CONVENIENCE STORE OPERATIONS

Convenience store operations comprise 7-Eleven convenience stores in Japan, North America, and China (Beijing, Tianjin, and Chengdu). 7-Eleven, Inc., based in the United States, provides 7-Eleven area franchise rights to area licensees around the world.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,727.7 billion	¥276.7 billion	¥193.2 billion
+7.8%	+7.5%	(2.3)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥3,000.0 billion, up 10.0% year on year, and operating income of ¥296.0 billion, an increase of 7.0%. Moreover, with respect to the exchange rate for income calculation, the yen is projected to fall ¥12.21 against the U.S. dollar to ¥118.00. The resulting foreign exchange effects are projected to increase reported segment revenues from operations by about ¥221.6 billion and segment operating income by about ¥6.5 billion. Capital expenditures are forecast at ¥293.0 billion, up 51.6%, and depreciation and amortization at ¥126.0 billion, an increase of 22.0%. Capital expenditures are planned for aggressive store openings in Japan as well as investments in existing stores to enhance their sales capabilities. These projections also factor in increases due to M&As for store openings in North America.

Domestic Operations

In Japan, the social environment continues to change with the continued fall in the birthrate, combined with an aging population, households with fewer members, an increase in the number of working women, and a decline in the number of small- and medium-sized retail stores. In this environment, convenience stores with their small catchment areas are playing an increasingly important role. Seven-Eleven Japan (SEJ) has been approaching these changes as opportunities for growth, and since 2009 has been promoting store openings with the goal of creating stores that are "close-by, convenient stores." In the fiscal year ending February 29, 2016, SEJ will seek to evolve this concept even further, including by focusing in particular on increasing its response to local needs.

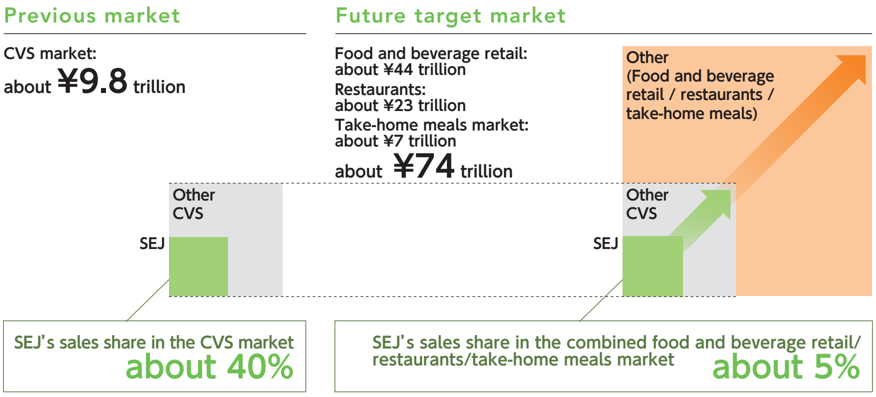
On the product front, we will take steps to further increase the quality of our original products and to enhance our lineup of everyday meal type products, such as *sozai* prepared meals, frozen food products, and processed foods, and develop products under the Group's private brands, *Seven Premium* and *Seven Gold*. This measure is designed to widen SEJ's customer base, mainly among seniors and women, who tend to be sensitive to pricing and quality. Ultimately, it is intended to contribute to continued growth in existing store sales.

In store openings, SEJ plans to set yet another record with 1,700 new store openings. These will include further openings in existing coverage areas as well as development of new areas, such as the start of store openings in Kochi Prefecture in March 2015, followed in June by openings in Aomori Prefecture, with further new openings scheduled for Tottori Prefecture in October. This will bring the total to 18,591 stores, a net increase of 1,100 stores from February 28, 2015.

Through these two growth drivers of expansion in sales at existing stores and increases in store openings, SEJ's share of net sales in the convenience store market has grown by 1 percentage point each year for the past five years. We broke through 41% in the fiscal year ended February 28, 2015, and in the medium term, we are looking to achieve a share of 50%.

Moreover, SEJ is looking beyond the conventional definition of the convenience store market and is now targeting all food-related markets, including food and beverage retail, restaurants, and take-home meals. This giant target market has total sales of approximately ¥74 trillion, and since SEJ's current share is only about 5%, there are still ample opportunities for growth. SEJ will continue to develop products and services in response to the various changes in the market, while taking a highly precise approach to store openings.

VIEW OF SEJ'S MARKET



Sources: Japan Franchise Association monthly convenience store survey, Current Survey of Commerce (Ministry of Economy, Trade and Industry), Foodservice Industry Research Institute

SEVEN-ELEVEN JAPAN

Pursue "close-by, convenient stores" and respond to local needs in detail

KEY INITIATIVES OF SEVEN-ELEVEN JAPAN

Merchandising

Promote product development in line with regional characteristics
- Divide Japan into nine blocs to enhance regional response

Strengthen development of differentiated products
- Strengthen the development of original products
- Bolster product development under the Group's private brands, *Seven Premium* and *Seven Gold*
- Further increase sales of *SEVEN CAFÉ* and bolster related sales of *SEVEN CAFÉ Donut*, etc.
- Launch the WEST JAPAN PROJECT, and strengthen store management and development, mainly focused on product development

