




PARCO

Parco CO., LTD.

Investor presentation

FY2005 results

(March 1, 2005 - February 28, 2006)



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Agenda

1. Results for FY2005, ended February 28, 2006
2. Review of operations and forecast for FY2006
3. Five-year medium-term management plan progress



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1. Results for FY2005, ended February 28, 2006



FY2005 Financial highlights 1: Consolidated business results

Net sales and profits increased
 Record high operating income, ordinary income and net income
 Net interest-bearing debt decreased ¥9.8 billion; total now 80% of previous year

Unit: million yen

	FY2005	FY2004	Change ¥	Change %
Net sales	262,408	257,625	4,783	1.9%
Operating income	9,085	8,441	643	7.6%
Ordinary income	8,879	8,079	799	9.9%
Net income	4,006	1,742	2,264	130.0%

	End FY2005	End FY2004	Change ¥	Change %
Total assets	182,381	187,993	(5,611)	(3.0%)
Shareholders' equity	66,975	61,760	5,215	8.4%
Interest-bearing debt	38,883	48,732	(9,849)	(20.2%)
Shareholders' equity ratio	36.7%	32.9%		
Equity ratio based on market price (%)	57.7%	28.7%		
Debt service coverage (years)	3.2	4.6		
Interest coverage ratio (times)	16.6	11.4		

1 Seiyo Investment (S) Pte Ltd. was excluded from the scope of consolidation from FY2005 due to a share divestment

2 HARLEY-DAVIDSON CITY CO., LTD.: FY2005 interim results only are included in consolidated results, due to a share divestment

FY2005 Financial highlights 2: Consolidated segments

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Growth in shopping complex and retail business operations

Unit: million yen

		FY2005	FY2004	Change
Shopping complex business	Net sales	244,884	238,410	6,473
	Operating income	7,749	7,527	491
Retail business	Net sales	15,946	15,320	626
	Operating income	466	277	189
Space, Engineering and Management business	Net sales	21,985	25,729	(3,744)
	Operating income	417	559	(142)
Other businesses	Net sales	2,586	2,510	75
	Operating income	166	79	87
Sub-total	Net sales	285,402	281,971	3,431
	Operating income	8,800	8,173	626
Eliminations or corporate	Net sales	(21,070)	(22,696)	1,625
	Operating income	285	267	17
Consolidated total	Net sales	264,331	259,275	5,056
	Operating income	9,085	8,441	643

Shopping complex business

Refurbishments for new fashion proposals are proceeding well and the large-scale management plan is helping us attract and secure customers. Nagoya PARCO has begun to grow amid heavy competition and flagship stores are growing steadily.

Retail business

NEUVU A CO., LTD. is implementing its scrap and build approach. Sales and profits both grew in 2005, boosted by sales growth at existing stores and further supported by new stores.

Space Engineering and Management businesses

PARCO SPACE SYSTEMS CO., LTD. sales declined following the major projects that boosted results in 2004, but active marketing is continuing in each division and efforts are being made to expand the building management business

Other businesses

Steady progress due to the effects of Expo 2005 Aichi and high occupancy rates and increased demand for banquets at the Nagoya Creston Hotel of HOTEL NEW CRESTON CO., LTD. Strong sales in PARCO-CITY and non-group businesses.

Note: Sales results by segment include operating revenues.

FY2005 Financial highlights 3: Non-Consolidated business results

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Non-consolidated net sales and net income increased: higher sales achieved each month
—Record high ordinary income and net income—

Unit: million yen

	FY2005	FY2004	Change ¥	Change %
Net sales	242,562	236,359	6,202	2.6%
Operating income	7,657	7,212	444	6.2%
Ordinary income	7,319	6,557	762	11.6%
Net income	3,005	1,262	1,742	138.0%

