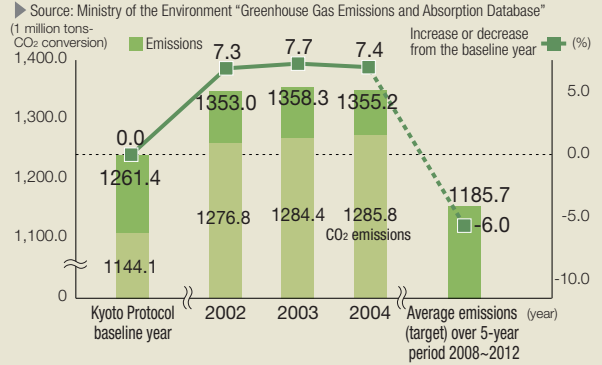


# Preventing Global Warming

The Kyoto Protocol, which was ratified in February 2005, requires Japan to slash emissions of greenhouse gas emissions by 6% from 1990 levels by 2008~2012. Achieving this goal requires corporations to monitor and reduce the CO<sub>2</sub> emissions emitted during the course of business. In addition to reducing electricity consumption at all of our businesses through the introduction of energy-efficient equipment, Seven & i Holdings has also been reducing CO<sub>2</sub> emissions during product shipment through more efficient distribution.

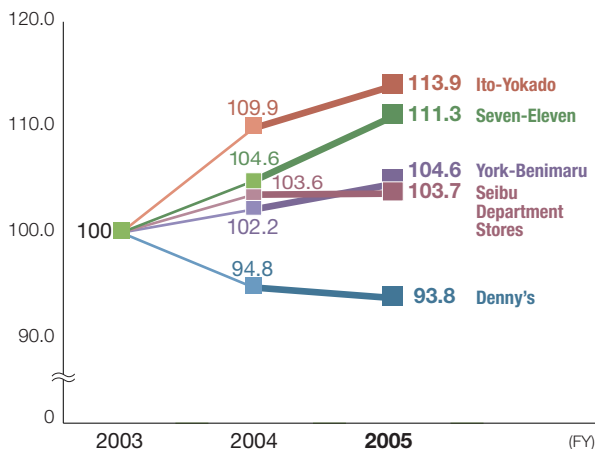
## Trends in Japan's Greenhouse Gas Emissions



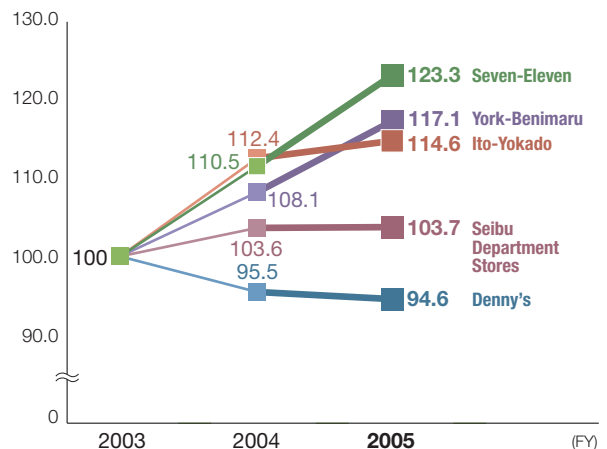
| Stakeholder interests and concerns                     | Group efforts<br>* Items accompanied by a logo are efforts specially noted for that company  |
|--|--|
| Reducing per store CO <sub>2</sub> emissions           | <p>In addition to the introduction of energy-efficient equipment, we conduct regular inspections and maintenance of store equipment and facilities.</p> <ul style="list-style-type: none"> <li> We have introduced energy-efficient equipment by filing a "CO<sub>2</sub> Emissions Reduction Measures Business" application with the Ministry of the Environment.</li> <li> We have introduced small cogeneration systems fired by natural gas to produce electricity and hot water at some stores.</li> <li> We take care to reduce electricity use at night as well as during the day.</li> <li> We are reducing electricity use and CO<sub>2</sub> emissions by adopting equipment such as pulse boilers and energy-efficient electrical equipment.</li> </ul> |
| Reducing CO <sub>2</sub> emissions in product shipment | <p>By consolidating the combined collection, distribution, and shipping systems of the group companies, we are working to reduce the environmental impact of product distribution.</p> <ul style="list-style-type: none"> <li> We continue to improve distribution efficiency by using bulk delivery and operation control systems.</li> <li> We have established centers for distribution by temperature zone, as well as combined distribution, and have placed onboard terminals in vehicles for operational control.</li> <li> We are improving shipping efficiency by integrating distribution centers and revising shipping routes.</li> </ul>   |

Seven-Eleven Ito-Yokado York-Benimaru Denny's

## Per-store CO<sub>2</sub> emissions from store operations (Using FY2003 as 100)



## CO<sub>2</sub> emissions from store operations (Using FY2003 as 100)



## Reducing CO<sub>2</sub> Emissions from Store Operations

**We are adopting energy-efficient equipment so that environmental impact does not increase in proportion to the expansion of our business.**

Seven & i Holdings strives to expand stores and improve business corresponding to each individual line and type of business, so as to expand the business of all of our operating companies. Each operating company is also adopting energy-efficient equipment at new stores and when refurbishing stores, so that the environmental impact of greenhouse gas emissions and other factors does not expand in proportion to the business expansion efforts. In addition, we are working to reduce CO<sub>2</sub> emissions by accomplishing efficient energy use through regular inspections of store facilities and daily equipment maintenance.

