

Summary of Settlement of Consolidated Accounts for the Fiscal Year ended February 29, 2008

April 10, 2008

Mitsukoshi, Ltd.

(URL: <http://www.mitsukoshi.co.jp>)

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Scheduled date of filing of the financial report (Yukashoken Hokokusho): May 29, 2008

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(Figures are rounded down to the nearest million yen)

1. Consolidated Business Results for Fiscal 2007 (From March 1, 2007, to February 29, 2008)

(1) Results of consolidated operations

(Percentage figures indicate changes from the previous year)

	Net Sales		Operating Income		Recurring Profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2007	773,964	(3.8)	8,455	(33.0)	12,258	(28.0)	4,427	(65.8)
FY2006	804,120	(4.5)	12,617	(17.4)	17,019	(14.7)	12,936	42.3

	Net Income per Share (Basic)	Net Income per Share (Diluted)	Return on Equity	Return on Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2007	8.99	8.98	2.8	2.1	1.1
FY2006	26.45	24.51	8.6	2.9	1.6

(Reference) Equity in earnings of affiliates: FY2007: 5,084 million yen, FY2006: 5,931 million yen

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2007	570,727	159,233	27.8	321.40
FY2006	577,672	162,840	28.1	329.85

(Reference) Shareholders' equity: FY2007: 158,760 million yen, FY2006: 162,418 million yen

(3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of the Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2007	14,266	(11,464)	(1,149)	18,658
FY2006	21,911	12,157	(40,099)	17,082

2. Dividends

(Record date)	Cash Dividend per Share (Yen)			Total Cash Dividends (Full Year)	Payout Ratio (Consolidated)	Cash Dividends to Net Assets (Consolidated)
	Interim	Year-end	Full Year			
	Yen	Yen	Yen	Millions of yen	%	%
FY2006	-	3.00	3.00	1,478	11.3	1.0
FY2007	-	3.00	3.00	1,477	33.4	0.9

3. Others

(1) Changes in significant subsidiaries during the year (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies concerning preparation of consolidated financial statements

1) Changes in line with revision to accounting standards: Yes

2) Other changes: No

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of the year (including treasury stock)

FY2007: 515,022,356 shares FY2006: 515,022,356 shares

2) Number of shares of treasury stock at the end of the year

FY2007: 22,516,363 shares FY2006: 22,327,104 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Business Results for Fiscal 2007 (From March 1, 2007, to February 29, 2008)

(1) Results of non-consolidated operations

(Percentage figures indicate changes from the previous year)

	Net Sales		Operating Income		Recurring Profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2007	729,396	(2.5)	9,455	(23.7)	6,965	(22.6)	(3,027)	-
FY2006	747,982	(5.1)	12,388	(13.4)	9,002	(16.8)	(1,671)	-

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
FY2007	(6.15)	-
FY2006	(3.39)	-

(2) Non-consolidated financial position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2007	504,212	97,837	19.4	198.55
FY2006	507,173	103,019	20.3	209.01

(Reference) Shareholders' equity: FY2007: 97,801 million yen, FY2006: 102,994 million yen

Note:

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

1. Business Results

(1) Analysis of Business Results

1) Review of operations

During the year ended February 29, 2008 (fiscal 2007), the Japanese economy remained on a modest recovery track against a background of robust corporate earnings supported by the recovery of exports and capital investment. However, personal consumption tended to slow, which reflected the upward trend of prices, the increased tax burden resulting from the termination of tax cuts, and the decline in stock prices triggered by the subprime mortgage problem, and the outlook is not promising.

The department store sector continued to operate in a tough business environment characterized by intensifying competition both among department store groups and between department stores and other retail formats as well as changes in consumer behavior.

In these circumstances, the Mitsukoshi Group launched its new business plan, Mitsukoshi Brand Renaissance Six-Year Plan, in fiscal 2007 with the aim of realizing growth and prosperity of the Mitsukoshi Group. Nevertheless, in the mainstay department store business, sales were lackluster owing to sluggish personal consumption in view of the uncertain economic outlook and because it took time for the impact of the investment in refurbishment to become evident. Thus, there was a considerable gap between the results and the profit plan.

Net sales were ¥773,964 million, a decrease of 3.8% from the previous year, operating income was ¥8,455 million, a 33.0% decline, recurring profit was ¥12,258 million, a 28.0% decrease, and net income was ¥4,427 million, a fall of 65.8%.

2) Results by business segment

Department Store Business

In the Group's core department store business, we implemented measures based on the evolved New Mitsukoshi Model in order to achieve further growth and prosperity of Mitsukoshi in the rapidly changing marketplace.

Above all, we aimed to boost sales and profits from priority sales floors (sales floors consisting of shops offering merchandise assortments carefully selected by our buyers) and priority zones (concessions based on related concepts surrounding the priority sales floors) by inculcating a sales floor operation model, which clarifies the details of necessary work at sales floors in order to maximize customer satisfaction. However, sales from priority sales floors fell short of the target and the previous year's result (95.6% of the plan and 99.3% of the previous year's result). On a more positive note, sales in the second half were 1.8% higher than sales in the first half, and among the priority sales floors, sales from Fashion Parts (casual accessory shops) and Basic Casual (women's wear shops) and sales from *Kayuan* (shops offering assortments of patisserie, confectionery, and Japanese-style sweets) greatly exceeded both the targets and the previous year's results. This marked improvement in the latter part of the year suggests that we are on the right track.

Furthermore, refurbishment of stores was promoted as a major measure to enhance customer satisfaction. We invested ¥5.9 billion in refurbishment of the existing 14 stores. Sales from refurbished sales floors greatly exceeded the previous year's results but at some sales floors results fell short of the targets.

At the Nihonbashi Head Store, in order to create a high-grade hospitable ambience symbolizing Mitsukoshi, the accessories floor and the basement food floor were refurbished step by step while at the same time they were made barrier free. Although the number of customers continued to increase after the opening of the refurbished food floor in August, it did not lead to an increase in sales of the Head Store as a whole.

