

PARCO CO., LTD.
FY2016 First Half Results
Investor Presentation
TSE 1st Section 8251



Overview of FY2016 H1 results and FY2016 Full-year forecasts

Shopping Complex Business topics

Development Projects

PARCO Stores Business

New businesses

Overseas businesses

PARCO Group Related Businesses topics

The results for the second quarter of PARCO Co., Ltd.

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PARCO Group Related Businesses topics

Achieved record quarterly net income despite declines in net sales, operating income, and ordinary income.

Unit: Million yen

Consolidated	FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %	Forecasts	Difference from forecast ¥	Difference from forecast %
Net sales	134,029	136,721	(2,691)	(2.0%)	139,450	(5,420)	(3.9%)
Operating income	6,504	6,669	(164)	(2.5%)	7,150	(645)	(9.0%)
Ordinary income	6,085	6,602	(516)	(7.8%)	6,950	(864)	(12.4%)
Net income attributable to parent ¹	3,751	3,422	328	9.6%	4,100	(348)	(8.5%)
EBITDA ²	9,131	9,683	(552)	(5.7%)	9,835	(704)	(7.2%)

Consolidated	FY2016 End of Aug.	End of FY2015	Change ¥
Total assets	241,959	236,315	5,643
Net assets	119,192	116,474	2,718
Interest-bearing debt	54,918	54,518	400
Equity ratio	49.3%	49.3%	(0.0%)

¹The ¥328 million increase in net income was primarily due to effects of sale of non-current assets associated with the redevelopment of Shibuya PARCO.

²EBITDA in this table refers to operating income plus depreciation and amortization.

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On consolidated results.

Net sales were down YOY. Both operating income and ordinary income were also down YOY, however, we were able to achieve the record high net income attributable to parent.

Consolidated net sales declined YOY to 134.029 billion yen which was down 2.691 billion yen or 2% due to the sluggish trend of sales overall stemming from stagnant clothing sales at Parco and impact from temporary suspension of Shibuya Parco operation although Sendai Parco 2 opened in July and increase in construction order at Parco Space Systems.

Operating income decreased to 6.504 billion yen down 164 million yen or 2.5% on the back of lower net sales in spite of cost reductions mainly at existing Parco stores.

Ordinary income was 6.085 billion yen down 516 million yen or 7.8%.

Net income attributable to parent however was record high at 3.751 billion up 328 million YOY or 9.6% contributed by the sale of non-current assets related to Shibuya redevelopment project offsetting the loss from closure of Otsu Parco.

Total assets at the end of the first half were 241.959 billion yen, which was up from the end of FY2015 by 5.643 billion yen due to the acquisition of Sendai Parco 2 and Shibuya redevelopment project.

Net assets totaled to 119.192 billion yen.

Sales declined in Shopping Complex Business, but achieved sales growth in Retail Business, sales and profit growth in Space Engineering and Management Business, and profit growth in Other Business.

Unit: Million yen

		FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %
Shopping Complex Business	Net sales	119,597	122,478	(2,881)	(2.4%)
	Segment income	5,913	6,151	(237)	(3.9%)
Retail Business	Net sales	10,458	10,395	63	0.6%
	Segment income	154	318	(164)	(51.5%)
Space Engineering and Management Business	Net sales	10,687	10,429	257	2.5%
	Segment income	408	203	205	100.7%
Other Business	Net sales	3,295	3,524	(228)	(6.5%)
	Segment income	54	16	37	228.7%
Consolidated	Net sales	136,523	139,103	(2,579)	(1.9%)
	Segment income	6,504	6,669	(164)	(2.5%)

Figures for net sales by segment include operating revenue.

Segment income refers to operating income.

PARCO's Entertainment Business earnings are included in Other Business.

*Due to adjustments between business segment results, totals of business segment figures differ from consolidated figures.

On consolidated results by segment.

Both net sales and segment income decreased in Shopping Complex Business centering on Parco Co., Ltd.

Retail Business achieved an increase in income.

Space Engineering and Management Business achieved an increase both in net sales and segment income.

Other Business, which includes Entertainment and Web businesses increased its segment income.

Selling, general & administrative expenses

Unit: Million yen

Consolidated	FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %
Personnel	5,155	5,108	46	0.9%
Lease/rental	4,483	4,493	(9)	(0.2%)
Advertising	1,562	1,443	119	8.3%
Agency services	2,692	2,700	(8)	(0.3%)
Depreciation	2,627	3,014	(387)	(12.9%)
Total SG&A	16,495	16,537	(41)	(0.3%)

Capital expenditure

Consolidated	FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %
Capex	10,689	14,841	(4,151)	(28.0%)

On consolidated selling, general & administrative expenses and capital spending. Consolidated SG&A expenses decreased YOY by 41 million yen or 0.3% driven by expense efficiency improvement at existing stores offsetting NEUVE A related cost increase and one-off expense for Sendai Parco 2.

