



April 7, 2005

Notice of settlement of Non-consolidated accounts for the fiscal year ended February 28, 2005

Ito-Yokado Co., Ltd.

8-8, Nibancho, Chiyoda-ku, Tokyo 102-8450

(URL <http://www.itoyokado.iyg.co.jp/>)

Securities Code No. 8264

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

The Company has a policy of paying interim dividends

Trading unit of the Company consists of 100 shares on Tokyo Stock Exchange

Date of the meeting of the Board of Directors to settle non-consolidated accounts: April 7, 2005

Date of the ordinary general meeting of shareholders: May 26, 2005

President and Representative Director : Sakae Isaka

An inquiry relating to this notice should be made to: Shiro Ozeki

Director of Finance Division

Tel: (03) 6238-2111

1. Business results for the fiscal year ended February 28, 2005 [from March 1, 2004 to February 28, 2005]

(1) Results of Operations

(Millions of Yen, except per-share data)

	Revenues from Operations [Net Sales]		Operating Income		Ordinary Income	
Fiscal year ended February 28, 2005	1,473,583	(1.4) %	8,800	(63.5) %	27,081	(36.0) %
	[1,455,358]	[(1.3) %]				
Fiscal year ended February 29, 2004	1,493,962	(2.2) %	24,103	(30.3) %	42,317	(14.1) %
	[1,474,808]	[(2.1) %]				

	Net Income		Net Income per Share	Diluted Net Income per Share	Net Income/ Shareholders' Equity	Ordinary Income/ Total Assets	Ordinary Income/ Net Sales
Fiscal year ended February 28, 2005	17,509	(39.0) %	41.74	-	2.3 %	2.5 %	1.9 %
Fiscal year ended February 29, 2004	28,695	(32.9) %	68.65	-	3.9 %	3.9 %	2.9 %

Notes :

- All amounts less than one million yen have been disregarded.
- Weighted average number of shares outstanding:
 - Fiscal year ended February 28, 2005 ----- 417,452,036 shares
 - Fiscal year ended February 29, 2004 ----- 416,453,454 shares
- Changes in accounting policy ----- Yes
- Percentages above represent the change from the prior fiscal year unless otherwise stated.

(2) Dividend per Share

	Annual Dividend	Year-end Dividend	Interim Dividend	Total Dividends (Millions of Yen)	Payout Ratio	Total Dividends/ Shareholders' Equity
Fiscal year ended February 28, 2005	34.00 yen	18.00 yen	16.00 yen	14,193	81.4 %	1.9 %
Fiscal year ended February 29, 2004	34.00 yen	18.00 yen	16.00 yen	14,145	49.5 %	1.9 %

(3) Financial Position

(Millions of Yen, except per-share data)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
As of February 28, 2005	1,076,957	752,003	69.8 %	1,801.25
As of February 29, 2004	1,078,299	748,177	69.4 %	1,791.92

Notes :

1. Number of outstanding shares (Common stock)

As of February 28, 2005 ----- 417,443,495 shares
 As of February 29, 2004 ----- 417,469,836 shares

2. Number of treasury stock shares

As of February 28, 2005 ----- 1,274,190 shares
 As of February 29, 2004 ----- 1,247,849 shares

2. Outlook for fiscal year ending February 28, 2006 [From March 1, 2005 to February 28, 2006]

(Millions of Yen, except per-share data)

	Revenues from Operations [Net Sales]	Operating Income	Ordinary Income	Net Income	Cash Dividend per Share		
					Annual	Interim	Year-End
First Six Months	750,000 1.9 % [740,000] [1.8 %]	7,200 1.7 %	16,500 2.3 %	12,600 4.4 %	-	16.00	-
Full Year	1,520,000 3.1 % [1,500,000] [3.1 %]	20,000 127.3 %	39,000 44.0 %	27,000 54.2 %	34.00	-	18.00

<Reference> Estimated net income per share for fiscal year ending February 28, 2006 ----- 64.48 yen

Note : Percentages above represent increase over prior fiscal year or corresponding prior period.

The outlook for fiscal year ending February 28, 2006 is based on Ito-Yokado's 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. See the descriptions relating to the above outlook in page 15 to 16 of this document.

