



PARCO CO., LTD.

FY2008 First Half Results

(March 1, 2008—  
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Listed on First Section of Tokyo Stock Exchange  
Stock Code: 8251



2/23

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## 1. Overview of FY2008 H1 results and full-year forecasts

### FY2008 H1 Consolidated results

Net income higher than forecast despite lower net sales than forecast

Unit: Million yen	FY2008 H1	FY2007 H1	Change %	Change ¥	Initial forecasts	Change ¥
Net sales	137,604	136,639	0.7%	964	144,400	(6,795)
Operating income	4,585	5,461	(16.0%)	(875)	4,350	235
Ordinary income	4,546	5,420	(16.1%)	(873)	4,150	396
Net income	2,788	2,730	2.1%	57	2,200	588

Unit: Million yen	End of FY2008 H1	End of FY2007	Change ¥
Total assets	194,891	189,989	4,902
Net assets	75,759	73,981	1,777
Interest-bearing debt	37,748	33,065	4,683
Equity ratio	38.8%	38.9%	
Market price-based equity ratio	52.8%	55.5%	
Debt service coverage ratio: years	33.5*	2.6	
Interest coverage ratio: times	1.8*	21.0	

\*Figures for FY08 H1 are due to factors including:

- (1) An increase in receivables due to the last day of the month being a bank holiday
- (2) A decrease in payables attributable to shortening of the payment term
- (3) An increase in income and other taxes paid due to a major rise in this year's final payment resulting from the interim payment paid last year being insufficient

Excluding these one-off factors, the figures would be:  
 Debt service coverage ratio: **3.6 years**  
 Interest coverage ratio: **16.2 times**

## FY2008 H1 Consolidated results by segment

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### Net sales up from FY2007 H1 in Shopping Complex Business and Retail Business

Unit: Million yen

		FY2008 H1	FY 2007 H1	Change
Shopping Complex Business	Net sales	128,671	126,101	2,570
	Operating income	4,357	4,770	(412)
Retail Business	Net sales	8,530	8,329	200
	Operating income	182	261	(78)
Space Engineering and Management Business	Net sales	11,094	12,554	(1,459)
	Operating income	109	519	(409)
Other Business	Net sales	1,096	1,124	(27)
	Operating income	(66)	(79)	13
Subtotal	Net sales	149,393	148,109	1,283
	Operating income	4,583	5,471	(887)
Eliminations or corporate	Net sales	(10,482)	(10,337)	(144)
	Operating income	1	(9)	11
Total	Net sales	138,911	137,772	1,139
	Operating income	4,585	5,461	(875)

Note: Figures for net sales by segment include operating revenue.

#### Shopping Complex Business

Net sales increased, with contributions from Urawa PARCO, opened Oct. 2007, and Sendai PARCO, opened Aug. 2008. Operating income down on FY2007 H1, due to impact of higher SG&A expenses, including temporary store closure costs

#### Retail Business

Opened 8 stores of NEUVE A CO., LTD., mainly TiCTAC wristwatch stores, bringing total to 129, under strategic store opening policy

#### Space Engineering and Management Business

Despite receiving orders for interior work at Sendai PARCO, etc., PARCO SPACE SYSTEMS CO., LTD., fell short of last year, when it received a continuous flow of orders for large-scale projects

#### Other Business

PARCO CITY CO., LTD. increased its outsourcing business for websites, etc. HOTEL NEW CRESTON CO., LTD. performed strongly in accommodation business, but experienced difficulties in banquet and wedding business

## FY2008 H1 Non-consolidated results; dividends

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### Non-consolidated operating income, ordinary income and net income higher than forecasts, despite lower net sales than forecast

Unit: Million yen	FY2008 H1	FY2007 H1	Change %	Change ¥	Initial forecasts	Change ¥
Net sales	127,242	124,846	1.9%	2,396	133,400	(6,157)
Operating income	4,379	4,746	(7.7%)	(366)	4,050	329
Ordinary income	4,721	4,732	(0.2%)	(10)	4,200	521
Net income	3,059	2,340	30.7%	718	2,450	609

