



# Consolidated Financial Results for the Six Months Ended August 31, 2007

October 11, 2007

## Seven & i Holdings Co., Ltd.

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

Securities Code No. 3382

President and COO: Noritoshi Murata

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

Submission date of semi-annual securities report scheduled: November 26, 2007

Starting date of paying interim dividend: November 15, 2007

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

### 1. Business Results for the Six Months ended August 31, 2007 (from March 1, 2007 to August 31, 2007)

#### (1) Results of Operations

(Millions of yen, except per share amounts)

	Revenues from Operations		Operating Income		Ordinary Income	
Six months ended August 31, 2007	2,816,822	10.2%	143,998	1.3%	145,429	4.3%
Six months ended August 31, 2006	2,557,099	-	142,109	-	139,428	-
Year ended February 28, 2007	5,337,806	-	286,838	-	282,016	-

	Net Income		Net Income per Share		Diluted Net Income per Share	
Six months ended August 31, 2007	69,145	0.7%	72.52	(yen)	-	(yen)
Six months ended August 31, 2006	68,684	-	75.13	(yen)	-	(yen)
Year ended February 28, 2007	133,419	-	142.90	(yen)	-	(yen)

Notes: 1. Equity in earnings of affiliates:

Six months ended August 31, 2007: 643 million yen      Six months ended August 31, 2006: 1,259 million yen  
Year ended February 28, 2007: 1,321 million yen

2. Percentages above represent increase from the corresponding period in the prior year unless otherwise stated. The Company was established on September 1, 2005; therefore year-on-year change for prior year's interim period is not stated.

3. Diluted net income per share is not presented because the Company does not have any diluted shares.

#### (2) Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of August 31, 2007	3,930,835	2,027,876	49.8%	2,052.89 (yen)
As of August 31, 2006	3,492,555	1,793,375	49.5%	1,867.12 (yen)
As of February 28, 2007	3,809,192	1,969,149	50.1%	1,999.77 (yen)

Note: Equity (Net assets excluding minority interests in consolidated subsidiaries):

As of August 31, 2007: 1,957,421 million yen      As of August 31, 2006: 1,728,144 million yen  
As of February 28, 2007: 1,906,798 million yen

#### (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
Six months ended August 31, 2007	361,197	(133,863)	(89,174)	709,160
Six months ended August 31, 2006	106,432	(93,997)	1,286	623,004
Year ended February 28, 2007	157,209	(235,983)	37,241	570,133

### 2. Dividends

(yen)

Record Date	Dividends per Share		
	Interim	Year-end	Annual
Year ended February 28, 2007	25.00	27.00	52.00
Year ending February 29, 2008	26.00		52.00
Year ending February 29, 2008 (forecast)		26.00	

### 3. Forecast of Business Results for the Fiscal Year Ending February 29, 2008 (from March 1, 2007 to February 29, 2008)

(Millions of yen, except per share amounts)

	Revenues from Operations	Operating Income	Ordinary Income	Net Income	Net Income per Share
Entire Year	5,755,000 7.8 %	300,000 4.6 %	292,000 3.5 %	145,000 8.7 %	152.07 (yen)

Note: Percentages above represent increase from the prior fiscal year.



## MAJOR SEVEN & i HOLDINGS GROUP COMPANIES

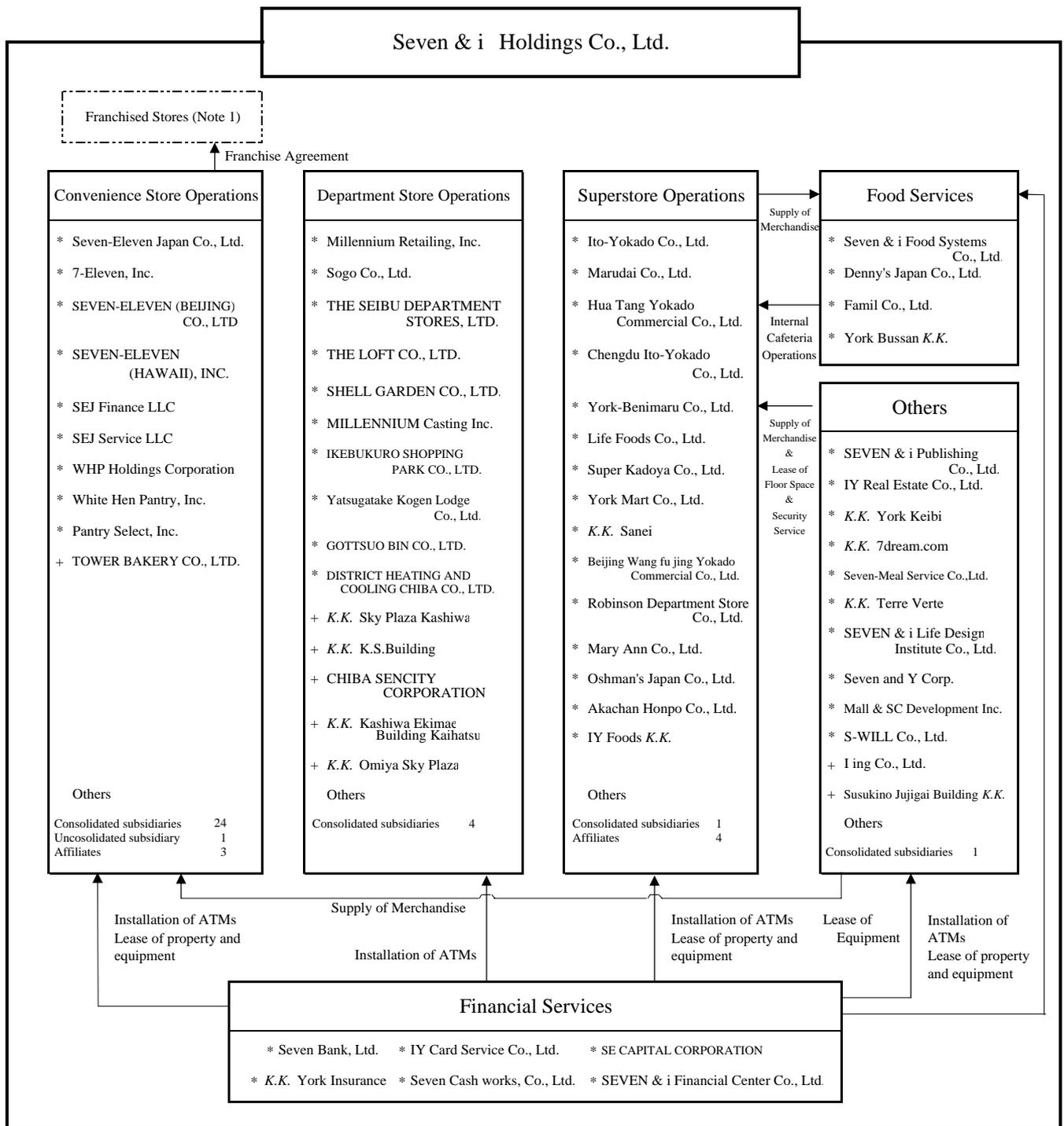
Seven & i Holdings Group consists 101 diversified retail companies, mainly engaged in convenience store operations, superstore operations, department store operations, food services and financial services. Business segments, major group companies and number of companies are as follows.

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

Business Segments	Major Group Companies	Number of Companies
<b>Convenience Store Operations</b>	Seven-Eleven Japan Co., Ltd. 7-Eleven, Inc. SEVEN-ELEVEN (BEIJING) CO., LTD. SEVEN-ELEVEN (HAWAII), INC. SEJ Finance LLC SEJ Service LLC WHP Holdings Corporation White Hen Pantry, Inc. Pantry Select, Inc. TOWER BAKERY CO., LTD.	Consolidated Subsidiaries 33 Unconsolidated Subsidiary 1 Affiliates 4 Total 38
<b>Superstore Operations</b>	Ito-Yokado Co., Ltd. Marudai Co., Ltd. Hua Tang Yokado Commercial Co., Ltd. Chengdu Ito-Yokado Co., Ltd. York-Benimaru Co., Ltd. Life Foods Co., Ltd. Super Kadoya Co., Ltd. York Mart Co., Ltd. K.K. Sanei Beijing Wang fu jing Yokado Commercial Co., Ltd. Robinson Department Store Co., Ltd. Mary Ann Co., Ltd. Oshman's Japan Co., Ltd. Akachan Honpo Co., Ltd. IY Foods K.K.	Consolidated Subsidiaries 16 Affiliates 4 Total 20
<b>Department Store Operations</b>	Millennium Retailing, Inc. Sogo Co., Ltd. THE SEIBU DEPARTMENT STORES, LTD. THE LOFT CO., 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. 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 14 Affiliates 5 Total 19
<b>Food Services</b>	Seven & i Food Systems Co., Ltd. Denny's Japan Co., Ltd. Famil Co., Ltd. York Bussan K.K.	Consolidated Subsidiaries 4
<b>Financial Services</b>	Seven Bank, Ltd. IY Card Service Co., Ltd. SE CAPITAL CORPORATION K.K. York Insurance Seven Cash Works Co., Ltd. SEVEN & i Financial Center Co., Ltd.	Consolidated Subsidiaries 6
<b>Others</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 Building K.K.	Consolidated Subsidiaries 11 Affiliates 2 Total 13

1. Restaurant Operations changed its segment name to Food Services from the six months ended August 2007, as a result of reorganization of food business due to the establishment of Seven & i Food Systems.
2. TOWER BAKERY 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 Jujigai Building K.K. are affiliates and other companies are consolidated subsidiaries.
3. SEJ Finance LLC and SEJ Service LLC are the holding companies of 7-Eleven, Inc.
4. WHP Holdings Corporation is the holding company of White Hen Pantry, Inc. and Pantry Select, Inc.
5. Millennium Retailing, Inc. is the holding company of Sogo Co., Ltd., and THE SEIBU DEPARTMENT STORES, LTD., etc.
6. Seven & i Food Systems Co., Ltd. became the holding company of Denny's Japan Co., Ltd., Famil Co., Ltd. and York Bussan K.K. on March 1, 2007, and merged with three companies on September 1, 2007.
7. On March 23, 2007, THE LOFT CO., LTD. became a consolidated subsidiary of the Company by an additional stock acquisition
8. On July 31, 2007, Akachan Honpo Co., Ltd. became a consolidated subsidiary of the Company by a stock acquisition.
9. On September 1, 2007, York-Benimaru merged with Super Kadoya Co., Ltd.

