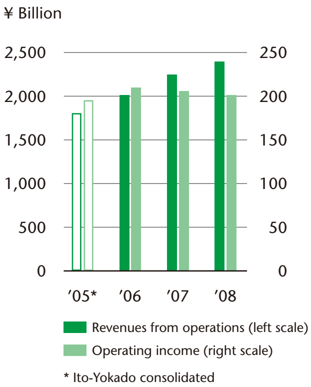
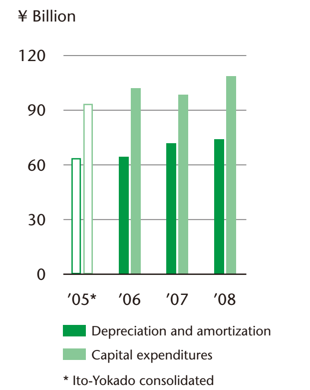
CONVENIENCE STORE OPERATIONS

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,395.7 billion +6.5%	**¥201.0 billion –2.5%**	**¥108.6 billion +10.2%**
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

Revenues from Operations / Operating Income from Convenience Store Operations



Depreciation and Amortization / Capital Expenditures in Convenience Store Operations



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the convenience store segment's revenues from operations before elimination of intersegment transactions were ¥2,395.7 billion, up 6.5%, while operating income before elimination of intersegment transactions was ¥201.0 billion, down 2.5%. Higher revenues from operations were recorded in North America as a result of favorable existing store sales, higher gasoline prices, and the depreciation of the yen. However, due to expenses associated with upfront investment, such as investment for *nanaco* electronic money, operating income was down. Capital expenditures totaled ¥108.6 billion, up 10.2%, and depreciation and amortization, including intangible assets, was up 3.2%, to ¥74.1 billion.

DOMESTIC OPERATIONS

In the fiscal year ended February 29, 2008, Seven-Eleven Japan (SEJ) recorded total store sales, which comprise corporate and franchised store sales, of ¥2,574.3 billion, up 1.6%; revenues from operations of ¥527.7 billion, an increase of 2.1%; and operating income of ¥168.2 billion, a decrease of 2.6%.

Aiming to further expand its strong network of stores in the domestic market, SEJ opened 816 stores, pursuing its dominance strategy in areas with existing stores and bolstering store openings in urban areas. In addition, SEJ closed 517 stores, including the relocation of 365 stores to more favorable locations. Consequently, the domestic network at fiscal year-end covered 34 prefectures with 12,034 stores, an increase of 299 stores from a year earlier. Average daily sales per store were down ¥13,000, to ¥597,000, while for newly opened stores, average daily sales were up ¥2,000, to ¥517,000.

By product category, sales of processed food were up 2.0%, to ¥767.1 billion, and sales of fast food rose 0.2%, to ¥736.3 billion. Sales of daily food increased 0.8%, to ¥332.1 billion, and sales of nonfood products rose 3.0%, to ¥738.8 billion. The gross margin on store sales improved 0.1 percentage point, to 31.0%.

In merchandising, SEJ continued to develop secure, safe products and limited regional products, as well as products that reflect the concepts of local production for local consumption and food education. Also, in August 2007, SEJ began sales of the Group's *Seven Premium* private-brand products. We worked to enhance our lineups of products that meet customer needs and are available in close, convenient stores.

Furthermore, we commenced the full-scale introduction of counter fast food products that are prepared using in-store fryers. As of the end of February 2008, we had completed the installation of fryers at approximately 2,700 stores, and sales of counter fast foods are recording favorable progress.

NORTH AMERICA OPERATIONS

In the fiscal year ended December 31, 2007, after conversion to Japanese-style presentation, with an exchange rate of ¥117.85 to U.S.$1.00 for the fiscal year, 7-Eleven, Inc. (SEI), had revenues from operations of ¥1,843.4 billion, up 8.0%. Net sales were ¥1,822.7 billion, up 7.8%, with merchandise sales rising 5.9%, to ¥1,068.5 billion, as a result of the contributions of fast foods and beverages, and gasoline sales of ¥754.3 billion, up 10.6%. Due to the revaluation of assets accompanying SEI becoming a wholly owned subsidiary of SEJ in November 2005, depreciation and amortization in the fiscal year ended December 31, 2007 was up ¥3.0 billion year on year, and operating income was ¥31.7 billion, a decrease of 0.9%.

In North America, SEI focused on training store development staff to accelerate store openings and on supporting the development of franchise stores. In addition, SEI aggressively remodeled existing stores and closed unprofitable stores. As a result, the number of stores in North America at the end of December 2007 was 6,088, an increase of 38 from a year earlier, including 4,041 franchised stores, an increase of 213. Average daily sales per store were up $149, to $4,248.

In merchandising, SEI continued working to bolster the lineup of fast foods and to develop limited regional products. In addition, SEI implemented tests of hot foods as new products and strengthened its development of private-brand products to meet new customer needs.

As a result of these initiatives, SEI's existing store sales in the United States recorded favorable growth of 3.1% year on year and the 45th consecutive quarter of gains.

CHINA OPERATIONS

SEVEN-ELEVEN (BEIJING) (SEB) had 60 stores in Beijing at year-end, an increase of 10 stores year on year, and continues to move ahead with preparations for full-fledged franchise store openings.

In store operations, sales of fast food, such as boxed lunches prepared in the store and *oden*, Japanese hot pot, that reflects SEJ's know-how, were favorable, with SEB stores recording sales two to three times the level of local convenience stores.

GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the forecast for the segment is for revenues from operations of ¥2,290.0 billion, down 4.4%. Although depreciation and amortization for asset revaluation at SEI will decrease by ¥7.5 billion, with the effect of increasing operating income by the same amount, the appreciation of the yen will have the effect of decreasing operating income by about ¥7.0 billion. As a result, we are forecasting operating income of ¥205.0 billion, a gain of 2.0%, capital expenditures of ¥112.0 billion, up 3.1%, and depreciation and amortization, including intangible assets, of ¥62.4 billion, down 15.8%.

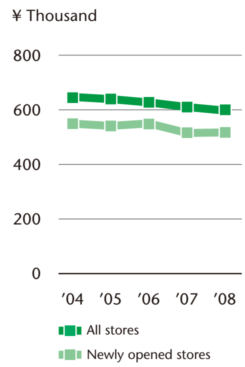
DOMESTIC OPERATIONS

SEJ will work to expand its network of close, convenient stores and to add new services that offer enhanced convenience.

