

## Nonconsolidated Financial Results for the Fiscal Year Ended February 28, 2006

### Ito-Yokado Co., Ltd.

President and C.O.O. : Sakae Isaka

Date of the Board of Directors' meeting to approve the accounts: April 12, 2006

#### Business Results for the fiscal year ended February 28, 2006 (from March 1, 2005 to February 28, 2006)

##### (1) Results of Operations

(Millions of yen, except per share amounts)

	Revenue from Operations		Net Sales		Operating Income	
Current Fiscal Year	1,493,605	1.4 %	1,470,523	1.0 %	12,072	37.2 %
Prior Fiscal Year	1,473,583	(1.4) %	1,455,358	(1.3) %	8,800	(63.5) %

	Ordinary Income		Net Income		Net Income per Share	
Current Fiscal Year	30,900	14.1 %	51,322	193.1 %	123.77	(yen)
Prior Fiscal Year	27,081	(36.0) %	17,509	(39.0) %	41.74	(yen)

	Diluted Net Income per Share	Ratio of Net Income to Shareholder's Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Revenue from Operations
Current Fiscal Year	- (yen)	6.7 %	2.8 %	2.1 %
Prior Fiscal Year	- (yen)	2.3 %	2.5 %	1.9 %

- Notes :
- All amounts less than one million yen have been disregarded.
  - Average number of shares outstanding:
    - Current fiscal year: 414,654,845 shares
    - Prior fiscal year: 417,452,036 shares
  - Change in accounting policies: no
  - Percentages above represent increase (decrease) over prior fiscal year unless otherwise stated.

##### (2) Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Shareholder's Equity	Ratio of Shareholder's Equity to Total Assets	Shareholder's Equity per Share
February 28, 2006	1,105,752	790,055	71.4 %	1,886.84 (yen)
February 28, 2005	1,076,957	752,003	69.8 %	1,801.25 (yen)

- Notes :
- Number of shares outstanding at the end of the fiscal year:
    - Current fiscal year: 418,717,685 shares
    - Prior fiscal year: 417,443,495 shares
  - Number of treasury stock at the end of the fiscal year:
    - Current fiscal year: 0 shares
    - Prior fiscal year: 1,274,190 shares

## Nonconsolidated Balance Sheets

(Millions of yen)

	February 28, 2006		February 28, 2005		Increase (Decrease)
	Amount	%	Amount	%	
<b>ASSETS</b>					
<b>Current assets</b>	<b>465,489</b>	<b>42.1</b>	<b>378,780</b>	<b>35.2</b>	<b>86,709</b>
Cash and bank deposits	163,788		202,170		
Accounts receivable, trade	17,953		17,982		
Marketable securities	-		19,941		
Parent company's stock	99,870		-		
Inventories	77,993		76,241		
Supplies	98		134		
Prepaid expenses	7,943		8,028		
Short-term loans receivable	431		512		
Short-term loans receivable from subsidiaries	400		133		
Deposits held by financial service company	80,000		20,000		
Accounts receivable, other	5,409		6,889		
Short-term leasehold deposits	9,261		8,416		
Deferred income taxes	-		16,031		
Other	2,693		2,298		
Allowance for doubtful accounts	(354)		-		
<b>Non-current assets</b>	<b>640,262</b>	<b>57.9</b>	<b>698,176</b>	<b>64.8</b>	<b>(57,913)</b>
<b>Property and equipment</b>	<b>277,362</b>	<b>25.1</b>	<b>272,818</b>	<b>25.3</b>	<b>4,544</b>
Buildings	107,119		97,971		
Structures	7,976		7,235		
Vehicles	2		2		
Furniture, fixtures and equipment	10,693		10,768		
Land	138,040		146,510		
Construction in progress	13,530		10,328		
<b>Intangible assets</b>	<b>4,729</b>	<b>0.4</b>	<b>5,872</b>	<b>0.5</b>	<b>(1,142)</b>
Right of leasehold	2,114		3,040		
Software	2,286		2,627		
Others	328		203		
<b>Investments and other assets</b>	<b>358,171</b>	<b>32.4</b>	<b>419,486</b>	<b>39.0</b>	<b>(61,315)</b>
Investments in securities	17,718		12,919		
Investments in securities of subsidiaries and affiliates	73,110		104,346		
Investment	7,177		4,601		
Long-term loans receivable	11,325		11,705		
Long-term leasehold deposits	237,181		239,608		
Long-term prepaid expenses	6,971		6,309		
Prepaid pension cost	512		23,677		
Advances for store construction	511		15,542		
Deferred income taxes	9,350		-		
Other	1,555		4,925		
Allowance for doubtful accounts	(7,243)		(4,149)		
<b>Total Assets</b>	<b>1,105,752</b>	<b>100.0</b>	<b>1,076,957</b>	<b>100.0</b>	<b>28,795</b>

