



BUSINESS REPORT 2008

For the year ended January 31, 2008

PROFILE

Yuteki Hayashi, a disciple of the renowned Japanese educator Yukichi Fukuzawa, founded Maruzen in 1869, as Japan was ushering in an age of modernization, to contribute to the nation's prosperity in commerce and trade. Since then, Maruzen has not only engaged in the importing of academic books from Europe and the US as a pioneer of introducing Western knowledge and culture to Japan, but by importing and popularizing all manner of high-end products, such as importing the fountain pen, the Burberry raincoat and the typewriter for the first time to Japan, it has gradually established the Maruzen brand.

Even today in the 21st century, through our network of 22 sales offices dedicated to university researchers and libraries, as well as around 50 retail outlets, we shall make every effort to contribute to the advancement of Japan's wealth of knowledge by "Lighting the ways to knowledge."

MARUZEN CORPORATE PHILOSOPHY

Maruzen's values

Pursuit of knowledge and trust in humankind

Ever since the company's inception, we at Maruzen have made choices that deepened the ties that bound them in their never-ending quest for knowledge, and we have sought an answer to the question: what is knowledge? To pursue the essence of knowledge is to study and understand the human condition. So much remains unknown about the human being; humankind has untold potential waiting to be unlocked, and our belief in humankind is the reason we are here.

Maruzen's mission

Maruzen. Lighting the ways to knowledge

As we see it, knowledge refers to knowing about the true substance of the world, of humankind, and of things. It is a collective endeavor by all people in order that they can live a more fulfilling life. "Lighting the ways to knowledge" refers to our mission to use knowledge to illuminate people's hearts and minds, and the paths they walk with the best knowledge of the age.

Maruzen's vision

We will go back to what makes Maruzen Maruzen

We aim to restore Maruzen to its former greatness. This does not mean we want to turn back time or that we are pining for the old days; it means we want Maruzen to recover the pioneering spirit and global outlook it used to have, and to rebuild the pride in the trust we earned from our customers. Our mission is a declaration of our determination to be a "new" Maruzen by going back to the future.

MESSAGE FROM THE PRESIDENT

I would like to express my sincere gratitude for the support that all of you have continued to give to our business.

Since taking office as President and Representative Director in April 2007, I have been implementing a management style that places importance on being on-site where we interact with clients, and that values employees who devote themselves to their work as they come face-to-face with customers on-site. I talked with many different people both within and outside the company through that process, which led me to reconfirm just how much we have to be proud of regarding the company's outstanding managerial resources. That is expressed in terms such as the relationship of trust that Maruzen has cultivated with its customers and business partners over its long history and its sincere and highly capable employees.

Having said that, I was also made painfully aware that despite possessing these outstanding resources, the company lacks the structures and systems needed to turn them into a profit.

Therefore, I made a decision to introduce "intellectual capital management" to the company.

Referring to such assets as employees' skills, relationships of trust with customers, the power of corporate brands and so forth, intellectual capital management is a management methodology which aims to create a structure that will bring profits and continuous growth for the company into the future, by further strengthening the aforementioned assets. In my view, intellectual capital management is an extremely important methodology and I wish to place it at the very heart of the company's management strategy.

In order to move forward with the strengthening of this intellectual capital, along with all company employees and board members, I first of all formulated a corporate philosophy, putting into words the ideas that have been passed down the ages as the company's 'DNA' since its inception. From there, we could then establish values – the cornerstone of the company and its employees – as well as the mission which it must fulfill through its business activities. Everyone at the company is now putting into practice the action principles that have been laid down in order to accomplish Maruzen's mission .



From this corporate philosophy, Maruzen established a business vision for each of its associated businesses as a target status in three years' time, elaborated an intellectual capital strengthening strategy to realize these visions, and formulated "Mid-term Business Plan 200th" which was announced on 21 March 2008. The details are explained on page6.

In addition, in August 2007, we signed a business and capital collaboration agreement with the Dai Nippon Printing Co., Ltd. (DNP), and have been considering the details of wide-ranging cooperation in each business area of the company. In so doing, due to the facts that (i) our corporate culture is similar to that of DNP, (ii) both companies firmly share the same mission, and (iii) the role-sharing has been clarified to promote businesses, we came to the view that DNP was the ideal partner for us. Then in August 2008, collaborative ties between the two companies were further strengthened, and Maruzen took the decision to carry out its mission as a member of the DNP Group.

As we look to the future, through the gradual implementation of its mid-term business plan, Maruzen will make every effort to create the foundation for continued growth, and we will work hard to meet all your expectations.

I would greatly appreciate your continued guidance and encouragement in the months and years ahead.

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form the name 'Takehiko Ogi'.

