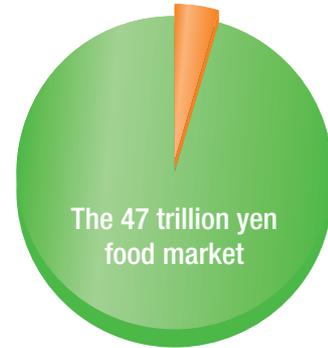


- **Group Share of Domestic Food Market**  
**Seven & i Holdings has annual sales of 3 trillion yen in food products and holds a 6% share of the 47 trillion yen market in Japan.**

Seven & i Holdings has annual sales of 3 trillion yen in food products



Note: Market size is calculated according to data published by the METI "Preliminary Report on the Current Survey of Commerce"

Annual Sales of Food Products of Major Group Companies

Seven-Eleven Japan:	1,800 billion yen
Ito-Yokado:	700 billion yen
York-Benimaru:	200 billion yen
Sogo:	90 billion yen
Seibu:	70 billion yen

- **Group Product Strategy**  
**Strengthening team merchandising and group merchandising to increase sales and profitability Groupwide**

- **Team Merchandising**

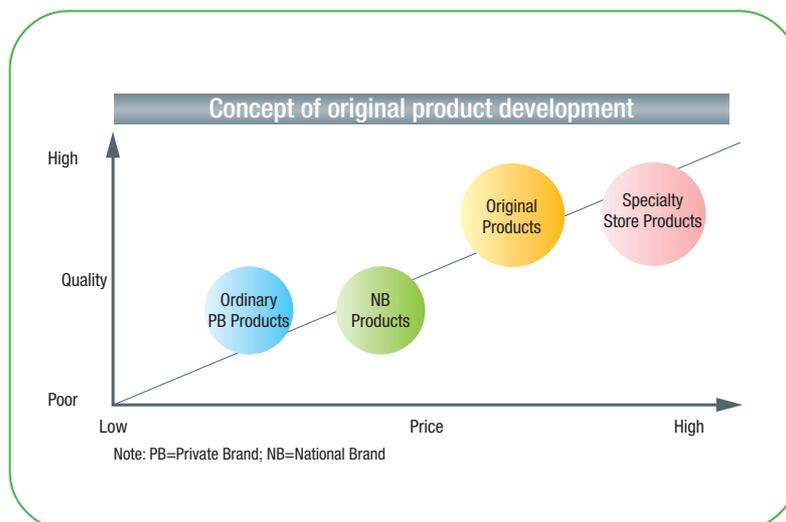
- Strengthen development of original daily food products
- Strengthen development of original products with top manufacturers
- Widen categories of original products

- **Group Merchandising**

- Expand team merchandising to whole Group
- Strengthen procurement of goods and develop products that make use of the Group's total economies of scale.

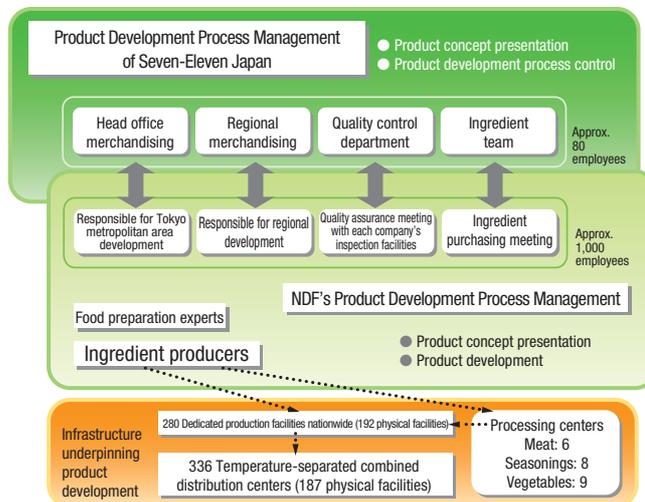
- **Distinguishing Our Stores and Creating Brand Image with Original Products**

- We conduct thorough market research and analysis to identify and meet needs not being satisfied by existing products.
- Unlike the usual private-brand strategy of leading with a low price, ours has the advantage of offering higher product quality and value commensurate with price, which leads to improved gross profit margins.



## Original Daily Food Product Development System

- Seven-Eleven Japan's main product lines of rice-based items, delicatessen items, sandwiches, oven-fresh bread, and handmade desserts are all original products. (please refer to Page 25)
- Seven-Eleven Japan and Nihon Delica Foods Association (NDF) are engaged in the joint development of original daily food products.
- Seven-Eleven Japan and NDF, each fulfilling their own roles, make it possible to develop high-quality, original daily food products.