### FY2005 results at each operating company

#### Seven-Eleven

Per store CO<sub>2</sub> emissions increased 11.3% in comparison to FY2003, with total CO<sub>2</sub> emissions increasing 23.3%. The main factors were increases in store facilities in line with increased services, while individual store size and the number of stores also increased. We will continue to install insulation and energy-efficient equipment, focusing on new and refurbished stores.

#### Ito-Yokado

Per store CO<sub>2</sub> emissions increased 14% in comparison to FY2003, with total CO<sub>2</sub> emissions increasing 14.6%. The main factors in this were the opening of large-scale mall stores and the extension of operating hours. We will continue to adopt energy-efficient equipment and work to streamline operations.

#### Seibu Department Stores

Per store CO<sub>2</sub> emissions increased 3.7% in comparison to FY2003, with total CO<sub>2</sub> emissions increasing 3.7%. The main factors in this were openings of big specialty stores that use large amounts of electricity, as well as the refurbishing of large-scale stores. We will continue to strengthen daily management of all stores and switch to energy-efficient equipment.

#### York-Benimaru


Per store CO<sub>2</sub> emissions increased 4.6% in comparison to FY2003, with total CO<sub>2</sub> emissions increasing 17.1%. The main factors in this were an expansion of the number of stores and the extension of operating hours. We will continue to adopt energy-efficient equipment and work to streamline operations.

#### Denny's

Per store CO<sub>2</sub> emissions increased 6.2% in comparison to FY2003, with total CO<sub>2</sub> emissions increasing 5.4%. The main factor in this was the switch, beginning in FY2004, from gas to electrical power for burners and noodle boilers at existing stores and for kitchens at new stores.

## Close Up

**We are the first in the department store industry to have acquired ISO 14001, and are engaging in planned and continuous efforts to reduce environmental impact.**

 Millennium Retailing, Inc.

Seibu Department Stores acquired multi-site ISO 14001 international environmental standard certification for the first time among the department stores business in 1999. Since then, we have operated an ISO standard-based environmental management system in our planned and continuous efforts to reduce environmental impact. We are pouring particular efforts into environmental education so as to enhance the results of these efforts. In addition to educating our store employees and the employees of our contractors about environmental policy and social contribution when they enter the company, we also employ an annual

e-learning program using the Internet. In addition to energy conservation efforts involving store lighting and a "Two Up, Three Down" elevator-use policy for employees, we are also reducing the use of electricity by a "lights out" policy when employees are away from their desks and a reduction of work outside regular hours through a planned work execution policy.

\* Seven-Eleven, Ito-Yokado, York-Benimaru, and Denny's each operate a management system in accordance with the "Seven & i Holdings Environmental Policy / Environmental Bylaws."

Customers



Business Partners



Local Communities



Employees



Environment





We are proceeding with energy-efficient measures by making use of the “CO<sub>2</sub> Emissions Reduction Measures Business” offering made by the Ministry of the Environment.

We successfully filed a “CO<sub>2</sub> Emissions Reduction Measures Business” application with the Ministry of the Environment to fund our introduction of energy-efficient combined refrigeration systems for the reduction of CO<sub>2</sub> emissions. This paid for the adoption of energy-efficient combined air conditioning equipment at 29 stores in January 2006. Very high efficiency can be achieved by combining the outside parts of the air conditioning and refrigeration units, and we forecast 8% CO<sub>2</sub> emissions reductions due to the use of this system for air conditioning, and 20% reductions for refrigeration use. We have been monitoring the results during 2006, and if it is forecast that the benefit will be as anticipated we will look into using this system as standard equipment at new stores.



We have introduced small cogeneration systems fired by natural gas that can produce electricity and hot water.

We outfitted 11 of our stores in FY2005 with small “GeneRight” cogeneration systems that burn gas to produce electricity, and use the exhaust to supply hot water. These units produce highly energy and cost efficient by burning gas to produce electricity, which also reduces CO<sub>2</sub> emissions. The cogeneration system alone is said to result in a CO<sub>2</sub> emissions reduction benefit of 15% or more.

