

# Nonconsolidated 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, Japa
- Date of the meeting of the Board of Directors to settle accounts: April 7, 2005
- Date of the ordinary general meeting of shareholders: May 27, 2005
- The Company has a policy of paying interim dividend
- The Company applies a unit share system. (1 unit: 100 shares)

## 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)

	Total Store Sales		Revenue from Operations		Operating Income	
	Amount	% Change	Amount	% Change	Amount	% Change
Current Fiscal Year	2,440,853	4.2%	467,233	4.9%	174,365	4.5%
Prior Fiscal Year	2,343,177	5.9%	445,413	11.2%	166,899	5.7%
	Ordinary Income		Net Income		Net Income per Share	Diluted Net Income per Share
	Amount	% Change	Amount	% Change	Amount	Amount
Current Fiscal Year	176,070	4.2%	92,891	1.5%	115.78 (yen)	-
Prior Fiscal Year	168,892	5.8%	91,475	5.7%	113.68 (yen)	-
	Ratio of Net Income to Shareholders' Equity		Ratio of Ordinary Income to Total Assets		Ratio of Ordinary Income to Revenue from Operations	
	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio
Current Fiscal Year	13.4%	19.1%	37.7%			
Prior Fiscal Year	13.9%	19.3%	37.9%			

- Notes: 1. All amounts less than one million yen have been disregarded.  
2. Average number of shares outstanding:  
Current fiscal year: 801,593,803 shares      Prior fiscal year: 803,987,681 shares  
3. Change in accounting policies : yes  
4. Percentages above represent increase/decrease over prior fiscal year unless otherwise stated.

### (2) Dividends (yen, except 'Total Dividends for the Year' amounts)

	Total Dividends per Share	Interim Dividends per Share	Year-End Dividends per Share
	Current Fiscal Year	43.00	21.50
Prior Fiscal Year	39.00	19.00	20.00
	Total Dividends for the Year	Payout Ratio	Ratio of Dividends to Shareholders' Equity
	Amount	Ratio	Ratio
Current Fiscal Year	34,468 (million yen)	37.1%	4.8%
Prior Fiscal Year	31,263 (million yen)	34.2%	4.7%

### (3) 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	948,488	722,145	76.1%
February 29, 2004	894,460	662,221	74.0%	826.01 (yen)

- Notes: 1. Number of outstanding shares at the end of the fiscal year:  
Current fiscal year: 801,588,197 shares      Prior fiscal year: 801,616,890 shares  
2. Number of treasury stock at the end of the fiscal year:  
Current fiscal year: 21,301,787 shares      Prior fiscal year: 21,273,094 shares

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

(Millions of yen, except per share amounts)

	Total Store Sales		Revenue from Operations		Operating Income		Ordinary Income		Net Income	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Interim period	1,300,000	4.2%	254,500	5.9%	94,750	3.0%	96,000	3.3%	53,500	3.7%
Entire Year	2,557,000	4.8%	496,000	6.2%	181,000	3.8%	181,500	3.1%	100,000	7.7%
	Interim Cash Dividend per Share		Year-End Cash Dividend per Share		Total Cash Dividends per Share					
	Amount	Amount	Amount	Amount	Amount	Amount				
Interim period	21.50 (yen)	-	-	-	-	-				
Entire Year	-	21.50 (yen)	43.00 (yen)							

(Reference) Expected net income per share for the year ending February 28, 2006 : 124.75ye

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.

# BALANCE SHEETS

(Millions of yen)

