

<Excerpt English translation of the original Japanese-language document>



October 5, 2015

## **Consolidated Financial Results for the First Six Months of the Fiscal Year Ending February 29, 2016 <under Japanese GAAP>**

Company name: **PARCO CO., LTD.**  
Listing: First Section of the Tokyo Stock Exchange  
Stock code: 8251  
URL: <http://www.parco.co.jp/>  
Representative: Kouzou Makiyama, Member of the Board, President, Representative Executive Officer  
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Scheduled date to file Quarterly Securities Report: October 14, 2015  
Scheduled date of dividend distribution: October 26, 2015  
Preparation of supplementary material on quarterly earnings: Yes  
Holding of quarterly earnings performance review: Yes (for institutional investors and analysts)

(All amounts have been rounded down to the nearest million yen.)

### **1. Consolidated performance for the first six months of the fiscal year ending February 29, 2016 (from March 1, 2015 to August 31, 2015)**

#### **(1) Consolidated operating results (cumulative)** (Percentages indicate year-on-year changes.)

|   | Net sales       |     | Operating income |     | Ordinary income |     | Net income      |       |
|---|-----------------|-----|------------------|-----|-----------------|-----|-----------------|-------|
|   | Millions of yen | %   | Millions of yen  | %   | Millions of yen | %   | Millions of yen | %     |
| First six months ended<br>August 31, 2015 | 136,721         | 4.2 | 6,669            | 5.5 | 6,602           | 4.3 | 3,422           | (5.4) |
| August 31, 2014                           | 131,183         | 1.4 | 6,319            | 6.6 | 6,329           | 8.7 | 3,619           | 10.4  |

Note: Comprehensive income  
For the first six months ended August 31, 2015: 2,856 million yen [(18.4)%]  
For the first six months ended August 31, 2014: 3,501 million yen [0.2%]

|                        | Net income per share | Diluted net<br>income per share |
|------------------------|----------------------|---------------------------------|
| First six months ended | Yen                  | Yen                             |
| August 31, 2015        | 33.74                | —                               |
| August 31, 2014        | 35.68                | —                               |

#### **(2) Consolidated financial position**

|                   | Total assets    | Net assets      | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
| As of             | Millions of yen | Millions of yen | %            |
| August 31, 2015   | 229,966         | 114,923         | 50.0         |
| February 28, 2015 | 226,830         | 113,211         | 49.9         |

Reference: Equity  
As of August 31, 2015: 114,923 million yen  
As of February 28, 2015: 113,211 million yen

## 2. Cash dividends

|   | Annual dividends  |                    |                   |                 |       |
|---|-------------------|--------------------|-------------------|-----------------|-------|
|   | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
|   | Yen               | Yen                | Yen               | Yen             | Yen   |
| Fiscal year ended February 28, 2015             | –                 | 9.00               | –                 | 9.00            | 18.00 |
| Fiscal year ending February 29, 2016            | –                 | 10.00              |                   |                 |       |
| Fiscal year ending February 29, 2016 (Forecast) |                   |                    | –                 | 10.00           | 20.00 |

Note: Revisions to the forecasts of cash dividends most recently announced: None

## 3. Consolidated earnings forecasts for the fiscal year ending February 29, 2016 (from March 1, 2015 to February 29, 2016)

(Percentages indicate year-on-year changes.)

|                                      | Net sales       |     | Operating income |     | Ordinary income |     | Net income      |     | Net income per share |
|--------------------------------------|-----------------|-----|------------------|-----|-----------------|-----|-----------------|-----|----------------------|
|                                      | Millions of yen | %   | Millions of yen  | %   | Millions of yen | %   | Millions of yen | %   | Yen                  |
| Fiscal year ending February 29, 2016 | 283,800         | 5.2 | 12,900           | 3.1 | 12,600          | 0.8 | 6,600           | 4.9 | 65.05                |

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

### \* Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
  - a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
  - b. Changes in accounting policies due to other reasons: None
  - c. Changes in accounting estimates: None
  - d. Restatement of prior period financial statements after error corrections: None
- (4) Number of issued shares (common shares)
  - a. Total number of issued shares at the end of the period (including treasury shares)
 

|                         |                    |
|-------------------------|--------------------|
| As of August 31, 2015   | 101,462,977 shares |
| As of February 28, 2015 | 101,462,977 shares |
  - b. Number of treasury shares at the end of the period
 

|                         |              |
|-------------------------|--------------|
| As of August 31, 2015   | 3,902 shares |
| As of February 28, 2015 | 3,242 shares |
  - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 

|  |                    |
|--|--------------------|
| For the first six months ended August 31, 2015 | 101,459,335 shares |
| For the first six months ended August 31, 2014 | 101,460,265 shares |

**\* Indication regarding execution of quarterly review procedures**

The quarterly review procedures pursuant to the Financial Instruments and Exchange Act do not apply to this quarterly earnings report. At the time of disclosure of this quarterly earnings report, the quarterly review procedures for quarterly consolidated financial statements are in progress.

