

## Seven & i Holdings' Merchandising Strategy

Seven & i Holdings has annual sales of 3.6 trillion yen in food products and holds a 7% share of the 48 trillion yen market in Japan. Leveraging this sales power, the Group is advancing a broad range of product strategies.

### Group Product Strategy

By strengthening both team merchandising and group merchandising, we actively develop many original products and strive to increase sales and profitability groupwide.

#### Team merchandising

- Enhancing development of original daily food products
- Strengthening development of original products in collaboration with top manufacturers

#### Group merchandising

- Expanding team merchandising to the whole Group
- Strengthening procurement with the Group's total economies of scale

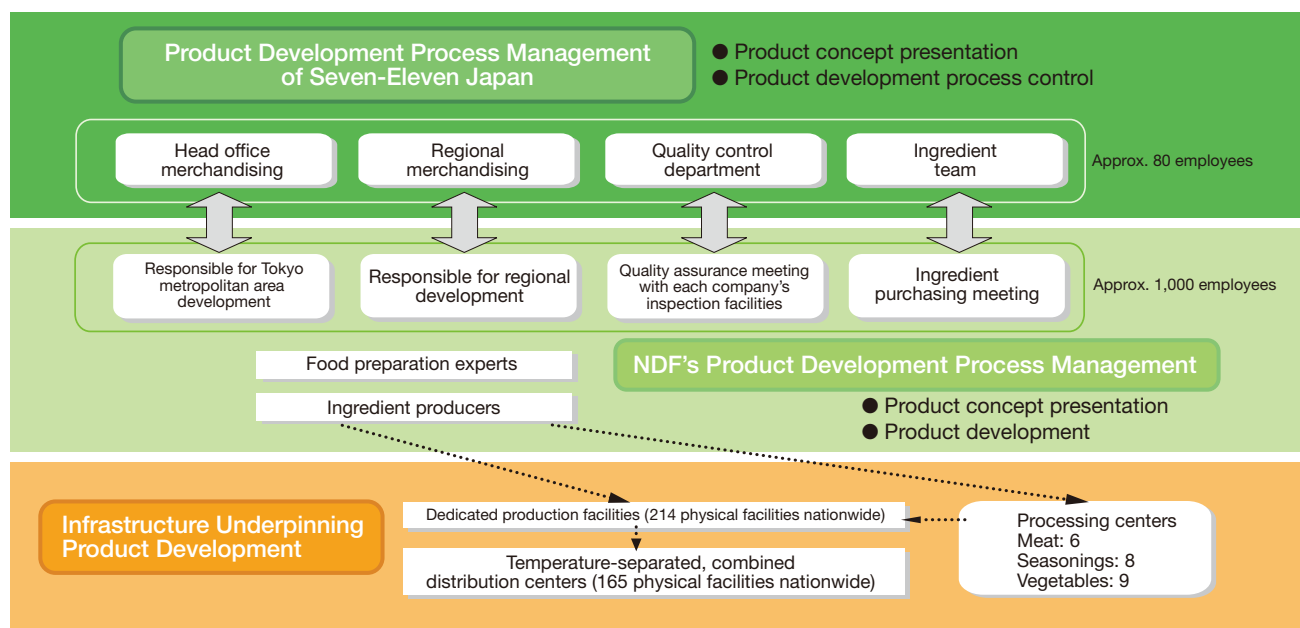
#### Differentiating our stores and reinforcing brand image through original products

- We conduct thorough market research and analysis to offer original products suited to customer needs at all Group stores
- We offer higher product quality and value commensurate with price, thereby improving gross profit margins



### Seven-Eleven Japan's Food Product Development System

Seven-Eleven Japan and Nihon Delica Foods Association (NDF) are engaged in the joint development of original daily food products.



1. NDF was formed in 1979 mainly by vendors of rice-based products. NDF currently has approximately 90 member companies that engage in the vendor businesses of rice-based products, sandwiches, delicatessen items, noodles, and Japanese pickles. Members jointly develop products, manage quality, procure ingredients, and implement environmental measures.
2. Figures for the development system, number of dedicated production facilities, combined distribution centers, and processing centers are as of February 28, 2007.

## Seven Premium Development of New Private-Brand Products

Seven & i Holdings launched its “Group Merchandising Reform Project” in November 2006. We are aiming to develop competitive original products offering outstanding quality at reasonable prices.

### Overview of New Private-Brand Development

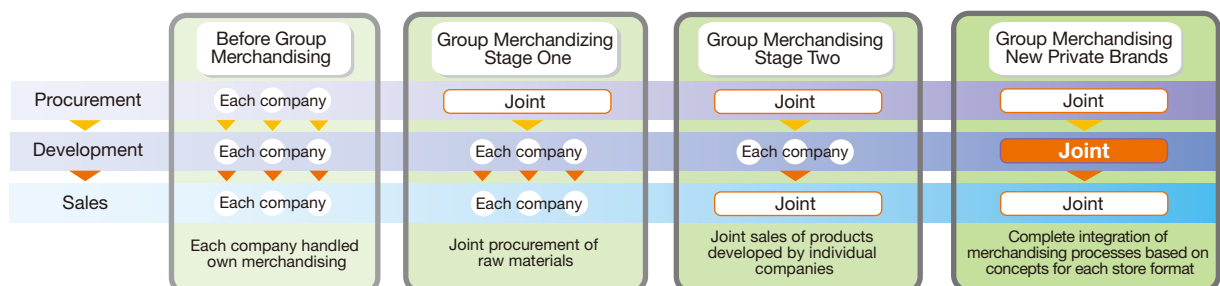
Previously, each group company developed its own private-brand lines. However, since the establishment of Seven & i Holdings, we have focused on further expanding group merchandising. We have now integrated merchandising processes such as purchasing, product development and sales to achieve a structure for developing even more highly competitive products.

#### Organizational structure

- The participating companies are Seven-Eleven Japan, Ito-Yokado, York-Benimaru, York Mart and SHELL GARDEN
- About 70 merchandisers and buyers from participating companies comprise 17 subcommittees and 46 teams in the categories of processed foods and daily foods

#### Product development policies

- Establish a development system that extends to the merchandising processes such as material procurement, manufacturing, distribution, and sales by sharing information within the Group and leveraging the Group's exceptional development methods
- The operating company with the greatest strengths in that field will be responsible as the development leader in each category
- Establish brands unique to each store format based on differences in customer motivation for store visits



### Positioning of New Private-Brand Products

In addition to existing value-added original brand products, the introduction of competitively priced, new **Seven Premium** private-brand products will further enhance the lineup to meet a broader range of customer needs.



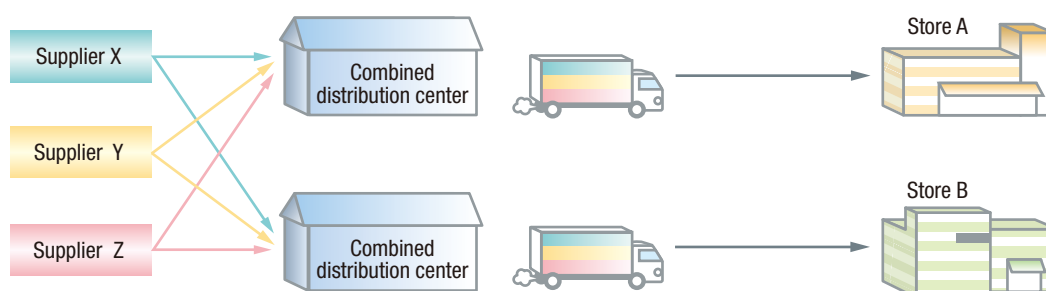
## Efficient Distribution Systems

Group companies employ a combined distribution system for greater efficiency

### Combined Distribution System

The combined distribution system is a rationalized system that allows products from different suppliers and manufacturers to be delivered to stores on the same truck. The combined distribution centers are operated by third parties.

