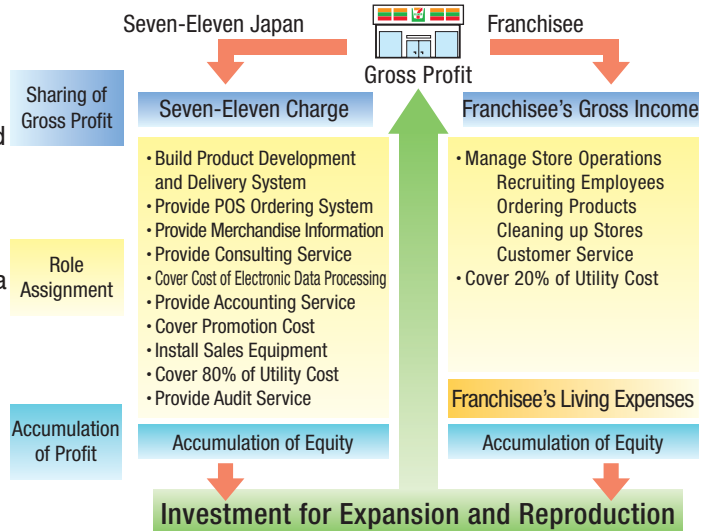


Seven-Eleven Japan's Franchise System

Modernizing and Revitalizing Small- and Medium-Sized Retail Stores through the Franchise System

Seven-Eleven Japan is developing its own franchise system with the aim of modernizing and revitalizing small- and medium-sized retail stores. Seven-Eleven Japan and its franchisees are on an equal footing with clear role assignments. The Company employs a gross profit-sharing method for allocating income. As a result, Seven-Eleven Japan and its franchisees work together on improving gross profits instead of net sales in a mutually beneficial relationship.



Contract Types

Seven-Eleven Japan offers two types of franchise contracts, as described below.

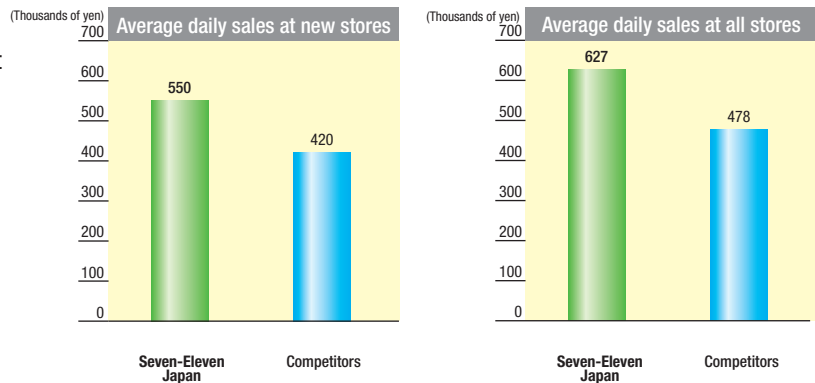
	Type A	Type C
Ownership of land, buildings and other facilities		
Land and Buildings	Franchisee provides	Seven-Eleven Japan provides
Display cases, refrigerators, computers, etc.	Seven-Eleven Japan provides	
Contract period	15 years	
Utilities	Seven-Eleven Japan 80%; Franchisee 20%	
Seven-Eleven Charge (Royalty)	43% of gross profit	An amount calculated on a sliding scale based on gross profit
	5-year incentives and 15-year contract renewal incentives (reductions in franchise fee) are offered	
Minimum guarantee	¥19 million (annual gross profit, excluding Seven-Eleven Charge)	¥17 million (annual gross profit, excluding Seven-Eleven Charge)

Notes : 1. The information for the Seven-Eleven Charge (Royalty) and minimum guarantee applies to stores that are open 24 hours a day.
 2. Gross profit is equal to net sales minus net cost of goods sold, which is calculated by subtracting costs of inventory loss, bad merchandise and rebates from gross cost of goods sold.

Putting Sound Business Practices First in Store Network Expansion

Seven-Eleven Japan takes great care in its operations to ensure that each new store is properly located and operated.

The success of these efforts is shown by the fact that Seven-Eleven Japan has the highest average daily sales in the industry for both new stores and all stores, far and away exceeding those of the competitors.



