

ANNUAL REPORT 2007

For the Year Ended February 28, 2007



CONTENTS

Company Philosophy	1
Message from Chairman	2
Operating Results	5
Financial Section	
Consolidated Balance Sheet	8
Consolidated Statement of Operations	10
Consolidated Statement of Changes in Net Assets	12
Consolidated Statement of Cash Flows (summary)	12
Consolidated Financial Summary	14
Non-consolidated Balance Sheet	15
Non-consolidated Statement of Operations	17
Non-consolidated Statement of Changes in Net Assets	19
Non-consolidated Financial Summary	20
Topics	21
Corporate Data	22
Shareholder Information	25

COMPANY PHILOSOPHY

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

In 1736, Hikoemon Shimomura, the founder of Daimaru, developed a basic business philosophy of “Service Before Profit,” which is a paraphrase of a passage from Chinese Confusian philosopher Xunzi’s writing “Of Honor and Disgrace,” “Those who give priority to service over profit will prosper.” “Service Before Profit” implies that the trust of society and customers gained by serving them most faithfully will bring benefits to the company. It is rephrased as “The Customer Is Always First” and “Social Contributions.” This is the common spirit and basic policy of Daimaru Group.

MESSAGE FROM CHAIRMAN

To the Shareholders:

Daimaru Will Promote Management Integration with the Highest Priority Given to Speed, Thorough Implementation and Communication.

We are pleased to inform you that the establishment of wholly owing parent company by means of stock transfer to integrate management with Matsuzakaya Holdings Co., Ltd. was approved at the ordinary general meeting of shareholders on May 24, 2007. And we would like to outline the management integration below.

<Business Environment for Department Stores>

Sales size of department store industry has been declining year by year and this downward trend is expected to continue.

In addition, we see many factors that will seriously affect the management of department stores, including shrinkage of consumer market caused by aging society with a declining birthrate and falling population, increasingly intense inter-industry competition and fiercer intra-industry competition.

However, as consumption is becoming more sophisticated and diversified particularly in large-scale urban department stores, there is a stronger demand for high added values including unusual luxury, new proposals and high quality service, which only department stores can offer. Expectations and needs for department stores are so great that we believe there is still room for growth depending on the management efforts of individual company.

Therefore, amid a shrinking and balanced department store market in Japan, we expect that large-scale urban department stores will be mainly supported, and that department store operators will be rapidly restructured and integrated into a small number of business groups with strong competitiveness.

Under such severe situation, Daimaru and Matsuzakaya Holdings determined that it would be the best option to conduct not “defensive” but “aggressive” management integration that can efficiently improve corporate value by effectively utilizing the management resources and know-how of both companies.

<Operation Size after Integration>

Simply combined sales and operating profit of Daimaru and Matsuzakaya Holdings for the fiscal year ended February 2007 were ¥1,172.2 billion and ¥41.9 billion respectively on a consolidated basis, both of which are the industry's top level. Since Daimaru and Matsuzakaya have top sales share in the area west of the Kansai region and in central Japan respectively and their store locations do not overlap, the companies will make an ideal fit. Through this integration, a nationwide network will be built with stores in major cities from Sapporo in the north to Nagasaki in the south. We will expand operations with a focus on the Tokyo metropolitan area in which our important management strategies will be based.

<Purpose of Management Integration>

The greatest purpose of management integration is to maximize corporate value.

The first pillar to achieve the purpose is to enhance customer satisfaction to an outstanding level by strengthening marketing capabilities.

The second pillar is to drastically increase profitability and management efficiency.

Under the joint holding company named J. FRONT RETAILING Co., Ltd. (to be formed on

September 3, 2007) with Daimaru and Matsuzakaya Holdings as its subsidiaries, we will aim to establish a status as a leading retail company in Japan in terms of both quality and quantity with a core of department store business.

<Basic Policy for Integration and Operations>

We have created the following four basic policies for integration and operations:

- (1) To promote integration, giving the highest priority to speed, thorough implementation and communication, with the greatest purpose of improving corporate value;
- (2) To promote integration on an equal footing;
- (3) To retain the existing company names; and
- (4) To promote active personnel exchanges and fair assessment and equitable treatment based on role and performance to facilitate realization of integration effect.

<Effect of Integration>

We will aim to realize the following seven effects of integration:

- (1) To improve management efficiency by mutually introducing excellent know-how and systems;
- (2) To strengthen marketing capabilities of department store business;
- (3) To strengthen strategies for the Tokyo metropolitan area;
- (4) To raise growth potential by increasing cash flow and building a solid financial standing;
- (5) To streamline operations and reduce cost;
- (6) To increase personnel productivity and business vitality; and
- (7) To improve management efficiency by restructuring and consolidating affiliated businesses.

<Ginza Project>

Ginza Project is a development program for Matsuzakaya Ginza store and the area of about 9,000 square meters surrounding the store. Through this project, we will build a business model, which is suitable for the location of Ginza and adapts to the new era, without being bound by the traditional concept of department store. We will promote this project by making the most use of the know-how of both companies in order to drastically improve profitability and enhance brand power in Tokyo area.

<Company Name>

The joint holding company was named J. FRONT RETAILING Co., Ltd. with the intention of standing at the forefront of the retail industry in Japan. The “J” is an initial for join, joy and justice, while the “FRONT” means the head or the forefront.

<Outline of the Holding Company>

The following is the outline of the joint holding company:

Company Name	J. FRONT RETAILING Co., Ltd.
Location of Main Store	Chuo-ku, Tokyo
Chairman	Kunihiko Okada (current Chairman of Matsuzakaya Holdings)
President and CEO	Tsutomu Okuda (current Chairman and CEO of Daimaru)
Stock Transfer Ratio	1.4 shares of common stock of J. FRONT RETAILING for one share of common stock of Daimaru
	One share of common stock of J. FRONT RETAILING for one share of common stock of Matsuzakaya Holdings

In order to calculate the stock transfer ratio, Daimaru and Matsuzakaya Holdings appointed Nomura Securities Co., Ltd. and Nikko Citigroup Limited respectively as financial advisors. Referring to the results of calculation done using DCF analysis and market share price analysis and comprehensively considering various factors including the financial conditions, asset status and future prospects of the companies, we carefully and repeatedly discussed and have reached a decision that the stock transfer ratio is appropriate.

The basic functions of the new company include formulation and promotion of strategies for the whole group, planning and control of management of each business unit, formulation of basic policies for department stores and support for business units.