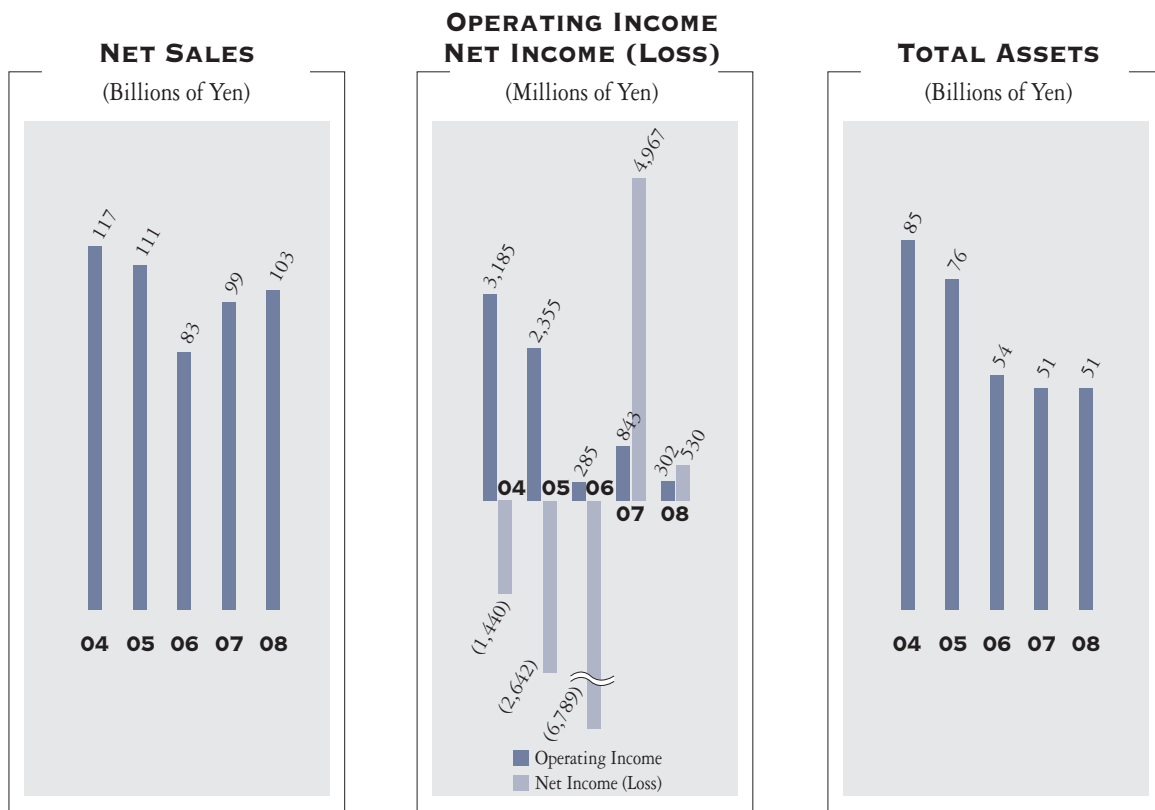
Takehiko Ogi
President

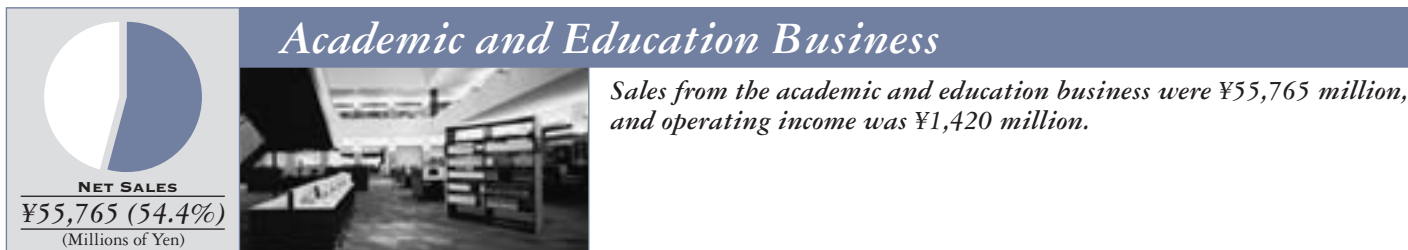
CONSOLIDATED FINANCIAL HIGHLIGHTS

Maruzen Co., Ltd. and Consolidated Subsidiaries
Year ended January 31, 2008, and 2007

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Net Sales	¥102,529	¥99,340	\$963,618
Operating Income	302	843	2,838
Net Income	530	4,967	4,981
Total Assets	50,960	50,866	478,947

Notes: 1. The U.S. dollar amounts represent translations at the rate of ¥106.40= US\$1, the approximate rate of exchange at January 31, 2008.
2. Net sales are a sum total of the Company's net sales plus income from building rent.



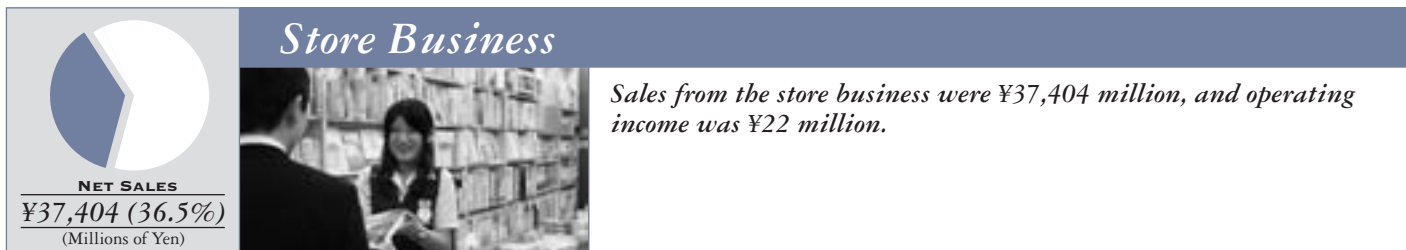


In the academic and education business, the product retail business centering on bookselling remains in a tough environment where higher education institutions, including universities and junior colleges which form our main customer base, have been reviewing their current expenditures as a response to under-enrolment resulting from the falling birth-rate. Meanwhile, those universities and junior colleges are looking to the future in implementing management and educational reforms, and there is increasing demand for the solutions business, which supports projects relating to the expansion of departments and changes to academic structures, as well as providing assistance for reform efforts in those areas.

Given this external environment, by providing consultations on university management and so forth, Maruzen is expanding its wide range of solution menus to deal with the challenges faced by universities. In the area of library management support, for example, we now have in a stronger company structures to respond to the ever increasing demands placed on libraries. As a result, the company was the domestic leader in the university library market in 2007, in terms of the number of commissions received. Moreover, in terms of university management reform and educational reform solutions to ensure student enrolment numbers, we are putting forward proposals to upgrade facilities and learning environments, with a view to creating universities that are attractive to prospective students. For example, there is the company's idea of providing shops on campus, operated by Maruzen, that could be called "the Third Place," and that would serve as a place for students to pass the time enjoyably when they are not attending lectures. In order to make this a reality, in January 2008 we reached a basic agreement with am/pm Japan Co., Ltd., a major player in the convenience store market, regarding the content of developing a new, hybrid-type store. More specifically, that content involves shops on campus, operated by Maruzen, selling books and stationery, combined with the convenience of an am/pm store and their style of operation, such as DVD rental, based on the business strategy they are pursuing. In April 2008, the first shop – the Yamanashi Gakuin Maruzen campus branch – opened for business, and we plan to expand this network, opening a series of stores in the months and years ahead.

Regarding our construction and facilities-related business, with a deep sense of regret concerning the disclosure in December 2006 of problems with accounting procedures, naturally we have strengthened our checking function in every area of operations, and this enhanced function is also incorporated in the management philosophy system laid down by the company, as well as in the corporate philosophy declared by President Ogi. With a determination never to let such a state of affairs come to pass again, we have strengthened internal control across the whole company.

REVIEW OF OPERATIONS BY BUSINESS SEGMENT



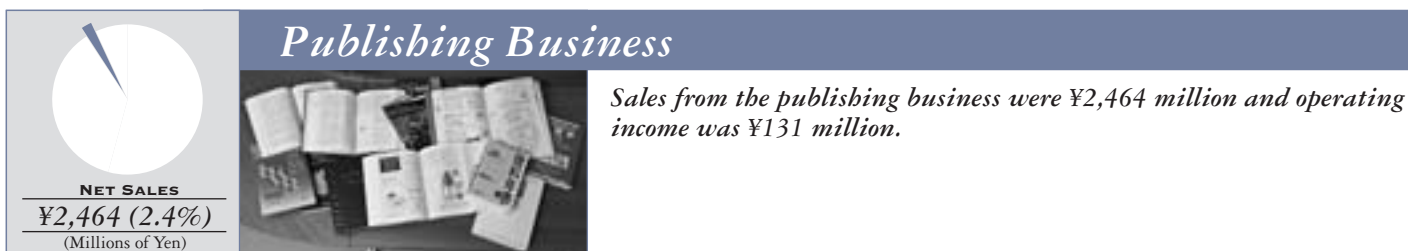
With the environment surrounding the store business remaining as tough as ever, the estimated sales amount of publications in 2007 for the industry as a whole was 96.9% year-on-year, representing the third straight year of declining sales. Magazines in particular experienced their tenth consecutive year of falling sales, and the market continues to shrink. Given this external environment, although there was a drop in sales from Maruzen's existing stores, with the effect of opening new branches, such as the Nihombashi Store, which re-opened in March 2007, and the LAZONA Kawasaki Store, which opened in autumn 2006, the company was able to record sales figures which surpassed those of the previous year.

In terms of other new store initiatives in 2007, we opened a highbrow select shop called MARUZEN CABINET, focusing mainly on stationery, within JR Tachikawa Station in Tachikawa City, Tokyo.

That is in addition to the Urawa Parco Store, a specialist stationery store based around the concept of writing, located inside the Parco department store in Saitama City, Saitama, right in front of JR Urawa Station.

However, the Nihombashi Store West Annex, which operated in the vicinity of the Nihombashi Store while the latter closed for refurbishment, closed in February 2007 ahead of the opening of the new, improved Nihombashi Store, and the Osaka Shinsaibashi Sogo Store closed down in July 2007 mainly due to difficulties it had attracting customers.

In terms of sales performance by the type of products, the most striking features of the year in the area of Japanese publications were a slump in magazine sales and cut-price products becoming bestsellers. In stationery, a cross-industrial collaborative project involving five companies, such as Maruzen and the Sailor Pen Co., Ltd., as well as the "Arita-yaki pottery," one of Japan's leading ceramic brands, resulted in the "Arita-yaki Fountain Pen," which attracted attention right across the media spectrum.



