AN INTERVIEW WITH THE PRESIDENT

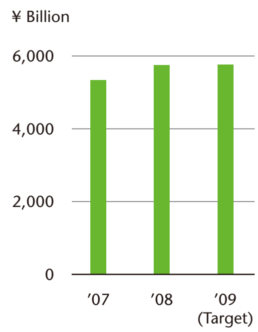
Q1. Would you give us an overview of the past fiscal year and the outlook for the year ahead?

A1. In the fiscal year ended February 29, 2008, consumer spending in Japan did not reach a full-scale recovery, and the operating environment in the domestic retail industry remained challenging. In this setting, we undertook merger and acquisition (M&A) activities to strengthen existing operations and entered new fields of business. As a result, we were able to bolster the Group's foundation, which will provide the platform for fully leveraging the effects of various initiatives.

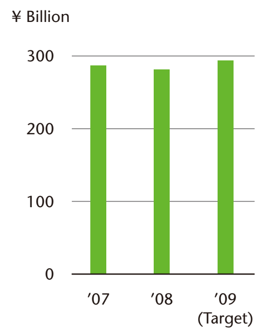
Revenues from operations were up 7.8%, to ¥5,752.4 billion, operating income was down 2.0%, to ¥281.1 billion, and net income declined 2.1%, to ¥130.7 billion. Cost-related factors were a key reason for the decline in operating income. These included costs associated with upfront investment in the introduction of *nanaco* electronic money and of the Sixth-Generation Total Information System in Seven-Eleven Japan stores. They also included increased depreciation and amortization expenses stemming from asset revaluation at 7-Eleven, Inc. (SEI), in the United States, and from the introduction of next-generation ATMs by Seven Bank. In addition, sales were sluggish in all businesses due to the Group's difficult operating environment. In the food services segment, the restaurant division recorded an especially weak performance in sales at existing stores due to such factors as unseasonable summer weather.

In the fiscal year ending February 28, 2009, we will utilize the Group's foundation, which was strengthened in the year under review, as we implement measures targeting the strengthening of business fields and the creation of Groupwide synergies. As a result, for the fiscal year ending February 28, 2009, we are forecasting revenues from operations of ¥5,760.0 billion, up 0.1%; operating income of ¥294.0 billion, an increase of 4.6%; and net income of ¥137.0 billion, a gain of 4.9%.

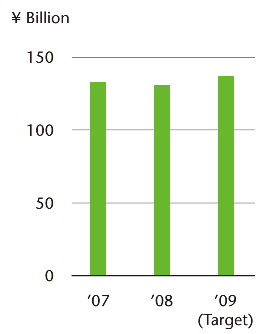
Revenues from Operations



Operating Income



Net Income



Q2. The new medium-term management plan has been announced. How will the Group achieve the plan's goals in the challenging operating environment faced by the retail industry?

A2. The Group's current operating environment remains extremely challenging. One reason is the changes in the social structure, such as trends in the domestic market toward fewer children per family and an aging population. Another reason is major environmental changes that could not be foreseen at the time the Company was established. For example, in addition to the emergence of the subprime loan crisis and the extended rise in crude oil prices, prices of wheat and corn are increasing. These trends are affecting consumer spending.

In this challenging environment, targeting the achievement of our ROE objective of 8% or higher in the fiscal year ending February 28, 2011, we will steadily implement a variety of operational and financial initiatives.

Operational Initiatives

Targeting sustained gains in the Group's enterprise value, we have three priority challenges—strengthening our internal constitution, reorganizing existing operations, and taking on the challenge of new businesses.

In strengthening our internal constitution, we will improve our profit structure by closing unprofitable stores. As a specific plan, in the fiscal year ending February 28, 2009, Seven-Eleven Japan (SEJ), will close 600 stores, including 200 directly operated stores. Over the three-year period from the fiscal year ending February 28, 2009 to the fiscal year ending February 28, 2011, Ito-Yokado will close a total of 3 to 5 stores, while over the same period, Seven & i Food Systems will close a total of 140 stores. Moreover, Ito-Yokado will also take steps to reduce markdown losses and disposal losses in the fields of apparel and food.

