Convenience Store Operations

Revenues from Operations
¥1,690.9 billion
(17.0)%

Operating Income
¥214.6 billion
+9.8%

Capital Expenditures
¥164.9 billion
+55.1%

Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the convenience store segment's revenues from operations were ¥1,690.9 billion, down 17.0%, and operating income was ¥214.6 billion, an increase of 9.8%. Capital expenditures totaled ¥164.9 billion, up 55.1%, and depreciation and amortization rose 6.6%, to ¥73.2 billion.

The decline in revenues from operations was attributable to a change in the method used by 7-Eleven, Inc. (SEI) to account for revenues from operations related to franchise agreements, from "gross amount" to "net amount." The effect of this accounting change was to decrease revenues from operations by ¥521.1 billion, with no effect on operating income or net income. The record high level of operating income was the result of a number of factors. Due to the success of Seven-Eleven Japan (SEJ) measures targeting the realization of "close by convenient stores," the net increase in number of stores was 773, a record high, and average daily sales at new stores were ¥570,000, up 2.9% year on year. In addition, existing stores sales also increased substantially, rising 6.7%. Capital expenditures increased substantially due to a range of factors. These include aggressive store openings in Japan and overseas, switching to LED lights for

Seven-Eleven Japan Co., Ltd.

(for the fiscal year ended February 29, 2012)

Total Store Sales
¥3,280.5 billion

Operating Income
¥183.1 billion

Capital Expenditures
¥93.6 billion

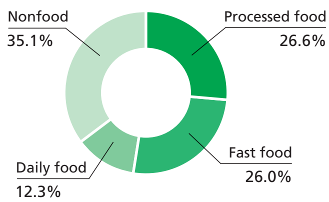
Number of Stores
14,005 stores

Existing Stores Sales Increase*
+6.7%

Merchandise Gross Profit Margin*
29.7% (down 0.8 percentage point)

* The increase in sales of cigarettes due to the tax increase had a +4.8% effect on existing stores sales and a (0.9)% effect on merchandise gross profit margin.

Sales by Product Category



7-Eleven, Inc.

(for the fiscal year ended December 31, 2011)

Total Store Sales
¥1,624.0 billion

Operating Income
¥32.7 billion

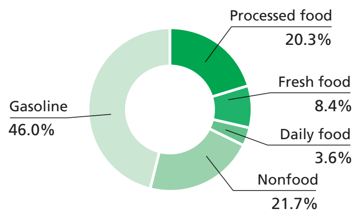
Capital Expenditures
¥103.4 billion

Number of Stores
7,149 stores

Existing Stores Sales Increase
+2.8% (U.S. merchandise sales)

Merchandise Gross Profit Margin
34.7% (down 0.4 percentage point)

Sales by Product Category



in-store lighting to further reduce electricity consumption in domestic stores, and reinforcing sales capabilities with the introduction of new island-type chilled cases.

The appreciation of the yen had the effect of reducing revenues from operations by about ¥109.0 billion and operating income by about ¥3.3 billion.

Island-type chilled case

Original products

Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥1,870.0 billion, up 10.6%, and operating income of ¥228.9 billion, a gain of 6.6%. Capital expenditures are forecast at ¥216.0 billion, up 30.9%, and depreciation and amortization at ¥87.7 billion, an increase of 19.7%. The substantial rise in capital expenditures is principally a reflection of forecasts for increases at SEJ, due to aggressive store openings, and at SEI, due to aggressive store-opening initiatives including M&A transactions and for remodeling of existing stores.

Domestic Operations

SEJ approaches changes in the social structure as opportunities for growth. These changes include an aging population, an increase in single-person households, a decline in the number of small and medium-sized retail stores, and an increase in the number of working women. In response, SEJ aims to realize “close by convenient stores.”

Business Strategies of Seven-Eleven Japan: Moving Forward with “Close by Convenient Stores”	
Merchandising	**Focusing on overwhelming differentiation through reinforced product development** • Targeting further increases in the quality of daily products • Increasing sales of *Seven Premium* products through product development in new categories and product renewals • Strengthening service-related operations
Store operations	**Focusing on customer needs** • Reevaluating sales area layouts for strengthened lineups of daily products • Enhancing customer service through stepped up training programs that cover all employees at franchised stores
Store-opening strategy	**Strengthening the 7-Eleven chain and advancing the market concentration strategy through high-quality store openings** • Taking on the challenge of opening a record high 1,350 stores • Stepping up store openings in three large urban areas (Tokyo metropolitan area, Chukyo area, and Kansai area) • Opening up new regions

Overseas Operations

In regard to overseas convenience store operations, SEI, which operates in the United States and Canada, will continue to focus on advancing new store openings, including through M&A transactions, and on converting directly-operated stores to franchise-operated stores. In addition, SEI will take steps to bolster productivity of existing stores, such as the focused, area-by-area introduction of new equipment in order to increase sales of fresh foods and hot foods. In China, the Group will work to bolster store operations at existing stores and to expand the store network through active store openings.