In the publishing business, overall sales of specialized science and technology books fell across the board, and even medical books, which had maintained sales growth in recent years, saw 2007 sales fall below

those of the previous year. Furthermore, the risk of published books being returned a few months later under the consignment sales system had a not inconsiderable effect on the company's balance sheet at fiscal year end. In view of these market environments, we carried out a fundamental review of the content and planning process that goes into new publications, as well as making efforts to reduce the risk of returns. As a result, the number of new publications for the term under review was smaller than that of the previous year. In terms of publishing performance, there were 103 titles that were planned in-house, 116 titles that were edited or compiled by influential Japanese institutes and so forth, and with 17 titles in the visual media sector. These results had a major impact on sales figures.

From next fiscal year onwards, we plan to boost our performance by establishing a more efficient planning and sales system.



In the Store Interior business, there is an increasing trend for existing bookshops, which make up our customer base, to develop stores that stock nearly-new books as well as hybrid stores that combine bookselling with other types of business. As a result, stores are emerging in new business categories, and there is now a great deal of activity among stores breaking into hitherto unrelated sectors. This new development not only expands business opportunities for our operations but also means that we are required to respond to the diversifying customer needs.

Maruzen has succeeded in strengthening links with major distributing agents in order to keep pace with customer trends as well as continuously enhancing the way it approaches priority customers with whom it needs to do business. The success of these efforts meant that the company was able to win contracts with major nationwide store chains.

Other business include the real estate leasing business which utilizes the company's own properties.

1. Formulation of Mid-term Business Plan

With the advancement of an ageing society combined with a falling birth-rate, and the emergence of the nouveau riche class, the structure of Japanese society these days is undergoing a major transformation. Furthermore, with the international competition environment expanding not just in an economic sense, but also in the sectors of academic research and education, great importance is now attached to evaluation and ranking based on global standards. In the midst of these major upheavals in the times, the needs of Maruzen's customers have also been rapidly changing.

The company regards this situation as an opportunity to review our raison d'être, our social mission, and our revenue base. For this reason, we formulated the “Mid-term Business Plan 200th” for the three-year period from the 200th to the 203rd term February 2008 through January 2011. Through that plan, we aim to establish an operating base that will allow for sustainable growth into the future by visualizing the intellectual capital to promote corporate growth, and, through the strengthening of this approach.

2. Business Review (Consolidated) over the Last Five Years

Looking back at business performance over the last five years shown in the graph on page 2, the company recognizes the following as its challenges:

- (1) Our primary revenue base is apparently weakening.
- (2) Current costs are on an upward trend, due to the rebound effect of cost reduction.
- (3) Since there is also a social obligation to set up internal control structures, based on our deep regret over problems with accounting procedures which came to light in December 2006, we must strengthen our efforts in that regard.

3. Basic Principles of the Mid-term Business Plan

In order to respond to the challenges outlined above, we have formulated a mid-term business plan, with the following as its three basic principles.

- (1) Establishment of a mid-to-long term revenue base through intellectual capital management
- (2) Strengthening of cost management structures through business system reform and changing of staff consciousness
- (3) Establishment of appropriate and effective internal control structures

Based on the visions that we have set for each individual area of our business, we will give shape to these basic principles in terms of individual strategies, and by putting them into effect we shall lay the foundations that will allow for sustainable growth. Moreover, we shall have achieved three years from now the company-wide vision establishing the view both within and outside the company that “Maruzen has changed.” Three-year target status, and our corporate philosophy can be seen on page 1.

4. Strategies for Individual Businesses

(1) Academic and Education Business Division

1. Our vision for the academic and education business division

We will build up a relationship of trust with our customers by going back to Maruzen's original business practice with its personal appeal and wealth of knowledge. Moreover, with the creation of our innovative solutions service, which surpasses the old Maruzen, we will rebuild the Maruzen brand.

2. Target figures

(Millions of yen)

Academic & Education Business Division	Actual sales performance	Sales targets		
	Year ended 31 Jan. 2008	Year ending 31 Jan. 2009	Year ending 31 Jan. 2010	Year ending 31 Jan. 2011
	553	575	600	621

(2) Store Division

1. Our vision for the store division

By seeing things from the customers' perspective better than anyone else, being knowledgeable about our products and perfecting our sales methods, we will create stores and services that are always at the cutting-edge of the times. Held in high esteem by our customers, we shall recover the pride that comes from a long-established business.

2. Target figures

(Millions of yen)

Store Division	Actual sales performance	Sales targets		
	Year ended 31 Jan. 2008	Year ending 31 Jan. 2009	Year ending 31 Jan. 2010	Year ending 31 Jan. 2011
	359	366	357	356

(3) Publishing Division

1. Our vision for the publishing division

With an established business domain based on a thorough analysis of market characteristics and the competition, carried out sector by sector, the person in charge of each sector will, along with the sales representative, will constantly monitor authors, readers and the situation regarding sales. As a result, Maruzen will continuously provide books and visual media which satisfy readers' needs and which are unique to our stores.

2. Target figures

(Millions of yen)

Publishing Division	Actual sales performance	Sales targets		
	Year ended 31 Jan. 2008	Year ending 31 Jan. 2009	Year ending 31 Jan. 2010	Year ending 31 Jan. 2011
	24	27	28	32

(4) Shop System Division

1. Our vision for the shop system division

- To be the number one in terms of both the quality of our work and sales performance, in bookshop and other associated commercial retail outlet interiors
- By assuming responsibility for managing stores ourselves, we will acquire a more adequate store management method, and be able to offer consulting services drawing on our wealth of knowledge of the bookstore industry
- To be an indispensable part of the bookstore industry, adopting a central, supporting role in the revitalization of that industry

2. Target figures

(Millions of yen)

Shop System Division	Actual sales performance	Sales targets		
	Year ended 31 Jan. 2008	Year ending 31 Jan. 2009	Year ending 31 Jan. 2010	Year ending 31 Jan. 2011
	69	65	69	72

5. Company-wide Revenue Plan

Maruzen's mid-term business plan is one which gives top priority to the establishment of an operating base, and this entails business system changes and advance expenditure required to ensure sound internal control structures. Therefore, for the time being, we have set a target of achieving an operating margin of 1%, and aim to achieve consolidated sales of ¥110 billion and consolidated operating income of ¥1,070 million in the fiscal year ending 31 January 2011.

(Consolidated)

(Millions of yen)

(Millions of yen)	Year ended 31 Jan. 2008		Year ending 31 Jan. 2009		Year ending 31 Jan. 2010		Year ending 31 Jan. 2011	
	(199th term)		(200th term)		(201st term)		(202nd term)	
	Actual performance	Year-on-year change	Target	Year-on-year change	Target	Year-on-year change	Target	Year-on-year change
Net sales	102,529	103.2%	105,000	102.4%	107,000	101.9%	110,000	102.8%
Operating income	302	35.9%	620	204.7%	870	140.3%	1,070	123.0%
Ratio of operating income to net sales	0.3%	—	0.6%	—	0.8%	—	1.0%	—
Current income	445	96.6%	170	38.2%	390	229.4%	520	133.3%
Ratio of current income to net sales	0.4%	—	0.2%	—	0.4%	—	0.5%	—

CONSOLIDATED BALANCE SHEETS (UN-AUDITED)

