

# Consolidated Financial Results for the Fiscal Year Ended February 28, 2005 SEVEN-ELEVEN JAPAN CO., LTD.

April 7, 2005

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

- Securities Code No. 8183
- The Company's shares are listed on the First Section of the Tokyo Stock Exchange.
- Address: 8-8, Nibancho, Chiyoda-ku, Tokyo 102-8455, Japan
- Date of the meeting of the Board of Directors to settle consolidated accounts: April 7, 2005
- Parent Company: Ito-Yokado Co., Ltd. (Code No. 8264) -- Percentage of shares parent company is holding: 50.6%
- U.S. GAAP is not applied.

## 1. Business Results for the Current Fiscal Year (from March 1, 2004 to February 28, 2005)

### (1) Results of Operations (Millions of yen, except per share amounts)

	Revenue from Operations		Operating Income		Ordinary Income	
Current Fiscal Year	502,516	6.0%	170,729	3.0%	178,208	4.8%
Prior Fiscal Year	474,283	11.8%	165,698	6.3%	170,079	10.6%
	Net Income		Net Income per Share		Diluted Net Income per Share	
Current Fiscal Year	96,330	3.4%	120.07	(yen)	120.00	(yen)
Prior Fiscal Year	93,135	12.4%	115.74	(yen)	115.73	(yen)
	Ratio of Net Income to Shareholders' Equity		Ratio of Ordinary Income to Total Assets		Ratio of Ordinary Income to Revenue from Operations	
Current Fiscal Year	14.3%		16.4%		35.5%	
Prior Fiscal Year	14.6%		19.6%		35.9%	

- Notes:
1. All amounts less than one million yen have been disregarded.
  2. Equity in earnings of affiliates:  
Current fiscal year: 4,083 million yen      Prior fiscal year: 2,021 million yen
  3. Average number of shares outstanding:  
Current fiscal year: 801,587,720 shares      Prior fiscal year: 803,982,149 shares
  4. Change in accounting policies : yes
  5. Percentages above represent increase/decrease over prior fiscal year unless otherwise stated.

### (2) Financial Position (Millions of yen, except per share amounts)

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
February 28, 2005	1,284,130	712,377	55.5%	888.61 (yen)
February 29, 2004	889,922	639,016	71.8%	797.06 (yen)

Note: Number of outstanding shares at the end of the fiscal year:  
Current fiscal year: 801,581,883 shares      Prior fiscal year: 801,611,060 shares

### (3) Cash Flows (Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Current Fiscal Year	127,044	(175,623)	(13,281)	261,386
Prior Fiscal Year	144,910	(102,225)	(74,611)	323,313

### (4) Matters Concerning Consolidated Subsidiaries and Investments in Companies that are Accounted for Using the Equity Method

- The number of consolidated subsidiaries: 31
- The number of unconsolidated subsidiaries for which the equity method is applied: 2
- The number of affiliated companies accounted for using the equity method: 7

### (5) Changes in the Scope of Consolidation

- The number of consolidated subsidiaries increased by 26
- The number of affiliated companies accounted for using the equity method increased by 3 and decreased by 2

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

(Millions of yen)

	Revenue from Operations		Operating Income		Ordinary Income		Net Income	
Interim Period	941,000	266.0%	101,000	13.2%	101,000	7.4%	55,500	3.2%
Entire Year	1,890,000	276.1%	199,000	16.6%	197,500	10.8%	106,500	10.6%

(Reference) Expected net income per share for the year ending February 28, 2006: 132.86yen

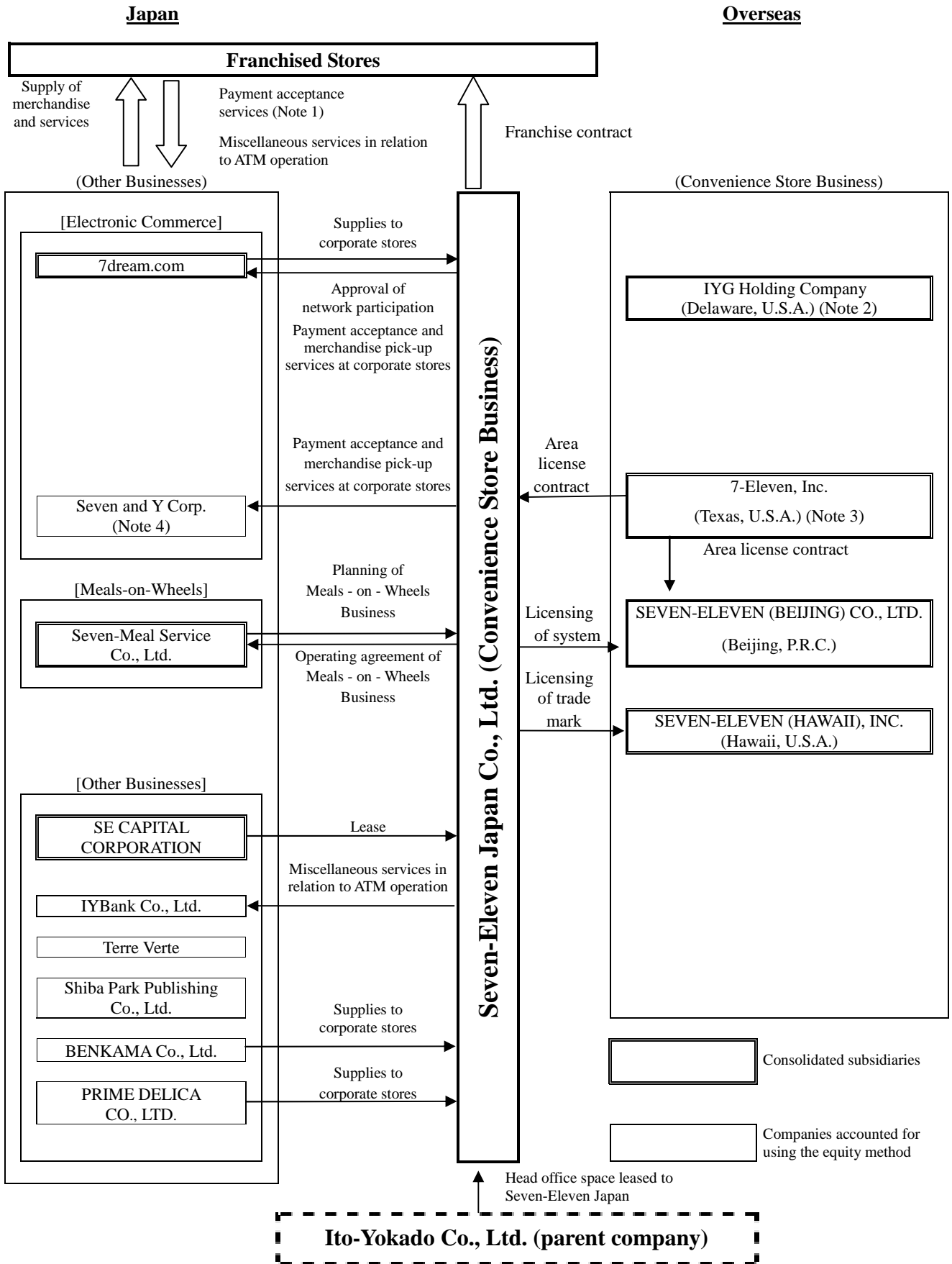
Note: Percentages above represent increase/decrease over prior fiscal year.

