Convenience Store Operations

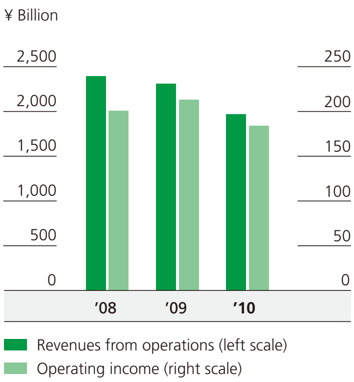
KEY FIGURES

REVENUES FROM OPERATIONS
¥1,968.5 billion (14.7)%

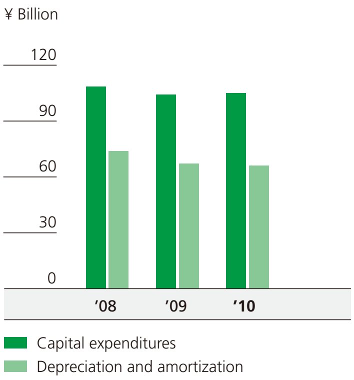
OPERATING INCOME
¥183.8 billion (13.8)%

CAPITAL EXPENDITURES
¥104.9 billion +0.7%

Revenues from Operations
Operating Income



Capital Expenditures
Depreciation and Amortization



KEY EVENTS

APRIL 2009
7-Eleven store openings through an area licensee were commenced in Shanghai, China.

SEPTEMBER 2009
SEVEN-ELEVEN (BEIJING) opened first stores in Tianjin, China.

DECEMBER 2009
Seven-Eleven Japan opened first store in Ishikawa Prefecture.

DECEMBER 2009
7-Eleven, Inc., acquired New England Pantry, Inc., which operated 58 convenience stores in the Boston area.

OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2010, the convenience store segment's revenues from operations were ¥1,968.5 billion, down 14.7%, and operating income was ¥183.8 billion, a decrease of 13.8%. Capital expenditures totaled ¥104.9 billion, up 0.7%, and depreciation and amortization was down 1.7%, to ¥66.1 billion.

The decline in revenues from operations was attributable principally to a substantial decline in gasoline prices in North America operations and to the influence of the appreciation of the yen, which together had an effect of about ¥340.0 billion. The decline in operating income was primarily the result of the fact that a year had passed since the introduction of *taspo* IC cards, the influence of unseasonable summer weather, and the worsening of domestic business conditions, which resulted in weak existing-store sales.

Operating income included an increase in amortization of goodwill related to 7-Eleven, Inc. (SEI), accompanying a change in accounting standards of ¥7.2 billion and the adverse effect of the appreciation of the yen, which was about ¥3.7 billion.

Domestic Operations

In the fiscal year ended February 28, 2010, Seven-Eleven Japan (SEJ) recorded total store sales, which comprise corporate and franchised store sales, of ¥2,784.9 billion, up 0.8%; revenues from operations of ¥535.0 billion, a decrease of 1.1%; and operating income of ¥156.2 billion, down 12.3%.

In store initiatives, in accordance with the basic strategy of area-dominance store openings, SEJ bolstered store openings in urban areas and aggressively moved ahead with the relocation of stores to favorable sites. SEJ also bolstered business development in new locations. For example, in November 2009, through a business alliance with Keihin Electric Express Railway Co., Ltd. (Keikyu), we began to open Seven-Eleven

Cease and Desist Order Regarding Violation of Article 19 of the Antimonopoly Act

In June 2009, SEJ received a cease and desist order from the Japan Fair Trade Commission for activities that violate the provisions of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, Article 19 (Paragraph 14 [Abuse of Dominant Bargaining Position], Item 4 of Designation of Unfair Trade Practices). Specifically, SEJ received the order for "having unjustly retrained discount sales of daily goods close to the sell-by date/time by franchisees."

Following the receipt of the order, SEJ examined the matter in detail, including giving consideration to the opinions of third parties. SEJ formally decided to accept the cease and desist order and notified the Japan Fair Trade Commission of this decision in August 2009.

We will continue striving to further strengthen our relationships of trust with the franchisees and achieve further increases in the satisfaction of franchise owners.

stores in Keikyu stations. In addition, in December 2009 we began to open stores in a new region, Ishikawa Prefecture. Consequently, the number of domestic stores reached 12,753 stores in 38 of Japan's 47 prefectures at the end of the fiscal year under review, an increase of 455 stores from a year earlier. We opened a record high 966 stores during the year, while closing 511 stores. Average daily sales per store were down ¥13,000, to ¥616,000, and for newly opened stores average daily sales per store were down ¥30,000, to ¥525,000.

In merchandising, we expanded the lineup of *Seven Premium* private-brand products, centered on frequently purchased goods, such as *sozai* prepared dishes and frozen foods. We also revised the prices of certain daily sundries and began sales of chilled boxed lunches that offer extended "sell-by" dates while maintaining quality. Chilled boxed lunches have long sales periods, and therefore can be stocked in larger quantities. As a result, they are contributing to reduced opportunity losses and disposal losses for all boxed lunches, including room-temperature boxed lunches.