### Notes:

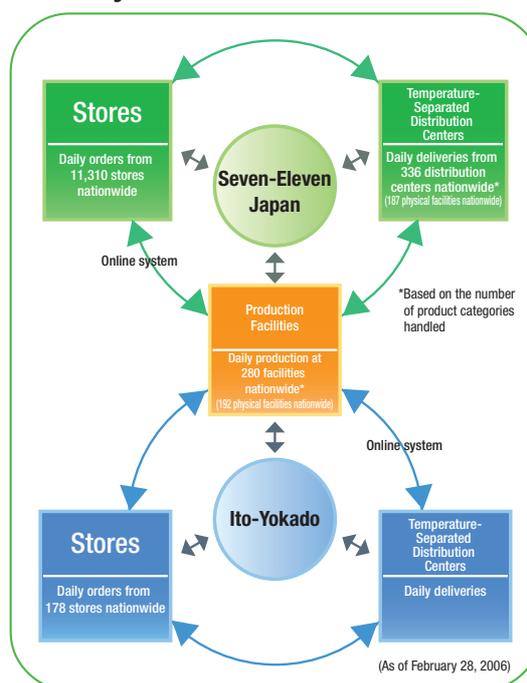
- Nihon Delica Foods Association (NDF) was formed in 1979 mainly by vendors of rice-based products. NDF currently has approximately 90 member companies that engage in the vendor businesses of rice-based products, sandwiches, delicatessen items, noodles, and Japanese pickles. Members jointly develop products, manage quality, procure ingredients, and implement environmental measures.
- Figures for the development system, number of dedicated production facilities, combined distribution centers, and processing centers are as of February 28, 2006.

## Regional Product Development Activities

- Seven-Eleven Japan has approximately 40 regional merchandisers, and NDF has approximately 310 regional development supervisors overseeing product development for the nine regions into which we have divided Japan. The implementation of regional product development structure has increased our ability to pursue the development of differentiated products.
  - Provide regional specialties (foods usually eaten in a particular region)
  - Search for regional delicacies and develop products (ingredients, production technologies, production methods)

## Integrating Supply Infrastructure for Original Daily Food Products

- All original daily food products are produced in production facilities operated by the independent companies with whom we have contracted and are delivered from temperature-separated combined distribution centers to all Seven-Eleven stores nationwide.
- The production facilities and the temperature-separated combined distribution centers serve only Seven-Eleven Japan, which allows us to distinguish ourselves from the competition in terms of product development, hygiene, and quality control.
- Sharing such supply infrastructure for original daily food products with Ito-Yokado and other Group companies provides the following advantages.
  - Provides reliable supply of high-quality products
  - Eliminates differences in taste or product quality between stores
  - Improves operating efficiency and productivity at production facilities

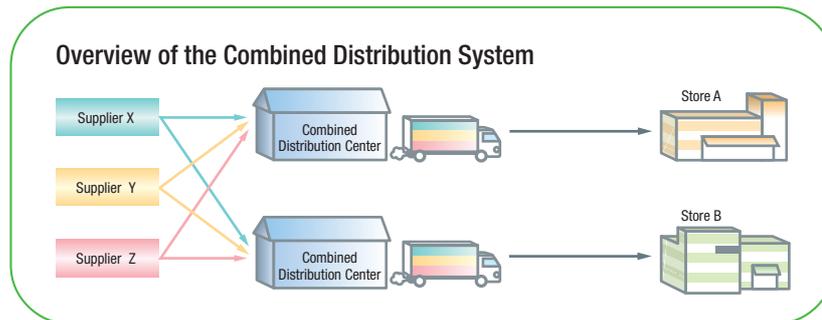


■ **A Distribution System that Enhances the Value of the Product**

■ **Outline of the Combined Distribution System**

■ Combined Distribution System

- A rationalized logistical system that allows products from different manufacturers to be delivered to stores on the same truck.
- The combined distribution system is operated by third parties.



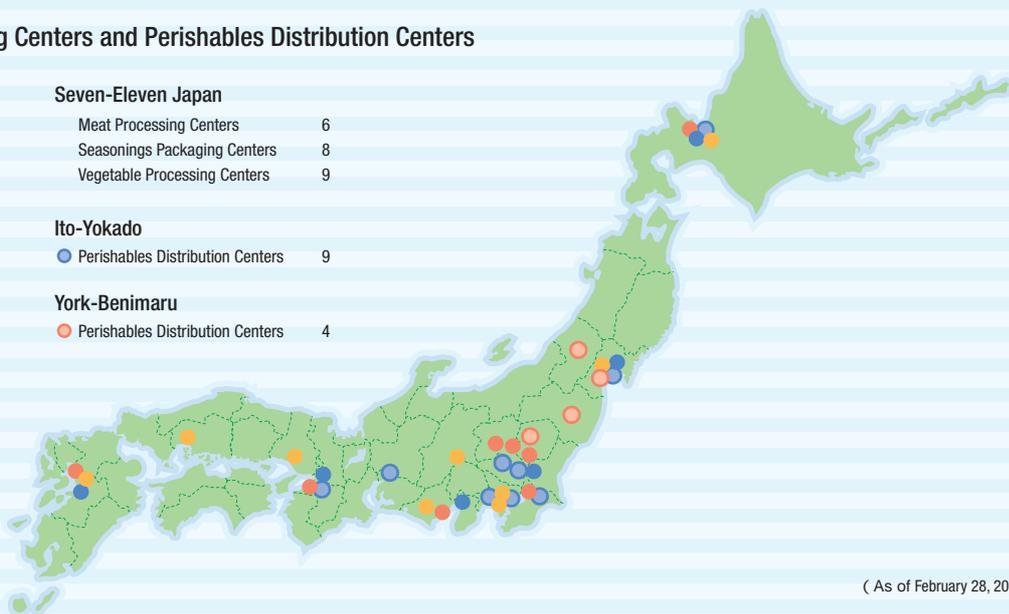
- Seven-Eleven Japan contracts with third-party operators to provide temperature-separated combined distribution, consolidating the shipment of products with the same optimum temperatures from different manufacturers, ensuring faster, and fresher delivery to the stores. (Please refer to Page 26)
- In the distribution system of Ito-Yokado, delivery volumes are decided on a store-by-store basis by shelf-load units, which are already sorted. This reduces the in-store product management workload.

