The Challenge of Creating

"a New, Comprehensive Lifestyle Industry"

Taking the Group to the Next Stage of Growth

THE CHALLENGE OF CREATING "A NEW, COMPREHENSIVE LIFESTYLE INDUSTRY"

Seven & i Holdings was established in September 2005 with the mission of creating "a new, comprehensive lifestyle industry." With domestic markets characterized by trends toward fewer children per family, an aging population, and consumption saturation, we are working to meet diversifying customer needs by providing new value. Since our establishment, we have worked to rapidly and efficiently implement a range of initiatives to bolster the Group management system.

As a result of these efforts, we have achieved the three objectives that were positioned as key first-stage challenges in strengthening the Group management system—clarifying core operational areas, expanding into new fields of business and bolstering existing fields of business, and establishing a foundation for leveraging synergies. Accordingly, we have now moved to the second stage of strengthening the Group management system, in which we are striving to further expand the scale of our operations and increase profits.

KEY OBJECTIVES AND RESULTS IN THE FIRST STAGE

OPERATIONAL AREAS

We have seven core operational areas that are closely linked to the daily lives of customers—convenience stores, superstores, department stores, supermarkets, restaurants, financial services, and IT/services. We have implemented the following initiatives to reinforce and expand these operations.

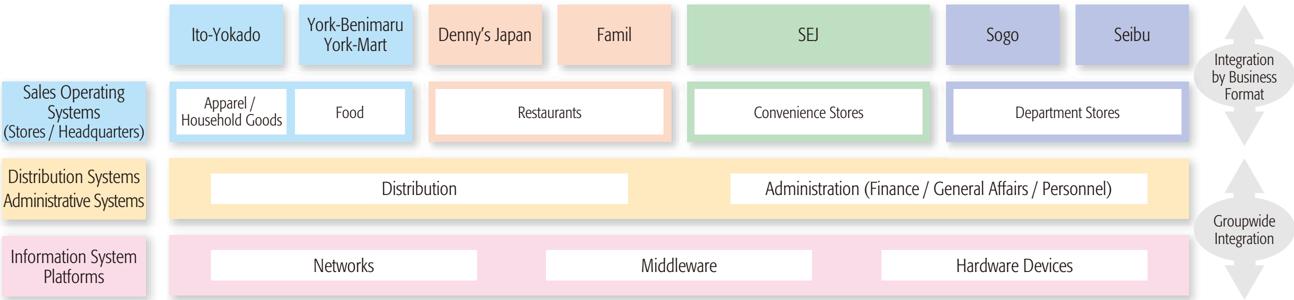
Convenience Stores	• SEJ made 7-Eleven, Inc., a wholly owned subsidiary. • 7-Eleven, Inc., acquired White Hen Pantry, an operator of convenience stores in the Chicago area.
Superstores	• Ito-Yokado implemented business restructuring measures to improve profitability. In accordance with a conservative estimate of future profits, an impairment loss on land and buildings was recorded. Accompanying a revision of the personnel system, additional retirement expenses were recorded. Unprofitable stores were closed.
Department Stores	• Seven & i Holdings made Millennium Retailing a wholly owned subsidiary. • Millennium Retailing made Loft a subsidiary.
Supermarkets	• Seven & i Holdings made York-Benimaru a wholly owned subsidiary.
Restaurants	• Seven & i Holdings established Seven & i Food Systems.
Financial Services	• IY Card Service launched *nanaco,* the Group's original electronic money. • In conjunction with Toyota Financial Services, Seven & i Holdings established Seven Cash Works.
IT/Services	• SEJ made Seven and Y a subsidiary.

SYNERGIES

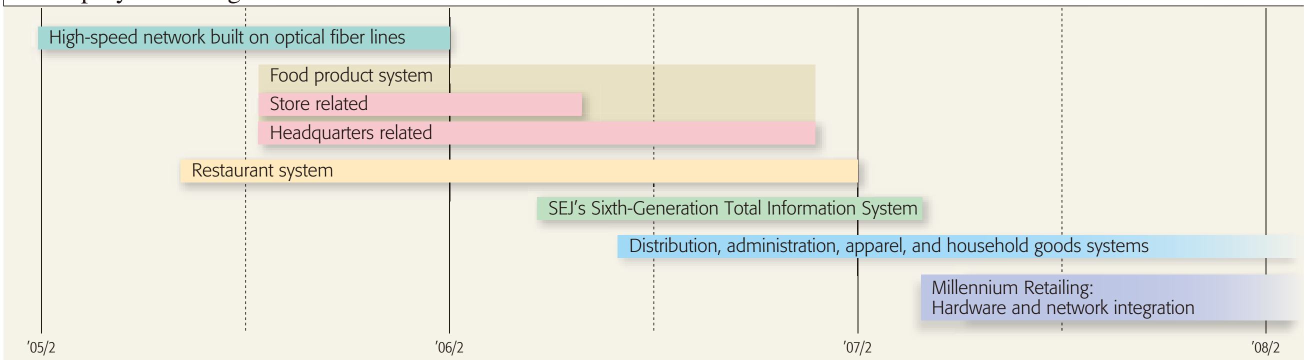
Targeting the realization of synergies, we worked to integrate our information systems. The objective of these efforts was to build a foundation for enhancing Group merchandising. The