	End FY2005	End FY2004	Change ¥	Change %
Total assets	180,492	183,890	(3,398)	(1.8%)
Shareholders' equity	68,014	64,171	3,843	6.0%
Interest-bearing debt	44,383	53,652	(9,269)	(17.3%)
Shareholders' equity ratio	37.7%	34.9%		

FY2005 Financial highlights 4: SG&A

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SG&A

Consolidated

Unit: million yen

	Amount	Change ¥	Change %	% of sales	
FY2005 results					
Salaries and wages	8,787	12	0.1%	3.3%	
Leased land and office rent	8,353	217	2.7%	3.2%	
Advertising expenditure	3,755	189	5.3%	1.4%	
Commissions	5,146	47	0.9%	2.0%	
Depreciation & amortization	3,944	(196)	(4.7%)	1.5%	
Total SG&A	30,380	658	2.2%	11.6%	
FY2006 Forecast	Total SG&A	30,276	(104)	(0.3%)	11.5%

Capital investment, depreciation and amortization

Consolidated

Unit: billion yen

	Amount	Change ¥	Change %
FY2005 results			
Capital investment	8.6	1.3	17.9%
Depreciation and amortization	3.9	(0.3)	(6.0%)
FY2006 Forecast			
Capital investment	7.8	(0.9)	(10.2%)
Depreciation and amortization	4.0	0.1	1.2%

Non-consolidated

	Amount	Change ¥	Change %	% of sales	
FY2005 results					
Salaries and wages	4,833	2	0.1%	2.0%	
Leased land and office rent	7,637	203	2.7%	3.1%	
Advertising expenditure	3,551	96	2.8%	1.5%	
Commissions	5,518	64	1.2%	2.3%	
Depreciation & amortization	4,117	(220)	(5.1%)	1.7%	
Total SG&A	23,837	559	2.4%	9.8%	
FY2006 Forecast	Total SG&A	23,301	(536)	(2.3%)	9.6%

Non-consolidated

	Amount	Change ¥	Change %
FY 2005 results			
Capital investment	8.2	1.5	23.0%
Depreciation and amortization	4.1	(0.2)	(5.1%)
FY 2006 Forecast			
Capital investment	7.0	(1.2)	(15.2%)
Depreciation and amortization	3.8	(0.3)	(7.5%)

Note: ¥5.1 bn for new buildings are included in Capital investments for FY2005; ¥3.6 bn for new buildings are included in Capital investments forecasts for FY2006

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2. Review of operations and forecast for FY2006

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FY2005 Non-Consolidated operating highlights 1: Sales by store

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11 stores consisting mainly of our flagships achieved increased YoY sales

Flagship stores

	Trend	FY 2005		FY 2004		Comments
		Net sales	Change %	Net sales	Change %	
Sapporo	↗	15,571	3.8%	15,004	(8.2%)	Opened the Annex in March 2005, improving access and making shopping easier.
Utsunomiya		9,063	(4.6%)	9,498	(2.7%)	Fashion sales are firm, large-scale sundry stores are feeling the effects of heavy competition.
Shin-Tokorozawa	↗	9,225	10.0%	8,386	3.7%	The increased number of customers from the refurbishing of Foods section has benefited the whole store.
Ikebukuro	↗	31,989	3.7%	30,851	(1.8%)	Implementing wide ranging renovations including the 1st floor entrance to main building for the first time since our opening.
Shibuya	↗	20,492	12.1%	18,272	0.2%	Revitalization focusing on Part 1 following complete renovations of Part 3.
Hibarigaoka		8,747	(1.1%)	8,847	(6.7%)	Effects of closure due to renovations required for the introduction of major appliances. Strong sales after February opening.
Kichijoji	↗	10,507	6.4%	9,871	1.6%	Effects of new fashion proposals, particularly in Kids Zone
Chofu		17,512	(0.9%)	17,670	1.1%	Completely renewed 6F Kids and Living Space floor further enhancing lifestyle options.
Tsudanuma	↗	10,473	0.8%	10,386	(4.9%)	Enhanced restaurant and cultural features in addition to strengthening ladies fashion.
Chiba		9,852	(7.9%)	10,692	(7.9%)	In Q4 we began comprehensive renovations including the first floor entrance as a part of a series of renewals.
Atsugi	↗	4,504	7.4%	4,194	2.7%	Succeeded in our community-based approach through joint campaigns with regional businesses.