<Future Process to Promote Integration>

Toward the management integration with Matsuzakaya Holdings, we reached a basic agreement on March 14, 2007 and entered into a definitive agreement on April 9, 2007. On March 20, 2007, 13 subcommittees were formed in preparation for integration under the Integration Preparatory Committee and lost no time in commencing specific preparation activities. With the watchwords being speed, thorough implementation and communication, we will develop the first basic integration plan so that it can be finalized within June 2007, and then we will put it into action step by step, beginning with the things we can do.

Specifically, we will give a priority to management strategy functions, including the group management strategy planning and resource allocation, as well as information system, card system and back-office functions to promote early integration of structures and systems.

In addition, we will integrate personnel system, operation system of selling and buying, and affiliated businesses to complete the integration of all structures and systems by the end of FY 2009.

<Projected Profit Target>

In closing, we aim to achieve operating profit of ¥60 billion, which is a rough figure at present, for FY 2010 (ending February 2011) marking the final year of the medium-term three-year management plan for J. FRONT RETAILING Co., Ltd. scheduled to start in FY 2008.

We hope you will continue to extend support to us after the transition to a holding company.

Tsutomu Okuda

Chairman and Chief Executive Officer

OPERATING RESULTS

1. Overview for the year ended February 28, 2007

During the consolidated fiscal year ended February 28, 2007, the Japanese economy remained favorable but the growth was relatively modest because the effect of increased capital investment and production backed by earnings recovery in the corporate sector was rather slow to spread to household sector.

The retail industry remained unchanged from the previous year due to structural changes such as rise in spending on services. However, same-store sales of department stores and supermarkets stayed below the previous year's level due to unseasonable weather and intensifying competition across categories or types of businesses.

Under these circumstances, for the final year of the First Three-year Management Plan for FYs 2004-2006 based on the Daimaru Group Regrowth Plan, the Group focused on enhancing marketing ability and business efficiency toward greater profitability in each of its business domains including department stores, supermarkets and wholesale.

With regard to our main department store business, we have fully implemented on a company-wide scale the second store operations reform aimed at achieving a radical strengthening of merchandising capabilities and sales and service capabilities to increase customer satisfaction, while further enhancing the effectiveness of the reform through the development of specialized human resources to offer competitive products and service.

As part of our expansion efforts, we are preparing for opening of the second new type of food store Daimaru Urawa Parco Store following the first one Daimaru LaLaport Yokohama Store opened in spring 2007, relocation and opening of new Tokyo Store in the first phase this fall and expansion of new Umeda Store in spring 2011. In January 2007, Store Development Division was newly established within Management Planning Headquarters to comprehensively and quickly address future opening and development of stores.

In the meantime, the whole Group continued to push forward cost reduction by ensuring appropriate staffing and revising working styles to enhance personnel efficiency as well as increasing the centralization at the headquarters of order placement for facilities maintenance and supplies and standardizing an information system across the Group.

In terms of personnel policy, we introduced a new personnel system completely regardless of seniority and tried to have it take root to further improve corporate vitality through realization of fair treatment according to the performance and contribution of individual employee. In order to enhance human resources as the basis of the total power of the Group, we continued to increase personnel exchanges among the companies of the Group through a major intercompany relocation of mainly buying staff in March 2007.

As a result of the efforts mentioned above, on a consolidated basis, net sales for the fiscal year under review increased by 1.7% over the previous year to ¥835,522 million. Thanks to reduction of selling, general and administrative expenses as well as increased sales, operating profit, ordinary profit and net income also rose by 13.0%, 10.5% and 8.0% over the previous year to ¥34,671 million, ¥33,353 million and ¥17,304 million respectively.

On a non-consolidated basis, net sales increased by 0.2% over the previous year to ¥470,756 million, and operating profit, ordinary profit and net income grew by 13.6%, 15.3% and 17.5% over the previous year to ¥20,822 million, ¥21,528 million and ¥12,651 million respectively. Thus we reached new highs in these items both on consolidated and non-consolidated bases again.

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

Department store

During the fiscal year under review marking the final year of the First Three-year Management Plan for FYs 2004-2006 based on the Daimaru Group Regrowth Plan, we expanded the second store operations reform, which started in March 2005, and more strongly promoted the efforts to remodel

the existing stores and build customer loyalty to bolster marketing capabilities.

In order to realize the highest customer satisfaction at the lowest cost, we expanded the scale of the second store operations reform by promoting the clarification and efficiency of the merchandising role of the headquarters and the sales and service role of stores, which boosted sales of the reformed departments to account for about 90% of total sales.

Our merchandising efforts made during the fiscal year under review include centralized analysis of the sales and customer data of all stores at the headquarters and improvement of the accuracy of sales and order plans of the stores based on these data to offer the products demanded by customers at the right time, in the right quantity and at the right price.

With respect to sales and service, each of Daimaru stores worked closely with the headquarters to conduct store operations in line with a sales plan, build customer loyalty and increase sales strength based on specific quantitative indicators in an effort to achieve excellent sales service.

Store refurbishments were carried out in a way that further promotes differentiation and characterization of each store to meet changing customers' needs and fiercer local competition.

Osaka Umeda Store changed women's fashion section on the east side of the 1st basement floor to men's and women's fashion section to respond to a new market. Kobe Store remodeled mainly the 2nd and 4th floors to restructure its core women's wear zone. The suburban Shinnagata Store was fully refurbished to attract persons in their thirties and forties and their families.

Kyoto Store opened in succession two freestanding brand shops, including EMPORIO ARMANI and DSQUARED², and Daimaru Relaxing Garden Kyoto with the concept of "beauty," "health" and "healing" for women in Shijodori in February and March 2007 to draw more customers by revitalizing the area around the store.

In order to build customer loyalty, we intensified our efforts to recruit new members of Daimaru Card and Daimaru D Card, while developing a good relationship with customers by proposing products and providing information to suit their individual tastes.

We launched an online cosmetics shopping site "MARUCOLLET" in December 2006 to respond to a new market and expand our sales channel. This is to offer high quality cosmetics that were not handled at Daimaru stores and, for greater convenience of customers, its satellite shop opened in Otemachi, Tokyo, where customers can pick up and try products.

On March 15, 2007, a large-scale food specialty store Daimaru LaLaport Yokohama Store opened on the 1st floor of LaLaport Yokohama, one of the largest suburban shopping malls in the metropolitan area, to develop a new business category and explore the potential for growth and expansion. The store combines "*depachika*" (the basement food floor of a department store) gourmet with daily convenience of a food supermarket. It is an exciting store that seeks to offer good taste and pleasure with many eat-in corners and demonstrations.

Linked to the second store operations reform, our affiliated department stores further expanded the centralization of buying function at the headquarters to leverage group power in buying, while actively exchanging human resources.

