VALUE CITY DEPARTMENT STORES INC /OH
Form 10-K
April 29, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE FISCAL YEAR ENDED FEBRUARY 2, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

Commission file number 1-10767

VALUE CITY DEPARTMENT STORES, INC.
(Exact name of registrant as specified in its charter)

Ohio	31-1322832
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3241 Westerville Road, Columbus, Ohio	43224
(Address of principal executive offices)	(Zip Code)

(614) 471-4722
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Shares, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Aggregate market value of voting stock held by non-affiliates of the registrant,

12,840,124 Common Shares, based on the $3.89 closing sale price on April 15, 2002, was $49,948,082.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 33,977,707 Common Shares were outstanding at April 15, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Part III - Proxy Statement for the 2002 Annual Meeting of Shareholders, in part, as indicated.

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PART I

ITEM 1. BUSINESS.

As used in this Annual Report on Form 10-K and except as the context otherwise may require, "Company", "we", "us", and "our" refers to Value City Department Stores, Inc. and its subsidiaries, including but not limited to, DSW Shoe Warehouse, Inc. and Filene's Basement, Inc.

FORWARD-LOOKING INFORMATION

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify such forward-looking statements by the words "expects", "intends", "plans", "projects", "believes", "estimates", and similar expressions. In the normal course of business, we, in an effort to help keep our stockholders and the public informed about our operations, may from time to time issue such forward-looking statements, either orally or in writing. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, or projections involving anticipated revenues, earnings or other aspects of operating results. We base the forward-looking statement on our current expectations, estimates, and projections. We caution you that these statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that we cannot predict. In addition, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Therefore, the actual results of the future events described in the forward-looking statements in this Annual Report on Form 10-K or elsewhere, could differ materially from those stated in the forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in our forward-looking statements is contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations".

GENERAL

Value City Department Stores, Inc. operates a chain of 117 department stores located in Ohio, Pennsylvania and 13 other Midwestern, Eastern and Southern states and the District of Columbia, principally under the name Value City, 108 DSW Shoe Warehouse ("DSW") stores located throughout the United States, and 21 Filene's Basement stores located principally in the Northeast United States. For over 80 years, our strategy has been to provide exceptional value by offering a broad selection of brand name merchandise at prices substantially below conventional retail prices. Our Value City stores carry men's, women's and children's apparel, housewares, giftware, home furnishings, toys, sporting goods, jewelry, shoes and health and beauty care items, with apparel comprising well over one-half of total sales. Our Value City stores average 87,000 square feet which allow us to offer over 100,000 different items of merchandise similar

to the items found in traditional department, specialty and discount stores. Our DSW stores are a chain of upscale shoe stores offering a wide selection of dress and casual footwear below traditional retail prices. These stores average 25,000 square feet with up to 45,000 pairs of women's and men's designer brand shoes and athletic footwear per store. Our Filene's Basement stores average 27,000 square feet and specialize in top tier brand name merchandise of men's and women's apparel, jewelry, shoes, accessories and home goods. Our pricing strategy is supported by our ability to purchase large quantities of goods in a variety of special buying opportunities. For many years, we have had a reputation in the marketplace as a purchaser of buy-outs and manufacturers' closeouts.

HISTORY OF OUR BUSINESS

We opened our first department store in Columbus, Ohio in 1917. Until our initial public offering on June 18, 1991, Value City department stores operated as a division of Schottenstein Stores Corporation ("SSC"). SSC owns approximately 53% of our stock. We also have a number of ongoing related party agreements and arrangements that exist with SSC. These are more fully described in Item 13 of this report.

In July 1997, we entered agreements with Mazel Stores, Inc. ("Mazel") to create VCM, Ltd. ("VCM"), a 50/50 joint venture. VCM operated the licensed health and beauty care, toy and sporting goods departments in the Value City stores and beginning in fiscal 2000, the food department was added. We accounted for our fifty percent interest in the joint venture under the equity method. See "Licensed Departments." Effective at the close of business February 2, 2002, we purchased the Mazel partners' interest in the partnership.

Effective May 3, 1998, we purchased 99.9% of the common stock of Shonac Corporation from Nacht Management, Inc. and SSC. In September 2000, we purchased the remaining shares to give Value City 100% ownership. Shonac had been the shoe licensee in all of the Value City stores since its inception in 1969 and has operated the DSW chain of retail shoe stores since the opening of the first store in 1991. The DSW chain of stores has grown to over 108 stores operating across the country. Shonac operates the license shoe departments in all Value City stores and 17 Filene's Basement stores. DSW operates licensed shoe departments in two Filene's Basement stores.

Effective May 3, 1998, we acquired the store operations of Valley Fair Corporation from SSC. Valley Fair operated two department stores located in New Jersey. Prior to their acquisition, we had been a licensee of certain departments in these two stores for eighteen years.

On November 19, 1999, we acquired 100% of the common stock of Gramex Retail Stores, Inc. ("Gramex"), a chain of 15 discount stores operating in the greater St. Louis metropolitan area, from Gramex Corporation. Of the 15 stores acquired and after liquidation of the existing Grandpa's inventory, 13 stores were converted to the Value City format. Six stores received only minor improvements and were reopened in March 2000. The other 7 stores were remodeled based on our current Value City format and were reopened in April 2000.

On March 17, 2000, we completed the acquisition of substantially all of the assets and the assumption of certain liabilities of Filene's Basement Corp., a Massachusetts corporation, and Filene's Basement, Inc., a wholly owned subsidiary of Filene's Basement Corp. through our wholly owned subsidiary, Base Acquisition Corp. Filene's Basement was operating as debtor-in-possession under

Chapter 11 of the Bankruptcy Code. We continue to operate the 14 Filene's Basement stores acquired on March 17, 2000 and have reopened 3 other Filene's Basement stores in the Washington D.C. area. We opened 1 new Filene's Basement store in fiscal 2001 and, during fiscal 2000, we opened 2 new Filene's Basement stores.

CHANGE IN FISCAL YEAR-END

On June 10, 1998, we changed our fiscal year from a 52/53-week year that ended on the Saturday nearest to July 31 to a 52/53-week year that ends on the Saturday nearest to January 31. The six-month transition period of August 2, 1998 through January 30, 1999 (the "Transition Period") preceded the start of the 1999 fiscal year that ended January 29, 2000.

OPERATING SEGMENTS

We are managed in three operating segments, Value City Department Stores, DSW Shoe Warehouse and Filene's Basement. See Note 14 of Notes to Consolidated Financial Statements beginning on page F-21 of this annual report for information regarding our segments.

BUSINESS STRATEGIES

Our strategy is to provide brand name merchandise at competitive retail prices. We believe that the size of our Value City department stores facilitates a full-line merchandise offering and range of brands which differentiates us from other off-price retailers.

Our DSW stores' mission is to be each customer's favorite retailer of branded footwear by satisfying customer expectations for selection, convenience and value. We use the tagline "The Shoes of the Moment. The Deal of a Lifetime." and offer a REWARD YOUR STYLE program to reward frequent shoppers.

Filene's Basement strategy is similar to Value City's focus on providing the best brand names at everyday low prices for men's and women's apparel, jewelry, shoes, accessories and home goods.

The principal elements of Value City's, DSW's and Filene's Basement business strategies are discussed below.

MERCHANDISING

Selection

Value City is a full-line, off-price retailer carrying men's, women's and children's apparel, housewares, giftware, home furnishings, toys, sporting goods, jewelry, shoes, health, and beauty care items. Off-price retailing, as distinguished from traditional full-price retailing and discount or off-brand merchandising, is characterized by the purchase of primarily high quality brand name merchandise, at prices below normal cost to most retailers. A portion of the cost savings is then passed on to customers through lower prices. Our Value City stores strive to offer customers one-stop-shopping for the categories of merchandise we carry. The large size of our Value City stores facilitates the offering of a wide range of merchandise categories with broad, deep selections of goods within each category. Value City stores average 87,000 square feet and carry over 100,000 different items of merchandise similar to the items found in traditional department, specialty and discount stores. To improve store

profitability and meet the changing needs of our customers, we continually refine the Value City merchandise mix eliminating less productive departments and introducing new merchandise categories.

We believe customers are attracted to Value City stores because of continuous new offerings of value-priced merchandise acquired in special purchases. At the same time, Value City maintains a broad and consistent range of goods, it purchases continuing lines of merchandise and draws upon its vendor contacts to ensure constant availability of certain basic categories of merchandise as well as current fashion trends.

DSW stores attract customers because of their wide assortment of top quality name brand dress, casual and athletic footwear for men and women together with a regularly changing selection of more fashion-oriented footwear. Our DSW stores are large, contemporary, warehouse formats, that average 25,000 square feet and allow us to sell a large selection of branded footwear in a clean and simple environment.

Filene's Basement stores average 27,000 square feet and offer branded apparel, home goods, accessories and retail stocks purchased directly from major upscale retailers. The branded merchandise represents a focused assortment of fashionable, nationally recognized men's and women's apparel accessories and home goods bearing prominent designers `and manufacturers' names. Branded merchandise constitutes most of the product line and is often obtained through opportunistic purchases from a diverse group of quality manufacturers and vendors, including direct imports from some of the most prominent European designers.

The following table sets forth the relative contributions of each major merchandise category to total sales.

	Fiscal Year Ended 2/2/02	Fis 2
Apparel and Ready-to-Wear - Includes: Men's, Women's and Children's outerwear, suits, dresses, sportswear, sleepwear, underwear and accessories, and department store shoe sales	57.8%	
Hard goods and Home Furnishings - Includes: domestics; jewelry; housewares; giftware; and small appliances	15.5	
Licensed Departments - Includes: health and beauty care; food; toys and sporting goods and other incidental departments	5.6	
DSW Stores	21.1	
	100.0%	1

Value Pricing

Value City stores offer quality brand name merchandise at prices typically 50% to 70% below prices charged by traditional department stores for similar items and at prices comparable to or lower than prices charged by other off-price retailers. We can offer exceptional values because our buyers purchase merchandise directly from manufacturers and other vendors generally at prices substantially below those paid by conventional retailers. This allows us to pass on the savings directly to our customers. See "Supplier Relationships and Purchasing."

DSW price points are targeted to be up to 50% lower than the regular prices of other specialty retailers and traditional department stores. DSW continually strives to improve its merchandise sourcing to maintain quality, lower costs and shortened delivery cycles. Identifying and building relationships with cost-efficient manufacturers and suppliers of quality merchandise is essential to DSW's merchandising strategy.

Well known designer labels, brand names and original retailer names are prominently displayed throughout our Value City and Filene's Basement stores. Many items carry labels and/or original price tags showing brand names identifiable with major designers, manufacturers and retail stores, as well as tags showing original retail, comparable or "nationally advertised" prices. In certain cases, suppliers may require removal of labels or original retail price tags as a condition to a special purchase arrangement. See "Supplier Relationships and Purchasing."

Our Filene's Basement stores' merchandise assortment is typically priced at levels 30%-60% below regular prices at traditional department and specialty stores. These discounts are achieved by buying in-season closeouts and values at advantageous prices and offering them for sale at lower markups than those of traditional department stores. We are also able to keep the cost of merchandise low because we do not require markdown or advertisement allowances, or anticipation of returns from vendors, all of which are typical in the department store industry.

Licensed Departments

We operate all departments in the Value City stores except for the health and beauty care, toy and sporting goods, food and certain other incidental departments. Effective with the close of business on February 2, 2002 by acquisition of our partner's interest in VCM for $8,375,000, we now operate the health and beauty care, toy, sporting goods and food departments in the Value City stores. These departments are licensed to others, including affiliated parties, for a percentage of net sales, generally ranging from 5% to 11%, for initial periods of up to 10 years with, in some instances, an option to renew. In addition, we receive a fee from some licensees for general and administrative expenses. The aggregate annual license fees received from licensees for fiscal year ended February 2, 2002 were $11,340,000, including $9,698,000 from VCM, and for fiscal year ended February 3, 2001 were $11,323,000, including $9,144,000 from VCM. For fiscal years 2002 and beyond, the results of operations of departments previously licensed by VCM will be consolidated in future financial statements.

SSC owned 49.9% of the outstanding stock of Shonac until May 1998 when we purchased it. Shonac operates the shoe departments within all the Value City stores and 17 Filene's Basement stores. DSW operates the shoe departments in 2

Filene's Basement stores. Intercompany license fees and expenses are eliminated in the consolidated financial statements.

Filene's Basement licenses the fragrance for cosmetics and certain other incidental departments to independent third parties. The aggregate annual license fees for fiscal year ended February 2, 2002 were approximately $888,000.

Licensees supply their own merchandise and generally supply their own store fixtures. In most instances, licensees utilize our associates to operate their departments. The licensees reimburse us for all costs associated with such associates. Licensed departments are operated under our general supervision and licensees are required to abide by our policies with regard to pricing, quality of merchandise, refunds and store hours. Licensed departments complement the operations of our stores and facilitate the uniformity of the in store merchandising strategy including the overall emphasis on values.

SUPPLIER RELATIONSHIPS AND PURCHASING

An important factor in our operations has been the relationships we have developed with our various suppliers and our many years of experience in purchasing merchandise directly from manufacturers and other vendors at prices substantially below those generally paid by conventional retailers. Continuously, we seek to find and negotiate special purchase opportunities. Over the years, our buyers have established excellent relationships with suppliers including a reputation for the ability to purchase entire lots of merchandise. As a result of our relationships and experience many suppliers offer special purchase opportunities to us prior to attempting to dispose of merchandise through other channels. Many manufacturers of brand name merchandise are reluctant to sell merchandise for resale at discounted prices through their normal channels of distribution or to retailers that may be considered competitors in their regular distribution channels. We believe we fill that need. By

selling such merchandise through our own retail stores, we are able to assure suppliers that the merchandise will be sold without disturbing the suppliers' regular channels of distribution.

Although we cannot quantify the amount by which the prices we pay for special purchases are lower, if any, than the prices paid by our competitors for similar purchases, we believe that such special purchases are made at prices sufficiently favorable to enable us to offer merchandise to our customers at very competitive price points.

We purchase merchandise from more than 4,700 suppliers, none of which accounted for a material percentage of purchases during the past fiscal year. We do not maintain any long-term or exclusive commitments to purchase merchandise from any one supplier. We regularly purchase overstocked or overproduced items from manufacturers and other retailers, including end-of-season, out-of-season and end-of-run merchandise and manufacturers' slight irregulars. From time to time, we purchase all or substantially all of the inventories of financially distressed retailers and make other special purchases. We also have started to more aggressively seek advantageous buying opportunities overseas, particularly in non-apparel categories.

Our distribution facilities are designed to enable us to prioritize the processing of merchandise on short notice and to deliver merchandise to stores within days of receipt. This allows our buyers to purchase merchandise very late

in the season, when prices tend to be more favorable, and still deliver the merchandise to stores before the end of the season. At the same time, we are capable of devoting warehouse space to out-of-season goods for our Value City stores. This merchandise is generally warehoused until the most opportune time to offer it in the Value City stores, which in most cases is the next season. This ability to purchase and quickly distribute or hold merchandise in substantial quantities has enabled us to offer high-quality merchandise to customers at prices significantly below usual retail prices. We believe that this ability distinguishes us from the typical discount or department store and provides us with a competitive advantage in making purchases as favorable opportunities arise.

The relatively large size of the Value City stores provides us with the flexibility to purchase full lots of merchandise that may not be available to other off-price retailers with smaller stores requiring more targeted purchases. Although there is growing competition for the kinds of special purchases that we seek, we believe that, because of the factors discussed above, we will be able to obtain sufficient supplies of desirable merchandise at favorable prices in the future.

