

# CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MAY 31, 2005

July 7, 2005

## 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

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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 four company
Affiliates applied for equity method:	Decrease one company

## 1. Consolidated results for the first quarter ended May 31, 2005 [from March 1, 2005 to May 31, 2005]

(1) Results of Operations

(Millions of Yen, except per-share data)

	Revenues from Operations		Operating Income		Ordinary Income		Net Income	
Three months ended May 31, 2005	911,455	5.0	57,443	10.4	57,579	11.5	18,134	17.8
Three months ended May 31, 2004	867,791	(0.4)	52,019	16.7	51,627	21.6	15,392	48.7
Fiscal year ended February 28, 2005	3,623,554	2.3	211,950	2.0	208,267	3.7	17,205	(67.9)

	Net Income per Share	Diluted Net Income per Share
Three months ended May 31, 2005	43.66	43.61
Three months ended May 31, 2004	36.89	36.80
Fiscal year ended February 28, 2005	40.73	40.51

- 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.

### Qualitative Information Regarding Trends in Consolidated Performance

In the first quarter, ended May 31, 2005, Japan's economy remained on a course of gradual recovery, as exports and capital investment continued to increase and corporate profitability improved. However, there remained a strong sense of uncertainty about the future and the consumer price index was sluggish, and business conditions in the retail industry remained challenging.

In this operating environment, the Ito-Yokado Group was guided by its principle of "responding to change and strengthening fundamentals." The Company moved beyond work practices that depend on past 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 first quarter, consolidated operating revenues rose 5.0%, to 911.4 billion yen. This gain was primarily attributable to steady growth in same-store sales recorded by a subsidiary that operates convenience stores in North America and to the contribution made by new superstores.

Convenience store operations and financial services operations continued to record favorable performances, and the profitability of superstore operations improved. As a result, operating income rose 10.4%, to 57.4 billion yen, ordinary income was up 11.5%, to 57.5 billion yen, and net income increased 17.8%, to 18.1 billion yen. Accordingly, the Company recorded increases in revenues and profits.

## (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, 2005	2,555,901	1,125,230	44.0%	2,755.88
As of May 31, 2004	2,488,739	1,144,427	46.0%	2,742.52
As of February 28, 2005	2,574,817	1,144,504	44.4%	2,742.42

## (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, 2005	37,132	(39,742)	(73,224)	607,907
Three months ended May 31, 2004	84,692	(10,416)	(24,104)	617,980
Fiscal year ended February 28, 2005	266,709	(94,758)	(56,524)	683,100

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

Total assets at the end of the quarter were down 18.9 billion yen from the end of February 2005. This decline was attributable to decreases of 12.0 billion yen in minority interest in consolidated subsidiaries, and 19.2 billion yen in shareholders' equity, which offset an increase of 12.4 billion yen in liabilities. The main reason for the decline in minority interest in consolidated subsidiaries was a consolidated subsidiary's purchase of its own shares during the quarter. The decrease in shareholders' equity was mainly attributable to the Company's purchase of its own shares during the quarter. As a result, the shareholders' equity ratio became 44.0%.

Cash and cash equivalents at the end of the quarter were down 75.1 billion yen from the end of February 2005, to 607.9 billion yen. This decrease was the result of 37.1 billion yen in cash provided by operating activities, 39.7 billion yen in cash used in investing activities, and 73.2 billion yen in cash used in financing activities.

**2. Outlook for the six-month period ending August 31, 2005 [From March 1, 2005 to August 31, 2005]**

(Millions of Yen)

	Revenues from Operations		Operating Income		Ordinary Income		Net Income	
First Half	1,820,000	1.4%	118,000	5.0%	117,000	4.6%	31,300	(3.4)%

< Reference > Expected consolidated net income per share for the six-month period ending August 31, 2005 ----- 75.01 yen

On September 1, 2005, the Ito-Yokado Group will establish a holding company, and Ito-Yokado, Seven-Eleven Japan, and Denny's Japan will become wholly owned subsidiaries of the holding company. Accordingly, the Company will announce its results only to the end of the interim period, and the outlook for the fiscal year ending February 28, 2006 covers only the interim period. In regard to the Company's results in the interim period, the Company's performance is basically in line with the outlook, and as of the release of this document, there are no changes in the outlook announced on April 7, 2005.

