

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements for the Interim Term Ended August 31, 2003  
(Fractional amounts less than one million yen are discarded)

October 15, 2003

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 15, 2003

Based on US GAAP: Inapplicable

1. Results for The Interim Term of Fiscal 2003 (March 1, 2003-August 31, 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 [%]
Aug.2003 interim term	143,117	[-2.2]	4,467	[+2.6]	4,040	[+6.5]
Aug.2002 interim term	146,399	[-2.1]	4,354	[+6.3]	3,792	[+7.2]
Fiscal 2002	297,614	[-4.2]	8,348	[+0.3]	7,328	[+3.5]

	Net income (¥million)	Year-on year Change [%]	Net income per share(¥)	Net income per share(diluted)(¥)
Aug.2003 interim term	760	[-24.5]	9.89	9.52
Aug.2002 interim term	1,007	[+12.5]	13.19	12.44
Fiscal 2002	2,373	[-3.3]	30.94	29.47

Notes:

1. Investment profit on equity method:

Aug.2003 interim term :¥99million Aug.2002 interim term :¥76million Fiscal 2002 :¥201million

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

Aug.2003 interim term :76,936,109shares Aug.2002 interim term :76,340,676shares Fiscal 2002 :76,718,190shares

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.2003 interim term	209,354	55,711	[26.6]	724.13
Aug.2002 interim term	223,749	54,983	[24.6]	711.75
Fiscal 2002	222,541	55,209	[24.8]	717.59

Notes: Total number of shares outstanding (consolidated):

Aug.2003 interim term :76,936,074shares Aug.2002 interim term :77,251,825shares Fiscal 2002 :76,937,886shares

(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.2003 interim term	7,662	-2,972	-5,809	15,702
Aug.2002 interim term	7,771	-4,144	-4,376	11,998
Fiscal 2002	10,788	-7,162	450	16,825

(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) 1 company

Equity method: (New) None

(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)
Fiscal 2003	282,000	8,600	7,600	2,400

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

Notes: The above projected results are announced presupposing available information at October 15, 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 Interim Term Ended August 31, 2003  
(Fractional amounts less than one million yen are discarded)

