

PARCO CO., LTD. AND SUBSIDIARIES



Consolidated Financial Statements for the Second Quarter of Fiscal 2010  
(Six months ended August 31, 2010) [Japanese Standards]  
(Fractional amounts less than one million yen are discarded)

October 6, 2010

Corporate Name: PARCO CO.,LTD.

Stock Exchange Listings: Tokyo Stock Exchange(first section)

Code Number: 8251

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

Company Representative: Hidekazu Hirano, President, Representative Executive Officer

Contact: Kazumi Kojima, Member of the Board, Senior Executive Officer & Director Finance Department Phone: (03)3477-5791

Scheduled Filing Date of the Quarterly Financial Report (Shihanki Houkokusho): October 13, 2010

Scheduled Payment Date of Dividends: October 25, 2010

Preparation of Supplementary Materials for the Quarterly Financial Results: Yes

Holding of Quarterly Financial Results Briefing (for institutional investors and analysts): Yes

1. Consolidated Financial Results (March 1, 2010 - August 31, 2010)

(1) Sales and Income

(%: Changes from the previous second quarter)

	Net sales (¥ million)	Change [%]	Operating income (¥ million)	Change [%]	Ordinary income (¥ million)	Change [%]
2Q F2010	128,780	[+0.7]	4,554	[(4.3)]	4,333	[(7.6)]
2Q F2009	127,906	—	4,757	—	4,691	—

	Net income (¥ million)	Change [%]	Net income per share(¥)	Net income per share (diluted) (¥)
2Q F2010	2,116	[(3.9)]	25.69	—
2Q F2009	2,203	—	26.75	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio [%]	Net assets per share (¥)
2Q F2010	217,478	79,991	36.8	970.73
Fiscal 2009	187,093	78,657	42.0	954.52

Reference: Equity

2Q F2010 : ¥79,967 million

Fiscal 2009 : ¥78,632 million

2. Dividends

	Cash dividends per share (¥)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal 2009	—	8.00	—	8.00	16.00
Fiscal 2010	—	8.00			
Fiscal 2010 (forecast)			—	8.00	16.00

Notes: Revision of estimates for cash dividends during this quarter: None

3. Consolidated Forecast (March 1, 2010 - February 28, 2011)

(%: Changes from the previous fiscal year)

	Net sales (¥ million)	Change [%]	Operating income (¥ million)	Change [%]	Ordinary income (¥ million)	Change [%]	Net income (¥ million)	Change [%]	Net income per share (¥)
Fiscal 2010	264,000	[+1.1]	8,700	[+1.1]	8,300	[(3.0)]	4,200	[+2.2]	50.98

Notes: Revision of the consolidated forecast during this quarter: None

#### 4. Others

(1) Changes in main subsidiary companies during the period: None

New: None

Eliminated: None

Notes: Changes in specific subsidiary companies with changes in scope of consolidation.

(2) Adoption of simplified and special accounting methods: Yes

Notes: Adoption of simplified and special accounting methods for preparing the quarterly consolidated financial statements.

(3) Changes in accounting standards, procedures and disclosure methods for drawing up consolidated financial statements

1, Changes due to revision of accounting standards: Yes

2, Other changes: None

(4) Total number of shares outstanding (Common stocks)

1, Total number of shares outstanding (Including treasury stocks)

As of August 31, 2010 : 82,475,677 shares As of February 28, 2010 : 82,475,677 shares

2, Total number of treasury stocks

As of August 31, 2010 : 96,569 shares As of February 28, 2010 : 96,305 shares

3, Average outstanding shares

2Q Fiscal 2010 : 82,379,278 shares 2Q Fiscal 2009 : 82,379,828 shares

#### \* Implementation status of quarterly review procedures

The review procedures for the quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Law have not been completed at the time of disclosure of this report.

#### \* Explanations about appropriate use of projected results, and other specific notices

This report contains forward-looking statements, which are based on the information currently available and certain assumptions. Actual results may differ from forecast depending on various factors in future.

