

PARCO CO., LTD. AND SUBSIDIARIES



Consolidated Financial Statements for the Interim Term Ended August 31, 2006  
(Fractional amounts less than one million yen are discarded)

October 6, 2006

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: Kazumi Kojima, Member of the Board, Director Finance Department & Chief Financial Officer TEL (03)3477-5791

Board of Directors meeting: October 6, 2006

Parent company: Mori Trust Co., Ltd.

Voting rights in Parco Co., Ltd.: 24.55%

Based on US GAAP: Inapplicable

1. Results for the Interim Term of Fiscal 2006 (March 1, 2006 - August 31, 2006)

(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.2006 interim term	129,391	[+2.4]	5,273	[+13.4]	5,193	[+14.7]
Aug.2005 interim term	126,301	[+1.2]	4,648	[+13.3]	4,526	[+19.8]
Fiscal 2005	262,408	[+1.9]	9,085	[+7.6]	8,879	[+9.9]

	Net income (¥million)	Year-on year Change [%]	Net income per share(¥)	Net income per share(diluted)(¥)
Aug.2006 interim term	2,572	[+16.4]	31.35	—
Aug.2005 interim term	2,210	[+40.7]	27.29	27.24
Fiscal 2005	4,006	[+130.0]	49.26	49.21

Notes:

1. Investment loss on equity method:

Aug.2006 interim term : ¥-0million      Aug.2005 interim term : ¥-0million      Fiscal 2005 : ¥-0million

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

Aug.2006 interim term : 82,048,727shares      Aug.2005 interim term : 81,002,167shares      Fiscal 2005 : 81,339,975shares

3. Changes in accounting methods: Yes

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

(2) Financial Position

	Total assets (¥million)	Net assets (¥million)	Equity ratio [%]	Net assets per share (¥)
Aug.2006 interim term	183,440	69,339	[37.6]	839.68
Aug.2005 interim term	182,356	64,224	[35.2]	789.13
Fiscal 2005	182,381	66,975	[36.7]	817.60

Notes: Total number of shares outstanding (consolidated):

Aug.2006 interim term : 82,121,532shares      Aug.2005 interim term : 81,386,875shares      Fiscal 2005 : 81,917,354shares

(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 the term (¥million)
Aug.2006 interim term	5,569	-928	-556	15,770
Aug.2005 interim term	6,256	2,743	-6,124	14,874
Fiscal 2005	12,331	-1,798	-11,187	11,656

(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)

None

Equity method: (New)

None

(Eliminated)

None

2. Projected Results for Fiscal 2006 (March 1, 2006 - February 28, 2007)

	Net sales (¥million)	Operating income (¥million)	Ordinary income (¥million)	Net income (¥million)
Fiscal 2006	265,500	9,500	9,400	4,250

Reference: Estimated net income per share (fiscal 2006): ¥51.75

Notes : The above projected results are announced presupposing available information at October 6, 2006 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, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term						Increase (Decrease)	Fiscal 2005			Increase (Decrease)
	Aug.2005		Aug.2006								
(ASSETS)		%		%				%			
<b>.Current Assets:</b>											
1 Cash and time deposits	14,874		15,770		896	11,656		4,114			
2 Notes and accounts receivable - trade and accounts receivable for completed contract	7,445		7,651		205	7,634		16			
3 Marketable securities	-		700		700	-		700			
4 Inventories	2,341		2,610		268	2,251		359			
5 Advance payment	36		79		43	13		65			
6 Prepaid expenses	813		744		(68)	759		(15)			
7 Deferred tax assets	727		759		32	852		(93)			
8 Short-term loans	165		15		(149)	74		(58)			
9 Other current assets	820		1,057		237	765		292			
Less: Allowance for doubtful accounts	(56)		(10)		45	(15)		4			
Total current assets	27,167	14.9	29,378	16.0	2,210	23,993	13.2	5,385			
<b>.Fixed Assets:</b>											
1 Tangible fixed assets:											
(1) Buildings and structures	98,815		100,349			99,464					
Accumulated depreciation	58,875		60,929			59,599					
Accumulated impairment losses	1,419	38,521	1,708	37,710	(810)	1,409	38,455	(744)			
(2) Machinery, equipment and motor vehicles	883		948			903					
Accumulated depreciation	625	258	649	299	41	627	276	23			
(3) Tools, furniture and fixtures	4,209		4,395			4,261					
Accumulated depreciation	2,949		3,085			2,966					
Accumulated impairment losses	21	1,238	25	1,284	46	19	1,276	8			
(4) Land	40,026		39,652		(374)	39,898		(245)			
(5) Construction in progress	-		4,253		4,253	3,643		610			
Total tangible fixed assets	80,045	43.9	83,201	45.4	3,155	83,549	45.8	(348)			
2 Intangible fixed assets:											
(1) Leasehold	11,014		11,014		(0)	11,014		(0)			
(2) Difference between cost of investments and equity in net assets	34		7		(27)	8		(1)			
(3) Other intangible fixed assets	640		597		(43)	601		(3)			
Total intangible fixed assets	11,690	6.4	11,620	6.3	(70)	11,625	6.4	(5)			
3 Investments and other assets:											
(1) Investment securities	8,834		8,706		(128)	10,160		(1,454)			
(2) Long-term loans	926		775		(150)	879		(103)			
(3) Long-term prepaid expenses	980		874		(105)	929		(54)			
(4) Fixed leasehold deposits	49,702		47,168		(2,533)	49,648		(2,479)			
(5) Deferred tax assets	2,746		1,442		(1,303)	1,341		101			
(6) Long-term accounts receivable - other	2,007		201		(1,805)	263		(61)			
(7) Other investments	131		197		66	121		76			
Less: Allowance for doubtful accounts	(1,874)		(125)		1,748	(130)		5			
Total investments and other assets	63,453	34.8	59,241	32.3	(4,212)	63,213	34.6	(3,971)			
Total fixed assets	155,189	85.1	154,062	84.0	(1,126)	158,388	86.8	(4,325)			
<b>Total assets</b>	<b>182,356</b>	<b>100.0</b>	<b>183,440</b>	<b>100.0</b>	<b>1,083</b>	<b>182,381</b>	<b>100.0</b>	<b>1,059</b>			