7-Select private-brand products

Business Strategies of 7-Eleven, Inc.: Increasing Customer Satisfaction by Bolstering Differentiation Strategies	
Merchandising	• Reinforcing product development in fresh foods and hot foods • Bolstering development of *7-Select* private-brand products • Strengthening service-related operations
Store operations	• Conducting consolidated market rollout • Utilizing strengthened guidance from operation field consultants for thorough implementation of item-by-item management
Store-opening strategy	• Taking on the challenge of opening a record high 680 stores, including M&A transactions • Implementing market concentration strategy (increase store density in areas with existing stores)

Seven-Eleven Japan

We will strive to provide customers with "close by convenient stores."

Merchandising

Measures to realize "close by convenient stores" will continue to be a central part of SEJ's business strategies as SEJ responds to changes in the social structure.

In products, targeting the realization of "close by convenient stores," we will expand our lineups of fast foods, which are a core product; products that help to reduce food preparation time in the home, such as *sozai* prepared dishes and frozen foods; and products that are indispensable in daily life, such as vegetables and sundries. In addition, through the aggressive introduction of *Seven Premium* products, we will work to increase our competitiveness in both quality and price. In fiscal 2012, average daily sales of *Seven Premium* products per store were approximately ¥50,000, and by the end of February 28, 2013, we will aim to increase sales of *Seven Premium* products up to ¥80,000 by developing new categories and stepping up in-store sales initiatives. Moreover, to leverage these merchandising policies even more effectively, we are introducing new fixtures, such as island-type chilled cases, and expanding sales areas for daily products, for which demand is increasing.

Our measures to realize "close by convenient stores" are starting to show steady results in the form of an expanding customer base. For example, we have succeeded in drawing housewives and women who work outside the home, who have not been core customers in the past, and as a result, customer store visits have increased.

Store-opening Policies

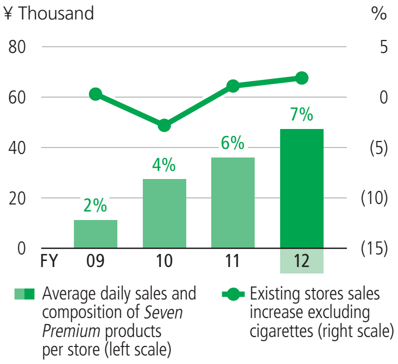
Our basic policy for opening stores is to implement our market concentration strategy while maintaining a focus on individual store profitability. We are planning to open 1,350 stores, a record high level, in fiscal 2013.

This aggressive approach to opening stores is attributable to a change in how SEJ views the market following the success of initiatives to realize "close by convenient stores." Rather than the conventional definition of the convenience store market, with sales of about ¥8 trillion, SEJ has redefined its market to include food and beverage retail, restaurant, and take-home meal businesses. This new market has total sales of ¥70 trillion. With a thorough response to new customer needs, we believe that there are significant opportunities for continued market development.

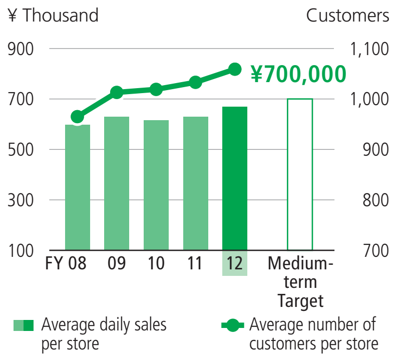
In regard to individual store profitability, by strictly selecting the locations for store openings, we will work to avoid opening new stores that fail to meet SEJ's standards for average daily sales.

Through these types of measures, we will aggressively open high-quality stores, work to raise investment efficiency, and strengthen the 7-Eleven chain.