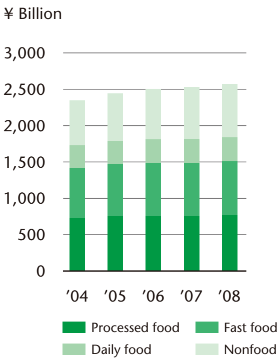
In store initiatives, SEJ plans to open 1,000 stores and close 600, maintaining a rapid pace of store openings, while accelerating the implementation of the scrap-and-build strategy for stores with weak sales. In addition, SEJ has begun preparations for the opening of stores in a new area, the Hokuriku region, specifically Toyama, Fukui,

Seven-Eleven Japan

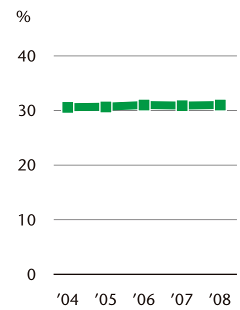
Average Daily Sales Per Store



Sales by Product Category



Gross Margin on Store Sales



EXPANSION OF STORE NETWORK IN JAPAN

(As of February 29, 2008)

Kyushu	1,225
Fukuoka	658
Kumamoto	185
Saga	134
Miyazaki	130
Nagasaki	75
Oita	43

Chugoku	784
Hiroshima	374
Yamaguchi	220
Okayama	190

Kinki	1,307
Osaka	508
Hyogo	359
Kyoto	174
Shiga	155
Nara	55
Wakayama	38
Mie	18

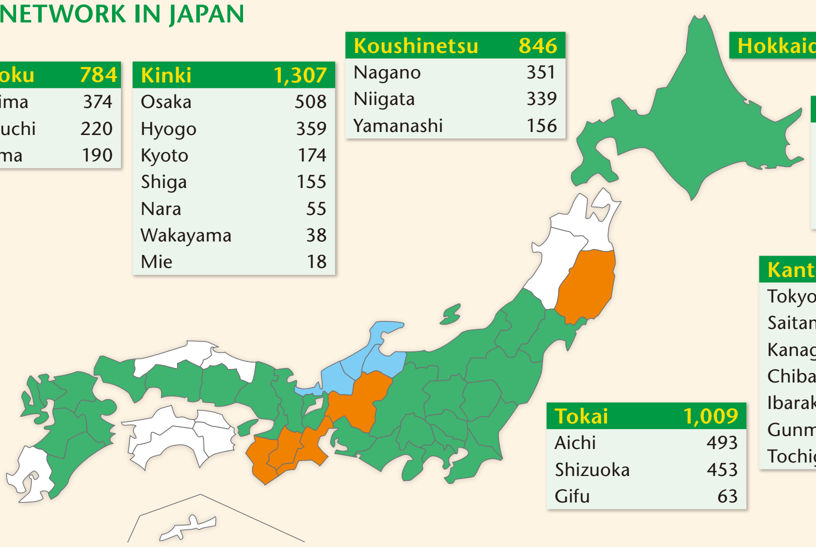
Koushinetsu	846
Nagano	351
Niigata	339
Yamanashi	156

Hokkaido	819

Tohoku	860
Fukushima	380
Miyagi	324
Yamagata	131
Iwate	25

Kanto	5,184
Tokyo	1,577
Saitama	842
Kanagawa	838
Chiba	742
Ibaraki	504
Gunma	342
Tochigi	339

Tokai	1,009
Aichi	493
Shizuoka	453
Gifu	63

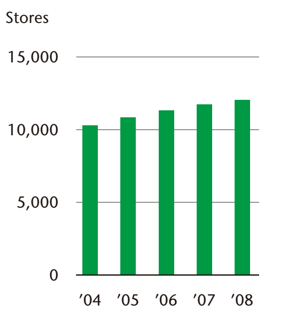


Indicates prefectures where we open stores only in limited areas by utilizing existing commissaries and distribution networks of adjacent prefectures.

Indicates prefectures where we plan to open stores newly in FY2009 and beyond.

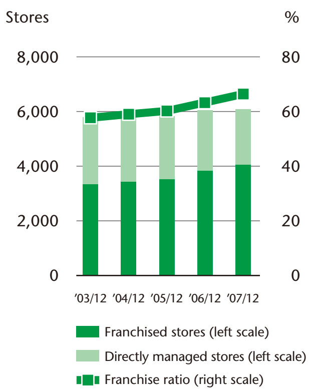
Seven-Eleven Japan

Number of Stores



7-Eleven, Inc.

Number of Stores
(Total and by Type)



SEJ Launches *Seven-Eleven Net*—Internet-Based Convenience Store

In June 2008, SEJ started *Seven-Eleven Net*, an E-commerce system that integrates the infrastructure of about 12,000 stores and the Internet.

(1) Make the best use of close and convenient store network

(2) Make the best use of existing systems and distribution networks

(3) Supplement the product lineups of small, limited size stores

(4) Start lineup of alcoholic beverages, centered on limited local sake products, and subsequently expand to such fields as food and toys

Features of *Seven-Eleven Net* Services

(1) Orders can be placed over the Internet and picked up 24 hours a day, 365 days a year at the nearest SEJ store (free shipping and no commissions).

(2) Delivery will be made within four days.

Merits for Franchisees and SEJ

(1) Orders are recorded as sales for the stores.

(2) Positive effects should include an increase in the number of customers visiting stores.

(3) Realization of low-cost operation

and Ishikawa prefectures. Furthermore, we have begun to open small-scale satellite stores in such locations as companies, hospitals, factories, and schools.

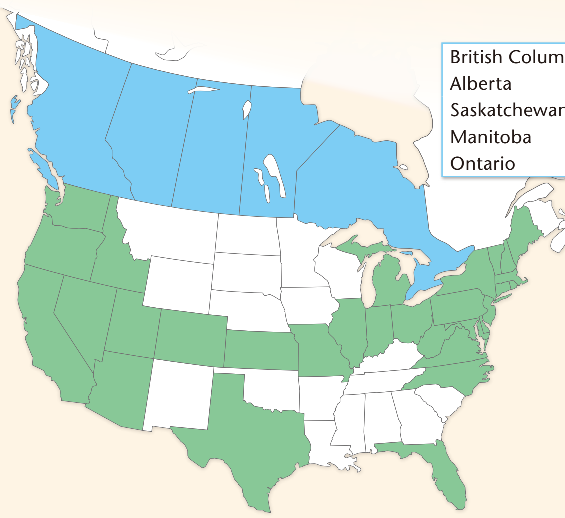
In merchandising, SEJ will work to strengthen the development of counter fast foods, with plans calling for the installation of fryers in approximately 8,000 stores by the end of August 2008. At the same time, SEJ will aggressively expand *Seven Premium*, which will be a key strategic brand against a background of trends toward fewer children per family and an aging population, because consumer needs for close, convenient stores will likely increase. Accordingly, we will work to further enhance the product lineup and increase sales.

In the fiscal year ending February 28, 2009, tobacco vending machines that verify the age of the purchaser by requiring *taspo* IC cards were introduced. These cards are only issued to applicants who are at least 20 years old. Accompanying this change, convenience stores and other stores that conduct face-to-face sales of cigarettes are expected to see increases in cigarette sales and in numbers of store visitors. At SEJ stores that sell cigarettes, based on the recognition that the introduction of age verification vending machines is one important way to help prevent underage smoking, we will work to ensure appropriate sales practices and, approaching the increase in store visitors as an important sales opportunity, we will strive to fully leverage the effects of a range of measures.