Analysis of the trend in terms of customer spending revealed that, as a result of these measures, the number of high-spending customers as well as sales to such customers greatly exceeded the previous year's results. In order to attract more customers and to maximize the impact of these measures, we will accelerate improvement of the workflow.

Meanwhile, we continued to implement cost reduction measures, including reform of the logistics system, integration of the back-office operations, and reform of procurement by the introduction of bidding. As a result, selling, general and administrative expenses were 3.9% lower than in the previous year.

However, the reduction in selling, general and administrative expenses could not fully offset the decrease in sales, which were ¥737,931 million, down 3.7% from the previous year. Operating income was ¥5,897 million, a decline of 40.8%.

Real Estate Business

In the real estate business, sales to external customers were robust as Mitsukoshi Kankyo Design Co., Ltd. received orders for hotels and other large projects. Cleaning and parking lot operations, which are outsourced by Mitsukoshi, Ltd. to Group companies, contributed to the enhancement of the value of the Mitsukoshi brand owing to the high-quality of their services.

As a result, segment sales were ¥22,419 million, an increase of 2.5% from the previous year, and operating income was ¥1,502 million, a decrease of 5.9%.

Other Businesses

In other businesses, in April 2007 restaurant operations were separated from Niko, Ltd. and Nagoya Building Service Co., Ltd. to form Centresta Co., Ltd., and a part of the stake in Centresta was sold to Royal Holdings Co., Ltd. Centresta is Mitsukoshi's affiliate accounted for by the equity method. By integrating know-how of Mitsukoshi and Royal Holdings, Centresta will work to enhance customer satisfaction.

Also, JP Logistics Partners Co., Ltd., a joint venture between Mitsukoshi and Japan Post Service Co., Ltd., which is a part of Japan Post Holdings Co., Ltd., began operation in November 2007.

As a result, segment sales were ¥13,613 million, a decrease of 15.0% from the previous year, and operating income was ¥1,083 million, a decrease of 4.6%.

(2) Analysis of Financial Position

1) Assets, liabilities, and net assets

Total assets at the end of fiscal 2007 were ¥570,727 million, having decreased ¥6,944 million from the figure at the end of the previous year. This result reflected a decrease in tangible fixed assets as a consequence of impairment of property and equipment while construction in progress increased in line with the refurbishment of stores. Total liabilities were ¥411,493 million, having decreased ¥3,337 million from the figure at the end of the previous year. This decrease was attributable to a decrease in notes and accounts payable-trade. Total net assets were ¥159,233 million, ¥3,607 million lower than at the end of the previous year.

2) Cash flows

Net cash provided by operating activities during fiscal 2007 amounted to ¥14,266 million, a decrease of ¥7,645 million compared with the previous year. This was attributable to a decrease in income before income taxes and minority interests and a decrease in notes and accounts payable-trade.

Net cash used in investing activities amounted to ¥11,464 million, a decrease of ¥23,621 million compared with the previous year. The main items were payments for purchase of property and equipment for refurbishment of stores and improvement of facilities in the department store business, expenditure for fixed leasehold deposits, and an increase in other investments,

Net cash used in financing activities amounted to ¥1,149 million, an increase of ¥38,950 million compared with the previous year. The major factors included a net increase in interest-bearing debt and cash dividends paid.

As a result, cash and cash equivalents at the end of fiscal 2007 were ¥18,658 million, an increase of ¥1,576 million compared with the figure at the end of the previous year.

(Reference) Cash flow indicators

	FY2005	FY2006	FY2007
Equity ratio (%)	23.4	28.1	27.8
Market value equity ratio (%)	54.9	46.8	36.5
Debt repayment period (years)	15.8	7.8	12.0
Interest coverage ratio (times)	4.7	9.3	5.4

Notes: Market value equity ratio: Total market capitalization / Total assets

Debt repayment period (years): Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

- * All the above indicators are calculated on a consolidated basis.
- * Total market capitalization is calculated by multiplying the closing share price on the final trading day of the year by the number of shares issued and outstanding (excluding treasury stock) as of the corresponding year-end.
- * Operating cash flow equals cash flows from operating activities in the Consolidated Statements of Cash Flows. Interest-bearing debt consists of short-term borrowings, bonds with stock acquisition rights and long-term debt stated in the Consolidated Balance Sheets. Interest payments equal interest expenses in the Consolidated Statements of Cash Flows.

2. Outline of the Group

Principal businesses

The Mitsukoshi Group consists of Mitsukoshi, Ltd. and its 28 subsidiaries and 10 affiliates. Centering on the department store business in Japan and overseas, the Group is engaged in real estate management, wholesaling, and other services. Details of the businesses and affiliated companies in each business are described below.

Department Store Business

This segment comprises retailing of apparel (ladies' wear, men's wear and children's wear), accessories, household and sundry goods, and foods. This business is positioned at the core of the Mitsukoshi Group.

(Principal affiliated companies)

Mitsukoshi Tomonokai Co., Ltd., Mitsukoshi France S.A.S., Mitsukoshi (U.K.) Ltd., Mitsukoshi Italia S.p.A., Mitsukoshi Deutschland GmbH, Mitsukoshi España S.A. Mitsukoshi (U.S.A.) Inc., Mitsukoshi Enterprises Co., Ltd. (Hong Kong), The Printemps Ginza Co., Ltd., Usui Department Store Co., Ltd., Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)

Real Estate Business

This segment includes property leasing, building interior design, and building maintenance.

(Principal affiliated companies)

Mitsukoshi Parking Service, Ltd., Mitsukoshi Real Estate Co., Ltd., Mitsukoshi Kankyo Design Co., Ltd.

