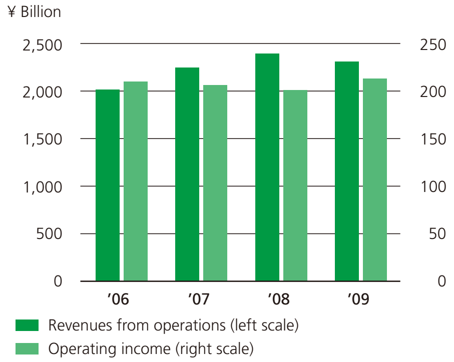
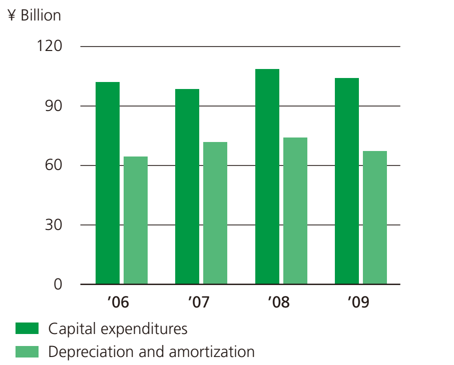
Convenience Store Operations

Revenues from Operations	
¥2,308.7 billion	
–3.6%	
Operating Income	
¥213.4 billion	
+6.1%	
Capital Expenditures	
¥104.2 billion	
–4.0%	

Revenues from Operations
Operating Income



Capital Expenditures
Depreciation and Amortization



OVERVIEW OF THE FISCAL YEAR

Seven-Eleven Japan (SEJ) extended its store network into new regions, increased the number of stores that sell freshly cooked fast food products prepared with in-store fryers, and enhanced the lineup of the Group's *Seven Premium* private-brand products. In addition, cigarette vending machines that verify the age of the customer by requiring *taspo* IC cards, which are only issued to adults, were introduced region by region from March through July 2008. As the regions with these machines expanded, in-store cigarette sales increased. Overall, SEJ's results were favorable. In North America, the business environment was sluggish and the appreciation of the yen adversely affected the consolidation of the results of 7-Eleven, Inc. (SEI). Nonetheless, SEI strengthened development and sales of hot foods and private-brand products, leading to higher merchandise sales, and costs were reduced. Moreover, the gross profit on gasoline improved substantially. As a result, results in North America were favorable. Consequently, in the fiscal year ended February 28, 2009, the convenience store segment's revenues from operations were ¥2,308.7 billion, down 3.6%, while operating income was ¥213.4 billion, up 6.1%. Capital expenditures totaled ¥104.2 billion, down 4.0%, and depreciation and amortization was down 9.1%, to ¥67.3 billion.

Domestic Operations

In the fiscal year ended February 28, 2009, SEJ recorded total store sales, which comprise corporate and franchised store sales, of ¥2,762.6 billion, up 7.3%; revenues from operations of ¥540.8 billion, an increase of 2.5%; and operating income of ¥178.1 billion, an increase of 5.9%.

In store initiatives, in addition to pursuing its dominance strategy in areas with existing stores, SEJ also began to open stores in a new area, the Hokuriku region. Overall, SEJ opened 874 stores and closed 610, principally due to the aggressive relocation of stores to more favorable sites. Furthermore, to meet diversifying consumer needs through convenience store operations, SEJ also opened small-scale stores in such locations as companies, hospitals, factories, and schools. Consequently, the domestic network at fiscal year-end covered 37 of Japan's 47 prefectures with 12,298 stores, an increase of 264 stores from the end of the previous fiscal year. The introduction of *taspo* had a favorable effect, and average daily sales per store were up ¥32 thousand, to ¥629 thousand, while for newly opened stores, average daily sales were up ¥38 thousand, to ¥555 thousand.

In merchandising, we worked to expand the lineup of *Seven Premium* products. At the same time, the number of stores that offer freshly cooked fast food products prepared with in-store fryers increased from about 2,700 stores at the end of February 2008 to about 8,800 stores at the end of February 2009. In new services, we launched *Seven-Eleven Net* in July 2008. This service, which allows orders to be placed over the Internet and picked up at a store, features an extensive product lineup, including about 3,000 alcoholic beverages. We aggressively expanded *Seven-Eleven Net* as a new service that supplements in-store product lineups as well as integrates Internet and real stores.

North America Operations

In the fiscal year ended December 31, 2008, after conversion to Japanese-style presentation, with an exchange rate of ¥103.48 to U.S.$1.00 for the period, SEI had revenues from operations of ¥1,742.4 billion, down 5.5%, and operating income of ¥34.7 billion, up 9.4%. The exchange rate used in consolidation reflected the appreciation of the yen by ¥14.37 in comparison with the previous year. This change had a negative effect of ¥240.0 billion on revenues from operations and ¥5.0 billion on operating income. On a dollar basis, however, revenues from operations and operating income increased 7.6% and 24.6%, respectively. A number of factors contributed to these results. Favorable performances were recorded by hot foods heated in new ovens and by private-brand products. Excluding the influence of the U.S. federal excise tax refund that was recorded as sales in the previous fiscal year (0.5 percentage point reduction in merchandise sales at existing U.S. stores on an annual basis, recorded as special income in consolidated accounts), the rate of growth in merchandise sales at existing U.S. stores was favorable, at 0.9% on a real basis. In addition, at overseas subsidiaries, because the LIFO method is used for the evaluation of inventories, the substantial decline in the cost of gasoline at the end of the fiscal year led to a significant increase in gross profit on gasoline sales. Also, due to such factors as the conversion of corporate stores to franchises, lower costs, principally labor costs, were a factor in the improved profitability.

