

PARCO CO., LTD.
FY2010
First Half Results
(March 1, 2010 –
August 31, 2010)

October 6, 2010

TSE 1st section: 8251



Summary

- Net sales up on FY2009 H1 and initial forecasts
Income also strong, exceeding initial forecasts
- Currently moving forward with approx. 40,000m² of renovations in conjunction with H1/Autumn renewal
Planning 56,000m² of renovations for the year
- Fukuoka PARCO opened in March. Strong sales supported by 1.5 times higher-than-forecast customer numbers
- Acquired ownership of land and buildings of Urawa PARCO and Ikebukuro P'PARCO
Enables flexible renovation and complex operation
- Decision made to change complex format of Shinsaibashi PARCO
New complex provisionally scheduled to open in June 2013
- NEUVE A CO., LTD. continuing to actively open new stores
PARCO SPACE SYSTEMS CO., LTD. sales grew on strong orders

Presentation Contents

Overview of FY2010 H1 results and full-year forecasts

FY2010 topics

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Overview of FY2010 H1 results and full-year forecasts

FY2010 topics

1. Consolidated results

5/23

Net sales up on FY2009 H1 and initial forecasts
Income also strong, exceeding initial forecasts

Unit: Million yen

Consolidated	2010 H1	2009 H1	Change %	Change ¥	Initial forecasts	Change %	Change ¥
Net sales	128,780	127,906	0.7%	873	127,000	1.4%	1,780
Operating income	4,554	4,757	(4.3%)	(202)	4,100	11.1%	454
Ordinary income	4,333	4,691	(7.6%)	(357)	3,800	14.0%	533
Net income	2,116	2,203	(3.9%)	(86)	1,900	11.4%	216
EBITDA*	7,788	7,518	3.6%	269	—	—	—

Consolidated	End of FY2010 H1	End of FY2009	Change ¥
Total assets	217,478	187,093	30,385
Net assets	79,991	78,657	1,333
Interest-bearing debt	66,338	38,487	27,851
Equity ratio	36.8%	42.0%	(5.3%)

*EBITDA in this table refers to operating income plus depreciation and amortization.

2. Consolidated results by segment

6/23

Unit: Million yen

Shopping Complex Business

At PARCO CO., LTD., Fukuoka PARCO opened in Mar. and started strongly, serving as a driver for the entire company

Retail Business*1

Net sales and operating income both increased at NEUVE A CO., LTD., with the watch and cosmetics divisions performing favorably. PALM GARDEN CO., LTD., which was included in the figures for FY2009 H1, stopped doing business as of the end of Feb. 2010

Space Engineering and Management Business

Net sales and operating income both grew at PARCO SPACE SYSTEMS CO., LTD., on increased orders for structural improvement and maintenance work, including electrical work at major shopping complexes

Other Business*2

PARCO CITY CO., LTD. performed favorably, growing orders from non-PARCO customers for major website renewals and tie-up planning. Sold HOTEL NEW CRESTON CO., LTD., which was included in the figures for FY2009 H1, in June 2009, exiting the hotel business

		FY2010 H1	FY2009 H1	Change ¥
Shopping Complex Business	Net sales	120,389	120,338	51
	Operating income	4,197	4,560	(362)
Retail Business*1	Net sales	7,512	8,268	(755)
	Operating income	149	105	44
Space Engineering and Management Business	Net sales	9,771	8,891	880
	Operating income	172	55	116
Other Business*2	Net sales	274	662	(388)
	Operating income	7	15	(8)
Subtotal	Net sales	137,948	138,160	(211)
	Operating income	4,527	4,737	(210)
Eliminations or corporate	Net sales	(7,772)	(8,936)	1,163
	Operating income	26	19	7
Total	Net sales	130,175	129,223	951
	Operating income	4,554	4,757	(202)

Reference		FY2010 H1	FY2009 H1	Change ¥
1. NEUVE A	Net sales	7,512	7,315	197
	Operating income	156	111	44
2. PARCO CITY	Net sales	278	273	5
	Operating income	7	3	3

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

3. Non-consolidated results

7/23

Net sales up on FY2009 H1 and initial forecasts, due to effect of new stores
Income also exceeded initial forecasts

Unit: Million yen

Non-consolidated	FY2010 H1	FY2009 H1	Change %	Change ¥	Initial forecasts	Change %	Change ¥
Net sales	118,994	118,971	0%	23	118,000	0.8%	994
Operating income	4,311	4,609	(6.5%)	(298)	3,900	10.5%	411
Ordinary income	4,115	4,659	(11.7%)	(544)	3,700	11.2%	415
Net income	2,061	2,380	(13.4%)	(318)	1,900	8.5%	161
EBITDA*	7,419	7,236	2.5%	183	—	—	—

Non-consolidated	End of FY2010 H1	End of FY2009	Change ¥
Total assets	213,482	183,189	30,292
Net assets	80,385	79,059	1,325
Interest-bearing debt	68,253	40,514	27,739
Equity ratio	37.7%	43.2%	(5.5%)

*EBITDA in this table refers to operating income plus depreciation and amortization.