The outlook 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 31, 2005	% of total assets	As of May 31, 2004	% of total assets	As of February 28, 2005	% of total assets
<b>&lt;ASSETS&gt;</b>						
<b>Current Assets:</b>						
Cash and bank deposits	584,328		589,059		664,124	
Accounts and notes receivable, trade	84,832		74,014		72,465	
Trade accounts receivable-financial services	35,959		25,671		32,840	
Marketable securities	27,709		29,595		19,941	
Inventories	126,048		121,867		120,300	
Deferred income taxes	27,965		23,209		31,201	
Other	116,357		98,615		118,214	
Allowance for doubtful accounts	<u>(950)</u>		<u>(403)</u>		<u>(465)</u>	
<b>Total Current Assets</b>	<b>1,002,251</b>	<b>39.2</b>	<b>961,629</b>	<b>38.6</b>	<b>1,058,623</b>	<b>41.1</b>
<b>Property and Equipment:</b>						
Buildings and structures	333,682		343,369		321,523	
Furniture and fixtures	149,576		144,121		147,821	
Vehicles	84		19		50	
Land	353,658		379,092		353,136	
Construction in progress	<u>18,655</u>		<u>8,069</u>		<u>16,795</u>	
<b>Total Property and Equipment</b>	<b>855,657</b>	<b>33.5</b>	<b>874,671</b>	<b>35.2</b>	<b>839,327</b>	<b>32.6</b>
<b>Intangible Assets</b>	<b>174,421</b>	<b>6.8</b>	<b>146,448</b>	<b>5.9</b>	<b>148,792</b>	<b>5.8</b>
<b>Investments and Other Assets:</b>						
Investments in securities	90,930		86,688		95,997	
Long-term leasehold deposits	351,140		358,718		352,236	
Deferred income taxes	27,016		13,300		28,246	
Other	58,305		53,227		58,160	
Allowance for doubtful accounts	<u>(3,822)</u>		<u>(5,944)</u>		<u>(6,568)</u>	
<b>Total Investments and Other Assets</b>	<b>523,571</b>	<b>20.5</b>	<b>505,990</b>	<b>20.3</b>	<b>528,073</b>	<b>20.5</b>
<b>Total Non-Current Assets</b>	<b>1,553,650</b>	<b>60.8</b>	<b>1,527,110</b>	<b>61.4</b>	<b>1,516,193</b>	<b>58.9</b>
<b>Total Assets</b>	<b>2,555,901</b>	<b>100.0</b>	<b>2,488,739</b>	<b>100.0</b>	<b>2,574,817</b>	<b>100.0</b>

## CONDENSED CONSOLIDATED BALANCE SHEETS (Cont.)

(Millions of Yen)

