



# Breaking New Ground in Retail

## Annual Report 2009

Seven & i Holdings Co., Ltd.

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To record steady growth no matter how difficult the environment, we need to invest aggressively in businesses with growth potential and to implement fundamental structural reforms in the businesses that are struggling.

In terms of new growth drivers, I believe it is important for us to draw on our unique characteristics as a corporate Group encompassing a wide range of business formats in order to strengthen synergy initiatives and take on the challenge of new growth opportunities.

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**For the latest information about the Company, please refer to the following web sites.**

<http://www.7andi.com/en/ir/index.html> (English)

<http://www.7andi.com/ir/index.html> (Japanese)

## FORWARD-LOOKING STATEMENTS

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



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

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

From its base in Japan, North America, and China, the Company operates a network of approximately 20,000 stores that extends around the world (including convenience store area licensees, approximately 37,300 stores). With revenues from operations of approximately ¥5.6 trillion, Seven & i Holdings is one of Japan's leading retail groups.

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

# Financial Highlights

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

	Millions of yen				Thousands of U.S. dollars (Note A)
	2009	2008	2007	2006 (Note B)	2009
<b>For the fiscal year:</b>					
Revenues from operations .....	¥ 5,649,949	¥5,752,393	¥5,337,807	¥3,895,772	\$57,652,541
Operating income .....	281,866	281,088	286,838	244,940	2,876,184
Income before income taxes and minority interests .....	215,115	227,442	243,060	178,518	2,195,051
Net income .....	92,337	130,658	133,419	87,931	942,214
Capital expenditures (Note C) .....	188,944	217,738	278,389	185,354	1,928,000
Depreciation and amortization (Note D) .....	140,529	143,643	132,693	97,811	1,433,969
Cash flows from operating activities .....	310,007	465,380	157,209	217,326	3,163,337
Cash flows from investing activities .....	(139,569)	(237,185)	(235,983)	(388,080)	(1,424,174)
Cash flows from financing activities .....	(169,755)	(130,137)	37,241	103,093	(1,732,194)
Free cash flows (Note E) .....	170,438	228,195	(78,774)	(170,754)	1,739,163
<b>At fiscal year-end:</b>					
Total assets .....	¥3,727,061	¥3,886,680	¥3,809,192	¥3,424,879	\$38,031,235
Total net assets .....	1,860,673	2,058,039	1,969,149	1,717,881	18,986,459
Owners' equity (Note F) .....	1,785,190	1,985,019	1,906,798	1,603,684	18,216,224
			Yen		U.S. dollars (Note A)
<b>Net income per share:</b>					
Basic .....	¥100.54	¥137.03	¥142.90	¥100.83	\$1.03
Diluted .....	100.54	—	—	—	1.03
<b>Cash dividends declared per share of common stock (Note G) .....</b>					
	¥56.00	¥54.00	¥52.00	¥28.50	\$0.57
<b>Ratios:</b>					
Operating income ratio (Note H) .....	5.0%	4.9%	5.4%	6.3%	5.0%
Net income ratio (Note H) .....	1.6%	2.3%	2.5%	2.3%	1.6%
ROE .....	4.9%	6.7%	7.6%	5.5%	4.9%
ROA .....	2.4%	3.4%	3.7%	2.6%	2.4%
Owners' equity ratio .....	47.9%	51.1%	50.1%	46.8%	47.9%

Notes: (A) U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥98=US\$1, the approximate rate of exchange prevailing at February 28, 2009.

(B) The results of Millennium Retailing and its subsidiaries and affiliates in the fiscal year ended February 28, 2006 are consolidated only in the balance sheets.

(C) Capital expenditures include property and equipment, intangible assets, and long-term leasehold deposits.

(D) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.

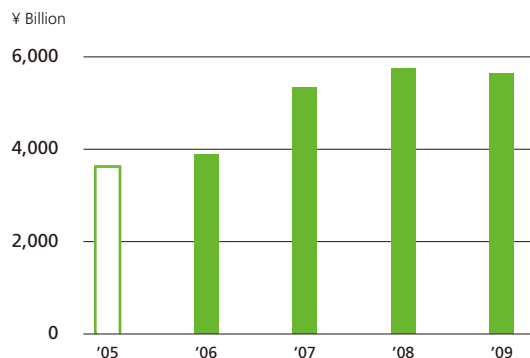
(E) Free cash flows are calculated on the basis of the sum of cash flows from operating activities and cash flows from investing activities.

(F) Owners' equity is calculated on the basis of net assets excluding minority interests and subscription rights to shares in consolidated subsidiaries.

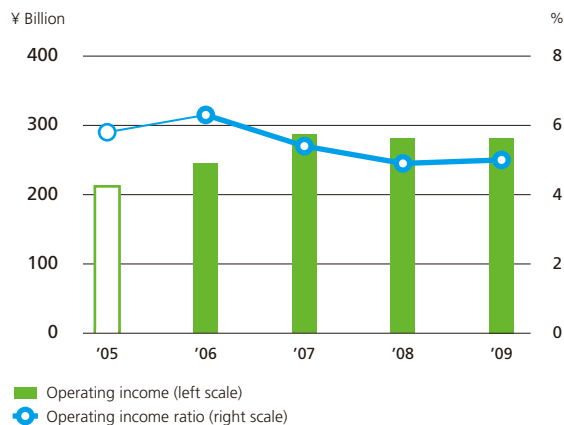
(G) Cash payments upon a stock transfer were made by Seven & i Holdings to the shareholders of Seven-Eleven Japan, Ito-Yokado, and Denny's Japan recorded in the registers of shareholders as of August 31, 2005, instead of the interim dividend payments for the fiscal year ended February 28, 2006. Accordingly, only year-end dividends are shown.

(H) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

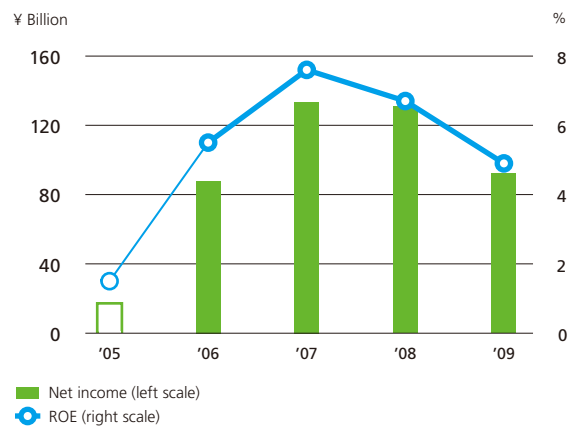
### Revenues from Operations



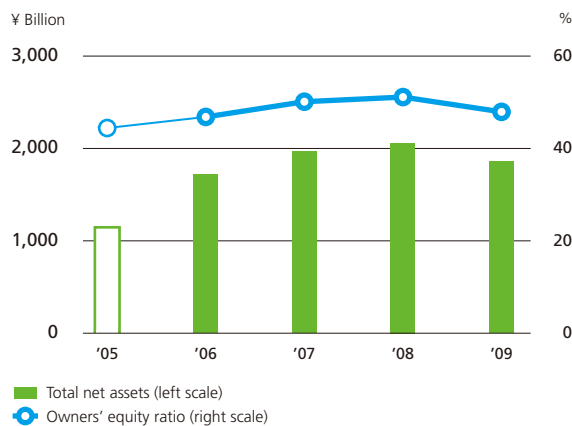
### Operating Income Operating Income Ratio



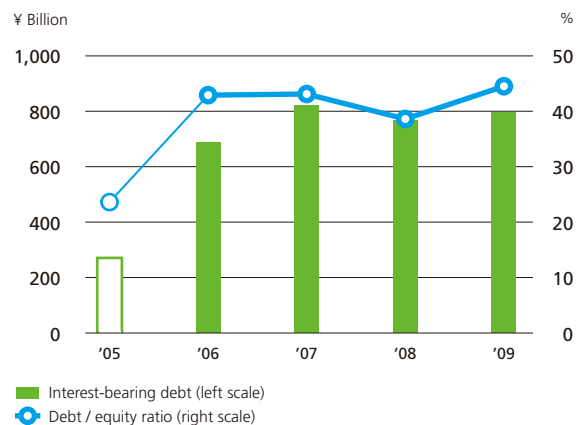
### Net Income ROE



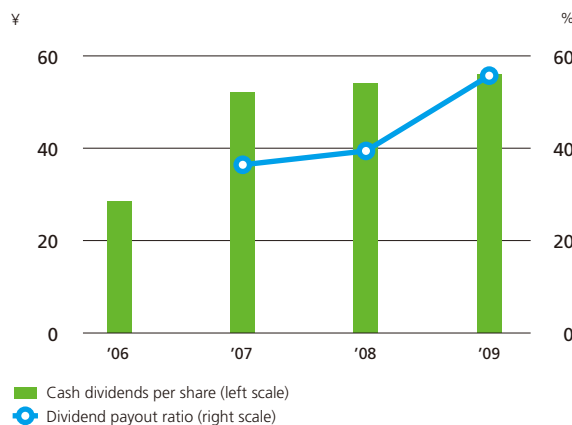
### Total Net Assets Owners' Equity Ratio



### Interest-bearing Debt Debt / Equity Ratio



### Cash Dividends per Share Dividend Payout Ratio



Note: Figures for the fiscal year ended February 2005 are consolidated figures for the former Ito-Yokado.

## Seven & i Group Key Figures

# 37,300

Total number of stores worldwide

# 36 million

Number of customer store visits per day worldwide



# ¥5,649.9 billion

Revenues from operations

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

# AA-

Standard & Poor's

# Aa3

Moody's

Bond rating

We are a corporate group that has earned a high level of creditworthiness.

# 13,800

Total number of stores in Japan

We are a comprehensive retail group developing stores throughout Japan, centered on convenience stores.

# 15 million

Number of customer store visits per day in Japan

An average of one out of nine residents of Japan visits one of the Group's stores every day.

Convenience stores

# 34.3%

Superstores

# 14.7%

Department stores

# 11.7%

Domestic market share by store format

By sales, we are in the top ranks in all store formats, and we are No. 1 in convenience stores.

# 23 million

Number of cards issued by the Group

# 330,000

Number of members in Net Supermarket

# 13,800

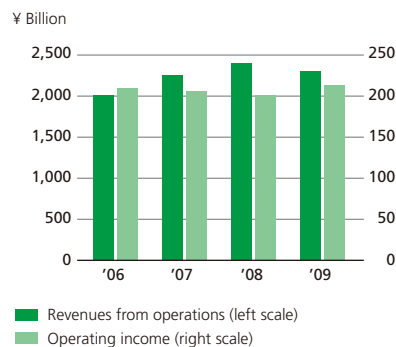
Number of installed ATMs in Japan

■ Areas where Seven-Eleven Japan (SEJ) has stores.  
■ Areas where SEJ doesn't have stores but other Group Companies have stores.

# At a Glance

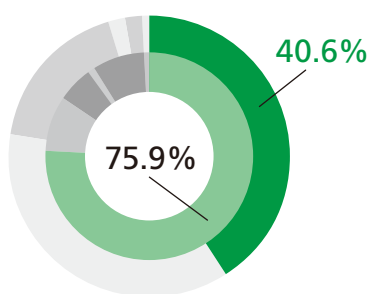
## Convenience Store Operations

### Revenues from Operations Operating Income



### Contribution to Results

(For the fiscal year ended February 28, 2009)



■ Revenues from operations  
■ Operating income

### Principal Subsidiaries

(As of February 28, 2009)

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

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

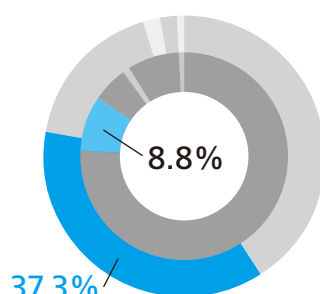
## Superstore Operations

### Revenues from Operations Operating Income



### Contribution to Results

(For the fiscal year ended February 28, 2009)



■ Revenues from operations  
■ Operating income

### Principal Subsidiaries

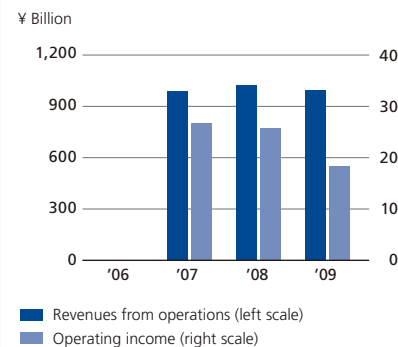
(As of February 28, 2009)

Ito-Yokado	(100.0)
York-Benimaru	(100.0)
York Mart	(100.0)
Hua Tang Yokado	(75.8)
Chengdu Ito-Yokado	(74.0)
Beijing Wang fu jing Yokado	(60.0)
Akachan Honpo	(66.7)

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

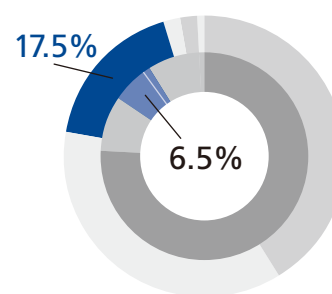
## Department Store Operations

### Revenues from Operations Operating Income



### Contribution to Results

(For the fiscal year ended February 28, 2009)



■ Revenues from operations  
■ Operating income

### Principal Subsidiaries

(As of February 28, 2009)

Millennium Retailing	(100.0)
Sogo	(100.0)
SEIBU	(100.0)
THE LOFT	(70.7)
SHELL GARDEN	(100.0)

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

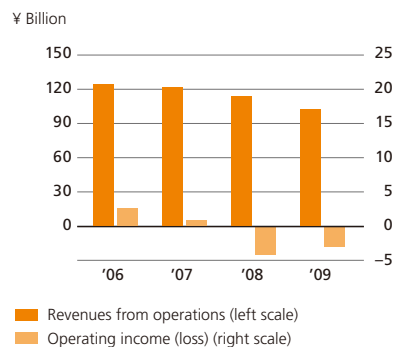
Notes: (1) Figures in parentheses indicate percentage of equity owned by Seven & i Holdings, including indirect holdings.

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



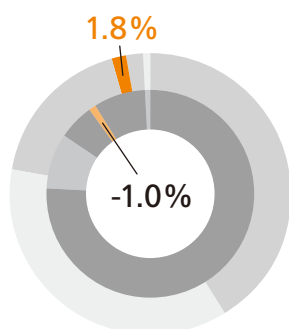
## Food Services

### Revenues from Operations Operating Income (Loss)



### Contribution to Results

(For the fiscal year ended February 28, 2009)



Revenues from operations  
Operating income

### Principal Subsidiary

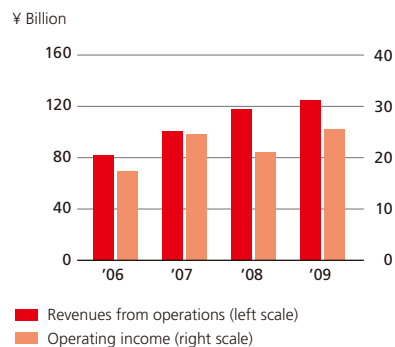
(As of February 28, 2009)

Seven & i Food Systems	(100.0)
------------------------	---------

Food services are composed of restaurant operations, meal provision services (company cafeterias, hospitals, and schools), and fast food operations in Japan.

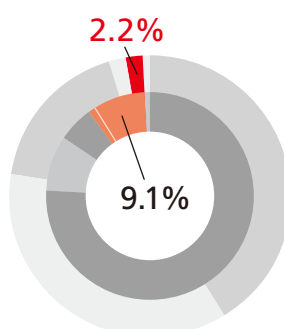
## Financial Services

### Revenues from Operations Operating Income



### Contribution to Results

(For the fiscal year ended February 28, 2009)



Revenues from operations  
Operating income

### Principal Subsidiaries

(As of February 28, 2009)

Seven Bank	(47.8)
IY Card Service	(94.1)
SE CAPITAL	(100.0)
York Insurance	(100.0)
Seven Cash Works	(85.5)
SEVEN & i Financial Center	(100.0)
SEVEN & i FINANCIAL GROUP	(100.0)

Financial services are composed of ATM operations, credit card operations, electronic money services, leasing operations, insurance operations, change delivery service, and change machine service in Japan.

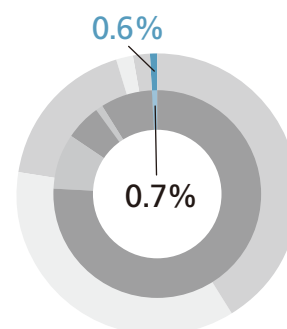
## Others

### Revenues from Operations Operating Income



### Contribution to Results

(For the fiscal year ended February 28, 2009)



Revenues from operations  
Operating income

### Principal Subsidiaries

(As of February 28, 2009)

Seven & i Netmedia	(100.0)
Seven and Y	(50.8)
7dream.com	(68.0)
Seven-Meal Service	(90.0)
SEVEN & i Publishing	(100.0)
Mall & SC Development	(90.0)
Seven Culture Network	(100.0)

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

# Annual Progress of the Seven & i Group

## Seven & i Holdings

### JULY 2008

**Seven & i Holdings cancelled treasury stock.**

50 million shares of treasury stock were acquired at a cost of ¥157.9 billion, and those shares were cancelled on July 31, 2008.

**Seven & i Holdings issued 1st, 2nd, and 3rd unsecured domestic straight bonds. The total issue amount was ¥100 billion.**

### AUGUST 2008

**Seven & i Holdings established a business and capital tie-up with AIN PHARMACIEZ INC.**

AIN PHARMACIEZ has management resources in the areas of dispensing pharmacy and drug store operations.



### FEBRUARY 2009

**Seven Premium received the "Most Excellent Award, Nikkei Award" in the 2008 Nikkei Superior Products and Services Awards.**



### JUNE 2009

**Three Group companies and AIN PHARMACIEZ established a joint venture company, Seven Health Care Co., Ltd., in the drugstore-related business.**

## Convenience Store Operations

### APRIL 2008

**SEVEN-ELEVEN CHINA Co., Ltd., was established to promote the development of 7-Eleven stores in China through area licensees.**



### JULY 2008

**Seven-Eleven Japan started Seven-Eleven Net.**

Seven-Eleven Net is an "order-based Internet convenience store" service that enables customers to place an order over the Internet and pick it up at a 7-Eleven store.

### JANUARY 2009

**Seven-Eleven Japan began to open stores in Toyama and Fukui prefectures.**

### FEBRUARY 2009

**Seven-Eleven Japan began to open stores in Shimane Prefecture. Consequently, the domestic network covered 37 of Japan's 47 prefectures.**

### APRIL 2009

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



## Superstore Operations

### AUGUST 2008

**Ito-Yokado opened THE PRICE store, the first store in this format after remodeling existing stores.**

THE PRICE stores, which are a new discount store format, offer prices 10% to 30% lower than the former Ito-Yokado.



**Ito-Yokado established Seven Farm Tomisato Co., Ltd., the Group's first agricultural production corporation.**

Through the operation of the farm that it owns, Seven Farm Tomisato Co., Ltd., will aim to integrate production and distribution.



### NOVEMBER 2008

**THE PRICE Kawaguchi was opened after remodeling an existing store.**

**Ito-Yokado opened Seven Home Center in the Ito-Yokado Kanamachi store.**

This specialty store offers a lineup centered on household-related goods, such as sundries and DIY products.



### MARCH 2009

**THE PRICE stores were opened in Kamagaya, Nishi Kawaguchi, and Goko after remodeling existing stores.**

### APRIL 2009

**THE PRICE stores in Warabi and Higashi-matsuyama were opened after remodeling existing stores.**

## Department Store Operations

### OCTOBER 2008

#### The Group Synergy Project was launched in Millennium Retailing.

This is a joint project among Group companies that will focus on three fields in department stores—merchandising, multiple-format stores, and operational efficiency.

### JANUARY 2009

The merger of three companies—Millennium Retailing, Sogo, and SEIBU—was approved by the Board of Directors of each company. The companies will merge in August 2009, and the new company will take the name Sogo & Seibu Co., Ltd.



### FEBRUARY 2009

Sales of *Seven Premium* products were commenced at the SEIBU Ikebukuro flagship store.



## Financial Services

### SEVEN BANK

2008

#### MARCH

Seven Bank ATMs installed at JR Tokyo Station.

#### MAY

Seven Bank ATMs installed at branches of Nikko Cordial Securities Inc.

#### JUNE

Seven Bank ATMs installed at Haneda, Nagasaki, Sendai, Komatsu, Kumamoto, and Narita airports.

#### JULY

Installation of Seven Bank ATMs made a full-fledged start at the Group's department stores.



Seven Bank ATMs in a Tokyo Metro subway station

### ELECTRONIC MONEY *nanaco*

2008

#### MARCH

*nanaco* usage was commenced at Ito-Yokado stores.



#### APRIL

QUICPay usage was introduced at all 7-Eleven stores in Japan.

#### MAY

*nanaco* card usage for settlement was commenced at all Ito-Yokado stores and at the Group's "Denny's" restaurants.

2009

#### MARCH

*nanaco* usage for settlement was commenced at AIN PHARMACIEZ stores.

## Food Services / Others

### JUNE 2008

In Tokyo, the restaurant division opened a Daikokuan restaurant, a new self-service soba format.



### JULY 2008

Seven & i Netmedia Co., Ltd., was established as the company with overall responsibility for IT-related operations.

### JANUARY 2009

Seven Culture Network Co., Ltd., was established.

Taking over the community school business of Ito-Yokado and SEIBU, the new company will develop new businesses in the areas of travel and community schools.

### MARCH 2009

Seven Internet Lab. Co., Ltd., was established in cooperation with NEC Corporation.

The new company will undertake R&D targeting a wide-ranging response to the advent of the information society, with a focus on the theme of the "creation of retail/IT synergies."



