

PARCO

**PARCO CO., LTD.
Investor Presentation
FY2007 First Half Results
(March 1, 2007—August 31, 2007)**

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PARCO

1. Overview of FY2007 H1 results and full-year forecasts

FY2007 H1 Consolidated results

- Net sales and income both up year on year. Increased revenue and income
- New records for operating income, ordinary income, net income

Unit: Million yen	FY2007 H1	FY2006 H1	Change %	Change ¥	Initial forecasts	Change ¥
Net sales	136,639	129,391	5.6%	7,247	135,000	1,639
Operating income	5,461	5,273	3.6%	188	4,600	861
Ordinary income	5,420	5,193	4.4%	226	4,500	920
Net income	2,730	2,572	6.1%	157	2,100	630

Unit: Million yen	End of FY2007 H1	End of FY2006	Change %	Change ¥
Total assets	189,812	182,553	4.0%	7,258
Net assets	72,453	70,777	2.4%	1,676
Interest-bearing debt	37,002	34,863	6.1%	2,139
Equity ratio	38.1%	38.7%		
Market price-based equity ratio	68.4%	65.0%		
Debt service coverage ratio: years	2.4	3.4		
Interest coverage ratio: times	27.5	16.5		

FY2007 H1 Consolidated results by segment

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- Shopping Complex Business, Space Engineering and Management Business performing well

Shopping Complex Business

Steady growth at flagship stores due to proactive renovations, strategic marketing, and customer strategy using PARCO Card; new store Shizuoka PARCO also performed strongly, which contributed to positive results

Retail Business

NEUVE A CO., LTD continued to aggressively develop its stores, opening 9 new stores in the first half of FY2007. It now has 116 stores spanning 5 sectors. Sales at wristwatch store TICTAC boosted overall sales, with new type stores also performing strongly. The proportion of non-PARCO stores increased to 53%

Space Engineering and Management Business

PARCO SPACE SYSTEMS CO., LTD. improved its results due to orders for interior work and electrical work received from stores in Shizuoka PARCO and Northport Mall as well as increased orders from general clients

Other Business

PARCO CITY CO., LTD. opened the online shopping mall PARCO-CITY in April as a new business

Unit: Million yen

		FY2007 H1	FY 2006 H1	Change
Shopping Complex Business	Net sales	126,101	120,868	5,233
	Operating income	4,770	4,644	125
Retail Business	Net sales	8,329	8,135	194
	Operating income	261	342	(81)
Space Engineering and Management Business	Net sales	12,554	10,677	1,876
	Operating income	519	243	275
Other Business	Net sales	1,124	1,173	(49)
	Operating income	(79)	49	(128)
Subtotal	Net sales	148,109	140,854	7,255
	Operating income	5,471	5,280	190
Eliminations or corporate	Net sales	(10,337)	(10,479)	141
	Operating income	(9)	(7)	(1)
Total	Net sales	137,772	130,375	7,396
	Operating income	5,461	5,273	188

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

FY2007 H1 Non-consolidated results; dividends

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- Net sales and income both up year on year. Increased revenue and income
- New records for operating income, ordinary income, net income

Unit: Million yen	FY2007 H1	FY2006 H1	Change %	Change ¥	Initial forecasts	Change ¥
Net sales	124,846	119,691	4.3%	5,154	124,700	146
Operating income	4,746	4,594	3.3%	152	4,100	646
Ordinary income	4,732	4,503	5.1%	228	4,000	732
Net income	2,340	2,236	4.6%	103	1,900	440

Unit: Million yen	End of FY2007 H1	End of FY2006	Change %	Change ¥
Total assets	180,970	173,796	4.1%	7,173
Net assets	72,022	70,662	1.9%	1,359
Interest-bearing debt	38,402	35,563	8.0%	2,839
Equity ratio	39.8%	40.7%		

Dividends

- Interim dividend per share up ¥1 to ¥7. Annual dividend of ¥14 planned.

