



October 6, 2005

[Reference]

## Semiannual Nonconsolidated Financial Results for the Six-Month Period Ended August 31, 2005

### Ito-Yokado Co., Ltd.

President and C.O.O. : Sakae Isaka

Date of the Board of Directors' meeting to approve the accounts: October 6, 2005

#### 1. Business Results for the Current Interim Period (from March 1, 2005 to August 31, 2005)

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

	Revenue from Operations		Net Sales		Operating Income	
Current Interim Period	743,036	0.9 %	731,747	0.6 %	5,420	(23.5) %
Prior Year's Interim Period	736,218	(0.2) %	727,134	(0.1) %	7,082	0.5 %
Prior Fiscal Year	1,473,583	(1.4) %	1,455,358	(1.3) %	8,800	(63.5) %

	Ordinary Income		Net Income		Net Income per Share	
Current Interim Period	15,018	(6.9) %	11,927	(1.1) %	29.05	(yen)
Prior Year's Interim Period	16,128	5.3 %	12,065	8.2 %	28.90	(yen)
Prior Fiscal Year	27,081	(36.0) %	17,509	(39.0) %	41.74	(yen)

- Notes :
- All amounts less than one million yen have been disregarded.
  - Average number of shares outstanding:  
 Current interim period: 410,658,249 shares      Prior year's interim period: 417,457,968 shares  
 Prior Fiscal Year: 417,452,036 shares
  - Change in accounting policies: no
  - Percentages above represent increase (decrease) over prior year's interim period/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
August 31, 2005	1,034,556	708,400	68.5 %	1,752.43 (yen)
August 31, 2004	1,085,796	752,969	69.3 %	1,803.75 (yen)
February 28, 2005	1,076,957	752,003	69.8 %	1,801.25 (yen)

- Notes :
- Number of outstanding shares at the end of period:  
 Current interim period: 404,240,261 shares      Prior year's interim period: 417,447,674 shares  
 Prior Fiscal Year: 417,443,495 shares
  - Number of treasury stock at the end of period:  
 Current interim period: 14,477,424 shares      Prior year's interim period: 1,270,011 shares  
 Prior Fiscal Year: 1,274,190 shares

#### 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	Net Sales	Operating Income	Ordinary Income	Net Income
1,520,000      3.1 %	1,500,000      3.1 %	20,000      127.3 %	39,000      44.0 %	27,000      54.2 %

<Reference> Expected net income per share (for the year ending February 28, 2006) : 66.59 yen

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

#### FORWARD-LOOKING STATEMENTS

This document contains certain statements based on Ito-Yokado'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)

	August 31, 2005		August 31, 2004		February 28, 2005	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and bank deposits	164,810		102,662		202,170	
Accounts receivable, trade	18,928		18,461		17,982	
Marketable securities	11,000		25,830		19,941	
Inventories	77,051		84,797		76,376	
Short-term loans	679		673		646	
Deposits held by financial service company	9,500		38,000		20,000	
Other	44,257		40,736		41,663	
<b>Total current assets</b>	<b>326,227</b>	<b>31.5</b>	<b>311,162</b>	<b>28.7</b>	<b>378,780</b>	<b>35.2</b>
<b>Non-current assets:</b>						
<b>Property and equipment:</b>						
Buildings	104,381		106,000		97,971	
Land	146,440		155,710		146,510	
Other	35,865		26,674		28,335	
<b>Total property and equipment</b>	<b>286,688</b>	<b>27.7</b>	<b>288,385</b>	<b>26.6</b>	<b>272,818</b>	<b>25.3</b>
<b>Intangible assets</b>	<b>5,099</b>	<b>0.5</b>	<b>5,954</b>	<b>0.5</b>	<b>5,872</b>	<b>0.5</b>
<b>Investments and other assets:</b>						
Investments in subsidiaries and affiliates	101,629		153,609		104,346	
Investments in a subsidiary's convertible bonds	-		15,550		-	
Long-term loans	11,534		11,889		11,705	
Long-term leasehold deposits	242,986		243,077		239,608	
Prepaid pension cost	24,557		22,859		23,677	
Advances for store construction	7,419		12,572		15,542	
Other	29,819		24,791		28,756	
Allowance for doubtful accounts	(1,405)		(4,055)		(4,149)	
<b>Total investments and other assets</b>	<b>416,541</b>	<b>40.3</b>	<b>480,294</b>	<b>44.2</b>	<b>419,486</b>	<b>39.0</b>
<b>Total non-current assets</b>	<b>708,329</b>	<b>68.5</b>	<b>774,634</b>	<b>71.3</b>	<b>698,176</b>	<b>64.8</b>
<b>Total Assets</b>	<b>1,034,556</b>	<b>100.0</b>	<b>1,085,796</b>	<b>100.0</b>	<b>1,076,957</b>	<b>100.0</b>

