

Brief Interim Report on Consolidated Settlement of Accounts  
For the Term Ending on February 29,2008

OCT. 12, 2007

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Stock Code: 7608 (URL <http://www.sk-japan.co.jp>)  
Stock Exchange listing: TSE/OSE first section  
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Board meeting for approval of results on Oct.12 2007.  
US Accounting system not adopted

1.Financial Results (March 1 to August 31,2007)

(1) Consolidated Results of Operation

( Figures are rounded to million yen.)

	Sales		Operating Income		Ordinary Income		Net Income	
	¥mn	%	¥mn	%	¥mn	%	¥mn	%
August 2007	7,423	5.9	152	38.8	157	39.7	17	-
August 2006	7,886	-	248	-	260	-	142	-
End-Feb.2007	15,861	-	602	-	612	-	356	-

	Earnings per share	Fully Diluted Earnings per share
	Yen	Yen
August 2007	2.12	2.12
August 2006	17.23	17.17
End-Feb.2007	43.09	42.96

(2)Fiscal situation,consolidated

	Total Assets	Net Assets	Ratio of equity to Total assets	Book value per share
August 2007	5,551 ¥mn	3,107 ¥mn	55.9 %	371.82 Yen
August 2006	5,462	2,999	54.9	362.27
End-Feb.2007	5,224	3,185	60.9	382.47

(3)Cash flows Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the period end
	¥mn	¥mn	¥mn	¥mn
August 2007	581	16	100	1,017
August 2006	62	167	18	772
End-Feb.2007	106	251	15	553

2.Dividend Payment

	Annual dividend per share		
	Interim	Term end	annual
	Yen	Yen	Yen
February 2007	6.00	8.00	14.00
February 2008	6.00	-	
February 2008(Forecast)	-	6.00	12.00

3.Expectation of Consolidated Financial Results ( March 1, 2007 to February 29, 2008 )

	Estimated sales		Operating Income		Ordinary Income		Net Income		Earnings per share
	¥mn	%	¥mn	%	¥mn	%	¥mn	%	Yen
Full term	15,200	4.2	369	38.7	379	38.1	83	76.5	10.02

\* % - an increase and decrease rate to the previous term

Consolidated(Interim)Balance Sheet

(Unit: thousand yen)

Item	Term	As of August 31, 2006		As of August 31, 2007		As of February 28, 2007	
		Amount	Ratio			Amount	Ratio
<b>( Assets )</b>			%				%
<b>I.Current assets</b>							
Cash and deposits		772,198		1,017,069		553,170	
Notes and accounts receivable		1,472,994		1,555,123		1,424,381	
Inventories		1,093,932		978,230		1,093,594	
Deferred tax assets		134,493		74,895		97,848	
Other allowance for doubtful accounts		119,362 (3,601)		110,767 (4,837)		166,653 (4,740)	
<b>Total Current assets</b>		<b>3,589,379</b>	<b>65.7</b>	<b>3,731,249</b>	<b>67.2</b>	<b>3,330,908</b>	<b>63.8</b>
<b>.Fixed assets</b>							
<b>Tangible fixed assets</b>							
Buildings and structures		278,302		287,162		293,340	
Land		278,748		278,748		278,748	
Other		59,080		58,070		52,668	
<b>Total Tangible fixed assets</b>		<b>616,131</b>		<b>623,981</b>		<b>624,758</b>	
<b>Intangible fixed assets</b>							
Telephone subscription		6,410		6,410		6,410	
Other		1,703		1,483		1,699	
<b>Total Intangible fixed assets</b>		<b>8,113</b>		<b>7,893</b>		<b>8,110</b>	
<b>Investments and other assets</b>							
Investment in securities		256,346		205,829		276,775	
Deferred tax assets		140,949		177,661		139,236	
Other		853,210		810,100		848,920	
Allowance for doubtful accounts		(1,723)		(4,768)		(4,204)	
<b>Total investments and other assets</b>		<b>1,248,782</b>		<b>1,188,824</b>		<b>1,260,729</b>	
<b>Total Fixed assets</b>		<b>1,873,028</b>	<b>34.3</b>	<b>1,820,700</b>	<b>32.8</b>	<b>1,893,598</b>	<b>36.2</b>
<b>Total Assets</b>		<b>5,462,407</b>	<b>100.0</b>	<b>5,551,949</b>	<b>100.0</b>	<b>5,224,507</b>	<b>100.0</b>

(Figures are rounded to thousand yen.)