As a results of the efforts mentioned above, department store sales decreased by 0.3% from the previous year to ¥595,463 million though they continued to fluctuate due to unseasonable weather in early spring and warm winter. Operating profit increased by 9.7% from the previous year to ¥27,453 million thanks to greater efficiency in selling, general and administrative expenses.

Supermarket

As a supermarket operator that provides high quality dietary ideas, Daimaru Peacock Co., Ltd. strived to improve merchandising in response to the ever-changing market to attract and be supported by customers.

Each store closely reviewed all aspects including assortment, sales promotion and operation and took measures to improve performance. In order to boost sales, Daimaru Peacock fully remodeled Sakurashinmachi store (June 2006) and Shimokitazawa store (September 2006) to realize the assortment of products meeting local customer needs and high quality store environment. Owing to the efforts to increase customer loyalty in addition to the efforts mentioned above, sales in this segment increased by 0.7% from the previous year to ¥103,727 million.

Daimaru Peacock tried to increase operating income by improving the accuracy of business operations through the introduction of an electronic inventory tag system and an automatic ordering system and by improving gross profit margin through thorough merchandise control. Owing to these efforts and the efficient use of selling, general and administrative expenses, operating profit increased by 13.8% from the previous year to ¥1,839 million.

Wholesale

Daimaru Kogyo, Ltd. proactively worked on proposal-based operation by making a finely tuned response to customer needs and creating demand through deep cultivation of the market. Daimaru Kogyo accelerated the development of new products and businesses by reorganizing and strengthening development teams. As a result of these efforts, sales in this segment increased by 14.2% from the previous year to ¥95,688 million due to strong sales of electronic parts, convenience goods for home centers and clothing.

Concerning business operations, the centralization and standardization of back-office functions for efficient spending resulted in reduction of selling, general and administrative expenses, and operating profit increased by 65.0% from the previous year to ¥2,880 million.

Other

In spite of the efforts to increase profitability in each business line, sales in this segment decreased by 0.8% from the previous year to ¥79,019 million partly because a logistics subsidiary whose stocks were transferred had been included in consolidation until August 31, 2006. On the contrary, operating profit grew by 7.2% from the previous year to ¥2,455 million owing to the efforts to reduce selling, general and administrative expenses.

2. Outlook for next term

As for the future business environment, intensifying competition across business categories and types and the shrinkage of consumption market due to population decline are expected to promote restructuring and integration into a few competitive business groups.

In order to deal with these severe circumstances, we will ensure further innovation and growth by adding new business strategy and system and generating group synergy to proactively respond to drastic changes in the external environment based on the improvement of the know-how of low-cost and high-efficiency management.

Through these efforts, we will further enhance the growth potential and profitability of department store, supermarket and other affiliated businesses, realize lower-cost and higher-efficiency management, develop human resources that address various issues and speed up to solve them, and achieve a higher profit target in an effort to attain an outstanding position in the industry.

Consolidated net sales, operating profit and ordinary profit for the full year ending February 29, 2008 are projected to expand by 3.0%, 6.7% and 7.9% to ¥861 billion, ¥37 billion and ¥36 billion respectively and consolidated net income is likely to increase by 8.1% to reach ¥18.7 billion on the existing basis, though Daimaru and Matsuzakaya Holdings will form a joint holding company through a share transfer on September 3, 2007.

On a non-consolidated basis, net sales for the year ending February 29, 2008 are expected to total ¥492.6 billion, up 4.6%, while operating profit and ordinary profit are forecasted to rise by 7.1% and 5.9% to ¥22.3 billion and ¥22.8 billion respectively. The Company expects net income to increase by 2.8% to amount to ¥13 billion.

FINANCIAL SECTION

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(Millions of yen)

Item	FY 2007 (as of February 28, 2007)	FY 2006 (as of February 28, 2006)
<ASSETS>		
Current assets	144,837	126,440
Cash on hand and in banks	33,103	23,977
Notes receivable and accounts receivable-trade	57,470	51,017
Inventories	31,903	31,411
Deferred tax assets	6,343	6,368
Other current assets	16,972	14,599
Allowance for doubtful accounts	(955)	(934)
Fixed assets	230,676	243,923
Tangible fixed assets	144,864	152,266
Buildings and structures	80,371	84,938
Machinery, equipment and vehicles	67	100
Furniture and fixtures	1,070	962
Land	62,484	66,103
Construction in progress	871	160
Intangible fixed assets	5,980	5,729
Investments and other assets	79,830	85,927
Investment securities	25,166	27,045
Long-term loans receivable	1,174	2,095
Long-term guarantee deposits	38,103	38,298
Deferred tax assets	9,154	15,050
Other investments and assets	7,270	4,470
Allowance for doubtful accounts	(1,039)	(1,033)
Total assets	375,513	370,364

(Millions of yen)

Item	FY 2007 (as of February 28, 2007)	FY 2006 (as of February 28, 2006)
<LIABILITIES>		
Current liabilities	205,740	195,851
Notes payable and accounts payable-trade	75,123	69,029
Short-term loans payable	31,782	43,572
Current portion of bonds	13,500	-
Income taxes payable	9,455	9,053
Advances received	34,870	34,385
Allowance for bonuses	6,116	6,043
Allowance for directors' bonuses	185	-
Reserve for sales promotion	1,881	2,852
Other current liabilities	32,826	30,914
Fixed liabilities	60,464	79,435
Bonds	9,000	22,500
Long-term loans payable	23,460	27,389
Deferred tax liabilities	1,412	2,128
Reserve for retirement benefits	25,197	25,919
Reserve for directors' retirement allowance	110	106
Consolidated adjustment account	-	24
Negative goodwill	16	-
Other fixed liabilities	1,267	1,367
Total liabilities	266,205	275,287
<MINORITY INTERESTS>		
Minority interests	-	3,273
<SHAREHOLDERS' EQUITY>		
Capital	-	20,283
Capital surplus	-	23,184
Earned surplus	-	46,578
Unrealized gain on securities	-	7,216
Treasury stock	-	(5,459)
Total shareholders' equity	-	91,803
Total liabilities, minority interests and shareholders' equity	-	370,364
<NET ASSETS>		
Shareholders' equity	98,956	-
Capital	20,283	-
Capital surplus	23,184	-
Earned surplus	60,982	-
Treasury stock	(5,493)	-
Valuation and translation adjustments	6,560	-
Unrealized gain on other securities	6,561	-
Deferred hedge gain or loss	(1)	-
Minority interests	3,791	-
Total net assets	109,308	-
Total liabilities and net assets	375,513	-

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

CONSOLIDATED STATEMENT OF OPERATIONS

(Millions of yen)