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Interim Term Ended August 31, 2006  
(Fractional amounts less than one million yen are discarded)

	Interim Term						Increase (Decrease)	Fiscal 2005			Increase (Decrease)
	Aug.2005			Aug.2006							
			%			%					
(¥ millions)											
<b>(LIABILITIES)</b>											
<b>.Current Liabilities:</b>											
1	Notes and accounts payable - trade	21,282		23,061		1,778	22,114		946		
2	Short-term bank loans	13,876		11,490		(2,386)	16,710		(5,220)		
3	Accounts payable - other	1,871		1,835		(35)	2,553		(717)		
4	Accrued expenses	1,304		1,343		39	1,202		141		
5	Accrued income taxes	1,903		2,153		250	1,555		598		
6	Accrued bonuses to employees	992		960		(32)	905		54		
7	Allowance for sales returns	13		19		6	12		7		
8	Allowance for books unsold	70		78		7	73		4		
9	Reserve for sales promotion	130		200		69	174		25		
10	Other current liabilities	2,364		2,782		417	3,822		(1,039)		
	Total current liabilities	43,810	24.0	43,926	23.9	116	49,124	27.0	(5,198)		
<b>.Long-term Liabilities:</b>											
1	Straight bonds	14,000		14,000		-	14,000		-		
2	Long-term bank loans	15,822		13,232		(2,590)	8,173		5,059		
3	Long-term accounts payable - other	293		294		0	293		0		
4	Reserve for retirement benefits	858		943		85	897		46		
5	Accrued retirement benefits for directors and statutory auditors	50		6		(44)	60		(54)		
6	Allowance for loss on store closing	807		517		(290)	824		(306)		
7	Guarantee deposits received from tenants	42,115		41,180		(935)	41,631		(451)		
	Total long-term liabilities	73,948	40.6	70,175	38.3	(3,773)	65,879	36.1	4,295		
	Total liabilities	117,759	64.6	114,101	62.2	(3,657)	115,004	63.1	(903)		

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Interim Term Ended August 31, 2006  
(Fractional amounts less than one million yen are discarded)

	Interim Term						Increase (Decrease)	Fiscal 2005			Increase (Decrease)
	Aug. 2005			Aug. 2006							
			%			%					
(¥ millions)											
(NET ASSETS)											
.Shareholders' Equity:											
1 Common stock		—		26,867	14.7		—		—		—
2 Capital surplus		—		27,196	14.8		—		—		—
3 Retained earnings		—		13,662	7.4		—		—		—
4 Treasury stock		-		(51)	(0.0)		-		-		-
Total shareholders' equity		—		67,675	36.9		—		—		—
.Valuation and Translation Adjustments:											
1 Net unrealized gains on securities		—		1,257	0.7		—		—		—
2 Foreign currency translation adjustments		-		22	0.0		-		-		-
Total valuation and translation adjustments		—		1,280	0.7		—		—		—
.Minority Interests in Consolidated Subsidiaries:		—		383	0.2		—		—		—
Total net assets		-		69,339	37.8		-		-		-
Total liabilities and net assets		-		183,440	100.0		-		-		-
(MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES)											
Minority interests in consolidated subsidiaries		373	0.2	—			—		401	0.2	—
(SHAREHOLDERS' EQUITY)											
.Common Stock		26,867	14.7	—			—		26,867	14.7	—
.Capital Surplus		27,148	14.9	—			—		27,184	14.9	—
.Retained Earnings		10,192	5.6	—			—		11,581	6.4	—
.Net Unrealized Gains on Securities		737	0.4	—			—		1,516	0.8	—
.Foreign Currency Translation Adjustments		(264)	(0.1)	—			—		(7)	(0.0)	—
.Treasury Stock		(456)	(0.3)	-			-		(166)	(0.1)	-
Total shareholders' equity		64,224	35.2	-			-		66,975	36.7	-
Total liabilities and shareholders' equity		182,356	100.0	-			-		182,381	100.0	-

