



FINANCIAL INFORMATION

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FINANCIAL REVIEW

OPERATING RESULTS BY SEGMENT

Merchandising

In fiscal 2005, ended March 31, 2005, the Japanese economy remained flat overall. Although the first half saw robust exports and private-sector investment and other promising signs, in the second half the economic climate deteriorated due to such factors as a downturn in the IT industry and a hike in crude oil prices. Further, consumer spending remained stagnant, and Japan experienced abnormal weather conditions that included one of the warmest winters on record. Amid those business conditions, the Marui Group drew on the strengths of Group companies to fortify its merchandising operations.

More than one year has passed since the February 2004 opening of the Group's largest-ever store, *Kitasenju Marui*. Thanks to the store's location at a terminal railway station linking Tokyo's downtown and suburban areas and to a store design that matches the characteristics of the area, store sales are outperforming initial projections.

In existing mainstay stores in the Tokyo downtown area, the Group reorganized and refurbished the groups of buildings used by stores in Shinjuku and Shibuya and undertook a complete refurbishment of the *City Ueno* store. All of those stores posted brisk sales following renovation. Meanwhile, the Group closed its Numazu store to heighten the efficiency of the store network.

In store operations, the Group pursued a strategy that focused on presenting customers with a spectrum of exciting ideas for seasonal products. Further, as an addition to existing mail-order sales through magazines, the Group launched Internet-based mail-order sales. Also, the Group honed its ability to rapidly respond to customer demand by introducing a comprehensive backbone information system that enables the single-item management of products.

The merchandising segment recorded operating revenues of ¥434.1 billion and operating income of ¥16.4 billion, as unseasonable weather offset an increase in sales at existing stores from the second quarter onward.

Credit and Consumer Services

This segment devoted efforts to recruiting members to the house credit card, the *Akai Card*, and to expanding consumer loan business by opening additional *Zero First* roadside outlets that offer consumer loan services and by extending the service hours of cash dispensers. In addition, while maintaining a prudent credit management policy, the segment partially reviewed credit standards in response to changes in the market environment for consumer loans. As a result of those efforts, outstanding loans increased 15.5% from the end of the previous fiscal period, to ¥238.6 billion, and interest income on consumer loans totaled

SALES BREAKDOWN BY MERCHANDISE CATEGORY

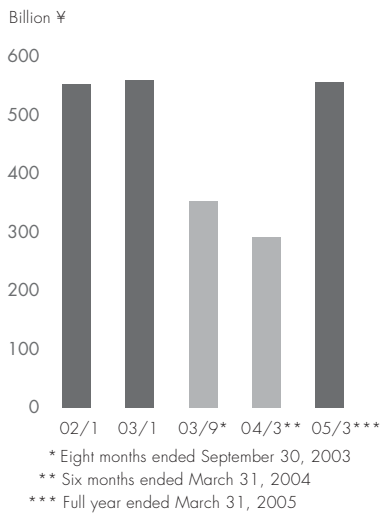
	Billions of yen (% of total)							
	2005/3 ¹		2004/3 ²		2003/9 ³		2003/1	
Women's apparel	¥147.2	(33.9)	¥ 80.7	(34.7)	¥ 94.9	(34.7)	¥150.5	(33.9)
Men's apparel and sporting goods	82.5	(19.0)	45.1	(19.4)	49.3	(18.0)	87.3	(19.7)
Luxury and accessory goods	122.7	(28.3)	71.0	(30.6)	87.1	(31.8)	141.3	(31.8)
Furniture and household appliances	28.3	(6.5)	11.5	(4.9)	15.1	(5.5)	24.7	(5.5)
Foodstuffs and restaurant sales	53.5	(12.3)	24.1	(10.4)	27.2	(10.0)	40.2	(9.1)
Total	¥434.1	(100.0)	¥232.4	(100.0)	¥273.6	(100.0)	¥444.0	(100.0)

¹ Full year ended March 31, 2005

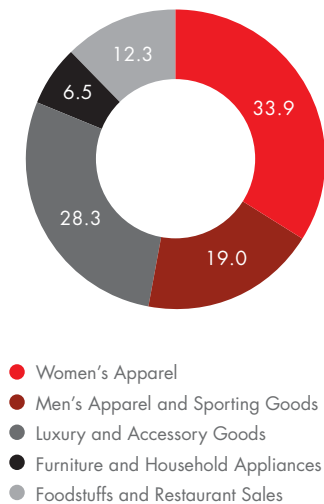
² Six months ended March 31, 2004

³ Eight months ended September 30, 2003

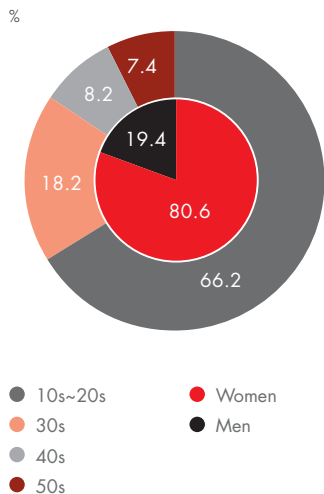
TOTAL OPERATING REVENUES



SALES BREAKDOWN BY MERCHANDISE CATEGORY



COMPOSITION OF CUSTOMER BASE BY AGE AND GENDER



¥60.1 billion. Consequently, the credit and consumer services segment posted operating revenues of ¥69.2 billion and operating income of ¥18.0 billion.

Other

Mainly comprising transportation, advertising and store design, and information processing services businesses operated by subsidiaries, the other segment aggressively expanded operations. Due to those initiatives, the segment's operating revenues amounted to ¥101.1 billion, while operating income was ¥5.2 billion.

ANALYSIS OF INCOME AND EXPENSES

In fiscal 2005, total operating revenues amounted to ¥556.2 billion, and cost of goods sold was ¥355.7 billion. Gross profit totaled ¥200.5 billion, while the gross profit margin rose 0.2 percentage points, to 36.1%. Selling, general and administrative expenses were ¥163.7 billion, which represented 29.5% of total operating revenues.

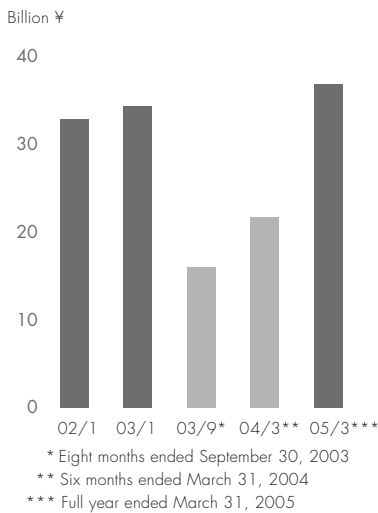
Net other expenses amounted to ¥5.6 billion, due to the significant impact of such factors as special termination benefits paid to employees and loss on termination of lump-sum severance and retirement benefits for employees and privately held pension plan.

