Annual Report 2008

Taking Another Step Forward

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 approximately 100 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, supermarkets, department stores, food services, financial services, and IT/services.

From its base in Japan and North America, the Company operates a network of approximately 20,000 stores that extends around the world (including convenience store area licensees, approximately 35,000 stores). With revenues from operations of approximately ¥5.8 trillion, Seven & i Holdings is one of Japan's leading retail groups.

By leveraging Group synergies, centered on our seven core operational areas, we are working to create "a new, comprehensive lifestyle industry" that will continue to meet the diverse needs of individual customers. While focusing on its core retail businesses, the Company is working to promote innovation throughout its operations, with an emphasis on strengthening the quality of its existing operational fields rather than on targeting increased operational scale and volume.

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FORWARD-LOOKING STATEMENTS
This annual report contains certain statements based on Seven & i Holdings' current plans, estimates, strategies, and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. It is possible that the Company's future performance will differ significantly from the contents of these statements. Accordingly, there is no assurance that the forward-looking statements in this annual report will prove to be accurate.

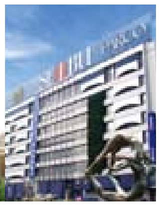
HIGHLIGHTS OF OUR PROGRESS FOR FUTURE GROWTH

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.

November 2005

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

June 2006



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

January 2007

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

March 2007

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

THE LOFT CO., LTD., was made a subsidiary through a stock acquisition.

July 2007

Akachan Honpo Co., Ltd., was made a subsidiary through a stock acquisition.

Seven Bank started a new service enabling cash cards and credit cards issued overseas to be used for yen withdrawals and to check account balances at the bank's ATMs.

2005 2006 2007

September 2005

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

November 2006

The Group Merchandising Reform Project was launched.

September 2006

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

August 2006

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

July 2006

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

June 2007

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

May 2007

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

April 2007

The introduction of *nanaco* electronic money was started.

Group and Capital Structure Initiatives
Operating and Sales Initiatives
Store Information

November 2007

Sales of *Seven Premium* household goods were started.

Ito-Yokado opened Ario Nishiarai.

Beijing Wang fu jing Yokado Commercial opened Pu Huang Yu store as its 2nd food supermarket in Beijing, China.

FUJIKOSHI CO., LTD., which operates food supermarkets, was made a subsidiary through a stock acquisition.

February 2008

The Company cancelled 11,329,000 shares of treasury stock (acquired from Seven-Eleven Japan on January 11, 2008).

Seven Bank was listed on the Jasdaq Securities Exchange.

March 2008

Ito-Yokado opened Ario Otori.

Sogo Hachioji was reopened after a full-scale remodeling.

The introduction of *nanaco* at Ito-Yokado stores was started.

2008

September 2007

Denny's Japan, Famil, and York Bussan were merged into Seven & i Food Systems.

SEIBU Tokorozawa was reopened after a full-scale remodeling.

Hua Tang Yokado Commercial opened You An Men store as its 7th superstore in Beijing, China.

August 2007

Sales of *Seven Premium* products were started at Seven-Eleven Japan stores.

January 2008

SEVEN & i FINANCIAL GROUP CO., LTD., was established to oversee financial services-related management operations.

December 2007

Chengdu Ito-Yokado opened Jin Hua store as its 3rd superstore in Chengdu, Sichuan Province, China.

NitteleSeven Co., Ltd., was established by Nippon Television Network Corporation, Dentsu Inc., and Seven & i Holdings.

The introduction of *nanaco* at Denny's restaurants was started.

April 2008

SEVEN-ELEVEN CHINA Co., Ltd., was established.

QUICPay postpaid electronic money was introduced at all Seven-Eleven Japan stores.

Seven-Eleven Japan began preparations to open stores in Toyama, Fukui, and Ishikawa prefectures in the Hokuriku region.

Seven-Eleven Japan began to open small-scale satellite stores at special locations, such as universities and office buildings.

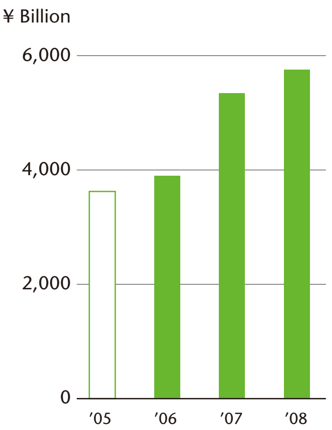
FINANCIAL HIGHLIGHTS

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28 or 29, 2008, 2007, and 2006.
Figures for Ito-Yokado Co., Ltd. and its consolidated subsidiaries for the fiscal year ended February 28, 2005 are presented solely for the convenience of the reader.

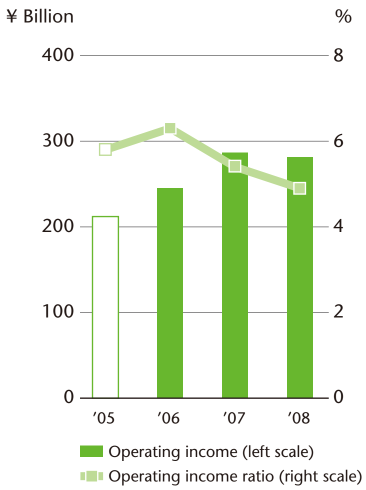
	Millions of yen			Thousands of U.S. dollars (Note A)	Millions of yen
	Seven & i Holdings				Ito-Yokado
	2008	2007	2006 (Note B)	**2008**	2005
For the fiscal year:					
Revenues from operations	**¥5,752,393**	¥5,337,807	¥3,895,772	**$54,784,695**	¥3,623,555
Operating income	**281,088**	286,838	244,940	**2,677,029**	211,951
Income before income taxes and minority interests	**227,442**	243,060	178,518	**2,166,114**	150,833
Net income	**130,658**	133,419	87,931	**1,244,362**	17,205
Capital expenditures (Note C)	**217,738**	278,389	185,354	**2,073,695**	168,725
Depreciation and amortization (Note D)	**143,643**	132,693	97,811	**1,368,029**	95,161
Cash flows from operating activities	**465,380**	157,209	217,326	**4,432,190**	266,710
Cash flows from investing activities	**(237,185)**	(235,983)	(388,080)	**(2,258,905)**	(94,759)
Cash flows from financing activities	**(130,137)**	37,241	103,093	**(1,239,400)**	(56,524)
Free cash flows (Note E)	**228,195**	(78,774)	(170,754)	**2,173,286**	171,951
At fiscal year-end:					
Total assets	**¥3,886,680**	¥3,809,192	¥3,424,879	**$37,016,000**	¥2,574,817
Total net assets	**2,058,039**	1,969,149	1,717,881	**19,600,371**	1,144,505
Owners' equity (Note F)	**1,985,019**	1,906,798	1,603,684	**18,904,943**	1,144,505
Net income per share:	Yen			U.S. dollars (Note A)	Yen
Basic	**¥137.03**	¥142.90	¥100.83	**$1.31**	¥40.73
Diluted	**—**	—	—	**—**	40.51
Cash dividends declared per share of common stock (Note G)	**¥54.00**	¥52.00	¥28.50	**$0.51**	¥34.00
Ratios:					
Operating income ratio (Note H)	**4.9%**	5.4%	6.3%	**4.9%**	5.8%
Net income ratio (Note H)	**2.3%**	2.5%	2.3%	**2.3%**	0.5%
ROE	**6.7%**	7.6%	5.5%	**6.7%**	1.5%
ROA	**3.4%**	3.7%	2.6%	**3.4%**	0.7%
Owners' equity ratio	**51.1%**	50.1%	46.8%	**51.1%**	44.4%

Notes: (A) U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥105=US$1, the approximate rate of exchange prevailing at February 29, 2008.
(B) The results of Millennium Retailing and its subsidiaries and affiliates in the fiscal year ended February 28, 2006 are consolidated only in the balance sheets.
(C) Capital expenditures include property and equipment, intangible assets, and long-term leasehold deposits.
(D) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(E) Free cash flows are calculated on the basis of the sum of cash flows from operating activities and cash flows from investing activities.
(F) Owners' equity is calculated on the basis of net assets excluding minority interests in consolidated subsidiaries
(G) 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. Accordingly, only year-end dividends are shown.
(H) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

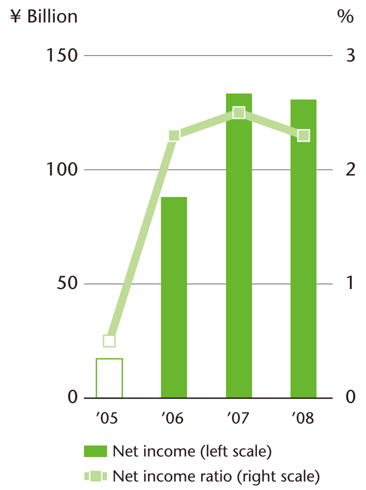
Revenues from Operations



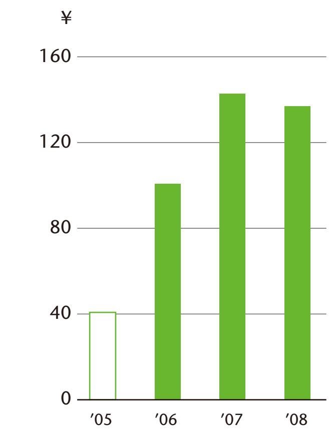
Operating Income
Operating Income Ratio



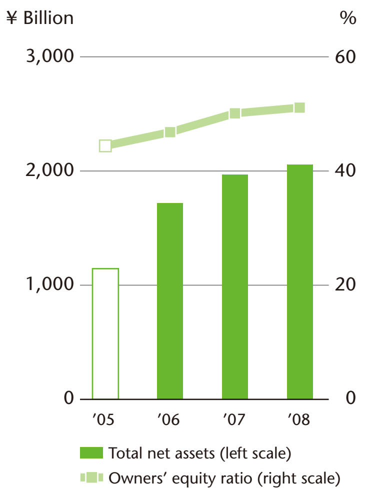
Net Income
Net Income Ratio



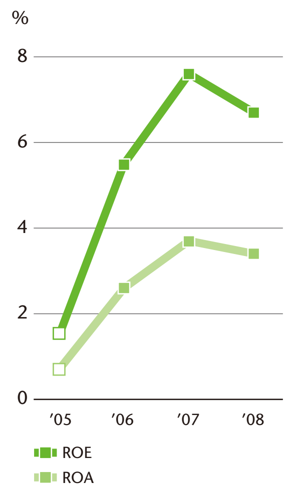
Net Income per Share



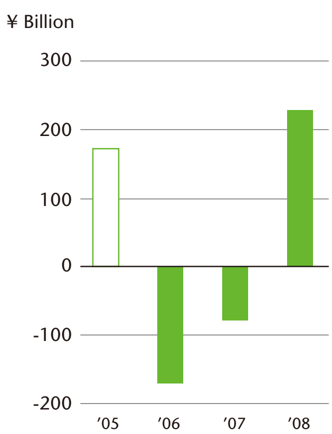
Total Net Assets
Owners' Equity Ratio



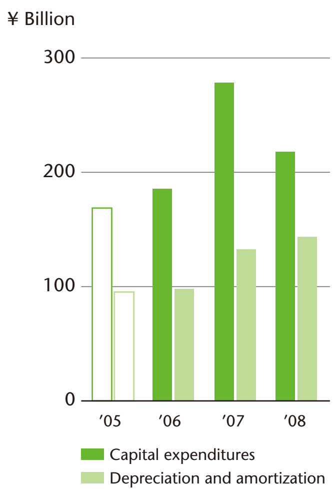
ROE
ROA



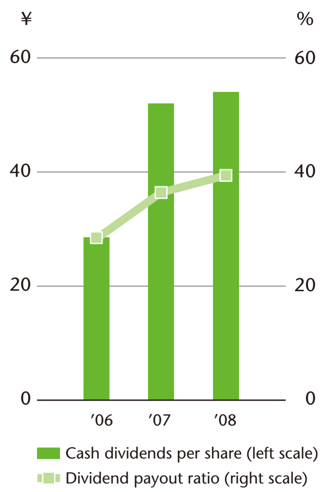
Free Cash Flows



Capital Expenditures
Depreciation and Amortization



Cash Dividends per Share
Dividend Payout Ratio



TO OUR SHAREHOLDERS AND INVESTORS

Toshifumi Suzuki
Chairman and Chief Executive Officer

Noritoshi Murata
President and Chief Operating Officer

We are approaching the third anniversary of the establishment of Seven & i Holdings Co., Ltd., which was founded in September 2005 with the objective of creating new value to meet diversified customer needs. Since our establishment, we have worked together with all Group companies to implement a range of action plans designed to enhance the competitiveness of our existing operations. At the same time, we have developed a financial strategy to advance the Group's structural reforms and implemented a reorganization of operations, centered on new fields of business.

In the fiscal year ended February 29, 2008, revenues from operations rose 7.8%, to ¥5,752.4 billion; operating income was down 2.0%, to ¥281.1 billion; and net income declined 2.1%, to ¥130.7 billion. The solid results posted by our U.S. convenience store operations contributed to the increase of revenues from operations. In addition, contributions were made by subsidiaries that were newly consolidated during the fiscal year—THE LOFT CO., LTD., Akachan Honpo Co., Ltd., and FUJIKOSHI CO., LTD.—and York-Benimaru Co., Ltd., which was consolidated in September 2006, made a full-year contribution during the year under review.

The declines in operating and net income were attributable to expenses associated with upfront investment for the introduction of *nanaco*, higher depreciation and amortization expense associated with an increase in next-generation ATMs, and the continued weak performance of our food services.

In regard to dividends for the year under review, we decided to raise the year-end dividend by ¥2.00 per share from our original plan, to ¥28.00 per share. As a result, together with the interim dividend of ¥26.00 per share, our annual dividend amounted to ¥54.00 per share.

Moving forward, we will continue to respond to our constantly changing operating environment, and will kick-off a new three-year medium-term management plan as our new strategy to maximize enterprise value. Seven & i Holdings will steadily implement the business strategies described in its medium-term management plan and take on the challenge of promoting innovation in retail across a wide range of fields. We would like to ask for the continued support of our shareholders and investors in the years ahead.

June 2008

Toshifumi Suzuki
Chairman and Chief Executive Officer

Noritoshi Murata
President and Chief Operating Officer

AN INTERVIEW WITH THE PRESIDENT

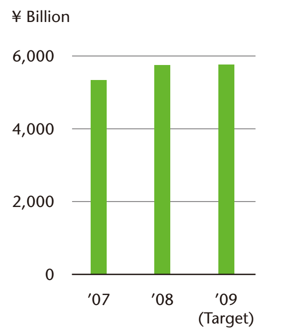
Q1. Would you give us an overview of the past fiscal year and the outlook for the year ahead?

A1. In the fiscal year ended February 29, 2008, consumer spending in Japan did not reach a full-scale recovery, and the operating environment in the domestic retail industry remained challenging. In this setting, we undertook merger and acquisition (M&A) activities to strengthen existing operations and entered new fields of business. As a result, we were able to bolster the Group's foundation, which will provide the platform for fully leveraging the effects of various initiatives.

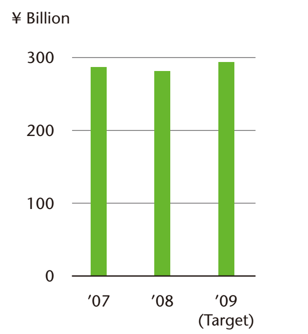
Revenues from operations were up 7.8%, to ¥5,752.4 billion, operating income was down 2.0%, to ¥281.1 billion, and net income declined 2.1%, to ¥130.7 billion. Cost-related factors were a key reason for the decline in operating income. These included costs associated with upfront investment in the introduction of *nanaco* electronic money and of the Sixth-Generation Total Information System in Seven-Eleven Japan stores. They also included increased depreciation and amortization expenses stemming from asset revaluation at 7-Eleven, Inc. (SEI), in the United States, and from the introduction of next-generation ATMs by Seven Bank. In addition, sales were sluggish in all businesses due to the Group's difficult operating environment. In the food services segment, the restaurant division recorded an especially weak performance in sales at existing stores due to such factors as unseasonable summer weather.

In the fiscal year ending February 28, 2009, we will utilize the Group's foundation, which was strengthened in the year under review, as we implement measures targeting the strengthening of business fields and the creation of Groupwide synergies. As a result, for the fiscal year ending February 28, 2009, we are forecasting revenues from operations of ¥5,760.0 billion, up 0.1%; operating income of ¥294.0 billion, an increase of 4.6%; and net income of ¥137.0 billion, a gain of 4.9%.

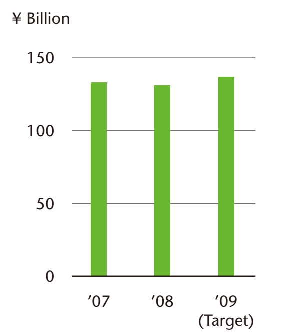
Revenues from Operations



Operating Income



Net Income



Q2. The new medium-term management plan has been announced. How will the Group achieve the plan's goals in the challenging operating environment faced by the retail industry?

A2. The Group's current operating environment remains extremely challenging. One reason is the changes in the social structure, such as trends in the domestic market toward fewer children per family and an aging population. Another reason is major environmental changes that could not be foreseen at the time the Company was established. For example, in addition to the emergence of the subprime loan crisis and the extended rise in crude oil prices, prices of wheat and corn are increasing. These trends are affecting consumer spending.

In this challenging environment, targeting the achievement of our ROE objective of 8% or higher in the fiscal year ending February 28, 2011, we will steadily implement a variety of operational and financial initiatives.

Operational Initiatives

Targeting sustained gains in the Group's enterprise value, we have three priority challenges—strengthening our internal constitution, reorganizing existing operations, and taking on the challenge of new businesses.

In strengthening our internal constitution, we will improve our profit structure by closing unprofitable stores. As a specific plan, in the fiscal year ending February 28, 2009, Seven-Eleven Japan (SEJ), will close 600 stores, including 200 directly operated stores. Over the three-year period from the fiscal year ending February 28, 2009 to the fiscal year ending February 28, 2011, Ito-Yokado will close a total of 3 to 5 stores, while over the same period, Seven & i Food Systems will close a total of 140 stores. Moreover, Ito-Yokado will also take steps to reduce markdown losses and disposal losses in the fields of apparel and food.

In reorganizing existing businesses, we will move forward with the reorganization of our food supermarket operations, in which York-Benimaru is the core operating company, and strive to increase efficiency by leveraging synergies and consolidating head office functions. Also, in food services, where we implemented rationalization and integration initiatives in the year under review, we will move ahead with improvement of the cost structure through consolidation of head office functions and the reduction of procurement and distribution costs.

In taking on the challenge of new businesses, we will focus on measures targeting the strengthening of existing business and the generation of Groupwide synergies. Priority initiatives will include expanding lineups and sales of private-brand products, *Seven Premium*, which were launched in May 2007, strengthening China operations, and bolstering e-commerce businesses, with an emphasis on effectively using and complementing existing store infrastructure. Furthermore, we will take steps to expand credit card operations. In addition to the use of *IY Card* at Ito-Yokado stores, we are aiming to increase usage of credit cards at SEJ, such as the addition of the *QUICPay* postpaid electronic money function, and are expanding usage of credit cards to other Group companies.

Financial Initiatives

We will raise capital efficiency, enhance shareholder returns, and implement a flexible capital policy.

From April 18 to June 30, 2008, we implemented an acquisition of treasury stock, purchasing 50 million shares of stock at an acquisition cost of ¥157.9 billion. All of the stock acquired will be cancelled on July 31. As a result, we will have increased per share

Basic Policies for Preparing Medium-Term Management Plan

ROE	FY2011: 8% or higher → Target: 10%
Operating Income Margin	Implementing business strategies to reach targets

	FY2008 Results	Long-Term Targets
Seven-Eleven Japan	6.5%	7% or higher
7-Eleven, Inc.	1.7%	3% or higher
Ito-Yokado	1.1%	3% or higher
York-Benimaru	4.1%	5% or higher
Sogo	3.2%	4% or higher
SEIBU	3.3%	4% or higher
Seven & i Food Systems	—	5% or higher

Figures for Seven-Eleven Japan are relative to total store sales, and figures for York-Benimaru include its subsidiary, Life Foods.

Asset Efficiency	Investing to raise asset efficiency
Capital Policy	Strengthening returns to shareholders through cash dividends and purchases of treasury stock

shareholder value and prepared, in terms of our capital structure, for the achievement of our goal of ROE of 8% or higher in the fiscal year ending February 28, 2011. Moreover, at the Company's third general meeting of shareholders, held on May 22, 2008, a resolution regarding a decrease in additional paid-in capital was passed. We will implement a transfer to other capital surplus with an effective date of July 17, 2008. As a result, the amount available for payment of dividends from retained earnings will be increased and the Company is prepared to implement flexible capital strategy initiatives in the future.

For more information about our new medium-term management plan, please see the special feature of this report on pages 12–13.

Q3. For retail companies, the importance of developing private-brand products is increasing. How was the Group able to develop *Seven Premium*?

A3. Domestic superstores, even with product prices currently rising due to higher prices for raw materials, are reluctant to pass on those prices temporarily. One reason for this reluctance is that domestic superstores survive by competing with low prices on national-brand products. In addition, with consumer spending remaining sluggish, the operating environment is challenging. Also, the industry structure in Japan is different from that in Europe and the United States, where a smaller number of companies have a more dominant market presence. Accordingly, for certain major retailers that can leverage economies of scale, there is a growing need to develop private-brand products as a means to break through these challenges and achieve differentiation from competitors.

The Group's overall food sales are approximately ¥3.8 trillion, principally by Group companies SEJ, Ito-Yokado, and York-Benimaru, and since Seven & i Holdings was established, we have taken steps to pursue product synergies. As a result, we began sales of *Seven Premium* products in May 2007. By maximizing the economies of scale of the Group, *Seven Premium* products offer, in comparison with national-brand products, higher quality, lower prices, and high margins. *Seven Premium* products are clearly different from conventional private-brand products that are focused solely on price. Moreover, because they are sold at uniform prices in superstores and convenience stores, we expect *Seven Premium* to result in higher revenues and profits in convenience store operations.

Prior to the establishment of the Group, product development was handled by each company. Using the opportunities presented by the Group's establishment, we have torn down the barriers separating the operating companies and shared the product development know-how and infrastructure of each company. In this way, we have made a transition to a system that can leverage economies of scale. *Seven Premium* is developed through the *Group Merchandising Reform Project*, which includes SEJ, Ito-Yokado, York-Benimaru, York Mart, and SHELL GARDEN, as well as through team merchandising activities with major domestic manufacturers.

In May 2008, we completed the first year of *Seven Premium* sales, and over that year we recorded sales of approximately ¥80.0 billion with about 380 stock keeping units (SKUs). Both the number of SKUs and sales have recorded favorable results, exceeding our initial forecasts.

In the future, we will continue to aggressively develop *Seven Premium* as a strong differentiation product that meets many customer needs with a focus on both quality and price.

For more information about *Seven Premium*, please see the special feature on pages 14–15.

Seven Premium popular items

Tempura soba

Chocolate chip cookies

Laundry detergent

Q4. Operations in China seem to be making favorable progress. What is your evaluation?

A4. In accordance with the fundamental approach that retail is a domestic business, the Group, in opening stores in China, is advancing store operations in line with local needs.

In convenience store operations in China, SEVEN-ELEVEN (BEIJING) (SEB) began to open convenience stores in Beijing in April 2004, and by the end of December 2007, the number of stores had reached 60, principally directly operated stores.

The sales of the stores developed by SEB are strong, about two to three times the level of other local convenience stores. One reason is that, since the first store was opened, sales of fast food that are based on SEJ's know-how and meet local needs, such as boxed lunches and *oden*, Japanese hot pot, have been favorable. In the fiscal year ended December 31, 2007, fast foods accounted for 43.9% of sales. In the future, due to full-scale franchise store openings, we will expand a network of high-level convenience stores. Also, in April 2008, SEVEN-ELEVEN CHINA (SEC), which obtained master franchise rights in China from SEI, was established as a wholly owned subsidiary of SEJ. As a result, the Group will also further expand its network of convenience stores in China through the development of area licensees.

In superstore operations in China, we are recording steady growth. As of the end of December 31, 2007, Hua Tang Yokado Commercial, which began to open stores in Beijing in April 1998, had 7 superstores including 1 store opened during the year; Beijing Wang fu jing Yokado Commercial, which began to open food supermarkets in April 2005, had 2 stores; and Chengdu Ito-Yokado, which began to open stores in Chengdu, Sichuan Province, in November 1997, had 3 superstores including 1 opened during the year. In the fiscal year ended December 31, 2007, Hua Tang Yokado Commercial had total sales of ¥33.9 billion before value added tax, and Chengdu Ito-Yokado had total sales of ¥26.6 billion before value added tax. These stores are recording solid growth in sales. Moreover, the operating income margin, on an existing store basis, is very high, at more than 5%. This is a result of the aggressive hiring of local employees on a base of Japanese-style store management, as well as our efforts to develop stores and product lineups that meet customer needs.

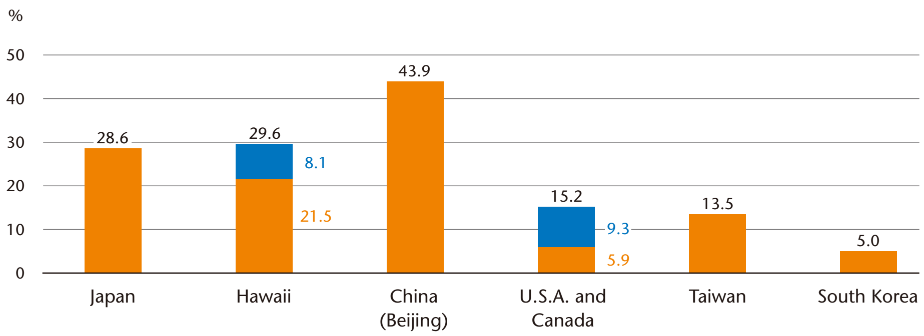
For more information about store development in China, please see the special feature of this report on pages 15–17.