#### Overview of the combined distribution system



### Promoting Integration of Group Company Distribution Operations

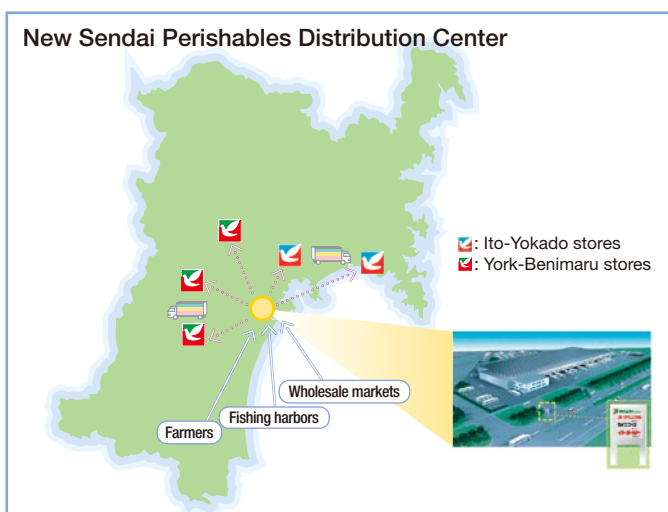
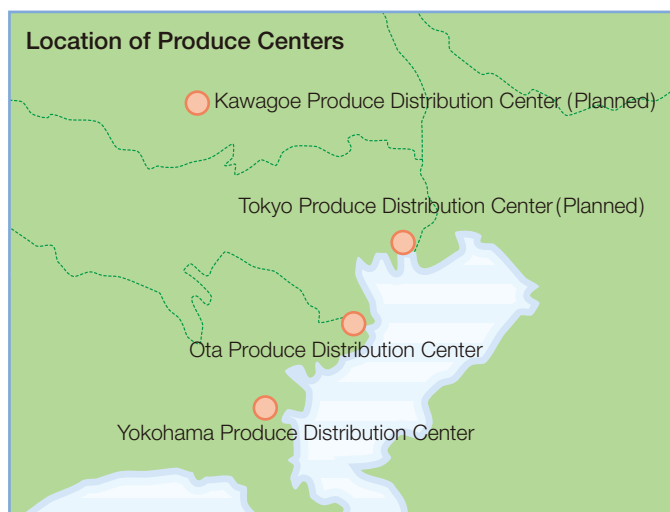
We are aiming to promote group merchandising and make full use of economies of scale by integrating the distribution operations of Group companies.

#### Produce centers

With the objectives of reducing costs through consolidation of delivery routes, constructing a distribution system whereby products are delivered at optimal temperatures, and enhancing responsiveness to seasonal needs, produce centers of Ito-Yokado are located on sites adjacent to vegetable processing centers of Seven-Eleven Japan. Operations of these produce centers are completely outsourced.

#### New Sendai Perishables Distribution Center

With the objectives of establishing a product-purchasing network coordinated with merchandising strategies, strengthening local product procurement and expanding joint purchasing within the Group, we are integrating the perishables distribution center of Ito-Yokado and York-Benimaru that is located in the southern area of the Tohoku region. We are reducing outsourcing fees and achieving lower operating costs through improved efficiency at this center.

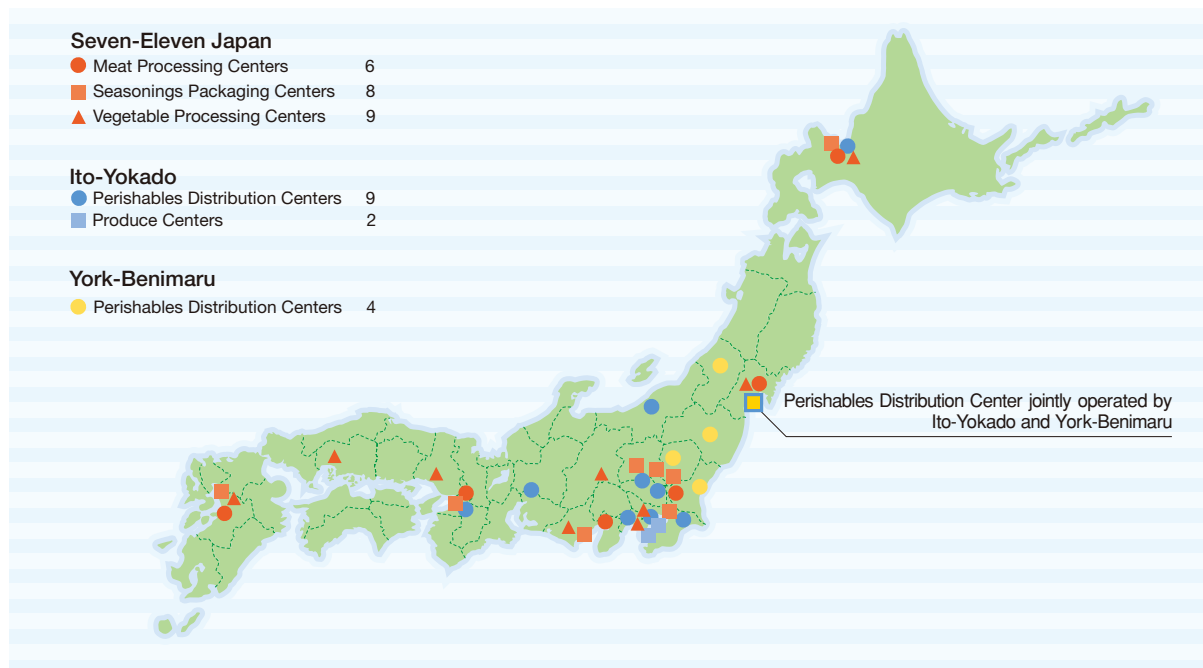


## Processing Centers and Perishables Distribution Centers

We are taking active steps to prevent inconsistency in the quality of ingredients, strengthening the traceability of ingredients and lowering costs at food distribution centers. Through these measures, we are able to supply fresh, high-quality products and ingredients to stores in a reliable and efficient manner.

### Processing centers and perishables distribution centers

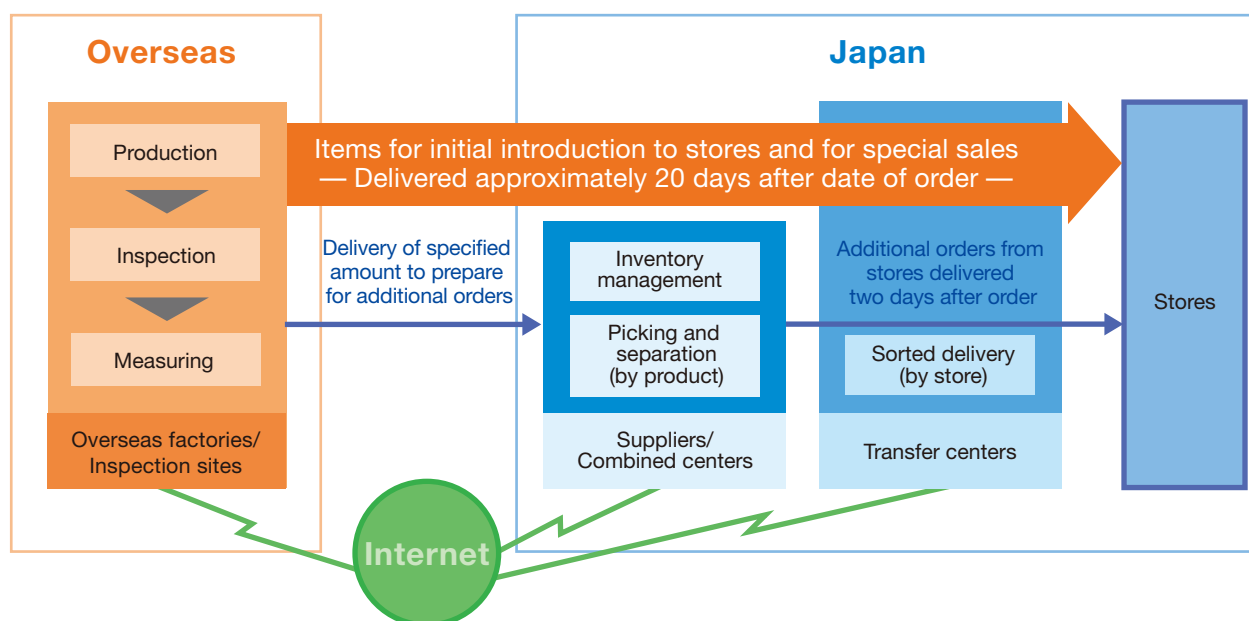
(As of end of June 2007)