As a result of the above, the Group recorded income before income taxes and minority interests of ¥31.2 billion and net income of ¥19.2 billion. Diluted net income per share was ¥52. Return on total assets was 2.7%, and return on equity was 4.5%.

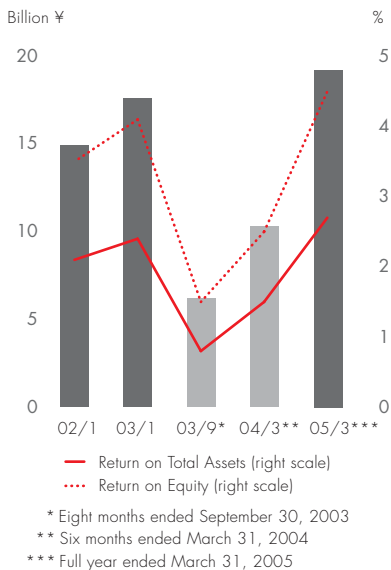
CASH FLOWS

Net cash provided by operating activities totaled ¥41.1 billion, because income before income taxes and minority interests of ¥31.2 billion, depreciation and amortization of ¥19.0 billion, increase in severance and retirement benefits for employees and prepaid pension expense of ¥18.4 billion, and other items counteracted such factors as an increase in receivables, less allowance for doubtful accounts.

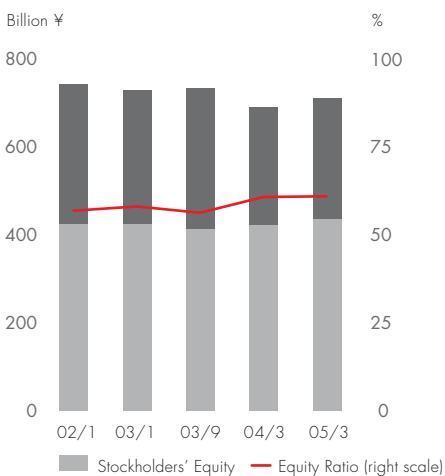
OPERATING INCOME



NET INCOME



TOTAL ASSETS AND STOCKHOLDERS' EQUITY



Net cash used in investing activities amounted to ¥19.1 billion, which was primarily associated with payments for purchase of property and equipment that accompanied the refurbishment of existing stores.

Net cash used in financing activities was ¥10.1 billion, which included dividends paid of ¥3.9 billion and net decrease in short-term loans and long-term debt.

As a result of the above, cash and cash equivalents at end of year were up ¥11.8 billion from the end of the previous fiscal period, to ¥53.3 billion.

FINANCIAL POSITION

At fiscal year-end, total current assets stood at ¥399.1 billion, total current liabilities were ¥136.4 billion, and working capital amounted to ¥262.7 billion. The current ratio was 2.9 times. Total assets were ¥712.6 billion, total stockholders' equity was ¥436.3 billion, and the equity ratio was 61.2%. Further, the debt-to-equity ratio was 41.5%.

DIVIDENDS AND DISTRIBUTION OF PROFITS

The Group's basic policy for the distribution of profits is to maintain stable dividend payments in light of comprehensive evaluations of performance trends and dividend payout ratios while working to strengthen the Group's management base and to enhance return on equity.

Further, the Group will use retained earnings to strengthen its financial position with a view to expanding the content of its business portfolio, to establish new stores, to refurbish existing stores, and to implement repurchases of treasury stock and other measures aimed at maintaining and enhancing stable long-term stockholder value. In fiscal 2005, cash dividends per share were ¥22, giving a dividend payout ratio of 40.5%. Dividends as a percentage of total stockholders' equity were 1.8%.

Further, a meeting of the Board of Directors convened on May 13, 2005, decided to repurchase treasury stock from the market and repurchased the maximum limit of 5 million shares, at a price of ¥7.3 billion, over the period from May 16, 2005, to June 20, 2005.

CONSOLIDATED FIVE-PERIOD SUMMARY

Marui Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2005, six months ended March 31, 2004, eight months ended September 30, 2003, and years ended January 31, 2003 and 2002

	Millions of yen except per share amounts and other information*					Thousands of U.S. dollars except per share amounts**
	2005/3	2004/3****	2003/9***	2003/1	2002/1	2005/3
OPERATING RESULTS:						
Total operating revenues	¥556,214	¥290,931	¥353,408	¥558,867	¥551,564	\$5,198,262
Merchandise sales	434,142	232,446	273,608	443,933	443,358	4,057,402
Finance charges earned on installment sales	1,757	1,031	1,417	2,348	2,509	16,421
Interest income on consumer loans	60,105	28,009	36,558	53,500	46,324	561,729
Other revenues	60,210	29,445	41,825	59,086	59,373	562,710
Cost of goods sold	355,680	186,864	226,966	356,558	353,252	3,324,113
Selling, general and administrative expenses	163,687	82,332	110,433	167,992	165,383	1,529,785
Operating income	36,847	21,735	16,009	34,317	32,929	344,364
Net income	19,169	10,341	6,154	17,620	14,910	179,150
Per share amounts (Yen and dollars):						
Net income***** – Basic	¥54	¥29	¥17	¥48	¥40	\$0.50
– Diluted	52	28	17	45	38	0.49
Cash dividends	22	11	15	22	22	0.21

FINANCIAL POSITION

AT PERIOD-END AND YEAR-END:

Working capital	¥262,727	¥252,702	¥232,776	¥263,802	¥213,289	\$2,455,393
Receivables	276,305	248,628	247,327	247,924	239,862	2,582,290
Total stockholders' equity	436,259	421,827	414,456	425,641	424,400	4,077,187
Total assets	712,645	691,560	734,157	729,901	743,791	6,660,234
Long-term debt, less current maturities	127,889	128,089	129,689	129,689	82,889	1,195,224

OTHER INFORMATION:

Weighted average number of shares outstanding (thousands)	351,455	351,459	353,810	367,512	368,656
Sales floor space (m ²)	490,218	499,017	488,875	488,875	475,245
Number of employees	8,558	9,245	9,181	10,379	9,957

* All yen figures in this report are represented based on accounting principles generally accepted in Japan.

** All dollar figures in this report refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥107 to US\$1.

*** The fiscal period ended September 30, 2003, consists of the eight months from February 1, 2003, to September 30, 2003, because of the change of the year-end.

**** The fiscal period ended March 31, 2004, consists of the six months from October 1, 2003, to March 31, 2004, because of the change of the year-end.

***** See Note 2 of the notes to consolidated financial statements.

NON-CONSOLIDATED FIVE-PERIOD SUMMARY

Marui Co., Ltd.

