A new phase of evolution
Sales Activities Enhanced and Financial Structure Improved by Concentrating Management Resources on Our Core Business

We invested aggressively in renovating existing stores and opening new stores to enhance sales. In terms of finance, we improved our financial structure by selling treasury stock and applying impairment accounting to fixed assets ahead of schedule.

Consolidated Financial Highlights

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Millions of yen)</th>
<th>Operating Income (Millions of yen)</th>
<th>Net Income (Millions of yen)</th>
<th>Total Assets (Millions of yen)</th>
<th>Shareholders’ Equity (Millions of yen)</th>
<th>Interest-bearing Debt (Millions of yen)</th>
<th>Debt Equity Ratio</th>
<th>Return on Equity (ROE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>¥307,482</td>
<td>7,587</td>
<td>8,894</td>
<td>222,541</td>
<td>55,209</td>
<td>80,150</td>
<td>1.45</td>
<td>4.4%</td>
</tr>
<tr>
<td>2002</td>
<td>¥310,624</td>
<td>8,325</td>
<td>2,454</td>
<td>230,561</td>
<td>52,916</td>
<td>79,829</td>
<td>1.51</td>
<td>5.0%</td>
</tr>
<tr>
<td>2003</td>
<td>¥307,482</td>
<td>8,348</td>
<td>2,373</td>
<td>248,268</td>
<td>54,575</td>
<td>67,341</td>
<td>1.23</td>
<td>5.1%</td>
</tr>
<tr>
<td>2004</td>
<td>¥257,625</td>
<td>8,441</td>
<td>1,742</td>
<td>187,993</td>
<td>61,760</td>
<td>48,732</td>
<td>0.79</td>
<td>3.0%</td>
</tr>
<tr>
<td>2005</td>
<td>¥297,614</td>
<td>8,348</td>
<td>2,373</td>
<td>203,688</td>
<td>59,209</td>
<td>46,880</td>
<td>1.45</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

* U.S. dollar amounts have been translated, for convenience only, at the rate of ¥104 = US$1

*2 Debt Equity Ratio = Interest-bearing Debt Outstanding/Shareholders’ Equity
An indicator used to determine the financial stability of a company by examining the ratio of interest-bearing debt to total shareholders’ equity.

*3 Return on Equity (ROE) = Net Income/Shareholders’ Equity
An indicator used to determine management efficiency by examining the amount of income generated in a year against shareholders’ equity.

Cautionary Note on Forward-Looking Statements
Plans and forecasts contained in this report are based on currently available data and are subject to risks and uncertainties beyond our control. Actual business results may therefore materially differ from these forward-looking statements.
The Next Stage for PARCO as a Developer of Urban Shopping Complexes

PARCO's history began in 1969, with the transition in business model from the Tokyo Manbutsu department store to Ikebukuro PARCO and has continued as a journey of realizing a shopping complex vision that is consistently in step with the changing times and markets. The total producing expertise cultivated so far has generated significant recognition, not only as a developer and operator of nineteen PARCO stores nationwide, but also of a shopping complex in Singapore, as well as our track record of contracts for numerous consulting projects. This expertise is increasingly in demand today as the need to develop and operate shopping complexes continues to grow.

Today, we are already well on the way into our next stage of evolution.

In the Market

Monitoring Retail Market Trends with an Emphasis on Diversifying Development Schemes

Ongoing Separation of Shopping Complex Ownership and Management

In November 2000, regulations concerning investment trusts and investment corporations came into effect, expanding the scope of the Japanese Real Estate Investment Trust (J-REIT) market. Growth has come particularly from the market targeting shopping complexes for investment, and the need to maximize cash flow has progressively led to a separation between ownership and management of shopping complexes. This, in turn, has given rise to the need for managers who can consistently maintain and enhance the value of shopping complexes. Noting this change in the market environment, PARCO has entered into the property management market.

Change in Retail Market and Share of Shopping Centers in Total Sales

Change in Retail Market and Share of Shopping Centers in Total Sales


Status of Total Real Estate Incorporated into Real Estate Investment Trusts

(Compiled from data provided by Investment Trusts Association Japan)
Further Expansion of the PARCO Business Model

Into The Next Business
Engaged in All Aspects of Shopping Complex Development
PARCO has sought to actively develop new PARCO stores and neighboring areas by adopting a multifaceted approach that included alliances, M&A, and acquisition of going concerns. As a result, we made a full-scale entry in fiscal 2004 into a diversified array of business models and domains that extend beyond our existing PARCO store business. PARCO aspires to become a developer that meets high expectations and is sought in every aspect of shopping complex development.

Developing New Business Models and Structures

Urawa PARCO
A large-scale shopping complex with all the functions required to serve as a gateway to the prefectural capital

Sendai PARCO
A shopping complex that increases the appeal of a symbolic location in Sendai City

Outline of Property under Development
Type: Chuo Icchome Second District Urban Redevelopment Project
Completion of construction: Spring 2008 (tentative)
Commercial composition: 1 floor underground, 9 floors above ground
Floor area: Approximately 26,000 m²

Outline of Property under Development
Type: Urawa Station East Exit Area, Type II Urban Area Redevelopment Project
Completion of construction: Fall 2007 (tentative)
Commercial composition: 1 floor underground, 7 floors above ground
Floor area: Approximately 66,000 m²

Urawa PARCO
Plans are underway for a new PARCO store that forms a part of Saitama City’s redevelopment project for the JR Urawa Station East Exit. In an area undergoing intensifying competition with the accelerated opening of suburban shopping centers, we plan to develop a large-scale shopping complex with all the functions required to serve a prefectural capital that enjoys the support of the local community.

Outline of Property under Development
Type: Chuo Icchome Second District Urban Redevelopment Project
Completion of construction: Spring 2008 (tentative)
Commercial composition: 1 floor underground, 9 floors above ground
Floor area: Approximately 26,000 m²

Ario Kawaguchi
PARCO’s first full-scale property management project

Outline of Ario Kawaguchi
Floor area: Approximately 37,750 m²
Operating area: Approximately 34,650 m²
Completion of construction: November 2005 (tentative)
Commercial composition: GMS (approx. 14,650 m²), specialty shop (approx. 14,700 m²) and cinema complex (approx. 5,300 m²)

Outline of Property under Development
Type: Chuo Icchome Second District Urban Redevelopment Project
Completion of construction: Spring 2008 (tentative)
Commercial composition: 1 floor underground, 9 floors above ground
Floor area: Approximately 26,000 m²

Scheme for Ario Kawaguchi

Pedi Shiodome
A case model for a shopping complex inside an office building

We opened Pedi Shiodome, a shopping space that supports the daily lives of office workers, inside Shiodome Siosite, one of Tokyo’s largest complex developments composed of office, hotel, and shopping floors. Most of the main tenants are new to PARCO, and include restaurants that offer different features for daytime and evening patrons, retailers offering convenience, relaxation facilities, and clinics. We are operating these facilities as a case model for a store within an office building.

Outline of Pedi Shiodome Facilities
Operating area: 4,470 m²
Facility composition: 2 floors underground, 1 floor above ground
Commercial composition: 28 shops including sales of goods, restaurants and services

Ario Kawaguchi
PARCO’s first full-scale property management project

Outline of Ario Kawaguchi
Floor area: Approximately 37,750 m²
Operating area: Approximately 34,650 m²
Completion of construction: November 2005 (tentative)
Commercial composition: GMS (approx. 14,650 m²), specialty shop (approx. 14,700 m²) and cinema complex (approx. 5,300 m²)
Behind the Five-Year Medium-Term Management Plan
Launching the Medium-Term Management Plan toward Growth in Revenue and Profit

Reorganization of the PARCO Group continued in fiscal 2004 with efforts to improve its financial structure by concentrating on core businesses. We followed our “complex-by-complex” strategy for existing stores, and implemented a series of major renovations at our mainstay stores, such as Shibuya PARCO, Nagoya PARCO and Chofu PARCO, as well as suburban PARCO stores to respond to market conditions and competition. We also actively introduced new tenants.

Within the PARCO Group, NEUVE A CO., LTD. actively sought to open new stores, while PARCO SPACE SYSTEMS CO., LTD. (PSS) increased the number of building interior contracts through an aggressive sales effort. Meanwhile, we continued to reorganize the Group by following up on the sale of our stake in LIBRO CO., LTD. in fiscal 2003 by selling our stake in WAVE CO., LTD. in fiscal 2004. As a result, consolidated net sales fell 8.5% compared with the previous fiscal year to ¥2,076,620 billion and operating income fell 5.4% on the year to ¥4,411 billion.

PARCO’s non-consolidated net sales, which had been growing annually over the past few years, decreased year-on-year in fiscal 2004 for the first time in eleven fiscal years. This was due to a variety of factors, including intensifying competition. In fiscal 2005 we formulated the Five-Year Medium-Term Management Plan, which begins in fiscal 2005 and ends in fiscal 2009, as a map for surviving and emerging as successful amid intensifying competition.

Over the past three years, we have invested over ¥5 billion in the renovation of existing stores, our pillars of profit. Yet although the renovated retail floors are actually reporting strong sales growth, the pace of growth is falling short of boosting overall sales of our Development Business. This is a sign of the increasing severe competition in the Japanese retail market.

In terms of the entire retail market, while absolute volume has remained unchanged, consumption at the storefront has been declining due to diversification in sales channels, including the Internet. In addition, large-scale stores are in oversupply in major cities, further exacerbating competition. This changing environment calls for an immediate, fundamental restructuring of our business toward greater revenue and profit.

PARCO must address three issues. First, we must maintain sales at existing stores that serve as the pillar of profit. Second, we must develop new stores as additional profit centers. This development of new stores need not depend on developing land. We should consider potential M&A of existing shopping complexes or the acquisition of going concerns. Third, we must explore business opportunities in neighboring areas related to our core business to cultivate new income-producing ventures.

These approaches constitute the foundation for implementing the Five-Year Medium-Term Management Plan, accelerating the expansion of our business domains, and improving profitability for the next leap forward.

Five-Year Medium-Term Management Plan (1)
Reinforcing the Pillars of Growth
— Bolstering Our Ability to Operate and Develop Shopping Complexes

Our mode of operations up to the 1990s was to seek business operations based on economies of scale by extending to all our stores the cutting-edge advertising style and tenant composition exemplified by Shibuya PARCO. For several years now we have been following a new, “complex-by-complex” strategy to construct a merchandising approach that corresponds with the market characteristics of each individual store and to quickly adapt store management. To firmly implement this strategy, we expanded the authority of store general managers and built a system in which each store was responsible for seeking out its own market requirements. In this way, we have implemented quick renovations appropriate to the scale of each store, market conditions, and the competition, for the sake of introducing new tenants and reinvigorating the stores.

Certain challenges, however, have emerged with our “complex-by-complex” strategy. For example, market environments differ for each store, and tenant companies vary in their willingness to open new stores in particular areas. Under these circumstances, regardless of the authority granted to general managers, results may be limited in some markets in which negotiations are conducted with only one store. To resolve this problem, PARCO CO., LTD., in its role as corporate headquarters, must provide support for negotiations.

Other challenges concerning store operation have also appeared. Until now, PARCO had conducted business by raising the added value of the store and placing on part of the cost through tenant fees. However, growing national competition has made it difficult to maintain this business practice in every market. In some cases, pursuing uniform operation at all our stores has made it impossible

Toward the Next Stage
of Growth
Isamu Ito, President & CEO
PARCO's expertise has never been in greater demand than today for intensifying the appeal and market strength of commercial facilities.

In 2007 and in Sendai in 2008. We will continue to seek opportunities for new store development focusing on major metropolitan areas with large populations. Our methods will include land development as well as the acquisition of going concerns, M&As, and master lease contracts.

Five-Year Medium-Term Management Plan (2)

Moving Into New Domains Based on Our Strengths — Property Management, Asset Management, and Cultivation of Peripheral Businesses

In light of the current oversupply of stores, we must pursue broader opportunities for business growth, in addition to fundamentally reforming our conventional store operations and new store openings.

We are aware of the need to experiment with new business domains, free from the constraints of conventional business styles, such as expanding our property management business by focusing on trends in the growing real estate securitization business and developing new businesses that utilize asset management methods. In today's retail market, shaped by fast-paced changes in trends and diversified consumer lifestyles and values, every company—department stores and mass merchandisers alike—struggles with severe competition. However, the current situation offers an excellent business opportunity for a specialty store business model such as PARCO's, since this model allows for quick, flexible response to changing times and market requirements, and is easily differentiated from other business models. In fact, PARCO has implemented innovations encompassing an average of approximately 50,000m² each year in response to the changing market. By maintaining this level of effort for more than 35 years, we have cultivated an expertise in store operation that is designed to keep consumers satisfied. This has included discovering popular brands and the speed required for expansion of new openings, and maintaining the fresh appeal of our stores.

In addition to strengthening operational capabilities as a foundation for profit, we also decided to open new stores in Urawa and Saitama in 2000, in Fukuoka in 2002, in Major Urban Centers Development of New Stores Primarily

Outline of the Five-Year Management Plan (Fiscal 2005 - 2009)

Management Target

Net sales

Ordinary income

Net income

ROE

Fiscal 2004 Results

Fiscal 2009 Target

Comparison with Fiscal 2004

+4,258

+3,921

+4,258

+5.2%

Deepening and broadening peripheral businesses

1 Expanding content-based businesses

PARCO CO., LTD., Entertainment Department

Film Division: Expand theatrical productions not only at PARCO Theater, but also in external theaters and regional theaters; extend the commercial use of performances, including the production and sale of DVDs, and publication of plays.

Film Division: Enter the licensing business in addition to the current operation of an exclusive movie theater.

2 Strengthening building management business and developing new businesses

PARCO SPACE SYSTEMS CO., LTD.

Strengthen building the management business and develop new businesses including call center and agent businesses

3 Expanding business content through aggressive store openings

—REUNI A CO., LTD.

Raise the PARCO external ratio and aggressively expand business content by opening 68 new stores in the next five years.

