

PARCO CO., LTD. AND SUBSIDIARIES



Consolidated Financial Statements for the Interim Term Ended August 31, 2005
(Fractional amounts less than one million yen are discarded)

October 12, 2005

Corporate Name: PARCO CO.,LTD.
Code Number: 8251

Stock Exchange Listings: Tokyo Stock Exchange(first section)
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

TEL (03)3477-5791

Board of Directors meeting: October 12, 2005

Parent company: Mori Trust Co., Ltd.

Voting rights in Parco Co., Ltd.: 23.73%

Based on US GAAP: Inapplicable

1. Results for the Interim Term of Fiscal 2005 (March 1, 2005-August 31, 2005)

(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.2005 interim term	126,301	[+1.2]	4,648	[+13.3]	4,526	[+19.8]
Aug.2004 interim term	124,825	[-12.8]	4,101	[-8.2]	3,778	[-6.5]
Fiscal 2004	257,625	[-8.5]	8,441	[-5.1]	8,079	[+3.7]

	Net income (¥million)	Year-on year Change [%]	Net income per share(¥)	Net income per share(diluted)(¥)
Aug.2005 interim term	2,210	[+40.7]	27.29	27.24
Aug.2004 interim term	1,570	[+106.5]	20.01	19.97
Fiscal 2004	1,742	[-37.6]	21.87	21.84

Notes:

1. Investment profit on equity method:

Aug.2005 interim term :¥-0million Aug.2004 interim term :¥99million Fiscal 2004 :¥204million

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

Aug.2005 interim term :81,002,167shares Aug.2004 interim term :78,528,818shares Fiscal 2004 :79,675,601shares

3. Changes in accounting methods: None

4. Percentages above represent the change from the prior interim term (fiscal year) unless otherwise stated.

(2) Financial Position

	Total assets (¥million)	Shareholders' equity (¥million)	Shareholders' equity/ total assets [%]	Shareholders' equity per share (¥)
Aug.2005 interim term	182,356	64,224	[35.2]	789.13
Aug.2004 interim term	201,055	61,960	[30.8]	766.45
Fiscal 2004	187,993	61,760	[32.9]	763.90

Notes: Total number of shares outstanding (consolidated):

Aug.2005 interim term :81,386,875shares Aug.2004 interim term :80,839,852shares Fiscal 2004 :80,848,566shares

(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.2005 interim term	6,256	2,743	-6,124	14,874
Aug.2004 interim term	6,791	-2,286	-2,013	18,539
Fiscal 2004	10,635	-1,965	-12,731	11,984

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

Consolidated subsidiaries:

8 companies

Unconsolidated subsidiaries accounted for by the equity method:

None

Affiliated companies accounted for by the equity method:

1 company

(5) Changes in scope of consolidation and application of the equity method

Consolidation: (New)

None

(Eliminated) 2 companies

Equity method: (New)

1 company

(Eliminated) 4 companies

2. Projected Results for Fiscal 2005 (March 1, 2005-February 28, 2006)

	Net sales (¥million)	Operating income (¥million)	Ordinary income (¥million)	Net income (¥million)
Fiscal 2005	258,000	8,800	8,400	3,500