■ **Processing Centers and Perishables Distribution Centers**

- To improve distribution efficiency and increase product added-value, processing centers run by third parties purchase, store and process the materials and ingredients in bulk for production facilities.
- Fresh and high-quality products and ingredients reliably delivered through an efficient system of distribution realizes the following advantages: Maintaining stable products and ingredient quality; Better product taste and quality; Cost Reductions; Strict product and ingredient traceability

**Processing Centers and Perishables Distribution Centers**

<b>Seven-Eleven Japan</b>	
Meat Processing Centers	6
Seasonings Packaging Centers	8
Vegetable Processing Centers	9
<b>Ito-Yokado</b>	
● Perishables Distribution Centers	9
<b>York-Benimaru</b>	
● Perishables Distribution Centers	4



( As of February 28, 2006 )

## Group Business Strategy

## Distribution System

## ■ Promoting Groupwide Distribution

Integrating the Group's distribution has the further objective of promoting Group merchandising and realizing cost benefits.

### ■ Integrating Produce Centers

- Establishment of produce centers with the following specifications:
  - 1) Produce centers of Ito-Yokado will be relocated right next to Seven-Eleven Japan's vegetable processing centers, which are adjacent to the wholesale markets of each area.
  - 2) Produce centers will be completely outsourced.
  - 3) The project begins with construction of a facility to cover the Kanagawa area as a prototype project.
- Three Expected Results



#### Distribution costs to be fundamentally reduced

Delivery costs reduced by locating new centers close to the wholesale markets, and by route consolidation.

#### Cost Reduction

#### Assures delivery at the optimum temperature

The temperature at which produce is delivered will be changed to more appropriate range of 5–18 degrees centigrade from 0–8 degrees.

#### Quality Improvement

#### Enhances productivity at stores and improves product lineups

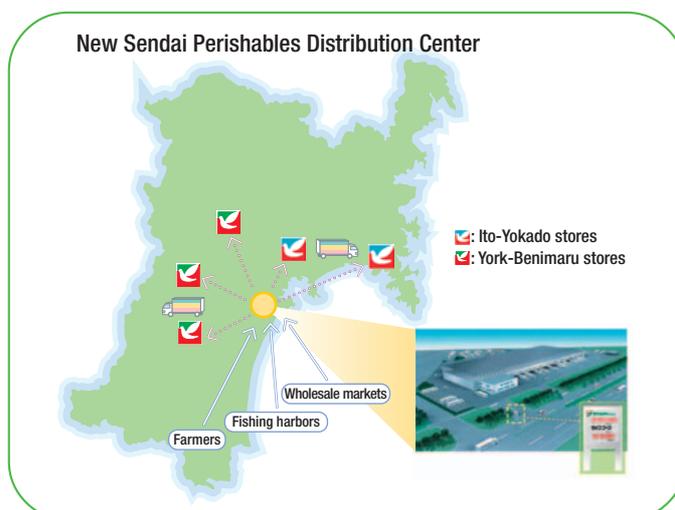
Productivity at stores is enhanced and product lineups are improved due to small-lot deliveries to stores. This means reduced stacking times and optimum delivery times to suit seasonal and regional produce.