Unit: Million yen	End of FY2008 H1	End of FY2007	Change ¥
Total assets	189,448	182,257	7,190
Net assets	75,764	73,652	2,112
Interest-bearing debt	39,703	33,925	5,778
Equity ratio	40.0%	40.4%	

- Interim dividend per share up ¥1 to ¥8
- Planning an annual dividend of ¥16, an increase for the fifth consecutive year

FY2008 H1: Consolidated/non-consolidated results, full-year forecasts 7/23

Revised full-year consolidated and non-consolidated forecasts

Unit: Million yen

Consolidated	FY2008 revised forecasts	FY2007 results	Change %	Change ¥	Initial forecasts	Change %	Change ¥
Net sales	294,000	286,788	2.5%	7,211	306,500	(4.1%)	(12,500)
Operating income	10,300	10,090	2.1%	209	10,300	0.0%	-
Ordinary income	10,000	9,973	0.3%	26	10,000	0.0%	-
Net income	5,000	5,167	(3.2%)	(167)	5,000	0.0%	-

Non-consolidated	FY2008 revised forecasts	FY2007 results	Change %	Change ¥	Initial forecasts	Change %	Change ¥
Net sales	273,500	263,525	3.8%	9,974	284,500	(3.9%)	(11,000)
Operating income	9,600	9,087	5.6%	512	9,400	2.1%	200
Ordinary income	9,650	8,974	7.5%	675	9,450	2.1%	200
Net income	4,950	4,841	2.2%	108	4,850	2.1%	100

FY2008 H1 Selling, general and administrative expenses; capital expenditure 8/23

Selling, general and administrative expenses

Unit: Million yen

Consolidated		Amount	Change ¥	Change %
H1 results	Personnel	4,839	139	3.0%
	Lease/rental	5,103	580	12.8%
	Advertising	1,783	79	4.7%
	Agency services	3,255	313	10.7%
	Depreciation	2,527	395	18.6%
	Total SG&A	17,463	1,678	10.6%

Full-year forecast		Amount	Change ¥	Change %
	Depreciation	5,602	1,017	22.2%
	Total SG&A	36,291	2,298	6.8%

Non-consolidated		Amount	Change ¥	Change %
H1 results	Personnel	2,452	20	0.8%
	Lease/rental	4,601	530	13.0%
	Advertising	1,674	117	7.5%
	Agency services	3,657	316	9.5%
	Depreciation	2,379	389	19.6%
	Total SG&A	13,395	1,480	12.4%

Full-year forecasts		Amount	Change ¥	Change %
	Depreciation	5,283	1,015	23.8%
	Total SG&A	27,958	2,037	7.9%

Capital expenditure

Unit: Billion yen

Consolidated		Amount	Change ¥	Change %
H1 result	Capex	8.7	3.3	61.9%

Full-year forecast		Amount	Change ¥	Change %
	Capex	15.1	5.0	49.5%

Non-consolidated		Amount	Change ¥	Change %
H1 result	Capex	9.4	3.9	72.1%

Full-year forecast		Amount	Change ¥	Change %
	Capex	14.6	5.5	61.3%

## 2. Overview of sales and key topics in FY2008 H1

### 2008 H1 Tenant sales by store

#### Nagoya PARCO, Hiroshima PARCO performed well

Nagoya PARCO and Hiroshima PARCO performed well, but sales down from FY2007 H1 at flagship stores, which are highly weighted toward fashion, partly due to the negative impact of partial store closures resulting from Sapporo PARCO and Chofu PARCO undergoing major renovation up to the end of April

In Kanto stores and regional stores, Hibarigaoka PARCO and Otsu PARCO performed strongly, driven by their enhanced lineups of daily items attuned to their markets

\*1 Shibuya PARCO Part 2 temporarily suspended its business operations from Jan. 1, 2008 for earthquake retrofitting work. Also, the merchandise floors of Shibuya Quattro Building closed at the end of May 2008. Excluding these factors, sales at Shibuya PARCO were down 1.7% from FY2007 H1