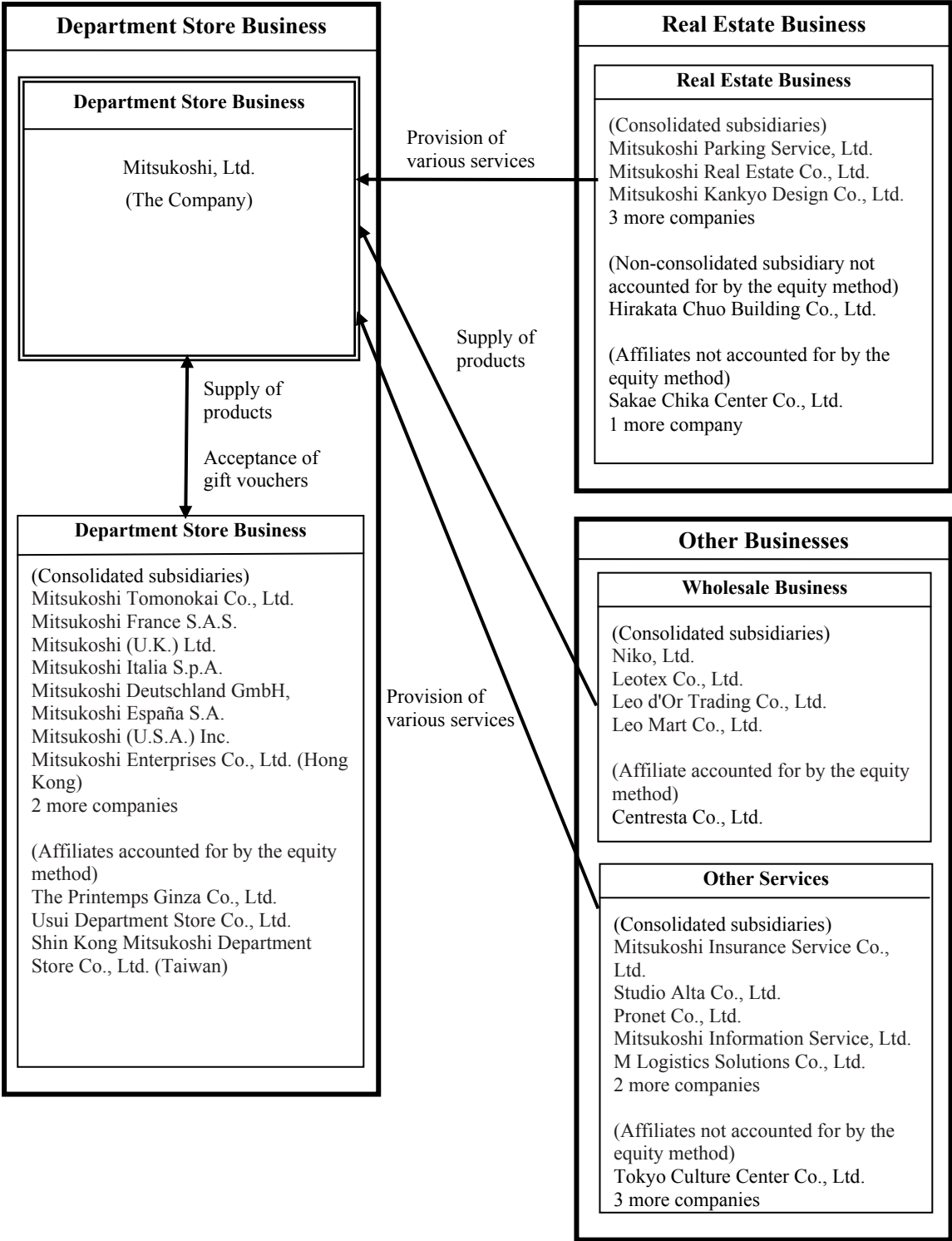
Other Businesses

This segment includes wholesaling and other services.

(Principal affiliated companies)

Niko, Ltd., Leotex Co., Ltd., Leo d'Or Trading Co., Ltd., Leo Mart Co., Ltd., Mitsukoshi Insurance Service Co., Ltd., Studio Alta Co., Ltd., Pronet Co., Ltd., Mitsukoshi Information Service, Ltd., M · Logistics · Solutions Co., Ltd.

Business Relationships among Mitsukoshi Group Companies



3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2006 (As of February 28, 2007)		FY2007 (As of February 29, 2008)	
	Amount	(%)	Amount	(%)
ASSETS				
I Current Assets				
1 Cash and bank deposits	17,230		19,548	
2 Notes and accounts receivable–trade	34,865		34,554	
3 Inventories	39,103		38,587	
4 Deferred tax assets–current	4,060		2,787	
5 Other current assets	9,615		8,312	
6 Less: Allowance for doubtful accounts	(106)		(121)	
Total current assets	104,768	18.1	103,667	18.2
II Property and Equipment				
1 Tangible fixed assets				
(1) Buildings and structures	107,769		99,459	
(2) Land	232,987		231,812	
(3) Construction in progress	4,419		9,289	
(4) Other tangible fixed assets	7,164		6,110	
Total tangible fixed assets	352,340		346,672	
2 Intangible fixed assets				
(1) Leasehold rights	9,001		9,652	
Total intangible fixed assets	9,001		9,652	
3 Investments and other assets				
(1) Investments in securities	55,836		50,724	
(2) Long-term loans	10,991		11,406	
(3) Fixed leasehold deposits	38,981		40,101	
(4) Deferred tax assets–non-current	111		122	
(5) Other assets	7,065		9,643	
(6) Less: Allowance for doubtful accounts	(1,425)		(1,264)	
Total investments and other assets	111,562		110,734	
Total property and equipment	472,903	81.9	467,059	81.8
Total Assets	577,672	100.0	570,727	100.0

(Millions of yen)