(Millions of yen)

	February 28, 2006		February 28, 2005		Increase (Decrease)
	Amount	%	Amount	%	
<b>LIABILITIES</b>					
<b>Current liabilities</b>	<b>156,488</b>	<b>14.2</b>	<b>165,771</b>	<b>15.4</b>	<b>(9,282)</b>
Notes payable, trade	-		928		
Accounts payable, trade	69,128		71,409		
Short-term loans	2,465		2,465		
Current portion of bonds	-		20,000		
Accounts payable, other	16,713		14,341		
Income taxes payable	31,446		16,069		
Consumption taxes withheld	206		1,252		
Accrued expenses	9,892		11,948		
Deposits received	2,757		3,134		
Allowance for bonus to employees	4,928		5,960		
Allowance for sales promotion	3,419		2,964		
Notes payable for acquisition of property and equipment	-		3,337		
Issued gift tickets	10,206		10,118		
Deferred income tax	3,645		-		
Other	1,678		1,841		
<b>Non-current liabilities</b>	<b>159,209</b>	<b>14.4</b>	<b>159,183</b>	<b>14.8</b>	<b>25</b>
Long-term loans	8,437		9,112		
Bonds	100,000		100,000		
Long-term accounts payable	1,382		1,780		
Allowance for retirement benefits to directors and corporate auditors	1,202		1,230		
Deposits received from tenants	48,187		46,509		
Deferred income taxes	-		550		
<b>TOTAL LIABILITIES</b>	<b>315,697</b>	<b>28.6</b>	<b>324,954</b>	<b>30.2</b>	<b>(9,256)</b>
<b>SHAREHOLDER'S EQUITY</b>					
<b>Common stock</b>	<b>47,987</b>	<b>4.3</b>	<b>47,987</b>	<b>4.5</b>	<b>-</b>
<b>Capital surplus</b>	<b>121,658</b>	<b>11.0</b>	<b>121,658</b>	<b>11.3</b>	<b>0</b>
Additional paid-in capital	121,477		121,477		
Other capital surplus	181		181		
<b>Retained earnings</b>	<b>615,351</b>	<b>55.6</b>	<b>584,187</b>	<b>54.2</b>	<b>31,163</b>
Legal reserve	11,700		11,700		
Reserve for deferred gains on sales of property and equipment	1,338		1,373		
General reserve	509,086		509,086		
Unappropriated retained earnings	93,226		62,028		
<b>Net unrealized gains on available-for-sale securities</b>	<b>5,057</b>	<b>0.5</b>	<b>2,124</b>	<b>0.2</b>	<b>2,932</b>
<b>Treasury stock</b>	<b>-</b>		<b>(3,956)</b>	<b>(0.4)</b>	<b>3,956</b>
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>790,055</b>	<b>71.4</b>	<b>752,003</b>	<b>69.8</b>	<b>38,051</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>1,105,752</b>	<b>100.0</b>	<b>1,076,957</b>	<b>100.0</b>	<b>28,795</b>

# Nonconsolidated Statements of Income

(Millions of yen)

