

Semiannual Consolidated Financial Results for the Six-Month Period Ended August 31, 2005 Ito-Yokado Co., Ltd.

President and C.O.O. : Sakae Isaka

Date of the Board of Directors' meeting to approve the consolidated accounts: October 6, 2005

U.S. GAAP is not applied.

1. Business Results for the Current Interim period (from March 1, 2005 to August 31, 2005)

(1) Results of Operations (Millions of yen, except per share amounts)

	Revenue from Operations		Operating Income		Ordinary Income	
Current Interim Period	1,875,634	4.5 %	127,151	13.2 %	128,330	14.8 %
Prior Year's Interim Period	1,795,602	1.4 %	112,345	13.0 %	111,807	15.7 %
Prior Fiscal Year	3,623,554	2.3 %	211,950	2.0 %	208,267	3.7 %

	Net Income		Net Income per Share		Diluted Net Income per Share	
Current Interim Period	37,493	15.7 %	91.34	(yen)	91.24	(yen)
Prior Year's Interim Period	32,410	39.5 %	77.67	(yen)	77.54	(yen)
Prior Fiscal Year	17,205	(67.9) %	40.73	(yen)	40.51	(yen)

Notes: 1. All amounts less than one million yen have been disregarded.

2. Equity in earnings of affiliates:

Current interim period: 1,015 million yen Prior year's interim period 1,308 million yen
Prior fiscal year: 653 million yen

3. Average number of shares outstanding:

Current interim period: 410,468,544 shares Prior year's interim period: 417,287,420 shares
Prior fiscal year: 417,273,984 shares

4. Change in accounting policies: no

5. Percentages above represent increase (decrease) over prior year's interim period/fiscal year, unless otherwise stated

(2) Financial Position (Millions of yen, except per share amounts)

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
August 31, 2005	2,596,696	1,132,767	43.6%	2,803.53 (yen)
August 31, 2004	2,545,244	1,164,690	45.8%	2,791.17 (yen)
February 28, 2005	2,574,817	1,144,504	44.4%	2,742.42 (yen)

Note: Number of outstanding shares at the end of period:

Current interim period: 404,050,556 shares Prior year's interim period 417,277,126 shares
Prior fiscal year: 417,257,815 shares

(3) Cash Flows (Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Current Interim Period	133,291	(70,880)	(123,512)	623,379
Prior Year's Interim Period	164,228	(13,516)	(48,873)	670,264
Prior Fiscal Year	266,709	(94,758)	(56,524)	683,100

(4) Matters Concerning Consolidated Subsidiaries and Investments in Companies that are Accounted for Using the Equity Method

- The number of consolidated subsidiaries: 60
- The number of unconsolidated subsidiaries for which the equity method is applied: 2
- The number of affiliated companies accounted for using the equity method: 6

(5) Change in the Scope of Consolidation

- The number of consolidated subsidiaries increased by 7 and decreased by 1.
- The number of affiliated companies accounted for using the equity method decreased by 1.

2. Business Outlook for the Fiscal Year Ending February 28, 2006 (from March 1, 2005 to February 28, 2006)

Please see "Management Policies and Outlook for the Fiscal Year Ending February 28, 2006" of Seven & I Holdings Co., Ltd. for business outlook.

Major Group Companies

The Group is comprised of 70 diversified retail companies, mainly engaged in superstore operations, convenience store operations, restaurant operations and financial services. Business segments, major group companies and number of companies are as follows.

This segmentation is same as the business segment shown in the section of segment information.

Business Segments (Number of companies belong to each category)	Major Group Companies	Number of Companies
Superstore Operations:		
Superstore (4)	Ito-Yokado Co., Ltd. Marudai Co., Ltd. Hua Tang Yokado Commercial Co., Ltd.* ¹ Chengdu Ito-Yokado Co., Ltd.	Consolidated Subsidiaries 10 Affiliates 1
Supermarket (4)	York Mart Co., Ltd. K.K. Sanei Beijing Wang fu jing Yokado Commercial Co., Ltd. York-Benimaru Co., Ltd.* ² (Listed on the Tokyo Stock Exchange)	Ito-Yokado 1 Total 12
Department Store (1)	Robinson Department Store Co., Ltd.	
Specialty Shop (2)	Mary Ann Co., Ltd. Oshman's Japan Co., Ltd.	
Food Products & Processing (1)	IY Foods K.K.	
Convenience Store Operations: (39)		
	Seven-Eleven Japan Co., Ltd. 7-Eleven, Inc. IYG Holding Company SEVEN-ELEVEN (HAWAII), INC. SEVEN-ELEVEN (BEIJING) CO., LTD.	Consolidated Subsidiaries 33 Unconsolidated Subsidiaries 3 Affiliates 3 Total 39
Restaurant Operations: (3)		
	Denny's Japan Co., Ltd. Famil Co., Ltd. York Bussan K.K.	Consolidated Subsidiaries 3
Financial Services: (5)		
	IYBank Co., Ltd.* ³ IY Card Service Co., Ltd. IYG Financial Center Co., Ltd.* ⁴ SE CAPITAL CORPORATION K.K. York Insurance	Consolidated Subsidiaries 5
Others:		
Publishing (1)	Shiba Park Publishing Co., Ltd.* ⁵	
Real Estate (3)	Mall & SC Development Inc.	Consolidated Subsidiaries 9
Services & Others (7)	IY Real Estate Co., Ltd. IYG Life Design Institute Co., Ltd.* ⁴ K.K. York Keibi 7dream.com Seven-Meal Service Co., Ltd. Terre Verte Seven and Y Corp.* ²	Affiliates 2 Total 11

*¹ The Company increased its ownership interest in Hua Tang Yokado Commercial Co., Ltd. from 36.75% to 51.75%, and on May 25, 2005, Hua Tang Yokado Commercial Co., Ltd., which was previously accounted for using the equity method, became a consolidated subsidiary.