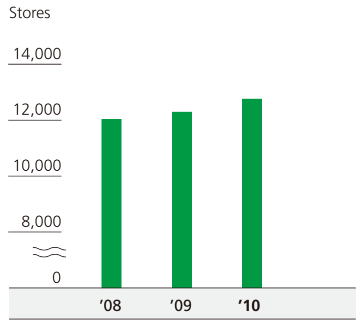
SEJ believes that headquarters and franchisees need to work together to overcome the difficult management environment. Accordingly, headquarters is implementing a new initiative to sustain aggressive progress in fast food, which is a core product. From July 2009, headquarters began to pay 15% of the disposal loss cost of franchisees. In the fiscal year ended February 28, 2010, this disposal loss cost burden was about ¥6.0 billion.

North America Operations

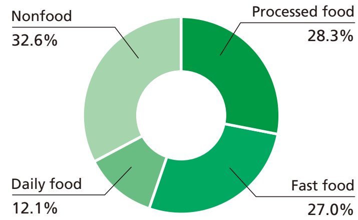
In the fiscal year ended December 31, 2009, after conversion to Japanese-style presentation, with an exchange rate of ¥93.65 to U.S.$1.00 for the period, SEI had revenues from operations of ¥1,411.3 billion, down 19.0%, and operating income of ¥34.4 billion, down 0.8%. The decline in revenues from operations was attributable in part to a substantial decline in gasoline prices, which had an effect of about ¥190.0 billion, and to the influence of the appreciation of the yen by ¥9.83 in comparison with the previous year, which had an effect of about ¥150.0 billion. The appreciation of the yen had an adverse effect on operating income of about ¥3.7 billion. However, on a dollar basis, which excludes this effect, operating income was up 9.6% year on year. A number of factors contributed to the higher income. In merchandising, SEI maintained a focus on development and sales of fast food products and *7-Select* private-brand products, and higher retail sales prices for cigarettes and other tobacco products had the effect of increasing sales. On a dollar basis, merchandise sales at existing stores in the United States were up 0.6% year on year. In addition, SEI worked to cut costs, centered on labor costs, through the conversion of directly managed stores to franchised stores.

Seven-Eleven Japan

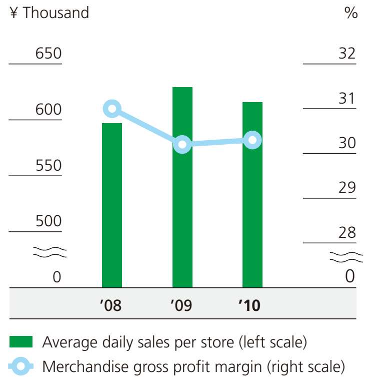
Number of Stores



Sales by Product Category



Average Daily Sales per Store
Merchandise Gross Profit Margin

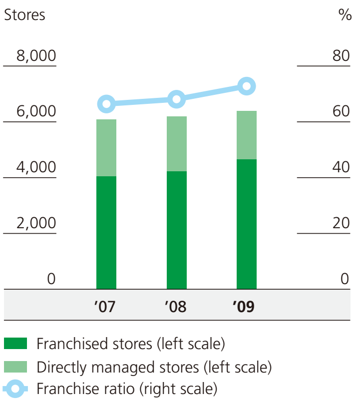


Chilled boxed lunches

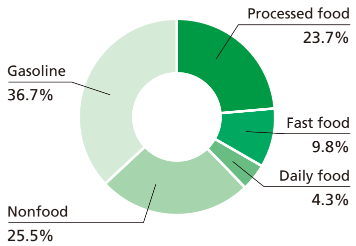
7-Eleven, Inc.

Fiscal year ended on December 31

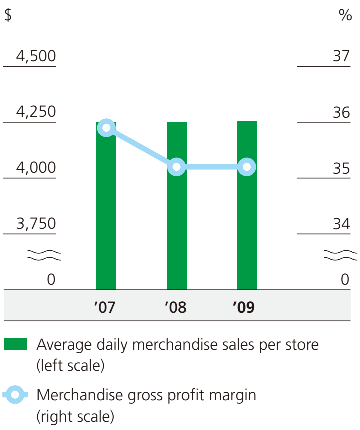
Number of Stores



Sales by Product Category



Average Daily Merchandise Sales per Store
Merchandise Gross Profit Margin



In the United States and Canada, SEI accelerated new store openings and aggressively converted directly managed stores to franchised stores. In addition, in December 2009 SEI acquired New England Pantry, Inc., which operated 58 stores in the Boston area. Consequently, there were 6,389 stores in North America at the end of December 2009, an increase of 193 from a year earlier, including 4,649 franchised stores, an increase of 429.

OUTLOOK AND INITIATIVES FOR 2011

For the fiscal year ending February 28, 2011, the segment is forecasting revenues from operations of ¥2,040.0 billion, up 3.6%, and operating income of ¥185.5 billion, a gain of 0.9%. Capital expenditures are forecast at ¥125.0 billion, up 19.1%, and depreciation and amortization at ¥64.2 billion, a decline of 3.0%.

The appreciation of the yen is expected to have the effect of decreasing revenues from operations by about ¥60.0 billion and operating income by about ¥1.0 billion.