	Current Fiscal Year		Prior Fiscal Year		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
<b>[ Revenue from operations ]</b>	<b>[ 1,493,605 ]</b>		<b>[ 1,473,583 ]</b>		<b>20,022</b>	<b>101.4</b>
Sales	1,470,523	100.0	1,455,358	100.0	15,164	101.0
Cost of sales	1,073,759	73.0	1,060,081	72.8	13,677	101.3
<b>Gross profit on sales</b>	<b>396,763</b>	<b>27.0</b>	<b>395,276</b>	<b>27.2</b>	<b>1,487</b>	<b>100.4</b>
Other operating revenue:	23,082	1.6	18,225	1.2	4,857	126.7
Rental Income	18,180		14,355			
Other Income	4,901		3,869			
<b>Gross profit from operations</b>	<b>419,846</b>	<b>28.6</b>	<b>413,501</b>	<b>28.4</b>	<b>6,344</b>	<b>101.5</b>
<b>Selling, general and administrative expenses</b>	<b>407,773</b>	<b>27.8</b>	<b>404,700</b>	<b>27.8</b>	<b>3,072</b>	<b>100.8</b>
Advertising and decoration expense	50,136		42,945			
Salaries and wages	138,174		141,977			
Land and building rent	79,576		79,172			
Depreciation and amortization	17,732		19,135			
Other	122,153		121,468			
<b>Operating income</b>	<b>12,072</b>	<b>0.8</b>	<b>8,800</b>	<b>0.6</b>	<b>3,271</b>	<b>137.2</b>
<b>Non-operating income</b>	<b>20,809</b>	<b>1.4</b>	<b>20,494</b>	<b>1.4</b>	<b>314</b>	<b>101.5</b>
Interest income and interest on securities	878		1,408			
Dividends income	19,226		18,566			
Miscellaneous income	703		520			
<b>Non-operating expenses</b>	<b>1,980</b>	<b>0.1</b>	<b>2,213</b>	<b>0.1</b>	<b>(232)</b>	<b>89.5</b>
Interest expense and interest on straight bonds	1,612		1,704			
Miscellaneous expenses	368		509			
<b>Ordinary income</b>	<b>30,900</b>	<b>2.1</b>	<b>27,081</b>	<b>1.9</b>	<b>3,818</b>	<b>114.1</b>
<b>Special gains</b>	<b>103,239</b>	<b>7.0</b>	<b>39,414</b>	<b>2.7</b>	<b>63,824</b>	<b>261.9</b>
Gain on sales of property and equipment	201		16			
Gain on sales of parent company's stock	95,665		-			
Gain on sales of investments in securities of subsidiaries and affiliates	1,448		35,709			
Gain on sales of subsidiary's convertible bond	-		2,816			
Other	5,923		871			
<b>Special losses</b>	<b>44,905</b>	<b>3.0</b>	<b>41,815</b>	<b>2.9</b>	<b>3,089</b>	<b>107.4</b>
Loss on disposal of property and equipment	1,717		1,551			
Impairment loss	22,912		17,819			
Valuation loss of investments in securities of subsidiaries and affiliates	6,682		-			
Provision for doubtful accounts	6,143		-			
Costs in relation to the establishment of the holding company	789		-			
Additional retirement allowance for early retirement	6,112		-			
Loss on business reengineering	-		20,882			
Head office relocation expenses	-		1,230			
Other	547		332			
<b>Income before income taxes</b>	<b>89,234</b>	<b>6.1</b>	<b>24,680</b>	<b>1.7</b>	<b>64,554</b>	<b>361.6</b>
Income taxes - current	31,399	2.1	17,496	1.2	13,903	179.5
Income taxes - deferred	6,513	0.5	(10,325)	(0.7)	16,838	-
<b>Net income for the year</b>	<b>51,322</b>	<b>3.5</b>	<b>17,509</b>	<b>1.2</b>	<b>33,812</b>	<b>293.1</b>
Retained earnings brought forward	54,465		51,198			
Interim dividends	12,561		6,679			
<b>Unappropriated retained earnings</b>	<b>93,226</b>		<b>62,028</b>			

## **Significant Accounting Policies for the Preparation of Financial Statements**

### 1. Valuation method of securities

Investments in securities of subsidiaries and affiliates are valued at cost, determined using the moving-average method.