## Constructing an Integrated Distribution Structure for Goods from Overseas Production Basis

We will **reduce distribution costs by transferring overseas the processing** of merchandise for special sales and merchandise being introduced to stores for the first time, the volume of which is decided in advance. These operations are currently conducted in Japan. We will continue processing in Japan short-lead-time merchandise that is ordered directly by stores.

### Distribution initiatives: Underwear

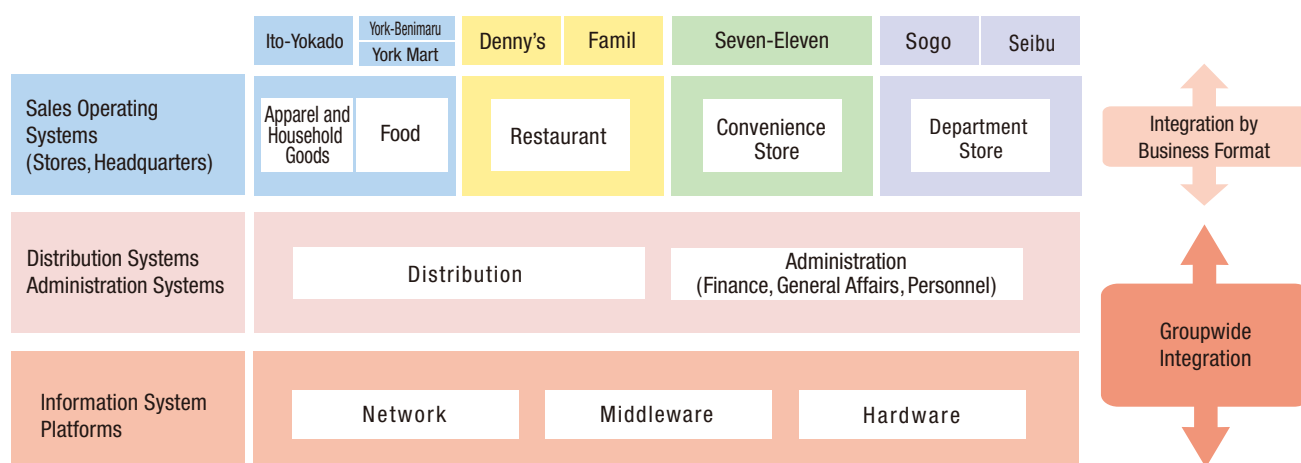


## The Corporate Group Systems Integration

### Outline of System Integration

- The systems network is shared groupwide and some hardware and platforms are also integrated among Group companies
- Sales operating systems are being integrated by business format
- Unifying administrative and management systems will contribute to higher sales and profitability groupwide
- The integration is also expected to yield cost savings

### Concept chart of system integration



### Objectives of the Integration

#### Strengthening sales support for store promotion

- Standardize product classification codes to facilitate the common use of logistics resources and merchandising support among all Group companies
- Provide greater support for item-by-item management (sales planning, ordering, inventory verification, etc.) in store operations and thus improve productivity
- Facilitate information sharing among Group companies through a Web-based, groupwide information system

#### Reducing development and operating costs

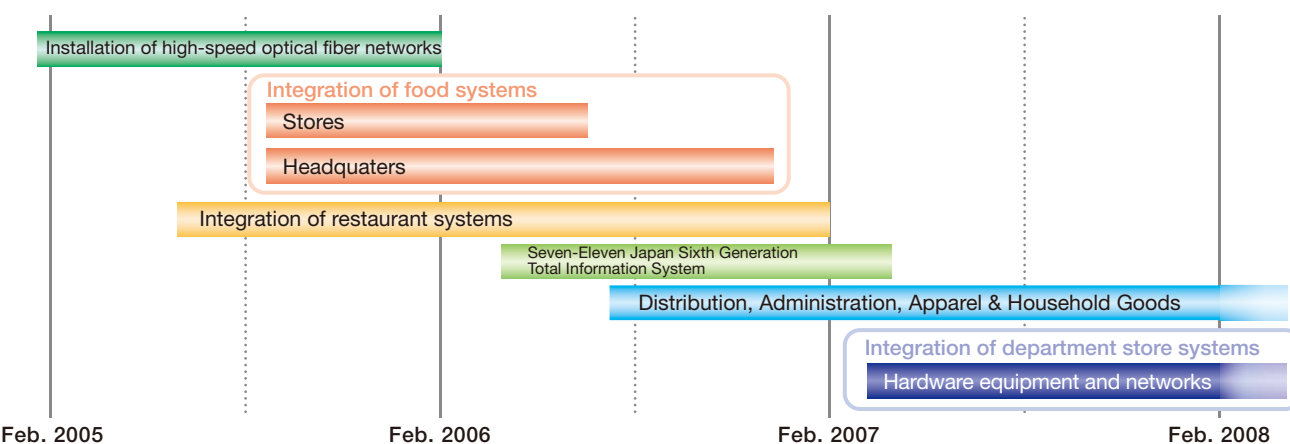
- Unify hardware to achieve economies of scale (POS cash registers, GOT\*<sup>1</sup>, ST\*<sup>2</sup>, and other equipment)
- Concentrate network servers and other functions at hubs to reduce overall costs

\*1 GOT: Graphical Order Terminal used for ordering at the sales area

\*2 ST: Scan Terminal ... Efficiently scans products, checks stock location on the shelf, and monitors freshness

### Progress on Integration

Integration of Group systems is proceeding smoothly. Our next step is to integrate the systems of Millennium Retailing, a new member of the Group.



