



October 12, 2006

# Semiannual Consolidated Financial Results for the Six-Month Period Ended August 31, 2006

## Seven & i Holdings Co., Ltd.

(URL <http://www.7andi.com>)

Securities Code No. 3382

President and C.O.O. : Noritoshi Murata

The Company's shares are listed on the First Section of the Tokyo Stock Exchange.

Date of the meeting of the Board of Directors to approve consolidated accounts: October 12, 2006

U.S. GAAP is not applied.

### 1. Business Results for the Current Interim Period (from March 1, 2006 to August 31, 2006)

#### (1) Results of Operations

(Millions of yen, except per share amounts)

	Revenues from Operations		Operating Income		Ordinary Income	
Current Interim Period	2,557,099	-	142,109	-	139,428	-
Prior Fiscal Year	3,895,772	-	244,940	-	248,110	-

	Net Income		Net Income per Share		Diluted Net Income per Share	
Current Interim Period	68,684	-	75.13	(yen)	-	-
Prior Fiscal Year	87,930	-	100.83	(yen)	-	-

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

2. Equity in earnings of affiliates:

Current interim period: 1,259 million yen Prior fiscal year: 1,993 million yen

3. Average number of shares outstanding:

Current interim period: 914,170,212 shares Prior fiscal year: 870,127,116 shares

4. Change in accounting policies: no

5. The Company was established on September 1, 2005. The Company's consolidated results for the fiscal year ended February 28, 2006 were prepared, assuming that the Company had been established on March 1, 2005.

6. The Company started to compile the semiannual consolidated financial results from this interim period, and the consolidated financial results from prior fiscal year; hence financial information for the prior interim period, change from the prior year's interim period and change from the prior fiscal year were not available.

7. Net income per share and Diluted net income per share for prior fiscal year were calculated by using average number of outstanding shares during prior fiscal year, assuming that the Company had been established on March 1, 2005.

#### (2) Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Net Assets	Capital Adequacy Ratio	Net Assets per Share
As of August 31, 2006	3,492,555	1,793,375	49.5%	1,867.12
As of February 28, 2006	3,424,878	1,603,684	46.8%	1,772.25

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

Current interim period: 925,566,725 shares Prior fiscal year: 904,774,606 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	106,432	(93,997)	1,286	623,004
Prior Fiscal Year	217,325	(388,080)	103,093	610,876

#### (4) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 76

Number of nonconsolidated subsidiaries accounted for using the equity method: 0

Number of affiliated companies accounted for using the equity method: 12

#### (5) Change in Scope of Consolidation and Application of Equity Method

The number of affiliated companies accounted for using the equity method increased by 1.

### 2. Business Outlook for the Fiscal Year Ending February 28, 2007 (From March 1, 2006 to February 28, 2007)

(Millions of yen)

	Revenues from Operations		Operating Income		Ordinary Income		Net Income	
Entire Year	5,380,000	38.1 %	305,000	24.5 %	300,000	20.9 %	153,000	74.0 %

&lt; Reference &gt; Expected consolidated net income per share for the fiscal year ending February 28, 2007: 165.30 yen

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

#### FORWARD LOOKING STATEMENTS

The outlook for fiscal year ending February 28, 2007 is based on hypotheses, plans and estimates at the date of publication. It is possible that some uncertain factors will cause the Company's future performance to differ significantly from the contents of outlook.

## MAJOR SEVEN & i HOLDINGS GROUP COMPANIES

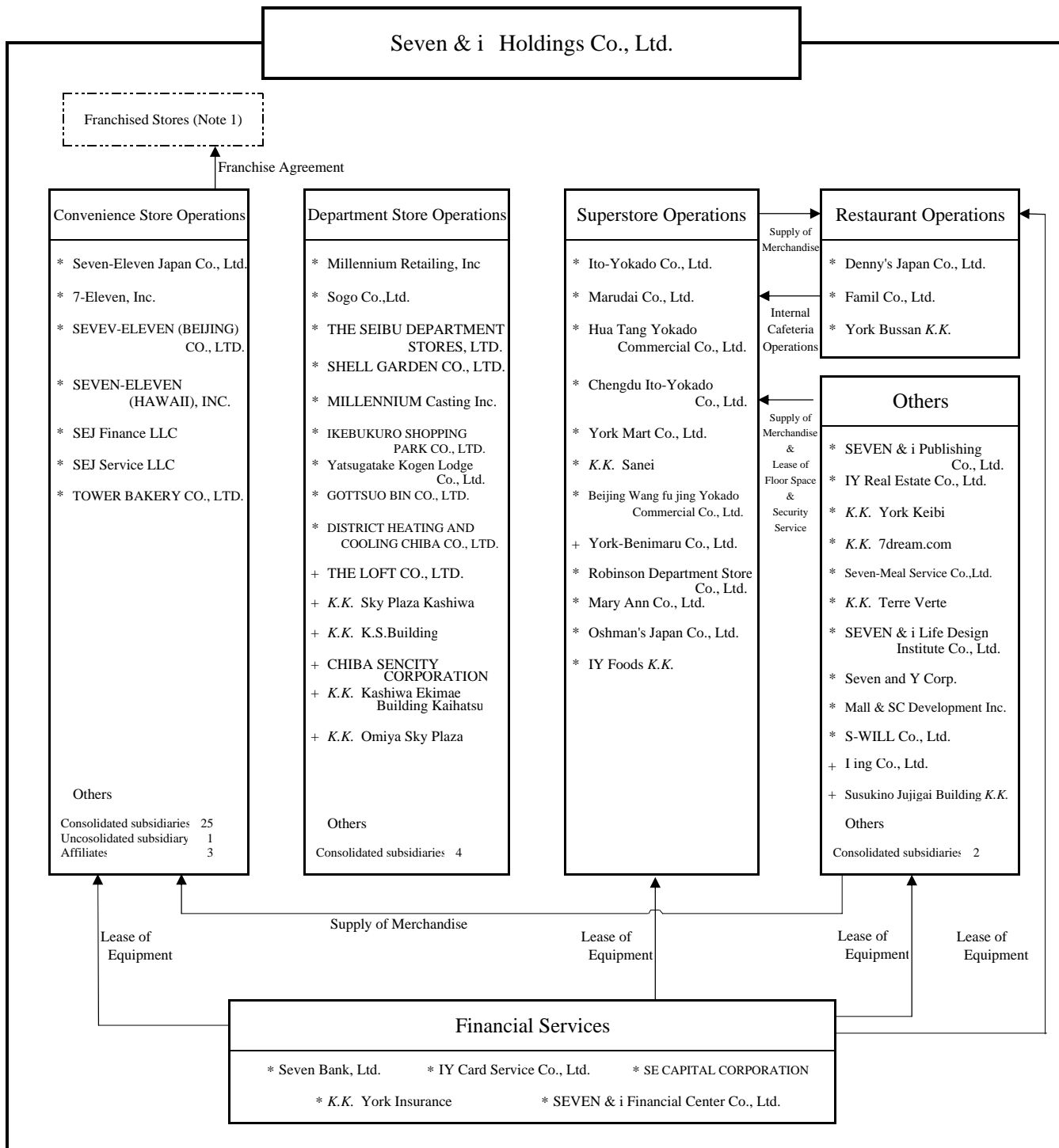
Seven & i Holdings Group consists 90 diversified retail companies, mainly engaged in convenience store operations, superstore operations, department store operations, restaurant operations and financial services. Business segments, major group companies and number of companies are as follows.