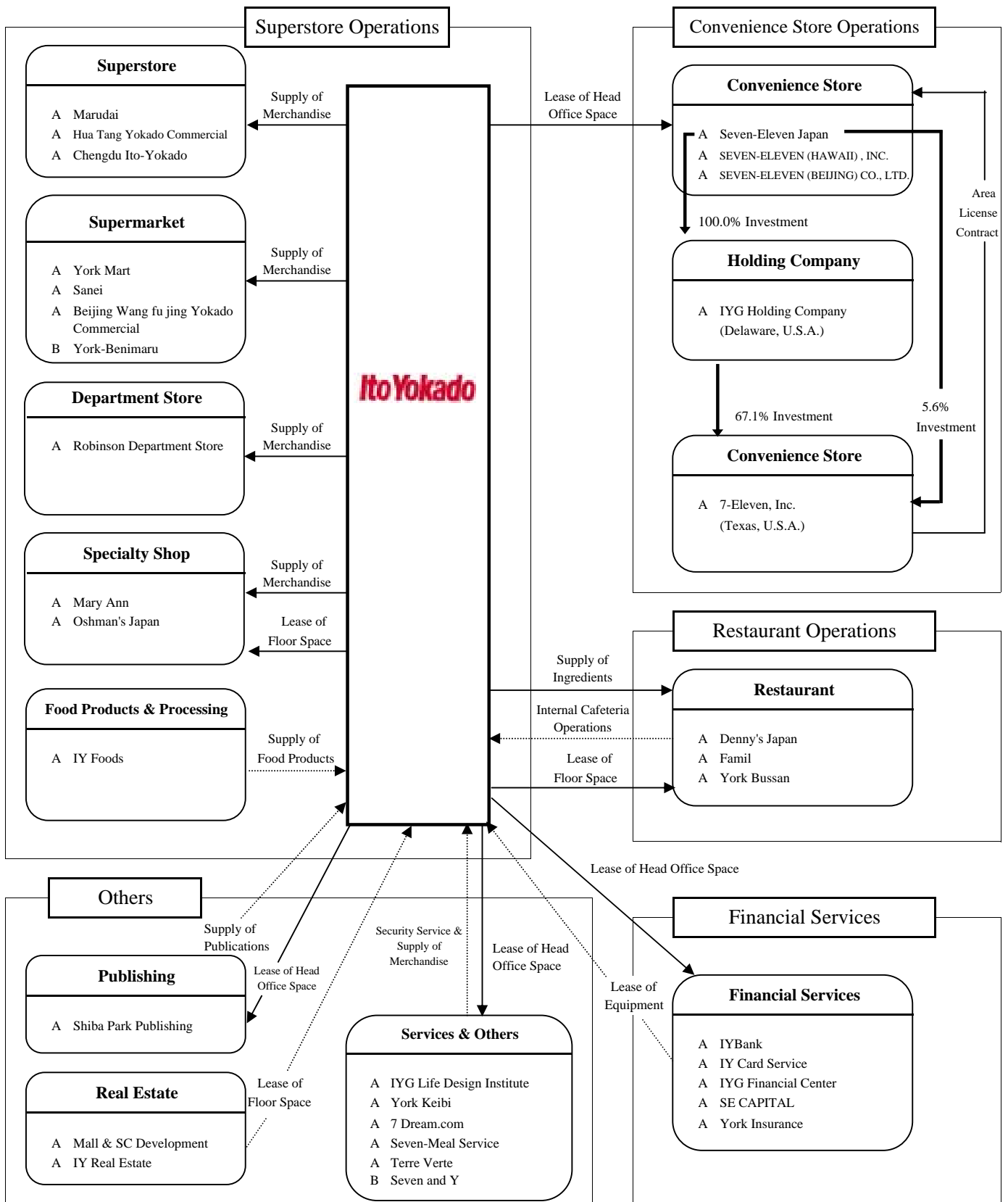
*² Companies stated in the above table are consolidated subsidiaries, except York-Benimaru Co., Ltd., and Seven and Y Corp, which are affiliates accounted for using the equity method.

*³ IYBank Co., Ltd. will change its corporate name to Seven Bank, Ltd. on Oct.11, 2005.

*⁴ IYG Financial Center Co., Ltd. and IYG Life Design Institute Co., Ltd. changed its corporate name to SEVEN & i Financial Center Co., Ltd. and SEVEN & i Life Design Institute Co., Ltd. respectively, on Sep.1, 2005.

*⁵ Shiba Park Publishing Co., Ltd. will change its corporate name to SEVEN & i Publishing Co., Ltd. on Dec.1, 2005.

Group Organization



- Notes:
- A Consolidated subsidiary
 - B Affiliate accounted for using the equity method

29 consolidated subsidiaries, three unconsolidated subsidiaries and four affiliates were not included in this chart because of their immaterial scale.

Besides above chart, there are inter-group transactions as follows:

SE CAPITAL CORPORATION leases store buildings and furniture and fixtures to Seven Eleven Japan Co., Ltd. and Denny's Japan Co., Ltd
 K.K. York Keibi principally provides security services to Robinson Department Store Co., Ltd., Marudai Co., Ltd. and other group companies
 Shiba Park Publishing Co., Ltd. sells magazine issued twice a month to group retail companies through agencies
 As of August 31, 2005, IYBank Co., Ltd. placed 10,583 units of ATM machines in the stores of group companies