#### Product Availability

## ■ New Sendai Perishables Distribution Center

### Integrated Perishables Distribution Center for Ito-Yokado and York-Benimaru in the Tohoku Area

- Objectives and benefits of the Center
  - Strengthening local product procurement by integrating the procurement network
  - Expanding joint procurement throughout the Group
  - Integrating the center improves efficiency and reduces costs by lowering consignment rates
  - Achieving reduction in the cost of goods through lower consignment rates

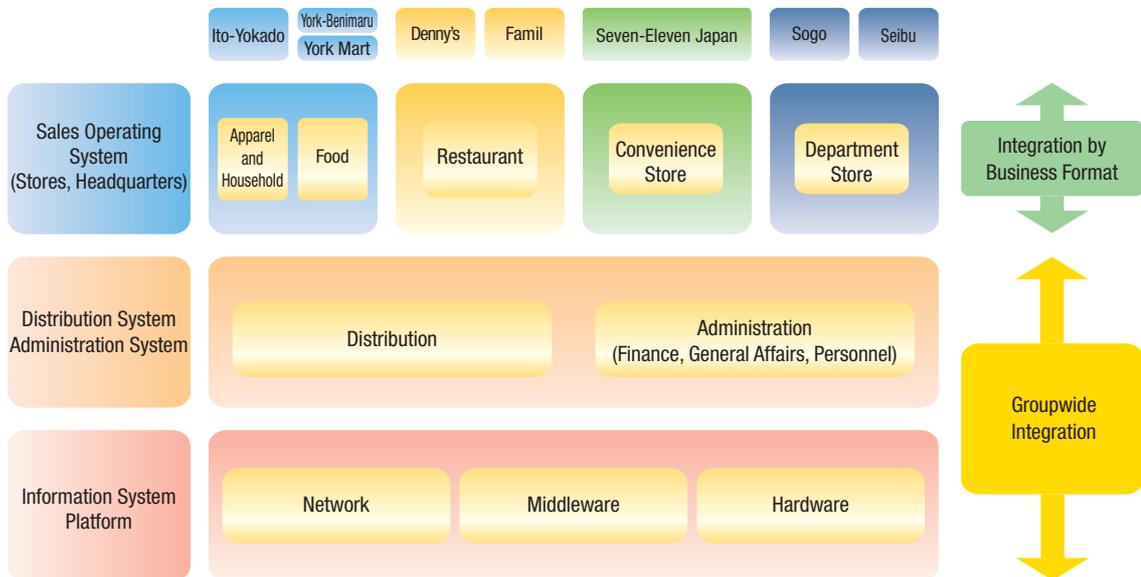


## ■ The Corporate Group Systems Integration Project

### ■ Systems Integration Features

- The systems network is shared Groupwide and some hardware and platforms are also integrated among Group companies.
- Sales Operating Systems to be integrated by each business category
- Unifying administrative and management systems will contribute to higher sales and profitability Groupwide.
- Integration will also realize cost savings.

### ■ Overview of System Integration

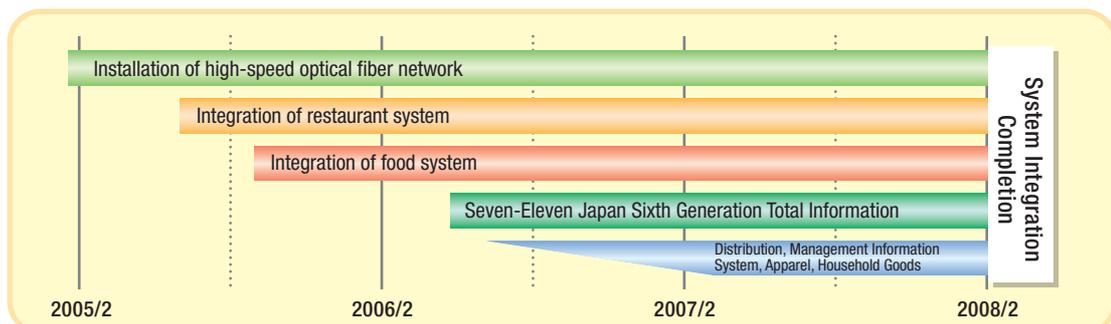


### ■ Objectives

- Strengthen support for retail operations
  - Standardization of product classification codes will further promote common use of logistics and Group merchandising support.
  - Greater support for store operations for item-by-item management (sales plan, orders, verification); improved productivity
  - Sharing information among Group companies through web-based, Groupwide information system
- Reduce development and operating costs
  - Unifying hardware achieves economies of scale (POS cash registers, GOT\*1, ST\*2, and other equipment)
  - Concentrating network servers and other functions in hubs will reduce total costs.