DSW's merchandising group constantly monitors current fashion trends as well as historical sales trends to identify popular styles and styles that may become popular in the upcoming season. Once our buyers determine the styles and merchandise mix for any upcoming season, they focus on purchasing the appropriate quantities of each category at the lowest cost and the highest quality available.

DSW believes it has good relationships with its vendors. Merchandise is purchased from both domestic and foreign suppliers directly or through agents. Vendors include suppliers who either manufacture their own merchandise or supply merchandise manufactured by others, or both. DSW believes that, consistent with the retail footwear industry as a whole, most of its domestic vendors import a large portion of their merchandise from abroad. We have implemented quality control programs under which buyers inspect incoming merchandise for fit, color and material, as well as for overall quality of manufacturing. As the number of DSW locations increase, we believe there will be adequate sources available to acquire and/or produce a sufficient supply of quality goods in a timely manner and on satisfactory economic terms.

We believe the acquisition of Filene's Basement in March 2000, a well-known institution in Boston since 1908, parallels the Value City `Value Driven' merchandising philosophy. Because of the longstanding relationships Filene's Basement has with vendors, it receives quality buying opportunities at competitive prices similar to that of Value City. These longstanding relationships make Filene's Basement a prime choice for vendors with overruns, department store cancellations and unmet volume objectives.

DISTRIBUTION

We use a regionalized distribution strategy with 10 distribution centers located in Columbus, Ohio and a distribution facility in Auburn, Massachusetts for Filene's Basement. The aggregate area of the distribution facilities is approximately 3,000,000 square feet; however, use of multi-tier processing levels in some of the distribution centers substantially increases their operating capacity. In addition, to expedite the flow of merchandise to certain clusters of stores, we use a third party processor located in New Jersey.

Our distribution facilities utilize material handling equipment, including mechanized conveyor systems to separate and collate shipments to the stores. Our distribution facilities are designed to allow priority delivery of late season purchases and fast-moving merchandise to have it in our stores quickly to take full advantage of the remaining selling season.

Merchandise is processed, ticketed and consolidated prior to shipment to the stores to ensure full-truck loads to minimize shipping costs. We lease our fleet of road tractors and approximately 70% of our semi-rig trailers with the remainder being owned. Our fleet makes the majority of all deliveries to the stores.

To support the planned growth of our shoe operations, we consolidated and relocated Shonac and DSW's principal offices and distribution center operations in 2001 to a new 700,000 square foot facility located in Columbus, Ohio. We have entered a 15-year lease with three five-year option periods with an affiliate of SSC for this facility.

This distribution center facility uses a modern warehouse management system and material handling equipment, including new conveyor systems, to separate and collate shipments to our stores. The design of the distribution center facilitates the prompt delivery of priority purchases and fast selling footwear to stores so we can take full advantage of each selling season.

Filene's Basement's merchandise is processed and distributed from a 457,000 square foot leased distribution facility situated on 32.8 acres with adjacent rail service in Auburn, Massachusetts, outside of metropolitan Boston, Massachusetts.

ADVERTISING AND PROMOTION

We commit substantial resources to advertising and believe our marketing strategy is one of the keys to our success. Value City advertises frequently in print, including newspapers, circulars and flyers, and on television and radio. The promotional strategy is carefully planned and budgeted to include not only institutional and seasonal promotions, but also weekly storewide sales events highlighting recent buy-outs and other specially purchased brand name merchandise designed to maximize customer interest. In some cases, a supplier may prohibit the advertising or non-store promotion of its brand name.

Our DSW stores currently use a broadcast campaign, primarily radio, focusing on the slogan "The Shoes of the Moment. The Deal of a Lifetime." This campaign is supplemented by print promotions and, increasingly, television. In addition, a valuable marketing tool for DSW is the "Reward Your Style" loyal customer

program. Customers are asked to join the program during the checkout procedure. By analyzing the member database, as well as the sales transactions of those members, we are able to direct the advertising to encourage repeat shopping and to reach targeted customers. DSW also sponsors certain LPGA events.

Filene's Basement employs a multi-media approach, using print, broadcast and direct mail. The communication strategy is designed to target customer segments and generate increased store trips and cross shopping opportunities.

STORES

Store Location and Design

We believe customers are attracted to our stores principally by the wide assortment of quality items at substantial savings.

Our Value City stores average approximately 87,000 square feet, with approximately 70% of the total area of each store representing selling space. The stores are generally laid out on a single level, with central traffic aisles providing access to major departments. Each department strives to display and stock large quantities and assortments of merchandise, giving the store a full appearance. The stores are generally open from 9:30 a.m. until 9:30 p.m. Monday through Saturday and 11:00 a.m. until 6:00 p.m. on Sunday. All of the stores are located in leased facilities. Of the 117 Value City stores open as of March 15, 2002, 25 are freestanding and 92 are in shopping centers, of which 25 are enclosed malls in which they serve as an anchor.

Our DSW stores average approximately 25,000 square feet, with about 87% of the total area of each store representing selling space. The stores' exteriors feature black and white color schemes and in many cases, windows with striped awnings. The store interiors are well lighted and feature a unique display concept, a simple case presentation which groups the shoes together by style. Interior signage is tasteful and kept to a minimum. The shoe stores are generally laid out on a single level, with the cases of shoes forming the aisles in the stores. This allows customers to view the entire store when they enter. Of the 108 DSW stores open as of March 29, 2002, 12 are freestanding, 77 are in shopping centers and 19 are in enclosed malls. The stores are generally open from 10:00 a.m. until 9:00 p.m. Monday through Saturday and 12:00 p.m. until 6:00 p.m. on Sunday. The stores are located in leased facilities.

The Filene's Basement Boston store is a landmark institution recognized by generations of New England families and visitors as a source of quality off-price men's and women's merchandise. The downtown location is famous for a unique marketing concept - the Automatic Markdown Plan - whereby certain merchandise is automatically discounted based on the number of days the merchandise has been on the sales floor. Filene's Basement believes the Automatic Markdown Plan, found only in the downtown Boston location, generates a sense of shopping urgency and creates customer excitement and loyalty. Filene's Basement subleases 178,000 square feet (approximately 65,300 square feet of selling space) on four floors. The sublease terminates in 2009 with rights on behalf of Filene's Basement to extend until 2024. The Boston store generated over $1,014 in sales per square foot of selling space during fiscal 2001 and represents approximately 23% of total sales.

Excluding the downtown Boston location, most of our Filene's Basement stores are located in suburban areas, near large residential neighborhoods away from downtown commercial centers and average approximately 27,000 square feet of selling space per store. Filene's Basement operates 20 branch stores in six states and the District of Columbia. Generally, the branch store's selling space is on a single level and uses a prototypical "racetrack" aisle layout for merchandise presentation. The branch stores are designed to be convenient and

attractive in their merchandise presentation, dressing rooms, checkouts and customer service areas. Their merchandise mix is similar to that of the Boston flagship store. Because of the operational complexities associated with transferring the Automatic Markdown Plan to the branch stores, the branch stores do not operate under the Automatic Markdown Plan, although markdowns are taken as required.

Store Operations

We offer customers a convenient, pleasurable shopping experience and a high level of satisfaction. At Value City, a training program is utilized to assure every associate maintains the highest level of professionalism and places customer service at the forefront. At DSW, all associates receive Retail Results University training in both product knowledge and sales/service. This in-house training program emphasizes acknowledgment of all customers, customized levels of service, and realization of sales opportunities at all moments of customer contact.

All of our stores are designed for self-service shopping, although sales personnel are available to help customers locate merchandise and to assist in the selection and fitting of apparel and footwear. In all stores, a customer service desk is conveniently located generally adjacent to the central checkout area. To promote the ease of checkout we have invested in point of sale scanning systems that expedite the checkout process by providing automated check and credit approval and price lookup. Sales associates are trained to create a "customer-friendly" environment. We accept all major credit cards, and also provide a private label credit card program at the Value City and Filene's Basement stores. Private label and other credit card sales are nonrecourse to us, with the servicing agent assuming all of the credit risk. Value City offers a layaway program in its stores and maintains a liberal return policy.

Our stores are organized into separate geographic regions and districts, each with a territory or district manager. Territory and district managers are headquartered in their region and spend the majority of their time in their stores to ensure adherence to merchandising, operational and personnel standards. The typical staff for a Value City store consists of a store manager and several assistants, and full and part-time hourly associates. Each store manager reports directly to one of the territory or district managers, and each of the territory or district managers reports to a Regional Vice President who in turn reports to the Vice President of Operations.

The typical staff for a DSW store consists of a store manager and two assistant managers who supervise 20 to 25 full and part-time hourly associates. Each store manager reports directly to one of 17 district managers who in turn report to one of 2 regional managers who in turn report to the head of Operations.

Our Filene's Basement stores' typical staff consists of a general manager, an assistant store manager, merchandising group managers and full and part-time associates. Each general manager reports to the group store manager who in turn reports to the Senior Vice President, Director of Stores.

Our store managers function both as administrators and merchants. All managers are responsible on a day-to-day basis for maintenance of displays and inventories in all departments, for the overall condition of their stores, for customer relations, personnel hiring and scheduling, and for all other operational matters arising in the stores. Each store manager is compensated, in part, based on the performance of his or her store. Our store managers are an important source of information concerning local market conditions, trends and customer preferences.

We prefer to fill management positions through promotion of existing associates. A store management training program is maintained to develop the management skills of associates and to provide a source of management personnel for future store expansion.

Expansion

We have increased our department store base from 74 stores at the start of fiscal 1994 to 117 stores at the end of fiscal 2001. No new department stores were added in Fiscal 2001 and none are planned for Fiscal 2002. Our past expansion has been accomplished by leasing newly constructed locations or by acquiring existing locations from other retailers.

We plan to open 25 to 30 new DSW shoe stores during fiscal 2002. We intend to open new DSW stores in both existing and new markets with an emphasis on locating stores in highly visible sites on high traffic streets in relatively affluent trade areas. Factors considered in evaluating new store sites include store size, configuration, demographics and lease terms. We seek to cluster stores in targeted metropolitan areas to enhance name recognition, share advertising costs and achieve economies of scale in management and distribution.

The table below sets forth certain information relating to the Company's stores during each of the last five fiscal years:

	Year Ended			6 Months Ended
	2/2/02	2/3/01	1/29/00	1/30/99
Beginning of Year(1)	221	167	145	142
Opened(2)(3)	27	55	22	4
Closed	2	1	--	1
End of Year(3)	246	221	167	145

(1) Excludes apparel, domestics and housewares departments operated by the Company in two Valley Fair department stores prior to May 3, 1998.

(2) Fiscal year ended February 3, 2001 includes 14 Filene's Basement stores acquired on March 17, 2000. Fiscal year ended August 1, 1998 includes 2 department stores obtained in the purchase of Valley Fair and the 43 shoe stores obtained in the purchase of Shonac.

(3) Includes Crown Shoe Stores which are combined with Value City Department Stores sales, but are not reflected in individual store counts due to immateriality. Total number of Crown stores were 5 in fiscal years ended February 2, 2002 and February 3, 2001 and 4 in the earlier periods.

Based upon our experience, we estimate the average cost of opening a new department store ranges from approximately $4.5 million to $6.5 million and the cost of opening a new DSW shoe store ranges from approximately $1.0 million to $2.0 million, including leasehold improvements, fixtures, inventory, pre-opening expenses and other costs. Similar costs for a Filene's Basement store are in the $2.0 million to $3.0 million range. Preparations for opening a department store generally take eight to twelve weeks and preparations for opening a DSW shoe store or a Filene's Basement store generally take eight to ten weeks. We charge pre-opening expenses to operations as incurred. It has been our experience that new stores generally achieve profitability and contribute to net income

following the first year of operations. It is not uncommon to receive lease incentives for our DSW store openings.

We continually refurbish our stores by updating the merchandise displays and in-store signage. The costs of refurbishing on a per store basis are generally not substantial. On an annual basis, we select stores to be

remodeled, which generally involves more significant changes to the interior or exterior of the store. We maintain our own architectural design staff, construction crews and carpentry shop to assist in refurbishing and remodeling store interiors and to build in-store display tables and racks.

MANAGEMENT INFORMATION AND CONTROL SYSTEMS

We believe a high level of automation is essential to maintaining and improving our competitive position. We rely upon computerized data systems to provide information at all levels, including warehouse operations, store billing, inventory control, merchandising and automated accounting. Value City utilizes two IBM AS/400 computer systems, and Shonac utilizes a Unix computer system for all of its processing needs.

We utilize point of sale ("POS") registers with full scanning capabilities to increase speed and accuracy at customer checkouts and facilitate inventory restocking. Since layaways represent an important part of our department store business, an automated system to capture and control layaways is integrated into the POS system.

We utilize automated distribution center systems to track and control the receipt, processing, storage and shipping of product to the stores.

ASSOCIATES

As of March 15, 2002, we had approximately 17,000 associates of which 9,200 were full-time and the balance were part-time. Approximately 1,500 of these associates in 21 stores are covered by collective bargaining agreements.

Group hospitalization, surgical, medical, vision, dental, disability and life insurance benefits and a 401(k) plan are provided to full-time non-union associates. The Company is a co-sponsor with SSC in these plans. The Company also sponsors an associate stock purchase plan and a stock option plan for salaried associates.

We believe that, in general, we have satisfactory relations with all of our associates.

COMPETITION

The retail industry is highly competitive. We compete with a variety of conventional and discount retail stores, including national, regional and local independent department and specialty stores, as well as with catalog operations, on-line providers, factory outlet stores and other off-price stores.

In the discount or off-price retailing segment, we differentiate ourselves through our store format and the breadth of value product offering. Our large stores differ from most other off-price retailers which tend to operate substantially smaller stores focusing predominantly on either hard or soft goods. Our large stores facilitate our merchandise offering and broad range of

brands and products.

In addition, because we purchase much of our inventory opportunistically, we compete for merchandise with other national and regional off-price apparel and discount outlets. Many of our competitors handle identical or similar lines of merchandise and have comparable locations, and some have greater financial resources than we do.

Competitive factors important to our customers include fashion, value, merchandise selection, brand name recognition and, to a lesser degree, store location. We compete primarily on the basis of value, merchandise quality and selection. We believe our competitive advantages include; our reputation in the marketplace for

being able to purchase entire lots of merchandise; our ability to either quickly distribute or hold the merchandise for sale at the most opportune time; our full-line merchandise and style offerings; and our range of brand names.

SERVICE MARKS, TRADEMARKS AND TRADENAMES

The service mark "Value City" has been registered by SSC in the U.S. Patent and Trademark Office. Our four department stores in Columbus operate under the tradename "Schottenstein's," which has been registered in the State of Ohio. We are entitled to use such names for the sole purpose of operating department stores on an exclusive basis pursuant to a perpetual license from SSC. SSC also operates a chain of furniture stores under the name "Value City Furniture." We have also registered in the U.S. Patent and Trademark Office various trademarks used in our marketing program.

Through the acquisition of Shonac, we registered in the U.S. Patent and Trademark Office a number of trademarks and service marks, including: DSW; DSW Shoe Warehouse; Coach and Four; Crown Shoes; Reward Your Style; Flites; Jonathan Victor; Kristi G; Lakota Trail; Landmarks; Sandler; Shoes by Kari; and Sylvia Cristie.

Filene's Basement has an exclusive, perpetual, worldwide, royalty-free license to use the name Filene's Basement and Filene's Basement of Boston trademark and service mark registrations as well as certain other tradenames. Filene's Basement's exclusive licensee status with respect to these registered marks has been recorded with the United States Patent and Trademark Office and relevant state offices.

