ANNUAL REPORT 2006

For the Year Ended February 28, 2006

DAIMARU

COMPANY PHILOSOPHY

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

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

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MESSAGE FROM CHAIRMAN

To the Shareholders:

We are pleased to inform you that we have settled the accounts and prepared the annual business report mainly on a consolidated basis for the year ended February 28, 2006.

Management Policy

1. Basic policy on management

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

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

(1) a group which captivates customers and provides genuine satisfaction and acquires an outstanding reputation in the industry for high popularity among customers;
(2) a group which meets shareholders' expectations by achieving the industry's top profitability and efficiency to enhance enterprise value;
(3) a group which provides job satisfaction to its employees by fairly evaluating their performance so that they can realize their exhibition of ability and growth; and
(4) a group which widely earns the trust of society and contributes to society by ensuring strict compliance in management.

2. Basic policy on profit sharing

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

3. Concept and policy regarding reduction in investment unit

The Company understands that it is important to increase its enterprise value by expanding its individual investor base and improving its share liquidity. Comprehensively considering the movements of the stock market, we will continue to think of reducing the investment unit.

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

The Group gives top priority to enhancement of corporate governance. For this purpose, we are promoting clarification of the role, responsibility and authority of the whole organization by introducing the new structure of Group Headquarters comprising four principal bodies in a bid to improve the quality of the management of the Group.

In addition, with a view to strengthening corporate governance and compliance as part of efforts to fulfill corporate social responsibilities and liability for shareholders, the Company introduced a corporate officer system to make a clear distinction between decision-makers and executors in the management and expedite decision-making and implementation. We limit the term of directors and corporate officers to one year and have a system in place to decide their remuneration based on their annual performance to clarify management responsibility for advancement of management and business performance. The Personnel and Remuneration Committee on which an outside director serves decides the amount of their remuneration to increase transparency and fairness.

The Company adopts a corporate auditor system and employs two outside corporate auditors to increase the fairness of audit procedures.

Furthermore, in order to promote corporate activities based on corporate ethics including regulatory compliance, the Group has in place a Compliance Committee, which is chaired by the Chairman of the Company and joined by a legal advisor, and introduced a Compliance Hotline System for whistle-blowing to resolve various compliance-related issues.

The status of implementation of corporate governance measures is as follows:

(1) Management organization concerning management decision-making, execution and supervision and other corporate governance structure

- (a) The Group's management structure is based on that of companies employing a corporate auditor system.
- (b) Status of appointment of outside directors
  One of the Company's seven directors is outside.
- (c) Status of appointment of outside corporate auditors
  Two of the Company's four corporate auditors are outside.
- (d) The Group's management organization and operating structure
  1) The Group's management organization
     We have the Group Headquarters comprising four principal bodies including Department Store Operations Headquarters, Affiliated Enterprises Headquarters, Administrative Headquarters and Management Planning Headquarters in a bid to improve the quality of the management of the Group and clarify the role, responsibility and authority of the organization.
  2) Operating structure
     The Group's operating structure consists of the Board of Directors that is responsible for making management decisions and Corporate Officers who are responsible for performing operations with the aim of enhancing corporate value through quick and proper management decision-making.
     Chairman and President concurrently serve as CEO and COO respectively to clarify management responsibilities for decision-making and operating and facilitate cooperation between them.
     While introducing a corporate officer system to make a clear distinction between strategy planning and decision and its execution, we formed various committees to reflect a variety of information in the Board of Directors.
- (e) System to grasp information on four principal bodies of the Headquarters including affiliated companies
  Directors and Corporate Officers responsible for these bodies can grasp information on the Company and the Group's other companies under the system where the function, responsibility and authority of each body are clearly defined.
- (f) Monitoring function of the Board of Corporate Auditors and Compliance Committee
  1) Input from the Board of Corporate Auditors
     The Board of Corporate Auditors consisting of four members holds meetings on a monthly basis so as to reflect their opinion concerning important matters in the Board

of Directors.

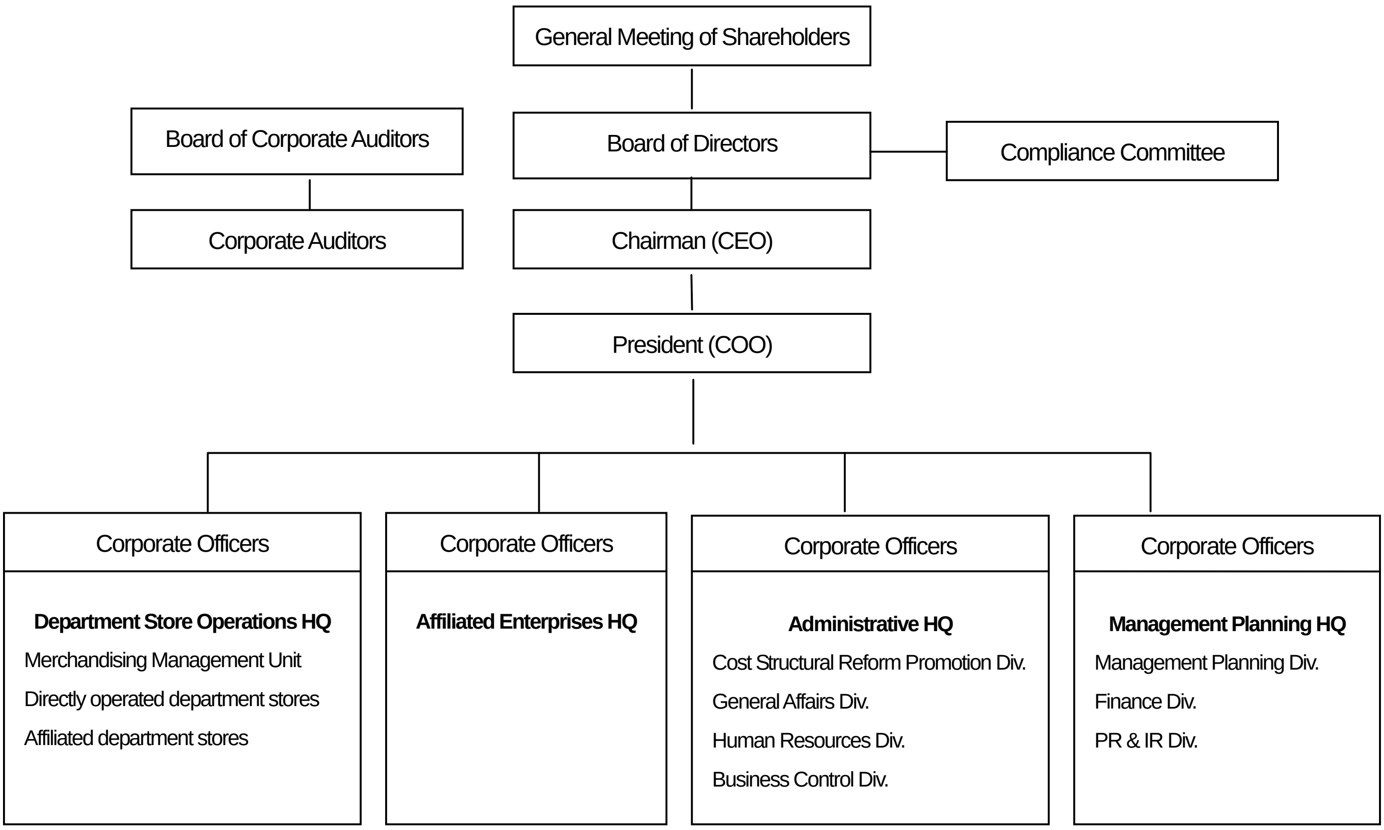
2) Compliance Committee and Compliance Hotline

The Compliance Committee consisting of Directors and a legal advisor holds meetings on a quarterly basis to discuss regulatory compliance. In addition, we put in place a Compliance Hotline System for whistle-blowing that also provides outside contact (the Company's legal advisor) for reporting.