	FY2006 (As of February 28, 2007)		FY2007 (As of February 29, 2008)	
	Amount	(%)	Amount	(%)
LIABILITIES				
I Current Liabilities				
1 Notes and accounts payable	42,566		40,472	
2 Short-term borrowings	65,363		90,995	
3 Income taxes payable	1,147		1,067	
4 Advances received	31,118		35,537	
5 Gift vouchers	29,986		28,373	
6 Deposits received	–		29,429	
7 Deferred tax liabilities-current	97		138	
8 Allowance for point cards	161		253	
9 Other current liabilities	46,012		14,833	
Total current liabilities	216,455	37.5	241,100	42.2
II Long-term Liabilities				
1 Long-term debt	106,008		80,770	
2 Deferred tax liabilities-non-current	44,192		43,149	
3 Reserve for accrued employees' retirement benefits	39,929		39,340	
4 Other long-term liabilities	8,246		7,132	
Total long-term liabilities	198,376	34.3	170,393	29.9
Total Liabilities	414,831	71.8	411,493	72.1
NET ASSETS				
I Shareholders' Equity				
1 Common stock	37,404	6.5	37,404	6.6
2 Capital surplus	41,933	7.3	41,949	7.4
3 Retained earnings	69,257	12.0	72,207	12.7
4 Less: Treasury stock	(515)	(0.1)	(651)	(0.1)
Total shareholders' equity	148,078	25.6	150,908	26.4
II Valuation and Translation Adjustments				
1 Net unrealized gains on other securities	12,197	2.1	6,656	1.2
2 Deferred gains (losses) on hedges	0	0.0	(4)	(0.0)
3 Foreign currency translation adjustments	2,141	0.4	1,199	0.2
Total valuation and translation adjustments	14,340	2.5	7,852	1.4
III Stock Acquisition Rights	25	0.0	35	0.0
IV Minority Interests	395	0.1	437	0.1
Total Net Assets	162,840	28.2	159,233	27.9
Total Liabilities and Net Assets	577,672	100.0	570,727	100.0

(2) Consolidated Statements of Income

(Millions of yen)

	FY2006 (From March 1, 2006, to February 28, 2007)			FY2007 (From March 1, 2007, to February 29, 2008)		
	Amount		(%)	Amount		(%)
I Net Sales		804,120	100.0		773,964	100.0
II Cost of Sales		585,467	72.8		567,486	73.3
Gross profit		218,652	27.2		206,477	26.7
III Selling, General and Administrative Expenses		206,034	25.6		198,022	25.6
Operating income		12,617	1.6		8,455	1.1
IV Non-operating Income						
1 Interest income	291			316		
2 Dividend income	253			298		
3 Gain on adjustment of accounts payable	3,903			4,212		
4 Equity in earning of affiliates	5,931			5,084		
5 Other non-operating income	1,471	11,851	1.5	877	10,790	1.4
V Non-operating Expenses						
1 Interest expenses	2,285			2,472		
2 Inventory shortage	410			336		
3 Loss on valuation of goods	16			–		
4 Loss on reversal of gain on adjustment of accounts payable	2,734			2,731		
5 Other non-operating expenses	2,002	7,449	0.9	1,446	6,987	0.9
Recurring profit		17,019	2.1		12,258	1.6
VI Extraordinary Gain						
1 Reversal of allowance for doubtful accounts	237			–		
2 Gain on sales of property and equipment	15,334			6,053		
3 Gain on sales of investments in securities	714			17		
4 Gain on sales of investments in subsidiaries and affiliates	–			762		
5 Reversal of expenses for restoration of original state	759			–		
6 Other extraordinary gain	184	17,230	2.1	68	6,902	0.9
VII Extraordinary Loss						
1 Loss on sales of property and equipment	40			–		
2 Loss on disposal of property and equipment	2,151			1,878		
3 Impairment loss	15,393			5,942		
4 Restructuring expenses	–			1,263		
5 Loss on closing of stores	192			–		
6 Loss on early extra retirement	1,461			–		
7 Loss on devaluation of investment securities	42			146		
8 Loss on devaluation of investments in subsidiaries and affiliates	–			112		
9 Management integration expenses	–			1,085		
10 Other extraordinary loss	1,474	20,756	2.6	2,144	12,574	1.6
Income before income taxes and minority interests		13,493	1.7		6,586	0.9
Income taxes–current	1,331			1,255		
Income taxes–deferred	(790)	541	0.1	858	2,113	0.3
Minority Interests in Earnings of Consolidated Subsidiaries		15	0.0		45	0.0
Net income		12,936	1.6		4,427	0.6

(3) Consolidated Statements of Changes in Net Assets

FY2006 (March 1, 2006, to February 28, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at February 28, 2006	37,404	41,899	57,799	(400)	136,702
Changes during the year					
Dividends from surplus			(1,478)		(1,478)
Net income			12,936		12,936
Acquisition of the Company's own shares				(116)	(116)
Disposal of treasury stock		33		1	34
Changes in items other than shareholders' equity during the year (net)					
Total changes during the year	–	33	11,458	(115)	11,376
Balance at February 28, 2007	37,404	41,933	69,257	(515)	148,078

	Valuation and translation adjustments				Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Deferred gains on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at February 28, 2006	2,039	–	1,276	3,316	–	384	140,403
Changes during the year							
Dividends from surplus							(1,478)
Net income							12,936
Acquisition of the Company's own shares							(116)
Disposal of treasury stock							34
Changes in items other than shareholders' equity during the year (net)	10,158	0	864	11,023	25	11	11,060
Total changes during the year	10,158	0	864	11,023	25	11	22,436
Balance at February 28, 2007	12,197	0	2,141	14,340	25	395	162,840

FY2007 (March 1, 2007, to February 29, 2008)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at February 28, 2007	37,404	41,933	69,257	(515)	148,078
Changes during the year					
Dividends from surplus			(1,478)		(1,478)
Net income			4,427		4,427
Acquisition of the Company's own shares				(137)	(137)
Disposal of treasury stock		16		1	17
Changes in items other than shareholders' equity during the year (net)					
Total changes during the year	-	16	2,949	(136)	2,829
Balance at February 29, 2008	37,404	41,949	72,207	(651)	150,908