ITEM 2. PROPERTIES.

Set forth in the following table are the locations of stores operated by the Company as of February 2, 2002:

	Value City	DSW	Filene's Basement

Arizona	-	1	-
California	-	4	-
Colorado	-	3	-
Connecticut	-	1	-
Delaware	3	-	-
Florida	-	6	-
Georgia	4	2	-
Illinois	16	6	2
Indiana	7	2	-
Kansas	-	2	-
Kentucky	4	-	-
Maryland	7	4	-
Massachusetts	-	5	8
Michigan	9	6	-
Minnesota	-	3	-
Missouri	8	1	-
New Hampshire	-	1	-
New Jersey	7	6	1
New York	-	11	4
North Carolina	1	1	-
Ohio	23	9	1
Oklahoma	-	1	-
Pennsylvania	18	9	1
Tennessee	1	2	-
Texas	-	11	-
Virginia	4	6	-
Washington D.C.	1	-	3
West Virginia	4	-	-
Wisconsin	-	1	-
	117	104	20

We maintain buying offices in Columbus, Ohio; Boston, Massachusetts; and Los Angeles, California. We operate 10 warehouse/distribution complexes located in Columbus, Ohio and one distribution facility in Auburn, Massachusetts. In addition, to expedite the flow of merchandise to certain clusters of stores, we use third party processors located principally in New Jersey. Our executive offices occupy approximately 45,000 square feet in a building which includes a store and also serves as one of our apparel distribution centers.

The stores and all of the warehouse, buying and executive office facilities are leased or subleased except for one owned shoe store location. As of February 2, 2002, we leased or subleased 28 stores and 7 warehouse facilities and a parcel of land from SSC or entities affiliated with SSC. The remaining stores and warehouses are

leased from unrelated entities. Most of the store leases provide for an annual rent based upon a percentage of gross sales, with a specified minimum rent.

Our office, warehouse and distribution facilities for our Value City and Filene's Basement department store business are adequate for our current needs and we believe that such facilities, with certain modifications and additional equipment will be adequate for our foreseeable future demands.

To support the planned growth of our DSW shoe warehouse business, we have consolidated and relocated the related back office and distribution operations of our shoe business in Spring 2001, to a new 700,000 square foot facility located in Columbus, Ohio. The facility is leased from an affiliate of SSC and has a 15 year base term with 3 five-year option periods.

ITEM 3. LEGAL PROCEEDINGS.

We are involved in various legal proceedings that are incidental to the conduct of our business. In the opinion of management, the amount of any liability with respect to these proceedings individually or in the aggregate, will not be material.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The following table sets forth the high and low sales prices of the Common Shares as reported on the NYSE Composite Tape during the periods indicated. As of April 15, 2002, there were 550 shareholders of record.

	HIGH	LOW
Fiscal 2000:		
First Quarter	$16.50	$9.375
Second Quarter	11.375	8.00
Third Quarter	9.9375	6.875
Fourth Quarter	8.125	4.625
Fiscal 2001:		
First Quarter	$9.45	$6.65
Second Quarter	11.50	5.60
Third Quarter	6.30	2.50
Fourth Quarter	6.45	2.98
Fiscal 2002:		
First Quarter (through April 15, 2002)	$4.60	$3.04

We have paid no dividends and presently anticipate that all of our future earnings will be retained for development of our businesses and we do not anticipate paying cash dividends on our common shares during fiscal 2002. The payment of any future dividends will be at the discretion of our board of directors and will depend upon, among other things, future earnings, operations, capital requirements, our general financial condition and general business conditions. The payment of dividends under our long-term credit facility is restricted to the greater of $5.0 million or 10% of consolidated net income.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth for the periods indicated selected financial data included in our consolidated financial statements and our underlying books and records. The 12 month period ended January 30, 1999 is presented for comparative purposes. Such selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements of Value City Department Stores, Inc. including the notes thereto, set forth in Item 8 of this Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in Item 7 of this Form 10-K.

	For the Fiscal Year Ended			12 Months Ended (Unaudited)	Transition Period 6 Months Ended
	2/2/02	2/3/01(1)	1/29/00	1/30/99)	1/30/99(
	(dollars in thousands, except per share amount				
Net Sales (3)	$2,283,878	$2,213,017	$1,670,176	$1,364,030	$780,26
Operating (Loss) Profit	$(16,344)	$(135,601)	$65,788	$51,266	$40,81
Net (Loss) Income	$(28,723)	$(101,791)	$33,468	$24,871	$20,25
Basic (Loss) Earnings per Share	$(0.85)	$(3.03)	$1.03	$0.77	$0.6
Diluted (Loss) Earnings per Share	$(0.85)	$(3.03)	$1.02	$0.76	$0.6
Total Assets	$880,311	$908,009	$744,181	$574,427	$574,42
Working Capital	$228,775	$211,402	$205,011	$165,527	$165,52
Current Ratio	1.79	1.66	1.82	1.98	1.9
Long-term Obligations	$337,199	$326,449	$144,168	$101,447	$101,44
Number of (4):					
Department Stores	117	119	105	97	9
Shoe Stores	104	78	58	44	4
Filene's Basement Stores	20	19	--	--	-
Net Sales per Selling Sq. Ft. (5)	$233	$234	$221	$235	$12
Comp Sales Change (6)	(2.4)%	(1.1)%	7.2%	6.0%	3.

(1) Fiscal 2000 includes 53 weeks; all other years contain 52 weeks. The six month period includes 26 weeks.

(2) The operations of Shonac and Valley Fair are included from the date of acquisition, May 3, 1998.

(3) Excludes sales of licensed departments. Prior to fiscal 1998, sales from our toys and sporting goods departments were included in Net Sales. At the start of fiscal 1998 these departments became licensed departments operated by VCM, Ltd., a 50/50 joint venture with Mazel Stores, Inc.

(4) Includes all stores operating at the end of the fiscal year. Years prior to 1998 exclude the apparel, domestic and housewares departments operated by us in two affiliated department stores which were acquired effective May 3, 1998.

(5) Excludes licensed departments and stores not operated during the entire fiscal period.

(6) Comparable Store Sales Change excludes licensed departments. A store is considered to be comparable in its second full fiscal year of operation. For fiscal year 2000, comparable store sales are computed using like 52-week periods.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage relationships to net sales of the listed items included in our Consolidated Statements of Operations.

	For the Year	
	2/2/02 52 Weeks	2/3/01 53 Weeks
Net sales, excluding sales licensed departments	100.0%	100.0%
Cost of sales	(62.6)	(67.5)
Gross profit	37.4	32.5
Selling, general and administrative expenses	(38.9)	(39.3)
License fees from affiliates and other operating income	0.8	0.7
Operating (loss) profit	(0.7)	(6.1)
Interest expense, net	(1.3)	(1.3)
Equity in (loss) income of joint venture	-	(0.1)
(Loss) income before income taxes	(2.0)	(7.5)
Benefit (provision) for income taxes	0.7	2.9
Net (loss) income	(1.3)%	(4.6)%

CRITICAL ACCOUNTING POLICIES

Management's Discussion and Analysis discusses the results of operations and financial condition as reflected in the Company's consolidated financial statements, which have been prepared in accordance with generally accepted

accounting principles. As discussed in Note 2 to the Company's Consolidated Financial Statements, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including, but not limited to, those related to inventory valuation, depreciation, amortization, recoverability of long-lived assets including intangible assets, the calculation of retirement benefits, estimates for self insurance reserves for health and welfare, workers' compensation and casualty insurance, income taxes, contingencies, litigation and revenue recognition. Management bases its estimates and judgments on its historical experience and other relevant factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, and in some cases, actuarial techniques. The Company constantly re-evaluates these significant factors and makes adjustments where facts and circumstances dictate.

While the Company believes that the historical experience and other factors considered provide a meaningful basis for the accounting policies applied in the preparation of the consolidated statements, the Company cannot guarantee that its estimates and assumptions will be accurate. As the determination of these estimates requires the exercise of judgement, actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

We believe the following represent the most critical estimates and assumptions used in the preparation of our consolidated financial statements. We have discussed the selection, application and disclosure of the critical accounting policies with the audit committee of the board of directors.

- Inventory. Our merchandise inventory is carried at the lower of cost or market on a first-in, first-out basis using the retail inventory method. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a calculated cost to retail ratio to the retail value of inventories. This is an averaging method that has been widely used in the retail industry due to its practicality. It is recognized that the use of this method results in valuing inventories at lower of cost or market if markdowns are currently taken as a reduction of the retail value of inventories. Inherent in the calculation are certain significant management judgements and estimates including, merchandise markon, markups, markdowns and shrinkage, which significantly impact the ending inventory valuation at cost and the resulting gross margins. These significant estimates, coupled with the fact that this method is an averaging process, can, under certain circumstances, produce distorted or inaccurate cost figures. Additionally, these significant estimates may change as a result of further markdowns based on our sales performance. Reserves to value inventory at the lower of cost or market were $33.5 million and $54.1 million at the end of fiscal 2002 and 2001, respectively.

- Long-lived assets. In evaluating the fair value and future benefits of long-lived assets, we perform an analysis of the anticipated

undiscounted future cash flows of the related long-lived asset and reduce the carrying value by the excess, if any, of the result of such calculation. We believe at this time that the long-lived assets' carrying values and useful lives continue to be appropriate. During fiscal 2001, we recorded a charge of $4.9 million for the write-down of capitalized development and software costs related to discontinued information systems and a goodwill write-down of $1.5 million relating to a previous acquisition.

Effective February 3, 2002, the beginning of the new fiscal year, SFAS 142 will be adopted. SFAS 142 requires that goodwill will no longer be amortized, but will be subject to annual fair value based impairment tests. In addition, a transitional impairment test is required upon the adoption date. These impairment tests are conducted on each business of the Company where goodwill is recorded, and may require two steps. The initial step is designed to identify potential goodwill impairment by comparing an estimate of the fair value for each applicable business to its respective carrying value. For those businesses where the carrying amount exceeds its estimated fair value, a second step is performed to measure the amount of goodwill impairment, if any. We are in the process of determining if existing goodwill is impaired. Goodwill impairment, if any, will be recognized in accordance with SFAS 142 and will be classified as a cumulative effect of a change in accounting principle.

- Self-insurance reserves. We record estimates for certain health and welfare, workers compensation and casualty insurance costs that are self-insured programs. These estimates are based on actuarial assumptions and are subject to change based on actual results. Should a greater amount of claims occur compared to what was estimated or costs of the medical profession increase beyond what was anticipated, reserves recorded may not be sufficient and additional costs to the consolidated financial statements could be required. During fiscal 2001, 2000 and 1999, we recorded charges of $8.1 million, $8.6 million and $0, respectively, for self-insurance liabilities associated with employee health and welfare plans, workers compensation and casualty insurance programs.

See Note 2 to the Company's Consolidated Financial Statements for a discussion of our significant accounting policies.

FISCAL YEAR ENDED FEBRUARY 2, 2002 COMPARED TO FISCAL YEAR ENDED FEBRUARY 3, 2001

Sales for the fifty-two weeks ended February 2, 2002, increased by 3.2% to $2.28 billion from $2.21 billion in the fifty-three week period of 2000. Excluding the extra week in fiscal 2000, total sales increased 5.2% and same store sales declined 2.4%. Fiscal 2001 sales include $293.4 million attributable to Filene's Basement, which was acquired in March 2000. Filene's Basement sales in the prior year were $249.1 million. By segment comparable store sales were:

	2001	2000
Value City Department Stores	(3.7)%	(4.3)%
DSW	0.0 %	19.1%
Filene's Basement	2.2 %	n/a
Total	(2.4)%	(1.1)%

Department Store non-apparel comparable sales increased 3.3% for the twelve months. Apparel comparable sales declined 5.9% for the year to date period including a positive comparable of 3.7% for children while men's and ladies declined 4.7% and 10.7%, respectively.

Including a flat twelve-month comparable store growth rate, DSW sales rose almost $100.0 million to $509.4 million for the year to date period. This includes a net increase of 26 stores.

Gross profit increased $134.3 million from $720.1 million to $854.4 million, and increased as a percentage of net sales from 32.5% to 37.4%. Last year's gross margin included a $105.4 million charge for the realignment of excess inventory quantities. Excluding the charge the gross margin percent to sales would have been 37.3% in fiscal 2000. Gross profit, as a percent of sales by segment, were:

	2001	2000
Value City Department Stores	37.6%	30.7%
DSW	38.2%	38.3%
Filene's Basement	35.1%	34.4%
Total	37.4%	32.5%

For the year to date period, SG&A increased $18.5 million to $888.7 million or 38.9% of sales. The fifty-two week period ended February 2, 2002 includes approximately $24.7 million, or $0.47 per share, for employee benefit, severance costs, write off of software development efforts, DSW warehouse relocation and fees associated with the terminated sale of DSW and Filene's Basement. The fifty-three week period ended February 3, 2001 included pretax charges of $4.6 million for asset impairment and severance costs. New DSW stores added approximately $67.0 million of SG&A expenses. SG&A as a percent of sales by segment were:

	2001	2000
Value City Department Stores	40.4%	40.8%
DSW	38.0%	36.7%
Filene's Basement	32.9%	34.4%
Total	38.9%	39.3%

Based upon our experience, we estimate the average cost of opening a new department store to range from approximately $4.5 million to $6.5 million and the cost of opening a new shoe store to range from approximately $1.0 million to $2.0 million including leasehold improvements, fixtures, inventory, pre-opening expense and other costs. Similar costs for a Filene's Basement store are in the $2.0 million to $3.0 million range. Preparations for opening a department store generally take between eight and twelve weeks and preparations for a DSW store or a Filene's Basement store generally take eight to ten weeks. Pre-opening costs are expensed as incurred. It has been our experience that new stores generally achieve profitability and contribute to net income after the first full year of operations. Twenty-three department stores opened less than twelve months during fiscal 2000 had pre-tax operating losses of $22.8 million, including $4.5 million of pre-opening expense. Twenty-six DSW stores opened less

than twelve months in fiscal 2001 had a pre-tax net operating loss of $2.5 million, including $0.1 million of pre-opening expenses. Twenty DSW stores opened less than twelve months during fiscal 2000 had a pre-tax net operating loss of $6.5 million, including $4.6 million of pre-opening expenses.

License fees from affiliates increased $0.9 million, or 8.0%, from $11.3 million to $12.2 million, and remained at 0.5% as a percentage of net sales.

Other operating income increased $2.4 million, or 76.1%, from $3.3 million to $5.7 million and increased as a percentage of net sales from 0.15% to 0.25%.

Operating loss decreased $119.3 million from a loss of $135.6 million to a loss of $16.3 million, and decreased as a percentage of net sales from a loss of 6.1% to a 0.7% loss as a result of the above factors.

Interest expense, net of interest income, decreased $2.0 million from $30.5 million to $28.5 million due primarily to a decrease in interest rates, offset partially by slightly higher average borrowings.

Equity in loss of joint venture decreased $0.9 million from a loss of $1.3 million to a loss of $0.4 million.

Loss before benefit for income taxes decreased $122.1 million from a loss of $167.4 million to a loss of $45.3 million, and decreased as a percentage of sales from a loss of 7.5% to a 2.0% loss as a result of the above factors.