Reference: Estimated net income per share (fiscal 2005): ¥43.00

Notes : The above projected results are announced presupposing available information at October 12, 2005 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, 2005
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term				Increase (Decrease)	Fiscal 2004			Increase (Decrease)
	Aug.2004		Aug.2005						
(ASSETS)		%		%			%		
.Current Assets:									
1 Cash and time deposits	18,539		14,874		(3,665)	11,984		2,889	
2 Notes and accounts receivable - trade and accounts receivable for completed contract	9,006		7,445		(1,560)	9,216		(1,770)	
3 Marketable securities	20		-		(20)	10		(10)	
4 Inventories	2,543		2,341		(201)	2,668		(326)	
5 Advance payment	36		36		(0)	11		24	
6 Prepaid expenses	778		813		34	740		72	
7 Deferred tax assets	938		727		(211)	750		(23)	
8 Short-term loans	10		165		154	11		154	
9 Other current assets	1,030		820		(210)	863		(43)	
Less: Allowance for doubtful accounts	(18)		(56)		(37)	(14)		(41)	
Total current assets	32,885	16.4	27,167	14.9	(5,718)	26,242	14.0	925	
.Fixed Assets:									
1 Tangible fixed assets:									
(1) Buildings and structures	96,567		98,815			97,941			
Accumulated depreciation	56,888		58,875			57,456			
Accumulated impairment losses	-	39,678	1,419	38,521	(1,157)	1,303	39,181	(659)	
(2) Machinery, equipment and motor vehicles	881		883			891			
Accumulated depreciation	573	307	625	258	(49)	604	286	(28)	
(3) Tools, furniture and fixtures	4,012		4,209			4,098			
Accumulated depreciation	2,777		2,949			2,804			
Accumulated impairment losses	-	1,235	21	1,238	3	20	1,273	(34)	
(4) Land	41,096		40,026		(1,069)	40,114		(88)	
(5) Construction in progress	818		-		(818)	349		(349)	
Total tangible fixed assets	83,136	41.3	80,045	43.9	(3,091)	81,205	43.2	(1,160)	
2 Intangible fixed assets:									
(1) Leasehold	11,014		11,014		-	11,014		-	
(2) Difference between cost of investments and equity in net assets	233		34		(198)	134		(99)	
(3) Other intangible fixed assets	641		640		(0)	671		(30)	
Total intangible fixed assets	11,890	5.9	11,690	6.4	(199)	11,820	6.3	(129)	
3 Investments and other assets:									
(1) Investment securities	13,369		8,834		(4,534)	13,000		(4,165)	
(2) Long-term loans	1,698		926		(772)	1,696		(769)	
(3) Long-term loans to affiliated companies	1,506		-		(1,506)	1,514		(1,514)	
(4) Long-term prepaid expenses	1,064		980		(84)	1,025		(44)	
(5) Fixed leasehold deposits	52,749		49,702		(3,046)	48,467		1,234	
(6) Deferred tax assets	2,318		2,746		427	2,699		46	
(7) Long-term accounts receivable - other	-		2,007		2,007	2,069		(61)	
(8) Other investments	2,387		131		(2,256)	130		0	
Less: Allowance for doubtful accounts	(1,951)		(1,874)		77	(1,879)		5	
Total investments and other assets	73,143	36.4	63,453	34.8	(9,689)	68,724	36.5	(5,270)	
Total fixed assets	168,169	83.6	155,189	85.1	(12,980)	161,750	86.0	(6,561)	
Total assets	201,055	100.0	182,356	100.0	(18,698)	187,993	100.0	(5,636)	

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Interim Term Ended August 31, 2005
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term				Increase (Decrease)	Fiscal 2004			Increase (Decrease)
	Aug.2004		Aug.2005						
		%		%			%		
(LIABILITIES)									
.Current Liabilities:									
1 Notes and accounts payable - trade	23,572		21,282		(2,289)	21,972		(689)	
2 Short-term bank loans	17,228		13,876		(3,352)	14,704		(828)	
3 Accounts payable - other	1,829		1,871		42	2,221		(350)	
4 Accrued expenses	1,343		1,304		(38)	1,193		111	
5 Accrued income taxes	1,042		1,903		861	1,994		(90)	
6 Accrued bonuses to employees	950		992		41	908		83	
7 Allowance for sales returns	14		13		(1)	10		2	
8 Allowance for books unsold	65		70		5	65		5	
9 Reserve for sales promotion	89		130		41	107		23	
10 Other current liabilities	4,485		2,364		(2,120)	2,656		(291)	
Total current liabilities	50,621	25.2	43,810	24.0	(6,810)	45,834	24.4	(2,023)	
.Long-term Liabilities:									
1 Straight bonds	14,000		14,000		-	14,000		-	
2 Long-term bank loans	27,823		15,822		(12,001)	20,028		(4,206)	
3 Long-term accounts payable - other	-		293		293	281		11	
4 Reserve for retirement benefits	773		858		85	801		57	
5 Accrued retirement benefits for directors and statutory auditors	303		50		(252)	63		(12)	
6 Allowance for loss on store closing	-		807		807	-		807	
7 Guarantee deposits received from tenants	42,654		42,115		(539)	42,476		(361)	
8 Other long-term liabilities	2		-		(2)	-		-	
Total long-term liabilities	85,557	42.5	73,948	40.6	(11,608)	77,651	41.3	(3,702)	
Total liabilities	136,178	67.7	117,759	64.6	(18,419)	123,485	65.7	(5,726)	
(MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES)									
Minority interests in consolidated subsidiaries	2,916	1.5	373	0.2	(2,543)	2,746	1.4	(2,373)	
(SHAREHOLDERS' EQUITY)									
.Common Stock									
	26,867	13.4	26,867	14.7	-	26,867	14.3	-	
.Capital Surplus									
	27,105	13.5	27,148	14.9	42	27,107	14.4	40	
.Retained Earnings									
	8,618	4.3	10,192	5.6	1,573	8,385	4.5	1,806	
.Net Unrealized Gains on Securities									
	445	0.2	737	0.4	291	465	0.3	271	
.Foreign Currency Translation Adjustments									
	(324)	(0.2)	(264)	(0.1)	59	(316)	(0.2)	51	
.Treasury Stock									
	(753)	(0.4)	(456)	(0.3)	296	(750)	(0.4)	293	
Total shareholders' equity	61,960	30.8	64,224	35.2	2,264	61,760	32.9	2,464	
Total liabilities and shareholders' equity	201,055	100.0	182,356	100.0	(18,698)	187,993	100.0	(5,636)	