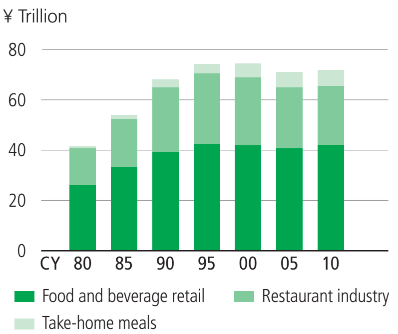
Sales of *Seven Premium* Products and Existing Stores Sales Increase, Excluding Cigarettes



Average Daily Sales and Number of Customers per Store

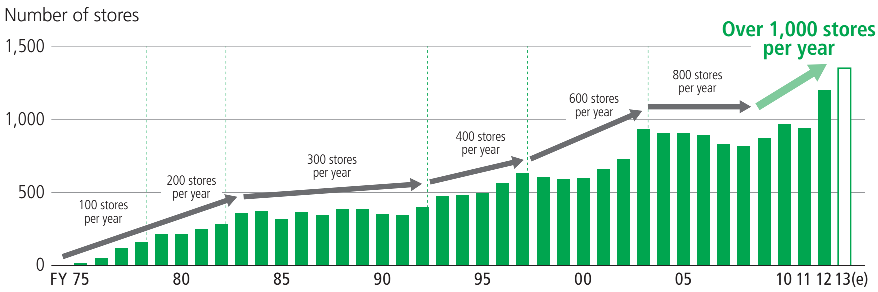


Market Scale—Food and Beverage Retail, Restaurant, and Take-home Meal Businesses



Sources: Current Survey of Commerce (Ministry of Economy, Trade and Industry)
Foodservice Industry Research Institute

Seven-Eleven Japan
Store Openings



7-Eleven, Inc.

Expanding the store network through aggressive store openings and promoting the differentiation strategy through bolstered product development.

Store Initiatives

There are growing needs for small stores. SEI's operating environment is characterized by declining rental costs and an increase in the number of small, independent shops that are going out of business. SEI is approaching these trends as opportunities to open stores, and moving forward, SEI will further increase store openings, including M&A transactions. In comparison with SEJ's 30% share by number of stores in Japan, SEI's corresponding share is relatively low, about 5% of the stores in the United States. As a result, there are still substantial opportunities for SEI to expand its store network. In opening stores, SEI will implement M&A transactions with a focus on investment efficiency. In addition, SEI will also work to improve investment efficiency by stepping up the opening of BCP stores (A-type franchised stores), which require less initial investment by the franchisor. In general, stores will be opened in existing market concentration areas, with a focus on enhancing distribution and sales promotion efficiency within those areas. In the fiscal year ending December 31, 2012, SEI plans to open 680 stores, the largest number of store openings since SEI joined the Group in 1991.

Note: For business conversion program stores (BCP stores), the franchisee supplies the land and buildings for the store.

Merchandising

To further enhance differentiation, SEI will focus on two key measures: "strengthen fresh foods and hot foods" and "strengthen *7-Select* private-brand products."

Development of fresh foods and hot foods will be strengthened from the perspectives of value, premium, and innovation. For *7-Select*, SEI offers quality equivalent to or better than national-brand products at prices that are 15% to 20% lower, but with larger product margins. SEI will focus on the development of new products while also continuing the innovation with existing products.

Strengthening Sales Capabilities at Existing Stores

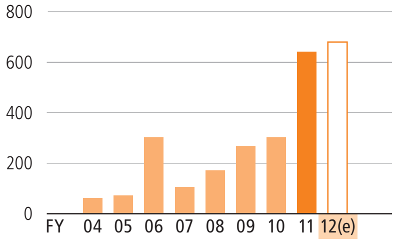
To deepen our market concentration strategy and implement merchandising more efficiently, we will bolster sales capabilities at existing stores.

In reforms at existing stores, SEI will upgrade its coffee bars, one of its strengths, and simultaneously introduce hot food equipment. In addition, by implementing these reforms in a consolidated market rollout (CMR) initiative, SEI will work to maximize the effects of the reforms. Under the CMR initiative, 954 stores were reformed in 2011 and plans call for 1,000 stores to be reformed in 2012.

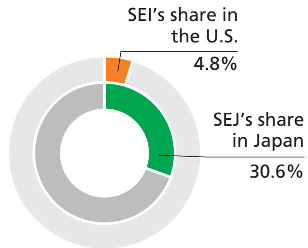
Moreover, SEI will move ahead with measures to bring the stores acquired through M&A transactions in the previous period into line with SEI standards. At many of these stores, gasoline sales play a lead role in store operations, and accordingly, there is room for improvement in their product lineups. SEI will work to improve sales not only by remodeling store exteriors, but also by expanding product lineups—centered on fresh foods, hot foods, and private-brand products—and by introducing new store IT systems.

7-Eleven, Inc.

Store Openings



Share by Number of Stores, Japan and the U.S.