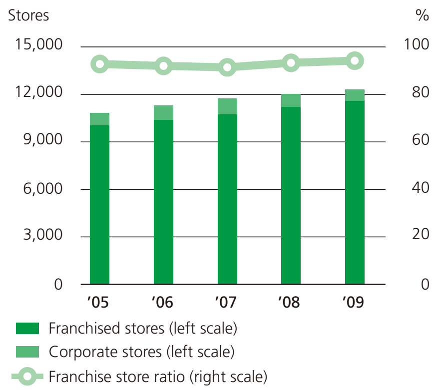
In North America, as a result of the acceleration of new store openings and the aggressive conversion of corporate stores to franchise stores, as of December 31, 2008, the number of stores was 6,196, an increase of 108 stores, including 4,220 franchise stores, an increase of 179.

OUTLOOK AND INITIATIVES FOR 2010

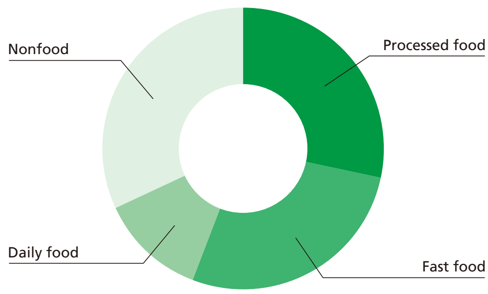
For the fiscal year ending February 28, 2010, the segment is forecasting revenues from operations of ¥2,020.0 billion, down 12.5%, and operating income of ¥207.5 billion, a decrease of 2.7%. Capital expenditures are forecast at ¥115.0 billion, up 10.3%, and depreciation and amortization at ¥68.0 billion, up 1.0%. These forecasts assume an exchange rate of ¥95.00 to U.S.$1.00 for the period, reflecting an assumption of appreciation of the year of ¥8.48 compared with the previous year. Accordingly, the appreciation of the yen is expected to have the effect of decreasing revenues from operations by ¥130.0 billion and operating income by ¥3.5 billion. In addition, a change in Japanese accounting standards will lead to about ¥7.5 billion in new goodwill amortization.

Seven-Eleven Japan

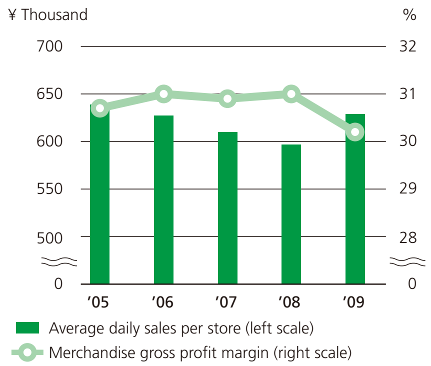
Number of Stores



Sales by Product Category



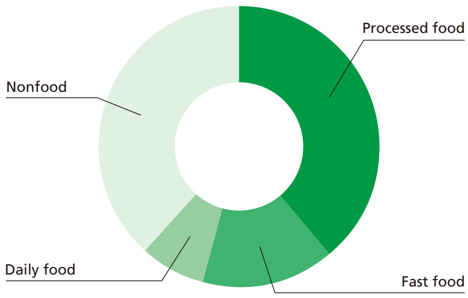
Average Daily Sales per Store
Merchandise Gross Profit Margin



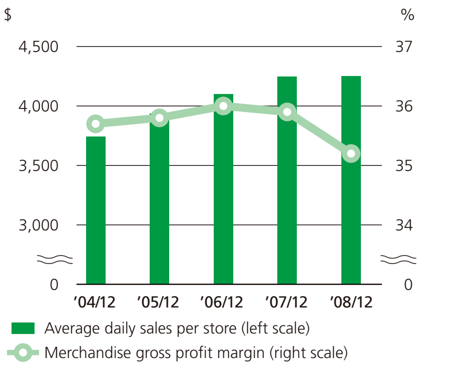
7-Eleven, Inc.

Number of Stores

Sales by Product Category



Average Daily Sales per Store
Merchandise Gross Profit Margin



Domestic Operations

By stepping up store openings, expanding new product categories, and bolstering Internet-based sales through new sales methods, SEJ will strive to achieve stable growth, even in an environment marked by the absence of the favorable *taspo* effect.

In store initiatives, SEJ will continue to aggressively open stores in favorable locations in urban areas as well as in new regions. 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 720 stores, centered on closures of corporate stores as well as closures of stores with weak sales under the scrap-and-build initiative.