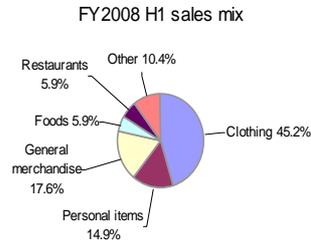
\*2 Existing stores total: Figure for stores except for Shizuoka PARCO (opened Mar. 15, 2008), Urawa PARCO (opened Oct. 10, 2007), Sendai PARCO (opened Aug. 23, 2008), and Atsugi PARCO (closed Feb. 24, 2008)

		Unit: Million yen		
	PARCO Store	Trend	Net sales	Change
Flagship stores	Ikebukuro PARCO		16,800	(0.3%)
	Shibuya PARCO *1		9,391	(12.4%)
	Sapporo PARCO		6,346	(2.1%)
	Chofu PARCO		8,713	(0.4%)
	Nagoya PARCO	↗	19,313	0.4%
	Hiroshima PARCO	↗	9,102	0.0%
	Sub-total		69,668	(2.1%)
Kanto stores	Kichijoji PARCO		5,221	(1.5%)
	Hibarigaoka PARCO	↗	4,526	12.1%
	Shin-Tokorozawa PARCO		4,555	(1.9%)
	Chiba PARCO		4,458	(5.6%)
	Tsudanuma PARCO		5,283	(5.9%)
	Utsunomiya PARCO		3,705	(4.3%)
	Sub-total		27,750	(1.6%)
Regional stores	Matsumoto PARCO		4,250	(3.4%)
	Shinsaibashi PARCO	↗	1,029	7.5%
	Otsu PARCO	↗	4,254	0.1%
	Oita PARCO		2,126	(1.4%)
	Kumamoto PARCO		2,738	(2.7%)
	Sub-total		14,399	(1.2%)
	Existing stores total <sup>2</sup>		111,818	(1.8%)
	Shizuoka PARCO		4,913	(13.6%)
	Urawa PARCO		6,578	-
	Sendai PARCO		567	-
	(Atsugi PARCO)		-	-
	Total	↗	123,878	1.9%

## FY2008 H1 Year-on-year sales comparisons by item

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### Living-related general merchandise strong



Ladies fashion trend tending towards single articles, with attention fixing on particular items such as dresses, tunics and long sleeve t-shirts  
Lack of hits in women's shoes. Fashion-related items experiencing difficulties overall

Living-related general merchandise performed strongly, buoyed by strengthening lineup of fancy goods, but culture-related general merchandise continued to face challenges

Note: Comparisons with the previous fiscal year are based on integrated store sales. Integrated store sales indicates the overall sales strength of stores, as it includes tenant sales as well as the sales of PARCO Theater and fixed rate tenants

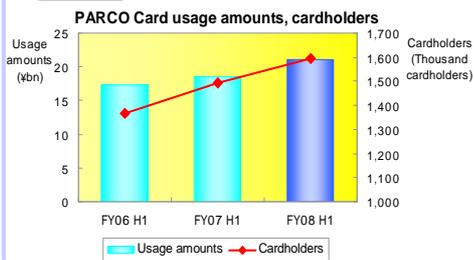
Category and item	FY2008 H1 change % from FY2007 H1	
	All stores	Existing stores
Womenswear	1.6%	(1.5%)
Menswear	(2.9%)	(5.8%)
General clothing	2.4%	0.2%
Clothing	(0.2%)	(2.6%)
Shoes	(0.7%)	(3.3%)
Bags	1.5%	(0.5%)
Accessories	(2.9%)	(7.6%)
Cosmetics	1.2%	0.7%
Personal items	2.3%	(1.7%)
Culture-related	1.9%	(4.4%)
Living-related	7.9%	4.9%
General merchandise	2.0%	(3.0%)
Foods	41.7%	8.7%
Restaurants	13.1%	(2.4%)
Other	8.5%	3.8%

## FY2008 H1 Customer strategy: PARCO Card

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### PARCO Card steadily grew sales



Since changing its name from PEC Card and revamping its design in March 2006, PARCO Card has steadily grown its usage amounts and number of cardholders.

