CONVENIENCE STORE OPERATIONS

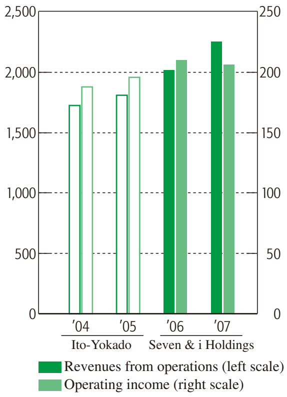
REVENUES FROM OPERATIONS*
¥2,249.6 billion .... ↑ 11.6%

OPERATING INCOME*
¥206.1 billion.................... ↓ 1.8%

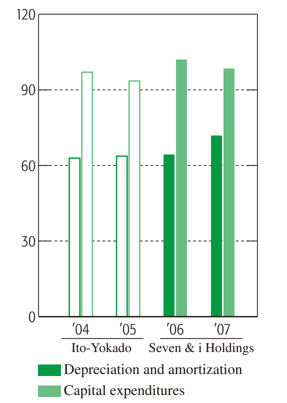
CAPITAL EXPENDITURES
¥98.5 billion .... ↓ 3.4%

* Before elimination of intersegment transactions

Revenues from Operations / Operating Income from Convenience Store Operations
¥ Billion



Depreciation and Amortization / Capital Expenditures in Convenience Store Operations
¥ Billion



OVERVIEW OF THE FISCAL YEAR

Seven-Eleven Japan Co., Ltd. (SEJ), is the core operating company in domestic convenience store operations. In the year under review, SEJ continued to bolster its store network in accordance with its area dominance strategy and took steps to meet customer needs with intensified product development efforts and enhanced product lineups.

7-Eleven, Inc., which is a wholly owned subsidiary of SEJ, is the core operating company in our overseas convenience store operations. In the fiscal year ended December 2006, 7-Eleven, Inc., eliminated its accumulated deficit and set aggressive management policies. Major initiatives during the year included accelerating store openings, increasing the number of franchised stores, bolstering renovations of existing stores, and strengthening fast food offerings.

As a result, in the fiscal year ended February 2007, the segment's revenues from operations before elimination of intersegment transactions were ¥2,249.6 billion, up 11.6%, while operating income before elimination of intersegment transactions was ¥206.1 billion, down 1.8%. The decrease in operating income was primarily attributable to two factors. First, the segment recorded about ¥7.0 billion in depreciation and amortization due to the revaluation of assets accompanying the transition of 7-Eleven, Inc., to a wholly owned subsidiary of SEJ. Second, the adverse influence of unseasonable weather throughout the year in Japan led to a slight decline in operating income at SEJ. The segment's capital expenditures decreased 3.4%, to ¥98.5 billion, and depreciation and amortization, including intangible assets, was up 11.4%, to ¥71.8 billion.

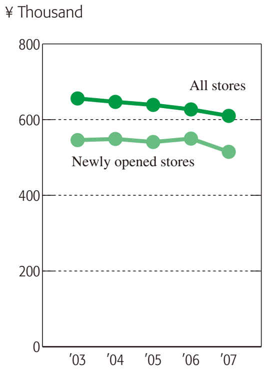
At the end of February 2007 (December 2006 for companies based outside Japan), there were 31,835 stores, an increase of 2,129 from the previous fiscal year-end, in 17 countries and regions. This figure includes the stores operated overseas by area licensees that acquired licenses from 7-Eleven, Inc., for the operation of 7-Eleven stores in specified areas.

Initiatives in the Year under Review

DOMESTIC CONVENIENCE STORE OPERATIONS

SEJ recorded total store sales, which comprise corporate and franchised store sales, of ¥2,533.5 billion, up 1.4%; revenues from operations of ¥517.0 billion, an increase of 4.9%; and operating income of ¥172.7 billion, a decrease of 2.6%.

Seven Eleven Japan
Average Daily Sales per Store

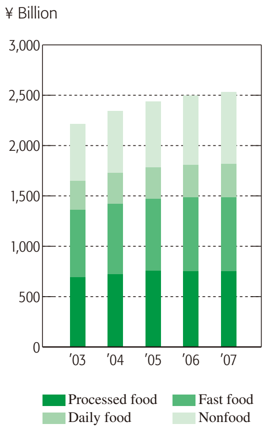


Although the number of domestic store openings was down slightly year on year, SEJ continued to open stores in areas where it has existing stores in accordance with its area dominance strategy. SEJ opened 832 stores and closed 407, principally due to relocations implemented in response to changes in local community environments. As a result, the pace of store openings was maintained at a high level, with a net increase of 425 stores for the year. Consequently, the domestic network at fiscal year-end covered 34 prefectures with 11,735 stores. For all stores, average daily sales per store were down ¥17,000, to ¥610,000, while for newly opened stores average daily sales per store were down ¥35,000, to ¥515,000. These declines were principally attributable to the effect of unseasonable weather, but SEJ maintained its absolute position in the convenience store industry.

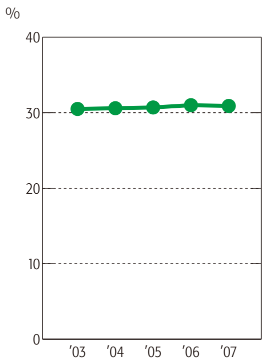
By product category, sales of processed food increased slightly, to ¥752.5 billion, while sales of fast food rose 0.4%, to ¥734.7 billion. Sales of daily food increased 0.6%, to ¥329.4 billion, and sales of nonfood products rose 4.3%, to ¥717.0 billion. The gross margin on store sales declined 0.1 percentage points, to 30.9%. The gross margin in each product category has improved, in line with plans, due to the utilization of the Group's economies of scale in the procurement of products. On the other hand, unseasonable summer weather led to sluggish sales of soft drinks and ice cream, on which the gross margin is comparatively high, while the share of sales contributed by tobacco, on which the gross margin is relatively low, remained at a high level following a price increase in July 2006. The decline in the overall gross margin on store sales was the result of these temporary factors.

In merchandising, SEJ continued to focus on the introduction of differentiated products that are only available at 7-Eleven stores or other Group stores and on the further expansion of regional products that are designed to meet local tastes. In response to customer concerns about secure, safe products, SEJ has taken the lead in the domestic convenience store industry. In addition to not using preservatives or synthetic coloring agents in fast food products, SEJ has reduced the use of trans fats in its sandwiches and fresh-baked bread and eliminated the use of phosphates from those products. To increase awareness among customers of our initiatives in the area of food safety, we are utilizing television commercials and disclosing detailed information on a special section of our web site.

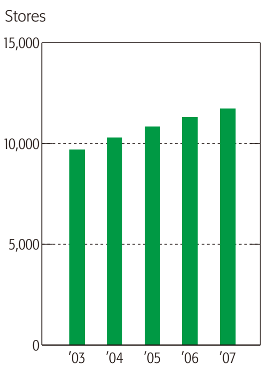
Sales by Product Category



Gross Margin on Store Sales



Number of Seven Eleven Japan Stores



In store operations, SEJ finished the introduction of the Sixth-Generation Total Information System in March 2007. This system will facilitate improvements in ordering accuracy, make it possible to offer lineups of products that meet the needs of each store's customer base, and serve as the platform for the development of *nanaco*.