Available-for-sale securities are classified into two categories: (i) fair value is available and (ii) fair value is not available.

- (i) Securities, whose fair value is available, are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of the shareholder's equity at a net-of-tax amount. Cost of sales is determined by the moving-average method.  
(Note) Parent company's stock is valued at cost, determined by the moving-average method, because the Company was split-up and merged with the parent company on March 1, 2006 and parent company's stock became treasury stock of the parent company.
- (ii) Securities, whose fair value is not available, are valued at cost, determined by the moving-average method.

### 2. Valuation method of derivatives

Derivative financial instruments are valued at fair value.

### 3. Valuation method of inventories

Fresh foods:	Cost, being determined by the last purchase price method.
Merchandise at stores (except fresh foods):	The lower of cost or market, cost being determined by the retail method.
Merchandise at distribution centers (except fresh foods):	Cost, being determined by the moving average method.
Supplies:	Cost, being determined by the last purchase price method.

### 4. Depreciation and amortization

#### (1) Property and equipment

Depreciation expenses are computed using the declining-balance method, at rates based on the estimated useful lives of assets.

#### (2) Intangible assets

Amortization expenses for intangible assets are computed using the straight-line method. Software is amortized using the straight-line method over an estimated useful life of 5 years.

### 5. Accounting for deferred assets

Bond issue costs were expensed when incurred.

### 6. Allowances

#### (1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided against potential losses on collection at an amount measured using a historical bad debt ratio for normal receivables, plus an amount individually measured on the collectibility of receivables that are expected to be uncollectible due to bad financial condition or insolvency.

#### (2) Allowance for bonuses to employees

An allowance for bonuses to employees is provided at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

#### (3) Accrued pension and severance costs

An allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of the plan assets at the end of the fiscal year. The excess of the estimated fair value of the plan assets over the estimated present value of projected benefit obligation adjusted by unrecognized actuarial differences is recognized as prepaid pension cost for the fiscal year ended February 28, 2006. Unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arise. Prior service costs are amortized on a straight-line basis over the period of 5 years.

#### (4) Allowance for retirement benefits to directors and corporate auditors

An allowance for retirement benefits to directors and corporate auditors is provided in accordance with the Company's internal policy.

(5) Allowance for sales promotion

An allowance for sales promotion is provided for the use of points given to customers at the amount expected to be used on the balance sheet date in accordance with the sales promotion point card program.

7. Foreign currency translation for major assets and liabilities denominated in foreign currencies

All monetary assets and liabilities denominated in foreign currencies are translated into yen at a spot rate prevailing at the end of the fiscal year. Resulting translation gains or losses are charged or credited to income.

8. Lease

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees are accounted for as operating leases.

9. Hedge accounting

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at market value but the differential paid or received under the swap agreements are recognized and included in interest income or expense as incurred.

10. Accounting for consumption taxes

Consumption taxes are separately accounted for, and are excluded from the amounts of the underlying income and expense transactions.

## **Additional Information**

The Corporation Size-based Enterprise Tax system was effective from fiscal year beginning on or after April 1, 2004. For the year ended February 28, 2006, a corporation size-based enterprise tax was recorded as selling, general and administrative expenses, in accordance with the “Disclosure on the Statement of Income for the Corporation Size-based Enterprise Tax” (Practical Issues Task Force Report No.12, February 13, 2004, issued by Accounting Standards Board in Japan).

As a result, selling, general and administrative expenses increased by 1,686 million yen and operating income, ordinary income and income before income taxes decreased by 1,686 million yen, respectively

## Notes to Nonconsolidated Financial Statements

### *Nonconsolidated Balance Sheets;*

#### 1. Assets pledged as collateral (Millions of Yen)

	As of February 28, 2006	As of February 28, 2005
Buildings	736	791
Land	1,698	1,698
Total	2,435	2,490

Investments in securities	9	-
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2. Accumulated depreciation of property and equipment                      213,406                      207,008

3. Number of shares authorized                      840,000,000 Shares                      840,000,000 Shares

In case any of shares are canceled in accordance with the Company's articles of incorporation, the authorized shares would be reduced accordingly.

