A New Approach To Meet Changing Customer Needs

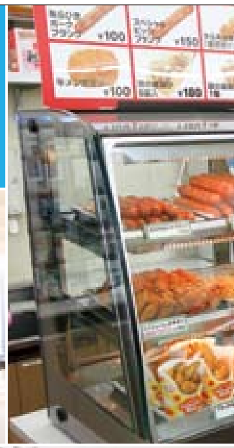
ANNUAL REPORT 2010

Seven & i Holdings Co., Ltd.

7&i Key Figures

38 million

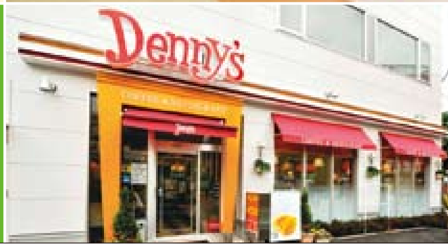
NUMBER OF CUSTOMER STORE VISITS PER DAY WORLDWIDE



¥5,111.2 billion

REVENUES FROM OPERATIONS

We have the largest sales among all retail groups in Japan.



Corporate Profile

Seven & i Holdings Co., Ltd., is a holding company that was established on September 1, 2005, through a stock transfer by Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., and Denny's Japan Co., Ltd.

The Company oversees approximately 100 operating companies, principally retail businesses, and has seven core operational areas that are closely connected to the daily lives of its customers—convenience stores, superstores, supermarkets, department stores, food services, financial services, and IT/services.

From its base in Japan, North America, and China, the Company operates a network of approximately 20,000 stores that extends around the world (including convenience store area licensees, approximately 39,100 stores). With revenues from operations of approximately ¥5.1 trillion, Seven & i Holdings is one of Japan's leading retail groups.

By leveraging Group synergies, centered on our seven core operational areas, we are working to create "a new, comprehensive lifestyle industry" that will continue to meet the diverse needs of individual customers. While focusing on its core retail businesses, the Company is working to promote innovation throughout its operations, with an emphasis on strengthening the quality of its existing operational fields rather than on targeting increased operational scale and volume.

FORWARD-LOOKING STATEMENTS

This annual report contains certain statements based on Seven & i Holdings' current plans, estimates, strategies, and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. It is possible that the Company's future performance will differ significantly from the contents of these statements. Accordingly, there is no assurance that the forward-looking statements in this annual report will prove to be accurate.

15 million
NUMBER OF CUSTOMER STORE VISITS PER DAY IN JAPAN

39,100
TOTAL NUMBER OF STORES WORLDWIDE

Contents

For the latest investor relations information, please refer to the following websites
http://www.7andi.com/en/ir/index.html (English)
http://www.7andi.com/ir/index.html (Japanese)

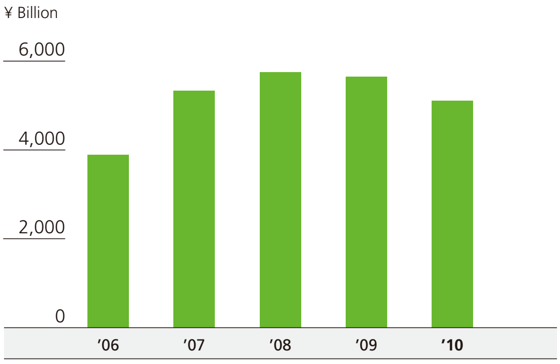
Financial Highlights

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28 or 29, 2010, 2009, 2008, 2007, and 2006

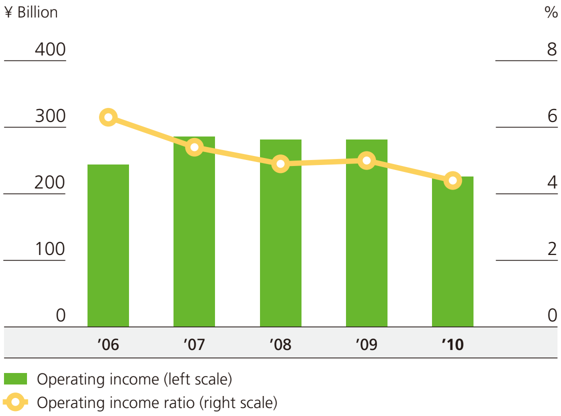
	Millions of yen					Thousands of U.S. dollars (Note A)
	2010	2009	2008	2007	2006 (Note B)	**2010**
For the fiscal year:						
Revenues from operations	**¥5,111,297**	¥ 5,649,948	¥5,752,392	¥5,337,806	¥3,895,772	**$57,430,303**
Operating income	**226,666**	281,865	281,088	286,838	244,940	**2,546,808**
Income before income taxes and minority interests	**143,104**	215,115	227,441	243,060	178,518	**1,607,910**
Net income	**44,875**	92,336	130,657	133,419	87,930	**504,213**
Capital expenditures (Note C)	**211,189**	188,943	217,738	278,388	185,354	**2,372,910**
Depreciation and amortization (Note D)	**132,232**	140,529	143,642	132,693	97,810	**1,485,752**
Cash flows from operating activities	**322,202**	310,007	465,380	157,209	217,325	**3,620,247**
Cash flows from investing activities	**(115,158)**	(139,568)	(237,184)	(235,983)	(388,080)	**(1,293,910)**
Cash flows from financing activities	**(156,708)**	(169,755)	(130,136)	37,241	103,093	**(1,760,764)**
Free cash flows (Note E)	**207,044**	170,438	228,195	(78,774)	(170,754)	**(2,326,337)**
At fiscal year-end:						
Total assets	**¥3,673,605**	¥3,727,060	¥3,886,680	¥3,809,192	¥3,424,878	**$41,276,460**
Total net assets	**1,793,940**	1,860,672	2,058,038	1,969,149	1,717,880	**20,156,629**
Owners' equity (Note F)	**1,721,967**	1,785,189	1,985,018	1,906,798	1,603,684	**19,347,943**
	Yen					U.S. dollars (Note A)
Net income per share:						
Basic	**¥49.67**	¥100.54	¥137.03	¥142.90	¥100.83	**$0.55**
Diluted	**49.66**	100.54	—	—	—	**0.55**
Cash dividends declared per share of common stock (Note G)	**¥56.00**	¥56.00	¥54.00	¥52.00	¥28.50	**$0.62**
Financial ratios:						
Operating income ratio (Note H)	**4.4%**	5.0%	4.9%	5.4%	6.3%	**4.4%**
Net income ratio (Note H)	**0.9%**	1.6%	2.3%	2.5%	2.3%	**0.9%**
ROE	**2.6%**	4.9%	6.7%	7.6%	5.5%	**2.6%**
ROA	**1.2%**	2.4%	3.4%	3.7%	2.6%	**1.2%**
Owners' equity ratio	**46.9%**	47.9%	51.1%	50.1%	46.8%	**46.9%**

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥89=US$1, the approximate rate of exchange prevailing on February 28, 2010.
(B) The results of Millennium Retailing and its subsidiaries and affiliates in the fiscal year ended February 28, 2006 are consolidated only in the balance sheets.
(C) Capital expenditures include property and equipment, intangible assets, and long-term leasehold deposits.
(D) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(E) Free cash flows are calculated on the basis of the sum of cash flows from operating activities and cash flows from investing activities.
(F) Owners' equity is calculated on the basis of net assets excluding minority interests and subscription rights to shares in consolidated subsidiaries.
(G) Cash payments upon a stock transfer were made by Seven & i Holdings to the shareholders of Seven-Eleven Japan, Ito-Yokado, and Denny's Japan recorded in the registers of shareholders as of August 31, 2005, instead of the interim dividend payments for the fiscal year ended February 28, 2006. Accordingly, only year-end dividends are shown.
(H) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

Revenues from Operations

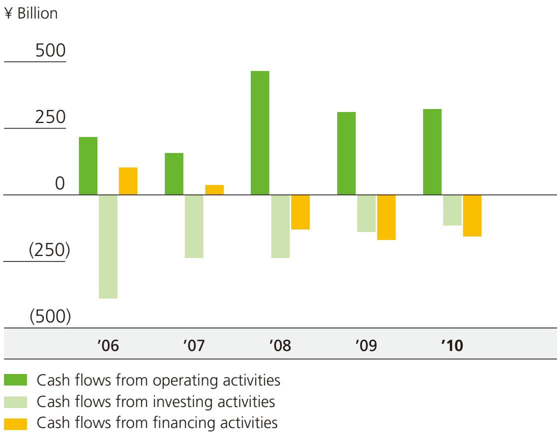


Operating Income
Operating Income Ratio

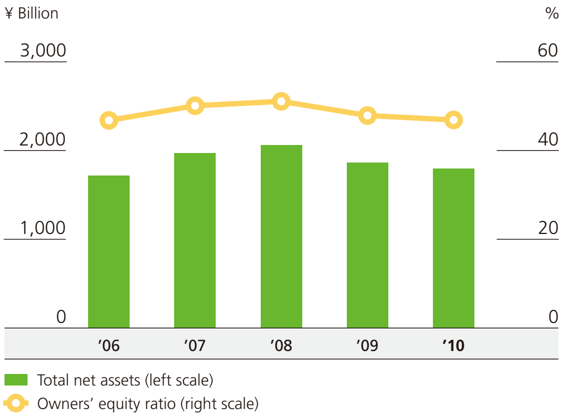


Net Income
ROE

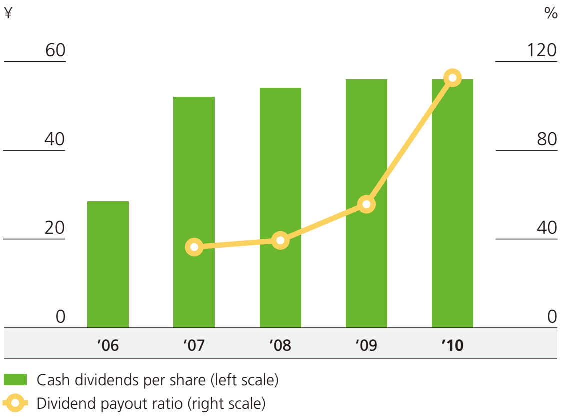
Cash Flows



Total Net Assets
Owners' Equity Ratio



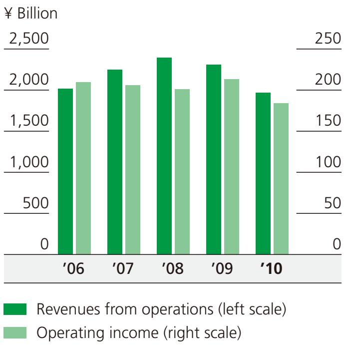
Cash Dividends per Share
Dividend Payout Ratio



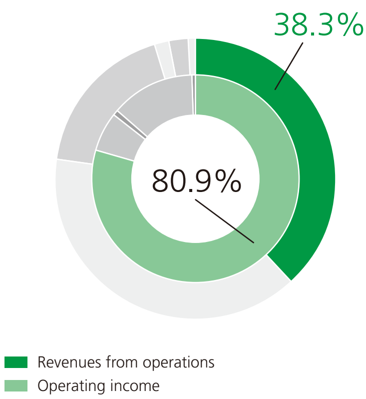
At a Glance

Convenience Store Operations

Revenues from Operations
Operating Income



Contribution to Results
(For the fiscal year ended February 28, 2010)



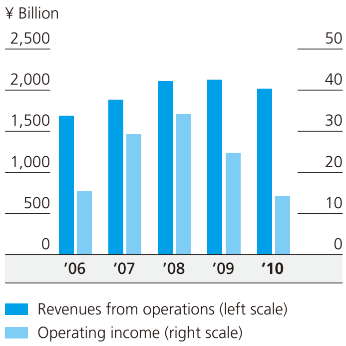
Principal Subsidiaries
(As of February 28, 2010)

Seven-Eleven Japan	(100.0)
7-Eleven, Inc.	(100.0)
SEVEN-ELEVEN CHINA	(100.0)
SEVEN-ELEVEN (BEIJING)	(65.0)
SEVEN-ELEVEN (HAWAII)	(100.0)

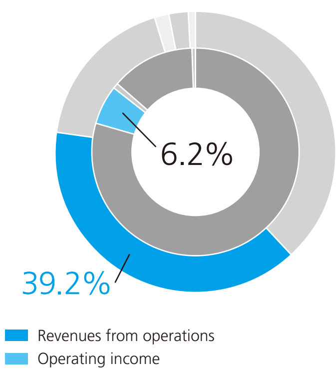
Convenience store operations are composed of 7-Eleven convenience stores in Japan, North America, and China (Beijing and Tianjin). 7-Eleven, Inc., based in the United States, provides 7-Eleven area franchise rights to area licensees around the world.

Superstore Operations

Revenues from Operations
Operating Income



Contribution to Results
(For the fiscal year ended February 28, 2010)



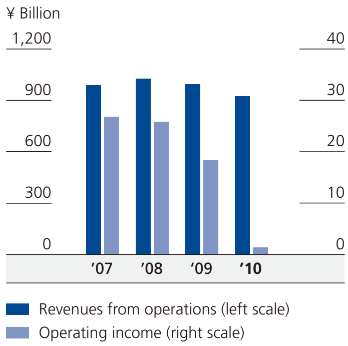
Principal Subsidiaries
(As of February 28, 2010)

Ito-Yokado	(100.0)
York-Benimaru	(100.0)
York Mart	(100.0)
Hua Tang Yokado Commercial	(75.8)
Chengdu Ito-Yokado	(74.0)
Beijing Wang fu jing Yokado Commercial	(60.0)
Akachan Honpo	(93.6)

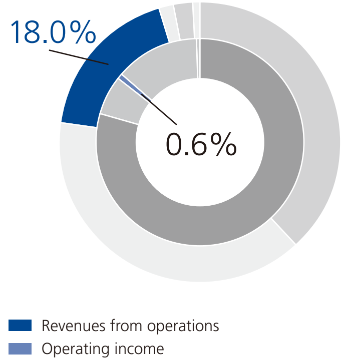
Superstore operations are composed of superstores that provide apparel, household goods, and food in Japan and China—Beijing and Chengdu, Sichuan Province. In addition, superstore operations include food supermarkets in Japan and Beijing and specialty stores.

Department Store Operations

Revenues from Operations
Operating Income



Contribution to Results
(For the fiscal year ended February 28, 2010)



Principal Subsidiaries
(As of February 28, 2010)

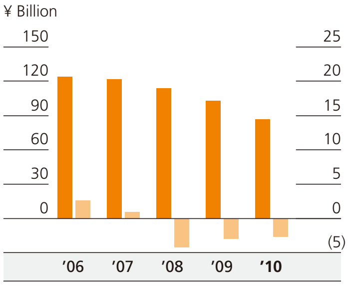
Sogo & Seibu	(100.0)
THE LOFT	(70.7)
SHELL GARDEN	(100.0)

Department store operations are composed of department stores and miscellaneous goods specialty stores. Millennium Retailing, Sogo, and SEIBU were merged on August 1, 2009 and took the name Sogo & Seibu Co., Ltd.

Note: Figures in parentheses indicate percentage of equity owned by Seven & i Holdings, including indirect holdings.

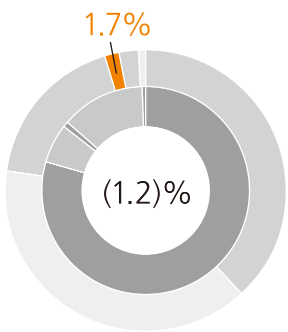
Food Services

Revenues from Operations
Operating Income (Loss)



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

Contribution to Results
(For the fiscal year ended February 28, 2010)



Revenues from operations
Operating loss

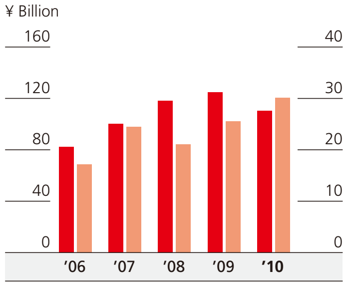
Principal Subsidiaries
(As of February 28, 2010)

Seven & i Food Systems	(100.0)
Seven & i Restaurant (Beijing)	(75.0)

Food services are composed of restaurant operations, meal provision services (company cafeterias, hospitals, and schools), and fast food operations in Japan. We also operate restaurants in Beijing, China.

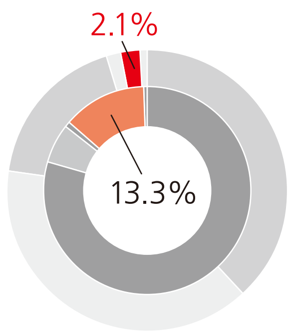
Financial Services

Revenues from Operations
Operating Income



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

Contribution to Results
(For the fiscal year ended February 28, 2010)



Revenues from operations
Operating income

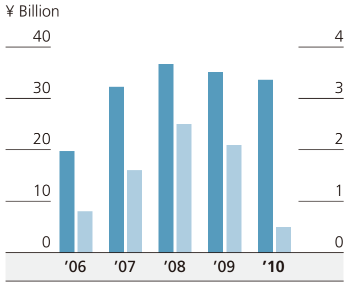
Principal Subsidiaries
(As of February 28, 2010)

Seven Bank	(47.8)
SEVEN & i FINANCIAL GROUP	(100.0)
IY Card Service	(95.5)
SE CAPITAL	(100.0)
York Insurance	(100.0)
Seven Cash Works	(85.5)
SEVEN & i Financial Center	(100.0)

Financial services are composed of ATM operations, credit card operations, electronic money services, leasing operations, and insurance operations in Japan. SEVEN & i FINANCIAL GROUP is responsible for the Group's financial services other than those of Seven Bank.

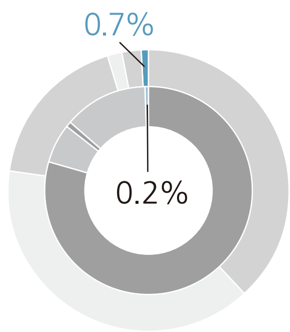
Others

Revenues from Operations
Operating Income



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

Contribution to Results
(For the fiscal year ended February 28, 2010)



Revenues from operations
Operating income

Principal Subsidiaries
(As of February 28, 2010)

Seven & i Netmedia	(100.0)
Seven Net Shopping	(57.6)
7dream.com	(68.0)
Seven Culture Network	(100.0)
SEVEN & i Publishing	(100.0)
Seven-Meal Service	(90.0)
Mall & SC Development	(100.0)

Others are composed of Internet-related services, meal delivery services, publishing, property management businesses, and community school business in Japan.

To Our Shareholders and Investors

Toshifumi Suzuki
Chairman and Chief Executive Officer

Noritoshi Murata
President and Chief Operating Officer

In the midst of ongoing change throughout society, Seven & i Holdings will remain focused on the future as we work to create "a new, comprehensive lifestyle industry" that transcends existing frameworks and continually provides new quality. To that end, we will move beyond previous approaches to our business and take on the challenge of creating new value.

Consolidated Business Results

In the fiscal year ended February 28, 2010, the operating environment in the domestic retail industry became even more challenging. The effects of government economic policies were reflected in demand for certain products, but employment conditions worsened and disposable incomes declined. As a result, consumers were increasingly focused on maintaining their standards of living and on economizing.

In this environment, the Company's revenues from operations declined 9.5%, to ¥5,111.2 billion. Operating income was down 19.6%, to ¥226.6 billion, and net income declined 51.4%, to ¥44.8 billion.

The decline in revenues from operations was attributable in part to a substantial decline in gasoline prices in North America, which decreased revenues of 7-Eleven, Inc. (SEI), and to the appreciation of the yen, which had the effect of reducing SEI's revenues when stated in yen. Together, these two factors had an adverse effect of approximately ¥340.0 billion. Although financial services recorded higher profit, the Group's operating income declined due to the generally challenging conditions in the retail industry in Japan. The substantial decline in net income was due principally to special losses, such as ¥39.1 billion in amortization of goodwill related to department store operations and ¥28.0 billion in store-related impairment loss.

We are, of course, not satisfied with our results, and will strive to achieve a recovery in our performance in the fiscal year ending February 28, 2011 and in subsequent years. Accordingly, we will implement initiatives targeting the creation of new value by operating companies as well as the enhancement of Group synergies.

In the fiscal year ending February 28, 2011, we expect a recovery in domestic corporate profits and employment in certain sectors of the economy. We do not, however, anticipate a full-scale recovery in business conditions, and expect the operating environment in the retail industry to remain challenging. In this setting, we will reevaluate our cost structure and implement initiatives targeting the creation of new value. In addition, we will work to leverage Group synergies in a way that transcends the boundaries of conventional retail formats. In this way, we will endeavor to improve profitability for the Group as a whole and to achieve increases in revenues and profits. In the fiscal year ending February 28, 2011, we are forecasting revenues from operations of ¥5,200.0 billion, up 1.7%; operating income of ¥240.0 billion, an increase of 5.9%; and net income of ¥100.0 billion, up 122.8%.

Further information about each business segment is provided in the Review of Operations section on pages 18 to 29.

Business and Capital Alliances

Seven & i Holdings is actively pursuing alliances with companies outside the Group, both to strengthen existing operations and to foster the development of new businesses. To bolster our service operations, for example, we concluded a business and capital alliance with PIA Corporation, a major ticket vendor, in December 2009, and a capital participation in Tower Records Japan Inc. in March 2010.

In addition, with the objective of making progress toward the establishment of a credit card business with 10 million members, in March 2010 we reached a basic agreement with Credit Saison Co., Ltd., for a comprehensive business alliance. Through this alliance, the Company will be able to draw on the credit card know-how that Credit Saison has cultivated. Moreover, the alliance will help us to strengthen our marketing capabilities and implement a card strategy across all Group companies.

Major Business and Capital Alliances in the Fiscal Year Ended February 28, 2010 through June 2010

Date	Action
March 2009	Establishment of Seven Internet Lab. Co., Ltd., which conducts IT-related operations
June 2009	Establishment of Seven Health Care Co., Ltd., which operates drug stores
December 2009	Conclusion of a business and capital alliance with PIA Corporation
March 2010	Conclusion of a capital participation in Tower Records Japan Inc.
March 2010	Conclusion of a basic agreement on comprehensive business alliance with Credit Saison Co., Ltd.
June 2010	Establishment of Seven & i Asset Management Co., Ltd., with the purpose of holding the fixed assets of SEIBU Ikebukuro, the flagship store of Sogo & Seibu

Group Management Policies

We have classified our existing operations into two categories, core operations and operations targeted for rebuilding. Moving forward, we will implement strategies targeting the specific challenges in each category. In core operations, which are highly profitable, we will work to maintain stable growth. In operations targeted for rebuilding, which have continued to record sluggish results, we will give priority to improving profitability.

In addition, to leverage the existing infrastructure and know-how of Group companies, we will focus on initiatives that transcend conventional format boundaries and strive to foster shared Group synergies. With the objective of seizing business opportunities in growth fields, we will also aggressively conduct initiatives in new business areas.

In existing operations, we will implement the principles of selection and concentration in our investment activities, as well as initiatives based on the classification of existing operations as either core operations or

GROUP MANAGEMENT STRATEGY — Direction of Business Strategy

EXISTING OPERATIONS: Positioning and Business Strategy

CORE OPERATIONS	• Convenience stores • Food supermarkets • Overseas operations	Expansion strategy • Highly profitable core operations • Aggressive expansion ➡ **Raise revenues/profits for Group as a whole**
OPERATIONS TARGETED FOR REBUILDING	• Domestic superstores • Department stores • Food services	Favorable location strategy • Aggressive reduction of unprofitable assets • Continued investment in high revenue/profit stores ➡ **Aim to improve revenues/profits through scrap and build**

GROUPWIDE STRATEGY: Initiatives Targeting the Creation of Group Synergies

Move forward with Group merchandising: Leverage synergies among Group's retail businesses

Groupwide application of finance- and IT-based services: Utilize finance and IT to provide new retail services operations targeted for rebuilding. In convenience stores, food supermarkets, and overseas operations, which are positioned as core operations, we will implement aggressive expansion initiatives in order to raise the profitability of the Group as a whole. On the other hand, in domestic superstore operations, department store operations, and food services, which have been positioned as operations targeted for rebuilding, unprofitable stores will be converted to new formats or closed, and we will focus our management resources on stores in favorable locations. In this way, we will work to raise asset efficiency.

In Group synergies, we will advance Group Merchandising and Global Merchandising initiatives and make full use of the infrastructure and know-how of Group companies. In addition, through financial services and IT operations, we will bolster and build Groupwide functions across operating fields. In this way, we will strive to offer new retail services.

In new fields of business, targeting the rapidly growing e-commerce market, we will establish a new business model that draws on the Group's store network and on the Internet.

Further information about the specific initiatives of operating companies formulated in accordance with these management policies is provided in the Special Feature section of this report on pages 9 to 17.