In merchandising, SEJ will build on its strength in fast foods. Plans call for an increase in the number of stores selling freshly cooked fast food products prepared with in-store fryers to about 11,000 stores. Moreover, to meet the needs of women in their 40s to 50s who have not previously been core customers of convenience stores, we will strengthen the lineup of products that are regularly used in the household (processed foods, daily foods, and sundries), including *Seven Premium* products. At the same time, we will work to acquire new groups of customers by offering national-brand products at reasonable prices. In addition, against a background of overwhelming sales of products on an item-by-item basis, we will change raw materials and leverage our economies of scale in cost negotiations, aiming to improve the gross profit margin. In addition, we also place a high degree of importance on the development of regional products in cooperation with local farmers, stockbreeders, and manufacturers. For example, cream puffs made with locally produced milk have been a hit product. Moving forward, we will aggressively develop products that are closely linked to local communities.

In sales, we will expand the lineups of *Seven Premium* products and of products available through *Seven-Eleven Net*. The distinctive features of *Seven-Eleven Net* include (1) the convenience of being able to order products over the Internet and pick them up at a nearby store at a time that is convenient for the customer, and (2) free delivery for orders picked up at the store. In the future, with the Internet business market expected to continue to grow, we will strengthen *Seven-Eleven Net* as a new sales method that integrates our infrastructure of about 12,000 stores and the Internet.

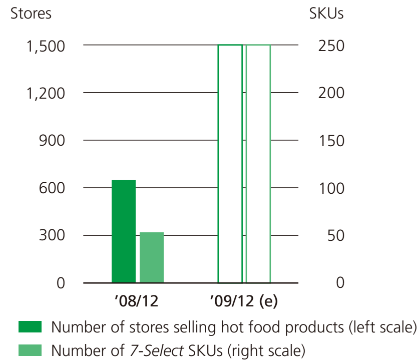
North America Operations

SEI will bolster product lineups on a store-by-store basis, strengthen the opening of A-type stores, and advance the conversion of corporate stores to franchises. In this way, SEI will strive to increase investment efficiency, further raise profitability, and improve the operating margin despite the difficult business conditions.

In store initiatives, SEI will strive to open 200 stores a year, centered on A-type stores, which have lower start-up investment costs than C-type stores. Also, by continuing to aggressively convert corporate stores to franchise stores, SEI will continue to improve profitability, centered on labor cost savings stemming from workforce reductions.

In merchandising, SEI will aggressively work on the development of new product lines. In particular, SEI will focus on the lineup of hot foods and on expanding the number of items in the *7-Select* private-brand lineup. Plans call for increasing the number of stores handling hot foods from 650 at the end of December 2008 to 1,500 by the end of December 2009, an increase of 850 stores. *7-Select* private-brand products are highly competitive offerings with prices 10% to 20% less than national-brand products and average gross profit margins of 55%, about 10 percentage points higher than national-brand products. In the fiscal year ending December 31, 2009, SEI plans to expand the lineup of these products to 250 items, up from 53 items at the end of December 31, 2008, centered on processed foods and sundries.

Number of Stores Selling Hot Food Products
Number of *7-Select* SKUs



Private-brand *7-Select* products provided by SEI

Hot food provided by SEI

Fast food provided by SEB

China Operations and Others

In China, we will move ahead with full-scale store openings and expand the 7-Eleven brand.

SEVEN-ELEVEN BEIJING (SEB) has devoted resources to fast food products prepared in store. As a result, SEB's stores have garnered the support of many customers, with average daily sales per store reaching about five times the level of local convenience stores. Currently, fast foods are contributing to nearly 50% of total sales, and SEB will continue to focus on enhancing its competitiveness in this field. In store initiatives, meanwhile, SEB will continue working to enhance the quality of store management and will move forward with preparations for franchise development. In the future, we will consider opening stores in new areas outside of Beijing.

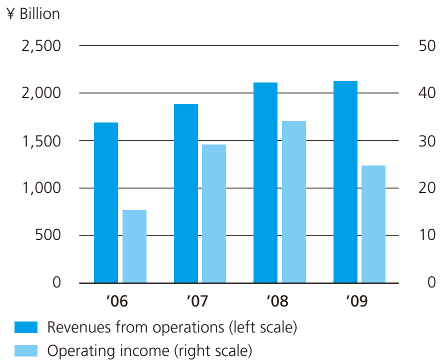
As master licensor for all of China, SEVEN-ELEVEN CHINA (SEC) will aggressively advance the development of 7-Eleven in China. The first phase of that development was the commencement of store openings in Shanghai in April 2009. In this initiative, SEC will establish a competitive advantage in the highly competitive Shanghai market by using the store management know-how of SEB, which has achieved high daily sales results.

Also, with the objective of strengthening relationships with area licensees in each country and sharing with those licensees SEJ's advanced store management and product development know-how, in March 2009, we held the first Licensee Leader Summit, which brought together in Japan the area licensees from 15 countries and regions. The summit provided an opportunity for area licensees from each country to absorb know-how from SEJ, and we believe that it will increase the value of the global 7-Eleven brand by increasing the level of store operations and product development capabilities. In regard to store openings in new areas, we are planning to develop operations in Indonesia through an area licensee.