Unit: million yen

Comparisons are with previous fiscal year

FY2005: Sales by store (cont.)

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	Trend	FY2005		FY2004		Comments
		Net sales	Change %	Net sales	Change %	
Matsumoto	↗	9,129	4.3%	8,756	0.3%	Benefited from large scale promotion and enhanced product variety attracting much broader range of customers.
Gifu		2,123	(15.5%)	2,489	(14.0%)	Store closing scheduled for August 2006
Nagoya	↗	39,817	4.0%	38,290	2.2%	Growth based on plans for anticipated competition and continued new fashion offerings
Otsu		7,908	(1.2%)	8,005	(2.2%)	Begin 10 year MD (merchandise development) restructuring aiming to improve fashion offering as well as our overall operations.
Shinsaibashi	↗	1,694	8.2%	1,566	(13.6%)	Achieved market support due to enhancements made in Sundries and activities designed to draw in more passerby customers.
Hiroshima	↗	17,396	5.4%	16,512	(1.3%)	Stable growth based on actively introducing brands to fit market needs.
Oita		4,911	(5.2%)	5,180	(8.3%)	Improvements based on the introduction of new brands and enhanced regional events.
Kumamoto		6,230	(8.3%)	6,793	(8.5%)	Increased our ability to draw customers with initiatives such as the introduction of a large scale CD store but overall sales suffered from heavy competition.
Total	↗	237,131	2.5%	231,270	(2.0%)	

Unit: million yen

Comparisons are with previous fiscal year

Clothing was main driver of growth, with flow on benefit to personal effects

Clothing: In women's clothing, casual clothing for Spring and Summer and elegance and other trends in fall and winter continue to show strength. Sales of personal effects are progressing well, benefiting from the increase in customers.

In men's clothing, a wide assortment of products targeting emerging fashions—based on PARCO COUPLE demand—are progressing well.

In sundries, new offerings in furniture, home furnishings and gifts has seen improved sales while books and CDs have had few hits, and writing materials and other stationery has been slow.

Foods enjoyed strong sales due to renovation of the Shin-Tokorozawa Store and enhanced selection of goods meeting the market needs.

Merchandize Category	Change %
Women's wear	3.6%
Men's wear	4.6%
Sports wear	(2.6%)
Kimono	(6.5%)
Children's wear	(6.3%)
General clothing	6.0%
Clothing	3.3%
Shoes	7.7%
Bags	2.5%
Jewelry, Watches, etc.,	1.6%
Cosmetics	1.6%
Personal effects	4.3%
Sundries	(0.2%)
Foods	0.6%
Restaurants	0.3%
Other	6.5%

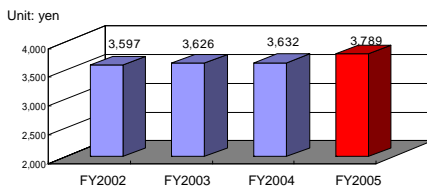
Year-on year comparisons are based on store integrated net sales. Store integrated net sales indicates overall sales strength of stores and includes tenant net sales as well as the sales of PARCO Theater and fixed rent tenants.



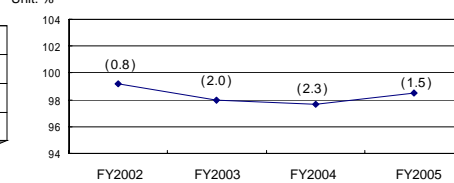
Average spend per customer and number of customers

Fourth consecutive year of higher average spend; rate of decrease in absolute customer numbers also showing improvement

Average customer spend



Customer count (YoY comparison)



* Customers numbers based on actual transactions at cash registers

The average spend per customer was ¥3,789, a 4.3% increase over the previous fiscal year. Although the number of customers purchasing clothing and personal effects increased, overall customer numbers decreased 1.5% due to lower customer numbers for general goods such as sundry items, CDs and stationery, which account for a relatively high proportion of the overall count.

