

PARCO CO., LTD. AND SUBSIDIARIES



Consolidated Financial Statements for the Fiscal Year Ended February 29, 2004
(Fractional amounts less than one million yen are discarded)

April 19, 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: April 19, 2004

Based on US GAAP: Inapplicable

1. Results for Fiscal 2003 (March 1, 2003-February 29, 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 [%]
Fiscal 2003	281,478	[-5.4]	8,894	[+ 6.5]	7,792	[+6.3]
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) (¥)	Return on equity [%]	Ordinary income/total assets [%]	Ordinary income/net sales [%]
Fiscal 2003	2,791	[+17.6]	36.97	35.56	[+5.1]	[+3.7]	[+2.8]
Fiscal 2002	2,373	[-3.3]	30.94	29.47	[+4.4]	[+3.2]	[+2.5]

Notes:

1. Investment profit on equity method:

Fiscal 2003 ¥171 million Fiscal 2002 ¥201 million

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

Fiscal 2003 75,499,197 shares Fiscal 2002 76,718,190 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 2003	203,688	54,575	[+26.8]	767.07
Fiscal 2002	222,541	55,209	[+24.8]	717.59

Notes: Total number of shares outstanding (consolidated):

As of February 29, 2004 71,148,207 shares

As of February 28, 2003 76,937,886 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 2003	13,242	-2,972	-11,048	16,041
Fiscal 2002	10,788	-7,162	450	16,825

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

Consolidated subsidiaries:

15 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) 2 company

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)
Interim period	127,000	4,200	3,700	1,700
Fiscal 2004	261,000	8,900	7,900	3,000

Reference: Estimated net income per share (fiscal 2004): ¥42.17

Notes: The above projected results are announced presupposing available information at April 19, 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 Fiscal Year Ended February 29, 2004
(Fractional amounts less than one million yen are discarded)

	29-Feb 2004		28-Feb 2003		Increase (Decrease)
		%		%	(¥ millions)
(ASSETS)					
.Current Assets:					
Cash and time deposits	16,041		16,830		(789)
Notes and accounts receivable - trade and accounts receivable for completed contract	11,561		12,289		(728)
Marketable securities	-		43		(43)
Inventories	3,914		8,920		(5,006)
Advance payment	61		242		(180)
Prepaid expenses	725		846		(120)
Deferred tax assets	1,525		693		832
Short-term loans	69		44		25
Other current assets	1,007		1,803		(795)
Less: Allowance for doubtful accounts	(22)		(25)		2
Total current assets	34,884	17.1	41,688	18.7	(6,804)
.Fixed Assets:					
1 Tangible Fixed Assets:					
Buildings and structures	39,461		42,301		(2,839)
Machinery, equipment and motor vehicles	326		253		72
Tools, furniture and fixtures	1,256		1,383		(126)
Land	40,642		41,510		(867)
Construction in progress	-		47		(47)
Total tangible fixed assets	81,687	40.1	85,496	38.4	(3,809)
2 Intangible Fixed Assets:					
Leasehold	11,015		11,015		-
Difference between cost of investments and equity in net assets	333		508		(175)
Other intangible fixed assets	665		712		(46)
Total intangible fixed assets	12,013	5.9	12,235	5.5	(222)
3 Investments and Other Assets:					
Investment securities	12,897		13,004		(106)
Long-term loans	1,796		2,431		(634)
Long-term loans to affiliated companies	1,500		1,648		(148)
Long-term prepaid expenses	1,117		1,260		(142)
Fixed leasehold deposits	53,912		58,562		(4,649)
Deferred tax assets	2,327		4,288		(1,961)
Other investments	2,635		2,592		42
Less: Allowance for doubtful accounts	(1,084)		(667)		(416)
Total investments and other assets	75,103	36.9	83,119	37.4	(8,016)
Total fixed assets	168,804	82.9	180,852	81.3	(12,048)
Total assets	203,688	100.0	222,541	100.0	(18,852)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Fiscal Year Ended February 29,2004
(Fractional amounts less than one million yen are discarded)

