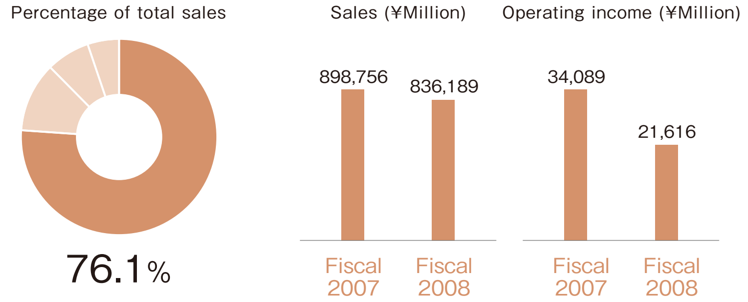
Segment Overview

At a Glance

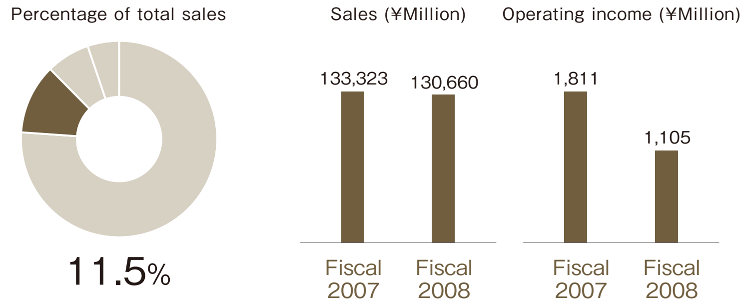
Sales and operating income

- The percentage of total sales represents the ratio of sales to external customers after eliminating intersegment sales.
- Sales and operating income include inter-segment transactions.
- The figures for fiscal 2007 are in real terms. (※)

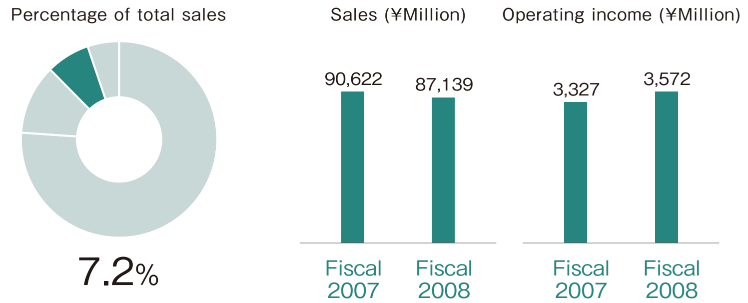
Department store business



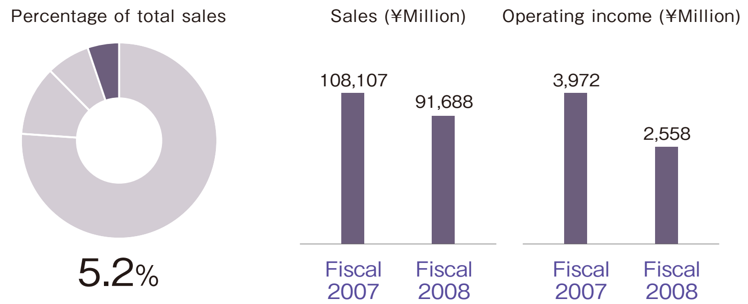
Supermarket business



Wholesale business



Other businesses



※The amounts in annual real terms for fiscal 2007 are the consolidated figures of Daimaru and Matsuzakaya groups for the year from March 1, 2007 to February 28, 2008.

Department store business

Overview for fiscal 2008

During fiscal 2008, this segment worked mainly on the enhancement of marketing functions and store strategy, the restructuring of sales floor operation structure and the reinforcement of regular customer base.

Since competition within regions, which were among department stores, are becoming complex and multilayered beyond industrial boarders, it is important to base our strategies on the enhancement of store competitiveness to increase our share in the competition of each region for survival. For this purpose, J. Front Retailing began to develop new store strategies mainly for priority stores including Daimaru Shinsaibashi and Kobe stores and Matsuzakaya Nagoya and Ueno stores, while strengthening marketing sections and performing qualitative and quantitative analyses. In addition, Daimaru Shinsaibashi store has decided to acquire the adjoining store real estate to improve and expand the business infrastructure toward the strengthening of store competitiveness.