Store-opening policies

Step up store openings in Japan's three major urban areas (Tokyo metropolitan area, Chukyo area and Kansai area)

Open up new areas
- Opened new stores in Kochi Prefecture in March 2015 and Aomori Prefecture in June 2015. Further openings in Tottori Prefecture in October 2015
  →Achieve coverage in 46 of Japan's 47 prefectures by February 29, 2016

Expansion into special locations (train stations, business locations, universities, etc.)
- Start opening stores in train stations in West Japan through a business alliance with JR West Group

Relocation
- Revitalize the catchment areas of existing stores

Strengthen service operations

Promote the Omni-Channel Strategy
- Enhance the system for stores to serve as collection points for products ordered on the Group's Internet shopping sites

Shopping support
- Enhance product delivery services, mainly focusing on *Seven-Meal*

Merchandising

SEJ is continuing its efforts to enhance customer satisfaction by strengthening its development and product lineups of the Group's private brands, *Seven Premium* and *Seven Gold*, including original products. We rigorously promote measures to keep customers returning, not only through developing new products, but also by renewing standard products such as rice balls and sandwiches to ensure impeccable taste and quality. As a follow-on to the *SEVEN CAFÉ*, which continues to deliver strong sales, we launched *SEVEN CAFÉ Donut*. We will continue endeavoring to create new markets in the same way that we did with coffee.

In order to strengthen our response to local needs, we established the WEST JAPAN PROJECT in the fiscal year ended February 28, 2015 as an organizational format that integrates product development, store operation, and store development, and we have been developing products to suit the preferences of local customers. Having seen the results of the initiative in West Japan, we expanded the organization to cover the entire country in January 2015, dividing Japan into nine blocs to create a system for enhancing our response to regional needs. Through this system, we aim to realize product development and product lineups that are even more attuned to their local regions.

SEVEN CAFÉ

SEVEN CAFÉ received the "Most Excellent Award, Nikkei Award" at the Nikkei Newspaper 2013 Nikkei Superior Product and Service Awards, winning high praise for establishing a new consumer trend of buying coffee at convenience stores. *SEVEN CAFÉ* continued its runaway hit status in the fiscal year ended February 28, 2015, with cumulative sales reaching 700 million cups. In the fiscal year ending February 29, 2016, we plan to launch a new initiative in this area: *SEVEN CAFÉ Donut*. This new product has been commercialized through a team merchandising project involving some 30 companies spanning 10 different fields. The donuts will be manufactured and delivered at room temperature to stores throughout Japan from 24 dedicated factories, and will be sold from specially designed sales units. This differentiated product is truly an example of SEJ's collective strengths, and will be sold using SEJ's original manufacturing infrastructure, delivery infrastructure, and sales system. *SEVEN CAFÉ Donut* will be launched nationwide in the first half of 2015, and we are aiming for sales of ¥40.0 billion in the fiscal year ending February 29, 2016.

Store-Opening Policies

SEJ's basic policy for opening stores is to implement its market concentration strategy of developing a high concentration of multiple stores, while maintaining a focus on individual store profitability. We believe that the aforementioned social environmental changes have created scope for further store openings even in existing coverage areas. We are promoting store openings under our market concentration strategy, particularly in Japan's three main urban areas of the Tokyo metropolitan area, Chukyo, and Kansai, which harbor large potential markets. In store openings, we will continue to execute high-quality openings, including conducting rigorous surveys of site conditions with an emphasis on the profitability of each store. Furthermore, we will respond flexibly to relocation needs in our existing stores in line with the particular environment of each individual store. Relocations enable us to create larger sales areas and car parking spaces, and to offer full product lineups and services, which help to invigorate the local area.

In new areas, meanwhile, we will open stores in Kochi, Aomori, and Tottori prefectures, thereby achieving coverage in 46 of Japan's 47 prefectures by February 29, 2016. Through these initiatives, SEJ is planning to open a record 1,700 stores in the fiscal year ending February 29, 2016.

Strengthen Service Operations

In light of the changes in the social environment, SEJ will strengthen its product delivery services, mainly focusing on *Seven-Meal*, as a means of supporting customers' shopping activities. When delivering products, we will promote the practice of "listening to customers," including asking them whether there are any other items they would like to order, so that we can deliver even better convenience.

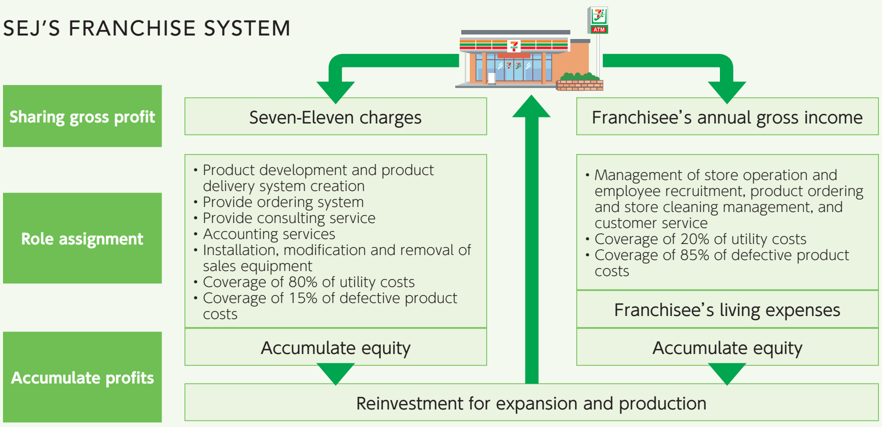
Moreover, the Omni-Channel Strategy will begin full-scale operation in October 2015. It is the next project to harness Group synergies after *Seven Premium*, and SEJ has a major role to play in it. The keystone of the strategy is SEJ's more than 17,000-strong network of stores. We will examine options for expanding various services at these stores, including serving as collection points for products, as well as for deliveries and receiving orders in stores, among other functions. 7-Eleven stores handle about 2,800 items, but including the Group's Internet products they handle approximately 3 million items.