January 31, 2008 and 2007

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
CURRENT ASSETS:			
Cash and bank deposits (Note 3)	¥ 8,603	¥ 7,647	\$ 80,855
Notes and accounts receivable	14,257	14,653	133,994
Inventories	17,079	17,252	160,517
Deferred tax assets (Note 6)	278	500	2,613
Others	704	669	6,617
Allowance for doubtful accounts	(95)	(41)	(893)
Total current assets	40,827	40,681	383,712
PROPERTY, PLANT AND EQUIPMENT, NET:			
Land	1,341	1,344	12,603
Buildings and structures	2,548	2,699	23,947
Tools, furniture and fixture	176	169	1,654
Others	52	47	489
Net property, plant and equipment	4,119	4,261	38,712
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	957	1,008	8,994
Long-term loans receivable	1,168	1,232	10,977
Lease deposits and guarantee deposits	4,152	4,322	39,023
Others	3,574	3,121	33,590
Allowance for doubtful accounts	(3,839)	(3,761)	(36,081)
Total investments and other assets	6,012	5,923	56,504
TOTAL	¥50,960	¥50,866	\$478,947

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
CURRENT LIABILITIES:			
Short-term borrowings (Note 5)	¥19,500	¥18,670	\$183,271
Notes and accounts payable	15,938	15,446	149,793
Income taxes payable	118	142	1,109
Allowance for returned goods	104	143	977
Accrued bonuses	152	202	1,429
Allowance for point cards	228	264	2,143
Others	2,811	2,925	26,419
Total current liabilities	38,852	37,794	365,150
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 7)	2,632	2,568	24,737
Others	937	1,322	8,806
Total long-term liabilities	3,570	3,892	33,553
COMMITMENT AND CONTINGENT LIABILITIES (Note 14)			
NET ASSETS:			
Capital—			
authorized, 300,000,000 shares;			
issued and outstanding, 108,229,070 shares in 2008			
(108,236,480 shares in 2007)	2,000	2,000	18,797
Capital surplus	3,092	4,134	29,060
Earned surplus	3,456	2,926	32,481
Treasury stock	(60)	(55)	(564)
Total shareholders' equity (Note 8)	8,487	9,005	79,765
Unrealized gain on available-for-sale securities (Note 4)	49	174	461
Total net assets	8,537	9,179	80,235
TOTAL	¥50,960	¥50,866	\$478,947

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS (UN-AUDITED)

Years ended January 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES	¥102,529	¥99,340	\$963,618
COST OF SALES	79,277	76,434	745,085
Gross profit	23,251	22,905	218,524
Selling, general and administrative expenses	22,948	22,062	215,677
Operating income	302	843	2,838
OTHER INCOME (EXPENSES):			
Interest and dividends income	14	30	132
Gain on sales of investment securities	4	5,332	38
Gain on sales of property, plant and equipment	7	34	66
Foreign exchange gain	363	—	3,412
Gain on settlement of the lawsuit of Princeton bonds	841	—	7,904
Interest expense	(311)	(332)	(2,923)
Loss on disposal of property, plant and equipment	(15)	(56)	(141)
Loss on withdrawal of stores	(144)	—	(1,353)
Equity in earnings of an affiliate under equity method	146	(55)	1,372
Reversal of restructuring charges	—	361	—
Loss on impairment of fixed assets (Note 10)	(358)	(933)	(3,365)
Others, net	(21)	(187)	(197)
Other income (expenses) —net	526	4,194	4,944
INCOME BEFORE INCOME TAXES	829	5,036	7,791
INCOME TAXES (Note 6)			
Current	77	69	724
Deferred	222	0	2,086
Total income taxes	299	69	2,810
NET INCOME	¥ 530	¥ 4,967	\$ 4,981

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UN-AUDITED)

Years ended January 31, 2008 and 2007

	Millions of Yen							
	Outstanding Number of Shares	Capital	Capital Surplus	Earned Surplus	Treasury Stock	Total Shareholders' Equity	Unrealized gain on Available- for-sale Securities	Total Net Assets
BALANCE, JANUARY 31, 2006	108,236,480	¥ 5,503	¥15,142	¥(16,551)	¥(51)	¥ 4,042	¥216	¥ 4,259
Net income				4,967		4,967		4,967
Capital reduction		(3,503)	3,503					
Increase in treasury stock					(4)	(4)		(4)
Transfer from capital surplus to earned surplus			(14,510)	14,510				
Net changes of items other than shareholders' equity							(41)	(41)
BALANCE, JANUARY 31, 2007	108,236,480	2,000	4,134	2,926	(55)	9,005	174	9,179
Net income				530		530		530
Retirement of preferred shares	(7,410)							
Increase in treasury stock					(1,047)	(1,047)		(1,047)
Disposal of treasury stock			(1,042)		1,042			
Net changes of items other than shareholders' equity							(125)	(125)
BALANCE, JANUARY 31, 2008	108,229,070	¥ 2,000	¥ 3,092	¥ 3,456	¥(60)	¥ 8,487	¥ 49	¥ 8,537

	Thousands of U.S. Dollars (Note 1)							
	Outstanding Number of Shares	Capital	Capital Surplus	Earned Surplus	Treasury Stock	Total Shareholders' Equity	Unrealized gain on Available- for-sale Securities	Total Net Assets
BALANCE, JANUARY 31, 2007	108,236,480	\$18,797	\$ 38,853	\$ 27,500	\$(517)	\$84,633	\$1,635	\$86,269
Net income				4,981		4,981		4,981
Retirement of preferred shares	(7,410)							
Increase in treasury stock					(9,840)	(9,840)		(9,840)
Disposal of treasury stock			(9,793)		9,793			
Net changes of items other than shareholders' equity							(1,175)	(1,175)
BALANCE, JANUARY 31, 2008	108,229,070	\$18,797	\$ 29,060	\$ 32,481	\$(564)	\$79,765	\$ 461	\$80,235

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UN-AUDITED)

Years ended January 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes	¥ 829	¥5,036	\$ 7,791
Adjustment for:			
Depreciation and amortization	469	462	4,408
Loss on impairment of fixed assets	358	933	3,365
Provision for allowance for doubtful accounts	132	(585)	1,241
Accrued bonuses	(49)	34	(461)
Allowance for point cards	—	264	—
Interest and dividends income	(15)	(30)	(141)
Interest expense	311	332	2,923
Equity in earnings of an affiliate under equity method	(146)	55	(1,372)
Gain on sales of property, plant and equipment	(7)	(33)	(66)
Loss on disposal of property, plant and equipment	4	42	38
Gain on sales of investment securities	(4)	(5,332)	(38)
Reversal of restructuring charges	—	(361)	—
Gain on settlement of the lawsuit of Princeton bonds	(841)	—	(7,904)
Decrease in notes and accounts receivable	327	83	3,073
Decrease (increase) in inventories	173	(310)	1,626
Decrease (increase) in other current assets	(64)	227	(602)
Increase (decrease) in notes and accounts payable	491	(672)	4,615
Increase (decrease) in consumption taxes payable, etc.	117	(35)	1,100
Increase (decrease) in other current liabilities	(284)	12	(2,669)
Other—net	(308)	(19)	(2,895)
Sub—total	1,492	103	14,023
Interest and dividends received	21	34	197
Interest paid	(490)	(697)	(4,605)
Payment of income taxes	(77)	(55)	(724)
Other—net	—	(570)	—
Net cash provided by (used in) operating activities	946	(1,183)	8,891
INVESTING ACTIVITIES:			
Purchases of property and equipment	(408)	(505)	(3,835)
Proceeds from sales of property, plant and equipment	10	523	94
Purchases of intangible assets	(472)	(116)	(4,436)
Purchases of investment securities	—	(1)	—
Proceeds from sales of investment securities	29	6,437	273
Proceeds from collection of long-term loans receivable	—	(11)	—
Increase in long-term loans receivable	52	23	489
Increase in lease deposits and guarantee deposits	(18)	(878)	(169)
Proceeds from repayment of lease deposits and guarantee deposits	175	904	1,645
Proceeds from settlement of the lawsuit of Princeton bonds	841	—	7,904
(Increase) decrease in other assets	(2)	199	(19)
Net cash provided by investing activities	207	6,575	1,945
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	830	1,170	7,801
Repayment of long-term debts	—	(7,513)	—
Purchase of treasury stock	(1,047)	—	(9,840)
Other—net	—	(4)	—
Net cash used in financing activities	(217)	(6,347)	(2,039)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	41	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	936	(914)	8,797
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,647	8,562	71,870
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 3)	¥8,583	¥7,647	\$80,667