	As of May 31, 2005	% of total assets	As of May 31, 2004	% of total assets	As of February 28, 2005	% of total assets
<b>&lt;LIABILITIES&gt;</b>						
<b>Current Liabilities:</b>						
Accounts and notes payable, trade	266,882		260,132		250,095	
Short-term loans	7,415		2,794		5,654	
Current portion of long-term loans	12,740		28,822		11,467	
Current portion of bonds	20,000		-		20,000	
Income taxes payable	23,035		20,022		55,583	
Deposits received	80,344		57,860		73,100	
Other	271,729		241,605		256,802	
<b>Total Current Liabilities</b>	<b>682,147</b>	<b>26.7</b>	<b>611,238</b>	<b>24.6</b>	<b>672,703</b>	<b>26.1</b>
<b>Non-Current Liabilities:</b>						
Bonds	115,000		135,000		115,000	
Long-term loans	92,749		74,949		90,676	
Commercial paper	23,180		28,523		22,493	
Deferred income taxes	18,122		14,443		18,811	
Accrued pension and severance costs	9,851		9,018		10,463	
Allowance for retirement benefits to directors and corporate auditors	2,791		2,551		2,867	
Deposits received from tenants and franchised stores	45,415		44,409		45,342	
Other	50,608		47,427		49,091	
<b>Total Non-Current Liabilities</b>	<b>357,720</b>	<b>14.0</b>	<b>356,323</b>	<b>14.3</b>	<b>354,747</b>	<b>13.8</b>
<b>Total Liabilities</b>	<b>1,039,868</b>	<b>40.7</b>	<b>967,561</b>	<b>38.9</b>	<b>1,027,450</b>	<b>39.9</b>
<b>Minority interest in consolidated subsidiaries</b>	<b>390,802</b>	<b>15.3</b>	<b>376,749</b>	<b>15.1</b>	<b>402,862</b>	<b>15.7</b>
<b>&lt;SHAREHOLDERS' EQUITY&gt;</b>						
<b>Common stock</b>	<b>47,987</b>	<b>1.9</b>	<b>47,987</b>	<b>1.9</b>	<b>47,987</b>	<b>1.9</b>
<b>Capital surplus</b>	<b>123,092</b>	<b>4.8</b>	<b>121,810</b>	<b>4.9</b>	<b>122,653</b>	<b>4.8</b>
<b>Retained earnings</b>	<b>994,100</b>	<b>38.9</b>	<b>988,551</b>	<b>39.7</b>	<b>983,675</b>	<b>38.2</b>
<b>Unrealized gains on available-for-sale securities</b>	<b>3,056</b>	<b>0.1</b>	<b>2,993</b>	<b>0.1</b>	<b>3,080</b>	<b>0.1</b>
<b>Cumulative translation adjustments</b>	<b>(6,097)</b>	<b>(0.2)</b>	<b>(12,957)</b>	<b>(0.5)</b>	<b>(8,850)</b>	<b>(0.4)</b>
<b>Treasury stock, at cost</b>	<b>(36,909)</b>	<b>(1.5)</b>	<b>(3,956)</b>	<b>(0.1)</b>	<b>(4,041)</b>	<b>(0.2)</b>
<b>Total Shareholders' Equity</b>	<b>1,125,230</b>	<b>44.0</b>	<b>1,144,427</b>	<b>46.0</b>	<b>1,144,504</b>	<b>44.4</b>
<b>Total Liabilities, Minority Interest and Shareholders' Equity</b>	<b>2,555,901</b>	<b>100.0</b>	<b>2,488,739</b>	<b>100.0</b>	<b>2,574,817</b>	<b>100.0</b>

# CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	Three months ended May 31, 2005	% of net sales	Three months ended May 31, 2004	% of net sales	Fiscal year ended February 28, 2005	% of net sales
<b>Revenues from Operations</b>	<b>911,455</b>		<b>867,791</b>		<b>3,623,554</b>	
Net Sales	801,282	100.0	767,003	100.0	3,200,997	100.0
Cost of sales	<u>576,799</u>	72.0	<u>548,776</u>	71.5	<u>2,292,457</u>	71.6
<b>Gross profit on sales</b>	<b>224,483</b>	<b>28.0</b>	<b>218,227</b>	<b>28.5</b>	<b>908,540</b>	<b>28.4</b>
Other operating revenue	110,172	13.8	100,788	13.1	422,556	13.2
<b>Gross profit from operations - Total</b>	<b>334,655</b>	<b>41.8</b>	<b>319,015</b>	<b>41.6</b>	<b>1,331,097</b>	<b>41.6</b>
<b>Selling, general and administrative expenses</b>	<b>277,212</b>	<b>34.6</b>	<b>266,995</b>	<b>34.8</b>	<b>1,119,146</b>	<b>35.0</b>
<b>Operating income</b>	<b>57,443</b>	<b>7.2</b>	<b>52,019</b>	<b>6.8</b>	<b>211,950</b>	<b>6.6</b>
Non-operating income	2,119	0.3	1,892	0.2	5,242	0.2
Non-operating expenses	(1,982)	(0.3)	(2,284)	(0.3)	(8,926)	(0.3)
<b>Ordinary income</b>	<b>57,579</b>	<b>7.2</b>	<b>51,627</b>	<b>6.7</b>	<b>208,267</b>	<b>6.5</b>
Special gains	774	0.1	226	0.0	7,902	0.2
Special losses	(2,697)	(0.3)	(3,919)	(0.5)	(65,336)	(2.0)
<b>Income before income taxes and minority interest</b>	<b>55,657</b>	<b>7.0</b>	<b>47,935</b>	<b>6.2</b>	<b>150,832</b>	<b>4.7</b>
Income taxes - Current	19,270	2.4	17,758	2.3	97,120	3.0
Income taxes - Deferred	3,052	0.4	2,062	0.3	(16,695)	(0.5)
Minority interest in earnings of consolidated subsidiaries	15,200	1.9	12,721	1.6	53,202	1.7
<b>Net income</b>	<b>18,134</b>	<b>2.3</b>	<b>15,392</b>	<b>2.0</b>	<b>17,205</b>	<b>0.5</b>

## CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS AND RETAINED EARNINGS

(Millions of Yen)

	Three months ended May 31, 2005	Three months ended May 31, 2004	Fiscal year ended February 28, 2005
<b>Capital surplus</b>			
<b>Capital surplus at beginning of period</b>	<b>122,653</b>	<b>121,807</b>	<b>121,807</b>
<b>Increase in capital surplus</b>			
Gain on sales of treasury stock	-	3	5
Increase resulting from adoption of U.S. GAAP by foreign subsidiary	439	-	840
<b>Total</b>	<b>439</b>	<b>3</b>	<b>846</b>
<b>Capital surplus at end of period</b>	<b>123,092</b>	<b>121,810</b>	<b>122,653</b>
<b>Retained earnings</b>			
<b>Retained earnings at beginning of period</b>	<b>983,675</b>	<b>980,876</b>	<b>980,876</b>
<b>Increase in retained earnings</b>			
Net income	18,134	15,392	17,205
Increase resulting from adoption of U.S. GAAP by foreign subsidiary	-	18	9
<b>Total</b>	<b>18,134</b>	<b>15,411</b>	<b>17,214</b>
<b>Decrease in retained earnings</b>			
Cash dividends	7,513	7,514	14,193
Directors' and corporate auditors' bonuses	194	222	222
Decrease resulting from adoption of U.S. GAAP by foreign subsidiary	1	-	-
<b>Total</b>	<b>7,709</b>	<b>7,736</b>	<b>14,415</b>
<b>Retained earnings at end of period</b>	<b>994,100</b>	<b>988,551</b>	<b>983,675</b>

# CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	Three months ended May 31, 2005	Three months ended May 31, 2004	Fiscal year ended February 28, 2005
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interest	55,657	47,935	150,832
Depreciation and amortization	22,423	22,676	95,160
Equity in earnings of affiliates	(610)	(713)	(653)
Increase in accounts and notes receivable	(10,141)	(8,491)	(9,188)
Increase in trade accounts receivable-financial services	(3,118)	(4,914)	(12,083)
Increase in inventories	(4,268)	(4,145)	(17,366)
Increase in accounts and notes payable	13,099	9,611	657
Others	17,035	67,091	150,652
Subtotal	90,076	129,048	358,012
Interest and dividends received	810	610	1,908
Interest paid	(2,205)	(3,195)	(6,789)
Income taxes paid	(51,550)	(41,771)	(86,422)
<b>Net cash provided by operating activities</b>	<b>37,132</b>	<b>84,692</b>	<b>266,709</b>
<b>Cash flows from investing activities:</b>			
Acquisitions of property and equipment	(31,344)	(26,555)	(125,700)
Proceeds from sales of property and equipment	1,950	1,046	29,138
Payment for purchase of investments in securities	(8,503)	(8,001)	(32,129)
Proceeds from sales and maturity of investments in securities	8,734	7,042	28,447
Payment for long-term leasehold deposits and advances for store construction	(5,709)	(9,409)	(34,626)
Refund of long-term leasehold deposits	4,908	29,305	51,383
Others	(9,779)	(3,845)	(11,272)
<b>Net cash used in investing activities</b>	<b>(39,742)</b>	<b>(10,416)</b>	<b>(94,758)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from long-term-debt	5,000	2,000	22,000
Repayment of long-term debt	(3,292)	(2,671)	(50,105)
Proceeds from commercial paper issued by foreign subsidiary	160,243	228,033	614,226
Payments for redemption of commercial paper issued by foreign subsidiary	(151,324)	(233,255)	(619,793)
Dividends paid	(7,376)	(7,354)	(14,192)
Dividends paid for minority interests	(8,385)	(7,858)	(16,446)
Purchase of treasury stock	(32,867)	(50)	(137)
Purchase of subsidiaries' treasury stock	(38,729)	(91)	(147)
Others	3,508	(2,856)	8,072
<b>Net cash used in financing activities</b>	<b>(73,224)</b>	<b>(24,104)</b>	<b>(56,524)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>641</b>	<b>(232)</b>	<b>(368)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(75,192)</b>	<b>49,938</b>	<b>115,058</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>683,100</b>	<b>567,389</b>	<b>567,389</b>
<b>Cash and cash equivalents of newly consolidated variable interest entities at beginning of period</b>	<b>-</b>	<b>651</b>	<b>651</b>
<b>Cash and cash equivalents at end of period</b>	<b>607,907</b>	<b>617,980</b>	<b>683,100</b>

