverage the expertise and technologies it has built up through contracting work for PARCO and external clients to secure a mix of orders, centered on external orders for electrical work in non-PARCO retail facilities and interior fitting work for specialty retailers. The company will also work to boost profits by reviewing costs.

■ Other Business

PARCO CO., LTD.'s entertainment business plans to stage a series of high-profile shows called "PARCO Theater Climax Stage" to mark the suspension of performances at PARCO Theater due to the temporary closure of Shibuya PARCO. It also intends to expand its program of shows at other locations. In character-themed caf  s, the business will increase its network inside and outside PARCO stores, and in visual entertainment, it will use its links with overseas talent agents to develop new content, including the acquisition of rights to films such as "The Sea of Trees," (released in April 2016) starring Ken Watanabe and Matthew McConaughey, aiming to expand its business with unique entertainment content.

PARCO-CITY CO., LTD. aims to grow profits by stepping up its proposals for non-PARCO retail facilities, such as SC Concierges[®], an ICT strategy support service for shopping centers.

In domestic and overseas operations, we will strengthen cooperation with Apparel-Web, Inc. after forming a capital and business alliance with the company.

Outlook for Fiscal 2016

Through the above initiatives, we expect a 1.4% increase in net sales for fiscal 2016, to ¥280,150 million, with operating income rising 5.7% to ¥13,500 million and ordinary income increasing 8.9% to ¥13,800 million. At the same time, we project a 29.5% increase in profit attributable to owners of parent, to ¥7,850 million, thereby achieving record high profits.

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 30, 2016.

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, 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 Balance Sheets

February 28, 2015 and February 29, 2016

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2016	2016
Current assets:			
Cash and deposits (Notes 6 and 14)	¥ 4,333	¥ 6,840	\$ 60,000
Notes and operating accounts receivable (Note 14):			
Trade	11,655	8,289	72,711
Other	5,352	2,333	20,465
Less: Allowance for doubtful accounts	(4)	(3)	(26)
	17,003	10,620	93,158
Inventories	3,776	4,077	35,763
Prepaid expenses and other current assets	1,194	1,284	11,263
Deferred tax assets (Note 16)	1,102	1,071	9,395
Total current assets	27,410	23,894	209,596
Investments and other assets:			
Investment securities (Notes 9 and 14)	2,282	786	6,895
Investments to unconsolidated subsidiaries	89	405	3,553
Other investments	524	690	6,053
Lease and guarantee deposits (Notes 10 and 14)	24,075	23,863	209,325
Deferred tax assets (Note 16)	1,308	2,369	20,781
Other assets	1,533	1,851	16,237
Total investments and other assets	29,813	29,968	262,877
Property and equipment:			
Store facilities, at cost	260,692	278,045	2,438,991
Less: Accumulated depreciation	(89,790)	(93,550)	(820,614)
Less: Accumulated impairment losses (Note 8)	(1,295)	(2,042)	(17,912)
	169,606	182,453	1,600,465
Total assets	¥226,830	¥236,315	\$2,072,939

The accompanying notes are an integral part of these balance sheets.

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2016	2016
Current liabilities:			
Short-term loans payable (Notes 11 and 14)	¥ 8,569	¥ 7,919	\$ 69,465
Commercial papers (Note 14)	4,499	11,399	99,991
Notes and operating accounts payable (Note 14):			
Trade	17,850	17,258	151,386
Other	3,779	3,123	27,395
	21,630	20,381	178,781
Income taxes payable	3,556	2,627	23,044
Accrued expenses	3,465	3,418	29,982
Provision for loss on store closing	—	487	4,272
Other current liabilities	5,751	4,498	39,456
Total current liabilities	47,472	50,732	445,018
Non-current liabilities:			
Long-term loans payable (Notes 11, 14 and 18)	32,161	35,200	308,772
Guarantee deposits received (Notes 14 and 17)	31,206	30,188	264,807
Net defined benefit liability (Note 15)	1,964	2,281	20,009
Provision for loss on store closing	—	564	4,947
Asset retirement obligations (Note 12)	447	505	4,430
Other non-current liabilities	367	368	3,228
Total non-current liabilities	66,146	69,108	606,211
	113,618	119,841	1,051,237
NET ASSETS (Note 22):			
Shareholders' equity			
Capital stock			
Authorized:			
320,000,000 shares at February 28, 2015 and February 29, 2016			
Issued:			
101,462,977 shares at February 28, 2015 and February 29, 2016	34,367	34,367	301,465
Capital surplus	35,129	35,129	308,149
Retained earnings	43,249	47,154	413,632
Treasury shares (Note 24)	(2)	(3)	(26)
Total shareholders' equity	112,743	116,647	1,023,219
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	656	15	132
Foreign currency translation adjustment	(59)	(86)	(754)
Remeasurements of defined benefit plans	(129)	(101)	(886)
Total accumulated other comprehensive income	467	(172)	(1,509)
Minority interests	—	—	—
Total net assets	113,211	116,474	1,021,702
	¥226,830	¥236,315	\$2,072,939

Consolidated Statements of Income

For the years ended February 28, 2015 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2016	2016
Net sales	¥269,889	¥276,358	\$2,424,193
Cost of sales	228,943	234,394	2,056,088
Gross profit	40,946	41,963	368,096
Operating revenue	4,322	4,691	41,149
Operating gross profit	45,269	46,655	409,254
Selling, general and administrative expenses	32,760	33,883	297,219
Operating income	12,508	12,772	112,035
Other income (expenses):			
Interest income	43	37	325
Interest expenses	(430)	(388)	(3,404)
Loss on sales and retirement of non-current assets	(649)	(843)	(7,395)
Gain on sales of investment securities	211	1,220	10,702
Impairment loss (Note 8)	(1,463)	(1,024)	(8,982)
Loss on closing of stores (Note 7)	—	(1,887)	(16,553)
Other	363	251	2,202
	(1,925)	(2,634)	(23,105)
Income before income taxes and minority interests	10,582	10,137	88,921
Income taxes (Note 16):			
Current	4,939	4,663	40,904
Deferred	(650)	(588)	(5,158)
Total	4,288	4,075	35,746
Income before minority interests	6,294	6,061	53,167
Net income	¥ 6,294	¥ 6,061	\$ 53,167
		Yen	U.S. dollars (Note 5)
	2015	2016	2016
Per share (Note 25):			
Net income, basic	¥ 62.04	¥ 59.75	\$ 0.52
Net income, diluted	—	—	—
Cash dividends applicable to the year	¥ 18.00	¥ 20.00	\$ 0.18

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

For the years ended February 28, 2015 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2016	2016
Income before minority interests	¥6,294	¥6,061	\$53,167
Other comprehensive income (Note 23):			
Valuation difference on available-for-sale securities	(15)	(640)	(5,614)
Foreign currency translation adjustment	58	(16)	(140)
Remeasurements of defined benefit plans, net of tax	—	27	237
Share of other comprehensive income of entities accounted for using equity method	6	(10)	(88)
Total other comprehensive income	49	(640)	(5,614)
Comprehensive income (Note 23)	¥6,343	¥5,421	\$47,553
Comprehensive income attributable to (Note 23):			
Comprehensive income attributable to owners of parent	¥6,343	¥5,421	\$47,553
Comprehensive income attributable to minority interests	—	—	—

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the years ended February 28, 2015 and February 29, 2016

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests		
Balance at February 28, 2014	101,462	¥34,367	¥35,129	¥38,781	¥(2)	¥ 671	¥(124)	¥ —	¥—	¥ 108,823	
Net income for the year ended February 28, 2015	—	—	—	6,294	—	—	—	—	—	6,294	
Dividends of surplus	—	—	—	(1,826)	—	—	—	—	—	(1,826)	
Purchase of treasury shares (Note 24)	—	—	—	—	(0)	—	—	—	—	(0)	
Disposal of treasury shares (Note 24)	—	—	—	—	—	—	—	—	—	—	
Net changes of items other than shareholders' equity	—	—	—	—	—	(15)	64	(129)	—	(79)	
Balance at February 28, 2015	101,462	¥34,367	¥35,129	¥43,249	¥(2)	¥ 656	¥ (59)	¥(129)	¥—	¥ 113,211	
Cumulative effects of changes in accounting policies	—	—	—	(229)	—	—	—	—	—	(229)	
Restated balance	101,462	34,367	35,129	43,020	(2)	656	(59)	(129)	—	112,981	
Net income for the year ended February 29, 2016	—	—	—	6,061	—	—	—	—	—	6,061	
Dividends of surplus	—	—	—	(1,927)	—	—	—	—	—	(1,927)	
Purchase of treasury shares (Note 24)	—	—	—	—	(1)	—	—	—	—	(1)	
Disposal of treasury shares (Note 24)	—	—	—	—	—	—	—	—	—	—	
Net changes of items other than shareholders' equity	—	—	—	—	—	(640)	(27)	27	—	(640)	
Balance at February 29, 2016	101,462	¥34,367	¥35,129	¥47,154	¥(3)	¥ 15	¥ (86)	¥(101)	¥—	¥116,474	

Thousands of U.S. dollars (Note 5)

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests			
Balance at February 28, 2015	\$301,465	\$308,149	\$379,377	\$(18)	\$ 5,754	\$(518)	\$(1,132)	\$—	\$ 993,079		
Cumulative effects of changes in accounting policies	—	—	(2,009)	—	—	—	—	—	(2,009)		
Restated balance	301,465	308,149	377,368	(18)	5,754	(518)	(1,132)	—	991,061		
Net income for the year ended February 29, 2016	—	—	53,167	—	—	—	—	—	53,167		
Dividends of surplus	—	—	(16,904)	—	—	—	—	—	(16,904)		
Purchase of treasury shares (Note 24)	—	—	—	(9)	—	—	—	—	(9)		
Disposal of treasury shares (Note 24)	—	—	—	—	—	—	—	—	—		
Net changes of items other than shareholders' equity	—	—	—	—	(5,614)	(237)	237	—	(5,614)		
Balance at February 29, 2016	\$301,465	\$308,149	\$413,632	\$(26)	\$ 132	\$(754)	\$ (886)	\$—	\$1,021,702		