## To Our Shareholders and Investors



Toshifumi Suzuki  
Chairman and Chief Executive Officer



Noritoshi Murata  
President and Chief Operating Officer

In the fiscal year ended February 28, 2009, the Company's operating environment remained challenging, with a decline in consumer sentiment accompanying sluggish business conditions. In this setting, we implemented innovative reforms and restructuring measures and took steps to raise profitability. Operating companies worked to increase profitability in existing businesses, while Groupwide initiatives included the development and sales of private-brand products transcending the Group's internal business formats. Targeting the generation of new business opportunities, we established SEVEN-ELEVEN CHINA Co., Ltd., which will develop convenience stores through area licensees, with the objective of enhancing the network of 7-Eleven stores in China. Also, with the objective of fostering new business development in the IT/services segment, we established Seven & i Netmedia Co., Ltd., and Seven Culture Network Co., Ltd. Moreover, to establish a foundation for future drug-related operations, we established a business and capital tie-up with AIN PHARMACIEZ INC., a major dispensing pharmacy company.

As a result of these initiatives, revenues from operations declined 1.8%, to ¥5,649.9 billion, and operating income was up 0.3%, to ¥281.9 billion. Net income was down 29.3%, to ¥92.3 billion.

By business segment, in revenues from operations, domestic convenience store operations and financial services recorded favorable results, and in superstore operations, the new consolidation of Akachan Honpo Co., Ltd., had the effect of increasing revenues. However, the exchange rate that is used in the consolidation of accounts from convenience store operations in North America reflected the appreciation of the yen, which had the effect of decreasing revenues from operations by about ¥240.0 billion. In operating income, the results of domestic superstore operations and department store operations declined, but favorable results were recorded in convenience store operations and financial services. As a result, operating income increased.

Year-end dividends were ¥29 per share, an increase of ¥2 per share from initial forecasts. Together with interim dividends of ¥27 per share, annual dividends were ¥56 per share, an increase of ¥2 per share from the previous year.

In the fiscal year ending February 28, 2010, the operating environment is expected to remain difficult. In this setting, we will focus on our top management objective of maximizing Group enterprise value. To achieve that goal, in addition to enhancing profitability in existing businesses, we will work to further expand synergy effects by promoting the shared utilization of the strengths of each Group company. Moving forward, we will continue to endeavor to meet the expectations of shareholders and investors, with each employee taking an innovative approach to resolving new challenges, and to ensure that we are a leader in terms of customer satisfaction. We would like to ask for your continued support in the years ahead.

June 2009

A handwritten signature in black ink that reads "Toshifumi Suzuki".

Toshifumi Suzuki  
Chairman and Chief Executive Officer

A handwritten signature in black ink that reads "Noritoshi Murata".

Noritoshi Murata  
President and Chief Operating Officer

# Breaking New Ground in Retail

## An Interview with the President

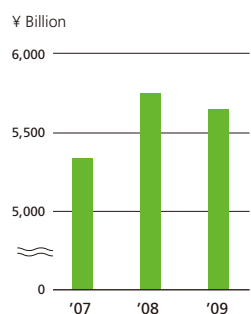
In this challenging operating environment, what challenges does the Seven & i Holdings Group face? And what strategies will the Group implement?

In this section, President and Chief Operating Officer Noritoshi Murata explains how the operating environment has presented the Group with new challenges, the initiatives that the Group will take to strengthen its operating foundation, and the future direction that Group management will take in the years ahead.

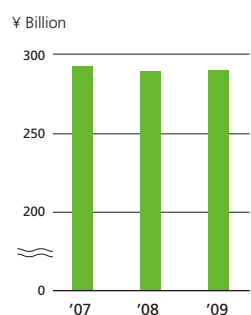
# Breaking New Ground in Retail

## Results in the Past Fiscal Year

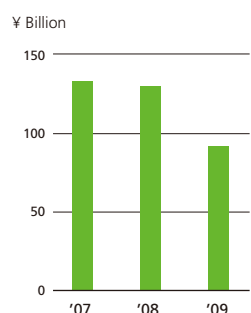
Revenues from Operations



Operating Income



Net Income



### Q1 How was the Company able to achieve growth in operating income in such a challenging market environment?

**A1** Due to deteriorating global economic conditions, domestic superstores and department stores faced sluggish demand for apparel and high-priced items. However, convenience stores and financial services recorded favorable results, and consequently we achieved higher operating income.

The reasons for this favorable performance included a substantial increase in sales in domestic convenience store operations, where total store sales, which comprise corporate and franchised store sales, were up 7.3%, to ¥2,762.6 billion. The influence of *taspo*<sup>\*1</sup> also provided a certain degree of support for higher sales. However, sales at existing stores were up 5.2%, which means that we recorded a gain even after excluding the *taspo* effect, which was 4.9%. In addition, aggressive store openings and scrap-and-build initiatives also played a key role in our results. We had success with a number of specific measures. These included the introduction of in-store fryers<sup>\*2</sup> and a focus on sales of the Group's *Seven Premium* private-brand products. In addition, the newly launched *Seven-Eleven Net* complements in-store product lineups and enables orders to be picked up at stores.

We also achieved higher profits in convenience store operations in North America, where retail businesses were slow across the board. This success was attributable to steps to activate existing stores, such as a continued focus on the development and sales of fast foods and other differentiated products.

Another factor was the contribution made by substantial growth in operating income in financial services. Seven Bank, which develops ATM operations, moved ahead with installations of ATMs inside and outside the Group. Consequently, the ATM network expanded steadily and, accompanying enhanced services and increased recognition, the number of ATM transactions increased. This made a major contribution to the substantial growth in profits.

\*1. A system to verify that the users of cigarette vending machines are adults. The system was introduced with the objective of preventing underage smoking. Purchasing cigarettes from vending machines that utilize this system requires the use of the *taspo* IC card for age verification.

\*2. Custom-made fryers used in the preparation of Seven-Eleven original fried foods.

## Future Management Strategies

### Q2 What direction will the Group's management take in the challenging retail environment?

**A2** The global financial crisis is expected to worsen, and there is cause for concern about further declines in business conditions. The operating environment in the retail industry is likely to remain challenging. To record steady growth no matter how difficult the environment, we need to invest aggressively in businesses with growth potential and to implement fundamental structural reforms in the businesses that are struggling. In other words, moving forward, we will follow growth strategies in convenience stores, food supermarkets, and financial services and implement structural reforms in domestic superstores, department stores, and food services. In the fiscal year ending February 2010, we will rigorously advance these initiatives. In particular, in implementing growth strategies, we will aggressively open convenience stores in the domestic market. Centered on new regions and urban areas, we intend to open 1,000 stores in the current fiscal year, a record high for store openings. In food supermarkets, meanwhile, we will reorganize and consolidate the Group's food supermarket

operations, and at the same time, through aggressive store openings, we will rapidly work toward a domestic network of 300 stores, aiming to expand our market share in the regions that we serve.

In terms of new growth drivers, I believe it is important for us to draw on our unique characteristics as a corporate Group encompassing a wide range of business formats in order to strengthen synergy initiatives and take on the challenge of new growth opportunities.

In the fiscal year ending February 2010, we forecast revenues from operations of ¥5,313.0 billion, down 6.0% year on year, due in part to the appreciation of the yen, which will have an expected negative effect of about ¥130.0 billion on the consolidation of operations in North America. In operating income, there will also be some negative factors, including the appreciation of the yen, which will have a negative effect of about ¥3.5 billion; an increase in the amortization of goodwill due to a change in accounting standards, which will be about ¥7.5 billion; and an increase in pension expenses of about ¥8.0 billion due to weak investment performance. Nonetheless, we forecast operating income to increase 1.1% year on year, to ¥285.0 billion. Net income for the year is forecast at ¥123.0 billion, an increase of 33.2%.



### Operating Strategies in Existing Businesses

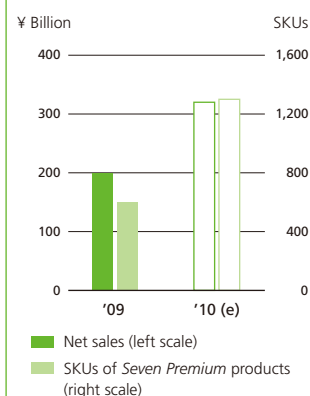
Growth Strategies	Restructuring Initiatives
Convenience Store Operations Food Supermarket Operations Financial Services	Domestic Superstore Operations Department Store Operations Food Services
▼	▼
<b>Aggressive expansion strategy</b>	<b>Bolster constitution through structural reform</b>

## Q3 Would you discuss examples of Group synergy initiatives and the process of taking on the challenge of new growth opportunities?

**A3** Merchandising will play a key role in our efforts to leverage Group synergy effects. We are in a period when retailers have to provide products with value for customers, that is, products with high value at reasonable prices. If we don't, we won't earn the support of consumers. In this environment, I believe that it is important to leverage the know-how and infrastructure of each Group company and adjust the price to a level that customers consider to be reasonable, and to do that without lowering quality. Accordingly, in expanding Group synergies, *Seven Premium* will be one of our core strategic initiatives. We will continue to focus on expanding our lineup through the development of new *Seven Premium* products and on maintaining and increasing quality through the renewal of existing *Seven Premium* products. At the same time, we will take steps to expand sales channels, such as selling *Seven Premium* products at department stores and AIN PHARMACIEZ stores. We will also take on the challenge of implementing a product strategy that makes full use of our economies of scale, such as joint procurement of products and raw materials among Group companies and joint sales promotions with major manufacturers.

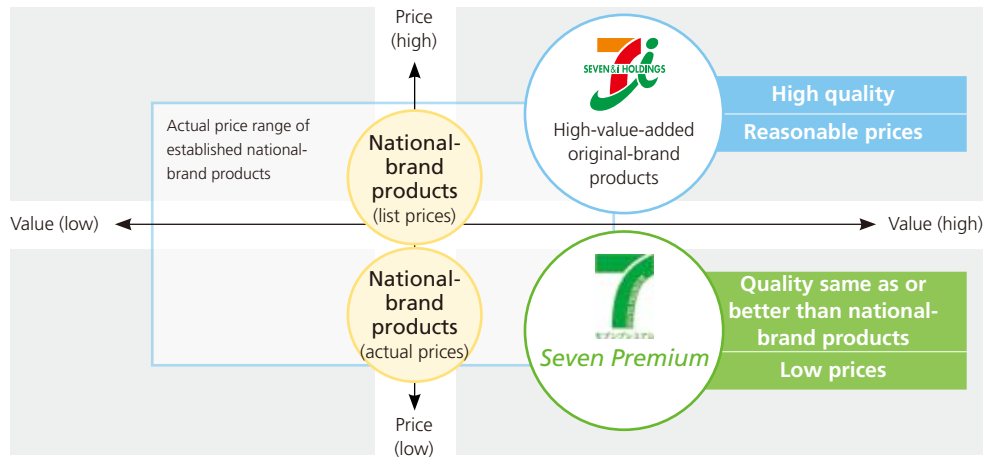
Furthermore, in taking on the challenge of new business opportunities, we have positioned the fiscal year ending February 2010, as the "First Internet Year for the Group," and the entire

Results of *Seven Premium* Products



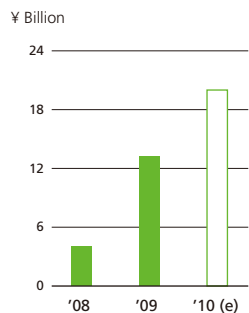


### Positioning of Private-Brand Products



Group will work to drive growth in Internet businesses. With trends toward fewer children per family and an aging population, increasing numbers of women in the workforce, and a growing focus on saving time, the Internet business market is expected to record steady growth, even in a period of sluggish consumer spending. The Group will expand its two points of entry to IT-related business. The first comprises *Seven-Eleven Net* and *Net Supermarket*, which integrate real stores and the Internet. The second is pure e-commerce, which offers a wide range of products over the Internet. In particular, the Group's infrastructures, such as its store network and distribution capabilities and customer loyalty, are an overwhelming asset. We expect this business model, which leverages the integration of real and virtual stores, to record substantial growth in the years ahead.

### Net Sales of Net Supermarket



*Net Supermarket*  
Products that have been ordered are selected at the sales area.

### Overview of Seven-Eleven Net

#### Nationwide Network of about 12,000 7-Eleven Stores

- Products ordered over the Internet can be picked up at the nearest 7-Eleven store four days later.
- There are no delivery charges or other fees for in-store pickup.
- The product lineup, which is gradually being expanded, currently has about 3,000 items, centered on alcoholic beverages.



### Overview of Net Supermarket

#### Nationwide Network of about 90 Ito-Yokado Stores

- Products ordered over the Internet are delivered on the same day or the next day (minimum of three hours).
- The preferred delivery time can be selected from among five time slots per day (two-hour slots).
- Including products advertised on flyers, the lineup includes about 30,000 items, centered on food and daily products.



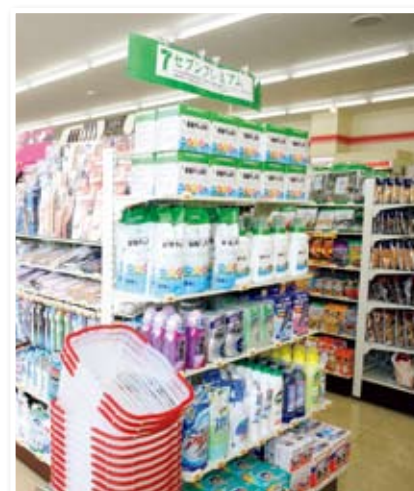
**Q4** In domestic convenience store operations, there is concern about a rebound from the favorable *taspo* effect. In this regard, would you discuss the Company's strategy for the fiscal year ending February 2010?

**A4** I believe that there will not be any negative rebound from the *taspo* effect. The reason is that even now, a year after its introduction, the *taspo* IC card has not been adopted very widely. In other words, we are seeing a trend where customers who start to buy cigarettes at convenience stores subsequently continue to do so. In fact, accompanying the shift of cigarette purchases to convenience stores, the number of vending machines is expected to decrease. It seems that customers are steadily shifting to convenience stores.

On the other hand, a key factor in achieving steady growth in convenience store operations, which are a pillar of the Group's profits, will be the additional purchases made by customers who come into the store for cigarettes. To that end, convenience stores will have to provide new products that exceed the limits of the common convenience store lineups. Actually, sales of freshly cooked fast food products prepared with in-store fryers, which were expanded in the fiscal year ended February 2009, are recording steady growth.

We will also strengthen sales of a variety of products in addition to fast foods. For example, we will strengthen products that are frequently used in daily life, but have not been widely purchased at convenience stores because the price has been much higher than at supermarkets. In particular, women in their 40s to 50s have not traditionally been core customers of convenience stores. Targeting these customers, we will strengthen lineups of and review the pricing for processed foods, such as seasonings and frozen foods, and for sundries, such as detergents. As for specific initiatives, we will strengthen the lineup of *Seven Premium* products, which offer high quality and reasonable prices in these fields, while at the same time working to reduce prices of national-brand products through price negotiations with manufacturers, thereby making them even more attractive to customers. These are examples of how we can utilize the advantages of being close and convenient.

Moreover, in addition to the development of limited regional products through collaboration with local governments and the development of products through collaboration with TV personalities, we will strengthen Internet sales using our infrastructure of about 12,000 stores. Moving forward, we will continue to focus on initiatives targeting the latent potential of convenience stores, thereby realizing steady growth for these operations as a key pillar of the Group's profits.



Ito-Yokado Stores  
by Sales Floor Space

Square meters



- 10,000 or more
- 8,000 to 9,999
- 5,000 to 7,999
- Less than 5,000



**Q5** Some investors are concerned about domestic superstore operations, which are slated for restructuring measures. How will the Company handle the superstore business?

**A5** In the case of Ito-Yokado, we will continue to expand the food division, which is a key source of profits and has earned strong support from customers. On the other hand, in apparel, the profitability of large stores in good locations has remained high, but challenges are faced by medium-sized stores, where lineups are not as extensive.

To reform the apparel division, we must reevaluate our prices in line with quality and design and rebuild the production system. Accordingly, we will work to strengthen the development of basic products that feature both high quality and reasonable prices, and to achieve that goal, we will implement a further shift to overseas production.

We will also work to reform our cost structure. In the fiscal year ending February 2010, we will strive to raise productivity per employee without resorting to workforce reductions to achieve short-term profit gains. At the same time, by thoroughly trimming unnecessary sales promotion expenses and store-related costs, we will reduce costs by ¥8.0 billion year on year.

Furthermore, reform measures for medium-sized stores will include conversions to THE PRICE, a discount store format. THE PRICE has generated favorable results, including recovery of investment and generation of profits from an early stage. In the fiscal year ending February 2010, we plan to convert 20 stores to this format.

Moreover, if there is no expectation of a recovery in a store's profits even if we implement these measures, we will close the store.

**Overview of the Conversion of Ito-Yokado Stores to New Formats**

Discount Store	
	<p><b>THE PRICE</b></p> <ul style="list-style-type: none"> <li>• THE PRICE provides low-priced products, centered on food.</li> <li>• As of the end of April 2009, 7 stores had been opened.</li> </ul>
Urban-Style Home Center	
	<p><b>Seven Home Center</b></p> <ul style="list-style-type: none"> <li>• These urban-style home centers offer lineups focused on household-related goods that are needed in daily life.</li> <li>• The first store was opened in November 2008 within an existing store.</li> </ul>

**Q6** Would you discuss the Company's future strategy regarding department store operations, which you began to reform from the fiscal year under review?

**A6** Recently, department stores have been losing middle-income customers at an accelerating pace, and conditions remain difficult. To break through these challenges, it is important that we have lineups of products that are frequently used in daily life while maintaining the traditional levels of prestige. In particular, large numbers of customers visit major terminal department stores, and many stop at the store on their way home from work. Accordingly, we need to substantially change the food lineup. In household goods, we will shift from the current emphasis on products for use as gifts to a varied lineup of daily-use products, thereby making store visits more enjoyable for customers.

In this endeavor, we can effectively use the know-how of the Group, which has special strengths in daily items, centered on food. For example, we can leverage cooperation with Ito-Yokado and York-Benimaru in food and Ito-Yokado and THE LOFT in household goods. Also, we are considering tests of store openings by the Group's specialty stores; while using our strengths as a comprehensive retail group, we will strive to create new department stores.

We will also implement organizational improvement measures. In August 2009, Sogo, SEIBU, and Millennium Retailing will merge. We will strive to raise profit-generating capacity by realizing cost reductions through the consolidation of head office functions, and by focusing management resources on SEIBU Ikebukuro, the flagship store of SEIBU, which has especially high sales capabilities. In Japan, suppliers have a significant degree of control over department store product lineups. In general, large stores tend to have strong product lineups, while medium-sized stores have comparatively weaker lineups. As one measure to resolve this issue, Sogo and SEIBU will leverage their store networks, centered on their five largest stores by sales, to increase the strength of their position in negotiating with suppliers.

We will also advance cost reductions and, at the same time, consider store closures and format conversions for unprofitable stores. As one facet of those activities, in August 2009, we will close Sogo Shinsaibashi, which has recorded substantial losses since it was opened. Furthermore, we will also conduct rigorous checks of other stores and implement prompt responses.



SEIBU Ikebukuro



Sogo Yokohama



Sogo Chiba



Oshman's Japan in Sogo Chiba

**Initiatives Targeting Group Synergies in Department Store Operations**

October 2008
<ul style="list-style-type: none"> <li>• Group Synergy Project launched in Millennium Retailing</li> </ul>
January 2009
<ul style="list-style-type: none"> <li>• SEIBU Fresh Food Project launch</li> <li>• Fresh food initiatives at SEIBU Ikebukuro (dispatch of personnel from Ito-Yokado and York-Benimaru)</li> </ul>
February 2009
<ul style="list-style-type: none"> <li>• Start of sales of <i>Seven Premium</i> products at SEIBU Ikebukuro</li> </ul>
Initiatives in Fiscal 2010
<ul style="list-style-type: none"> <li>• <b>Apparel project launch:</b> Work with Ito-Yokado in joint material procurement</li> <li>• <b>Household goods project launch:</b> Strengthen lineup in categories other than gifts through cooperation with Ito-Yokado and THE LOFT</li> <li>• <b>Seven Culture Network start:</b> Strengthen community school business and travel business</li> <li>• <b>Group specialty store utilization:</b> Akachan Honpo, Oshman's Japan, etc.</li> </ul>

## Q7 Please outline the direction of the global strategy.

**A7** In overseas convenience store operations, 7-Eleven is the number one chain in the world, with about 36,000 stores. Targeting the establishment of a network with 40,000 stores, we will bolster our efforts to enhance the value of the 7-Eleven brand. We place a high priority on the distinctive characteristics and culture of each region. On the other hand,



Licensee Leader Summit

in regard to store management and the product development framework, Seven-Eleven Japan's (SEJ's) advanced know-how is shared with licensees in each region, thereby raising the overall level. As one facet of these initiatives, in March 2009, we held the Licensee Leader Summit in Japan for the first time, bringing together the area licensees from 15 countries and regions.

In North America, we will further advance the conversion of existing corporate stores to franchises, and we will improve the profit structure. Also, centered on A-type stores, which have a high investment efficiency, we will aggressively open stores and further expand the store network.

In China, in comparison with other chains, we have vastly higher daily sales in Beijing. This is an example of how our store management know-how has been effectively applied. Now, we will prepare for future store openings through franchises. Also, while using the know-how cul-



Superstore in Beijing

tivated in Beijing, we will advance store openings through area licensees. As one part of these efforts, in April 2009, we commenced store openings in Shanghai through area licensees.