(Millions of yen)

	August 31, 2005		August 31, 2004		February 28, 2005	
	Amount	%	Amount	%	Amount	%
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Notes payable, trade	17		1,298		928	
Accounts payable, trade	80,815		86,793		71,409	
Current portion of bonds	20,000		-		20,000	
Short-term loans	2,465		2,465		2,465	
Income taxes payable	1,346		469		16,069	
Allowance for bonus to employees	6,668		6,271		5,960	
Allowance for sales promotion	3,280		2,839		2,964	
Notes payable, acquisition property and equipment	4,206		1,461		3,337	
Other	45,627		47,865		42,636	
<b>Total current liabilities</b>	<b>164,428</b>	<b>15.9</b>	<b>149,464</b>	<b>13.8</b>	<b>165,771</b>	<b>15.4</b>
<b>Non-current liabilities:</b>						
Bonds	100,000		120,000		100,000	
Long-term loans	8,775		9,450		9,112	
Deposits received from tenants	46,465		44,777		46,509	
Allowance for retirement benefits to directors and corporate auditors	1,301		1,167		1,230	
Other	5,185		7,968		2,330	
<b>Total non-current liabilities</b>	<b>161,727</b>	<b>15.6</b>	<b>183,362</b>	<b>16.9</b>	<b>159,183</b>	<b>14.8</b>
<b>Total Liabilities</b>	<b>326,156</b>	<b>31.5</b>	<b>332,827</b>	<b>30.7</b>	<b>324,954</b>	<b>30.2</b>
<b>SHAREHOLDERS' EQUITY</b>						
<b>Common stock</b>	<b>47,987</b>	<b>4.6</b>	<b>47,987</b>	<b>4.4</b>	<b>47,987</b>	<b>4.5</b>
<b>Capital surplus</b>						
Additional paid-in capital	121,477		121,477		121,477	
Other capital surplus	181		179		181	
<b>Total capital surplus</b>	<b>121,658</b>	<b>11.8</b>	<b>121,657</b>	<b>11.2</b>	<b>121,658</b>	<b>11.3</b>
<b>Retained earnings</b>						
Legal reserve	11,700		11,700		11,700	
General reserve	510,425		510,459		510,459	
Unappropriated retained earnings at the end of period	66,393		63,263		62,028	
<b>Total retained earnings</b>	<b>588,518</b>	<b>56.9</b>	<b>585,422</b>	<b>53.9</b>	<b>584,187</b>	<b>54.2</b>
<b>Net unrealized gains on available-for-sale securities</b>	<b>2,906</b>	<b>0.3</b>	<b>1,838</b>	<b>0.2</b>	<b>2,124</b>	<b>0.2</b>
<b>Treasury stock</b>	<b>(52,670)</b>	<b>(5.1)</b>	<b>(3,937)</b>	<b>(0.4)</b>	<b>(3,956)</b>	<b>(0.4)</b>
<b>Total Shareholders' Equity</b>	<b>708,400</b>	<b>68.5</b>	<b>752,969</b>	<b>69.3</b>	<b>752,003</b>	<b>69.8</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>1,034,556</b>	<b>100.0</b>	<b>1,085,796</b>	<b>100.0</b>	<b>1,076,957</b>	<b>100.0</b>

# STATEMENTS OF INCOME

(Millions of yen)