### FORWARD-LOOKING STATEMENTS

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

# GROUP ORGANIZATION

The Group is comprised of Seven-Eleven Japan Co., Ltd., 34 subsidiaries and 7 affiliated companies in the convenience store business as well as other businesses.



- Notes:
1. The payment acceptance services performed by franchised stores for Seven-Eleven's other businesses are carried out on behalf of 7dream.com and Seven and Y Corp.
  2. IYG Holding Company is a holding company for 7-Eleven, Inc.
  3. 7-Eleven, Inc. has 27 consolidated subsidiaries and 1 affiliated company.
  4. Seven and Y Corp. changed its trade name from e-Shopping! Books CORP. on January 5, 2005.

# CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	February 28, 2005		February 29, 2004		Increase (Decrease)
	Amount	%	Amount	%	
<b>ASSETS</b>					
<b>Current assets</b>	<b>391,584</b>	<b>30.5</b>	<b>378,875</b>	<b>42.6</b>	<b>12,708</b>
Cash and bank deposits	262,352		323,313		
Accounts receivable-trade	19,260		1,697		
Accounts receivable due from franchised stores	7,373		13,280		
Short-term loans receivable	17,197		9,128		
Inventories	35,006		3,305		
Deposits held by financial service company	10,000		10,000		
Deferred income taxes	7,749		5,869		
Other	33,051		12,374		
Allowance for doubtful accounts	(407)		(93)		
<b>Non-current assets</b>	<b>892,546</b>	<b>69.5</b>	<b>511,046</b>	<b>57.4</b>	<b>381,499</b>
<b>Property and equipment</b>	<b>656,614</b>	<b>51.1</b>	<b>274,918</b>	<b>30.9</b>	<b>381,695</b>
Buildings and structures	233,094		94,500		
Furniture, fixtures and equipment	134,136		26,658		
Land	261,898		139,090		
Other	27,485		14,669		
<b>Intangible assets</b>	<b>90,682</b>	<b>7.1</b>	<b>7,510</b>	<b>0.8</b>	<b>83,171</b>
Goodwill	83,223		765		
Other	7,458		6,745		
<b>Investments and other assets</b>	<b>145,249</b>	<b>11.3</b>	<b>228,617</b>	<b>25.7</b>	<b>(83,367)</b>
Investments in securities	10,222		8,569		
Investments in affiliates	16,059		64,264		
Investments in convertible bonds of an affiliate	-		14,940		
Long-term loans receivable	9,206		52,150		
Long-term prepaid expenses	9,688		7,176		
Deferred income taxes	12,718		4,608		
Long-term leasehold deposits	80,832		71,549		
Other	8,581		7,058		
Allowance for doubtful accounts	(2,060)		(1,700)		
<b>TOTAL ASSETS</b>	<b>1,284,130</b>	<b>100.0</b>	<b>889,922</b>	<b>100.0</b>	<b>394,208</b>

(Millions of yen)

	February 28, 2005		February 29, 2004		Increase (Decrease)
	Amount	%	Amount	%	
<b>LIABILITIES</b>					
<b>Current liabilities</b>	<b>344,593</b>	<b>26.8</b>	<b>232,570</b>	<b>26.1</b>	<b>112,022</b>
Accounts payable-trade	165,937		115,532		
Accounts payable due to franchised stores	4,901		4,385		
Income taxes payable	37,307		40,713		
Deposits received	45,234		44,684		
Allowance for bonuses to employees	2,128		2,086		
Allowance for sales promotion	121		207		
Other	88,962		24,960		
<b>Non-current liabilities</b>	<b>186,424</b>	<b>14.6</b>	<b>17,020</b>	<b>1.9</b>	<b>169,404</b>
Long-term debt	35,563		10,204		
Commercial paper	22,493		-		
Deferred income taxes	67,424		-		
Accrued pension and severance costs	7,250		-		
Allowance for retirement benefits to directors and corporate auditors	1,246		1,240		
Other	52,445		5,575		
<b>TOTAL LIABILITIES</b>	<b>531,017</b>	<b>41.4</b>	<b>249,590</b>	<b>28.0</b>	<b>281,426</b>
<b>MINORITY INTERESTS</b>	<b>40,735</b>	<b>3.1</b>	<b>1,314</b>	<b>0.2</b>	<b>39,420</b>
<b>SHAREHOLDERS' EQUITY</b>					
<b>Common stock</b>	<b>17,200</b>	<b>1.3</b>	<b>17,200</b>	<b>1.9</b>	<b>-</b>
<b>Capital surplus</b>	<b>24,565</b>	<b>1.9</b>	<b>24,564</b>	<b>2.8</b>	<b>1</b>
<b>Retained earnings</b>	<b>735,187</b>	<b>57.4</b>	<b>672,204</b>	<b>75.6</b>	<b>62,982</b>
<b>Net unrealized gains on available-for-sale securities</b>	<b>1,363</b>	<b>0.1</b>	<b>1,058</b>	<b>0.1</b>	<b>304</b>
<b>Cumulative translation adjustments</b>	<b>(1,069)</b>	<b>(0.1)</b>	<b>(11,246)</b>	<b>(1.3)</b>	<b>10,176</b>
<b>Treasury stock</b>	<b>(64,869)</b>	<b>(5.1)</b>	<b>(64,764)</b>	<b>(7.3)</b>	<b>(104)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>712,377</b>	<b>55.5</b>	<b>639,016</b>	<b>71.8</b>	<b>73,360</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>1,284,130</b>	<b>100.0</b>	<b>889,922</b>	<b>100.0</b>	<b>394,208</b>

# CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Current Fiscal Year		Prior Fiscal Year		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
<b>Operating income and expenses</b>						
<b>Revenue from operations</b>	<b>502,516</b>	<b>100.0</b>	<b>474,283</b>	<b>100.0</b>	<b>28,233</b>	<b>106.0</b>
Franchise commission from franchised stores	343,617		324,186			
Other operating revenue	2,525		2,051			
Net sales of corporate stores	156,373		148,044			
<b>Cost of sales</b>	<b>119,590</b>	<b>23.8</b>	<b>111,441</b>	<b>23.5</b>	<b>8,148</b>	<b>107.3</b>
<b>Gross profit</b>	<b>382,925</b>	<b>76.2</b>	<b>362,841</b>	<b>76.5</b>	<b>20,084</b>	<b>105.5</b>
Selling, general and administrative expenses	212,196	42.2	197,143	41.6	15,053	107.6
<b>Operating income</b>	<b>170,729</b>	<b>34.0</b>	<b>165,698</b>	<b>34.9</b>	<b>5,030</b>	<b>103.0</b>
<b>Non-operating income and expenses</b>						
<b>Non-operating income</b>	<b>8,244</b>	<b>1.6</b>	<b>4,933</b>	<b>1.1</b>	<b>3,310</b>	<b>167.1</b>
Interest income	2,254		2,106			
Equity in earnings of affiliates	4,083		2,021			
Foreign exchange gain	1,024		-			
Other	881		804			
<b>Non-operating expenses</b>	<b>764</b>	<b>0.1</b>	<b>552</b>	<b>0.1</b>	<b>211</b>	<b>138.4</b>
Provision for allowance for doubtful accounts	657		346			
Other	106		205			
<b>Ordinary income</b>	<b>178,208</b>	<b>35.5</b>	<b>170,079</b>	<b>35.9</b>	<b>8,129</b>	<b>104.8</b>
<b>Special gains and losses</b>						
<b>Special gains</b>	<b>121</b>	<b>0.0</b>	<b>46</b>	<b>0.0</b>	<b>75</b>	<b>260.1</b>
Gain from sales of property and equipment	96		13			
Gain from sales of investments in securities	25		6			
Other	-		27			
<b>Special losses</b>	<b>14,714</b>	<b>2.9</b>	<b>9,844</b>	<b>2.1</b>	<b>4,870</b>	<b>149.5</b>
Loss on sales of property and equipment	1,672		3,224			
Loss on disposals of property and equipment	2,362		1,474			
Impairment loss	4,867		-			
Valuation loss on property and equipment	1,543		4,884			
Valuation loss on investments in securities	27		72			
Head office relocation expenses	736		-			
Amortization of unrecognized prior service costs	3,355		-			
Other	149		188			
<b>Income before income taxes and minority interests</b>	<b>163,615</b>	<b>32.6</b>	<b>160,281</b>	<b>33.8</b>	<b>3,334</b>	<b>102.1</b>
Income taxes - current	70,358		69,586			
Income taxes - deferred	(2,828)		(2,245)			
Minority interests in losses of consolidated subsidiaries	244		194			
<b>Net income for the year</b>	<b>96,330</b>	<b>19.2</b>	<b>93,135</b>	<b>19.6</b>	<b>3,195</b>	<b>103.4</b>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

	Current Fiscal Year	Prior Fiscal Year	Increase (Decrease)
<b>Capital surplus</b>			
<b>Balance of capital surplus at beginning of year</b>	<b>24,564</b>	<b>24,563</b>	<b>0</b>
<b>Increase in capital surplus</b>	<b>1</b>	<b>0</b>	<b>0</b>
Gain on sales of treasury stock	1	0	
<b>Decrease in capital surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance of capital surplus at end of year</b>	<b>24,565</b>	<b>24,564</b>	<b>1</b>
<b>Retained earnings</b>			
<b>Balance of retained earnings at beginning of year</b>	<b>672,204</b>	<b>609,556</b>	<b>62,648</b>
<b>Increase in retained earnings</b>	<b>96,330</b>	<b>93,135</b>	<b>3,195</b>
Net income for the period	96,330	93,135	
<b>Decrease in retained earnings</b>	<b>33,347</b>	<b>30,487</b>	<b>2,860</b>
Cash dividends	33,266	30,387	
Bonuses to directors and corporate auditors	81	99	
<b>Balance of retained earnings at end of year</b>	<b>735,187</b>	<b>672,204</b>	<b>62,982</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Current Fiscal Year	Prior Fiscal Year	Increase (Decrease)
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	163,615	160,281	3,334
Depreciation of property and equipment	29,559	27,058	2,500
Amortization of intangible assets	1,514	1,902	(387)
Impairment loss	4,867	-	4,867
Decrease of long-term prepaid expenses	876	712	163
Provision for allowance for doubtful accounts	674	411	263
Provision for accrued pension and severance costs	1,645	-	1,645
Interest and dividend income	(2,345)	(2,199)	(145)
Foreign exchange (gain) loss	(1,024)	9	(1,034)
Equity in earnings of affiliates	(4,083)	(2,021)	(2,061)
Valuation loss on investments in securities	27	72	(45)
Net loss on sales or disposals of property and equipment	4,116	4,757	(641)
Valuation loss on property and equipment	1,543	4,884	(3,341)
Decrease (increase) in accounts receivable from and payable to franchised stores	6,422	(5,734)	12,156
Other, net	(7,659)	16,413	(24,073)
Sub-total	199,750	206,549	(6,798)
Interest and dividends received	1,644	1,696	(52)
Income taxes paid	(74,350)	(63,335)	(11,014)
<b>Net cash provided by operating activities</b>	<b>127,044</b>	<b>144,910</b>	<b>(17,865)</b>
<b>Cash flows from investing activities:</b>			
Acquisition of property and equipment	(48,993)	(43,177)	(5,815)
Proceeds from sales of property and equipment	2,682	2,149	532
Acquisition of intangible assets	(1,751)	(1,348)	(402)
Acquisition of investments in securities	(19,894)	(532)	(19,361)
Acquisition of investments in a newly consolidated subsidiary	(95,049)	-	(95,049)
Payment of loans receivable	(741)	(36,796)	36,055
Collection of loans receivable	412	406	6
Payment of long-term leasehold deposits	(17,529)	(16,544)	(984)
Refund of long-term leasehold deposits	6,427	3,909	2,517
Increase in deposits held by financial service company	-	(10,000)	10,000
Payment of long-term prepaid expenses	(552)	(360)	(191)
Other	(633)	70	(704)
<b>Net cash used in investing activities</b>	<b>(175,623)</b>	<b>(102,225)</b>	<b>(73,397)</b>
<b>Cash flows from financing activities:</b>			
Long-term debt proceeds	22,000	10,000	12,000
Repayment of long-term debt	(4,931)	(1,732)	(3,198)
Purchase of treasury stock	(111)	(53,215)	53,104
Cash dividends	(33,257)	(30,374)	(2,882)
Proceeds from issuance of a new subsidiary's interests to minority interest	-	650	(650)
Other	3,018	60	2,957
<b>Net cash used in financing activities</b>	<b>(13,281)</b>	<b>(74,611)</b>	<b>61,330</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(65)</b>	<b>(226)</b>	<b>161</b>
<b>Decrease in cash and cash equivalents</b>	<b>(61,926)</b>	<b>(32,154)</b>	<b>(29,772)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>323,313</b>	<b>355,467</b>	<b>(32,154)</b>
<b>Cash and cash equivalents at end of year</b>	<b>261,386</b>	<b>323,313</b>	<b>(61,926)</b>

