

ANNUAL REPORT 2004

For the Year Ended February 29, 2004



COMPANY PHILOSOPHY

Our company philosophy is “Service Before Profit”, which means those who give priority to service over profit will prosper.

“Service Before Profit” is to keep faith and morality with society and customers, implying that corporate profits are created by gaining the trust of society and customers. It represents a customer-first policy and social contribution.

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MESSAGE FROM CHAIRMAN

To the Shareholders:

We are pleased to inform you that we have settled the accounts and prepared the annual business report mainly on a consolidated basis for the year ended February 29, 2004.

Management Policy

1. Basic policy on management

The common corporate philosophy of Daimaru Group (the “Group”) is “Service Before Profit”, which means keeping faith and morality with society and customers, implying that corporate profits are created by gaining the trust of society and customers. It represents a customer-first policy and social contribution.

Under this philosophy and with the aim of offering customers “**high quality, freshness and hospitality**” and “**achieving maximum customer satisfaction at minimum cost through promotion of management reforms**”, we will **thoroughly pursue “high quality management”**, which improves the quality in every aspect of management including merchandise and services, in our core department store operations, supermarket operations and other business lines to create:

- (1) a group which provides genuine satisfaction captivating customers and acquires the highest reputation in the industry for popularity among customers;
- (2) a group which meets shareholders’ expectations by achieving the top-level profitability and efficiency in the industry to enhance enterprise value;
- (3) a group which provides job satisfaction to its employees by fairly evaluating their performance so that they can realize their exertion of ability and growth; and
- (4) a group which widely earns social confidence and contributes to society by ensuring strict compliance in management.

2. Basic policy on profit sharing

The basic policy of The Daimaru, Inc. (the “Company”) is to divide up profits appropriately in consideration of its profit level, future capital investment and cash flow trends while maintaining and improving sound financial position. The Company will continue to sustain and improve its dividend level by strengthening the capital base through improvement of profit level.

3. Basic idea on corporate governance and implementation of its measures

The Company gives top priority to enhancement of corporate governance. In order to speed up its efforts to tackle the challenges, which will lead to early achievement of concrete results of the whole Group, the Company tried to clarify the role, responsibility and authority of the organization by introducing the new structure of Group Headquarters comprising four principal bodies in March 2003 in a bid to improve the quality of the management of the Group.

With a view to strengthening corporate governance and compliance as part of efforts to fulfill corporate social responsibilities and liability for shareholders as well as to ensuring achievement of the goal of this reorganization, the Company introduced a corporate officer system to make a clear distinction between decision-makers and executors in the management and decreased the number of directors from twelve to seven to expedite decision-making. In addition, the Company reformed the remuneration system for directors and corporate officers to be based on performance and contingent on success and limited their terms to one year to clarify management responsibility for advancement of management and business performance. Since performance-and-success-based pay system for directors and officers was introduced, their retirement allowance was abolished.

And in deciding their remuneration, the Company formed the Personnel and Remuneration Committee on which an outside director serves to increase transparency and fairness.

Furthermore, the Company invited two outside corporate auditors to conduct fairer audits.

As its commitment to corporate ethics including regulatory compliance, the Company has monitored and enlightened through enhancement of the functions of legal department and internal audit division. Making joint efforts to promote these activities, the Group set up in February 2004 the Compliance Committee, which is chaired by the Chairman of the Company and joined by a legal advisor, and is working toward resolving compliance issues.

4. Mid-and-long term management strategy and tasks

In the year ending February 28, 2005, we have initiated the First Three-year Management Plan for FYs 2004-2006 based on the Regrowth Plan of Daimaru Group for next leap forward. The Regrowth Plan presents the mid-and-long term direction of the management of the Group based on thorough pursuit of improvement in the level of know-how on low-cost and high-efficiency operations acquired by the Company in the past. At the same time, we will develop new business strategies and systems in quick response to the change of the times in an effort to broaden and deepen the market by exerting group synergy effectively.

Through these actions, we aim at achievement of our high performance targets and leap and growth as a leading department store operator representing Japan in the 21st century.

5. Target management indicators

Our numerical business targets for the final year (FY 2006) of the First Three-year Management Plan for FYs 2004-2006 based on the Regrowth Plan of Daimaru Group are as follows:

	Millions of yen
Consolidated net sales	830,000
Consolidated operating profit	32,000
Ratio of consolidated operating profit to net sales	3.9%
Ratio of operating profit to department store sales	4.4%
Consolidated return on assets (ROA)	8.5%
Consolidated interest-bearing debt	Not exceeding 90,000
Consolidated operating cash flow	28,000

Operating results and financial condition

[] Operating results

1. General condition in the year ended February 29, 2004

In the year ended February 29, 2004, the Japanese economy showed some signs of recovery such as increase in export to other Asian countries and upturn in capital investment. However, consumer spending remained generally sluggish.

In the retail industry, competition has been intensifying due to entry by overseas major retailers and capital participation by major trading companies while integration of business groups and closure of stores are increasing rapidly.

Under these circumstances, in spite of their efforts to increase profits including expansion of sales floors, store remodeling and newsworthy sales measures and product development, sales of the existing department stores in Japan had fallen below the previous year's level for consecutive seven years partly because of unseasonable weather such as cold summer and warm winter.

In the meantime, a new store opened in Sapporo under the concept of "Pleasure-Seeking

Department Store” as a model store which brings together the results of all the management reforms achieved by the Company in the past. The store gains greater-than-expected popularity among the local customers. With both the number of customers visiting the store and sales amount far exceeding our original expectations, it turned a profit only one year after opening, which greatly contributed to improvement in business performance of the Company.

Operation reforms of the existing stores steadily bore fruit and they were completely committed to timely offering of merchandise and improvement of services by having a good grip of the change of shopping tendency of customers through the existing New MD Information System and the New Customer Information System introduced in September 2003 in addition to firm establishment of the system enabling salespersons to be devoted exclusively to sales and strengthening of store-based sales through development and implementation of more highly detailed sales plan. In our Customer’s View project whereby attractive products and services are swiftly offered based on the needs and wants of each customer, we improved its operation system including collection of customers’ requests and product development and provided solutions needed for enhancement of customers’ living standards by developing stylish pochettes fitting in tote bags, women’s custom-made shirts whose design, material and color can be ordered like men’s tailor-made shirts, pants assorting ten sizes for better fit and washable feather coverlets for *kotatsu*.

These efforts for stronger sales resulted in maintaining almost the previous year’s level of sales of the existing stores.