FY2007 H1: Consolidated/Non-consolidated results, full-year forecasts ^{7 / 21}

- Consolidated and non-consolidated net sales and income forecasts revised upwards in line with strong first half performance

Unit: Million yen

Consolidated	FY2007 (ending Feb. 2008) revised forecasts	FY2006 (ended Feb. 2007) results	Change %	Change ¥	Initial forecasts	Change %	Change ¥
Net sales	292,000	266,645	9.5%	25,354	290,000	0.7%	2,000
Operating income	10,000	9,756	2.5%	243	9,600	4.2%	400
Ordinary income	9,900	9,594	3.2%	305	9,400	5.3%	500
Net income	4,600	4,503	2.1%	96	4,300	7.0%	300

Non-consolidated	FY2007 (ending Feb. 2008) revised forecasts	FY2006 (ended Feb. 2007) results	Change %	Change ¥	Initial forecasts	Change %	Change ¥
Net sales	269,600	246,439	9.4%	23,160	269,300	0.1%	300
Operating income	8,800	8,755	0.5%	44	8,500	3.5%	300
Ordinary income	8,700	8,481	2.6%	218	8,300	4.8%	400
Net income	4,000	3,633	10.1%	366	3,700	8.1%	300

FY2007 Selling, general and administrative expenses; capital expenditure ^{8 / 21}

Selling, general and administrative expenses Unit: Million yen

Consolidated		Amount	Change ¥	Change %
H1 results	Personnel	4,699	418	9.8%
	Lease/rental	4,522	328	7.8%
	Advertising	1,704	117	7.4%
	Agency services	2,941	288	10.9%
	Depreciation	2,131	224	11.7%
	Total SG&A	15,784	1,274	8.8%

	Depreciation	4,600	716	18.4%
Full-year forecast	Total SG&A	34,400	3,970	13.0%

Non-consolidated		Amount	Change ¥	Change %
H1 results	Personnel	2,432	291	13.6%
	Lease/rental	4,071	258	6.8%
	Advertising	1,557	61	4.1%
	Agency services	3,340	283	9.3%
	Depreciation	1,990	187	10.4%
Total SG&A	11,915	824	7.4%	

	Depreciation	4,300	648	17.8%
Full-year forecast	Total SG&A	26,400	3,331	14.4%

Capital expenditure

Unit: Billion yen

Consolidated		Amount	Change ¥	Change %
H1 result	Capex	5.4	2.9	116.8%

Note: Includes capital expenditure of 3.4 billion yen for new stores and 1.7 billion for existing stores

		Amount	Change ¥	Change %
Full-year forecast	Capex	10.7	3.2	44.0%

Note: Includes capital expenditure of 6.1 billion yen for new stores and 4.2 billion for existing stores

Non-consolidated		Amount	Change ¥	Change %
H1 result	Capex	5.4	2.7	104.7%

Note: Includes capital expenditure of 3.2 billion yen for new stores and 1.9 billion for existing stores

		Amount	Change ¥	Change %
Full-year forecast	Capex	9.9	2.9	42.7%

Note: Includes capital expenditure of 5.5 billion yen for new stores and 3.9 billion for existing stores

2. Overview of sales and key topics in FY2007 H1



2007 H1 Tenant sales by store

Year-on-year growth at 10 stores, driven by flagship stores

Flagship stores up 0.6%

Theme-based remodeling this calendar year at Ikebukuro PARCO, Shibuya PARCO and Nagoya PARCO helped us to win market support, with sales continuing to increase in the period as a result. Renovation also continued at Hiroshima PARCO with renovation of the fashion zone on the 2nd to 7th floors driving continued growth in the first half. In Sapporo, both the Odori area and the overall market continued to decline; preparations are underway for large-scale renovations next spring

Kanto stores down 1.8%

Sales were strong at stores such as Chiba PARCO, which revamped its fashion lineup through a reposition of major stores on each floor, and Tsudanuma PARCO which its expanded and enhanced its men's zone. Hibarigaoka PARCO closed its B1 floor until May 29 in order to create a specialty foods supermarket. Utsunomiya PARCO renovated its parking area last year in boost its ability to cater to motorists, and leveraged a 10th-anniversary campaign to improve on last year's trend

Existing regional stores up 0.4%

At Otsu PARCO, large-scale floor renovations contributed to growth. Store-wide reorganization at Kumamoto PARCO is taking place this fall to enhance the fashion and accessory lineup in the creation of a compact urban building that will appeal to couples. Oita PARCO sales in household goods have faced difficulties due to competition, which will be addressed by marketing and credit card-based strategies in the second half

Existing stores: excludes Shizuoka PARCO (opened March 15, 2007) and Gifu PARCO (closed August 20, 2006)

The Atsugi store is scheduled to open in February 2008; operations at Shibuya PARCO Part 2 are scheduled to be temporarily suspended in December 2007