Year ended March 31, 2005, six months ended March 31, 2004, eight months ended September 30, 2003, and years ended January 31, 2003 and 2002

	Millions of yen except per share amounts and other information*					Thousands of U.S. dollars except per share amounts**
	2005/3	2004/3****	2003/9***	2003/1	2002/1	2005/3
OPERATING RESULTS:						
Total operating revenues	¥495,303	¥262,527	¥313,830	¥504,329	¥498,507	\$4,629,000
Merchandise sales	434,107	232,440	273,598	443,840	443,156	4,057,075
Finance charges earned						
on installment sales	1,756	1,031	1,417	2,348	2,509	16,411
Interest income on						
consumer loans	50,487	24,274	32,292	48,529	42,969	471,841
Other revenues	8,953	4,782	6,523	9,612	9,873	83,673
Cost of goods sold	331,691	167,956	196,310	315,970	313,342	3,099,916
Selling, general and						
administrative expenses	138,058	78,213	103,414	157,297	156,801	1,290,262
Operating income	25,554	16,358	14,106	31,062	28,364	238,822
Net income	13,316	6,320	4,944	16,255	12,815	124,449
Per share amounts (Yen and dollars):						
Net income***** – Basic	¥38	¥18	¥14	¥44	¥35	\$0.36
– Diluted	37	17	14	42	33	0.35
Cash dividends	22	11	15	22	22	0.21

FINANCIAL POSITION

AT PERIOD-END AND YEAR-END:

Working capital	¥241,292	¥231,687	¥215,182	¥229,544	¥188,545	\$2,255,065
Receivables	223,956	212,755	214,261	221,310	219,781	2,093,047
Total stockholders' equity	388,024	379,442	376,108	388,522	388,640	3,626,393
Total assets	631,800	613,325	645,147	652,919	675,465	5,904,673
Long-term debt, less current maturities	123,139	119,839	119,839	119,839	79,839	1,150,832

OTHER INFORMATION:

Weighted average number of shares						
outstanding (thousands)	351,455	351,459	353,810	367,512	368,656	
Sales floor space (m ²)	490,218	499,017	488,875	488,875	475,245	
Number of employees	1,100	1,406	1,477	2,335	2,458	

* All yen figures in this report are represented based on accounting principles generally accepted in Japan.

** All dollar figures refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥107 to US\$1.

*** The fiscal period ended September 30, 2003, consists of the eight months from February 1, 2003, to September 30, 2003, because of the change of the year-end.

**** The fiscal period ended March 31, 2004, consists of the six months from October 1, 2003, to March 31, 2004, because of the change of the year-end.

***** See Note 2 of the notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Marui Co., Ltd. and Consolidated Subsidiaries
March 31, 2005 and 2004

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005/3	2004/3	2005/3
CURRENT ASSETS:			
Cash	¥ 53,306	¥ 41,547	\$ 498,187
Receivables:			
– Merchandise sales	37,752	39,102	352,823
– Consumer loans	249,253	219,526	2,329,467
– Allowance for doubtful accounts	(10,700)	(10,000)	(100,000)
	276,305	248,628	2,582,290
Inventories (Note 3)	48,910	50,115	457,103
Deferred income taxes (Note 10)	4,290	6,470	40,093
Other current assets	16,318	38,331	152,505
Total current assets	399,129	385,091	3,730,178
PROPERTY AND EQUIPMENT, AT COST:			
Land	114,977	94,213	1,074,551
Buildings and improvements	274,323	273,069	2,563,766
Store fixtures and equipment	41,335	41,093	386,309
Construction in progress	250	1,032	2,337
	430,885	409,407	4,026,963
Less accumulated depreciation	(195,564)	(191,357)	(1,827,701)
Net property and equipment	235,321	218,050	2,199,262
OTHER ASSETS:			
Investments in securities (Note 4)	14,122	15,690	131,981
Prepaid rents and lease deposits – principally for stores (Note 5)	56,785	65,403	530,701
Deferred income taxes (Note 10)	3,040	1,960	28,411
Other assets	4,248	5,366	39,701
Total other assets	78,195	88,419	730,794
	¥ 712,645	¥ 691,560	\$ 6,660,234

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005/3	2004/3	2005/3
CURRENT LIABILITIES:			
Short-term loans and current maturities of long-term debt (Note 6)	¥ 53,246	¥ 59,301	\$ 497,626
Payables – principally trade	42,725	50,373	399,299
Income taxes payable	12,522	1,182	117,028
Other current liabilities	27,909	21,533	260,832
Total current liabilities	136,402	132,389	1,274,785
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities (Note 6)	127,889	128,089	1,195,224
Deferred income taxes (Note 10)	1,190	2,880	11,121
Severance and retirement benefits for employees (Note 9)	–	491	–
Severance and retirement benefits for directors and corporate auditors	800	1,194	7,477
Other long-term liabilities	7,576	2,235	70,804
Total long-term liabilities	137,455	134,889	1,284,626
MINORITY INTERESTS	2,529	2,455	23,636
CONTINGENT LIABILITIES (Note 11)			
STOCKHOLDERS' EQUITY:			
Common stock:			
Authorized – 1,400,000 thousand shares			
Issued – 368,660 thousand shares	35,921	35,921	335,710
Capital surplus	91,274	91,274	853,028
Retained earnings	324,703	309,455	3,034,608
	451,898	436,650	4,223,346
Net unrealized holding gains on securities	2,247	3,053	21,000
Less treasury stock, at cost	(17,886)	(17,876)	(167,159)
Total stockholders' equity	436,259	421,827	4,077,187
	¥712,645	¥691,560	\$6,660,234

