

Seven & i Holdings will continue fulfilling our responsibilities to our shareholders by bolstering group performance and actively communicating with shareholders and other investors.

“We aim to be a sincere company that our shareholders trust.”—to achieve this first sentence of our corporate creed, we at Seven & i Holdings take actions from shareholders perspectives and strive to improve the Group’s financial strength, transparency and efficiency, as well as to secure steady profit growth and to expand and develop our group business.

In the year ended February 2007, with the objective of consolidating and restructuring restaurant operations, we established Seven & i Food Systems Co., Ltd., of which the three main operating companies in restaurant operations, namely Denny’s Japan Co., Ltd.; Famil Co., Ltd.; and

York Bussan K.K., became fully-owned subsidiaries. In September 2007, the three subsidiaries were merged. We will implement reorganization of our food service business and increase brand value of our restaurant and other food stores.

Our major initiatives during the current year include the launch of “nanaco,” the first original electronic money by a retail business operator; and of “Seven Premium” products, our private-label products jointly developed by our group companies.

With these and other programs, we will continue generating greater synergies across the Group.

Financial summary and shareholder returns

Consolidated financial results for the year ended February 2007

In the year ended February 2007, the second year of Seven & i Holdings, we saw substantial growth in our consolidated financial results: revenues from operations increased 37.0%, to ¥5,337.8 billion; operating income rose 17.1%, to ¥286.8 billion; and net income rose 51.7%, to ¥133.4 billion.

Status of shareholder returns

Our basic policy on shareholder returns is to provide a return of profits in line with profit growth. During the year

ended February 2007, we distributed interim dividend of ¥25.00 per share on August 31, 2006 and year-end dividend of ¥27.00 per share on February 28, 2007, an increase of ¥2.00 per share over our forecast.

We will maintain our target annual dividend of ¥50.00 per share and our target consolidated payout ratio of 35%.

Basic policy of shareholder returns

1. Provision of a return of profits in line with profit growth
2. Emphasis on dividend payout ratio
3. Future target of annual dividend: a ¥50.00 baseline

	FY ended February 2006 (actual)		FY ended February 2007 (actual)		FY ending February 2008 (target)	
	Seven & i Holdings (consolidated)	Percentage	Seven & i Holdings (consolidated)	Percentage	Seven & i Holdings (consolidated)	Percentage
Revenue from operations	¥3,895.7 billion	100%	¥5,337.8 billion	100%	¥5,755.0 billion	100%
Convenience store operations	¥2,015.2 billion	51%	¥2,249.6 billion	42%	¥2,330.0 billion	40%
Superstore operations	¥1,687.7 billion	43%	¥1,882.9 billion	35%	¥2,100.0 billion	36%
Department store operations	—	—	¥988.3 billion	18%	¥1,084.0 billion	19%
Food services	¥124.0 billion	3%	¥121.6 billion	2%	¥123.0 billion	2%
Financial services	¥82.2 billion	2%	¥100.2 billion	2%	¥125.0 billion	2%
Others	¥19.7 billion	1%	¥32.3 billion	1%	¥35.0 billion	1%
Eliminations/Corporate	(¥32.2 billion)	—	(¥37.4 billion)	—	(¥42.0 billion)	—
Operating income	¥244.9 billion	100%	¥286.8 billion	100%	¥300.0 billion	100%
Convenience store operations	¥209.8 billion	85%	¥206.0 billion	71%	¥207.0 billion	69%
Superstore operations	¥15.3 billion	6%	¥29.1 billion	10%	¥40.0 billion	13%
Department store operations	—	—	¥26.7 billion	9%	¥29.0 billion	10%
Food services	¥2.6 billion	1%	¥0.9 billion	0%	¥2.0 billion	1%
Financial services	¥17.2 billion	7%	¥24.5 billion	9%	¥19.5 billion	6%
Others	¥0.8 billion	1%	¥1.6 billion	1%	¥2.0 billion	1%
Eliminations/Corporate	(¥0.9 billion)	—	(¥2.2 billion)	—	¥0.5 billion	—
Net income	¥87.9 billion	—	¥133.4 billion	—	¥150.0 billion	—

Communication with shareholders and other investors

Toward an open shareholders meeting

Seven & i Holdings sends notice to shareholders of the annual meeting earlier than the statutorily required date to improve the vibrancy of the meeting and to facilitate smooth exercise of voting rights. For institutional investors, our notice of the annual shareholders meeting is posted on the membership websites of several trust banks.