Number of customers and average customer spend are based on integrated store net sales. Integrated store net sales indicates overall sales strength of stores and includes tenant net sales as well as the sales of PARCO Theater and fixed rent tenants.



39,000m² of renovations – store revitalization is continuing across entire network



Nagoya PARCO: Men's Zone

FY2005 renovation status

Scale of renovations: 381 sections/approx. 39,000 m²
(Of which, 208 new store segments)

Effects of renovations: 35.7% (¥5,389 million) increase in sales over FY2004

Overview of stores:

Total stores: 19
Total tenants: 2,540
Total sales floor area: 397,587m²

As of February 2006



Shibuya PARCO: Croon a Song



Nagoya PARCO



Restructured Men's Zone and other sections on the West building 5th floor and introduced new ladies fashions

Tenant sales: ¥39,817 million (up 4.0%)

Scale of renovations: 42 sections, approx. 3,700m²

In addition to remodeling in anticipation of heavy competition, we have implemented timely sales promotions targeting our core customer. Aim is to boost PARCO's overall results by positioning this building as the area's leading fashion zone

Ikebukuro PARCO



Renewing the entire first floor including the exterior and enhancements to the entrance. Several new proposals for PARCO's evolving Personal effects business

Renewal of main building select shop zone and change of B1 floor of P'Parco from Amusement to Fashion and Sundries.

Tenant sales: ¥31,989 million (up 3.7%)

Scale of renovations: 36 sections, approx. 3,300m²

Renovations of the main building 1st floor continue as do enhancements of the concourse, including the basement level 1 entrance and pathway in order to enhance appeal.

Shibuya PARCO



Proceeding with renovations focusing on part 1 of ladies' and men's fashion and part 3 of ladies' casual fashion
 Tenant sales: ¥20,492 million (up 12.1%)
 Scale of renovations: 44 sections, approx. 4,500m²

Progressing with the establishment of a high quality fashion zone through the speedy offering of new businesses, new brands and renovations that have continued for the past 30 years.

Sapporo PARCO



March 2005, opened a new shop next to Sapporo PARCO. Along with building up Sapporo stores, the proposed MD will offer a sense of elegance to the PARCO main store as well as benefiting from synergies.

Tenant sales: ¥15,571 million (up 3.8%)
 Sapporo PARCO new store: Sales floor approx. 3,200m²

The Sapporo PARCO, with a total of 17,400m² floor space from the combination of the new store and the main store, is creating a PARCO that is fun for all generations.

Expanding to 96 stores by actively implementing a scrap and build approach

- Aided by sales from new stores in addition to sales growth at existing stores—

NEUVE A

NEUVE A CO., LTD.

Existing stores as of February 2006



TIC TAC (Watches)



POKER FACE (glasses)

YoY sales comparison:

Up 11.6%

YoY comparison of No.

of existing stores:

Up 4.1%

As of February 28, 2006	No. of stores	Outside owner	Outside owner ratio
TICTAC	32	(18)	56%
POKER FACE	18	(10)	56%
COLLECTORS	18	(7)	39%
ROSEMARY	23	(5)	22%
ANNABELLE	5	(4)	80%
Total of 5 businesses	96	(44)	46%

Main achievements in FY 2005

April: Opened 3 stores in KUZUHA MALL (TICTAC ROSEMARY and ANNABELLE)

September: Opened 1 store (ANNABELLE) in Aobadai Tokyu Square

October: Opened 1 store (TICTAC) in Nuchayamachi

Other: Opened 8 store, closed 4 stores, renovated 5 stores

Targeting higher consolidated and non-consolidated revenues and earnings, continuing the good performance of 2005