As part of reorganization of the Group business, Hakata Daimaru Co., Ltd. and Nagasaki Daimaru Co., Ltd. were merged on March 1, 2003. In addition, we reorganized three construction subsidiaries on September 1, 2003 and absorbed two real estate subsidiaries into the Company on February 29, 2004.

Owing to the efforts mentioned above, consolidated net sales in the year ended February 29, 2004 amounted to ¥817,314 million, up 3.2% from the previous year, to which Sapporo Store contributed. Since the growth of operating income exceeded the increase of selling, general and administrative expenses, operating profit, ordinary profit and net income rose by 24.7%, 29.3% and 129.7% from the previous year to ¥23,345 million, ¥22,243 million and ¥11,879 million respectively.

On a non-consolidated basis, net sales increased by 9.0% from the previous year to ¥469,057 million, which was also attributable to opening of Sapporo Store. Operating profit, ordinary profit and net income grew by 7.8%, 11.0% and 45.7% from the previous year to ¥13,309 million, ¥13,077 million and ¥8,167 million respectively. Thus we reached new highs in these items both on consolidated and non-consolidated bases.

Reflecting the operating performance for the year under review mentioned above, we have decided to pay a term-end dividend of ¥4 per share, up ¥1 from the previous year, totaling ¥7 annually. Besides, we will add a commemorative dividend of ¥1 per share as an expression of our appreciation to the shareholders for successful operation of Sapporo Store continuing since its opening so that an annual dividend totaled ¥8 per share, up ¥2 from the previous year.

The segment accounting is as follows. Sales figures of each segment include other operating revenue.

Department store

While Sapporo Store continued to make a greater profit than originally planned, we steadily carried out operation reforms in our all directly-operated stores through a timely product mix, offering of newsworthy products and attractive events to differentiate ourselves from other department stores and raise profits. In addition, the New Customer Information System was implemented company-wide to build closer and stronger relations with customers. Kyoto Store extensively remodeled its food floor with a focus on perishable food section. Our affiliated department stores continued to tackle various management reforms. Kochi Daimaru Co., Ltd. and Shimonoseki

Daimaru Co., Ltd. fully refurbished their food departments to increase sales results through community-based selling.

Owing to the efforts mentioned above, department store sales increased by 6.8% from the previous year to ¥605,625 million, to which opening of Sapporo Store greatly contributed. Operating profit also rose by 8.9% from the previous year to ¥20,041 million due to strong sales of Hakata Daimaru Co., Ltd. as well as effective spending of selling, general and administrative expenses.

Supermarket

Though Daimaru Peacock Co., Ltd. took strong measures to boost sales including opening of two new supermarkets in the Kanto district, strengthening of product assortment in response to customer needs, extension of operating hours and building of customer loyalty, sales in this segment declined by 2.3% from the previous year to ¥106,016 million, partly affected by intensifying competition among supermarkets and unseasonable weather. However, operating profit jumped by ¥3,040 million from the previous year to ¥770 million due to improvement of gross profit margin rate and reduction of selling, general and administrative expenses.

Wholesale

Since Daimaru Kogyo, Ltd. suffered a decrease of sales in electronics and food products due to fiercer competition, sales in this segment fell by 6.8% from the previous year to ¥77,566 million and operating profit also declined by 21.2% from the previous year to ¥1,117 million in spite of the efforts to reduce selling, general and administrative expenses.

Other

Sales in this segment decreased by 12.6% from the previous year to ¥72,956 million, affected by the large scale construction work in Sapporo area undertaken by a construction company in the previous year, whereas operating profit increased by 1.5% from the previous year to ¥1,275 million owing to rise in profit rate of Daimaru Design & Engineering Co., Ltd. and revenue growth of Dimples' Co., Ltd.

2. Outlook for next term

Environment surrounding the Group is expected to remain severe because of intensifying competition beyond category and type of business and anticipated delay in a full-fledged recovery of consumption due to uncertainty over the future including a pension issue.

Under such harsh circumstances, in the year ending February 28, 2005 when we will newly inaugurate the First Three-year Management Plan for FYs 2004-2006 based on the Regrowth Plan of Daimaru Group, we will certainly implement the efforts to enhance the quality of management with the aim of achieving our performance targets.

In the year ending February 28, 2005, consolidated sales and ordinary profit are projected to expand by 0.5% and 12.4% to ¥821 billion and ¥25 billion respectively and net income is likely to increase by 1.0% to reach ¥12 billion.

On a non-consolidated basis, sales are expected to total ¥472 billion, up 0.6% in the year ending February 28, 2005, while ordinary profit is forecasted to rise by 22.4% to ¥16 billion. The Company expects net income to increase by 4.1% to amount to ¥8.5 billion.

[] Financial position

1. General condition in the year ended February 29, 2004

In the year ended February 29, 2004, on a consolidated basis, cash inflows from operating activities increased by ¥16,951 million from the previous year to ¥33,198 million, which was attributable to significant increase in net income before income taxes and postponement of payment to the

following year because the year-end fell on bank holiday.

Cash flows from investing activities came to cash outflows of ¥8,635 million mainly due to decrease in capital investment. Net cash used in financing activities totaled ¥25,501 million due to payment of loans and reduction of interest-bearing debt including repayment of convertible bonds.

As a result, the year-end balance of cash and cash equivalents and interest-bearing debt stood at ¥20,337 million and ¥119,829 million, down ¥948 million and ¥23,881 million from the previous year-end respectively.

2. Outlook for next term

In the year ending February 28, 2005, cash inflows from operating activities are expected to decline by ¥7.1 billion from the previous year-end to ¥26 billion due to postponement of payment of purchase liabilities for the previous year in spite of increase in net income before income taxes.

Cash flows from investing activities are anticipated to post cash outflows of ¥13 billion due to capital investment and other payments. Cash flows from financing activities are projected to rack up cash outflows of ¥14 billion due to payments of loans.

As a result, the Company expects the year-end balance of cash and cash equivalents to amount to ¥19 billion, down ¥1.3 billion from the previous year-end, and interest-bearing debt to decrease by ¥9.8 billion from the previous year-end to ¥110 billion.