At the second annual shareholders meeting of Seven & i Holdings held on May 24, 2007, there were 957 attendants.

Summary of the latest annual shareholders meeting

- Date: Thursday, May 24, 2007 ● Attendants: 957 persons
- Meeting duration: 81 minutes
- Voting rights exercised: 73.76%

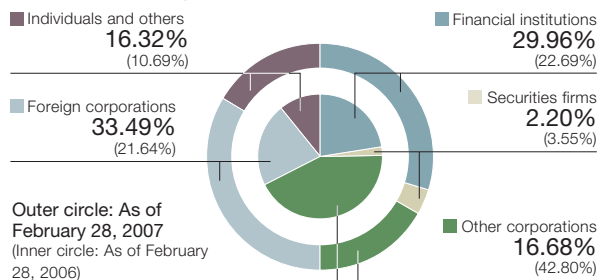
Fair and timely disclosure

At Seven & i Holdings, inquiries from shareholders are directly addressed by staff of the relevant department so as to ensure timely and appropriate responses. In addressing questions from investors, our staff members

pay due consideration to provide fair information and to avoid the leakage of insider information and to strictly comply with laws and regulations.

We are also focusing on investor relations programs to disclose adequate and appropriate information to individual investors, as well as institutional investors and financial analysts. In addition, our website includes relevant information for investors, such as financial results (*Kessan Tanshin*), financial statements filed (*Yuka-Shoken Houkokusho*), real-time disclosure information, and IR material of major operating companies.

Shareholder Composition



External recognition

Inclusion in SRI funds

In recent years, there has been growing attention to socially responsible investment (SRI), which combines social elements—including legal compliance, environmental conservation, employment retention and creation of employment, and contributions to local communities—with financial conditions and growth potential of a business from an investment perspective.

Seven & i Holdings has been included in a number of SRI funds that are highly recognized by both Japanese and overseas valuation firms.

Notably, we have been listed on FTSE 4 Good Global Index* since 2006. We will continue conducting our business responsibly, which will lead to greater enterprise value of our business and in turn steady shareholders returns.



* A SRI index developed by UK-based FTSE Group

FTSE4Good

Financial ratings

We use bond credit rating services by rating agencies to provide shareholders a referential indicator to help them understand the financial conditions of our group.

Excellent ratings by various agencies demonstrate that our financial strength, especially that of Seven & i Holdings, Seven-Eleven Japan and Ito-Yokado, is world class in the retail industry.

Credit Quality (as of August 31, 2006)

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

* Seven-Eleven Japan's short-term rating is its rating as the guarantor of 7-Eleven, Inc.'s commercial paper program (from January 2006).

Seven & i Holdings, led by the Group Synergy Committee, strongly promotes effective use of resources and business infrastructures within the Group to increase competitiveness

As the holding company of the Group, Seven & i Holdings is responsible for maximizing group-wide enterprise value. Accordingly, we are taking various measures to fulfill this duty.

For example, led by the Group Synergy Committee and its Group Merchandising Sub-Committee, we have been aggressively promoting a mechanism for collaboration among group companies since our foundation in September 2005. Such initiatives include joint sourcing of materials and collaborative sales and marketing of original products

developed by other Group members. This collaborative mechanism allows us to generate synergies among the Group, having each operating company draw on other group company's business infrastructure and expertise.

During FY 2006, we focused on the development of infrastructure for *nanaco* electronic money service. We also launched the Group Merchandising Reform Project in the year, under which our new group-wide private brand, *Seven Premium*, was rolled out.

Launch of electronic money service *nanaco* as the result of maximum leverage of group infrastructure

The first proprietary electronic money service by a Japanese retailer

In April 2007, Seven & i Holdings became the first retail group in Japan to launch an original electronic money service, *nanaco*. Since May, our customers enjoy shopping with *nanaco* at all Seven-Eleven stores in Japan.

Electronic money is an alternative payment tool that uses digitally coded cash equivalent, instead of real currency. Many businesses, including public transportation operators have introduced this new "money" because of its convenience without the burden of using cash.

Shoppers can use two types of *nanaco*: *nanaco Card* and *nanaco Mobile*. The former is an IC card issued by our Seven-Eleven stores, and the latter is available through "wallet phone" services provided by NTT Docomo, KDDI au and SoftBank Mobile. In either type, *nanaco* is a rechargeable pre-paid e-money system, which does not require credit card or bank account information.