Effecting operational and development capabilities of shopping complexes

1 Effective Store Grouping Strategy

In addition to strengthening and expanding existing stores, and promoting the “complex-by-complex” approach, PARCO will adopt a method of operation based on the Effective Store Grouping Strategy, enhancing inter-company (PARCO and tenant) efforts.

PARCO will expand its exclusive product line, adopt new business proposals, and exercise innovations jointly in response to market needs by grouping according to store themes and merchandise, promoting differentiation from the competition and growth in customer numbers.
Furthermore, we have accumulated expertise in raising customer traffic by managing theaters and other entertainment businesses and holding sales and promotional events to generate synergy with product sales. This is exactly the kind of expertise now required by the retail market. Armed with these competencies, we are convinced PARCO will achieve significant growth by seizing opportunities for new businesses in areas such as property and asset management.

From this perspective, PARCO has already started to provide consulting services for the opening of shopping complexes as a stepping stone for creating new businesses. In fiscal 2004, these efforts bore fruit in the opening of AMU PLAZA KAGOSHIMA under consignment from Kyushu Railway Company and Cocoon Shinsho in Saitama New Urban Center, under consignment from Katakura Industries Co., Ltd. We also opened Pedi Shiodome, a shopping complex within the Tokyo Shiodome Building, as our first store opening in an office building. These projects attracted positive feedback for our work in this new business domain.

In 2005, we will develop the specialty shopping mall portion of Ario Kawaguchi, a complex that Ito-Yokado Co., Ltd. plans to open this fall in Kawaguchi City, Saitama Prefecture. Once opened, we will handle property management. This will serve as a touchstone for the full-scale development of our future property management business, and an ideal opportunity for utilizing PARCO’s expertise. Unlike our past high-value-added urban stores, suburban locations must offer unique characteristics to gain differentiation from other commercial facilities, while at the same time clearing the hurdle of low-cost operation. Our challenge is to determine the best approach for establishing such a system, and we expect to gain new expertise as a case model for developing operational expertise with the Effective Store Grouping Strategy of the Marketing Division.

In other efforts, we incorporated the pursuit of peripheral businesses into the Five-Year Medium-Term Management Plan as a new pillar in our profit expansion plans. PARCO will cultivate its entertainment business beyond its role in attracting visitors to the stores utilizing the content of theater operations to expand business outside PARCO. PARCO SPACE SYSTEMS CO., LTD. will remain focused on the growing need for outsourcing and reducing costs in efficiently operating shopping complexes, and will strive to boost its management base by expanding its call center business and creating other new businesses. NEUVE A CO., LTD. has solidified its management base and has begun its transition into a phase of full-scale growth. Accordingly, we plan to increase the number of stores by 1.5 times over the next five years, toward a 140-store structure. We will aggressively pursue new store openings in suburban markets.

Apart from property management, we are being asked to provide development schemes in the context of our asset management business. We hope to create new businesses by accumulating expertise in the necessary development proposal concepts as a shopping complex developer.

In fiscal 2005, we implemented organizational reforms and assigned personnel to proceed with these various businesses. In concrete terms, we transferred the property management business, traditionally undertaken by PARCO SPACE SYSTEMS CO., LTD., to PARCO CO., LTD. and established the Property Management Department. The new department will promote the sharing of management resources and operational efficiency in the tenant leasing business under the newly established Development Division, along with the New Project Development Department, which had been handling new business creation, including new store development. The Development Division will take the initiative in expanding and strengthening our business as a shopping complex developer, while seeking synergies in bolstering operational expertise with the Effective Store Grouping Strategy of the Marketing Division.

Reform of Our Management System

Strengthening Governance and Our Commitment to CSR

In reforming its management system, PARCO strengthened its corporate governance to enhance transparency and fairness. Rebuilding PARCO’s corporate governance infrastructure requires that shareholders and investors are aware of the current state of PARCO and that employees understand the reforms as well. We have therefore endeavored to disclose management information to encourage all our employees to develop a healthy sense of participation.

As part of these efforts, we established a system of advisory committees in fiscal 2002, and adopted a “Company with Committees” system as introduced by the revised Japanese Commercial Code that went into effect in 2005. In management execution, we adopted a “mission cascade” system for fulfilling the mission of the entire company as set forth by the president. Each fiscal year, Executive Officers make concrete commitments with regard to areas of the mission within their capacity, followed by their reporting managers, who in turn declare their specific commitments for achieving the mission under the leadership of their respective Executive Officer. The Board of Directors conducts quarterly progress reviews in regard to each area of the mission. In addition to this system, we achieved greater transparency in our management by fulfilling the functions of a “Company with Committees System.” The opportunity for receiving external evaluation has also led to a positive sense of urgency with respect to management.

Starting in fiscal 2005, Ms. Yukako Uchinaga, who serves as Senior Managing Director for Asia Pacific Technical Operations, IBM Japan, Ltd. will join PARCO as an External Director. PARCO will further strengthen corporate governance by increasing the number of External Directors so that there are five Internal Directors and five External Directors. We expect Ms. Uchinaga will evaluate and contribute advice on PARCO’s customer satisfaction and CSR activities, not only from her experience and knowledge as a corporate officer, but also from a woman’s perspective.

In terms of our organization, we created the posts of Chief Executive Officer (CEO) and Chief Operational Officer (COO) in fiscal 2005. The CEO, as the chief officer for management, initiates guidelines and strategies for management in general as they pertain to PARCO and the PARCO Group. The COO, as the chief officer for operations, manages specific operations based on management guidelines and strategies. Through this system, we will strive to accelerate the execution of operations and achieve greater transparency.

Furthermore, we established the Group Auditor by integrating PARCO’s Internal Auditor Office and the Auditor Officers of major Group companies to strengthen the auditing functions for PARCO as well as for the entire Group. With respect to our CSR efforts, we established the CSR Committee, which I chair. The Committee will make decisions on the guidelines and priority of our CSR activities and oversee the content of each activity.

Management Resources for the Next Generation

— Cultivating People as a Corporate Asset

Continuing PARCO’s Growth beyond the Next Decade

The most important management resource for a business model like PARCO’s is people. As I have already mentioned, in the course of exploring the creation of new businesses under the current circumstances, we tend to become focused on the immediate operation at hand. However, if we are genuinely concerned about the company’s future growth, we must cultivate our human resources now.

Consequently, in fiscal 2003 PARCO launched the U-29 PARCO Trial, a system for regularly recruiting persons under the age of 29, regardless of their past careers. The system enables recruiting a variety of talent beyond new college graduates. We also provide highly motivated employees with opportunities for training, education, and acquisition of qualifications, thereby raising human “capital” with market value and a sense of management support. Starting in the latter half of fiscal 2003, we also initiated the PARCO Business College. Mid-career employees in their thirties are selected from each section as future candidates for management. They participate in a monthly study group on management over a three-year period. With respect to people (employees) as a corporate asset, we recognize everything that expands the scope of knowledge, information, external networking, and character of an individual as a type of ability. The content of these study groups is designed to enhance these abilities. First-year participants have now entered their second year, and all have shown solid growth. Starting in fiscal 2004, we began inviting voluntary participants in addition to those who have been selected, and they are now following in the footsteps of the first-year participants.

Although the retail industry depends on quick, short-term results, only pursuing short-term results cannot lead to sustainable growth. We intend to achieve progress in reforming our management structure by implementing our Five-Year Medium-Term Plan, looking beyond this framework to determine what will be required for PARCO a decade from now, as the basis for cultivating our people (employees) as a corporate asset.
We will pursue even faster execution of operations and greater transparency in management.

System of Management Supervision and Execution

**Management Supervision**

- **Chairman**: Ikku Ito (Executive Vice President, General Manager)
- **Members**: Yukako Uchinaga (Director); Isamu Ito (Director)

**External Directors**

- **Chairman**: Atsushi Toki (Director)
- **Members**: Shuichi Matsuda (Director); Munehiko Ohno (Director)

**Corporate Planning**

- **Chairman**: Sakaguchi Toshiro (Executive Vice President, Corporate Planning)
- **Members**: Joji Miyazawa (Director); Atsushi Toki (Director); Shuichi Matsuda (Director)

**Corporate Auditor Office**

- **Chairman**: Sakaguchi Toshiro (Executive Vice President, Corporate Planning)
- **Secretary**: Hidekazu Hirano (Executive Officer, Corporate Planning)

**Management Committee**

- **Chairman**: Shuichi Matsuda (Director)
- **Executive Vice President**: Takanori Tanaka (Executive Vice President)

**Executive Vice President**: Takanori Tanaka (Executive Vice President)

**Executive Officer**: Masaharu Morita (Executive Officer, Management)

**Deputy General Manager**: Yukako Uchinaga (Director)

**Internal Auditor**

The Board of Directors: Fiscal 2004: Nineteen meetings

The Board of Directors is responsible for decision-making on basic management principles and the supervision of Directors and Executive Officers.

In addition to regular monthly meetings, the Board of Directors provides flexibility by holding special meetings as necessary.

**Committees**

Each committee acted in their capacity to conduct management supervision and reported to the Board of Directors. A Committees Secretariat has been established to assist as dedicated staff in the activities of the three committees.

- **Nominating Committee**: Fiscal 2004: Nine meetings
- **Executive Officers and Management Committee**: Fiscal 2004: Ten meetings
- **Compensation Committee**: Fiscal 2004: Eight meetings

This committee is empowered to conduct audits on the execution of operations by Directors and Executive Officers and to establish the procedural rules of the Audit Committee.

**Compensation Committee**

- **Chairman**: Saraichi Tomita (Executive Officer, Human Resources)
- **Members**: Masaharu Morita (Executive Officer, Management); Munehiko Ohno (Director)

**Corporate Governance**

We will pursue even faster execution of operations and greater transparency in management.

**System of Management Supervision and Execution**

- **Management Supervision**
  - **Chairman**: Ikku Ito (Executive Vice President, General Manager)
  - **Members**: Yukako Uchinaga (Director); Isamu Ito (Director)

- **External Directors**
  - **Chairman**: Atsushi Toki (Director)
  - **Members**: Shuichi Matsuda (Director); Munehiko Ohno (Director)

- **Corporate Planning**
  - **Chairman**: Sakaguchi Toshiro (Executive Vice President, Corporate Planning)
  - **Members**: Joji Miyazawa (Director); Atsushi Toki (Director); Shuichi Matsuda (Director)

- **Corporate Auditor Office**
  - **Chairman**: Sakaguchi Toshiro (Executive Vice President, Corporate Planning)
  - **Secretary**: Hidekazu Hirano (Executive Officer, Corporate Planning)

- **Management Committee**
  - **Chairman**: Shuichi Matsuda (Director)
  - **Executive Vice President**: Takanori Tanaka (Executive Vice President)

- **Executive Vice President**: Takanori Tanaka (Executive Vice President)

- **Executive Officer**: Masaharu Morita (Executive Officer, Management)

- **Deputy General Manager**: Yukako Uchinaga (Director)

- **Internal Auditor**

  The Board of Directors: Fiscal 2004: Nineteen meetings

  The Board of Directors is responsible for decision-making on basic management principles and the supervision of Directors and Executive Officers.

  In addition to regular monthly meetings, the Board of Directors provides flexibility by holding special meetings as necessary.

  **Committees**

  Each committee acted in their capacity to conduct management supervision and reported to the Board of Directors. A Committees Secretariat has been established to assist as dedicated staff in the activities of the three committees.

  - **Nominating Committee**: Fiscal 2004: Nine meetings
    - This committee is entrusted with determining the process for selecting new Directors, and to nominate or recommend the removal of the Chief Executive Officer and the Executive Officer.

  - **Executive Officers and Management Committee**: Fiscal 2004: Ten meetings
    - This committee is empowered to conduct audits on the execution of operations by Directors and Executive Officers and to establish the procedural rules of the Audit Committee.

  - **Compensation Committee**: Fiscal 2004: Eight meetings
    - This committee is empowered to conduct audits on the execution of operations by Directors and Executive Officers and to establish the procedural rules of the Audit Committee.

**Group Auditor Office**

The Internal Auditor Office of PARCO Co., Ltd. was integrated with the auditor offices of major Group subsidiaries to form the Group Auditor Office, thereby strengthening internal audit functions of the Group. This office also assists in carrying out the duties of the Audit Committee as necessary based on the recommendations or direction of the Audit Committee.

**Executive Officers and Management Committee**

The Executive Officer is responsible for executing specific operations based on the basic principles decided by the Board of Directors. In March 2005, we endeavored to accelerate the execution of operations by appointing the Executive Vice President as the Chief Executive Officer (CEO) to design plans and strategies related to the overall management of PARCO and the PARCO Group. We also appointed the Executive Vice President as Chief Operating Officer (COO) to execute operations related to overall management based on the management plans and strategies determined by the Company. The Management Committee is an advisory organ that enables the CEO to decide on the execution of specific operations. The committee meets weekly, attended by all Executive Officers and the Director, who serves as the Chairman of the Audit Committee.

**Commitment to CSR**

Building a system to promote CSR through the establishment of three CSR Committees

**Establishment of Three CSR Committees**

PARCO formulated its Corporate Mission in 1999 and subsequently established the CSR-related structure in 2003. We have consistently sought to thoroughly embed the mission throughout the company. At the same time, we have been reviewing the corporate social responsibility (CSR) activities undertaken by the PARCO Group. In March 2005, these efforts culminated in the establishment of the CSR Committee, chaired by the President. The purpose of the CSR Committee is to raise corporate value through the realization of our Corporate Mission. The Committee oversees the CSR efforts of the PARCO Group and determines the principles and priorities of CSR activities. In practice, the Customer Satisfaction (CS) Committee and the Risk Management Committee cooperate with the CSR Committee to promote CSR activities across the entire company.

**Structure of PARCO’s Corporate Mission**

- **Corporate Mission**
  - Creating futuristic, innovative spaces that brim with hospitality, providing a beautiful experience for people visiting our stores, and helping our tenants prosper.