4. Earnings and dividend forecasts

8/23

Forecasting higher net sales and operating income, on anticipated contributions from new stores, stronger performance at existing stores and growth at Group companies

Unit: Million yen

	FY2010 forecasts*	FY2009 results	Change ¥	Change %	
Consolidated	Net sales	264,000	261,076	2,923	1.1%
	Operating income	8,700	8,601	98	1.1%
	Ordinary income	8,300	8,554	(254)	(3.0%)
	Net income	4,200	4,108	91	2.2%
Non-consolidated	Net sales	245,000	243,349	1,650	0.7%
	Operating income	8,200	8,154	45	0.6%
	Ordinary income	7,700	8,208	(508)	(6.2%)
	Net income	4,000	4,184	(184)	(4.4%)

Dividends

Decided to pay an interim dividend of ¥8 per share; plan to maintain an annual dividend of ¥16 per share

*Earnings and dividend forecasts are unchanged from initial forecasts.

5. Selling, general and administrative expenses; capital expenditure

9/23

Selling, general and administrative expenses

Unit: Million yen

Consolidated		Amount	Change ¥	Change %
H1 results	Personnel	4,679	(86)	(1.8%)
	Lease/rental	4,805	(360)	(7.0%)
	Advertising	1,319	(25)	(1.9%)
	Agency services	2,988	(122)	(3.9%)
	Depreciation	3,233	471	17.1%
	Tax and dues	603	(55)	(8.4%)
	Total SG&A	16,178	(223)	(1.4%)

Capital expenditure

Unit: Million yen

Consolidated		Amount	Change ¥	Change %
H1 results	Capex	31,560*	28,119	817.0%

*Approx. ¥26,200 million of this was for acquisition of ownership of the land and building of Urawa PARCO in Mar. 2010.

6. Tenant sales by store

10/23

All-store total up 0.3%, helped by newly-opened Fukuoka PARCO
Driven by strong performance of three recently-opened stores (Shizuoka, Urawa, Sendai)

Unit: Million yen

PARCO Store		Net sales	Change
Urban Store Group	Sapporo PARCO	5,153	(11.1%)
	Sendai PARCO	4,760	3.4%
	Ikebukuro PARCO	14,671	(5.6%)
	Shibuya PARCO	6,701	(11.9%)
	Shizuoka PARCO	5,284	5.0%
	Nagoya PARCO	16,179	(6.7%)
	Hiroshima PARCO	8,058	(5.8%)
	Fukuoka PARCO	6,977	—
Sub-total		67,786	5.1%
Total (excluding Fukuoka PARCO)		60,808	(5.7%)

PARCO Store		Net sales	Change
Total		116,579	0.3%
Existing store total		109,601	*2 (5.1%)

PARCO Store		Net sales	Change
Kanto Store Group	Utsunomiya PARCO	2,692	(13.0%)
	Urawa PARCO	6,235	0.3%
	Shin-Tokorozawa PARCO	4,051	(3.2%)
	Chiba PARCO	3,417	(9.4%)
	Tsudanuma PARCO	4,638	(3.5%)
	Hibariagaoka PARCO	3,869	*1 1.0%
	Kichijoji PARCO	4,559	(0.3%)
	Chofu PARCO	8,265	(0.7%)
	Sub-total		37,729

PARCO Store		Net sales	Change
Regional Store Group	Matsumoto PARCO	3,638	(3.9%)
	Otsu PARCO	2,539	(18.6%)
	Shinsaibashi PARCO	906	(0.1%)
	Oita PARCO	1,600	(16.5%)
	Kumamoto PARCO	2,378	(4.2%)
Sub-total		11,063	(9.4%)

*1 Hibariagaoka PARCO year-on-year figures exclude the annex "NosVos by PARCO," which closed in Feb. 2010.

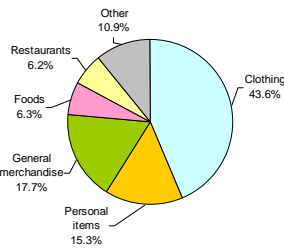
*2 Existing store total excludes figures for Fukuoka PARCO (opened Mar. 19, 2010) and the Hibariagaoka PARCO annex "NosVos by PARCO" (closed Feb. 28, 2010).

