
PARCO

PARCO Co., Ltd.

Interim Results Briefing for the 66th Term
(Ending February 2005)

October 15, 2004

Briefing time: 12:15 – 13:15

Content of Today's Briefing

1. Highlights of Results for the Interim Period and Earnings Forecasts for the 66th Term (Ending February 2005)

- Highlights of Interim Results
- Earnings Forecasts for 66th Term (Ending February 2005)

2. Key Issues for the Interim Period

- Status of Renovation of Existing Stores
- Network Issues
- Business Development Strategies

Highlights of Interim Results (Consolidated)

Consolidated Results Unit: Million yen

	Interim period	Previous interim period	Amount of difference	Percentage difference
Net sales	124,825	143,117	-18,291	87.2%
Operating income	4,101	4,467	-366	91.8%
Ordinary income	3,778	4,040	-261	93.5%
Net income	1,570	760	810	206.5%
	Interim period	End of previous year	Amount of difference	Percentage difference
Total assets	201,055	203,688	-2,633	98.7%
Shareholders' equity	61,960	54,575	7,384	113.5%
Interest bearing debt	59,052	67,341	-8,289	87.7%
Shareholders' equity/ total assets	30.8%	26.8%		

Notes:

- LIBRO CO., LTD.: Excluded from consolidation due to transfer of shares on July 15, 2003 (excluded from second half of fiscal 2003).
- WAVE CO., LTD.: Excluded from consolidation due to transfer of shares on April 27, 2004 (excluded from fiscal 2004).

Reference: Fiscal 2003 first half sales for LIBRO: Approximately 11.6 billion yen (before elimination).
 Fiscal 2003 first half sales for WAVE: Approximately 4.8 billion yen (before elimination).

Highlights of Interim Results by Segment

Unit: Million yen

Development business

Despite progress in renovating stores, there were delays in bouncing back from the tough sales campaign for spring fashions and the impact from competing stores. The drop in sales during the extensive renovations also hurt results.

Retail business

The exclusion of LIBRO and WAVE from the scope of consolidation had a major impact on earnings. Sales of NEUVE A Co., Ltd. (specialty store for general merchandise) were solid due to its scrap-and-build strategy and renovation of existing stores.

Space Engineering and Management Business

Revenue increased considerably due to a rise in external construction orders, in addition to a sharp increase in interior construction orders from tenants attributable to the renovation of Parco stores. This division will also strive to develop new business models.

Other Business

Revenue improved thanks to the effects of reorganization.

		Interim period	Previous interim period	Amount of difference
Development Business	Sales	115,266	120,480	-5,214
	Operating income	3,497	4,150	-653
Retail Business	Sales	7,475	24,588	-17,113
	Operating income	130	350	-220
Space Engineering and Management Business	Sales	12,511	10,460	2,051
	Operating income	306	-242	548
Other Business	Sales	1,216	1,490	-274
	Operating income	25	-97	122
Total	Sales	136,470	157,019	-20,549
	Operating income	3,960	4,161	-201
Eliminations or Corporate	Sales	(10,830)	(13,097)	2,267
	Operating income	140	306	-166
Consolidated	Sales	125,639	143,921	-18,282
	Operating income	4,101	4,467	-366

Highlights of Interim Results (Non-consolidated)

Non-consolidated Results





Unit: Million yen

	Interim period	Previous interim period	Amount of difference	Percentage difference
Net sales	114,258	119,517	-5,259	95.6%
Operating income	3,436	4,098	-661	83.9%
Ordinary income	2,914	3,688	-774	79.0%
Net income	1,085	787	298	137.9%
	Interim period	End of previous year	Amount of difference	Percentage difference
Total assets	194,858	193,523	1,334	100.7%
Shareholders' equity	64,393	57,508	6,885	112.0%
Interest bearing debt	62,405	67,524	-5,119	92.4%
Shareholders' equity/ total assets	33.0%	29.7%		

Consolidated: Non-consolidated Ratio




	Interim period	Previous interim period
Net sales	109%	120%
Operating income	119%	109%
Ordinary income	130%	110%
Net income	145%	97%

