

[Reference]

# Nonconsolidated Financial Results for the Fiscal Year Ended February 28, 2006 The Seibu Department Stores, Ltd.

April 12, 2006

President : Fumiaki Ohsaki

Date of the Board of Directors' meeting to approve the accounts: April 12, 2006

## 1. Business Results for the Current Fiscal Year (from March 1, 2005 to February 28, 2006)

### (1) Result of Operations

(Millions of yen, except per share amounts)

	Revenue from operations [ Net Sales ]		Operating Income		Ordinary Income	
<b>Current Fiscal Year</b>	482,938	0.6 %	19,933	2.1 %	16,835	(1.6) %
	[ 476,144 ]	[0.7 % ]				
<b>Prior Fiscal Year</b>	480,182	(9.4) %	19,518	(7.6) %	17,102	5.4 %
	[ 472,968 ]	[(9.6) % ]				

	Net Income		Net Income Per Share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Revenue from Operations
<b>Current Fiscal Year</b>	4,475	(25.8) %	24.53 (yen)	14.0%	5.1%	3.5%
<b>Prior Fiscal Year</b>	6,034	(96.5) %	48.02 (yen)	(41.4) %	4.9%	3.6%

Notes: 1. Weighted average number of shares outstanding:

Fiscal year ended February 28, 2006:	Common stock	182,405,357 shares
Fiscal year ended February 28, 2005:	Common stock	122,834,242 shares
	Preferred stock Class	3,319,802 shares
	Preferred stock Class	3,319,802 shares
	Preferred stock Class	13,589,041 shares

2. Change in accounting policies: no

3. Percentages above represent increase (decrease) over fiscal year unless otherwise stated.

### (2) Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Shareholders' Equity	Ratio of Shareholder's Equity to Total Assets	Shareholders' Equity per Share
<b>February 28, 2006</b>	317,445	45,419	14.3%	224.70 (yen)
<b>February 28, 2005</b>	338,879	18,736	5.5%	102.87 (yen)

Notes: 1. Number of outstanding shares at the end of the fiscal year:

As of February 28, 2006:	202,131,384 shares
As of February 28, 2005:	182,131,384 shares

2. Number of treasury stock at the end of the fiscal year:

As of February 28, 2006:	- shares
As of February 28, 2005:	- shares

# NONCONSOLIDATED BALANCE SHEETS

(Millions of yen)

	February 28, 2006		February 28, 2005		Increase (Decrease)
	Amount	%	Amount	%	
<b>ASSETS</b>					
<b>Total current assets</b>	<b>56,103</b>	<b>17.7</b>	<b>77,690</b>	<b>22.9</b>	<b>(21,586)</b>
Cash and deposits	18,541		24,092		(5,550)
Notes receivable, trade	408		772		(363)
Accounts receivable, trade	11,187		11,135		51
Merchandise inventories	8,128		10,560		(2,432)
Real state for sale	3,177		3,184		(6)
Supplies Inventories	98		101		(3)
Prepaid expenses	3,436		3,413		23
Short-term loans receivable	31		81		(49)
Accounts receivable, other	10,092		22,630		(12,538)
Current portion of construction contribution	770		990		(220)
Other current assets	259		731		(471)
Allowance for doubtful accounts	(30)		(3)		(26)
<b>Total non-current assets</b>	<b>261,341</b>	<b>82.3</b>	<b>261,189</b>	<b>77.1</b>	<b>152</b>
<b>Property and equipment</b>	<b>127,135</b>	<b>40.0</b>	<b>142,127</b>	<b>41.9</b>	<b>(14,992)</b>
Buildings	50,665		51,586		(920)
Structures	1,013		991		21
Machinery and equipment	370		390		(19)
Furniture and equipment	3,854		7,574		(3,719)
Land	71,221		81,585		(10,364)
Construction in progress	9		-		9
<b>Intangible assets</b>	<b>3,076</b>	<b>1.0</b>	<b>3,653</b>	<b>1.1</b>	<b>(577)</b>
Land rights	2,184		2,559		(375)
Others	892		1,094		(202)
<b>Investments and other assets</b>	<b>131,129</b>	<b>41.3</b>	<b>115,407</b>	<b>34.1</b>	<b>15,722</b>
Investment in securities	77,187		59,936		17,251
Investment in subsidiaries	-		2,631		(2,631)
Investment in anonymous association	8,402		8,432		(30)
Long-term loans receivable	459		1,962		(1,503)
Long-term deposits	37,369		33,490		3,878
Construction subsidy	5,776		6,675		(899)
Receivable in bankruptcy	710		1,221		(510)
Others	1,981		1,784		197
Allowance for doubtful accounts	(756)		(727)		(29)
<b>TOTAL ASSETS</b>	<b>317,445</b>	<b>100.0</b>	<b>338,879</b>	<b>100.0</b>	<b>(21,434)</b>