To rebuild sales floor operation structure, Daimaru drastically changed the sales operation structure mainly of women's wear and men's wear departments toward the complete form of store-based sales reform. Specifically, the company divided sales floor operation into "independent operation type" and "shop operation type" and redesigned operations to fit the features of each type. Based on the structure, we reviewed the roles of the headquarters and stores. Matsuzakaya introduced the know-how of the store-based sales reform that Daimaru has tackled in the past to Nagoya, Ueno and Shizuoka stores in March and all other stores in September to promote the standardization and centralization of operations.

To reinforce regular customer base, the card systems of Daimaru and Matsuzakaya were standardized in March and Matsuzakaya issued "Matsuzakaya Card" that has the same functions as "Daimaru Card." That allowed central control of vast amount of data on more than four million customers and the customer information infrastructure, which can be utilized efficiently for sales activities and sales promotion, was established.

In addition, in order to increase our presence in Tokyo area, Matsuzakaya Ginza store remodeled its sales floors with a focus on the basement food floor, accessories department on the first floor and women's shoes department on the second floor targeting working women in their 30s, and successfully attracted new customers.

However, consumption environment became worse in the latter half of the year. The main stores of the Group such as Daimaru Shinsaibashi and Kobe stores and Matsuzakaya Nagoya store suffered sluggish sales of clothing and big-ticket items. As a result, Daimaru posted sales of ¥453.4 billion (a year-on-year decline of 5.9%) and operating income of ¥10.4 billion (a year-on-year decline of 45.8%) on a non-consolidated basis, whereas Matsuzakaya saw sales of ¥259.9 billion (a year-on-year decline of 8.9%) and operating income of ¥5.7 billion (a year-on-year decline of 27.6%). Affiliated department stores including Hakata Daimaru also saw both revenue and profit fall and sales and operating income of the whole department store business were ¥836.1 billion (down 7.0% from the previous year) and ¥21.6 billion (down 36.6% from the previous year) respectively.

Outlook for fiscal 2009

For the first half of fiscal 2009, this segment expects sales of department store business to be ¥367.7 billion (a year-on-year decline of 12.7%) based on the assumption that the sales trend for the second half of fiscal 2008 will continue. It is more difficult to forecast the economic trends for the second half than those for the first half. In light of some reaction against a sharp drop in sales in the second half of the previous year and the results of management measures to be taken during fiscal 2009, the companies project sales for the second half of the year to be ¥378 billion (down 9.0% from the previous year) and annual sales to be ¥745.7 billion (a decrease of 10.8% from the previous year).

In the meantime, in fiscal 2008, selling, general and administrative expenses decreased by ¥6.9 billion compared with the previous year, and in fiscal 2009, the companies will further reduce them by ¥10.3 billion. In spite of the factors increasing them by ¥4.6 billion including retirement benefit expenses (a year-on-year increase of ¥1.7 billion), the companies will strictly control expenses through the effects of the closure of Yokohama Matsuzakaya and Imabari Daimaru in fiscal 2008 and the reduction of personnel expenses by not filling the positions of retirees and in other areas including advertising, rent and logistics. As a result of these efforts, operating income in this segment for fiscal 2009 is expected to be ¥6.5 billion (down 69.9% from the previous year).

These projections do not include the effects of the new annex to Shinsaibashi store that will open in November.

Matsuzakaya Ginza store reopened after remodeling

Supermarket business

Overview for fiscal 2008

In September 2008, Daimaru Peacock Co., Ltd., Matsuzakaya Store Co., Ltd., Yokohama Matsuzakaya Store Co., Ltd. and Nozawa Shoji Co., Ltd. were integrated into a new company named Peacock Stores Ltd. to increase competitiveness and profitability. Through this integration, the company centralized its product buying functions to strengthen purchasing capabilities while developing information systems including POS and unifying the headquarters functions.