SEJ's STRENGTHS

SEJ's Franchise System

Since its foundation in 1973, SEJ has developed its own unique franchise system, guided by an unchanging founding philosophy of "modernizing and revitalizing small- and medium-retail stores." SEJ and its franchisees are on an equal footing with clear role assignments. As a result, SEJ and its franchisees work together on improving gross profits instead of net sales in a mutually beneficial relationship.

SEJ'S FRANCHISE SYSTEM



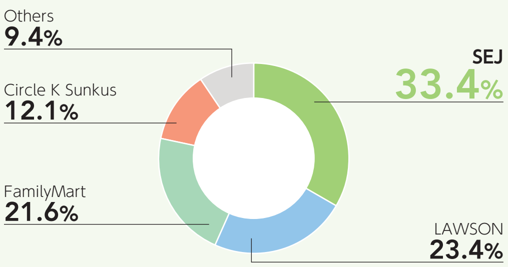
SEJ's Foundation for Growth

The strength of SEJ lies in having a business foundation that can adapt flexibly to changes in the social environment and consumer needs. This business foundation has three main characteristics.

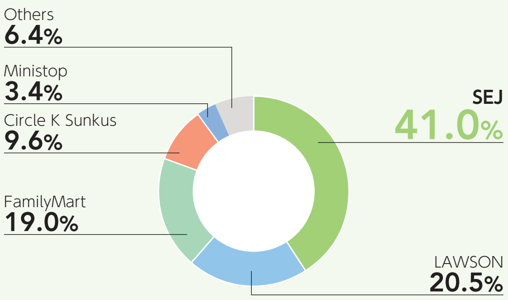
Market concentration strategy

Store openings are the ultimate source of SEJ's business. In this area, SEJ has adopted a market concentration strategy that helps to realize effective sales promotions by increasing recognition among customers, as well as an efficient distribution system. Furthermore, by establishing dedicated factories that leverage the characteristics of high store density, SEJ can develop regionally exclusive products as part of creating stores with a strong regional character.

SHARE BY STORE NUMBERS



SHARE BY TOTAL STORE SALES



Sources: Japan Franchise Associations, Public information of each company

System for providing original products

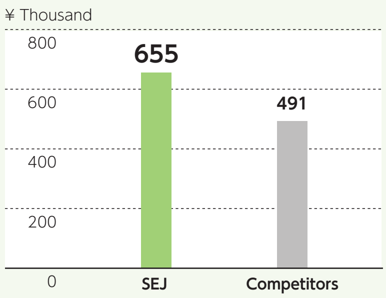
In team merchandising, SEJ partners with companies that possess optimal technologies for gathering market information and creating ideal products to satisfy the needs of franchisees and customers. To realize unrivalled differentiation in its original products, every part of the process, from recipes to raw materials and production facilities, must be exclusive to SEJ. Even the combined distribution centers are exclusively dedicated to SEJ, which enables it to distinguish its original products in terms of product development, hygiene management, and quality control. In addition to original products, the Group also uses this product development process for joint product development with national-brand manufacturers to create its *Seven Premium* private-brand products.

Head Office support capabilities

The Seven-Eleven Head Office develops high-quality stores by providing investments in existing stores for sales equipment and other items and supporting sales promotions, as well as providing detailed store management consultation to individual stores through Operations Field Consultants (OFCs).

This business foundation enables SEJ to achieve high daily sales and to respond in detail to the needs of each region.

AVERAGE DAILY SALES PER STORE



Overseas Convenience Stores

Overseas, 7-Eleven, Inc. (SEI) will expand its revenue- and profit-generating base further by working on the product front to strengthen development of fresh foods, which have high consumption rates and gross margins, and *7-Select* private-brand products. Meanwhile, in store openings, we will further increase our market concentration in existing store areas in order to pursue efficiencies in logistics and other areas, while promoting further conversion to franchised stores to increase profitability. Meanwhile, in China, we will continue to strengthen our revenue- and profit-generating base in existing stores. In the summer of 2015, we will begin opening stores in the UAE. SEJ will provide support for existing area franchisees together with its global master franchiser, SEI. In the UAE, SEJ will use its accumulated methods and procedures for market concentration strategy, team merchandising, and item-by-item management to support 7-Eleven store operators from the store-opening preparation stage in order to build a high-quality store management system.

7-ELEVEN, INC.

Increase customer satisfaction by strengthening fresh foods

KEY INITIATIVES OF 7-ELEVEN, INC.

