SEVEN&i HOLDINGS

ANNUAL REPORT 2007

SEVEN & i HOLDINGS CO., LTD.

Seven & i Holdings Co., Ltd., is a holding company that was established on September 1, 2005, through a stock transfer by Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., and Denny's Japan Co., Ltd.

The Company oversees about 90 operating companies, principally retail businesses, and has seven core operational areas that are closely connected to the daily lives of its customers—convenience stores, superstores, department stores, supermarkets, restaurants, financial services, and IT/services. From its base in Japan, the Company operates a network of about 33,000 stores that extends around the world. With revenues from operations of approximately ¥5.3 trillion, Seven & i Holdings is one of Japan's leading retail groups.

We are working to meet the diverse needs of each individual customer and to create "a new, comprehensive lifestyle industry" that provides new value to meet emerging needs. In the years ahead, we will continue to take on the challenge of promoting innovation in retailing.

CONTENTS

FINANCIAL HIGHLIGHTS

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2007 and 2006

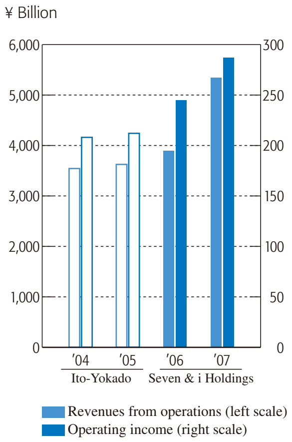
Figures for Ito-Yokado Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2005 and February 29, 2004 are presented for the convenience of the reader.

Seven-Eleven Japan Co., Ltd. and Denny's Japan Co., Ltd. became wholly owned subsidiaries of Seven & i Holdings Co., Ltd. in the fiscal year ended February 28, 2006. The associated decrease in minority interests contributed to the increase in net income.

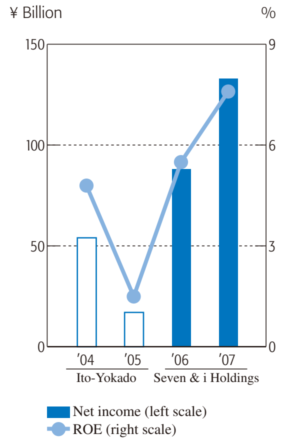
	Millions of yen		Thousands of U.S. dollars (Note A)	Millions of yen	
	Seven & i Holdings			Ito-Yokado	
	2007	2006	2007	2005	2004
For the year:					
Revenues from operations	¥5,337,807	¥3,895,772	$45,235,653	¥3,623,555	¥3,542,146
Operating income	286,838	244,940	2,430,831	211,951	207,783
Income before income taxes and minority interests	243,060	178,518	2,059,831	150,833	177,784
Net income	133,419	87,931	1,130,669	17,205	53,632
% of revenues	2.5%	2.3%	2.5%	0.5%	1.5%
Capital expenditures (Note B)	278,389	185,354	2,359,229	168,725	171,877
Depreciation and amortization (Note C)	132,693	97,811	1,124,517	95,161	94,985
ROE	7.6%	5.5%	7.6%	1.5%	4.8%
ROA	3.7%	2.6%	3.7%	0.7%	2.2%
At year-end:					
Total assets	¥3,809,192	¥3,424,879	$32,281,288	¥2,574,817	¥2,461,927
Total net assets	1,969,149	1,717,881	16,687,703	1,144,505	1,138,211
	Yen		U.S. dollars (Note A)	Yen	
Net income per share:					
Basic	¥142.90	¥100.83	$1.21	¥40.73	¥128.25
Diluted	—	—	—	40.51	128.22
Cash dividends declared per share of common stock (Note D)	¥52.00	¥28.50	$0.44	¥34.00	¥34.00

Notes: (A) U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥118=US$1, the approximate rate of exchange on February 28, 2007.
(B) Capital expenditures include property and equipment, intangible assets and long-term leasehold deposits.
(C) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(D) Cash payments upon a stock transfer were made by Seven & i Holdings to the shareholders of Seven-Eleven Japan, Ito-Yokado, and Denny's Japan recorded in the registers of shareholders as of August 31, 2005, instead of the interim dividend payments for the fiscal year ended February 28, 2006.

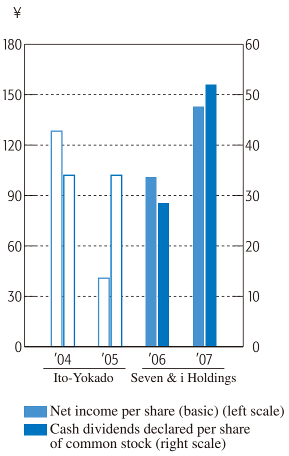
Revenues from Operations and Operating Income



Net Income and ROE



Net Income per Share (Basic) and Cash Dividends Declared per Share of Common Stock



HIGHLIGHTS OF OUR PROGRESS FOR FUTURE GROWTH

With the goal of creating "a new, comprehensive lifestyle industry," Seven & i Holdings has prepared to fully leverage synergies by clarifying its core operational areas, expanding into new fields of business, and bolstering its existing operations.

2005 2006

SEPTEMBER 2005

Seven & i Holdings Co., Ltd., was established.

NOVEMBER 2005

7-Eleven, Inc., in the United States, was made a wholly owned subsidiary.

Seven-Eleven Japan began to open stores in Gifu Prefecture.

FEBRUARY 2006

Seven-Eleven Japan began to open stores in Mie Prefecture.

MARCH 2006

Ito-Yokado opened Ario Kameari.

Seibu Akita was reopened after a full-scale remodeling.

APRIL 2006

Ito-Yokado Kamagaya, which is specialized in food, was opened.

MAY 2006

Sogo Chiba was reopened after a full-scale remodeling.

JUNE 2006

Millennium Retailing, Inc., was made a wholly owned subsidiary through a stock-for-stock exchange.

JULY 2006

The Company cancelled 427,509,908 shares of treasury stock.

AUGUST 2006

Chicago-based White Hen Pantry, Inc., of the United States, was acquired by 7-Eleven, Inc.

SEPTEMBER 2006

York-Benimaru Co., Ltd., was made a wholly owned subsidiary through a stock-for-stock exchange.

Seibu Yurakucho was reopened after a full-scale remodeling.

Group and Capital Structure Initiatives

Operating and Sales Initiatives

Store Information

NOVEMBER 2006

The Group Merchandising Reform Project was launched.

DECEMBER 2006

Ito-Yokado opened Ario Yao.

JANUARY 2007

Seven & i Food Systems Co., Ltd., was established.

MAY 2007

The *Seven Premium* line of new private-brand products was launched.

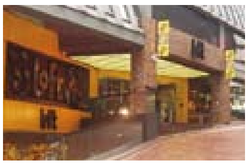
JUNE 2007

Seven Cash Works Co., Ltd., a new company that will provide operating cash (change) services, was established.

2007

MARCH 2007

Shares of THE LOFT CO., LTD., were acquired, making Loft a subsidiary.



The introduction of Seven-Eleven Japan's Sixth-Generation Total Information System was completed.

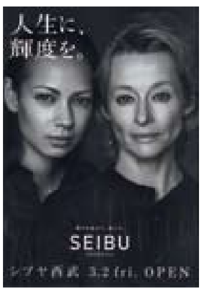
Ito-Yokado Nagareyama Otaka-no-mori, Ito-Yokado's first store in the neighborhood shopping center format, was opened.

Ito-Yokado LaLaport Yokohama was opened.

APRIL 2007

The introduction of *nanaco* electronic money was started.

Seibu Shibuya was reopened after a full-scale remodeling.



AT A GLANCE

(As of February 28, 2007)

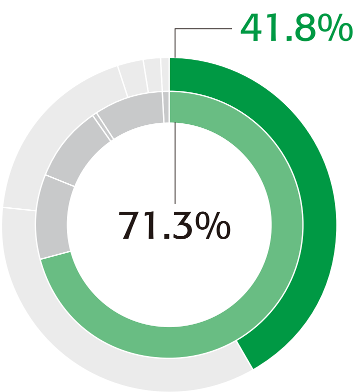
Note: Figures in parentheses indicate percentage of equity owned by Seven & i Holdings, including indirect holdings.

CONVENIENCE STORE OPERATIONS

PRINCIPAL SUBSIDIARIES

Seven-Eleven Japan	(100.0)
7-Eleven, Inc.	(100.0)
SEVEN-ELEVEN (HAWAII)	(100.0)
SEVEN-ELEVEN (BEIJING)	(65.0)

CONTRIBUTION TO RESULTS



Revenues from Operations

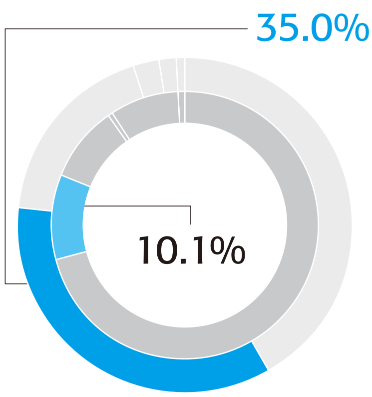
Operating Income

SUPERSTORE OPERATIONS

PRINCIPAL SUBSIDIARIES

Ito-Yokado	(100.0)
York-Benimaru	(100.0)
York Mart	(100.0)
Hua Tang Yokado Commercial	(75.8)
Chengdu Ito-Yokado	(51.0)

CONTRIBUTION TO RESULTS



Revenues from Operations

Operating Income

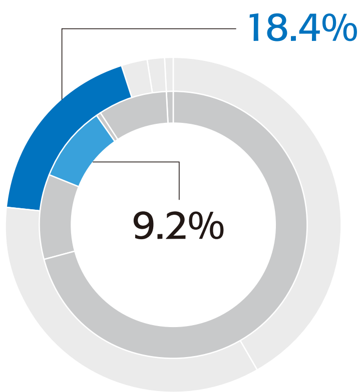
DEPARTMENT STORE OPERATIONS

PRINCIPAL SUBSIDIARIES

Millennium Retailing	(100.0)
Sogo	(100.0)
THE SEIBU DEPARTMENT STORES	(100.0)
SHELL GARDEN	(100.0)
THE LOFT	(35.7)

In March 2007, Millennium Retailing, a wholly owned subsidiary of the Company, acquired additional shares of Loft, an affiliate of the Company, increasing the Company's ownership in Loft from 35.7% to 70.7% and making Loft a subsidiary of the Company.

CONTRIBUTION TO RESULTS



Revenues from Operations

Operating Income

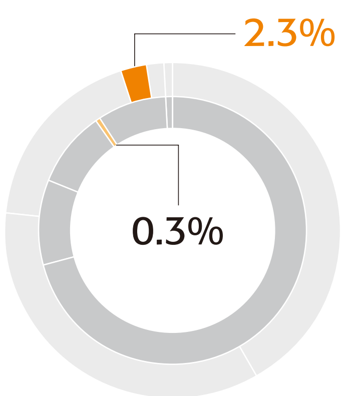
RESTAURANT OPERATIONS

PRINCIPAL SUBSIDIARIES

Seven & i Food Systems	(100.0)
Denny's Japan	(100.0)
Famil	(100.0)
York Bussan	(100.0)

In January 2007, Seven & i Food Systems was established as a subsidiary of the Company, and plans call for Denny's Japan, Famil, and York Bussan to be merged into Seven & i Food Systems in September 2007.

CONTRIBUTION TO RESULTS



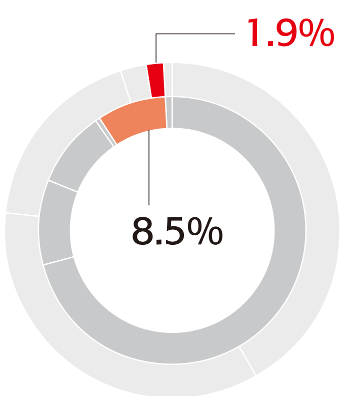
Revenues from Operations
Operating Income

FINANCIAL SERVICES

PRINCIPAL SUBSIDIARIES

Seven Bank	(49.9)
IY Card Service	(94.1)
SE CAPITAL	(100.0)
York Insurance	(100.0)
SEVEN & i Financial Center	(100.0)

CONTRIBUTION TO RESULTS



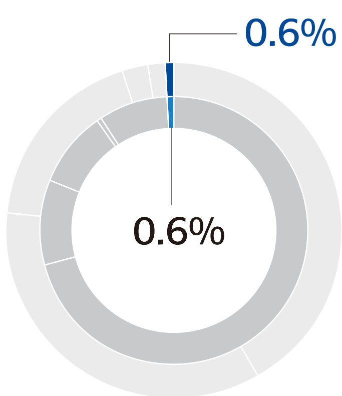
Revenues from Operations
Operating Income

OTHERS

PRINCIPAL SUBSIDIARIES

Seven and Y	(50.8)
7dream.com	(68.0)
Seven-Meal Service	(90.0)
SEVEN & i Publishing	(100.0)
Mall & SC Development	(60.0)
SEVEN & i Life Design Institute	(100.0)

CONTRIBUTION TO RESULTS



Revenues from Operations
Operating Income

TO OUR SHAREHOLDERS AND INVESTORS

Toshifumi Suzuki
Chairman and Chief Executive Officer

Noritoshi Murata
President and Chief Operating Officer

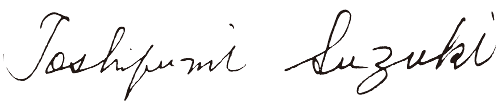
In September 2007, we will reach the second anniversary of the establishment of Seven & i Holdings Co., Ltd., which was founded with the mission of creating "a new, comprehensive lifestyle industry" that provides new value to meet emerging needs. Since our establishment, we have worked to maximize enterprise value by strengthening and expanding our operational areas and by leveraging synergies. To those ends, we have efficiently and rapidly implemented a range of initiatives to bolster the Group management system.

As a result of such efforts, we recorded substantial gains in revenues and profits in the fiscal year ended February 2007. Revenues from operations increased 37.0%, to ¥5,337.8 billion; operating income rose 17.1%, to ¥286.8 billion; and net income rose 51.7%, to ¥133.4 billion. Unseasonable weather throughout the year, including a cool summer and a record-setting warm winter, had an adverse effect on the activities of our operating companies. Nonetheless, our existing operations recorded solid results. Moreover, substantial contributions to revenues and profits were made by newly consolidated subsidiaries, with Millennium Retailing, Inc., fully consolidated from the fiscal year under review and York-Benimaru Co., Ltd., consolidated from the second half of the fiscal year under review. This performance is attributable not only to our efforts to strengthen and expand our operational areas but also to the strong support that we have received from our shareholders and investors since the establishment of Seven & i Holdings. We are deeply grateful for that support.

Accordingly, in consideration of the higher revenues and profits that we recorded in the past fiscal year, we decided to raise the year-end dividend by ¥2.00 per share from our original plan, to ¥27.00 per share. As a result, together with the interim dividend of ¥25.00 per share, our annual dividend amounted to ¥52.00 per share.

The Company will continue working to strengthen the competitiveness of its operating companies. Without limiting ourselves to traditional business practices, we will strive to create stores from the viewpoint of the customer as we take on the challenge of promoting innovation in retailing in a broad range of areas, including products, services, and customer service. We would like to ask for the continued support of our shareholders and investors in the years ahead.

June 2007



Toshifumi Suzuki
Chairman and Chief Executive Officer

Noritoshi Murata
President and Chief Operating Officer

AN INTERVIEW WITH THE PRESIDENT

Q1. Would you give us an overview of the past fiscal year and the outlook for the year ahead?

A1. In the fiscal year ended February 2007, the operating environment faced by companies in the domestic retail industry remained challenging. Key factors included unseasonable weather and a delayed recovery in consumer spending. However, Seven & i Holdings' existing businesses recorded favorable results overall, with strong contributions made by 7-Eleven, Inc., in the United States, and by Seven Bank. Contributions were also made by Millennium Retailing and York-Benimaru, which were consolidated from the year under review, and we recorded substantial gains in revenues and profits. Since Seven & i Holdings was founded, we have implemented initiatives to strengthen and expand our operational areas, and I believe that our results in the past fiscal year reflect the success of those initiatives. (See pages 2 and 3.)

In the fiscal year ending February 2008, we will continue working to reinforce our existing fields of business and striving to leverage synergies. Specific initiatives will include increasing convenience for our customers by extending the Group's original electronic money *nanaco*—which has been available in all Seven-Eleven Japan (SEJ) stores since May 2007—throughout the Group. (See pages 11 to 13.) In addition, we will work to expand sales of our new private-brand products, which have been available since May 2007. (See pages 13 and 14.)

As a result of these initiatives, for the fiscal year ending February 2008, we are forecasting revenues from operations of ¥5,755.0 billion, up 7.8%; operating income of ¥300.0 billion, an increase of 4.6%; and net income of ¥150.0 billion, a gain of 12.4%. The relatively low increase that we are forecasting for operating income is attributable to two main factors. The first will be expenses incurred in convenience store and financial services operations stemming from the introduction of *nanaco*. The second will be the need for upfront investment, including higher costs in convenience store operations in North America accompanying the implementation of aggressive store revitalization measures.

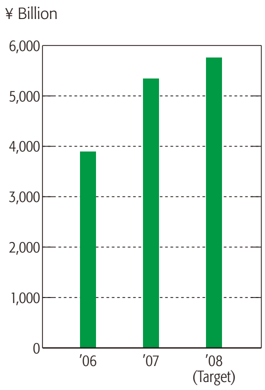
Q2. The Group has completed its second fiscal year since the move to the holding company system with the establishment of Seven & i Holdings. How would you evaluate the changes the Group has implemented over that period?

A2. Since its establishment, Seven & i Holdings has had responsibility for the Group's management strategies as the listed company that represents the Group. Operating companies have complete responsibility in their fields of business, where they work independently to secure gains in profit growth and capital efficiency. We have clarified the roles of the holding company and the operating companies. We have worked together to establish our core operational areas, expanded into new fields of business, and bolstered our existing operations. As a result, I believe that we have smoothly completed the first phase—building a foundation for growth as "a new, comprehensive lifestyle industry." At the same time, as we enter the second phase, where we will focus on further expanding the scale of our operations and increasing our profits, I believe that we will be able to heighten the potential of the entire Group.

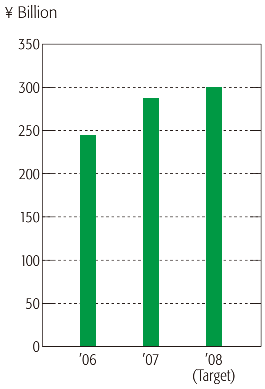
Q3. Seven & i Holdings oversees operating companies working in a range of retail formats. What fields will the Company focus on over the medium to long term, and what initiatives will it implement in those fields?

A3. We will continue working to strengthen our existing fields of business. In particular, we will focus on initiatives that contribute to raising revenues on a Groupwide basis, such as promoting *nanaco* and e-commerce and expanding our global network of convenience stores.

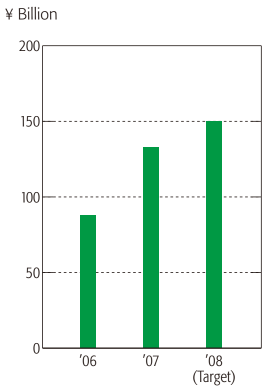
Revenues from Operations



Operating Income



Net Income



nanaco was launched at all SEJ stores by May 2007. In the future, we will expand *nanaco* to all Group stores in Japan. At the same time, we will strive to ensure that we establish a superior competitive position in the electronic money business. For instance, we will establish links between *nanaco* and the point services offered by Group operating companies, and we will extend *nanaco* usage and point service tie-ups outside the Group. (See pages 11 to 13.)

Consumer purchasing patterns are changing, and there are trends toward fewer children per family and an aging population. In this setting, e-commerce services are showing rapid growth. Several Group companies are already offering their own Internet sales, and in the future we will consider establishing a joint Group site and developing a comprehensive Internet sales business.

We will focus on further expanding our global network of convenience stores and on raising the value of the 7-Eleven chain. Specifically, in Asia, Europe, and South America, we will step up our development of area licensees through 7-Eleven, Inc. In Asia, SEJ is giving consideration to providing area licensees with its know-how in such areas as product development as it works to achieve a higher level of store development. (See pages 14 and 15.)

Q4. What are your thoughts about mergers and acquisitions in the retail industry?

A4. We are not considering mergers or acquisitions undertaken simply for the purpose of expanding our market share or the scale of our operations. We will remain focused on management activities that strengthen or complement our existing operations, and we will actively consider M&A activities that are consistent with that approach.

We do not focus only on operational scale or market share because we believe that—in addition to a fundamental management focus on profits and quality—our most important task is responding to the dramatically changing operating environment in the retail industry. If we do not continually reinvent ourselves in response to customer needs, then even the largest operational scale will not ensure our survival as an ongoing enterprise.

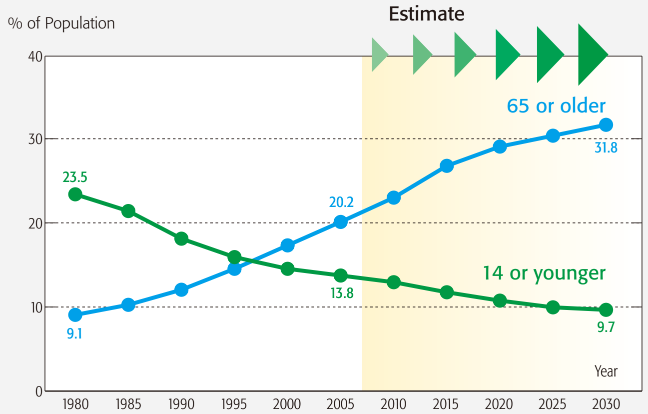
Q5. Some industry observers have said that the domestic convenience store industry is facing an extremely difficult operating environment because there are too many stores and business formats are limited. What is the position of Seven & i Holdings on this issue?

A5. We believe that there is room for further growth in the domestic convenience store industry. Currently, SEJ has established a dominant position in the industry. On this operational foundation, we will strive for further growth.

The number of small and medium-sized stores, which account for more than half of the retail stores in Japan, is declining. However, customers want to be able to make purchases and use services at nearby stores. Also, as the population ages, the range of customer activities is contracting. And as purchasing behavior diversifies, e-commerce is growing rapidly. As a result, there is a need for the establishment of bases for product delivery and settlement. We expect further growth in needs for nearby stores.

Moreover, we have sufficient opportunity to expand our store network in Japan. At this point, we have

Japan's Population by Age

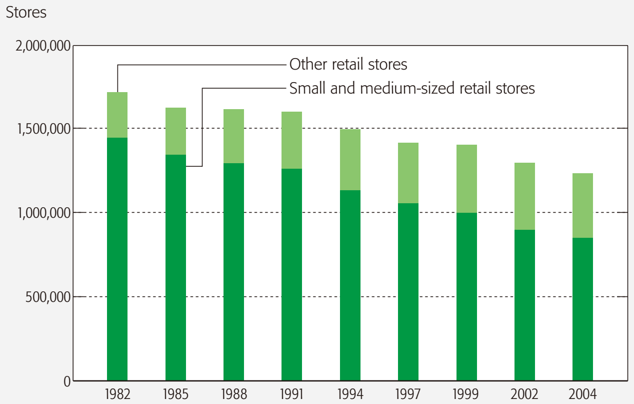


Sources: National Institute of Population and Social Security Research, Population Statistics of Japan; Ministry of Internal Affairs and Communications, Statistics Bureau opened stores in only 34 of Japan's 47 prefectures, and we can open stores in new regions. We can also step up store openings in urban areas with high population densities.