Capital expenditure was 10.6 billion yen, down 4.1 billion yen YOY.

Targeting record consolidated operating income, ordinary income, and net income.

Unit: Million yen

Consolidated	FY2016 Revised forecast	FY2014 results	Change ¥	Change %	Initial forecast	Change ¥
Net sales	271,000	276,358	(5,358)	(1.9%)	280,150	(9,150)
Operating income	12,900	12,772	127	1.0%	13,500	(600)
Ordinary income	13,100	12,673	426	3.4%	13,800	(700)
Net income attributable to parent	6,900	6,061	838	13.8%	7,850	(950)

Planning to set interim dividend per share of ¥11 (up ¥1) and annual dividend per share of ¥22 (up ¥2).

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On full year forecasts for FY2016.

We made a revision respectively to net sales to 271 billion yen, down 1.9 % YOY, operating income to 12.9 billion yen, up 1.0% YOY, ordinary income to 13.1 billion, up 3.4% YOY and net income attributable to parent to 6.9 billion yen, up 13.8% YOY.

Although our forecast now is lower than our initial forecast, we will be achieving increase both in operating income and ordinary income for 5 consecutive years and each profit line will break the record high as we have been targeting from the beginning of this fiscal year.

With regards to dividends, we increased interim dividend per share by 1 yen to 11 yen per share and plan to increase annual dividend by 2 yen to 22 yen per share.

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Shopping Complex Business topics

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PARCO Stores Business

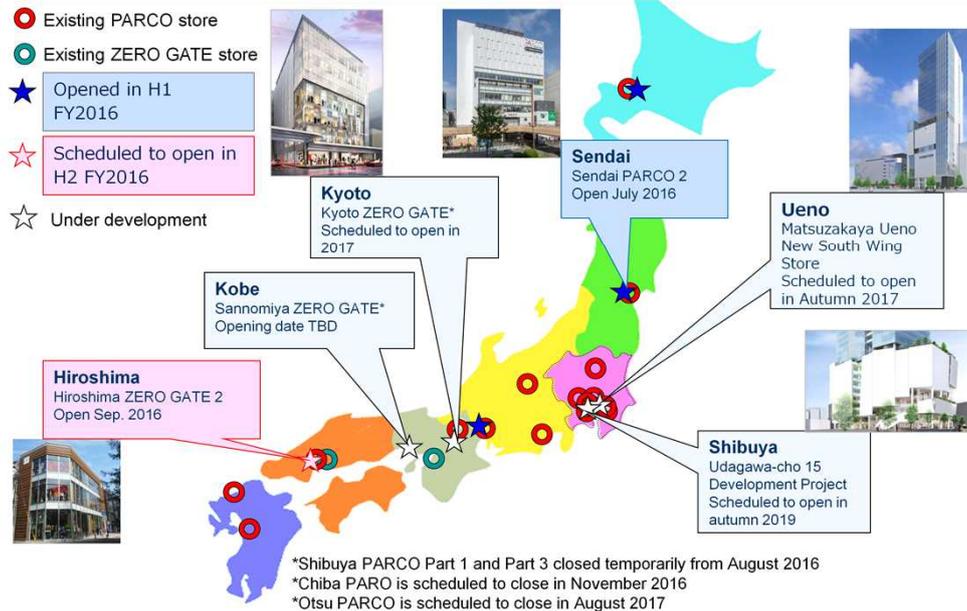
New businesses

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PARCO Group Related Businesses topics

Explanation about the progress in each business.

Pursuing development focused on areas around PARCO's key urban locations and in cities where PARCO does not yet have a presence.



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Development projects.

Our base focus has been on areas around Parco's key urban locations and in cities where Parco does not have a presence.

In the first half of FY2016, we have already opened Sendai Parco 2 and in the second half, we have already opened Hiroshima Zero Gate 2 in September.

In FY2017, Parco's new format integrating a department store, a cinema complex and office all integrated next to Matsuzakaya department store in Ueno and Kyoto Zero Gate next to Daimaru department store are scheduled to open.

We announced closing of Chiba Parco scheduled for November this year and Otsu Parco scheduled for August 2017, next year.

**Sendai PARCO 2 opened on July 1, 2016.
A new commercial store in front of Sendai Station.**



- Aiming for annual sales of approx. ¥7 billion. Together with Sendai PARCO Main Building annual sales target will exceed ¥20 billion*.
- Target consumers are families and mature individuals in their thirties and forties.
- Strong start with growth in share of cosmetics, foods, restaurants, and sundry goods, and synergies with cinema complex, and despite restrained clothing share.

