

PARCO CO., LTD. AND SUBSIDIARIES



Consolidated Financial Statements for the Interim Term Ended August 31, 2004  
(Fractional amounts less than one million yen are discarded)

October 13, 2004

Corporate Name: PARCO CO.,LTD.

Stock Exchange Listings: Tokyo Stock Exchange(first section)

Code Number: 8251

Address: Headquarters in Tokyo

(URL <http://www.parco.co.jp/>)

Company Representative: Isamu Ito, Chairman of the Board, President & Chief Executive Officer

Personnel to Contact: Kourou Hiraide, Executive Officer, Finance & Accounting

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Board of Directors meeting: October 13, 2004

Based on US GAAP: Inapplicable

1. Results for The Interim Term of Fiscal 2004 (March 1, 2004-August 31, 2004)

(1) Sales and Income

	Net sales (¥million)	Year-on year Change [%]	Operating income (¥million)	Year-on year Change [%]	Ordinary income (¥million)	Year-on year Change [%]
Aug.2004 interim term	124,825	[-12.8]	4,101	[-8.2]	3,778	[-6.5]
Aug.2003 interim term	143,117	[-2.2]	4,467	[+2.6]	4,040	[+6.5]
Fiscal 2003	281,478	[-5.4]	8,894	[+6.5]	7,792	[+6.3]

	Net income (¥million)	Year-on year Change [%]	Net income per share(¥)	Net income per share(diluted)(¥)
Aug.2004 interim term	1,570	[106.5]	20.01	19.97
Aug.2003 interim term	760	[-24.5]	9.89	9.52
Fiscal 2003	2,791	[17.6]	36.97	35.56

Notes:

1. Investment profit on equity method:

Aug.2004 interim term :¥99million Aug.2003 interim term :¥99million Fiscal 2003 :¥171million

2. Average number of shares outstanding during the term (consolidated):

Aug.2004 interim term :78,528,818shares Aug.2003 interim term :79,936,109shares Fiscal 2003 :75,499,197shares

3. Changes in accounting methods: None

4. Year-on-year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

(2) Financial Position

	Total assets (¥million)	Shareholders' equity (¥million)	Shareholders' equity/ total assets [%]	Shareholders' equity per share (¥)
Aug.2004 interim term	201,055	61,960	[30.8]	766.45
Aug.2003 interim term	209,354	55,711	[26.6]	724.13
Fiscal 2003	203,688	54,575	[26.8]	767.07

Notes: Total number of shares outstanding (consolidated):

Aug.2004 interim term :80,839,852shares Aug.2003 interim term :76,936,074shares Fiscal 2003 :71,148,207shares

(3) Cash Flows

	Cash flows from operating activities (¥million)	Cash flows from investing activities (¥million)	Cash flows from financing activities (¥million)	Cash and cash equivalents at end of year (¥million)
Aug.2004 interim term	6,791	-2,286	-2,013	18,539
Aug.2003 interim term	7,662	-2,972	-5,809	15,702
Fiscal 2003	13,242	-2,972	-11,048	16,041

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries:

12 companies

Unconsolidated subsidiaries accounted for by the equity method:

None

Affiliated companies accounted for by the equity method:

4 companies

(5) Changes in scope of consolidation and application of the equity method

Consolidation: (New) None

(Eliminated) 3 companies

Equity method: (New) None

(Eliminated) None

2. Projected Results for Fiscal 2004 (March 1, 2004-February 28, 2005)

	Net sales (¥million)	Operating income (¥million)	Ordinary income (¥million)	Net income (¥million)
Fiscal 2004	255,000	8,200	7,400	3,000

Reference: Estimated net income per share (fiscal 2004): ¥37.11

Notes: The above projected results are announced presupposing available information at October 13, 2004 and an assumption related to uncertain factors which will influence to future results.

Actual results may be different from forecast depend on various factors in future.