Sources: Current Survey of Commerce (Ministry of Economy, Trade and Industry)
National Association of Convenience Stores

Coffee bar

Hot foods

Superstore Operations

Revenues from Operations
¥1,992.2 billion
+0.5%

Operating Income
¥32.4 billion
+106.5%

Capital Expenditures
¥40.2 billion
(25.6)%

Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the superstore segment's revenues from operations were ¥1,992.2 billion, up 0.5%, and operating income was ¥32.4 billion, an increase of 106.5%. Capital expenditures totaled ¥40.2 billion, down 25.6%, and depreciation and amortization rose 10.6%, to ¥28.6 billion.

At Ito-Yokado, a reduction in large-scale sales promotions led to a decline in revenues from operations, but the gross profit margin improved due to lower markdown losses and SG&A expenses were reduced. As a result, operating income improved. At York-Benimaru, the March 11 earthquake resulted in the suspension of operations at certain stores, which had the effect of reducing sales. However, demand increased after the earthquake, leading to higher revenues from operations for the fiscal year. Operating income also increased due to improvement in the gross profit margin and a reduction in SG&A expenses. In addition, favorable performances were registered by York Mart and Akachan Honpo. Consequently, the superstore segment recorded a high rate of growth in operating income.

Ito-Yokado Co., Ltd.

(for the fiscal year ended February 29, 2012)

Revenues from Operations
¥1,361.0 billion

Operating Income
¥10.5 billion

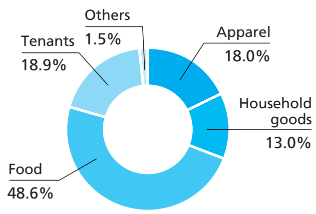
Capital Expenditures
¥18.0 billion

Number of Stores
173 stores

Existing Stores Sales Increase
(2.6)%

Merchandise Gross Profit Margin
29.7% (up 0.6 percentage point)

Sales by Product Category



York-Benimaru Co., Ltd.

(for the fiscal year ended February 29, 2012)

Revenues from Operations
¥348.6 billion

Operating Income
¥14.9 billion

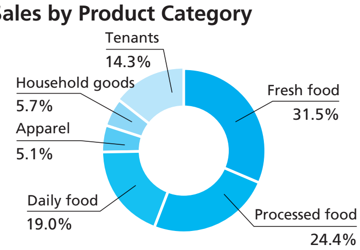
Capital Expenditures
¥7.0 billion

Number of Stores
176 stores

Existing Stores Sales Increase
+1.5%

Merchandise Gross Profit Margin
27.0% (up 0.4 percentage point)

Sales by Product Category



Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥2,060.0 billion, up 3.4%, and operating income of ¥35.0 billion, a gain of 7.9%. Capital expenditures are forecast at ¥55.0 billion, up 36.5%, and depreciation and amortization at ¥29.3 billion, an increase of 2.4%. The increase in capital expenditures includes investment related to *Ario* shopping centers, which Ito-Yokado plans to open in the fiscal year ending February 28, 2014, and thereafter.

York-Benimaru

Superstore Operations

As one part of structural reforms in stores, Ito-Yokado will implement sales area reforms using specialty stores from inside and outside the Group. In addition, we will take steps to strengthen development and sales of private-brand products and reduce markdown losses. In this way, we will further improve our earnings platform.

Business Strategies of Ito-Yokado: Bringing a New Perspective to Superstore Operations	
Merchandising	**Food: Further increasing competitiveness by using the Group's comprehensive strengths** • Thoroughly increasing differentiation by strengthening sales of fresh foods • Bolstering Group merchandising **Apparel: Continuing structural reforms** • Nurturing core private brands • Improving efficiency in apparel sales areas through the use of tenants ***Net Supermarket*: Focusing on interaction between Internet shopping and actual stores**
Store operations	**Implementing thorough structural store reforms** • Increasing customer-drawing power through the use of specialty stores from inside and outside the Group • Bolstering sales capabilities at high-profit stores through strategic investment. • Enhancing customer service levels and sales techniques by reinforcing human resources development
Store initiatives	**Improving profitability at existing stores** • Focusing store openings on *Ario* shopping centers and small urban-type supermarkets • Reexamining closing unprofitable stores (excluding stores in the Tohoku area)

Food Supermarket Operations

To support the recovery of the area most affected by the March 11 earthquake, York-Benimaru will continue to strengthen its lineup of products that meet local needs. In addition, we will aggressively open new stores.