										(¥ millions)							
										Interim Term		Fiscal 2002		Increase			
										Aug.2003		Aug.2002		(Decrease)		(Decrease)	
										%		%					
<b>(ASSETS)</b>																	
<b>.Current Assets :</b>																	
1	Cash and time deposits	15,680		11,940		3,740		16,830		(1,150)							
2	Notes and accounts receivable - trade																
	and accounts receivable for completed contract	11,092		14,661		(3,569)		12,289		(1,197)							
3	Marketable securities	22		58		(35)		43		(20)							
4	Inventories	4,015		8,773		(4,757)		8,920		(4,905)							
5	Advance payment	70		43		26		242		(172)							
6	Prepaid expenses	784		832		(48)		846		(62)							
7	Deferred tax assets	941		621		319		693		247							
8	Short-term loans	38		80		(41)		44		(5)							
9	Other current assets	981		3,551		(2,569)		1,803		(821)							
	Less: Allowance for doubtful accounts	(18)		(27)		8		(25)		6							
	<b>Total current assets</b>	<b>33,607</b>	<b>16.0</b>	<b>40,534</b>	<b>18.1</b>	<b>(6,926)</b>		<b>41,688</b>	<b>18.7</b>	<b>(8,081)</b>							
<b>.Fixed Assets :</b>																	
<b>1 Tangible Fixed Assets :</b>																	
(1)	Buildings and structures	39,543		42,660		(3,116)		42,301		(2,758)							
(2)	Machinery, equipment and motor vehicles	279		221		58		253		26							
(3)	Tools, furniture and fixtures	1,274		1,325		(51)		1,383		(109)							
(4)	Land	40,642		41,364		(721)		41,510		(867)							
(5)	Construction in progress	77		-		77		47		29							
	<b>Total tangible fixed assets</b>	<b>81,817</b>	<b>39.1</b>	<b>85,571</b>	<b>38.2</b>	<b>(3,753)</b>		<b>85,496</b>	<b>38.4</b>	<b>(3,679)</b>							
<b>2 Intangible Fixed Assets :</b>																	
(1)	Leasehold	11,015		11,015		-		11,015		-							
(2)	Difference between cost of investments and equity in net assets	411		610		(199)		508		(97)							
(3)	Other intangible fixed assets	669		801		(131)		712		(42)							
	<b>Total intangible fixed assets</b>	<b>12,095</b>	<b>5.8</b>	<b>12,426</b>	<b>5.6</b>	<b>(331)</b>		<b>12,235</b>	<b>5.5</b>	<b>(140)</b>							
<b>3 Investments and Other Assets :</b>																	
(1)	Investment securities	13,311		16,882		(3,571)		13,004		307							
(2)	Long-term loans	1,895		2,391		(495)		2,431		(535)							
(3)	Long-term loans to affiliated companies	1,623		1,613		9		1,648		(24)							
(4)	Long-term prepaid expenses	1,171		1,280		(109)		1,260		(89)							
(5)	Fixed leasehold deposits	57,310		58,707		(1,397)		58,562		(1,251)							
(6)	Deferred tax assets	4,941		4,114		826		4,288		653							
(7)	Other investments	2,645		1,014		1,630		2,592		52							
	Less: Allowance for doubtful accounts	(1,065)		(789)		(276)		(667)		(397)							
	<b>Total investments and other assets</b>	<b>81,833</b>	<b>39.1</b>	<b>85,216</b>	<b>38.1</b>	<b>(3,383)</b>		<b>83,119</b>	<b>37.4</b>	<b>(1,286)</b>							
	<b>Total fixed assets</b>	<b>175,746</b>	<b>84.0</b>	<b>183,214</b>	<b>81.9</b>	<b>(7,468)</b>		<b>180,852</b>	<b>81.3</b>	<b>(5,105)</b>							
	<b>Total assets</b>	<b>209,354</b>	<b>100.0</b>	<b>223,749</b>	<b>100.0</b>	<b>(14,394)</b>		<b>222,541</b>	<b>100.0</b>	<b>(13,186)</b>							
<b>(LIABILITIES)</b>																	
<b>.Current Liabilities :</b>																	
1	Notes and accounts payable - trade	23,770		29,265		(5,495)		25,725		(1,955)							
2	Short-term bank loans	23,410		34,226		(10,816)		30,154		(6,744)							
3	Accounts payable - other	2,017		2,536		(518)		2,505		(488)							
4	Accrued expenses	1,523		1,618		(95)		1,456		66							
5	Accrued income taxes	2,080		292		1,787		446		1,633							
6	Deferred tax liabilities	-		10		(10)		-		-							
7	Accrued bonuses to employees	997		1,145		(148)		1,043		(46)							
8	Allowance for sales returns	10		19		(9)		10		(0)							
9	Allowance for books unsold	64		49		14		65		(0)							
10	Current portion of bonds payable	-		2,000		(2,000)		2,000		(2,000)							
11	Current portion of convertible bonds payable	1,337		-		1,337		-		1,337							
12	Other current liabilities	3,177		5,181		(2,004)		3,204		(27)							
	<b>Total current liabilities</b>	<b>58,389</b>	<b>27.9</b>	<b>76,347</b>	<b>34.1</b>	<b>(17,958)</b>		<b>66,613</b>	<b>29.9</b>	<b>(8,224)</b>							
<b>.Long-term Liabilities :</b>																	
1	Straight bonds	14,000		-		14,000		12,000		2,000							
2	Convertible bonds	-		1,337		(1,337)		1,337		(1,337)							
3	Long-term bank loans	30,371		37,616		(7,244)		34,658		(4,287)							
4	Deferred tax liabilities	13		17		(4)		-		13							
5	Reserve for retirement benefits	979		638		341		933		45							
6	Accrued retirement benefits for directors and statutory auditors	358		600		(241)		626		(267)							
7	Guarantee deposits received from tenants	45,893		48,114		(2,220)		47,372		(1,478)							
8	Other long-term liabilities	31		146		(115)		114		(82)							
	<b>Total long-term liabilities</b>	<b>91,648</b>	<b>43.8</b>	<b>88,470</b>	<b>39.5</b>	<b>3,178</b>		<b>97,042</b>	<b>43.6</b>	<b>(5,394)</b>							
	<b>Total liabilities</b>	<b>150,038</b>	<b>71.7</b>	<b>164,818</b>	<b>73.6</b>	<b>(14,779)</b>		<b>163,656</b>	<b>73.5</b>	<b>(13,618)</b>							
<b>(MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES)</b>																	
<b>Minority interests in consolidated subsidiaries</b>																	
		3,604	1.7	3,946	1.8	(342)		3,674	1.7	(70)							
<b>(SHAREHOLDERS' EQUITY)</b>																	
<b>.Common Stock</b>																	
		25,892	12.3	25,892	11.6	-		25,892	11.6	-							
<b>.Capital Surplus</b>																	
		25,318	12.1	25,318	11.3	-		25,318	11.4	-							
<b>.Retained Earnings</b>																	
		5,609	2.7	4,132	1.9	1,477		5,189	2.3	419							
	<b>.Net Unrealized (Losses) Gains on Securities</b>	(349)	(0.2)	330	0.2	(680)		(506)	(0.2)	157							
	<b>.Foreign Currency Translation Adjustments</b>	(46)	(0.0)	(132)	(0.1)	86		27	0.0	(74)							
<b>.Treasury Stock</b>																	
		(712)	(0.3)	(556)	(0.3)	(155)		(712)	(0.3)	(0)							
	<b>Total shareholders' equity</b>	<b>55,711</b>	<b>26.6</b>	<b>54,983</b>	<b>24.6</b>	<b>727</b>		<b>55,209</b>	<b>24.8</b>	<b>501</b>							
	<b>Total liabilities and shareholders' equity</b>	<b>209,354</b>	<b>100.0</b>	<b>223,749</b>	<b>100.0</b>	<b>(14,394)</b>		<b>222,541</b>	<b>100.0</b>	<b>(13,186)</b>							