	February 28, 2005		February 29, 2004		Increase (Decrease)
	Amount	%	Amount	%	
<b>ASSETS</b>					
<b>Current assets</b>	<b>278,769</b>	<b>29.4</b>	<b>359,324</b>	<b>40.2</b>	<b>(80,554)</b>
Cash and bank deposits	243,534		317,428		
Accounts receivable due from franchised stores	7,373		13,280		
Inventories	3,051		2,920		
Prepaid expenses	3,983		3,445		
Deposits held by financial service company	10,000		10,000		
Deferred income taxes	5,130		5,860		
Accounts receivable-other	5,474		6,102		
Other	231		299		
Allowance for doubtful accounts	(10)		(12)		
<b>Non-current assets</b>	<b>669,718</b>	<b>70.6</b>	<b>535,136</b>	<b>59.8</b>	<b>134,582</b>
<b>Property and equipment</b>	<b>250,702</b>	<b>26.4</b>	<b>251,769</b>	<b>28.2</b>	<b>(1,067)</b>
Buildings	82,142		79,313		
Structures	14,327		13,462		
Furniture, fixtures and equipment	28,420		26,308		
Land	124,978		132,523		
Other	833		161		
<b>Intangible assets</b>	<b>6,880</b>	<b>0.7</b>	<b>6,666</b>	<b>0.7</b>	<b>213</b>
Right of leasehold	3,796		3,790		
Software	3,029		2,812		
Other	54		64		
<b>Investments and other assets</b>	<b>412,136</b>	<b>43.5</b>	<b>276,700</b>	<b>30.9</b>	<b>135,435</b>
Investments in securities	10,127		8,520		
Investments in subsidiaries and affiliates	200,803		93,090		
Investments in convertible bonds of an affiliate	33,307		14,940		
Investment in SEVEN-ELEVEN (BEIJING) CO., LTD.	1,920		1,208		
Long-term loans receivable	3,482		3,806		
Long-term loans to subsidiaries and affiliates	66,381		69,930		
Long-term prepaid expenses	9,436		6,949		
Deferred income taxes	7,070		4,566		
Long-term leasehold deposits	80,193		71,598		
Other	2,928		4,643		
Allowance for doubtful accounts	(3,515)		(2,555)		
<b>TOTAL ASSETS</b>	<b>948,488</b>	<b>100.0</b>	<b>894,460</b>	<b>100.0</b>	<b>54,027</b>

(Millions of yen)

	February 28, 2005		February 29, 2004		Increase (Decrease)
	Amount	%	Amount	%	
<b>LIABILITIES</b>					
<b>Current liabilities</b>	<b>218,364</b>	<b>23.0</b>	<b>226,196</b>	<b>25.3</b>	<b>(7,832)</b>
Accounts payable-trade	109,040		113,599		
Accounts payable due to franchised stores	4,901		4,385		
Accounts payable-other	13,019		12,847		
Income taxes payable	36,569		40,639		
Consumption taxes withheld	2,898		3,274		
Accrued expenses	3,899		3,826		
Deposits received	45,549		45,110		
Allowance for bonuses to employees	2,107		2,066		
Allowance for sales promotion	121		207		
Other	258		239		
<b>Non-current liabilities</b>	<b>7,977</b>	<b>0.9</b>	<b>6,041</b>	<b>0.7</b>	<b>1,935</b>
Guarantee deposits received from franchised stores	5,075		4,801		
Accrued pension and severance costs	1,658		-		
Allowance for retirement benefits to directors and corporate auditors	1,243		1,240		
<b>TOTAL LIABILITIES</b>	<b>226,342</b>	<b>23.9</b>	<b>232,238</b>	<b>26.0</b>	<b>(5,896)</b>
<b>SHAREHOLDERS' EQUITY</b>					
<b>Common stock</b>	<b>17,200</b>	<b>1.8</b>	<b>17,200</b>	<b>1.9</b>	<b>-</b>
<b>Capital surplus</b>	<b>24,565</b>	<b>2.6</b>	<b>24,564</b>	<b>2.7</b>	<b>1</b>
Additional paid-in capital	24,563		24,563		
Other capital surplus	1		0		
Gain on sales of treasury stock	1		0		
<b>Retained earnings</b>	<b>743,891</b>	<b>78.4</b>	<b>684,347</b>	<b>76.5</b>	<b>59,543</b>
Legal reserve	4,300		4,300		
General reserve	646,209		585,209		
Unappropriated retained earnings	93,381		94,838		
<b>Net unrealized gains on available-for-sale securities</b>	<b>1,335</b>	<b>0.1</b>	<b>854</b>	<b>0.1</b>	<b>481</b>
<b>Treasury stock</b>	<b>(64,846)</b>	<b>(6.8)</b>	<b>(64,744)</b>	<b>(7.2)</b>	<b>(102)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>722,145</b>	<b>76.1</b>	<b>662,221</b>	<b>74.0</b>	<b>59,923</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>948,488</b>	<b>100.0</b>	<b>894,460</b>	<b>100.0</b>	<b>54,027</b>