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended February 28, 2015 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2016	2016
Cash flows from operating activities:			
Income before income taxes and minority interests	¥10,582	¥ 10,137	\$ 88,921
Adjustments for:			
Depreciation	5,921	6,277	55,061
Impairment loss	1,463	1,024	8,982
Increase (decrease) in provision for bonuses	53	(27)	(237)
Increase (decrease) in net defined benefit liability	(23)	27	237
Interest and dividend income	(80)	(59)	(518)
Interest expenses	430	388	3,404
Loss on sales and retirement of non-current assets	213	240	2,105
Gain on sales of investment securities	(211)	(1,220)	(10,702)
Loss on store closings	—	1,887	16,553
Decrease (increase) in notes and accounts receivable—trade	(4,071)	3,366	29,526
Increase in inventories	(472)	(300)	(2,632)
Increase (decrease) in notes and accounts payable—trade	2,286	(592)	(5,193)
Increase/decrease in other assets/liabilities	2,317	(716)	(6,281)
Other, net	(5)	121	1,061
Subtotal	18,403	20,555	180,307
Interest and dividend income received	80	59	518
Interest expenses paid	(456)	(407)	(3,570)
Payment resulting from store closing	(114)	—	—
Income taxes paid	(2,632)	(5,554)	(48,719)
Net cash provided by operating activities	15,281	14,652	128,526
Cash flows from investing activities:			
Payments into time deposits	(273)	(257)	(2,254)
Proceeds from withdrawal of time deposits	—	256	2,246
Purchase of property, plant and equipment	(9,218)	(22,179)	(194,553)
Proceeds from sales of property, plant and equipment	20	7	61
Purchase of investment securities	(2)	(402)	(3,526)
Proceeds from sales of investment securities	711	1,722	15,105
Payments for lease and guarantee deposits	(856)	(660)	(5,789)
Proceeds from collection of lease and guarantee deposits	4,020	3,892	34,140
Decrease in guarantee deposits received	(1,527)	(863)	(7,570)
Other, net	(485)	(841)	(7,377)
Net cash used in investing activities	(7,612)	(19,325)	(169,518)
Cash flows from financing activities:			
Net decrease in short-term loans payable	(5,000)	(1,000)	(8,772)
Net increase in commercial papers	4,499	6,900	60,526
Proceeds from long-term loans payable	4,000	11,000	96,491
Repayments of long-term loans payable	(8,700)	(7,606)	(66,719)
Net increase in treasury shares	(0)	(1)	(9)
Cash dividends paid	(1,826)	(1,927)	(16,904)
Other, net	(179)	(161)	(1,412)
Net cash provided by (used in) financing activities	(7,206)	7,203	63,184
Effect of exchange rate change on cash and cash equivalents	68	(7)	(61)
Net increase in cash and cash equivalents	530	2,523	22,132
Cash and cash equivalents at beginning of period	3,529	4,059	35,605
Cash and cash equivalents at end of period (Note 6)	¥ 4,059	¥ 6,582	\$ 57,737

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

PARCO CO., LTD. and Consolidated Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements are prepared from accounts and records maintained by PARCO CO., LTD. (the "Company") and its consolidated subsidiaries (together, the "Companies") in accordance with the provisions set forth in the Corporate Law and the Japanese Financial Instruments and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan are reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position or results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 4 subsidiaries as of February 28, 2015 and February 29, 2016.

The consolidated subsidiaries for the year ended February 29, 2016 are as follows:

	Capital Stock	
	Thousands of Singapore dollars	Percentage of shares
PARCO (Singapore) Pte Ltd	\$4,500	100.0%

	Capital Stock	
	Millions of yen	Percentage of shares
NEUVE A CO., LTD.	¥490	100.0%
PARCO SPACE SYSTEMS CO., LTD.	¥490	100.0%
PARCO-CITY CO., LTD.	¥ 10	100.0%

The reporting date of the following consolidated subsidiary is as follows:

PARCO (Singapore) Pte Ltd	December 31 ^(*)
---------------------------	----------------------------

(*) The financial statements of the subsidiary used in the consolidation are drawn up at the reporting date. Adjustments are made for the significant transactions or other events that occur between this date and the date of the Company's financial statements.

(2) Elimination of Intercompany Accounts and Transactions

All significant intercompany accounts and transactions including unrealized intercompany profits are eliminated in preparing the accompanying consolidated financial statements. The portion attributable to minority shareholders is recognized as minority interests.

(3) Equity Method

Investments in unconsolidated subsidiaries are accounted for by the equity method and, accordingly, are stated at cost adjusted for equity earnings and losses of the investments after elimination of unrealized intercompany profits and losses from the date of acquisition of shares.

(4) Cash and Cash Equivalents

Cash and cash equivalents in the accompanying consolidated statements of cash flows are composed of cash on hand, demand deposits, and other short-term highly liquid investments with original maturities of three months or less.

(5) Securities

Securities are classified as (a) securities held for trading purposes ("trading securities"), (b) debt securities intended to be held to

maturity ("held-to-maturity debt securities"), (c) equity securities issued by an affiliate or a subsidiary, or (d) all other securities that are not classified in any of the above categories ("available-for-sale securities"). The Companies have no trading securities or held-to-maturity debt securities.

Available-for-sale securities with available fair market value are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of "Net assets." The cost of securities sold is determined by the moving-average method.

Available-for-sale securities with no available fair market value are stated at cost by the moving-average cost method.

(6) Inventories

Inventories are stated at cost as determined mainly by the specific identification method (the cost method with book value written down to the net realizable value).

(7) Property and Equipment

Buildings (excluding leasehold improvements and attached facilities) are depreciated mainly on a straight-line basis. A declining-balance

method is mainly used for the other assets. The trust beneficiary right is amortized by the straight-line method.

(8) Intangible Assets and Long-term Prepaid Expenses

Intangible assets and long-term prepaid expenses included in "Other assets" are amortized on a straight-line basis.

Costs of software for internal use are amortized on a straight-line basis over their expected useful lives (5 years).

(9) Leases

Lease assets in finance lease transactions that do not transfer ownership are depreciated on a straight-line basis over the lease term with zero residual value.

The Companies account for finance leases that commenced on or before February 28, 2009 and that did not transfer ownership by the same method as for operating leases.

(10) Allowances and Accruals

The Companies use the accrual basis of accounting for all income and expenses.

- i) Allowance for Doubtful Accounts
The allowance for doubtful accounts is provided for possible losses on bad debts. For general receivables, the amount is determined based on the actual bad debt ratio. For doubtful receivables, the estimated uncollectible amounts for each receivable are used.
- ii) Provision for Bonuses
The estimated bonuses payable in the future as of the balance sheet date are accrued.
- iii) Provision for Sales Promotion Expenses
Provision for sales promotion expenses is recorded for the projected amounts of unused vouchers issued on the promotional reward card system to be used in the future based on the past actual rate of usage.
- iv) Provision for Loss on Store Closing
Provision for loss on store closing is recorded based on the reasonably estimated loss on store closing for a store the Company decided to close.
- v) Other Provisions
Japanese income tax laws set limits to the amounts of certain accrued expenses, which are essentially future estimates, deductible from the tax base. The provision for sales returns and the provision for books unsold are recorded in accordance with income tax laws.

(11) Accounting Methods for Retirement Benefits

The retirement benefit obligation for employee is attributed to each period by the benefit formula basis over the estimated years of service of the eligible employees.

The unrecognized transition amount arising from adopting the new standard is amortized on a straight-line basis over a period of 15 years.

Unrecognized past service costs and unrecognized actuarial differences are amortized on a straight-line basis within the employee's average remaining service years as of the time they occur (mainly 11

years). The amortization of unrecognized actuarial differences starts from the subsequent year.

The unrecognized transition amount arising from adopting the new standard, unrecognized actuarial differences and unrecognized past service cost after tax effect adjustments are recorded as remeasurements of defined benefit plans classified in accumulated other comprehensive income of net assets.

(12) Derivative Financial Instruments

The Companies use interest rate swap and currency swap contracts only for the purpose of mitigating the risk of fluctuations in interest rates and foreign exchange rates. Interest rate swap contracts that are used as a hedge and meet certain hedging criteria are accounted for by the special case interest rate swap treatment. Currency swap contracts that are used as a hedge and meet certain hedging criteria are accounted for by the appropriation treatment in the following manner:

Where a currency swap contract is executed to hedge a transaction denominated in a foreign currency, the transaction is recorded using the contracted forward rate and no gains or losses on the forward foreign exchange contract are recognized.

(the "Appropriation Treatment")

Also, where interest rate swap contracts of the Companies are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(the "Special Case Interest Rate Swap Treatment")

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:

- Currency swap contracts
- Interest rate swap contracts

Hedged items:

- Bank loans and interest thereon

(13) Net Income and Dividends per Share

Basic net income per share is computed based on the net income available for distribution to shareholders of common shares and the weighted average number of shares outstanding for respective years.

Diluted net income per share is not presented since the Company had no securities with dilutive effect.

Cash dividends per share are computed based on dividends declared for each year.