7. Year-on-year sales comparisons by item

11/23

General clothing and cosmetics performed strongly

FY2010 H1 sales mix



- ◎ Clothing trends tending mainly towards single casual items, with continued demand for items that are quick and easy to wear, are reasonably priced and combine well with accessories to give a sense of variation. General clothing strong, helped by new large-scale casual clothing stores.
- ◎ Sales of cosmetics continued to perform strongly, driven by higher customer numbers

Category and item	FY2010 H1 change % from FY2009 H1	
	All stores	Existing stores*
Womenswear	(3.4%)	(7.4%)
Menswear	(5.3%)	(8.1%)
General clothing	11.9%	2.7%
Clothing	(0.8%)	(5.5%)
Shoes	(3.4%)	(8.4%)
Bags	(6.1%)	(14.7%)
Accessories	3.0%	(5.7%)
Cosmetics	10.1%	1.1%
Personal items	0.8%	(7.0%)
Culture-related	0.7%	(4.9%)
Living-related	(1.1%)	(6.8%)
General merchandise	1.3%	(4.0%)
Foods	(0.4%)	(1.2%)
Restaurants	1.4%	(5.8%)
Other	1.7%	(3.6%)

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.

*Existing store total excludes figures for Fukuoka PARCO (opened Mar. 19, 2010) and the Hibarigaoka PARCO annex "NosVos by PARCO" (closed Feb. 28, 2010).

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Overview of FY2010 H1 results and full-year forecasts

FY2010 topics

Reference:

■ Complexes: 36 buildings in 21 areas
 ■ Total no. of tenants: 2,928

■ Complex floor space: 465,000m² (as of Aug. 31, 2010)
 ■ Companies: 839

1 Medium-term business plan (FY2010-FY2012)

13/23



New vision

Through a broadening of business fields, evolve from being an urban commercial developer centered on shopping centers to become an urban lifestyle producer

Pursuing three business strategies to strengthen the management foundation

- Business strategy 1 **Innovation at existing complexes**
- Build a robust revenue base
- Business strategy 2 **Expand the urban retail business both in Japan and overseas**
- Establish a foundation for further growth
- Business strategy 3 **Rapid development of related and new businesses**
- Broaden existing business fields

More information on our medium-term business plan is available at:
http://www.parco.co.jp/group/en/corporate/ir_06.php

2-(1) Business strategy 1: Innovation at existing complexes

14/23

- Build a robust revenue base

Actively carried out renovation in FY2010 H1, on a scale exceeding previous fiscal year, based on the theme of broadening our customer base and increasing customer numbers

- **FY2010 H1 renovation:** 181 sections (89 new), approx. 20,000m² (vs. 17,000m² in FY2009 H1)
- **Effect of renovation:** Same zone sales up 14.5% from FY2009 H1
- **Kanto area stores:** Overall number of customers entering stores underpinned by the introduction of tenants catering to a wide range of age groups, a stronger focus on products for daily use, and the addition of service functions. This led to an increase in customer numbers



Chofu PARCO

Chofu PARCO: Started full renovation of B1 food floor to strengthen daily-use offering. Aiming to introduce new grocery stores, enhance confectionary lineup and revamp gift zone. Non-clothing floors to be further renovated in line with customer needs. Common-use and other areas to be enhanced to provide a more pleasant environment, thereby improving customer satisfaction and increasing purchases at multiple stores



Shizuoka PARCO

Shin-Tokorozawa PARCO: Introduced large casual family clothing store on second floor, which, combined with zoning enhancements in the surrounding area, has led to an upturn in customer numbers for the complex as a whole. An enhanced and clearer mix of family items has also contributed to the new broadening of the customer base

Shizuoka PARCO: Now on growth trajectory as it gains support of local shoppers. To expand functional appeal, attract outdoor sports stores, travel agencies and so forth as new tenants. Pursue further growth through reinforcement of daily-use and special-occasion offerings

2-(2) Business strategy 1: Innovation at existing complexes

– Build a robust revenue base

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Planning more autumn renovation than last year, mainly at urban complexes based on the theme of highlighting the fashionable and trendy. Seeking higher net sales on broadening of customer base and increase in customer numbers, as stores renovated in FY2010 H1 start to contribute for the full half-year period

- Autumn 2010 renovations: 21,000m² (vs. 14,000m² in autumn 2009)
- Planning 56,000m² of renovations over the full year