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

### 1. Principles of consolidation

#### (1) Number of consolidated subsidiaries: 31

Major consolidated subsidiaries: SEVEN-ELEVEN (HAWAII), INC., 7dream.com, Seven-Meal Service Co., Ltd., SE CAPITAL CORPORATION, SEVEN-ELEVEN (BEIJING) CO., LTD., IYG Holding Company and 7-Eleven, Inc.

IYG Holding Company (major subsidiaries: 7-Eleven, Inc. and other 24 subsidiaries), which applied the equity method is included in consolidation from the acquisition of additional shares in the fiscal year ended February 28, 2005. In the consolidation process, the balance sheet was consolidated and the equity method was applied to the statement of income due to the fact that the acquisition date was February 28, 2005.

#### (2) Name of unconsolidated subsidiaries:

Puerto Rico-7, Inc., Brazos Comercial E Empreendimentos Ltda. and 7-Eleven Limited.

Reason for unconsolidation: The unconsolidated subsidiaries are small. Their total assets, sales, the Company's portion of their net income or loss and retained earnings are immaterial and the effect on the Company's consolidated financial statements would not be material.

### 2. Application of the equity method of accounting for investments

#### (1) Number of unconsolidated subsidiaries to which the equity method was applied: 2

Names: Puerto Rico-7, Inc. and Brazos Comercial E Empreendimentos Ltda.

#### (2) Number of affiliates to which the equity method was applied: 7

Major affiliates: IYBank Co., Ltd. and PRIME DELICA CO., LTD.

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

7-Eleven Limited.

Reason for not applying equity method: The Company's portion of its net income or loss (as calculated by the equity method) and retained earnings (as calculated by the equity method) are immaterial and the effect on the Company's consolidated financial statements would not be material.

### 3. Fiscal year-end of consolidated subsidiaries

The fiscal year-end for the consolidated subsidiaries, with the exception of SE CAPITAL CORPORATION, is December 31, 2004, which is different from the Company's and SE CAPITAL CORPORATION's fiscal year-end of February 28. The financial statements of these subsidiaries as of and for the year ended December 31 are used in preparing the Company's consolidated financial statements. All material transactions occurring during the period from January 1, 2005 to February 28, 2005 are adjusted for the consolidation process.

### 4. Summary of significant accounting policies

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

##### (1) Valuation method for securities

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

Available-for-sale securities are classified into two categories: (i) fair value is available and (ii) fair value is not available.

- (i) Securities, whose fair value is available, are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of the shareholders' equity at a net-of-tax amount. Cost of sales is determined by the moving-average method.

- (ii) Securities, whose fair value is not available, are principally valued at cost, determined by the moving-average method.
- (2) Valuation method for derivatives
  - Derivative financial instruments are valued at fair value.
- (3) Valuation method for inventories
  - Merchandise inventories are principally valued at cost, determined by the retail method and at the lower of cost or market value by the LIFO method for foreign consolidated subsidiaries.
- (b) Depreciation and amortization
  - (1) Property and equipment
    - The Company and domestic consolidated subsidiaries  
Depreciation expenses are computed principally using the declining-balance method.
    - Foreign consolidated subsidiaries  
Depreciation expenses are computed using the straight-line method.
  - (2) Intangible assets
    - Amortization expenses for intangible assets are computed using the straight-line method for the Company and its domestic consolidated subsidiaries. Software is amortized using the straight-line method over an estimated useful life of 5 years. Consolidated subsidiaries in the United States carry out an impairment test for goodwill and other intangible fixed assets with indefinite lives in accordance with the provisions of Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets", and decrease the book value if required.
- (c) Allowances
  - (1) Allowance for doubtful accounts
    - An allowance for doubtful accounts is provided against potential losses on collection at an amount measured using a historical bad debt ratio for normal receivables, plus an amount individually measured on the collectibility of receivables that are expected to be uncollectible due to bad financial condition or insolvency.
  - (2) Allowance for bonuses to employees
    - An allowance for bonuses to employees is provided for bonuses payable to employees at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.
  - (3) Allowance for sales promotion
    - An allowance for sales promotion is provided for the use of points given to customers at the amount expected to be used on the balance sheet date in accordance with the sales promotion point card program.
  - (4) Allowance for accrued pension and severance costs
    - An allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. Unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arise. Unrecognized prior service costs are amortized in full in which they arise.

(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 and its domestic consolidated subsidiaries participate 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, unrecognized prior service costs of ¥ 3,355 million were recognized and charged to income in full in the current year.

- (5) Allowance for retirement benefits to directors and corporate auditors
  - An allowance for retirement benefits to directors and corporate auditors is provided in accordance with the Company's internal policy.

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

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into yen at current exchange rates prevailing at the fiscal year-end. Resulting translation gains or losses are charged or credited to income. Assets and liabilities of foreign subsidiaries are translated into yen at current exchange rates prevailing at the respective fiscal year-end of those subsidiaries, while income and expenses are translated at an annual average rate. Resulting translation adjustments are included in “shareholders’ equity”.

