

PARCO CO., LTD. AND SUBSIDIARIES



Consolidated Financial Statements for the Fiscal Year Ended February 28, 2005  
(Fractional amounts less than one million yen are discarded)

April 14, 2005

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

TEL (03)3477-5791

Board of Directors meeting: April 14, 2005

Based on US GAAP: Inapplicable

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

(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 [%]
Fiscal 2004	257,625	[-8.5]	8,441	[-5.1]	8,079	[+3.7]
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) (¥)	Return on equity [%]	Ordinary income/total assets [%]	Ordinary income/net sales [%]
Fiscal 2004	1,742	[-37.6]	21.87	21.84	[+3.0]	[+4.1]	[+3.1]
Fiscal 2003	2,791	[+17.6]	36.97	35.56	[+5.1]	[+3.7]	[+2.8]

Notes:

1. Investment profit on equity method:

Fiscal 2004 ¥204 million Fiscal 2003 ¥171 million

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

Fiscal 2004 79,675,601 shares Fiscal 2003 75,499,197 shares

3. Changes in accounting methods: Yes

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 (¥)
Fiscal 2004	187,993	61,760	[+32.9]	763.90
Fiscal 2003	203,688	54,575	[+26.8]	767.07

Notes: Total number of shares outstanding (consolidated):

As of February 28,2005 80,848,566 shares As of February 29,2004 71,148,207 shares

(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)
Fiscal 2004	10,635	-1,965	-12,731	11,984
Fiscal 2003	13,242	-2,972	-11,048	16,041

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

Consolidated subsidiaries:

10 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) 5 company

Equity method: (New) None (Eliminated) None

2. Projected Results for Fiscal 2005 (March 1, 2005-February 28, 2006)

	Net sales (¥ million)	Operating income (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Interim period	122,000	4,000	3,800	1,700
Fiscal 2005	255,000	8,500	8,200	3,200

Reference: Estimated net income per share (fiscal 2005): ¥39.58

Notes: The above projected results are announced presupposing available information at April 14, 2005 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 Fiscal Year Ended February 28, 2005  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	29-Feb 2004		28-Feb 2005		Increase (Decrease)	
<b>(ASSETS)</b>						
<b>.Current Assets:</b>						
1 Cash and time deposits		16,041		11,984	(4,056)	
2 Notes and accounts receivable - trade and accounts receivable for completed contract		11,561		9,216	(2,345)	
3 Marketable Securities		-		10	10	
4 Inventories		3,914		2,668	(1,245)	
5 Advance payment		61		11	(50)	
6 Prepaid expenses		725		740	14	
7 Deferred tax assets		1,525		750	(775)	
8 Short-term loans		69		11	(58)	
9 Other current assets		1,007		863	(143)	
10 Less: Allowance for doubtful accounts		(22)		(14)	8	
Total current assets		34,884	17.1	26,242	14.0	(8,642)
<b>.Fixed Assets:</b>						
1 Tangible fixed assets:						
(1) Buildings and structures	95,492			97,941		
Accumulated depreciation	56,030			57,456		
Accumulated impairment losses	-	39,461		1,303	39,181	(280)
(2) Machinery, equipment and motor vehicles	898			891		
Accumulated depreciation	572	326		604	286	(39)
(3) Tools, furniture and fixtures	4,077			4,098		
Accumulated depreciation	2,820			2,804		
Accumulated impairment losses	-	1,256		20	1,273	16
(4) Land		40,642		40,114	(527)	
(5) Construction in progress		-		349	349	
Total tangible fixed assets		81,687	40.1	81,205	43.2	(481)
2 Intangible fixed assets:						
(1) Leasehold		11,015		11,014	(0)	
(2) Difference between cost of investments and equity in net assets		333		134	(198)	
(3) Other intangible fixed assets		665		671	6	
Total intangible fixed assets		12,013	5.9	11,820	6.3	(193)
3 Investments and other assets:						
(1) Investment securities		12,897		13,000	103	
(2) Long-term loans		1,796		1,696	(100)	
(3) Long-term loans to affiliated companies		1,500		1,514	14	
(4) Long-term prepaid expenses		1,117		1,025	(92)	
(5) Fixed leasehold deposits		53,912		48,467	(5,444)	
(6) Deferred tax assets		2,327		2,699	372	
(7) Long-term accounts receivable		2,203		2,069	(134)	
(8) Other investments		432		130	(301)	
(9) Less: Allowance for doubtful accounts		(1,084)		(1,879)	(794)	
Total investments and other assets		75,103	36.9	68,724	36.5	(6,378)
Total fixed assets		168,804	82.9	161,750	86.0	(7,053)
<b>Total assets</b>		<b>203,688</b>	<b>100.0</b>	<b>187,993</b>	<b>100.0</b>	<b>(15,695)</b>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Fiscal Year Ended February 28, 2005  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	29-Feb 2004		28-Feb 2005		Increase (Decrease)
		%		%	
<b>(LIABILITIES)</b>					
<b>.Current Liabilities:</b>					
1 Notes and accounts payable - trade	23,860		21,972		(1,888)
2 Short-term bank loans	20,012		14,704		(5,308)
3 Accounts payable - other	2,931		2,221		(709)
4 Accrued expenses	1,438		1,193		(244)
5 Accrued income taxes	804		1,994		1,189
6 Accrued bonuses to employees	891		908		17
7 Allowance for sales returns	13		10		(2)
8 Allowance for books unsold	60		65		4
9 Reserve for sales promotion	69		107		38
10 Current portion of convertible bonds	1,237		-		(1,237)
11 Other current liabilities	3,133		2,656		(477)
Total current liabilities	54,452	26.7	45,834	24.4	(8,617)
<b>.Long-term Liabilities:</b>					
1 Straight bonds	14,000		14,000		-
2 Long-term bank loans	32,092		20,028		(12,064)
3 Long-term accounts payable - other	8		281		273
4 Reserve for retirement benefits	1,070		801		(269)
5 Accrued retirement benefits for directors and statutory auditors	384		63		(320)
6 Guarantee deposits received from tenants	44,043		42,476		(1,567)
Total long-term liabilities	91,599	45.0	77,651	41.3	(13,948)
Total liabilities	146,052	71.7	123,485	65.7	(22,566)
<b>(MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES)</b>					
Minority interests in consolidated subsidiaries	3,061	1.5	2,746	1.5	(314)
<b>(SHAREHOLDERS' EQUITY)</b>					
<b>.Common Stock</b>	25,942	12.7	26,867	14.3	924
<b>.Capital Surplus</b>	25,368	12.5	27,107	14.4	1,739
<b>.Retained Earnings</b>	7,332	3.6	8,385	4.5	1,053
<b>.Net Unrealized Gains on Securities</b>	314	0.2	465	0.2	151
<b>.Foreign Currency Translation Adjustments</b>	(337)	(0.2)	(316)	(0.2)	21
<b>.Treasury Stock</b>	(4,043)	(2.0)	(750)	(0.4)	3,293
Total shareholders' equity	54,575	26.8	61,760	32.8	7,184
<b>Total liabilities and shareholders' equity</b>	<b>203,688</b>	<b>100.0</b>	<b>187,993</b>	<b>100.0</b>	<b>(15,695)</b>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Fiscal Year Ended February 28, 2005  
(Fractional amounts less than one million yen are discarded)