Item	FY 2007 (Mar. 1, 2006 - Feb. 28, 2007)	FY 2006 (Mar. 1, 2005 - Feb. 28, 2006)
Net sales	835,522	821,250
Cost of sales	628,017	615,294
[Gross profit on sales]	[207,504]	[205,955]
Other operating income	1,510	1,334
[Gross operating profit]	[209,015]	[207,289]
Selling, general and administrative expenses	174,344	176,611
Operating profit	34,671	30,678
Non-operating income	1,847	2,520
Interest income	212	152
Dividend income	222	217
Gain on donation of fixed assets	30	113
Gain on debt requiring no payment	456	438
Equity in earnings of affiliates	181	169
Miscellaneous income	742	1,428
Non-operating expenses	3,165	3,028
Interest expense	1,433	1,557
Loss on disposal of partitions	73	132
Miscellaneous expenses	1,658	1,338
Ordinary profit	33,353	30,170
Extraordinary income	5,797	1,734
Gain on sales of fixed assets	4,260	31
Gain on sales of investment securities	1,536	714
Gain on sales of shares in subsidiaries	-	608
Compensation for store relocation and removal	-	380
Extraordinary loss	1,974	1,764
Loss on sales of fixed assets	80	57
Loss on retirement of fixed assets	405	784
Unrealized loss on investment securities	-	51
Impairment loss	1,125	-
Pre-opening expenses for new stores	363	-
Provision for reserve for sales promotion	-	872
Net income before income taxes	37,175	30,140
Income taxes-current	13,624	10,876
Income taxes-deferred	5,659	2,315
Minority interests in earnings of consolidated subsidiaries	586	923
Net income	17,304	16,025

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

POINT Consolidated Balance Sheet

Total assets increased by ¥5,149 million compared with the end of the previous year. Among them current assets grew by ¥18,397 million mainly due to an increase in cash on hand and in banks, reflecting the strong performance of the Group. In the meantime, buildings and structures included in tangible fixed assets declined due to the progress of depreciation, and investments and other assets also fell mainly because of the reversal of deferred tax assets, which decreased fixed assets by ¥13,247 million.

Total liabilities decreased by ¥9,082 million compared with the end of the previous year. We continued to expedite the repayment of long-term and short-term loans and, as a result, interest-bearing debt (short-term and long-term loans and bonds) was reduced drastically by ¥15,719 million compared with the end of the previous year.

POINT Consolidated Statement of Operations

Consolidated net sales increased by 1.7% from the previous year. Particularly, Daimaru Kogyo, Ltd., a wholesaler, contributed with sales growth of 14.2%. As a result of the efforts to reduce mainly personnel cost, selling, general and administrative expenses were cut by ¥2,267 million from the previous year.

Net income increased by 8% from the previous year. All of operating profit, ordinary profit and net income reached new highs for four consecutive years. Among them, ordinary profit rose for nine straight years and marked a record high for six years in a row.

CONSOLIDATED SUBSIDIARIES (21 companies in total)

Department Store

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

Supermarket

Daimaru Peacock Co., Ltd.

Wholesale

Daimaru Kogyo, Ltd.

Other

Consumer Product End-Use Research Institute Co., Ltd.
The Daimaru Home Shopping, Inc.
Daimaru Tomo no Kai Co., Ltd.
Daimaru Design & Engineering Co., Ltd.
Restaurant Peacock Co., Ltd.
Daimaru Credit Service, Inc.
Dimples' Co., Ltd.
Daimaru Sales Associates Co., Ltd.
Daimaru COM Development Inc.
Daimaru Lease & Service Co., Ltd.
Mode Atelier Co., Ltd.
Daimaru Information Center Co., Ltd.
Daimaru Business Support Co., Ltd.
Daimaru Mokko Co., Ltd. (indirectly owned)
DHJ Co., Ltd. (indirectly owned)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FY 2007 (March 1, 2006 - February 28, 2007)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance as of February 28, 2006	20,283	23,184	46,578	(5,459)	84,586
Changes during the consolidated fiscal year					
Dividends from surplus			(2,768)		(2,768)
Directors' bonuses			(121)		(121)
Net income			17,304		17,304
Repurchase of treasury stock				(118)	(118)
Disposal of treasury stock			(11)	84	73
Net changes of items other than shareholders' equity during the consolidated fiscal year					
Total changes during the consolidated fiscal year	-	-	14,403	(34)	14,369
Balance as of February 28, 2007	20,283	23,184	60,982	(5,493)	98,956

	Valuation and translation adjustments			Minority interests	Total net assets
	Unrealized gain on other securities	Deferred hedge gain or loss	Total valuation and translation adjustments		
Balance as of February 28, 2006	7,216	-	7,216	3,273	95,076
Changes during the consolidated fiscal year					
Dividends from surplus					(2,768)
Directors' bonuses					(121)
Net income					17,304
Repurchase of treasury stock					(118)
Disposal of treasury stock					73
Net changes of items other than shareholders' equity during the consolidated fiscal year	(655)	(1)	(656)	518	(137)
Total changes during the consolidated fiscal year	(655)	(1)	(656)	518	14,231
Balance as of February 28, 2007	6,561	(1)	6,560	3,791	109,308

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

CONSOLIDATED STATEMENT OF CASH FLOWS (summary)

(Millions of yen)

	FY 2007 (Mar. 1, 2006 - Feb. 28, 2007)	FY 2006 (Mar. 1, 2005 - Feb. 28, 2006)
Cash flows from operating activities	24,347	28,684
Cash flows from investing activities	3,357	(5,061)
Cash flows from financing activities	(18,590)	(16,716)
Effect of exchange rate changes on cash and cash equivalents	10	1
Increase or decrease in cash and cash equivalents	9,126	6,908
Cash and cash equivalents at beginning of year	23,977	17,069
Cash and cash equivalents at end of year	33,103	23,977

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

POINT Consolidated Statement of Changes in Net Assets

With the enforcement of the Company Law on May 1, 2006, the statement has been required to be prepared to show in an easy-to-understand manner changes in capital, reserve and surplus during the fiscal year.

Net assets at the end of the fiscal year under review increased by ¥14,231 million compared with the end of the previous year, which is attributable mainly to decrease in dividends from surplus of ¥2,768 million and increase in net income of ¥17,304 million.

POINT Consolidated Statement of Cash Flows

- **Cash flows from operating activities**

Cash inflows amounted to ¥24,347 million due to income taxes and other payments of ¥13,850 million in spite of net income before income taxes of ¥37,175 million.