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	August 31, 2005		August 31, 2004		February 28, 2005	
	Amount	%	Amount	%	Amount	%
ASSETS						
Current Assets:						
Cash and bank deposits	616,542		648,248		664,124	
Accounts and notes receivable, trade	82,295		72,345		72,465	
Trade accounts receivable - financial services	36,376		28,904		32,840	
Marketable securities	11,000		25,830		19,941	
Inventories	123,815		128,618		120,300	
Prepaid expenses	26,503		24,763		21,442	
Deferred income taxes	27,452		26,360		31,201	
Other	81,607		79,744		96,772	
Allowance for doubtful accounts	(1,267)		(387)		(465)	
Total Current Assets	1,004,325	38.7	1,034,429	40.6	1,058,623	41.1
Property and Equipment:						
Buildings and structures	335,690		335,071		321,523	
Furniture and fixtures	152,463		146,724		147,821	
Vehicles	103		15		50	
Land	353,821		369,113		353,136	
Construction in progress	23,992		10,510		16,795	
Total Property and Equipment	866,072	33.4	861,435	33.9	839,327	32.6
Intangible Assets	190,530	7.3	146,964	5.8	148,792	5.8
Investments and Other Assets:						
Investments in securities	103,878		85,550		95,997	
Long-term loans	20,759		22,922		20,140	
Long-term leasehold deposits	357,559		351,766		352,236	
Advances for store construction	7,429		11,103		11,946	
Deferred income taxes	24,763		14,883		28,246	
Other	24,878		22,318		26,073	
Allowance for doubtful accounts	(3,501)		(6,130)		(6,568)	
Total Investments and Other Assets	535,767	20.6	502,415	19.7	528,073	20.5
Total Non-Current Assets	1,592,370	61.3	1,510,815	59.4	1,516,193	58.9
TOTAL ASSETS	2,596,696	100.0	2,545,244	100.0	2,574,817	100.0

(Millions of yen)

	August 31, 2005		August 31, 2004		February 28, 2005	
	Amount	%	Amount	%	Amount	%
LIABILITIES						
Current Liabilities:						
Accounts and notes payable, trade	283,321		284,877		250,095	
Short-term loans	14,328		2,820		5,654	
Current portion of long-term loans	15,008		18,147		11,467	
Current portion of bonds	20,000		-		20,000	
Income taxes payable	47,485		46,242		55,583	
Accrued expenses	64,733		63,441		69,526	
Deposits received	68,754		54,433		73,100	
Allowance for bonuses to employees	11,223		11,671		9,983	
Other	181,885		140,914		177,292	
Total Current Liabilities	706,741	27.2	622,548	24.4	672,703	26.1
Non-Current Liabilities:						
Bonds	115,000		135,000		115,000	
Long-term loans	97,233		84,207		90,676	
Commercial paper	20,571		22,216		22,493	
Deferred income taxes	18,170		14,952		18,811	
Accrued pension and severance costs	9,198		8,902		10,463	
Allowance for retirement benefits to directors and corporate auditors	2,876		2,629		2,867	
Deposits received from tenants and franchised stores	45,332		43,993		45,342	
Other	53,893		48,917		49,091	
Total Non-Current Liabilities	362,277	14.0	360,819	14.2	354,747	13.8
Total Liabilities	1,069,018	41.2	983,368	38.6	1,027,450	39.9
Minority Interests	394,910	15.2	397,185	15.6	402,862	15.7
SHAREHOLDERS' EQUITY						
Common stock	47,987	1.8	47,987	1.9	47,987	1.9
Capital surplus	123,570	4.8	121,811	4.8	122,653	4.8
Retained earnings	1,013,457	39.0	1,005,569	39.5	983,675	38.2
Unrealized gains on available-for-sale securities	3,977	0.1	2,684	0.1	3,080	0.1
Cumulative translation adjustments	(3,466)	(0.1)	(9,346)	(0.4)	(8,850)	(0.4)
Treasury stock, at cost	(52,759)	(2.0)	(4,016)	(0.1)	(4,041)	(0.2)
Total Shareholders' Equity	1,132,767	43.6	1,164,690	45.8	1,144,504	44.4
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	2,596,696	100.0	2,545,244	100.0	2,574,817	100.0

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Current Interim Period		Prior Year's Interim Period		Prior Fiscal Year	
	Amount	%	Amount	%	Amount	%
[Revenue from operations]	[1,875,634]		[1,795,602]		[3,623,554]	
Net sales	1,644,827	100.0	1,581,544	100.0	3,200,997	100.0
Cost of sales	1,182,480	71.9	1,128,006	71.3	2,292,457	71.6
Gross profit on sales	462,346	28.1	453,537	28.7	908,540	28.4
Other operating revenue	230,806	14.0	214,057	13.5	422,556	13.2
Gross profit from operations	693,153	42.1	667,595	42.2	1,331,097	41.6
Selling, general and administrative expenses	566,001	34.4	555,249	35.1	1,119,146	35.0
Operating income	127,151	7.7	112,345	7.1	211,950	6.6
Non-operating income and expenses						
Non-operating income	4,813	0.3	3,886	0.3	5,242	0.2
Interest and dividend income	1,520		1,170		2,438	
Equity in earnings of affiliates	1,015		1,308		653	
Foreign currency exchange gain	1,377		353		83	
Other	900		1,054		2,068	
Non-operating expenses	3,634	0.2	4,424	0.3	8,926	0.3
Interest expense	2,480		3,280		5,819	
Interest on bonds	695		700		1,389	
Other	458		443		1,717	
Ordinary income	128,330	7.8	111,807	7.1	208,267	6.5
Special gains and losses						
Special gains	2,702	0.1	1,453	0.1	7,902	0.2
Gain from sales of property and equipment	843		53		116	
Gain from reversal of allowance for doubtful accounts	514		679		654	
Gain from sales of subsidiary's common stock	909		-		5	
Gain from reversal of allowance for retirement benefits to directors and corporate officer	-		565		565	
Gain on increase of the Company's interest in consolidated subsidiaries	0		3		5,999	
Other	434		151		559	
Special losses	8,616	0.5	8,211	0.6	65,336	2.0
Loss on sales of property and equipment	160		1,177		1,838	
Loss on disposals of property and equipment	1,694		2,408		4,592	
Loss related to the establishment of the holding company	1,098		-		-	
Impairment loss	4,653		-		26,514	
Valuation loss on property and equipment	-		1,021		1,543	
Provision for business reengineering	-		-		20,882	
Head office relocation expenses	-		2,191		2,205	
Other	1,007		1,411		7,759	
Income before income taxes and minority interests	122,417	7.4	105,049	6.6	150,832	4.7
Income taxes - current	46,855	2.8	44,607	2.8	97,120	3.0
Income taxes - deferred	3,314	0.2	(2,257)	(0.1)	(16,695)	(0.5)
Minority interests in earnings of consolidated subsidiaries	34,754	2.1	30,289	1.9	53,202	1.7
Net income	37,493	2.3	32,410	2.0	17,205	0.5