(¥ millions)							
	29-Feb 2004			28-Feb 2005			Increase (Decrease)
			%			%	
.Net sales		281,478	100.0		257,625	100.0	(23,852)
.Cost of sales:		238,560	84.8		221,114	85.8	(17,445)
		42,917	15.2		36,511	14.2	(6,406)
Provision for allowance for sales returns		2	0.0		-	-	(2)
Reversal of allowance for sales returns		-	-		2	0.0	2
Gross profit on sales		42,915	15.2		36,513	14.2	(6,401)
.Other operating revenue		1,532	0.6		1,649	0.6	116
Gross profit		44,448	15.8		38,163	14.8	(6,284)
.Selling, general and administrative expenses		35,553	12.6		29,722	11.5	(5,831)
Operating income		8,894	3.2		8,441	3.3	(453)
.Non-operating income:							
1 Interest income	104			131			
2 Investment profit on equity method	171			204			
3 Other non-operating income	376	653	0.2	536	872	0.3	219
.Non-operating expenses:							
1 Interest expenses	960			732			
2 Bonds interest expenses	176			174			
3 Bonds issue expenses	18			-			
4 Selling expense of treasury stock	-			203			
5 Other non-operating expenses	600	1,755	0.6	123	1,234	0.5	(520)
Ordinary income		7,792	2.8		8,079	3.1	286
.Special income:							
1 Gain on sales of fixed assets	-			335			
2 Gain on sales of investment securities	145			286			
3 Reversal of allowance for doubtful accounts	22			29			
4 Gain on sales of subsidiaries' stocks	435			55			
5 Other special income	27	631	0.2	24	730	0.3	99
.Special losses:							
1 Loss on sales of fixed assets	666			516			
2 Loss on disposal of fixed assets	951			695			
3 Loss on revaluation of fixed assets	1,030			-			
4 Loss on impairment of fixed assets	-			2,413			
5 Loss on sales of investment securities	8			-			
6 Loss on write-down of investment securities	195			-			
7 Provision for allowance for doubtful accounts	930			868			
8 Special allowance for retirement	245			105			
9 Other special losses	269	4,296	1.5	9	4,608	1.8	312
Income before income taxes and minority interests		4,128	1.5		4,201	1.6	73
Income taxes:							
Current income taxes	934			2,233			
Deferred income taxes	432	1,367	0.5	194	2,427	0.9	1,060
Minority interests		(30)	(0.0)		31	0.0	62
Net income		2,791	1.0		1,742	0.7	(1,048)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Appropriation of Retained Earnings for the Fiscal Year Ended  
February 28, 2005