In regard to overseas superstore operations, we have superstores in Beijing and Chengdu, China. In both locations, we are recording favorable results by meeting the needs of local customers. Unlike other foreign retailers, we are offering high-quality lineups and services. China, which is heading toward further modernization, represents a major growth opportunity for the Company. We will continue to aggressively hire local staff and develop human resources. At the same time, we will take steps to offer products and services that meet customer needs, such as boosting sales of safe and secure fresh foods.

### Overview of Licensee Leader Summit in Japan

- Designed to foster shared awareness of the current initiatives in SEJ's logistics, information systems, and product development
- Area licensees from 15 countries and regions participated
- Schedule: March 30, 2009 to April 3, 2009

#### Purpose

- Introduce SEJ's know-how
- Global improvement of quality and standardization of quality for 7-Eleven worldwide
- Mutual understanding of the Company's expectations

## Financial Strategy and Returns to Shareholders

### Q8 Would you describe the Company's approach to financial strategy and shareholder return?

**A8** In regard to shareholder return, we will work to maintain a consolidated dividend payout ratio of 35%. We emphasize accrual-basis profit in making decisions about dividends, but we also give consideration to cash-basis profit. In the fiscal year ended February 2009, for example, net income was down about 30%, but we decided to pay dividends that were about ¥2 per share higher than initial forecasts. This was because we took into consideration our results after the exclusion of non-cash losses. We emphasize the provision of a return to shareholders through dividends, and since the Company's establishment, we have increased dividends for three consecutive years.

We have also taken other steps to provide a return to shareholders. In the fiscal year ended February 2009, for instance, we acquired and cancelled 50 million shares of treasury stock at a cost of ¥157.9 billion. In the future, we will continue to respond flexibly while maintaining a balance with our financial position.

In the past, it has been our fundamental policy to maintain a sound balance sheet, and as a result, we now have a strong financial position that enables us to focus on our operating activities, even in the midst of the current financial crisis. Moving forward, we will continue to strengthen our financial foundation, following a basic principle of funding needed investment with profits generated from operating activities. If we have the opportunity, we will engage in M&A activities that will foster future growth.

The Company uses ROE as one of its key management indicators. We will aim for ROE of more than 8% in the fiscal year ending February 2011, and to achieve that growth, we will fundamentally work to bolster our earnings power.

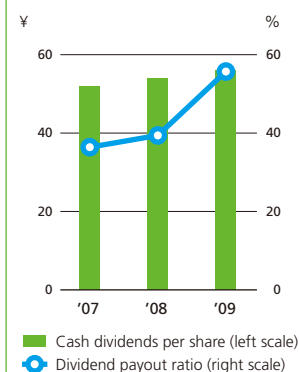
## Future of Domestic Retail Market

### Q9 Finally, as a leading retail company, what is the Company's position on the future of the domestic retail market?

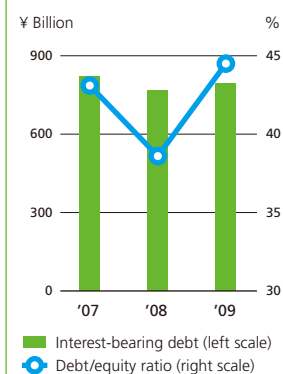
**A9** The future course of the retail market in Japan will be characterized by contraction in market scale. In particular, the trends toward fewer children per family and an aging population will be influential. On the other hand, the future of Japan's economy will be marked by growth accompanying the rise of knowledge industries, which play a key role in intellectual productivity. In the midst of these changes, price has become a major factor driving consumption, but value will become more important in the years ahead. In other words, the pursuit of value is an important strategy for the survival of the Company. Companies that survive will have substantial opportunities for further growth.

Accordingly, Seven & i Holdings will leverage its stable financial position and take steps to further strengthen its profit foundation. At the same time, we will make full use of Group infrastructure, specifically our 13,800 stores in Japan, which are visited by 15 million customers a day, and our 37,300 stores around the world, which are visited by 36 million customers a day. In this way, we will provide high-quality products and services. In addition, we will leverage synergies by drawing on our distinctive strengths as a unique retail group encompassing a wide variety of business formats. In this way, we will reinforce our position as the leading retailer in Japan, the world's second largest consumer market.

Cash Dividends per Share  
Dividend Payout Ratio



Interest-bearing Debt  
Debt/Equity Ratio

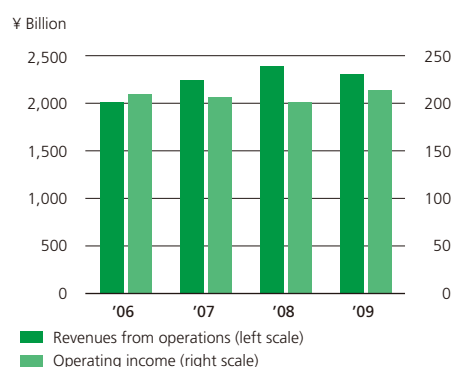


# Convenience Store Operations

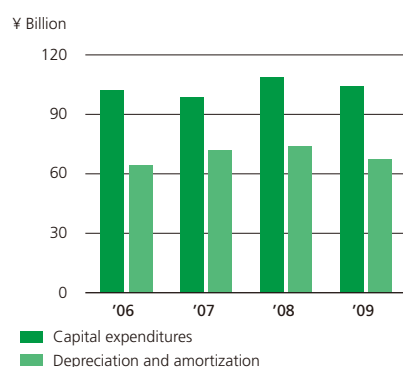


Revenues from Operations	<b>¥2,308.7 billion</b>	<b>-3.6%</b>
Operating Income	<b>¥213.4 billion</b>	<b>+6.1%</b>
Capital Expenditures	<b>¥104.2 billion</b>	<b>-4.0%</b>

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

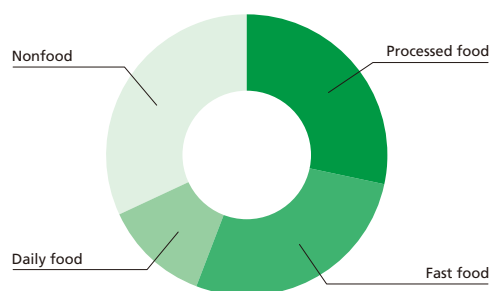
For the fiscal year ending February 28, 2010, the segment is forecasting revenues from operations of ¥2,020.0 billion, down 12.5%, and operating income of ¥207.5 billion, a decrease of 2.7%. Capital expenditures are forecast at ¥115.0 billion, up 10.3%, and depreciation and amortization at ¥68.0 billion, 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

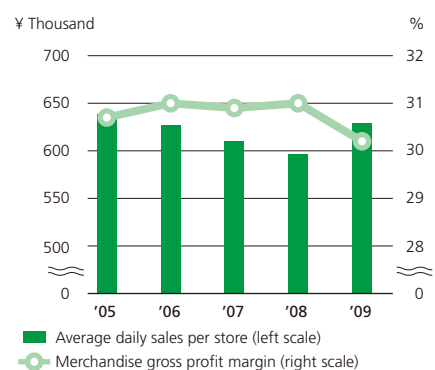
Number of Stores



Sales by Product Category

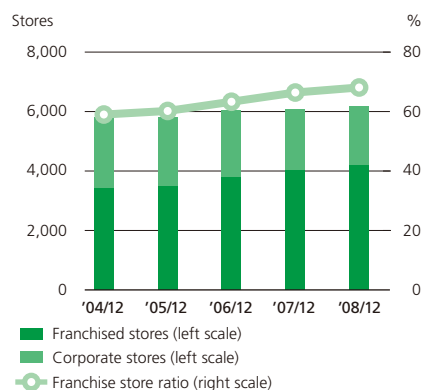


Average Daily Sales per Store  
Merchandise Gross Profit Margin

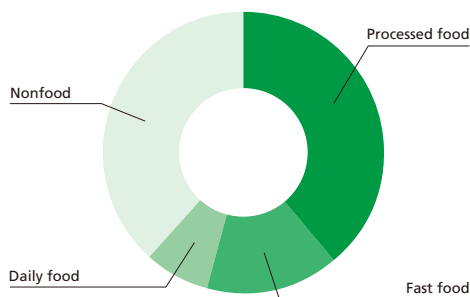


## 7-Eleven, Inc.

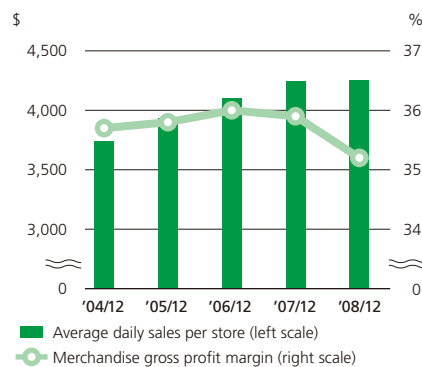
### Number of Stores



### 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.

### China Operations and Others

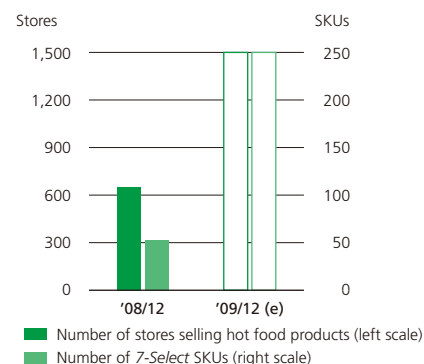
**In China, we will move ahead with full-scale store openings and expand the 7-Eleven brand.**

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 SEI'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 SEI, 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.

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

# Superstore Operations

Revenues from Operations

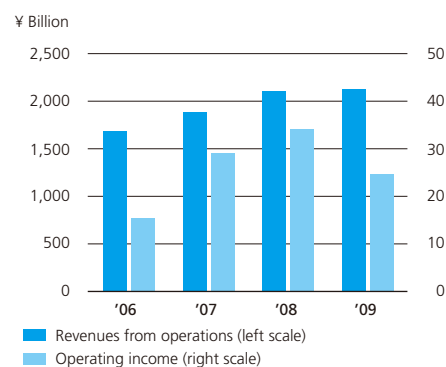
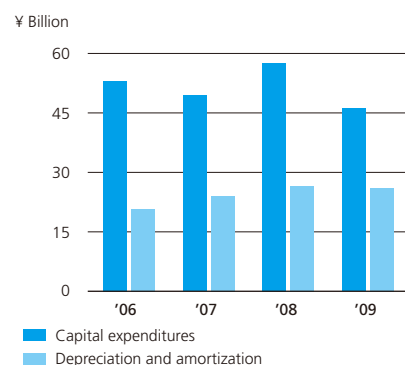
**¥2,125.0 billion**
**+0.8%**

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%.

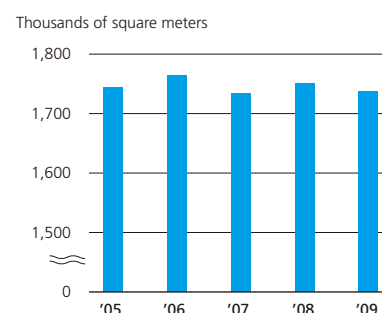
## Superstore Operations

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

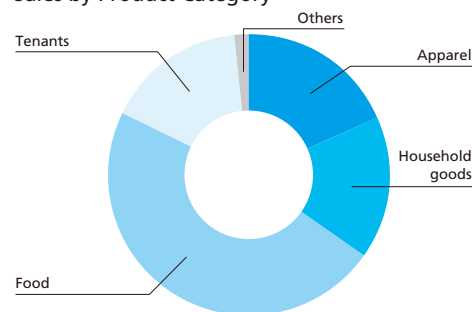
In store initiatives, we will open three stores, including stores that handle only food, which is one of our strengths. Furthermore, we will also steadily implement reorganization measures, principally changes in format for unprofitable stores. Specifically, we will convert 20 existing stores—10 in the 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

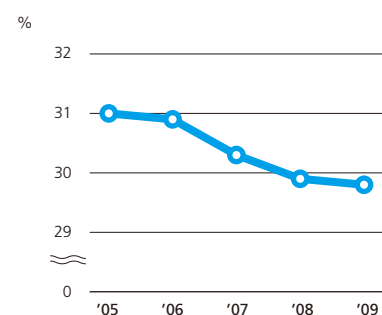
### Directly Managed Sales Floor Space



### Sales by Product Category

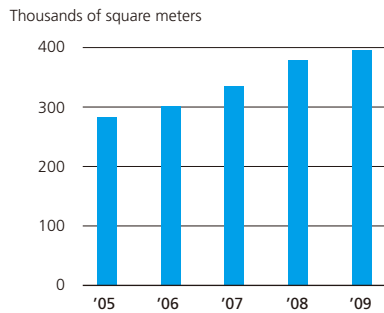


### Merchandise Gross Profit Margin

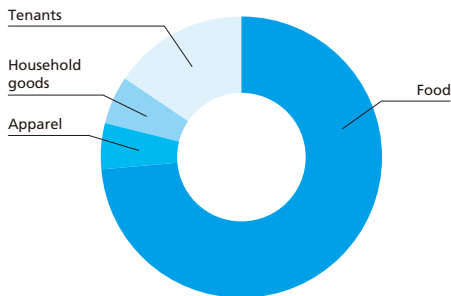


## York-Benimaru

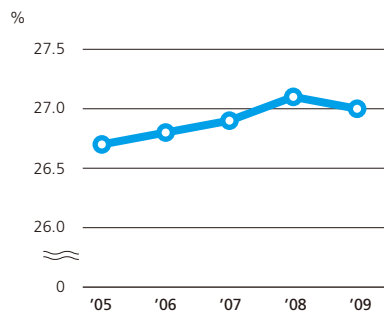
### Directly Managed Sales Floor Space



### 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%**

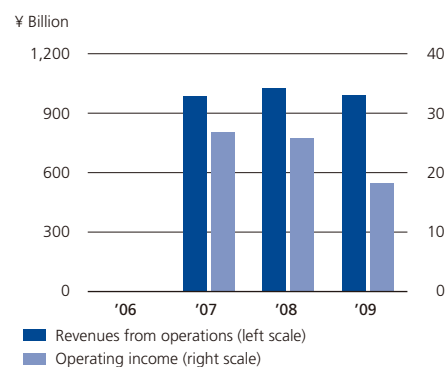
## Capital Expenditures

**¥12.5 billion**

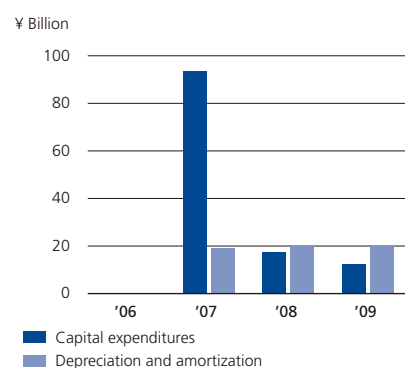
**-28.8%**



## 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

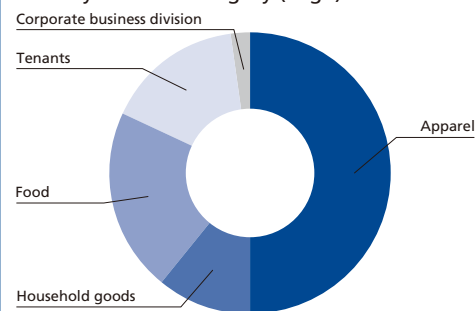
**In department store operations, we will implement restructuring measures with the objectives of concentrating management resources and increasing asset efficiency.**

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.

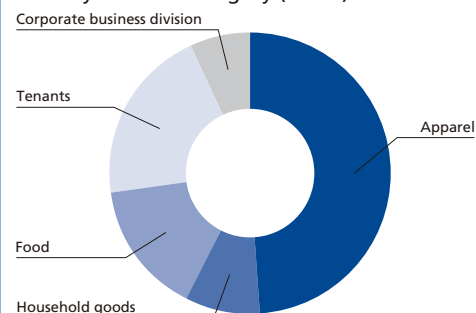
We will also continue to reduce costs, cutting about ¥5.0 billion from annual expenses, primarily through store closures and savings related to the merger of the three companies. Specifically, during the fiscal year ending February 2010, we will spend about ¥2.0 billion on the remodeling of SEIBU Ikebukuro, 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.

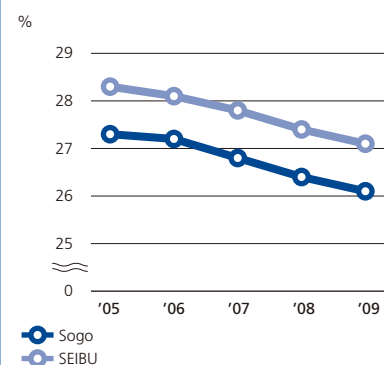
Sales by Product Category (Sogo)



Sales by Product Category (SEIBU)



Merchandise Gross Profit Margin

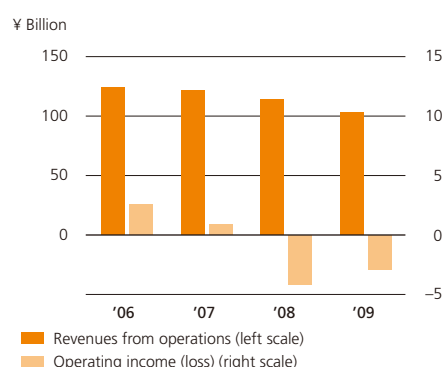


# Food Services

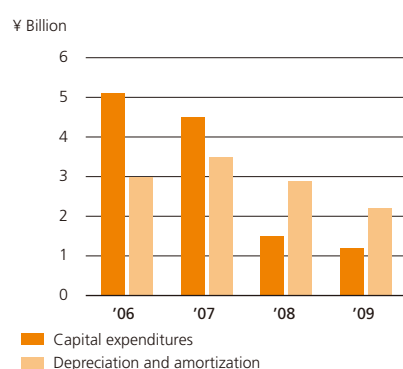
Revenues from Operations
<b>¥102.7 billion</b>
<b>-9.9%</b>
Operating Loss
<b>¥-2.9 billion</b>
Capital Expenditures
<b>¥1.2 billion</b>
<b>-23.8%</b>



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%**

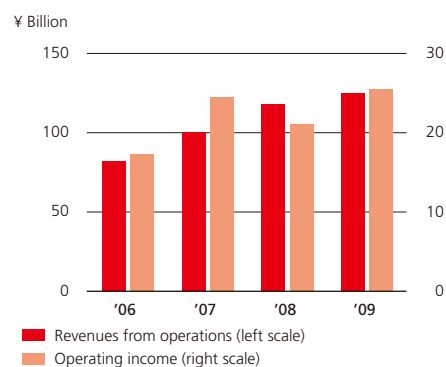


## OVERVIEW OF THE FISCAL YEAR

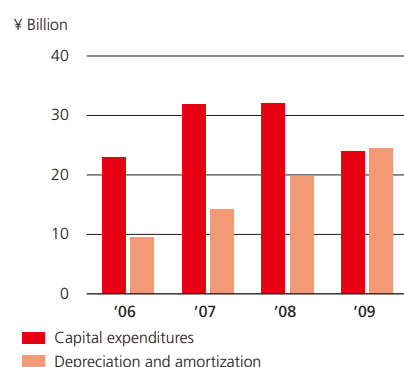
In the fiscal year ended February 28, 2009, the financial services segment's revenues from operations were ¥124.9 billion, up 5.9%, and operating income was ¥25.5 billion, up 20.9%. In ATM operations, Seven Bank continued to advance ATM installations in the year under review, not only at Group stores 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.

Revenues from Operations  
Operating Income



Capital Expenditures  
Depreciation and Amortization



## 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.

# Corporate Social Responsibility (CSR)

## Basic Policy for CSR Activities

The retail businesses managed by all Group companies are closely connected to the daily lives of the Group's customers. Accordingly, our basic policy for our business activities is to take a sincere approach in dealing with all of our stakeholders, including shareholders, customers, business partners, local communities, and employees.

At the same time, we believe that ongoing examination of the relationships among society, individuals, and businesses from a CSR perspective, combined with continued innovation, are indispensable prerequisites for sound, sustainable corporate growth.

## Emphasis on Stakeholder Engagement

All Group companies are striving to engage in dialogue with the stakeholders who are supporting our business, including shareholders, customers, business partners, local communities, and employees, in order to understand and respond rapidly to their "voices," including their opinions, needs, areas of dissatisfaction, and complaints. We place great importance on this process of stakeholder engagement, in which the "voices" of stakeholders are reflected in the business decision-making process and the stakeholders are able to participate in management.

## Advance Group-wide CSR Activities

To facilitate stakeholder engagement, when the Company was established it formed the CSR Promotion Committee, which comprises 5 specialized sub-committees, and moved forward with a framework for the investigation and evaluation

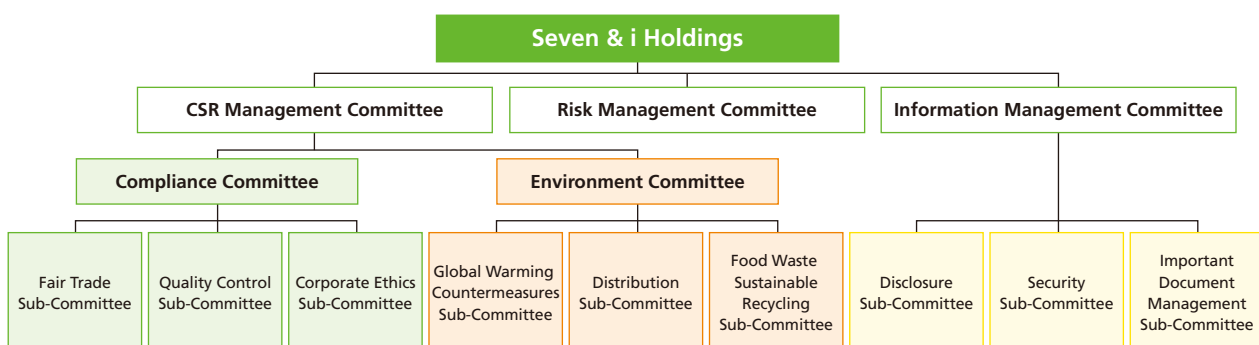
of the status of CSR activities at each operating company. However, with the objective of implementing more-effective CSR activities at a more-rapid pace, from February 2008, we reorganized the committees to separate the CSR management and supervision functions. The CSR Management Committee was established as the CSR promotion committee. At the same time, the CSR risk management function was consolidated into the Risk Management Committee, and the CSR information management function was incorporated into the Information Management Committee, which was newly established to handle information management for the Group as a whole.

