

## [Reference]



# Semiannual Nonconsolidated Financial Results for the Six-Month Period Ended August 31, 2005

October 6, 2005

## Seven-Eleven Japan Co., Ltd.

--President and C.O.O.: Toshiro Yamaguchi

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

### 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)

	Total Store Sales		Revenue from Operations		Operating Income	
Current Interim Period	1,270,766	1.8%	251,089	4.5%	94,771	3.0%
Prior Year's Interim Period	1,247,684	5.9%	240,224	6.3%	91,967	6.2%
Prior Fiscal Year	2,440,853	4.2%	467,233	4.9%	174,365	4.5%

  

	Ordinary Income		Net Income		Net Income per Share
Current Interim Period	96,870	4.2%	55,185	7.0%	70.08 (yen)
Prior Year's Interim Period	92,944	5.7%	51,593	5.6%	64.36 (yen)
Prior Fiscal Year	176,070	4.2%	92,891	1.5%	115.78 (yen)

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

2. Average number of shares outstanding:

Current interim period: 787,412,902 shares      Prior year's interim period: 801,598,259 shares

Prior fiscal year: 801,593,803 shares

3. Change in accounting policies: no

4. 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	940,243	682,055	72.5%	878.87 (yen)
August 31, 2004	945,961	697,708	73.8%	870.41 (yen)
February 28, 2005	948,488	722,145	76.1%	900.79 (yen)

Notes: 1. Number of outstanding shares at the end of the period:

Current interim period: 776,060,926 shares      Prior year's interim period: 801,590,717 shares

Prior fiscal year: 801,588,197 shares

2. Number of treasury stock at the end of the period:

Current interim period: 46,829,058 shares      Prior year's interim period: 21,299,267 shares

Prior fiscal year: 21,301,787 shares

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

(Millions of yen)

Total Store Sales	Revenue from Operations	Operating Income	Ordinary Income	Net Income
2,557,000      4.8%	496,000      6.2%	181,000      3.8%	181,500      3.1%	100,000      7.7%

(Reference) Expected net income per share (for the year ending February 28, 2006) : 128.86 yen

Note: Percentages above represent increase(decrease) over prior fiscal year.

#### FORWARD-LOOKING STATEMENTS

This document contains certain statements based on Seven-Eleven Japan's current plans, estimates and strategies; all statements that are not of historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. It is possible that the Company's future performance will differ significantly from the contents of these forward-looking statements. Accordingly, there is no assurance that the forward-looking statements in this document will prove to be accurate.

## BALANCE SHEETS

(Millions of yen)

	August 31, 2005		August 31, 2004		February 28, 2005	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>Current assets</b>	<b>277,553</b>	<b>29.5</b>	<b>400,785</b>	<b>42.4</b>	<b>278,769</b>	<b>29.4</b>
Cash and bank deposits	240,195		358,892		243,534	
Accounts receivable due from franchised stores	5,633		5,685		7,373	
Inventories	2,912		2,631		3,051	
Deposits held by financial service company	10,000		10,000		10,000	
Deferred income taxes	5,046		6,101		5,130	
Other	13,784		17,484		9,689	
Allowance for doubtful accounts	(21)		(9)		(10)	
<b>Non-current assets</b>	<b>662,690</b>	<b>70.5</b>	<b>545,176</b>	<b>57.6</b>	<b>669,718</b>	<b>70.6</b>
<b>Property and equipment</b>	<b>249,032</b>	<b>26.5</b>	<b>253,796</b>	<b>26.8</b>	<b>250,702</b>	<b>26.4</b>
Buildings	82,325		80,786		82,142	
Structures	14,488		13,885		14,327	
Furniture, fixtures and equipment	28,814		28,761		28,420	
Land	122,441		130,215		124,978	
Other	962		147		833	
<b>Intangible assets</b>	<b>6,804</b>	<b>0.7</b>	<b>6,648</b>	<b>0.7</b>	<b>6,880</b>	<b>0.7</b>
Software	2,804		2,753		3,029	
Other	4,000		3,894		3,850	
<b>Investments and other assets</b>	<b>406,854</b>	<b>43.3</b>	<b>284,731</b>	<b>30.1</b>	<b>412,136</b>	<b>43.5</b>
Investments in securities	12,071		8,661		10,127	
Investments in subsidiaries and affiliates	202,004		93,790		200,803	
Investments in convertible bonds of an affiliate	33,307		14,940		33,307	
Investments in SEVEN-ELEVEN (BEIJING) CO., LTD.	1,920		1,208		1,920	
Long-term loans receivable	3,631		3,723		3,482	
Long-term loans to subsidiaries and affiliates	52,315		72,420		66,381	
Deferred income taxes	7,612		4,454		7,070	
Long-term leasehold deposits	83,876		75,182		80,193	
Other	13,393		13,386		12,365	
Allowance for doubtful accounts	(3,278)		(3,036)		(3,515)	
<b>TOTAL ASSETS</b>	<b>940,243</b>	<b>100.0</b>	<b>945,961</b>	<b>100.0</b>	<b>948,488</b>	<b>100.0</b>