FISCAL YEAR ENDED FEBRUARY 3, 2001 COMPARED TO FISCAL YEAR ENDED JANUARY 29, 2000

Our net sales increased $542.8 million, or 32.5%, from $1,670.2 million to $2,213.0 million. Fiscal 2000's sales included $249.1 million net owned sales of the Filene's Basement stores acquired effective March 17, 2000. Comparable store sales decreased 1.1%. Net sales for the department stores ("Value City") increased $130.3 million, or 9.2%, from $1,423.6 million to $1,553.9 million. Value City's comparable store sales decreased 4.3%, or $60.7 million. Non-apparel sales increased 7.2% and apparel sales increased 6.4%. On a comparable store basis, apparel and non-apparel sales decreased 5.1% and 5.4%, respectively. DSW Shoe Warehouse achieved sales of $410.0 million with a 19.1% comparable stores sales increase.

Gross profit increased $89.1 million from $631.0 million to $720.1 million, and decreased to 32.5% as a percentage of net sales, compared to 37.8% as a percentage of net sales in the prior year. The decrease in the gross margin percentage is due primarily to a $105.4 million charge for the realignment of excess inventory quantities.

Selling, general and administrative expenses ("SG&A") increased $290.7 million from $579.5 million to $870.2 million, and increased as a percentage of net sales from 34.7% to 39.3%, an increase of 4.6%. New DSW and Value City stores accounted for $102.5 million of the SG&A increase; the Filene's Basement stores added $86.0 million. Comparable store SG&A increased $37.0 million, primarily in the areas of payroll, benefits and occupancy costs. Distribution and transportation costs were up $41.1 million. Overhead increased $14.1 million to support expansion of our shoe business and the relocation of its distribution complex. SG&A also include $4.6 million of non-recurring severance and asset impairment charges. All other expenses as a group were up approximately $6.6 million.

Based upon our experience, we estimate the average cost of opening a new department store to range from approximately $4.5 million to $6.5 million and the cost of opening a new shoe store to range from approximately $1.0 million to $2.0 million including leasehold improvements, fixtures, inventory, pre-opening expense and other costs. Similar costs for a Filene's Basement store are in the $2.5 million to $3.5 million range. Preparations for opening a department store generally take between 8 and 12 weeks and preparations for a shoe store or a Filene's Basement store generally take 8 to 10 weeks. Pre-opening costs are expensed as incurred. It has been our experience that new stores generally achieve profitability and contribute to net income after the first

full year of operations. Twenty-three department stores opened less than 12 months as of the beginning of fiscal 2000 had a pre-tax net operating loss of $22.8 million, including $4.5 million of pre-opening expense amortization. Ten department stores opened less than 12 months during fiscal 1999 had pre-tax operating losses of $1.6 million in 1999, including $3.8 million of pre-opening expense. Twenty DSW stores opened less than 12 months in fiscal 2000 had a pre-tax net operating loss of $6.5 million, including $4.6 million of pre-opening expenses. Twenty-two DSW stores opened less than 12 months during fiscal 1999 had a pre-tax net operating loss of $3.7 million after recognizing $3.3 million of pre-opening expenses.

License fees from affiliates increased $2.9 million, or 34.0%, from $8.5 million to $11.3 million, and remained at 0.5% as a percentage of net sales.

Other operating income decreased $2.4 million, or 42.0%, from $5.6 million to $3.3 million and decreased as a percentage of net sales from 0.34% to 0.15%.

Operating (loss) profit decreased $201.2 million from $65.6 million to a loss of $135.6 million, and decreased as a percentage of net sales from 3.9% to a 6.1% loss as a result of the above factors.

Interest expense, net of interest income, increased from $10.7 million to $30.5 million due to increased borrowing.

Equity in income (loss) of joint venture decreased $2.7 million from income of $1.3 million to a loss of $1.3 million due primarily to markdowns taken to liquidate inventory.

Income (loss) before provision for income taxes decreased $223.8 million from income of $56.4 million to a loss of $167.4 million, and decreased as a percentage of sales from 3.4% to a 7.5% loss as a result of the above factors.

SEASONALITY

Our business is affected by the pattern of seasonality common to most retail businesses. Historically, the majority of our sales and operating profit have been generated during the back-to-school and Christmas selling seasons.

FISCAL YEAR

The Company follows a 52/53-week fiscal year that ends on the Saturday nearest to January 31. Fiscal 2001 and 1999 contain 52 weeks and fiscal 2000 has 53 weeks.

INCOME TAXES

The effective tax rate for fiscal 2001 was 36.5% versus 39.2% for fiscal 2000.

ADOPTION OF ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") periodically issues Statements of Financial Accounting Standards ("SFAS"), some of which require implementation by a date falling within or after the close of our fiscal year.

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, is effective for all fiscal years beginning after June 15, 2000. SFAS 133, as amended, establishes accounting and reporting standards for de-

rivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. Our adoption of SFAS 133 effective February 4, 2001 did not have a significant impact our financial position, results of operations, or cash flows.

We utilize interest rate swap agreements to manage our interest rate risks on borrowings under the $300 million variable rate credit agreement. We do not hold or issue derivative financial instruments for trading purposes. We do not have derivative financial instruments that are held or issued and accounted for as hedges of anticipated transactions.

In June 2001, the FASB issued SFAS 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". The guidance in SFAS No. 141 supersedes APB 16 and is applicable to business combinations initiated after June 30, 2001. Upon adoption of SFAS No. 142, goodwill will cease to be amortized and will instead be subject to at least an annual assessment for impairment as set forth in the new standard. We have approximately $41.0 million in goodwill recorded in our consolidated balance sheet as of February 2, 2002. Amortization of the goodwill is generally not deductible for tax purposes. We recorded approximately $4.9 million in amortization expense related to goodwill for the twelve months ended February 2, 2002 and we intend to adopt SFAS No. 142 for the 2002 fiscal year. We are in the process of determining if existing goodwill is impaired. Goodwill impairment, if any, will be recognized in accordance with SFAS No. 142 and will be classified as a cumulative effect of a change in accounting principle.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addressed financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Under this Statement, obligations that meet the definition of a liability will be recognized consistently with the retirement of the associated tangible long-lived assets. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Because SFAS No. 121 did not address the accounting for a segment of a business accounted for as a discontinued operation under Opinion 30, two accounting models existed for long-lived assets to be disposed of. The FASB decided to establish a single accounting model,

based on the framework established in Statement 121, for long-lived assets to be disposed of by sale. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years.

We are currently assessing the impact of SFAS No. 143 and 144. At this time, we have not yet determined the effect of these pronouncements on our results of operations and financial position.

INFLATION

The results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation because of the nature of the estimates required, management believes that the effect of inflation, if any, on the results of operations and financial condition has been minor.

LIQUIDITY AND CAPITAL RESOURCES

Net working capital was $228.8 million and $211.4 million at February 2, 2002 and February 3, 2001, respectively. Current ratios at those dates were 1.8 and 1.7, respectively.

Net cash provided by operating activities totaled $58.4 million in fiscal 2001. Net cash used in operating activities was $114.7 million for the fiscal year 2000. Earnings before interest, taxes, depreciation and amortization (EBITDA) was $40.3 million versus a loss of $89.4 million last year.

Net cash used for capital expenditures was $40.2 million and $70.2 million for fiscal 2001 and 2000, respectively. During fiscal 2001, capital expenditures included $11.6 million for new stores, $8.9 million for improvements in existing stores, $11.6 million for relocation of office, warehousing and operations of our shoe business, $4.6 million for MIS equipment upgrades and new systems. All other capital expenditures aggregated $3.5 million. Proceeds from lease incentives totaled $14.2 million in fiscal 2002 and are amortized as a reduction of rent expense over the life of the lease.

At February 2, 2002, we had a $300 million Amended and Restated Credit Agreement (Credit Agreement), dated as of March 15, 2000. The Credit Agreement, which expires on March 15, 2003, provides for revolving and overnight loans and issuance of letters of credit. Outstanding advances are secured by a lien on assets and are subject to a monthly borrowing base of eligible inventories and receivables, as defined. Terms of the Credit Agreement require compliance with certain restrictive covenants, including limitations on dividends, the incurrence of additional debt and financial ratio tests. At February 2, 2002, $11.8 million was available under the Credit Agreement. Borrowings aggregated $211.0 million, plus $17.0 million of letters of credit were issued and outstanding. The Credit Agreement provides for various borrowing rates, currently equal to 275 basis points over LIBOR. The LIBOR rate on $75.0 million has been locked in at a fixed annual rate of 6.99% through April 2003 under a swap agreement.

To supplement operating cash requirements, we have a $100.0 million subordinated secured credit facility with SSC. Outstanding advances under the agreement are subordinated to the Credit Agreement and are subject to a junior lien on assets securing the Credit Agreement. At February 2, 2002, $20.0 million was outstanding. The interest rate and terms of the $100.0 million facility are

generally the same as the Credit Agreement.

We entered a $75.0 million Senior Subordinated Convertible Loan Agreement (Senior Facility), dated as of March 15, 2000. The Senior Facility bears interest at various rates, currently equal to 250 basis points over LIBOR. The interest rate increases an additional 50 basis points every 90 days after the first anniversary date. The Senior Facility is due in September 2003. In December 2000, pursuant to terms of the Senior Facility, SSC purchased the outstanding balance under the same continuing terms. The terms provide that if prior to February 4, 2002, the balance outstanding thereunder is not repaid from the proceeds of an equity offering or other subordinated debt acceptable to lenders under the Credit Agreement, then after that date SSC, as the lender, has the right to convert the debt into our common stock at a price equal to 95% of the 20-day average of high and low sales prices reported on the New York Stock Exchange at the time of conversion. A one time fee of 200 basis points, or $1.5 million, was paid to SSC at the initial closing in consideration for entering into a Put Agreement associated with the Senior Facility.

Achievement of expected cash flows from operations and compliance with our Credit Agreement covenants (see Note 5 to the Consolidated Financial Statements) are dependent upon a number of factors, including the attainment of sales, gross profit, expense levels, vendor relations, and flow of merchandise that are consistent

with our financial projections. In the first quarter of fiscal 2001, a major Factor organization reduced our availability of credit and indicated that we needed to strengthen our liquidity and increase our credit availability from other sources. Future limitations of credit availability by Factor organizations and/or vendors will restrict our ability to obtain merchandise and services and may impair operating results. Although operating results for fiscal 2001 were below plan, we believe that cash generated by operations, along with the available proceeds from our Credit Agreement, SSC Facility and other sources of financing will be sufficient to meet our obligations for working capital, capital expenditures, and debt service requirements. However, there is no assurance that we will be able to meet our projections. Further, there is no assurance that extended financing will be available to us in the future if we fail to meet our projections or on terms acceptable to us.

ACQUISITIONS

Effective with the close of business on February 2, 2002 by acquisition of our partner's interest in VCM for $8,375,000, we now own 100% of VCM and operate the health and beauty care, toy, sporting goods and food departments in the Value City stores.

On March 17, 2000, we, through our wholly-owned subsidiary, Base Acquisition Corp, completed the acquisition of substantially all of the assets and assumed certain liabilities of Filene's Basement Corp., a Massachusetts corporation, and Filene's Basement, Inc., a wholly owned subsidiary of Filene's Basement Corp. pursuant to the closing of the asset purchase agreement, dated February 2, 2000.

The purchase price included cash of $3.5 million paid at closing, $1.2 million to be paid over a period not to exceed three years, 403,208 shares of our common stock with an agreed value of $5.5 million and the assumption of specified liabilities. The assumed liabilities included the payment of amounts outstanding under Filene's Basement debtor-in-possession financing facility of approximately $22.5 million and certain trade payable and other obligations which will be paid

in the ordinary course. Allocation of the purchase price has been determined based on fair market valuation of the net assets acquired subject to resolution of several outstanding matters.

These acquisitions were funded by cash from operations and a portion of the proceeds from the Credit Agreement.

RISK FACTORS

The following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results for 2002 and beyond to differ materially from those expressed or implied in any such forward-looking statements: decline in demand for our merchandise, the ability to repay the $75.0 million Senior Facility through an equity offering or refinancing, our ability to attain our fiscal 2002 business plan, expected cash from operations, vendor and their factor relations, flow of merchandise, compliance with the credit agreement, our ability to strengthen our liquidity and increase our credit availability, the availability of desirable store locations on suitable terms, changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, changes in existing or potential duties, tariffs or quotas, paper and printing costs, and the ability to hire and train associates.

Historically, our operations have been seasonal, with a disproportionate amount of sales and a majority of net income occurring in the back-to-school and Christmas selling seasons. As a result of this seasonality, any factors negatively affecting us during this period, including adverse weather, the timing and level of markdowns

or unfavorable economic conditions, could have a material adverse effect on our financial condition and results of operations for the entire year.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to market risk from changes in interest rates which may adversely affect our financial position, results of operations and cash flows. In seeking to minimize the risks from interest rate fluctuations, we manage exposures through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use financial instruments for trading or other speculative purposes and are not party to any leveraged financial instruments.

We are exposed to interest rate risk primarily through our borrowings under our revolving credit facility. At February 2, 2002, direct borrowings aggregated $211.0 million. The Credit Agreement, as amended and restated effective March 17, 2000, permits debt commitments up to $300.0 million, has a March 15, 2003 maturity date and generally bears interest at a floating rate of LIBOR plus 2.75%. We utilize interest rate swap agreements to effectively establish long-term fixed rates on borrowings under the Credit Agreement, thus reducing a portion of our interest rate risk. These swap agreements, which are designated as cash flow hedges, involve the receipt of variable rate amounts in exchange for fixed rate interest payments over the life of the agreements. At February 2, 2002, we had outstanding swap agreements with notional amounts totaling $75.0 million, for which the interest rate has been locked at a fixed rate of 6.99% until April 2003.

At February 2, 2002, we performed a sensitivity analysis assuming an average outstanding principal amount of $320.0 million subject to variable interest rates. A 10% increase in LIBOR would result in approximately $1.0 million of additional interest expense annually.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our financial statements and financial statement schedule and the Independent Auditors' Report thereon are filed pursuant to this Item 8 and are included in this report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item appears under the captions "Nominees for Election as Directors," "Officers and Key Employees," and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in our Proxy Statement relating to our 2002 Annual Meeting of Shareholders (the "Annual Meeting") and is incorporated herein by reference.

ITEM 11. EXECUTIVE OFFICER COMPENSATION.

The information required by this item appears under the captions "Executive Officer Compensation," "Information Concerning Board of Directors," and "Compensation Committee Interlocks and Insider Participation" in our Proxy Statement relating to our Annual Meeting and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item appears under the caption "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement relating to our Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item appears under the caption "Relationship with SSC and its Affiliates" in our Proxy Statement relating to our Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K.

14(a)(1) FINANCIAL STATEMENTS

The documents listed below are filed as part of this Form 10-K:

Independent Auditors' Report

Consolidated Balance Sheets at February 2, 2002 and February 3, 2001

Consolidated Statements of Operations for the years ended February 2, 2002, February 3, 2001 and January 29, 2000

Consolidated Statements of Shareholders' Equity for the years ended February 2, 2002, February 3, 2001 and January 29, 2000

Consolidated Statements of Cash Flows for the years ended February 2, 2002, February 3, 2001 and January 29, 2000

Notes to Consolidated Financial Statements

14(a)(2) CONSOLIDATED FINANCIAL STATEMENT SCHEDULES:

The schedule listed below is filed as part of this Form 10-K:

Schedule II. Valuation and Qualifying Accounts

Schedules not listed above are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or the notes thereto.

14(a)(3) EXHIBITS:

See Index to Exhibits which begins on Page E-1.

14(b) REPORTS ON FORM 8-K

On February 5, 2002, we filed a Form 8-K, Item 5 -- "Other Items" relating to our acquisition of Mazel Stores, Inc. 50% interest in the VCM Ltd. joint venture. In addition, on February 5, 2002, we also filed a Form 8-K, Item 5 -- "Other Items" relating to the termination by Schottenstein Stores Corporation of its letter of intent with respect to its purchase of Shonac Corporation, DSW Shoe Warehouse, Inc. and Filene's Basement, Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

VALUE CITY DEPARTMENT STORES, INC.