### ■ Progress on Integration

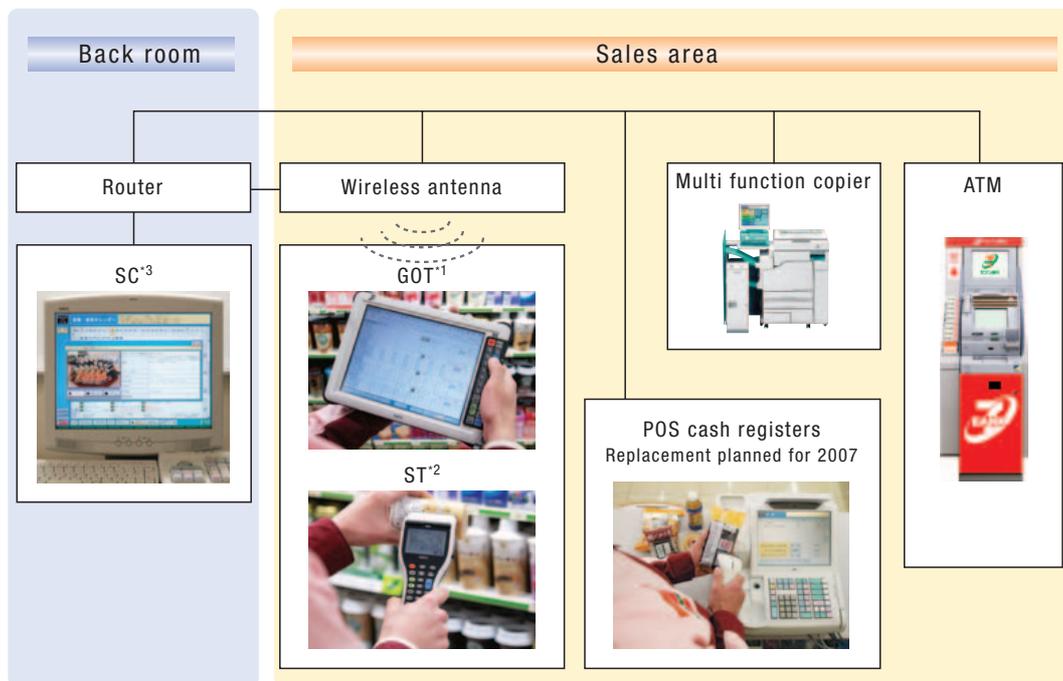
- We target completion of the Corporate Group System Integration Project by February 2008.



**Seven-Eleven Japan's Sixth Generation Total Information System**

- As a foundation for the Sixth Generation Total Information System, an optical fiber network was introduced to all the Seven-Eleven's stores in 2005, and the network was expanded to Group stores and companies.
- Phased installation of the Sixth Generation Total Information System started in May 2006; to be completed by Spring 2007.
- With increasing use of wireless in-store networks, build structures to make full use of information in sales area
- Install POS cash registers equipped with contactless IC chip read-write ability
- Implementation of "Store System" functions, which supports item-by-item management

Overview of Sixth-Generation Total Information System



Features of new SC <sup>3</sup>	Features of new GOT <sup>1</sup>	Features of new ST <sup>2</sup>
<ul style="list-style-type: none"> <li>• Increased volume and speed: full multimedia information system with quicker processing of management functions</li> <li>• Enhance communications functions; in-store mailing between employees possible</li> <li>• Bolstered problem countermeasures</li> </ul>	<ul style="list-style-type: none"> <li>• Fitted with wireless LAN communications function; can transmit and receive data at sales floors</li> <li>• Higher speed and volume; highly detailed monitor displays; uses multimedia movies developed for educational use; reads POS data</li> <li>• Strengthened shock resistance</li> </ul>	<ul style="list-style-type: none"> <li>• Fitted with wireless LAN communications function; can transmit and receive data at sales floors</li> <li>• High speed and volume, suited for new business functions</li> <li>• Strengthened shock resistance</li> </ul>

\*1 GOT: Graphic Order Terminal ... Order terminal used on the sales floor  
 \*2 ST: Scanner Terminal ... Efficiently scans products, checks stock location on the shelf, and monitors freshness  
 \*3 SC: Store Computer ... Central information terminal placed in each Seven-Eleven store

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

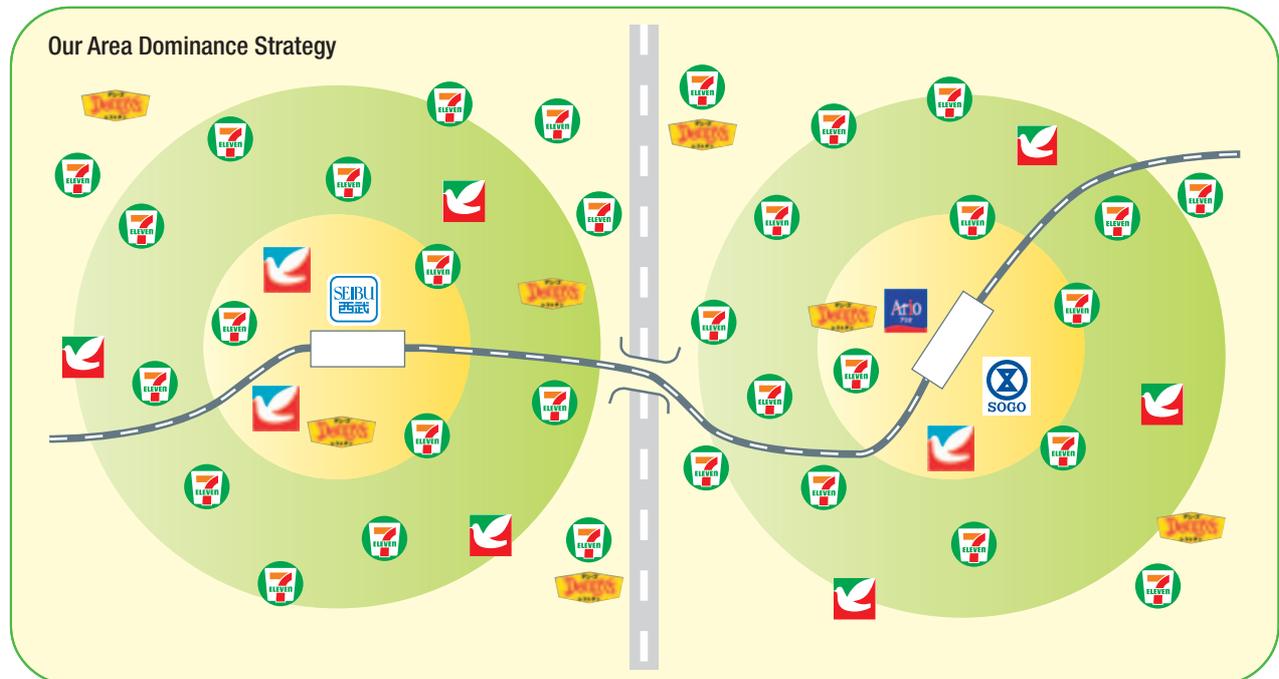
Market dominance will remain our fundamental strategy, as it is effective and stable.