Consolidated

Unit: million yen

	FY2006 forecast	FY2005 results	Change ¥	Change %
Net sales	262,600	262,408	191	0.1%
Operating income	9,100	9,085	14	0.2%
Ordinary income	8,900	8,879	20	0.2%
Net income	4,020	4,006	13	0.3%

Non-consolidated

Net sales	242,700	242,562	137	0.1%
Operating income	8,050	7,657	392	5.1%
Ordinary income	7,650	7,319	330	4.5%
Net income	3,420	3,005	414	13.8%

Dividends

- In FY2005 the year-end dividend was increased ¥1 to ¥6, which with the interim dividend of ¥5 gave an annual dividend per share of ¥11
- Forecast annual dividend per share for 2006 is ¥12, including an interim dividend of ¥6

3. Five-year medium-term management plan progress

Strategic store grouping strategy

- (1) Improving and strengthening flagship stores through a "complex-by-complex" strategy
- (2) Aiming for a revitalization of facilities through the dual strategies of *inter-company efforts (PARCO and tenants)* and
- (3) *Efficient store management*

(1) Improving and strengthening flagship stores

Fiscal '05 Scale of renovations : 381 tenants on approx. 39,000m²
 Fiscal '06 (planned) Scale of renovations : 439 tenants on approx. 50,000m²

Main stores for which renovations are planned in fiscal 2006

Ikebukuro PARCO	Continued full-scale renewal of the first floor of the main building. Strengthening of B1 floor ladies fashion section. Renewal of restaurants, etc.
Shibuya PARCO	Continued introduction of stores conducting new types of business and stores exclusive to PARCO in Japan to strengthen our capabilities in sophisticated fashion options.
Chiba PARCO	Renovation of the ground floor and main entrance and renewal of the second floor as a total lifestyle proposal floor from fashion to lifestyle goods and cosmetics, as part of renovations for the 30th anniversary of the store opening.



Strategic Store Grouping Strategy

(2) Inter-company efforts (PARCO and tenants)

Intensified collaboration with tenants. Introduction of new stores by tenants due to initiative of headquarters. Increased speed and range of our activities.

- Major fashion maker became a tenant at Chofu PARCO, Tsudanuma PARCO and the Oita store, which was not opened yet at the time
- Leading electrical appliance retailer became a tenant at both Hibarigaoka PARCO and Matsumoto PARCO



(3) Efficient store management

Collaboration item plans between tenants selling men's clothing and goods and PARCO through magazine tie-ups and the major PARCO-wide *Happy 4 Days Sale* promotion advertised mainly through TV

Following an organizational change, safety management for all stores will be conducted by Parco Space Systems Co. Ltd. We are working toward achieving uniform management at the offices of each of our stores.

Business closure resulting from profit structure review

As a result of changes in the surrounding business environment and aging of store facilities, the decision was taken to close Gifu PARCO
 Planned date of closure: End of August 2006

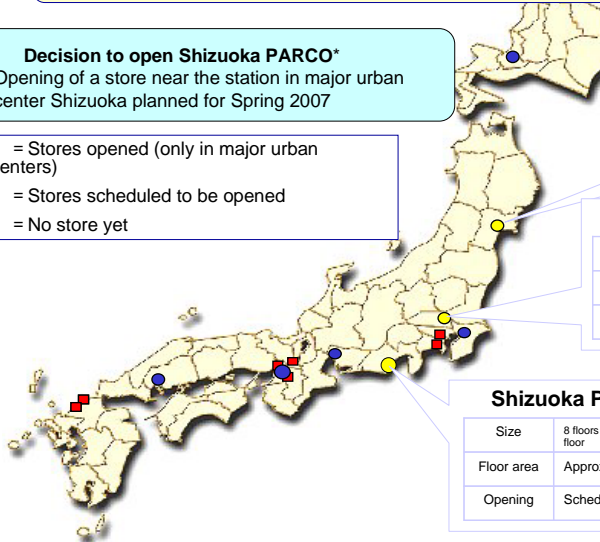
**(1) Strengthening Shopping Complex Operations and Development
Development of New Stores Primarily in Major Urban Centers**