(14) Consumption Tax

Consumption tax is an indirect tax levied on domestic consumption goods and services at the flat rate of 8%. Subject transactions are recorded at the amounts net of consumption taxes that are withheld as assets/liabilities until tax filing.

(15) Appropriation of Retained Earnings

Appropriation of retained earnings is recorded when it is actually approved by the Board of Directors.

3. Change in Accounting Policy

The Companies adopted of article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of May 17, 2012 (the "Statement No.26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17, 2012 (the "Guidance No.25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Companies have changed the method of attributing estimated retirement benefits to periods from the straight-line basis to the benefit formula basis, and the method of determining the discount rate from using the bond rate determined by reference to the terms closely related to the average of the estimated remaining service years of the employees, to using a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

In accordance with article 37 of the Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, the liability for retirement benefits obligation increased by 339 million yen (2,974 thousand U.S. dollars) and retained earnings decreased by 229 million yen (2,009 thousand U.S. dollars) at the beginning of the current fiscal year.

The effect of this change on operating income and income before income taxes and minority interests for the fiscal year ended February 29, 2016 is immaterial.

The effect of this change on earnings per share is immaterial.

4. Accounting Standards Issued But Not Yet Applied

(1) "Accounting Standard for Business Combinations" (ASBJ

Statement No. 21 of September 13, 2013)

"Accounting Standard for Consolidated Financial Statements"

(ASBJ Statement No. 22 of September 13, 2013)

"Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of September 13, 2013)

"Accounting Standard for Earnings per Shares" (ASBJ Statement No. 2 of September 13, 2013)

"Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of September 13, 2013)

"Guidance on Accounting Standard for Earnings per Shares" (ASBJ Guidance No. 4 of September 13, 2013)

a) Summary

1) Handling of changes in equity of the parent company for subsidiaries in the event that it continues to have control following purchases of additional shares in subsidiaries, etc., 2) handling of expenses related to purchases, 3) presentation of net income and changes of the presentation to non-controlling interests from minority interests, and 4) handling of provisional accounting, etc., were amended.

6. Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows for the years ended February 28, 2015 and February 29, 2016 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash and deposits	¥4,333	¥6,840	\$60,000
Time deposits with maturities exceeding three months	(273)	(257)	(2,254)
Cash and cash equivalents	¥4,059	¥6,582	\$57,737

b) Timing of application

The amendments will come into effect from the beginning of the fiscal period ending February 28, 2017. The handling of provisional accounting will come into effect after the beginning of the fiscal period ending February 28, 2017 following the implementation of the business combination.

c) Effect of application of accounting standards

The effect of the application of these accounting standards on the consolidated financial statements is currently being estimated.

(2) "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 of December 28, 2015)

a) Summary

When responsibility for providing practical guidelines on the accounting and auditing treatment of recoverability of deferred tax assets (limited to the portion related to accounting treatment) was transferred from the Japanese Institute of Certified Public Accountants (JICPA) to the ASBJ, the ASBJ partially revised the requirement criteria for entity categorization and the treatment of net deferred tax assets regarding guidance for the recoverability of deferred tax assets mainly prescribed in JICPA Audit Committee Report No. 66 (Auditing Treatment for Determining the Recoverability of Deferred Tax Assets). The ASBJ has mainly adhered to the basic framework for categorization of entities and for estimating the recoverability of deferred tax assets by category. In addition, implementation guidance is described in this guidance for entities adopting Accounting Standard for Tax Effects (Business Accounting Council (Japan)) and assessing deferred tax assets.

b) Timing of application

The amendments will come into effect from the beginning of the fiscal period ending February 28, 2018.

c) Effect of application of accounting standards

The effect of the application of these accounting standards on the consolidated financial statements is currently being estimated.

5. Japanese Yen Amounts and U.S. Dollar Amounts

The consolidated financial statements presented herein are expressed in Japanese yen, which are stated in millions of yen by discarding fractional amounts less than one million yen. Therefore, their total or subtotal amounts do not necessarily agree with the aggregate sum of such account balances.

Solely for the convenience of readers, Japanese yen amounts shown in the consolidated financial statements are translated into U.S. dollar amounts at the exchange rate of ¥114 = U.S.\$1, the prevailing exchange rate on February 29, 2016. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, can be or could in the future be converted into U.S. dollars at that rate or any other rate.

7. Loss on Closing of Stores

The Companies recorded a loss on closing of stores for the year ended February 29, 2016.

For the year ended February 29, 2016	Millions of yen	Thousands of U.S. dollars
	2016	2016
Loss on closing of stores	¥1,052	\$9,228
Impairment loss	¥ 835	\$7,325

8. Impairment Loss

The Companies recorded impairment losses on the following asset groups for the years ended February 28, 2015 and February 29, 2016.

For the year ended February 28, 2015			Millions of yen
Location	Use	Classification	2015
PARCO CO., LTD. Chiba PARCO [Chuo City, Chiba.]	Store	Land, Buildings, etc.	¥1,389
NEUVE A CO., LTD. Other [Aoi City, Shizuoka, etc.]	Store	Buildings, etc.	¥ 74

The Companies group their fixed assets based on the managerial accounting segment.

The book values of Chiba PARCO assets were written off to recoverable amounts because recoverable amounts were less than the book values. An impairment loss of 1,389 million yen for "Land, Buildings, etc." was recorded.

The book values of other assets that incurred continuous operating

losses were written off to recoverable amounts. An impairment loss of 74 million yen for "Buildings, etc." was recorded.

The recoverable amount of "Chiba PARCO" is the appraisal value according to an outside real estate appraiser based on Japanese Real Estate Appraisal Standards.

The recoverable amount of "Other" is computed based on its selling price and value in use.

For the year ended February 29, 2016			Millions of yen	Thousands of U.S. dollars
Location	Use	Classification	2016	2016
PARCO CO., LTD. Chiba PARCO [Chuo City, Chiba.]	Store	Buildings, etc.	¥656	\$5,754
PARCO CO., LTD. Utsunomiya PARCO [Utsunomiya City, Tochigi.]	Store	Land, Buildings, etc.	¥863	\$7,570
PARCO SPACE SYSTEMS CO., LTD. Chiba PARCO parking [Chuo City, Chiba.]	parking lot	Land, Buildings, etc.	¥178	\$1,561
NEUVE A CO., LTD. Other [Higashikurume City, Tokyo, etc.]	Store, etc.	Buildings, etc.	¥160	\$1,404
NEUVE A CO., LTD. TIC TAC Chiba [Chuo City, Chiba.]	Store	Buildings, etc.	¥ 0	\$ 0

The Companies group their fixed assets based on the managerial accounting segment.

The Company scheduled the closure of Chiba PARCO on November 30, 2016 in view of the overall deterioration in the market environment. A loss on store closing of 1,887 million yen (16,553 thousand U.S. dollars) was recorded including 835 million yen (7,325 thousand U.S. dollars) of impairment loss for "Land, Buildings, etc."

The recoverable amount of "Chiba PARCO" is the appraisal value according to an outside real estate appraiser for "Land" based on Japanese Real Estate Appraisal Standards.

The book value of "Buildings, etc." was written off to zero.

The book values of Utsunomiya PARCO assets that incurred a continuous fall in land prices and continuous operating losses were written off to recoverable amounts. An impairment loss of 863 million yen (7,570

thousand U.S. dollars) for "Land, Buildings, etc." was recorded.

The recoverable amount of "Utsunomiya PARCO" is the appraisal value according to an outside real estate appraiser based on Japanese Real Estate Appraisal Standards.

The book values of other assets were written off to recoverable amounts mainly because some facilities and businesses, which are to be discontinued, continued incurring losses and the Companies cannot expect to recover their investment in these facilities and businesses due to their lower profitability. An impairment loss of 160 million yen (1,404 thousand U.S. dollars) for "Buildings, etc." was recorded.

The recoverable amount of "Buildings, etc." is computed based on value in use, which was calculated by discounting future cash flows. The future cash flows were negative, so the discount rate is not presented.

9. Securities

Available-for-sale Securities

Acquisition costs and book values of Available-for-sale Securities with available fair market values are as follows:

	Millions of yen		
	Acquisition cost	Book value	Difference
As of February 28, 2015			
Book value exceeding acquisition cost:			
Equity shares	¥523	¥1,552	¥1,029
Book value not exceeding acquisition cost:			
Equity shares	140	130	(10)
Total	¥664	¥1,683	¥1,018

	Millions of yen		
	Acquisition cost	Book value	Difference
As of February 29, 2016			
Book value exceeding acquisition cost:			
Equity shares	¥ 78	¥136	¥58
Book value not exceeding acquisition cost:			
Equity shares	140	105	(35)
Total	¥219	¥242	¥22

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
As of February 29, 2016			
Book value exceeding acquisition cost:			
Equity shares	\$ 684	\$1,193	\$509
Book value not exceeding acquisition cost:			
Equity shares	1,228	921	(307)
Total	\$1,921	\$2,123	\$193

Available-for-sale Securities sold are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Total sold	¥711	¥1,722	\$15,105
Total gain on sales	211	1,220	10,702
Total loss on sales	0	—	—

Impairment loss on securities

For the years ended February 28, 2015 and February 29, 2016, no impairment loss on securities was recognized.

When the fair market value of Available-for-sale Securities has declined by more than 30% from their acquisition costs, impairment losses are recognized by taking into account recoverability and other factors.

For Available-for-sale Securities without fair market value, when the value of those securities has significantly declined from their acquisition costs, impairment losses are recognized by taking into account recoverability and other factors.

10. Lease and Guarantee Deposits

Lease and guarantee deposits are those deposits furnished by the Companies in accordance with customary business practices in Japan. In connection with the leasing of store buildings, lessees are required to furnish lessors with deposits in an amount deemed sufficient to secure the lease contracts and the annual lease rental payments.