Unit: Million yen

	PARCO Store	Trend	Net sales	Change
Flagship stores	Ikebukuro	↗	16,855	2.0%
	Shibuya	↗	10,719	0.9%
	Sapporo		6,482	(8.6%)
	Chofu	↗	8,745	0.6%
	Nagoya	↗	19,243	1.3%
	Hiroshima	↗	9,103	3.6%
	Sub-total	↗	71,149	0.6%
Kanto stores	Kichijoji	↗	5,298	1.0%
	Hibarigaoka*		4,038	(9.6%)
	Shin-Tokorozawa		4,641	(1.2%)
	Chiba	↗	4,721	2.0%
	Tsudanuma	↗	5,617	4.8%
	Utsunomiya		3,873	(3.4%)
	Atsugi		1,931	(14.4%)
Sub-total		30,124	(1.8%)	
Existing regional stores	Matsumoto		4,398	(0.8%)
	Shinsaibashi	↗	956	10.5%
	Otsu	↗	4,252	6.5%
	Oita		2,156	(6.3%)
	Kumamoto		2,815	(3.7%)
	Sub-total	↗	14,580	0.4%
Existing stores total	↗	115,855	0.0%	
	Shizuoka		5,688	-
	(Gifu)		(974)	-
	Total	↗	121,543	4.0%

*Hibarigaoka B1F closed for remodeling from February 5 to May 29

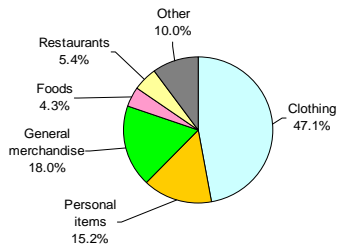
FY2007 H1 Year-on-year sales comparisons by item

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Clothing and personal items performed well

- Womenswear, general clothing, shoes and others performed strongly. The strong performance in womenswear was driven by dresses being popular throughout the season and diversification in the range of pants and skirts available. In general clothing, it was driven mainly by combined select shops for men and women. In shoes, it was driven by hit products such as color pumps and wedge sole sandals
- General merchandise saw strong performances from stores that actively developed seasonal themes, but books and CDs continued to experience difficulties

FY2007 H1 sales mix



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

Category and item	FY2007 H1 Change %	
	All stores total	Existing stores
Womenswear	4.8%	0.9%
Menswear	1.6%	(1.1%)
General clothing	11.6%	10.4%
Clothing	4.7%	1.1%
Shoes	8.4%	5.5%
Bags	(4.2%)	(12.6%)
Accessories	(1.2%)	(4.8%)
Cosmetics	3.3%	4.6%
Personal items	3.6%	0.8%
General merchandise	3.1%	(1.4%)
Foods	0.8%	(7.0%)
Restaurants	5.3%	(0.8%)
Other	1.3%	(0.2%)
Average spend per customer*	2.7%	3.5%
Paying customer numbers*	1.0%	(3.4%)

* Excluding food, the average spend per customer at existing stores was up 1.2%, with paying customer numbers down 0.9%

FY2007 H1 Renovation

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Actively renovated 26,000m² in H1 of planned annual renovation of 56,000m²



Chiba PARCO 5th floor

FY2007 H1 renovation results:

Scale of renovation: 212 sections, approx. 26,000m² (of which new stores comprised 98 sections)

Effect of renovation: Sales up 14.5% in same zone comparison

Total store overview as of end Aug. 2007: 19 stores, 2,652 tenants, sales area of 410,000m²

Stores undergoing major renovation

Chiba PARCO

11 sections
2,900m²

Last year's 30th-anniversary campaign led to the acquisition of customers from wide areas. The H1 renovations sought to establish core functions on each floor and position related stores on these floors, which improved customer circulation within floors. Business results are recovering, with customers acquired during the anniversary campaign making repeated visits

Tsudanuma PARCO

23 sections
2,800m²

Increased the fashion appeal of A Building through urban-style store reorganization. Introduced stores that customers use frequently in B Building, and encouraged a broad range of customers to visit daily. Furthermore, based on the store grouping policy of spreading the success of flagship stores to other stores, introduced essential men's zone hits to Tsudanuma PARCO, and expanded men's stores from one to two floors, the 4th and 5th floors of A Building

Hibarigaoka PARCO

5 sections
3,100m²

Pursuing measures aiming to increase support in the commercial area, to leverage the store's position near the train station and characteristics of being close to the local community. As part of broad collaboration with companies, pursued new initiative with QUEEN'S ISETAN on the B1 floor, striving to improve the building's image



QUEEN'S ISETAN, Hibarigaoka PARCO

Tenant sales	07/1 Q	2 Q
Hibarigaoka PARCO	(20.6%)	1.5%

*Hibarigaoka PARCO was fully closed from Feb. 5 to May 29 for renovation of the B1 food floor.