## SEGMENT INFORMATION

### <Business Segments>

Three months ended May 31, 2005 (From March 1, 2005 to May 31, 2005)

(Millions of Yen)

	Superstore operations	Convenience store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations	Consolidated total
<b>Revenues:</b>								
Customers	424,864	437,340	30,852	16,414	1,983	911,455	-	911,455
Intersegment	3,147	169	449	3,115	1,658	8,540	(8,540)	-
<b>Total revenues</b>	<b>428,011</b>	<b>437,509</b>	<b>31,302</b>	<b>19,530</b>	<b>3,641</b>	<b>919,996</b>	<b>(8,540)</b>	<b>911,455</b>
<b>Operating expenses</b>	<b>422,629</b>	<b>389,720</b>	<b>30,505</b>	<b>16,111</b>	<b>3,566</b>	<b>862,533</b>	<b>(8,521)</b>	<b>854,012</b>
<b>Operating income</b>	<b>5,382</b>	<b>47,789</b>	<b>796</b>	<b>3,418</b>	<b>75</b>	<b>57,462</b>	<b>(19)</b>	<b>57,443</b>

#### NOTES:

- The classification of business segment is made by the type of products and service and the type of sales.
- Major businesses 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
  - Financial services ----- Bank, credit card and lease business
  - Others ----- Electronic commerce business and other services
- Due to the expansion of bank business, the Company's senior management reviewed the segment categories and decided to create a new segment, "Financial services", in addition to the existing four segments from the interim period of the prior fiscal year. The financial services segment mainly consists of bank, credit card and lease business. Accordingly, the Company started to provide segment information by five reporting segments which consist of superstore operations, convenience store operations, restaurant operations, financial services and others from the interim period of the prior fiscal year. The following tables show the business segment information for the three-month period ended May 31, 2004, reclassified to conform with the new segment categories.

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

(Millions of Yen)

	Superstore operations	Convenience store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations	Consolidated total
<b>Revenues:</b>								
Customers	409,198	413,534	31,410	11,610	2,038	867,791	-	867,791
Intersegment	3,201	82	451	1,828	1,454	7,018	(7,018)	-
<b>Total revenues</b>	<b>412,399</b>	<b>413,616</b>	<b>31,862</b>	<b>13,438</b>	<b>3,493</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>11,345</b>	<b>3,678</b>	<b>822,807</b>	<b>(7,035)</b>	<b>815,771</b>
<b>Operating income (loss)</b>	<b>3,498</b>	<b>45,731</b>	<b>864</b>	<b>2,092</b>	<b>(185)</b>	<b>52,002</b>	<b>16</b>	<b>52,019</b>

<Reference> Fiscal year ended February 28, 2005 (From March 1, 2004 to February 28, 2005)

(Millions of Yen)

	Superstore operations	Convenience store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations	Consolidated total
<b>Revenues:</b>								
Customers	1,630,144	1,805,810	124,364	52,125	11,108	3,623,554	-	3,623,554
Intersegment	12,119	357	1,817	9,110	6,086	29,492	(29,492)	-
<b>Total revenues</b>	<b>1,642,264</b>	<b>1,806,168</b>	<b>126,181</b>	<b>61,236</b>	<b>17,195</b>	<b>3,653,046</b>	<b>(29,492)</b>	<b>3,623,554</b>
<b>Operating expenses</b>	<b>1,634,449</b>	<b>1,610,783</b>	<b>122,561</b>	<b>55,834</b>	<b>16,984</b>	<b>3,440,613</b>	<b>(29,009)</b>	<b>3,411,603</b>
<b>Operating income</b>	<b>7,814</b>	<b>195,385</b>	<b>3,620</b>	<b>5,401</b>	<b>211</b>	<b>212,433</b>	<b>(482)</b>	<b>211,950</b>