(e) Leases

Finance leases, except those for which ownership of the leased assets is considered to be transferred to the lessee, are principally accounted for as operating leases for the Company and its domestic consolidated subsidiaries. Foreign consolidated subsidiaries account for finance leases as assets and obligations at an amount equal to the present value of the lease payments during the lease term.

(f) Hedge accounting

(1) Method of hedge accounting

Consolidated subsidiaries in the United States applied a hedge accounting under U.S. GAAP to interest rate swaps.

(2) Hedging instruments and hedged items

Hedging instruments and hedged items for which hedge accounting was adopted for the fiscal year ended February 28, 2005 are as follows:

(i) Hedging instruments

Interest rate swaps

(ii) Hedged items

Variable-rate commercial paper

Interest rate swap contracts expired during the year ended February 28, 2005.

Accordingly hedging instruments and hedged items ceased as of February 28, 2005.

(3) Hedging policy

The Company utilizes financial instruments to hedge interest rate fluctuation exposure associated with hedged items.

(g) Other significant accounting policies for the preparation of consolidated financial statements

(1) Accounting for franchised stores in convenience store operations

The Company recognized the franchised fee from franchised stores in “Revenue from operations”.

7-Eleven, Inc. included the assets, liabilities, shareholders’ equity and income or expenses of the franchisee’s convenience stores operations in its financial statements. However, the balance sheet of 7-Eleven, Inc. was consolidated and earnings of 7-Eleven, Inc. was included in the consolidated statements of income using the equity method.

(2) Accounting for consumption taxes

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

5. Valuation of assets and liabilities of consolidated subsidiaries

All assets and liabilities of the consolidated subsidiaries, including the portion attributable to minority interests, are valued at fair value applicable to the respective dates when the subsidiaries were initially consolidated.

## 6. Goodwill

Goodwill, representing the difference between the cost of an investment in a subsidiary and the fair value of the Company's share of the net assets of the subsidiary, is treated as an asset or a liability, as the case may be, and is amortized over a reasonable period within twenty years on a straight-line basis. However, if the goodwill is immaterial, it is expensed in full in the year in which it is incurred. The above policy is also applied to goodwill arising from investments in affiliates accounted for using the equity method.

## 7. Appropriation of retained earnings

The accompanying Consolidated Statements of Retained Earnings have been prepared based on the appropriation of retained earnings approved during the year.

## 8. Cash and cash equivalents

Cash and cash equivalents in the accompanying Consolidated Statements of Cash Flows are composed of cash on hand, bank deposits which can be withdrawn at any time, and short-term investments with an original maturity of three months or less, which are considered to represent a low risk of market price fluctuation.

## **Change in Accounting Policies**

(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 Standards 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 the 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 ¥4,867 million.

Accumulated impairment losses are deducted directly from related fixed assets.

Consolidated subsidiaries in the United States have ever applied accounting standards for fixed assets impairment under U.S. GAAP.

## **Notes to Consolidated Financial Statements**

*Consolidated Balance Sheets;*

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
1. Investments in nonconsolidated subsidiaries and affiliates		
Investments in affiliates:	16,059	64,264
Convertible bonds:	-	14,940
2. Accumulated depreciation of property and equipment	453,522	186,162
3. Assets pledged as collateral	1,740	1,802
4. Contingent liabilities	1,005	621

*Consolidated Statements of Income;*

1. Major items included in “Selling, general and administrative expenses” are as follows:

(Millions of yen)

	For the year ended February 28, 2005	For the year ended February 29, 2004
Rent expenses	38,534	33,328
Salaries and wages	32,865	31,634
Utilities	25,567	24,285
Depreciation expenses	24,851	24,313
Advertising expenses	22,718	23,054

2. For the year ended February 28, 2005, the Company recognized impairment losses for the following group of assets.

	Description	Location	Amount (Millions of yen)
Operating stores	Land, Buildings and structures, and Other	Tokyo 11 stores	4,867
		Saitama 7 stores	
		Other 45 stores	

The Company groups its fixed assets by the minimum cash-generating unit. Impairment losses of ¥ 4,867 million (Land, ¥ 4,142 million; Buildings and structures, ¥ 605 million; and Other, ¥ 118 million) were recognized and recorded in special losses as a result of the procedures for accounting for impairment of fixed assets. Impairment losses are carrying amounts in excess of the recoverable value of stores whose land had significantly depreciated, which were due to be closed in the near future, or which made consecutive operating losses.

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

*Consolidated Statements of Cash Flows;*

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

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
Cash and bank deposits	262,352	323,313
Time deposits with an original maturity of more than three months	(965)	-
Cash and cash equivalents	261,386	323,313

2. Summary of assets and liabilities of a company newly included in consolidation following the acquisition of shares.

The opening balances of assets and liabilities as of February 28, 2005 (newly consolidated), and acquisition cost and net payment for the acquisition of shares of IYG Holding Company are as follows:

(Millions of yen)

Current assets	81,425
Non-current assets	387,946
Goodwill	80,523
Current liabilities	(110,840)
Non-current liabilities	(225,834)
Minority interests	(39,675)
Portion of the Company’s interests acquired in the previous period	(66,457)
Acquisition cost of shares	107,086
Cash and cash equivalents	12,036
Less: Net payment for the acquisition of shares	95,049

## Segment Information

### 1. Business segment information

Business segment information both for the fiscal year ended February 28, 2005 and February 29, 2004 have not been disclosed because revenue from operations, operating income and total assets of the convenience store business constituted over 90% of the consolidated totals, respectively.

### 2. Geographic segment information

Fiscal year ended February 28, 2005

(Millions of yen)

	Japan	U.S.A.	Others	Total	Elimination	Consolidation Total
I. Revenues and operating income (loss)						
Revenues:						
(1) Customers	486,699	15,651	165	502,516	-	502,516
(2) Intersegment	11	-	-	11	(11)	-
Total revenues	486,710	15,651	165	502,527	(11)	502,516
Operating expenses	315,981	15,517	298	331,798	(11)	331,786
Operating income (loss)	170,728	133	(133)	170,729	(0)	170,729
II. Assets	765,277	508,275	52,301	1,325,854	(41,723)	1,284,130

Notes: 1. The classification of geographic area segments is made by the geographical distances.  
2. Others consist of the business results in China and Canada.

