

Interview with the President



Noritoshi Murata
President and Chief Operating Officer

Q1. Would you describe the Group's operational activities over the five years since Seven & i Holdings was established?

A1. We are beginning to see the effects of our efforts to generate Group synergies over the past five years, and the know-how that we have cultivated through this process will be an important source of strength in the future.

When Seven & i Holdings was established, we implemented a policy of focusing on generating Group synergies, centered on seven core operational areas, and enhancing consumer loyalty to the corporate brands held by each core operating company. However, at the time of the holding company's establishment, there was a barrier resulting from differences among the operational characteristics of each company, and we faced difficulties in implementing cooperative initiatives among various operational fields.

It was the development of the Group's *Seven Premium* private-brand products that enabled us to break through that barrier. In creating *Seven Premium*, we decided not to rely on a company that specialized in the development of private-brand products. Instead, we utilized the Team Merchandising Approach in which we shared the information and know-how cultivated by each of our operating companies and advanced joint development with outside manufacturers. We also shared Seven-Eleven Japan's advanced product development know-how throughout the Group, and we implemented Group Merchandising that fully leveraged the Group's sales capabilities. As a result of these initiatives, in the fiscal year ended February 28, 2011, which was the fourth year after the launch of *Seven Premium*, sales of the Group's private-brand products, including *Seven Premium*, reached ¥380.0 billion. We have succeeded in developing *Seven Premium* into our core line of private-brand merchandise. This is an excellent example of a major competitive advantage for the Group as a whole that resulted from overcoming the barriers among various operational fields and reinforcing cooperative initiatives within the Group.

Following the Lehman Shock, differentials in organizational strengths were directly reflected in earnings power. Today, we are utilizing the know-how that we have cultivated in the development of private-brand merchandise—not only in Global Merchandising activities but also in the joint procurement of raw materials and products. In this environment, the Group encompasses a diverse range of business formats and is able to fully utilize know-how and resources from both inside and outside the Group. These capabilities will be a major competitive edge in future operational development.

Q2. The Group made a major contribution to local communities by quickly reopening the stores that were damaged by the Great East Japan Earthquake. How was the Group able to achieve those results?

A2. In addition to close cooperation among the operating companies' stores and head offices, our principal strengths in these endeavors were the concerted action among Group companies and our relationships with outside business partners.

The Group experienced the Great Hanshin Earthquake 16 years ago, which reinforced our strong awareness of the social mission of a retail group—continuing to provide products that are essential in daily life, even in times of crisis. I believe that the speed of our reaction following the earthquake in March is a result of how that social mission has taken root in the corporate cultures at all the Group's operating companies.

After the earthquake, the Group quickly established the Earthquake Response Office at head office, and we centralized the information reported by each Group company. In addition, through our close ties with distribution companies and other external partners, we worked to establish a backup system for delivering products to disaster-stricken areas.

At the stores, our highest priority was to maintain store operations so that local residents could return to their normal lives as rapidly as possible. I believe that these unified, Group-wide emergency measures and our strong relationships with external partners, which we have cultivated for many years, are what enabled us to quickly reopen stores and to restart product procurement and distribution activities.

Q3. Would you discuss the Group's approach to providing a return to shareholders? Specifically, over the past five years, the Group has increased dividends and made acquisitions of treasury stock. What is the Group's basic policy for these types of activities?

A3. Since our establishment, our basic policy for shareholder returns has been to provide a return of profits in line with profit growth.

We recognize our shareholders as important stakeholders, and in returning profits to shareholders, there has been no change in our basic policy of providing a return in line with profit growth since our establishment. In calculating dividends, the Company aims to maintain a basic annual dividend amount of at least ¥50.00 per share and a target consolidated payout ratio of at least 35%.

We also consider share buybacks to be flexible means of providing a return to shareholders, consequently, we have implemented acquisitions of treasury stock with consideration for our financial position.

Dividends and Treasury Stock Acquisitions

	Annual dividends	Total dividends	Treasury stock acquisitions	
FY 2007	¥52.00	¥49.5 billion	—	—
FY 2008	¥54.00	¥51.9 billion	—	—
FY 2009	¥56.00	¥50.5 billion	50 million shares	¥157.9 billion
FY 2010	¥56.00	¥50.5 billion	—	—
FY 2011	¥57.00	¥50.3 billion	20 million shares	¥47.2 billion
FY 2012 (Plan)	¥57.00	—	—	—

Q4. Do you have a message for the Group's shareholders and investors?

A4. I would like the year ahead to be one in which everyone at the Group works together to take the first step toward new growth.

Five years have passed since the Group's establishment, and over that period we have built a solid foundation for growth as a Group. Now, we will expand our domestic market share by fully leveraging our store network—about 14,700 stores in Japan—and our sales capabilities. We will also aggressively take on the challenge of strengthening our common Group infrastructure, such as Internet operations and financial services. Overseas, we will focus on global operational development, centered on Seven-Eleven Japan and 7-Eleven, Inc.

We would like to ask for the continued support of our shareholders and investors in the years ahead.

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