Furthermore, we will continue such initiatives as the development of SEJ original products and work to expand sales of the Group's new private-brand products, which showcase the know-how of Group companies. Also, we will work to increase convenience for customers through tie-ups with *nanaco*, which was introduced into all SEJ stores by May 2007, and point services. Moreover, Seven Bank ATMs have already been installed in nearly all stores nationwide. These stores will serve as bases for the provision of financial services through these ATMs. In addition, they will be bases for the provision of operating cash (change) services by Seven Cash Works, which was established in June 2007. (See page 33.) In these ways, we will work to further increase the added value of SEJ stores.

By steadily implementing these initiatives, we will work to take a wide-ranging approach to increasing customer convenience in small service areas and to achieve further growth in convenience store operations.

Number of Retail Stores in Japan



Note: The number of small and medium-sized stores is the number of stores with four employees or less.
Source: Ministry of Economy, Trade and Industry

Q6. Seven & i Holdings has announced a target of 10% for consolidated ROE. What initiatives will the Company implement to achieve this target?

A6. To achieve our consolidated ROE target of 10%, we will work to increase profitability in each of our fields of business. Accordingly, we implemented business reform measures at Ito-Yokado and established a subsidiary in preparation for the restructuring of our restaurant operations. Moreover, to generate synergies, we have worked to develop our new private-brand products and have introduced our original electronic money *nanaco*. We are also working to raise capital efficiency, and we have made investments to strengthen our operational foundation. For example, we have made 7-Eleven, Inc., in the United States, and York-Benimaru wholly owned subsidiaries. Also, our investments in the establishment of new operational areas have included making Millennium Retailing a wholly owned subsidiary and making Loft a subsidiary, and we will continue to make aggressive investments in the future.

As for our financial strategy, we will work to maintain a consolidated dividend payout ratio of 35% while continuing to emphasize profit growth. In addition, we will consider flexible acquisitions of our own shares.

Q7. Dividends for the fiscal year ended February 2007 have been increased by ¥2.00 per share from initial forecasts. Would you discuss the Company's future dividend policy?

A7. Our basic policy is to provide a return of profits in line with profit growth, and we are targeting annual dividends of ¥50.00 per share while working to increase the consolidated payout ratio, for which our benchmark is 35%. We will utilize our internal reserves to conduct aggressive investment in existing businesses in accordance with clear investment standards and to restructure our operations by investing in new businesses.

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.

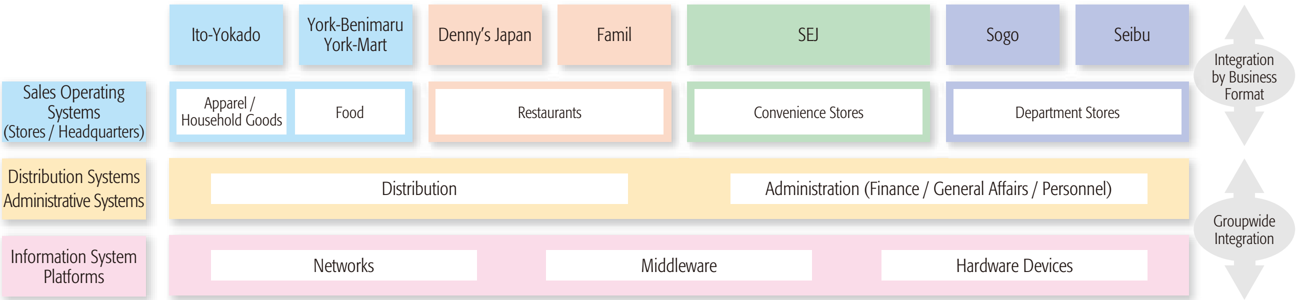
Convenience Stores	• SEJ made 7-Eleven, Inc., a wholly owned subsidiary. • 7-Eleven, Inc., acquired White Hen Pantry, an operator of convenience stores in the Chicago area.
Superstores	• Ito-Yokado implemented business restructuring measures to improve profitability. In accordance with a conservative 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

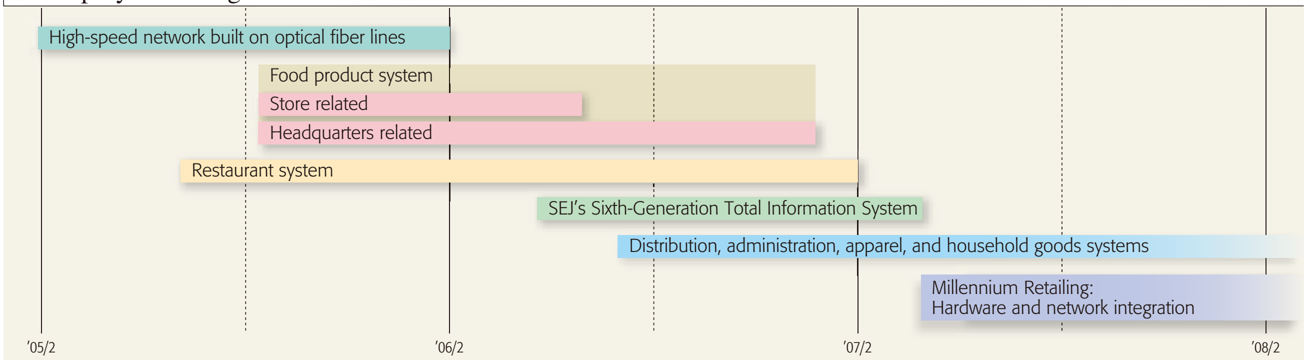
Targeting the realization of synergies, we worked to integrate our information systems. The objective of these efforts was to build a foundation for enhancing Group merchandising. The

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.

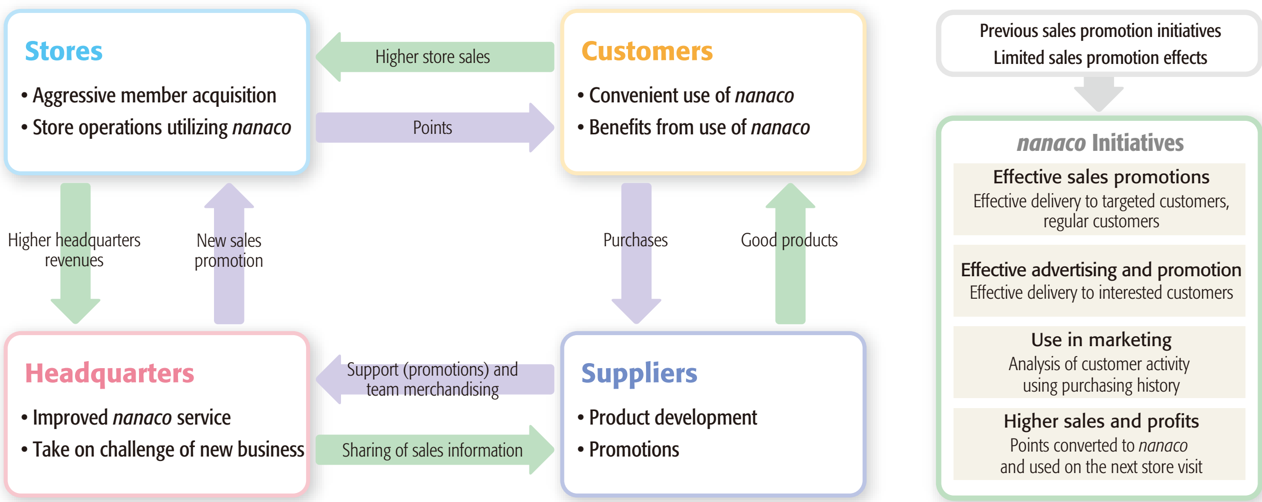
(2) To increase revenues and profits through the development of an original service

- 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.

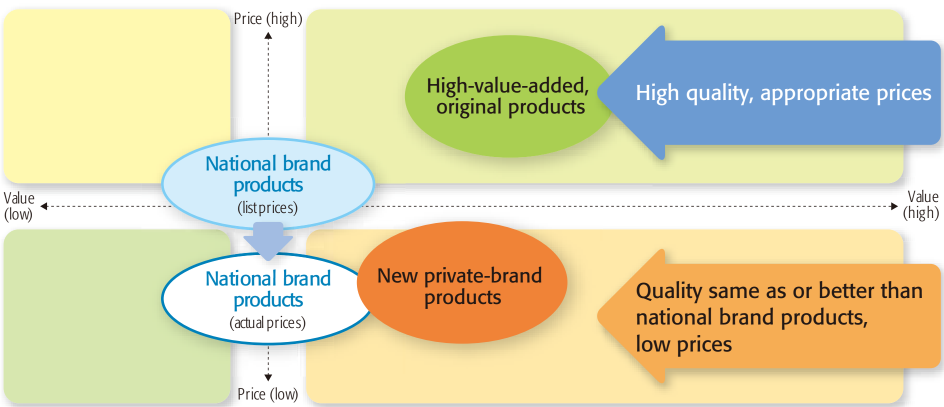
From May 2007, new private-brand products developed under this project have been launched in the stores of the five participating companies. We will strive to offer more than 1,000 new private-brand items by February 2011, with original items contributing about ¥300 billion toward Seven & i Holdings'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

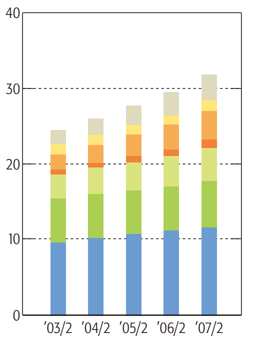
In the future, we will bolster our sales promotion strategy for raising awareness of new private-brand products while steadily expanding the range of development efforts. By further strengthening our lineup of original items and providing products that meet customer needs, we will raise the share of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

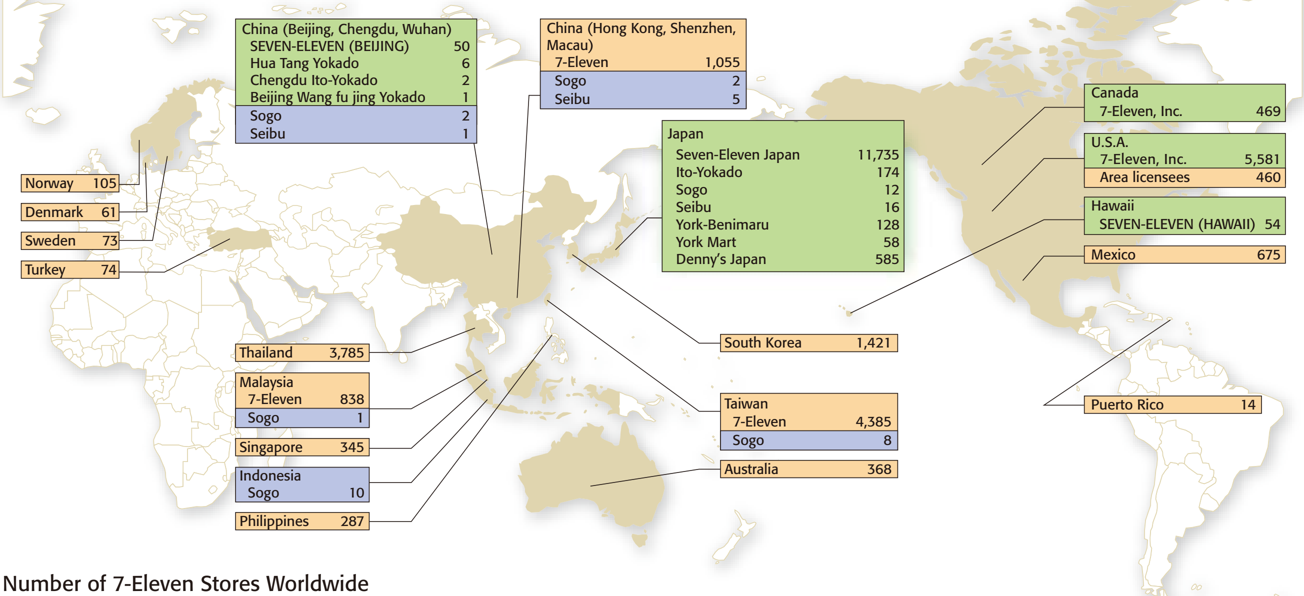


Note: Number of stores in Japan as of the end of February, and number of stores in other countries and regions as of the end of December.

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 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.

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

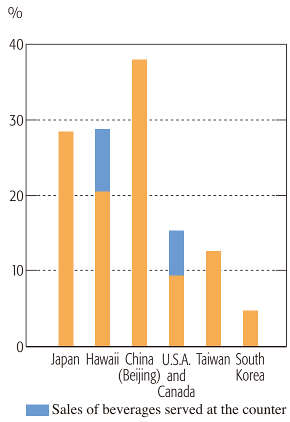
In the fiscal year ended December 2006, 7-Eleven, Inc., eliminated its accumulated deficit. Looking ahead, we began to clarify management policies, accelerate store openings in North America, expand the number of franchised stores, bolster renovations of existing stores, and strengthen fast food offerings.

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.

CONVENIENCE STORE OPERATIONS

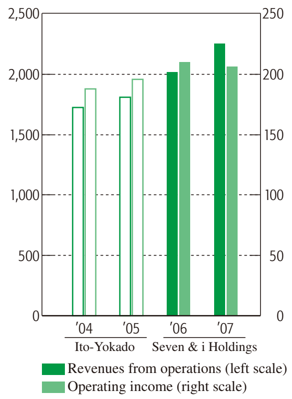
REVENUES FROM OPERATIONS*
¥2,249.6 billion .... ↑11.6%

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

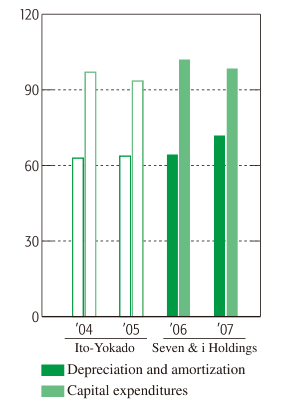
CAPITAL EXPENDITURES
¥98.5 billion .... ↓ 3.4%

* 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.

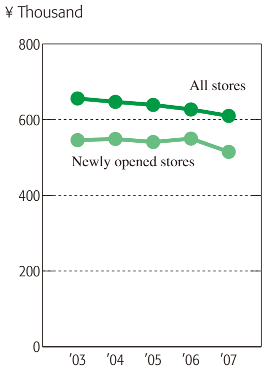
At the end of February 2007 (December 2006 for companies based outside Japan), there were 31,835 stores, an increase of 2,129 from the previous fiscal year-end, in 17 countries and regions. This figure includes the stores operated overseas by area licensees that acquired licenses from 7-Eleven, Inc.,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

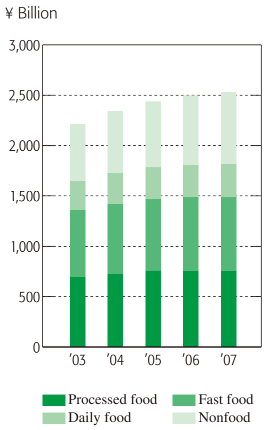


Although the number of domestic store openings was down slightly year on year, SEJ continued to open stores in areas where it has existing stores in accordance with its area dominance strategy. SEJ opened 832 stores and closed 407, principally due to relocations implemented in response to changes in 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.

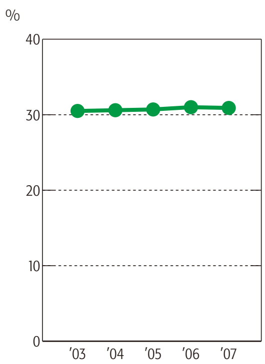
By product category, sales of processed food increased slightly, to ¥752.5 billion, while sales of fast food rose 0.4%, to ¥734.7 billion. Sales of daily food increased 0.6%, to ¥329.4 billion, and sales of nonfood products rose 4.3%, to ¥717.0 billion. The gross margin on store sales declined 0.1 percentage 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.

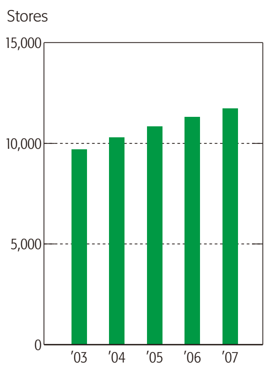
Sales by Product Category



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

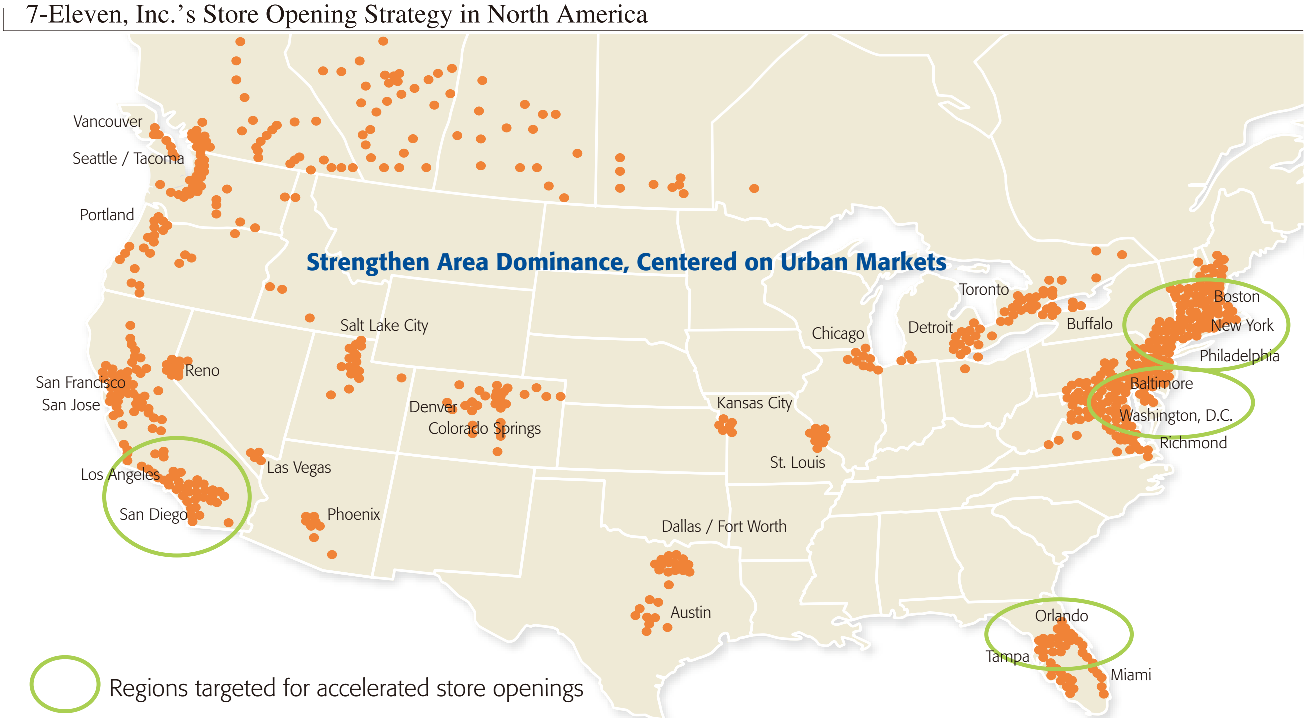
In the fiscal year ended December 2006, 7-Eleven, Inc., recorded a favorable performance due to the contributions of fast food, beverages, and gasoline. After conversion to the Japanese-style presentation, 7-Eleven, Inc., had net sales of ¥1,690.6 billion, up 13.8%, comprising merchandise sales of ¥1,008.8 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)

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

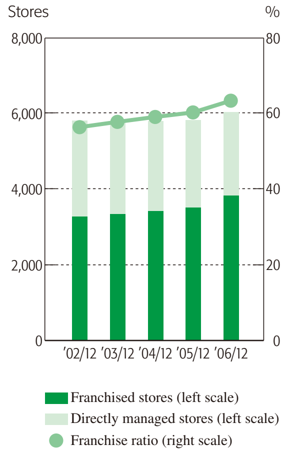
DOMESTIC OPERATIONS: SEJ

Food Safety Initiatives

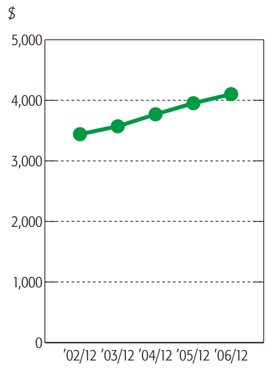
SEJ continues working to meet the needs of customers and establish a dominant advantage over competitors by focusing on the development of secure, safe fast food products.

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

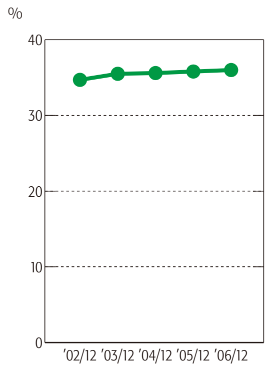
7-Eleven, Inc.
Number of Stores, (Total and by Type)



Average Daily Sales per Store (All Stores)



Gross Margin on Merchandise Sales



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

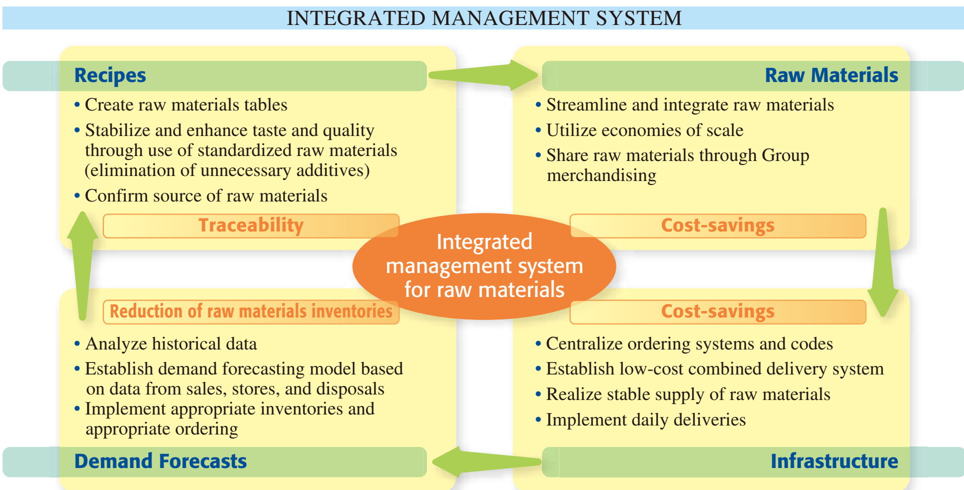
SEJ continues working to develop and launch original products to meet the needs of customers who are not satisfied with existing national brand products. Furthermore, we will work to increase sales of new Group private-brand products that offer quality equivalent or superior to that of national brand 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

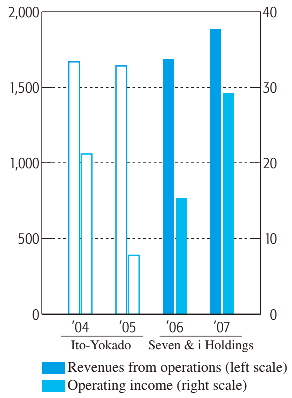
REVENUES FROM OPERATIONS*
¥1,882.9 billion .... ↑ 11.6%

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

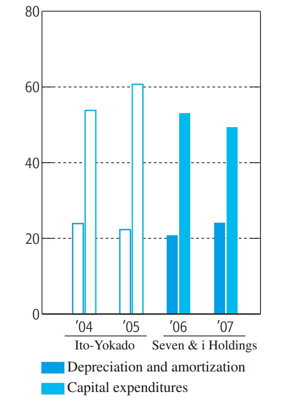
CAPITAL EXPENDITURES
¥49.4 billion .... ↓ 6.9%

* 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.