Note: Competitor information is the average of three major listed convenience store chains and excludes Seven-Eleven Japan (FY2006)

Core Operating Companies' Strategy

Convenience Store Operations

Original Daily Food Product Sales (Nonconsolidated, for FY2006)

Seven-Eleven Japan is striving for constant improvement in quality through menu development, enhancement of manufacturing efficiency through raw-material procurement, development of food preparation equipment, and innovation in all manufacturing processes. These original daily food products, with their superb quality, are contributing significantly to the differentiation of our stores.



Rice-based Items
Annual sales quantity: 1,740 million



Delicatessen Items
Annual sales quantity: 670 million



Sandwiches
Annual sales quantity: 370 million



Oven-fresh Bread
Annual sales quantity: 820 million

Expanding Original Products

- Recently, Seven-Eleven Japan, which is highly skilled in original product sales, has actively introduced many original products in fields other than fast food, such as processed foods and nonfood items, through team merchandising with major manufacturers.
- These original products make full use of the manufacturers' technology and Seven-Eleven Japan's marketing strength and have been highly popular among consumers.

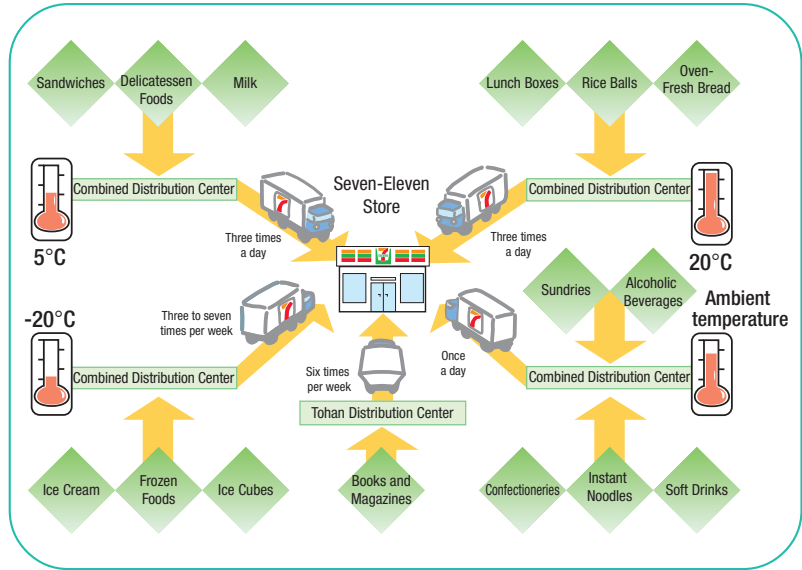


Breakdown of Sales by Product Category (Nonconsolidated, for FY2006)



Combined Distribution System

- Seven-Eleven Japan has been developing a streamlined distribution system with the aim of making the retailing business mutually beneficial for customers, franchisees, and manufacturers. As a result of these efforts, a combined distribution system run by third parties solely for Seven-Eleven Japan was established.
- The combined distribution system allows products from different manufacturers to be loaded on the same truck for delivery to our stores. Taking the system one step further, temperature-separated combined distribution consolidates the shipment of products from manufacturers to the stores at similar optimum temperatures. Foods are fresher because they are efficiently delivered to stores.
- Seven-Eleven Japan completed its switch to consolidated delivery of room-temperature products such as confectioneries, processed foods, sundries, and alcoholic beverages. This has resulted in an improvement in the efficiency of loading and distribution.

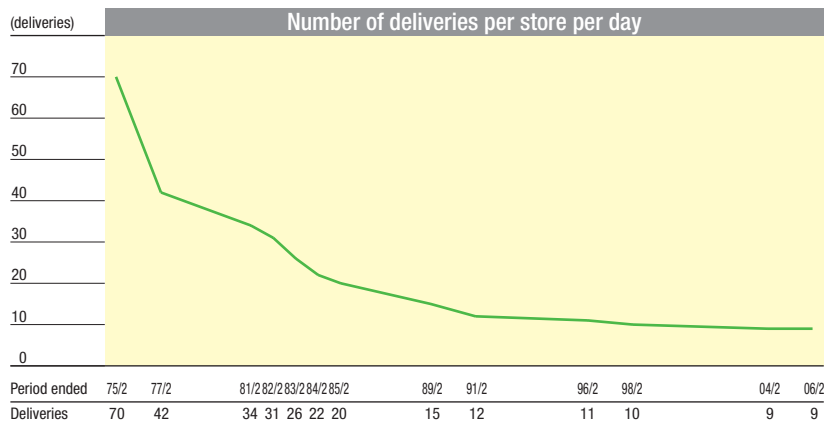


Number of Dedicated Combined Distribution Centers (As of February 28, 2006)

- Our temperature-separated combined distribution system has become a clear advantage in team merchandising with manufacturers and also contributes to greater product differentiation at Seven-Eleven stores.
- This advanced distribution system has enabled Seven-Eleven Japan to reduce the number of daily deliveries to each store, from 70 in 1974 to 9 in 2003, dramatically reducing delivery costs and enabling rapid delivery of fast foods.