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Interim Term Ended August 31, 2005
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term						Increase (Decrease)	Fiscal 2004		
	Aug.2004			Aug.2005						
			%			%			%	
.Net sales		124,825	100.0		126,301	100.0	1,476	257,625	100.0	
.Cost of sales:		106,955	85.7		107,850	85.4	895	221,114	85.8	
		17,870	14.3		18,450	14.6	580	36,511	14.2	
Provision for allowance for sales returns		1	0.0		2	0.0	1	-	-	
Reversal of allowance for sales returns		-	-		-	-	-	2	0.0	
Gross profit on sales		17,868	14.3		18,448	14.6	579	36,513	14.2	
.Other operating revenue		813	0.7		885	0.7	72	1,649	0.6	
Gross profit		18,682	15.0		19,333	15.3	651	38,163	14.8	
.Selling, general and administrative expenses		14,580	11.7		14,685	11.6	104	29,722	11.5	
Operating income		4,101	3.3		4,648	3.7	547	8,441	3.3	
.Non-operating income:										
1 Interest income	66			80				131		
2 Dividends	51			46				-		
3 Investment profit on equity method	99			-				204		
4 Other non-operating income	233	451	0.4	176	304	0.2	(146)	536	872	
Operating income								872	0.3	
.Non-operating expenses:										
1 Interest expenses	393			305				732		
2 Bonds interest expenses	87			87				174		
3 Selling expense of treasury stock	203			-				203		
4 Other non-operating expenses	89	774	0.7	33	427	0.3	(347)	123	1,234	
Operating income		3,778	3.0		4,526	3.6	747		8,079	
.Special income:										
1 Gain on sales of fixed assets	-			-				335		
2 Gain on sales of investment securities	221			52				286		
3 Gain on sales of subsidiaries' stocks	55			325				55		
4 Reversal of allowance for doubtful accounts	11			7				29		
5 Other special income	11	299	0.3	26	412	0.3	112	24	730	
Operating income								730	0.3	
.Special losses:										
1 Loss on sales of fixed assets	1			-				516		
2 Loss on disposal of fixed assets	239			181				695		
3 Loss on impairment of fixed assets	-			-				2,413		
4 Loss on write-down of investment securities	-			33				-		
5 Provision for allowance for doubtful accounts	868			-				868		
6 Special allowance for retirement	-			-				105		
7 Loss on store closing	-			928				-		
8 Loss on discontinued operations	-			117				-		
9 Other special losses	1	1,110	0.9	96	1,355	1.1	244	9	4,608	
Operating income								4,608	1.8	
Income before income taxes and minority interests		2,967	2.4		3,582	2.8	615	4,201	1.6	
Income taxes:										
Current income taxes	890			1,563				2,233		
Deferred income taxes	465	1,355	1.1	(209)	1,353	1.0	(2)	194	2,427	
Minority interests		40	0.0		18	0.0	(22)	31	0.0	
Net income		1,570	1.3		2,210	1.8	639	1,742	0.7	

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Appropriation of Retained Earnings
for the Interim Term Ended August 31, 2005
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term				Increase (Decrease)	Fiscal 2004	
	Aug.2004		Aug.2005				
(Capital Surplus:)							
.Balance at beginning of the term		25,368		27,107	1,739		25,368
.Increase of Capital Surplus:							
1 New share issued	306		-		(306)	306	
2 Gain on sales of treasury stock	813		40		(772)	815	
3 Conversion of convertible bonds	617	1,737	-	40	(617)	617	1,739
.Balance at end of the term		27,105		27,148	42		27,107
(Retained Earnings:)							
.Balance at beginning of the term		7,332		8,385	1,053		7,332
.Increase in retained earnings:							
1 Net income	1,570	1,570	2,210	2,210	639	1,742	1,742
.Decrease in retained earnings:							
1 Cash dividends	284	284	404	404	119	688	688
.Balance at end of the term		8,618		10,192	1,573		8,385