In order to strengthen the operational base, Peacock Stores actively worked on scrapping and building by opening six new stores in dominant areas, including Shinsenri Nishimachi, Dojima Crosswalk, Kanda Tsumakoisaka and Kami Ikebukuro stores and new type small urban stores "Exe Peacock," and closing two unprofitable stores. The company did extensive remodeling of highly profitable downtown stores including Kyodo, Yokodai and Korigaoka stores to attract more customers.

However, sales and operating income were ¥130.6 billion (down 2% from the previous year) and ¥1.1 billion (down 39.0% from the previous year) due to consumers' growing awareness of the defense of their livelihood and the effects of the rebuilding and closure of large scale stores.

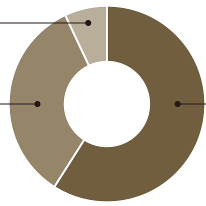
Peacock Store Korigaoka

Private brand "Peacock Choice"

Outlook for fiscal 2009

Since the consumption environment is uncertain, the business environment is expected to become severer. This is why, during fiscal 2009, Peacock Stores will open only Nikke Colton Plaza store in May and reopen Rokkakubashi store in fall, which has been closed for rebuilding, while focusing on the revitalization of the existing stores and enhancing cost efficiency toward low-cost management through the improvement of the operations of the head office and the headquarters. Through these efforts, the company projects sales of ¥127.5 billion (down 2.4% from the previous year) and operating income of ¥0.9 billion (down 18.6% from the previous year).

Sales by district (Year ended February 2009)



■ Store locations (As of May 2009)

Tokyo district (54stores)

■ Daimaru Peacock
Aoyama
Sodegaura
Takanawa Gyoranzaka
Mejiro
Jiyugaoka
Asagaya
Shimokitazawa
Fujisawa
Misato
Ebis
Tama
Kunitachi Sakuradori
Tsurumi
Yokohamabashi
Kugayama
Takadanobaba
Azabu Juban
Iogi
Kyodo
Shinurayasu
Toritsukasei
Sakurashinmachi
Takanodai
Granpark Tamachi
Higashikoganei
Kamiikedai
Bunkyo Green Court
Mita Isarago
Tamagawa Josui
Ishikawadai
Hanakoganei
Kunitachi Bentendori
Fujisawa Treage Shirahata
Sangenchaya no Mori
Tornare Nihonbashi Hamacho
Daikanyama Peacock
Higashi Ikebukuro
Shibaura Island
Daimaru Tokyo Store
Kanda Tsumakoisaka

■ Matsuzakaya Store
Takenotsuka
Ebisu Minami
Takashimadaira
Tokiwadaira
Toyoshiki
Ojima
Katakuracho
Hongodai
Isogo

■ Exe Peacock
Passage Aoyama
Granduo Kamata

■ Peacock Store
Kami Ikebukuro
Yokodai
Nikke Colton Plaza

※Closed due to rebuilding
Daimaru Peacock Rokkakubashi (Reopen in fall 2009)
Daimaru Peacock Nakano (Reopen in winter 2010)

Kansai district (31 stores)

■ Daimaru Peacock
Senri Daimaru Plaza
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
Mino Gein
Nishi Umeda
Shin Kobe
Shinsenri Nishimachi
Dojima Crosswalk

■ Peacock Store
Korigaoka

Chubu district (8 stores)

■ Matsuzakaya Store
Motoyama
Tsukimigaoka
Fujigaoka
Hishino
Hongo
Hirabari
Miyoshi
Chiyoda