For the fiscal year ending February 28, 2009, SEJ is forecasting total store sales of ¥2,643.0 billion, up 2.7%; revenues from

EXPANSION OF STORE NETWORK IN NORTH AMERICA

(As of December 31, 2007)



Washington	204
Idaho	10
Oregon	127
California	1,274
Nevada	199
Utah	111
Arizona	81
Colorado	229

Texas	273
Kansas	11
Missouri	66
Illinois	382
Michigan	147
Indiana	32
Ohio	11

British Columbia	138
Alberta	156
Saskatchewan	41
Manitoba	48
Ontario	83

Maine	13
Vermont	4
New Hampshire	24
New York	280
Massachusetts	118
Connecticut	51
Rhode Island	22
New Jersey	233

Pennsylvania	166
Delaware	25
Maryland	308
District of Columbia	22
West Virginia	22
Virginia	623
North Carolina	7
Florida	547

operations of ¥528.3 billion, an increase of 0.1%; and operating income of ¥169.2 billion, up 0.6%.

NORTH AMERICA OPERATIONS

SEI will focus on accelerating store openings and promoting franchise operations, while activating existing stores through such means as remodeling, bolstering fast food operations, and developing limited regional products.

At the same time, under the global store strategy, SEI will work to expand the licensing business in new areas. In addition, through a tie-up with SEJ, SEI will step up the provision of know-how to area licensees, such as SEJ's information systems, distribution systems, and product development know-how.

SEI will continue to implement the area-dominance store opening strategy in focused regions, with plans calling for the opening of 200 stores and the closing of 50. Moreover, SEI will accelerate store openings by converting small and medium-sized local stores to the 7-Eleven format, and will also remodel about 900 existing stores. In these ways, SEI will bolster its strong network of stores and activate stores.

In merchandising, SEI will promote the development of local products that meet needs in each region. In addition, SEI will bolster the lineup of fast foods by expanding the hot food test area and will continue to develop private-brand products.

Furthermore, with the objective of increasing the efficiency of the distribution system to improve gross margins, SEI will begin preparations for the establishment of combined distribution centers for processed foods, which will facilitate a shift from separate store deliveries made by each manufacturer to combined distribution.

As a result of these initiatives, for the fiscal year ending December 31, 2008, after conversion to Japanese accounting standards, assuming an exchange rate for the period of ¥100.00 to U.S.$1.00, SEI is forecasting revenues from operations of ¥1,737.2 billion, down 5.8%, and operating income of ¥35.5 billion, an increase of 11.9%.

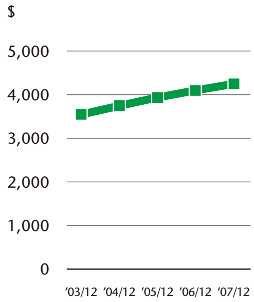
CHINA OPERATIONS

In China, we will begin full-fledged franchise development. SEB has already acquired area license rights in Beijing, Hebei, and Tianjin areas, and is moving ahead with system preparations targeting full-scale development. At the same time, franchise test operations are being conducted at 2 stores in Beijing. Through these test operations, SEB plans to establish a franchise business foundation and implement an aggressive expansion strategy.

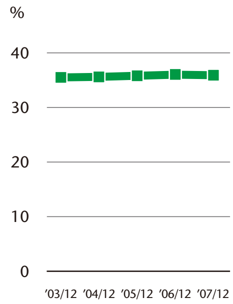
In April 2008, SEVEN-ELEVEN CHINA (SEC), which obtained master franchise rights in China from SEI, was established as a wholly owned subsidiary of SEJ. SEC is taking steps toward the opening of stores in the municipality of Shanghai through an area licensee. At the same time, we are taking steps to aggressively enhance the store management know-how of SEB, which has succeeded in localization initiatives based on SEJ's store management know-how.

In these ways, we will work aggressively to continue building a network of high-quality convenience stores in China.

Average Daily Sales per Store (All Stores)



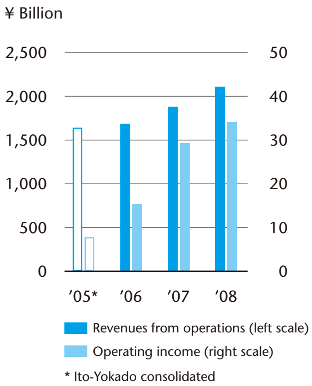
Gross Margin on Merchandise Sales



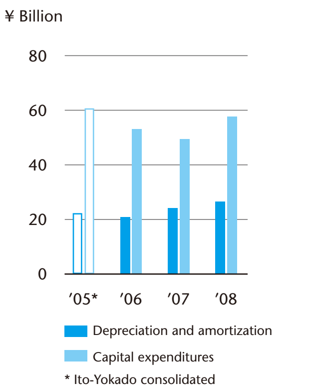
SUPERSTORE OPERATIONS

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,109.1 billion +12.0%	**¥34.1 billion +16.8%**	**¥57.6 billion +16.4%**
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

Revenues from Operations / Operating Income from Superstore Operations



Depreciation and Amortization / Capital Expenditures in Superstore Operations



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the superstore segment's revenues from operations before elimination of intersegment transactions were ¥2,109.1 billion, up 12.0%, and operating income before elimination of intersegment transactions was ¥34.1 billion, up 16.8%. This performance reflects the full-year contribution of York-Benimaru, which was made a subsidiary in September 2006, and the contributions of Akachan Honpo and FUJIKOSHI, which were made subsidiaries in the year under review. Capital expenditures totaled ¥57.6 billion, up 16.4%, and depreciation and amortization, including intangible assets, was up 9.9%, to ¥26.5 billion.

DOMESTIC SUPERSTORE OPERATIONS

In the fiscal year ended February 29, 2008, Ito-Yokado recorded revenues from operations of ¥1,489.4 billion, down 1.5%, and operating income of ¥17.1 billion, a decrease of 6.5%. We opened 3 stores—including Ario Nishiarai, the sixth Ario mall-type shopping center—and closed 1 store. The number of stores at fiscal year-end was 176, an increase of 2 stores from the previous fiscal year-end. Directly managed sales floor space at the end of the fiscal year was up 1.0%, to 1,750,605 square meters.

By product category, Ito-Yokado's apparel sales in the year under review were down 4.3%, to ¥278.2 billion; sales of household goods declined 3.9%, to ¥253.6 billion; and sales of food decreased 0.3%, to ¥670.5 billion. The gross margin on store sales declined 0.4 percentage point, to 29.9%.

In merchandising, with the aim of providing secure, safe food products, we bolstered the lineup of "KAOGA-MIERU-SHOKUHIN," fresh food traceable to producers, products and emphasized sales of the Group's new *Seven Premium* private-brand products. In apparel and household goods, we increased the emphasis on specialty shops and enhanced product lineups and sales areas in accordance with the characteristics of customers and locations as well as the size of stores.