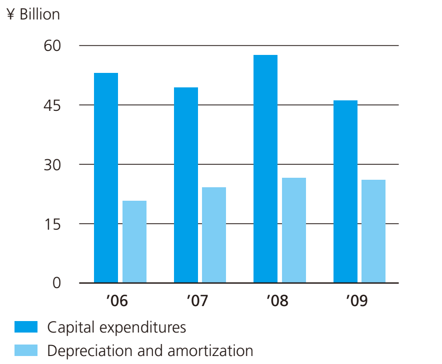
Superstore Operations

Revenues from Operations	
¥2,125.0 billion	+0.8%
Operating Income	
¥24.7 billion	–27.4%
Capital Expenditures	
¥46.1 billion	–20.0%

Revenues from Operations
Operating Income



Capital Expenditures
Depreciation and Amortization



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2009, the superstore segment's revenues from operations were ¥2,125.0 billion, up 0.8%, and operating income was ¥24.7 billion, down 27.4%. In food, we strengthened sales and expanded the lineup of *Seven Premium* products. In addition, due in part to our efforts to respond to the trend toward dining at home, sales at food supermarkets and the food sections of superstores recorded favorable results. On the other hand, with economic conditions sluggish, results in apparel and household goods were weak. Capital expenditures totaled ¥46.1 billion, down 20.0%, and depreciation and amortization was down 1.3%, to ¥26.1 billion.

Superstore Operations

Ito-Yokado is the core operating company in the superstore division. In the fiscal year ended February 28, 2009, Ito-Yokado recorded revenues from operations of ¥1,462.7 billion, down 1.8%, and operating income of ¥9.6 billion, a decrease of 44.1%. Ito-Yokado opened two stores and closed three. Consequently, the number of stores at fiscal year-end was 175, a reduction of one store from the previous fiscal year-end. In the year under review, Ito-Yokado made progress with new format stores. After remodeling existing stores, we reopened two locations as THE PRICE discount stores, which are centered on food, and one as a Seven Home Center, an urban-style home center, which was reopened in the Ito-Yokado Kanamachi store after a remodeling.

By product category, Ito-Yokado's apparel sales in the year under review were down 4.5%, to ¥265.7 billion; sales of household goods fell 6.9%, to ¥236.0 billion; and sales of food increased 1.5%, to ¥680.6 billion. Factors behind the favorable results in food include the expansion of *Seven Premium* products and the response to the trend toward dining at home. However, in apparel and household goods, the economic situation led to weak demand for nonessential items, and unit prices declined substantially, leading to the sluggish performance.

Food Supermarket Operations

York-Benimaru is the core operating company in the food supermarket division. In the fiscal year ended February 28, 2009, York-Benimaru registered revenues from operations of ¥348.9 billion, up 5.7%, and operating income of ¥11.7 billion, an increase of 4.3%. In addition to providing fresh foods that are fresh and reasonably priced, we aggressively worked to promote sales of *Seven Premium* products. As a result, sales were favorable. In profits, thorough management of store operations—including sales plans by time slot and work plans—resulted in improvements in costs, and favorable profits were recorded. York-Benimaru opened nine stores and closed two. Consequently, the number of stores at fiscal year-end was 156, an increase of seven stores from the previous fiscal year-end.

By product category, York-Benimaru's sales of food increased 7.8%, to ¥249.0 billion; sales of apparel were down 4.6%, to ¥18.4 billion; and sales of household goods declined 0.1%, to ¥18.7 billion.

China Operations

In Beijing, our network comprises eight superstores, an increase of one from the previous fiscal year-end, and one food supermarket, a decline of one from a year earlier. In Chengdu, Sichuan Province, we have three superstores.

In China, a high level of profitability has been maintained at stores in both Beijing and Chengdu as a result of the continued focus on products and services that meet local customer needs. Recent trends include sluggish economic growth following the Beijing Olympic Games and, under the influence of the global economic crisis, comparatively sluggish growth of existing store sales. Nonetheless, favorable growth in profits has been maintained in Chengdu.

OUTLOOK AND INITIATIVES FOR 2010

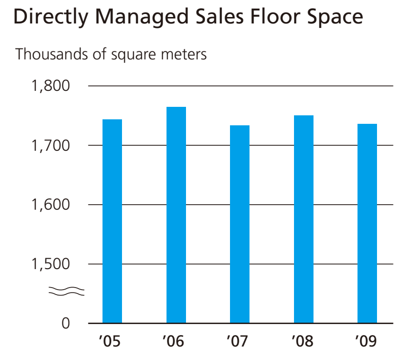
For the fiscal year ending February 28, 2010, the segment is forecasting revenues from operations of ¥2,120.0 billion, down 0.2%, and operating income of ¥32.5 billion, an increase of 31.4%. Capital expenditures are forecast at ¥56.0 billion, up 21.6%, and depreciation and amortization at ¥25.3 billion, down 3.1%.

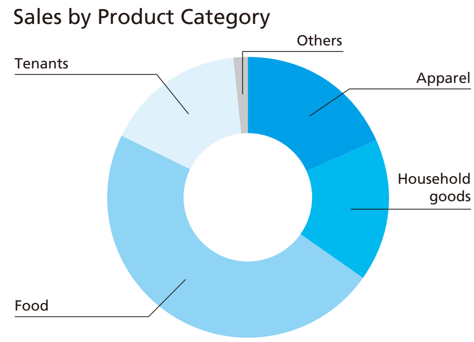
Superstore Operations

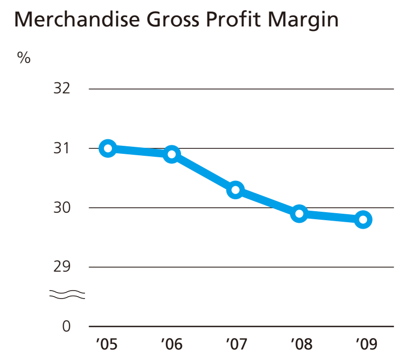
We will take steps to rebuild the profit structure through decisive reorganization measures.

