

Taking Another Step Forward

Establishment of Seven & i Holdings

Seven & i Holdings was established in September 2005 with the mission of creating “a new, comprehensive lifestyle industry,” which will create new value by meeting diversifying customer needs. Since our establishment, we have worked to implement various action plans designed to enhance the competitiveness of the Group’s existing operations. In addition, we have formulated a financial strategy to advance operating companies’ structural reforms and implemented restructuring measures, centered on new fields of business.

Rapidly Changing Environment in the Retail Industry

In Japan and around the world, the operating environment in the retail industry is increasingly being influenced by record high prices for crude oil and raw materials, a global economic slump triggered by the subprime issue, and problems with food safety. In Japan, the retail industry is facing changes in the operating environment that could not have been foreseen at the time when the Company was established. Purchasing behavior, for example, is increasingly focused on practical choices with an emphasis on protecting standards of living.

Formulation of New Medium-Term Management Plan

In response to our changing operating environment, the Company has kicked off a new medium-term management plan covering the period through February 2011 that incorporates new strategies to maximize Group enterprise value. The Company will strive to maintain its position as a leading company in Japan’s retail industry by providing more abundant and comfortable lifestyles to consumers.

Overview of Medium-Term Management Plan

Under the medium-term management plan, for the fiscal year ending February 28, 2011, we are targeting consolidated revenues from operations of ¥6,080.0 billion and operating income of ¥332.0 billion (¥340.0 billion if ¥8.0 billion in amortization of goodwill related to 7-Eleven, Inc. (SEI) is excluded). In regard to financing and capital, our long-term goal for ROE is 10%, and we are targeting an ROE of 8% or higher by the fiscal year ending February 28, 2011.

To achieve these targets, our fundamental business strategies for increasing profits will entail strengthening our internal corporate constitution, reorganizing our existing businesses, and taking on the challenge of advancing into new fields, which will be implemented in accordance with the action plans for each operating company. Furthermore, we will make investments to improve asset efficiency and take a flexible approach to shareholder returns, such as acquiring and cancelling treasury stock. As announced on April 10, 2008, 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, 2008.

Medium-Term Earnings Targets

	FY2008 Results		FY2009 Targets		FY2011 Targets
		Year on Year		Year on Year	
Revenues from Operations	¥5,752.4 billion	107.8%	¥5,760 billion	100.1%	¥6,080 billion
Operating Income	¥281.1 billion	98.0%	¥294 billion	104.6%	¥332 billion
Excluding SEI Amortization of Goodwill	—	—	—	—	¥340 billion
Operating Income Margin	4.9%		5.1%		5.5%
ROE	6.7%		—		8% or higher
Amortization of Goodwill	¥11.6 billion		Approx. ¥12 billion		Approx. ¥20 billion
Foreign Exchange Rate	1 USD	¥117.85	¥100.00		¥100.00
	1 Yuan	¥15.51	¥14.00		¥14.00

Note: FY2011 amortization of goodwill includes amortization of goodwill that will be incurred for overseas subsidiary from FY2010.

Fundamental Operating Strategies for Expanding Profits

Fundamental strategies for implementing the medium-term plan are as follows:

Strengthening Internal Constitution = Improving Profitability	<ul style="list-style-type: none"> Increasing profitability through structural reform Taking on the challenge of opportunities
Reorganizing Existing Operations	<ul style="list-style-type: none"> Reorganizing supermarket operations Reorganizing financial services (excluding Seven Bank) Advancing the integrated administration of food services
Taking on the Challenge of New Businesses	<ul style="list-style-type: none"> Developing <i>Seven Premium</i> private-brand products aggressively Expanding e-commerce operations Expanding credit card and electronic money operations Reorganizing property management operations Expanding overseas operations

Strengthening Internal Constitution—Improving Profitability through Structural Reforms

Aiming to improve our profit structure, we will implement a number of initiatives, such as the closing of unprofitable stores. Specific initiatives are outlined in the following table.