In addition, Ito-Yokado worked to establish a new sales channel. By the end of February 2008, our Internet supermarket services, which enable customers to place orders over the Internet and have the products delivered to their homes, were available through 80 stores and the number of members had reached approximately 180,000.

DOMESTIC FOOD SUPERMARKET OPERATIONS

In the fiscal year ended February 29, 2008, York-Benimaru registered revenues from operations of ¥330.1 billion, up 5.2%, and operating income of ¥11.2 billion, an increase of 8.9%. Even in a challenging competitive environment in the Tohoku region, in which most of York-Benimaru's stores are located, we recorded gains in revenues and profits.

York-Benimaru opened 8 stores and closed 3 in the year under review. In addition, York-Benimaru merged with Super Kadoya, the operator of 16 food supermarkets. As a result, the number of stores at year-end was 149,

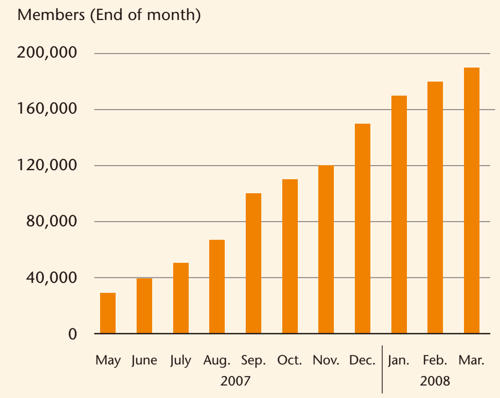
Expanding Ito-Yokado's Net Supermarket as New Sales Channel

Ito-Yokado has been developing the Net Supermarket, which is operated by each store, since 2001. In 2007, we improved the system and began full-scale expansion of services. As of the end of February 2008, the service was available through 80 stores and the service region covered most of the Tokyo metropolitan area.

A key factor in the expansion of Ito-Yokado's Net Supermarket is the ability of customers to purchase, at prices coordinated with store flyers, products chosen from a lineup of about 30,000 products, ranging from daily items to fresh foods. Through special web sites for each store, customers can order products from this lineup. Since ordered products are picked from actual sales areas at each store by sales staff, customers are able to conveniently purchase products that are fresh, secure, and safe. Moreover, for senior citizens, pregnant women, and families with small children, the ability to order even heavy products while at home and have them delivered has been well received.

In the future, we will work to enhance services to further increase convenience for customers.

Trends in Number of Members



an increase of 21 stores from a year earlier. Directly managed sales floor space at the end of the fiscal year was up 13.1%, to 379,073 square meters.

By product category, York-Benimaru's sales of food increased 7.2%, to ¥230.9 billion; apparel sales were down 4.0%, to ¥19.3 billion; and sales of household goods rose 0.9%, to ¥18.7 billion. The gross margin on store sales improved 0.2 percentage point, to 27.1%.

In sales, we strengthened our lineup and sales of *Seven Premium* products, based on the concept of "making daily meals enjoyable, comfortable, and convenient for customers who make regular store visits from small service areas." In particular, as an operator of food supermarkets that focus on shopping that is closely linked to daily lifestyles, there are strong customer needs for quality and low prices, and accordingly, *Seven Premium* sales have made strong progress. In store operations, we took steps to create sales areas with substantial selections of products, especially fresh foods, coordinated with the timing of customer visits. In this way, we worked to increase the precision of sales plans by time slot and of work plans in order to increase sales opportunities.

In addition, FUJIKOSHI, an operator of 14 food supermarkets in Fukushima prefecture, was made a subsidiary in November 2007. Currently, we are working to create stores with even closer ties to local communities by taking full advantage of the strengths of each company and by leveraging synergies achieved through management rationalization and integration.

Meanwhile, York Mart had 60 stores in the Kanto region at year-end, an increase of 2 stores from a year earlier. York Mart achieved solid revenue and profits by bolstering store-by-store initiatives in line with the needs of local customers.

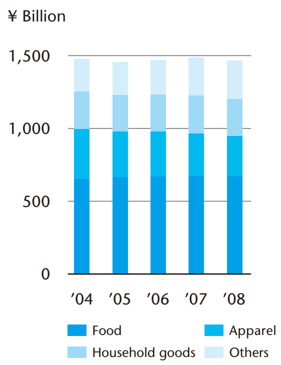
CHINA OPERATIONS

In Beijing, the Group's network comprised 7 superstores operated by Hua Tang Yokado Commercial, an increase of 1 from the previous fiscal year-end, and 2 food supermarkets operated by Beijing Wang fu jing Yokado Commercial, an increase of 1 from a year earlier. In the city of Chengdu, Sichuan Province, Chengdu Ito-Yokado operated 3 superstores, an increase of 1 from a year earlier. At stores in China, as a result of aggressive hiring of local managers and staff, and of store initiatives to meet customer

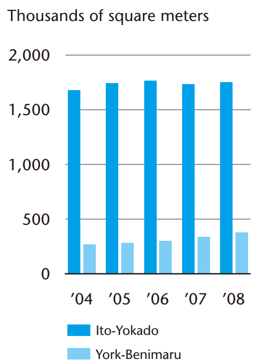
Products that have been ordered are picked up at the sales area

Ito-Yokado

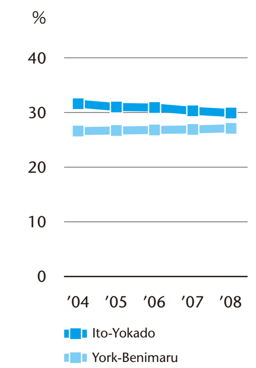
Sales by Product Category



Directly Managed Sales Floor Space

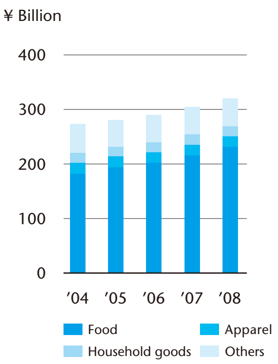


Gross Margin on Store Sales



York-Benimaru

Sales by Product Category



needs on a base of Japanese-style store operations, we continue to record favorable growth in profits.

GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the forecasts for the segment call for revenues from operations of ¥2,190.0 billion, up 3.8%, and operating income of ¥39.0 billion, a gain of 14.5%. Capital expenditures are forecast at ¥59.5 billion, an increase of 3.4%, and depreciation and amortization, including intangible assets, at ¥26.4 billion, down 0.2%.

We will work to improve profitability through structural reforms at Ito-Yokado and reorganization of the Group's food supermarket operations.