Financial Strategy and Shareholder Return

With the objective of bolstering the integrated management system for the Group's funds and utilizing those funds more effectively, in March 2009 we introduced a cash management system and increased the level of dividends that the holding company receives from consolidated subsidiaries. Also, with respect to dividends from consolidated subsidiaries and retained earnings, the Company will actively invest in existing businesses as well as in new businesses, in accordance with investment criteria. In this way, we will effectively utilize these resources to raise Group enterprise value.

For shareholder return, our basic policy is to provide a return of profits in line with profit growth. In calculating dividends, the Company aims to maintain a basic annual dividend amount of ¥50.00 and a target consolidated payout ratio of 35%. For the year under review, dividends were ¥56.00 per share, in line with our initial plans.

Acquisition and Cancellation of Treasury Stock

On April 8, 2010, the Company's Board of Directors approved the acquisition and subsequent cancellation of treasury stock. This decision was intended to enhance the return to shareholders and to increase capital efficiency.

The decision authorizes the acquisition of up to 20 million shares, or 2.21% of the total number of shares, excluding treasury stock, with an upper limit for the acquisition cost of ¥50.0 billion. The acquisition was conducted through open market purchase from April 15, 2010 to May 20, 2010 and 20 million shares were acquired at a cost of ¥47.2 billion. The planned date for the cancellation of the acquired shares is June 30, 2010, and following the cancellation, the Company will have a total of 886,441,983 shares.

In the future, to meet the expectations of shareholders and investors, we will draw on the creativity of each individual employee in order to take on new challenges. In this way, we will continue striving to be number one in customer satisfaction. We would like to ask for the continued support of our shareholders and investors in the years ahead.

June 2010

Toshifumi Suzuki
Chairman and Chief Executive Officer

Noritoshi Murata
President and Chief Operating Officer

SPECIAL FEATURE

A New Approach To Meet Changing Customer Needs

With the needs of customers continually changing, the Group is striving to establish "a new, comprehensive lifestyle industry" that creates new value. In this section, we introduce the challenges that the Group will take on as it targets the provision of products that incorporate timely new concepts and enhanced quality.

CONVENIENCE STORE OPERATIONS

APPROACHES TO CONVENIENCE STORE OPERATIONS: 1

Seven-Eleven Japan (SEJ) will implement policies targeting the realization of the best in "close by convenient stores."

Domestic convenience store operations are being influenced by a number of changes in the operating environment. Accompanying these changes, there is a growing need for "close by convenient stores" offering product lineups and services to meet these needs. Later in this section, we introduce SEJ's efforts to transform these changes into opportunities for growth.

Changes in the Operating Environment in Domestic Retail Industry

In a reflection of changes in the population structure and in consumer lifestyles, the operating environment in the domestic retail industry is undergoing dramatic change. With a population aging more rapidly than any other in the world, there has been an increase in the number of seniors for whom transportation is an inconvenience. At the same time, there is a rapid decline in the number of people per household, and consequently there is a growing need for single-portion meals. In addition, more women are working outside the home. With the number of women in their forties who are working at more than 70%, there is a trend toward limited time for housework. On the other hand, since 1982, the number of retail stores, centered on small and medium-sized stores, has continued to decline, falling by about 30% by 2007.

Due to these types of changes in the operating environment, we are approaching these changes as opportunities, and are working to ensure that our "close by convenient stores" can eliminate the inconvenience of shopping for these consumers.

Increase in the Number of Customers who Consider Shopping to be Inconvenient

Decline in number of people per household
Number of households expected to surpass 50 million by 2015

Increase in number of working women
Employment rate of women in their forties exceeds 70%

Fewer children per family, aging population
Seniors (65+) to account for 26.9% of population in 2015

Decline in number of stores
1.72 million in 1982 ➡ 1.13 million in 2007

Aiming to Offer the Best in "Close by Convenient Stores"

In response to the changes in the social structure in recent years, SEJ has worked to bolster its provision of products and services through "close by convenient stores." To that end, SEJ has worked to increase customer store visits and the number of items purchased by reevaluating its product lineups, prices, and services. The core concepts in those endeavors are "offering meal solutions" and "enhancing the provision of services that meet customer needs."

In meal solutions, we are not only working to meet needs for immediate consumption, such as fast foods, but also developing products and expanding product lineups to meet changing customer needs, such as the ability to do all of one's shopping at close by stores and to reduce the time required for cooking. In fact, by enhancing our offerings of products that enable customers to enjoy the taste of freshly prepared foods—such as croquettes and deep-fried chicken prepared with in-store equipment—SEJ has seen an increase in store visits by housewives, who had not been a core customer base in the past. In addition, we have enhanced the lineup of *Seven*

Approach to Product Lineups

Premium products, the Group's private brand that offers both high quality and low prices. These initiatives have been centered on frozen foods and *sozai* prepared dishes in retort pouches. Consequently, these products can be stored for extended periods of time and customers can stock up on them. In this way, we have been able to combine attractive pricing and convenience and to achieve increases in the number of items purchased.

In regard to "enhancing the provision of services that meet customer needs," we are taking such steps as enhancing a variety of ticket services, including our alliance with PIA Corporation. In these ways, we will encourage customers to visit our stores.

Enhancing Services

Major services currently available

- Payment acceptance services for public utility and other bills
- ATMs
- Seven Meal Service (meal delivery service)
- *nanaco* electronic money service
- *Seven-Eleven Net* services centered on 7-Eleven stores and provided through the Internet

Major services available from 2010

March	Sales of reserved seat tickets (professional baseball games, express buses)
April	Exclusive advance sales of "a-nation" tickets (largest outdoor music event in Japan)
May	Government services (certificates of residence, certificates of seal registration)
June	Tie-up with PIA Corporation in ticket services

APPROACHES TO CONVENIENCE STORE OPERATIONS: 2

We will take on the challenge of advancing the joint use of operational infrastructure and establishing global 7-Eleven brand strength.

The number of 7-Eleven stores has been increasing at a pace of about 1,800 to 2,000 stores a year, and there are now more than 38,000 7-Eleven stores around the world, making 7-Eleven the largest retail store chain in the world. In this section, we will introduce the initiatives on a global scale that utilize the global 7-Eleven network.

The Goals of the International Licensee Summit

Until now, the licensee operations of 7-Eleven, Inc. (SEI), had primarily entailed the provision of trademark rights to licensees. Moving forward, however, SEI and SEJ will work together to establish a support system for area licensees in each country. From March to April 2010, for the second consecutive year, we held the International Licensee Summit in Japan. This summit was a global meeting for the leaders of area licensees from countries around the world. The objectives of the licensee summit included the sharing of information with area licensees, primarily in regard to SEJ's operational infrastructure related to merchandising, store facilities, store operations, and information/distribution systems. With consideration for the specific situation in each country, such as employment conditions, we will bolster the competitiveness of stores in each country and aim to bolster the brand strength for 7-Eleven overall by allowing area licensees to use SEJ's strong operational infrastructure.

Global 7-Eleven Store Network

Note: As of the end of December, excluding figures for Japan which are as of the end of February of the following year.

GROUP MERCHANDISING

OUR APPROACH TO GROUP MERCHANDISING

We will actively leverage a wide range of tangible and intangible resources, both inside and outside the Group, in order to provide original products that offer both high quality and reasonable prices.

Targeting the provision of products that incorporate timely new concepts and enhanced quality, the Group will continue to take on the challenge of developing private-brand products through Group Merchandising and Global Merchandising initiatives. In development, by transcending organizational boundaries and focusing the capabilities of companies throughout the Group, we have created products that meet the preferences of customers. The Group has positioned its private-brand strategy as an important element in the expansion of Group synergies, and accordingly the entire Group is working together to aggressively implement private-brand initiatives.

Seven Premium Private-Brand Products

Since we launched the first *Seven Premium* private-brand product in 2007, we have steadily expanded the number of SKUs, reaching a total of 1,035 SKUs as of the end of February 2010. *Seven Premium* products offer quality equivalent to or better than that of national-brand products at reasonable prices, and as a result, sales have recorded favorable growth. In the fiscal year ended February 28, 2010, we reached the sales target that we announced when the brand was launched in 2007—¥320.0 billion. In further developing *Seven Premium*, we will continue to focus on the development of new products, and will also step up the improvement of existing products. Moreover, due to the effective use of the Group's sales capabilities and precision ordering know-how, with *Seven Premium* we have had only a very small amount of markdown losses. As a result, *Seven Premium* has contributed to higher profitability. Moving forward, we will leverage this approach. With consideration for the possible integration of product procurement on a Groupwide basis, we will also bolster initiatives with national-brand manufacturers.

Global Merchandising

YOSEMITE ROAD, a California wine

In November 2009, we launched YOSEMITE ROAD, a California wine that marked the first product developed through Global Merchandising activities. With Global Merchandising, we utilize the know-how and infrastructure of Group companies in Japan and overseas. The YOSEMITE ROAD development project grew out of the International Licensee Summit, which was held in March and April 2009. At the summit, we shared information about the major success of *Seven Premium* products in Japan. With operating companies in Japan and the United States making joint use of the infrastructure in each country, such as materials, raw materials, and distribution, we were able to take full advantage of global economies of scale in the development of YOSEMITE ROAD. We are now forecasting annual sales of 3.5 million units, a substantial increase from the 3.0 million units that we initially planned.

In the future, we will continue to focus resources on the development of private-brand products that utilize the Group's global infrastructure, and will expand the number of products developed through these initiatives, with consideration for the possibility of sales at 7-Eleven stores around the world.

Premium Life Enhancement Committee Website

Premium Life Enhancement Committee

With the objective of directly reflecting customer feedback in product development and improvement, we launched the Premium Life Enhancement Committee website in July 2009. Through this site, customers can contribute their opinions and requests regarding *Seven Premium* products. In product development activities, the *Seven Premium* development team has drawn on the information obtained through this site and through communications with registered site members. In January 2010, we started to sell *Seven Premium* croquettes, the first product developed through these initiatives.

Moving forward, to further enhance customer satisfaction, the Group will also use this site for the improvement of existing products.

NEW MARKETS

OUR APPROACH TO OPENING UP NEW MARKETS

We will strive to transition to the next growth stage by opening up new markets to meet emerging customer needs.

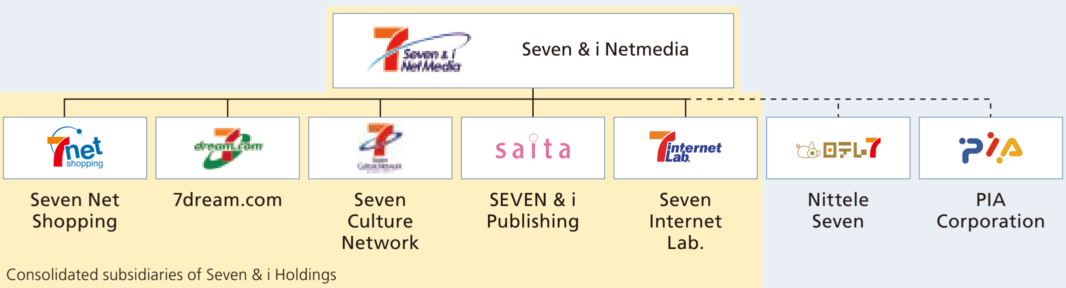
The Group is implementing ongoing initiatives targeting long-term growth. These include increasing the profitability of existing operations as well as opening up new sectors of Japan's e-commerce market, which we have positioned as a growth opportunity. Approaching 2010 as a year for the full-scale leveraging of its IT/services operations, the Group will focus its resources on discovering new business opportunities and fostering demand.

The scale of the mail order market is expanding rapidly, even in an environment marked by consumption saturation. In particular, the market for consumer-oriented e-commerce, such as sales through the Internet and mobile phones, is growing at a double-digit pace. In entering the e-commerce market, the Group's store network will be a key strength. Our network includes about 14,200 stores in Japan, including convenience stores, superstores, food supermarkets, department stores, and restaurants, which receive about 15 million customer store visits per day. Another key strength will be the solid credibility that actual stores have with customers. The Group will leverage these strengths as it advances its e-commerce operations, centered on the fields of Internet sales and store-based Internet services. These initiatives will be implemented under the leadership of Seven & i Netmedia, an intermediate holding company that was established in July 2008.

In the field of Internet sales, we will integrate existing Internet sales operations that have been independently operated by the Group companies. Through *Seven Net Shopping*, a new Internet shopping site, we will build a new business model combining the Group's actual stores and Internet services.

In the field of store-based Internet services, the stores of the Group companies will be used as bases for the expansion of a service that enables customers to order products over the Internet and have them delivered to their home, or nearby Seven-Eleven stores. In addition to Ito-Yokado's *Net Supermarket* and SEJ's *Seven-Eleven Net*, in November 2009 Sogo & Seibu launched *ikeseikirei*, an Internet shop for cosmetics and related products. In these ways, we will determine the needs of each format's customers and offer services that optimally combine the strengths of the Internet and actual stores.

Framework of IT/Services Operations



Seven & i Netmedia	Overall responsibility for IT-related operations
Seven Net Shopping	Operation of Internet-based shopping services
7dream.com	Ticket services, store support to integrate stores and IT
Seven Culture Network	Operation of school business, planning and sales of experience-type travel, cultural and travel-related services
SEVEN & i Publishing	Publishing of "saita" comprehensive fashion and lifestyle magazine
Seven Internet Lab.	Development of IT systems, research into new businesses
Nittele Seven	Creation of new sales channel of stores and TV/media
PIA Corporation	Ticket services and publishing

SUPERSTORE OPERATIONS

OUR APPROACH TO SUPERSTORE OPERATIONS

We will work to rebuild our operations from the ground up and make a transition to a more aggressive orientation.

In superstore operations, the business environment is challenging and competition is intensifying, and consequently earnings are sluggish. 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 achieve low-cost operations. Through these initiatives, we are targeting an operating income margin of 3% over the medium term.

Fundamental Policies and Specific Initiatives

At Ito-Yokado, we will rebuild our operations from the ground up and make a transition to a more aggressive orientation. Specific initiatives targeting that objective will include merchandising reforms, sales area reorganization, cost reductions, and advancement of Internet operations.

Merchandising Reforms

We will implement reforms in the area of merchandising in order to achieve product lineups that are attuned to customer needs and to the preferences of the customers in each store's local market. We have implemented a transition in our organizational system, moving the distributor functions from each division to the divisions that manage distribution function. In apparel, by enhancing the coordination between the product purchasing plans of the buyers, who handle overall product procurement, and the sales plans of each store, we have established a foundation for the realization of the optimal product lineup for each store.

In merchandising, we will step up initiatives targeting improved margins through a strengthened focus on the development and merchandising of private-brand products as well as 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. Another initiative will be a move from open-floor displays arranged by type of apparel such as shirts and pants to specialty stores that propose coordinated offerings. In this way, we will strive to create proposal-based sales areas.

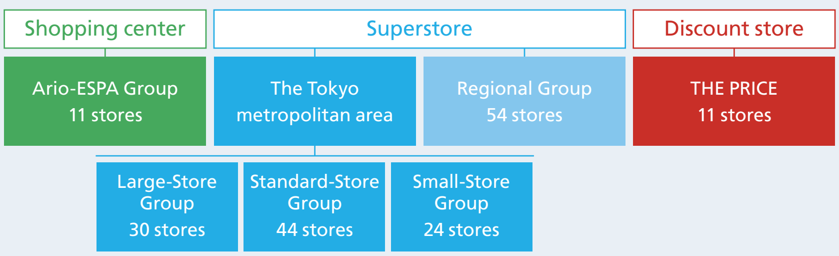
In food, meanwhile, we will step up our initiatives in the pricing of frequently purchased items, centered on national-brand products. In addition, we will focus on reasonable pricing for *Seven Premium* private-brand products and for safe, highly fresh foods in order to increase the number of customers and the number of items purchased.

Sales Area Reorganization

In September 2009, with the objective of implementing the principles of selection and concentration in the use of management resources, we reclassified our store management system into six groups. For example, we will invest aggressively in the Tokyo metropolitan area's Large-Store Group and in the Ario-ESPA Group, which are key profit drivers. On the other hand, we will limit investment and rigorously implement low-cost store operations in the Regional Group where profits are declining. We will also close unprofitable stores.

In store operations, we will implement individual store marketing initiatives to better align sales area composition with the preferences of customers in regional markets. We

Reorganization by store size and region



(Number of stores as of February 28, 2010) will actively expand sales areas in categories that meet customer needs, while we will reduce sales areas in categories that meet relatively limited customer needs. We will also strengthen our product lineups by aggressively introducing Group specialty stores in categories where Ito-Yokado's product lineups do not adequately meet market needs. Specifically, at the Haijima store, which we remodeled in November 2009, we reduced the apparel and household goods sales areas, where efficiency per square meter of floor space was low, and introduced outside tenants and Akachan Honpo, the Group's baby and children's product specialty store, and *Seven Bi no Gardens* stores, which sell drugs and cosmetics. In the fiscal year ended February 28, 2010, we completed this type of major remodeling and smaller-scale reorganization in 46 stores.

In the fiscal year ending February 28, 2011, we plan to reorganize sales areas in 59 Ito-Yokado stores. In line with customer needs, within these stores we will introduce new format stores, such as Seven Home Center and *Seven Bi no Gardens*, and Group specialty stores, such as Akachan Honpo and THE LOFT. In addition, we plan to open five stores, including three Ario stores, and close 11 stores, principally stores in suburban areas.

Plans of Sales Area Reorganization, Store Openings and Closures

		FY2010	FY2011 (planned)	FY2012 (planned)	FY2013 (planned)	TOTAL
Sales area reorganization	Major remodeling	15	19	-	-	-
	Smaller-scale reorganization	31	40	-	-	-
	Total	**46**	**59**	-	-	-
Store openings / closures	Openings	4	5	5	2	**16**
	Closures	(5)	(11)	(7)	(7)	**(30)**
	Net total	**(1)**	**(6)**	**(2)**	**(5)**	**(14)**
Number of stores at end of period		174	168	166	161	-
Total sales floor space at end of period (1,000 m^2)		2,661	2,671	2,734	2,694	-

Cost Reductions

In reducing costs, we will move ahead with the establishment of low-cost operations by bolstering store management and streamlining headquarters. In addition, we will reevaluate our sales promotion methods. To ensure that we get the most benefit from our sales promotion expenditures, we will reduce our heavy reliance on flyers and transition to effective sales promotion methods that utilize the Internet and TV. In the fiscal year ending February 28, 2011, the opening of new stores is expected to add about ¥15.0 billion to SG&A expenses, but we expect store closures to save about ¥4.0 billion, and sales promotion control measures to save about ¥7.0 billion. We also plan to lower rent and operating costs about ¥12.0 billion. Consequently, we plan to reduce SG&A expenses about ¥8.0 billion year on year.

Advancement of Internet Operations

In Internet operations, we will strive to use IT as a marketing tool to reform sales promotion methods and change the way Ito-Yokado employees work. In this way, we will work to integrate actual stores and Internet services in *Net Supermarket*.

We consider *Net Supermarket* to be a modern version of the traditional order-taking sales method. It has been designed principally for parents with young children, working couples, and senior citizens. Through this service, we will work to meet customer needs for Internet-based sales of everything from fresh foods to innerwear and daily items, by store-basis operation. Ito-Yokado will work to expand both the number of stores offering this service and the number of members. In the fiscal year ending February 28, 2011, we are targeting an operational scale of 150 stores, one million members, and sales of ¥30.0 billion.

DEPARTMENT STORE OPERATIONS

OUR APPROACH TO DEPARTMENT STORE OPERATIONS

We will create new department store value and work to differentiate our operations.

Domestic department stores are enmeshed in intense competition with other retail formats, including specialty stores, shopping centers, and shopping areas in stations. To record growth in the future, we need to substantially revise previous department store management practices. In our department store operations, as one facet of operational reforms we are striving to raise asset efficiency by implementing the principles of selection and concentration in the use of management resources. In addition, we are working to achieve differentiation from competitors by creating new department store value. In this way, we will target an operating income margin of 4% over the medium term.

Fundamental Policies and Specific Initiatives

With the objective of creating new department store value, Sogo & Seibu will take on the challenge of fostering innovation in department store management. Focus initiatives will include bolstering the sales capabilities of key stores, implementing format conversions and closing unprofitable stores, leveraging Group synergies, and bolstering cost reductions.

Medium-Term Initiatives

1. **Bolstering the sales capabilities of key stores: Creating new department store value**
   - Extend the success model at SEIBU Ikebukuro to other key stores and raise organizational strengths
2. **Converting suburban stores to other formats: Moving away from the traditional department store framework**
   - Introduce shopping center-style operation*
   - Stores at which format conversion is planned: Higashi-Totsuka, Kawaguchi, Takatsuki, others
3. **Decisions regarding the closure of unprofitable stores**
   - Sogo Shinsaibashi in August 2009
   - SEIBU Sapporo in September 2009
   - SEIBU Yurakucho in December 2010 (Planned)

* A method of operations, similar to that used in shopping centers, with specialty stores managed as tenants

Bolstering the Sales Capabilities of Key Stores

In department store operations, individual store sales capabilities are closely linked to product procurement capabilities, and consequently raising the sales capabilities of key stores plays an important role in increasing overall profitability. SEIBU Ikebukuro, the flagship store of Sogo & Seibu, accounts for about 15% of Sogo & Seibu's sales and about 40% of profits. In 2008, we commenced a three-year store-remodeling project targeting strengthened operating capabilities. In the fiscal year ending February 28, 2011, SEIBU Ikebukuro will celebrate its 70th anniversary and complete the remodeling project. In addition, it will also mark the advent of a new store that has moved beyond uniform department store management. Sogo & Seibu will extend the successful examples and know-how garnered through this remodeling to other key stores.

Remodeling of SEIBU Ikebukuro

In April 2008, Sogo & Seibu began a full-sale remodeling of SEIBU Ikebukuro. Except for a portion of the food floor, sports and hobby sundries, and restaurants, the remodeling work has already been completed. To leverage the advantage resulting from a location adjoining a terminal station that boasts daily traffic of 2.6 million people and to draw in customers, we strengthened sales areas for products that make a large contribution to sales and have high customer-drawing power, such as women's accessories and cosmetics. In addition, in response to changes in what customers need in department stores, we substantially reevaluated the food and household-goods sales areas. In fresh food sales areas, we drew on the know-how of Group companies Ito-Yokado and York-Benimaru to revise the scope and pricing of our product lineups. We are seeing steady results from these initiatives, including year-on-year gains in sales. In household-goods sales areas, we substantially expanded the interior sales floor and established self-directed sales areas that can propose coordinated offerings by lifestyle. As the completion of the remodeling project approaches in the fiscal year ending February 28, 2011, SEIBU Ikebukuro will continue to take on new challenges.

Format Conversion and Closure of Unprofitable Stores

For suburban stores, we will break away from the previous role of these stores—to complement the large-scale, key stores in urban areas. Without limiting ourselves to the traditional department store framework, we will move forward with format conversions, targeting the establishment of multi-purpose commercial facilities. We will reduce directly managed sales floor space with low productivity while taking steps to draw customers into the store by introducing leading specialty stores as tenants, including Group specialty stores. In this way, we will endeavor to increase store competitiveness as a whole and convert the profit structure.

As one facet of initiatives to increase asset efficiency, we have decided to close SEIBU Yurakucho in December 2010. We will also make decisions about closing stores that are unlikely to be able to generate improved profits.

Suburban Store Format Conversion Plans
SEIBU Higashi-Totsuka Example: Completion in October 2010 (planned)

1. **Introduction of leading specialty stores with customer-drawing power**
   - Already introduced: UNIQLO, Akachan Honpo, ABC-MART
   - Planned: Interior-related tenants, menswear-related tenants
2. **Substantial reduction in low-productivity directly managed sales floor space**

	Before	Conversion	After*
• Department stores: (Directly managed)	14,200 m²	Down 80%	About 3,000 m²
• Specialty stores: (Tenants)	19,500 m²	Up 60%	About 31,200 m²

* Expansion of sales floor space accompanying remodeling

Leveraging Group Synergies

Through merchandising, media, and specialty store strategies, we will leverage Group synergies and strive to achieve differentiation from other companies.

In merchandising strategies, with the focal point of drawing customers, we will leverage Group know-how and achieve differentiation in food initiatives. In product development, we will enhance price competitiveness through joint procurement of materials and unification of production bases and distribution in the development of private-brand products.

In specialty store strategies, we will aggressively introduce Group specialty stores, such as Akachan Honpo, Oshman's Japan, and ainz & tulpe, a drug and cosmetics store developed by AIN PHARMACIEZ, thereby enhancing customer-drawing power, principally in multiple-format stores.

In media strategies, we will bolster links with the Group's sales promotion/media strategy by cooperating in the Group's Internet operations.