Domestic Operations

Working toward its objective of realizing "close by convenient stores," SEJ will reevaluate its product lineups and enhance the provision of services that meet customer needs. In addition, SEJ will work to sustain stable growth by maintaining a high level of store openings.

In response to changes in society, such as the aging population and the increase in working women, SEJ will advance initiatives in the area of meal solutions and bolster lineups of products that are consumed at home on a daily basis. At the same time, SEJ will take steps to enhance the convenience of services, such as handling a broad range of tickets. For further information about meal solutions and services, please see the Special Feature section of this report on pages 10 to 11.

In store initiatives, SEJ will continue to step up store openings in favorable locations in urban areas and will also move ahead with aggressive store development activities, including opening small stores in such locations as stations, hospitals, and schools. SEJ will maintain a high level of store openings, with plans calling for 1,000 store openings during the year. On the other hand, SEJ plans to close 650 stores, including the closure of directly managed stores with high employee labor costs and weak profitability.

Moreover, in the opening of new stores and the remodeling of existing stores, SEJ will introduce environmentally friendly stores that include such facilities as high voltage electric receiving equipment and LED lighting. These initiatives will also help to reduce costs. In the fiscal year ending February 28, 2011, the disposal loss cost burden is expected to be about ¥9.5 billion, an increase of ¥3.5 billion year on year.

North America Operations

SEI will continue to focus on sales of fast foods and private-brand products. In addition, SEI will work to improve profitability through aggressive openings, centered on A-type stores, which have higher investment efficiency and profitability.

In merchandising, SEI will continue to focus on sales of fast food, centered on hot foods prepared in the store, and on sales of *7-Select* private-brand products. SEI will take steps to increase sales of hot foods, which make a strong contribution to sales. These measures will include aggressive investment in such areas as the installation of new equipment.

In store initiatives, SEI plans to open about 250 stores a year, centered on A-type stores, which have lower start-up investment costs than C-type stores.

Notes: A-type store: Franchisees provide land and buildings.
C-type store: Franchisor provides land and buildings.

7-Select juices

Hot food—Spicy Wing Zing

Hot food—Pizza

China Operations

In China, we will move ahead with full-scale store opening initiatives and work to enhance the 7-Eleven brand.

SEVEN-ELEVEN BEIJING (SEB), a subsidiary of Seven & i Holdings, began to open stores in Tianjin in September 2009. SEB had 92 stores at the end of December 2009, including two stores in Tianjin. SEB is focusing on fast foods, such as boxed lunches prepared in the store, *oden*, and rice balls. These products account for about 50% of sales. Especially strong popularity is being enjoyed by boxed lunches that include freshly prepared delicatessen items that customers can order in the store. SEB will continue to focus on these boxed lunches as a point of differentiation from the offerings of local convenience stores.

As master licensor for all of China, SEVEN-ELEVEN CHINA (SEC) is advancing the development of 7-Eleven in China. The first phase of that development was the commencement of store openings in Shanghai in April 2009. Moving forward, SEC will work to bolster the competitiveness of its stores with reference to the example set by SEB, which has achieved high levels of daily sales.

Fast food provided by SEB

Superstore Operations

KEY FIGURES

REVENUES FROM OPERATIONS
¥2,016.5 billion (5.1)%

OPERATING INCOME
¥14.1 billion (42.7)%

CAPITAL EXPENDITURES
¥65.3 billion +41.9%

KEY EVENTS

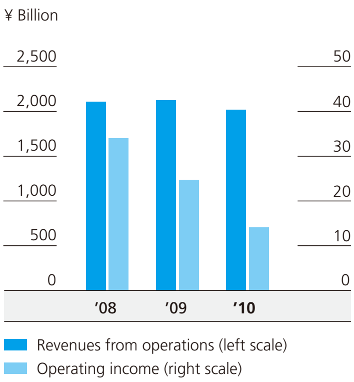
MARCH 2009
Ito-Yokado opened Musashi-Koganei store in Tokyo, Japan.

SEPTEMBER 2009
Hua Tang Yokado Commercial opened Bei Yuan store in Beijing, China.

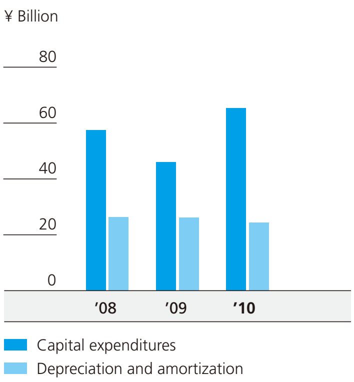
NOVEMBER 2009
Chengdu Ito-Yokado opened Jian She Lu store in Chengdu, Sichuan Province.

JUNE 2010
Ito-Yokado opened Ario Kitasuna store in Tokyo, Japan.

Revenues from Operations
Operating Income



Capital Expenditures
Depreciation and Amortization



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2010, the superstore segment's revenues from operations were ¥2,016.5 billion, down 5.1%, and operating income was ¥14.1 billion, a decrease of 42.7%. Capital expenditures totaled ¥65.3 billion, up 41.9%, and depreciation and amortization was down 6.8%, to ¥24.3 billion.