**Largest-scale renovation of Sendai PARCO Main Building
since its opening.**

- Renewal of 2,700m² of tenant floor area (approx. 20% of total) scheduled for this autumn.
- Renovated areas will propose seasonal fashions, primarily ladies' brands targeting consumers in their twenties and thirties.
- Improvement of 3rd floor as a select shop zone for mature consumers. Evolution of 4th – 6th floors as a youth zone and the No. 1 spot for fashion shops targeting consumers in their twenties.

Overview	Sendai PARCO 2
Area of site	Approx. 3,600m ²
Floor area	Approx. 25,000m ²
No. of floors	10 above-ground floors

*Integrated sales target. "Integrated sales" indicate the overall sales performance of a store, and is the sum sales of tenants on diminishing rent rate contracts and sales of tenants under fixed rent contracts.



Development projects, Sendai area.

We opened Sendai Parco 2 on July 1 this year. Annual sales target is approximately 7 billion yen. Together with Sendai Parco Main Building, annual sales target will be more than 20 billion yen. Sendai Parco 2 targets also at adults and families who are in their 30's and 40's and has restrained mix of clothing but more cosmetics, foods and sundry goods generating synergies with cinema complex and it is off to a strong start so far.

In addition, we are scheduled to do the largest-scale renovation of Sendai Parco Main Building since its opening in this autumn renovating as much as 20% of tenant floor area or 2,700 square meters.

Opened ZERO GATE store near Hiroshima PARCO on September 10, 2016.

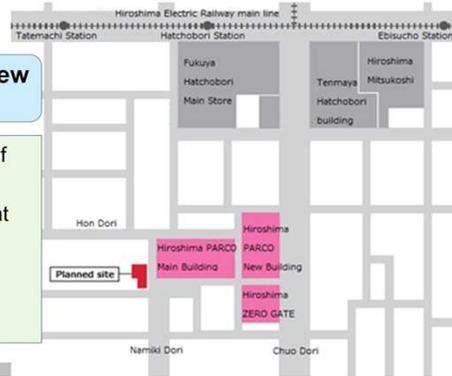


- Maximizing the appeal of the area with the opening of this new store near two Hiroshima PARCO stores and existing ZERO GATE store.
- WEGO will occupy the entire newly constructed building as the brand's flagship store in the Chu-Shikoku region, communicating fashion trends from Tokyo's Harajuku district.

Overview	Hiroshima ZERO GATE 2
Area of site	Approx. 285m ²
Floor area	Approx. 744m ²
No. of floors	3 above-ground floors

Largest-scale renovation of Hiroshima PARCO New Building since its opening.

- Renovation of 4,000m² of tenant floor area (approx. 20% of total) scheduled for this autumn.
- A large general merchandise store will be renovated as that brand's flagship store for the area and the centerpiece for attracting customers to all PARCO buildings.
- Renovation expanded floor area of Chu-Shikoku's most popular select shops and improve fashion offerings.



Regarding to Hiroshima area.

We added the second Zero Gate store near Hiroshima Parco. We are renting a whole newly constructed building and WEGO will occupy the entire building as the brand's flagship store in Chu-Shikoku region.

Furthermore, we conducted the largest-scale renovation of Hiroshima Parco New Building since its opening renovating as much as 4,000 square meters, or approximately 20% of tenant floor area.

Progression of the urban development project for Udagawa-cho 14 and 15, encompassing the site of Shibuya PARCO, as a special urban renaissance district.

- In August, Tokyo Metropolitan Government approved the implementation of the Urban Redevelopment Project.
- In the same month, Shibuya PARCO Part 1 and Part 3 closed temporarily to enable the project to get underway.
- Accelerating specific plans and aiming to open in autumn 2019.



Project schedule		
2015	June	Urban plan submitted to Tokyo Metropolitan Government
	December	Tokyo Metropolitan Government approves urban plan
2016	March	Shibuya Project created in organization reform
	April	Temporary closure of Shibuya PARCO 1 and 3 announced
	August	Project implementation approved by Tokyo Metropolitan Government Temporary closure of Shibuya PARCO 1 and 3 for reconstruction
	November	Right Conversion Plan approval (scheduled)
2017	May	Construction on new premises begins (scheduled)
2019	Autumn	New premises opens (scheduled)
Overview		
	Area of site	Approx. 5,380m ²
	Floor area	Approx. 63,830m ²
	No. of floors	18 above-ground floors, 3 below-ground