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

Business Segment (Number of companies belonging to each category)	Major Group Companies	Number of Companies
<b>Convenience Store Operations: (36)</b>	Seven-Eleven Japan Co., Ltd. 7-Eleven, Inc. SEVEN-ELEVEN (BEIJING) CO., LTD. SEVEN-ELEVEN (HAWAII), INC. SEJ Finance LLC SEJ Service LLC TOWER BAKERY CO., LTD.	Consolidated Subsidiaries 32 Unconsolidated Subsidiary 1 Affiliates 3 <hr/> Total 36
<b>Superstore Operations: (12)</b>	Ito-Yokado Co., Ltd. Marudai Co., Ltd. Hua Tang Yokado Commercial Co., Ltd. Chengdu Ito-Yokado Co., Ltd. York Mart Co., Ltd. K.K. Sanei Beijing Wang fu jing Yokado Commercial Co., Ltd. York-Benimaru Co., Ltd. Robinson Department Store Co., Ltd. Mary Ann Co., Ltd. Oshman's Japan Co., Ltd. IY FoodsK.K.	Consolidated Subsidiaries 11 Affiliate 1 <hr/> Total 12
<b>Department Store Operations: (19)</b>	Millennium Retailing, Inc. Sogo Co., Ltd. THE SEIBU DEPARTMENT STORES, LTD. SHELL GARDEN CO., LTD. MILLENNIUM Casting Inc. IKEBUKURO SHOPPING PARK CO., LTD. Yatsugatake Kogen Lodge Co., Ltd. GOTTSUO BIN CO., LTD. DISTRICT HEATING AND COOLING CHIBA CO., LTD. THE LOFT CO., LTD. K.K. Sky Plaza Kashiwa K.K. K.S. Building CHIBA SENCITY CORPORATION K.K. Kashiwa Ekimae Building Kaihatsu K.K. Omiya Sky Plaza	Consolidated Subsidiaries 13 Affiliates 6 <hr/> Total 19
<b>Restaurant Operations: (3)</b>	Denny's Japan Co., Ltd. Famil Co., Ltd. York Bussan K.K.	Consolidated Subsidiaries 3
<b>Financial Services: (5)</b>	Seven Bank, Ltd. IY Card Service Co., Ltd. SE CAPITAL CORPORATION K.K. York Insurance SEVEN & i Financial Center Co., Ltd.	Consolidated Subsidiaries 5
<b>Others: (14)</b>	SEVEN & i Publishing Co., Ltd. IY Real Estate Co., Ltd. K.K. York Keibi K.K. 7dream.com Seven-Meal Service Co., Ltd. K.K. Terre Verte SEVEN & i Life Design Institute Co., Ltd. Seven and Y Corp. Mall & SC Development Inc. S-WILL Co., Ltd. I ing Co., Ltd. Susukino Jujigai BuildingK.K.	Consolidated Subsidiaries 12 Affiliates 2 <hr/> Total 14

1. Companies stated in the above table are consolidated subsidiaries, except York-Benimaru Co., Ltd., THE LOFT CO., LTD., K.K. Sky Plaza Kashiwa, K.K. K.S. Building, CHIBA SENCITY CORPORATION, K.K. Kashiwa Ekimae Building Kaihatsu, K.K. Omiya Sky Plaza, I ing Co., Ltd. and Susukino Jujigaibiru K.K.
2. On September 1, 2006, York-Benimaru Co., Ltd. became a wholly owned subsidiary of the Company through a stock-for-stock exchange.
4. SEJ Finance LLC and SEJ Service LLC are Holding Companies of 7-Eleven, Inc.
5. Millennium Retailing, Inc. is the holding company of Sogo Co., Ltd., THE SEIBU DEPARTMENT STORES, LTD. etc.

# BUSINESS RELATION IN GROUP



\* Consolidated subsidiary

+ Affiliate accounted for using the equity method

Notes: 1 Each franchised store is operated by an independent franchisee which enters into franchise agreement with Seven-Eleven Japan Co., Ltd. or 7-Eleven, Inc.

2 As of August 31, 2006, Seven Bank, Ltd. placed 11,731 units of ATM machines in the stores of group companies.

# CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	August 31, 2006		February 28, 2006	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>Current assets</b>	<b>1,133,237</b>	<b>32.5</b>	<b>1,102,819</b>	<b>32.2</b>
Cash and bank deposits	625,375		619,537	
Accounts and notes receivable, trade	122,144		110,829	
Trade accounts receivable - financial services	50,553		37,562	
Inventories	151,874		148,913	
Prepaid expenses	33,890		30,338	
Deferred income taxes	30,389		31,725	
Other	121,725		126,132	
Allowance for doubtful accounts	(2,715)		(2,220)	
<b>Non-current assets</b>	<b>2,358,820</b>	<b>67.5</b>	<b>2,321,779</b>	<b>67.8</b>
<b>Property and equipment</b>	<b>1,191,654</b>	<b>34.1</b>	<b>1,200,492</b>	<b>35.0</b>
Buildings and structures	505,035		502,904	
Furniture, fixtures and equipment	180,830		185,749	
Vehicles	111		111	
Land	488,040		488,152	
Construction in progress	17,635		23,573	
<b>Intangible assets</b>	<b>404,050</b>	<b>11.6</b>	<b>368,971</b>	<b>10.8</b>
Goodwill	304,549		272,014	
Software	35,289		28,356	
Other	64,212		68,599	
<b>Investments and other assets</b>	<b>763,116</b>	<b>21.8</b>	<b>752,316</b>	<b>22.0</b>
Investments in securities	234,448		216,933	
Long-term loans receivable	15,433		21,458	
Prepaid pension cost	2,228		-	
Long-term leasehold deposits	453,790		463,238	
Advances for store construction	3,296		552	
Deferred income taxes	23,313		26,977	
Other	41,019		34,133	
Allowance for doubtful accounts	(10,413)		(10,977)	
<b>Deferred assets</b>	<b>497</b>	<b>0.0</b>	<b>280</b>	<b>0.0</b>
New organization costs	497		280	
<b>TOTAL ASSETS</b>	<b>3,492,555</b>	<b>100.0</b>	<b>3,424,878</b>	<b>100.0</b>

