



PARCO CO., LTD.

Investor Presentation

FY2006 First Half Results

(March 1, 2006—August 31, 2006)

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1. Overview of FY2006 first half results and full-year forecasts

FY2006 H1: Consolidated performance

Net sales and income both up year-on-year. Increased revenue and income.

Unit: Million yen	FY2006 H1	FY2005 H1	Change: %	Change: yen	Initial forecasts	Change: yen
Net sales	129,391	126,301	2.4%	3,090	126,400	2,991
Operating income	5,273	4,648	13.4%	624	4,250	1,023
Ordinary income	5,193	4,526	14.7%	667	4,100	1,093
Interim net income	2,572	2,210	16.4%	362	2,100	472

Unit: Million yen	End of FY2006 H1	End of FY2005	Change: %	Change: yen
Total assets	183,440	182,381	0.6%	1,059
Net assets	69,339	66,975	-	-
Interest-bearing debt	38,722	38,883	(0.4%)	(161)
Equity ratio	37.6%	36.7%		
Market price-based equity ratio	57.3%	57.7%		
Debt service coverage ratio	3.5 years	3.2 years		
Interest coverage ratio	19.4	16.6		

Note: Due to the transfer of its shares on September 5, 2005, HARLEY-DAVIDSON CITY CO., LTD. is included only in the income statements for FY2005 H1.

FY2006 H1: Consolidated results by segment

Shopping Complex Business and Space Engineering and Management Business performing well

Unit: Million yen

Shopping Complex Business

Sales increased due to remodeling carried out mainly at flagship stores and the changing of the name of PARCO CARD to achieve increased brand identification

Retail Business

NEUVE A CO., LTD. continued its scrap and build policy, opening 7 new stores and closing 3 existing ones. It now has 100 stores spanning 5 sectors

Space Engineering and Management Business

Sales were strong at PARCO SPACE SYSTEMS CO., LTD. due to more orders from new customers and increased remodeling of commercial facilities both inside and outside the PARCO group

Other Business

PARCO CITY CO., LTD. increased its non-PARCO group commercial facility clients, and strongly increased income driven by Internet business such as website creation

		FY2006 H1	FY 2005 H1	Change
Shopping complex business	Net sales	120,868	118,321	2,546
	Operating income	4,644	4,062	582
Retail business	Net sales	8,135	8,033	101
	Operating income	342	235	107
Space engineering and management business	Net sales	10,677	9,524	1,153
	Operating income	243	92	151
Other business	Net sales	1,173	1,235	(61)
	Operating income	49	102	(53)
Subtotal	Net sales	140,854	137,114	3,740
	Operating income	5,280	4,493	787
Eliminations or corporate	Net sales	(10,479)	(9,926)	(552)
	Operating income	(7)	155	(163)
Total	Net sales	130,375	127,187	3,187
	Operating income	5,273	4,648	624

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

FY2006 H1: Non-consolidated performance; Dividends

Net sales and income both up year-on-year. Non-consolidated revenue and income also increased.

Unit: Million yen

	FY2006 H1	FY2005 H1	Change: %	Change: yen	Initial forecasts	Change: yen
Net sales	119,691	117,234	2.1%	2,457	117,300	2,391
Operating income	4,594	4,017	14.4%	576	3,850	744
Ordinary income	4,503	3,798	18.6%	705	3,600	903
Net income	2,236	1,558	43.5%	678	1,880	356

	End of FY2006 H1	End of FY2005	Change: %	Change: yen
Total assets	181,251	180,492	0.4%	759
Net assets	69,640	68,014	-	-
Interest-bearing debt	44,222	44,383	(0.4%)	(161)
Equity ratio	38.4%	37.7%		

Dividends

Interim dividend per share up ¥1 to ¥6. Annual dividend of ¥12 planned.