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets  
(As of August 31, 2010 and As of February 28, 2010)  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	2Q of Fiscal 2010	Fiscal 2009
<b>(ASSETS)</b>		
<b>Current assets</b>		
Cash and deposits	14,086	9,023
Notes and operating accounts receivable	7,608	9,821
Short-term investment securities	400	—
Merchandise and finished goods	2,349	2,424
Work in process	506	650
Raw materials and supplies	44	44
Other	5,810	4,199
Allowance for doubtful accounts	(6)	(17)
Total current assets	30,799	26,146
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures	121,620	115,953
Accumulated depreciation	(70,976)	(68,871)
Accumulated impairment loss	(1,227)	(1,138)
Buildings and structures, net	49,415	45,943
Buildings and structures in trust	15,200	—
Accumulated depreciation	(370)	—
Buildings and structures in trust, net	14,830	—
Machinery, equipment and vehicles	1,364	1,360
Accumulated depreciation	(889)	(836)
Machinery, equipment and vehicles, net	475	523
Machinery, equipment and vehicles in trust	9	—
Accumulated depreciation	(0)	—
Machinery, equipment and vehicles in trust, net	9	—
Other	5,207	4,894
Accumulated depreciation	(3,849)	(3,737)
Accumulated impairment loss	(75)	(73)
Other, net	1,281	1,084
Other in trust	134	—
Accumulated depreciation	(10)	—
Other in trust, net	124	—
Land	45,208	45,208
Land in trust	10,898	—
Construction in progress	23	3,691
Total property, plant and equipment	122,267	96,451
Intangible assets		
Leasehold right	10,949	10,949
Other	794	829
Total intangible assets	11,744	11,779
Investments and other assets		
Investment securities	4,543	4,676
Lease and guarantee deposits	44,214	44,834
Other	4,155	3,441
Allowance for doubtful accounts	(246)	(235)
Total investments and other assets	52,667	52,716
Total noncurrent assets	186,679	160,947
<b>Total assets</b>	<b>217,478</b>	<b>187,093</b>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets  
(As of August 31, 2010 and As of February 28, 2010)  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	2Q of Fiscal 2010	Fiscal 2009
<b>(LIABILITIES)</b>		
<b>Current liabilities</b>		
Notes and operating accounts payable-trade	19,540	17,637
Short-term loans payable	19,896	9,784
Income taxes payable	1,825	1,151
Provision	1,766	1,268
Other	9,528	10,548
Total current liabilities	52,556	40,389
<b>Noncurrent liabilities</b>		
Bonds payable	2,500	3,000
Long-term loans payable	42,942	24,703
Provision	1,553	1,610
Guarantee deposits received	37,557	38,494
Other	378	238
Total noncurrent liabilities	84,931	68,046
<b>Total liabilities</b>	<b>137,487</b>	<b>108,435</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' equity</b>		
Capital stock	26,867	26,867
Capital surplus	27,528	27,528
Retained earnings	25,775	24,317
Treasury stock	(60)	(60)
Total shareholders' equity	80,110	78,652
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	20	99
Foreign currency translation adjustment	(163)	(119)
Total valuation and translation adjustments	(142)	(19)
<b>Minority interests</b>		
Total net assets	79,991	78,657
<b>Total liabilities and net assets</b>	<b>217,478</b>	<b>187,093</b>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income  
 (For the six months ended August 31, 2009 and 2010)  
 (Fractional amounts less than one million yen are discarded)

	(¥millions)	
	2Q of Fiscal 2009	2Q of Fiscal 2010
Net sales	127,906	128,780
Cost of sales	108,064	109,442
Gross profit	19,841	19,338
Operating revenue	1,317	1,395
Operating gross profit	21,158	20,733
Selling, general and administrative expenses	16,401	16,178
Operating income	4,757	4,554
Non-operating income		
Interest income	43	42
Dividends income	45	41
Miscellaneous income	191	193
Total non-operating income	280	277
Non-operating expenses		
Interest expenses	340	481
Miscellaneous expenses	5	18
Total non-operating expenses	346	499
Ordinary income	4,691	4,333
Extraordinary income		
Reversal of allowance for doubtful accounts	4	0
Other	3	11
Total extraordinary income	8	11
Extraordinary loss		
Loss on retirement of noncurrent assets	95	219
Impairment loss	339	18
Loss on closing of stores	356	266
Restructuring loss	107	14
Other	6	72
Total extraordinary losses	904	591
Income before income taxes and minority interests	3,794	3,753
Income taxes	1,591	1,637
Minority interests in loss	(0)	(0)
Net income	2,203	2,116

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
(For the six months ended August 31, 2009 and 2010)  
(Fractional amounts less than one million yen are discarded)

	(¥ millions)	
	2Q of Fiscal 2009	2Q of Fiscal 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,794	3,753
Depreciation and amortization	2,766	3,238
Impairment loss	339	18
Increase (decrease) in allowance for doubtful accounts	(5)	(0)
Increase (decrease) in provision for bonuses	114	173
Increase (decrease) in provision for sales returns	(0)	(7)
Increase (decrease) in provision for books unsold	4	11
Increase (decrease) in provision for sales promotion	11	15
Increase (decrease) in provision for retirement benefits	50	82
Increase (decrease) in provision for directors' retirement benefits	0	(13)
Loss on store closings	356	266
Interest and dividends income	(88)	(84)
Interest expenses	340	481
Loss (gain) on sales and retirement of noncurrent assets	29	60
Loss on business restructuring	107	14
Decrease (increase) in notes and accounts receivable-trade	2,940	2,212
Decrease (increase) in inventories	(12)	219
Increase (decrease) in notes and accounts payable-trade	97	1,902
Increase/decrease in other assets/liabilities	(1,097)	(2,325)
Other, net	(98)	(242)
Subtotal	9,650	9,777
Interest and dividends income received	88	84
Interest expenses paid	(342)	(307)
Income taxes paid	(747)	(1,000)
Net cash provided by (used in) operating activities	8,649	8,554
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	—	(100)
Purchase of property, plant and equipment	(3,178)	(28,785)
Proceeds from sales of property, plant and equipment	195	1
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	0	—
Payments for lease and guarantee deposits	(109)	(2,008)
Proceeds from collection of lease and guarantee deposits	1,035	1,912
Increase (decrease) in guarantee deposits received	(1,843)	(651)
Other, net	(172)	(685)
Net cash provided by (used in) investing activities	(4,074)	(30,317)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	59	(1,988)
Proceeds from long-term loans payable	—	32,000
Repayment of long-term loans payable	(1,611)	(1,661)
Redemption of bonds	(500)	(500)
Net decrease (increase) in treasury stock	(0)	(0)
Cash dividends paid	(659)	(659)
Other, net	(2)	(22)
Net cash provided by (used in) financing activities	(2,714)	27,169
Effect of exchange rate change on cash and cash equivalents	56	(42)
Net increase (decrease) in cash and cash equivalents	1,916	5,363
Cash and cash equivalents at beginning of period	11,080	9,023
Cash and cash equivalents at end of period	12,996	14,386