(Millions of yen)

	August 31, 2006		February 28, 2006	
	Amount	%	Amount	%
<b>LIABILITIES</b>				
<b>Current liabilities</b>	<b>1,064,056</b>	<b>30.5</b>	<b>982,859</b>	<b>28.7</b>
Accounts and notes payable, trade	330,030		285,123	
Short-term loans	178,110		114,462	
Current portion of long-term loans	56,890		47,832	
Current portion of bonds	30,000		-	
Income taxes payable	53,461		94,030	
Accrued expenses	80,078		88,148	
Deposits received	70,353		73,837	
Allowance for sales promotion expenses	19,500		17,553	
Allowance for bonuses to employees	15,602		13,609	
Deposit received in banking business	90,788		96,246	
Other	139,240		152,014	
<b>Non-current liabilities</b>	<b>635,123</b>	<b>18.2</b>	<b>724,139</b>	<b>21.2</b>
Bonds	85,000		115,000	
Long-term loans	327,942		368,314	
Commercial paper	26,635		41,764	
Deferred income taxes	75,320		77,212	
Allowance for accrued pension and severance costs	3,164		3,433	
Allowance for retirement benefits to directors and corporate auditors	3,186		3,273	
Deposits received from tenants and franchised stores	59,051		57,820	
Other	54,822		57,318	
<b>TOTAL LIABILITIES</b>	<b>1,699,180</b>	<b>48.7</b>	<b>1,706,998</b>	<b>49.9</b>
<b>NET ASSETS</b>				
<b>Owners' Equity</b>	<b>1,721,933</b>	<b>49.3</b>	-	-
Common stock	50,000		-	
Capital surplus	623,402		-	
Retained earnings	1,083,344		-	
Treasury stock	(34,812)		-	
<b>Valuation and translation adjustments</b>	<b>6,210</b>	<b>0.2</b>	-	-
Net unrealized gains on available-for-sale securities	6,662		-	
Deferred losses on hedges	(2)		-	
Cumulative translation adjustments	(449)		-	
<b>Minority Interests</b>	<b>65,230</b>	<b>1.8</b>	-	-
<b>TOTAL NET ASSETS</b>	<b>1,793,375</b>	<b>51.3</b>	-	-
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3,492,555</b>	<b>100.0</b>	-	-

(Millions of yen)

	August 31, 2006		February 28, 2006	
	Amount	%	Amount	%
<b>MINORITY INTERESTS</b>	-	-	<b>114,196</b>	<b>3.3</b>
<b>SHAREHOLDERS' EQUITY</b>				
Common stock	-	-	50,000	1.4
Capital surplus	-	-	611,704	17.9
Retained earnings	-	-	1,040,613	30.4
Net unrealized gains on available-for-sale securities	-	-	7,953	0.2
Cumulative translation adjustments	-	-	6,298	0.2
Treasury stock	-	-	(112,884)	(3.3)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	-	-	<b>1,603,684</b>	<b>46.8</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	-	-	<b>3,424,878</b>	<b>100.0</b>

# CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Current Interim Period		Prior Fiscal Year	
	Amount	%	Amount	%
<b>Revenues from operations</b>	<b>2,557,099</b>		<b>3,895,772</b>	
Net sales	2,307,467	100.0	3,437,344	100.0
Cost of sales	1,700,646	73.7	2,488,509	72.4
<b>Gross profit on sales</b>	<b>606,821</b>	<b>26.3</b>	<b>948,835</b>	<b>27.6</b>
Other operating revenue	249,631	10.8	458,427	13.3
<b>Gross profit from operations</b>	<b>856,452</b>	<b>37.1</b>	<b>1,407,263</b>	<b>40.9</b>
Selling, general and administrative expenses	714,343	30.9	1,162,322	33.8
<b>Operating income</b>	<b>142,109</b>	<b>6.2</b>	<b>244,940</b>	<b>7.1</b>
<b>Non-operating income</b>	<b>5,896</b>	<b>0.2</b>	<b>10,740</b>	<b>0.3</b>
Interest and dividends income	2,275		3,057	
Equity in earnings of affiliates	1,259		1,993	
Foreign currency exchange gains	-		3,235	
Other	2,361		2,453	
<b>Non-operating expenses</b>	<b>8,576</b>	<b>0.4</b>	<b>7,570</b>	<b>0.2</b>
Interest expense	4,878		5,053	
Interest on bonds	576		1,309	
Foreign currency exchange losses	1,906		-	
Other	1,215		1,207	
<b>Ordinary income</b>	<b>139,428</b>	<b>6.0</b>	<b>248,110</b>	<b>7.2</b>
<b>Special gains</b>	<b>1,958</b>	<b>0.1</b>	<b>7,611</b>	<b>0.2</b>
Gain on sales of property and equipment	1,502		1,843	
Gain on sales of investments in subsidiaries	-		947	
Gain from amendment of retirement allowance regulation of subsidiaries in the United States	-		3,011	
Gain from cancellation of employee retirement benefit trust	-		895	
Other	456		913	
<b>Special losses</b>	<b>15,567</b>	<b>0.6</b>	<b>77,203</b>	<b>2.2</b>
Loss on disposals of property and equipment	7,258		8,184	
Impairment loss	4,172		31,040	
Loss on decrease of the Company's interest in a consolidated subsidiary	1,679		-	
Costs in relation to the establishment of the holding company	-		2,597	
Costs in relation to tender offer	-		20,776	
Provision for doubtful accounts	-		5,789	
Additional retirement allowance for early retirement	-		6,159	
Other	2,457		2,655	
<b>Income before income taxes and minority interests</b>	<b>125,819</b>	<b>5.5</b>	<b>178,518</b>	<b>5.2</b>
Income taxes - current	49,882	2.2	83,267	2.4
Income taxes - deferred	1,455	0.1	(1,792)	(0.1)
Minority interests in earnings of consolidated subsidiaries	5,797	0.2	9,111	0.3
<b>Net income</b>	<b>68,684</b>	<b>3.0</b>	<b>87,930</b>	<b>2.6</b>