Bolstering Cost Reductions

Targeting the reform of our profit structure, we will fundamentally reevaluate our costs. In department store operations, on a real basis, we will reduce SG&A expenses by about ¥9.5 billion (calculated as if Robinson Department Store, which was merged into Sogo & Seibu in the second half of 2009, had been included in Sogo & Seibu from the beginning of the fiscal year ended February 28, 2010). At Robinson department stores, we expect increases of about ¥6.0 billion in the first half of the fiscal year ending February 28, 2011, and about ¥1.0 billion in remodeling expenses, while on the other hand, we are planning reductions of about ¥4.5 billion from store closures, about ¥3.0 billion from reevaluating events and changing sales promotion methods, and about ¥3.0 billion from a decline in depreciation and amortization due to revising the useful life and headquarters-related expenses.

Convenience Store Operations

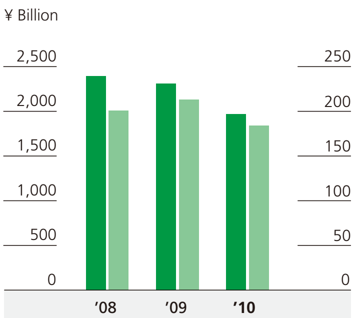
KEY FIGURES

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

OPERATING INCOME
¥183.8 billion (13.8)%

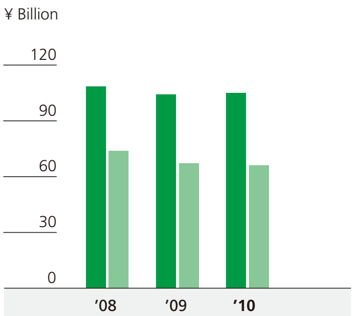
CAPITAL EXPENDITURES
¥104.9 billion +0.7%

Revenues from Operations
Operating Income



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

Capital Expenditures
Depreciation and Amortization



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.

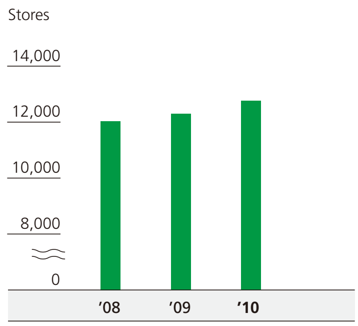
SEJ believes that headquarters and franchisees need to work together to overcome the difficult management environment. Accordingly, headquarters is implementing a new initiative to sustain aggressive progress in fast food, which is a core product. From July 2009, headquarters began to pay 15% of the 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

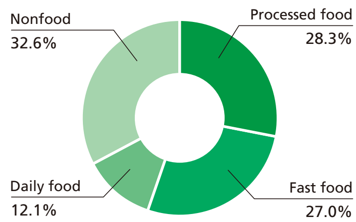
In the fiscal year ended December 31, 2009, after conversion to Japanese-style presentation, with an exchange rate of ¥93.65 to U.S.$1.00 for the period, SEI had revenues from operations of ¥1,411.3 billion, down 19.0%, and operating income of ¥34.4 billion, down 0.8%. The decline in revenues from operations 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

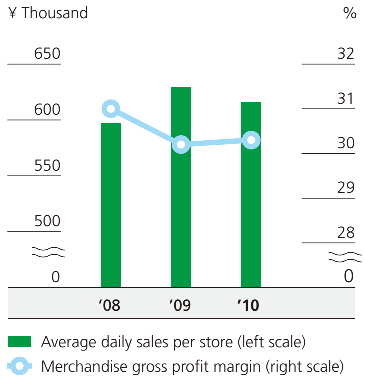
Number of Stores



Sales by Product Category



Average Daily Sales per Store
Merchandise Gross Profit Margin

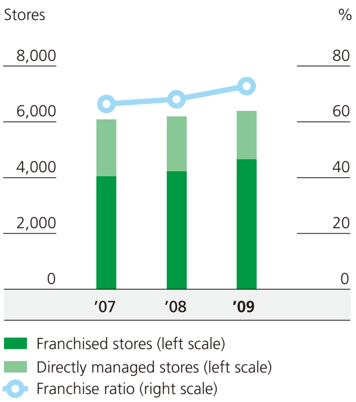


Chilled boxed lunches

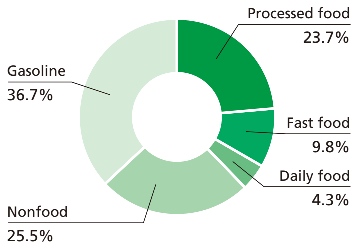
7-Eleven, Inc.

Fiscal year ended on December 31

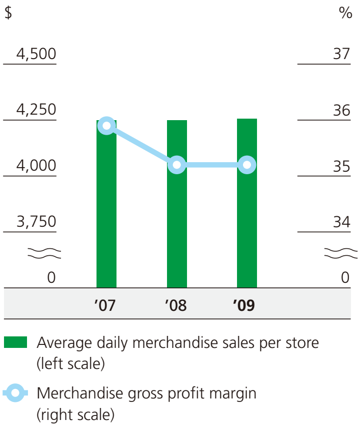
Number of Stores



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

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.

Hot food—Pizza

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

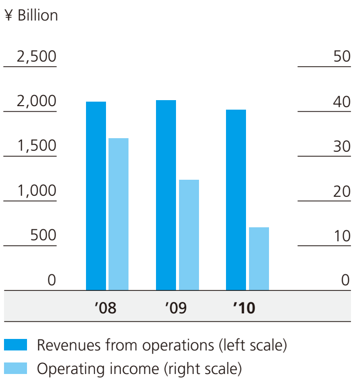
MARCH 2009
Ito-Yokado opened Musashi-Koganei store in Tokyo, Japan.

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

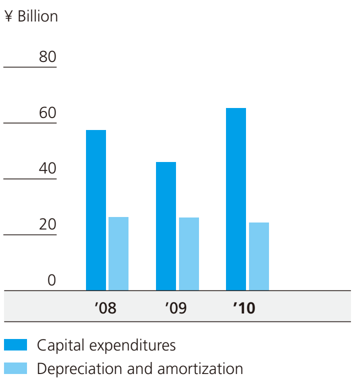
NOVEMBER 2009
Chengdu Ito-Yokado opened Jian She Lu store in Chengdu, Sichuan Province.

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.

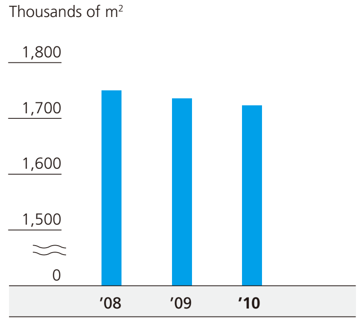
By product category, York-Benimaru's sales of food increased 1.0%, to ¥251.4 billion; apparel sales were down 6.5%, to ¥17.2 billion; and sales of household goods rose 0.1%, to ¥18.7 billion. The merchandise gross profit margin declined 0.3 percentage point, to 26.7%.

China Operations

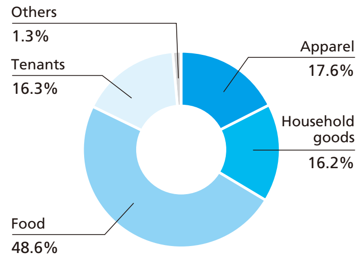
In Beijing, as of the end of December 2009, the Group's network comprised nine superstores, an increase of one from a year earlier, and one food supermarket. In Chengdu, Sichuan Province, the Group had four superstores, an increase of one from a year earlier. Although the results in Beijing have been 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

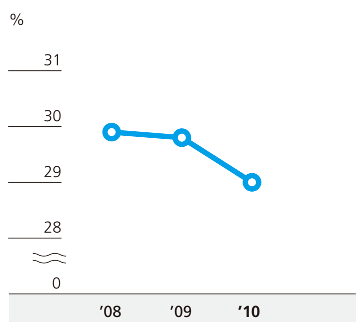
Directly Managed Sales Floor Space



Sales by Product Category



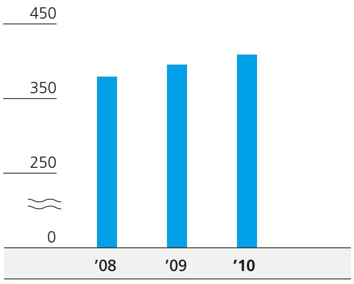
Merchandise Gross Profit Margin



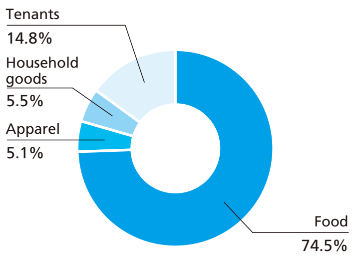
Locally cultivated vegetables sold at York-Benimaru

York-Benimaru

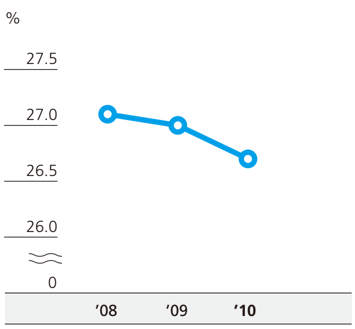
Directly Managed Sales Floor Space



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.

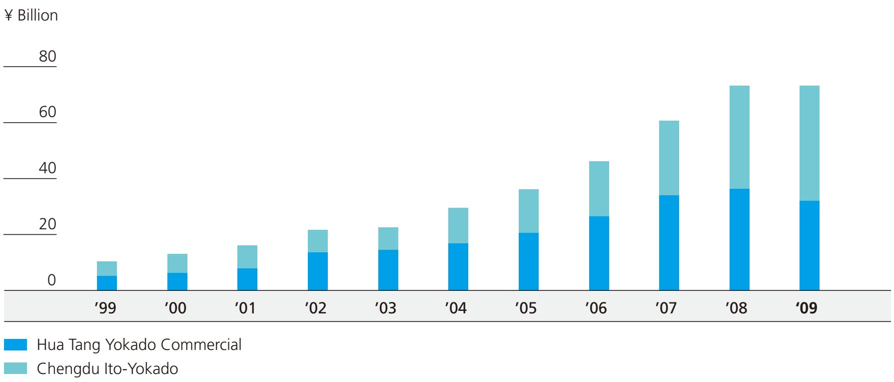
China Operations

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%

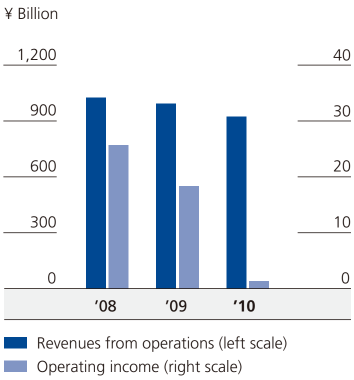
KEY EVENTS

AUGUST 2009
Millennium Retailing, Sogo, and SEIBU merged.

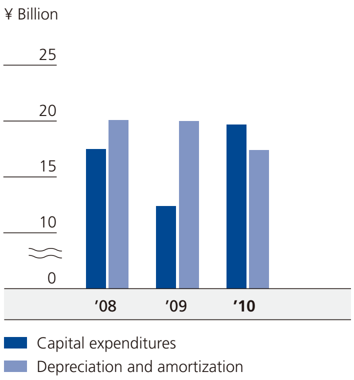
SEPTEMBER 2009
Sogo & Seibu completed an absorption-type merger with Robinson Department Store.

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.

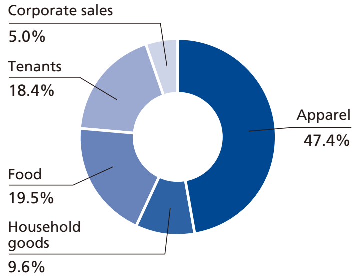
Acquisition of the Land and Buildings of SEIBU Ikebukuro

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.

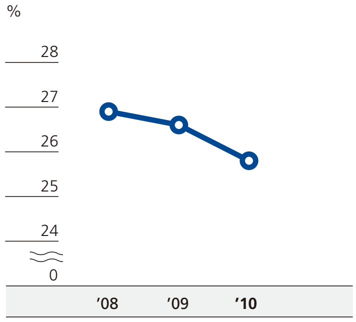
As a result of this acquisition, the outflow of funds from the Group for the payment of rent will be avoided. In addition, the acquisition will result in increased flexibility in implementing a range of management initiatives, such as store administration and remodeling. Accordingly, the Group believes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

Sogo & Seibu

Sales by Product Category

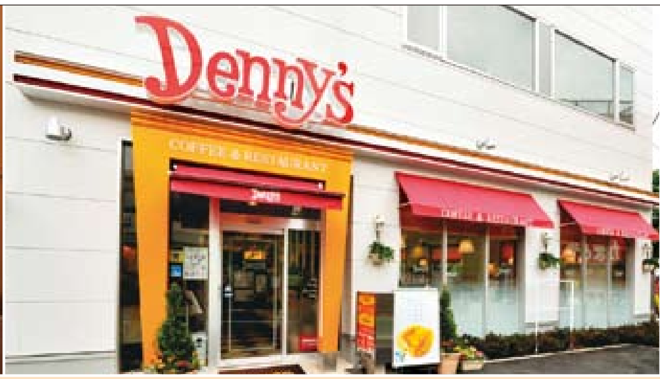


Merchandise Gross Profit Margin



Fresh fish sales area in SEIBU Ikebukuro

Food Services



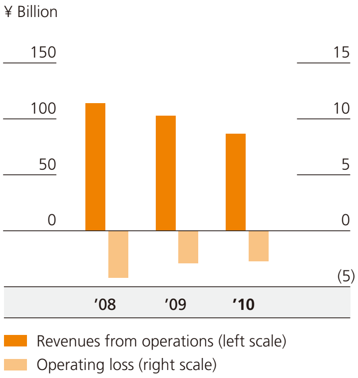
KEY FIGURES

REVENUES FROM OPERATIONS
¥86.4 billion (15.9)%

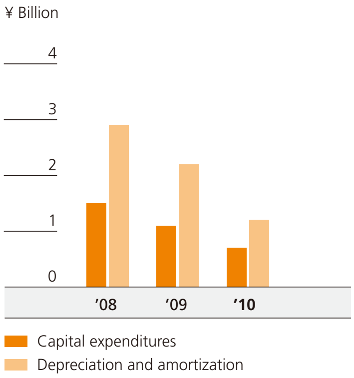
OPERATING LOSS
¥2.7 billion

CAPITAL EXPENDITURES
¥0.7 billion (36.1)%

Revenues from Operations
Operating Loss



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

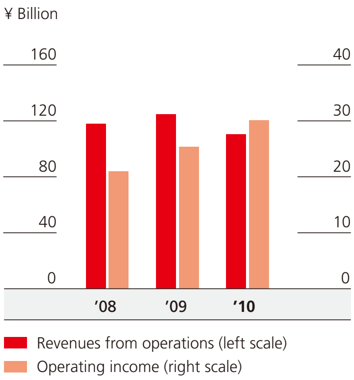
KEY FIGURES

REVENUES FROM OPERATIONS
¥110.4 billion (11.6)%

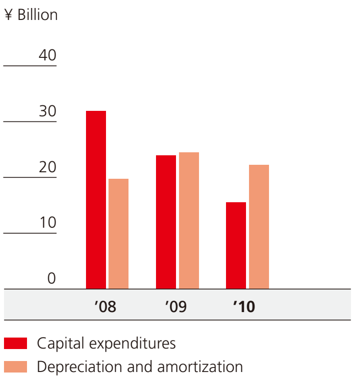
OPERATING INCOME
¥30.1 billion +18.3%

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.

Corporate Governance

Fundamental Approach

The mission of Seven & i Holdings, as a holding company that oversees and controls its operating companies, is to strengthen corporate governance and maximize the enterprise value of the Group.

In corporate governance, through supervision by the Board of Directors and audits by the Board of Corporate Auditors, the Company implements initiatives in four areas: (1) operational effectiveness and efficiency, (2) reliability of financial reports, (3) strict compliance with laws and regulations in operating activities, and (4) appropriate preservation of assets. The objective of those initiatives is long-term growth in enterprise value.

In taking steps to achieve this objective, the Company seeks to leverage Group synergies and implements appropriate allocation of management resources based on management oversight. On the other hand, each operating company fulfills its own responsibilities in its field of business, where it acts independently to secure growth in profits and higher capital efficiency.

Corporate Governance System

Introduction of the Executive Officer System

As of May 27, 2010, the Company's Board of Directors comprises 15 members, of whom three are outside directors. To facilitate prompt decision-making and execution in a rapidly changing management environment, we have introduced the executive officer system. Under this system, the supervisory functions of the Board of Directors are separate from the execution functions of the executive officers. The Board of Directors is able to focus on the formulation of management strategies and the supervision of business execution while the executive officers can focus on business execution. To ensure prompt reflection of the wishes of shareholders, the term of directors has been set at one year.

Auditing System

The Company monitors management through the corporate auditor system. As of May 27, 2010, the Company's Board of Corporate Auditors comprises five members, including three outside corporate auditors. Each corporate auditor takes steps to audit the work of the directors, such as attending meetings of the Board of Directors and other important meetings, exchanging opinions with the representative directors, periodically receiving reports from directors and others regarding business execution, and actively exchanging information with the Auditing Office. Information is also actively exchanged with the independent auditors, and a close relationship with the independent auditors is maintained.

Support Systems for Outside Directors and Outside Corporate Auditors

The Company assigns employees to assist the outside directors and outside corporate auditors and facilitates smooth information exchange and close interaction with the inside directors and standing corporate auditors.

Cooperation between the Internal Control System and the Corporate Auditors/Independent Auditors

The Company has established the Auditing Office as an independent office to conduct internal audits. In February 2009, as one part of initiatives related to the internal control system reporting system under the Financial Instruments and Exchange Act, the Company reorganized the auditing activities of major operating companies and expanded the Auditing Office to 24 employees. Employees in the Auditing Office have been assigned responsibility for "operating auditing" and for "internal control system evaluation." The employees responsible for operating auditing are responsible for indirect supervision through the provision of verification and guidance in regard to internal audits of major operating companies, as well as for direct internal auditing of the holding company and operating companies. The employees responsible for internal control system evaluation implement evaluations of internal control related to financial reporting for the entire Group. Also, information is actively exchanged between the corporate auditors and the independent auditors, and close ties are maintained between them. In these ways, the internal auditing function is being strengthened.

Reason for the Selection of the Corporate Governance System

The corporate auditors (Board of Corporate Auditors), including multiple outside corporate auditors who maintain independence and have specialized knowledge in law, finance, and accounting, conduct audits through cooperation with the independent auditors and internal control departments.

The formulation of management strategies and supervision of business execution are handled by the Board of Directors, including multiple outside directors who maintain their independence and have high-level management experience and opinions.

It is the Company's judgment that this is an effective system for the implementation and maintenance of corporate governance effectiveness, and enables appropriate, efficient corporate management. Accordingly, the Company uses this governance system.

Internal Control Systems

The Board of Directors has approved the following regarding "the development of systems for ensuring that the execution of duties by the directors comply with laws, regulations, and the *Articles of Incorporation* and other systems required by the Ministry of Justice Ordinance for ensuring the compliance of operations performed by a corporation," as stipulated by the Companies Act.

(1) Systems for ensuring that the execution of duties by directors and employees is compliant with laws, regulations, and the *Articles of Incorporation*

(i) Seven & i Holdings and its operating companies ("the Group") shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*. In order to continue to be trusted and known for integrity, the Group shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. On that basis, the Company shall establish, maintain, and utilize compliance systems, centered on the Compliance Committee; operate helplines; promote fair trade; and reevaluate the *Corporate Action Guidelines* and the guidelines of each company. In these ways, compliance shall be further enhanced.

(ii) The Group will announce their commitment to not having any contact with antisocial groups and will clearly refuse unreasonable requests. Through cooperation with outside specialists, such as the police and lawyers, we will rapidly implement legal countermeasures, both civil and criminal.

(iii) The Auditing Office, which is independent from operating departments, will audit and confirm the status of the maintenance and operation of the compliance systems of the Group.

(iv) Corporate auditors will ensure that the execution of duties by directors is compliant with laws, regulations, and the *Articles of Incorporation* and work to raise the effectiveness of the supervisory function.

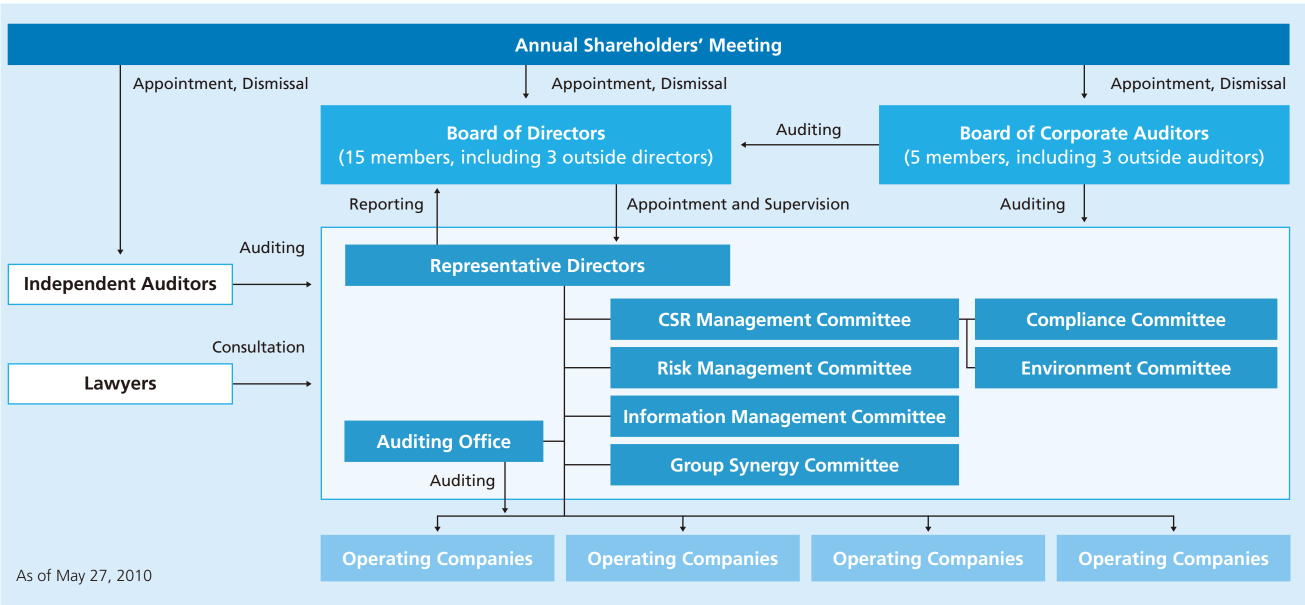
(2) Systems for the storage and control of information related to the execution of duties by directors

(i) In accordance with laws, regulations, and the *Information Control Regulations*, the Group shall properly produce, store, and manage documents for which production and storage are legally required, such as the minutes of shareholders' meetings, the minutes of Board of Directors' meetings (including digital records, same hereafter), circular decision-making documents, and other documents and information necessary to secure appropriate operational execution.

(ii) Departments in charge of disclosure will rapidly and comprehensively collect important information related to the Group and conduct accurate, timely disclosure.

(iii) To ensure the appropriate production, storage, management, and timely, accurate disclosure of important administrative documents, and to also conduct integrated information management, with consideration for the safe management of such important information as trade secrets and personal information, the Group shall establish, maintain, and operate information management systems, centered on the Information Management Committee; inspect the status of the maintenance and utilization of information management systems; and

Corporate Governance System



continue initiatives targeting further improvements. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the corporate auditors.

(3) Regulations and systems for loss risk management

(i) In accordance with risk management regulations, the Group shall establish, maintain, and utilize comprehensive risk management systems, centered on the Risk Management Committee, in order to accurately analyze, evaluate, and investigate risks associated with each business activity, with consideration for changes in the management environment and risk factors.
(ii) In regard to risk management, a system for periodic reporting to the Board of Directors and corporate auditors shall be established, maintained, and utilized. The Board of Directors, directors, and executive officers shall conduct sufficient examination, analysis, and investigation of risks associated with operational execution, and improvement measures shall be implemented rapidly.
(iii) To minimize damages to the Group when risk events occur, the Crisis Management Headquarters shall be established, and measures to facilitate the continuation of operations shall be implemented immediately.

(4) Systems for ensuring the efficiency of the execution of duties by directors

(i) The details of the decision-making authority of the directors and executive officers and the divisions with responsibility for each administrative area shall be clearly and appropriately defined in the regulations of the decision-making authority, etc. In this way, the Group shall avoid administrative duplication and conduct flexible decision-making and administrative execution.
(ii) To secure the sustained growth of the Company, the Board of Directors shall make decisions on such matters as important management objectives and budget allocations for the Group. Through such means as periodic reports from directors and executive officers, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations shall be conducted.
(iii) The Board of Directors, as a general rule, shall meet once each month. In addition, when necessary, extraordinary meetings of the Board of Directors shall be held or resolutions of the Board of Directors shall be executed through documents. Rapid decision-making will be implemented and efficient administrative execution will be promoted.