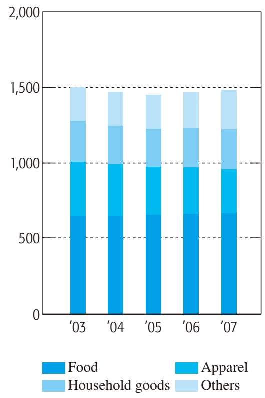
In apparel, since February 2006 we have launched private brands in women's clothing and men's clothing, centered on basic products, and maintained a special focus on product development while continually fine-tuning sizes, designs, and other characteristics. Furthermore, to bolster our apparel lineup, 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.

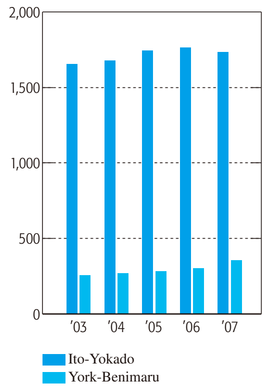
FOOD SUPERMARKET DIVISION

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

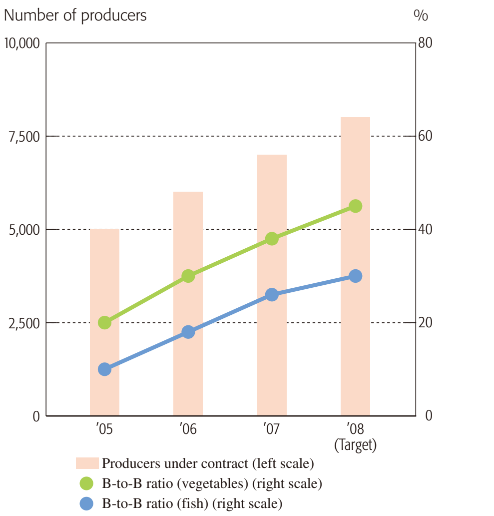


Business Strategies in the Superstore Division

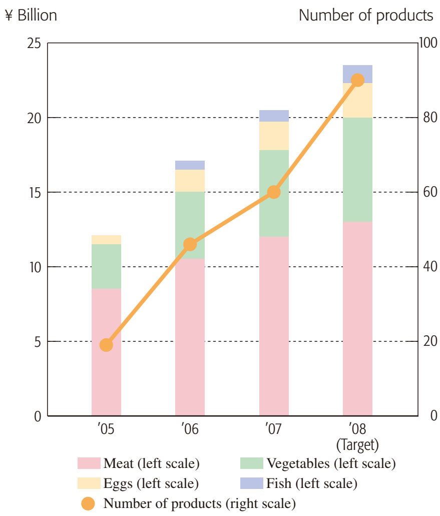
Ito-Yokado's Food Initiatives—Bolster Regional Merchandising, Offer Safety and Security

Progress with Regional Product Initiatives (Vegetables, Local Fish)

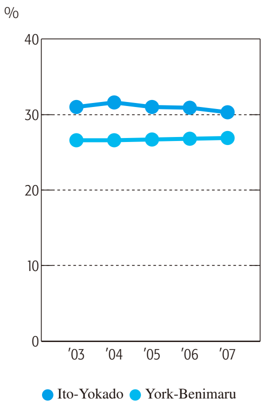
Note: Certain vegetables are not included in the B-to-B ratio given below.



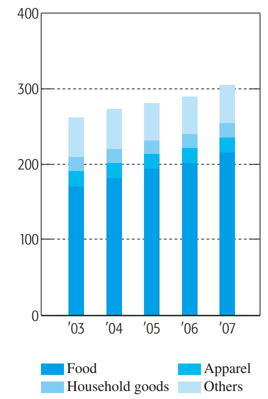
Sales of "See the Farmer's Face" Products and Number of Products



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

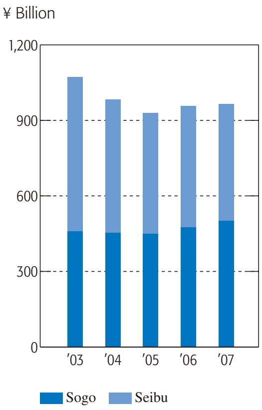
REVENUES FROM OPERATIONS*
¥988.4 billion

OPERATING INCOME*
¥26.8 billion

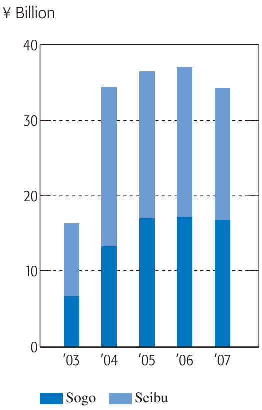
CAPITAL EXPENDITURES
¥93.7 billion

* Before elimination of intersegment transactions

Revenues from Operations



Operating Income



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

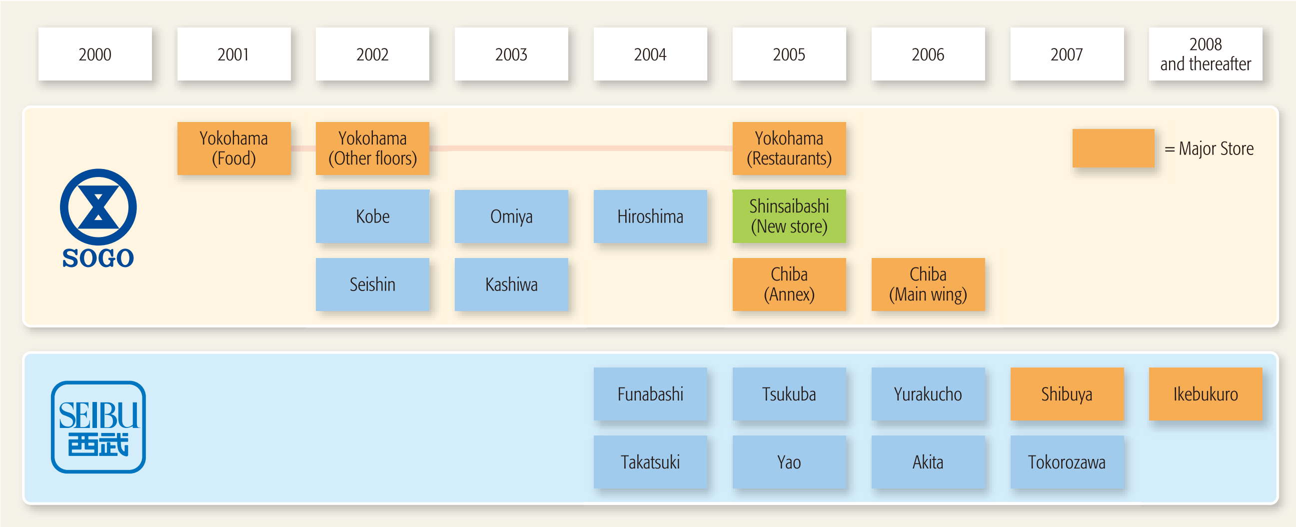
In the fiscal year under review, we made a decisive transition from defense to offense in our department store operations.

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



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.

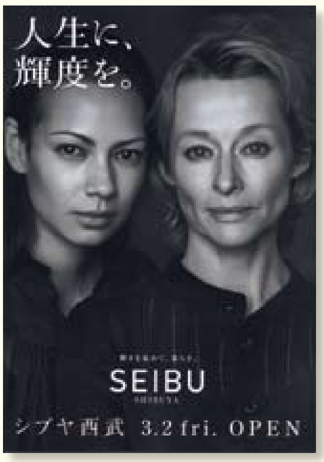
As a result, in the fiscal year ending February 2008, for Sogo, we are forecasting revenues from operations of ¥521.0 billion, an increase of 4.1%, and operating income of ¥18.5 billion, a gain of 10.4%. For Seibu, we are forecasting revenues from operations of ¥487.0 billion, an increase of 4.5%, and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

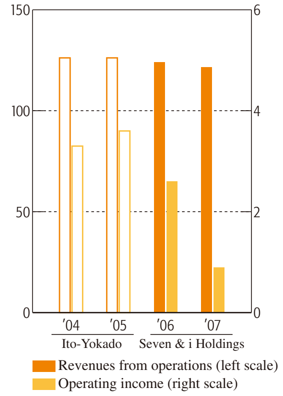
REVENUES FROM OPERATIONS*
¥121.7 billion.................... ↓ 1.9%

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

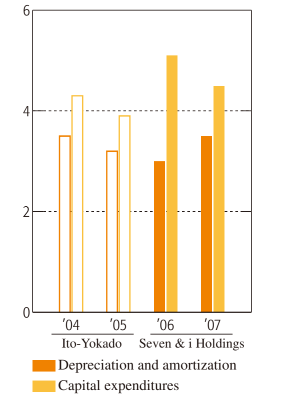
CAPITAL EXPENDITURES
¥4.5 billion........................ ↓ 12.1%

* 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

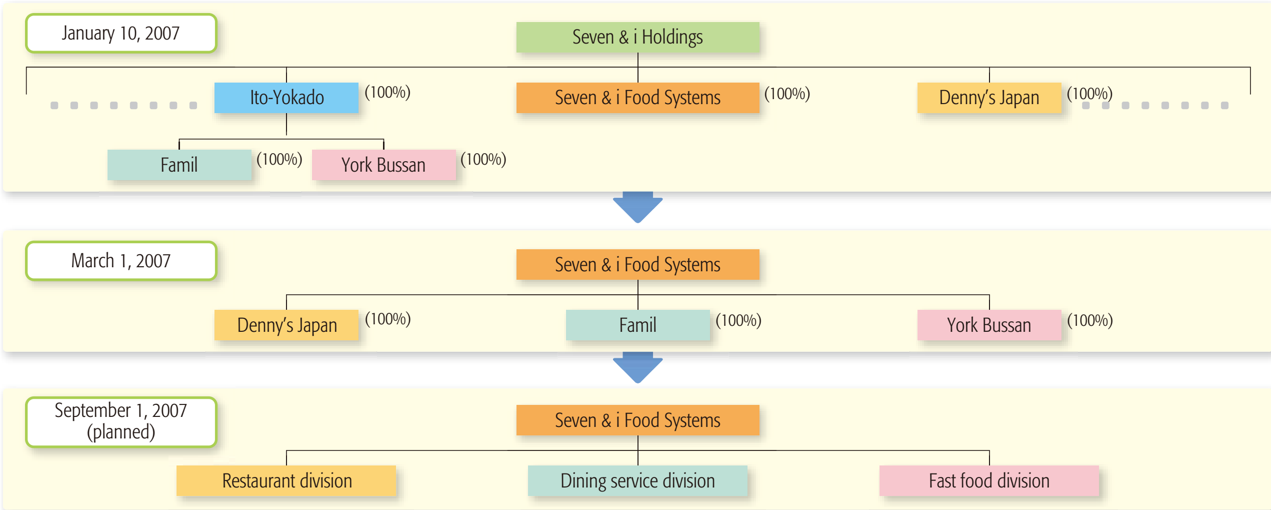
DENNY'S JAPAN

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

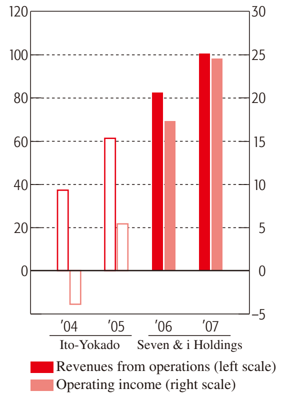
REVENUES FROM OPERATIONS*
¥100.3 billion .... ↑21.9%

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

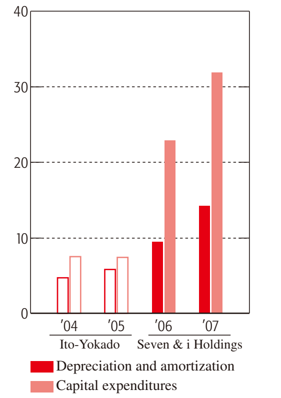
CAPITAL EXPENDITURES
¥31.9 billion .... ↑39.1%

* 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.

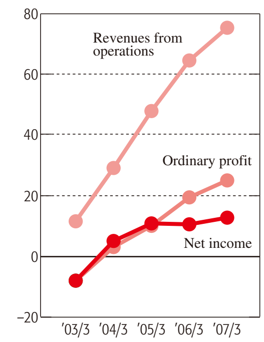
Initially, the service will be limited to SEJ stores.

CHANGE MACHINE SERVICE

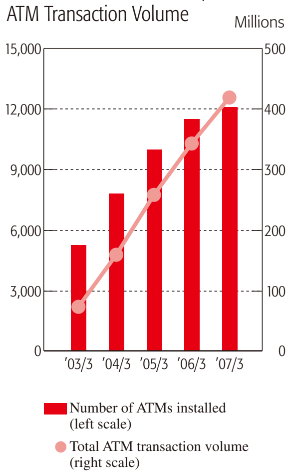
From spring 2008, advanced, highly efficient, small-sized change machines developed especially for this service will be installed in SEJ stores, and service will be provided 24 hours a day, 365 days a year.

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



CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

BASIC POLICY FOR CSR ACTIVITIES

The retail businesses managed by Seven & i Holdings and its operating companies are closely connected to the daily lives of the Group's customers. Accordingly, our basic policy for our business activities is to take a sincere approach in dealing with all of our stakeholders, including shareholders, customers, business partners, local communities, and employees. We are fully aware that, in this era of major social and economic change, the social responsibilities of corporations have become increasingly important, and we are taking steps to ensure that consideration for CSR is incorporated into all of our business activities, including not only management but also the daily activities of every employee.

Ongoing examination of the relationships among society, individuals, and businesses from the CSR perspective and continued self-innovation are indispensable prerequisites for sound, sustainable corporate growth. Accordingly, the Company is emphasizing daily communication with stakeholders at all of its work venues, such as stores and sales areas. In this way, we gain a better sense of the concerns of stakeholders regarding the social issues that are affected by our operations, and we can implement more effective responses. Moreover, the Company is strengthening the guidance provided to the Group's operating companies and working to achieve highly transparent management through the disclosure of a wide range of information.

EMPHASIS ON STAKEHOLDER ENGAGEMENT

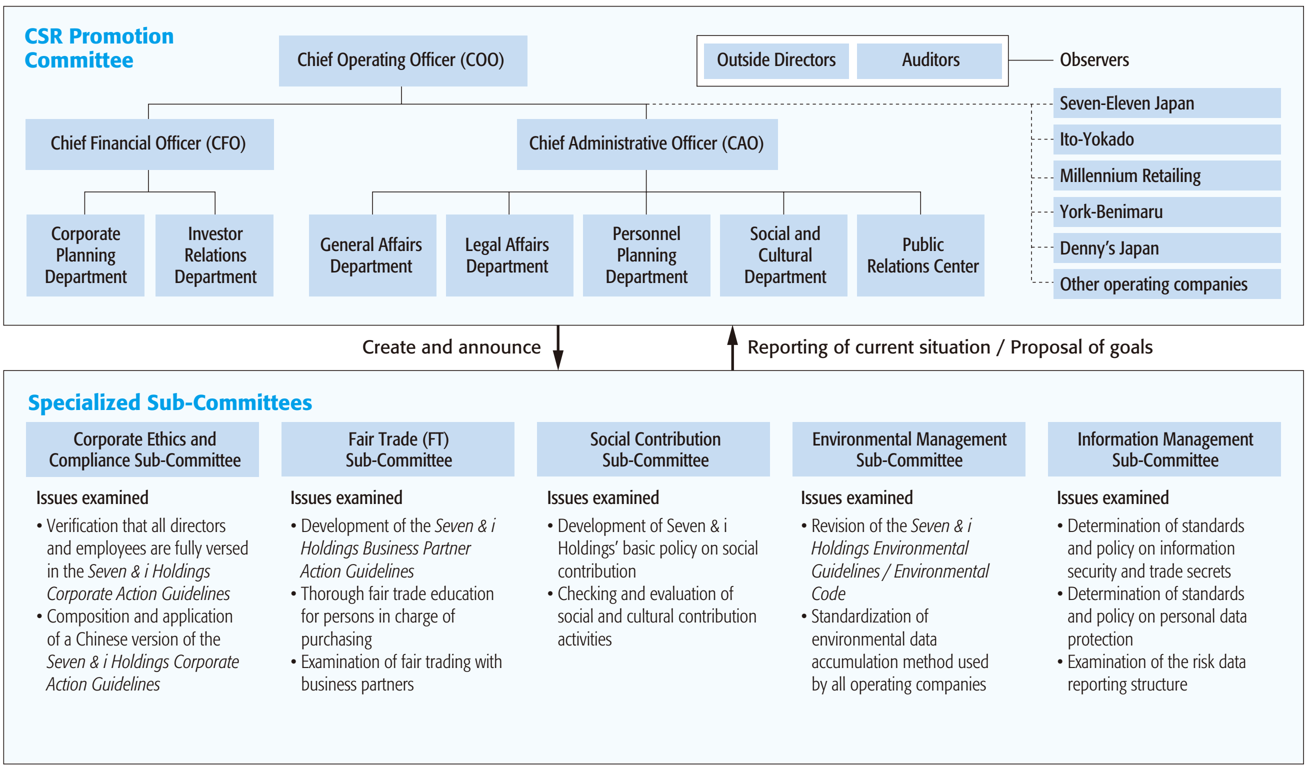
To earn the trust of its stakeholders, the Company must continually work to understand and respond to their interests and concerns regarding society and the Group.

Accordingly, Seven & i Holdings and its operating companies are striving to engage in communication with stakeholders in order to understand and respond rapidly to their "voices," including their opinions, needs, areas of dissatisfaction, and complaints. We place great importance on this process of stakeholder engagement, in which the "voices" of stakeholders are reflected in the business decision making process and the stakeholders are able to participate in management.

ADVANCING GROUPWIDE CSR ACTIVITIES

To implement its policy of stakeholder engagement, the Company established the CSR Promotion Committee, which is led by the Chief Operating Officer (COO) and includes directors with related responsibilities. In addition, five specialized sub-committees were established under the auspices of the CSR Promotion Committee. Under this system, the Group's CSR activities are advanced in an integrated, comprehensive manner.

The CSR Promotion Committee and its sub-committees provide oversight and guidance to ensure that all Group companies, in accordance with the *Corporate Creed* and the *Seven & i Holdings Corporate Action Guidelines,* strictly



observe all laws, regulations, and social norms and meet their responsibilities to stakeholders. In addition, to ensure that each Group company, in line with its business activities, implements thorough and continuous compliance with the *Seven & i Holdings Corporate Action Guidelines* that were formulated in 1993, the Company has established Corporate Action Committees in Group companies and assigned full-time employees with responsibility for these issues. These employees share information about CSR and ensure that the *Corporate Action Guidelines* are disseminated and implemented throughout the entire Group.

CUSTOMERS

In recent years, the concerns of consumers have included food-related issues, such as Bovine Spongiform Encephalitis (BSE), avian influenza, residual agricultural chemicals and veterinary pharmaceuticals, and food allergens. Other consumer concerns have included fatalities caused by quality problems with automobiles and air-conditioning equipment as well as health problems caused by toxic substances in apparel and household goods. In response, the Company is working to ensure that it provides its customers with safe and secure products that meet standards that are more rigorous than those required by law.

BUSINESS PARTNERS

For a company to record ongoing growth and development, we believe that it must prosper together with its business partners. As a result, we established the Fair Trade (FT) Sub-Committee to ascertain that no illegal or anti-social activities are taking place—such as unwarranted returns of goods, improper discounting, or unfair requests for employee seconding—and to actively promote fair trade. The FT Sub-Committee also periodically conducts employee training. Furthermore, in an environment marked by ongoing economic globalization, the Company's commitment to CSR includes not only the Group but the entire supply chain. Accordingly, in March 2007, we formulated the *Seven & i Holdings Business Partner Action Guidelines,* which we plan to start implementing from the second half of the current fiscal year.

LOCAL COMMUNITIES

The Company believes that its mission encompasses more than providing goods and services to customers. Contributing to local communities in other ways is also one of our most important duties, and to that end we are implementing a range of initiatives. These include conducting Safety Station activities to cooperate in the establishment of safe, secure communities and taking steps to prevent smoking and alcohol consumption by minors. In particular, our efforts to create safe communities and to provide disaster relief for local communities have been highly evaluated.

7-Eleven employees from about 6,000 stores in Japan offer door-to-door sales services, visiting homes in neighboring areas and taking orders.

Ito-Yokado's *Fureai Shopping* service, which provides shopping opportunities for people in need of caregiving or assistance, such as those in assisted living facilities, has been highly evaluated.

EMPLOYEES

To maintain an active society in the face of ongoing domestic trends toward fewer children per family and an aging population, Japan must support a diverse workforce that includes women, senior citizens, and people with disabilities. Accordingly, the Company complies fully with the Law Concerning Stabilization of the Employment of the Aged and the Law for Employment Promotion, etc., of the Disabled. In addition, we are taking steps to ensure diversity in our workforce, such as the creation of a workplace where men and women are treated equally and everyone can work to their full potential.

THE ENVIRONMENT

The Kyoto Protocol, which took effect in February 2005, requires Japan to reduce greenhouse gas emissions by 6% from 1990 levels, with a target period for achieving that goal of 2008 to 2012. By monitoring and reducing the CO_2 emitted as a result of its business activities, the Company will work to help in the achievement of that goal.

Our major CO_2 reduction initiatives have included reducing electricity consumption through the introduction of energy-efficient equipment and increasing distribution efficiency through the use of combined distribution centers.

EXTERNAL EVALUATION

Seven & i Holdings was selected for inclusion in the FTSE4Good Global Index in 2006, and in May 2007 the Company's inclusion in the index was continued. The FTSE4Good Global Index is one of the indices created and managed by FTSE, an independent company that is owned by The Financial Times and the London Stock Exchange.

FTSE4Good

DISCLOSURE

Detailed information about the Company's CSR activities is provided in the *CSR Report 2006*. This report is available on our web site, in English and Japanese, at the following URL.
http://www.7andi.com/en/csr/csrreport.html

CORPORATE GOVERNANCE

FUNDAMENTAL APPROACH TO CORPORATE GOVERNANCE

The mission of Seven & i Holdings, as a holding company that oversees and controls its operating companies, is to strengthen corporate governance, and maximize the enterprise value of the Group. In corporate governance, the Company takes a logical approach to four issues: (1) operational effectiveness and efficiency, (2) reliability of financial reports, (3) strict compliance with laws and regulations in operating activities, and (4) appropriate preservation of assets. The ultimate objective is long-term growth in enterprise value.