Seven-Eleven Japan's fast food

7-Eleven, Inc.'s fast food

Convenience Store Operations

% of Fast Food Sales at 7-Eleven Stores of Each Country



1. The figure for Japan is for FY2008. Figures of Hawaii, China (Beijing), U.S.A. and Canada, Taiwan and South Korea are for FY2007.
2. Blue portions represent sales of beverages served at the counter. (Such figures for Taiwan and South Korea are not disclosed.)
3. Figures for Hawaii and U.S.A. and Canada are calculated using merchandise sales which do not include gasoline sales.

Q5. The Group is focusing resources on e-commerce businesses. What are the reasons for emphasizing these initiatives?

A5. In addition to trends in the domestic market toward fewer children per family and an aging population, our markets have been affected by the rapid spread of Internet transactions. In the retail industry, it is not just real stores; consumption through virtual stores is rapidly expanding.

In response to these types of environmental changes, the Group is moving forward with the provision of a number of services through the integration of real stores and the Internet. Furthermore, in December 2007, in cooperation with Nippon Television Network Corporation and Dentsu Inc., we established NitteleSeven Co., Ltd. This new company enhances the integration of real stores and the Internet with the addition of media. Full-fledged operations began in April 2008, with services enabling customers to use real stores or the Internet to order products introduced through NTV programs. In addition, Ito-Yokado is moving forward with development of Net Supermarket. Also, in June 2008, SEJ implemented pre-opening activities for *Seven-Eleven Net*, which serves to complement SEJ's in-store product lineup, with full-fledged service slated for a July start. As a result of these initiatives, we will focus the sales capabilities and information provision capabilities of real stores, the Internet, and media, and work together to achieve sales results higher than would be possible on a stand-alone basis.

The Group has close, convenient infrastructure of approximately 13,000 stores, principally SEJ stores, and customers who want to receive goods and make payment at the stores can do so whenever it is most convenient for them. At the same time, we can also provide such customer benefits as free shipping and no commissions when products are picked up at the store.

In the future, in addition to real stores, we will also provide new services through the Internet. In this way, we will work to increase the functionality of our close, convenient stores.

For more information about *Seven-Eleven Net*, please see the convenience store segment of this report on page 22. For more information about Ito-Yokado's Net Supermarket, please see the superstore segment of this report on page 25.

Q6. Cash dividends for the fiscal year ended February 29, 2008, have been increased by ¥2.00 per share from the initial plans. Please explain the Group's approach to dividends and shareholder returns.

A6. Our basic policy is to provide a return of profits in line with profit growth. In regard to dividends for the fiscal year ended February 29, 2008, we decided to raise the year-end dividend by ¥2.00 per share from our initial plan, to ¥54.00 per share, in accordance with an effective dividend payout ratio calculated after adjusting for special losses that affected net income but were not included in our initial plans.

Moreover, for the fiscal year ending February 28, 2009, we are forecasting dividends of ¥54.00 per share.

In the future, we will strive to increase the consolidated payout ratio, for which our benchmark is 35%, and with consideration for the Group's operating environment, we will flexibly implement shareholder return policies, such as the acquisition and cancellation of treasury stock.

Taking Another Step Forward

Establishment of Seven & i Holdings

Seven & i Holdings was established in September 2005 with the mission of creating "a new, comprehensive lifestyle industry," which will create new value by meeting diversifying customer needs. Since our establishment, we have worked to implement various action plans designed to enhance the competitiveness of the Group's existing operations. In addition, we have formulated a financial strategy to advance operating companies' structural reforms and implemented restructuring measures, centered on new fields of business.

Rapidly Changing Environment in the Retail Industry

In Japan and around the world, the operating environment in the retail industry is increasingly being influenced by record high prices for crude oil and raw materials, a global economic slump triggered by the subprime issue, and problems with food safety. In Japan, the retail industry is facing changes in the operating environment that could not have been foreseen at the time when the Company was established. Purchasing behavior, for example, is increasingly focused on practical choices with an emphasis on protecting standards of living.

Formulation of New Medium-Term Management Plan

In response to our changing operating environment, the Company has kicked off a new medium-term management plan covering the period through February 2011 that incorporates new strategies to maximize Group enterprise value. The Company will strive to maintain its position as a leading company in Japan's retail industry by providing more abundant and comfortable lifestyles to consumers.

Overview of Medium-Term Management Plan

Under the medium-term management plan, for the fiscal year ending February 28, 2011, we are targeting consolidated revenues from operations of ¥6,080.0 billion and operating income of ¥332.0 billion (¥340.0 billion if ¥8.0 billion in amortization of goodwill related to 7-Eleven, Inc. (SEI) is excluded). In regard to financing and capital, our long-term goal for ROE is 10%, and we are targeting an ROE of 8% or higher by the fiscal year ending February 28, 2011.

To achieve these targets, our fundamental business strategies for increasing profits will entail strengthening our internal corporate constitution, reorganizing our existing businesses, and taking on the challenge of advancing into new fields, which will be implemented in accordance with the action plans for each operating company. Furthermore, we will make investments to improve asset efficiency and take a flexible approach to shareholder returns, such as acquiring and cancelling treasury stock. As announced on April 10, 2008, from April 18 to June 30, 2008, we implemented an acquisition of treasury stock, purchasing 50 million shares of stock at an acquisition cost of ¥157.9 billion. All of the stock acquired will be cancelled on July 31, 2008.

Medium-Term Earnings Targets

		FY2008 Results		FY2009 Targets		FY2011 Targets
			Year on Year		Year on Year	
Revenues from Operations		¥5,752.4 billion	107.8%	¥5,760 billion	100.1%	¥6,080 billion
Operating Income		¥281.1 billion	98.0%	¥294 billion	104.6%	¥332 billion
Excluding SEI Amortization of Goodwill		—	—	—	—	¥340 billion
Operating Income Margin		4.9%		5.1%		5.5%
ROE		6.7%		—		8% or higher
Amortization of Goodwill		¥11.6 billion		Approx. ¥12 billion		Approx. ¥20 billion
Foreign Exchange Rate	1 USD	¥117.85		¥100.00		¥100.00
	1 Yuan	¥15.51		¥14.00		¥14.00

Note: FY2011 amortization of goodwill includes amortization of goodwill that will be incurred for overseas subsidiary from FY2010.

Fundamental Operating Strategies for Expanding Profits

Fundamental strategies for implementing the medium-term plan are as follows:

Strengthening Internal Constitution = Improving Profitability	• Increasing profitability through structural reform • Taking on the challenge of opportunities
Reorganizing Existing Operations	• Reorganizing supermarket operations • Reorganizing financial services (excluding Seven Bank) • Advancing the integrated administration of food services
Taking on the Challenge of New Businesses	• Developing *Seven Premium* private-brand products aggressively • Expanding e-commerce operations • Expanding credit card and electronic money operations • Reorganizing property management operations • Expanding overseas operations

Strengthening Internal Constitution—Improving Profitability through Structural Reforms

Aiming to improve our profit structure, we will implement a number of initiatives, such as the closing of unprofitable stores. Specific initiatives are outlined in the following table.

Convenience Store Operations	**Seven-Eleven Japan: Implement in FY2009** • Closing 600 stores (including net decrease of 200 directly operated stores)
Superstore Operations	**Ito-Yokado: Implement by FY2011** • Closing 3 to 5 unprofitable stores • Promoting store revival project • Promoting reduction of mark-down and disposal losses in the areas of apparel and fresh foods categories • Reforming cost structure by deploying personnel appropriately and reviewing sales promotion costs
Department Store Operations	**THE SEIBU DEPARTMENT STORES: Implement by FY2011** • Remodeling of Ikebukuro flagship store (please refer to page 29 for details)
Food Services	**Implement in FY2009** • Reducing personnel costs and store costs approximately ¥6 billion **Implement by FY2011** • Closing 140 unprofitable stores

Long-Term Targets for Operating Income Margin by Major Operating Companies

By implementing the above initiatives, we will strive to achieve the following long-term targets for operating income margin.

	FY2008 Results	Long-Term Targets
Seven-Eleven Japan	6.5%	7% or higher
7-Eleven, Inc.	1.7%	3% or higher
Ito-Yokado	1.1%	3% or higher
York-Benimaru	4.1%	5% or higher
Sogo	3.2%	4% or higher
SEIBU	3.3%	4% or higher
Seven & i Food Systems	—	5% or higher

Notes: 1. Seven-Eleven Japan's operating income margin is relative to total store sales.
2. York-Benimaru's operating income margin includes its subsidiary, Life Foods.

Taking on the Challenge of New Businesses—(1) *Seven Premium*

Groupwide Uniform Prices for *Seven Premium*

In May 2007, the Company launched *Seven Premium* private-brand products in domestic superstores and food supermarkets throughout the Group. In August, we commenced sales of these products at domestic convenience stores. *Seven Premium* products are the first products to be offered at uniform prices Groupwide. We are working together to promote *Seven Premium* in anticipation of substantial synergies.

Seven Premium Developed Against a Background of the Group's Overwhelming Sales Capabilities

The key characteristics of the *Seven Premium* lineup compared with national-brand products are (1) equivalent or better quality, (2) lower prices, and (3) higher margins.

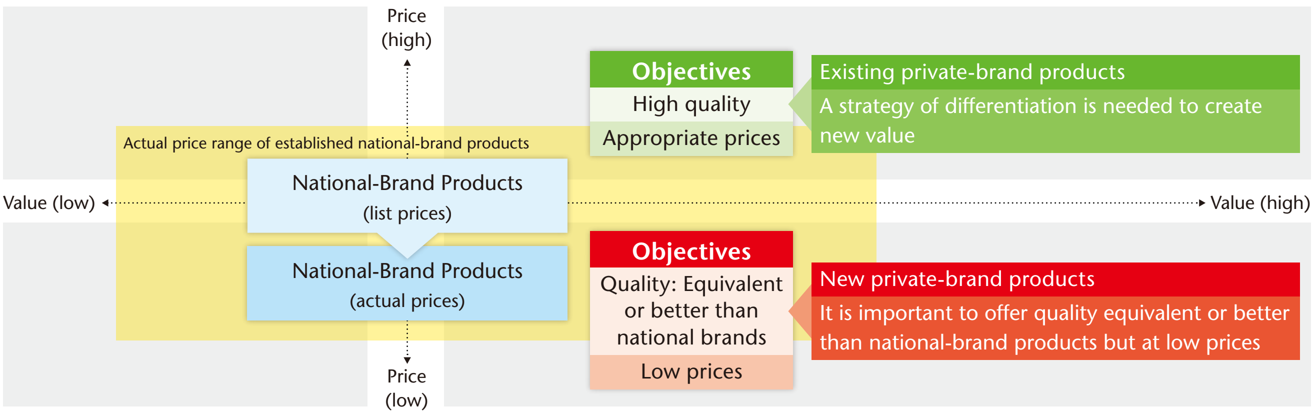
These characteristics are the biggest point of difference between *Seven Premium* and conventional private brands that are focused on low price. This was made possible by the scale of the Group's food sales—approximately ¥3.8 trillion a year—which are supported by the strong sales volume of such companies as Seven-Eleven Japan (SEJ), Ito-Yokado, and York-Benimaru.

Moreover, with *Seven Premium*, we make full use of the product development approach and processes that SEJ has cultivated in the development of original products, such as fast foods. Consequently, we can develop products in a short period of time. Moreover, we can provide customers with safety and security by strengthening ingredient traceability, and reduce costs by efficiently collecting information, controlling production inventories, and forecasting demand–supply conditions.

Seven Premium Promotes Win–Win Relationships with Major Domestic Manufacturers

Seven Premium products are developed through the *Group Merchandising Reform Project*, which includes product development staff and buyers from SEJ, Ito-Yokado, York-Benimaru,

Brand Positioning



York Mart, and SHELL GARDEN, as well as through team merchandising activities with major domestic manufacturers.

The manufacturers make products that do not compete with their own core products, and as a result, they are able to maintain the market shares of their core products while increasing the utilization rates of their production lines. Also, Group companies purchase all of the products that are made, and as a result the manufacturers do not face inventory risk, and because the Group's existing sales routes—approximately 13,000 stores—are utilized, the manufacturers do not incur any sales promotion or marketing costs. These benefits for manufacturers are an indispensable part of our efforts to expand team merchandising initiatives targeting the advancement of *Seven Premium* development activities, and they also generate benefits for customers, such as products with superior taste and quality available at low prices.

Seven Premium in SEJ store

Seven Premium in Ito-Yokado store

Favorable Growth Recorded by *Seven Premium*

Seven Premium has recorded solid sales growth that has exceeded the initial plans made at the time sales were commenced in May 2007. As of the end of May 2008, a year since the launch of *Seven Premium*, we had developed a total of approximately 380 stock keeping units (SKUs) and reached total sales of ¥80.0 billion.

In consideration of these results, we have further bolstered the development of *Seven Premium* and revised our plans upward. We are now targeting 800 SKUs by the end of February 2009 and 1,300 SKUs by the end of February 2010. We will focus on lineups and sales of *Seven Premium*, reaching cumulative totals of ¥180.0 billion by the end of February 2009 and ¥320.0 billion by the end of February 2010, an increase of ¥20.0 billion from the initial target established in May 2007 when sales began.

Development and Sales Plans

		First Year (Results) (May 2007 to May 2008)	FY2009	FY2010
Number of SKUs	Initial targets	300 SKUs	—	1,100 SKUs
	New targets	380 SKUs	800 SKUs	1,300 SKUs
Sales	Initial targets	¥50 billion	—	¥300 billion
	New targets	¥80 billion	¥180 billion	¥320 billion

Taking on the Challenge of New Businesses—(2) Global Strategy

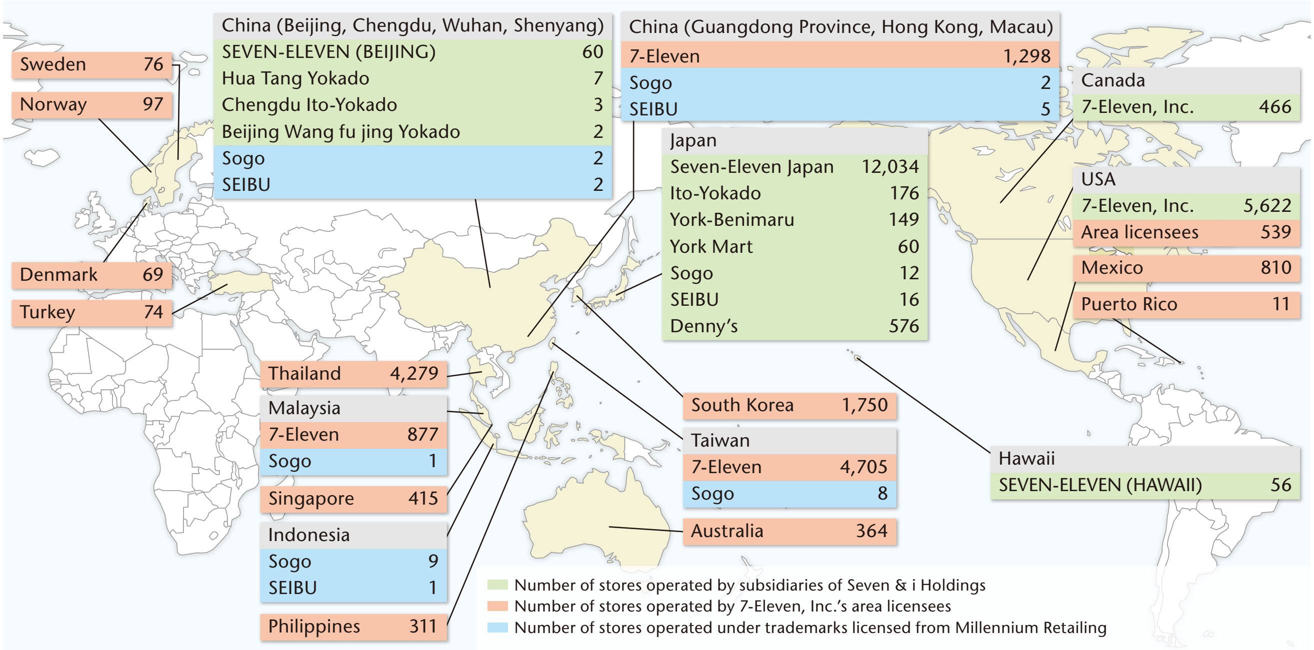
Bolstering Global Store Development

The Company operated approximately 20,000 stores in Japan and North America as of the end of each fiscal year, centered on convenience stores, superstores, supermarkets, department stores, and restaurants. Moreover, including the stores operated overseas by area licensees (companies that acquired area license rights from SEI for the operation of 7-Eleven stores in specified areas), the global store network has surpassed 35,000 stores in 17 countries and regions around the world. In the future, targeting further expansion in the convenience store network, we are considering the development of new area licensees in such areas as Asia, Europe, and South America. The Group will further expand its store network, with China as a priority area for store-opening initiatives.

Focusing on Store Development in China

China is the highest priority market in the Group's global strategy. In Beijing, convenience stores are being operated by SEVEN-ELEVEN (BEIJING) (SEB), superstores by Hua Tang Yokado Commercial, and food supermarkets by Beijing Wang fu jing Yokado Commercial. In the city of Chengdu, Sichuan Province, superstores are being operated by Chengdu

Seven & i Holdings' Worldwide Store Network



* Figures for Japan are as of the end of February 2008, and figures for other countries and regions are as of the end of December 2007.

Ito-Yokado. Each of these companies is recording favorable results stemming from their strong responses to the needs of local customers in line with regional characteristics.

Operations in China

Convenience store


Superstore


Supermarket

Convenience Store Operations in China

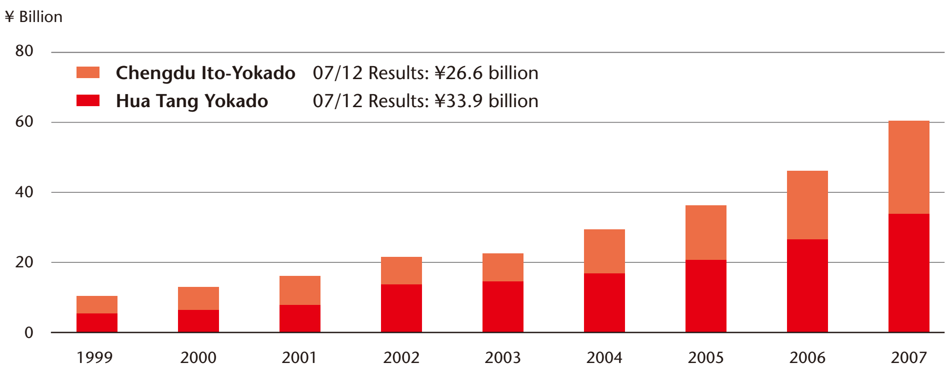
In Beijing, SEB had opened 60 stores as of the end of December 2007, principally directly operated stores. Sales of fast food, such as boxed lunches prepared in-store and *oden*, Japanese hot pot, that reflect SEJ's know-how, have been favorable, with sales at SEB stores reaching two to three times the level of sales at local convenience stores.

Moreover, SEB is preparing to begin full-fledged franchise store openings in Beijing and plans to further accelerate the franchise business in China, which boasts high economic growth potential and a giant market scale. Furthermore, when it was established SEB acquired area license rights not only for Beijing but also for Hebei Province and the Tianjin area. SEB has the potential to record substantial growth as it expands the areas in which it operates stores.

Establishment of SEVEN-ELEVEN CHINA (SEC)

To accelerate store openings in China, SEC was established in Beijing in April 2008 as a wholly owned subsidiary of SEJ. SEC has obtained master franchise rights in China from SEI.

Superstore Operations in China: Sales Results



Note: Sales exclude value-added tax.

SEC is taking steps toward the opening of stores in the municipality of Shanghai through an area licensee. Future expansion of the convenience store network in China will entail further development of area licensees and the sharing of know-how, such as SEB's know-how in the areas of product development, distribution systems, and store systems. In this way, we will work to build a network of high-level convenience stores.

Continued Reinforcement of Superstore Operations in China

Hua Tang Yokado Commercial began to open superstores in Beijing in April 1998, and Chengdu Ito-Yokado began to open superstores in Chengdu, Sichuan Province, in November 1997. As of the end of December 2007, we had 7 superstores in Beijing and 3 in Chengdu. Each of these stores has recorded favorable results in excess of forecasts. In the fiscal year ended December 31, 2007, the total sales (excluding value-added tax) of these 10 stores, after conversion to yen with an exchange rate of ¥15.51 to 1 yuan for the fiscal year, increased to approximately ¥60.0 billion. On an existing store basis, the operating income margin was high, at more than 5%. All of these results are attributable to efforts to build product lineups and stores that meet local customer needs and to the use of locally recruited employees, centered on store managers.

We have positioned the continued expansion of the store network in Beijing and Chengdu as a key issue. By December 2010, we plan to open 5 new stores in Beijing and 2 in Chengdu. Moreover, we will also consider store openings in additional areas.

Taking on the Challenge of New Businesses—(3) Card Operations Strategy

Benefits from the Introduction of *nanaco*, the Group's Original Electronic Money

The Company is working to promote and expand its *nanaco* prepaid electronic money service, which is the first such service operated directly by a domestic retail group.

In April 2007, we began to launch *nanaco* in about 1,500 SEJ stores in the Tokyo metropolitan area, and in May 2007 we began to extend service to all SEJ stores. As of the end of February 2008, *nanaco* could be used at all Denny's restaurants, and as of May 2008, *nanaco* could be used at all Ito-Yokado stores. *nanaco* can be used in approximately 7,000 stores outside the Group as well, centered on JCB member shops.

In the future, we plan to effectively use the wide range of benefits stemming from the introduction of *nanaco*, such as the ability to collect customer data and use it in marketing. In this way, we will boost the competitiveness and profitability of each operating company.

Progress in *nanaco* Development

	Development	Number of Compatible Stores		
		In Group	Outside Group	**Total**
2007 May	Completed introduction at all SEJ stores	11,750	—	**11,750**
October	Began introduction to *nanaco*-affiliated stores outside Group	11,853	1,546	**13,399**
December	Began introduction to all Denny's restaurants in Tokyo	12,043	2,625	**14,668**
2008 March	Completed introduction at all Denny's restaurants Began introduction to all Ito-Yokado stores in Tokyo	12,613	5,974	**18,587**
April	Began providing *QUICPay* (*nanaco*) services	12,692	6,599	**19,291**
May	Completed introduction at all Ito-Yokado stores Began exchange of points from IY card to *nanaco*	12,756	6,917	**19,673**

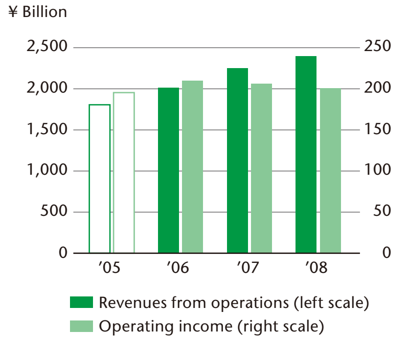
Notes: *QUICPay* is a postpaid settlement service for small purchases that enables customers to use a credit card that is registered in advance.

AT A GLANCE

Note: Figures for Ito-Yokado and its consolidated subsidiaries for the fiscal year ended February 28, 2005 are presented solely for the convenience of the reader.

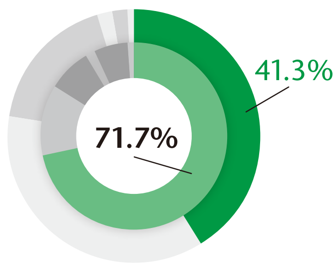
Convenience Store Operations

Revenues from Operations Operating Income



Contribution to Results

(As of February 29, 2008)



Revenues from operations
Operating income

Principal Subsidiaries

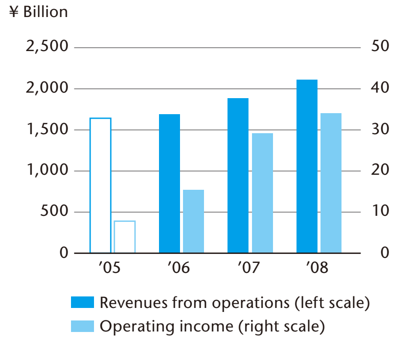
Seven-Eleven Japan	(100.0)
7-Eleven, Inc.	(100.0)
SEVEN-ELEVEN (BEIJING)	(65.0)
SEVEN-ELEVEN (HAWAII)	(100.0)
SEVEN-ELEVEN CHINA	(100.0)

SEVEN-ELEVEN CHINA was established as a wholly owned subsidiary of Seven-Eleven Japan on April 10, 2008.

Convenience store operations are composed of 7-Eleven convenience stores in Japan, North America, and Beijing, China. 7-Eleven, Inc., based in the United States, provides 7-Eleven area franchise rights to area licensees around the world.

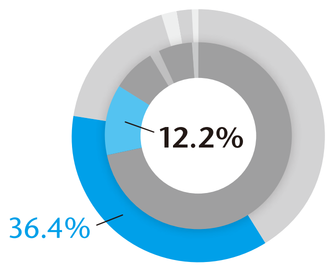
Superstore Operations

Revenues from Operations Operating Income



Contribution to Results

(As of February 29, 2008)



Revenues from operations
Operating income

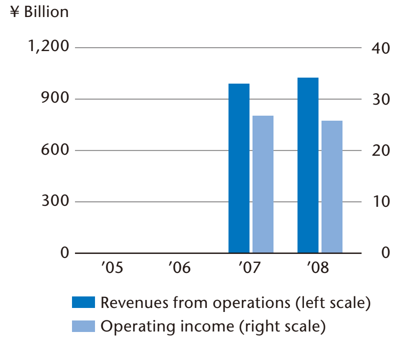
Principal Subsidiaries

Ito-Yokado	(100.0)
York-Benimaru	(100.0)
York Mart	(100.0)
Hua Tang Yokado	(75.8)
Chengdu Ito-Yokado	(74.0)
Beijing Wang fu jing Yokado	(60.0)
Akachan Honpo	(66.7)

Superstore operations are composed of superstores that provide apparel, household goods, and food in Japan and China—Beijing and Chengdu, Sichuan Province. In addition, superstore operations include food supermarkets in Japan and Beijing and specialty stores.