Outline of Group System Integration

Integration of Group Information Systems



Group System Integration Schedule



optical fiber network that links the Group will be extended to new Group member Millennium Retailing, and we are moving forward with the unification of product classification codes by operational area and the shared use of systems equipment within the Group.

We established the Group Synergy Committee and its sub-committee, the Group Merchandising Sub-Committee, which include employees from each Group operating company. In this way, we have established a framework for increasing merchandising accuracy. We have also aggressively implemented other initiatives, such as developing and introducing products created through collaborative Group initiatives, jointly procuring materials and products, and sharing distribution. The results of those efforts have steadily been extended throughout the entire Group.

KEY OBJECTIVES AND TARGETS IN THE SECOND STAGE

In the second stage of strengthening the Group management system, our key theme will be retailing innovation. We will continue to implement business structural reforms, with a focus on improving profitability in existing operations. Meanwhile, on the Group foundation established in the first stage, we will work to achieve retailing innovation and to maximize the contribution to profits resulting from synergies. To those ends, we will take a number of steps, including (1) the promotion of *nanaco*, the first electronic money from retail companies, (2) expanded sales of new private-brand products developed through the Group Merchandising Reform Project, and (3) initiatives targeting the strengthening and expansion of the global convenience store network.

STRATEGIES FOR LEVERAGING GROUPWIDE SYNERGIES WITH ELECTRONIC MONEY

In April 2007, Seven & i Holdings introduced *nanaco,* its original electronic money service. After its initial launch at about 1,500 7-Eleven stores in the Tokyo area, by the end of May

***nanaco,* the Group's original electronic money**

- Development of the *nanaco Card,* with a contactless IC chip, and *nanaco Mobile,* which is available through cell phones
- Issued by Group credit card company IY Card Service
- No annual fee (card issuance fee of ¥300)
- Credit cards or bank accounts not needed
- Anyone can become a member, without regard to age (children 15 years of age and younger need the approval of their legal guardian)

2007 *nanaco* had been extended to all of SEJ's store network, about 12,000 stores, where it can be used 24 hours a day, seven days a week.

Objectives and Effect of the Introduction of *nanaco* Original Electronic Money

There were two major reasons why Seven & i Holdings chose to introduce original electronic money rather than to utilize an existing electronic money system.

(1) To build an efficient cost structure using Group infrastructure

- In addition to our advanced information system platforms, such as optical fiber systems linking the entire Group and SEJ's Sixth-Generation Total Information System, we can draw on economies of scale that stem from the level of our revenues, among the largest in Japan, as well as our store network and number of customer store visits.
- Because Group member IY Card Service will issue and manage the cards, we will be able to reduce payment commissions to a greater extent than with existing electronic money. In addition, we will be able to minimize the flow of money outside the Group.