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

Years Ended January 31, 2008 and 2007

NOTE : 1

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Maruzen Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies") have been compiled from the consolidated financial statements prepared by the Company as required by the Japanese Financial Instruments and Exchange Law (formerly, the Securities and Exchange Law) and are prepared on the basis of accounting principles and practices generally accepted and applied in Japan, which are different, in certain respects, from the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥ 106.40 to \$1, the approximate rate of exchange at January 31, 2008. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

NOTE : 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF CONSOLIDATION—The accompanying consolidated financial statements include the accounts of the Company and its 6 significant companies controlled directly or indirectly by the Company.

Investment in an affiliate (a company over which the Company has the ability to exercise significant influence) is accounted for under the equity method

Investments in three unconsolidated subsidiaries including Maruzen International Co., Ltd. and other two subsidiaries and other three affiliates are not accounted for under the equity method, but stated at cost, since the impact on the consolidated assets, net income and earned surplus is considered to be immaterial.

Three consolidated subsidiaries close their accounts at December 31, but in preparing the accompanying consolidated financial statements, the accounts as of December 31 are used. Significant transactions executed between such fiscal closing dates and January 31 are adjusted as necessary for consolidation, while Kyocera Maruzen System Integration Co., Ltd., an affiliate, prepared provisional accounts at January 31, 2008 and 2007.

All inter-company transactions and account balances have been eliminated. The excess of costs of the Company's investments in subsidiaries over its equity in the fair value of net assets at dates of acquisition was equally amortized over five years, except for minor amounts being charged to income when incurred.

B. CASH AND CASH EQUIVALENTS—In preparing the accompanying consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily available deposits in banks and short-term investments, which are readily convertible into cash and have very little risk of change in value with original maturities of three months or less.

C. INVENTORIES—Inventories are valued at cost as determined by the following methods:
Merchandise and finished goods:

Generally stated using the retail method. Most recent purchase price method or specific identification method is applied to certain merchandise and finished goods.

Work in process:

Specific identification method

Raw materials:

Most recent purchase price method

Supplies:

Most recent purchase price method

D. SECURITIES—Under the Japanese accounting standard for financial instruments, the Companies are required to examine the purpose of holding each security and classify those securities into trading securities, held-to-maturity securities, equity securities issued by subsidiaries and affiliated companies and available-for-sale securities. However, all the securities held by the Companies, except for investment in unconsolidated subsidiaries and affiliates, are classified as available-for-sale securities.

Available-for-sale securities are reported at fair value, with unrealized gain or losses, net of applicable taxes, reported in a separate component of net assets in the balance sheets.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method, except for investment in limited liability partnerships which are accounted for under the equity method based on the latest available financial information. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

Investment in unconsolidated subsidiaries and affiliates, except for an affiliate described at above note 2 "A. Basis of Consolidation", are stated at cost determined by the moving-average method.

The cost of securities sold is principally determined based on the moving-average method.

E. ALLOWANCE FOR DOUBTFUL ACCOUNTS—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

F. ALLOWANCE FOR RETURNED GOODS—The allowance for returned goods is recorded based on the past experience of returned goods to provide for the future loss resulting from future return of books and other publications.

G. ALLOWANCE FOR POINT CARDS—The allowance for point cards is recorded based on the reasonable estimation of the future usage of the points and shopping coupons issued to the customers.

H. PROPERTY, PLANT AND EQUIPMENT—Property, plant and equipment are stated at cost. Significant renewals and additions are capitalized; maintenance, repairs, minor renewals and improvements are charged to income when incurred.

Depreciation of property, plant and equipment is computed by the declining-balance method, while the straight-line method is applied to buildings acquired on or after April 1, 1998, at rates based on the estimated useful lives of the assets. The estimated useful lives of the major assets range as follows:

Buildings and structures	2-50 years
Tools, furniture and fixtures	2-20 years

Accumulated depreciation at January 31, 2008 and 2007, were ¥5,536 million (\$52,030 thousand) and ¥5,286 million, respectively.

Effective from the year ended January 31, 2008, pursuant to an amendment to the Corporate Tax Law, the Company and its subsidiaries have depreciated tangible fixed assets acquired on or after April 1, 2007 in accordance with the method stipulated in the amended Corporate Tax Law. The effect of the change on the income is immaterial.

I. SOFTWARE—Software development costs for internal use are deferred at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives (5 years).

J. INCOME TAXES—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax base of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets where it is considered more likely than not that they will not be realized.

K. EMPLOYEES' RETIREMENT BENEFITS—The Company and its consolidated subsidiaries have lump-sum retirement benefit plans which are internally funded based on the retirement benefit rule. In addition, certain consolidated subsidiaries participate in mutual retirement benefit plans and the Company has introduced a tax qualified retirement pension plan for the eligible employees who meet certain requirements. Under the terms of the plan, employees who retire at or after the age of 50 with over 20 years of service are entitled to approximately 60% of their benefits in the form of an annuity. The funds for the annuity payments are entrusted to outside trustees.

Pursuant to the Japanese accounting standard for employees' retirement benefits, the Companies recorded the liability for retirement benefits as of January 31, 2008 and 2007 based on projected benefit obligations and the fair value of the plan assets at those dates. The transitional obligation resulting from the change in the accounting

standard as of April 1, 2000 is being amortized over 15 years and the annual amortization is presented as cost of sales and selling, general and administrative expenses in the accompanying consolidated statements of operations. The actuarial loss is to be charged to expenses in equal amounts over 10 years within the average of the estimated remaining service years when incurred, commencing with the following fiscal period.

L. DERIVATIVES AND HEDGING ACTIVITIES—The Company and its consolidated subsidiaries use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and interest rate option agreements are utilized by the Companies to reduce foreign exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

The accounting standard for derivative financial instruments and the accounting standard for foreign currency transaction require that: (a) all derivatives be recognized at either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the accompanying consolidated statements of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts employed to hedge foreign exchange exposures for import purchases are measured at the fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps and interest rate option agreements are utilized to hedge interest rate exposures of long-term debt. These swaps and option agreements which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets.

M. TRANSLATION OF FOREIGN CURRENCY ACCOUNTS—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the accompanying consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

N. APPROPRIATIONS OF RETAINED EARNINGS—Appropriations of retained earnings at each consolidation year-end are reflected in the consolidated financial statements in the fiscal year after shareholders' approval has been obtained.

O. RESEARCH AND DEVELOPMENT COSTS—Research and development costs are charged to income when incurred.

P. LEASES—All leases are accounted for as operating leases. Under the Japanese accounting standard for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

Q. IMPAIRMENT OF FIXED ASSETS—The Company and its consolidated subsidiaries review their fixed assets for impairment whenever events or changes in circumstances indicate the book value of an asset or asset group exceeds the sum of the undiscounted future cash

flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the book value of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

R. PER SHARE INFORMATION—The computation of consolidated net income per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 107,922 thousand and 107,950 thousand shares for the years ended January 31, 2008 and 2007, respectively.