FY2006 H1: Consolidated/Non-consolidated Results and Full-year forecasts

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

Unit: Million yen

Consolidated	FY2006 (ending Feb. 2007) revised forecasts	FY2005 (ended Feb. 2006) results	Change: %	Change: yen	Initial forecasts	Change: %	Change: yen
Net sales	265,500	262,408	1.2%	3,091	262,600	1.1%	2,900
Operating income	9,500	9,085	4.6%	414	9,100	4.4%	400
Ordinary income	9,400	8,879	5.9%	520	8,900	5.6%	500
Net income	4,250	4,006	6.1%	243	4,020	5.7%	230

Non-consolidated	FY2006 (ending Feb. 2007) revised forecasts	FY2005 (ended Feb. 2006) results	Change: %	Change: yen	Initial forecasts	Change: %	Change: yen
Net sales	245,200	242,562	1.1%	2,637	242,700	1.0%	2,500
Operating income	8,500	7,657	11.0%	842	8,050	5.6%	450
Ordinary income	8,200	7,319	12.0%	880	7,650	7.2%	550
Net income	3,450	3,005	14.8%	444	3,420	0.9%	30

FY2006 H1: Sales, general and administrative expenses; Depreciation and amortization expenses; Investment

Consolidated

		Unit: Million yen		
		Amount	Change: %	Change: yen
H1 results	Total SG&A	14,510	(1.2%)	(174)
	Of which, depreciation and amortization	1,907	(1.8%)	(35)
Full-year forecasts	Total SG&A	30,689	1.0%	308
	Of which, depreciation and amortization	4,036	2.3%	92

		Unit: Billion yen		
		Amount	Change: %	Change: yen
H1 results	Capex	2.4	(17.6%)	(0.5)
Full-year forecasts	Capex	7.1	(17.9%)	(1.5)

Non-consolidated

		Unit: Million yen		
		Amount	Change: %	Change: yen
H1 results	Total SG&A	11,091	(3.4%)	(391)
	Of which, depreciation and amortization	1,802	(11.2%)	(226)
Full-year forecasts	Total SG&A	23,266	(2.4%)	(571)
	Of which, depreciation and amortization	3,730	(9.4%)	(386)

		Unit: Billion yen		
		Amount	Change: %	Change: yen
H1 results	Capex	2.6	(22.1%)	(0.7)
Full-year forecasts	Capex	6.4	(22.2%)	(1.8)

2. Overview of sales in FY2006 first half

FY2006 H1 results: Tenant sales by store (slide 1)

Year-on-year growth of 2.2%, driven by flagship stores
12 stores achieved year-on-year increases

Yellow highlights indicate flagship stores

Unit: Million yen

	Trend	FY2006 H1		FY 2005 full-year
		Net sales	Change: %	Change: %
Sapporo		7,094	(5.1%)	3.8%
Utsunomiya		4,010	(8.3%)	(4.6%)
Shin-Tokorozawa	↗	4,696	3.6%	10.0%
Ikebukuro	↗	16,518	7.4%	3.7%
Shibuya	↗	10,626	10.1%	12.1%
Hibarigaoka	↗	4,466	3.2%	(1.1%)
Kichijoji	↗	5,246	3.3%	6.4%
Chofu		8,695	(0.2%)	(0.9%)
Tsudanuma	↗	5,361	6.6%	0.8%

Flagship store performance: Net sales up 3.5% year-on-year

Remodeling this fiscal year at **Shibuya PARCO**, **Ikebukuro PARCO** and **Hiroshima PARCO** and theme-based remodeling this calendar year helped us to win market support, with sales continuing to increase in the period as a result

Systematic remodeling is being carried out annually at **Nagoya PARCO**. Renewal of men's and other fashion continued and the restaurant and services lineup was expanded. PARCO's lifestyle proposals, which mainly target young people, are making steady progress, leading to further sales increases

Sapporo PARCO, despite the inevitable rebound following the opening of the new building in March 2005, is on a recovery trend, with sales as a percentage of the previous comparable period at 93.3% for the first quarter of the year and rising to 96.5% for the first half. Remodeling of the floor area around the first floor entrance was carried out in September 2006, with future plans to strengthen the connection between the main building and the new building

FY2006 H1 results: Tenant sales by store (slide 2)

Yellow highlights indicate flagship stores

Unit: Million yen

	Trend	FY2006 H1		FY 2005 full-year
		Net sales	Change: %	Change: %
Chiba		4,630	(5.2%)	(7.9%)
Atsugi	↗	2,255	3.3%	7.4%
Matsumoto	↗	4,433	2.7%	4.3%
Nagoya	↗	18,990	1.3%	4.0%
Otsu	↗	3,993	1.3%	(1.2%)
Shinsaibashi	↗	866	1.4%	8.2%
Hiroshima	↗	8,790	5.7%	5.4%
Oita		2,302	(1.3%)	(5.2%)
Kumamoto		2,923	(6.5%)	(8.3%)
Gifu		974	(13.6%)	(15.5%)
Total	↗	116,877	2.2%	2.5%