In reorganizing existing businesses, we will move forward with the reorganization of our food supermarket operations, in which York-Benimaru is the core operating company, and strive to increase efficiency by leveraging synergies and consolidating head office functions. Also, in food services, where we implemented rationalization and integration initiatives in the year under review, we will move ahead with improvement of the cost structure through consolidation of head office functions and the reduction of procurement and distribution costs.

In taking on the challenge of new businesses, we will focus on measures targeting the strengthening of existing business and the generation of Groupwide synergies. Priority initiatives will include expanding lineups and sales of private-brand products, *Seven Premium*, which were launched in May 2007, strengthening China operations, and bolstering e-commerce businesses, with an emphasis on effectively using and complementing existing store infrastructure. Furthermore, we will take steps to expand credit card operations. In addition to the use of *IY Card* at Ito-Yokado stores, we are aiming to increase usage of credit cards at SEJ, such as the addition of the *QUICPay* postpaid electronic money function, and are expanding usage of credit cards to other Group companies.

Financial Initiatives

We will raise capital efficiency, enhance shareholder returns, and implement a flexible capital policy.

From April 18 to June 30, 2008, we implemented an acquisition of treasury stock, purchasing 50 million shares of stock at an acquisition cost of ¥157.9 billion. All of the stock acquired will be cancelled on July 31. As a result, we will have increased per share

Basic Policies for Preparing Medium-Term Management Plan

ROE	FY2011: 8% or higher → Target: 10%
Operating Income Margin	Implementing business strategies to reach targets

	FY2008 Results	Long-Term Targets
Seven-Eleven Japan	6.5%	7% or higher
7-Eleven, Inc.	1.7%	3% or higher
Ito-Yokado	1.1%	3% or higher
York-Benimaru	4.1%	5% or higher
Sogo	3.2%	4% or higher
SEIBU	3.3%	4% or higher
Seven & i Food Systems	—	5% or higher

Figures for Seven-Eleven Japan are relative to total store sales, and figures for York-Benimaru include its subsidiary, Life Foods.

Asset Efficiency	Investing to raise asset efficiency
Capital Policy	Strengthening returns to shareholders through cash dividends and purchases of treasury stock

shareholder value and prepared, in terms of our capital structure, for the achievement of our goal of ROE of 8% or higher in the fiscal year ending February 28, 2011. Moreover, at the Company's third general meeting of shareholders, held on May 22, 2008, a resolution regarding a decrease in additional paid-in capital was passed. We will implement a transfer to other capital surplus with an effective date of July 17, 2008. As a result, the amount available for payment of dividends from retained earnings will be increased and the Company is prepared to implement flexible capital strategy initiatives in the future.

For more information about our new medium-term management plan, please see the special feature of this report on pages 12–13.

Q3. For retail companies, the importance of developing private-brand products is increasing. How was the Group able to develop *Seven Premium*?

A3. Domestic superstores, even with product prices currently rising due to higher prices for raw materials, are reluctant to pass on those prices temporarily. One reason for this reluctance is that domestic superstores survive by competing with low prices on national-brand products. In addition, with consumer spending remaining sluggish, the operating environment is challenging. Also, the industry structure in Japan is different from that in Europe and the United States, where a smaller number of companies have a more dominant market presence. Accordingly, for certain major retailers that can leverage economies of scale, there is a growing need to develop private-brand products as a means to break through these challenges and achieve differentiation from competitors.