The Lease and guarantee deposits are normally non-interest-bearing and are refundable only when the lease contracts are terminated.

11. Short-Term Loans Payable and Long-Term Loans Payable

The weighted average interest rates for short-term loans payable were 0.29% and 0.46% for the years ended February 28, 2015 and February 29, 2016, respectively.

The breakdown of long-term loans payable is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Long-term loans from banks including current portion	¥39,711	¥43,100	\$378,070
Weighted average interest rates of the above long-term loans	1.01%	0.80%	—
	39,711	43,100	378,070
Less: Portion due within 1 year	(7,550)	(7,900)	(69,298)
	¥32,161	¥35,200	\$308,772

The aggregate annual maturities of long-term loans payable as of February 29, 2016 are as follows:

Year ending February 28/29,	Millions of yen	Thousands of U.S. dollars
2017	¥ 7,900	\$ 69,298
2018	17,300	151,754
2019	6,700	58,772
2020	6,500	57,018
2021 and thereafter	4,700	41,228
	¥43,100	\$378,070

12. Asset Retirement Obligations

(1) Asset Retirement Obligations Recognized in the Consolidated Balance Sheets as of February 28, 2015 and February 29, 2016

i) Summary of the asset retirement obligations

Expenses for removing asbestos used in buildings and expenses for the obligation to remove the facilities from leased real estate.

ii) Basis for calculating the asset retirement obligations

The asset retirement obligations are calculated on the assumption of prospective usable years of 10 to 34 years and discount rates of 0.267 to 2.050%.

iii) Changes in the asset retirement obligations for the years ended February 28, 2015 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of year	¥405	¥453	\$3,974
Increase by acquisition of property and equipment	87	63	553
Adjustment with the passing of time	5	6	53
Decrease by fulfillment of obligation	(47)	(13)	(114)
Foreign currency translation differences	2	—	—
Balance at end of year	¥453	¥510	\$4,474

(2) Asset Retirement Obligations Not Recognized in the Consolidated Balance Sheets

In leased real estate, the Companies have entered into real estate lease contracts and are obligated to the landlords to dismantle the facilities upon exit. However, sufficient information is not available to reasonably estimate the obligation amount due to uncertainty about the timing of a settlement or lack of a plan to settle. Thus, asset retirement obligations are not recognized except for those mentioned in (1) above.

13. Leases

(1) Finance Leases

The Companies account for finance leases that commenced on or before February 28, 2009 and that did not transfer ownership by the same method as for operating leases.

Pro forma information on leased property, such as acquisition costs, accumulated depreciation, net book value and future minimum lease payments under finance leases that do not transfer ownership of the leased assets to lessees is as follows (See Note 2(9)):

As of February 28, 2015	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥15	¥15	—
Total	¥15	¥15	—

As of February 29, 2016	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	—	—	—
Total	—	—	—

As of February 29, 2016	Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	—	—	—
Total	—	—	—

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Future minimum lease payments:			
Due within 1 year	—	—	—
Due after 1 year	—	—	—
Total	—	—	—

Lease expenses, depreciation equivalents and interest expense equivalents are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Lease expenses	¥1	—	—
Depreciation equivalents	1	—	—
Interest expense equivalents	—	—	—

Depreciation equivalents are calculated on a straight-line basis over the lease terms without residual value.

Interest expense equivalents are computed using the interest method based on the differences between the lease payments and acquisition costs of each asset, which are considered to be interest-bearing.

(2) Impairment Loss

The Companies recorded impairment loss on leased property 76million yen (667thousand U.S. dollars) for the year ended February 29, 2016.

(3) Operating Leases

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
As a lessee			
Due within 1 year	¥ 906	¥ 1,052	\$ 9,228
Due after 1 year	9,594	9,347	81,991
Total	¥10,501	¥10,399	\$91,219
As a lessor			
Due within 1 year	¥ 2,233	¥ 2,419	\$21,219
Due after 1 year	9,219	7,730	67,807
Total	¥11,452	¥10,150	\$89,035

14. Financial Instruments**(1) Matters Regarding the Conditions of Financial Instruments**

i) Policy on financial instruments

The Companies procure necessary funding mainly from loans from financial institutions. Occasional idle funds are invested in high-grade financial instruments. The Companies use derivatives transactions in order to mitigate interest rate fluctuation risk and exchange rate fluctuation risk, but they do not enter into speculative transactions.

ii) Details of financial instruments and their risks

Trades receivable—namely, notes receivable and operating accounts receivable—are exposed to credit risk of customers. Lease and guarantee deposits are exposed to credit risk of the land owners.

The Companies hold investment securities of business-related parties. Certain securities are exposed to market price fluctuation risk.

The majority of trades payable—namely, notes payable and operating accounts payable—have due dates within one year.

Loans and commercial papers are used to procure funds to invest mainly in facilities. Loans with variable interest rates are exposed to interest rate fluctuation risk. Thus, for long-term loans, the Companies use interest rate swaps to avoid such risk and minimize the interest expense. In addition, the Companies are exposed to exchange rate fluctuation risk with respect to foreign currency loans. To avoid such risk, the Companies use currency swaps.

iii) Risk management of financial instruments

1. Management of credit risk (Breach of contracts by the customers, etc.)

As per the Company's internal accounting regulations, the Company limits its exposures to credit risk by controlling the

due dates and balances for each customer, and by making periodical checks of the credit conditions of customers. The same management system is used for the consolidated subsidiaries.

In order to avoid credit risk, the Companies enter into derivative transactions with financial institutions with high credit ratings.

2. Management of interest fluctuation risk and exchange rate fluctuation risk

The Company utilizes derivative transactions (interest rate swap transactions) in order to mitigate interest fluctuations for loans payable and to attempt to fix the amounts of interest payments.

Moreover, in regards to a debt denominated in a foreign currency, in order to avoid the currency risks and the foreign exchange risk of an interest expense, interest rate and currency swap dealings are used to fix the principal and interest.

The approval decisions of swap transactions are made at a management round-table. As for the consolidated subsidiaries, they conform to the accounting rules set by each subsidiary.

3. Management of market price fluctuation risk

As for investment securities, the Companies periodically review the market prices and financial positions of the issuers and make modifications accordingly, taking their business relations into consideration.

4. Management of insolvency risk on procurement of funds (Risk of inability to make timely payment by due date)

With in the Companies, the finance divisions manage insolvency risk, by making and modifying the funding plans to maintain financial solvency based on reports from each department and by maintaining liquidity.

(2) Fair Values of Financial Instruments

The book value, fair value and their differences are as follows. The financial instruments for which fair value is considered to be difficult to obtain are excluded. (See Note II below)

As of February 28, 2015	Millions of yen		
	Book value	Fair value	Difference
(i) Cash and deposits	¥ 4,333	¥ 4,333	¥ —
(ii) Notes and operating accounts receivable—trade	11,655	11,655	—
(iii) Investment securities	1,683	1,683	—
(iv) Lease and guarantee deposits	5,335	5,327	(7)
Total	¥23,007	¥22,999	¥ (7)
(i) Short-term loans payable	¥ 8,569	¥ 8,569	¥ —
(ii) Commercial papers	4,499	4,499	—
(iii) Notes and operating accounts payable—trade	17,850	17,850	—
(iv) Long-term loans payable	32,161	32,131	(29)
Total	¥63,080	¥63,051	¥(29)
Derivative transactions	¥ —	¥ —	¥ —

As of February 29, 2016	Millions of yen		
	Book value	Fair value	Difference
(i) Cash and deposits	¥ 6,840	¥ 6,840	¥ —
(ii) Notes and operating accounts receivable—trade	8,289	8,289	—
(iii) Investment securities	242	242	—
(iv) Lease and guarantee deposits	4,690	4,810	119
Total	¥20,062	¥20,182	¥119
(i) Notes and operating accounts payable—trade	¥17,258	¥17,258	¥ —
(ii) Short-term loans payable	7,919	7,919	—
(iii) Commercial papers	11,399	11,399	—
(iv) Long-term loans payable	35,200	35,595	395
Total	¥71,777	¥72,172	¥395
Derivative transactions	¥ —	¥ —	¥ —

As of February 29, 2016	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(i) Cash and deposits	\$ 60,000	\$ 60,000	\$ —
(ii) Notes and operating accounts receivable—trade	72,711	72,711	—
(iii) Investment securities	2,123	2,123	—
(iv) Lease and guarantee deposits	41,140	42,193	1,044
Total	\$175,982	\$177,035	\$1,044
(i) Notes and operating accounts payable—trade	\$151,386	\$151,386	\$ —
(ii) Short-term loans payable	69,465	69,465	—
(iii) Commercial papers	99,991	99,991	—
(iv) Long-term loans payable	308,772	312,237	3,465
Total	\$629,623	\$633,088	\$3,465
Derivative transactions	\$ —	\$ —	\$ —

Note I. Calculations of fair values for financial instruments and items regarding security instruments and derivative transactions

Assets

(i) Cash and deposits and (ii) Notes and operating accounts receivable—trade

Since these accounts are to be settled in the short-term, the fair values and the book values are similar. Therefore, the fair values of these accounts are stated by the applicable book values.

(iii) Investment securities

These are stated at market prices.

(iv) Lease and guarantee deposits

These values are calculated by discounting the present value of the future cash flow by a risk-free rate.

Liabilities

- (i) Short-term loans payable, (ii) Commercial papers and
(iii) Notes and operating accounts payable—trade

Since these accounts are to be settled in the short-term, the fair values and the book values are similar. Therefore, fair values of these accounts are stated by the applicable book values.