Tsutomu Okuda
Chairman and CEO

FINANCIAL SECTION

CONSOLIDATED BALANCE SHEET

February 29, 2004

	Millions of yen
ASSETS	375,647
Current Assets	125,136
Cash on hand and in banks	20,364
Notes receivable and accounts receivable-trade	54,134
Marketable securities	24
Inventories	30,114
Deferred tax assets	5,960
Other current assets.....	15,571
Allowance for doubtful accounts.....	(1,033)
Fixed Assets	250,511
Tangible fixed assets	158,687
Buildings and structures.....	90,160
Machinery, equipment and vehicles.....	145
Furniture and fixtures	1,192
Land.....	67,048
Construction in progress.....	140
Intangible fixed assets	5,979
Other intangible fixed assets	5,979
Investments and other assets	85,844
Investment securities	18,757
Long-term loans receivable	2,601
Long-term guarantee deposits	39,064
Deferred tax assets.....	23,938
Other investments and assets.....	3,017
Allowance for doubtful accounts.....	(1,535)
Total assets	375,647

LIABILITIES	308,713
Current Liabilities	218,754
Notes payable and accounts payable-trade	79,242
Current portion of convertible bonds	2,000
Short-term loans payable.....	60,091
Accrued corporation taxes.....	5,720
Advances received	32,335
Allowance for bonuses.....	5,754
Reserve for sales promotion	2,226
Other current liabilities.....	31,384
Fixed Liabilities	89,958
Bonds.....	13,500
Long-term loans payable.....	44,238
Deferred tax liabilities	1,246
Reserve for retirement benefits	28,502
Reserve for directors' retirement allowance.....	152
Consolidated adjustment account.....	338
Other fixed liabilities.....	1,980
MINORITY INTERESTS	1,819
Minority interests	1,819
SHAREHOLDERS' EQUITY	65,114
Capital	20,283
Capital surplus	23,184
Earned surplus	21,180
Valuation difference of other securities	1,961
Treasury stock	(1,495)
Total liabilities and shareholders' equity	375,647

Note: Any fractional sum less than one million yen is omitted.

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended February 29, 2004

	Millions of yen
Net sales.....	817,314
Cost of sales.....	610,472
Gross profit	206,842
Other operating revenue.....	1,555
Selling, general and administrative expenses	185,053
Operating profit	23,345
Non-operating income	2,575
Interest income.....	334
Dividend income.....	171
Equity in earnings of affiliates	152
Miscellaneous income	1,916
Non-operating expenses	3,677
Interest expense.....	2,321
Miscellaneous expenses	1,356
Ordinary profit	22,243
Extraordinary income	5,851
Gain on sales of fixed assets.....	858
Gain on return of substitutional portion of employee pension fund	4,992
Extraordinary loss	4,663
Loss on disposal of subsidiaries and affiliates	2,971
Loss on retirement of fixed assets.....	715
Loss from valuation of investment securities	272
Social insurance adjustment	703
Net income before income taxes	23,431
Income, inhabitant and enterprise taxes	7,340
Income tax adjustment.....	3,298
Minority interests in earnings of consolidated subsidiaries.....	913
Net income	11,879

Note: Any fractional sum less than one million yen is omitted.

CONSOLIDATED STATEMENT OF SURPLUS

For the year ended February 29, 2004

	Millions of yen
CAPITAL SURPLUS	
Balance of capital surplus at beginning of year	23,184
Increase in capital surplus	--
Surplus from disposal of treasury stock	--
Balance of capital surplus at end of year	23,184
EARNED SURPLUS	
Balance of earned surplus at beginning of year	19,290
Increase in earned surplus	11,879
Net income	11,879
Decrease in earned surplus	9,989
Dividends.....	1,606
Bonuses to directors and corporate auditors.....	57
[Corporate auditors' share].....	[9]
Decrease resulting from increase of consolidated subsidiaries	8
Decrease resulting from merger of consolidated subsidiaries	8,317
Balance of earned surplus at end of year	21,180

Note: Any fractional sum less than one million yen is omitted.
The Company paid an interim dividend of ¥803 million (¥3 per share) on November 25, 2003.

CONSOLIDATED SUBSIDIARIES

Department Store

Kochi Daimaru Co., Ltd.
Hakata Daimaru Co., Ltd.
Imabari Daimaru Co., Ltd.
Shimonoseki Daimaru Co., Ltd.

Supermarket

Daimaru Peacock Co., Ltd.

Wholesale

Daimaru Kogyo, Ltd.

Other

COM Planning and Development Co., Ltd.
Daimaru Fudosan Co., Ltd.
Mode Atelier Co., Ltd.
Daimaru Home Shopping, Inc.
Daimaru Credit Service Co., Ltd.
Daimaru Design & Engineering Co., Ltd.
Asocia Co., Ltd.
Daimaru Tomo no Kai Co., Ltd.
Restaurant Peacock Co., Ltd.
Consumer Product End-Use Research Institute Co., Ltd.
Daimaru Information Center Co., Ltd.
Dimples' Co., Ltd.

and other 3 subsidiaries, totaling 21

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended February 29, 2004

	Millions of yen
Cash flows from operating activities	
Net income before income taxes	23,431
Depreciation	9,415
Amortization of consolidated adjustment account.....	(142)
Decrease in reserve for retirement benefits.....	(2,158)
Decrease in allowance for doubtful accounts.....	(1,150)
Increase in reserve for sales promotion.....	627
Interest and dividend income.....	(506)
Interest expense.....	2,321
Equity in earnings of affiliates	(152)
Gain on sales of fixed assets.....	(858)
Gain on return of substitutional portion of employee pension fund	(4,992)
Loss on disposal of subsidiaries and affiliates	2,971
Loss on retirement of fixed assets.....	715
Loss from valuation of investment securities	272
Increase in fund for liquidation of receivables	2,000
Increase in notes and accounts receivable	(1,196)
Decrease in inventories	978
Increase in notes and accounts payable	4,444
Increase in accrued liabilities	3,696
Other	1,679
Subtotal.....	41,396
Interest and dividends received.....	549
Interest paid	(2,208)
Income taxes paid.....	(6,538)
Net cash provided by operating activities.....	33,198
Cash flows from investing activities	
Payments for purchases of tangible fixed assets	(10,739)
Proceeds from sales of tangible fixed assets	867
Payments for purchases of investment securities.....	(432)
Proceeds from sales of investment securities	302
Payments for long-term advances	(192)
Proceeds from collection of long-term advances	351
Decrease in short-term advances.....	878
Other	329
Net cash used in investing activities.....	(8,635)
Cash flows from financing activities	
Decrease in short-term borrowings.....	(3,020)
Proceeds from issuance of long-term debt.....	17,583
Payments of long-term debt	(33,226)
Redemption of convertible bonds	(5,218)
Dividends paid.....	(1,590)
Purchase of treasury stock.....	(36)
Other	5
Net cash used in financial activities	(25,501)
Effect of exchange rate changes on cash and cash equivalents	(10)
Decrease in cash and cash equivalents	(948)
Cash and cash equivalents at beginning of year	21,285
Cash and cash equivalents of newly consolidated subsidiaries at end of year ...	0
Cash and cash equivalents at end of year.....	20,337

Note: Any fractional sum less than one million yen is omitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries

(Twenty-one companies including Shimonoseki Daimaru Co., Ltd., Kochi Daimaru Co., Ltd., Hakata Daimaru Co., Ltd., Daimaru Peacock Co., Ltd. and Daimaru Kogyo, Ltd.)