OVERSEAS CONVENIENCE STORE OPERATIONS

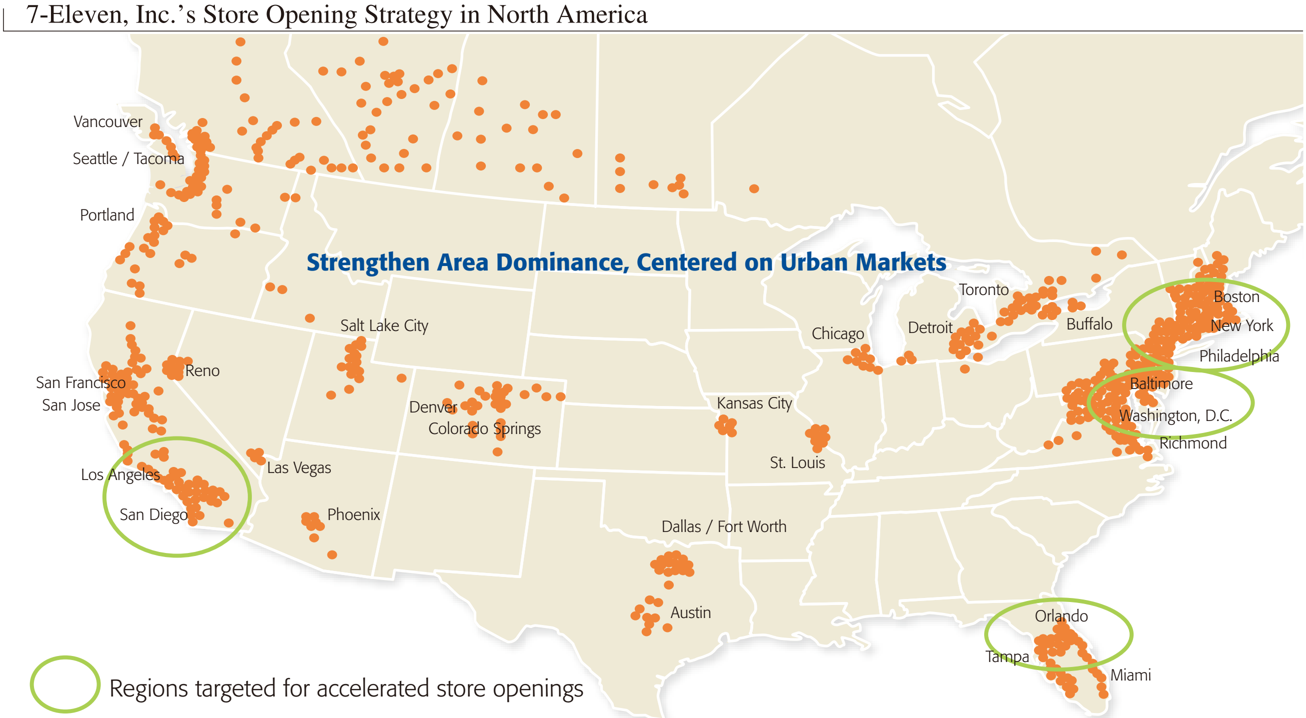
In the fiscal year ended December 2006, 7-Eleven, Inc., recorded a favorable performance due to the contributions of fast food, beverages, and gasoline. After conversion to the Japanese-style presentation, 7-Eleven, Inc., had net sales of ¥1,690.6 billion, up 13.8%, comprising merchandise sales of ¥1,008.8 billion, up 10.1%, and gasoline sales of ¥681.8 billion, up 19.8%. Operating income was ¥32.0 billion, a decrease of 1.0%. The reason for the decline in operating income was that—due to the revaluation of assets accompanying the transition of 7-Eleven, Inc., to a wholly owned subsidiary of SEJ in November 2005—depreciation and amortization of about ¥7.0 billion was recorded. The number of stores at the end of December 2006 was 6,050, an increase of 221.

In the fiscal year ended December 2006, to expand its store network in accordance with the area dominance strategy, 7-Eleven, Inc., began to open stores in four areas, including the Los Angeles and San Diego area on the west coast and the New York, Boston, and Philadelphia area on the east coast. In comparison with other regions, these areas offer higher population densities and smaller absolute numbers of convenience stores. In addition, they have lower barriers to entry, such as restrictions on the opening of convenience stores. As a result, it will be possible to accelerate store openings in these areas. Because 7-Eleven, Inc., already has a dominant presence in these areas, we anticipate substantial improvement in profitability as a result of increased efficiency in distribution.

On the other hand, in regions where there are tough restrictions on convenience store openings, 7-Eleven, Inc., is expanding its

Business Strategies in Overseas Convenience Store Operations

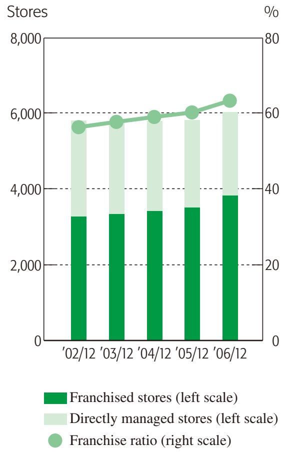
7-Eleven, Inc.'s Store Opening Strategy in North America



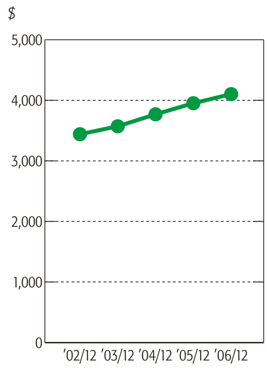
7-Eleven, Inc.

SEVEN-ELEVEN (BEIJING)

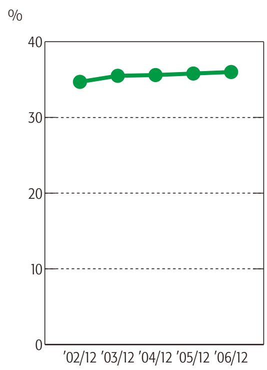
7-Eleven, Inc.
Number of Stores, (Total and by Type)



Average Daily Sales per Store
(All Stores)



Gross Margin on Merchandise Sales



store network by acquiring local small and medium-sized convenience store chains. In August 2006, 7-Eleven, Inc., acquired White Hen Pantry, Inc., which operates about 200 convenience stores in the Chicago area. To increase the number of franchised stores, 7-Eleven, Inc., began to accelerate the transition of directly managed stores to franchised stores. At the same time, 7-Eleven, Inc., began to open franchised stores by converting the format of existing small and medium-sized retail stores. As a result, there were 3,828 franchised stores in North America at the end of December 2006, an increase of 320 from the previous fiscal year-end. Moreover, 7-Eleven, Inc., took aggressive steps to improve existing stores, renovating about 800 stores during the fiscal year.

In merchandising, sales of fast food were favorable, and sales of gasoline increased due to the higher price of crude oil.

In China, SEVEN-ELEVEN (BEIJING) CO., LTD., which is 65% owned by SEJ, had 50 stores in Beijing as of December 31, 2006, an increase of 20 from a year earlier. SEVEN-ELEVEN (BEIJING) is making steady progress in preparing for future franchise development.

GROWTH STRATEGIES

Future Strategies and Performance Objectives

In Japan, in accordance with our area dominance strategy, we will continue to accelerate new store openings. We will also undertake a number of improvement measures for existing stores, such as new sales promotion initiatives utilizing *nanaco*. In merchandising, we will continue our original product development initiatives and work to expand sales of the Group's new private-brand products and to improve the gross margin on store sales.

Overseas, in convenience store operations in North America, we will continue to implement a variety of initiatives targeting the further expansion of the store network. At the same time, we will work to bolster our fast food lineup. Moreover, 7-Eleven, Inc., and SEJ will work together to prepare for the opening of stores in new areas and to strengthen and expand the global store network.