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

	Current Interim Period	Prior Year's Interim Period	Prior Fiscal Year
Capital surplus			
Capital surplus at beginning of period	122,653	121,807	121,807
Increase in capital surplus			
Gain on sales of treasury stock	0	4	5
Increase resulting from adoption of U.S. GAAP by foreign subsidiaries	917	-	840
Total	917	4	846
Capital surplus at end of period	123,570	121,811	122,653
Retained earnings			
Retained earnings at beginning of period	983,675	980,876	980,876
Increase in retained earnings			
Net income	37,493	32,410	17,205
Increase resulting from adoption of U.S. GAAP by foreign subsidiaries	-	18	9
Total	37,493	32,429	17,214
Decrease in retained earnings			
Cash dividends	7,513	7,514	14,193
Directors' and corporate auditors' bonuses	194	222	222
Decrease resulting from adoption of U.S. GAAP by foreign subsidiaries	2	-	-
Total	7,710	7,736	14,415
Retained earnings at end of period	1,013,457	1,005,569	983,675

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Current Interim Period	Prior Year's Interim Period	Prior Fiscal Year
Cash flows from operating activities:			
Income before income taxes and minority interests	122,417	105,049	150,832
Depreciation and amortization	45,838	46,146	95,160
Impairment loss	4,653	-	26,514
Increase in allowance for bonuses to employees	1,163	2,046	357
(Decrease) increase in accrued pension and severance costs	(1,663)	(463)	1,318
Interest and dividend income	(1,520)	(1,170)	(2,438)
Interest expense and interest on bonds	3,175	3,980	7,208
Foreign currency (gain) loss	(894)	(320)	907
Equity in earnings of affiliates	(1,015)	(1,308)	(653)
Loss on sales or disposals of property and equipment	1,855	3,586	6,431
Valuation loss on property and equipment	-	1,021	1,543
Provision for business reengineering	-	-	20,882
Gain on sales of subsidiary's common stock	(909)	-	(5)
Increase in accounts and notes receivable, trade	(7,469)	(6,595)	(9,188)
Increase in trade accounts receivable - financial services	(3,535)	(8,147)	(12,083)
Increase in inventories	(990)	(10,082)	(17,366)
Increase in accounts and notes payable, trade	27,798	33,239	657
Proceeds from long-term debt and issuance of bonds in subsidiary (Bank)	-	25,000	35,000
Other	255	18,126	52,932
Subtotal	189,160	210,108	358,012
Interest and dividends received	1,245	998	1,908
Interest paid	(2,957)	(4,253)	(6,789)
Income taxes paid	(54,156)	(42,624)	(86,422)
Net cash provided by operating activities	133,291	164,228	266,709
Cash flows from investing activities:			
Acquisitions of property and equipment	(59,593)	(55,763)	(125,700)
Proceeds from sales of property and equipment	3,202	27,068	29,138
Payment for purchase of investments in securities	(29,576)	(9,002)	(32,129)
Proceeds from sale and maturity of investments in securities	24,375	9,162	28,447
Proceeds from sale of investments in subsidiary	4,345	-	73
Acquisition of investments in a newly consolidated subsidiary	(1,874)	(151)	(151)
Payment of loans receivable	(653)	(858)	(822)
Collection of loans receivable	690	569	1,028
Payment for long-term leasehold deposits and advances for store construction	(10,443)	(17,426)	(34,626)
Refund of long-term leasehold deposits	8,796	39,823	51,383
Proceeds from deposits from tenants	1,889	1,487	3,580
Return of deposits from tenants	(1,655)	(1,643)	(3,291)
Other	(10,385)	(6,782)	(11,688)
Net cash used in investing activities	(70,880)	(13,516)	(94,758)
Cash flows from financing activities:			
Increase (decrease) in short-term loans	7,145	(1,562)	1,307
Proceeds from long-term debt	14,000	9,000	22,000
Repayment of long-term debt	(5,148)	(26,526)	(50,105)
Proceeds from commercial paper issued by foreign subsidiary	297,600	371,937	614,226
Payments for redemption of commercial paper issued by foreign subsidiary	(298,953)	(384,262)	(619,793)
Increase of deposits received from affiliate	1,500	-	5,000
Contribution from minority interests of consolidated subsidiary	940	-	768
Dividends paid	(7,511)	(7,513)	(14,192)
Dividends paid for minority interests	(8,507)	(7,935)	(16,446)
Purchase of treasury stock	(48,716)	(112)	(137)
Purchase of subsidiaries' treasury stock	(78,253)	(132)	(147)
Other	2,389	(1,765)	996
Net cash used in financing activities	(123,512)	(48,873)	(56,524)
Effect of exchange rate changes on cash and cash equivalents	1,380	384	(368)
Net (decrease) increase in cash and cash equivalents	(59,720)	102,222	115,058
Cash and cash equivalents at beginning of period	683,100	567,389	567,389
Cash and cash equivalents of newly consolidated variable interest entities at beginning of period	-	651	651
Cash and cash equivalents at end of period	623,379	670,264	683,100

Significant Accounting Policies for the Preparation of Semiannual Consolidated Financial Statements

1. Principles of consolidation

(1) Number of consolidated subsidiaries: 60

Major consolidated subsidiaries: Seven-Eleven Japan Co., Ltd.,
Denny's Japan Co., Ltd. and 7-Eleven, Inc.

Mall & SC Development Inc. and three overseas subsidiaries were established during the period and included in the consolidation. TOWER BAKERY CO., LTD. and its subsidiary were included in consolidation due to the acquisition of shares of TOWER BAKERY CO., LTD. Hua Tang Yokado Commercial Co., Ltd., used to be accounted for using the equity method, became a consolidated subsidiary by the acquisition of additional ownership interest. One overseas subsidiary was liquidated and excluded from the consolidation.

(2) Number of unconsolidated subsidiaries: 3

Names: 7-Eleven, Limited, Puerto Rico-7, Inc. and Brazos Comercial E Empreendimentos Ltda.