From the consolidated fiscal year under review, Daimaru Mokko Co., Ltd. and DHJ Co., Ltd., both of which were newly established, and, in terms of significance, Daimaru Fudosan Co., Ltd. are included in the scope of consolidation. Mich International Co., Ltd., former Daimaru Mokko Co., Ltd. and Drexel Heritage Japan Co., Ltd., which were liquidated, and Nagasaki Daimaru Co., Ltd., Chuo Kogyo Co., Ltd. and Daio Fudosan Co., Ltd., which were merged, are excluded from consolidation.

(2) Non-consolidated subsidiaries

(Thirteen companies including Hakata Daimaru Tomo no Kai Co., Ltd. and Hakata Daimaru Card Service Co., Ltd.)

Total assets, sales, net income and loss (equity value) and retained earnings (equity value) of non-consolidated subsidiaries are eliminated from consolidation because of the immaterial effect on the consolidated financial statements.

2. Application of equity method

(1) Equity method has been applied to:

- Three affiliates including Hakuseisha Co., Ltd., Shinsaibashi Kyodo Center Building Co., Ltd. and Yaesu Shopping Mall Co., Ltd.

(2) Equity method has not been applied to:

- Thirteen non-consolidated subsidiaries including Hakata Daimaru Tomo no Kai Co., Ltd. and Hakata Daimaru Card Service Co., Ltd.; and
- Five affiliates including Osaka Diamond Chikagai Co., Ltd. and BIG STEP CO., LTD.
The above-mentioned non-consolidated subsidiaries and affiliates are not accounted for by the equity method because they have slight effects on net income and earned surplus for the year under review and they are of no significance as a whole.

- (3) For the equity-method affiliates whose financial years do not end on the last day of February, the financial statements for the financial years of such affiliates are reported.

3. Fiscal year end of consolidated subsidiaries

The financial years of all consolidated subsidiaries end on the last day of February.

4. Accounting principles

(1) Appraisal of important assets

(a) Securities

Other securities with available
fair market values:

By the market value method based on market value as of the last day of the consolidated fiscal year under review (Valuation difference is included directly in shareholders' equity and the cost of securities sold is determined by the moving average method.)

Other securities without available

fair market values: By the moving average cost method

(b) Inventories:

Principally by the reduction-to-retail cost method

(c) Derivatives:

By the market value method

(2) Depreciation of important depreciable assets

- (a) Tangible fixed assets: Buildings and structures are depreciated principally by the straight-line method and other tangible fixed assets are depreciated principally by the declining balance method.
- (b) Intangible fixed assets: By the straight-line method
Software for internal use is amortized by the straight-line method over the usable period of five years for in-house use.

(3) Significant allowance and reserve

(a) Allowance for doubtful accounts

The allowance for doubtful accounts is provided in estimated amount of uncollectible accounts. With respect to normal receivables, the actual loan loss ratio is used, and for certain doubtful receivables, the collectibility has been individually estimated.

(b) Accrued bonuses

The accrued bonuses are stated in estimated amount to be paid in the future.

(c) Reserve for sales promotion

With respect to unused vouchers issued on the promotional reward card system, the reserve for sales promotion is provided in projected amount of such unused vouchers to be used in the future, which has been estimated based on the past actual rate of collection.

(d) Reserve for retirement benefits

The reserve for employees' retirement benefits is provided in amount recognized as of the last day of the consolidated fiscal year under review based on the estimated amount of retirement benefit obligation and pension assets as of the same date. Prior service cost is prorated as an expense by the straight-line method over a given period (10 to 12 years) within the employees' average estimated remaining length of service from the year in which they arise. Actuarial gain or loss is recognized as an expense in equal amounts by the straight-line method over a given period (10 to 12 years) within the employees' average estimated remaining length of service from the subsequent period to the year in which they arise.

(e) Reserve for directors' retirement allowance

The reserve for directors' retirement allowance is provided in amount required by internal regulations if they retired on the relevant balance sheet date.

The parent company has abolished directors' retirement allowance as of the annual general meeting of shareholders on May 22, 2003. As a result, the reserve for directors' retirement allowance was eliminated to cover the unpaid portion of ¥187 million for the directors' term of service up to May 22, 2003, which is included in "other fixed liabilities".

(4) Foreign currency translation of significant assets and liabilities dominated in foreign currencies

Monetary assets and liabilities dominated in foreign currencies are translated into yen at the year-end spot exchange rates and the differences arising from translation adjustments are presented as gain or loss. Foreign monetary assets and liabilities covered by forward exchange contracts are translated into yen at the contracted forward exchange rates.

(5) Accounting for significant lease transactions

Except for leases stipulating the transfer of ownership of the leased assets to lessees, finance lease transactions are accounted for by the same method as the normal operating lease transactions.

(6) Significant hedge accounting

(a) Method of hedge accounting

Deferral hedge accounting is adopted. With respect to foreign monetary assets and liabilities covered by forward exchange contracts, appropriation accounting is adopted, and for interest rate swap and interest cap, exceptional accounting is adopted if they meet the requirements for such accounting.

(b) Means of hedging and hedged items

Means of hedging: Forward exchange contracts, interest rate swap agreements and interest cap trading

Hedged items: Operating receivables and payables dominated in foreign currencies and interest on loans payable

(c) Hedging policies

The Group hedges against currency and interest rate risks based on its risk management policy.

(7) Accounting for consumption taxes: By the tax exclusion method

5. Appraisal of assets and liabilities of consolidated subsidiaries

All the assets and liabilities of consolidated subsidiaries are estimated by the market value method.

6. Items of profit appropriation

The items of profit appropriation are provided based on the appropriations of earnings settled during the period under review.

7. Amortization of consolidated adjustment account

With respect to consolidated adjustment account, an equal portion is amortized for each year over five years after it arises. However, if such account is slight, it is presented as gain or loss when it arises.

