Annual Report 2008

ISETAN MITSUKOSHI
HOLDINGS

Interfacing with Excellence

ISETAN MITSUKOSHI
HOLDINGS

By interfacing with customers, Mitsukoshi for 335 years, and Isetan for 122 years, we have cultivated a tradition of identifying and responding to customer needs and expectations. Through this milestone management integration for Mitsukoshi and Isetan, we reaffirm our commitment to this principle. Acting with integrity, creativity and the utmost attention to detail, we are dedicated to evolving how we interface with our customers to deliver unsurpassed customer satisfaction and be chosen as "my indispensable department store."

The Isetan Mitsukoshi Way

Group Philosophy

Striving to interface with integrity, flexibility and dynamism

• We strive to interface with every customer.	We wholeheartedly respond to customer needs and expectations through our focus on superlative service.
• We strive to interface with coworkers.	We enhance our knowledge and skills together to create new value.
• We strive to interface with our shareholders.	We faithfully respond to shareholder expectations by pursuing ambitious targets and practicing fair and transparent management.
• We strive to interface with our partners.	We cultivate the optimum partnerships for achieving our shared goal of delivering customer satisfaction.
• We strive to interface with communities, society and the Earth.	We contribute to the fulfillment of aspirations.

Cultivating irreplaceable relationships of trust far into the future

Group Vision

Serving customers in every sphere of their lives is our pleasure and our pride.

• The world's foremost in customer satisfaction imbued with our spirit of hospitality	(Inspiring)
• The world's foremost in the quality of service, merchandise and stores	(Excellence)
• The world's foremost in proposing new value	(Creation)
• The world's foremost capability in linking diverse value	(Linkage)
• The world's foremost in unceasing innovation	(Innovation)

We aim to become the world's foremost solution provider by offering our customers inspiring experience and excellent service.

Contents

Disclaimer regarding Forward-looking Statements

The Annual Report 2008 of Isetan Mitsukoshi Holdings Ltd. provides information on Isetan Mitsukoshi's business results and strategy. It is not meant to solicit the buying or selling of shares of Isetan Mitsukoshi or any of its Group companies. Certain of the statements in this document are forward-looking statements based on the opinions and estimates of management at the time this report was made. These statements involve risks, uncertainties and other factors, which may cause our actual results to differ from any future results.

For inquiries regarding Annual Report 2008, contact:

Investor Relations, Corporate Administration Division, Administration Headquaters, Isetan Mitsukoshi Holdings Ltd.
TEL: +81-(3)-5843-6041 FAX: +81-(3)-5843-6040

Becoming the World's Foremost Solution Provider

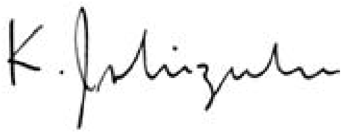
Mitsukoshi, Ltd. and Isetan Co., Ltd. took a new step forward in establishing the jointly owned company, Isetan Mitsukoshi Holdings Ltd., on April 1, 2008.

Our goal in this recent management integration is to maximize customer satisfaction through optimal utilization of the strengths and management resources possessed by both companies in the core department store business.

Mitsukoshi and Isetan have pursued business development under their own brands (store name) up to now. The strengths of both companies lie in the brands of each company and the customers who support these brands. Thinking that we would like to advance together under one Group principle and become indispensable to our customers, with our focus on the department store industry, we have chosen to aim for the vision of becoming "the world's foremost solution provider."

Moving forward, we will raise the level of management by combining the capabilities and assets cultivated by both companies and realize enhanced corporate value that is both sustainable and perpetual. We will also strive to maximize customer satisfaction by raising the solutions we provide to an even higher dimension and secure resources for coming investments by boosting profits to raise the bar even higher. We believe this to be the best way to provide returns expected by our customers, our shareholders and other stakeholders. We ask for your understanding of this principle and extended support.

Chairman and CEO



President and COO

Nobukazu Muto
Chairman and CEO

Kunio Ishizuka
President and COO

Interfacing with Excellence

We promise to approach our customers and related paties with integrity, flexibility and dynamism and in turn provide new value. We will reaffirm this spirit and determine how we should face this era and the next. The following conveys the views of top management, who will steer the course for the Isetan Mitsukoshi Group.

The Integration of Two Highly Competitive Brands on the Stage of the World's Leading Markets

–Aiming to Maximize the Benefits of Integration–

Both Mitsukoshi and Isetan have developed from kimono fabric shops and have come to build distinctive business models representative of Japanese department stores. As the pioneer of Japanese department stores, Mitsukoshi possesses the major strengths of a strong bond and relationships of trust with customers cultivated over a 335-year history. Above all, Mitsukoshi has a track record that others cannot emulate of providing high quality products and services for the milestone events in people's lives, as expressed in our corporate message, "Mitsukoshi always remains dedicated to its customers."

Isetan's strength lies in listening to what customers are saying in its stores. Since its founding 112 years ago, Isetan has always materialized customers' many different desires over the changing course of time. As stated in the corporate slogan, "Isetan gives new meaning to fashion," we have continued to offer fresh new merchandise and services that are fashion leaders.

Our foremost goal for this integration is to increase the level of satisfaction for our customers by polishing these strengths of Mitsukoshi and Isetan.

Viewed from the perspective of a department store, the integration of Mitsukoshi and Isetan with their contrasting models of "constancy and trendiness" and "creation and innovation" has given birth to a corporate format supported by the twin pillars of two highly competitive brands, centered on the massive Tokyo market, which is rare even on a worldwide scale. It is the future mission of the Isetan Mitsukoshi Group to provide "lifetime value (throughout a customer's life)" by responding with integrity to the needs and desires of our customers in respect of their differing lifestyles, based on this new position. **(Muto)**

Nobukazu Muto, Chairman and CEO

Becoming "My Indispensable Department Store" for Each Individual Customer
–Issues Based on the Targeted Direction by Isetan Mitsukoshi Holdings Ltd.–

The goal of the Isetan Mitsukoshi Group is to become "my indispensable department store" for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in their many different roles in life. By doing so, we aim to become the world's foremost solution provider with high profitability and sustained growth. We are actively pursuing the following measures to achieve this.

The first step is to improve and maintain brand value. The greatest assets of this Group are the "Mitsukoshi" and "Isetan" brands and the customers bound to those brands by trust. We will pour our efforts into reconfirming what our customers demand of each brand and strive to clarify the brands, as well as consider how to polish and increase the value of the brands.

The second step will be to integrate business infrastructure in order to manifest the strengths of the Group to the maximum extent possible and to increase sales and income for the department store business by achieving the benefits of integration quickly. The qualities expected of a department store are "safety and assurance," "high quality," and "freshness"; the certainty is the "trust" on which we remain ever vigilant. We intend to engage in bold advance investment in order to heighten the value of these qualities.

The third step is to maximize the customer satisfaction provided by each and every sales person. Our goal is to maintain the high quality of service, products and store branches while also becoming top in the world in terms of making an impression through sales staff hospitality (customer interaction) by ensuring our sales staff have the high-level abilities, knowledge and skills that will enable customers to consult directly with them. We believe a "fresh impression and high quality service" will only arise from daily efforts to innovate and our Group will continue to strive to listen and respond with integrity to customers' needs and desires and opinions.

We will engage in the mutual sharing of expertise, review those businesses that should be reviewed and cut costs by consolidating overlapping functions while boosting earnings by increasing the value of each brand through the store branches. These will be the sources of investment that will lead to even higher value for our customers. **(Muto)**

Kunio Ishizuka, President and COO

Proposals from the Customer's Standpoint at the Various Stages of Their Lives

–Becoming a Department Store that the Entire Family Will Use–

We began to undertake advance investments in cards, information systems and other spheres in regard to this theme after making the decision to integrate and will continue to invest through fiscal 2008. We have also begun to concentrate on investment in the three flagship stores in the Tokyo metropolitan area, including the remodeling of the Ginza store to add floor space, and to maximize the shared area of Mitsukoshi and Isetan in Niigata and other locations.

We have keenly felt the high expectations of customers from all fronts since announcing the integration, and are particularly aware that many of our customers are looking forward to shared use of the Mitsukoshi and Isetan cards. We have acquired a VISA license and will add this to the I Card in autumn 2008. We are also moving up our plans to integrate the functions of both company's cards, originally scheduled for 2013. This will not only improve store card functions but will also make it a card that can be used worldwide, raising customer convenience to a new level.

There are approximately 3.3 million members using the Mitsukoshi and Isetan cards. The usage rate is extremely high and these cards function as a sensitive communication tool tying the Group to our customers. We would like to expand the services we provide to card members beyond simply shopping to encompass the full range of our customers' daily lives with this impressive asset. We will expand the breadth of our services even further through the alliance between Mitsukoshi and Isetan.

Specifically, we will increase the number of financial planners further in order to offer optimal funding plans to our customers and will launch stock brokerage services in addition to the insurance consultation services we already offer at the Isetan main store in Shinjuku and the Urawa store. We will also work to improve and expand the range of services of which our customers can take advantage with their whole family for the various aspects of all stages of life. These will include mutual use of the Mitsukoshi and Isetan culture salons, travel salons and other services.

We would like to assist our customers in designing their lives in the future by utilizing the so-called neutral position of department stores—always acting from the standpoint of the customer. **(Ishizuka)**

Aiming for an Industry-leading Profit Structure
–Medium-term Business Goal–

We plan to announce a concrete medium-term business strategy in autumn 2008. However, we have already set forth the goal of becoming the top performers in the department industry in Japan in five years time by attaining consolidated operating income of ¥75.0 billion and an operating margin of 5.0% by fiscal 2013. We will achieve this by utilizing the benefits of integration to raise the base level of profitability in the department store business; increasing sales and income through redevelopment of flagship stores such as the Isetan Shinjuku main store, the Mitsukoshi Nihonbashi main store and the Mitsukoshi Ginza store; and expanding the card business and other businesses ancillary to department stores. In addition to the measures discussed above, we will also cut costs through the benefits of shared integration, re-evaluate unprofitable businesses and take sustained action to improve profitability.

It is essential to listen even more closely to the individual voices of our customers and anticipate their needs and desires in advance to achieve this goal. After accomplishing that, we plan to institute dividends linked to operating results in the future to further improve returns to investors while providing stable dividends over the long term. On a separate note, we will make advance investments to improve market competitiveness for the Group and will strengthen our financial structure by reducing consolidated interest-bearing debt.

We would like to make the department store business so attractive that new companies want to enter the industry. We must create the business opportunities ourselves to achieve that as well. **(Muto)**

Department stores have always been places that can offer customers of all ages everything to fit each customer's lifestyle. Through the integration, we will improve and maintain store services based on the basic functions and role of department stores. At the same time, we will achieve greater profitability and higher growth by maximizing the synergies that leverage the strengths of both companies through store remodeling and improvement in the efficiency of back office operations.

We believe we will increase the value to our shareholders by simultaneously improving profitability through the development of new solutions that address the expectations of our customers across their various life stages, the use of those profits for subsequent investment and through better support for our customers. By having investors retain shares over the long term, we can devote utmost attention to providing stable management, which will also reassure employees, and result in improved satisfaction among our customers. We will steer our operations in a manner that will enable us to provide such a favorable environment. We ask for the continued understanding and support of our shareholders.

Japanese department stores have long provided a broad range of value focused on customers and have engaged in unparalleled development throughout the world. The times and society are continuously changing accompanied by the trend toward a declining birthrate and an aging population, greater concern for the environment and other factors. Department stores, however, have been a format able to respond to a wide range of changes from the outset, and thus have prospered precisely because of being able to respond accurately to major changes. **(Ishizuka)**

August 2008

Isetan Mitsukoshi Past, Present and Future Strategies

April 1, 2008

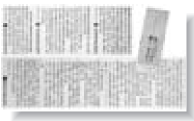
- Isetan Mitsukoshi Holdings Ltd. established via the business integration of Mitsukoshi & Isetan.

ISETAN MITSUKOSHI HOLDINGS

MITSUKOSHI

1673
- Takatoshi Mitsui established the kimono fabric shop, Echigoya, at Edohoncho 1-chome (present day Tokyo). This innovative businessman introduced the sales at labeled prices concept to merchandising and sold fabric at whatever lengths his buyers desired.

1904
- Mitsukoshi Gofukuten Co., Ltd. established. Became the first department store with the "Department Store Declaration."



1907
- Fine Arts Department established (a first for department stores).

1914
- Five story new building completed in the renaissance style at Nihonbashi main store.
- Lion statue and Japan's first escalator was installed.

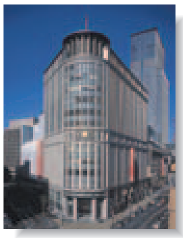
1927
- Mitsukoshi Hall (presently Mitsukoshi Theater) opened. Japan's first fashion show held.

1928
- Corporate name is changed to Mitsukoshi, Ltd.

1930
- Ginza store opened.

1932
- Mitsukoshi-mae subway station opened and directly connected to the basement floor of the Nihonbashi main store.

1991
- Shinko Mitsukoshi store opened in Taipei.



2004
- Grand opening of the Mitsukoshi Nihonbashi main store held upon completion of an annex building.

ISETAN

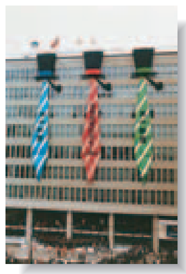
1886
- Tanji Kosuge established the Iseya Tanji kimono fabric shop in Hatago-cho, Kanda.

1930
- Isetan Co., Ltd. established.

1933
- Main store opened in Shinjuku.

1960
- Parking garage completed for the first time in the industry.

1968
- Men's Annex opened at Shinjuke main store.



1972
- Isetan Singapore opened (First overseas store).

1993
- Isetan Tianjin opened.

2003
- ISETAN MEN'S at Shinjuke main store remodeled and opened.

2005
- Isetan made Iwataya into a consolidated subsidiary. Business alliance with Meitetsu Department Store.

2007
- Business alliance with Tokyu Department Store.

Future Schedule

We will continue to take action to achieve our goal of ¥75.0 billion in consolidated operating income by fiscal 2013.

		Step 1		Step 2		Step 3
		Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012-13
		Establish Infrastructure		Improve Accuracy & Tangible Benefits		Optimize Group
I Concentrate investment in the three flagship stores in Tokyo metropolitan area	Isetan Shinjuku main store	6th redevelopment of main store		Strengthen alliance with Shinjuku ALCOTT store		
	Mitsukoshi Nihonbashi main store	Food floor remodeling	Large-scale remodeling			
	Mitsukoshi Ginza store	Remodeling construction to increase floor space		Grand opening Autumn 2010		
II Optimize shared areas	Consolidated management of shared areas	Build framework for Niigata area	Strengthen alliance in Niigata area	Expand to other areas		
III Integrate business infrastructure	Integrate merchandising and information systems & work flow	Integrate systems subsidiaries	Stage progressive introduction of work flow	Integrate systems		
	Integrate merchandising	Gradually integrate policies & planned flow for merchandising & launch operations		Integrate merchandising functions		
	Integrate back office operations	Gradually consolidate & integrate operational flow		Complete shared integration		
IV Strengthen & expand card strategy	Integrate cards	New I Card debut	Pre-integrate card functions	Integrate card functions / Gradually switch out cards		
Other	JR Osaka Mitsukoshi Isetan	Prepare to open a store jointly with the JR West Japan Group			Grand opening Spring 2011	

Note: The content, timing and other factors are projections as of August 2008 and are subject to change.

Challenges and Strategies of Isetan Mitsukoshi

Challenges

- Enhance the brand value of MITSUKOSHI and ISETAN
- Boost sales and profitability for the department store business quickly by swiftly generating the benefits of integration (particularly for Mitsukoshi)
- Reassess the business portfolio (Selection, concentration and development of businesses)

Basic Policies

- Clearly delineate the Mitsukoshi & Isetan brands and enhance brand value
- Integrate business infrastructure to exert maximum Group capabilities
- Maximize customer satisfaction provided by each sales person in stores.

Establish Framework

- Advance investment (cards, systems, remodeling, etc.)
- Write-off of inherited losses (impairment losses, sale, etc.)

Key Strategies

I Concentrate investment in the three flagship stores in Tokyo metropolitan area

II Optimize shared areas

III Integrate business infrastructure

IV Strengthen & expand card strategy

Key Strategies of the Isetan Mitsukoshi Group

I Concentrate Investment in the Three Flagship Stores in the Tokyo Metropolitan Area

Increase Prestige Further through Concentrated Investment in the Three Flagship Stores

The Tokyo metropolitan area is the largest market in the country with roughly ¥1.9 trillion in department store sales, even if limited to the 23 wards of Tokyo. The chief characteristic of this area is the overwhelming dominance of the affluent class, the key customers of department stores, compared with other regions. Fifty-four percent of high tax bracket individuals nationwide are concentrated in the Kanto Region. Tokyo alone accounts for 45%.

The Isetan Mitsukoshi Group owns three flagship stores in this area: the Mitsukoshi Nihonbashi main store and the Isetan Shinjuku main store, which rank first and second in stores sales for department stores nationwide, and the Mitsukoshi Ginza store located at Ginza 4-chome, the hallmark prosperous district in Japan. We can therefore claim an overwhelmingly superior position. The Isetan Mitsukoshi Group captures a clearly dominant share versus competitors in the 23-ward Tokyo market at 33%.

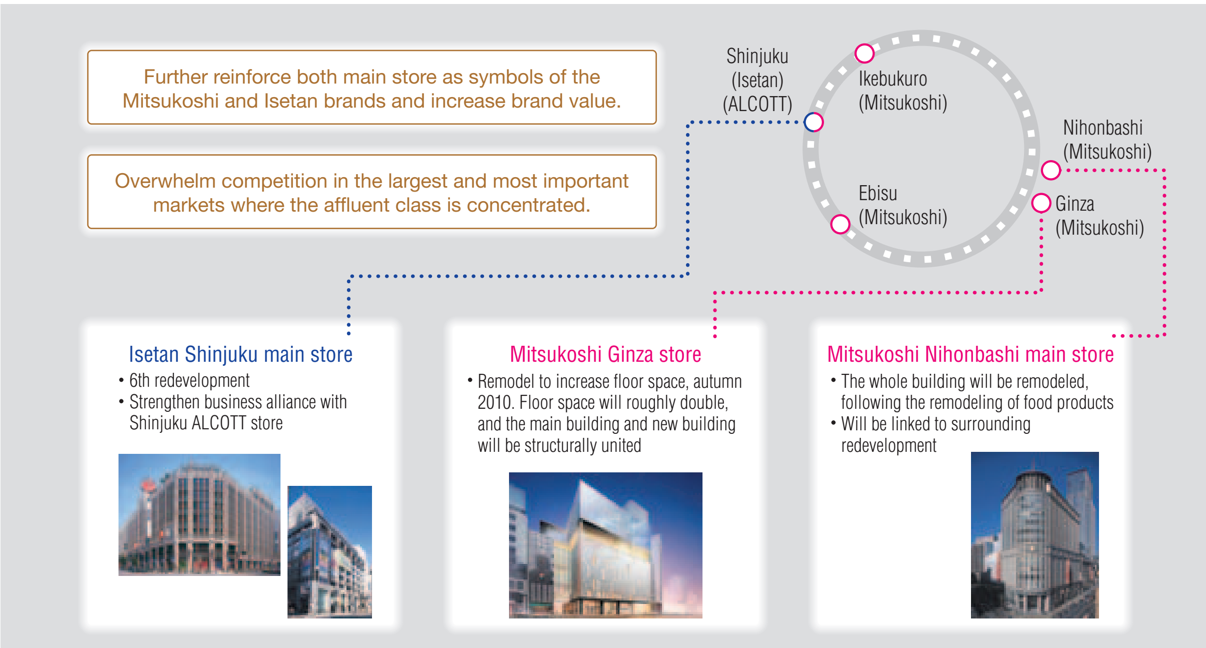
We are aggressively pursuing the creation of stores that can meet the expectations and hopes of our customers by making large strategic investments in these three stores with the goal of eliciting their potential even further by utilizing these unique characteristics to the fullest.

We are currently working on remodeling the women's floor at the Isetan Shinjuku main store as the opening gambit in establishing its position as the world's foremost fashion store.

We are planning to unify the main building and new building of the Mitsukoshi Ginza store and nearly double the store floor space for sales through remodeling for expansion. This is scheduled for completion in autumn 2010. We are also aiming to again make Mitsukoshi emblematic as the number one store in the Ginza district by working to introduce Isetan's operational flow aimed at aligning merchandising capabilities as well.

We are working on remodeling fashion, living and the entire Mitsukoshi Nihonbashi main store after completing remodeling of the food floor in an effort to make this Japan's most prestigious store and improve profitability.

The Isetan Mitsukoshi Group is striving to expand our market share even further in the Tokyo and Tokyo metropolitan area markets with these three flagships stores as the core.



Ⅱ Optimize Shared Areas

Improve the Degree of Satisfaction by Securing Our Customer Base Nationwide and Clearly Defining Brand Value in Shared Areas as Well

A severely competitive environment, not only from department stores but also suburban shopping centers, is also buffeting our stores outside of the metropolitan area. We continue to build relationships of trust with customers for these stores and will secure a customer base that is clearly superior to competitors on a nationwide scale as well by promoting the creation of stores that can meet the aspirations of our customers.

We will aim for unified management of the Mitsukoshi and Isetan stores which coexist in the Niigata area by initiating collaboration on sales and through other measures. We will simultaneously draw on the advantages of becoming a group to clearly define the brands of both stores and expand the lineup that both stores can provide by responding to the expectations of our customers through the unique characteristics of each store. In doing so we will further increase the selection of products and services available to our customers, and the synergistic benefits will improve operating results for both stores. We can also expect to reduce operating costs and improve efficiency by consolidating the back office divisions that both stores possess. We will complete the process of store renovation by 2010 by unifying management and through the collaboration of both stores. The Fukuoka area will also subsequently be modeled on the track record achieved in Niigata. We plan to heighten the preeminence of both areas.

Mitsukoshi Niigata store

Niigata Isetan

The new store we plan to open in Osaka in spring 2011 will be a consolidated subsidiary of West Japan Railway Company (JR West Japan). We will develop this with West Japan Railway Isetan Ltd., an equity-method affiliate of Isetan Co., Ltd., as the key business entity. We will showcase the appeal and services of the new department store by utilizing the individual strengths of Mitsukoshi, Isetan, West Japan Railway Isetan and JR West Japan in this business.

