

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements for the Interim Term Ended August 31,2002

(Fractional amounts less than one million yen are discarded)

Oct. 25, 2002

Corporate Name: PARCO CO.,LTD.

Stock Exchange Listings: Tokyo Stock Exchange

( U R L <http://www.parco.co.jp> )

(first section)

Address: Headquarters in Tokyo

Code Number: 8251

Personnel to Contact: Director  
Mr. Kazumi Kojima

Board of Directors meeting: Oct 25, 2002  
TEL (03)3477-5791

1. Results for The Interim Term of Fiscal 2002 (March 1, 2002-August 31, 2002)

(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.2002 interim term	146,399	[-2.1]	4,354	[+ 6.3]	3,792	[+7.2]
Aug.2001 interim term	149,600	[ ]	4,096	[ ]	3,536	[ ]
Fiscal 2001	310,624	[+1.0]	8,325	[+9.7]	7,082	[+14.1]

	Net income (¥ million)	Year-on year Change [%]	Net income per share (¥)	Net income per share(diluted) (¥)
Aug.2002 interim term	1,007	[+12.5]	13.19	12.44
Aug.2001 interim term	895	[ ]	12.89	11.27
Fiscal 2001	2,454	[+259.3]	34.39	30.56

Notes:

1. Investment profit on equity method:

Aug.2002 interim term ¥76 million Aug.2001 interim term ¥80 million Fiscal 2001 ¥122 million

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

Aug.2002 interim term 76,340,676shares Aug.2001 interim term 69,425,035shares Fiscal 2001 71,365,687shares

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 (¥)
Aug.2002 interim term	223,749	54,983	[+24.6]	711.75
Aug.2001 interim term	241,356	50,985	[+21.1]	709.65
Fiscal 2001	230,561	52,916	[+23.0]	702.98

Notes: Total number of shares outstanding (consolidated):

Aug.2002 interim term 77,251,825shares Aug.2001 interim term 71,845,731shares Fiscal 2001 75,274,045shares

(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.2002 interim term	7,771	-4,144	-4,376	11,998
Aug.2001 interim term	6,135	3,563	-3,508	22,742
Fiscal 2001	11,344	-705	-14,464	12,750

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

Consolidated subsidiaries:

19 companies

Unconsolidated subsidiaries accounted for by the equity method:

None

Affiliated companies accounted for by the equity method:

3 companies

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

Consolidation: (New) 1 company

(Eliminated) 1 company

Equity method: (New) None

(Eliminated) None

2. Projected Results for Fiscal 2002 (March 1, 2002-February 28, 2003)

	Net sales (¥ million)	Operating income (¥million)	Ordinary income (¥ million)	Net income (¥ million)
Fiscal 2002	307,000	8,700	7,500	2,400