Other store performance: Net sales up 0.1% year-on-year

Tsudanuma PARCO and **Hibarigaoka PARCO** have been carrying out building frame reinforcement following the introduction as part of the store grouping policy of a head office-led system for equipping stores with the capacity to attract large numbers of customers. Both stores achieved major increases

Otsu PARCO leveraged its tenth anniversary to achieve clear improvements, while **Shin-Tokorozawa PARCO**, **Kichijoji PARCO**, **Atsugi PARCO**, **Matsumoto PARCO** and **Shinsaibashi PARCO**, which all performed well last year, continued to increase sales driven by new merchandising proposals and sales plans

In contrast, **Utsunomiya PARCO**, **Kumamoto PARCO** and **Chiba PARCO** continued to experience difficulties due to the impact of nearby competitors and other factors

FY2006 H1 Sales comparisons by item category

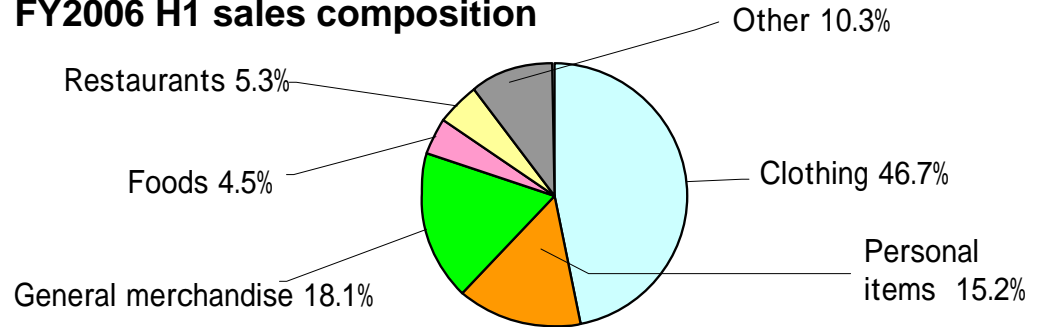
Note: All comparisons are with the first half of the previous year

Category and item		Change in %
Clothing	Womenswear	3.4%
	Menswear	(0.1%)
	Sportswear	(11.4%)
	Kimono	9.2%
	Childrenswear	(1.4%)
	General clothing	8.8%
Clothing		2.5%
Personal items	Shoes	6.5%
	Bags	8.7%
	Accessories	6.0%
	Cosmetics	(1.3%)
Personal items		2.7%
General merchandise		1.1%
Foods		2.4%
Restaurants		1.1%
Other		4.3%

Average spend per customer up 3.7%
Paying customer numbers down 1.3%

Womenswear, personal items such as shoes and bags performed well

FY2006 H1 sales composition



- In clothing, womenswear sales remained strong throughout the first half period. Hit products emerged for coats in spring and resort-style wear in summer, with higher than average sales of autumn-colored summer fabrics after the summer sale season ended. Personal items sales were strong, with a trend for total fashion coordination and hit products in wedge-sole sandals, leather tote bags and others
- In menswear, sales were slightly lower due to the impact of remodeling closures, but including the menswear portion of general clothing, sales increased 0.6%
- In general merchandise, sales recovered after the decline of the previous year, with weaker sales of books and CDs covered by higher sales of home appliances and lifestyle goods
- In foods, sales increased at each store as PARCO gained market presence, aided by factors such as the total remodeling of Shin-Tokorozawa PARCO in 2004 and strong sales of summer gifts at Hibarigaoka PARCO

Note: Comparisons (with the previous first half period) are based on integrated store sales. Integrated store sales indicates overall sales strength of stores, as it includes tenant sales as well as the sales of PARCO Theater and fixed rent tena

FY2006 H1 Store remodeling

Active approach has seen 24,000m² of remodeling implemented of 50,000m² planned for year



Nagoya PARCO Menswear floor

Remodeling status FY2006 H1

Scale of remodeling: 224 sections, approximately 24,000 m² (including 93 new store sections)

Effect of remodeling: Sales up 19.1% in same zone comparison

Total store overview as of end of August 2006: 18 stores, 2,470 tenants, sales area of 388,000m²

Key remodeling projects implemented

Nagoya: 36 sections, 3,750m² including womenswear, menswear, restaurants, personal items, etc.

Same zone sales up 25.9%

Hiroshima: 44 sections, 3,400m² including total remodeling of 2 menswear floors and addition of beauty zone in B1 floor of main building.