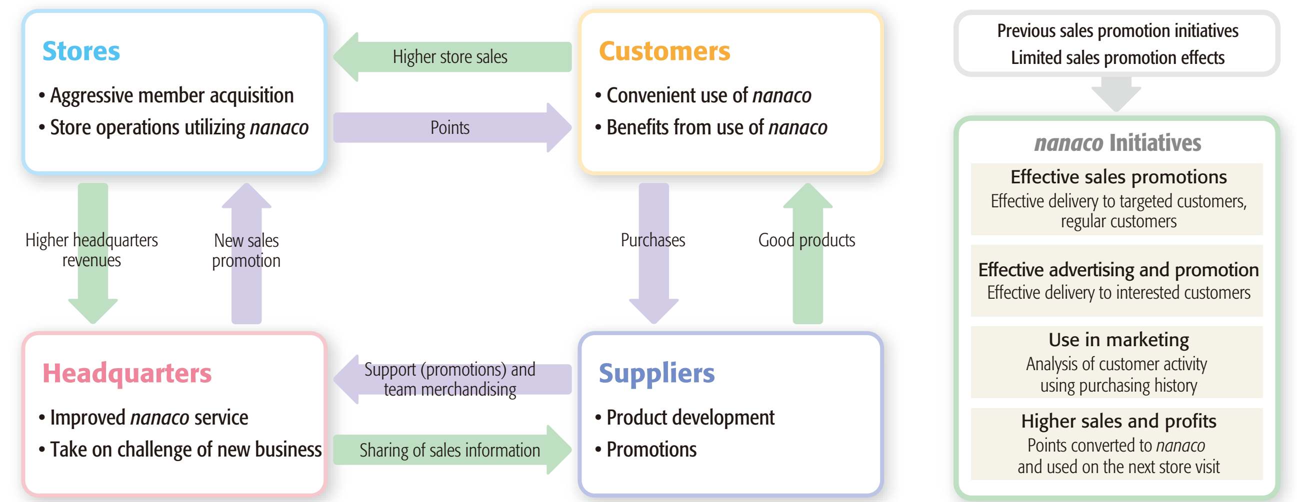
(2) To increase revenues and profits through the development of an original service

- Through original point services and tie-ups with external point services, we will clearly differentiate *nanaco* from other electronic money systems and increase the frequency of customer store visits.
- By accumulating customer data and linking it with POS data we will develop effective sales promotion activities and bolster the development of products.

Moreover, the postpaid electronic money *nanaco QUICPay,* which is slated for launch in fall 2007, will be able to be used as a subsidiary card of the *IY Card*. As a result, we expect

Effective Team Merchandising, Sales Promotion, and Member Store Support Activities

Generation of profits through integration of customer information, purchasing history information, point functions, and electronic money



contributions to enhanced revenues and profits in credit card operations, such as growth in membership, increased payment commission revenues stemming from expanded use of the *IY Card,* and higher revenues and profits due to growth in the balance of receivables. For the first time in the world, both prepaid and postpaid electronic money systems will be available on single contactless IC card—the *nanaco Card.*

nanaco's Features and Future Challenges

About two years ago, Seven & i Holdings began preparations for the introduction of *nanaco*. Currently, *nanaco* can be used at all SEJ stores, where the latest POS registers enable payments to be made and cards to be charged. At the same time, by utilizing the point service functionality of the *nanaco Card,* we have introduced a point service awarding one *nanaco Point* for each ¥100 in *nanaco* usage. Accumulated points can be converted to *nanaco* electronic money and used to make purchases at all SEJ stores.

We will work to further increase store visits by extending *nanaco* to all Group stores, including Ito-Yokado and Denny's Japan, from fall 2007, and we plan to offer charging of *nanaco* cards at Seven Bank ATMs. In addition, from summer 2007, we will steadily expand *nanaco Point* tie-ups with JCB's *Oki Doki Points* and Yahoo Japan Corporation's *Yahoo! Points*. We are also considering a tie-up with the *ANA Mileage Club* offered by ANA.

Future challenges will include expanding services to all Group stores as quickly as possible and solidifying the position of *nanaco* as one of the Group's payment infrastructures. Moreover, to further enhance convenience for customers, we will consider tie-ups with all point services offered by our Group companies and with additional companies outside the Group.

DEVELOPMENT OF NEW PRIVATE-BRAND PRODUCTS

In November 2006, Seven & i Holdings launched the Group Merchandising Reform Project, the Company's first initiative in full-scale Groupwide merchandising activities. Previously, each operating company developed its own original products, but under the new project, five Group companies that sell food—SEJ, Ito-Yokado, York-Benimaru, York Mart, and SHELL GARDEN—are working together. With 17 sub-committees and 46 teams involving the participation of about 70 employees, we are working to develop new Group private-brand products.

New Private-Brand Product Development Concept

Key factors behind our decision to develop new private-brand products were the trends toward reduced food consumption stemming from fewer children per family, an aging population, and reduced calorie intake; growing concern with food security and safety; and increasingly diversified customer needs. Also, in response to intensified competition among companies, we have bolstered the development of original high-value-added products. Price competition with national brand products is growing increasingly important, and there is demand for competitive original products with superior value.

Accordingly, a major theme in our development of new private-brand products is the creation of core products that are so appealing they draw customers to stores. We are aiming to develop low-priced products that have taste and quality superior to those of national brand products. To achieve this goal, the five participating companies are working together from the stage of formulating strategies and concepts. At the same time, we are moving forward with the establishment of a development system that makes full use of the Group's infrastructure and know-how, such as the product development know-how of SEJ. This system will extend to raw materials procurement, distribution, and production processes. Moreover, we will take a flexible approach to meeting the customer needs and market characteristics of each operational area. For example, we will adjust packaging, volumes, and final brand names.

