

# CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MAY 31, 2004

July 6, 2004

## Ito-Yokado Co., Ltd.

(URL [http://www.itoyokado.iyg.co.jp/company/index1\\_e.htm](http://www.itoyokado.iyg.co.jp/company/index1_e.htm))

Securities Code No. 8264

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

President and Chief Operating Officer : Sakae Isaka

An inquiry relating to this notice should be made to : Shiro Ozeki (Director of Finance Division)

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### Items pertaining to preparation of quarterly consolidated accounts

1. Adoption of simplified accounting methods: Yes
2. Change in accounting policies: None
3. Changes in scope of consolidation and application of equity method:  
Consolidated subsidiaries:    Increase one company    Decrease one company

## 1. Consolidated results for the first quarter ended May 31, 2004 [from March 1, 2004 to May 31, 2004]

(1) Results of Operations

(Millions of Yen, except per-share data)

|  | Revenues from Operations |       | Operating Income |      | Ordinary Income |      | Net Income |      |
|--|--------------------------|-------|------------------|------|-----------------|------|------------|------|
| Three months ended<br>May 31, 2004     | 867,791                  | (0.4) | 52,019           | 16.7 | 51,627          | 21.6 | 15,392     | 48.7 |
| Three months ended<br>May 31, 2003     | 871,002                  | -     | 44,590           | -    | 42,443          | -    | 10,349     | -    |
| Fiscal year ended<br>February 29, 2004 | 3,542,146                | 0.3   | 207,783          | 3.2  | 200,787         | 5.9  | 53,632     | 15.0 |

|  | Net Income per Share | Diluted Net Income per Share |
|--|----------------------|------------------------------|
| Three months ended<br>May 31, 2004     | 36.89                | 36.80                        |
| Three months ended<br>May 31, 2003     | 24.74                | 24.59                        |
| Fiscal year ended<br>February 29, 2004 | 128.25               | 128.22                       |

- NOTES: 1. All amounts less than one million yen have been disregarded.  
2. Percentages above represent the change from the same period of previous year.  
3. While quarterly results were not posted in previous terms, they have been prepared here using standard accounting practices for the sake of comparison with first quarter performance in the term under review.

### Qualitative Information Regarding Trends in Consolidated Performance

In the first quarter ended May 31, 2004, there were signs of recovery in the Japanese economy, such as increases in exports and capital investment and improvement in corporate profitability. However, there remained a strong sense of uncertainty about the future, and customer purchasing behavior continued to be cautious.

In this operating environment, Ito-Yokado was guided by its principle of "responding to change and strengthening fundamentals." The Company moved beyond work practices that depend on past data and experience, and, from the viewpoint of today's customers, strove to continue to rapidly and appropriately provide products and services with new value.

In the consolidated settlement for the first quarter, the exchange rate used to consolidate the accounts of a subsidiary that operates convenience stores in the United States reflected a significant appreciation of the yen against the dollar in comparison with the same quarter of the previous year. Due in part to this exchange rate change, consolidated operating revenues edged down 0.4%, to 867.7 billion yen. Nonetheless, the Group's efforts to improve profitability were successful, and operating income rose 16.7%, to 52.0 billion yen. Ordinary income was up 21.6%, to 51.6 billion yen, and net income increased 48.7%, to 15.3 billion yen.

**(2) Financial Position**

(Millions of Yen, except per-share data)

|                         | Total Assets | Shareholders' Equity | Shareholders' Equity Ratio | Shareholders' Equity per Share |
|-------------------------|--------------|----------------------|----------------------------|--------------------------------|
| As of May 31, 2004      | 2,488,739    | 1,144,427            | 46.0%                      | 2,742.52                       |
| As of February 29, 2004 | 2,461,927    | 1,138,210            | 46.2%                      | 2,726.99                       |

**(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 |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Three months ended May 31, 2004     | 84,692                               | (10,416)                             | (24,104)                             | 617,980                                    |
| Fiscal year ended February 29, 2004 | 237,956                              | (117,632)                            | (153,731)                            | 567,389                                    |

**Qualitative Information Regarding changes in Consolidated Financial Position**

Total assets at the end of the quarter were up 26.8 billion yen from the end of February 2004. This gain was attributable to increases of 9.8 billion yen in liabilities, 10.7 billion yen in minority interest in consolidated subsidiaries, and 6.2 billion yen in shareholders' equity. The shareholders' equity ratio was 46.0%.