Number of shares issued                      418,717,685 Shares                      418,717,685 Shares

#### 4. Major balances with subsidiaries and affiliates

Major balances included in each account on the balance sheet, which are not separately shown.

	As of February 28, 2006	As of February 28, 2005
Cash and bank deposits	42,820	10,119
Accounts receivable, trade	2,872	2,892
Long-term leasehold deposits	6,921	2,616
Advances for store construction	-	3,652
Investments	7,166	4,590
Accounts payable, trade	964	970
Deposits received from tenants	4,855	8,838

5. Guarantees                      1,882                      45,866

6. Net assets resulted from revaluating assets at fair value as stipulated in Article 124, item 3 of the Enforcement Regulations of the Japanese Commercial Code.                      5,057                      2,124

### *Nonconsolidated Statements of Income;*

#### 1. Major transactions with subsidiaries and affiliates (Millions of Yen)

	For the year ended February 28, 2006	For the year ended February 28, 2005
Sales	33,922	34,141
Purchases	18,435	18,420
Dividends income	19,053	18,378

## 2. Accounting for Impairment of Fixed Assets

The Company groups its fixed assets by store which is the minimum cash-generating unit.

The book value of stores whose land had significantly depreciated, or which incurred consecutive operating losses, were reduced to recoverable amounts, and the amount written down was recorded as impairment loss in special losses.

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards, and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 3.1% discount rate was applied.

(1) For the year ended February 28, 2006, the Company recognized 22,912 million yen of impairment loss on the following group of assets

(Millions of Yen)

Description	Classification	Location	Amount
Stores	Land and buildings etc.	Hokkaido 7 Stores	22,848
		Chiba Pref. 5 Stores	
		Other 17 Stores	
Other facilities etc.	Land etc.	Saitama pref. and other	63
Total			22,912

Breakdown of impairment loss are as follows:

(Millions of Yen)

	Stores	Other facilities etc.	Total
Building and structures	11,860	-	11,860
Land	8,420	34	8,454
Other	2,567	29	2,596
Total	22,848	63	22,912

(2) For the year ended February 28, 2005, the Company recognized impairment loss of 17,819 million yen on the following group of assets

Description	Classification	Location	Amount
Stores	Land and buildings etc.	Aichi Pref. 3 Stores	14,945
		Chiba Pref. 3 Stores	
		Other 9 Stores	
Other facilities etc.	Land and building etc.	Saitama pref. and other	2,873
Total			17,819



Breakdown of impairment loss are as follows:

(Millions of Yen)

	Stores	Other facilities etc.	Total
Building and structures	8,778	119	8,898
Land	5,434	2,752	8,187
Other	732	1	733
Total	14,945	2,873	17,819

## Leases

1. Information for financial leases other than those by which the ownership of the leased assets is to be transferred to lessees.

(1) Acquisition cost, accumulated depreciation and net book value of leased assets, including the interest portion, are summarized as follows:

(Millions of yen)

	As of February 28, 2006 Furniture, fixtures and equipment	As of February 28, 2005 Furniture, fixtures and equipment
Acquisition cost	15,331	12,790
Accumulated depreciation	4,104	5,370
Net book value	11,226	7,420

(2) The amounts of outstanding future lease payments, including the interest portion, are summarized as follows:

(Millions of yen)

	As of February 28, 2006	As of February 28, 2005
Within one year	3,038	2,008
Over one year	8,188	5,411
Total	11,226	7,420

(3) Lease payment and depreciation expense are as follows:

(Millions of yen)

	For the fiscal year ended February 28, 2006	For the fiscal year ended February 28, 2005
Lease payment	2,609	2,602
Depreciation	2,609	2,602

(4) Depreciation expense is computed using the straight-line method over the lease term of the leased assets assuming no residual value.