In addition to benefits such as 5% off preferential campaigns for limited periods and the Saison Permanent Points incentive point program, PARCO Card also offers special preferential services such as Class S membership, which entitles customers who have made purchases totaling ¥200,000 or more in a given year to 5% off all purchases in the following year

#### FY08 H1 PARCO Card gross billings, cardholders

**Gross billings within PARCO:** Up 13.8% overall and 6.1% at existing stores

**Gross billings as % of integrated store sales:** 15% overall (up 1.3 % pts on FY07 H1) and 15.2% at existing stores (up 0.9 % pts)

**Cardholders:** Approx. 1.59 million as of end Aug. 2008

#### Main FY08 H1 PARCO Card marketing campaigns

Spring Card Fair (5% off) Mar. 6 – Apr. 13

Customer invitation sale May 23-26

(10% off list price for some items on top of the 5% PARCO Card discount)

Double point campaign June 20 – July 2



**Renovated 16,000m<sup>2</sup> in H1 of planned annual renovations of 46,000m<sup>2</sup>**

**FY2008 H1 renovation results:**

**Scale of renovation:** 174 sections, approx. 16,000m<sup>2</sup>  
 (of which new stores comprised 86 sections)  
**Effect of renovation:** Sales up 12.4% in same zone comparison  
**Total store overview:** 20 stores, 37 buildings, 3,178 tenants  
**(as of end Aug. 2008)** from 850 companies, sales area of 447,500m<sup>2</sup>



Sapporo PARCO

**Stores that underwent major renovation in H1**

**Sapporo PARCO...**Biggest renovation since opening. Fully renovated 3 floors and partially renovated 4 others, starting early January. Renovation covered fashion, general merchandise and cafes, and included the front part of the 1st floor of the main building, the face of Sapporo PARCO. Post-renovation opening was April 25. Planning in the future to increase multiple purchases at different stores, revitalize the entire store, and proceed with renovation plans for sections not yet renovated

**Chofu PARCO...**Fully renovated the restaurant floor, starting late January. Post-renovation opening was April 29. Enabled meeting of demand for lunch and dinner parties of groups of women, couples, and male corporate employees, in addition to traditional customer base of families. Also created a comfortable environment, establishing a roof garden that can be used for terrace dining. Improved average spend per customer and customer turnover and achieved shower effect on lower floors

Chofu PARCO



% change in net sales from previous comparable period	07 Q3	07 Q4	08 Q1	Q2	Post-renovation period
Sapporo PARCO	(12.1%)	(13.6%)	(4.0%)	(0.2%)	1.6% (Apr 25 – Aug 31)
Chofu PARCO	(0.2%)	(1.6%)	(3.5%)	3.0%	2.5% (Apr 29 – Aug 31)

**Opened our first store in the Tohoku region of northern Japan on Aug. 23, 2008**



Our first store in the Tohoku region is in a multifunctional building including office space newly built in a prime location, connecting directly to JR Sendai Station via a pedestrian deck. More than 60% of Sendai PARCO stores are appearing in the region for the first time. Set up as a 'life styling' store that provides comprehensive fashion solutions for customers' clothing, food and home-related needs. The first major shopping complex to open in central Sendai in 10 years. Started strongly, attracting customers of all generations



Opening	Aug. 23, 2008
Building type	9 floors and 1 basement level (in part used by PARCO)
Annual sales target	¥14,000 million*
Investment amount	Approx. ¥13,000 million
Floor area	Approx. 24,000m <sup>2</sup> (in part used by PARCO)

\*Not including sales of tenants with fixed rent contracts.

Opened 3 new stores with different market characteristics, building types and merchandising structures in 1.5 years

Realized a key theme of the five-year medium-term management plan:  
 “Strengthening shopping complex management and development capabilities”

Actively opened stores in pursuit of further growth, focusing on expanding store network in major cities

(1) Mar. 2007: Shizuoka PARCO

*From department store to PARCO store*

...FY08 H1 slower compared to strong first business year, but pursued growth in the “food” category, which sees fast changes in trends, by partially reorganizing tenant portfolio, increasing customers of our strongly performing PARCO Card and carrying out ongoing advertising initiatives, and joint campaigns in conjunction with shopping area festivals, etc.