# 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, 2007, Seven Bank, Ltd. placed 12,432 units of ATMs in the stores of group companies.

# CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	August 31, 2006		August 31, 2007		February 28, 2007	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>Current assets</b>	<b>1,133,237</b>	<b>32.5</b>	<b>1,323,210</b>	<b>33.7</b>	<b>1,274,376</b>	<b>33.5</b>
Cash and bank deposits	625,375		718,572		575,643	
Notes and accounts receivable, trade	122,144		139,010		128,336	
Trade accounts receivable - financial services	50,553		75,820		72,724	
Inventories	151,874		170,562		159,897	
Prepaid expenses	33,890		37,221		31,010	
Deferred income taxes	30,389		32,899		36,700	
Other	121,725		151,786		273,023	
Allowance for doubtful accounts	(2,715)		(2,662)		(2,959)	
<b>Non-current assets</b>	<b>2,358,820</b>	<b>67.5</b>	<b>2,607,253</b>	<b>66.3</b>	<b>2,534,381</b>	<b>66.5</b>
<b>Property and equipment</b>	<b>1,191,654</b>	<b>34.1</b>	<b>1,355,207</b>	<b>34.5</b>	<b>1,333,157</b>	<b>35.0</b>
Buildings and structures	505,035		559,004		556,604	
Furniture, fixtures and equipment	180,830		179,988		175,285	
Vehicles	111		123		120	
Land	488,040		568,007		564,223	
Construction in progress	17,635		48,082		36,923	
<b>Intangible assets</b>	<b>404,050</b>	<b>11.6</b>	<b>492,929</b>	<b>12.5</b>	<b>478,788</b>	<b>12.6</b>
Goodwill	304,549		383,345		375,301	
Software	35,289		41,640		37,162	
Other	64,212		67,943		66,324	
<b>Investments and other assets</b>	<b>763,116</b>	<b>21.8</b>	<b>759,116</b>	<b>19.3</b>	<b>722,435</b>	<b>18.9</b>
Investments in securities	234,448		205,895		173,206	
Long-term loans receivable	15,433		15,026		14,828	
Prepaid pension cost	2,228		9,346		5,965	
Long-term leasehold deposits	453,790		463,469		463,601	
Advances for store construction	3,296		5,592		6,174	
Deferred income taxes	23,313		19,080		21,654	
Other	41,019		49,274		46,010	
Allowance for doubtful accounts	(10,413)		(8,570)		(9,006)	
<b>Deferred assets</b>	<b>497</b>	<b>0.0</b>	<b>371</b>	<b>0.0</b>	<b>434</b>	<b>0.0</b>
New organization costs	497		371		434	
<b>TOTAL ASSETS</b>	<b>3,492,555</b>	<b>100.0</b>	<b>3,930,835</b>	<b>100.0</b>	<b>3,809,192</b>	<b>100.0</b>

(Millions of yen)

	August 31, 2006		August 31, 2007		February 28, 2007	
	Amount	%	Amount	%	Amount	%
<b>LIABILITIES</b>						
<b>Current liabilities</b>	<b>1,064,056</b>	<b>30.5</b>	<b>1,164,551</b>	<b>29.6</b>	<b>1,097,656</b>	<b>28.8</b>
Notes and accounts payable, trade	330,030		365,350		305,529	
Short-term loans	178,110		156,446		176,913	
Current portion of long-term loans	56,890		65,453		61,398	
Current portion of bonds	30,000		780		30,000	
Income taxes payable	53,461		58,060		44,925	
Accrued expenses	80,078		97,157		95,157	
Deposits received	70,353		76,042		76,010	
Allowance for sales promotion expenses	19,500		21,209		19,515	
Allowance for bonuses to employees	15,602		18,696		14,788	
Allowance for bonuses to directors and corporate auditors	-		168		315	
Allowance for losses on uncollected gift tickets for future use	-		6,847		-	
Deposits received in banking business	90,788		122,441		106,167	
Other	139,240		175,896		166,934	
<b>Non-current liabilities</b>	<b>635,123</b>	<b>18.2</b>	<b>738,407</b>	<b>18.8</b>	<b>724,386</b>	<b>19.5</b>
Bonds	85,000		146,905		145,000	
Long-term loans	327,942		391,063		370,457	
Commercial paper	26,635		10,822		30,344	
Deferred income taxes	75,320		63,820		74,167	
Allowance for accrued pension and severance costs	3,164		3,569		3,357	
Allowance for retirement benefits to directors and corporate auditors	3,186		4,207		4,201	
Deposits received from tenants and franchised stores	59,051		60,423		61,124	
Other	54,822		57,594		53,733	
<b>TOTAL LIABILITIES</b>	<b>1,699,180</b>	<b>48.7</b>	<b>1,902,958</b>	<b>48.4</b>	<b>1,840,043</b>	<b>48.3</b>
<b>NET ASSETS</b>						
<b>Shareholders' equity</b>	<b>1,721,933</b>	<b>49.3</b>	<b>1,943,129</b>	<b>49.4</b>	<b>1,899,768</b>	<b>49.9</b>
Common stock	50,000		50,000		50,000	
Capital surplus	623,402		766,186		766,185	
Retained earnings	1,083,344		1,168,298		1,124,892	
Treasury stock, at cost	(34,812)		(41,355)		(41,309)	
<b>Accumulated gains (losses) from valuation and translation adjustments</b>	<b>6,210</b>	<b>0.2</b>	<b>14,291</b>	<b>0.4</b>	<b>7,029</b>	<b>0.2</b>
Unrealized gains (losses) on available-for-sale securities, net of taxes	6,662		(9,504)		(2,100)	
Unrealized losses on hedging derivatives, net of taxes	(2)		(367)		(370)	
Foreign currency translation adjustments	(449)		24,164		9,500	
<b>Minority interests in consolidated subsidiaries</b>	<b>65,230</b>	<b>1.8</b>	<b>70,455</b>	<b>1.8</b>	<b>62,350</b>	<b>1.6</b>
<b>TOTAL NET ASSETS</b>	<b>1,793,375</b>	<b>51.3</b>	<b>2,027,876</b>	<b>51.6</b>	<b>1,969,149</b>	<b>51.7</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3,492,555</b>	<b>100.0</b>	<b>3,930,835</b>	<b>100.0</b>	<b>3,809,192</b>	<b>100.0</b>

# CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six months ended August 31, 2006		Six months ended August 31, 2007		Fiscal year ended February 28, 2007	
	Amount	%	Amount	%	Amount	%
<b>Revenues from operations</b>	<b>2,557,099</b>		<b>2,816,822</b>		<b>5,337,806</b>	
Net sales	2,307,467	100.0	2,550,816	100.0	4,839,554	100.0
Cost of sales	1,700,646	73.7	1,879,948	73.7	3,568,335	73.7
<b>Gross profit on sales</b>	<b>606,821</b>	<b>26.3</b>	<b>670,867</b>	<b>26.3</b>	<b>1,271,218</b>	<b>26.3</b>
Other operating revenues	249,631	10.8	266,006	10.4	498,252	10.3
<b>Gross profit from operations</b>	<b>856,452</b>	<b>37.1</b>	<b>936,874</b>	<b>36.7</b>	<b>1,769,471</b>	<b>36.6</b>
Selling, general and administrative expenses	714,343	30.9	792,876	31.1	1,482,632	30.7
<b>Operating income</b>	<b>142,109</b>	<b>6.2</b>	<b>143,998</b>	<b>5.6</b>	<b>286,838</b>	<b>5.9</b>
<b>Non-operating income</b>	<b>5,896</b>	<b>0.2</b>	<b>8,414</b>	<b>0.4</b>	<b>10,430</b>	<b>0.2</b>
Interest and dividend income	2,275		3,257		4,583	
Equity in earnings of affiliates	1,259		643		1,321	
Foreign currency exchange gains	-		1,330		-	
Other	2,361		3,183		4,526	
<b>Non-operating expenses</b>	<b>8,576</b>	<b>0.4</b>	<b>6,983</b>	<b>0.3</b>	<b>15,252</b>	<b>0.3</b>
Interest expenses	4,878		5,638		9,997	
Interest on bonds	576		395		1,176	
Foreign currency exchange losses	1,906		-		1,326	
Other	1,215		948		2,751	
<b>Ordinary income</b>	<b>139,428</b>	<b>6.0</b>	<b>145,429</b>	<b>5.7</b>	<b>282,016</b>	<b>5.8</b>
<b>Special gains</b>	<b>1,958</b>	<b>0.1</b>	<b>12,497</b>	<b>0.5</b>	<b>3,873</b>	<b>0.1</b>
Gain on sales of property and equipment	1,502		3,692		2,792	
Gain on sales of subsidiary's common stock	-		2,620		-	
U.S. federal excise tax refund	-		2,883		-	
Gain on contribution	-		1,600		-	
Other	456		1,701		1,080	
<b>Special losses</b>	<b>15,567</b>	<b>0.6</b>	<b>23,107</b>	<b>0.9</b>	<b>42,830</b>	<b>0.9</b>
Loss on disposals of property and equipment	7,258		4,847		18,781	
Impairment loss	4,172		6,429		14,199	
Loss on decrease of the Company's interest in consolidated subsidiaries	1,679		-		-	
Provision for losses on uncollected gift tickets for future use	-		7,085		-	
Other	2,457		4,745		9,849	
<b>Income before income taxes and minority interests</b>	<b>125,819</b>	<b>5.5</b>	<b>134,820</b>	<b>5.3</b>	<b>243,060</b>	<b>5.0</b>
Income taxes - current	49,882	2.2	61,999	2.4	99,526	2.0
Income taxes - deferred	1,455	0.1	(170)	(0.0)	1,095	0.0
Minority interests in net income of consolidated subsidiaries	5,797	0.2	3,845	0.2	9,019	0.2
<b>Net income</b>	<b>68,684</b>	<b>3.0</b>	<b>69,145</b>	<b>2.7</b>	<b>133,419</b>	<b>2.8</b>

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Six months ended August 31, 2006

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' 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) 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)
Sales of treasury stock		1,481		7,639	9,121
Cancellation of treasury stock		(70,491)		70,491	-
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			7		7
Other				1	1
Increase (decrease) of items during the period except those included in shareholders' equity					
<b>Net increase (decrease) 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>

	Accumulated gains (losses) from valuation and translation adjustments				Minority interests in consolidated subsidiaries	TOTAL NET ASSETS
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total accumulated gains (losses) from valuation and translation		
<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) 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)
Sales of treasury stock						9,121
Cancellation of treasury stock						-
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries						7
Other						1
Increase (decrease) of items during the period except those included in shareholders' equity	(1,290)	(2)	(6,748)	(8,041)	(48,965)	(57,006)
<b>Net increase (decrease) 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>

Six months ended August 31, 2007

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at February 28, 2007</b>	<b>50,000</b>	<b>766,185</b>	<b>1,124,892</b>	<b>(41,309)</b>	<b>1,899,768</b>
<b>Increase (decrease) during the period</b>					
Cash dividends			(25,744)		(25,744)
Net income			69,145		69,145
Purchase of treasury stock				(46)	(46)
Sales of treasury stock		1		1	2
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			4		4
Other				(0)	(0)
Increase (decrease) of items during the period except those included in shareholders' equity					
<b>Net increase (decrease) during the period</b>	<b>-</b>	<b>1</b>	<b>43,405</b>	<b>(46)</b>	<b>43,360</b>
<b>Balance at August 31, 2007</b>	<b>50,000</b>	<b>766,186</b>	<b>1,168,298</b>	<b>(41,355)</b>	<b>1,943,129</b>

	Accumulated gains (losses) from valuation and translation adjustments				Minority interests in consolidated subsidiaries	TOTAL NET ASSETS
	Unrealized (losses) on available-for-sale securities, net of taxes	Unrealized (losses) gains on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total accumulated gains (losses) from valuation and translation		
<b>Balance at February 28, 2007</b>	<b>(2,100)</b>	<b>(370)</b>	<b>9,500</b>	<b>7,029</b>	<b>62,350</b>	<b>1,969,149</b>
<b>Increase (decrease) during the period</b>						
Cash dividends						(25,744)
Net income						69,145
Purchase of treasury stock						(46)
Sales of treasury stock						2
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries						4
Other						(0)
Increase (decrease) of items during the period except those included in shareholders' equity	(7,404)	3	14,663	7,262	8,104	15,366
<b>Net increase (decrease) during the period</b>	<b>(7,404)</b>	<b>3</b>	<b>14,663</b>	<b>7,262</b>	<b>8,104</b>	<b>58,727</b>
<b>Balance at August 31, 2007</b>	<b>(9,504)</b>	<b>(367)</b>	<b>24,164</b>	<b>14,291</b>	<b>70,455</b>	<b>2,027,876</b>

Fiscal year ended February 28, 2007

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' 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) during the period</b>					
Dividends from appropriation of retained earnings			(25,792)		(25,792)
Directors' and corporate auditors' bonuses			(168)		(168)
Dividends from retained earnings			(23,129)		(23,129)
Net income			133,419		133,419
Increase (decrease) resulting from stock-for-stock exchange		223,468		(6,440)	217,027
Purchase of treasury stock				(128)	(128)
Sales of treasury stock		1,504		7,652	9,157
Cancellation of treasury stock		(70,491)		70,491	-
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			(49)		(49)
Other				0	0
Increase (decrease) of items during the period except those included in shareholders' equity					
<b>Net increase (decrease) during the fiscal year</b>	<b>-</b>	<b>154,481</b>	<b>84,279</b>	<b>71,575</b>	<b>310,336</b>
<b>Balance at February 28, 2007</b>	<b>50,000</b>	<b>766,185</b>	<b>1,124,892</b>	<b>(41,309)</b>	<b>1,899,768</b>

	Accumulated gains (losses) from valuation and translation adjustments				Minority interests in consolidated subsidiaries	TOTAL NET ASSETS
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total accumulated gains (losses) from valuation and translation		
<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) during the period</b>						
Dividends from appropriation of retained earnings						(25,792)
Directors' and corporate auditors' bonuses						(168)
Dividends from retained earnings						(23,129)
Net income						133,419
Increase (decrease) resulting from stock-for-stock exchange						217,027
Purchase of treasury stock						(128)
Sales of treasury stock						9,157
Cancellation of treasury stock						-
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries						(49)
Other						0
Increase (decrease) of items during the period except those included in shareholders' equity	(10,053)	(370)	3,202	(7,222)	(51,845)	(59,068)
<b>Net increase (decrease) during the fiscal year</b>	<b>(10,053)</b>	<b>(370)</b>	<b>3,202</b>	<b>(7,222)</b>	<b>(51,845)</b>	<b>251,268</b>
<b>Balance at February 28, 2007</b>	<b>(2,100)</b>	<b>(370)</b>	<b>9,500</b>	<b>7,029</b>	<b>62,350</b>	<b>1,969,149</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Six months ended August 31 ,2006	Six months ended August 31 ,2007	Fiscal year ended February 28, 2007
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	125,819	134,820	243,060
Depreciation and amortization	63,253	68,727	132,693
Impairment loss	4,172	6,429	14,199
Increase (decrease) in allowance for bonuses to employees	1,993	3,571	(448)
Increase in prepaid pension cost	(2,228)	(3,381)	(5,232)
Interest and dividend income	(2,275)	(3,257)	(4,583)
Interest expenses and interest on bonds	5,454	6,034	11,173
Foreign currency exchange losses (gains)	1,764	(1,915)	419
Equity in earnings of affiliates	(1,259)	(643)	(1,321)
Gain on sales of property and equipment	(1,502)	(3,692)	(2,792)
Loss on disposals of property and equipment	7,258	4,847	18,781
Gain from sales of subsidiary's common stock	-	(2,620)	-
Increase in notes and accounts receivable, trade	(11,870)	(8,851)	(17,030)
Increase in trade accounts receivable - financial services	(12,990)	(3,246)	(36,669)
(Increase) decrease in inventories	(3,843)	2,239	(2,869)
Increase in notes and accounts payable, trade	45,954	46,022	2,717
Proceeds from loans in banking business	4,000	4,400	4,000
Proceeds from issuance of bonds in a subsidiary (Bank)	-	-	60,000
Net (decrease) increase in deposits received in banking business	(5,457)	16,273	9,921
Net decrease (increase) in call loan in banking business	-	122,600	(131,300)
Net increase in call money in banking business	1,700	-	-
Other	(27,415)	17,432	20,433
<b>Sub-total</b>	<b>192,526</b>	<b>405,790</b>	<b>315,152</b>
Interest and dividends received	2,051	2,423	3,605
Interest paid	(4,952)	(6,351)	(10,167)
Income taxes paid	(83,193)	(40,665)	(151,381)
<b>Net cash provided by operating activities</b>	<b>106,432</b>	<b>361,197</b>	<b>157,209</b>
<b>Cash flows from investing activities:</b>			
Acquisition of property and equipment	(69,847)	(86,341)	(220,540)
Proceeds from sales of property and equipment	4,736	11,107	9,907
Acquisition of intangible assets	(12,189)	(10,078)	(18,848)
Payment for purchase of investments in securities	(91,845)	(246,736)	(159,371)
Proceeds from sales and maturity of investments in securities	78,429	199,602	147,518
Acquisition of investments in subsidiaries	(20,410)	-	(24,666)
Proceeds from sales of investments in subsidiary	6,094	-	6,094
Acquisition of investments in newly consolidated subsidiary	-	(6,714)	(6,195)
Proceeds from acquisition of investments in newly consolidated subsidiaries	-	2,360	20,686
Payment of loans receivable	(1,403)	(35)	(51,315)
Collection of loans receivable	705	875	51,326
Payment for long-term leasehold deposits and advances for store construction	(11,463)	(9,764)	(24,933)
Refund of long-term leasehold deposits	17,087	16,155	30,449
Proceeds from deposits from tenants	4,200	2,249	7,482
Refund of deposits from tenants	(2,768)	(1,754)	(4,611)
Other	4,677	(4,790)	1,036
<b>Net cash used in investing activities</b>	<b>(93,997)</b>	<b>(133,863)</b>	<b>(235,983)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term loans	63,674	(35,660)	63,945
Proceeds from long-term loans	151,695	46,000	227,695
Repayment of long-term loans	(186,094)	(32,642)	(215,316)
Proceeds from commercial paper	333,058	350,274	680,261
Payment for redemption of commercial paper	(347,208)	(357,035)	(683,990)
Payment for redemption of bonds	-	(30,000)	(300)
Dividends paid for minority interests	(25,760)	(25,721)	(48,881)
Capital contribution from minority interests	6,181	435	6,191
Proceeds from sales of treasury stock	10,133	2	10,183
Other	(4,393)	(4,826)	(2,547)
<b>Net cash provided by (used in) financing activities</b>	<b>1,286</b>	<b>(89,174)</b>	<b>37,241</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,593)</b>	<b>866</b>	<b>790</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,127</b>	<b>139,026</b>	<b>(40,742)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>610,876</b>	<b>570,133</b>	<b>610,876</b>
<b>Cash and cash equivalents at end of period</b>	<b>623,004</b>	<b>709,160</b>	<b>570,133</b>