(Millions of yen)

	February 28, 2006		February 28, 2005		Increase (Decrease)
	Amount	%	Amount	%	
<b>LIABILITIES</b>					
<b>Total current liabilities</b>	<b>172,366</b>	<b>54.3</b>	<b>189,607</b>	<b>56.0</b>	<b>(17,241)</b>
Notes payable, trade	2,034		8,476		(6,442)
Accounts payable, trade	19,552		18,507		1,044
Short-term loans	93,000		85,914		7,085
Accounts payable, other	4,927		8,456		(3,529)
Accrued Income taxes	281		71		210
Consumption taxes withheld	753		499		254
Accrued expenses	4,327		6,085		(1,758)
Issued gift tickets	9,938		9,875		62
Advance received	23,121		14,925		8,195
Deposits received	3,174		2,996		178
Notes payable, construction	1,073		11,436		(10,362)
Allowance for bonuses to employees	2,010		2,140		(129)
Allowance for restructuring loss	-		15,626		(15,626)
Allowance for sales promotion expenses	4,199		4,223		(23)
Allowance for store closing losses	3,590		-		3,590
Other	381		370		10
<b>Total non-current liabilities</b>	<b>99,659</b>	<b>31.4</b>	<b>130,535</b>	<b>38.5</b>	<b>(30,876)</b>
Long-term loans	74,000		96,228		(22,228)
Long-term accounts payable, other	2,370		1,666		704
Allowance for retirement benefits to employees	-		18,138		(18,138)
Deposits received from tenants	7,319		7,362		(43)
Allowance for retirement benefits to directors	58		49		8
Deferred income taxes	15,783		6,982		8,801
Other	127		108		19
<b>TOTAL LIABILITIES</b>	<b>272,025</b>	<b>85.7</b>	<b>320,142</b>	<b>94.5</b>	<b>(48,117)</b>
<b>SHAREHOLDER'S EQUITY</b>					
<b>Common stock</b>	<b>6,000</b>	<b>1.9</b>	<b>1,000</b>	<b>0.3</b>	<b>5,000</b>
<b>Capital surplus</b>	<b>6,529</b>	<b>2.1</b>	<b>1,529</b>	<b>0.4</b>	<b>5,000</b>
Additional paid-in capital	6,529		1,529		5,000
<b>Retained earnings</b>	<b>9,884</b>	<b>3.1</b>	<b>6,034</b>	<b>1.8</b>	<b>3,849</b>
Unappropriated retained earnings	9,884		6,034		3,849
<b>Net unrealized gains on available-for-sale securities</b>	<b>23,005</b>	<b>7.2</b>	<b>10,172</b>	<b>3.0</b>	<b>12,833</b>
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>45,419</b>	<b>14.3</b>	<b>18,736</b>	<b>5.5</b>	<b>26,682</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>317,445</b>	<b>100.0</b>	<b>338,879</b>	<b>100.0</b>	<b>(21,434)</b>

# NONCONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Current Fiscal Year		Prior Fiscal Year		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
<b>Net sales</b>	<b>476,144</b>	<b>100.0</b>	<b>472,968</b>	<b>100.0</b>	<b>3,176</b>	<b>100.7</b>
<b>Cost of sales</b>	<b>360,306</b>	<b>75.7</b>	<b>359,261</b>	<b>76.0</b>	<b>1,044</b>	<b>100.3</b>
<b>Gross Profit on sales</b>	<b>115,838</b>	<b>24.3</b>	<b>113,706</b>	<b>24.0</b>	<b>2,131</b>	<b>101.9</b>
<b>Other operating income</b>	6,794	1.4	7,214	1.5	(420)	94.2
<b>Operating gross profit</b>	<b>122,632</b>	<b>25.7</b>	<b>120,921</b>	<b>25.5</b>	<b>1,710</b>	<b>101.4</b>
<b>Selling, general and administrative expenses</b>	<b>102,698</b>	<b>21.5</b>	<b>101,402</b>	<b>21.4</b>	<b>1,296</b>	<b>101.3</b>
<b>Operating income</b>	<b>19,933</b>	<b>4.2</b>	<b>19,518</b>	<b>4.1</b>	<b>414</b>	<b>102.1</b>
<b>Non-operating income</b>						
Interest and dividend income	453		524			
Other	2,036		2,740			
<b>Total non-operating income</b>	<b>2,490</b>	<b>0.5</b>	<b>3,265</b>	<b>0.7</b>	<b>(775)</b>	<b>76.3</b>
<b>Non-operating expenses</b>						
Interest expenses	3,897		4,251			
Demolition expense for closed stores	1,690		1,430			
<b>Total non-operating expenses</b>	<b>5,587</b>	<b>1.2</b>	<b>5,681</b>	<b>1.2</b>	<b>(93)</b>	<b>98.3</b>
<b>Ordinary income</b>	<b>16,835</b>	<b>3.5</b>	<b>17,102</b>	<b>3.6</b>	<b>(266)</b>	<b>98.4</b>
<b>Special gains</b>						
Gain from liquidation of subsidiary	245		-			
Gain from sales of property and equipment	239		-			
Gain on sales of investments in securities	0		129			
<b>Total special gains</b>	<b>485</b>	<b>0.1</b>	<b>129</b>	<b>0.0</b>	<b>355</b>	<b>376.0</b>
<b>Special losses</b>						
Loss from cancellation of corporate pension fund	5,014		-			
Provision of store closing losses	3,590		-			
Loss from disposition or sales of property and equipment	776		4,694			
Litigation losses	1,627		-			
Provision of sales promotion expenses	-		4,492			
Other	1,764		1,976			
<b>Total special losses</b>	<b>12,773</b>	<b>2.7</b>	<b>11,162</b>	<b>2.3</b>	<b>1,611</b>	<b>114.4</b>
<b>Income before income taxes</b>	<b>4,547</b>	<b>0.9</b>	<b>6,069</b>	<b>1.3</b>	<b>(1,522)</b>	<b>74.9</b>
Income taxes - current	72	0.0	71	0.0	1	101.4
Income taxes - deferred	-	-	(35)	(0.0)	35	-
<b>Net income</b>	<b>4,475</b>	<b>0.9</b>	<b>6,034</b>	<b>1.3</b>	<b>(1,559)</b>	<b>74.2</b>
Retained earnings brought forward	5,899		(72,705)			
Reserve for losses by decrease in additional paid-in capital	-		35,856			
Reserve for losses by decrease in common stock	-		36,848			
Cancellation of stock by merger of subsidiary	490		-			
<b>Unappropriated retained earnings</b>	<b>9,884</b>		<b>6,034</b>			

## PROPOSAL FOR APPROPRIATION OF RETAINED EARNINGS

(Millions of yen)

	Current Fiscal Year	Prior Fiscal Year	Increase (Decrease)
Unappropriated retained earnings at end of fiscal year	9,884	6,034	3,849
The above shall be appropriated as follows:			
Bonuses for directors and corporate auditors	-	135	(135)
[Portion to corporate auditors]	[ - ]	[15]	[ (15) ]
<b>Unappropriated retained earnings carried forward</b>	<b>9,884</b>	<b>5,899</b>	<b>3,984</b>

Note : All amounts less than one million yen have been disregarded.

# **1. Significant Accounting Policies**

## 1. Valuation of securities

Investments in subsidiaries and affiliates are valued at cost, determined using the moving-average method.

Held-to-maturity debt securities are carried at amortized cost.

Other securities are classified into two categories: (i) fair value is available and (ii) fair value is not available.

- (i) Securities, whose fair value is available, are valued at fair market value prevailing at the end of the fiscal year. (Net unrealized gains or losses on these securities, net of taxes are reported as a separate component in the shareholders' equity. Cost of sales is determined by the moving-average method.)
- (ii) Securities, whose fair value is not available, are valued at cost, being determined by the moving-average method.

## 2. Valuation of inventories

Merchandise inventories are valued at cost, being determined by the retail cost method. Merchandise inventories individually, such as art, jewelry, and special branded goods, are valued at cost, being determined by individual cost method. Real estates for sale are valued at cost, being determined by individual cost method.

## 3. Depreciation and amortization

### (1) Property and equipment

Depreciation expenses for vehicles are computed using the declining-balance method over the estimated useful lives of assets. Depreciation expenses except for vehicles are computed using the straight-line method over the estimated useful lives of assets. Depreciated assets for acquisition costs, exceeded 100 thousand yen and under 200 thousand yen, are computed using the straight-line method over three years in accordance with the Japanese tax regulations.

### (2) Intangible assets

Amortization expenses for intangible assets are computed using the straight-line method. Software for self use is amortized using the straight-line method over an estimated useful life of 5 years.

## 4. Deferred assets

New stock issuing costs were expensed when incurred.

## 5. Allowances

### (1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided against potential losses on collection at an amount measured using a historical bad debt ratio for normal receivables, plus an amount individually measured on the collectibility of receivables that are expected to be uncollectible due to bad financial condition or insolvency.