Ikebukuro PARCO: Continuing to strengthen relations with growing fashion companies. Also pursuing renovation to strongly communicate to customers the sense of change in the complex, adding new sales zones such as the new combined general merchandise and personal item offerings on the fifth floor of the main building

Sapporo PARCO



Sapporo PARCO: Full renovation of B2 floor, the entrance to the underground shopping arcade, including rearrangement of personal item, general merchandise, and cosmetics areas. Circulation improved through renovation of common-use areas. Providing new fashion offerings on 1st floor, which also enhances overall building image

Hiroshima PARCO

Hiroshima PARCO: Continuing to strengthen fashion offering, including introduction of tenants opening stores in area for first time. Aiming to broaden customer base through hair and aromatherapy salons, confectionary buffets and other innovations to meet changing consumer preferences

2-(3) Business strategy 1: Innovation at existing complexes

– Build a robust revenue base

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Acquired ownership of land and building (trust beneficiary rights) of Urawa PARCO in March 2010. Renewal of entire complex now underway. FY2010 H1 sales up from FY2009 H1



Urawa PARCO

- In spring introduced outdoor sports, family fashion, and service functions, mainly in mid-level floors, aiming to broaden customer base
- From autumn, introducing major general merchandise tenant with diverse customer base ranging from young families to senior citizens. Plan to introduce other tenants that can draw large numbers of customers to further supplement Urawa PARCO's functions, and further fine-tune its position as a major suburban PARCO complex meeting the daily use and other needs of the local community

Aiming to complete Urawa PARCO's renewal as a community complex by the time of completion of the pedestrian walkway connecting the east and west exits of Urawa JR Station (scheduled for March 2013), and become one of the area's leading shopping centers

2-(4) Business strategy 1: Innovation at existing complexes

17/23

– Build a robust revenue base

Acquired ownership of land and building (trust beneficiary rights) of Ikebukuro P' PARCO in October 2010, aiming to further enhance operation of Ikebukuro PARCO

- Enhance linkage between main building and annex to ensure more stable operation and more flexible renovation
- We also rate this project highly as a quality real estate investment



Ikebukuro P' PARCO

Property name		P' PARCO			
Location		1-50-35 Higashi Ikebukuro, Toshima-ku, Tokyo			
Land	Use	Commercial	Floor area	9,417.51m ²	
	Area	1,115.22m ²	Bldg	Structure	Steel-framed reinforced concrete (partially steel, partially steel-reinforced concrete)
	Type of ownership, etc.	Ownership (shoyuken)		Date of completion	March 1, 1994
		Type of ownership, etc.	Ownership (shoyuken)		
Trustee		Chuo Mitsui Trust and Banking			
Purchase price		¥10,135 million			
(Reference)					
Assessed value		¥ 12,100 million			
NOI (Net Operating Income)		¥ 506 million			
NOI yield		5.0%			

Plan to renovate more than half of the combined total floor area of the main building and the annex by FY2012. Aiming to enhance sales and marketing strength, as Ikebukuro PARCO seeks to constantly maintain its position as one of the most profitable, efficient and fashionable urban shopping complexes

2-(5) Business strategy 1: Innovation at existing complexes

18/23

– Build a robust revenue base

Decided to change Shinsaibashi PARCO complex format

- Decided to rebuild the main building of Shinsaibashi PARCO and change the complex format to a new shopping complex



Shinsaibashi PARCO main building

Leveraging its prime location in the heart of Osaka, the new complex will go beyond the convention complex format and operate under a new business model for urban shopping complexes. This model will have 3 core pillars: a strong tenant mix, the optimal business size to maximize investment efficiency, and efficient operation

New building

Schedule

Main building and DUE annex provisionally scheduled to be closed in September 2011

Reopening provisionally scheduled for June 2013

Location	1-9-1 Shinsaibashisuji, Chuo-ku, Osaka-shi, Osaka
Structure	5 floors and 1 basement level
Floor area	Approx. 4,800m ²
Opening	Provisionally scheduled for June 2013
Tenants	Not yet determined
Investment	Approx. ¥1,500 million

3 Business strategy 2: (1) Development of complexes in Japan

– Establish a business foundation for further growth

19/23

March 2010: Fukuoka PARCO opened

Performing strongly, supported by approx. 7 million customer visits in total by the end of FY2010 H1, 1.5-times more than expected. This is due to its prime location, great transport access, strong tenant mix, and the use of new means of advertising

Factors behind this good showing

- Store arrangement facilitates customer flow

Randomized approach to store arrangement, item zoning puts general merchandise stores and restaurants on each floor, thereby encouraging storewide circulation, raising customer traffic and enhancing customer base

→ Approach to be extended to other stores starting this autumn

- Active web (shop blogs, etc.) utilization for shop promotion and publicity

→ Plan to introduce, as appropriate, store blogs like the hugely successful one at Fukuoka PARCO at other PARCO complexes. Mainly targeting urban complexes

- Locally rooted promotional activities

Linkage with Fukuoka Asia Collection (FACo), *Minna no Sendenbu* ("Everyone's PR Department," a blog operated in conjunction with local media), active participation in local events, etc.