	Current Interim Period		Prior Year's Interim Period		Prior Fiscal Year	
	Amount	%	Amount	%	Amount	%
<b>[ Revenue from operations ]</b>	<b>[ 743,036]</b>		<b>[ 736,218]</b>		<b>[ 1,473,583]</b>	
Sales	731,747	100.0	727,134	100.0	1,455,358	100.0
Cost of sales	531,499	72.6	526,798	72.4	1,060,081	72.8
<b>Gross profit on sales</b>	<b>200,248</b>	<b>27.4</b>	<b>200,336</b>	<b>27.6</b>	<b>395,276</b>	<b>27.2</b>
Other operating revenue	11,288	1.5	9,084	1.2	18,225	1.2
<b>Gross profit from operations</b>	<b>211,537</b>	<b>28.9</b>	<b>209,420</b>	<b>28.8</b>	<b>413,501</b>	<b>28.4</b>
Selling, general and administrative expenses	206,117	28.2	202,338	27.8	404,700	27.8
<b>Operating income</b>	<b>5,420</b>	<b>0.7</b>	<b>7,082</b>	<b>1.0</b>	<b>8,800</b>	<b>0.6</b>
<b>Non-operating income and expenses:</b>						
Non-operating income	10,598	1.5	10,020	1.3	20,494	1.4
Non-operating expenses	1,000	0.1	974	0.1	2,213	0.1
<b>Ordinary income</b>	<b>15,018</b>	<b>2.1</b>	<b>16,128</b>	<b>2.2</b>	<b>27,081</b>	<b>1.9</b>
Special gains	1,903	0.3	705	0.1	39,414	2.7
Special losses	3,306	0.5	1,876	0.2	41,815	2.9
<b>Income before income taxes</b>	<b>13,614</b>	<b>1.9</b>	<b>14,957</b>	<b>2.1</b>	<b>24,680</b>	<b>1.7</b>
Income taxes - current	242	0.1	384	0.1	17,496	1.2
Income taxes - deferred	1,444	0.2	2,507	0.3	(10,325)	(0.7)
<b>Net income</b>	<b>11,927</b>	<b>1.6</b>	<b>12,065</b>	<b>1.7</b>	<b>17,509</b>	<b>1.2</b>
Retained earnings at beginning of period	54,465		51,198		51,198	
Interim cash dividends	-		-		6,679	
<b>Unappropriated retained earnings at the end of period</b>	<b>66,393</b>		<b>63,263</b>		<b>62,028</b>	

# Significant Accounting Policies for the Preparation of Semiannual Financial Statements

## 1. Valuation method of major assets

### (1) Securities valuation

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

#### Available-for-sale securities

Fair value is available

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

Fair value is not available.

Securities, whose fair value is not available, are valued at cost, determined using the moving-average method.

### (2) Inventories valuation

Fresh foods :

Cost, determined using the last purchase price method.

Merchandise at stores (except fresh foods) :

The lower of cost or market. Cost is determined using the retail method.

Merchandise at distribution centers

(except fresh foods):

Cost, determined using the moving-average method.

Supplies :

Cost, determined using the last purchase price method.

### (3) Derivatives valuation

Fair value

## 2. Depreciation and amortization

Property and equipment:

Decline-balance method

Intangible assets:

Straight-line method

Software for internal use is amortized using the straight-line method over an estimated useful life (5 years).

## 3. Allowances

### Allowance for doubtful accounts

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

### Allowance for bonuses to employees

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

### Allowance for accrued pension and severance costs (Prepaid pension cost)

An allowance for accrued pension and severance costs is provided at the amount incurred during the interim period, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of the plan assets at the end of the fiscal year. The excess of the estimated fair value of the plan assets over the estimated present value of projected benefit obligation adjusted by unrecognized actuarial differences is recognized as prepaid pension cost for the interim period ended August 31, 2005. Unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arose.

### 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.

### Allowance for sales promotion expenses

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

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

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. Translation gains or losses are included in the accompanying Statements of Income.

5. Leases

Finance lease contracts other than those for which the ownership of the leased assets is considered to be transferred to lessee, are accounted for as in the same manner as operating leases.

6. Hedge accounting

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the Company defers recognition of gains and losses resulting from the changes in fair value of interest rate swaps until the related gains and losses on the hedged item are recognized. However, certain interest rate swap contracts which meet specific hedging criteria are not measured at market value but the differences between paid and received amounts under the swap contracts are included in interest income or expenses as incurred.

7. Consumption taxes

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

# NOTES

## <Nonconsolidated Balance sheets>

	<u>As of August 31, 2005</u>	<u>As of August 31, 2004</u>	<u>As of February 28, 2005</u>
	(Millions of yen)		
1. Accumulated depreciation of property and equipment	208,052	201,768	207,008
2. Assets pledged as collateral			
Buildings	764	821	791
Land	1,698	1,698	1,698
	<u>2,463</u>	<u>2,520</u>	<u>2,490</u>
3. Guarantees	17,120	14,214	45,866