Merchandising

Reinforce fresh food product development
- Strengthen fresh food and hot food product development
- Strengthen local food products tailored to regional tastes

Bolster development of *7-Select* private-brand products

Store-opening policies

Market concentration strategy
- Increase store density in areas with existing stores (including through M&As)
- Strengthen store openings in urban areas

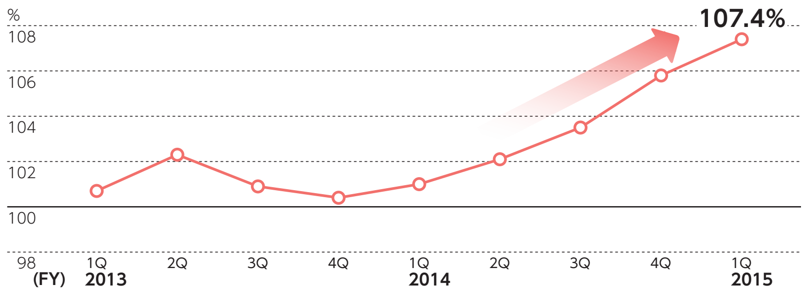
Strengthen guidance from OFCs for thorough implementation of item-by-item management

Improve profitability by converting acquired stores into 7-Eleven stores and directly operated stores into franchised stores

Merchandising

SEI will continue to concentrate on strengthening its development of differentiated products to meet demand for between-meal snacks, including fresh foods such as sandwiches, salads, and cut fruit, as well as hot food and snacks. Especially in the case of hot food, we are seeing steady results with existing store sales growth picking up as the number of stores offering hot foods increases. We will also work to develop and sell local foods tailored to regional tastes. Moreover, our key *7-Select* private-brand products enjoy solid customer support for being more reasonably priced than national-brand products and of the same or better quality, and sales of these offerings are increasing steadily.

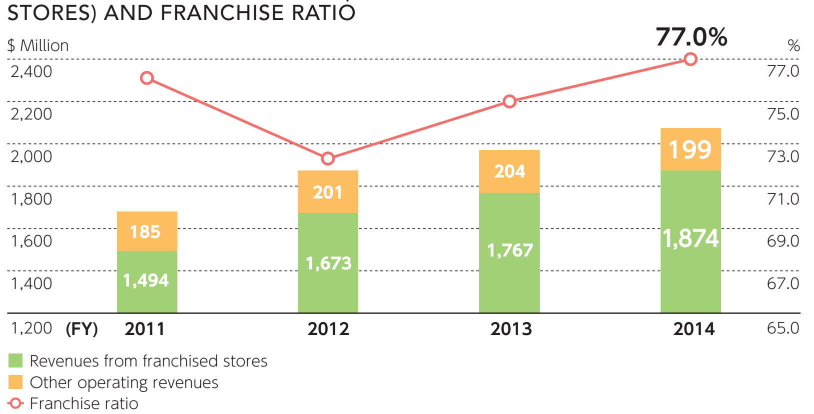
YEAR-ON-YEAR MERCHANDISE SALES AT EXISTING STORES IN THE U.S.



Store Initiatives

Of the approximately 150,000 convenience stores in the U.S., SEI holds a market share of just 5.5%, so there is still tremendous potential for growth. In store openings, SEI targets the densely populated east coast areas of New York, Boston, and Washington DC, as well as areas such as Chicago, Florida, Texas, and California. At the same time, SEI will pursue profitability through more efficient distribution and sales promotion efforts that leverage the company's market concentration strategy. Moreover, in line with key measures to strengthen its fresh food lines, SEI will focus more on opening stores in urban areas where fresh food demand is high in comparison with the suburbs. SEI will also endeavor to improve sales at the stores it has already acquired by remodeling them, and also by deploying a product policy and IT system, and enhancing store operator training. Looking ahead, SEI will maximize its profitability by converting stores that have increased their sales capabilities into franchised stores. In the fiscal year ending December 31, 2015, SEI plans to open 400 stores, including through M&As.

OTHER OPERATING REVENUES (INCLUDING REVENUES FROM FRANCHISED STORES) AND FRANCHISE RATIO



SUPERSTORE OPERATIONS

Superstore operations comprise superstores that provide apparel, household goods, and food in Japan and China, specifically Beijing and Chengdu. In addition, superstore operations include food supermarkets in Japan and Beijing and specialty stores.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,012.1 billion	¥19.3 billion	¥65.4 billion
+0.1%	(34.8)%	(1.8)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the year ending February 29, 2016, the segment is forecasting revenues from operations of ¥2,060.0 billion, up 2.4% year on year, and operating income of ¥31.6 billion, up 63.4%. Capital expenditures are forecast at ¥92.2 billion, up 40.8%, and depreciation and amortization at ¥23.0 billion, an increase of 11.1%. The increase in capital expenditures includes up-front investments relating to new stores scheduled to be opened from the fiscal year ending February 28, 2017 onward, in addition to investments aimed at invigorating existing stores.

Superstore Operations

Ito Yokado (IY) will enhance sales capabilities by strengthening development of private-brand products and face-to-face sales service for customers. IY will also strive to invigorate existing stores by creating product lineups and sales areas to suit regional characteristics. To this end, IY will create a store-led operating framework, and break free from conventional Chain Store management.