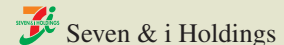
In addition, we have installed dimmer inverters to prevent excessive lighting at stores, and by using accurate lighting in areas such as product display, aisles, and around escalators. This prevents excessive use of energy, and improves energy efficiency.

**■ Stores with “GeneRight” systems**

Tsurumi, Yokohama Store Annex, Musashizakai Higashi Store, Omiya Miyahara Store, Omiya Store, Hachioji Store, Kasai Store, Noukendai Store, Nishikicho Store, Higashi Yamato Store, Tateba Store

## Close Up

### The “Lights Down” campaign is in action at around 12,000 of our stores and offices.



Seven & i Holdings participates in the “Lights Down” campaign launched by the Ministry of the Environment as a anti-global warming measure. On June 18, 2006, around 12,000 group stores and offices, including those of Seven-Eleven, Ito-Yokado, and Denny’s, turned off the signage on their office buildings and other lights for approximately 30 minutes.

Sogo and Seibu Department Stores executed

“Lights Down” at all 28 stores in June 2006 (Seibu Department Stores did it in April as well).

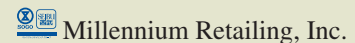


Before “Lights Down”



After “Lights Down”

### Sogo and Seibu Department Stores are actively engaged in “greening.”



Sogo Park is a rooftop garden at the Sogo Shinsaibashi Headquarters Store. It provides open space and is populated by olive trees, tangerine trees, vines, and other plants. Sogo Park was selected by the Osaka Prefectural Government as a “Model For Company Greening.”

Seibu Department Stores has also been making progress in greening their stores so as to help relieve “heat island syndrome” and air pollution. Our efforts to create hanging gardens at the Seibu

Ikebukuro Headquarters Store are known as the “Hanging Forest.”



Sogo Park at the Sogo Shinsaibashi Headquarters Store



Hanging gardens at the Seibu Ikebukuro Headquarters Store

**We confront the issue of reducing our use of electricity while increasing the number of stores and extending operating hours.**

York-Benimaru is adding more and more stores every year, with our motto being “Building Stores That Are Close To The Community.” We also are extending our operating hours to serve a diversity of lifestyles. The combination of these developments has resulted in a trend toward increased use of electricity that we must address.

In addition to adopting energy-efficient equipment at all stores, we are working to reduce electricity consumption by using covers on refrigerators and freezers at night for greater cooling efficiency.

**We are reducing electricity use and CO<sub>2</sub> emissions by adopting equipment such as pulse boilers and energy-efficient electrical equipment.**

Kitchens and air conditioning units are responsible for the majority of energy consumed by Denny's. Energy use has been on an upward trend because of developments in recent years such as more diversified menus, which require cooking equipment with greater functionality. We are responding by introducing many types of energy-efficient equipment, as well as reducing energy use and CO<sub>2</sub> emissions by switching our cooking equipment from gas to electric. Changing from gas reduces the number of kitchen ventilation units, and also cuts electricity consumption by reducing the air conditioning load caused by burning gas.

Other efforts included adopting refrigerators and freezers that using a new cooling medium, and in FY2004 we switched from gas to electrical power for burners and noodle boilers. Our refrigeration equipment uses no chlorofluorocarbons, and some stores are equipped with cogeneration systems and electric water heaters that re-use CO<sub>2</sub> emitted from energy use as a cooling medium. This resulted in per-store gas use of 14,240 m<sup>3</sup> (90% of that for FY2004), per-store electricity use of 369,800 KWh (106% of that used in FY2004), and per-store CO<sub>2</sub> emissions of 228,471t (99% of that for FY2004).



Electric kitchen equipment that reduces energy use and CO<sub>2</sub> emissions

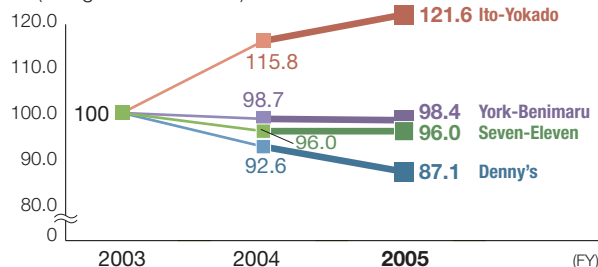
## Reducing CO<sub>2</sub> Emissions from Product Shipping

**We are creating an efficient joint group distribution infrastructure to reduce the environmental impact of product shipping.**

Seven & i Holdings continues to improve distribution systems for prompt and accurate response to customer needs. In addition, we are improving distribution efficiency by proceeding with our combined distribution systems and the use of “Area Centers.”

We are also creating distribution infrastructure for the group synergy benefit to be gained by integrating and adjusting the distribution network. We believe that this will reduce the environmental impact of product shipping.