In store initiatives, we will open three stores, including stores that handle only food, which is one of our strengths. Furthermore, we will also steadily implement reorganization measures, principally changes in format for unprofitable stores. Specifically, we will convert 20 existing stores—10 in the first half of the fiscal year and 10 in the second—to the THE PRICE discount store format. In addition, we will move ahead with the conversion of stores to the urban-style home center format. At the two stores that were converted to the THE PRICE format in the previous year, the format conversion has produced favorable sales. Sales have increased about 30% from the period when these facilities were former Ito-Yokado stores, and the stores are profitable. Also, in large stores, we are considering joint store openings, centered

Ito-Yokado

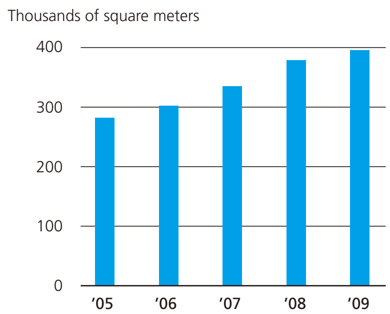




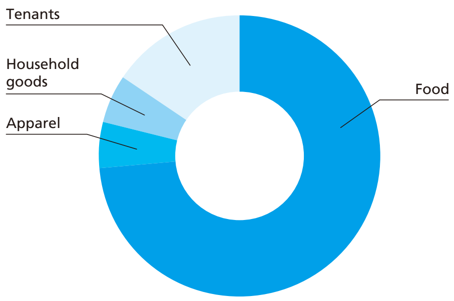


York-Benimaru

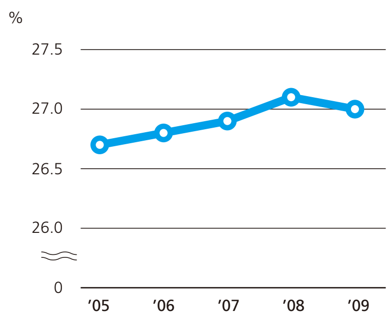
Directly Managed Sales Floor Space



Sales by Product Category



Merchandise Gross Profit Margin



on Akachan Honpo, the Group's baby and children's products specialty store operations, and Seven Health Care drug store operations. In store closures, we will close one store in the first half, followed by additional closures in the second half.

We will also continue to reduce costs, cutting about ¥8.0 billion from yearly expenses, centered on store operational expenses and sales promotion expenses. Specifically, increases will total about ¥11.0 billion, including about ¥6.5 billion from store openings and remodeling and about ¥4.5 billion from increasing pension expenses. On the other hand, cost reductions from store closures in the previous year and revised rents will total about ¥6.0 billion, savings from greater efficiency in sales promotion expenses will be about ¥5.0 billion, and reductions in labor expenses, head office expenses, and other expenses will be about ¥8.0 billion.

In merchandising, we will continue to bolster the *Seven Premium* lineup of food products and household goods. In apparel, in a difficult environment marked by declining market prices, we will move ahead with the development of products at reasonable prices by strengthening product development under the SPA model (specialty store retailer of private label apparel). At the same time, we will work to improve gross profit margins. We will also expand producing regions to include not only China but also such countries as Bangladesh and Vietnam, and in apparel procurement, we plan to increase the percentage of direct overseas procurement by about two times from the previous year, to more than 30%.

In sales, we will continue to focus on the *Net Supermarket* as a new sales method. A distinctive feature of this service is that customers can place an order over the Internet and designate a delivery time on the same day, within a two-hour slot. Also, because individual stores play the lead role in the operation of this system, customers have the security of knowing that products are picked by employees from each sales area. In addition, another point of differentiation from competitors is that bargains advertised on flyers can be purchased through *Net Supermarket*. With its high level of convenience, *Net Supermarket* has recorded a rapid rise in the number of members, which reached 330 thousand at the end of February 2009, compared with 180 thousand a year earlier.

Food Supermarket Operations

We will work to expand market share in each area against a backdrop of favorable results.

In store initiatives, we will aggressively open new stores—nine York-Benimaru stores and four York Mart stores—and work to expand market share in southern Tohoku and the Tokyo metropolitan areas.

In merchandising, we will continue to bolster *Seven Premium* and provide products, centered on fresh foods, that compare favorably with those of competitors in the areas of freshness, flavor, safety, and security while simultaneously offering attractive prices.