## <Nonconsolidated Statements of Income>

	<u>For the six-month period ended August 31, 2005</u>	<u>For the six-month period ended August 31, 2004</u>	<u>For the year ended February 28, 2005</u>
	(Millions of yen)		
1. Depreciation and amortization expenses			
Property and equipment	7,692	8,280	17,180
Intangible assets	519	1,281	1,955
	<u>8,212</u>	<u>9,562</u>	<u>19,135</u>
2. Major items of non-operating income			
Interest income	447	670	1,408
Dividends	9,617	9,034	18,566
3. Major items of non-operating expenses			
Interest expense	158	159	315
Interest on straight bonds	695	700	1,389
4. Major items of special gains			
Gain from sales of investments in subsidiaries	1,448	-	35,709
Gain from sales of subsidiary's convertible bond	-	-	2,816
Gain from reversal of allowance for retirement benefits to directors and corporate officers	-	565	-
5. Major items of special losses			
Loss on disposals of property and equipment	525	542	1,551
Impairment loss	1,900	-	17,819
Loss related to the establishment of the holding company	591	-	-
Provision for business reengineering	-	-	20,882
Head office relocation expenses	-	1,216	1,230
6. Impairment Loss			

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

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

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

For the six-month period ended August 31, 2005

(Millions of yen)

Description	Classification	Location	Amount
Stores	Land and buildings, etc.	Saitama Pref. 1 Store	1,900
		Chiba Pref. 1 Store	
Other facilities etc.	-	-	-
Total			1,900

(Millions of yen)

	Stores	Other facilities etc.	Total
Buildings and structures	990	-	990
Land	54	-	54
Other	855	-	855
Total	1,900	-	1,900

For the six-month period ended August 31, 2004: None

For the year ended February 28, 2005

(Millions of yen)

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

(Millions of yen)

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

#### <Lease Transaction>

- Financial lease contracts other than those for which the ownership of the leased assets is considered to be transferred to lessees.

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

	<u>As of August 31, 2005</u>	<u>As of August 31, 2004</u>	<u>As of February 28, 2005</u>
(Millions of yen)			
Furniture and equipment:			
Acquisition cost	13,030	11,403	12,790
<u>Accumulated depreciation</u>	<u>3,733</u>	<u>6,197</u>	<u>5,370</u>
Net book value	9,297	5,205	7,420



(2) Future lease payments

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

	<u>As of August 31, 2005</u>	<u>As of August 31, 2004</u>	<u>As of February 28, 2005</u>
Within one year	2,453	1,767	2,008
Over one year	6,843	3,438	5,411
<u>Total</u>	<u>9,297</u>	<u>5,205</u>	<u>7,420</u>

(3) Lease payments and depreciation expense

	<u>For the six-month period ended August 31, 2005</u>	<u>For the six-month period ended August 31, 2004</u>	<u>For the year ended February 28, 2005</u>
Lease payments	1,226	1,390	2,602
Depreciation expenses	1,226	1,390	2,602

(4) Depreciation method:

Depreciation expense is computed using the straight-line method over the lease term assuming no residual value.

2. Lease transaction through a special purpose company.

	<u>As of August 31, 2005</u>	<u>As of August 31, 2004</u>	<u>(Millions of yen) As of February 28, 2005</u>
(1) Acquisition cost			
Land	695	695	695
Buildings	399	399	399
(2) Lease payments			
	<u>For the six-month period ended August 31, 2005</u>	<u>For the six-month period ended August 31, 2004</u>	<u>For the year ended February 28, 2005</u>
	28	28	57

3. Operating leases

	<u>As of August 31, 2005</u>	<u>As of August 31, 2004</u>	<u>(Millions of yen) As of February 28, 2005</u>
Future lease payments			
Within one year	30,762	30,436	30,710
Over one year	177,135	167,300	178,515
<u>Total</u>	<u>207,898</u>	<u>197,737</u>	<u>209,225</u>

<Securities Information>

Investments in subsidiaries and affiliates (fair value is available)

	<u>As of August 31, 2005</u>	<u>As of August 31, 2004</u>	<u>(Millions of yen) As of February 28, 2005</u>
Investments in subsidiaries			
Book value	21,747	21,747	21,747
Fair value	1,398,533	1,427,198	1,358,162
<u>Difference</u>	<u>1,376,786</u>	<u>1,405,451</u>	<u>1,336,414</u>
Investments in affiliates			
Book value	9,591	5,478	9,591
Fair value	51,941	39,352	48,923
<u>Difference</u>	<u>42,349</u>	<u>33,874</u>	<u>39,331</u>

All amount less than one million yen have been disregarded.

<Subsequent Event>

On September 1, 2005, the Company established Seven & I Holdings, Co., Ltd. with Seven-Eleven Japan Co., Ltd. ("SEJ") and Denny's Japan Co., Ltd. ("Denny's") by means of stock-transfer and the Company, SEJ and Denny's became wholly owned subsidiaries of Seven & I Holdings, Co., Ltd. As a result, the Company's treasury stock of 52,670 million yen were converted to the stock of the parent company and recorded in "Current Assets" instead of deduction item in "Shareholders' Equity".