### Per-store CO<sub>2</sub> emissions from store operations (Using FY2003 as 100)



### Results for each operating company in FY2005

#### Seven-Eleven

Per-store CO<sub>2</sub> emissions improved by 4.0% over FY2003. The main factors in this included joint distribution and distribution by temperature zone, and the implementation nationwide of joint distribution system for mixing items shipped at room temperature with cold-shipment items.

#### Ito-Yokado

Per-store CO<sub>2</sub> emissions increased by 21.6.0% over FY2003. The main factor in this was the expansion in monitoring and management of distances traveled due to the creation of new distribution centers.

#### York-Benimaru

Per-store CO<sub>2</sub> emissions were reduced by 1.6% over FY2003. The main factor in this was the ongoing enhancement of the distribution system leading to reduction of the number of vehicles used and distances traveled.

#### Denny's

Per-store CO<sub>2</sub> emissions were reduced by 12.9% over FY2003. The main activities included revision of the distribution routes and reduction of the number of vehicles used.

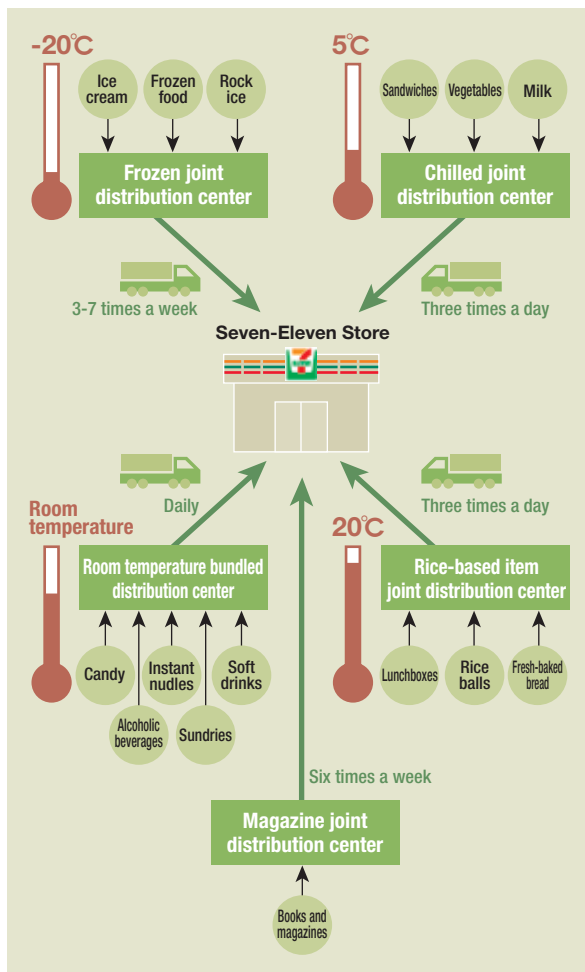


Our efforts to improve distribution efficiency include using bulk delivery and operation control systems for trucks.

Seven-Eleven Japan has been opening stores based on an area-dominance strategy (high number and density of stores) in place since our founding. Under this strategy, stores are opened in specific regions to raise regional name recognition, increase customer visits, and improve distribution efficiency. In FY2005 we achieved nationwide establishment of our combined delivery system for room temperature items (such as sweets, alcoholic beverages, and soft drinks).

We are also revamping our onboard control systems for the monitoring and control of the operation of our delivery trucks. These systems make it possible to digitize information about driver habits and other operational aspects, providing for daily work guidance for drivers. We will continue to strive for safer, more efficient trucking operations through the new system.

**Conceptualized chart of joint distribution system**



We have established centers for distribution by temperature zone as well as joint distribution, and are making progress in installing onboard terminals in vehicles for operational control.

Ito-Yokado has established centers for distribution by temperature zone in every region in which we operate. We are making progress in joint distribution to stores, and also are working to reduce the number of transport vehicles used. In FY2005, we established a distribution center for daily necessities in the Kansai region. This has allowed us to reduce the number of vehicles used for distribution of daily necessities from five to one. We have also created a joint distribution system for apparel and home products with York-Benimaru in the Tohoku region, and as of July 2006 this system also began handling fresh food products.

We are also making progress in installing onboard terminals in our delivery trucks with the goal of improving fuel efficiency and safety. Our plans for FY2006 include continuing to expand the number of trucks with onboard terminals and using the information provided by these terminals to give guidance to our drivers. Our goal is to improve safety while cutting CO<sub>2</sub> emissions through improved fuel efficiency.