Date: April 23, 2002 By: *

(James A. McGrady, Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this amended report has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE
*	Chairman of the Board of Directors
(Jay L. Schottenstein)	
*	President and Chief Executive Officer (Principal Executive Officer)
(John C. Rossler)	
*	Chief Financial Officer and Treasurer (Principal Financial and Accounting Offi
(James A. McGrady)	
*	Director
(Henry L. Aaron)	
*	Director
(Ari Deshe)	
*	Director
(Jon P. Diamond)	
*	Director
(Elizabeth Mugar Eveillard)	
*	Director
(Marvin Goldstein)	
*	Director
(Richard Gurian)	
*	Director
(Norman Lamm)	

*	Director
(Geraldine H. Schottenstein)	
*	Director
(Robert L. Shook)	
*	Director
(Harvey L. Sonnenberg)	
*	Director
(James L. Weisman)	

*By: /s/ James A. Mcgrady
James A. McGrady, (Attorney-in-Fact)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Shareholders of Value City Department Stores, Inc.:

We have audited the accompanying consolidated balance sheets of Value City Department Stores, Inc. (a majority owned subsidiary of Schottenstein Stores Corporation) and its wholly owned subsidiaries (the "Company") as of February 2, 2002 and February 3, 2001 and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended February 2, 2002, February 3, 2001 and January 29, 2000. Our audits also included the financial statement schedule listed in the Index as Item 14(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Value City Department Stores, Inc. and its wholly owned subsidiaries as of February 2, 2002 and February 3, 2001, and the results of their operations and their cash flows for the years ended February 2, 2002, February 3, 2001 and January 29, 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP

Columbus, Ohio
March 26, 2002

VALUE CITY DEPARTMENT STORES, INC.
CONSOLIDATED BALANCE SHEETS
February 2, 2002 and February 3, 2001
(In Thousands, Except Share Amounts)

	ASSETS	
	2/2/02	2/3/01
CURRENT ASSETS:		
Cash and equivalents	$35,915	$10,562
Accounts receivable, net	6,650	44,927
Receivables from affiliates	905	9,452
Inventories	396,830	393,577
Prepaid expenses and other assets	15,741	22,290
Deferred income taxes	63,102	51,732
TOTAL CURRENT ASSETS	519,143	532,540
PROPERTY AND EQUIPMENT, AT COST:		
Furniture, fixtures and equipment	246,358	223,675
Leasehold improvements	184,854	176,318
Land and building	801	801
Capital leases	37,413	38,348
	469,426	439,142
Accumulated depreciation and amortization	(224,782)	(190,103
PROPERTY AND EQUIPMENT, NET	244,644	249,039
INVESTMENT IN JOINT VENTURE	-	8,292
GOODWILL AND TRADENAMES, NET	60,012	67,056
OTHER ASSETS	56,512	51,082
TOTAL ASSETS	$880,311	$908,009

	LIABILITIES AND SHAREHOLDERS' EQUIT	
CURRENT LIABILITIES:		
Accounts payable	$149,864	$180,736

Accounts payable to affiliates	8,909	13,655
Accrued expenses:		
Compensation	22,410	19,662
Taxes	39,224	31,255
Other	69,296	75,227
Current maturities of long-term obligations	665	603
TOTAL CURRENT LIABILITIES	290,368	321,138
LONG-TERM OBLIGATIONS, NET OF CURRENT MATURITIES	337,199	326,449
OTHER NONCURRENT LIABILITIES	32,315	10,115
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY:		
Common shares, without par value; 80,000,000 authorized; issued, including treasury shares, 34,227,540 shares and 34,330,863 shares, respectively	145,772	145,659
Retained earnings	82,432	111,155
Deferred compensation expense, net	(4,150)	(6,448
Treasury shares at cost, 7,651 shares	(59)	(59
Accumulated other comprehensive loss	(3,566)	-
TOTAL SHAREHOLDERS' EQUITY	220,429	250,307
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$880,311	$908,009

The accompanying notes are an integral part of the consolidated financial statements.

VALUE CITY DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended February 2, 2002,
February 3, 2001 and January 29, 2000
(in thousands, except per share amounts)

	For the Year Ended 2/2/02 52 Weeks	For the Year Ended 2/3/01 53 Weeks
Net sales, excluding sales of licensed departments	$2,283,878	$2,213,017
Cost of sales	(1,429,455)	(1,492,947
Gross profit	854,423	720,070

Selling, general and administrative expenses	(888,734)	(870,253
License fees	12,228	11,323
Other operating income	5,739	3,259
Operating (loss) profit	(16,344)	(135,601
Interest expense, net	(28,510)	(30,480
(Loss) income before equity in (loss) income of joint venture and benefit (provision) for income taxes	(44,854)	(166,081
Equity in (loss) income of joint venture	(406)	(1,340
(Loss) income before benefit (provision) for income taxes	(45,260)	(167,421
Benefit (provision) for income taxes	16,537	65,630
Net (loss) income	$ (28,723)	$ (101,791
Basic (loss) earnings per share	$(0.85)	$(3.03
Diluted (loss) earnings per share	$(0.85)	$(3.03

The accompanying notes are an integral part of the consolidated financial statements.

VALUE CITY DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENTS OF
SHAREHOLDERS' EQUITY
Years Ended February 2, 2002, February 3, 2001 and January 29, 2000
(in thousands)

	Number of Shares				
	Common Shares	Common Shares in Treasury	Common Shares	Retained Earnings	Deferred Compensation Expense
BALANCE, JANUARY 30, 1999	32,638	344	$125,156	$179,478	$(671)
Net income				33,468	
Exercise of stock options	198		1,660		
Tax benefit on stock options and restricted shares			1,548		
Grant of restricted shares	156		2,201		(2,201)
Amortization of deferred compensation expense					359
Acquisitions		(256)	2,036		
BALANCE, JANUARY 29, 2000	32,992	88	132,601	212,946	(2,513)
Net loss				(101,791)	

Sales of treasury shares		(80)	466		
Exercise of stock options	182		1,431		
Tax benefit on stock options and restricted shares			228		
Grant of restricted shares, net of forfeitures	754		5,433		(4,703)
Amortization of deferred compensation expense					768
Acquisitions	403		5,500		
BALANCE, FEBRUARY 3, 2001	34,331	8	145,659	111,155	(6,448)
Net loss				(28,723)	
Exercise of stock options	108		782		
Forfeitures of restricted shares, net of grants	(211)		(669)		(517)
Amortization of deferred compensation expense					2,815
Net unrealized loss on derivative financial instruments, net of income tax benefit of $1,731					
Minimum pension liability, net of income tax benefit of $647					
BALANCE, FEBRUARY 2, 2002	34,228	8	$145,772	$82,432	$(4,150)

The accompanying notes are an integral part of the consolidated financial statements.

VALUE CITY DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended February 2, 2002, February 3, 2001 and January 29, 2000,
(in thousands)

	Year Ended 2/2/02 52 Weeks	Year Ended 2/3/01 53 Weeks
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$(28,723)	$(101,791
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	57,082	47,495
Deferred income taxes and other noncurrent liabilities	(8,202)	(35,058
Equity in loss (income) of joint venture	406	1,340
Loss (gain) on disposal of assets	4,937	16
Change in working capital, assets and liabilities, excluding effects of acquisitions:		

Receivables	54,228	(42,657
Inventories	18,790	44,194
Prepaid expenses and other assets	4,611	(11,675
Accounts payable	(45,832)	7,271
Accrued expenses	1,116	(23,852
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	58,413	(114,717
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(40,244)	(70,226
Proceeds from sale of assets	73	326
Acquisitions, net of cash received	(8,375)	(3,506
Other assets	(9,696)	3,355
Proceeds from lease incentives	14,248	-
NET CASH USED IN INVESTING ACTIVITIES	(43,994)	(70,051
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	782	1,431
Net proceeds from issuance of debt	10,533	187,872
Net principal payments under long-term obligations	(381)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,934	189,303
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	25,353	4,535
CASH AND EQUIVALENTS, BEGINNING OF YEAR	10,562	6,027
CASH AND EQUIVALENTS, END OF YEAR	$35,915	$10,562

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS OPERATIONS AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Value City Department Stores, Inc. and its wholly owned subsidiaries. These entities are herein referred to collectively as the Company. The Company operates a chain of full-line, off-price department stores, principally under the names Value City and Filene's Basement, as well as better-branded off-price shoe stores, under the name "DSW Shoe Warehouse." As of February 2, 2002 a total of 241 stores were open, including 117 Value City stores located principally in Ohio (23 stores) and Pennsylvania (18 stores) with the remaining stores dispersed throughout the Midwest, East and South and 104 shoe stores located throughout the United States and 20 Filene's Basement stores ("Filene's Basement") located principally in the Northeast United States.

To facilitate comparisons with the current year, certain amounts in prior years' and interim period financial statements have been reclassified to conform to the current year presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR

The Company follows a 52/53-week fiscal year that ends on the Saturday nearest to January 31. Fiscal 2001 and 1999 contain 52 weeks and Fiscal 2000 contains 53 weeks.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company after elimination of significant intercompany transactions and balances.

CASH AND EQUIVALENTS

Cash and equivalents represent cash and highly liquid investments with maturities when purchased of three months or less.

ACCOUNTS RECEIVABLE, NET

The allowance for doubtful accounts was $1,793,000 and $992,000 for fiscal years 2001 and 2000, respectively.

INVENTORIES

Merchandise inventories are stated at the lower of cost or market using the retail method.

PRE-OPENING EXPENSES

Pre-opening expenses are expensed as incurred. Pre-opening costs expensed were $4,379,000, $10,902,000 and $7,563,000 for fiscal 2001, 2000 and 1999, respectively.

INVESTMENT IN JOINT VENTURE

VCM, Ltd. ("VCM") operates the health and beauty care, food, toy, and sporting goods departments in the Company's stores as licensed departments. VCM is a 50/50 joint venture with Mazel Stores, Inc. ("Mazel"). The Company accounts for its fifty percent interest in the joint venture under the equity method. (See Note 3, Related Party Transactions.) Effective at the close of business on February 2, 2002 the Company acquired the Mazel partner's interest in VCM for $8,375,000. The balance sheet for VCM has been consolidated in these statements for the current year-end.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation and amortization are recognized principally on the straight-line method in amounts adequate to amortize costs over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter

of their useful lives or lease term. The estimated useful lives by class of asset are:

Buildings	31 years
Furniture, fixtures and equipment	3 to 10 years
Leasehold improvements	10 years

LONG-LIVED ASSETS

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and other intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Company recognizes an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Company wrote down in the year ended February 2, 2002 the balance of goodwill associated with the November 1999 purchase of Gramex. The resulting $1,542,000 charge is reflected in selling, general and administrative expense.

GOODWILL AND TRADENAMES

Goodwill represents the excess cost over the estimated fair values of net assets and identifiable intangible assets of businesses acquired and is being amortized over 15 years. Tradenames represent the values assigned to names that the Company acquired and are being amortized over 15 years. The accumulated amortization for these assets was $15,538,000 and $10,586,000 at February 2, 2002 and February 3, 2001, respectively.

REVENUE RECOGNITION

Sales of merchandise and services are net of returns and allowances and exclude sales tax. Layaway sales are recognized when the merchandise has been paid for in full.

VALUATION ACCOUNTS

Reserves established and used for the realignment of excess inventory quantities, severance and asset impairment cost for the periods ended February 3, 2001, and February 2, 2002, are as follows (in thousands):

	Excess Inventory	Asset Severan
Balance, January 29, 2000	$ --	$ --

Provisions to establish reserves	105,400	4,000
Charges/payments	(61,700)	(603
Balance at February 3, 2001	43,700	3,397
Provisions to establish reserves	--	5,600
Charges/payments	(43,700)	(3,640
Balance, February 2, 2002	$ --	$5,357

ADVERTISING EXPENSE

The cost of advertising is expensed as incurred. During fiscal year 2001, 2000 and 1999, advertising expense was $83,233,000, $78,224,000 and $59,194,000, respectively.

FINANCIAL INSTRUMENTS

The Company utilizes interest rate swap agreements to manage its interest rate risk associated with borrowings. The Company does not hold or issue derivative financial instruments for trading purposes. The Company does not have derivative financial instruments that are held or issued and accounted for as hedges of anticipated transactions. Amounts currently due to or from interest swap counter parties are recorded in interest expense in the period in which they accrue.

EARNINGS PER SHARE

Basic earnings per share is based on a simple weighted average of common shares outstanding. Diluted earnings per share reflects the potential dilution of common shares, related to outstanding stock options, calculated using the treasury stock method. The numerator for the calculation of basic and diluted earnings per share is net (loss) income. The denominator is summarized as follows (in thousands):

	Year Ende	
	2/2/02	2/3/01
Weighted average shares outstanding	33,621	33,567
Assumed exercise of dilutive stock options	--	--
Number of shares for computation of diluted earnings per share	33,621	33,567

Options to purchase 3,693,180 shares of stock at prices ranging from $3.57 to $21.44 per share were outstanding during the year ended February 2, 2002, but were not included in the computation of diluted loss per share. Options to purchase 2,615,550 shares of stock at prices ranging from

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

$5.56 to $21.44 per share were outstanding during the year ended February 3, 2001, and were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the stock.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results could differ from these estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") periodically issues Statements of Financial Accounting Standards ("SFAS"), some of which require implementation by a date falling within or after the close of the fiscal year.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 applies to all business combinations completed after June 30, 2001, and requires the use of purchase accounting. SFAS No. 141 also establishes new criteria for determining whether intangible assets should be recognized separately from goodwill. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001; however, companies with fiscal years beginning after March 15, 2001 may elect to adopt the statement early. SFAS No. 142 provides that goodwill and intangible assets with indefinite lives will not be amortized, but rather will be tested for impairment at least on an annual basis. The Company will adopt SFAS No. 142 effective February 3, 2002, which will require the Company to cease amortization of its remaining net goodwill balance and to perform an impairment test of its existing goodwill based on a fair value concept. The Company is in the process of determining if its existing goodwill is impaired. Goodwill impairment, if any, will be recognized in accordance with SFAS No. 142 during 2002 and will be classified as a cumulative effect of a change in accounting principle. As of February 2, 2002, the Company has net unamortized goodwill of $41.0 million and amortization expense of $4.9 million, $3.3 million and $2.3 million for the years ended February 2, 2002, February 3, 2001 and January 29, 2000, respectively.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addressed financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Under this Statement, obligations that meet the definition of a liability will be recognized consistently with the retirement of the associated tangible long-lived assets. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Because SFAS No. 121 did not address the accounting for a

segment of a business accounted for as a discontinued operation under Opinion 30, two accounting models existed for long-lived assets to be disposed of. The Board decided to establish a single accounting model, based on the framework

established in Statement 121, for long-lived assets to be disposed of by sale. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years.

The Company is currently assessing the impact of SFAS No. 143 and 144. At this time, the Company has yet to determine the effect of these pronouncements on its results of operations and financial position.

3. RELATED PARTY TRANSACTIONS

The Company purchases merchandise from and sells merchandise to affiliates of Schottenstein Stores Corporation ("SSC"), direct owner of approximately 53.0% of the Company's common shares, and VCM. The related party transactions are as follows (in thousands):

	Year End	
	2/2/02	2/3/01
Purchases of merchandise from affiliates	$16,396	$24,787
Merchandise sold to affiliates at cost, including handling charges	--	14,300

Sales by licensed departments and the related license fees earned are as follows (in thousands):

	Year	
	2/2/02	2/3/01
VCM		
Sales	$136,153	$140,240
License fees	9,698	9,144

The Company also leases certain store and warehouse locations owned by SSC as described in Note 4.