Highlights of Interim Results (Non-consolidated): Sales by Store

	 Trend	Interim period		End of previous year		Unit: Million yen Topics
		Sales	YoY	Sales	YoY	
Sapporo		7,233	88.9%	16,343	81.8%	Difficulties continue as the impact of competition from JR Tower persists
Utsunomiya		4,672	98.9%	9,758	104.7%	Conditions improve from June, despite early spring struggles.
Shin-Tokorozawa		3,792	93.3%	8,085	96.7%	Total renovation of foods floor to make further inroads as a community-based shopping complex
Ikebukuro		15,135	97.1%	31,423	100.0%	P'PARCO's fashion reorganized; 1F in main building to be renovated next spring
Shibuya		8,579	93.0%	18,230	99.1%	Impact from closure for major renovations to Part 3
Hibarigaoka		4,403	92.7%	9,482	94.9%	Renovated zone generated solid sales 15% up on the previous interim period
Kichijoji		4,842	104.4%	9,717	102.4%	Firm sales due to fashion renewal and introduction of merchandising to attract customers
Chofu		8,870	101.7%	17,480	98.8%	First major renovations to 1F-4F since it was opened; re-opened on April 1; impact from closure for renovations
Tsudanuma		5,161	92.3%	10,919	93.5%	Major renovations done to strengthen ability to attract customers from JR Station; impact from closure for renovations
Chiba		5,310	93.7%	11,605	95.5%	Plans for large-scale renovations next spring to include 1F entrance

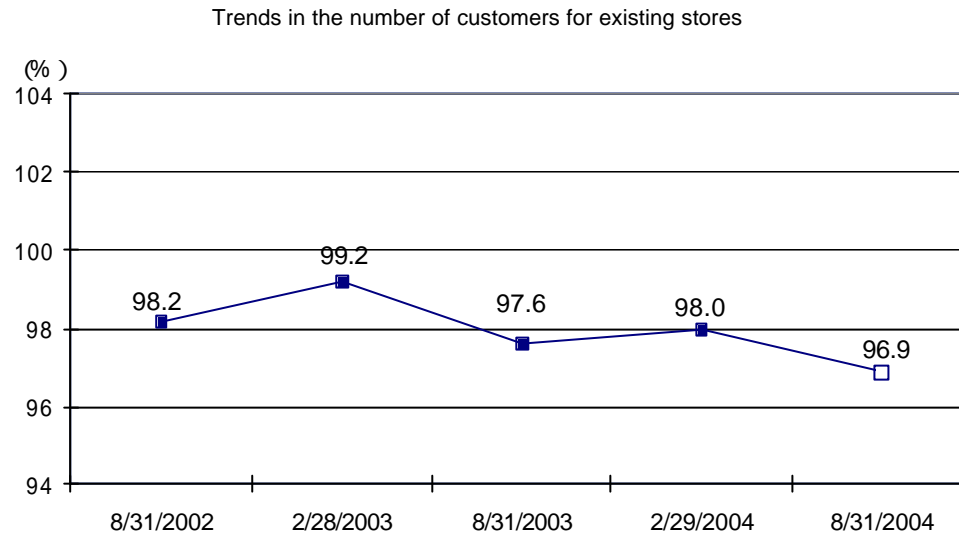
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Highlights of Interim Results (Non-consolidated): Sales by Store

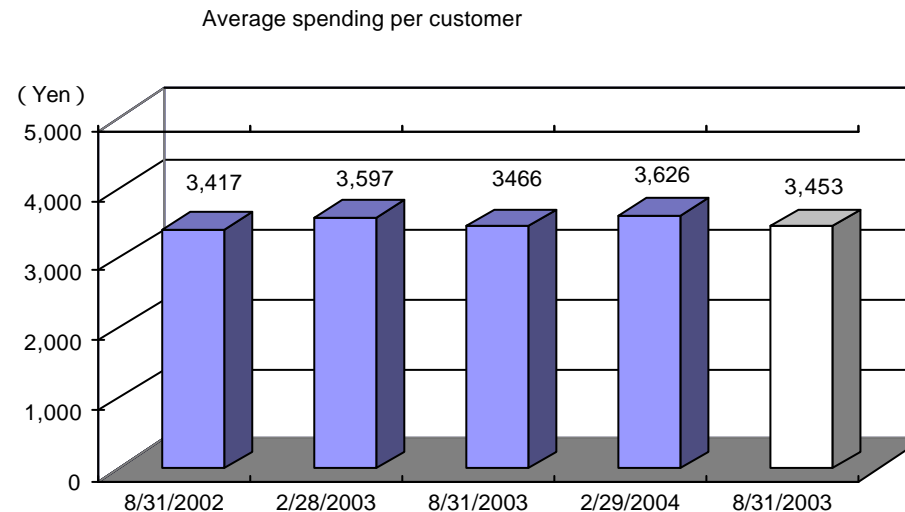
	Trend	Interim period		End of previous interim period		Unit: Million yen Topics
		Sales	YoY	Sales	YoY	
Atsugi		2,046	99.8%	4,085	88.6%	Improved customer appeal through introduction of major sports merchandising
Matsumoto		4,141	99.8%	8,731	103.2%	Expansion of area from which customers come to shop through enhanced wide-area promotion
Gifu		1,243	85.9%	2,895	88.2%	Difficulties experienced due to large-scale shopping complexes in the suburbs
Nagoya		17,593	100.0%	37,468	102.9%	Plans for 15 th anniversary store opening succeeded; plans for further renovations next spring
Otsu		3,989	97.1%	8,181	99.5%	Better plans and information dissemination expanded the area from which customers visit and the type of visitors
Shinsaibashi		796	81.2%	1,813	74.2%	Reorganization of DUE started. Grand-opening in fall 2004
Hiroshima		7,811	99.9%	16,725	112.5%	Despite large-scale shopping complexes in the suburbs, conditions improved from May
Oita		2,532	92.9%	5,649	95.8%	5F men's floor reorganization, new construction of Parco Gallery and improved dissemination of information
Kumamoto		3,353	91.9%	7,424	101.7%	Difficulties experienced due to large-scale shopping complexes in the suburbs
Total		111,511	96.4%	236,023	98.4%	Total of 324 tenants, 32,200m ² renovation (of which 151 are new tenants)