Cash and cash equivalents at the end of the quarter were up 50.5 billion yen from the end of February 2004, to 617.9 billion yen. This increase was the result of 84.6 billion yen in cash provided by operating activities, 10.4 billion yen in cash used in investing activities, and 24.1 billion yen in cash used in financing activities.

**2. Outlook for the fiscal year ending February 28, 2005 [From March 1, 2004 to February 28, 2005]**

(Millions of Yen)

|            | Revenues from Operations |      | Operating Income |       | Ordinary Income |       | Net Income |       |
|------------|--------------------------|------|------------------|-------|-----------------|-------|------------|-------|
| First Half | 1,777,000                | 0.3% | 110,000          | 10.6% | 107,000         | 10.7% | 29,000     | 24.8% |
| Full Year  | 3,560,000                | 0.5% | 226,000          | 8.8%  | 220,000         | 9.6%  | 62,000     | 15.6% |

< Reference > Expected consolidated net income per share for the fiscal year ending February 28, 2005 ----- 148.00 yen

At the release of this document, no change is expected in the outlook for fiscal year ending February 28, 2005, announced on April 8, 2004.

The outlook for fiscal year ending February 28, 2005 are based on Ito-Yokado's hypotheses, plans and estimates at the date of publication of the document. It is possible that some uncertain factors will cause the Company's future performance to differ significantly from the contents of outlook.

# CONDENSED CONSOLIDATED BALANCE SHEETS

(Millions of Yen)

|   | As of May<br>31, 2004 | % of<br>total<br>assets | As of February<br>29, 2004 | % of<br>total<br>assets |
|---|-----------------------|-------------------------|----------------------------|-------------------------|
| <b>&lt;ASSETS&gt;</b>                     |                       |                         |                            |                         |
| <b>Current Assets:</b>                    |                       |                         |                            |                         |
| Cash and bank deposits                    | 589,059               |                         | 567,389                    |                         |
| Accounts and notes receivable, trade      | 86,990                |                         | 74,582                     |                         |
| Marketable securities                     | 29,595                |                         | -                          |                         |
| Inventories                               | 121,867               |                         | 99,530                     |                         |
| Deferred income taxes                     | 23,209                |                         | 24,875                     |                         |
| Other                                     | 111,310               |                         | 149,736                    |                         |
| Allowance for doubtful accounts           | (403)                 |                         | (494)                      |                         |
| <b>Total Current Assets</b>               | <b>961,629</b>        | <b>38.6</b>             | <b>915,621</b>             | <b>37.2</b>             |
| <b>Property and Equipment:</b>            |                       |                         |                            |                         |
| Buildings and structures                  | 343,369               |                         | 343,251                    |                         |
| Furniture and fixtures                    | 144,121               |                         | 148,391                    |                         |
| Vehicles                                  | 19                    |                         | 16                         |                         |
| Land                                      | 379,092               |                         | 373,605                    |                         |
| Construction in progress                  | 8,069                 |                         | 10,687                     |                         |
| <b>Total Property and Equipment</b>       | <b>874,671</b>        | <b>35.2</b>             | <b>875,951</b>             | <b>35.6</b>             |
| <b>Intangible Assets</b>                  | <b>146,448</b>        | <b>5.9</b>              | <b>148,178</b>             | <b>6.0</b>              |
| <b>Investments and Other Assets:</b>      |                       |                         |                            |                         |
| Investments in securities                 | 86,688                |                         | 83,517                     |                         |
| Long-term leasehold deposits              | 358,718               |                         | 379,220                    |                         |
| Deferred income taxes                     | 13,300                |                         | 14,742                     |                         |
| Other                                     | 53,227                |                         | 50,778                     |                         |
| Allowance for doubtful accounts           | (5,944)               |                         | (6,082)                    |                         |
| <b>Total Investments and Other Assets</b> | <b>505,990</b>        | <b>20.3</b>             | <b>522,176</b>             | <b>21.2</b>             |
| <b>Total Non-Current Assets</b>           | <b>1,527,110</b>      | <b>61.4</b>             | <b>1,546,305</b>           | <b>62.8</b>             |
| <b>Total Assets</b>                       | <b>2,488,739</b>      | <b>100.0</b>            | <b>2,461,927</b>           | <b>100.0</b>            |