CONSOLIDATED STATEMENTS OF INCOME

Marui Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2005, six months ended March 31, 2004, and eight months ended September 30, 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005/3	2004/3	2003/9	2005/3
OPERATING REVENUES:				
Merchandise sales	¥434,142	¥232,446	¥273,608	\$4,057,402
Finance charges earned on installment sales	1,757	1,031	1,417	16,421
Interest income on consumer loans	60,105	28,009	36,558	561,729
Other revenues	60,210	29,445	41,825	562,710
Total operating revenues	556,214	290,931	353,408	5,198,262
OPERATING EXPENSES:				
Cost of goods sold	355,680	186,864	226,966	3,324,113
Selling, general and administrative expenses	163,687	82,332	110,433	1,529,785
Total operating expenses	519,367	269,196	337,399	4,853,898
OPERATING INCOME	36,847	21,735	16,009	344,364
OTHER INCOME (EXPENSES):				
Interest income	286	195	300	2,673
Interest expenses	(1,807)	(940)	(1,221)	(16,888)
Loss on sales and disposal of property and equipment, net	(3,278)	(3,043)	(1,414)	(30,635)
Loss on devaluation of property and equipment	–	–	(14,024)	–
Gains (losses) on personnel system reform (Notes 2 and 9)	(910)	–	13,267	(8,505)
Other, net	110	(318)	247	1,028
	(5,599)	(4,106)	(2,845)	(52,327)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	31,248	17,629	13,164	292,037
INCOME TAXES (Note 10):				
Current	11,980	990	1,720	111,962
Deferred	(37)	6,213	4,833	(346)
Total income taxes	11,943	7,203	6,553	111,616
MINORITY INTERESTS	(136)	(85)	(457)	(1,271)
NET INCOME	¥ 19,169	¥ 10,341	¥ 6,154	\$ 179,150
		Yen		U.S. dollars (Note 1)
NET INCOME PER SHARE (Note 13):				
Basic	¥54	¥29	¥17	\$0.50
Diluted	52	28	17	0.49
CASH DIVIDENDS PER SHARE APPLICABLE TO THE PERIOD	22	11	15	0.21

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Marui Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2005, six months ended March 31, 2004, and eight months ended September 30, 2003

	Millions of yen					
	Thousands of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Less treasury stock, at cost
BALANCE AT JANUARY 31, 2003	368,660	¥35,921	¥91,274	¥306,339	¥ (532)	¥ (7,361)
Net income	-	-	-	6,154	-	-
Cash dividends paid (¥22 per share)	-	-	-	(7,963)	-	-
Directors' bonuses	-	-	-	(86)	-	-
Net unrealized holding gains on securities	-	-	-	-	1,221	-
Treasury stock acquired, net	-	-	-	-	-	(10,511)
BALANCE AT SEPTEMBER 30, 2003	368,660	35,921	91,274	304,444	689	(17,872)
Net income	-	-	-	10,341	-	-
Cash dividends paid (¥15 per share)	-	-	-	(5,272)	-	-
Directors' bonuses	-	-	-	(58)	-	-
Net unrealized holding gains on securities	-	-	-	-	2,364	-
Treasury stock acquired, net	-	-	-	-	-	(4)
BALANCE AT MARCH 31, 2004	368,660	35,921	91,274	309,455	3,053	(17,876)
Net income	-	-	-	19,169	-	-
Cash dividends paid (¥11 per share)	-	-	-	(3,867)	-	-
Directors' bonuses	-	-	-	(43)	-	-
Decrease resulting from increase in consolidated subsidiaries	-	-	-	(2)	-	-
Decrease resulting from decrease in consolidated subsidiaries	-	-	-	(9)	-	-
Net unrealized holding losses on securities	-	-	-	-	(806)	-
Treasury stock acquired, net	-	-	-	-	-	(10)
BALANCE AT MARCH 31, 2005	368,660	¥35,921	¥91,274	¥324,703	¥2,247	¥(17,886)

	Thousands of U.S. dollars (Note 1)					
	Thousands of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Less treasury stock, at cost
BALANCE AT MARCH 31, 2004	368,660	\$335,710	\$853,028	\$2,892,103	\$28,533	\$(167,065)
Net income	-	-	-	179,150	-	-
Cash dividends paid (\$0.10 per share)	-	-	-	(36,140)	-	-
Directors' bonuses	-	-	-	(402)	-	-
Decrease resulting from increase in consolidated subsidiaries	-	-	-	(19)	-	-
Decrease resulting from decrease in consolidated subsidiaries	-	-	-	(84)	-	-
Net unrealized holding losses on securities	-	-	-	-	(7,533)	-
Treasury stock acquired, net	-	-	-	-	-	(94)
BALANCE AT MARCH 31, 2005	368,660	\$335,710	\$853,028	\$3,034,608	\$21,000	\$(167,159)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Marui Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2005, six months ended March 31, 2004, and eight months ended September 30, 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005/3	2004/3	2003/9	2005/3
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income taxes and minority interests	¥ 31,248	¥ 17,629	¥ 13,164	\$ 292,037
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:				
Depreciation and amortization	18,961	9,556	12,242	177,206
Increase (decrease) in accrued bonuses	392	(2,190)	4,270	3,663
Increase (decrease) in severance and retirement benefits for employees and prepaid pension expense	18,438	(881)	(33,343)	172,318
Interest and dividends income	(419)	(214)	(389)	(3,916)
Interest expenses	2,003	1,062	1,221	18,720
Gain on winding up of the employees' pension fund	-	-	(28,564)	-
Loss on sales and disposal of property and equipment	2,690	2,893	840	25,140
Loss on devaluation of property and equipment	-	-	14,024	-
(Increase) decrease in receivables, less allowance for doubtful accounts	(28,861)	(1,301)	596	(269,729)
(Increase) decrease in inventories	1,197	1,926	(474)	11,187
(Increase) decrease in tax refund receivable	-	7,220	(7,220)	-
Increase (decrease) in payables – principally trade	(7,647)	1,466	6,926	(71,467)
Increase (decrease) in payables of lump-sum severance payments and special severance indemnities	(978)	(49,862)	49,862	(9,140)
Bonuses paid to directors	(43)	(58)	(86)	(402)
Other, net	7,706	(704)	(6,259)	72,019
Sub-total	44,687	(13,458)	26,810	417,636
Interest and dividends income received in cash	303	233	413	2,832
Interest expenses paid in cash	(2,058)	(1,266)	(711)	(19,234)
Income taxes paid in cash	(1,832)	(503)	(10,634)	(17,122)
Net cash provided by (used in) operating activities	41,100	(14,994)	15,878	384,112
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from redemption of securities	-	10,000	-	-
Net (increase) decrease in short-term loans receivable	504	(3,300)	-	4,710
Payments for purchase of property and equipment	(29,758)	(11,263)	(11,493)	(278,112)
Proceeds from sale of property and equipment	215	-	1,070	2,010
Purchases of investments in securities	(19)	(322)	(22)	(178)
Proceeds from sale of investments in securities	6	10	-	56
Payments of leasehold deposits	(514)	(3,694)	(187)	(4,804)
Refunds of leasehold deposits	10,003	1,861	5,482	93,486
Other, net	458	5	(173)	4,281
Net cash used in investing activities	(19,105)	(6,703)	(5,323)	(178,551)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net increase (decrease) in short-term loans and long-term debt	(6,255)	(89)	11,690	(58,458)
Payments for purchase of treasury stock	(11)	(4)	(10,510)	(103)
Dividends paid	(3,867)	(5,272)	(7,963)	(36,140)
Other, net	(2)	(7)	(10)	(19)
Net cash used in financing activities	(10,135)	(5,372)	(6,793)	(94,720)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,860	(27,069)	3,762	110,841
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR / PERIOD	41,547	68,616	64,754	388,290
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DUE TO INCLUSION OF ADDITIONAL SUBSIDIARIES IN THE CONSOLIDATION	(101)	-	100	(944)
CASH AND CASH EQUIVALENTS AT END OF YEAR / PERIOD	¥ 53,306	¥ 41,547	¥ 68,616	\$ 498,187

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marui Co., Ltd. and Consolidated Subsidiaries
March 31, 2005 and 2004, and September 30, 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity) from the consolidated financial statements of Marui Co., Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries, which are all Japanese corporations. All companies in Japan are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or through certain other means. All significant intercompany transactions and unrealized profits among the Companies have been eliminated in consolidation. Investments in 20%–50% owned affiliates are carried at cost, since the amounts are insignificant. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority stockholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries. The excess of investment cost over the net assets of a subsidiary acquired is amortized on a straight-line basis over a period of five years. However, the excess is charged to income in the period of acquisition when the amounts are immaterial.

