

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements for the Fiscal Year Ended February 28,2003
(Fractional amounts less than one million yen are discarded)

April 23, 2003

Corporate Name: PARCO CO.,LTD.

Stock Exchange Listings: Tokyo Stock Exchange

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

(first section)

Address: Headquarters in Tokyo

Code Number: 8251

Company Representative: Isamu Ito, President

Board of Directors meeting: April 23, 2003

Personnel to Contact: Kourou Hiraide, Officer

Based on US GAAP: Inapplicable

Chief General Manager

TEL (03)3477-5791

1. Results for Fiscal 2002 (March 1, 2002-February 28, 2003)

(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 2002	297,614	[-4.2]	8,348	[+ 0.3]	7,328	[+3.5]
Fiscal 2001	310,624	[+ 1.0]	8,325	[+ 9.7]	7,082	[+14.1]

	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 2002	2,373	[-3.3]	30.94	29.47	[+4.4]	[+3.2]	[+2.5]
Fiscal 2001	2,454	[+259.3]	34.39	30.56	[+5.0]	[+3.0]	[+2.3]

Notes:

1. Investment profit on equity method:

Fiscal 2002 ¥201 million Fiscal 2001 ¥122 million

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

Fiscal 2002 76,718,190 shares Fiscal 2001 71,365,687 shares

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 (¥)
Fiscal 2002	222,541	55,209	[+24.8]	717.59
Fiscal 2001	230,561	52,916	[+23.0]	702.98

Notes: Total number of shares outstanding (consolidated):

As of February 28,2003 76,937,886 shares As of February 28,2002 75,274,045 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 2002	10,788	-7,162	450	16,825
Fiscal 2001	11,344	-705	-14,464	12,750

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

Consolidated subsidiaries: 16 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) 1 company (Eliminated) 4 companies

Equity method: (New) 1 company (Eliminated) None

2. Projected Results for Fiscal 2003 (March 1, 2003-February 29, 2004)

	Net sales (¥ million)	Operating income (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Interim period	142,000	4,050	3,400	650
Fiscal 2003	294,000	8,500	7,500	2,400

Reference: Estimated net income per share (fiscal 2003): ¥31.19

Notes: The above projected results are announced presupposing available information at April 23,2003 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, 2003

(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	February 28		Increase
	<u>2003</u>	<u>2002</u>	(Decrease)
ASSETS			
Current Assets:			
Cash on hand and in banks	¥ 16,830	¥ 12,756	¥ 4,074
Notes and accounts receivable - trade			
and accounts receivable for completed contract	12,289	15,972	(3,683)
Marketable securities	43	65	(21)
Inventories	8,920	9,687	(767)
Advance payment	242	159	82
Prepaid expenses	846	819	27
Other short-term loans	44	84	(40)
Deferred tax assets	693	621	71
Other current assets	1,803	1,799	3
Less: Allowance for doubtful accounts	(25)	(62)	37
Total current assets	<u>41,688</u>	<u>41,905</u>	<u>(216)</u>
Fixed Assets:			
Tangible Fixed Assets:			
Buildings and structures	42,301	43,656	(1,354)
Machinery, equipment and motor vehicles	253	244	8
Tools, furniture and fixtures	1,383	1,410	(26)
Land	41,510	41,364	145
Construction in progress	47	390	(342)
Total tangible fixed assets	<u>85,496</u>	<u>87,066</u>	<u>(1,569)</u>
Intangible Fixed Assets:			
Goodwill	-	193	(193)
Leasehold	11,015	10,944	71
Difference between cost of investments			
and equity in net assets	508	711	(203)
Other intangible fixed assets	712	878	(166)
Total intangible fixed assets	<u>12,235</u>	<u>12,728</u>	<u>(492)</u>
Investments and Other Assets:			
Investment securities	13,004	15,884	(2,879)
Long-term loans	2,431	2,451	(19)
Long-term loans to affiliated companies	1,648	1,695	(46)
Long-term prepaid expenses	1,260	1,344	(84)
Fixed leasehold deposits	58,562	61,843	(3,281)
Deferred tax assets	4,288	5,380	(1,092)
Other investments	2,592	1,046	1,545
Less: Allowance for doubtful accounts	(667)	(783)	115
Total investments and other assets	<u>83,119</u>	<u>88,862</u>	<u>(5,742)</u>
Total fixed assets	<u>180,852</u>	<u>188,656</u>	<u>(7,803)</u>
Total assets	<u>¥ 222,541</u>	<u>¥ 230,561</u>	<u>¥ (8,020)</u>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Fiscal Year Ended February 28, 2003
(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	February 28		Increase
	2003	2002	(Decrease)
LIABILITIES			
Current Liabilities:			
Notes and accounts payable – trade	¥ 25,725	¥ 29,539	¥ (3,813)
Short-term borrowings	30,154	36,569	(6,415)
Accounts payable – other	2,505	3,121	(615)
Accrued income taxes	446	542	(95)
Deferred tax liabilities	-	11	(11)
Accrued expenses	1,456	1,728	(271)
Accrued bonuses to employees	1,043	1,125	(81)
Allowance for sales returns	10	9	0
Allowance for books unsold	65	77	(11)
Current portion of bonds payable	2,000	10,000	(8,000)
Other current liabilities	3,204	4,796	(1,592)
Total current liabilities	<u>66,613</u>	<u>87,521</u>	<u>(20,907)</u>
Long-term Liabilities:			
Straight bonds	12,000	2,000	10,000
Convertible bonds	1,337	2,674	(1,337)
Long-term borrowings	34,658	28,585	6,073
Reserve for retirement benefits	933	925	8
Accrued retirement benefits for directors and statutory auditors	626	707	(80)
Guarantee deposits received from tenants	47,372	50,660	(3,287)
Other long-term liabilities	114	242	(127)
Total long-term liabilities	<u>97,042</u>	<u>85,794</u>	<u>11,248</u>
Total liabilities	<u>163,656</u>	<u>173,316</u>	<u>(9,659)</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES			
	3,674	4,329	(655)
SHAREHOLDERS' EQUITY			
Common Stock	25,892	-	25,892
Capital Surplus	25,318	-	25,318
Retained Earnings	5,189	-	5,189
Net Unrealized Gains on Securities	(506)	-	(506)
Foreign Currency Translation Adjustments	27	-	27
Treasury Stock	(712)	-	(712)
Total shareholders' equity	<u>55,209</u>	-	<u>55,209</u>
Common Stock	-	25,224	(25,224)
Additional Paid-in Capital	-	24,649	(24,649)
Consolidated Retained Earnings	-	3,467	(3,467)
Net Unrealized Gains on Securities	-	(393)	393
Foreign Currency Translation Adjustments	-	(20)	20
Treasury Stock	-	(11)	11
Total shareholders' equity	<u>-</u>	<u>52,916</u>	<u>(52,916)</u>
Total liabilities and shareholders' equity	<u>¥ 222,541</u>	<u>¥ 230,561</u>	<u>¥ (8,020)</u>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Fiscal Year Ended February 28, 2003