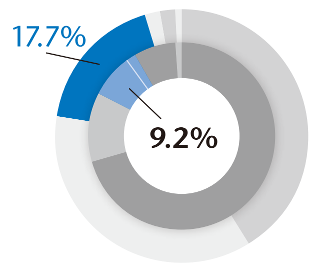
Department Store Operations

Revenues from Operations Operating Income



Contribution to Results

(As of February 29, 2008)



Revenues from operations
Operating income

Principal Subsidiaries

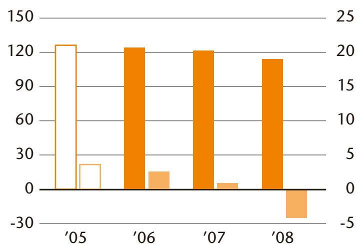
Millennium Retailing	(100.0)
Sogo	(100.0)
THE SEIBU DEPARTMENT STORES	(100.0)
THE LOFT	(70.7)
SHELL GARDEN	(100.0)

Department store operations are composed of department stores and miscellaneous-goods specialty stores. Millennium Retailing grants Sogo and SEIBU trademark rights in Asia.

Food Services

Revenues from Operations / Operating Income

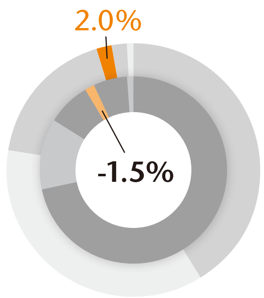
¥ Billion



Revenues from operations (left scale)
Operating income (right scale)

Contribution to Results

(As of February 29, 2008)



Revenues from operations
Operating income

Principal Subsidiary

Seven & i Food Systems	(100.0)

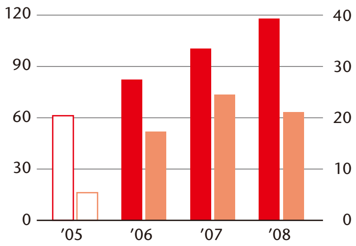
Restaurant operations changed its segment name to food services from the fiscal year ended February 28, 2008, as a result of reorganization of the food business due to the establishment of Seven & i Food Systems. Seven & i Food Systems merged with Denny's Japan, Famil, and York Bussan on September 1, 2007.

Food services are composed of restaurant operations, meal provision services (company cafeterias, hospitals, and schools), and fast food operations in Japan.

Financial Services

Revenues from Operations / Operating Income

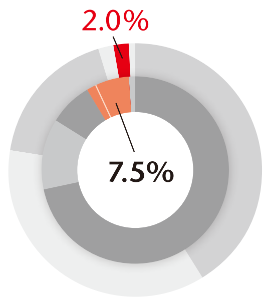
¥ Billion



Revenues from operations (left scale)
Operating income (right scale)

Contribution to Results

(As of February 29, 2008)



Revenues from operations
Operating income

Principal Subsidiaries

Seven Bank	(47.8)
IY Card Service	(94.1)
SE CAPITAL	(100.0)
York Insurance	(100.0)
SEVEN & i Financial Center	(100.0)
SEVEN & i FINANCIAL GROUP	(100.0)

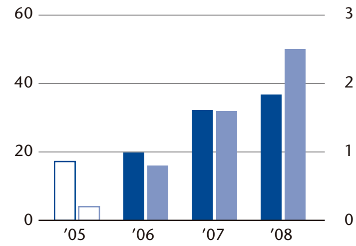
On January 11, 2008, SEVEN & i FINANCIAL GROUP was established as the Company's wholly owned subsidiary.

Financial services are composed of ATM operations, credit card operations, electronic money services, leasing operations, and insurance operations in Japan.

Others

Revenues from Operations / Operating Income

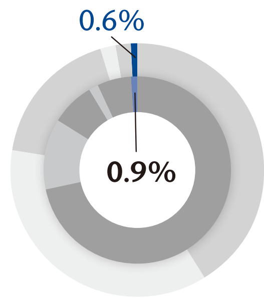
¥ Billion



Revenues from operations (left scale)
Operating income (right scale)

Contribution to Results

(As of February 29, 2008)



Revenues from operations
Operating income

Principal Subsidiaries

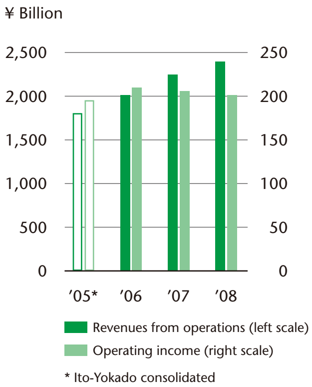
Seven and Y	(50.8)
7dream.com	(68.0)
Seven-Meal Service	(90.0)
SEVEN & i Publishing	(100.0)
Mall & SC Development	(90.0)
SEVEN & i Life Design Institute	(100.0)

Others are composed of Internet-related services, meal delivery services, publishing, and property management businesses in Japan.

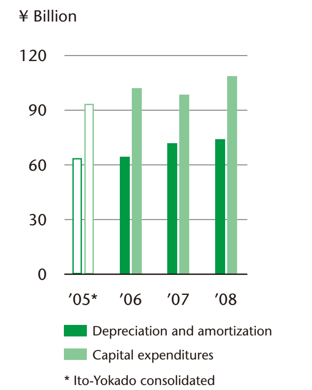
CONVENIENCE STORE OPERATIONS

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,395.7 billion +6.5%	**¥201.0 billion –2.5%**	**¥108.6 billion +10.2%**
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

Revenues from Operations / Operating Income from Convenience Store Operations



Depreciation and Amortization / Capital Expenditures in Convenience Store Operations



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the convenience store segment's revenues from operations before elimination of intersegment transactions were ¥2,395.7 billion, up 6.5%, while operating income before elimination of intersegment transactions was ¥201.0 billion, down 2.5%. Higher revenues from operations were recorded in North America as a result of favorable existing store sales, higher gasoline prices, and the depreciation of the yen. However, due to expenses associated with upfront investment, such as investment for *nanaco* electronic money, operating income was down. Capital expenditures totaled ¥108.6 billion, up 10.2%, and depreciation and amortization, including intangible assets, was up 3.2%, to ¥74.1 billion.

DOMESTIC OPERATIONS

In the fiscal year ended February 29, 2008, Seven-Eleven Japan (SEJ) recorded total store sales, which comprise corporate and franchised store sales, of ¥2,574.3 billion, up 1.6%; revenues from operations of ¥527.7 billion, an increase of 2.1%; and operating income of ¥168.2 billion, a decrease of 2.6%.

Aiming to further expand its strong network of stores in the domestic market, SEJ opened 816 stores, pursuing its dominance strategy in areas with existing stores and bolstering store openings in urban areas. In addition, SEJ closed 517 stores, including the relocation of 365 stores to more favorable locations. Consequently, the domestic network at fiscal year-end covered 34 prefectures with 12,034 stores, an increase of 299 stores from a year earlier. Average daily sales per store were down ¥13,000, to ¥597,000, while for newly opened stores, average daily sales were up ¥2,000, to ¥517,000.

By product category, sales of processed food were up 2.0%, to ¥767.1 billion, and sales of fast food rose 0.2%, to ¥736.3 billion. Sales of daily food increased 0.8%, to ¥332.1 billion, and sales of nonfood products rose 3.0%, to ¥738.8 billion. The gross margin on store sales improved 0.1 percentage point, to 31.0%.

In merchandising, SEJ continued to develop secure, safe products and limited regional products, as well as products that reflect the concepts of local production for local consumption and food education. Also, in August 2007, SEJ began sales of the Group's *Seven Premium* private-brand products. We worked to enhance our lineups of products that meet customer needs and are available in close, convenient stores.

Furthermore, we commenced the full-scale introduction of counter fast food products that are prepared using in-store fryers. As of the end of February 2008, we had completed the installation of fryers at approximately 2,700 stores, and sales of counter fast foods are recording favorable progress.

NORTH AMERICA OPERATIONS

In the fiscal year ended December 31, 2007, after conversion to Japanese-style presentation, with an exchange rate of ¥117.85 to U.S.$1.00 for the fiscal year, 7-Eleven, Inc. (SEI), had revenues from operations of ¥1,843.4 billion, up 8.0%. Net sales were ¥1,822.7 billion, up 7.8%, with merchandise sales rising 5.9%, to ¥1,068.5 billion, as a result of the contributions of fast foods and beverages, and gasoline sales of ¥754.3 billion, up 10.6%. Due to the revaluation of assets accompanying SEI becoming a wholly owned subsidiary of SEJ in November 2005, depreciation and amortization in the fiscal year ended December 31, 2007 was up ¥3.0 billion year on year, and operating income was ¥31.7 billion, a decrease of 0.9%.

In North America, SEI focused on training store development staff to accelerate store openings and on supporting the development of franchise stores. In addition, SEI aggressively remodeled existing stores and closed unprofitable stores. As a result, the number of stores in North America at the end of December 2007 was 6,088, an increase of 38 from a year earlier, including 4,041 franchised stores, an increase of 213. Average daily sales per store were up $149, to $4,248.

In merchandising, SEI continued working to bolster the lineup of fast foods and to develop limited regional products. In addition, SEI implemented tests of hot foods as new products and strengthened its development of private-brand products to meet new customer needs.

As a result of these initiatives, SEI's existing store sales in the United States recorded favorable growth of 3.1% year on year and the 45th consecutive quarter of gains.

CHINA OPERATIONS

SEVEN-ELEVEN (BEIJING) (SEB) had 60 stores in Beijing at year-end, an increase of 10 stores year on year, and continues to move ahead with preparations for full-fledged franchise store openings.

In store operations, sales of fast food, such as boxed lunches prepared in the store and *oden*, Japanese hot pot, that reflects SEJ's know-how, were favorable, with SEB stores recording sales two to three times the level of local convenience stores.

GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the forecast for the segment is for revenues from operations of ¥2,290.0 billion, down 4.4%. Although depreciation and amortization for asset revaluation at SEI will decrease by ¥7.5 billion, with the effect of increasing operating income by the same amount, the appreciation of the yen will have the effect of decreasing operating income by about ¥7.0 billion. As a result, we are forecasting operating income of ¥205.0 billion, a gain of 2.0%, capital expenditures of ¥112.0 billion, up 3.1%, and depreciation and amortization, including intangible assets, of ¥62.4 billion, down 15.8%.

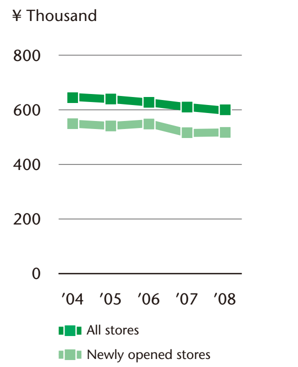
DOMESTIC OPERATIONS

SEJ will work to expand its network of close, convenient stores and to add new services that offer enhanced convenience.

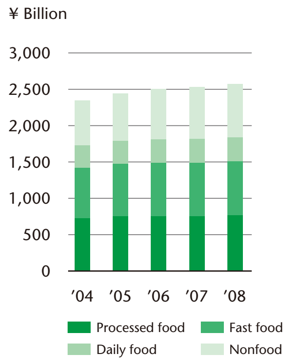
In store initiatives, SEJ plans to open 1,000 stores and close 600, maintaining a rapid pace of store openings, while accelerating the implementation of the scrap-and-build strategy for stores with weak sales. In addition, SEJ has begun preparations for the opening of stores in a new area, the Hokuriku region, specifically Toyama, Fukui,

Seven-Eleven Japan

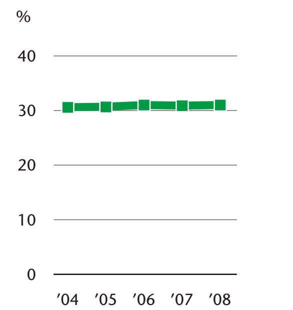
Average Daily Sales Per Store



Sales by Product Category



Gross Margin on Store Sales



EXPANSION OF STORE NETWORK IN JAPAN

(As of February 29, 2008)

Kyushu	1,225
Fukuoka	658
Kumamoto	185
Saga	134
Miyazaki	130
Nagasaki	75
Oita	43

Chugoku	784
Hiroshima	374
Yamaguchi	220
Okayama	190

Kinki	1,307
Osaka	508
Hyogo	359
Kyoto	174
Shiga	155
Nara	55
Wakayama	38
Mie	18

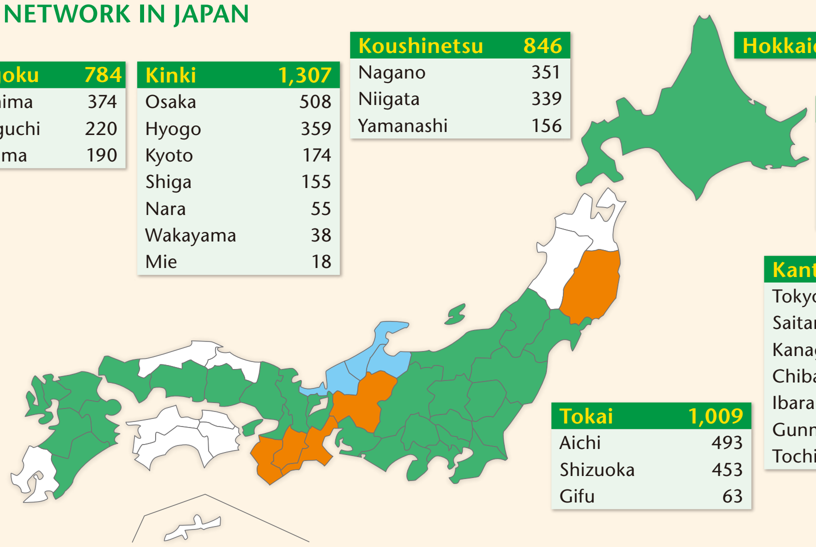
Koushinetsu	846
Nagano	351
Niigata	339
Yamanashi	156

Hokkaido	819

Tohoku	860
Fukushima	380
Miyagi	324
Yamagata	131
Iwate	25

Kanto	5,184
Tokyo	1,577
Saitama	842
Kanagawa	838
Chiba	742
Ibaraki	504
Gunma	342
Tochigi	339

Tokai	1,009
Aichi	493
Shizuoka	453
Gifu	63

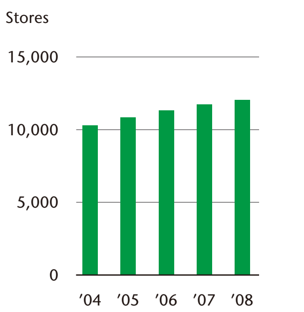


Indicates prefectures where we open stores only in limited areas by utilizing existing commissaries and distribution networks of adjacent prefectures.

Indicates prefectures where we plan to open stores newly in FY2009 and beyond.

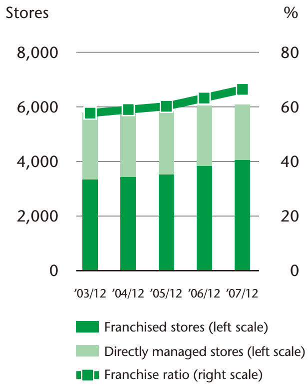
Seven-Eleven Japan

Number of Stores



7-Eleven, Inc.

Number of Stores
(Total and by Type)



SEJ Launches *Seven-Eleven Net*—Internet-Based Convenience Store

In June 2008, SEJ started *Seven-Eleven Net*, an E-commerce system that integrates the infrastructure of about 12,000 stores and the Internet.

(1) Make the best use of close and convenient store network

(2) Make the best use of existing systems and distribution networks

(3) Supplement the product lineups of small, limited size stores

(4) Start lineup of alcoholic beverages, centered on limited local sake products, and subsequently expand to such fields as food and toys

Features of *Seven-Eleven Net* Services

(1) Orders can be placed over the Internet and picked up 24 hours a day, 365 days a year at the nearest SEJ store (free shipping and no commissions).

(2) Delivery will be made within four days.

Merits for Franchisees and SEJ

(1) Orders are recorded as sales for the stores.

(2) Positive effects should include an increase in the number of customers visiting stores.

(3) Realization of low-cost operation

and Ishikawa prefectures. Furthermore, we have begun to open small-scale satellite stores in such locations as companies, hospitals, factories, and schools.

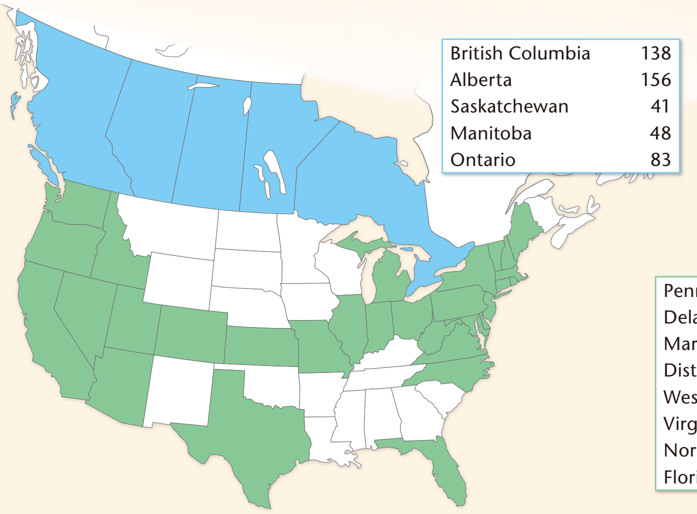
In merchandising, SEJ will work to strengthen the development of counter fast foods, with plans calling for the installation of fryers in approximately 8,000 stores by the end of August 2008. At the same time, SEJ will aggressively expand *Seven Premium*, which will be a key strategic brand against a background of trends toward fewer children per family and an aging population, because consumer needs for close, convenient stores will likely increase. Accordingly, we will work to further enhance the product lineup and increase sales.

In the fiscal year ending February 28, 2009, tobacco vending machines that verify the age of the purchaser by requiring *taspo* IC cards were introduced. These cards are only issued to applicants who are at least 20 years old. Accompanying this change, convenience stores and other stores that conduct face-to-face sales of cigarettes are expected to see increases in cigarette sales and in numbers of store visitors. At SEJ stores that sell cigarettes, based on the recognition that the introduction of age verification vending machines is one important way to help prevent underage smoking, we will work to ensure appropriate sales practices and, approaching the increase in store visitors as an important sales opportunity, we will strive to fully leverage the effects of a range of measures.

For the fiscal year ending February 28, 2009, SEJ is forecasting total store sales of ¥2,643.0 billion, up 2.7%; revenues from

EXPANSION OF STORE NETWORK IN NORTH AMERICA

(As of December 31, 2007)



Washington	204
Idaho	10
Oregon	127
California	1,274
Nevada	199
Utah	111
Arizona	81
Colorado	229

Texas	273
Kansas	11
Missouri	66
Illinois	382
Michigan	147
Indiana	32
Ohio	11

British Columbia	138
Alberta	156
Saskatchewan	41
Manitoba	48
Ontario	83

Maine	13
Vermont	4
New Hampshire	24
New York	280
Massachusetts	118
Connecticut	51
Rhode Island	22
New Jersey	233

Pennsylvania	166
Delaware	25
Maryland	308
District of Columbia	22
West Virginia	22
Virginia	623
North Carolina	7
Florida	547

operations of ¥528.3 billion, an increase of 0.1%; and operating income of ¥169.2 billion, up 0.6%.

NORTH AMERICA OPERATIONS

SEI will focus on accelerating store openings and promoting franchise operations, while activating existing stores through such means as remodeling, bolstering fast food operations, and developing limited regional products.

At the same time, under the global store strategy, SEI will work to expand the licensing business in new areas. In addition, through a tie-up with SEJ, SEI will step up the provision of know-how to area licensees, such as SEJ's information systems, distribution systems, and product development know-how.

SEI will continue to implement the area-dominance store opening strategy in focused regions, with plans calling for the opening of 200 stores and the closing of 50. Moreover, SEI will accelerate store openings by converting small and medium-sized local stores to the 7-Eleven format, and will also remodel about 900 existing stores. In these ways, SEI will bolster its strong network of stores and activate stores.

In merchandising, SEI will promote the development of local products that meet needs in each region. In addition, SEI will bolster the lineup of fast foods by expanding the hot food test area and will continue to develop private-brand products.

Furthermore, with the objective of increasing the efficiency of the distribution system to improve gross margins, SEI will begin preparations for the establishment of combined distribution centers for processed foods, which will facilitate a shift from separate store deliveries made by each manufacturer to combined distribution.

As a result of these initiatives, for the fiscal year ending December 31, 2008, after conversion to Japanese accounting standards, assuming an exchange rate for the period of ¥100.00 to U.S.$1.00, SEI is forecasting revenues from operations of ¥1,737.2 billion, down 5.8%, and operating income of ¥35.5 billion, an increase of 11.9%.

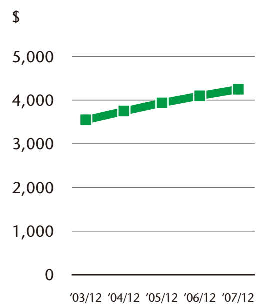
CHINA OPERATIONS

In China, we will begin full-fledged franchise development. SEB has already acquired area license rights in Beijing, Hebei, and Tianjin areas, and is moving ahead with system preparations targeting full-scale development. At the same time, franchise test operations are being conducted at 2 stores in Beijing. Through these test operations, SEB plans to establish a franchise business foundation and implement an aggressive expansion strategy.

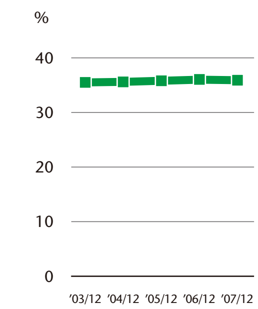
In April 2008, SEVEN-ELEVEN CHINA (SEC), which obtained master franchise rights in China from SEI, was established as a wholly owned subsidiary of SEJ. SEC is taking steps toward the opening of stores in the municipality of Shanghai through an area licensee. At the same time, we are taking steps to aggressively enhance the store management know-how of SEB, which has succeeded in localization initiatives based on SEJ's store management know-how.

In these ways, we will work aggressively to continue building a network of high-quality convenience stores in China.

Average Daily Sales per Store (All Stores)



Gross Margin on Merchandise Sales



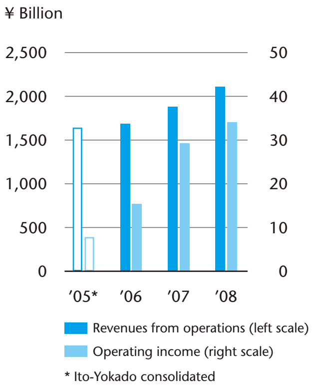
EXPANSION OF STORE NETWORK IN CHINA

* Number of stores as of end of December 2007

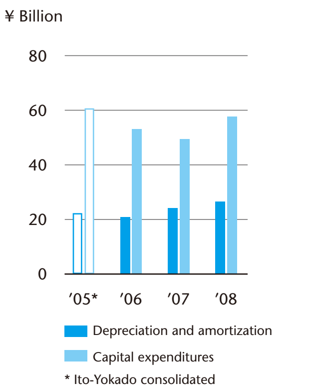
SUPERSTORE OPERATIONS

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,109.1 billion +12.0%	¥34.1 billion +16.8%	¥57.6 billion +16.4%
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

Revenues from Operations / Operating Income from Superstore Operations



Depreciation and Amortization / Capital Expenditures in Superstore Operations



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the superstore segment's revenues from operations before elimination of intersegment transactions were ¥2,109.1 billion, up 12.0%, and operating income before elimination of intersegment transactions was ¥34.1 billion, up 16.8%. This performance reflects the full-year contribution of York-Benimaru, which was made a subsidiary in September 2006, and the contributions of Akachan Honpo and FUJIKOSHI, which were made subsidiaries in the year under review. Capital expenditures totaled ¥57.6 billion, up 16.4%, and depreciation and amortization, including intangible assets, was up 9.9%, to ¥26.5 billion.

DOMESTIC SUPERSTORE OPERATIONS

In the fiscal year ended February 29, 2008, Ito-Yokado recorded revenues from operations of ¥1,489.4 billion, down 1.5%, and operating income of ¥17.1 billion, a decrease of 6.5%. We opened 3 stores—including Ario Nishiarai, the sixth Ario mall-type shopping center—and closed 1 store. The number of stores at fiscal year-end was 176, an increase of 2 stores from the previous fiscal year-end. Directly managed sales floor space at the end of the fiscal year was up 1.0%, to 1,750,605 square meters.

By product category, Ito-Yokado's apparel sales in the year under review were down 4.3%, to ¥278.2 billion; sales of household goods declined 3.9%, to ¥253.6 billion; and sales of food decreased 0.3%, to ¥670.5 billion. The gross margin on store sales declined 0.4 percentage point, to 29.9%.

In merchandising, with the aim of providing secure, safe food products, we bolstered the lineup of "KAOGA-MIERU-SHOKUHIN," fresh food traceable to producers, products and emphasized sales of the Group's new *Seven Premium* private-brand products. In apparel and household goods, we increased the emphasis on specialty shops and enhanced product lineups and sales areas in accordance with the characteristics of customers and locations as well as the size of stores.

In addition, Ito-Yokado worked to establish a new sales channel. By the end of February 2008, our Internet supermarket services, which enable customers to place orders over the Internet and have the products delivered to their homes, were available through 80 stores and the number of members had reached approximately 180,000.

DOMESTIC FOOD SUPERMARKET OPERATIONS

In the fiscal year ended February 29, 2008, York-Benimaru registered revenues from operations of ¥330.1 billion, up 5.2%, and operating income of ¥11.2 billion, an increase of 8.9%. Even in a challenging competitive environment in the Tohoku region, in which most of York-Benimaru's stores are located, we recorded gains in revenues and profits.