DOMESTIC SUPERSTORE OPERATIONS

In March 2008, Ito-Yokado opened Ario Otori in the city of Sakai, Osaka prefecture, the seventh Ario mall-type shopping center. On the other hand, store closures are one facet of store reform initiatives targeting improved profitability, and by February 2011, we plan to close 3 to 5 stores. In merchandising, by bolstering lineups of secure, safe products, we will create stores that are trusted by customers. At the same time, by increasing the lineup and sales of *Seven Premium* products, we will work to meet the needs of customers for high-quality, reasonably priced products, even in an environment characterized by rising product prices. In store operations, we will take steps to improve our cost structure, enhancing productivity through workforce adjustments and store cost reductions and thoroughly reevaluating sales promotion costs. Moreover, we will work to improve profitability, reducing losses caused by markdowns of apparel and fresh foods and controlling disposals. We will also further enhance our lineups by store and our sales area development. As a result of these efforts, for the fiscal year ending February 28, 2009, Ito-Yokado forecasts revenues from operations of ¥1,506.0 billion, up 1.1%, and operating income of ¥21.0 billion, an increase of 22.6%.

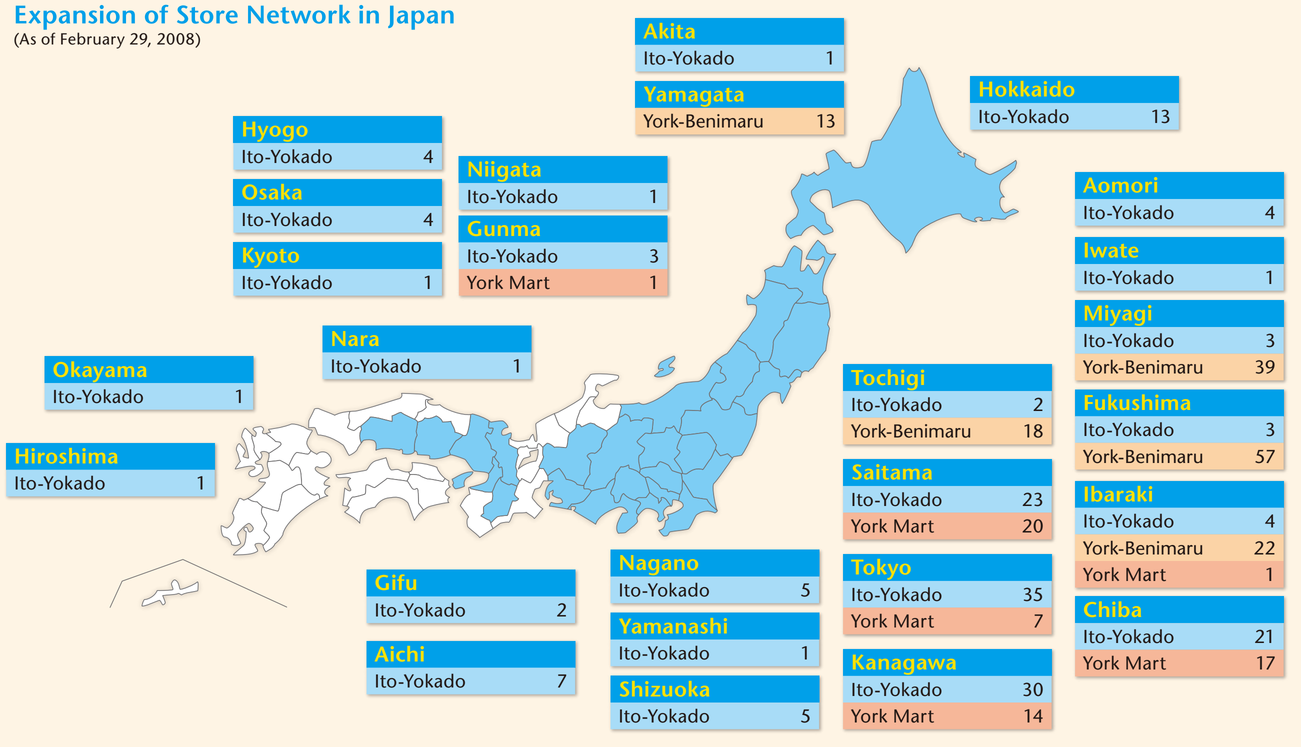
DOMESTIC FOOD SUPERMARKET OPERATIONS

York-Benimaru and York Mart will continue to bolster the *Seven Premium* lineup and sales.

In store operations, we will work to increase the precision of sales plans by time slot and of work plans, and will strive to create sales areas with substantial selections of products. At the same time, we will endeavor to reduce costs by eliminating waste in store activities.

Expansion of Store Network in Japan

(As of February 29, 2008)



Superstore Opening Plans in China
(As of the end of December)

	Location	FY2007 (Results)	FY2008 (Plans)	FY2010 (Plans)
Hua Tang Yokado	Beijing	7	10	12
Chengdu Ito-Yokado	Chengdu	3	4	5


Ito-Yokado food sales area


Ito-Yokado menswear sales area


Ito-Yokado household goods sales area

Moreover, in the fiscal year ending February 28, 2009, we will maintain the pace of store openings at the same level as in the year under review. At the same time, we will work to activate existing stores and to maximize the effects of the integrations with Super Kadoya and FUJIKOSHI. As a result of these initiatives, for the fiscal year ending February 28, 2009, York-Benimaru forecasts revenues from operations of ¥353.5 billion, up 7.1%, and operating income of ¥11.7 billion, an increase of 4.2%.

Furthermore, in the future, we will move forward with reorganization of the Group's food supermarket operations, with York-Benimaru as the core operating company. Each operating company will continue to focus on reflecting regional characteristics and maintaining its independence. We will endeavor to strengthen and integrate operations in a way that fosters the leveraging of synergy effects from organizational integration initiatives. In this way, we will strive to expand a network of more than 300 stores.

CHINA OPERATIONS

In China, we will follow the dominant strategy in superstore operations in areas where we already have stores, and consider new areas for future store openings. Hua Tang Yokado Commercial and Chengdu Ito-Yokado will continue to open stores in the cities of Beijing and Chengdu, respectively. By December 2010, plans call for Hua Tang Yokado Commercial to have 12 stores, an increase of 5 from December 2007, and for Chengdu Ito-Yokado to have 5 stores, an increase of 2 from December 2007. Moreover, we will continue to promote store operation that is matched to the needs of customers by aggressively hiring local managers and staff, and further strengthen existing operations.