In taking steps to achieve this objective, the Company seeks to achieve Group synergies and implements careful monitoring to ensure the appropriate allocation of management resources. On the other hand, each operating company fulfills its own responsibilities in its field of business, where it acts independently to secure growth in profits and higher capital efficiency.

BASIC STRUCTURES AND SYSTEMS

As of May 24, 2007, the Company's Board of Directors comprised 15 members, of whom 2 were outside directors. To facilitate prompt decision making and execution in a rapidly changing management environment, we have introduced the executive officer system. Under this system, the supervisory functions of the Board of Directors are separate from the execution functions of the executive officers. The Board of Directors is able to focus on the formulation of management strategies and the supervision of business execution while the executive officers can focus on business execution. To ensure prompt reflection of the wishes of shareholders, the term of directors has been set at one year.

The Company monitors management through a system of corporate auditors. As of May 24, 2007, the Board of Corporate Auditors comprised five members, including three outside corporate auditors. Each corporate auditor takes steps to audit the work of the directors, such as attending meetings of the Board of Directors and other important meetings, exchanging opinions with the Representative Directors, periodically receiving reports from directors and others regarding business execution, and actively exchanging information with the Auditing Office.

The Company has assigned employees to assist the outside directors and outside corporate auditors and established a support system that facilitates smooth information exchange and close interaction with the inside directors and standing corporate auditors. To ensure that the responsibilities of the two outside directors and the three outside corporate auditors are clear, we have concluded contracts limiting their responsibility in accordance with the Corporate Law and the *Articles of Incorporation.*

Furthermore, the Company has established the Auditing Office as an independent office to conduct internal audits. The Auditing Office has general responsibility for verifying the internal auditing of each of the core operating companies and providing guidance to them. The Auditing Office also has internal auditing responsibility for the Company itself. In addition, the Auditing Office actively exchanges information with the corporate auditors and works closely with them while strengthening its general and internal auditing responsibilities. Moreover, an independent auditing office has been established in each core operating company to ensure that internal auditing responsibilities are handled in a thorough manner.

The Company has concluded an auditing contract with KPMG AZSA & Co., which serves as the independent auditors of the Company's accounts. From their viewpoint as accounting specialists, the independent auditors advise the Company about the account auditing operations of the corporate auditors, and the Company actively exchanges information with the independent auditors. In addition, we have established a system to receive advice and guidance from multiple legal offices as needed.

CHANGE IN INDEPENDENT AUDITORS

The Financial Services Agency ordered ChuoAoyama Audit Corporation (currently MISUZU Audit Corporation), which had been the Company's independent auditors, to suspend operations for the two-month period from July 1, 2006, to August 31, 2006. Consequently on July 1, ChuoAoyama Audit Corporation lost its independent auditors' qualifications and withdrew as the Company's independent auditors. Accompanying this development, the Company selected KPMG AZSA & Co. as temporary independent auditors on July 1, 2006, and MISUZU Audit Corporation as temporary independent auditors on September 5, 2006. In this way, the Company conducted its business under a joint audit system. However, at the general shareholders' meeting held on May 24, 2007, KPMG AZSA & Co. was selected as the Company's independent auditors.

COMMITTEES TO STRENGTHEN THE COMPANY'S SYSTEMS

To strengthen its corporate governance and maximize Group enterprise value, the Company established the Group Synergy

Committee, the Risk Management Committee, and the CSR Promotion Committee in September 2005.

The Group Synergy Committee seeks to facilitate the mutual use of the operating companies' resources and business infrastructure in order to improve the overall competitiveness of the Group. The Risk Management Committee monitors risk information and risk countermeasures for the entire Group and works to bolster control systems. The CSR Promotion Committee determines the CSR policies for the entire Group and, through its specialized five sub-committees, controls and monitors the CSR efforts of each operating company.

INTERNAL CONTROL SYSTEMS

In accordance with the resolution of its Board of Directors, the Company, in regard to the "systems for ensuring that the duties of the directors comply with all laws and articles of incorporation and systems required by the Ministry of Justice Ordinance for ensuring the compliance of other work performed by a corporation," as stipulated by the Corporate Law, is developing the systems described in 1. to 10. below.

Through an amendment to the Securities and Exchange Law and related laws, the Financial Instruments and Exchange Law was enacted in 2006. Under the new law, publicly listed companies will be required to file reports evaluating internal controls.

As a result, from the fiscal year ending February 2010, the Company will be required to submit internal control reports evaluating its system for ensuring the accuracy of documents regarding its financial accounts and other information. Accordingly, the Company is taking steps to prepare for meeting these requirements and to establish the appropriate systems.

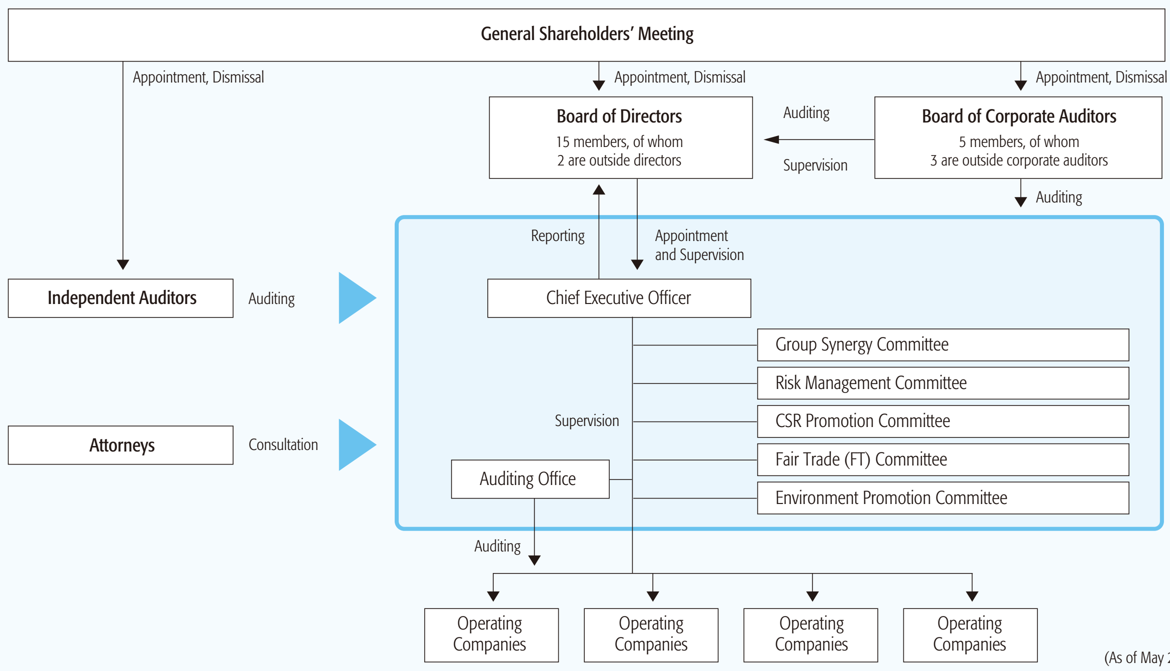
1. Systems for ensuring that the work of directors and employees is compliant with laws, regulations, and the *Corporate Creed*

Each Group company shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*. In order to be trusted and known for integrity, all Group companies shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. All Group companies shall establish Corporate Action Committees, which shall operate help lines, and Fair Trade (FT) Committees, which shall promote fair trade. The Corporate Ethics and Compliance Sub-Committee of the CSR Promotion Committee shall maintain this spirit as it reevaluates the *Corporate Action Guidelines* and each company's guidelines in order to further advance compliance.

2. Systems for the storage and control of information related to the execution of duties by directors

The Company is making efforts, mainly through the Information Management Sub-Committee of the CSR Promotion Committee, to study the current situation, make appropriate improvements, and establish document control regulations for the appropriate storage and management of information and

Corporate Governance System



(As of May 24, 2007)

documents (including digital records) related to the execution of business.

We confirm existing Groupwide document control regulations and study the standardization and application situation.

3. Regulations and system for loss risk management

The Internal Control Promotion Project has been established under the auspices of the Risk Management Committee, which is chaired by the President and Representative Director. The project has established a risk management policy for the recognition of risk areas and the formulation of countermeasures for the work conducted by the Company and its operating companies. Risk management will be verified in accordance with this policy

4. System for ensuring the efficiency of duties executed by directors

Duties are to be properly executed according to the appropriate regulations, including those concerning the right to make final decisions, administrative authority, organizational regulations, etc. In addition, through the Internal Control Promotion Project mentioned above, work execution efficiency shall be verified and appropriate corrective measures implemented.

5. Systems for ensuring the appropriateness of the work performed by the Group

As noted in 1. to 4. above, the Company will establish control systems for the Group as a whole covering all items such as work efficiency, compliance, etc.; notify its operating companies of the general outlines of these systems; and require concrete policy formulations. In addition, the Company shall provide support and guidance for the internal control activities of operating companies.

Each operating company shall maintain contact with each business division, mainly through the Corporate Action Committee, and will share information with Seven & i Holdings' Internal Control Promotion Project.

6. Matters related to the provision of support staff for corporate auditors

The Company shall provide support staff for corporate auditors when so requested.

7. Matters related to the independence from directors of the staff described in the previous item

The selection of support staff (including subsequent replacements) to work exclusively for the corporate auditors shall be subject to the approval of the corporate auditors.

8. System for reporting by directors or employees to corporate auditors and other systems for reporting to corporate auditors

A system shall be established for the prompt reporting by directors or employees to the corporate auditors of situations that have the possibility of causing significant damage to the Company as well as of malfeasance or unlawful/improper activity on the part of directors or employees. No director or employee providing such reports shall suffer any adverse consequences.

In addition, the Corporate Ethics and Compliance Sub-Committee shall provide regular reports to the Representative Directors and to the corporate auditors concerning the operation of the help lines, which should function as a public interest report mechanism.

9. Other systems for ensuring that corporate auditors can conduct their activities effectively

The corporate auditors shall meet regularly with the President and Representative Director and exchange opinions concerning important audit matters.

The corporate auditors shall maintain close contact with the Auditing Office and may request examinations by the Auditing Office when necessary.

The corporate auditors may consult with the independent auditors of the Company's accounts and with attorneys as needed, and the Company shall bear all of the costs of such consultation.

10. The General Affairs Department shall maintain jurisdiction over internal control systems.

TAKEOVER COUNTERMEASURES

At this point, the Company has not concretely finalized its basic policy on persons who control the Company's decisions on financial matters and business policies (Article 127 of the enforcement regulations of the Corporate Law). However, we aim to maximize enterprise value through such means as further improving performance and bolstering corporate governance, and we believe that appropriate measures are needed for dealing with large-scale acquisitions of the Company's stock that could damage the enterprise value of the Company and the Group. We will carefully consider our basic policy on this issue while paying attention to developments in legal systems, court decisions, and social trends.

BOARD OF DIRECTORS AND AUDITORS

(As of May 24, 2007)

CHAIRMAN
Toshifumi Suzuki

PRESIDENT
Noritoshi Murata

DIRECTORS
Tadahiko Ujiie
Katsuhiro Goto
Atsushi Kamei
Toshiro Yamaguchi
Akihiko Hanawa
Takashi Anzai
Zenko Ohtaka
Yukio Horiuchi
Kazuyoshi Sano
Shunichiro Uchimura
Fumiaki Osaki
Noritaka Shimizu
Scott Trevor Davis

STANDING CORPORATE AUDITORS
Ikuo Kanda
Hisashi Seki

CORPORATE AUDITORS
Yoko Suzuki
Hiroshi Nakachi
Megumi Suto

EXECUTIVE OFFICERS

(As of May 24, 2007)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Toshifumi Suzuki

PRESIDENT AND CHIEF OPERATING OFFICER
Noritoshi Murata

SENIOR EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
Tadahiko Ujiie

MANAGING EXECUTIVE OFFICER AND CHIEF ADMINISTRATIVE OFFICER
Katsuhiro Goto

SENIOR EXECUTIVE OFFICER
Noritomo Banzai

MANAGING EXECUTIVE OFFICERS
Sakue Mizukoshi
Minoru Inaoka

EXECUTIVE OFFICERS
Yoshiaki Ota
Masao Eguchi
Yoshihiro Tanaka
Katsuhisa Konuki
Yasuo Takaha
Kazuo Otsuka
Takafumi Kanemitsu
Kunio Takahashi
Akihiko Shimizu
Masayuki Sato
Akira Miyakawa
Tsuyoshi Kobayashi
Kazuyo Sohda

FINANCIAL SECTION

CONTENTS

CONSOLIDATED FINANCIAL SUMMARY

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2007 and 2006

Figures for Ito-Yokado Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2005 and February 29, 2004 are presented for the convenience of the reader.

Seven-Eleven Japan Co., Ltd. and Denny's Japan Co., Ltd. became wholly owned subsidiaries of Seven & i Holdings Co., Ltd. in the fiscal year ended February 28, 2006. The associated decrease in minority interests contributed to the increase in net income.

	Millions of yen		Thousands of U.S. dollars (Note A)	Millions of yen	
	Seven & i Holdings			Ito-Yokado	
	2007	2006	2007	2005	2004
For the year:					
Revenues from operations	¥5,337,807	¥3,895,772	$45,235,653	¥3,623,555	¥3,542,146
Operating income	286,838	244,940	2,430,831	211,951	207,783
Income before income taxes and minority interests	243,060	178,518	2,059,831	150,833	177,784
Net income	133,419	87,931	1,130,669	17,205	53,632
% of revenues	2.5%	2.3%	2.5%	0.5%	1.5%
Capital expenditures (Note B)	278,389	185,354	2,359,229	168,725	171,877
Depreciation and amortization (Note C)	132,693	97,811	1,124,517	95,161	94,985
Return on equity	7.6%	5.5%	7.6%	1.5%	4.8%
Return on assets	3.7%	2.6%	3.7%	0.7%	2.2%
At year-end:					
Total assets	¥3,809,192	¥3,424,879	$32,281,288	¥2,574,817	¥2,461,927
Cash and cash equivalents	570,134	610,877	4,831,644	683,100	567,390
Total current assets	1,274,377	1,102,819	10,799,805	1,058,624	915,621
Total current liabilities	1,097,657	982,859	9,302,178	672,703	581,627
Long-term debt	565,672	547,437	4,793,831	249,135	277,792
Total net assets	1,969,149	1,717,881	16,687,703	1,144,505	1,138,211
Business segments:					
Convenience store operations:					
Revenues from operations	¥2,249,649	¥2,015,236	$19,064,822	¥1,806,169	¥1,721,458
Operating income	206,090	209,815	1,746,525	195,385	187,467
Superstore operations:					
Revenues from operations	1,882,935	1,687,735	15,957,076	1,642,265	1,669,330
Operating income	29,170	15,382	247,203	7,815	21,166
Department store operations:					
Revenues from operations	988,358	—	8,375,915	—	—
Operating income	26,773	—	226,890	—	—
Restaurant operations:					
Revenues from operations	121,684	124,025	1,031,221	126,181	126,189
Operating income	932	2,625	7,899	3,621	3,261
Financial services:					
Revenues from operations	100,295	82,289	849,958	61,236	37,219
Operating income (loss)	24,548	17,278	208,034	5,402	(3,936)
Others:					
Revenues from operations	32,341	19,781	274,076	17,196	14,738
Operating income (loss)	1,622	808	13,746	211	(206)

	Yen		U.S. dollars (Note A)	Yen	
Net income per share:					
Basic	¥142.90	¥100.83	$1.21	¥40.73	¥128.25
Diluted	—	—	—	40.51	128.22

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118=US$1, the approximate rate of exchange on February 28, 2007.
(B) Capital expenditures include property and equipment, intangible assets and long-term leasehold deposits.
(C) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.

FINANCIAL REVIEW

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2007 and 2006

Figures for Ito-Yokado Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2005 and February 29, 2004 are presented for the convenience of the reader.

Seven-Eleven Japan Co., Ltd. and Denny's Japan Co., Ltd. became wholly owned subsidiaries of Seven & i Holdings Co., Ltd. in the fiscal year ended February 28, 2006. The associated decrease in minority interests contributed to the increase in net income.

	Millions of yen		Thousands of U.S. dollars (Note)	Millions of yen	
	Seven & i Holdings			Ito-Yokado	
	2007	2006	2007	2005	2004
Revenues from operations:					
Convenience store operations:					
Merchandise	¥1,182,717	¥1,069,684	$10,023,025	¥ 986,435	¥ 989,787
Gasoline	689,568	575,726	5,843,797	462,538	395,993
Franchise commission from franchised stores	359,770	356,907	3,048,898	343,617	324,187
Other	17,594	12,919	149,102	13,579	11,491
Total	2,249,649	2,015,236	19,064,822	1,806,169	1,721,458
Superstore operations	1,882,935	1,687,735	15,957,076	1,642,265	1,669,330
Department store operations	988,358	—	8,375,915	—	—
Restaurant operations	121,684	124,025	1,031,221	126,181	126,189
Financial services	100,295	82,289	849,958	61,236	37,219
Others	32,341	19,781	274,076	17,196	14,738
Eliminations	(37,455)	(33,294)	(317,415)	(29,492)	(26,788)
Consolidated total	¥5,337,807	¥3,895,772	$45,235,653	¥3,623,555	¥3,542,146

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118=US$1, the approximate rate of exchange on February 28, 2007.

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2007, Seven & i Holdings recorded revenues from operations of ¥5,337.8 billion, up 37.0% year on year, and operating income of ¥286.8 billion, up 17.1%.

Due to continued aggressive store openings by Seven-Eleven Japan (SEJ), the core operating company in domestic convenience store operations, the number of SEJ stores at the end of February 2007 was 11,735, a net increase of 425 from a year earlier. SEJ has continued to focus on introducing differentiated products and expanding offerings of limited regional products. As a result, a 0.4% gain was recorded in sales of fast food items, which include boxed lunches, rice balls and other rice-based products, and noodles, and a 0.6% increase was registered in sales of daily food items, which include bread, pastries, and milk and other dairy products. Sales of nonfood products, which include tobacco and sundries, were up 4.3%. With the trend toward an aging population continuing, the Seven-Meal meal delivery service was extended throughout the country. SEJ completed the introduction of the Sixth-Generation Total Information System in all stores and worked to raise ordering accuracy.

Total store sales in Japan, which comprise corporate and franchised store sales, rose 1.4%, to ¥2,533.5 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at corporate stores, were up 4.9%, to ¥517.0 billion.

Overseas, 7-Eleven, Inc., had 6,050 stores in the United States and Canada as of the end of December 2006. In addition to favorable sales of fast food, beverages, and other merchandise, gasoline sales rose due to higher retail prices for gasoline. As a result, 7-Eleven, Inc.'s sales increased on a U.S. dollar basis. The yen-dollar exchange rate used in the consolidation of 7-Eleven, Inc.'s accounts for the fiscal year was ¥116.38, reflecting the depreciation of the yen. Thus, 7-Eleven, Inc.'s net sales increased 13.8% on a yen basis, to ¥1,690.6 billion. In China, SEVEN-ELEVEN (BEIJING) had 50 stores at the end of December 2006, a rise of 20 from the previous year-end, and the company recorded a favorable increase in sales.

As a result, in convenience store operations, revenues from operations were ¥2,249.6 billion, up 11.6% year on year, and operating income was ¥206.1 billion, down 1.8% year on year.

Ito-Yokado is the core operating company in our superstore operations. In apparel, Ito-Yokado focused on developing and introducing private-brand products. At the same time, by reevaluating the percentage of items procured on a consignment basis in accordance with product characteristics, we worked to create more attractive sales areas and to improve gross profit margins. In household goods, we advanced the development of products that satisfy customers through joint planning with business partners. In food, we worked to expand sales by taking steps to focus on freshness and safety, such as bolstering the procurement of field vegetables. As a result of these types of initiatives, Ito-Yokado's net sales in the year under review rose 1.2%, to ¥1,487.5 billion. By product category, apparel sales 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. In store openings, Ito-Yokado opened 3 stores, including Ario format mall-type shopping centers, and closed 7 Ito-Yokado stores, for a total of 174 stores at the end of the fiscal year.

In September 2006, equity-method affiliate York-Benimaru was made a wholly owned subsidiary through a stock-for-stock exchange. In superstore operations, revenues from operations totaled ¥1,882.9 billion, up 11.6%, and operating income was ¥29.2 billion, up 89.6%.

In department store operations, with a focus on products, we implemented detailed marketing development in accordance with the characteristics of the market and the competitive situation in each region. We took steps to attract tenants that customers enjoy and find to be appealing and to update our tenant composition.

At the same time, in corporate business, we worked to uncover new customers. Moreover, we implemented full-scale store remodeling initiatives, with careful attention paid to individual store characteristics, such as location, competing stores, and customer base. Seibu implemented a full-scale remodeling of its Akita store and reopened its Yurakucho store in a comprehensive specialty format for "beauty" targeting working women. Sogo completed a full-scale remodeling of its Chiba store that lasted two years. Moreover, we made a decisive transition from defense to offense and prepared the foundation for a new stage of growth in department store operations. As a result of these measures to bolster marketing, revenues from operations in the year under review were ¥988.4 billion and operating income was ¥26.8 billion.

In restaurant operations, we worked on the basics—responding to growing concerns about healthy and safe meals, offering prompt and sincere service, and providing clean restaurants and atmospheres that are aligned with customer motivations. We closed unprofitable restaurants, remodeled existing restaurants to meet regional needs, and introduced new business formats on a trial basis. However, due to unseasonable weather throughout the year, revenues from operations were ¥121.7 billion, a decline of 1.9%, and operating income was ¥932 million, down 64.5%.

Seven Bank, the core operating company in financial services operations, expanded the range of regions where it has ATMs and boosted the density of ATMs in regions where it already offers service. As a result, the number of ATMs installed at the end of the year was 12,101. Due to aggressive expansion of tie-ups with allied financial institutions and advertising and promotion activities, the convenience of ATM services increased, and the average daily transaction volume per ATM was 97 transactions. As a result of these measures, revenues from operations and operating income recorded substantial growth. Also, IY Card Service, which handles card operations, expanded the number of its cardholders, the scope of its business activities, and the scale of its operations, and as a result its profitability improved. Due to higher customer awareness of these two companies, revenues from operations in financial services were ¥100.3 billion, up 21.9%, and operating income was ¥24.5 billion, up 42.1%.

Other Income (Expenses) and Income before Income Taxes and Minority Interests

Other expenses, net, totaled ¥43.8 billion, a decline of ¥22.6 billion. There were two principal reasons for this decrease. In superstore operations, impairment loss on property and equipment declined substantially, and costs in relation to tender offer of ¥20.8 billion were recorded in the previous fiscal year as a result of 7-Eleven, Inc., being made a wholly owned subsidiary.

As a result, income before income taxes and minority interests was up 36.2%, to ¥243.1 billion.

Income Taxes (Including Deferred Income Taxes) and Net Income

Income taxes were ¥100.6 billion, up ¥19.1 billion from the previous fiscal year. After the application of tax effect accounting, the effective tax rate was 41.4%.

As a result, net income was ¥133.4 billion, up 51.7% from the previous fiscal year. Net income per share was ¥142.90, an increase of ¥42.07 per share from ¥100.83 per share in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

In September 2006, equity-method affiliate York-Benimaru was made a wholly owned subsidiary through a stock-for-stock exchange. Total assets rose ¥384.3 billion, to ¥3,809.2 billion.