Business Strategies of York-Benimaru: Reinforcing Lifestyle-proposal Supermarkets	
Merchandising	**Maximizing gross profit** • Strengthening product development capabilities and nurturing core categories • Converting pricing policy to everyday fair price system • Promoting differentiation strategy utilizing *Seven Premium* products
Store operations	**Increasing productivity with thorough focus on the basics** • Rigorously implementing item-by-item management and correcting gaps among stores and departments • Improving operational efficiency through reevaluation of store-level work process • Strengthening human resources development
Store-opening strategy	**Stepping up market concentration strategy and upgrading new store formats** • Implementing strategic store network expansion targeting transition from "reconstruction" to "rebirth" • Establishing store format for small commercial areas

China Operations

In Chengdu, Sichuan Province, we will work to further expand our earnings platform through sustained favorable performances at existing stores and through the full-year results of the large-scale shopping center opened in November 2011. In Beijing, we will work to increase sales at existing stores by improving our tenant mix and to increase the gross profit margin by breaking away from low-pricing oriented sales

L&B GALLORIA women's wear (above) and *Kent* menswear

models. In this way, we will strive to improve profitability. In store operations, we will work to achieve differentiation through carefully tailored customer service. In addition, we will aggressively utilize local staff, centered on management positions, to promote the creation of stores with strong ties to local communities. In these ways, we will strive to achieve further growth.

Ito-Yokado

With the objective of establishing a new superstore format, we will strengthen our profit structure.

Merchandising

To increase customer loyalty at Ito-Yokado, we ended the previous pricing policy from the fiscal year ended February 29, 2012. The previous policy emphasized a low-price orientation and large-scale sales promotions. In this way, we are working to rebuild our profit structure. We will further strengthen our food sales capabilities, centered on competitive private-brand products. In apparel, which has been taking on the challenge of improving profitability, we will continue to promote reforms.

In food, we will expand the *Seven Premium* line of private-brand products, and in fresh foods we will strive to provide safe, secure foods that offer high levels of freshness at attractive prices. In this way, we will work to achieve differentiation. In apparel, we will nurture our four core lines of private-brand products—*good day, L&B GALLORIA, Kent,* and *BODY HEATER / BODY COOLER* functional underwear. With the *good day* line, we will establish a product development system by handling the entire product cycle in-house, from product planning to sales. This initiative

Advancing store initiatives to reform the profit structure

	1. Establish a new profit structure	2. Invest in existing stores	3. Close unprofitable stores
Past Initiatives	**Development of *Ario* shopping centers** 12-store system as of the end of February 2012 (Implemented successive store openings since its 1st store launch in 2005)	**Strategic investment by utilizing specialty stores from inside and outside the Group** Implemented in 36 stores from Fiscal 2011 and Fiscal 2012	**Closures, centered on regional stores** Implemented 36 store closures from Fiscal 2006 to Fiscal 2012
Results	Nurturing *Ario* into a profitable business	Bolstering sales capabilities and increasing profits	Improving profitability through cost reductions
Future Initiatives	Open 5 stores over the next three years	Plans call for 26 stores in Fiscal 2013	Further implementation, centered on regional stores

Establish foundation for the achievement of 3% operating income margin, centered on *Ario* shopping centers and high-profit stores in the Tokyo metropolitan area

Message from Atsushi Kamei, President of Ito-Yokado Co., Ltd.

Through the comprehensive provision of "tangible goods + information + services," we will strive to build new store loyalty.

In the fiscal year ended February 29, 2012, we began to see the results of the various reforms that we have implemented in recent years. In merchandising reforms, especially in the field of apparel, we have successfully strengthened sales of private-brand products and reduced markdown losses on national-brand products, and as a result profitability has improved. In structural store reforms, we have worked to improve stores characterized by sluggish results, and moving forward we will also implement aggressive reforms to further strengthen sales capabilities at profitable stores.

I believe that a key strength of superstores is their ability to provide an environment that is fun for customers. While meeting the needs of local communities, superstores can use actual store facilities to combine extensive lineups of apparel, household goods, and food with a range of information, such as over the Internet, and a variety of services. Our future store openings will be centered on *Ario* shopping centers, which can comprehensively provide "tangible goods + information + services," and on *Shokuhinkan* small urban supermarkets, which will offer upgraded selections of fresh foods.

In the fiscal year ended February 29, 2012, we achieved growth in income, but our profitability is still an issue. Moving forward, we will continue to implement structural store reforms. In addition, we will leverage the infrastructure of the Group, which includes a range of business formats, as we strive to make the most of the unique Seven & i Group strengths throughout Ito-Yokado stores.

will improve the gross profit margin. For *L&B GALLORIA*, we will work to utilize the customer service knowhow of the Group's Sogo and SEIBU department stores to enhance our sales capabilities.

In the fiscal year ending February 28, 2013, we expect the four core lines of private-brand apparel to account for about 25% of our apparel sales.