The Group's overall food sales are approximately ¥3.8 trillion, principally by Group companies SEJ, Ito-Yokado, and York-Benimaru, and since Seven & i Holdings was established, we have taken steps to pursue product synergies. As a result, we began sales of *Seven Premium* products in May 2007. By maximizing the economies of scale of the Group, *Seven Premium* products offer, in comparison with national-brand products, higher quality, lower prices, and high margins. *Seven Premium* products are clearly different from conventional private-brand products that are focused solely on price. Moreover, because they are sold at uniform prices in superstores and convenience stores, we expect *Seven Premium* to result in higher revenues and profits in convenience store operations.

Prior to the establishment of the Group, product development was handled by each company. Using the opportunities presented by the Group's establishment, we have torn down the barriers separating the operating companies and shared the product development know-how and infrastructure of each company. In this way, we have made a transition to a system that can leverage economies of scale. *Seven Premium* is developed through the *Group Merchandising Reform Project*, which includes SEJ, Ito-Yokado, York-Benimaru, York Mart, and SHELL GARDEN, as well as through team merchandising activities with major domestic manufacturers.

In May 2008, we completed the first year of *Seven Premium* sales, and over that year we recorded sales of approximately ¥80.0 billion with about 380 stock keeping units (SKUs). Both the number of SKUs and sales have recorded favorable results, exceeding our initial forecasts.

In the future, we will continue to aggressively develop *Seven Premium* as a strong differentiation product that meets many customer needs with a focus on both quality and price.

For more information about *Seven Premium*, please see the special feature on pages 14–15.

Seven Premium popular items

Tempura soba


Chocolate chip cookies

Laundry detergent

Q4. Operations in China seem to be making favorable progress. What is your evaluation?

A4. In accordance with the fundamental approach that retail is a domestic business, the Group, in opening stores in China, is advancing store operations in line with local needs.

In convenience store operations in China, SEVEN-ELEVEN (BEIJING) (SEB) began to open convenience stores in Beijing in April 2004, and by the end of December 2007, the number of stores had reached 60, principally directly operated stores.

The sales of the stores developed by SEB are strong, about two to three times the level of other local convenience stores. One reason is that, since the first store was opened, sales of fast food that are based on SEJ's know-how and meet local needs, such as boxed lunches and *oden*, Japanese hot pot, have been favorable. In the fiscal year ended December 31, 2007, fast foods accounted for 43.9% of sales. In the future, due to full-scale franchise store openings, we will expand a network of high-level convenience stores. Also, in April 2008, SEVEN-ELEVEN CHINA (SEC), which obtained master franchise rights in China from SEI, was established as a wholly owned subsidiary of SEJ. As a result, the Group will also further expand its network of convenience stores in China through the development of area licensees.

In superstore operations in China, we are recording steady growth. As of the end of December 31, 2007, Hua Tang Yokado Commercial, which began to open stores in Beijing in April 1998, had 7 superstores including 1 store opened during the year; Beijing Wang fu jing Yokado Commercial, which began to open food supermarkets in April 2005, had 2 stores; and Chengdu Ito-Yokado, which began to open stores in Chengdu, Sichuan Province, in November 1997, had 3 superstores including 1 opened during the year. In the fiscal year ended December 31, 2007, Hua Tang Yokado Commercial had total sales of ¥33.9 billion before value added tax, and Chengdu Ito-Yokado had total sales of ¥26.6 billion before value added tax. These stores are recording solid growth in sales. Moreover, the operating income margin, on an existing store basis, is very high, at more than 5%. This is a result of the aggressive hiring of local employees on a base of Japanese-style store management, as well as our efforts to develop stores and product lineups that meet customer needs.