Convenience Store Operations	<p>Seven-Eleven Japan: Implement in FY2009</p> <ul style="list-style-type: none"> Closing 600 stores (including net decrease of 200 directly operated stores)
Superstore Operations	<p>Ito-Yokado: Implement by FY2011</p> <ul style="list-style-type: none"> Closing 3 to 5 unprofitable stores Promoting store revival project Promoting reduction of mark-down and disposal losses in the areas of apparel and fresh foods categories Reforming cost structure by deploying personnel appropriately and reviewing sales promotion costs
Department Store Operations	<p>THE SEIBU DEPARTMENT STORES: Implement by FY2011</p> <ul style="list-style-type: none"> Remodeling of Ikebukuro flagship store (please refer to page 29 for details)
Food Services	<p>Implement in FY2009</p> <ul style="list-style-type: none"> Reducing personnel costs and store costs approximately ¥6 billion <p>Implement by FY2011</p> <ul style="list-style-type: none"> Closing 140 unprofitable stores

Long-Term Targets for Operating Income Margin by Major Operating Companies

By implementing the above initiatives, we will strive to achieve the following long-term targets for operating income margin.

	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

Notes: 1. Seven-Eleven Japan's operating income margin is relative to total store sales.

2. York-Benimaru's operating income margin includes its subsidiary, Life Foods.



Taking on the Challenge of New Businesses—(1) *Seven Premium*

Groupwide Uniform Prices for *Seven Premium*

In May 2007, the Company launched *Seven Premium* private-brand products in domestic superstores and food supermarkets throughout the Group. In August, we commenced sales of these products at domestic convenience stores. *Seven Premium* products are the first products to be offered at uniform prices Groupwide. We are working together to promote *Seven Premium* in anticipation of substantial synergies.

Seven Premium Developed Against a Background of the Group's Overwhelming Sales Capabilities

The key characteristics of the *Seven Premium* lineup compared with national-brand products are (1) equivalent or better quality, (2) lower prices, and (3) higher margins.

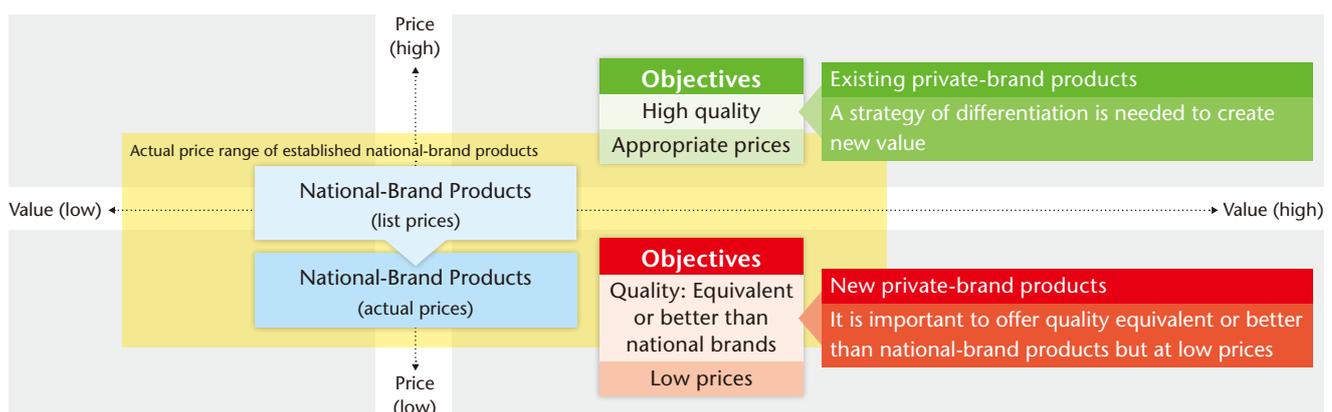
These characteristics are the biggest point of difference between *Seven Premium* and conventional private brands that are focused on low price. This was made possible by the scale of the Group's food sales—approximately ¥3.8 trillion a year—which are supported by the strong sales volume of such companies as Seven-Eleven Japan (SEJ), Ito-Yokado, and York-Benimaru.