8. Scope of funds for the consolidated statement of cash flows

Cash and cash equivalents include cash on hand, readily available deposits and short-term immediately realizable and highly liquid and safe investments with maturities not exceeding three months at the time of purchase.

Additional Information

Accounting standards for treasury stock and reversal of legal reserve

From the consolidated fiscal year under review, the Company has adopted the "Accounting Standards for Treasury Stock and Reversal of Legal Reserve" (Corporate Accounting Standards No. 1). This adoption had slight effects on the Company's profit and loss.

The regulations for consolidated financial statements were amended and this amendment is reflected in the shareholders' equity section of the consolidated balance sheet and the consolidated statement of surplus for the consolidated fiscal year under review.

Accounting standards for net income per share

From the consolidated fiscal year under review, the Company has adopted the "Accounting Standards for Net Income per Share" (Corporate Accounting Standards No. 2) and the "Guidelines for Applying Accounting Standards for Net Income per Share" (Guidelines for Applying Accounting Standards No. 4). This adoption had slight effects on the Company's net income per share.

Income tax adjustment resulting from tax rate change

The Law to Partially Amend the Local Tax Law (Law No. 9 of 2003) became effective on March 31, 2003 to change the rate of tax on corporate income starting from the taxable years beginning April 1, 2004. As a result, the statutory effective tax rate employed for calculating deferred tax assets and liabilities was changed from 42% to 40.6% for the future expected tax effects of temporary differences to be realized in and after the consolidated fiscal year ending the last day of February 2006. The effect of this change was to decrease deferred tax assets (net of deferred tax liabilities) by ¥464 million and increase income tax adjustment, which is recognized as an expense, and valuation difference of other securities by ¥510 million and ¥46 million respectively.

The Company's share of social insurance contribution under the total remuneration system

Previously the social insurance contribution for bonuses was recognized as an expense when expensed. From the consolidated fiscal year under review, the social insurance contribution for allowance for bonuses has been recorded as an expense due to the introduction of the total remuneration system for calculating social insurance premiums in April 2003, and accordingly, the amount of ¥716 million is included in selling, general and administrative expenses. The social insurance contribution for previous years of ¥703 million paid in the consolidated fiscal year under review is stated as "social insurance adjustment" in extraordinary loss. The effect of this change was to decrease operating profit and ordinary profit by ¥13 million respectively and also decrease net income before income taxes by ¥716 million.

Return of substitutional portion of employee pension fund

Daimaru Employee Pension Fund under the control of the parent company (the "Fund") received approval from the Minister of Health, Labor and Welfare on October 1, 2003 to return the past substitutional portion of the Fund and transfer its payment obligation to the corporate pension fund based on the Defined Benefit Corporate Pension Law. The Fund completed calculation of refund and approval procedures of general inventory accompanying return of the substitutional portion and paid liability reserve for the substitutional portion amounting to ¥39,043 million.

The Company recognized extinguishment of retirement benefit obligation (¥56,019 million), refund of pension assets (¥39,043 million), unrecognized prior service cost (¥8,600 million) and unrecognized actuarial differences (¥20,584 million) with respect to the substitutional portion. As a result, the difference of ¥4,992 million is reported as "gain on return of substitutional portion of employee pension fund" in extraordinary income.

Explanatory Notes relating to the Consolidated Balance Sheet

	Millions of yen
1. Accumulated depreciation for tangible fixed assets	113,165
2. Assets put up as security	
Marketable securities	24
Buildings and structures	19,446
Land	15,626
Investment securities	3,981
Long-term deposits	32
3. Loan guarantees	983
In addition to the above, the Company guarantees the lessor all the debts incurred by Osaka Diamond Chikagai Co., Ltd. including rents and common service expenses for the premises of the underground shopping complex jointly with other two companies. The guarantee percentage by the Company is 40%.	
4. Loan commitments	
Unused portions of loan commitments	16,000
5. Class and number of treasury stock	
Common stock	3,178,241 shares

Explanatory Notes relating to the Consolidated Statement of Operations

Net income per share	¥44.12
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Explanatory Notes relating to the Consolidated Statement of Cash Flows

Cash and cash equivalents at end of year in the consolidated statement of cash flows consist of the following items, which are stated in the consolidated statement of balance sheet:

	<u>As of February 29, 2004</u>
	Millions of yen
Cash and bank deposits at end of year	20,364
Time deposits with maturity of over three months	(26)
Cash and cash equivalents at end of year	20,337

CONSOLIDATED FINANCIAL SUMMARY

For the years ended February 28 / 29

	Millions of yen			
	2001	2002	2003	2004
Net sales	794,760	809,117	792,300	817,314
Ordinary profit	11,187	16,301	17,198	22,243
Net income (loss)	2,804	(19,174)	5,171	11,879
Total assets	389,430	386,831	392,578	375,647
Net assets	79,630	58,138	60,828	65,114

NON-CONSOLIDATED BALANCE SHEET

February 29, 2004

	Millions of yen
ASSETS	263,288
Current Assets	74,528
Cash on hand and in banks	11,882
Notes receivable	203
Accounts receivable-trade	18,747
Marketable securities	24
Merchandise.....	16,413
Supplies	194
Prepaid expenses	857
Short-term loans receivable.....	16,009
Accounts receivable-other	5,750
Deferred tax assets	3,204
Other current assets.....	2,980
Allowance for doubtful accounts.....	(1,741)
Fixed Assets	188,759
Tangible fixed assets	105,158
Buildings and structures.....	61,447
Vehicles and furniture/fixtures.....	302
Land.....	43,402
Construction in progress.....	6
Intangible fixed assets	3,881
Leasehold land.....	1,182
Software.....	2,297
Other intangible fixed assets	401
Investments and other assets	79,719
Investment securities	14,732
Investments in subsidiaries.....	12,506
Long-term loans receivable	14,600
Long-term guarantee deposits	22,352
Long-term prepaid expenses	871
Deferred tax assets	19,032
Other investments.....	938
Allowance for doubtful accounts.....	(5,315)
Total assets	263,288

LIABILITIES	204,099
Current Liabilities	143,760
Notes payable	852
Accounts payable-trade	36,456
Short-term loans payable.....	38,387
Accounts payable-not trade.....	4,060
Accrued corporation taxes.....	3,253
Accrued consumption taxes	1,812
Accrued expenses	2,416
Advances received	15,276
Deposits received.....	36,734
Allowance for bonuses.....	3,590
Reserve for sales promotion	704
Other current liabilities.....	216
Fixed Liabilities	60,339
Bonds.....	13,500
Long-term loans payable	28,081
Reserve for retirement benefits	18,044
Other fixed liabilities.....	713
SHAREHOLDERS' EQUITY	59,188
Capital	20,283
Capital surplus	23,184
Capital reserve	23,184
Other capital surplus	--
Gain on disposal of treasury stock	--
Earned surplus	15,599
Earned surplus reserve.....	4,657
Voluntary reserve	5,236
Reserve for advanced depreciation deduction of fixed assets	2,024
Reserve for special depreciation	212
Contingent reserve.....	3,000
Unappropriated retained earnings	5,704
Valuation difference of stock	1,577
Treasury stock	(1,456)
Total liabilities and shareholders' equity	263,288

- Notes: 1. Any fractional sum less than one million yen is omitted.
2. Important financial policies and explanatory notes relating to the non-consolidated balance sheet are provided separately.