(2) Oct. 2007: Urawa PARCO

*Station area redevelopment: Multifunctional building with public facilities*

...Since opening our pre-opening plan to attract customers from wide areas has not gone fully as planned. Leveraging our strength of being well received by customers in the surrounding shopping area, we intend to raise motivation to shop at the store and hold promotional events, and once these are successfully completed, reconfigure our store structure and partially revise our merchandising so that they are more in tune with market needs

(3) Aug. 2008: Sendai PARCO

*Station area redevelopment: Multifunctional building with office space*

...Working on building a stable customer base



### 3. Topics for FY2008 H2 and five-year medium-term management plan

## Autumn renovation (1)

### Autumn renovation of 18,600m<sup>2</sup> planned

Carrying out active renovation with focus on flagship stores. Aiming to develop environments in which fashion sells, by improving functionality and the sales spaces, in pursuit of better customer circulation and a knock-on effect on stores as a whole

#### Stores undergoing major autumn renovation

Nagoya PARCO...Stepped up our policy of active annual renovation, renovating 56 sections, approx. 4,700m<sup>2</sup>, since 2003. Building on our strength in fashion, from high-fashion casual to used clothing, creating a floor for couples to shop on together, while also fully renovating the Style Deli (B1 floor of West Building), our lifestyle floor. Aiming to enhance the lineup of personal items and gift goods and our eat-in and take-out dining offerings, and improve our range of relaxing spaces for taking breaks from shopping. By doing so we aim to win over a broader range of customers and further improve performance in each of Nagoya PARCO's buildings



Nagoya PARCO



Ikebukuro PARCO

Ikebukuro PARCO...Ahead of the 40th anniversary next year, renovating the B1 floor, the face of Ikebukuro PARCO, which looks onto the JR Ikebukuro Station concourse, as a "sweet casual" zone for cute, girlish offerings for young women, in response to intensifying competition in the area due to market changes. Establishing a new incubation zone to serve as a venue for discovering and developing new brands, and proposing everyday clothing for adults. Also reconfiguring the 2nd floor of the P' PARCO annex around the "mode casual" (trendy casual) theme, and aiming to communicate the building's overall message more effectively and make clear its distinct features. Renovating 28 sections, 1,100m<sup>2</sup> in total

## Autumn renovation (2)

#### Stores undergoing major autumn renovation

Hiroshima PARCO...Major revitalization of Hiroshima PARCO's image ahead of its 15th anniversary next year. Making changes starting from floor layout on the first two floors, including reworking the design of the main entrance on the ground floor of the main building for the first time since opening and widening the corridor from the entrance to the escalators. In the main building strengthening our clothing, accessory, bags and general merchandise store lineup, as the market-leading fashion complex in Hiroshima, meeting the diverse fashion needs of our target group, women office workers, for areas ranging from daily life to office and party situations. In the new building, expanding the lineup of highly trendy stores and aiming to attract a wide variety of different types of customer. Gaining maximum benefit from having two buildings by clearly delineating the positioning of both of them. Renewing 36 sections, 2,100m<sup>2</sup> in total in the two buildings

Hiroshima PARCO



Shibuya PARCO

Shibuya PARCO...Continuing this autumn with the introduction of Tokyo Collection brands that we began in 2006. Also strengthening our ability to discern the latest fashion trends, by debuting new brands and offering stores exclusive to Shibuya PARCO. Renovating 28 sections, 1,500m<sup>2</sup>. Providing the store's target customers—women that connect with fashion that is not too ordinary, or in other words just slightly unique—with a wider variety of styling options enabling use on working days or days off, as well as offerings focusing on the joy of shopping, new discoveries and surprises

Highlighting our renovations (explaining merchandising initiatives, etc.)

Fashion campaigns

Actual marketing plans (PARCO Card initiatives, etc.)

Targeting maximum benefits from promotional activities through a combination of the above initiatives

## Autumn fashion campaign



### “Women will save the world”

Launching an energizing fashion campaign at our stores to coincide with arrival of autumn lineups

Showcasing to a broad audience our brand strength (being strong in fashion) and our creative capabilities. Sending a strong message to a broad range of customers, highlighting through TV, public transport, magazines, our consistent appeal to women since our creation. Displaying products chosen by Micky in our Shibuya PARCO storefront, and selling them at our online shopping mall. Aiming to permeate advertising into real life through advertising and marketing collaboration.