- (iv) Long-term loans payable

Fair values are calculated by discounting the rate at which the Companies assume to pay to borrow a new loan. In regards to long-term loans, to which the interest rate swapping exception rule was applied or a currency swap was assigned in the consolidated financial accounting fiscal years ended February 28, 2015 and February 29, 2016, the total amount of the principal and interest calculated by an applicable interest rate swap and currency swap was discounted by a reasonable borrowing rate that may be used to make a similar loan. Long-term bank loans are included in long-term loans payable in the balance sheets.

Derivative transactions

The fair values of interest rate swaps or currency swaps are included in the fair value of long-term debt since such interest rate swaps and currency swaps are treated together with long-term debt being hedged.

Note II. Financial instruments for which fair value is considered to be difficult to obtain are as follows:

As of February 28, 2015		Millions of yen
Classification		Book value
Non-listed securities		¥ 688
Lease and guarantee deposits		18,739
Guarantee deposits received		31,206
As of February 29, 2016		Millions of yen
Classification		Book value
Non-listed securities		¥ 950
Lease and guarantee deposits		19,172
Guarantee deposits received		30,188
As of February 29, 2016		Thousands of U.S. dollars
Classification		Book value
Non-listed securities		\$ 8,333
Lease and guarantee deposits		168,175
Guarantee deposits received		264,807

These items have no market price and it is impossible to estimate their future cash flow. Therefore, they are excluded from the table above.

Note III. The redemption schedules for receivables are as follows:

As of February 28, 2015		Millions of yen			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years	
Cash and deposits	¥ 4,333	¥ —	¥ —	¥ —	¥ —
Notes and operating accounts receivable—trade	11,655	—	—	—	—
Lease and guarantee deposits	—	2,461	2,027	845	—
Total	¥15,988	¥2,461	¥2,027	¥845	—
As of February 29, 2016		Millions of yen			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years	
Cash and deposits	¥ 6,840	¥ —	¥ —	¥ —	¥ —
Notes and operating accounts receivable—trade	8,289	—	—	—	—
Lease and guarantee deposits	—	2,236	1,720	734	—
Total	¥15,129	¥2,236	¥1,720	¥734	—
As of February 29, 2016		Thousands of U.S. dollars			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years	
Cash and deposits	\$ 60,000	\$ —	\$ —	\$ —	\$ —
Notes and operating accounts receivable—trade	72,711	—	—	—	—
Lease and guarantee deposits	—	19,614	15,088	6,439	—
Total	\$132,711	\$19,614	\$15,088	\$6,439	—

Note: IV. The redemption schedules for short-term loans payable, commercial papers and long-term loans payable are as follows:

	Millions of yen			
As of February 28, 2015	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Short-term loans payable	¥ 8,569	¥ —	¥ —	¥—
Commercial papers	4,499	—	—	—
Long-term loans payable	—	31,300	800	61
Total	¥13,068	¥31,300	¥800	¥61

	Millions of yen			
As of February 29, 2016	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Short-term loans payable	¥ 7,919	¥ —	¥ —	¥—
Commercial papers	11,399	—	—	—
Long-term loans payable	—	34,200	1,000	—
Total	¥19,318	¥34,200	¥1,000	¥—

	Thousands of U.S. dollars			
As of February 29, 2016	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Short-term loans payable	\$ 69,465	\$ —	\$ —	\$—
Commercial papers	99,991	—	—	—
Long-term loans payable	—	300,000	8,772	—
Total	\$169,456	\$300,000	\$8,772	\$—

15. Retirement Benefit Plans

1) Summary of retirement benefit plans

The Company and its major subsidiaries have defined benefit plans (i.e., a lump-sum retirement benefit plan, prepaid retirement benefit plan and corporate pension fund system plan). Additional retirement payments are made in some cases when employees retire or resign.

2) Defined benefit plans

(a) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of year	¥5,410	¥5,423	\$47,570
Cumulative effects of changes in accounting policies	—	339	2,974
Restated balance	5,410	5,763	50,553
Service cost	280	323	2,833
Interest cost	54	32	281
Actuarial gain	(25)	(54)	(474)
Benefits paid	(295)	(293)	(2,570)
Balance at end of year	¥5,423	¥5,771	\$50,623

(b) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of year	¥3,053	¥3,458	\$30,333
Expected return on plan assets	61	69	605
Actuarial gain and loss	237	(144)	(1,263)
Contributions paid by the employer	378	375	3,289
Benefits paid	(271)	(269)	(2,360)
Balance at end of year	¥3,458	¥3,489	\$30,605

(c) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability and asset

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Funded retirement benefit obligations	¥ 4,974	¥ 5,436	\$ 47,684
Plan assets	(3,458)	(3,489)	(30,605)
	1,515	1,946	17,070
Unfunded retirement benefit obligations	449	334	2,930
Total net defined benefit liability and asset at end of year	1,964	2,281	20,009
Net defined benefit liability	1,964	2,281	20,009
Total net defined benefit liability and asset at end of year	¥ 1,964	¥ 2,281	\$ 20,009

(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service cost	¥280	¥323	\$2,833
Interest cost	54	32	281
Expected return on plan assets	(61)	(69)	(605)
Net actuarial loss amortization	92	80	702
Past service costs amortization	(91)	(22)	(193)
Transition amount amortization arising from adopting the new standard	105	83	728
Prepaid retirement benefit	131	136	1,193
Other	31	39	342
Total retirement benefit costs	¥541	¥604	\$5,298

(e) Remeasurements of defined benefit plans, before tax were as follows

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Actuarial gains and losses	¥—	¥ (9)	\$ (79)
Past service costs	—	(22)	(193)
Transition amounts arising from adopting the new standard	—	83	728
Total balance at end of year	¥—	¥ 50	\$ 439

(f) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Actuarial gains and losses that are yet to be recognized	¥(140)	¥(149)	\$(1,307)
Past service costs that are yet to be recognized	22	—	—
Transition amounts arising from adopting the new standard that are yet to be recognized	(83)	—	—
Total balance at end of year	¥(200)	¥(149)	\$(1,307)

(g) Plan assets

I. Plan assets comprise:

	2015	2016
Bonds	45.4%	49.0%
Equity securities	21.3%	17.7%
Life insurance general account	14.0%	14.5%
Cash and deposits	1.8%	1.2%
Other	17.5%	17.6%
Total	100.0%	100.0%

II. Long-term expected rate of return

Current and target asset allocations, and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(h) Actuarial assumptions

The principal actuarial assumptions at the end of the financial accounting fiscal year(expressed as weighted averages) are as follows:

	2015	2016
Discount rate	(Mainly) 1.1%	(Mainly) 0.6%
Long-term expected rate of return	2.0%	2.0%
Expected rate of salary	(Mainly) 8.3%	(Mainly) 7.8%

Note: Expected rate of salary is calculated based on a point based plan.

16. Income Taxes

Japanese income taxes applicable to the Companies consist of corporate tax, inhabitants' tax and corporate enterprise tax, which in the aggregate resulted in the statutory tax rate of approximately 38.0% for 2015 and 35.6% for 2016.

Major items in deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets:			
Adjustments for unrealized gains	¥ 760	¥ 744	\$ 6,526
Allowance for doubtful accounts	73	59	518
Accrued bonuses to employees	389	351	3,079
Provision for sales promotion	124	121	1,061
Provision for loss on store closing	—	343	3,009
Net defined benefit liability	742	789	6,921
Accrued corporate enterprise tax	270	203	1,781
Impairment loss	628	1,119	9,816
Asset retirement obligations	161	164	1,439
Write-down of investment securities	177	161	1,412
Others	349	246	2,158
Gross deferred tax assets	3,679	4,305	37,763
Less: Valuation allowance	(44)	(67)	(588)
Total deferred tax assets	¥3,634	¥4,237	\$37,167
Deferred tax liabilities:			
Loss on conversion of land title	724	657	5,763
Valuation difference on available-for-sale securities	362	7	61
Asset retirement obligations	74	75	658
Investment in a subsidiary	61	56	491
Total deferred tax liabilities	¥1,223	¥ 796	\$ 6,982
Net deferred tax assets	¥2,411	¥3,441	\$30,184

Reconciliations between the statutory tax rates and the effective tax rates are as follows:

	Percentage	
	2015	2016
Statutory tax rates	38.0%	35.6%
Adjustments:		
Permanent non-deductible differences including entertainment expenses	0.7	0.6
Permanent non-taxable differences including dividend income	(0.1)	(0.0)
Inhabitants' tax—per capita levy	0.7	0.8
Valuation allowance	0.3	0.8
Impact of statutory income tax rate changes	0.8	2.3
Others	0.1	0.1
Effective income tax rates	40.5%	40.2%

Following the promulgation on March 31, 2015 of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015), and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015), the corporate tax rate is reduced effective from the year beginning on or after April 1, 2015.

The Companies changed the statutory tax rate from 35.6% to 33.1% in calculating the deferred tax assets and liabilities for temporary differences that are expected to reverse from the year beginning on or after March 1, 2016.

The Companies changed the statutory tax rate from 35.6% to 32.3% in calculating the deferred tax assets and liabilities for temporary differences that are expected to reverse from the year beginning on or after March 1, 2017.

Due to these changes in statutory income tax rates, deferred tax assets of current assets decreased by 82 million yen (719 thousand U.S. dollars), net deferred tax assets of fixed assets (after deducting the deferred tax liabilities) decreased by 156 million yen (1,368 thousand U.S. dollars), valuation difference on available-for-sale securities

decreased by 0 million yen (0 thousand U.S. dollars), income taxes-deferred increased by 234 million yen (2,053 thousand U.S. dollars) and remeasurements of defined benefit plans increased by 4 million yen (35 thousand U.S. dollars).