Highlights of Interim Results (Non-consolidated): Number of customers and Average Spending per Customer

Trends in the Number of Customers for Existing Stores



Average Spending per Customer (All Stores)



Highlights of Interim Results (Non-consolidated): Breakdown of Sales by Merchandise Category

Unit: Million yen

Breakdown of Sales by Merchandise Category

- Clothing category fell slightly YoY due to dominance of single items among summer clothes and the lack of any hit products to take the place of layered tops, in addition to overall difficulties with spring line.

- In non-fashion, general lifestyle merchandise with enhanced lifestyle proposal characteristics performed well

- Foods and restaurant categories struggled due to heightened competition and closures due to large-scale renovations. However, foods began to improve in mid July due to effects of renovation of foods floor in Shin-Tokorozawa store.

Merchandise category		Sales	Year on year comparison
	Teen's fashion		(91.9%)
	Young fashion		(103.8%)
	Adult fashion		(88.7%)
	Women's wear		(98.8%)
	Men's wear		(98.8%)
	Sports wear		(103.2%)
	Kimono		(90.7%)
	Children's wear		(83.7%)
Clothing		49,387	98.6%
	Shoes		(94.5%)
	Bags		(111.5%)
	Jewelry, watches, etc.		(97.1%)
	Cosmetics		(95.8%)
Personal effects		15,017	98.0%
Sundries		21,403	101.3%
Foods		4,661	94.0%
Restaurants		5,844	90.5%
Others		15,201	86.0%

* Figures in parentheses indicate "Integrated Sales." Net sales by tenants include sales at PARCO Theater and other facilities, and also sales to tenants under fixed rent contracts in order to better express the stores' comprehensive sales capability.

Highlights of Interim Results: Main Selling, General and Administrative Expenses

SG&A Expenses		Interim period			Previous interim period			Unit: Million yen				
		Results	YoY	Proportion of sales	Results	YoY	Proportion of sales					
Consolidated	Salaries & wages	4,407	70.8%	3.5%	6,223	96.7%	4.3%	Forecasts for year ending Feb. 2005				
	Leased land & office rent	4,023	74.3%	3.2%	5,417	91.8%	3.8%					
	Advertising expenditure	1,588	94.6%	1.3%	1,678	109.1%	1.2%					
	Commission	2,521	102.6%	2.0%	2,457	107.2%	1.7%					
	Depreciation & amortization	1,964	97.3%	1.6%	2,018	94.4%	1.4%				YoY	Proportion of sales
	Total SG&A expenses	14,580	77.3%	11.7%	18,862	97.1%	13.2%				30,000	84.4%
Non-consolidated	Salaries & wages	2,469	102.3%	2.2%	2,413	97.1%	2.0%	23,400				
	Leased land & office rent	3,691	97.2%	3.2%	3,796	90.9%	3.2%					
	Advertising expenditure	1,533	100.9%	1.3%	1,520	111.5%	1.3%					
	Commission	2,706	106.5%	2.4%	2,541	109.5%	2.1%					
	Depreciation & amortization	2,075	102.9%	1.8%	2,017	98.7%	1.7%					
	Total SG&A expenses	11,450	100.4%	10.0%	11,400	99.5%	9.6%				100.5%	9.6%