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Current Interim Period (from March 1, 2006 to August 31, 2006)

(Millions of yen)

	Owners' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Owners' Equity
<b>Balance at February 28, 2006</b>	<b>50,000</b>	<b>611,704</b>	<b>1,040,613</b>	<b>(112,884)</b>	<b>1,589,432</b>
<b>Increase (decrease) of items during the period</b>					
Dividends from retained earnings			(25,792)		(25,792)
Directors' and corporate auditors' bonuses			(168)		(168)
Net income			68,684		68,684
Increase resulting from stock-for-stock exchange		80,707			80,707
Purchase of treasury stock				(60)	(60)
Gain on sales of treasury stock		1,481		7,639	9,121
Cancellation of treasury stock		(70,491)		70,491	-
Other			7	1	9
Decrease of items during the period except those included in owners' equity					
<b>Total increase (decrease) of items during the period</b>	<b>-</b>	<b>11,697</b>	<b>42,731</b>	<b>78,072</b>	<b>132,501</b>
<b>Balance at August 31, 2006</b>	<b>50,000</b>	<b>623,402</b>	<b>1,083,344</b>	<b>(34,812)</b>	<b>1,721,933</b>

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred losses on hedges	Cumulative translation adjustments	Total valuation and translation adjustments		
<b>Balance at February 28, 2006</b>	<b>7,953</b>	<b>-</b>	<b>6,298</b>	<b>14,251</b>	<b>114,196</b>	<b>1,717,880</b>
<b>Increase (decrease) of items during the period</b>						
Dividends from retained earnings				-		(25,792)
Directors' and corporate auditors' bonuses				-		(168)
Net income				-		68,684
Increase resulting from stock-for-stock exchange				-		80,707
Purchase of treasury stock				-		(60)
Gain on sales of treasury stock				-		9,121
Cancellation of treasury stock				-		-
Other				-		9
Decrease of items during the period except those included in owners' equity	(1,290)	(2)	(6,748)	(8,041)	(48,965)	(57,006)
<b>Total increase (decrease) of items during the period</b>	<b>(1,290)</b>	<b>(2)</b>	<b>(6,748)</b>	<b>(8,041)</b>	<b>(48,965)</b>	<b>75,494</b>
<b>Balance at August 31, 2006</b>	<b>6,662</b>	<b>(2)</b>	<b>(449)</b>	<b>6,210</b>	<b>65,230</b>	<b>1,793,375</b>



**CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS  
AND RETAINED EARNINGS**

(Millions of yen)

	Prior Fiscal Year
<b>Capital surplus</b>	
<b>Capital surplus at beginning of period</b>	<b>122,653</b>
<b>Increase in capital surplus</b>	<b>489,050</b>
Gain on sales of treasury stock	78,702
Increase resulting from stock-transfer	407,086
Increase resulting from adoption of U.S. GAAP by foreign subsidiaries in U.S.A.	3,261
<b>Capital surplus at end of period</b>	<b>611,704</b>
<b>Retained earnings</b>	
<b>Retained earnings at beginning of period</b>	<b>983,675</b>
<b>Increase in retained earnings</b>	<b>87,930</b>
Net income	87,930
<b>Decrease in retained earnings</b>	<b>30,993</b>
Cash dividends	16,029
Cash payment upon stock-transfer	14,434
Directors' and corporate auditors' bonuses	246
Decrease resulting from adoption of U.S. GAAP by foreign subsidiaries in U.S.A.	281
<b>Retained earnings at end of period</b>	<b>1,040,613</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Current Interim Period	Prior Fiscal Year
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	125,819	178,518
Depreciation and amortization	63,253	97,810
Impairment loss	4,172	31,040
Increase (decrease) in allowance for bonuses to employees	1,993	(1,046)
Decrease in allowance for accrued pension and severance costs	(199)	(7,540)
Increase in prepaid pension cost	(2,228)	-
Interest and dividend income	(2,275)	(3,057)
Interest expense and interest on bonds	5,454	6,362
Foreign currency exchange loss (gain)	1,764	(2,717)
Equity in earnings of affiliates	(1,259)	(1,993)
Gain on sales of property and equipment	(1,502)	(1,843)
Loss on disposals of property and equipment	7,258	8,184
Gain on sales of subsidiary's common stock	-	(947)
Increase in accounts and notes receivable, trade	(11,870)	(16,477)
Increase in accounts receivable - financial services	(12,990)	(4,722)
Increase in inventories	(3,843)	(3,254)
Increase (decrease) in accounts and notes payable, trade	45,954	(21,291)
Proceeds from debt in banking business	4,000	21,000
Net (decrease) increase in deposit received in banking business	(5,457)	29,872
Net increase (decrease) in call money in banking business	1,700	(25,000)
Other	(27,216)	34,494
<b>Sub-total</b>	<b>192,526</b>	<b>317,391</b>
Interest and dividends received	2,051	2,384
Interest paid	(4,952)	(6,015)
Income taxes paid	(83,193)	(96,434)
<b>Net cash provided by operating activities</b>	<b>106,432</b>	<b>217,325</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(69,847)	(146,179)
Proceeds from sales of property and equipment	4,736	4,702
Acquisition of intangible assets	(12,189)	(13,694)
Payment for purchase of investments in securities	(91,845)	(101,807)
Proceeds from sale and maturity of investments in securities	78,429	69,726
Acquisition of investments in subsidiaries	(20,410)	(133,451)
Proceeds from sales of investments in subsidiaries	6,094	4,345
Acquisition of investments in newly consolidated subsidiary	-	(74,709)
Payment for loans receivable	(1,403)	(3,561)
Collection of loans receivable	705	1,099
Payment for long-term leasehold deposits and advances for store construction	(11,463)	(24,411)
Refund of long-term leasehold deposits	17,087	29,776
Proceeds from deposits from tenants	4,200	6,668
Refund of deposits from tenant	(2,768)	(4,483)
Other	4,677	(2,099)
<b>Net cash used in investing activities</b>	<b>(93,997)</b>	<b>(388,080)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	63,674	(2,470)
Proceeds from long-term debt	151,695	41,500
Repayment of long-term debt	(186,094)	(12,532)
Proceeds from issuance of commercial paper	333,058	554,046
Payment for redemption of commercial paper	(347,208)	(544,532)
Payment for redemption of bonds	-	(20,000)
Dividends paid for minority interests	(25,760)	(16,045)
Payment in relation to stock-transfer	-	(14,400)
Payment from minority interests	6,181	940
Purchase of treasury stock	(60)	(127,101)
Proceeds from sale of treasury stock	10,133	238,221
Other	(4,333)	5,467
<b>Net cash provided by financing activities</b>	<b>1,286</b>	<b>103,093</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,593)</b>	<b>(4,562)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,127</b>	<b>(72,223)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>610,876</b>	<b>683,100</b>
<b>Cash and cash equivalents at end of period</b>	<b>623,004</b>	<b>610,876</b>

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

### 1. Scope of consolidation

#### (1) Number of consolidated subsidiaries: 76

Major consolidated subsidiaries: Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., Millennium Retailing, Inc., Sogo Co., Ltd., THE SEIBU DEPARTMENT STORES, LTD., Denny's Japan Co., Ltd. and 7-Eleven, Inc.