The Advantages of Market Dominance

- Boosts distribution efficiency
- Improves brand awareness
- Increases system efficiency
- Improves advertising effectiveness
- Prevents competitors' market entrance into the dominant areas
- Enhances the productivity of franchisee-support services

**Multi-Format 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 application 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 as shown below.



Metropolitan areas Residential locations Suburbs

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

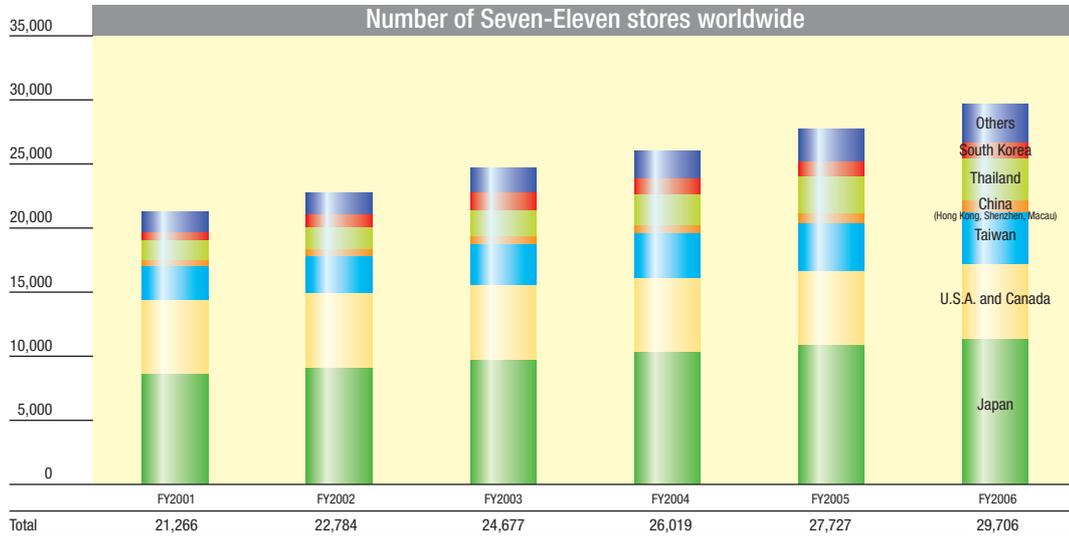
- Seven & i Holdings emphasizes the business factors that will make each and every store a success, rather than aiming for simple expansion in store numbers.
- Principal Group Companies' Store Network in Japan



(As of May 31, 2006)

Format	Convenience store	Superstore	Department store		Supermarket	Restaurant
Brand	Seven-Eleven	Ito-Yokado	Sogo	Seibu	York-Benimaru	Denny's
Hokkaido	830	15	—	2	—	—
Tohoku	806	13	—	1	107	20
Kanto	4,952	117	6	7	18	418
Chubu	1,649	24	—	3	—	120
Kinki	1,192	9	3	3	—	31
Chugoku	750	2	2	—	—	—
Shikoku	—	—	1	—	—	—
Kyushu	1,143	—	—	—	—	—
<b>Total</b>	<b>11,322</b>	<b>180</b>	<b>12</b>	<b>16</b>	<b>125</b>	<b>589</b>

■ Worldwide Network of Convenience Stores



Notes: 1. Figures for the U.S.A. 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.