Capital Investment Depreciation and Amortization

Unit: 100 Million yen

		Interim period		Previous interim period		Forecasts for year ending Feb. '05	
		Results	YoY	Results	YoY	YoY	YoY
Consolidated	Capital investment	26	143.6%	18	82.7%	88	209.5%
	Depreciation & amortization	20	97.3%	20	94.4%		
Non-consolidated	Capital investment	27	103.2%	26	138.4%	85	184.8%
	Depreciation & amortization	21	102.9%	20	98.7%	44	106.3%

Highlights of Interim Results: Status of Interest-Bearing Debt

Consolidated

Unit: Million yen

	2004/08/31		2004/02/29		2003/02/28	
	Results	YoY	Results	YoY	Results	YoY
Short-term borrowings	17,228	86.1%	20,012	66.4%	30,154	82.5%
Long-term borrowings	27,823	86.7%	32,092	92.6%	34,658	121.2%
Sub-total	45,052	86.5%	52,104	80.4%	64,813	99.5%
Bonds-outstanding	14,000	91.9%	15,237	99.3%	15,337	104.5%
Total	59,052	87.7%	67,341	84.0%	80,150	100.4%

Non-consolidated

	2004/08/31		2004/02/29		2003/02/28	
	Results	YoY	Results	YoY	Results	YoY
Short-term borrowings	20,581	101.7%	20,244	93.8%	21,583	82.5%
Long-term borrowings	27,823	86.8%	32,042	94.1%	31,048	125.0%
Sub-total	48,405	92.6%	52,287	94.0%	55,631	104.1%
Bonds-outstanding	14,000	91.9%	15,237	99.3%	15,337	104.5%
Total	62,405	92.4%	67,524	95.1%	70,968	104.2%

Earnings Forecasts for 66th Term (Year Ending February 2005)

Earnings Forecasts Unit: Million yen

Consolidated: Non-consolidated
Ratio (full year)

		Earnings forecast for year ending Feb 2005	Results (year ended Feb. 2004)	YoY		
					Earnings forecast for year ending Feb. 2005	65 th term
Consolidated	Net Sales	255,000	281,478	-26,478	Net Sales	108%
	Operating income	8,200	8,894	-694	Operating income	115%
	Ordinary income	7,400	7,792	-392	Ordinary income	117%
	Net income	3,000	2,791	209	Net income	120%
<hr/>						
Non-consolidated	Net Sales	237,000	242,421	-5,421		
	Operating income	7,100	7,701	-601		
	Ordinary income	6,300	6,893	-593		
	Net income	2,500	1,914	586		

Dividends

The meeting of the board of directors held on April 19, 2004 resolved to increase the annual dividend for the 66th term (the year ending February 2005) by 2 yen compared to the previous year to an annual dividend of 10 yen (includes the interim dividend of 5 yen).



Dividends of 5 yen were paid for the interim period of the 66th term.

2. Key Issues for Interim Period

- Status of Renovation of Existing Stores
- Network Issues
- Business Development Strategies

Status of Renovation of Existing Stores: Summary of First Half and Plans for Full Year

Outline of Sales Floors

Total Number of Tenants: 2,517 Sales Floor Area: 372,110m²

Results of Renovation in First Half

Scale of Renovation: 324 tenants 32,200m² implemented

* Entrance of 151 new tenants

Effect: Sales 114.9% of previous year (up by 1,433 million yen)

Introducing new merchandising that reflects market needs in order to broaden the customer base and attract new customers. Creating sophisticated lifestyle proposals to improve customer retention and visit frequency, and promoting aggressive revitalization and continuing to make strategic investments in stores.

Main Stores where Renovation Implemented

Chofu, Tsudanuma, Shin-Tokorozawa

Full-year plans for Renovation

Scale of renovation: 570 tenants and 52,900m²

Status of Renovation in First Half (1): Chofu PARCO

Results of Renovations in First Half

Scale of renovation: 60 tenants and 4,700m² implemented
Effect: Sales 111.8% of previous year (up by 261 million yen)

Renovation Themes

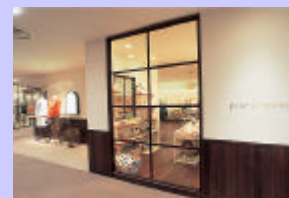
Under the theme of “Freshness & Hospitality,” 10,600m² was renovated (entire 1F-4F, approximately 50% of the building), including the shared space, for the first time since the store opened. The aims were to create a building that suggests new lifestyles and is always new and comfortable, and to expand the customer base.