Ario Matsumoto store

Store Initiatives

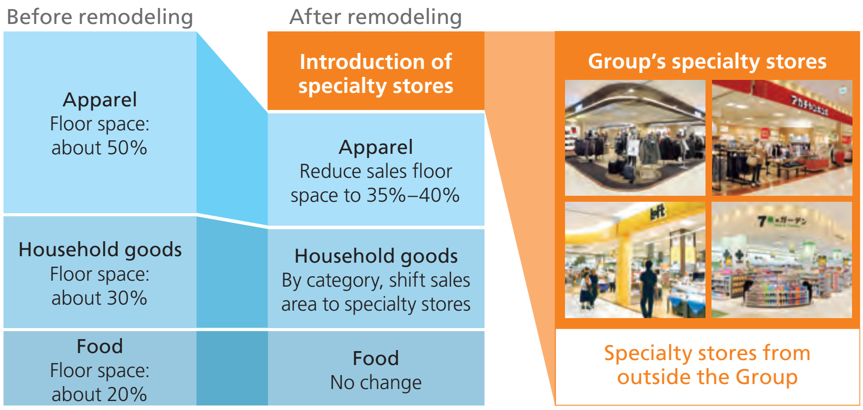
In store openings, we will focus on *Ario* shopping centers with high customer-drawing power and on small stores, centered on food, in urban areas. Although initial setup costs are incurred in the first year of shopping center operations, from the second year these operations follow a trend of growth in profits. Shopping centers have steadily grown into a new format for Ito-Yokado. In the fiscal year ending February 28, 2013, we plan to open one shopping center and eight small stores. Following the March 11 earthquake, store closures had been temporarily halted to support employment and meet reconstruction demand in the disaster-stricken areas. However, moving forward, we will consider closing unprofitable stores, other than stores in the disaster-stricken Tohoku area.

For existing stores, we will implement strategic investment in profitable stores in the Tokyo metropolitan area. Over the past two years, we have implemented structural reforms at 36 stores, and these reforms have continued to record growth in profits in each of those fiscal periods. In addition, we plan to implement reforms at 26 stores in the fiscal year ending February 28, 2013. By optimizing sales area composition, we will increase the efficiency of directly-managed sales areas, and by using the freed-up space for specialty stores from inside and outside the Group, we will strive to improve overall store profitability.

Approach to the optimization of directly-managed sales areas

Increasing customer-drawing capability through the introduction of specialty stores and improving efficiency in retailer-managed sales areas

→ **Bolstering sales capabilities for entire store**



Message from Zenko Ohtaka, President of York-Benimaru Co., Ltd.

We will aim to be the No. 1 supermarket in local communities.

In 2011, York-Benimaru suffered significant damage from the Great East Japan Earthquake. However, as a result of strenuous recovery work, we were able to restore normal operations relatively quickly, and the entire company worked to promote the full-fledged reconstruction of the affected region.

Since the earthquake, there have been changes in the shopping patterns and values of our customers, who have increasingly focused on economical prices combined with "quality." In response to these changes, York-Benimaru will continue to expand its offerings of private-brand products. Also, with safety and security related needs growing in importance, we will rigorously reinforce quality control, particularly in fresh foods, and offer delicious, fresh products. In addition, we will shift from a sales method that relies principally on large-scale sales promotions to an everyday fair price system where customers can make purchases at reasonable prices whenever they come to the store. To implement this everyday fair price system, we must establish low-cost operations. Accordingly, we will work to improve cost efficiency in stores and step up the market concentration strategy in store openings. In this way, we will strive to secure the No. 1 share of sales in our markets.

For York-Benimaru, which provides everyday food products, our human resources are our greatest asset, including our part-time employees. If all of our employees understand and implement the company philosophy, I believe that we can record further growth. Moving forward, we will further increase our efforts in the area of human resources development.

Department Store Operations

Revenues from Operations
¥900.2 billion
(1.6)%

Operating Income
¥9.9 billion
+76.9%

Capital Expenditures
¥16.0 billion
(42.2)%

Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the department store segment's revenues from operations were ¥900.2 billion, down 1.6%, and operating income was ¥9.9 billion, an increase of 76.9%. Capital expenditures totaled ¥16.0 billion, down 42.2%, and depreciation and amortization was down 2.4%, to ¥14.0 billion.

The decline in revenues from operations was attributable to the closure of SEIBU Yurakucho in the previous fiscal year and lower sales at existing stores in the year under review. Sales at existing stores were down 0.5% year on year, due primarily to a substantial decline in March, when there were reduced operating hours and scheduled blackouts following the Great East Japan Earthquake. Nonetheless, sales subsequently recovered, centered on luxury goods—such as art, jewelry, and interior goods—and food. In addition, existing stores sales were supported by the effects from the remodeling of the SEIBU Ikebukuro flagship store and a new membership campaign coordinated with an improved members card system. As a result, from April, sales at existing stores were up year on year. Despite the decline in revenues from operations and a decrease of 0.3 percentage point in the merchandise gross profit margin, a decline in SG&A expenses resulted in higher operating income.

