



PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Fiscal Year Ended February 28, 2007  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2006		28-Feb 2007		Increase (Decrease)	
<b>(ASSETS)</b>						
<b>I .Current Assets:</b>						
1 Cash and time deposits		11,656		13,519	1,862	
2 Notes and accounts receivable - trade and accounts receivable for completed contract		7,634		7,922	287	
3 Inventories		2,251		3,112	861	
4 Advance payment		13		87	74	
5 Prepaid expenses		759		768	8	
6 Deferred tax assets		852		753	(99)	
7 Short-term loans		74		173	99	
8 Others		765		929	164	
9 Less: Allowance for doubtful accounts		(15)		(13)	2	
Total current assets		23,993	13.2	27,254	14.9	3,261
<b>II .Fixed Assets:</b>						
1 Tangible fixed assets:						
(1) Buildings and structures	99,464			99,302		
Accumulated depreciation	59,599			60,285		
Accumulated impairment losses	1,409	38,455		1,461	37,554	(901)
(2) Machinery, equipment and motor vehicles	903			958		
Accumulated depreciation	627	276		646	312	36
(3) Tools, furniture and fixtures	4,261			4,288		
Accumulated depreciation	2,966			2,978		
Accumulated impairment losses	19	1,276		56	1,253	(23)
(4) Land		39,898		39,347	(550)	
(5) Construction in progress		3,643		6,206	2,563	
Total tangible fixed assets		83,549	45.8	84,674	46.4	1,125
2 Intangible fixed assets:						
(1) Leasehold		11,014		11,014	(0)	
(2) Difference between cost of investments and equity in net assets		8		—	(8)	
(3) Others		601		760	158	
Total intangible fixed assets		11,625	6.4	11,774	6.5	149
3 Investments and other assets:						
(1) Investment securities		10,160		8,005	(2,154)	
(2) Long-term loans		879		766	(113)	
(3) Long-term prepaid expenses		929		779	(150)	
(4) Fixed leasehold deposits		49,648		47,191	(2,457)	
(5) Deferred tax assets		1,341		1,934	593	
(6) Long-term accounts receivable		263		198	(64)	
(7) Others		121		205	84	
(8) Less: Allowance for doubtful accounts		(130)		(232)	(101)	
Total investments and other assets		63,213	34.6	58,849	32.2	(4,363)
Total fixed assets		158,388	86.8	155,299	85.1	(3,089)
<b>Total assets</b>		<b>182,381</b>	<b>100.0</b>	<b>182,553</b>	<b>100.0</b>	<b>172</b>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Fiscal Year Ended February 28, 2007

(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2006		28-Feb 2007		Increase (Decrease)
		%		%	
<b>(LIABILITIES)</b>					
<b>I .Current Liabilities:</b>					
1 Notes and accounts payable - trade	22,114		23,066		951
2 Short-term bank loans	16,710		9,108		(7,602)
3 Accounts payable - other	2,553		2,335		(217)
4 Accrued expenses	1,202		1,278		75
5 Accrued income taxes	1,555		935		(620)
6 Accrued bonuses to employees	905		920		15
7 Allowance for sales returns	12		15		3
8 Allowance for books unsold	73		71		(2)
9 Reserve for sales promotion	174		223		48
10 Current portion of straight bonds	—		12,000		12,000
11 Others	3,822		2,983		(839)
Total current liabilities	49,124	27.0	52,937	29.0	3,812
<b>II .Long-term Liabilities:</b>					
1 Straight bonds	14,000		2,000		(12,000)
2 Long-term bank loans	8,173		11,755		3,582
3 Long-term accounts payable - other	293		294		0
4 Reserve for retirement benefits	897		998		101
5 Accrued retirement benefits for directors and statutory auditors	60		7		(53)
6 Allowance for loss on store closing	824		2,179		1,355
7 Guarantee deposits received from tenants	41,631		41,597		(33)
8 Negative goodwill	—		5		5
Total long-term liabilities	65,879	36.1	58,839	32.2	(7,040)
Total liabilities	115,004	63.1	111,776	61.2	(3,228)
<b>(MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES)</b>					
Minority interests in consolidated subsidiaries	401	0.2	—		—
<b>(SHAREHOLDERS' EQUITY)</b>					
<b>I .Common Stock</b>	26,867	14.7	—		—
<b>II .Capital Surplus</b>	27,184	14.9	—		—
<b>III .Retained Earnings</b>	11,581	6.4	—		—
<b>IV .Net Unrealized Gains on Securities</b>	1,516	0.8	—		—
<b>V .Foreign Currency Translation Adjustments</b>	(7)	(0.0)	—		—
<b>VI .Treasury Stock</b>	(166)	(0.1)	—		—
Total shareholders' equity	66,975	36.7	—		—
<b>Total liabilities, minority interests and shareholders' equity</b>	182,381	100.0	—		—