The decline in revenues from operations was attributable primarily to sluggish sales at Ito-Yokado, centered on apparel, and to weak sales of food accompanying an ongoing deflationary trend, especially in the second half of the fiscal year. We made efforts to achieve substantial cost reductions, centered on Ito-Yokado, but the sluggish sales resulted in the decline in operating income.

Superstore Operations

Ito-Yokado is the core operating company in superstore operations. In the fiscal year ended February 28, 2010, Ito-Yokado recorded revenues from operations of ¥1,387.8 billion, down 5.1%, and operating income of ¥1.7 billion, a decrease of 81.7%.

Ito-Yokado opened four stores during the year, including stores specializing in food, and closed five stores, principally in suburban areas. Consequently, the number of stores at fiscal year-end was 174, a reduction of one store from a year earlier. In addition, we reached a total of 11 stores in a new lifestyle support discount store format—THE PRICE. Moreover, we worked to build sales areas utilizing the Group's specialty stores. In August 2009, for example, in an alliance with AIN PHARMACIEZ, we opened *Seven Bi no Gardens* drug and cosmetics stores in Ito-Yokado stores.

By product category, Ito-Yokado's sales of apparel in the year under review were down 9.6%, to ¥240.0 billion; sales of household goods declined 6.5%, to ¥220.6 billion; and sales of food decreased 2.5%, to ¥663.7 billion. The merchandise gross profit margin was down 0.8 percentage point, to 29.0%. In apparel, we worked to develop original products, but due to the difficult business conditions and to lower market prices, sales and the merchandise gross profit margin both declined. In food, we took steps to respond to the trend toward eating at home and to provide economically priced fresh foods. Nonetheless, consumers were increasingly focused on protecting their standards of living and on economizing, and market conditions were affected by deflation and by lower prices for fresh foods. As a result, sales were sluggish.

We continued to focus on *Net Supermarket* as a new sales method. The convenience of *Net Supermarket* has garnered strong support, especially from parents with young children and from senior citizens. The number of members grew rapidly, reaching 580,000 at the end of February 2010, up 250,000, and sales increased approximately 60%, to ¥21.0 billion year on year.

Food Supermarket Operations

In food supermarket operations, as of the end of February 2010, York-Benimaru had 164 stores, principally in the Tohoku region, an increase of eight from a year earlier, and York Mart had 62 stores in the Tokyo metropolitan area, an increase of two from a year earlier.

York-Benimaru is the core operating company in food supermarket operations. In the fiscal year ended February 28, 2010, York-Benimaru registered revenues from operations of ¥348.7 billion, basically unchanged from the previous year, and operating income of ¥9.4 billion, a decline of 19.7%. In response to the trend toward eating at home more often, we bolstered our fresh foods and aggressively sold *Seven Premium* private-brand products. In addition, we implemented campaigns to stimulate consumption. Nonetheless, the economic environment worsened, centered on the Tohoku region, and sales were weak, especially from summer onward.

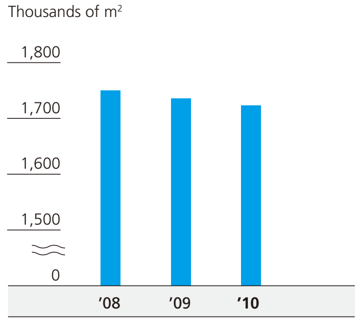
By product category, York-Benimaru's sales of food increased 1.0%, to ¥251.4 billion; apparel sales were down 6.5%, to ¥17.2 billion; and sales of household goods rose 0.1%, to ¥18.7 billion. The merchandise gross profit margin declined 0.3 percentage point, to 26.7%.

China Operations

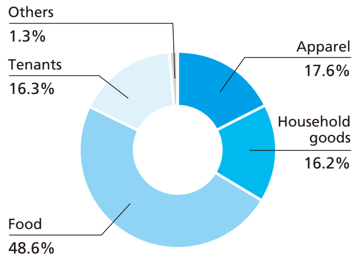
In Beijing, as of the end of December 2009, the Group's network comprised nine superstores, an increase of one from a year earlier, and one food supermarket. In Chengdu, Sichuan Province, the Group had four superstores, an increase of one from a year earlier. Although the results in Beijing have been sluggish due to slack economic growth following the Olympics, overall results in China have been supported by a strong performance in Chengdu, where our operations have recorded double-digit growth in sales and profits.