(Fractional amounts less than one million yen are discarded)

(¥ millions)

	29-Feb 2004		28-Feb 2005		Increase (Decrease)
(Capital Surplus:)					
.Balance at beginning of year		25,318		25,368	50
.Increase of Capital Surplus:					
1 New share issued	-		306		
2 Gain on sales of treasury stock	-		815		
3 Conversion of convertible bonds	50	50	617	1,739	1,689
.Balance at end of year		25,368		27,107	1,739
(Retained Earnings:)					
.Balance at beginning of year		5,189		7,332	2,142
.Increase in retained earnings:					
1 Net income	2,791		1,742		
2 Decrease of consolidated subsidiaries	23	2,814	-	1,742	(1,072)
.Decrease in retained earnings:					
1 Cash dividends	615		688		
2 Bonuses to directors and statutory auditors	56		-		
3 Loss on sales of treasury stock	0	672	-	688	16
.Balance at end of year		7,332		8,385	1,053

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Fiscal Year Ended February 28, 2005  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	29-Feb 2004	28-Feb 2005	Increase (Decrease)
.Cash flows from operating activities:			
1 Income before income taxes and minority interests	4,128	4,201	73
2 Depreciation and amortization	4,135	4,214	78
3 Loss on impairment of fixed assets	-	2,413	2,413
4 Amortization of consolidated accounts reconciliation	189	202	12
5 Bonds issue expenses	18	-	(18)
6 Increase in allowance for doubtful accounts	899	786	(112)
7 Increase (Decrease) in accrued bonuses to employees	(89)	39	129
8 Increase (Decrease) in allowance for sales returns	2	(2)	(5)
9 Increase (Decrease) in allowance for books unsold	(4)	4	9
10 Increase in reserve for sales promotion	69	38	(31)
11 Increase (Decrease) in reserve for retirement benefits	296	(125)	(422)
12 Increase (Decrease) in accrued retirement benefits for directors and statutory auditors	(204)	49	254
13 Interest income and dividends income	(149)	(189)	(39)
14 Interest expenses	1,136	907	(228)
15 Investment profit on equity method	(171)	(204)	(32)
16 Loss on sales/disposal of fixed assets	1,144	455	(688)
17 Loss on write-down of fixed assets	1,030	-	(1,030)
18 Gain and loss on sales of investment securities	(137)	(286)	(148)
19 Loss on write-down of investment securities	195	-	(195)
20 (Increase) Decrease in receivables	(1,260)	1,505	2,766
21 (Increase) Decrease in inventories	212	(260)	(473)
22 Increase (Decrease) in payables	1,726	(1,194)	(2,921)
23 Increase in other assets and liabilities, net	1,585	(282)	(1,867)
24 Other	4	(37)	(42)
Sub-total	14,755	12,236	(2,519)
25 Interest income and dividends income received	150	345	195
26 Interest expenses paid	(1,131)	(934)	196
27 Income taxes paid	(532)	(1,012)	(479)
Net cash provided by operating activities	13,242	10,635	(2,606)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Fiscal Year Ended February 28, 2005  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	29-Feb 2004	28-Feb 2005	Increase (Decrease)
.Cash flows from investing activities:			
1 Acquisition of tangible fixed assets	(3,818)	(6,737)	(2,918)
2 Proceeds from sales of tangible fixed assets	640	1,416	775
3 Acquisition of investment securities	(265)	(964)	(699)
4 Proceeds from sales of investment securities	1,387	1,537	150
5 Proceeds from sales of investments in a subsidiary accompanying changes of scope of consolidation	-	741	741
6 Payments for fixed leasehold deposits	(180)	(416)	(235)
7 Collection of fixed leasehold deposits	4,237	4,907	670
8 Decrease in guarantee deposits received from tenants	(3,515)	(2,193)	1,321
9 Other	(1,457)	(255)	1,202
Net cash used in investing activities	(2,972)	(1,965)	1,007
.Cash flows from financing activities:			
1 Decrease in short-term bank loans	(5,260)	(6,097)	(837)
2 Proceeds from long-term bank loans	10,094	900	(9,194)
3 Repayment of long-term bank loans	(11,854)	(11,474)	380
4 Proceeds from issue of bonds	1,982	-	(1,982)
5 Redemption of bonds	(2,000)	-	2,000
6 Redemption of convertible bonds	-	(3)	(3)
7 Proceeds from issue of common stock	-	614	614
8 Sales (Acquisition) of treasury stock	(3,332)	4,109	7,442
9 Cash dividends paid	(615)	(688)	(73)
10 Cash dividends paid to minority shareholders	(62)	(91)	(29)
Net cash used in financing activities	(11,048)	(12,731)	(1,682)
.Effect of exchange rate changes on cash and cash equivalents	(5)	4	10
.Net decrease in cash and cash equivalents	(784)	(4,056)	(3,272)
.Cash and cash equivalents at beginning of year	16,825	16,041	(784)
.Cash and cash equivalents at end of year	16,041	11,984	(4,056)