

August 31, 2005

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PARCO Announces Revisions to Interim and Full Fiscal Year Earnings Forecasts for Year Ending February 2006 (Consolidated and Non-Consolidated), Closure of Store, and Transfer of Shares in Subsidiary

In a board of directors' meeting held August 31, 2005, PARCO decided to (1) revise its interim and full fiscal year earnings forecasts for the year ending February 2006 (March 1, 2005 – February 28, 2006), (2) close Gifu PARCO at the end of August 2006 (scheduled), and (3) transfer all shares outstanding in Harley-Davidson City Co., Ltd., that are owned by PARCO. The details are as outlined below.

I. Revisions to interim and full fiscal year earnings forecasts for the year ending February 2006 (March 1, 2005 – February 28, 2006)

1. Consolidated earnings forecast

Interim (March 1, 2005 – August 31, 2005)

Unit: Million yen

	Net sales	Operating income	Ordinary income	Interim net income
Previous forecast (A) (Announced April 14, 2005)	122,000	4,000	3,800	1,700
Revised forecast (B)	125,000	4,600	4,400	2,150
Difference (B-A)	3,000	600	600	450
% change	+2.5	+15.0	+15.8	+26.5
Reference: Interim fiscal 2004 results (March 1, 2004 – August 31, 2004)	124,825	4,101	3,778	1,570

Full fiscal year (March 1, 2005 – February 28, 2006)

Unit: Million yen

	Net sales	Operating income	Ordinary income	Net income
Previous forecast (A) (Announced April 14, 2005)	255,000	8,500	8,200	3,200
Revised forecast (B)	257,000	8,800	8,400	3,500
Difference (B-A)	2,000	300	200	300
% change	+0.8	+3.5	+2.4	+9.4
Reference: Fiscal 2004 results (for year ended February 2005)	257,625	8,441	8,079	1,742

2. Reasons for revisions to consolidated earnings forecast

Interim

PARCO expects net sales to rise by 3 billion yen in light of factors such as an increase of approximately 600 million yen due to the bringing forward of ordered projects in the space engineering and management business in addition to an increase of 2.3 billion yen for PARCO on the non-consolidated basis.

With the increase in net sales, the company forecasts that both operating income and ordinary income will rise by 600 million yen.

In addition, PARCO expects that interim net income will increase by 450 million yen due to factors that include approximately 300 million yen in gains on the sale of shares in a subsidiary of PARCO Singapore as well as the 100 million yen increase in interim net income for PARCO on the non-consolidated basis (See I.4).

Full fiscal year

While PARCO expects that net sales will increase by 3 billion yen on the non-consolidated basis, the company forecasts that the increase in net sales will be 2 billion yen, which is partly attributable to a decline in net sales in the specialty store business due to the transfer of shares in a subsidiary (See III.1).

PARCO's non-consolidated selling and general administration expenses will increase in the second half of the year (See I.4), but the company expects that operating income will rise by 300 million yen, ordinary income by 200 million yen and net income by 300 million yen.

3. Non-consolidated earnings forecasts

Interim (March 1, 2005 – August 31, 2005)

Unit: Million yen

	Net sales	Operating income	Ordinary income	Interim net income
Previous forecast (A) (Announced April 14, 2005)	114,500	3,400	3,100	1,400
Revised forecast (B)	116,800	4,000	3,750	1,500
Difference (B-A)	2,300	600	650	100
% change	+2.0	+17.6	+21.0	+7.1
Reference: Interim fiscal 2004 results (March 1, 2004 – August 31, 2004)	114,258	3,436	2,914	1,085

Full fiscal year (March 1, 2005 – February 28, 2006)

Unit: Million yen

	Net sales	Operating income	Ordinary income	Net income
Previous forecast (A) (Announced April 14, 2005)	237,000	7,300	6,800	2,500
Revised forecast (B)	240,000	7,500	7,100	2,700
Difference (B-A)	3,000	200	300	200
% change	+1.3	+2.7	+4.4	+8.0
Reference: Fiscal 2004 results (for year ended February 2005)	236,359	7,212	6,557	1,262

4. *Reasons for revisions to non-consolidated earnings forecasts*

Interim

PARCO expects that net sales will increase by 2.3 billion yen, operating income by 600 million yen and ordinary income by 650 million yen on the strong performance of key stores such as Nagoya PARCO. While PARCO expects to post an approximate 1.1 billion extraordinary loss with the closure of Gifu PARCO and the transfer of shares in a subsidiary, the company forecasts that interim net income will rise by 100 million yen because of the shifting of the elimination of some assets due to store refurbishment to the second half of the year.