## Consolidated(Interim)Balance Sheet

(Unit: thousand yen)

Item	Term	As of August 31, 2006		As of August 31, 2007		As of February 28, 2007	
		Amount	Ratio			Amount	Ratio
<b>( Liabilities )</b>			%				%
<b>I. Current liabilities</b>							
Trade accounts payable		1,462,937		1,564,030		1,048,812	
Short-term loans payable		288,000		310,000		352,000	
Accounts payable-other		264,950		149,198		157,830	
Accrued income taxes		122,036		123,829		176,062	
Reserve for bonuses		76,157		82,515		64,785	
Reserve for directors' bonuses		2,000		-		-	
Point allowance		41,661		6,657		14,280	
Other		110,151		107,198		128,679	
<b>Total Current liabilities</b>		<b>2,367,895</b>	<b>43.3</b>	<b>2,343,429</b>	<b>42.2</b>	<b>1,942,451</b>	<b>37.2</b>
<b>. Long-term liabilities</b>							
Reserve for retirement benefits		70,264		71,009		71,055	
Deposit		25,220		25,220		25,220	
Other		-		4,782		-	
<b>Total Long-term liabilities</b>		<b>95,484</b>	<b>1.8</b>	<b>101,012</b>	<b>1.8</b>	<b>96,275</b>	<b>1.8</b>
<b>Total liabilities</b>		<b>2,463,379</b>	<b>45.1</b>	<b>2,444,442</b>	<b>44.0</b>	<b>2,038,726</b>	<b>39.0</b>
<b>(Net assets)</b>							
<b>. Owners' equity</b>							
Paid-in capital		426,732	7.8	440,948	7.9	436,438	8.4
Capital surplus		457,738	8.4	471,887	8.5	467,398	8.9
Earned surplus		2,116,216	38.8	2,196,315	39.6	2,280,600	43.7
Treasury stock		(8,957)	(0.2)	(9,556)	(0.2)	(9,071)	(0.2)
<b>Total Owners' equity</b>		<b>2,991,730</b>	<b>54.8</b>	<b>3,099,594</b>	<b>55.8</b>	<b>3,175,366</b>	<b>60.8</b>
<b>. Valuation and translation adjustments</b>							
Valuation difference on available-for-sale securities		6,136	0.1	2,047	0.1	7,264	0.1
<b>Total Valuation and translation adjustment</b>		<b>6,136</b>	<b>0.1</b>	<b>2,047</b>	<b>0.1</b>	<b>7,264</b>	<b>0.1</b>
<b>. Equity warrant</b>		<b>1,161</b>	<b>0.0</b>	<b>5,865</b>	<b>0.1</b>	<b>3,150</b>	<b>0.1</b>
<b>Total net assets</b>		<b>2,999,027</b>	<b>54.9</b>	<b>3,107,507</b>	<b>56.0</b>	<b>3,185,780</b>	<b>61.0</b>
<b>Total liabilities and net assets</b>		<b>5,462,407</b>	<b>100.0</b>	<b>5,551,949</b>	<b>100.0</b>	<b>5,224,507</b>	<b>100.0</b>

(Figures are rounded to thousand yen.)

**Comparative Profit & Loss Statements**

(thousand of yen)

Item	Term	From March 1 to August 31 2006		From March 1 to August 31 2007		From March 1,2006 to February 28,2007	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
Sales		7,886,229	100.0	7,423,696	100.0	15,861,901	100.0
Cost of sales		5,927,820	75.2	5,578,870	75.1	11,879,907	74.9
Gross profit		1,958,408	24.8	1,844,825	24.9	3,981,994	25.1
Selling, general & administrative expenses		1,709,828	21.6	1,692,743	22.9	3,379,735	21.3
Operating income		248,579	3.2	152,081	2.0	602,259	3.8
Non-operating income		20,079	0.2	18,876	0.3	32,774	0.2
Non-operating expenses		8,155	0.1	13,857	0.2	22,709	0.1
Ordinary income		260,503	3.3	157,100	2.1	612,324	3.9
Extraordinary gains		5,959	0.1	36,074	0.5	46,090	0.2
Extraordinary losses		-	-	103,390	1.4	774	0.0
Pretax net income for the current term		266,463	3.4	89,783	1.2	657,640	4.1
Income taxes		117,092		119,401		256,647	
Income taxes deferred		6,858	1.6	(11,901)	1.4	44,443	1.9
Net Income /losses		142,512	1.8	(17,716)	(0.2)	356,549	2.2