York-Benimaru opened 8 stores and closed 3 in the year under review. In addition, York-Benimaru merged with Super Kadoya, the operator of 16 food supermarkets. As a result, the number of stores at year-end was 149,

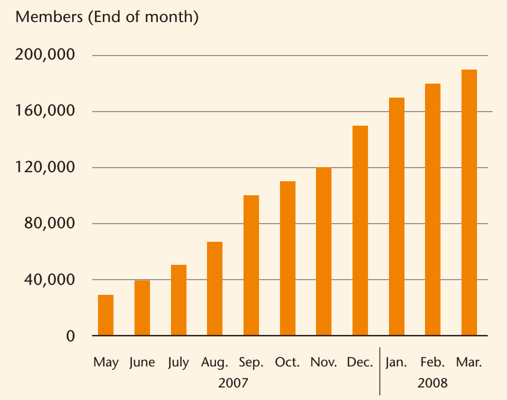
Expanding Ito-Yokado's Net Supermarket as New Sales Channel

Ito-Yokado has been developing the Net Supermarket, which is operated by each store, since 2001. In 2007, we improved the system and began full-scale expansion of services. As of the end of February 2008, the service was available through 80 stores and the service region covered most of the Tokyo metropolitan area.

A key factor in the expansion of Ito-Yokado's Net Supermarket is the ability of customers to purchase, at prices coordinated with store flyers, products chosen from a lineup of about 30,000 products, ranging from daily items to fresh foods. Through special web sites for each store, customers can order products from this lineup. Since ordered products are picked from actual sales areas at each store by sales staff, customers are able to conveniently purchase products that are fresh, secure, and safe. Moreover, for senior citizens, pregnant women, and families with small children, the ability to order even heavy products while at home and have them delivered has been well received.

In the future, we will work to enhance services to further increase convenience for customers.

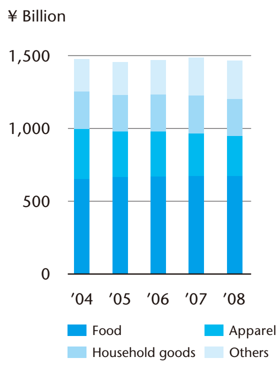
Trends in Number of Members



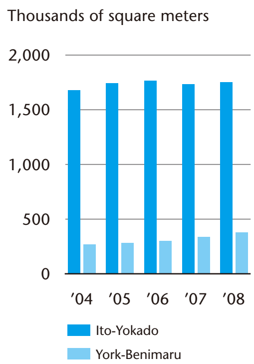
Products that have been ordered are picked up at the sales area

Ito-Yokado

Sales by Product Category



Directly Managed Sales Floor Space



an increase of 21 stores from a year earlier. Directly managed sales floor space at the end of the fiscal year was up 13.1%, to 379,073 square meters.

By product category, York-Benimaru's sales of food increased 7.2%, to ¥230.9 billion; apparel sales were down 4.0%, to ¥19.3 billion; and sales of household goods rose 0.9%, to ¥18.7 billion. The gross margin on store sales improved 0.2 percentage point, to 27.1%.

In sales, we strengthened our lineup and sales of *Seven Premium* products, based on the concept of "making daily meals enjoyable, comfortable, and convenient for customers who make regular store visits from small service areas." In particular, as an operator of food supermarkets that focus on shopping that is closely linked to daily lifestyles, there are strong customer needs for quality and low prices, and accordingly, *Seven Premium* sales have made strong progress. In store operations, we took steps to create sales areas with substantial selections of products, especially fresh foods, coordinated with the timing of customer visits. In this way, we worked to increase the precision of sales plans by time slot and of work plans in order to increase sales opportunities.

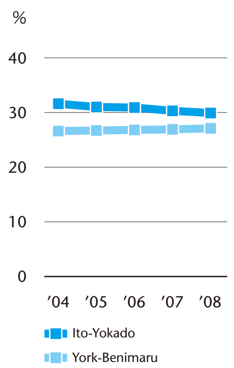
In addition, FUJIKOSHI, an operator of 14 food supermarkets in Fukushima prefecture, was made a subsidiary in November 2007. Currently, we are working to create stores with even closer ties to local communities by taking full advantage of the strengths of each company and by leveraging synergies achieved through management rationalization and integration.

Meanwhile, York Mart had 60 stores in the Kanto region at year-end, an increase of 2 stores from a year earlier. York Mart achieved solid revenue and profits by bolstering store-by-store initiatives in line with the needs of local customers.

CHINA OPERATIONS

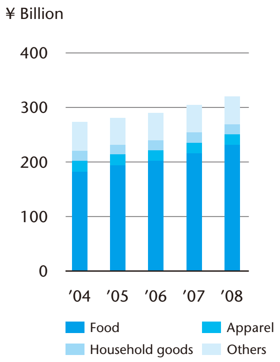
In Beijing, the Group's network comprised 7 superstores operated by Hua Tang Yokado Commercial, an increase of 1 from the previous fiscal year-end, and 2 food supermarkets operated by Beijing Wang fu jing Yokado Commercial, an increase of 1 from a year earlier. In the city of Chengdu, Sichuan Province, Chengdu Ito-Yokado operated 3 superstores, an increase of 1 from a year earlier. At stores in China, as a result of aggressive hiring of local managers and staff, and of store initiatives to meet customer

Gross Margin on Store Sales



York-Benimaru

Sales by Product Category



needs on a base of Japanese-style store operations, we continue to record favorable growth in profits.

GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the forecasts for the segment call for revenues from operations of ¥2,190.0 billion, up 3.8%, and operating income of ¥39.0 billion, a gain of 14.5%. Capital expenditures are forecast at ¥59.5 billion, an increase of 3.4%, and depreciation and amortization, including intangible assets, at ¥26.4 billion, down 0.2%.

We will work to improve profitability through structural reforms at Ito-Yokado and reorganization of the Group's food supermarket operations.

DOMESTIC SUPERSTORE OPERATIONS

In March 2008, Ito-Yokado opened Ario Otori in the city of Sakai, Osaka prefecture, the seventh Ario mall-type shopping center. On the other hand, store closures are one facet of store reform initiatives targeting improved profitability, and by February 2011, we plan to close 3 to 5 stores. In merchandising, by bolstering lineups of secure, safe products, we will create stores that are trusted by customers. At the same time, by increasing the lineup and sales of *Seven Premium* products, we will work to meet the needs of customers for high-quality, reasonably priced products, even in an environment characterized by rising product prices. In store operations, we will take steps to improve our cost structure, enhancing productivity through workforce adjustments and store cost reductions and thoroughly reevaluating sales promotion costs. Moreover, we will work to improve profitability, reducing losses caused by markdowns of apparel and fresh foods and controlling disposals. We will also further enhance our lineups by store and our sales area development. As a result of these efforts, for the fiscal year ending February 28, 2009, Ito-Yokado forecasts revenues from operations of ¥1,506.0 billion, up 1.1%, and operating income of ¥21.0 billion, an increase of 22.6%.

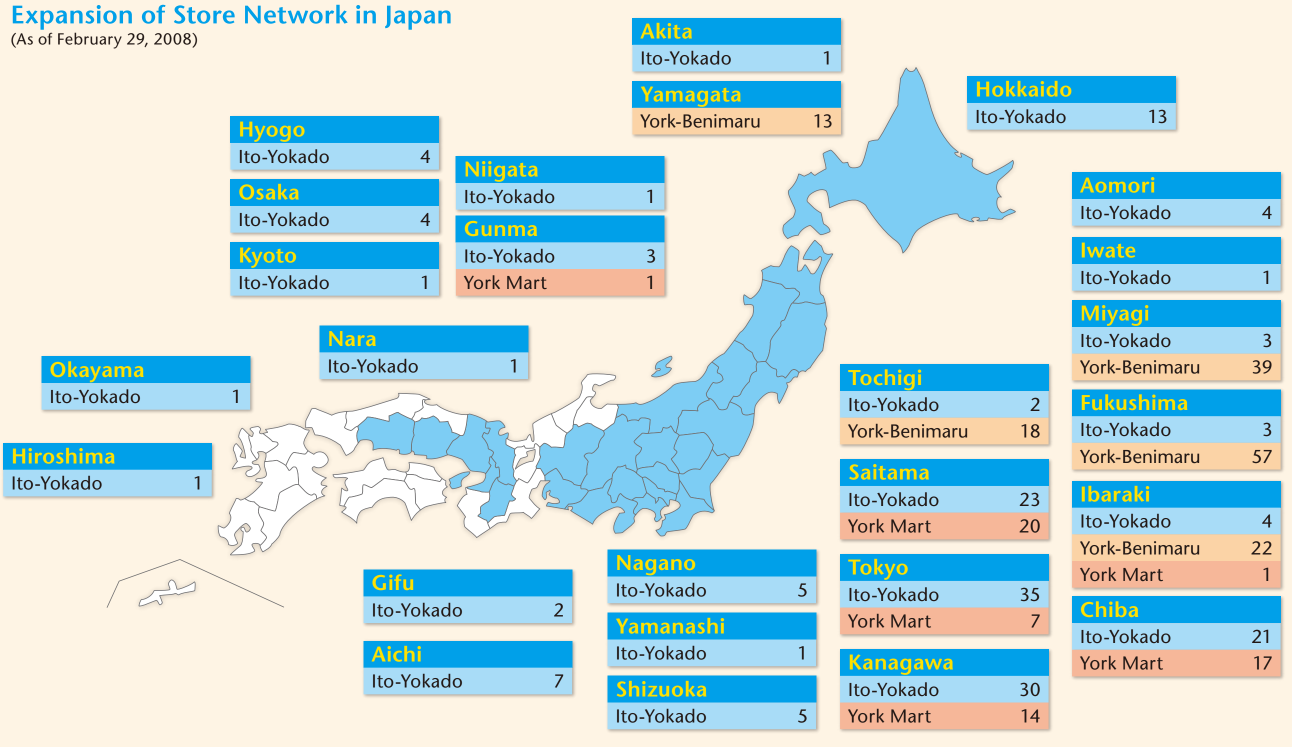
DOMESTIC FOOD SUPERMARKET OPERATIONS

York-Benimaru and York Mart will continue to bolster the *Seven Premium* lineup and sales.

In store operations, we will work to increase the precision of sales plans by time slot and of work plans, and will strive to create sales areas with substantial selections of products. At the same time, we will endeavor to reduce costs by eliminating waste in store activities.

Expansion of Store Network in Japan

(As of February 29, 2008)



Superstore Opening Plans in China
(As of the end of December)

	Location	FY2007 (Results)	FY2008 (Plans)	FY2010 (Plans)
Hua Tang Yokado	Beijing	7	10	12
Chengdu Ito-Yokado	Chengdu	3	4	5


Ito-Yokado food sales area


Ito-Yokado menswear sales area


Ito-Yokado household goods sales area

Moreover, in the fiscal year ending February 28, 2009, we will maintain the pace of store openings at the same level as in the year under review. At the same time, we will work to activate existing stores and to maximize the effects of the integrations with Super Kadoya and FUJIKOSHI. As a result of these initiatives, for the fiscal year ending February 28, 2009, York-Benimaru forecasts revenues from operations of ¥353.5 billion, up 7.1%, and operating income of ¥11.7 billion, an increase of 4.2%.

Furthermore, in the future, we will move forward with reorganization of the Group's food supermarket operations, with York-Benimaru as the core operating company. Each operating company will continue to focus on reflecting regional characteristics and maintaining its independence. We will endeavor to strengthen and integrate operations in a way that fosters the leveraging of synergy effects from organizational integration initiatives. In this way, we will strive to expand a network of more than 300 stores.

CHINA OPERATIONS

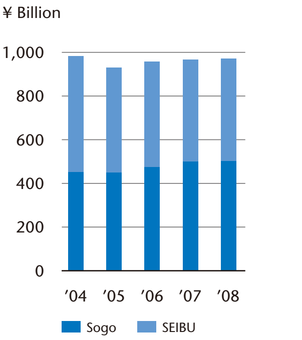
In China, we will follow the dominant strategy in superstore operations in areas where we already have stores, and consider new areas for future store openings. Hua Tang Yokado Commercial and Chengdu Ito-Yokado will continue to open stores in the cities of Beijing and Chengdu, respectively. By December 2010, plans call for Hua Tang Yokado Commercial to have 12 stores, an increase of 5 from December 2007, and for Chengdu Ito-Yokado to have 5 stores, an increase of 2 from December 2007. Moreover, we will continue to promote store operation that is matched to the needs of customers by aggressively hiring local managers and staff, and further strengthen existing operations.

CHINA OPERATIONS
(As of December 31, 2007)

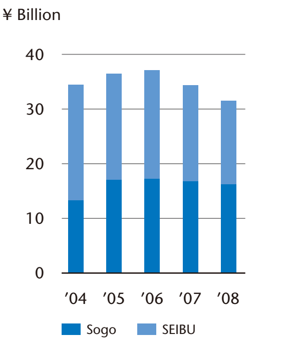
DEPARTMENT STORE OPERATIONS

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥1,025.4 billion +3.7%	**¥25.8 billion –3.8%**	**¥17.5 billion –81.3%**
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

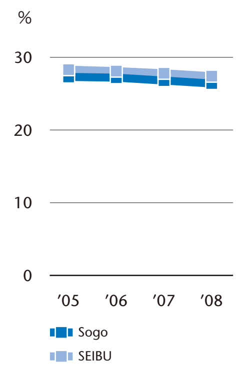
Revenues from Operations



Operating Income



Gross Margin on Store Sales



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the department store segment's revenues from operations before elimination of intersegment transactions were ¥1,025.4 billion, up 3.7%, and operating income before elimination of intersegment transactions was ¥25.8 billion, down 3.8%. Growth in revenues from operations was supported by the reopening of SEIBU Shibuya and SEIBU Tokorozawa after full-scale remodeling, as well as by THE LOFT, which became a subsidiary. However, due in part to expenses from the remodeling of those 2 stores, operating income declined year on year. Capital expenditures were ¥17.5 billion, down 81.3%, and depreciation and amortization, including intangible assets, totaled ¥20.2 billion, up 5.8%.

DEPARTMENT STORE OPERATIONS

After full-scale remodeling, SEIBU reopened SEIBU Shibuya in March 2007 and SEIBU Tokorozawa in September 2007, with each store reflecting the characteristics of its location and customers. At existing Sogo and SEIBU stores, meanwhile, we continued to implement meticulous store operations with consideration for market and competitive characteristics by region and store, centered on merchandising.

As a result, in the fiscal year ended February 29, 2008, Sogo recorded revenues from operations of ¥502.0 billion, an increase of 0.3%, and operating income of ¥16.2 billion, a decline of 3.1%. SEIBU recorded revenues from operations of ¥468.1 billion, an increase of 0.5%, and operating income of ¥15.3 billion, a decrease of 12.4%.

Remodeling of SEIBU Shibuya

As SEIBU Shibuya is located in the Jonan-Yamanote district, one of Japan's most exclusive districts, we have taken steps to develop SEIBU Shibuya especially for this sophisticated market. Specifically, to meet new needs, we opened self-directed sales areas that make original proposals of elegant fashion and a food section that offers high-quality food. Moreover, we also focused on creating distinguishing features specific to SEIBU Shibuya, such as the Luxury Zone, which boasts 54 luxury brands, among the largest in Japan, and the comprehensive Beauty & Care Zone, which offers high-end esthetic services.

Remodeling of SEIBU Tokorozawa

In Saitama prefecture, SEIBU Tokorozawa is located in front of Tokorozawa station in Tokorozawa city, where the population is expected to expand by about 10,000 people a year. Accompanying the construction of high-rise condominiums and other buildings, there has been a marked increase in the numbers of trend-conscious customers in their 30s and 40s. Specific remodeling initiatives included new self-directed sales areas that propose sophisticated fashion offerings, previously only available in central urban areas, to workers and students who commute to central urban areas. We also opened the Beauty & Care Zone, one of the largest in the prefecture. Furthermore, the new food sales area features food that is not only attractively priced but also high-quality, fresh, and in-season. In this way, the recent store remodeling created a neighborhood department store with close ties to the local community.

GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the forecasts for the segment call for revenues from operations of ¥1,048.0 billion, up 2.2%, and operating income of ¥26.0 billion, a gain of 0.9%. The forecasts for the segment call for capital expenditures of ¥17.0 billion, down 2.9%, and depreciation and amortization, including intangible assets, of ¥21.0 billion, up 4.2%.

DEPARTMENT STORE OPERATIONS

In March 2008, Sogo Hachioji was reopened, after a full-scale remodeling, as a high-end, urban department store. Moreover, we have started remodeling SEIBU Ikebukuro, SEIBU's flagship store, in stages. This remodeling will be carried out over a period of three years. In other existing Sogo and SEIBU stores, we will implement store-centered initiatives, such as bolstering sales and special events, with an emphasis on merchandising.

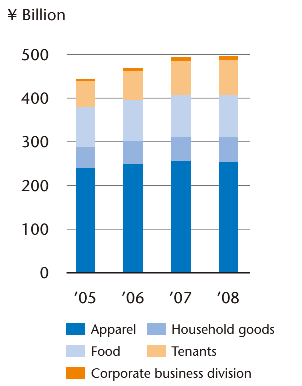
Consequently, for the fiscal year ending February 28, 2009, Sogo forecasts revenues from operations of ¥509.5 billion, up 1.5%, and operating income of ¥16.3 billion, an increase of 0.4%. For the same period, SEIBU forecasts revenues from operations of ¥475.2 billion, up 1.5%, and operating income of ¥15.5 billion, an increase of 1.4%.

Remodeling of Sogo Hachioji

Sogo Hachioji is located adjacent to Hachioji station in the Tama district, which is a bedroom community in the Tokyo metropolitan area. With the objective of responding to the changing market and to feedback from customers, Sogo Hachioji was reopened in March 2008 after a full-scale remodeling. The remodeling entailed bolstering products and services that meet the needs of members of the baby boom and baby boom junior generations, which are important customer groups. In particular, in women's fashion, we expanded from four floors to five, centered on sales areas for career women, and substantially increased the number of brands. In addition, our sales areas for tall and plus sizes now offer one of the largest numbers of brands in the Tama district.

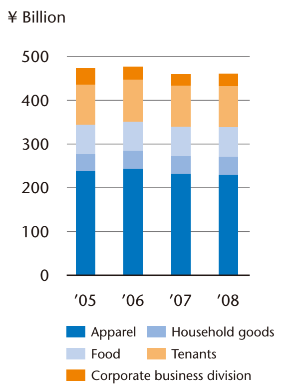
Sogo

Sales by Product Category



SEIBU

Sales by Product Category



Remodeling of SEIBU Ikebukuro—Making the Store a Compilation of Remodeling Success

SEIBU Ikebukuro is located adjacent to Ikebukuro station, one of the largest terminal stations in Japan, and we are working to leverage the strengths of SEIBU Ikebukuro as a terminal-station department store and establish its position as one of Japan's largest department stores. Accordingly, we have begun to implement a full-scale remodeling plan. The plan not only calls for the creation of clearly targeted sales areas, but also includes steps to enhance the traffic patterns. First, the women's accessories and women's fashion sales areas, which will provide a high return on remodeling effort, will be reopened in fall 2008, followed by the grand opening in 2010. In this remodeling, SEIBU expects to invest approximately ¥30.0 billion over the three-year period ending February 2011. Moreover, in consideration of the benefits of remodeling, we are targeting sales of ¥200.0 billion for the fiscal year ending February 28, 2011, compared with sales of ¥174.8 billion in the fiscal year ended February 29, 2008.

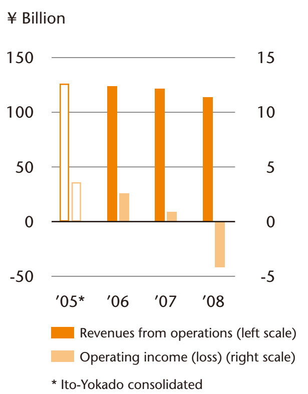
SEIBU Ikebukuro—Remodeling Schedule

	April 2008	February 2009	February 2010	February 2011
Phase I	**Expansion of Fashion Zone** Floors 1 and 2 • Women's accessories: Enhanced customer traffic patterns • Women's shoes: Lineup of 100,000 items, among the largest in Japan • Cosmetics: Introduction of skin care—premium lines		**Fall 2010 Grand Opening**	
Phase II	Floors 3 to 6 • Women's apparel: Correct merchandising balance from viewpoints of grade and taste • Introduction of self-directed sales areas			
Phase III		**Expansion of Food Zone Floor Space** • Expansion of B1 floor space (Consolidate current two floors into one floor) • Follow up remodeling of sporting goods and children's goods sales areas with remodeling of men's and interior goods sales areas		
Phase IV			**Remodeling of Restaurant Zone**	

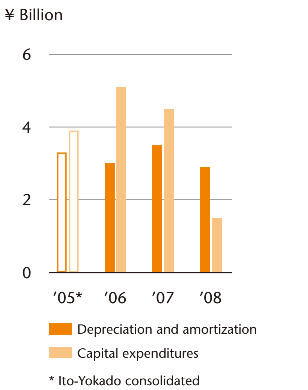
FOOD SERVICES

REVENUES FROM OPERATIONS	OPERATING LOSS	CAPITAL EXPENDITURES
¥114.0 billion –6.3%	–¥4.2 billion	¥1.5 billion –65.5%
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

Revenues from Operations / Operating Income (Loss) from Food Services



Depreciation and Amortization / Capital Expenditures in Food Services



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the food services segment's revenues from operations before elimination of intersegment transactions were ¥114.0 billion, down 6.3% year on year, and the segment's operating loss before elimination of intersegment transactions was ¥4.2 billion. This performance was attributable to the challenging conditions in the food services industry and unseasonable summer weather, which adversely affected revenues in the Seven & i Food Systems' restaurant division, as well as to the failure to reap the full benefits of various operational initiatives. Capital expenditures totaled ¥1.5 billion, down 65.5%, and depreciation and amortization, including intangible assets, was down 15.9%, to ¥2.9 billion.

FOOD SERVICES

Seven & i Food Systems registered revenues from operations of ¥55.0 billion and an operating loss of ¥2.9 billion. In September 2007, Denny's Japan, Famil, and York Bussan were merged into Seven & i Food Systems, which was established in January 2007. As a result, in the fiscal year ended February 29, 2008, the results of the former three companies are included only for the six-month period following the merger.

The merger of the three companies into Seven & i Food Systems has resulted in the reorganization of existing businesses into three new business divisions: restaurants, meal provision services (provision of meals to company cafeterias, hospitals, schools, etc.), and fast food. This reorganization has established a foundation on which we can carry out initiatives to improve the profitability of food services.

At the end of February 2008, the number of stores in food services was down by 2 year on year, to 1,047. Store development initiatives in the restaurant division resulted in the opening of 21 new stores, while our strategy of closing unprofitable stores was the primary reason for 39 store closures. As a result, the number of stores in the restaurant division fell 18, to 677.

In operations, amid the difficult operating conditions in the food services industry, we focused our efforts on reinvigorating existing stores through improved customer services and revised menu items. We also developed new restaurant formats to meet diversified customer needs. However, adverse factors included the unseasonal summer weather and a changing operating environment, such as a growing trend among consumers to refrain from dining out in response to the rising price of gasoline. In addition, we could not respond adequately to diversifying customer needs. As a result, performance remained sluggish.

GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the forecasts for the segment call for revenues from operations of ¥110.0 billion, down 3.5%, and an operating loss of ¥1.5 billion. Our goal is a rapid return to the black, and in addition to far-reaching cost cutting initiatives and the closure of unprofitable stores, we are pushing forward with business restructuring, including measures to revise menu items and to strengthen ties with local

Store-Closing Plans

	FY2008 (Results)	FY2009 (Plans)	FY2010 to FY2011 (Plans)	4-Year (Total)
Restaurants	39 stores	65 stores	70 stores	**174 stores**
Meal Provision Services	6 stores	1 store	—	**7 stores**
Fast Food	2 stores	4 stores	—	**6 stores**
Total	**47 stores**	**70 stores**	**70 stores**	**187 stores**


Fast food "Poppo"


Company cafeteria

communities. Capital expenditures are forecast at ¥1.7 billion, up 10.0%, and depreciation and amortization, including intangible assets, at ¥2.1 billion, down 27.7%.

FOOD SERVICES

Seven & i Food Systems will strengthen its foundation to achieve a rapid return to the black by leveraging synergies from the integration and by cutting costs. We are reviewing our cost structure and working to cut costs, including labor costs and store-related expenses, and taking steps to improve distribution efficiency and expand joint procurement.

Moreover, we are pressing ahead with business reorganization to achieve a rapid return to profitability in the restaurant division, including the closing of unprofitable stores. Seven & i Food Systems plans to close 140 unprofitable stores in the three-year period from February 2009 to February 2011. On the other hand, we will develop new formats to invigorate operations at existing locations. Furthermore, in sales, we will focus on safe ingredients, develop menu items that use seasonal ingredients, and propose menus that enable customers to enjoy combinations of reasonably priced items.

Leveraging Integration Synergies—Pursuing Economies of Scale

Since the merger of the three former companies into Seven & i Food Systems in September 2007, we are striving to maximize integration synergies through the pursuit of economies of scale.

In the restaurant division, Denny's and Famil have been conducting joint procurement of ingredients and developing shared menu items that use the same ingredients. Denny's restaurants are predominately located in cities and beside major roads, while Famil restaurants are found within Ito-Yokado stores. As a result, they have different customer bases and customers visit stores for different purposes. Accordingly, Denny's and Famil remain committed to creating menu items that are finely tuned to the particular needs of their customers, such as the types of side dishes and the size of the meals, while using common ingredients.

In the future, each of the restaurant, meal provision, and fast food divisions will participate not only in joint procurement and joint menu item initiatives, but also in efforts to raise distribution efficiency through joint deliveries.