(Millions of yen)

	August 31, 2005		August 31, 2004		February 28, 2005	
	Amount	%	Amount	%	Amount	%
<b>LIABILITIES</b>						
<b>Current liabilities</b>	<b>250,237</b>	<b>26.6</b>	<b>242,068</b>	<b>25.6</b>	<b>218,364</b>	<b>23.0</b>
Accounts payable-trade	134,690		136,081		109,040	
Accounts payable due to franchised stores	11,371		11,565		4,901	
Income taxes payable	39,440		38,524		36,569	
Deposits received	44,728		34,238		45,549	
Allowance for bonuses to employees	2,503		3,034		2,107	
Allowance for sales promotion	194		381		121	
Other	17,309		18,243		20,075	
<b>Non-current liabilities</b>	<b>7,950</b>	<b>0.9</b>	<b>6,184</b>	<b>0.6</b>	<b>7,977</b>	<b>0.9</b>
Guarantee deposits received from franchised stores	5,227		4,994		5,075	
Accrued pension and severance costs	1,553				1,658	
Allowance for retirement benefits to directors and corporate auditors	1,169		1,190		1,243	
<b>TOTAL LIABILITIES</b>	<b>258,188</b>	<b>27.5</b>	<b>248,253</b>	<b>26.2</b>	<b>226,342</b>	<b>23.9</b>
<b>SHAREHOLDERS' EQUITY</b>						
<b>Common stock</b>	<b>17,200</b>	<b>1.8</b>	<b>17,200</b>	<b>1.8</b>	<b>17,200</b>	<b>1.8</b>
<b>Capital surplus</b>	<b>24,565</b>	<b>2.6</b>	<b>24,565</b>	<b>2.6</b>	<b>24,565</b>	<b>2.6</b>
Additional paid-in capital	24,563		24,563		24,563	
Other capital surplus	1		1		1	
Gain on sales of treasury stock	1		1		1	
<b>Retained earnings</b>	<b>781,761</b>	<b>83.1</b>	<b>719,828</b>	<b>76.1</b>	<b>743,891</b>	<b>78.4</b>
Legal reserve	4,300		4,300		4,300	
General reserve	703,409		646,209		646,209	
Unappropriated retained earnings	74,051		69,318		93,381	
<b>Net unrealized gains on available-for-sale securities</b>	<b>1,621</b>	<b>0.2</b>	<b>953</b>	<b>0.1</b>	<b>1,335</b>	<b>0.1</b>
<b>Treasury stock</b>	<b>(143,092)</b>	<b>(15.2)</b>	<b>(64,838)</b>	<b>(6.8)</b>	<b>(64,846)</b>	<b>(6.8)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>682,055</b>	<b>72.5</b>	<b>697,708</b>	<b>73.8</b>	<b>722,145</b>	<b>76.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>940,243</b>	<b>100.0</b>	<b>945,961</b>	<b>100.0</b>	<b>948,488</b>	<b>100.0</b>

# STATEMENTS OF INCOME

(Millions of yen)