Following the promulgation on March 31, 2016 of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016), and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016), the corporate tax rate is reduced effective from the year beginning on or after April 1, 2016.

The Companies changed the statutory tax rate from 32.3% to 30.9% in calculating the deferred tax assets and liabilities for temporary differences that are expected to reverse from the year beginning on or after March 1, 2017.

The Companies changed the statutory tax rate from 30.9% to 30.6% in calculating the deferred tax assets and liabilities for temporary differences that are expected to reverse from the year beginning on or after March 1, 2019.

The effect of this change was immaterial.

17. Guarantee Deposits Received

The Company receives guarantee deposits of floor space according to Tenant Agreements for specialty stores and shops. These deposits do not bear interest and are refundable when the agreements are terminated.

18. Derivative Information

The Companies enter into interest rate swap agreements in order to minimize the risk of fluctuation in interest rates and exchange rates on borrowings. The Companies do not enter into these agreements for trading or speculative purposes.

The Companies have established a risk management system for reporting and monitoring transactions involving derivative financial instruments.

The Companies are exposed to the risk of credit loss in the event of a breach of contract by the counterparties to the interest. However, the Companies do not anticipate a breach of contract by any of these counterparties, all of whom are financial institutions with high credit ratings.

The derivative instruments for the years ended February 28, 2015 and February 29, 2016 are as follows:

			Millions of yen		
			2015		
Method of hedge accounting	Type of transaction	Main subject of a hedge	Contractual prices	Over 1 year contractual prices	Fair value
Appropriation treatment	Currency swaps U.S. dollar receipts/Japanese yen payments	Long-term loans payable	¥ 300	¥ 300	(See Note)
Special case interest rate swap treatment	Interest rate swap transaction (fluctuating receipts/fixed payments)	Long-term loans payable	¥16,600	¥12,120	(See Note)
			Millions of yen		
			2016		
Method of hedge accounting	Type of transaction	Main subject of a hedge	Contractual prices	Over 1 year contractual prices	Fair value
Appropriation treatment	Currency swaps U.S. dollar receipts/Japanese yen payments	Long-term loans payable	¥ 300	¥ 300	(See Note)
Special case interest rate swap treatment	Interest rate swap transaction (fluctuating receipts/fixed payments)	Long-term loans payable	¥12,120	¥9,940	(See Note)
			Thousands of U.S. dollars		
			2016		
Method of hedge accounting	Type of transaction	Main subject of a hedge	Contractual prices	Over 1 year contractual prices	Fair value
Appropriation treatment	Currency swaps U.S. dollar receipts/Japanese yen payments	Long-term loans payable	\$ 2,632	\$ 2,632	(See Note)
Special case interest rate swap treatment	Interest rate swap transaction (fluctuating receipts/fixed payments)	Long-term loans payable	\$106,316	\$87,193	(See Note)

Note: The above currency swaps and interest rate swap transactions, both of which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differences in payments made or received under the swap agreements are recognized and included in interest expense. In addition, the fair values of such currency swaps and interest rate swap transactions are considered part of the fair values of hedged items.

19. Rental Property

The Company owns rental property in several cities across the country.

Rental income related to such rental property in the fiscal years ended February 28, 2015 and February 29, 2016 is 127 million yen and

350 million yen (3,070 thousand U.S. dollars). Rental revenues are recorded in operating revenue and rental expenses are recorded in selling, general and administrative expenses.

Book value, increase/decrease and fair value are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Book value			
Balance at beginning of year	¥1,204	¥2,293	\$20,114
Increase/decrease	1,089	908	7,965
Balance at end of year	2,293	3,202	28,088
Fair value at end of year	2,221	3,127	27,430

Book value is acquisition cost less accumulated depreciation and loss on impairment of fixed assets.

For the amounts for the fiscal year ended February 28, 2015, the main increases were acquisitions of real estate of 1,201 million yen. The main decreases were depreciation of 112 million yen.

For the amounts for the fiscal year ended February 29, 2016, the main increases were acquisitions of real estate of 1,087 million yen

(9,535 thousand U.S. dollars). The main decreases were depreciation of 178 million yen (1,561 thousand U.S. dollars).

The fair value as of the end of the fiscal year is the appraisal value according to an outside real estate appraiser based on Japanese Real Estate Appraisal Standards in the case of key properties and is deemed to be the book value in the case of depreciable assets such as some buildings.

20. Segment Information

For the years ended February 28, 2015 and February 29, 2016

(1) Summary of reportable segments

The reportable segments of the Companies are constituent units of the Companies whose separate financial information is readily available and which are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating the business results.

The Companies have identified four reportable segments: "Shopping complex", "Retail", "Space engineering and management" and "Others". The "Shopping complex" business is the Companies' flagship operation.

"Shopping complex" is development, management and operation of shopping centers. "Retail" is sales of accessories and sundry goods.

"Space engineering and management" is design and construction of building interiors and providing cleaning, security and maintenance services for buildings. "Others" is Entertainment business and Internet business.

(2) Calculation of sales, income or loss, assets and other by reportable segment

The accounting method for the business segments that are reported is generally the same as described in Note 2. The segment income figures stated in the reportable segments are based on operating income. The inter-segment sales or the inter-segment figures are based on actual market prices.

	Millions of yen						
For the year ended February 28, 2015:	Shopping complex	Retail	Space engineering and management	Others	Total	Adjustment	Consolidated
Sales:							
External customers	¥243,782	¥12,937	¥11,025	¥6,467	¥274,212	¥ —	¥274,212
Inter-segment	1	6,865	7,958	424	15,249	(15,249)	—
Total	243,783	19,802	18,983	6,891	289,461	(15,249)	274,212
Segment income	¥ 11,317	¥ 647	¥ 328	¥ 256	¥ 12,550	¥(42)	¥ 12,508
Segment assets	¥219,673	¥ 6,569	¥ 9,040	¥2,807	¥238,090	¥(11,260)	¥226,830
Other:							
Depreciation	5,372	387	129	99	5,989	(67)	5,921
Loss on impairment of fixed assets	1,406	76	—	—	1,483	(19)	1,463
Increase of property and equipment and intangible assets	9,206	491	70	95	9,864	(188)	9,676

Notes: 1. The adjustments are as follows:

- (1) Adjustment of segment income of (42) million yen is inter-segment eliminations.
 - (2) Adjustment of segment assets of (11,260) million yen is inter-segment eliminations.
 - (3) Adjustment of depreciation of (67) million yen is inter-segment eliminations.
 - (4) Adjustment of loss on impairment of fixed assets of (19) million yen is inter-segment eliminations.
 - (5) Adjustment of increase in property and equipment and intangible assets of (188) million yen is inter-segment eliminations.
2. Segment income is reconciled to operating income in the consolidated statements of income.
3. Other operating revenue is included in "Sales."

	Millions of yen						
For the year ended February 29, 2016:	Shopping complex	Retail	Space engineering and management	Others	Total	Adjustment	Consolidated
Sales:							
External customers	¥248,078	¥14,196	¥12,423	¥6,352	¥281,050	¥ —	¥281,050
Inter-segment	0	7,277	7,546	498	15,322	(15,322)	—
Total	248,078	21,473	19,969	6,850	296,372	(15,322)	281,050
Segment income	¥ 11,549	¥ 694	¥ 433	¥ 132	¥ 12,809	¥ (37)	¥ 12,772
Segment assets	¥229,853	¥ 7,148	¥ 8,288	¥3,130	¥248,420	¥(12,104)	¥236,315
Other:							
Depreciation	5,699	405	140	103	6,349	(71)	6,277
Loss on impairment of fixed assets	1,524	163	196	—	1,884	(24)	1,859
Increase of property and equipment and intangible assets	21,842	945	74	52	22,914	(87)	22,827

Thousands of U.S. dollars

For the year ended February 29, 2016:	Shopping complex	Retail	Space engineering and management	Others	Total	Adjustment	Consolidated
Sales:							
External customers	\$2,176,123	\$124,526	\$108,974	\$55,719	\$2,465,351	\$ —	\$2,465,351
Inter-segment	0	63,833	66,193	4,368	134,404	(134,404)	—
Total	2,176,123	188,360	175,167	60,088	2,599,754	(134,404)	2,465,351
Segment income	\$ 101,307	\$ 6,088	\$ 3,798	\$ 1,158	\$ 112,360	\$ (325)	\$ 112,035
Segment assets	\$2,016,254	\$ 62,702	\$ 72,702	\$27,456	\$2,179,123	\$(106,175)	\$2,072,939
Other:							
Depreciation	49,991	3,553	1,228	904	55,693	(623)	55,061
Loss on impairment of fixed assets	13,368	1,430	1,719	—	16,526	(211)	16,307
Increase of property and equipment and intangible assets	191,596	8,289	649	456	201,000	(763)	200,237

Notes: 1. The adjustments are as follows:

- (1) Adjustment of segment income of (37) million yen ((325) thousand U.S. dollars) is inter-segment eliminations.
 - (2) Adjustment of segment assets of (12,104) million yen ((106,175) thousand U.S. dollars) is inter-segment eliminations.
 - (3) Adjustment of depreciation of (71) million yen ((623) thousand U.S. dollars) is inter-segment eliminations.
 - (4) Adjustment of loss on impairment of fixed assets of (24) million yen ((211) thousand U.S. dollars) is inter-segment eliminations.
 - (5) Adjustment of increase in property and equipment and intangible assets of (87) million yen ((763) thousand U.S. dollars) is inter-segment eliminations.
2. Segment income is reconciled to operating income in the consolidated statements of income.
 3. Other operating revenue is included in "Sales."