Moreover, as one facet of initiatives to bolster food supermarket operations, we will move forward with the reorganization and consolidation of the supermarket operations of York-Benimaru and York Mart. Specifically, we will take steps to build a system that can leverage synergy effects, such as streamlining the organization through the consolidation of head office functions and sharing merchandising policy and store management know-how. York-Benimaru has maintained an operating margin of 4.0% for the past several years, and we have been introducing York-Benimaru's store management know-how into York Mart. As a result, York Mart's operating margin, which was 1.8% in the fiscal year ended February 2006, improved to 2.8% in the fiscal year ended February 2009.

China Operations

We will strive to achieve further increases in profits in China, which is undergoing rapid development.

In store initiatives, we plan to open stores, targeting a nine-store network in Beijing and a four-store network in Chengdu. We are making substantial progress toward the China store network that we initially planned.

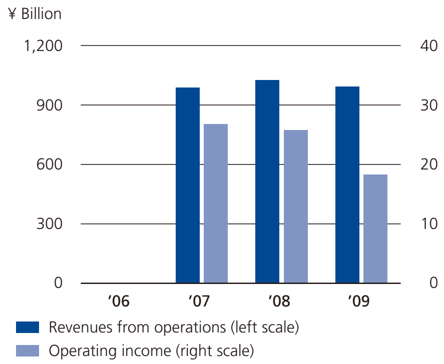
In the future, targeting further improvement in profits, we will work to meet new customer needs by reevaluating existing products, developing high-quality merchandise, and aggressively introducing new products. Also, by advancing presentation and sales strategies that emphasize product value, we will clarify points of differentiation with competing stores that are strongly focused on low prices.

Also, to further raise customer-drawing power, we will work to create sales areas that meet customer needs that differ by time slot and to raise the level of service, such as sampling and offering meal proposals. In this way, we will strive to create sales area environments in which customers can enjoy comfortable shopping.

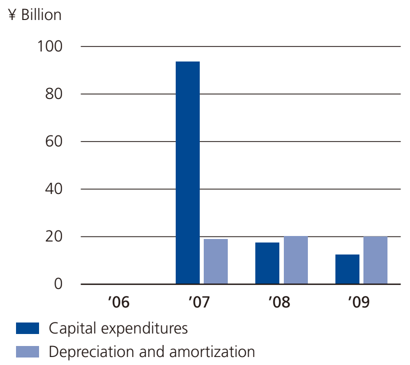
Department Store Operations

Revenues from Operations
¥993.9 billion
–3.1%
Operating Income
¥18.3 billion
–28.8%
Capital Expenditures
¥12.5 billion
–28.8%

Revenues from Operations
Operating Income



Capital Expenditures
Depreciation and Amortization



Note: Capital expenditures in the fiscal year ended February 2007 included cost of repurchasing securitized real estate for stores (about ¥49 billion).

OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2009, the department store segment's revenues from operations were ¥993.9 billion, down 3.1%, and operating income was ¥18.3 billion, down 28.8%. We implemented store-remodeling initiatives, took steps to leverage Group synergies, and moved ahead with reforms in food sales areas. However, due in part to the influence of lower asset values stemming from the slumping stock market, sales were sluggish, especially in apparel and high-priced items. Capital expenditures totaled ¥12.5 billion, down 28.8%, and depreciation and amortization was down 0.7%, to ¥20.0 billion.

Department Store Operations

Sogo and SEIBU took steps to respond to the changing market conditions and customer needs. To that end, Sogo Hachioji was reopened in March 2008 after a complete remodeling, and the flagship SEIBU Ikebukuro store was reopened in October 2008 after the remodeling of key sales areas for women's miscellaneous goods and young and working women's fashion. In addition, targeting the expansion of Group synergy effects, the Group Synergy Project was started in Millennium Retailing in October 2008. We have established an organizational structure that will ensure smooth cooperation among the Group's operating companies. Furthermore, in January 2009, we launched the SEIBU Fresh Food Project. Beginning with the food sales area at SEIBU Ikebukuro, we began to aggressively introduce know-how through such means as personnel exchanges with Ito-Yokado and York-Benimaru.

However, accompanying the significant stock market fluctuations, asset prices declined and consumer sentiment worsened, leading to an increasingly difficult operating environment for department stores. In this setting, special events, such as regional product fairs, did comparatively well, but overall sales were sluggish, especially sales of apparel and of fine arts, jewelry, and other high-priced items.

As a result, in the fiscal year ended February 28, 2009, Sogo recorded revenues from operations of ¥482.1 billion, down 4.0%, and operating income of ¥12.0 billion, a decrease of 26.1%. For the same period, SEIBU recorded revenues from operations of ¥450.7 billion, down 3.7%, and operating income of ¥11.2 billion, a decrease of 26.9%.

OUTLOOK AND INITIATIVES FOR 2010

For the fiscal year ending February 28, 2010, the segment is forecasting revenues from operations of ¥955.0 billion, down 3.9%, and operating income of ¥14.8 billion, a decrease of 19.3%. Capital expenditures are forecast at ¥22.2 billion, up 78.1%, and depreciation and amortization at ¥17.8 billion, down 11.0%.

Department Store Operations

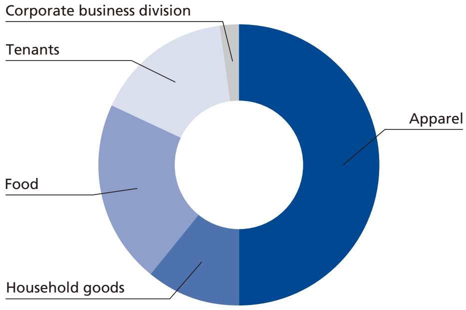
In department store operations, we will implement restructuring measures with the objectives of concentrating management resources and increasing asset efficiency.