Delicatessen items of IY

KEY INITIATIVES OF ITO-YOKADO

Store initiatives

Create a store-led operating framework
- Revise merchandising activities directed by the Head Office
- Significantly expand decision-making authority over sales at stores and strengthen responsibility for sales
- Enhance purchasing functions for regional products

Invigorate existing stores
- Implement store renovations centered on foods, the main earnings driver
- Increase customer-drawing power through the use of specialty stores from inside and outside the Group

Strengthen value communication through customer service
- Enhance customer service levels and sales techniques by improving the ability of part-time staff

Merchandising

Develop differentiated products utilizing Group capabilities
- Food: Expand development of differentiated products
  →Expand *Seven Premium*, use joint procurement for fresh foods, increase procurement capabilities for regional products through links with Group companies and business partners
- Apparel and household goods: Promote merchandising innovation
  →Enhance sales of existing private brands and develop products jointly with Group companies

The Omni-Channel strategy

Strengthen *Net Supermarket* business
- Operate a dedicated *Net Supermarket* store
- Expand the number of orders received by improving operational efficiency at existing stores

ITO-YOKADO

We will expand sales at existing stores by strengthening store-led independent operation and reinforcing our regional response

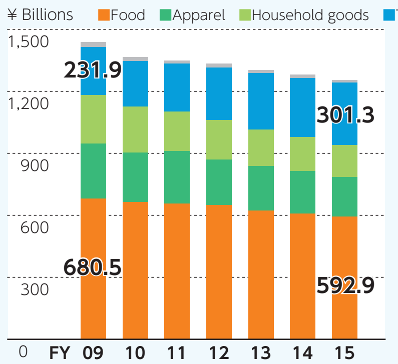
IY has been carrying out structural reforms focused on apparel and household goods. While we have made a certain amount of progress in rightsizing directly managed sales floor space and bringing in tenants, sales of foods—our main earnings pillar—have been on the decline. Recovery of food sales is vital to the recovery of sales at existing stores, and IY will place top priority on efforts to improve its competitiveness in foods, including remodeling of sales areas.

BUSINESS STRUCTURE REFORMS SINCE THE ESTABLISHMENT OF THE GROUP AND CURRENT CHALLENGES

SUMMARY OF CHALLENGES AND RESPONSE MEASURES

Store openings:	Focus on mall-type shopping centers, such as *Ario*, and *Shokuhinkan* food specialty stores
Store reforms:	Rightsize directly-managed sales areas and expand tenants with a main focus on apparel
Merchandising:	Strengthen private brands
Store operation:	Strengthen customer service and sales techniques
Cost reduction:	Close unprofitable stores, review sales promotion costs, etc.

SALES BY PRODUCT CATEGORY



Tenant mix and sales-area adjustment achieved a certain level of success

Still room for improvement with apparel and household goods

End reliance on wholesalers for merchandising and move to retailer-managed merchandising

Slumping sales of food, our core earnings pillar, is an urgent challenge to be addressed

Store Initiatives

IY has grown through conventional Chain Store management that pursues management efficiency through massive store openings and a large scale, based on a uniform nationwide product lineup led by the Head Office. In today's mature society, however, as consumption becomes saturated and consumer needs diversify, the difference in inter-regional preferences is so wide that opportunities begin to slip away under a conventional model of Chain Store management. IY will radically revise its approach to Chain Store management and construct a store-led operating framework.

Specifically, stores will fully implement item-by-item management that corresponds to individual store needs and work to strengthen sales through customer service. At the same time, the Head Office will help stores to achieve their desired product lineups. To reinforce store-led product lineups, we shifted to an organizational structure with product procurement functions centered on local merchandise in 2015.

We have also noticed that most of the part-time staff, who account for around 80% of IY's employees, live in the vicinity of the stores and have a strong knowledge of local culture and customs. We will advance the strategic capabilities of part-time staff and enhance our regional operation to help increase motivation throughout the stores.

Face-to-face sales at a fresh food sales area

Merchandising

IY will aim to increase customer loyalty by working to develop products embodying new value and high-quality customer service.

In food merchandising, we will strengthen sales of our differentiated *Seven Premium* products and fresh foods, while increasing our procurement capabilities for regional merchandise through collaboration with the Group company York-Benimaru (Tohoku and northern Kanto areas) and our alliance partners DAIICHI (Hokkaido), Tenmaya Store (Chugoku region), and MANDAI (Kansai). In apparel and household goods, we will focus on development of differentiated products utilizing our Group capabilities. In apparel, we will continue to develop our *Limited Edition* brand through joint efforts with Sogo & Seibu. In household goods, we have launched the interior store *BON BON HOME*, a joint development with BALS CORPORATION, which has been our capital and business alliance partner since 2013.