Moreover, with *Seven Premium*, we make full use of the product development approach and processes that SEJ has cultivated in the development of original products, such as fast foods. Consequently, we can develop products in a short period of time. Moreover, we can provide customers with safety and security by strengthening ingredient traceability, and reduce costs by efficiently collecting information, controlling production inventories, and forecasting demand–supply conditions.

Seven Premium Promotes Win–Win Relationships with Major Domestic Manufacturers

Seven Premium products are developed through the *Group Merchandising Reform Project*, which includes product development staff and buyers from SEJ, Ito-Yokado, York-Benimaru,

Brand Positioning



York Mart, and SHELL GARDEN, as well as through team merchandising activities with major domestic manufacturers.

The manufacturers make products that do not compete with their own core products, and as a result, they are able to maintain the market shares of their core products while increasing the utilization rates of their production lines. Also, Group companies purchase all of the products that are made, and as a result the manufacturers do not face inventory risk, and because the Group's existing sales routes—approximately 13,000 stores—are utilized, the manufacturers do not incur any sales promotion or marketing costs. These benefits for manufacturers are an indispensable part of our efforts to expand team merchandising initiatives targeting the advancement of *Seven Premium* development activities, and they also generate benefits for customers, such as products with superior taste and quality available at low prices.

Favorable Growth Recorded by *Seven Premium*

Seven Premium has recorded solid sales growth that has exceeded the initial plans made at the time sales were commenced in May 2007. As of the end of May 2008, a year since the launch of *Seven Premium*, we had developed a total of approximately 380 stock keeping units (SKUs) and reached total sales of ¥80.0 billion.

In consideration of these results, we have further bolstered the development of *Seven Premium* and revised our plans upward. We are now targeting 800 SKUs by the end of February 2009 and 1,300 SKUs by the end of February 2010. We will focus on lineups and sales of *Seven Premium*, reaching cumulative totals of ¥180.0 billion by the end of February 2009 and ¥320.0 billion by the end of February 2010, an increase of ¥20.0 billion from the initial target established in May 2007 when sales began.

Development and Sales Plans

		First Year (Results) (May 2007 to May 2008)	FY2009	FY2010
Number of SKUs	Initial targets	300 SKUs	—	1,100 SKUs
	New targets	380 SKUs	800 SKUs	1,300 SKUs
Sales	Initial targets	¥50 billion	—	¥300 billion
	New targets	¥80 billion	¥180 billion	¥320 billion

Taking on the Challenge of New Businesses—(2) Global Strategy

Bolstering Global Store Development

The Company operated approximately 20,000 stores in Japan and North America as of the end of each fiscal year, centered on convenience stores, superstores, supermarkets, department stores, and restaurants. Moreover, including the stores operated overseas by area licensees (companies that acquired area license rights from SEI for the operation of 7-Eleven stores in specified areas), the global store network has surpassed 35,000 stores in 17 countries and regions around the world. In the future, targeting further expansion in the convenience store network, we are considering the development of new area licensees in such areas as Asia, Europe, and South America. The Group will further expand its store network, with China as a priority area for store-opening initiatives.

Focusing on Store Development in China

China is the highest priority market in the Group's global strategy. In Beijing, convenience stores are being operated by SEVEN-ELEVEN (BEIJING) (SEB), superstores by Hua Tang Yokado Commercial, and food supermarkets by Beijing Wang fu jing Yokado Commercial. In the city of Chengdu, Sichuan Province, superstores are being operated by Chengdu