#### (2) Number of unconsolidated subsidiaries: 1

Name: 7-Eleven Limited

Reason for non-consolidation: Its total assets, sales, the Company's portion of its interim net income or loss, retained earnings and the effect on the Company's Semiannual Consolidated Financial Statements are not considered material.

### 2. Application of equity method

#### (1) Number of affiliates to which equity method was applied: 12

Major affiliates: York-Benimaru Co., Ltd., THE LOFT CO., LTD

Affiliates to which the equity method was applied increased by one in connection with the acquisition of investment in I ing Co., Ltd.

#### (2) Name of unconsolidated subsidiary to which 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 Semiannual Consolidated Financial Statements are not considered material.

#### (3) Procedure for applying equity method

The affiliates which have different closing dates are included in the consolidated financial statements based on their respective fiscal half year-end.

The investments in and advance to an affiliate that has negative net assets are reduced to zero and a reserve for additional loss was provided.

### 3. Interim accounting period of consolidated subsidiaries

The fiscal half year-end of some subsidiaries is June 30. The interim financial statements of such subsidiaries as of and for the half year ended June 30 are used in preparing the Semiannual Consolidated Financial Statements of the Company. All material transactions during the period from July 1 to August 31 are adjusted for in the consolidation process.

The interim closing date of certain subsidiary is September 30. Pro forma interim financial statements as of August 31 prepared in a manner that is substantially identical to the preparation of the official fiscal half year-end financial statements were prepared in order to facilitate its consolidation.

### 4. Summary of significant accounting policies

#### (1) Valuation method for major assets

##### (a) Valuation method for securities

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

(II) Available-for-sale securities are classified into two categories, where: (i) the fair value is available

and (ii) the 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 net assets equity at a net-of-tax amount. Cost of sales is determined using the moving-average method.

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

(b) Valuation method for derivatives

Derivative financial instruments are valued at fair value.

(c) Valuation method for inventories

(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 consolidated 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 using the declining-balance method for the Company and its domestic subsidiaries except for the domestic subsidiaries in department store business and on the straight-line method for the domestic subsidiaries in department store business and foreign subsidiaries.

(b) Intangible assets

Intangible assets are amortized using the straight-line method for the Company and domestic subsidiaries. Software is amortized using the straight-line method on estimated useful life of 5 years.

(3) Accounting for deferred assets

New organization costs are amortized using the straight-line method over 5 years, or charged to income if immaterial.

(4) 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 the collectibility of receivables that are expected to be uncollectible due to bad financial condition or insolvency.

(b) Allowance for sales promotion expenses

An allowance for sales promotion expenses 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. In the department store business, estimated costs of sales for goods to be purchased by coupon tickets issued through point system are provided for.

(c) 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.

(d) Allowance for accrued pension and severance costs

An allowance for accrued pension and severance costs is provided at the amount incurred during the current 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 mainly 10 years from the next year in which they arose.

- (e) 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) 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 of foreign subsidiaries, except net assets, 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 the accompanying Consolidated Balance Sheets under "Minority interests" and "Cumulative translation adjustments".
  
- (6) Leases
  - Finance leases, except those for which the ownership of the leased assets is considered to be transferred to lessee, are accounted for as operating leases for the Company and its domestic subsidiaries. Foreign subsidiaries account for finance leases as assets and obligations at an amount equal to the present value of future minimum lease payments, during the lease term.
  
- (7) Hedge accounting
  - (a) Hedge accounting
    - If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized. However, certain interest rate swap contracts which meet specific hedging criteria are not measured at fair value but the differences between the paid and received amount under the swap contracts are recognized and included in interest income or expense as incurred.
  - (b) Hedge instruments and hedged items
    - Hedge instruments---Interest swap
    - Hedged items--Loans payable
  - (c) Hedging policies
    - The Company and its subsidiaries have a policy to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in market 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 hedge effectiveness for interest rate swap contracts is assessed quarterly except for those that meet specific hedging criteria.
  
- (8) Other accounting issues
  - (a) Accounting for franchised stores in convenience store operations
    - 7-Eleven, Inc. includes the assets, liabilities, net assets 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 revenues 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 accompanying Consolidated Statements of Income. The excise tax levied in the U.S. and Canada is included in the revenues from operations.

5. Cash and cash equivalents

Cash and cash equivalents in the accompanying Consolidated 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.

**Changes in Account Policy**

**Accounting standard for presentation of net assets in the balance sheet**

Effective from the interim accounting period ended August 31, 2006, the Company has adopted the “Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board Statement No.5)” and the “Implementation Guidance for Accounting Standard for Presentation of Net Assets in the Balance Sheet (Financial Accounting Standards Implementation Guidance No.8)” both issued by the Accounting Standards Board of Japan on December 9, 2005.

The adoption of these accounting standards did not have any impact on the accompanying Consolidated Statements of Income.

The amount corresponding to the conventional “Shareholders’ Equity” in the balance sheet is 1,728,146 million yen.

“Net assets” in the Balance Sheets for the interim accounting period is presented according to the revision of “Regulations Concerning the Terminology, Forms and Preparation Methods of Interim Consolidated Financial Statements” dated on April 25, 2006.