Accounts receivable from and payable to affiliates principally result from commercial transactions with entities owned or controlled by SSC or intercompany transactions with SSC.

The Company shares certain personnel, administrative and service costs with SSC and its affiliates. The costs of providing these services are allocated among the Company, SSC and its affiliates without a premium. The allocated amounts are not significant. SSC does not charge the Company for general corporate management services. In the opinion of the Company and SSC management, the aforementioned charges are reasonable.

The Company participates in SSC's self-insurance program for general liability, casualty loss and Ohio workers' compensation. The Company expensed $12,326,000, $16,550,000 and $9,564,000 in fiscal years 2001, 2000 and 1999, respectively, for such coverage.

In July 2000, the Company assigned to SSC the future proceeds from a lease termination agreement with a lessor in exchange for $13.5 million. This agreement was subsequently canceled in

November 2000 and the proceeds were returned to SSC. No gain or loss was recorded on the transaction.

The Company also makes contributions to a private charitable foundation controlled by SSC. The fiscal 1999 contribution was made in March 2000 by utilizing 80,000 common shares of the Company held in Treasury. During 2000, the Company expensed $2.2 million of contributions. During 2001 no contributions were recorded.

See Footnotes 4, 5 and 6 for additional related party disclosures.

4. LEASES

The Company leases stores and warehouses under various arrangements with related and unrelated parties. Such leases expire through 2024 and in most cases provide for renewal options. Generally, the Company is required to pay real estate taxes, maintenance, insurance and contingent rentals based on sales in excess of specified levels.

The Company has several leasing agreements with SSC and affiliates. Under a Master Lease Agreement, as amended, the Company leases five store locations owned by SSC, and also leased or subleased from SSC or affiliates of SSC twenty-three store locations, seven warehouse facilities and a parcel of land for an annual minimum rent of $15,363,000 and additional contingent rents based on aggregate sales in excess of specified sales trends for the store locations. Leases and subleases with related parties are for initial periods generally ranging from five to twenty years, provide for renewal options and require the Company to pay real estate taxes, maintenance and insurance.

The Company incurred no new capital lease obligations in 2001 and 2000 to obtain store facilities. The total cost of capital leases at February 2, 2002 and February 3, 2001 was $37,414,000. Assets held under capital leases are amortized over the terms of the related leases. The accumulated amortization for these assets was $4,991,000 and $3,208,000 at February 2, 2002 and February 3, 2001, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Future minimum lease payments required under the aforementioned leases, exclusive of real estate taxes, insurance and maintenance costs, at February 2, 2002 are as follows (in thousands):

Fiscal Year Ending	Operating Leases		
	Total	Unrelated Party	Related Party
2003	$ 112,050	$ 94,239	$ 17,811
2004	111,621	93,713	17,908
2005	104,840	86,903	17,937
2006	98,856	80,878	17,978
2007	92,410	74,843	17,567
Future Years	498,032	385,144	112,888
Total minimum Lease Payments	$1,017,809	$815,720	$202,089
Less amount representing interest			
Present value of minimum lease payments			
Less current portion			
Total long-term portion			

The composition of rental expense (in thousands):

	Year	
	2/2/02	2/3/01
Minimum rentals:		
Unrelated parties	$90,569	$76,835
Related parties	15,363	10,553
Contingent rentals:		
Unrelated parties	4,414	4,529
Related parties	2,128	2,386
Total	$112,474	$94,303

Many of the Company's leases contain fixed escalations of the minimum annual lease payments during the original term of the lease. For these leases, the Company recognizes rental expense on a straight-line basis and records the difference between the average rental amount charged to expense and the amount payable under the lease as deferred rent. At the end of fiscal 2001 and 2000, the balance of deferred rent was $10,007,000 and $6,721,000, respectively, and is included in other

noncurrent liabilities. Certain store and warehouse leases provided landlord incentives totaling $15,300,000 in fiscal 2001. These incentives are recorded as long term-liabilities in the accompanying consolidated balance sheet as of February 2, 2002, and are amortized as a reduction of rent expense over the remaining minimum lease term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. LONG-TERM OBLIGATIONS AND NOTES PAYABLE

Long-term obligations consist of the following (in thousands):

	Year Ended	
	2/2/02	2/3/01
Credit facilities	$306,000	$295,000
Capital lease obligations	31,281	31,247
Other	583	805
	337,864	327,052
Less current maturities	(665)	(603)
	$337,199	$326,449

At February 2, 2002, the Company had a $300 million Amended and Restated Credit Agreement (Credit Agreement), dated as of March 15, 2000. The Credit Agreement, which expires on March 15, 2003, provides for revolving and overnight loans and issuance of letters of credit. Outstanding advances are secured by a lien on assets and are subject to a monthly borrowing base of eligible inventories and receivables, as defined. Terms of the Credit Agreement require compliance with certain restrictive covenants, including limitations on dividends, the incurrence of additional debt and financial ratio tests. At February 2, 2002, $11.8 million was available under the Credit Agreement. Borrowings aggregated $211.0 million, plus $17.0 million of letters of credit were issued and outstanding. The Credit Agreement provides for various borrowing rates, currently equal to 275 basis points over LIBOR.

Effective February 4, 2001, the Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Under SFAS No. 133, all derivative instruments are required to be recorded on the balance sheet as assets or liabilities, measured at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in other comprehensive income (loss) and is recognized in the income statement when the hedge item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges and financial instruments not designated as hedges are recognized in earnings.

The Company utilizes interest rate swap agreements to effectively

establish long-term fixed rates on borrowings under the Credit Agreement, thus reducing the impact of interest rate changes on future income. These swap agreements, which are designated as cash flow hedges, involve the receipt of variable rate amounts in exchange for fixed rate interest payments over the life of the agreements. The fair value of the Company's interest rate swap agreements in the Company's consolidated balance sheet is a $4.3 million other noncurrent liability at February 2, 2002. The estimated fair value of the interest rate swap agreements is a $2.8 million liability and a $0.4 million asset at February 3, 2001 and January 29, 2000, respectively. The Company had outstanding swap agreements with notional amounts totaling $75.0 million, $75.0 million and $40.0 million for the fiscal years ended 2001, 2000 and 1999 respectively. The Company's current swap agreements have a fixed interest rate of 6.99% and expire April 2003.

The Company has a $75.0 million Senior Subordinated Convertible Loan Agreement ("Senior Facility"), dated as of March 15, 2000. The Senior Facility bears interest at various rates, currently

equal to 325 basis points over LIBOR. The interest rate increases an additional 50 basis points every 90 days after the first anniversary date. The Senior Facility is due in September 2003, and is due to Schottenstein Stores Corp. ("SSC") The terms, as amended, provide that if prior to February 4, 2002, the balance outstanding thereunder is not repaid from the proceeds of an equity offering or other subordinated debt acceptable to lenders under the Credit Agreement, then after that date SSC, as the lender, has the right to convert the debt into common stock at a price equal to 95% of the 20-day average of high and low sales prices reported on the New York Stock Exchange at the time of conversion. SSC was paid a one-time fee of 200 basis points, or $1.5 million, in December 2000 as consideration for allowing the Company to transfer the holder of debt from an unrelated third party to SSC.

To supplement operating cash requirements the Company has a $100.0 million subordinated secured credit facility with SSC. The interest rate and terms of the $100.0 million facility are generally the same as the Credit Agreement. Outstanding advances under the agreement are subordinated to the Credit Agreement and are subject to a junior lien on assets securing the Credit Agreement. At February 2, 2002, $20.0 million was outstanding.

The weighted average interest rate on borrowings under the Company's credit facilities during fiscal year 2001, 2000 and 1999 was 8.6%, 10.7% and 8.8%, respectively.

The book value of notes payable and long-term debt approximates fair value at February 2, 2002.

The Company believes that the availability under the Credit Agreements along with its current available cash plus expected cash flows from its operations, will enable the Company to fund its expected needs for working capital, capital expenditures, and debt service requirements. Achievement of expected cash flows from operations, vendors and their factor relations, flow of merchandise, and compliance with the Credit

Agreements' covenants are dependent upon the Company's attainment of its Fiscal 2002 business plan.

6. BENEFIT PLANS

The Company participates in the SSC sponsored 401(k) Plan (the "Plan"). Employees who attained age twenty-one and completed one year of service could contribute up to thirty percent of their compensation to the Plan on a pre-tax basis, subject to IRS limitations. The Company matches employee deferrals into the Plan - 100% on the first 3% of eligible compensation deferred and 50% on the next 3% of eligible compensation deferred. Eligibility to defer begins after 60 days of employment and matching begins after one year of qualified service. Additionally, the Company may contribute a discretionary profit sharing amount to the Plan each year. The Company incurred costs associated with the 401(k) Plan of $3,537,000, $5,726,000 and $4,696,000 for fiscal years 2001, 2000 and 1999, respectively.

The Company provides an Associate Stock Purchase Plan. Eligibility requirements are similar to the 401(k) Plan. Eligible employees can purchase common shares of the Company through payroll deductions. The Company will match 15% of employee investments up to a maximum investment level. Plan costs to the Company for all fiscal periods presented are not material to the consolidated financial statements.

Certain employees of the Company are covered by union-sponsored, collectively bargained, multi-employer pension plans, the costs of which are not material to the consolidated financial statements.

Certain employees of the Company participate in the Schottenstein Stores Corporation Deferred Compensation Plan which is a non-qualified, pre-tax, income deferral plan. The cost of the plan is not material to the consolidated financial statements.

7. PENSION BENEFITS

The Company has three qualified defined benefit pension plans assumed at the time of acquisition of three separate companies. The Company's funding policy is to contribute annually the amount required to meet ERISA funding standards and to provide not only for benefits attributed to service to date but also for those anticipated to be earned in the future.

The following provides a reconciliation of projected benefit obligations, plan assets and funded status of all plans as of January 31 (in thousands):

Change in projected benefit obligation:	
Projected benefit obligation at beginning of year	$16,990
Service cost	35
Interest cost	1,233
Benefits paid	(754
Actuarial loss	1,158
Curtailment	--
Projected benefit obligation at end of year	18,662
Change in plan assets:	
Fair market value at beginning of year	18,702
Actual (loss) return on plan assets	(403
Employer contributions	135
Benefits paid	(753
Fair market value at end of year	17,681
Funded status	(981
Unrecognized actuarial loss	4,425
Unrecognized transition obligation	(471
Adjustment to recognize minimum liability	(488
Unrecognized prior service cost	(29
Accrued benefit cost	$ 2,456

Assumptions used in each year of the actuarial computations were:

	2/2/02
Discount rate	6.5% - 7.5%
Rate of increase in compensation levels	4.0%
Expected long-term rate of return	8.0% - 9.0%

The components of net periodic pension cost are comprised of the following (in thousands):

	2/2/02
Service cost - benefits earned in the period	$ 32
Interest cost on projected benefit obligation	1,244
Expected investment return on plan assets	(1,573
Net amortization and deferral	(42
Net periodic pension cost	$ (339

8. OTHER COMPREHENSIVE (LOSS) INCOME

Comprehensive loss represents net (loss) income plus the results of certain non-shareowners' equity changes not reflected in the Consolidated Statement of Operations. The components of comprehensive (loss) income, net of tax, are as follows (in thousands):

	Year	
	2/2/02	2/3/01
Net (loss) income	$(28,723)	$(101,791
Net unrealized loss on derivative financial instruments, net of income tax benefit of $1,731	(2,595)	--
Minimum pension liability, net of income tax benefit of $647	(971)	--
Comprehensive (loss) income	$(32,289)	$(101,791

9. SHAREHOLDERS' EQUITY

The Company issued common shares to certain key employees pursuant to individual employment agreements and certain other grants from time to time, which are approved by the Board of Directors. The market value of the shares at the date of grant is recorded as deferred compensation expense. The agreements condition the vesting of the shares generally upon continued employment with the Company with such restrictions expiring over various periods ranging from three to five years. Deferred compensation is charged to income on a straight-line basis during the period that the restrictions lapse.

10. STOCK OPTION PLANS

The Company has a 2000 Stock Incentive Plan that provides for the issuance of options to purchase up to 3,000,000 common shares or the issuance of restricted stock to management, key employees of the Company and affiliates, consultants as defined, and directors of the Company. Options generally vest 20% per year on a cumulative basis. Options granted under the 2000 Stock Plan remain exercisable for a period of ten years from the date of grant.

An option to purchase 1,000 common shares is automatically granted to each non-employee director on the first New York Stock Exchange ("NYSE") trading day in each calendar quarter. The exercise price for each option is the fair market value of the common shares on the date of grant. All options become exercisable one year after the grant date and remain exercisable for a period of ten years from the grant date, subject to continuation of the option-holders' service as directors of the Company.

The Company had a 1991 Stock Option Plan that provided for the grant of options to purchase up to 4,000,000 common shares. Such options are exercisable 20% per year on a cumulative basis and remain exercisable for a period of ten years from the date of grant.

The following table summarizes the Company's stock option plans and related Weighted Average Exercise Prices ("WAEP") (shares in thousands):

	Year Ended			
	2/2/02		2/3/01	
	Shares	WAEP	Shares	WAE
Outstanding beginning of year	2,616	$9.32	2,460	$10.1
Granted	1,307	8.41	961	9.2
Exercised	(108)	8.10	(176)	8.1
Canceled	(122)	9.48	(629)	9.8
Outstanding end of year	3,693	8.07	2,616	9.3
Options exercisable end of year	1,595	$9.29	1,100	$9.6
Shares available for additional grants	3,049		1,233	

The following table summarizes information about stock options outstanding as of February 2, 2002 (shares in thousands):

	Options Outstanding			
Range of exercise prices	Shares	Weighted Average Remaining Contract Life	WAEP	
$ 3.57 - $ 6.12	1,163	9 yrs	$5.24	
$ 6.56 - $ 11.78	2,082	7 yrs	$8.33	
$ 12.69 - $ 21.44	448	7 yrs	$14.23	

The Company has adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and accordingly has elected to retain the intrinsic value method of accounting for stock-based compensation. Had the compensation cost for the Company's stock-option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods of SFAS No. 123,

the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Year End	
	2/2/02	2/3/01
Net (loss) income:		
As reported	$(28,723)	$(101,791
Pro forma	$(30,231)	$(101,953
Basic (loss) earnings per share:		
As reported	$(0.85)	$(3.03
Pro forma	$(0.90)	$(3.04
Diluted (loss) earnings per share		
As reported	$(0.85)	$(3.03
Pro forma	$(0.90)	$(3.04

To determine the pro forma amounts, the fair value of each stock option has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in the fiscal year 2001, 2000 and 1999, respectively: expected volatility of 100.4%, 55.4% and 48.9%; dividend yield of 0%; risk-free interest rates of 4.7%, 4.8% and 6.7%; and, expected lives of 7.3, 6.5 and 6.8 years. The weighted average fair value of options granted in the fiscal year 2001, 2000 and 1999 was $6.32, $4.91 and $7.25, respectively.

Consistent with SFAS No. 123, pro-forma net (loss) income and (loss) earnings per share have not been calculated for options granted prior to July 30, 1995. Pro forma disclosures may not be representative of that to be expected in future years.

11. COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal proceedings that are incidental to the conduct of its business. In the opinion of management, the amount of any liability with respect to these proceedings will not be material.