(b) Impairment of fixed assets

In the year ended March 31, 2005, the Companies did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted effective April 1, 2005.

The Companies do not believe that adoption of this new accounting standard will have a material impact on its financial statements.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(d) Unearned finance charges

At the balance sheet date, unearned finance charges included in receivables of merchandise sales under installment sales and consumer loans are deferred.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107 to U.S.\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

The Company and consolidated subsidiaries (the "Companies") changed the year-end from January 31 to March 31 in accordance with the resolution of change in a part of the Company's articles at the annual general meeting of the stockholders held on April 25, 2003. The Company had adopted September 30, 2003, as the transitional year-end date before eventually adopting the yearend date of March 31 as of March 31, 2004. Therefore, the fiscal periods ended September 30, 2003, and March 31, 2004, consist of eight months and six months, respectively.

(e) Investments in securities

The intent of holding each security is examined and securities are classified as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Based on the examination of the intent of holding, the Companies classified their securities as equity securities issued by subsidiaries and affiliated companies and available-for-sale securities. These securities are included in investments in securities.

Equity securities issued by subsidiaries and affiliated companies that are not consolidated or accounted for using the equity method are stated at cost by the moving average method. Available-for-sale securities with available fair market values are stated at the market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains and losses on sale of such securities are computed by the moving average method. Available-for-sale securities without available fair market values are stated at cost by the moving average method.

(f) Allowance for doubtful accounts

The Companies provide for a sufficient allowance for doubtful accounts to cover probable losses on collection by estimating uncollectible amounts individually in addition to amounts for possible losses based on actual losses on collection in the past.

(g) Merchandise inventories

Merchandise inventories are principally determined based on the retail inventory method and are stated at cost, which is lower than market.

(h) Property and equipment

Property and equipment are carried at cost. Depreciation is computed over the estimated useful lives of the assets on the declining-balance method. Estimated useful lives of the assets are as follows:

	Number of years
Buildings	39–50
Improvements	3–15
Store fixtures and equipment	3–10

(i) Intangible assets

The Companies amortize intangible assets (except for software to be sold) based on the straight-line method in accordance with the Japanese Corporate Tax Law. The annual amortization of software to be sold is provided by the greater of the amount computed using the expected sales revenues or the amount computed using the straight-line method over the expected marketable period (within three years).

(j) Severance and retirement benefits for employees

As a part of management reforms, the Companies introduced a new personnel system in the period ended September 30, 2003. In accordance with the new personnel system, all of the Company's employees transferred to the Company's subsidiaries or left from the Company through the period ended September 30, 2003, to the year ended March 31, 2005. At the same time, the subsidiaries terminated their employees' severance and retirement benefit plans. Consequently, no severance and retirement benefits for employees were provided as of March 31, 2005. Up until the period ended September 30, 2003, employees severing their connection with the Companies on retirement were generally entitled to benefits covered by two severance and retirement benefit plans—a lump-sum severance and retirement payment plan and a privately held pension plan—based on rates of pay, length of service and certain other factors. Also, the Companies had their own employees' pension fund under the government's permission and supervision, which was a contributory defined benefit pension plan.

In connection with enforcement of the Defined Benefit Enterprise Pension Law, the Company and some of its consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare for winding up the employees' pension fund supported by the government and exemption from payment of future benefits on March 18 and September 26, 2003, respectively.

Under this condition, the Company and some of its consolidated subsidiaries adopted the Accounting Standard Implementation Guidance No. 1, "Implementation Guidance on Accounting Standard for the Transitions between the Retirement Benefit Plans", issued by the Accounting Standards Board of Japan. In accordance with the standard, the Company and some of its consolidated subsidiaries recorded a gain which was the difference between the present value of the future obligations for retirement benefit plans and the pension plan assets, which were related to the dissolution, and unamortized actuarial losses corresponding to the dissolved portion of present value of the future obligations charged to income.

As a result of adopting the accounting standard, gain on winding up of the employees' pension fund amounted to ¥28,564 million and it was recognized as income for the fiscal period ended September 30, 2003.

As a part of management reforms, almost all of the Company's employees transferred to the Company's subsidiaries on September 30, 2003, in accordance with the transition to the new personnel system.

Also, the Company's consolidated subsidiaries demolished their privately held pension plan and lump-sum severance and retirement payment plan on September 30, 2003. As a result, the Company and its consolidated subsidiaries reversed the severance and retirement benefits for employees amounting to ¥34,814 million for the payment of lump-sum severance and retirement the payment, and also recognized a loss on partial termination of the privately held pension plan and a loss on partial termination of lump-sum severance and retirement payment plan amounting to ¥396 million, on September 30, 2003, in accordance with the Accounting Standard Implementation Guidance

No. 1. In addition, the remaining employees of the Company to whom the Company offered a lump-sum severance and retirement payment plan and privately held pension plan left the Company on January 31, 2005, including those who were transferred to the Company's subsidiaries simultaneously. As a result, the Company recognized termination of lump-sum severance and retirement benefits for employees and privately held pension plan amounted to ¥469 million as losses for the year ended March 31, 2005, in accordance with the Accounting Standard Implementation Guidance No. 1. As a result of termination of the lump-sum severance and retirement payment plan and the privately held pension plan, the Company received the refund in relation to the excess of pension plan assets and recognized as income in the amount of ¥159 million in the year ended March 31, 2005, subject to "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" issued by the Japanese Institute of Certified Public Accountants.

Actuarial gains and losses and prior service cost are amortized using the straight-line method over the estimated average remaining service lives (nine years) of employees, commencing with the following period or year and with the current period or year, respectively.

Effective from the period ended March 31, 2004, the Company changed the length of the amortization period for the actuarial gains and losses from 14 years to 9 years. The effect of this change is immaterial.