Ito-Yokado

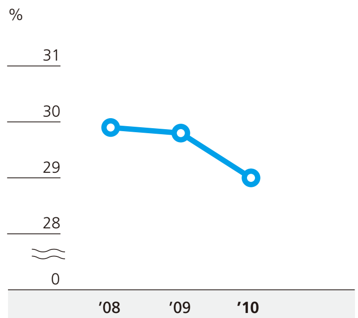
Directly Managed Sales Floor Space



Sales by Product Category



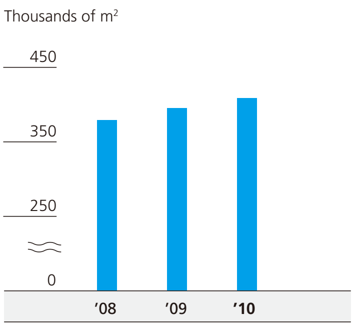
Merchandise Gross Profit Margin



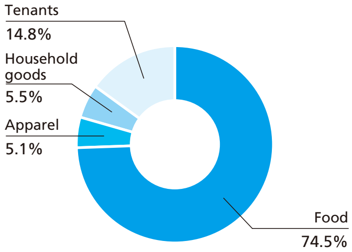
Locally cultivated vegetables sold at York-Benimaru

York-Benimaru

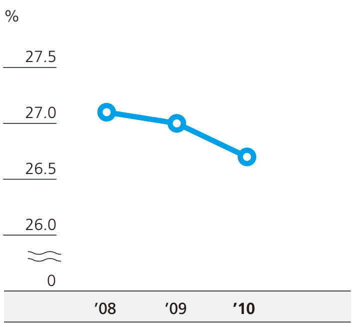
Directly Managed Sales Floor Space



Sales by Product Category



Merchandise Gross Profit Margin



OUTLOOK AND INITIATIVES FOR 2011

For the fiscal year ending February 28, 2011, the segment is forecasting revenues from operations of ¥2,030.0 billion, up 0.7%, and operating income of ¥22.0 billion, a gain of 55.2%. Capital expenditures are forecast at ¥59.0 billion, down 9.8%, and depreciation and amortization at ¥26.3 billion, up 8.1%.

Superstore Operations

Ito-Yokado will strive to improve profitability by rebuilding its operating structure from the ground up. To that end, Ito-Yokado will bolster its sales capabilities and work to realize low-cost operations.

In store initiatives, we will continue to steadily close unprofitable stores while working to improve profitability at existing stores. To that end, we will implement remodeling to achieve product lineups and sales areas that are aligned with the preferences of the customers in each store's local market. Moreover, in apparel merchandising, we will step up initiatives targeting improved margins through a strengthened focus on the development process and merchandising of private-brand products and through an increase in direct overseas procurement. In addition, we will build a product development system based on cooperative ventures with major apparel manufacturers and overseas trading companies. In regard to costs, we will implement major cost reduction initiatives, centered on increased efficiency in sales promotion and on reductions in store operating costs. For further information about these initiatives, please see the Special Feature section of this report on pages 14 to 15.

Food Supermarket Operations

We will continue measures targeting the reorganization and consolidation of food supermarket operations, with York-Benimaru as the core operating company.

Due to the worsening of business conditions, York-Benimaru will reduce its planned store openings, from 12 to seven, and will focus on improving the profitability of existing stores. In merchandising, we will aggressively implement Group Merchandising and Team Merchandising initiatives. We will also work to maximize gross profits by reducing procurement prices. Furthermore, in addition to reforming store organization,

Creating New Sales Areas in Ito-Yokado Stores

Leveraging New Store Formats and Specialty Stores

Seven Home Center

Seven Bi no Gardens, drug and cosmetics store

Akachan Honpo, baby and children's product specialty store

we will streamline product stocking and shelving in store operations, including distribution, and work to achieve a 5% reduction in SG&A expenses at existing stores.

Targeting stronger food supermarket operations for the Group as a whole, we will advance information-sharing in sales and implement the thorough streamlining of systems and organizations in administrative departments. As a result of these initiatives, we will raise the profitability of food supermarket operations, aiming to achieve a 4% operating income margin over the medium term.

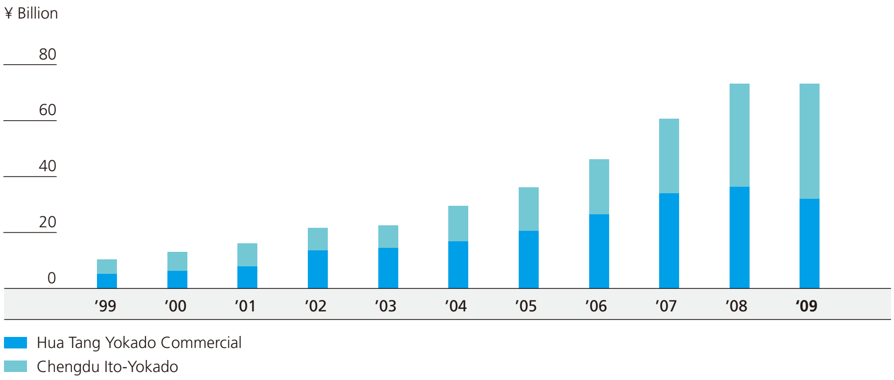
China Operations

In China, which continues to record rapid economic growth, we will strive to achieve further gains in profits.

In store initiatives, in Beijing, we plan to open one superstore through a scrap-and-build initiative and open one food supermarket. In Chengdu, we do not plan to open any stores in the fiscal year ending December 31, 2010, but with the four stores there, including one new store opened in the prior year, we will bolster our lineup of products closely aligned with local communities and also strive to provide services that build customer trust. With consideration for expanding to other areas, we will continue taking steps to enhance our business foundation, such as aggressively strengthening local ties, centered on managers.