## Notes to Semiannual Consolidated Financial Statements

### *Consolidated Balance Sheets;*

#### 1. Accumulated depreciation of Property and Equipment

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Accumulated Depreciation	992,281	981,030

#### 2. Assets pledged as collateral

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Bank deposits	-	3,423
Accounts and notes receivable, trade	-	6,921
Other current assets	2,274	5,272
Buildings and structures	57,014	70,737
Furniture, fixtures and equipment	1,002	1,313
Land	68,215	115,917
Other intangible assets	10,355	14,207
Investments in securities	57,370	112,562
Long-term leasehold deposits	4,839	35,672
Other investment	-	774
<b>Total</b>	<b>201,072</b>	<b>366,802</b>
Debts for which above assets are pledged as collateral		
Short-term loans	778	64,678
Long-term loans	211,264	268,061
(including current portion of long-term debt)		
Long-term accounts payable, other	1,831	1,887

#### *Assets pledged as collateral for the debts of affiliates and vendors*

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Buildings	2,339	2,344
Land	2,828	2,828
Debt of affiliates and vendors for which above assets are pledged as collateral	5,222	5,155

#### *Assets pledged as collateral for fund transfer*

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Investments in securities	5,499	5,501

*Deposits under building lots and building transaction business law*

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Investments in securities	24	24
Long-term leasehold deposits	10	10

*Assets pledged as collateral for call loan*

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Investments in securities	2,098	-

*Deposits under installment sales law and gift tickets*

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Investments in securities	420	420
Long-term leasehold deposits	2,680	5,245

*Additional assets pledged as collateral for gift tickets*

*The amount of gift tickets issued by subsidiaries is 19,198 million yen. To secure approximately half of the amount of gift tickets issued, the following assets are pledged as collateral as of February 28, 2006.*

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Bank deposits	-	3,000
Other investment	-	243

3. Guarantees

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
7-Eleven Mexico, S.A. de C.V.	164	217
Goshogawara Machi Dukuri K.K.	709	767
Employees' housing Loans	1,039	1,180
Total	1,913	2,165

4. Others

(As of August 31, 2006)

(1) Litigation

Sogo Co., Ltd. ("Sogo"), a consolidated subsidiary of the Company, has been named as a defendant in lawsuit which has been filed in the Tokyo District Court by Organization for Promoting Urban Development on November 28, 2002, regarding the cancellation for "sales contract of properties of Kobe North Parking dated February 1996" against the notice of the cancellation for buy-back agreement by Sogo based on the Civil Rehabilitation Law. On August, 29, 2005, the Tokyo District Court judged that Sogo



should pay 13,138 million yen for the buy-back such properties (land) and annually 6% of interest from the claim date. Then, Sogo appealed to the Tokyo High Court and the appeal has been pending.

It is the opinion of the management of Sogo that this lawsuit which is pending against Sogo will not have a material adverse effect on its operating results, liquidity or financial position.

## (2) Securitization of store properties

The SEIBU DEPARTMENT STORES, LTD. (“SEIBU”), a consolidated subsidiary of the Company, established certain real estate trusts comprising of the land, land leasehold rights and part of the buildings of several stores and sold the beneficiary rights of the trust to several Special Purpose Corporations (“SPCs”). Concurrently, SEIBU has entered into a silent partnership arrangements with SPCs with certain investments. Also, SEIBU leased back such store properties from SPCs who have the beneficiary rights of the trusts.

Under these arrangements, the above noted investments are subordinated to all liabilities to other members of silent partnership and third parties other than members of the silent partnerships.

A summary of Store names, amount of investments and SPC names is as follows:

(Millions of yen)

	Store name	Amount of investment	Special purpose company		
			Name	Year-end	Total assets
1	Ikebukuro	5,850	Asset Ikesei Corp.	July	124,200
2	Sapporo, Funabashi and Shibuya-LOFT	2,065	Global Asset Ikesei Corp.	August	43,942
3	Shibuya-Movida	470	Asset Movida	(Half year-end) Aug. & Feb.	9,900

On September 29, 2006, SEIBU acquired beneficially rights of the trusts related to the land and building of Shibuya-Movida for 9,491 million yen from Asset Movida, and its delivery was made on the same day.

(As of February 28, 2006)

## (1) Litigation

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A summary of Store names, amount of investments and SPC names is as follows:

(Millions of yen)

	Store name	Amount of investment	Special purpose company		
			Name	Year-end	Total assets
1	Ikebukuro	5,850	Asset Ikesei Corp.	July	124,160
2	Sapporo, Funabashi and Shibuya-LOFT	2,065	Global Asset Ikesei Corp.	August	44,331
3	Shibuya-Movida	470	Asset Movida	(Half year-end) Aug. & Feb.	9,877

*Consolidated Statements of Income*

1. The franchised commission from Seven-Eleven Japan Co., Ltd.'s franchised stores is included in "Other operating revenue".

The franchised commission from franchised stores and net sales of franchised stores are as follows:

(Millions of yen)

	For the six-month period ended August 31, 2006	For the year ended February 28, 2006
Franchised commission from franchised stores	184,376	356,907
Net sales of franchised stores	1,211,556	2,365,344

2. Major items included in "Selling, general and administrative expenses" are as follows;

(Millions of yen)

	For the six-month period ended August 31, 2006	For the year ended February 28, 2006
Advertising and decoration expenses	57,466	87,677
Salaries and wages	183,505	328,255
Provision for allowance for bonuses to employees	15,531	8,931
Land and building rent	111,365	167,181
Depreciation and amortization	60,261	93,614

3. 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, 2006	For the year ended February 28, 2006
Buildings and structures	633	1,069
Land	703	768
Others	165	5
Total	1,502	1,843

4. 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, 2006	For the year ended February 28, 2006
Buildings and structures	3,059	4,049
Furniture, fixtures and equipment	2,811	1,375
Software	-	1,750
Others	1,387	1,008
Total	7,258	8,184

## 5. Impairment loss

For the six-month period ended August 31, 2006, the Company and its consolidated subsidiaries recognized 4,172 million yen of impairment loss on the following group of assets.

(Millions of yen)

Description	Classification	Location		Amount
Stores (Convenience stores)	Land and buildings etc.	Tokyo	20 Stores	4,172
		Miyagi Pref.	18 Stores	
		Other (including U.S.)		
Stores (Superstores)	Land and buildings etc.	Saitama Pref.	2 Stores	
		Chiba Pref.	1 Store	
		Osaka	1 Store	
Stores (Department stores)	Furniture, fixtures and equipment etc.	Saitama Pref.	1 Store	
Stores (Restaurant)	Building and structures etc.	Tokyo & others	27 Stores	

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 the amount written down was recorded as impairment loss in special losses.

Breakdown of impairment loss are as follows:

(Millions of yen)

	Stores
Building and structures	2,186
Land	1,252
Other	734
Total	4,172

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% - 6.1% discount rates were applied.

For the year ended February 28, 2006, the Company and its consolidated subsidiaries recognized 31,040 million yen of impairment loss on the following group of assets.