(k) Severance and retirement benefits for directors and corporate auditors

For directors and corporate auditors, the Companies offer a lump-sum retirement benefit plan. The Companies have accrued 100% of amounts calculated based on the Companies' retirement rules under the assumption that all directors and corporate auditors retired from the Companies on the balance sheet date in order to prepare future payments of retirement benefits. Retirement benefits to be paid to directors and corporate auditors are subject to an approval of the general meeting of stockholders in accordance with the Japanese Commercial Code (the "Code").

(l) Appropriation of retained earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal period or year when the proposed appropriation of retained earnings is approved at the general meeting of stockholders.

(m) Stockholders' equity

Under the Code, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

By the resolutions of the general stockholders' meetings, the Company introduced the stock option plan and granted subscription rights free of charge to the Company and its subsidiaries' directors, corporate auditors, counsel, employees and officers of the Marui group union and the Marui health insurance union.

(n) Accounting for leases

Finance lease transactions, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

(o) Income taxes

The Companies provide for income taxes applicable to all items included in the consolidated statements of income regardless of when such taxes are currently payable. Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(p) Net income per share

Basic net income per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Effective February 1, 2003, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

The new accounting standard requires calculating net income available to common stockholders by deducting of amounts not belonging to common stock (e.g., bonuses to directors appropriated from retained earnings which are to be resolved at the annual stockholders' meeting held after the period-end) from net income to figure out the basis for the net income per share. The effect on net income per share by the adoption of the new accounting standard is immaterial.

(q) RECLASSIFICATIONS

Certain amounts for the six months ended March 31, 2004, and the eight months ended September 30, 2003, have been reclassified to conform to the presentation for the year ended March 31, 2005. These changes had no impact on previously reported results of operations or stockholders' equity.

3. INVENTORIES

Inventories at March 31, 2005 and 2004, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005/3	2004/3	2005/3
Merchandise	¥47,894	¥49,519	\$447,608
Work in progress	671	320	6,271
Supplies	345	276	3,224
Total	¥48,910	¥50,115	\$457,103

4. SECURITIES

(a) Acquisition costs, book values and fair values of securities with available fair value as of March 31, 2005 and 2004, are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2005/3			2004/3			2005/3		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition costs:									
Equity securities	¥2,293	¥7,143	¥4,850	¥2,550	¥8,064	¥5,514	\$21,430	\$66,757	\$45,327
Securities with book value not exceeding acquisition costs:									
Equity securities	¥7,566	¥6,512	¥(1,054)	¥7,319	¥6,959	¥(360)	\$70,710	\$60,860	\$(9,850)

(b) Book values of securities with no available fair value as of March 31, 2005 and 2004, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005/3	2004/3	2005/3
Non-listed equity securities	¥185	¥186	\$1,729

(c) For the year ended March 31, 2005, and eight months ended September 30, 2003, no available-for-sale securities were sold. Total sales of available-for-sale securities amounted to ¥10 million and the related gains amounted to ¥2 million for the period ended March 31, 2004.

5. PREPAID RENTS AND LEASE DEPOSITS

The Company operates a number of stores under various lease arrangements. Typically, the Company advances the costs of construction of a store to the lessor and, upon completion of construction, leases the

property for an initial period of generally 20 years. Approximately 30% of the construction advance is considered a lease deposit, refundable at the end of the lease term. The remaining portion of the advance is

refundable in installments over the second half of the lease term together with nominal interest. The Company accounts for this remaining portion as prepaid rents in the accompanying consolidated financial statements.

Rent payments under store leases are normally fixed amounts that are renegotiated every two or three years.

6. SHORT-TERM LOANS AND LONG-TERM DEBT

(a) Short-term loans include bank overdrafts. The weighted-average interest rate applicable to the bank borrowings is 0.84% per annum in March 31, 2005 and 2004.

(b) Long-term debt at March 31, 2005 and 2004, consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2005/3	2004/3	2005/3
1.70% unsecured bonds due in 2012	¥ 20,000	¥ 20,000	\$ 186,916
1.15% unsecured bonds due in 2009	20,000	20,000	186,916
0.99% unsecured bonds due in 2008	40,000	40,000	373,832
1.15% unsecured convertible bonds, convertible into common stock at ¥2,153.0 per share, due in 2012	39,839	39,839	372,327
Unsecured loans from banks and an insurance company, 1.12% per annum	12,050	9,850	112,616
	131,889	129,689	1,232,607
Less current maturities	(4,000)	(1,600)	37,383
Long-term debt	¥127,889	¥128,089	\$1,195,224

The annual maturities of long-term debt as of March 31, 2005, are as follows:

	Millions of yen	Thousands of U.S. dollars
2005	¥ 4,000	\$ 37,383
2006	1,450	13,551
2007	6,600	61,682
2008	40,000	373,832
2009	20,000	186,916
2010 and thereafter	59,839	559,243
Total	¥131,889	\$1,232,607

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses interest rate swaps only for the purpose of reducing the interest burden.

The derivative transactions are executed and managed by the Company's Finance Department with the approval of the CFO.

The credit risk of such derivatives is assessed as being low because the counter parties of these transactions are prestigious financial institutions.

8. LEASES

(a) Pro forma information relating to acquisition cost, accumulated depreciation and book value for property held under finance leases which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the periods ended March 31, 2005 and 2004, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005/3	2004/3	2005/3
	Store fixtures and equipment		
Acquisition cost	¥ 2,742	¥ 4,098	\$ 25,626
Accumulated depreciation	(1,500)	(1,918)	(14,019)
Book value	¥ 1,242	¥ 2,180	\$ 11,607

(b) Future minimum lease payments under finance leases as of March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005/3	2004/3	2005/3
Due within one year	¥ 566	¥ 895	\$ 5,289
Due after one year	676	1,285	6,318
Total	¥1,242	¥2,180	\$11,607

The pro forma information above does not exclude the imputed interest portion from the acquisition cost because the remaining finance lease obligations are not material compared with the book value of property and equipment.