Ⅲ Integrate Business Infrastructure

Introduce the Merchandising and Information System and Work Flow of Isetan at Mitsukoshi to Advance its Capabilities

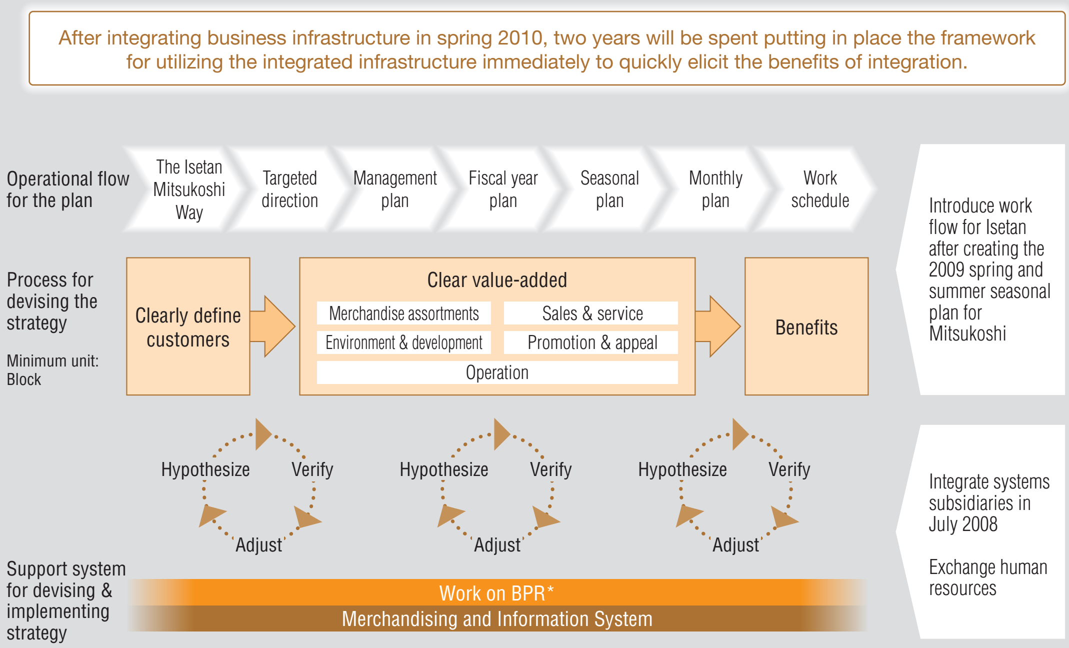
The Isetan Mitsukoshi Group is working actively to integrate business infrastructure with the ultimate aim of improving customer satisfaction. The benefits of the integration will first emerge once the integrated business infrastructure is properly up and running.

We will introduce a business infrastructure that includes the merchandising and information system and work flow of Isetan to Mitsukoshi store operations. We will also reform the entire supply chain by implementing the PDCA (Plan, Do, Check, Action) cycle to enable quick and accurate response to customers' needs and desires.

After integrating the merchandising and information system and work flow, we will utilize the unified business infrastructure of the two companies to achieve merits of scale and thereby secure popular products and develop a high quality, new private brand in an effort to improve customer satisfaction. Simultaneously building a win-win system with vendors will lead to increased sales and profits.

We will reassign human resources from Isetan to Mitsukoshi to ensure the penetration of the basic philosophy underpinning the merchandising cycle in preparation for full-fledged operation from 2010. The systems subsidiaries of the two companies has been integrated in July 2008 and Isetan Mitsukoshi System Solutions Ltd. has been established to further reinforce the systems, which will form the base for these activities.

In addition, we will reduce costs by broadly integrating back office operations, such as shared services.



*Business Process Reengineering (BPR)

We are aiming to further increase satisfaction for our customers by cutting down on lost opportunities (for sales) and dead or left-over stock. We will strive to fulfill the original role of a department store and apparel company to provide the products our customers want, at the moment they want them, in the quantity and at the price desired by achieving production matched to actual demand.

IV Strengthen & Expand Card Strategy

Make the Strongest Department Store Card the Choice of Customers for Every Stage of Their Lives

Our department store card will play a central role in our operations not only from the perspective of card services seen from the customer's standpoint but also from the perspective of the Isetan Mitsukoshi Group.

We are advancing plans to step up card integration aiming for fiscal 2010 and intend to begin allowing mutual use of cards from 2009. The integration of the cards will result in approximately 3.3 million card member accounts for the Isetan Mitsukoshi Group, giving us a clearly superior customer base.

The combination of the cards of the Group and of allied department stores will give the Isetan Mitsukoshi Group approximately 4.3 million accounts, making it Japan's most used store card. We believe that the integration of card services and the operational flow of Mitsukoshi and Isetan based on this customer base will allow us to analyze large amounts of data using the same method and increase analysis accuracy. This will enable us to create stores with product lineups even better matched to the desires of our customers. By also expanding services for that purpose, we aim to make customers satisfied to ensure that the card is always the first one they pull out of their wallet.

REMODEL

- Status of Remodeling in the Department Store Business -

Remodeling of Mitsukoshi Main Store

Food Floor

The three food floors at the Nihonbashi main store were completed in October 2007 after undergoing a staged remodeling from 2005. Basement level one of the main building and basement levels one and two of the annex building were renovated. These became floors that cater to the discriminating food preferences of customers, offering new food styles with favorite flavors from top chefs who will lead the next generation that they can "see, taste and take home." This has led to an increase in customer traffic.

Ladies' Sundries Floor

The ladies' sundries floor was also renovated. Handbags and accessories were renovated in March 2007 followed by cosmetics, fashion accessories and ladies' shoes in October. It now offers a floor where customers can shop at their leisure amid an upscale environment.

Remodeling of Isetan Main Store

Food Floor

The renovation of the food floor (basement level one) in June 2007 took a fresh development approach according to customers' degree of interest in the same way as renovations undertaken on ISETAN MEN'S in 2003 and ladies' accessories in March 2007 had distinguished items by brand. Customer interests in food were categorized into the three categories of "preparing," "eating" and "enjoying," and these were then presented according to "Western" and "Japanese" styles. A "fee-based tasting counter" and a "kitchen stage" where customers can savor recipes prepared and demonstrated by popular restaurant chefs using ingredients for sale in the store were constructed, changing this floor into one appropriate for the world's top fashion store.

ISETAN MEN'S

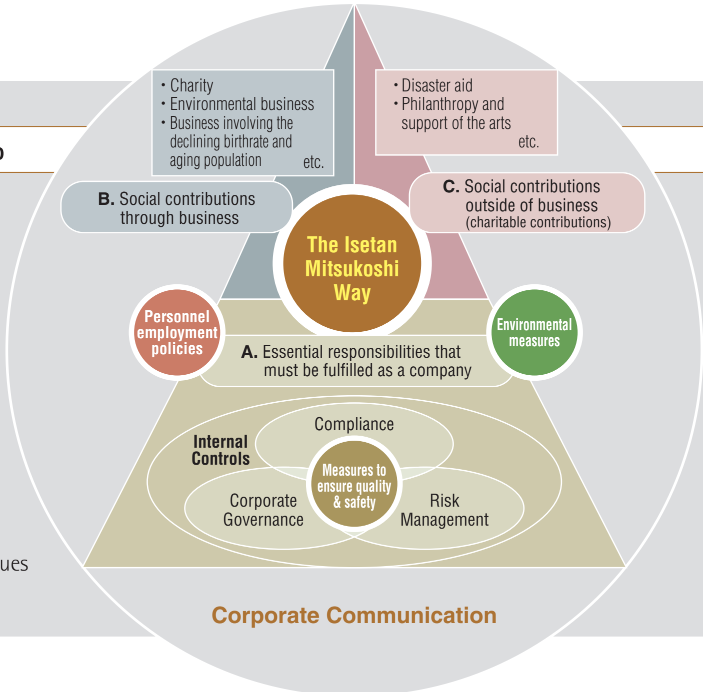
Renovation of the eighth floor of ISETAN MEN'S in September 2007 was conducted in response to collected feedback of customer expectations since opening in 2003. A new space where customers can relax when visiting the store was added, featuring a full line of items for customers to enjoy during their leisure time as well as a spa, flowers and gifts, and a cafe.

Corporate Communication

The Isetan Mitsukoshi Group will promote the reform of corporate governance in line with the establishment and reinforcement of a legal functional system, including the general meeting of shareholders, the board of directors, the board of corporate auditors, accounting audits and other methods of oversight, and the reform of the management structure, while simultaneously building favorable relationships with our customers, employees, shareholders, suppliers and local communities. We are also continually striving to enhance the transparency of corporate activities from the perspective of fulfilling our responsibility to society, ensure thorough management of compliance, accelerate management decision-making with the goal of being a corporate group that is trusted by all our stakeholders and to improve our audit capabilities while also putting in place a complete system of internal controls.

CSR Policy of the Isetan Mitsukoshi Group

"Building relationships of trust by being of service to society," the corporate principle of the Group, already espouses elements of corporate social responsibility. Our basic stance is that "implementing the corporate principles of the Group is synonymous with CSR activities"—the same as the view of CSR long since taken by Mitsukoshi and Isetan. We would like to increase the abundance in the lives of all of our stakeholders from this day forward by contributing to the resolution of the social issues they face through our corporate activities.



Contributing to Environmental Protection & Nature Conservation through Charitable Activities

● Charity Campaign Held to Commemorate Integration

Thirty-two stores nationwide held the "Kiss the Earth" for the Earth and for the Children WWF Charity Campaign on April 1, 2008 to commemorate the founding of Isetan Mitsukoshi Holdings Ltd.

An original strap and logo pin with the motif of a giant panda and polar bear were sold at ¥300 a set to contribute to environmental protection and nature conservation, of which ¥100 was donated to the World Wide Fund for Nature Japan (WWF).

Donations totaled ¥24,037,100 and are contributing to activities through WWF Japan to stop illegal logging in forests, stop poaching and smuggling, and curb global warming.

President Ishizuka (left) presents a catalog to Chairman Tokugawa of WWF Japan

● Charity T-shirt Exhibition: A Joint Campaign by Mitsukoshi and Isetan

From May through June 2008, we collected artwork bearing messages from the designers of 40 domestic and foreign brands well known throughout the world and held the "Bonds with Designers" charity T-shirt exhibition of these designs printed on T-shirts at six stores, including Isetan Shinjuku main store, JR Kyoto Isetan and Mitsukoshi Nihonbashi main store. The profits from orders and sales of the T-shirts (¥5,000) are being used for the revival of Japan's forests and tropical rainforests overseas.

A total of 18,603 T-shirts were sold during this campaign and the ¥35,468,994 collected was donated to the limited liability nonprofit mutual benefit corporation, More Trees.*

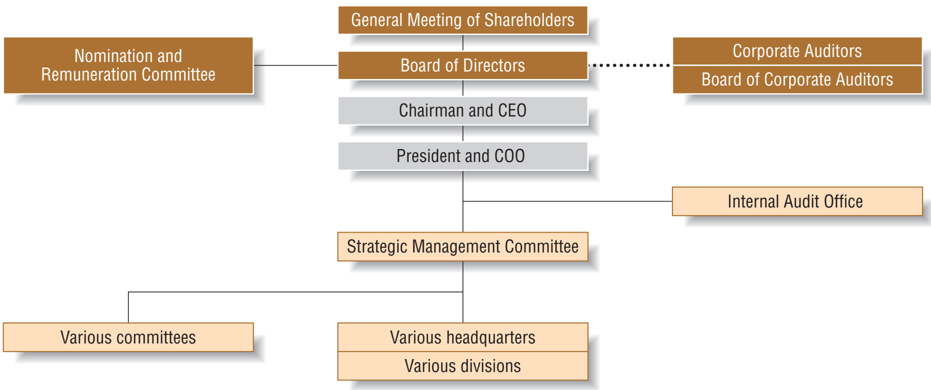
* More Trees: Established in July 2007 by five founders led by Ryuichi Sakamoto and over 100 people from every walk of life. The limited liability nonprofit mutual benefit corporation was organized under the concept of "more trees."

Framework for Corporate Governance and Internal Controls

The Group has adopted the format of a company with an established Board of Corporate Auditors. A Nomination and Remuneration Committee has been established which consists mainly of external directors and serves as the advisory body to the Board of Directors. This ensures transparency in governance.

The Group also employs an executive officer system and a Strategic Management Committee has been established to promote the efficient execution of business and to accelerate decision-making. This committee devises business strategy and allocates management resources appropriately for the Group.

<Relational Diagram of Internal Controls>



Basic Policy on Corporate Governance

Isetan Mitsukoshi Holdings Ltd. upholds the stance toward stakeholders delineated in the Isetan Mitsukoshi Way and has established a framework of the nine items indicated at the right to ensure the proper conduct of business. We are striving to maximize corporate value and ensure sound and highly transparent Group management through our efforts to realize the Group vision of becoming the world's foremost solution provider.

1. Compliance structure
2. Risk management structure
3. Internal control system for financial reporting
4. Data retention and management system
5. Framework for the efficient execution of duties
6. Framework of group corporate principles
7. Matters concerning audit staff
8. Framework for reporting to the auditor
9. Framework for ensuring the effectiveness of the audit by the corporate auditors

■ Compliance

We are creating a framework for ensuring that employees comply with laws and the articles of incorporation in the conduct of business. A regular board of directors' meeting is held once a month in accordance with the Rules Pertaining to the Board of Directors. This ensures the mutual understanding of opinions and allows mutual oversight over the conduct of duties and the prevention of acts in violation of the laws and articles of incorporation before they occur.

The position of the persons in charge of overseeing compliance has also been established in the Administration Headquarters. The persons in this position work to maintain and improve the system of internal controls and legal compliance. The Internal Audit Division has been established independently to audit the lawfulness and appropriateness of the conduct of business while maintaining communication with each division.

We have also established the Isetan Mitsukoshi Group Hotline as the contact point for internal reporting and consultation, and take corrective action and introduce measures to prevent recurrence in response to reports and consultation from group employees from the viewpoint of internal group compliance.

■ Risk Management

We are putting in place a system for selecting the risks that should be addressed first and eliminating them before they occur. We have also established a lateral internal corporate management structure to enable swift response when risks materialize and are working to prevent expansion of the damage and secondary harm, as well as to prevent recurrence.

■ Internal Controls on Financial Reporting

We are working to ensure proper financial reporting by specifying company-wide policies and procedures to ensure proper follow-through. We have also put into place a system to prevent the occurrence of serious errors in financial reporting. We are also striving to monitor the content of financial reports while simultaneously working to ensure that problems with internal controls that have been identified are reported in an appropriate and timely fashion.

Isetan Mitsukoshi at a Glance

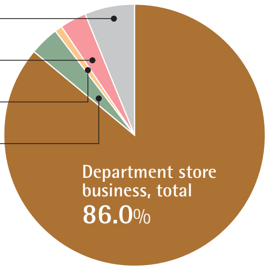
Mitsukoshi: Fiscal year ended February 2008/Isetan: Fiscal year ended March 2008

■ Breakdown of Mitsukoshi & Isetan Business for the Fiscal Year Ended February/March 2008 by Segment

Total Sales for Isetan Mitsukoshi: ¥1,559.7 billion

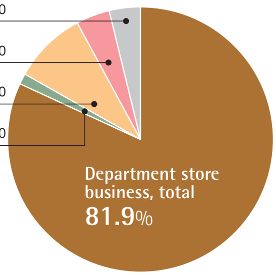
Breakdown of Total Sales

Other business, total	6.2%
Real estate management business, total	3.3%
Credit & finance business, total	0.9%
Specialty retail store business, total	3.6%



Breakdown of Total Operating Profit

Other business, total	3.8%
Real estate management business, total	4.1%
Credit & finance business, total	8.9%
Specialty retail store business, total	1.3%



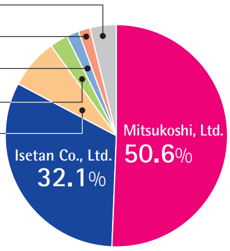
* Total sales and total operating profit are the simple sum of the two companies' results.

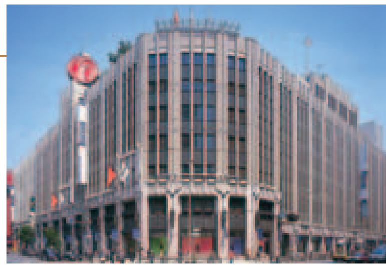
● Department Store Business: 22 Companies

Other, 16 companies	3.9%
Shizuoka Isetan Co., Ltd.	1.7%
Isetan (Singapore), Ltd.	1.8%
Niigata Isetan Co., Ltd.	2.6%
Iwataya Co., Ltd.	7.3%

(Unit: ¥ million)

Total: 1,440,234





Isetan Shinjuke main store

Mitsukoshi Nihonbashi main store

Consolidated Subsidiaries

Isetan Co., Ltd., Mitsukoshi, Ltd., Shizuoka Isetan Co., Ltd., Niigata Isetan Co., Ltd, Iwataya Co., Ltd, Shanghai Mei Long Zhen Isetan Department Store Co., Ltd., Tianjin Isetan Co., Ltd., Shanghai Jinjiang Isetan Co., Ltd., Chengdu Isetan Co., Ltd., Shenyang Isetan Co., Ltd., Isetan (Singapore) Ltd., Isetan (Thailand) Co., Ltd., Isetan of Japan Sdn. Bhd., Mitsukoshi France S.A., Mitsukoshi (U.K.) Ltd., Mitsukoshi Restaurant (U.K.) Ltd., Mitsukoshi Italia S.p.A., Mitsukoshi Deutschland GmbH,, Mitsukoshi España S.A., Mitsukoshi (U.S.A.) Inc., Mitsukoshi Enterprises Co., Ltd. (Hong Kong), Mitsukoshi Restaurant Services, Ltd. (Hong Kong).

● Credit & Finance Business: 3 Companies

(Unit: ¥ million)

Company Name	Sales
Isetan I Card Co., Ltd.	13,461
Izutsuya Withcard Co., Ltd.	1,246
Mitsukoshi Insurance Service Co., Ltd.	719
Total	15,426

New I Card
(New design will be substituted and available for exchange from November 2008.)

* Segment sales include intra-company sales and transfers.

● Specialty Retail Stores Business: 2 Companies

(Unit: ¥ million)

Company Name	Sales
Queen's Isetan Co., Ltd.	52,338
Mammina Co., Ltd.	8,243
Total	60,581

Queen's Isetan

● Real Estate Management Business: 8 Companies

(Unit: ¥ million)

Company Name	Sales
Mitsukoshi Kankyo Design Co., Ltd.	17,424
Mitsukoshi Kankyo Building Management Co., Ltd.	13,227
Nagoya Building Service Co., Ltd.	8,767
Isetan Building Management Services Co., Ltd.	8,537
Mitsukoshi Real Estate Co., Ltd.	5,513
Three other companies	1,335
Total	54,803

● Other Businesses

(Unit: ¥ million)

Total	103,437

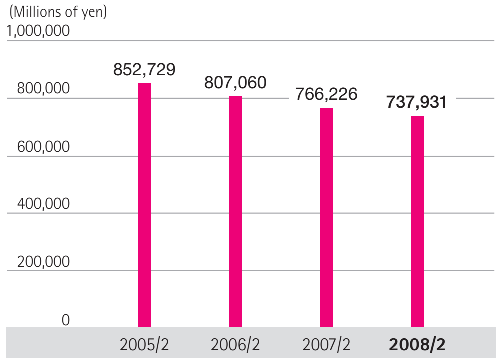
Mitsukoshi

Financial Data

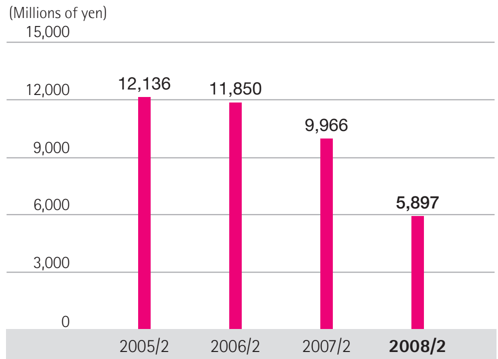
Overview of Business Results for the Mitsukoshi Group

During the year ended February 29, 2008, in the mainstay Department store business, sales were lackluster owing to sluggish personal consumption in view of the uncertain economic outlook and because it took time for the impact of the investment in refurbishment to become evident. Thus, there was a considerable gap between the results and the profit plan. Net sales were ¥773,964 million, a decrease of 3.8% from the previous year; operating income was ¥8,455 million, a 33.0% decline; recurring profit was ¥12,258 million, a 28.0% decrease; and net income was ¥4,427 million, a decline of 65.8%.

■ Sales in Department Store Business



■ Operating Income in Department Store Business



Department Store Business

During fiscal 2007, we implemented measures based on the evolved New Mitsukoshi Model in order to achieve further growth and prosperity of Mitsukoshi in the rapidly changing marketplace. Of particular note, we aimed to boost sales and profits from "priority sales floors*1" and "priority zones*2" by firmly putting into place a sales floor operation model, which clarifies the details of necessary work at sales floors in order to maximize customer satisfaction.

Sales from priority sales floors were 4.4% short of our sales target and were 0.7% below the level recorded in the previous fiscal year. Nonetheless, sales from such priority sales floors as Fashion Parts (casual accessory shops), Basic Casual (women's wear shops) and *Kayuan* (shops offering assortments of patisserie, confectionery and Japanese-style sweets) significantly exceeded both the targets and previous year's results. Looking at second-half results, sales are recovering and increased 1.8% versus the previous fiscal year.

Furthermore, we invested ¥5.9 billion for refurbishing our existing 14 stores. Sales from refurbished sales floors greatly exceeded the previous year's sales, although results at some sales floors fell short of targets.

At the Nihonbashi main store, we worked to realize a high-grade, hospitable ambience symbolizing the Mitsukoshi brand by incrementally refurbishing the accessories floor and the basement food floor and making these areas barrier free.

Meanwhile, we continued to implement cost reduction measures, including reform of our logistics system, integration of back office operations and reform of procurement by introducing bidding. Through these initiatives, we achieved a 3.9% reduction in selling, general and administrative (SG&A) expenses from the previous fiscal year, as the positive effects of cost reduction measures emerge.

As a result of the previous factors, sales in the Department store business amounted to ¥737,931 million, a 3.7% decrease from the previous year, and operating income was ¥5,897 million, a decline of 40.8%.

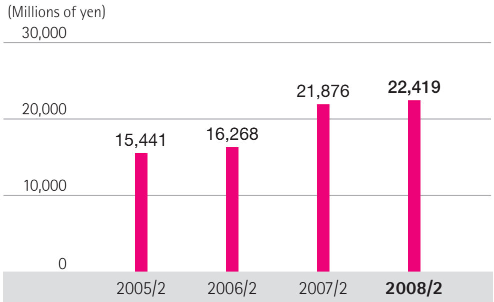
*1 Priority sales floors consist of shops offering independently selected merchandise assortments befitting Mitsukoshi.
*2 Priority zones are sales corners positioned around core priority sales floors and offer brands based on concepts related to the priority sales floors.

Real Estate Business

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

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

■ Sales in Real Estate Business



■ Operating Income in Real Estate Business

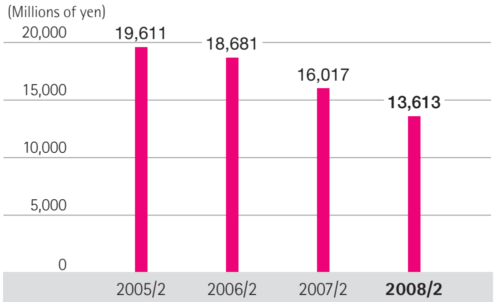
(Millions of yen)

2005/2	2006/2	2007/2	**2008/2**
1,681	2,304	1,596	**1,502**

Other Businesses

In Other businesses, in April 2007 restaurant operations were separated from Niko, Ltd. and Nagoya Building Service Co., Ltd. and part of the stake in these operations was sold to Royal Holdings Co., Ltd. We will work to realize an higher level of customer satisfaction by integrating the know-how of Mitsukoshi and Royal Holdings. Also, JP Logistics Partners Co., Ltd., a joint venture between Mitsukoshi and Japan Post Service Co., Ltd., which is a part of Japan Post Holdings Co., Ltd., began operation in November 2007.