BALANCE SHEETS

(Millions of Yen)

	As of February 28, 2005	% to the total assets	As of February 29, 2004	% to the total assets	Increase (Decrease)
<ASSETS>					
Current Assets:					
Cash and deposits	202,170		104,845		
Accounts receivable, trade	17,982		18,516		
Marketable securities	19,941		-		
Merchandise inventories	76,241		74,629		
Supplies inventories	134		218		
Prepaid expenses	8,028		7,860		
Short-term loans	512		677		
Short-term loans receivable from subsidiaries	133		-		
Deposits held by financial service company	20,000		38,000		
Accounts receivable, other	6,889		6,031		
Short-term lease hold deposits	8,416		13,079		
Deferred income taxes	16,031		11,348		
Other current assets	2,298		1,561		
Total current assets	378,780	35.2	276,770	25.7	102,010
Property and equipment:					
Building	97,971		110,644		
Structures	7,235		8,024		
Vehicles	2		4		
Furniture and equipment	10,768		12,850		
Land	146,510		156,936		
Construction in progress	10,328		3,279		
Total property and equipment	272,818	25.3	291,740	27.1	(18,922)
Intangible assets:					
Land rights	3,040		3,070		
Software	2,627		3,392		
Others	203		218		
Total intangible assets	5,872	0.5	6,682	0.6	(810)
Investments and other assets:					
Investments in securities	12,919		11,736		
Investments in subsidiaries and affiliates	104,346		153,452		
Investments in subsidiaries' convertible bonds	-		15,550		
Investments in capital	4,601		4,089		
Long-term loans	11,705		12,126		
Long-term deposits	239,608		271,861		
Long-term lease hold prepaid expenses	6,309		2,616		
Prepaid pension cost	23,677		22,695		
Advances for store construction	15,542		5,197		
Others	4,925		7,835		
Allowance for doubtful accounts	(4,149)		(4,055)		
Total investments and other assets	419,486	39.0	503,106	46.6	(83,619)
Total Fixed Assets	698,176	64.8	801,529	74.3	(103,352)
Total Assets	1,076,957	100.0	1,078,299	100.0	(1,342)

BALANCE SHEETS (Cont'd)

(Millions of Yen)

	As of February 28, 2005	% to the total assets	As of February 29, 2004	% to the total assets	Increase (Decrease)
<LIABILITIES>					
Current Liabilities:					
Notes payable, trade	928		819		
Accounts payable, trade	71,409		78,476		
Short-term loans	2,465		3,635		
Current portion of bonds	20,000		-		
Accounts payable, other	14,341		21,807		
Accrued income taxes	16,069		284		
Consumption taxes withheld	1,252		3,224		
Accrued expenses	11,948		12,264		
Deposits received	3,134		3,368		
Allowance for bonuses to employees	5,960		5,563		
Allowance for sales promotion expenses	2,964		1,761		
Notes payable, acquisition property and equipment	3,337		2,060		
Issued gift tickets	10,118		9,745		
Other current liabilities	1,841		1,705		
Total current liabilities	165,771	15.4	144,717	13.4	21,053
Non-Current Liabilities:					
Long-term loans	9,112		9,787		
Corporate bonds	100,000		120,000		
Long-term accounts payable	1,780		1,161		
Allowance for retirement benefits to directors and corporate auditors	1,230		3,073		
Deposits received from tenants	46,509		45,692		
Deferred income taxes	550		5,690		
Total Non-Current Liabilities	159,183	14.8	185,404	17.2	(26,221)
Total Liabilities	324,954	30.2	330,122	30.6	(5,168)
<SHAREHOLDERS' EQUITY>					
Common stock	47,987	4.5	47,987	4.5	-
Capital surplus					
Additional paid-in capital	121,477		121,477		
Other capital surplus	181		175		
Total capital surplus	121,658	11.3	121,653	11.3	5
Retained earnings					
Legal reserve	11,700		11,700		
Reserve for deferred gains on sales of property and equipment	1,373		1,375		
General reserves	509,086		509,086		
Unappropriated retained earnings	62,028		58,815		
Total retained earnings	584,187	54.2	580,977	53.9	3,210
Net unrealized gain on other securities	2,124	0.2	1,392	0.1	731
Treasury stock, at cost	(3,956)	(0.4)	(3,833)	(0.4)	(122)
Total shareholders' equity	752,003	69.8	748,177	69.4	3,825
Total Liabilities & Shareholders' Equity	1,076,957	100.0	1,078,299	100.0	(1,342)

STATEMENT OF INCOME AND UNAPPROPRIATED RETAINED EARNINGS

(Millions of Yen)