		Number of Distribution Centers	Number of Physical Facilities	
5°C	Centers for refrigerated items	66	Chilled	15
20°C	Centers for rice-based items	69	Rice-based items	18
			Chilled and rice-based items	51
-20°C	Centers for frozen items	47		47
Ambient temperature	Centers for processed foods, alcoholic beverages, sundries and confectioneries	154	(including 23 consolidated ambient temperature centers)	
Total		336	187	

Notes: 1. Numbers of distribution centers are based on the number of product categories handled.
2. Numbers of distribution centers and physical facilities include depots with product relay function.



Note: Numbers of deliveries are the average for regions that made progress in combined deliveries.

Core Operating Companies' Strategy

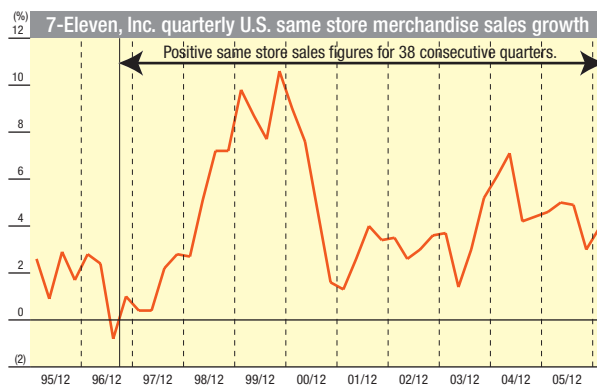
Convenience Store Operations

7- Eleven, Inc. (The United States and Canada)

Summary of Performance

	2005/12 (Millions of yen)	YOY (%)
Merchandise sales	916,066	105.8
Gasoline sales	569,343	122.6
Net sales	1,485,409	111.6
Operating income	32,349	131.5
Net income	1,864	29.8

Rate of exchange — US\$1 = ¥110.26
YOY is calculated by using US dollar amounts.



Store-Opening Strategy

- Strengthen opening of franchise stores
- Strengthen strategy of area dominance in Los Angeles, New York, and other urban centers
- Vigorous investment in renewal of existing stores



Number of Stores

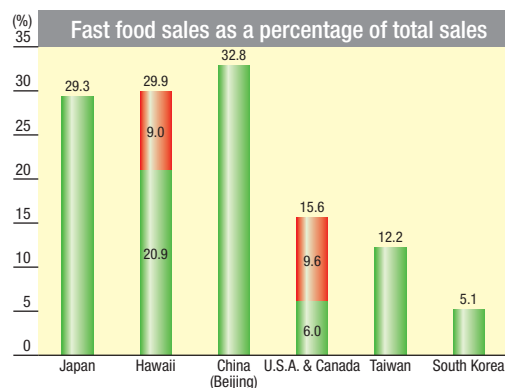
	2000/12	2001/12	2002/12	2003/12	2004/12	2005/12
Franchised stores	3,118	3,173	3,276	3,338	3,422	3,508
Company-operated	2,638	2,656	2,547	2,446	2,377	2,321
Total	5,756	5,829	5,823	5,784	5,799	5,829
Newly opened stores	120	145	127	95	63	72
Closed stores	67	72	133	134	48	42
Stores with gas station	2,371	2,470	2,480	2,457	2,432	2,437

Operating Strategy

- Bolster the line-up of fast foods
- Promoting dispersed ordering method at each store allows more precise and product-focused ordering.
- Set up area-based model program to achieve greater item-by-item management
- Withdraw slow-moving products and vigorously introduce new products

Notes:

- Percentages for each country or region are based on materials disclosed by each company there.
- Figures are based on results as of February 2006 in Japan and December 2005 in other countries or regions.
- Red portions of the graph represent counter-served drinks such as Slurpees and coffee.
- Hawaii, as well as U.S.A. and Canada percentages, were calculated using total sales that exclude gasoline sales.