Under the auspices of the CSR Management Committee, we established the Compliance Committee, which consists of the Fair Trade, Quality Control, and Corporate Ethics sub-committees, as well as the Environment Committee, which consists of the Global Warming Countermeasures, Distribution, and Food Waste Sustainable Recycling sub-committees.

## Customers

In recent years, there have been a number of reports of incidents that have shaken consumer trust, including the use of out-of-date ingredients, tampering with sell-by dates, and falsifying locations of origin. As a result, consumer concerns about safety and security have reached extremely high levels. To respond to this situation, the Company has not only adhered to the laws relating to its products, but also has established independent quality control standards far more rigorous than any legal requirements. In addition,

## CSR Management System



it is working to provide customers with safe and secure products by strengthening quality assurance measures at the point-of-delivery and by carrying out thorough sales floor inspections. Furthermore, for food, which is an essential part of daily life, we are working to build an original traceability system for the management of such information as production, processing, and distribution history.

### Business Partners

For a company to record ongoing growth and development, we believe that it must prosper together with its business partners. With this in mind, we take steps to ascertain that no illegal or antisocial activities are taking place—such as unwarranted returns of goods, improper discounting, or unfair requests for employee seconding. In addition, we have established specialized organizations to actively promote fair trade. Employee training is also conducted periodically.

Economic globalization has advanced, and outsourcing and production have expanded to countries around the world. In this setting, companies have a responsibility to meet their CSR obligations—such as strict observance of laws and regulations, environmental conservation, and normalization of working conditions—not only for their own operating activities, but also for the entire supply chain for their products and services.

Accordingly, in March 2007, we formulated the Seven & i Holdings Business Partner Action Guidelines, which describes items that we want our business partners to understand and follow. These guidelines went into effect in December 2007. Furthermore, we require all business partners in Japan and overseas that have been consigned production of original products from the Group or its operating companies to apply these guidelines and to prepare self-check sheets. These sheets include details on what must be followed in accordance with the guidelines.

We have also set up a helpline exclusively for our business partners so that they can have their questions answered and opinions heard. The helpline is managed by a third-party organization to ensure responses are fair and independent.

### Local Communities

The Company is developing a range of initiatives for local communities, such as conducting Safety Station activities to help create safe and secure communities, and campaigns to prevent smoking and alcohol consumption by minors. In particular, our efforts to create safe communities and provide disaster relief for local communities have been highly evaluated. In addition, Seven-Eleven Japan (SEJ) and Wakayama Prefecture concluded an agreement for cooperative activities in the prefecture in 2004, and by the end of February 2009, SEJ had signed a total of 19 of these agreements with prefectural authorities. Through these agreements, SEJ is strengthening bonds of mutual cooperation with local communities in a range of areas, including such initiatives as local production for local consumption, the promotion of healthy living, and disaster support. These types of initiatives are also being implemented by other operating companies. In April 2009, three Group companies—SEJ, Ito-Yokado, and York-Benimaru—signed Local Revitalization Comprehensive Partnership Agreements with Fukushima Prefecture. In these ways, we are deepening ties with local government.

### Employees

The Company aims to provide all employees with satisfying jobs and pleasant working environments. In particular, with Japan's declining birthrate and aging population, we place great importance in creating a workplace that can be shared by everyone, without regard to age, gender, or nationality. We respect the individuality and values of all of our employees and strive to maintain an environment where they can achieve their full potential.



Seven & i Holdings Environmental Stadium

### The Environment

In June 2008, to further strengthen the environmental measures that were being implemented by operating companies and to develop comprehensive activities centered on the prevention of global warming, the Company formulated the Seven & i Holdings Environmental Declaration and Seven & i Holdings Fundamental Policies Relating to Measures to Contribute to the Prevention of Global Warming.

In July 2008, we had an exhibit at The 2008 Exhibition on the Environment, which was held in advance of the G8 Hokkaido Toyako Summit. Moreover, for the first time, in December 2008, we had an exhibit at the largest environmental exhibition in Japan, Eco-Products 2008. Our booth, which was titled “Seven & i Holdings Environmental Stadium,” included a Seven & i Town diorama more than three-meters long. We explained the Group’s activities in an easy-to-understand, 25-minute theater-style presentation combined with an interactive quiz for booth visitors. In addition to environmental initiatives, such as SEJ’s distribution efficiency and energy-saving facilities and Ito-Yokado’s use of LED solar panels, we also worked to enhance understanding of Group activities, such as food safety and security activities and Safety Station, as well as SEJ’s safety and security bases in local communities. The theater-style presentation was very successful, with every showing filled to capacity. Over the period of the exhibition, the booth was visited by about 4,000 people.

### External Evaluation

Since 2006, Seven & i Holdings has been included in the FTSE4Good Global Index, which is one of the indices created and managed by FTSE, an independent company that is owned by The Financial Times and the London Stock Exchange.

In December 2008, we were selected as an original component of The Global Dow, an index of the world’s most innovative, vibrant, and influential companies. Components of the index are selected by the editors of Dow Jones.



### Disclosure

Detailed information about the Company’s CSR activities is provided in the CSR Report 2008. This report is available, in English and Japanese, on our web site at [http://www.7andi.com/en/csr/csrreport\\_2008.html](http://www.7andi.com/en/csr/csrreport_2008.html)

# Corporate Governance

## Fundamental Approach

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

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

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

## Corporate Governance System

The Company uses the corporate auditor system. As of May 28, 2009, the Company's Board of Directors comprises 15 members, of whom three are outside directors. To facilitate prompt decision-making and execution in a rapidly changing management environment, we have introduced the executive officer system. Under this system, the supervisory functions of the Board of Directors are separate from the execution functions of the executive officers. The Board of Directors is able to focus on the formulation of management strategies and the supervision of business execution while the executive officers can focus on business execution. To ensure prompt reflection of the wishes of shareholders, the term of directors has been set at one year.

## Auditing System

The Company monitors management through the corporate auditor system. As of May 28, 2009, the Board of Corporate Auditors comprises five members, including three outside corporate auditors. Each corporate auditor takes steps to audit the work of the directors, such as attending meetings of the Board of Directors and other important meetings, exchanging opinions with the representative directors, periodically receiving reports from directors and others regarding business execution, and actively exchanging information with the Auditing Office. Information is also actively exchanged with the independent auditors, and a close relationship with the independent auditors is maintained.

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

Previously, the Company established the Auditing Office as an independent office that conducts internal audits. In February

2009, as one facet of responses to the internal control reporting system under the Financial Instruments and Transaction Law of Japan, the Company reorganized auditing operations in each core operating company, expanded the Company's Auditing Office to 24 people, and established within the Auditing Office two positions: internal audits and internal control evaluation. The Office continues to have general responsibility for verifying the internal auditing of each of the core operating companies and providing guidance to them. The Office also has internal auditing responsibility for the Company itself. The Office conducts evaluations of Groupwide internal control systems. In addition, the Office actively exchanges information with the corporate auditors and works closely with them while strengthening its general and internal auditing responsibilities.

## Internal Control Systems

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

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

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

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

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

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

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

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

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

(iii) To ensure the appropriate production, storage, management, and timely, accurate disclosure of important administrative documents, and to also conduct integrated information management, with consideration for the safe management of such important information as trade secrets and personal information, all Group companies shall establish, maintain, and operate information management systems, centered on the Information Management Committee; inspect the status of the maintenance and utilization of information management systems; and continue initiatives targeting further improvements. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the corporate auditors.

**(3) Regulations and systems for loss risk management**

(i) In accordance with risk management regulations, all Group companies shall establish, maintain, and utilize comprehensive risk management systems, centered on the Risk Management Committee, in order to accurately analyze, evaluate, and investigate risks associated with each business activity, with consideration for changes in the management environment and risk factors.

(ii) In regard to risk management, a system for periodic reporting to the Board of Directors and corporate auditors shall be established, maintained, and utilized. The Board of Directors, directors, and executive officers shall conduct sufficient examination, analysis, and investigation of risks associated with operational execution, and improvement measures shall be implemented rapidly.

(iii) To minimize damages to all Group companies when risk events occur, the Crisis Management Headquarters shall be established, and measures to facilitate the continuation of operations shall be implemented immediately.

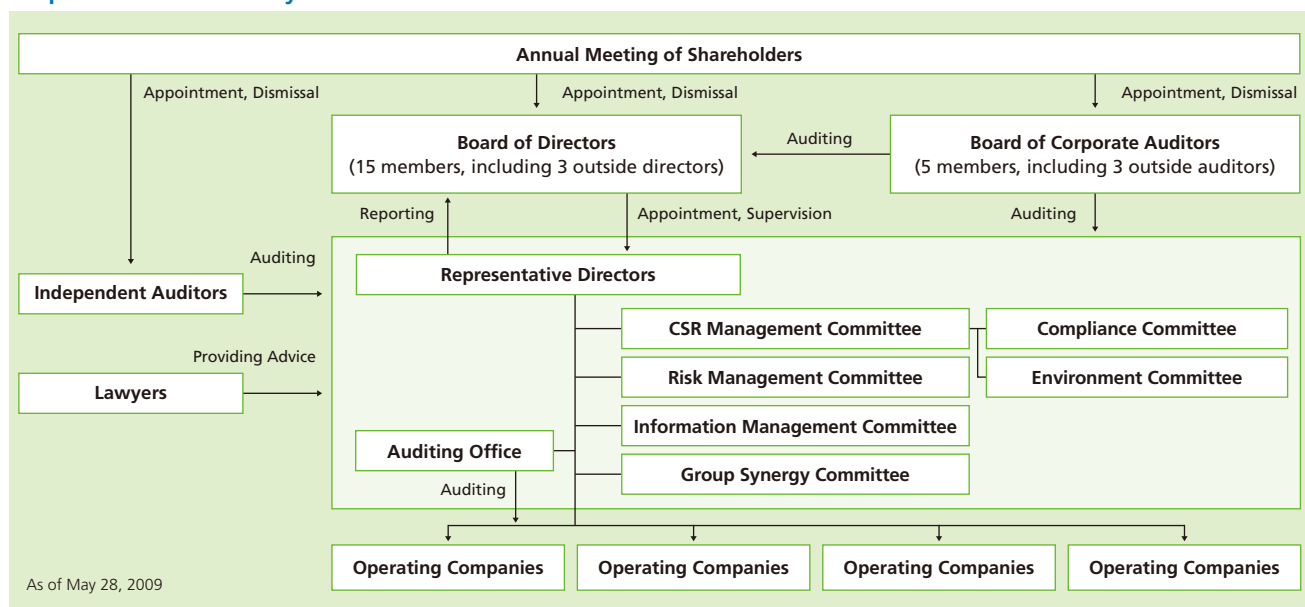
**(4) Systems for ensuring the efficiency of the execution of duties by directors**

(i) The details of the decision-making authority of the directors and executive officers and the divisions with responsibility for each administrative area shall be clearly and appropriately defined in the regulations of decision-making authority, etc. In this way, all Group companies shall avoid administrative duplication and conduct flexible decision-making and administrative execution.

(ii) To secure the sustained growth of the Company, the Board of Directors shall make decisions on such matters as important management objectives and budget allocations for all Group companies. Through such means as periodic reports from directors and executive officers, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations shall be conducted.

(iii) The Board of Directors, as a general rule, shall meet once each month. In addition, when necessary, extraordinary meetings of the Board of Directors shall be held or resolutions of the Board of Directors shall be executed through documents. Rapid decision-making will be implemented and efficient administrative execution will be promoted.

**Corporate Governance System**



**(5) Systems for ensuring the appropriateness of financial reporting**

(i) Centered on the Internal Control Project, which is related to financial reporting, a management system needed to secure the appropriateness of financial reporting for all Group companies shall be established, maintained, and operated.

(ii) In regard to issues that are judged to have a high possibility of majorly influencing financial conditions, information shall be shared in an appropriate manner among the directors, corporate auditors, and independent auditors.

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

(i) In regard to each of the items (1) to (5) above, the Company shall establish, maintain, and operate management systems for the Group as a whole; notify all Group companies of the general outlines of these systems; and require concrete policy formulations. In addition, the Company shall provide support and guidance for the internal control activities of all Group companies as necessary.

(ii) All Group companies shall maintain contact with each business segment and will share information with the Company's departments.

(iii) The Auditing Office will audit all Group companies.

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

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

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

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

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

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

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

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

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

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

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

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

**Main Activities of Outside Directors and Outside Corporate Auditors**

In regard to the outside directors, the Board of Directors met 13 times during the fiscal year (of which, 10 meetings were held after the 3rd Annual Meeting of Shareholders, held on May 22, 2008). Noritaka Shimizu attended 13 of those meetings, Scott Trevor Davis attended 12, and Ikujiro Nonaka, who was newly appointed as a director at the 3rd Annual Meeting of Shareholders on May 22, 2008, attended 10 meetings. The outside directors gave advice and made proposals to ensure the suitability and appropriateness of the Board's decision-making, by expressing their opinions—mainly from the perspective of management and administration for Mr. Shimizu, management and administration and corporate social responsibility for Mr. Davis, and organizational and management theory for Mr. Nonaka.

In regard to the outside corporate auditors, the Board of Directors met 13 times during the fiscal year, and Yoko Suzuki attended 13 of those meetings, Hiroshi Nakachi attended 12, and Megumi Suto attended 13. The Board of Corporate Auditors met 20 times during the fiscal year, and Ms. Suzuki attended 20 of those meetings, Mr. Nakachi attended 19, and Ms. Suto attended 19. The outside corporate auditors asked questions and expressed their opinions as appropriate—mainly from a legal perspective for Ms. Suzuki, an account and tax perspective for Mr. Nakachi, and a corporate governance perspective for Ms. Suto.

The outside directors and outside corporate auditors met regularly and as necessary with representative directors and directors, and directly exchanged opinions regarding the Company's management, corporate governance, etc. The outside corporate auditors also visited the places of business of major subsidiaries and exchanged opinions with the directors and corporate auditors of operating companies.

# Board of Directors and Auditors

(As of May 28, 2009)

## Chairman

Toshifumi Suzuki

## President

Noritoshi Murata

## Directors

Tadahiko Ujiie

Katsuhiko Goto

Tsuyoshi Kobayashi

Junro Ito

Atsushi Kamei

Ryuichi Isaka

Akihiko Hanawa

Kunio Yamashita

Takashi Anzai

Zenko Ohtaka

Noritaka Shimizu\*

Scott Trevor Davis\*

Ikujiro Nonaka\*

## Standing Corporate Auditors

Ikuo Kanda

Hisashi Seki

## Corporate Auditors

Yoko Suzuki\*\*

Hiroshi Nakachi\*\*

Megumi Suto\*\*

\* Outside Directors

\*\* Outside Corporate Auditors

# Executive Officers

(As of May 28, 2009)

## Chairman and Chief Executive Officer

Toshifumi Suzuki

## President and Chief Operating Officer

Noritoshi Murata

## Senior Executive Officer and Chief Financial Officer

Tadahiko Ujiie

## Managing Executive Officer and Chief Administrative Officer

Katsuhiko Goto

## Managing Executive Officer

Minoru Inaoka

## Executive Officers

Tsuyoshi Kobayashi

Junro Ito

Masao Eguchi

Yoshihiro Tanaka

Tomio Nishikawa

Katsuhisa Konuki

Yasuo Takaha

Kazuo Otsuka

Takafumi Kanemitsu

Kunio Takahashi

Akihiko Shimizu

Masayuki Sato

Akira Miyakawa

Kazuyo Sohda



# Financial Section

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# Financial Review

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

	Millions of yen				Thousands of U.S. dollars (Note)
	2009	2008	2007	2006	2009
<b>Revenues from operations:</b>					
Convenience store operations:					
Merchandise.....	¥1,126,294	¥1,239,097	¥1,182,717	¥1,069,684	\$11,492,796
Gasoline .....	769,078	763,769	689,568	575,726	7,847,735
Franchise commission from franchised stores .....	394,864	369,467	359,770	356,907	4,029,224
Other .....	18,455	23,369	17,594	12,919	188,316
Total .....	2,308,691	2,395,702	2,249,649	2,015,236	23,558,071
Superstore operations .....	2,125,030	2,109,050	1,882,935	1,687,735	21,683,980
Department store operations .....	993,877	1,025,355	988,358	—	10,141,602
Food services.....	102,711	113,980	121,684	124,025	1,048,071
Financial services .....	124,866	117,956	100,295	82,289	1,274,143
Others .....	35,080	36,653	32,341	19,781	357,960
Eliminations.....	(40,306)	(46,303)	(37,455)	(33,294)	(411,286)
Consolidated total .....	¥5,649,949	¥5,752,393	¥5,337,807	¥3,895,772	\$57,652,541

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98=US\$1, the approximate rate of exchange prevailing on February 28, 2009.

## ANALYSIS OF RESULTS OF OPERATIONS

### REVENUES FROM OPERATIONS AND OPERATING INCOME

In the fiscal year ended February 28, 2009, Seven & i Holdings recorded revenues from operations of ¥5,649.9 billion, a decrease of ¥102.4 billion year on year, and operating income of ¥281.9 billion, up ¥0.8 billion.

Seven-Eleven Japan (SEJ), the core operating company in convenience store operations, strengthened its store openings in urban areas and aggressively relocated stores to favorable locations. As a result, the number of domestic stores reached 12,298 at the end of the fiscal year, an increase of 264 stores from the end of the previous fiscal year. Also, accompanying the introduction of *taspo* IC cards (cards used to verify that purchasers of cigarettes from vending machines are adults), the number of customers visiting stores to purchase cigarettes increased. In response, SEJ worked to expand its offerings of daily products and freshly cooked fast food products prepared with in-store fryers. SEJ also focused on sales of *Seven Premium* products, centered on daily products that are frequently purchased. In addition, SEJ newly concluded comprehensive agreements with 19 local governments for the activation of local regions and worked to develop products using superior regional foods. As a result, total store sales, which comprise corporate and franchised store sales, were up 7.3%, to ¥2,762.6 billion. By product category, sales of processed foods, which include soft drinks, confectionery, and seasonings, were up 2.6%, to ¥787.3 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products, and noodles, rose 3.2%, to ¥759.7 billion, and sales of daily food items, which include bread, pastries, and milk and other dairy products, were up 0.7%, to ¥334.3 billion. Sales of nonfood products, which include cigarettes and sundries, were up 19.3%, to ¥881.3 billion. Moreover, *Seven-Eleven Net* supplements the in-store lineup with a wide range of about 3,000 products, including alcoholic beverages, and enables products purchased online to be picked up at stores. In these ways, SEJ focused on the upgrade and expansion of services that can be used more conveniently by customers who visit a Seven-Eleven store every day.

Overseas, for 7-Eleven, Inc. (SEI), which operates 6,196 stores in North America as of the end of December 2008, the retail environment

was challenging, including a rapid decline in economic conditions, dramatic fluctuations in gasoline prices, and higher merchandise prices. In this setting, SEI continued to focus on the development and sales of differentiated products, such as hot food products and private-brand products. Consequently, net sales increased on a U.S. dollar basis. However, the average exchange rate, of ¥103.48 to U.S.\$1.00, reflected the appreciation of the yen, and net sales declined 5.3%, to ¥1,725.9 billion. In China, SEVEN-ELEVEN (BEIJING) had 72 stores in Beijing as of the end of December 2008, and sales recorded favorable results, centered on fast food products. SEVEN-ELEVEN CHINA, which was established in April 2008, moved ahead with preparations for the development of stores through area licensees (companies with a license to operate Seven-Eleven stores in a limited region) in China.

Consequently, although SEJ and SEI recorded favorable sales, because the appreciation of the yen was reflected in the exchange rate used in the consolidation of the accounts of SEI, revenues from operations in convenience store operations were ¥2,308.7 billion, a decline of 3.6% from the previous fiscal year. In addition to an increase in income at SEJ, SEI recorded a substantial increase in profits that offset the negative effect of the appreciation of the yen, and as a result operating income was ¥213.4 billion, an increase of 6.1% from the previous fiscal year.

Ito-Yokado is the core operating company in superstore operations. Because the lineups of products that customers prefer differ in accordance with such factors as catchment area, location, and store scale, Ito-Yokado worked to determine the needs of local customers and to reflect those needs in the creation of sales areas in order to implement a thorough store-by-store response. Moreover, as the economic situation has worsened, customers are increasingly focused on maintaining their standards of living, and consequently consumption patterns are changing substantially. In this environment, we opened THE PRICE stores, a new discount store format with lineups centered on daily foods and products frequently used in daily life. Furthermore, the Internet-based business market is showing steady growth even in an environment marked by sluggish consumption, and the membership of *Net Supermarket* has

expanded and recorded favorable progress. Despite the implementation of these initiatives, Ito-Yokado's net sales were down 1.9%, to ¥1,436.5 billion. By product category, apparel sales in the year under review were down 4.5%, to ¥265.7 billion; sales of household goods declined 6.9%, to ¥236.0 billion; and sales of food rose 1.5%, to ¥680.6 billion.

Ito-Yokado opened Ario Otori, its seventh mall-type shopping center, and the Ito-Yokado Honmoku store, a neighborhood shopping center, and closed 3 stores. Consequently, Ito-Yokado had 175 stores at the end of the fiscal year.