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Interim Term Ended August 31, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term						Increase (Decrease)	Fiscal 2005		
	Aug.2005			Aug.2006						
			%			%				%
.Net sales		126,301	100.0		129,391	100.0	3,090		262,408	100.0
.Cost of sales:		107,850	85.4		110,584	85.5	2,733		224,863	85.7
		18,450	14.6		18,807	14.5	356		37,545	14.3
Provision for allowance for sales returns		2	0.0		7	0.0	4		2	0.0
Gross profit on sales		18,448	14.6		18,800	14.5	351		37,542	14.3
.Other operating revenue		885	0.7		983	0.8	97		1,923	0.7
Gross profit		19,333	15.3		19,783	15.3	449		39,465	15.0
.Selling, general and administrative expenses		14,685	11.6		14,510	11.2	(174)		30,380	11.5
Operating income		4,648	3.7		5,273	4.1	624		9,085	3.5
.Non-operating income:										
1 Interest income	80			48				163		
2 Dividends income	46			52				55		
3 Other non-operating income	176	304	0.2	160	261	0.2	(43)	370	590	0.2
.Non-operating expenses:										
1 Interest expenses	305			235				534		
2 Bonds interest expenses	87			87				174		
3 Other non-operating expenses	33	427	0.3	17	340	0.3	(86)	86	796	0.3
Ordinary income		4,526	3.6		5,193	4.0	667		8,879	3.4
.Special income:										
1 Gain on sales of fixed assets	-			-				1		
2 Gain on sales of investment securities	52			55				52		
3 Gain on sales of subsidiaries' stocks	325			-				325		
4 Reversal of allowance for doubtful accounts	7			9				20		
5 Foreign exchange gain on capital reduction of a subsidiary	-			-				80		
6 Gain on prior period adjustment of rent expense	-			-				43		
7 Reversal of allowance for loss on store closing	-			243				-		
8 Other special income	26	412	0.3	43	351	0.3	(60)	25	550	0.2
.Special losses:										
1 Loss on sales of fixed assets	-			0				3		
2 Loss on disposal of fixed assets	181			239				1,209		
3 Loss on impairment of fixed assets	-			551				-		
4 Loss on write-down of investment securities	33			46				39		
5 Special allowance for retirement	-			-				58		
6 Loss on store closing	928			-				944		
7 Loss on discontinued operations	117			-				117		
8 Other special losses	96	1,355	1.1	7	845	0.7	(509)	254	2,627	1.0
Income before income taxes and minority interests		3,582	2.8		4,699	3.6	1,116		6,801	2.6
Income taxes:										
Current income taxes	1,563			1,933				2,220		
Deferred income taxes	(209)	1,353	1.0	170	2,103	1.6	749	532	2,752	1.1
Minority interests		18	0.0		22	0.0	4		41	0.0
Net income		2,210	1.8		2,572	2.0	362		4,006	1.5

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Appropriation of Retained Earnings  
for the Interim Term Ended August 31, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term		Fiscal 2005	
		Aug.2005		
( Capital Surplus: )				
.Balance at beginning of the term		27,107		27,107
.Increase of Capital Surplus:				
1 Gain on sales of treasury stock	40	40	76	76
.Balance at end of the term		27,148		27,184
( Retained Earnings: )				
.Balance at beginning of the term		8,385		8,385
.Increase in retained earnings:				
1 Net income	2,210	2,210	4,006	4,006
.Decrease in retained earnings:				
1 Cash dividends	404	404	811	811
.Balance at end of the term		10,192		11,581

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets  
for the Interim Term Ended August 31, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Shareholders' Equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at February 28, 2006	26,867	27,184	11,581	(166)	65,466
Change of items during the interim period					
Gain on sales of treasury stock		11			11
Dividends from surplus			(491)		(491)
Net income			2,572		2,572
Repurchase of treasury stock				(1)	(1)
Disposal of treasury stock				116	116
Net changes of items other than shareholders' equity					
Total changes of items during the interim period		11	2,081	115	2,208
Balance at August 31, 2006	26,867	27,196	13,662	(51)	67,675