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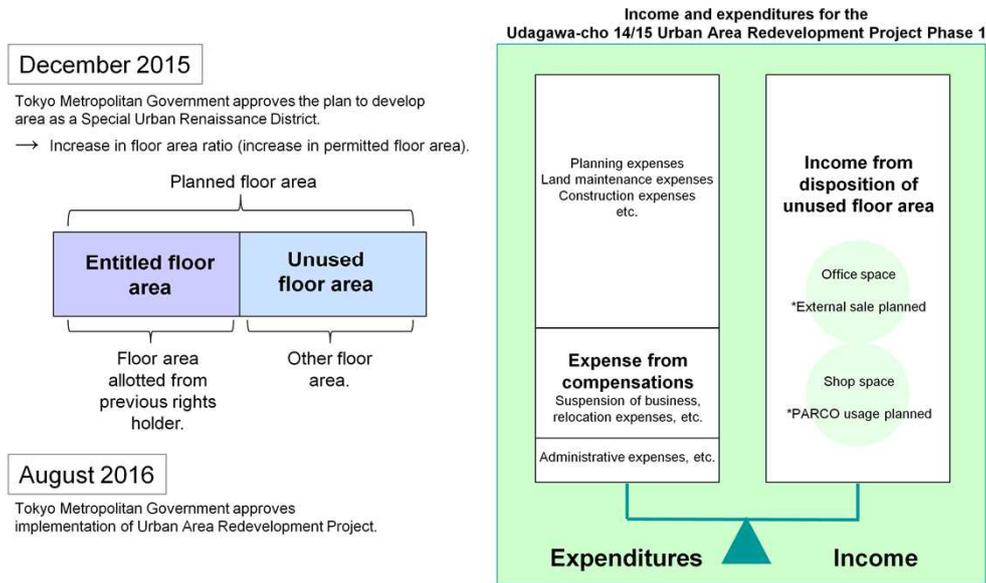
On future project in Shibuya area.

The progress of the urban development project for Udagawa-cho 14 and 15 encompassing the site of Shibuya Parco, as a special urban redevelopment.

In August, we got an approval from Tokyo metropolitan government for the implementation of the urban redevelopment project. In the same month, we closed temporarily Shibuya Parco Part 1 and Part 3 to get the project underway.

We are working towards the goal of opening in autumn 2019.

“Udagawa-cho 14/15 Urban Area Redevelopment Project” framework



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Explanation about the project framework in more details.

With the approval of Tokyo metropolitan government as a special urban renaissance district, it has been determined that floor area ratio will increase, which will increase the total planned area. Of the total planned area, the portion allotted from previous rights holders is called entitled floor area and the rest of the portion is called unused floor area, or other area.

Framework is such that income from disposition of this unused floor area will cover planning expenses, land maintenance expenses, construction expenses, etc., as well as expense for compensations such as suspension of business, relocation expenses, etc.

Tenant sales by store

Despite sales contributions from Sendai PARCO 2, which opened in July, sales decreased year on year as lower sales in the Urban Store Group affected the business as a whole.

Unit: Million yen

Store		Net sales	YoY change
Urban Store Group	Sapporo PARCO	5,831	(4.6%)
	Sendai PARCO	7,344	15.6%
	Ikebukuro PARCO	12,504	(8.2%)
	Shibuya PARCO	6,984	(10.4%)
	Shizuoka PARCO	5,062	(0.2%)
	Nagoya PARCO	17,268	(1.6%)
	Hiroshima PARCO	7,666	(3.5%)
	Fukuoka PARCO	9,387	(3.2%)
	8 store total	72,049	(2.9%)
	Total for all stores		116,855
Existing store total*		107,494	(3.4%)

Store		Net sales	YoY change
Community Store Group	Utsunomiya PARCO	1,833	(15.6%)
	Urawa PARCO	8,505	(0.1%)
	Shin-Tokorozawa	4,613	0.7%
	Chiba PARCO	2,324	(15.6%)
	Tsudanuma PARCO	4,063	(6.9%)
	Hibarigaoka PARCO	3,579	(0.7%)
	Kichijoji PARCO	3,468	(3.2%)
	Chofu PARCO	8,457	1.1%
	Matsumoto PARCO	3,503	0.7%
	Otsu PARCO	1,792	(1.6%)
	Kumamoto PARCO	2,664	5.2%
11 store total	44,805	(2.1%)	

*As of August 7, 2016, Shibuya PARCO PART 1 and PART 3 have been closed temporarily.

*Existing Store total sales figures do not include sales at Fukuoka PARCO Main Building extension (opened March 19, 2015), Nagoya PARCO midi (opened March 27, 2015), Sendai PARCO2 (opened July 1, 2016), and Shibuya PARCO PART 1 and PART 3 (closed temporarily as of August 7, 2016).

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On tenant sales by store.