■ Sales in Other Businesses



■ Operating Income in Other Businesses

(Millions of yen)

2005/2	2006/2	2007/2	**2008/2**
1,458	1,434	1,136	**1,083**

* Segment sales exclude intra-company sales and transfers.

Consolidated Balance Sheets

Mitsukoshi, Ltd. and Consolidated Subsidiaries

	February 29 or 28,		
	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2008**	2007	**2008**
Current Assets:			
Cash and deposits (Note 3)	**¥ 19,548**	¥ 17,230	**$ 186,171**
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	**445**	227	**4,238**
Other	**34,108**	34,637	**324,838**
Less allowance for doubtful accounts	**(121)**	(106)	**(1,152)**
Inventories (Note 5)	**38,587**	39,103	**367,495**
Deferred tax assets (Note 13)	**2,787**	4,060	**26,543**
Other current assets	**8,312**	9,615	**79,162**
Total current assets	**103,667**	104,768	**987,305**
Property and Equipment (Note 6)**:**			
Land	**231,812**	232,987	**2,207,733**
Buildings and structures	**260,445**	270,310	**2,480,429**
Machinery, equipment and fixtures	**25,263**	28,526	**240,600**
Construction in progress	**9,289**	4,419	**88,467**
	526,810	536,243	**5,017,238**
Less accumulated depreciation	**(180,138)**	(183,903)	**(1,715,600)**
Property and equipment, net	**346,672**	352,340	**3,301,638**
Investments and Other Assets:			
Investments in unconsolidated subsidiaries and affiliates	**39,001**	42,091	**371,438**
Other investments in securities (Note 4)	**11,731**	13,784	**111,724**
Leasehold and other deposits	**40,101**	38,981	**381,914**
Deferred tax assets (Note 13)	**122**	111	**1,162**
Other assets (Note 6)	**29,429**	25,594	**280,276**
Total investments and other assets	**120,386**	120,563	**1,146,533**
Total Assets	**¥570,727**	¥577,672	**$5,435,495**

The accompanying notes are an integral part of these financial statements.

Liabilities and Net Assets	February 29 or 28, Millions of yen 2008	2007	Thousands of U.S. dollars (Note 2) 2008
Current Liabilities:			
Bank overdrafts and short-term bank loans (Notes 3 and 7)	**¥ 14,857**	¥ 12,790	**$ 141,495**
Current portion of long-term debt (Note 8)	**76,138**	52,573	**725,124**
Trade notes and accounts payable	**40,472**	42,566	**385,448**
Advances from customers	**35,537**	31,118	**338,448**
Accrued income taxes	**1,067**	1,147	**10,162**
Gift certificates	**28,373**	29,986	**270,219**
Deferred tax liabilities (Note 13)	**138**	97	**1,314**
Allowance for point card certificates	**253**	161	**2,410**
Deposits	**29,429**	–	**280,276**
Accrued expenses and other current liabilities	**14,833**	46,012	**141,267**
Total current liabilities	**241,100**	216,455	**2,296,190**
Long-term Liabilities:			
Long-term debt (Note 8)	**80,770**	106,008	**769,238**
Accrued retirement benefits (Note 9)	**39,340**	39,929	**374,667**
Deferred tax liabilities (Note 13)	**43,149**	44,192	**410,943**
Other long-term liabilities	**7,132**	8,246	**67,924**
Total long-term liabilities	**170,393**	198,376	**1,622,790**
Contingent liabilities (Note 15)			
Net Assets:			
Shareholders' Equity (Note 10)**:**			
Common stock:			
Authorized – 1,500,000,000 shares			
Issued – 515,022,356 shares in 2008 and 2007	**37,404**	37,404	**356,229**
Capital surplus	**41,949**	41,933	**399,514**
Retained earnings	**72,207**	69,257	**687,686**
Less treasury stock, at cost	**(651)**	(515)	**(6,200)**
Total shareholders' equity	**150,908**	148,078	**1,437,219**
Valuation and Translation Adjustments:			
Unrealized holding gain on securities, net of deferred income taxes	**6,656**	12,197	**63,390**
Unrealized holding gain on hedging derivatives	**(4)**	0	**(38)**
Translation adjustments (Note 1(c))	**1,199**	2,141	**11,419**
Total valuation and translation adjustments	**7,852**	14,340	**74,781**
Share subscription rights (Note 11)	**35**	25	**333**
Minority interests in consolidated subsidiaries	**437**	395	**4,162**
Total net assets	**159,233**	162,840	**1,516,505**
Total Liabilities and Net Assets	**¥570,727**	¥577,672	**$5,435,495**

Consolidated Statements of Income

Mitsukoshi, Ltd. and Consolidated Subsidiaries

	Year ended February 29 or 28,		
	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	**2008**
Net sales	**¥773,964**	¥804,120	**$7,371,086**
Cost of sales	**567,486**	585,467	**5,404,629**
Gross profit	**206,477**	218,652	**1,966,448**
Selling, general and administrative expenses (Note 11)	**198,022**	206,034	**1,885,924**
Operating Income	**8,455**	12,617	**80,524**
Other Income (expenses):			
Interest and dividend income	**615**	544	**5,857**
Interest expense	**(2,472)**	(2,285)	**(23,543)**
Equity in earnings of affiliates	**5,084**	5,931	**48,419**
Other, net (Notes 6 and 12)	**(5,096)**	(3,314)	**(48,533)**
	(1,868)	875	**(17,790)**
Income before Income Taxes and Minority Interests	**6,586**	13,493	**62,724**
Income Taxes (Note 13)**:**			
Current	**1,255**	1,331	**11,952**
Deferred	**858**	(790)	**8,171**
	2,113	541	**20,124**
Minority Interests in Earnings of Consolidated Subsidiaries	**(45)**	(15)	**(429)**
Net Income (Note 17)	**¥ 4,427**	¥ 12,936	**$ 42,162**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Mitsukoshi, Ltd. and Consolidated Subsidiaries

	Millions of yen				
	February 29, 2008				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	¥37,404	¥41,933	¥69,257	¥(515)	¥148,078
Cash dividends	–	–	(1,478)	–	(1,478)
Net income	–	–	4,427	–	4,427
Acquisition of treasury stock	–	–	–	(137)	(137)
Disposition of treasury stock	–	16	–	1	17
Net changes in items other than shareholders' equity	–	–	–	–	–
Balance at End of Year	**¥37,404**	**¥41,949**	**¥72,207**	**¥(651)**	**¥150,908**

	Millions of yen						
	February 29, 2008						
	Valuation and translation adjustments						
	Unrealized holding gain on securities, net of deferred income taxes	Unrealized holding gain on hedging derivatives	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	¥12,197	¥ 0	¥2,141	¥14,340	¥25	¥395	¥162,840
Cash dividends	–	–	–	–	–	–	(1,478)
Net income	–	–	–	–	–	–	4,427
Acquisition of treasury stock	–	–	–	–	–	–	(137)
Disposition of treasury stock	–	–	–	–	–	–	17
Net changes in items other than shareholders' equity	(5,541)	(4)	(941)	(6,487)	9	41	(6,436)
Balance at End of Year	**¥ 6,656**	**¥(4)**	**¥1,199**	**¥ 7,852**	**¥35**	**¥437**	**¥159,233**

	Thousands of U.S. dollars (Note 2)				
	February 29, 2008				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	$356,229	$399,362	$659,590	$(4,905)	$1,410,267
Cash dividends	–	–	(14,076)	–	(14,076)
Net income	–	–	42,162	–	42,162
Acquisition of treasury stock	–	–	–	(1,305)	(1,305)
Disposition of treasury stock	–	152	–	10	162
Net changes in items other than shareholders' equity	–	–	–	–	–
Balance at End of Year	**$356,229**	**$399,514**	**$687,686**	**$(6,200)**	**$1,437,219**

	Thousands of U.S. dollars (Note 2)						
	February 29, 2008						
	Valuation and translation adjustments						
	Unrealized holding gain on securities, net of deferred income taxes	Unrealized holding gain on hedging derivatives	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	$116,162	$ 0	$20,390	$136,571	$238	$3,762	$1,550,857
Cash dividends	–	–	–	–	–	–	(14,076)
Net income	–	–	–	–	–	–	42,162
Acquisition of treasury stock	–	–	–	–	–	–	(1,305)
Disposition of treasury stock	–	–	–	–	–	–	162
Net changes in items other than shareholders' equity	(52,771)	(38)	(8,962)	(61,781)	86	390	(61,295)
Balance at End of Year	**$ 63,390**	**$(38)**	**$11,419**	**$ 74,781**	**$333**	**$4,162**	**$1,516,505**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Mitsukoshi, Ltd. and Consolidated Subsidiaries

	Millions of yen				
	February 28, 2007				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	¥37,404	¥41,899	¥57,799	¥(400)	¥136,702
Cash dividends	–	–	(1,478)	–	(1,478)
Net income	–	–	12,936	–	12,936
Acquisition of treasury stock	–	–	–	(116)	(116)
Disposition of treasury stock	–	33	–	1	34
Net changes in items other than shareholders' equity	–	–	–	–	–
Balance at End of Year	**¥37,404**	**¥41,933**	**¥69,257**	**¥(515)**	**¥148,078**

	Millions of yen						
	February 28, 2007						
	Valuation and translation adjustments						
	Unrealized holding gain on securities, net of deferred income taxes	Unrealized holding gain on hedging derivatives	Translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	¥ 2,039	¥–	¥1,276	¥ 3,316	¥ –	¥384	¥140,403
Cash dividends	–	–	–	–	–	–	(1,478)
Net income	–	–	–	–	–	–	12,936
Acquisition of treasury stock	–	–	–	–	–	–	(116)
Disposition of treasury stock	–	–	–	–	–	–	34
Net changes in items other than shareholders' equity	10,158	0	864	11,023	25	11	11,060
Balance at End of Year	**¥12,197**	**¥0**	**¥2,141**	**¥14,340**	**¥25**	**¥395**	**¥162,840**

Consolidated Statements of Cash Flows

Mitsukoshi, Ltd. and Consolidated Subsidiaries

	Year ended February 29 or 28,		
	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	**2008**
Operating Activities			
Income before income taxes and minority interests	**¥ 6,586**	¥13,493	**$ 62,724**
Depreciation and amortization	**12,652**	12,404	**120,495**
Impairment loss	**5,942**	15,393	**56,590**
Equity in earnings of affiliates	**(5,084)**	(5,931)	**(48,419)**
Provision for allowance for doubtful accounts	**23**	(131)	**219**
Provision for retirement benefits, less payments	**(141)**	(595)	**(1,343)**
Interest and dividend income	**(615)**	(544)	**(5,857)**
Interest expense	**2,472**	2,285	**23,543**
Gain on sales of property and equipment, net	**(6,053)**	(15,294)	**(57,648)**
Reversal of recovery cost	**–**	(759)	**–**
Loss on disposal of property and equipment	**1,878**	2,151	**17,886**
Gain on sales of investments in securities	**(17)**	(714)	**(162)**
Gain on sales of investments in subsidiaries	**(762)**	–	**(7,257)**
Loss on devaluation of investments in securities	**146**	42	**1,390**
Costs related to office reorganization	**1,263**	–	**12,029**
Loss on store closings	**–**	192	**–**
Loss on early retirement incentive plan with special benefits	**–**	1,461	**–**
Loss on devaluation of investments in affiliated companies	**112**	–	**1,067**
Costs related to business integration	**1,085**	–	**10,333**
Decrease in trade notes and accounts receivable	**0**	3,432	**0**
(Increase) decrease in inventories	**562**	(1,272)	**5,352**
Decrease in trade notes and accounts payable	**(1,937)**	(143)	**(18,448)**
Increase in consumption taxes payable	**1,339**	285	**12,752**
Other, net	**(1,966)**	2,625	**(18,724)**
Subtotal	**17,486**	28,381	**166,533**
Interest and dividends received	**2,569**	2,073	**24,467**
Interest paid	**(2,651)**	(2,354)	**(25,248)**
Payments of early retirement incentive plan with special benefits	**(1,675)**	(4,357)	**(15,952)**
Payments resulting from store closings	**(91)**	(673)	**(867)**
Income taxes paid	**(1,371)**	(1,158)	**(13,057)**
Net Cash Provided by Operating Activities	**14,266**	21,911	**135,867**
Investing activities			
Increase in time deposits	**(909)**	(92)	**(8,657)**
Proceeds from time deposits	**81**	145	**771**
Increase in investments in securities	**(122)**	(197)	**(1,162)**
Proceeds from sales of investments in securities	**826**	1,149	**7,867**
Proceeds from sales of investments in subsidiaries resulting in changes in consolidation	**708**	–	**6,743**
Additions to property and equipment, and intangible assets	**(18,614)**	(20,540)	**(177,276)**
Proceeds from sales of property and equipment, and intangible assets	**8,690**	29,992	**82,762**
Other, net	**(2,124)**	1,699	**(20,229)**
Net Cash Provided by (Used in) Investing Activities	**(11,464)**	12,157	**(109,181)**
Financing activities			
Increase (decrease) in bank overdrafts and short-term bank loans	**1,428**	3,957	**13,600**
Proceeds from issuance of long-term debt	**52,500**	42,100	**500,000**
Repayment of long-term debt	**(53,473)**	(56,583)	**(509,267)**
Redemption of convertible bonds	**–**	(28,000)	**–**
Cash dividends paid	**(1,484)**	(1,492)	**(14,133)**
Other, net	**(120)**	(81)	**(1,143)**
Net Cash Used in Financing Activities	**(1,149)**	(40,099)	**(10,943)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(76)**	147	**(724)**
Decrease in Cash and Cash Equivalents	**1,576**	(5,882)	**15,010**
Cash and Cash Equivalents at Beginning of Year	**17,082**	22,965	**162,686**
Cash and Cash Equivalents at End of Year (Note 3)	**¥18,658**	¥17,082	**$177,695**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Mitsukoshi, Ltd. and Consolidated Subsidiaries
February 29, 2008 and February 28, 2007

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying consolidated financial statements of Mitsukoshi, Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and its foreign consolidated subsidiaries, in conformity with those of their respective countries of domicile, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

As permitted by the regulations under the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliated companies

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant affiliates are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. The necessary adjustments were made to the financial statements of the Company to reflect any significant transactions from January 1 to February 29.

Investments in unconsolidated subsidiaries and affiliates, not significant in amount, are principally stated at cost or less. Where there has been a permanent impairment in the value of such investments, the Company has written them down to reflect this decline in value.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date, except for assets and liabilities hedged by forward foreign exchange contracts.

All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gain or loss is credited or charged to income.

The balance sheet accounts of the foreign consolidated subsidiaries, except for the components of net assets excluding minority interests which are translated at their historical exchange rates, are translated into yen at the rates of exchange in effect at the balance sheet date. Revenue and expense accounts are also translated at the rates of exchange in effect at the balance sheet date.

(d) Cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased and certain bank overdrafts to be cash equivalents.

(e) Securities

The accounting standard applicable to securities requires that all securities be classified into three categories: trading, held-to-maturity or other securities.

Marketable securities classified as other securities are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving average method.

The capital contributions made to limited liability partnerships and similar partnerships are treated as "securities" on the consolidated balance sheets in the amount proportional to the contributions made to the partnerships. The changes in the Company's share of the interest in the partnerships are adjusted based on the Company's share at the latest report date accordingly.

(f) Derivatives

Derivatives are stated at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes is deferred and included directly in net assets. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at their corresponding contract rates.

(g) Inventories

Merchandise in stores is mainly stated at cost determined principally by the retail inventory method. Other merchandise, including goods in transit, is stated at individual identified cost.

Finished products, work in process and raw materials are stated mainly at the lower of cost or market, cost being determined principally by the moving average method or individual identified cost.

(h) Property and equipment

Property and equipment is stated principally on the basis of cost.

Depreciation of buildings is calculated principally by the straight-line method based on the estimated useful lives of the respective assets.

Depreciation of property and equipment except for buildings is calculated principally by the declining-balance method based on the estimated useful lives of the respective assets.

Maintenance and minor repairs are charged to income as incurred; major renewals and improvements are capitalized at cost.

Property and equipment acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporation tax law.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended February 29, 2008 by ¥104 million ($990 thousand).

(i) Leases

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(j) Accrued employees' retirement benefits

Accrued employees' retirement benefits are provided mainly at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets and the retirement benefit trust assets at the balance sheet date, as adjusted for unrecognized actuarial gain or loss, unrecognized prior service cost and unrecognized net retirement benefit obligation at transition. The retirement benefit obligation has been attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees. The net retirement benefit obligation at transition is being amortized as incurred by the straight-line method principally over 10 years. Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss was recognized, primarily by the straight-line method and principally over 13 years. Prior service cost is amortized as incurred by the straight-line method principally over 13 years.

The Company and certain consolidated subsidiaries have defined contribution pension plans.

(k) Allowance for point card certificates

Allowance for point card certificates is provided for the estimated future costs of issuance of point card certificates based on the outstanding points awarded at the year end.

(l) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(m) Appropriation of retained earnings

Dividends and other appropriations of retained earnings with respect to a fiscal year are approved by the Board of Directors at a meeting held subsequent to the end of the fiscal year to which such appropriations are applicable. The accounts for that period do not, therefore, reflect such appropriations.

(n) Accounting Standard for Business Combination

Effective March 1, 2007, the Company has adopted "Accounting Standard for Business Combination" (Business Accounting Council opinion issued on October 31, 2003) and "Accounting Standard for Business Divestitures and the related Implementation" (Accounting Standards Board of Japan (ASBJ) Statement No. 7 issued on December 27, 2005), "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 27, 2005).

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥105 = U.S.$1.00, the approximate rate of exchange in effect on February 29, 2008. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. Cash and Cash Equivalents

A reconciliation of cash and deposits and cash and cash equivalents at February 29, 2008 and February 28, 2007 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Cash and deposits	**¥19,548**	¥17,230	**$186,171**
Time deposits	**(889)**	(86)	**(8,467)**
Bank overdrafts	**–**	(61)	**–**
Cash and cash equivalents	**¥18,658**	¥17,082	**$177,695**

4. Securities

(a) Marketable securities classified as other securities at February 29, 2008 and February 28, 2007 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	February 29, 2008					
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	**¥1,968**	**¥3,700**	**¥1,731**	**$18,743**	**$35,238**	**$16,486**
Other	**14**	**15**	**1**	**133**	**143**	**10**
Subtotal	**1,982**	**3,715**	**1,732**	**18,876**	**35,381**	**16,495**
Securities whose acquisition cost exceeds their carrying value:						
Stock	**2,437**	**1,902**	**(509)**	**23,210**	**18,114**	**(4,848)**
Other	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal	**2,437**	**1,902**	**(509)**	**23,210**	**18,114**	**(4,848)**
Total	**¥4,420**	**¥5,644**	**¥1,223**	**$42,095**	**$53,752**	**$11,648**

	Millions of yen		
	February 28, 2007		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥2,344	¥4,926	¥2,582
Other	14	21	7
Subtotal	2,358	4,948	2,589
Securities whose acquisition cost exceeds their carrying value:			
Stock	2,065	1,902	(163)
Other	–	–	–
Subtotal	2,065	1,902	(163)
Total	¥4,424	¥6,850	¥2,425

(b) Sales of securities classified as other securities for the years ended February 29, 2008 and February 28, 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Sales	**¥826**	¥1,109	**$7,867**
Aggregate gain	**17**	708	**162**
Aggregate loss	**–**	0	**–**

5. Inventories

Inventories at February 29, 2008 and February 28, 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Merchandise	**¥36,254**	¥36,483	**$345,276**
Finished products	**1,279**	1,493	**12,181**
Work in process	**189**	158	**1,800**
Raw materials and supplies	**863**	967	**8,219**
	¥38,587	¥39,103	**$367,495**

6. Loss on Impairment of Fixed Assets

The Company recognized an impairment loss on fixed assets including land, buildings and structures in stores and other for the years ended February 29, 2008 and February 28, 2007.

The Company and consolidated subsidiaries identify groups of assets on a store basis which is the smallest identifiable group of assets generating cash inflows from continuing use and is largely independent of cash inflows from other assets or groups of assets.

An impairment loss was recognized on store assets and land which declined significantly in terms of profitability and/or market price. Total impairment loss of ¥5,942 million ($623,910 thousand) and ¥15,393 million, which represents the total amount by which the carrying amounts of these assets exceeded their respective recoverable amounts, was recognized as other expense for the years ended February 29, 2008 and February 28, 2007, respectively.

The impairment loss consisted of the following assets:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Buildings and structures	**¥4,824**	¥ 9,685	**$45,943**
Land	**–**	3,939	**–**
Other	**1,118**	1,768	**10,648**
Total	**¥5,942**	¥15,393	**$56,590**

The recoverable amounts of the property groups and land were measured at net realizable value and posted price, respectively.

A discount rate of 5% was used for the calculation of the present value of future cash flows.

7. Bank Overdrafts and Short-term Bank Loans

Bank overdrafts and short-term bank loans (represented by notes maturing generally within one year) were primarily unsecured. The interest rates applicable to the overdrafts and loans at February 29, 2008 and February 28, 2007 ranged from 1.0400% to 6.3300% and from 0.8820% to 5.3250%, respectively.

8. Long-term Debt

At February 29, 2008 and February 28, 2007, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Loans from banks, insurance companies and government agencies at interest rates ranging from 1.1309% to 2.1025%:			
Unsecured, due through 2012	**¥156,908**	¥158,581	**$1,494,362**
	156,908	158,581	**1,494,362**
Less current portion	**(76,138)**	(52,573)	**(725,124)**
	¥ 80,770	¥106,008	**$ 769,238**

Long-term debt payments which fall due subsequent to February 29, 2008 are summarized as follows:

Year ending February 28 or 29,	Millions of yen	Thousands of U.S. dollars
2009	¥ 76,138	$ 725,124
2010	62,670	596,857
2011	11,000	104,762
2012	5,600	53,333
2013	1,500	14,286
	¥156,908	$1,494,362

9. Accrued Retirement Benefits

The Company and four domestic consolidated subsidiaries have both defined contribution plans and defined benefit plans, i.e., lump-sum payment plans, covering substantially all eligible employees, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination occurs.

Certain domestic subsidiaries have defined benefit plans, i.e., tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination occurs. Certain overseas subsidiaries have defined contribution pension plans.