Reference: Estimated net income per share (fiscal 2002): ¥31.07

Notes: The above projected results are announced presupposing available information at October 25,2002 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 31,2002  
(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	Interim Term		Fiscal
	Aug.2001	Aug.2002	2001
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash on hand and in banks	¥ 20,540	¥ 11,940	¥ 12,756
Notes and accounts receivable - trade			
and accounts receivable for completed contract	14,466	14,661	15,972
Marketable securities	2,296	58	65
Inventories	10,290	8,773	9,687
Advance payment	40	43	159
Prepaid expenses	916	832	819
Short-term loans	60	80	84
Deferred tax assets - current	574	621	621
Other current assets	4,693	3,551	1,799
Less: Allowance for doubtful accounts	(83)	(27)	(62)
Total current assets	<u>53,797</u>	<u>40,534</u>	<u>41,905</u>
<b>Fixed Assets:</b>			
<b>Tangible Fixed Assets:</b>			
Buildings and structures	42,163	42,660	43,656
Machinery, equipment and motor vehicles	264	221	244
Tools, furniture and fixtures	1,398	1,325	1,410
Land	41,379	41,364	41,364
Construction in progress	819	-	390
Other tangible fixed assets	1	-	-
Total tangible fixed assets	<u>86,024</u>	<u>85,571</u>	<u>87,066</u>
<b>Intangible Fixed Assets:</b>			
Goodwill	241	-	193
Leasehold	10,944	11,015	10,944
Consolidated accounts reconciliation	809	610	711
Other intangible fixed assets	899	801	878
Total intangible fixed assets	<u>12,894</u>	<u>12,426</u>	<u>12,728</u>
<b>Investments and Other Assets:</b>			
Investment securities	17,153	16,882	15,884
Long-term loans	1,556	2,391	2,451
Long-term loans to affiliated companies	2,694	1,613	1,695
Long-term prepaid expenses	1,311	1,280	1,344
Fixed leasehold deposits	61,026	58,707	61,843
Deferred tax assets -non current	4,639	4,114	5,380
Other investments	444	1,014	1,046
Less: Allowance for doubtful accounts	(206)	(789)	(783)
Total investments and other assets	<u>88,622</u>	<u>85,216</u>	<u>88,862</u>
Total fixed assets	<u>187,541</u>	<u>183,214</u>	<u>188,656</u>
<b>Deferred Assets:</b>			
Discount on bonds issued	16	-	-
Total deferred assets	<u>16</u>	<u>-</u>	<u>-</u>
Total assets	<u>¥ 241,356</u>	<u>¥ 223,749</u>	<u>¥ 230,561</u>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets for the Interim Term Ended August 31, 2002  
(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	Interim Term		Fiscal
	Aug. 2001	Aug. 2002	2001
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Notes and accounts payable – trade	¥ 27,853	¥ 29,265	¥ 29,539
Short-term loans	40,622	34,226	36,569
Accounts payable – other	2,043	2,536	3,121
Accrued income taxes	366	292	542
Deferred tax liabilities-current	15	10	11
Accrued expenses	1,861	1,618	1,728
Accrued bonuses to employees	1,253	1,145	1,125
Allowance for sales returns	10	19	9
Allowance for books unsold	74	49	77
Current portion of bonds payable	24,400	2,000	10,000
Other current liabilities	5,400	5,181	4,796
Total current liabilities	103,902	76,347	87,521
<b>Long-term Liabilities:</b>			
Straight bonds	2,000	-	2,000
Convertible bonds	4,204	1,337	2,674
Long-term loans	20,816	37,616	28,585
Deferred tax liabilities-non current	12	17	-
Reserve for retirement benefits	432	638	925
Accrued retirement benefits for directors and statutory auditors	653	600	707
Guarantee deposits received from tenants	53,399	48,114	50,660
Other long-term liabilities	335	146	242
Total long-term liabilities	81,853	88,470	85,794
Total liabilities	185,756	164,818	173,316
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES</b>			
	4,614	3,946	4,329
<b>SHAREHOLDERS' EQUITY</b>			
<b>Common Stock</b>	24,459	25,892	25,224
<b>Capital Surplus</b>	23,884	25,318	24,649
<b>Retained Earnings</b>	2,195	4,132	3,467
<b>Net Unrealized Gains on Securities</b>	552	330	(393)
<b>Foreign Currency Translation Adjustments</b>	(104)	(132)	(20)
	50,987	55,540	52,927
<b>Treasury Stock</b>	(1)	(556)	(11)
Total shareholders' equity	50,985	54,983	52,916
Total liabilities, minority interests and shareholders' equity	¥ 241,356	¥ 223,749	¥ 230,561

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income for the Interim Term Ended August 31,2002  
(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	Interim Term		Fiscal
	Aug.2001	Aug.2002	2001
<b>Net sales</b>	¥ 149,600	¥ 146,399	¥ 310,624
<b>Cost of sales:</b>	125,225	123,447	261,037
	24,375	22,952	49,586
Provision for allowance for sales returns	-	9	-
Reversal of allowance for sales returns	12	-	13
	24,388	22,942	49,600
<b>Other operating revenues</b>	582	838	1,384
Gross profit	24,970	23,781	50,984
<b>Selling, general and administrative expenses</b>	20,874	19,427	42,659
Operating income	4,096	4,354	8,325
<b>Non-operating income:</b>			
Interest income	112	45	176
Investment profit on equity method	80	76	122
Other non-operating income	340	316	723
	534	439	1,022
<b>Non-operating expenses:</b>			
Interest expenses	641	650	1,210
Bonds interest expenses	255	68	472
Amortization of bonds discount	16	-	33
Other non-operating expenses	179	282	548
	1,093	1,001	2,265
Ordinary income	3,536	3,792	7,082
<b>Special income:</b>			
Gain on sales of investment securities	25	-	452
Reversal of allowance for doubtful accounts	90	24	124
Settlement received on determination of purchase price of securities	320	-	533
Gain on termination of substitutional portion of employees' pension fund	-	383	-
Other special income	20	132	-
	456	540	1,111
<b>Special losses:</b>			
Loss on sales of fixed assets	2	-	20
Loss on disposal of fixed assets	566	1,554	1,355
Loss on write-down of investment securities	1,319	548	1,633
Loss on write-down of golf club memberships	121	-	122
Provision for allowance for doubtful accounts	-	-	579
Other special losses	142	234	794
	2,153	2,336	4,505
Income before income taxes	1,840	1,996	3,688
<b>Income taxes:</b>			
Current	209	241	598
Deferred	733	708	639
<b>Minority interests</b>	2	39	(4)
Net Income	¥ 895	¥ 1,007	¥ 2,454

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Appropriation of Retained Earnings for the Interim Term Ended  
August 31, 2002