- **Structure of Corporate Mission**

  - **Customer Value**
    - Ensuring our visitors a delightful experience
  - **Operational Value**
    - Innovation
    - Originality
    - Recognition
  - **Sphere of Operations (Domain)**
    - Creation of shopping space
    - Improving Financial Value
    - Human Resource Value

**Ten Action Guidelines**

The business of the Company is the result of the daily actions of employees. In this context, every action must align with the Corporate Mission.

Therefore, we established the Ten Action Guidelines for PARCO employees to reflect the Corporate Mission in our daily activities.

**Commitment to Compliance**

As part of our efforts to develop a system of compliance, we have formulated the Basic Principles of Compliance and Guidelines of Conduct that must be followed by all employees. We also established an Internal Reporting System as a specialized means for receiving internal alerts and requests for consultation. We are further promoting internal education by distributing the "PARCO Employee Handbook," which contains guidelines on compliance activities for all officers and employees.

**Action Guidelines based on the Corporate Mission**

1. Customers come first
2. Maintain equal partnership with tenants
3. Innovation
4. Originality
5. Hospitality
6. Responsibility and sincerity
7. Spirit of challenge and enthusiasm
8. Individuals with a sense of community
9. Cooperate with others
10. Growth and development

**Action Guidelines for Good Corporate Citizenship**

- Professionalism
- Responsibility
- Public awareness
- Integrity
- Openness
- Innovation
- Credibility
- Employees' contribution
- Social responsibility
- Diversity
Bringing All Our Core Competencies Together to Maximize Group Value

PARCO offers unique specialty stores and services centered on its Development Business, which operates PARCO stores throughout Japan. The PARCO Network is the backbone of the enterprise, and PARCO companies maximize its value by tapping into accumulated expertise and the synergies among Network companies. PARCO Network companies not only provide services to the Network, but also develop new businesses and services outside PARCO stores in line with a growth strategy that is based on the core competencies of each business. Information, expertise and knowledge gained through these efforts are shared throughout the PARCO Network and incorporated into future strategies.
In fiscal 2004 we implemented a series of store renovation projects that included Shibuya PARCO PART3 and Nagoya PARCO, based on our "complex-by-complex" approach and responding to the scale and market requirements of each store. Total renovations in fiscal 2004 involved 806 tenants and approximately 93,100m². Sales generated by the renovated segments grew by 16.7% compared with the previous fiscal year. We also opened Polo Shiodome, our first entry into an office building shopping complex.

Nevertheless, the slow recovery of some stores due to competition and the drop in sales during large-scale renovation work resulted in net sales falling 2.4% year-on-year to ¥236.41 billion and operating income declining 6.2% to ¥77.57 billion. In fiscal 2005 ended February 2006, the first year of our Five-Year Medium-Term Management Plan, we will prepare for the opening of the Uraya PARCO and Sendai PARCO while working to achieve the plan’s goals.

Leveraging Our Total Producing Capability to Become a Commercial Developer with a Formidable Market Presence

Promoting Effective Operations by Energizing Sales at Existing Stores

The mission of the Store Management Department is to raise the market presence of PARCO stores. The department fulfills this mission by establishing policies and offering management support for the existing nineteen stores, based on our "complex-by-complex" approach, which benefits from our total producing ability as a shopping complex developer. Equal partnership, that is, seeking to achieve growth alongside tenant companies, is the fundamental concept underlying the department's activities. For example, the PARCO Director’s Club (PDC) for owners with medium-sized tenants, PARCO Director’s Club (PDC) for the development and promotion of PARCO's unique store concept, holds Tenant Training Seminars to provide opportunities for acquiring practical know-how, such as wrapping and display skills. We also organized PARCO Directors’ Club (PDC) for owners with medium-sized tenants, PARCO Directors’ Club (PDC) for the development and promotion of PARCO's unique store concept, at PARCO’s headquarters to discuss various topics in the retail industry, conducts tours and analyses overseas shopping centers to provide innovative concepts and perspectives as well as understanding of consumer trends. In fiscal 2004, the Store Policy Section was established within the Store Management Department to establish closer cooperation between the division and individual PARCO stores. We have been building on this system, starting in fiscal 2005, to promote our Effective Store Grouping Strategy for implementing fundamental reforms in our store operation approach. In contrast with conventional store categories such as city, neighborhood, and suburb, strategic store grouping designs a grouping structure based on comprehensive market analysis and clarification of the current building framework and store operation scheme for each PARCO store. The goal is to heighten inter-company cooperation through the synergies generated by PARCO’s corporate abilities and tenant mobility. This division takes the lead in proposing market development and increasing customer visits by presenting original products and business models according to theme, items, and grouping, as well as innovative zoning. The Store Policy Section was accordingly renamed the Marketing Development Section, with the role of establishing a system for faster, more precise decision-making on mid- to long-term growth strategies for PARCO and its tenants.
Creating Advertisements and Promotions that Effectively Generate Excitement in the Market

The mission for the Advertisement & Promotion Department is to ensure that PARCO is consistently at the forefront of the market. We utilize our strong customer database to effectively target PARCO’s current and potential customers by raising public awareness of our diverse content and our brand.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Shinsaibashi, Osaka, in 1991, and Hiroshima in 2001. CLUB QUATTRO has established a position as the only live performance venue in the industry that operates a chain at four sites opening in each of the provinces.

We implemented a major redesign of "FLYER," our free monthly paper, starting with the March 2005 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

Creating Advertisements and Promotions that Effectively Generate Excitement in the Market

In fiscal 2004, PARCO Theater staged 297 exciting performances, including new plays by Kankuro Kudo ("Don-Ju"), Hiroshi Goto ("Midsummer Carol"), and Koki Mitani ("Naniwa Butterfly"). We also produced and performed by Akihiro Miwa, at sites outside PARCO, which we own distribution rights, and "SWING GIRLS," another hit film which made its world premiere at the Tokyo International Film Festival in 2004. We also cultivated new customers PARCO; and the 10th anniversary of Ikebukuro PARCO, which was held in May. We also presented the 100th anniversary of PARCO PARCO Grand Bazar, which features popular items from our PARCO stores.

In addition, we improved the effectiveness of advertising and promotion using IT to deliver real-time information and through the development of PEC Card International, PARCO's shopping card, as a personal, interactive communication tool. The dynamic integration of these methods reflects PARCO's innovative advertising approach for successfully gaining the appreciation of the market.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Shinsaibashi, Osaka, in 1991, and Hiroshima in 2001. CLUB QUATTRO has established a position as the only live performance venue in the industry that operates a chain at four sites opening in each of the provinces.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

Offering a Distinctive Publishing Business Based on PARCO’s Unique Perspective and Network

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

Offering a Distinctive Publishing Business Based on PARCO’s Unique Perspective and Network

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.

In fiscal 2004, PARCO undertook a broad range of publishing, from art books and novels to practical guides and original calendars. The overwhelming popularity of books by Akihiro Miwa continues with the publication of the 2004 issue. Under the theme of "LIVE & DIRECT," we provide multifaceted coverage of the music entertainment scene by focusing on CLUB QUATTRO, we also undertake management of young artists, planning and gathering the latest bands and quality artists at the cutting edge of style and culture, from Japan and overseas, based on PARCO's unique perspective and network.
Shibuya PARCO

Proposing Sophisticated Urban Lifestyles through a Series of Major Renovation Projects

Having started with large-scale renovations during our 30th anniversary in 2003, our ongoing innovation efforts at Shibuya PARCO reached their final stage with the completion of the full-scale renewal of PART2 and renovation of the upper floors of PART2 in autumn 2004. In PART2, we offer a varied assortment of 90 shops, including many that were making their Tokyo debut, with each floor organized around a different concept. We also installed a new escalator in the center of the building and created an open environment through the generous application of glass in the exterior walls on the first and second floors. In PART2, we increased the space for interior goods and amenities to offer high-class lifestyle targeting adult couples. Virtually reborn as the result of renovation work, Shibuya PARCO will continue setting the trend for urban lifestyles.

Opening Annex for a Broader Customer Base and Pursuing the Next Stage of Sapporo PARCO

General Manager of Sapporo PARCO: Hiroshi Shinozuka

Sapporo PARCO, which celebrates its 30th anniversary in 2005, has long led Sapporo’s young fashion market as a trend-setter at the cutting edge of fashion. However, competition has intensified in recent years with the growth of a major commercial zone in the nearby area. Against this background, the Sapporo PARCO Annex opened in March 2005. The goal was to spark renewed recognition of Sapporo PARCO by creating a commercial zone where couples and families could enjoy shopping right next to the Main Building, with its steadfast focus on young fashion, and to enhance the appeal of the area surrounding Sapporo PARCO. The Annex is offering new tenants with strong impact for shoppers, including six new shops. ZARA, a popular Spanish brand that operates over 600 shops worldwide, is making its debut in Sapporo. We also implemented renovations to bring out the synergy between the two buildings, including significant enhancements to the seventh floor accessory zone and the eighth floor for restaurants. Virtually reborn as the result of renovation work, Sapporo PARCO will continue setting the trend for urban lifestyles.

Kichijoji PARCO

Casting a Spotlight on PARCO’s Presence and Enhancing Its Appeal as a Key Element of the Town

General Manager of Kichijoji PARCO: Kazuko Hamada

Kichijoji is a town characterized by commercial complexes and roadside shops, each with its own unique presence amid the town’s unified commercial zone. Since 2000, Kichijoji PARCO has undergone significant renovation to reinforce its position as a leading fashion destination. As a result, we have maintained solid performance for four consecutive years in terms of year-on-year sales growth.

In renovations undertaken during spring 2005, seventeen new shops were introduced and eight shops were updated to project a fresh, new appeal. The second floor in particular was upgraded to satisfy our target market of adult women with sophisticated tastes, by offering urban select shop OW and LUNI wool, a brand that participates in the Tokyo Collection. We also significantly bolstered the seventh floor children’s brands with a selection of distinctive labels such as adidas kids shop KICHLIOJ, the first Kids Shop launched by the world famous multi-sports brand “adidas.” In addition, we created an infant care room with an area for nursing and installed benches beside escalators to offer customers greater comfort and convenience.

Autumn 2005 marks the 25th anniversary of Kichijoji PARCO. We hope to continue highlighting our presence as we contribute to the overall appeal of the entire town.

Nagoya PARCO

Implementing Renovations to Boost the Overall Impact of the Building in the Face of Intensifying Competition

Composed of the West, East and South Buildings, Nagoya PARCO is the largest of the PARCO stores. We accommodate over 300 shops offering fashion, accessories, sports, interior goods and music, a movie theater, a fitness club, and a hotel. We celebrated our 15th anniversary in 2004. The main customer base has expanded from the younger generation, our main customers when we first opened, to women in their late twenties and second-generation baby boomer families. We have responded with a full-scale renovation of the Kids Zone in summer 2004, giving the sales floor a highly fashionable taste comparable to floors for adult clothing. We also implemented a large-scale renewal of the ladies’ floor from autumn 2004 to spring 2005 to enhance the fashion aspect for adults and couples with discerning tastes. Nagoya PARCO will continue to improve its sophisticated image to further improve our position in the market.
The mission of the New Project Development Department is to utilize PARCO’s total productive value by expediting new businesses, ranging from new store development, M&A projects, and new business derived from the process of developing shopping complexes. In exploring development projects, we conduct detailed feasibility studies to analyze business opportunities, drawing upon extensive data on competitive conditions, the formulation of target strategies, and plans for attracting tenants. We develop new stores with a focus on major metropolitan areas with large populations.

Once we have determined our commercial strategy, we begin planning for merchandise composition and promptly negotiate locations using our tenant database. Cross-functional collaboration with the Facility Management Department on Web Access, a pioneer in street marketing based on fixed-point operation and a popular Web-based magazine that has passed the 1.5 million page-view mark by approximately 200,000 unique visitors. Other new projects include individual projects commissioned by clients, marketing for existing stores, and providing support for store planning projects.

The mission of the New Project Development Department is to utilize PARCO’s total productive value by expediting new businesses, ranging from new store development, M&A projects, and new business derived from the process of developing shopping complexes. In exploring development projects, we conduct detailed feasibility studies to analyze business opportunities, drawing upon extensive data on competitive conditions, the formulation of target strategies, and plans for attracting tenants. We develop new stores with a focus on major metropolitan areas with large populations.

Once we have determined our commercial strategy, we begin planning for merchandise composition and promptly negotiate locations using our tenant database. Cross-functional collaboration with the Facility Management Department on Web Access, a pioneer in street marketing based on fixed-point operation and a popular Web-based magazine that has passed the 1.5 million page-view mark by approximately 200,000 unique visitors. Other new projects include individual projects commissioned by clients, marketing for existing stores, and providing support for store planning projects.

The mission of the New Project Development Department is to utilize PARCO’s total productive value by expediting new businesses, ranging from new store development, M&A projects, and new business derived from the process of developing shopping complexes. In exploring development projects, we conduct detailed feasibility studies to analyze business opportunities, drawing upon extensive data on competitive conditions, the formulation of target strategies, and plans for attracting tenants. We develop new stores with a focus on major metropolitan areas with large populations.

Once we have determined our commercial strategy, we begin planning for merchandise composition and promptly negotiate locations using our tenant database. Cross-functional collaboration with the Facility Management Department on Web Access, a pioneer in street marketing based on fixed-point operation and a popular Web-based magazine that has passed the 1.5 million page-view mark by approximately 200,000 unique visitors. Other new projects include individual projects commissioned by clients, marketing for existing stores, and providing support for store planning projects.
In fiscal 2004, we observed a considerable increase in contracts from Janzen for building interior works related to renovations of large-scale stores, such as Shibuya PARCO PORT3, with additional contracts from shopping complexes and external developers to which we provide consulting services. We also actively pursued new businesses, including an agency business for handling new products and a call center business, while continuing to cut costs and improve our operation, which led to an improvement in our profit margin. As a result, we reported net sales of ¥35.729 billion, up 5.1% compared with the previous fiscal year, and a significant leap in operating income to ¥589 million, up 301.8% year on year. In fiscal 2005, we will aggressively develop new businesses and cultivate and strengthen businesses with growth potential.