(c) Total payments for finance lease transactions without ownership transfer to lessees for the periods ended March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005/3	2004/3	2005/3
Lease payments	¥901	¥526	\$8,421
Depreciation expense	901	526	8,421

(d) The minimum rental commitments under noncancellable operating leases as of March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005/3	2004/3	2005/3
(As lessee)			
Due within one year	¥ 5,083	¥ 4,811	\$ 47,504
Due after one year	28,334	26,407	264,804
Total	¥33,417	¥31,218	\$312,308
(As lessor)			
Due within one year	¥193	¥328	\$1,804
Due after one year	49	242	458
Total	¥242	¥570	\$2,262

9. SEVERANCE AND RETIREMENT BENEFITS FOR EMPLOYEES

As a part of management reforms, the Companies introduced a new personnel system in the period ended September 30, 2003. In accordance with the new personnel system, all of the Company's employees transferred to the Company's subsidiaries or left from the Company through the period ended September 30, 2003, to the year ended March 31, 2005. At the same time, the subsidiaries terminated

their employees' severance and retirement benefit plans. Consequently, no severance and retirement benefits for employees were provided as of March 31, 2005.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2004, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005/3	2004/3	2005/3
(a) Present value of the future obligations	¥ -	¥ (5,843)	\$ -
(b) Pension plan assets	-	23,728	-
(c) Unfunded obligations of severance and retirement benefits ((a)+(b))	-	17,885	-
(d) Unrecognized actuarial losses	-	2,224	-
(e) Unrecognized pension plan assets	-	(1,344)	-
(f) Unrecognized prior service costs	-	(327)	-
(g) Sub-total ((c)+(d)+(e)+(f))	-	18,438	-
(h) Prepaid pension expense	-	18,929	-
(i) Severance and retirement benefits for employees ((g)-(h))	¥ -	¥ (491)	\$ -

Severance and retirement benefit costs included in the consolidated statements of income for the periods ended March 31, 2005 and 2004, and September 30, 2003, are comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2005/3	2004/3	2003/9	2005/3
Service costs	¥ 93	¥ 56	¥2,187	\$ 869
Interest costs	97	60	1,322	906
Expected return on plan assets	(258)	(223)	(573)	(2,411)
Amortization of actuarial gains and losses	185	105	1,201	1,729
Amortization of prior service costs	(32)	(19)	-	(299)
Severance and retirement benefit costs for employees	¥ 85	¥ (21)	¥4,137	\$ 794

The following table summarizes gains and losses on the termination of the severance and retirement plans for the periods ended March 31, 2005 and 2004, and September 30, 2003:

	Millions of yen			Thousands of U.S. dollars
	2005/3	2004/3	2003/9	2005/3
Gain on winding up of the Companies' own Employees' Pension Fund	¥ -	¥ -	¥ 28,564	\$ -
Special termination benefits paid to employees	(600)	-	(14,901)	(5,608)
Loss on termination of lump-sum severance and retirement benefits for employees and privately held pension plan	(469)	-	(396)	(4,383)
Refund of pension plan assets	159	-	-	1,486
	¥(910)	¥ -	¥ 13,267	\$ (8,505)

The discount rate and the rate of expected return on plan assets used by the Companies are 2.0% and 2.0%, respectively.

The estimated amount of all severance and retirement benefits to be paid in the future is allocated equally to each service year using the estimated number of total service years.

10. INCOME TAXES

The Companies are subject to a number of income taxes, which, in the aggregate, indicate a statutory rate in Japan of approximately 40.7% for the year ended March 31, 2005, and 42.1% for the periods ended March 31, 2004, and September 30, 2003.

(a) Significant components of the Companies' deferred income tax assets and liabilities as of March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005/3	2004/3	2005/3
Deferred income tax assets:			
Depreciation	¥ 5,893	¥ 5,214	\$ 55,075
Accrued bonuses	1,868	2,034	17,458
Unrealized profits for property and equipment transferred among the Companies	2,552	2,627	23,850
Tax loss carry forward	—	9,353	—
Allowance for doubtful accounts	720	1,470	6,729
Other	3,485	3,892	32,570
Total deferred income tax assets	14,518	24,590	135,682
Valuation allowance	(144)	(706)	(1,346)
Total deferred income tax assets, net of valuation allowance	14,374	23,884	134,336
Deferred income tax liabilities:			
Deferred gains on sales of property and equipment	(4,726)	(4,784)	(44,168)
Prepaid pension expense	—	(8,331)	—
Reserve for tax purpose provisions	(1,757)	(2,117)	(16,421)
Net unrealized holding gains on securities	(1,546)	(2,098)	(14,449)
Other	(205)	(1,004)	(1,915)
Total deferred income tax liabilities	(8,234)	(18,334)	(76,953)
Net deferred income tax assets	¥ 6,140	¥ 5,550	\$ 57,383

(b) The reconciliation between the statutory tax rate in Japan and the Companies' effective tax rate for the periods ended March 31, 2005, and September 30, 2003, is summarized as follows:

Disclosure of the reconciliation between the statutory tax rate and the effective tax rate for the period ended March 31, 2004, is omitted since the difference is immaterial.

	March 31, 2005	September 30, 2003
Statutory tax rate	40.7 %	42.1 %
Non-deductible expenses	0.3	0.5
Non-taxable dividend income	(0.2)	(0.5)
Unrealized taxable income of deficit subsidiary	—	2.7
Per capita inhabitants' tax	0.4	0.9
Adjustment on deferred tax assets due to change of income tax rate	—	0.9
Tax credit for IT investment	(1.7)	—
Other	(1.3)	3.2
Effective tax rate	38.2 %	49.8 %

(c) Change in effective tax rates to be used in calculating deferred taxes due to the revised local tax law

The aggregate statutory income tax rate was reduced for the years commencing on April 1, 2004, or later due to the revised local tax law. At September 30, 2003, the Company and consolidated domestic subsidiaries applied the reduced aggregate statutory income tax rate of approximately 41% for calculating deferred tax assets and liabilities that are expected to be recovered or settled in the years commencing on April 1, 2004, or later and approximately 42% for the other deferred tax assets and liabilities.

11. CONTINGENT LIABILITIES

The Companies were contingently liable at March 31, 2005, for the following:

	Millions of yen	Thousands of U.S. dollars
Loan guarantees made for employees	¥6	\$56

12. STOCK OPTION PLAN

Terms and conditions of the Company's stock option plan are as follows:

Date of resolution of the general stockholders' meeting	June 29, 2005
Subscription price per share	Depends on stock prices in the specific period
Exercise period of subscription right	August 1, 2007 – July 31, 2010
Number of shares to be issued	Maximum 10,000,000 shares

The price of the share at the exercise of subscription rights will be adjusted if the Company undertakes a stock split or a reverse stock split.