As a result, for the fiscal year ending February 2008, the forecast for the segment is for revenues from operations of ¥2,330.0 billion, up 3.6%, and operating income of ¥207.0 billion, a rise of 0.4%. There are two principal reasons why the expected increase in operating income is limited to 0.4%. First, SEJ will incur costs of about ¥10.0 billion associated with the introduction of *nanaco*. Second, 7-Eleven, Inc., will record an increase of ¥2.5 billion in depreciation and amortization, to about ¥9.5 billion, due to asset revaluation. Capital expenditures are forecast at ¥112.0 billion, an increase of 13.7%.

Specific Initiatives

DOMESTIC OPERATIONS: SEJ

Food Safety Initiatives

SEJ continues working to meet the needs of customers and establish a dominant advantage over competitors by focusing on the development of secure, safe fast food products.

These products have been made possible by such factors as infrastructure, including

SEJ sandwiches

dedicated production facilities and temperature-separated combined distribution centers that support SEJ's product development and supply activities, as well as an integrated management system for raw materials. In this way, these products have become a strength of the Group that cannot be duplicated by competitors. Our integrated management system for raw materials is fostering many benefits in raw materials procurement and production in SEJ's dedicated fast food production facilities, which are located in each region. When dedicated production facilities procure raw materials, taste and quality are stabilized and improved while unnecessary additives are eliminated through the use of standard raw materials in accordance with uniform recipe charts. Moreover, the system also facilitates enhanced traceability, clarifying where a raw material was produced and making it possible to track such data as when, where, and how much of a raw material was delivered as well as how it was used.

Drawing on the economies of scale stemming from the use of standard raw materials, raw materials procurement costs have been reduced. The system also facilitates improvements in the inventory control of dedicated production facilities. Through the detailed analysis of raw material usage and production history at dedicated production facilities and of store-level sales and disposal data, efficiency is increased through accurate demand forecasts and reduced raw materials inventories.

With these types of efficient infrastructure and systems, we will devote resources to the development and production of secure, safe products.

Bolstering Our Sales of New Private-Brand Products

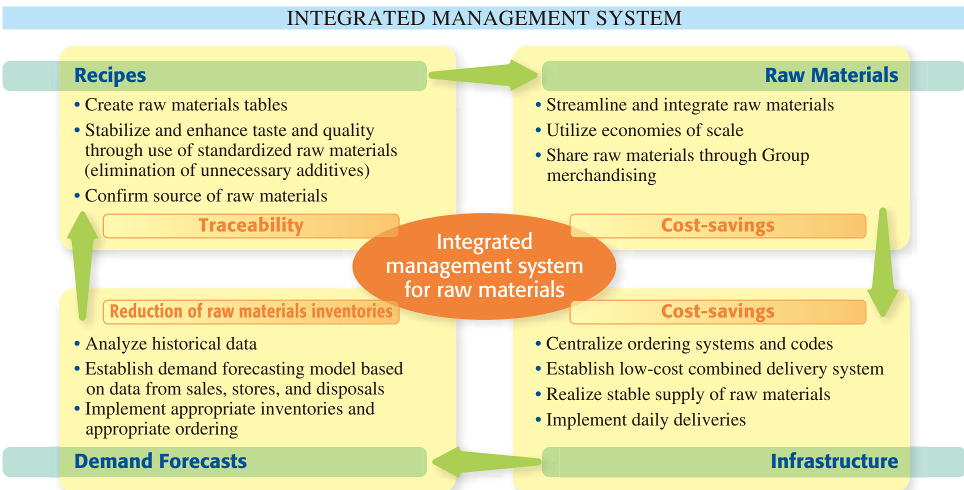
SEJ continues working to develop and launch original products to meet the needs of customers who are not satisfied with existing national brand products. Furthermore, we will work to increase sales of new Group private-brand products that offer quality equivalent or superior to that of national brand products but have lower prices than national brand products. We will work to expand sales of these products, which are based on new concepts that were not reflected in SEJ product lineups in the past, to meet diversifying customer needs.

Business Strategies in Domestic Convenience Store Operations

Infrastructure and Systems Supporting Food Security and Safety Initiatives

(1) All stores served by SEJ's dedicated production facilities and temperature-separated combined distribution centers

(2) Integrated management system facilitates enhanced taste and quality and stable, efficient procurement of raw materials



Business Strategies in Overseas Convenience Store Operations

7-Eleven, Inc.'s Plans for Store Openings, Closures, and Renovations

Stores

	'06/12 (actual)	'07/12	'08/12	'09/12
Openings	302	175	200	300
Closures	81	50	50	50
Net increase	221	125	150	250
Renovations	777	900	1,000	1,000

Note: The number of store openings for the fiscal year ended December 2006 (actual) includes the 204 stores of White Hen Pantry, Inc., which was acquired in August 2006.

Expansion of New Services

In May 2007, the introduction of *nanaco* was completed in all SEJ stores. We will work to increase customer usage frequency by making full use of *nanaco* and our original point service and linking them to product development and sales promotion activities.

Moreover, Seven & i Holdings and Toyota Financial Services Corporation established Seven Cash Works Co., Ltd., which will provide operating cash (change) services. In conjunction with Seven Bank ATMs, which have already been installed in nearly all SEJ stores, this new service will strengthen local financial services functions.

As a result of these initiatives, for the fiscal year ending February 2008, SEJ is forecasting total store sales of ¥2,660.0 billion, up 5.0%; revenues from operations of ¥559.0 billion, an increase of 8.1%; and operating income of ¥173.6 billion, up 0.5%. SEJ plans to open 900 stores and close 450, for a total of 12,185 stores at the end of February 2008.

OVERSEAS OPERATIONS

North America: 7-Eleven, Inc.

In the fiscal year ending December 2007, 7-Eleven, Inc., will continue to implement its store opening policies targeting accelerated store openings and growth in franchised stores and will take steps to activate existing stores, such as enhanced store renovation measures and improved fast food offerings.

7-Eleven, Inc., plans to open 175 stores and close 50, for a total of 6,175 stores at the end of December 2007. 7-Eleven, Inc., also plans to renovate about 900 older stores, up from about 800 stores in the year under review.

In fast food, in addition to the lineup of sandwiches and other fast food offerings that are sold chilled, 7-Eleven, Inc., will focus on sales of hot fast food products, for which the market is larger. To that end, 7-Eleven, Inc., will work to develop specialized display cases and enhance product development by region.

As a result of these initiatives, for the fiscal year ending December 2007, after conversion to the Japanese-style presentation, 7-Eleven, Inc., forecasts revenues from operations of ¥1,738.0 billion, up 2.8%, and operating income of ¥33.0 billion, an increase of 3.1%.

China: SEVEN-ELEVEN (BEIJING)

In anticipation of Chinese government approval for the franchise business, SEVEN-ELEVEN (BEIJING) is proceeding with the preparation of the infrastructure needed to support franchise development. Currently, the company has 50 directly managed stores, but it plans to rapidly accelerate the expansion of its store network through the full-scale opening of franchised stores. In store operations, SEVEN-ELEVEN (BEIJING) will work to accurately incorporate a variety of know-how from SEJ, such as product development, and to obtain social acceptance in China of Japanese-style convenience stores.