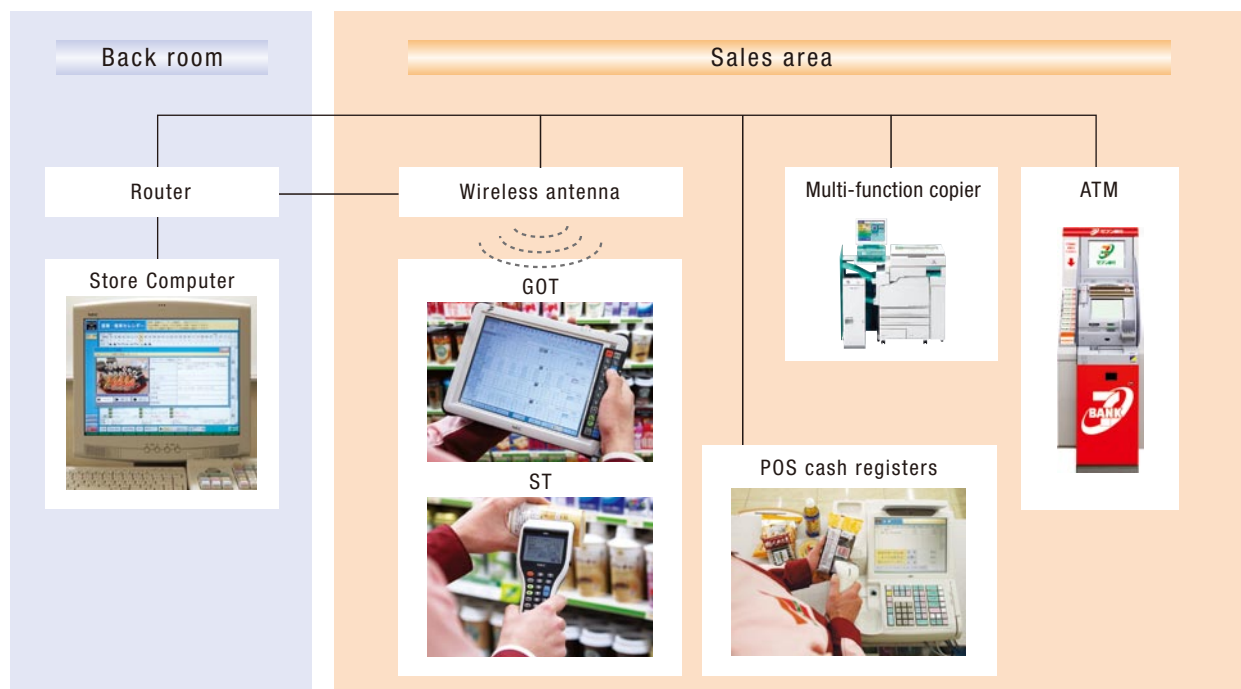
## Seven-Eleven Japan's Total Information System

The first-generation store system was introduced in 1978, followed by the development of such ground-breaking systems as POS Systems and electronic ordering terminals. In March 2007, Seven-Eleven Japan completed the installation of the Sixth-Generation Total Information System to further upgrade its systems.

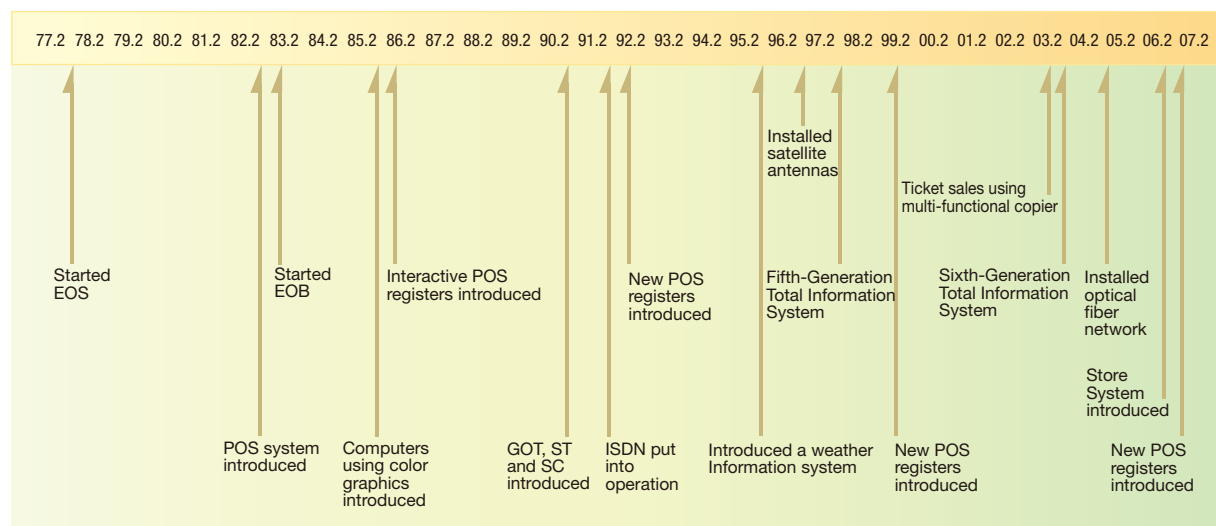
### Sixth-Generation Total Information System

By introducing wireless in-store networks, the Sixth-Generation Total Information System can improve productivity and enhance "Store System" functions that support item-by-item management. In addition, POS cash registers equipped with a multi-read/write ability that enables the use of electronic money systems are installed.

### Overview of the Sixth-Generation Total Information System



### Information System Innovation





## Group Store-Opening Strategy

The Company develops stores in several formats and therefore opens stores of various sizes. Each format is clearly defined in terms of its motivations for store visits and has a different scope of trade as its base of operations. Accordingly, Seven & i Holdings can achieve a higher density level in its store-opening strategy.

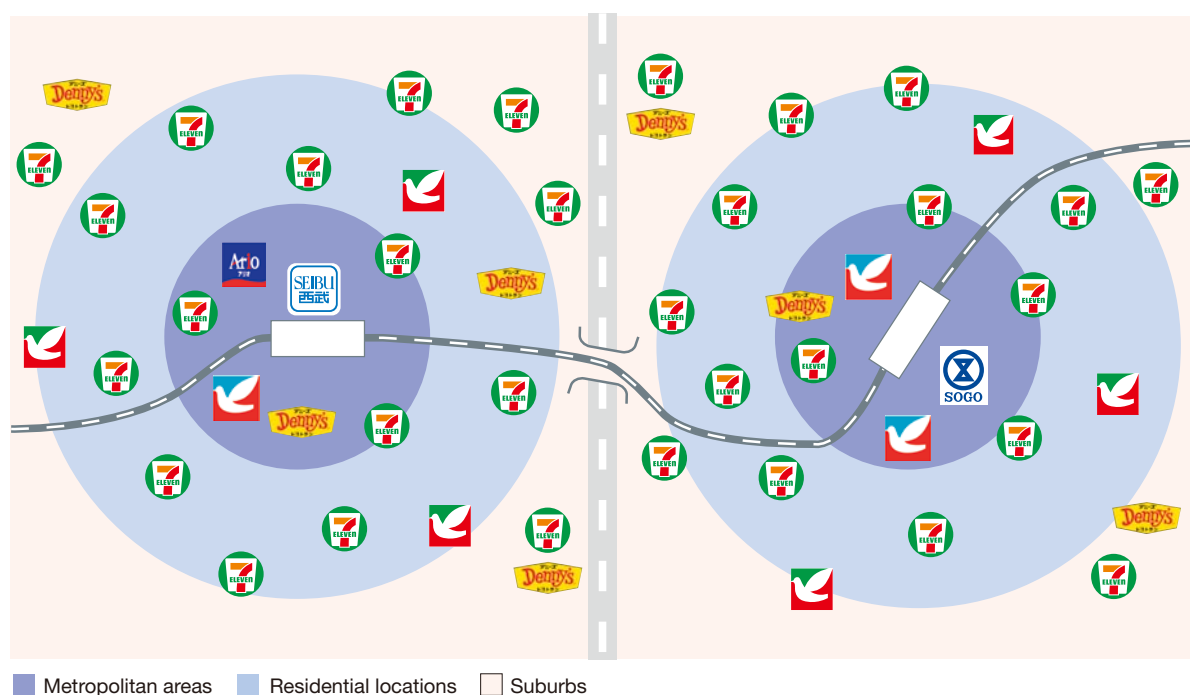
### Area Dominance Strategy (High-Density, Clustered Store Openings)







Our fundamental strategy is market dominance, whereby a high concentration of stores is positioned within one region.