3) Internal Audit Division

We have an Internal Audit Division to identify its own tasks and conduct internal audit concerning the daily operations and accounting activities of the Company and the Group's other companies, evaluate the appropriateness and effectiveness of their operational process, and give guidance to and enlighten concerned divisions and companies. The Division duly reports important matters to the Board of Directors and the Board of Corporate Auditors.

Management organization concerning management decision-making, execution and supervision



(2) Overview of personal, capital and business relationships and other interests between the Company and its outside directors and outside corporate auditors

- Outside directors and outside corporate auditors are external well-informed persons of experience and provide timely and appropriate advice on the Company's management decision-making from the standpoint of outsiders.
- There are no special interests between the Company and its outside directors and outside corporate auditors.

5. Mid-and-long term management strategy

FY 2006 marks the final year of the First Three-year Management Plan for FYs 2004-2006 based on the Daimaru Group Regrowth Plan developed toward the next phase of the Group's growth. The Regrowth Plan presents the mid-and-long term direction of the management of the Group and aims at further innovation and growth based on the improvement of know-how of low-cost and high-efficiency operations acquired by the Company in the past and by adding new business strategies and systems and using group synergy in active response to rapid changes in the external environment.

In ensuring the implementation of the Plan, we will further enhance growth and profitability of department store, supermarket and other related businesses and realize lower-cost and higher-efficiency management, as well as develop human resources who tackle challenges and speed up their solution, in an effort to achieve a higher level of profit target and establish the top position in the industry.

6. Target management indicators

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

Consolidated net sales (millions of yen)	830,000
Consolidated operating profit (millions of yen)	33,500
Ratio of consolidated operating profit to net sales (%)	4.0
Ratio of operating profit to department store sales (%)	4.7
Consolidated return on assets (ROA) (%)	9.0
Consolidated interest-bearing debt (millions of yen)	Not exceeding 83,000
Consolidated operating cash flow (millions of yen)	29,000

Note: The figure announced in April 2005 was amended to reflect the actual performance for FY 2005.

Operating results and financial condition

Ⅰ Operating results

1. Overview for the year ended February 28, 2006

During the consolidated fiscal year ended February 28, 2006, the Japanese economy saw continued steady recovery due to increase in business investment resulting from improvement of corporate profits and strong consumer spending driven by improving employment and income situations.

The retail industry was on a recovery trend in general though there was a gap among business categories. Sales of department stores on a comparable-store basis were relatively healthy, continuing to exceed the previous year's level since summer partly due to favorable weather conditions.

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

With regard to our main department store business, we tackled the second store operations reform with the greatest aim of achieving a radical strengthening of merchandising capabilities and sales and service capabilities, which are the key components of department store operations, to increase customer satisfaction and offer competitive products and service. In addition, we refurbished the existing stores in response to changing local markets. As part of our expansion efforts, we are preparing to open Daimaru LaLaport Yokohama Store in the spring of 2007 and relocate Tokyo Store and open the new store in the first phase in the fall of 2007, while forming Planning Office for New

Umeda Store in January 2006 to take the first concrete step toward its grand opening in the spring of 2011.

In the meantime, the whole Group continued to push forward cost reduction by revamping operations of information system and paperwork to enhance personnel efficiency, centralizing at the headquarters outside negotiations and order placement for procurement and facilities management to reduce purchase unit cost, and integrating logistics-related facilities as a result of centralized operations.

In terms of personnel policy, in March 2006, we initiated a new personnel system with a greater focus on function and performance and completely regardless of seniority in line with the implementation of the second store operations reform. In order to develop and enhance human resources as the basis of the total power of the Group, we strengthened training by making full use of our new training center opened in August 2005 and increased personnel exchanges among the companies of the Group.

Daimaru continues to carry out corporate activities in compliance with legal and ethical requirements to fulfill the trust of society. During the period under review, with the enforcement of the Personal Information Protection Law, all companies of the Group put in place management systems to properly handle customers' personal information. To this end, Daimaru Credit Service, Inc. acquired the Privacy Mark certification in June 2005, following Daimaru Information Center Co., Ltd. We also set to work on clarification and documentation of business process in an effort to further improve our financial internal control system to ensure accuracy of financial reporting.

As a result of the efforts mentioned above, on a consolidated basis, net sales for the fiscal year under review increased by 1.5% over the previous year to ¥821,250 million. Thanks to reduction of selling, general and administrative expenses as well as increased sales, operating profit, ordinary profit and net income also rose by 17.4%, 18.8% and 10.5% over the previous year to ¥30,678 million, ¥30,170 million and ¥16,025 million respectively.

On a non-consolidated basis, net sales increased by 1.8% over the previous year to ¥469,642 million, and operating profit, ordinary profit and net income grew by 11.4%, 15.2% and 24.9% over the previous year to ¥18,334 million, ¥18,674 million and ¥10,766 million respectively. Thus we reached new highs in these items both on consolidated and non-consolidated bases again.

Reflecting the operating performance for the fiscal year under review mentioned above, we have decided to pay a term-end dividend of ¥5.50 per share, totaling ¥10 annually, up ¥1 from the previous year.

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

Department store

Faced with intensifying intertype competition, we addressed the second store operations reform, which was stepped up from our past store operations reform, and strongly promoted the efforts to remodel the existing stores and build customer loyalty to bolster marketing ability.

In the second store operations reform, we worked on establishing a system to unify buying and selling whereby the headquarters and stores have the specialized roles of buying and selling and service respectively and act in unison to control the flows of products and information and update them in a timely manner. At the headquarters, a centralized buying system was put in place and its adoption was extended mainly to women's and men's fashion departments, whereas at the stores, we focused on improving sales and service capabilities by upgrading leadership skills of managers and team leaders who are responsible for sales activities and through sales operations strictly based on sales plans.

Store refurbishments were carried out in a way that reflects the features of each store more clearly to meet changing customers' needs and fiercer local competition. Particularly at Osaka Shinsaibashi Store, fashion floors and food floors were fully remodeled in March and September 2005 respectively with the reopening of the adjacent competing department store to further strengthen its presence. We also aggressively worked on developing freestanding stores around our department stores to enhance the appeal of the whole communities. For this purpose, Shinsaibashi Store opened a sports and fashion shop Nike Osaka in August 2005 and an accessories shop 4℃ in December 2005 and Kyoto Store opened a men's and women's accessories and clothing shop A.P.C. as its second freestanding specialty store in November 2005. In addition, Kobe Store fully refurbished Genius Gallery in March 2005 to distinguish itself as a provider of cutting-edge fashion.

In order to attract new customers and retain them, we issued Daimaru D Card and Daimaru Card. By using Daimaru D Card, customers receive points with cash or credit purchases and we have acquired as many as 430,000 new members during one year after beginning to issue it in March 2005. In January 2006, we started to issue and recruit the members of Daimaru Card, a new credit card with enhanced functions and wider availability compared to our previous Daimaru Point Card. We will unite our efforts to obtain new members of these cards.

Our affiliated department stores worked closely with the Group Headquarters to tackle various management reforms and enhance marketing capabilities by using group power in product supply and personnel exchanges. Daimaru's information system was gradually introduced into its affiliated department stores and the system was fully integrated in March 2006. We will continue our commitment to improving marketing capabilities and performance and further reducing costs.