# Significant Accounting Policies for the Preparation of Interim Consolidated Financial Statements

## 1. Scope of consolidation

### (1) Number of consolidated subsidiaries:84

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., York-Benimaru Co., Ltd. and 7-Eleven, Inc.

Consolidated subsidiaries increased by four. THE LOFT CO., LTD. used to be accounted for using the equity method, became a consolidated subsidiary by an additional stock acquisition. In addition, consolidated subsidiaries increased due to the establishment of Seven Cash Works Co., Ltd. and the acquisition of shares of Akachan Honpo Co., Ltd. which has one subsidiary. Only assets and liabilities on a consolidated basis of Akachan Honpo Co., Ltd. were included in the accompanying Consolidated Financial Statements, assuming that the acquisition was made on August 31, 2007.

### (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 Interim Consolidated Financial Statements are not considered material.

## 2. Application of the equity method

### (1) Number of unconsolidated subsidiaries to which the equity method was applied: 0

### (2) Number of affiliates to which the equity method was applied: 15

Major affiliate: PRIME DELICA CO., LTD.

Affiliates to which the equity method was applied were increased by four in relation with the acquisition of shares of Akachan Honpo Co., Ltd. and decreased by one because THE LOFT CO., LTD. became a consolidated subsidiary by an additional stock acquisition.

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

7-Eleven, Limited

Reason for not applying the 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 Interim Consolidated Financial Statements are not considered material.

### (4) Procedure for applying the equity method

- (a) The affiliates which have different half-year closing dates are included in the Interim Consolidated Financial Statements based on their respective fiscal half year-end.
- (b) The advance to an affiliate that has negative net assets is reduced.

## 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 Interim 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 a certain subsidiary is September 30. Provisional 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 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 consolidated subsidiaries and by 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 consolidated subsidiaries except for the domestic consolidated subsidiaries in the department store business and using the straight-line method for the domestic consolidated subsidiaries in the department store business and foreign consolidated subsidiaries.

###### (b) Intangible assets

Intangible assets are amortized using the straight-line method for the Company and domestic consolidated subsidiaries. Software for internal use is amortized using the straight-line method over an 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

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historical rate of losses.

###### (b) Allowance for sales promotion expenses

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 losses on uncollected gift tickets for future use

Allowance for uncollected gift tickets issued by certain domestic consolidated subsidiaries is provided in case they are used after recorded as income after certain periods. The amount was estimated based on the historical results.

(d) Allowance for bonuses to employees

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.

(e) Allowance for bonuses to directors and corporate auditors

Allowance for bonuses to directors and corporate auditors is provided at the amount estimated to be paid.

(f) Allowance for accrued pension and severance costs (Prepaid pension cost)

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. The excess amount of the estimated fair value of the plan assets over the estimated present value of projected benefit obligation adjusted by unrecognized actuarial differences at August 31, 2007 is recorded as prepaid pension cost. Also, certain domestic consolidated subsidiaries and consolidated subsidiaries in the United States provide allowance for accrued pension and severance cost.

Unrecognized actuarial differences are amortized on a straight-line basis over the period of mainly 10 years from the next year in which they arise which is shorter than the average remaining years of service of the eligible employees. Unrecognized prior service costs are amortized on a straight-line basis over the period of mainly 5 years.

(g) Allowance for retirement benefits to directors and corporate auditors

Allowance for retirement benefits to directors and corporate auditors is provided in accordance with the Company's internal policy. The Company and certain consolidated subsidiaries abolished the program of retirement benefits to directors and corporate auditors, and certain consolidated subsidiaries decided to pay it at the time of their resignation.

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

All assets and liabilities of the Company and its domestic consolidated 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 are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates except for shareholders' equity, which is translated at the historical rates. 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 "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries".

(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 consolidated 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 market 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 policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in foreign currency rates and 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 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 revenues".

(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 Significant Accounting Policies for the Preparation of Interim Consolidated Financial Statements**

(Change in depreciation method for property and equipment)

In accordance with the amendment of the Corporation Tax Law ((Partial Amendment of the Income Tax Law etc., March 30, 2007, Law No. 6) and (Partial Amendment of the Corporation Tax Enforcement Ordinance, March 30, 2007, Ordinance No. 83)), effective from the interim accounting period ended August 31, 2007, the Company and its domestic consolidated subsidiaries have changed the depreciation method for those property and equipment acquired after April 1, 2007 to the method based on the amended Corporation Tax Law. The impact of this change on the Statement of Income is immaterial.

(Accounting standard for business combination)

Effective from the interim accounting period ended August 31, 2007, the Company and domestic consolidated subsidiaries adopted “ Accounting Standard for Business Combinations ” issued by the Business Accounting Council on October 31, 2003, “ Accounting Standard for Business Divestitures ” (Statement No. 7 issued by the Accounting Standard Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for business combinations and the accounting standard for business divestitures (the Financial Accounting Standard Implementation No. 10 issued by the Accounting Standard Board of Japan on December 27, 2005).

(Allowance for losses on uncollected gift tickets for future use)

Effective from the interim accounting period ended August 31, 2007, certain domestic consolidated subsidiaries set up an allowance for uncollected gift tickets in accordance with the “ Auditing Treatment concerning Reserve under the Special Taxation Measures Law, Reserve under Special Laws, and Reserve for Retirement Benefits to Directors and Corporate Auditors ” (The Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee Report No. 42, revised on April 13, 2007).

Previously, certain domestic consolidated subsidiaries stopped recording uncollected gift tickets as liabilities and recorded them as income after certain periods from their issuance. By the adoption of the above Auditing Treatment, certain domestic consolidated subsidiaries set up an allowance for losses in case uncollected gift tickets are used after recorded as income.

As a result, 7,085 million yen was recorded in special losses and income before income taxes decreased by the same amount.

## Notes to Interim Consolidated Financial Statements

### Consolidated Balance Sheets:

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

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Accumulated depreciation	992,281	1,121,015	1,052,750

#### 2. Assets pledged as collateral

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Other current assets	2,274	2,274	2,274
Buildings and structures	57,014	66,487	66,046
Furniture, fixtures and equipment	1,002	848	925
Land	68,215	101,518	99,461
Other intangible assets	10,355	10,355	10,355
Investments in securities	57,370	66,992	59,475
Long-term leasehold deposits		4,679	4,757
<b>Total</b>	<b>201,072</b>	<b>253,157</b>	<b>243,296</b>
Debts for which above assets are pledged as collateral			
Short-term loans	778	2,035	613
Long-term loans (including current portion of long-term loans)	211,264	232,039	240,257
Long-term accounts payable, other	1,831	1,271	1,776

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

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Buildings	2,339	1,058	1,095
Land	2,828	2,363	2,363
Debt of affiliates and vendors for which above assets are pledged as collateral	5,222	4,031	4,024

#### Assets pledged as collateral for fund transfer

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Investments in securities	5,499	5,491	5,498

*Assets pledged as collateral for real estate business*

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Investments in securities	24	34	34
Long-term leasehold deposits	10	25	25

*Assets pledged as collateral for call loan*

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Investments in securities	2,098	-	-

*Assets pledged as collateral for sales of beneficiary rights of trust*

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Investments in securities	-	9	9

*Assets pledged as collateral for installment sales*

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Investments in securities	420	2,010	2,210
Long-term leasehold deposits	2,680	-	-

*Assets pledged as collateral for prepaid tickets*

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Investments in securities	-	580	580
Long-term leasehold deposits	-	159	213

3. Guarantees

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
7-Eleven Mexico, S.A. de C.V.	164	-	-
Goshogawara Machi Dukuri K.K.	709	373	650
Employees' housing Loans	1,039	1,000	1,001
JOINT VENTURE SSOK ASSOCIATION	-	1,000	-
Total	1,913	2,373	1,652

#### 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 a 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 of the 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 trusts to several Special Purpose Corporations (“SPCs”). Concurrently, SEIBU has entered into silent partnership arrangements with the SPCs with certain investments. Also, SEIBU leased back such store properties from the 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 the silent partnerships and third parties other than members of the silent partnerships.