12. INCOME TAXES

The provision (benefit) for income taxes consists of the following (in thousands):

	Year Ende

	2/2/02	2/3/01
Current:		
Federal	--	$(29,092
State and local	$2,833	(5,847
	2,833	(34,939
Deferred:		
Federal	(16,948)	(25,818
State and local	(2,422)	(4,873
	(19,370)	(30,691
Income tax (benefit) expense	$(16,537)	$(65,630

A reconciliation of the expected income taxes based upon the statutory federal rate is as

	Year End	
	2/2/02	2/3/01
Income tax (benefit) expense at federal statutory rate	$(13,376)	$(58,597
Jobs credit	(1,439)	(822
State and local taxes, net	(2,449)	(7,668
Non-deductible goodwill	1,885	1,080
Other	(1,158)	377
	$(16,537)	$(65,630

The components of the net deferred tax asset as of February 2, 2002 and February 3, 2001 are (in thousands):

	2/2/02
Deferred tax assets:	
Basis differences in inventory	$23,320
Basis differences in fixed assets	6,277
State and local taxes	(2,337
Deferred compensation	1,928
Amortization of lease acquisition costs	(985
Net operating loss	21,223
Federal tax credit	6,744

Contribution carry forward	480
Tenant allowance	5,699
Other comprehensive loss	2,378
Other	13,888
	78,615
Deferred tax liabilities:	
Depreciation	(4,776
Capital leases	1,347
	(3,429
Total net	$75,186

The net deferred tax asset is recorded in the Company's consolidated balance sheet as fol

	2/2/02
Current deferred tax asset	$63,102
Non-current deferred tax asset	12,084
Net deferred tax asset	$75,186

Pursuant to the Job Creation and Labor Assistance Act of 2002, which was signed into law on March 9, 2002, the Company will carryback a portion or all of its net tax operating loss.

13. ACQUISITIONS

On March 17, 2000, the Company completed through its wholly owned subsidiary, Base Acquisition Corp. ("Base Acquisition"), the acquisition of substantially all of the assets and assumed certain liabilities of Filene's Basement Corp., a Massachusetts corporation, and Filene's Basement, Inc., a wholly owned subsidiary of Filene's Basement Corp. (collectively, "Filene's Basement") pursuant to the closing of an asset purchase agreement, dated February 2, 2000.

The operating results of Filene's Basement have been included in the consolidated results of the Company from the date of acquisition. The following unaudited proforma consolidated financial

results for the fiscal year ended February 3, 2001 are presented as if the acquisition had taken place at the beginning of fiscal 2000 (in thousands, except per share amounts):

	Year Ended 2/3/01

Net sales	$2,248,605
Net loss	$(108,888)
Basic loss per share	$(3.24)
Diluted loss per share	$(3.24)

The purchase price included cash of $3.5 million paid at closing, $1.2 million to be paid over a period not to exceed three years, 403,208 shares of the Company's common stock with an agreed value of $5.5 million and the assumption of specified liabilities. The assumed liabilities included the payment of amounts outstanding under Filene's Basement debtor-in-possession financing facility of approximately $22.5 million and certain trade payable and other obligations which will be paid in the ordinary course. The acquisition is accounted for as a purchase. Allocation of the purchase price has been determined based on fair market valuation of the net assets acquired. The acquisition was funded by cash from operations and a portion of the proceeds from the Credit Agreement. See Note 5 for further discussion.

14. SEGMENT REPORTING

The Company has adopted FASB Statement No. 131, "Disclosure about Segments of a Business Enterprise and Related Information." The Company is managed in three operating segments: Value City Department Stores, DSW Stores and Filene's Basement Stores. All of the operations are located in the United States. The Company has identified such segments based on the management responsibility and measures segment profit as operating (loss) profit which is defined as income before interest expense and income taxes. Corporate assets include goodwill and loan costs.

YEAR ENDED FEBRUARY 2, 2002 (in thousands):

	Value City	DSW	Filene's Basement	Corporate
Net sales	$1,481,151	$509,375	$293,352	--
Operating (loss) profit	(26,401)	4,621	8,588	$ (3,152
Identifiable assets	613,897	206,354	34,140	25,920
Capital expenditures	14,788	24,542	914	--
Depreciation and Amortization	42,804	4,099	7,027	3,152

YEAR ENDED FEBRUARY 3, 2001 (in thousands):

	Value City	DSW	Filene's Basement	Corporate
Net sales	$1,553,902	$409,968	$249,147	$ --
Operating (loss) profit	(144,222)	10,196	1,577	(3,152
Identifiable assets	688,308	104,172	87,304	28,225
Capital expenditures	51,829	12,649	5,748	--
Depreciation and Amortization	35,658	3,510	5,175	3,152

YEAR ENDED JANUARY 29, 2000 (in thousands):

	Value City	DSW	Corporate
Net sales	$1,423,581	$246,595	$ --
Operating profit	58,128	10,745	(3,085
Identifiable assets	656,758	56,893	30,530
Capital expenditures	32,293	5,024	--
Depreciation and amortization	28,308	2,837	3,085

The following sets forth sales by each major merchandise category (in thousands):

	Year Ende	
	2/2/02	2/3/01
Apparel and ready to wear	$1,189,938	$1,266,479
Hard goods and home furnishings	376,060	332,039
Shoes and other footwear	717,880	614,499
Total	$2,283,878	$2,213,017

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

YEAR ENDED FEBRUARY 2, 2002

	1st Qtr. 05/05/01 13 Weeks	2nd Qtr. 08/04/01 13 Weeks	3rd Qtr. 11/03/01 13 Weeks(1)
Net sales	$530,114	$536,477	$584,403
Cost of sales	(328,221)	(330,877)	(360,943
Gross profit	201,893	205,600	223,460

Selling, general and administrative expenses	(208,512)	(211,284)	(229,185
License fees	2,112	2,139	2,592
Other operating income	495	2,094	1,658
Operating loss	(4,012)	(1,451)	(1,475
Interest expense, net	(8,436)	(8,058)	(7,406
Loss before equity in income (loss) of joint venture and benefit for income taxes	(12,448)	(9,509)	(8,881
Equity in income (loss) of joint venture	(884)	(327)	(1,242
Loss before benefit for income taxes	(13,332)	(9,836)	(10,123
Benefit for income taxes	5,533	4,065	3,645
Net loss	$(7,799)	$(5,771)	$(6,478
Basic and diluted loss per share(3)	$ (0.23)	$ (0.17)	$ (0.19

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED FEBRUARY 3, 2001

	1st Qtr. 4/29/00 13 Weeks	2nd Qtr. 07/29/00 13 Weeks	3rd Qtr. 10/28/00 13 Weeks(2)
Net sales	$462,053	$528,246	$559,820
Cost of sales	(284,322)	(327,958)	(446,973
Gross profit	177,731	200,288	112,847
Selling, general and administrative expenses	(174,212)	(196,202)	(236,432
License fees	1,919	2,731	1,599
Other operating income	277	1,156	614
Operating profit (loss)	5,715	7,973	(121,372
Interest expense, net	(5,354)	(7,963)	(7,873
Income (loss) before equity in income (loss) of joint venture and provision benefit for income taxes	361	10	(129,245
Equity in income (loss) of joint venture	(269)	107	(551
Income (loss) before provision (benefit) for income taxes	92	117	(129,796

(Provision) benefit for income taxes	(37)	(49)	50,781
Net income (loss)	$55	$68	$(79,015
Basic and diluted earnings (loss) per share(3)	$--	$--	$ (2.35

(1) The results of operations for the quarter ended 11/3/01 and 2/2/02 include charges for employee benefit, severance, write-off of software development costs, DSW warehouse relocation and fees associated with terminated sale of certain assets of $10.1 million and $14.6 million, respectively.

(2) The results of operations for the quarters ended 10/28/00 and 2/3/01 include non-recurring pretax charges for inventory realignment, asset impairment and severance costs of $90.4 million and $19.6 million, respectively.

(3) Earnings (loss) per share calculations for each quarter are based on the applicable weighted average shares outstanding for each period and may not necessarily be equal to the full year per share amount.

16. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION (IN THOUSANDS):

A supplemental schedule of non-cash investing and financing activities is presented below:

	Year Ended		
	2/2/02	2/3/01	1/29/00
Cash paid during the year for:			
Interest	$26,788	$29,723	$11,756
Income taxes	$ 2,757	$ 4,700	$17,101

During 1999, the Company incurred capital lease obligations to obtain new store facilities. Non-cash amounts of $27,100,000 were capitalized as of January 29, 2000 under the captions of property and equipment and long-term obligations in relation to these leases.

In March 2000, the Company issued 403,208 common shares with a market value of $5.5 million for the acquisition of Filene's Basement. Also in March 2000, the Company contributed 80,000 common shares with a market value of $1.1 million to a private charitable foundation controlled by the Schottenstein family.

Amounts of $14,248,000, $779,000 and $756,000 were recorded under the captions of property and equipment and accounts payable for real estate improvements and construction at new stores as of February 2, 2002, February 3, 2001 and January 29, 2000, respectively.

In November 1999, the Company exchanged 255,959 of its treasury shares with a fair market value of $4.0 million as part of its acquisition of Gramex.

VALUE CITY DEPARTMENT STORES, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(dollars in thousands)

COLUMN A Description	COLUMN B Balance at Beginning of Period	COLUMN C Charge to Costs and Expenses	COLUMN C (1) Charges to Other Accounts	CO (2) Dedu
Allowance deducted from asset to which it applies:				
ALLOWANCE FOR DOUBTFUL ACCOUNTS:				
Year Ended:				
1/29/00	$ 310	$ 3,742	$ 442	$
2/3/01	1,025	351	1	
2/2/02	992	4,829	165	
ALLOWANCE FOR MARKDOWNS:				
Year Ended:				
1/29/00	10,392	13,745	--	
2/3/01	17,229	127,343	2,941	
2/2/02	54,082	22,698	3,451	
ALLOWANCE FOR SALES RETURNS:				
Year Ended:				
1/29/00	1,613	--	--	
2/3/01	1,386	521	127	
2/2/02	1,866	1,676	78	
STORE CLOSING RESERVE:				
Year ended:				
1/29/00	77	--	--	
2/3/01	73	--	970	
2/2/02	1,043	--	--	

(1) The charges to other accounts represent balances resulting from the acquisition of Gramex Retail Stores, Inc. in fiscal 1999, Filene's Basement in fiscal 2000 and VCM in fiscal 2001.

(2) The deductions in Column D are amounts written off against the respective reserve.

INDEX TO EXHIBITS

Exhibits marked with an asterisk (*) are filed herewith.

Exhibit No.	Description
3.1	First Amended and Restated Articles of Incorporation of the Company. Incorporated by reference to Exhibit 3.2 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.
3.2	Code of Regulations of the Company. Incorporated by reference to Exhibit 3.3 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.
10.1	Corporate Services Agreement, dated October 13, 1997, between the Company and SSC. Incorporated by reference to Exhibit 10.1.4 to Form 10-Q (file no. 1-10767) filed December 16, 1997.
10.2	License Agreement, dated June 5, 1991, between the Company and SSC re Service Marks. Incorporated by reference to Exhibit 10.2 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, 1991.
10.3	Form of Indemnification Agreement, dated 1991, between the Company and its directors and executive officers. Incorporated by reference to Exhibit 10.7 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, 1991.
10.4	Form of Company's 1991 Stock Option Plan. Incorporated by reference to Exhibit 10.8 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, 1991.
10.5	Master Store Lease, dated April 25, 1991, between the Company, as lessee, and SSC, as lessor, re fourteen stores. Incorporated by reference to Exhibit 10.9 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.
10.5.1	First Amendment to Master Store Lease, dated February 1991, between the Company, as lessee, as lessor, re fourteen stores. Incorporated by reference to Exhibit 10.9.1 to Form S-1 Registration Statement (file no. 33-47252) filed April 16, 1992.
10.5.2	Lease Modification Agreement to Master Store Lease, dated June 5, 1995, between the Company, as lessee, and SSC, as lessor, re Beckley, West Virginia. Incorporated by reference to Exhibit 10.9.2 to Form 10-K (file no. 1-10767) filed October 27, 1995.
10.5.3	Exercise of the second five-year renewal option commencing August 1, 2001, under Master Store Lease, June 5, 1995, as amended, between the Company, as lessee, and SSC, as lessor, re five stores. Incorporated by reference to Exhibit 10.9.3 to Form 10-Q (file no. 1-10767) filed March 19, 1996.
10.6	Master Warehouse Lease, dated April 25, 1991, between the Company, as lessee, and SSC, as lessor, re three warehouses, office, and shop locations. Incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.

10.6.1	First Amendment to Master Warehouse Lease, dated February 1992, between the Company, as lessee, and SSC, as lessor, re three warehouse, office, and shop locations. Incorporated by reference to Exhibit 10.10.1 to Form S-1 Registration Statement (file no. 33-47252) filed April 16, 1992.
10.6.2	Second Amendment to Master Warehouse Lease, dated June 1993, between the Company, as lessee, and SSC, as lessor, re three warehouse, office, and shop locations. Incorporated by reference to Exhibit 10.10.2 to Form 10-K (file no. 1-10767) filed October 26, 1993.
10.6.3	Exercise of the first five-year renewal option commencing August 1, 1996 under Master Store Lease, dated April 25, 1991, as amended, between the Company, as lessee and SSC, lessor, re three warehouse locations. Incorporated by reference to Exhibit 10.10.3 to Form 10-Q (file no. 1-10767) filed March 19, 1996.
10.7	Master Sublease, dated April 25, 1991, between the Company, as sublessee, and SSC, as sublessor, re two stores. Incorporated by reference to Exhibit 10.11 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.
10.8	Sublease, dated April 25, 1991, between the Company, as sublessor, and SSC, as sublessee, re one warehouse, with underlying Lease, dated July 15, 1981, between SSC, as lessee, and J.A.L. Realty Co., an affiliate of SSC, as lessor. Incorporated by reference to Exhibit 10.12 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.
10.8.1	Exercise of five-year renewal option commencing July 16, 1996 under Sublease, dated April 25, 1991 between the Company, as sublessee, and SSC, as sublessor, re 3681 Westerville Road warehouse. Incorporated by reference to Exhibit 10.12.1 to Form 10-Q (file no. 1-10767) filed March 19, 1996.
10.9	Lease, dated July 7, 1987, between the Company, by assignment from SSC, as lessee, and Schottenstein Trustees, an affiliate of SSC, as lessor, re one store. Incorporated by reference to Exhibit 10.13 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, 1991.
10.10	Lease, dated June 28, 1989, between the Company and South End Industrial Park Realty Company as lessor, re one warehouse. Incorporated by reference to Exhibit 10.14.1 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.
10.11	Lease, dated October 27, 1989, between the Company, by assignment from SSC, as lessee, and Southeast Industrial Park Realty Company, an affiliate of SSC, as lessor, re one warehouse. Incorporated by reference to Exhibit 10.14.2 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.
10.12	Sublease, dated April 25, 1991, between the Company, as sublessor, and SSC, as sublessee, re Baltimore, MD (Eastpoint) furniture store location. Incorporated by reference to Exhibit 10.15.1 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.
10.13	Sublease, dated April 25, 1991, between the Company, as

sublessor, and SSC, as sublessee, re Baltimore, MD (Westview) furniture store location. Incorporated by reference to

Exhibit 10.15.2 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.

10.14 Sublease, dated April 25, 1991, between the Company, as sublessor, and SSC, as sublessee, re Lansing, MI furniture store location. Incorporated by reference to Exhibit 10.15.3 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.

10.15 Sublease, dated April 25, 1991, between the Company, as sublessor, and SSC, as sublessee, re Louisville, KY (Preston Highway) furniture store location. Incorporated by reference to Exhibit 10.15.4 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.