The Company has contributed securities to the employees' retirement benefit trust.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at February 29, 2008 and February 28, 2007 for the Company's and the subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Retirement benefit obligation	**¥(51,801)**	¥(53,686)	**$(493,343)**
Plan assets at fair value	**3,607**	4,286	**34,352**
Retirement benefit trust at fair value	**3,328**	4,823	**31,695**
Unfunded retirement benefit obligation	**(44,865)**	(44,576)	**(427,286)**
Unrecognized prior service cost	**(2,544)**	(2,829)	**(24,229)**
Unrecognized actuarial loss	**8,123**	7,520	**77,362**
Unrecognized net retirement benefit obligation at transition	**56**	75	**533**
Prepaid pension cost	**(111)**	(119)	**(1,057)**
Accrued retirement benefits	**¥(39,340)**	¥(39,929)	**$(374,667)**

The components of retirement benefit expenses for the years ended February 29, 2008 and February 28, 2007 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Service cost	**¥2,089**	¥2,081	**$19,895**
Interest cost	**1,037**	1,073	**9,876**
Amortization of prior service cost	**(285)**	(285)	**(2,714)**
Amortization of net retirement benefit obligation at transition	**18**	18	**171**
Amortization of actuarial loss	**659**	593	**6,276**
Additional retirement benefit expenses	**95**	61	**905**
Other	**928**	988	**8,838**
Total	**¥4,544**	¥4,532	**$43,276**

The component of "Other" in retirement benefit expenses for the years ended February 29, 2008 and February 28, 2007 primarily represents the employers' contributions to the defined pension plans.

The assumptions used in accounting for the above plans were as follows:

	2008	2007
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**0.0%**	0.0%

10. Shareholders' Equity

Retained earnings include a legal reserve provided in accordance with the Corporation Law of Japan (the "Law"). The Law provides that neither capital surplus nor the legal reserve is, in principle, available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Law, however, does provide that if the total amount of capital surplus and the legal reserve exceeds 25% of the common stock account, the excess is available for appropriation by resolution of the shareholders.

Retained earnings also include retained earnings appropriated to special reserves in accordance with the Special Taxation Measures Law and the Law. The reserves are deducted from taxable income when provided and are to be reversed to taxable income in subsequent years through direct appropriations of retained earnings.

11. Stock Option Plans

Stock option expenses included in selling, general and administrative expenses was ¥9 million ($86 thousand) and ¥25 million for the years ended February 29, 2008 and February 28, 2007, respectively.

The Company's stock option plans are summarized as follows:

	June 2004	June 2005	June 2006
Number of covered persons:			
Directors	6	10	7
Executive officers	7	4	3
Number of shares originally granted	124,000	134,000	72,000
Exercise price	1	1	1
Exercisable period	June 1, 2005 – May 31, 2014	June 1, 2006 – May 31, 2015	June 1, 2007 – May 31, 2016

Options activity under the stock option plans during the year ended February 29, 2008 was as follows:

	June 2004	June 2005	June 2006
Non-vested:			
February 28, 2007	–	–	70,000
Granted	–	–	–
Cancelled	–	–	–
Vested	–	–	70,000
February 29, 2008	–	–	–
Vested:			
February 28, 2007	111,000	125,000	–
Vested	–	–	70,000
Exercised	13,000	11,000	–
Cancelled	–	–	–
February 29, 2008	98,000	114,000	70,000

12. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended February 29, 2008 and February 28, 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Gain on sales of investments in securities	**¥ 17**	¥ 714	**$ 162**
Reversal of allowance for doubtful accounts	**–**	237	**–**
Gain on sales of investment in a subsidiary	**762**	–	**7,257**
Gains on forgiveness of liabilities, net	**1,481**	1,168	**14,105**
Loss on devaluation of investments in securities	**(146)**	(42)	**(1,390)**
Loss on devaluation of investments in affiliated companies	**(112)**	–	**(1,067)**
Inventory shrinkage	**(336)**	(410)	**(3,200)**
Gain on sales and disposal of property and equipment, net	**4,174**	13,142	**39,752**
Reversal of recovery cost	**–**	759	**–**
Loss on store closings	**–**	(192)	**–**
Costs related to office reorganization	**(1,263)**	–	**(12,029)**
Loss on early retirement incentive plan with special benefits	**–**	(1,461)	**–**
Impairment loss	**(5,942)**	(15,393)	**(56,590)**
Costs related to business integration	**(1,085)**	–	**(10,333)**
Other, net	**(2,645)**	(1,837)	**(25,190)**
	¥(5,096)	¥ (3,314)	**$(48,533)**

13. Income Taxes

Income taxes applicable to the Company for the years ended February 29, 2008 and February 28, 2007 comprised corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 40.69%.

The effective tax rates reflected in the consolidated statements of income for the years ended February 29, 2008 and February 28, 2007 differ from the statutory tax rate for the following reasons:

	2008	2007
Statutory tax rate	**40.69%**	40.69%
Effect of:		
Expenses not deductible for income tax purposes	**8.25**	2.14
Per capita portion of inhabitants' taxes	**2.57**	1.14
Equity in earnings of affiliates	**(18.27)**	(17.89)
Undistributed earnings of an affiliate	**0.41**	1.32
Unrecognized tax effect on unrealized intercompany profit	**1.51**	5.64
Changes in valuation allowance	**(7.07)**	(27.85)
Other, net	**3.99**	(1.18)
Effective tax rates	**32.08%**	4.01%

Significant components of the Company's deferred tax assets and liabilities at February 29, 2008 and February 28, 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	February 29 or 28,		
	2008	2007	**2008**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 335**	¥ 392	**$ 3,190**
Accrued enterprise tax	**170**	209	**1,619**
Accrued retirement benefits	**16,539**	16,757	**157,514**
Depreciation	**6,705**	4,820	**63,857**
Tax loss carryforwards	**16,992**	18,436	**161,829**
Devaluation of assets on merger	**12,640**	15,567	**120,381**
Other, net	**5,569**	4,354	**53,038**
Gross deferred tax assets	**58,953**	60,538	**561,457**
Valuation allowance	**(23,416)**	(24,211)	**(223,010)**
Total deferred tax assets	**35,537**	36,327	**338,448**
Deferred tax liabilities:			
Unrealized holding gain on securities	**(388)**	(1,056)	**(3,695)**
Contributions deducted from acquisition costs of property	**(339)**	(339)	**(3,229)**
Revaluation of assets on merger	**(73,277)**	(73,310)	**(697,876)**
Other, net	**(1,909)**	(1,738)	**(18,181)**
Total deferred tax liabilities	**(75,914)**	(76,444)	**(722,990)**
Net deferred tax liabilities	**¥(40,377)**	¥(40,117)	**$(384,543)**

14. Leases

(a) Finance leases

(1) Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased property at February 29, 2008 and February 28, 2007, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Acquisition costs:			
Buildings and structures	**¥ 42**	¥ 42	**$ 400**
Machinery, equipment and fixtures	**10,834**	10,942	**103,181**
Other	**106**	72	**1,010**
	¥10,982	¥11,057	**$104,590**
Accumulated depreciation:			
Buildings and structures	**¥ 16**	¥ 11	**$ 152**
Machinery, equipment and fixtures	**6,024**	5,357	**57,371**
Other	**46**	16	**438**
	¥ 6,087	¥ 5,385	**$ 57,971**
Accumulated impairment loss:			
Machinery, equipment and fixtures	**¥ 308**	¥ 273	**$ 2,933**
Net book value:			
Buildings and structures	**¥ 25**	¥ 31	**$ 238**
Machinery, equipment and fixtures	**4,501**	5,311	**42,867**
Other	**60**	55	**571**
	¥ 4,587	¥ 5,398	**$ 43,686**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,249 million ($21,419 thousand) and ¥2,381 million for the years ended February 29, 2008 and February 28, 2007, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to February 29, 2008 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 and 29,		
2009	¥1,805	$17,190
2010 and thereafter	3,038	28,933
Total	¥4,843	$46,124

(2) Lessors' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property relating to finance leases accounted for as operating leases at February 29, 2008 and February 28, 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Acquisition costs:			
Machinery, equipment and fixtures	–	¥13	–
Accumulated depreciation:			
Machinery, equipment and fixtures	–	¥13	–
Net book value:			
Machinery, equipment and fixtures	–	¥ 0	–

Lease income relating to finance leases accounted for as operating leases amounted to ¥0 million and ¥5 million for the years ended February 29, 2008 and February 28, 2007, respectively.

(b) Operating leases

Future minimum lease payments subsequent to February 29, 2008 for noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 and 29,		
2009	¥ 4,295	$ 40,905
2010 and thereafter	35,333	336,505
Total	¥39,629	$377,419

Future minimum lease income subsequent to February 29, 2008 for noncancelable operating leases is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 and 29,		
2009	¥2,101	$20,010
2010 and thereafter	1,212	11,543
Total	¥3,314	$31,562

15. Contingent Liabilities

At February 29, 2008, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans for:		
Employees	¥1,778	$16,933

16. Derivatives

The Company and its consolidated subsidiaries have entered into foreign currency hedging transactions and interest-rate swap agreements to reduce their exposure to the risk arising from adverse fluctuation in foreign exchange rates relating to their receivables and payables denominated in foreign currencies as well as to adverse fluctuation in interest rates.

Currency-related transactions
At February 29, 2008 and February 28, 2007, the disclosure of fair value information for forward foreign exchange contracts has been omitted since all forward foreign exchange contracts have been accounted for as hedges for payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

Interest-rate related transactions
At February 29, 2008 and February 28, 2007, the disclosure of fair value information for interest-rate related derivatives positions has been omitted since all derivatives were accounted for as hedges.

17. Amounts Per Share

Amounts per share of basic net income, diluted net income, cash dividends and net assets for the years ended February 29, 2008 and February 28, 2007 were as follows:

(a) Net income – basic	Yen		U.S. dollars
	2008	2007	**2008**
	¥8.99	¥26.45	**$0.086**

(b) Net income – diluted	Yen		U.S. dollars
	2008	2007	**2008**
	¥8.98	¥24.51	**$0.086**

(c) Cash dividends applicable to the year	Yen		U.S. dollars
	2008	2007	**2008**
	¥3	¥3	**$0.029**

(d) Net assets	Yen		U.S. dollars
	2008	2007	**2008**
	¥321.40	¥329.85	**$3.061**

Basic net income per share for the years ended February 29, 2008 and February 28, 2007 was computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share for the years ended February 29, 2008 and February 28, 2007 was computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the conversion of convertible bonds and the exercise of stock acquisition rights. Amounts per share of net assets at the balance sheet dates were computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the balance sheet dates.

18. Segment Information

The Company and its consolidated subsidiaries operate primarily in the department store segment and the real estate segment. The "Other" segment in the following table comprises various businesses which include manufacturing, wholesale businesses and other services.

The business segment information of the Company and its consolidated subsidiaries for the years ended February 29, 2008 and February 28, 2007 is outlined as follows:

	Millions of yen					
	Year ended February 29, 2008					
	Department store	Real estate	Other	Total	Eliminations	Consolidated
I. Net sales, operating expenses and operating income:						
Sales to third parties	¥737,931	¥22,419	¥13,613	¥773,964	¥ –	¥773,964
Intergroup sales and transfers	1,066	22,587	51,608	75,262	(75,262)	–
Net sales	738,997	45,007	65,222	849,226	(75,262)	773,964
Operating expenses	733,099	43,504	64,138	840,743	(75,234)	765,509
Operating income	¥ 5,897	¥ 1,502	¥ 1,083	¥ 8,483	¥ (28)	¥ 8,455
II. Identifiable assets, depreciation and amortization, impairment loss and capital expenditures:						
Identifiable assets	¥522,449	¥47,824	¥24,853	¥595,126	¥(24,399)	¥570,727
Depreciation and amortization	11,375	322	1,211	12,909	(256)	12,652
Impairment loss	5,854	56	136	6,047	(105)	5,942
Capital expenditures	19,888	200	1,465	21,554	(327)	21,227

	Thousands of U.S. dollars					
	Year ended February 29, 2008					
	Department store	Real estate	Other	Total	Eliminations	Consolidated
I. Net sales, operating expenses and operating income:						
Sales to third parties	**$7,027,914**	**$213,514**	**$129,648**	**$7,371,086**	**$ –**	**$7,371,086**
Intergroup sales and transfers	**10,152**	**215,114**	**491,505**	**716,781**	**(716,781)**	**–**
Net sales	**7,038,067**	**428,638**	**621,162**	**8,087,867**	**(716,781)**	**7,371,086**
Operating expenses	**6,981,895**	**414,324**	**610,838**	**8,007,076**	**(716,514)**	**7,290,562**
Operating income	**$ 56,162**	**$ 14,305**	**$ 10,314**	**$ 80,790**	**$ (267)**	**$ 80,524**
II. Identifiable assets, depreciation and amortization, impairment loss and capital expenditures:						
Identifiable assets	**$4,975,705**	**$455,467**	**$236,695**	**$5,667,867**	**$(232,371)**	**$5,435,495**
Depreciation and amortization	**108,333**	**3,067**	**11,533**	**122,943**	**(2,438)**	**120,495**
Impairment loss	**55,752**	**533**	**1,295**	**57,590**	**(1,000)**	**56,590**
Capital expenditures	**189,410**	**1,905**	**13,952**	**205,276**	**(3,114)**	**202,162**

	Millions of yen					
	Year ended February 28, 2007					
	Department store	Real estate	Other	Total	Eliminations	Consolidated
I. Net sales, operating expenses and operating income:						
Sales to third parties	¥766,226	¥21,876	¥16,017	¥804,120	¥ –	¥804,120
Intergroup sales and transfers	1,573	26,290	56,373	84,237	(84,237)	–
Net sales	767,799	48,166	72,391	888,357	(84,237)	804,120
Operating expenses	757,833	46,569	71,254	875,657	(84,154)	791,502
Operating income	¥ 9,966	¥ 1,596	¥ 1,136	¥ 12,699	¥ (82)	¥ 12,617
II. Identifiable assets, depreciation and amortization, impairment loss and capital expenditures:						
Identifiable assets	¥524,330	¥55,390	¥26,732	¥606,453	¥(28,781)	¥577,672
Depreciation and amortization	10,922	340	1,353	12,616	(211)	12,404
Impairment loss	10,485	4,056	912	15,454	(61)	15,393
Capital expenditures	21,598	203	1,416	23,218	(3,395)	19,823

As net sales and total assets of the overseas operations of the Company and its consolidated subsidiaries constituted less than 10% of the consolidated totals for both the years ended February 29, 2008 and February 28, 2007, the disclosure of both geographical segment information and overseas sales information has been omitted.

19. Related Party Transactions

The Company entered into transactions with one of its directors who was concurrently a chairman of Sumitomo Mitsui Banking Corporation (the "Bank"). The Company sold its merchandise to, borrowed from and paid interest to the director in his capacity as a chairman of the Bank. The terms of the transactions were determined on an arm's-length basis. Amounts of the transactions and balances for the years ended February 29, 2008 and February 28, 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	February 29 or 28,		
	2008	2007	**2008**
Sales	**¥ 186**	¥ 185	**$ 1,771**
Borrowings of loans	**17,000**	16,000	**161,905**
Interest	**869**	556	**8,276**
Accounts receivable	**13**	41	**124**
Short-term bank loans	**34,598**	16,128	**329,505**
Long-term debt	**22,700**	38,298	**216,190**
Accrued expenses	**120**	178	**1,143**

20. Business Combination

Sales of restaurant operations

Effective April 1, 2007, two consolidated subsidiaries spun off their restaurant operations and jointly established a company. Effective April 2, 2007, these two consolidated subsidiaries sold 66.6% of their shares of the new company and distributed 33.4% of their shares of the new company to the Company.

The Company recorded a gain on sale of investments in subsidiaries of ¥762 million ($7,257 thousand) which is included in "Other, net" in the consolidated statement of income for the year ended February 29, 2008.

21. Subsequent Events

(a) Establishment of Joint Holding Company through a Stock Transfer

The establishment of Isetan Mitsukoshi Holdings Ltd. as the parent company through a joint stock transfer by Mitsukoshi, Ltd. and Isetan Co., Ltd. was approved at an Extraordinary Meeting of Shareholders held on November 20, 2007. Accordingly, Isetan Mitsukoshi Holdings Ltd. was established on April 1, 2008, and the Company is a wholly owned subsidiary of the holding company.

Name: Isetan Mitsukoshi Holdings Ltd.
Address: 4-6-16 Ginza, Chuo-ku, Tokyo

Representative: Nobukazu Muto, Chairman and CEO
Capital: ¥50,000 million ($499,052 thousand)

Details of Business: Management planning and management of subsidiaries and Group companies engaged in the department store and other business as well as the handling of all related operations

Main reason for transfer of stock: Integrate management to raise corporate value by effectively utilizing the management resources and know-how of each company

Stock transfer date: April 1, 2008

(b) Appropriation of retained earnings

The following appropriation of retained earnings, which has not been reflected in the accompanying consolidated financial statements, was approved at a meeting of the Board of Directors of the Company held on March 28, 2008:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3 = $0.029 per share)	¥1,477	$14,067

(c) Cancellation of treasury stock

On March 28, 2008, the Board of Directors of the Company approved the cancellation of treasury stock in accordance with the Article 178 of the Corporation Law of Japan.

1) Class of shares to be cancelled	Common stock
2) Number of shares to be cancelled	22,400,000 shares (4.35% of issued shares)
3) Scheduled date of cancellation	March 31, 2008
4) Number of issued shares after cancellation	492,622,356 shares (scheduled)
5) Number of treasury stock after cancellation	116,363 shares (scheduled)

(d) Transfer of the new store branch business

Once the Company decided Upon deciding to open a new branch store (Osaka branch) at the board meeting held on October 13, 2005, the Board of Directors of the Company approved the transfer of this business to West Japan Railway Isetan Ltd. on April 8, 2008. Assets of this business total ¥4,502 million ($42,876 thousand) as of February 29, 2008. The details of the transfer contract are undecided.

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

Tel: 03 3503 1100
Fax: 03 3503 1197

Report of Independent Auditors

The Board of Directors
Mitsukoshi, Ltd.

We have audited the accompanying consolidated balance sheets of Mitsukoshi, Ltd. and consolidated subsidiaries as of February 29, 2008 and February 28, 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsukoshi, Ltd. and consolidated subsidiaries at February 29, 2008 and February 28, 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

May 22, 2008

Ernst & Young ShinNihon

A MEMBER OF ERNST & YOUNG GLOBAL

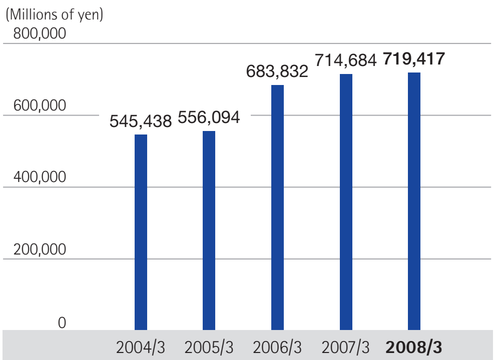
Isetan

Financial Data

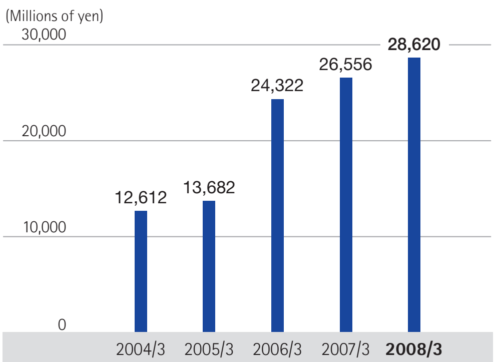
Overview of Business Results for the Isetan Group

During the fiscal year ended March 31, 2008, the Isetan Group recorded consolidated net sales of ¥785,839 million, an increase of 0.5% from the previous fiscal year, owing to favorable sales in the core Department store business. Thanks to higher consolidated net sales and a reduction of expenses, consolidated operating income increased 3.6% from the previous year to ¥33,417 million and recurring income edged up 0.8% to ¥33,685 million. However, consolidated net income decreased 24.8% to ¥13,761 million due to the recording of extraordinary losses.

■ Sales in Department Store Business



■ Operating Income in Department Store Business



Department Store Business

Sales in Isetan's Department store business amounted to ¥719,417 million, an increase of 0.7% from the previous fiscal year, and operating income amounted to ¥28,620 million, up 7.8%.

By making broad-ranging proposals for highly original clothing, food, and products and services, centering on the independently planned "Only I" brand, we were able to put into practice our slogan "Isetan gives new meaning to fashion."

At the Isetan main store, we worked to raise convenience for customers by remodeling the basement floor for foods in the Main Building as well as part of the ISETAN MEN'S (Men's Building), while concurrently making our utmost efforts to offer new products and services that match customer needs. By taking these measures, the Isetan main store achieved favorable sales.

Amid intensifying competition in regional areas, Unit Shops that standardize merchandise assortments and business operations at each branch store progressed with the development of original products that accurately address the needs of local customers. By doing so, Unit Shops continued to contribute to the enhancement of profitability at each branch store.

Shizuoka Isetan Co., Ltd. and Niigata Isetan Co., Ltd., which are affiliated companies, focused on establishing the foundation for a Group operating structure as well as strengthened their sales capabilities and raised operational efficiency. Iwataya Co., Ltd. posted robust sales by fortifying its sales base to better utilize the strengths of the Isetan Group. West Japan Railway Isetan Ltd., which marked its 10th anniversary in 2007, continued to record favorable sales by firmly securing customers by offering an assortment of products and services tailored to the needs of customers in the community it serves and implementing effective measures that fully utilize the features of a station building department store.

On March 31, 2008, Isetan Co., Ltd. transferred stock and management rights in Kokura Isetan Co., Ltd. to Izutsuya Co., Ltd. and recorded an extraordinary loss as a result of this transaction.

Overseas, in May 2007 Isetan Chengdu was opened in Chengdu, the capital of Sichuan Province, and in March 2008 Isetan Shenyang was opened in Shenyang, the capital of Liaoning Province. Both stores provide a diverse assortment of clothing, food and household merchandise that are the first such products to be offered in those regions. At the same time, these stores have attracted attention and gained popularity among local customers by making specific proposals for attainable "Yearned-for Lifestyles."

Overall sales of department store subsidiaries in Singapore and Malaysia expanded against a background of robust economic growth in Asia. In September 2007, we opened our third Malaysian store, The Gardens, which posted favorable results.

Conversely, from the perspective of maintaining the overall corporate value of the Isetan Group, in July 2007 Jinan Isetan Co., Ltd. in China was dissolved, and we thus recorded a corresponding loss on liquidation of affiliates.

Credit & Finance Business

Isetan I Card Co., Ltd. recorded growth in transaction volumes for the I Card, which is a crucial component of the Isetan Group's customer strategy, while also working to enhance the convenience of the I Card at affiliated stores and raise the efficiency of credit provision operations. Moreover, to increase convenience for cardmembers, we acquired card-issuing rights from Visa International for that company's brand card and are preparing to switch over to a new-type card in autumn 2008.

As a result, sales in the Credit & Finance business after elimination amounted to ¥8,753 million, an increase of 3.8% from the previous fiscal year. Operating income amounted to ¥4,193 million, an increase of 1.1%.

Other Retail & Specialty Stores Business

Queen's Isetan Co., Ltd., which operates supermarkets, opened the Fujisawa store in April 2007, the Hibarigaoka store in May 2007, the Mitaka store in December 2007, the Setagayakinuta store in March 2008 and the Toyocho store in April 2008. By offering a high-quality product assortment that emphasizes health and "food safety and security," Queen's Isetan is earning the support of local customers.