2. Lease transaction through a special purpose company.

(1) Acquisition costs

(Millions of yen)

	As of February 28, 2006	As of February 28, 2005
Land	695	695
Buildings	399	399

(2) Lease Payment

(Millions of yen)

	For the fiscal year ended February 28, 2006	For the fiscal year ended February 28, 2005
Lease payment	52	57

3. Operating leases

The amounts of outstanding future lease payments, including the interest portion, are summarized as follows:

(Millions of yen)

	As of February 28, 2006	As of February 28, 2005
Within one year	30,152	30,710
Over one year	169,224	178,515
Total	199,377	209,225

## **Securities Information**

Investment in securities of subsidiaries and affiliate (fair value is available)

(Millions of yen)

	As of February 28, 2006	As of February 28, 2005
Investment in securities of subsidiaries		
Book Value	-	21,747
Fair Value	-	1,358,162
Unrealized Gain	-	1,336,414

(Millions of yen)

	As of February 28, 2006	As of February 28, 2005
Investment in securities of affiliate		
Book Value	9,591	9,591
Fair Value	61,313	48,923
Unrealized Gain	51,721	39,331

All amounts less than one million yen have been disregarded.

## **Deferred income taxes**

1. The tax effects of temporary differences that give rise to the significant components of deferred tax assets and liabilities are as follows:

(Millions of Yen)

	As of February 28, 2006	As of February 28, 2005
<b>Deferred tax assets</b>		
Inventory reserve	2,846	2,198
Allowance for bonuses to employees	2,006	2,426
Allowance for sales promotion	2,825	2,227
Allowance for retirement benefits to directors and corporate auditors	489	500
Accrued pension and severance costs	722	3,113
Depreciation and amortization	1,793	1,429
Valuation loss on investments in securities of subsidiaries and affiliates	2,729	10
Valuation loss on securities	429	481
Allowance for doubtful accounts	608	1,688
Enterprise tax and business office tax payable	3,103	1,972
Allowance for business reengineering	-	8,499
Impairment loss	17,118	7,252
Other	2,531	3,397
<b>Sub-total</b>	<b>37,205</b>	<b>35,198</b>
Less valuation allowance	(14,688)	(5,097)
<b>Total</b>	<b>22,516</b>	<b>30,100</b>
<b>Deferred tax liabilities</b>		
Deferred gain on sales of property and equipment	(896)	(918)
Parent company's stock	(11,924)	-
Gain on security contribution to employee retirement benefit trust	(520)	(12,242)
Net unrealized gain on marketable securities	(3,470)	(1,458)
<b>Total</b>	<b>(16,811)</b>	<b>(14,619)</b>
<b>Net deferred tax assets</b>	<b>5,705</b>	<b>15,481</b>

2. Reconciliation between the statutory tax rate and the effective tax rate

(%)

	Fiscal year ended February 28, 2006	Fiscal year ended February 28, 2005
<b>Statutory tax rate</b>	40.7	42.1
Adjustments:		
Nontaxable income, such as dividend income	(8.8)	(31.6)
Inhabitant taxes per capita	0.6	2.0
Effects of the change of statutory tax rate in relation to the partial amendment of the Local Tax Law	-	3.0
Valuation allowance for impairment loss	3.7	14.0
Valuation allowance for valuation loss on securities	3.0	-
Valuation allowance for income tax payable	3.8	-
Other, net	(0.5)	(0.4)
<b>Effective tax rate</b>	<b>42.5</b>	<b>29.1</b>

### (Subsequent events)

In accordance with the resolutions approved at meeting of the board of directors held on January 10 and 24, 2006 and at the extraordinary shareholders' meeting held on January 25, 2006, the Company changed its name to Ito-Yokado SHC Co., Ltd. and transferred superstore business and function of controlling its group companies to a newly established company on March 1, 2006. Ito-Yokado SHC Co., Ltd. was merged with Seven & I Holding Co., Ltd., which is parent company, on the same date. Surviving company is the Seven & I Holding Co., Ltd.