PARCO SPACE SYSTEMS CO., LTD. (PSS)

Evolving into a Unique Company Offering Extensive Expertise and Services in the Development and Operation of Shopping Complexes

PARCO SPACE SYSTEMS CO., LTD. (PSS) steadfastly monitors market trends, such as commercial properties and the realignment of shopping complexes caused by intensifying competition. Its mission as a strategic company of the PARCO Network is to create new-income-generating businesses in collaboration with PARCO to contribute to Network income by independently developing businesses. The Space Production Division has been handling environmental design, building interior supervision and interiors for PARCO stores. We provide a broad range of expertise, with respect to building interior supervision, and we are involved in design direction, promotion and management. We also aggressively expand sales outside the Network, as in our agency business, in which we seek to meet such needs as greater operating efficiency, cost reduction and environmental responsibility by handling new products, including ultra-hard, semi-permanent coating materials and nonpolluting construction methods that do not generate cloth waste, to prevent "sick building" syndrome.

In fiscal 2005, we established the Development Business Division to provide services and products that represent the ideal of shopping complexes caused by intensifying competition. Therefore we set up the Quality Audit Office to address these issues and to enhance customer satisfaction. We plan to raise the overall capabilities of PSS by utilizing the cross-organizational functions of each division to grasp the changes underway, while developing business services and products that represent the highest levels of expertise. We are committed to taking the next leap toward becoming a company with strong market competences. We will nurture and strengthen the brand as a "annabeille" from 2 stores in fiscal 2004 to 21. In particular, we intend to expand "annabeille" as a fifth business by aggressively seeking store locations outside PARCO stores, including the launching of stores within urban shopping centers that are currently undergoing a rash of new store openings in addition to existing locations in urban areas.

NEUVE A CO., LTD.

Maintaining the Concept of a Specialty Store for Fashion Accessories

President Daizaburo Suzuki

NEUVE A focuses on the concept of a specialty shop for fashion accessories and operates a variety of specialty stores including TIC TRADER as a specialty shop for fashion accessories, POKER FACE watches as fashion accessories, POKER FACE for glasses, COLLECTORS for men's items, ROSEMARY for cosmetics and cosmetic accessories, and "annabeille," a specialty store for women's fashion accessories that was newly established last fiscal. We develop innovative business models for unique shops that serve consumers seeking new lifestyles not provided for by other stores. Since our establishment in 2001, we have been honing the management of our portfolio, comprising five specialty stores with different target customers and product composition, to steadily strengthen our financial standing and solidify our business base. We will further accelerate the pace of new store openings by each specialty store starting in fiscal 2005 under our new Five-Year Medium-Term Management Plan, which ends in fiscal 2009. In particular, we intend to expand "annabeille" from 2 stores in fiscal 2004 to 21. We will nurture and strengthen the brand as a fifth business by aggressively seeking store locations outside PARCO stores, including the launching of stores within urban shopping centers that are currently undergoing a rash of new store openings in addition to existing locations in urban areas.

PALM GARDEN CO., LTD.

Keeping an Eye on the Future as a Community-Based, Trendsetters Specialty Food Company

Formerly a specialty liquor store, Palm Garden was transformed and re-launched in March 2003 as a comprehensive food company. We operate three major business models: Palm Garden, a specialty supermarket; Food Market, a total food store for department store settings; and Vino Mercato, a specialty liquor shop that mainly handles wines. The stores are located at PARCO in Shinjuku, Shibuya, Hibiya, Kariya and Shizuoka. We have also opened Palm Garden in Shibuya and Tanashi stores. Having celebrated our 10th anniversary, we are proposing new specialty store business models. As the official representatives for Harley-Davidson Japan, we sell motorcycles, parts, and goods, and provide related services at the Shibuya and Tanashi stores. Having celebrated our 10th anniversary, we are proposing new specialty store business models. We are focusing on the launching of specialty stores that cater to motorcycle customers and have a presence in areas that are traditionally considered motorcycle culture havens. Palm Garden is committed to being a company that offers a variety of products and services to cater to the needs of motorcycle enthusiasts. We will continue to focus on our existing store locations and expand into new areas, always striving to meet the evolving needs of our customers.

HARLEY-DAVIDSON CITY CO., LTD.

Winning the Satisfaction, Excitement and Loyalty of Customers by Proposing New Motorcycle Lifestyles

President Tomohiro Mochida

We will actively implement a unique approach for bolstering merchandise targeting women by planning joint stores by the "annabeille" ROSEMARY. We will also focus attention on existing stores and aim for further growth as a company with a unique specialty store business model. http://www.neuve-a.com/
PARCO-CITY is responsible for the IT operations of the PARCO Network and the customer communication business, such as planning for PEC cards, while also expanding into Web-based customer communication services outside the Network. We obtained TRUSTe certification for protecting personal information for the safe handling of customer information and enhanced information-related security. HOTEL NEW CRESTON CO., LTD. continues to operate four hotels, including the Nagoya Creston Hotel and Chofu Creston Hotel, which serve as magnets that attract customers to PARCO stores. As a result, in fiscal 2004 we reported net sales of ¥2,511 billion, down 17.0% from the previous fiscal year, and operating income of ¥791 million, compared with an operating loss of ¥400 million in the previous year.

PARCO-CITY CO., LTD.

Offering Communication Consulting by Integrating Our IT and CRM Expertise

PARCO-CITY was established in 2000 as a specialized group pursuing Internet businesses. Since then, we have forged closer ties between PARCO and its customers through Web sites and e-mail distribution, and accumulated a wealth of IT expertise in the areas of online shopping, customer data management and various surveys and analyses. We have expanded our business domains to personnel and IR, which constitute a communication business with stakeholders other than our customers. The expertise and services cultivated through our actual businesses with PARCO have won the acclaim of companies outside the PARCO Network for the abundance of experience and practicality, allowing us to grow to the point of providing such services to numerous shopping centers and retail franchises.

Since 2003, we have added planning and operation of PARCO’s shopping card, PEC Card International, to our business. While upgrading our business execution abilities by analyzing purchasing data and survey results, planning direct mailings and editing “PEC-NEWS,” a magazine for cardholders, we have systematically organized our CRM expertise for optimizing customer relations and improving customer satisfaction.

We are actively involved in supporting corporate customer relations as a communication consulting company, drawing upon our expertise in three areas we have cultivated over the years: marketing support for shopping complexes, IT utilization geared to practical application, and CRM solutions. In addition, we are developing and providing a wide range of services for the mutual benefit and sustained prosperity of customers, clients, and for ourselves by offering solutions for a variety of issues, such as building a loyal customer base, business process reengineering, and improving the value of brands.

HOTEL NEW CRESTON CO., LTD.

Developing a Unique Business that Touches the Hearts of Customers

HOTEL NEW CRESTON operates hotels in four locations — in the upper floors of Nagoya PARCO and Chofu PARCO, in Shibuya, and in Izu. We endeavor to provide conscientious service brimming with hospitality under the motto of “service that touches the heartstrings of customers.” We focus on providing such creative services as planning of unique wedding ceremonies tailored to the needs of individual customers, and providing healthy menus with a rich seasonal variety, featuring ingredients that our chefs have inspected and selected at food markets to ensure quality and safety. Our goal is to be a unique hotel operator through such actions as eliminating service charges commonly practiced in the hotel industry.

Financial Section

Contents

Financial Review

Financial Statements 31-36

Consolidated Balance Sheets ........................................... 37

Consolidated Statements of Income ................................ 39

Consolidated Statements of Shareholders’ Equity ............ 40

Consolidated Statements of Cash Flows .......................... 41

Notes to the Consolidated Financial Statements 42

Report of Independent Auditors 50

Selected Financial Data for Principal Companies of the PARCO Group 51
Financial Review

Consolidated Financial Highlights


- Historical
- Adjusted by the weighted average number of shares
- U.S. dollar amounts have been translated, for convenience only, at the rate of ¥104 = US$1

Overview

In fiscal 2004, the Japanese economy generally followed a path of gradual recovery, corporate profitability improved on the back of export growth and increased capital investment. The business environment for the retail sector, however, remained harsh due to unpredictable weather conditions and the second summer flood and a series of typhoons, as well as intensifying corporate competition that led to the construction of a flood of new large-scale shopping centers.

Under these circumstances, the PARCO Group companies focused on

their core businesses. In line with these efforts, the Group implemented aggressive sales activities by refocusing existing PARCO stores and opening new stores, and improved its financial structure by selling treasury stock and applying impairment accounting to fixed assets.

The PARCO Group consolidated all of its 10 subsidiaries and applied treasury stock and applying impairment accounting to fixed assets.

• Development Business
  The PARCO Group continued to refashion existing stores, create new stores, and plan sales. With respect to existing stores, a series of refurbishment projects was implemented appropriate to the site, market condition, and status of competition for each store. Efforts were also made to acquire new tenants based on the “complex-by-complex” policy. In the areas of facilities and environment, the objective was to create shopping facilities that are comfortable, clean and pleasant to use and services and spaces which are customer-friendly.

• Shibuya PARCO
  Following completion in 2004 renewal of the Fourth Floor, PARCO Business was fully renovated in September following the renovation of the upper two floors in PARCO Business in October. In addition to enhancing customer conveniences by installing a new down escalator, a liberating, expansive space was created for PARCO by allowing natural light to stream in through the glassed sections of the first and second floors. This completes the full renovation of buildings in the Shibuya area, thereby strengthening the presence of each building and enhancing their synergy. (Scale of renovation: 105 tenants, 9,710 m²)

• Nihonbashi PARCO
  For the first time since their opening, renovations were completed for the children’s wear zone on the 8th Floor of the West Building, as well as the fashion zone on the 3rd and 4th Floors of the West Building, and the South Building. These efforts were implemented in anticipation of competition with the new annex Mitsukoshi LACHIC, which is scheduled to open in March 2005. Efforts were also made to broaden the customer base and attract new customers by creating a fashion zone for adult women, enhancing responsiveness to younger family members and, in particular, turning over tenants in the young fashion zone.

• Shin-Tokorozawa PARCO
  PARCO Food Floor was completely renovated, and tenants that support quality lifestyles were introduced or reorganized to enhance customer movement, encouraging customers to enjoy shopping throughout the entire building. (Scale of renovation: 36 tenants, 6,500 m²)

• Development

The PARCO Group’s consolidated net sales for fiscal 2004 decreased by ¥3,632 billion, or 2.4% year-on-year, to ¥3,632 billion, although the number of customers declined to 97.7% of the level in the previous year.

With respect to new store openings, Pedi Shiodome was opened in March 2005 in preparation for its 30th anniversary. Other openings included the Uneva Station East Exit Store (floor area: 87,800 m²) in Saitama City; Saitama Prefecture, in autumn 2007, and the Sendai Station West Exit Store (floor area: 26,000 m²) in spring 2008.

Operating Results

Net Sales

The PARCO Group’s consolidated net sales for fiscal 2004 decreased by ¥2,938 billion, or 8.0%, from the previous year, to ¥35,625 billion. Reduced sales resulting from the sale of a subsidiary in Retail Business and the effects of intensified competition in the Development Business dampened the increased sales in the Space Engineering and Management Business.

Performance by Segment

Retail Business

Other Business

Total

Net Sales and Operating Income (Loss) by Segment

*Net sales by segment include operating revenue.

Outline of the PARCO Group

Main Business

Development Business
Development, management, maintenance and operation of shopping centers

Space Engineering and Management Business
Designing and construction of building interiors, cleaning, security surveillance and maintenance of buildings

Retail Business
Sales of clothing and sundries

Other Business
IT-based customer communication services, hotel operation

Subsidiaries
PARCO CO., LTD.
PARCO (Singapore) Pte Ltd
Spaces Pan Pacific Retail Management Ltd and other affiliates
NIKE A, LTD., HARLEY-DAVIDSON CITY CO., LTD., PALM SANSUI, INC.
PARCO-CITY CO., LTD., HOTEL NEW CRESTON CO., LTD. and other affiliates

Subsidiaries
PARCO SPACE SYSTEMS CO., LTD. and other affiliate

Subsidiaries
PARCO (Singapore) Pte Ltd

Subsidiaries
Seiyo Investment (S) Pte Ltd owned by PARCO (Singapore) Pte Ltd were transferred to CapitaLand Retail (BJ) Investments Pte Ltd.

Subsidiaries
On April 14, 2005, shares of Seiyo Investment (S) Pte Ltd owned by PARCO (Singapore) Pte Ltd were transferred to CapitaLand Retail (BJ) Investments Pte Ltd.

Subsidiaries
Starting in fiscal 2004, Culture, IT & Other Business has been classified under Other Business.

Subsidiaries
In addition to the above, Mori Trust Holdings Inc. and Mori Trust Co., Ltd. also constitutes an affiliate.

Subsidiaries
In addition to the above, Mori Trust Holdings Inc. and Mori Trust Co., Ltd. also constitutes an affiliate.

Subsidiaries
In addition to the above, Mori Trust Holdings Inc. and Mori Trust Co., Ltd. also constitutes an affiliate.

Subsidiaries
In addition to the above, Mori Trust Holdings Inc. and Mori Trust Co., Ltd. also constitutes an affiliate.

* Figures in fiscal 2004, Culture, IT & Other Businesses have been classified in Other Business.

* On Nov. 14, 2004, shares of Seiyo Investments (S) Pte Ltd owned by PARCO (Singapore) Pte Ltd were transferred to CapitaLand Retail (BJ) Investments Pte Ltd.
The company also increased its contract for pre-opening support services for its Yakohiko Co., Ltd. Aki parking lot, scheduled to open in autumn 2005, on which the property rights transfers are being awarded to the company. As a result, net sales increased by ¥2.216 billion compared with the previous fiscal year, or 9.3%, to ¥25.729 billion (US$247 million).