Owing to the efforts mentioned above, department store sales continued strong throughout the period under review. Particularly, Sapporo Store, celebrating the third anniversary, attracted wider customers and achieved more than 10% sales growth for the second half of FY 2005 compared to the year-earlier period, which resulted in increasing its share in the region.

As a result, the sales in this segment continued to rise above the previous year's level since May 2005 to ¥596,986 million, up 1.4% from the previous year. Operating profit also increased by 13.5% from the previous year to ¥25,033 million due to effective use of selling, general and administrative expenses.

Supermarket

In order to boost sales, Daimaru Peacock Co., Ltd. opened Tornare Nihonbashi Hamacho and Daikanyama Peacock stores respectively in September and November 2005 in the Kanto district, remodeled the existing stores, and newly issued Peacock Edy Card to keep customers coming back.

However, sales in this segment decreased by 1.1% to ¥103,048 million from the previous year, which was partly attributable to severer intertype competition among stores and Mita Isarago store's temporary closing for rebuilding (since June 2005). On the contrary, operating profit increased by 56.4% from the previous year to ¥1,616 million due to improved gross profit margin and reduction of selling, general and administrative expenses through the efforts to further improve business operations and reduce costs.

Wholesale

Daimaru Kogyo, Ltd. focused on proactive sales and marketing activities to meet customer needs, including demand exploitation by deeply cultivating the existing businesses and development of new merchandise and new businesses. As a result, sales in this segment increased by 2.7% to ¥83,769 million due to strong sales of industrial material, food products and textile products. In addition, the efforts to effectively spend selling, general and administrative expenses led to 14.1%

year-on-year growth in operating profit to reach ¥1,745 million.

Other

Sales in this segment decreased by 2.1% from the previous year to ¥79,628 million, mainly because a logistics subsidiary was excluded from consolidation as a result of its stock transfer to Japan Post. On the contrary, operating profit grew by 56.7% from the previous year to ¥2,291 million owing to the efforts to increase profitability of credit service and direct marketing businesses.

On a real basis except the impact of the logistics subsidiary mentioned above, sales amounted to ¥73,763 million, up 5.7% from the previous year, and operating profit rose by 66.2% from the previous year to ¥2,270 million.

Sales by Business Segment

For the years ended February 28

Segment	2005		2006		Amount change (millions of yen)	Percentage change
	Net sales (millions of yen)	Percentage to total	Net sales (millions of yen)	Percentage to total		
Department store	588,532	72.6%	596,986	72.6%	8,454	1.4%
Supermarket	104,247	12.9%	103,048	12.5%	(1,199)	(1.1%)
Wholesale	81,553	10.1%	83,769	10.2%	2,216	2.7%
Other	81,353	10.0%	79,628	9.7%	(1,725)	(2.1%)
Eliminations	(44,992)	(5.6%)	(40,848)	(5.0%)	4,144	9.2%
Total	810,693	100.0%	822,584	100.0%	11,891	1.5%

Note: Sales figures are shown including other operating revenue.

2. Outlook for next term

The environment surrounding the Group is unpredictable because of changes in social structure caused by the falling birthrate and the aging population and diversification in consumption behavior as well as downward consumer expectations due to increasing household financial burden resulted from cut in fixed-rate income tax reduction and rise in social insurance premiums.

Under such circumstances, during the final year of the First Three-year Management Plan for FYs 2004-2006 based on the Daimaru Group Regrowth Plan, we will work to ensure achievement of our profit target and build a foundation for growth and development beginning in earnest in 2007.

On a consolidated basis, net sales, operating profit and ordinary profit for the full year ending February 28, 2007 are projected to expand by 1.1%, 9.2% and 7.7% to ¥830 billion, ¥33.5 billion and ¥32.5 billion respectively and net income is likely to increase by 6.1% to reach ¥17 billion.

On a non-consolidated basis, net sales for the year ending February 28, 2007 are expected to total ¥476 billion, up 1.4%, while operating profit and ordinary profit are forecasted to rise by 13.4% and 10.3% to ¥20.8 billion and ¥20.6 billion respectively. The Company expects net income to increase by 11.5% to amount to ¥12 billion.

Ⅱ Financial condition

1. Overview for the year ended February 28, 2006

Assets, liabilities and capital totaled ¥370,364 million (increase of ¥8,615 million compared to the end of the previous consolidated fiscal year), ¥275,287 million (decline of ¥6,597 million compared to the end of the previous consolidated fiscal year) and ¥91,803 million (growth of ¥14,475 million compared to the end of the previous consolidated fiscal year) respectively.

Cash inflows from operating activities increased by ¥7,874 million from the previous consolidated fiscal year to ¥28,684 million, which was mainly attributable to upturn in working capital including accounts receivable and purchase liabilities in addition to increase of ¥4,949 million in net income before income taxes. Cash flows from investing activities came to cash outflows of ¥5,061 million, decreasing by ¥377 million compared to the previous consolidated fiscal year. Net cash used in financing activities decreased by ¥1,920 million from the previous consolidated fiscal year to ¥16,716 million. This is mainly because repayment of interest-bearing debt decreased by ¥4,160 million though cash outflows increased by ¥2,091 million due to purchase of treasury stock.
As a result, the year-end balance of cash and cash equivalents stood at ¥23,977 million, up ¥6,908 million compared to the end of the previous consolidated fiscal year, whereas the balance of interest-bearing debt dropped by ¥11,104 million from the previous year-end to ¥93,462 million.

Cash flow indicator trends for the Group are shown below:

For the years ended February 28 / 29

	2002	2003	2004	2005	2006
Shareholders' equity ratio (%)	15.0	15.5	17.3	21.4	24.8
Shareholders' equity ratio at market value (%)	28.0	27.3	49.2	67.9	112.2
Debt repayment period (years)	5.8	8.8	3.6	5.0	3.3
Interest coverage ratio	7.5	6.0	15.0	11.4	18.4

Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio at market value: Market capitalization / Total assets
Debt repayment period: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest payment

＊ All indicators are calculated using financial values on a consolidated basis.
＊ Market capitalization is calculated by multiplying the closing stock price at fiscal year-end by the number of shares issued at fiscal year-end (after deducting treasury stock).
＊ The basis for calculating operating cash flow is net cash provided by operating activities in the consolidated statements of cash flows. Interest-bearing debt includes short-term and long-term loans payable and bonds reported in the consolidated balance sheets. For interest payment, the amount of interest paid in the consolidated statements of cash flows is used.

2. Outlook for next term

For the year ending February 28, 2007, cash inflows from operating activities are expected to remain almost the same level as the fiscal year under review at ¥29 billion. Cash flows from investing activities are anticipated to post cash outflows of ¥10 billion due to capital investment and other payment. Cash flows from financing activities are projected to rack up cash outflows of ¥16 billion due to payment of loans. As a result, the Group expects the balance of cash and cash equivalents as of the last day of February 2007 to amount to ¥27 billion, up ¥3 billion from the previous year-end, and the balance of interest-bearing debt to decrease by ¥10.5 billion from the previous year-end to ¥83 billion.

Ⅲ Business risk factors

The Group's business risk factors that could have a material impact on investment decisions are discussed below.

The forward-looking statements herein are based on the Group's expectations as of February 28, 2006, and could be affected by domestic and overseas economic conditions. Therefore, the Group's business risk factors are not limited to them.

1. Business environment

Economic conditions, including business and financial trends, and competition with other retailers of the same and different types have a material impact on the Group's key department store and supermarket segments. These business environment factors could adversely affect the performance and financial position of the Group.

2. Laws and regulations and legal revisions

The Group is subject to the laws and regulations relating to the new opening of large-scale retail stores, antitrust, consumer protection, tax systems and environment and recycling. In addition, a rise in consumption tax rate resulting from the future amendment to tax systems could reduce consumer spending. Thus these laws and regulations and legal revisions may lead to a restriction of business activities, an increase in cost and a decline in sales, which could adversely affect the performance and financial position of the Group.