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Interim Term Ended August 31, 2003  
(Fractional amounts less than one million yen are discarded)

							(# millions)	
	Interim Term				Increase (Decrease)	Fiscal 2002		
	Aug. 2003		Aug. 2002					
		%		%			%	
<b>.Net sales</b>	143,117	100.0	146,399	100.0	(3,282)	297,614	100.0	
<b>.Cost of sales:</b>	120,591	84.3	123,447	84.3	(2,855)	251,597	84.5	
	22,525	15.7	22,952	15.7	(426)	46,017	15.5	
Provision for allowance for sales returns	-	-	9	0.0	(9)	0	0.0	
Reversal of allowance for sales returns	0	0.0	-	-	0	-	-	
Gross profit on sales	22,525	15.7	22,942	15.7	(416)	46,016	15.5	
<b>.Other operating revenue</b>	804	0.6	838	0.5	(34)	1,605	0.5	
Gross profit	23,330	16.3	23,781	16.2	(451)	47,622	16.0	
<b>. Selling, general and administrative expenses</b>	18,862	13.2	19,427	13.2	(564)	39,273	13.2	
Operating income	4,467	3.1	4,354	3.0	113	8,348	2.8	
<b>.Non-operating income:</b>	367	0.3	439	0.3	(72)	934	0.3	
1 Interest income	59		45		13	90		
2 Dividends	38		42		(3)	48		
3 Investment profit on equity method	99		76		22	201		
4 Other non-operating income	170		274		(104)	594		
<b>.Non-operating expenses:</b>	794	0.6	1,001	0.7	(206)	1,954	0.6	
1 Interest expenses	540		650		(110)	1,244		
2 Bonds interest expenses	89		68		20	127		
3 Bonds issue expenses	18		-		18	198		
4 Other non-operating expenses	147		282		(135)	384		
Ordinary income	4,040	2.8	3,792	2.6	247	7,328	2.5	
<b>.Special income:</b>	446	0.3	540	0.4	(94)	923	0.3	
1 Gain on sales of investment securities	4		-		4	342		
2 Reversal of allowance for doubtful accounts	6		24		(18)	30		
3 Gain on termination of substitutional portion of employees' pension fund	-		383		(383)	383		
4 Gain on sales of subsidiaries' stocks	435		-		435	-		
5 Other special income	-		132		(132)	167		
<b>.Special losses:</b>	2,959	2.0	2,336	1.6	622	4,132	1.4	
1 Loss on sales of fixed assets	664		-		664	20		
2 Loss on disposal of fixed assets	259		1,554		(1,294)	2,073		
3 Loss on revaluation of fixed assets	1,030		-		1,030	-		
4 Loss on sales of investment securities	7		-		7	7		
5 Loss on write-down of investment securities	39		548		(508)	1,524		
6 Loss on write-down of golf club memberships	7		-		7	-		
7 Provision for allowance for doubtful accounts	868		-		868	-		
8 Special allowance for retirement	36		-		36	185		
9 Other special losses	45		234		(189)	320		
<b>Income before income taxes and minority interests</b>	1,527	1.1	1,996	1.4	(469)	4,119	1.4	
<b>Current income taxes</b>	1,962	1.4	241	0.2	1,720	590	0.2	
<b>Deferred income taxes</b>	(1,140)	(0.8)	708	0.5	(1,849)	1,086	0.4	
<b>Minority interests</b>	(54)	(0.0)	39	0.0	(94)	68	0.0	
<b>Net income</b>	760	0.5	1,007	0.7	(246)	2,373	0.8	

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Appropriation of Retained Earnings  
for the Interim Term Ended August 31, 2003  
(Fractional amounts less than one million yen are discarded)