Superstore Sales Trends in China

Fiscal years ended December 31



Note: Sales exclude value added tax.

Launch of the Group's private-brand wine in China

Chengdu Ito-Yokado
Jian She Lu store

Department Store Operations

KEY FIGURES

REVENUES FROM OPERATIONS
¥922.8 billion (7.1)%

OPERATING INCOME
¥1.3 billion (92.5)%

CAPITAL EXPENDITURES
¥19.7 billion +58.3%

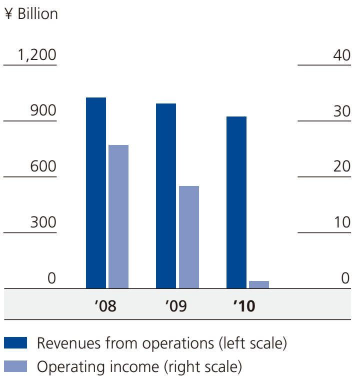
KEY EVENTS

AUGUST 2009
Millennium Retailing, Sogo, and SEIBU merged.

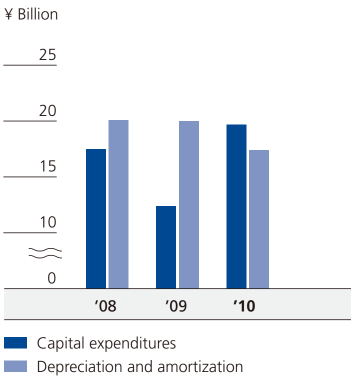
SEPTEMBER 2009
Sogo & Seibu completed an absorption-type merger with Robinson Department Store.

JUNE 2010
Seven & i Asset Management Co., Ltd., was established.
New company established with the objective of acquiring trust beneficiary rights (fixed assets) for SEIBU Ikebukuro.

Revenues from Operations
Operating Income



Capital Expenditures
Depreciation and Amortization



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2010, the department store segment's revenues from operations were ¥922.8 billion, down 7.1%, and operating income was ¥1.3 billion, a decrease of 92.5%. Revenues from operations and operating income were sluggish, especially affected by the slumping business conditions and falling market prices that followed the financial crisis in 2008. Capital expenditures totaled ¥19.7 billion, up 58.3%, and depreciation and amortization was down 12.9%, to ¥17.4 billion.

In August 2009, three companies—Millennium Retailing, Sogo, and SEIBU—merged, with Sogo, as the surviving company. The name of Sogo was changed to Sogo & Seibu, which then completed an absorption-type merger with Robinson Department Store in September 2009.

Department Store Operations

In the fiscal year ended February 28, 2010, Sogo & Seibu recorded revenues from operations of ¥859.2 billion, down 8.0% year on year. Operating income declined substantially, falling 75.9%, to ¥5.6 billion*. Two stores were added through the merger with Robinson Department Store, for a total of 28 stores at the end of February 2010, unchanged from the year earlier.

In addition to the August 2009 merger that created Sogo & Seibu, we also implemented a range of other initiatives. For example, we changed from the previous company-based organization to a region-based organization centered on key stores, thereby establishing a framework for increased management efficiency and enhanced store competitiveness. Moreover, we implemented initiatives targeting further strengthening of asset efficiency. To that end, we closed Sogo Shinsaibashi in August 2009 and SEIBU Sapporo in September 2009, and have also decided to close SEIBU Yurakucho in December 2010.

At SEIBU Ikebukuro, we took steps to invigorate sales areas and bolster sales capabilities through remodeling. In suburban stores, meanwhile, we improved our profit structure through format conversion, establishing multi-purpose commercial facilities that transcend the frameworks of the traditional department store format. For example, at SEIBU Higashi-Totsuka, we substantially reduced the floor space of directly managed sales floors with low productivity and introduced a shopping center-style operation using leading specialty stores that will draw customers into the store.

By product category, sluggish sales were recorded by apparel, centered on women's wear, and by sundries. However, the remodeling of SEIBU Ikebukuro had a favorable effect, and we were able to limit the decline in food sales to a small margin. Consequently, sales of apparel were down 11.8%, to ¥401.8 billion, sales of household goods declined 9.9%, to ¥81.5 billion, and sales of food were down 1.2%, to ¥165.4 billion. The merchandise gross profit margin was down 0.8 percentage point, to 25.8%.

* The results of Sogo & Seibu have been calculated as if the former three companies had merged at the beginning of the fiscal year ended February 28, 2010, and for comparison purposes, the previous year's results have been calculated in the same manner.

OUTLOOK AND INITIATIVES FOR 2011

For the fiscal year ending February 28, 2011, the segment is forecasting revenues from operations of ¥928.0 billion, up 0.6%, and operating income of ¥7.0 billion, an increase of 412.2%. Capital expenditures are forecast at ¥21.0 billion, up 6.4%, and depreciation and amortization at ¥14.2 billion, down 18.5%.

Department Store Operations

In department store operations, we will implement reorganization measures, with the objective of concentrating management resources and increasing asset efficiency.