(5) Systems for ensuring the appropriateness of financial reporting

(i) Centered on the Internal Control Project, which is related to financial reporting, a management system needed to secure the appropriateness of financial reporting for the Group shall be established, maintained, and operated.
(ii) In regard to issues that are judged to have a high possibility of majorly influencing financial conditions, information shall be shared in an appropriate manner among the directors, corporate auditors, and independent auditors.

(6) Systems for ensuring the appropriateness of the operations performed by the corporate group comprised of the Company, its parent companies, and subsidiaries

(i) In regard to each of the items (1) to (5) above, the Company shall establish, maintain, and operate management systems for the Group as a whole; notify all Group companies of the general outlines of these systems; and require concrete policy formulations. In addition, the Company shall provide support and guidance for the internal control activities of all Group companies as necessary.
(ii) The Group shall maintain contact with each business segment and will share information with the Company's departments.
(iii) The Auditing Office will audit all Group companies.

(7) Matters related to the provision of support staff for corporate auditors when so requested

The Company shall provide support staff for corporate auditors when so requested.

(8) Matters related to the independence from directors of the support staff for corporate auditors

The selection (including subsequent replacements) of support staff to work exclusively for the corporate auditors shall be subject to the approval of the corporate auditors.

(9) Systems for reporting by directors or employees to corporate auditors and other systems for reporting to corporate auditors

Situations that have the possibility of causing significant damage to the Company as well as malfeasances or violations of laws, regulations, or the *Articles of Incorporation* on the part of directors or employees shall be promptly reported to the corporate auditors. No director or employee providing such reports shall suffer any adverse consequences.

In addition, the Compliance Committee shall provide regular reports to the President and Representative Director and to the corporate auditors concerning the operation of the helplines, which should function as public-interest reporting mechanisms.

(10) Other systems for ensuring that the corporate auditors can conduct their activities effectively

(i) The corporate auditors shall meet regularly with the President and Representative Director and exchange opinions concerning important audit matters.

(ii) The corporate auditors shall maintain close contact with the Auditing Office, and may request examinations by the Auditing Office when necessary.

(iii) The corporate auditors shall meet regularly with the corporate auditors of all Group companies and work together from time to time in order to conduct appropriate audits of all Group companies.

(iv) The corporate auditors may consult with the independent auditors and with lawyers as needed, and the Company shall bear all of the costs of such consultation.

Main Activities of Outside Directors and Outside Corporate Auditors

The outside directors gave advice and made proposals to ensure the suitability and appropriateness of the Board's decision-making, by expressing their opinions—mainly from the perspective of management and administration for Mr. Shimizu, management and administration and corporate social responsibility for Mr. Davis, and organizational and management theory for Mr. Nonaka.

The outside corporate auditors asked questions and expressed their opinions as appropriate—mainly from a legal perspective for Ms. Suzuki, an account and tax perspective for Mr. Nakachi, and a corporate governance perspective for Ms. Suto.

Attendance of outside directors and outside corporate auditors at meetings of the Board of Directors and the Board of Corporate Auditors is listed below.

Corporate auditor Hiroshi Nakachi retired as of the end of the 5th Annual Shareholders' Meeting, held on May 27, 2010, and Tsuguoki Fujinuma was newly elected as a corporate auditor.

Name	Reason for nomination
Tsuguoki Fujinuma (Certified Public Accountant)	As a Certified Public Accountant, has extensive experience and specialized knowledge, and in the area of appropriate auditing activities, the Company will benefit from his opinions that are based on that experience.

Amounts of Compensation for Directors and Corporate Auditors in the Fiscal Year under Review

Position	Amounts
Directors (of which, outside directors)	¥275 million (¥31 million)
Corporate auditors (of which, outside corporate auditors)	¥66 million (¥27 million)

(Notes)
1. Included above is one director who retired upon the conclusion of the 4th Annual Shareholders' Meeting, held on May 28, 2009.
2. The aggregate amounts of compensation shown above do not include the compensation paid as employees to directors who serve concurrently as employees.
3. It was resolved at the 1st Annual Shareholders' Meeting, held on May 25, 2006, that the annual amount of compensation paid to directors shall not exceed ¥1 billion (not including compensation paid as employees) and that the annual amount of compensation paid to corporate auditors shall not exceed ¥100 million.
4. The aggregate compensation shown above includes:
   - ¥49 million as the allowance for bonuses to directors and corporate auditors corresponding to the fiscal year ended February 28, 2010.
   - ¥49 million as stock options for stock-linked compensation issued to six directors (excluding outside directors).

Attendance at Meetings of the Board of Directors and the Board of Corporate Auditors

(Fiscal year ended February 28, 2010)

Outside Directors

Name	Attendance at meetings of Board of Directors
Noritaka Shimizu (From another company)	13 of 13 meetings
Scott Trevor Davis (Academic)	13 of 13 meetings
Ikujiro Nonaka (Academic)	13 of 13 meetings

Outside Corporate Auditors

Name	Attendance at meetings of Board of Directors	Attendance at meetings of Board of Corporate Auditors
Yoko Suzuki (Lawyer)	13 of 13 meetings	17 of 17 meetings
Hiroshi Nakachi (Certified Public Accountant)	11 of 13 meetings	15 of 17 meetings
Megumi Suto (Professor)	13 of 13 meetings	17 of 17 meetings

Corporate Social Responsibility (CSR)

CSR Activities—Basic Policy and Implementation Framework

Basic policy of Seven & i Holdings and its operating companies ("the Group") for its business activities is to take a sincere approach in dealing with all of its stakeholders, including shareholders, customers, business partners, local communities, and employees.

To facilitate the steady implementation of this policy, in February 2008 we established three committees—the CSR Management Committee, the Risk Management Committee, and the Information Management Committee. With each committee maintaining close links with operating companies, this system has enabled us to meet our responsibilities to stakeholders.

Each committee periodically investigates and evaluates the initiatives of each company, and the results are reflected in the formulation of management objectives and action plans for each company, as well as for the Group as a whole. In this way, we are working to increase the level of CSR-related initiatives for the entire Group.

Committee Roles and Functions

The committees were established with the objective of separating the CSR promotion functions from the CSR management and supervisory functions. The CSR Management Committee handles CSR promotion, while the Risk Management Committee is responsible for risks related to CSR activities and the Information Management Committee is responsible for managing information related to CSR activities.

The CSR Management Committee promotes the Group's CSR initiatives through its Compliance Committee and Environment Committee.

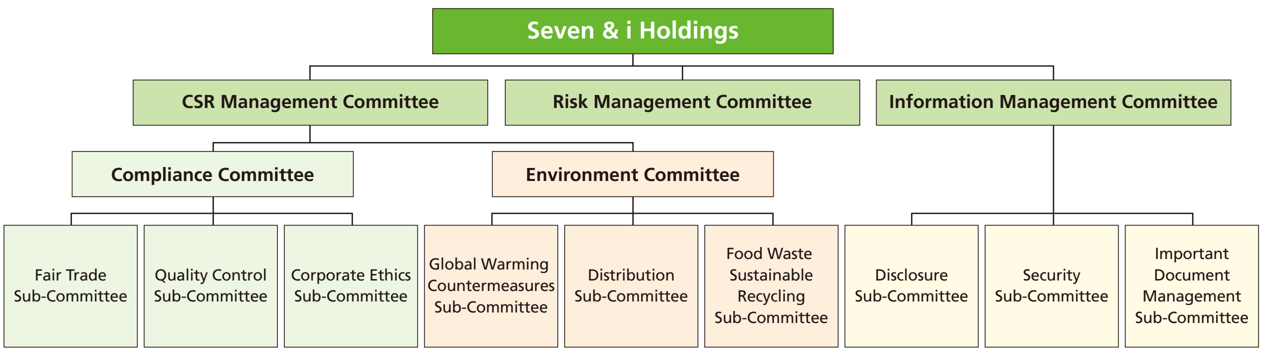
The Compliance Committee is composed of three sub-committees—the Fair Trade Sub-Committee, the Quality Control Sub-Committee, and the Corporate Ethics Sub-Committee. The Fair Trade Sub-Committee ensures fair trade practices at all Group companies; promotes training in related laws, such as the Anti-Monopoly Act; and investigates store management practices. In these ways, the sub-committee supports the activities of Group companies. The Quality Control Sub-Committee shares information about product safety among operating companies and formulates reporting and response rules for when accidents occur. The Corporate Ethics Sub-Committee has established the All-Group Help Line, which is operated by a third-party organization and is separate from the internal helplines of each company. The sub-committee is working to enhance compliance for the Group as a whole.

The Environment Committee is composed of the Global Warming Countermeasures Sub-Committee, the Distribution Sub-Committee, and the Food Waste Sustainable Recycling Sub-Committee. The Environment Committee works to coordinate Groupwide initiatives in such areas as accurately tracking the environmental burden of the operations of the entire Group, including overseas companies; introducing energy-saving facilities and recyclable energy; formulating CO_2 emissions countermeasures; and advancing waste-reduction initiatives and efficient food-waste recycling initiatives.

The Risk Management Committee, in accordance with the overall risk management framework, formulates and implements countermeasures for risks that threaten the continuity of the Group's operations. The committee also monitors progress in these areas.

The Information Management Committee manages and has overall responsibility for company information.

CSR Management System



CSR in Operating Activities

Customers

To respond to growing consumer concerns about safety and security, the Group has established original quality control standards that are more rigorous than legal requirements. In addition, we are working to provide customers with safe and secure products by strengthening quality assurance measures at the point-of-delivery and by carrying out thorough inspections of store management practices. Furthermore, for food, which is an essential part of daily life, we are working to build an original traceability system.

Business Partners

To ensure the maintenance of fair business practices, the Group has established a specialized committee and conducts periodic employee training. Furthermore, in addition to our own business activities, we consider the entire supply chain. To ensure the fulfillment of social responsibilities, such as legal and regulatory compliance, environmental conservation, and appropriate working conditions, we have prepared the Seven & i Holdings Business Partner Action Guidelines, which describes items that we want our business partners to understand and follow. Furthermore, we require all business partners in Japan and overseas that have been consigned production of original products from the Group or its operating companies to apply these guidelines and to prepare self-check sheets. These sheets include details on what must be followed in accordance with the guidelines.

In addition, in conjunction with the formulation of these guidelines, we have formulated a helpline for suppliers to ask questions and provide their opinions regarding daily transactions. The helpline is operated by a third party.

Local Communities

In recognition of the role of stores as local social infrastructure, the Group is implementing Safety Station activities, in which we cooperate in the creation of safe and secure communities and in the prevention of underage drinking and smoking. In addition, since Seven-Eleven Japan concluded a partnership agreement with Wakayama Prefecture in 2004, the Group has aggressively concluded Comprehensive Partnership Agreements that bolster mutual tie-ups in such fields as local production and local consumption, food culture, the promotion of healthy living, and disaster support.

Employees

The Group is moving ahead with the establishment of systems and enhancement of workplace environments so that all employees, without regard to their employment contract status, can work with goals and a sense of fulfillment. Moreover, the Group has introduced the Re-Challenge Plan parenting and nursing care support system and the Open Recruitment system, which enables employees to apply for job openings in any Group company.

The Environment

To move toward comprehensive initiatives targeting global warming prevention, in June 2008 the Company formulated the Seven & i Holdings Environmental Declaration and the Seven & i Holdings Fundamental Policies Relating to Measures to Contribute to the Prevention of Global Warming. The Company has strengthened the environmental countermeasures implemented by operating companies.

Disclosure

Detailed information about the Company's CSR activities is provided in the CSR Report 2009. This report is available, in English and Japanese, on our website at http://www.7andi.com/en/csr/csrreport_2009.html

ECO-PRODUCTS 2009

In December 2009, for the second consecutive year, the Company had an exhibit at Eco-Products 2009, one of the largest environmental exhibitions in Japan.

An exhibit showing an example of Seven-Eleven Japan's latest environmentally friendly store

Basic information (three-day total)

Total number of attendees: about 180,000

Number of visitors to booths: about 23,000

Board of Directors and Auditors

(As of May 27, 2010)

Representative Director and Chairman
Toshifumi Suzuki

Representative Director and President
Noritoshi Murata

Directors
Tadahiko Ujiie
Katsuhiro Goto
Tsuyoshi Kobayashi
Junro Ito
Atsushi Kamei
Ryuichi Isaka
Akihiko Hanawa
Kunio Yamashita
Takashi Anzai
Zenko Ohtaka
Noritaka Shimizu*
Scott Trevor Davis*
Ikujiro Nonaka*

Standing Corporate Auditors
Ikuo Kanda
Hisashi Seki

Corporate Auditors
Yoko Suzuki**
Megumi Suto**
Tsuguoki Fujinuma**

* Outside Directors
** Outside Corporate Auditors

Management Structures

Executive Officers

(As of May 27, 2010)

Chief Executive Officer
Toshifumi Suzuki

Chief Operating Officer
Noritoshi Murata

Senior Executive Officer and Chief Financial Officer
Tadahiko Ujiie

Managing Executive Officer and Chief Administrative Officer
Katsuhiro Goto

Managing Executive Officer
Minoru Inaoka

Executive Officers
Tsuyoshi Kobayashi
Junro Ito
Masao Eguchi
Yoshihiro Tanaka
Tomio Nishikawa
Katsuhisa Konuki
Yasuo Takaha
Kazuo Otsuka
Takafumi Kanemitsu
Kunio Takahashi
Akihiko Shimizu
Masayuki Sato
Akira Miyakawa
Kazuyo Sohda

Financial Section

Contents

Consolidated Financial Summary

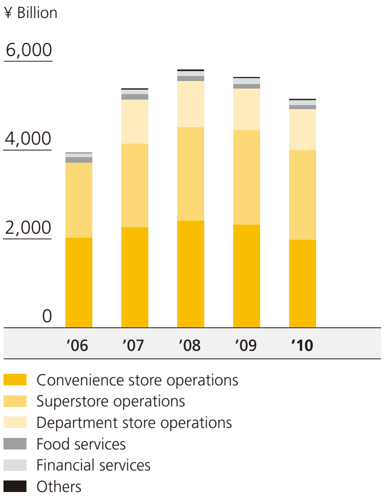
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2010, February 28, 2009 and February 29, 2008

	Millions of yen			Thousands of U.S. dollars (Note A)
	2010	2009	2008	2010
For the fiscal year:				
Revenues from operations	**¥5,111,297**	¥5,649,948	¥5,752,392	**$57,430,303**
Operating income	**226,666**	281,865	281,088	**2,546,808**
Income before income taxes and minority interests	**143,104**	215,115	227,441	**1,607,910**
Net income	**44,875**	92,336	130,657	**504,213**
Capital expenditures (Note B)	**211,189**	188,943	217,738	**2,372,910**
Depreciation and amortization (Note C)	**132,232**	140,529	143,642	**1,485,752**
At fiscal year-end:				
Total assets	**¥3,673,605**	¥3,727,060	¥3,886,680	**$41,276,460**
Cash and cash equivalents	**717,320**	663,483	667,770	**8,059,775**
Total current assets	**1,460,186**	1,397,102	1,354,417	**16,406,584**
Total current liabilities	**1,263,370**	1,254,927	1,177,493	**14,195,168**
Long-term debt	**469,074**	463,349	482,177	**5,270,494**
Total net assets	**1,793,940**	1,860,672	2,058,038	**20,156,629**

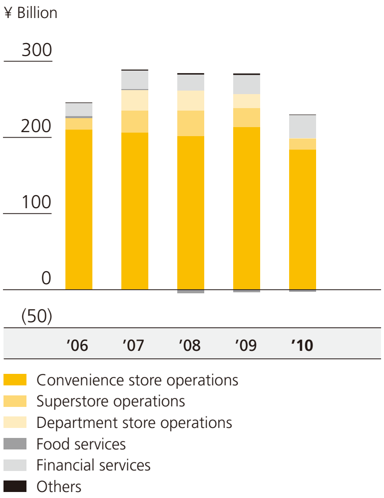
	Yen			U.S. dollars (Note A)
	2010	2009	2008	2010
Per share information:				
Net income (Basic)	**¥49.67**	¥100.54	¥137.03	**$0.55**
Net income (Diluted)	**49.66**	100.54	—	**0.55**
Cash dividends	**56.00**	56.00	54.00	**0.62**
Financial ratios:				
Operating income ratio (Note D)	**4.4%**	5.0%	4.9%	**4.4%**
Net income ratio (Note D)	**0.9%**	1.6%	2.3%	**0.9%**
ROE	**2.6%**	4.9%	6.7%	**2.6%**
ROA	**1.2%**	2.4%	3.4%	**1.2%**

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥89=US$1, the approximate rate of exchange prevailing on February 28, 2010.
(B) Capital expenditures include property and equipment, intangible assets, and long-term leasehold deposits.
(C) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(D) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

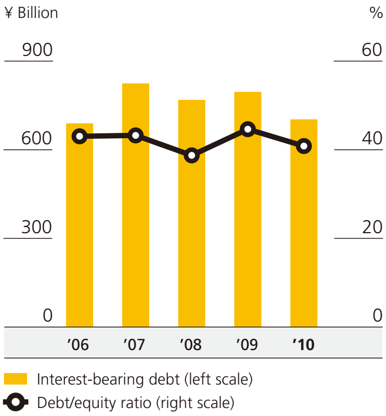
Revenues from Operations by Business Segment



Operating Income (Loss) by Business Segment



Interest-Bearing Debt Debt/Equity Ratio



Note: For the fiscal year ended February 28, 2006, the income statement of department store operations is not consolidated whereas the balance sheet is consolidated.

Management's Discussion and Analysis

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2010, Seven & i Holdings recorded revenues from operations of ¥5,111.2 billion, a decrease of ¥538.6 billion year on year, and operating income of ¥226.6 billion, a decrease of ¥55.1 billion.

Seven-Eleven Japan (SEJ), the core operating company in convenience store operations, strengthened its store openings in urban areas and aggressively opened stores in new types of locations, such as in train stations. As a result, the number of domestic stores reached 12,753 at the end of the fiscal year, an increase of 455 stores from the end of the previous fiscal year. In merchandising, targeting the realization of "close by convenient stores," SEJ bolstered the lineup of *Seven Premium* private-brand products, centered on daily products that are frequently purchased. In addition, we began sales of reasonably priced boxed lunches and chilled boxed lunches that offer extended "sell-by" dates while maintaining quality. As a result, total store sales, which comprise directly managed and franchised store sales, rose 0.8%, to ¥2,784.9 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 0.1%, to ¥788.1 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products, and noodles, were down 1.0%, to ¥751.9 billion, and sales of daily food items, which include bread, pastries, and milk, were up 0.8%, to ¥336.9 billion. Sales of nonfood products, which include cigarettes and sundries, were up 3.0%, to ¥907.9 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly managed stores, were down 1.1%, to ¥535.0 billion.

Overseas, for 7-Eleven, Inc. (SEI), which operated 6,389 stores in North America as of the end of December 2009, net sales were down 19.2%, to ¥1,394.6 billion, due to a substantial decline in gasoline prices and the appreciation of the yen (¥93.65 to U.S.$1.00). However, on a dollar basis, SEI's merchandise sales at existing stores in the United States increased, due to an ongoing focus on development and sales of fast food products and private-brand products, as well as the favorable influence of an increase in prices for cigarettes and other tobacco products. In China, SEVEN-ELEVEN (BEIJING) had 90 stores in Beijing and two in Tianjin as of the end of December 2009. In each area, stores met the needs of local customers and sales recorded favorable progress.

Consequently, revenues from operations in convenience store operations were ¥1,968.5 billion, down 14.7% year on year, and operating income was ¥183.8 billion, down 13.8% year on year, mainly due to an increase in amortization of goodwill related to SEI accompanying a change in accounting standards and to the adverse effect of the appreciation of the yen.

Ito-Yokado is the core operating company in superstore operations. To realize the value that customers want, in apparel we formed optimal teams by product—in line with the targeted quality and features—and worked to develop products in accordance with lifestyle scenes. In addition, we opened *Seven Bi no Gardens* drug and cosmetics stores in Ito-Yokado stores, and moved ahead with the creation of new product lineups and sales areas. In food, we worked to respond to the trend toward eating at home and to bolster sales of *Seven Premium* products. Despite the implementation of these initiatives, because consumers were increasingly focused on protecting their standards of living and on economizing, and because market prices for food and other frequently purchased items declined, Ito-Yokado's net sales were down 5.0%, to ¥1,364.7 billion. By product category, apparel sales 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.

Four stores were opened, including stores specializing in food, while five stores were closed, principally stores in suburban areas. Consequently, Ito-Yokado had 174 stores at the end of the fiscal year.

As a result, revenues from operations in superstore operations were ¥2,016.5 billion, a decrease of 5.1% from the previous fiscal year, and operating income was ¥14.1 billion, a decline of 42.7% from the previous fiscal year.

Sogo & Seibu is the core operating company in department store operations. By taking such steps as changing to a region-based organization centered on key stores, Sogo & Seibu worked to increase management efficiency and enhance store competitiveness. At SEIBU Ikebukuro, the flagship store of Sogo & Seibu, we took steps to invigorate sales areas and to bolster operating capabilities through remodeling. In particular, we bolstered our fresh food sales area to leverage our position adjoining a terminal station, and broadened the scope of our product lineup to include frequently purchased ingredients in addition to higher-priced items. In these ways, we moved ahead with the creation of sales areas that will attract new customers. In addition, at SEIBU Higashi-Totsuka, a suburban store, we introduced shopping center-style operations utilizing leading specialty stores that will enhance store competitiveness as a whole. Nonetheless, the worsening of consumer sentiment and declines in market prices had a major adverse influence, and sales were weak, especially for high-priced items, such as apparel, fine art, and jewelry.

Consequently, revenues from operations in department store operations were ¥922.8 billion, down 7.1%, and operating income was ¥1.3 billion, a decrease of 92.5%.

In the restaurant division, which is the core division in food services, we analyzed customer usage data to propose menu items aligned with the preferences of each restaurant's customers. We also developed and introduced regional menu items to capture the attention of local customers. Nonetheless, the operating environment in the restaurant industry became even more challenging, and results were also influenced by unseasonable summer weather. As a result, sales were sluggish. In China, Seven & i Restaurant (Beijing) opened its first family restaurant in a newly emerging business area.

Consequently, revenues from operations in food services were ¥86.4 billion, down 15.9%, and operating loss was ¥2.7 billion, compared with an operating loss of ¥2.9 billion a year earlier.

Seven Bank is the core operating company in financial services. Seven Bank took steps to increase the convenience of its ATMs, such as installing ATMs in Group stores and in stores outside the Group, and continuing to install additional ATMs in Seven-Eleven stores with high numbers of transactions. As a result, at the end of February 2010, Seven Bank had 14,570 installed ATMs, and the daily average number of transactions per ATM during the fiscal year was strong, reaching 114.4 transactions. We also launched a new financial service—the provision of personal loans service. IY Card Service, which develops credit card operations, worked to develop the *nanaco* electronic money operations inside and outside the Group, and to expand services, such as point exchange programs with companies outside the Group.

Consequently, revenues from operations in financial services were ¥110.4 billion, down 11.6%, due to a change in accounting standards at a leasing company. However, operating income was ¥30.1 billion, up 18.3%.

Income before Income Taxes and Minority Interests

In other income (expenses), net other expenses increased to ¥83.5 billion, from ¥66.7 billion. This was attributable to a decline in gain on sales of property and equipment, and to amortization of goodwill related to department store operations of ¥39.1 billion.

Consequently, income before income taxes and minority interests was down ¥72.0 billion, to ¥143.1 billion.

Net Income

Income taxes were ¥86.7 billion, down ¥27.1 billion from the previous fiscal year. After application of tax effect accounting, the effective tax rate was 60.6%.

As a result, net income was ¥44.8 billion, a decrease of ¥47.4 billion. Net income per share was down ¥50.87, to ¥49.67 in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

In the year under review, Seven Health Care, Seven Internet Lab., Seven & i Restaurant (Beijing), New England Pantry, and New England Pantry of Massachusetts were newly added to the scope of consolidation.

Total assets declined ¥53.4 billion, to ¥3,673.6 billion.

At Seven Bank, ATM-related temporary payments, which are included in other current assets, rose ¥55.9 billion due to the influence of the day of the week of the last day of February. Due in part to these factors, total current assets were up ¥63.0 billion, to ¥1,460.1 billion.