Full fiscal year

The company expects net sales to rise by 3 billion yen, partly due to consistent growth at key stores. PARCO will boost selling and general administration expenses, such as advertising expenditure and earthquake countermeasures expenses, in the second half of the year, but it expects growth of 200 million yen in operating income, 300 million yen in ordinary income, and 200 million yen in net income.

II. Store Closure

1. *Store to be closed*

Store name: Gifu PARCO
 Establishment: September 23, 1976
 Address: 9-12 Kanda-machi, Gifu City, Gifu
 Store area: Approx. 8200m²
 Net sales: 2,489 million yen (Fiscal 2004)
 Date of closure: August 31, 2006 (Scheduled)

2. *Reasons for closure*

- PARCO commenced its Five Year Medium Term Management Plan this fiscal year, and the company is working on the radical reform of facilities that require a review of their earnings structure. With regard to Gifu PARCO, the company had considered strategies

such as increasing the efficiency of operations and changing the business model, since the store posted impairment losses due to the early adoption of impairment accounting in fiscal 2004. However, as a result of comprehensive considerations that included changes in the commercial environment surrounding the store and strategies to counter the obsolescence of the store's facilities, the company has decided to close the store.

- With the closure of the store, PARCO expects to post an extraordinary loss of approximately 930 million yen, which includes the elimination of tangible assets.

3. *Transfer of shares in a subsidiary*

(1) Subsidiary to be transferred

Corporate name:	Harley-Davidson City Co., Ltd.										
Representative:	Tomihiko Uemura, President										
Address:	15-1 Udagawa-cho, Shibuya-ku, Tokyo										
Established:	September 19, 1995										
Principal business:	Sale of Harley Davidson motorbikes										
End of fiscal year:	End of February										
Number of employees:	21 (As of February 28, 2005)										
Principal offices:	Two stores (As of February 28, 2005)										
Capital:	30 million yen (As of February 28, 2005)										
Number of shares outstanding:	600 (As of February 28, 2005) A 55 million yen capital increase, bringing the number of shares outstanding to 1700, is scheduled for September 2, 2005.										
Shareholders and holding ratio:	PARCO Co., Ltd., 100%										
Fiscal 2004 results (in million yen)	<table> <tr> <td>Net sales</td> <td>1,052</td> </tr> <tr> <td>Operating income</td> <td>34</td> </tr> <tr> <td>Ordinary income</td> <td>32</td> </tr> <tr> <td>Net income</td> <td>14</td> </tr> <tr> <td>Net assets</td> <td>(31)</td> </tr> </table>	Net sales	1,052	Operating income	34	Ordinary income	32	Net income	14	Net assets	(31)
Net sales	1,052										
Operating income	34										
Ordinary income	32										
Net income	14										
Net assets	(31)										
	*Excess liabilities expected to be liquidated after capital increase										

(2) Assignee of shares

Tomihiko Uemura (Currently President of Harley-Davidson City Co., Ltd.)

(3) Details of Share Transfer

Number of shares held before transfer:	1700 (Expected number of shares after capital increase)
Number of shares to be transferred:	1700 (Expected number of shares after capital increase)
Number of shares held after transfer:	0
Date of sale:	September 5, 2005 (Scheduled)
Sale price:	Approx. 10 million yen

(4) Reasons for Transfer of Shares

- The transfer forms a part of the restructuring of group companies that PARCO has been promoting in order to concentrate management resources on commercial development, which is the company's principal business. In addition, PARCO received a request from the president of Harley-Davidson City Co., Ltd., to implement the transfer.

PARCO will sell the land and buildings of the Harley-Davidson City's Tanashi sales office, which PARCO owns, to Harley-Davidson City simultaneously to the transfer of shares.

- PARCO expects to post an extraordinary loss of approximately 130 million yen with the transfer of shares.