Total current assets were up ¥171.6 billion, to ¥1,274.4 billion. Cash and cash equivalents declined ¥40.7 billion; however, accompanying growth in the operations of financial services subsidiaries, notes and accounts receivable–financial services rose ¥35.2 billion. In addition, due to a net increase of ¥131.3 billion in call loan in banking business for Seven Bank, prepaid expenses and other current assets were up ¥152.4 billion, to ¥271.2 billion.

Property and equipment, net, increased ¥132.7 billion, to ¥1,333.2 billion, due in part to the consolidation of York-Benimaru and its subsidiaries and to the acquisition of securitized real estate. Intangible assets rose ¥109.8 billion, to ¥478.8 billion, principally because of goodwill arising from the implementation of stock-for-stock exchanges and the acquisition of additional equity in making York-Benimaru and Millennium Retailing wholly owned subsidiaries. Investments and other assets declined ¥29.7 billion, due primarily to the new consolidation of York-Benimaru, which had previously been an equity-method affiliate.

Total liabilities rose ¥133.0 billion, to ¥1,840.0 billion. Notes and accounts payable–trade were up ¥21.6 billion, to ¥203.7 billion, and short-term loans increased ¥62.5 billion, to ¥176.9 billion. Current portion of long-term debt rose ¥50.7 billion, to ¥101.1 billion, and long-term debt rose ¥18.2 billion, to ¥565.7 billion.

Net assets were ¥1,969.1 billion. Cancellation of treasury stock reduced capital surplus ¥70.5 billion, while stock-for-stock exchanges with Millennium Retailing and York-Benimaru raised capital surplus ¥223.5 billion. Thus, capital surplus at year-end was up ¥154.5 billion from the previous fiscal year-end. Retained earnings were reduced ¥48.9 billion by cash dividends and increased ¥133.4 billion by net income for the year. Therefore, retained earnings at year-end were ¥1,124.9 billion, up ¥84.3 billion from a year earlier. Minority interests declined ¥51.8 billion, to ¥62.4 billion, due primarily to Millennium Retailing becoming a wholly owned subsidiary.

As a result, net assets (excluding minority interests in consolidated subsidiaries) per share was up ¥227.52 from a year earlier, to ¥1,999.77, and the net assets (excluding minority interests in consolidated subsidiaries) ratio rose to 50.1%, from 46.8% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were provided by operations with high revenue and profit generating capacity, centered on convenience store operations. However, the Company used funds to open new stores, remodel existing stores, and acquire property and equipment. As a result, cash declined ¥40.7 billion, to ¥570.1 billion at year-end.

Net cash provided by operating activities was ¥157.2 billion. Income before income taxes and minority interests was up ¥64.5 billion. The issuance of bonds by Seven Bank generated ¥60.0 billion, while net increase in call loan in banking business was ¥131.3 billion. Income taxes paid increased ¥54.9 billion.

Net cash used in investing activities was ¥236.0 billion, a decline of ¥152.1 billion from the previous fiscal year. Acquisition of property and equipment, principally for new store openings and store renovations, increased ¥74.4 billion. Acquisition of investments in subsidiaries declined ¥108.8 billion, and acquisition of investments in newly consolidated subsidiaries declined ¥68.5 billion.

Net cash provided by financing activities was ¥37.2 billion, a decline of ¥65.9 billion from the previous fiscal year. Purchase of treasury stock declined ¥127.0 billion, while proceeds from sale of treasury stock were down ¥228.0 billion.

OPERATIONAL AND OTHER RISK FACTORS

The following items concern risks related to the Group's operations that could significantly affect the decisions of investors. However, the following does not represent all of the risks faced by the Group.

1. Domestic Market Trends

The majority of the Group's operations are carried out within Japan. As a result, domestic economic conditions, such as the business climate and consumer spending trends, could affect the Group's business performance. As part of its efforts to cater to consumer demand, the Group actively markets or develops seasonal products based on sales plans. However, an unexpected change in consumer behavior due to unseasonable weather could affect the Group's business performance or financial position.

2. Dependence on Specific Producing Areas, Suppliers, Products, and Technologies

The Group decentralizes its operations to avoid over dependence on specific producing areas, suppliers, products, and technologies. However, the interruption of supply routes due to such factors as political change, outbreaks of war or terrorist attacks, and natural disasters in countries or regions from which products and raw materials are sourced could have a limited effect on the Group's business performance.

3. Changes in Purchase Prices

The products sold by the Group include products that are sourced overseas and affected by changes in currency exchange rates, products that are affected by changes in the prices of such raw materials as crude oil, and products with purchase prices that change due to external factors. The Group has developed systems that enable the supply of products at stable prices by the use of forward exchange contracts and other methods for direct purchasing. However, changes in purchase prices across multiple purchasing routes or such external factors as a dramatic change in currency exchange rates could have a limited effect on the Group's business performance or financial position.

4. Product Safety and Labeling

The Group endeavors to provide customers with safe products and accurate information through the enhancement of food hygiene related equipment and facilities based on relevant laws and regulations, the implementation of a stringent integrated product management system that includes suppliers, and the establishment of a system of checks. However, the occurrence of a problem beyond the scope of the Group's measures could reduce public trust in the Group's products and incur costs stemming from countermeasures. Such an eventuality could affect the Group's business performance or financial position. Further, the occurrence of a major incident that involves the Group's products, despite the Group's measures to ensure product safety, and leads to product recalls or product liability claims could affect the Group's business performance or financial position.

5. Convenience Store Operations

The Group's convenience store operations are primarily organized under a franchise system, which is a joint enterprise in which the Group and franchised stores fulfill their respective roles based on an equal partnership and a relationship of trust. If agreements with numerous franchised stores became unsustainable because either the Group or the franchised stores did not fulfill their respective roles, the Group's business performance could be affected.

Approximately 30,000 7-Eleven stores operate worldwide, including stores outside the Group that operate under licenses granted by Group subsidiary 7-Eleven, Inc. A reduction in royalties or sales resulting from misconduct on the part of area licensees that do not belong to the Group or by stores operated by area licensees could affect the Group's business performance or financial position.

6. Overseas Operations

The Group's business performance and financial position are affected by the business performances and financial positions of the Group's overseas subsidiaries and affiliates. Overseas operations could be affected by such factors as amendments to laws or regulatory changes that adversely affect the Group's operations, sudden changes in economic conditions or social instability, political change, outbreaks of war or terrorist attacks, and natural disasters.

7. Earthquakes and Other Natural Disasters or Accidents

With a view to creating safe, comfortable stores, the Group takes all possible measures in the design and operation of its stores to protect customers from normally foreseeable situations, such as natural disasters or accidents. Those efforts include ensuring the earthquake resistance of stores, the provision of disaster counter-measures manuals, and the implementation of evacuation drills. However, a large natural disaster, such as an earthquake or a typhoon, could damage the plants or warehouses of suppliers or damage transportation infrastructure, affecting product supply. In particular, a large earthquake with an epicenter directly below the Tokyo metropolitan area could damage stores and other operational bases, partially halting operational activities. Such eventualities could affect the Group's business performance or financial position. Also, in its mainstay convenience store operations, the Group opens numerous stores in high geographical densities in Japan in accordance with its area dominance strategy. Therefore, the occurrence of a large natural disaster in a region where stores are concentrated would likely have a significant effect.

8. Information Systems and Other Operational Infrastructure

The Group outsources the operation and management of information systems for sales management, ATMs, and other operations to trustworthy service providers and seeks to construct a safe management system. However, a systems failure due to a natural disaster or defective software or hardware could impede store operations, which could affect the Group's business performance or financial position.

Further, if there was a conspicuous decrease in the technical capabilities or the profit-making capabilities of the companies to which the Group outsources the operation of significant operational infrastructures, such as distribution and product supply, or if it became difficult to continue contracts with such companies to which the Group outsources operations, the Group's business performance or financial position could be affected.

In particular, in its mainstay convenience store operations, the Group has sought to cater to constantly changing customer needs by working with business partners to innovate production, distribution, sales, and their supporting information systems to realize differentiated, high-quality products and to create convenient services that support everyday life. The unique operational infrastructure of convenience store operations is built in collaboration with business partners that have a shared commitment to the franchise system. Consequently, if the Group were no longer able to maintain operational relationships with business partners in its convenience store operations or if business partners' technical capabilities declined conspicuously, the Group's business performance or financial position could be affected.

9. Credit Management

The Group seeks to protect deposits and guarantee deposits pledged for store lessors through the establishment of mortgages and other collateral. However, deterioration in the economic condition of the store lessors or a drop in the value of the collateral properties could affect the Group's business performance or financial position.

10. Financial Services Operations

The Group conducts financial services operations, including credit card and banking operations. The Group seeks to curb such risks as credit risks and administrative risks through stringent personal identification checks and the recording and appropriate accounting treatment of provisions for doubtful accounts that reflect the collectibility of notes and accounts receivable–trade. Further, in banking operations, credit risk is limited through the restriction of settlement operations using ATMs and the restriction of deposits to quality financial institutions. However, increases in the rates of bad debt write-offs or finance receivables outstanding, increased difficulty in accurately evaluating the credit risks of borrowers, or unexpected bad debt write-offs could affect the Group's business performance or financial position.

Further, to enable rapid and flexible responses to changes in interest rates or currency exchange rates, the Group conducts monitoring on a daily basis and prepares countermeasures based on different scenarios. However, changes of an unexpected size could lower asset management efficiency or increase the cost of raising funds, which could affect the Group's business performance or financial position.

11. Asset Impairment Accounting, Retirement Benefit Obligations, and Deferred Tax Assets

The Group has already adopted asset impairment accounting for fixed assets. However, if the actual value of assets owned by the Group, including securities, dropped or further recognition of asset impairment became necessary for stores with low profitability, the Group's business performance or financial position could be affected.

Further, the Group calculates retirement benefit obligations based on discount rates and the expected rate of return on plan assets. However, unexpected changes in domestic share prices or interest rates upon which those rates are based, deterioration in the returns on plan assets due to such changes, or changes in the general pension system could affect the Group's business performance or financial position.

In addition, the Group records deferred tax assets based on estimates of future taxable income using rational methods. However, if estimates of taxable income were lowered due to unexpected changes in domestic economic conditions or consumer behavior, the adjustment in deferred tax assets would be recorded as an expense, which could affect the Group's business performance or financial position.

12. Store Development

The Group's opening of large stores that attract many customers is regulated based on the Large-Scale Retail Store Location Law and the City Planning Law. However, if those laws were amended or local authorities changed related regulations, it could become difficult to open stores in accordance with initially prepared store opening plans or refurbish existing stores, or costs could be incurred in responding to a reduction in potential candidate areas for future store openings. Such eventualities could affect the Group's business performance or financial position.

Further, regarding store opening plans, an inability to secure properties that meet store opening standards prepared for new stores, the discovery of land contamination not apparent at the time of store opening, or the failure of stores to meet store opening standards due to changes in the location environment following store opening could affect the Group's business performance or financial position. In addition, regarding rents for leasehold properties, the Group establishes reasonable rents based on consideration of various factors, including surrounding land prices and discussions with lessors. However, increases in rents for leasehold properties due to such factors as higher land prices could affect the Group's business performance or financial position. Also, regarding the liquidation of stores, influence on the sales operations of stores due to repurchases of leasehold properties, stemming from such external factors as changes in real estate prices or interest rates, could affect the Group's business performance or financial position.

13. Personal Information Protection Law

The Personal Information Protection Law, which was fully enacted on April 1, 2005, stipulates the obligations of companies handling personal information to manage personal information safely, specifies usage purposes, and limits the usage of personal information to those purposes. Because the Group's financial services and other operations handle diverse personal information, the Group is working to comply with the law by raising employee awareness, introducing new storage resources, and strengthening the security of information systems. However, an incident beyond the scope of the Group's measures that resulted in leakages of personal information could damage the Group's social trust or lead to damage liability claims, which could affect the Group's business performance or financial position.

14. Amendments to Other Laws

New costs could be incurred due to measures necessitated by amendments to various laws or changes in business practices, including changes in consumption tax rates due to amendments to the Consumption Tax Law, the expansion of the application of social insurance standards to include part-time workers, or amendments to the Containers and Packaging Recycling Law. Further, such amendments or changes could require the Group to change the content of its existing operations. Such eventualities could affect the Group's business performance.

In particular, in mainstay convenience store operations, stores are regarded as "convenient shops near everyone's home or workplace" that are part of the social infrastructure, and most domestic stores are open 24 hours a day. Therefore, the introduction of new laws or regulations relating to store openings, opening hours, products, or services could affect the Group's business performance.

15. Significant Suits and Other Legal Incidents

In the fiscal year under review, no suits that significantly affect the Group's performance were filed against the Group. However, if decisions unfavorable to the Group resulted from suits with a potentially significant effect on business results or social standing, the Group's business performance or financial position could be affected.

16. Brand Image

The occurrence of the risk events itemized in this section or misconduct on the part of subsidiaries, affiliates, or franchised stores could damage the Group's overall brand image. As a result, consumers' trust in the Group could diminish, the Group could lose personnel, or personnel could become difficult to secure, which could affect the Group's business performance or financial position.

CONSOLIDATED BALANCE SHEETS

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries at February 28, 2007 and 2006

ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Current assets:			
Cash and cash equivalents (Note 14)	¥ 570,134	¥ 610,877	$ 4,831,644
Notes and accounts receivable:			
Trade (Note 14)	128,337	110,830	1,087,602
Financial services	72,724	37,563	616,305
Franchisees and other	38,329	46,307	324,822
Allowance for doubtful accounts	(2,959)	(2,220)	(25,076)
	236,431	192,480	2,003,653
Inventories	159,897	148,913	1,355,059
Deferred income taxes (Note 9)	36,701	31,725	311,025
Prepaid expenses and other current assets (Note 14)	271,214	118,824	2,298,424
Total current assets	1,274,377	1,102,819	10,799,805
Property and equipment, at cost (Notes 6, 7, 12 and 14)	2,385,908	2,181,522	20,219,559
Less: Accumulated depreciation	(1,052,751)	(981,030)	(8,921,618)
	1,333,157	1,200,492	11,297,941
Intangible assets:			
Goodwill	375,302	272,015	3,180,525
Software and other (Note 14)	103,487	96,957	877,009
	478,789	368,972	4,057,534
Investments and other assets:			
Investments in securities (Notes 4 and 14)	173,206	216,933	1,467,847
Long-term loans	14,828	21,458	125,661
Long-term leasehold deposits (Note 14)	463,602	463,239	3,928,831
Prepaid pension cost (Note 10)	5,966	—	50,559
Deferred income taxes (Note 9)	21,655	26,978	183,517
Other (Note 14)	52,618	34,966	445,915
Allowance for doubtful accounts	(9,006)	(10,978)	(76,322)
	722,869	752,596	6,126,008
	¥3,809,192	¥3,424,879	$32,281,288

The accompanying notes are an integral part of these balance sheets.

LIABILITIES AND NET ASSETS	Millions of yen 2007	2006	Thousands of U.S. dollars (Note 3) 2007
Current liabilities:			
Short-term loans (Notes 11 and 14)	¥ 176,913	¥ 114,462	$ 1,499,263
Current portion of long-term debt (Notes 11 and 14)	101,118	50,395	856,932
Notes and accounts payable:			
Trade (Note 5)	203,673	182,074	1,726,042
Trade for franchised stores (Note 15)	101,857	103,050	863,195
Other	82,495	78,577	699,110
	388,025	363,701	3,288,347
Accrued expenses	95,157	88,149	806,415
Income taxes payable	44,925	94,030	380,720
Deposits received	76,011	73,837	644,161
Deposits received in banking business	106,168	96,246	899,729
Allowance for bonuses to employees	14,789	13,609	125,331
Allowance for sales promotion expenses	19,515	17,554	165,381
Other (Note 9)	75,036	70,876	635,899
Total current liabilities	1,097,657	982,859	9,302,178
Long-term debt (Notes 11 and 14)	565,672	547,437	4,793,831
Allowance for accrued pension and severance costs (Note 10)	3,357	3,433	28,449
Allowance for retirement benefits to directors and corporate auditors	4,202	3,274	35,610
Deferred income taxes (Note 9)	74,167	77,213	628,534
Deposits received from tenants and franchised stores	61,124	57,821	518,000
Other liabilities	33,864	34,961	286,983
Total liabilities	1,840,043	1,706,998	15,593,585
Commitments and contingent liabilities (Notes 12 and 14)			
Net assets:			
Shareholders' equity:			
Common stock, authorized 4,500,000,000 shares, issued 967,770,983 shares in 2007 and 1,346,383,002 shares in 2006	50,000	50,000	423,729
Capital surplus	766,186	611,704	6,493,102
Retained earnings	1,124,893	1,040,613	9,532,992
Treasury stock, at cost, 14,262,380 shares in 2007 and 441,608,396 shares in 2006	(41,310)	(112,885)	(350,086)
	1,899,769	1,589,432	16,099,737
Accumulated gains (losses) from valuation and translation adjustments:			
Unrealized gains (losses) on available-for-sale securities, net of taxes (Note 4)	(2,100)	7,954	(17,797)
Unrealized losses on hedging derivatives, net of taxes	(371)	—	(3,144)
Foreign currency translation adjustments	9,500	6,298	80,509
	7,029	14,252	59,568
Minority interests in consolidated subsidiaries	62,351	114,197	528,398
Total net assets	1,969,149	1,717,881	16,687,703
	¥3,809,192	¥3,424,879	$32,281,288

CONSOLIDATED STATEMENTS OF INCOME

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Revenues from operations:			
Net sales	¥4,839,554	¥3,437,345	$41,013,169
Other operating revenues (Note 16)	498,253	458,427	4,222,484
	5,337,807	3,895,772	45,235,653
Costs and expenses:			
Cost of sales (Note 16)	3,568,336	2,488,509	30,240,136
Selling, general and administrative expenses (Notes 10, 12 and 16)	1,482,633	1,162,323	12,564,686
	5,050,969	3,650,832	42,804,822
Operating income	286,838	244,940	2,430,831
Other income (expenses):			
Interest and dividend income	4,583	3,058	38,839
Interest expenses	(11,174)	(6,363)	(94,695)
Foreign currency exchange gains (losses)	(1,327)	3,236	(11,246)
Equity in earnings of affiliates	1,321	1,993	11,195
Impairment loss on property and equipment (Note 7)	(14,199)	(31,040)	(120,331)
Gain on sales of property and equipment (Note 16)	2,793	1,843	23,669
Loss on disposals of property and equipment (Note 16)	(18,782)	(8,185)	(159,169)
Costs in relation to tender offer	–	(20,776)	–
Gain from amendment of retirement allowance regulation in subsidiaries in the United States	–	3,011	–
Costs in relation to the establishment of the holding company	–	(2,598)	–
Provision for doubtful accounts	–	(5,789)	–
Additional retirement allowance for early retirement	–	(6,160)	–
Other, net	(6,993)	1,348	(59,262)
	(43,778)	(66,422)	(371,000)
Income before income taxes and minority interests	243,060	178,518	2,059,831
Income taxes (Note 9)**:**			
Current	99,526	83,268	843,441
Deferred	1,096	(1,793)	9,288
	100,622	81,475	852,729
Income before minority interests	142,438	97,043	1,207,102
Minority interests in net income of consolidated subsidiaries	9,019	9,112	76,433
Net income	¥ 133,419	¥ 87,931	$ 1,130,669

	Yen		U.S. dollars (Note 3)
Per share of common stock:			
Net income	¥142.90	¥100.83	$1.21
Cash dividends	52.00	28.50	0.44

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2007 and 2006

On September 1, 2005, Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd. and Denny's Japan Co., Ltd. established Seven & i Holdings Co., Ltd. (the "Company") and became wholly owned subsidiaries of the Company by means of a stock transfer. The consolidation procedures in connection with the stock transfer were accounted for in a manner similar to the pooling-of-interest method. The Company's Consolidated Financial Statements were prepared assuming that the above three subsidiaries were combined on March 1, 2005, and capital surplus and retained earnings in the Consolidated Financial Statements of Ito-Yokado Co., Ltd. as of February 28, 2005 were carried forward and recorded as the beginning balances of capital surplus and retained earnings in the Consolidated Statements of Changes in Net Assets of the Company.