(Fractional amounts less than one million yen are discarded)

	(¥ millions)					
	Interim Term				Fiscal	
	2001	2002			2001	
<b>Capital surplus</b>						
Balance at beginning of the term	¥	21,218	¥	<b>24,649</b>	¥	21,218
Increase in capital surplus		2,666		<b>668</b>		3,431
Decrease in capital surplus		-		-		-
Balance at end of the term	¥	<u>23,884</u>	¥	<u><b>25,318</b></u>	¥	<u>24,649</u>
<b>Retained earnings</b>						
Balance at beginning of the term	¥	1,525	¥	<b>3,467</b>	¥	1,525
Increase in retained earnings		895		<b>1,007</b>		2,454
Net income		895		<b>1,007</b>		2,454
Decrease in retained earnings		224		<b>341</b>		512
Cash dividends		224		<b>301</b>		511
Bonuses to directors and statutory auditors		0		<b>40</b>		0
Balance at end of the term	¥	<u>2,195</u>	¥	<u><b>4,132</b></u>	¥	<u>3,467</u>

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Interim Term Ended August 31,2002  
(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	Interim		Fiscal
	2001	2002	2001
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 1,840	¥ 1,996	¥ 3,688
Depreciation and amortization	2,135	2,190	4,435
Amortization of consolidated accounts reconciliation	97	107	192
Amortization of bonds discount	16	-	33
(Decrease)Increase in allowance for doubtful accounts	(87)	(29)	469
Increase (Decrease) in accrued bonuses to employees	24	22	(102)
Increase (Decrease) in allowance for sales returns	(12)	9	(13)
(Decrease) in allowance for books unsold	(43)	(27)	(41)
(Decrease) in accrued retirement benefits for employees	(103)	-	(103)
(Decrease)Increase in reserve for retirement benefits	432	(283)	928
(Decrease) in accrued retirement benefits for director And statutory auditors	(161)	(106)	(107)
Interest income and dividends income	(153)	(88)	(218)
Interest expenses	897	719	1,683
Investment profit on equity method	(80)	(76)	(122)
Loss on sales/disposal of fixed assets	245	1,147	749
Gain and loss on sales of marketable securities and investment securities	(25)	-	(436)
Loss on write-down of investment securities	1,319	548	1,633
Decrease in receivables	3,797	984	1,903
Decrease(Increase) in inventories	(275)	893	326
(Decrease) in payables	(3,108)	(242)	(1,423)
Increase in other assets and liabilities	1,147	792	610
Other	40	364	(20)
Sub-total	7,938	8,922	14,065
Interest income and dividends income received	124	102	213
Interest expenses paid	(902)	(804)	(1,683)
Income taxes paid	(1,026)	(448)	(1,251)
Net cash provided by operating activities	6,135	7,771	11,344
<b>Cash flows from investing activities:</b>			
Acquisition of tangible fixed assets	(1,495)	(2,122)	(4,865)
Proceeds from sales of tangible fixed assets	9	206	96
Acquisition of investment securities	(511)	(496)	(1,677)
Proceeds from sales of investment securities	64	-	1,093
Payments for fixed leasehold deposits	(69)	(73)	(1,799)
Collection of fixed leasehold deposits	1,541	898	1,913
(Decrease) in guarantee deposits received from tenants	(1,198)	(2,241)	(3,919)
Collection of accounts receivable on sales of investment securities	5,298	-	8,830
Other	(75)	(315)	(377)
Net cash provided by (used in) investing activities	¥ 3,563	¥ (4,144)	¥ (705)

PARCO CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the Interim Term Ended August 31,2002  
(Fractional amounts less than one million yen are discarded)

	(¥ millions)		
	Interim Term		Fiscal
	2001	2002	2001
<b>Cash flows from financing activities:</b>			
Increase (Decrease) in short-term loans	¥ (5,029)	¥ 1,732	¥ (8,899)
Proceeds from long-term loans	2,662	16,947	15,347
Repayment of long-term loans	(5,275)	(11,992)	(10,286)
Redemption of bonds	(796)	(10,000)	(14,400)
Proceeds from issue of shares	5,332	-	4,536
Cash dividends	(224)	(301)	(511)
Cash dividends paid to minority shareholders	(18)	(28)	(18)
Other	(159)	(735)	(232)
Net cash used in financing activities	(3,508)	(4,376)	(14,464)
<b>Effect of exchange rate changes on cash and cash equivalents</b>			
	15	(1)	37
<b>Net (decrease) increase in cash and cash equivalents</b>	6,205	(751)	(3,787)
<b>Cash and cash equivalents at beginning of the term</b>	16,537	12,750	16,537
<b>Cash and cash equivalents at end of the term</b>	¥ 22,742	¥ 11,998	¥ 12,750