	Fiscal year ended February 28, 2005	% of Sales	Fiscal year ended February 29, 2004	% of Sales	Increase (Decrease)
[Revenues from operations]	[1,473,583]		[1,493,962]		(20,378)
Sales	1,455,358	100.0	1,474,808	100.0	(19,450)
Cost of sales	1,060,081	72.8	1,066,599	72.3	(6,518)
Gross profit on sales	395,276	27.2	408,208	27.7	(12,932)
Other operating income:					
Rental income	14,355		15,141		
Other income	3,869		4,011		
Gross profit from operations - Total	413,501	28.4	427,362	29.0	(13,860)
Selling, general and administrative expenses:					
Advertising and decoration expenses	42,945		41,365		
Salaries and wages	141,977		140,127		
Land and building rent	79,172		78,586		
Depreciation and amortization	19,135		20,540		
Other	121,468		122,639		
Total selling, general and administrative expenses	404,700	27.8	403,259	27.4	1,441
Operating income	8,800	0.6	24,103	1.6	(15,302)
Non-operating income:					
Interest income and interest on securities	1,408		1,520		
Dividends	18,566		18,922		
Miscellaneous income	520		568		
Total non-operating income	20,494	1.4	21,011	1.4	(516)
Non-operating expenses:					
Interest expense and interest on straight bonds	(1,704)		(2,090)		
Miscellaneous expenses	(509)		(705)		
Total non-operating expenses	(2,213)	(0.1)	(2,796)	(0.1)	(582)
Ordinary income	27,081	1.9	42,317	2.9	(15,235)
Special gains:					
Gain from sales of fixed assets	16		651		
Gain from sales of investments in subsidiaries	35,709		-		
Gain from sales of a subsidiary's convertible bond	2,816		-		
Reversal of allowance for doubtful accounts	-		376		
Other	871		34		
Total special gains	39,414	2.7	1,061	0.1	38,353
Special losses:					
Loss on disposal of property and equipment	(1,551)		(3,035)		
Loss on liquidation of a subsidiary	-		(1,445)		
Impairment loss	(17,819)		-		
Loss on business reengineering	(20,882)		-		
Head office relocation expenses	(1,230)		-		
Other	(332)		(2,136)		
Total Special losses	(41,815)	(2.9)	(6,617)	(0.5)	35,198
Income before income taxes	24,680	1.7	36,761	2.5	(12,080)
Income taxes - Current	17,496	1.2	468	0.1	17,028
Income taxes - Deferred	(10,325)	(0.7)	7,597	0.5	(17,922)
Net income	17,509	1.2	28,695	1.9	(11,186)
Unappropriated retained earnings at beginning of year	51,198		36,750		
Appropriation of interim cash dividends	6,679		6,631		
Unappropriated retained earnings at end of year	62,028		58,815		

SIGNIFICANT ACCOUNTING POLICIES

1. Valuation of Securities

Investments in subsidiaries and affiliates are valued at cost, being determined by the moving average method.

Other securities

Market value is available :

Fair market value prevailing at the end of the fiscal year.

(Net unrealized gain or loss on these securities, net of taxes are reported as a separate component in the shareholders' equity. Cost of sales are determined by the moving average method.)

Market value is not available:

Cost, being determined by the moving average method.

2. Valuation of Derivatives

Fair market value

3. Valuation of Inventories

Fresh foods :

Cost, being determined by the last purchase price method.

Merchandise at stores (except fresh foods) :

The lower of aggregated cost or market, cost being determined by the retail method.

Merchandise at distribution centers

(except fresh foods) :

Cost, being determined by the moving average method.

Supplies :

Cost, being determined by the last purchase price method.

4. Depreciation and amortization

Property and equipment:

Decline-balance method

Intangible fixed assets:

Straight-line method

Software for internal use is amortized by the straight-line method over a five-year estimated useful life.

5. Accounting for deferred assets

Bonds issue costs were expensed when incurred.

6. Allowances

Allowance for doubtful accounts

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

Allowance for bonuses to employees

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

Accrued pension and severance costs

An allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of the plan assets at the end of the fiscal year. The excess of the estimated fair value of the plan assets over the estimated present value of projected benefit obligation adjusted by unrecognized actuarial differences is recognized as prepaid pension cost for the fiscal year ended February 28, 2005. Unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arise. Prior service costs was not amortized because of the unrecognized assets.