(3) Related information

i) Products and Services

Information on products and services has been omitted since similar information is disclosed in the segment information.

ii) Sales and property and equipment information by region

Geographic area information has been omitted since revenue from outside customers in the Japan area and property and equipment located in the Japan area accounted for more than 90% of revenue

from operations in the consolidated income statements and property and equipment in the consolidated balance sheets, respectively.

iii) Customer

Customer information has been omitted since revenue from no single customer exceeded 10% of revenue from operations in the consolidated income statements.

(4) Information regarding loss on impairment of fixed assets by reportable segment

Information on loss on impairment of fixed assets has been omitted since similar information is disclosed in the segment information.

(5) Information regarding amortization of goodwill and remaining goodwill balance by reportable segment

Not applicable.

(6) Information regarding gain on negative goodwill by reportable segment

Not applicable.

21. Related Party Transactions

(1) Related Party Transactions

Transactions between the company filing the consolidated financial statements and related parties

Directors and corporate auditors, and principal individual shareholders of the company filing the consolidated financial statements, etc.

For the year ended February 29, 2016

Description	Corporate/ individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Trading amount (millions of yen)	Account	Ending balance (millions of yen)
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights	Poppins Co., Ltd.	Shibuya-ku, Tokyo	96	Childcare support service, Educational support service for toddlers and infants and Elderly care support service	—	Contract of design and construction Interlocking directors or corporate auditors	Contract of the construction of the office	39	Notes and operating accounts receivables- Trade	1

Notes: 1. Ms.Nakamura, one of the Company's directors, and her close relatives own a majority of the voting rights of Poppins Co., Ltd.

2. Amounts in Ending balance include consumption taxes and those of Trading amount exclude them.

3. Transaction condition was determined in the same way as a general transaction.

(2) Parent Company

J. FRONT RETAILING Co., Ltd. is listed on the first sections of the Tokyo and Nagoya Stock Exchanges.

22. Net Assets

Under the Japanese Corporate Law (the "Law"), the entire amount paid for new shares is required to be designated as common stock. However, the Company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus. The Law requires that an amount equal to 10% of the dividends must be appropriated as legal earnings reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon payment of such dividends, until the aggregate amount of legal earnings reserve or additional paid-in capital equals 25% of common stock. All additional

paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends upon resolution of the shareholders. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

Retained earnings at February 29, 2016 include amounts representing year-end cash dividends of 1,014 million yen (8,895 thousand U.S. dollars), based on 10.0 yen (0.09 U.S. dollars) per share, which was resolved at the Board of Directors meeting held on April 6, 2016.

23. Comprehensive Income

An analysis of each component of other comprehensive income and related tax effects for the years ended February 28, 2015 and February 29, 2016 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ 77	¥ 224	\$ 1,965
Reclassification to income for the year	(101)	(1,220)	(10,702)
Pretax amount	(23)	(996)	(8,737)
Tax (expense) benefit	8	355	3,114
Net-of-tax amount	(15)	(640)	(5,614)
Foreign currency translation adjustments			
Amount arising during the year	58	(16)	(140)
Reclassification to income for the year	—	—	—
Pretax amount	58	(16)	(140)
Tax (expense) benefit	—	—	—
Net-of-tax amount	58	(16)	(140)
Remeasurements of defined benefit plans			
Amount arising during the year	—	(89)	(781)
Reclassification to income for the year	—	140	1,228
Pretax amount	—	50	439
Tax (expense) benefit	—	(23)	(202)
Net-of-tax amount	—	27	237
Share of other comprehensive income of entities accounted for using equity method			
Amount arising during the year	6	(10)	(88)
Total	¥ 49	¥ (640)	\$ (5,614)

24. Treasury Shares

The breakdown of treasury shares (common shares) for the years ended February 28, 2015 and February 29, 2016 is as follows:

	Number of shares outstanding (thousands)
Balance at February 28, 2014	2
Purchase of fractional shares from stockholders	0
Balance at February 28, 2015	3
Purchase of fractional shares from stockholders	0
Balance at February 29, 2016	4

25. Net Income per Share

The basis of computation of basic net income and diluted net income per share ("EPS") for the years ended February 28, 2015 and February 29, 2016 is as follows:

	Net income	Weighted- average shares	EPS	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended February 28, 2015				
Basic EPS:				
Net income available to common shareholders	¥6,294	101,460	¥62.04	
For the year ended February 29, 2016				
Basic EPS:				
Net income available to common shareholders	¥6,061	101,45	¥59.75	\$0.52

Note: Diluted net income per share for the years ended February 28, 2015 and February 29, 2016 were not presented because the Company had no shares with dilutive effects.

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 balance sheet as at February 29, 2016, and the consolidated income statement, statement of comprehensive income, statement of changes in net assets 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 accounting principles generally accepted in Japan, 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 judgement, 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 29, 2016, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

KPMG AZSA LLC
July 13, 2016
Tokyo, Japan

Information on PARCO's Website



Store and Entertainment Information (Japanese)

www.parco.co.jp/parco/

Information is presented on PARCO stores, entertainment and more in an appealing manner using the latest Web functions.

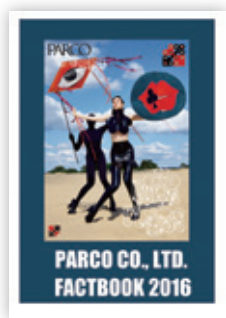


About PARCO

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.



FACT BOOK 2016
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.	
Financial Highlights	Visit here for graphs of net sales, operating income and other key financial indicators, with data downloadable in PDF and Excel formats.	
Monthly Sales Summary	A summary of monthly sales data by store are disclosed with year-on-year comparisons.	
Financial Indicators	View past data on key performance indicators.	
Medium-term Business Plan	Supporting materials and news releases related to the medium-term business plan are posted here.	
IR Library	Financial Results	Check here for disclosure of quarterly financial results.
	FACT BOOK	The FACT BOOK provides disclosure of detailed information including key indicators on a consolidated and non-consolidated basis and an itemized breakdown of sales by category.
	Financial Reports	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.
Annual Report	PARCO's latest annual report is available for download in PDF and E@BOOK formats.	
IR Calendar	View schedules for announcements of financial results and other events.	
Shareholder Rewards	Details concerning shareholder rewards can be viewed here.	
Stock Information	Visit here for a guide to clerical procedures for shareholders.	
Shareholder Composition	View information on PARCO's current principal shareholders and related matters.	
Stock Price Information	Information on PARCO's stock price is presented via Bloomberg.	
Disclosure Policy	View our basic policy regarding investor relations here.	



CSR

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

View for an introduction to CSR initiatives by the PARCO Group.

The President's CSR Message, PARCO's Fundamental CSR Policy, and CSR activities are reported here.

About PARCO

Corporate Profile (As of February 29, 2016)

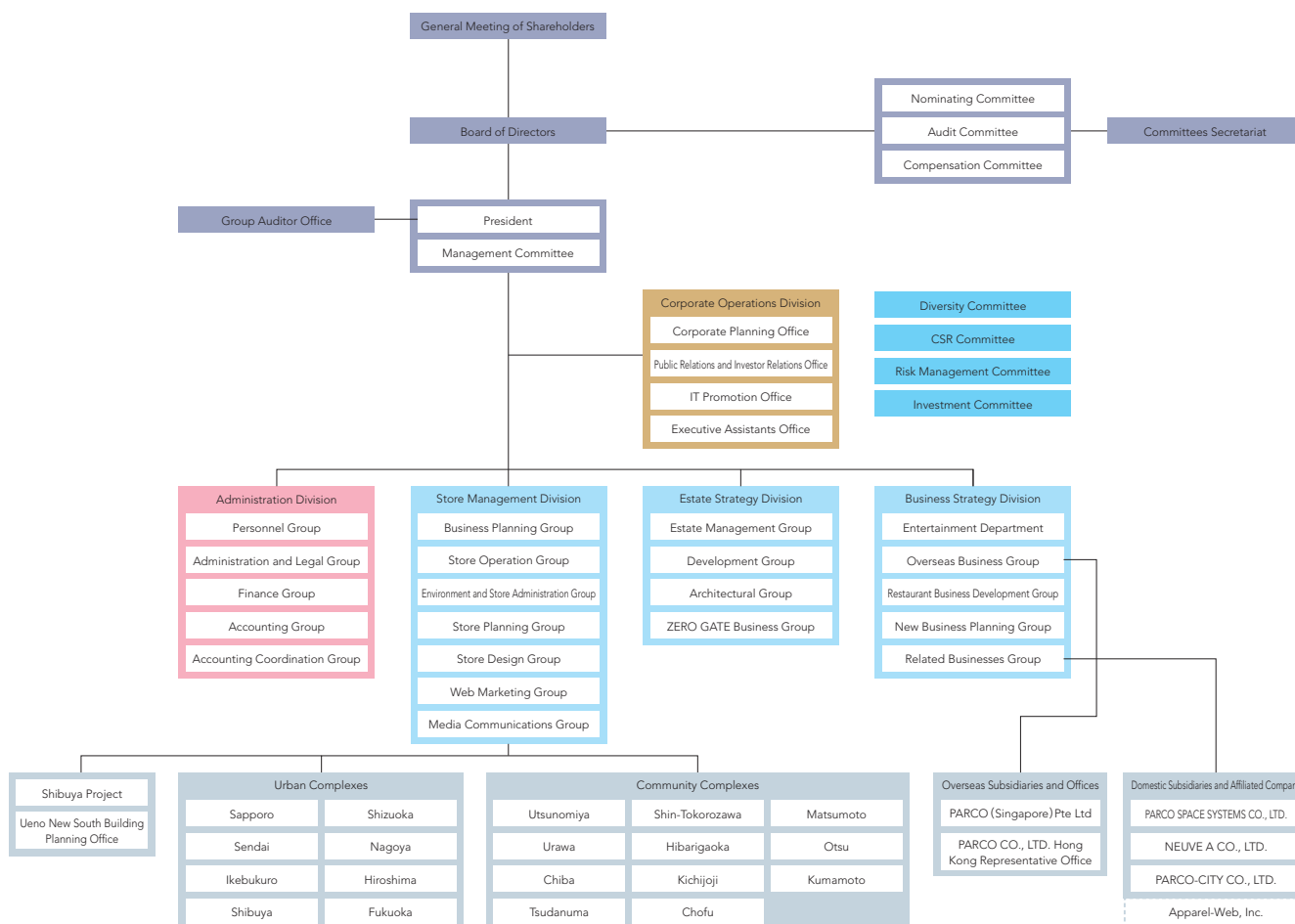
Company Name	PARCO CO., LTD.	Consolidated Sales	¥276,358 million (Fiscal 2015)
Headquarters	1-28-2 Minami-Ikebukuro, Toshima-ku, Tokyo 171-0022, Japan	Sales Floor Area	456,000 m ²
Head Office	Shibuya First Place Bldg. 8-16 Shinsen-cho, Shibuya-ku, Tokyo 150-0045, Japan	Tenants	2,306
Founded	February 13, 1953	Group Companies	NEUVE A CO., LTD. (Retail Business)
Paid-in Capital	¥34,367 million		PARCO SPACE SYSTEMS CO., LTD. (Space Engineering and Management Business)
Employees	630 (male 354, female 276)		PARCO-CITY CO., LTD. (Web-based Consulting Business)
Consolidated Employees	2,118		PARCO (Singapore) Pte Ltd (Southeast Asia Shopping Center Development)