Country or Region	Company Name	Number of Stores
Japan	Seven-Eleven Japan Co., Ltd.	11,310
U.S.A. and Canada	7-Eleven, Inc.	5,829
China (Beijing)	SEVEN-ELEVEN (BEIJING) CO., LTD.	30
Hawaii	SEVEN-ELEVEN (HAWAII), INC.	53
Taiwan	President Chain Store Corporation [Uni-President Enterprise Corp.]	4,037
Thailand	C.P. Seven-Eleven Public Co., Ltd. [Charoen Pokphand Group]	3,311
South Korea	Korea Seven Co., Ltd. [Lotte Group]	1,238
China (Hong Kong, Shenzhen, Macau)	The Dairy Farm Company, Limited [Dairy Farm International Holdings Limited]	922
Singapore	Cold Storage Singapore (1983) Pte. Ltd. [Dairy Farm International Holdings Limited]	315
Philippines	Philippine Seven Corporation [President Chain Store Corporation]	265

Notes: 1. Companies in green shaded area are subsidiaries.  
 2. The number of Japan stores is as of February 28, 2006. Others are as of December 31, 2005.  
 3. Company names in square brackets are the names of the corporate groups affiliated with the companies listed above.

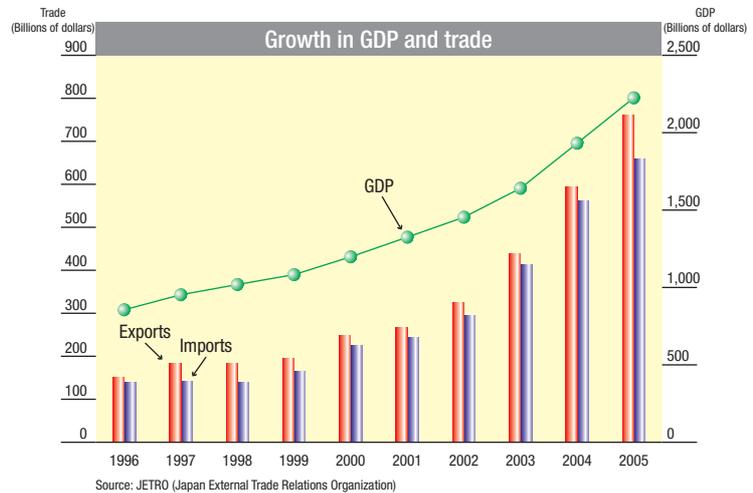
■ Strengthen Relations with Asian Area Licensees

- Seven-Eleven Japan has started to supply its original products and store equipment to area-licensees in Southeast Asia.
- Further plans to supply original product development know-how and item-by-item management

## Operations in China

### The China Market

- With a population of 1.3 billion, the Chinese market continues to grow at a speed which has never before been seen anywhere. China is an extremely attractive market from the retail perspective.
- The number of high-income households in China, particularly in Beijing, and other metropolitan areas, that demand a similar high level of quality, product reliability, freshness, and service, is increasing year by year.



### Current Status of Chinese Operations

We are operating convenience stores, superstores, and supermarkets throughout China, and particularly in Beijing. We are taking advantage of the synergy created by exchanging information across business fields and by starting to develop products jointly.

- Convenience Store Operations—SEVEN-ELEVEN (BEIJING) CO., LTD.**
  - Targeting early franchises, store openings are expected to accelerate.
  - Ratio of fast food sales to total sales increased to more than 30% due to our efforts to expand product lineups in response to local needs.
- Superstore Operations—Hua Tang Yokado Commercial Co., Ltd. / Chengdu Ito-Yokado Co., Ltd.**
  - Actively developing store staff by promoting local employees, especially women, as management staff.
- Supermarket Operations—Beijing Wang fu jing Yokado Commercial Co., Ltd.**
  - Plans to create a completely new type of supermarket, unlike anything China has ever seen.

#### Store Openings in Beijing

	Current (as of end 2005)	Planned (by end 2008)
SEVEN-ELEVEN (BEIJING)	30	350
Hua Tang Yokado	5	10
Beijing Wang fu jing Yokado	2	12

#### Store Openings in Chengdu

	Current (as of end 2005)	Planned (by end 2008)
Chengdu Ito-Yokado	2	4



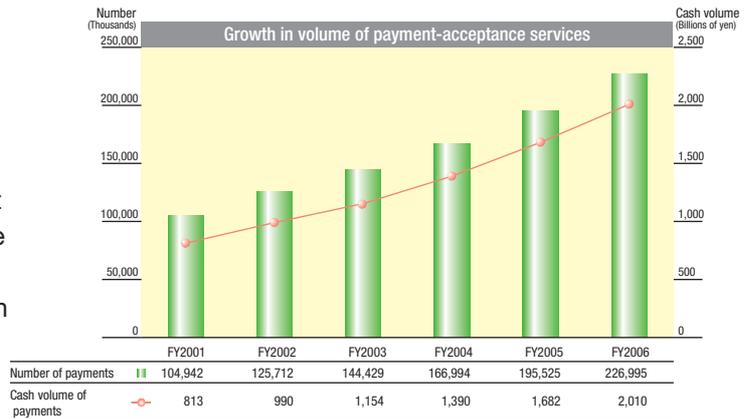
Notes: 1. SEVEN-ELEVEN (BEIJING) is a joint venture between Seven-Eleven Japan and a locally capitalized entity.  
 2. Hua-Tang Yokado is a joint venture between Ito-Yokado and a locally capitalized entity.  
 3. Wang-fu jing Yokado is a joint venture between Ito-Yokado, York-Benimaru and a locally capitalized entity.