(¥ millions)					
	29-Feb 2004		28-Feb 2003		Increase (Decrease)
		%		%	
(LIABILITIES)					
.Current Liabilities:					
Notes and accounts payable – trade	23,860		25,725		(1,865)
Short-term bank loans	20,012		30,154		(10,142)
Accounts payable – other	2,931		2,505		425
Accrued expenses	1,438		1,456		(18)
Accrued income taxes	804		446		357
Accrued bonuses to employees	891		1,043		(152)
Allowance for sales returns	13		10		2
Allowance for books unsold	60		65		(4)
Reserve for sales promotion	69		-		69
Current portion of bonds payable	-		2,000		(2,000)
Current portion of convertible bonds payable	1,237		-		1,237
Other current liabilities	3,133		3,204		(70)
Total current liabilities	54,452	26.7	66,613	29.9	(12,161)
.Long-term Liabilities:					
Straight bonds	14,000		12,000		2,000
Convertible bonds	-		1,337		(1,337)
Long-term bank loans	32,092		34,658		(2,566)
Reserve for retirement benefits	1,070		933		136
Accrued retirement benefits for directors and statutory auditors	384		626		(241)
Guarantee deposits received from tenants	44,043		47,372		(3,329)
Other long-term liabilities	8		114		(105)
Total long-term liabilities	91,599	45.0	97,042	43.6	(5,442)
Total liabilities	146,052	71.7	163,656	73.5	(17,604)
(MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES)					
Minority interests in consolidated subsidiaries	3,061	1.5	3,674	1.7	(613)
(SHAREHOLDERS' EQUITY)					
.Common Stock	25,942		25,892		50
.Capital Surplus	25,368		25,318		50
.Retained Earnings	7,332		5,189		2,142
.Net Unrealized Gains (Losses) on Securities	314		(506)		821
.Foreign Currency Translation Adjustments	(337)		27		(365)
.Treasury Stock	(4,043)		(712)		(3,331)
Total shareholders' equity	54,575	26.8	55,209	24.8	(634)
Total liabilities and shareholders' equity	203,688	100.0	222,541	100.0	(18,852)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Fiscal Year Ended February 29, 2004
(Fractional amounts less than one million yen are discarded)

	29-Feb 2004		28-Feb 2003		Increase (Decrease)
		%		%	
.Net sales	281,478	100.0	297,614	100.0	(16,136)
.Cost of sales:	238,560	84.8	251,597	84.5	(13,037)
Provision for allowance for sales returns	42,917	15.2	46,017	15.5	(3,099)
2	2	0.0	0	0.0	1
Gross profit on sales	42,915	15.2	46,016	15.5	(3,101)
.Other operating revenue	1,532	0.6	1,605	0.5	(73)
Gross profit	44,448	15.8	47,622	16.0	(3,174)
.Selling, general and administrative expenses	35,553	12.6	39,273	13.2	(3,719)
Operating income	8,894	3.2	8,348	2.8	545
.Non-operating income:	653	0.2	934	0.3	(281)
Interest income	104		90		14
Investment profit on equity method	171		201		(29)
Other non-operating income	376		643		(266)
.Non-operating expenses:	1,755	0.6	1,954	0.6	(199)
Interest expenses	960		1,244		(284)
Bonds interest expenses	176		127		48
Bonds issue expenses	18		198		(180)
Other non-operating expenses	600		384		215
Ordinary income	7,792	2.8	7,328	2.5	463
.Special income:	631	0.2	923	0.3	(291)
Gain on sales of investment securities	145		342		(196)
Reversal of allowance for doubtful accounts	22		30		(7)
Gain on termination of substitutional portion of employees' pension fund	-		383		(383)
Gain on sales of subsidiaries' stocks	435		-		435
Other special income	27		167		(139)
.Special losses:	4,296	1.5	4,132	1.4	163
Loss on sales of fixed assets	666		20		645
Loss on disposal of fixed assets	951		2,073		(1,122)
Loss on revaluation of fixed assets	1,030		-		1,030
Loss on sales of investment securities	8		7		0
Loss on write-down of investment securities	195		1,524		(1,329)
Provision for allowance for doubtful accounts	930		-		930
Special allowance for retirement	245		185		59
Other special losses	269		320		(50)
Income before income taxes and minority interests	4,128	1.5	4,119	1.4	8
Current income taxes	934	0.3	590	0.2	344
Deferred income taxes	432	0.2	1,086	0.4	(653)
Minority interests	(30)	(0.0)	68	0.0	(98)
Net income	2,791	1.0	2,373	0.8	417