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Speedy development of facilities through M&A, etc. of existing facilities in major urban centers

Decision to open Shizuoka PARCO*
Opening of a store near the station in major urban center Shizuoka planned for Spring 2007

- = Stores opened (only in major urban centers)
- = Stores scheduled to be opened
- = No store yet



Sendai PARCO*

Size	9 floors above ground, 1 basement floor
Floor area	Approx. 24,000 m ²
Opening	Scheduled for Spring 2008

Urawa PARCO*

Size	7 floors above ground, 1 basement floor
Floor area	Approx. 67,000 m ²
Opening	Scheduled for Fall 2007

Shizuoka PARCO*

Size	8 floors above ground, 1 basement floor
Floor area	Approx. 30,000 m ²
Opening	Scheduled for Spring 2007

*Provisional names

**(1) Strengthening Shopping Complex Operations and Development
Development of New Stores Primarily in Major Urban Centers**

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**Urawa in-house project moved up to planning office in March 2006
Sendai start of construction ceremony scheduled for April 2006**



**Construction started
March 2005**

Marketing and building planning currently underway in Urawa planning office

Urawa PARCO*

Urawa Station East Exit Area Type II Urban Area Redevelopment Project Through Development of Facilities and Buildings
Completion scheduled for Fall 2007
Floor area: Approx. 67,000m²
(1 basement floor, 7 floors above ground)



**Construction scheduled to start
April 2006**

Marketing currently underway in Sendai project

Sendai PARCO*

Chuo 1-chome District 2 Urban Redevelopment Project
Completion scheduled for Spring 2008
Floor area: Approx. 24,000m²
(1 basement floor, 9 floors above ground)

* Provisional names

Note: Images are illustrations only. Actual buildings may differ.

(2) Moving Into New Domains

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Expanding the Property Management Business. Taking on New Development Challenges.

Property Management Business Started

Name: Ario Kawaguchi Shopping Complex
Operations start date: Nov. 2005

Services provided:
Support for pre-opening operations for shopping mall;
Property management after the opening



Leasing Business for Shopping Complex Opening Spring 2007

Name: Kohoku New Town Center Kita Shopping Complex*
Scheduled operations start date: Spring 2007

Services provided:
Pre-opening support for whole shopping center;
Property management after the opening
Established asset management company for the shopping center after the opening
Full-scale entry into real estate securitization business



* Provisional name

(3) Cultivating Peripheral Businesses

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Expanding contents-based business for entertainment, etc.

Operation of Le Theatre Ginza from March 2007

Using the entertainment industry knowledge we obtained from management of Parco Theater since the 1973 opening of Shibuya PARCO, we will operate a second, much larger cultural facility, aiming to increase the variety of shows offered and expand the contents business



Le Theatre Ginza

Location: Ginza 1-chome, Chuo-ku, Tokyo
Opened: 1987 (as Ginza Saison Theater
Name changed to Le Theatre Ginza in 2000)
Capacity: Seats 770 (Note: Parco Theater seats 458)



Ai no Sanka
by
Akihiro Miwa
Staged in Apr. 2006 at
Le Theater Ginza

Continued focus on movie rights business

Moving beyond exclusive cinema management into the movies rights business to expand earnings channels for the contents business

Memories of Matsuko
(Opened May 27 in Toho Cinemas throughout Japan)

Written by: Muneki Yamada (Gentosha)
Script and direction: Tetsuya Nakashima
Starring: Miki Nakatani



© 2006 Memories of Matsuko Production Committee

(3) Cultivating Peripheral Businesses

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Neuve A Co. Ltd: Expanding operations by promoting new store openings

NEUVE A

NEUVE A CO., LTD.