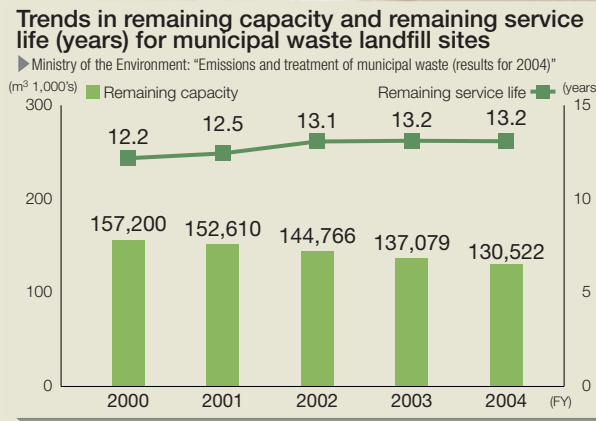
We are improving shipping efficiency by integrating distribution centers and revising shipping routes.

Denny's began conducting joint distribution and distribution by temperature zone in 1982. This distribution system is based on 10 truckloads per day, reducing cold and room-temperature shipments to once a day, and freezer shipments to two or three times weekly. In order to prevent an increase in the number of shipments due to the increase in number of our restaurants in recent years, we have sought to improve distribution efficiency by consolidating distribution center facilities, improving ordering accuracy, and mixing items shipped at room temperature with cold-shipment items. As a result, we reduced the number of delivery trucks used in FY2005 by 2.8% in comparison with FY2004.


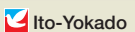
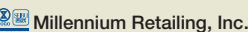
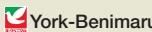

Henceforth, in addition to reducing the number of delivery trucks in operation, it is vital that we maintain our delivery fleet in good condition, improve fuel efficiency, and reduce environmental impact. Up until we have worked with our business partners in keeping the following standards regarding delivery trucks: 1) The usage life for vehicles is to be five years or less; 2) Total distance traveled for vehicles is to be 5 million kilometers or less. We will continue to work to maintain the condition of our vehicles, and will seek improvements in fuel efficiency and environmental impact reduction.

# Reducing Waste

Waste reduction and recycling has been gaining interest in recent years as conservation of limited global resources becomes a subject of increasing focus. Companies are now required to reduce waste emissions and to make efforts to reuse and recycle. While Seven & i Holdings is of course complying fully with all relevant laws, such as the Food Waste Recycling Law and the Container and Packaging Recycling Law, we are also actively encouraging food waste recycling and reduction of the use of disposable shopping bags and other packaging.



| Stakeholder interests and concerns       | Group efforts<br>* Items accompanied by a logo are efforts specially noted for that company   |
|--|---|
| Reduction and recycling of food waste    | <p>The Food Waste Recycling Law requires "reduction or recycling of 20% of food leftovers by March 2007." Therefore, we are making efforts to comply that include improving order accuracy and thorough waste separation.</p> <ul style="list-style-type: none"> <li> We have created the Eco Distribution System, in which the waste from each store is collected and disposed of through a single process.</li> <li> We apply the "Support System for Food Waste Recycling" to a portion of the recycling costs borne by waste disposal contractors.</li> <li> Some stores are equipped with composters for food garbage, with the compost distributed to local farms free of charge.</li> <li> Food waste is recycled as chicken feed, which is used in our own brand of eggs called "Kenmiran."</li> <li> We use the Seven-Eleven Eco Distribution System to encourage food waste recycling.</li> </ul> |
| Reducing use of containers and packaging | <p>In addition to face to face selling by weight, piece, or unit, we have introduced recyclable trays, and are also working to reduce the use of containers and packaging by recommending simple packing to customers.</p> <ul style="list-style-type: none"> <li> Our disposable shopping bags are 71.9% thinner than they were in 1999, and we have also reduced their use.</li> <li> We have been promoting reduced use of disposable shopping bags by enlisting customer cooperation in "No Disposable Shopping Bags" and simple packing.</li> <li> We reduce use of containers and packaging by recommending "smart wrapping" that uses no excess packaging, as well as the "My Bag" program.</li> </ul>  |

 Seven-Eleven  Ito-Yokado  Millennium Retailing, Inc.  York-Benimaru  Denny's

## Reduction and Recycling of Food Waste

**Our efforts to achieve the goal set by the Food Waste Recycling Law are founded on four basic policies.**

The Food Waste Recycling Law, which went into effect in May 2001, mandates that all food businesses, including supermarkets and convenience stores, achieve a 20% reduction or recycling rate by the end of March 2007 for the food leftovers generated in the food distribution and processing cycle. Seven & i Holdings' efforts to achieve that goal are founded on four basic policies:

- 1) Reduce unsold leftover food as much as possible by improving ordering accuracy, and reduce the use of containers and packaging by selling according to weight, piece, or unit.
- 2) Extract as much water as possible from food waste, and separate it into recyclable and non-recyclable items.
- 3) Compose an easily understood manual for waste separation for part-timers and temp staff at new stores, and conduct regular employee education.
- 4) Products that are to be removed from stores because their sell-by dates are approaching are to be used as taste samples, provided that there is sufficient time until the consume-by date is reached.