Sales performing strongly, exceeding targets

More than 3 million visitors since opening on Mar. 15. Fiscal first half sales of ¥5,688 million



Shizuoka PARCO

Reasons for strong performance

(1) Widely promoted opening teaser campaign starting six months before opening succeeded in attracting customers of all ages from wide areas

Acquired customers from both Hamamatsu and Numazu directions, and PARCO Card users also came from a broader range of age groups than initially expected

(2) Achieved strong customer circulation and retention by realizing Shizuoka PARCO's building concept of "shin" (new and advanced) space

DELI CHIKA on the B1 floor, a novel assemblage of food and general merchandise shops, and large-scale general merchandise store Loft on the 8th floor are key stores for attracting customers. Leads to the "shower effect" (customers sprinkling down from the top floor) and the "fountain effect" (customers bubbling up from the bottom floor), thus promoting multiple purchases at different stores

(3) Continued to strengthen communications also after opening, maintaining people's interest in Shizuoka PARCO

Continued to strengthen communications by providing the market with news after opening, such as tenants opening stores in Shizuoka for the first time and plans for the DELI CHIKA event space. Maintained freshness and visibility as a new shopping complex, and continued to successfully obtain publicity through appearances in various media



Loft (8th floor)



DELI CHIKA (B1 floor)

Building type	8 floors and 1 basement level
Sales target	¥11,000 million
Investment amount	Approx. ¥3,700 million
Floor area	Approx. 30,000m ²
Store area	Approx. 22,000m ²

<PARCO> Le Theatre GINZA by PARCO started operations from March 2007 【Shopping Complex Business】

Managing a second, much larger cultural facility in addition to PARCO Theater. Making direct contribution to sales, and also serving to increase the variety of our plays and shows and expand our contents business



Le Theatre GINZA by PARCO (seats 770)

<PARCO> Northport Mall, for which we are mandated to take care of property management, opened on April 21 【Shopping Complex Business】

Situated in Kohoku Newtown, which has a rising population and number of households, Northport Mall is a shopping complex that is attuned to the characteristics of the area and caters to the needs of a broad spectrum of age groups. Mandated to and have started to carry out pre-opening and post-opening administration and operation

Location	In front of Center Kita Station on the Yokohama Municipal Subway Line (1-25-1 Nakagawa Chuo, Tsuzuki-ku, Yokohama City, Kanagawa)
Building type	9 floors and 2 basement levels
Floor area	Approx. 141,122m ²
Sales area	Approx. 72,727m ²
Parking	1,590 spaces
No. of stores	119



Northport Mall

<PARCO SPACE SYSTEMS CO., LTD.> FY2007 H1 sales up 17.6% YoY. Strong performance by Interior Work Division. 【Space Engineering and Management Business】

Results improved, driven by interior work at Shizuoka PARCO, orders for construction work from tenant companies of Shizuoka PARCO, Northport Mall and department stores, and a general increase in orders for interior work and electrical work by new and existing clients



Shizuoka PARCO interior (B1 atrium)

<NEUVE A CO., LTD.> Opened 9 new stores, including trials of new business types, in FY2007 H1, bringing total stores to 116, of which 53% are stores outside PARCO. 【Retail business】



SPINDLE, a new TICTAC business type (Shin-Marunouchi Building)

FY2007 H1 net sales: Up 14.7%, including a 3.1% increase at existing stores

TICTAC business division's existing stores recorded double-digit YoY growth. New business types Porte and SPINDLE also performed well

*As of end Aug. 2007	No. of stores	YoY sales comparison
TICTAC (watches)	41	+30.5%
EYEWEAR (eyewear)	24	+9.4%
COLLECTORS (men's accessories)	20	+23.7%
ROSEMARY (cosmetics and cosmetics accessories)	23	+1.5%
ANNABELLE (women's accessories)	8	+39.2%
Total of 5 types	116	+14.7%

*Stores in PARCO 47%, Stores outside PARCO 53%

<PARCO-CITY CO., LTD.> Online shopping mall PARCO-CITY started in April 【Other Business】

54 brands opened online stores by the end of August, mainly consisting of leading companies that are already tenants at various PARCO stores. Currently increasing the number of brands with online stores, aiming to have 100 by the end of this fiscal year. As the number of brands increases, orders and visitors are also increasing, with registered members mainly people in their early 30s and members in their late 20s increasing