SUPERSTORE OPERATIONS

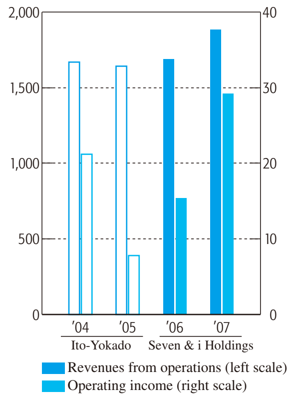
REVENUES FROM OPERATIONS*
¥1,882.9 billion .... ↑ 11.6%

OPERATING INCOME*
¥29.2 billion .... ↑ 89.6%

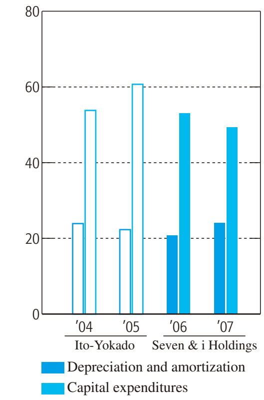
CAPITAL EXPENDITURES
¥49.4 billion .... ↓ 6.9%

* Before elimination of intersegment transactions

Revenues from Operations / Operating Income from Superstore Operations
¥ Billion



Depreciation and Amortization / Capital Expenditures in Superstore Operations
¥ Billion



OVERVIEW OF THE FISCAL YEAR

In superstore operations, we worked to create appealing stores by implementing new initiatives in a range of areas. We took steps to develop differentiated products, bolster lineups that meet the characteristics of store service areas and regions, and develop new types of store formats.

As a result, in the fiscal year ended February 2007, the segment's revenues from operations before elimination of intersegment transactions amounted to ¥1,882.9 billion, an increase of 11.6% from the previous fiscal year. Operating income before elimination of intersegment transactions was up 89.6%, to ¥29.2 billion. Capital expenditures totaled ¥49.4 billion, down 6.9%, and depreciation and amortization, including intangible assets, was up 15.7%, to ¥24.1 billion. York-Benimaru Co., Ltd., which operates food supermarkets, was consolidated from the second half of the fiscal year.

Initiatives in the Year under Review

SUPERSTORE DIVISION

Ito-Yokado Co., Ltd., is the core operating company in the domestic superstore division. In the fiscal year ended February 2007, Ito-Yokado recorded revenues from operations of ¥1,511.5 billion, up 1.2%, and operating income of ¥18.3 billion, an increase of 51.8%. Due principally to the closure of seven unprofitable stores and to business restructuring measures implemented in the previous fiscal year, we were able to reduce labor costs and store-related expenses, thereby achieving a substantial increase in operating income.

By product category, Ito-Yokado's apparel sales in the year under review were down 5.5%, to ¥290.6 billion; sales of household goods rose 2.5%, to ¥264.0 billion; and sales of food increased 0.4%, to ¥672.3 billion. The gross margin on store sales declined 0.6 percentage points, to 30.3%.

We opened three stores—including Ario format mall-type shopping centers in Kameari, Tokyo, and Yao, Osaka—and closed seven Ito-Yokado stores. The number of stores at fiscal year-end was 174, a reduction of 4 stores from the previous fiscal year-end. Directly managed sales floor space at the end of the fiscal year was down 1.8%, to 1,733,405 square meters. We now have five Ario format shopping centers. In addition to Ito-Yokado as the anchor tenant, these shopping centers include many popular shops and restaurants, and they have proven popular with a wide range of customer groups.

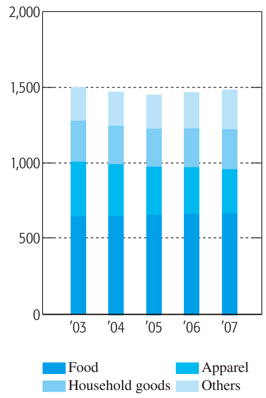
In apparel, since February 2006 we have launched private brands in women's clothing and men's clothing, centered on basic products, and maintained a special focus on product development while continually fine-tuning sizes, designs, and other characteristics. Furthermore, to bolster our apparel lineup, through joint development activities with major manufacturers we have begun to develop lineups of products that are available only at Ito-Yokado stores, with a special emphasis on stylish items. Some products, such as seasonal wear and highly fashionable items, are in demand by customers but present a high risk of inventory losses. For these types of products, we have worked to reduce markdown losses while implementing aggressive development by increasing the percentage of products carried on a consignment basis. Moreover, to create sales areas that make it easy to select products in accordance with customer age groups and fashion sensibilities, we have promoted the development of new brand and shop formats.

In food, in recent years customers have grown increasingly concerned with food safety, and accordingly we are working to meet needs for safe food products that customers can enjoy with peace of mind. We have focused on increasing sales of "See the Farmer's Face" products that enable customers to identify the producer through the Internet. We have also taken steps to procure field vegetables delivered daily from local farmers under contract and fresh fish and seafood delivered directly from nearby fishing ports. These initiatives, based on the cooperation of many local farmers and people involved in the distribution of seafood, have enabled us to provide lineups of tasty, fresh, safe products, and they have been highly evaluated by our customers. The number of products and the sales attributable to these initiatives are both recording solid increases.

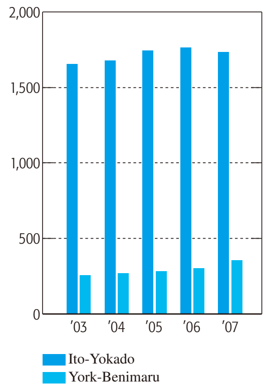
FOOD SUPERMARKET DIVISION

In the domestic food supermarket division, York-Benimaru was made a wholly owned subsidiary on September 1, 2006. York-Benimaru had 128 stores at the end of the fiscal year, an increase of 12 from the previous fiscal year-end, principally in the Tohoku region. York Mart Co., Ltd., had 58

Ito-Yokado
Sales by Product Category
¥ Billion



Directly Managed Sales Floor Space
Thousand of square meters

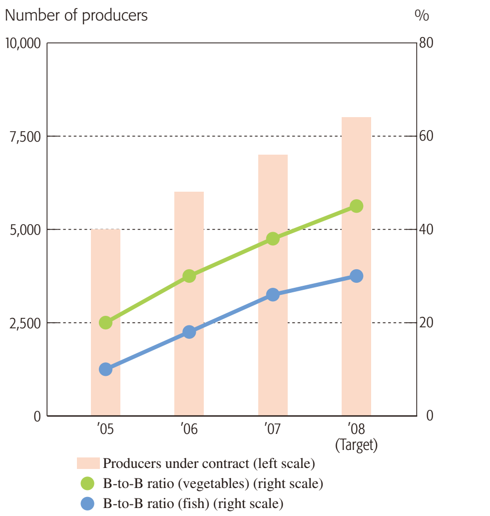


Business Strategies in the Superstore Division

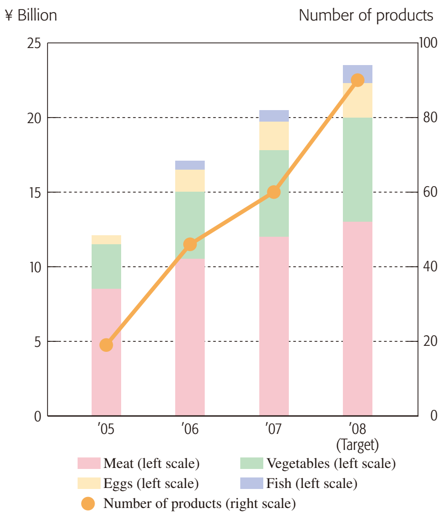
Ito-Yokado's Food Initiatives—Bolster Regional Merchandising, Offer Safety and Security

Progress with Regional Product Initiatives (Vegetables, Local Fish)

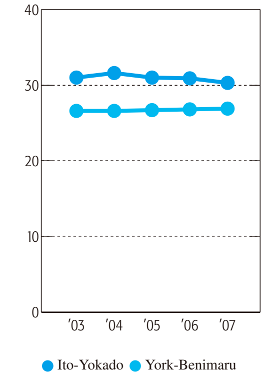
Note: Certain vegetables are not included in the B-to-B ratio given below.