Geographic segment information for the fiscal year ended February 29, 2004 has not been disclosed because revenue from operations and total assets in Japan constituted over 90% of the consolidated totals, respectively.

### 3. Overseas sales

Net sales incurred in overseas operations both for the fiscal year ended February 28, 2005 and February 29, 2004 have not been disclosed because such sales constituted less than 10% of consolidated revenue from operations.

## Leases

[1] Financial lease contracts other than those by which the ownership of the leased assets is to be transferred to lessee

#### 1. As lessee

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

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
	Facilities and equipment	Facilities and equipment
Acquisition cost	2,693	2,480
Accumulated depreciation	1,482	930
Net book value	1,210	1,550

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

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
Within one year	373	481
Over one year	837	1,069
Total	1,210	1,550

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

(Millions of yen)

	For the year ended February 28, 2005	For the year ended February 29, 2004
Lease payments	536	427
Depreciation expense	536	427

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

2. As lessor

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

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
Acquisition cost	30,061	19,097
Accumulated depreciation	9,090	4,597
Net book value	20,970	14,499

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

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
Within one year	5,407	3,592
Over one year	15,842	10,860
Total	21,249	14,452

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

(Millions of yen)

	For the year ended February 28, 2005	For the year ended February 29, 2004
Lease income	4,995	2,914
Depreciation expense	4,648	2,690
Interest income	499	320

(4) Allocation of interest income to each period is computed using the interest method.

(5) The amounts of outstanding future lease payments to be received for sub-leases, which are not included in (2) above, are summarized as follows:

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
Within one year	6,530	4,720
Over one year	12,410	11,123
Total	18,941	15,844

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

[2] Operating leases

As lessee

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

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
Within one year	1,036	1,000
Over one year	3,141	3,505
Total	4,177	4,505

## Related Party Transactions

(As of and for the year ended February 28, 2005)

### (1) Parent company and major corporate shareholders

(Millions of yen)

Relationship	Name	Address	Common stock	Business	Percentage of equity ownership held by the Company	Detail of relationship		Transaction	Amount of transaction	Name of account on book	Balance at year-end
						Number of directors assigned	Business relationship				
Parent company	Ito-Yokado Co., Ltd.	Chiyoda-ku, Tokyo	47,987	Superstore operations	Direct: 52.0 %	Three directors of the Company	-	Purchase of shares of subsidiary	107,086	-	-
								Purchase of convertible bond of subsidiary	18,366	-	-

### (2) Directors and major individual shareholders

(Millions of yen)

Relationship	Name	Address	Common stock	Business	Percentage of equity ownership held	Detail of relationship		Transaction	Amount of transaction	Name of account on book	Balance at year-end
						Number of directors assigned	Business relationship				
Director	Masaaki Kamata	-	-	Vice Chairman and Director	Direct: 0.0 %	-	-	Sales of shares of affiliated company	2	-	-
Director	Toshiro Yamaguchi	-	-	Representative Director	Direct: 0.0 %	-	-	Sales of shares of affiliated company	2	-	-
Director	Tadahiko Ujii	-	-	Senior managing Director	Direct: 0.0 %	-	-	Sales of shares of affiliated company	5	-	-
Director	Noritomo Banzai	-	-	Senior managing Director	Direct: 0.0 %	-	-	Sales of shares of affiliated company	1	-	-

### (3) Subsidiaries and affiliates

(Millions of yen)

Relationship	Name	Address	Common stock	Business	Percentage of equity ownership held by the Company	Detail of relationship		Transaction	Amount of transaction	Name of account on book	Balance at year-end
						Number of directors assigned	Business relationship				
Subsidiary	7-Eleven, Inc.	Texas, U.S.A.	\$11 thousand	Operation of convenience store	Direct: 5.7% Indirect: 68.1 %	Three directors of the Company	Entered into an area license agreement	Receipt of interest	1,074	-	-
Affiliate	IYBank Co., Ltd.	Chiyoda-ku, Tokyo	61,000	Bank	Direct: 24.9%	One director of the Company	Miscellaneous services in relation to ATM operation	Deposit (Change)	(9,489)	Cash and bank deposits	105,427
								Receipt of interest	27	-	-

Note: Balance sheet items due from/to 7-Eleven, Inc. were excluded from the table above because the balance sheet of 7-Eleven, Inc. was consolidated.

## (4) Subsidiaries of parent company

(Millions of yen)

Relationship	Name	Address	Common stock	Business	Percentage of equity ownership held by the Company	Detail of relationship		Transaction	Amount of transaction	Name of account on book	Balance at year-end
						Number of directors assigned	Business relationship				
Subsidiary of parent company	IYG Financial Center Co.,Ltd.	Chiyoda -ku, Tokyo	10	Money lending business and credit guarantee	-	One director of the Company	Bailment of fund	Bailment of fund (Change)	-	Deposits held by financial service company	10,000
								Receipt of interest	8	Interest receivable	0

(Note: The amounts above do not include consumption taxes.)

**Deferred income taxes**

1. The tax effects of temporary differences that give rise to the significant components of deferred tax assets and liabilities are as follows:

(Millions of yen)

	As of February 28, 2005
Deferred tax assets:	
Non-deductible portion of allowance for doubtful accounts	1,232
Allowance for bonuses to employees	866
Enterprise tax payable	3,336
Non-deductible portion of depreciation on property and equipment	3,092
Accrued pension and severance costs	669
Allowance for retirement benefits to directors and corporate auditors	507
Impairment loss	1,981
Valuation loss on land	1,669
Non-deductible accrued payroll	3,613
Unrealized loss on fixed assets	1,391
Tax loss carried forward	3,681
Non-deductible accrued expenses	7,285
Others	5,669
Sub-total	34,997
Valuation allowance	(5,049)
Total deferred tax assets	29,948
Deferred tax liabilities	
Unrealized gain on fixed assets	(74,278)
Others	(2,626)
Total deferred tax liabilities	(76,905)
Deferred tax liabilities, net	(46,957)

2. The reconciliation between the statutory tax rate and the effective tax rate has not been disclosed because the difference is less than 5%.