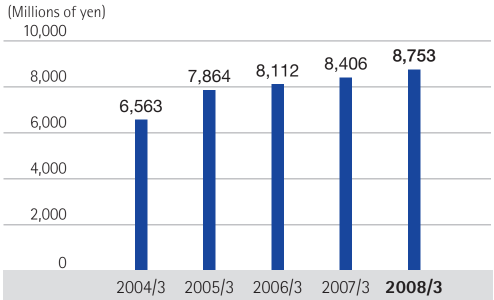
As a result, segment sales after elimination were ¥51,210 million, a decrease of 1.0% year on year, and operating income was ¥585 million, a decline of 51.7%.

Other Businesses

The Group's logistics operations, building maintenance services and human resources development and recruitment services are outsourced to Isetan Business Support Co., Ltd., Isetan Building Management Services Co., Ltd. and Isetan Career Design Co., Ltd., respectively, which enables a higher degree of laterally integrated specialization.

Sales of Others businesses after elimination totaled ¥6,459 million, a decrease of 7.3% year on year. Operating income totaled ¥452 million, an increase of 8.2%.

■ Sales in Credit & Finance Business

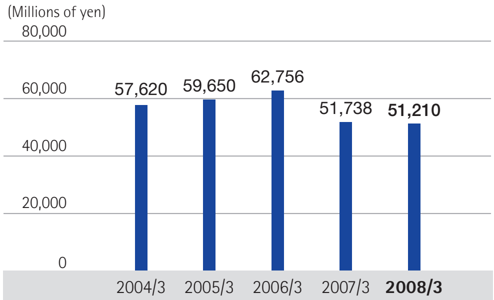


■ Operating Income in Credit & Finance Business

(Millions of yen)

2004/3	2005/3	2006/3	2007/3	**2008/3**
3,233	4,458	3,815	4,149	**4,193**

■ Sales in Other Retail & Specialty Stores Business

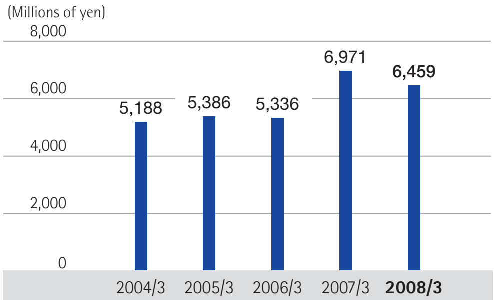


■ Operating Income (Loss) in Other Retail & Specialty Stores Business

(Millions of yen)

2004/3	2005/3	2006/3	2007/3	**2008/3**
-103	-151	1,350	1,211	**585**

■ Sales in Other Businesses



■ Operating Income in Other Businesses

(Millions of yen)

2004/3	2005/3	2006/3	2007/3	**2008/3**
244	146	219	418	**452**

* Segment sales exclude intra-company sales and transfers.

Consolidated Balance Sheets

ISETAN COMPANY LIMITED AND SUBSIDIARIES
As of March 31, 2008 and 2007

ASSETS	Millions of yen 2008	Millions of yen 2007	Thousands of U.S.dollars (Note 3) 2008
Current Assets:			
Cash and bank deposits (Note 4)	¥ 27,628	¥ 33,673	$ 275,757
Marketable securities (Note 10)	299	1,235	2,988
Notes and accounts receivable:			
Trade	79,731	80,659	795,802
Other	615	131	6,136
	80,346	80,791	801,938
Less: Allowance for doubtful accounts	(2,982)	(2,716)	(29,764)
	77,364	78,075	772,173
Inventories	36,186	35,483	361,170
Deferred tax assets–current (Note 7)	7,080	6,517	70,667
Other current assets	14,269	14,389	142,420
Total current assets	162,826	169,371	1,625,175
Investments and Advances:			
Investments in securities (Note 10)	39,334	49,247	402,865
Investments in and advances to unconsolidated subsidiaries and affiliates	7,363	7,183	63,217
Total investments and advances	46,697	56,431	466,082
Property and Equipment (Note 5)**:**			
Land and leasehold	51,104	51,112	510,073
Buildings and structures	205,338	202,101	2,049,483
Furniture and fixtures	38,947	36,685	388,736
Construction in progress	964	232	9,620
	296,353	290,130	2,957,912
Less: Accumulated depreciation	(133,710)	(128,427)	(1,334,560)
Total property and equipment, net	162,644	161,702	1,623,352
Other Assets:			
Fixed leasehold deposits	59,091	61,733	589,786
Long-term loans	1,439	1,432	14,359
Deferred tax assets–non-current (Note 7)	3,112	2,548	31,062
Deferred assets	80	405	799
Other assets	31,921	22,614	318,607
Less: Allowance for doubtful accounts	(1,267)	(1,342)	(12,648)
Total other assets	94,375	87,391	941,965
Total Assets (Note 15)	¥466,542	¥474,896	$4,656,574

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2008	2007	Thousands of U.S.dollars (Note 3) 2008
Current Liabilities:			
Short-term borrowings (Note 9)	**¥ 23,713**	¥ 27,486	**$ 236,681**
Current portion of long-term debt (Note 9)	**10,000**	20,000	**99,810**
Notes and accounts payable:			
Trade	**69,561**	70,462	**694,289**
Other	**49,344**	49,317	**492,507**
	118,905	119,779	**1,186,796**
Income taxes payable	**5,150**	9,872	**51,406**
Accrued expenses	**17,813**	17,942	**177,796**
Gift vouchers	**15,942**	15,819	**159,114**
Deferred tax liabilities–current (Note 7)	**13**	11	**135**
Allowance for point cards	**1,315**	1,420	**13,124**
Allowance for loss from redemption of gift vouchers	**2,544**	–	**25,392**
Allowance for loss on interest repayment	**362**	–	**3,613**
Other current liabilities	**10,813**	2,075	**107,925**
Total current liabilities	**206,571**	214,403	**2,061,792**
Long-term Debt (Note 9)**:**	**11,000**	13,000	**109,791**
Reserve for Accrued Employees' Retirement Benefits (Note 8)	**20,015**	23,404	**199,772**
Retirement Allowance for Directors and Corporate Auditors	**845**	739	**8,438**
Deferred Tax Liabilities–Non-current (Note 7)	**4,083**	7,567	**40,748**
Other Long-term Liabilities	**5,312**	2,589	**53,016**
Contingent Liabilities (Note 11)			
Shareholders' Equity:			
Common stock	**36,763**	36,600	**366,934**
Authorized: 800,000,000 shares			
Issued: 220,356,581 shares and 225,179,103 shares at March 31, 2008 and 2007, respectively			
Additional paid-in capital	**43,344**	43,181	**432,615**
Retained earnings	**115,777**	114,895	**1,155,572**
Less: Treasury stock, at cost, 1,368 shares and 5,080,342 shares at March 31, 2008 and 2007, respectively	**(2)**	(9,598)	**(16)**
Total shareholders' equity	**195,882**	185,078	**1,955,105**
Valuation and Translation Adjustments			
Unrealized gain on other securities, net of tax	**6,789**	13,362	**67,761**
Deferred gains on hedges	**(2)**	20	**(24)**
Foreign currency translation adjustments	**975**	41	**9,734**
Total valuation and translation adjustments	**7,762**	13,423	**77,471**
Stock Acquisition Rights	**648**	318	**6,469**
Minority Interests in Consolidated Subsidiaries	**14,424**	14,375	**143,969**
Total net assets	**218,716**	213,194	**2,183,014**
Total Liabilities and Shareholders' Equity Contingent Liabilities	**¥466,542**	¥474,896	**$4,656,574**

Consolidated Statements of Income

ISETAN COMPANY LIMITED AND SUBSIDIARIES
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	2008
Net Sales (Note 15)	**¥785,839**	¥781,799	**$7,843,488**
Cost of Sales	**559,268**	556,162	**5,582,078**
Gross profit	**226,571**	225,637	**2,261,410**
Selling, General and Administrative Expenses (Note 12)	**193,154**	193,385	**1,927,873**
Operating income (Note 15)	**33,417**	32,253	**333,537**
Other Income:			
Interest and dividend income	**1,375**	1,344	**13,720**
Rental income	**1,777**	1,978	**17,738**
Gain on receipt of property and equipment	**1,094**	1,064	**10,916**
Gain on sales of property and equipment	**272**	–	**2,720**
Gain on sales of investment securities	**–**	–	**–**
Gain on reversal of allowance for doubtful accounts	**–**	1,219	**–**
Gain on sales of an affiliated company's business	**–**	860	**–**
Others	**3,304**	4,007	**32,976**
	7,822	10,471	**78,070**
Other Expenses:			
Interest expenses	**(1,037)**	(1,061)	**(10,353)**
Loss on disposal of property and equipment	**(2,134)**	(2,538)	**(21,299)**
Loss on impairment of property and equipment (Note 5)	**(1,156)**	(3,227)	**(11,539)**
Provision of allowance for loss from redemption of gift vouchers	**(1,304)**	–	**(13,018)**
Loss on sales of investments in securities	**(606)**	(24)	**(6,053)**
Loss on revaluation of investment securities	**(621)**	–	**(6,201)**
Loss on liquidation of affiliates	**(241)**	–	**(2,408)**
Loss on sales of business of affiliates (Note 5)	**(5,089)**	–	**(50,791)**
Provision of allowance for loss from redemption of gift vouchers from prior periods	**(2,281)**	–	**(22,767)**
Others	**(3,289)**	(3,629)	**(32,827)**
	(17,759)	(10,479)	**(177,257)**
Income before income taxes and minority interests	**23,480**	32,245	**234,350**
Income Taxes (Note 7)**:**			
Current	**(8,715)**	(11,292)	**(86,987)**
Deferred	**523**	(578)	**5,216**
	(8,193)	(11,871)	**(81,772)**
Minority Interests	**1,526**	2,083	**15,230**
Net income	**¥ 13,761**	¥ 18,292	**$ 137,348**
	Yen		U.S.dollars (Note 3)
Per Share (Note 2 (9))**:**			
Net income			
Basic	**¥ 62.49**	¥ 82.43	**$ 0.62**
Diluted	**62.41**	82.02	**0.62**
Cash dividends	**14.00**	14.00	**0.14**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

ISETAN COMPANY LIMITED AND SUBSIDIARIES
Year ended March 31, 2008

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Shareholders' Equity:			
Common Stock:			
Balance at beginning of year	**¥ 36,600**	¥ 36,122	**$ 365,308**
Issuance of new shares	**163**	478	**1,626**
Balance at end of year	**36,763**	36,600	**366,934**
Capital Surplus			
Balance at beginning of year	**43,181**	42,703	**430,990**
Issuance of new shares	**163**	478	**1,624**
Balance at end of year	**43,344**	43,181	**432,615**
Retained Earnings			
Balance at beginning of year	**114,895**	100,058	**1,146,768**
Net income	**13,761**	18,292	**137,348**
Cash dividends	**(3,082)**	(3,116)	**(30,762)**
Bonuses to directors and corporate auditors	**–**	(129)	**–**
Effect from changes of consolidated subsidiaries, net	**(187)**	(210)	**(1,871)**
Retirement of treasury stock	**(9,609)**	–	**(95,911)**
Balance at end of year	**115,777**	114,895	**1,155,572**
Less Treasury Stock, at Cost:			
Balance at beginning of year	**(9,598)**	(92)	**(95,800)**
Acquisition of tresuary stock	**(13)**	(9,507)	**(127)**
Retirement of treasury stock	**9,609**	–	**95,911**
Balance at end of year	**(2)**	(9,598)	**(16)**
Total Shareholders' Equity	**195,882**	185,078	**1,955,105**
Valuation, translation adjustments and others			
Net unrealized holding gains on securities available-for-sale:			
Balance at beginning of year	**13,362**	17,528	**133,367**
Net (loss) gain	**(6,573)**	(4,166)	**(65,606)**
Balance at end of year	**6,789**	13,362	**67,761**
Deferred Gains on Hedges			
Balance at beginning of year	**20**	–	**196**
Net change during the year	**(22)**	20	**(221)**
Balance at end of year	**(2)**	20	**(24)**
Foreign Currency Translation Adjustments:			
Balance at beginning of year	**41**	(1,531)	**414**
Translation adjustments	**934**	1,573	**9,321**
Balance at end of year	**975**	41	**9,734**
Total Valuation, Translation Adjustments and Others	**7,762**	13,423	**77,471**
Stock Acquisition Rights:			
Balance at beginning of year	**318**	–	**3,178**
Net change during the year	**330**	318	**3,291**
Balance at end of year	**648**	318	**6,469**
Minority Interests:			
Balance at beginning of year	**14,375**	11,899	**143,479**
Net decrease	**49**	2,476	**490**
Balance at end of year	**14,424**	14,375	**143,969**
Net Assets (Note 13)	**¥218,716**	¥213,194	**$2,183,014**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

ISETAN COMPANY LIMITED AND SUBSIDIARIES
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	2008
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**¥23,480**	¥32,245	**$234,350**
Adjustments for:			
Depreciation and amortizartion	**12,843**	11,049	**128,183**
Loss on impairment of property and equipment	**1,156**	3,227	**11,539**
Provision for (reversal of) allowance for doubtful accounts	**192**	(2,287)	**1,914**
Reversal of retirement benefits to employees	**(3,235)**	(4,214)	**(32,284)**
Provision for retirement allowance to directors and corporate auditors	**106**	117	**1,058**
(Reversal of) provision for allowance for point cards	**(105)**	262	**(1,044)**
Interest and dividend income	**(1,375)**	(1,344)	**(13,720)**
Interest expenses	**1,037**	1,061	**10,353**
Foreign exchange loss (earnings)	**23**	(97)	**231**
Equity in earnings of affiliated companies	**(139)**	(454)	**(1,388)**
Gain on sales of property and equipment	**(246)**	(25)	**(2,455)**
Loss on disposal of property and equipment	**2,134**	2,538	**21,299**
Loss on sales of investment securities	**508**	24	**5,075**
Loss on revaluation of investment securities	**621**	–	**6,201**
Loss (gain) on sales of an affiliated company's business	**5,089**	(860)	**50,791**
Increase in reserve for loss from redemption of gift vouchers	**2,544**	–	**25,392**
Decrease (increase) in receivables	**4**	(2,181)	**38**
Increase in inventories	**(1,623)**	(1,431)	**(16,204)**
(Decrease) increase in payables	**(87)**	2,859	**(871)**
Others, net	**(739)**	6,325	**(7,373)**
Sub-total	**42,189**	46,814	**421,086**
Interest and dividend income received	**1,158**	1,106	**11,559**
Interest expenses paid	**(1,148)**	(1,025)	**(11,457)**
Income taxes paid	**(13,445)**	(11,375)	**(134,196)**
Net cash provided by operating activities	**28,754**	35,520	**286,993**
Cash Flows from Investing Activities:			
Payments for purchase of marketable securities and investments in securities	**(1,354)**	(603)	**(13,518)**
Proceeds from sales of marketable securities and investments in securities	**1,350**	280	**13,471**
Payments for purchase of property and equipment	**(25,715)**	(16,168)	**(256,666)**
Proceeds from sales of property and equipment	**326**	1,244	**3,255**
Proceeds from sales of shares of consolidated subsidiaries, accompanied by changes in scope of consolidation	**–**	1,240	**–**
Payment for sales of shares of consolidated subsidiaries, accompanied by changes in scope of consolidation	**(297)**	–	**(2,968)**
Payments for security deposit guarantees	**(966)**	(1,853)	**(9,645)**
Proceeds from the return of payments for security deposit guarantees	**3,265**	9,217	**32,586**
Payments for purchase of other investments	**(1,795)**	(1,706)	**(17,919)**
Proceeds from sales of other investments	**2,436**	7,110	**24,309**
Others, net	**109**	283	**1,087**
Net cash used in investing activities	**(22,644)**	(957)	**(226,009)**
Cash flows from Financing Activities:			
Decrease in short-term borrowings	**(3,751)**	(4,791)	**(37,437)**
Increase in commercial paper	**9,000**	–	**89,829**
Proceeds from borrowings of long-term debt	**11,000**	–	**109,791**
Repayment of long-term debt	**(3,059)**	(6,990)	**(30,534)**
Redemption of bonds	**(20,000)**	(15,000)	**(199,621)**
Dividends paid	**(3,082)**	(3,116)	**(30,762)**
Payment for purchase of own shares	**(13)**	(9,507)	**(127)**
Dividends paid for minority shareholders	**(2,236)**	–	**(22,320)**
Others, net	**326**	570	**3,250**
Net cash used in financing activities	**(11,815)**	(38,835)	**(117,929)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**273**	968	**2,726**
Net Decrease in Cash and Cash Equivalents	**(5,432)**	(3,305)	**(54,219)**
Cash and Cash Equivalents at Beginning of the Year (Note 4)	**33,024**	36,342	**329,609**
Cash and Cash Equivalents Excluding Consolidated Subsidiaries at End of the Year	**(383)**	(14)	**(3,821)**
Cash and Cash Equivalents at End of the Year (Note 4)	**¥27,208**	¥33,024	**$271,569**

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

ISETAN COMPANY LIMITED AND SUBSIDIARIES
As of March 31, 2008 and 2007

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting Principles and Practices

The accounts of Isetan Company Limited (the "Company") and its domestic subsidiaries have been prepared in accordance with the provisions of the Corporate Law of Japan and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas subsidiaries consolidated with the Company are based on the financial statements prepared in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries have been incorporated. In general, no adjustments have been reflected in the accompanying consolidated financial statements to present the accounts of the subsidiaries in compliance with Japanese accounting principles and practices followed by the Company, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are essentially the translation of those included in the Securities Annual Report filed with the Ministry of Finance and the Stock Exchanges as required by the provisions of the Financial Instruments and Exchange Act of Japan and related regulations in Japan.

Accordingly, the information disclosed in the accompanying consolidated financial statements is derived from the original text, and the scope and nature of the information is limited to that disclosed therein. However, the consolidated financial statements of the Company and its consolidated subsidiaries are not intended to present the consolidated financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and certain reclassification or summarization of accounts has been made to present the consolidated financial statements in a form which is more familiar to readers outside Japan.

(2) Scope of Consolidation

The Company had 32 subsidiaries at March 31, 2008 (34 at March 31, 2007). The consolidated financial statements include the accounts of the Company and 27 of its subsidiaries in respect of the year ended March 31, 2008 (29 subsidiaries for 2007). The Company and these consolidated subsidiaries are hereinafter referred to as the "Companies." The 27 consolidated subsidiaries are listed below:

The above consolidated subsidiaries use a fiscal year ending on March 31 of each year, which is the same as the fiscal year of the Company, except for 11 subsidiaries: Shanghai Mei Long Zhen Isetan Department Store Co., Ltd., Tianjin Isetan Co., Ltd., Shanghai Jinjiang Isetan Co., Ltd., Chengdu Isetan Co., Ltd., Shenyang Isetan Co., Ltd., Isetan (Singapore) Ltd., Isetan (Thailand) Co., Ltd., Isetan of Japan Sdn. Bhd., Isetan (Italia) S.r.l. Lexim (Singapore) Pte. Ltd. and Izutsuya Withcard Co., Ltd.

Shanghai Mei Long Zhen Isetan Department Store Co., Ltd., Tianjin Isetan Co., Ltd., Shanghai Jinjian Isetan Co., Ltd., Chengdu Isetan Co., Ltd., Shenyang Isetan Co., Ltd., Isetan (Singapore) Ltd., Isetan (Thailand) Co., Ltd., Isetan of Japan Sdn. Bhd., Isetan (Italia) S.r.l. and Lexim (Singapore) Pte. Ltd., have fiscal years ending December 31 of each year. For the purpose of consolidation, the financial statements of these 10 subsidiaries at the end of December of each year have been used with necessary adjustments on significant transactions during the period between the end of December and March 31.

Izutsuya Withcard Co., Ltd. has fiscal years ending at the end of February of each year and the financial statements of this subsidiary at the end of February of each year has been used with necessary adjustments for significant transactions during the period between the end of February and March 31.

The accounts of the remaining 5 (5 for 2007) unconsolidated subsidiaries had combined total assets, net sales and net income, which in the aggregate were not considered significant in relation to those of the consolidated financial statements of the Companies, and therefore, have not been consolidated with the Company.

	Direct and indirect ownership percentage by the Company (*1)	Paid-in capital (*1)
Shizuoka Isetan Company Limited	100.0%	¥2,222.00 million
Niigata Isetan Company Limited	100.0	¥200.00 million
Iwataya Co., Ltd.	51.7	¥3,451.84 million
Shanghai Mei Long Zhen Isetan Department Store Co., Ltd. (China)	80.0	US$5.00 million
Tianjin Isetan Co., Ltd. (China)	90.0	US$2.10 million
Shanghai Jinjian Isetan Co., Ltd. (China)	63.0	RMB23.75 million
Chengdu Isetan Co., Ltd. (China)	100.0	US$5.73 million
Shenyang Isetan Co., Ltd. (China) (*2)	100.0	US$7.45 million
Isetan (Singapore) Ltd. (Singapore)	52.7	S.$20.63 million
Isetan (Thailand) Co., Ltd. (Thailand)	49.0	THB290.00 million
Isetan of Japan Sdn. Bhd. (Malaysia)	51.0	M.$20.00 million
Isetan I Card Co., Ltd.	100.0	¥1,100.00 million
Izutsuya Withcard Co., Ltd.	100.0	¥100.00 million
Mammina Co., Ltd.	100.0	¥400.00 million
Queen's Isetan Company Limited	100.0	¥255.00 million
Isetan Career Design Company Limited	100.0	¥100.00 million
Isetan Data Center Company Limited	100.0	¥90.00 million
Isetan Business Support Co. Ltd.	100.0	¥40.00 million
Isetan Swing Inc.	100.0	¥50.00 million
Isetan Clover Circle Company Limited	100.0	¥50.00 million
Iwataya Tomonokai Co., Ltd.	100.0	¥50.00 million
Isetan Building Management Services Co., Ltd.	100.0	¥40.00 million
Isetan Institute Co., Ltd.	100.0	¥10.00 million
Century Trading Company Limited	80.0	¥20.00 million
Isetan (Italia) S.r.l (Italy)	100.0	EUR0.10 million
Lexim (Singapore) Pte. Ltd. (Singapore)	100.0	S.$5.00 million
Isetan Kaikan Co., Ltd.	100.0	¥60.00 million

(*1) As of March 31, 2008
(*2) Newly consolidated, effective from the year ended March 31, 2008 due to an increase in shares of those subsidiaries.

(3) Consolidation and Elimination

For the purpose of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits within the Companies have been eliminated, and the portion of unrealized profits and adjustment on foreign currency statement translation attributable to minority interests has been charged to minority interests.

The legal reserves of consolidated subsidiaries provided subsequent to the acquisition of each subsidiary by the Company are included in retained earnings and are not shown separately in the consolidated financial statements.

(4) Investments in Unconsolidated Subsidiaries and Affiliates

At March 31, 2008, the Company had 7 affiliates (8 at March 31, 2007).

The equity method is applied to the investments in 7 affiliates, West Japan Railway Isetan Ltd., Hamaya Department Store Co., Ltd., ITM Clover Co., Ltd. AZ Card Co., Ltd., R&I Dining Co., Ltd., Shinjuku Underground Parking Co., Ltd., and JTB ISETAN TRAVEL SERVICE, INC. for which the Company's equity in the net income of the affiliates is included in consolidated income.