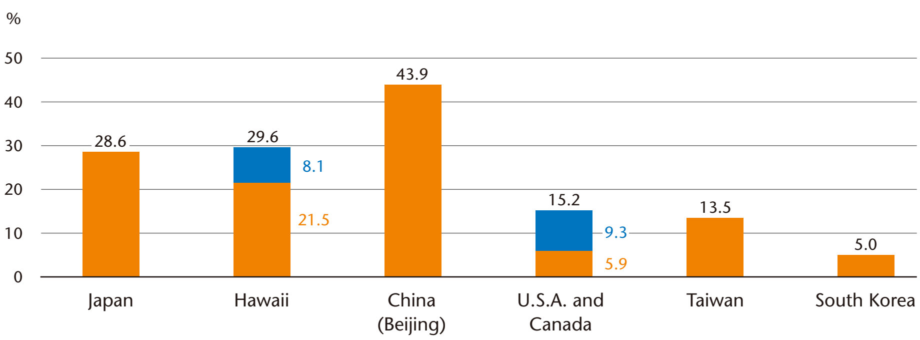
For more information about store development in China, please see the special feature of this report on pages 15–17.


Seven-Eleven Japan's fast food


7-Eleven, Inc.'s fast food

Convenience Store Operations

% of Fast Food Sales at 7-Eleven Stores of Each Country



1. The figure for Japan is for FY2008. Figures of Hawaii, China (Beijing), U.S.A. and Canada, Taiwan and South Korea are for FY2007.
2. Blue portions represent sales of beverages served at the counter. (Such figures for Taiwan and South Korea are not disclosed.)
3. Figures for Hawaii and U.S.A. and Canada are calculated using merchandise sales which do not include gasoline sales.

Q5. The Group is focusing resources on e-commerce businesses. What are the reasons for emphasizing these initiatives?

A5. In addition to trends in the domestic market toward fewer children per family and an aging population, our markets have been affected by the rapid spread of Internet transactions. In the retail industry, it is not just real stores; consumption through virtual stores is rapidly expanding.

In response to these types of environmental changes, the Group is moving forward with the provision of a number of services through the integration of real stores and the Internet. Furthermore, in December 2007, in cooperation with Nippon Television Network Corporation and Dentsu Inc., we established NitteleSeven Co., Ltd. This new company enhances the integration of real stores and the Internet with the addition of media. Full-fledged operations began in April 2008, with services enabling customers to use real stores or the Internet to order products introduced through NTV programs. In addition, Ito-Yokado is moving forward with development of Net Supermarket. Also, in June 2008, SEJ implemented pre-opening activities for *Seven-Eleven Net*, which serves to complement SEJ's in-store product lineup, with full-fledged service slated for a July start. As a result of these initiatives, we will focus the sales capabilities and information provision capabilities of real stores, the Internet, and media, and work together to achieve sales results higher than would be possible on a stand-alone basis.

The Group has close, convenient infrastructure of approximately 13,000 stores, principally SEJ stores, and customers who want to receive goods and make payment at the stores can do so whenever it is most convenient for them. At the same time, we can also provide such customer benefits as free shipping and no commissions when products are picked up at the store.

In the future, in addition to real stores, we will also provide new services through the Internet. In this way, we will work to increase the functionality of our close, convenient stores.

For more information about *Seven-Eleven Net*, please see the convenience store segment of this report on page 22. For more information about Ito-Yokado's Net Supermarket, please see the superstore segment of this report on page 25.

Q6. Cash dividends for the fiscal year ended February 29, 2008, have been increased by ¥2.00 per share from the initial plans. Please explain the Group's approach to dividends and shareholder returns.

A6. Our basic policy is to provide a return of profits in line with profit growth. In regard to dividends for the fiscal year ended February 29, 2008, we decided to raise the year-end dividend by ¥2.00 per share from our initial plan, to ¥54.00 per share, in accordance with an effective dividend payout ratio calculated after adjusting for special losses that affected net income but were not included in our initial plans.

Moreover, for the fiscal year ending February 28, 2009, we are forecasting dividends of ¥54.00 per share.

In the future, we will strive to increase the consolidated payout ratio, for which our benchmark is 35%, and with consideration for the Group's operating environment, we will flexibly implement shareholder return policies, such as the acquisition and cancellation of treasury stock.