Phase One—Daily Foods and Processed Foods

Since January 2007, we have been moving ahead with the development of daily foods, such as *sozai* prepared dishes, yogurts and desserts, and chilled milk and milk-based drinks, as well as processed foods, such as dried foods and tea, seasonings, beverages, instant noodles, and confectioneries.

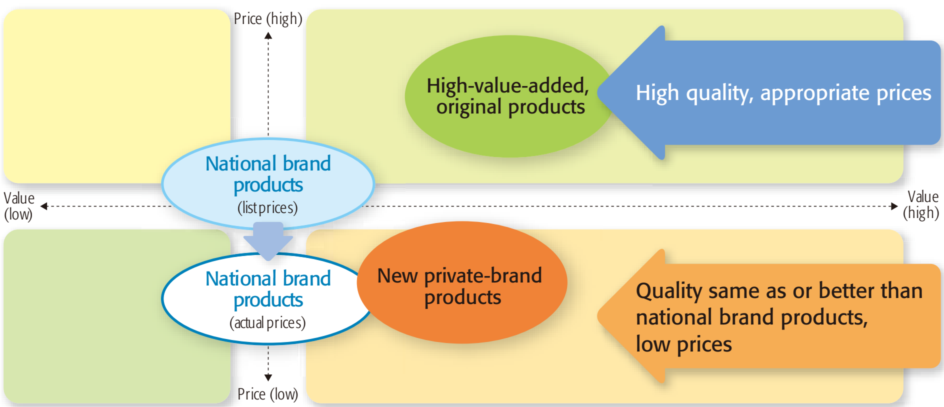
From May 2007, new private-brand products developed under this project have been launched in the stores of the five participating companies. We will strive to offer more than 1,000 new private-brand items by February 2011, with original items contributing about ¥300 billion toward Seven & i Holdings' estimated total sales of daily and processed foods of about ¥1.8 trillion in the year ending February 2011.

Benefits from and Future Challenges in the Introduction of New Private-Brand Products

Product development based on Group merchandising is the area from which we expect the greatest Group synergies. By making full use of economies of scale, we can offer new private-brand products that provide better taste and quality at low prices, thereby enabling us to secure greater profitability. Moreover, through higher sales of new private-brand products, we can simultaneously target expanded sales and increased profitability without getting caught up in price competition with national brand products. Furthermore, by using the Group's buying power, we can reduce procurement costs in a range of ways, such as greater efficiency in distribution.

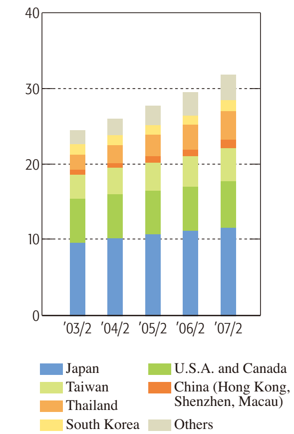
In the future, we will bolster our sales promotion strategy for raising awareness of new private-brand products while steadily expanding the range of development efforts. By further strengthening our lineup of original items and providing products that meet customer needs, we will raise the share of revenues and profits contributed by these products and enhance differentiation from our competitors.