A summary of the store names, amount of investments and the SPCs names is as follows:

(Millions of yen)

	Store name	Amount of investment	Special purpose corporation		
			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-Movita	470	Asset Movita	Aug. & Feb. (half year-end)	9,900

SEIBU repurchased the beneficiary rights of trusts of Shibuya-Movita store from Asset Movita by 9,491 million yen and the land and buildings were delivered to SEIBU on September 29, 2006. Also, SEIBU made an agreement on November 21, 2006 to repurchase the beneficiary rights of trusts of the land and buildings of Sapporo, Funabashi and Shibuya-LOFT stores from Global Asst Ikesei Corp. by 39,440 million yen effective on November 27, 2006.

(As of August 31, 2007)

##### (1) Securitization of store properties

SEIBU, a consolidated subsidiary of the Company, established a real estate trust comprising of the land, land leasehold rights and part of the buildings of a store and sold the beneficiary right of the trust to a Special Purpose Corporation (“SPC”). Concurrently, SEIBU has entered into a silent partnership

arrangement with the SPC with a certain investment. Also, SEIBU leased back such store properties from the SPC who has the beneficiary right of the trust.

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

A summary of the store name, amount of investment and the SPC name is as follows:

(Millions of yen)

Store name	Amount of investment	Special purpose corporation		
		Name	Year-end	Total assets
Ikebukuro	5,850	Asset Ikesei Corp.	July	124,866

(2) Governmental Bonds held by Seven Bank, Ltd.

Seven Bank, Ltd., a consolidated subsidiary, holds governmental bonds used as pledged as collateral for fund transfer and overdraft transactions with the Bank of Japan. These governmental bonds are recorded in “ Investments in Securities ” in the Balance Sheets due to the nature of the restriction though the maturity dates are less than one year.

(As of February 28, 2007)

Securitization of store properties

SEIBU, a consolidated subsidiary of the Company, established a real estate trust comprising of the land, land leasehold right and part of the buildings of a store and sold the beneficiary right of the trust to a Special Purpose Corporation (“SPC”). Concurrently, SEIBU has entered into a silent partnership arrangement with the SPC with a certain investment. Also, SEIBU leased back such store properties from the SPC who has the beneficiary right of the trust.

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

A summary of Store name, amount of investment and the SPC name is as follows:

(Millions of yen)

Store name	Amount of investment	Special purpose corporation		
		Name	Year-end	Total assets
Ikebukuro	5,850	Asset Ikesei Corp.	July	124,200

*Consolidated Statements of Income*

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

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

(Millions of yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007	Fiscal year ended February 28, 2007
Franchised commission from franchised stores	184,376	187,356	359,770
Net sales of franchised stores	1,211,556	1,223,902	2,379,890

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

(Millions of yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007	Fiscal year ended February 28, 2007
Advertising and decoration expenses	57,466	58,383	111,230
Salaries and wages	183,505	208,256	399,393
Provision for allowance for bonuses to employees	15,531	18,570	14,755
Land and building rent	111,365	119,645	227,782
Depreciation and amortization	60,261	65,064	125,794

3. Major items included in "Gain on sales of property and equipment" are as follows:

(Millions of yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007	Fiscal year ended February 28, 2007
Buildings and structures	633	3,440	1,117
Land	703	217	1,367
Others	165	34	308
Total	1,502	3,692	2,792

4. "Gain on contribution"

The contribution recorded in the six months ended August 31, 2007 was received in cash.

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

(Millions of yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007	Fiscal year ended February 28, 2007
Buildings and structures	3,059	2,459	7,457
Furniture, fixtures and equipment	2,811	1,061	7,525
Others	1,387	1,326	3,799
Total	7,258	4,847	18,781

## 6. Impairment loss

(As of August 31, 2006)

For the six months 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)	Buildings and structures etc.	Tokyo & others	27 Stores	

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amount was recorded as impairment loss in special losses.

A breakdown of impairment loss is as follows:

(Millions of yen)

	Stores
Buildings 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.

(As of August 31, 2007)

For the six months ended August 31, 2007, the Company and its consolidated subsidiaries recognized 6,429 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	23 Stores	4,827
		Kanagawa Pref.	22 Stores	
		Other (including U.S.)		
Stores (Superstores)	Buildings and structures etc.	Gunma Pref.	1 Store	
		Ibaraki Pref.	1 Store	
Stores (Food Services)	Buildings and structures etc.	Tokyo & others	65 Stores	
Other (Convenience Stores)	Software	U.S.A.		1,601
Total				6,429

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amount was recorded as impairment loss in special losses.

A breakdown of impairment loss is as follows:

(Millions of yen)

	Stores	Software	Total
Buildings and structures	2,547	-	2,547
Land	1,859	-	1,859
Software	-	1,601	1,601
Other	420	-	420
Total	4,827	1,601	6,429

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.

(As of February 28, 2007)

For the fiscal year ended February 28, 2007, the Company and its consolidated subsidiaries recognized 14,199 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	46 Stores	13,801
		Kanagawa Pref.	22 Stores	
		Other (including U.S.)		
Stores (Superstores)	Land and buildings etc.	Saitama Pref.	4 Stores	
		Tokyo	2 Stores	
		Others	12 Stores	
Stores (Department stores)	Building fixtures etc.	Hokkaido	1 Store	
		Saitama Pref.	1 Store	
Stores (Restaurant)	Buildings and structures etc.	Tokyo & others	51 Stores	
Other facilities etc.	Land and buildings	Ibaraki Pref.	1 Store	397
Total				14,199

The Company and its domestic consolidated subsidiaries group their fixed assets by store which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amount was 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	7,511	5	7,516
Land	4,402	392	4,794
Other	1,887	-	1,887
Total	13,801	397	14,199

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% - 6.2% 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 shares less than one trading unit 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 26, 2006

(2) Dividends whose record date is within the six months ended August 31, 2006 but to be effective after August 31, 2006

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 Statement of changes in net assets (from March 1, 2007 to August 31, 2007);

Type and number of shares of outstanding

(Thousands of shares)

	Outstanding shares at the end of February 28, 2007	Number of shares increased	Number of shares decreased	Outstanding shares at the end of August 31, 2007
Ordinary Share	967,770	-	-	967,770

Type and number of shares of treasury stock

(Thousands of shares)

	Outstanding shares at the end of February 28, 2007	Number of shares increased (Note )	Number of shares decreased	Outstanding shares at the end of August 31, 2007
Ordinary Share	14,262	13	0	14,275

(Note) Major components of the increase of 13 thousand of shares are the repurchased shares less than one trading unit.

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 24, 2007 Ordinary general meeting of shareholders	Ordinary Share	26,128 million yen	27.00 yen	Feb. 28, 2007	May 25, 2007

(2) Dividends whose record date is within the six-month period ended August 31, 2007 but to be effective after August 31, 2007

Resolution	Type	Funds for dividends	Total amount of Cash dividends	Dividend per share	Record date	Effective date
October 11, 2007 Board of directors' meeting	Ordinary Share	Retained earnings	25,160 million yen	26.00 yen	Aug. 31, 2007	Nov 15, 2007

Consolidated Statement of changes in net assets (from March 1, 2006 to February 28, 2007);

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 February 28, 2007
Ordinary Share	1,346,383	48,897	427,509	967,770

(Notes)1. 48,897 thousand shares have increased due to the issuance of new shares in relation to the stock-for-stock exchange with Millennium Retailing, Inc. and York-Benimaru Co., Ltd.

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 February 28, 2007
Ordinary Share	441,608	2,912	430,258	14,262

(Notes)1. Major components of the increase of 2,912 thousand shares are 2,179 thousand shares which represent the Company's interest of the shares held by York-Benimaru Co., Ltd. related to the stock-for-stock exchange.