3. Changes in natural environment and accidents

Natural disasters, including earthquakes, floods and typhoons, and unexpected accidents could damage stores and facilities, lead to loss of sales opportunities and affect operations. Abnormal weather conditions including cold summers and warm winters may also lead to a decrease in sales of the Group's main products including clothing and foodstuffs. Thus changes in natural environment and accidents could adversely affect the performance and financial position of the Group.

4. Information management

The Group has an internal system in place to strictly manage and protect personal and confidential information held by the Group. However, leaks of such information caused by unexpected accidents and incidents could damage the reputation of the Group and adversely affect the performance and financial position of the Group.

5. Overseas operations

The Group is engaged in business activities abroad mainly in wholesale segment. In such overseas operations, unpredictable economic and currency fluctuations, political and social confusion arising from terrorism, wars and civil wars and legislative and taxation changes could adversely affect the performance and financial position of the Group.

6. Significant lawsuits

During the consolidated fiscal year under review, there were no lawsuits that had a material impact on the Group. However, if a significant lawsuit occurs and judgment is taken against the Group in the future, the performance and financial position of the Group could be adversely affected.

Tsutomu Okuda
Chairman and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

February 28, 2006

	Millions of yen
ASSETS	**370,364**
Current Assets	**126,440**
Cash on hand and in banks	23,977
Notes receivable and accounts receivable-trade	51,017
Inventories	31,411
Deferred tax assets	6,368
Other current assets	14,599
Allowance for doubtful accounts	(934)
Fixed Assets	**243,923**
Tangible fixed assets	**152,266**
Buildings and structures	84,938
Machinery, equipment and vehicles	100
Furniture and fixtures	962
Land	66,103
Construction in progress	160
Intangible fixed assets	**5,729**
Other intangible fixed assets	5,729
Investments and other assets	**85,927**
Investment securities	27,045
Long-term loans receivable	2,095
Long-term guarantee deposits	38,298
Deferred tax assets	15,050
Other investments and assets	4,470
Allowance for doubtful accounts	(1,033)
Total assets	**370,364**

LIABILITIES	**275,287**
Current Liabilities	**195,851**
Notes payable and accounts payable-trade	69,029
Short-term loans payable	43,572
Accrued corporation taxes	9,053
Advances received	34,385
Allowance for bonuses	6,043
Reserve for sales promotion	2,852
Other current liabilities	30,914
Fixed Liabilities	**79,435**
Bonds	22,500
Long-term loans payable	27,389
Deferred tax liabilities	2,128
Reserve for retirement benefits	25,919
Reserve for directors' retirement allowance	106
Consolidated adjustment account	24
Other fixed liabilities	1,367
MINORITY INTERESTS	**3,273**
Minority interests	3,273
SHAREHOLDERS' EQUITY	**91,803**
Capital	**20,283**
Capital surplus	**23,184**
Earned surplus	**46,578**
Unrealized gain on securities	**7,216**
Treasury stock	**(5,459)**
Total liabilities and shareholders' equity	**370,364**

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

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended February 28, 2006

	Millions of yen	
Ordinary Income and Expenses		
Operating income and expenses		
Operating income		
Net sales	821,250	
Other income	1,334	822,584
Operating expenses		
Cost of sales	615,294	
Selling, general and administrative expenses	176,611	791,906
Operating profit		**30,678**
Non-operating income and expenses		
Non-operating income		
Interest income	152	
Dividend income	217	
Equity in earnings of affiliates	169	
Miscellaneous income	1,980	2,520
Non-operating expenses		
Interest expense	1,557	
Miscellaneous expenses	1,471	3,028
Ordinary profit		**30,170**
Extraordinary Items		
Extraordinary income		
Gain on sales of fixed assets	31	
Gain on sales of investment securities	714	
Gain on sales of shares in subsidiaries	608	
Compensation for store relocation and removal	380	1,734
Extraordinary loss		
Loss on sales of fixed assets	57	
Loss on retirement of fixed assets	784	
Loss from valuation of investment securities	51	
Provision for reserve for sales promotion	872	1,764
Net income before income taxes		**30,140**
Income, inhabitant and enterprise taxes		10,876
Income tax adjustment		2,315
Minority interests in earnings of consolidated subsidiaries		923
Net income		**16,025**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries
(Twenty companies including The Hakata Daimaru, Inc., The Shimonoseki Daimaru, Inc., Kochi Daimaru Co., Ltd., Daimaru Peacock Co., Ltd. and Daimaru Kogyo, Ltd.)
From the consolidated fiscal year under review, Daimaru Sales Associates Co., Ltd., which was newly established, is included in consolidation. Following share transfer, Asocia Co., Ltd. became an affiliate accounted for by the equity method and was excluded from consolidation. Asocia Co., Ltd. was renamed JP Logi Service Co., Ltd. effective February 1, 2006.

(2) Non-consolidated subsidiaries
(Twelve companies including Hakata Daimaru Tomo no Kai Co., Ltd. and Hakata Daimaru Card Service Co., Ltd.)
Total assets, net sales, net income and loss (equity equivalent) and retained earnings (equity equivalent) of non-consolidated subsidiaries are eliminated from consolidation because of the immaterial effect on the consolidated financial statements.

2. Application of equity method

(1) Equity method has been applied to:
- Four affiliates including Hakuseisha Co., Ltd., Shinsaibashi Kyodo Center Building Co., Ltd., Yaesu Shopping Mall Co., Ltd. and JP Logi Service Co., Ltd.

(2) Equity method has not been applied to:
- Twelve non-consolidated subsidiaries including Hakata Daimaru Tomo no Kai Co., Ltd. and Hakata Daimaru Card Service Co., Ltd.; and
- Three affiliates including Osaka Diamond Chikagai Co., Ltd., BIG STEP CO., LTD. and Goko Ltd.
The above-mentioned non-consolidated subsidiaries and affiliates are not accounted for by the equity method because they have slight effects on net income and earned surplus for the fiscal year under review and they are of no significance as a whole.

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

3. Fiscal years of consolidated subsidiaries
The fiscal years of all consolidated subsidiaries end on the last day of February.

4. Accounting principles

(1) Appraisal of important assets
(a) Securities

Other securities with available fair market values:	By the market value method based on market value as of the last day of the consolidated fiscal year under review (Valuation difference is included directly in shareholders' equity and the cost of securities sold is determined by the moving average method.)
Other securities without available fair market values:	By the moving average cost method
(b) Inventories:	Principally by the reduction-to-retail cost method
(c) Derivatives:	By the market value method

(2) Depreciation of important depreciable assets

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

method over the usable period of five years for in-house use.

(3) Accounting for deferred assets
Bond issuance expenses: Fully charged to income when paid.

(4) Significant allowance and reserve
(a) Allowance for doubtful accounts
The allowance for doubtful accounts is provided in estimated amount of uncollectible accounts. With respect to normal receivables, the actual loan loss ratio is used, and for certain doubtful receivables, the collectibility has been individually estimated.
(b) Accrued bonuses
The accrued bonuses are stated in estimated amount to be paid in the future.
(c) Reserve for sales promotion
With respect to unused vouchers issued on the promotional reward card system, the reserve for sales promotion is provided in projected amount of such unused vouchers to be used in the future, which has been estimated based on the past actual rate of collection, and the amount of such vouchers the Group expects to become available in the future due to the switch to the new card.
(d) Reserve for retirement benefits
The reserve for employees' retirement benefits is provided in amount recognized as of the last day of the consolidated fiscal year under review based on the estimated amount of retirement benefit obligation and pension assets as of the same date. Prior service cost is prorated as an expense by the straight-line method over a given period (10 to 12 years) within the employees' average estimated remaining length of service from the year in which they arise. Actuarial gain or loss is recognized as an expense in equal amounts by the straight-line method over a given period (10 to 12 years) within the employees' average estimated remaining length of service from the next year in which they arise.
(e) Reserve for directors' retirement allowance
Some consolidated subsidiaries provide for reserve for directors' retirement allowance in amount required by internal regulations if they retired on the relevant balance sheet date.