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Appropriation of Retained Earnings for the Fiscal Year Ended
February 29, 2004

(Fractional amounts less than one million yen are discarded)

(¥ millions)

	29-Feb 2004	28-Feb 2003	Increase (Decrease)
(Capital Surplus:)			
.Balance at beginning of year	25,318	24,649	668
.Increase of Capital Surplus:	50	668	(618)
Conversion of bond	50	668	(618)
.Balance at end of year	25,368	25,318	50
(Retained Earnings:)			
.Balance at beginning of year	5,189	3,467	1,722
.Increase in retained earnings:	2,814	2,373	440
Decrease of consolidated subsidiaries	23	-	23
Net Income	2,791	2,373	417
.Decrease in retained earnings:	672	650	21
Cash dividends	615	610	5
Bonuses to directors and statutory auditors	56	40	15
Loss on sales of treasury stock	0	-	0
.Balance at end of year	7,332	5,189	2,142

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Fiscal Year Ended February 29, 2004
(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	29-Feb 2004	28-Feb 2003	Increase (Decrease)
.Cash flows from operating activities:			
Income before income taxes and minority interests	4,128	4,119	8
Depreciation and amortization	4,135	4,342	(206)
Amortization of consolidated accounts reconciliation	189	188	1
Bonds issue expenses	18	198	(180)
Increase (Decrease) in allowance for doubtful accounts	899	(152)	1,051
(Decrease) in accrued bonuses to employees	(89)	(62)	(26)
Increase in allowance for sales returns	2	0	1
(Decrease) in allowance for books unsold	(4)	(11)	7
Increase in reserve for retirement benefits	296	35	261
(Decrease) in accrued retirement benefits for directors and statutory auditors	(204)	(80)	(123)
Increase in reserve for sales promotion	69	-	69
Interest income and dividends income	(149)	(139)	(10)
Interest expenses	1,136	1,371	(235)
Investment profit on equity method	(171)	(201)	29
Loss on sales/disposal of fixed assets	1,144	1,520	(376)
Loss on write-down of fixed assets	1,030	-	1,030
Gain and loss on sales of investment securities	(137)	(334)	197
Loss on write-down of investment securities	195	1,524	(1,329)
(Increase) Decrease in receivables	(1,260)	2,771	(4,031)
Decrease in inventories	212	683	(470)
Increase (Decrease) in payables	1,726	(3,747)	5,474
Increase in other assets and liabilities, net	1,585	381	1,203
Other	4	305	(301)
Sub-total	14,755	12,712	2,043
Interest income and dividends income received	150	139	10
Interest expenses paid	(1,131)	(1,406)	275
Income taxes paid	(532)	(657)	124
Net cash provided by operating activities	13,242	10,788	2,453
.Cash flows from investing activities:			
Acquisition of tangible fixed assets	(3,818)	(4,512)	693
Proceeds from sales of tangible fixed assets	640	203	437
Acquisition of investment securities	(265)	(623)	357
Proceeds from sales of investment securities	1,387	2,122	(734)
Payments for fixed leasehold deposits	(180)	(416)	236
Collection of fixed leasehold deposits	4,237	1,293	2,943
(Decrease) in guarantee deposits received from tenants	(3,515)	(4,586)	1,071
Other	(1,457)	(642)	(815)
Net cash (used in) investing activities	(2,972)	(7,162)	4,190
.Cash flows from financing activities:			
(Decrease) in short-term bank loans	(5,260)	(1,833)	(3,427)
Proceeds from long-term bank loans	10,094	19,900	(9,805)
Repayment of long-term bank loans	(11,854)	(18,049)	6,194
Proceeds from issue of bonds	1,982	11,801	(9,819)
Redemption of bonds	(2,000)	(10,000)	8,000
Acquisition of treasury stock	(3,332)	-	(3,332)
Cash dividends paid	(615)	(610)	(5)
Cash dividends paid to minority shareholders	(62)	(28)	(33)
Other	-	(730)	730
Net cash (used in) provided by financing activities	(11,048)	450	(11,499)
Effect of exchange rate changes on cash and cash equivalents	(5)	(0)	(4)
Net (decrease) increase in cash and cash equivalents	(784)	4,075	(4,859)
Cash and cash equivalents at beginning of year	16,825	12,750	4,075
Cash and cash equivalents at end of year	16,041	16,825	(784)