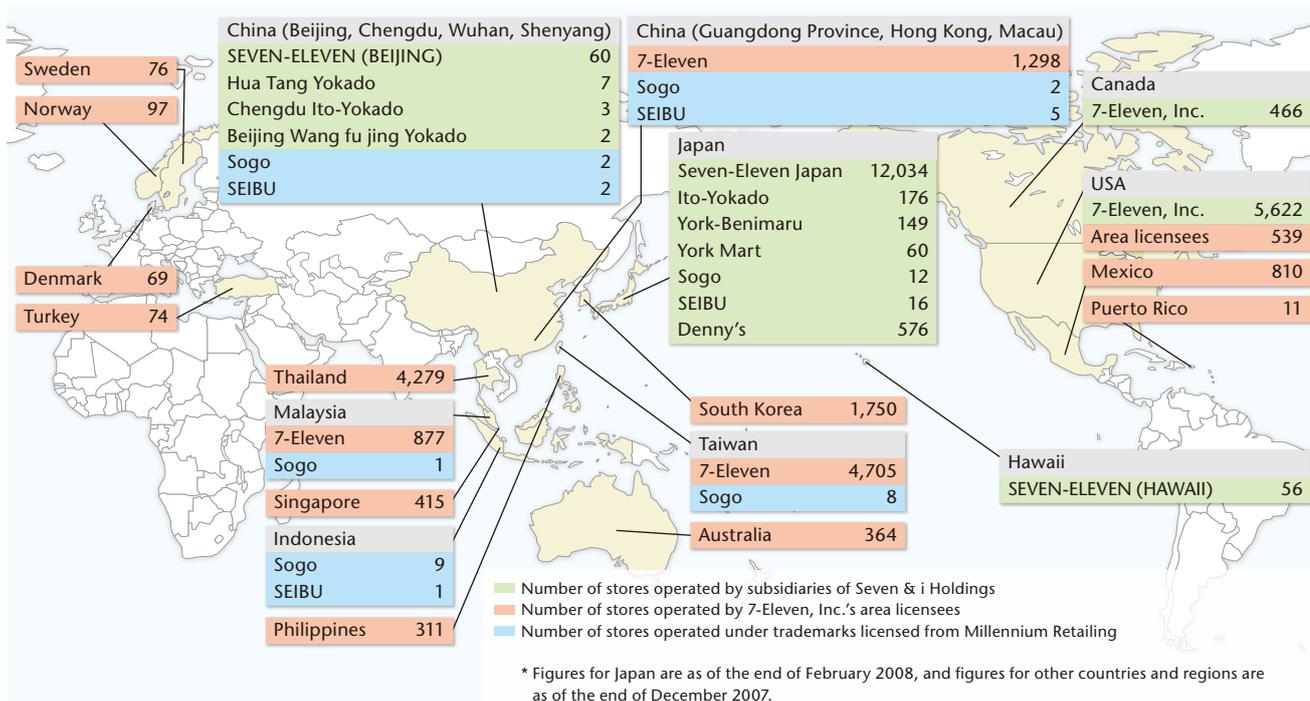


Seven Premium in SEJ store



Seven Premium in Ito-Yokado store

Seven & i Holdings' Worldwide Store Network



Ito-Yokado. Each of these companies is recording favorable results stemming from their strong responses to the needs of local customers in line with regional characteristics.

Operations in China



Convenience store



Superstore



Supermarket

Convenience Store Operations in China

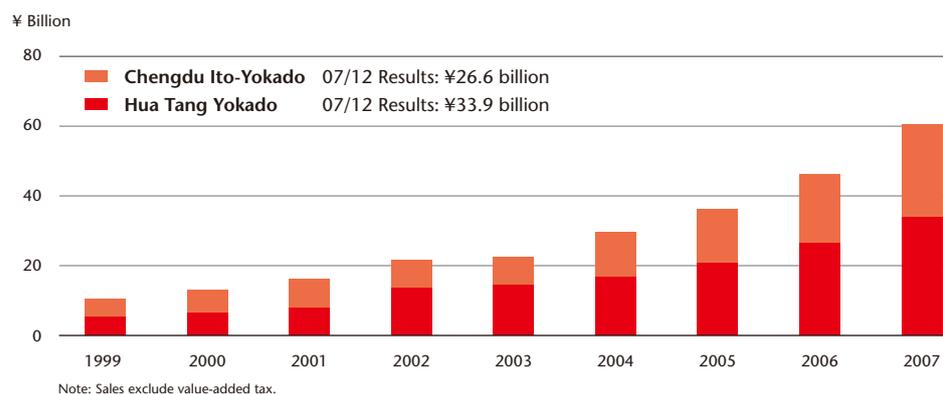
In Beijing, SEB had opened 60 stores as of the end of December 2007, principally directly operated stores. Sales of fast food, such as boxed lunches prepared in-store and *oden*, Japanese hot pot, that reflect SEJ's know-how, have been favorable, with sales at SEB stores reaching two to three times the level of sales at local convenience stores.