Sales of "See the Farmer's Face" Products and Number of Products



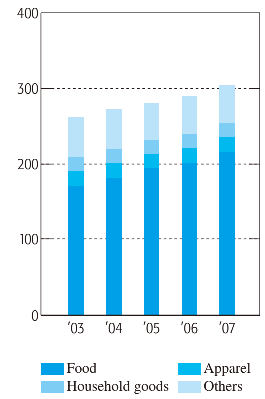
Gross Margin on Store Sales



York-Benimaru

Sales by Product Category

¥ Billion



stores, up 1, principally in the Kanto region; and SHELL GARDEN CO., LTD., which operates premium-quality food supermarkets in the Tokyo metropolitan area, had 16 stores, down 3.

York-Benimaru is the core operating company in the domestic food supermarket division. In the fiscal year ended February 2007, York-Benimaru recorded revenues from operations of ¥313.9 billion, up 5.5%, and operating income of ¥10.3 billion, a decline of 9.7%.

By product category, York-Benimaru's sales of food increased 6.8%, to ¥215.4 billion; apparel sales were up 1.3%, to ¥20.1 billion; and sales of household goods rose 2.7%, to ¥18.6 billion. The gross margin on store sales improved 0.1 percentage points, to 26.9%.

In the year under review, 10 stores were opened and 1 closed, and 3 stores operated by Midoriya Super Co., Ltd., were acquired. Directly managed sales floor space totaled 335,075 square meters at fiscal year-end, up 10.9%.

In the Tohoku and northern Kanto regions, competition among stores is intensifying as major retail groups open stores. In this environment, York-Benimaru continued to focus on improving its profitability.

In products, we worked to provide vegetables that are not only tasty and fresh but also safe by strengthening our lineup of vegetables cultivated as much as possible with the use of a natural soil improvement agent rather than chemical fertilizers or agricultural chemicals. At the same time, we began to focus on the development of new private-brand products to avoid the adverse effect on profitability of price competition, centered on national brand products, and to differentiate our offerings from those of our competitors.

In distribution, following the opening of the Koriyama Distribution Center in 2005, we opened the Sendai Perishables Distribution Center, which is used jointly by Ito-Yokado and York-Benimaru, in April 2006. Through constant optimum-temperature distribution, we are working to achieve increased freshness in fresh foods and low-cost operations.

York-Benimaru

OVERSEAS

In China, the Group's network comprised six superstores in Beijing operated by Hua Tang Yokado Commercial Co., Ltd., an increase of one from the previous fiscal year-end, and two superstores operated by Chengdu Ito-Yokado Co., Ltd., in the city of Chengdu, Sichuan Province, unchanged from a year earlier. Beijing Wang fu jing Yokado Commercial Co., Ltd., operated one food supermarket in Beijing, a decline of one store from a year earlier. As a result of the attention paid to creating stores that meet the needs of each region's customers, these stores are recording solid progress in sales.

Hua Tang Yokado Commercial

GROWTH STRATEGIES

Future Strategies and Performance Objectives

In the domestic superstore and food supermarket divisions, we will work to meet customer needs with expanded sales of

Seven Premium products

Seven Premium products, which have been available since May 2007. Through the Group Merchandising Reform Project, *Seven Premium* products were developed in accordance with the concept of offering quality that is equivalent or superior to that of national brand products at prices that are lower than the actual sales prices of national brand products. *Seven Premium* brand products meet the needs of customers that shop at our superstores and food supermarkets. We will aggressively enhance the product lineup while conducting samplings and sales promotions to raise the level of brand awareness. We will also work to achieve synergies with existing private-brand products.

In the domestic superstore division, Ito-Yokado will continue to bolster its apparel reforms and to improve its offerings of household goods on a store-by-store basis. In store openings, we will chose from among three formats—superstores, mall-type shopping centers, and neighborhood shopping centers—in accordance with the characteristics of the service area.

By implementing these measures, we will strive to raise revenues from operations in the fiscal year ending February 2008 by 11.5%, to ¥2,100.0 billion, and operating income by 37.1%, to ¥40.0 billion. Capital expenditures are forecast at ¥53.0 billion, an increase of 7.2%.

Specific Initiatives

SUPERSTORES: ITO-YOKADO

Product Strategies

In apparel, we will work to increase profitability by expanding the initiatives implemented in the previous fiscal year. To enhance our system for developing private-brand products, we will bolster our QR system, which extends from ordering to production and delivery. We will take steps to reduce sales opportunity loss and markdown losses attributable to products that are planned and produced in advance in accordance with long-term demand trends. To that end, we will work to reduce initial order volumes and produce additional amounts in line with sales trends. Moreover, we will also work to reduce sales opportunity loss by using the latest market information to quickly produce and deliver best-selling products and products not yet available in our stores.

In household goods, we will strive to boost the profits generated by frequently purchased lifestyle sundries and highly specialized products, such as consumer electronics. To that end, we will enhance our lineups to match each store's service area and customer base. In lifestyle-related products—such as kitchen products, cosmetics, bedding, and interior goods—we will enhance the development of shop formats focused on related products that are coordinated by location of use.

On the other hand, in highly specialized items, such as consumer electronics, outdoor goods, and nursing/caregiving products, we will flexibly reevaluate product mixes and lineups for each store based on its service area and customer base.

In food, we will work to expand sales of private-brand products, including *Seven Premium* products. In fresh foods, we will reinforce our emphasis on taste, freshness, safety, and peace of mind, such as "See the Farmer's Face" products. In this way, we will strengthen our efforts to meet customer needs.

Store Initiatives

We plan to open three stores in the fiscal year ending February 2008 and close one. In store openings, in March 2007, we opened Ito-Yokado Nagareyama Otaka-no-mori, which is specialized in food, in the Nagareyama Otaka-no-mori shopping center. The new store is based on the concept of providing support for daily food shopping needs. Also in March, we opened Ito-Yokado LaLaport Yokohama as an anchor tenant at LaLaport Yokohama, one of the largest shopping centers in Kanagawa Prefecture. Furthermore, in the second half of the current fiscal year we plan to open a mall-type shopping center, Ario Nishiarai.

Expanding Internet Sales

In response to the trend toward an aging population and to the needs of mothers with young children, Ito-Yokado has established *IY Net,* a service that enables customers to use the Internet to place orders for products in stores, which are then delivered to the customers. *IY Net* was available at 10 stores as of the end of April 2007. Customers can select from an extensive product lineup of about 6,000 items, centered on food, including fresh foods, and lifestyle sundries. Delivery times are as short as three hours. In the year ending February 2008, we plan to expand *IY Net* to 80 stores covering the Tokyo metropolitan area and to increase the number of items offered.

As a result of these efforts, for the fiscal year ending February 2008, Ito-Yokado forecasts revenues from operations of ¥1,530.0 billion, up 1.2%, and operating income of ¥22.0 billion, an increase of 20.1%.

FOOD SUPERMARKETS: YORK-BENIMARU

York-Benimaru, the core operating company in the food supermarket division, plans to open eight stores and close three in the fiscal year ending February 2008. York-Benimaru will reinforce its dominant position in areas with existing stores.