In August 2009, Sogo, SEIBU, and Millennium Retailing will merge, with Sogo as the surviving company. Cost savings will be realized through the concentration of head office functions, and the 28 stores will be divided into East and West Japan, facilitating increased negotiating power with suppliers, centered on the five largest stores by sales. In this way, we will enhance the lineups of focus products and best-selling products as well as other products. Also, the flagship SEIBU Ikebukuro store, which generates about 70% of SEIBU's operating income, is a large terminal department store at a railway and subway station that is used daily by more than 2.6 million people. As such, we will continue working to make full use of the store's favorable location. In particular, we will give priority to the implementation of remodeling measures in the food sales area, where the Group's know-how can be rapidly applied. In addition, in the second half of the fiscal year we will take steps to improve profitability through the implementation of the second phase of remodeling. Moreover, as one facet of measures to raise asset efficiency, we plan to sell Sogo Shinsaibashi in September 2009. In regard to other stores, we will carefully analyze profitability and consider responses, including format changes.

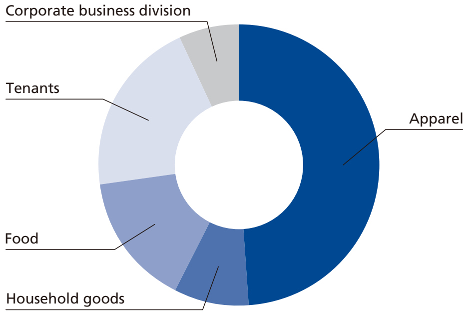
We will also continue to reduce costs, cutting about ¥5.0 billion from annual expenses, primarily through store closures and savings related to the merger of the three companies. Specifically, during the fiscal year ending February 2010, we will spend about ¥2.0 billion on the remodeling of SEIBU Ikebukuro, but we will also achieve cost savings of about ¥3.5 billion from the closure of Sogo Shinsaibashi, as well as about ¥3.5 billion in savings from the merger of the three companies and from reductions in sales promotion expenses.

Initiatives in the area of Group synergies include the Group Synergy Project, which was launched in the second half of the previous fiscal year. The project will first be applied in food, where the Group has comprehensive strengths, and will be implemented with a focus on rapid results. To revitalize the food sales area at SEIBU Ikebukuro, we have already sought the cooperation of each Group operating company. By introducing products that are frequently used in daily life but were not previously available in the department stores, we will create new sales areas that have not previously existed in department stores. In addition, we will also move forward simultaneously with multiple-format operations in Sogo and SEIBU, such as Group specialty stores Akachan Honpo, which offers baby and children's products, and Oshman's Japan, a sporting goods store.

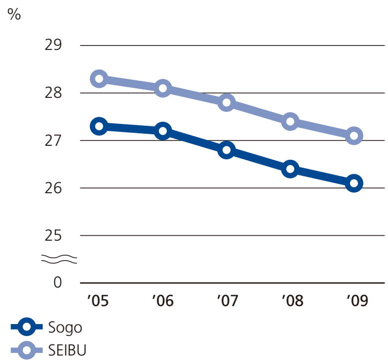
Sales by Product Category (Sogo)



Sales by Product Category (SEIBU)



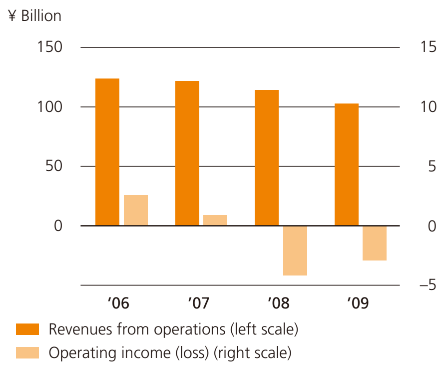
Merchandise Gross Profit Margin



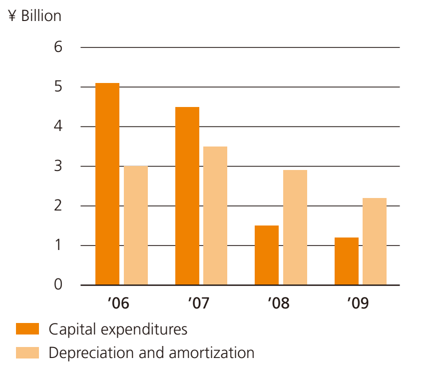
Food Services

Revenues from Operations	
¥102.7 billion	**–9.9%**
Operating Loss	
¥–2.9 billion	
Capital Expenditures	
¥1.2 billion	**–23.8%**

Revenues from Operations
Operating Income (Loss)



Capital Expenditures
Depreciation and Amortization



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2009, the food services segment's revenues from operations were ¥102.7 billion, down 9.9% year on year, and the segment's operating loss was ¥2.9 billion. We implemented a number of measures during the year under review, principally in the restaurant division. We closed 88 stores, centered on unprofitable stores, and took steps to reduce costs. We also worked to revitalize existing stores by bolstering efforts to develop economically priced menu items. However, despite signs of improvement in certain areas, such as greater customer numbers, the operating environment remained challenging, and overall results were weak. Capital expenditures totaled ¥1.2 billion, down 23.8%, and depreciation and amortization was down 23.9%, to ¥2.2 billion.