**\* Proper use of earnings forecasts, and other special matters**

Caution concerning forward-looking statements

The forward-looking statements, including earnings forecasts, contained in these materials are based on information available to the Company at the time of the filing and certain assumptions deemed reasonable by the Company. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ significantly due to various unforeseen factors.

Method of accessing supplementary material on quarterly earnings

Supplementary material on quarterly earnings will be disclosed on TDnet, on the date of this report. The Company plans to hold an earnings performance review for institutional investors and analysts, and post a video of this earnings performance review on its website promptly after the review is held.

**(Reference) Non-consolidated earnings forecasts**

**Non-consolidated earnings forecasts for the fiscal year ending February 29, 2016  
(from March 1, 2015 to February 29, 2016)**

(Percentages indicate year-on-year changes.)

|                                      | Net sales       |     | Operating income |     | Ordinary income |       | Net income      |     | Net income per share |
|--------------------------------------|-----------------|-----|------------------|-----|-----------------|-------|-----------------|-----|----------------------|
|                                      | Millions of yen | %   | Millions of yen  | %   | Millions of yen | %     | Millions of yen | %   | Yen                  |
| Fiscal year ending February 29, 2016 | 257,200         | 4.7 | 11,900           | 1.3 | 11,700          | (0.2) | 6,500           | 8.4 | 64.07                |

Note: Revisions to the non-consolidated earnings forecasts most recently announced: Yes

## Quarterly consolidated financial statements

### (1) Consolidated balance sheets

(Millions of yen)

|   | As of February 28, 2015 | As of August 31, 2015 |
|---|-------------------------|-----------------------|
| <b>Assets</b>                                   |                         |                       |
| Current assets                                  |                         |                       |
| Cash and deposits                               | 4,333                   | 5,674                 |
| Notes and operating accounts receivable         | 11,655                  | 8,973                 |
| Merchandise and finished goods                  | 3,069                   | 3,170                 |
| Work in process                                 | 670                     | 524                   |
| Raw materials and supplies                      | 37                      | 37                    |
| Other   | 7,649                   | 4,399                 |
| Allowance for doubtful accounts                 | (4)                     | (3)                   |
| Total current assets                            | 27,410                  | 22,776                |
| Non-current assets                              |                         |                       |
| Property, plant and equipment                   |                         |                       |
| Buildings and structures                        | 124,240                 | 127,122               |
| Accumulated depreciation                        | (79,979)                | (81,529)              |
| Accumulated impairment loss                     | (1,224)                 | (1,893)               |
| Buildings and structures, net                   | 43,036                  | 43,699                |
| Buildings and structures in trust               | 21,872                  | 21,912                |
| Accumulated depreciation                        | (4,290)                 | (4,848)               |
| Buildings and structures in trust, net          | 17,582                  | 17,064                |
| Machinery, equipment and vehicles               | 867                     | 880                   |
| Accumulated depreciation                        | (681)                   | (704)                 |
| Accumulated impairment loss                     | (0)                     | (0)                   |
| Machinery, equipment and vehicles, net          | 185                     | 176                   |
| Machinery, equipment and vehicles in trust      | 171                     | 171                   |
| Accumulated depreciation                        | (15)                    | (23)                  |
| Machinery, equipment and vehicles in trust, net | 155                     | 147                   |
| Other   | 6,419                   | 6,615                 |
| Accumulated depreciation                        | (4,720)                 | (4,853)               |
| Accumulated impairment loss                     | (70)                    | (86)                  |
| Other, net                                      | 1,628                   | 1,675                 |
| Other in trust                                  | 192                     | 192                   |
| Accumulated depreciation                        | (102)                   | (113)                 |
| Other in trust, net                             | 90                      | 79                    |
| Land  | 43,024                  | 47,588                |
| Land in trust                                   | 47,069                  | 47,069                |
| Construction in progress                        | 5,864                   | 8,935                 |
| Total property, plant and equipment             | 158,636                 | 166,435               |
| Intangible assets                               |                         |                       |
| Leasehold right                                 | 10,969                  | 10,969                |
| Other   | 1,042                   | 1,157                 |
| Total intangible assets                         | 12,011                  | 12,127                |
| Investments and other assets                    |                         |                       |
| Investment securities                           | 2,371                   | 1,321                 |
| Lease and guarantee deposits                    | 24,075                  | 24,385                |
| Other   | 2,518                   | 3,109                 |
| Allowance for doubtful accounts                 | (193)                   | (189)                 |
| Total investments and other assets              | 28,771                  | 28,627                |
| Total non-current assets                        | 199,419                 | 207,190               |
| <b>Total assets</b>                             | <b>226,830</b>          | <b>229,966</b>        |