As a result, revenues from operations in superstore operations were ¥2,125.0 billion, an increase of 0.8% from the previous fiscal year, and operating income was ¥24.7 billion, a decline of 27.4% from the previous fiscal year.

In department store operations, we took steps to promote customer-focused store management closely linked to local communities. Sogo Hachioji was reopened in March 2008 after a complete remodeling, and in October 2008, we remodeled the sales area for women's miscellaneous goods and for young and working women's fashion, which is one of the key sales areas of the SEIBU Ikebukuro flagship store. In addition, we began initiatives targeting an enhanced response to needs for daily-use items through the provision of products that are not available under traditional department store merchandising. Nonetheless, the operating environment was more difficult than expected, and sales were sluggish. Consequently, revenues from operations in department store operations were ¥993.9 billion, a decline of 3.1% from the previous fiscal year, and operating income was ¥18.3 billion, down 28.8% from the previous fiscal year.

In the restaurant division, which is the core division in food services, we took steps to activate existing stores, such as bolstering the number of menu items offered at reasonable prices and improving customer service. At the same time, we worked to improve profitability by closing unprofitable stores and cutting operating costs. As a result of such measures as reevaluating menu items and prices, the number of customers followed a recovery trend, but the operating environment in the restaurant industry continued to be challenging, and sales were sluggish.

Consequently, revenues from operations in food services were ¥102.7 billion, a decrease of 9.9% from the previous fiscal year, and operating loss was ¥2.9 billion, compared with operating loss of ¥4.2 billion in the previous fiscal year.

Seven Bank, which develops ATM operations, installed ATMs in Group stores, including the installation of a second ATM in Seven-Eleven stores with a high number of ATM users. In addition, it also proceeded with installations in locations outside the Group, such as at airports, hotels, hospitals, and expressway parking service areas. As a result, the ATM network recorded smooth growth. Seven Bank also took steps to promote the upgrade and expansion of services that raise the convenience of ATMs, such as expanding alliances with financial institutions at which IC cards can be used. Consequently, at the end of February 2009, Seven Bank had 13,755 installed ATMs, an increase of 738 installed ATMs from the end of the previous fiscal year, 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 fiscal year.

IY Card Service, which develops credit card operations, continued to focus on credit card operations while working to expand *nanaco* electronic money both inside and outside the Group. At the end of the fiscal year, the number of stores at which *nanaco* could be used had expanded to about 23,000 stores. Moreover, IY Card Service took steps to further increase the convenience of its services. It began to provide QUICPay

postpaid electronic money services with the *nanaco* card, as well as to enable the use of the IY Card credit card to charge the *nanaco* card. It also took Groupwide measures, including the launch in June 2008 of a service under which *nanaco* points are awarded for transactions on Seven Bank accounts.

Consequently, revenues from operations in financial services operations were ¥124.9 billion, an increase of 5.9% from the previous fiscal year, and operating income was ¥25.5 billion, an increase of 20.9% from the previous fiscal year.

#### INCOME BEFORE INCOME TAXES

In other income (expenses), net other expenses increased to ¥66,751 million, from ¥53,646 million in the previous fiscal year. Due in part to an increase in impairment loss on property and equipment, income before income taxes and minority interests declined ¥12,327 million, to ¥215,115 million.

#### NET INCOME

Income taxes were ¥113.9 billion, up ¥25.6 billion from the previous fiscal year. After application of tax effect accounting, the effective tax rate was 52.9%. As a result, net income was ¥92.3 billion, a decrease of ¥38.3 billion. Net income per share was ¥100.54, a decrease of ¥36.49 per share from ¥137.03 per share in the previous fiscal year.

#### ANALYSIS OF FINANCIAL POSITION

##### ASSETS, LIABILITIES, AND NET ASSETS

In the year under review, SEVEN-ELEVEN CHINA, Seven & i Netmedia, and Seven Culture Network were added to the scope of consolidation.

Total assets declined ¥159.6 billion, to ¥3,727.1 billion. At Seven Bank, ATM-related temporary payments, which are included in other current assets, rose ¥57.9 billion because the last day of February was a Saturday, while call loans declined ¥13.5 billion. Due in part to these factors, total current assets were up ¥42.7 billion, to ¥1,397.1 billion.

In property and equipment, there was a decline due to the sale of non-current assets and the recording of impairment loss. In addition, the influence of the appreciation of the yen led to an SEI-related assets decline. As a result, property and equipment, net, declined ¥114.7 billion. In intangible assets, amortization of goodwill was recorded and goodwill associated with SEI declined due to the appreciation of the yen. As a result, intangible assets declined ¥44.2 billion. Investments in securities declined ¥19.9 billion due to valuation loss related to securities of CREDIT SAISON held by SEIBU. Long-term leasehold deposits were down ¥18.5 billion, due in part to a transfer to short-term leasehold deposits at Ito-Yokado. As a result, total non-current assets declined ¥202.3 billion from a year earlier, to ¥2,330.0 billion.

Total liabilities rose ¥37.7 billion, to ¥1,866.4 billion. Due to repayments, the total of long-term loans and short-term loans declined ¥47.5 billion. In bonds, the Company issued ¥100.0 billion in bonds in July 2008 and Seven Bank repaid ¥15.0 billion in bonds in December 2008. Due in part to these factors, the total of bonds increased ¥83.7 billion. On the other hand, deposits received in banking business increased ¥23.5 billion.

Total net assets decreased ¥197.4 billion, to ¥1,860.7 billion. Retained earnings were reduced ¥51.1 billion by cash dividend payments and increased ¥92.3 billion by net income for the year. As a result, retained earnings increased ¥41.1 billion. Capital surplus declined ¥155.5 billion, due primarily to the cancellation of treasury stock. Foreign currency

translation adjustments, due in part to the influence of the appreciation of the yen, principally at SEI, declined ¥79.4 billion.

Consequently, net assets per share were down ¥105.90 from a year earlier, to ¥1,975.95, and the owners' equity ratio declined to 47.9%, from 51.1% a year earlier.

#### CASH FLOWS

Cash and cash equivalents (hereafter "cash") were provided by operations with high revenue and profit-generating capacity, centered on convenience store operations. However, the Company used cash to open new stores, remodel existing stores, and acquire treasury stock. As a result, cash declined ¥4.3 billion, to ¥663.5 billion at year-end.

Net cash provided by operating activities was ¥310.0 billion, down ¥155.4 billion from a year earlier. Income before income taxes and

minority interests was down ¥12.3 billion, and net decrease in call loan in banking business declined by ¥94.3 billion.

Net cash used in investing activities was ¥139.6 billion, a decline of ¥97.6 billion from the previous fiscal year. Acquisition of property and equipment, principally for new store openings and store renovations, declined ¥29.9 billion. Proceeds from withdrawal of time deposits and proceeds from withdrawal of negotiable certificates of deposits totaled ¥126.9 billion.

Net cash used in financing activities was ¥169.8 billion, an increase of ¥39.6 billion from the previous fiscal year. Proceeds from issuance of bonds were ¥99.6 billion, and payment for acquisitions of treasury stock was ¥158.1 billion.

## Risk Factors

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

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

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

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

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

### 1. RISKS RELATED TO ECONOMIC CONDITIONS

#### Japanese and Global Economies

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

#### Interest Rate Fluctuations

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

#### Foreign Exchange Rate Fluctuations

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

### 2. RISKS RELATED TO THE SEVEN & i GROUP'S BUSINESS

#### GROUP-WIDE RISKS

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

The Seven & i Group's operations depend on obtaining products, raw materials, and other supplies in adequate quality and quantity in a timely manner. The Seven & i Group strives to decentralize its operations to avoid significant dependence on specific producing areas, suppliers, products, technologies, etc. However, the disruption of procurement routes may affect its operations. In addition, there are products in the Seven & i Group's product lineups whose purchase prices change due to external factors, including products affected by fluctuations in the prices of such raw materials as crude oil. Accordingly, fluctuations in purchase prices may affect its business performance and financial condition.

##### Product Safety and Representations

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

### Store Opening Strategy

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

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

### M&As, Alliances, and Strategic Investments

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

### Credit Management

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

### Impairment of Fixed Assets

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

## RISKS BY SEGMENT

### Convenience Store Operations

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

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

its convenience store operations or if business partners' technical capabilities declined conspicuously, business performance and financial condition could be affected.

Seven-Eleven has grown into a global chain with more than 36,000 stores in 15 countries and regions around the world, including stores outside the Seven & i Group that operate under the area license agreements with 7-Eleven, Inc. A reduction in royalties or sales resulting from misconduct by area licensees that do not belong to the Seven & i Group or by stores operated by area licensees could affect its business performance and financial condition.

### Superstore Operations

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

### Department Store Operations

Millennium Retailing, SEIBU, and Sogo—which form the core of the Seven & i Group's department store operations—are scheduled to merge on August 1, 2009, in order to flexibly cater to changes in customer needs and market trends, and to fulfill a commitment to an on-site orientation that reflects the seamless integration of stores and the head office. Through the merger, the Seven & i Group intends to increase business efficiency, introduce a "Unified Operating Zone Strategy" that integrates key stores and multiple branch stores into one integrated network, focus management resources on the SEIBU Ikebukuro flagship store, and reinforce the Group's synergies. However, the Seven & i Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

### Food Services

In its food services, the Seven & i Group are striving to maximize integration synergies through the merger of three companies, which operate restaurants, meal provision services, and fast food, and pressing ahead with business reorganization mainly through closing unprofitable stores. However, the Seven & i Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

### Financial Services

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

Seven Bank owes its revenues mainly to ATM operations. As such, the growing use of alternatives to cash for settlement, intensifying competition for ATM services, the peaking out of ATM network expansion, and the materializing liquidity risk of business partners resulting from their worsening business conditions may affect its business performance and financial condition.

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

### 3. LEGAL RESTRICTIONS AND LITIGATION

#### Changes in Accounting Standards and Tax Systems

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

#### Environmental Regulations or Issues

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

#### Litigation and Regulatory Actions

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

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

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

#### Leaks of Confidential Information

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

### 4. RISKS RELATED TO DISASTERS OR UNPREDICTABLE EVENTS

#### Influence of Disasters, etc.

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

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

#### Pandemic of Infectious Diseases, Such as New Strain of Influenza

According to experts, it is likely that a new strain of influenza, which has never infected human beings, will prevail globally. The Seven & i Group operates retail businesses as core operations which play a role as a life-line. The Seven & i Group has come up with business continuity plans in response to pandemic of such infectious diseases as a new strain of influenza. However, according to the development of a pandemic phase, the Seven & i Group could take such appropriate measures as shortening of operating hours or limitation of open stores, etc. If such is the case, its business performance and financial condition could be affected.

### 5. OTHER RISKS

#### Retirement Benefit Obligations and Retirement Benefit Expenses

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

#### Deferred Tax Assets

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

#### Brand Image

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

# Consolidated Balance Sheets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries at February 28, 2009 and February 29, 2008

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Current assets:</b>			
Cash and cash equivalents.....	¥ 663,484	¥ 667,770	\$ 6,770,245
Notes and accounts receivable:			
Trade.....	116,903	128,852	1,192,888
Financial services.....	78,043	75,742	796,357
Franchisees and other.....	56,522	42,221	576,755
Allowance for doubtful accounts.....	(4,322)	(2,987)	(44,102)
	247,146	243,828	2,521,898
Inventories.....	169,534	169,026	1,729,939
Deferred income taxes (Note 9).....	28,656	35,730	292,408
Prepaid expenses and other current assets (Note 15).....	288,282	238,063	2,941,653
Total current assets.....	1,397,102	1,354,417	14,256,143
<b>Property and equipment, at cost</b> (Notes 6, 7, 12 and 15).....	2,378,036	2,485,639	24,265,673
<b>Less: Accumulated depreciation</b> .....	(1,155,608)	(1,148,497)	(11,791,918)
	1,222,428	1,337,142	12,473,755
<b>Intangible assets:</b>			
Goodwill.....	318,946	360,349	3,254,551
Software and other (Note 15).....	102,701	105,499	1,047,969
	421,647	465,848	4,302,520
<b>Investments and other assets:</b>			
Investments in securities (Notes 4 and 15).....	140,150	160,094	1,430,102
Long-term loans receivable.....	14,271	15,178	145,622
Long-term leasehold deposits (Note 15).....	442,417	460,952	4,514,459
Prepaid pension cost (Note 10).....	16,486	12,728	168,225
Deferred income taxes (Note 9).....	22,966	28,114	234,347
Other.....	59,886	60,783	611,082
Allowance for doubtful accounts.....	(10,292)	(8,576)	(105,020)
	685,884	729,273	6,998,817
	¥3,727,061	¥3,886,680	\$38,031,235

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



LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Current liabilities:</b>			
Short-term loans (Notes 11 and 15).....	¥ 191,100	¥ 149,861	\$ 1,950,000
Current portion of long-term debt (Notes 11 and 15) .....	155,260	153,750	1,584,286
Notes and accounts payable:			
Trade (Note 5).....	194,283	215,897	1,982,480
Trade for franchised stores (Note 17).....	103,501	105,505	1,056,133
Other.....	83,216	87,263	849,142
	381,000	408,665	3,887,755
Accrued expenses.....	78,622	84,605	802,265
Income taxes payable .....	53,311	44,774	543,990
Deposits received.....	120,038	87,205	1,224,878
Deposits received in banking business.....	165,712	142,206	1,690,939
Allowance for bonuses to employees.....	15,705	16,109	160,255
Allowance for sales promotion expenses.....	16,602	21,189	169,408
Allowance for losses on future collection of gift certificates .....	6,024	6,899	61,469
Other (Note 9).....	71,553	62,231	730,133
Total current liabilities .....	1,254,927	1,177,494	12,805,378
<b>Long-term debt</b> (Notes 11 and 15).....	463,350	482,177	4,728,061
<b>Allowance for accrued pension and severance costs</b> (Note 10).....	3,511	4,348	35,827
<b>Allowance for retirement benefits to directors and corporate auditors</b> .....	3,481	4,032	35,520
<b>Deferred income taxes</b> (Note 9) .....	44,095	62,017	449,949
<b>Deposits received from tenants and franchised stores</b> (Note 15).....	60,277	61,535	615,071
<b>Other liabilities</b> (Note 15).....	36,747	37,038	374,970
Total liabilities .....	1,866,388	1,828,641	19,044,776
<b>Commitments and contingent liabilities</b> (Note 15)			
<b>Net assets</b> (Note 13):			
<b>Shareholders' equity:</b>			
Common stock, authorized 4,500,000,000 shares, issued 906,441,983 shares in 2009 and 956,441,983 shares in 2008.....	50,000	50,000	510,204
Capital surplus.....	576,075	731,622	5,878,316
Retained earnings.....	1,246,165	1,205,042	12,715,969
Treasury stock, at cost, 2,982,472 shares in 2009 and 2,954,728 shares in 2008.....	(9,277)	(6,816)	(94,663)
	1,862,963	1,979,848	19,009,826
<b>Accumulated gains (losses) from valuation and translation adjustments:</b>			
Unrealized gains on available-for-sale securities, net of taxes (Note 4) .....	248	3,885	2,531
Unrealized losses on hedging derivatives, net of taxes.....	(622)	(676)	(6,347)
Foreign currency translation adjustments .....	(77,399)	1,962	(789,786)
	(77,773)	5,171	(793,602)
<b>Subscription rights to shares</b> (Note 14).....	391	—	3,990
<b>Minority interests in consolidated subsidiaries</b> .....	75,092	73,020	766,245
Total net assets .....	1,860,673	2,058,039	18,986,459
	¥3,727,061	¥3,886,680	\$38,031,235

# Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Revenues from operations:</b>			
Net sales.....	¥5,094,757	¥5,223,833	\$51,987,316
Other operating revenues (Note 18).....	555,192	528,560	5,665,225
	<b>5,649,949</b>	<b>5,752,393</b>	<b>57,652,541</b>
<b>Costs and expenses:</b>			
Cost of sales (Note 18) .....	3,789,599	3,863,848	38,669,377
Selling, general and administrative expenses (Notes 10, 12 and 18) .....	1,578,484	1,607,457	16,106,980
	<b>5,368,083</b>	<b>5,471,305</b>	<b>54,776,357</b>
Operating income.....	<b>281,866</b>	<b>281,088</b>	<b>2,876,184</b>
<b>Other income (expenses):</b>			
Interest and dividend income.....	7,049	6,432	71,928
Interest expenses and interest on bonds.....	(10,314)	(11,666)	(105,245)
Foreign currency exchange losses.....	(955)	(2,244)	(9,745)
Equity in (losses) earnings of affiliates .....	(667)	1,073	(6,806)
Impairment loss on property and equipment (Note 7) .....	(39,372)	(20,031)	(401,755)
Gain on sales of property and equipment (Note 18).....	5,330	7,128	54,388
Loss on disposals of property and equipment (Note 18) .....	(6,186)	(8,481)	(63,122)
Gain on sales of subsidiary's common stock .....	—	2,620	—
U.S. federal excise tax refund.....	—	4,036	—
Gain on increase of the Company's interest in consolidated subsidiaries.....	—	5,016	—
Gain on donations received (Note 18).....	—	1,600	—
Loss on sales of investments in securities .....	(86)	(17,942)	(878)
Valuation loss on investments in securities .....	(11,354)	(11,122)	(115,857)
Provision for loss on future collection of gift certificates .....	—	(7,085)	—
Additional retirement benefits for early retirement.....	(3,077)	—	(31,398)
Other, net.....	(7,119)	(2,980)	(72,643)
	<b>(66,751)</b>	<b>(53,646)</b>	<b>(681,133)</b>
Income before income taxes and minority interests .....	<b>215,115</b>	<b>227,442</b>	<b>2,195,051</b>
<b>Income taxes (Note 9):</b>			
Current .....	111,231	109,462	1,135,010
Deferred.....	2,626	(21,223)	26,796
	<b>113,857</b>	<b>88,239</b>	<b>1,161,806</b>
Income before minority interests .....	<b>101,258</b>	<b>139,203</b>	<b>1,033,245</b>
<b>Minority interests in net income of consolidated subsidiaries</b> .....	<b>8,921</b>	<b>8,545</b>	<b>91,031</b>
Net income.....	<b>¥ 92,337</b>	<b>¥ 130,658</b>	<b>\$ 942,214</b>
		Yen	U.S. dollars (Note 3)
<b>Per share of common stock:</b>			
Net income (Basic) .....	¥100.54	¥137.03	\$1.03
Net income (Diluted).....	100.54	—	1.03
Cash dividends .....	56.00	54.00	0.57

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

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

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
<b>Balance at February 28, 2007</b> .....	¥50,000	¥766,186	¥1,124,893	¥(41,310)	¥(2,100)	¥(371)	¥ 9,500	¥ —	¥62,351	¥1,969,149
Net income for the year .....			130,658							130,658
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries .....			27							27
Cash dividends .....			(50,536)							(50,536)
Purchase of treasury stock .....				(76)						(76)
Sales of treasury stock .....		2		6						8
Cancellation of treasury stock .....		(34,566)		34,566						—
Other .....				(2)						(2)
Net increase (decrease) for the year .....					5,985	(305)	(7,538)	—	10,669	8,811
<b>Balance at February 29, 2008</b> .....	50,000	731,622	1,205,042	(6,816)	3,885	(676)	1,962	—	73,020	2,058,039
Net income for the year .....			92,337							92,337
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries .....			(122)							(122)
Cash dividends .....			(51,092)							(51,092)
Purchase of treasury stock .....				(158,019)						(158,019)
Sales of treasury stock .....		(1)		38						37
Cancellation of treasury stock .....		(155,546)		155,546						—
Other .....				(26)						(26)
Net (decrease) increase for the year .....					(3,637)	54	(79,361)	391	2,072	(80,481)
<b>Balance at February 28, 2009</b> .....	¥50,000	¥576,075	¥1,246,165	¥(9,277)	¥ 248	¥(622)	¥(77,399)	¥391	¥75,092	¥1,860,673

	Thousands of U.S. dollars (Note 3)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
<b>Balance at February 29, 2008</b> .....	\$510,204	\$7,465,530	\$12,296,347	\$ (69,551)	\$39,643	\$(6,898)	\$ 20,020	\$ —	\$745,102	\$21,000,397
Net income for the year .....			942,214							942,214
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries .....			(1,245)							(1,245)
Cash dividends .....			(521,347)							(521,347)
Purchase of treasury stock .....				(1,612,439)						(1,612,439)
Sales of treasury stock .....		(10)		388						378
Cancellation of treasury stock .....		(1,587,204)		1,587,204						—
Other .....				(265)						(265)
Net (decrease) increase for the year .....					(37,112)	551	(809,806)	3,990	21,143	(821,234)
<b>Balance at February 28, 2009</b> .....	\$510,204	\$5,878,316	\$12,715,969	\$ (94,663)	\$ 2,531	\$(6,347)	\$(789,786)	\$3,990	\$766,245	\$18,986,459