# 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>467,233</b>	<b>100.0</b>	<b>445,413</b>	<b>100.0</b>	<b>21,820</b>	<b>104.9</b>
Franchise commission from franchised stores	343,617		324,186			
( Net sales reported by franchised stores						
Current fiscal year :           2,319,544						
Prior fiscal year :           2,223,998						
Total net sales (including net sales of corporate stores)						
Current fiscal year :           2,440,853						
Prior fiscal year :           2,343,177						
Other operating revenue	2,307		2,047			
Net sales of corporate stores	121,308		119,178		2,130	101.8
Cost of sales	88,664	19.0	87,401	19.6	1,262	101.4
<b>Gross profit</b>	<b>378,569</b>	<b>81.0</b>	<b>358,011</b>	<b>80.4</b>	<b>20,557</b>	<b>105.7</b>
Selling, general and administrative expenses	204,203	43.7	191,112	42.9	13,091	106.9
<b>Operating income</b>	<b>174,365</b>	<b>37.3</b>	<b>166,899</b>	<b>37.5</b>	<b>7,465</b>	<b>104.5</b>
<b>Non-operating income and expenses</b>						
<b>Non-operating income</b>	<b>3,082</b>	<b>0.7</b>	<b>2,877</b>	<b>0.6</b>	<b>204</b>	<b>107.1</b>
Interest income	1,576		1,233			
Other	1,505		1,644			
<b>Non-operating expenses</b>	<b>1,377</b>	<b>0.3</b>	<b>884</b>	<b>0.2</b>	<b>493</b>	<b>155.8</b>
Provision for allowance for doubtful accounts	1,257		679			
Other	120		204			
<b>Ordinary income</b>	<b>176,070</b>	<b>37.7</b>	<b>168,892</b>	<b>37.9</b>	<b>7,177</b>	<b>104.2</b>
<b>Special gains and losses</b>						
<b>Special gains</b>	<b>110</b>	<b>0.0</b>	<b>19</b>	<b>0.0</b>	<b>91</b>	<b>564.6</b>
Gain from sales of property and equipment	96		13			
Gain from sales of investments in securities	13		6			
<b>Special losses</b>	<b>15,175</b>	<b>3.2</b>	<b>9,906</b>	<b>2.2</b>	<b>5,268</b>	<b>153.2</b>
Loss on sales of property and equipment	1,672		3,224			
Loss on disposals of property and equipment	2,338		1,450			
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	724		-			
Amortization of unrecognized prior service costs	3,326		-			
Other	674		274			
<b>Income before income taxes</b>	<b>161,006</b>	<b>34.5</b>	<b>159,005</b>	<b>35.7</b>	<b>2,000</b>	<b>101.3</b>
Income taxes - current	70,219		69,475			
Income taxes - deferred	(2,104)		(1,944)			
<b>Net income for the year</b>	<b>92,891</b>	<b>19.9</b>	<b>91,475</b>	<b>20.5</b>	<b>1,415</b>	<b>101.5</b>
Retained earnings brought forward	17,725		18,594			
Interim dividends	17,234		15,231			
<b>Unappropriated retained earnings</b>	<b>93,381</b>		<b>94,838</b>		<b>(1,456)</b>	

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

### 1. Valuation method for securities

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

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

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 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 of Seven-Eleven Japan Co., Ltd. (the "Company") are valued at cost, determined by the retail method.

### 4. Depreciation and amortization

#### (1) Property and equipment

Depreciation expenses are computed using the declining-balance method, at rates based on the estimated useful lives of assets.

#### (2) Intangible assets

Amortization expenses for intangible assets are computed using the straight-line method. Software is amortized using the straight-line method over an estimated useful life of 5 years.

### 5. 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 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 participates in, was transferred to the "TY 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 ¥3,326 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.

6. Leases

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.