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Fiscal Year Ended February 28, 2007

(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2006		28-Feb 2007		Increase (Decrease)
<b>(NET ASSETS)</b>		%		%	
<b>I .Shareholders' Equity:</b>					
1 Common stock	—		26,867	14.7	—
2 Capital surplus	—		27,527	15.1	—
3 Retained earnings	—		15,100	8.3	—
4 Treasury stock	—		(54)	(0.0)	—
Total shareholders' equity	—		69,441	38.1	—
<b>II .Valuation and Translation Adjustments:</b>					
1 Net unrealized gains on securities	—		1,022	0.6	—
2 Foreign currency translation adjustments	—		117	0.0	—
Total valuation and translation adjustments	—		1,139	0.6	—
<b>III .Minority Interests in Consolidated Subsidiaries:</b>					
Total net assets	—		195	0.1	—
<b>Total liabilities and net assets</b>	—		70,777	38.8	—
	—		182,553	100.0	—

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Fiscal Year Ended February 28, 2007  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2006			28-Feb 2007			Increase (Decrease)
			%			%	
I .Net sales		262,408	100.0		266,645	100.0	4,236
II .Cost of sales:		224,863	85.7		228,464	85.7	3,600
		37,545	14.3		38,180	14.3	635
Provision for allowance for sales returns		2	0.0		3	0.0	1
Gross profit on sales		37,542	14.3		38,177	14.3	634
III .Other operating revenue		1,923	0.7		2,008	0.8	85
Gross profit		39,465	15.0		40,185	15.1	720
IV .Selling, general and administrative expenses		30,380	11.5		30,429	11.4	48
Operating income		9,085	3.5		9,756	3.7	671
V .Non-operating income:							
1 Interest income	163			109			
2 Dividends income	55			62			
3 Others	370	590	0.2	348	520	0.2	(69)
VI .Non-operating expenses:							
1 Interest expenses	534			459			
2 Bonds interest expenses	174			174			
3 Others	86	796	0.3	47	681	0.3	(114)
Ordinary income		8,879	3.4		9,594	3.6	715
VII .Special income:							
1 Gain on sales of fixed assets	1			252			
2 Gain on sales of investment securities	52			55			
3 Reversal of allowance for doubtful accounts	20			15			
4 Gain on sales of subsidiaries' stocks	325			—			
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	—			666			
8 Compensation for termination of advisory services agreement	—			508			
9 Others	25	550	0.2	47	1,544	0.6	994
VIII .Special losses:							
1 Loss on sales of fixed assets	3			0			
2 Loss on disposal of fixed assets	1,209			783			
3 Loss on impairment of fixed assets	—			653			
4 Loss on write-down of investment securities	39			434			
5 Provision for allowance for doubtful accounts	—			115			
6 Special allowance for retirement	58			49			
7 Loss on store closing	944			2,308			
8 Loss on discontinued operations	117			—			
9 Others	254	2,627	1.0	68	4,414	1.7	1,786
Income before income taxes and minority interests		6,801	2.6		6,725	2.5	(76)
Income taxes:							
Current income taxes	2,220			2,187			
Deferred income taxes	532	2,752	1.1	(150)	2,037	0.7	(715)
Minority interests		41	0.0		184	0.1	142
Net income		4,006	1.5		4,503	1.7	496

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Appropriation of Retained Earnings  
for the Fiscal Year Ended February 28, 2007  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2006	
(Capital Surplus:)		
I .Balance at beginning of year		27,107
II .Increase of Capital Surplus:		
1 Gain on sales of treasury stock	76	76
III .Balance at end of year		27,184
(Retained Earnings:)		
I .Balance at beginning of year		8,385
II .Increase in retained earnings:		
1 Net income	4,006	4,006
III .Decrease in retained earnings:		
1 Cash dividends	811	811
IV .Balance at end of year		11,581

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets  
for the Fiscal Year Ended February 28, 2007  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	Shareholders' Equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at February 28, 2006	26,867	27,184	11,581	(166)	65,466
Change of items during the period					
Issuance of shares		331			331
Dividends from surplus			(491)		(491)
Dividends from surplus (interim dividends)			(492)		(492)
Net income			4,503		4,503
Repurchase of treasury stock				(4)	(4)
Disposal of treasury stock		11		116	128
Net changes of items other than shareholder's equity					
Total changes of items during the period	—	343	3,519	112	3,974
Balance at February 28, 2007	26,867	27,527	15,100	(54)	69,441