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests.....	¥215,115	¥227,442	\$2,195,051
Depreciation and amortization .....	140,529	143,643	1,433,969
Impairment loss on property and equipment .....	39,372	20,031	401,755
(Decrease) increase in allowance for bonuses to employees .....	(404)	984	(4,122)
Increase in prepaid pension cost.....	(3,656)	(6,702)	(37,306)
Interest and dividend income .....	(7,049)	(6,432)	(71,928)
Interest expense and interest on bonds.....	10,314	11,666	105,245
Foreign currency exchange losses.....	1,505	790	15,357
Equity in losses (earnings) of affiliates.....	667	(1,073)	6,806
Gain on sales of property and equipment.....	(5,330)	(7,128)	(54,388)
Loss on disposals of property and equipment.....	6,186	8,481	63,122
Gain on sales of subsidiary's common stock.....	—	(2,620)	—
Gain on increase of the Company's interest in consolidated subsidiaries .....	—	(5,016)	—
Loss on sales of investments in securities.....	86	17,942	878
Valuation loss on investments in securities.....	11,354	11,122	115,857
Decrease (increase) in notes and accounts receivable, trade.....	9,241	(333)	94,296
Increase in accounts receivable, financial services.....	(2,301)	(3,167)	(23,480)
(Increase) decrease in inventories.....	(8,565)	1,464	(87,398)
(Decrease) increase in notes and accounts payable .....	(14,456)	5,192	(147,510)
Payment for debts in banking business .....	(11,000)	—	(112,245)
Net increase in deposits received in banking business .....	23,506	36,037	239,857
Net decrease in call loan in banking business.....	13,500	107,800	137,755
Net increase in call money in banking business.....	12,300	—	125,510
Net decrease in ATM-related temporary accounts.....	(38,217)	(6,071)	(389,969)
Other .....	26,336	22,340	268,735
Sub-total.....	419,033	576,392	4,275,847
Interest and dividends received.....	4,780	4,474	48,775
Interest paid.....	(10,076)	(11,577)	(102,816)
Income taxes paid .....	(103,730)	(103,909)	(1,058,469)
<b>Net cash provided by operating activities.....</b>	<b>310,007</b>	<b>465,380</b>	<b>3,163,337</b>
<b>Cash flows from investing activities:</b>			
Acquisition of property and equipment .....	(147,432)	(177,358)	(1,504,408)
Proceeds from sales of property and equipment .....	27,287	20,213	278,439
Acquisition of intangible assets .....	(12,184)	(16,842)	(124,327)
Payment for purchase of investments in securities .....	(260,771)	(454,543)	(2,660,929)
Proceeds from sales and maturity of investments in securities.....	260,488	449,105	2,658,041
Acquisition of investments in subsidiaries .....	—	(420)	—
Acquisition of investments in newly consolidated subsidiaries.....	—	(7,108)	—
Proceeds from acquisition of investments in newly consolidated subsidiaries.....	—	2,359	—
Payment of loans receivable .....	(540)	(637)	(5,510)
Collection of loans receivable .....	1,071	2,088	10,929
Payment for long-term leasehold deposits and advances for store construction.....	(25,622)	(29,758)	(261,449)
Refund of long-term leasehold deposits .....	33,290	30,925	339,694
Proceeds from deposits from tenants.....	2,814	5,536	28,714
Refund of deposits from tenants .....	(3,758)	(3,449)	(38,347)
Payment for time deposits.....	(29,107)	(28,353)	(297,010)
Payment for negotiable certificates of deposits.....	(106,000)	(42,000)	(1,081,633)
Proceeds from withdrawal of time deposits .....	30,893	—	315,235
Proceeds from withdrawal of negotiable certificates of deposits .....	96,000	—	979,592
Other .....	(5,998)	13,057	(61,205)
<b>Net cash used in investing activities.....</b>	<b>(139,569)</b>	<b>(237,185)</b>	<b>(1,424,174)</b>
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans.....	38,239	(39,232)	390,194
Proceeds from long-term debt.....	27,600	65,870	281,633
Repayment of long-term debt .....	(116,571)	(67,355)	(1,189,500)
Proceeds from commercial paper.....	596,066	715,519	6,082,306
Payment for redemption of commercial paper.....	(599,704)	(725,064)	(6,119,429)
Proceeds from issuance of bonds.....	99,617	—	1,016,500
Payment for redemption of bonds.....	(1,218)	(30,390)	(12,429)
Dividends paid .....	(51,046)	(50,498)	(520,877)
Capital contribution from minority interests.....	372	435	3,796
Dividends paid for minority interests.....	(4,364)	(3,240)	(44,531)
Payment for acquisitions of treasury stock .....	(158,122)	—	(1,613,490)
Proceeds from sales of treasury stock .....	36	8	367
Proceeds from sales of treasury stock by a subsidiary.....	—	7,135	—
Other .....	(660)	(3,325)	(6,734)
<b>Net cash used in financing activities.....</b>	<b>(169,755)</b>	<b>(130,137)</b>	<b>(1,732,194)</b>
<b>Effect of exchange rate changes on cash and cash equivalents.....</b>	<b>(4,969)</b>	<b>(422)</b>	<b>(50,704)</b>
<b>Net (decrease) increase in cash and cash equivalents.....</b>	<b>(4,286)</b>	<b>97,636</b>	<b>(43,735)</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>667,770</b>	<b>570,134</b>	<b>6,813,980</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>¥663,484</b>	<b>¥667,770</b>	<b>\$6,770,245</b>

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

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

## 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying Consolidated Financial Statements also include the accounts of the Company’s foreign consolidated subsidiaries, which have been prepared in accordance with accounting principles generally accepted in their own countries.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Basis of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and 83 subsidiaries which, with an exception due to materiality, include Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., Millennium Retailing, Inc., Sogo Co., Ltd., THE SEIBU DEPARTMENT STORES, LTD., Seven & i Food Systems Co., Ltd., York-Benimaru Co., Ltd., Seven Bank, Ltd. and 7-Eleven, Inc.

SEVEN-ELEVEN CHINA Co., Ltd., Seven & i Netmedia Co., Ltd. and Seven Culture Network Co., Ltd. have been consolidated since 2009 due to the establishment.

On the other hand, consolidated subsidiaries decreased because FUJIKOSHI CO., LTD. merged with its four subsidiaries.

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

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

13 affiliates, which include PRIME DELICA CO., LTD., are accounted for using the equity method. The advance to an affiliate that has negative net assets was reduced. The affiliates which have a different fiscal year-end are included in the Consolidated Financial Statements based on their respective fiscal year-end.

All material intercompany transactions and account balances have been eliminated.

The Company’s interest portion in the assets and liabilities of subsidiaries and affiliates was revalued on acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is recognized as goodwill. On March 29, 2007, the Accounting Standards

Board of Japan (the “ASBJ”) issued ASBJ Implementation Guidance No. 15, “Implementation Guidance on Disclosure about Certain Special Purpose Corporation,” which was effective for financial years beginning on or after April 1, 2007. The Company has applied the guidance from the fiscal year ended February 28, 2009.

### (2) Inventories

Inventories are valued principally at the lower of cost or market. Cost is determined principally by the average retail method for domestic consolidated subsidiaries and by the LIFO method for foreign consolidated subsidiaries.

Supplies are carried at cost, which is mainly determined by the last purchase price method.

### (3) Securities

Held-to-maturity debt securities are carried at amortized cost.

Available-for-sale securities are classified into two categories, where:

- (a) the fair value is available and (b) the fair value is not available.
- (a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.
- (b) Securities whose fair value is not available are valued at cost, determined using the moving-average method.

### (4) Derivatives

Derivative financial instruments are valued at fair value.

### (5) Property and equipment

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

(Supplemental Information)

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

(Change in depreciation method for property and equipment)

In accordance with the amendment of the Corporation Tax Law (Partial Amendment of the Income Tax Law etc., March 30, 2007, Law No. 6 and Partial Amendment of the Corporation Tax Enforcement Ordinance, March 30, 2007, Ordinance No. 83), effective from the fiscal year ended February 29, 2008, the Company and its domestic consolidated subsidiaries have changed the depreciation method for those property and equipment acquired on or after April 1, 2007 to the method based on the amended Corporation Tax Law. The impact of this change on the Consolidated Statements of Income is immaterial.

### (6) Intangible assets

Intangible assets are amortized using the straight-line method for the Company and its domestic consolidated subsidiaries.

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

Goodwill and negative goodwill arising from domestic consolidated subsidiaries are mainly amortized over a period of 20 years on a straight-line basis, or charged to income if immaterial. The difference between the

cost of investments and equity in their net assets at the date of acquisition recognized in applying the equity method is treated in the same manner.

The consolidated subsidiaries in the United States carry out an impairment test for goodwill and other intangible assets with indefinite lives in accordance with the provisions of the Statement of Financial Accounting Standard No. 142 "Goodwill and Other Intangible Assets," and decrease the book value if required.

**(7) Income taxes**

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

Deferred tax accounting is applied.

**(8) Allowances**

**(a) Allowance for doubtful accounts**

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

**(b) Allowance for sales promotion expenses**

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

**(c) Allowance for loss on future collection of gift certificates**

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

Effective from the fiscal year ended February 29, 2008, certain domestic consolidated subsidiaries provide an allowance for loss on future collection of gift certificates in accordance with the "Auditing Treatment concerning Reserve under Special Taxation Measures Law, Reserve under Special Laws, and Reserve for Retirement Benefits to Directors and Corporate Auditors" (The Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee Report No. 42, revised on April 13, 2007).

Previously, certain domestic consolidated subsidiaries recognized gift certificates as income after certain periods from their issuance. By the adoption of the above Auditing Treatment, certain domestic consolidated subsidiaries changed their accounting policies to provide an allowance for loss on future collection of gift certificates after they are recognized as income.

**(d) Allowance for bonuses to employees**

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

**(e) Allowance for accrued pension and severance costs**

(Prepaid pension cost)

Allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. The excess amount of the estimated fair value of the plan assets over the estimated present value of projected benefit obligation adjusted by unrecognized actuarial

differences at February 28, 2009 is recorded as prepaid pension cost.

Also, certain domestic consolidated subsidiaries and consolidated subsidiaries in the United States provide allowance for accrued pension and severance costs. Unrecognized actuarial differences are amortized on a straight-line basis over the period of mainly 10 years from the next year in which they arise which is shorter than the average remaining years of service of the eligible employees. Unrecognized prior service costs are amortized on a straight-line basis over the period of mainly 5 years.

(f) Allowance for retirement benefits to directors and corporate auditors  
Allowance for retirement benefits to directors and corporate auditors is provided in accordance with the Company's internal policy. The Company and certain consolidated subsidiaries abolished the program of retirement benefits to directors and corporate auditors, and certain consolidated subsidiaries decided to pay it at the time of their resignation.

**(9) Leases**

The Company and its domestic consolidated subsidiaries account for finance leases, except those for which ownership of the leased asset is considered to be transferred to the lessee, as operating leases.

Foreign subsidiaries mainly account for finance leases as assets and obligations at an amount equal to the present value of future minimum lease payments, during the lease term.

**(10) Hedge accounting**

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

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

**(11) Per share information**

Net assets (excluding minority interests in consolidated subsidiaries) and net income per share as of and for the fiscal year ended February 28, 2009 are ¥1,975.95 (\$20.16) and ¥100.54 (\$1.03) respectively.

Diluted net income per share is ¥100.54 (\$1.03) as of February 28, 2009 and not presented as of February 29, 2008 due to not having any dilutive shares.

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

Basis for the calculation of net income per share for the fiscal years ended February 28, 2009 and February 29, 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Net income .....	¥92,337	¥130,658	\$942,214
Less components not pertaining to common shareholders.....	0	—	0
Net income pertaining to common shareholders.....	¥92,337	¥130,658	\$942,214
Weighted average number of shares of common stock outstanding (shares).....	918,389,766	953,496,897	

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

#### (12) Treasury stock

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

#### (13) Accounting for consumption taxes and excise tax

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

#### (14) Foreign currency translation

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

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

#### (15) Cash and cash equivalents

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

#### (16) Accounting for franchised stores in convenience store operations

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

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

(Accounting Standard for Business Combinations)

Effective from the fiscal year ended February 29, 2008, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Business Combinations" issued by the Business Accounting Council on October 31, 2003, "Accounting Standard for Business Divestitures" (Statement No. 7 issued by the ASBJ on December 27, 2005) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (the

Financial Accounting Standard Implementation No. 10 finally revised by the ASBJ on December 22, 2006).

#### (18) Reclassification

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

### 3. U.S. DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥98=US\$1, the approximate rate of exchange prevailing on February 28, 2009. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or at any other rate.

#### 4. SECURITIES INFORMATION

(1) The following tables summarize the book value and fair value of held-to-maturity debt securities whose fair value is available as of February 28, 2009 and February 29, 2008:

TYPE	Millions of yen		
	2009		
	Book value	Fair value	Difference
Debt securities with fair value exceeding book value.....	¥615	¥618	¥3
Total .....	¥615	¥618	¥3

TYPE	Millions of yen		
	2008		
	Book value	Fair value	Difference
Debt securities with fair value exceeding book value.....	¥605	¥606	¥1
Debt securities with fair value not exceeding book value .....	10	10	0
Total .....	¥615	¥616	¥1

TYPE	Thousands of U.S. dollars (Note 3)		
	2009		
	Book value	Fair value	Difference
Debt securities with fair value exceeding book value.....	\$6,275	\$6,306	\$31
Total .....	\$6,275	\$6,306	\$31

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value is available as of February 28, 2009 and February 29, 2008:

TYPE	Millions of yen		
	2009		
	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities.....	¥ 9,911	¥ 11,725	¥1,814
Debt securities.....	80,542	80,622	80
Sub-total .....	90,453	92,347	1,894
Securities with book value not exceeding acquisition cost:			
Equity securities.....	8,885	7,369	(1,516)
Debt securities.....	10,994	10,994	—
Sub-total .....	19,879	18,363	(1,516)
Total .....	¥110,332	¥110,710	¥ 378

TYPE	Millions of yen		
	2008		
	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities.....	¥ 9,340	¥ 17,783	¥ 8,443
Debt securities.....	5,522	5,522	0
Sub-total .....	14,862	23,305	8,443
Securities with book value not exceeding acquisition cost:			
Equity securities.....	19,127	17,306	(1,821)
Debt securities.....	92,019	91,996	(23)
Sub-total .....	111,146	109,302	(1,844)
Total .....	¥126,008	¥132,607	¥ 6,599

TYPE	Thousands of U.S. dollars (Note 3)		
	2009		
	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities.....	\$ 101,133	\$ 119,643	\$18,510
Debt securities.....	821,857	822,673	816
Sub-total .....	922,990	942,316	19,326
Securities with book value not exceeding acquisition cost:			
Equity securities.....	90,663	75,194	(15,469)
Debt securities.....	112,184	112,184	—
Sub-total .....	202,847	187,378	(15,469)
Total .....	\$1,125,837	\$1,129,694	\$ 3,857



(3) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2009 and February 29, 2008 are as follows:

TYPE	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Sales amounts .....	¥39	¥ 23,786	\$398
Gain on sales of available-for-sale securities.....	18	100	184
Loss on sales of available-for-sale securities.....	(6)	(17,891)	(61)

(4) The following table summarizes the book value of major securities with no available fair value as of February 28, 2009 and February 29, 2008:

TYPE	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Held-to-maturity debt securities:			
Bonds.....	¥ 203	¥ 204	\$ 2,071
Available-for-sale securities:			
Non-listed securities.....	18,809	16,926	191,929
Non-listed foreign securities.....	3,021	3,041	30,827
Debt securities.....	25	25	255
Negotiable certificates of deposits .....	52,000	42,000	530,612
Total .....	¥74,058	¥62,196	\$755,694

(5) Redemption schedules of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of February 28, 2009 and February 29, 2008 are as follows:

TYPE	Millions of yen				
	2009				
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.....	¥ 86,542	¥5,688	¥—	¥—	¥ 92,230
Corporate bonds.....	203	—	—	—	203
Debt securities.....	25	—	—	—	25
Negotiable certificates of deposits .....	52,000	—	—	—	52,000
Total .....	¥138,770	¥5,688	¥—	¥—	¥144,458

TYPE	Millions of yen				
	2008				
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.....	¥ 97,518	¥615	¥—	¥—	¥ 98,133
Corporate bonds.....	4	200	—	—	204
Debt securities.....	25	—	—	—	25
Negotiable certificates of deposits .....	42,000	—	—	—	42,000
Total .....	¥139,547	¥815	¥—	¥—	¥140,362

TYPE	Thousands of U.S. dollars (Note 3)				
	2009				
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.....	\$ 883,082	\$58,041	\$—	\$—	\$ 941,123
Corporate bonds.....	2,071	—	—	—	2,071
Debt securities.....	255	—	—	—	255
Negotiable certificates of deposits .....	530,612	—	—	—	530,612
Total .....	\$1,416,020	\$58,041	\$—	\$—	\$1,474,061

(6) Investments in affiliates included in "Investments in securities" in the accompanying Consolidated Balance Sheets as of February 28, 2009 and February 29, 2008 are ¥6,563 million (\$66,969 thousand) and ¥6,074 million, respectively.

## 5. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have policies to use interest rate swap contracts, forward currency exchange contracts and currency swap contracts only for the purposes of mitigating the risk of fluctuations in interest rates and foreign currency exchange rates and reducing finance costs. The Company and its consolidated subsidiaries do not hold or issue derivative instruments for trading or speculative purposes. Currency-related transactions and interest rate swap contracts include the market risk of fluctuations in foreign currency exchange rates and interest rates, respectively. The risk of non-performance is

considered to be low as the contracts are entered into with prestigious financial institutions. The responsible departments in the Company and its consolidated subsidiaries enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2009 and February 29, 2008 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

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

### (1) Currency-related transactions

	Millions of yen			
	2009			
	Contract amount		Estimated fair value	Unrealized gains (losses)
Total	Over one year			
Forward exchange contracts:				
Buy U.S. dollar .....	¥ 5,378	¥ —	¥5,677	¥ 299
Buy Euro .....	89	—	86	(3)
Currency swap contracts:				
U.S. dollar .....	¥12,684	¥866	¥1,907	¥1,907

	Millions of yen			
	2008			
	Contract amount		Estimated fair value	Unrealized (losses)
Total	Over one year			
Forward exchange contracts:				
Buy U.S. dollar .....	¥ 4,775	¥ —	¥4,498	¥ (277)
Buy Euro .....	182	—	179	(3)
Currency swap contracts:				
U.S. dollar .....	¥24,502	¥12,684	¥2,414	¥(2,414)

	Thousands of U.S. dollars (Note 3)			
	2009			
	Contract amount		Estimated fair value	Unrealized gains (losses)
Total	Over one year			
Forward exchange contracts:				
Buy U.S. dollar .....	\$ 54,878	\$ —	\$57,929	\$ 3,051
Buy Euro .....	908	—	878	(30)
Currency swap contracts:				
U.S. dollar .....	\$129,429	\$8,837	\$19,459	\$19,459

### (2) Interest-rate-related transactions

	Millions of yen			
	2009			
	Contract amount		Estimated fair value	Unrealized losses
Total	Over one year			
Interest rate swap contracts:				
Receive fixed / Pay float .....	¥10,000	¥10,000	¥(3)	¥(3)

	Millions of yen			
	2008			
	Contract amount		Estimated fair value	Unrealized gains (losses)
Total	Over one year			
Interest rate swap contracts:				
Receive float / Pay fixed .....	¥36,000	¥ —	¥76	¥76
Receive fixed / Pay float .....	10,000	10,000	(35)	(35)

	Thousands of U.S. dollars (Note 3)			
	2009			
	Contract amount		Estimated fair value	Unrealized losses
Total	Over one year			
Interest rate swap contracts:				
Receive fixed / Pay float .....	\$102,041	\$102,041	\$(31)	\$(31)

## 6. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Buildings and structures .....	¥1,357,752	¥1,395,649	\$13,854,612
Furniture, fixtures and other .....	455,113	475,550	4,644,010
	1,812,865	1,871,199	18,498,622
Less: Accumulated depreciation.....	(1,155,608)	(1,148,497)	(11,791,918)
	657,257	722,702	6,706,704
Land .....	525,023	561,205	5,357,378
Construction in progress.....	40,148	53,235	409,673
Total.....	¥1,222,428	¥1,337,142	\$12,473,755

## 7. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2009 and February 29, 2008, the Company and its consolidated subsidiaries recognized ¥39,372 million (\$401,755 thousand) and ¥20,031 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2009:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 53 stores Osaka Pref. 38 stores Others (including U.S.)	¥37,353	\$381,153
Stores (Superstores)	Land and buildings, etc.	Tokyo Met. 5 stores Kanagawa Pref. 4 stores Others 20 stores		
Stores (Department stores)	Land and buildings, etc.	Tokyo Met. 1 store Osaka Pref. & others 1 store		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 214 stores		
Other facilities, etc.	Land and buildings, etc.	Osaka Pref. U.S. & others		
Total			¥39,372	\$401,755

Fiscal year ended February 29, 2008:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 70 stores Kanagawa Pref. 39 stores Others (including U.S.)	¥18,403
Stores (Superstores)	Land and buildings, etc.	Fukushima Pref. 14 stores Saitama Pref. 5 stores Others 15 stores	
Stores (Department stores)	Buildings and structures, etc.	Osaka Pref. 1 store Kanagawa Pref. 1 store	
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 130 stores	1,628
Other facilities, etc.	Buildings and software, etc.	Osaka Pref. U.S. & others	
Total			¥20,031

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market

prices or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amount was recorded as impairment loss.

A breakdown of impairment loss for the fiscal years ended February 28, 2009 and February 29, 2008 is as follows:

Fiscal year ended February 28, 2009:

Classification	Millions of yen			Thousands of U.S. dollars (Note 3)
	Stores	Other facilities, etc.	Total	
Buildings and structures .....	¥18,809	¥ 154	¥18,963	\$193,500
Land .....	15,879	134	16,013	163,398
Software .....	26	477	503	5,133
Other .....	2,639	1,254	3,893	39,724
Total.....	¥37,353	¥2,019	¥39,372	\$401,755

Fiscal year ended February 29, 2008:

Classification	Millions of yen		
	Stores	Other facilities, etc.	Total
Buildings and structures .....	¥10,305	¥ 13	¥10,318
Land .....	5,851	—	5,851
Software .....	0	1,574	1,574
Other .....	2,247	41	2,288
Total .....	¥18,403	¥1,628	¥20,031

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards, and in the case where values in use were used as recoverable amounts,

relevant assets were evaluated by discounting estimated future cash flows to which the 2.9%–6.0% discount rates in 2009 and the 3.1%–6.0% in 2008 were applied.