	Current Interim Period		Prior Year's Interim Period		Prior Fiscal Year	
	Amount	%	Amount	%	Amount	%
<b>Operating income and expenses</b>						
<b>Revenue from operations</b>	<b>251,089</b>	<b>100.0</b>	<b>240,224</b>	<b>100.0</b>	<b>467,233</b>	<b>100.0</b>
Franchise commission from franchised stores	182,138		175,785		343,617	
( Net sales reported by franchised stores						
Current interim period: 1,203,067						
Prior year's interim period: 1,184,417						
Prior fiscal year: 2,319,544						
Total net sales (including net sales of corporate stores)						
Current interim period: 1,270,766						
Prior year's interim period: 1,247,684						
Prior fiscal year: 2,440,853						
Other operating revenue	1,252		1,171		2,307	
Net sales of corporate stores	67,698		63,267		121,308	
Cost of sales	49,152	19.6	46,236	19.2	88,664	19.0
<b>Gross Profit</b>	<b>201,936</b>	<b>80.4</b>	<b>193,987</b>	<b>80.8</b>	<b>378,569</b>	<b>81.0</b>
Selling, general and administrative expenses	107,165	42.7	102,020	42.5	204,203	43.7
<b>Operating income</b>	<b>94,771</b>	<b>37.7</b>	<b>91,967</b>	<b>38.3</b>	<b>174,365</b>	<b>37.3</b>
<b>Non-operating income and expenses</b>						
<b>Non-operating income</b>	<b>2,198</b>	<b>0.9</b>	<b>1,500</b>	<b>0.6</b>	<b>3,082</b>	<b>0.7</b>
<b>Non-operating expenses</b>	<b>99</b>	<b>0.0</b>	<b>523</b>	<b>0.2</b>	<b>1,377</b>	<b>0.3</b>
<b>Ordinary income</b>	<b>96,870</b>	<b>38.6</b>	<b>92,944</b>	<b>38.7</b>	<b>176,070</b>	<b>37.7</b>
<b>Special gains and losses</b>						
<b>Special gains</b>	<b>465</b>	<b>0.2</b>	<b>50</b>	<b>0.0</b>	<b>110</b>	<b>0.0</b>
<b>Special losses</b>	<b>5,042</b>	<b>2.0</b>	<b>4,366</b>	<b>1.8</b>	<b>15,175</b>	<b>3.2</b>
<b>Income before income taxes</b>	<b>92,293</b>	<b>36.8</b>	<b>88,628</b>	<b>36.9</b>	<b>161,006</b>	<b>34.5</b>
Income taxes - current	37,762	15.0	37,231	15.5	70,219	15.0
Income taxes - deferred	(653)	(0.2)	(197)	(0.1)	(2,104)	(0.4)
<b>Net income for the period (year)</b>	<b>55,185</b>	<b>22.0</b>	<b>51,593</b>	<b>21.5</b>	<b>92,891</b>	<b>19.9</b>
Retained earnings brought forward	18,866		17,725		17,725	
Interim dividends	-		-		17,234	
<b>Unappropriated retained earnings</b>	<b>74,051</b>		<b>69,318</b>		<b>93,381</b>	

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

### 1. Valuation method for major assets

#### (1) Valuation method for securities

Held-to-maturity debt securities are carried at amortized cost.

Investments in 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 interim period. Net unrealized gains or losses on these securities are reported as a separate component of the shareholders' equity at a net-of-tax amount. Cost of sales is determined by the moving-average method.

(ii) Securities, whose fair value is not available, are valued at cost, determined by the moving-average method.

#### (2) Valuation method for inventories

Merchandise inventories of Seven-Eleven Japan Co., Ltd. (the "Company") are valued at cost, determined by the retail method.

#### (3) Valuation method for derivatives

Derivative financial instruments are valued at fair value.

### 2. Depreciation and amortization

#### (1) Property and equipment

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

#### (2) Intangible assets

Amortization expense of intangible assets is computed using the straight-line method.

Software is amortized using the straight-line method over an estimated useful life of 5 years.