Moreover, SEB is preparing to begin full-fledged franchise store openings in Beijing and plans to further accelerate the franchise business in China, which boasts high economic growth potential and a giant market scale. Furthermore, when it was established SEB acquired area license rights not only for Beijing but also for Hebei Province and the Tianjin area. SEB has the potential to record substantial growth as it expands the areas in which it operates stores.

Establishment of SEVEN-ELEVEN CHINA (SEC)

To accelerate store openings in China, SEC was established in Beijing in April 2008 as a wholly owned subsidiary of SEJ. SEC has obtained master franchise rights in China from SEI.

Superstore Operations in China: Sales Results



SEC is taking steps toward the opening of stores in the municipality of Shanghai through an area licensee. Future expansion of the convenience store network in China will entail further development of area licensees and the sharing of know-how, such as SEB's know-how in the areas of product development, distribution systems, and store systems. In this way, we will work to build a network of high-level convenience stores.

Continued Reinforcement of Superstore Operations in China

Hua Tang Yokado Commercial began to open superstores in Beijing in April 1998, and Chengdu Ito-Yokado began to open superstores in Chengdu, Sichuan Province, in November 1997. As of the end of December 2007, we had 7 superstores in Beijing and 3 in Chengdu. Each of these stores has recorded favorable results in excess of forecasts. In the fiscal year ended December 31, 2007, the total sales (excluding value-added tax) of these 10 stores, after conversion to yen with an exchange rate of ¥15.51 to 1 yuan for the fiscal year, increased to approximately ¥60.0 billion. On an existing store basis, the operating income margin was high, at more than 5%. All of these results are attributable to efforts to build product lineups and stores that meet local customer needs and to the use of locally recruited employees, centered on store managers.

We have positioned the continued expansion of the store network in Beijing and Chengdu as a key issue. By December 2010, we plan to open 5 new stores in Beijing and 2 in Chengdu. Moreover, we will also consider store openings in additional areas.

Taking on the Challenge of New Businesses—(3) Card Operations Strategy

Benefits from the Introduction of *nanaco*, the Group's Original Electronic Money

The Company is working to promote and expand its *nanaco* prepaid electronic money service, which is the first such service operated directly by a domestic retail group.

In April 2007, we began to launch *nanaco* in about 1,500 SEJ stores in the Tokyo metropolitan area, and in May 2007 we began to extend service to all SEJ stores. As of the end of February 2008, *nanaco* could be used at all Denny's restaurants, and as of May 2008, *nanaco* could be used at all Ito-Yokado stores. *nanaco* can be used in approximately 7,000 stores outside the Group as well, centered on JCB member shops.

In the future, we plan to effectively use the wide range of benefits stemming from the introduction of *nanaco*, such as the ability to collect customer data and use it in marketing. In this way, we will boost the competitiveness and profitability of each operating company.

Progress in *nanaco* Development

	Development	Number of Compatible Stores		
		In Group	Outside Group	Total
2007 May	Completed introduction at all SEJ stores	11,750	—	11,750
October	Began introduction to <i>nanaco</i> -affiliated stores outside Group	11,853	1,546	13,399
December	Began introduction to all Denny's restaurants in Tokyo	12,043	2,625	14,668
2008 March	Completed introduction at all Denny's restaurants	12,613	5,974	18,587
	Began introduction to all Ito-Yokado stores in Tokyo			
April	Began providing <i>QUICPay</i> (<i>nanaco</i>) services	12,692	6,599	19,291
May	Completed introduction at all Ito-Yokado stores	12,756	6,917	19,673
	Began exchange of points from IY card to <i>nanaco</i>			

Notes: *QUICPay* is a postpaid settlement service for small purchases that enables customers to use a credit card that is registered in advance.