### (2) Allowance for bonuses to employees

An allowance for bonuses to employees is provided for bonuses to employees at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

### (3) Allowance for restructuring costs

An allowance for restructuring costs is provided against potential losses occurred in accordance with the performance of "Restructuring Plan of Seibu Department Store Group" based on "Guideline related to private liquidations." Due to the termination of restructuring plan in advance for the fiscal year, estimated loss occurring in the following years are offset from the carrying value of related assets.

### (4) Allowance for retirement benefits to employees

An allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair

value of plan assets at the end of the fiscal year. For the fiscal year, this allowance in total is reversed due to the cancellation of entity pension fund.

(5) Allowance for retirement benefits to directors and corporate auditors

An allowance for retirement benefits to directors and corporate auditors is provided in accordance with the Company's policy. This is the allowance regulated by article 43 of the practical rules in the Japanese Commercial Law.

(6) Allowance for sales promotion expenses

An allowance for sales promotion expenses is provided for the use of points given to customers at the amount expected to be used on the balance sheet date in accordance with the sales promotion point card program (Club On).

(7) Allowance for store closing losses

An allowance for store closing losses is provided against the losses estimated in the following year based on the closing stores. This is the allowance for regulated by article 43 of the practical rules in the Japanese Commercial Law.

6. Leases

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees are accounted for as operating leases.

7. Consumption taxes

Consumption taxes are separately accounted for, and are excluded from the amounts of the underlying income and expense transactions.

## **Notes to Nonconsolidated Financial Statements**

(Notes to balance sheet)

1. Short-term monetary receivable to parent companies	56 million yen
Short-term monetary payable to parent companies	42 million yen

2. Accumulated depreciation of property and equipment	69,191 million yen
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3. Property and equipment used by lease contracts

Other than property and equipment disclosed in the balance sheet, computers and related equipment are used under lease contracts.

4. Assets pledged as collateral

Real estate for sale	2,274 million yen
Buildings	22,461
Land	68,447
Land rights	171
Investment in securities	<u>63,990</u>
Total	157,345 million yen

Deposits of 2,806 million yen are provided to the Governmental law office in accordance with the sales installation law and the regulations.

5. Accounts receivable transferred 2,301 million yen

6. Net assets of 23,005 million increase due to the application of the market value regulated in article 124-3 of Japanese practical regulations in the Japanese Commercial Law.

7. Commitment

(1)Guarantees 259 million yen

8. Other

(1) Securitization of store properties

The Company established certain real estate trusts comprising of the land, land leasehold rights and part of the building of certain stores and soled the beneficiary rights of the trusts to Special Purpose Corporations. Concurrently, the Company has entered into a silent partnership arrangements with Special Purpose Corporations with certain investments. And also, the Company leased-back such store properties from Special Purpose Corporations who have the beneficiary rights of the trusts.

Under arrangements, the above noted investments from arrangements are subordinated to all liabilities to third parties other than members of silent partnership.

Summary of Store Name, Amount of Investments and Special Purpose Corporations are as follows:

(Millions of yen)

	Store Name	Amount of Investment	Special Purpose Corporation		
			Name	Year End	Total Assets
1	Ikebukuro	5,850	Aseet Ikesei Corporation	July	124,160
2	Sapporo, Funabashi, and Shibuya-Loft	2,065	Global Aseet Ikesei Corporation	August	44,331
3	Shibuya-Movita	470	Assets Movita Corporation	(Half Year End) August and February	9,877



(Notes to income statement)

- |   |                   |
|---|-------------------|
| 1. Major transactions with parent companies | 4,112 million yen |
| 2. Earning par share                        | 24.53 yen         |

### **3. Additional Information**

1. Allowance for retirement benefits to employees

The Company reversed remaining balance of allowance for retirement benefits to employee due to cancellation of the Seibu corporate pension fund.

Based on this cancellation of retirement benefits to employees, the Company recorded 5,014 million yen of loss from cancellation of corporate pension fund, which was computed net of 17,595 million of reversal of allowance for retirement benefits and 22,609 million yen of payable for minimum payment to cancellation in the fiscal year.

2. Accounting for Pro Forma Standard Taxation Portions of Corporate Taxes

The 2003 Law Revising Parts of the Local Tax Law (2003 Law No. 9) was promulgated on March 31, 2003, and the external standard taxation system was instituted with the business year that began April 1, 2004. Beginning with that fiscal year, in accordance with the “Operational Handling of Disclosures Regarding Pro Forma Standard Taxation Portions of Corporate Taxes in Statements of income” (Corporate Accounting Standards Committee Operational Response Report No. 12, dated February 13, 2004), we recorded the discounted value-added and discounted capital of Enterprise tax, as selling, general and administrative expenses.

As a result, selling, general and administrative expenses increased by 205million yen causing a 205 +million yen reduction in Operating income, Ordinary income and Income before income taxes.