

PARCO CO., LTD. AND SUBSIDIARIES



Consolidated Financial Statements for the Fiscal Year Ended February 28, 2006  
(Fractional amounts less than one million yen are discarded)

April 13, 2006

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

Board of Directors meeting: April 13, 2006

Parent company: Mori Trust Co., Ltd.

Voting rights in Parco Co., Ltd.: 24.06%

Based on US GAAP: Inapplicable

1. Results for Fiscal 2005 (March 1, 2005 - February 28, 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 [%]
Fiscal 2005	262,408	[+1.9]	9,085	[+7.6]	8,879	[+9.9]
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) (¥)	Return on equity [%]	Ordinary income/total assets [%]	Ordinary income/net sales [%]
Fiscal 2005	4,006	[+130.0]	49.26	49.21	[+6.2]	[+4.8]	[+3.4]
Fiscal 2004	1,742	[-37.6]	21.87	21.84	[+3.0]	[+4.1]	[+3.1]

Notes:

1. Investment profit or loss on equity method:

Fiscal 2005 : ¥-0 million

Fiscal 2004 : ¥204 million

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

Fiscal 2005 : 81,339,975 shares

Fiscal 2004 : 79,675,601 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 2005	182,381	66,975	[+36.7]	817.60
Fiscal 2004	187,993	61,760	[+32.9]	763.90

Notes: Total number of shares outstanding (consolidated):

As of February 28,2006 : 81,917,354 shares

As of February 28,2005 : 80,848,566 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 2005	12,331	-1,798	-11,187	11,656
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 2006 (March 1, 2006 - February 28, 2007)

	Net sales (¥ million)	Operating income (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Interim period	126,400	4,250	4,100	2,100
Fiscal 2006	262,600	9,100	8,900	4,020