NOTE : 3

CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated statements of cash flows include cash on hand, readily available deposits in banks and short-term investments, which are readily convertible into cash and have very little risk of change in value with original maturities of three months or less. The reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows at January 31, 2008 and 2007 is as follows:

	Millions of yen		Thousands of U.S. Dollars
	2008	2007	2008
Cash and bank deposits	¥8,603	¥7,647	\$80,855
Time deposits maturing over 3 months	(20)	—	(188)
Cash and cash equivalents	¥8,583	¥7,647	\$80,667

NOTE : 4

INVESTMENT SECURITIES

Investment securities at January 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2008	2007	2008
Marketable equity securities	¥ 206	¥ 417	\$1,936
Investment in unconsolidated subsidiaries and affiliates	633	440	5,949
Others	116	148	1,090
Total	¥ 957	¥1,008	\$8,994

The carrying amounts and aggregate fair values of investment securities at January 31, 2008 and 2007 were as follows:

January 31, 2008	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as available-for-sale:				
Equity securities	¥126	¥81	¥(0)	¥206

January 31, 2008	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as available-for-sale:				
Equity securities	\$1,184	\$761	\$(0)	\$1,936

January 31, 2007	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as available-for-sale:				
Equity securities	¥126	¥291	¥(0)	¥417

The unrealized gains on available-for-sale securities are recorded at net of taxes under net assets in the consolidated balance sheets.

Available-for-sale securities whose fair value is not readily determinable at January 31, 2008 and 2007 were as follows:

	Carrying Amounts		
	Millions of yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities	¥ 98	¥106	\$ 921
Others	18	42	169
Total	¥116	¥148	\$1,090

Proceeds from sales of available-for-sale securities for years ended January 31, 2008 and 2007 were ¥9 million (\$85 thousand) and ¥6,437 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥4 million (\$38 thousand) and nil, respectively, for the year ended January 31, 2008, and ¥5,332 million and nil, respectively, for the year ended January 31, 2007.

NOTE : 5

SHORT-TERM BORROWINGS

Short-term borrowings from banks bear interest at average interest rate of 1.646% per annum during the year ended January 31, 2008.

The Company entered into the commitment line agreements aggregating to ¥22,500 million (\$211,466 thousand) with certain financial institutions at January 31, 2008 and 2007, respectively. The lines were used by ¥19,500 million (\$183,271 thousand) and ¥18,670 million as short-term borrowings at January 31, 2008 and 2007, respectively and the remaining balances were ¥3,000 million (\$28,195 thousand) and ¥3,830 million, at January 31, 2008 and 2007, respectively.

The buildings and structures in the amount of ¥1,223 million (\$11,494 thousand) and ¥1,301 million and land in the amount of ¥1,341 million (\$12,603 thousand) and ¥1,344 million were pledged as collateral against the aggregated amount of the commitment lines at January 31, 2008 and 2007, respectively.

As is customary in Japan, the Companies maintain deposit balances with banks with which they have borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal. General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Companies have never been requested to provide any additional collateral.

NOTE : 6
INCOME TAXES

The Companies are subject to Japanese national and local income taxes. The local taxes are assessed on the taxable income base and external indices consisting of value added base and capital base and the local taxes determined based on the external indices are included in "Selling, general and administrative expenses" in the accompanying consolidated statements of income.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at January 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets-current:			
Accrued employee's bonuses	¥ 60	¥ 80	\$ 564
Accrued enterprise tax and business place tax	36	46	338
Inventories	204	120	1,917
Tax loss carryforwards	—	85	—
Other	195	234	1,833
Sub-total	497	568	4,671
Valuation allowance	(219)	(68)	(2,058)
Deferred tax assets-current	¥ 278	¥ 500	\$ 2,613
Deferred tax assets-non-current:			
Allowance for doubtful accounts	¥ 1,040	¥ 1,416	\$ 9,774
Liability for retirement benefits	1,044	1,023	9,812
Investment in securities	186	108	1,748
Tax loss carryforwards	8,880	9,078	83,459
Loss on impairment	843	803	7,923
Other	697	303	6,551
Sub-total	12,692	12,735	119,286
Valuation allowance	(12,692)	(12,735)	(119,286)
Deferred tax assets-non-current	¥ —	¥ —	\$ —
Deferred tax liabilities-non-current:			
Unrealized gain on available-for-sale securities	¥ 32	¥ 116	\$ 301
Deferred tax liabilities-non-current	¥ 32	¥ 116	\$ 301

A reconciliation between the normal effective statutory tax rate for the years ended January 31, 2008 and 2007 and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2008	2007
Normal effective statutory tax rate	40.0%	40.0%
Valuation allowance	(4.5)	(42.3)
Unrealized gain	(2.3)	(0.3)
Equity in earnings of an affiliate under equity method	(9.2)	0.5
Taxation on per capita basis	9.2	1.5
Expenses not deductible for income tax purpose	2.5	0.3
Other	0.4	1.7
Total	36.1%	1.4%

NOTE : 7**EMPLOYEES' RETIREMENT BENEFITS**

Employees whose service with the Companies is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

The liability for employees' retirement benefits at January 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥(5,852)	¥(6,155)	\$ (55,000)
Fair value of plan assets	1,204	1,330	11,316
Unfunded retirement benefit obligation	(4,648)	(4,824)	(43,684)
Unrecognized transitional obligation	1,623	1,860	15,254
Unrecognized actuarial loss	401	400	3,769
Net liability	¥(2,623)	¥(2,562)	\$ (24,652)

The components of net periodic benefit cost are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥257	¥261	\$2,415
Interest cost	108	112	1,015
Expected return on plan assets	(27)	(27)	(254)
Amortization of transitional obligation	237	237	2,227
Recognized actuarial loss	82	117	771
Net periodic benefit cost	¥658	¥701	\$6,184

Assumptions used for the years ended January 31, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	1.8%	1.8%
Expected rate of return on plan assets	2.1%	2.1%
Amortization period of transitional obligation	15 years	15 years
Recognition period of actuarial gain/loss	10 years	10 years

NOTE : 8**SHAREHOLDERS' EQUITY**

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code came into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and earned surplus (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and legal reserve equals 25% of the stated capital. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The above-mentioned legal reserve is included in earned surplus in the accompanying consolidated balance sheets.

In accordance with the approval by the general shareholders' meeting held on April 27, 2006, the

Company reduced its capital reserve amounting to ¥4,371 million and transferred from capital surplus to earned surplus in the amount of ¥14,510 million to make up for the accumulated loss for the year ended January 31, 2007.

In addition, the Company reduced its capital from ¥5,503 million to ¥2,000 million and increased capital surplus in the same amount for the year ended January 31, 2007 for the purpose of securing the proactive capital policy as well as providing for the future redemption of preferred shares.

TREASURY STOCK—The numbers of treasury stock owned by the Companies were 254,165 and 224,570 common shares at January 31, 2008 and 2007, respectively.

NOTE : 9
LEASES

The Companies lease certain machinery, computer equipment, office space and other assets.