*** Floors were reorganized, focusing on the Generation Y women in their 30s, the customer group showing the highest growth in the Chofu market**

- (1) Enhanced fashion sense**
- (2) Upgraded variety of merchandising for general lifestyle merchandise**
- (3) Time spending services such as cafes and massage parlors**
- (4) Improved amenities such as overhaul of main entrance, including automatic doors, renovated women’s bathrooms, and extended operating hours to become established as community information center for the Keio Line market**

*** Of the renovated tenants, 30 were new tenants**



Status of Renovation in First Half (2): Tsudanuma PARCO

Results of Renovation in First Half

Scale of renovation: 61 tenants, 5,600m² implemented
Effect: Sales 110.5% of previous year (up by 227 million yen)

Renovation Issues

With heightened competition from large-scale shopping complexes, this renovation aimed to reinforce merits as a specialty stores building located on a site in front of a train station, improve appearance of main entrance directly linked to JR Tsudanuma Station, upgrade approximately 50% of all tenants and boost the rate of travel through entire complex.



- * Capitalized on prime location in front of the train station and secured position as semi-urban fashion building popular with teens, female office workers, young married women and men
 - (1) Enhanced appeal of fashion for customers in their 30-40s
 - (2) Upgraded line-up of general merchandise and personal effects
 - (3) Improved variety of youth fashion
 - (4) Improved amenities on each floor, starting with expansion of main entrance, and designed innovation to attract more customers from Tsudanuma Station and provide a more pleasant and sophisticated environment; this will encourage differentiation and re-establish market position

- * Of the renovated tenants, 22 were new tenants



Status of Renovations in First Half (3): Shin-Tokorozawa PARCO

Results of Renovation in First Half

Scale of renovation: 18 tenants and 2,400m² implemented
Effect: Sales 182.4% of previous year (up by 182 million yen)

Renovation Themes

Full renovation of foods floor, the centerpiece of the building, to enhance penetration as community-oriented shopping complex; with market competition growing more severe, aiming for extensive growth in market acceptance with concentration of unique stores

- * Full renovation for the first time since PARCO B1F foods floor was renovated in 1997**
“PARCO Food Terrace” reopened on July 15 (Thursday)
- * Major efforts by mainstay tenant Kitchen Land generated sales exceeding YoY levels and projections**



Status of Renovations of Existing Stores: Second Half Renovation Plan (1)

Second half renovation plans

Primary stores to be renovated in second half

Scale of renovation: 246 tenants and approximately 20,700m²

Shibuya PARCO

PART 3 of a full renovation; change of merchandise aiming for a “library-style store that suggests real Shibuya life” and proposal of new multi-complex consumer style building. New escalators will be installed and some of the external walls replaced with glass, creating a pleasant and beautiful shopping space. Targets will be broadened and PARCO will stay one step ahead of the times and their trends.

Shibuya PARCO PART 3

Scale of renovation: 80 tenants and approximately 4,600m²

Opening date: September 17 (Friday)

October 1 (Friday) PART 2 renovation to upper level

* Create a building with a lifestyle design for adults, combining the lower level’s interior zone with relaxation and schools



* Completion of framework for the “Shibuya PARCO 30th Anniversary Renovation” started in fiscal 2001

Strengthen appeal of buildings’ image and increase walkthrough by raising relevancy to facilitate growth as a building well accepted by the overall market

Status of Renovations of Existing Stores: Second Half Renovation Plan (2)

Other stores undergoing renovation in second half

Sapporo PARCO	Series of renovations from B2F to 6F from August to October; aim for synergistic effects from the MALSA 2 building to open next spring and strengthen reorganization of merchandising for main building
Utsunomiya PARCO	Renovation focused on ladies fashion from August to September, introduction of cooking school and other new functions
Shin-Tokorozawa PARCO	Continuing the July full renovations of the foods floor, renovation of the general merchandise and fashion sections from September to November and enhancement of role as community-oriented shopping complex
Kichijoji PARCO	Series of renovations from fashion section to general merchandise section from August to September; establish position in market as a “leading fashion building”
Chiba PARCO	Renovations to ladies’ and men’s zone in September; large-scale renovation planned for next spring, to include 1F entrance
Matsumoto PARCO	20 th anniversary of opening in August; renovation in September for 12 tenants, including 7 tenants in Nagano for the first time, with the aim of creating more attractive shops
Nagoya PARCO	Renovation in August to children’s section in 6F of West Building; renovation to ladies’ fashion zone in September; major renovation planned for restaurant floor and East Building next spring or later
Hiroshima PARCO	Renovation for 21 tenants, including 8 tenants in Hiroshima for the first time; active use of urban merchandising to differentiate between PARCO and suburban competition

Network Issues (1)



PARCO SPACE SYSTEMS CO., LTD.