13. NET INCOME PER SHARE

Effective February 1, 2003, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per

Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the periods ended March 31, 2005 and 2004, and September 30, 2003, is as follows:

	Millions of yen			Thousands of U.S. dollars
	2005/3	2004/3	2003/9	2005/3
Basic net income per share calculation:				
Income (numerator):				
Net income	¥19,169	¥10,341	¥6,154	\$179,150
Amounts not belonging to common stock (Bonuses to directors from retained earnings)	(80)	(43)	(58)	(748)
Net income available to common stockholders	19,089	10,298	6,096	178,402
Shares, thousands (denominator):				
Weighted average number of shares	351,455	351,459	353,810	
Basic EPS (yen and U.S. dollars)	¥54	¥29	¥17	\$0.50
Diluted net income per share calculation:				
Income (numerator):				
Net income	¥19,169	¥10,341	¥6,154	\$179,150
Amounts not belonging to common stock (Bonuses to directors from retained earnings)	(80)	(43)	(58)	(748)
Net income available to common stockholders	19,089	10,298	6,096	178,402
Effect of dilutive securities – convertible bonds	275	136	179	2,570
Adjusted net income	19,364	10,434	6,275	180,972
Shares, thousands (denominator):				
Weighted average number of shares	351,455	351,459	353,810	
Assumed conversion of convertible bonds	18,504	18,504	18,504	
Adjusted weighted average number of shares	369,959	369,963	372,314	
Diluted EPS (yen and U.S. dollars)	¥52	¥28	¥17	\$0.49

14. RELATED PARTY TRANSACTIONS

The Company mainly rents its store buildings from related parties of which the Company's directors and their relatives own the majority voting right. The amounts of these transactions for the year ended March 31, 2005, six months ended March 31, 2004, and eight months

ended September 30, 2003, are ¥891 million (\$8,327 thousand), ¥1,693 million and ¥1,095 million, respectively.

The terms of the above transactions were determined based on the rates in the neighborhoods commonly utilized in the general transaction.

15. SEGMENT INFORMATION

The Companies operate principally in two business segments, Merchandising and Credit and Consumer Services.

Merchandising involves the sale of apparel, luxury and accessory goods, furniture and household appliances and foodstuffs. Credit and Consumer Services involve finance charges earned on installment sales, annual fees for the Marui Card and the Akai Card and consumer loans—principally cash dispensing services and general purpose loans—and referral and agency services for travel, driving schools, insurance and others. Credit and Consumer Services revenues consist of commissions and interest income on consumer loans.

Other segment revenues include interior design, construction and advertising services; information processing services and sales of computer software; and transportation services. Intersegment prices are determined by negotiations between the parties involved.

Operating income includes revenues less operating expenses but excluding general corporate expenses, interest expenses, unrealized foreign currency exchange gain (loss), other income and provision for income taxes. Identifiable assets are those assets used in the Companies' operations in each segment. Corporate assets consist principally of cash, deposits and short-term investments.

Millions of yen						
Year ended March 31, 2005						
	Merchan- dising	Credit and Consumer Services	Other	Total	Corporate or Elimination	Consolidated
Operating revenues:						
Outside customers	¥434,142	¥69,221	¥ 52,851	¥556,214	¥ –	¥556,214
Inter-segment	–	–	48,230	48,230	(48,230)	–
Total	434,142	69,221	101,081	604,444	(48,230)	556,214
Operating expenses	417,725	51,188	95,913	564,826	(45,459)	519,367
Operating income	¥ 16,417	¥18,033	¥ 5,168	¥ 39,618	¥ (2,771)	¥ 36,847
Identifiable assets	¥297,747	¥305,529	¥57,829	¥661,105	¥51,540	¥712,645
Depreciation and amortization	14,862	2,437	2,256	19,555	(594)	18,961
Capital expenditures, including lease advances	21,634	3,112	4,622	29,368	904	30,272

Millions of yen						
Period ended March 31, 2004						
	Merchan- dising	Credit and Consumer Services	Other	Total	Corporate or Elimination	Consolidated
Operating revenues:						
Outside customers	¥232,446	¥33,193	¥25,292	¥290,931	¥ –	¥290,931
Inter-segment	–	–	27,631	27,631	(27,631)	–
Total	232,446	33,193	52,923	318,562	(27,631)	290,931
Operating expenses	221,115	25,416	48,968	295,499	(26,303)	269,196
Operating income	¥ 11,331	¥ 7,777	¥ 3,955	¥ 23,063	¥ (1,328)	¥ 21,735
Identifiable assets	¥323,425	¥284,610	¥60,994	¥669,029	¥22,531	¥691,560
Depreciation and amortization	7,626	1,252	972	9,850	(294)	9,556
Capital expenditures, including lease advances	13,122	1,920	1,199	16,241	(1,284)	14,957

Millions of yen						
Period ended March 31, 2003						
	Merchan- dising	Credit and Consumer Services	Other	Total	Corporate or Elimination	Consolidated
Operating revenues:						
Outside customers	¥273,713	¥43,927	¥35,768	¥353,408	¥ –	¥353,408
Inter-segment	–	–	29,534	29,534	(29,534)	–
Total	273,713	43,927	65,302	382,942	(29,534)	353,408
Operating expenses	268,303	35,075	61,321	364,699	(27,300)	337,399
Operating income	¥ 5,410	¥ 8,852	¥ 3,981	¥ 18,243	¥ (2,234)	¥ 16,009
Identifiable assets	¥309,534	¥290,056	¥65,617	¥665,207	¥68,950	¥734,157
Depreciation and amortization	9,697	1,741	1,371	12,809	(567)	12,242
Capital expenditures, including lease advances	9,875	1,534	940	12,349	(669)	11,680

Thousands of U.S. dollars						
Year ended March 31, 2005						
	Merchan- dising	Credit and Consumer Services	Other	Total	Corporate or Elimination	Consolidated
Operating revenues:						
Outside customers	\$4,057,402	\$646,925	\$493,935	\$5,198,262	\$ –	\$5,198,262
Inter-segment	–	–	450,747	450,747	(450,747)	–
Total	4,057,402	646,925	944,682	5,649,009	(450,747)	5,198,262
Operating expenses	3,903,972	478,392	896,383	5,278,747	(424,849)	4,853,898
Operating income	\$ 153,430	\$168,533	\$ 48,299	\$ 370,262	\$ (25,898)	\$ 344,364
Identifiable assets	\$2,782,682	\$2,855,411	\$540,458	\$6,178,551	\$481,683	\$6,660,234
Depreciation and amortization	138,897	22,776	21,084	182,757	(5,551)	177,206
Capital expenditures, including lease advances	202,187	29,084	43,196	274,467	8,449	282,916

16. SUBSEQUENT EVENT

The following appropriations of retained earnings were approved at the annual general meeting of the stockholders held on June 29, 2005:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥22=\$0.21 per share)	¥7,732	\$72,262
Bonuses to directors	80	748

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Marui Co., Ltd.

We have audited the accompanying consolidated balance sheets of Marui Co., Ltd. (a Japanese corporation) and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity and cash flows for the year ended March 31, 2005, and the periods ended March 31, 2004, and September 30, 2003, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marui Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the year ended March 31, 2005, and the periods ended March 31, 2004, and September 30, 2003, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the period ended March 31, 2005, are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & CO.

Tokyo, Japan
June 29, 2005