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Interim Term Ended August 31, 2005
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term		Increase (Decrease)	Fiscal2004
	Aug.2004	Aug.2005		
.Cash flows from operating activities:				
1 Income before income taxes and minority interests	2,967	3,582	615	4,201
2 Depreciation and amortization	1,988	1,954	(33)	4,214
3 Loss on impairment of fixed assets	-	-	-	2,413
4 Amortization of consolidated accounts reconciliation	99	25	(74)	202
5 Increase (Decrease) in allowance for doubtful accounts	863	(7)	(871)	786
6 Increase in accrued bonuses to employees	82	88	6	39
7 Increase (Decrease) in allowance for sales returns	1	2	1	(2)
8 Increase in allowance for books unsold	4	5	0	4
9 Increase in reserve for sales promotion	19	23	3	38
10 Increase (Decrease) in reserve for retirement benefits	(153)	62	216	(125)
11 Increase (Decrease) in accrued retirement benefits for directors and statutory auditors	(20)	(2)	17	49
12 Interest income and dividends income	(118)	(127)	(9)	(189)
13 Interest expenses	481	393	(88)	907
14 Investment profit on equity method	(99)	-	99	(204)
15 Loss on sales/disposal of fixed assets	117	69	(47)	455
16 Gain on sales of investment securities	(221)	(52)	168	(286)
17 Loss on write-down of investment securities	-	33	33	-
18 Loss on store closing	-	928	928	-
19 Loss on discontinued operations	-	117	117	-
20 Decrease in receivables	1,848	1,535	(312)	1,505
21 (Increase) Decrease in inventories	(136)	235	371	(260)
22 Increase (Decrease) in payables	406	(552)	(958)	(1,194)
23 Increase (Decrease) in other assets and liabilities, net	(508)	279	788	(282)
24 Other	(8)	(285)	(276)	(37)
Sub-total	7,614	8,309	695	12,236
25 Interest income and dividends income received	274	119	(154)	345
26 Interest expenses paid	(491)	(397)	94	(934)
27 Income taxes paid	(606)	(1,775)	(1,169)	(1,012)
Net cash provided by operating activities	6,791	6,256	(534)	10,635
.Cash flows from investing activities:				
1 Acquisition of tangible fixed assets	(2,364)	(1,393)	971	(6,737)
2 Proceeds from sales of tangible fixed assets	9	4	(5)	1,416
3 Acquisition of investment securities	(964)	-	964	(964)
4 Proceeds from sales of investment securities	874	68	(806)	1,537
5 Proceeds from sales of investments in a subsidiary accompanying changes of scope of consolidation	741	5,949	5,208	741
6 Payments for fixed leasehold deposits	(107)	(1,571)	(1,464)	(416)
7 Collection of fixed leasehold deposits	323	273	(49)	4,907
8 Decrease in guarantee deposits received from tenants	(795)	(375)	419	(2,193)
9 Other	(2)	(211)	(209)	(255)
Net cash provided by (used in) investing activities	(2,286)	2,743	5,029	(1,965)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Interim Term Ended August 31, 2005
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term		Increase (Decrease)	Fiscal2004
	Aug.2004	Aug.2005		
.Cash flows from financing activities:				
1 Decrease in short-term bank loans	(1,270)	(300)	970	(6,097)
2 Proceeds from long-term bank loans	900	300	(600)	900
3 Repayment of long-term bank loans	(5,982)	(6,030)	(48)	(11,474)
4 Redemption of convertible bonds	(3)	-	3	(3)
5 Proceeds from issue of common stock	614	-	(614)	614
6 Sales of treasury stock	4,104	334	(3,769)	4,109
7 Cash dividends paid	(284)	(404)	(119)	(688)
8 Cash dividends paid to minority shareholders	(91)	(24)	66	(91)
Net cash used in by financing activities	(2,013)	(6,124)	(4,111)	(12,731)
.Effect of exchange rate changes on cash and cash equivalents	6	15	8	4
.Net increase (decrease) in cash and cash equivalents	2,498	2,889	391	(4,056)
.Cash and cash equivalents at beginning of the term	16,041	11,984	(4,056)	16,041
.Cash and cash equivalents at end of the term	18,539	14,874	(3,665)	11,984