	Millions of yen								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2005	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Balance succeeded from the Consolidated Financial Statements of Ito-Yokado Co., Ltd. at beginning of year		122,654	983,675						1,106,329
Net income for the year			87,931						87,931
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries		3,261	(282)						2,979
Increase resulting from stock transfer		407,086							407,086
Cash dividends			(16,030)						(16,030)
Cash payment upon stock transfer			(14,435)						(14,435)
Directors' and corporate auditors' bonuses			(246)						(246)
Sales of treasury stock		78,703							78,703
Net increase (decrease) for the year	50,000			(112,885)	7,954		6,298	114,197	65,564
Balance at February 28, 2006	50,000	611,704	1,040,613	(112,885)	7,954	—	6,298	114,197	1,717,881
Net income for the year			133,419						133,419
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			(49)						(49)
Increase (decrease) resulting from a stock-for-stock exchange		223,468		(6,441)					217,027
Cash dividends			(48,922)						(48,922)
Directors' and corporate auditors' bonuses			(168)						(168)
Purchase of treasury stock				(128)					(128)
Sales of treasury stock		1,505		7,653					9,158
Cancellation of treasury stock		(70,491)		70,491					—
Net increase (decrease) for the year					(10,054)	(371)	3,202	(51,846)	(59,069)
Balance at February 28, 2007	¥50,000	¥766,186	¥1,124,893	¥(41,310)	¥ (2,100)	¥(371)	¥9,500	¥ 62,351	¥1,969,149

	Thousands of U.S. dollars (Note 3)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2006	$423,729	$5,183,932	$8,818,755	$(956,653)	$ 67,407	$ —	$53,373	$ 967,771	$14,558,314
Net income for the year			1,130,669						1,130,669
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			(415)						(415)
Increase (decrease) resulting from stock-for-stock exchange		1,893,797		(54,585)					1,839,212
Cash dividends			(414,593)						(414,593)
Directors' and corporate auditors' bonuses			(1,424)						(1,424)
Purchase of treasury stock				(1,085)					(1,085)
Sales of treasury stock		12,754		64,856					77,610
Cancellation of treasury stock		(597,381)		597,381					
Net increase (decrease) for the year					(85,204)	(3,144)	27,136	(439,373)	(500,585)
Balance at February 28, 2007	$423,729	$6,493,102	$9,532,992	$(350,086)	$ (17,797)	$(3,144)	$80,509	$ 528,398	$16,687,703

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 243,060	¥ 178,518	$ 2,059,831
Depreciation and amortization	132,693	97,811	1,124,517
Impairment loss on property and equipment	14,199	31,040	120,331
Decrease in allowance for bonuses to employees	(449)	(1,047)	(3,805)
Decrease in allowance for accrued pension and severance costs	(159)	(7,540)	(1,348)
Increase in prepaid pension cost	(5,232)	–	(44,339)
Interest and dividend income	(4,583)	(3,058)	(38,839)
Interest expenses	11,174	6,363	94,695
Foreign currency exchange losses (gains)	419	(2,717)	3,551
Gain on sales of subsidiary's common stock	–	(947)	–
Equity in earnings of affiliates	(1,321)	(1,993)	(11,195)
Gain on sales of property and equipment	(2,793)	(1,843)	(23,669)
Loss on disposals of property and equipment	18,782	8,185	159,169
Increase in notes and accounts receivable, trade	(17,030)	(16,478)	(144,322)
Increase in notes and accounts receivable, financial services	(36,669)	(4,722)	(310,755)
Increase in inventories	(2,870)	(3,255)	(24,322)
Increase (decrease) in notes and accounts payable	2,718	(21,291)	23,034
Proceeds from debts in banking business	64,000	21,000	542,373
Net increase in deposits received in banking business	9,921	29,873	84,076
Net increase in call loan in banking business	(131,300)	–	(1,112,712)
Net decrease in call money in banking business	–	(25,000)	–
Other	20,592	34,493	174,508
Sub-total	315,152	317,392	2,670,779
Interest and dividends received	3,605	2,384	30,551
Interest paid	(10,167)	(6,015)	(86,161)
Income taxes paid	(151,381)	(96,435)	(1,282,890)
Net cash provided by operating activities	157,209	217,326	1,332,279
Cash flows from investing activities:			
Acquisition of property and equipment	(220,541)	(146,180)	(1,868,992)
Proceeds from sales of property and equipment	9,907	4,703	83,958
Acquisition of intangible assets	(18,848)	(13,695)	(159,729)
Payment for purchase of investments in securities	(159,372)	(101,808)	(1,350,610)
Proceeds from sales and maturity of investments in securities	147,518	69,727	1,250,153
Acquisition of investments in subsidiaries	(24,667)	(133,451)	(209,042)
Proceeds from sales of investments in subsidiary	6,094	4,346	51,644
Acquisition of investments in newly consolidated subsidiaries	(6,195)	(74,709)	(52,500)
Proceeds from acquisition of investments in newly consolidated subsidiaries	20,687	–	175,314
Payment of loans receivable	(51,316)	(3,561)	(434,882)
Collection of loans receivable	51,327	1,099	434,974
Payment for long-term leasehold deposits and advances for store construction	(24,934)	(24,412)	(211,305)
Refund of long-term leasehold deposits	30,449	29,776	258,042
Proceeds from deposits from tenants	7,483	6,668	63,415
Refund of deposits from tenants	(4,611)	(4,483)	(39,076)
Other	1,036	(2,100)	8,780
Net cash used in investing activities	(235,983)	(388,080)	(1,999,856)
Cash flows from financing activities:			
Increase (decrease) in short-term loans	63,945	(2,471)	541,907
Proceeds from long-term debt	227,695	41,500	1,929,619
Repayment of long-term debt	(215,317)	(12,533)	(1,824,720)
Proceeds from commercial paper	680,261	554,046	5,764,924
Payment for redemption of commercial paper	(683,990)	(544,532)	(5,796,526)
Payment for redemption of bonds	(300)	(20,000)	(2,542)
Dividends paid for minority interests	(48,881)	(16,045)	(414,246)
Payment in relation to stock transfer	–	(14,400)	–
Capital contribution from minority interests	6,191	941	52,466
Purchase of treasury stock	(128)	(127,102)	(1,085)
Proceeds from sale of treasury stock	10,184	238,222	86,305
Other	(2,419)	5,467	(20,500)
Net cash provided by financing activities	37,241	103,093	315,602
Effect of exchange rate changes on cash and cash equivalents	790	(4,562)	6,695
Net decrease in cash and cash equivalents	(40,743)	(72,223)	(345,280)
Cash and cash equivalents at beginning of year	610,877	683,100	5,176,924
Cash and cash equivalents at end of year	¥ 570,134	¥ 610,877	$ 4,831,644

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Seven & i Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared based on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the Consolidated Financial Statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The accompanying Consolidated Financial Statements also include the accounts of the Company's foreign consolidated subsidiaries, which have been prepared in accordance with accounting principles generally accepted in their own countries.

The accompanying Consolidated Financial Statements have been restructured and translated into English with some expanded disclosure and the inclusion of the Consolidated Statement of Changes in Net Assets for 2006 from the Consolidated Financial Statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying Consolidated Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

On September 1, 2005, Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd. and Denny's Japan Co., Ltd. established the Company and became wholly owned subsidiaries of the Company by means of a stock transfer. Upon the stock transfer, the Company paid ¥21.50, ¥16.00 and ¥15.50 per share to the shareholders of Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd. and Denny's Japan Co., Ltd., respectively, recorded in the registers of shareholders as of August 31, 2005, instead of paying interim dividends for the fiscal year ended February 28, 2006.

The consolidation procedures in connection with the stock transfer were accounted for in a manner similar to the pooling-of-interest method. The accompanying Consolidated Financial Statements were prepared assuming that the above three subsidiaries were combined on March 1, 2005, and capital surplus and retained earnings in the Consolidated Financial Statements of Ito-Yokado Co., Ltd. as of February 28, 2005 were carried forward and recorded as the beginning balances of capital surplus and retained earnings in the Consolidated Financial Statements of the Company.

The accompanying Consolidated Financial Statements include the accounts of the Company and 80 subsidiaries which, with an exception due to materiality, include Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., Millennium Retailing, Inc., Sogo Co., Ltd., THE SEIBU DEPARTMENT STORES, LTD., Denny's Japan Co., Ltd., York-Benimaru Co., Ltd. and 7-Eleven, Inc.

On September 1, 2006, the Company made York-Benimaru Co., Ltd., previously an affiliate applying the equity method, a wholly owned subsidiary by means of a stock-for-stock exchange. Consequently, York-Benimaru Co., Ltd. and its two subsidiaries are now included as consolidated subsidiaries of the Company. In addition, consolidated subsidiaries increased due to the establishment of Seven & i Food Systems Co., Ltd. and the acquisition of the shares of WHP Holdings Corporation by 7-Eleven, Inc. in 2007.

On the other hand, consolidated subsidiaries decreased by three due to the sale of a part of owned shares of TOWER BAKERY CO., LTD. and the liquidation of one overseas consolidated subsidiary in 2007.

The fiscal year-end of some subsidiaries, including 7-Eleven, Inc. and its subsidiaries, is December 31. The financial statements of such subsidiaries as of and for the year ended December 31 are used in preparing the Consolidated Financial Statements of the Company. All material transactions during the period from January 1 to February 28 are adjusted for in the consolidation process. The fiscal year-end of Seven Bank, Ltd. is March 31. Pro forma financial statements as of February 28 prepared in a manner that is substantially identical to the preparation of the official financial statements were prepared for Seven Bank, Ltd. in order to facilitate its consolidation.

Twelve affiliates, which include THE LOFT CO., LTD., are accounted for using the equity method. Affiliates to which the equity method is applied increased by two in connection with the acquisition of investment in I ing Co., Ltd. and the sale of a part of owned shares of TOWER BAKERY CO., LTD. in 2007. Due to the stock-for-stock exchange, York-Benimaru Co., Ltd., previously an affiliate, has become a consolidated subsidiary. The affiliates which have a different fiscal year-end are included in the Consolidated Financial Statements based on their respective fiscal year-end. The advance to an affiliate that has negative net assets was reduced.

All material intercompany transactions and account balances have been eliminated.

The Company's interest portion in the assets and liabilities of subsidiaries and affiliates was revalued on acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is recognized as goodwill.

(2) Inventories

Inventories are valued principally at the lower of cost or market. Cost is determined principally by the average retail method for domestic consolidated subsidiaries and by the LIFO method for foreign consolidated subsidiaries.

Supplies are carried at cost. Cost is determined by the last purchase price method.

(3) Securities

Held-to-maturity debt securities are carried at amortized cost.

Available-for-sale securities are classified into two categories, where: (a) the fair value is available and (b) the fair value is not available.

(a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

(b) Securities whose fair value is not available are valued at cost, determined using the moving-average method.

(4) Derivatives

Derivative financial instruments are valued at fair value.

(5) Property and equipment

Depreciation of property and equipment is computed generally using the declining-balance method for the Company and its domestic consolidated subsidiaries except for the domestic consolidated subsidiaries in the department store business and using the straight-line method for the domestic consolidated subsidiaries in the department store business and foreign consolidated subsidiaries.

(6) Intangible assets

Intangible assets are amortized using the straight-line method for domestic consolidated subsidiaries.

Software for internal use is amortized using the straight-line method over an estimated useful life of 5 years.

Goodwill arising from domestic consolidated subsidiaries is amortized over a period of 20 years on a straight-line basis, or charged to income if immaterial. The goodwill recognized in applying the equity method was treated in the same manner.

The consolidated subsidiaries in the United States carry out an impairment test for goodwill and other intangible assets with indefinite lives in accordance with the provisions of the Statement of Financial Accounting Standard No. 142 "Goodwill and Other Intangible Assets", and decrease the book value if required.

(7) Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, inhabitant taxes and enterprise taxes.

Deferred tax accounting is applied.

(8) Allowances

(a) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historical rate of losses.

(b) Allowance for sales promotion expenses

Allowance for sales promotion expenses is provided for the use of points given to customers at the amount expected to be used on the balance sheet date in accordance with the sales promotion point card program. In the department store business, estimated costs of sales for goods to be purchased by coupon tickets issued through the point system are provided for.

(c) Allowance for bonuses to employees

Allowance for bonuses to employees is provided at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

(d) Allowance for accrued pension and severance costs (Prepaid pension cost)

Allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. The excess amount of the estimated fair value of the plan assets over the estimated present value of projected benefit obligation adjusted by unrecognized actuarial differences at February 28, 2007 is recorded as prepaid pension cost. Also, certain domestic consolidated subsidiaries and consolidated subsidiaries in the United States provide allowance for accrued pension and severance costs. Unrecognized actuarial differences are amortized on a straight-line basis over the period of mainly 10 years from the next year in which they arise which is shorter than the average remaining years of service of the eligible employees. Unrecognized prior service costs are amortized on a straight-line basis over the period of mainly 5 years.

(e) Allowance for retirement benefits to directors and corporate auditors

Directors and corporate auditors of the Company and certain subsidiaries receive lump-sum payments upon termination of their services under unfunded termination plans. The full amount of such retirement benefits for directors and corporate auditors is accrued in accordance with their internal rules. The payments to directors and corporate auditors are subject to approval of the shareholders' meeting.

(9) Leases

Finance leases, except those for which ownership of the leased assets is considered to be transferred to the lessee, are accounted for as operating leases in Japan.

U.S. subsidiaries account for finance leases as assets and obligations at an amount equal to the present value of future minimum lease payments, during the lease term.

(10) Hedge accounting

Interest rate swap contracts are utilized as hedging instruments and the related hedged items are loans payable. The Company and its subsidiaries have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in foreign currency rates and interest rates and reducing finance costs. The Company and its subsidiaries do not hold or issue derivative instruments for trading or speculative purposes. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized. However, certain interest rate swap contracts which meet specific hedging criteria are not measured at market value but the differences between the paid and received amount under the swap contracts are recognized and included in interest income or expenses as incurred. The hedge effectiveness for interest rate swap contracts is assessed quarterly except for those that meet specific hedging criteria.

(11) Per share information

Net assets (excluding minority interests in consolidated subsidiaries) and net income per share as of and for the year ended February 28, 2007 are ¥1,999.77 ($16.95) and ¥142.90 ($1.21), respectively. Net income per share of common stock is computed based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income per share is not presented because the Company does not have any dilutive shares.

Basis for the calculation of net income per share for the years ended February 28, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Net income	¥133,419	¥87,931	$1,130,669
Less components not pertaining to common shareholders:			
Bonuses to directors and corporate auditors	—	(198)	—
Net income pertaining to common shareholders	¥133,419	¥87,733	$1,130,669
Weighted average number of shares of common stock outstanding (shares)	933,675,491	870,127,116	

Cash dividends per share shown in the accompanying Consolidated Statements of Income represent dividends declared as applicable to the year.

(12) Treasury stock
Treasury stock shown in the accompanying Consolidated Balance Sheets includes the portion of the Company's interests in its treasury stock held by affiliates accounted for using the equity method according to the Japanese GAAP on the presentation of treasury stock.

(13) Accounting for consumption taxes and excise tax
The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying Consolidated Statements of Income. The excise tax levied in the U.S. and Canada is included in the accompanying Consolidated Statements of Income.

(14) Foreign currency translation
All assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. Translation gains or losses are included in the accompanying Consolidated Statements of Income.

All balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates except for shareholders' equity, which is translated at the historical rates. All income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are included in the accompanying Consolidated Balance Sheets under "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries".

(15) Cash and cash equivalents
In preparing the Consolidated Statements of Cash Flows, cash and cash equivalents in the accompanying Consolidated Statements of Cash Flows are comprised of cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of price fluctuation.

(16) Accounting for franchised stores in convenience store operations
7-Eleven, Inc. includes the assets, liabilities, net assets and results of operations of its franchised stores in its consolidated financial statements. Seven-Eleven Japan Co., Ltd. recognizes franchise commission from its franchised stores as revenues and includes it in "Other operating revenues".

(17) Accounting Standard for Presentation of Net Assets in the Balance Sheet
Effective for the year ended February 28, 2007, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005) (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests and shareholders' equity sections.

Due to the adoption of the New Accounting Standards, the following items are presented differently compared to the previous presentation rules. The net assets section includes unrealized gains (losses) on hedging derivatives, net of taxes. Under the previous presentation rules, companies were required to present unrealized gains (losses) on hedging derivatives in the assets or liabilities section without considering the related income tax effects. Minority interests are required to be included in the net assets section under the New Accounting Standards. Under the previous presentation rules, companies were required to present minority interests between the liabilities and shareholders' equity sections.

The consolidated balance sheet as of February 28, 2006 has been restated to conform to the 2007 presentation. As a result, minority interests amounting to ¥114,197 million are included in the net assets section as of February 28, 2006. But there were no effects on the total assets or total liabilities from applying the New Accounting Standards to the balance sheet as of February 28, 2006.

If the New Accounting Standards had not been adopted and the previous presentation method for shareholders' equity had been applied, shareholders' equity at February 28, 2007, which comprised common stock, capital surplus, retained earnings, unrealized gains (losses) on available-for-sale securities, foreign currency translation adjustments and treasury stock, would have been ¥1,907,169 million ($16,162,449 thousand).

The adoption of the New Accounting Standards had no impact on the Consolidated Statements of Income for the years ended February 28, 2007 and 2006.

(18) Accounting Standard for Statement of Changes in Net Assets
Effective for the year ended February 28, 2007, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005) (collectively, the "New Accounting Standards").

Accordingly, the Company prepared the Consolidated Statement of Changes in Net Assets for the year ended February 28, 2007 in accordance with the New Accounting Standards. The Company also voluntarily prepared the Consolidated Statement of Changes in Net Assets for the year ended February 28, 2006 in accordance with the New Accounting Standards for the convenience of the reader. Previously, Consolidated Statements of Shareholders' Equity were prepared for the purpose of inclusion in the Consolidated Financial Statements although such statements were not required under Japanese GAAP.

(19) Reclassification
Certain prior year amounts have been reclassified to conform to the current year presentation.

3. UNITED STATES DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥118=US$1, the approximate rate of exchange prevailing at February 28, 2007. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled in U.S. dollars at this rate or at any other rate.

4. SECURITIES INFORMATION

(1) The following tables summarize the book value and fair value of held-to-maturity debt securities whose fair value is available as of February 28, 2007 and 2006:

	Millions of yen		
	2007		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥ —	¥ —	¥ —
Debt securities with fair value not exceeding book value	615	613	(2)
Total	¥615	¥613	¥(2)

	Millions of yen		
	2006		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥310	¥310	¥ 0
Debt securities with fair value not exceeding book value	435	433	(2)
Total	¥745	¥743	¥(2)

	Thousands of U.S. dollars (Note 3)		
	2007		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	$ —	$ —	$ —
Debt securities with fair value not exceeding book value	5,212	5,195	(17)
Total	$5,212	$5,195	$(17)

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value is available as of February 28, 2007 and 2006:

	Millions of yen		
	2007		
TYPE	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 12,522	¥ 27,011	¥ 14,489
Debt securities	5,536	5,536	0
Sub-total	18,058	32,547	14,489
Securities with book value not exceeding acquisition cost:			
Equity securities	65,102	46,204	(18,898)
Debt securities	64,516	64,490	(26)
Sub-total	129,618	110,694	(18,924)
Total	¥147,676	¥143,241	¥ (4,435)

	Millions of yen		
	2006		
TYPE	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 75,688	¥ 89,004	¥13,316
Debt securities	5,999	6,004	5
Sub-total	81,687	95,008	13,321
Securities with book value not exceeding acquisition cost:			
Equity securities	277	227	(50)
Debt securities	47,542	47,538	(4)
Sub-total	47,819	47,765	(54)
Total	¥129,506	¥142,773	¥13,267

TYPE	Thousands of U.S. dollars (Note 3) 2007 Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 106,119	$ 228,907	$ 122,788
Debt securities	46,915	46,915	0
Sub-total	153,034	275,822	122,788
Securities with book value not exceeding acquisition cost:			
Equity securities	551,712	391,559	(160,153)
Debt securities	546,746	546,526	(220)
Sub-total	1,098,458	938,085	(160,373)
Total	$1,251,492	$1,213,907	$ (37,585)

(3) Available-for-sale securities sold during the fiscal years ended February 28, 2007 and 2006 have not been disclosed since they are considered to be immaterial.

(4) The following table summarizes the book value of major securities with no available fair value as of February 28, 2007 and 2006:

TYPE	Millions of yen 2007	2006	Thousands of U.S. dollars (Note 3) 2007
Held-to-maturity debt securities:			
Bonds	¥ 204	¥ 204	$ 1,729
Available-for-sale securities:			
Non-listed securities	16,749	18,229	141,940
Non-listed foreign securities	5,042	5,052	42,729
Total	¥21,995	¥23,485	$186,398

(5) Redemption schedules of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of February 28, 2007 and 2006 are as follows:

TYPE	Millions of yen 2007 Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	¥70,017	¥625	¥ —	¥ —	¥70,642
Corporate bonds	—	204	—	—	204
Total	¥70,017	¥829	¥ —	¥ —	¥70,846

TYPE	Millions of yen 2006 Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	¥53,532	¥455	¥ —	¥ —	¥53,987
Corporate bonds	—	204	300	—	504
Total	¥53,532	¥659	¥300	¥ —	¥54,491

TYPE	Thousands of U.S. dollars (Note 3) 2007 Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	$593,364	$5,297	$ —	$ —	$598,661
Corporate bonds	—	1,729	—	—	1,729
Total	$593,364	$7,026	$ —	$ —	$600,390

(6) Investments in affiliates included in “Investments in securities” in the accompanying Consolidated Balance Sheets as of February 28, 2007 and 2006 are ¥7,032 million ($59,593 thousand) and ¥47,564 million, respectively.

5. DERIVATIVE TRANSACTIONS

The Company and its subsidiaries have policies to use interest rate swap contracts, forward currency exchange contracts and currency swap contracts only for the purposes of mitigating the risk of fluctuations in interest rates and foreign currency exchange rates and reducing finance costs. The Company and its subsidiaries do not hold or issue derivative instruments for trading or speculative purposes. Currency-related transactions and interest rate swap contracts include the market risk of fluctuations in foreign currency exchange rates and interest rates, respectively. The risk of nonperformance is considered to be low as the contracts are entered into with prestigious financial institutions. The responsible departments in the Company and its subsidiaries enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2007 and 2006 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivative transactions to which hedge accounting has been applied are excluded from this disclosure.

(1) Currency-related transactions

	Millions of yen			
	As of February 28, 2007			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	¥ 3,978	¥ —	¥3,976	¥ (2)
Buy Euro	79	—	81	2
Currency swap contracts:				
U.S. dollar	¥35,454	¥23,636	¥ 601	¥601

	Millions of yen			
	As of February 28, 2006			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	¥ 3,256	¥ —	¥3,254	¥ (2)
Buy Euro	11	—	11	(0)
Currency swap contracts:				
U.S. dollar	¥47,472	¥35,454	¥2,436	¥2,436

	Thousands of U.S. dollars (Note 3)			
	As of February 28, 2007			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	$ 33,712	$ —	$33,695	$ (17)
Buy Euro	669	—	686	17
Currency swap contracts:				
U.S. dollar	$300,458	$200,305	$ 5,093	$5,093

(2) Interest-rate-related transactions

	Millions of yen			
	As of February 28, 2007			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Interest rate swap contracts:				
Receive float / Pay fixed	¥35,000	¥35,000	¥ 26	¥ 26
Receive fixed / Pay float	20,000	10,000	(77)	(77)

	Millions of yen			
	As of February 28, 2006			
	Contract amount		Estimated fair value	Unrealized losses
	Total	Over one year		
Interest rate swap contracts:				
Receive float / Pay fixed	¥35,000	¥35,000	¥(71)	¥(71)

	Thousands of U.S. dollars (Note 3)			
	As of February 28, 2007			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Interest rate swap contracts:				
Receive float / Pay fixed	$296,610	$296,610	$ 220	$ 220
Receive fixed / Pay float	169,492	84,746	(653)	(653)

6. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Buildings and structures	¥ 1,348,332	¥1,200,569	$11,426,542
Furniture, fixtures and other	436,429	469,227	3,698,551
	1,784,761	1,669,796	15,125,093
Less: Accumulated depreciation	(1,052,751)	(981,030)	(8,921,618)
	732,010	688,766	6,203,475
Land	564,224	488,152	4,781,559
Construction in progress	36,923	23,574	312,907
Total	¥ 1,333,157	¥1,200,492	$ 11,297,941

7. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the years ended February 28, 2007 and 2006, the Company and its consolidated subsidiaries recognized ¥14,199 million ($120,331 thousand) and ¥31,040 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2007:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo 46 stores Kanagawa Pref. 22 stores	¥13,801	$116,958
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 4 stores Tokyo 2 stores Other 12 stores		
Stores (Department stores)	Land and buildings, etc.	Hokkaido 1 store Saitama Pref. 1 store		
Stores (Restaurants)	Buildings and structures, etc.	Tokyo & other 51 stores		
Other facilities, etc.	Land and buildings, etc.	Ibaraki Pref. 1 store	398	3,373
Total			¥14,199	$120,331

Fiscal year ended February 28, 2006:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo 34 stores Kanagawa Pref. 34 stores	¥30,976
Stores (Superstores)	Land and buildings, etc.	Hokkaido 7 stores Chiba Pref. 5 stores Other 23 stores	
Stores (Restaurants)	Buildings and structures, etc.	Tokyo & other 51 stores	
Other facilities, etc.	Land, etc.	Saitama Pref. & other 2 stores	64
Total			¥31,040

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amount was recorded as impairment loss.

A breakdown of impairment loss for the years ended February 28, 2007 and 2006 is as follows:

Fiscal year ended February 28, 2007:

	Millions of yen			Thousands of U.S. dollars (Note 3)
Classification	Stores	Other facilities, etc.	Total	
Buildings and structures	¥ 7,512	¥ 5	¥ 7,517	$ 63,703
Land	4,402	393	4,795	40,636
Other	1,887	–	1,887	15,992
Total	¥13,801	¥398	¥14,199	$120,331

Fiscal year ended February 28, 2006:

Classification	Millions of yen Stores	Other facilities, etc.	Total
Buildings and structures	¥14,810	¥ —	¥14,810
Land	13,196	34	13,230
Other	2,970	30	3,000
Total	¥30,976	¥64	¥31,040

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards, and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 3.1%–6.2% discount rates in 2007 and the 3.1%–6.0% in 2006 were applied.

8. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Summary of net assets (assets and liabilities) and net payment for (net receipt from) the acquisition of shares of companies newly included is as follows:

Fiscal year ended February 28, 2007:

A. White Hen Pantry, Inc. (“White Hen Pantry”)	Millions of yen 2007	Thousands of U.S. dollars (Note 3) 2007
Current assets	¥ 1,696	$ 14,373
Non-current assets	4,879	41,347
Goodwill	2,926	24,797
Current liabilities	(2,668)	(22,610)
Non-current liabilities	(575)	(4,873)
Acquisition cost of shares	6,258	53,034
Cash and cash equivalents of White Hen Pantry	(63)	(534)
Net payment for the acquisition of shares	¥ 6,195	$ 52,500

B. York-Benimaru Co., Ltd. (“York-Benimaru”) (a)	Millions of yen 2007	Thousands of U.S. dollars (Note 3) 2007
Current assets	¥ 49,521	$ 419,670
Non-current assets	105,380	893,051
Goodwill	62,037	525,737
Current liabilities	(32,416)	(274,712)
Minority interests	(2,014)	(17,068)
Sub-total	182,508	1,546,678
Carrying value of investment in York-Benimaru under the equity method at the time that the Company acquired the majority of voting rights	(39,667)	(336,161)
Acquisition cost of shares	142,841	1,210,517
Stock-for-stock exchange	(142,841)	(1,210,517)
Cash and cash equivalents of York-Benimaru	(20,687)	(175,314)
Net receipt from the acquisition of shares	¥ (20,687)	$ (175,314)

(a) The amounts of assets and liabilities include the amounts recorded in its subsidiaries.

Fiscal year ended February 28, 2006:

A. Hua Tang Yokado Commercial Co., Ltd. ("Hua Tang")	Millions of yen
	2006
Current assets	¥ 5,447
Non-current assets	1,216
Goodwill	1,946
Current liabilities	(2,469)
Minority interests	(2,023)
Sub-total	4,117
Carrying value of investment in Hua Tang under the equity method at the time that the Company acquired the majority of voting rights	(1,541)
Acquisition cost of shares	2,576
Cash and cash equivalents of Hua Tang	(2,101)
Net payment for the acquisition of shares	¥ 475

B. TOWER BAKERY CO., LTD. ("TOWER BAKERY") (a)	Millions of yen
	2006
Current assets	¥ 761
Non-current assets	3,754
Goodwill	809
Current liabilities	(2,906)
Non-current liabilities	(742)
Minority interests	(276)
Acquisition cost of shares	1,400
Cash and cash equivalents of TOWER BAKERY	(0)
Net payment for the acquisition of shares	¥ 1,400

C. Millennium Retailing, Inc. ("Millennium") (a)	Millions of yen
	2006
Current assets	¥ 148,978
Non-current assets	486,842
Goodwill	105,716
Current liabilities	(268,292)
Non-current liabilities	(273,564)
Minority interests (b)	(64,205)
Acquisition cost of shares	135,475
Cash and cash equivalents of Millennium	(62,678)
Net payment for the acquisition of shares	¥ 72,797

D. Seven and Y Corp. ("Seven and Y") (a)	Millions of yen
	2006
Current assets	¥ 975
Non-current assets	300
Goodwill	461
Current liabilities	(1,082)
Minority interests	(95)
Sub-total	559
Carrying value of investment in Seven and Y under the equity method at the time that the Company acquired the majority of voting rights	(59)
Acquisition cost of shares	500
Cash and cash equivalents of Seven and Y	(462)
Net payment for the acquisition of shares	¥ 38

(a) The amounts of assets and liabilities represent the amounts of their consolidated financial statements.
(b) ¥40,000 million of preferred stock held by a third party is included.

(2) Major non-cash transaction

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Finance lease obligations for property and equipment recorded for the year	¥1,281	¥1,098	$10,856

9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate statutory rates of approximately 40.7% for the years ended February 28, 2007 and 2006.

The significant components of deferred tax assets and liabilities as of February 28, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Deferred tax assets:			
Inventory reserve	¥ 3,754	¥ 3,123	$ 31,814
Allowance for bonuses to employees	6,010	5,754	50,932
Allowance for sales promotion expenses	7,424	6,740	62,915
Accrued payroll	4,035	3,089	34,195
Allowance for retirement benefits to directors and corporate auditors	1,708	1,333	14,474
Allowance for accrued pension and severance costs	501	1,392	4,246
Depreciation and amortization	8,479	7,238	71,856
Tax loss carried forward	46,582	51,587	394,763
Valuation loss on available-for-sale securities	1,683	1,540	14,263
Allowance for doubtful accounts	1,834	2,646	15,542
Unrealized loss on property and equipment	9,193	12,537	77,907
Impairment loss on property and equipment and valuation loss on land	33,426	30,700	283,271
Accrued enterprise taxes and business office taxes	4,770	8,068	40,424
Non-deductible accrued expenses	8,874	12,338	75,203
Other	11,631	11,697	98,568
Sub-total	149,904	159,782	1,270,373
Less: Valuation allowance	(76,839)	(79,334)	(651,178)
Total	73,065	80,448	619,195
Deferred tax liabilities:			
Unrealized gains on property and equipment	(51,022)	(56,291)	(432,390)
Royalties, etc.	(17,321)	(17,154)	(146,788)
Deferred gains on sales of property and equipment	(1,308)	(1,130)	(11,085)
Unrealized gains on available-for-sale securities	(16,019)	(23,589)	(135,754)
Other	(3,433)	(1,757)	(29,093)
Total	(89,103)	(99,921)	(755,110)
Net deferred tax liabilities (a)	¥(16,038)	¥(19,473)	$ (135,915)

(a) Net deferred tax liabilities are included in the following assets and liabilities:

Current assets–Deferred income taxes	¥ 36,701	¥ 31,725	$ 311,025
Other assets–Deferred income taxes	21,655	26,978	183,517
Current liabilities–Other	(227)	(963)	(1,923)
Non-current liabilities–Deferred income taxes	(74,167)	(77,213)	(628,534)

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the years ended February 28, 2007 and 2006 is as follows:

	2007	2006
Statutory tax rate	40.7%	40.7%
Adjustments:		
Equity in earnings of affiliates	(0.2)	(0.4)
Amortization of goodwill	1.5	0.2
Non-deductible items such as entertainment expenses	0.3	0.3
(Decrease) increase in valuation allowance	(1.3)	5.0
Inhabitant taxes per capita	0.7	0.8
Other	(0.3)	(1.0)
Effective tax rate	41.4%	45.6%

10. RETIREMENT BENEFITS

(1) Summary of retirement benefit plans

The Company and its domestic consolidated subsidiaries provide two types of defined benefit plans: the employees' pension fund plan and the lump-sum severance payment plan.

A premium on employees' retirement benefit may be added upon retirement of the employee.

Consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

"IY Group Employees' Pension Fund", which the Company and its domestic consolidated subsidiaries participate in, changed its name to "Seven & i Holdings Employees' Pension Fund" on September 1, 2005.

(2) Projected retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Projected benefit obligations (a)	¥(171,278)	¥(161,132)	$(1,451,509)
Fair value of plan assets (including employee retirement benefit trust)	190,336	171,780	1,613,017
Unrecognized actuarial differences	(14,155)	(10,870)	(119,957)
Unrecognized prior service cost	(2,294)	(2,570)	(19,441)
Others	—	(641)	—
Prepaid pension cost, net of allowance for accrued pension and severance costs	2,609	—	22,110
Prepaid pension cost	5,966	—	50,559
Allowance for accrued pension and severance costs	¥ (3,357)	¥ (3,433)	$ (28,449)

(a) For some of the consolidated subsidiaries, the simplified method is used for computing retirement benefit obligations.

(3) Net periodic benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Service cost (a)	¥10,631	¥ 8,601	$ 90,093
Interest cost	4,294	4,080	36,390
Expected return on plan assets	(6,273)	(5,792)	(53,161)
Amortization of actuarial differences	(647)	634	(5,483)
Amortization of prior year service cost	(705)	474	(5,975)
Premium on employees' retirement benefit	1,738	6,295	14,729
Gain from amendment of pension plan (b)	—	(3,011)	—
Net periodic benefit cost (c)	¥ 9,038	¥11,281	$ 76,593

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.
(b) Gain from amendment of pension plan was recorded in certain subsidiaries in the United States for the year ended February 28, 2006.
(c) Besides the above net periodic benefit cost, ¥1,385 million ($11,737 thousand) and ¥1,775 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the United States were recorded for the years ended February 28, 2007 and 2006, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

	2007	2006
Allocation method of estimated total retirement benefits: Mainly	Point basis	Point basis
Discount rate: Mainly	2.5%	2.5%
Consolidated subsidiaries in the United States	6.0%	6.0%
Expected rate of return on plan assets: Mainly	3.5%	3.5%
Periods over which the prior service cost is amortized	5 years or 10 years	5 years or 10 years
Periods over which the actuarial differences are amortized (a): Mainly	10 years	10 years

(a) Actuarial differences are amortized in the year following the year in which the differences are recognized primarily using the straight-line method over the period (mainly 10 years) which is shorter than the average remaining years of service of the eligible employees. Consolidated subsidiaries in the United States have adopted the corridor approach for the amortization of actuarial differences.

11. SHORT-TERM LOANS AND LONG-TERM DEBT

The following summarizes information concerning short-term loans:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Outstanding balance at fiscal year-end:			
Short-term bank loans (a)	¥176,913	¥114,462	$1,499,263
Weighted-average interest rate at year-end:			
Short-term bank loans	0.8%	1.3%	0.8%

(a) The total amounts of short-term loans with collateral as of February 28, 2007 and 2006 are ¥613 million ($5,195 thousand) and ¥64,678 million, respectively (Note 14).

Long-term debt at February 28, 2007 and 2006 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Outstanding balance at fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2008 to 2023 with interest rates ranging from 0.5% to 7.2% (b)	¥ 431,856	¥416,147	$3,659,797
Ito-Yokado Co., Ltd.:			
1.72% unsecured straight bonds, due March 29, 2007	30,000	30,000	254,237
1.96% unsecured straight bonds, due March 29, 2010	20,000	20,000	169,491
0.65% unsecured straight bonds, due September 18, 2009	50,000	50,000	423,729
Seven Bank, Ltd.:			
0.88% unsecured straight bonds, due December 10, 2008	15,000	15,000	127,119
1.45% unsecured straight bonds, due December 20, 2011	36,000	—	305,085
1.67% unsecured straight bonds, due December 20, 2013	24,000	—	203,390
7-Eleven, Inc.:			
Commercial paper	38,338	41,765	324,898
Capital lease obligations, due fiscal 2008 to 2029	21,596	24,920	183,017
	666,790	597,832	5,650,763
Current portion of long-term debt	(101,118)	(50,395)	(856,932)
	¥ 565,672	¥547,437	$4,793,831

(b) The total amounts of long-term debt with collateral as of February 28, 2007 and 2006 are ¥240,258 million ($2,036,085 thousand) and ¥268,061 million, respectively (Note 14).

The aggregate annual maturities of long-term debt are as follows:

Fiscal years ending February 28 or 29:	Millions of yen	Thousands of U.S. dollars (Note 3)
2008	¥101,118	$ 856,932
2009	128,060	1,085,254
2010	136,174	1,154,017
2011	72,644	615,627
2012	132,446	1,122,424
Thereafter	96,348	816,509
	¥666,790	$5,650,763

12. LEASES

(1) Finance leases

Finance lease charges to the Company and its consolidated subsidiaries for the years ended February 28, 2007 and 2006 are ¥12,763 million ($110,026 thousand) and ¥8,396 million, respectively. The Company and its domestic consolidated subsidiaries' finance lease contracts that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases with appropriate footnote disclosures. "As if Capitalized" information for significant leased assets under the finance lease contracts of the Company and its domestic consolidated subsidiaries as of and for the years ended February 28, 2007 and 2006 is as follows:

As lessee:

A summary of assumed amounts of acquisition cost, accumulated depreciation, impairment loss and net book value, including the interest portion, as of February 28, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Furniture, fixtures and equipment:			
Acquisition cost	¥ 82,083	¥ 53,561	$ 695,619
Accumulated depreciation	(25,230)	(30,184)	(213,814)
Impairment loss	(25)	–	(212)
Net book value	¥ 56,828	¥ 23,377	$ 481,593
Software:			
Acquisition cost	¥ 1,094	¥ 1,371	$ 9,271
Accumulated depreciation	(393)	(707)	(3,330)
Net book value	¥ 701	¥ 664	$ 5,941
Lease payments	¥ 12,763	¥ 8,396	$ 108,161
Depreciation expense (a) and (b)	¥ 12,763	¥ 8,396	$ 108,161
Impairment loss	¥ 25	¥ –	$ 212

(a) Depreciation expense included the interest portion.
(b) Depreciation expense is computed using the straight-line method over the lease term assuming no residual value.

The future lease payments of the Company and its consolidated subsidiaries' finance leases, including the interest portion, as of February 28, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Due within one year	¥15,172	¥ 8,942	$128,576
Due over one year	42,381	15,099	359,161
Total	¥57,553	¥24,041	$487,737
Balance of impairment loss account on leased assets included in the outstanding future lease payments	¥ 25	¥ –	$ 212

As lessor:

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value as of February 28, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Furniture, fixtures and equipment:			
Acquisition cost	¥ 24,076	¥21,536	$204,034
Accumulated depreciation	(10,438)	(8,851)	(88,458)
Net book value	¥ 13,638	¥12,685	$115,576
Lease income	¥ 4,390	¥ 3,819	$ 37,203
Depreciation expense	¥ 4,048	¥ 3,550	$ 34,305
Interest income (c)	¥ 423	¥ 374	$ 3,585

(c) Allocation of interest income to each period is computed using the interest method.

The future lease income of the Company and its consolidated subsidiaries' finance leases as of February 28, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Due within one year	¥ 4,054	¥ 3,578	$ 34,356
Due over one year	9,923	9,380	84,093
Total	¥13,977	¥12,958	$118,449

(2) Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, including the interest portion, as of February 28, 2007 and 2006 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Due within one year	¥ 66,989	¥ 67,685	$ 567,703
Due over one year	405,825	419,364	3,439,195
Total	¥472,814	¥487,049	$4,006,898

13. NET ASSETS

As described in Note 2 (17), net assets comprise three subsections, which are shareholders' equity, accumulated gains (losses) from valuation and translation adjustments and minority interests.

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for the fiscal years ending after that date.

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by a resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on May 24, 2007, the shareholders approved cash dividends amounting to ¥26,128 million ($221,424 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2007. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2007, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥1,001 million ($8,483 thousand). The amount of guarantee in relation to the loans of a certain store lessor was ¥651 million ($5,517 thousand).

As of February 28, 2006, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥1,180 million. The amount of guarantee in relation to the loans of a certain store lessor and to the loans of a certain affiliate was ¥767 million and ¥218 million, respectively.

(2) Pledged assets

A. The amounts of assets pledged as collateral by the Company and its consolidated subsidiaries for their loans from certain financial institutions as of February 28, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Bank deposits	¥ —	¥ 3,423	$ —
Notes and accounts receivable, trade	—	6,921	—
Other current assets	2,275	5,273	19,280
Buildings and structures	66,047	70,738	559,720
Furniture, fixtures and equipment	926	1,313	7,848
Land	99,461	115,917	842,890
Other intangible assets	10,355	14,207	87,754
Investments in securities	59,475	112,563	504,025
Long-term leasehold deposits	4,758	35,672	40,322
Other investments	—	775	—
Total	¥243,297	¥366,802	$2,061,839

Debts for the pledged assets above as of February 28, 2007 are as follows: short-term loans, ¥613 million ($5,195 thousand); long-term loans (including current portion), ¥240,258 million ($2,036,085 thousand); and long-term accounts payable, ¥1,776 million ($15,051 thousand).

Debts for the pledged assets above as of February 28, 2006 are as follows: short-term loans, ¥64,678 million; long-term loans (including current portion), ¥268,061 million; and long-term accounts payable, ¥1,887 million.

B. The amounts of assets pledged as collateral for the debts of affiliates and vendors as of February 28, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Buildings	¥1,096	¥2,345	$ 9,288
Land	2,363	2,829	20,026
Total	¥3,459	¥5,174	$29,314

Debts of affiliates and vendors for the pledged assets above as of February 28, 2007 and 2006 are ¥4,025 million ($34,110 thousand) and ¥5,156 million, respectively.

C. Other

As of February 28, 2007

The amounts of assets pledged as collateral for fund transfer and for real estate business are ¥5,499 million ($46,602 thousand) and ¥60 million ($508 thousand), respectively. The amounts of assets pledged as collateral for installment sales and sales of beneficiary right of trust are ¥2,210 million ($18,729 thousand) and ¥10 million ($85 thousand), respectively. In addition, ¥794 million ($6,729 thousand) of assets was pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2006

The amounts of assets pledged as collateral for fund transfer and for real estate business are ¥5,501 million and ¥35 million, respectively. The amount of assets pledged as collateral for installment sales and gift tickets is ¥5,666 million. The amount of gift tickets issued by subsidiaries is ¥19,199 million. To secure approximately half of the amount of gift tickets issued, ¥3,243 million of additional assets was pledged as collateral.

(3) Litigation and securitization

As of February 28, 2007

A. Litigation

Sogo Co., Ltd. (“Sogo”), a consolidated subsidiary of the Company, reached an amicable settlement with Organization for Promoting Urban Development on November 22, 2006 and acquired the property of Kobe North Parking by ¥11,300 million ($95,763 thousand) on December 15, 2006.

B. Securitization of store properties

THE SEIBU DEPARTMENT STORES, LTD. (“SEIBU”), a consolidated subsidiary of the Company, established a real estate trust comprising of the land, land leasehold right and part of the buildings of a store and sold the beneficiary right of the trust to a Special Purpose Corporation (“SPC”). Concurrently, SEIBU has entered into a silent partnership arrangement with SPC with a certain investment. Also, SEIBU leased back such store properties from SPC who has the beneficiary right of the trust.

Under these arrangements, the above noted investment is subordinated to all liabilities to other members of the silent partnership and third parties other than members of the silent partnership.

A summary of the store name, amount of investment and SPC name is as follows:

Store name	Amount of investment	SPC name
Ikebukuro	¥5,850 million ($49,576 thousand)	Asset Ikesei Corp.

Information about SPC is as follows:

SPC name	Year-end	Total assets at the latest closing date
Asset Ikesei Corp.	July	¥124,200 million ($1,052,542 thousand)

SEIBU repurchased the beneficiary rights of trusts of Shibuya-Movita store from Asset Movita by ¥9,491 million ($80,432 thousand) and the land and buildings were delivered to SEIBU on September 29, 2006. Also, SEIBU repurchased Sapporo, Funabashi and Shibuya-LOFT stores from Global Asset Ikesei Corp. by ¥39,440 million ($334,237 thousand) and the land and buildings were delivered to SEIBU on November 27, 2006.

As of February 28, 2006

A. Litigation

Sogo, a consolidated subsidiary of the Company, has been named as a defendant in a lawsuit which has been filed in the Tokyo District Court by Organization for Promoting Urban Development on November 28, 2002, regarding the cancellation of "sales contract of properties of Kobe North Parking dated February 1996" against the notice of cancellation of the buy-back agreement by Sogo based on the Civil Rehabilitation Law. On August 29, 2005, the Tokyo District Court judged that Sogo should pay ¥13,138 million for the buy-back of such properties (land) and annually 6% of interest from the claim date. Then, Sogo appealed to the Tokyo High Court and the appeal has been pending.

It is the opinion of the management of Sogo that this lawsuit which is pending against Sogo will not have a material adverse effect on its operating results, liquidity or financial position.

B. Securitization of store properties

SEIBU, a consolidated subsidiary of the Company, established certain real estate trusts comprising of the land, land leasehold rights and part of the buildings of several stores and sold the beneficiary rights of the trusts to several Special Purpose Corporations ("SPCs"). Concurrently, SEIBU has entered into silent partnership arrangements with SPCs with certain investments. Also, SEIBU leased back such store properties from SPCs who have the beneficiary rights of the trusts.

Under these arrangements, the above noted investments are subordinated to all liabilities to other members of the silent partnerships and third parties other than members of the silent partnerships.

A summary of store names, amount of investments and SPC names is as follows:

Store name	Amount of investment	SPC name
Ikebukuro	¥5,850 million	Asset Ikesei Corp.
Sapporo, Funabashi and Shibuya-LOFT	¥2,065 million	Global Asset Ikesei Corp.
Shibuya-Movita	¥470 million	Asset Movita

Information about SPCs is as follows:

SPC name	Year-end	Total assets at the latest closing date
Asset Ikesei Corp.	July	¥124,161 million
Global Asset Ikesei Corp.	August	¥44,331 million
Asset Movita	August & February (half year-end)	¥9,877 million

15. NOTES AND ACCOUNTS PAYABLE: TRADE FOR FRANCHISED STORES

The balance of the "Notes and accounts payable: Trade for franchised stores" account represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. ("SEJ"). SEJ centralizes all purchasing procedures for merchandise purchased by an individual franchised store and makes collective payments to all vendors on behalf of the franchisees.

16. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(1) The franchise commission from SEJ's franchised stores is included in "Other operating revenues".
The franchise commission from franchised stores and concurrent net sales of franchised stores are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Franchise commission from franchised stores	¥ 359,770	¥ 356,907	$ 3,048,898
Net sales of franchised stores	2,379,890	2,365,345	20,168,559

(2) Inventory valuation losses included in "Cost of sales" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Inventory valuation losses	¥6,911	¥7,181	$58,568

(3) Major items included in "Gain on sales of property and equipment" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Buildings and structures	¥1,117	¥1,069	$ 9,466
Land	1,367	768	11,585
Others	309	6	2,618
Total	¥2,793	¥1,843	$23,669

(4) Major items included in "Loss on disposals of property and equipment" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Buildings and structures	¥ 7,457	¥4,049	$ 63,195
Furniture, fixtures and equipment	7,526	1,376	63,779
Software	1,370	1,751	11,610
Others	2,429	1,009	20,585
Total	¥18,782	¥8,185	$159,169

(5) Major items included in "Selling, general and administrative expenses" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Advertising and decoration expenses	¥111,231	¥ 87,667	$ 942,636
Salaries and wages	399,393	328,255	3,384,686
Provision for allowance for bonuses to employees	14,755	8,931	125,042
Legal welfare expenses	46,148	35,550	391,085
Land and building rent	227,783	167,182	1,930,364
Depreciation and amortization	125,795	93,615	1,066,059
Utility expenses	93,138	75,231	789,305
Store maintenance and repair	77,518	64,564	656,932

17. RELATED PARTY TRANSACTIONS

There was no related party transaction during the fiscal years ended February 28, 2007 and 2006.