(Millions of yen)

Description	Classification	Location		Amount
Stores (Convenience stores)	Land and buildings etc.	Tokyo	34 Stores	30,976
		Kanagawa Pref.	34 Stores	
		Other (including U.S.)		
Stores (Superstores)	Land and buildings etc.	Hokkaido	7 Stores	
		Chiba Pref.	5 Stores	
		Other	23 Stores	
Stores (Restaurant)	Building and structures etc.	Tokyo & other	51 Stores	
Other facilities etc.	Land etc.	Saitama & other	2 Stores	63
Total				31,040

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 the amount written down was recorded as impairment loss in special losses.

Breakdown of impairment loss are as follows:

(Millions of yen)

	Stores	Other facilities etc.	Total
Building and structures	14,810	-	14,810
Land	13,195	34	13,229
Other	2,970	29	3,000
Total	30,976	63	31,040

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% - 6.0% discount rates were applied.

*Consolidated Statement of changes in net assets (from March 1, 2006 to August 31, 2006);*

Type and number of shares of outstanding

(Thousands of shares)

	Outstanding shares at the end of February 28, 2006	Number of shares increased (Note 1)	Number of shares decreased (Note 2)	Outstanding shares at the end of August 31, 2006
Ordinary Share	1,346,383	18,317	427,509	937,190

(Notes)1. 18,317 thousand shares have increased due to the issuance of new shares in relation to the stock-for-stock exchange with Millennium Retailing, Inc.

2. 427,509 thousand shares have decreased due to the cancellation of treasury stock.

Type and number of shares of treasury stock

(Thousands of shares)

	Outstanding shares at the end of February 28, 2006	Number of shares increased (Note 1)	Number of shares decreased (Note 2)	Outstanding shares at the end of August 31, 2006
Ordinary Share	441,608	27	430,011	11,624

(Notes)1. Major components of the increase of 27 thousand shares are 12 thousand shares which represent the Company's interest of the shares held by Millennium Retailing, Inc related to the stock-for-stock exchange and 9 thousand of fractional shares repurchased.

2. Major components of the decrease of 430,011 thousand shares are the cancellation of 427,509 thousand shares and 2,500 thousand shares which represent the Company's interest of the shares sold by the subsidiaries.

Deposit for subscriptions to shares and deposit for subscriptions to treasury stock

None

2. Matters related to dividends

(1) Dividend payments

Resolution	Type	Total amount of Cash dividends	Dividend per share	Record date	Effective date
May 25, 2006 Ordinary general meeting of shareholders	Ordinary Share	26,187 million yen	28.50 yen	Feb. 28, 2006	May 25, 2006

(2) Dividend payments

Resolution	Type	Funds for dividends	Total amount of Cash dividends	Dividend per share	Record date	Effective date
October 12, 2006 Board of directors' meeting	Ordinary Share	Retained earnings	23,428 million yen	25.00 yen	Aug. 31, 2006	Nov 15, 2006

*Consolidated Statements of Cash Flows*

1. Reconciliation of cash and cash equivalents of consolidated statements of cash flows and account balances of consolidated balance sheets

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Cash and bank deposits	625,375	619,537
Time deposits with an original maturity of more than three months	(2,370)	(8,660)
Cash and cash equivalents	623,004	610,876

## Leases

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

(1) As lessee

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

*Furniture, fixtures and equipment* (Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Acquisition cost	51,274	53,560
Accumulated depreciation	23,430	30,183
Net book value	27,843	23,377

*Software* (Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Acquisition cost	1,368	1,371
Accumulated depreciation	489	707
Net book value	879	664

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

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Due within one year	9,179	8,941
Due over one year	19,543	15,099
Total	28,722	24,041

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

(Millions of yen)

	For the six-month period ended August 31, 2006	Fiscal year ended February 28, 2006
Lease payments	5,172	8,396
Depreciation expense	5,172	8,396

(d) Depreciation expense is computed by 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, fixtures and equipment*

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Acquisition cost	22,330	21,535
Accumulated depreciation	9,384	8,850
Net book value	12,946	12,685

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

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
Due within one year	3,780	3,577
Due over one year	9,466	9,380
Total	13,246	12,957

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

(Millions of yen)

	For the six-month period ended August 31, 2006	Fiscal year ended February 28, 2006
Lease income	2,155	3,819
Depreciation expense	1,984	3,550
Interest income	205	374

(d) Allocation of interest income to each period is computed by 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, 2006	As of February 28, 2006
Due within one year	66,621	67,684
Due over one year	400,085	419,364
Total	466,706	487,049

3. Impairment loss on leased assets

No impairment loss was recognized on the leased assets for the six-month period ended August 31, 2006 and the fiscal year ended February 28, 2006.



## Securities Information

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

(Millions of yen)

	As of August 31, 2006			As of February 28, 2006		
	Book value	Fair value	Net unrealized gains ( losses )	Book value	Fair value	Net unrealized gains ( losses )
Governmental and municipal bond	445	443	(1)	745	743	(2)

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

(Millions of yen)

	As of August 31, 2006			As of February 28, 2006		
	Book value	Fair value	Net unrealized gains ( losses )	Book value	Fair value	Net unrealized gains ( losses )
Equity securities	76,376	87,484	11,108	75,964	89,231	13,266
Debt securities	70,037	70,021	(15)	53,541	53,541	0
Total	146,413	157,506	11,092	129,506	142,773	13,267

### 3. Major securities which are not subject to revaluation

(Millions of yen)

	As of August 31, 2006	As of February 28, 2006
	Book value	Book value
Held-to-maturity debt Bonds	203	203
Available-for-sale securities		
-Unlisted securities	19,332	18,228
-Unlisted foreign securities	5,051	5,051

## Derivative Transactions

Notional amounts, fair value and unrealized gain (loss) of derivative instruments

### 1. Currency-related transactions

(Millions of yen)

	August 31, 2006				February 28, 2006			
	Notional amounts total	Notional amounts, due over one year	Fair Value	Unrealized gain (loss)	Notional amounts total	Notional amounts, due over one year	Fair Value	Unrealized gain (loss)
Forward exchange contracts								
Buy:								
U.S. Dollar	5,026	-	5,159	133	3,255	-	3,254	(1)
Euro	29	-	30	0	11	-	11	0
Foreign currency swap								
U.S. Dollar	41,463	29,545	1,624	1,624	47,472	35,454	2,436	2,436
Total	46,519	29,545	6,814	1,758	50,739	35,454	5,701	2,434

(Note)

Fair values of forward exchange contracts and foreign currency swap and options are based on values prepared by financial institutions.