Despite sales contribution from Sendai Parco 2, which opened in July, sales decreased YOY due to sluggishness of clothing sales in the urban store group which impacted overall sales. Total for all stores was 116.855 billion yen, down 2.6% YOY.

Sales decreased year on year, especially clothing sales, despite strong performance of bags and cosmetics due to inbound demand.

YoY comparison by item	Existing stores	YoY comparison by item	Existing stores
Womenswear	(8.5%)	Sundry goods	(2.1%)
Menswear	(9.6%)	Foods	(0.3%)
General clothing	(0.0%)	Restaurants	(6.8%)
Clothing	(5.3%)	Other (service, etc.)	(4.2%)
Shoes	(2.8%)		
Bags	1.0%		
Accessories	(0.5%)		
Cosmetics	9.3%		
Personal items	(1.4%)		

Existing stores YoY change	FY2014	FY2015
Paying customers	(1.8%)	(4.9%)
Average spend per customer	1.0%	1.2%

Sales by item, paying customers and average spend per customer are based on "integrated sales" of stores. "Integrated sales" indicates the overall sales performance of a store and includes tenant sales, sales at PARCO Theatre and other facilities, and sales of tenants under fixed rent contracts.

Explanation about sales by item.

Sales of bags and cosmetics were strong due to inbound traffic, however, they were not strong enough to offset the decline of clothing sales, which resulted in total sales to decline YOY.

However, if you look at average spend per customer, it went up 1.2 % YOY. Although we have increased restaurants and cafés, let me note that average spending per customer increased YOY.

Differentiate and improve customer appeal by strengthening lifestyle proposals corresponding to consumer trends and individual store characteristics.

- Themes for FY2016:
1. Set initiatives in line with the growing market
 2. Set priority items
 3. Extend development of the incubation and trend communication functions at Shibuya PARCO to other stores

H1 achievements

- Area renovated: Approx. 26,000 m²; renovated zone YoY sales comparison: 10.6%
- Urban Stores Group: Renovations mainly at Nagoya PARCO and Fukuoka PARCO. Renovated zone YoY sales comparison: 9.9%
- Community Stores Group: Renovations mainly at Shin-Tokorozawa PARCO. Renovated zone YoY sales comparison: 12.3%

H2 Plans

1. Approx. 24,000m² scheduled for renovation in H2, 50,000m² total for FY2016 (initial plan: 40,000m²).
2. Maintain the essence of Shibuya PARCO at other PARCO locations.
 - Transfer of PARCO Museum and character collaboration cafés to Ikebukuro PARCO.
 - Expand PARCO Mode at Shibuya PARCO PART 1 to Ikebukuro PARCO, Nagoya PARCO, and Kichijoji PARCO.
3. Strengthen initiatives for tenants in line with the growing market.
4. Establish dominance in the market by attracting key tenants.

*Renovation area figures do not include Shibuya PARCO or Chiba PARCO

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Explanation about the overview of Parco store renovations.

Themes for FY2016 were appeal to adults, pursue the quality and inbound.

Looking at the growing market, we conducted renovation strategically focusing on mode fashion, organic cosmetics and premium supermarket.

In the first half, we renovated approximately 26,000 square meters and renovated zone sales increased by double-digit, 10.6% YOY.

In the second half, we schedule to renovate approximately 24,000 square meters, which will bring total renovation for the year up to 50,000 square meters, much higher than the initial plan.

On the renovation in the second half, we are maintaining the essence of Shibuya Parco while they are temporarily closed at other Parco locations. We transfer Parco Museum and character collaboration cafe to Ikebukuro Parco. We will expand mode fashion of Shibuya Parco Part 1 to Ikebukuro Parco, Nagoya Parco and Kichijoji Parco.

Continue to foster strong growth in inbound sales through highly effective communication strategies and the introduction of payment systems targeting visitors to Japan.

H1 achievements

1. Chose the most effective communication tools (SNS, video sites, etc.) and adopted a unique approach for each country.
2. Continue promotional campaigns to attract tourists to PARCO stores, such as multichannel coupon distributions.
3. Introduced payment systems that accept China UnionPay cards in all shops at the five PARCO stores with the most inbound demand.

Reference: Inbound achievements	Shibuya ¹ PARCO	Sapporo PARCO	Ikebukuro PARCO	Fukuoka PARCO
YOY change purchases by foreign-issued credit cards	12.6%	64.6%	35.0%	31.5%
Share of net sales accounted for by foreign-issued credit cards (YOY change) ²	11.7% (+1.9%)	11.0% (+4.6%)	2.7% (+0.9%)	1.5% (+0.4%)

¹ Figures for shown Shibuya PARCO reflect the period until July.

² Figures calculated as the share of total sales.