In property and equipment, there was a decline due to the sale of non-current assets and the recording of impairment loss. As a result, property and equipment, net, declined ¥26.7 billion. Due principally to impairment loss on goodwill related to department store operations and to the lump-sum write-off of past year's goodwill at SEI accompanying a change in accounting standards for the consolidation of overseas subsidiaries, intangible assets declined ¥124.1 billion. Investments in securities increased ¥28.7 billion due to the new acquisition of Japanese government bonds and municipal bonds at Seven Bank.

Total liabilities rose ¥13.2 billion, to ¥1,879.6 billion.

Due to repayments, the total of long-term debt and short-term loans declined ¥86.0 billion. In bonds, Seven Bank issued ¥30.0 billion in unsecured straight bonds in July 2009 and Ito-Yokado redeemed ¥50.0 billion in bonds in September 2009. Due in part to these factors, the total of bonds, including current portion, decreased ¥20.5 billion. On the other hand, deposits received and deposits received in banking business increased ¥53.8 billion and ¥20.0 billion, respectively.

Total net assets decreased ¥66.7 billion, to ¥1,793.9 billion.

Retained earnings were increased ¥44.8 billion by net income for the year, but were reduced ¥51.4 billion by cash dividend payments and ¥67.1 billion by lump-sum amortization of past year goodwill at SEI. As a result, retained earnings decreased ¥73.9 billion. Foreign currency translation adjustments, principally at SEI, declined ¥7.6 billion.

Consequently, net assets per share were down ¥69.98 from a year earlier, to ¥1,905.97, and the owners' equity ratio declined to 46.9%, from 47.9% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were provided by operations with high revenue- and profit-generating capacity, centered on convenience store operations. The Company used cash to open new stores, remodel existing stores, and redeem bonds. Cash increased ¥54.3 billion; however, due to a ¥0.5 billion decrease in cash and cash equivalents as a result of changes in the scope of consolidation, cash was ¥717.3 billion at year-end.

(Net cash provided by operating activities)

Net cash provided by operating activities was ¥322.2 billion, up ¥12.1 billion from the previous fiscal year. Income before income taxes and minority interests was down ¥72.0 billion, but Seven Bank recorded net increases of ¥45.0 billion in bonds and ¥38.3 billion in call money.

(Net cash used in investing activities)

Net cash used in investing activities was ¥115.1 billion, a decline of ¥24.4 billion from the previous fiscal year. Proceeds from sales of investments in securities declined ¥33.7 billion, but proceeds from sales of property and equipment increased ¥18.1 billion, and payment for negotiable certificates of deposits was down ¥51.0 billion.

(Net cash used in financing activities)

Net cash used in financing activities was ¥156.7 billion, a decrease of ¥13.0 billion from the previous fiscal year. In the previous fiscal year, proceeds from issuance of bonds were ¥99.6 billion. Payment for redemption of bonds increased ¥49.3 billion. In the year under review, however, payment for acquisitions of treasury stock was down ¥158.1 billion.

Risk Factors

Seven & i Holdings and its operating companies ("the Group") has established the framework under which it implements a Groupwide risk assessment survey to recognize potential risks through identifying and evaluating risks in an integrated and comprehensive manner on a regular basis. Based on that recognition, it prioritizes these risks, takes countermeasures that correspond to the materiality and urgency of each risk, and seeks continuous improvements through monitoring of the progress of such countermeasures.

The Group is exposed to a variety of risks and uncertainties in conducting its business, which may have a significant influence on the judgment of investors, including, but not limited to, the following. Many of these risks are interdependent and the occurrence of one risk may lead to an increase in other risks in quality and quantity.

Any of these risks may affect its business performance, operating results, and financial condition.

Recognizing the potential for these risks, the Group strives to take measures to prevent risks from materializing, while taking other effective measures to promptly and adequately respond to risks when they materialize.

This section includes forward-looking statements and future expectations as of the date of this annual report.

1. Risks Related to Economic Conditions

Japanese and Global Economies

The Group carries on its mainstay operations in Japan, and also operates around the world. As a result, economic conditions such as business climate and trends in consumer spending in Japan as well as in other countries and regions where the Group does business may affect the Group's operating results and financial condition. To cater appropriately to the needs of consumers, the Group is actively selling and developing products in accordance with sales strategies. However, unexpected changes in consumer behaviors due to such external factors as economic policies or unseasonable weather may affect its business performance and financial condition.

Interest Rate Fluctuations

The Group is exposed to interest rate fluctuation risks that may affect the interest expenses, interest income, and the value of financial assets and liabilities. Accordingly, interest rate fluctuations may affect its business performance and financial condition.

Foreign Exchange Rate Fluctuations

Foreign exchange rate changes can affect the yen value of assets and liabilities of the Group's overseas companies because Seven & i Holdings' consolidated financial statements are presented in Japanese yen. In addition, products sold by the Group include products that are sourced overseas and affected by changes in foreign exchange rates. Accordingly, foreign exchange rate fluctuations may affect its business performance and financial condition.

2. Risks Related to the Group's Business

GROUPWIDE RISKS

Procurement of Products, Raw Materials, etc., and Fluctuations in Purchase Prices

The Group's operations depend on obtaining products, raw materials, and other supplies in adequate quality and quantity in a timely manner. The Group strives to decentralize its operations to avoid significant dependence on specific producing areas, suppliers, products, technologies, etc. However, the disruption of procurement routes may affect its operations.

In addition, there are products in the Group's lineups whose purchase prices change due to external factors, including products affected by fluctuations in the prices of such raw materials as crude oil. Accordingly, fluctuations in purchase prices may affect its business performance and financial condition.

Product Safety and Representations

The Group endeavors to provide customers with safe products and accurate information through the enhancement of food hygiene-related equipment and facilities based on relevant laws and regulations, the implementation of a stringent integrated product management system that includes suppliers, and the establishment of a system of checks. However, the occurrence of a problem beyond the scope of the Group's measures could reduce public trust in its products and incur costs stemming from countermeasures. If such is the case, its business performance and financial condition could be affected. Further, the occurrence of a major incident that involves its products and leads to product recalls or product liability claims could affect its business performance and financial condition.

Store Opening Strategy

The Group's opening of stores is subject to various laws and regulations, such as the Large-Scale Retail Store Location Law, the City Planning Law, and the Building Standards Law. In the event that those laws are amended or local authorities changed related regulations, it may become difficult to open stores in accordance with initially prepared store opening plans or remodel existing stores; there may be a decline in potential candidate areas for future store openings; or costs related to legal or regulatory compliance may be incurred. If such is the case, its business performance and financial condition may be affected.

Also, regarding the stores securitized, in the event that repurchases of leasehold properties occur due to such factors as changes in real estate prices or interest rates, etc., its business performance and financial condition could be affected.

M&As, Alliances, and Strategic Investments

The Group develops new businesses and reorganizes its operations by M&A, forming alliances or joint ventures with other companies, etc. However, the Group may not be able to achieve expected results or the strategic objectives of these investments. If such is the case, its business performance and financial condition may be affected.

Credit Management

The Group, in leasing stores, has paid deposits and/or guarantee deposits to store lessors. Deterioration in the economic condition of the store lessors or a drop in the value of the collateral properties received as a pledge for the deposits and/or guarantee deposits may affect its business performance and financial condition.

Impairment of Fixed Assets

The Group has many non-current assets including property and equipment and goodwill. The Group has already adopted asset impairment accounting. However, further recognition of asset impairment may become necessary due to deterioration in profitability of stores or a drop in market value of the assets. If such is the case, its business performance and financial condition may be affected.

RISKS BY SEGMENT

Convenience Store Operations

The Group's convenience store operations are primarily organized under a franchise system and chain operations are conducted under the identical name, Seven-Eleven. The franchise system is a joint enterprise in which franchised stores and the Group fulfill their respective roles based on an equal partnership and a relationship of trust. In the event that agreements with numerous franchised stores become unsustainable because either the Group or the franchised stores did not fulfill their respective roles, its business performance could be affected.

In its convenience store operations, the Group has sought to cater to constantly changing customer needs by working with business partners to innovate production, distribution, sales, and their supporting information systems to realize differentiated, high-quality products and to create convenient services that support everyday life. The unique operational infrastructure of convenience store operations is built in collaboration with business partners that have a shared commitment to the franchise system. Consequently, if the Group were no longer able to maintain operational relationships with business partners in its convenience store operations or if business partners' technical capabilities declined conspicuously, its business performance and financial condition could be affected.

Seven-Eleven has grown into a global chain with more than 37,500 stores in 16 countries and regions around the world, including stores outside the Group that operate under the area license agreements with 7-Eleven, Inc. A reduction in royalties or sales resulting from misconduct by area licensees that do not belong to the Group or by stores operated by area licensees could affect its business performance and financial condition.

Superstore Operations

The Group's superstore operations mainly comprise superstores and food supermarkets. In order to respond appropriately to the changes in consumer needs due to consumption saturation and economic slowdown, the Group is undertaking merchandising innovation and structural reform under which it focuses on revitalizing existing stores, advancing conversion to store formats that meet changes in the conditions of locations or area market needs, and steadily closing unprofitable stores. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in the operating environment. If such is the case, its business performance and financial condition may be affected.

Department Store Operations

The Group is taking such measures for creating new value in department store operations as the structural improvement of the SEIBU Ikebukuro flagship store; format conversion for suburban stores and closing unprofitable stores; and leveraging its Group synergies to advance merchandise development, introduction of specialty stores, and IT strategies.

However, the Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Food Services

In its food services, the Group is striving to maximize integration synergies through the merger of three companies which operate restaurants, meal provision services, and fast food; to press ahead with business reorganization mainly through closing unprofitable stores; and to implement strategies to select the lineup of items to meet the needs of each operating area. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Financial Services

The Group conducts financial services operations, including banking and credit card operations.

Seven Bank owes its revenues mainly to ATM operations. Therefore, the occurrence of such circumstances as the growing use of alternatives to cash for settlement, intensifying competition for ATM services, and/or the peaking out of ATM network expansion may affect its business performance and financial condition.

In its credit card operations, the Group is striving to provide customers with highly convenient financial services integrated with retail services through issuing and promoting the use of the *IY Card* credit card and *nanaco* electronic money. However, regarding credit card operations, an increase in the default rate or unexpected default losses, etc., may affect its business performance and financial condition. Regarding electronic money operations, the Group has built an original system and worked to achieve differentiation, but the rapid spread of electronic money in Japan has been accompanied by such qualitative changes as increased versatility, etc. In the event that the Group fails to maintain its competitiveness, its business performance and financial condition may be affected.

Others

The Group strives to enhance IT/services operations through the integration of real stores and the Internet in order to adapt to the changing needs of society. However, the pace of progress and change in IT, including the introduction of IT for logistics management, is extremely rapid, and if its efforts to cope with such progress and change are delayed for some internal and/or external factors, the quality of service and competitiveness could be deteriorated. If such is the case, its business performance and financial condition may be affected.

3. Legal Restrictions and Litigations

Changes in Accounting Standards and Tax Systems

The introduction of new accounting standards or tax systems, or changes thereof, which the Group cannot predict, could affect its business performance and financial condition.

Environmental Regulations or Issues

The Group is subject to a variety of environment-related laws and regulations such as those relating to food recycling, containers and packaging recycling, waste management, and global warming countermeasures. These laws and regulations may become more stringent or additional laws and regulations may be adopted in the future, which may cause the Group to incur additional compliance costs or restrict its operating activities.

Leaks of Confidential Information

In the normal course of business, such as financial services, the Group holds confidential information about customers regarding privacy, credit worthiness, and other information including personal information, as well as confidential information about companies and other third parties. Such information could be leaked inadvertently or deliberately, and any material leakage of confidential information could face damage liability claims and/or damage the Group's social trust. Moreover, there is a risk that the Group's trade secrets could be leaked by misappropriation or negligence. If such is the case, its business performance and financial condition could be affected.

Litigation and Regulatory Actions

The Group is exposed to the risk that it will be subject to various legal procedures stemming from lawsuits, etc., or regulatory authorities in regard to the execution of its business activities.

Currently, no lawsuits that significantly affect the Group's performance have been filed against the Group. However, if decisions unfavorable to the Group result from lawsuits with a potentially significant effect on business results or social standing, its operating results and financial condition may be affected.

Also, a substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings due to the implementation of stricter laws and regulations or stricter interpretations, may affect its business performance, financial condition, and reputation.

4. Risks Related to Disasters or Unpredictable Events

Influence of Disasters, etc.

The Group's head office, stores, and facilities for mainstay operations are located in Japan. The Group also operates businesses around the world. If major disasters such as earthquakes, fires and floods, wars, or illegal activities such as terrorist attacks occurred, the Group's stores and facilities could be seriously damaged, which leads to a halt of business activities or incurring expenses related to such damages. If such is the case, its business performance and financial condition could be affected. In particular, the occurrence of a large natural disaster in the Tokyo metropolitan area—where stores for mainstay operations including convenience store operations and superstore operations are concentrated—could likely have a significant effect.

In addition, as network and information systems have become increasingly important to the Group's operating activities, network and information system shutdowns caused by such unforeseen events as power outrages, disasters, terrorist attacks, hardware or software defects, or computer viruses and computer hacking could impede business operations, which could affect its business performance and financial condition.

Pandemic of Infectious Diseases, Such as New Strain of Influenza

The Group operates retail businesses as its core operations, which play a role as a lifeline. While it places top priority on the security and safety of customers and employees, in order to fulfill its social responsibilities, the Group has come up with business continuity plans that respond to the pandemic of such infectious diseases as a new strain of influenza. However, according to the development of a pandemic phase, the Group could take such appropriate measures as shortening of operating hours or limiting the number of stores it operates, etc. If such is the case, its business performance and financial condition could be affected.

5. Other Risks

Retirement Benefit Obligations and Retirement Benefit Expenses

The Group calculates retirement benefit obligations and retirement benefit expenses based on assumptions such as the discount rates and the expected rates of return on plan assets. However, unexpected changes in such underlying factors as domestic and international share prices, foreign exchange rates, or interest rates; deterioration in the return on plan assets due to such changes; or changes in the general pension system may affect its business performance and financial condition.

Deferred Tax Assets

Some of the Group companies record deferred tax assets based on estimates of future taxable income or the time period within which the underlying temporary differences become taxable or deductible. However, if estimates of taxable income are lowered due to worsening business climate and other significant changes, the Group may be required to reduce the amount of its deferred tax assets, resulting in an affect on its business performance and financial condition.

Brand Image

The occurrence of the risk events itemized in this section or misconduct on the part of subsidiaries, affiliates, or franchised stores could damage the Group's overall brand image. As a result, consumers' trust in the Group could diminish, the Group could lose personnel, or it could be difficult to secure the necessary personnel, which could affect the Group's business performance and financial condition.

Consolidated Balance Sheets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries at February 28, 2010 and February 28, 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2010	2009	2010
Current assets:			
Cash and cash equivalents	¥ 717,320	¥ 663,483	$ 8,059,775
Notes and accounts receivable:			
Trade	119,627	116,902	1,344,123
Financial services	68,243	78,042	766,775
Franchisees and other	51,635	56,522	580,168
Allowance for doubtful accounts	(4,421)	(4,321)	(49,674)
	235,085	247,146	2,641,404
Inventories	161,395	169,534	1,813,426
Deferred income taxes (Note 9)	28,360	28,656	318,651
Prepaid expenses and other current assets	318,025	288,281	3,573,314
Total current assets	1,460,186	1,397,102	16,406,584
Property and equipment, at cost (Notes 6, 7, 12 and 15)	2,399,179	2,378,037	26,957,067
Less: Accumulated depreciation	(1,203,470)	(1,155,609)	(13,522,134)
	1,195,709	1,222,427	13,434,932
Intangible assets:			
Goodwill	197,126	318,945	2,214,898
Software and other (Note 15)	100,405	102,701	1,128,146
	297,531	421,647	3,343,044
Investments and other assets:			
Investments in securities (Notes 4 and 15)	168,850	140,149	1,897,191
Long-term loans receivable	19,657	14,270	220,865
Long-term leasehold deposits (Note 15)	438,028	442,416	4,921,662
Prepaid pension cost (Note 10)	12,149	16,486	136,505
Deferred income taxes (Note 9)	26,134	22,966	293,640
Other	62,259	59,885	699,539
Allowance for doubtful accounts	(6,903)	(10,291)	(77,561)
	720,177	685,883	8,091,876
	¥3,673,605	¥3,727,060	$41,276,460

The accompanying notes are an integral part of these balance sheets.

LIABILITIES AND NET ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2010
Current liabilities:			
Short-term loans (Notes 11 and 15)	¥ 151,200	¥ 191,100	$ 1,698,876
Current portion of long-term debt (Notes 11 and 15)	103,402	155,259	1,161,820
Notes and accounts payable:			
Trade (Note 5)	188,630	194,283	2,119,438
Trade for franchised stores (Note 17)	103,997	103,500	1,168,505
Other	79,016	83,215	887,820
	371,645	380,999	4,175,786
Accrued expenses	76,692	78,622	861,707
Income taxes payable	42,255	53,311	474,775
Deposits received	173,937	120,038	1,954,348
Deposits received in banking business	185,745	165,712	2,087,022
Allowance for bonuses to employees	14,377	15,705	161,539
Allowance for sales promotion expenses	13,134	16,601	147,573
Allowance for losses on future collection of gift certificates	4,058	6,024	45,595
Other (Note 9)	126,922	71,552	1,426,089
Total current liabilities	1,263,370	1,254,927	14,195,168
Long-term debt (Notes 11 and 15)	469,074	463,349	5,270,494
Allowance for accrued pension and severance costs (Note 10)	3,493	3,510	39,247
Allowance for retirement benefits to directors and corporate auditors	2,490	3,480	27,977
Deferred income taxes (Note 9)	38,343	44,094	430,820
Deposits received from tenants and franchised stores (Note 15)	55,827	60,276	627,269
Other liabilities (Note 15)	47,063	36,747	528,797
Total liabilities	1,879,664	1,866,387	21,119,820
Commitments and contingent liabilities (Note 15)			
Net assets (Note 13)**:**			
Shareholders' equity:			
Common stock, authorized 4,500,000,000 shares, issued 906,441,983 shares in 2010 and 906,441,983 shares in 2009	50,000	50,000	561,797
Capital surplus	576,072	576,074	6,472,719
Retained earnings	1,172,263	1,246,165	13,171,494
Treasury stock, at cost, 2,983,875 shares in 2010 and 2,982,472 shares in 2009	(9,270)	(9,277)	(104,157)
	1,789,065	1,862,962	20,101,853
Accumulated gains (losses) from valuation and translation adjustments:			
Unrealized gains on available-for-sale securities, net of taxes (Note 4)	3,227	247	36,258
Unrealized losses on hedging derivatives, net of taxes	(549)	(622)	(6,168)
Foreign currency translation adjustments	(69,776)	(77,398)	(784,000)
	(67,097)	(77,773)	(753,898)
Subscription rights to shares (Note 14)	721	391	8,101
Minority interests in consolidated subsidiaries	71,251	75,092	800,573
Total net assets	1,793,940	1,860,672	20,156,629
	¥3,673,605	¥3,727,060	$41,276,460

Consolidated Statements of Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2010 and February 28, 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Revenues from operations:			
Net sales	¥4,549,867	¥5,094,757	$51,122,101
Other operating revenues (Note 18)	561,429	555,191	6,308,191
	5,111,297	5,649,948	57,430,303
Costs and expenses:			
Cost of sales (Note 18)	3,355,578	3,789,598	37,703,123
Selling, general and administrative expenses (Notes 10, 12 and 18)	1,529,052	1,578,484	17,180,359
	4,884,631	5,368,082	54,883,494
Operating income	226,666	281,865	2,546,808
Other income (expenses):			
Interest and dividend income	6,189	7,048	69,539
Interest expenses and interest on bonds	(8,505)	(10,313)	(95,561)
Foreign currency exchange losses	(213)	(955)	(2,393)
Equity in (losses) earnings of affiliates	1,225	(667)	13,764
Impairment loss on property and equipment (Note 7)	(28,052)	(39,372)	(315,191)
Gain on sales of property and equipment (Note 18)	1,168	5,330	13,123
Loss on disposals of property and equipment (Note 18)	(6,143)	(6,185)	(69,022)
Loss on sales of investments in securities	(333)	(85)	(3,741)
Valuation loss on investments in securities	(227)	(11,354)	(2,550)
Amortization of goodwill (Note 18)	(39,130)	—	(439,662)
Additional retirement benefits for early retirement	—	(3,076)	—
Other, net	(9,540)	(7,118)	(107,191)
	(83,561)	(66,750)	(938,887)
Income before income taxes and minority interests	143,104	215,115	1,607,910
Income taxes (Note 9)**:**			
Current	95,684	111,231	1,075,101
Deferred	(8,955)	2,626	(100,617)
	86,729	113,857	974,483
Income before minority interests	56,374	101,257	633,415
Minority interests in net income of consolidated subsidiaries	11,499	8,920	129,202
Net income	¥ 44,875	¥ 92,336	$ 504,213

	Yen		U.S. dollars (Note 3)
	2010	2009	2010
Per share information:			
Net income (Basic)	¥49.67	¥100.54	$0.55
Net income (Diluted)	49.66	100.54	0.55
Cash dividends	56.00	56.00	0.62

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2010 and February 28, 2009

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 29, 2008	¥50,000	¥731,621	¥1,205,042	¥ (6,815)	¥ 3,885	¥(676)	¥ 1,961	¥ —	¥73,020	¥2,058,038
Net income for the year..............			92,336							92,336
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries...............................			(121)							(121)
Cash dividends			(51,091)							(51,091)
Purchase of treasury stock				(158,018)						(158,018)
Sales of treasury stock		(0)		37						36
Cancellation of treasury stock......		(155,546)		155,546						—
Other				(26)						(26)
Net (decrease) increase for the year					(3,637)	54	(79,360)	391	2,071	(80,480)
Balance at February 28, 2009	¥50,000	¥576,074	¥1,246,165	¥ (9,277)	¥ 247	¥(622)	¥(77,398)	¥391	¥75,092	¥1,860,672
Net income for the year..............			44,875							44,875
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries...............................			(70)							(70)
Cash dividends			(51,497)							(51,497)
Purchase of treasury stock				(18)						(18)
Sales of treasury stock		(2)		29						27
Effect of changes in accounting policies applied to foreign subsidiaries (Note 2)			(67,126)							(67,126)
Effect of changes in scope of consolidation........................			(83)							(83)
Other				(4)						(4)
Net (decrease) increase for the year					2,980	73	7,621	330	(3,840)	7,165
Balance at February 28, 2010	¥50,000	¥576,072	¥1,172,263	¥ (9,270)	¥ 3,227	¥(549)	¥(69,776)	¥721	¥71,251	¥1,793,940

	Thousands of U.S. dollars (Note 3)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2009	$561,797	$6,472,741	$14,001,853	$ (104,235)	$ 2,775	$(6,988)	$(869,640)	$4,393	$843,730	$20,906,426
Net income for the year..............			504,213							504,213
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries...............................			(786)							(786)
Cash dividends			(578,617)							(578,617)
Purchase of treasury stock				(202)						(202)
Sales of treasury stock		(22)		325						303
Effect of changes in accounting policies applied to foreign subsidiaries (Note 2)			(754,224)							(754,224)
Effect of changes in scope of consolidation........................			(932)							(932)
Other				(44)						(44)
Net (decrease) increase for the year					33,483	820	85,629	3,707	(43,146)	80,505
Balance at February 28, 2010	$561,797	$6,472,719	$13,171,494	$ (104,157)	$36,258	$(6,168)	$(784,000)	$8,101	$800,573	$20,156,629