Denny's


FAMIL

Jambalaya


Denny's

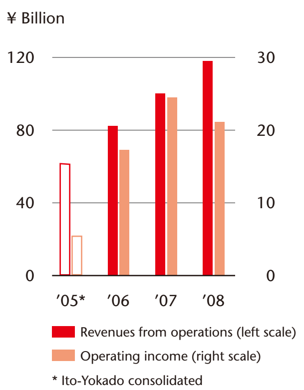

FAMIL

Steak

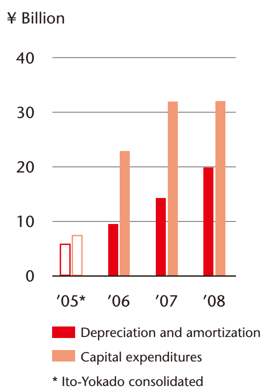
FINANCIAL SERVICES

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥118.0 billion +17.6%	¥21.1 billion –14.2%	¥32.0 billion +0.4%
Before elimination of intersegment transactions	Before elimination of intersegment transactions	

Revenues from Operations / Operating Income from Financial Services



Depreciation and Amortization / Capital Expenditures in Financial Services



OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 29, 2008, the financial services segment's revenues from operations before elimination of intersegment transactions were ¥118.0 billion, up 17.6%, and operating income before elimination of intersegment transactions was ¥21.1 billion, down 14.2%. The rise in revenues from operations was primarily attributable to a strong performance by Seven Bank. However, due to expenses related to upfront investment accompanying the issuance of *nanaco* by IY Card Service, and increased depreciation and amortization expense following the installation of next-generation ATMs by Seven Bank, operating income declined year on year, while still clearing the initial target. Capital expenditures totaled ¥32.0 billion, up 0.4%, and depreciation and amortization, including intangible assets, was ¥19.8 billion, up 39.5%.

In January 2008, we established the SEVEN & i FINANCIAL GROUP to strengthen our financial services operations. In March 2008, we consolidated our non-banking financial services into this company through a corporate demerger. In addition to its continuing role of complementing our retail operations, this system enables us to provide customers with convenient financial services via enhanced original services.

ATM OPERATIONS

Seven Bank is expanding its network of ATMs not only at Group stores, but also at stores outside the Group, such as Nomura Securities Co., Ltd., branches throughout Japan as well as airports and hotels. In addition, we took steps to increase ATM added value by developing new services. These include a service launched in July 2007 that enables holders of cash cards and credit cards issued overseas to withdraw Japanese yen and check their account balances from our ATMs in Japan. At the end of March 2008, Seven Bank had 13,032 installed ATMs, an increase of 944 from a year earlier, and had tie-ups with 554 financial institutions. The average daily transaction volume per ATM during the fiscal year was 109.0 transactions, a year-on-year increase of 11.2. As a result, in the fiscal year ended March 31, 2008, Seven Bank had ordinary income of ¥83.7 billion, up 10.9%, and ordinary profit of ¥24.7 billion, a decrease of 1.4%.

On February 29, 2008, Seven Bank was listed on the Jasdaq Securities Exchange.

CREDIT CARD OPERATIONS

In the year under review, IY Card Service focused on issuing and promoting the use of the *IY Card* credit card and the Group's original *nanaco* electronic money. As a result, as of the end of February 2008, it had issued 2.95 million *IY Cards*, an increase of 150,000 cards from a year earlier, and 5.51 million *nanaco* cards. For *nanaco*, an operating loss of approximately ¥4.0 billion was recorded due to upfront expenses in the first year of *nanaco* operations. In credit card operations, however, profitability improved due to a higher rate of credit card usage, and the operation itself recorded an operating profit for the second consecutive fiscal year.

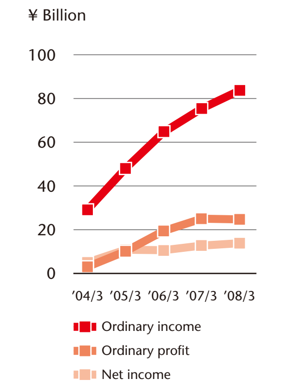
Bolstering *nanaco* Functions Targeting the Provision of Enhanced Convenience

The starting point for the development of *nanaco* within the Group was May 2007, when it was introduced at all SEJ stores. The network of participating Group stores was steadily expanded to include all Denny's restaurants in March 2008 and all Ito-Yokado stores in May 2008. Over the same period, the network of *nanaco* participating stores was also extended to include stores outside the Group from October 2007. As a result, as of the end of May 2008, the number of stores where *nanaco* could be used had increased to approximately 20,000, of which approximately 13,000 were Group stores and approximately 7,000 were stores outside the Group.

We have also launched new services. From May 2008, customers can convert *IY Card* points, which are added by using *IY Card*, into *nanaco* points, and in June 2008, *IY Card* can be used to add credit to *nanaco*. In the future, we will continue to meet customer payment needs by further increasing convenience.

Seven Bank

Operating Results



GROWTH STRATEGIES

For the fiscal year ending February 28, 2009, the segment is forecasting revenues from operations of ¥128.0 billion, up 8.5%, and operating income of ¥22.0 billion, an increase of 4.4%. The negative effect on profits of a substantial increase in depreciation and amortization expense that will accompany the introduction of next-generation ATMs is expected to offset the positive contribution to earnings that will be made by Seven Bank through an increased volume of ATM transactions. The forecasts for the segment call for capital expenditures of ¥24.9 billion, down 22.2%, and depreciation and amortization, including intangible assets, of ¥23.6 billion, up 19.4%.

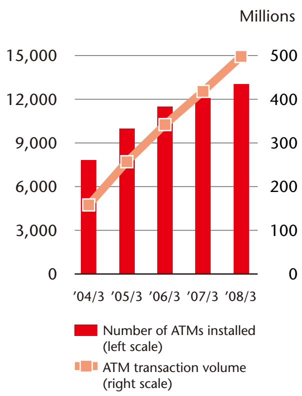
ATM OPERATIONS

Seven Bank has successfully achieved a high rate of ATM installation at Group stores and is now concentrating its efforts on expanding its ATM network at stores outside the Group. In addition, it will steadily raise the average number of ATM transactions by taking steps to further increase customer satisfaction, such as enhancing ATM functionality, and to heighten convenience, such as installing multiple ATMs at SEJ stores with high levels of ATM transactions. As a result, in the fiscal year ending March 31, 2009, Seven Bank forecasts ordinary income of ¥89.2 billion, up 6.6%, and ordinary profit of ¥25.3 billion, an increase of 2.6%. The number of installed ATMs is forecast to reach approximately 14,000, with an average daily transaction volume per ATM of approximately 112.0 transactions.

CREDIT CARD OPERATIONS

Previously, the *IY Card* could be used as a credit card anywhere and also as a point card at Ito-Yokado stores. Now, IY Card Service has added the *QUICPay* postpay electronic money to increase *IY Card* credit card usage at SEJ stores, and is broadening its operational scope to encompass other Group companies. In addition, IY Card Service is working to increase the use of *nanaco* among companies inside and outside the Group.

Number of ATMs Installed / ATM Transaction Volume



Growth in Network of ATMs Inside and Outside the Group


ATM at SEJ store


ATMs at Narita Airport


ATMs at Nomura Securities

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Basic Policy for CSR Activities

The retail businesses managed by all Group 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.

At the same time, we believe that ongoing examination of the relationships among society, individuals, and businesses from the CSR perspective, combined with continued innovation, are indispensable prerequisites for sound, sustainable corporate growth.

Emphasis on Stakeholder Engagement

All Group companies are striving to engage in dialogue with the stakeholders who are supporting our business, including shareholders, customers, business partners, local communities, and employees, 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.

Advance Groupwide CSR Activities

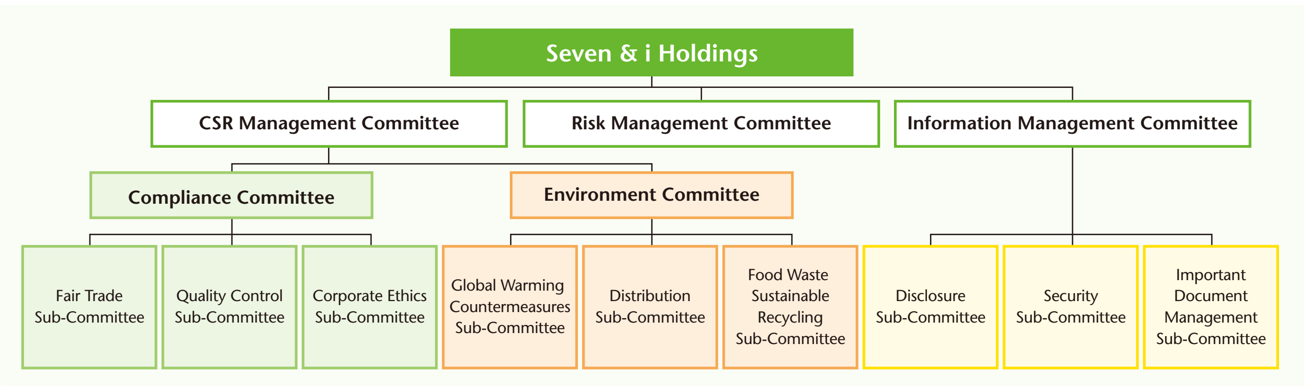
To realize stakeholder engagement, the Company formed the CSR Promotion Committee and 5 specialized sub-committees following the Company's establishment. However, to facilitate the thorough strengthening of CSR activities even more rapidly, at the beginning of the fiscal year ending February 28, 2009, the Group moved to a three committee system comprising the CSR Management Committee, the Risk Management Committee, and the Information Management Committee, with officers from Group companies participating in the committees.

Under the auspices of the CSR Management Committee, we established the Compliance Committee, which consists of the Fair Trade, Quality Control, and Corporate Ethics sub-committees, as well as the Environment Committee, which consists of the Global Warming Countermeasures, Distribution, and Food Waste Sustainable Recycling sub-committees.

Customers

In recent years, there have been a number of reports of incidents that have shaken consumer trust, including the use of out-of-date ingredients, tampering with sell-by dates, and falsifying locations of origin. As a result, consumer concerns about safety and security have reached extremely high levels. To respond to this situation, the Company has not only adhered to the laws relating to its products but also has established independent quality control standards far more rigorous than any legal requirements. In addition, it is working to provide customers with safe and secure products by strengthening quality assurance measures at the point-of-delivery and by carrying out thorough sales floor inspections.

CSR System



Business Partners

For a company to record ongoing growth and development, we believe that it must prosper together with its business partners. With this in mind, we take steps to ascertain that no illegal or antisocial activities are taking place—such as unwarranted returns of goods, improper discounting, or unfair requests for employee seconding. In addition, we have established specialized organizations to actively promote fair trade. Employee training is also conducted periodically.

Economic globalization has advanced, and outsourcing and production have expanded to countries around the world. In this setting, companies have a responsibility to meet their CSR obligations—such as strict observance of laws and regulations, environmental conservation, and normalization of working conditions—not only for their own operating activities but also for the entire supply chain for their products and services. Accordingly, the Fair Trade, Quality Control, and Corporate Ethics sub-committees are addressing individual CSR issues. In December 2007, to enhance CSR throughout the supply chain, we formulated the Seven & i Holdings Business Partner Action Guidelines, which are now in effect.

We fully explain these guidelines to business partners to help them understand our CSR philosophy. We have also set up a helpline exclusively for our business partners so that they can have their questions answered and opinions heard. The helpline is managed by a third-party organization to ensure responses are fair and independent.

Seven & i Holdings received the grand prize at the Japan Internal Control Awards 2008—the Integrity Award

Seven & i Holdings Environmental Declaration

We believe the most pressing problem facing all people around the world is how to preserve the environment and pass on an abundant and beautiful natural world to the next generation. Our mission is to contribute to the solution of this problem. To achieve harmony between the environment and our business activities, we will work together with our customers, local communities, and business partners throughout the entire supply chain, from product development and manufacturing to distribution and sales. We will strive to be a leader in the global retail industry not only in product safety and security but also in measures to alleviate environmental problems, and pursue initiatives on a Groupwide basis.

We consider the prevention of global warming to be the largest and most serious challenge facing the world. We are aggressively pushing forward measures to contribute to the achievement of low-carbon societies by reducing emissions of carbon dioxide, the primary cause of global warming.

We endeavor to provide environmental education for all employees in the Group, to ensure that each employee is aware of the Company's social responsibilities as a good corporate citizen, and to exist in harmony with the environment and our local communities.

From the viewpoint of sincerity and transparency, we disclose all information relating to these initiatives accurately, reliably, and promptly.

Framework of the Fundamental Polices Relating to Measures to Contribute to the Prevention of Global Warming

I. Establishing and verifying the volume of CO_2 emissions

II. Reducing CO_2 emissions

- Reducing CO_2 emissions from product development and manufacturing activities
- Reducing CO_2 emissions by increasing distribution efficiency
- Reducing CO_2 emissions from sales and marketing activities
- Reducing CO_2 emissions from employees

Symbol Mark for Ecological Activities

This mark shows how Seven & i Holdings, together with "customers," "business partners," "shareholders," "local communities," "employees," "government organizations, NGOs, and NPOs related to the environment," and "international society," is working on global environmental conservation activities.

In June 2008, through the U.N.'s ITTO (International Tropical Timber Organization), we decided to contribute to a tropical forest conservation program that is linked to reduced CO_2 emissions.

From June 19 to 21, 2008, we had an exhibit at the 2008 Exhibition on the Environment in Hokkaido.

Local Communities

The Company is developing a range of initiatives for local communities, such as conducting Safety Station activities to help create safe and secure communities, and campaigns to prevent smoking and alcohol consumption by minors. In particular, our efforts to create safe communities and provide disaster relief for local communities have been highly evaluated. In addition, Seven-Eleven Japan (SEJ) has been contributing to the revitalization of regional areas since 2007 by concluding Local Revitalization Comprehensive Partnership Agreements with each prefectural government in Japan. Through the agreements, the Company is strengthening bonds of mutual cooperation with local communities in a range of areas, including such initiatives as local production for local consumption and the promotion of healthy living. It has also been increasing joint initiatives between SEJ and Ito-Yokado stores in the same prefectures to bolster Groupwide efforts for local community revitalization.

Employees

The Company aims to provide all employees with satisfying jobs and pleasant working environments. In particular, with Japan's declining birth rate and aging population, we place great importance in creating a workplace that can be shared by everyone, without regard to age, gender, or nationality. We respect the individuality and values of all of our employees and strive to maintain an environment where they can achieve their full potential.

The Environment

In June 2008, the Company announced the Seven & i Holdings Environmental Declaration and Seven & i Holdings Fundamental Polices Relating to Measures to Contribute to the Prevention of Global Warming. Also, in July 2008, we had an exhibit at The 2008 Exhibition on the Environment, which was held in advance of the G8 Hokkaido Toyako Summit. Group companies such as SEJ and Ito-Yokado were showcasing their green initiatives to heighten understanding of the Group's commitment to the environment.

External Evaluation

Seven & i Holdings has been included in the FTSE4Good Global Index since 2006, and in 2008 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 2007. This report is available, in English and Japanese, on our web site at: http://www.7andi.com/en/csr/csrreport_2007.html

CORPORATE GOVERNANCE

Fundamental Approach

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 implements initiatives in 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 objective of those initiatives is long-term growth in enterprise value.

In taking steps to achieve this objective, the Company seeks to leverage Group synergies and implements 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.

Corporate Governance System

The Company uses the corporate auditor system. The Company's Board of Directors comprises 13 members, of whom three are 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.

Auditing System

The Company monitors management through the corporate auditor system. The Board of Corporate Auditors comprises 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. Information is also actively exchanged with the independent auditors, and a close relationship with the independent auditors is maintained.

Furthermore, with consideration for rational, effective corporate governance, the Company has established the Auditing Office, which has general responsibility for verifying the internal auditing of each of the core operating companies. The Auditing Office also has internal auditing responsibility for the Company itself. In addition, an independent auditing office has been established in each core operating company.

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.

Support System for Outside Directors

The Company assigns employees to assist the outside directors and outside corporate auditors and facilitates smooth information exchange and close interaction with the inside directors and standing corporate auditors. To ensure that the responsibilities of the three outside directors and three outside corporate auditors are clear, we have concluded contracts limiting their responsibility.

Committees to Strengthen the Company's Systems

To strengthen corporate governance and maximize Group enterprise value, the Company has established the CSR Committee, Risk Management Committee, Information Management Committee, and Group Synergy Committee. The CSR Committee has two sub-committees, the Compliance Committee and the Environment Committee.

Internal Control Systems

At a meeting of the Board of Directors held on May 2, 2006, the Board of Directors approved a resolution regarding the "systems for ensuring that the duties of the directors comply with all laws and articles of incorporation and systems required by Ministry of Justice Ordinance for ensuring the compliance of other work performed by a corporation," as stipulated by the Corporate Law of Japan. With consideration for the establishment, maintenance, and operation of those systems, at a meeting held on March 4, 2008, the Board of Directors approved the following revisions.

(1) Systems for ensuring that the work of directors and employees is compliant with laws, regulations, and the *Articles of Incorporation*

1. All Group companies shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*. In order to continue 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. On that basis, the Company shall establish, maintain, and utilize systems, centered on the Compliance Committee; operate

help lines; promote fair trade; and reevaluate the *Corporate Action Guidelines* and the guidelines of each company. In these ways, compliance shall be further enhanced.
2. All Group companies will announce their commitment to not having any contact with antisocial groups and will clearly refuse unreasonable requests. Through cooperation with outside specialists, such as the police and lawyers, we will rapidly implement legal countermeasures, both civil and criminal.
3. The Auditing Office, which is independent from executive departments, will audit and confirm the maintenance and operational status of the compliance systems of all Group companies.
4. Corporate auditors will ensure that the work of directors is compliant with laws, regulations, and the *Articles of Incorporation* and work to raise the effectiveness of the supervisory function.

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

1. In accordance with laws, regulations, and *Information Control Regulations*, all Group companies shall properly produce, store, and manage documents for which production and storage are legally required, such as the minutes of shareholders' meetings, the minutes of Board of Directors meetings (including digital records, same hereafter), circular decision-making documents, and other documents and information necessary to secure appropriate operational execution.
2. Departments in charge of disclosure will rapidly and comprehensively collect important information related to all Group companies and conduct accurate, timely disclosure.
3. To ensure appropriate production, storage, management, and timely, accurate disclosure of important administrative documents, and to conduct integrated information management, with consideration for the safe management of such important information as trade secrets and personal information, all Group companies shall establish, maintain, and operate information management systems, centered on the Information Management Committee; inspect the status of the maintenance and utilization of information management systems; and continue initiatives targeting further improvements. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the corporate auditors.

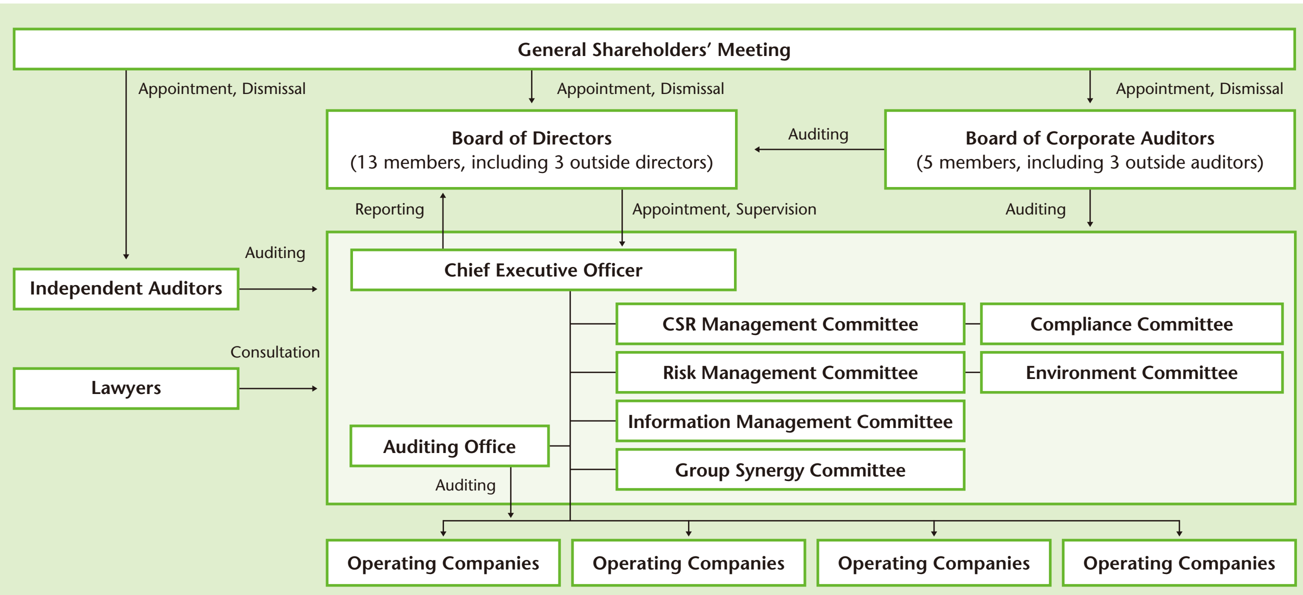
(3) Regulations and systems for loss risk management

1. In accordance with risk management regulations, all Group companies shall establish, maintain, and utilize comprehensive risk management systems, centered on the Risk Management Committee, in order to accurately analyze, evaluate, and investigate risks associated with each business activity, with consideration for changes in the management environment and risk factors.
2. In regard to risk management, a system for reporting to the Board of Directors and corporate auditors shall be established, maintained, and utilized. The Board of Directors, directors, and executive officers shall conduct sufficient examination, analysis, and investigation of risks associated with operational execution, and improvement measures shall be implemented rapidly.
3. To minimize damages to the all Group companies when risk events occur, the Crisis Management Headquarters shall be established, and measures to facilitate the immediate continuation of operations shall be implemented.

(4) Systems for ensuring the efficiency of duties executed by directors

1. The details of the decision-making authority of the directors and executive officers and the divisions with responsibility for each administrative area shall be clearly and appropriately

Corporate Governance System



(As of May 22, 2008)

defined in the regulations of decision-making authority, etc. In this way, all Group companies shall avoid administrative duplication and conduct flexible decision-making and administrative execution.
2. To secure the sustained growth of the Company, the Board of Directors shall make decisions on such matters as important management objectives and budget allocations for all Group companies. Through such means as periodic reports from directors and executive officers, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations conducted.
3. The Board of Directors, as a general rule, shall meet once each month. In addition, when necessary, extraordinary meetings of the Board of Directors shall be held or resolutions of the Board of Directors shall be executed through documents. Rapid decision-making will be implemented and efficient administrative execution will be promoted.

(5) Systems for ensuring the appropriateness of financial reporting

1. Centered on the Internal Control Project, which is related to financial reporting, the management system needed to secure appropriateness of financial reporting for all Group companies shall be established, maintained, and operated.
2. In regard to issues that are judged to have a high possibility of having a major influence on financial conditions, appropriate information shall be shared among the directors, corporate auditors, and independent auditors.

(6) Systems for ensuring the appropriateness of the work performed by the Company and subsidiaries

1. In regard to each of the items (1) to (5) above, the Company shall establish, maintain, and operate management systems for the Group as a whole; notify all Group 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.
2. All Group companies shall maintain contact with each business segment and will share information with the Company's departments.
3. The Auditing Office will audit all Group companies.

(7) Matters related to the provision of support staff for corporate auditors

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

(8) Matters related to the independence from directors of the support staff for corporate auditors

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.

(9) Systems for reporting by directors or employees to corporate auditors and other systems for reporting to corporate auditors

Situations that have the possibility of causing significant damage to the Company as well as of malfeasance or violations of laws, regulations, or the *Articles of Incorporation* on the part of directors or employees shall be promptly reported to the corporate auditors. No director or employee providing such reports shall suffer any adverse consequences.

In addition, the Compliance 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 public-interest reporting mechanisms.

(10) Other systems for ensuring that the corporate auditors can conduct their activities effectively

1. The corporate auditors shall meet regularly with the President and Representative Director and exchange opinions concerning important audit matters.
2. The corporate auditors shall maintain close contact with the Auditing Office, and may request examinations by the Auditing Office when necessary.
3. The corporate auditors shall meet regularly with the corporate auditors of all Group companies, additionally as needed, and conduct appropriate audits of all Group companies.
4. The corporate auditors may consult with the independent auditors of the Company's accounts and with lawyers as needed, and the Company shall bear all of the costs of such consultation.

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 believe that appropriate measures are needed for dealing with large-scale acquisitions of the Company's stock that could damage the enterprise value of all Group companies. We will carefully consider our basic policy on this issue with consideration for developments in legal systems, court decisions, and social trends.

BOARD OF DIRECTORS AND AUDITORS

(As of May 22, 2008)

Chairman
Toshifumi Suzuki

President
Noritoshi Murata

Directors
Tadahiko Ujiie
Katsuhiro Goto
Atsushi Kamei
Toshiro Yamaguchi
Akihiko Hanawa
Takashi Anzai
Zenko Ohtaka
Kazuyoshi Sano
Noritaka Shimizu*
Scott Trevor Davis*
Ikujiro Nonaka*

Standing Corporate Auditors
Ikuo Kanda
Hisashi Seki

Corporate Auditors
Yoko Suzuki**
Hiroshi Nakachi**
Megumi Suto**

* Outside Directors
** Outside Corporate Auditors

EXECUTIVE OFFICERS

(As of June 1, 2008)

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

Managing Executive Officer
Minoru Inaoka

Executive Officers
Yoshiaki Ota
Masao Eguchi
Yoshihiro Tanaka
Tomio Nishikawa
Katsuhisa Konuki
Yasuo Takaha
Kazuo Otsuka
Takafumi Kanemitsu
Kunio Takahashi
Akihiko Shimizu
Masayuki Sato
Akira Miyakawa
Tsuyoshi Kobayashi
Kazuyo Sohda
Noriyuki Habano

FINANCIAL SECTION

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CONSOLIDATED FINANCIAL SUMMARY

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2008 and February 28, 2007 and 2006.
Figures for Ito-Yokado Co., Ltd. and its consolidated subsidiaries for the fiscal year ended February 28, 2005 are presented for the convenience of the reader.