## CONDENSED CONSOLIDATED BALANCE SHEETS (Cont.)

(Millions of Yen)

|  | As of May<br>31, 2004 | % of<br>total<br>assets | As of February<br>29, 2004 | % of<br>total<br>assets |
|--|-----------------------|-------------------------|----------------------------|-------------------------|
| <b>&lt;LIABILITIES&gt;</b>   |                       |                         |                            |                         |
| <b>Current Liabilities:</b>  |                       |                         |                            |                         |
| Accounts and notes payable, trade  | 260,132               |                         | 250,800                    |                         |
| Short-term loans   | 2,794                 |                         | 4,367                      |                         |
| Current portion of long-term loans                                       | 28,822                |                         | 7,971                      |                         |
| Income taxes payable   | 20,022                |                         | 44,167                     |                         |
| Deposits received  | 57,860                |                         | 65,071                     |                         |
| Allowance for bonuses to employees                                       | 18,119                |                         | 9,625                      |                         |
| Other  | 223,486               |                         | 199,623                    |                         |
| <b>Total Current Liabilities</b>   | <b>611,238</b>        | <b>24.6</b>             | <b>581,626</b>             | <b>23.6</b>             |
| <b>Non-Current Liabilities:</b>  |                       |                         |                            |                         |
| Straight bonds   | 135,000               |                         | 135,000                    |                         |
| Long-term loans  | 74,949                |                         | 86,353                     |                         |
| Commercial paper   | 28,523                |                         | 34,135                     |                         |
| Deferred income taxes  | 14,443                |                         | 15,025                     |                         |
| Accrued pension and severance costs                                      | 9,018                 |                         | 9,304                      |                         |
| Allowance for retirement benefits to directors<br>and corporate auditors | 2,551                 |                         | 4,566                      |                         |
| Deposits received from tenants   | 44,409                |                         | 44,245                     |                         |
| Other  | 47,427                |                         | 47,466                     |                         |
| <b>Total Non-Current Liabilities</b>                                     | <b>356,323</b>        | <b>14.3</b>             | <b>376,097</b>             | <b>15.3</b>             |
| <b>Total Liabilities</b>   | <b>967,561</b>        | <b>38.9</b>             | <b>957,724</b>             | <b>38.9</b>             |
| <b>Minority interest in consolidated subsidiaries</b>                    | <b>376,749</b>        | <b>15.1</b>             | <b>365,992</b>             | <b>14.9</b>             |
| <b>&lt;SHAREHOLDERS' EQUITY&gt;</b>                                      |                       |                         |                            |                         |
| <b>Common stock</b>  | <b>47,987</b>         | <b>1.9</b>              | <b>47,987</b>              | <b>2.0</b>              |
| <b>Capital surplus</b>   | <b>121,810</b>        | <b>4.9</b>              | <b>121,807</b>             | <b>4.9</b>              |
| <b>Retained earnings</b>   | <b>988,551</b>        | <b>39.7</b>             | <b>980,876</b>             | <b>39.8</b>             |
| <b>Unrealized gains on available-for-sale securities</b>                 | <b>2,993</b>          | <b>0.1</b>              | <b>2,225</b>               | <b>0.1</b>              |
| <b>Cumulative translation adjustment</b>                                 | <b>(12,957)</b>       | <b>(0.5)</b>            | <b>(10,773)</b>            | <b>(0.4)</b>            |
| <b>Treasury stock, at cost</b>   | <b>(3,956)</b>        | <b>(0.1)</b>            | <b>(3,913)</b>             | <b>(0.2)</b>            |
| <b>Total Shareholders' Equity</b>  | <b>1,144,427</b>      | <b>46.0</b>             | <b>1,138,210</b>           | <b>46.2</b>             |
| <b>Total Liabilities, Minority Interest and Shareholders' Equity</b>     | <b>2,488,739</b>      | <b>100.0</b>            | <b>2,461,927</b>           | <b>100.0</b>            |