As the figures of Isetan (Thailand) Co., Ltd. are included in the consolidated financial statements, the equity method is not applied.

The investments in 5 unconsolidated subsidiaries at March 31, 2008 (5 for 2007) would not have had a material effect on consolidated net income or retained earnings if they had been accounted for by the equity method and accordingly these investments are carried at cost.

2. Summary of Significant Accounting Policies

(1) Financial Instruments

(a) Derivatives

All derivatives are stated at fair value, with changes in fair values included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (c) Hedge Accounting below).

(b) Securities

Investments in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of the application of the equity method would be immaterial.

Available-for-sale securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of shareholders' equity at a net-of-tax amount.

Available-for-sale securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair values of equity securities issued by unconsolidated subsidiaries and affiliates or available-for-sale securities have declined significantly and such impairment of the values is not deemed temporary, those securities are written down to their fair values and the resulting losses are included in net profit or loss for the period.

Debt securities due within one year are presented as "current" and all the other securities are presented as "non-current."

(c) Hedge Accounting

Gains or losses arising from changes in fair values of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Companies are principally interest swaps, forward exchange contracts, currency swaps and currency options. The related hedged items are trade accounts receivable and payable and long-term bank loans.

The Companies have a policy of utilizing the above hedging instruments in order to reduce the Companies' exposure to the risk of interest and foreign currency fluctuations. Thus, the Companies' purchases of such hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(2) Inventories

Inventories are stated at cost, with cost being determined by the retail cost method for merchandise and by the first-in first-out method (approximating market value) for supplies.

(3) Property and Equipment, and Depreciation

Property and equipment are stated at cost. Depreciation of buildings and structures is computed principally by using the straight-line method over their estimated useful lives. Depreciation of other property and equipment is computed principally by using the declining-balance method over their estimated useful lives.

Amortization of intangible assets is computed by using the straight-line method, and is mainly within 5 years.

(4) Deferred Assets

Organization costs and pre-operating and start-up costs are principally capitalized and amortized over a period of 5 years using the straight-line method.

(5) Income Taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

Deferred income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(6) Accounting for Allowances and Reserves

(a) Allowance for Doubtful Accounts

To prepare for the risk of possible losses arising from the irrecoverability of accounts receivable, loans and other claims, the Company set aside a general reserve based on actual default experience. For specific claims where collection is in doubt, the possibility of recovery is considered on a case-by-case basis and the amount considered uncollectible is set aside and provided for in the reserve.

(b) Reserve for Retirement Benefits to Employees

To provide for retirement benefits to employees, a reserve for retirement benefits is recorded based on the projected retirement benefit obligations and related pension assets of the current fiscal year end.

The prior service cost is amortized from the following consolidated fiscal year using the straight-line method based on a set numbers of years (3 to 8 years) within the average remaining service years of the employees when incurred.

Actuarial differences are amortized from the following consolidated fiscal year using the straight-line method based on set numbers of years (8 to 10 years) within the average remaining service years of the employees when incurred.

(c) Retirement Allowance for Directors and Corporate Auditors

The retirement allowance for directors and corporate auditors ("officers") is based on the Companies' pertinent rules and is calculated as the estimated amount which would be payable if all officers were to retire at the balance sheet date. Any amounts payable to officers upon retirement are subject to approval at the general shareholders' meeting.

(d) Reserves for Directors' Bonuses

To provide for the payment of bonuses to directors, reserves for directors' bonuses is recorded in an amount corresponding to estimated directors' bonuses to be paid in the consolidated fiscal year.

(e) Allowance for Point Cards

Iwataya Co., Ltd. and Queen's Isetan Company Limited, both of which are consolidated subsidiaries of the Company, offer point cards to their customers as a sales incentive program. To meet the obligation for issuance of the gift certificates, an allowance is provided for the estimated amount of gift certificates to be issued in the future based on a historical ratio of actual issuance of gift certificates to the outstanding points of the incentive program.

(f) Allowance for Loss from Redemption of Gift Vouchers

To prepare for losses from the redemption of gift vouchers after vouchers are no longer classified as liabilities, based on past data we record expected future amounts of redemptions as allowance for loss from redemption of gift vouchers.

(g) Allowance for Loss on Interest Repayment

To prepare for losses accompanying future requests for the repayment of interest, taking into account data for past repayments, we record necessary amounts as allowance for loss on interest repayment.

(7) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet dates. Result, in gains and losses are included in net profit or loss for the period.

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Shareholders' equity at the beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year or, alternatively, using the exchange rates prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" as a component of shareholders' equity.

(8) Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, a plan for appropriation of retained earnings (primarily for cash dividend payments) proposed by the Board of Directors shall be approved at the shareholders' meeting, which must be held within three months of the end of each fiscal year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements represents the result of such appropriations applicable to the immediately preceding fiscal year which was approved by the general shareholders' meeting and disposed of during the year. Dividends are paid to the shareholders on register at the end of each fiscal year. As is customary practice in Japan, payments of bonuses to directors and corporate auditors are made out of retained earnings instead of being charged to income for the year, which constitutes a part of the appropriation cited above. The Japanese Commercial Code provides that interim cash dividend payments may be distributed upon approval by the Board of Directors. The Company pays such interim dividends to listed shareholders on the shareholders' register as of September 30 of each year.

(9) Net Income (Loss) per Share

Net income (loss) per share is based upon the weighted average number of shares outstanding during each year. Net income per share adjusted for dilution represents net income per share, assuming full conversion of all outstanding convertible bonds of the Company, with a related deduction in interest expenses. Cash dividends per share shown for each year in the consolidated financial statements of income and retained earnings represent dividends approved and paid in relation to each such year.

(10) Accounting for Significant Lease Arrangements

Finance lease contracts other than those by which the ownership of the leased assets is considered to be transferred to the lessee are mainly accounted for by the same method as normal operating lease contracts.

(11) Accounting for Consumption Tax

Consumption tax is imposed at a flat rate of 5 per cent. on all domestic consumption of goods and services with certain exemptions. The consumption tax imposed on the Companies' sales to customers is withheld by the Companies in Japan at the time of sale and is paid subsequently to the national government. The consumption tax withheld upon sale is not included in the amount of "Net sales" and consumption tax paid by the Companies on the purchases of goods and services from vendors is not included in the amounts of costs and expenses in the accompanying consolidated statements of income. The net balance of consumption tax withheld and paid is included in "Other current liabilities" in the accompanying consolidated balance sheets.

(12) Remeasurement of Assets and Liabilities of Subsidiaries

The Company adopts the "full fair value method," which provides that the full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of the control. The minor differences arising from the cost of the companies' investments in subsidiaries and affiliates over the equity in their net assets at fair value are charged or credited to income in the year of acquisition.

(13) Amortization of Goodwill and Negative Goodwill

Goodwill and negative goodwill are amortized evenly over the estimated amortization period. However, small amounts are amortized on a lump-sum basis when incurred.

(14) Changes in Accounting Policies

(a) Accounting Standard for Directors' Bonuses

Effective from the year ended March 31, 2007, the Company has adopted "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan Statement No. 4, issued on November 29, 2005). As a result, operating income and income before income taxes and minority interests decreased by ¥103 million ($875 thousand), respectively, for the year ended March 31, 2007.

(b) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Company has adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5, issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8, issued on December 9, 2005). The amount that corresponds to former stockholders' equity is ¥198,481 million ($1,681,331 thousand) for the year ended March 31, 2007. Due to the revision in the regulations for consolidated financial statements, the consolidated financial statements have been produced based on the revised regulations for consolidated financial statements.

(c) Accounting Standard for Stock Options

Effective from the year ended March 31, 2007, the Company has adopted Financial Accounting Standard No.8 "Accounting Standard for Share-based Payments" issued on December 27, 2005 by the Accounting Standards Board of Japan, and its Implementation Guidance No. 11 "Guidance on Accounting Standard for Share-based Payment" issued on May 31, 2006 by the Accounting Standards Board of Japan. As a result, operating income and income before income taxes and minority interests decreased by ¥318 million ($2,697 thousand), respectively for the year ended March 31, 2007.

(d) Change in Classification

System usage fee revenues from affiliated department stores were traditionally deducted from Selling, General and Administrative (SG&A) expenses as a portion of shared expenses assuming joint use of systems. From the year ended March 31, 2007, however, the Company changed to a method of recording these revenues within sales. This change resulted from a decision to make the strengthening of alliances, centering on system integration, a strategic task under the Isetan Group's 10-Year Vision and to classify system usage fee revenues from affiliated department stores as revenue generated by operating activities. As a result, net sales increased ¥718 million ($6,083 thousand), but there was no effect on operating income and income before income taxes and minority interests for the year ended March 31, 2007.

(e) Accounting Standards for Allowance for Loss from Redemption of Gift Vouchers

Previously, after the elapsing of a certain period of time and taking into consideration the probability of fulfilling obligations, amounts of unredeemed gift vouchers were transferred from liabilities and recorded as non-operating income. However, the Japanese Institute of Certified Public Accountants released the position statement Auditing Treatment of Reserves Stipulated in the Special Tax Measures Act, Statutory Allowances or Reserves, and Reserves for Directors' Retirement Benefits (Audit and Assurance Practice Committee No. 42; April 13, 2007). Consequently, from the fiscal year under review, based on the expected amounts of voucher redemptions in accordance with past data, Isetan began making provisions for the allowance for loss from the redemption of gift vouchers already removed from liabilities. As a result of this change, provision of allowance for loss from redemption of gift vouchers of ¥1,304 million ($13,018 thousand) was recorded as a non-operating expense and provision for allowance for loss from redemption of gift vouchers from prior periods of ¥2,281 million ($22,767 thousand) was recorded as an extraordinary loss.

Consequently, ordinary income was ¥263 million ($2,625 thousand) less and income before income taxes was ¥2,544 million ($25,392 thousand) lower compared with the figures that would have resulted with the previous accounting treatment.

(f) Accounting Standards for Depreciation of Depreciable Assets

In line with the amendment of the Corporation Tax Law [Law for Partial Amendment of the Income Tax Law (March 30, 2007, Law No. 6) and Cabinet Order for Partial Amendment of the Corporation Tax Law Enforcement Ordinance (March 30, 2007, Cabinet Order No. 83)], effective from the fiscal year ended March 31, 2008, the Company records depreciable assets purchased on and after April 1, 2007 by the method based on the amended Corporation Tax Law. As a result of this change, operating income, ordinary income, and income before income taxes declined ¥220 million ($2,192 thousand), respectively, compared with the figures that would have resulted using the previous accounting method. The effects of this change on each segment are described in the relevant sections.

(15) Change in Presentation Method

(a) Consolidated Balance Sheets

From the current fiscal year, Allowance for loss on interest repayment (¥146 million ($1,457 thousand) at the previous fiscal year-end), which was presented within Other current liabilities under Current Liabilities until the previous fiscal year, is presented as a separate category due to its increased importance.

(b) Consolidated Statements of Cash Flows

From the current fiscal year, Dividends paid to minority shareholders (¥386 million ($3,849 thousand) in the previous fiscal year), which was presented within Others, net under Cash Flows from Financing Activities until the previous fiscal year, is presented as a separate category due to its increased importance.

(16) Additional Information

(a) Accounting Standards for Depreciation of Depreciable Assets

From the current fiscal year, depreciable assets acquired on or before March 31, 2007 that had reached the allowable limit of the depreciable amount are to be depreciated evenly over five years beginning from the following fiscal year. As a result, operating income decreased ¥213 million ($2,125 thousand) and recurring income and income before income taxes (and minority interests) decreased ¥215 million ($2,145 thousand), respectively.

3. United States Dollar Amounts

The Company maintains its accounting records in Japanese yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥100.19 = US$1, the approximate rate of exchange in effect on March 31, 2008. The inclusion of such dollar amounts is solely for the convenience of readers and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at this rate or any other rate.

4. Supplemental Cash Flows Information

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits readily available for withdrawal on demand and short-term investments with an original maturity of three months or less, and which represent a minor risk of fluctuations in value.

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Cash and cash equivalents consisting of:			
Cash and bank deposits	**¥27,628**	¥33,673	**$275,757**
Time deposits with maturity of over 3 months	**(420)**	(649)	**(4,188)**
Cash and cash equivalents	**¥27,208**	¥33,024	**$271,569**

The following is a main breakdown of assets and liabilities of companies that ceased to be consolidated subsidiaries during the fiscal year due to the sale of the share of these companies.

	Millions of yen	Thousands of U.S.dollars (Note 3)
	2008	**2008**
Current assets	**¥2,934**	**$29,289**
Fixed assets	**522**	**5,213**
Current liabilities	**7,739**	**77,241**
Fixed liabilities	**–**	**–**
Sale of shares	**0**	**0**
Cash and cash equivalents	**(297)**	**(2,968)**
Payment for sales of shares of consolidated subsidiaries	**¥ (297)**	**$ (2,968)**

5. Loss on Impairment of Property and Equipment

The Companies recorded impairment losses on the following asset groups during this fiscal year.

Location	Use	Classification	Millions of yen 2008	Thousands of U.S.dollars (Note 3) 2008
Queen's Isetan Company Limited (Yokohama-shi, Kanagawa Pref. other)	Retail stores, Other	Building, Other	**¥1,077**	**$10,753**
Isetan Company Limited (Kitakyushu-shi, Fukuoka Pref.)	Real estate for lease	Other Asset (Real estate for investment)	**2,912**	**29,062**
Other	Retail stores, Other	Building, Other	**79**	**786**

The Company and its consolidated subsidiaries primarily group operating assets into the smallest cash flow-generating units, with retail stores mainly as the basic unit. Real estate for lease is grouped into units consisting of each individual real estate property.

The book values of asset groups that continued to record losses in operating activities were written down to recoverable amounts, and thus an impairment loss of ¥1,156 million ($11,539 thousand) was recorded. The book values of asset groups experiencing sharp declines in profitability accompanying declines in rental fees were written down to recoverable amounts, and thus an impairment loss of ¥2,912 million ($29,062 thousand) was recorded within Loss on sales of business of affiliates.

Breakdown of Impairment Loss

Location	Millions of yen 2008	Thousands of U.S.dollars (Note 3) 2008
Queen's Isetan Company Limited	**¥1,077** (Building 1,062)	**$10,753** (Building 10,602)
Isetan Company Limited	**¥2,912** (Real estate for investment 2,912)	**$29,062** (Real estate for investment 29,062)
Other	**¥ 79** (Building 61)	**$ 786** (Building 611)

The recoverable value of these operating asset groups is determined using the net sale amount, whereas the value of real estate for lease is determined by measuring usage value and calculating expected future cash flows, discounted by 6%.

6. Lease Contracts

I. Finance leases other than those deemed to transfer the ownership of leased assets to lessees

As lessee:

1. Amounts equivalent to acquisition cost, accumulated depreciation and net book value of leased assets:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Equipment:			
Acquisition cost	**¥10,124**	¥9,907	**$101,048**
Accumulated depreciation	**5,523**	4,730	**55,125**
Net book value	**¥ 4,601**	¥5,176	**$ 45,923**

2. The amounts of outstanding future lease payments:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Within one year	**¥1,968**	¥1,906	**$19,644**
Over one year	**2,633**	3,271	**26,279**
Total	**¥4,601**	¥5,176	**$45,923**

Note: Because amounts equivalent to the outstanding future lease payments are not material as compared with the balance of tangible fixed assets,the above amounts included the portion of interests thereon.

3. Lease rental expenses and amount equivalent to depreciation:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Lease rental expenses	**¥2,075**	¥2,013	**$20,714**
Amount equivalent to depreciation	**¥2,075**	¥2,013	**$20,714**

4. The amount equivalent to depreciation is computed using the straight-line method over the leasing period, assuming no residual value.

II. Operating leases

As lessee:

The amounts of outstanding future lease payments:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Within one year	**¥ 5,231**	¥ 5,924	**$ 52,214**
Over one year	**37,379**	48,609	**373,077**
Total	**¥42,610**	¥54,533	**$425,292**

7. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2008 and 2007 was 40.7%.

At March 31, 2008 and 2007, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Deferred tax assete:			
Allowance for doubtful accounts	**¥ 1,145**	¥ 1,974	**$ 11,429**
Accrued bonuses	**3,665**	3,567	**36,577**
Reserve for employees' retirement benefits	**4,791**	6,028	**47,815**
Depreciation in excess of tax deductible limit	**5,255**	4,354	**52,455**
Write-down of investments in securities	**709**	1,349	**7,077**
Undeducted loss on impairment of property and equipment	**1,113**	1,104	**11,111**
Tax loss carryforwards	**1,669**	4,422	**16,655**
Other	**5,845**	4,363	**58,337**
Total	**24,191**	27,160	**241,456**
Valuation allowance	**(5,822)**	(9,266)	**(58,111)**
Total deferred tax assets	**18,369**	17,895	**183,345**
Deferred tax liabilities:			
Reserve for deferred capital gain on property	**(5,788)**	(5,754)	**(57,772)**
Unrealized gain on other securities	**(3,681)**	(8,105)	**(36,744)**
Other	**(2,804)**	(2,547)	**(27,983)**
Total deferred tax liabilities	**(12,273)**	(16,407)	**(122,499)**
Net deferred tax assets (liabilities)	**¥ 6,096**	¥ 1,488	**$ 60,846**

Net deferred tax assets (liabilities) were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Current assets–deferred tax assets	**¥7,080**	¥6,517	**$70,667**
Fixed assets–deferred tax assets	**3,112**	2,548	**31,062**
Current liabilities–deferred tax liabilities	**(13)**	(11)	**(135)**
Long-term liabilities–deferred tax liabilities	**(4,083)**	(7,567)	**(40,748)**

For the years ended March 31, 2008 and 2007, the reconciliation of the statutory tax rate to the respective effective income tax rate is as follows:

	2008	2007
Statutory tax rate	**40.7%**	40.7%
Increase (decrease) in taxes resulting from		
Permanent differences, net	**0.1**	0.1
Inhabitants tax–per capita levy	**0.3**	0.2
Net loss of subsidiaries	**4.2**	2.0
Equity earnings of affiliates	**(0.2)**	(0.6)
Valuation allowance	**(9.0)**	(4.1)
Other	**(1.2)**	(1.5)
Effective income tax rate	**34.9**	36.8

8. Retirement Benefit Plan

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., welfare pension plans, tax qualified pension plans and lump-sum retirement plans, covering substantially all their employees, who are entitled to lump-sum payments and/or pension payments, the amounts of which are determined with reference to their basic salary.

The reserve for retirement benefits to employees as of March 31. 2008 and 2007 is analyzed as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Projected benefit obligations	**¥(41,986)**	¥(43,160)	**$(419,061)**
Plan assets	**27,559**	29,797	**275,065**
	(14,427)	(13,363)	**(143,996)**
Unrecognized actuarial differences	**1,697**	(796)	**16,941**
Unrecognized prior service costs	**(536)**	(2,341)	**(5,348)**
	(13,265)	(16,500)	**(132,403)**
Prepaid pension costs	**6,750**	6,904	**67,369**
Accrued retirement benefits	**¥(20,015)**	¥(23,404)	**$(199,772)**

Note: The above table includes the employees' contributory portion subject to the governmental welfare pension program. Certain of the consolidated subsidiaries have adopted the conventional method in calculating their retirement benefit obligation as set forth in the accounting standard for retirement benefits.

Net pension expenses related to the retirement benefits for the years ended March 31, 2008 and 2007 are analyzed as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Service costs	**¥ 1,638**	¥ 1,745	**$ 16,347**
Interest costs	**1,053**	1,113	**10,506**
Expected return on plan assets	**(869)**	(833)	**(8,669)**
Amortization of actuarial differences	**508**	601	**5,067**
Amortization of prior service costs	**(2,096)**	(2,477)	**(20,915)**
Payments for defined contribution pension plan	**924**	939	**9,227**
Other	**85**	94	**849**
Net pension expense	**¥ 1,244**	¥ 1,183	**$ 12,411**

Assumptions used in calculation of the above pension expense were as follows:

	As of March 31, 2008	As of March 31, 2007
Discount rate	**2.00–2.50%**	2.00–2.50%
Expected rate of return on plan assets	**1.50–3.50%**	1.50–3.50%
Method of attributing the projected benefits to periods of service	**straight-line basis**	straight-line basis
Amortization of prior service costs	**within 3–8 years**	within 3–8 years
Amortization of unrecognized actuarial differences	**within 8–10 years**	within 8–10 years

9. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Short-term bank loans	**¥20,713**	¥24,427	**$206,741**
Long-term bank loans due within one year	**3,000**	3,059	**29,943**
Total	**¥23,713**	¥27,486	**$236,684**

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Long-term loans from banks and other financial institutions	**¥ 14,000**	¥ 6,059	**$139,735**
Less: portion due within one year	**(3,000)**	(3,059)	**(29,943)**
Sub-total	**11,000**	3,000	**109,791**
Bonds:			
2.825% bonds due November 28, 2007	**–**	20,000	**–**
0.67% bonds due August 15, 2008	**10,000**	10,000	**99,810**
	10,000	30,000	**99,810**
Less: due within one year	**(10,000)**	(20,000)	**(99,810)**
Sub-total	**–**	10,000	**–**
Total	**¥ 11,000**	¥ 13,000	**$109,791**

The aggregate annual maturities of long-term loans outstanding at March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S.dollars (Note 3)
	2008	**2008**
Year ending March 31,		
2010	**¥11,000**	**$109,791**

The Company has agreements with six banks for committed credit lines in order to ensure efficient operating funds.
The aggregate information with respect to unused credit lines at March 31, 2008 was as follows:

	Millions of yen	Thousands of U.S.dollars (Note 3)
	2008	**2008**
Available credit lines	**¥30,000**	**$299,431**
Used credit lines	**–**	**–**
Unused credit lines	**¥30,000**	**$299,431**

10. Market Value of Securities

I. The carrying amounts and aggregate fair values of available-for-sale securities for which market quotations were available at March 31, 2008 and 2007 were as follows:

	March 31, 2008			
	Millions of yen			Thousands of U.S.dollars (Note 3)
	Acquisition cost	Book value	Unrealized gain (loss)	Unrealized gain (loss)
(1) Securities with book value exceeding acquisition cost:				
Corporate stock	**¥16,049**	**¥28,756**	**¥12,707**	**$126,827**
(2) Securities with book value under acquisition cost:				
Corporate stock	**10,796**	**8,358**	**(2,439)**	**(24,342)**

	March 31, 2007			
	Millions of yen			Thousands of U.S.dollars (Note 3)
	Acquisition cost	Book value	Unrealized gain (loss)	Unrealized gain (loss)
(1) Securities with book value exceeding acquisition cost:				
Corporate stock	¥25,497	¥46,490	¥20,993	$177,828
(2) Securities with book value under acquisition cost:				
Corporate stock	201	181	(20)	(171)

II. Total sales of available-for-sale securities sold in the year ended March 31, 2008 amounted to ¥148 million ($1,481 thousand), and related gains amounted to ¥99 million ($987 thousand).

Total sales of available-for-sale securities sold in the year ended March 31, 2007 amounted to ¥13 million ($108 thousand), and related gains amounted to ¥7 million ($62 thousand).