Same zone sales up 15.1%

Ikebukuro: 32 sections, 2,200m² including womenswear and personal items sections in basement of main building.

Same zone sales up 38.3%

Shibuya: 19 sections, 1,700m², based on womenswear in PART 1 and menswear and general merchandise in PART 3.

Same zone sales up 37.8%



Hiroshima PARCO beauty zone

Note: All comparisons are with the first half of the previous year

FY2006 H1 PARCO Card

Changed name and design of PARCO Card in March 2006, aiming to boost number of new cardholders.

- Increasing brand awareness through use of simple name: PARCO Card

PARCO CARD

Supported sales plan through core customer strategy under which name and design of card was revised. Boosted status appeal with introduction of special PARCO Card Class S with priority services for PEC continuous members.



PARCO Card: Class S

Twelve months of special priority services for cardholders making more than 200,000 yen of purchases in a one-year period.

FY2006 H1: PARCO Card holders and transactions

Total transaction amount

Up 8.1%. 13.4% of total store sales made with PARCO Card (up 0.8 percentage points)

Card holders (as of end August)

Approximately 1,370,000

New applications up 31.9%

Main sales events

Spring Card fair (5% off) 3/9 ~ 4/16

HAPPY 5 DAYS SALE (5% off, etc.) 5/25 ~ 29

HAPPY! HAPPY! Campaign 5/30 ~ 6/25

(Double points (triple for Class S) + prize draws)



FY2006 H1 Entertainment business overview

Overall entertainment business sales in line with previous year, supported by good results in publishing



Le Theatre GINZA
Hymne À L'amour
NEUVE A CO., LTD.

Although PARCO Theater was closed three months for remodeling, any decline in sales was minimized through hosting external and regional events, and new and backlist publishing hits

Minimal overall impact from temporary closure of PARCO Theater, with entertainment business sales reaching 99.9% of the previous comparable period.



Hiroyuki Ehara
Kunan no Norikoekata
(Overcoming hardship)

Store network expanded to 100
Strong sales at existing stores boosted by new store openings

Net sales: Up 11.8%
including an 8.0% increase
at existing stores

As of end August 2006	Number of stores	Sales increase
TiCTAC	35	20.2%
POKER FACE	20	18.7%
COLLECTORS	16	2.8%
ROSEMARY	22	2.5%
ANNABELLE	7	118.4%
Total all stores	100	11.8%



「POKER FACE (eyewear)」

New stores opened during first half

3/17 Kohoku Tokyu Shopping Center: 2 stores

4/20 Kinshicho olinas: 3 stores

6/24 Horie kNOT: 2 stores.

Also: Remodeled 8 stores; closed 3 stores

Operating in PARCO facilities: 51%

Operating in other facilities: 49%

PARCO

3. Update on progress of five-year medium-term management plan

Five-year medium-term management plan (FY2005 – FY2009)

(1) Strengthening shopping complex management and development capabilities

1-1: Undertake strategic grouping of stores

1-2: Concentrate store development in major urban centers

(2) Entering new business arenas

2-1: Expand and enhance property management operations

2-2: Engage in new development schemes

(3) Deepening and broadening peripheral business

3-1: Expand content-based business in entertainment/other arenas

3-2: Strengthen PARCO Space Systems through existing and new operations

3-3: Grow NEUVE A business through active expansion of store network

Strengthening shopping complex management capabilities

Fall remodeling: Remodeling total area of 15,000m² and strengthening system of cooperation with tenants



PART 3, Shibuya PARCO



The Otokorashisa Campaign

Scale of remodeling: 150 sections, approx. 15,000m² planned (including 71 sections for new stores)

Shibuya PARCO 2006 Fall remodeling

Continuing to make Shibuya PARCO newer and more progressive this Fall, aiming to establish it as Tokyo's premier fashion location

30 new store openings or remodeled stores in the Fall remodeling

(New stores: 12 Remodeled stores: 18)

PART 1: Strengthening ability to launch new fashion trends, particularly in ladies fashion

- Tokyo Collection: Expanding lineup of new fashions

PART 3: Large-scale remodeling in progress

Enhancing the building's charm by:

- Making the second floor a new fashion and new elegance zone for ladies
- Opening a new living floor on the fifth floor

Implementing a merchandising campaign involving tenants, a men's fashion magazine and PARCO

Running the *Otokorashisa* (masculinity) Campaign at all PARCO stores in partnership with *smart* magazine, with the participation of 28 menswear tenant companies/39 brands (approx. 250 stores), and further involving outside companies. Strengthening the system for cooperation with tenants and making new style proposals, through a strategy combining launching limited edition items and giving original goods presents, thus expanding our marketing activities.