Reason for non-consolidation: Their total assets, sales, the Company's portion of their interim net income or loss, retained earnings and the effect on the Company's consolidated financial statements are not considered material.

2. Application of the equity method of accounting for investments

(1) Number of unconsolidated subsidiaries to which the equity method was applied: 2

Names: Puerto Rico-7, Inc. and Brazos Comercial E Empreendimentos Ltda.

(2) Number of affiliates to which the equity method was applied: 6

Major affiliate: York-Benimaru Co., Ltd.

The number of affiliates to which equity method was applied was decreased by one because Hua Tang Yokado Commercial Co., Ltd. became a consolidated subsidiary by the acquisition of additional ownership interest.

(3) Name of unconsolidated subsidiary to which the equity method was not applied:

7-Eleven, Limited

Reason for not applying equity method: The Company's portion of its interim net income or loss (as calculated by the equity method), retained earnings (as calculated by the equity method) and the effect on the Company's consolidated financial statements are not considered material.

(4) Procedure for applying equity method

- (a) The affiliates which have different half-year closing dates are included in the consolidated financial statements based on their respective fiscal half year-end.
- (b) The investments and advance to an affiliate that has negative net assets was reduced to zero and a reserve for additional loss was provided.

3. Interim accounting period of consolidated subsidiaries

Overseas subsidiaries, including 7-Eleven, Inc. and its subsidiaries, and certain domestic subsidiaries are

included in the Consolidated Financial Statements on the basis of fiscal half-year ended June 30. All material transactions during the period from July 1 to August 31 were adjusted for in the Consolidated Financial Statements in the procedure of its consolidation.

The interim closing date of IYBank Co., Ltd. is September 30. Pro forma interim statements as of August 31 prepared in a manner that is substantially identical to the preparation of the official financial statements were prepared for IYBank Co., Ltd. in order to facilitate its consolidation.

4. Summary of significant accounting policies

(1) Valuation method for major assets

(a) Securities valuation

(I) Held-to-maturity debt securities are carried at cost, and amortized using the straight-line method.

(II) Available-for-sale securities are classified into two categories:

(i) Fair value is available

Securities, whose fair value is available, are valued at the quoted market price prevailing at the end of the interim period. Net unrealized gains or losses on these securities are reported as a separate component of shareholders' equity at a net-of-tax amount. Cost of sales is determined using the moving-average method.

(ii) Fair value is not available.

Securities, whose fair value is not available, are valued at cost. Cost is determined using the moving-average method.

(b) Derivatives valuation:

Fair value

(c) Inventories Valuation

(I) Merchandise:

Inventories are valued principally at the lower of cost or market. Cost is determined principally by the average retail method for domestic companies and the LIFO method for foreign subsidiaries.

(II) Supplies:

Supplies are carried at cost. Cost is determined by the last purchase price method.

(2) Depreciation and amortization

(a) Property and equipment

Depreciation of property and equipment is computed generally on the declining-balance method for the Company and its domestic subsidiaries and on the straight-line method for foreign subsidiaries.

(b) Intangible assets

Intangible assets, except software for internal use, are amortized using the straight-line method. Software for internal use is amortized using the straight-line method on estimated useful life (5 years). The subsidiaries in the United States make an impairment test for goodwill and other intangible assets with indefinite lives in accordance with the provisions of Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets", and decrease the book value if required.

(3) Allowances

(a) Allowance for doubtful accounts

An allowance for doubtful accounts is provided against potential losses on collection at an

amount measured by a historical bad debt ratio, plus an amount individually measured on collectibility of receivables that are expected to be uncollectible due to bad financial condition or insolvency.

(b) Allowance for bonuses to employees

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

(c) Allowance for accrued pension and severance costs

An allowance for accrued pension and severance costs is provided at the amount incurred during the interim period, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. Unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arose.

(d) 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.

(4) Foreign currency translation for major assets and liabilities denominated in foreign currency

All assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. Translation gains or losses are included in the accompanying Consolidated Statements of Income.

All balance sheets accounts, except shareholders' equity, of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates and all income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are included in "Minority interests in consolidated subsidiaries and "Cumulative translation adjustments".

(5) Leases

Finance leases, except those for which ownership of the leased assets is considered to be transferred to lessee, are principally accounted for as operating leases for the Company and its domestic consolidated subsidiaries. Foreign consolidated subsidiaries account for finance leases as assets and obligations at an amount equal to the present value of the lease payments during the lease term.

(6) Hedge accounting

(a) Hedge accounting

If interest rate swaps are used as hedges and meet certain hedging criteria, the Company defers recognition of gains and losses resulting from the changes in fair value of interest rate swaps until the related gains and losses on the hedged item are recognized. However, certain interest rate swaps which meet specific hedging criteria are not measured at fair value but the differences between paid and received under the swap agreements are recognized and included in interest income or expense as incurred.

(b) Hedge instruments and hedged items

Hedge instruments---Interest swap

Hedged items---Fixed-rate bonds

(c) Hedging policies

The Company and its subsidiaries utilize derivative instruments for the purposes of hedging its exposure to fluctuation in foreign currency rates, interest rates, and reducing financing costs.

The Company and its subsidiaries do not hold or issue derivative instruments for trading or speculative purposes.

(d) Assessing hedge effectiveness

The Company assesses hedge effectiveness for interest rate swap quarterly except for those that meet specific hedging criteria.

(7) Other accounting issues

(a) Accounting for franchised stores in convenience store operations

7-Eleven, Inc. includes the assets, liabilities, equity and results of operations of its franchised stores in its consolidated financial statements. Seven-Eleven Japan Co., Ltd. recognizes franchise fees from its franchised stores as revenue and includes it in “Other operating revenue”.

(b) Accounting for consumption taxes and excise tax

The Japanese consumption taxes withheld and consumption taxes paid are not included in the Consolidated Statements of Income. The excise tax levied in the U.S. and Canada is included in the revenue from operations.

5. Cash and cash equivalents

Cash and cash equivalents in the accompanying consolidated semiannual statements of cash flows are comprised of cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of price fluctuation.