	Valuation and translation adjustments				Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Deferred Gains (losses) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at February 28, 2007	12,197	0	2,141	14,340	25	395	162,840
Changes during the year							
Dividends from surplus							(1,478)
Net income							4,427
Acquisition of the Company's own shares							(137)
Disposal of treasury stock							17
Changes in items other than shareholders' equity during the year (net)	(5,541)	(4)	(941)	(6,487)	9	41	(6,436)
Total changes during the year	(5,541)	(4)	(941)	(6,487)	9	41	(3,607)
Balance at February 29, 2008	6,656	(4)	1,199	7,852	35	437	159,233

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2006 (From March 1, 2006, to February 28, 2007)	FY2007 (From March 1, 2007, to February 29, 2008)
	Amount	Amount
I Cash Flows from Operating Activities		
1 Income before income taxes and minority interest	13,493	6,586
2 Depreciation and amortization	12,404	12,652
3 Impairment loss	15,393	5,942
4 Provision (reversal) of allowance for doubtful accounts	(131)	23
5 Provision (reversal) of retirement benefits to employees	(595)	(141)
6 Interest and dividend income	(544)	(615)
7 Interest expenses	2,285	2,472
8 Equity in loss (earnings) of affiliated companies	(5,931)	(5,084)
9 Gain on sales of property and equipment	(15,334)	(6,053)
10 Loss (gain) on sales of investment securities	(714)	(17)
11 Gain on sales of investments in subsidiaries and affiliates	-	(762)
12 Reversal of expenses for restoration of original state	(759)	-
13 Loss on sales of property and equipment	40	-
14 Loss on disposal of property and equipment	2,151	1,878
15 Restructuring expenses	-	1,263
16 Loss on closing of stores	192	-
17 Loss on early extra retirement	1,461	-
18 Loss on devaluation of investment securities	42	146
19 Loss on devaluation of investments in subsidiaries and affiliates	-	112
20 Management integration expenses	-	1,085
21 Decrease (increase) in notes and accounts receivable-trade	3,432	0
22 Decrease (increase) in inventories	(1,272)	562
23 Increase (decrease) in notes and accounts payable-trade	(143)	(1,937)
24 Increase in consumption tax payable	285	1,339
25 Other, net	2,625	(1,966)
Sub-total	28,381	17,486
26 Interest and dividend income received	2,073	2,569
27 Interest expenses paid	(2,354)	(2,651)
28 Early extra retirement payments	(4,357)	(1,675)
29 Store closing payments	(673)	(91)
30 Income taxes paid	(1,158)	(1,371)
Net cash provided by operating activities	21,911	14,266

(Millions of yen)

	FY2006 (From March 1, 2006, to February 28, 2007)	FY2007 (From March 1, 2007, to February 29, 2008)
	Amount	Amount
II Cash Flows from Investing Activities		
1 Payments into time deposits	(92)	(909)
2 Proceeds from withdrawal of time deposits	145	81
3 Purchase of marketable securities and investment securities	(197)	(122)
4 Proceeds from sales of marketable securities and investment securities	1,149	826
5 Proceeds from sale of investments in subsidiaries accompanying change of scope of consolidation	–	708
6 Payments for purchase of property and equipment	(20,540)	(18,614)
7 Proceeds from sales of property and equipment	29,992	8,690
8 Decrease (increase) in short-term loans receivable	0	101
9 Collection of long-term loans receivable	442	142
10 Purchase of other investments	(1,372)	(7,786)
11 Proceeds from sales of other investments	2,629	5,417
Net cash provided by (used in) investing activities	12,157	(11,464)
III Cash Flow from Financing Activities		
1 Increase (decrease) in short-term borrowings	3,957	1,428
2 Proceeds from borrowings of long-term debt	42,100	52,500
3 Repayment of long-term debt	(56,583)	(53,473)
4 Redemption of bonds with stock acquisition rights	(28,000)	–
5 Purchase of own shares	(116)	(137)
6 Proceeds from sales of treasury stock	34	17
7 Dividends paid	(1,488)	(1,480)
8 Dividends paid to minority shareholders	(4)	(4)
Net cash used in financing activities	(40,099)	(1,149)
IV Effect of Exchange Rate Changes on Cash and Cash Equivalents	147	(76)
V Net Increase (Decrease) in Cash and Cash Equivalents	(5,882)	1,576
VI Cash and Cash Equivalents at Beginning of Year	22,965	17,082
VII Cash and Cash Equivalents at End of Year	17,082	18,658

Segment Information

a. Business segment information

FY2006 (From March 1, 2006, to February 28, 2007)

(Millions of yen)

	Department store business	Real estate business	Other businesses	Total	Elimination or corporate	Consolidated total
I Sales and Operating Income						
Sales						
(1) Sales to outside customers	766,226	21,876	16,017	804,120	–	804,120
(2) Intersegment sales or transfer	1,573	26,290	56,373	84,237	(84,237)	–
Total	767,799	48,166	72,391	888,357	(84,237)	804,120
Operating expenses	757,833	46,569	71,254	875,657	(84,154)	791,502
Operating income	9,966	1,596	1,136	12,699	(82)	12,617
II Assets, Depreciation and Amortization, Impairment Losses, and Capital Expenditures						
Assets	524,330	55,390	26,732	606,453	(28,781)	577,672
Depreciation and amortization	10,922	340	1,353	12,616	(211)	12,404
Impairment losses	10,485	4,056	912	15,454	(61)	15,393
Capital expenditure	21,598	203	1,416	23,218	(3,395)	19,823

Notes:

- Business segments are based on the lines of business.
- Details of each business segment are as follows:
 - Department store business: Sales of apparel, accessories, household and sundry goods, and foods
 - Real estate business: Property leasing, building interior design, and building maintenance
 - Other businesses: Wholesaling and other services
- Amortization of long-term prepaid expenses is included in operating expenses and an increase in the long-term prepaid expenses is included in capital expenditure.
- As described in the Changes in the Accounting Policy, the Group employs the Accounting Standard for Impairment of Fixed Assets effective from fiscal 2006 onward. As a result of this change, operating expenses in the department store business are ¥908 million lower and operating income is higher by the same amount, operating expenses in the real estate business are ¥139 million lower and operating income is higher by the same amount, operating expenses in the other businesses are ¥37 million lower and operating income is higher by the same amount, and operating expenses in elimination or corporate are ¥6 million higher and operating income is lower by the same amount than it would be in the case that the previous accounting method were employed.