2. Major components of the decrease of 430,258 thousand shares are the cancellation of 427,509 thousand shares and 2,512 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 26, 2006
October 12, 2006 Board of directors' meeting	Ordinary Share	23,428 million yen	25.00 yen	Aug. 31, 2006	Nov. 15, 2006

(2) Dividends whose record date is within the fiscal year ended February 28, 2007 but to be effective after the fiscal year-end

Resolution	Type	Funds for dividends	Total amount of cash dividends	Dividend per share	Record date	Effective date
May 24, 2007 Ordinary general meeting of shareholders	Ordinary Share	Retained earnings	26,128 million yen	27.00 yen	Feb. 28, 2007	May 25, 2007

*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 August 31, 2007	As of February 28, 2007
Cash and bank deposits	625,375	718,572	575,643
Time deposits with an original maturity of more than three months	(2,370)	(9,411)	(5,509)
Cash and cash equivalents	623,004	709,160	570,133

# SEGMENT INFORMATION

## 1. Business Segments

Six months 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>

Six months ended August 31, 2007

(Millions of yen)

	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / Corporate	Consolidated total
Revenues and operating income									
<b>Revenues</b>									
1. Customers	1,187,975	1,010,207	500,857	58,183	46,914	12,683	2,816,822	-	2,816,822
2. Intersegment	1,284	5,534	2	838	11,301	3,858	22,820	(22,820)	-
<b>Total revenues</b>	<b>1,189,259</b>	<b>1,015,742</b>	<b>500,860</b>	<b>59,021</b>	<b>58,215</b>	<b>16,542</b>	<b>2,839,642</b>	<b>(22,820)</b>	<b>2,816,822</b>
<b>Operating expenses</b>	<b>1,081,468</b>	<b>999,146</b>	<b>491,024</b>	<b>60,447</b>	<b>48,646</b>	<b>15,393</b>	<b>2,696,126</b>	<b>(23,302)</b>	<b>2,672,824</b>
<b>Operating income (loss)</b>	<b>107,791</b>	<b>16,595</b>	<b>9,836</b>	<b>(1,425)</b>	<b>9,569</b>	<b>1,149</b>	<b>143,516</b>	<b>482</b>	<b>143,998</b>

Fiscal year ended February 28, 2007

(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	2,248,400	1,871,834	988,357	119,972	84,432	24,807	5,337,804	1	5,337,806
2. Intersegment	1,248	11,101	-	1,710	15,862	7,532	37,456	(37,456)	-
<b>Total revenues</b>	<b>2,249,648</b>	<b>1,882,935</b>	<b>988,357</b>	<b>121,683</b>	<b>100,295</b>	<b>32,340</b>	<b>5,375,261</b>	<b>(37,454)</b>	<b>5,337,806</b>
<b>Operating expenses</b>	<b>2,043,558</b>	<b>1,853,765</b>	<b>961,584</b>	<b>120,752</b>	<b>75,747</b>	<b>30,718</b>	<b>5,086,126</b>	<b>(35,158)</b>	<b>5,050,968</b>
<b>Operating income</b>	<b>206,090</b>	<b>29,170</b>	<b>26,772</b>	<b>931</b>	<b>24,547</b>	<b>1,621</b>	<b>289,135</b>	<b>(2,296)</b>	<b>286,838</b>

Notes:

- The classification of business segment is made by the type of products and services and the type of sales.
- Restaurant operations changed its segment name to Food services from the six months ended August 2007, as a result of reorganization of food business due to the establishment of Seven & i Food Systems.
- Major businesses in 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 included in the department store business
  - Food services ----- Restaurant operations, meal provision service business (company cafeteria, hospital, school) and fast food operations
  - 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, 3,360 million yen and 9,197 million yen for the six months ended August 31, 2006, August 31, 2007 and for the fiscal year ended February 28, 2007.

## 2. Geographic area segments

Six months 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>

Notes

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

Six months ended August 31, 2007

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues and operating income						
<b>Revenues</b>						
1. Customers	1,869,953	915,867	31,002	2,816,822	-	2,816,822
2. Intersegment	152	1,246	-	1,399	(1,399)	-
<b>Total revenues</b>	<b>1,870,105</b>	<b>917,114</b>	<b>31,002</b>	<b>2,818,222</b>	<b>(1,399)</b>	<b>2,816,822</b>
<b>Operating expenses</b>	<b>1,745,287</b>	<b>899,219</b>	<b>29,718</b>	<b>2,674,225</b>	<b>(1,401)</b>	<b>2,672,824</b>
<b>Operating income</b>	<b>124,818</b>	<b>17,894</b>	<b>1,283</b>	<b>143,996</b>	<b>1</b>	<b>143,998</b>

Notes

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

Fiscal year ended February 28, 2007

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues and operating income						
<b>Revenues</b>						
1. Customers	3,562,124	1,725,922	49,759	5,337,806	-	5,337,806
2. Intersegment	247	2,559	-	2,806	(2,806)	-
<b>Total revenues</b>	<b>3,562,372</b>	<b>1,728,481</b>	<b>49,759</b>	<b>5,340,613</b>	<b>(2,806)</b>	<b>5,337,806</b>
<b>Operating expenses</b>	<b>3,308,403</b>	<b>1,696,496</b>	<b>48,879</b>	<b>5,053,779</b>	<b>(2,810)</b>	<b>5,050,968</b>
<b>Operating income</b>	<b>253,968</b>	<b>31,985</b>	<b>879</b>	<b>286,834</b>	<b>4</b>	<b>286,838</b>

Notes

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

### 3. Overseas sales

#### Six months 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

#### Notes

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

#### Six months ended August 31, 2007

(Millions of yen)

	North America	Others	Total
Overseas sales	915,867	31,002	946,869
Consolidated sales	-	-	2,816,822
Percentage of overseas sales to consolidated sales (%)	32.5	1.1	33.6

#### Notes

1. The classification of overseas sales area segments is made according to geographical distances.
2. "Others" consists of the sales in P.R.C.
3. "Overseas sales" represents net sales and other operating revenues of consolidated subsidiaries in countries and areas outside of Japan.

#### Fiscal year ended February 28, 2007

(Millions of yen)

	North America	Others	Total
Overseas sales	1,725,922	49,759	1,775,681
Consolidated sales	-	-	5,337,806
Percentage of overseas sales to consolidated sales (%)	32.4	0.9	33.3

#### Notes

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

## 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, impairment loss and net book value, including the interest portion, are summarized as follows:

<i>Furniture, fixtures and equipment</i>		(Millions of yen)		
	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007	
Acquisition cost	51,274	92,466	82,083	
Accumulated depreciation	23,430	29,888	25,230	
Impairment loss account on leased assets	-	100	24	
Net book value	27,843	62,478	56,827	

<i>Software</i>		(Millions of yen)		
	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007	
Acquisition cost	1,368	1,232	1,094	
Accumulated depreciation	489	530	393	
Net book value	879	701	700	

(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 August 31, 2007	As of February 28, 2007	
Due within one year	9,179	17,212	15,171	
Due over one year	19,543	46,067	42,381	
Total	28,722	63,280	57,553	
Balance of impairment loss account on leased assets included in the outstanding future lease payments	-	100	24	

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

		(Millions of yen)		
	Six months ended August 31, 2006	Six months ended August 31, 2007	Fiscal year ended February 28, 2007	
Lease payments	5,172	8,848	12,762	
Reversal of impairment loss account on leased assets	-	30	-	
Depreciation expense	5,172	8,879	12,762	
Impairment loss	-	-	24	

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

(2) As lessor:

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

<i>Furniture, fixtures and equipment</i>			
	(Millions of yen)		
	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Acquisition cost	22,330	24,993	24,075
Accumulated depreciation	9,384	11,150	10,437
Net book value	12,946	13,843	13,638

(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 August 31, 2007	As of February 28, 2007
Due within one year	3,780	4,259	4,053
Due over one year	9,466	9,943	9,923
Total	13,246	14,203	13,976

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

	(Millions of yen)		
	Six months ended August 31, 2006	Six months ended August 31, 2007	Fiscal year ended February 28, 2007
Lease income	2,155	2,319	4,390
Depreciation expense	1,984	2,134	4,048
Interest income	205	214	422

(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, 2006	As of August 31, 2007	As of February 28, 2007
Due within one year	66,621	68,499	66,988
Due over one year	400,085	421,516	405,825
Total	466,706	490,015	472,814

## Securities Information

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

(Millions of yen)

	As of August 31, 2006			As of August 31, 2007			As of February 28, 2007		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Governmental and municipal bonds	445	443	(1)	614	601	(13)	614	612	(2)

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

(Millions of yen)

	As of August 31, 2006			As of August 31, 2007			As of February 28, 2007		
	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	76,376	87,484	11,108	80,669	63,954	(16,715)	77,623	73,214	(4,409)
Debt securities	70,037	70,021	(15)	112,990	112,983	(7)	70,052	70,027	(25)
Total	146,413	157,506	11,092	193,659	176,937	(16,722)	147,676	143,241	(4,435)

### 3. Major securities (fair value is not available)

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
	Book value	Book value	Book value
Held-to-maturity debt Bonds	203	203	203
Available-for-sale securities			
-Unlisted securities	19,332	16,328	16,749
-Unlisted foreign securities	5,051	5,041	5,041

## Derivative Transactions

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

### 1. Currency-related transactions

(Millions of yen)