( Figures are rounded to thousand yen.)

**Comparative Statements of Cash Flow**

(thousand of yen)

Item	Term	From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 1, 2007
		Amount	Amount	Amount
<b>Cash flows from operating activities</b>				
Net income before income taxes		266,463	89,783	657,640
Depreciation and amortization		25,824	24,006	54,048
Loss on impairment of fixed assets		-	10,808	-
Write-down of investment in securities		732	100,153	5,489
Increase in accrued bonuses		22,004	17,730	10,631
Increase in accrued directors' bonuses		2,000	-	-
Increase in allowance for doubtful accounts		482	661	4,102
Point discount reserves		(20,033)	(7,623)	(47,414)
Decrease in reserve for retirement benefits		(7,737)	(45)	(6,946)
Guarantee maney		4,253	27,066	33,454
Interest income and dividend receivable		(2,333)	(3,256)	(4,195)
Interest expense		1,617	3,278	4,911
Profit by redemption of insurance		(133)	-	(3,776)
Profit by expiration of insurance		-	(36,074)	-
Loss on sales of fixed assets		-	311	-
Loss on disposal of fixed assets		-	-	774
Gains on sales of fixed assets		(126)	-	(126)
Trade receivable		(415,319)	(131,318)	(365,438)
Inventories		(45,676)	115,363	(45,338)
Notes and accounts payable		429,751	515,218	16,525
Outstanding accounts		(108,895)	(11,113)	(213,876)
Directors' bonuses paid		(4,000)	-	(4,000)
Other		76,723	(44,796)	52,627
Sub total		225,595	670,154	149,093
Interest income and dividend received		2,333	3,256	4,195
Interest paid		(1,617)	(3,213)	(5,092)
Income tax paid		(164,001)	(172,676)	(254,255)
Refund of income tax		-	83,789	-
Net cash provided by operating activities		62,310	581,310	(106,058)
<b>Cash flow from investing activities</b>				
Purchases of investment in securities		(36,889)	(37,993)	(60,175)
Payment for insurance reserves		(15,418)	(19,144)	(43,394)
Proceeds from cancellation of insurance		266	-	7,900
Gains on expiration of insurance		-	66,126	-
Purchases of tangible fixed assets		(99,166)	(26,000)	(139,767)
Proceeds from sales of tangible fixed assets		2,335	201	2,342
Purchases of intangible fixed assets		(1,500)	-	(1,710)
Payments for acquisitions of goodwill		(16,900)	-	(16,900)
Other		-	-	100
Net cash provided by investing activities		(167,273)	(16,810)	(251,604)
<b>Cash flow from financing activities</b>				
Borrowing on short-term loans		310,000	1,165,000	950,000
Repayment of short-term loans		(216,000)	(1,207,000)	(792,000)
Proceeds from stocks issued		3,384	8,998	22,750
Repurchases of treasury stocks		(216)	(485)	(330)
Payments for dividends		(115,218)	(67,113)	(164,796)
Net cash provided by investing activities		(18,049)	(100,600)	15,623
Effects of exchange rate changes on cash and cash equivalents		0	-	-
Increase (Decrease) in cash and cash equivalents		(123,012)	463,898	(342,039)
Cash and cash equivalents at beginning of term		895,210	553,170	895,210
Cash and cash equivalents at end of term		772,198	1,017,069	553,170

(Figures are rounded to thousand yen.)