FY2007 (From March 1, 2007, to February 29, 2008)

(Millions of yen)

	Department store business	Real estate business	Other businesses	Total	Elimination or corporate	Consolidated total
I Sales and Operating Income						
Sales						
(1) Sales to outside customers	737,931	22,419	13,613	773,964	–	773,964
(2) Intersegment sales or transfer	1,066	22,587	51,608	75,262	(75,262)	–
Total	738,997	45,007	65,222	849,226	(75,262)	773,964
Operating expenses	733,099	43,504	64,138	840,743	(75,234)	765,509
Operating income	5,897	1,502	1,083	8,483	(28)	8,455
II Assets, Depreciation and Amortization, Impairment Losses, and Capital Expenditures						
Assets	522,449	47,824	24,853	595,126	(24,399)	570,727
Depreciation and amortization	11,375	322	1,211	12,909	(256)	12,652
Impairment losses	5,854	56	136	6,047	(105)	5,942
Capital expenditure	19,888	200	1,465	21,554	(327)	21,227

Notes:

1. Business segments are based on the lines of business.
2. Details of each business segment are as follows:
 - 1) Department store business: Sales of apparel, accessories, household and sundry goods, and foods
 - 2) Real estate business: Property leasing, building interior design, and building maintenance
 - 3) Other businesses: Wholesaling and other services
3. Amortization of long-term prepaid expenses is included in operating expenses and an increase in the long-term prepaid expenses is included in capital expenditure.
4. As described in the Changes in the Accounting Policy, the Group employs the fixed asset depreciation method in accordance with the amended Corporation Tax Law effective from fiscal 2007 onward. As a result of this change, operating expenses in the department store business are ¥131 million higher and operating income is lower by the same amount, operating expenses in the real estate business are ¥2 million higher and operating income is lower by the same amount, operating expenses in the other businesses are ¥6 million higher and operating income is lower by the same amount, and operating expenses in elimination or corporate are ¥36 million lower and operating income is higher by the same amount than it would be in the case that the previous accounting method were employed.

b. Geographical segment information

FY2006 (From March 1, 2006, to February 28, 2007)

Geographical segment information is not provided since Japan accounted for over 90% of total sales of all segments and total assets of all segments.

FY2007 (From March 1, 2007, to February 29, 2008)

Geographical segment information is not provided since Japan accounted for over 90% of total sales of all segments and total assets of all segments.

c. Overseas sales

FY2006 (From March 1, 2006, to February 28, 2007)

Information on overseas sales is not provided since overseas sales accounted for less than 10% of consolidated net sales.

FY2007 (From March 1, 2007, to February 29, 2008)

Information on overseas sales is not provided since overseas sales accounted for less than 10% of consolidated net sales.

Related Party Transactions

FY2006 (From March 1, 2006, to February 28, 2007)

Transactions with officers and principal individual shareholders

Attribute	Name	Common stock or investment amount (Millions of yen)	Nature of business or occupation	Percentage of voting rights	Description of relationship		Description of transaction	Transaction amount (Millions of yen)	Account	Balance at year-end (Millions of yen)
					Concurrent service as corporate officer	Business relationship				
Officers or their close relatives	Teisuke Kitayama	—	Director of the Company Chairman of the board of Sumitomo Mitsui Banking Corporation	0.0	—	—	Sales of merchandise	185	Accounts receivable	41
							Borrowing of funds	16,000	Short-term borrowings	16,128
							Payment of interest	556	Long-term debt	38,298
									Accrued expenses	178

Notes: Terms and conditions of transactions and the policy for determining terms and conditions of transactions

1. Terms and conditions for sales of merchandise are determined on the basis of ordinary terms and conditions.
2. Regarding borrowing of funds, interest rates are reasonably determined, taking market interest rates into consideration. Terms of repayment are as follows: repayment periods of 2 to 5 years and bullet repayment or installment repayment.
3. Mr. Teisuke Kitayama assumed the position of a director of the Company as of May 23, 2006, and the transaction amount and the balance at year-end are based on the transactions made during the period from June 1, 2006, to February 28, 2007.
4. The above-mentioned transactions were made by Mr. Teisuke Kitayama in his capacity as the representative of a third party (Sumitomo Mitsui Banking Corporation).
5. Of the above-mentioned amounts, the transaction amount corresponding to sales of merchandise is stated excluding consumption taxes and the balance at year-end is stated including consumption taxes.

FY2007 (From March 1, 2007, to February 29, 2008)

Transactions with officers and principal individual shareholders

Attribute	Name	Common stock or investment amount (Millions of yen)	Nature of business or occupation	Percentage of voting rights	Description of relationship		Description of transaction	Transaction amount (Millions of yen)	Account	Balance at year-end (Millions of yen)
					Concurrent service as corporate officer	Business relationship				
Officers or their close relatives	Teisuke Kitayama	—	Director of the Company Chairman of the board of Sumitomo Mitsui Banking Corporation	0.0	—	—	Sales of merchandise	186	Accounts receivable	13
							Borrowing of funds	17,000	Short-term borrowings	34,598
							Payment of interest	869	Long-term debt	22,700
									Accrued expenses	120

Notes: Terms and conditions of transactions and the policy for determining terms and conditions of transactions

1. Terms and conditions for sales of merchandise are determined on the basis of ordinary terms and conditions.
2. Regarding borrowing of funds, interest rates are reasonably determined, taking market interest rates into consideration. Terms of repayment are as follows: repayment periods of 1.5 to 5 years and bullet repayment or installment repayment.
3. The above-mentioned transactions were made by Mr. Teisuke Kitayama in his capacity as the representative of a third party (Sumitomo Mitsui Banking Corporation).
4. Of the above-mentioned amounts, the transaction amount corresponding to sales of merchandise is stated excluding consumption taxes and the balance at year-end is stated including consumption taxes.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of yen)