Retail Business NEVEU CO., LTD., maintained its aggressive scrap-and-build approach, opening 16 new stores and the number of stores to 92. The company also broadened the appeal of existing stores by offering ¥1,200 million in sales and new features in a 4.1% year-on-year growth in sales, representing the fourth consecutive year of sales growth since its establishment.

However, due to the decrease in the number of consolidated companies, including the transfer of shares of LIBRO CO., LTD. during fiscal 2003 and of WAVE CO., LTD. during the fiscal year under review, net sales fell by ¥22.302 billion, or 8.4%, from the previous fiscal year to ¥153.200 billion (US$147 million).

*Other Business PARCO-DIVY CO., LTD. pursues its core business of IT management for the PARCO Group and customer communication services, such as planning services for PEC cards. At the same time, the company obtained accreditation for TRUS, a certification for protecting personal information, in an effort to strengthen its consulting capabilities and enhance information-related security.

Net sales decreased by ¥15.4 million, or 17%, compared with the previous fiscal year, to ¥51.5 billion (US$482 million).

**Gross Profit on Sales, SGA Expenses and Operating Income**

Gross profit on sales, exclusive of sales in the value-added tax system as of April 1, 2003, increased by ¥6.406 billion, or 14.9%, compared with the previous fiscal year, to ¥48.511 billion (US$457 million). The ratio of gross profit margin on sales has shown that our gross margin decreased by 1.0% from 15.2% in the previous fiscal year to 14.2%. Operating revenue increased by ¥11.8 billion, or 7.6%, to ¥154.0 billion (US$1.368 billion). Gross profit decreased by ¥9.284 billion, or 14.1%, to ¥35.127 billion (US$325 million). As a result, the ratio of gross profit margin to net sales dropped from 15.8% in the previous fiscal year to 14.3%. SGA expenses were significantly reduced, decreasing by ¥5.831 billion, or 16.4%, year-on-year to ¥29.722 billion (US$279 billion). Consequently, the ratio of SGA expenses to net sales fell by 1.1%, from 12.8% in the previous fiscal year to 11.7%. This decline was mainly due to the personnel reduction and decreased rent expenses related to the subcontracting of subsidiaries in the Retail business. As a result, operating income fell by ¥873 million, or 5.1%, compared with the previous fiscal year, to ¥16.1 billion. Gross profit margin improved by 2.2% in the previous fiscal year to 3.3%.

Operating income and operating income margin for the Development Business increased by ¥2.404 billion, or 16.4%, to ¥17.134 billion (US$1.585 billion), mainly due to the sale of a subsidiary that was reported in the operating income for the previous fiscal year. As a result, the operating income margin rose from 3.5% to 1.8%.

**Business Operating Income**

Operating income from the Retail Business fell significantly by ¥203 million, or 0.2%, to ¥277 million (US$311 million), mainly due to the sale of a subsidiary that was reported in the operating income for the previous fiscal year. As a result, the operating income margin rose from 1.5% to 1.8%.

**Other Business**

Operating income from the Other Business improved by ¥212 million to ¥79 million (US$0.7 million).

**Other Income and Expenses**

Other expenses increased by ¥368 million year-on-year, to ¥23.209 billion (US$217 million). Major factors included a ¥2.413 billion loss due to the early adoption of impairment accounting for fixed assets, with additional losses of ¥516 million and ¥695 million from the disposal of fixed assets; other income totaling ¥730 million, including proceeds from the sale of investment securities and fixed assets in non-core businesses; and an improved financial balance sheet due to reduced interest-bearing debt.

**Net Income**

As a result of the above, net income decreased by ¥1.048 billion, or 37.0%, compared with the previous fiscal year, to ¥1.742 billion (US$167 million). Net income per share fell from ¥30.97 in the previous fiscal year to ¥20.87. ROE (Return on Equity) declined from 5.1% to 3.0%.

**Dividends**

The company is committed to profit distribution in the form of stable dividends, taking into consideration business performance, financial condition and strengthen its management base by increasing internal retention ratio. The company declared a ¥2.345 billion decrease in notes receivable and accounts receivable. This decline was mainly due to a ¥4.056 billion decrease in cash and cash equivalents and a ¥2.465 billion decrease in notes receivable and accounts receivable.

**Net Income and Net Income Per Share**

Interest-bearing debt decreased significantly by ¥6.378 billion due to payments for fixed leasehold deposits and other factors. ROE (Return on Equity) declined from 3.7% in the previous fiscal year to 4.1%, due to a consistent effort to reduce total assets and an increase in ordinary income.

**Financial Position**

 assets decreased by ¥2,066 billion, or 15.5%, to ¥12,495 billion (US$116 billion). Interest-bearing debt decreased slightly from ¥18,809 billion, or 27.6%, to ¥18,732 billion (US$178 billion), due to reductions in short-term and long-term bank loans. 

**Liabilities**

Current liabilities decreased by ¥6,017 million, or 15.8%, to ¥49,939 billion (US$447 million), due to a ¥3,058 billion reduction in short-term bank loans. Long-term liabilities decreased by ¥13,264 billion, or 15.2%, to ¥76,951 billion (US$714 million), due to a ¥12,044 billion reduction in long-term bank loans.

While this led to a decline in the interest coverage ratio from 11.7 times to 11.4 times, the debt equity ratio improved significantly, from 1.23 times to 0.79 times.
Interest Coverage Ratio

Shareholders’ Equity

Management Strategy

Interest-Bearing Debt and Debt Equity Ratio

Cash Flows from Operating Activities

Corporate Data

Total Shareholders’ Equity and Equity Ratio

Total Shareholders’ Equity and Equity Ratio

Outlook

Cash Flows from Investing Activities

Cash Flows from Investing Activities

Cash Flows from Financing Activities

Cash Flows from Financing Activities

Fund Procurement and Liquidity Management

Cash and Cash Equivalents

Risks Related to Our Business

Risks Related to Our Business

Risks Related to Fixed Assets in Possession

Risks Related to Fixed Assets in Possession

Risks Related to the Protection of Personal Information

Risks Related to the Protection of Personal Information

Outlook

Some hope of recovery lies ahead for Japan’s economic outlook, driven by improvements in corporate profitability and increased capital investment. Nonetheless, a challenging business environment is expected to prevail in the retail industry, as the outlook for private consumption remains largely uncertain and competition continues to intensify. In the first year of the Five-Year Medium-Term Management Plan, the PARCO Group will strive to realize and develop businesses based on the Plan. Other initiatives include renovation plans for the existing PARCO stores and remodeling a store grouping strategy at some stores, while also strengthening operational capabilities.

Major Renovation Plans

<Japan PARCO>

In March 2005, Sapporo PARCO Annex opened on land adjacent to the existing store. The Annex brings together brand shops making their debut in Sapporo in an effort to provide fresh energy to the Sapporo market, which continues to evolve toward maturity. The Main Building will also undergo renovation, including merchandising development on this theme of elegance that is currently favored by young female office workers.

<Ikibukuro PARCO>

Renovation will be centered on the first floor of the Main Building, which serves as a central passage to the Ikebukuro Station concourse, and shops on the B1 Floor of the Main Building.

These projects will be followed by renovations at Nagoya PARCO

followed by Chiba PARCO.

In new store development, we will continue to prepare for the opening of stores at the Urawa Station East Exit and Sendai Station West Exit, while concurrently seeking to acquire giving concerns and property development through M&A.

We will also endeavor to initiate new businesses by transferring the property management operations of PARCO SPACE SYSTEMS CO., LTD., to PARCO CO., LTD., and paying due consideration to future prospects in property development for new stores. Our intent is to share management resources in the tenant leasing operations to achieve greater operational efficiency and generate a synergistic effect between our existing businesses.

To plant seeds for future expansion, NEUE A.C. CO., LTD. will aggressively open new stores, while also opening stores in the suburban market at the edge of the city to keep up with the accelerating pace of new openings of suburban shopping centers, toward our goal of developing a 100-store system.

The management base of PARCO SPACE SYSTEMS CO., LTD. will be reinforced by integrating the functions of building management operations within the PARCO Group.

Based on the above plans, for fiscal 2005, the PARCO Group is forecasting a sales increase of 12%, followed by Chiba PARCO on-year, operating income of ¥8.5 billion, up 0.7%, ordinary income of ¥8.2 billion, up 1.5%, and net income of ¥3.2 billion, up 83.6%.

PARCO Co., Ltd.

The PARCO Group is a global retailer and operating company that runs department stores, specialty stores, shopping complexes, and office buildings, as well as in the development and operation of sales and service businesses. The PARCO Group possesses personal information of its customers for marketing activities. Recognizing the seriousness of any leakage of personal information, the PARCO Group has established a system for managing personal information in order to combat any illegal use or leakage of such information.

The PARCO Group will not disclose personal information to third parties without the consent of the customer, except in cases of public disclosure. In addition, the PARCO Group will implement all necessary measures to ensure that personal information is protected, including physical, administrative and technical measures.

The PARCO Group will not disclose personal information to third parties without the consent of the customer, except in cases of public disclosure. In addition, the PARCO Group will implement all necessary measures to ensure that personal information is protected, including physical, administrative and technical measures.

The PARCO Group will not disclose personal information to third parties without the consent of the customer, except in cases of public disclosure. In addition, the PARCO Group will implement all necessary measures to ensure that personal information is protected, including physical, administrative and technical measures.

The PARCO Group will not disclose personal information to third parties without the consent of the customer, except in cases of public disclosure. In addition, the PARCO Group will implement all necessary measures to ensure that personal information is protected, including physical, administrative and technical measures.

The PARCO Group will not disclose personal information to third parties without the consent of the customer, except in cases of public disclosure. In addition, the PARCO Group will implement all necessary measures to ensure that personal information is protected, including physical, administrative and technical measures.

The PARCO Group will not disclose personal information to third parties without the consent of the customer, except in cases of public disclosure. In addition, the PARCO Group will implement all necessary measures to ensure that personal information is protected, including physical, administrative and technical measures.
### Consolidated Balance Sheets

**28th/29th February, 2003, 2004 and 2005**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits (Note 6 (1))</td>
<td>$16,830</td>
<td>¥18,670</td>
</tr>
<tr>
<td>Marketable securities (Note 6)</td>
<td>¥16,041</td>
<td>$16,769</td>
</tr>
<tr>
<td>Notes and accounts receivables:</td>
<td>43</td>
<td>10</td>
</tr>
<tr>
<td>Trade (Note 2 (14))</td>
<td>12,289</td>
<td>12,345</td>
</tr>
<tr>
<td>Other</td>
<td>1,847</td>
<td>1,077</td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>(25)</td>
<td>(22)</td>
</tr>
<tr>
<td>Inventories</td>
<td>8,920</td>
<td>9,141</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>1,089</td>
<td>787</td>
</tr>
<tr>
<td>Deferred tax assets (Note 13)</td>
<td>693</td>
<td>1,525</td>
</tr>
<tr>
<td>Total current assets</td>
<td>41,688</td>
<td>34,884</td>
</tr>
</tbody>
</table>

| Investments and advances: |               |                                   |
| Investment securities (Note 8) | 9,397 | 9,546 | 9,577 | 92,087 |
| Investments in and advances to affiliates | 5,255 | 4,648 | 4,938 | 47,481 |
| Other investments | 2,552 | 2,695 | 2,199 | 21,144 |
| 17,204 | 17,932 | 16,876 | 160,512 |

| Property and equipment (Note 10): |               |                                   |
| Store facilities, at cost | 155,402 | 152,125 | 154,410 | 1,484,712 |
| Less: Accumulated depreciation | (58,880) | (59,423) | (60,885) | (588,240) |
| Less: Accumulated impairment losses (Note 7) | (3,642) | (4,000) | (1,233) | (12,721) |
| 96,511 | 92,702 | 92,220 | 886,731 |

| Leasehold deposits and loans to lessors (Note 9) | 60,325 | 54,624 | 48,284 | 464,269 |

| Deferred tax assets (Note 13) | 4,288 | 2,327 | 2,699 | 25,952 |

| Other assets | 2,481 | 2,116 | 1,830 | 17,596 |

| Total assets | ¥222,541 | ¥203,688 | ¥187,993 | ¥1,807,625 |

The accompanying notes are an integral part of these statements.