■ **The Status of Domestic Superstore**

- During the period of rapid economic growth, superstores offering one-stop shopping in everything from clothing and household goods to food products grew rapidly.
- The low price based on bulk-buying, large-volume sales, and self-service sales used to be popular with consumers.
- Insufficient adaptation to changing consumer needs after the 1980s, and particularly with the collapse of the bubble economy in the early 1990s, mired many companies in a sluggish performance.

	Market Environment	Customer Needs	Sales Method
High-growth period	Shortage of products, seller's market, large consumption	Low price	Self-service
Post-bubble economy	Surplus of products, buyer's market, emphasis on quality	Satisfaction with quality	Consulting sales

■ **Rebuilding Superstore Operations**

■ **Cost Structure Revision by Ito-Yokado (implemented in February 2006)**

Category	Amount (Millions of yen)	Result
Impairment loss	22,912	Decreased book value of fixed assets, lower depreciation costs
Provision for doubtful accounts	6,143	Store-closing expenses in the future
Additional retirement payments allowance for early retirement	6,112	Increase in the ratio of part-time workers and reduction in personnel expenses

■ **Store Development Strategy**

- Developing New Store Format to Meet Changing Markets
 - Large-scale, mall-type shopping center: “The Ario Mall”—a mall-type shopping center in an urban area
- Concentrating where its strengths lie
 - With the high efficiency of existing stores in the greater Tokyo metropolitan area and other major cities as our point of reference, we will focus on store openings in these areas.
 - In the local regions, we will consider closures of stores which could not compete effectively in the changed commercial environment.



[Profile of Ito-Yokado Stores]

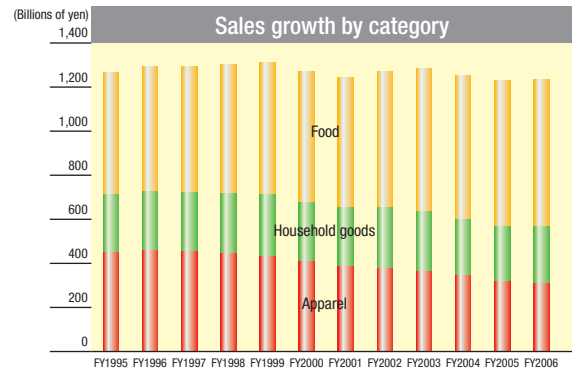
Sales floor space			Years since store opened			Area		
	Number of stores	Composition (%)		Number of stores	Composition (%)		Number of stores	Composition (%)
13,000 m ² ~	38	21.3	30 years~	27	15.2	Hokkaido	15	8.4
10,000 m ² ~	53	29.8	20 years~	53	29.8	Tohoku	13	7.3
8,000 m ² ~	33	18.5	10 years~	36	20.2	Kanto	115	64.6
5,000 m ² ~	38	21.3	5 years~	41	23.0	Chubu	24	13.5
Under 5,000 m ²	16	9.0	1 year~	16	9.0	Kinki	9	5.1
			Under 1 year	5	2.8	Chugoku	2	1.1

(As of February 28, 2006)

Reforming Apparel Merchandising

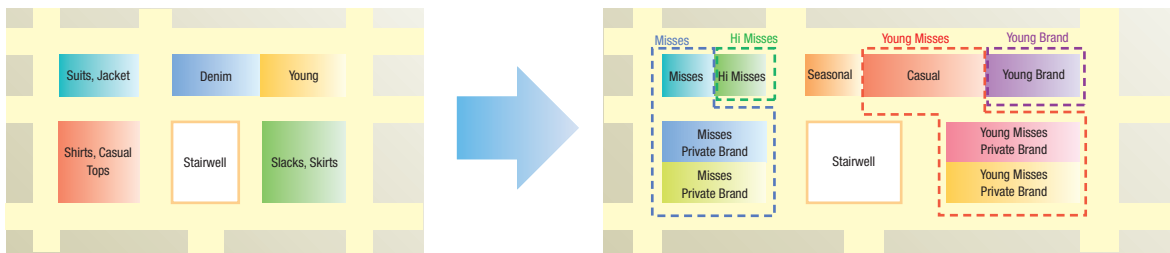
Ito-Yokado's Sales Growth by Category

- Ito-Yokado experienced year-on-year sales growth in food, while the tendency in apparel showed a year-on-year decline in sales.
- To improve apparel sales, the following initiatives in new apparel have been implemented from FY2006.