## Securities Information

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

(Millions of yen)

	Description	As of February 28, 2005			As of February 29, 2004		
		Book value	Fair value	Difference	Book value	Fair value	Difference
Securities, fair value exceeds book value	Governmental and municipal bonds	0	0	0	0	0	0
Total		0	0	0	0	0	0

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

(Millions of yen)

	Description	As of February 28, 2005			As of February 29, 2004		
		Acquisition cost	Book value	Net unrealized gains/(losses)	Acquisition cost	Book value	Net unrealized gains/(losses)
Securities, book value exceeds acquisition cost	Equity securities	5,206	7,539	2,332	5,212	6,698	1,486
	Sub-Total	5,206	7,539	2,332	5,212	6,698	1,486
Securities, book value does not exceed acquisition cost	Equity securities	152	112	(39)	135	109	(25)
	Sub-Total	152	112	(39)	135	109	(25)
Total		5,359	7,652	2,293	5,347	6,808	1,460

### 3. Available-for-sale securities sold during the fiscal year ended February 28, 2005.

Information regarding available-for-sale securities sold during the fiscal year ended February 28, 2005 has not been disclosed because it is considered to be immaterial.

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

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
(1) Held-to-maturity debt securities		
- Bond	199	199
- Unlisted foreign bond	3	-
(2) Available-for-sale securities		
- Unlisted securities (excluding OTC securities)	1,360	560
- Foreign securities	1,006	1,000
(3) Convertible bonds issued by a subsidiary	-	14,940
Total	2,570	16,700

### 5. Redemption schedules of available-for-sale securities and held-to-maturity debt securities

(Millions of yen)

	As of February 28, 2005				As of February 29, 2004			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Within one year	Over one year within five years	Over five years within ten years	Over ten years
(1) Governmental and municipal bonds	-	0	-	-	-	0	-	-
(2) Bond	-	203	-	-	-	-	200	-
Total	-	203	-	-	-	0	200	-

## Derivative Transactions

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

### 1. Currency-related transactions

(Millions of yen)

Description	As of February 28, 2005				As of February 29, 2004			
	Notional amounts total	Notional amounts, due over one year	Fair value	Unrealized gain (loss)	Notional amounts total	Notional amounts, due over one year	Fair value	Unrealized gain (loss)
Currency swap transactions U.S. dollars	47,472	47,472	6,839	6,839	-	-	-	-

Note: Calculation of fair value

Currency swap --- The fair value is based on prices obtained from financial institutions.

## Accounting for Retirement Benefits

### 1. Retirement benefit plans

The Company and its domestic consolidated subsidiaries have an enterprise pension plan based on the "Defined Benefit Corporate Pension Plan Act".

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 and its domestic consolidated subsidiaries participate 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. The Company and its domestic consolidated subsidiaries have changed the calculation method of defined benefit obligations to the Point system.

Some foreign consolidated subsidiaries have defined contribution retirement plans.

### 2. Accrued pension and severance costs are analyzed as follows:

(Millions of yen)

	<u>As of February 28, 2005</u>	<u>As of February 29, 2004</u>
Projected benefit obligations	(22,533)	(13,697)
Plan assets	13,236	12,176
Funded status	(9,297)	(1,520)
Unrecognized actuarial differences	3,121	2,999
Unrecognized prior service costs	542	-
Others	(1,617)	-
Book value, net	(7,250)	1,478
Prepaid pension cost	-	1,478
Accrued pension and severance costs	(7,250)	-

Note: Others include ¥1,168 million of allowance for postretirement benefits other than pension that is provided for by a consolidated subsidiary in the United States.

### 3. The components of net pension expense relating to retirement benefits are as follows:

(Millions of yen)

	<u>For the year ended February 28, 2005</u>	<u>For the year ended February 29, 2004</u>
Service cost	1,567	1,289
Interest cost	389	308
Expected return on plan assets	(426)	(397)
Amortization of actuarial differences	334	216
Amortization of unrecognized prior service costs	3,355	-
Net pension expense	5,221	1,417

4. Assumptions used in calculation of accrued pension and severance costs and net pension expense are as follows:

	<u>As of and for the year ended</u> <u>February 28, 2005</u>	<u>As of and for the year</u> <u>ended February 29, 2004</u>
(1) Method of allocating the projected benefits to periods of service	(i) Point basis (ii) Benefit formula basis for consolidated subsidiaries in the United States.	Benefit formula basis
(2) Discount rate	(i) 2.5% (ii) 6% for consolidated subsidiaries in the United States.	2.5%
(3) Expected rate of return on plan assets	3.5%	3.5%
(4) Amortization of actuarial differences	(i) 10 years (ii) Consolidated subsidiaries in the United States have adopted corridor approach for the amortization of actuarial differences.	10 years

## **Breakdown of Sales by Product Category**

(Millions of yen)

	For the year ended February 28, 2005		Increase from prior year (%)	For the year ended February 29, 2004	
	Sales	%		Sales	%
Processed Food	758,445	30.9	104.6	725,382	30.8
Fast Food	718,396	29.2	102.0	704,440	29.9
Daily Food	317,988	12.9	104.3	304,993	12.9
Sub-total	1,794,830	73.0	103.5	1,734,816	73.6
Non-food	661,834	27.0	106.1	623,934	26.4
Total	2,456,664	100.0	104.2	2,358,750	100.0

## **Number of Stores by Geographical Area (As of February 28, 2005)**

Area	Number of Stores	Area	Number of Stores
Hokkaido	813	Nara	51
Iwate	7	Wakayama	35
Miyagi	321	Okayama	161
Yamagata	118	Hiroshima	361
Fukushima	353	Yamaguchi	195
Ibaraki	455	Fukuoka	632
Tochigi	327	Saga	118
Gunma	324	Nagasaki	46
Saitama	771	Kumamoto	153
Chiba	719	Oita	19
Tokyo	1,387	Miyazaki	110
Kanagawa	812	Domestic – total	10,826
Niigata	300	United States	5,311
Yamanashi	143	Canada	488
Nagano	340	Hawaii	53
Shizuoka	412	Beijing	10
Aichi	289	Consolidated Subsidiaries - total	5,862
Shiga	139	Total	16,688
Kyoto	144	Foreign area licensees total	11,039
Osaka	449	Grand total of Seven-Eleven's stores worldwide	27,727
Hyogo	322		

Notes: 1. The figures for the number of stores in Japan are as of February 28, 2005 and others are as of December 31, 2004.