(Additional Information)

Following approval from Japan's Ministry of Health, Labour and Welfare on September 1, 2004, the "Ito-Yokado Group Employee Pension Fund", which the Company participates in, was transferred to the "IY Group Employees' Pension Fund" based on the "Defined Benefit Corporate Pension Plan Act". Following the transition, the retirement benefits plan was revised. As a result, 4,045 million yen of prior service costs (decrease of liability) was recognized.

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 policy.

Allowance for sales promotion expenses

An allowance for sales promotion expenses is provided for future usage of 'points' that entitle customers to receive reductions in the price of goods. This point card program was established as a sales promotion program.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

8. Lease

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

9. Hedge accounting

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

10. Consumption taxes

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

Changes in Accounting Policy

(Accounting Standard for Impairment of Fixed Assets)

On August 9, 2002, the Business Accounting Council issued an "Accounting Standard of Accounting for Impairment of Fixed Assets", and on October 31, 2003, the Accounting Standard Board of Japan issued Financial Accounting Standards Guidance No.6, "Implementation Guidance for Accounting Standards for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The Company early adopted the new accounting standard for impairment of fixed assets for fiscal year beginning on March 1, 2004. As a result of adopting the new accounting standard for impairment of fixed assets, income before income taxes for the year ended February 28, 2005, decreased by 17,819 million yen.

Accumulated impairment losses are deducted directly from related fixed assets.

NOTES

<Balance sheets>

(Millions of Yen)

	<u>As of February 28, 2005</u>	<u>As of February 29, 2004</u>
1. Assets pledged as collateral		
Buildings	791	849
Land	1,698	1,698
Total	2,490	2,548
2. Accumulated depreciation of property and equipment	207,008	199,768
3. The total number of shares authorized to be issued.	840,000,000 Shares	840,000,000 Shares

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

	<u>As of February 28, 2005</u>	<u>As of February 29, 2004</u>
The total number of shares outstanding	418,717,685 Shares	418,717,685 Shares

4. Notes on outstanding balances with subsidiaries and affiliates

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

	<u>As of February 28, 2005</u>	<u>As of February 29, 2004</u>
Negotiable certificate of deposit:	10,119	10,000
Accounts receivable, trade:	2,892	2,955
Long-term loans, receivable:	14	-
Long-term deposits for store leases:	2,616	2,624
Advances for store construction:	3,652	-
Investments in capital:	4,590	4,078
Accounts payable, trade:	970	1,181
Deposits received from tenants:	8,838	8,991
5. Guarantees	45,866	51,104
6. The increase of net assets due to the increase of fair value of assets	2,124	1,392

<Statement of Income and Unappropriated Retained Earnings>

(Millions of Yen)

Fiscal year ended
February 28, 2005 Fiscal year ended
February 29, 2004

1. Major transactions with subsidiaries and affiliates

Sales	34,141	36,043
Purchases	18,420	19,934
Dividends income	18,378	18,748

2. Impairment loss

In the year ended February 28, 2005, the Company recognized 17,819 million yen of impairment loss on the following group of assets.

(Millions of Yen)

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

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

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

Breakdown of impairment loss are as follows:

(Millions of Yen)

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

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

<Lease Transaction>

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

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

	<u>As of February 28, 2005</u>	<u>As of February 29, 2004</u>
(Millions of Yen)		
Furniture and equipment:		
Acquisition costs	12,790	19,712
<u>Accumulated depreciation</u>	<u>5,370</u>	<u>14,309</u>
Net book value	7,420	5,403

(2) Future lease payments

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

	<u>As of February 28, 2005</u>	<u>As of February 29, 2004</u>
Within one year	2,008	2,249
<u>Over one year</u>	<u>5,411</u>	<u>3,153</u>
Total	7,420	5,403

(3) Lease payment and depreciation expense

	<u>Fiscal year ended As of February 28, 2005</u>	<u>Fiscal year ended As of February 29, 2004</u>
Lease payment	2,602	3,737
Depreciation	2,602	3,737

(4) Depreciation method:

Depreciation is computed by the straight-line method over the lease term of the leased assets assuming no residual value.