### Liabilities

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term bank loans (Note 10)</td>
<td>18,670</td>
<td>¥18,670</td>
</tr>
<tr>
<td>Current portion of long-term debt (Note 10)</td>
<td>13,484</td>
<td>12,551</td>
</tr>
<tr>
<td>Notes and accounts payable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>25,725</td>
<td>25,892</td>
</tr>
<tr>
<td>Other</td>
<td>2,065</td>
<td>2,535</td>
</tr>
<tr>
<td>Accrued income taxes (Note 13)</td>
<td>446</td>
<td>804</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>2,576</td>
<td>2,473</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>3,204</td>
<td>3,133</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>66,613</td>
<td>54,452</td>
</tr>
</tbody>
</table>

| Long-term debt (Note 10) | 47,955 | 46,092 | 34,028 | 327,192 |
| Guarantee deposits received from tenants (Note 14) | 47,372 | 44,043 | 42,476 | 408,423 |
| Reserve for retirement benefits (Note 12) | 933 | 1,070 | 801 | 7,072 |
| Accrued retirement benefits for directors and statutory auditors (Note 2(10) | 626 | 384 | 63 | 606 |

| Other long-term liabilities | 114 | 8 | 281 | 2,702 |
| Total liabilities | 163,666 | 148,052 | 123,485 | 1,187,356 |

| MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES | 3,674 | 3,081 | 2,746 | 26,404 |

| SHAREHOLDERS' EQUITY: |               |                                   |
| Common stock: |               |                                   |
| Authorized: 131,000,000 shares at 28th/29th February, 2003, 2004 and 2005 (Note 19) | | |
| Issued: 78,306,282 shares at 28th February, 2003 and 78,531,506 shares at 29th February, 2004 and 82,210,781 shares at 28th February, 2005 (Note 19) | | |
| Capital surplus | 25,892 | 25,942 | 25,942 | 258,337 |
| Retained earnings | 5,189 | 7,332 | 8,385 | 80,625 |
| Net unrealized gains (losses) on securities | (506) | 314 | 465 | 4,471 |
| Foreign currency translation adjustments | 27 | (337) | (314) | (3,038) |
| Treasury stock | (712) | (4,043) | (750) | (7,212) |
| Total shareholders' equity | 55,209 | 54,575 | 51,780 | 593,846 |

| Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity | ¥222,541 | ¥203,688 | ¥187,993 | ¥1,807,625 |

The accompanying notes are an integral part of these statements.
### Consolidated Statements of Income

For the years ended 28th/29th February, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>¥297,614</td>
<td>¥291,478</td>
<td>¥357,625</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>251,597</td>
<td>238,562</td>
<td>221,111</td>
</tr>
<tr>
<td><strong>Other operating revenue</strong></td>
<td>46,016</td>
<td>42,915</td>
<td>38,513</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>47,627</td>
<td>44,448</td>
<td>38,183</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>39,273</td>
<td>35,553</td>
<td>29,722</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>8,348</td>
<td>8,894</td>
<td>8,441</td>
</tr>
</tbody>
</table>

**Other income (expenses):**

- Interest income: 90, 104, 131, 1,260
- Interest expenses: (1,371), (1,136), (971), (8,721)
- Equity in earnings of affiliates accounted for by the equity method: 201, 171, 204, 1,962
- Bonds lease expenses: (198), (18), (87), (8,721)
- Loss on disposal/sales of property and equipment: (2,094), (1,617), (1,212), (11,654)
- Loss on revaluation of fixed assets: (1,030)
- Loss on impairment of fixed assets (Note 7): (2,413), (23,202)
- Loss on write-down of investment securities: (1,524), (195)
- Loss on sales of investment securities: (7), (8)
- Gain on termination of substitutional portion of employees’ pension fund: 383
- Gain on sales of subsidiaries’ stocks: 435, 55, 529
- Provision for allowance for doubtful accounts: (930), (889), (8,346)
- Special allowance for retirement: (195), (245), (106), (1,010)
- Other net: 477, (297), 875, 8,413

**Income before income taxes and minority interests:**

4,115, 8,348, 4,201, 40,394

**Provision for income taxes:**

Current (Note 13): 580, 934, 2,333, 21,471
 Deferred (Note 13): 1,086, 432, 194, 1,865
 Total: 1,667, 1,367, 2,427, 23,337

**Minority interests:**

68, (30), 31, 298

Net income:

$2,373, $2,791, $1,742, $16,750

Per share (Note 2 (12i)): yeast

Net income, basic: $30.9, $37.0, $21.9, $0.210
Net income, diluted: 25.6, 36.6, 21.8, 0.210
Cash dividends, historical: $8.0, $8.0, $10.0, $0.098
Weighted average number of shares (thousands): 76,718, 75,499, 79,875, 79,675

The accompanying notes are an integral part of these statements.

### Consolidated Statements of Shareholders’ Equity

For the years ended 28th/29th February, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of shares issued and outstanding (thousands):</strong></td>
<td>76,718</td>
<td>75,499</td>
<td>79,875</td>
</tr>
<tr>
<td><strong>Common stock</strong></td>
<td>$258,337</td>
<td>$249,442</td>
<td>$243,923</td>
</tr>
<tr>
<td><strong>Capital surplus</strong></td>
<td>$260,644</td>
<td>$258,337</td>
<td>$255,337</td>
</tr>
<tr>
<td><strong>Retained earnings</strong></td>
<td>$30,625</td>
<td>$70,500</td>
<td>$70,500</td>
</tr>
</tbody>
</table>

**Balance at 28th February, 2000:**

|                      | $260,644 | $258,337| $255,337|
| **Net income for the year ended 28th February, 2003:** | —— | —— | —— |
| **Conversion of convertible bonds:** | 3,011 | 688 | 688 |
| **Cash dividends:** | —— | —— | —— |
| **Bonuses to directors and statutory auditors:** | —— | —— | —— |
| **Loss on sales of treasury stock:** | —— | —— | —— |

**Balance at 28th February, 2001:**

|                      | $255,337 | $258,337| $260,644|
| **Net income for the year ended 29th February, 2004:** | —— | —— | —— |
| **Decrease of consolidated subsidiaries:** | —— | —— | —— |
| **Conversion of convertible bonds:** | 225 | 50 | 50 |
| **Cash dividends:** | —— | —— | —— |
| **Bonuses to directors and statutory auditors:** | —— | —— | —— |
| **Loss on sales of treasury stock:** | —— | —— | —— |
| **Conversion of convertible bonds:** | 2,779 | 617 | 617 |
| **Cash dividends:** | —— | —— | —— |

**Balance at 29th February, 2004:**

|                      | $258,337 | $260,644| $260,644|
| **Cash dividends:** | —— | —— | —— |
| **Conversion of convertible bonds:** | 900 | 307 | 306 |
| **Gain on sales of treasury stock:** | —— | 815 | —— |
| **Conversion of convertible bonds:** | 2,779 | 617 | 617 |
| **Cash dividends:** | —— | —— | —— |

**Balance at 28th February, 2005:**

|                      | $260,644 | $260,644| $260,644|
| **Net income for the year ended 28th February, 2005:** | —— | —— | —— |
| **New shares issued:** | —— | —— | —— |
| **Conversion of convertible bonds:** | —— | —— | —— |
| **Cash dividends:** | —— | —— | —— |
| **Bonuses to directors and statutory auditors:** | —— | —— | —— |

**Balance at 29th February, 2005:**

|                      | $260,644 | $260,644| $260,644|
| **Bonuses to directors and statutory auditors:** | —— | —— | —— |
| **Cash dividends:** | —— | —— | —— |

The accompanying notes are an integral part of these statements.
The accompanying consolidated financial statements have been prepared from accounts and records maintained by PARCO CO., LTD. ("the Company") and its subsidiaries (together, the "Companies") in accordance with the provisions set forth in the Commercial Code and the Securities and Exchange Law of Japan, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to represent the consolidated financial position, results of operations and cash flows in accordance with principles and practices generally accepted in countries and jurisdictions other than Japan.

Relevant notes have been added, and certain reclassifications of cash flows and balances in the consolidated financial statements have been made to reflect an operating unit in Japan more familiar to readers outside Japan.

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of the Company and its 10 subsidiaries as at and for the year ended 28th February, 2005, and the above consolidated subsidiaries have been accounted for by the equity method.

The following notes are an integral part of these statements.

1.1 Basis of Presenting the Consolidated Financial Statements

The following notes are an integral part of these statements.

1.2 Elimination of Inter-Company Accounts

For the purposes of preparing the accompanying consolidated financial statements, all significant inter-company transactions, accounts balances and unrealized gains or losses on sales among the Companies have been eliminated entirely, and the portion attributable to minority interests has been charged to the consolidated income.

1.3 Difference between Cost of Investments and Equity in Net Assets

The excess of the cost over the underlying net equity in investments in subsidiaries and affiliated companies accounted for using the equity method of accounting is allocated to identifiable assets and liabilities based on fair values at the date of acquisition.

The unamortized residual value of the excess of the cost over the underlying net equity is recognized as "Difference between cost of investment and equity in net assets." The Company amortized "difference between cost of investment and equity in net assets" on a straight-line method over the estimated period of benefits of a period of five years, except the exception of minor amounts, which are charged to income in the year of acquisition.

1.4 Accounting for Investments in Affiliates

The Company had 4 affiliates in fiscal year ended 28th February, 2005. All of these affiliates have been accounted for by the equity method.

For the purposes of accounting by the equity method, for any investments in affiliates whose closing dates are not in agreement with that of the Company, the accounts of these affiliates at the closing dates of their respective fiscal year-ends are used.

1.5 Cash and Cash Equivalents

Cash and cash equivalents in the accompanying Consolidated Statements of Cash Flows are composed of cash on hand, bank deposits which can be withdrawn and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

1.6 Valuation of Securities

Marketable security portfolio and investment securities (non-current portfolio) listed on stock exchanges are stated at fair value (realized gains or losses are reflected in the "Shareholders’ Equity").

Securities without market quotations on stock exchanges are stated at cost, cost being determined by the moving-average method.

![Consolidated Statements of Cash Flows](image-url)

For the years ended 28th February, 2003, 2004 and 2005:

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>4,119</td>
<td>4,128</td>
</tr>
<tr>
<td>2004</td>
<td>4,135</td>
<td>4,213</td>
</tr>
<tr>
<td>2005</td>
<td>4,105</td>
<td>4,120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income before income taxes and minority interests</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes and minority interests</td>
<td>3,742</td>
<td>3,734</td>
<td>4,120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income before income taxes and minority interests</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes and minority interests</td>
<td>3,742</td>
<td>3,734</td>
<td>4,120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and cash equivalents at end of year (Note 6A)</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at end of year (Note 6A)</td>
<td>16,041</td>
<td>10,635</td>
<td>4,120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes to the Consolidated Financial Statements</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For the years ended 28th February, 2003, 2004 and 2005:</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying consolidated financial statements include the accounts of the Company and its 10 subsidiaries as at and for the year ended 28th February, 2005, and the above consolidated subsidiaries have been accounted for by the equity method.

The following notes are an integral part of these statements.

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from accounts and records maintained by PARCO CO., LTD. ("the Company") and its subsidiaries (together, the "Companies") in accordance with the provisions set forth in the Commercial Code and the Securities and Exchange Law of Japan, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to represent the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Relevant notes have been added, and certain reclassifications of cash flows and balances in the consolidated financial statements have been made to reflect an operating unit in Japan more familiar to readers outside Japan.

1.2 Elimination of Inter-Company Accounts

For the purposes of preparing the accompanying consolidated financial statements, all significant inter-company transactions, accounts balances and unrealized gains or losses on sales among the Companies have been eliminated entirely, and the portion attributable to minority interests has been charged to the consolidated income.

1.3 Difference between Cost of Investments and Equity in Net Assets

The excess of the cost over the underlying net equity in investments in subsidiaries and affiliated companies accounted for using the equity method of accounting is allocated to identifiable assets and liabilities based on fair values at the date of acquisition.

The unamortized residual value of the excess of the cost over the underlying net equity is recognized as "Difference between cost of investment and equity in net assets." The Company amortized "difference between cost of investment and equity in net assets" on a straight-line method over the estimated period of benefits of a period of five years, except the exception of minor amounts, which are charged to income in the year of acquisition.

1.4 Accounting for Investments in Affiliates

The Company had 4 affiliates in fiscal year ended 28th February, 2005. All of these affiliates have been accounted for by the equity method.

For the purposes of accounting by the equity method, for any investments in affiliates whose closing dates are not in agreement with that of the Company, the accounts of these affiliates at the closing dates of their respective fiscal year-ends are used.

1.5 Cash and Cash Equivalents

Cash and cash equivalents in the accompanying Consolidated Statements of Cash Flows are composed of cash on hand, bank deposits which can be withdrawn and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

1.6 Valuation of Securities

Marketable security portfolio and investment securities (non-current portfolio) listed on stock exchanges are stated at fair value (realized gains or losses are reflected in the "Shareholders’ Equity").

Securities without market quotations on stock exchanges are stated at cost, cost being determined by the moving-average method.

The following notes are an integral part of these statements.
(11) Accounting for Leases
Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, while those leases which do not transfer ownership of the assets at the end of the lease terms are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(12) Net Income and Dividends per Share
Basic net income per share is based upon the weighted average number of shares outstanding during each year.

Diluted net income per share is computed to reflect the dilutive effect on net income assuming potential issues of new shares of common stock upon conversion of convertible debt securities and exercise of warrants outstanding with the related reduction of interest expenses.

Cash dividends per share represent dividends declared as a percentage of the number of common shares outstanding at year-end. These dividends are declared in Japanese yen, which are stated in millions of yen by discarding fractional amounts.

(13) Accounting for Consumption Tax
Taxation on sales in Japan is levied based on a value-added tax system. Consumption tax paid by the Companies on their purchases of goods and services is not deductible as an asset. In the accompanying Consolidated Statements of Income, each account item is presented in United States dollars at ¥ 104 = US$1 or at any other rate.

(14) Appropriation of Retained Earnings
In accordance with customary practice in Japan, appropriation of retained earnings is not reflected in the financial statements for the period to which it related, but is recorded in the subsequent accounting period after the approval of board of directors has been obtained.

3. Japanese Yen Amounts and United States Dollar Amounts
The financial statements presented herein are expressed in Japanese yen, which are stated in millions of yen by discarding fractional amounts.

(15) Appropriation of Retained Earnings
In accordance with customary practice in Japan, appropriation of retained earnings is not reflected in the financial statements for the period to which it related, but is recorded in the subsequent accounting period after the approval of board of directors has been obtained.

4. Accounting Standard for Impairment of Fixed Assets
On 5th August, 2002, the Companies adopted “Accounting Standards for Impairment of Fixed Assets” and, on 30th October, 2003, the Accounting Standard Board of Japan issued the Financial Accounting Standards Implementation Guidance No. 6 “Implementation Guidance for Accounting Standards for Impairment of Fixed Assets”. These standards require that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

These standards shall be effective from the fiscal years beginning 1st March, 2003. However, earlier adoption is permitted for the fiscal year ending between 28th February, 2005 and 28th February, 2006. The Companies accounts for the matured notes as redeemed on their maturity date.

(16) Appropriation of Retained Earnings
In accordance with customary practice in Japan, appropriation of retained earnings is not reflected in the financial statements for the period to which it related, but is recorded in the subsequent accounting period after the approval of board of directors has been obtained.

5. Changes in Presentation of Accounts
(17) Shareholders’ Equity
The Company and its consolidated subsidiaries adopted a new provision on adoption of the “Cabinet Ordinance to amend part of the Regulation on Terminology, Forms, and Preparation Method for Financial Statements” effective the year ended 28th February, 2003, and shareholders’ equity includes common stock and capital surplus, respectively, on previous years.