**Financial Services Offered by a Retailing Company**

Responding to customer needs, Seven & i Holdings is integrating financial services into the everyday retail environment.

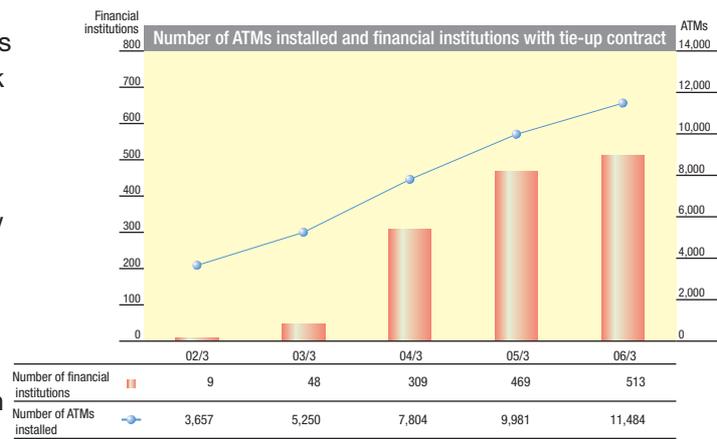
**Increasing Demand for Non-Product Services**

- Seven-Eleven Japan has been offering payment-acceptance services since 1987.
- 24 hours a day, 365 days a year, at any time the customer wishes. The number of customers making use of this convenient service has been increasing every year.



**ATM Service Started in Group Stores**

- As the first bank established by a retailer to serve the financial needs of its own customers, Seven Bank (formerly IYBank) started its business in April 2001.
- Starting with Seven-Eleven in May 2001, other Group companies now have an in-store ATM, providing our customers with various banking services at a nearby location, all day long.
- Customer convenience has grown strongly, with an increase both in the number of ATMs installed and in the number of financial institutions with tie-up contracts, as well as in the convenience and range of services offered.



**Offering Financial Services at Staffed Counters**

- Various financial services a customer may need on a normal day are offered at one corner.
- The first staffed counter was opened in April 2005 at the "Ario," and we now offer staffed counters at five locations as of May 31, 2006 at the Ito-Yokado and "Ario" stores.
- Service also on weekends and public holidays, simple and convenient to use when shopping.



Services offered:

- Banking services: Seven Bank account opening, mediation services for financial institutions, and banking agent, etc.
- Card services: Offering IY Card (own credit card), points redemption, etc.
- Insurance services: Assist customers in finding appropriate insurance.
- Seven-Eleven: Payment-acceptance service, copy, fax, ticket sales, etc.

## ■ Expanding Convenient Financial Services

### ■ Introducing Electronic Money

Seven & i Holdings to issue its own electronic money “**nanaco**” in Spring 2007



#### ■ Background of the Issuance

- Responding to environmental changes and evolving customer needs for increasing small-amount payment systems
- Extension of the Open-Point concept

#### ■ Description

- Prepaid electronic money cards with contactless IC chips
- With the introduction of **nanaco**, we are introducing a multi-reader-writer which can handle other types of electronic money—the first such capability in Japan.
- Points are awarded for purchasing, which can be exchanged for electronic money.
- The card can be charged at POS cash registers in Seven-Eleven stores or Seven Bank’s ATMs.
- Projection for the first year is 10 million cards issued
- Also expected to be issued are multi-functional electronic money cards, which will be integrated with credit cards of the IY Card Service and cash cards of Seven Bank in the future

#### ■ Schedule

Spring 2007	Seven-Eleven electronic money “ <b>nanaco</b> ” to be issued
Fall 2007	Expand to most stores in other Group companies
Throughout 2007	Begin offering tie-ups on points with non-Group companies
Throughout 2008	Start of full-fledged service in points tie-ups with non-Group major companies

## Current Status of Card Issue

(As of February 28, 2006)

	Issuer	Targeted use	Number issued
Credit Card	IY Card Service	Ito-Yokado, York Mart, etc.	3.0 million
Point Card	IY Card Service	Ito-Yokado	5.0 million
	Seven-Eleven Japan	Seven-Eleven (Hokkaido only)	1.8 million
Cash Card	Seven Bank	—	0.3 million
Millennium Card	Sogo	Sogo, Seibu	2.4 million
Club-on Card	Seibu	Seibu, Sogo	2.8 million