Reference: Estimated net income per share (fiscal 2006): ¥49.07

Notes: The above projected results are announced presupposing available information at April 13, 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 Fiscal Year Ended February 28, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2005		28-Feb 2006		Increase (Decrease)
		%		%	
<b>(ASSETS)</b>					
<b>I .Current Assets:</b>					
1 Cash and time deposits	11,984		11,656		(328)
2 Notes and accounts receivable - trade and accounts receivable for completed contract	9,216		7,634		(1,581)
3 Marketable Securities	10		-		(10)
4 Inventories	2,668		2,251		(417)
5 Advance payment	11		13		2
6 Prepaid expenses	740		759		18
7 Deferred tax assets	750		852		102
8 Short-term loans	11		74		63
9 Other current assets	863		765		(98)
10 Less: Allowance for doubtful accounts	(14)		(15)		(1)
Total current assets	26,242	14.0	23,993	13.2	(2,249)
<b>II .Fixed Assets:</b>					
1 Tangible fixed assets:					
(1) Buildings and structures	97,941		99,464		
Accumulated depreciation	57,456		59,599		
Accumulated impairment losses	1,303	39,181	1,409	38,455	(725)
(2) Machinery, equipment and motor vehicles	891		903		
Accumulated depreciation	604	286	627	276	(10)
(3) Tools, furniture and fixtures	4,098		4,261		
Accumulated depreciation	2,804		2,966		
Accumulated impairment losses	20	1,273	19	1,276	3
(4) Land		40,114		39,898	(216)
(5) Construction in progress		349		3,643	3,293
Total tangible fixed assets	81,205	43.2	83,549	45.8	2,343
2 Intangible fixed assets:					
(1) Leasehold		11,014		11,014	-
(2) Difference between cost of investments and equity in net assets		134		8	(125)
(3) Other intangible fixed assets		671		601	(69)
Total intangible fixed assets		11,820		11,625	(194)
3 Investments and other assets:					
(1) Investment securities		13,000		10,160	(2,840)
(2) Long-term loans		1,696		879	(816)
(3) Long-term loans to affiliated companies		1,514		-	(1,514)
(4) Long-term prepaid expenses		1,025		929	(95)
(5) Fixed leasehold deposits		48,467		49,648	1,180
(6) Deferred tax assets		2,699		1,341	(1,358)
(7) Long-term accounts receivable		2,069		263	(1,805)
(8) Other investments		130		121	(9)
(9) Less: Allowance for doubtful accounts		(1,879)		(130)	1,748
Total investments and other assets		68,724	36.5	63,213	(5,511)
Total fixed assets		161,750	86.0	158,388	(3,362)
Total assets		187,993	100.0	182,381	(5,611)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Fiscal Year Ended February 28, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2005		28-Feb 2006		Increase (Decrease)
		%		%	
<b>(LIABILITIES)</b>					
<b>I .Current Liabilities:</b>					
1 Notes and accounts payable - trade	21,972		22,114		142
2 Short-term bank loans	14,704		16,710		2,006
3 Accounts payable - other	2,221		2,553		331
4 Accrued expenses	1,193		1,202		8
5 Accrued income taxes	1,994		1,555		(438)
6 Accrued bonuses to employees	908		905		(3)
7 Allowance for sales returns	10		12		2
8 Allowance for books unsold	65		73		8
9 Reserve for sales promotion	107		174		67
10 Other current liabilities	2,656		3,822		1,165
Total current liabilities	45,834	24.4	49,124	27.0	3,290
<b>II .Long-term Liabilities:</b>					
1 Straight bonds	14,000		14,000		-
2 Long-term bank loans	20,028		8,173		(11,855)
3 Long-term accounts payable - other	281		293		11
4 Reserve for retirement benefits	801		897		95
5 Accrued retirement benefits for directors and statutory auditors	63		60		(2)
6 Allowance for loss on store closing	-		824		824
7 Guarantee deposits received from tenants	42,476		41,631		(845)
Total long-term liabilities	77,651	41.3	65,879	36.1	(11,771)
Total liabilities	123,485	65.7	115,004	63.1	(8,480)
<b>(MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES)</b>					
Minority interests in consolidated subsidiaries	2,746	1.4	401	0.2	(2,345)
<b>(SHAREHOLDERS' EQUITY)</b>					
I .Common Stock	26,867	14.3	26,867	14.7	-
II .Capital Surplus	27,107	14.4	27,184	14.9	76
III .Retained Earnings	8,385	4.5	11,581	6.4	3,195
IV .Net Unrealized Gains on Securities	465	0.3	1,516	0.8	1,050
V .Foreign Currency Translation Adjustments	(316)	(0.2)	(7)	(0.0)	309
VI .Treasury Stock	(750)	(0.4)	(166)	(0.1)	583
Total shareholders' equity	61,760	32.9	66,975	36.7	5,215
Total liabilities and shareholders' equity	187,993	100.0	182,381	100.0	(5,611)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Fiscal Year Ended February 28, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2005			28-Feb 2006			Increase (Decrease)
			%			%	
I .Net sales		257,625	100.0		262,408	100.0	4,783
II .Cost of sales:		221,114	85.8		224,863	85.7	3,749
		36,511	14.2		37,545	14.3	1,033
Provision for allowance for sales returns		-	-		2	0.0	2
Reversal of allowance for sales returns		2	0.0		-	-	(2)
Gross profit on sales		36,513	14.2		37,542	14.3	1,028
III .Other operating revenue		1,649	0.6		1,923	0.7	273
Gross profit		38,163	14.8		39,465	15.0	1,302
IV .Selling, general and administrative expenses		29,722	11.5		30,380	11.5	658
Operating income		8,441	3.3		9,085	3.5	643
V .Non-operating income:							
1 Interest income	131			163			
2 Dividends income	-			55			
3 Investment profit on equity method	204			-			
4 Other non-operating income	536	872	0.3	370	590	0.2	(282)
VI .Non-operating expenses:							
1 Interest expenses	732			534			
2 Bonds interest expenses	174			174			
3 Selling expense of treasury stock	203			-			
4 Other non-operating expenses	123	1,234	0.5	86	796	0.3	(438)
Ordinary income		8,079	3.1		8,879	3.4	799
VII .Special income:							
1 Gain on sales of fixed assets	335			1			
2 Gain on sales of investment securities	286			52			
3 Reversal of allowance for doubtful accounts	29			20			
4 Gain on sales of subsidiaries' stocks	55			325			
5 Foreign exchange gain on capital reduction of a subsidiary	-			80			
6 Gain on prior period adjustment of rent expense	-			43			
7 Other special income	24	730	0.3	25	550	0.2	(180)
VIII .Special losses:							
1 Loss on sales of fixed assets	516			3			
2 Loss on disposal of fixed assets	695			1,209			
3 Loss on impairment of fixed assets	2,413			-			
4 Loss on write-down of investment securities	-			39			
5 Provision for allowance for doubtful accounts	868			-			
6 Special allowance for retirement	105			58			
7 Loss on store closing	-			944			
8 Loss on discontinued operations	-			117			
9 Other special losses	9	4,608	1.8	254	2,627	1.0	(1,980)
Income before income taxes and minority interests		4,201	1.6		6,801	2.6	2,599
Income taxes:							
Current income taxes	2,233			2,220			
Deferred income taxes	194	2,427	0.9	532	2,752	1.1	325
Minority interests		31	0.0		41	0.0	10
Net income		1,742	0.7		4,006	1.5	2,264