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2010 and February 28, 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 143,104	¥ 215,115	$ 1,607,910
Depreciation and amortization	132,232	140,529	1,485,752
Impairment loss on property and equipment	28,052	39,372	315,191
Amortization of goodwill	58,000	11,639	651,685
Increase (decrease) in allowance for bonuses to employees	(1,293)	(404)	(14,528)
Decrease (increase) in prepaid pension cost	4,336	(3,655)	48,719
Interest and dividend income	(6,189)	(7,048)	(69,539)
Interest expenses and interest on bonds	8,505	10,313	95,561
Foreign currency exchange (gains) losses	(136)	1,505	(1,528)
Equity in losses (earnings) of affiliates	(1,225)	667	(13,764)
Gain on sales of property and equipment	(1,168)	(5,330)	(13,123)
Loss on disposals of property and equipment	6,143	6,185	69,022
Loss on sales of investments in securities	333	85	3,741
Valuation loss on investments in securities	227	11,354	2,550
Decrease (increase) in notes and accounts receivable, trade	(3,153)	9,241	(35,426)
Decrease (increase) in accounts receivable, financial services	9,799	(2,301)	110,101
Decrease (increase) in inventories	8,450	(8,565)	94,943
Increase (decrease) in notes and accounts payable	(5,436)	(14,455)	(61,078)
Increase (decrease) in deposits received	16,449	13,113	184,820
Payment for debts in banking business	3,700	(11,000)	41,573
Net increase (decrease) in deposits received in banking business	20,033	23,506	225,089
Net decrease (increase) in call loan in banking business	(6,000)	13,500	(67,415)
Net increase (decrease) in call money in banking business	50,600	12,300	568,539
Net change in ATM-related temporary accounts	(33,545)	(38,217)	(376,910)
Other	4,720	1,583	53,033
Sub-total	436,540	419,033	4,904,943
Interest and dividends received	4,568	4,780	51,325
Interest paid	(8,612)	(10,076)	(96,764)
Income taxes paid	(110,294)	(103,730)	(1,239,258)
Net cash provided by operating activities	322,202	310,007	3,620,247
Cash flows from investing activities:			
Acquisition of property and equipment	(154,574)	(147,431)	(1,736,786)
Proceeds from sales of property and equipment	45,450	27,286	510,674
Acquisition of intangible assets	(12,774)	(12,183)	(143,528)
Payment for purchase of investments in securities	(256,054)	(260,770)	(2,877,011)
Proceeds from sales of investments in securities	226,742	260,488	2,547,662
Payment of loans receivable	(6,245)	(539)	(70,168)
Collection of loans receivable	821	1,070	9,224
Payment for long-term leasehold deposits	(30,916)	(25,622)	(347,370)
Refund of long-term leasehold deposits	28,106	33,290	315,797
Proceeds from deposits from tenants	3,144	2,813	35,325
Refund of deposits from tenants	(5,012)	(3,757)	(56,314)
Payment for time deposits	(28,600)	(29,107)	(321,348)
Payment for negotiable certificates of deposits	(55,000)	(106,000)	(617,977)
Proceeds from withdrawal of time deposits	29,467	30,892	331,089
Proceeds from withdrawal of negotiable certificates of deposits	107,000	96,000	1,202,247
Other	(6,714)	(5,997)	(75,438)
Net cash used in investing activities	(115,158)	(139,568)	(1,293,910)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	(48,600)	38,239	(546,067)
Proceeds from long-term debt	101,000	27,600	1,134,831
Repayment of long-term debt	(94,700)	(116,570)	(1,064,044)
Proceeds from commercial paper	283,704	596,066	3,187,685
Payment for redemption of commercial paper	(286,429)	(599,704)	(3,218,303)
Proceeds from issuance of bonds	—	99,616	—
Payment for redemption of bonds	(50,592)	(1,217)	(568,449)
Dividends paid	(51,476)	(51,046)	(578,382)
Capital contribution from minority interests	527	371	5,921
Dividends paid for minority interests	(3,653)	(4,363)	(41,044)
Payment for acquisitions of treasury stock	(18)	(158,122)	(202)
Other	(6,469)	(623)	(72,685)
Net cash used in financing activities	(156,708)	(169,755)	(1,760,764)
Effect of exchange rate changes on cash and cash equivalents	4,061	(4,969)	45,629
Net increase (decrease) in cash and cash equivalents	54,397	(4,286)	611,202
Cash and cash equivalents at beginning of year	663,483	667,770	7,454,865
Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation	(560)	—	(6,292)
Cash and cash equivalents at end of year	¥ 717,320	¥ 663,483	$ 8,059,775

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Seven & i Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the Consolidated Financial Statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accompanying Consolidated Financial Statements also include the accounts of the Company's foreign consolidated subsidiaries. Prior to the fiscal year ended February 28, 2010, the accounts of the Company's foreign consolidated subsidiaries had been prepared in accordance with accounting principles generally accepted in their own countries. As described in Note 2, the accounts of the Company's foreign consolidated subsidiaries for the fiscal year ended February 28, 2010 are prepared in accordance with either International Financial Reporting Standards ("IFRS") or U.S. generally accepted accounting principles ("U.S. GAAP"), with adjustments for the specified six items as applicable.

The accompanying Consolidated Financial Statements have been restructured and translated into English from the Consolidated Financial Statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language Consolidated Financial Statements, but not required for fair presentation, is not presented in the accompanying Consolidated Financial Statements.

As permitted under the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying Consolidated Financial Statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts. Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and 81 subsidiaries which, with an exception due to materiality, include Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., Sogo & Seibu Co., Ltd., Seven & i Food Systems Co., Ltd., York-Benimaru Co., Ltd., Seven Bank, Ltd. and 7-Eleven, Inc.

Five new subsidiaries have been consolidated since 2010 due to the establishment of Seven & i Restaurant (Beijing) Co., Ltd., Seven Internet Lab. Co., Ltd. and Seven Health Care Co., Ltd. and the stock acquisition of New England Pantry, Inc. and New England Pantry of Massachusetts, Inc..

On the other hand, seven consolidated subsidiaries decreased by the following reasons. First, Millennium Retailing, Inc., Sogo Co., Ltd. and THE SEIBU DEPARTMENT STORES, LTD. merged with Sogo, being the surviving company, which changed its name to Sogo & Seibu Co., Ltd. Furthermore, Robinson Department Store Co., Ltd. merged with Sogo & Seibu Co., Ltd. Second, SEJ Finance LLC and SEJ Service LLC merged with 7-Eleven Inc., Third, MILLENNIUM Casting Inc. merged with I ing Co., Ltd., Fourth, FUJIKOSHI CO., LTD. merged with York-Benimaru Co., Ltd.

The fiscal year-end of some subsidiaries is December 31. The financial statements of such subsidiaries as of and for the year ended December 31 are used in preparing the Consolidated Financial Statements of the Company. All material transactions during the period from January 1 to February 28 are adjusted for in the consolidation process.

7dream.com changed its fiscal year-end to February 28, primarily from December 31. As a result, income and loss for the period from January 1, 2009 to February 28, 2010 was consolidated.

The closing date of a certain subsidiary is March 31. Pro forma financial statements as of the end of February, prepared in a manner that is substantially identical to the preparation of the official financial statements, were prepared in order to facilitate its consolidation.

15 affiliates, which include PIA Corporation and Seven Farm Tomisato Co., Ltd., are accounted for using the equity method. The advance to an affiliate that has negative net assets was reduced. The affiliates which have a different fiscal year-end are included in the Consolidated Financial Statements based on their respective fiscal year-end.

All material intercompany transactions and account balances have been eliminated.

The Company's interest portion in the assets and liabilities of subsidiaries and affiliates was revalued on acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is recognized as goodwill. On March 29, 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Implementation Guidance No. 15, "Implementation Guidance on Disclosure about Certain Special Purpose Corporation," which was effective for financial years beginning on or after April 1, 2007. The Company has applied the guidance from the fiscal year ended February 28, 2009.

(2) Inventories

Inventories are stated mainly at cost determined by the retail method with book value written down to the net realizable value. Cost is determined principally by the average retail method for domestic consolidated subsidiaries and by the LIFO method for foreign consolidated subsidiaries.

(Change in valuation standards of inventories)

Inventories held for sale in the ordinary course of business were previously stated using mainly the lower cost or market method. From the current fiscal year, the Company has applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, on July 5, 2006), and inventories are now stated mainly at cost determined by the retail method with book value written down to the net realizable value. Due to this change, valuation loss on beginning inventories included in other expenses was ¥1,323 million. As a result of this change, the impact of operating income decreased by ¥320 million, income before income taxes and minority interests for the period decreased by ¥1,644 million.

Supplies are carried at cost, which is mainly determined by the last purchase price method with book value written down to the net realizable value.

(3) Securities
Held-to-maturity debt securities are carried at amortized cost.

Available-for-sale securities are classified into two categories, where: (a) the fair value is available and (b) the fair value is not available.

(a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

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

(4) Derivatives
Derivative financial instruments are valued at fair value.

(5) Property and equipment (excluding lease assets)
Depreciation of property and equipment is computed generally using the declining-balance method for the Company and its domestic consolidated subsidiaries, except for the domestic consolidated subsidiaries in the department store business and using the straight-line method for the domestic consolidated subsidiaries in the department store business and foreign consolidated subsidiaries.

(Additional information)
Effective from the fiscal year ended February 28, 2009, the Company and its domestic consolidated subsidiaries depreciate their property and equipment acquired before April 1, 2007 for which the allowable limit on the depreciable amount has been reached are to be depreciated evenly over five years from the following fiscal year. The impact of this change on the Consolidated Statements of Income is immaterial.

(6) Intangible assets (excluding lease assets)
Intangible assets are amortized using the straight-line method for the Company and its domestic consolidated subsidiaries.

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

Goodwill and negative goodwill arising from consolidated subsidiaries are mainly amortized over a period of 20 years on a straight-line basis, or charged to income if it is immaterial. The difference between the cost of investments and equity in their net assets at the date of acquisition recognized in applying the equity method is treated in the same manner.

(7) Lease assets
(Accounting standard for lease transactions)
From the current fiscal year, the Company and its domestic subsidiaries applied "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, on June 17, 1993 (First Committee of the Business Accounting Council); revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, on January 18, 1994 (Japanese Institute of Certified Public Accountants, Committee on Accounting Systems); revised on March 30, 2007).

The method of accounting for finance leases that do not transfer ownership of leased property to the lessee changed from treating such leases as rental transactions to treatment as sale/purchase transactions, recognizing them as lease assets.

Under the existing accounting standards, finance leases commenced prior to March 1, 2009 which do not transfer ownership of leased property to the lessee are permitted to be accounted for in the same manner as operating leases if certain "as if capitalized" information is disclosed in a note to the lessee's financial statements.

The impact of this application on the Consolidated Statements of Income is immaterial.

(8) Income taxes
The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, inhabitant taxes and enterprise taxes.

Deferred tax accounting is applied.

(9) Allowances
(a) Allowance for doubtful accounts
Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historical rate of losses.

(b) Allowance for sales promotion expenses
Allowance for sales promotion expenses is provided for the use of points given to customers at the amount expected to be used on the balance sheet date in accordance with the sales promotion point card program. In the department store business, estimated costs of sales for goods to be purchased by coupon tickets issued through the point system are provided for.

(c) Allowance for loss on future collection of gift certificates
Allowance for loss on future collection of gift certificates issued by certain domestic consolidated subsidiaries is provided for collection of gift certificates recognized as income after certain periods from their issuance. The amount is calculated using the historical results of collection.

(d) Allowance for bonuses to employees
Allowance for bonuses to employees is provided at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

(e) Allowance for accrued pension and severance costs
(Prepaid pension cost)
Allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. The excess amount of the estimated fair value of the plan assets over the estimated present value of projected benefit obligation adjusted by unrecognized actuarial differences at February 28, 2010 is recorded as prepaid pension cost. Also, certain domestic consolidated subsidiaries and consolidated subsidiaries in the United States provide allowance for accrued pension and severance costs. Unrecognized actuarial differences are amortized on a straight-line basis over the period of mainly 10 years from the next year in which they arise which is shorter than the average remaining years of service of the eligible employees. Unrecognized prior service costs are amortized on a straight-line basis over the period of mainly 5 years.

(10) Hedge accounting
Interest rate swap contracts are utilized as hedging instruments and the related hedged items are loans payable. The Company and its subsidiaries have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in interest rates and reducing finance costs.

The Company and its subsidiaries do not hold or issue derivative instruments for trading or speculative purposes. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized. However, certain interest rate swap contracts which meet specific hedging criteria are not measured at market value but the differences between the paid and received amount under the swap contracts are recognized and included in interest income or expenses as incurred. The hedge effectiveness for interest rate swap contracts is assessed quarterly except for those that meet specific hedging criteria.

(11) Per share information

Net assets (excluding minority interests in consolidated subsidiaries) as of February 28, 2010 and February 28, 2009 are ¥1,905.97 ($21.41) and ¥1,975.95, respectively. Net income per share for the fiscal years ended February 28, 2010 and February 28, 2009 are ¥49.67 ($0.55) and ¥100.54, respectively. Diluted net income per share for the fiscal years ended February 28, 2010 and February 28, 2009 are ¥49.66 ($0.55) and ¥100.54, respectively.

Net income per share of common stock is computed based on the weighted average number of shares of common stock outstanding and diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

Basis for the calculation of net income per share for the fiscal years ended February 28, 2010 and February 28, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Net income	¥44,875	¥92,336	$504,213
Less components not pertaining to common shareholders	—	—	—
Net income pertaining to common shareholders	¥44,875	¥92,336	$504,213
Weighted average number of shares of common stock outstanding (shares)	903,458,314	918,389,766	—

Cash dividends per share shown in the accompanying Consolidated Statements of Income represent dividends declared as applicable to the year.

(12) Treasury stock

Treasury stock shown in the accompanying Consolidated Balance Sheets includes the portion of the Company's interests in its treasury stock held by affiliates accounted for using the equity method according to Japanese GAAP on the presentation of treasury stock.

(13) Accounting for consumption taxes and excise tax

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying Consolidated Statements of Income. The excise tax levied in the United States and Canada is included in the accompanying Consolidated Statements of Income.

(14) Foreign currency translation

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

All balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates except for shareholders' equity, which is translated at the historical rates. All income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are included in the accompanying Consolidated Balance Sheets under "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries."

(15) Cash and cash equivalents

Cash and cash equivalents of the accompanying Consolidated Statements of Cash Flows are comprised of cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of price fluctuation.

(16) Accounting for franchised stores in convenience store operations

7-Eleven, Inc. includes the assets, liabilities, net assets and results of operations of its franchised stores in its consolidated financial statements. Seven-Eleven Japan Co., Ltd. recognizes franchise commission from its franchised stores as revenues and includes it in "Other operating revenues."

(17) Change in Significant Accounting Policies for the Preparation of Consolidated Financial Statements

(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

On March 17, 2006, the ASBJ issued Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). The Company has applied PITF No. 18, and made necessary adjustments for significant differences between Japanese GAAP and IFRS or U.S. GAAP.

As a result of this application, beginning retained earnings decreased by ¥67,126 million, and operating income and income before income taxes and minority interests for the period each decreased by ¥7,268 million.

The impact of this application is described in segment information section (Note 20).

(18) Reclassification

Certain prior year amounts have been reclassified to conform to the current year's presentation.

3. U.S. DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥89=US$1, the approximate rate of exchange prevailing on February 28, 2010. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or at any other rate.

4. SECURITIES INFORMATION

(1) The following tables summarize the book value and fair value of held-to-maturity debt securities whose fair value is available as of February 28, 2010 and February 28, 2009:

	Millions of yen		
	2010		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥605	¥611	¥5
Total	¥605	¥611	¥5

	Millions of yen		
	2009		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥614	¥617	¥3
Total	¥614	¥617	¥3

	Thousands of U.S. dollars (Note 3)		
	2010		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	$6,797	$6,865	$56
Total	$6,797	$6,865	$56

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value is available as of February 28, 2010 and February 28, 2009:

	Millions of yen		
	2010		
TYPE	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 14,611	¥ 19,126	¥ 4,514
Debt securities	62,654	62,669	14
Sub-total	77,266	81,795	4,529
Securities with book value not exceeding acquisition cost:			
Equity securities	5,975	4,936	(1,038)
Debt securities	52,017	52,008	(9)
Sub-total	57,992	56,945	(1,047)
Total	¥135,258	¥138,740	¥ 3,482

	Millions of yen		
	2009		
TYPE	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 9,910	¥ 11,725	¥ 1,814
Debt securities	80,542	80,621	79
Sub-total	90,452	92,346	1,893
Securities with book value not exceeding acquisition cost:			
Equity securities	8,885	7,369	(1,515)
Debt securities	10,993	10,993	0
Sub-total	19,878	18,362	(1,515)
Total	¥110,331	¥110,709	¥ 377

	Thousands of U.S. dollars (Note 3)		
	2010		
TYPE	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 164,168	$ 214,898	$ 50,719
Debt securities	703,977	704,146	157
Sub-total	868,157	919,044	50,887
Securities with book value not exceeding acquisition cost:			
Equity securities	67,134	55,460	(11,662)
Debt securities	584,460	584,359	(101)
Sub-total	651,595	639,831	(11,764)
Total	$1,519,752	$1,558,876	$ 39,123

(3) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
TYPE	2010	2009	2010
Sales amounts	¥1,884	¥39	$21,168
Gain on sales of available-for-sale securities	574	18	6,449
Loss on sales of available-for-sale securities	(333)	(6)	(3,741)

(4) The following table summarizes the book value of major securities with no available fair value as of February 28, 2010 and February 28, 2009:

TYPE	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2010
Held-to-maturity debt securities:			
Bonds	¥ 0	¥ 202	$ 0
Available-for-sale securities:			
Non-listed securities	18,110	18,809	203,483
Non-listed foreign securities	3,021	3,021	33,943
Debt securities	25	24	280
Negotiable certificates of deposits	0	52,000	0
Total	¥21,156	¥74,058	$237,707

(5) Redemption schedules of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of February 28, 2010 and February 28, 2009 are as follows:

Millions of yen 2010

TYPE	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	¥114,677	¥605	¥ —	¥ —	¥115,283
Corporate bonds	0	—	—	—	0
Debt securities	25	—	—	—	25
Negotiable certificates of deposits	0	—	—	—	0
Total	¥114,702	¥605	¥ —	¥ —	¥115,308

Millions of yen 2009

TYPE	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	¥ 86,542	¥5,687	¥ —	¥ —	¥ 92,229
Corporate bonds	202	—	—	—	202
Debt securities	24	—	—	—	24
Negotiable certificates of deposits	52,000	—	—	—	52,000
Total	¥138,770	¥5,687	¥ —	¥ —	¥144,457

Thousands of U.S. dollars (Note 3) 2010

TYPE	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	$1,288,505	$6,797	$ —	$ —	$1,295,314
Corporate bonds	0	—	—	—	0
Debt securities	280	—	—	—	280
Negotiable certificates of deposits	0	—	—	—	0
Total	$1,288,786	$6,797	$ —	$ —	$1,295,595

(6) Investments in affiliates included in "Investments in securities" in the accompanying Consolidated Balance Sheets as of February 28, 2010 and February 28, 2009 are ¥10,940 million ($122,921 thousand) and ¥6,563 million, respectively.

5. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have policies to use interest rate swap contracts, forward currency exchange contracts and currency swap contracts only for the purposes of mitigating the risk of fluctuations in interest rates and foreign currency exchange rates and reducing finance costs. The Company and its consolidated subsidiaries do not hold or issue derivative instruments for trading or speculative purposes. Currency-related transactions and interest rate swap contracts include the market risk of fluctuations in foreign currency exchange rates and interest rates, respectively. The risk of non-performance is considered to be low as the contracts are entered into with prestigious financial institutions. The responsible departments in the Company and its consolidated subsidiaries enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2010 and February 28, 2009 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivative transactions to which hedge accounting has been applied are excluded from this disclosure.

(1) Currency-related transactions

	Millions of yen 2010			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	¥4,546	¥ —	¥4,466	¥(79)
Buy Euro	119	—	109	(10)
Currency swap contracts:				
U.S. dollar	¥ 866	¥ —	¥ (1)	¥ (1)

	Millions of yen 2009			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	¥ 5,377	¥ —	¥5,677	¥ 299
Buy Euro	88	—	85	(3)
Currency swap contracts:				
U.S. dollar	¥12,684	¥866	¥1,907	¥1,907

	Thousands of U.S. dollars (Note 3) 2010			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	$51,078	$ —	$50,179	$(887)
Buy Euro	1,337	—	1,224	(112)
Currency swap contracts:				
U.S. dollar	$ 9,730	$ —	$ (11)	$ (11)

(2) Interest-rate-related transactions

	Millions of yen 2010			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Interest rate swap contracts:				
Receive fixed / Pay float	¥10,000	¥ —	¥13	¥13

	Millions of yen 2009			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Interest rate swap contracts:				
Receive fixed / Pay float	¥10,000	¥10,000	¥(2)	¥(2)

	Thousands of U.S. dollars (Note 3) 2010			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Interest rate swap contracts:				
Receive fixed / Pay float	$112,359	$ —	$146	$146

6. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings and structures	¥1,362,264	¥1,357,752	$15,306,337
Furniture, fixtures and other	464,099	455,112	5,214,595
	1,826,363	1,812,865	20,520,932
Less: Accumulated depreciation	(1,203,470)	(1,155,609)	(13,522,134)
	622,893	657,257	6,998,797
Land	520,320	525,022	5,846,292
Construction in progress	52,495	40,147	589,831
Total	¥1,195,709	¥1,222,427	$13,434,932

7. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2010 and February 28, 2009, the Company and its consolidated subsidiaries recognized ¥28,052 million ($315,191 thousand) and ¥39,372 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2010:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 76 stores Osaka Pref. 39 stores Others (including U.S.)		
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 6 stores Tokyo Met. 4 stores Others 19 stores	¥26,173	$294,078
Stores (Department stores)	Land and buildings, etc.	Tokyo Met. 3 stores Oita Pref. 1 store		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 149 stores		
Other facilities, etc.	Land and buildings, etc.	Fukushima Pref. U.S. & others	1,879	21,112
Total			¥28,052	$315,191

Fiscal year ended February 28, 2009:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 53 stores Osaka Pref. 38 stores Others (including U.S.)	
Stores (Superstores)	Land and buildings, etc.	Tokyo Met. 5 stores Kanagawa Pref. 4 stores Others 20 stores	¥37,353
Stores (Department stores)	Buildings and structures, etc.	Tokyo Met. 1 store Osaka Pref. & others 1 store	
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 214 stores	
Other facilities, etc.	Buildings and software, etc.	Osaka Pref. U.S. & others	2,019
Total			¥39,372

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amount was recorded as impairment loss.

A breakdown of impairment loss for the fiscal years ended February 28, 2010 and February 28, 2009 is as follows:

Fiscal year ended February 28, 2010:

Classification	Millions of yen			Thousands of U.S. dollars (Note 3)
	Stores	Other facilities, etc.	Total	
Buildings and structures	¥19,039	¥ 176	¥19,216	$215,910
Land	4,494	453	4,947	55,584
Software	—	1,203	1,203	13,516
Other	2,639	45	2,684	30,157
Total	¥26,173	¥1,879	¥28,052	$315,191

Fiscal year ended February 28, 2009:

Classification	Millions of yen		
	Stores	Other facilities, etc.	Total
Buildings and structures	¥18,809	¥ 154	¥18,963
Land	15,878	133	16,012
Software	26	476	503
Other	2,638	1,254	3,892
Total	¥37,353	¥2,019	¥39,372

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards, and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 2.1%–6.0% discount rates in 2010 and the 2.9%–6.0% in 2009 were applied.

8. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transaction

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Finance lease obligation for property and equipment recorded for the fiscal year	¥8,410	¥2,071	$94,494

9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate statutory rates of approximately 40.7% for the fiscal years ended February 28, 2010 and February 28, 2009.

The significant components of deferred tax assets and liabilities as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Deferred tax assets:			
Inventory reserve	¥ —	¥ 2,170	$ —
Allowance for bonuses to employees	5,818	6,383	65,370
Allowance for sales promotion expenses	5,090	4,298	57,191
Accrued payroll	3,752	3,031	42,157
Allowance for retirement benefits to directors and corporate auditors	1,182	1,665	13,280
Allowance for accrued pension and severance costs	435	372	4,887
Allowance for loss on future collection of gift certificates	2,709	2,626	30,438
Depreciation and amortization	13,419	12,188	150,775
Tax loss carried forward	44,672	41,802	501,932
Valuation loss on available-for-sale securities	3,870	4,387	43,483
Allowance for doubtful accounts	3,703	4,225	41,606
Unrealized loss on property and equipment	13,533	12,654	152,056
Impairment loss on property and equipment and valuation loss on land	45,140	42,931	507,191
Accrued enterprise taxes and business office taxes	4,575	5,373	51,404
Accrued expenses	8,439	10,125	94,820
Other	11,489	12,719	129,089
Sub-total	167,833	166,957	1,885,764
Less: Valuation allowance	(99,064)	(99,475)	(1,113,078)
Total	68,769	67,481	772,685
Deferred tax liabilities:			
Unrealized gains on property and equipment	(31,534)	(37,287)	(354,314)
Royalties, etc.	(12,320)	(12,290)	(138,426)
Deferred gains on sales of property and equipment	(1,115)	(1,144)	(12,528)
Unrealized gains on available-for-sale securities	(748)	(878)	(8,404)
Prepaid pension cost	(5,024)	(6,577)	(56,449)
Other	(1,937)	(1,775)	(21,764)
Total	(52,681)	(59,953)	(591,921)
Net deferred tax assets (a)	¥ 16,087	¥ 7,528	$ 180,752

(a) Net deferred tax assets are included in the following assets and liabilities:

	2010	2009	2010
Current assets–Deferred income taxes	¥ 28,360	¥ 28,656	$ 318,651
Other assets–Deferred income taxes	26,134	22,966	293,640
Current liabilities–Other	(64)	—	(719)
Non-current liabilities–Deferred income taxes	(38,343)	(44,094)	(430,820)

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2010 and February 28, 2009 is as follows:

	2010	2009
Statutory tax rate	40.7%	40.7%
Adjustments:		
Equity in earnings of affiliates	(0.3)	0.1
Amortization of goodwill	16.5	2.3
Non-deductible items, such as entertainment expenses	0.3	0.2
Increase (decrease) in valuation allowance	(0.3)	7.9
Inhabitant taxes per capital	1.2	0.7
Elimination of gain on sales of subsidiaries' stock for consolidation	2.8	—
Other	(0.3)	1.0
Effective tax rate	60.6%	52.9%

10. RETIREMENT BENEFITS

(1) Summary of the retirement benefit plans

The Company and its domestic consolidated subsidiaries provide two types of defined benefit plan: the employees' pension fund plan and the lump-sum severance payment plan.