#### Effects of area dominance strategy

- Greater familiarity with customers
- Effective sales promotions
- Improved efficiency in guiding franchised stores
- Efficient construction of production basis
- Efficient construction of distribution structure
- Preventing entry by competitors

#### Our area dominance strategy

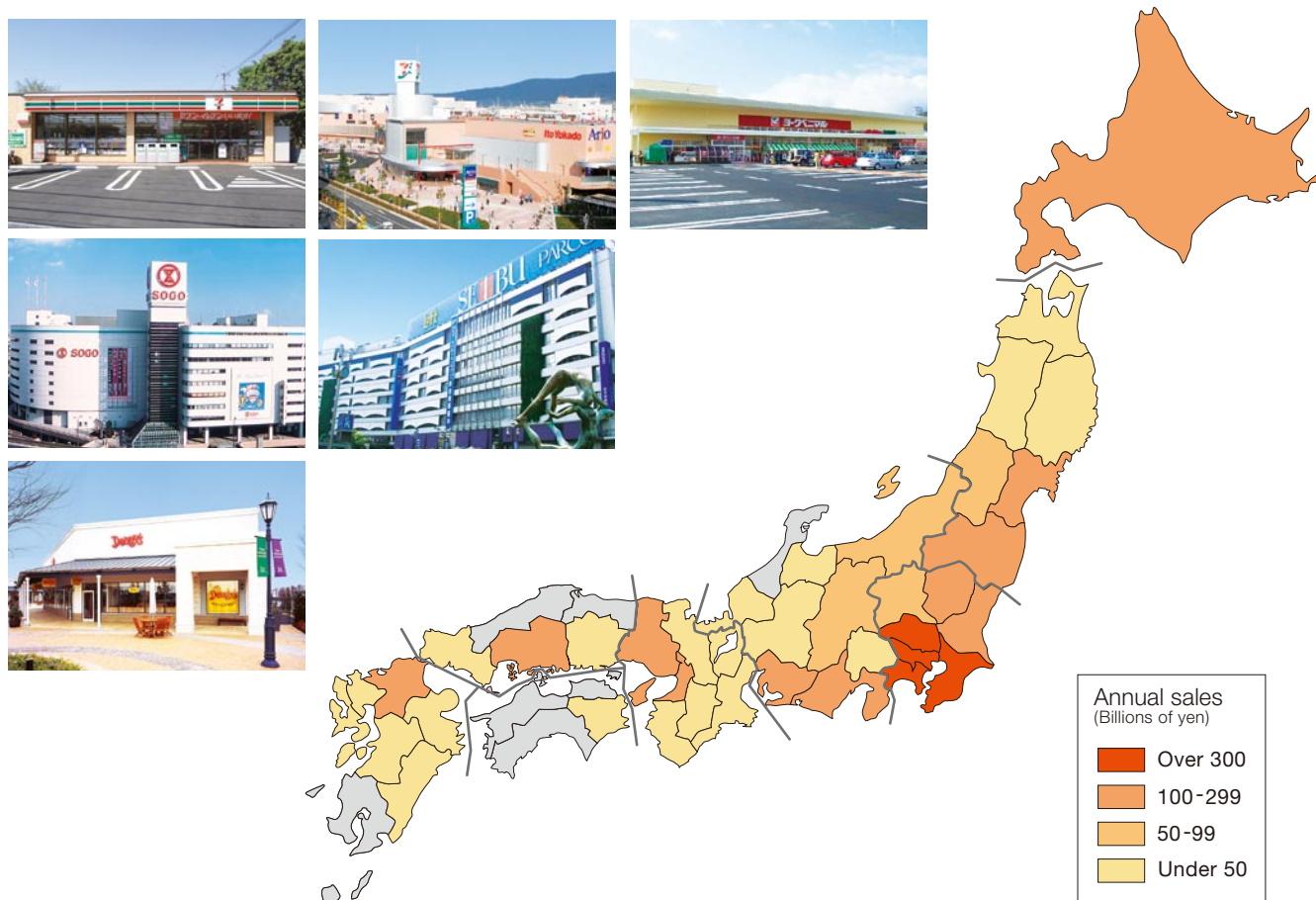


Format	Convenience store 	Supermarket Restaurant 	Superstore 	Department store Shopping center   	
Store universe	Small				Large
Shop size	Small				Large
Product range	Focused				Variety

## Store Network in Japan

Seven & i Holdings focuses on the business factors that will make each and every store a success, not on simply expanding the number of stores.

Total Sales of Principal Group Companies by Prefecture for FY2007



Principal Group Companies' Store Network

(As of February 28, 2007)

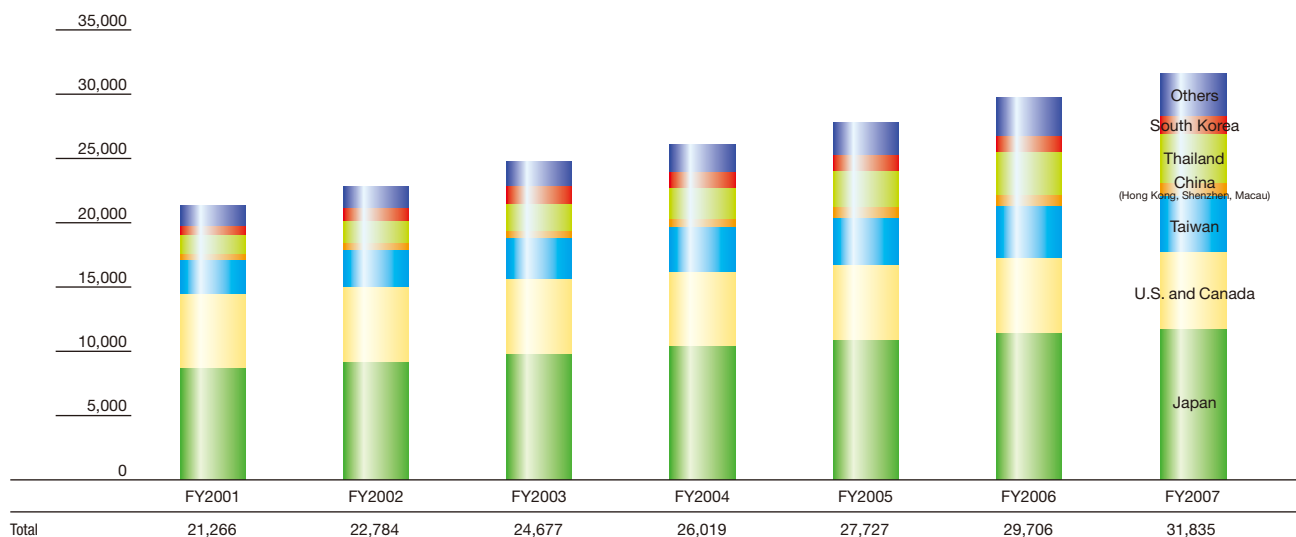
Format	Convenience store	Superstore	Supermarket	Department store		Restaurant
Brand	Seven-Eleven	Ito-Yokado	York-Benimaru	Sogo	Seibu	Denny's
Hokkaido	832	13	–	–	2	–
Tohoku	831	12	107	–	1	20
Kanto	5,089	115	21	6	7	415
Chubu	1,758	22	–	–	3	120
Kinki	1,252	10	–	3	3	30
Chugoku	778	2	–	2	–	–
Shikoku	–	–	–	1	–	–
Kyushu	1,195	–	–	–	–	–
Total	11,735	174	128	12	16	585



## A Worldwide Network of Convenience Stores

Mainly in Japan and North America, the number of Seven-Eleven convenience stores around the world is increasing year by year.

Number of Seven-Eleven stores worldwide



Notes: 1. Figures for the U.S. and Canada are the total number of stores directly managed or franchised by 7-Eleven, Inc.  
2. Figures for Japan are as of February 28 or 29. Other figures are as of December 31.