III. The carrying amounts of available-for-sale securities for which market quotations were unavailable at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	**2008**
Other securities	**¥1,711**	¥3,811	**$17,079**

IV. Maturities of available-for-sale securities at March 31, 2008 are as follows:

	Millions of yen			
	2008			
	Within a year	Over a year but within five years	Over five years but within ten years	Total
Corporate bonds	**¥158**	**¥473**	**¥315**	**¥946**
Total	**¥158**	**¥473**	**¥315**	**¥946**

	Thousands of U.S.dollars (Note 3)			
	2008			
	Within a year	Over a year but within five years	Over five years but within ten years	Total
Corporate bonds	**$1,573**	**$4,720**	**$3,146**	**$9,439**
Total	**$1,573**	**$4,720**	**$3,146**	**$9,439**

11. Commitments and Contingent Liabilities

I. Commitments

(Lender)

Isetan I Card Co., Ltd. and Izutsuya Withcard Co., Ltd., both of which are consolidated subsidiaries of the Company, have agreements under which they are committed to execute loans to card members provided that the agreed-upon terms are met. As at March 31, 2008, the total unused credit available to card members was ¥171,800 million ($1,714,742 thousand).

(Borrower)

To efficiently procure working capital, the Company has concluded loan commitment contracts with six banks. At the end of the fiscal year, the total balance of unused loan commitments stood at ¥30,000 million ($299,431 thousand).

II. Contingent Liabilities

The Company had contingent liabilities for guarantees of housing loans borrowed by employees in the amount of ¥933 million ($9,316 thousand) and ¥1,166 million ($9,875 thousand) at March 2008 and 2007, respectively.

12. Breakdown of Selling, General and Administrative Expenses

Selling, general and administrative expenses during the two years ended March 31, 2008 and 2007 included the following:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2008	2007	2008
Salaries and payroll costs	¥ 63,748	¥ 64,080	$ 636,271
Pension expense	1,213	1,147	12,104
Advertising	14,089	13,989	140,619
Depreciation (and amortization)	12,651	10,895	126,274
Rent	24,301	24,243	242,545
Other	77,152	79,030	770,060
Total	¥193,154	¥193,385	$1,927,873

13. Appropriation of Retained Earnings

The following appropriation of unappropriated retained earnings of the Companies were approved by the shareholders of the Company at the general shareholders' meeting held on June 20, 2008.

	Millions of yen	Thousands of U.S.dollars (Note 3)
	2008	2008
Retained earnings:		
Balance at March 31	¥115,777	$1,155,572
Appropriation:		
Cash dividends (¥9.0 per share)	(1,983)	(19,794)
Balance to be carried forward	¥113,794	$1,135,778

14. Stock Option Plan

The Company adopted a stock option plan in Japan as an incentive plan for directors, operating officers and employees by resolution of the general meetings of shareholders. Key information on the stock option plan is summarized as follows:

Optiongranted	Number of shares available for option (*2)	Term of the option	Exercise price
(1) Approved by shareholders at meeting held on June 27, 2002 Directors (9) and employees (364)	325,200 shares	from July 1, 2004 to June 26, 2012	**¥1,162**
(2) Approved by shareholders at meeting held on June 27, 2003 Directors (9) and employees (355)	108,900 shares	from July 1, 2005 to June 26, 2010	**¥891**
(3) Approved by shareholders at meeting held on June 29, 2004 Directors (8) and employees (72)	384,200 shares	from July 1, 2006 to June 28, 2011	**¥1,378**
(4) Approved by shareholders at meeting held on June 29, 2005 Directors (7) and employees (72)	644,900 shares	from July 1, 2007 to June 28, 2012	**¥1,560**
(5) Approved by shareholders at meeting held on June 29, 2006 and at meeting of board of directors held on July 21, 2006 Directors (7)	160,700 shares	from August 9, 2008 to August 8, 2013	**¥1,829**
(6) Approved by board of directors at meeting held on May 8, 2006 and July 21, 2006 Operating officers (17)	262,900 shares	from August 9, 2008 to August 8, 2013	**¥1,829**
(7) Approved by shareholders at meeting held on June 29, 2006 and meeting of board of directors held on July 21, 2006 Employees (54)	212,000 shares	from August 9, 2008 to August 8, 2013	**¥1,829**
(8) Approved by board of directors at meeting held on July 20, 2007 Directors (8)	211,600 shares	from August 8, 2009 to August 7, 2014	**¥1,952**
(9) Approved by board of directors at meeting held on July 20, 2007 Operating officers (19)	331,400 shares	from August 8, 2009 to August 7, 2014	**¥1,952**
(10) Approved by shareholders at meeting held on June 28, 2007 and meeting of board of directors held on July 20, 2007 Employees (52)	208,000 shares	from August 8, 2009 to August 7, 2014	**¥1,952**
(11) Approved by directors at meeting held on October 4, 2007, extraordinary meeting of shareholders held on November 20, 2007 and meeting of board of directors held on Feburary 21, 2008 Directors (3)	37,000 shares	from April 1, 2008 to June 28, 2010	**¥1,157**
(12) Approved by directors at meeting held on October 4, 2007, extraordinary meeting of shareholders held on November 20, 2007 and meeting of board of directors held on Feburary 21, 2008 Directors, operating officers and employees (61)	322,000 shares	from April 1, 2008 to June 27, 2011	**¥1,359**

(*1) Each exercise price of the option was determined according to the market quotation at the Tokyo Stock Exchange at the date the option was granted, or the monthly average of daily market quotations during the month preceding the date the option was granted, whichever is higher. The exercise prices are to be adjusted for the effect of subsequent stock splits or stock consolidation, if any.
(*2) As of March 31, 2008
(*3) Based on the approval received at the Extraordinary Meeting of Shareholders held on November 20, 2007, the Stock Option Plan will be carried over to Isetan Mitsukoshi Holdings Ltd..

15. Segment Information

I. Industry Segment Information

The Companies operate primarily in four lines of business:

- Department stores business
- Credit & finance business
- Other retailing and speciality stores business
- Other business

Net sales, related operating costs and expenses, operating income, assets, depreciation, impairment loss and capital expenditures of the Companies as at and for the years ended March 31, 2008 and 2007 classified by business segments are presented below.

	Millions of yen						
	2008						
	Department stores business	Credit & finance business	Other retailing and speciality stores business	Other business	Total	Elimination	Consolidated Total
Net sales:							
Outside customers	**¥719,417**	**¥ 8,753**	**¥51,210**	**¥ 6,459**	**¥785,839**	**¥ –**	**¥785,839**
Inter-segment sales	**1,008**	**5,953**	**9,897**	**37,605**	**54,464**	**(54,464)**	**–**
	720,426	**14,707**	**61,107**	**44,064**	**840,303**	**(54,464)**	**785,839**
Operating costs and expenses	**691,806**	**10,514**	**60,521**	**43,612**	**806,452**	**(54,031)**	**752,422**
Operating income	**¥ 28,620**	**¥ 4,193**	**¥ 585**	**¥ 452**	**¥ 33,851**	**¥ (434)**	**¥ 33,417**
Assets	**¥415,648**	**¥76,525**	**¥14,981**	**¥47,243**	**¥554,396**	**¥(87,854)**	**¥466,542**
Depreciation	**¥ 11,681**	**¥ 159**	**¥ 973**	**¥ 32**	**¥ 12,846**	**¥ (3)**	**¥ 12,843**
Impairment loss	**¥ 2,912**	**¥ –**	**¥ 1,156**	**¥ –**	**¥ 4,068**	**¥ –**	**¥ 4,068**
Capital expenditures	**¥ 18,910**	**¥ 4,818**	**¥ 2,090**	**¥ 302**	**¥ 26,120**	**¥ (413)**	**¥ 25,706**

	Millions of yen						
	2007						
	Department stores business	Credit & finance business	Other retailing, speciality stores, restaurant business	Other business	Total	Elimination	Consolidated Total
Net sales:							
Outside customers	¥714,684	¥ 8,406	¥51,738	¥ 6,971	¥781,799	¥ –	¥781,799
Inter-segment sales	879	5,762	9,992	33,181	49,814	(49,814)	–
	715,563	14,168	61,730	40,152	831,613	(49,814)	781,799
Operating costs and expenses	689,007	10,019	60,518	39,734	799,278	(49,732)	749,546
Operating income	¥ 26,556	¥ 4,149	¥ 1,212	¥ 418	¥ 32,335	¥ (83)	¥ 32,253
Assets	¥425,174	¥69,711	¥14,741	¥43,988	¥553,614	¥(78,718)	¥474,896
Depreciation	¥ 10,024	¥ 188	¥ 813	¥ 26	¥ 11,051	¥ (1)	¥ 11,049
Impairment loss	¥ 3,225	¥ –	¥ 1	¥ –	¥ 3,227	¥ –	¥ 3,227
Capital expenditures	¥ 15,783	¥ 139	¥ 1,343	¥ 44	¥ 17,309	¥ (485)	¥ 16,824

	Department stores business	Credit & finance business	Other retailing and speciality stores business	Other business	Total	Elimination	Consolidated Total
	Thousands of U.S.dollars (Note 3)						
	2008						
Net Sales:							
Outside customers	**$7,180,530**	**$ 87,369**	**$511,124**	**$ 64,465**	**$7,843,488**	**$ –**	**$7,843,488**
Inter-segment sales	**10,064**	**59,422**	**98,785**	**375,339**	**543,610**	**(543,610)**	**–**
	7,190,595	**146,790**	**609,909**	**439,804**	**8,387,098**	**(543,610)**	**7,843,488**
Operating costs and expenses	**6,904,938**	**104,938**	**604,067**	**435,289**	**8,049,231**	**(539,280)**	**7,509,951**
Operating income	**$ 285,657**	**$ 41,852**	**$ 5,842**	**$ 4,516**	**$ 337,867**	**$ (4,330)**	**$ 333,537**
Assets	**$4,148,599**	**$763,794**	**$149,523**	**$471,532**	**$5,533,448**	**$(876,875)**	**$4,656,574**
Depreciation	**$ 116,585**	**$ 1,592**	**$ 9,714**	**$ 324**	**$ 128,214**	**$ (31)**	**$ 128,183**
Impairment loss	**$ 29,062**	**$ –**	**$ 11,539**	**$ –**	**$ 40,601**	**$ –**	**$ 40,601**
Capital expenditures	**$ 188,745**	**$ 48,091**	**$ 20,856**	**$ 3,009**	**$ 260,701**	**$ (4,124)**	**$ 256,577**

In line with the amendment of the Corporation Tax Law [Law for Partial Amendment of the Income Tax Law (March 30, 2007, Law No. 6) and Cabinet Order for Partial Amendment of the Corporation Tax Law Enforcement Ordinance (March 30, 2007, Cabinet Order No. 83)], effective from the fiscal year ended March 31, 2008, the Company records depreciable assets purchased on and after April 1, 2007 by the method based on the amended Corporation Tax Law. As a result of this change, operating expenses of the Department store business and operating expenses of the Other Retail & Specialty Store business increased ¥143 million ($1,424 thousand) and ¥77 million ($768 thousand), respectively, and operating income decreased by the corresponding amounts.

II. Geographical Segment Information

Net sales, related operating costs and expenses, operating income and assets of the Companies as at and for the years ended March 31, 2008 and 2007 as classified by geographical segment, are presented below:

	Within Japan	Outside Japan	Total	Elimination	Consolidated Total
	Millions of yen				
	2008				
Net sales:					
Outside customers	**¥714,323**	**¥71,516**	**¥785,839**	**¥ –**	**¥785,839**
Inter-segment sales	**660**	**280**	**941**	**(941)**	**–**
	714,984	**71,796**	**786,780**	**(941)**	**785,839**
Operating costs and expenses	**684,501**	**68,696**	**753,197**	**(775)**	**752,422**
Operating income	**¥ 30,482**	**¥ 3,100**	**¥ 33,582**	**¥ (165)**	**¥ 33,417**
Assets	**¥431,160**	**¥39,148**	**¥470,308**	**¥(3,766)**	**¥466,542**

	Within Japan	Outside Japan	Total	Elimination	Consolidated Total
	Millions of yen				
	2007				
Net sales:					
Outside customers	¥718,356	¥63,443	¥781,799	¥ –	¥781,799
Inter-segment sales	656	88	744	(744)	–
	719,012	63,531	782,543	(744)	781,799
Operating costs and expenses	689,498	60,860	750,358	(812)	749,546
Operating income	¥ 29,513	¥ 2,672	¥ 32,185	¥ 68	¥ 32,253
Assets	¥440,387	¥37,270	¥477,657	¥(2,761)	¥474,896

	Thousands of U.S.dollars (Note 3)				
	2008				
	Within Japan	Outside Japan	Total	Elimination	Consolidated Total
Net sales:					
Outside customers	**$7,129,686**	**$713,802**	**$7,843,488**	**$ –**	**$7,843,488**
Inter-segment sales	**6,591**	**2,796**	**9,387**	**(9,387)**	**–**
	7,136,277	**716,598**	**7,852,875**	**(9,387)**	**7,843,488**
Operating costs and expenses	**6,832,031**	**685,657**	**7,517,688**	**(7,737)**	**7,509,951**
Operating income	**$ 304,246**	**$ 30,941**	**$ 335,187**	**$ (1,650)**	**$ 333,537**
Assets	**$4,303,420**	**$390,739**	**$4,694,159**	**$(37,585)**	**$4,656,574**

Overseas sales information for the years ended March 31, 2008 and 2007 is not provided since neither the net sales of overseas subsidiaries or overseas sales of the Companies were material (less than 10% of the consolidated net sales amount) in either year.

In line with the amendment of the Corporation Tax Law [Law for Partial Amendment of the Income Tax Law (March 30, 2007, Law No. 6) and Cabinet Order for Partial Amendment of the Corporation Tax Law Enforcement Ordinance (March 30, 2007, Cabinet Order No. 83)], effective from the fiscal year ended March 31, 2008, the Company records depreciable assets purchased on and after April 1, 2007 by the method based on the amended Corporation Tax Law. As a result of this change, operating expenses in Japan increased ¥220 million ($2,192 thousand) while operating income in Japan declined by a corresponding amount.

16. Per Share Information

Book-Value per share (BPS) and Earnings per share (EPS) for the year ended March 31, 2008 and 2007 were as follows:

	Yen		U.S.dollars (Note 3)
	2008	2007	2008
Book-Value per share (BPS)	**¥924.16**	¥901.87	**$9.22**
Earnings per share (EPS)	**¥ 62.49**	¥ 82.43	**$0.62**
Diluted earnings per share	**¥ 62.41**	¥ 82.02	**$0.62**

17. Subsequent Event

Establishment of Joint Holding Company through a Stock Transfer

The establishment of Isetan Mitsukoshi Holdings Ltd. as the parent company through a joint stock transfer by Isetan Co., Ltd. and Mitsukoshi, Ltd. was approved at an Extraordinary Meeting of Shareholders held on November 20, 2007. Accordingly, Isetan Mitsukoshi Holdings Ltd. was established on April 1, 2008, and the Company is a wholly owned subsidiary of the holding company.

Name: Isetan Mitsukoshi Holdings Ltd.
Address: 4-6-16 Ginza Chuo-ku, Tokyo

Representative: Nobukazu Muto, Chairman and CEO
Capital: ¥50,000 million ($499,052 thousand)

Details of Business: Management planning and management of subsidiaries and Group companies engaged in the department store and other businesses as well as the handling of all related operations

Main reason for transfer of stock: Integrate management to raise corporate value by effectively utilizing the management resources and know-how of each company

Stock transfer date: April 1, 2008

No audit report has been issued on the translated financial statements for the year ended March 31, 2007.

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

Tel : 03 3503 1100
Fax : 03 3503 1197

Report of Independent Auditors

The Board of Directors
Isetan Co., Ltd.

We have audited the accompanying consolidated balance sheet of Isetan Co., Ltd. and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Isetan Co., Ltd. and consolidated subsidiaries at March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Additional Information

1. As described in Note 2(14)(e), effective from the year ended March 31, 2008. Isetan Co., Ltd. began making provision for Allowance for Loss from Redemption of Gift Vouchers.

2. As described in Note 17, Isetan Mitsukoshi Holdings Ltd. was established as a parent company through a joint stock transfer by Isetan Co., Ltd. and Mitsukoshi, Ltd. on April 1, 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 20, 2008

Ernst & Young Shinnihon

A MEMBER OF ERNST & YOUNG GLOBAL

Mitsukoshi Group Main Store and Branch Stores

Nihonbashi main store

In business in Nihonbashi for over 300 years since the company's foundation, the Nihonbashi main store is not only Mitsukoshi's flagship store but has also led the industry over the years as one of Japan's preeminent department stores. In 2004, the year marking 100 years since being the first in Japan to make the "Department Store Declaration," it opened an annex building, and then remodeled the food floor in the basement of the main building in spring 2008.

1-4-1 Nihonbashi Muro-machi, Chuo-ku, Tokyo 103-8001 Japan +81-3-3241-3311
Total selling floor area: 139,155m^2 Annual sales: ¥272,887 million
Opened: December 21, 1904

Ginza store

Located at the intersection of 4-chome in Ginza, the Ginza store has always led the times in food and clothing as Mitsukoshi's fashion speciality store. In autumn 2010, a new building will be constructed and integrated into the main building in response to customers' needs and desires.

4-6-16 Ginza, Chuo-ku, Tokyo 104-8212 Japan +81-3-3562-1111
Total selling floor area: 23,248m^2 Annual sales: ¥53,722 million
Opened: April 10, 1930

Ikebukuro store

This store in the highly competitive Ikebukuro district, which is home to many large department stores, has a floor layout that enables leisurely shopping. It is well supported by regional customers.

1-5-7 Higashiikebukuro, Toshima-ku, Tokyo 170-8439 Japan +81-3-3987-1111
Total selling floor area: 25,026m^2 Annual sales: ¥24,174 million
Opened: October 1, 1957

Chiba store

The store name changed from "Naraya," boasting a 200-year history, to Chiba Mitsukoshi, which it remains today. While being medium in size, it is closely attuned to the community and aims to be a store at which customers can enjoy shopping.

2-6-1 Fujimi, Chuo-ku, Chiba-shi, Chiba 260-8631 Japan +81-43-224-3131
Total selling floor area: 27,177m^2 Annual sales: ¥28,300 million
Opened: October 27, 1984

Niigata store

The Niigata Store changed its name to Niigata Mitsukoshi after being originally established as "Kobayashi Gofukuten" in 1907. It welcomes customers in the truly unique Mitsukoshi style as a model store that uses shared area with Isetan.

866 Nishiboridori-Goban-cho, Chuo-ku, Niigata-shi, Niigata 951-8530 Japan +81-25-227-1111
Total selling floor area: 24,007m^2 Annual sales: ¥19,821 million
Opened: March 1, 1987

Sendai store

Located in the center of Sendai City, the first government ordinance city in the Tohoku region, many customers from around Tohoku, beginning with Sendai City, have come to know and love the Sendai store since it opened.

4-8-15 Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi 980-8543 Japan +81-22-225-7111
Total selling floor area: 33,582m^2 Annual sales: ¥38,788 million
Opened: April 1, 1933

Sapporo store

This store is situated in close proximity to Sapporo's Odori Park, famous for its Sapporo Snow Festival. Since opening, it has operated business based on two key principles: "Be the first to bring the culture and merchandise of Tokyo to Hokkaido" and "Deliver the goods of Hokkaido to the rest of Japan."

3-8 Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido 060-8666 Japan +81-11-271-3311
Total selling floor area: 31,336m^2 Annual sales: ¥38,987 million
Opened: May 1, 1932

Mitsukoshi Group Main Store and Branch Stores

Nagoya Sakae store

The Nagoya Sakae store opened in 1954 as the Oriental Nakamura Department Store, before changing its name to Nagoya Mitsukoshi in 1980. Amid intense competition, Mitsukoshi is leading Nagoya's fashion trends in the region.

3-5-1 Sakae, Naka-ku, Nagoya-shi, Aichi 460-8669 Japan +81-52-252-1111
Total selling floor area: 78,484m^2 Annual sales: ¥89,562 million
Opened: October 1, 1980

Hoshigaoka store

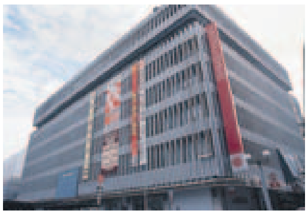
Located in the eastern part of Nagoya City, the Hoshigaoka store is the city's sole suburban department store complete with a large parking area. It is well supported by local customers with a discerning taste for everyday items.

14-14 Hoshigaokamotomachi, Chikusa-ku, Nagoya-shi, Aichi 464-8661 Japan +81-52-783-1111
Total selling floor area: 21,798m^2 Annual sales: ¥21,028 million
Opened: October 1, 1980

Hiroshima store

The Hiroshima store is situated in the heart of the city and visited by customers seeking a store with elegant adult fashion and that specializes in lifestyles.

5-1 Ebisu-cho, Naka-ku, Hiroshima-shi, Hiroshima 730-8545 Japan +81-82-242-3111
Total selling floor area: 15,851m^2 Annual sales: ¥17,626 million
Opened: April 8, 1973



Takamatsu store

This was Mitsukoshi's first store in Shikoku, opened in 1931. Located in the center of the city, this store delivers high-quality services to customers as the region's top store.

7-1 Uchimachi, Takamatsu-shi, Kagawa 760-8639 Japan +81-87-851-5151
Total selling floor area: 27,085m^2 Annual sales: ¥26,675 million
Opened: March 17, 1931

Matsuyama store

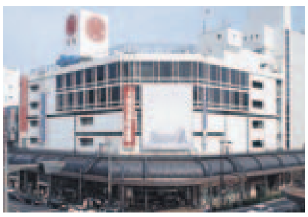
The Matsuyama store celebrated 60 years in business in 2006. The open-air space of the atrium court runs up to the eighth floor and is the symbol of the store that is loved by customers in the region, particularly as a place sending out culture and information unique to this city of hot springs, castles and literature.

3-1-1 Ichiban-cho, Matsuyama-shi, Ehime 790-8532 Japan +81-89-945-3111
Total selling floor area: 22,045m^2 Annual sales: ¥22,611 million
Opened: October 6, 1946

Fukuoka store

The Fukuoka store at Nishi-Nippon Railroad Fukuoka Tenjin Station is the only Mitsukoshi Group department store to be housed at a station terminal. Working in collaboration with the Iwataya main store amid strong competition in the Tenjin region helps maximize the merits of the group.

2-1-1 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka 810-8544 Japan +81-92-724-3111
Total selling floor area: 38,031m^2 Annual sales: ¥44,660 million
Opened: September 1, 1997



Kagoshima store

Adjacent to the largest bustling shopping and entertainment district in southern Kyushu known as Tenmonkan, the Kagoshima store was designed as a store for relaxation and making fresh, new discoveries. It has a distinctive flavor, particularly with the opening in March 2007 of the sweets theme park "Sweets Garden," a department store first.

6-5 Gohukumachi, Kagoshima-shi, Kagoshima 892-0826 Japan +81-99-225-2111
Total selling floor area: 18,743m^2 Annual sales: ¥10,707 million
Opened: October 25, 1984

(As of April 2008)

Mitsukoshi Domestic Group Companies and Affiliated Companies

<Wholesale Business>

Niko, Ltd.