18. SEGMENT INFORMATION

(1) Business segments

Fiscal year ended February 28, 2007	Millions of yen Convenience store operations	Superstore operations	Department store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	¥2,248,400	¥1,871,834	¥988,358	¥119,973	¥ 84,432	¥24,808	¥5,337,805	¥ 2	¥5,337,807
Intersegment	1,249	11,101	—	1,711	15,863	7,533	37,457	(37,457)	—
Total revenues	2,249,649	1,882,935	988,358	121,684	100,295	32,341	5,375,262	(37,455)	5,337,807
Operating expenses	2,043,559	1,853,765	961,585	120,752	75,747	30,719	5,086,127	(35,158)	5,050,969
Operating income	¥ 206,090	¥ 29,170	¥ 26,773	¥ 932	¥ 24,548	¥ 1,622	¥ 289,135	¥ (2,297)	¥ 286,838
Assets	¥1,221,548	¥1,118,594	¥811,465	¥ 78,639	¥896,116	¥11,831	¥4,138,193	¥(329,001)	¥3,809,192
Depreciation	¥ 71,800	¥ 24,070	¥ 19,042	¥ 3,454	¥ 14,174	¥ 134	¥ 132,674	¥ 19	¥ 132,693
Impairment loss on property and equipment	¥ 5,481	¥ 5,785	¥ 1,970	¥ 963	¥ —	¥ —	¥ 14,199	¥ —	¥ 14,199
Capital expenditures	¥ 81,557	¥ 43,516	¥ 92,531	¥ 4,117	¥ 31,823	¥ 242	¥ 253,786	¥ 77	¥ 253,863

Fiscal year ended February 28, 2006	Millions of yen Convenience store operations	Superstore operations	Department store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	¥2,014,335	¥1,675,204	¥ —	¥122,246	¥ 71,193	¥12,794	¥3,895,772	¥ —	¥3,895,772
Intersegment	901	12,531	—	1,779	11,096	6,987	33,294	(33,294)	—
Total revenues	2,015,236	1,687,735	—	124,025	82,289	19,781	3,929,066	(33,294)	3,895,772
Operating expenses	1,805,421	1,672,353	—	121,400	65,011	18,973	3,683,158	(32,326)	3,650,832
Operating income	¥ 209,815	¥ 15,382	¥ —	¥ 2,625	¥ 17,278	¥ 808	¥ 245,908	¥ (968)	¥ 244,940
Assets	¥1,177,401	¥1,018,184	¥741,536	¥ 83,562	¥717,402	¥18,021	¥3,756,106	¥(331,227)	¥3,424,879
Depreciation	¥ 64,428	¥ 20,796	¥ —	¥ 3,020	¥ 9,529	¥ 38	¥ 97,811	¥ 0	¥ 97,811
Impairment loss on property and equipment	¥ 6,341	¥ 23,861	¥ —	¥ 838	¥ —	¥ —	¥ 31,040	¥ —	¥ 31,040
Capital expenditures	¥ 83,788	¥ 49,532	¥ —	¥ 4,724	¥ 22,853	¥ 34	¥ 160,931	¥ 11	¥ 160,942

Fiscal year ended February 28, 2007	Thousands of U.S. dollars (Note 3) Convenience store operations	Superstore operations	Department store operations	Restaurant operations	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	$19,054,237	$15,863,000	$8,375,915	$1,016,721	$ 715,526	$210,237	$45,235,636	$ 17	$45,235,653
Intersegment	10,585	94,076	—	14,500	134,432	63,839	317,432	(317,432)	—
Total revenues	19,064,822	15,957,076	8,375,915	1,031,221	849,958	274,076	45,553,068	(317,415)	45,235,653
Operating expenses	17,318,297	15,709,873	8,149,025	1,023,322	641,924	260,330	43,102,771	(297,949)	42,804,822
Operating income	$ 1,746,525	$ 247,203	$ 226,890	$ 7,899	$ 208,034	$ 13,746	$ 2,450,297	$ (19,466)	$ 2,430,831
Assets	$10,352,102	$ 9,479,610	$6,876,822	$ 666,432	$7,594,203	$100,263	$35,069,432	$(2,788,144)	$32,281,288
Depreciation	$ 608,474	$ 203,983	$ 161,373	$ 29,271	$ 120,119	$ 1,136	$ 1,124,356	$ 161	$ 1,124,517
Impairment loss on property and equipment	$ 46,449	$ 49,026	$ 16,695	$ 8,161	$ —	$ —	$ 120,331	$ —	$ 120,331
Capital expenditures	$ 691,161	$ 368,780	$ 784,161	$ 34,890	$ 269,686	$ 2,051	$ 2,150,729	$ 652	$ 2,151,381

Notes:

1. The classification of business segments is made by the type of products and services and the type of sales.
2. Major businesses in each segment are as follows:
   - Convenience store operations .... Convenience store business operated by corporate stores and franchised stores under the name of "7-Eleven"
   - Superstore operations .... Superstore, supermarket and specialty shop
   - Department store operations .... Sogo Co., Ltd., THE SEIBU DEPARTMENT STORES, LTD. and other companies included in the department store business
   - Restaurant operations .... Coffee shop style restaurant, family restaurant operated in shopping center and catering
   - Financial services .... Bank, credit card and lease business
   - Others .... Electronic commerce business and other services
3. Unallocable operating expenses included in "Eliminations / corporate" represent the Company's general and administrative expenses, and totaled ¥9,198 million ($77,949 thousand) for the fiscal year ended February 28, 2007 and ¥2,660 million for the fiscal year ended February 28, 2006.

(2) Geographic area segments

Fiscal year ended February 28, 2007	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Millions of yen					
Revenues:						
Customers	¥3,562,125	¥1,725,923	¥49,759	¥5,337,807	¥ —	¥5,337,807
Intersegment	248	2,559	—	2,807	(2,807)	—
Total revenues	3,562,373	1,728,482	49,759	5,340,614	(2,807)	5,337,807
Operating expenses	3,308,404	1,696,497	48,879	5,053,780	(2,811)	5,050,969
Operating income	¥ 253,969	¥ 31,985	¥ 880	¥ 286,834	¥ 4	¥ 286,838
Assets	¥3,162,320	¥ 662,673	¥21,039	¥3,846,032	¥(36,840)	¥3,809,192

Fiscal year ended February 28, 2006	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Millions of yen					
Revenues:						
Customers	¥2,342,849	¥1,514,403	¥38,520	¥3,895,772	¥ —	¥3,895,772
Intersegment	200	2,505	—	2,705	(2,705)	—
Total revenues	2,343,049	1,516,908	38,520	3,898,477	(2,705)	3,895,772
Operating expenses	2,130,172	1,484,415	38,953	3,653,540	(2,708)	3,650,832
Operating income (loss)	¥ 212,877	¥ 32,493	¥ (433)	¥ 244,937	¥ 3	¥ 244,940
Assets	¥2,795,282	¥ 657,447	¥19,061	¥3,471,790	¥(46,911)	¥3,424,879

Fiscal year ended February 28, 2007	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Thousands of U.S. dollars (Note 3)					
Revenues:						
Customers	$ 30,187,500	$14,626,466	$421,687	$45,235,653	$ —	$45,235,653
Intersegment	2,102	21,686	—	23,788	(23,788)	—
Total revenues	30,189,602	14,648,152	421,687	45,259,441	(23,788)	45,235,653
Operating expenses	28,037,322	14,377,093	414,229	42,828,644	(23,822)	42,804,822
Operating income	$ 2,152,280	$ 271,059	$ 7,458	$ 2,430,797	$ 34	$ 2,430,831
Assets	$26,799,322	$ 5,615,873	$ 178,297	$32,593,492	$ (312,204)	$32,281,288

Notes:
1. The classification of geographic area segments is made according to geographical distances.
2. "Others" consists of the business results mainly in the People's Republic of China ("P.R.C.").

(3) Overseas sales

Fiscal year ended February 28, 2007	North America	Others	Total
	Millions of yen		
Overseas sales	¥1,725,923	¥49,759	¥1,775,682
Consolidated sales	—	—	5,337,807
Percentage of overseas sales to consolidated sales (%)	32.4	0.9	33.3

Fiscal year ended February 28, 2006	North America	Others	Total
	Millions of yen		
Overseas sales	¥1,514,403	¥38,520	¥1,552,923
Consolidated sales	—	—	3,895,772
Percentage of overseas sales to consolidated sales (%)	38.9	1.0	39.9

Fiscal year ended February 28, 2007	North America	Others	Total
	Thousands of U.S. dollars (Note 3)		
Overseas sales	$14,626,466	$421,687	$15,048,153
Consolidated sales	—	—	45,235,653
Percentage of overseas sales to consolidated sales (%)	32.4	0.9	33.3

Notes:
1. The classification of overseas sales area segments is made according to geographical distances.
2. "Others" consists of sales mainly in P.R.C.
3. "Overseas sales" represents net sales and other operating revenue of consolidated subsidiaries in countries and areas outside of Japan.

19. SUBSEQUENT EVENTS

1. Cash dividend

Subsequent to February 28, 2007, the Company's Board of Directors declared a year-end cash dividend of ¥26,128 million ($221,424 thousand) to be payable on May 25, 2007 to shareholders on record on February 28, 2007. The dividend declared was approved by the shareholders at the meeting held on May 24, 2007.

2. Additional acquisitions of shares of THE LOFT CO., LTD.

On March 23, 2007, Millennium Retailing, Inc., a wholly owned subsidiary of the Company, acquired additional shares of THE LOFT CO., LTD., an affiliate of the Company, from MORI TRUST CO., LTD. and AEON Co., Ltd. in accordance with the resolutions approved at the meeting of the Board of Directors held on March 22, 2007. Consequently, THE LOFT CO., LTD. became a subsidiary of the Company.

(1) Objective of share acquisitions:
Since its establishment in September 2005, the Company has worked to create the "new comprehensive life-style industry" and to maximize the group enterprise value, with the group's operating companies. As a part of those activities, the Company decided to make THE LOFT CO., LTD. a subsidiary.

(2) The companies from which shares acquired:
MORI TRUST CO., LTD. and AEON Co., Ltd.

(3) Overview of THE LOFT CO., LTD.:

1. Name	THE LOFT CO., LTD.
2. Business	Operates 36 miscellaneous-goods specialty stores as of March 22, 2007 under the "LOFT" brand, principally in the Tokyo metropolitan area.

3. Revenues from operations, operating income and net income for the year ended February 28, 2007:

Revenues from operations	¥61,176 million ($518,441 thousand)
Operating income	¥1,783 million ($15,110 thousand)
Net income	¥513 million ($4,347 thousand)

4. Amounts of common stock, net assets and total assets:

Common stock	¥750 million ($6,356 thousand)
Net assets	¥4,891 million ($41,449 thousand)
Total assets	¥15,616 million ($132,339 thousand)

(4) Date of acquisition of additional shares:
March 23, 2007

(5) Number of shares acquired, acquisition cost and ownership percentage after acquisition:

Number of shares acquired	5,250 shares (35.0 %)
Acquisition cost	¥9,975 million ($8,263 thousand)
Ownership percentage	70.7 %

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of Seven & i Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2007, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2007, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
As discussed in Note 19-2 to the consolidated financial statements, Millennium Retailing, Inc., a wholly owned subsidiary of Seven & i Holdings Co., Ltd., acquired additional shares of THE LOFT CO., LTD. on March 23, 2007.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the consolidated financial statements.

MISUZU Audit Corporation

MISUZU Audit Corporation

KPMG AZSA & Co.

KPMG AZSA & Co.

Tokyo, Japan
May 24, 2007

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of Seven & i Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Seven & i Holdings Co., Ltd. and its subsidiaries as of February 28, 2006 and the related consolidated statement of income, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seven & i Holdings Co., Ltd. and its subsidiaries as of February 28, 2006 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 18-2 (Subsequent Events) to the consolidated financial statements, Ito-Yokado Co., Ltd. transferred the superstore business and function of controlling its group companies to a newly established company ("new" Ito-Yokado Co., Ltd.), and Seven & i Holdings Co., Ltd. merged with the "old" Ito-Yokado Co., Ltd. on March 1, 2006.

As discussed in Note 18-3 (Subsequent Events) to the consolidated financial statements, Seven & i Holdings Co., Ltd. acquired additional shares of Millennium Retailing, Inc. on March 27, 2006.

As discussed in Note 18-4 (Subsequent Events) to the consolidated financial statements, the board of directors of Seven & i Holdings Co., Ltd. approved a resolution to make York-Benimaru Co., Ltd. a wholly owned subsidiary by means of a stock-for-stock exchange.

As discussed in Note 18-5 (Subsequent Events) to the consolidated financial statements, the board of directors of Seven & i Holdings Co., Ltd. approved a resolution to make Millennium Retailing, Inc. a wholly owned subsidiary by means of a stock-for-stock exchange.

As discussed in Note 18-6 (Subsequent Events) to the consolidated financial statements, the board of directors of Seven & i Holdings Co., Ltd. approved the cancellation of treasury stock.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan
May 25, 2006

FINANCIAL SUMMARY OF PRINCIPAL GROUP COMPANIES

SEVEN-ELEVEN JAPAN CO., LTD.

For the years ended February 28, 2007, 2006 and 2005	Millions of yen 2007	2006	2005
Total store sales	¥2,533,534	¥2,498,754	¥2,440,854
Revenues from operations	516,968	492,831	467,234
Operating income	172,738	177,351	174,366
Net income	98,403	118,779	92,891
Number of stores	11,735	11,310	10,826
Net sales decrease, existing stores only (%)	(1.9)	(1.6)	(0.7)
Gross margin on store sales (%)	30.9	31.0	30.7
Average daily sales per store (thousands of yen)	610	627	639

7-ELEVEN, INC. and its consolidated subsidiaries

For the years ended December 31, 2006, 2005 and 2004	Millions of yen 2006	2005	2004
Net sales	¥1,690,614	¥1,485,409	¥1,311,852
Merchandise	1,008,819	916,066	854,266
Gasoline	681,795	569,343	457,586
Operating income	32,016	32,349	26,530
Net income	14,702	1,823	7,025
Number of stores	6,050	5,829	5,799
U.S. same-store merchandise sales increase (%)	3.1	4.4	5.3
Gross margin on merchandise sales (%)	36.0	35.8	35.6

Notes: (A) Yen amounts were translated from U.S. dollars at the rate of US$1=¥116.38, US$1=¥110.26 and US$1=¥108.23, the rates of exchange for 2006, 2005 and 2004, respectively.
(B) Operating income amounts reflect adjustments to the Japanese-style presentation.

ITO-YOKADO CO., LTD.

For the years ended February 28, 2007, 2006 and 2005	Millions of yen 2007	2006	2005
Revenues from operations	¥1,511,530	¥1,493,605	¥1,473,583
Net sales	1,487,481	1,470,523	1,455,358
Operating income	18,322	12,073	8,801
Net income	13,356	51,322	17,509
Number of stores	174	178	181
Net sales decrease, existing stores only (%)	(1)	(2)	(4)
Gross margin on store sales (%)	30.3	30.9	31.0

YORK-BENIMARU CO., LTD.

For the years ended February 28, 2007, 2006 and 2005	Millions of yen 2007	2006	2005
Revenues from operations	¥313,936	¥297,446	¥287,833
Net sales	304,855	289,394	280,595
Operating income	10,307	11,413	12,024
Net income	4,442	6,716	6,545
Number of stores	128	116	110
Net sales decrease, existing stores only (%)	(3.6)	(2.2)	(1.0)
Gross margin on store sales (%)	26.9	26.8	26.7

SOGO CO., LTD.

For the years ended February 28, 2007, 2006 and 2005	Millions of yen		
	2007	2006	2005
Revenues from operations	¥500,715	¥474,732	¥449,049
Net sales	494,350	468,994	443,845
Operating income	16,754	17,248	16,951
Net income	7,417	21,219	18,643
Number of stores	12	12	11
Net sales increase (decrease), existing stores only (%)	2.8	0.9	(1.0)
Gross margin on store sales (%)	26.8	27.2	27.3

THE SEIBU DEPARTMENT STORES, LTD.

For the years ended February 28, 2007, 2006 and 2005	Millions of yen		
	2007	2006	2005
Revenues from operations	¥465,832	¥482,939	¥480,183
Net sales	459,075	476,144	472,968
Operating income	17,454	19,934	19,519
Net income	2,547	4,475	6,035
Number of stores	16	18	18
Net sales increase (decrease), existing stores only (%)	0.2	1.0	(5.0)
Gross margin on store sales (%)	27.8	28.1	28.3

DENNY'S JAPAN CO., LTD.

For the years ended February 28, 2007, 2006 and 2005	Millions of yen		
	2007	2006	2005
Revenues from operations	¥93,020	¥94,560	¥96,524
Net sales	92,788	94,474	96,361
Operating income	367	1,960	3,220
Net (loss) income	(940)	818	1,285
Number of stores	585	583	582
Net sales decrease, existing stores only (%)	(3.8)	(2.9)	(1.2)
Gross margin on restaurant sales (%)	67.1	66.8	66.9

SEVEN BANK, LTD.

For the years ended March 31, 2007, 2006 and 2005	Millions of yen		
	2007	2006	2005
Revenues from operations	¥75,428	¥64,613	¥47,968
Ordinary profit	25,022	19,410	10,075
Net income	12,668	10,591	10,844
Installation of ATMs	12,088	11,484	9,981
Average daily number of transactions per ATM	98	88	77
Total number of transactions (millions)	418	342	257

PRINCIPAL SUBSIDIARIES AND AFFILIATES

(As of May 31, 2007)

CONVENIENCE STORE OPERATIONS

Seven-Eleven Japan Co., Ltd.
7-Eleven, Inc.
SEVEN-ELEVEN (HAWAII), INC.
SEVEN-ELEVEN (BEIJING) CO., LTD.

SUPERSTORE OPERATIONS

Ito-Yokado Co., Ltd.
York-Benimaru Co., Ltd.
York Mart Co., Ltd.
Hua Tang Yokado Commercial Co., Ltd.
Chengdu Ito-Yokado Co., Ltd.
Beijing Wang fu jing Yokado Commercial Co., Ltd.
Marudai Co., Ltd.
Life Foods Co., Ltd.
Super Kadoya Co., Ltd.
K.K. Sanei
Robinson Department Store Co., Ltd.
Mary Ann Co., Ltd.
Oshman's Japan Co., Ltd.
IY Foods K.K.

DEPARTMENT STORE OPERATIONS

Millennium Retailing, Inc.[1]
Sogo Co., Ltd.
THE SEIBU DEPARTMENT STORES, LTD.
SHELL GARDEN CO., LTD.
THE LOFT CO., LTD.[2]
MILLENNIUM Casting Inc.
IKEBUKURO SHOPPING PARK CO., LTD.
Yatsugatake Kogen Lodge Co., Ltd.
GOTTSUO BIN CO., LTD.

RESTAURANT OPERATIONS

Seven & i Food Systems Co., Ltd.[3]
Denny's Japan Co., Ltd.
Famil Co., Ltd.
York Bussan K.K.

FINANCIAL SERVICES

Seven Bank, Ltd.
IY Card Service Co., Ltd.
SE CAPITAL CORPORATION
K.K. York Insurance
SEVEN & i Financial Center Co., Ltd.

OTHERS

Seven and Y Corp.
7dream.com
Seven-Meal Service Co., Ltd.
SEVEN & i Life Design Institute Co., Ltd.
K.K. Terre Verte
Mall & SC Development Inc.
IY Real Estate Co., Ltd.
K.K. York Keibi
SEVEN & i Publishing Co., Ltd.
S-WILL Co., Ltd.

Notes: 1. Millennium Retailing, Inc., is the holding company of operating companies, including Sogo Co., Ltd., and THE SEIBU DEPARTMENT STORES, LTD.
2. In March 2007, Millennium Retailing, a wholly owned subsidiary of the Company, acquired additional shares of THE LOFT CO., LTD., an affiliate of the Company, increasing the Company's ownership in Loft from 35.7% to 70.7% and making Loft a subsidiary of the Company.
3. In January 2007, Seven & i Food Systems Co., Ltd., was established as a subsidiary of the Company, and plans call for Denny's Japan Co., Ltd., Famil Co., Ltd., and York Bussan K.K. to be merged into Seven & i Food Systems in September 2007.

INVESTOR INFORMATION

(As of February 28, 2007)

Company Name

Seven & i Holdings Co., Ltd.

Head Office

8-8, Nibancho, Chiyoda-ku, Tokyo 102-8452, Japan
Tel: +81-3-6238-3000
Fax: +81-3-3263-0232
URL: http://www.7andi.com/

Date of Establishment

September 1, 2005

Paid-in Capital

¥50,000 million

Number of Employees

54,088 (Consolidated)
386 (Nonconsolidated)

Number of Common Stock

Authorized: 4,500,000,000 shares
Issued: 967,770,983 shares

Number of Shareholders

96,507

Stock Listing

Tokyo Stock Exchange

Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome,
Koto-ku, Tokyo 137-8081, Japan

Annual Meeting of Shareholders

The annual meeting of shareholders of the Company is normally held in May each year in Tokyo, Japan. In addition, the Company may hold a special meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders.

Auditors

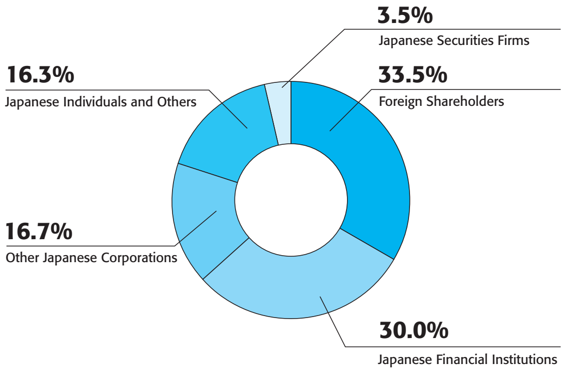
MISUZU Audit Corporation
A network firm of PricewaterhouseCoopers LLP

KPMG AZSA & Co.
a Japanese member firm of KPMG International,
a Swiss cooperative

Principal Shareholders

	Investment by each major shareholder in the Company	
	Number of shares held (thousand shares)	Percentage of shares held
Ito-Kogyo Yugen Kaisha	66,954	6.9%
Japan Trustee Services Bank, Ltd. (Trust account)	43,112	4.5%
The Master Trust Bank of Japan, Ltd. (Trust account)	40,969	4.2%
The Chase Manhattan Bank, N.A. London	35,093	3.6%
The Dai-ichi Mutual Life Insurance Company	27,577	2.8%
Nomura Securities Co., Ltd.	24,375	2.5%
Masatoshi Ito	21,592	2.2%
Nippon Life Insurance Company	20,664	2.1%
Mitsui & Co., Ltd.	16,222	1.7%
BNP PARIBAS Securities (Japan) Limited	15,999	1.7%

Classification of Shareholders by Number of Shares Held



Bond Ratings

(As of May 31, 2007)

		S&P	Moody's	R&I	JCR
Seven & i Holdings	Long-term	–	–	AA	AA+
Seven-Eleven Japan	Long-term	AA-	–	–	AA+
	Short-term	A-1+	P-1	–	–
7-Eleven, Inc.	Long-term	A	Baa3	–	–
Ito-Yokado	Long-term	AA-	Aa3	AA	AA+
Seven Bank	Long-term	A+	–	AA	–

Note: The short-term rating of Seven-Eleven Japan is its rating as the guarantor of 7-Eleven, Inc.'s commercial paper program from January 2006.

SEVEN&i HOLDINGS SEVEN&i HLDGS.

Printed on 70% recycled paper
001-0707-4000
Printed in Japan