NON-CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended February 29, 2004

Millions of yen

Ordinary Income and Expenses		
Operating income and expenses		
Operating income		
Net sales	469,057	
Other income	1,457	470,514
Operating expenses		
Cost of sales	342,003	
Selling, general and administrative expenses.....	115,201	457,205
Operating profit		13,309
Non-operating income and expenses		
Non-operating income		
Interest income	940	
Dividend income	309	
Miscellaneous income.....	907	2,156
Non-operating expenses		
Interest expense	1,678	
Miscellaneous expenses.....	711	2,389
Ordinary profit		13,077
Extraordinary Items		
Extraordinary income		
Gain on sales of fixed assets.....	822	
Gain on return of substitutional portion of employee pension fund	4,992	5,814
Extraordinary loss		
Loss on disposal of subsidiaries and affiliates.....	1,722	
Loss on retirement of fixed assets	274	
Loss from valuation of investment securities	247	
Social insurance adjustment	454	2,699
Net income before income taxes		16,192
Income, inhabitant and enterprise taxes		4,173
Income tax adjustment.....		3,852
Net income		8,167
Retained earnings brought forward.....		3,321
Interim dividends		803
Loss on retirement of subsidiaries' stock.....		4,981
Unappropriated retained earnings		5,704

- Notes: 1. Any fractional sum less than one million yen is omitted.
 2. Important financial policies and explanatory notes relating to the non-consolidated statement of operations are provided separately.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Important Financial Policies

Important financial policies adopted in preparing the non-consolidated balance sheet and the non-consolidated statement of operations are as follows:

1. Appraisal of securities

Investments in subsidiaries and affiliates:	By the moving average cost method
Other securities	
Other securities with available fair market values:	By the market value method based on market value as of the last day of the fiscal year under review (Valuation difference of other securities is included directly in shareholders' equity and the cost of securities sold is determined by the moving average method.)
Other securities without available fair market values:	By the moving average cost method

2. Appraisal of inventories

Merchandise:	By the reduction-to-retail cost method; Imported goods not yet delivered are carried by the individual cost method of book inventory.
Supplies:	By the first-in first-out cost method

3. Fixed assets depreciation

Tangible fixed assets	
Buildings and structures:	By the straight-line method
Vehicles and furniture/fixtures:	By the declining balance method
Intangible fixed assets:	By the straight-line method
	Software for internal use is amortized by the straight-line method over the usable period of five years for in-house use.

4. Accounting standard for allowance and reserve

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in estimated amount of uncollectible accounts. With respect to normal receivables, the actual loan loss ratio is used, and for certain doubtful receivables, the collectibility has been individually estimated.

Accrued bonuses

The accrued bonuses are stated in estimated amount to be paid in the future.

Reserve for sales promotion

With respect to unused vouchers issued on the promotional reward card system, the reserve for sales promotion is provided in projected amount of such unused vouchers to be used in the future, which has been estimated based on the actual rate of collection.

Reserve for retirement benefits

The reserve for employees' retirement benefits is provided in amount recognized as of the last day of the fiscal year under review based on the estimated amount of retirement benefit obligation and pension assets as of the same date. Prior service cost is prorated as an expense by the straight-line method over a given period (12 years) within the employees' average estimated remaining length of service from the year in which they arise. Actuarial gain or loss is recognized as an expense in equal amounts by the straight-line method over a given period (12 years) within the employees' average estimated remaining length of service from the subsequent period to the year in which they arise.

Reserve for directors' retirement allowance

The reserve for directors' retirement allowance had been provided in amount required by internal regulations if they retired on the relevant balance sheet date. However, the Company has abolished directors' retirement allowance as of the annual general meeting on May 22, 2003. As a result, the reserve for directors' retirement allowance was eliminated to cover the unpaid portion of ¥187 million for the directors' term of service up to May 22, 2003, which is included in "other fixed liabilities".

5. Accounting for lease transactions

Except for leases stipulating the transfer of ownership of the leased assets to lessees, finance lease

transactions are accounted for by the same method as the normal operating lease transactions.

6. Accounting for consumption taxes

Consumption taxes are excluded.

7. From the fiscal year under review, the Company has adopted the "Accounting Standards for Treasury Stock and Reversal of Legal Reserve" (Corporate Accounting Standards No. 1). This adoption had slight effects on the Company's profit and loss.
8. From the fiscal year under review, the Company has adopted the "Accounting Standards for Net Income per Share" (Corporate Accounting Standards No. 2) and the "Guidelines for Applying Accounting Standards for Net Income per Share" (Guidelines for Applying Accounting Standards No. 4). This adoption had slight effects on the Company's net income per share.
9. The Law to Partially Amend the Local Tax Law (Law No. 9 of 2003) became effective on March 31, 2003 to change the rate of tax on corporate income starting from the taxable years beginning April 1, 2004. As a result, the statutory effective tax rate employed for calculating deferred tax assets and liabilities was changed from 42% to 40.6% for the future expected tax effects of temporary differences to be realized in and after the consolidated fiscal year ending the last day of February 2006. The effect of this change was to decrease deferred tax assets (net of deferred tax liabilities) by ¥391 million and increase income tax adjustment, which is recognized as an expense, and valuation difference of stock by ¥429 million and ¥37 million respectively.
10. Previously the social insurance contribution for bonuses was recognized as an expense when expensed. From the fiscal year under review, the social insurance contribution for allowance for bonuses has been recorded as an expense due to the introduction of the total remuneration system for calculating social insurance premiums in April 2003, and accordingly, the amount of ¥445 million is included in selling, general and administrative expenses. The social insurance contribution for previous years of ¥454 million paid in the fiscal year under review is stated as "social insurance adjustment" in extraordinary loss. The effect of this change was to increase operating profit and ordinary profit by ¥9 million and decrease net income before income taxes by ¥445 million.
11. Daimaru Employee Pension Fund under the control of the Company (the "Fund") received approval from the Minister of Health, Labor and Welfare on October 1, 2003 to return the past substitutional portion of the Fund and transfer its payment obligation to the corporate pension fund based on the Defined Benefit Corporate Pension Law. The Fund completed calculation of refund and approval procedures of general inventory accompanying return of the substitutional portion and paid liability reserve for the substitutional portion amounting to ¥39,043 million. The Company recognized extinguishment of retirement benefit obligation (¥56,019 million), refund of pension assets (¥39,043 million), unrecognized prior service cost (¥8,600 million) and unrecognized actuarial differences (¥20,584 million) with respect to the substitutional portion. As a result, the difference of ¥4,992 million is reported as "gain on return of substitutional portion of employee pension fund" in extraordinary income.
12. From the fiscal year under review, the financial statements have been prepared in accordance with the Commercial Code Enforcement Regulations amended under the Ministerial Ordinance to Partially Amend the Commercial Code Enforcement Regulations (Ministry of Justice Ordinance No. 68, September 22, 2003).