## Major Seven-Eleven Store Operators Around the World

Our consolidated subsidiaries operate stores in Japan, the United States, Canada, China (Beijing), and Hawaii. In other countries and regions, efficient companies operate the stores as area licensees. Seven-Eleven Japan has started to supply its original products and store equipment to area licensees in Southeast Asia. Seven-Eleven Japan further plans to supply original product development know-how and item-by-item management.

Country or Region	Company name	Number of stores
Japan	Seven-Eleven Japan Co., Ltd.	11,735
U.S. and Canada	7-Eleven, Inc.	6,050
China (Beijing)	SEVEN-ELEVEN (BEIJING) CO., LTD.	50
Hawaii	SEVEN-ELEVEN (HAWAII), INC.	54
Taiwan	President Chain Store Corporation [Uni-President Enterprise Corp.]	4,385
Thailand	C.P. Seven-Eleven Public Co., Ltd. [Charoen Pokphand Group]	3,785
South Korea	Korea Seven Co., Ltd. [Lotte Group]	1,421
China (Hong Kong, Shenzhen, Macau)	The Dairy Farm Company, Limited [Dairy Farm International Holdings Limited]	1,055
Singapore	Cold Storage Singapore (1983) Pte. Ltd. [Dairy Farm International Holdings Limited]	345
Philippines	Philippine Seven Corporation [President Chain Store Corporation]	287

Notes: 1. Companies in shaded area are subsidiaries.  
2. The number of Japan stores is as of February 28, 2007. Others are as of December 31, 2006.  
3. Company names in parentheses are the names of the corporate groups affiliated with the companies listed above.

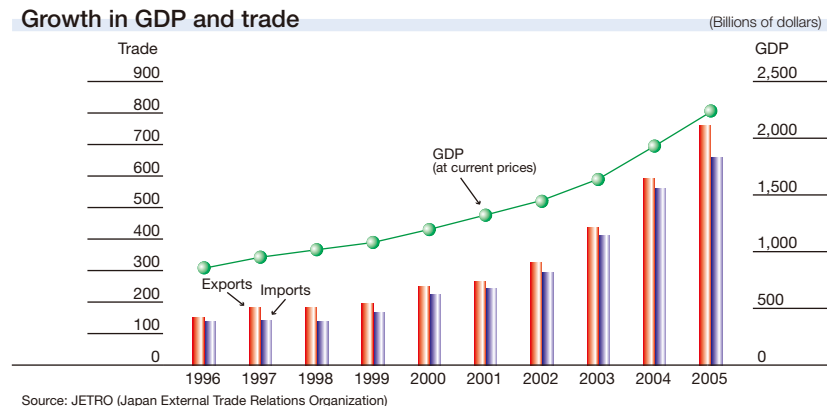
## Operations in China

Adhering to our area dominance strategy for opening new stores, we are operating convenience stores, superstores, and supermarkets in China, with a focus on Beijing. Working to enhance synergy effects, we are exchanging information across business formats and starting to develop products jointly.

### The China Market

With a population of 1.3 billion, China is an extremely attractive and fertile market, and its economy continues to grow at an unprecedented speed. Purchasing power is increasing, especially in Beijing and other major cities. At the same time, customers increasingly are showing demand for a high level of quality, product reliability, safety, freshness, and customer-oriented service.

#### Growth in GDP and trade



### Store Development

#### Convenience store operations: SEVEN-ELEVEN (BEIJING)

The number of stores as of December 31, 2006 stood at 50. Aiming to rapidly expand its franchise business, we are accelerating store openings. As a result of efforts to meet local needs, sales of fast foods accounted for over 30% of total sales.

#### Superstore operations: Hua Tang Yokado Commercial, Chengdu Ito-Yokado

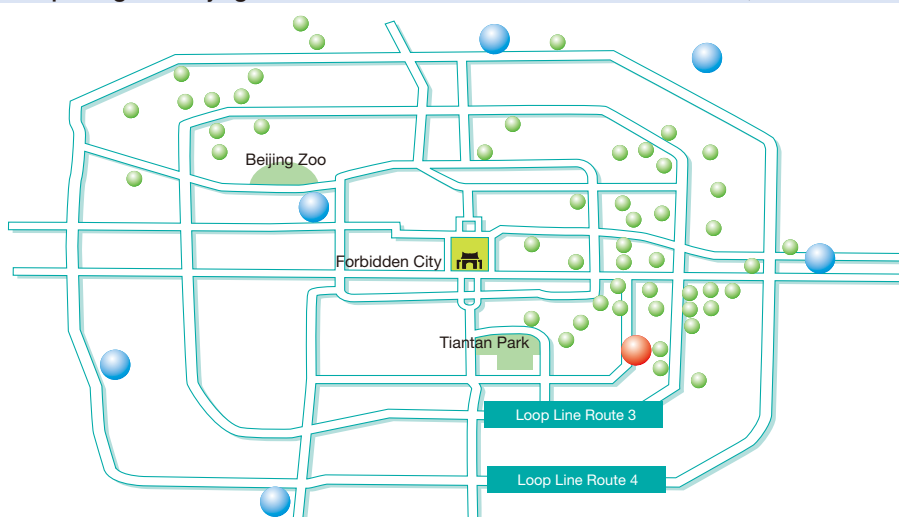
By 2008, we plan to have opened 10 superstores in Beijing and four in Chengdu. To develop stores closely linked to local needs, we are employing persons locally, appointing female employees to management positions and implementing training programs to cultivate highly capable human resources.

#### Supermarket operations: Beijing Wang fu jing Yokado Commercial

We are working to create a completely new type of supermarket—one that is unprecedented in China.

### Store openings in Beijing

(As of December 31, 2006)



● SEVEN-ELEVEN: 50 stores



● Hua Tang Yokado: 6 stores  
● Wang fu jing Yokado: 1 store

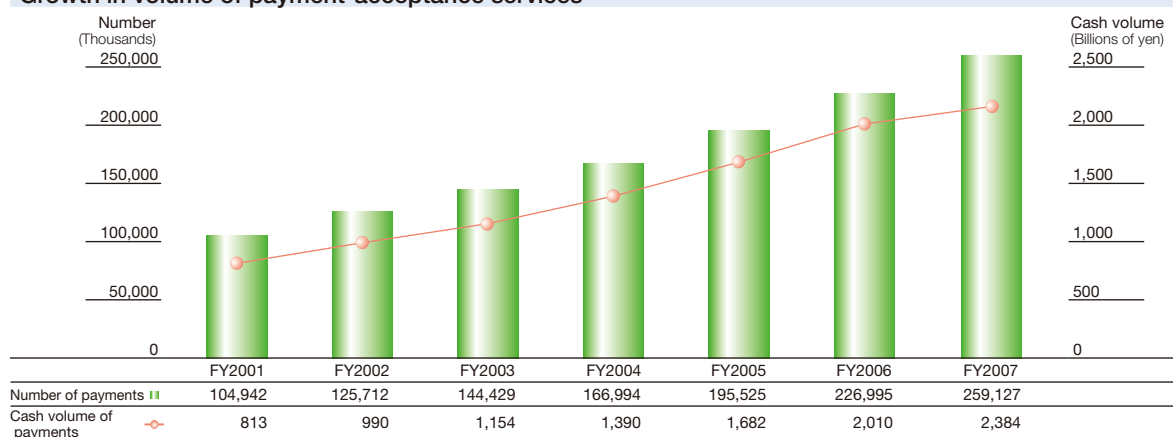
## Financial Services at a Retailing Company

Responding to customer needs, Seven & i Holdings is offering financial services in its everyday retail environments.