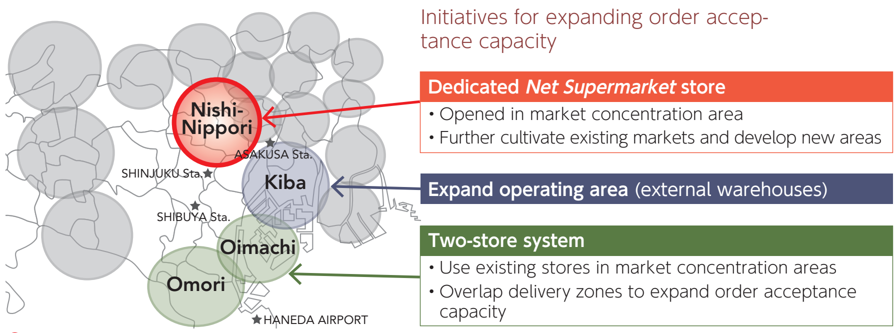
BON BON HOME sales area

Strengthening the *Net Supermarket* Business in Line with the Omni-Channel Strategy

In response to changes in Japan's social environment, such as a falling birthrate and an aging population, as well as an increasing percentage of working women, demand for *Net Supermarket* is climbing steadily. Net sales of *Net Supermarket* for the fiscal year ended February 28, 2015 increased ¥5.0 billion year on year to ¥50.0 billion. There is a large potential market for *Net Supermarket*, especially in urban centers, and demand has increased even more in recent years.

IY used its sites under the market concentration strategy to achieve operating efficiency gains at existing stores, thereby increasing its order processing capacity. At the same time, we opened a *Net Supermarket* store dedicated to online-based services as a business base to promote initiatives under our Omni-Channel Strategy in March 2015, and launched new services that combine our accumulated expertise and existing networks of the *Net Supermarket* business with market expansion driven by the Internet. This has enabled us to achieve coverage of the central urban market for the first time, and we will strengthen our response to this market going forward.

Efficient Use of Existing Store Network in the Tokyo Metropolitan Area



Catchment area of *Net Supermarket* at existing stores

Food Supermarket Operations

The combined operating income ratio of both York-Benimaru (YB) and Life Foods, a wholly owned subsidiary which produces and sells delicatessen items in YB stores, has been maintained in the 4% range for four consecutive years, and we aim to continue increasing profitability going forward.

YB and Life Foods will team up to ensure differentiation in fresh foods and delicatessen items. YB will continue to strengthen the product lineup in response to the changes in the market while promoting revitalization of existing stores and the market concentration strategy.

KEY INITIATIVES OF YORK-BENIMARU

Merchandising

Propose products matched to customers' needs
- Strengthen development of private-brand products and regional products that offer value
- Achieve unrivaled differentiation by strengthening fresh foods

Store operations

Increase productivity with a thorough focus on the basics
- Promote individual store management
- Entrench organization for enforcing the basics and implementing item-by-item management

Store-opening policies

Increase area share by deepening market concentration strategy
- Aggressively expand store network in areas where YB already has a presence

YORK-BENIMARU

YB will strengthen foods such as fresh foods and delicatessen items and expand sales of private-brand products to drive further growth

YB seeks to realize the concept of "making customers' daily meal experiences more exciting, fulfilling, and convenient." It will implement a lifestyle proposal-type sales approach where staff will propose products to match customers' new lifestyles, while providing an even higher quality of service in terms of health, reliability, and safety.

On the merchandise front, we will strengthen our development and sales of differentiated products centering on fresh foods and the *Seven Premium* brand. In addition, YB will collaborate with Life Foods to strengthen its delicatessen item proposals in response to various lifestyle scenarios. For example, we will expand our product lineups from a family centered lineup to include offerings catering to one- and two-person households.

In store operations, we will take steps to achieve low-cost operations by creating organizations and systems to firmly establish item-by-item management and by promoting our market concentration strategy. Moreover, we will promote individual store management, led by the store manager and including participation from all employees, to enable stores to create product lineups and sales areas that match the needs of the local market.

In human resource development, we will conduct employee education focused on mental attitude, based on our founding philosophy, item-by-item management, customer service and sales techniques, and store operation management. Our education program is ultimately aimed at increasing customer loyalty and satisfaction.

DEPARTMENT STORE OPERATIONS

Department store operations comprise department stores, high-end food supermarkets, and miscellaneous goods specialty stores. Department stores are developed under two brands, SEIBU and Sogo.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥875.0 billion	¥7.0 billion	¥15.3 billion
+0.4%	+7.1%	(1.4)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥900.0 billion, up 2.9%, and operating income of ¥7.6 billion, up 7.7%. Capital expenditures are forecast at ¥15.8 billion, up 2.7%, and depreciation and amortization at ¥13.4 billion, up 0.0%.

At Sogo & Seibu, we will continue our effort to break free from the homogenization of the department store sector by strengthening our initiatives for retailer-managed merchandising and store-managed sales areas. We will also invigorate regional stores by improving our product lineups to match local needs and increasing our merchandise procurement capabilities through alliances with key stores.

Moreover, with the full-scale initiation of the Omni-Channel Strategy, we will further enhance product development based on new perspectives and strengthen our initiatives to enable customers living in areas without department stores to pick up high-quality department store products and miscellaneous goods from THE LOFT at their neighborhood 7-Eleven stores.