### 2. Interest-related transactions

(Millions of yen)

	As of August 31, 2006				As of February 28, 2006			
	Notional amounts total	Notional amount, due over one year	Fair Value	Unrealized gain (loss)	Notional amounts total	Notional amount, due over one year	Fair Value	Unrealized gain (loss)
Interest rate swap								
Receive float / Pay fix	35,000	35,000	(88)	(88)	35,000	35,000	(71)	(71)
Total	35,000	35,000	(88)	(88)	35,000	35,000	(71)	(71)

(Note)

Fair value of Interest rate swap is based on value prepared by financial institutions.

Derivative transaction to which hedge accounting has been applied are excluded from this disclosure.

# SEGMENT INFORMATION

## 1. Business Segments

Six-month period ended August 31, 2006

(Millions of yen)

	Convenience store operations	Superstore operations	Department store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations / Corporate	Consolidated total
Revenues and operating income									
<b>Revenues</b>									
1. Customers	1,115,185	844,586	481,495	62,860	41,654	11,315	2,557,098	0	2,557,099
2. Intersegment	366	5,684	-	856	6,990	3,446	17,343	(17,343)	-
<b>Total revenues</b>	<b>1,115,552</b>	<b>850,271</b>	<b>481,495</b>	<b>63,716</b>	<b>48,645</b>	<b>14,762</b>	<b>2,574,442</b>	<b>(17,343)</b>	<b>2,557,099</b>
<b>Operating expenses</b>	<b>1,004,885</b>	<b>840,484</b>	<b>471,422</b>	<b>62,318</b>	<b>37,170</b>	<b>14,354</b>	<b>2,430,635</b>	<b>(15,645)</b>	<b>2,414,989</b>
<b>Operating income</b>	<b>110,666</b>	<b>9,786</b>	<b>10,072</b>	<b>1,398</b>	<b>11,474</b>	<b>407</b>	<b>143,807</b>	<b>(1,697)</b>	<b>142,109</b>

Fiscal year ended February 28, 2006

(Millions of yen)

	Convenience store operations	Superstore operations	Department store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations / Corporate	Consolidated total
Revenues and operating income									
<b>Revenues</b>									
1. Customers	2,014,335	1,675,203	-	122,246	71,192	12,793	3,895,772	-	3,895,772
2. Intersegment	900	12,530	-	1,779	11,096	6,986	33,294	(33,294)	-
<b>Total revenues</b>	<b>2,015,236</b>	<b>1,687,734</b>	<b>-</b>	<b>124,025</b>	<b>82,289</b>	<b>19,780</b>	<b>3,929,066</b>	<b>(33,294)</b>	<b>3,895,772</b>
<b>Operating expenses</b>	<b>1,805,420</b>	<b>1,672,353</b>	<b>-</b>	<b>121,399</b>	<b>65,010</b>	<b>18,972</b>	<b>3,683,157</b>	<b>(32,325)</b>	<b>3,650,831</b>
<b>Operating income</b>	<b>209,815</b>	<b>15,381</b>	<b>-</b>	<b>2,625</b>	<b>17,278</b>	<b>808</b>	<b>245,909</b>	<b>(968)</b>	<b>244,940</b>

### 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:
  - Convenience store operations ----- Convenience store business operated by corporate stores and franchised stores under the name of "7-Eleven".
  - Superstore operations ----- Superstore, supermarket and specialty shop
  - Department store operations ----- Sogo Co., Ltd., THE SEIBU DEPARTMENT STORES, LTD. and other companies in department stores business.
  - 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
- Unallocable operating expenses included in "Eliminations / Corporate" represent the Company's general and administrative expenses, and totaled 4,841 million yen for the current interim period and 2,660 million yen for the prior fiscal year

## SEGMENT INFORMATION

### 2. Geographic area segments

Six-month period ended August 31, 2006

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues and operating income						
<b>Revenues</b>						
1. Customers	1,685,881	847,961	23,256	2,557,099	-	2,557,099
2. Intersegment	172	1,228	-	1,401	(1,401)	-
<b>Total revenues</b>	<b>1,686,054</b>	<b>849,189</b>	<b>23,256</b>	<b>2,558,500</b>	<b>(1,401)</b>	<b>2,557,099</b>
<b>Operating expenses</b>	<b>1,559,800</b>	<b>833,798</b>	<b>22,793</b>	<b>2,416,392</b>	<b>(1,401)</b>	<b>2,414,989</b>
<b>Operating income</b>	<b>126,254</b>	<b>15,391</b>	<b>463</b>	<b>142,108</b>	<b>0</b>	<b>142,109</b>

Fiscal year ended February 28, 2006

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues and operating income						
<b>Revenues</b>						
1. Customers	2,342,849	1,514,403	38,519	3,895,772	-	3,895,772
2. Intersegment	199	2,504	-	2,704	(2,704)	-
<b>Total revenues</b>	<b>2,343,048</b>	<b>1,516,907</b>	<b>38,519</b>	<b>3,898,476</b>	<b>(2,704)</b>	<b>3,895,772</b>
<b>Operating expenses</b>	<b>2,130,171</b>	<b>1,484,415</b>	<b>38,952</b>	<b>3,653,539</b>	<b>(2,707)</b>	<b>3,650,831</b>
<b>Operating income (loss)</b>	<b>212,876</b>	<b>32,492</b>	<b>(432)</b>	<b>244,936</b>	<b>3</b>	<b>244,940</b>

Notes

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

### 3. Overseas sales

Six-month period ended August 31, 2006

(Millions of yen)

	North America	Others	Total
Overseas sales	847,961	23,256	871,217
Consolidated sales	-	-	2,557,099
Percentage of overseas sales to consolidated sales (%)	33.2	0.9	34.1

Fiscal year ended February 28, 2006

(Millions of yen)

	North America	Others	Total
Overseas sales	1,514,403	38,519	1,552,923
Consolidated sales	-	-	3,895,772
Percentage of overseas sales to consolidated sales (%)	38.9	1.0	39.9

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.
3. "Overseas sales" represents net sales and other operating revenue of consolidated subsidiaries in countries and areas outside of Japan.

## **Subsequent event**

Stock-for-stock exchange with York-Benimaru Co., Ltd.

On September 1, 2006, the Company made York-Benimaru Co., Ltd. a wholly owned subsidiary by means of stock-for-stock exchange. The Company issued 30,587,237 ordinary shares upon this stock-for-stock exchange.