SEVEN & i Life Design Institute Co., Ltd. Established

- Overview: Established in April 2005, invited external design professionals and made a fresh start in merchandising
- Four Initiatives: Enhanced the store image under the directive of adding fashion sense. Product development; Refurbishment of the sales floor; Promotions; Consulting, service sales
- Store Reorganization; arranged according to brand and customer profile, not clothing items



New Brand Development

- In February 2006, we introduced a completely new private brand of easy-to-match coordinates with a high fashion sense.

pbi Ladies and men's casual wear aimed at the thirty-somethings

epom Men's casual wear aimed at the Baby-boomer generation (50s age range)



Measures to Improve Gross Profit Margins

- Product Development Department newly established; increased markup ratio of basic items by increasing overseas production
- Expand purchase on consignment products*; enhance category specialties; reducing mark-downs
- Examples of Consignment Products

Highly specialized items	Accessories, jewelry, etc.
Short-cycle seasonal wear	Swimwear, yukata, etc.
High inventory value and low turnover products	Lady's, men's formal wear, national brand shops, etc.

* Consignment products: Retailer has the right to return products under certain conditions and does not therefore bear the inventory risk.

Core Operating Companies' Strategy

Department Store Operations

First-Class Sales and Profitability in Japan

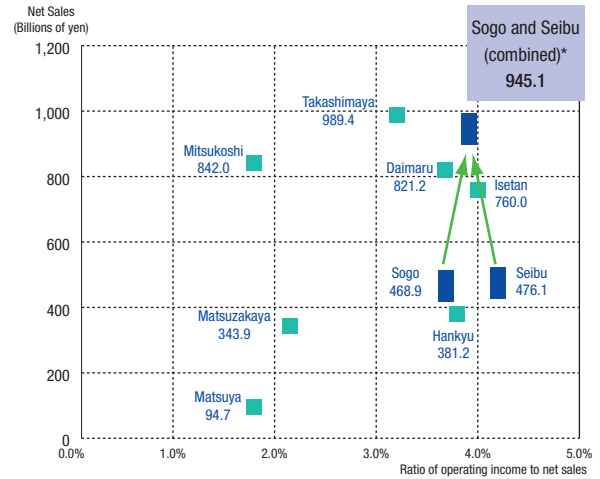
- Sogo has had a distinguished history since its founding in 1830 in Osaka.
- Leading from its flagship store in Ikebukuro and its other prime Tokyo locations such as Shibuya and Yurakucho, Seibu embodies a metropolitan sophistication.

Consolidated Net Sales at major department stores in FY2006

Company	Net Sales (Billions of yen)
Takashimaya	989.4
Sogo and Seibu (combined)*	945.1
Mitsukoshi	842.0
Daimaru	821.2
Isetan	760.0
Seibu (nonconsolidated)	476.1
Sogo (nonconsolidated)	468.9

Source: Public information from each company
*With the exception of Sogo and Seibu, all figures are consolidated.

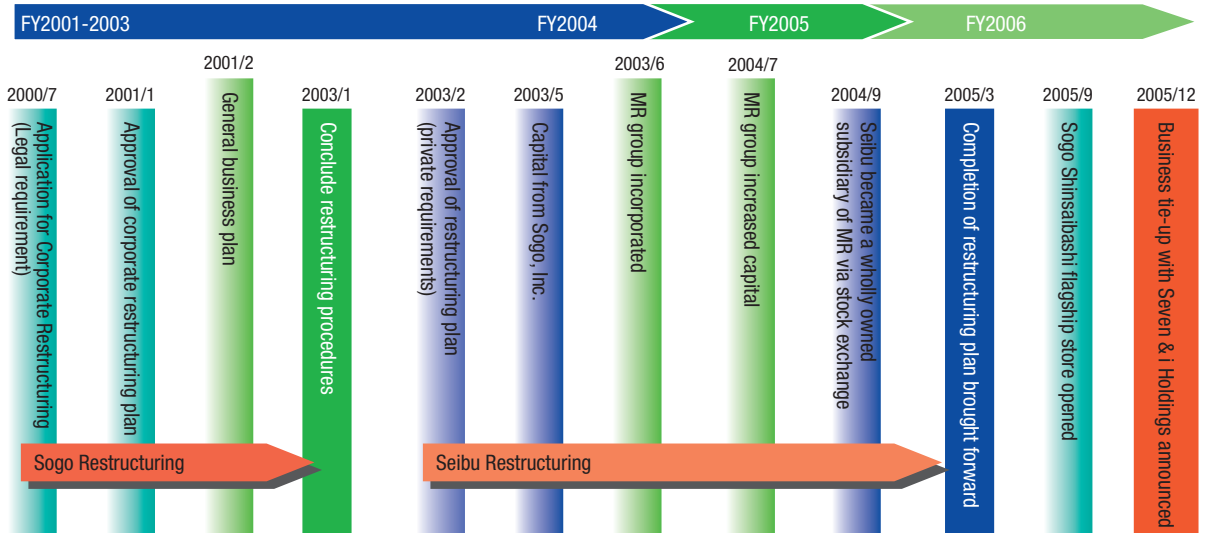
Consolidated Net Sales and Operating Income Ratio in FY2006