	Millions of yen			Thousands of U.S. dollars (Note A)	Millions of yen
	Seven & i Holdings				Ito-Yokado
	2008	2007	2006 (Note B)	**2008**	2005
For the fiscal year:					
Revenues from operations	**¥5,752,393**	¥5,337,807	¥3,895,772	**$54,784,695**	¥3,623,555
Operating income	**281,088**	286,838	244,940	**2,677,029**	211,951
Income before income taxes and minority interests	**227,442**	243,060	178,518	**2,166,114**	150,833
Net income	**130,658**	133,419	87,931	**1,244,362**	17,205
Net income ratio (Note C)	**2.3%**	2.5%	2.3%	**2.3%**	0.5%
Capital expenditures (Note D)	**217,738**	278,389	185,354	**2,073,695**	168,725
Depreciation and amortization (Note E)	**143,643**	132,693	97,811	**1,368,029**	95,161
ROE	**6.7%**	7.6%	5.5%	**6.7%**	1.5%
ROA	**3.4%**	3.7%	2.6%	**3.4%**	0.7%
At fiscal year-end:					
Total assets	**¥3,886,680**	¥3,809,192	¥3,424,879	**$37,016,000**	¥2,574,817
Cash and cash equivalents	**667,770**	570,134	610,877	**6,359,714**	683,100
Total current assets	**1,354,417**	1,274,377	1,102,819	**12,899,210**	1,058,624
Total current liabilities	**1,177,494**	1,097,657	982,859	**11,214,229**	672,703
Long-term debt	**482,177**	565,672	547,437	**4,592,162**	249,135
Total net assets	**2,058,039**	1,969,149	1,717,881	**19,600,371**	1,144,505
Business segments:					
Convenience store operations:					
Revenues from operations	**¥2,395,702**	¥2,249,649	¥2,015,236	**$22,816,210**	¥1,806,169
Operating income	**201,032**	206,090	209,815	**1,914,590**	195,385
Superstore operations:					
Revenues from operations	**2,109,050**	1,882,935	1,687,735	**20,086,190**	1,642,265
Operating income	**34,059**	29,170	15,382	**324,371**	7,815
Department store operations:					
Revenues from operations	**1,025,355**	988,358	—	**9,765,286**	—
Operating income	**25,765**	26,773	—	**245,381**	—
Food services:					
Revenues from operations	**113,980**	121,684	124,025	**1,085,524**	126,181
Operating income (loss)	**(4,231)**	932	2,625	**(40,295)**	3,621
Financial services:					
Revenues from operations	**117,956**	100,295	82,289	**1,123,390**	61,236
Operating income	**21,072**	24,548	17,278	**200,686**	5,402
Others:					
Revenues from operations	**36,653**	32,341	19,781	**349,076**	17,196
Operating income	**2,489**	1,622	808	**23,705**	211

	Yen			U.S. dollars (Note A)	Yen
Net income per share:					
Basic	**¥137.03**	¥142.90	¥100.83	**$1.31**	¥40.73
Diluted	**—**	—	—	**—**	40.51

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105=US$1, the approximate rate of exchange on February 29, 2008.
(B) The results of Millennium Retailing and its subsidiaries and affiliates in the fiscal year ended February 2006 are consolidated only in the balance sheets.
(C) Revenues from operations are used as the denominator for net income ratio.
(D) Capital expenditures include property and equipment, intangible assets and long-term leasehold deposits.
(E) 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 fiscal years ended February 29, 2008 and February 28, 2007 and 2006.
Figures for Ito-Yokado Co., Ltd. and its consolidated subsidiaries for the fiscal year ended February 28, 2005 are presented for the convenience of the reader.

	Millions of yen			Thousands of U.S. dollars (Note)	Millions of yen
	Seven & i Holdings				Ito-Yokado
	2008	2007	2006	**2008**	2005
Revenues from operations:					
Convenience store operations:					
Merchandise	**¥1,239,097**	¥1,182,717	¥1,069,684	**$11,800,924**	¥ 986,435
Gasoline	**763,769**	689,568	575,726	**7,273,990**	462,538
Franchise commission from franchised stores	**369,467**	359,770	356,907	**3,518,733**	343,617
Other	**23,369**	17,594	12,919	**222,563**	13,579
Total	**2,395,702**	2,249,649	2,015,236	**22,816,210**	1,806,169
Superstore operations	**2,109,050**	1,882,935	1,687,735	**20,086,190**	1,642,265
Department store operations	**1,025,355**	988,358	—	**9,765,286**	—
Food services	**113,980**	121,684	124,025	**1,085,524**	126,181
Financial services	**117,956**	100,295	82,289	**1,123,390**	61,236
Others	**36,653**	32,341	19,781	**349,076**	17,196
Eliminations	**(46,303)**	(37,455)	(33,294)	**(440,981)**	(29,492)
Consolidated total	**¥5,752,393**	¥5,337,807	¥3,895,772	**$54,784,695**	¥3,623,555

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105=US$1, the approximate rate of exchange on February 29, 2008.

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 29, 2008, Seven & i Holdings recorded revenues from operations of ¥5,752.4 billion, an increase of ¥414.6 billion year on year, and operating income of ¥281.1 billion, down ¥5.8 billion. York-Benimaru, which was made a subsidiary in September 2006, and FUJIKOSHI, which was made a subsidiary in July 2007, are included in superstore operations. THE LOFT, which was made a subsidiary in March 2007, is included in department store operations. The results of Akachan Honpo, which are included in consolidated results for the year under review, are the eight months from July 2007 to February 2008 due to a change in fiscal year-end from December to February. Also, due to a reorganization of food services accompanying the establishment of Seven & i Food Systems, from the year under review, restaurant operations changed its segment name to food services.

Seven-Eleven Japan (SEJ), the core operating company in domestic convenience store operations, has opened new stores aggressively in urban areas and relocated stores to more favorable locations. The number of SEJ stores at the end of February 2008 was 12,034, a net increase of 299 from a year earlier. In addition, SEJ began sales of new fast food products prepared with in-store fryers, and focused its development efforts on the concepts of local production for local consumption, health enhancement, and food education. Furthermore, the Group's electronic money, *nanaco,* was introduced.

By product category, a 0.2% gain was recorded in sales of fast food items, which include boxed lunches, rice balls and other rice-based products, and noodles, and a 0.8% 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 3.0%.

As a result, total store sales in Japan, which comprise corporate and franchised store sales, rose 1.6%, to ¥2,574.3 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at corporate stores, were up 2.1%, to ¥527.7 billion.

Overseas, 7-Eleven, Inc. (SEI), had 6,088 stores in North America as of the end of December 2007. SEI worked to accelerate store openings, renovate existing stores, and close unprofitable stores. In addition, SEI expanded its fast food lineup and developed regional products. Consequently, sales increased on a U.S. dollar basis. The yen–dollar exchange rate used in the consolidation of SEI's accounts for the fiscal year was ¥117.85, reflecting the depreciation of the yen. SEI's net sales increased 7.8% on a yen basis, to ¥1,822.7 billion.

As a result, in convenience store operations, revenues from operations were ¥2,395.7 billion, up 6.5% year on year, and operating income was ¥201.0 billion, down 2.5% year on year, due to expenses associated with upfront investment such as the introduction of *nanaco* electronic money.

Ito-Yokado, the core operating company in superstore operations, took steps in merchandising to propose new value in line with customer needs and to sell *Seven Premium*, the Group's new private brand products. In addition, Ito-Yokado worked to diversify its sales channels, expand sales opportunities, and uncover latent demand by expanding the number of stores offering Internet supermarket services, through which customers can place orders over the Internet and have the products delivered to their homes. Although we have implemented these initiatives, Ito-Yokado's net sales were down 1.6%, to ¥1,464.1 billion.

By product category, apparel sales in the year under review were down 4.3%, to ¥278.2 billion; sales of household goods were down 3.9%, to ¥253.6 billion; and sales of food declined 0.3%, to ¥670.5 billion.

In store openings, Ito-Yokado opened 3 stores, including Ario Nishiarai, the sixth Ario mall-type shopping center, and closed 1 store, for a total of 176 stores at the end of the fiscal year.

Due in part to the consolidation of York-Benimaru, Akachan Honpo, and FUJIKOSHI, in superstore operations, revenues from operations were ¥2,109.1 billion, up 12.0% year on year, and operating income was ¥34.1 billion, up 16.8% year on year.

In department store operations, we made steady progress with remodeling initiatives. After full-scale remodeling, SEIBU reopened the SEIBU Shibuya in March 2007 and the SEIBU Tokorozawa in September 2007. Both of these stores are taking steps to meet emerging needs in accordance with the characteristics of the stores themselves and their service areas, such as utilizing self-directed sales areas that make original fashion proposals. Also, in existing stores, we implemented meticulous store operations with consideration for market and competitive characteristics by region and store, centered on merchandising activities. Due in part to the effects of store remodeling initiatives and the consolidation of THE LOFT, in department store operations, revenues from operations were ¥1,025.4 billion, up 3.7% year on year, while operating income was ¥25.8 billion, down 3.8% year on year.

In restaurant division, the core division in food services, our efforts to build attractive restaurants were guided by the key words "impressive food and atmosphere," "impressive service," and "impressive manners and passion." We focused on employee training and took steps to activate existing stores and meet diversifying customer needs. To those ends, we used safe ingredients that are reassuring for customers, developed menu items based on fresh ingredients, proposed menu items that customers enjoy and that are reasonably priced, and developed new format stores. Nonetheless, the results were not satisfactory. Revenues from operations in food services were down 6.3%, to ¥114.0 billion, and operating loss was ¥4.2 billion, compared with operating income of ¥0.9 billion in the previous fiscal year.

Seven Bank, the core company in financial services, completed the installation of ATMs in all areas where SEJ and Ito-Yokado have stores, and also installed ATMs in public spaces, such as airports and hotels. As a result, as of the end of February 2008, Seven Bank had 13,017 installed ATMs, and the average daily transaction volume per ATM during the fiscal year was strong, reaching 108 transactions. The bank made solid progress in increasing its profitability. Also, IY Card Service, which handles card operations, made progress in issuing *nanaco* cards and worked to expand the issuance and usage of its credit cards. Due to higher awareness by customers of these two companies, revenues from operations in financial services were ¥118.0 billion, up 17.6%. However, accompanying Seven Bank's shift from leasing to purchasing ATMs, depreciation and amortization expenses increased, and IY Card Service recorded expenses associated with upfront investment in the issuance of *nanaco*. As a result, operating income was ¥21.1 billion, a decrease of 14.2%.

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

Other expenses, net, totaled ¥53.6 billion, an increase of ¥9.9 billion year on year.

This increase was attributable to lower interest on bonds due to bond redemptions, which offset an increase in interest income.

In addition, at Ito-Yokado, gain on sales of property and equipment increased substantially and gain on increase of the Company's interest in consolidated subsidiaries was recorded accompanying the sale of Seven Bank treasury stock. However, accompanying the sale and impairment loss of CREDIT SAISON stock held by SEIBU, loss on sales of investments in securities and valuation loss on investments in securities were recorded.

As a result, income before income taxes and minority interests was ¥227.4 billion, a decrease of ¥15.6 billion.

Income taxes (including deferred income taxes) and net income

Income taxes totaled ¥88.2 billion, a decline of ¥12.4 billion year on year. After the application of tax effect accounting, the effective tax rate was 38.8%.

As a result, net income was ¥130.7 billion, down ¥2.8 billion from the previous fiscal year. Net income per share was ¥137.03, a decrease of ¥5.87 per share from ¥142.90 per share in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

In the year under review, THE LOFT, Akachan Honpo, and FUJI-KOSHI were added to the scope of consolidation.

Total assets rose ¥77.5 billion, to ¥3,886.7 billion. Total current assets were up ¥80.0 billion, to ¥1,354.4 billion. Cash and cash equivalents increased ¥97.6 billion. However, Seven Bank call loans declined ¥107.8 billion.

Construction in progress rose ¥16.3 billion, but due to sales of non-current assets and impairment losses, property and equipment increased ¥4.0 billion. In intangible assets, goodwill of ¥8.3 billion was recorded as a result of the new consolidation of THE LOFT, while amortization of other goodwill was recorded and goodwill associated with 7-Eleven, Inc., declined due to the appreciation of the yen. As a result, intangible assets declined ¥12.9 billion. Investments in securities declined ¥13.1 billion due to the sales of and valuation loss recorded by shares of CREDIT SAISON held by SEIBU. As a result, total non-current assets declined ¥2.4 billion from a year earlier, to ¥2,532.0 billion.

Total liabilities were down ¥11.4 billion, to ¥1,828.6 billion. Due to the shift from long-term loans to current portion of long-term loans and to refinancing of short-term loans as long-term loans, significant amounts shifted between short-term and long-term loans, but overall, loans declined ¥17.2 billion. Also, due primarily to the redemption of ¥30.0 billion in bonds at Ito-Yokado, the total of bonds and current portion of bonds declined ¥27.7 billion. On the other hand, bank deposits received in banking business increased ¥36.0 billion.

Total net assets increased ¥88.9 billion, to ¥2,058.0 billion. Retained earnings were reduced ¥50.5 billion by cash dividend payment and increased ¥130.7 billion by net income for the year. Therefore, retained earnings increased ¥80.1 billion. Also, due to the cancellation of treasury stock, capital surplus and treasury stock each declined ¥34.6 billion.

As a result, net assets per share were up ¥82.08 from a year earlier, to ¥2,081.85, and the owners' equity ratio rose to 51.1%, from 50.1% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were provided by operations with high revenues and profit generating capacity, centered on convenience store operations. However, the use of cash includes opening new stores, remodeling existing stores, repaying loans, and redeeming bonds. As a result, cash increased ¥97.6 billion, to ¥667.8 billion at year-end.

Net cash provided by operating activities was ¥465.4 billion, an increase of ¥308.2 billion. Income before income taxes and minority interests was down ¥15.6 billion due to a net increase in call loan in Seven Bank of ¥239.1 billion and decreased income taxes paid of ¥47.5 billion.

Net cash used in investing activities was ¥237.2 billion, an increase of ¥1.2 billion from the previous fiscal year. Acquisition of property and equipment, principally for new store openings and store renovations declined ¥43.2 billion, and acquisition of investments in subsidiaries declined ¥24.2 billion. Payment for time deposit and payment for negotiable certificates of deposit increased ¥70.4 billion.

Net cash used in financing activities was ¥130.1 billion, an increase of ¥167.4 billion from the previous year. Net decrease in short-term loans declined ¥103.2 billion and payment for redemption of bonds increased ¥30.1 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 34,000 7-Eleven stores operate worldwide, including stores outside the Group that operate under licenses granted by 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 countermeasures 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 29, 2008 and February 28, 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2008**	2007	**2008**
Current assets:			
Cash and cash equivalents	**¥ 667,770**	¥ 570,134	**$ 6,359,714**
Notes and accounts receivable:			
Trade	**128,852**	128,337	**1,227,162**
Financial services	**75,742**	72,724	**721,352**
Franchisees and other	**42,221**	38,329	**402,105**
Allowance for doubtful accounts	**(2,987)**	(2,959)	**(28,448)**
	243,828	236,431	**2,322,171**
Inventories	**169,026**	159,897	**1,609,771**
Deferred income taxes (Note 9)	**35,730**	36,701	**340,286**
Prepaid expenses and other current assets (Note 14)	**238,063**	271,214	**2,267,268**
Total current assets	**1,354,417**	1,274,377	**12,899,210**
Property and equipment, at cost (Notes 6, 7, 12 and 14)	**2,485,639**	2,385,908	**23,672,752**
Less: Accumulated depreciation	**(1,148,497)**	(1,052,751)	**(10,938,066)**
	1,337,142	1,333,157	**12,734,686**
Intangible assets:			
Goodwill	**360,349**	375,302	**3,431,895**
Software and other (Note 14)	**105,499**	103,487	**1,004,752**
	465,848	478,789	**4,436,647**
Investments and other assets:			
Investments in securities (Notes 4 and 14)	**60,094**	173,206	**1,524,705**
Long-term loans receivable	**15,178**	14,828	**144,552**
Long-term leasehold deposits (Note 14)	**460,952**	463,602	**4,390,019**
Prepaid pension cost (Note 10)	**12,728**	5,966	**121,219**
Deferred income taxes (Note 9)	**28,114**	21,655	**267,752**
Other	**60,783**	52,618	**578,886**
Allowance for doubtful accounts	**(8,576)**	(9,006)	**(81,676)**
	729,273	722,869	**6,945,457**
	¥3,886,680	¥3,809,192	**$37,016,000**

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

LIABILITIES AND NET ASSETS	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (Note 3) 2008
Current liabilities:			
Short-term loans (Notes 11 and 14)	¥ 149,861	¥ 176,913	$ 1,427,248
Current portion of long-term debt (Notes 11 and 14)	153,750	101,118	1,464,286
Notes and accounts payable:			
Trade (Note 5)	215,897	203,673	2,056,162
Trade for franchised stores (Note 15)	105,505	101,857	1,004,810
Other	87,263	82,495	831,076
	408,665	388,025	3,892,048
Accrued expenses	84,605	95,157	805,762
Income taxes payable	44,774	44,925	426,419
Deposits received	87,205	76,011	830,524
Deposits received in banking business	142,206	106,168	1,354,343
Allowance for bonuses to employees	16,109	14,789	153,419
Allowance for sales promotion expenses	21,189	19,515	201,800
Allowance for loss on future collection of gift certificates	6,899	—	65,704
Other (Note 9)	62,231	75,036	592,676
Total current liabilities	1,177,494	1,097,657	11,214,229
Long-term debt (Notes 11 and 14)	482,177	565,672	4,592,162
Allowance for accrued pension and severance costs (Note 10)	4,348	3,357	41,410
Allowance for retirement benefits to directors and corporate auditors	4,032	4,202	38,400
Deferred income taxes (Note 9)	62,017	74,167	590,638
Deposits received from tenants and franchised stores	61,535	61,124	586,048
Other liabilities	37,038	33,864	352,742
Total liabilities	1,828,641	1,840,043	17,415,629
Commitments and contingent liabilities (Notes 12 and 14)			
Net assets:			
Shareholders' equity:			
Common stock, authorized 4,500,000,000 shares, issued 956,441,983 shares in 2008 and 967,770,983 shares in 2007	50,000	50,000	476,190
Capital surplus	731,622	766,186	6,967,829
Retained earnings	1,205,042	1,124,893	11,476,590
Treasury stock, at cost, 2,954,728 shares in 2008 and 14,262,380 shares in 2007	(6,816)	(41,310)	(64,914)
	1,979,848	1,899,769	18,855,695
Accumulated gains (losses) from valuation and translation adjustments:			
Unrealized gains (losses) on available-for-sale securities, net of taxes (Note 4)	3,885	(2,100)	37,000
Unrealized gains (losses) on hedging derivatives, net of taxes	(676)	(371)	(6,438)
Foreign currency translation adjustments	1,962	9,500	18,685
	5,171	7,029	49,247
Minority interests in consolidated subsidiaries	73,020	62,351	695,429
Total net assets	2,058,039	1,969,149	19,600,371
	¥3,886,680	¥3,809,192	$37,016,000

CONSOLIDATED STATEMENTS OF INCOME

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2008 and February 28, 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	**2008**
Revenues from operations:			
Net sales	**¥5,223,833**	¥4,839,554	**$49,750,790**
Other operating revenues (Note 16)	**528,560**	498,253	**5,033,905**
	5,752,393	5,337,807	**54,784,695**
Costs and expenses:			
Cost of sales (Note 16)	**3,863,848**	3,568,336	**36,798,552**
Selling, general and administrative expenses (Notes 10, 12 and 16)	**1,607,457**	1,482,633	**15,309,114**
	5,471,305	5,050,969	**52,107,666**
Operating income	**281,088**	286,838	**2,677,029**
Other income (expenses):			
Interest and dividend income	**6,432**	4,583	**61,257**
Interest expenses	**(11,666)**	(11,174)	**(111,105)**
Foreign currency exchange losses	**(2,244)**	(1,327)	**(21,371)**
Equity in earnings of affiliates	**1,073**	1,321	**10,219**
Impairment loss on property and equipment (Note 7)	**(20,031)**	(14,199)	**(190,771)**
Gain on sales of property and equipment (Note 16)	**7,128**	2,793	**67,886**
Loss on disposals of property and equipment (Note 16)	**(8,481)**	(18,782)	**(80,771)**
Gain on sales of subsidiary's common stock	**2,620**	—	**24,952**
U.S. federal excise tax refund	**4,036**	—	**38,438**
Gain on increase of the Company's interest in consolidated subsidiaries	**5,016**	1	**47,771**
Gain on donations received (Note 16)	**1,600**	—	**15,238**
Loss on sales of investments in securities	**(17,942)**	—	**(170,876)**
Valuation loss on investments in securities	**(11,122)**	(90)	**(105,924)**
Provision for loss on future collection of gift certificates	**(7,085)**	—	**(67,476)**
Other, net	**(2,980)**	(6,904)	**(28,382)**
	(53,646)	(43,778)	**(510,915)**
Income before income taxes and minority interests	**227,442**	243,060	**2,166,114**
Income taxes (Note 9):			
Current	**109,462**	99,526	**1,042,495**
Deferred	**(21,223)**	1,096	**(202,124)**
	88,239	100,622	**840,371**
Income before minority interests	**139,203**	142,438	**1,325,743**
Minority interests in net income of consolidated subsidiaries	**8,545**	9,019	**81,381**
Net income	**¥ 130,658**	¥ 133,419	**$ 1,244,362**

	Yen		U.S. dollars (Note 3)
Per share of common stock:			
Net income (Basic)	**¥137.03**	¥142.90	**$1.31**
Cash dividends	**54.00**	52.00	**0.51**

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 fiscal years ended February 29, 2008 and February 28, 2007

	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 gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total
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
Net income for the year			**130,658**						**130,658**
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			**27**						**27**
Cash dividends			**(50,536)**						**(50,536)**
Purchase of treasury stock				**(76)**					**(76)**
Sales of treasury stock		**2**		**6**					**8**
Cancellation of treasury stock		**(34,566)**		**34,566**					**—**
Other				**(2)**					**(2)**
Net increase (decrease) for the year					**5,985**	**(305)**	**(7,538)**	**10,669**	**8,811**
Balance at February 29, 2008	**¥50,000**	**¥731,622**	**¥1,205,042**	**¥(6,816)**	**¥3,885**	**¥(676)**	**¥1,962**	**¥73,020**	**¥2,058,039**

	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 gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2007	$476,190	$7,297,010	$10,713,267	$(393,429)	$ (20,000)	$(3,533)	$90,476	$ 593,819	$18,753,800
Net income for the year			**1,244,362**						**1,244,362**
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			**256**						**256**
Cash dividends			**(481,295)**						**(481,295)**
Purchase of treasury stock				**(724)**					**(724)**
Sales of treasury stock		**19**		**57**					**76**
Cancellation of treasury stock		**(329,200)**		**329,200**					**—**
Other				**(18)**					**(18)**
Net increase (decrease) for the year					**57,000**	**(2,905)**	**(71,791)**	**101,610**	**83,914**
Balance at February 29, 2008	**$476,190**	**$6,967,829**	**$11,476,590**	**$(64,914)**	**$37,000**	**$(6,438)**	**$18,685**	**$695,429**	**$19,600,371**

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 fiscal years ended February 29, 2008 and February 28, 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥227,442	¥ 243,060	$2,166,114
Depreciation and amortization	143,643	132,693	1,368,029
Impairment loss on property and equipment	20,031	14,199	190,771
Increase (decrease) in allowance for bonuses to employees	984	(449)	9,371
Decrease in allowance for accrued pension and severance costs	—	(159)	—
Increase in prepaid pension cost	(6,702)	(5,232)	(63,829)
Interest and dividend income	(6,432)	(4,583)	(61,257)
Interest expenses	11,666	11,174	111,105
Foreign currency exchange losses	790	419	7,524
Gain on sales of subsidiary's common stock	(2,620)	—	(24,952)
Equity in earnings of affiliates	(1,073)	(1,321)	(10,219)
Gain on sales of property and equipment	(7,128)	(2,793)	(67,886)
Loss on disposals of property and equipment	8,481	18,782	80,771
Gain (loss) on increase of the Company's interest in consolidated subsidiaries	(5,016)	1	(47,771)
Loss on sales of investments in securities	17,942	—	170,876
Valuation loss (gain) on investments in securities	11,122	(90)	105,924
Increase in notes and accounts receivable, trade	(333)	(17,030)	(3,171)
Increase in accounts receivable, financial services	(3,167)	(36,669)	(30,162)
Decrease (increase) in inventories	1,464	(2,870)	13,943
Increase in notes and accounts payable	5,192	2,718	49,448
Proceeds from debts in banking business	—	64,000	—
Net increase in deposits received in banking business	36,037	9,921	343,210
Net decrease (increase) in call loan in banking business	107,800	(131,300)	1,026,667
Other	16,269	20,681	154,942
Sub-total	576,392	315,152	5,489,448
Interest and dividends received	4,474	3,605	42,610
Interest paid	(11,577)	(10,167)	(110,258)
Income taxes paid	(103,909)	(151,381)	(989,610)
Net cash provided by operating activities	465,380	157,209	4,432,190
Cash flows from investing activities:			
Acquisition of property and equipment	(177,358)	(220,541)	(1,689,124)
Proceeds from sales of property and equipment	20,213	9,907	192,505
Acquisition of intangible assets	(16,842)	(18,848)	(160,400)
Payment for purchase of investments in securities	(454,543)	(159,372)	(4,328,981)
Proceeds from sales and maturity of investments in securities	449,105	147,518	4,277,190
Acquisition of investments in subsidiaries	(420)	(24,667)	(4,000)
Proceeds from sales of investments in subsidiary	—	6,094	—
Acquisition of investments in newly consolidated subsidiaries	(7,108)	(6,195)	(67,695)
Proceeds from acquisition of investments in newly consolidated subsidiaries	2,359	20,687	22,467
Payment of loans receivable	(637)	(51,316)	(6,067)
Collection of loans receivable	2,088	51,327	19,887
Payment for long-term leasehold deposits and advances for store construction	(29,758)	(24,934)	(283,410)
Refund of long-term leasehold deposits	30,925	30,449	294,524
Proceeds from deposits from tenants	5,536	7,483	52,724
Refund of deposits from tenants	(3,449)	(4,611)	(32,848)
Payment for time deposits	(28,353)	—	(270,029)
Payment for negotiable certificates of deposits	(42,000)	—	(400,000)
Other	13,057	1,036	124,352
Net cash used in investing activities	(237,185)	(235,983)	(2,258,905)
Cash flows from financing activities:			
Net (decrease) increase in short-term loans	(39,232)	63,945	(373,638)
Proceeds from long-term debt	65,870	227,695	627,333
Repayment of long-term debt	(67,355)	(215,317)	(641,476)
Proceeds from commercial paper	715,519	680,261	6,814,467
Payment for redemption of commercial paper	(725,064)	(683,990)	(6,905,371)
Payment for redemption of bonds	(30,390)	(300)	(289,429)
Dividends paid	(50,498)	(48,881)	(480,933)
Capital contribution from minority interests	435	6,191	4,143
Dividends paid for minority interests	(3,240)	(31)	(30,857)
Proceeds from sales of treasury stock	8	10,184	76
Proceeds from sales of treasury stock by a subsidiary	7,135	—	67,952
Other	(3,325)	(2,516)	(31,667)
Net cash (used in) provided by financing activities	(130,137)	37,241	(1,239,400)
Effect of exchange rate changes on cash and cash equivalents	(422)	790	(4,019)
Net increase (decrease) in cash and cash equivalents	97,636	(40,743)	929,866
Cash and cash equivalents at beginning of year	570,134	610,877	5,429,848
Cash and cash equivalents at end of year	¥667,770	¥ 570,134	$6,359,714

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 in conformity with 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 Financial Instruments 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 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 Financial Instruments 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

The accompanying Consolidated Financial Statements include the accounts of the Company and 84 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., Seven & i Food Systems Co., Ltd., York-Benimaru Co., Ltd., Seven Bank, Ltd. and 7-Eleven, Inc.