### Development of Payment-Acceptance Services

Seven-Eleven Japan has been offering payment-acceptance services since 1987. The services are used widely, gaining popularity among customers for the convenience that allows them to use various payment services 24 hours a day, 365 days a year.

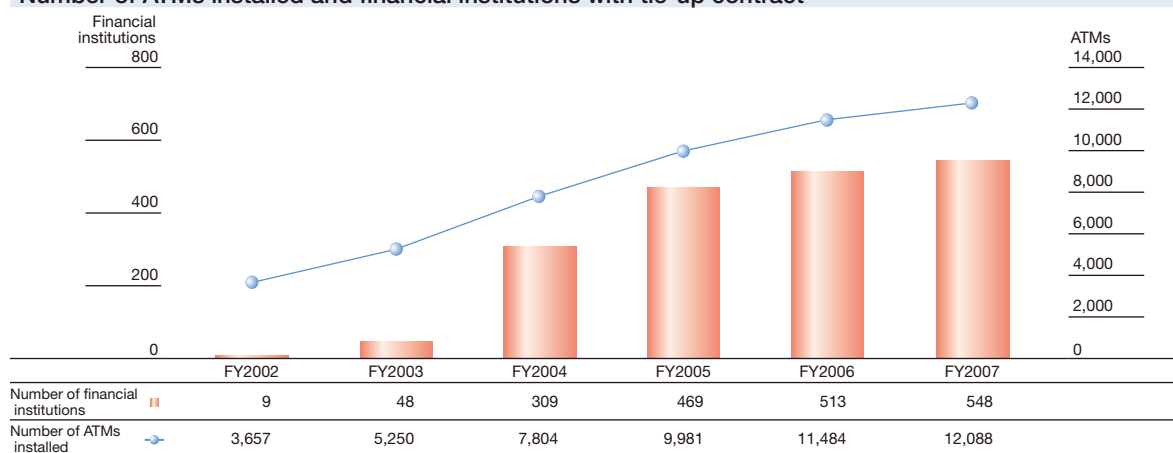
#### Growth in volume of payment-acceptance services



### Installation of ATMs in Group Stores

Beginning with Seven-Eleven Stores, we began placing ATMs in Group stores in May 2001. Owing to the increase in the number of stores with ATMs and the network of financial institutions with tie-up contracts, the number of customers using ATM services continues to grow every year.

#### Number of ATMs installed and financial institutions with tie-up contract



### Offering Financial Services at Staffed Counters

Various financial services a customer may use on a normal day are offered at one corner. We first opened staffed counters in April 2005, and we now offer staffed counters at five locations as of May 31, 2007 at Ito-Yokado and "Ario" stores.



- |                     |   |
|---------------------|---|
| Banking services:   | Opening of Seven Bank accounts, mediation services for financial institutions, banking agent and others |
| Card services:      | IY Card information, point redemption procedures and others   |
| Insurance services: | Assist customers in finding appropriate insurance   |
| Other services:     | Payment-acceptance services, copy and fax services, ticket sales and others                             |

## Launch of Operating-Cash (Change) Service

Owing to closing and consolidation of bank branches and to fee-based and higher-priced money exchange services at banks, we established Seven Cash Works Co., Ltd. in order to provide small- and medium-sized retailers and service businesses with operating change delivery service and change machine service. We plan to commence change delivery service in autumn 2007 and change machine service in spring 2008.

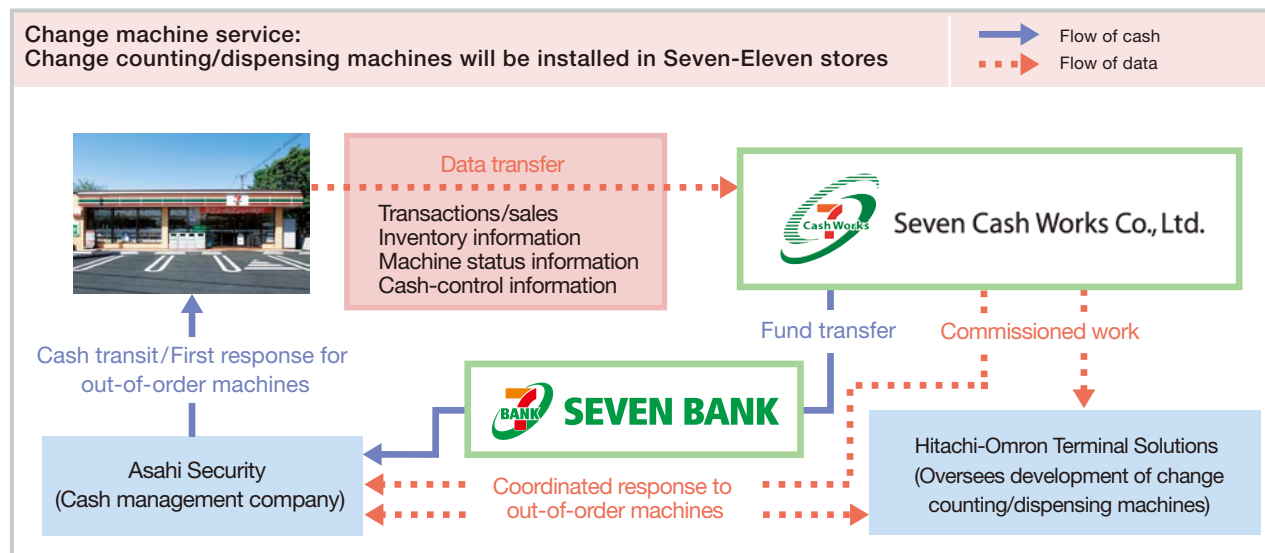
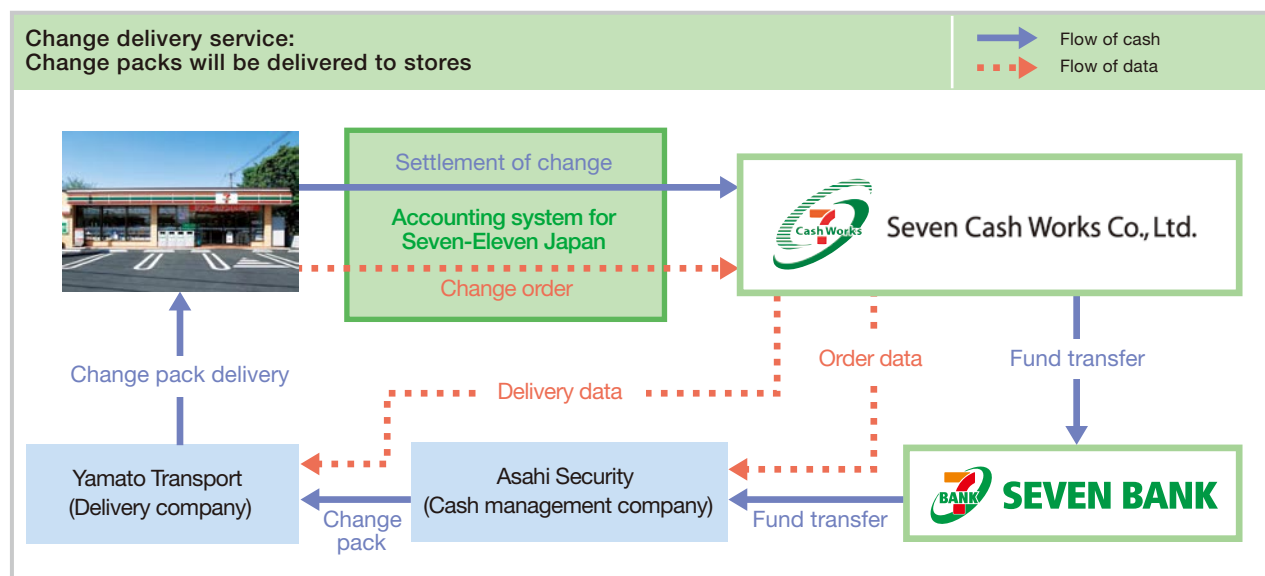
### Company overview

Name:	Seven Cash Works Co., Ltd.
Establishment:	June 5, 2007
Capital:	1.5 billion yen
Shareholders:	Seven & i Holdings 80.5%
	Toyota Financial Services 14.5%
	Seven Bank 5.0%

### Main features

- Services target the approximately 3.4 million general business enterprises in Japan, including Seven-Eleven franchised stores and other small- and medium-sized retailers and restaurants
- Provide services 24-hours a day, 365 days a year  
: Serve as a supplementary financial service
- Efficient, low-cost operation for profitability  
: Combines finance/distribution/security and safety
- Original, high-performance, small-sized change counting/dispensing machines that are highly efficient

### Business structure



## The Group's Original Electronic Money

On April 23, 2007, Seven & i Holdings launched its *nanaco* original electronic money services, which went into use at nationwide Seven-Eleven stores on May 28, 2007.