With the objective of focusing management resources and increasing asset efficiency, Sogo Hachioji was closed on January 31, 2012.

Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥906.0 billion, up 0.6%, and operating income of ¥12.9 billion, an increase of 29.7%. Capital expenditures are forecast at ¥15.5 billion, down 3.5%, and depreciation and amortization at ¥13.3 billion, down 5.1%.

Sogo & Seibu Co., Ltd.

(for the fiscal year ended February 29, 2012)

Revenues from Operations
¥830.3 billion

Operating Income
¥11.1 billion

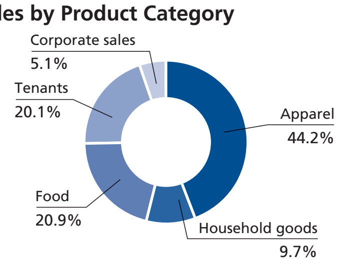
Capital Expenditures
¥13.3 billion

Number of Stores
26 stores

Existing Stores Sales Increase
(0.5)%

Merchandise Gross Profit Margin
25.1% (down 0.3 percentage point)

Sales by Product Category



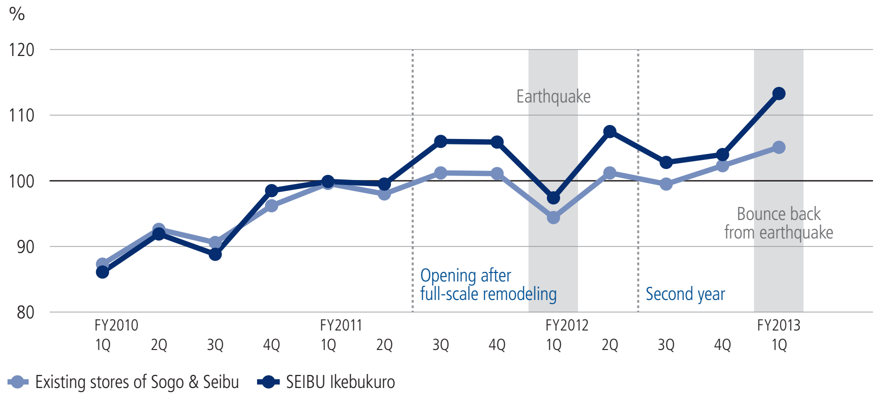
At Sogo & Seibu, we will extend the successful examples of the remodeling of the SEIBU Ikebukuro store to other stores and take on the challenge of "new department store creation" in line with changes in patterns of consumption. Through the full-fledged operation of the *e.depart* Internet shopping service, we will strengthen our sales capabilities. We will also take on new challenges, such as opening small-scale department stores in Group commercial facilities.

Existing Stores Sales Increase and SEIBU Ikebukuro

Sales continue to increase YoY even in second year since remodeling with an increase in the number of customer purchases

→ **SEIBU Ikebukuro is supporting sales growth at Sogo & Seibu as a whole.**

Quarterly sales trend



Business Strategies of Sogo & Seibu: Taking on the Challenge of Establishing a New Type of Department Store	
Merchandising	**Differentiation strategy centered on apparel** • Establishing retailer-managed merchandising system • Securing best-selling products through the introduction of a new product information system • Bolstering product procurement through an increase in store buyers
Store operations	**Further strengthen key stores, which account for about 60% of sales and about 80% of profits** • Extending examples of success at SEIBU Ikebukuro to other stores • Strengthening customer service capabilities
New operations / new formats	• Launching full-scale operation of *e.depart* Internet shopping service • Opening small-scale department stores in Group commercial facilities and other locations

Sogo & Seibu

By strengthening the differentiation strategy, centered on apparel, we will move ahead with the creation of a new type of department store.

Merchandising

At Sogo & Seibu, we will strengthen development and sales of *Limited Edition* private-brand products and continue working to expand store-managed sales areas. In this way, we will establish a retailer-managed merchandising system. Moreover, we will establish a system that will enable quick procurement of best-selling products through the introduction of a new product information system and the implementation of original attribute analysis of sales data. In this way, we will work to increase the appeal of the product lineups in stores.