OUTLOOK AND INITIATIVES FOR 2010

For the fiscal year ending February 28, 2010, forecasts for the segment call for revenues from operations of ¥94.5 billion, down 8.0%, and an operating loss of ¥1.0 billion. Capital expenditures are forecast at ¥1.8 billion, up 52.8%, and depreciation and amortization at ¥1.7 billion, down 23.1%.

Food Services

We will work to improve the profit structure through continued structural reforms and to make progress toward an early return to profitability.

To that end, we will continue to close unprofitable stores. In the restaurant division, we plan to close 70 stores, about the same level as in the year under review. On the other hand, at existing stores, we will strive to maintain customer numbers, which have followed a growth trend since the previous year, while implementing measures to increase the amount of spending per customer.

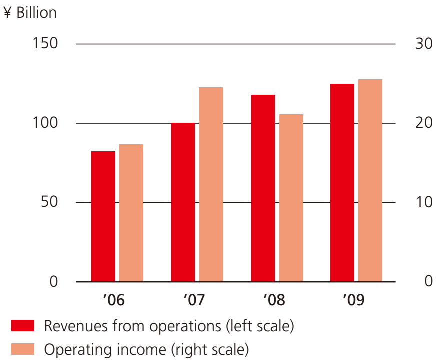
We will continue to reduce costs, cutting about ¥7.0 billion from yearly expenses, centered on store closures and labor cost savings. Moreover, we will aggressively take on the challenges of developing new formats. We plan to build a low-cost, low-price format and convert existing stores to that format on an experimental basis, and we also plan to open new types of stores in urban areas.

Furthermore, we are also preparing to develop operations in China. By entering the market in China, where there is a notable trend toward higher consumer standards in regard to food, we will create new growth opportunities in food services.

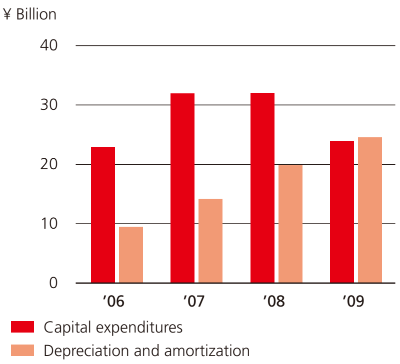
Financial Services

Revenues from Operations	
¥124.9 billion	**+5.9%**
Operating Income	
¥25.5 billion	**+20.9%**
Capital Expenditures	
¥23.9 billion	**–25.2%**

Revenues from Operations
Operating Income



Capital Expenditures
Depreciation and Amortization



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2009, the financial services segment's revenues from operations were ¥124.9 billion, up 5.9%, and operating income was ¥25.5 billion, up 20.9%. In ATM operations, Seven Bank continued to advance ATM installations in the year under review, not only at Group stores but also at stores outside the Group. At the end of February 2009, Seven Bank had 13,755 installed ATMs, an increase of 738 from a year earlier, and the daily average transactions per ATM during the fiscal year was strong, reaching 114.0 transactions, an increase of 5.7 transactions from the previous year. In credit card operations, we continued to focus on expanding the use of *nanaco* electronic money inside and outside the Group. The number of stores at which *nanaco* can be used had expanded to about 23,000 by February 28, 2009. Capital expenditures totaled ¥23.9 billion, down 25.2%, and depreciation and amortization was up 24.1%, to ¥24.5 billion.

OUTLOOK AND INITIATIVES FOR 2010

For the fiscal year ending February 28, 2010, the segment is forecasting revenues from operations of ¥110.0 billion, down 11.9%, and operating income of ¥29.3 billion, an increase of 15.0%. Capital expenditures are forecast at ¥22.0 billion, down 8.1%, and depreciation and amortization at ¥21.6 billion, down 12.0%.

ATM Operations

Seven Bank will work to further expand the scope of its ATM operations.

First, in expanding the ATM network, Seven Bank will install second ATM units at SEJ stores that have high levels of ATM transactions, and will also expand installation among Group stores. At the same time, Seven Bank will continue to steadily expand installations of ATMs in public facilities with frequent ATM usage, such as airports, hotels, and hospitals. Seven Bank will also continue to move forward with the operation and management of ATMs on behalf of other financial institutions, leveraging these services as an opportunity to expand the ATM network outside the Group.

Credit Card Operations

We will work to expand and enhance *nanaco*.

First, we will work to quickly achieve 10 million members in *nanaco* through measures to expand and enhance usage. To that end, we will take steps to increase convenience, such as expanding the range of stores where *nanaco* can be used, both inside and outside the Group, and expanding point tie-up arrangements with other companies.

In credit card operations, we will work to enhance our profit structure. Specifically, we will strive to achieve profitability in credit card operations as soon as possible by implementing a range of cost-reduction measures, such as low-cost member acquisition, and discontinuing the issuance of high-cost temporary cards.