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Interim Term Ended August 31, 2004  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term				Increase (Decrease)	Fiscal2003		Increase (Decrease)
	Aug.2004		Aug.2003					
(ASSETS)		%		%			%	
<b>.Current Assets:</b>								
1 Cash and time deposits	18,539		15,680		2,859	16,041		2,498
2 Notes and accounts receivable - trade and accounts receivable for completed contract	9,006		11,092		(2,086)	11,561		(2,555)
3 Marketable securities	20		22		(2)	-		20
4 Inventories	2,543		4,015		(1,471)	3,914		(1,370)
5 Advance payment	36		70		(33)	61		(25)
6 Prepaid expenses	778		784		(5)	725		52
7 Deferred tax assets	938		941		(3)	1,525		(587)
8 Short-term loans	10		38		(27)	69		(58)
9 Other current assets	1,030		981		48	1,007		23
Less: Allowance for doubtful accounts	(18)		(18)		(0)	(22)		3
<b>Total current assets</b>	<b>32,885</b>	<b>16.4</b>	<b>33,607</b>	<b>16.0</b>	<b>(721)</b>	<b>34,884</b>	<b>17.1</b>	<b>(1,998)</b>
<b>.Fixed Assets:</b>								
<b>1 Tangible Fixed Assets:</b>								
(1) Buildings and structures	39,678		39,543		135	39,461		217
(2) Machinery, equipment and motor vehicles	307		279		27	326		(18)
(3) Tools, furniture and fixtures	1,235		1,274		(39)	1,256		(21)
(4) Land	41,096		40,642		453	40,642		453
(5) Construction in progress	818		77		740	-		818
<b>Total tangible fixed assets</b>	<b>83,136</b>	<b>41.3</b>	<b>81,817</b>	<b>39.1</b>	<b>1,318</b>	<b>81,687</b>	<b>40.1</b>	<b>1,448</b>
<b>2 Intangible Fixed Assets:</b>								
(1) Leasehold	11,014		11,015		(0)	11,015		(0)
(2) Difference between cost of investments and equity in net assets	233		411		(177)	333		(99)
(3) Other intangible fixed assets	641		669		(27)	665		(23)
<b>Total intangible fixed assets</b>	<b>11,890</b>	<b>5.9</b>	<b>12,095</b>	<b>5.8</b>	<b>(205)</b>	<b>12,013</b>	<b>5.9</b>	<b>(123)</b>
<b>3 Investments and Other Assets:</b>								
(1) Investment securities	13,369		13,311		58	12,897		471
(2) Long-term loans	1,698		1,895		(197)	1,796		(98)
(3) Long-term loans to affiliated companies	1,506		1,623		(117)	1,500		6
(4) Long-term prepaid expenses	1,064		1,171		(107)	1,117		(53)
(5) Fixed leasehold deposits	52,749		57,310		(4,561)	53,912		(1,163)
(6) Deferred tax assets	2,318		4,941		(2,622)	2,327		(8)
(7) Other investments	2,387		2,645		(257)	2,635		(247)
Less: Allowance for doubtful accounts	(1,951)		(1,065)		(886)	(1,084)		(867)
<b>Total investments and other assets</b>	<b>73,143</b>	<b>36.4</b>	<b>81,833</b>	<b>39.1</b>	<b>(8,690)</b>	<b>75,103</b>	<b>36.9</b>	<b>(1,960)</b>