In food, we will strengthen our private-brand product initiatives, including *Seven Premium* products. In addition, to further differentiate our offerings of fresh foods, we will expand our lineup of vegetables cultivated with a natural soil improvement agent and minimal use of chemical fertilizers or agricultural chemicals. We plan to broaden our lineup of these products from 15 in 2005 to 32 and to increase sales to about ¥3.0 billion.

As a result of these initiatives, for the fiscal year ending February 2008, York-Benimaru forecasts revenues from operations of ¥334.0 billion, up 6.4%, and operating income of ¥11.9 billion, an increase of 15.5%.

DEPARTMENT STORE OPERATIONS

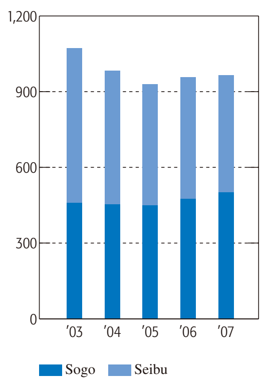
REVENUES FROM OPERATIONS*
¥988.4 billion

OPERATING INCOME*
¥26.8 billion

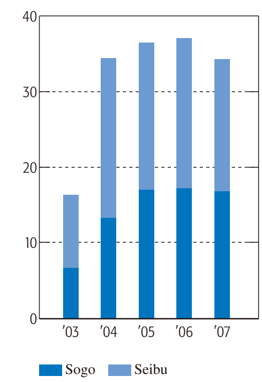
CAPITAL EXPENDITURES
¥93.7 billion

* Before elimination of intersegment transactions

Revenues from Operations
¥ Billion



Operating Income
¥ Billion



OVERVIEW OF THE FISCAL YEAR

Department store operations, which were fully consolidated from the fiscal year under review, are composed mainly of Millennium Retailing, Inc., and its subsidiaries, principally Sogo Co., Ltd. (Sogo), and THE SEIBU DEPARTMENT STORES, LTD. (Seibu).

In the fiscal year ended February 2007, the segment's revenues from operations were ¥988.4 billion, and, after amortization of goodwill, operating income was ¥26.8 billion. Department store operations were adversely affected by such factors as unseasonable weather throughout the year, including a cool summer and a record-setting warm winter. In this challenging operating environment, we took steps to improve revenues and profits, such as large-scale store remodeling initiatives.

The segment's capital expenditures were ¥93.7 billion, and depreciation and amortization, including intangible assets, was ¥19.0 billion. Capital expenditures included about ¥49.0 billion in costs for the acquisition of securitized department store real estate.

At the end of February 2007, Sogo had 12 stores and Seibu had 16 stores, for a total of 28 stores.

Initiatives in the Year under Review

In the fiscal year under review, we made a decisive transition from defense to offense in our department store operations.

SOGO

Sogo is one of the segment's core operating companies. In the fiscal year ended February 2007, Sogo recorded revenues from operations of ¥500.7 billion, an increase of 5.5%, and operating income of ¥16.8 billion, a decrease of 2.9%. The small decline in profits was primarily attributable to remodeling costs for Sogo Chiba, which underwent a full-scale remodeling. The remodeling of Sogo Chiba, implemented in accordance with the concept of "For Fun, For Shopping, Sogo Destination Department Store," was used to create a multipurpose commercial facility. The department store and four specialty store sections are located in the main wing and the annex. Sogo Chiba targets a wide spectrum of customers, centered on Chiba Prefecture, and offers proposals of a wide range of product lineups. Through the introduction of many prestige brands, Sogo worked to enhance its status as a department store and to increase its ability to draw customers. In 2005, Sogo Yokohama's full-scale remodeling was completed with

Business Strategies in Department Store Operations

Store Remodeling Initiatives—Results and Plans

	2000	2001	2002	2003	2004	2005	2006	2007	2008 and thereafter
SOGO		Yokohama (Food)	Yokohama (Other floors)			Yokohama (Restaurants)			
			Kobe	Omiya	Hiroshima	Shinsaibashi (New store)			
			Seishin	Kashiwa		Chiba (Annex)	Chiba (Main wing)		
SEIBU 西武					Funabashi	Tsukuba	Yurakucho	Shibuya	Ikebukuro
					Takatsuki	Yao	Akita	Tokorozawa	

= Major Store

the remodeling of the restaurant area. Despite major changes in the surrounding environment, including the opening of new commercial facilities due to urban redevelopment in the area around the store, Sogo Yokohama has achieved favorable results by introducing prestige brands and enhancing its meticulous customer service.

SEIBU

Seibu is another of the segment's core operating companies. In the fiscal year ended February 2007, Seibu recorded revenues from operations of ¥465.8 billion, a decline of 3.5%, and operating income of ¥17.5 billion, a decrease of 12.4%. The principal reasons for the lower revenues and profits were the closure of stores in Shizuoka and Toyama in March 2006 and the temporary closure of sales areas for construction work prior to the post-remodeling reopening of Seibu Yurakucho in September 2006 and Seibu Shibuya in March 2007. In the year under review, Seibu implemented full-scale remodeling at stores in Akita and Yurakucho. The remodeling at Seibu Yurakucho was implemented in accordance with the concept of "a career lifestyle store" that supports the lifestyles of working women. Seibu worked to create a store that is distinctive and trend-setting. To that end, Seibu opened the "Beauty Building," which is specialized in beauty and health care and is Japan's first facility designed to meet needs for inner beauty, and the "Fashion Building," which meets outer beauty needs through the aggressive introduction of highly fashionable items, such as leading-edge designer brands, and new-format select shops. The awareness of these new store offerings has gradually increased, and results are solid.

GROWTH STRATEGIES

Future Strategies and Performance Objectives

In department store operations, we will continue to implement full-scale store remodeling initiatives targeting structural improvements in stores and to strengthen self-directed merchandising activities. As a result, for the fiscal year ending February 2008, we are forecasting revenues from operations of ¥1,084.0 billion, up 9.7%, and operating income of ¥29.0 billion, an increase of 8.3%. The segment plans capital expenditures of ¥13.0 billion, down 86.1%. In March 2007, Seibu Shibuya reopened after a full-scale remodeling.

Specific Initiatives

We will work to develop highly original sales areas that are clearly distinct from those of competitors. Specifically, we will move from open-floor displays, where sales areas are organized by product and merchandise is procured on the traditional consignment basis, to sales areas with a heightened emphasis on merchandise acquired through outright-purchase. In this way, we will expand the introduction of differentiated products, such as private-brand products, and advance the introduction of products with high margins. With a focus on the development of self-directed sales areas, we will work to aggressively communicate our original fashion message.

By operating company, Sogo has basically completed its full-scale remodeling initiatives with the reopening of Sogo Chiba in May 2006. In the fiscal year ending February 2008, Sogo will work to increase its profits. Seibu will bolster the operating capabilities of Seibu Shibuya, which reopened after a full-scale remodeling in March 2007. The flagship Seibu Ikebukuro, which has annual sales of more than ¥140.0 billion, is scheduled for a full-scale remodeling in 2008. Prior to the remodeling, Seibu will work to bolster the operating capabilities of its other stores to offset the loss of revenues from the temporary closure of Seibu Ikebukuro.

As a result, in the fiscal year ending February 2008, for Sogo, we are forecasting revenues from operations of ¥521.0 billion, an increase of 4.1%, and operating income of ¥18.5 billion, a gain of 10.4%. For Seibu, we are forecasting revenues from operations of ¥487.0 billion, an increase of 4.5%, and operating income of ¥17.5 billion, a gain of 0.3%.