At SEIBU Ikebukuro, the flagship store of Sogo & Seibu, since 2008 we have continued to implement store remodeling measures targeting enhanced sales capabilities. In the fiscal year ending February 28, 2011, SEIBU Ikebukuro will celebrate its 70th anniversary and conclude the major remodeling that has continued for about three years. Moreover, it will also mark the advent of a new store that has moved beyond uniform department store management. For suburban stores, we will build on the successful introduction of a shopping center-style operation at SEIBU Higashi-Totsuka and extend this model to other stores.

For further information about these initiatives, please see the Special Feature section of this report on pages 16 to 17.

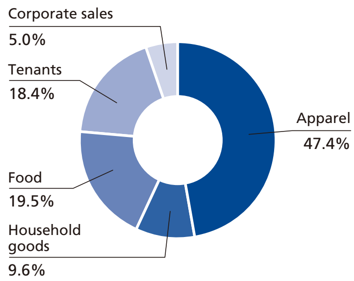
Acquisition of the Land and Buildings of SEIBU Ikebukuro

In 2000, SEIBU (currently Sogo & Seibu) established a real estate trust for a portion of the land and buildings of SEIBU Ikebukuro. The trust beneficiary rights (fixed assets) were sold to Asset Ikesei Inc., and the property is now leased from that company. The securitization finance contract covers the period to September 2010. Rather than renewing the securitization finance contract, Seven & i Holdings decided to acquire and hold the property. On June 1, 2010, Seven & i Asset Management Co., Ltd., was established for that purpose.

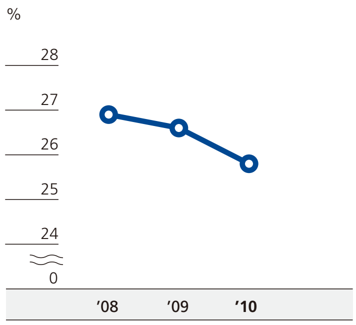
As a result of this acquisition, the outflow of funds from the Group for the payment of rent will be avoided. In addition, the acquisition will result in increased flexibility in implementing a range of management initiatives, such as store administration and remodeling. Accordingly, the Group believes that this acquisition will enhance its enterprise value in the future.

Sogo & Seibu

Sales by Product Category

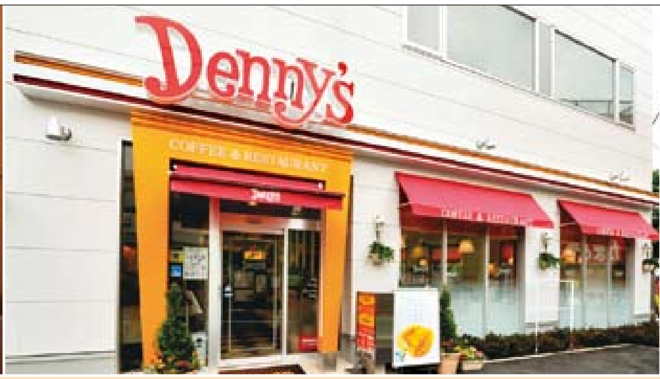


Merchandise Gross Profit Margin



Fresh fish sales area in SEIBU Ikebukuro

Food Services



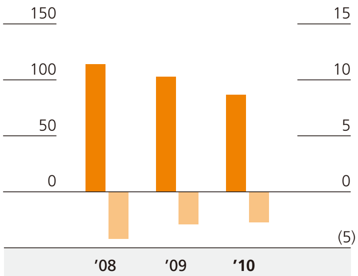
KEY FIGURES

REVENUES FROM OPERATIONS
¥86.4 billion (15.9)%

OPERATING LOSS
¥2.7 billion

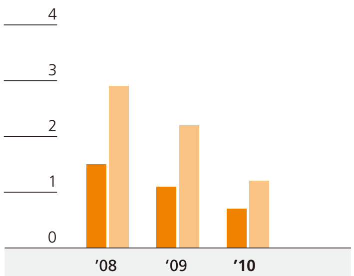
CAPITAL EXPENDITURES
¥0.7 billion (36.1)%

Revenues from Operations
Operating Loss



Revenues from operations (left scale)
Operating loss (right scale)

Capital Expenditures
Depreciation and Amortization



Capital expenditures
Depreciation and amortization

OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2010, the food services segment's revenues from operations were ¥86.4 billion, down 15.9% year on year, and the segment's operating loss was ¥2.7 billion. Capital expenditures totaled ¥0.7 billion, down 36.1%, and depreciation and amortization decreased 42.5%, to ¥1.2 billion.

In the restaurant division, we moved ahead with cost reduction measures targeting improved profitability and closed 84 restaurants, centered on unprofitable restaurants. In merchandising, meanwhile, we implemented initiatives to increase customer numbers, such as strengthening development of reasonably priced menu items and instituting joint sales promotions with Seven-Eleven Japan. In addition, we took steps to enhance our response to regional needs, such as introducing regional menu items and shifting to a store-by-store approach to weekday lunch menu items. Nonetheless, the operating environment in the restaurant industry continued to worsen, and results were also influenced by unseasonable summer weather. Consequently, sales were sluggish.

In China, Seven & i Restaurant (Beijing) opened its first restaurant in July 2009.