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Appropriation of Retained Earnings  
for the Fiscal Year Ended February 28, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2005		28-Feb 2006		Increase (Decrease)
(Capital Surplus:)					
I .Balance at beginning of year		25,368		27,107	1,739
II .Increase of Capital Surplus:					
1 New share issued	306		-		
2 Gain on sales of treasury stock	815		76		
3 Conversion of convertible bonds	617	1,739	-	76	(1,663)
III .Balance at end of year		27,107		27,184	76
(Retained Earnings:)					
I .Balance at beginning of year		7,332		8,385	1,053
II .Increase in retained earnings:					
1 Net income	1,742	1,742	4,006	4,006	2,264
III .Decrease in retained earnings:					
1 Cash dividends	688	688	811	811	122
IV .Balance at end of year		8,385		11,581	3,195

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Fiscal Year Ended February 28, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2005	28-Feb 2006	Increase (Decrease)
I .Cash flows from operating activities:			
1 Income before income taxes and minority interests	4,201	6,801	2,599
2 Depreciation and amortization	4,214	3,963	(251)
3 Loss on impairment of fixed assets	2,413	-	(2,413)
4 Amortization of consolidated accounts reconciliation	202	51	(150)
5 Increase (Decrease) in allowance for doubtful accounts	786	(1,746)	(2,533)
6 Increase in accrued bonuses to employees	39	1	(38)
7 Increase (Decrease) in allowance for sales returns	(2)	2	5
8 Increase in allowance for books unsold	4	8	3
9 Increase in reserve for sales promotion	38	67	29
10 Increase (Decrease) in reserve for retirement benefits	(125)	101	226
11 Increase in accrued retirement benefits for directors and statutory auditors	49	7	(41)
12 Interest income and dividends income	(189)	(219)	(30)
13 Interest expenses	907	709	(197)
14 Investment profit on equity method	(204)	-	204
15 Loss on sales/disposal of fixed assets	455	372	(82)
16 Gain on sales of investment securities	(286)	(52)	233
17 Loss on write-down of investment securities	-	39	39
18 Loss on store closing	-	944	944
19 Loss on discontinued operaitons	-	117	117
20 Decrease in receivables	1,505	1,281	(223)
21 (Increase) Decrease in inventories	(260)	326	587
22 Increase (Decrease) in payables	(1,194)	278	1,473
23 Increase (Decrease) in other assets and liabilities, net	(282)	2,933	3,215
24 Other	(37)	(298)	(260)
Sub-total	12,236	15,690	3,454
25 Interest income and dividends income received	345	219	(126)
26 Interest expenses paid	(934)	(742)	191
27 Income taxes paid	(1,012)	(2,835)	(1,823)
Net cash provided by operating activities	10,635	12,331	1,696

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Fiscal Year Ended February 28, 2006  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2005	28-Feb 2006	Increase (Decrease)
<b>II. Cash flows from investing activities:</b>			
1 Acquisition of tangible fixed assets	(6,737)	(6,742)	(5)
2 Proceeds from sales of tangible fixed assets	1,416	144	(1,271)
3 Acquisition of investment securities	(964)	(15)	948
4 Proceeds from sales of investment securities	1,537	68	(1,469)
5 Proceeds from sales of investments in a subsidiary accompanying changes of scope of consolidation	741	5,949	5,208
6 Payments for fixed leasehold deposits	(416)	(1,836)	(1,420)
7 Collection of fixed leasehold deposits	4,907	586	(4,321)
8 Increase (Decrease) in guarantee deposits received from tenants	(2,193)	125	2,319
9 Other	(255)	(77)	177
Net cash used in investing activities	(1,965)	(1,798)	167
<b>III. Cash flows from financing activities:</b>			
1 Increase (Decrease) in short-term bank loans	(6,097)	2,730	8,827
2 Proceeds from long-term bank loans	900	300	(600)
3 Repayment of long-term bank loans	(11,474)	(13,955)	(2,481)
4 Redemption of convertible bonds	(3)	-	3
5 Proceeds from issue of common stock	614	-	(614)
6 Sales of treasury stock	4,109	660	(3,449)
7 Cash dividends paid	(688)	(811)	(122)
8 Cash dividends paid to minority shareholders	(91)	(24)	66
9 Other	-	(85)	(85)
Net cash used in financing activities	(12,731)	(11,187)	1,544
IV. Effect of exchange rate changes on cash and cash equivalents	4	325	320
V. Net decrease in cash and cash equivalents	(4,056)	(328)	3,728
VI. Cash and cash equivalents at beginning of year	16,041	11,984	(4,056)
VII. Cash and cash equivalents at end of year	11,984	11,656	(328)