### 3. 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 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) 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.

#### (4) 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 interim period. Unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arise.

(5) 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. Lease

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

5. Hedge accounting

(1) Method of hedge accounting

Currency swap contracts which meet the requirements for the application of hedging accounting are accounted for by allocating contracted exchange rates for the corresponding hedged foreign currency transaction and balances.

(2) Hedging instruments and hedged items

Hedging instruments and hedged items for which hedge accounting was adopted for the interim period ended August 31, 2005 are as follows:

(a) Hedging instruments

Currency swap contracts

(b) Hedged items

Financial receivables denominated in foreign currencies.

(3) Hedging policy

The Company utilizes financial instruments to hedge foreign currency exchange rate fluctuation exposure associated with hedged items.

6. Accounting for consumption taxes

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

## **Notes to Nonconsolidated Financial Statements**

### *Nonconsolidated Balance Sheets*

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
1. Accumulated depreciation of property and equipment	197,666	181,675	190,155
2. Assets pledged as collateral	2,032	2,104	2,066
3. Contingent liabilities	10	619	617

### *Nonconsolidated Statements of Income*

(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
1. Depreciation and amortization			
-Property and equipment	11,659	11,617	24,579
-Intangible assets	676	781	1,485
Total	12,336	12,398	26,064
2. Interest income included in non-operating income	871	761	1,576

### 3. Accounting for Impairment of Fixed Assets

The Company groups its fixed assets by operating stores, which is the minimum cash-generating unit. Impairment loss was recognized and recorded in "Special losses" in accordance with the "Accounting Standard for Impairment of Fixed Assets." Impairment loss is carrying amounts in excess of the recoverable value of stores whose land has significantly depreciated, which will be closed in the near future, or which have made consecutive operating losses.

Recoverable value of the group of assets is the higher amount of net selling price or value in use. Net selling price was calculated based on land assessments which are used for appraisal value of inheritance tax, and value in use was calculated by discounting estimated future cash flows to which the 6.0 % discount rate was applied.

Amounts of impairment loss and breakdown (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
Land	1,967	-	4,142
Buildings	537	-	566
Others	88	-	157
Total	2,593	-	4,867
Description	Operating stores	-	Operating stores
Classification	Land, Buildings and Other	-	Land, Buildings and Other
Location	(Number of stores)		(Number of stores)
	Hokkaido 17		Tokyo 11
	Kanagawa 17	-	Saitama 7
	Other 151		Other 45

### Leases

[1] Information for financial lease contracts other than those for which the ownership of the leased assets is to be transferred to lessee.

1. As lessee

(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 August 31, 2005	As of August 31, 2004	As of February 28, 2005
	Facilities and equipment	Facilities and equipment	Facilities and equipment
Acquisition cost	7,315	7,005	8,607
Accumulated depreciation	2,374	2,136	2,690
Net book value	4,941	4,868	5,917

(2) 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	1,438	1,326	1,594
Over one year	3,502	3,542	4,322
Total	4,941	4,868	5,917

(3) Lease payments and depreciation expense for leased assets 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	795	578	1,475
Depreciation expense	795	578	1,475

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

2. As lessor

(1) The amounts of outstanding future lease payments to be received as sub-lessor 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	1,264	924	1,120
Over one year	3,444	2,531	3,144
Total	4,708	3,456	4,264

(Note: The amounts of outstanding future lease payments as lessee are the same.)

[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	784	741	769
Over one year	673	645	683
Total	1,457	1,386	1,452

## **Securities Information**

Investments in subsidiaries and affiliates whose fair value are available, are as follows:

(Investments in subsidiaries)

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
Book value	13,333	-	13,333
Fair value	20,526	-	17,106
Difference	7,192	-	3,772

(Investments in affiliates)

(Millions of yen)

	As of August 31, 2005	As of August 31, 2004	As of February 28, 2005
Book value	-	5,054	-
Fair value	-	6,763	-
Difference	-	1,709	-



## **Subsequent Events**

### 1. Establishment of a holding company by means of stock-transfer

On September 1, 2005, the Company established Seven & I Holdings, Co., Ltd. with Ito-Yokado Co., Ltd. (“Ito-Yokado”) and Denny’s Japan Co., Ltd. (“Denny’s”) by means of stock-transfer and the Company, Ito-Yokado and Denny’s became wholly owned subsidiaries of Seven & I Holdings, Co., Ltd. As a result, the Company’s treasury stock of ¥143,092 million were converted to the stock of the parent company and recorded in “Current Assets” instead of deduction item in “Shareholders’ Equity”.