OUTLOOK AND INITIATIVES FOR 2011

For the fiscal year ending February 28, 2011, forecasts for the segment call for revenues from operations of ¥79.0 billion, down 8.6%, and an operating loss of ¥0.5 billion, an improvement of ¥2.2 billion. Capital expenditures are forecast at ¥1.1 billion, up 46.2%, and depreciation and amortization at ¥1.0 billion, down 21.3%.

Food Services

In food services, we will continue to implement organizational reforms, aiming to improve our profit structure and to achieve a rapid return to profitability.

First, we will continue to close unprofitable stores. In the restaurant division, we plan to close 50 restaurants. In new stores, rather than open existing-type family restaurants, we plan to open new-format *soba* and *udon* restaurants and hamburger restaurants. In merchandising, we will work to improve customer numbers through the proposal of menu items that reflect the preferences of customers in regions served by individual restaurants. In addition, we will work to improve margins through joint, Groupwide procurement of raw materials.

To reduce costs, we will implement cost reductions of about ¥6.0 billion a year, centered on store closures and personnel expenses. Specific measures will include about ¥3.5 billion of cuts achieved through store closures, and about ¥1.5 billion in personnel expense reductions unrelated to store closures. Other reductions will total about ¥1.0 billion.

Financial Services

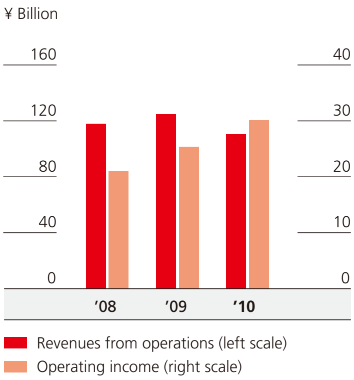
KEY FIGURES

REVENUES FROM OPERATIONS
¥110.4 billion (11.6)%

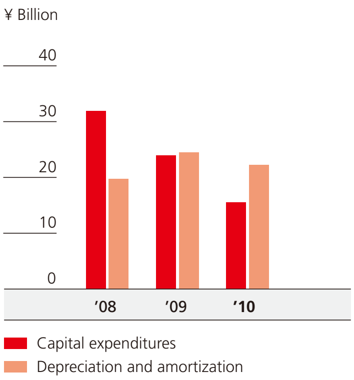
OPERATING INCOME
¥30.1 billion +18.3%

CAPITAL EXPENDITURES
¥15.5 billion (35.0)%

Revenues from Operations
Operating Income



Capital Expenditures
Depreciation and Amortization



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2010, the financial services segment's revenues from operations were ¥110.4 billion, down 11.6%, mainly due to a change in accounting standards at a leasing company, and operating income was ¥30.1 billion, an increase of 18.3%. Capital expenditures totaled ¥15.5 billion, down 35.0%, and depreciation and amortization decreased 9.3%, to ¥22.2 billion.

At Seven Bank, we enhanced services to further raise the convenience of our ATMs. For example, we stepped up ATM installations and expanded tie-ups with financial institutions to enable the use of IC cards and PIN change services. As a result, as of the end of February 2010, Seven Bank had 14,570 installed ATMs, an increase of 815 from a year earlier, and the daily average transactions per ATM during the fiscal year reached 114.4 transactions, up 0.4 transactions.

IY Card Service continued to focus on enhancing *nanaco* electronic money service as well as credit card operations. We worked to increase the number of stores where *nanaco* can be used and to expand services, such as point exchange programs, with other companies. As a result, at the end of February 2010, about 9.8 million *nanaco* cards had been issued, up 2.3 million year on year, and *nanaco* could be used at about 31,000 stores, an increase of 8,000 stores.

OUTLOOK AND INITIATIVES FOR 2011

For the fiscal year ending February 28, 2011, the segment is forecasting revenues from operations of ¥107.0 billion, down 3.1%, and operating income of ¥26.5 billion, a decrease of 12.1%. Capital expenditures are forecast at ¥10.0 billion, down 35.7%, and depreciation and amortization at ¥19.0 billion, a decrease of 14.6%.

ATM Operations

In January 2010, Seven Bank started to provide consumer loans of up to ¥100,000. In addition, in accordance with a basic agreement regarding a business alliance with The Western Union Company, we have begun preparations for the commencement of overseas remittance services. In the future, we will work to further enhance the convenience of this service, making full use of our domestic network of more than 14,000 ATMs. In the fiscal year ending February 28, 2011, we will incur upfront investment in preparation for the introduction of these services, and the segment is forecasting a decline in operating income.

Credit Card Operations

In March 2010, SEVEN & i FINANCIAL GROUP, a consolidated subsidiary that has overall responsibility for the Group's financial operations other than those of Seven Bank, and Credit Saison, a retail-store-based credit card company, agreed to move ahead with basic discussions regarding a comprehensive business alliance.

Seven & i Holdings and Credit Saison will establish a new company that will handle the credit card business conducted between Credit Saison and the Group's department stores. The new company will be a consolidated subsidiary of Seven & i Holdings. In the future, by combining the Group's various services related to card operations and utilizing them as a common Group infrastructure, the Group will aim to develop a credit card business with 10 million members.