### Description

- Prepaid e-money cards with contactless IC chips
- One *nanaco* point is given for every 100 yen spent, and points can be converted to e-money
- The service can be used with the *nanaco card* or with *nanaco mobile*, which is available through cell phones
- 10 million cards planned for issue in the first year
- IY Card Service Co., Ltd. handles operation and management of the service



### Service Contents

We will continue to add to the scope of services, including expansion of the network of stores where *nanaco* can be used and tie-ups with non-Group companies regarding point usage.

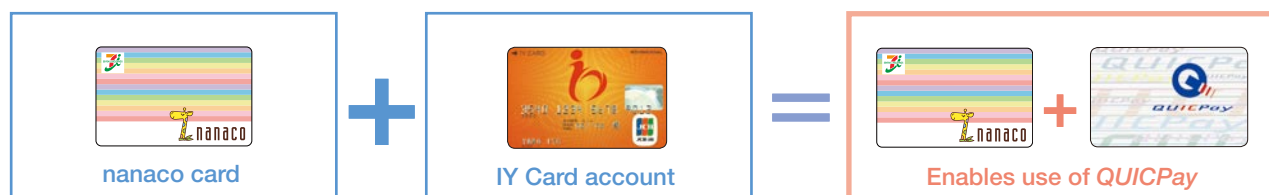
	Service functions	Planned expansion of services
Usage	 Seven-Eleven store  <b>nanaco card</b> <b>nanaco mobile</b> <i>osaifu keitai</i> *1 (cell phone debit systems) NTT DoCoMo, au	 Expansion to stores inside and outside the Group  <b>nanaco mobile</b> <i>osaifu keitai</i> SOFTBANK
Charge	 POS cash registers (For less than 30,000 yen)	 Will be able to charge at Seven Bank ATMs
Points	 1 point given for every 100 yen spent Points can be converted to e-money	 Expansion to companies outside the Group*2 – JCB, ANA, Yahoo! etc.

\*1 *Osaifu keitai* is a registered trademark of NTT DoCoMo, Inc.

\*2 Through partnerships with companies outside the Group, points from these companies may be converted to e-money.

### Launch of "Post-paid" Electronic Money

All *nanaco* cards are equipped with *QUICPay*, a "post-paid" service for settlement of small amounts. From autumn 2007, people who complete specified procedures will be able to use *QUICPay* with their current cards.



## Objectives of Introduction

Beyond simply providing a service, by leveraging group infrastructure, adding to original point services, and collecting and analyzing customer data, the Group expects that issuing its own electronic money will lead to the results detailed below.

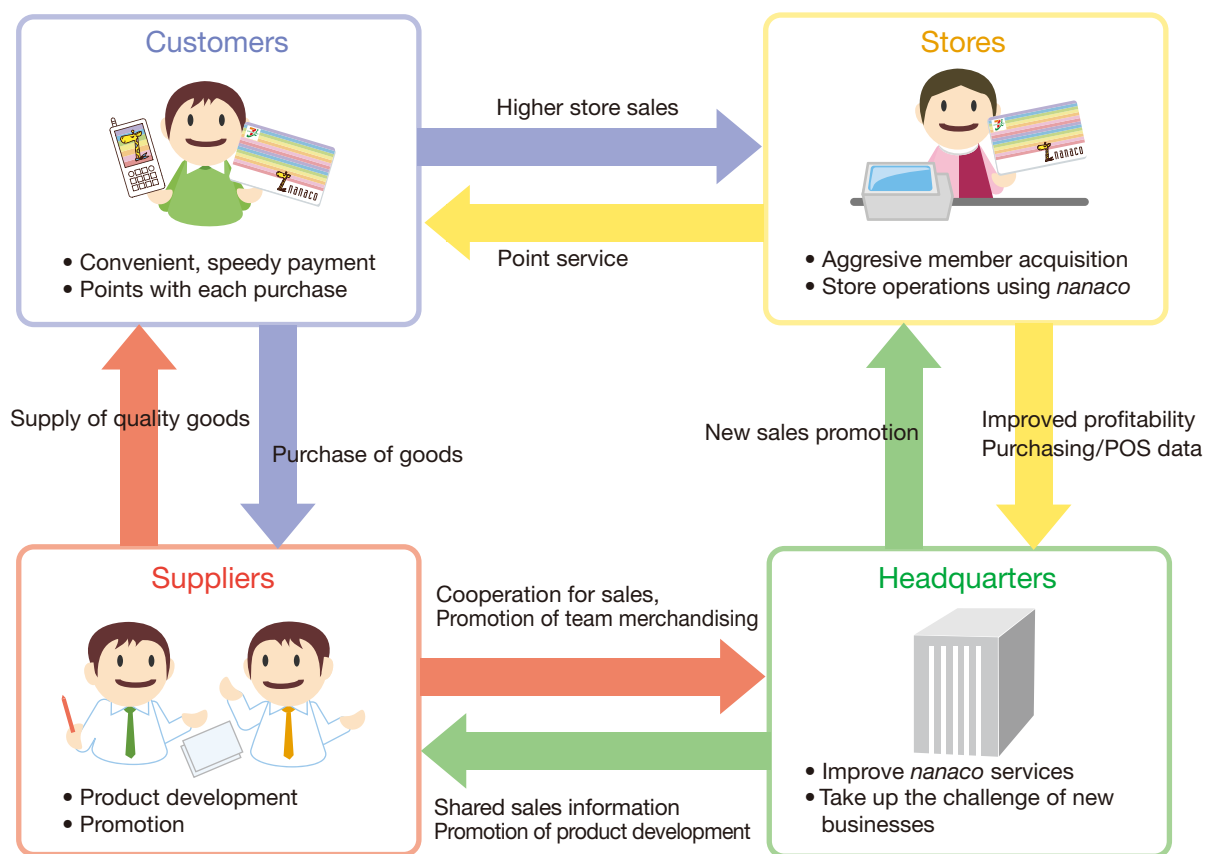
### Build on effective cost structure

- Provide effective services by leveraging group infrastructure and store network
- Minimize outflow of settlement fees by having a Group company issue cards and manage the system

### Improved earning power by expansion of original services

- Increase repeat customers by introducing original point accumulation system
- Use of customer and POS data for effective sales promotions and product development

## How electronic money works



## Schedule

	Service contents
Summer 2007	Begin sign-ups for use of <i>QUICPay</i> post-paid service via <i>nanaco</i> cards
	Begin point-service tie-ups with non-Group companies
Autumn 2007	Launch of charge service for <i>nanaco</i> at new Seven Bank ATMs
	Expand services to stores inside and outside the Group