### 2. Commencement of a tender offer for common stock of 7-Eleven, Inc.

In order to make 7-Eleven Inc. a wholly owned subsidiary, Seven-Eleven Japan Co., Ltd. (“SEJ”) adopted a resolution, at its Board of Directors Meeting on September 1, to commence a tender offer (the “Tender Offer”) through IYG Holding Co. (“YGHHC”), a wholly owned subsidiary of the company incorporated in Delaware, for all of the outstanding shares of common stock (the “Shares”) of 7-Eleven, Inc., a Texas corporation (“SEI”), that YGHHC and SEJ do not already own and to acquire any Shares not tendered by SEI’s minority shareholders in the Tender Offer pursuant to a “short form” merger of YGHHC with and into SEI if YGHHC acquires beneficial ownership of at least 90% of the Shares.

The Tender Offer is subject to the rules governing tender offers in the United States and is not subject to Article 27-2, Paragraph 1 of Japanese Securities and Exchange Law.

Outline of the Tender Offer as of October 6, 2005 is described at the section “Outlines of the Tender Offer” below.

SEJ has issued the following press release after commencing the Tender Offer on September 6, 2005.

September 20, 2005

At the request of the special committee and in order to provide the special committee and SEI shareholders with additional time to evaluate the terms of the Tender Offer, SEJ has decided to extend the terms of the Tender Offer by 10 business days, subject to the other terms and conditions set forth in its Offer to Purchase, dated September 6, 2005. The Tender Offer, which was scheduled to expire at 12:00 midnight, New York City time, on Monday, October 3, 2005, will be extended until 12:00 midnight, New York City time, on Tuesday, October 18, 2005.

September 23, 2005

SEI announced that the special committee has determined that the Tender Offer is inadequate, and that the special committee has instructed its financial and legal advisors to discuss the offer with SEJ’s financial and legal advisors. SEJ is disappointed with the special committee’s recommendation and believes that its offer of \$32.50 per share represents a compelling value to SEI’s shareholders. When the special committee communicates to SEJ the reasons for its position, SEJ will make a determination whether to (i) continue with the offer at the \$32.50 per share price, (ii) continue discussions with the special committee and/or its advisors regarding the offer, or (iii) withdraw the offer.

Outline of the Tender Offer (as of October 6, 2005)

#### 1. Purpose

In order to achieve a better-governed group structure and increase the investment in merchandising, store renovation, distribution and logistics systems, and information systems.

2. Summary of SEI (as of the end of June 2005)

Headquarters: Dallas, Texas

Principal Business: Operates, franchises and licenses convenience stores worldwide

Stock Listing: New York Stock Exchange

Shares Outstanding: 115,435,471

3. Tender Offer Price

\$32.50 per Share

4. Public Tender Offer Period

From September 6, 2005 to 12:00 midnight on October 18, 2005 (New York City time)

5. Number of shares to acquire

All of the outstanding Shares, except approximately 72.7% of the Shares that SEJ and IYGHC already own.

6. Total amount of funds

The total amount of funds required to complete the Going Private Plan is estimated to be approximately \$1.0 billion at a tender offer price of \$32.50 per Share, and SEJ intends to use cash on hand to fund the Going Private Plan

7. Other condition

The Tender Offer is conditioned upon, among other things, the tender of a majority of the Shares not held by SEJ, IYGHC and the officers and directors of any of SEJ, IYGHC and SEI, and the ownership by SEJ of at least 90% of the Shares on a fully diluted basis.

All amounts less than one million yen have been disregarded.