**Trend of cash flows**

Item	Term	February 2006		February 2007		FEB. 2008
		Interim	Year-end	Interim	Year-end	Interim
Our own ratio		50.7	58.7	54.9	60.9	55.9
Current (%)		125.2	125.2	95.3	95.4	75.1
Debt repayment(Year)		0.2	0.6	0.6	2.3	0.2
Interest coverage ratio		473.1	176.1	140.9	30.1	209.6

## [Management result]

### (1) Analysis concerning management result

With an increase in capital investment according to good corporate profits, business has recovered slightly. As another, the crude oil price soared and the international situation changed, so that the economic situation remains uncertain and not firm enough to be optimistic. Recovery of personal consumption has become weak by the influence on household economy by the abolition of fixed -rate tax reduction.

Under these circumstances, our group decided the following business operating policies, improving the operating margin-raising the composition ratio of original goods improving the sales toward franchised stores . By selling the commodity with high additional value, we strengthened operating activities toward various companies. Using the advantage with wholesale business and retail business in our own group, we have continuously worked on planning and sales of products, and wholesale industry changed well and the retail business was sluggish. This resulted in sales of ¥7,423 million (a 5.9% decrease from the same period last year), operating income of ¥152 million (a 38.8% decrease from the same period last year) and ordinary income of ¥157 million (a 39.7 % decrease from the same period last year). Because we capitalized write-down of investment in securities ¥92 million and losses of fixed / lease assets of retail stores ¥10 million as extraordinary losses, net losses was ¥17 million ( net income was ¥142 million in the same period last year.).

#### Wholesale business

In the area of sales to the amusement industry, the sales to the manufacture operators and many arcade was well. The strong contributors to growth in sales were the product named "costume QP", "Rose O'Neill Kewpie", and additional goods like the continuing popularity of characters such as "Doraemon" and "Pink Panther" contributed to sales growth. This resulted in sales of ¥3,269 ( a 5.3% increase from the same period last year).

In the SP section, we dealt in affixed goods for magazines and franchised restaurants campaign, sales reached ¥531 million ( a 27.8% increase from the same period last year).

In the sales business to the sales industry, we strengthened operating activities toward franchised stores, then we saw the sales growth in new client. There was significant sales of hobby goods on account of an expanded range of products and increase of original goods for the convenience stores. On the other hand, the sales of mobile phone related goods (including mobile phone accessories) slumped to ¥998 million ( a 0.6% decrease from the same period last year).

All the above resulted in sales of ¥4,798 million (a 6.2% increase from the same period last year) and operating income of ¥240 million (a 0.6% decrease from the same period last year).

#### Retail business

In the retail business, we advanced to Kyushu area, the Oita store was opened in July and the Fukuoka store was opened in August. The Oita store is small-scaled store, located in a shopping street in front of a local station, and the Fukuoka one is local store on the first floor in Round 1 Stadium Hakata Hanmichi-bashi store. Each store has started as a new model store, but has not obtained good yet.

The Igawadani and the Kobe harbor land , opened in last December, stores that changed business condition last fiscal year have not hit the sales target, so that the loss in sales of closed stores last fiscal year was not compensated for. In the existing stores, the sales of consumer electronic commodity have slumped and substitute commodity is still on the way of growth. As the sales get depressed by the reduction policy of imported goods, the number of customers has decreased from the same period last year.

All the above resulted in sales of ¥2,624 million (a 22.1% decrease from the same period last year) and operating loss of ¥89 million ( operating income was 9 ¥million in same period last year).

(2) (Projections for the fiscal year Ending February 2008)

We expect the economic situation to remain uncertain and great improvement of personal consumption cannot be expected. This is because there is a doubtful element of the decrease in the United States business, soaring the material price and the influence on the household economy by the abolition of fixed-rate tax reduction.

Under these circumstances, we have aimed to strengthen our products and to activate talent corresponding to competing environment. We have established the business model to create the products reflected the customer's demand immediately. Getting the trend informatin from NAKANUKIYA as retail store, we have used it for the planning and stock of products effectively and endeavor to further improve the value of our entire group.

Accordingly, as we corrected the performance forecast announced in April 12,2007, our projected business performance on a consolidated basis is for sales of ¥ 15,200 million, operating income of ¥369 million, million,operating income of ¥369 million,ordinary income of 379 million and net income ¥83 million.