Fukuoka PARCO

Store overview

Opened	March 19, 2010
Building type	8 floors and 1 basement level
Annual sales target	¥11,000 million
Investment	Approx. ¥10,000 million (includes leasehold deposits)
Floor area	Approx. 24,000m ²
Location	Tenjin 2-chome, Chuo-ku, Fukuoka-shi, Fukuoka
Access	Directly connected to Tenjin Station on Nishitetsu Line and Subway

3 Business strategy 2: (2) Expansion of overseas business

– Establish a business foundation for further growth

20/23

PARCO Marina Bay opened in Singapore in Mar. 2010

- Highly popular for its Japanese restaurants, including some appearing outside Japan for the first time
- Utilizing events, promotional campaign tie-ups, member email distribution to increase awareness as a shopping center providing unique elements not found at other shopping complexes, such as PARCO next NEXT, an incubator zone for young Singaporean designers



PARCO Marina Bay restaurant floor

Store overview

Opened	Mar. 31, 2010
Building type	3 above-ground floors
Number of stores	108 stores
Annual sales target	--*
Amount invested	Approx. ¥600 million
Contract area	Approx. 7,800m ²
Location	Millenia Walk, 9 Raffles Boulevard, Singapore
Access	Metro: Connects directly to Promenade MRT Station
Nearby facilities	6 major hotels including the Ritz Carlton. 5 shopping complexes, high-rise office buildings, a large casino, the Singapore Flyer ferris wheel, theaters, etc.

*A sales target is not provided for reasons including that tenant contracts are fixed lease contracts. The total tenant transaction amount target is approx. ¥2.8 billion.

Conducting negotiations with local partners to develop business in China

4-(1) Business strategy 3: Rapid development of related and new businesses

– Broaden existing business fields

21/23

PARCO CITY CO., LTD.

Steady performance driven by increased orders from website operator customers for large-scale website renewal and external tie-up planning

EC Mall business transferred to a new operating system in September, which improved search functionality, accuracy, and reach. Usability and functionality improved for both customers and tenants. Future focus on introducing prominent tenants

Continuing on its work in the first half of the year with swimwear and Fukuoka PARCO food items, EC retail is working to further strengthen partnerships with stores and with the PARCO Card Magazine, promoting a campaign to promote the sale of lucky-bags



E-commerce retail business
Boots collection

Entertainment business

Theatrical division received order to produce a theatrical performance for the Kanagawa Arts Theatre, scheduled to be opened in 2011. Preparation is underway for January opening performance, "Kinkakuji" (starring Gou Morita)

Held screenings of "Soranim" (starring Aoi Miyazaki), a movie executive produced by PARCO, at Shibuya Cinequint (Shibuya Parco Part 3), and established an official store at Shibuya PARCO and an official online store with PARCO CITY (E-commerce mall), allowing for the utilization of the rights business at multiple levels



Movie "Soranim"

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4-(2) Business strategy 3: Rapid development of related and new businesses

– Broaden existing business fields

22/23

NEUVE A CO., LTD.

- Continuing to pursue store openings at established shopping centers nationwide
- Opened 6 and closed 3 stores in first half of year, increasing total stores to 139. (56% external, 44% within PARCO shopping complexes)
- Existing stores of TICTAC (watches), and Rosemary (cosmetics) going well with improved sales from previous year
- Opened three new stores in September. Pursuing store openings mainly at external shopping complexes from October



Haneda Airport International Terminal Building
TORQUE
(Scheduled to open in Oct. 2010)



This year we continue to promote
Mottainai Watch Exchange! & Pink Ribbon Campaign

PARCO SPACE SYSTEMS CO., LTD.

Steady increase in orders for structural improvement work including electrical work, tenant refurbishment and maintenance for large shopping complexes. Environmentally friendly products, such as the "P'es Lighting" series of original private brand lighting fixtures also showing steady improvement

P'es Lighting series
LED lighting





Statements in this presentation that are not historical fact, such as forecasts, are forward-looking statements, based on information available as of October 4, 2010, and are subject to a number of risks and uncertainties. Actual results may be materially different.

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