The Path towards Business Restructuring

- The operational restructuring initiatives called for implementing chain operations, remodeling stores, re-invigorating the corporate culture and reviving the company ethos, and restructuring plans were completed ahead of original plans.

	Sogo	Seibu
Restructuring plan	Legal administration in accordance with the Corporate Rehabilitation Law	Private restructuring directed in accordance with the guidelines for private rehabilitation
Implementing the restructuring plan	Closed 12 stores, voluntary redundancy, liquidated subsidiaries and affiliates, dissolved equity partnerships with overseas store operators	Closed 6 stores, voluntary redundancy, liquidated subsidiaries and affiliates, dissolved equity partnerships with overseas store operators



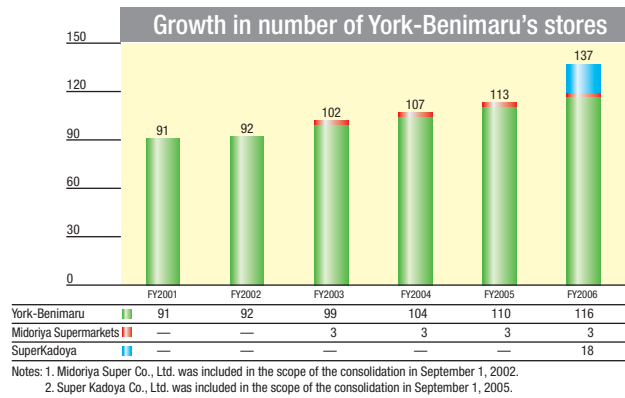
Note: MR is the abbreviation of Millennium Retailing. Sogo, Inc. is the former name of Millennium Retailing.

Establishing a Core Operating Company in Our Supermarket Operations

York-Benimaru, which will become our wholly owned subsidiary in September 2006, will serve as the core of plans to energize Seven & i Holdings' supermarket operations.

York-Benimaru Consolidated Financial Results

	FY2006 (Millions of yen)	YOY (%)
Revenues from operations	314,909	107.8
Net sales	306,639	107.7
Operating income	14,088	98.0
Ordinary income	14,170	100.0
Net income	7,364	94.4



York-Benimaru Fundamental Operating Policy

- Promoting individual store management**
 - • • Build the organization to grow from a 100 to a 200 store operation
- Bolstering product development**
 - • • Define and implement the structure needed to offer value-for-money products constantly
- Thoroughly implementing the four fundamentals**
 - • • Strengthening fundamentals to achieve maximum differentiation
- Technical innovation**
 - • • Work efficiency to increase productivity

Major Companies in Seven & i Holdings' Supermarket Operations

With combined sales from each company of 411.6 billion yen, the Group is in the top tier of Japan's domestic sales among supermarket operating companies.