(Friday, Sept. 22 to Sunday, Oct. 22)

Strengthening shopping complex development capabilities

Began the Shizuoka PARCO campaign for targeted opening in Spring 2007



Shizuoka PARCO

Situated in heart of Shizuoka City's retail and business district. Linkage with improved Shizuoka Japan Rail Station square should substantially boost overall commercial vitality of area

Launching of opening campaign ahead of store opening in Spring 2007, through measures such as holding of a performance of PARCO Theater musical in Shizuoka, recruitment of models for Shizuoka PARCO's new year advertisement to be shot by well-known photographer Kishin Shinoyama, and recruitment of *PARCO special correspondent* reporters.

Scheduled opening	Spring 2007
Building type	8 floors + 1 basement level
Floor area	approx. 30,000m ²



Sendai PARCO

(provisional name)



Urawa PARCO

(provisional name)

One of our largest stores and a new type of development for PARCO, combining public facilities, a major supermarket area and a cinema complex.

Scheduled opening	Fall 2007
Building type	7 floors + 1 basement level
Floor area	approx. 65,000m ²

Situated in front of the railway station in Sendai, the Tohoku region's largest city. A full-scale development that includes office space

Scheduled opening	Spring 2008
Building type	9 floors + 1 basement level
Floor area	approx. 24,000 m ²

Pictures are indicative illustrations. Actual building designs may vary.

Entering new business arenas/Deepening and broadening peripheral business

New business



Kohoku Newtown Center Kita SC
(Provisional name)

Kohoku Newtown Center Kita SC (Provisional Name)

In progress to begin property management operations in Spring 2007

Opening scheduled for Spring 2007. Targeted at suburban families, a shopping complex offering comprehensive range of lifestyle facilities ranging from fashion stores to a major home appliance and DIY center and a cinema complex. Pre- and post-opening management support currently underway

Overseas business



Central

PARCO (Singapore) Pte Ltd

OMA contract signed for "CENTRAL" in Singapore (scheduled to start operations in Dec. 2006)

Contract signed and operations underway for pre-opening management (planning/tenant leasing) and post-opening management (administration/operation) of the commercial section of "CENTRAL", a multi-building facility directly connected to the ClarkeQuay MRT station combining retail, office and residential space (SOHO)

Straits Parco Retail Management Pte Ltd (SPRM)

As part of our concentration of overseas businesses at PARCO (Singapore) Pte Ltd, the advisory contract held by SPRM for the Bugis Junction multi-functional shopping complex in Singapore will be cancelled, with compensation received through a one-off payment for the period up to contract expiration

Retail business



TiCTAC (watches)

NEUVE A CO., LTD.

8 stores to open and 2 stores to be remodeled in the second half

Buildings already opened in the second half

9/14 Kichijoji PARCO	TiCTAC
9/28 LAZONA Kawasaki	Collectors
10/4 M-INT KOBE	TiCTAC

Planned openings

Nov.: 5 openings scheduled including Kanazawa FORUS
H2 Total: 8 store openings scheduled



Five-year medium-term management plan (2005-2009) progress

Currently on track to achieving our FY2009 management targets

Management indices (Consolidated FY2009)

Unit: Million yen	FY2004 Results	FY2009		FY2005 Results	FY2006 Target
		Target	Change		
Net sales	257,625	300,000	+42,375	262,408	265,500
Ordinary income	8,079	12,000	+3,921	8,879	9,400
Net income	1,742	6,000	+4,258	4,006	4,250
ROE	3.0%	8.2%	+5.2%	6.2%	-%

Sales targets by segment

Unit: Million yen	FY2004 Results	FY2009		FY2005 Results
		Target	Change	
Shopping Complex Business	236,456	276,819	+40,362	242,675
Retail Business	15,321	18,812	+3,491	15,946
Space Engineering and Management Business	25,729	24,252	-1,477	21,985
Other Business	2,504	2,614	+110	2,579
Consolidated total (After eliminations)	257,625	300,000	+42,375	262,408



PARCO

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

Statements in this presentation that are not historical fact, such as forecasts, are forward-looking statements, based on information available as of October 6, 2006, and are subject to a number of risks and uncertainties. Actual results may be materially different.

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