Additional retirement benefits for early retirement may be added upon the retirement of the employees. Consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

(2) Projected retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Projected benefit obligations (a)	¥(192,775)	¥(189,047)	$(2,166,011)
Fair value of plan assets (including employee retirement benefit trust)	157,764	135,931	1,772,629
Unrecognized actuarial differences	43,611	66,775	490,011
Unrecognized prior service cost	54	(684)	606
Prepaid pension cost, net of allowance for accrued pension and severance costs	8,655	12,975	97,247
Prepaid pension cost	12,149	16,486	136,505
Allowance for accrued pension and severance costs	¥ (3,493)	¥ (3,510)	$ (39,247)

(a) For some of the consolidated subsidiaries, the simplified method is used for computing retirement benefit obligations.

(3) Net periodic benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Service cost (a)	¥11,722	¥11,286	$131,707
Interest cost	3,880	4,507	43,595
Expected return on plan assets	(4,032)	(6,213)	(45,303)
Amortization of actuarial differences	7,148	1,270	80,314
Amortization of prior year service cost	(693)	(750)	(7,786)
Additional retirement benefits for early retirement	600	3,131	6,741
Net periodic benefit cost (b)	¥18,626	¥13,232	$209,280

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.
(b) Besides the above net periodic benefit cost, ¥1,011 million ($11,359 thousand) and ¥1,117 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the United States were recorded for the fiscal years ended February 28, 2010 and February 28, 2009, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

	2010	2009
Allocation method of estimated total retirement benefits: Mainly	Point basis	Point basis
Discount rate: Mainly	2.0%	2.0%
Consolidated subsidiaries in the United States	5.9%	6.5%
Expected rate of return on plan assets: Mainly	3.0%	3.5%
Periods over which the prior service cost is amortized	5 years or 10 years	5 years or 10 years
Periods over which the actuarial differences are amortized (a): Mainly	10 years	10 years

(a) Actuarial differences are amortized in the year following the year in which the differences are recognized primarily using the straight-line method over the period (mainly 10 years), which is shorter than the average remaining years of service of the employees. Consolidated subsidiaries in the United States have adopted the corridor approach for the amortization of actuarial differences.

11. SHORT-TERM LOANS AND LONG-TERM DEBT

The following summarizes information concerning short-term loans:

	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2010
Outstanding balance at fiscal year-end:			
Short-term bank loans (a)	¥151,200	¥191,100	$1,698,876
Weighted-average interest rate at year-end:			
Short-term bank loans	0.7%	1.0%	0.7%

(a) The total amounts of short-term loans with collateral as of February 28, 2010 and February 28, 2009 are ¥3,400 million ($38,202 thousand) and ¥3,000 million, respectively (Note 15).

Long-term debt at February 28, 2010 and February 28, 2009 consists of the following:

	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2010
Outstanding balance at fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2010 to 2024 with interest rates ranging from 0.6% to 7.1% (b)	¥ 323,625	¥ 353,037	$ 3,636,235
Lease obligations	22,188	15,842	249,303
Seven & i Holdings Co., Ltd.:			
1.48% unsecured straight bonds, due June 20, 2013	39,997	39,996	449,404
1.68% unsecured straight bonds, due June 19, 2015	29,990	29,989	336,966
1.94% unsecured straight bonds, due June 20, 2018	29,980	29,977	336,853
Ito-Yokado Co., Ltd.:			
1.96% unsecured straight bonds, due March 29, 2010	20,000	20,000	224,719
0.65% unsecured straight bonds, due September 18, 2009	—	50,000	—
Akachan Honpo Co., Ltd.:			
0.53% unsecured straight bonds, due March 31, 2010	60	140	674
0.7% unsecured straight bonds, due March 31, 2009	—	62	—
0.73% unsecured straight bonds, due March 25, 2010	125	375	1,404
1.32% unsecured straight bonds, due March 25, 2011	300	500	3,370
Seven Bank, Ltd.:			
1.45% unsecured straight bonds, due December 20, 2011	36,000	36,000	404,494
1.67% unsecured straight bonds, due December 20, 2013	24,000	24,000	269,662
0.74% unsecured straight bonds, due June 20, 2012	10,000	—	112,359
1.04% unsecured straight bonds, due June 20, 2014	20,000	—	224,719
7-Eleven, Inc.:			
Commercial paper	16,208	18,688	182,112
	572,476	618,609	6,432,314
Current portion of long-term debt	(103,402)	(155,259)	(1,161,820)
	¥ 469,074	¥ 463,349	$ 5,270,494

(b) The total amounts of long-term debt with collateral as of February 28, 2010 and February 28, 2009 are ¥184,807 million ($2,076,483 thousand) and ¥138,877 million, respectively (Note 15).

The aggregate annual maturities of long-term debt are as follows:

Fiscal years ending February 28 or 29:	Millions of yen	Thousands of U.S. dollars (Note 3)
2011	¥103,402	$1,161,820
2012	161,223	1,811,494
2013	83,352	936,539
2014	91,803	1,031,494
2015	40,458	454,584
Thereafter	92,236	1,036,359
	¥572,476	$6,432,314

12. LEASES

(1) Finance leases

As described in Note 2 (7), under the existing accounting standards, finance leases, commenced prior to March 1, 2009, which do not transfer ownership of leased property to the lessee are accounted for in the same manner as operating leases.

As lessee:

A summary of assumed amounts of acquisition cost, accumulated depreciation, impairment loss and net book value, including the interest portion, as of February 28, 2010 and February 28, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Furniture, fixtures and equipment:			
Acquisition cost	¥94,147	¥98,587	$1,057,831
Accumulated depreciation	(52,802)	(39,056)	(593,280)
Accumulated impairment loss	(293)	(329)	(3,292)
Net book value	¥41,051	¥59,201	$ 461,247
Software:			
Acquisition cost	¥ 659	¥ 981	$ 7,404
Accumulated depreciation	(295)	(319)	(3,314)
Net book value	¥ 363	¥ 661	$ 4,078
Lease payments	¥18,470	¥17,854	$ 207,528
Reversal of allowance for impairment loss on leased assets	¥ 197	¥ 123	$ 2,213
Depreciation expense (a) and (b)	¥18,667	¥17,978	$ 209,741
Impairment loss	¥ 161	¥ 210	$ 1,808

(a) Depreciation expense included the interest portion.
(b) Depreciation expense is computed using the straight-line method over the lease term assuming no residual value.

The future lease payments of the Company and its consolidated subsidiaries' finance leases, including the interest portion, as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Due within one year	¥16,940	¥18,675	$190,337
Due over one year	24,768	41,518	278,292
Total	¥41,708	¥60,193	$468,629
Balance of impairment loss account on leased assets included in the outstanding future lease payments	¥ 293	¥ 329	$ 3,292

As lessor:

A summary of acquisition cost, accumulated depreciation and net book value as of February 28, 2010 and February 28, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Furniture, fixtures and equipment:			
Acquisition cost	¥21,522	¥27,008	$241,820
Accumulated depreciation	(13,322)	(14,089)	(149,685)
Net book value	¥ 8,199	¥12,918	$ 92,123
Lease income	¥ 4,213	¥ 4,938	$ 47,337
Depreciation expense	¥ 3,867	¥ 4,546	$ 43,449
Interest income (c)	¥ 358	¥ 451	$ 4,022

(c) Allocation of interest income to each period is computed using the interest method.

The future lease income of the Company and its consolidated subsidiaries' finance leases as of February 28, 2010 and February 28, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Due within one year	¥3,525	¥ 4,497	$39,606
Due over one year	5,044	8,825	56,674
Total	¥8,570	¥13,323	$96,292

(2) Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, which are non-cancelable, including the interest portion, as of February 28, 2010 and February 28, 2009 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Due within one year	¥ 61,273	¥ 59,651	$ 688,460
Due over one year	380,180	379,812	4,271,685
Total	¥441,454	¥439,464	$4,960,157

13. NET ASSETS

Net assets comprise four subsections, which are shareholders' equity, accumulated gains (losses) from valuation and translation adjustments, subscription rights to shares and minority interests in consolidated subsidiaries.

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for the fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by a resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the Non-Consolidated Financial Statements of the Company in accordance with the Law.

At the annual shareholders' meeting, held on May 27, 2010, the shareholders approved cash dividends amounting to ¥25,297 million ($284,235 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2010. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. STOCK OPTIONS

Stock option expense that is accounted for as "Selling, general and administrative expenses" on the Consolidated Statements of Income for the fiscal years ended February 28, 2010 and February 28, 2009 amounted to ¥369 million ($4,146 thousand) and ¥391 million, respectively.

(1) The Company

A. Outline of stock options

	First grant	Second grant
Title and number of grantees	4 directors of the Company	92 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options (a)	15,900 common shares	95,800 common shares
Grant date	August 6, 2008	August 6, 2008
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries
Intended service period	No provisions	No provisions
Exercise period	From May 1, 2009 to August 6, 2028	From August 7, 2009 to August 6, 2038

	Third grant	Fourth grant
Title and number of grantees	6 directors of the Company	106 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options (a)	24,000 common shares	129,700 common shares
Grant date	June 15, 2009	June 15, 2009
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2010 to June 15, 2029	From February 28, 2010 to June 15, 2039

(a) Number of shares means total shares to be issued upon exercise of subscription rights to shares.

B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 28, 2010. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2010:

Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested				
As of February 28, 2009	15,900	94,500	—	—
Granted	—	—	24,000	129,700
Forfeited	—	2,900	—	—
Vested	15,900	91,600	24,000	129,700
Outstanding	—	—	—	—
After vested				
As of February 28, 2009	—	—	—	—
Vested	15,900	91,600	24,000	129,700
Exercised	—	7,600	—	—
Forfeited	—	—	—	—
Outstanding	15,900	84,000	24,000	129,700

Price information	First grant	Second grant	Third grant	Fourth grant
Exercise price	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)
Average exercise price	—	¥223,000 per subscription to share ($2,505 per subscription to share)	—	—
Fair value at the grant date (a)	¥307,000 per subscription to share ($3,449 per subscription to share)	—	¥204,500 per subscription to share ($2,297 per subscription to share)	¥211,100 per subscription to share ($2,371 per subscription to share)

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 100 common shares of the Company.

C. Valuation method for estimating per share fair value of stock options

Valuation technique used for valuating fair value of Third grant of subscription rights to shares and Fourth grant of subscription rights to shares during the fiscal year ended February 28, 2010 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method	Third grant	Fourth grant
Expected volatility of the underlying stock (a)	36.23%	36.23%
Remaining expected life of the option (b)	6 years and 10 month	5 years and 6 month
Expected dividends on the stock (c)	¥56 per share ($0.62 per share)	¥56 per share ($0.62 per share)
Risk-free interest rate during the expected option term (d)	1.12%	0.93%

(a) Calculated based on the actual stock prices during the three years and nine months from September 1, 2005 to June 15, 2009.

(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted average period from valuation dates to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.

(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended February 28, 2009.

(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually forfeited is reflected.

(2) Seven Bank, Ltd.

A. Outline of stock options

	First grant-1	First grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	3 executive officers of Seven Bank, Ltd
Number of stock options (a)	184 common shares	21 common shares
Grant date	August 12, 2008	August 12, 2008
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director of Seven Bank, Ltd.	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of Seven Bank, Ltd.
Intended service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 13, 2008 to August 12, 2038

	Second grant-1	Second grant-2
Title and number of grantees	4 directors of Seven Bank, Ltd.	5 executive officers of Seven Bank, Ltd
Number of stock options (a)	171 common shares	38 common shares
Grant date	August 3, 2009	August 3, 2009
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director of Seven Bank, Ltd.	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of Seven Bank, Ltd.
Intended service period	No provisions	No provisions
Exercise period	From August 4, 2009 to August 3, 2039	From August 4, 2009 to August 3, 2039

(a) Number of shares means total shares to be issued upon exercise of subscription rights to shares.

B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 28, 2010. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2010:

Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2
Before vested				
As of February 28, 2009	—	—	—	—
Granted	—	—	171	38
Forfeited	—	—	—	—
Vested	—	—	171	38
Outstanding	—	—	—	—
After vested				
As of February 28, 2009	184	21	—	—
Vested	—	—	171	38
Exercised	27	—	—	—
Forfeited	—	—	—	—
Outstanding	157	21	171	38

Price information	First grant-1	First grant-2	Second grant-1	Second grant-2
Exercise price	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)
Average exercise price	¥251,300 per subscription to share ($2,823 per subscription to share)	—	—	—
Fair value at the grant date (a)	—	¥236,480 per subscription to share ($2,657 per subscription to share)	¥221,862 per subscription to share ($2,492 per subscription to share)	¥221,862 per subscription to share ($2,492 per subscription to share)

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 1 common share of Seven Bank, Ltd.

C. Valuation method for estimating per share fair value of stock options

Valuation technique used for valuating fair value of Second grant-1 of subscription rights to shares and Second grant-2 of subscription rights to shares during the fiscal year ended February 28, 2010 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method	Second grant-1	Second grant-2
Expected volatility of the underlying stock (a)	34.55%	34.55%
Remaining expected life of the option (b)	5 years	5 years
Expected dividends on the stock (c)	¥4,900 per share ($55.05 per share)	¥4,900 per share ($55.05 per share)
Risk-free interest rate during the expected option term (d)	0.745%	0.745%

(a) Although shares of Seven Bank, Ltd. have been listed on the Jasdaq Securities Exchange since February 29, 2008, there is not enough share price data to make a reasonable estimation of expected volatility of the share price. Therefore, the expected volatility was calculated based upon share price data of similar companies during the five years from July 25, 2004 to August 3, 2009.

(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted average period from June 2009 to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.

(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended March 31, 2009.

(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually forfeited is reflected.

15. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2010, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥570 million ($6,404 thousand). The amount of guarantee in relation to the loans of a certain store lessor was ¥187 million ($2,101 thousand).

As of February 28, 2009, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥724 million. The amount of guarantee in relation to the loans of a certain store lessor was ¥261 million.

(2) Pledged assets

A. The amount of assets pledged as collateral by the Company and its consolidated subsidiaries for their loans from certain financial institutions as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings and structures	¥ 49,904	¥ 38,592	$ 560,719
Furniture, fixtures and equipment	—	625	—
Land	100,573	66,901	1,130,033
Other intangible assets	10,151	10,151	114,056
Investments in securities	87,034	59,020	977,910
Long-term leasehold deposits	4,298	4,451	48,292
Total	¥251,962	¥179,743	$2,831,033

Debts for the pledged assets above as of February 28, 2010 are as follows: short-term loans, ¥3,400 million ($38,202 thousand); long-term loans (including current portion), ¥184,807 million ($2,076,483 thousand); long-term accounts payable, ¥994 million ($11,168 thousand); and long-term deposits received from tenants and franchised stores, ¥154 million ($1,730 thousand).

Debts for the pledged assets above as of February 28, 2009 are as follows: call money, ¥7,300 million; short-term loans, ¥3,000 million; long-term loans (including current portion), ¥138,877 million; long-term accounts payable, ¥1,105 million; and long-term deposits received from tenants and franchised stores, ¥171 million.

B. The amount of assets pledged as collateral for the debts of affiliates and vendors as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings	¥ 890	¥ 945	$10,000
Land	2,032	2,032	22,831
Total	¥2,922	¥2,978	$32,831

Debts of affiliates and vendors for the pledged assets above as of February 28, 2010 and February 28, 2009 are ¥3,802 million ($42,719 thousand) and ¥3,985 million, respectively.

C. Other

As of February 28, 2010

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,627 million ($310,415 thousand) and ¥69 million ($775 thousand), respectively. The amount of assets pledged as collateral for installment sales are ¥1,586 million ($17,820 thousand). In addition, ¥969 million ($10,887 thousand) of assets was pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2009

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,572 million and ¥59 million, respectively. The amount of assets pledged as collateral for installment sales are ¥1,670 million. In addition, ¥909 million of assets was pledged as collateral to secure the amount of prepaid tickets issued.

(3) Loan commitment

IY Card Service Co., Ltd. conducts a cash loan business which is associated with its credit card business. Unused credit balance related to loan commitment in a cash loan business as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Credit availability of loan commitment	¥480,933	¥490,862	$5,403,741
Outstanding balance	(18,832)	(19,538)	(211,595)
Unused credit balance	¥462,100	¥471,323	$5,192,134

Unused credit balance will not have a material impact on future cash flows because most of the unused credit balance will remain unused considering the historical records. IY Card Service Co., Ltd. will cease finance services or reduce the credit limit based on the credit situation of customers or other reasonable reasons.

16. SPECIAL PURPOSE CORPORATION

As of February 28, 2010:

Summaries of Special Purpose Corporation ("SPC") and transactions with the SPC

Sogo & Seibu Co., Ltd. ("Sogo & Seibu"), a consolidated subsidiary of the Company, established a real estate trust comprising of the land, land leasehold right and part of the buildings of a store and sold the beneficiary right of the trust to Asset Ikesei Inc., an SPC.

Concurrently, Sogo & Seibu has entered into a silent partnership agreement with the SPC with a certain investment. Also, Sogo & Seibu leased back such store properties from the SPC who has the beneficiary right of the trust. Under these agreements, the above noted investment is subordinated to all liabilities to other members of the silent partnership and third parties other than members of the silent partnership.

Total assets and liabilities of Asset Ikesei Inc. as of July 31, 2009 (the latest year-end) were ¥128,217 million ($1,440,640 thousand) and ¥128,196 million ($1,440,404 thousand), respectively.

In addition, Sogo & Seibu did not have voting rights relating to the investment and did not dispatch any officer or employee.

A summary of transaction amounts with the SPC, etc., for the fiscal year ended February 28, 2010 is as follows:

As of February 28, 2010	Second grant
Accounts receivable	¥3,057 million ($34,348 thousand)
Amount of investment in the silent partnership	¥5,850 million ($65,730 thousand)

Fiscal year ended February 28, 2010	Second grant
Distribution of profit from the silent partnership	¥5,588 million ($62,786 thousand)
Lease payments	¥10,800 million ($121,348 thousand)

Sogo & Seibu has entered into a lease agreement with the trustee. Lease payments were paid to the trustee based on the lease agreement.

As of February 28, 2009:

Summaries of Special Purpose Corporation ("SPC") and transactions with the SPC

THE SEIBU DEPARTMENT STORES, LTD. ("SEIBU"), a consolidated subsidiary of the Company, established a real estate trust comprising of the land, land leasehold right and part of the buildings of a store and sold the beneficiary right of the trust to Asset Ikesei Inc., an SPC.

Concurrently, SEIBU has entered into a silent partnership agreement with the SPC with a certain investment. Also, SEIBU leased back such store properties from the SPC who has the beneficiary right of the trust. Under these agreements, the above noted investment is subordinated to all liabilities to other members of the silent partnership and third parties other than members of the silent partnership.

Total assets and liabilities of Asset Ikesei Inc. as of July 31, 2008 (the latest year-end) were ¥125,502 million and ¥125,482 million, respectively.

In addition, SEIBU did not have voting rights relating to the investment and did not dispatch any officer or employee.

A summary of transaction amounts with the SPC, etc., for the fiscal year ended February 28, 2009 is as follows:

As of February 28, 2009	
Accounts receivable	¥4,375 million
Amount of investment in the silent partnership	¥5,850 million

Fiscal year ended February 28, 2009	
Distribution of profit from the silent partnership	¥5,366 million
Lease payments	¥10,800 million

SEIBU has entered into a lease agreement with the trustee. Lease payments were paid to the trustee based on the lease agreement.

17. NOTES AND ACCOUNTS PAYABLE: TRADE FOR FRANCHISED STORES

The balance of the "Notes and accounts payable: Trade for franchised stores" account represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. ("SEJ"). SEJ centralizes all purchasing procedures for merchandise purchased by an individual franchised store and makes collective payments to all vendors on behalf of the franchisees.

18. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(1) The franchise commission from SEJ's franchised stores is included in "Other operating revenues."

The franchise commission from franchised stores and concurrent net sales of franchised stores are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Franchise commission from franchised stores	¥ 402,107	¥ 394,863	$ 4,518,056
Net sales of franchised stores	2,657,774	2,621,567	29,862,629

(2) Inventory valuation losses included in "Cost of sales" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Inventory valuation losses	¥ —	¥5,367	$ —

(3) Major items included in "Gain on sales of property and equipment" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings and structures	¥ 268	¥1,613	$ 3,011
Land	880	3,540	9,887
Others	20	176	224
Total	¥1,168	¥5,330	$13,123

(4) Major items included in "Loss on disposals of property and equipment" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings and structures	¥3,194	¥3,568	$35,887
Furniture, fixtures and equipment	736	811	8,269
Others	2,212	1,805	24,853
Total	¥6,143	¥6,185	$69,022

(5) Amortization of goodwill in other expenses are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Sogo & Seibu	¥39,130	¥ —	$439,662

Due to devaluation of Sogo & Seibu's shares

Valuation loss on subsidiaries' stock was recorded in the Non-Consolidated Statement of Income for the fiscal year ended February 28, 2010 due to the devaluation of Sogo & Seibu's shares, which is a consolidated subsidiary.

As a result, amortization of goodwill related to this matter totaled ¥39,130 million ($439,662 thousand).

(6) Major items included in "Selling, general and administrative expenses" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Advertising and decoration expenses	¥100,388	¥106,575	$1,127,955
Salaries and wages	394,460	423,866	4,432,134
Provision for allowance for bonuses to employees	14,331	15,645	161,022
Legal welfare expenses	47,954	50,213	538,808
Land and building rent	256,712	254,337	2,884,404
Depreciation and amortization	126,408	131,813	1,420,314
Utility expenses	94,801	105,417	1,065,179
Store maintenance and repair	69,316	73,101	778,831

19. RELATED PARTY TRANSACTIONS

Fiscal year ended February 28, 2010:

(Additional information)

Effective from the fiscal year ended February 28, 2010, ASBJ Statement No. 11, "Accounting Standard for Related Party Disclosures," and its implementation guidance, ASBJ Guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures," were applied.

Pursuant to the new accounting standard, there was no change of scope for related party disclosures.

Transaction between consolidated subsidiaries of the Company and related parties

A director of the Company and primary institutional shareholders

Attribution	Name	Address	Capital and investments	Business or title	Voting interest (held)
Close relative of the director	Yasuhiro Suzuki	—	—	—	Directly 0.0%

Business relationship	Detail of transaction	Transaction amount	Account	Year-end balance
—	Purchase of subsidiary's shares	¥199 million ($2,235 thousand)	—	—

Notes: (1) The transaction amounts are exclusive of consumption taxes.
(2) The purchase price was decided taking into account of third party's appraisal.
(3) Mr. Yasuhiro Suzuki is a son of Toshifumi Suzuki, who is Chairman of the Company.

Fiscal year ended February 28, 2009:

There were no related party transactions during the fiscal year ended February 28, 2009.