First Half

- Sales and profit increased significantly due to steady growth in commissions for tenant's interior construction attributable to renovation of PARCO stores and a rise in orders for external properties. (Sales were 119% of projections and operating income was 244% of projections)
- “Store development functions through new business models” was transferred from PARCO CO., LTD. and a New Enterprise Division was established. This led to the commission for the Kawaguchi Shopping Center (provisional name). *More details described later

Second Half

- * Continuing over from the first half, PARCO's internal and external commissions will be expanded, beginning with interior construction for external developers, and the mainstay business will continue to be reinforced. Tenant construction for COCOON in Saitama, AMU PLAZA KAGOSHIMA and Pedi SHIODOME is expected to be posted in the second half.
- * Reinforced efforts with new business models, such as suburban shopping complexes.

Network Issues (2)

NEUVE A

NEUVE A CO., LTD.

Aggressive store opening has brought the number of stores to 91. Ratio of stores outside PARCO stores: approximately 42% (as of end of September 2004)

Five businesses with the addition of “annabeille”; new stores opened in Odaiba, Karuizawa and Nanba.



Watches

TIC TAC



ROSEMARY

Cosmetics and cosmetic accessories

POKER FACE

Glasses



COLLECTORS

QUALITY AS TOP PRIORITY



General merchandise for men



Fashion accessories

annabeille

	Number of stores	Of which outside PARCO	Ratio of stores outside PARCO
TICTAC	30	(16)	53%
POKER FACE	19	(10)	53%
COLLECTORS	19	(8)	42%
ROSEMARY	22	(4)	18%
annabeille	1	(0)	-
Total	91	(38)	42%

* Number of stores is current as of end of September 2004.

* The one store with the new business “KOBOLD” is included in COLLECTORS.

Business Development Strategy (Announced April 2004)



Progress with Business Development Strategies (1)

Expansion of existing (urban type) business

Development of new business model

1-a. Peripheral development at existing stores

【Development of land adjacent to Sapporo PARCO】
(former MALSA 2)

Opening date: spring 2005 (tentative)
Area: Approximately 3,800m²



*This is an illustration; the actual building could differ from this.

Progress with Business Development Strategies (2)

Expansion of existing (urban-type) business

1-b. Mid to long-term property development

【 In front of Sendai Station 】

Chuo 1-chome, District 2 Urban
Redevelopment Project

Completion date: fall 2007

Area: Approximately 26,000m²



*This is a model; the actual building could differ from this.

First PARCO store to be opened in market, which can be expected to attract customers from a wide area since Sendai is the central city in the Tohoku region

Development of new business model

Progress with Business Development Strategies (3)

Expansion of existing (urban-type) business

Development of new business model

【Consulting project】 (opening Sept 17)

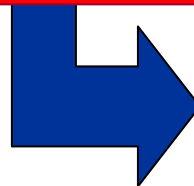


AMU PLAZA
KAGOSHIMA



COCOON in Saitama

2-a. Business development from consulting to property management



Utilize knowledge gained in the consulting business to develop property management business

Progress with Business Development Strategies (4)

Expansion of existing (urban-type) business

【Kawaguchi Shopping Center (provisional name)】

Opening date: November 2005 (tentative)

Area: Approximately 32,000m²

Property management business was transferred from PARCO to PARCO SPACE SYSTEMS as a result of organizational reformation.

First business in collaboration with Ito Yokado Co., Ltd.

September 2004: Commission for support operations (mall planning) before opening such as tenant inducements for the portion of the mall intended for specialty stores

Plans for commission of property management operations after opening



Development of new business model

2-a. Business development from consulting to property management

Progress with Business Development Strategies (5)

Expansion of existing (urban-type) business

【Pedi SHIODOME】

Opening: February 2005 (tentative)
Area: 4,470m²



*This is an illustration; the actual building could differ from this.

Development of new business model

2-b. Development of new business model through alliances

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<http://www.parco.co.jp/>

Results Briefing for Interim Period of 66th Term (Ending February 2005)

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