	August 31, 2006				August 31, 2007				February 28, 2007			
	Notional amounts total	Notional amounts due over one year	Fair value	Unrealized gains (losses)	Notional amounts total	Notional amounts due over one year	Fair value	Unrealized gains (losses)	Notional amounts total	Notional amounts due over one year	Fair value	Unrealized gains (losses)
Forward exchange contracts												
Buy:												
U.S. dollar	5,026	-	5,159	133	5,186	80	5,033	(153)	3,977	-	3,975	(2)
Euro	29	-	30	0	18	-	18	(0)	79	-	80	1
Currency swap contracts:												
U.S. dollar	41,463	29,545	1,624	1,624	30,411	18,593	932	932	35,454	23,636	601	601
Total	46,519	29,545	6,814	1,758	35,616	18,674	5,984	779	39,511	23,636	4,657	600

(Note)

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

### 2. Interest-related transactions

(Millions of yen)

	August 31, 2006				August 31, 2007				February 28, 2007			
	Notional amounts total	Notional amounts due over one year	Fair value	Unrealized gains (losses)	Notional amounts total	Notional amounts due over one year	Fair value	Unrealized gains (losses)	Notional amounts total	Notional amounts due over one year	Fair value	Unrealized gains (losses)
Interest rate swap contracts:												
Receive float / Pay fix	35,000	35,000	(88)	(88)	36,000	35,000	90	90	35,000	35,000	25	25
Receive fix / Pay float	-	-	-	-	10,000	10,000	(79)	(79)	20,000	10,000	(77)	(77)
Total	35,000	35,000	(88)	(88)	46,000	45,000	11	11	55,000	45,000	(51)	(51)

(Notes)

1. Fair values of Interest rate swap contracts are based on values prepared by financial institutions.
2. Derivative transaction to which hedge accounting has been applied are excluded from this disclosure

## **Stock Option**

None

## **Business Combination**

Disclosure of this information is omitted because the need for such disclosure in the Interim Consolidated Financial Statements is considered immaterial.

## PER SHARE INFORMATION

(yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007	Fiscal Year ended February 28, 2007
Net assets per share	1,867.12	2,052.89	1,999.77
Net income per share	75.13	72.52	142.90

Note: Diluted net income per share is not presented because the Company does not have any diluted shares.

Basis for calculation of net income per share is as follows. (Millions of yen, except number of common stock)

	Six months ended August 31, 2006	Six months ended August 31, 2007	Fiscal Year ended February 28, 2007
Net income	68,684	69,145	133,419
Net income attributable to common stock	68,684	69,145	133,419
Amount not attributable to common stock	-	-	-
Average number of common stock outstanding during the period (thousand of shares)	914,170	953,501	933,675

Basis for calculating net assets per share is as follows. (Millions of yen, except number of common stock)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Total net assets	1,793,375	2,027,876	1,969,149
Amounts subtracted from total net assets: minority interest in consolidated subsidiaries	(65,230)	(70,455)	(62,350)
Net assets for common stock at the end of period	1,728,144	1,957,421	1,906,798
Number of common stock at the end of period used for calculating the amounts of net assets per share (thousand of shares)	925,566	953,495	953,508

(Subsequent Event)

None

# NONCONSOLIDATED BALANCE SHEETS

(Millions of yen)

	August 31, 2006		August 31, 2007		February 28, 2007	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>Current assets</b>	<b>18,255</b>	<b>1.1</b>	<b>15,986</b>	<b>0.9</b>	<b>26,789</b>	<b>1.5</b>
Cash and bank deposits	11,575		9,628		14,595	
Supplies	3		-		-	
Prepaid expenses	1,587		271		253	
Account receivable, other	4,868		4,412		11,741	
Other	221		1,674		199	
<b>Non-current assets</b>	<b>1,601,416</b>	<b>98.9</b>	<b>1,749,280</b>	<b>99.1</b>	<b>1,748,726</b>	<b>98.5</b>
<b>Property and equipment</b>	<b>58</b>	<b>0.0</b>	<b>59</b>	<b>0.0</b>	<b>56</b>	<b>0.0</b>
Buildings and structures	47		44		43	
Furniture, fixtures and equipment	11		15		12	
<b>Investments and other assets</b>	<b>1,601,358</b>	<b>98.9</b>	<b>1,749,221</b>	<b>99.1</b>	<b>1,748,670</b>	<b>98.5</b>
Investments in securities	999		4,081		999	
Investments in subsidiaries	1,597,804		1,742,643		1,745,230	
Prepaid pension cost	-		151		97	
Long-term leasehold deposits	2,553		2,342		2,342	
Other	-		2		-	
<b>Deferred assets</b>	<b>245</b>	<b>0.0</b>	<b>175</b>	<b>0.0</b>	<b>210</b>	<b>0.0</b>
New organization costs	245		175		210	
<b>TOTAL ASSETS</b>	<b>1,619,917</b>	<b>100.0</b>	<b>1,765,442</b>	<b>100.0</b>	<b>1,775,726</b>	<b>100.0</b>

(Millions of yen)

	August 31, 2006		August 31, 2007		February 28, 2007	
	Amount	%	Amount	%	Amount	%
<b>LIABILITIES</b>						
<b>Current liabilities</b>	<b>171,869</b>	<b>10.6</b>	<b>171,198</b>	<b>9.7</b>	<b>171,043</b>	<b>9.6</b>
Short-term loans from a subsidiary	170,000		170,000		170,000	
Accounts payable, other	1,008		256		213	
Accrued expenses	211		258		214	
Income taxes payable	72		49		17	
Advances received	204		204		202	
Allowance for bonuses to employees	261		217		193	
Allowance for bonuses to directors and corporate auditors	-		39		65	
Other	110		172		136	
<b>Non-current liabilities</b>	<b>2,034</b>	<b>0.1</b>	<b>1,971</b>	<b>0.1</b>	<b>2,021</b>	<b>0.1</b>
Deferred income taxes	-		61		39	
Allowance for retirement benefits to corporate auditors	62		-		72	
Deposits received from tenants	1,972		1,910		1,910	
<b>TOTAL LIABILITIES</b>	<b>173,903</b>	<b>10.7</b>	<b>173,170</b>	<b>9.8</b>	<b>173,065</b>	<b>9.7</b>
<b>NET ASSETS</b>						
<b>Shareholders' Equity</b>	<b>1,446,013</b>	<b>89.3</b>	<b>1,592,495</b>	<b>90.2</b>	<b>1,602,661</b>	<b>90.3</b>
Common stock	50,000		50,000		50,000	
Capital surplus	1,355,915		1,503,254		1,503,253	
Additional paid-in capital	1,102,775		1,175,496		1,175,496	
Other capital surplus	253,139		327,757		327,756	
Retained earnings	40,139		39,393		49,515	
Other retained earnings						
Retained earnings carried forward	40,139		39,393		49,515	
Treasury stock, at cost	(40)		(152)		(106)	
<b>Accumulated gains (losses) from valuation and translation adjustments</b>	<b>-</b>	<b>-</b>	<b>(222)</b>	<b>(0.0)</b>	<b>-</b>	<b>-</b>
Unrealized losses on available-for-sale securities, net of taxes	-		(222)		-	
<b>TOTAL NET ASSETS</b>	<b>1,446,013</b>	<b>89.3</b>	<b>1,592,272</b>	<b>90.2</b>	<b>1,602,661</b>	<b>90.3</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,619,917</b>	<b>100.0</b>	<b>1,765,442</b>	<b>100.0</b>	<b>1,775,726</b>	<b>100.0</b>

## NONCONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six months ended August 31, 2006		Six months ended August 31, 2007		Fiscal year ended February 28, 2007	
	Amount	%	Amount	%	Amount	%
<b>Revenues from operations</b>	<b>24,555</b>	<b>100.0</b>	<b>22,232</b>	<b>100.0</b>	<b>62,366</b>	<b>100.0</b>
Selling, general and administrative expenses	4,841	19.7	3,360	15.1	9,197	14.7
<b>Operating income</b>	<b>19,713</b>	<b>80.3</b>	<b>18,871</b>	<b>84.9</b>	<b>53,168</b>	<b>85.3</b>
Non-operating income	25	0.1	74	0.3	45	0.0
Non-operating expenses	372	1.5	777	3.5	999	1.6
<b>Ordinary income</b>	<b>19,366</b>	<b>78.9</b>	<b>18,169</b>	<b>81.7</b>	<b>52,214</b>	<b>83.7</b>
special gains	-	-	1,600	7.2	-	-
Special losses	-	-	3,737	16.8	-	-
<b>Income before income taxes</b>	<b>19,366</b>	<b>78.9</b>	<b>16,031</b>	<b>72.1</b>	<b>52,214</b>	<b>83.7</b>
Income taxes - current	35	0.2	3	0.0	39	0.0
Income taxes - deferred	-	-	21	0.1	39	0.1
<b>Net income</b>	<b>19,330</b>	<b>78.7</b>	<b>16,006</b>	<b>72.0</b>	<b>52,135</b>	<b>83.6</b>

# STATEMENTS OF CHANGES IN NET ASSETS

Six months period ended August 31, 2006

(Millions of yen)