(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	February 28		Increase (Decrease)
	2003	2002	
Net sales	¥ 297,614	¥ 310,624	¥ (13,009)
Cost of sales:	251,597	261,037	(9,440)
	46,017	49,586	(3,569)
Provision for allowance for sales returns	0	-	0
Reversal of allowance for sales returns	-	13	(13)
	46,016	49,600	(3,583)
Other operating revenues	1,605	1,384	221
Gross profit	47,622	50,984	(3,361)
Selling, general and administrative expenses	39,273	42,659	(3,385)
Operating income	8,348	8,325	23
Non-operating income:			
Interest income	90	176	(86)
Investment profit on equity method	201	122	78
Other non-operating income	643	723	(80)
	934	1,022	(88)
Non-operating expenses:			
Interest expenses	1,244	1,210	33
Bonds interest expenses	127	472	(345)
Amortization of bonds discount	-	33	(33)
Bonds issue expenses	198	-	198
Other non-operating expenses	384	548	(163)
	1,954	2,265	(310)
Ordinary income	7,328	7,082	246
Special income:			
Gain on sales of investment securities	342	452	(110)
Reversal of allowance for doubtful accounts	30	124	(94)
Settlement received on determination of purchase price of securities	-	533	(533)
Gain on termination of substitutional portion of employees' pension fund	383	-	383
Other special income	167	-	167
	923	1,111	(187)
Special losses:			
Loss on sales of fixed assets	20	20	0
Loss on disposal of fixed assets	2,073	1,355	718
Loss on sales of investment securities	7	16	(9)
Loss on write-down of investment securities	1,524	1,633	(109)
Loss on write-down of golf club memberships	-	122	(122)
Provision for allowance for doubtful accounts	-	579	(579)
Special allowance for retirement	185	412	(226)
Other special losses	320	366	(45)
	4,132	4,505	(372)
Income (Loss) before income taxes and minority interests	4,119	3,688	431
Income taxes:			
Current	590	598	(7)
Deferred	1,086	639	446
Minority interests	68	(4)	72
Net Income	¥ 2,373	¥ 2,454	¥ (80)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Appropriation of Retained Earnings for the Fiscal Year Ended
February 28, 2003