- **Cash flows from investing activities**

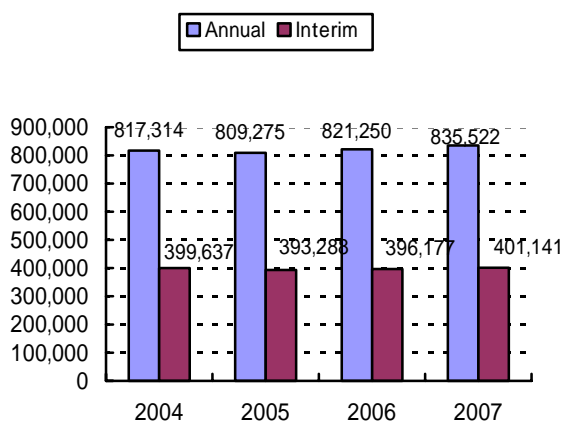
Cash inflows amounted to ¥3,357 million due to the proceeds of ¥8,277 million from sale of fixed assets and the proceeds of ¥2,447 million from sale of investment securities in spite of cash outflows of ¥7,616 million from purchase of fixed assets.

- **Cash flows from financing activities**

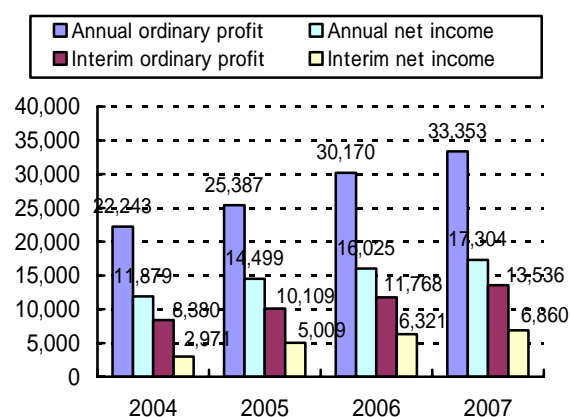
Cash outflows amounted to ¥18,590 million due to the repayment of loans.

CONSOLIDATED FINANCIAL SUMMARY

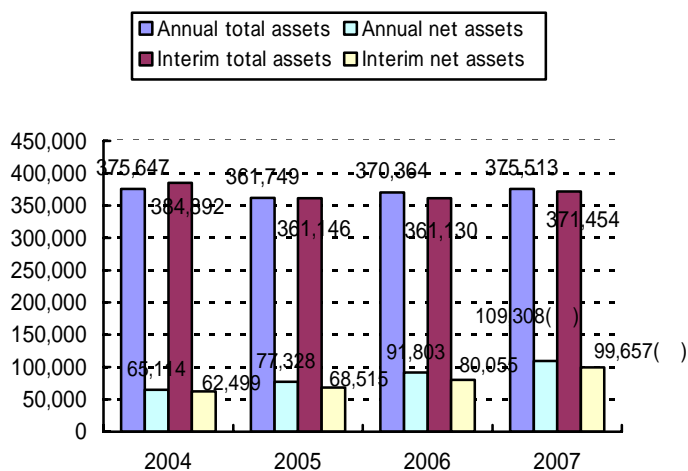
Net Sales (Millions of yen)



Ordinary Profit and Net Income (Millions of yen)



Total Assets and Net Assets (Millions of yen)



From the fiscal year under review, net assets include minority interests.

Changes in Consolidated Business Results

	(Millions of yen)			
	2004	2005	2006	2007
Net sales	817,314	809,275	821,250	835,522
Ordinary profit	22,243	25,387	30,170	33,353
Net income	11,879	14,499	16,025	17,304
Total assets	375,647	361,749	370,364	375,513
Net assets	65,114	77,328	91,803	109,308

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED BALANCE SHEET

Item	(Millions of yen)	
	FY 2007 (as of February 28, 2007)	FY 2006 (as of February 28, 2006)
<ASSETS>		
Current assets	94,816	80,767
Cash on hand and in banks	29,352	17,970
Notes receivable	142	137
Accounts receivable-trade	15,470	14,908
Merchandise	16,772	16,371
Supplies	212	185
Prepaid expenses	939	934
Short-term loans receivable	25	23
Short-term loans receivable from affiliates	26,957	25,035
Short-term loans receivable from employees	2	6
Advance money	2,572	2,449
Deferred tax assets	3,142	3,737
Other current assets	499	465
Allowance for doubtful accounts	(1,272)	(1,459)
Fixed assets	173,505	181,944
Tangible fixed assets	96,544	101,365
Buildings and structures	55,678	58,590
Vehicles and transport equipment	0	0
Furniture and fixtures	388	209
Land	40,152	42,512
Construction in progress	325	53
Intangible fixed assets	3,763	3,581
Investments and other assets	79,196	76,997
Investment securities	18,944	19,396
Equity shares in affiliates	13,817	13,977
Investments	2	2
Investments in affiliates	0	0
Long-term loans receivable	437	478
Long-term loans receivable from affiliates	7,005	8,937
Long-term loans receivable from employees	58	65
Bankruptcy and reorganization claims	19	28
Long-term prepaid expenses	6,161	3,297
Lease and guarantee deposits	22,576	22,323
Assets reserved for retirement allowance	171	189
Deferred tax assets	5,888	10,157
Other investments and assets	101	101
Allowance for doubtful accounts	(1,987)	(1,957)
Total assets	268,321	262,712

(Millions of yen)

Item	FY 2007 (as of February 28, 2007)	FY 2006 (as of February 28, 2006)
<LIABILITIES>		
Current liabilities	145,117	131,973
Accounts payable-trade	36,162	35,909
Short-term loans payable	22,976	29,100
Current portion of bonds	13,500	-
Accounts payable-other	4,675	3,263
Income taxes payable	5,250	5,481
Accrued consumption taxes	1,065	865
Accrued expenses	1,821	2,013
Advances received	1,089	1,100
Gift certificates	13,670	14,073
Deposits received	33,135	27,491
Unearned revenue	115	140
Allowance for bonuses	3,772	3,828
Allowance for directors' bonuses	110	-
Reserve for sales promotion	422	1,510
Employees' savings deposits	6,706	6,682
Notes payable-equipment	558	420
Other current liabilities	85	92
Fixed liabilities	40,074	57,175
Bonds	9,000	22,500
Long-term loans payable	14,669	17,679
Reserve for retirement benefits	15,968	16,576
Other fixed liabilities	436	420
Total liabilities	185,191	189,149
<SHAREHOLDERS' EQUITY>		
Capital	-	20,283
Capital surplus	-	23,184
Capital reserve	-	23,184
Earned surplus	-	29,878
Earned surplus reserve	-	4,657
Voluntary reserve	-	12,280
Unappropriated retained earnings	-	12,940
Unrealized gain on securities	-	5,632
Treasury stock	-	(5,416)
Total shareholders' equity	-	73,562
Total liabilities and shareholders' equity	-	262,712
<NET ASSETS>		
Shareholders' equity	77,669	-
Capital	20,283	-
Capital surplus	23,184	-
Capital reserve	23,184	-
Earned surplus	39,649	-
Earned surplus reserve	4,657	-
Other earned surplus	34,992	-
Reserve for advanced depreciation of fixed assets	2,127	-
General reserve	18,000	-
Earned surplus brought forward	14,864	-
Treasury stock	(5,447)	-
Valuation and translation adjustments	5,460	-
Unrealized gain on other securities	5,460	-
Total net assets	83,129	-
Total liabilities and net assets	268,321	-