CHINA OPERATIONS
(As of December 31, 2007)

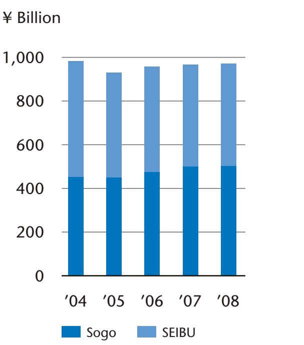
Beijing	
Hua Tang Yokado	7
Bejing Wang fu jing Yokado	2

Sichuan	
Chengdu Ito-Yokado	3

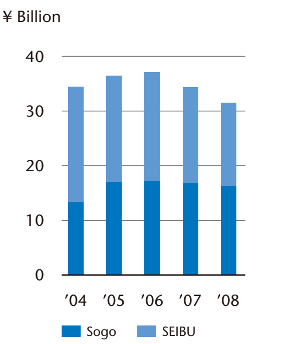
DEPARTMENT STORE OPERATIONS

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥1,025.4 billion +3.7%	**¥25.8 billion –3.8%**	**¥17.5 billion –81.3%**
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

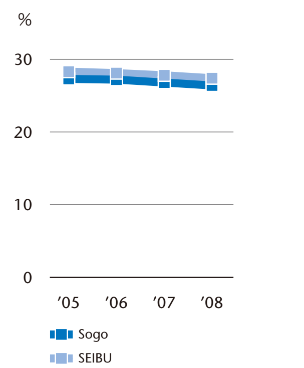
Revenues from Operations



Operating Income



Gross Margin on Store Sales



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the department store segment's revenues from operations before elimination of intersegment transactions were ¥1,025.4 billion, up 3.7%, and operating income before elimination of intersegment transactions was ¥25.8 billion, down 3.8%. Growth in revenues from operations was supported by the reopening of SEIBU Shibuya and SEIBU Tokorozawa after full-scale remodeling, as well as by THE LOFT, which became a subsidiary. However, due in part to expenses from the remodeling of those 2 stores, operating income declined year on year. Capital expenditures were ¥17.5 billion, down 81.3%, and depreciation and amortization, including intangible assets, totaled ¥20.2 billion, up 5.8%.

DEPARTMENT STORE OPERATIONS

After full-scale remodeling, SEIBU reopened SEIBU Shibuya in March 2007 and SEIBU Tokorozawa in September 2007, with each store reflecting the characteristics of its location and customers. At existing Sogo and SEIBU stores, meanwhile, we continued to implement meticulous store operations with consideration for market and competitive characteristics by region and store, centered on merchandising.

As a result, in the fiscal year ended February 29, 2008, Sogo recorded revenues from operations of ¥502.0 billion, an increase of 0.3%, and operating income of ¥16.2 billion, a decline of 3.1%. SEIBU recorded revenues from operations of ¥468.1 billion, an increase of 0.5%, and operating income of ¥15.3 billion, a decrease of 12.4%.

Remodeling of SEIBU Shibuya

As SEIBU Shibuya is located in the Jonan-Yamanote district, one of Japan's most exclusive districts, we have taken steps to develop SEIBU Shibuya especially for this sophisticated market. Specifically, to meet new needs, we opened self-directed sales areas that make original proposals of elegant fashion and a food section that offers high-quality food. Moreover, we also focused on creating distinguishing features specific to SEIBU Shibuya, such as the Luxury Zone, which boasts 54 luxury brands, among the largest in Japan, and the comprehensive Beauty & Care Zone, which offers high-end esthetic services.

Remodeling of SEIBU Tokorozawa

In Saitama prefecture, SEIBU Tokorozawa is located in front of Tokorozawa station in Tokorozawa city, where the population is expected to expand by about 10,000 people a year. Accompanying the construction of high-rise condominiums and other buildings, there has been a marked increase in the numbers of trend-conscious customers in their 30s and 40s. Specific remodeling initiatives included new self-directed sales areas that propose sophisticated fashion offerings, previously only available in central urban areas, to workers and students who commute to central urban areas. We also opened the Beauty & Care Zone, one of the largest in the prefecture. Furthermore, the new food sales area features food that is not only attractively priced but also high-quality, fresh, and in-season. In this way, the recent store remodeling created a neighborhood department store with close ties to the local community.

GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the forecasts for the segment call for revenues from operations of ¥1,048.0 billion, up 2.2%, and operating income of ¥26.0 billion, a gain of 0.9%. The forecasts for the segment call for capital expenditures of ¥17.0 billion, down 2.9%, and depreciation and amortization, including intangible assets, of ¥21.0 billion, up 4.2%.

DEPARTMENT STORE OPERATIONS

In March 2008, Sogo Hachioji was reopened, after a full-scale remodeling, as a high-end, urban department store. Moreover, we have started remodeling SEIBU Ikebukuro, SEIBU's flagship store, in stages. This remodeling will be carried out over a period of three years. In other existing Sogo and SEIBU stores, we will implement store-centered initiatives, such as bolstering sales and special events, with an emphasis on merchandising.

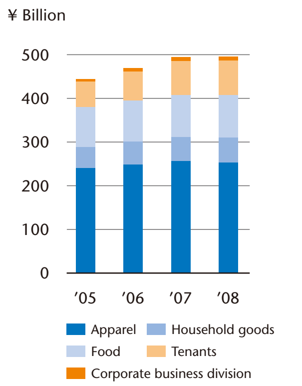
Consequently, for the fiscal year ending February 28, 2009, Sogo forecasts revenues from operations of ¥509.5 billion, up 1.5%, and operating income of ¥16.3 billion, an increase of 0.4%. For the same period, SEIBU forecasts revenues from operations of ¥475.2 billion, up 1.5%, and operating income of ¥15.5 billion, an increase of 1.4%.

Remodeling of Sogo Hachioji

Sogo Hachioji is located adjacent to Hachioji station in the Tama district, which is a bedroom community in the Tokyo metropolitan area. With the objective of responding to the changing market and to feedback from customers, Sogo Hachioji was reopened in March 2008 after a full-scale remodeling. The remodeling entailed bolstering products and services that meet the needs of members of the baby boom and baby boom junior generations, which are important customer groups. In particular, in women's fashion, we expanded from four floors to five, centered on sales areas for career women, and substantially increased the number of brands. In addition, our sales areas for tall and plus sizes now offer one of the largest numbers of brands in the Tama district.

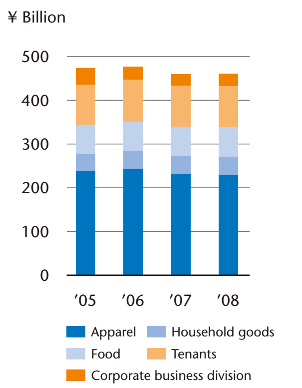
Sogo

Sales by Product Category



SEIBU

Sales by Product Category



Remodeling of SEIBU Ikebukuro—Making the Store a Compilation of Remodeling Success

SEIBU Ikebukuro is located adjacent to Ikebukuro station, one of the largest terminal stations in Japan, and we are working to leverage the strengths of SEIBU Ikebukuro as a terminal-station department store and establish its position as one of Japan's largest department stores. Accordingly, we have begun to implement a full-scale remodeling plan. The plan not only calls for the creation of clearly targeted sales areas, but also includes steps to enhance the traffic patterns. First, the women's accessories and women's fashion sales areas, which will provide a high return on remodeling effort, will be reopened in fall 2008, followed by the grand opening in 2010. In this remodeling, SEIBU expects to invest approximately ¥30.0 billion over the three-year period ending February 2011. Moreover, in consideration of the benefits of remodeling, we are targeting sales of ¥200.0 billion for the fiscal year ending February 28, 2011, compared with sales of ¥174.8 billion in the fiscal year ended February 29, 2008.