(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	February 28		Increase (Decrease)
	2003	2002	
Capital Surplus:			
Balance at beginning of year	¥ 24,649	¥ -	¥ 24,649
Increase of Capital Surplus:			
Conversion of bond	668	-	668
Balance at end of year	<u>25,318</u>	-	<u>25,318</u>
Retained Earnings:			
Balance at beginning of year	¥ 3,467	¥ -	¥ 3,467
Increase in retained earning:			
Net Income	2,373	-	2,373
Net Income	2,373	-	2,373
Decrease in retained earning:			
Cash dividends	650	-	650
Cash dividends	610	-	610
Bonuses to directors and statutory auditors	40	-	40
Balance at end of year	<u>5,189</u>	-	<u>5,189</u>
Consolidated Retained Earnings			
Balance at beginning of year	¥ -	¥ 1,525	¥ (1,525)
Decrease in consolidated retained earnings:			
Cash dividends	-	512	(512)
Cash dividends	-	511	(511)
Bonuses to directors and statutory auditors	-	0	(0)
Net income for the year	-	2,454	(2,454)
Balance at end of year	<u>-</u>	<u>3,467</u>	<u>(3,467)</u>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Fiscal Year Ended February 28, 2003
(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	February 28		Increase
	2003	2002	(Decrease)
Cash flows from operating activities:			
Income (Loss) before income taxes and minority interests ¥	4,119	¥ 3,688	¥ 431
Depreciation and amortization	4,342	4,435	(93)
Amortization of consolidated accounts reconciliation	188	192	(4)
Amortization of bonds discount	-	33	(33)
Bonds issue expense	198	-	198
Increase (Decrease) in allowance for doubtful accounts	(152)	469	(621)
(Decrease) in accrued bonuses to employees	(62)	(102)	39
Increase (Decrease) in allowance for sales returns	0	(13)	14
(Decrease) in allowance for books unsold	(11)	(41)	29
(Decrease) in accrued retirement benefits for employees	-	(103)	103
Increase in reserve for retirement benefits	35	928	(893)
(Decrease) in accrued retirement benefits for directors and statutory auditors	(80)	(107)	26
Interest income and dividends income	(139)	(218)	79
Interest expenses	1,371	1,683	(311)
Investment profit on equity method	(201)	(122)	(78)
Loss on sales/disposal of fixed assets	1,520	749	770
Gain and loss on sales of marketable securities and investment securities	(334)	(436)	101
Loss and reversal on write-down of marketable securities and investment securities	1,524	1,633	(109)
Decrease in receivables	2,771	1,903	867
Decrease in inventories	683	326	357
(Decrease) in payables	(3,747)	(1,423)	(2,323)
Increase (Decrease) in other assets and liabilities	381	610	(229)
Other	305	(20)	326
Sub-total	12,712	14,065	(1,352)
Interest income and dividends income received	139	213	(73)
Interest expenses paid	(1,406)	(1,683)	277
Income taxes paid	(657)	(1,251)	593
Net cash provided by operating activities	10,788	11,344	(555)
Cash flows from investing activities:			
Acquisition of tangible fixed assets	(4,512)	(4,865)	353
Proceeds from sales of tangible fixed assets	203	96	107
Acquisition of investment securities	(623)	(1,677)	1,053
Proceeds from sales of investment securities	2,122	1,093	1,028
Payments for fixed leasehold deposits	(416)	(1,799)	1,383
Collection of fixed leasehold deposits	1,293	1,913	(619)
(Decrease) in guarantee deposits received from tenants	(4,586)	(3,919)	(666)
Collection of accounts receivable on sales of investment securities	-	8,830	(8,830)
Other	(642)	(377)	(264)
Net cash provided by (used in) investing activities	¥ (7,162)	¥ (705)	¥ (6,457)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Fiscal Year Ended February 28, 2003
(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	February 28		Increase
	<u>2003</u>	<u>2002</u>	<u>(Decrease)</u>
Cash flows from financing activities:			
(Decrease) in short-term loans	¥ (1,833)	¥ (8,899)	¥ 7,066
Proceeds from long-term loans	19,900	15,347	4,552
Repayment of long-term loans	(18,049)	(10,286)	(7,763)
Proceeds from bonds issued	11,801	-	11,801
Redemption of bonds	(10,000)	(14,400)	4,400
Proceeds from issue of shares	-	4,536	(4,536)
Cash dividends	(610)	(511)	(98)
Cash dividends paid to minority shareholders	(28)	(18)	(9)
Other	(730)	(232)	(498)
Net cash used in financing activities	<u>450</u>	<u>(14,464)</u>	<u>14,914</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(0)</u>	<u>37</u>	<u>(38)</u>
Net increase (decrease) in cash and cash equivalents	<u>4,075</u>	<u>(3,787)</u>	<u>7,862</u>
Cash and cash equivalents at beginning of year	<u>12,750</u>	<u>16,537</u>	<u>(3,787)</u>
Cash and cash equivalents at end of year	<u>¥ 16,825</u>	<u>¥ 12,750</u>	<u>¥ 4,075</u>