Consolidated subsidiaries increased by 10. THE LOFT CO., LTD., previously an affiliate applying the equity method, became a consolidated subsidiary by additional stock acquisition. In addition, consolidated subsidiaries increased due to the establishment of Seven Cash Works Co., Ltd. and SEVEN & i FINANCIAL GROUP CO., LTD. Consolidated subsidiaries also increased by the acquisition of shares of Akachan Honpo Co., Ltd. and FUJIKOSHI CO., LTD. which have their own subsidiaries.

On the other hand, Seven & i Food Systems Co., Ltd. merged with Denny's Japan Co., Ltd., Famil Co., Ltd. and York Bussan K. K. Meanwhile, York-Benimaru Co., Ltd. merged with Super Kadoya Co., LTD. As a result, consolidated subsidiaries decreased by six in addition to the liquidation of two overseas consolidated subsidiaries.

The fiscal year-end of some 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 29 are adjusted for in the consolidation process.

Akachan Honpo Co., Ltd., which became a consolidated subsidiary from July 2007, has changed its year-end closing date from December 31 to the end of February. Accordingly, income and loss for the period from January 1, 2008 to February 29, 2008 was consolidated, as well as income and loss for the period from July 1, 2007 to December 31, 2007.

The closing date of a certain subsidiary is March 31. Pro forma financial statements as of the end of February, prepared in a manner that is substantially identical to the preparation of the official financial statements were prepared in order to facilitate its consolidation.

13 affiliates, which include PRIME DELICA CO., LTD., are accounted for using the equity method. Affiliates to which the equity method is applied increased by four in connection with the additional acquisition of shares of Akachan Honpo Co., Ltd., however three companies were decreased due to the sales of their common stock during this fiscal year. In addition, NitteleSeven Co., Ltd., a newly formed company, is accounted for using the equity method.

THE LOFT CO., LTD., previously an affiliate applying the equity method, became a consolidated subsidiary by an additional stock acquisition. 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 which is mainly 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.

(Change in depreciation method for property and equipment)

In accordance with the amendment of the Corporation Tax Law (Partial Amendment of the Income Tax Law etc., March 30, 2007, Law No. 6) and (Partial Amendment of the Corporation Tax Enforcement Ordinance, March 30, 2007, Ordinance No. 83)), effective from the fiscal year ended February 29, 2008, the Company and its domestic consolidated subsidiaries have changed the depreciation method for those property and equipment acquired on or after April 1, 2007 to the method based on the amended Corporation Tax Law. The impact of this change on the Consolidated Statement of Income is immaterial.

(6) Intangible assets

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

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

Goodwill and negative goodwill arising from domestic consolidated subsidiaries are mainly amortized over a period of 20 years on a straight-line basis, or charged to income if immaterial. The difference between the cost of investments and equity in their net assets at the date of acquisition recognized in applying the equity method is 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 loss on future collection of gift certificates

Allowance for loss on future collection of gift certificates issued by certain domestic consolidated subsidiaries is provided for collection of gift certificates recognized as income after certain periods from their issuance. The amount is calculated using the historical results of collection.

(Change in accounting standard – allowance for loss on future collection of gift certificates)

Effective from the fiscal year ended February 29, 2008, certain domestic consolidated subsidiaries provide an allowance for loss on future collection of gift certificates in accordance with the "Auditing Treatment concerning Reserve under Special Taxation Measures Law, Reserve under Special Laws, and Reserve for Retirement Benefits to Directors and Corporate Auditors" (The Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee Report No. 42, revised on April 13, 2007). Previously, certain domestic consolidated subsidiaries recognized gift certificates as income after certain periods from their issuance. By the adoption of the above Auditing Treatment, certain domestic consolidated subsidiaries changed their accounting policies to provide an allowance for loss on future collection of gift certificates after they are recognized as income.

As a result, ¥7,085 million ($67,476 thousand) was recorded in other expenses and income before income taxes decreased by the same amount.

(d) 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.

(e) 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 29, 2008 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.

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

Allowance for retirement benefits to directors and corporate auditors is provided in accordance with the Company's internal policy. The Company and certain consolidated subsidiaries abolished the program of retirement benefits to directors and corporate auditors, and certain consolidated subsidiaries decided to pay it at the time of their resignation.

(9) Leases

The Company and its domestic consolidated subsidiaries account for finance leases, except those for which ownership of the leased asset is considered to be transferred to the lessee, as operating leases.

Foreign subsidiaries mainly 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 29, 2008 are ¥2,081.85 ($19.83) and ¥137.03 ($1.31), 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 29, 2008 and February 28, 2007 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Net income	¥130,658	¥133,419	$1,244,362
Less components not pertaining to common shareholders:	—	—	—
Net income pertaining to common shareholders	¥130,658	¥133,419	$1,244,362
Weighted average number of shares of common stock outstanding (shares)	953,496,897	933,675,491	

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 accompanying Consolidated Statements of Cash Flows, cash and cash equivalents 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 from the fiscal 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.

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.

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

(18) Accounting Standard for Statement of Changes in Net Assets

Effective from the fiscal 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 fiscal year ended February 28, 2007 in accordance with the New Accounting Standards.

(19) Change in Significant Accounting Policies for the Preparation of Consolidated Financial Statements

(Accounting standard for business combination)

Effective from the fiscal year ended February 29, 2008, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Business Combinations" issued by the Business Accounting Council on October 31, 2003, "Accounting Standard for Business Divestitures" (Statement No. 7 issued by the Accounting Standards Board of Japan on December 27, 2005) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (the Financial Accounting Standard Implementation No. 10 finally revised by the Accounting Standards Board of Japan on December 22, 2006).

(20) 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 ¥105=US$1, the approximate rate of exchange prevailing at February 29, 2008. 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 29, 2008 and February 28, 2007:

TYPE	Millions of yen 2008 Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥605	¥606	¥1
Debt securities with fair value not exceeding book value	10	10	0
Total	¥615	¥616	¥1

TYPE	Millions of yen 2007 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)

TYPE	Thousands of U.S. dollars (Note 3) 2008 Book value	Fair value	Difference
Debt securities with fair value exceeding book value	$5,762	$5,771	$9
Debt securities with fair value not exceeding book value	95	95	0
Total	$5,857	$5,866	$9

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value is available as of February 29, 2008 and February 28, 2007:

TYPE	Millions of yen 2008 Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 9,340	¥ 17,783	¥ 8,443
Debt securities	5,522	5,522	0
Sub-total	14,862	23,305	8,443
Securities with book value not exceeding acquisition cost:			
Equity securities	19,127	17,306	(1,821)
Debt securities	92,019	91,996	(23)
Sub-total	111,146	109,302	(1,844)
Total	¥126,008	¥132,607	¥ 6,599

TYPE	Millions of yen 2007 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)

TYPE	Thousands of U.S. dollars (Note 3) 2008 Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 88,952	$ 169,362	$80,410
Debt securities	52,591	52,591	0
Sub-total	141,543	221,953	80,410
Securities with book value not exceeding acquisition cost:			
Equity securities	182,162	164,819	(17,343)
Debt securities	876,371	876,152	(219)
Sub-total	1,058,533	1,040,971	(17,562)
Total	$1,200,076	$1,262,924	$62,848

(3) Sales amounts and gain (loss) on sales of availabe-for-sale securities during the fiscal years ended February 29, 2008 and February 28, 2007 are as follows:

TYPE	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 3) 2008
Sales amounts	¥ 23,786	¥ 205	$ 226,533
Gain on sales of available-for-sale securities	100	173	952
Loss on sales of available-for-sale securities	¥(17,891)	¥ —	$(170,390)

(4) The following table summarizes the book value of major securities with no available fair value as of February 29, 2008 and February 28, 2007:

TYPE	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 3) 2008
Held-to-maturity debt securities:			
Bonds	¥ 204	¥ 204	$ 1,943
Available-for-sale securities:			
Non-listed securities	16,926	16,749	161,200
Non-listed foreign securities	3,041	5,042	28,962
Debt securities	25	—	238
Negotiable certificates of deposits	42,000	—	400,000
Total	¥62,196	¥21,995	$592,343

(5) Redemption schedules of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of February 29, 2008 and February 28, 2007 are as follows:

	Millions of yen				
	2008				
TYPE	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	¥ 97,518	¥615	¥ —	¥ —	¥ 98,133
Corporate bonds	4	200	—	—	204
Debt securities	25	—	—	—	25
Negotiable certificates of deposits	42,000	—	—	—	42,000
Total	¥139,547	¥815	¥ —	¥ —	¥140,362

	Millions of yen				
	2007				
TYPE	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
Negotiable certificates of deposits	—	—	—	—	—
Total	¥70,017	¥829	¥ —	¥ —	¥70,846

	Thousands of U.S. dollars (Note 3)				
	2008				
TYPE	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	$ 928,743	$5,857	$ —	$ —	$ 934,600
Corporate bonds	38	1,905	—	—	1,943
Debt securities	238	—	—	—	238
Negotiable certificates of deposits	400,000	—	—	—	400,000
Total	$1,329,019	$7,762	$ —	$ —	$1,336,781

(6) Investments in affiliates included in “Investments in securities” in the accompanying Consolidated Balance Sheets as of February 29, 2008 and February 28, 2007 are ¥6,074 million ($57,848 thousand) and ¥7,032 million, respectively.

5. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have policies to use interest rate swap contracts, forward currency exchange contracts, currency option 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 consolidated 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 consolidated 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 29, 2008 and February 28, 2007 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 29, 2008			
	Contract amount		Estimated fair value	Unrealized losses
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	**¥ 4,775**	**¥ —**	**¥4,498**	**¥ (277)**
Buy Euro	**182**	**—**	**179**	**(3)**
Currency swap contracts:				
U.S. dollar	**¥24,502**	**¥12,684**	**¥2,414**	**¥(2,414)**

	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

	Thousands of U.S. dollars (Note 3)			
	As of February 29, 2008			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	**$ 45,476**	**$ —**	**$42,838**	**$(2,638)**
Buy Euro	**1,733**	**—**	**1,705**	**(29)**
Currency swap contracts:				
U.S. dollar	**$233,352**	**$120,800**	**$22,990**	**$22,990**

(2) **Interest-rate-related transactions**

	Millions of yen			
	As of February 29, 2008			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Interest rate swap contracts:				
Receive float / Pay fixed	**¥36,000**	**¥ —**	**¥76**	**¥76**
Receive fixed / Pay float	**10,000**	**10,000**	**(35)**	**(35)**

	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)

	Thousands of U.S. dollars (Note 3)			
	As of February 29, 2008			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Interest rate swap contracts:				
Receive float / Pay fixed	**$342,857**	**$ —**	**$724**	**$724**
Receive fixed / Pay float	**95,238**	**95,238**	**(333)**	**(333)**

6. PROPERTY AND EQUIPMENT

Property and equipment at February 29, 2008 and February 28, 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Buildings and structures	**¥1,395,649**	¥ 1,348,332	**$13,291,895**
Furniture, fixtures and other	**475,550**	436,429	**4,529,048**
	1,871,199	1,784,761	**17,820,943**
Less: Accumulated depreciation	**(1,148,497)**	(1,052,751)	**(10,938,066)**
	722,702	732,010	**6,882,877**
Land	**561,205**	564,224	**5,344,809**
Construction in progress	**53,235**	36,923	**507,000**
Total	**¥1,337,142**	¥ 1,333,157	**$12,734,686**

7. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 29, 2008 and February 28, 2007, the Company and its consolidated subsidiaries recognized ¥20,031 million ($190,771 thousand) and ¥14,199 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 29, 2008:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo 70 stores Kanagawa Pref. 39 stores Others (including U.S.)		
Stores (Superstores)	Land and buildings, etc.	Fukusima Pref. 14 stores Saitama Pref. 5 stores Other 15 stores	**¥18,403**	**$175,266**
Stores (Department stores)	Buildings and structures, etc.	Osaka 1 store Kanagawa Pref. 1 store		
Stores (Food services)	Land and buildings, etc.	Tokyo & other 130 stores		
Other facilities, etc.	Buildings and software, etc.	Osaka U.S. & others	**1,628**	**15,505**
Total			**¥20,031**	**$190,771**

Fiscal year ended February 28, 2007:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo 46 stores Kanagawa Pref. 22 stores Others (including U.S.)	
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 4 stores Tokyo 2 stores Other 12 stores	¥13,801
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
Total			¥14,199

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 fiscal years ended February 29, 2008 and February 28, 2007 is as follows:

Fiscal year ended February 29, 2008:

Classification	Millions of yen			Thousands of U.S. dollars (Note 3)
	Stores	Other facilities, etc.	Total	
Buildings and structures	**¥10,305**	**¥ 13**	**¥10,318**	**$ 98,267**
Land	**5,851**	**—**	**5,851**	**55,724**
Software	**0**	**1,574**	**1,574**	**14,990**
Other	**2,247**	**41**	**2,288**	**21,790**
Total	**¥18,403**	**¥1,628**	**¥20,031**	**$190,771**

Fiscal year ended February 28, 2007:

Classification	Millions of yen Stores	 Other facilities, etc.	 Total
Buildings and structures	¥ 7,512	¥ 5	¥ 7,517
Land	4,402	393	4,795
Other	1,887	—	1,887
Total	¥13,801	¥398	¥14,199

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%–6.0% discount rates in 2008 and the 3.1%–6.2% in 2007 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 29, 2008:

THE LOFT Co., Ltd. ("THE LOFT")	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2008
Current assets	¥10,097	$ 96,162
Non-current assets	5,519	52,562
Goodwill	8,263	78,695
Current liabilities	(9,972)	(94,971)
Non-current liabilities	(753)	(7,171)
Minority interests	(1,431)	(13,629)
Sub-total	11,723	111,648
Carrying value of investment in THE LOFT under equity method at the time that the Company acquired majority of voting rights	(1,748)	(16,648)
Acquisition cost	9,975	95,000
Cash and cash equivalents of THE LOFT	(3,260)	(31,048)
Payment for the acquisition of investments in THE LOFT	¥ 6,715	$ 63,952

Akachan Honpo Co., Ltd. ("Akachan Honpo")	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2008
Current assets	¥14,723	$140,219
Non-current assets	23,783	226,504
Goodwill	(1,295)	(12,333)
Current liabilities	(25,406)	(241,962)
Non-current liabilities	(9,403)	(89,552)
Minority interests	(1,167)	(11,114)
Acquisition cost	1,235	11,762
Cash and cash equivalents of Akachan Honpo	(3,563)	(33,933)
Proceeds from acquisition of investments in Akachan Honpo	¥ (2,328)	$ (22,171)

Fiscal year ended February 28, 2007:

A. White Hen Pantry, Inc. ("White Hen Pantry")	Millions of yen 2007
Current assets	¥ 1,696
Non-current assets	4,879
Goodwill	2,926
Current liabilities	(2,668)
Non-current liabilities	(575)
Acquisition cost of shares	6,258
Cash and cash equivalents of White Hen Pantry	(63)
Net payment for the acquisition of shares	¥ 6,195

B. York-Benimaru Co., Ltd. ("York-Benimaru") (a)	Millions of yen 2007
Current assets	¥ 49,521
Non-current assets	105,380
Goodwill	62,037
Current liabilities	(32,416)
Minority interests	(2,014)
Sub-total	182,508
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)
Acquisition cost of shares	142,841
Stock-for-stock exchange	(142,841)
Cash and cash equivalents of York-Benimaru	(20,687)
Net receipt from the acquisition of shares	¥ (20,687)

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

(2) Major non-cash transaction

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Finance lease obligation for property and equipment recorded for the fiscal year	¥634	¥1,281	$6,038

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 fiscal years ended February 29, 2008 and February 28, 2007.

The significant components of deferred tax assets and liabilities as of February 29, 2008 and February 28, 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	**2008**
Deferred tax assets:			
Inventory reserve	**¥ 2,616**	¥ 3,754	**$ 24,914**
Allowance for bonuses to employees	**6,529**	6,010	**62,181**
Allowance for sales promotion expenses	**8,160**	7,424	**77,714**
Accrued payroll	**3,720**	4,035	**35,429**
Allowance for retirement benefits to directors and corporate auditors	**1,762**	1,708	**16,781**
Allowance for accrued pension and severance costs	**331**	501	**3,152**
Allowance for loss on future collection of gift certificates	**2,797**	—	**26,638**
Depreciation and amortization	**9,112**	8,479	**86,781**
Tax loss carried forward	**34,939**	46,582	**332,752**
Valuation loss on available-for-sale securities	**5,708**	1,683	**54,362**
Allowance for doubtful accounts	**3,167**	1,834	**30,162**
Unrealized loss on property and equipment	**12,174**	9,193	**115,943**
Impairment loss on property and equipment and valuation loss on land	**36,059**	33,426	**343,419**
Accrued enterprise taxes and business office taxes	**4,913**	4,770	**46,790**
Accrued expenses	**10,145**	8,874	**96,619**
Other	**10,252**	11,631	**97,638**
Sub-total	**152,384**	149,904	**1,451,275**
Less: Valuation allowance	**(83,002)**	(76,839)	**(790,495)**
Total	**69,382**	73,065	**660,780**
Deferred tax liabilities:			
Unrealized gains on property and equipment	**(37,285)**	(51,022)	**(355,095)**
Royalties, etc.	**(16,391)**	(17,321)	**(156,105)**
Deferred gains on sales of property and equipment	**(1,179)**	(1,308)	**(11,229)**
Unrealized gains on available-for-sale securities	**(5,515)**	(16,019)	**(52,524)**
Prepaid pension cost	**(4,983)**	—	**(47,457)**
Other	**(2,627)**	(3,433)	**(25,019)**
Total	**(67,980)**	(89,103)	**(647,429)**
Net deferred tax liabilities (a)	**¥ 1,402**	¥(16,038)	**$ 13,351**

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

	2008	2007	2008
Current assets–Deferred income taxes	**¥ 35,730**	¥ 36,701	**$ 340,286**
Other assets–Deferred income taxes	**28,114**	21,655	**267,752**
Current liabilities–Other	**(425)**	(227)	**(4,049)**
Non-current liabilities–Deferred income taxes	**(62,017)**	(74,167)	**(590,638)**

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 29, 2008 and February 28, 2007 is as follows:

	2008	2007
Statutory tax rate	**40.7%**	40.7%
Adjustments:		
Equity in earnings of affiliates	**(0.2)**	(0.2)
Amortization of goodwill	**1.9**	1.5
Non-deductible items, such as entertainment expenses	**0.3**	0.3
Decrease in valuation allowance	**(2.6)**	(1.3)
Inhabitant taxes per capita	**0.6**	0.7
Other	**(1.9)**	(0.3)
Effective tax rate	**38.8%**	41.4%

10. RETIREMENT BENEFITS

(1) Summary of the retirement benefit plans

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

The premium on employees' retirement benefit may be added upon the retirement of the employees. Consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

(2) Projected retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Projected benefit obligations (a)	**¥(177,922)**	¥(171,278)	**$(1,694,495)**
Fair value of plan assets (including employee retirement benefit trust)	**178,556**	190,336	**1,700,533**
Unrecognized actuarial differences	**9,212**	(14,155)	**87,733**
Unrecognized prior service cost	**(1,466)**	(2,294)	**(13,962)**
Prepaid pension cost, net of allowance for accrued pension and severance costs	**8,380**	2,609	**79,809**
Prepaid pension cost	**12,728**	5,966	**121,219**
Allowance for accrued pension and severance costs	**¥ (4,348)**	¥ (3,357)	**$ (41,410)**

(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)
	2008	2007	2008
Service cost (a)	**¥10,870**	¥10,631	**$103,524**
Interest cost	**4,407**	4,294	**41,971**
Expected return on plan assets	**(6,682)**	(6,273)	**(63,638)**
Amortization of actuarial differences	**(1,010)**	(647)	**(9,619)**
Amortization of prior year service cost	**(752)**	(705)	**(7,162)**
Premium on employees' retirement benefit	**672**	1,738	**6,400**
Net periodic benefit cost (b)	**¥ 7,505**	¥ 9,038	**$ 71,476**

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.
(b) Besides the above net periodic benefit cost, ¥1,414 million ($13,467 thousand) and ¥1,385 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the United States were recorded for the fiscal years ended February 29, 2008 and February 28, 2007, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

	2008	2007
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	**6.25%**	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 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)
	2008	2007	2008
Outstanding balance at fiscal year-end:			
Short-term bank loans (a)	**¥149,861**	¥176,913	**$1,427,248**
Weighted-average interest rate at year-end:			
Short-term bank loans	**1.1%**	0.8%	**1.1%**

(a) The total amounts of short-term loans with collateral as of February 29, 2008 and February 28, 2007 are ¥2,569 million ($24,467 thousand) and ¥613 million, respectively (Note 14).

Long-term debt at February 29, 2008 and February 28, 2007 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Outstanding balance at fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2008 to 2023 with interest rates ranging from 0.6% to 7.2% (b)	**¥ 441,756**	¥ 431,856	**$ 4,207,200**
Ito-Yokado Co., Ltd.:			
1.72% unsecured straight bonds, due March 29, 2007	**—**	30,000	**—**
1.96% unsecured straight bonds, due March 29, 2010	**20,000**	20,000	**190,476**
0.65% unsecured straight bonds, due September 18, 2009	**50,000**	50,000	**476,190**
Akachan Honpo Co., Ltd.:			
0.42% unsecured straight bonds, due March 31, 2008	**62**	—	**590**
0.53% unsecured straight bonds, due March 31, 2010	**220**	—	**2,095**
0.96% unsecured straight bonds, due February 20, 2009	**500**	—	**4,762**
0.7% unsecured straight bonds, due March 31, 2009	**188**	—	**1,790**
0.73% unsecured straight bonds, due March 25, 2010	**625**	—	**5,952**
1.32% unsecured straight bonds, due March 25, 2011	**700**	—	**6,667**
Seven Bank, Ltd.:			
0.88% unsecured straight bonds, due December 10, 2008	**15,000**	15,000	**142,858**
1.45% unsecured straight bonds, due December 20, 2011	**36,000**	36,000	**342,858**
1.67% unsecured straight bonds, due December 20, 2013	**24,000**	24,000	**228,572**
7-Eleven, Inc.:			
Commercial paper	**27,446**	38,338	**261,390**
Capital lease obligations, due fiscal 2008 to 2029	**19,430**	21,596	**185,048**
	635,927	666,790	**6,056,448**
Current portion of long-term debt	**(153,750)**	(101,118)	**(1,464,286)**
	¥ 482,177	¥ 565,672	**$ 4,592,162**

(b) The total amounts of long-term debt with collateral as of February 29, 2008 and February 28, 2007 are ¥214,565 million ($2,043,476 thousand) and ¥240,258 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)
2009	¥153,750	$1,464,286
2010	144,645	1,377,571
2011	110,372	1,051,162
2012	138,996	1,323,771
2013	11,948	113,791
Thereafter	76,216	725,867
	¥635,927	$6,056,448

12. LEASES

(1) Finance leases

Finance lease charges to the Company and its consolidated subsidiaries for the fiscal years ended February 29, 2008 and February 28, 2007 are ¥17,849 million ($169,990 thousand) and ¥12,763 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 fiscal years ended February 29, 2008 and February 28, 2007 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 29, 2008 and February 28, 2007 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	**2008**
Furniture, fixtures and equipment:			
Acquisition cost	**¥ 95,023**	¥ 82,083	**$ 904,981**
Accumulated depreciation	**(32,224)**	(25,230)	**(306,895)**
Accumulated impairment loss	**(103)**	(25)	**(981)**
Net book value	**¥ 62,696**	¥ 56,828	**$ 597,105**
Software:			
Acquisition cost	**¥ 1,775**	¥ 1,094	**$ 16,905**
Accumulated depreciation	**(629)**	(393)	**(5,991)**
Net book value	**¥ 1,146**	¥ 701	**$ 10,914**
Lease payments	**¥ 17,849**	¥ 12,763	**$ 169,990**
Reversal of allowance for impairment loss on leased assets	**¥ 91**	¥ —	**$ 867**
Depreciation expense (a) and (b)	**¥ 17,940**	¥ 12,763	**$ 170,857**
Impairment loss	**¥ 4**	¥ 25	**$ 38**

(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 29, 2008 and February 28, 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	**2008**
Due within one year	**¥17,802**	¥15,172	**$169,543**
Due over one year	**46,142**	42,381	**439,447**
Total	**¥63,944**	¥57,553	**$608,990**
Balance of impairment loss account on leased assets included in the outstanding future lease payments	**¥ 103**	¥ 25	**$ 981**

As lessor:

A summary of acquisition cost, accumulated depreciation and net book value as of February 29, 2008 and February 28, 2007 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	**2008**
Furniture, fixtures and equipment:			
Acquisition cost	**¥ 25,801**	¥ 24,076	**$ 245,724**
Accumulated depreciation	**(12,306)**	(10,438)	**(117,200)**
Net book value	**¥ 13,495**	¥ 13,638	**$ 128,524**
Lease income	**¥ 4,606**	¥ 4,390	**$ 43,867**
Depreciation expense	**¥ 4,243**	¥ 4,048	**$ 40,410**
Interest income (c)	**¥ 431**	¥ 423	**$ 4,105**

(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 29, 2008 and February 28, 2007 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Due within one year	¥ 4,422	¥ 4,054	$ 42,114
Due over one year	9,456	9,923	90,057
Total	¥13,878	¥13,977	$132,171

(2) **Operating leases**

The amounts of outstanding future lease payments under lease agreements other than finance leases, including the interest portion, as of February 29, 2008 and February 28, 2007 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Due within one year	¥ 66,484	¥ 66,989	$ 633,181
Due over one year	422,874	405,825	4,027,371
Total	¥489,358	¥472,814	$4,660,552

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 22, 2008, the shareholders approved cash dividends amounting to ¥26,778 million ($255,029 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 29, 2008. 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 29, 2008, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥909 million ($8,657 thousand). The amount of guarantee in relation to the loans of a certain store lessor was ¥336 million ($3,200 thousand).