Highlighting the autumn campaign through TV, public transport, magazines, and the internet

Displaying products used in the TV commercials in Shibuya PARCO storefront

Selling products chosen by Micky at our online shopping mall

Campaign model **Micky Green** is a singer songwriter, who was originally a model in France. She is highly rated for her looks, art sense and skills as a singer. As well as offering her songs, we aim to appeal to our target market—lovers of fashion and music.

## Entertainment Business

### Performing Japanese version of *The Woman in Black* in the play's home, London

Presented a Japanese-language version of *The Woman in Black*, the long-running mystery stage play in its 19th year in London, at the Fortune Theatre in London as an official *UK-Japan 2008* event

*UK-Japan 2008*, organized by the British Embassy and the British Council in Japan, aims to showcase modern U.K. innovation in the arts, science and innovation, and creative industries, while also aiming to encourage greater bilateral partnership and collaboration in these fields and contribute to their development in both countries



*PACO and the Magical Book*

### Invested in movie based on PARCO Theater play

Invested in the movie *PACO and the Magical Book*, which is based on the stage play *Midsummer Carol* written by Hirohito Goto

Showing nationwide at around 300 cinemas from Sept. 13



© *PACO and the Magical Book* production committee

### Opened 8 stores in H1, bringing total to 129. Opening 4 stores in H2

Aiming to actively increase stores of the TiCTAC business, which continues to perform well. In the eyewear business, starting to revise lens prices and revamp merchandising

#### Stores opened in FY08 H1

	Facility	Store
Mar	akasaka Sacas	COMPLETE WORKS TOKYO
Apr	EMIFULL MASAKI	TiCTAC
Apr	GRANDUO Kamata	TiCTAC
Apr	Hiratsuka LUSCA	TiCTAC
Aug	Sendai PARCO	TiCTAC, POKER FACE, COLLECTORS, ROSEMARY

#### Stores opening in FY08 H2

	Facility	Store
Sep	Canal City Hakata	GLOCCA by COLLECTORS
Oct	Tokyu Hands Sannomiya	TiCTAC
Oct	Kyobashi Keihan Mall	TiCTAC
Oct	Kokubunji L	TiCTAC

As of end of Aug. FY2008	No. of stores	Sales change %
TiCTAC (watches)	46	10.9%
EYEWEAR (eyewear)	28	(11.3%)
COLLECTORS (men's accessories)	24	13.1%
ROSEMARY (cosmetics and cosmetics accessories)	21	(6.0%)
ANNABELLE (women's accessories)	10	37.9%
Total of five types	129	2.4%

Stores outside PARCO: 51%; Stores inside PARCO: 49%

#### TiCTAC, EMIFULL MASAKI



COMPLETE WORKS TOKYO is a new business type of COLLECTORS. A specialist retail store for men's general merchandise stocking a range of personal merchandise for working men, combining urban-type, small-scale high efficiency-type functionality and a sense of fashion

### Management targets for FY2009

#### Management targets (FY2009 consolidated)

Unit: ¥ million	FY2005 Results	FY2006 Results	FY2007 Results	FY2008 Forecasts	FY2009 Targets
Net sales	262,408	266,645	286,788	294,000	300,000
Ordinary income	8,879	9,594	9,973	10,000	12,000
Net income	4,006	4,503	5,167	5,000	6,000
ROE	6.2%	6.5%	7.2%	—	8.2%

#### Sales targets by segment

Unit: ¥ million	FY2005 Results	FY2006 Results	FY2007 Results	FY2008 Forecasts	FY2009 Targets
Shopping Complex Business	242,675	246,450	263,525	273,500	276,819
Retail Business	15,946	16,718	17,097	17,340	18,812
Space Engineering and Management Business	21,985	22,754	26,365	23,600	24,252
Other Business	2,579	2,442	2,326	2,370	2,614
Consolidated total (after eliminations)	262,408	266,645	286,788	294,000	300,000



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

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