SOGO & SEIBU

KEY INITIATIVES

Merchandising

Differentiate the product lineups
- Improve gross profit margin by strengthening retailer-managed merchandising and store-managed sales areas
  - →Expand joint development with leading manufacturers and new suppliers, procurement of overseas products, and initiate full-scale development of products following the SPA model (SPA: specialty store retailer of private label apparel)
- Reduce costs through joint product development through Group companies such as IY

Store initiatives

Strengthen customer service capabilities
- Increase staff with specialist knowledge to realize high-quality customer service
- Increase customer satisfaction in stores through consulting stations
  - →Expand consulting stations such as the *Kirei Station* (Beauty Station), *Karada Station* (Health Station), and Expectant Mothers Station
- Create distinctive individual stores through collaboration with local businesses

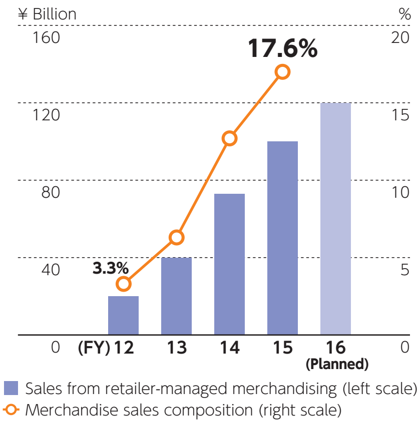
The Omni-Channel strategy
- Enhance product development based on new perspectives
- Increase recognition of product collection and return services at 7-Eleven stores
- Expand our sales at the *e.depart* online shopping site of Sogo & Seibu

Merchandising

Sogo & Seibu will continue to expand retailer-managed merchandising and store-managed sales areas, focusing on the *Limited Edition* private-brand products launched in autumn 2009. In product development, we will commit ourselves to developing products under the SPA (specialty store retailer of private label apparel) model. At the same time, we will maximize earnings by taking steps to reduce product costs by undertaking joint procurement of raw materials utilizing Group synergies and other means. Moreover, to invigorate our regional stores, we will create product lineups that match local needs through collaboration with local industry and others. In addition, we started to develop *Limited Edition areamode* as a private brand that incorporates local characteristics in March 2015.

Furthermore, following the full-scale initiation of the Omni-Channel Strategy, we will promote product development based on new perspectives. We will promote joint procurement of raw materials and product development with IY, and in autumn 2015, we will launch a joint brand called *SEPT PREMIÈRES* featuring products designed by the world-renowned designer Mr. Jean Paul Gaultier as a special guest designer. In this way, we will harness the Group's procurement capabilities in fine materials, experience as an SPA, and production scale benefits to create an integrated structure covering all steps from product planning to manufacturing and sales. We aim to increase our sales from retailer-managed merchandising, mainly apparel products, from ¥100.0 billion in the fiscal year ended February 28, 2015 to ¥120.0 billion in the fiscal year ending February 29, 2016.

SALES FROM RETAILER-MANAGED MERCHANDISING



Limited Edition areamode
Private-brand apparel at Sogo & Seibu

Store Initiatives

At Sogo & Seibu, we consider it important to communicate the value of our products to customers. We will therefore continue striving to develop the customer service skills and expertise of each member of the sales team. In addition, we will increase customer satisfaction by enhancing our various consulting stations to help customers to clear up their uncertainties.

As an example of one of our consulting services, at *Kirei Station* (Beauty Station) we use special equipment to analyze customers' skin and offer recommendations for skin care methods and suitable cosmetic brands from among all of the brands in the sales area.

Furthermore, we will bolster our customer-drawing power, for example by taking steps to capture the increasing flow of foreign visitors to Japan at our key stores. At regional stores, in addition to developing retailer-managed merchandise to meet local needs, we aim to increase our product lineups by promoting a service for ordering products from key stores using tablet terminals. Through these initiatives, we will effectively differentiate by creating distinctive individual stores tailored to local needs.

Kirei Station (Beauty Station)

The Omni-Channel Strategy

We will focus on increasing recognition of our service allowing customers to order products from the Sogo & Seibu online shopping site *e.depart* for subsequent collection at their local 7-Eleven store. Through this service, customers in areas that do not have a local department store can order cosmetics and confectionery that are stocked only by department stores anywhere and at any time. We will also seek to increase the convenience offered by the service, for instance enabling customers to return items such as shoes easily through 7-Eleven stores.

FOOD SERVICES

Food services comprise the restaurant division, meal provision service division (company cafeterias, hospitals, and schools), and fast food division in Japan.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥80.9 billion	¥44.0 million	¥3.5 billion
+3.1%	(92.7)%	+54.0%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥84.7 billion, up 4.6%, and operating income of ¥1.6 billion, an increase of ¥1.5 billion. Capital expenditures are forecast at ¥2.8 billion, down 20.2%, and depreciation and amortization at ¥0.8 billion, an increase of 12.7%.

KEY INITIATIVES

Restaurant division

- Increase customer satisfaction by providing high-value-added food and renewing existing menus
- Reduce costs through Groupwide joint procurement of raw materials

Meal provision service division

- Aggressively open staff cafeterias matched to customers' needs
- Increase convenience by opening staff cafeterias attached to 7-Eleven stores

In the restaurant division, we will not only continue to provide delicious food, but also to reinforce our focus on the fundamentals—customer service and cleanliness. In this way, we will strive to offer menus and services that satisfy customers. In products, we will step up the development of high-value-added menus using selected ingredients that are safe and reliable, and menus that cater to local needs. At the same time, we will review our existing menus. We will also work to realize Group synergies by reducing costs through Groupwide joint raw material procurement and logistic efficiency improvements, and drive work process improvements at restaurants. In facilities, we will strive to revitalize existing restaurants by remodeling older ones and revamping kitchen facilities. We will also propose a new café-style type of Denny's restaurant. Through such initiatives as these, we will strive to create restaurants that meet the needs of customers.