<b>Total fixed assets</b>	<b>168,169</b>	<b>83.6</b>	<b>175,746</b>	<b>84.0</b>	<b>(7,577)</b>	<b>168,804</b>	<b>82.9</b>	<b>(634)</b>
<b>Total assets</b>	<b>201,055</b>	<b>100.0</b>	<b>209,354</b>	<b>100.0</b>	<b>(8,298)</b>	<b>203,688</b>	<b>100.0</b>	<b>(2,633)</b>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Interim Term Ended August 31, 2004  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term				Increase (Decrease)	Fiscal2003		Increase (Decrease)
	Aug.2004	%	Aug.2003	%			%	
<b>(LIABILITIES)</b>								
.Current Liabilities:								
1 Notes and accounts payable – trade	23,572		23,770		(197)	23,860		(287)
2 Short-term bank loans	17,228		23,410		(6,181)	20,012		(2,783)
3 Accounts payable – other	1,829		2,017		(188)	2,931		(1,102)
4 Accrued expenses	1,343		1,523		(180)	1,438		(95)
5 Accrued income taxes	1,042		2,080		(1,038)	804		237
6 Accrued bonuses to employees	950		997		(46)	891		59
7 Allowance for sales returns	14		10		4	13		1
8 Allowance for books unsold	65		64		0	60		4
9 Reserve for sales promotion	89		-		89	69		19
10 Current portion of convertible bonds payable	-		1,337		(1,337)	1,237		(1,237)
11 Other current liabilities	4,485		3,177		1,308	3,133		1,351
Total current liabilities	50,621	25.2	58,389	27.9	(7,768)	54,452	26.7	(3,830)
.Long-term Liabilities:								
1 Straight bonds	14,000		14,000		-	14,000		-
2 Long-term bank loans	27,823		30,371		(2,548)	32,092		(4,269)
3 Deferred tax liabilities	-		13		(13)	-		-
4 Reserve for retirement benefits	773		979		(206)	1,070		(297)
5 Accrued retirement benefits for directors and statutory auditors	303		358		(55)	384		(80)
6 Guarantee deposits received from tenants	42,654		45,893		(3,239)	44,043		(1,388)
7 Other long-term liabilities	2		31		(28)	8		(5)
Total long-term liabilities	85,557	42.5	91,648	43.8	(6,090)	91,599	45.0	(6,042)
Total liabilities	136,178	67.7	150,038	71.7	(13,859)	146,052	71.7	(9,873)
<b>(MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES)</b>								
Minority interests in consolidated subsidiaries	2,916	1.5	3,604	1.7	(687)	3,061	1.5	(144)
<b>(SHAREHOLDERS' EQUITY)</b>								
.Common Stock	26,867	13.4	25,892	12.3	974	25,942	12.7	924
.Capital Surplus	27,105	13.5	25,318	12.1	1,787	25,368	12.5	1,737
.Retained Earnings	8,618	4.3	5,609	2.7	3,009	7,332	3.6	1,286
.Net Unrealized Gains (Losses) on Securities	445	0.2	(349)	(0.2)	795	314	0.2	131
.Foreign Currency Translation Adjustments	(324)	(0.2)	(46)	(0.0)	(277)	(337)	(0.2)	13
.Treasury Stock	(753)	(0.4)	(712)	(0.3)	(41)	(4,043)	(2.0)	3,290
Total shareholders' equity	61,960	30.8	55,711	26.6	6,248	54,575	26.8	7,384