Corporate History

1953 ▶	Feb.	Established Ikebukuro Station Building Co., Ltd.	1993 ▶	Oct.	Opened Hibrigaoka PARCO
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	1994 ▶	Mar.	Opened Ikebukuro P'PARCO
				Apr.	Opened Hiroshima PARCO
1957 ▶	May	Changed company name to Tokyo Marubutsu Co., Ltd.	1996 ▶	Apr.	Expanded floor space of Matsumoto PARCO
	Dec.	Started operation of department store under the name Tokyo Marubutsu		Nov.	Opened Otsu PARCO
1963 ▶	Jul.	Tokyo Marubutsu Co., Ltd. became a registered stock with the Osaka Securities Dealers Association	1997 ▶	Mar.	Opened Utsunomiya PARCO
1969 ▶	Jun.	Tokyo Marubutsu closed; commenced preparations for the establishment of the PARCO store	1998 ▶	Nov.	Opened Nagoya PARCO South Building
	Nov.	Opened Ikebukuro PARCO	2000 ▶	Mar.	Established PARCO-CITY CO., LTD.
1970 ▶	Apr.	Changed company name to PARCO CO., LTD.		Sept.	Merged SEIDENKO CO., LTD. and PARCO PROMOTION CO., LTD.; adopted new corporate name of PARCO SPACE SYSTEMS CO., LTD.
1973 ▶	Jun.	Opened Shibuya PARCO Opened PARCO Theater (former Seibu Theater)	2001 ▶	Jun.	NEUVE A CO., LTD. started operations
1975 ▶	Aug.	Opened Sapporo PARCO		Sept.	Opened Hiroshima PARCO Annex
1976 ▶	Dec.	Opened Chiba PARCO	2002 ▶	Apr.	Opened Shibuya ZERO GATE
1977 ▶	Jul.	Opened Tsudanuma PARCO	2003 ▶	May	Adopted "Company with Committees System" (later renamed "Company with Three Committees" System)
1980 ▶	Sept.	Opened Kichijoji PARCO	2005 ▶	Feb.	Opened PEDI SHIODOME
1981 ▶	Sept.	Opened Shibuya PARCO PART 3	2006 ▶	Mar.	Credit card PEC Card renamed as PARCO Card
1983 ▶	Jun.	Opened Shin-Tokorozawa PARCO	2007 ▶	Mar.	Opened Shizuoka PARCO
1984 ▶	Aug.	Opened Matsumoto PARCO		Oct.	Opened Urawa PARCO
1986 ▶	May	Opened Kumamoto PARCO	2008 ▶	Aug.	Opened Sendai PARCO
1987 ▶	Jan.	Stock listed on the 2nd Section of the Tokyo Stock Exchange	2010 ▶	Mar.	Opened Fukuoka PARCO
1988 ▶	Jun.	Opened Shibuya CLUB QUATTRO (former QUATTRO by PARCO)	2011 ▶	Apr.	Complex format of Shibuya ZERO GATE changed
	Aug.	Stock listed on the 1st Section of the Tokyo Stock Exchange	2013 ▶	Apr.	Opened Shinsaibashi ZERO GATE Opened Dotonbori ZERO GATE
	Sept.	Established PARCO PROMOTION CO., LTD.		Oct.	Opened Hiroshima ZERO GATE
1989 ▶	Apr.	Launched PEC Card	2014 ▶	Oct.	Opened Nagoya ZERO GATE
	May	Opened Chofu PARCO		Nov.	Opened Fukuoka PARCO New Building
	Jun.	Opened Nagoya PARCO	2015 ▶	Mar.	Expanded floor space of Fukuoka PARCO Opened Nagoya PARCO midi
1991 ▶	Sept.	Acquired stake in SEIDENKO CO., LTD.	2016 ▶	Feb.	Opened Sapporo ZERO GATE
	Nov.	Established PARCO (Singapore) Pte Ltd		Jul.	Opened Sendai PARCO2

Organization Chart

In striving to realize the PARCO Group 2020 Long-term Vision, we are bolstering our business base, while investing management resources with greater selectivity and focus, to create businesses with definite growth potential.



■ Business Strategy Division

The Business Strategy Division comprises five groups: the Entertainment Department, the Overseas Business Group, the Restaurant Business Development Group, the New Business Planning Group and the Related Business Group. The division is working to develop new businesses, along with developing and nurturing related businesses.

■ Estate Strategy Division

The Estate Strategy Division comprises four groups: the Estate Management Group, the Development Group, the Architectural Group and the ZERO GATE Business Group. The division is pressing ahead with formulating and executing policies regarding the strategic use of real estate holdings, as well as developing new real estate that will contribute to the PARCO business and new shopping complex formats.

■ Store Management Division

This division comprises seven groups: the Business Planning Group, the Store Operation Group, the Environment and Store Administration Group, the Store Planning Group, the Store Design Group, the Web Marketing Group and the Media Communications Group. The division is working to drive further advancement and differentiation in the two types of shopping complexes in the PARCO store business: urban and community complexes. The division also aims to maintain the PARCO Group's stable earnings base.

■ Administration Division

This division has five groups: the Personnel Group, the Administration and Legal Group, the Finance Group, the Accounting Group and the Accounting Coordination Group. The division offers wide-ranging support to the entire PARCO Group.

■ Corporate Operations Division

The Corporate Operations Division comprises four offices: the Corporate Planning Office, the Public Relations and Investor Relations Office, the IT Promotion Office and the Executive Assistants Office. These offices work to promote measures to maximize corporate value, including by formulating business strategies, enhancing communication with external stakeholders, and strengthening company-wide IT strategy functions.

Stock Information (As of February 29, 2016)

Number of shares authorized 320,000,000
Number of shareholders 31,116
Number of shares issued and outstanding 101,462,977

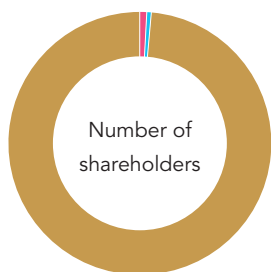
Stock Listings The Tokyo Stock Exchange 1st Section
Independent Auditor KPMG AZSA LLC

Principal Shareholders

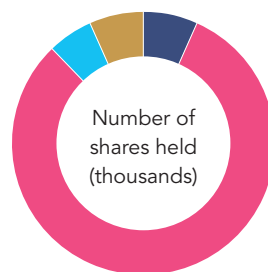
Name	Number of shares held (thousands)	Shareholding ratio (%)
J. FRONT RETAILING Co., Ltd.	65,922	64.97
Aeon Co., Ltd.	8,272	8.15
Credit Saison Co., Ltd.	7,771	7.66
Japan Trustee Services Bank, Ltd. (Trust Account)	2,745	2.71
GOLDMAN SACHS INTERNATIONAL	1,200	1.18
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	930	0.92
Japan Trustee Services Bank, Ltd. (Trust Account 9)	561	0.55
The Master Trust Bank of Japan, Ltd. (Trust Account)	393	0.39
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	391	0.39
RBC ISB A/C LUX NON RESIDENT/DOMESTIC RATE-UCITS CLIENTS ACCOUNT	298	0.29

*Shareholding ratios are calculated after deduction of treasury stock (4,200 shares).

Breakdown of Shares by Type of Shareholder



Japanese financial institutions and Japanese securities companies	55	0.2%
Other Japanese companies	290	0.9%
Foreign investors	179	0.6%
Japanese individuals and others	30,591	98.3%
Treasury stock	1	0.0%



Japanese financial institutions and Japanese securities companies	6,997	6.9%
Other Japanese companies	82,270	81.1%
Foreign investors	5,448	5.4%
Japanese individuals and others	6,742	6.6%
Treasury stock	4	0.0%

Stock Performance