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

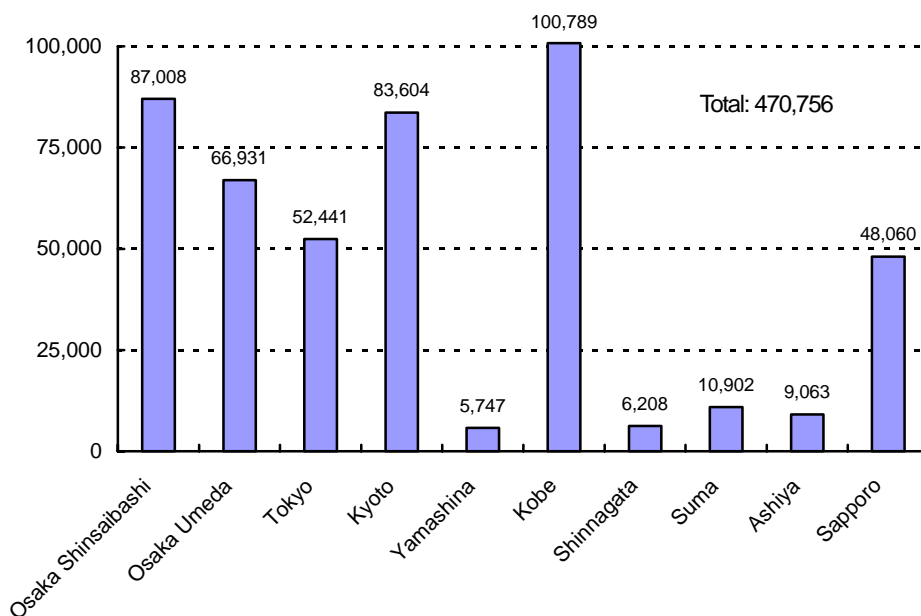
NON-CONSOLIDATED STATEMENT OF OPERATIONS

(Millions of yen)

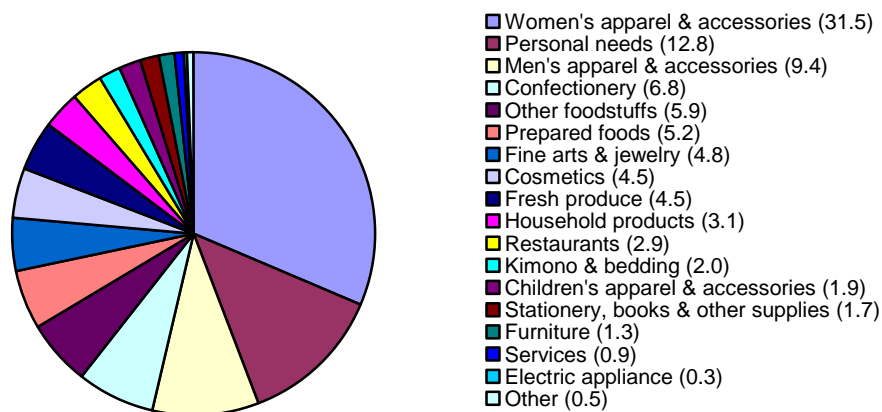
Item	FY 2007 (Mar. 1, 2006 - Feb. 28, 2007)	FY 2006 (Mar. 1, 2005 - Feb. 28, 2006)
Net sales	470,756	469,642
Cost of sales	344,129	342,884
[Gross profit on sales]	[126,627]	[126,757]
Other operating income	1,694	1,469
[Gross operating profit]	[128,321]	[128,227]
Selling, general and administrative expenses	107,499	109,892
Operating profit	20,822	18,334
Non-operating income	2,119	2,202
Non-operating expenses	1,412	1,862
Ordinary profit	21,528	18,674
Extraordinary income	4,565	1,327
Extraordinary loss	443	1,177
Net income before income taxes	25,650	18,824
Income taxes-current	8,017	6,598
Income taxes-deferred	4,982	1,460
Net income	12,651	10,766
Retained earnings brought forward	-	3,382
Interim dividends	-	1,186
Loss on disposal of treasury stock	-	21
Unappropriated retained earnings	-	12,940

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

Annual Sales by Store (Millions of yen)



Annual Sales Percentage by Merchandise Category (%)



NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FY 2007 (March 1, 2006 - February 28, 2007)

(Millions of yen)

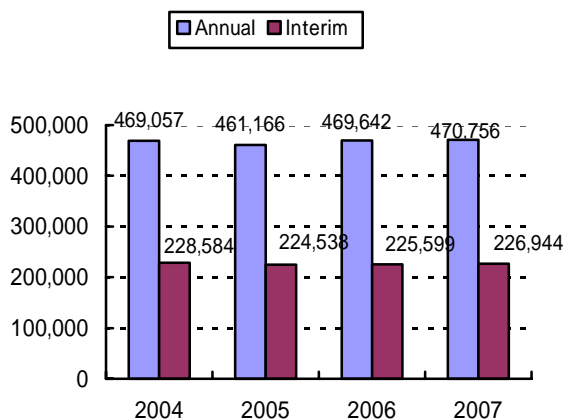
	Shareholders' equity					
	Capital	Capital surplus	Earned surplus			
		Capital reserve	Earned surplus reserve	Other earned surplus		
				Reserve for advanced depreciation of fixed assets	Reserve for special account for advanced depreciation of fixed assets	General reserve
Balance as of February 28, 2006	20,283	23,184	4,657	1,854	426	10,000
Changes during the fiscal year						
Provision of reserve for advanced depreciation of fixed assets				382		
Reversal of reserve for advanced depreciation of fixed assets				(108)		
Reversal of reserve for special account for advanced depreciation of fixed assets					(426)	
Provision of general reserve						8,000
Dividends from surplus						
Directors' bonuses						
Net income						
Repurchase of treasury stock						
Disposal of treasury stock						
Net changes of items other than shareholders' equity during the fiscal year						
Total changes during the fiscal year	-	-	-	273	(426)	8,000
Balance as of February 28, 2007	20,283	23,184	4,657	2,127	-	18,000