H2 Plans

1. Continue to utilize and fine tune video/SNS-based communication and coupon strategies.
2. Collect information locally and secure information routes based on relationship building with overseas companies.
3. Introduce payment systems that accept China UnionPay cards in all shops at two additional PARCO stores for a total of seven PARCO stores.



Explanation about how we are trying to capture inbound demand.

We continue to grow inbound sales through highly effective communication strategies and the introduction of payment systems targeting visitors to Japan.

We chose the most effective communication tools among SNS and video and so on and approached separately to each country. We continued promotional campaigns to attract tourists to Parco through multichannel coupon distributions and so on.

In the first half, we also introduced payment systems that accept China UnionPay in all 5 Parco stores with high inbound traffic. In the second half, we are to strengthen communication to disseminate information and promote China UnionPay payment system furthermore.

Promote linkage between POCKET PARCO and PARCO Card and strengthen planning activities.

H1 achievements

- Launched the “Pre-Members System” for top-rank PARCO Card Class S members in March.
- Incorporated AI into POCKET PARCO in April allowing for more precise personalized recommendations.

PARCO Card sales amount (YoY change)	¥28,529 million (1.8%)	Number of PARCO Card members at end August 2016 (YoY)	1,955,000 (6.2%)
PARCO Card share of net sales (YoY)	21.3% (+1.0%)	YoY change in number of Class S members	6.5%



Strengthen connectivity between tools to promote store visits and purchases and drive improvement of customer base.

- Linkage planned for Kaeru PARCO and PARCO Card to extend PARCO Card customer discounts to Kaeru PARCO.
- Reinforcement of CRM strategy with early launch of prepaid cards in some PARCO stores. Coin reward linkage planned with Kaeru PARCO.

ICT: Information and Communication Technology AI: Artificial Intelligence CRM: Customer Relationship Management

Summary of Parco’s operation, which is ICT & credit card policy.

In Parco stores business, we are promoting CRM actions and tenant support leveraging ICT.

We are strengthening the liaison between official Parco smartphone app, POCKET PARCO and the house credit card, PARCO Card to power up our actions from both perspectives.

We launched the “pre-members system” for top-rank PARCO Card Class S for customers whose purchase amount topped a certain criteria allowing them to qualify for Class S from two months later instead of the following year giving them preferred discount offers.

In April, we started to incorporate AI into Pocket Parco to give more precise personalized recommendations, which have shown a positive impact both on traffic and purchase volume already.

In the second half we plan to reinforce CRM strategy by strengthening the connectivity among various tools.

We plan to link Kaeru Parco with Parco Card to extend Parco Card customers discounts to Kaeru Parco. We are to reinforce CRM strategy with early launch of prepaid cards in some Parco stores and coin reward linkage with Kaeru Parco.

Opening a product-development hub store, and an overseas trial store.



Opening of a street-level antenna shop in Tokyo's Aoyama district.

"Meetscal Store" and the two-tenant store "By PARCO" opened on August 26.

MEETSCAL STORE

Opening of a trial store in Hong Kong.

Limited-time opening of "Meetscal Store by PARCO POP UP SHOP in PMQ".

Opening at PMQ, a commercial center and creative hub for young creators and designers in Hong Kong.

Increasing PARCO's presence in the Asian market.



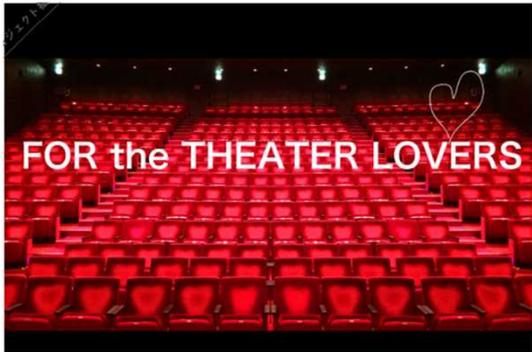
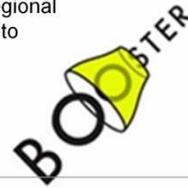
Explanation the new business, directly-managed shops, or product-development hub store called Meetscal Store.

We opened it in Aoyama and a trial one overseas in Hong Kong.

Accelerated growth in project proposals on crowd-funding service Booster.

Accelerated the formation of incubation projects, such as creator discovery and regional revitalization projects. As of the end of August, the total amount raised had grown to double that of the previous year.

BOOSTER: An incubation crowd-funding service managed by PARCO. Individual creators and organizations taking on a new challenge can raise funds from individuals through the internet before the project starts.



In August a project was implemented to produce a return from products made by creators using the seats and curtains, etc., from PARCO Theater.

A project producing a collection of monster designs from an artist who has drawn the Godzilla series throughout the Heisei period.