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. The amount of guarantee in relation to the loans of a certain store lessor was ¥651 million.

(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 29, 2008 and February 28, 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Other current assets	¥ 2,275	¥ 2,275	$ 21,666
Buildings and structures	61,595	66,047	586,619
Furniture, fixtures and equipment	790	926	7,524
Land	102,903	99,461	980,029
Other intangible assets	10,355	10,355	98,619
Investments in securities	64,474	59,475	614,038
Long-term leasehold deposits	4,606	4,758	43,867
Total	¥246,998	¥243,297	$2,352,362

Debts for the pledged assets above as of February 29, 2008 are as follows: short-term loans, ¥2,569 million ($24,467 thousand); long-term loans (including current portion), ¥214,565 million ($2,043,476 thousand); long-term accounts payable, ¥1,216 million ($11,581 thousand); and long-term deposits received from tenants and franchised stores, ¥188 million ($1,790 thousand).

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

B. The amounts of assets pledged as collateral for the debts of affiliates and vendors as of February 29, 2008 and February 28, 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Buildings	¥1,021	¥1,096	$ 9,724
Land	2,032	2,363	19,352
Total	¥3,053	¥3,459	$29,076

Debts of affiliates and vendors for the pledged assets above as of February 29, 2008 and February 28, 2007 are ¥3,985 million ($37,952 thousand) and ¥4,025 million, respectively.

C. Other

As of February 29, 2008

The amounts of assets pledged as collateral for fund transfer and for real estate business are ¥27,525 million ($262,143 thousand) and ¥60 million ($571 thousand), respectively. The amounts of assets pledged as collateral for installment sales and sales of beneficiary right of trust are ¥1,877 million ($17,876 thousand) and ¥10 million ($95 thousand), respectively. In addition, ¥840 million ($8,000 thousand) of assets was pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2007

The amounts of assets pledged as collateral for fund transfer and for real estate business are ¥5,499 million and ¥60 million, respectively. The amounts of assets pledged as collateral for installment sales and sales of beneficiary right of trust are ¥2,210 million and ¥10 million, respectively. In addition, ¥794 million of assets was pledged as collateral to secure the amount of prepaid tickets issued.

(3) Litigation and securitization

As of February 29, 2008

A. 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 the SPC with a certain investment. Also, SEIBU leased back such store properties from the 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 the SPC name is as follows:

Store name	Amount of investment	SPC name
Ikebukuro	¥5,850 million ($55,714 thousand)	Asset Ikesei Corp.

Information about the SPC is as follows:

SPC name	Year-end	Total assets at the latest closing date
Asset Ikesei Corp.	July	¥124,867 million ($1,189,210 thousand)

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 for ¥11,300 million on December 15, 2006.

B. Securitization of store properties

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 the SPC. Concurrently, SEIBU has entered into a silent partnership arrangement with the SPC with a certain investment. Also, SEIBU leased back such store properties from the 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 the SPC name is as follows:

Store name	Amount of investment	SPC name
Ikebukuro	¥5,850 million	Asset Ikesei Corp.

Information about the SPC is as follows:

SPC name	Year-end	Total assets at the latest closing date
Asset Ikesei Corp.	July	¥124,200 million

SEIBU repurchased the beneficiary rights of trusts of Shibuya-Movita store from Asset Movita for ¥9,491 million 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. for ¥39,440 million and the land and buildings were delivered to SEIBU on November 27, 2006.

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)
	2008	2007	2008
Franchise commission from franchised stores	**¥ 369,467**	¥ 359,770	**$ 3,518,733**
Net sales of franchised stores	**2,421,352**	2,379,890	**23,060,495**

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Inventory valuation losses	**¥3,477**	¥6,911	**$33,114**

(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)
	2008	2007	2008
Buildings and structures	**¥4,091**	¥1,117	**$38,962**
Land	**2,169**	1,367	**20,657**
Others	**868**	309	**8,267**
Total	**¥7,128**	¥2,793	**$67,886**

(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)
	2008	2007	2008
Buildings and structures	**¥3,580**	¥ 7,457	**$34,095**
Furniture, fixtures and equipment	**1,958**	7,526	**18,648**
Others	**2,943**	3,799	**28,028**
Total	**¥8,481**	¥18,782	**$80,771**

(5) "Gain on donations received"

Gain on donations received recorded for the fiscal year ended February 29, 2008 was received in cash.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Advertising and decoration expenses	**¥115,789**	¥111,231	**$1,102,752**
Salaries and wages	**439,714**	399,393	**4,187,752**
Provision for allowance for bonuses to employees	**16,066**	14,755	**153,010**
Legal welfare expenses	**50,835**	46,148	**484,143**
Land and building rent	**244,575**	227,783	**2,329,286**
Depreciation and amortization	**136,111**	125,795	**1,296,295**
Utility expenses	**100,124**	93,138	**953,562**
Store maintenance and repair	**79,781**	77,518	**759,819**

17. RELATED PARTY TRANSACTIONS

There was no related party transaction during the fiscal years ended February 29, 2008 and February 28, 2007.

18. SEGMENT INFORMATION

(1) Business segments

	Millions of yen								
Fiscal year ended February 29, 2008	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	¥2,393,220	¥2,098,014	¥1,025,350	¥113,113	¥ 93,903	¥28,793	¥5,752,393	¥ —	¥5,752,393
Intersegment	2,482	11,036	5	867	24,053	7,860	46,303	(46,303)	—
Total revenues	2,395,702	2,109,050	1,025,355	113,980	117,956	36,653	5,798,696	(46,303)	5,752,393
Operating expenses	2,194,670	2,074,991	999,590	118,211	96,884	34,164	5,518,510	(47,205)	5,471,305
Operating income (loss)	¥ 201,032	¥ 34,059	¥ 25,765	¥ (4,231)	¥ 21,072	¥ 2,489	¥ 280,186	¥ 902	¥ 281,088
Assets	¥1,295,164	¥1,129,181	¥ 781,268	¥ 69,205	¥916,730	¥16,580	¥4,208,128	¥(321,448)	¥3,886,680
Depreciation and amortization	¥ 74,066	¥ 26,452	¥ 20,154	¥ 2,904	¥ 19,774	¥ 271	¥ 143,621	¥ 22	¥ 143,643
Impairment loss on property and equipment	¥ 9,621	¥ 3,943	¥ 4,192	¥ 2,275	¥ —	¥ —	¥ 20,031	¥ —	¥ 20,031
Capital expenditures	¥ 91,173	¥ 47,299	¥ 16,670	¥ 1,395	¥ 31,533	¥ 483	¥ 188,553	¥ 24	¥ 188,577

	Millions of yen								
Fiscal year ended February 28, 2007	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 and amortization	¥ 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

	Thousands of U.S. dollars (Note 3)								
Fiscal year ended February 29, 2008	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	$22,792,571	$19,981,086	$9,765,238	$1,077,267	$ 894,314	$274,219	$54,784,695	$ —	$54,784,695
Intersegment	23,639	105,104	48	8,257	229,076	74,857	440,981	(440,981)	—
Total revenues	22,816,210	20,086,190	9,765,286	1,085,524	1,123,390	349,076	55,225,676	(440,981)	54,784,695
Operating expenses	20,901,620	19,761,819	9,519,905	1,125,819	922,704	325,371	52,557,238	(449,572)	52,107,666
Operating income (loss)	$ 1,914,590	$ 324,371	$ 245,381	$ (40,295)	$ 200,686	$ 23,705	$ 2,668,438	$ 8,591	$ 2,677,029
Assets	$12,334,895	$10,754,105	$7,440,648	$ 659,095	$8,730,762	$157,905	$40,077,410	$(3,061,410)	$37,016,000
Depreciation and amortization	$ 705,390	$ 251,924	$ 191,943	$ 27,657	$ 188,324	$ 2,581	$ 1,367,819	$ 210	$ 1,368,029
Impairment loss on property and equipment	$ 91,629	$ 37,552	$ 39,924	$ 21,666	$ —	$ —	$ 190,771	$ —	$ 190,771
Capital expenditures	$ 868,314	$ 450,467	$ 158,762	$ 13,286	$ 300,314	$ 4,600	$ 1,795,743	$ 228	$ 1,795,971

Notes:

1. The classification of business segments is made by the type of products and services and the type of sales.
2. Restaurant operations changed its segment name to food services from this fiscal year, as a result of recognization of food business due to the establishment of Seven & i Food Systems Co., Ltd.
3. 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
   - Food services .... Restaurant operations, meal provision services business (company cafeteria, hospital, school) and fast food operations
   - Financial services .... Bank, credit card and lease business
   - Others.. Electronic commerce business and other services
4. Unallocable operating expenses included in "Eliminations / corporate" represent the Company's general and administrative expenses, and totaled ¥6,791 million ($64,676 thousand) for the fiscal year ended February 29, 2008 and ¥9,198 million for the fiscal year ended February 28, 2007.
5. Capital expenditures exclude long-term leasehold deposits.

(2) Geographic area segments

Fiscal year ended February 29, 2008	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Millions of yen					
Revenues:						
Customers	¥3,821,899	¥1,864,450	¥66,044	¥5,752,393	¥ —	¥5,752,393
Intersegment	311	2,617	—	2,928	(2,928)	—
Total revenues	3,822,210	1,867,067	66,044	5,755,321	(2,928)	5,752,393
Operating expenses	3,574,937	1,835,484	63,816	5,474,237	(2,932)	5,471,305
Operating income	¥ 247,273	¥ 31,583	¥ 2,228	¥ 281,084	¥ 4	¥ 281,088
Assets	¥3,265,019	¥ 616,626	¥27,243	¥3,908,888	¥(22,208)	¥3,886,680

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 29, 2008	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Thousands of U.S. dollars (Note 3)					
Revenues:						
Customers	$36,399,038	$17,756,667	$628,990	$54,784,695	$ —	$54,784,695
Intersegment	2,962	24,924	—	27,886	(27,886)	—
Total revenues	36,402,000	17,781,591	628,990	54,812,581	(27,886)	54,784,695
Operating expenses	34,047,019	17,480,800	607,771	52,135,590	(27,924)	52,107,666
Operating income	$ 2,354,981	$ 300,791	$ 21,219	$ 2,676,991	$ 38	$ 2,677,029
Assets	$31,095,419	$ 5,872,629	$259,457	$37,227,505	$(211,505)	$37,016,000

Notes:
1. The classification of geographic area segments is made according to geographical distances.
2. "Others" consists of the business results in the People's Republic of China ("P.R.C.") as of February 29, 2008 and mainly in the P.R.C. as of February 28, 2007.

(3) Overseas sales

Fiscal year ended February 29, 2008	North America	Others	Total
	Millions of yen		
Overseas sales	¥1,864,450	¥66,044	¥1,930,494
Consolidated sales	—	—	5,752,393
Percentage of overseas sales to consolidated sales (%)	32.4	1.1	33.6

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 29, 2008	North America	Others	Total
	Thousands of U.S. dollars (Note 3)		
Overseas sales	$17,756,667	$628,990	$18,385,657
Consolidated sales	—	—	54,784,695
Percentage of overseas sales to consolidated sales (%)	32.4	1.1	33.6

Notes:
1. The classification of overseas sales area segments is made according to geographical distances.
2. "Others" consists of sales in the P.R.C. as of February 29, 2008 and mainly in the P.R.C. as of February 28, 2007.
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 29, 2008, the Company's Board of Directors declared a year-end cash dividend of ¥26,778 million ($255,029 thousand) to be payable on May 23, 2008 to shareholders on record on February 29, 2008.

The dividend declared was approved by the shareholders at the meeting held on May 22, 2008.

2. Acquisition and cancellation of treasury stock

On April 10, 2008, the Company's Board of Directors approved the acquisition of treasury stock pursuant to Article 165-3 and Article 156 of the Japanese Corporate Law, and the cancellation of treasury stock thereby acquired, pursuant to Article 178 of the Japanese Corporate Law.

(1) Reason for the acquisition of treasury stock
    To improve shareholder value and capital efficiency

(2) Details of the acquisition
    (a) Class of shares to be acquired
        Common stock
    (b) Number of shares to be acquired
        Up to 50,000,000 shares, representing 5.23% of issued shares (excluding treasury stock)
    (c) Total amount of acquisition
        Up to ¥170,000 million ($1,619,048 thousand)
    (d) Scheduled period of acquisition
        From April 18, 2008 to June 30, 2008
    (e) Method of acquisition
        Purchase from the market

(3) Details of the cancellation
    (a) Class of shares to be cancelled
        Common stock
    (b) Number of shares to be cancelled
        Up to 50,000,000 shares, representing 5.23% of issued shares prior to cancellation (excluding treasury stock). All of the shares acquired as described above in item (2), will be cancelled.
    (c) Number of issued shares after cancellation
        906,441,983 shares (scheduled)
    (d) Scheduled date of cancellation
        July 31, 2008

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors 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 29, 2008, 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 independently express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2007, were jointly audited by us and MISUZU Audit Corporation whose report, dated May 24, 2007, expressed an unqualified opinion on those statements and included an explanatory paragraph that described a subsequent event.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 29, 2008, 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:
(1) As discussed in Note 2(8) (c) to the consolidated financial statements, effective from the year ended February 29, 2008, certain domestic consolidated subsidiaries changed their accounting policies to provide an allowance for loss on future collection of gift certificates.
(2) As discussed in Note 19-2 to the consolidated financial statements, on April 10, 2008, the Board of Directors of Seven & i Holdings Co., Ltd. approved the acquisition and the cancellation of treasury stock.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
May 22, 2008

FINANCIAL SUMMARY OF PRINCIPAL GROUP COMPANIES

SEVEN-ELEVEN JAPAN CO., LTD.

For the fiscal years ended February 28 or 29, 2008, 2007, and 2006	Millions of yen		
	2008	2007	2006
Total store sales	**¥2,574,306**	¥2,533,534	¥2,498,754
Revenues from operations	**527,668**	516,968	492,831
Operating income	**168,172**	172,738	177,351
Net income	**101,717**	98,403	118,779
Number of stores	**12,034**	11,735	11,310
Net sales decrease, existing stores only (%)	**(1.5)**	(1.9)	(1.6)
Gross margin on store sales (%)	**31.0**	30.9	31.0
Average daily sales per store (thousands of yen)	**597**	610	627

7-ELEVEN, INC. and its consolidated subsidiaries

For the fiscal years ended December 31, 2007, 2006, and 2005	Millions of yen		
	2007	2006	2005
Revenues from operations	**¥1,843,409**	¥1,707,533	¥1,498,679
Net sales	**1,822,737**	1,690,614	1,485,409
Merchandise	**1,068,454**	1,008,819	916,066
Gasoline	**754,283**	681,795	569,343
Operating income	**31,727**	32,016	32,349
Net income	**17,290**	14,702	1,823
Number of stores	**6,088**	6,050	5,829
U.S. same-store merchandise sales increase (%)	**3.1**	3.1	4.4
Gross margin on merchandise sales (%)	**35.9**	36.0	35.8

Notes: (A) Yen amounts were translated from U.S. dollars at the rate of US$1=¥117.85, US$1=¥116.38, and US$1=¥110.26, the rates of exchange for 2007, 2006, and 2005, respectively.
(B) The amounts of each fiscal year reflect adjustments to the necessary for the consolidation to Seven & i Holdings' consolidated accounts.

ITO-YOKADO CO., LTD.

For the fiscal years ended February 28 or 29, 2008, 2007, and 2006	Millions of yen		
	2008	2007	2006
Revenues from operations	**¥1,489,381**	¥1,511,530	¥1,493,605
Net sales	**1,464,094**	1,487,481	1,470,523
Operating income	**17,127**	18,322	12,073
Net income	**11,088**	13,356	51,322
Number of stores	**176**	174	178
Net sales decrease, existing stores only (%)	**(2)**	(1)	(2)
Gross margin on store sales (%)	**29.9**	30.3	30.9

YORK-BENIMARU CO., LTD.

For the fiscal years ended February 28 or 29, 2008, 2007, and 2006	Millions of yen		
	2008	2007	2006
Revenues from operations	**¥330,145**	¥313,936	¥297,446
Net sales	**319,932**	304,855	289,394
Operating income	**11,227**	10,307	11,413
Net income	**9,150**	4,442	6,716
Number of stores	**149**	128	116
Net sales decrease, existing stores only (%)	**(2.6)**	(3.6)	(2.2)
Gross margin on store sales (%)	**27.1**	26.9	26.8

SOGO CO., LTD.

For the fiscal years ended February 28 or 29, 2008, 2007, and 2006	Millions of yen		
	2008	2007	2006
Revenues from operations	**¥502,001**	¥500,715	¥474,732
Net sales	**495,337**	494,350	468,994
Operating income	**16,243**	16,754	17,248
Net income	**6,152**	7,417	21,219
Number of stores	**12**	12	12
Net sales increase, existing stores only (%)	**0.2**	2.8	0.9
Gross margin on store sales (%)	**26.4**	26.8	27.2

THE SEIBU DEPARTMENT STORES, LTD.

For the fiscal years ended February 28 or 29, 2008, 2007, and 2006	Millions of yen		
	2008	2007	2006
Revenues from operations	**¥468,063**	¥465,832	¥482,939
Net sales	**461,079**	459,075	476,144
Operating income	**15,292**	17,454	19,934
Net income	**18,487**	2,547	4,475
Number of stores	**16**	16	18
Net sales increase, existing stores only (%)	**0.5**	0.2	1.0
Gross margin on store sales (%)	**27.4**	27.8	28.1

SEVEN & i FOOD SYSTEMS CO., LTD.

For the fiscal year ended February 29, 2008	Millions of yen
	2008
Revenues from operations	**¥54,958**
Net sales	**54,702**
Operating loss	**(2,924)**
Net loss	**(4,898)**

Note: Seven & i Food Systems Co., Ltd., was established in January 2007, and merged with Denny's Japan Co., Ltd., Famil Co., Ltd., and York Bussan K.K., in September 1, 2007.
The results in the fiscal year ended February 29, 2008 include six-month results of the former 3 companies after the merger.

SEVEN BANK, LTD.

For the fiscal years ended March 31, 2008, 2007, and 2006	Millions of yen		
	2008	2007	2006
Ordinary income	**¥83,664**	¥75,428	¥64,613
Ordinary profit	**24,651**	25,022	19,410
Net income	**13,830**	12,668	10,591
Installation of ATMs	**13,032**	12,088	11,484
Average daily number of transactions per ATM	**109.0**	97.8	88.2
Total number of transactions (millions)	**498**	418	342

PRINCIPAL SUBSIDIARIES

(As of May 31, 2008)

CONVENIENCE STORE OPERATIONS

Seven-Eleven Japan Co., Ltd.
7-Eleven, Inc.
SEVEN-ELEVEN (BEIJING) CO., LTD.
SEVEN-ELEVEN (HAWAII), INC.
SEVEN-ELEVEN CHINA Co., Ltd.[1]

SUPERSTORE OPERATIONS

Ito-Yokado Co., Ltd.
York-Benimaru Co., Ltd.[2]
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.
FUJIKOSHI CO., LTD.[3]
K.K. Sanei
Robinson Department Store Co., Ltd.
Mary Ann Co., Ltd.
Oshman's Japan Co., Ltd.
Akachan Honpo Co., Ltd.[4]
IY Foods K.K.

DEPARTMENT STORE OPERATIONS

Millennium Retailing, Inc.[5]
Sogo Co., Ltd.
THE SEIBU DEPARTMENT STORES, LTD.
THE LOFT CO., LTD.[6]
SHELL GARDEN CO., LTD.
MILLENNIUM Casting Inc.
IKEBUKURO SHOPPING PARK CO., LTD.
Yatsugatake Kogen Lodge Co., Ltd.
GOTTSUO BIN CO., LTD.

FOOD SERVICES [7]

Seven & i Food Systems Co., Ltd.[7]

FINANCIAL SERVICES

Seven Bank, Ltd.
IY Card Service Co., Ltd.
SE CAPITAL CORPORATION
K.K. York Insurance
Seven Cash Works Co., Ltd.
SEVEN & i Financial Center Co., Ltd.
SEVEN & i FINANCIAL GROUP CO., LTD.[8]

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. SEVEN-ELEVEN CHINA Co., Ltd., was established as a wholly owned subsidiary of Seven-Eleven Japan on April 10, 2008.
2. On September 1, 2007, York-Benimaru Co., Ltd. merged with Super Kadoya Co., Ltd.
3. On November 1, 2007, FUJIKOSHI CO., LTD., became a consolidated subsidiary of the Company by a stock acquisition.
4. On July 31, 2007, Akachan Honpo Co., Ltd., became a consolidated subsidiary of the Company by a stock acquisition.
5. Millennium Retailing, Inc., is the holding company of Sogo Co., Ltd., and THE SEIBU DEPARTMENT STORES, LTD., etc.
6. On March 23, 2007, THE LOFT CO., LTD., became a consolidated subsidiary of the Company by an additional stock acquisition.
7. Restaurant operations changed its segment name to food services from the fiscal year ended February 29, 2008, as a result of reorganization of food business due to the establishment of Seven & i Food Systems Co., Ltd., in January 2007. Seven & i Food Systems merged with Denny's Japan Co., Ltd., Famil Co., Ltd., and York Bussan K.K., on September 1, 2007.
8. On January 11, 2008, SEVEN & i FINANCIAL GROUP CO., LTD., was established as the Company's wholly owned subsidiary.

INVESTOR INFORMATION

(As of February 29, 2008)

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

NUMBER OF EMPLOYEES

55,815 (Consolidated)
373 (Nonconsolidated)

PAID-IN CAPITAL

¥50,000 million

NUMBER OF COMMON STOCK

Issued: 956,441,983 shares

NUMBER OF SHAREHOLDERS

95,902

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

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

BOND RATINGS

(As of June 26, 2008)

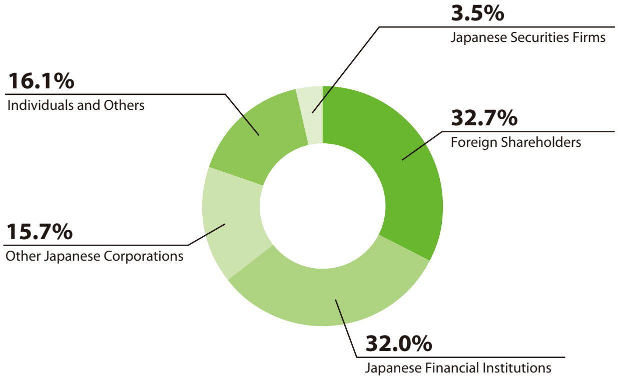
		S&P	Moody's	R&I	JCR
Seven & i Holdings	Long-term	–	Aa3	AA	AA+
Seven-Eleven Japan	Long-term	AA-	–	–	AA+
	Short-term	A-1+	P-1	–	–
Ito-Yokado	Long-term	AA-	Aa3	AA	AA+
7-Eleven, Inc.	Long-term	A	Baa3	–	–
Seven Bank	Long-term	A+	–	AA	–

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

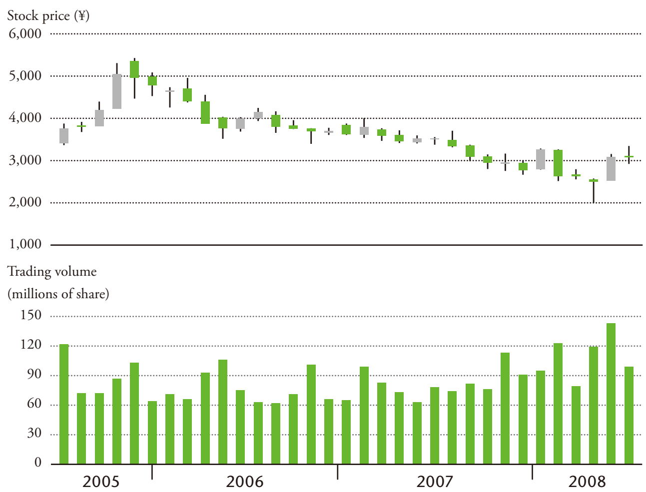
PRINCIPAL SHAREHOLDERS

	Investment by each major shareholder in the Company: Number of shares held (thousand shares)	Percentage of shares held
Ito-Kogyo Yugen Kaisha	66,954	7.0%
The Master Trust Bank of Japan, Ltd. (Trust account)	48,768	5.1%
Japan Trustee Services Bank, Ltd. (Trust account)	41,734	4.4%
The Dai-ichi Mutual Life Insurance Company	27,577	2.9%
Nomura Securities Co., Ltd.	23,469	2.5%
Masatoshi Ito	21,568	2.3%
Nippon Life Insurance Company	20,664	2.2%
Japan Trustee Services Bank, Ltd. (Trust account 4)	17,465	1.8%
MITSUI & CO., LTD.	16,222	1.7%
Mellon Bank, N.A. Treaty Clients Omnibus	14,275	1.5%

CLASSIFICATION OF SHAREHOLDERS BY NUMBER OF SHARES HELD



STOCK PRICE CHART



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