## 8. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Summary of net assets (assets and liabilities) and net payment for (net receipt from) the acquisition of shares of companies newly included is as follows:

Fiscal year ended February 29, 2008:

	Millions of yen
THE LOFT Co., Ltd. ("THE LOFT")	2008
Current assets .....	¥10,097
Non-current assets .....	5,519
Goodwill .....	8,263
Current liabilities .....	(9,972)
Non-current liabilities .....	(753)
Minority interests .....	(1,431)
Sub-total .....	11,723
Carrying value of investment in THE LOFT under equity method at the time that the Company acquired majority of voting rights .....	(1,748)
Acquisition cost.....	9,975
Cash and cash equivalents of THE LOFT.....	(3,260)
Payment for the acquisition of investments in THE LOFT .....	¥ 6,715
	Millions of yen
Akachan Honpo Co., Ltd. ("Akachan Honpo")	2008
Current assets .....	¥14,723
Non-current assets .....	23,783
Goodwill .....	(1,295)
Current liabilities .....	(25,406)
Non-current liabilities .....	(9,403)
Minority interests .....	(1,167)
Acquisition cost.....	1,235
Cash and cash equivalents of Akachan Honpo.....	(3,563)
Proceeds from acquisition of investments in Akachan Honpo.....	¥ (2,328)

(2) Major non-cash transaction

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Finance lease obligation for property and equipment recorded for the fiscal year .....	¥2,072	¥634	\$21,143

## 9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate statutory rates of approximately 40.7% for the fiscal years ended February 28, 2009 and February 29, 2008.

The significant components of deferred tax assets and liabilities as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Deferred tax assets:			
Inventory reserve .....	¥ 2,170	¥ 2,616	\$ 22,143
Allowance for bonuses to employees.....	6,384	6,529	65,143
Allowance for sales promotion expenses.....	4,298	8,160	43,857
Accrued payroll .....	3,032	3,720	30,939
Allowance for retirement benefits to directors and corporate auditors .....	1,666	1,762	17,000
Allowance for accrued pension and severance costs .....	372	331	3,796
Allowance for loss on future collection of gift certificates.....	2,626	2,797	26,796
Depreciation and amortization.....	12,189	9,112	124,378
Tax loss carried forward .....	41,802	34,939	426,551
Valuation loss on available-for-sale securities.....	4,388	5,708	44,776
Allowance for doubtful accounts.....	4,226	3,167	43,122
Unrealized loss on property and equipment .....	12,654	12,174	129,122
Impairment loss on property and equipment and valuation loss on land.....	42,931	36,059	438,071
Accrued enterprise taxes and business office taxes.....	5,373	4,913	54,826
Accrued expenses.....	10,126	10,145	103,327
Other .....	12,720	10,252	129,796
Sub-total .....	166,957	152,384	1,703,643
Less: Valuation allowance .....	(99,476)	(83,002)	(1,015,061)
Total .....	67,481	69,382	688,582
Deferred tax liabilities:			
Unrealized gains on property and equipment.....	(37,287)	(37,285)	(380,480)
Royalties, etc. ....	(12,291)	(16,391)	(125,418)
Deferred gains on sales of property and equipment .....	(1,145)	(1,179)	(11,684)
Unrealized gains on available-for-sale securities .....	(879)	(5,515)	(8,970)
Prepaid pension cost.....	(6,577)	(4,983)	(67,112)
Other .....	(1,775)	(2,627)	(18,112)
Total .....	(59,954)	(67,980)	(611,776)
Net deferred tax liabilities (a) .....	¥ 7,527	¥ 1,402	\$ 76,806
(a) Net deferred tax liabilities are included in the following assets and liabilities:			
Current assets–Deferred income taxes .....	¥ 28,656	¥ 35,730	\$ 292,408
Other assets–Deferred income taxes .....	22,966	28,114	234,347
Current liabilities–Other .....	—	(425)	—
Non-current liabilities–Deferred income taxes.....	(44,095)	(62,017)	(449,949)

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2009 and February 29, 2008 is as follows:

	2009	2008
Statutory tax rate .....	40.7%	40.7%
Adjustments:		
Equity in earnings of affiliates .....	0.1	(0.2)
Amortization of goodwill.....	2.3	1.9
Non-deductible items, such as entertainment expenses.....	0.2	0.3
Increase (decrease) in valuation allowance .....	7.9	(2.6)
Inhabitant taxes per capita.....	0.7	0.6
Other .....	1.0	(1.9)
Effective tax rate .....	52.9%	38.8%

## 10. RETIREMENT BENEFITS

### (1) Summary of the retirement benefit plans

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

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

### (2) Projected retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Projected benefit obligations (a) .....	¥(189,048)	¥(177,922)	\$(1,929,061)
Fair value of plan assets (including employee retirement benefit trust) .....	135,932	178,556	1,387,061
Unrecognized actuarial differences .....	66,776	9,212	681,388
Unrecognized prior service cost .....	(685)	(1,466)	(6,990)
Prepaid pension cost, net of allowance for accrued pension and severance costs .....	12,975	8,380	132,398
Prepaid pension cost .....	16,486	12,728	168,225
Allowance for accrued pension and severance costs .....	¥ (3,511)	¥ (4,348)	\$ (35,827)

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

### (3) Net periodic benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Service cost (a) .....	¥11,286	¥10,870	\$115,163
Interest cost .....	4,507	4,407	45,990
Expected return on plan assets .....	(6,213)	(6,682)	(63,398)
Amortization of actuarial differences .....	1,271	(1,010)	12,970
Amortization of prior year service cost .....	(750)	(752)	(7,653)
Additional retirement benefits for early retirement .....	3,132	672	31,959
Net periodic benefit cost (b) .....	¥13,233	¥ 7,505	\$135,031

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.

(b) Besides the above net periodic benefit cost, ¥1,118 million (\$11,408 thousand) and ¥1,414 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the United States were recorded for the fiscal years ended February 28, 2009 and February 29, 2008, respectively.

### (4) Assumptions used in accounting for retirement benefit obligations

	2009	2008
Allocation method of estimated total retirement benefits: Mainly .....	Point basis	Point basis
Discount rate: Mainly .....	2.0%	2.5%
Consolidated subsidiaries in the United States .....	6.5%	6.25%
Expected rate of return on plan assets: Mainly .....	3.5%	3.5%
Periods over which the prior service cost is amortized .....	5 years or 10 years	5 years or 10 years
Periods over which the actuarial differences are amortized (a): Mainly .....	10 years	10 years

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

## 11. SHORT-TERM LOANS AND LONG-TERM DEBT

The following summarizes information concerning short-term loans:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Outstanding balance at fiscal year-end:			
Short-term bank loans (a) .....	¥191,100	¥149,861	\$1,950,000
Weighted-average interest rate at year-end:			
Short-term bank loans .....	1.0%	1.1%	1.0%

(a) The total amounts of short-term loans with collateral as of February 28, 2009 and February 29, 2008 are ¥3,000 million (\$30,612 thousand) and ¥2,569 million, respectively (Note 15).

Long-term debt at February 28, 2009 and February 29, 2008 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Outstanding balance at fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2009 to 2023 with interest rates ranging from 0.6% to 7.2% (b) .....	¥353,038	¥ 441,756	\$3,602,429
Seven & i Holdings Co., Ltd.:			
1.48% unsecured straight bonds, due June 20, 2013 .....	39,997	—	408,133
1.68% unsecured straight bonds, due June 19, 2015 .....	29,989	—	306,010
1.94% unsecured straight bonds, due June 20, 2018 .....	29,978	—	305,898
Ito-Yokado Co., Ltd.:			
1.96% unsecured straight bonds, due March 29, 2010 .....	20,000	20,000	204,082
0.65% unsecured straight bonds, due September 18, 2009 .....	50,000	50,000	510,204
Akachan Honpo Co., Ltd.:			
0.42% unsecured straight bonds, due March 31, 2008 .....	—	62	—
0.53% unsecured straight bonds, due March 31, 2010 .....	140	220	1,428
0.96% unsecured straight bonds, due February 20, 2009 .....	—	500	—
0.7% unsecured straight bonds, due March 31, 2009 .....	62	188	633
0.73% unsecured straight bonds, due March 25, 2010 .....	375	625	3,826
1.32% unsecured straight bonds, due March 25, 2011 .....	500	700	5,102
Seven Bank, Ltd.:			
0.88% unsecured straight bonds, due December 10, 2008 .....	—	15,000	—
1.45% unsecured straight bonds, due December 20, 2011 .....	36,000	36,000	367,347
1.67% unsecured straight bonds, due December 20, 2013 .....	24,000	24,000	244,898
7-Eleven, Inc.:			
Commercial paper .....	18,689	27,446	190,704
Capital lease obligations, due fiscal 2009 to 2029 .....	15,842	19,430	161,653
	618,610	635,927	6,312,347
Current portion of long-term debt .....	(155,260)	(153,750)	(1,584,286)
	¥463,350	¥ 482,177	\$4,728,061

(b) The total amounts of long-term debt with collateral as of February 28, 2009 and February 29, 2008 are ¥138,877 million (\$1,417,112 thousand) and ¥214,565 million, respectively (Note 15).

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

Fiscal years ending February 28 or 29:	Millions of yen	Thousands of U.S. dollars (Note 3)
2010 .....	¥155,260	\$1,584,286
2011 .....	114,960	1,173,061
2012 .....	147,988	1,510,082
2013 .....	16,474	168,102
2014 .....	84,527	862,520
Thereafter .....	99,401	1,014,296
	¥618,610	\$6,312,347

## 12. LEASES

### (1) Finance leases

Finance lease charges to the Company and its consolidated subsidiaries for the fiscal years ended February 28, 2009 and February 29, 2008 are ¥17,855 million (\$182,194 thousand) and ¥17,849 million, respectively. The Company and its domestic consolidated subsidiaries' finance lease contracts that do not transfer ownership to lessees are not capitalized and

are accounted for in the same manner as operating leases with appropriate footnote disclosures. "As if Capitalized" information for significant leased assets under the finance lease contracts of the Company and its domestic consolidated subsidiaries as of and for the fiscal years ended February 28, 2009 and February 29, 2008 is as follows:

As lessee:

A summary of assumed amounts of acquisition cost, accumulated depreciation, impairment loss and net book value, including the interest portion, as of February 28, 2009 and February 29, 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Furniture, fixtures and equipment:			
Acquisition cost .....	¥98,588	¥95,023	\$ 1,006,000
Accumulated depreciation .....	(39,056)	(32,224)	(398,531)
Accumulated impairment loss .....	(330)	(103)	(3,367)
Net book value .....	¥59,202	¥62,696	\$ 604,102
Software:			
Acquisition cost .....	¥ 982	¥ 1,775	\$ 10,020
Accumulated depreciation .....	(320)	(629)	(3,265)
Net book value .....	¥ 662	¥ 1,146	\$ 6,755
Lease payments .....	¥17,855	¥17,849	\$ 182,194
Reversal of allowance for impairment loss on leased assets .....	¥ 124	¥ 91	\$ 1,265
Depreciation expense (a) and (b) .....	¥17,979	¥17,940	\$ 183,459
Impairment loss .....	¥ 210	¥ 4	\$ 2,143

(a) Depreciation expense included the interest portion.

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

The future lease payments of the Company and its consolidated subsidiaries' finance leases, including the interest portion, as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Due within one year .....	¥18,675	¥17,802	\$ 190,561
Due over one year .....	41,518	46,142	423,653
Total .....	¥60,193	¥63,944	\$ 614,214
Balance of impairment loss account on leased assets included in the outstanding future lease payments .....	¥ 330	¥ 103	\$ 3,367

As lessor:

A summary of acquisition cost, accumulated depreciation and net book value as of February 28, 2009 and February 29, 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Furniture, fixtures and equipment:			
Acquisition cost .....	¥27,008	¥25,801	\$ 275,592
Accumulated depreciation .....	(14,089)	(12,306)	(143,765)
Net book value .....	¥12,919	¥13,495	\$ 131,827
Lease income .....	¥ 4,939	¥ 4,606	\$ 50,398
Depreciation expense .....	¥ 4,547	¥ 4,243	\$ 46,398
Interest income (c) .....	¥ 451	¥ 431	\$ 4,602

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

The future lease income of the Company and its consolidated subsidiaries' finance leases as of February 28, 2009 and February 29, 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Due within one year .....	¥ 4,498	¥ 4,422	\$ 45,898
Due over one year .....	8,825	9,456	90,051
Total .....	¥13,323	¥13,878	\$ 135,949

## (2) Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, including the interest portion, as of February 28, 2009 and February 29, 2008 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Due within one year .....	¥ 59,652	¥ 66,484	\$ 608,694
Due over one year .....	379,813	422,874	3,875,643
Total .....	¥439,465	¥489,358	\$ 4,484,337



### 13. NET ASSETS

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

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

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

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

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings

reserve and additional paid-in capital equaled 25% of common stock.

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

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

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on May 28, 2009, the shareholders approved cash dividends amounting to ¥26,201 million (\$267,357 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2009. Such appropriations are recognized in the period in which they are approved by the shareholders.

### 14. STOCK OPTIONS

#### (1) The Company

##### A. Outline of stock options

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

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

##### B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 28, 2009. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2009:

##### Number of stock options

	First grant	Second grant
<b>Before vested</b>		
As of February 29, 2008 .....	—	—
Granted .....	15,900	95,800
Forfeited .....	—	1,300
Vested .....	—	—
Outstanding .....	15,900	94,500
<b>After vested</b>		
As of February 29, 2008 .....	—	—
Vested .....	—	—
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	—	—

Price information	First grant	Second grant
Exercise price.....	¥1 per share (\$0.01 per share)	¥1 per share (\$0.01 per share)
Average exercise price .....	—	—
Fair value at the grant date (a).....	¥307,000 per subscription to share (\$3,133 per subscription to share)	¥311,300 per subscription to share (\$3,177 per subscription to share)

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

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

Valuation technique used for valuating fair value of First grant of subscription rights to shares and Second grant of subscription rights to shares during the fiscal year ended February 28, 2009 were as follows:

##### Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method	First grant	Second grant
Expected volatility of the underlying stock (a) .....	28.00%	28.00%
Remaining expected life of the option (b) .....	7 years and 1 month	6 years and 2 months
Expected dividends on the stock (c) .....	¥54 per share (\$0.55 per share)	¥54 per share (\$0.55 per share)
Risk-free interest rate during the expected option term (d)....	1.198%	1.110%

(a) Calculated based on the actual stock prices during the two years and eleven months from September 1, 2005 to August 6, 2008.

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

(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended February 29, 2008.

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

#### D. Estimation of the number of stock options vested

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

### (2) Seven Bank, Ltd.

#### A. Outline of stock options

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

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

#### B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 28, 2009. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2009:

##### Number of stock options

	First grant-1	First grant-2
<b>Before vested</b>		
As of February 29, 2008.....	—	—
Granted .....	184	21
Forfeited .....	—	—
Vested.....	184	21
Outstanding .....	—	—
<b>After vested</b>		
As of February 29, 2008.....	—	—
Vested .....	184	21
Exercised .....	—	—
Forfeited .....	—	—
Outstanding .....	184	21

Price information	First grant-1	First grant-2
Exercise price.....	¥1 per share (\$0.01 per share)	¥1 per share (\$0.01 per share)
Average exercise price .....	—	—
Fair value at the grant date (a).....	¥236,480 per subscription to share (\$2,413 per subscription to share)	¥236,480 per subscription to share (\$2,413 per subscription to share)

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

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

Valuation technique used for valuating fair value of First grant-1 of subscription rights to shares and First grant-2 of subscription rights to shares during the fiscal year ended February 28, 2009 were as follows:

##### Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method	First grant-1	First grant-2
Expected volatility of the underlying stock (a) .....	27.95%	27.95%
Remaining expected life of the option (b) .....	5 years and 6 months	5 years and 6 months
Expected dividends on the stock (c) .....	¥4,200 per share (\$42.86 per share)	¥4,200 per share (\$42.86 per share)
Risk-free interest rate during the expected option term (d)....	1.076%	1.076%

(a) Although shares of Seven Bank, Ltd. have been listed on the Jasdaq Securities Exchange since February 29, 2008, there is not enough share price data to make a reasonable estimation of expected volatility of the share price. Therefore, the expected volatility was calculated based upon share price data of similar companies during the five years and six months from February 1, 2003 to August 12, 2008.

(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted average period from June 2008 to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.

(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended February 29, 2008.

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

#### D. Estimation of the number of stock options vested

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

## 15. COMMITMENTS AND CONTINGENT LIABILITIES

### (1) Guarantees

As of February 28, 2009, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥724 million (\$7,388 thousand). The amount of guarantee in relation to the loans of a certain store lessor was ¥262 million (\$2,673 thousand).

As of February 29, 2008, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥909 million. The amount of guarantee in relation to the loans of a certain store lessor was ¥336 million.

### (2) Pledged assets

A. The amount of assets pledged as collateral by the Company and its consolidated subsidiaries for their loans from certain financial institutions as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Other current assets .....	¥ —	¥ 2,275	\$ —
Buildings and structures .....	38,592	61,595	393,796
Furniture, fixtures and equipment.....	626	790	6,387
Land .....	66,901	102,903	682,663
Other intangible assets .....	10,151	10,355	103,582
Investments in securities .....	59,021	64,474	602,255
Long-term leasehold deposits .....	4,452	4,606	45,429
Total.....	¥179,743	¥246,998	\$1,834,112

Debts for the pledged assets above as of February 28, 2009 are as follows: call money, ¥7,300 million (\$74,490 thousand); short-term loans, ¥3,000 million (\$30,612 thousand); long-term loans (including current portion), ¥138,877 million (\$1,417,112 thousand); long-term accounts payable, ¥1,106 million (\$11,286 thousand); and long-term deposits received from tenants and franchised stores, ¥172 million (\$1,755 thousand).

Debts for the pledged assets above as of February 29, 2008 are as follows: short-term loans, ¥2,569 million; long-term loans (including current portion), ¥214,565 million; long-term accounts payable, ¥1,216 million; and long-term deposits received from tenants and franchised stores, ¥188 million.

B. The amount of assets pledged as collateral for the debts of affiliates and vendors as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Buildings .....	¥ 946	¥1,021	\$ 9,653
Land .....	2,033	2,032	20,745
Total .....	¥2,979	¥3,053	\$30,398

Debts of affiliates and vendors for the pledged assets above as of February 28, 2009 and February 29, 2008 are ¥3,985 million (\$40,663 thousand) and ¥3,985 million, respectively.

### C. Other

#### As of February 28, 2009

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,573 million (\$281,357 thousand) and ¥60 million (\$612 thousand), respectively. The amount of assets pledged as collateral for installment sales are ¥1,670 million (\$17,041 thousand). In addition, ¥910 million (\$9,286 thousand) of assets was pledged as collateral to secure the amount of prepaid tickets issued.

#### As of February 29, 2008

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,525 million and ¥60 million, respectively. The amount of assets pledged as collateral for installment sales and sales of beneficiary right of trust are ¥1,877 million and ¥10 million, respectively. In addition, ¥840 million of assets was pledged as collateral to secure the amount of prepaid tickets issued.

### (3) Loan commitment

#### As of February 28, 2009

IY Card Service Co., Ltd. conducts a cash advance business which is associated with its credit card business. Unused credit balance related to loan commitment in a cash advance business is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2009	2009
Credit availability of loan commitment .....	¥490,862		\$5,008,796
Outstanding balance .....	(19,539)		(199,378)
Unused credit balance .....	¥471,323		\$4,809,418

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

## 16. SPECIAL PURPOSE CORPORATION

#### As of February 28, 2009

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

THE SEIBU DEPARTMENT STORES, LTD. ("SEIBU"), a consolidated subsidiary of the Company, established a real estate trust comprising of the land, land leasehold right and part of the buildings of a store and sold the beneficiary right of the trust to Asset Ikesei Corp., an SPC. Concurrently, SEIBU has entered into a silent partnership agreement with the SPC with a certain investment. Also, SEIBU leased back such

store properties from the SPC who has the beneficiary right of the trust. Under these agreements, the above noted investment is subordinated to all liabilities to other members of the silent partnership and third parties other than members of the silent partnership.

Total assets and liabilities of Asset Ikesei Corp. as of July 31, 2008 (the latest year-end) were ¥125,502 million (\$1,280,633) and ¥125,483 million (\$1,280,439), respectively.

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

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

As of February 28, 2009

Accounts receivable.....	¥4,375 million (\$44,643 thousand)
Amount of investment in the silent partnership .....	¥5,850 million (\$59,694 thousand)

Fiscal year ended February 28, 2009

Distribution of profit from the silent partnership .....	¥5,367 million (\$54,765 thousand)
Lease payments.....	¥10,800 million (\$110,204 thousand)

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

As of February 29, 2008

A summary of the store name, amount of investment and SPC name is as follows:

Store name	Amount of investment	SPC name
Ikebukuro .....	¥5,850 million	Asset Ikesei Corp.

Information about SPC is as follows:

SPC name	Year-end	Total assets at the latest closing date
Asset Ikesei Corp. ....	July	¥124,867 million

## 17. NOTES AND ACCOUNTS PAYABLE: TRADE FOR FRANCHISED STORES

The balance of the “Notes and accounts payable: Trade for franchised stores” account represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. (“SEJ”). SEJ centralizes

all purchasing procedures for merchandise purchased by an individual franchised store and makes collective payments to all vendors on behalf of the franchisees.

## 18. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(1) The franchise commission from SEJ’s franchised stores is included in “Other operating revenues.”