	Interim Term			Increase (Decrease)	Fiscal 2002
	Aug. 2003	Aug. 2002			
( ¥ m i l l i o n s )					
<b>( Capital Surplus: )</b>					
.Balance at beginning of the term	25,318	24,649	668		24,649
.Increase of Capital Surplus:	-	668	(668)		668
Conversion of bond	-	668	(668)		668
.Balance at end of the term	25,318	25,318	-		25,318
<b>( Retained Earnings: )</b>					
.Balance at beginning of the term	5,189	3,467	1,722		3,467
.Increase in retained earning:	784	1,007	(222)		2,373
Decrease of consolidated subsidiaries	23	-	23		-
Net Income	760	1,007	(246)		2,373
.Decrease in retained earning:	364	341	22		650
1 Cash dividends	307	301	6		610
2 Bonuses to directors and statutory auditors	56	40	15		40
3 Loss on sales of treasury stock	0	-	0		-
.Balance at end of the term	5,609	4,132	1,477		5,189

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Interim Term Ended August 31, 2003  
(Fractional amounts less than one million yen are discarded)

		Interim Term		Increase	Fiscal 2002
		Aug. 2003	Aug. 2002	(Decrease)	
(¥ millions)					
<b>.Cash flows from operating activities:</b>					
1	Income before income taxes and minority interests	1,527	1,996	(469)	4,119
2	Depreciation and amortization	2,039	2,190	(150)	4,342
3	Amortization of consolidated accounts reconciliation	97	107	(9)	188
4	Bonds issue expense	18	-	18	198
5	Increase (Decrease) in allowance for doubtful accounts	876	(29)	906	(152)
6	Increase (Decrease) in accrued bonuses to employees	16	22	(6)	(62)
7	(Decrease) Increase in allowance for sales returns	(0)	9	(10)	0
8	(Decrease) in allowance for books unsold	(0)	(27)	26	(11)
9	Increase (Decrease) in reserve for retirement benefits	205	(283)	489	35
10	(Decrease) in accrued retirement benefits for directors and statutory auditors	(230)	(106)	(123)	(80)
11	Interest income and dividends income	(98)	(88)	(9)	(139)
12	Interest expenses	629	719	(89)	1,371
13	Investment profit on equity method	(99)	(76)	(22)	(201)
14	Loss on sales/disposal of fixed assets	769	1,147	(377)	1,520
15	Loss on write-down of fixed assets	1,030	-	1,030	-
16	Gain and loss on sales of marketable securities and investment securities	3	-	3	(334)
17	Loss on write-down of marketable securities and investment securities	39	548	(508)	1,524
18	(Increase) Decrease in receivables	(641)	984	(1,625)	2,771
19	Decrease in inventories	114	893	(779)	683
20	Increase (Decrease) in payables	1,636	(242)	1,878	(3,747)
21	Increase in other assets and liabilities	831	792	39	381
22	Other, net	(272)	364	(636)	305
	Sub-total	8,494	8,922	(427)	12,712
23	Interest income and dividends income received	99	102	(3)	139
24	Interest expenses paid	(626)	(804)	178	(1,406)
25	Income taxes paid	(304)	(448)	144	(657)
	Net cash provided by operating activities	7,662	7,771	(109)	10,788
<b>.Cash flows from investing activities:</b>					
1	Acquisition of tangible fixed assets	(1,546)	(2,122)	575	(4,512)
2	Proceeds from sales of tangible fixed assets	650	206	443	203
3	Acquisition of investment securities	(265)	(496)	231	(623)
4	Proceeds from sales of investment securities	109	-	109	2,122
5	Payments for fixed leasehold deposits	(108)	(73)	(35)	(416)
6	Collection of fixed leasehold deposits	680	898	(217)	1,293
7	(Decrease) in guarantee deposits received from tenants	(1,707)	(2,241)	533	(4,586)
8	Other	(784)	(315)	(468)	(642)
	Net cash (used in) investing activities	(2,972)	(4,144)	1,171	(7,162)
<b>.Cash flows from financing activities:</b>					
1	(Decrease) Increase in short-term bank loans, net	(1,073)	1,732	(2,805)	(1,833)
2	Proceeds from long-term bank loans	1,697	16,947	(15,250)	19,900
3	Repayment of long-term bank loans	(6,085)	(11,992)	5,907	(18,049)
4	Proceeds from issue of bonds	1,982	-	1,982	11,801
5	Redemption of bonds	(2,000)	(10,000)	8,000	(10,000)
6	Cash dividends paid	(307)	(301)	(6)	(610)
7	Cash dividends paid to minority shareholders	(23)	(28)	5	(28)
8	Other	(0)	(735)	734	(730)
	Net cash (used in) provided by financing activities	(5,809)	(4,376)	(1,432)	450
<b>.Effect of exchange rate changes on cash and cash equivalents</b>					
	Net (decrease) increase in cash and cash equivalents	(1,122)	(751)	(371)	4,075
<b>.Cash and cash equivalents at beginning of the term</b>		16,825	12,750	4,075	12,750
<b>.Cash and cash equivalents at end of the term</b>		15,702	11,998	3,704	16,825