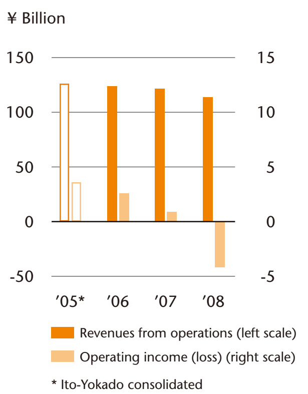
SEIBU Ikebukuro—Remodeling Schedule

	April 2008	February 2009	February 2010	February 2011
Phase I	**Expansion of Fashion Zone** Floors 1 and 2 • Women's accessories: Enhanced customer traffic patterns • Women's shoes: Lineup of 100,000 items, among the largest in Japan • Cosmetics: Introduction of skin care—premium lines		**Fall 2010 Grand Opening**	
Phase II	Floors 3 to 6 • Women's apparel: Correct merchandising balance from viewpoints of grade and taste • Introduction of self-directed sales areas			
Phase III		**Expansion of Food Zone Floor Space** • Expansion of B1 floor space (Consolidate current two floors into one floor) • Follow up remodeling of sporting goods and children's goods sales areas with remodeling of men's and interior goods sales areas		
Phase IV			**Remodeling of Restaurant Zone**	

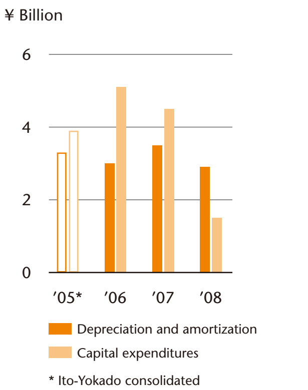
FOOD SERVICES

REVENUES FROM OPERATIONS	OPERATING LOSS	CAPITAL EXPENDITURES
¥114.0 billion –6.3%	**–¥4.2 billion**	**¥1.5 billion –65.5%**
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

Revenues from Operations / Operating Income (Loss) from Food Services



Depreciation and Amortization / Capital Expenditures in Food Services



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the food services segment's revenues from operations before elimination of intersegment transactions were ¥114.0 billion, down 6.3% year on year, and the segment's operating loss before elimination of intersegment transactions was ¥4.2 billion. This performance was attributable to the challenging conditions in the food services industry and unseasonable summer weather, which adversely affected revenues in the Seven & i Food Systems' restaurant division, as well as to the failure to reap the full benefits of various operational initiatives. Capital expenditures totaled ¥1.5 billion, down 65.5%, and depreciation and amortization, including intangible assets, was down 15.9%, to ¥2.9 billion.

FOOD SERVICES

Seven & i Food Systems registered revenues from operations of ¥55.0 billion and an operating loss of ¥2.9 billion. In September 2007, Denny's Japan, Famil, and York Bussan were merged into Seven & i Food Systems, which was established in January 2007. As a result, in the fiscal year ended February 29, 2008, the results of the former three companies are included only for the six-month period following the merger.

The merger of the three companies into Seven & i Food Systems has resulted in the reorganization of existing businesses into three new business divisions: restaurants, meal provision services (provision of meals to company cafeterias, hospitals, schools, etc.), and fast food. This reorganization has established a foundation on which we can carry out initiatives to improve the profitability of food services.

At the end of February 2008, the number of stores in food services was down by 2 year on year, to 1,047. Store development initiatives in the restaurant division resulted in the opening of 21 new stores, while our strategy of closing unprofitable stores was the primary reason for 39 store closures. As a result, the number of stores in the restaurant division fell 18, to 677.

In operations, amid the difficult operating conditions in the food services industry, we focused our efforts on reinvigorating existing stores through improved customer services and revised menu items. We also developed new restaurant formats to meet diversified customer needs. However, adverse factors included the unseasonal summer weather and a changing operating environment, such as a growing trend among consumers to refrain from dining out in response to the rising price of gasoline. In addition, we could not respond adequately to diversifying customer needs. As a result, performance remained sluggish.

GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the forecasts for the segment call for revenues from operations of ¥110.0 billion, down 3.5%, and an operating loss of ¥1.5 billion. Our goal is a rapid return to the black, and in addition to far-reaching cost cutting initiatives and the closure of unprofitable stores, we are pushing forward with business restructuring, including measures to revise menu items and to strengthen ties with local

Store-Closing Plans

	FY2008 (Results)	FY2009 (Plans)	FY2010 to FY2011 (Plans)	**4-Year (Total)**
Restaurants	39 stores	65 stores	70 stores	**174 stores**
Meal Provision Services	6 stores	1 store	—	**7 stores**
Fast Food	2 stores	4 stores	—	**6 stores**
Total	**47 stores**	**70 stores**	**70 stores**	**187 stores**


Fast food "Poppo"


Company cafeteria

communities. Capital expenditures are forecast at ¥1.7 billion, up 10.0%, and depreciation and amortization, including intangible assets, at ¥2.1 billion, down 27.7%.

FOOD SERVICES

Seven & i Food Systems will strengthen its foundation to achieve a rapid return to the black by leveraging synergies from the integration and by cutting costs. We are reviewing our cost structure and working to cut costs, including labor costs and store-related expenses, and taking steps to improve distribution efficiency and expand joint procurement. Moreover, we are pressing ahead with business reorganization to achieve a rapid return to profitability in the restaurant division, including the closing of unprofitable stores. Seven & i Food Systems plans to close 140 unprofitable stores in the three-year period from February 2009 to February 2011. On the other hand, we will develop new formats to invigorate operations at existing locations. Furthermore, in sales, we will focus on safe ingredients, develop menu items that use seasonal ingredients, and propose menus that enable customers to enjoy combinations of reasonably priced items.

Leveraging Integration Synergies—Pursuing Economies of Scale

Since the merger of the three former companies into Seven & i Food Systems in September 2007, we are striving to maximize integration synergies through the pursuit of economies of scale.

In the restaurant division, Denny's and Famil have been conducting joint procurement of ingredients and developing shared menu items that use the same ingredients. Denny's restaurants are predominately located in cities and beside major roads, while Famil restaurants are found within Ito-Yokado stores. As a result, they have different customer bases and customers visit stores for different purposes. Accordingly, Denny's and Famil remain committed to creating menu items that are finely tuned to the particular needs of their customers, such as the types of side dishes and the size of the meals, while using common ingredients.

In the future, each of the restaurant, meal provision, and fast food divisions will participate not only in joint procurement and joint menu item initiatives, but also in efforts to raise distribution efficiency through joint deliveries.