(18) Accounting Standard for Treasury Stock and Reduction of Legal Reserves
The Companies and its consolidated subsidiaries adopted “Accounting Standard for Treasury Stock and Reduction of Legal Reserves” (Accounting standard No.1) effective from the year ended 29th February, 2003. The adoption of the standard did not have a significant impact on the Company’s result of operations.

(1) Cash and cash equivalents
The balance of “Cash and cash equivalents” included in the accompanying Consolidated Balance Sheets as at 28th/29th February, 2003, 2004 and 2005 is reconciled to the balance of “Cash and cash equivalents at end of year”, which is presented in the accompanying Consolidated Statements of Cash Flows for the year ended 28th/29th February, 2003, 2004 and 2005, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>¥ 50,004</td>
<td>$115,231</td>
</tr>
<tr>
<td>2004</td>
<td>¥ 56,041</td>
<td>$121,188</td>
</tr>
<tr>
<td>2005</td>
<td>¥ 50,594</td>
<td>$115,231</td>
</tr>
</tbody>
</table>

Increase in “Common stock” from conversion of convertible bonds payable:

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ 608</th>
<th>¥ 50</th>
<th>¥ 617</th>
<th>¥ 5,933</th>
</tr>
</thead>
</table>

Increase in “Additional paid-in capital” from conversion of convertible bonds payable:

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ 50</th>
<th>¥ 617</th>
<th>¥ 5,933</th>
</tr>
</thead>
</table>

(2) Non-Cash Financing Activities
Significant non-cash transactions in the year ended 28th/29th February, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>¥ 16,830</td>
<td>$170,702</td>
</tr>
<tr>
<td>2004</td>
<td>¥ 18,522</td>
<td>$194,392</td>
</tr>
<tr>
<td>2005</td>
<td>¥ 15,480</td>
<td>$165,231</td>
</tr>
</tbody>
</table>

(3) Assets and Liabilities of the Company that is no longer a Consolidated Subsidiary
The assets and liabilities of the Company’s former subsidiary excluded from the scope of consolidation as a result of divestment were as follows:

LIBRO CO., LTD. was divested in the year ended 28th/29th February, 2003.

As of 28th February, 2003

<table>
<thead>
<tr>
<th>Current assets</th>
<th>¥ 8,128</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>¥ 2,183</td>
</tr>
<tr>
<td>Total assets</td>
<td>¥ 10,311</td>
</tr>
</tbody>
</table>

Current liabilities:

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>¥ 8,762</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>¥ 8,762</td>
</tr>
</tbody>
</table>
7. Impairment of Fixed Assets
The Companies recorded impairment losses on the following asset groups during this fiscal year.

As of 28th/29th February, 2003, 2004 and 2005, the acquisition cost and amounts on the consolidated balance sheets of other securities that have market prices are summarized below:

<table>
<thead>
<tr>
<th>Store</th>
<th>Balance Sheet Amount</th>
<th>Book Value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>PARCO, LTD</td>
<td>¥1,727</td>
<td>¥1,037</td>
<td>¥690</td>
</tr>
<tr>
<td>PARCO, LTD</td>
<td>¥209</td>
<td>¥2,010</td>
<td>—</td>
</tr>
<tr>
<td>PARCO, LTD</td>
<td>¥332</td>
<td>¥3,192</td>
<td>—</td>
</tr>
<tr>
<td>PARCO, LTD</td>
<td>¥498</td>
<td>¥4,788</td>
<td>—</td>
</tr>
<tr>
<td>PARCO SPACE SYSTEMS</td>
<td>¥227</td>
<td>¥2,183</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>¥18</td>
<td>¥173</td>
<td>—</td>
</tr>
</tbody>
</table>

B. Securities

9. Leasotheloan Deposits and Loans to Lessors
Leasehold deposits are those deposits furnished by the Companies in accordance with customary business practices in Japan. In connection with the leasing of store buildings, Japanese lessors require the lessees to furnish deposits in an amount deemed sufficient to secure the lease contracts and the annual lease rental payments. The leasehold deposits are normally non-interest-bearing and are returnable only when the lease contracts are terminated.

10. Short-Term Bank Loans and Long-Term Debt
The weighted average interest rates applicable to short-term bank loans were 1.44%, 1.07% and 1.12% at 28th/29th February, 2003, 2004 and 2005, respectively.

For the year ended 28th February, 2005

<table>
<thead>
<tr>
<th>Balance Sheet Amount</th>
<th>Acquisition Cost</th>
<th>Book Value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity shares</td>
<td>¥11,150</td>
<td>¥29,010</td>
<td>¥9,860</td>
</tr>
<tr>
<td>Bonds</td>
<td>56</td>
<td>56</td>
<td>0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>¥11,206</td>
<td>¥29,066</td>
<td>¥9,860</td>
</tr>
</tbody>
</table>

For the year ended 28th February, 2004

<table>
<thead>
<tr>
<th>Balance Sheet Amount</th>
<th>Acquisition Cost</th>
<th>Book Value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity shares</td>
<td>¥8,913</td>
<td>¥6,673</td>
<td>¥2,240</td>
</tr>
<tr>
<td>Bonds</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Subtotal</td>
<td>¥8,913</td>
<td>¥6,673</td>
<td>¥2,240</td>
</tr>
</tbody>
</table>

For the year ended 28th February, 2003

<table>
<thead>
<tr>
<th>Balance Sheet Amount</th>
<th>Acquisition Cost</th>
<th>Book Value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity shares</td>
<td>¥4,834</td>
<td>¥5,943</td>
<td>¥1,109</td>
</tr>
<tr>
<td>Bonds</td>
<td>15</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>¥4,849</td>
<td>¥5,958</td>
<td>¥1,109</td>
</tr>
</tbody>
</table>

Other securities sold during the fiscal years ended 28th February 2003, 2004 and 2005, were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>¥1,122</td>
</tr>
<tr>
<td>2004</td>
<td>¥1,197</td>
</tr>
<tr>
<td>2005</td>
<td>¥1,539</td>
</tr>
</tbody>
</table>

Sales (total) | ¥2,122 |
Related gains (total) | ¥342 |
Related losses (total) | 7 |

Millions of yen:

<table>
<thead>
<tr>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>¥2,122</td>
<td>¥1,197</td>
</tr>
<tr>
<td>Related gains</td>
<td>¥342</td>
<td>¥145</td>
</tr>
<tr>
<td>Related losses</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>

The Companies’ assets pledged as collateral for short-term and long-term loans from banks at 28th/29th February 2005 are as follows:

<table>
<thead>
<tr>
<th>Store</th>
<th>Balance Sheet Amount</th>
<th>Book Value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>PARCO, LTD</td>
<td>¥47,995</td>
<td>¥61,480</td>
<td>¥13,485</td>
</tr>
</tbody>
</table>
11. Accounting for Lease Transactions

Financial Section

Management Strategy

Future lease payments

Due within one year

Due over one year

Lease rental expenses

2003 2004 2005

Millions of yen

 Thousands of U.S. dollars

Future lease payments

Due within one year

¥2

¥4

¥3

$230

Due over one year

4

10

7

718

Lease rental expenses

¥768

¥504

¥4,909

$4,885

Depreciation

722

561

4,890

4,788

Interest expense

38

25

164

164

Depreciation expense for leased assets is computed using the straight-line method over the estimated useful lives of the leased assets. Interest expense for leased assets is computed using the interest method based on the difference between the lease fees and the respective acquisition cost of the assets which are considered to be interest-bearing.

12. Retirement Benefit Plan

The liability for severance and retirement benefits included in the liability section of the Consolidated Balance Sheet as of 28th/29th February, 2003, 2004 and 2005 consists of the following:

2003 2004 2005

Millions of yen

Thousands of U.S. dollars

Serviorce costs

¥1,209

$72

Deferred compensation to retirees

1,578

933

Unrecognized deferred compensation

1,039

656

100

44

289

177

301

221

Retirement benefit expenses

¥1,578

933

177

301

Deferred compensation to retirees

1,578

933

177

301

Reconciliation of the statutory tax rate and the effective tax rate for the years ended 28th February 2003, 2004 and 2005 are as follows:

2003 2004 2005

Statutory tax rate

43.1%

43.1%

43.1%

Adjustments:

Permanent non-deductible differences

1.9

1.9

1.9

including entertainment expenses

2.7

2.7

2.7

including dividend income

0.7

0.7

0.7

Deferred tax liability

7,370

7,433

6,229

Gain on non-performance by the counterparties to the interest

—

386

—

Net investment in affiliates

1,478

1,360

1,296

Reconciliations between the statutory tax rate and the effective tax rate for the years ended 28th February 2003, 2004 and 2005 are as follows:

13. Income Taxes

The reconciliation for 2003 is not disclosed as the difference is less than 5%.

The Companies in Japan applicable to the Companies consist of corporation tax, inheritance tax and enterprise tax, which in the aggregate, resulted in statutory tax rates of approximately 42.7% for 2003, 2004 and 2005, respectively.

Significant components of deferred tax assets and liabilities at 28th/29th February, 2003, 2004 and 2005 are as follows:

Deferred tax assets:

Accruated tax carried forward

¥2,885

$1,468

$2,413

Adjustments for unrealized profits

1,563

1,389

1,114

10,712

Non-deductible severance benefit

directors and statutory auditors

224

150

1,442

Non-deductible severance allowances

to employees

290

297

364

3,500

Non-deductible special severance allowances

to employees

114

1,096

Non-deductible severance

to employees

31

48

154

1,481

Non-deductible allowances

due to divestitures

—

434

773

433

Non-deductible losses on

write-down of goodwill

81

—

—

25

Non-deductible allowances

due to severance

—

176

226

232

Retirement benefit plans

178

227

232

226

Unrealized losses on

securities

359

—

—

359

Non-deductible losses on

impairment of fixed assets

—

395

3,567

Non-deductible losses on

impairment of fixed assets

—

310

236

2,269

Gain from foreign tax credits

7,075

1,277

3,291

2,422

Loss on foreign currency

143

210

620

5,962

Total deferred tax assets

2,413

2,730

36,286

Deferred tax liabilities:

Unrealized gain on

securities

—

215

320

3,077

Total deferred tax liabilities

—

215

320

3,077

Net deferred tax asset

2,413

2,730

36,286

14. Guarantee Deposits Received from Tenants

The Company receives guarantee deposits in an amount determined by reference to annual lease rentals, as a lesser of floor space for real estate business under Tenant Agreements with overseas companies for offices and shops. These deposits do not bear interest and are returnable only when the Tenant Agreements are terminated.

15. Derivative Information

The Companies enter into interest rate swap agreements in order to minimize the risk of fluctuation in interest rates on borrowings. The Companies have established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Companies do not hold or issue derivative financial instruments for trading purposes.

The Companies are exposed to the risk of credit losses in the event of non-performance by the counterparties to the interest; however, the Companies do not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

Derivatives that are designated as “hedge instruments” at 28th/29th February, 2003, 2004 and 2005 are not disclosed.

16. Related Party Transaction

Not applicable to the years ended 28th/29th February, 2003, 2004 and 2005.
17. Segment Information

(1) Industry Segment Information

<table>
<thead>
<tr>
<th>Segment</th>
<th>For the year ended 28th February, 2005 (¥)</th>
<th>For the year ended 28th February, 2004 (¥)</th>
<th>For the year ended 29th February, 2003 (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales</td>
<td>Operating Income (loss)</td>
<td>Sales</td>
</tr>
<tr>
<td>Outside customers</td>
<td>2,413,613</td>
<td>283,125</td>
<td>2,222,615</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital expenditures</td>
<td>Depreciation and amortization</td>
<td>Operating expenses</td>
</tr>
<tr>
<td></td>
<td>36,413</td>
<td>2,216</td>
<td>281,971</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assets</td>
<td>Operating Income (loss)</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>238,410</td>
<td>283,010</td>
<td>2,493,029</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Millions of yen

Notes:
1. Segment information is prepared in accordance with business development considerations within the Companies.
2. Description of the principal business in each industry segment:
   (1) Development business: Development, management and operation of shopping centers, building interiors, hotels, shopping centers, and others.
   (2) Management business: Management, retail, corporate data, and others.
   (3) Sales engineering and management business: Design and construction of buildings, planning of building projects, consultation, and others.
   (4) Online business: Providing information through the Internet, Management, and others.
3. Development business is considered as the principal business. Sales and expenses are included in "Development and consolidation".
4. "Capital and others" is described as "Other" for the year ended 28th February, 2005.
5. As the result of adopting "Reserve for sales promotion" from the year ended 29th February, 2003, "Other" expenses decreased by ¥233,000,000.
8. The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

(2) Geographic Segment Information

For the years ended 28th/29th February, 2003, 2004 and 2005:

Geographic segment information has not been prepared and disclosed since sales to outside customers are not significant in relation to those of the Companies.

Export sales information has not been prepared and disclosed since sales to outside customers are not significant in relation to those of the Companies.

(3) Export Sales Information

For the years ended 28th/29th February, 2003, 2004 and 2005:

Export sales information has not been prepared and disclosed since sales to outside customers are not significant in relation to those of the Companies.

18. Contingent Liabilities

There are no contingent liabilities which will materially affect the Companies’ operations and financial position.

19. Shareholders’ Equity

Effective 28th May, 2005, the board of directors declared common stock of the Company increased from 111,000,000 shares to 205,000,000 shares as authorized at the ordinary general meeting of shareholders on the same date.

To the Board of Directors of
PARCO CO., LTD.

We have audited the consolidated balance sheets of PARCO CO., LTD. and its subsidiaries as at 28th/29th February 2003, 2004 and 2005, and the related consolidated statements of income, shareholders’ equity, and cash flows for the years ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PARCO CO., LTD. and its subsidiaries as at 28th/29th February 2003, 2004 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan (see Note 1).