2. The number of stores in United States and Canada includes corporate stores and franchised stores of 7-Eleven, Inc.

3. The number of stores in Hawaii and China includes corporate stores of SEVEN-ELEVEN (HAWAII), INC., and those of SEVEN-ELEVEN (BEIJING) CO., LTD.

All amounts less than one million yen have been disregarded.

**BRIEF SUMMARY**

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**of**

**RESULTS of FY2005**

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**SEVEN-ELEVEN JAPAN CO., LTD.**

# SUMMARY OF RESULTS OF FY2005

## < CONSOLIDATED BUSINESS RESULTS >

### 1. Financial Results : Review & Estimation

	04/2		05/2		06/2(est.)	
	million yen	YOY %	million yen	YOY %	million yen	YOY %
Revenue from Operations	474,283	111.8	502,516	106.0	1,890,000	376.1
Operating Income	165,698	106.3	170,729	103.0	199,000	116.6
Ordinary Income	170,079	110.6	178,208	104.8	197,500	110.8
Net Income	93,135	112.4	96,330	103.4	106,500	110.6
Earnings per Share	115.74	115.0	120.07	103.7	132.86	110.7

\* Figures for 06/2 include forecast of IYG Holding Company.

## 2. CAPITAL EXPENDITURES

(million yen)

	04/2	YOY	05/2	YOY
Investment to stores	59,374	97.4 %	66,819	112.5 %
Software development	858	79.1 %	1,699	198.0 %
Total	60,233	97.1 %	68,519	113.8 %

\* Estimated capital expenditures for 06/2: 113,000 million yen

## 3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(million yen)

	04/2	YOY	05/2	YOY
Advertising and publicity	23,054	119.5 %	22,718	98.5 %
Salaries and wages	46,210	110.1 %	47,676	103.2 %
Depreciation and amortization	28,961	105.3 %	31,074	107.3 %
[Amortization]	[1,902 ]	[69.2 %]	[1,514 ]	[79.6 %]
Rent	33,328	123.8 %	38,534	115.6 %
Utilities	24,285	105.5 %	25,567	105.3 %
Others	41,303	96.3 %	46,625	112.9 %
Total	197,143	108.5 %	212,196	107.6 %

\*Estimated depreciation and amortization for 06/2: 68,000 million yen

## 4. CASH FLOWS

(million yen)

	04/2	Increase / Decrease	05/2	Increase / Decrease
Cash flows from operating activities	144,910	19,030	127,044	-17,865
Cash flows from investing activities	-102,225	-26,535	-175,623	-73,397
Cash flows from financing activities	-74,611	-38,700	-13,281	61,330
Decrease in cash and cash equivalents	-32,154	-46,249	-61,926	-29,772
Cash and cash equivalents at end of year	323,313	-32,154	261,386	-61,926

\*Increase / Decrease means increase or decrease from previous fiscal year.

## 5. FINANCIAL INDICATORS

	04/2	05/2
Return on total assets	10.7 %	8.9 %
Return on shareholders' equity	14.6 %	14.3 %
Current ratio	162.9 %	113.6 %
Fixed asset ratio	80.0 %	125.3 %
Shareholders' equity ratio	71.8 %	55.5 %
Earnings per share	115.74 yen	120.07 yen
Book value per share	797.06 yen	888.61 yen

## 6. NUMBER OF EMPLOYEES

	04/2	05/2
Number of employees (consolidated)	5,362	27,771

\* Numbers of part-time workers are not included in the above figures.

< **NONCONSOLIDATED BUSINESS RESULTS** >

**1. Financial Results: Review & Estimation**

	04/2		05/2		06/2(est.)	
		YOY		YOY		YOY
	million yen	%	million yen	%	million yen	%
Total Store Sales	2,343,177	105.9	2,440,853	104.2	2,557,000	104.8
Revenue from Operations	445,413	111.2	467,233	104.9	496,000	106.2
Operating Income	166,899	105.7	174,365	104.5	181,000	103.8
Ordinary Income	168,892	105.8	176,070	104.2	181,500	103.1
Net Income	91,475	105.7	92,891	101.5	100,000	107.7
Earnings per Share	yen	%	yen	%	yen	%
	113.68	108.0	115.78	101.9	124.75	107.7
Number of Domestic Stores	10,303		10,826		11,376	
Net Store Increase	+ 613		+ 523		+ 550	
Net Sales Increase, Existing Store Only (%)	- 0.6		- 0.7		±0.0	
Gross Margin (%)	30.6	+ 0.1	30.7	+ 0.1	30.9	+0.2
Average Daily Sales per Store (thousand yen)	647	-9	639	-8		

## 2. CAPITAL EXPENDITURES

(million yen)

	04/2	YOY	05/2	YOY
Investment to stores	49,173	87.9 %	54,206	110.2 %
Software development	800	74.1 %	1,689	211.1 %
Total	49,973	87.7 %	55,895	111.9 %

\*Estimated capital expenditures for 06/2: 54,000 million yen

## 3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(million yen)

	04/2	YOY	05/2	YOY
Advertising and publicity	22,866	119.8 %	22,535	98.6 %
Salaries and wages	43,584	110.9 %	45,078	103.4 %
Depreciation and amortization	25,931	100.6 %	26,064	100.5 %
[Amortization]	[1,881 ]	[68.8 %]	[1,485 ]	[78.9 %]
Rent	32,969	124.6 %	38,169	115.8 %
Utilities	24,013	105.5 %	25,282	105.3 %
Others	41,745	100.2 %	47,073	112.8 %
Total	191,112	109.2 %	204,203	106.9 %

\*Estimated depreciation and amortization for 06/2: 26,500 million yen

## 4. MAJOR FINANCIAL INDICATORS

	04/2	05/2
Return on total assets	10.5 %	10.1 %
Return on shareholders' equity	13.9 %	13.4 %
Current ratio	158.9 %	127.7 %
Fixed asset ratio	80.8 %	92.7 %
Shareholders' equity ratio	74.0 %	76.1 %
Earnings per share	113.68 yen	115.78 yen
Book value per share	826.01 yen	900.79 yen
Dividends on shareholders' equity*	4.8 %	5.0 %
Payout ratio	34.2 %	37.1 %

\*Dividends on shareholders' equity =  $\frac{\text{Total cash dividends}}{\text{Average shareholders' equity}} \times 100$

## 5. NUMBER OF EMPLOYEES

	04/2	05/2
Number of employees (nonconsolidated)	4,665	4,815

\* Numbers of part-time workers are not included in the above figures.