Actively promoting new store openings including in shopping complexes not owned by Parco, aiming for increased earnings

Seeking accelerated growth including through new business trials and the plan to expand to 110 store network, aiming for early achievement of medium-term plan targets

Stores opening in FY2006 *Note: Only those decided as of April 2006*

Mar. 17 Kohoku Tokyu Shopping Center: 2 stores (TiCTAC/annfleur*)

Apr. 20 Kinshicho Olinas: 3 stores (TiCTAC/POKER FACE/ANNABELLE)



*A new business type fusing ladies fashion and cosmetics



Renovations of existing stores in FY 2006

Note: As of Apr. 2006

Completed for all six stores

To establish a business framework enabling external expansion, Hiroshima PARCO Collectors carried out a trial renovation to an urban-style, high-efficiency store model

Progress of Five-Year Medium-Term Management Plan (FY2005 – FY2009)

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Progressing steadily towards our FY2009 operating targets

Operating targets (FY2009 Consolidated)

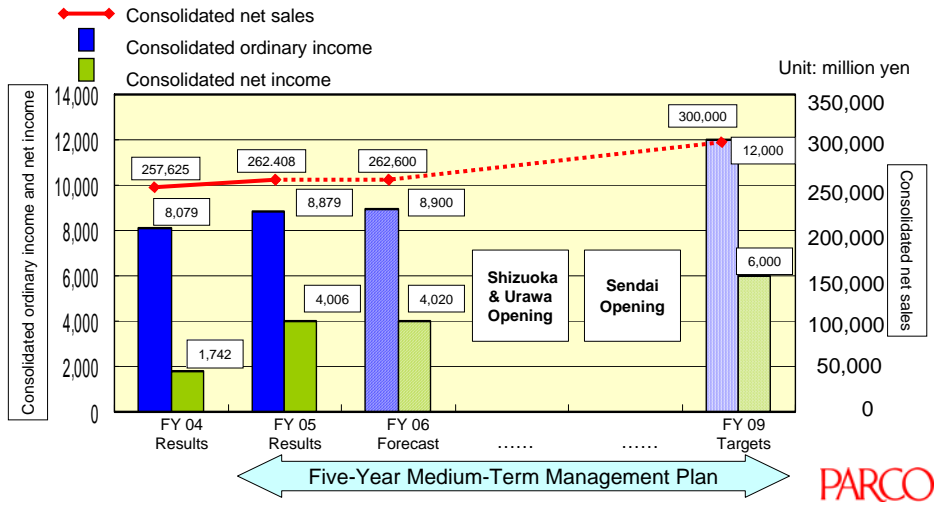
Unit: million yen	FY2004	Target	FY2009	FY2005 Results
	Results		Difference from FY 04	
Net sales	257,625	300,000	+42,375	262,408
Ordinary income	8,079	12,000	+3,921	8,879
Net income	1,742	6,000	+4,258	4,006
ROE	3.0%	8.2%	+5.2%	6.2%

Sales targets by segment

Unit: million yen	FY 2004	Target	FY 2009	FY 2005 Results
	Results		Difference from FY 04	
Shopping complex business	236,456	276,819	+40,362	242,675
Retail business	15,321	18,812	+3,491	15,946
Space Engineering Management business	25,729	24,252	(1,477)	21,985
Other businesses	2,504	2,614	+110	2,579
Consolidated total (After eliminations)	257,625	300,000	+42,375	262,408

Progress of Five-Year Medium-Term Management Plan (FY2005 – FY2009)

In fiscal 2006, the second year of the five-year medium-term management plan, we expanded our strategic store grouping policy, prepared for store openings in Shizuoka, Urawa and Sendai and pursued further store openings, while pressing forward with the cultivation of property management, asset management and peripheral businesses



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