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Franchise commission from franchised stores.....	¥ 394,864	¥ 369,467	\$ 4,029,224
Net sales of franchised stores .....	2,621,568	2,421,352	26,750,694

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Inventory valuation losses .....	¥5,367	¥3,477	\$54,765

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Buildings and structures .....	¥1,614	¥4,091	\$16,469
Land .....	3,540	2,169	36,123
Others .....	176	868	1,796
Total.....	¥5,330	¥7,128	\$54,388

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Buildings and structures .....	¥3,569	¥3,580	\$36,418
Furniture, fixtures and equipment.....	811	1,958	8,276
Others .....	1,806	2,943	18,428
Total.....	¥6,186	¥8,481	\$63,122

(5) "Gain on donations received"

Gain on donations received recorded for the fiscal year ended February 29, 2008 was received in cash.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Advertising and decoration expenses.....	¥106,576	¥115,789	\$1,087,510
Salaries and wages.....	423,866	439,714	4,325,163
Provision for allowance for bonuses to employees.....	15,646	16,066	159,653
Legal welfare expenses.....	50,213	50,835	512,378
Land and building rent.....	254,337	244,575	2,595,276
Depreciation and amortization.....	131,814	136,111	1,345,041
Utility expenses.....	105,418	100,124	1,075,694
Store maintenance and repair.....	73,102	79,781	745,939

## 19. RELATED PARTY TRANSACTIONS

There were no related party transactions during the fiscal years ended February 28, 2009 and February 29, 2008.

## 20. SEGMENT INFORMATION

### (1) Business segments

Fiscal year ended February 28, 2009	Millions of yen								
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers.....	¥2,306,711	¥2,121,861	¥993,816	¥101,529	¥ 98,609	¥27,423	¥5,649,949	¥ —	¥5,649,949
Intersegment.....	1,980	3,169	61	1,182	26,257	7,657	40,306	(40,306)	—
Total revenues.....	2,308,691	2,125,030	993,877	102,711	124,866	35,080	5,690,255	(40,306)	5,649,949
Operating expenses.....	2,095,323	2,100,288	975,542	105,659	99,381	33,010	5,409,203	(41,120)	5,368,083
Operating income (loss)....	¥ 213,368	¥ 24,742	¥ 18,335	¥ (2,948)	¥ 25,485	¥ 2,070	¥ 281,052	¥ 814	¥ 281,866
Assets.....	¥1,267,180	¥1,160,129	¥704,695	¥ 58,206	¥1,055,492	¥21,543	¥4,267,245	¥(540,184)	¥3,727,061
Depreciation and amortization.....	¥ 67,299	¥ 26,116	¥ 20,004	¥ 2,211	¥ 24,532	¥ 347	¥ 140,509	¥ 20	¥ 140,529
Impairment loss on property and equipment.....	¥ 7,851	¥ 15,666	¥ 10,848	¥ 3,993	¥ 1,014	¥ —	¥ 39,372	¥ —	¥ 39,372
Capital expenditures.....	¥ 85,465	¥ 40,460	¥ 11,755	¥ 1,046	¥ 23,802	¥ 844	¥ 163,372	¥ 9	¥ 163,381

Fiscal year ended February 29, 2008	Millions of yen								
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers.....	¥2,393,220	¥2,098,014	¥1,025,350	¥113,113	¥ 93,903	¥28,793	¥5,752,393	¥ —	¥5,752,393
Intersegment.....	2,482	11,036	5	867	24,053	7,860	46,303	(46,303)	—
Total revenues.....	2,395,702	2,109,050	1,025,355	113,980	117,956	36,653	5,798,696	(46,303)	5,752,393
Operating expenses.....	2,194,670	2,074,991	999,590	118,211	96,884	34,164	5,518,510	(47,205)	5,471,305
Operating income (loss)....	¥ 201,032	¥ 34,059	¥ 25,765	¥ (4,231)	¥ 21,072	¥ 2,489	¥ 280,186	¥ 902	¥ 281,088
Assets.....	¥1,295,164	¥1,129,181	¥ 781,268	¥ 69,205	¥916,730	¥16,580	¥4,208,128	¥(321,448)	¥3,886,680
Depreciation and amortization.....	¥ 74,066	¥ 26,452	¥ 20,154	¥ 2,904	¥ 19,774	¥ 271	¥ 143,621	¥ 22	¥ 143,643
Impairment loss on property and equipment.....	¥ 9,621	¥ 3,943	¥ 4,192	¥ 2,275	¥ —	¥ —	¥ 20,031	¥ —	¥ 20,031
Capital expenditures.....	¥ 91,173	¥ 47,299	¥ 16,670	¥ 1,395	¥ 31,533	¥ 483	¥ 188,553	¥ 24	¥ 188,577

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2009	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers.....	\$23,537,867	\$21,651,644	\$10,140,980	\$1,036,009	\$1,006,214	\$279,827	\$57,652,541	\$ —	\$57,652,541
Intersegment.....	20,204	32,336	622	12,062	267,929	78,133	411,286	(411,286)	—
Total revenues.....	23,558,071	21,683,980	10,141,602	1,048,071	1,274,143	357,960	58,063,827	(411,286)	57,652,541
Operating expenses.....	21,380,847	21,431,510	9,954,510	1,078,153	1,014,092	336,837	55,195,949	(419,592)	54,776,357
Operating income (loss).....	\$ 2,177,224	\$ 252,470	\$ 187,092	\$ (30,082)	\$ 260,051	\$ 21,123	\$ 2,867,878	\$ 8,306	\$ 2,876,184
Assets.....	\$12,930,408	\$11,838,051	\$ 7,190,765	\$ 593,939	\$10,770,327	\$219,826	\$43,543,316	\$(5,512,081)	\$38,031,235
Depreciation and amortization.....	\$ 686,724	\$ 266,490	\$ 204,122	\$ 22,561	\$ 250,327	\$ 3,541	\$ 1,433,765	\$ 204	\$ 1,433,969
Impairment loss on property and equipment.....	\$ 80,112	\$ 159,857	\$ 110,694	\$ 40,745	\$ 10,347	\$ —	\$ 401,755	\$ —	\$ 401,755
Capital expenditures.....	\$ 872,092	\$ 412,857	\$ 119,949	\$ 10,673	\$ 242,878	\$ 8,612	\$ 1,667,061	\$ 92	\$ 1,667,153

Notes:

- The classification of business segments is made by the type of products and services and the type of sales.
- Major businesses in each segment are as follows:
  - Convenience store operations..... Convenience store business operated by corporate stores and franchised stores under the name of "7-Eleven"
  - Superstore operations..... Superstore, supermarket and specialty shop
  - Department store operations..... Sogo Co., Ltd., THE SEIBU DEPARTMENT STORES, LTD. and other companies included in the department store business
  - Food services..... Restaurant operations, meal provision services business (company cafeteria, hospital, school) and fast food operations
  - Financial services..... Bank, credit card and lease business
  - Others..... Electronic commerce business and other services
- Unallocable operating expenses included in "Eliminations / corporate" represent the Company's general and administrative expenses, and totaled ¥7,061 million (\$72,051 thousand) for the fiscal year ended February 28, 2009 and ¥6,791 million for the fiscal year ended February 29, 2008.
- Capital expenditures exclude long-term leasehold deposits.

(2) Geographic area segments

Fiscal year ended February 28, 2009	Millions of yen					
	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues:						
Customers.....	¥3,806,372	¥1,763,176	¥80,401	¥5,649,949	¥ —	¥5,649,949
Intersegment.....	346	2,994	—	3,340	(3,340)	—
Total revenues.....	3,806,718	1,766,170	80,401	5,653,289	(3,340)	5,649,949
Operating expenses.....	3,561,470	1,731,728	78,073	5,371,271	(3,188)	5,368,083
Operating income.....	¥ 245,248	¥ 34,442	¥ 2,328	¥ 282,018	¥ (152)	¥ 281,866
Assets.....	¥3,220,266	¥ 487,289	¥29,326	¥3,736,881	¥ (9,820)	¥3,727,061

Fiscal year ended February 29, 2008	Millions of yen					
	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues:						
Customers.....	¥3,821,899	¥1,864,450	¥66,044	¥5,752,393	¥ —	¥5,752,393
Intersegment.....	311	2,617	—	2,928	(2,928)	—
Total revenues.....	3,822,210	1,867,067	66,044	5,755,321	(2,928)	5,752,393
Operating expenses.....	3,574,937	1,835,484	63,816	5,474,237	(2,932)	5,471,305
Operating income.....	¥ 247,273	¥ 31,583	¥ 2,228	¥ 281,084	¥ 4	¥ 281,088
Assets.....	¥3,265,019	¥ 616,626	¥27,243	¥3,908,888	¥(22,208)	¥3,886,680

Fiscal year ended February 28, 2009	Thousands of U.S. dollars (Note 3)					
	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues:						
Customers.....	\$38,840,531	\$17,991,592	\$820,418	\$57,652,541	\$ —	\$57,652,541
Intersegment.....	3,531	30,551	—	34,082	(34,082)	—
Total revenues.....	38,844,062	18,022,143	820,418	57,686,623	(34,082)	57,652,541
Operating expenses.....	36,341,531	17,670,694	796,663	54,808,888	(32,531)	54,776,357
Operating income.....	\$ 2,502,531	\$ 351,449	\$ 23,755	\$ 2,877,735	\$ (1,551)	\$ 2,876,184
Assets.....	\$32,859,857	\$ 4,972,337	\$299,245	\$38,131,439	\$ (100,204)	\$38,031,235

Notes:

- The classification of geographic area segments is made according to geographical distances.
- "Others" consists of the business results in the People's Republic of China ("P.R.C.") as of February 28, 2009 and mainly in the P.R.C. as of February 29, 2008.

### (3) Overseas sales

Fiscal year ended February 28, 2009	Millions of yen		
	North America	Others	Total
Overseas sales .....	¥1,763,176	¥80,401	¥1,843,577
Consolidated sales.....	—	—	5,649,949
Percentage of overseas sales to consolidated sales (%) .....	31.2	1.4	32.6

Fiscal year ended February 29, 2008	Millions of yen		
	North America	Others	Total
Overseas sales .....	¥ 1,864,450	¥66,044	¥1,930,494
Consolidated sales.....	—	—	5,752,393
Percentage of overseas sales to consolidated sales (%) .....	32.4	1.2	33.6

Fiscal year ended February 28, 2009	Thousands of U.S. dollars (Note 3)		
	North America	Others	Total
Overseas sales .....	\$17,991,592	\$820,418	\$18,812,010
Consolidated sales.....	—	—	57,652,541
Percentage of overseas sales to consolidated sales (%) .....	31.2	1.4	32.6

Notes:

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

## 21. SUBSEQUENT EVENT

### 1. Cash dividend

Subsequent to February 28, 2009, the Company's Board of Directors declared a year-end cash dividend of ¥26,201 million (\$267,357 thousand) to be payable on May 29, 2009 to shareholders on record on February 28, 2009.

The dividend declared was approved by the shareholders at the meeting held on May 28, 2009.



# Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2009 and February 29, 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2009 and February 29, 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 2(8) (c) to the consolidated financial statements, effective from the year ended February 29, 2008, certain domestic consolidated subsidiaries changed their accounting policies to provide an allowance for losses on future collection of gift certificates.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

*KPMG AZSA & Co.*

Tokyo, Japan  
May 28, 2009

# Financial Summary of Principal Group Companies

Non-consolidated basis

## SEVEN-ELEVEN JAPAN CO., LTD.

For the fiscal years ended February 28 or 29	Millions of yen			
	2009	2008	2007	2006
Total store sales .....	¥2,762,558	¥2,574,306	¥2,533,534	¥2,498,754
Revenues from operations .....	540,774	527,668	516,968	492,831
Operating income .....	178,061	168,172	172,738	177,351
Net income .....	107,190	101,717	98,403	118,779
Number of stores .....	12,298	12,034	11,735	11,310
Existing stores sales increase (%) .....	5.2	(1.5)	(1.9)	(1.6)
Merchandise gross profit margin (%).....	30.2	31.0	30.9	31.0
Average daily sales per store (thousands of yen) .....	629	597	610	627

## 7-ELEVEN, INC.

For the fiscal years ended December 31	Millions of yen			
	2008	2007	2006	2005
Revenues from operations .....	¥1,742,396	¥1,843,409	¥1,707,533	¥1,498,679
Net sales .....	1,725,911	1,822,737	1,690,614	1,485,409
Merchandise.....	967,412	1,068,454	1,008,819	916,066
Gasoline.....	758,499	754,283	681,795	569,343
Operating income .....	34,712	31,727	32,016	32,349
Net income .....	19,653	17,290	14,702	1,823
Number of stores .....	6,196	6,088	6,050	5,829
Existing stores sales increase (U.S. merchandise sales) (%).....	0.4	3.1	3.1	4.4
Merchandise gross profit margin (%).....	35.2	35.9	36.0	35.8

Notes: (A) Yen amounts were translated from U.S. dollars at the rate of US\$1=¥103.48, US\$1=¥117.85, US\$1=¥116.38, and US\$1=¥110.26 the rates of exchange for 2008, 2007, 2006 and 2005, respectively.

(B) The amounts of each fiscal year reflect adjustments to the necessary for the consolidation to Seven & i Holdings' consolidated accounts.

## ITO-YOKADO CO., LTD.

For the fiscal years ended February 28 or 29	Millions of yen			
	2009	2008	2007	2006
Revenues from operations .....	¥1,462,719	¥1,489,381	¥1,511,530	¥1,493,605
Net sales .....	1,436,542	1,464,094	1,487,481	1,470,523
Operating income .....	9,583	17,127	18,322	12,073
Net income (loss).....	(923)	11,088	13,356	51,322
Number of stores .....	175	176	174	178
Existing stores sales increase (%) .....	(2.9)	(2)	(1)	(2)
Merchandise gross profit margin (%).....	29.8	29.9	30.3	30.9

## YORK-BENIMARU CO., LTD.

For the fiscal years ended February 28 or 29	Millions of yen			
	2009	2008	2007	2006
Revenues from operations .....	¥348,884	¥330,145	¥313,936	¥297,446
Net sales .....	338,089	319,932	304,855	289,394
Operating income .....	11,707	11,227	10,307	11,413
Net income .....	8,015	9,150	4,442	6,716
Number of stores .....	156	149	128	116
Existing stores sales increase (%) .....	(1.0)	(2.6)	(3.6)	(2.2)
Merchandise gross profit margin (%).....	27.0	27.1	26.9	26.8

### SOGO CO., LTD.

For the fiscal years ended February 28 or 29	Millions of yen			
	2009	2008	2007	2006
Revenues from operations .....	¥482,144	¥502,001	¥500,715	¥474,732
Net sales .....	475,576	495,337	494,350	468,994
Operating income .....	12,010	16,243	16,754	17,248
Net income .....	3,740	6,152	7,417	21,219
Number of stores .....	12	12	12	12
Existing stores sales increase (%) .....	(4.1)	0.2	2.8	0.9
Merchandise gross profit margin (%).....	26.1	26.4	26.8	27.2

### THE SEIBU DEPARTMENT STORES, LTD.

For the fiscal years ended February 28 or 29	Millions of yen			
	2009	2008	2007	2006
Revenues from operations .....	¥450,699	¥468,063	¥465,832	¥482,939
Net sales .....	444,058	461,079	459,075	476,144
Operating income .....	11,171	15,292	17,454	19,934
Net income (loss).....	(9,607)	18,487	2,547	4,475
Number of stores .....	16	16	16	18
Existing stores sales increase (%) .....	(4.2)	0.5	0.2	1.0
Merchandise gross profit margin (%).....	27.1	27.4	27.8	28.1

### SEVEN & i FOOD SYSTEMS CO., LTD.

For the fiscal years ended February 28 or 29	Millions of yen	
	2009	2008
Revenues from operations .....	¥102,711	¥54,958
Net sales .....	102,109	54,702
Operating loss .....	(3,079)	(2,924)
Net loss .....	(7,939)	(4,898)
(Restaurant division)		
Number of stores .....	595	674
Existing stores sales increase (%) .....	(6.4)	—
Merchandise gross profit margin (%).....	66.5	—

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

### SEVEN BANK, LTD.

For the fiscal years ended March 31	Millions of yen			
	2009	2008	2007	2006
Ordinary income.....	89,815	¥83,664	¥75,428	¥64,613
Ordinary profit.....	28,751	24,651	25,022	19,410
Net income .....	16,988	13,830	12,668	10,591
Number of installed ATMs .....	13,803	13,032	12,088	11,484
Daily average transactions per ATM .....	114.3	109.0	97.8	88.2
Total annual transactions (millions) .....	555	498	418	342

# Principal Subsidiaries

(As of May 31, 2009)

## Convenience Store Operations

Seven-Eleven Japan Co., Ltd.  
7-Eleven, Inc.  
SEVEN-ELEVEN CHINA Co., Ltd.<sup>1</sup>  
SEVEN-ELEVEN (BEIJING) CO., LTD.  
SEVEN-ELEVEN (HAWAII), INC.

## Superstore Operations

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

## Department Store Operations

Millennium Retailing, Inc.<sup>2</sup>  
Sogo Co., Ltd.  
THE SEIBU DEPARTMENT STORES, LTD.  
THE LOFT CO., LTD.  
SHELL GARDEN CO., LTD.  
MILLENNIUM Casting Inc.  
IKEBUKURO SHOPPING PARK CO., LTD.  
Yatsugatake Kogen Lodge Co., Ltd.  
GOTTSUO BIN CO., LTD.

## Food Services

Seven & i Food Systems Co., Ltd.

## Financial Services

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

## Others

Seven & i Netmedia Co., Ltd.<sup>3</sup>  
Seven and Y Corp.  
7dream.com  
Seven-Meal Service Co., Ltd.  
SEVEN & i Life Design Institute Co., Ltd.  
K.K. Terre Verte  
Mall & SC Development Inc.  
IY Real Estate Co., Ltd.  
K.K. York Keibi  
SEVEN & i Publishing Co., Ltd.  
Seven Culture Network Co., Ltd.<sup>4</sup>  
Seven Internet Lab. Co., Ltd.<sup>5</sup>

Notes: 1. SEVEN-ELEVEN CHINA Co., Ltd., was established as a wholly owned subsidiary of Seven-Eleven Japan on April 10, 2008.

2. Millennium Retailing, Inc., is the holding company of Sogo Co., Ltd., and THE SEIBU DEPARTMENT STORES, LTD., etc.

3. On July 11, 2008, Seven & i Netmedia Co., Ltd., was established as a wholly owned subsidiary of the Company.

4. On January 15, 2009, Seven Culture Network Co., Ltd., was established as a wholly owned subsidiary of the Company.

5. On March 24, 2009, Seven Internet Lab. Co., Ltd., was established as a consolidated subsidiary of the Company.

# Investor Information

(As of February 28, 2009)

## Head Office

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

## Date of Establishment

September 1, 2005

## Number of Employees

54,486 (Consolidated)  
 393 (Non-consolidated)

## Paid-in Capital

¥50,000 million

## Number of Common Stock

Issued: 906,441,983 shares

## Number of Shareholders

102,051

## Stock Listing

Tokyo Stock Exchange

## Transfer Agent and Registrar

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

## Annual Meeting of Shareholders

The annual meeting of shareholders of the Company is normally held in May each year in Tokyo, Japan. In addition, the Company may hold a special meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders.

## Auditors

KPMG AZSA & Co.  
 a Japanese member firm of KPMG International,  
 a Swiss cooperative

## Bond Ratings

(As of May 31, 2009)

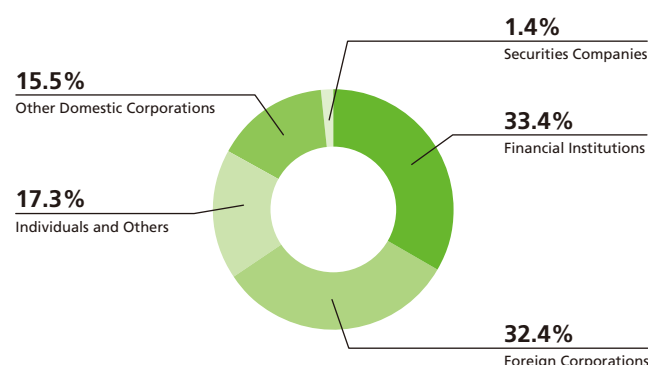
		S&P	Moody's	R&I	JCR
Seven & i Holdings	Long-term	AA-	Aa3	AA	AA+
Seven-Eleven Japan	Long-term	AA-	-	-	AA+
	Short-term	A-1+	P-1	-	-
7-Eleven, Inc.	Long-term	A	Baa3	-	-
Ito-Yokado	Long-term	-	Aa3	AA	AA+
Seven Bank	Long-term	AA-	-	AA	-

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

## Principal Shareholders

	Investment by each major shareholder in the Company	
	Number of shares held (thousand shares)	Percentage of shares held
Ito-Kogyo Co., Ltd.....	68,754	7.6%
Japan Trustee Services Bank, Ltd. (Trust account).....	50,059	5.5%
Japan Trustee Services Bank, Ltd. (Trust account 4G).....	43,942	4.8%
The Master Trust Bank of Japan, Ltd. (Trust account).....	40,055	4.4%
The Dai-ichi Mutual Life Insurance Company .....	27,577	3.0%
Nippon Life Insurance Company.....	20,664	2.3%
Masatoshi Ito .....	19,331	2.1%
MITSUI & CO., LTD. ....	16,222	1.8%
Mellon Bank, N.A. Treaty Clients Omnibus.....	12,552	1.4%
State Street Bank and Trust Company 505225.....	12,523	1.4%

## Classification of Shareholders by Number of Shares Held



## Stock Price Chart (Monthly)