Upgraded services to increase customer traffic

With *nanaco*, customers enjoy shopping without carrying cash at about 11,700 Seven-Eleven stores across Japan 24 hours a day. Each *nanaco* purchase awards points in accordance with the purchase value, and accumulated points can be converted into *nanaco* money. These benefits and user-friendliness are likely to increase the number of store visits by customers. For this reason, Seven & i Holdings intends to extend *nanaco* service to other stores in our group. In addition, we are planning to increase the convenience of *nanaco* to our customers with a roll-out of *nanaco* service outside of our group, and a tie-up with other point-awarding systems.



Launch of original electronic money, *nanaco*



Payment is completed by simply flashing a *nanaco Card* to reading devices at the checkout



Development of new private brand, *Seven Premium*, under the Group Merchandising Reform Project

Original brand products in pursuit of seven, premium offerings

Seven & i Holdings has developed the Group's private label brand, *Seven Premium*. We aim at developing and establishing a highly competitive private-brand product line both in terms of quality and price, resulting in greater profitability of each group company.

This original private brand of *Seven Premium* was created as a result of the broad-ranging practices and expertise our group companies have, including those of merchandise development, material procurement, production management, quality control, market information obtained from day-to-day business activities, and consumer needs learned from interaction with customers at our stores. Under this brand name, various products in the categories of instant noodles, beverages, confectionaries and snacks, seasonings and other packaged foods, as well as yogurts and fresh desserts have been, and will be developed. *Seven Premium* products initially went on the market in May 2007 with 49 items, which will be expanded into 300 items by the end of February 2008, and 1,000 to 1,200 items by the end of February 2011.



Seven Premium brand developed by a cross-company initiative, the Group Merchandising Reform Project

Seven, premium offerings by *Seven Premium*

1. Safety and quality assurance

Made at hygienic factories using selected material, the products are all safe, reliable and traceable.

2. Delicious

By thorough research on what makes food delicious, we strive to offer products the majority of consumers find tasty.

3. Locally tailored taste

Where appropriate, we adjust the tastes and manufacturing processes of the products, tailored to regional markets to please the taste buds of our customers in different areas.

4. Supreme technology

Joint product development with manufacturers of excellent technologies generates the products with supreme value for money.

5. Universal Design

The products feature easy-to-read standardized labeling and packaging designs. And the text information on the package is displayed in larger-than-usual letter sizes.

6. Support for healthy lifestyle

Calorie information is placed on the front of the product package to support the customers' health conscious lifestyle.

7. Reasonable prices

Economies of scale enable us to offer quality products at reasonable prices for daily shopping.

Collaboration across the Seven & i Group to increase competitive edges of operating companies

For the development of *Seven Premium* products, Seven & i Holdings launched the Seven & i Group Merchandising Reform Project in November 2006. A total of 76 members, mainly those in merchandise development, from Seven-Eleven Japan, Ito-Yokado, York-Benimaru, York-Mart, and Shell Garden were involved in this product development initiative.

Previously, each operating company developed its own original products and thus shared underlying market data or sales performance information of its private label brand with other group companies only to a limited extent.

However, the Project started with drawing on the information and experiences that each participating company has collected and accumulated, then analyzed this information from objective standpoints, and defined the envisioned brand positioning and quantitative quality targets of the products. At the same time, the Project has established a centralized system for the private brand of Seven & i Group, under which the entire process—from product development to procurement and to sales—is jointly carried out by the participating group companies. As a result, *Seven Premium* products achieve excellent quality and are priced at 70-80% of the prices of national brand equivalents, applying the economies of scale of our group to our material procurement, product distribution, and advertizing and marketing activities.

In addition, full-time quality control personnel are assigned to ensure timely communication and information sharing among the participating companies. Products and packaging material information, as well as manufacturing process sheets are managed centrally, under the unified quality control criteria, "Seven & i Holdings Standard."

The project members have brought their experiences and findings back to their respective companies, and will share them with their colleagues for future product development in other areas.