	Valuation and Translation Adjustments			Minority Interests in Consolidated Subsidiaries	Total net assets
	Net unrealized gains on securities	Foreign currency transaction adjustments	Total valuation and translation adjustments		
Balance at February 28, 2006	1,516	(7)	1,508	401	67,376
Change of items during the interim period					
Gain on sale of treasury stock					11
Dividends from surplus					(491)
Net income					2,572
Repurchase of treasury stock					(1)
Disposal of treasury stock					116
Net changes of items other than shareholders' equity	(258)	30	(228)	(17)	(245)
Total changes of items during the interim period	(258)	30	(228)	(17)	1,962
Balance at August 31, 2006	1,257	22	1,280	383	69,339

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Interim Term Ended August 31, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term		Increase (Decrease)	Fiscal2005
	Aug.2005	Aug.2006		
.Cash flows from operating activities:				
1 Income before income taxes and minority interests	3,582	4,699	1,116	6,801
2 Depreciation and amortization	1,954	1,912	(42)	3,963
3 Loss on impairment of fixed assets	-	551	551	-
4 Amortization of consolidated accounts reconciliation	25	1	(24)	51
5 Decrease in allowance for doubtful accounts	(7)	(9)	(1)	(1,746)
6 Increase in accrued bonuses to employees	88	54	(34)	1
7 Increase in allowance for sales returns	2	7	4	2
8 Increase in allowance for books unsold	5	4	(0)	8
9 Increase in reserve for sales promotion	23	25	2	67
10 Increase in reserve for retirement benefits	62	46	(16)	101
11 Increase (Decrease) in accrued retirement benefits for directors and statutory auditors	(2)	(2)	(0)	7
12 Interest income and dividends income	(127)	(100)	26	(219)
13 Interest expenses	393	322	(70)	709
14 Loss on sales/disposal of fixed assets	69	79	9	372
15 Gain on sales of investment securities	(52)	(55)	(2)	(52)
16 Loss on write-down of investment securities	33	46	13	39
17 Loss on store closing	928	-	(928)	944
18 Reversal of allowance for loss on store closing	-	(243)	(243)	-
19 Loss on discontinued operations	117	-	(117)	117
20 (Increase) Decrease in receivables	1,535	(88)	(1,624)	1,281
21 (Increase) Decrease in inventories	235	(359)	(594)	326
22 Increase (Decrease) in payables	(552)	946	1,498	278
23 Increase (Decrease) in other assets and liabilities, net	279	(790)	(1,069)	2,933
24 Other	(285)	(23)	261	(298)
Sub-total	8,309	7,025	(1,284)	15,690
25 Interest income and dividends income received	119	100	(18)	219
26 Interest expenses paid	(397)	(286)	110	(742)
27 Income taxes paid	(1,775)	(1,269)	506	(2,835)
Net cash provided by operating activities	6,256	5,569	(686)	12,331
.Cash flows from investing activities:				
1 Acquisition of marketable securities	-	(700)	(700)	-
2 Acquisition of tangible fixed assets	(1,393)	(2,318)	(925)	(6,742)
3 Proceeds from sales of tangible fixed assets	4	6	2	144
4 Acquisition of investment securities	-	(500)	(500)	(15)
5 Proceeds from sales of investment securities	68	1,509	1,440	68
6 Proceeds from sales of investments in a subsidiary accompanying changes of scope of consolidation	5,949	-	(5,949)	5,949
7 Payments for fixed leasehold deposits	(1,571)	(94)	1,477	(1,836)
8 Collection of fixed leasehold deposits	273	2,414	2,141	586
9 Increase (Decrease) in guarantee deposits received from tenants	(375)	(1,330)	(955)	125
10 Other	(211)	86	297	(77)
Net cash provided by (used in) investing activities	2,743	(928)	(3,671)	(1,798)



PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Interim Term Ended August 31, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Interim Term		Increase (Decrease)	Fiscal2005
	Aug.2005	Aug.2006		
.Cash flows from financing activities:				
1 Increase (Decrease) in short-term bank loans	(300)	(3,030)	(2,730)	2,730
2 Proceeds from long-term bank loans	300	7,300	7,000	300
3 Repayment of long-term bank loans	(6,030)	(4,431)	1,599	(13,955)
4 Sales of treasury stock	334	127	(207)	660
5 Cash dividends paid	(404)	(491)	(87)	(811)
6 Cash dividends paid to minority shareholders	(24)	(32)	(7)	(24)
7 Other	-	0	0	(85)
Net cash used in financing activities	(6,124)	(556)	5,567	(11,187)
.Effect of exchange rate changes on cash and cash equivalents	15	30	15	325
.Net increase (decrease) in cash and cash equivalents	2,889	4,114	1,224	(328)
.Cash and cash equivalents at beginning of the term	11,984	11,656	(328)	11,984
.Cash and cash equivalents at end of the term	14,874	15,770	896	11,656