In the meal provision service division, we are planning to aggressively open new stores and provide services tailored to various scenarios, such as offices, factories, and research laboratories. In addition, we will strive to boost convenience and expand earnings, for example by increasing the number of staff cafeterias attached to 7-Eleven stores.

An item from the Denny's menu

An item from the Denny's menu

A new café-style Denny's

FINANCIAL SERVICES

Financial services comprise ATM operations, credit card operations, electronic money services, leasing operations, and insurance operations in Japan.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥178.2 billion	¥47.1 billion	¥39.1 billion
+12.2%	+5.1%	(0.5)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥192.0 billion, up 7.7%, and operating income of ¥50.0 billion, an increase of 6.0%. Capital expenditures are forecast at ¥42.0 billion, up 7.4%, and depreciation and amortization at ¥29.0 billion, an increase of 14.9%.

Capital expenditures are earmarked mainly for increasing the number of installed ATMs of Seven Bank, along with investments accompanying the installation of third generation ATMs to replace older models.

Seven Bank will continue to strengthen its existing operations by increasing the number of installed ATMs in line with expansion of 7-Eleven stores and cultivating new customers. We will also increase the number of ATM languages to meet the needs of foreign visitors to Japan, whose numbers are continuing to grow, while working to expand recognition of our service for making Japanese yen cash withdrawals from overseas-issued cards and expanding our international money transfer service. In overseas operations, we will proceed with installing ATMs in North America and Indonesia, while streamlining their operation by applying the ATM operations expertise we have developed in Japan.

In card operations, shopping transaction volumes have been growing steadily, and we will work to promote usage of credit cards and the *nanaco* electronic money service. At the same time, we will put card data to good use in marketing activities as a kind of shared Group infrastructure.

KEY INITIATIVES

ATM operations

- Increase ATM installation in 7-Eleven stores as well as promoting installation at airports, train stations, and other locations outside the Group
- Increase services for foreign visitors and residents in Japan
- Expand account-related business (international money transfer service, consumer loan service, and acceptance of cash proceeds from sales)
- Expand overseas business (North America and Indonesia)

Card operations

- Gain new members and encourage greater card usage
- Increase the number of active members by enhancing convenience
- Encourage customers to make greater use of other Seven & i Group company stores through *nanaco*

MAIL ORDER SERVICES

Mail order services comprise the provision of products and services mainly through online stores and catalogs.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥185.8 billion	¥(7.5) billion	¥3.8 billion

Note: For the mail order services, only the balance sheets were consolidated for the fiscal year ended February 28, 2014. The statements of income have been consolidated from the fiscal year ended February 28, 2015.

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥179.0 billion, down 3.7%, and operating loss of ¥5.9 billion. Capital expenditures are forecast at ¥4.7 billion, up 23.2%, and depreciation and amortization at ¥4.0 billion, up 4.1%. At Nissen Holdings, we will take action to improve earnings through radical reforms, including the product policy, with a focus on merchandising, as well as customer service and cost structures. In the fiscal year ending February 29, 2016, we will step up our development of products focused on value appeal, while cutting back costs by reviewing our catalog content, publication frequency, and other aspects. We will also promote initiatives to realize Group synergies, such as sharing the expertise we have developed in mail order operations.

Furthermore, we will take steps to improve customer satisfaction at real stores, such as expanding openings of the dedicated large-sized shop *smiLe Land* in collaboration with IY and other Group companies.

OTHERS

Others comprise Internet-related services, meal delivery services, publishing, property management businesses, and community school businesses in Japan.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥53.8 billion	¥3.6 billion	¥5.3 billion
+6.7%	+69.4%	(28.9)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥70.0 billion, up 29.9%, and operating income of ¥4.5 billion, an increase of 22.6%. Capital expenditures are forecast at ¥2.3 billion, down 57.3%, and depreciation and amortization at ¥28.0 billion, an increase of 4.1%.

In IT/services, at Seven & i Net Media we will collaborate with each Group company on the Group's Omni-Channel Strategy, while realizing synergies on the IT front.

Furthermore, our existing operating companies will collaborate on product development with Barneys Japan, a specialty store comprising the original BARNEYS NEW YORK brand and other global designer brands, to enhance the appeal of the Group.

Forecast for Eliminations/Corporate for the Fiscal Year Ending February 29, 2016

In eliminations/corporate for the fiscal year ending February 29, 2016, the Company is forecasting operating loss of ¥12.4 billion (an increase of ¥9.2 billion year on year), capital expenditures are forecast at ¥7.2 billion, down 52.5%, and depreciation and amortization at ¥4.0 billion, an increase of 65.3%. These mainly reflect the Company's expected capital expenditures and operating expenses relating to the Omni-Channel Strategy.