Total liabilities and shareholders' equity	201,055	100.0	209,354	100.0	(8,298)	203,688	100.0	(2,633)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Interim Term Ended August 31, 2004  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term				Increase (Decrease)	Fiscal2003	
	Aug.2004		Aug.2003				
		%		%			%
.Net sales	124,825	100.0	143,117	100.0	(18,291)	281,478	100.0
.Cost of sales:	106,955	85.7	120,591	84.3	(13,635)	238,560	84.8
	17,870	14.3	22,525	15.7	(4,655)	42,917	15.2
Provision for allowance for sales returns	1	0.0	-	-	1	2	0.0
Reversal of allowance for sales returns	-	-	0	0.0	(0)	-	-
Gross profit on sales	17,868	14.3	22,525	15.7	(4,657)	42,915	15.2
.Other operating revenue	813	0.7	804	0.6	9	1,532	0.6
Gross profit	18,682	15.0	23,330	16.3	(4,647)	44,448	15.8
.Selling, general and administrative expenses	14,580	11.7	18,862	13.2	(4,281)	35,553	12.6
Operating income	4,101	3.3	4,467	3.1	(366)	8,894	3.2
.Non-operating income:	451	0.4	367	0.3	84	653	0.2
1 Interest income	66		59		7	104	
2 Dividends	51		38		13	44	
3 Investment profit on equity method	99		99		0	171	
4 Other non-operating income	233		170		63	332	
.Non-operating expenses:	774	0.7	794	0.6	(20)	1,755	0.6
1 Interest expenses	393		540		(146)	960	
2 Bonds interest expenses	87		89		(1)	176	
3 Bonds issue expenses	-		18		(18)	18	
4 Other non-operating expenses	292		147		145	600	
Ordinary income	3,778	3.0	4,040	2.8	(261)	7,792	2.8
.Special income:	299	0.3	446	0.3	(146)	631	0.2
1 Gain on sales of investment securities	221		4		217	145	
2 Reversal of allowance for doubtful accounts	11		6		5	22	
3 Gain on sales of subsidiaries' stocks	55		435		(379)	435	
4 Other special income	11		-		11	27	
.Special losses:	1,110	0.9	2,959	2.0	(1,848)	4,296	1.5
1 Loss on sales of fixed assets	1		664		(662)	666	
2 Loss on disposal of fixed assets	239		259		(20)	951	
3 Loss on revaluation of fixed assets	-		1,030		(1,030)	1,030	
4 Loss on sales of investment securities	-		7		(7)	8	
5 Loss on write-down of investment securities	-		39		(39)	195	
6 Loss on write-down of golf club memberships	-		7		(7)	7	
7 Provision for allowance for doubtful accounts	868		868		-	930	
8 Special allowance for retirement	-		36		(36)	245	
9 Other special losses	1		45		(43)	261	
Income before income taxes and minority interests	2,967	2.4	1,527	1.1	1,440	4,128	1.5
Current income taxes	890	0.7	1,962	1.4	(1,071)	934	0.3
Deferred income taxes	465	0.4	(1,140)	(0.8)	1,606	432	0.2
Minority interests	40	0.0	(54)	(0.0)	95	(30)	(0.0)
Net income	1,570	1.3	760	0.5	810	2,791	1.0