Development Concept—Brand Positioning



Number of 7-Eleven Stores Worldwide

Thousand stores

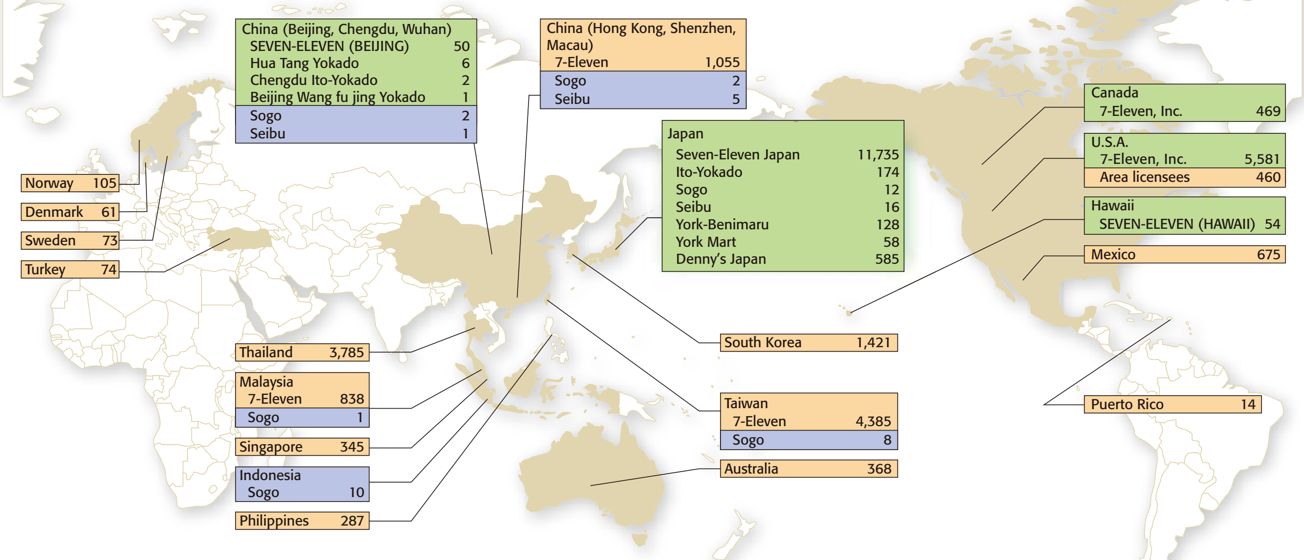


Note: Number of stores in Japan as of the end of February, and number of stores in other countries and regions as of the end of December.

SEVEN-ELEVEN'S GLOBAL STRATEGY

In November 2005, SEJ made 7-Eleven, Inc., of the United States, a wholly owned subsidiary. 7-Eleven, Inc., manages the 7-Eleven trademark rights and develops 7-Eleven stores in North America.

Seven & i Holdings' Worldwide Store Network



Number of 7-Eleven Stores Worldwide

Region	Number of Stores	Year-on-Year Change
Asia and Oceania	24,269	+1,774
North and Central America	7,253	+342
Europe	313	+13
Total	31,835	+2,129

■ Number of stores operated by subsidiaries of Seven & i Holdings
■ Number of stores operated by 7-Eleven, Inc.'s area licensees
■ Number of stores operated under trademarks licensed from Millennium Retailing

* Figures for Japan are as of the end of February 2007, and figures for other countries and regions are as of the end of December 2006.

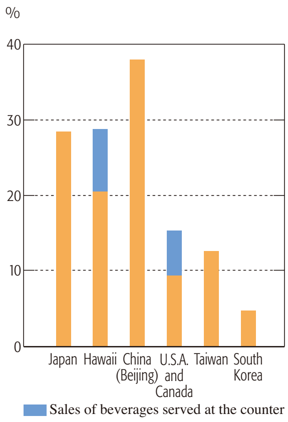
In the fiscal year ended December 2006, 7-Eleven, Inc., eliminated its accumulated deficit. Looking ahead, we began to clarify management policies, accelerate store openings in North America, expand the number of franchised stores, bolster renovations of existing stores, and strengthen fast food offerings.

Also, in implementing our strategy of expanding the number of area licensees, in preparation for the opening of stores in new areas for the first time since we opened stores in Beijing in April 2004, we clarified the roles of SEJ and 7-Eleven, Inc. In Asia, one measure that is under consideration is having 7-Eleven, Inc., provide 7-Eleven area franchise rights to area licensees while SEJ provides operational know-how in such areas as product development.

Since its establishment, SEVEN-ELEVEN (BEIJING), which is 65% owned by SEJ, has aggressively introduced know-how from SEJ. Since the first store was opened in 2004, we have recorded extremely favorable sales while expanding the store network. Sales of fast food, in which SEJ is working to strengthen its offerings, are also strong at SEVEN-ELEVEN (BEIJING), where the contribution to sales has surpassed that of SEJ. We will continue aggressive network expansion as we apply the lessons that we have learned thus far. In this way, we will build the store network and strive to establish a business format for the Chinese market.

Also, in Europe and South America, where there are few 7-Eleven stores, 7-Eleven, Inc., will lead the way in the aggressive development of area licensees. By doing so, we will work to further expand the global store network and enhance the value of the 7-Eleven chain.

Percentage of Fast Food Sales at 7-Eleven Stores by Country / Region



Notes: 1. Percentage for Japan is for the fiscal year ended February 2007. Percentages for other countries and regions are for the fiscal year ended December 2006.
2. Percentages for Hawaii and U.S.A. and Canada are calculated using merchandising sales, which do not include gasoline sales.