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On incubation initiative.

Formation of incubation projects was accelerated in project proposals on crowd-funding service, Booster, such as creator discovery and regional revitalization. The total amount raised in the first half of this year so far is double that of the previous year.

In August, a project was implemented to produce a return from products made by creators using the seats and curtains, etc., from Parco Theater. This project attracted so much attention, as a result, we were able to raise 5 times more funds than what we had planned.

**Progressing with overseas businesses using Japanese restaurant tenant plans and PARCO domestic content.
Ascertaining local needs and relaunching Singapore operations through Restaurant development.**



Itadakimasu by PARCO, a Japanese restaurant zone developed by PARCO (Singapore), is scheduled to open this winter in the popular Tanjong Pagar area of central Singapore.

PARCO's Entertainment Department carried out a trial run of character collaboration cafes in Singapore. The trial was successfully completed after becoming a topic of conversation across the whole of Southeast Asia and being extended due to good reviews.

The second phase is scheduled to be implemented heading into the Christmas season.

Continue to announce and implement reciprocal store card campaigns with leading shopping centers in both Thailand and Hong Kong.



Original menu items at the character collaboration Pokémon Café.

Overseas business.

We are planning to open Itadakimasu by PARCO, a Japanese restaurant zone developed by PARCO Singapore this winter in the popular Tanjong Pagar area. With this, we will resume our business in Singapore.

In prior to this, we carried out a trial run of Pockemon character collaboration café in Singapore, which was a huge success. We received offers to do the same in neighboring countries.

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About Parco group related businesses

**Although cosmetic-related business drove sales growth in H1, profits decreased due to slow sales in other businesses and increased expenses.
 In H2, we will re-strengthen three core businesses by adding new categories, etc.**

H1 achievements

Opened six new stores including new formats, total of 200 shops as of end of August.

- ROSEMARY business achieved sales and income equivalent to the previous year due to strong performance of natural brands.

H2 plans

Focus on re-strengthening three struggling core businesses in H2 (TICTAC, COLLECTORS, EYEWEAR).

- Analyze product composition and introduce new categories and brands, plan original products, etc.
- Continue aggressive shop openings, nine shops decided

	YoY change in sales	Sales share (YoY change)
Outside PARCO	(0.5%)	64.6%
Inside PARCO	2.0%	35.4% (+0.6%)

Business name (item)	No. of shops
TICTAC (watches)	98
EYEWEAR (eyeglasses)	31
ROSEMARY (cosmetics, sundry goods)	26
COLLECTORS (men's sundry goods)	40
Other new business categories	5

*Sales: FY2016 Q2; No. of shops :As of end of August, 2016



Tour de Brain Namba shop (Namba City South Building)

Starting with NEUVE A.

Although cosmetic sales drove sales, profit decreased in the first half and we opened 6 new locations.

In the second half, we plan to introduce new categories and brands as well as our original products. We will focus to strengthen our major three brands and open new stores aggressively. We have 9 new locations already decided at this point.

**Sales and profits increased in H1 due to an increase in shopping complex-related orders and improved gross profit margins.
 Further improve profit margins in H2 by restructuring Building Management Businesses.**



Amu Plaza Kagoshima: Environment design, lighting-related work, interior orders from tenants.

H1 achievements

Increase in shopping complex-related orders and contracts.

- Part-time security and cleaning contracts increased together with orders for interior and electrical work.
- Increased sales in PBM Business, increased orders for multiple services and orders from existing customers.

New contracts for the hotel housekeeping business

Increased profits due to improved gross profit margins, especially in Construction and Hotel Divisions.

*PBM: Property and Building Management

*FY2016 Q2

	YoY change in sales	Sales share (YoY change)
Outside PARCO	(1.9%)	59.7%
Inside PARCO	9.7%	40.3% (+2.7%)

H2 plans

- Restructure three Building Management Businesses – Equipment Management, Environment Enhancement, and Security Services.
- Improve profit margins and increase productivity by cultivating new clients and subcontractors.
- Supplement the business area through cooperation and synergies between each business.

On Parco Space Systems Co., Ltd, in Space Engineering and Management Business.

Sales and profits increased in the first half due to an increase in shopping complex-related orders and contracts and improved gross profit margins both in Construction and Hotel Divisions.

In the second half, we are planning to restructure three building management businesses; equipment management, environment enhancement and security services. We will take actions to improve productivity thereby profit margin as well by cultivating clients and subcontractors.

**Success in strengthening business activity in our Web Consulting Business in H1.
 Achieved sales and profit growth.
 Aim to increase orders in H2 by strengthening approach to clients.**

H1 achievements

- Efforts to strengthen business activity since last year improved performance in our Web Consulting Business.
- Application providing multilingual support for shopping center information services planned and developed by PARCO CITY for Pepper implemented at Ikebukuro PARCO and Sendai PARCO 2.