	Shareholders' equity				Valuation and translation adjustments	Total net assets
	Earned surplus		Treasury stock	Total shareholders' equity	Unrealized gain on other securities	
	Other earned surplus	Total earned surplus				
	Earned surplus brought forward					
Balance as of February 28, 2006	12,940	29,878	(5,416)	67,930	5,632	73,562
Changes during the fiscal year						
Provision of reserve for advanced depreciation of fixed assets	(382)	-		-		-
Reversal of reserve for advanced depreciation of fixed assets	108	-		-		-
Reversal of reserve for special account for advanced depreciation of fixed assets	426	-		-		-
Provision of general reserve	(8,000)	-		-		-
Dividends from surplus	(2,768)	(2,768)		(2,768)		(2,768)
Directors' bonuses	(100)	(100)		(100)		(100)
Net income	12,651	12,651		12,651		12,651
Repurchase of treasury stock			(116)	(116)		(116)
Disposal of treasury stock	(11)	(11)	84	73		73
Net changes of items other than shareholders' equity during the fiscal year					(172)	(172)
Total changes during the fiscal year	1,924	9,771	(31)	9,739	(172)	9,566
Balance as of February 28, 2007	14,864	39,649	(5,447)	77,669	5,460	83,129

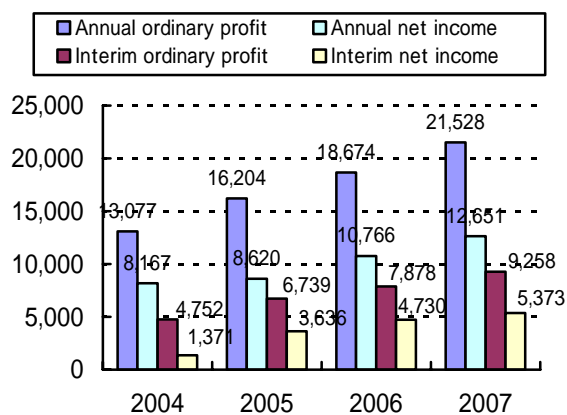
Note: Any fractional sum less than one million yen is omitted.

NON-CONSOLIDATED FINANCIAL SUMMARY

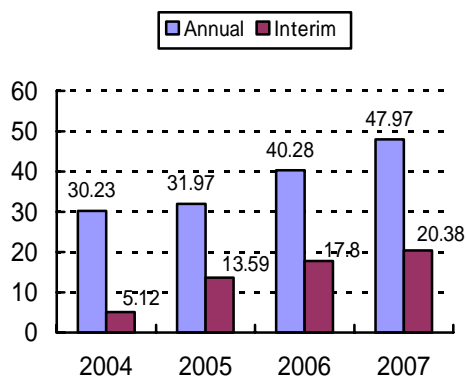
Net Sales (Millions of yen)



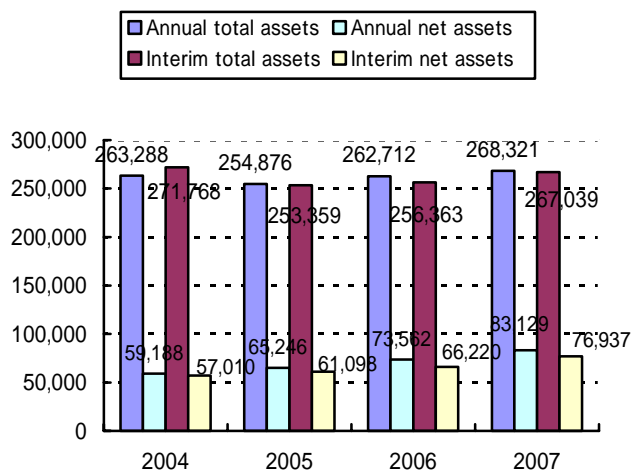
Ordinary Profit and Net Income (Millions of yen)



Net Income per Share (yen)



Total Assets and Net Assets (Millions of yen)



TOPICS

Daimaru LaLaport Yokohama Store Opened.

On Thursday, March 15, 2007, a large-scale food specialty store Daimaru LaLaport Yokohama Store opened on the 1st floor of LaLaport Yokohama, one of the biggest shopping malls in the Tokyo metropolitan area. The store concept is the “Fresh Market in My Town That Offers Good Taste and Pleasure Every Day.” Combining “*depachika*” (the basement food floor of a department store) gourmet with daily convenience of a food supermarket, the store consists of four zones including “Market” for fresh food, “Delica” for prepared meals, “Bakery” for bread and “Sweets” for confectionery. It is an exciting store in pursuit of good taste, pleasure and comfort with eat-in corners and demonstrations.

Location: 4035-1, Ikebe-cho, Tsuzuki-ku, Yokohama
Floor space: 3,840 square meters
Opening hours: 10:00 a.m. - 8:00 p.m.

Shinsaibashi Store Remodeled and Reopened Its Restaurant Floors.

On Wednesday, April 25, 2007, Shinsaibashi Store fully refurbished and reopened its restaurants on the 8th floor and roof. They had been remodeled for the first time in almost 17 years since October 1990. There are nine Japanese, Western and Chinese restaurants including five new ones. Under the concept of “Shinsaibashi Stylish Dining” for sophisticated adults, the floors feature modern and stylish space of Art Deco style with snow crystal motif on the basis of William Merrell Vories’ design as the store’s architectural asset.

Daimaru Peacock Opened Three Stores in Succession in the Kanto District in March 2007.

In March 2007, three stores opened in succession in the middle of Tokyo. Each of them aims to draw the support of local customers with distinctive product lineup based on each site’s environment.

Mita Isarago Store

The store was temporarily closed since June 2005 due to the reconstruction of building and reopened on Saturday, March 3, 2007 on the 1st floor of newly built condominium at Mita, Minato-ku, Tokyo.

Higashi Ikebukuro Store

Opened on Thursday, March 15, 2007 on the 1st basement level of Air Rise Tower, a 42-story redevelopment high-rise building for residential use at Higashi Ikebukuro, Toshima-ku, Tokyo.

Shibaura Island Store

Opened on Friday, March 23, 2007 on the 1st floor of a commercial building in A1 Block of Shibaura Island, a large-scale redevelopment area at Shibaura, Minato-ku, Tokyo.

Illuminations Are Lit Up on the Outer Wall of Shinsaibashi Store.