7. Hedge accounting

(1) Method of hedge accounting

Currency swap contracts which meet the requirements for the application of hedge accounting are accounted for by allocating contracted exchange rates for the corresponding hedged foreign currency transaction and balances.

(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:

(a) Hedging instruments

Currency swap contracts

(b) Hedged items

Receivables denominated in foreign currencies

(3) Hedging policy

The Company utilizes financial instruments to hedge foreign currency exchange rate fluctuation exposure associated with hedged items.

8. Accounting for consumption taxes

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

## **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

## Notes to Nonconsolidated Financial Statements

### *Nonconsolidated Balance Sheets;*

(Millions of yen)

	As of February 28, 2005	As of February 29, 2004
1. Accumulated depreciation of property and equipment	190,155	178,212
2. Assets pledged as collateral	2,066	2,142
3. Contingent liabilities	617	621
4. Number of shares authorized	3,321,559,936 shares	3,321,559,936 shares
Number of shares issued	822,889,984 shares	822,889,984 shares
[Number of treasury stock included in the above]	[21,301,787 shares]	[21,273,094 shares]

### *Nonconsolidated 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	38,169	32,969
Salaries and wages	30,876	29,619
Depreciation expenses	24,579	24,050
Utilities	25,282	24,013
Advertising expenses	22,535	22,866

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 Other	Tokyo	11 stores
		Saitama	7 stores
		Other	45 stores
			4,867

The Company groups its fixed assets by the minimum cash-generating unit. Impairment losses of ¥ 4,867 million (Land, ¥ 4,142 million; Buildings, ¥ 566 million; and Other, ¥ 157 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.

## 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	8,607	5,208
Accumulated depreciation	2,690	1,557
Net book value	5,917	3,651

(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	1,594	1,019
Over one year	4,322	2,631
Total	5,917	3,651

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

(Millions of yen)

	For the fiscal year ended February 28, 2005	For the fiscal year ended February 29, 2004
Lease payments	1,475	871
Depreciation expense	1,475	871

(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) 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	1,120	753
Over one year	3,144	2,065
Total	4,264	2,819

(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	769	705
Over one year	683	575
Total	1,452	1,281

## **Securities Information**

Investments in subsidiaries and affiliates, whose fair value is available for the year ended February 28, 2005, are as follows:

(Millions of yen)

Description	Book value	Fair value	Difference
Investments in subsidiaries	13,333	17,106	3,772

Investments in subsidiaries and affiliates, whose fair value is available for the year ended February 29, 2004, are as follows:

(Millions of yen)

Description	Book value	Fair value	Difference
Investments in affiliates	5,054	5,692	638

## **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	1,428
Allowance for bonuses to employees	857
Enterprise tax payable	3,329
Non-deductible portion of depreciation on property and equipment	2,809
Accrued pension and severance costs	675
Allowance for retirement benefits to directors and corporate auditors	506
Valuation loss on investments in securities	48
Valuation loss on investments in subsidiaries and affiliates	2,511
Impairment loss	1,981
Valuation loss on land	1,669
Others	1,690
Sub-total	17,506
Valuation allowance	(4,388)
Total deferred tax assets	13,118
Deferred tax liabilities	(916)
Deferred tax assets, net	12,201

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

# PROPOSAL FOR APPROPRIATION OF RETAINED EARNINGS

(Millions of yen)

	Fiscal Year 2005	Fiscal Year 2004	Increase (Decrease)
<b>Unappropriated retained earnings</b>	<b>93,381</b>	<b>94,838</b>	(1,456)
The above shall be appropriated as follows:			
Cash dividends	17,234	16,032	1,201
[Dividends per share]	[ 21.50 yen]	[ 20.00 yen]	
Bonuses to directors and corporate auditors	81	80	0
[Portion to corporate auditors]	[ 4 ]	[ 4 ]	[ 0 ]
General reserve	57,200	61,000	(3,800)
<b>Retained earnings carried forward</b>	<b>18,866</b>	<b>17,725</b>	<b>1,141</b>

Note: The Company paid 17,234 million yen (21.50 yen per share) as interim cash dividends on November 15, 2004.

All amounts less than one million yen have been disregarded.