Also, to strengthen and expand our specialty store operations, on March 23, 2007, Millennium Retailing acquired additional shares in affiliate THE LOFT CO., LTD., making it a subsidiary of Seven & i Holdings. As of the end of February 2007, Loft had 33 miscellaneous-goods specialty stores, principally in the Tokyo metropolitan and Kansai areas. In the fiscal year ending February 2008, Loft plans to open 8 stores, expanding its network to 41 stores by the end of the fiscal year. In the future, we will strategically utilize the *LOFT* brand in the creation of synergies.

Full-Scale Remodeling of Seibu Shibuya

In March 2007, Seibu Shibuya was reopened after a full-scale remodeling in accordance with the concept of "a department store that further enhances the 'brilliance' of urban residents." And we are creating a store that targets elegant urbanites in a way that transcends generations.

In addition, differentiation has been enhanced. Self-directed sales areas have been strengthened through a shift from consignment sales to sales of products purchased outright and sold by in-house employees as well as through an increase in products with high margins. Moreover, the introduction of private brands has been expanded.

The remodeling required an investment of about ¥8.0 billion. Our objective for sales in the first year after the remodeling is a gain of 15% year on year, to ¥60.0 billion.

KEY POINTS OF SEIBU SHIBUYA REMODELING

> STORE CONCEPT
A department store that continually proposes new lifestyles and enhances "bright" lifestyles

> TARGET
Elegant urbanites

> FOCUSED MERCHANDISING
Highly original products and seasonal products that can only be obtained at Seibu Shibuya
(1) Self-directed sales areas (2) Food and restaurants (3) Beauty and health care
(4) Luxury

> SERVICE AND ENVIRONMENT
Providing the highest level of service—with 225 holders of specialist qualifications—as well as an environment for adults

RESTAURANT OPERATIONS

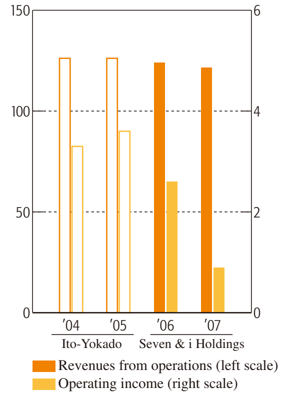
REVENUES FROM OPERATIONS*
¥121.7 billion.................... ↓ 1.9%

OPERATING INCOME*
¥932 million...................... ↓ 64.5%

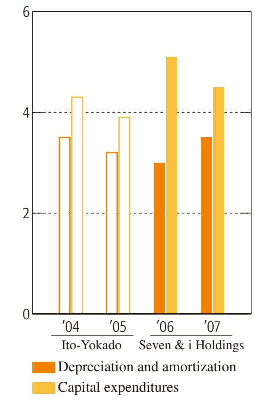
CAPITAL EXPENDITURES
¥4.5 billion......................... ↓ 12.1%

* Before elimination of intersegment transactions

Revenues from Operations / Operating Income from Restaurant Operations
¥ Billion



Depreciation and Amortization / Capital Expenditures in Restaurant Operations
¥ Billion



OVERVIEW OF THE FISCAL YEAR

Restaurant operations are composed of Denny's Japan Co., Ltd., which operates family restaurants; Famil Co., Ltd., which operates family restaurants in Ito-Yokado stores and provides dining services; and York Bussan K.K., which handles fast food operations in Ito-Yokado stores.

In the fiscal year ended February 2007, the segment recorded lower revenues and profits. Revenues from operations before elimination of intersegment transactions declined 1.9%, to ¥121.7 billion, and operating income before elimination of intersegment transactions was down 64.5%, to ¥932 million. Capital expenditures decreased 12.1%, to ¥4.5 billion, and depreciation and amortization, including intangible assets, was up 14.4%, to ¥3.5 billion.

Initiatives in the Year under Review

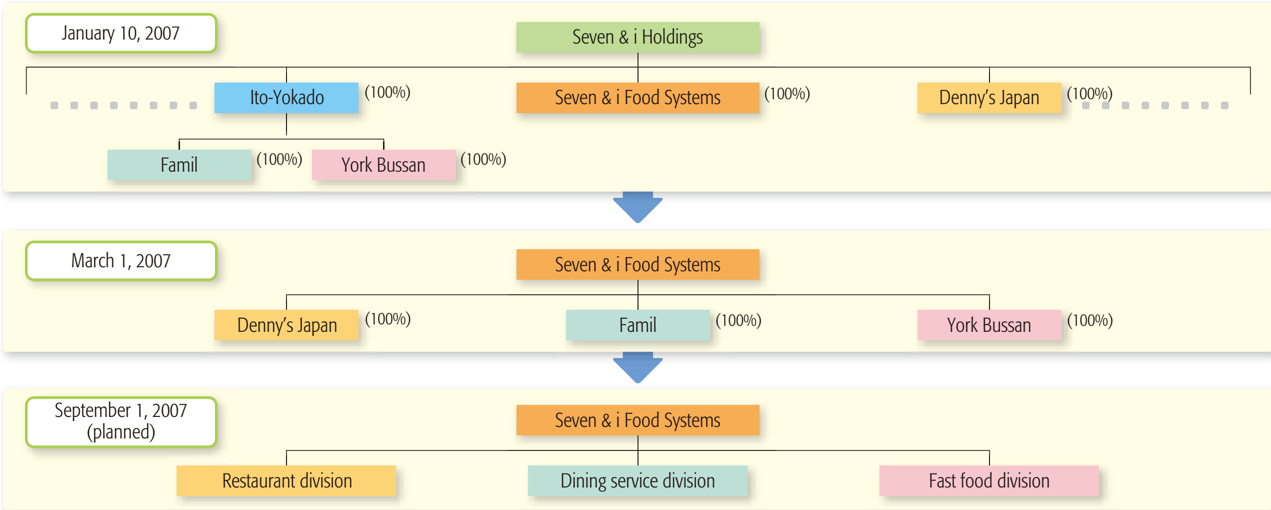
DENNY'S JAPAN

Denny's Japan, the core operating company in our restaurant operations, recorded lower revenues and profits. In the fiscal year ended February 2007, Denny's Japan recorded revenues from operations of ¥93.0 billion, down 1.6%, and operating income of ¥367 million, a decrease of 81.3%. Although unseasonable weather had a substantial adverse effect on Denny's Japan, another significant factor was that the company did not adequately respond to diversifying customer preferences. Accordingly, we began to develop new business and restaurant formats. In December 2006, we opened *Pre De* Kanazawa Bunko, which is based on the concept of Western meals eaten with knife and fork, and in January 2007 we opened *Pre De* Oji, which is centered on the concept of Japanese meals eaten with chopsticks.

Moreover, without restricting new restaurants to the standard size of 330 square meters and 100 seats, in October 2006 we opened *D's* Shinagawa Konan, which features a new format of 218 square meters and 80 seats. Also in October 2006, we opened *Soba Udon Dokoro Shichifuku Bentenan,* which provides traditional soba and freshly deep-fried tempura dishes at reasonable prices. This new format enables restaurants to be opened with floor space of less than 60 square meters and less than 30 seats. These restaurants are recording favorable sales in line with our plans.

Business Strategies in Restaurant Operations

Schedule for Revitalizing Restaurant Operations



Note: Figures in parentheses show percentage ownership.

GROWTH STRATEGIES

Future Strategies and Performance Objectives

With the objective of consolidating and restructuring restaurant operations, Seven & i Holdings established Seven & i Food Systems Co., Ltd., in January 2007.

The three main operating companies in restaurant operations became wholly owned subsidiaries of Seven & i Food Systems in March, and we plan to merge them into Seven & i Food Systems in September 2007. We will subsequently bolster our restaurant operations with specific initiatives targeting each area.