20. SEGMENT INFORMATION

(1) Business segments

	Millions of yen								
Fiscal year ended February 28, 2010	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	¥1,967,934	¥2,012,349	¥922,466	¥85,380	¥ 97,493	¥25,673	¥5,111,297	¥ —	¥5,111,297
Intersegment	621	4,208	380	1,040	12,951	7,995	27,198	(27,198)	—
Total revenues	1,968,555	2,016,558	922,847	86,420	110,444	33,669	5,138,495	(27,198)	5,111,297
Operating expenses	1,784,718	2,002,380	921,481	89,161	80,291	33,102	4,911,134	(26,503)	4,884,631
Operating income (loss)	¥ 183,837	¥ 14,178	¥ 1,366	¥ (2,741)	¥ 30,152	¥ 567	¥ 227,360	¥ (694)	¥ 226,666
Assets	¥1,104,209	¥1,096,598	¥612,326	¥24,636	¥1,175,963	¥16,770	¥4,030,505	¥(356,900)	¥3,673,605
Depreciation and amortization	¥ 66,158	¥ 24,335	¥ 17,417	¥ 1,270	¥ 22,246	¥ 588	¥ 132,017	¥ 214	¥ 132,232
Impairment loss on property and equipment	¥ 8,816	¥ 11,382	¥ 4,589	¥ 2,819	¥ 445	¥ —	¥ 28,052	—	28,052
Capital expenditures	¥ 85,510	¥ 55,539	¥ 17,785	¥ 698	¥ 12,712	¥ 3,640	¥ 175,887	¥ 1,139	¥ 177,027

	Millions of yen								
Fiscal year ended February 28, 2009	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	¥2,306,711	¥2,121,860	¥993,816	¥101,529	¥ 98,608	¥27,423	¥5,649,948	¥ —	¥5,649,948
Intersegment	1,979	3,169	60	1,181	26,257	7,656	40,305	(40,305)	—
Total revenues	2,308,690	2,125,029	993,877	102,711	124,866	35,079	5,690,254	(40,305)	5,649,948
Operating expenses	2,095,323	2,100,286	975,542	105,659	99,381	33,010	5,409,203	(41,120)	5,368,082
Operating income (loss)	¥ 213,367	¥ 24,742	¥ 18,335	¥ (2,948)	¥ 25,485	¥ 2,069	¥ 281,051	¥ 814	¥ 281,865
Assets	¥1,267,179	¥1,160,128	¥704,695	¥ 58,206	¥1,055,492	¥21,543	¥4,267,245	¥(540,184)	¥3,727,060
Depreciation and amortization	¥ 67,299	¥ 26,115	¥ 20,004	¥ 2,210	¥ 24,532	¥ 346	¥ 140,508	¥ 20	¥ 140,529
Impairment loss on property and equipment	¥ 7,851	¥ 15,665	¥ 10,848	¥ 3,993	¥ 1,014	¥ —	¥ 39,372	¥ —	¥ 39,372
Capital expenditures	¥ 85,464	¥ 40,460	¥ 11,754	¥ 1,046	¥ 23,801	¥ 843	¥ 163,371	¥ 9	¥ 163,381

Fiscal year ended February 28, 2010	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
	Thousands of U.S. dollars (Note 3)								
Revenues:									
Customers	$22,111,617	$22,610,662	$10,364,786	$ 959,325	$ 1,095,426	$288,460	$57,430,303	$ —	$57,430,303
Intersegment	6,977	47,280	4,269	11,685	145,516	89,831	305,595	(305,595)	—
Total revenues	22,118,595	22,657,955	10,369,067	971,011	1,240,943	378,303	57,735,898	(305,595)	57,430,303
Operating expenses	20,053,011	22,498,651	10,353,719	1,001,808	902,146	371,932	55,181,280	(297,786)	54,883,494
Operating income (loss)	$ 2,065,584	$ 159,303	$ 15,348	$ (30,797)	$ 338,786	$ 6,370	$ 2,554,606	$ (7,797)	$ 2,546,808
Assets	$12,406,842	$12,321,325	$ 6,880,067	$ 276,808	$13,213,067	$188,426	$45,286,573	$(4,010,112)	$41,276,460
Depreciation and amortization	$ 743,348	$ 273,426	$ 195,696	$ 14,269	$ 249,955	$ 6,606	$ 1,483,337	$ 2,404	$ 1,485,752
Impairment loss on property and equipment	$ 99,056	$ 127,887	$ 51,561	$ 31,674	$ 5,000	$ —	$ 315,191	$ —	$ 315,191
Capital expenditures	$ 960,786	$ 624,033	$ 199,831	$ 7,842	$ 142,831	$ 40,898	$ 1,976,258	$ 12,797	$ 1,989,067

Notes:

1. The classification of business segments is made by the type of products and services and the type of sales.
2. Major businesses in each segment are as follows:
   - Convenience store operations........ Convenience store business operated by corporate stores and franchised stores under the name of "7-Eleven"
   - Superstore operations.................... Superstores, supermarkets and specialty shops and others
   - Department store operations......... Sogo & Seibu Co., Ltd. and other companies included in the department store business
   - Food services................................. Restaurant operations, meal provision service business (company cafeterias, hospitals, schools) and fast food operations
   - Financial services........................... Bank, credit card and lease business
   - Others... IT business and other services
3. Unallocable operating expenses included in "Eliminations/corporate" represent the Company's selling, general and administrative expenses, and totaled ¥7,459 million ($83,808 thousand) for the fiscal year ended February 28, 2010 and ¥7,061 million for the fiscal year ended February 28, 2009.
4. Corporate assets included in "Eliminations/corporate" mainly represent deposits held by subsidiaries and affiliates and totaled ¥374,450 million ($4,207,303 thousand) for the fiscal year ended February 28, 2010.
5. Changes in accounting policies

   (Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

   As described in changes in accounting policies, the Company has applied PITF No. 18.

   As a result of this application, the impact on operating income decreased by ¥7,268 million ($81,662 thousand) for Convenience store operations, compared to the results that have been obtained under the former method.
6. Change in scope of corporate assets

   Deposits held by subsidiaries and affiliates, which were included in each business segment in the past, were included in corporate assets from the fiscal year ended February 28, 2010 due to revising the policy of capital management.

   Each segment's assets for the fiscal year ended February 28, 2009 if it was accounted for in the same method as the fiscal year ended February 28, 2010 is as follows.

Fiscal year ended February 28, 2009

	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
	Millions of yen								
Assets	¥1,135,272	¥1,182,199	¥704,695	¥32,551	¥1,055,492	¥13,243	¥4,123,454	¥(396,394)	¥3,727,060

	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
	Thousands of U.S. dollars (Note 3)								
Assets	$12,755,865	$13,283,134	$7,917,921	$365,741	$11,859,460	$148,797	$46,330,943	$(4,453,865)	$41,877,078

(2) Geographic area segments

Fiscal year ended February 28, 2010	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Millions of yen					
Revenues:						
Customers	¥3,602,579	¥1,428,156	¥80,561	¥5,111,297	¥ —	¥5,111,297
Intersegment	402	2,886	—	3,289	(3,289)	—
Total revenues	3,602,982	1,431,042	80,561	5,114,586	(3,289)	5,111,297
Operating expenses	3,405,363	1,404,049	78,540	4,887,953	(3,322)	4,884,631
Operating income	¥ 197,618	¥ 26,992	¥ 2,021	¥ 226,633	¥ 32	¥ 226,666
Assets	¥3,207,405	¥ 431,747	¥35,065	¥3,674,217	¥ (612)	¥3,673,605

Fiscal year ended February 28, 2009	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Millions of yen					
Revenues:						
Customers	¥3,806,371	¥1,763,175	¥80,401	¥5,649,948	¥ —	¥5,649,948
Intersegment	346	2,993	—	3,339	(3,339)	—
Total revenues	3,806,717	1,766,169	80,401	5,653,288	(3,339)	5,649,948
Operating expenses	3,561,469	1,731,728	78,072	5,371,270	(3,187)	5,368,082
Operating income	¥ 245,248	¥ 34,441	¥ 2,328	¥ 282,017	¥ (151)	¥ 281,865
Assets	¥3,220,265	¥ 487,289	¥29,326	¥3,736,880	¥(9,820)	¥3,727,060

Fiscal year ended February 28, 2010	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Thousands of U.S. dollars (Note 3)					
Revenues:						
Customers	$40,478,415	$16,046,696	$905,179	$57,430,303	$ —	$57,430,303
Intersegment	4,516	32,426	—	36,955	(36,955)	—
Total revenues	40,482,943	16,079,123	905,179	57,467,258	(36,955)	57,430,303
Operating expenses	38,262,505	15,775,831	882,471	54,920,820	(37,325)	54,883,494
Operating income	$ 2,220,426	$ 303,280	$ 22,707	$ 2,546,438	$ 359	$ 2,546,808
Assets	$36,038,258	$ 4,851,089	$393,988	$41,283,337	$ (6,876)	$41,276,460

Notes:
1. The classification of geographic area segments is made according to geographical distances.
2. "Others" consists of the business results in the People's Republic of China ("P.R.C.").
3. Changes in accounting policies
(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)
As described in changes in accounting policies, the Company has applied PITF No. 18.
As a result of this application, the impact on operating income decreased by ¥7,268 million ($81,662 thousand) for North America, compared to the results that have been obtained under the former method.

(3) Overseas sales

Fiscal year ended February 28, 2010	Millions of yen		
	North America	Others	Total
Overseas sales	**¥1,428,156**	**¥80,561**	**¥1,508,717**
Consolidated sales	**—**	**—**	**5,111,297**
Percentage of overseas sales to consolidated sales (%)	**27.9**	**1.6**	**29.5**

Fiscal year ended February 28, 2009	Millions of yen		
	North America	Others	Total
Overseas sales	¥1,763,175	¥80,401	¥1,843,576
Consolidated sales	—	—	5,649,948
Percentage of overseas sales to consolidated sales (%)	31.2	1.4	32.6

Fiscal year ended February 28, 2010	Thousands of U.S. dollars (Note 3)		
	North America	Others	Total
Overseas sales	**$16,046,696**	**$905,179**	**$16,951,876**
Consolidated sales	**—**	**—**	**57,430,303**
Percentage of overseas sales to consolidated sales (%)	**27.9**	**1.6**	**29.5**

Notes:
1. The classification of overseas sales area segments is made according to geographical distances.
2. "Others" consists of sales in the P.R.C.
3. "Overseas sales" represents net sales and other operating revenues of consolidated subsidiaries in countries and areas outside of Japan.

21. SUBSEQUENT EVENTS

1. Cash dividend

Subsequent to February 28, 2010, the Company's Board of Directors declared a year-end cash dividend of ¥25,297 million ($284,235 thousand) to be payable on May 28, 2010 to shareholders on record on February 28, 2010.

The dividend declared was approved by the shareholders at the meeting held on May 27, 2010.

2. Acquisition and cancellation of treasury stock

On April 8, 2010, the Company's Board of Directors approved the acquisition of treasury stock pursuant to Article 165-3 and Article 156 of the Law, and the cancellation of treasury stock thereby acquired, pursuant to Article 178 of the Law.

(1) Reason for the acquisition of treasury stock

To further enhance returns to shareholders and to achieve greater capital efficiency in management.

(2) Details of the acquisition

(a) Type of shares to be acquired

Seven & i Holdings common stock

(b) Number of shares to be acquired

Up to 20,000,000 shares, representing 2.21% of issued shares (excluding treasury stock)

(c) Total amount of acquisition

Up to ¥50,000 million ($561,797 thousand)

(d) Period of acquisition

From April 15, 2010 to May 20, 2010

(e) Method of acquisition

Open market purchase

(3) Details of the cancellation

(a) Type of shares to be cancelled

Seven & i Holdings common stock

(b) Number of shares to be cancelled

20,000,000 shares (planned), representing 2.21% of issued shares prior to cancellation (excluding treasury stock). All of the shares acquired as described above in item (2), will be cancelled.

(c) Number of issued shares after cancellation of treasury stock

886,441,983 shares (planned)

(d) Scheduled date of cancellation

June 30, 2010

Independent Auditors' Report

To the Shareholders and Board of Directors of
Seven & i Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
(1) As discussed in Note 2(17) to the consolidated financial statements, the Company adopted the new accounting standard for the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" as of March 1, 2009.
(2) As discussed in Note 21-2 to the consolidated financial statements, on April 8, 2010, the Board of Directors of Seven & i Holdings Co., Ltd. approved the acquisition and the cancellation of treasury stock.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
May 27, 2010

Financial Summary of Principal Group Companies

Non-consolidated basis

SEVEN-ELEVEN JAPAN CO., LTD.

	Millions of yen		
For the fiscal years ended February 28 or 29	2010	2009	2008
Total store sales	**¥2,784,997**	¥2,762,557	¥2,574,306
Revenues from operations	**535,018**	540,773	527,667
Operating income	**156,220**	178,060	168,171
Net income	**92,439**	107,189	101,717
Number of stores	**12,753**	12,298	12,034
Existing stores sales increase (%)	**(2.1)**	5.2	(1.5)
Merchandise gross profit margin (%)	**30.3**	30.2	31.0
Average daily sales per store (thousands of yen)	**616**	629	597

7-ELEVEN, INC.

	Millions of yen		
For the fiscal years ended December 31	2009	2008	2007
Revenues from operations	**¥1,411,391**	¥1,742,395	¥1,843,408
Net sales	**1,394,694**	1,725,910	1,822,737
Merchandise	**883,229**	967,411	1,068,453
Gasoline	**511,464**	758,499	754,283
Operating income	**34,427**	34,711	31,726
Net income	**17,975**	19,652	17,289
Number of stores	**6,389**	6,196	6,088
Existing stores sales increase (U.S. merchandise sales) (%)	**0.6**	0.4	3.1
Merchandise gross profit margin (%)	**35.2**	35.2	35.9

Notes: (A) Yen amounts were translated from U.S. dollars at the rates of US$1=¥93.65, US$1=¥103.48, and US$1=¥117.85, the rates of exchange for 2009, 2008, and 2007, respectively.
(B) Figures for the amounts of each fiscal year reflect the necessary adjustments for the consolidation to Seven & i Holdings' consolidated accounts.

ITO-YOKADO CO., LTD.

	Millions of yen		
For the fiscal years ended February 28 or 29	2010	2009	2008
Revenues from operations	**¥1,387,831**	¥1,462,719	¥1,489,380
Net sales	**1,364,765**	1,436,541	1,464,094
Operating income	**1,757**	9,582	17,126
Net income (loss)	**6,650**	(922)	11,088
Number of stores	**174**	175	176
Existing stores sales increase (%)	**(5.7)**	(2.9)	(2.0)
Merchandise gross profit margin (%)	**29.0**	29.8	29.9

YORK-BENIMARU CO., LTD.

	Millions of yen		
For the fiscal years ended February 28 or 29	2010	2009	2008
Revenues from operations	**¥348,735**	¥348,883	¥330,145
Net sales	**337,506**	338,089	319,931
Operating income	**9,402**	11,706	11,227
Net income	**6,088**	8,015	9,150
Number of stores	**164**	156	149
Existing stores sales increase (%)	**(3.7)**	(1.0)	(2.6)
Merchandise gross profit margin (%)	**26.7**	27.0	27.1

SOGO & SEIBU CO., LTD.

For the fiscal years ended February 28 or 29	Millions of yen 2010	2009	2008
Revenues from operations	**¥859,265**	¥933,571	¥970,827
Net sales	**847,044**	919,634	956,415
Operating income	**5,613**	23,294	31,815
Net income (loss)	**(4,313)**	(5,986)	24,923
Number of stores	**28**	28	28
Existing stores sales increase (%)	**(8.4)**	(4.2)	0.4
Merchandise gross profit margin (%)	**25.8**	26.6	26.9

Notes: (A) Millennium Retailing, Inc., Sogo Co., Ltd., and THE SEIBU DEPARTMENT STORES, LTD. were merged on August 1, 2009, and Sogo, as the surviving company, changed its name to Sogo & Seibu Co., Ltd. The financial and operating results for the fiscal year ended February 28, 2010 are restated as if the former three companies merged at the beginning of the term, and also the figures for the previous fiscal years have been restated. Furthermore, the financial results of Robinson Department Store Co., Ltd., were included in Sogo & Seibu after the third quarter of the fiscal year ended February 28, 2010, following the merger of Robinson Department Store on September 1, 2009.
(B) The number of Sogo & Seibu stores at the end of February 2010 includes two stores added through the merger with Robinson Department Store.

SEVEN & i FOOD SYSTEMS CO., LTD.

For the fiscal years ended February 28 or 29	Millions of yen 2010	2009	2008
Revenues from operations	**¥86,400**	¥102,711	¥54,958
Net sales	**85,885**	102,109	54,702
Operating loss	**(2,714)**	(3,079)	(2,923)
Net loss	**(5,564)**	(7,939)	(4,897)
(Restaurant division)			
Number of stores	**525**	595	674
Existing stores sales increase (%)	**(7.2)**	(6.4)	—
Merchandise gross profit margin (%)	**67.3**	66.5	—

Note: Seven & i Food Systems Co., Ltd., was established in January 2007, and merged with Denny's Japan Co., Ltd., Famil Co., Ltd., and York Bussan K.K. on September 1, 2007.

SEVEN BANK, LTD.

For the fiscal years ended March 31	Millions of yen 2010	2009	2008
Ordinary income	**¥88,830**	¥89,815	¥83,663
Ordinary profit	**30,407**	28,751	24,650
Net income	**17,953**	16,988	13,830
Number of installed ATMs	**14,601**	13,803	13,032
Daily average transactions per ATM	**114.4**	114.3	109.0
Total number of transactions (millions)	**590**	555	498

Principal Subsidiaries

(As of May 31, 2010)

Convenience Store Operations

Seven-Eleven Japan Co., Ltd.
7-Eleven, Inc.
SEVEN-ELEVEN CHINA Co., Ltd.
SEVEN-ELEVEN (BEIJING) CO., LTD.
SEVEN-ELEVEN (HAWAII), INC.

Superstore Operations

Ito-Yokado Co., Ltd.
York-Benimaru Co., Ltd.
York Mart Co., Ltd.
Hua Tang Yokado Commercial Co., Ltd.
Chengdu Ito-Yokado Co., Ltd.
Beijing Wang fu jing Yokado Commercial Co., Ltd.
Marudai Co., Ltd.
Life Foods Co., Ltd.
IY Foods K.K.
K.K. Sanei
Akachan Honpo Co., Ltd.
Oshman's Japan Co., Ltd.
Mary Ann Co., Ltd.
Seven Health Care Co., Ltd.[1]

Department Store Operations

Sogo & Seibu Co., Ltd.[2]
THE LOFT CO., LTD.
SHELL GARDEN CO., LTD.
IKEBUKURO SHOPPING PARK CO., LTD.
Yatsugatake Kogen Lodge Co., Ltd.
GOTTSUO BIN CO., LTD.

Food Services

Seven & i Food Systems Co., Ltd.
Seven & i Restaurant (Beijing) Co., Ltd.[3]

Financial Services

Seven Bank, Ltd.
SEVEN & i FINANCIAL GROUP CO., LTD.
IY Card Service Co., Ltd.
SE CAPITAL CORPORATION
K.K. York Insurance
Seven Cash Works Co., Ltd.
SEVEN & i Financial Center Co., Ltd.

Others

Seven & i Netmedia Co., Ltd.
Seven Net Shopping Co., Ltd.[4]
7dream.com
Seven Culture Network Co., Ltd.
SEVEN & i Publishing Co., Ltd.
Seven Internet Lab. Co., Ltd.[5]
Seven-Meal Service Co., Ltd.
SEVEN & i Life Design Institute Co., Ltd.
K.K. Terre Verte
Mall & SC Development Inc.
IY Real Estate Co., Ltd.
K.K. York Keibi

Notes: 1. On June 1, 2009, Seven Health Care Co., Ltd., was established as a wholly owned subsidiary of the Company.
2. Millennium Retailing, Inc., Sogo Co., Ltd., and THE SEIBU DEPARTMENT STORES, LTD., were merged on August 1, 2009, and Sogo, as the surviving company, changed its name to Sogo & Seibu Co., Ltd. Furthermore, Sogo & Seibu merged with Robinson Department Store Co., Ltd., on September 1, 2009. As a result, the financial results of Robinson Department Store were excluded from Superstore operations after the third quarter of the fiscal year ended February 28, 2010.
3. On March 2, 2009, Seven & i Restaurant (Beijing) Co., Ltd., was established as a wholly owned subsidiary of the Company.
4. On December 7, 2009, Seven and Y Corp. changed its name to Seven Net Shopping Co., Ltd.
5. On March 24, 2009, Seven Internet Lab. Co., Ltd., was established as a wholly owned subsidiary of the Company.

Investor Information

(As of February 28, 2010)

Head Office
8-8, Nibancho, Chiyoda-ku, Tokyo 102-8452, Japan
Tel: +81-3-6238-3000
Fax: +81-3-3263-0232
URL: http://www.7andi.com/en/

Date of Establishment
September 1, 2005

Number of Employees
52,814 (Consolidated)
396 (Non-consolidated)

Paid-in Capital
¥50,000 million

Number of Common Stock
Issued: 906,441,983 shares

Number of Shareholders
105,067

Stock Listing
Tokyo Stock Exchange

Transfer Agent and Registrar
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome,
Koto-ku, Tokyo 137-8081, Japan

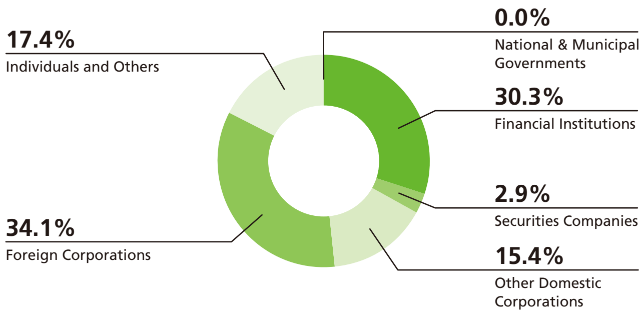
Annual Shareholders' Meeting
The annual shareholders' meeting of the Company is normally held in May each year in Tokyo, Japan.

Auditors
KPMG AZSA & Co.

Principal Shareholders

	Investment by each major shareholder in the Company	
	Number of shares held (thousand shares)	Percentage of shares held
Ito-Kogyo Co., Ltd.	68,754	7.6%
Japan Trustee Services Bank, Ltd. (Trust account)	39,042	4.3%
The Master Trust Bank of Japan, Ltd. (Trust account)	33,593	3.7%
The Dai-ichi Mutual Life Insurance Company	20,865	2.3%
Nippon Life Insurance Company	20,664	2.3%
Masatoshi Ito	19,331	2.1%
MITSUI & CO., LTD.	16,222	1.8%
Deutsche Bank Trust Companies Americas	16,160	1.8%
State Street Bank and Trust Company 505225	15,848	1.7%
Mizuho Securities Co., Ltd.	13,209	1.5%

Classification of Shareholders by Number of Shares Held



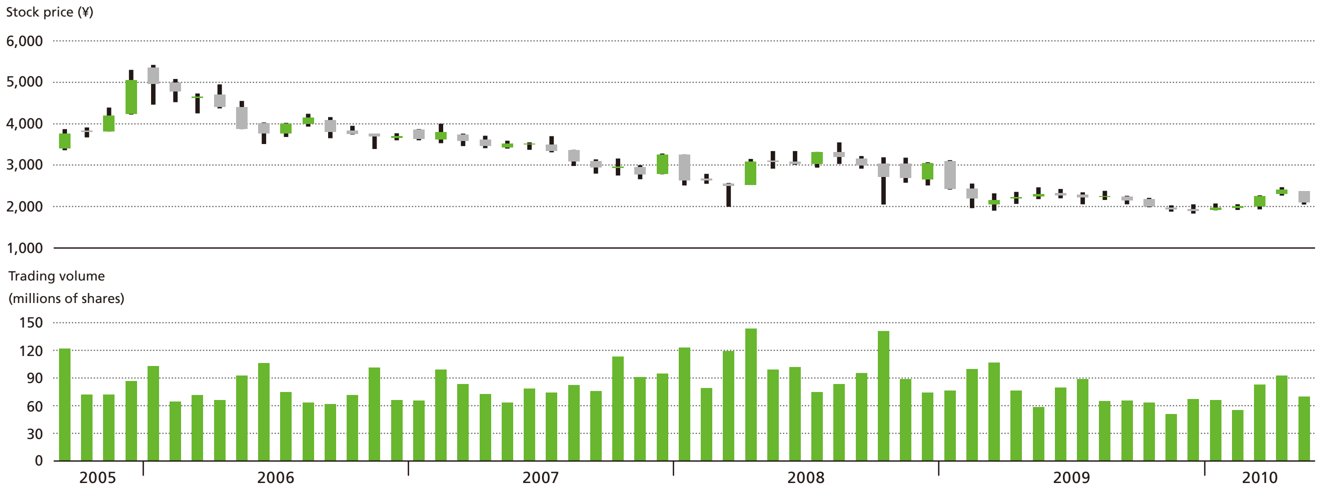
Bond Ratings

(As of May 31, 2010)

		S&P	Moody's	R&I	JCR
Seven & i Holdings	Long-term	AA–	Aa3	AA	AA+
Seven-Eleven Japan	Long-term	AA–	–	–	AA+
	Short-term	A-1+	P-1	–	–
7-Eleven, Inc.	Long-term	A	Baa3	–	–
Seven Bank	Long-term	AA–	–	AA	–

Notes: (A) From January 2006, Seven-Eleven Japan's short-term rating is its rating as the guarantor of 7-Eleven, Inc.'s commercial paper program.
(B) On June 9, 2010, S&P raised its long-term corporate credit rating on 7-Eleven, Inc., from A to AA–.

Stock Price Chart (Monthly)



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