

Consolidated Balance Sheets

THE SEIYU, LTD. AND SUBSIDIARIES
December 31, 2003 and February 28, 2003

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|----------------------|----------------------|---------------------------------------|
| | December 31, 2003 | February 28, 2003 | December 31, 2003 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and time deposits (Notes 3 and 8) | ¥ 96,621 | ¥ 81,111 | \$ 901,904 |
| Marketable securities (Notes 3 and 5) | — | 42 | — |
| Notes and accounts receivable: | | | |
| Trade | 23,198 | 11,448 | 216,540 |
| Less: allowance for doubtful accounts | (46) | (504) | (429) |
| | 23,152 | 10,944 | 216,111 |
| Inventories | 52,736 | 44,980 | 492,262 |
| Deferred tax assets (Note 10) | 4,754 | 2,772 | 44,376 |
| Other current assets | 22,128 | 20,792 | 206,553 |
| Total current assets | 199,391 | 160,641 | 1,861,206 |
| Investments and advances: | | | |
| Investments in securities (Notes 5 and 8) | 24,193 | 26,476 | 225,828 |
| Investments in unconsolidated subsidiaries and affiliates (Note 6) | 3,384 | 5,762 | 31,588 |
| Long-term loan receivables | 59,164 | 64,688 | 552,264 |
| Other | 9,656 | 10,054 | 90,133 |
| Less: allowance for doubtful accounts | (3,804) | (3,425) | (35,508) |
| Total investments and advances | 92,593 | 103,555 | 864,305 |
| Property and equipment (Notes 7 and 8): | | | |
| Store facilities, at cost | 512,254 | 487,320 | 4,781,611 |
| Less: accumulated depreciation | (218,055) | (211,911) | (2,035,424) |
| Total property and equipment | 294,199 | 275,409 | 2,746,187 |
| Leasehold deposits | 70,344 | 73,076 | 656,623 |
| Intangible assets and deferred charges: | | | |
| Deferred tax assets (Note 10) | 5,946 | 8,998 | 55,503 |
| Other | 7,993 | 7,839 | 74,610 |
| | 13,939 | 16,837 | 130,113 |
| Excess of cost of investment over equity in net assets acquired | 1,142 | 1,331 | 10,660 |
| | ¥71,608 | ¥630,849 | \$6,269,094 |

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|----------------------|----------------------|---------------------------------------|
| | December 31, 2003 | February 28, 2003 | December 31, 2003 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term borrowings (Note 8) | ¥ 38,180 | ¥ 39,001 | \$ 356,389 |
| Commercial paper | 41,300 | 24,100 | 385,513 |
| Current portion of long-term debt (Note 8) | 28,464 | 55,444 | 265,696 |
| Notes and accounts payable | 118,174 | 69,676 | 1,103,090 |
| Accrued income taxes | 970 | 1,982 | 9,054 |
| Accrued bonuses to employees | 512 | 764 | 4,779 |
| Deferred tax liabilities (Note 10) | 3 | 3 | 28 |
| Other current liabilities | 35,931 | 33,323 | 335,397 |
| Total current liabilities | 263,534 | 224,293 | 2,459,946 |
| Long-term debt (Note 8) | 385,129 | 388,520 | 3,594,969 |
| Accrued employees' severance indemnities (Note 9) | 8,696 | 6,150 | 81,172 |
| Accrued retirement benefits for directors and corporate auditors (Note 9) | 458 | 788 | 4,275 |
| Deferred tax liabilities (Note 10) | 1,527 | 1,221 | 14,254 |
| Deferred tax on land revaluation (Note 10) | 119 | 215 | 1,111 |
| Total liabilities | 659,463 | 621,187 | 6,155,727 |
| Minority interests in consolidated subsidiaries | 3,995 | 8,960 | 37,291 |
| Contingent liabilities (Note 12) | | | |
| Shareholders' equity (Note 16): | | | |
| Common stock: | | | |
| Authorized: 1,350,000,000 shares and 1,365,000,000 shares at February 28, 2003 and December 31, 2003, respectively | | | |
| Issued: 573,211,967 shares and 624,708,784 shares at February 28, 2003, and December 31, 2003, respectively | | | |
| | 65,005 | 61,120 | 606,786 |
| Additional paid-in capital | 8,784 | 75,816 | 81,994 |
| Land revaluation surplus (Note 15) | 176 | 300 | 1,643 |
| Accumulated deficit | (64,988) | (133,975) | (606,628) |
| Unrealized holding gain (loss) on securities | 137 | (2,490) | 1,279 |
| Translation adjustments | (854) | 19 | (7,972) |
| Less: treasury stock | (110) | (88) | (1,026) |
| Total shareholders' equity | 8,150 | 702 | 76,076 |
| | ¥671,608 | ¥630,849 | \$6,269,094 |

See accompanying notes to the consolidated financial statements.