	<u>As of February 28, 2005</u>	<u>As of February 29, 2004</u>
2. Lease transaction through a special purpose company.		
(1) Acquisition costs		
Land	695	695
Buildings	399	399
(2) Lease payment	57	57
3. Operating lease		
Future lease payments		
Within one year	30,710	30,661
<u>Over one year</u>	<u>178,515</u>	<u>162,880</u>
Total	209,225	193,541

<Marketable Securities>

Stock of subsidiaries and affiliate (fair value is available)

	<u>As of February 28, 2005</u>	<u>As of February 29, 2004</u>
(Millions of Yen)		
Stock of subsidiaries		
Book Value	21,747	21,747
<u>Market Value</u>	<u>1,358,162</u>	<u>1,469,189</u>
Unrealized Gain	1,336,414	1,447,442
Stock of affiliate		
Book Value	9,591	5,478
<u>Market Value</u>	<u>48,923</u>	<u>38,993</u>
Unrealized Gain	39,331	33,514

Any fractional amount less than one million yen have been disregarded.

Tax Effect Accounting

1. The components of deferred tax assets and liabilities

(Millions of Yen)

	As of February 28, 2005	As of February 29, 2004
Deferred tax assets		
Inventory reserve	2,198	1,623
Allowance for bonuses to employees	2,426	1,920
Allowance for sales promotion expenses	2,227	1,825
Allowance for retirement benefits to directors and corporate auditors	500	1,251
Accrued pension and severance costs	3,113	3,513
Depreciation and amortization	1,429	1,297
Loss on write-down of investments in subsidiaries	10	10
Loss on write-down of securities	481	475
Allowance for doubtful accounts	1,688	1,629
Net unrealized gain on marketable securities	-	(956)
Accrued enterprise tax and business office tax	1,972	421
Allowance for business reengineering	8,499	-
Impairment loss	7,252	-
Tax loss carryforwards	-	4,024
Other	3,397	3,443
Sub-total	35,198	20,479
Less valuation allowance	(5,097)	(1,636)
Total	30,100	18,843
Deferred tax liabilities		
Deferred gain on sales of property and equipment	(918)	(942)
Gain on securities contribution to employee retirement benefit trust	(12,242)	(12,242)
Net unrealized gain on marketable securities	(1,458)	-
Total	(14,619)	(13,184)
Net deferred tax assets	15,481	5,658

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

(%)

	Fiscal year ended February 28, 2005	Fiscal year ended February 29, 2004
Statutory tax rate	42.1	42.1
Permanent differences:		
Disallowable income, such as dividend income	(31.6)	(20.7)
Inhabitant taxes per capita	2.0	1.3
Effects of the change of statutory tax rate in relation to the partial amendment of the Local Tax Law	3.0	(0.6)
Valuation allowance for impairment loss	14.0	-
Other, net	(0.4)	(0.2)
Effective tax rate	29.1	21.9

3. Change in statutory income tax rate

As of or fiscal year ended February 28, 2005	As of or fiscal year ended February 29, 2004
<p style="text-align: center;">_____</p>	<p>Legislation was issued on March 31, 2003, which amended a part of local taxes. Thus, the statutory tax rate which was used to calculate deferred tax assets and deferred tax liabilities for temporary differences that are expected to reverse beginning March 1, 2005 was changed accordingly from the prior fiscal year's rate of 42.1% to 40.7%. As a result, deferred tax liabilities (net of deferred tax assets) decreased by 235 million yen, income taxes-deferred for the year decreased by 202 million yen, and unrealized gain on available-for-sale securities increased by 32 million yen.</p>

PROPOSAL FOR APPROPRIATION OF UNAPPROPRIATED RETAINED EARNINGS

(Millions of Yen, except per share)

	Fiscal year ended February 28, 2005	Fiscal year ended February 29, 2004	Increase (Decrease)
Unappropriated retained earnings at end of fiscal year	62,028	58,815	3,212
Reversal of deferred gain on sale of property and equipment	34	35	(1)
Total	62,062	58,851	3,211
The above shall be appropriated as follows:			
Cash dividends	7,513	7,514	0
	(Dividends per share)	(Dividends per share)	
	18.00 yen	18.00 yen	
Bonuses for directors and corporate auditors	83	105	(22)
[Portion to corporate auditors]	[6]	[8]	[2]
Reserve of deferred gain on sale of property and equipment	-	33	(33)
Unappropriated retained earnings carried forward	54,465	51,198	3,267

Notes :

1. 6,679 million yen (16.00 yen per share) was paid as interim cash dividends on November 15, 2004.
2. Reversal of deferred gain on sale of property and equipment is treated in accordance with the regulation of the Special Taxation Measures Law.
Deferred gain on sale of property and equipment reflects the change of statutory effective tax rate of tax effect accounting in relation to the partial amendment of the Local Tax Law.
3. Any fractional amount less than one million yen have been disregarded.