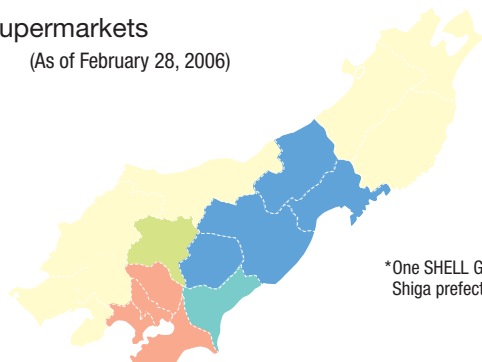
Overview of Seven & i Holdings' Supermarkets (as of FY2006, nonconsolidated)

	Category	Principal Locations	Number of Stores	Net Sales (Billions of yen)
York-Benimaru	General food supermarket	Tohoku area	116	289.3
York Mart	General food supermarket	Greater Tokyo area, inner suburbs	57	98.2
SHELL GARDEN	Premium food supermarket	Tokyo area, central locations	19	24.1

Location of Seven & i Holdings' Supermarkets

(As of February 28, 2006)

- York-Benimaru, York Mart, and SHELL GARDEN store locations
- York Mart and SHELL GARDEN store locations
- York-Benimaru store locations
- York Mart store locations



*One SHELL GARDEN store in Shiga prefecture is not shown.

Progress of the Seven & i Holdings Restaurant Operations

With Denny's Japan as a core operating company, the restaurant operations meet the expectations of countless customers and offers a comfortable place to eat.

Business Strategy—Improve Taste and Service

Offering Superior Service

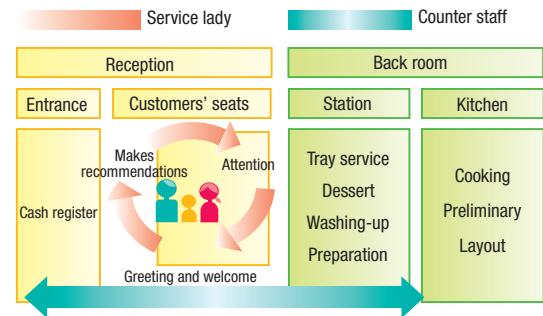
- Designated reception staff (all restaurants have a designated "service lady")
- Free refills on non-alcoholic drinks

Demanding Food Safety and a Good Taste

- Procure high-grade ingredients from around the world
- Stringent hygiene management and employee health care, awarded ISO9001 in April 2006

Menus for Region

- Changing the perception that all Denny's are the same
- In addition to the core menu, all areas have regional specialties.
- Each restaurant supplements the core menu with local customer preferences and time slots.



Store Strategy—Restaurants that Blend in with Their Environment

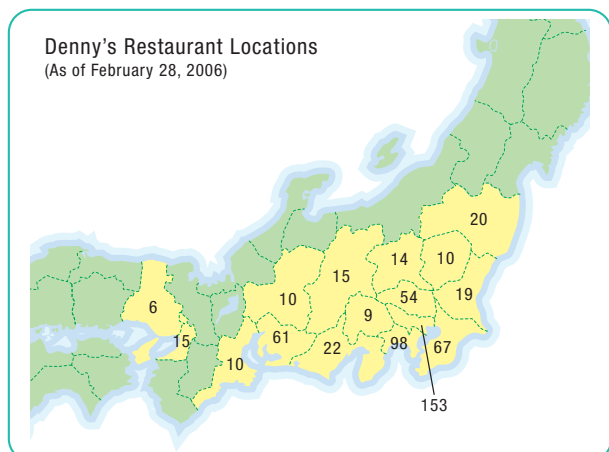
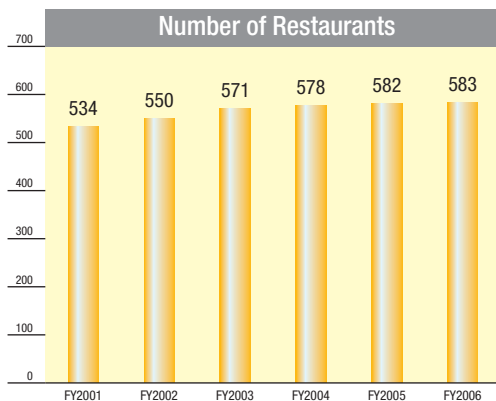
Restaurant Opening Strategy

- Revise our historical seating criteria from 100 seats per 330m² to a range of 150–500m²
- Accelerate the opening of new restaurants that meet customer needs and fit the local area; flexibility in restaurant design, ambience, number of seats



Restaurant Refurbishment and Refitting

- Vigorously promote the refurbishment of existing restaurants to match the local or the outside environment. In FY2007, 134 restaurants are being refitted or refurbished.