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

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

(7) Significant hedge accounting
(a) Method of hedge accounting
Deferral hedge accounting is adopted. With respect to foreign monetary assets and liabilities covered by forward exchange contracts, appropriation accounting is adopted, and for interest rate swap and interest cap, exceptional accounting is adopted if they meet the requirements for such accounting.
(b) Means of hedging and hedged items
Means of hedging: Forward exchange contracts, interest rate swap agreements and interest cap trading
Hedged items: Operating receivables and payables dominated in foreign currencies, loans payable and interest on loans payable
(c) Hedging policies
The Group intends to hedge against currency and interest rate risks based on its risk management policy.

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

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

6. Amortization of consolidated adjustment account

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

Accounting Change

(Reserve for retirement benefits)
Beginning in the consolidated fiscal year under review, the Group has adopted the "Partial Revision to the Accounting Standards for Retirement Benefits" (Corporate Accounting Standards No. 3, March 16, 2005) and the "Guidelines for Applying the Partial Revision to the Accounting Standards for Retirement Benefits" (Guidelines for Applying Corporate Accounting Standards No. 7, March 16, 2005), which became applicable for the consolidated fiscal year beginning on and after October 1, 2004 and before April 1, 2005. As a result, selling, general and administrative expenses decreased by ¥226 million, whereas operating profit, ordinary profit and net income before income taxes increased by ¥226 million.

Additional Information

(Presentation of pro forma standard tax portion of corporate enterprise taxes in the statement of operations)
The Law to Partially Amend the Local Tax Law (Law No. 9 of 2003) became effective on March 31, 2003 to introduce the pro forma standard tax system from the consolidated fiscal year beginning on and after April 1, 2004. In accordance with the "Practical Treatment regarding the Presentation of Pro Forma Standard Tax Portion of Corporate Enterprise Taxes in the Statement of Operations" (Practical Solution Report No. 12 issued by the Accounting Standards Board of Japan on February 13, 2004), the value-added and capital portions of corporate enterprise taxes are recognized as selling, general and administrative expenses.
As a result, selling, general and administrative expenses increased by ¥593 million, whereas operating profit, ordinary profit and net income before income taxes decreased by ¥593 million.

(Additional accounting for reserve for sales promotion)
In addition to the amount charged to income based on the past actual rate of collection when vouchers are issued, the Group has decided to provide the reserve in the amount of vouchers expected to become available due to the switch to DAIMARU CARD, which was issued in January 2006.
Accordingly, the provision for reserve for sales promotion totaling ¥872 million is accounted for as extraordinary loss.

Notes to the Consolidated Balance Sheet

		Millions of yen
1.	Accumulated depreciation for tangible fixed assets	123,099
2.	Assets pledged as collateral	
	Buildings and structures	16,822
	Land	12,919
	Investment securities	349
	Long-term deposits	32
3.	Notes receivable outstanding resulted from liquidation of receivables	3,780
4.	Guarantee liabilities outstanding	725
	In addition to the above, the Company guarantees the lessor all the debts incurred by Osaka Diamond Chikagai Co., Ltd. including rents and common service expenses for the premises of the underground shopping complex jointly with two other companies. The guarantee percentage by the Company is 40%.	
5.	Loan commitments	
	Unused portions of loan commitments	15,000

Notes to the Consolidated Statement of Operations

Net income per share (yen)	60.11
＊Basis for calculating net income per share:	
Net income in the consolidated statement of operations (millions of yen)	16,025
Net income related to common shares (millions of yen)	15,909
Amount not attributable to common shareholders (millions of yen)	116
(Bonuses to directors as appropriation of surplus included) (millions of yen)	(116)
Average number of common shares outstanding during the period (shares)	264,692,520

CONSOLIDATED STATEMENT OF SURPLUS

For the year ended February 28, 2006

Millions of yen

CAPITAL SURPLUS	
Balance of capital surplus at beginning of year	**23,191**
Increase in capital surplus	-
Decrease in capital surplus	**6**
Surplus from disposal of treasury stock	6
Balance of capital surplus at end of year	**23,184**
EARNED SURPLUS	
Balance of earned surplus at beginning of year	**33,194**
Increase in earned surplus	**16,025**
Net income	16,025
Decrease in earned surplus	**2,640**
Dividends	2,519
Bonuses to directors and corporate auditors	98
[Corporate auditors' portion included]	[17]
Loss from disposal of treasury stock	21
Balance of earned surplus at end of year	**46,578**

Note: Any fractional sum less than one million yen is omitted.
The Company paid an interim dividend of ¥1,186 million (¥4.50 per share) on November 21, 2005.

CONSOLIDATED SUBSIDIARIES

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

Supermarket
Daimaru Peacock Co., Ltd.

Wholesale
Daimaru Kogyo, Ltd.

Other
Consumer Product End-Use Research Institute Co., Ltd.
The Daimaru Home Shopping, Inc.
Daimaru Tomo no Kai Co., Ltd.
Daimaru Design & Engineering Co., Ltd.
Restaurant Peacock Co., Ltd.
Daimaru Credit Service, Inc.
Dimples' Co., Ltd.
Daimaru Sales Associates Co., Ltd.
(Established on March 8, 2005)
Daimaru COM Development Inc.
Daimaru Lease & Service Co., Ltd.
Mode Atelier Co., Ltd.
Daimaru Information Center Co., Ltd.
Daimaru Mokko Co., Ltd. (indirectly owned)
DHJ Co., Ltd. (indirectly owned)

Total: 20 subsidiaries

Note: Asocia Co., Ltd. became an equity-method affiliate following share transfer on October 7, 2005, and was renamed JP Logi Service Co., Ltd. effective February 1, 2006.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended February 28, 2006

	Millions of yen
Cash flows from operating activities	
Net income before income taxes	30,140
Depreciation	8,692
Amortization of consolidated adjustment account	(150)
Decrease in reserve for retirement benefits	(1,277)
Decrease in allowance for doubtful accounts	(11)
Increase in reserve for sales promotion	870
Interest and dividend income	(369)
Interest expense	1,557
Equity in earnings of affiliates	(169)
Gain on sales of fixed assets	(31)
Gain on sales of investment securities	(714)
Gain on sales of shares in subsidiaries	(608)
Loss on sales of fixed assets	57
Loss on retirement of fixed assets	784
Loss from valuation of investment securities	51
Decrease in fund for liquidation of receivables	(3,039)
Decrease in notes and accounts receivable	455
Increase in inventories	(975)
Decrease in notes and accounts payable	(3,619)
Increase in accrued liabilities	2,167
Other	3,825
Subtotal	37,633
Interest and dividends received	410
Interest paid	(1,557)
Income taxes paid	(7,802)
Net cash provided by operating activities	**28,684**
Cash flows from investing activities	
Payments for purchases of tangible fixed assets	(8,373)
Proceeds from sales of tangible fixed assets	2,646
Payments for purchases of investment securities	(312)
Proceeds from sales of investment securities	1,540
Sales of shares in subsidiaries accompanied by change in scope of consolidation	463
Payments for purchases of shares in subsidiaries	(104)
Payments for long-term advances	(150)
Proceeds from collection of long-term advances	270
Increase in short-term advances	(695)
Other	(346)
Net cash used in investing activities	**(5,061)**
Cash flows from financing activities	
Decrease in short-term borrowings	(5,829)
Proceeds from issuance of long-term debt	200
Payments of long-term debt	(14,474)
Proceeds from issuance of bonds	9,000
Payments for purchases of treasury stock	(3,082)
Dividends paid	(2,511)
Dividends paid to minority interests	(87)
Other	69
Net cash used in financial activities	**(16,716)**
Effect of exchange rate changes on cash and cash equivalents	**1**
Decrease in cash and cash equivalents	**6,908**
Cash and cash equivalents at beginning of year	**17,069**
Cash and cash equivalents at end of year	**23,977**