Explanatory Notes relating to the Non-consolidated Balance Sheet

	Millions of yen
1. Short-term money credit receivable from subsidiaries	15,961
Long-term money credit receivable from subsidiaries	13,315
Short-term debt payable to subsidiaries	31,762
Long-term debt payable to subsidiaries	204
2. Accumulated depreciation for tangible fixed assets	73,758
3. Assets put up as security	
Marketable securities	24
Land	1,330
Buildings and structures	11,153
Investment securities	3,389
4. In addition to the fixed assets stated in the non-consolidated balance sheet, some vehicles and furniture/fixtures are provided by lease.	
5. Loan guarantees	656
In addition to the above, the Company guarantees the lessor all the debts incurred by Osaka Diamond Chikagai Co., Ltd. including rents and common service expenses for the premises of the underground shopping complex jointly with other two companies. The guarantee percentage by the Company is 40%.	
6. Loan commitments	
Unused portions of loan commitments	15,000
7. Increase in net assets resulted from revaluating assets at fair market value as stipulated in Paragraph 3 of Article 124 of the Commercial Code Enforcement Regulations was ¥1,577 million.	

Explanatory Notes relating to the Non-consolidated Statement of Operations

	Millions of yen
1. Amount of sales to subsidiaries	52
2. Amount of purchase from subsidiaries	11,075
3. Amount of transactions other than the normal operation with subsidiaries	3,480
4. Net income per share	¥30.23

NON-CONSOLIDATED STATEMENT OF APPROPRIATIONS

	Yen
Unappropriated retained earnings.....	5,704,914,523
Reversal of reserve for advanced depreciation deduction of fixed assets.....	45,517,469
Reversal of reserve for special depreciation.....	106,140,000
Total.....	5,856,571,992
Appropriations:	
Dividends.....	1,338,779,670
¥5 per share	
Ordinary dividend ¥4	
Commemorative dividend ¥1	
Bonuses to directors and corporate auditors.....	80,000,000
[Corporate auditors' portion included].....	[16,000,000]
Reserve for special account of advanced depreciation deduction of fixed assets	426,000,000
Reserve for advanced depreciation deduction of fixed assets.....	46,673,377
Contingent reserve.....	1,000,000,000
Retained earnings carried forward to the following term.....	2,965,118,945

- Notes: 1. The Company paid an interim dividend of ¥803,349,237 (¥3 per share) on November 25, 2003.
2. Reserve for advanced depreciation deduction of fixed assets is stated due to a change in the statutory effective tax rate resulting from an amendment to the Local Tax Law.

CORPORATE DATA

Management (As of May 1, 2004)

Directors and Corporate Auditors

Tsutomu Okuda	Chairman and CEO
Ryoichi Yamamoto	President and COO General Manager, Department Store Operations, Group Headquarters
Takashi Masuda	Director and Corporate Senior Executive Officer General Manager, Management Planning, Group Headquarters
Keiichiro Matsuda	Director and Corporate Executive Officer Deputy General Manager, Department Store Operations, Group Headquarters
Norio Yasunaga	Director
Kiyozo Kojima	Director and Corporate Officer General Manager, Affiliated Enterprises, Group Headquarters
Isao Ikushima	Director and Corporate Officer General Manager, Administration, Group Headquarters
Masafumi Ohnishi	Corporate Auditor Senior Advisor, Osaka Gas Co., Ltd.
Yusuke Yoshinaga	Corporate Auditor Attorney
Syuichi Tani	Corporate Auditor (Full-time)
Yasuo Araya	Corporate Auditor (Full-time)

Note: Mr. Norio Yasunaga is an outside director as stipulated in Paragraph 2, Item 7-2 of Article 188 of the Commercial Code.
Mr. Masafumi Ohnishi and Mr. Yusuke Yoshinaga are outside corporate auditors as stipulated in Paragraph 1 of Article 18 of the Law for Special Exceptions to the Commercial Code Regarding Audits of *Kabushiki-Kaisha* (Corporations).

Corporate Officers

Corporate Executive Officer

Hiroshi Kitano

Corporate Officers

Hiroto Tsukada

Isao Yamane

Toshiyuki Sugitani

Koichi Saito

Kazuyuki Matsumura

Kazuo Doi

Shingo Sakurai

Kiyoshi Inoue

Yoshihiro Morikawa

Shigehiko Tamaru

Yasuyuki Kobayashi

Taizo Yura

Yoji Honda

Takaharu Harada

Takao Nakagawa

Outline of the Company (As of February 29, 2004)

Company Name:	The Daimaru, Inc.
Founded:	1717
Incorporated:	April 16, 1920
Capital:	¥20,283,044,920
Number of Shares Issued:	270,830,356
Location of Main Store:	7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka

Network of Daimaru Group

Department Stores under the Direct Management of The Daimaru, Inc.