Notes to Interim Consolidated Financial Statements

Consolidated Balance Sheets

1. Depreciation of Property and Equipment

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
Accumulated Depreciation	772,885	701,785	728,217

2. Collateral Assets

Assets pledged as collateral

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
Buildings	-	10,081	-
Land	7,319	11,673	7,319
Furniture and fixtures	-	1,578	-
Investments in securities	16,519	16,503	16,511
Total	23,838	39,837	23,830
Debt for which above assets are pledged as collateral (including current portion of long-term debt)	6,375	26,163	6,750

Assets pledged as collateral for the debts of affiliates and vendor

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
Buildings	1,545	1,663	1,602
Land	2,628	2,628	2,628
Debt of affiliates and vendors for which above assets are pledged as collateral	5,542	6,325	6,045

Assets pledged as collateral for fund transfer

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
Investments in securities	5,534	5,499	5,499

3. Guarantees

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
7-Eleven Mexico, S.A. de C.V.	257	406	387
Goshogawara Machi Dukuri K.K.	825	941	883
K.K. Delica Land	-	600	600
Employees' housing Loans	1,238	1,391	1,342
Total	2,321	3,340	3,213

4. Trade accounts receivable – financial services

Trade accounts receivable of subsidiaries in Financial services segment.

Consolidated Statements of Income

- The franchised fee from Seven-Eleven Japan Co., Ltd.'s franchised stores is included in "Other operating revenue". The franchised fee from franchised stores and net sales of franchised stores are as follows:

(Millions of yen)

	For the six-month period ended August 31, 2005	For the six-month period ended August 31, 2004	For the year ended February 28, 2005
Franchised fee from franchised stores	182,138	175,785	343,617
Net sales of franchised stores	1,203,067	1,184,417	2,319,544

- Major items included in "Selling, general and administrative expenses" are as follows:

(Millions of yen)

	For the six-month period ended August 31, 2005	For the six-month period ended August 31, 2004	For the year ended February 28, 2005
Advertising expense	44,727	41,292	79,273
Salaries and wages	156,140	155,793	325,463
Land and building rent	82,151	76,902	156,818
Depreciation expense	43,828	45,096	92,908

- Major items included in "Gain from sales of property and equipment" are as follows:

(Millions of yen)

	For the six-month period ended August 31, 2005	For the year ended February 28, 2005
Buildings and structures	173	38
Land	666	78
Others	2	0
Total	843	116

4. Major items included in “Loss on sales of property and equipment” are as follows:

(Millions of yen)

	For the six-month period ended August 31, 2005	For the six-month period ended August 31, 2004	For the year ended February 28, 2005
Buildings and structures	-	83	239
Furniture and fixtures	56	-	1,481
Land	84	1,085	-
Others	20	9	118
Total	160	1,177	1,838

5. Major items included in “Loss on disposals of property and equipment” are as follows:

(Millions of yen)

	For the six-month period ended August 31, 2005	For the six-month period ended August 31, 2004	For the year ended February 28, 2005
Buildings and structures	1,118	1,491	3,360
Furniture and fixtures	327	635	1,073
Others	248	281	158
Total	1,694	2,408	4,592

6. Impairment Loss

In the six-month period ended August 31, 2005, the Company and its consolidated subsidiaries recognized 4,653 million yen of impairment loss on the following group of assets.

(Millions of yen)

Description	Classification	Location	Amount
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 1 Store	4,653
		Chiba Pref. 1 Store	
Stores (Convenience stores)	Land and buildings, etc.	Hokkaido 17 Stores	
		Kanagawa Pref. 17 Stores	
		Other 151 Stores	
Stores (Restaurants)	Buildings and structures	Tokyo & other 9 Stores	
Other facilities etc.			-
Total			4,653

The Company and its consolidated domestic subsidiaries group their 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 such deducted amounts were recorded as impairment loss in special losses.

A breakdown of impairment loss is as follows:

(Millions of yen)

	Stores	Other facilities etc.	Total
Buildings and structures	1,730	-	1,730
Land	2,021	-	2,021
Other	901	-	901
Total	4,653	-	4,653

In the case where net selling price 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%-6.0% discount rates were applied.

In the year ended February 28, 2005, the Company and its consolidated subsidiaries recognized 26,514 million yen of impairment loss on the following group of assets.

(Millions of yen)

Description	Classification	Location	Amount
Stores (Superstores Department stores)	Land and buildings, etc.	Aichi Pref. 2 Stores	22,958
		Chiba Pref. 3 Stores	
		Other 9 Stores	
Stores (Convenience stores)	Land and buildings, etc.	Tokyo 11 Stores	
		Saitama Pref. 7 Stores	
		Other (including U.S.)	
Stores (Restaurants)	Buildings and structures	Tokyo & other 36 Stores	3,556
Stores (Other)	Buildings etc.	Chiba & other 5 Stores	
Other facilities etc.	Land and buildings, etc.	Saitama & other 5 Stores	26,514
Total			

The Company and its consolidated domestic subsidiaries group their 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 such deducted amounts were recorded as impairment loss in special losses.

A breakdown of impairment loss are as follows:

(Millions of yen)

	Stores	Other facilities etc.	Total
Buildings and structures	11,837	119	11,957
Land	9,984	3,435	13,420
Other	1,135	1	1,137
Total	22,958	3,556	26,514

In the case where net selling price 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%-6.5% discount rates were applied.

Impairment loss for the year ended February 28, 2005 includes 538 million yen of impairment loss incurred in the consolidated subsidiaries in the United States, and 791 million yen of impairment loss for the previous year was recorded in other in special losses.