Emotionally aware humanoid robot Pepper supporting information services

	YoY change in sales	Sales share (YoY change)
Outside PARCO	28.9%	52.0% (+1.4%)
Inside PARCO	21.6%	48.0%

*FY2016 Q2

H2 plans

- Strengthen the cultivation of new clients through business activities that fully leverage the web management expertise accumulated by PARCO and SC consulting experience.
- Expand orders by promoting proposals for the further application of ICT to existing customers.

Explanation about Parco City Co., Ltd, in Other Business.

This business is namely web consulting business. We achieved increase both in sales and profit because of the success in strengthening business activities in the first Half.

In the second half, we continue to strengthen the cultivation of new clients through business activities that fully leverage the web management expertise accumulated by Parco and SC consulting experience.

**Held last Climax Stage at PARCO Theater before temporary closure in H1.
 Increase number of PARCO-productions at external locations in H2.**

- PARCO Theater has been temporarily closed since August 8. The new PARCO Theater is scheduled to open in approximately three years.
- To improve service for theater customers, the PARCO Stage smart phone app was released and began operation in August.
- In H1, 'THE GUEST café & diner' character collaboration café, which has been successful in Shibuya PARCO, opened its fourth location in Shinsaibashi. An overseas opening as part of a trial in Singapore was popular, driving an increase in income. A café will open at Ikebukuro PARCO in H2.

Examples of PARCO Stage functions:

- Registers 'wish list' and seen productions
- Ticket purchases
- Point awards, etc.



FY2016 H1 main theater performances

<i>Ryoju</i> (Director: Francois Girard/Lead: Miki Nakatani)	PARCO Theater, others
<i>Kegawa no mari</i> (Writer: Shuji Terayama/Director and lead: Akihiro Miwa)	New National Theater Playhouse, PARCO Theater, others
<i>Haha to wakusei ni tsuite, oyobi jiten suru onnatachi no kiroku</i>	PARCO Theater, others

FY2016 H2 main planned theater performances

<i>Hoshikaikisen</i> (Writer and director: Ryuta Horai/lead: Osamu Mukai)	Tokyo Metropolitan Theatre West, others
<i>Sun visor brothers</i> (Writer and director: Kankuro Kudo)	Sunshine Theatre, others



Regarding to another Other Business, Entertainment Business.

We held the last Climax Stage at Parco Theater before temporary closure in August, which was received very well. We are going to increase the capacity of Parco Theater by performing more in external locations.

To improve service for theater customers, we launched the Parco Stage, the smartphone app in August where points are given to customers who register titles they would like to see or titles they have seen.

In the second half, we are planning to reinforce character collaboration café, which has been successful in Shibuya Parco, by expanding in Japan to Nagoya, Fukuoka and Shinsaibashi near Daimaru as well as the trial café overseas which was very successful.

(Reference)

Non-consolidated

FY2016 First Half Results

FY2016 Full-year forecasts

Non-consolidated FY2016 First Half Results and FY2016 Full-year Forecast.

Non-consolidated results

28/30

Unit: Million yen

Non-consolidated	FY2016 Mar.-Aug.	FY2015 Mar.-Aug.	Change ¥	Change %	Forecasts	Difference from forecast ¥	Difference from forecast %
Net sales	119,880	123,232	(3,351)	(2.7%)	125,200	(5,319)	(4.2%)
Operating income	5,943	6,181	(238)	(3.9%)	6,450	(506)	(7.8%)
Ordinary income	5,844	6,201	(357)	(5.8%)	6,300	(455)	(7.2%)
Net income	2,836	3,463	(626)	(18.1%)	3,700	(863)	(23.3%)
EBITDA ¹	8,375	8,975	(600)	(6.7%)	8,890	(515)	(5.8%)

Non-consolidated	FY2016 End of Aug.	End of FY2015	Change ¥
Total assets	238,095	233,450	4,644
Net assets	118,649	116,827	1,821
Interest-bearing debt	59,315	58,281	1,033
Equity ratio	49.8%	50.0%	(0.2%)

¹ EBITDA in this table refers to operating income plus depreciation and amortization.

Unit: Million yen

Non-consolidated	FY2016 Revised forecast	FY2015 results	Change ¥	Change %	Initial forecast	Change ¥
Net sales	242,600	249,366	(6,766)	97.3%	251,700	(9,100)
Operating income	11,700	11,731	(31)	99.7%	12,150	(450)
Ordinary income	12,200	11,727	472	104.0%	12,500	(300)
Net income	5,500	5,932	(432)	92.7%	7,050	(1,550)



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