Wholesale business

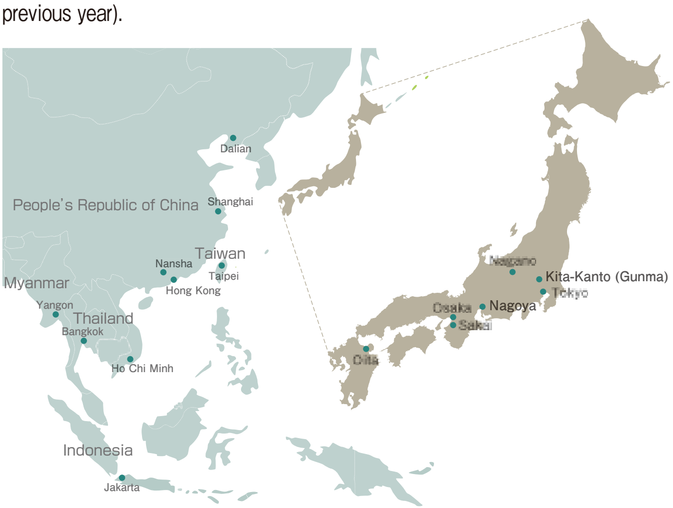
Overview for fiscal 2008

A wholesale company Daimaru Kogyo, Ltd. deals in electronic parts, food products, software, chemical products, metal and resin products, housing materials, apparel and fishing rods. The company has 16 business places in Japan and abroad and provides solutions to customers mainly in the triangular market including Japan, China and ASEAN through various services ranging from the procurement of industrial materials and retail merchandise to after-sales care.

During fiscal 2008, the company strived to enhance the capabilities to make suggestions to the existing customers, develop new merchandise mainly in soft business areas and cultivate new customers, while strongly promoting the transformation of the business structure primarily in metal and resin products and housing materials. By merchandise category, electronic device-related products and finished food materials continued to sell strongly, but sales of other products were sluggish due to fiercer competition and decreased demand. Daimaru Kogyo made an efficient use of costs to reduce selling, general and administrative expenses. As a result, sales decreased to ¥87.1 billion (down 3.8% from the previous year), but operating income increased to ¥3.5 billion (up 7.4% from the previous year).

Outlook for fiscal 2009

For fiscal 2009, based on the assumption that the competition environment including prices will become severer, the company will ① maintain and expand the core electronic device business; ② expand the business with J. Front Retailing Group by exercising its purchasing capabilities and information capabilities to contribute to the Group synergy; ③ develop and create new businesses multilaterally; ④ promote the triangular market structure including Japan, China and ASEAN; ⑤ change the business and profit structures based on selection and concentration to thoroughly increase competitiveness; and ⑥ establish and operate the internal control system to realize the sophistication of the management as its basic strategy and basic policy. Sales and operating income are expected to be ¥75.5 billion (down 13.4% from the previous year) and ¥2.9 billion (down 18.8% from the previous year).



Other businesses

Overview for fiscal 2008

Other businesses mainly include a design and construction business and a credit business.

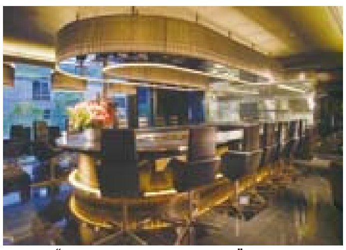
In September 2008, four design and construction companies were integrated into a new company named J. Front Design & Construction Co., Ltd. Its business lines include the interior finish works of stores and ships and the production and sales of interior furniture and special mirrors. The company provides high quality plans, designs, constructions and products. During fiscal 2008, the company accepted orders for the remodeling of commercial facilities including Hakata Daimaru, Daimaru Kobe store and Matsuzakaya Ginza store of the Group and the repair works of hotels. A credit company JFR Card Co., Ltd. issued "Matsuzakaya Card" in March 2008 by standardizing the card system with Daimaru and devoted all its energies to cultivating new customers and encouraging the existing customers to replace their old cards with the new ones. As a result, the revenue base including merchant fee is steadily expanding.

However, sales of design and construction business decreased, affected by the backlash against the extensive renewal work of Tokyo store, which relocated and opened with increased floor space in November 2007, and a decline in orders caused by the reduction of business investment and sales in this segment decreased to ¥91.6 billion (down 15.2% from the previous year). In addition, JFR Card incurred large temporary expenses resulted from the issue of "Matsuzakaya Card" and operating income in this segment decreased to ¥2.5 billion (down 35.6% from the previous year).

Outlook for fiscal 2009

For fiscal 2009, JFR Card expects to increase sales and profit because the recruitment of new cardholders and temporary expenses will come full circle. In the entire segment, however, assuming that the business environment will become increasingly severe, we forecast sales and operating income to be ¥87 billion (down 5.1% from the previous year) and ¥2.1 billion (down 17.9% from the previous year) respectively.

O's residence



Store "U: PONTEVECCHIO"