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

Notes to the Consolidated Statement of Cash Flows

Cash and cash equivalents at end of year in the consolidated statement of cash flows consist of the following items, which are stated in the consolidated statement of balance sheet (as of February 28, 2006):

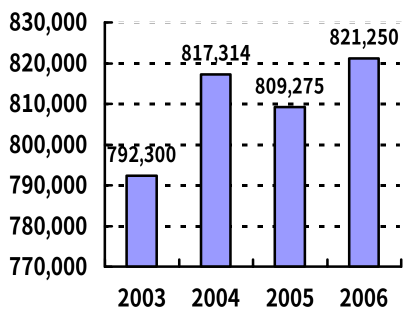
	Millions of yen
Cash and bank deposits at end of year	23,977
Cash and cash equivalents at end of year	23,977

CONSOLIDATED FINANCIAL SUMMARY

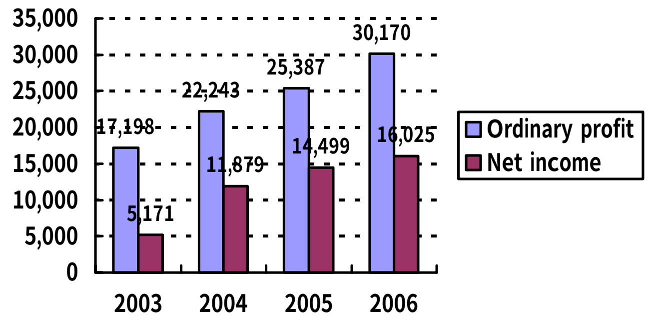
For the years ended February 28 / 29

	Millions of yen except for per share amounts			
	2003	2004	2005	2006
Net sales	792,300	817,314	809,275	821,250
Ordinary profit	17,198	22,243	25,387	30,170
Net income	5,171	11,879	14,499	16,025
Net income per share (yen)	19.28	44.12	53.99	60.11
Total assets	392,578	375,647	361,749	370,364
Net assets	60,828	65,114	77,328	91,803

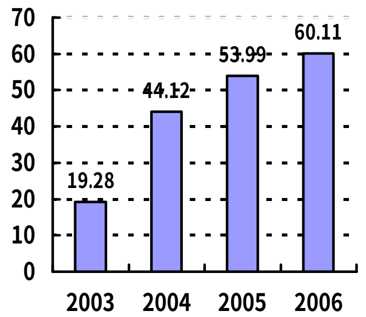
Net Sales (Millions of yen)



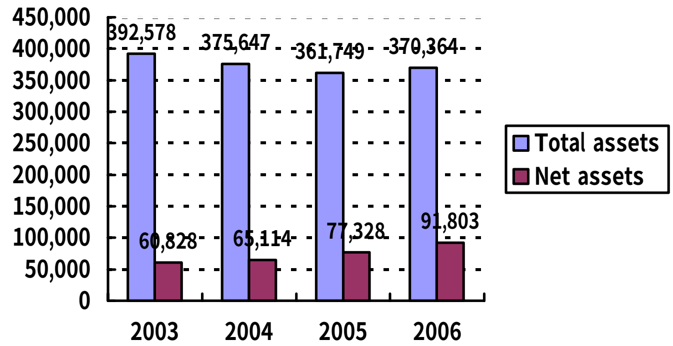
Ordinary Profit and Net Income (Millions of yen)



Net Income per Share (yen)



Total Assets and Net Assets (Millions of yen)



NON-CONSOLIDATED BALANCE SHEET

February 28, 2006

	Millions of yen
ASSETS	**262,712**
Current Assets	**80,767**
Cash on hand and in banks	17,970
Notes receivable	137
Accounts receivable-trade	14,908
Merchandise	16,371
Supplies	185
Prepaid expenses	934
Short-term loans receivable	25,066
Deferred tax assets	3,737
Other current assets	2,914
Allowance for doubtful accounts	(1,459)
Fixed Assets	**181,944**
Tangible fixed assets	**101,365**
Buildings and structures	58,590
Vehicles and furniture/fixtures	209
Land	42,512
Construction in progress	53
Intangible fixed assets	**3,581**
Leasehold land	1,182
Software	2,200
Other intangible fixed assets	198
Investments and other assets	**76,997**
Investment securities	20,475
Investments in subsidiaries	12,898
Long-term loans receivable	9,480
Long-term guarantee deposits	22,323
Long-term prepaid expenses	3,297
Deferred tax assets	10,157
Other investments	322
Allowance for doubtful accounts	(1,957)
Total assets	**262,712**

LIABILITIES	**189,149**
Current Liabilities	**131,973**
Notes payable	420
Accounts payable-trade	35,909
Short-term loans payable	29,100
Accounts payable-other	3,263
Accrued corporation taxes	5,481
Accrued consumption taxes	865
Accrued expenses	2,013
Advances received	15,173
Deposits received	34,174
Allowance for bonuses	3,828
Reserve for sales promotion	1,510
Other current liabilities	232
Fixed Liabilities	**57,175**
Bonds	22,500
Long-term loans payable	17,679
Reserve for retirement benefits	16,576
Other fixed liabilities	420
SHAREHOLDERS' EQUITY	**73,562**
Capital	**20,283**
Capital surplus	**23,184**
Capital reserve	23,184
Earned surplus	**29,878**
Earned surplus reserve	4,657
Voluntary reserve	12,280
Reserve for advanced depreciation deduction of fixed assets	1,854
Reserve for special account for advanced depreciation of fixed assets	426
Contingent reserve	10,000
Unappropriated retained earnings	12,940
Unrealized gain on securities	**5,632**
Treasury stock	**(5,416)**
Total liabilities and shareholders' equity	**262,712**

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

NON-CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended February 28, 2006

	Millions of yen	
Ordinary Income and Expenses		
Operating income and expenses		
Operating income		
Net sales	469,642	
Other income	1,469	471,111
Operating expenses		
Cost of sales	342,884	
Selling, general and administrative expenses	109,892	452,777
Operating profit		**18,334**
Non-operating income and expenses		
Non-operating income		
Interest income	259	
Dividend income	1,212	
Miscellaneous income	730	2,202
Non-operating expenses		
Interest expense	1,145	
Miscellaneous expenses	717	1,862
Ordinary profit		**18,674**
Extraordinary Items		
Extraordinary income		
Gain on sales of fixed assets	31	
Gain on sales of investment securities	714	
Gain on sales of shares in subsidiaries	581	1,327
Extraordinary loss		
Loss on sales of fixed assets	52	
Loss on retirement of fixed assets	229	
Loss from valuation of investment securities	23	
Provision for reserve for sales promotion	872	1,177
Net income before income taxes		**18,824**
Income, inhabitant and enterprise taxes		6,598
Income tax adjustment		1,460
Net income		**10,766**
Retained earnings brought forward		3,382
Interim dividends		1,186
Loss on disposal of treasury stock		21
Unappropriated retained earnings		**12,940**

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Important Financial Policies

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

1. Appraisal of securities

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

2. Appraisal of inventories

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

3. Fixed assets depreciation

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

4. Accounting for deferred assets

Bond issuance expenses:	Fully charged to income when paid.