Since Wednesday, November 29, 2006, Shinsaibashi Store lights up the outer wall on the Midosuji side with illuminations called “Shinsaibashi La Luce” every night. The illuminations are designed in a new classic style with symbolic Art Deco patterns to suit William Merrell Vories’ architecture. About 40,000 LEDs including white, amber and red ones are used. With mature high quality and elegance and the glamorous image of the city, they feature dreams and the excitement of extraordinary experiences to make shoppers visiting Shinsaibashi and local residents enjoy the street.

CORPORATE DATA

Management (As of May 1, 2007)

Directors and Corporate Auditors

Tsutomu Okuda	Chairman and Chief Executive Officer (Member of the Board, Osaka Securities Exchange Co., Ltd.) (Independent Director, Resona Holdings, Inc.)
Ryoichi Yamamoto	President and Chief Operating Officer Executive General Manager Department Store Operations Headquarters and Planning Office for New Umeda Store
Norio Yasunaga	Director (Director of Dai Nippon Toryo Co., Ltd.)
Keiichiro Matsuda	Director and Corporate Executive Officer Deputy Executive General Manager, Department Store Operations Headquarters Executive General Manager, Marketing Division and Merchandising Management Unit
Kiyozo Kojima	Director and Corporate Executive Officer Executive General Manager, Affiliated Enterprises Headquarters
Isao Ikushima	Director and Corporate Executive Officer Executive General Manager, Administrative Headquarters (Representative Director, Shinsaibashi Kyodo Center Building, K.K.)
Hiroto Tsukada	Director and Corporate Officer Executive General Manager Management Planning Headquarters and Integration Preparatory Office
Masafumi Ohnishi	Corporate Auditor (Senior Advisor, Osaka Gas Co., Ltd.) (Director, The Royal Hotel, Ltd.)
Takeshi Furuta	Corporate Auditor (Counselor, Kaneka Corporation) (Director, Nippon Venture Capital Co., Ltd.)
Hiroshi Kitano	Corporate Auditor (Full-time)
Yasuo Araya	Corporate Auditor (Full-time)

Note: Mr. Norio Yasunaga is an outside director.
Mr. Masafumi Ohnishi and Mr. Takeshi Furuta are outside corporate auditors.

Corporate Officers

Corporate Executive Officer

Yoshihiro Morikawa

Corporate Officers

Isao Yamane

Makoto Shibata

Taizo Yura

Toshiyuki Sugitani

Yoshio Kuribayashi

Kazuo Doi

Seiichiro Hirayama

Takaharu Harada

Haruo Kawabe

Yasuyuki Kobayashi

Yoji Honda

Ryohei Doi

Takao Nakagawa

Outline of the Company (As of February 28, 2007)

Company Name: The Daimaru, Inc.
Location of Main Store: 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 1717
Founded: April 16, 1920
Incorporated: April 16, 1920
Capital: ¥20,283,044,920
Main Business Purpose: Department store operation
Stores: Osaka Shinsaibashi, Osaka Umeda, Tokyo, LaLaport Yokohama (opened on March 15, 2007), Kyoto, Yamashina, Kobe, Shinnagata, Suma, Ashiya and Sapporo

<Status Quo of Shares>
Number of Shares Authorized: 1,000,000,000
Number of Shares Issued: 270,830,356

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 530-8202
Tel: 06-6343-1231

Tokyo Store

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

LaLaport Yokohama Store

4035-1, Ikebe-cho, Tsuzuki-ku, Yokohama 224-0053
Tel: 045-287-5000

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

Affiliates and Subsidiaries

Affiliated Department Stores

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

Supermarkets

Daimaru Peacock Co., Ltd.

Kanto District (42 locations):

Aoyama, Sodegaura, Takanawa Gyoranzaka, Mejiro, Jiyugaoka, Asagaya, Shimokitazawa, Nakano, Fujisawa, Misato, Ebisu, Tama, Kunitachi Sakuradori, Tsurumi, Rokkakubashi, Yokohamabashi, Kugayama, Takadanobaba, Azabu Juban, Iogi, Kyodo, Shinurayasu, Toritsukasei, Sakurashinmachi, Takanodai, Granpark Tamachi, Higashikoganei, Kamiikedai, Bunkyo Green Court, Tamagawa Josui, Ishikawadai, Hanakoganei, Seijo, Nishifunabashi, Kunitachi Bentendori, Fujisawa Treage Shirahata, Sangenchaya no Mori, Tomare Nihonbashi Hamacho, Daikanyama Peacock, Mita Isarago, Higashi Ikebukuro and Shibaura Island

Kansai District (27 locations):

Senri Daimaru Plaza, Kori, Tsukumodai, Kitasenri, Meimai, Nakamiya, Chayamadai, Harumidai, Takakuradai, Matsugaoka, Myodani, Karibadai, Tsukahara, Hoshida, Senri Minamimachi Plaza, Ashiya Nangu, Koshien, Kotoen, 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

Daimaru COM Development Inc.

Credit Service and Customer Circle

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

Construction and Interior Design

Daimaru Design & Engineering Co., Ltd.
Daimaru Mokko Co., Ltd.
DHJ Co., Ltd.

Lease

Daimaru Lease & Service Co., Ltd.

Foreign Trade and Wholesale

Daimaru Kogyo, Ltd.

Supporting and Information Business

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

SHAREHOLDER INFORMATION

Record Dates for Dividends from Surplus

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

Interim Dividend: August 31 of each year

Record Date of Ordinary General Meeting of Shareholders:

Last day of February of each year

Ordinary General Meeting of Shareholders:

Held in May of each year.

Method of Public Notice:

Public notices of the Company shall be given by electronic public notices. If electronic public notice is not available due to an accident or other unavoidable reason, the Company shall post a public notice in *The Nikkei*.

(Electronic public notice website address: <http://www.daimaru.co.jp/>)

Handling Office of Shareholder Register Administrator (Contact):

Osaka Corporate Agency Division of Mitsubishi UFJ Trust and Banking Corporation

1-5, Dojimahama 1-chome, Kita-ku, Osaka 530-0004

Tel: 0120-094-777 (Toll-free)

Liaison Offices of the Administrator:

Main branches and other domestic branches of Mitsubishi UFJ Trust and Banking Corporation and The Nomura Securities Co., Ltd.

Requests for stock-related forms are accepted by Mitsubishi UFJ Trust and Banking Corporation 24 hours a day by toll-free call at 0120-244-479 (Corporate Agency Division of Main Branch) or 0120-684-479 (Osaka Corporate Agency Division) as well as over the Internet at <http://www.tr.mufg.jp/daikou/>.

Website address:

<http://www.daimaru.co.jp/>

For further disclosed information and the latest store information, please visit our website.