(Millions of yen)

|   | As of February 28, 2015 | As of August 31, 2015 |
|---|-------------------------|-----------------------|
| <b>Liabilities</b>                                    |                         |                       |
| Current liabilities                                   |                         |                       |
| Notes and operating accounts payable - trade          | 17,850                  | 20,377                |
| Short-term loans payable                              | 8,569                   | 7,779                 |
| Income taxes payable                                  | 3,556                   | 2,424                 |
| Provision   | 1,579                   | 1,647                 |
| Other   | 15,916                  | 18,820                |
| Total current liabilities                             | 47,472                  | 51,049                |
| Non-current liabilities                               |                         |                       |
| Long-term loans payable                               | 32,161                  | 29,100                |
| Guarantee deposits received                           | 31,206                  | 30,759                |
| Provision   | –                       | 1,052                 |
| Net defined benefit liability                         | 1,964                   | 2,246                 |
| Other   | 814                     | 835                   |
| Total non-current liabilities                         | 66,146                  | 63,993                |
| Total liabilities                                     | 113,618                 | 115,042               |
| <b>Net assets</b>                                     |                         |                       |
| Shareholders' equity                                  |                         |                       |
| Capital stock   | 34,367                  | 34,367                |
| Capital surplus                                       | 35,129                  | 35,129                |
| Retained earnings                                     | 43,249                  | 45,529                |
| Treasury shares                                       | (2)                     | (3)                   |
| Total shareholders' equity                            | 112,743                 | 115,022               |
| Accumulated other comprehensive income                |                         |                       |
| Valuation difference on available-for-sale securities | 656                     | 49                    |
| Foreign currency translation adjustment               | (59)                    | (63)                  |
| Remeasurements of defined benefit plans               | (129)                   | (85)                  |
| Total accumulated other comprehensive income          | 467                     | (99)                  |
| Total net assets                                      | 113,211                 | 114,923               |
| Total liabilities and net assets                      | 226,830                 | 229,966               |

**(2) Consolidated statements of (comprehensive) income**  
**Consolidated statements of income (cumulative)**

(Millions of yen)

|   | First six months ended<br>August 31, 2014 | First six months ended<br>August 31, 2015 |
|---|---|---|
| Net sales   | 131,183                                   | 136,721                                   |
| Cost of sales                                     | 111,169                                   | 115,896                                   |
| Gross profit                                      | 20,013                                    | 20,824                                    |
| Operating revenue                                 | 1,982                                     | 2,382                                     |
| Operating gross profit                            | 21,995                                    | 23,206                                    |
| Selling, general and administrative expenses      | 15,676                                    | 16,537                                    |
| Operating income                                  | 6,319                                     | 6,669                                     |
| Non-operating income                              |   |   |
| Interest income                                   | 25  | 21  |
| Dividend income                                   | 33  | 21  |
| Miscellaneous income                              | 218                                       | 110                                       |
| Total non-operating income                        | 277                                       | 153                                       |
| Non-operating expenses                            |   |   |
| Interest expenses                                 | 228                                       | 200                                       |
| Miscellaneous expenses                            | 38  | 20  |
| Total non-operating expenses                      | 267                                       | 220                                       |
| Ordinary income                                   | 6,329                                     | 6,602                                     |
| Extraordinary income                              |   |   |
| Gain on sales of investment securities            | 93  | 1,220                                     |
| Other   | 1   | 29  |
| Total extraordinary income                        | 95  | 1,250                                     |
| Extraordinary losses                              |   |   |
| Loss on sales of non-current assets               | –   | 20  |
| Loss on retirement of non-current assets          | 380                                       | 232                                       |
| Impairment loss                                   | 53  | 42  |
| Loss on closing of stores                         | –   | 1,886                                     |
| Other   | 6   | 0   |
| Total extraordinary losses                        | 440                                       | 2,182                                     |
| Income before income taxes and minority interests | 5,984                                     | 5,670                                     |
| Income taxes                                      | 2,364                                     | 2,247                                     |
| Income before minority interests                  | 3,619                                     | 3,422                                     |
| Net income  | 3,619                                     | 3,422                                     |