	Valuation and Translation Adjustments			Minority Interests in Consolidated Subsidiaries	Total net assets
	Net unrealized gains on securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at February 28, 2006	1,516	(7)	1,508	401	67,376
Change of items during the period					
Issuance of shares					331
Dividends from surplus					(491)
Dividends from surplus (interim dividends)					(492)
Net income					4,503
Repurchase of treasury stock					(4)
Disposal of treasury stock					128
Net changes of items other than shareholder's equity	(494)	125	(369)	(205)	(574)
Total changes of items during the period	(494)	125	(369)	(205)	3,400
Balance at February 28, 2007	1,022	117	1,139	195	70,777

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Fiscal Year Ended February 28, 2007  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2006	28-Feb 2007	Increase (Decrease)
I .Cash flows from operating activities:			
1 Income before income taxes and minority interests	6,801	6,725	(76)
2 Depreciation and amortization	3,963	3,893	(69)
3 Loss on impairment of fixed assets	—	653	653
4 Amortization of consolidated accounts reconciliation	51	—	(51)
5 Increase (Decrease) in allowance for doubtful accounts	(1,746)	99	1,845
6 Increase in accrued bonuses to employees	1	15	13
7 Increase in allowance for sales returns	2	3	1
8 Increase (Decrease) in allowance for books unsold	8	(2)	(11)
9 Increase in reserve for sales promotion	67	48	(18)
10 Increase in reserve for retirement benefits	101	101	0
11 Increase (Decrease) in accrued retirement benefits for directors and statutory auditors	7	(1)	(9)
12 Interest income and dividends income	(219)	(171)	47
13 Interest expenses	709	634	(75)
14 Loss on sales/disposal of fixed assets, net	372	22	(350)
15 Gain on sales of investment securities	(52)	(55)	(2)
16 Loss on write-down of investment securities	39	434	394
17 Loss on store closing	944	2,308	1,364
18 Reversal of allowance for loss on store closing	—	(666)	(666)
19 Loss on discontinued operaitons	117	—	(117)
20 (Increase) Decrease in receivables	1,281	(546)	(1,828)
21 (Increase) Decrease in inventories	326	(861)	(1,187)
22 Increase in payables	278	951	672
23 Increase (Decrease) in other assets and liabilities, net	2,933	(306)	(3,240)
24 Others	(298)	67	365
Sub-total	15,690	13,347	(2,343)
25 Interest and dividends received	219	170	(48)
26 Interest paid	(742)	(624)	118
27 Payment resulting from store closing	—	(151)	(151)
28 Income taxes paid	(2,835)	(2,419)	415
Net cash provided by operating activities	12,331	10,322	(2,008)

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Consolidated Statements of Cash Flows for the Fiscal Year Ended February 28, 2007  
(Fractional amounts less than one million yen are discarded)

(¥ millions)

	28-Feb 2006	28-Feb 2007	Increase (Decrease)
II. Cash flows from investing activities:			
1 Acquisition of marketable securities	—	(700)	(700)
2 Sales of marketable securities	—	700	700
3 Acquisition of tangible fixed assets	(6,742)	(6,211)	531
4 Sales of tangible fixed assets	144	523	379
5 Acquisition of investment securities	(15)	(592)	(576)
6 Sales of investment securities	68	1,509	1,440
7 Sales of investments in a subsidiary accompanying changes of scope of consolidation	5,949	—	(5,949)
8 Payments for fixed leasehold deposits	(1,836)	(944)	891
9 Collection of fixed leasehold deposits	586	3,355	2,769
10 Increase (Decrease) in guarantee deposits received from tenants	125	(1,083)	(1,209)
11 Others	(77)	(230)	(152)
Net cash used in investing activities	(1,798)	(3,673)	(1,875)
III. Cash flows from financing activities:			
1 Increase in short-term bank loans	2,730	60	(2,670)
2 Proceeds from long-term bank loans	300	8,000	7,700
3 Repayment of long-term bank loans	(13,955)	(12,080)	1,875
4 Sales of treasury stock	660	124	(535)
5 Cash dividends paid	(811)	(984)	(173)
6 Cash dividends paid to minority shareholders	(24)	(32)	(7)
7 Others	(85)	0	86
Net cash used in financing activities	(11,187)	(4,911)	6,275
IV. Effect of exchange rate changes on cash and cash equivalents	325	125	(199)
V. Net increase(decrease) in cash and cash equivalents	(328)	1,862	2,191
VI. Cash and cash equivalents at beginning of year	11,984	11,656	(328)
VII. Cash and cash equivalents at end of year	11,656	13,519	1,862