As a lessee:

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the year ended January 31, 2008 and 2007 was as follows:

Millions of Yen			
Year ended January 31, 2008	Furniture and Fixtures	Software	Total
Acquisition cost	¥2,384	¥335	¥2,720
Accumulated depreciation	1,019	89	1,108
Accumulated loss on impairment	253	—	253
Net leased property	¥1,112	¥246	¥1,358

Obligations under finance leases at January 31, 2008:

Millions of Yen	
Due within one year	¥ 433
Due after one year	1,206
Total	¥1,640

Thousands of U.S. Dollars			
Year ended January 31, 2008	Furniture and Fixtures	Software	Total
Acquisition cost	\$22,406	\$3,148	\$25,564
Accumulated depreciation	9,577	836	10,414
Accumulated loss on impairment	2,378	—	2,378
Net leased property	\$10,451	\$2,312	\$12,763

Obligations under finance leases at January 31, 2008:

Thousands of U.S. Dollars	
Due within one year	\$ 4,070
Due after one year	11,335
Total	\$15,414

Millions of Yen			
Year ended January 31, 2007	Furniture and Fixtures	Software	Total
Acquisition cost	¥1,942	¥90	¥2,033
Accumulated depreciation	652	57	710
Accumulated loss on impairment	156	—	156
Net leased property	¥1,133	¥32	¥1,166

Obligations under finance leases at January 31, 2007:

Millions of Yen	
Due within one year	¥ 347
Due after one year	1,000
Total	¥1,347

Lease payment, reversal of accumulated loss on impairment, depreciation expense, interest expense and loss on impairment under finance leases for the years ended January 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Lease payment	¥482	¥391	\$4,530
Reversal of accumulated loss on impairment	90	106	846
Depreciation expense	446	363	4,192
Interest expense	46	35	432
Loss on impairment	186	141	1,748

Calculation method for depreciation expense:

Depreciation expense is computed by the straight-line method over the respective lease periods assuming a nil residual value.

Calculation method for interest expense:

The excess of total lease payments over acquisition cost equivalents is regarded as amounts representing interest payable equivalents and is allocated to each period using the interest method.

Future lease payments under operating leases at January 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 1,582	¥ 1,707	\$ 14,868
Due after one year	13,176	14,771	123,835
Total	¥14,758	¥16,479	\$138,703

NOTE : 10

LOSS ON IMPAIRMENT

In accordance with the new accounting standard for impairment of fixed assets as discussed in the note 2 Q, the Group recorded loss on impairment amounting to ¥358 million (\$3,365 thousand) and ¥933 million for the years ended January 31, 2008 and 2007, respectively.

The above loss on impairment consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Buildings and structures	¥169	¥515	\$1,588
Tools, furniture and fixture	1	6	9
Land	—	268	—
Leased assets	186	141	1,748
Total	¥358	¥933	\$3,365

The Companies classified the assets by locations based on the owned or rented buildings and shops as minimum cash generating units generally independent from cash flows from other assets or asset group.

For those assets which were recognized to have an indication of impairment and became subject to the test of impairment because the fair market value has significantly declined against the book value or performance resulting from operating activities continue to be negative, the Companies wrote down the book value to the recoverable value and recorded a loss on impairment as shown in the above table. In computing the recoverable value of the asset group, when they are measured at net realizable value, the recoverable value of land and buildings is calculated by the appraisal value based on the appraisal standard for real estate by the real estate appraiser and tax base value and when they are measured at use value, it is computed discounting future estimated cash flows with a discount rate of 4% and 5% for the years ended January 31, 2008 and 2007, respectively.

NOTE : 11
DERIVATIVES

The Companies employ derivative financial instruments ("derivatives"), including foreign exchange forward contracts, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also employ interest rate swaps and interest rate option agreements as a means of managing their interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures arising in the course of the Companies' businesses. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Companies do not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Net unrealized gain or loss on derivative financial instruments which require to be stated at fair value at January 31, 2008 and 2007 were as follows:

January 31, 2008	Millions of Yen			Thousands of U.S. Dollars
OTC	Contractual amount	Fair value	Net unrealized gain (loss)	Net unrealized gain (loss)
Interest rate swap agreements:	¥17,400	¥(236)	¥(236)	\$(2,218)

January 31, 2007	Millions of Yen		
OTC	Contractual amount	Fair value	Net unrealized gain (loss)
Forward foreign exchange contracts:			
Long positions:			
US\$	¥ 295	¥ 311	¥ 15
GBP	71	78	6
EURO	147	157	10
Total	¥ 514	¥ 547	¥ 32
Interest rate swap agreements:	¥19,400	¥(393)	¥(393)
Interest rate option:			
Long positions:			
Caps	¥ 200	—	—

* Derivative financial instruments that qualify for hedge accounting are excluded from the above table

NOTE : 12
PER SHARE INFORMATION

Net assets per share at January 31, 2008 and 2007 and net income per share for the years ended January 31, 2008 and 2007 are as follows:

	Yen		U.S. Dollar
	2008	2007	2008
Net assets per share	¥ (7.45)	¥(7.66)	\$(0.07)
Net income – basic	1.81	46.01	0.02
– diluted	—	27.28	—

In accordance with the accounting standard for earnings per share, basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock during the year.

NOTE : 13
SEGMENT INFORMATION

The Companies' operating segment information for the years ended January 31, 2008 and 2007 were as follows:

Millions of Yen							
Year ended January 31, 2008	Academic & Education Business	Store Business	Publishing Business	Store Interior & Other Business	Total	Elimination or Corporate	Consolidated
I. Sales and operating income							
Outside customers	¥ 55,765	¥ 37,404	¥ 2,464	¥ 6,894	¥ 102,529	¥ —	¥ 102,529
Inter-segment	1,002	280	714	454	2,451	(2,451)	—
Total	56,767	37,684	3,178	7,349	104,980	(2,451)	102,529
Operating expenses	55,347	37,662	3,046	6,661	102,718	(491)	102,226
Operating income	¥ 1,420	¥ 22	¥ 131	¥ 687	¥ 2,262	¥ (1,959)	¥ 302
II. Assets, depreciation and capital expenditure							
Assets	¥ 18,624	¥ 14,244	¥ 3,151	¥ 4,398	¥ 40,418	¥ 10,542	¥ 50,960
Depreciation	70	274	4	87	437	31	469
Loss on impairment	—	358	—	—	358	—	358
Capital expenditure	248	388	2	26	665	207	873

Thousands of U.S. Dollars							
Year ended January 31, 2008	Academic & Education Business	Store Business	Publishing Business	Store Interior & Other Business	Total	Elimination or Corporate	Consolidated
I. Sales and operating income							
Outside customers	\$ 524,107	\$ 351,541	\$ 23,158	\$ 64,793	\$ 963,618	\$ —	\$ 963,618
Inter-segment	9,417	2,632	6,711	4,267	23,036	(23,036)	—
Total	533,524	354,173	29,868	69,070	986,654	(23,036)	963,618
Operating expenses	520,179	353,966	28,628	62,603	965,395	(4,615)	960,771
Operating income	\$ 13,346	\$ 207	\$ 1,231	\$ 6,457	\$ 21,259	\$ (18,412)	\$ 2,838
II. Assets, depreciation and capital expenditure							
Assets	\$ 175,038	\$ 133,872	\$ 29,615	\$ 41,335	\$ 379,868	\$ 99,079	\$ 478,947
Depreciation	658	2,575	38	818	4,107	291	4,408
Loss on impairment	—	3,365	—	—	3,365	—	3,365
Capital expenditure	2,331	3,647	19	244	6,250	1,945	8,205

Millions of Yen							
Year ended January 31, 2007	Academic & Education Business	Store Business	Publishing Business	Store Interior & Other Business	Total	Elimination or Corporate	Consolidated
I. Sales and operating income							
Outside customers	¥ 53,616	¥ 36,298	¥ 2,807	¥ 6,618	¥ 99,340	¥ —	¥ 99,340
Inter-segment	876	403	895	478	2,655	(2,655)	—
Total	54,492	36,702	3,702	7,097	101,995	(2,655)	99,340
Operating expenses	53,048	36,777	3,178	6,465	99,469	(972)	98,497
Operating income (loss)	¥ 1,444	¥ (74)	¥ 524	¥ 631	¥ 2,525	¥ (1,682)	¥ 843
II. Assets, depreciation and capital expenditure							
Assets	¥ 19,290	¥ 13,824	¥ 3,633	¥ 4,504	¥ 41,252	¥ 9,613	¥ 50,866
Depreciation	61	275	2	108	448	14	462
Loss on impairment	—	915	—	18	933	—	933
Capital expenditure	75	436	0	48	560	60	621

NOTE : 14**COMMITMENTS AND CONTINGENT LIABILITIES**

Contingent liabilities including reserve for guarantee and guarantee of liabilities made in connection with bank loans and trade liabilities were ¥65 million (\$611 thousand) and ¥104 million at January 31, 2008 and 2007, respectively.