5. Accounting standard for allowance and reserve

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

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

Reserve for sales promotion:
With respect to unused vouchers issued on the promotional reward card system, the reserve for sales promotion is provided in projected amount of such unused vouchers to be used in the future, which has been estimated based on the past actual rate of collection, and the amount of such vouchers the Company expects to become available in the future due to the switch to the new card.

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

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

7. Accounting for consumption taxes
Consumption taxes are excluded.

Accounting Change

(Reserve for retirement benefits)
Beginning in the fiscal year under review, the Company has adopted the "Partial Revision to the Accounting Standards for Retirement Benefits" (Corporate Accounting Standards No. 3, March 16, 2005) and the "Guidelines for Applying the Partial Revision to the Accounting Standards for Retirement Benefits" (Guidelines for Applying Corporate Accounting Standards No. 7, March 16, 2005), which became applicable for the fiscal year beginning on and after October 1, 2004 and before April 1, 2005.
As a result, selling, general and administrative expenses decreased by ¥217 million, whereas operating profit, ordinary profit and net income before income taxes increased by ¥217 million.

Additional Information

(Presentation of pro forma standard tax portion of corporate enterprise taxes in the statement of operations)
The Law to Partially Amend the Local Tax Law (Law No. 9 of 2003) became effective on March 31, 2003 to introduce the pro forma standard tax system from the fiscal year beginning on and after April 1, 2004. In accordance with the "Practical Treatment regarding the Presentation of Pro Forma Standard Tax Portion of Corporate Enterprise Taxes in the Statement of Operations" (Practical Solution Report No. 12 issued by the Accounting Standards Board of Japan on February 13, 2004), the value-added and capital portions of corporate enterprise taxes are recognized as selling, general and administrative expenses.
As a result, selling, general and administrative expenses increased by ¥390 million, whereas operating profit, ordinary profit and net income before income taxes decreased by ¥390 million.

(Additional accounting for reserve for sales promotion)
In addition to the amount charged to income based on the past actual rate of collection when vouchers are issued, the Company has decided to provide the reserve in the amount of vouchers expected to become available due to the switch to DAIMARU CARD, which was issued in January 2006.
Accordingly, the provision for reserve for sales promotion totaling ¥872 million is accounted for as extraordinary loss.

Notes to the Non-consolidated Balance Sheet

		Millions of yen
1.	Short-term money credit receivable from subsidiaries	25,078
	Long-term money credit receivable from subsidiaries	8,217
	Short-term debt payable to subsidiaries	27,454
	Long-term debt payable to subsidiaries	187
2.	Accumulated depreciation for tangible fixed assets	79,947
3.	Assets pledged as collateral	
	Buildings and structures	10,186
	Land	1,330
4.	In addition to the fixed assets stated in the non-consolidated balance sheet, some vehicles and furniture/fixtures are provided by lease.	
5.	Guarantee liabilities outstanding	502
	In addition to the above, the Company guarantees the lessor all the debts incurred by Osaka Diamond Chikagai Co., Ltd. including rents and common service expenses for the premises of the underground shopping complex jointly with two other companies. The guarantee percentage by the Company is 40%.	
6.	Loan commitments	
	Unused portions of loan commitments	15,000
7.	Increase in net assets resulted from revaluating assets at fair market value as stipulated in Paragraph 3 of Article 124 of the Commercial Code Enforcement Regulations was ¥5,632 million.	

Notes to the Non-consolidated Statement of Operations

1.	Amount of sales to subsidiaries (millions of yen)	229
2.	Amount of purchase from subsidiaries (millions of yen)	10,621
3.	Amount of transactions other than the normal operation with subsidiaries (millions of yen)	3,147
4.	Net income per share (yen)	40.28
	✳Basis for calculating net income per share:	
	Net income in the non-consolidated statement of operations (millions of yen)	10,766
	Net income related to common shares (millions of yen)	10,666
	Amount not attributable to common shareholders (millions of yen)	100
	(Bonuses to directors as appropriation of surplus included) (millions of yen)	(100)
	Average number of common shares outstanding during the period (shares)	264,802,033

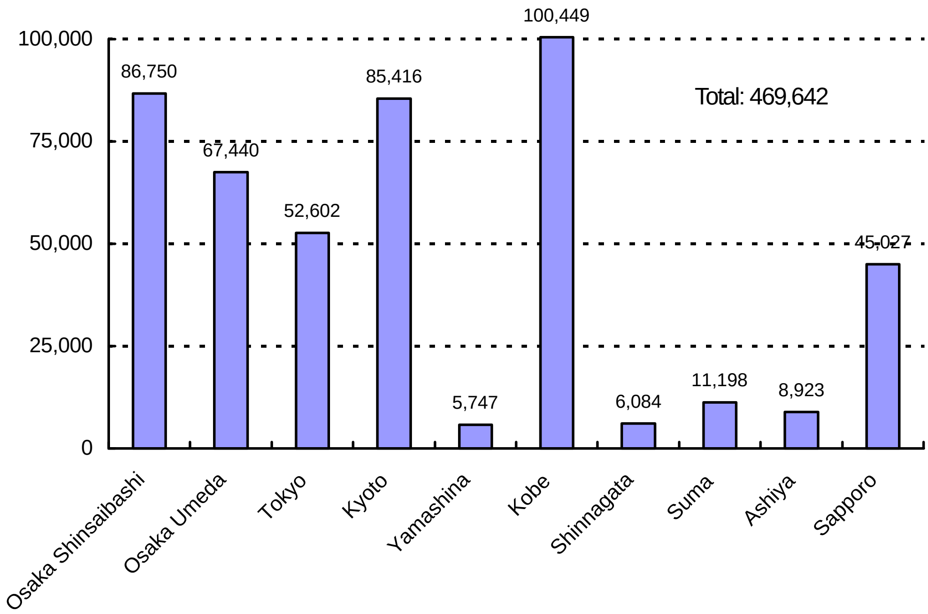
NON-CONSOLIDATED STATEMENT OF APPROPRIATIONS

	Yen
Unappropriated retained earnings	12,940,479,316
Reversal of reserve for advanced depreciation deduction of fixed assets	52,405,908
Reversal of reserve for special account for advanced depreciation of fixed assets	426,000,000
Total	13,418,885,224
Appropriations:	
Dividends	1,450,220,453
[¥5.50 per share]	
Bonuses to directors and corporate auditors	100,000,000
[Corporate auditors' portion included]	[16,000,000]
Reserve for advanced depreciation deduction of fixed assets	382,067,431
Contingent reserve	8,000,000,000
Retained earnings carried forward to the following term	3,486,597,340

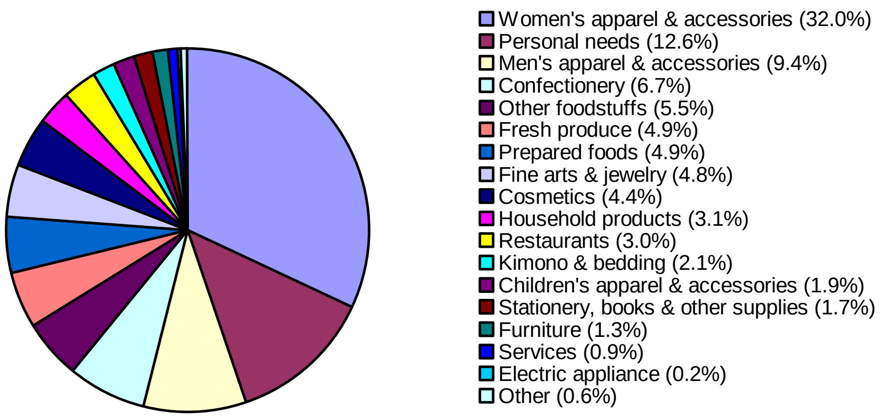
Note: The Company paid an interim dividend of ¥1,186,406,100 (¥4.50 per share) on November 21, 2005.