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Appropriation of Retained Earnings  
for the Interim Term Ended August 31, 2004  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term		Increase (Decrease)	Fiscal 2003
	Aug.2004	Aug.2003		
( Capital Surplus: )				
.Balance at beginning of the term	25,368	25,318	50	25,318
.Increase of Capital Surplus:	1,737	-	1,737	50
1 New share issued	306	-	306	-
2 Gain on sales of treasury stock	813	-	813	-
3 Conversion of convertible bonds	617	-	617	50
.Balance at end of the term	27,105	25,318	1,787	25,368
( Retained Earnings: )				
.Balance at beginning of the term	7,332	5,189	2,142	5,189
.Increase in retained earnings:	1,570	784	786	2,814
Decrease of consolidated subsidiaries	-	23	(23)	23
Net income	1,570	760	810	2,791
.Decrease in retained earnings:	284	364	(80)	672
1 Cash dividends	284	307	(23)	615
2 Bonuses to directors and statutory auditors	-	56	(56)	56
3 Loss on sales of treasury stock	-	0	(0)	0
.Balance at end of the term	8,618	5,609	3,009	7,332

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Interim Term Ended August 31, 2004  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term		Increase (Decrease)	Fiscal2003
	Aug.2004	Aug.2003		
.Cash flows from operating activities:				
1 Income before income taxes and minority interests	2,967	1,527	1,440	4,128
2 Depreciation and amortization	1,988	2,039	(51)	4,135
3 Amortization of consolidated accounts reconciliation	99	97	2	189
4 Bonds issue expense	-	18	(18)	18
5 Increase in allowance for doubtful accounts	863	876	(13)	899
6 Increase (Decrease) in accrued bonuses to employees	82	16	65	(89)
7 Increase in allowance for sales returns	1	(0)	1	2
8 Increase (Decrease) in allowance for books unsold	4	(0)	5	(4)
9 (Decrease) Increase in reserve for retirement benefits	(153)	205	(359)	296
10 (Decrease) in accrued retirement benefits for directors and statutory auditors	(20)	(230)	210	(204)
11 Increase in reserve for sales promotion	19	-	19	69
12 Interest income and dividends income	(118)	(98)	(20)	(149)
13 Interest expenses	481	629	(147)	1,136
14 Investment profit on equity method	(99)	(99)	(0)	(171)
15 Loss on sales/disposal of fixed assets	117	769	(652)	1,144
16 Loss on write-down of fixed assets	-	1,030	(1,030)	1,030
17 Gain and loss on sales of investment securities	(221)	3	(225)	(137)
18 Loss on write-down of investment securities	-	39	(39)	195
19 (Increase) Decrease in receivables	1,848	(641)	2,489	(1,260)
20 (Increase) Decrease in inventories	(136)	114	(250)	212
21 Increase in payables	406	1,636	(1,230)	1,726
22 Increase in other assets and liabilities, net	(508)	831	(1,340)	1,585
23 Other	(8)	(272)	263	4
Sub-total	7,614	8,494	(879)	14,755
24 Interest income and dividends income received	274	99	175	150
25 Interest expenses paid	(491)	(626)	134	(1,131)
26 Income taxes paid	(606)	(304)	(301)	(532)
Net cash provided by operating activities	6,791	7,662	(871)	13,242
.Cash flows from investing activities:				
1 Acquisition of tangible fixed assets	(2,364)	(1,546)	(818)	(3,818)
2 Proceeds from sales of tangible fixed assets	9	650	(640)	640
3 Acquisition of investment securities	(964)	(265)	(699)	(265)
4 Proceeds from sales of investment securities	874	109	765	1,387
5 Proceeds from sales of investments in a subsidiary accompanying changes of scope of consolidation	741	-	741	-
6 Payments for fixed leasehold deposits	(107)	(108)	0	(180)
7 Collection of fixed leasehold deposits	323	680	(357)	4,237
8 (Decrease) in guarantee deposits received from tenants	(795)	(1,707)	912	(3,515)
9 Other	(2)	(784)	781	(1,457)
Net cash (used in) investing activities	(2,286)	(2,972)	686	(2,972)
.Cash flows from financing activities:				
1 (Decrease) in short-term bank loans	(1,270)	(1,073)	(197)	(5,260)
2 Proceeds from long-term bank loans	900	1,697	(797)	10,094
3 Repayment of long-term bank loans	(5,982)	(6,085)	103	(11,854)
4 Proceeds from issue of bonds	-	1,982	(1,982)	1,982
5 Redemption of bonds	-	(2,000)	2,000	(2,000)
6 Redemption of convertible bonds	(3)	-	(3)	-
7 Proceeds from issue of common stock	614	-	614	-
8 (Acquisition) Sales of treasury stock	4,104	-	4,104	(3,332)
9 Cash dividends paid	(284)	(307)	23	(615)
10 Cash dividends paid to minority shareholders	(91)	(23)	(68)	(62)
11 Other	-	(0)	0	-
Net cash (used in) by financing activities	(2,013)	(5,809)	3,796	(11,048)
.Effect of exchange rate changes on cash and cash equivalents	6	(2)	9	(5)
.Net (decrease) increase in cash and cash equivalents	2,498	(1,122)	3,621	(784)
.Cash and cash equivalents at beginning of the term	16,041	16,825	(784)	16,825
.Cash and cash equivalents at end of the term	18,539	15,702	2,836	16,041