We anticipate meeting the requirements of the Food Waste Recycling Law by implementing these measures.

Customers



Business Partners



Local Communities



Employees



Environment



**We are making efforts to recycle food waste through the Eco Distribution System.**

Seven-Eleven had already begun looking into ways of effectively using food products past their sell-by dates and leftovers generated at food processing plants since before the Food Waste Recycling Law\* went into effect in May 2001. In March 2003, we began the recycling (composting) of food that has exceeded its sell-by date by using the Eco Distribution System in place throughout Tokyo.

This is done through a single process, by which the containers of food that has exceeded the sell-by date are placed as they are in special boxes, and are then collected by a waste disposal contractor and separated at a disposal facility for composting. This process entails more cost for the franchises than does the collection of regular trash, because it is necessary to put in place special boxes that are not used for regular waste, due to the contractor handling the separation of the leftovers from containers. Nevertheless, the majority of franchisees have accepted that food products past their sell-by dates are not garbage, but rather are to be used as a resource, and as of August 31, 2006, 1,404 stores (including those outside Tokyo) were engaged in food waste recycling (composting). The program was expanded to include the Tama area (98 stores) and the Kyoto area (150 stores) in FY2005. We plan to further extend it to Tochigi Prefecture (Utsunomiya area), Saitama Prefecture (Tokorozawa area), Shiga Prefecture (all), and Kumamoto Prefecture (Kumamoto area) in FY2006.

**\* The Food Waste Recycling Law**

Proper name: Law Concerning the Promotion of Recycling Food Cyclical Resources. Requires all food businesses, including convenience stores, to achieve a 20% reduction or recycling rate for the food leftovers generated in the food distribution and processing cycle by March 2007.



Collecting waste for recycling through the Eco Distribution System

**We are making progress in food waste recycling by creating a support system for waste disposal contractors.**

Ito-Yokado stores generate food waste every day, for example leftovers from food preparation or in the form of products that have reached the sell-by date. We take various steps to decrease the volume of food waste, including seeking to improve ordering accuracy, reducing prices so as to sell out our products, and extracting as much water as possible from food waste. These efforts resulted in a total food waste volume of 45,294 tons in FY2005.

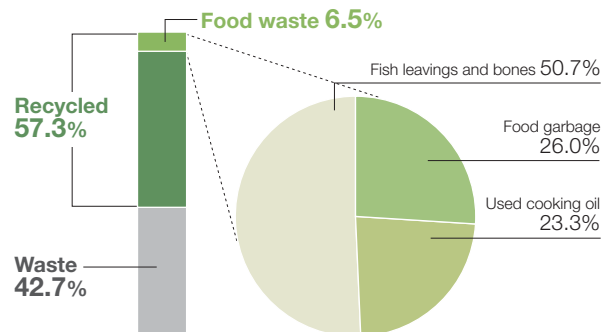
Our company also introduced the Support System for Food Waste Recycling in FY2002 so as not only to reduce the amount of food waste generated, but to remote food waste recycling. Through this system, Ito-Yokado covers a portion of the recycling costs borne by our business partners (waste management contractors) with whom we have contracts for food waste recycling. As of February 2006, 30 of our stores were making use of this system in their food waste recycling efforts. Our food waste recycling rate reached 23.8% in FY2005 (a 1.3% increase over FY2004). Our future target rate is 25%, and we are working to increase the number of our stores conducting recycling in cooperation with our business partners.

**■ Stores engaged in food waste recycling**

| Recycling method | Stores engaged in recycling in FY2005   |
|------------------|---|
| Composting       | Asahikawa★, Anegasaki★, Makuhari★, Owariasahi★, Sendaizumi, Ichihara★, Komaki★, Ryugasaki, Usui★, Chitose★, Chita★, Higashiyamato, Yachiyo★, Anjo★, Odawara★, Aomori★, Urawa★, Funabashi★, Yotsukaido★, Wako, Espa Abiko, Abiko |
| Reduction        | Narumi★   |
| Animal feed      | Kita 42 Jo, Shinkawa, Tonden, Kotoni, Fukuzumi, Ario Sapporo, Eniwa   |

★ denotes use of the Support System for Food Waste Recycling

**■ Waste generating and recycling rates**





## Millennium Retailing, Inc.

Some stores are equipped with composters for food garbage, and we distribute the compost derived from food leftovers to local farms.

Seibu Department Stores has equipped some stores with composters for the leftovers from food floors and restaurants. The compost is distributed to local farms free of charge and the produce grown with this compost is sold at our stores, with the goal of resource recycling. We also work to reduce leftovers at Seibu Department Stores by seeking to improve accuracy in ordering and food product sell outs, as well as by reducing the amount of leftovers at employee dining halls. As a result, Sogo achieved a 20.1% recycling rate for food waste in FY2005, while Seibu Department Stores attained 24.2% (an increase of 0.7% over FY2004).