Osaka Shinsaibashi Store

7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 542-8501
Tel: 06-6271-1231

Osaka Umeda Store

1-1, Umeda 3-chome, Kita-ku, Osaka 530-0001
Tel: 06-6343-1231

Tokyo Store

9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005
Tel: 03-3212-8011

Kyoto Store

79, Shijo Takakura, Shimogyo-ku, Kyoto 600-8511
Tel: 075-211-8111

Yamashina Store

91, Takehana Takenokaido-cho, Yamashina-ku, Kyoto 607-8080
Tel: 075-255-7365

Kobe Store

40, Akashi-cho, Chuo-ku, Kobe 650-0037
Tel: 078-331-8121

Shinnagata Store

5-1, Wakamatsu-cho 5-chome, Nagata-ku, Kobe 653-0038
Tel: 078-643-2951

Suma Store

2-4, Nakaochiai 2-chome, Suma-ku, Kobe 654-0154
Tel: 078-791-3111

Ashiya Store

1-31, Funato-cho, Ashiya 659-0093
Tel: 0797-34-2111

Sapporo Store

7, Nishi 4-chome, Kita 5-jo, Chuo-ku, Sapporo 060-0005
Tel: 011-828-1111

Affiliated Department Stores

Kochi Daimaru Co., Ltd.
Hakata Daimaru Co., Ltd.
 Fukuoka Tenjin Store
 Nagasaki Store
Imabari Daimaru Co., Ltd.
Shimonoseki Daimaru Co., Ltd.
Tottori Daimaru Co., Ltd.

Supermarkets

Daimaru Peacock Co., Ltd.

Kanto District (37 locations):

Aoyama, Sodegaura, Takanawa, Mejiro, Jiyugaoka, Asagaya, Shimokitazawa, Nakano, Fujisawa, Misato, Ebisu, Tama, Kunitachi, Tsurumi, Rokkakubashi, Yokohamabashi, Kugayama, Takadanobaba, Azabu, Inagi, Kyodo, Shinurayasu, Toritsukasei, Sakurashinmachi, Takanodai, Tamachi, Higashikoganei, Kamiikedai, Honkomagome, Mita, Tamagawa Josui, Ishikawadai, Hanakoganei, Seijo, Nishifunabashi, Kokubunji Nishimachi and Fujisawa Honmachi

Kansai District (28 locations)

Senri Daimaru Plaza, Kori, Tsukumodai, Kitasenri, Meimai, Nakamiya, Chayamadai, Harumidai, Takakuradai, Matsugaoka, Osaka Hospital, Myodani, Karibadai, Tsukahara, Hoshida, Senri Minamimachi Plaza, Ashiya Nangu, Koshien, Kotoen, Senri Yamada, Mukonosu, Senriyama, Mino Sakuragaoka, Konan, Ashiya Kawanishi, Kitayamato Mayumi, Takarazuka Nakayama and Mino Gein

Direct Marketing

The Daimaru Home Shopping, Inc.

Manufacturing

Mode Atelier Co., Ltd.

Restaurant

Restaurant Peacock Co., Ltd.

Complex Commercial Business

COM Planning and Development Co., Ltd.

Credit Cards and Customer Circle

Daimaru Credit Service Co., Ltd.
Daimaru Tomo no Kai Co., Ltd.

Construction and Interior Design

Daimaru Design & Engineering Co., Ltd.

Lease

Daimaru Fudosan Co., Ltd.

Foreign Trade and Wholesale

Daimaru Kogyo, Ltd.

Logistics

Asocia Co., Ltd.

Information and Supporting Business

Consumer Product End-Use Research Institute Co., Ltd.
Dimples' Co., Ltd.
Daimaru Information Center Co., Ltd.

SHAREHOLDER INFORMATION

Year End: Last day of February of each year

Record Dates

Term-end Dividend: Last day of February of each year

Interim Dividend: August 31 of each year

Annual General Meeting of Shareholders: May of each year

Stock Transfer Agent: Osaka Branch of UFJ Trust Bank Limited
6-3, Fushimi-cho 3-chome, Chuo-ku, Osaka 541-8502
Tel: 06-6229-3011

Stock Transfer Agent Branches: Head Offices and Branches of UFJ Trust Bank Limited and The Nomura Securities Co., Ltd.

UFJ Trust Bank Limited will accept your request for the application forms for stock transfer by toll-free call at 0120-24-4479 (Head Office) or 0120-68-4479 (Osaka Branch) or on the Internet at <http://www.ufjtrustbank.co.jp/> 24 hours a day.

Public Notices Appear in: The Nihon Keizai Shimbun

URL: <http://www.daimaru.co.jp/>
Daimaru's annual reports are available on its website at the above-mentioned URL.

Hospitality Programs for Shareholders

Shareholders' Courtesy Cards

- (1) Daimaru Shareholders' Courtesy Cards are issued to the holders of 1,000 shares or more as of the last day of February and the new holders of 1,000 shares or more as of August 31 and a **ten percent** discount off the before-tax prices marked is allowed for cash purchases within the following limit of purchase at the stores under the direct management of The Daimaru, Inc. (Osaka Shinsaibashi, Osaka Umeda, Tokyo, Kyoto, Yamashina, Kobe, Shinnagata, Suma, Ashiya and Sapporo).

At Daimaru stores in Hakata (Fukuoka Tenjin and Nagasaki), Shimonoseki, Kochi, Tottori and Imabari, a five percent discount is given.

For the shareholders as of the last day of February, the annual limit of purchase for such discount is fixed according to the number of shareholdings as follows. The cards are issued in May and valid until May 31 of the following year.

No. of shareholdings as of the last day of Feb.	Annual limit of purchase
1,000 – 1,999	500,000 yen
2,000 – 9,999	500,000 yen for every 1,000 shares
10,000 and above	5,000,000 yen (maximum limit)

For the new shareholders as of August 31, the annual limit of purchase is placed at a half of the above-mentioned amount according to the number of shareholdings. The cards are issued in November and valid until May 31 of the following year.

- (2) The card grants free admission to cultural events held at Daimaru Osaka Shinsaibashi, Osaka Umeda, Tokyo, Kyoto, Kobe and Sapporo Stores to two persons including its holder.

Notes

- (1) The card is valid for purchases with Daimaru Gift Certificates, the membership card of Daimaru Tomo no Kai, Shopping Coupons for Department Stores issued by the member department stores of Japan Department Stores Association, gift certificates issued by credit card companies and certain exchange tickets as well as for cash purchases. Please note that it is not valid for purchases with other certificates, vouchers and debit cards.
- (2) The card is not valid for purchases or payments on charge accounts and by credit cards, direct marketing and COD.
- (3) The card does not allow a discount on the purchases of the following articles:
Perishables (marine products, meat, vegetables and fruits), books, CDs, cigarettes, stamps, all kinds of certificates and coupons, bullion, coins, shipping and handling, casing, repairs, eating and drinking, beauty treatment, travels and other specified articles including Tiffany, Bulgari, Cartier, Hermes and Gucci.
- (4) The card is not valid with any other offer.