10.16 Form of Assignment and Assumption Agreement between the Company, as assignee, and SSC, as assignor, re separate assignments of leases for 31 stores. Incorporated by reference to Exhibit 10.16 to Registration Statement on Form S-1 (file no. 33-40214) filed April 29, 1991.

10.17 Form of Restricted Stock Agreement, dated 1991, among SSC, the Company and certain officers. Incorporated by reference to Exhibit 10.8 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, 1991.

10.18 Lease Agreement, dated as of July 1, 1988, between SSC as sublessor and the Company as sublessee, by assignment dated April 25, 1991, re Benwood, W.V. store location. Incorporated by reference to Exhibit 10.19 to Form 10-K (file no.1-10767) filed October 24, 1991.

10.19 Form of Restricted Stock Agreement, dated 1992, between the Company and certain employees. Incorporated by reference to Exhibit 10.27 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-47252) filed April 27, 1992.

10.20 The Company's Non-employee Director Stock Option Plan. Incorporated by reference to Exhibit 10.28 to Form 10-K (file no.1-10767) filed October 22, 1992.

10.21 Lease, dated September 1, 1992, between the Company, as lessee, and SSC, as lessor, re South Bend, IN store. Incorporated by reference to Exhibit 10.29 to Form 10-K (file no.1-10767) filed October 22, 1992.

10.22 Lease, dated September 2, 1997, between the Company, as lessee, and SSC Alum Creek LLC, as Landlord, re 3080 Alum Creek warehouse. Incorporated by reference to Exhibit 10.30 to Form 10-K (file no.1-10767) filed October 22, 1992.

10.23 Exercise of the first five-year renewal option commencing February 1, 1997 under lease, dated January 27, 1992, as amended, between the Company, as lessor, re 3080 Alum Creek

warehouse. Incorporated by reference to Exhibit 10.30.1 to Form 10-Q (file no. 1-10767) filed March 19, 1996.

10.24 Lease, dated September 2, 1997, between the Company, as lessee, and J.A.L. Realty Company, as lessor, re 3232 Alum Creek warehouse. Incorporated by reference to Exhibit 10.31 to Form 10-K (file no.1-10767) filed October 22, 1992.

10.25 Lease, dated October 26, 1993 between the Company, as lessee, and J.A.L. Realty Company, as lessor. re 2560 Valueway, Columbus, OH 43224. Incorporated by reference to Exhibit 10.33 to Form 10-K (file no.1-10767) filed March 14, 1994.

10.25.1 Lease Modification Agreement dated June 16, 1995 to Lease, dated October 26 1993, between the Company, as lessee, and J.A.L. Realty Company, as lessor, re 2560 Valueway, Columbus, Ohio 43224. Incorporated by reference to Exhibit 10.33.1 to Form 10-K (file no.1-10767) filed October 27, 1995.

10.26 Ground lease, dated April 15, 1994, between the Company, as lessee, and J.A.L. Realty Company, as lessor, re 19 acres. Incorporated by reference to Exhibit 10.35 to Form 10-K (file no. 1-10767) filed October 26, 1994.

10.27 Agreement of Lease dated September 1, 1994, between Company, as tenant, Jubilee Limited Partnership, as landlord, re Carol Stream, IL store. Incorporated by reference to Exhibit 10.36 to Form 10-Q (file no. 1-10767) filed December 12, 1994.

10.28 Agreement of Lease, dated March 1, 1994, between the Company, as tenant, and Jubilee Limited Partnership, as landlord, re Hobart, IN store. Incorporated by reference to Exhibit 10.37 to Form 10-Q (file no. 1-10767) filed December 12, 1994.

10.29 Agreement of Lease, date February 10, 1995, between the Company, as tenant, and Jubilee Limited Partnership, re Gurnee Mills, IL store. Incorporated by reference to Exhibit 10.38 to Form 10-Q, (file no. 1-10767) filed March 14, 1995.

10.30 Agreement of Lease, dated January 13, 1995, between the Company, as tenant, and Westland Partners, as landlord, re Westland, MI store. Incorporated by reference to Exhibit 10.39 to Form 10-Q, (file no. 1-10767) filed March 14, 1995.

10.31 Agreement of Lease, dated January 31, 1995, between the Company, as tenant, and Taylor Partners, as landlord, re Taylor, MI store. Incorporated by reference to Exhibit 10.40 to Form 10-Q, (file no. 1-10767) filed March 14, 1995.

10.32 Sublease, dated December 28, 1994, between the Company, as subtenant, and Shonac Corporation, as sublandlord, re Alum Creek Drive warehouse space. Incorporated by reference to Exhibit 10.41 to Form 10-Q, (file no. 1-10767) filed March 14, 1995.

10.33 * Lease, dated September 2, 1997, between the Company, as lessee, and SSC Fort Wayne LLC, as landlord.

10.34 Agreement of Lease, dated April 10, 1995, between the Company as tenant, and Independence Limited Liability Company, as landlord, re Charlotte, North Carolina Store. Incorporated by reference to Exhibit 10.45 to Form 10-Q (file no. 1-10767) filed December 12, 1995.

10.35 Sublease and Occupancy Agreement, dated December 15, 1995, between the Company, SSC and SSC dba Value City Furniture, re Louisville, Kentucky (Preston Highway) store. Incorporated by reference to Exhibit 10.46 to Form 10-Q (file no. 1-10767) filed March 19, 1996.

10.36 Agreement of Lease, dated March 13, 1996, between the Company as tenant, and Jubilee Limited Partnership, as landlord, re Saginaw, Michigan store. Incorporated by reference to Exhibit 10.47 to Form 10-Q (file no. 1-10767) filed March 19, 1996.

10.37 Agreement of lease, dated 1996 between the Company, as tenant, and SSC, as landlord, re the Melrose Park, IL store. Incorporated by reference to Exhibit 10.49 to Form 10-K (file no. 1-10767) filed November 1, 1997.

10.38 Agreement of Lease, dated October 4, 1996, between the Company, as tenant, and Hickory Ridge Pavilion, Ltd., as landlord, re the Memphis, TN store. Incorporated by reference to Exhibit 10.50 to Form 10-K (file no. 1-10767) filed November 1, 1997.

10.39 Restricted Stock Agreement dated July 14, 1997 between Martin P. Doolan and the Company. Incorporated by reference to Exhibit 10.53 to Form 10-K (file no. 1-10767) filed October 31, 1997.

10.40 Lease, dated September 2, 1997 between the Company, as lessee, and JLP River Oaks West LLC, as lessor, re River Oaks West Shopping Center, Calumet City, Illinois. Incorporated by reference to Exhibit 10.56 to Form 10-K (file no. 1-10767) filed April 30, 1999.

10.41 Lease, dated September 29, 1998 between the Company, as tenant, and Valley Fair Irvington LLC, as landlord, re Irvington, NJ. Incorporated by reference to Exhibit 10.57 to Form 10-K (file no. 1-10767) filed April 30, 1999.

10.42 Lease, dated March 22, 2000 between East Fifth Avenue, LLC, an affiliate of SSC, and Shonac Corporation. Incorporated by reference to Exhibit 10.60 to Form 10-K (file no. 1-10767) filed April 28, 2000.

10.43 Employment Agreement dated June 21, 2000 between James A. McGrady and the Company. Incorporated by reference to Exhibit 10.46 to Form 10-K (file no. 1-10767) filed May 4, 2001. 10.44 Employment Agreement dated December 4, 2000 between George Kolber and the Company. Incorporated by reference to Exhibit 10.46 to Form 10-K (file no. 1-10767) filed May 4, 2001.

10.44 Employment Agreement dated December 4, 2000 between George Kolber and the Company. Incorporated by reference to Exhibit 10.46 to Form 10-K (file no. 1-10767) filed May 4, 2001.

10.44.1	*	Addendum to the December 7, 2000 Executive Employment Agreement and Restricted Stock Agreement By and Between George Kolber and Value City Department Stores
10.45		Amended and Restated Credit Agreement dated as of March 15, 2000, among the Company, as borrower, and the lending institutions named therein as lenders. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 1-10767) filed January 8, 2001.
10.45.1		Amendment No. 1, dated as of May 9, 2000, to Amended and Restated Credit Agreement dated as of March 15, 2000. Incorporated by reference to Exhibit 10.1.1 to Form 8-K (file no. 1-10767) filed January 8, 2001.

10.45.2		Amendment No. 2 and Waiver, dated as of December 11, 2000, to Amended and Restated Credit Agreement dated as of March 15, 2000. Incorporated by reference to Exhibit 10.1.2 to Form 8-K (file no. 1-10767) filed January 8, 2001.
10.45.3		Amendment No. 3, dated as of May 21, 2001, to Amended and Restated Credit Agreement dated, as of March 15, 2000. Incorporated by reference to Exhibit 10.1.3 to Form 10-Q (file no. 1-10767) filed September 18, 2001.
10.45.4		Amendment No. 4, dated as of July 23, 2001, to Amended and Restated Credit Agreement dated as of March 15, 2000. Incorporated by reference to Exhibit 10.1.4 to Form 10-Q (file no. 1-10767) filed September 18, 2001.
10.45.5	*	Amendment No. 5, dated as of January 31, 2002, to Amended and Restated Credit Agreement dated as of March 15, 2000.
10.46		Subordinated Credit Agreement dated as of December 11, 2000, by and between the Company, as borrower, and SSC as lender. Incorporated by reference to Exhibit 10.2 to Form 8-K (file no. 1-10767) filed January 8, 2001.
10.46.1		First Amendment to Subordinated Credit Agreement (dated as of December 11, 2000) by and between the Company, as borrower, and SSC as lender, dated as of September 10, 2001. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 1-10767) filed February 5, 2002.
10.46.2		Second Amendment to Subordinated Credit Agreement (dated as of December 11, 2000) by and between the Company, as borrower, and SSC as lender, dated as of February 1, 2002. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 1-10767) filed February 5, 2002.
10.47		Senior Subordinated Convertible Loan Agreement, dated as of March 15, 2000, between the Company, as borrower, and Prudential Securities Credit Corp., LLC, as the initial lender, and as administrative agent. Incorporated by reference to Exhibit 10.3 to Form 8-K (file no. 1-10767) filed January 8, 2001.
10.47.1		Letter Agreement providing the terms and conditions with respect

to the request for amendment of subordinated debt terms and for waiver of defaults for the bridge loan facility that SSC purchased from Prudential Securities Credit Corp., LLC. Incorporated by reference to Exhibit 10.3.1 to Form 8-K (file no. 1-10767) filed January 8, 2001.

10.47.2 Waiver and Amendment dated as of December 11, 2000 to Senior Subordinated Convertible Loan Agreement dated as of March 15, 2001. Incorporated by reference to Exhibit 10.3.2 to Form 10-Q (file no. 1-10767) filed September, 18 2001.

10.47.3 Second Amendment, dated as of January 1, 2001, to Senior Subordinated Convertible Loan Agreement dated as of March 15, 2000. Incorporated by reference to Exhibit 10.3.3 to Form 10-Q (file no. 1-10767) filed September, 18 2001.

10.47.4 Third Amendment dated as of March 14, 2001, to Senior Subordinated Convertible Loan Agreement dated as of March 15, 2000. Incorporated by reference to Exhibit 10.3.4 to Form 10-Q (file no. 1-10767) filed September, 18 2001.

10.47.5 * Fourth Amendment dated as of September 10, 2001, to Senior Subordinated Convertible Loan Agreement dated as of March 15, 2000. (Note - Document states that it is the Third Amendment).

10.47.6 * Fifth Amendment dated as of November 2, 2001, to Senior Subordinated Convertible Loan Agreement dated as of March 15, 2000.

10.47.7 * Sixth Amendment dated as of February 1, 2002, to Senior Subordinated Convertible Loan Agreement dated as of March 15, 2000.

21 List of Subsidiaries Page E-8.

22 Consent of Deloitte & Touche LLP Page E-9.

23 Power of Attorney Page E-10.

*Filed herewith.

EXHIBIT 21

VALUE CITY DEPARTMENT STORES, INC.

LIST OF SUBSIDIARIES

Ref. No.	Name	State of Incorporation	P

1.	Value City Department Stores, Inc.	Ohio
2.	Carlyn Advertising Agency, Inc.	Ohio
3.	J. S. Overland Delivery, Inc.	Delaware
4.	Shonac Corporation	Ohio
5.	Value City of Michigan, Inc.	Michigan
6.	Westerville Road LP, Inc.	Delaware
7.	Westerville Road GP, Inc.	Delaware
8.	Value City Acquisition Corp.	Delaware
9.	VC Acquisition, Inc.	Ohio
10.	Filene's Basement, Inc.(a)	Delaware
11.	Gramex Retail Stores, Inc.	Delaware
12.	DSW Shoe Warehouse, Inc.	Missouri
13.	GB Retailers, Inc.	Delaware
14.	Value City Department Stores Services, Inc.	Delaware
15.	Value City Limited Partnership	Ohio(b)
16.	VCM, Ltd.	Ohio LLC
17.	L. F. Widmann	Pennsylvania

Notes:

(a) Formerly known as Base Acquisition Corp.

(b) This is a limited partnership, not an incorporated entity.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statements of Value City Department Stores, Inc. on Form S-8 (File Nos. 33-44207, 33-50198, 33-55348, 33-55350, 33-78586, 33-80588, 33-92966, 333-15957, 333-15961 and 333-66239) of our report dated March 26, 2002, appearing in the Annual Report on Form 10-K of Value City Department Stores, Inc. for the year ended February 2, 2002.

/s/Deloitte & Touche LLP

Columbus, Ohio
April 25, 2002

EXHIBIT 24

POWER OF ATTORNEY

Each director and/or officer of Value City Department Stores, Inc. (the "Corporation") whose signature appears below hereby appoints James A. McGrady as the undersigned's attorney or any of them individually as the undersigned's attorney, to sign, in the undersigned's name and behalf and in any and all capacities stated below, and to cause to be filed with the Securities and Exchange Commission (the "Commission"), the Corporation's Annual Report on Form 10-K (the "Form 10-K") for the fiscal year ended February 2, 2002, and likewise to sign and file with the Commission any and all amendments to the Form 10-K, and the Corporation hereby appoints such persons as its attorneys-in-fact and each of them as its attorney-in-fact with like authority to sign and file the Form 10-K and any amendments thereto granting to each attorney-in-fact full power of substitution and revocation, and hereby ratifying all that any such attorney-in-fact or the undersigned's substitute may do by virtue hereof.

IN WITNESS WHEREOF, we have hereunto set our hands effective as of the 23rd day of April, 2002.

/s/ Jay L. Schottenstein --- Jay L. Schottenstein	Chairman of the Board of Directors
/s/ John C. Rossler --- John C. Rossler	President and Chief Executive Officer (Principal Executive Officer)
/s/ James A. Mcgrady --- James A. McGrady	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ Henry L. Aaron --- Henry L. Aaron	Director
/s/ Ari Deshe --- Ari Deshe	Director
/s/ Jon P. Diamond --- Jon P. Diamond	Director
/s/ Elizabeth Mugar Eveillard --- Elizabeth Mugar Eveillard	Director
/s/ Marvin Goldstein --- Marvin Goldstein	Director
/s/ Richard Gurian --- Richard Gurian	Director
/s/ Dr. Norman Lamm --- Dr. Norman Lamm	Director

/s/ Geraldine H. Schottenstein — Director

Geraldine H. Schottenstein

/s/ Robert L. Shook — Director

Robert L. Shook

/s/ Harvey L. Sonnenberg — Director

Harvey L. Sonnenberg

/s/ James L. Weisman — Director

James L. Weisman