Denny's


FAMIL

Jambalaya


Denny's

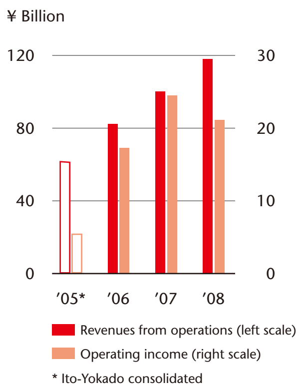

FAMIL

Steak

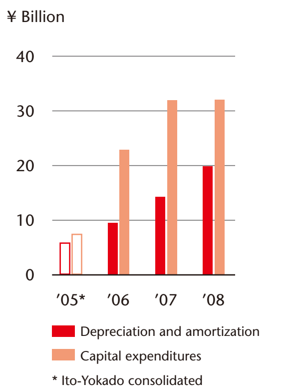
FINANCIAL SERVICES

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥118.0 billion +17.6%	**¥21.1 billion –14.2%**	**¥32.0 billion +0.4%**
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

Revenues from Operations / Operating Income from Financial Services



Depreciation and Amortization / Capital Expenditures in Financial Services



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the financial services segment's revenues from operations before elimination of intersegment transactions were ¥118.0 billion, up 17.6%, and operating income before elimination of intersegment transactions was ¥21.1 billion, down 14.2%. The rise in revenues from operations was primarily attributable to a strong performance by Seven Bank. However, due to expenses related to upfront investment accompanying the issuance of *nanaco* by IY Card Service, and increased depreciation and amortization expense following the installation of next-generation ATMs by Seven Bank, operating income declined year on year, while still clearing the initial target. Capital expenditures totaled ¥32.0 billion, up 0.4%, and depreciation and amortization, including intangible assets, was ¥19.8 billion, up 39.5%.

In January 2008, we established the SEVEN & i FINANCIAL GROUP to strengthen our financial services operations. In March 2008, we consolidated our non-banking financial services into this company through a corporate demerger. In addition to its continuing role of complementing our retail operations, this system enables us to provide customers with convenient financial services via enhanced original services.

ATM OPERATIONS

Seven Bank is expanding its network of ATMs not only at Group stores, but also at stores outside the Group, such as Nomura Securities Co., Ltd., branches throughout Japan as well as airports and hotels. In addition, we took steps to increase ATM added value by developing new services. These include a service launched in July 2007 that enables holders of cash cards and credit cards issued overseas to withdraw Japanese yen and check their account balances from our ATMs in Japan. At the end of March 2008, Seven Bank had 13,032 installed ATMs, an increase of 944 from a year earlier, and had tie-ups with 554 financial institutions. The average daily transaction volume per ATM during the fiscal year was 109.0 transactions, a year-on-year increase of 11.2. As a result, in the fiscal year ended March 31, 2008, Seven Bank had ordinary income of ¥83.7 billion, up 10.9%, and ordinary profit of ¥24.7 billion, a decrease of 1.4%.

On February 29, 2008, Seven Bank was listed on the Jasdaq Securities Exchange.

CREDIT CARD OPERATIONS

In the year under review, IY Card Service focused on issuing and promoting the use of the *IY Card* credit card and the Group's original *nanaco* electronic money. As a result, as of the end of February 2008, it had issued 2.95 million *IY Cards*, an increase of 150,000 cards from a year earlier, and 5.51 million *nanaco* cards. For *nanaco*, an operating loss of approximately ¥4.0 billion was recorded due to upfront expenses in the first year of *nanaco* operations. In credit card operations, however, profitability improved due to a higher rate of credit card usage, and the operation itself recorded an operating profit for the second consecutive fiscal year.

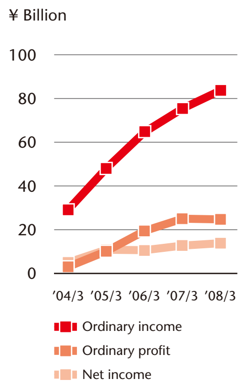
Bolstering *nanaco* Functions Targeting the Provision of Enhanced Convenience

The starting point for the development of *nanaco* within the Group was May 2007, when it was introduced at all SEJ stores. The network of participating Group stores was steadily expanded to include all Denny's restaurants in March 2008 and all Ito-Yokado stores in May 2008. Over the same period, the network of *nanaco* participating stores was also extended to include stores outside the Group from October 2007. As a result, as of the end of May 2008, the number of stores where *nanaco* could be used had increased to approximately 20,000, of which approximately 13,000 were Group stores and approximately 7,000 were stores outside the Group.

We have also launched new services. From May 2008, customers can convert *IY Card* points, which are added by using *IY Card*, into *nanaco* points, and in June 2008, *IY Card* can be used to add credit to *nanaco*. In the future, we will continue to meet customer payment needs by further increasing convenience.

Seven Bank

Operating Results



GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the segment is forecasting revenues from operations of ¥128.0 billion, up 8.5%, and operating income of ¥22.0 billion, an increase of 4.4%. The negative effect on profits of a substantial increase in depreciation and amortization expense that will accompany the introduction of next-generation ATMs is expected to offset the positive contribution to earnings that will be made by Seven Bank through an increased volume of ATM transactions. The forecasts for the segment call for capital expenditures of ¥24.9 billion, down 22.2%, and depreciation and amortization, including intangible assets, of ¥23.6 billion, up 19.4%.

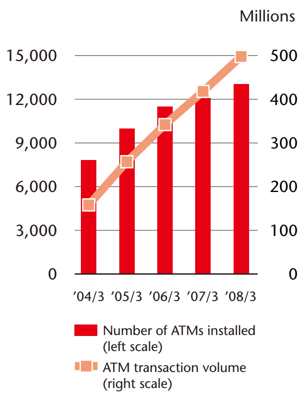
ATM OPERATIONS

Seven Bank has successfully achieved a high rate of ATM installation at Group stores and is now concentrating its efforts on expanding its ATM network at stores outside the Group. In addition, it will steadily raise the average number of ATM transactions by taking steps to further increase customer satisfaction, such as enhancing ATM functionality, and to heighten convenience, such as installing multiple ATMs at SEJ stores with high levels of ATM transactions. As a result, in the fiscal year ending March 31, 2009, Seven Bank forecasts ordinary income of ¥89.2 billion, up 6.6%, and ordinary profit of ¥25.3 billion, an increase of 2.6%. The number of installed ATMs is forecast to reach approximately 14,000, with an average daily transaction volume per ATM of approximately 112.0 transactions.

CREDIT CARD OPERATIONS

Previously, the *IY Card* could be used as a credit card anywhere and also as a point card at Ito-Yokado stores. Now, IY Card Service has added the *QUICPay* postpay electronic money to increase *IY Card* credit card usage at SEJ stores, and is broadening its operational scope to encompass other Group companies. In addition, IY Card Service is working to increase the use of *nanaco* among companies inside and outside the Group.

Number of ATMs Installed / ATM Transaction Volume



Growth in Network of ATMs Inside and Outside the Group

ATM at SEJ store

ATMs at Narita Airport

ATMs at Nomura Securities