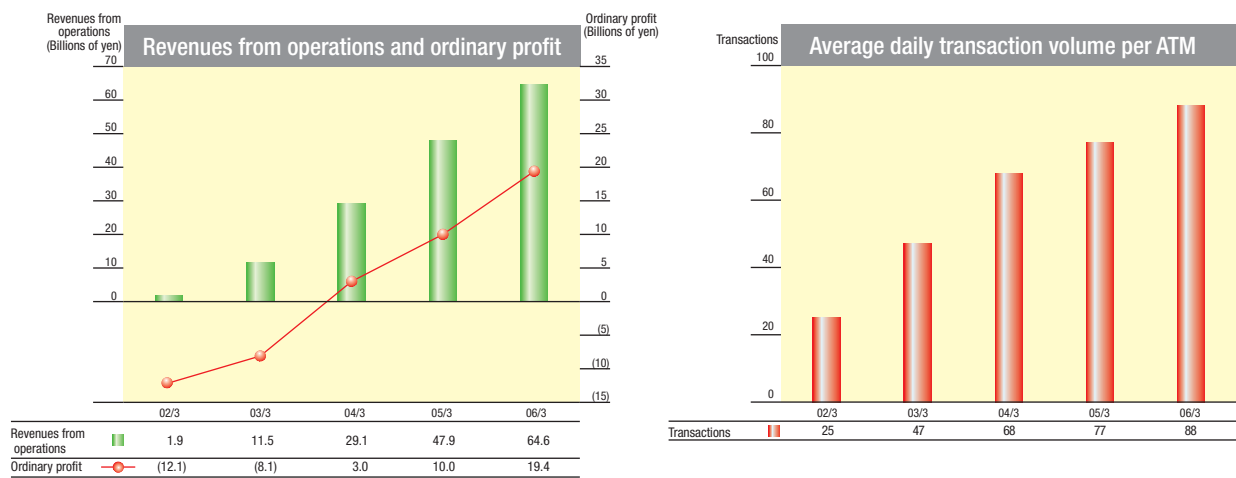


■ **Seven Bank, Ltd. (Name changed from IYBank Co., Ltd. on October 11, 2005)**

■ In order to respond to our customers' needs for ATMs in our stores, we became Japan's first retailer to establish a bank.

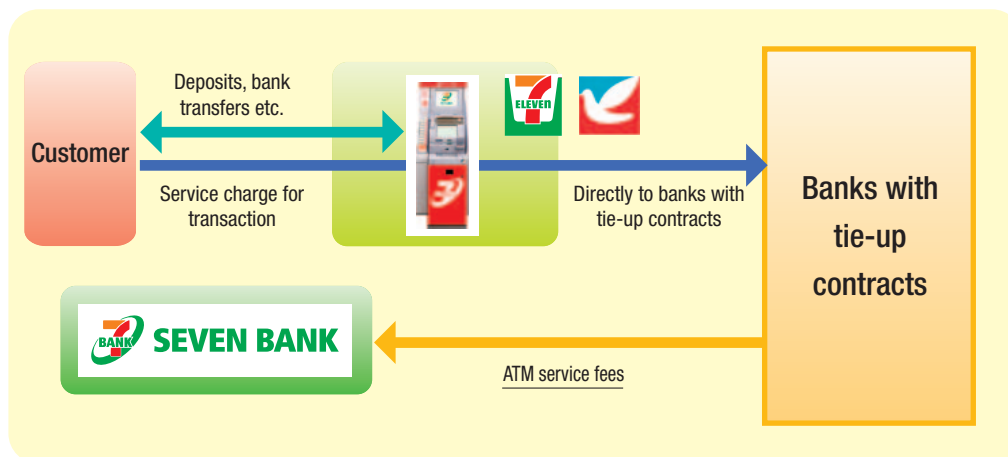
■ **Performance**

- The Bank achieved an ordinary profit in the third year after its establishment and cleared its accumulated losses in March 2006.
- The transaction volume of ATMs has increased dramatically as a result of the pursuit of convenience and service, and this is a major factor in the favorable performance.



■ **Seven Bank's Principal Source of Revenue: ATM Service Fees from Banks with tie-up contracts**

- ATMs are installed at our Group companies, with particular focus on Seven-Eleven stores. (11,555 ATMs installed as of the end of May 2006)
- The main source of revenue of Seven Bank is service fees charged to banks. The fee is charged from Seven Bank to a bank with a tie-up contract for the use of the Seven Bank ATM by a card holder of the bank.



■ **The Next Step in Expanding New Financial Services**

- Introduced time deposits in March 2006
- Personal loan service to be launched in Spring 2007