	Shareholders' Equity								Total Net Assets
	Common Stock	Capital Surplus			Retained Earnings		Treasury Stock, at cost	Total Shareholders' Equity	
		Additional Paid-in Capital	Other Capital Surplus	Total Capital Surplus	Other Retained Earnings	Total Retained Earnings			
<b>Balance at February 28, 2006</b>	<b>50,000</b>	<b>1,375,211</b>	<b>1</b>	<b>1,375,212</b>	<b>32,515</b>	<b>32,515</b>	<b>(122)</b>	<b>1,457,606</b>	<b>1,457,606</b>
<b>Increase (decrease) of items during the period</b>									
Dividends from retained earnings					(26,187)	<b>(26,187)</b>		<b>(26,187)</b>	<b>(26,187)</b>
Directors' and corporate auditors' bonuses					(17)	<b>(17)</b>		<b>(17)</b>	<b>(17)</b>
Net income					19,330	<b>19,330</b>		<b>19,330</b>	<b>19,330</b>
Increase resulting from merger					14,497	<b>14,497</b>	(99,870)	<b>(85,372)</b>	<b>(85,372)</b>
Increase resulting from stock-for-stock exchange		27,564	53,143	<b>80,707</b>				<b>80,707</b>	<b>80,707</b>
Reversal of additional paid-in capital		(300,000)	300,000	-				-	-
Purchase of treasury stock							(60)	<b>(60)</b>	<b>(60)</b>
Sales of treasury stock			6	<b>6</b>			0	<b>6</b>	<b>6</b>
Cancellation of treasury stock			(100,011)	<b>(100,011)</b>			100,011	-	-
<b>Total increase (decrease) of items during the period</b>	<b>-</b>	<b>(272,435)</b>	<b>253,138</b>	<b>(19,297)</b>	<b>7,624</b>	<b>7,624</b>	<b>81</b>	<b>(11,592)</b>	<b>(11,592)</b>
<b>Balance at August 31, 2006</b>	<b>50,000</b>	<b>1,102,775</b>	<b>253,139</b>	<b>1,355,915</b>	<b>40,139</b>	<b>40,139</b>	<b>(40)</b>	<b>1,446,013</b>	<b>1,446,013</b>

Six months period ended August 31, 2007

(Millions of yen)

	Shareholders' Equity							
	Common Stock	Capital Surplus			Retained Earnings		Treasury Stock, at cost	Total Shareholders' Equity
		Additional Paid-in Capital	Other Capital Surplus	Total Capital Surplus	Other Retained Earnings Retained earnings carried forward	Total Retained Earnings		
<b>Balance at February 28, 2007</b>	<b>50,000</b>	<b>1,175,496</b>	<b>327,756</b>	<b>1,503,253</b>	<b>49,515</b>	<b>49,515</b>	<b>(106)</b>	<b>1,602,661</b>
<b>Increase (decrease) of items during the period</b>								
Cash dividends					(26,128)	<b>(26,128)</b>		<b>(26,128)</b>
Net income					16,006	<b>16,006</b>		<b>16,006</b>
Purchase of treasury stock							(46)	<b>(46)</b>
Sales of treasury stock			1	<b>1</b>			1	<b>2</b>
Decrease of items during the period except those included in owners' equity								-
<b>Total increase (decrease) of items during the period</b>	-	-	<b>1</b>	<b>1</b>	<b>(10,121)</b>	<b>(10,121)</b>	<b>(45)</b>	<b>(10,165)</b>
<b>Balance at August 31, 2007</b>	<b>50,000</b>	<b>1,175,496</b>	<b>327,757</b>	<b>1,503,254</b>	<b>39,393</b>	<b>39,393</b>	<b>(152)</b>	<b>1,592,495</b>

	Accumulated gains (losses) from valuation and translation adjustments		Total Net Assets
	Unrealized losses on available-for-sale securities, net of taxes	Total accumulated gains (losses) from valuation and translation adjustments	
<b>Balance at February 28, 2007</b>	-	-	<b>1,602,661</b>
<b>Increase (decrease) of items during the period</b>			
Cash dividends			<b>(26,128)</b>
Net income			<b>16,006</b>
Purchase of treasury stock			<b>(46)</b>
Sales of treasury stock			<b>2</b>
Decrease of items during the period except those included in owners' equity	(222)	(222)	<b>(222)</b>
<b>Total increase (decrease) of items during the period</b>	<b>(222)</b>	<b>(222)</b>	<b>(10,388)</b>
<b>Balance at August 31, 2007</b>	<b>(222)</b>	<b>(222)</b>	<b>1,592,272</b>

Fiscal year ended February 28, 2007

(Millions of yen)

	Shareholders' Equity								Total Net Assets
	Common Stock	Capital Surplus			Retained Earnings		Treasury Stock, at cost	Total Shareholders' Equity	
		Additional Paid-in Capital	Other Capital Surplus	Total Capital Surplus	Other Retained Earnings Retained earnings carried forward	Total Retained Earnings			
<b>Balance at February 28, 2006</b>	<b>50,000</b>	<b>1,375,211</b>	<b>1</b>	<b>1,375,212</b>	<b>32,515</b>	<b>32,515</b>	<b>(122)</b>	<b>1,457,606</b>	<b>1,457,606</b>
<b>Increase (decrease) of items during the year</b>									
Dividends from appropriation of retained earnings					(26,187)	(26,187)		(26,187)	(26,187)
Directors' and corporate auditors' bonuses					(17)	(17)		(17)	(17)
Dividends from retained earnings					(23,428)	(23,428)		(23,428)	(23,428)
Net income					52,135	52,135		52,135	52,135
Increase resulting from merger					14,497	14,497	(99,870)	(85,372)	(85,372)
Increase resulting from stock-for-stock exchange		100,285	127,758	228,043				228,043	228,043
Reversal of additional paid-in capital		(300,000)	300,000	-				-	-
Purchase of treasury stock							(128)	(128)	(128)
Sales of treasury stock			8	8			2	10	10
Cancellation of treasury stock			(100,011)	(100,011)			100,011	-	-
<b>Total increase (decrease) of items during the year</b>	<b>-</b>	<b>(199,714)</b>	<b>327,754</b>	<b>128,040</b>	<b>16,999</b>	<b>16,999</b>	<b>15</b>	<b>145,055</b>	<b>145,055</b>
<b>Balance at February 28, 2007</b>	<b>50,000</b>	<b>1,175,496</b>	<b>327,756</b>	<b>1,503,253</b>	<b>49,515</b>	<b>49,515</b>	<b>(106)</b>	<b>1,602,661</b>	<b>1,602,661</b>

## **Notes to Interim Nonconsolidated Financial Statements**

### *Nonconsolidated Balance Sheets;*

#### 1. Accumulated depreciation of property and equipment

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
Property and equipment	4	20	12

#### 2. Guarantees

(Millions of yen)

	As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
IY Card Service Co., Ltd.	4,000	4,000	4,000
Ito-Yokado Co., Ltd.	100,000	70,000	100,000

### *Nonconsolidated Statements of Income;*

#### 1. Major items included in “ Non-operating income ”

(Millions of yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007	For the year ended February 28, 2007
Interest income	1	12	8
Dividend income	-	2	2
Other	23	59	34

#### 2. Major items included in “ Non-operating expenses ”

(Millions of yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007	For the year ended February 28, 2007
Interest expenses	323	742	889
Amortization of new organization costs	35	35	70
Other	13	-	40

#### 3. Major items included in “ Special gains ”

(Millions of yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007	For the year ended February 28, 2007
Gain on contribution	-	1,600	-

The contribution recorded in the six months ended August 31, 2007 was received in cash.

#### 4. Major items included in “ Special losses ”

(Millions of yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007 (Note)	For the year ended February 28, 2007
Valuation loss on investments in a subsidiary	-	3,737	-

(Note) The Company succeeded the operation of finance services in Ito-Yokado Co., Ltd. on September 1, 2007 through a corporate divestiture. The loss related to tie-in shares resulted from the corporate divestiture is recorded as valuation loss on investment in a subsidiary.

5. Depreciation

(Millions of yen)

	Six months ended August 31, 2006	Six months ended August 31, 2007	For the year ended February 28, 2007
Property and equipment	4	8	12

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

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	29	427,523	427,511	42

(Notes)1. 427,509 thousand shares out of 427,523 thousand shares have increased in relation to the merger with Ito-Yokado SHC Co., Ltd.

2. 427,509 thousand shares out of 427,511 thousand shares have decreased by the cancellation of treasury stock.

*Nonconsolidated Statements of changes in net assets (from March 1, 2007 to August 31, 2007);*

Type and number of shares of treasury stock

(Thousands of shares)

	Outstanding shares at the end of February 28, 2007	Number of shares increased (Note)	Number of shares decreased	Outstanding shares at the end of August 31, 2007
Ordinary Share	58	13	0	71

(Note) The increase of 13 thousand of shares represents the repurchased shares less than one trading unit.

*Nonconsolidated Statements of changes in net assets (from March 1, 2006 to February 28, 2007);*

Type and number of shares of treasury stock

(Thousands of shares)

	Outstanding shares at the end of February 28, 2007	Number of shares increased (Note 1)	Number of shares decreased (Note 2)	Outstanding shares at the end of August 31, 2007
Ordinary Share	29	427,541	427,512	58

(Notes)1. 427,509 thousand shares out of 427,541 thousand shares have increased in relation to the merger with Ito-Yokado SHC Co., Ltd.

2. 427,509 thousand shares out of 427,512 thousand shares have decreased by the cancellation of treasury stock.