3-16 Toyomi-cho, Chuo-ku, Tokyo 104-8570 Japan
+81-3-3534-6500

Leotex Co., Ltd.

1-3-2 Kiyosumi, Koto-ku, Tokyo 135-8415 Japan
+81-3-3642-5121

Leo d'Or Trading Co., Ltd.

Annex 2F Yamamoto Bldg., 1-6-3 Nihombashi Muromachi, Chuo-ku,
Tokyo 103-0022 Japan
+81-3-3281-0101

Leo Mart Co., Ltd.

1F Nippon Building, 2-6-2 Otemachi, Chiyoda-ku, Tokyo 100-0004 Japan
+81-3-3270-6151

Other: 1 Company (Fortnum & Mason Japan Co., Ltd.)

<Real Estate Business>

Mitsukoshi Real Estate Co., Ltd.

2-1-18 Iwamoto-cho, Chiyoda-ku, Tokyo 101-0032 Japan
+81-3-3851-0565

Mitsukoshi Kankyo Design Co., Ltd.

2-6-2 Otemachi, Chiyoda-ku, Tokyo 100-0004 Japan
+81-3-3242-4481

Mitsukoshi Parking Service, Ltd.

1-10-1 Nihombashi Muromachi, Chuo-ku, Tokyo 103-0022 Japan
+81-3-3270-5088

Mitsukoshi Kankyo Building Management Co., Ltd.

2-6-2 Otemachi, Chiyoda-ku, Tokyo 100-0004 Japan
+81-3-3274-7030

<Financial Service Business>

Mitsukoshi Insurance Service Co., Ltd.

2-6-2 Otemachi, Chiyoda-ku, Tokyo 100-0004 Japan
+81-3-5255-8811

Mitsukoshi Tomonokai Co., Ltd.

1-6-3 Nihonbashi Muro-machi, Chuo-ku, Tokyo 103-0022 Japan
+81-3-3272-3911

<Other Service Business>

Studio Alta Co., Ltd.

13F BYGS Shinjuku Bldg., 2-19-1 Shinjuku, Shinjuku-ku,
Tokyo 160-0022 Japan
+81-3-3350-1200

Pronet Co., Ltd.

8F Yanagiya Taiyo Bldg., 4-3-16 Nihombashi Muromachi, Chuo-ku,
Tokyo 103-0033 Japan
+81-3-3242-2611

M•Logistics•Solutions Co., Ltd.

ProLogis Park Tokyo II, 3-4-11 Shinsuna, Koto-ku, Tokyo 136-0075 Japan
+81-3-5677-8390

Mitsukoshi Information Service, Ltd.

5-10-24 Nishikasai, Edogawa-ku, Tokyo 134-8610 Japan
+81-3-5659-3272

Other: 3 Companies (Nagoya Building Service Co., Ltd., Nagoya Mitsukoshi Operation Service Co., Ltd., Mitsukoshi Fitness Club Co., Ltd.)

<Affiliate Companies>

The Printemps Ginza Co., Ltd.
(Equity-method affiliate)

3-2-1 Ginza, Chuo-ku, Tokyo 104-0061 Japan
+81-3-3567-0077

Usui Department Store Co., Ltd.
(Equity-method affiliate)

13-1 Nakamachi, Kooriyama-shi, Fukushima 963-8004 Japan
+81-24-932-0001

Centresta Co., Ltd.
(Equity-method affiliate)

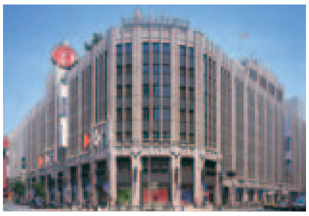
11-9 Nihombashi Kodenma-cho, Chuo-ku, Tokyo 103-0001 Japan
+81-3-5651-8802

JP Logistics Partners Co., Ltd.

2-4-23 Shinsuna, Koto-ku, Tokyo 137-8691 Japan
+81-3-5665-0912

Other: 1 Company (Okinawa Mitsukoshi, Ltd.)

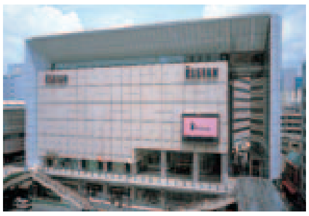
Isetan Group Main Store and Branch Stores



Main store (Shinjuku, Tokyo)

Aiming to be the world's premier fashion store, the Isetan flagship store in Shinjuku offers high-quality merchandise and service of an international standard, and attracts over 30 million shoppers per year. The store comprises a main building and ISETAN MEN'S (Annex), and regularly tops the Japanese single-store rankings for apparel sales.

3-14-1 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan +81-3-3352-1111
Total selling floor area: 64,296m^2 Annual sales: ¥263,367 million
Opened: September 28, 1933



Tachikawa store

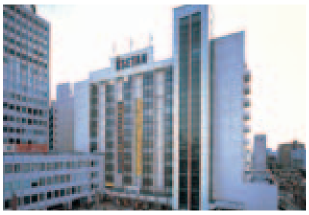
Since the store on the original site opened in 1947, the Tachikawa Store has grown in step with the major suburban city of Tachikawa. In January 2001, a newly renovated store reopened on a new site near Tachikawa station, and remains a popular local fixture.

2-5-1 Akebono-cho, Tachikawa-shi, Tokyo 190-0012 Japan +81-42-525-1111
Total selling floor area: 40,060m^2 Annual sales: ¥41,122 million
Opened: October 10, 1947
Reopened at new location: January 24, 2001

Kichijoji store

Since its inception, the Kichijoji store has enjoyed the patronage of customers from the Musashino District. We are continuing with efforts to create a store well matched to the local community by offering high quality product lines and services.

1-11-5, Kichijojihon-cho, Musashino-shi, Tokyo 180-0004 Japan +81-422-21-1111
Total selling floor area: 20,758m^2 Annual sales: ¥18,641 million
Opened: November 10, 1971



Matsudo store

A full remodeling completed in October 1995 gave the suburban city of Matsudo a city-center department store, besides adding another 10,000m^2 of floor space in a new annex. This store is designed primarily with the needs of families in mind.

1307-1 Matsudo, Matsudo-shi, Chiba 271-0092 Japan +81-47-364-1111
Total selling floor area: 33,109m^2 Annual sales: ¥28,348 million
Opened: April 19, 1974

Urawa store

The Urawa store reopened in March 2006 after a full remodeling. Our goal is to be known as "my store, my Isetan" by meeting the needs and desires of neighborhood families for even higher quality lifestyles over three generations.

1-15-1 Takasago, Urawa-ku, Saitama-shi, Saitama 336-0011 Japan +81-48-834-1111
Total selling floor area: 30,138m^2 Annual sales: ¥52,783 million
Opened: April 22, 1981

Sagamihara store

Opened in 1990, the Sagamihara store has proved a big hit in this commuter-belt city to the west of Tokyo. Featuring two annexes in addition to the main building, this city-center store located in the suburbs offers a wide range of fashion and lifestyle goods.

4-4-3 Sagamiono, Sagamihara-shi, Kanagawa 228-0803 Japan +81-42-740-1111
Total selling floor area: 40,906m^2 Annual sales: ¥32,671 million
Opened: September 25, 1990

Fuchu store

Selected as the anchor tenant for the Fuchu Station South Exit Redevelopment Project in 1988, the Fuchu store opened its doors in April 1996. With completion of the third section of redevelopment in 2006, there has been a rush in new apartment complex construction, which has led to an increase in customers to the store.

1-41-2 Miyamachi, Fuchu-shi, Tokyo 183-0023 Japan +81-42-334-1111
Total selling floor area: 34,102m^2 Annual sales: ¥25,124 million
Opened: April 3, 1996

(As of April 2008)

Isetan Domestic Group Companies and Affiliated Companies

Shizuoka Isetan Co., Ltd.

Aiming to be the fashion leader in the region, the store reopened after a full remodeling in September 2003. The current store celebrated its 30th anniversary in 2007.

1-7 Gohukucho, Aoi-ku, Sizuoka-shi, Shizuoka 420-0031 Japan
+81-54-251-2211
Annual sales: ¥24,572 million Founded: June 10, 1948
Affiliated: November 28, 1971

Niigata Isetan Co., Ltd.

One of the leading department stores in the region—and arguably, along the entire northern coast of Japan—the store celebrated its 20th anniversary in 2004. It also conducted a successful renovation as well as reform of sales staff approach and services.

1-6-1 Yachiyo, Chuo-ku, Niigata-shi, Niigata 950-0909 Japan
+81-25-242-1111
Annual sales: ¥38,035 million Founded: February 21, 1980 Opened: April 3, 1984

Iwataya Co., Ltd.

In celebration of its 250th anniversary, Iwataya combined its main building and a new building to open a new flagship store in March 2004. Its ultimate aim is to be the leading fashion store in Kyushu.

2-5-35 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka 810-8680 Japan
+81-92-721-1111
Annual sales: ¥104,783 million
Founded: 1754 Established: May 8, 1935

West Japan Railway Isetan Ltd.

(Equity-method affiliate)

901 Higashishiokoujimachi, Karasumadori-shiokouji-kudaru, Simogyou-ku, Kyoto-shi, Kyoto 600-8216 Japan +81-75-352-1111
Annual sales: ¥69,924 million
Founded: October 1, 1990
Opened: September 11, 1997

Queen's Isetan Co., Ltd.

(Supermarkets)

Queen's Isetan opened two new stores in 2007 and now boasts a network of 21 in the Tokyo region.

Nakajima Bldg., 5-11-22 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5368-1200 Annual sales: ¥52,337 million

Mammina Co., Ltd.

(Specialty stores for women's apparel)

5F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5286-1050
Annual sales: ¥8,243 million

Isetan I Card Co., Ltd.

(Credit & Finance)

2-3F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5273-6500
Annual sales: ¥13,461 million

Isetan Clover Circle Co., Ltd.

(Customer organization management)

7F Isetan Kaikan, 3-15-17 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-3354-5802

Isetan Institute Co., Ltd.

(Research)

6F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5273-5341

Isetan Kaikan Co., Ltd.

(Real estate services)

6F Isetan Kaikan, 3-15-17 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-3352-8711

Century Trading Co., Ltd.

(Wholesale trade operations)

4F Hakuhou Bldg., 5-17-11 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-3208-5881

Isetan Swing Inc.

(Management of sports facilities)

4F Shinjuku Underground Parking Bldg., 1-2-2 Kabukicho, Shinjuku-ku, Tokyo 160-0021 Japan +81-3-3207-2851

R&I Dining Co., Ltd.

(Restaurants)
(Equity-method affiliate)

4F Shizugin Bldg., 2-19-12 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-3357-5981

JTB ISETAN TRAVEL SERVICE, INC.

(Travel services)
(Equity-method affiliate)

6F Shizugin Bldg., 2-19-12 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5368-3411

Isetan Career Design Co., Ltd.

(Temporary personnel services)

5-16-10 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-3225-0626

Isetan Building Management Service Co., Ltd.

(Building maintenance services)

8F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5273-5770

Isetan Business Support Co., Ltd.

(Logistics services)

5F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-3207-8521

Isetan Data Center Co., Ltd.

(Data processing services)
* Company name to be changed to Isetan Mitsukoshi System Solutions Ltd. in July 2008.

Isetan Ochiai Center, 2-18-20 Nishiochiai, Shinjuku-ku, Tokyo 161-0031 Japan
+81-3-5996-5112

IZUTSUYA Withcard Co., Ltd.

(Credit & Finance)

1-1 Senbacho, Kokurakita-ku, Kita-Kyusyu-shi, Fukuoka 802-8511 Japan
+81-93-522-3550

Asia

A Kuala Lumpur

- Isetan Kuala Lumpur LOT 10 store
- Isetan Kuala Lumpur KLCC store
- Isetan Kuala Lumpur the Gardens store
- Isetan of Japan Sdn. Bhd.

B Bangkok

- Isetan Bangkok
- Isetan (Thailand) Co., Ltd.
- ITM Clover Co., Ltd.

C Chengdu

- Isetan Chengdu
- Chengdu Isetan Co., Ltd.

D Shanghai

- Garden Hotel Shanghai Mitsukoshi, Shanghai store
- Huating Isetan Shanghai
- Mei Long Zhen Isetan Shanghai
- Mitsukoshi, Ltd., Shanghai Office
- Shanghai Jinjiang Isetan Co., Ltd.
- Shanghai Mei Long Zhen Isetan Department Store Co., Ltd.

E Tianjin

- Isetan Tianjin
- Tianjin Isetan Co., Ltd.

F Singapore

- Isetan Singapore Scotts store
- Isetan Singapore Orchard store
- Isetan Singapore Katong store
- Isetan Singapore Tampines store
- ★Isetan Singapore Mango Boutique
- Isetan (Singapore) Ltd.
- Lexim (Singapore) Pte. Ltd.

G Shenyang

- Isetan Shenyang
- Shenyang Isetan Co., Ltd.

H Taiwan

- Shin Kong Mitsukoshi
  Taipei Nanking Branch
  Taipei Station Branch
  Taipei Hsin Yi A11 Branch
  Taipei Hsin Yi A8 Branch
  Taipei Hsin Yi A9 Branch
  Taipei Hsin Yi A4 Branch
  Tienmu Branch
  Taoyuan Branch
  Hsinchu Branch
  Taichung Branch
  Tainan Chung Shan Branch
  Tainan Shi Men Branch
  Kaohsiung San-Duo Branch
- Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)
  (Equity-method affiliate)

(As of April 2008)

Europe・United States

I United States

- ●Mitsukoshi Orlando Store & Restaurant at Disney World
- ◆Mitsukoshi New York Office
- ◆Isetan New York Representative Office
- ■Mitsukoshi (U.S.A.) Inc.

J Spain

- ●Mitsukoshi Madrid Store
- ■Mitsukoshi España S.A.

K France

- ●Mitsukoshi Paris Store
- ◆Isetan Paris Representative Office
- ■Mitsukoshi France S.A.
- ○Mitsukoshi Étoile Museum

L United Kingdom

- ●Mitsukoshi London Store & Restaurant
- ■Mitsukoshi (U.K.) Ltd.

M Italy

- ●Mitsukoshi Rome Store
- ■Isetan (Italia) S.r.l.
- ■Mitsukoshi Italia S.p.A.

N Germany

- ●Mitsukoshi Deutschland
  Dusseldorf Store
  Frankfurt Store
  München Store
- ■Mitsukoshi Deutschland GmbH,

●Overseas department stores ★Overseas specialty stores and affiliates ■Overseas subsidiaries and affiliates ◆Representative Office ○Other

Business Alliances

Prior to the integration of Isetan and Mitsukoshi to form Isetan Mitsukoshi Holdings Ltd., Isetan collaborated with other department stores by sharing card and merchandising systems, as well as work flow. This collaboration was carried out by utilizing opportunities for alliances with other companies that were also seeking to cooperate with each other amid a downtrend in department store sales throughout Japan and was aimed at securing a more advantageous market position and maximizing customer satisfaction by creating mutually beneficial schemes. The details of Isetan's business alliances with other stores up to the present are as follows.

●Systems Integration with Izutsuya Co., Ltd.
In September 2004, Isetan and Izutsuya carried out integration of their systems. Specifically, Isetan's merchandising system and information system were introduced as Izutsuya's own systems. As a result, we integrated both companies' systems and work flows to the greatest degree possible and rationalized costs in addition to raising the precision of merchandising operations. Such efforts included ordering based on single-product management as well as realizing an ideal business relationship that enables business partners to create products with a sense of reassurance.

●Business Alliance with Meitetsu Department Store Co., Ltd.
In February 2005, Isetan, Meitetsu Department Store Co., Ltd., and Nagoya Railroad Co., Ltd. agreed to form a wide-ranging business alliance. Initiatives under this alliance included the dispatch of personnel from Isetan, beginning with an executive in charge of sales, as well as the introduction of the Isetan I Card system in September 2006, marking the first time this system was introduced at an allied department store. In October 2007, this system was integrated. In this manner, by mutually sharing work flows and fully utilizing merchandise lots, we are promoting cooperative initiatives to raise profitability and offer merchandise assortments that maximize the satisfaction of customers of both companies.

●Business Alliance with Marui Imai Inc.
Based on a request from Marui Imai Inc., three companies—Isetan, Marui Imai, and Mother Land Capital, Ltd.—concluded a letter of understanding in May 2005. As specific measures, Isetan dispatched personnel and introduced a "total package sales foundation" that includes providing information systems, while also coordinating a series of operational processes ranging from gathering information on both companies' customers to planning, procurement and sales. This resulted in raising the precision of Marui Imai's merchandising capabilities and rationalizing its system costs. As part of these initiatives, we also introduced the Isetan I Card in May 2008.

In addition, responding to a request from our partners, Isetan acquired a stake in Marui Imai through a third-party allotment capital increase in June 2006. This strategic initiative will help to improve profitability and enable Isetan to offer merchandise assortments that respond to customer needs by maintaining a certain degree of influence in the reform of Marui Imai's overall supply chain.

●Business Alliance with Tokyu Department Store Co., Ltd.
In March 2007, Isetan, Tokyu Department Store Co., Ltd. and Tokyu Corporation reached an agreement and concluded a letter of understanding for a comprehensive business alliance between Isetan and Tokyu Department Store. Through this alliance, Isetan and Tokyu Department Store will cooperate in areas related to their store networks in the Tokyo metropolitan area, which represent the strength of both companies, with the aim of raising the precision of overall operations. Concurrently, this alliance is playing an important role in rationalizing operations, realizing merchandise assortments that meet the needs and desires of customers and raising customer satisfaction. Isetan is dispatching staff to Tokyu Department Store (beginning in April 2007) and will help establish a business foundation through measures that include introducing an information system within the next several years based on shared expertise in marketing.

●Integration of Food Gift Operation
Isetan is working in cooperation with A.D.O. (All-Nippon Department Stores Development Organization) to create a scheme that generates profits for all member companies by adopting the concept of supply chain management in the gift business. The profits generated by this scheme are used for developing highly competitive products and generating sales of distinctive products.

<Participating Stores in Integration of Food Gift Operations>
Isetan Co., Ltd., Shizuoka Isetan Co., Ltd., Niigata Isetan Co., Ltd., Kokura Isetan Co., Ltd. (presently COLET Izutsuya), Iwataya Co., Ltd., West Japan Railway Isetan Ltd., Marui Imai Inc., Meitetsu Department Store Co., Ltd., Tenmaya Co., Ltd., Takamatsu Tenmaya Co., Ltd., Yonago Shinmachi Tenmaya Co., Ltd., Tobu Department Store Co., Ltd., Izutsuya Co., Ltd., Fujisaki Co., Ltd., Matsuya Co., Ltd., Hankyu Department Stores, Inc.

●Integration of General Gift Operations
General gift operations feature cooperation between Isetan and the A.D.O. network alliance of stores and represent a continuation of the basic concept underlying the integration of food gift operations for *chugen* and *seibo* seasonal gifts. The integration of general gift operations involves "standardizing products and catalogs," "consolidating logistics," and "sharing information" to build a competitively advantageous scheme (infrastructure) for rebuilding the business for courtesy gifts. The integration of general gift operations enables improved procurement margin rates by consolidating lots and realizes cost improvements by eliminating waste in the supply chain, thereby leading to a readjustment of the profit structure.

<Participating Stores in Integration of General Gift Operations>
Isetan Co., Ltd., Shizuoka Isetan Co., Ltd., Niigata Isetan Co., Ltd., Kokura Isetan Co., Ltd. (presently COLET Izutsuya), Iwataya Co., Ltd., West Japan Railway Isetan Ltd., Marui Imai Inc., Meitetsu Department Store Co., Ltd., Tenmaya Co., Ltd., Tobu Department Store Co., Ltd., Izutsuya Co., Ltd.

ISETAN MITSUKOSHI HOLDINGS

Corporate Data (As of April 1, 2008)

Company name:	Isetan Mitsukoshi Holdings Ltd.
Registered headquarters:	4-6-16, Ginza, Chuo-ku, Tokyo 104-0061, Japan
Head office:	5-16-10, Shinjuku, Shinjuku-ku, Tokyo 160-0022, Japan
Established:	April 1, 2008
Principal business:	Management planning and management of subsidiaries and Group companies engaged in the department store and other businesses as well as the handling of all related operations
Capital:	¥50 billion
Consolidated net sales:	¥1,540 billion (Forecast, March 2009)

Directors and Officers

Chairman and CEO
President and CEO, Isetan Co., Ltd. and Outside Director, Mitsukoshi, Ltd.
Nubukazu Muto

President and COO
President and Representative Director and General Manager, Department Store Business Division, Mitsukoshi, Ltd. and Outside Director, Isetan Co., Ltd.
Kunio Ishizuka

Director
Executive Vice President and Representative Director and General Manager, Business Planning & Operations Division, Isetan Co., Ltd.
Chihiro Nihashi

Director
Chairman and Representative Director, Mitsukoshi, Ltd.
Kohei Amano

Director, Senior Managing Executive Officer and General Manager, Strategic Planning Headquarters
Executive Vice President and Director responsible for Corporate Planning Department, Accounting Department, and Affiliated Business Department, Isetan Co., Ltd.
Shinya Takada

Director, Managing Executive Officer and General Manager, Administration Headquarters
Director, Mitsukoshi, Ltd.
Ken Akamatsu

Outside Director
Nobuo Kuroyanagi

Outside Director
Shimpei Miyamura

Outside Director
Morio Ikeda

Corporate Auditor
Outside Auditor, Mitsukoshi, Ltd.
Ikuo Nihei

Corporate Auditor
Outside Auditor, Isetan Co., Ltd.
Kenichi Abe

Outside Auditor
Teisuke Kitayama

Outside Auditor
Outside Auditor, Isetan Co., Ltd.
Sumio Iijima

Senior Managing Executive Officer and General Manager, Department Store Business Headquarters
Senior Executive Vice President and Director responsible for General Administration Department, Isetan Co., Ltd.
Keinosuke Okawa

Managing Executive Officer and Deputy General Manager, Department Store Business Headquarters, and General Manager, Project Management Division
Director, Mitsukoshi, Ltd.
Ken Shigematsu

Executive Officer and General Manager, Strategic Planning Division, Strategic Planning Headquarters
Hideharu Wada

Executive Officer and General Manager, IT & Budget Control Division, Strategic Planning Headquarters
Toshinori Shirai

Executive Officer and General Manager, Affiliated Business Division, Strategic Planning Headquarters, and Executive Manager, Business Planning Group
Isao Suzuki

Executive Officer and General Manager, Business Planning Division, Department Store Business Headquarters
Riichiro Miyagawa

Executive Officer and General Manager, Store Planning Division, Department Store Business Headquarters
Yoshio Takino

Executive Officer and General Manager, Corporate Administration Division, Administration Headquarters
Shigeki Yamazaki

Executive Officer and General Manager, Business Coordination Division, Administration Headquarters
Masahide Nakamura

Stock Information (As of April 1, 2008)

Common stock	Authorized: 1,500,000,000 shares Issued: 387,848,182 shares
Stock exchange listing:	First Section of Tokyo Stock Exchange
Transfer agent and registrar:	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212 Japan

ISETAN MITSUKOSHI
HOLDINGS

www.imhds.co.jp

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