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

|  | Three months ended<br>May 31, 2004 | % of<br>net<br>sales | Fiscal year ended<br>February 29, 2004 | % of<br>net<br>sales |
|--|------------------------------------|----------------------|--|----------------------|
| <b>Revenues from Operations</b>                            | <b>867,791</b>                     |                      | <b>3,542,146</b>                       |                      |
| Net Sales  | 767,003                            | 100.0                | 3,161,316                              | 100.0                |
| Cost of sales  | <u>548,776</u>                     | 71.5                 | <u>2,240,910</u>                       | 70.9                 |
| <b>Gross profit on sales</b>                               | <b>218,227</b>                     | <b>28.5</b>          | <b>920,405</b>                         | <b>29.1</b>          |
| Other operating income                                     | 100,788                            | 13.1                 | 380,829                                | 12.1                 |
| <b>Gross profit from operations - Total</b>                | <b>319,015</b>                     | <b>41.6</b>          | <b>1,301,235</b>                       | <b>41.2</b>          |
| <b>Selling, general and administrative expenses</b>        | <b>266,995</b>                     | <b>34.8</b>          | <b>1,093,451</b>                       | <b>34.6</b>          |
| <b>Operating income</b>                                    | <b>52,019</b>                      | <b>6.8</b>           | <b>207,783</b>                         | <b>6.6</b>           |
| Non-operating income                                       | 1,892                              | 0.2                  | 7,392                                  | 0.2                  |
| Non-operating expenses                                     | (2,284)                            | 0.3                  | (14,387)                               | 0.4                  |
| <b>Ordinary income</b>                                     | <b>51,627</b>                      | <b>6.7</b>           | <b>200,787</b>                         | <b>6.4</b>           |
| Special gains  | 226                                | 0.0                  | 2,593                                  | 0.0                  |
| Special losses   | (3,919)                            | 0.5                  | (25,597)                               | 0.8                  |
| <b>Income before income taxes and minority interest</b>    | <b>47,935</b>                      | <b>6.2</b>           | <b>177,784</b>                         | <b>5.6</b>           |
| Income taxes - Current                                     | 17,758                             | 2.3                  | 76,353                                 | 2.4                  |
| Income taxes - Deferred                                    | 2,062                              | 0.3                  | 108                                    | 0.0                  |
| Minority interest in earnings of consolidated subsidiaries | 12,721                             | 1.6                  | 47,689                                 | 1.5                  |
| <b>Net income</b>  | <b>15,392</b>                      | <b>2.0</b>           | <b>53,632</b>                          | <b>1.7</b>           |

## CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS AND RETAINED EARNINGS

(Millions of Yen)

|  | Three months ended<br>May 31, 2004 | Fiscal year ended<br>February 29, 2004 |
|--|------------------------------------|--|
| <b>Capital surplus</b>   |                                    |  |
| <b>Capital surplus at beginning of period</b>                          | <b>121,807</b>                     | <b>121,477</b>                         |
| <b>Increase in capital surplus</b>                                     |                                    |  |
| Increase through a stock for stock exchange                            | -                                  | 154                                    |
| Gain on sales of treasury stock  | 3                                  | 175                                    |
| <b>Total</b>   | <b>3</b>                           | <b>329</b>                             |
| <b>Capital surplus at end of period</b>                                | <b>121,810</b>                     | <b>121,807</b>                         |
| <b>Retained earnings</b>   |                                    |  |
| <b>Retained earnings at beginning of period</b>                        | <b>980,876</b>                     | <b>941,280</b>                         |
| <b>Increase in retained earnings</b>                                   |                                    |  |
| Net income   | 15,392                             | 53,632                                 |
| Increase resulting from adoption of U.S. GAAP<br>by foreign subsidiary | 18                                 | 422                                    |
| <b>Total</b>   | <b>15,411</b>                      | <b>54,054</b>                          |
| <b>Decrease in retained earnings</b>                                   |                                    |  |
| Dividends paid   | 7,514                              | 14,163                                 |
| Bonuses to directors and corporate auditors                            | 222                                | 294                                    |
| <b>Total</b>   | <b>7,736</b>                       | <b>14,458</b>                          |
| <b>Retained earnings at end of period</b>                              | <b>988,551</b>                     | <b>980,876</b>                         |

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

|   | Three months ended<br>May 31, 2004 | Fiscal year ended<br>February 29, 2004 |
|---|------------------------------------|--|
| <b>Cash flows from operating activities:</b>  |                                    |  |
| Income before income taxes and minority interest  | 47,935                             | 177,784                                |
| Depreciation and amortization   | 22,676                             | 94,984                                 |
| Equity in earnings of affiliates  | (713)                              | (2,460)                                |
| Increase in accounts and notes receivable   | (12,250)                           | (24,320)                               |
| Decrease in inventories   | (4,145)                            | (3,316)                                |
| Increase in accounts and notes payable  | 9,611                              | 17,357                                 |
| Net increase (decrease) of unsettled fund related to subsidiary (Bank)'s ATM business             | 25,748                             | (31,773)                               |
| Proceeds from debt and issuance of bonds in subsidiary (Bank)                                     | 30,000                             | 30,000                                 |
| Others  | 10,186                             | 57,423                                 |
| <b>Subtotal</b>   | <b>129,048</b>                     | <b>315,678</b>                         |
| Interest and dividends received   | 610                                | 2,882                                  |
| Interest paid   | (3,195)                            | (11,270)                               |
| Income taxes paid   | (41,771)                           | (69,334)                               |
| <b>Net cash provided by operating activities</b>  | <b>84,692</b>                      | <b>237,956</b>                         |
| <b>Cash flows from investing activities:</b>  |                                    |  |
| Acquisitions of property and equipment  | (26,555)                           | (126,732)                              |
| Payment for long-term leasehold deposits and advance for store construction                       | (9,409)                            | (30,645)                               |
| Refund of long-term leasehold deposits  | 29,305                             | 27,193                                 |
| Others  | (3,756)                            | 12,552                                 |
| <b>Net cash used in investing activities</b>  | <b>(10,416)</b>                    | <b>(117,632)</b>                       |
| <b>Cash flows from financing activities:</b>  |                                    |  |
| Proceeds from commercial paper issued by foreign subsidiary                                       | 228,033                            | 592,106                                |
| Payments for redemption of commercial paper issued by foreign subsidiary                          | (233,255)                          | (610,359)                              |
| Dividends paid  | (7,354)                            | (14,163)                               |
| Dividends paid for minority interest  | (7,858)                            | (15,255)                               |
| Others  | (3,668)                            | (106,059)                              |
| <b>Net cash used in financing activities</b>  | <b>(24,104)</b>                    | <b>(153,731)</b>                       |
| Effect of exchange rate changes on cash and cash equivalents                                      | (232)                              | (4,097)                                |
| Net increase (decrease) in cash and cash equivalents  | 49,938                             | (37,505)                               |
| Cash and cash equivalents at beginning of period  | 567,389                            | 604,895                                |
| Cash and cash equivalents of newly consolidated variable interest entities at beginning of period | 651                                | -                                      |
| <b>Cash and cash equivalents at end of period</b>   | <b>617,980</b>                     | <b>567,389</b>                         |