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

|  | First six months ended<br>August 31, 2014 | First six months ended<br>August 31, 2015 |
|--|---|---|
| Income before minority interests   | 3,619                                     | 3,422                                     |
| Other comprehensive income   |   |   |
| Valuation difference on available-for-sale securities                                | (125)                                     | (606)                                     |
| Foreign currency translation adjustment  | 8   | (0)                                       |
| Remeasurements of defined benefit plans, net of tax                                  | –   | 43  |
| Share of other comprehensive income of entities<br>accounted for using equity method | (1)                                       | (2)                                       |
| Total other comprehensive income   | (118)                                     | (566)                                     |
| Comprehensive income   | 3,501                                     | 2,856                                     |
| Comprehensive income attributable to   |   |   |
| Comprehensive income attributable to owners of<br>parent                             | 3,501                                     | 2,856                                     |
| Comprehensive income attributable to minority<br>interests                           | –   | –   |

**(3) Consolidated statements of cash flows**

(Millions of yen)

|  | First six months ended<br>August 31, 2014 | First six months ended<br>August 31, 2015 |
|--|---|---|
| <b>Cash flows from operating activities</b>                  |   |   |
| Income before income taxes and minority interests            | 5,984                                     | 5,670                                     |
| Depreciation   | 2,812                                     | 3,030                                     |
| Impairment loss  | 53  | 42  |
| Increase in provision for bonuses                            | 91  | 64  |
| Decrease in provision for retirement benefits                | (21)                                      | –   |
| Increase in net defined benefit liability                    | –   | 12  |
| Interest and dividend income                                 | (58)                                      | (42)                                      |
| Interest expenses  | 228                                       | 200                                       |
| Loss on sales and retirement of non-current assets           | 138                                       | 70  |
| Gain on sales of investment securities                       | (93)                                      | (1,220)                                   |
| Loss on store closings                                       | –   | 1,886                                     |
| Decrease (increase) in notes and accounts receivable - trade | (3,166)                                   | 2,682                                     |
| Decrease (increase) in inventories                           | (14)                                      | 43  |
| Increase in notes and accounts payable - trade               | 4,055                                     | 2,526                                     |
| Increase/decrease in other assets/liabilities                | 1,352                                     | (1,130)                                   |
| Other, net   | (4)                                       | 58  |
| Subtotal   | 11,359                                    | 13,894                                    |
| Interest and dividend income received                        | 58  | 42  |
| Interest expenses paid                                       | (242)                                     | (215)                                     |
| Payment resulting from store closing                         | (101)                                     | –   |
| Income taxes paid  | (1,083)                                   | (3,404)                                   |
| Net cash provided by operating activities                    | 9,990                                     | 10,317                                    |
| <b>Cash flows from investing activities</b>                  |   |   |
| Payments into time deposits                                  | –   | (273)                                     |
| Proceeds from withdrawal of time deposits                    | –   | 272                                       |
| Purchase of property, plant and equipment                    | (5,435)                                   | (14,038)                                  |
| Proceeds from sales of property, plant and equipment         | –   | 5   |
| Purchase of investment securities                            | (1)                                       | (401)                                     |
| Proceeds from sales of investment securities                 | 445                                       | 1,722                                     |
| Payments for lease and guarantee deposits                    | (211)                                     | (541)                                     |
| Proceeds from collection of lease and guarantee deposits     | 3,571                                     | 3,462                                     |
| Decrease in guarantee deposits received                      | (519)                                     | (313)                                     |
| Other, net   | (115)                                     | (510)                                     |
| Net cash used in investing activities                        | (2,265)                                   | (10,614)                                  |
| <b>Cash flows from financing activities</b>                  |   |   |
| Net increase (decrease) in short-term loans payable          | (4,000)                                   | 700                                       |
| Net increase in commercial papers                            | 1,999                                     | 6,499                                     |
| Repayments of long-term loans payable                        | (4,000)                                   | (4,550)                                   |
| Net increase in treasury shares                              | (0)                                       | (0)                                       |
| Cash dividends paid  | (913)                                     | (913)                                     |
| Other, net   | (89)                                      | (96)                                      |
| Net cash provided by (used in) financing activities          | (7,002)                                   | 1,638                                     |
| Effect of exchange rate change on cash and cash equivalents  | 6   | (0)                                       |
| Net increase in cash and cash equivalents                    | 728                                       | 1,341                                     |
| Cash and cash equivalents at beginning of period             | 3,529                                     | 4,059                                     |
| Cash and cash equivalents at end of period                   | 4,257                                     | 5,401                                     |