NON-CONSOLIDATED FINANCIAL SUMMARY

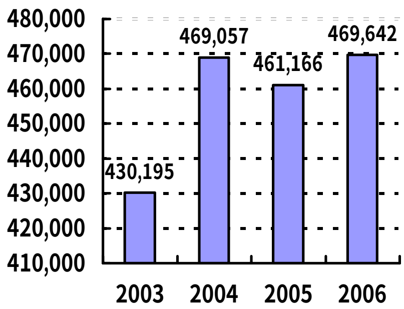
Annual Sales by Store (Millions of yen)



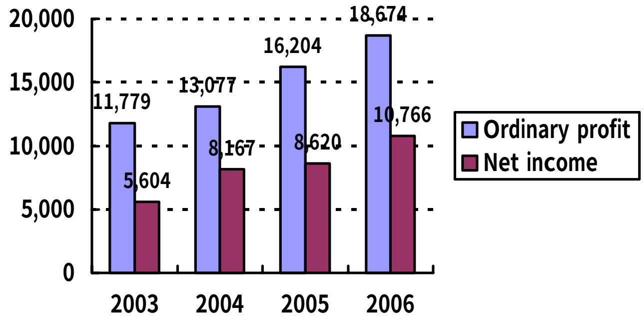
Annual Sales Percentage by Merchandise Category



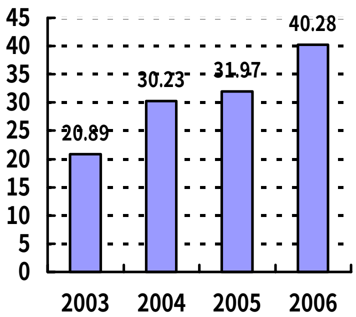
Net Sales (Millions of yen)



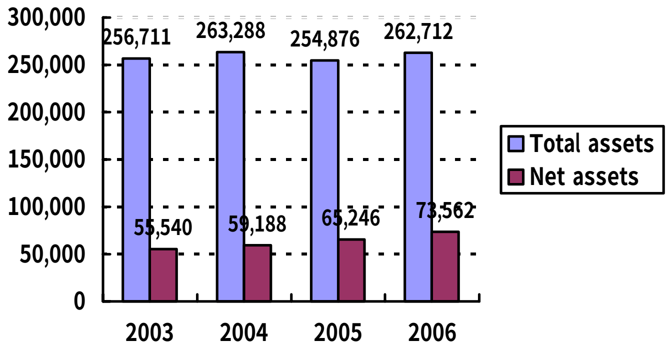
Ordinary Profit and Net Income (Millions of yen)



Net Income per Share (yen)



Total Assets and Net Assets (Millions of yen)



CORPORATE DATA

Management (As of May 1, 2006)

Directors and Corporate Auditors

Tsutomu Okuda	Chairman and Chief Executive Officer
Ryoichi Yamamoto	President and Chief Operating Officer Executive General Manager, Department Store Operations Headquarters General Manager, Metropolitan Area New Business Development Division
Keiichiro Matsuda	Director and Corporate Executive Officer Deputy Executive General Manager, Department Store Operations Headquarters Executive General Manager, Merchandising Management Unit
Norio Yasunaga	Director
Kiyozo Kojima	Director and Corporate Officer Executive General Manager, Affiliated Enterprises Headquarters
Isao Ikushima	Director and Corporate Officer Executive General Manager, Administrative Headquarters
Hiroto Tsukada	Director and Corporate Officer Executive General Manager, Management Planning Headquarters General Manager, Planning Office for New Umeda Store
Masafumi Ohnishi	Corporate Auditor Senior Advisor, Osaka Gas Co., Ltd.
Yusuke Yoshinaga	Corporate Auditor Attorney
Koichi Saito	Corporate Auditor (Full-time)
Yasuo Araya	Corporate Auditor (Full-time)

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

Corporate Officers

Corporate Executive Officer

Hiroshi Kitano

Corporate Officers

Isao Yamane
Toshiyuki Sugitani
Taizo Yura
Kazuo Doi
Takaharu Harada
Yasuyuki Kobayashi
Yoshio Kuribayashi
Yoji Honda
Takao Nakagawa
Yoshihiro Morikawa
Shigehiko Tamaru

Outline of the Company (As of February 28, 2006)

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

Network of Daimaru Group

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

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

Osaka Umeda Store
1-1, Umeda 3-chome, Kita-ku, Osaka 530-8202
Tel: 06-6343-1231

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

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

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

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

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

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

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

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

Affiliates and Subsidiaries (As of May 1, 2006)

Affiliated Department Stores

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

Tottori Daimaru Co., Ltd.

Supermarkets

Daimaru Peacock Co., Ltd.

Kanto District (39 locations):

Aoyama, Sodegaura, Takanawa Gyoranzaka, Mejiro, Jiyugaoka, Asagaya, Shimokitazawa, Nakano, Fujisawa, Misato, Ebisu, Tama, Kunitachi, Tsurumi, Rokkakubashi, Yokohamabashi, Kugayama, Takadanobaba, Azabu Juban, Iogi, Kyodo, Shinurayasu, Toritsukasei, Sakurashinmachi, Takanodai, Granpark Tamachi, Higashikoganei, Kamiikedai, Bunkyo Green Court, Tamagawa Josui, Ishikawadai, Hanakoganei, Seijo, Nishifunabashi, Kokubunji Nishimachi, Fujisawa Honmachi, Sangenchaya no Mori, Tornare Nihonbashi Hamacho and Daikanyama Peacock

*Mita Isarago store is temporarily closed for rebuilding (due to reopen in the spring of 2007).

Kansai District (27 locations):

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

Direct Marketing

The Daimaru Home Shopping, Inc.

Manufacturing

Mode Atelier Co., Ltd.

Restaurant

Restaurant Peacock Co., Ltd.

Complex Commercial Business

Daimaru COM Development Inc.

Credit Service and Customer Circle

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

Construction and Interior Design

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

Lease

Daimaru Lease & Service Co., Ltd.

Foreign Trade and Wholesale

Daimaru Kogyo, Ltd.

Supporting and Information Business

Consumer Product End-Use Research Institute Co., Ltd.
Dimples' Co., Ltd.
Daimaru Sales Associates Co., Ltd.
Daimaru Information Center Co., Ltd.
Daimaru Business Support Co., Ltd. (Established in March 1, 2006)

SHAREHOLDER INFORMATION

Record Dates for Dividends from Surplus

Term-end Dividend:	Last day of February of each year
Interim Dividend:	August 31 of each year

Record Date of Ordinary General Meeting of Shareholders:

Last day of February of each year

Ordinary General Meeting of Shareholders:

Held in May of each year.

Method of Public Notice:

Electronic public notice

Handling Office of Shareholder Register Administrator (Contact):

Osaka Corporate Agency Division of Mitsubishi UFJ Trust and Banking Corporation
6-3, Fushimi-cho 3-chome, Chuo-ku, Osaka 541-8502
Tel: 0120-094-777 (Toll-free)

Liaison Offices of the Administrator:

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

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

Website address:

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

Daimaru's balance sheets and statements of operations are available on its website at the above-mentioned address.