	FY2006 (As of February 28, 2007)		FY2007 (As of February 29, 2008)	
	Amount	(%)	Amount	(%)
ASSETS				
I Current Assets				
1 Cash and bank deposits	12,305		16,277	
2 Notes receivable–trade	550		822	
3 Accounts receivable–trade	29,651		29,528	
4 Merchandise	33,403		33,132	
5 Supplies	306		174	
6 Advance payments	553		689	
7 Prepaid expenses	1,942		1,922	
8 Deferred tax assets–current	3,881		2,342	
9 Short-term loans	5,548		3,946	
10 Other current assets	5,286		4,343	
11 Less: Allowance for doubtful accounts	(29)		(16)	
Total current assets	93,400	18.4	93,163	18.5
II Property and Equipment				
1 Tangible fixed assets				
(1) Buildings	247,841		239,617	
Less: Accumulated depreciation	148,302	99,539	147,570	92,046
(2) Structures	1,834		1,598	
Less: Accumulated depreciation	1,482	352	1,298	299
(3) Machinery and equipment	5,445		5,120	
Less: Accumulated depreciation	3,743	1,701	3,794	1,325
(4) Vehicles	59		46	
Less: Accumulated depreciation	52	6	44	2
(5) Furniture and fixtures	16,664		14,219	
Less: Accumulated depreciation	12,330	4,334	10,322	3,896
(6) Land		192,758		192,656
(7) Construction in progress		4,275		8,822
Total tangible fixed assets		302,969		299,050
2 Intangible fixed assets				
(1) Leasehold rights		24,525		25,471
(2) Software		2,037		1,883
(3) Other intangible fixed assets		366		623
Total intangible fixed assets		26,929		27,978

(Millions of yen)

	FY2006 (As of February 28, 2007)		FY2007 (As of February 29, 2008)	
	Amount	(%)	Amount	(%)
3 Investments and other assets				
(1) Investments in securities	12,858		10,895	
(2) Investments in securities of subsidiaries and affiliates	16,373		15,915	
(3) Investment capital	36		5	
(4) Investments in capital of subsidiaries and affiliates	774		774	
(5) Long-term loans	11,456		11,881	
(6) Loans receivable from subsidiaries and affiliates	1,300		2,000	
(7) Claims provable in bankruptcy, claims provable in rehabilitation and other	80		66	
(8) Long-term prepaid expenses	4,566		4,643	
(9) Guarantee deposits	35,914		37,044	
(10) Other assets	1,285		1,511	
(11) Less: Allowance for doubtful accounts	(773)		(717)	
Total investments and other assets	83,874		84,020	
Total property and equipment	413,773	81.6	411,049	81.5
Total Assets	507,173	100.0	504,212	100.0

(Millions of yen)

	FY2006 (As of February 28, 2007)		FY2007 (As of February 29, 2008)		
	Amount	(%)	Amount	(%)	
LIABILITIES					
I Current Liabilities					
1 Accounts payable–trade		36,952		37,246	
2 Short-term borrowings		68,946		99,678	
3 Accounts payable–other		13,955		9,300	
4 Accrued expenses		4,345		3,035	
5 Income taxes payable		447		424	
6 Consumption taxes payable		1,010		1,650	
7 Advances received		3,380		2,752	
8 Gift vouchers		29,977		28,363	
9 Deposits received		54,806		58,580	
10 Allowance for point cards		161		253	
11 Other current liabilities		419		432	
Total current liabilities		214,404	42.3	241,719	47.9
II Long-term Liabilities					
1 Long-term debt		104,408		80,770	
2 Deferred tax liabilities–non-current		40,527		40,074	
3 Reserve for accrued employees' retirement benefits		37,578		37,542	
4 Allowance for loss on investment in subsidiaries		306		306	
5 Other long-term liabilities		6,929		5,963	
Total long-term liabilities		189,749	37.4	164,656	32.7
Total Liabilities		404,153	79.7	406,375	80.6
NET ASSETS					
I Shareholders' Equity					
1 Common stock		37,404	7.4	37,404	7.4
2 Capital surplus					
(1) Capital reserve	41,458			41,458	
(2) Other capital surplus	100			116	
Total capital surplus		41,558	8.2	41,574	8.2
3 Retained earnings					
(1) Legal reserve	8,564			8,564	
(2) Other retained earnings					
Reserve for advanced depreciation of specified assets	494			494	
Retained earnings carried forward	14,245			9,739	
Total retained earnings		23,304	4.6	18,798	3.7
4 Less: Treasury stock		(488)	(0.1)	(624)	(0.1)
Total shareholders' equity		101,779	20.1	97,152	19.3

(Millions of yen)

	FY2006 (As of February 28, 2007)		FY2007 (As of February 29, 2008)	
	Amount	(%)	Amount	(%)
II Valuation and Translation Adjustments				
1 Net unrealized gains on other securities	1,214	0.2	649	0.1
2 Deferred gains (losses) on hedges	0	0.0	(0)	(0.0)
Total valuation and translation adjustments	1,214	0.2	648	0.1
III Stock Acquisition Rights	25	0.0	35	0.0
Total Net Assets	103,019	20.3	97,837	19.4
Total Liabilities and Net Assets	507,173	100.0	504,212	100.0

(2) Non-Consolidated Statements of Income

(Millions of yen)