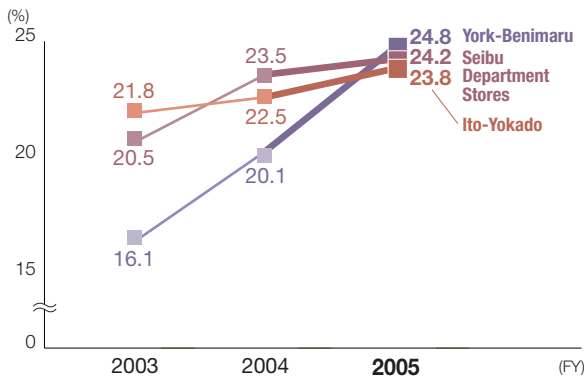


Garbage composter at the Seibu Ikebukuro Headquarter Store



Produce grown using compost from recycled food waste

### Recycling rates for each company



## York-Benimaru

Food waste is recycled as chicken feed, which is used in our own brand of eggs called "Kenmiran."

York-Benimaru is working to improve ordering accuracy in order to reduce food waste generated by our stores, which includes leftovers from cooking or processing fish, meat, and vegetables, employee dining hall leftovers, as well as unsold products. In addition, about 20% of the food waste generated is fish leavings. We have these processed as chicken feed by a waste management contractor, where it is recycled for use as at chicken farms with which York-Benimaru has purchasing agreements. We sell the eggs produced by chickens eating this chicken feed as our own "Kenmiran" brand at all York-Benimaru stores. As a result of these efforts, we achieved a food waste recycling rate of 24.8% in FY2005 (an increase of 4.7% over FY2004).



"Kenmiran," York-Benimaru's own egg brand



## Denny's

We use the Seven-Eleven Eco Distribution System in our food waste recycling efforts.

Denny's restaurants generate food waste such as the leftovers from customer meals and kitchen/fryer waste. Food waste makes up 42% of the waste emitted by our restaurants, making reducing waste and recycling very important issues facing our company. Denny's is meeting this challenge through joint use of the Eco Distribution System offered by Seven-Eleven, and in FY2003, 20 of our Tokyo restaurants and two of our restaurants in Aizu Wakamatsu City, Fukushima Prefecture began recycling (composting) food garbage. This figure had grown to 47 restaurants by the end of FY2005. As a result, 15% of the 8,834 tons of food waste generated by all of our restaurants is being recycled. We forecast achieving the target rate of 20% mandated by the Food Waste Recycling Law by expanding the number of restaurants participating in this system to 80 during the course of FY2006.

Customers



Business Partners



Local Communities



Employees



Environment



## Reducing Use of Containers and Packaging

**In addition to using special selling and packaging methods, we are enlisting the cooperation and understanding of our customers.**

In these times of low birthrates, a graying society, and health-consciousness, more and more customers are telling us that they want to buy “only as much of a product as is needed.” In addition to face to face selling by weight, piece, or unit, Seven & i Holdings is recommending simple packing to customers, so that the amount of packaging does not increase proportionately as we meet our customers’ needs. We also establish rules for the number and size of disposable plastic or paper shopping bags, taking into consideration factors such as product quality and safety. Finally, we are enlisting the cooperation and understanding of our customers in reducing the amount of packaging used by introducing the “My Bag” and stamp card programs.

Each of the operating companies pays recycling fees to the Japan Containers and Packaging Recycling Association according to the amount of designated packaging and containers used as required by the Container and Packaging Recycling Law.



Ito-Yokado disposable shopping bags

### Container and packaging recycling fees (Unit: ¥1,000's)

| Operating company       | Fees paid |
|-------------------------|-----------|
| Seven-Eleven            | 717,529*  |
| Ito-Yokado              | 633,443   |
| Sogo                    | 17,570    |
| Seibu Department Stores | 17,324    |
| York-Benimaru           | 151,166   |
| Denny's                 | 1,954     |

\* Includes fees paid by franchisees

## Seven-Eleven

**We have made our disposable shopping bags thinner, and are working to reduce their use.**

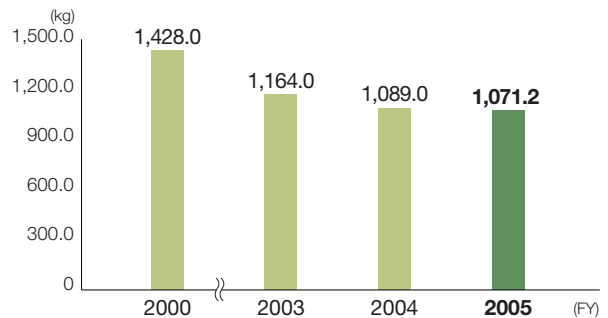
Seven-Eleven began making the change to thinner disposable shopping bags in 1999, with the goal of conserving resources and reducing waste, and has continued to seek little by little to decrease the amount used, while maintaining bag strength. As of February 28, 2006, our disposable shopping bags were 28.1% thinner than those used in 1999, while the number of bags used has decreased by 24.5% in comparison to 1999. In August 2005, all 309 Seven-Eleven stores in Aichi Prefecture participated in EXPO Eco-Money\*, a customer participation-based disposable shopping bag use reduction campaign.