NOTE : 15**SUBSEQUENT EVENTS**

The Company resolved at the Board of Directors' meeting held on March 21, 2008 that the Company would purchase 22,230 shares of the Company's preferred shares (The first class F, G and H), which were issued on August 4, 2005, owned by Daiwa Securities SMBC Principal Investments Co., Ltd. on May 13, 2008 and then retire these shares based on the Article 178 of the Corporation Law in order to reduce the future burden of dividends payment and to stabilize the Company's financial base. The proposal was submitted to the general shareholders' meeting held on April 25, 2008 pursuant to the provision of the section 1 of the Article 156 of the Corporate Law and it was approved by the special resolution.

The details of the purchase of the above preferred shares are as follows:

Type of the shares to be purchased:	The first class F, G and H preferred stock of the Company
Number of the shares to be purchased:	7,410 shares each
Ratio of the voting rights of the shares to be purchased against the total number of voting rights:	4.26% each
Expected date of purchase:	May 13, 2008
Seller:	Daiwa Securities SMBC Principal Investments Co., Ltd.
Initial issue date:	August 4, 2005
Initial issue price per share:	¥135,000 (\$1,269)
Total amounts:	¥3,275 million (\$30,780 thousand)

The fund necessary for purchasing these shares will be financed by issuing new shares to Dai Nippon Printing Co., Ltd., as a subscriber based on the resolution of the Board of Directors' meeting held on April 15, 2008. The outline of the issuance of new shares is as follows:

- a. Method of offering: Allocation of new shares to a third party
- b. Type of shares: Common shares
- c. Number of new shares: 29,241,000 shares
- d. Share issue price: ¥112 per share (\$1.05)
- e. Aggregated value of new shares: ¥3,274,992 thousand (\$30,780 thousand)
- f. Capitalization amount: ¥1,637,496 thousand (\$15,390 thousand)
- g. Date of payment: May 13, 2008
- h. Use of the fund: Purchase of treasury stock

CORPORATE DATA

NAME	Maruzen Company, Limited
REPRESENTATIVE	Takehiko Ogi, President
HEAD OFFICE	9-2, Nihombashi 3-chome, Chuo-Ku, Tokyo 103-8244, Japan
BRANCH OFFICE	Tokyo, Kanto Area, Sapporo, Sendai, Nagoya, Kanazawa, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Fukuoka
ESTABLISHED	January 1, 1869
PAID-IN CAPITAL	¥3,637,496,000 (as of May 13, 2008)
STOCK LISTING	First Section, Tokyo Stock Exchange
NUMBER OF EMPLOYEES	856 (as of January 31, 2008)
PRINCIPAL BUSINESSES	Import of books, journals, electronic content, online products etc. and sales of imported and Japanese products for university and educational markets and libraries in Japan; international sales of Japanese books and journals; in-store sales of books, journals, stationery and apparel; publishing; education-related business consulting services; library operations outsourcing services; sales of computer hardware and systems; consulting on installation of university facilities and libraries, design and engineering work; store facilities; property leasing

DIRECTORS, AUDITORS AND OFFICERS

PRESIDENT

Takehiko Ogi

EXECUTIVE DIRECTOR

Katsushi Toki

MANAGING DIRECTOR

Hiroyuki Hijikata

Eisuke Matsuo

DIRECTORS

Kenichiro Takahashi

Masaki Sakunaka

Akira Sakamoto

Kazuyoshi Tsukimoto

Shigemi Furuya

CORPORATE AUDITORS

Mitsuhiko Ebihara

Shigeki Ito

Hiraku Ishizaka

Kakuji Takano

CORPORATE OFFICERS

Hiroshi Saito

Naoya Iki

Osamu Kawamura

Hiroyuki Koitani

Akihiko Yoshida

Naoki Hayashi

(as of May 1, 2008)



Head Office

SHAREHOLDERS INFORMATION

(as of July 31, 2008)

TOTAL NUMBER OF SHARES AUTHORIZED TO BE ISSUED

COMMON STOCK:	299,900,000 shares
THE FIRST CLASS A PREFERRED STOCK:	11,120 shares
THE FIRST CLASS B PREFERRED STOCK:	11,120 shares
THE FIRST CLASS C PREFERRED STOCK:	11,120 shares
THE FIRST CLASS D PREFERRED STOCK:	11,120 shares
THE FIRST CLASS E PREFERRED STOCK:	7,410 shares
THE FIRST CLASS F PREFERRED STOCK:	7,410 shares
THE FIRST CLASS G PREFERRED STOCK:	7,410 shares
THE FIRST CLASS H PREFERRED STOCK:	7,410 shares

NUMBER OF SHARES ISSUED AND OUTSTANDING

Common stock:	137,403,360 shares (1 unit: 1,000 shares)
The first class A preferred stock	11,120 shares
The first class B preferred stock	11,120 shares
The first class C preferred stock	11,120 shares
The first class D preferred stock	11,120 shares

NUMBER OF SHAREHOLDERS

Common stock:	13,759
The first class A preferred stock:	1
The first class B preferred stock:	1
The first class C preferred stock:	1
The first class D preferred stock:	1

MAJOR SHAREHOLDERS

Shareholder name	Number of shares held
(thousands shares)	
[COMMON STOCK]	
Dai Nippon Printing Co., Ltd.	29,271
TOHAN Co., Ltd.	5,213
Sumitomo Mitsui Banking Corp.	5,017
Mizuho Bank, Ltd.	5,015
Maruzen Partners Stock Ownership Plan	2,904
Meiji Yasuda Life Insurance Company	2,379
(share)	
[PREFERRED STOCK]	
THE FIRST CLASS A PREFERRED STOCK	
Dai Nippon Printing Co., Ltd.	11,120
THE FIRST CLASS B PREFERRED STOCK	
Dai Nippon Printing Co., Ltd.	11,120
THE FIRST CLASS C PREFERRED STOCK	
Dai Nippon Printing Co., Ltd.	11,120
THE FIRST CLASS D PREFERRED STOCK	
Dai Nippon Printing Co., Ltd.	11,120

CONSOLIDATED SUBSIDIARIES AND AFFILIATE

Company Name	Capital (thousands of Yen)	Holdings Ratio	Major Business Lines
Maruzen System Service Co., Ltd.	30,000	100.0%	Property leasing and management
Maruzen Bookmates Co., Ltd.	30,000	100.0%	Retail sales of books and journals, stationery and sundries
Maruzen Mates Co., Ltd.	12,000	100.0%	Field sales and wholesaling of books and journals, stationery and sundries
Olmo Co., Ltd.	10,000	100.0%	Retail sales of books and journals, rental of videos and compact discs
Daiichikotetsu Kogyo Co., Ltd.	29,000	100.0%	Manufacturing of bookshelves
Maruzen Trycom Co., Ltd.	20,000	100.0%	Management of property subleasing
Kyocera Maruzen Systems Integration Co., Ltd.	380,000	27.3%	Information services, including development, sales, implementation and maintenance of business systems; construction, implementation and maintenance of information networks; and sales and maintenance of IT equipment

MARUZEN CO.,LTD.

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