As described in Note 4, effective for the year ended 28th February 2005 PARCO CO., LTD. and its subsidiaries have adopted the new Japanese accounting standards for impairment of fixed assets.

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
May 28, 2005
### Selected Financial Data for Principal Companies of PARCO Group

**Development Business**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PARCO CO., LTD.</td>
<td>Sales</td>
<td>244,936</td>
<td>242,421</td>
<td>236,359</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>7,371</td>
<td>7,701</td>
<td>7,212</td>
</tr>
<tr>
<td></td>
<td>Net income (loss)</td>
<td>1,401</td>
<td>1,914</td>
<td>1,262</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>201,572</td>
<td>193,523</td>
<td>183,890</td>
</tr>
<tr>
<td></td>
<td>Shareholders’ equity</td>
<td>58,737</td>
<td>57,508</td>
<td>64,171</td>
</tr>
</tbody>
</table>

**PARCO (Singapore) Pte Ltd**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office Address: 229 Victoria Street, #06-01 Bugis Junction Towers, Singapore 049842</td>
<td>Sales</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>52</td>
<td>88</td>
<td>211</td>
</tr>
<tr>
<td></td>
<td>Net income (loss)</td>
<td>(39)</td>
<td>(114)</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>6,702</td>
<td>5,997</td>
<td>6,066</td>
</tr>
<tr>
<td></td>
<td>Shareholders’ equity</td>
<td>3,643</td>
<td>3,201</td>
<td>3,306</td>
</tr>
</tbody>
</table>

**Stratss Parco Retail Management Pte Ltd**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office Address: 229 Victoria Street, #06-01 Bugis Junction Towers, Singapore 049842</td>
<td>Sales</td>
<td>94</td>
<td>89</td>
<td>97</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>88</td>
<td>84</td>
<td>91</td>
</tr>
<tr>
<td></td>
<td>Net income (loss)</td>
<td>70</td>
<td>66</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>163</td>
<td>151</td>
<td>160</td>
</tr>
<tr>
<td></td>
<td>Shareholders’ equity</td>
<td>70</td>
<td>130</td>
<td>138</td>
</tr>
</tbody>
</table>

### Space Engineering and Management Business

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PARCO SPACE SYSTEMS CO., LTD.</td>
<td>Sales</td>
<td>26,228</td>
<td>23,167</td>
<td>25,729</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>216</td>
<td>170</td>
<td>614</td>
</tr>
<tr>
<td></td>
<td>Net income (loss)</td>
<td>100</td>
<td>(414)</td>
<td>1,933</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>17,706</td>
<td>16,670</td>
<td>16,472</td>
</tr>
<tr>
<td></td>
<td>Shareholders’ equity</td>
<td>8,089</td>
<td>7,543</td>
<td>7,461</td>
</tr>
</tbody>
</table>

### Retail Business

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NEUVE A CO., LTD.</td>
<td>Sales</td>
<td>9,576</td>
<td>10,218</td>
<td>10,636</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>98</td>
<td>216</td>
<td>255</td>
</tr>
<tr>
<td></td>
<td>Net income (loss)</td>
<td>13</td>
<td>91</td>
<td>127</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>3,515</td>
<td>3,497</td>
<td>3,826</td>
</tr>
<tr>
<td></td>
<td>Shareholders’ equity</td>
<td>565</td>
<td>646</td>
<td>773</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PALM GARDEN CO., LTD.</td>
<td>Sales</td>
<td>164</td>
<td>3,775</td>
<td>3,548</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>5</td>
<td>9</td>
<td>(19)</td>
</tr>
<tr>
<td></td>
<td>Net income (loss)</td>
<td>3</td>
<td>(36)</td>
<td>(28)</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>44</td>
<td>598</td>
<td>457</td>
</tr>
<tr>
<td></td>
<td>Shareholders’ equity</td>
<td>17</td>
<td>(19)</td>
<td>(47)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HARLEY-DAVIDSON CITY CO., LTD.</td>
<td>Sales</td>
<td>934</td>
<td>1,039</td>
<td>1,031</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>26</td>
<td>37</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Net income (loss)</td>
<td>24</td>
<td>34</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>247</td>
<td>235</td>
<td>241</td>
</tr>
<tr>
<td></td>
<td>Shareholders’ equity</td>
<td>(80)</td>
<td>(45)</td>
<td>(38)</td>
</tr>
</tbody>
</table>

### Other Business

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HOTEL NEW CRESTON CO., LTD.</td>
<td>Sales</td>
<td>—</td>
<td>1,501</td>
<td>1,895</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>—</td>
<td>24</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Net income (loss)</td>
<td>—</td>
<td>13</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>—</td>
<td>470</td>
<td>418</td>
</tr>
<tr>
<td></td>
<td>Shareholders’ equity</td>
<td>—</td>
<td>63</td>
<td>105</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PARCO-CITY CO., LTD.</td>
<td>Sales</td>
<td>388</td>
<td>565</td>
<td>539</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>32</td>
<td>50</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Net income (loss)</td>
<td>20</td>
<td>28</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>149</td>
<td>250</td>
<td>259</td>
</tr>
<tr>
<td></td>
<td>Shareholders’ equity</td>
<td>59</td>
<td>87</td>
<td>124</td>
</tr>
</tbody>
</table>

---

* The closing date for the fiscal year is 31st December.
* 1 U.S. dollar amounts have been translated for convenience only, at the rate of ¥104 = US$1
* Starting in fiscal 2004, the “Culture, IT & Other Business” has been renamed “Other Business.”
Corporate Data

Company Name  PARCO CO., LTD.
Headquarters  1-29-2 Minamiaoyama, Toyoakuma-ku, Tokyo
Head Office  8-16 Shinnishicho, Shinbanya-ku, Tokyo
Tel: +81-3-5467-5770 (Public & Investor Relations)
Founded  February 13, 1953
Paid-in Capital  ¥28,887 billion (as of May 31, 2005)
Paid-in Capital Per Share  ¥2.78

<table>
<thead>
<tr>
<th>Tenants</th>
<th>Sales Floor Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,615</td>
<td>(fiscal 2004)</td>
</tr>
<tr>
<td>372,530m²</td>
<td>(fiscal 2004)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Officer, Property Management</td>
</tr>
<tr>
<td>Executive Officer, General Manager of PARCO</td>
</tr>
<tr>
<td>Executive Officer, Facility Management</td>
</tr>
<tr>
<td>Executive Officer, Human Resources &amp; Administration</td>
</tr>
<tr>
<td>Executive Officer, Group Auditor</td>
</tr>
<tr>
<td>Executive Officer, Store Management</td>
</tr>
<tr>
<td>Executive Officer, Executive Planning</td>
</tr>
<tr>
<td>Executive Officer, Facility Management</td>
</tr>
<tr>
<td>Executive Officer, Advertising &amp; Promotion</td>
</tr>
<tr>
<td>Executive Officer, Property Management</td>
</tr>
</tbody>
</table>

Employees  541 (male 330, female 211)  Consolidated employees: 1,827 (as of February 28, 2005)
Sales  ¥223.4 billion (Fiscal 2004)
Sales Floor Area  372,530m² (Fiscal 2004)
Tenants  2,615 (Fiscal 2004)

Financial Section

Review of Operations

Corporate Organization

Stock Information (as of February 28, 2005)

Number of shares authorized: 131,000,000
Number of shares issued and outstanding: 82,272,018
Number of shares held by PARCO: 5,000
Number of shareholders: 1,853

Principal Shareholders

- Number of shares held by PARCO: 5,000
- Number of shareholders: 1,853

Japanese financial institutions and Japanese securities companies: 33.8%
Foreign investors: 23.88%
Other Japanese companies: 4.06%

Japanese individuals and others: 42.3%

Stock Performance
### List of Stores

Only the shopping areas of the buildings are shown.

#### Chiba PARCO
- 2-2-2 Chuo, Chuo-ku, Chiba City, Chiba
- B1F–8F
- Opened on December 1, 1976

#### Tsudanuma PARCO
- 2-18-1 Maebara-Nishi, Funabashi City, Chiba
- Annex A: B1F–6F
- Annex B: B1F–6F
- Opened on July 1, 1977

#### Ikebukuro PARCO
- 1-28-2 Minami-Ikebukuro, Toshima-ku, Tokyo
- B2F–8F
- Opened on November 23, 1969

#### Shibuya PARCO
- 1-9-1 Higashi-shinbashi, Minato-ku, Tokyo
- PART1: B1F–9F
- PART2: B1F–6F
- South: B1F–10F
- Opened on June 14, 1973

#### Chofu PARCO
- 1-38-1 Kojima-cho, Chofu City, Tokyo
- B1F–10F (Hotel: 8–10F)
- Opened on May 25, 1989

#### Kichijoji PARCO
- 1-5-1 Kichijoji-Honcho, Musashino City, Tokyo
- B2F–8F
- Opened on September 21, 1980

#### Hino PARCO
- 3-1-1 Hino-shi, Hino-ku, Tokyo
- South: B1F–10F
- Opened on November 5, 1988

#### Sapporo PARCO
- 3-3 Minami-Ichijo Nishi, Chuo-ku, Sapporo, Hokkaido
- B2F–8F
- Opened on August 24, 1975

#### Oita PARCO
- 1-1-1 Funai-machi, Oita City, Oita
- B2F–7F
- Opened on April 29, 1977

#### Otsu PARCO
- 14-30 Uchidehama, Otsu City, Shiga
- 1F–8F
- Opened on November 2, 1996

#### Gifu PARCO
- 9-12 Kanda-machi, Gifu City, Gifu
- B1F–8F
- Opened on September 23, 1976

#### Annex
- B1F–5F
- Opened on March 31, 2005

#### Nara PARCO
- 3-21-1 Tanabe, Nara-ku, Nara City, Nara
- West: B1F–10F
- East: B1F–9F
- Opened on June 29, 1995

#### Otsu PARCO
- 12-15 Umekyo-cho, Otsu City, Shiga
- PARCO 2 (DUE)
- B1F–4F
- Opened on September 3, 1992

#### Shinsaibashi PARCO
- 1-9-1 Shinsaibashi-Suji, Chuo-ku, Osaka City, Osaka
- B1F–9F
- PARCO-2 (DUE)
- B1F–4F
- Opened on May 31, 1991

#### Atsugi PARCO
- 2-12-15 Naka-cho, Atsugi City, Kanagawa
- B1F–9F
- Opened on March 25, 1994

#### Hibarigaoka PARCO
- 1-1-1 Hibarigaoka, Nishi-Tokyo City, Tokyo
- B1F–5F
- Opened on October 8, 1993

#### Shintokorozawa PARCO
- 1-2-1 Midori-cho, Tokorozawa City, Saitama
- Annex P: B1F–5F
- Annex L: B1F–4F
- Opened on June 23, 1983

#### South PARCO
- 10-1 Hondori, Naka-ku, Hiroshima City, Hiroshima
- B1F–10F
- Opened on April 9, 1994

#### Annex
- B1F–9F
- Opened on September 21, 2001

#### NOS VOS by PARCO
- 4-4-21 Higashi-Oizumi, Nerima-ku, Tokyo
- 1F–4F
- Opened on September 29, 1990

#### Shin-Tokorozawa PARCO
- 1-15-1 Midori-cho, Tokorozawa City, Saitama
- West: B1F–11F (Hotel: 9–11F)
- East: B1F–8F
- Opened on June 29, 1995

#### Nagoya PARCO
- 3-29-1 Sakae, Naka-ku, Nagoya City, Aichi
- West: B1F–11F
- East: B1F–8F
- Opened on June 29, 1989

#### Shimoishibashi PARCO
- 1-9-1 Shimoishibashi, Kita-ku, Osaka City, Osaka
- B1F–9F
- Opened on May 31, 1981

#### PARCO Bugis Junction (Singapore)
- 230 Victoria St. #04-01
- Opened on April 27, 1995

#### P’PARCO (P-Dash PARCO)
- B2F–8F
- Opened on March 10, 1994

#### Utsunomiya PARCO
- 3-17 Kashiwazaki, Utsunomiya City, Tochigi
- Opened on March 20, 1987

#### Shibuya PARCO
- 1-9-1 Higashi-shinbashi, Minato-ku, Tokyo
- PART1: B1F–9F
- PART2: B1F–6F
- South: B1F–10F
- Opened on June 14, 1973

#### Shinkansen PARCO
- 1-3-1 Higashishibuya, Shibuya-ku, Tokyo
- B1F–10F
- Opened on February 16, 2005

#### PARCO-2 (DUE) (Singapore)
- 230 Victoria St. #04-01
- Opened on April 27, 1995

#### Atsugi PARCO
- 2-12-15 Naka-cho, Atsugi City, Kanagawa
- B1F–9F
- Opened on March 25, 1994

#### Hibiya PARCO
- 2-15-1 Hibiya, Chiyoda-ku, Tokyo
- B1F–10F
- Opened on December 29, 1982

#### Quattro
- B1F–5F
- Opened on June 28, 1988

#### South PARCO
- 10-1 Hondori, Naka-ku, Hiroshima City, Hiroshima
- B1F–10F
- Opened on April 9, 1994

#### Annex
- B1F–9F
- Opened on September 21, 2001

#### Pedi Shibodome
- 1-9-1 Shiodome-ku, Minato-ku, Tokyo
- B1F–9F
- Opened on February 12, 2008

#### Quatra
- B1F–5F
- Opened on June 28, 1988

#### Shinsaibashi PARCO
- 1-9-1 Shinsaibashi, Chuo-ku, Osaka City, Osaka
- B1F–9F
- Opened on May 31, 1981

#### PARCO Bugis Junction (Singapore)
- 230 Victoria St. #04-01
- Opened on April 27, 1995

#### Pedi Shibodome
- 1-9-1 Shiodome-ku, Minato-ku, Tokyo
- B1F–9F
- Opened on February 12, 2008

#### Atsugi PARCO
- 2-12-15 Naka-cho, Atsugi City, Kanagawa
- B1F–9F
- Opened on March 25, 1994