## SEGMENT INFORMATION

### <Business Segments>

Three months ended May 31, 2004 (From March 1, 2004 to May 31, 2004)

(Millions of Yen)

|                           | Superstore operations | Convenience store operations | Restaurant operations | Others        | Total before eliminations | Eliminations   | Consolidated total |
|---------------------------|-----------------------|------------------------------|-----------------------|---------------|---------------------------|----------------|--------------------|
| <b>Revenues:</b>          |                       |                              |                       |               |                           |                |                    |
| Customers                 | 409,198               | 413,534                      | 31,410                | 13,648        | 867,791                   | -              | 867,791            |
| Intersegment              | 3,201                 | 82                           | 451                   | 3,283         | 7,018                     | (7,018)        | -                  |
| <b>Total revenues</b>     | <b>412,399</b>        | <b>413,616</b>               | <b>31,862</b>         | <b>16,932</b> | <b>874,810</b>            | <b>(7,018)</b> | <b>867,791</b>     |
| <b>Operating expenses</b> | <b>408,900</b>        | <b>367,884</b>               | <b>30,997</b>         | <b>15,024</b> | <b>822,807</b>            | <b>(7,035)</b> | <b>815,771</b>     |
| <b>Operating income</b>   | <b>3,498</b>          | <b>45,731</b>                | <b>864</b>            | <b>1,907</b>  | <b>52,002</b>             | <b>16</b>      | <b>52,019</b>      |

Fiscal year ended February 29, 2004 (From March 1, 2003 to February 29, 2004)

(Millions of Yen)

|                                | Superstore operations | Convenience store operations | Restaurant operations | Others         | Total before eliminations | Eliminations    | Consolidated total |
|--------------------------------|-----------------------|------------------------------|-----------------------|----------------|---------------------------|-----------------|--------------------|
| <b>Revenues:</b>               |                       |                              |                       |                |                           |                 |                    |
| Customers                      | 1,656,544             | 1,721,200                    | 124,381               | 40,020         | 3,542,146                 | -               | 3,542,146          |
| Intersegment                   | 12,784                | 257                          | 1,808                 | 11,935         | 26,786                    | (26,786)        | -                  |
| <b>Total revenues</b>          | <b>1,669,329</b>      | <b>1,721,458</b>             | <b>126,189</b>        | <b>51,955</b>  | <b>3,568,933</b>          | <b>(26,786)</b> | <b>3,542,146</b>   |
| <b>Operating expenses</b>      | <b>1,648,163</b>      | <b>1,533,990</b>             | <b>122,928</b>        | <b>56,098</b>  | <b>3,361,180</b>          | <b>(26,817)</b> | <b>3,334,362</b>   |
| <b>Operating income (loss)</b> | <b>21,165</b>         | <b>187,467</b>               | <b>3,261</b>          | <b>(4,142)</b> | <b>207,752</b>            | <b>31</b>       | <b>207,783</b>     |

#### NOTES:

1. The classification of business segment is made according to the type of products and service and the type of sales.

2. Major business of each segment are as follows:

Superstore operations ----- Superstore, supermarket, department store and speciality shop

Convenience store operations ----- Convenience store business operated by corporate stores and franchised stores under the name of "7-Eleven".

Restaurant operations ----- Coffee shop style restaurant, family restaurant operated in shopping center and catering

Others ----- Financial business , Electronic commerce business and others