We have begun participating, together with all convenience stores, in the “Disposable Shopping Bag Reduction Campaign,” which was announced by the Japan Franchise Chain Association in May 2006 with the goal of reducing annual per-store use of disposable shopping bags by 35% in comparison with 2000 by 2010. Campaign posters have been put up in stores, and we are asking for the cooperation of customers in reducing the use of disposable shopping bags.

### \* EXPO Eco-Money

The receipts of customers declining to use a disposable shopping bag are stamped. The stamped receipts can be collected and exchanged for eco-goods or donated to the tree-planting efforts of environmental organizations.

### Per-store use of disposable shopping bags



Poster for disposable shopping bags use reduction

We are requesting that our customers reduce their use of packaging materials, by establishing the “No Disposable Shopping Bag Card” and recommending simple packaging.

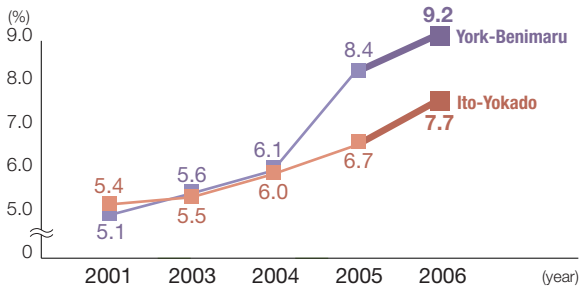
In addition to plastic and paper disposable shopping bags, Ito-Yokado and York-Benimaru use other packaging materials, such as the wrapping paper used by the service counters. Disposable shopping bags are the most heavily used of all packaging materials, and customer cooperation in reducing their use is enlisted through programs such as the “No Disposable Shopping Bag Card,” which is advertised at all cash registers. Customers receive a stamp on their card every time the refuse to use disposable shopping bags.

In addition, York-Benimaru sells “My Baskets,” which do not require repacking after cash register checkout. Ito-Yokado and York-Benimaru have also began their original tote bags at all stores, and have established careful rules about how many and what size disposable shopping bags are allowed to be given to customers.



Shopping tote bag sold at all stores

**Rate of disposable shopping bag refusal**

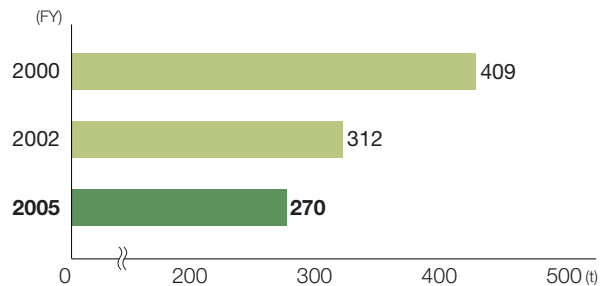


In addition to using “smart wrapping,” we also sell an original “Ecology Bag.”

Seibu Department Stores began selling our original “Ecology Bag” tote bag in our accessories and food sales floors in June 2000. This “eco-bag” is made from recycled plastic PET bottles, and was designed according to customer demand for a simple, functional design. In September 2002 we also began selling an insulated “cool bag” in response to customer demand, and in addition in September 2005 we introduced insulated cold-storage shopping carts.

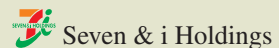
Sogo and Seibu Department Stores have also introduced the “Smart Wrapping” policy recommended by the Japan Department Stores Association. This policy emphasizes customer cooperation in avoiding any excess packaging by taking usage into consideration. All relevant employees at our stores and on our sales floors are well-versed in this policy. We will continue to work to reduce container and packaging use by actively recommending my bags and using “Smart Wrapping” at our stores.

**Volume of paper wrappers and shopping bags used (Seibu Department Stores)**



# Close Up

**Our Seven & i Holdings “Total Nationwide Cleanup Campaign” resulted in the collection of approximately 70 tons of trash.**



Seven & i Holdings launched the “Total Nationwide Cleanup Campaign” in June 2006 as part of our program of beautification efforts for local communities. On June 25, 2006, 32,395 employees, including Seven-Eleven franchise owners and employees and all employees of Ito-Yokado, York-Benimaru, Denny’s and other group companies

launched a cleanup of the areas around 10,462 group stores and offices. They gathered up approximately 70 tons of trash.



Scene from the June 25, 2006 “Total Nationwide Cleanup Campaign”