<http://www.parco-city.com/>

**3. Five-year medium-term management plan:
Developments planned for FY2007 H2**

Strengthening shopping complex management capabilities

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Annual renovation plans for FY2007:

Scale of renovation: 580 sections, approx. 56,000m² planned, of which 26,000m² implemented in fiscal first half

Autumn renovations to cover area of 20,000m², with renovation plans for next spring currently in progress



Image of front of Kumamoto PARCO

Kumamoto PARCO

To mark its 21st anniversary, Kumamoto PARCO is undergoing its first major renewal since opening. Establishing a new main entrance gate facing out onto central Kumamoto, and renovating the entrance environment. Also fundamentally reorganizing the building's merchandising structure and carrying out a full renewal of three floors. Aiming to spotlight Kumamoto PARCO as a building that lives up to its excellent central location by introducing select shops where couples can shop together and having a full range of personal items and general merchandise. Post-renovation reopening Oct. 6

Ikebukuro PARCO

P' PARCO introducing stores that are new to the building, new to the area, or do new types of business, and serving as a business incubator. Mixing a sense of high fashion with P' PARCO's conventional "street casual" line, and renovating more than half of the stores in the entire building. Post-renovation reopening Sept. 13

Plans underway for renovations next Spring

Sapporo PARCO

Planning to start renovation of the fashion zone, which spans three floors, in order to further reinforce Sapporo PARCO's reputation for having a strong sense of fashion in the Sapporo commercial district. Plans underway for store reorganization based on a clear theme for each floor, and for renovation to improve communal areas and customers' comfort and convenience, and to revamp the store's image

Chofu PARCO

Planning to start a full renovation of the restaurant floor, aiming to evolve as a multifunctional, comprehensive store. In addition to building a bright and richly varied restaurant floor, plans are also underway for renovation to make it possible to meet the diverse needs of all kinds of different lifestyles

Strengthening shopping complex development capabilities

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Urawa PARCO

Opened October 10!

PARCO's largest store. A new type of development for us, combining traditional shopping complex facilities with the use of the upper floors for public facilities such as a municipal library



Sendai PARCO (provisional name)

Established Sendai Preparation Office and increased its personnel. Planning, leasing and preparations for operations underway

PARCO's first store in the Tohoku region of northern Honshu will be situated in front of the train station in Sendai, the region's largest city. A full-scale multifunctional complex, also including office space



Opening	Wednesday, October 10, 2007
Building type	7 floors and 1 basement level (in part used by PARCO)
Sales target	¥19,500 million ^{*1}
Investment amount	Approx. ¥4,000 million
Floor area	Approx. 65,000m ²

Opening	Scheduled for early autumn 2008
Building type	9 floors and 1 basement level (in part used by PARCO)
Sales target	¥15,000 million
Investment amount	Approx. ¥13,000 million
Floor area	Approx. 24,000m ²

*1 Not including sales of tenants with fixed rent contracts

Deepening and broadening peripheral businesses

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Retail Business

NEUVE A CO., LTD.

Opening 14 stores in fiscal second half. Combined with first half openings, total of 23 store openings in FY to Feb. 2008, bringing total number of stores to 127



Machida POKER FACE



Machida ANNABELLE

Of these 14 stores, 8 will be outside PARCO. Targeting double-digit revenue and income growth for 3rd consecutive year, by actively opening new stores. Will be the first time all five business divisions open new stores in same period



Urawa COLLECTORS



Daikanyama Sarugaku POKER FACE

Planned new store openings in FY2007 H2	No. of stores
TICTAC (watches)	4
EYEWEAR (eyewear)	4
COLLECTORS (men's accessories)	2
ROSEMARY (cosmetics and cosmetics accessories)	1
ANNABELLE (women's accessories)	3
Total of five types	14

Stores in PARCO: 46%, Stores outside PARCO: 54% (as of end Feb. 2008)

Five-year medium-term management plan (FY2005-2009) progress update

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Making steady progress toward achieving our FY2009 management targets

Management targets (FY2009 consolidated)

Unit: ¥ million

	FY2004	FY2005	FY2006	FY2007 Forecasts	FY2009	
	Results	Results	Results		Targets	Change from FY2004
Net sales	257,625	262,408	266,645	292,000	300,000	42,375
Ordinary income	8,079	8,879	9,594	9,900	12,000	3,921
Net income	1,742	4,006	4,503	4,600	6,000	4,258
ROE	3.0%	6.2%	6.5%	—	8.2%	5.2%

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

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