Consolidated Statements of Cash Flows

1. Reconciliation of cash and cash equivalents in the Consolidated Statements of Cash Flows and account balances in Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
Cash and bank deposits	616,542	648,248	664,124
Marketable securities	11,000	25,830	19,941
Total	627,543	674,079	684,066
Time deposits with an original maturity of more than three months	(1,162)	(815)	(965)
Marketable securities other than MMF and CP	(3,001)	(3,000)	-
Cash and cash equivalents	623,379	670,264	683,100

Leases

1. Finance leases, except those for which ownership of the leased assets is considered to be transferred to lessees

(1) As lessee

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

Furniture and fixtures		(Millions of yen)		
	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005	
Acquisition cost	43,859	40,980	41,227	
Accumulated depreciation	23,130	18,908	20,576	
Net book value	20,728	22,072	20,651	

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

		(Millions of yen)		
	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005	
Within one year	7,765	7,475	7,335	
Over one year	12,963	14,596	13,316	
Total	20,728	22,072	20,651	

(c) Lease payments and depreciation expense are as follows:

		(Millions of yen)		
	For the six-month period ended August 31, 2005	For the six-month period ended August 31, 2004	For the year ended February 28, 2005	
Lease payments	4,164	4,221	8,378	
Depreciation expense	4,164	4,221	8,378	

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

(2) As lessor

(a) Acquisition cost, accumulated depreciation and net book value are summarized as follows:

Furniture and fixtures		(Millions of yen)		
	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005	
Acquisition cost	19,271	14,849	17,449	
Accumulated depreciation	7,095	4,630	6,070	
Net book value	12,176	10,219	11,379	

(b) The amounts of outstanding future lease payments to be received are summarized as follows:

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
Within one year	3,331	2,677	3,023
Over one year	9,087	7,689	8,533
Total	12,418	10,366	11,557

(c) Lease income, depreciation expense and interest income are as follows:

(Millions of yen)

	For the six-month period ended August 31, 2005	For the six-month period ended August 31, 2004	For the year ended February 28, 2005
Lease income	1,819	1,385	3,013
Depreciation expense	1,675	1,279	2,793
Interest income	182	145	311

(d) Allocation of interest income to each period is computed using the interest method.

2. Operating leases

As lessee

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

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
Within one year	59,689	56,258	54,982
Over one year	346,495	312,358	313,736
Total	406,185	368,616	368,718

Securities Information

1. Held-to-maturity debt securities (fair value is available)

(Millions of yen)

	As of August 31, 2005			As of August 31, 2004			As of February 28, 2005		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Governmental and municipal bonds	9	9	0	0	0	0	0	0	0

2. Available-for-sale securities (fair value is available)

(Millions of yen)

	As of August 31, 2005			As of August 31, 2004			As of February 28, 2005		
	Acquisition cost	Book value	Net unrealized gains (losses)	Acquisition cost	Book value	Net unrealized gains (losses)	Acquisition cost	Book value	Net unrealized gains (losses)
Equity securities	11,044	19,077	8,033	10,110	15,223	5,113	10,078	16,225	6,146
Debt securities	31,695	31,682	(13)	22,126	22,115	(11)	26,639	26,624	(14)
Total	42,740	50,760	8,020	32,236	37,338	5,102	36,718	42,850	6,131

3. Major securities whose fair value is not available

(Millions of yen)

Description	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
	Book value	Book value	Book value
Held-to-maturity debt securities - bond	199	199	199
Available-for-sale securities			
-Unlisted securities (excluding OTC securities)	1,607	1,192	1,193
-Unlisted foreign securities	5,010	5,009	5,009
-Medium term notes	-	3,000	-
-Commercial paper	7,999	22,830	19,941
-Governmental bonds	3,001	-	-

Derivative Transactions

Contract amount, estimated fair value and unrealized gains (losses) of derivative instruments

1. Currency-related transactions

(Millions of yen)

	As of August 31, 2005				As of August 31, 2004				As of February 28, 2005			
	Contract amount total	Contract amount, due over one year	Estimated fair value	Unrealized gains (losses)	Contract amount total	Contract amount, due over one year	Estimated fair value	Unrealized gains (losses)	Contract amount total	Contract amount, due over one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts												
Buy:												
U.S. Dollar	4,760	-	4,781	21	6,992	-	6,831	(160)	5,259	-	5,011	(248)
Euro	24	-	25	0	18	-	17	(0)	42	-	43	0
U.K. Pound	-	-	-	-	16	-	15	(0)	-	-	-	-
Danish Krone	-	-	-	-	1	-	1	(0)	1	-	1	0
Currency swaps:												
U.S. Dollar	47,472	47,472	4,352	4,352	47,472	47,472	3,908	3,908	47,472	47,472	6,839	6,839
Total	52,257	47,472	9,159	4,374	54,500	47,472	10,774	3,746	52,776	47,472	11,895	6,590

Note: Calculation of estimated fair value

The estimated fair values of these contracts are based on values presented by financial institution

2. Interest-related transactions

(Millions of yen)

	As of August 31, 2005				As of August 31, 2004				As of February 28, 2005			
	Contract amount total	Contract amount, due over one year	Estimated fair value	Unrealized gains (losses)	Contract amount total	Contract amount, due over one year	Estimated fair value	Unrealized gains (losses)	Contract amount total	Contract amount, due over one year	Estimated fair value	Unrealized gains (losses)
Interest rate swaps:												
Receive float / Pay fixed	35,000	35,000	(557)	(557)	35,000	35,000	(331)	(331)	35,000	35,000	(477)	(477)
Total	35,000	35,000	(557)	(557)	35,000	35,000	(331)	(331)	35,000	35,000	(477)	(477)

Note: Calculation of estimated fair value

The estimated fair values of these contracts are based on values presented by financial institution

SEGMENT INFORMATION

1. Business Segments

For the six-month period ended August 31, 2005

(Millions of yen)

	Superstore operations	Convenience store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations	Consolidated total
Revenue and operating income								
Revenue								
1. Customers	831,345	941,691	63,512	33,924	5,159	1,875,634	-	1,875,634
2. Intersegment	6,368	329	892	5,746	3,190	16,526	(16,526)	-
Total revenue	837,714	942,020	64,405	39,670	8,350	1,892,161	(16,526)	1,875,634
Operating expenses	830,745	833,244	61,797	31,136	8,088	1,765,011	(16,529)	1,748,482
Operating income	6,969	108,776	2,607	8,534	261	127,149	2	127,151

Notes:

- The classification of business segment is made by the type of products and services and the type of sales.
- Major businesses of each segment are as follows:
 - Superstore operations ----- Superstore, supermarket, department store and specialty shop
 - Convenience store operations ----- Convenience store business operated by corporate stores and franchised stores under the name of "7-Eleven".
 - Restaurant operations ----- Coffee shop style restaurant, family restaurant operated in shopping center and catering
 - Financial services ----- Bank, credit card and lease business
 - Others ----- Electronic commerce business and other services

For the six-month period ended August 31, 2004

(Millions of yen)

	Superstore operations	Convenience store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations	Consolidated total
Revenue and operating income (loss)								
Revenue								
1. Customers	813,351	887,708	64,553	24,496	5,493	1,795,602	-	1,795,602
2. Intersegment	5,936	176	902	3,874	2,929	13,820	(13,820)	-
Total revenue	819,288	887,884	65,455	28,371	8,422	1,809,422	(13,820)	1,795,602
Operating expenses	813,063	786,068	62,897	26,540	8,548	1,697,119	(13,862)	1,683,256
Operating income (loss)	6,224	101,816	2,558	1,830	(126)	112,303	42	112,345

For the year ended February 28, 2005

(Millions of yen)

	Superstore operations	Convenience store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations	Consolidated total
Revenue and operating income (loss)								
Revenue								
1. Customers	1,630,144	1,805,810	124,364	52,125	11,108	3,623,554	-	3,623,554
2. Intersegment	12,119	357	1,817	9,110	6,086	29,492	(29,492)	-
Total revenue	1,642,264	1,806,168	126,181	61,236	17,195	3,653,046	(29,492)	3,623,554
Operating expenses	1,634,449	1,610,783	122,561	55,834	16,984	3,440,613	(29,009)	3,411,603
Operating income (loss)	7,814	195,385	3,620	5,401	211	212,433	(482)	211,950

2. Geographic area segments

For the six-month period ended August 31, 2005

(Millions of yen)

	Japan	U.S.A.	Others	Total before eliminations	Eliminations	Consolidated total
Revenue and operating income						
Revenue						
1. Customers	1,171,479	631,460	72,694	1,875,634	-	1,875,634
2. Intersegment	91	1,190	-	1,282	(1,282)	-
Total revenue	1,171,571	632,651	72,694	1,876,916	(1,282)	1,875,634
Operating expenses	1,059,837	617,405	72,521	1,749,765	(1,282)	1,748,482
Operating income	111,733	15,245	172	127,151	-	127,151

For the six-month period ended August 31, 2004

(Millions of yen)

	Japan	U.S.A.	Others	Total before eliminations	Eliminations	Consolidated total
Revenue and operating income						
Revenue						
1. Customers	1,142,075	596,204	57,322	1,795,602	-	1,795,602
2. Intersegment	34	1,172	-	1,206	(1,206)	-
Total revenue	1,142,109	597,376	57,322	1,796,809	(1,206)	1,795,602
Operating expenses	1,043,611	584,047	56,804	1,684,463	(1,206)	1,683,256
Operating income	98,497	13,329	518	112,345	-	112,345

For the year ended February 28, 2005

(Millions of yen)

	Japan	U.S.A.	Others	Total before eliminations	Eliminations	Consolidated total
Revenue and operating income						
Revenue						
1. Customers	2,271,682	1,231,259	120,611	3,623,554	-	3,623,554
2. Intersegment	73	2,722	-	2,796	(2,796)	-
Total revenue	2,271,756	1,233,982	120,611	3,626,350	(2,796)	3,623,554
Operating expenses	2,086,029	1,208,391	119,927	3,414,348	(2,745)	3,411,603
Operating income (loss)	185,726	25,591	683	212,002	(51)	211,950

Notes

1. The classification of geographic area segments is made according to the geographical distances.
2. Others consist of the business results mainly in People's Republic of China ("P.R.C.") and Canada.

3. Overseas sales

For the six-month period ended August 31, 2005

(Millions of yen)

	U.S.A.	Others	Total
Overseas sales	631,460	72,694	704,154
Consolidated sales	-	-	1,875,634
Percentage of overseas sales to consolidated sales(%)	33.7	3.9	37.5

For the six-month period ended August 31, 2004

(Millions of yen)

	U.S.A.	Others	Total
Overseas sales	596,204	57,322	653,527
Consolidated sales	-	-	1,795,602
Percentage of overseas sales to consolidated sales(%)	33.2	3.2	36.4

For the year ended February 28, 2005

(Millions of yen)

	U.S.A.	Others	Total
Overseas sales	1,231,259	120,611	1,351,871
Consolidated sales	-	-	3,623,554
Percentage of overseas sales to consolidated sales(%)	34.0	3.3	37.3

Notes

1. The classification of geographic area segments is made according to the geographical distances.
2. Others consists of sales mainly in P.R.C. and Canada.
3. Overseas sales represent net sales and other operating revenue of consolidated subsidiaries in countries and areas outside of Japan.

(Subsequent Event)

On September 1, 2005, the Company established Seven & I Holdings, Co., Ltd. with Seven-Eleven Japan Co., Ltd. ("SEJ") and Denny's Japan Co., Ltd. ("Denny's") by means of stock-transfer and the Company, SEJ and Denny's became wholly owned subsidiaries of Seven & I Holdings, Co., Ltd. Accordingly, SEJ, Denny's and other 35 companies were excluded from the consolidation. IY Bank Co., Ltd. became an affiliate accounted for using the equity method from a consolidated subsidiary and 6 companies were excluded from affiliates accounted for using the equity method.

The Company's treasury stock of 52,670 million yen were converted to the stock of the parent company and recorded in "Current Assets" instead of deduction item in "Shareholders' Equity".

(Reference)

As of August 31, 2005

Seven-Eleven Japan Co., Ltd. (Consolidated)

(Millions of yen)

Total Assets	Shareholders' Equity	Revenue from Operations	Net Income
1,316,892	684,404	952,226	59,186

Denny's Japan Co., Ltd.

(Millions of yen)

Total Assets	Shareholders' Equity	Revenue from Operations	Net Income
68,371	58,407	49,526	1,138