As a result, in the fiscal year ending February 2008, the segment is forecasting revenues from operations of ¥123.0 billion, up 1.1%, and operating income of ¥2.0 billion, a gain of 114.7%. Capital expenditures are forecast at ¥5.4 billion, an increase of 20.7%.

Specific Initiatives

In integrating and restructuring restaurant operations, we will work to further bolster and expand the scope of our business activities by consolidating overlapping operations and functions. In the restaurant division, we will activate existing restaurants by developing new formats. At the same time, we will reevaluate our restaurant network, including the family restaurants in Ito-Yokado stores operated by Famil. In the dining service division, we will aggressively develop business in the provision of meals to companies outside the Group and in the provision of hospital meals for medical facilities and nursing homes. In the fast food division, we will continue to develop existing fast food shops in Ito-Yokado food courts. In addition, we will focus on developing operations that specialize in certain foods, such as *Poppo-no-Taiyakiya-san,* which features fish-shaped pancakes filled with sweet bean paste.

By strengthening our operations, we will work to pursue synergies that will support operational development on a larger scale, such as providing comprehensive food services in food courts and work sites.

In addition, we will promote personnel exchanges, reduce procurement costs through the sharing of materials and joint procurement, integrate administrative departments, and work to maximize the effects of integrating and restructuring our restaurant operations.

Pre De Kanazawa Bunko

Soba Udon Dokoro Shichifuku Bentenan

Poppo-no-Taiyakiya-san

FINANCIAL SERVICES

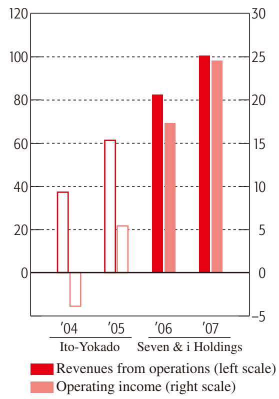
REVENUES FROM OPERATIONS*
¥100.3 billion .... ↑21.9%

OPERATING INCOME*
¥24.5 billion .... ↑42.1%

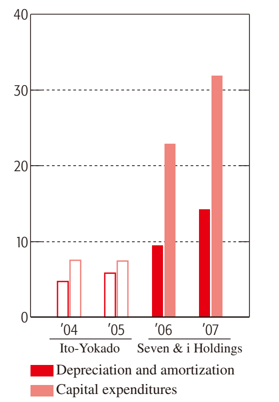
CAPITAL EXPENDITURES
¥31.9 billion .... ↑39.1%

* Before elimination of intersegment transactions

Revenues from Operations / Operating Income (Loss) from Financial Services
¥ Billion



Depreciation and Amortization / Capital Expenditures in Financial Services
¥ Billion



OVERVIEW OF THE FISCAL YEAR

In financial services, Seven Bank, Ltd., recorded higher revenues and profits in ATM operations in the year under review and IY Card Service Co., Ltd., registered increased membership and usage rates. As a result, in the fiscal year ended February 2007, the segment's revenues from operations before elimination of intersegment transactions amounted to ¥100.3 billion, an increase of 21.9% from the previous fiscal year, and operating income before elimination of intersegment transactions was up 42.1%, to ¥24.5 billion.

Capital expenditures increased 39.1%, to ¥31.9 billion, and depreciation and amortization, including intangible assets, was up 48.7%, to ¥14.2 billion.

Initiatives in the Year under Review

SEVEN BANK

As of the end of March 2007, Seven Bank had 12,088 installed ATMs, an increase of 604 from a year earlier. The number of financial institutions with which Seven Bank had tie-ups was about 550. ATMs had been installed in 33 prefectures, making service available in nearly all areas where SEJ and Ito-Yokado have stores. Moreover, the average daily transaction volume per ATM during the fiscal year ended March 2007 was 98 transactions, an increase of 10 from the previous fiscal year. This gain was attributable to higher awareness of our ATM services and growth in the numbers of tie-up financial institutions and installed next-generation ATMs.

As a result, in the fiscal year ended March 2007, Seven Bank had revenues from operations of ¥75.4 billion, up 16.7%, and ordinary profit of ¥25.0 billion, an increase of 28.9%.

IY CARD SERVICE

Accompanying greater awareness among customers, IY Card Service, which engages in credit card operations, increased the number of credit cards issued to 2.8 million at fiscal year-end, up 190,000 from the previous fiscal year-end. To enhance customer satisfaction and foster new demand, we launched a service that allows the conversion of points from the *IY Card* and points from the *ANA Mileage Club,* which has about 15 million members. As a result, IY Card Service was profitable for the first time since it was established in 2001.

GROWTH STRATEGIES

Future Strategies and Performance Objectives

To further expand the ATM network, we will install ATMs outside the Group. We have also launched a new financial services business—the provision of operating cash (change) services.

As a result, for the fiscal year ending February 2008, the segment is forecasting revenues from operations of ¥125.0 billion, up 24.6%, and operating income of ¥19.5 billion, down 20.6%. The reasons for the decline in operating income are that IY Card Service will record an operating loss due to costs associated with the launch of the *nanaco Card* and that costs will increase, including higher depreciation and amortization due to the introduction of next-generation ATMs by Seven Bank, system improvement costs, and fund-raising costs. Capital expenditures are forecast at ¥40.0 billion, an increase of 25.5%.

Specific Initiatives

SEVEN BANK

From July 2007, Seven Bank will launch a new service enabling the use of cards issued overseas—including Visa, MasterCard, American Express, and JCB cards as well as other cards with the PLUS or Cirrus marks—to receive cash advances or make withdrawals using Seven Bank ATMs.

Meanwhile, with the scale of the ATM network offered by domestic banks decreasing, the demand for ATMs in convenience stores is increasing. To meet those needs, we will continue to focus resources on expanding our ATM network, installing ATMs in Group stores and taking over the operation of ATMs of outside financial institutions.

In this way, in the fiscal year ending March 2008, Seven Bank is forecasting revenues from operations of ¥83.2 billion, up 10.3%, ordinary profit of ¥24.1 billion, down 3.6%, number of ATMs installed at fiscal year-end of about 13,000, and average daily number of transactions per ATM of about 110.

Operating Cash (Change) Services

In June 2007, in conjunction with Toyota Financial Services Corporation and Seven Bank, Seven & i Holdings established Seven Cash Works Co., Ltd.

<Investment Ratio>
- Seven & i Holdings: 80.5%
- Toyota Financial Services: 14.5%
- Seven Bank: 5.0%

The number of locations at which operating-cash services are provided is declining, and the need for cash to make change is increasing.

CHANGE DELIVERY SERVICE

From fall 2007, the delivery of change packs to SEJ stores and other businesses will be commenced.

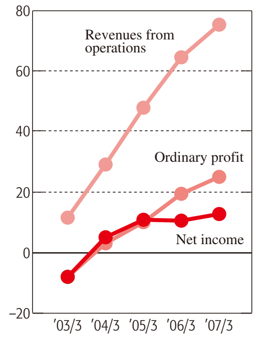
Initially, the service will be limited to SEJ stores.

CHANGE MACHINE SERVICE

From spring 2008, advanced, highly efficient, small-sized change machines developed especially for this service will be installed in SEJ stores, and service will be provided 24 hours a day, 365 days a year.

Through the provision of these two services, we will work to expand these operations into a major new business for the financial services segment.

Seven Bank
Operating Results
¥ Billion



Number of ATMs Installed / ATM Transaction Volume