Sharing experience and expertise among merchandise developers of group companies

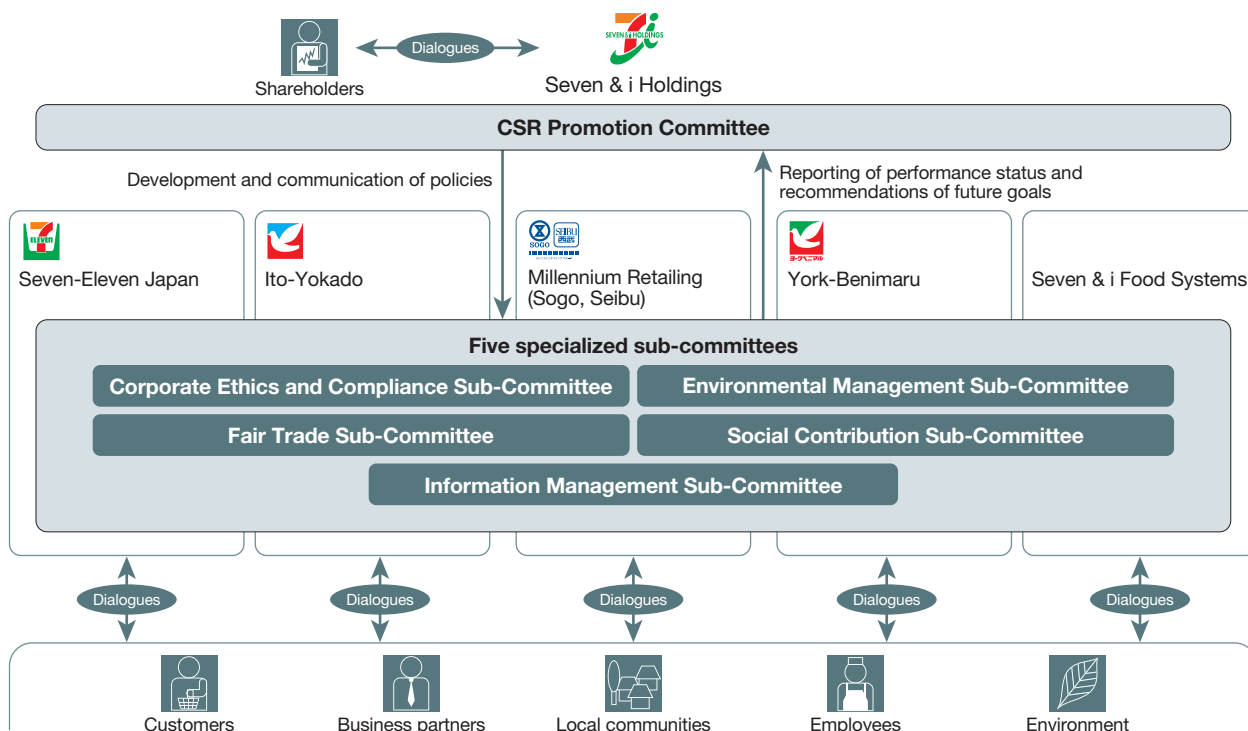
Seven & i Holdings have established the CSR Promotion Committee and its five specialized sub-committees that centrally review and assess the CSR activities of each operating company to make them socially responsible business operators.

Seven & i Holdings strongly believes that along with the responsibilities to our shareholders and to our operating companies, we have a responsibility to manage our operating companies to ensure they are responsible to their stakeholders.

With this belief in mind, we have established the CSR Promotion Committee and its five specialized sub-committees. They are taking the lead in the Group’s stakeholder engagement initiatives process, by facilitating

active dialogues between operating companies and their stakeholders, and incorporating obtained feedback from stakeholders into their business operation.

They also responsible for the management of plan-do-check-action (PDCA) cycle—checking the performance of each company and applying the check results to future group-wide management objectives and action plans—with regard to the Group’s CSR activities.



Establishing group-wide CSR targets and monitoring their progress with the management

For effective implementation of stakeholder engagement process, Seven & i Holdings have established the CSR Promotion Committee—which is led by the Chief Operating Officer and includes directors with related responsibilities—and its specialized five sub-committees. The Committee and its sub-committees provide oversight and guidance to ensure that all group companies, in accordance with *the Corporate Creed* and *the Seven & i Holdings Corporate Action Guidelines*, strictly observe all laws, regulations and social norms, and fulfill their responsibilities to stakeholders.

At the sub-committees, relevant staff members from operating companies and Seven & i Holdings share information on which issues and requests were raised by stakeholders and how the relevant operating companies respond to them. They also define specific and quantitative goals in the relevant areas both at the Group and operating company levels, evaluate the progress toward the goals, and report them to the Committee.

The Committee then studies the input from the sub-committees and develops new policies and action programs, when appropriate.