	FY2006 (From March 1, 2006, to February 28, 2007)			FY2007 (From March 1, 2007, to February 29, 2008)		
	Amount		(%)	Amount		(%)
I Net Sales						
1 Net sales of goods	739,588			720,457		
2 Box office revenue	722			711		
3 Commission revenue	1,528			1,613		
4 Real estate rent revenue	6,142	747,982	100.0	6,614	729,396	100.0
II Cost of Sales						
1 Cost of goods sold						
(1) Beginning goods	31,880			33,403		
(2) Cost of purchased goods	551,354			537,063		
Total	583,234			570,467		
(3) Ending goods	33,403	549,830		33,132	537,334	
2 Box office expenses		498			518	
Total cost of sales		550,328	73.6		537,853	73.7
Gross profit		197,653	26.4		191,543	26.3
III Selling, General and Administrative Expenses		185,264	24.8		182,088	25.0
Operating income		12,388	1.7		9,455	1.3
IV Non-operating Income						
1 Interest income	281			305		
2 Dividend income	1,325			1,928		
3 Gain on adjustment of accounts payable	2,963			3,075		
4 Other non-operating income	1,045	5,615	0.8	519	5,829	0.8
V Non-operating Expenses						
1 Interest expenses	4,844			4,686		
2 Inventory shortage	394			327		
3 Loss on reversal of gain on adjustment of accounts payable	2,375			2,314		
4 Provision of allowance for doubtful accounts	12			–		
5 Other non-operating expenses	1,374	9,001	1.2	990	8,319	1.1
Recurring profit		9,002	1.2		6,965	1.0
VI Extraordinary Gain						
1 Reversal of allowance for doubtful accounts	–			6		
2 Gain on sales of property and equipment	3,012			4,385		
3 Gain on sales of investments in securities	657			13		
4 Reversal of expenses for restoration of original state	759	4,429	0.6	–	4,404	0.6

(Millions of yen)

	FY2006 (From March 1, 2006, to February 28, 2007)			FY2007 (From March 1, 2007, to February 29, 2008)		
	Amount		(%)	Amount		(%)
VII Extraordinary Loss						
1 Loss on sales of property and equipment	335			–		
2 Loss on disposal of property and equipment	2,054			1,844		
3 Impairment loss	10,369			5,854		
4 Restructuring expenses	–			878		
5 Loss on closing of stores	80			–		
6 Loss on early extra retirement	1,080			–		
7 Loss on devaluation of investment securities	42			133		
8 Loss on devaluation of investments in subsidiaries and affiliates	327			897		
9 Provision of allowance for loss on investment in subsidiaries	117			–		
10 Management integration expenses	–			1,085		
11 Other extraordinary loss	678	15,086	2.0	1,926	12,620	1.7
Income before income taxes		1,654	(0.2)		1,250	(0.2)
Income taxes—current	113			121		
Income taxes—deferred	(95)	17	0.0	1,655	1,777	0.2
Net loss		1,671	(0.2)		3,027	(0.4)

(3) Non-Consolidated Statement of Changes in Net Assets

FY2006 (March 1, 2006, to February 28, 2007)

(Millions of yen)

	Shareholders' Equity									
	Common stock	Capital surplus			Legal reserve	Retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Reserve for advanced depreciation of specified assets	Retained earnings carried forward			
Balance at February 28, 2006	37,404	41,458	67	41,525	8,564	2,732	15,157	26,454	(373)	105,011
Changes during the year										
Reversal of reserve for advanced depreciation of specified assets in accordance with the resolution at the annual general meeting of shareholders held on May 23, 2006						(382)	382	-		-
Reversal of reserve for advanced depreciation of specified assets for other reason						(1,855)	1,855	-		-
Dividends from surplus							(1,478)	(1,478)		(1,478)
Net loss							(1,671)	(1,671)		(1,671)
Acquisition of the Company's own shares									(116)	(116)
Disposal of treasury stock			33	33					1	34
Changes in items other than shareholders' equity during the year (net)										
Total changes during the year	-	-	33	33	-	(2,238)	(911)	(3,150)	(115)	(3,232)
Balance at February 28, 2007	37,404	41,458	100	41,558	8,564	494	14,245	23,304	(488)	101,779

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Net unrealized gains on other securities	Deferred gains on hedges	Total valuation and translation adjustments		
Balance at February 28, 2006	1,877	-	1,877	-	106,889
Changes during the year					
Reversal of reserve for advanced depreciation of specified assets in accordance with the resolution at the annual general meeting of shareholders held on May 23, 2006					-
Reversal of reserve for advanced depreciation of specified assets for other reason					-
Dividends from surplus					(1,478)
Net loss					(1,671)
Acquisition of the Company's own shares					(116)
Disposal of treasury stock					34
Changes in items other than shareholders' equity during the year (net)	(663)	0	(662)	25	(637)
Total changes during the year	(663)	0	(662)	25	(3,869)
Balance at February 28, 2007	1,214	0	1,214	25	103,019

FY2007 (March 1, 2007, to February 29, 2008)

(Millions of yen)

	Shareholders' Equity									
	Common stock	Capital surplus			Legal reserve	Retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Reserve for advanced depreciation of specified assets	Retained earnings carried forward			
Balance at February 28, 2007	37,404	41,458	100	41,558	8,564	494	14,245	23,304	(488)	101,779
Changes during the year										
Dividends from surplus							(1,478)	(1,478)		(1,478)
Net loss							(3,027)	(3,027)		(3,027)
Acquisition of the Company's own shares									(137)	(137)
Disposal of treasury stock			16	16					1	17
Changes in items other than shareholders' equity during the year (net)										
Total changes during the year	-	-	16	16	-	-	(4,506)	(4,506)	(136)	(4,626)
Balance at February 29, 2008	37,404	41,458	116	41,574	8,564	494	9,739	18,798	(624)	97,152

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Net unrealized gains on other securities	Deferred gains on hedges	Total valuation and translation adjustments		
Balance at February 28, 2007	1,214	0	1,214	25	103,019
Changes during the year					
Dividends from surplus					(1,478)
Net loss					(3,027)
Acquisition of the Company's own shares					(137)
Disposal of treasury stock					17
Changes in items other than shareholders' equity during the year (net)	(565)	(0)	(566)	9	(556)
Total changes during the year	(565)	(0)	(566)	9	(5,182)
Balance at February 29, 2008	649	(0)	648	35	97,837