Limited Edition

We began sales of *Limited Edition* products in fall 2009. These private-brand products offer the sense of luxury and fashionable quality associated with department stores at only about 60% of the price of comparable national-brand products. Since the introduction of *Limited Edition,* we have expanded the scope of the brand to include apparel for women, men, and children as well as interior products and sportswear. In apparel, *Limited Edition* has been expanded from high-quality standard products

Sales area of *Limited Edition*

Sales area for men's shoes

Sogo & Seibu will move ahead with the creation of sales areas that make an impression on customers.

created in collaboration with designers to brand development conducted in cooperation with well-known creative directors. Moving forward, we will continue to nurture *Limited Edition*, which will play a central role in supporting the differentiation of Sogo & Seibu.

Introduction of a new product information system

In the past, the product lineups in department stores had primarily been handled on a consignment basis, and suppliers had the primary responsibility for the product lineups. As a result, it was difficult to achieve differentiation from other department stores. However, in March 2012, Sogo & Seibu introduced a new product information system in all stores. This system enables us to quickly provide the appealing products that customers want to purchase. Through the effective use of this product information system, Sogo & Seibu can take the lead in offering product lineups based on sales data and advance the quick procurement of best-selling products.

Merits of the new product information system

- Improved merchandising: By tracking sales data that is analyzed by such attributes as materials, design, and size on an item-by-item basis, it is possible to quickly procure best-selling products.
- Improved sales area operations: Through the use of tablet terminals, it is possible to reduce desk work and increase time spent with customers in the stores.
- Strengthened alliances with suppliers: By sharing data with suppliers, it is possible for both sides to increase efficiency.

Message from Kunio Yamashita, President of Sogo & Seibu Co., Ltd.

Sogo & Seibu will take on the challenge of "new department store creation" and work to increase profitability.

Customers are finding value not in physical possessions but in such intangibles as family relationships, health, and hobbies. Consumption patterns are evolving, and I believe that we need to change the traditional department store sales method, under which suppliers have largely determined product lineups. At SEIBU Ikebukuro, our flagship store, we have begun to take on the challenge of "new department store creation."

More than one year has passed since the September 2010 grand reopening of SEIBU Ikebukuro, and the store is recording strong results, with year-on-year gains in both sales and the number of customer purchases. One reason for these results is the introduction of the food sales knowhow of Ito-Yokado and York-Benimaru, especially in fresh foods. In apparel, in addition to strengthening retailer-managed merchandising, we have also arranged products by theme and category and enhanced our ability to make proposals and to provide information in lifestyle-related areas. By changing from the previous sales method, where we delegated product choice to suppliers, to a new method that is based on decisions made in-house, we have improved lineups and services. As a result, we have earned the support of customers. In the year ahead, we will strive to extend the success at SEIBU Ikebukuro to other key stores and to improve sales and profits.

I believe that our status as a member of one of the world's largest retail groups is a strength that cannot be matched by other department stores. Moving forward, we will endeavor to make full use of Group strengths, to be an industry leader, and to make steady, consistent progress.

Food Services

Revenues from Operations
¥78.0 billion
(2.7)%

Operating Loss
¥(95) million
Improved profitability by ¥98 million

Capital Expenditures
¥0.8 billion
+57.6%

Remodeling restaurants to offer cafe-style operations

Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the food services segment's revenues from operations were ¥78.0 billion, down 2.7%, and operating loss was ¥95 million, an improvement of ¥98 million from the previous fiscal year. Capital expenditures totaled ¥0.8 billion, up 57.6%, and depreciation and amortization declined 17.8%, to ¥0.6 billion.

In the core restaurant division, operating hours were reduced due to the Great East Japan Earthquake. The rate of growth in sales at existing restaurants declined year on year, with an especially large decline in March. However, we successfully invigorated existing restaurants by strengthening menu items and improving customer service capabilities. In the second half of the fiscal year, sales were higher year on year.

In the meal provision service division, we were entrusted with the cafeteria operations for the Group's Sogo and SEIBU department stores, we opened cafeterias next to SEJ stores, and we increased openings of facilities in companies outside the Group. As a result, the division recorded higher revenues.

In addition, we made progress with cost reductions, such as labor expenses and store expenses, centered on the restaurant division. As a result, Seven & i Food Systems, which is responsible for food services, achieved improved operating results and was profitable for the first time since it was established in the fiscal year ended February 29, 2008.

Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥80.0 billion, up 2.5%, and operating income of ¥1.3 billion, an increase of ¥1.3 billion. Capital expenditures are forecast at ¥3.0 billion, up 260.8%, and depreciation and amortization at ¥0.7 billion, an increase of 4.9%.

To build a foundation for growth over the long term in food services, we will reinforce our focus on the fundamentals—greetings and customer service, cleanliness, and the provision of delicious food. In products, to further increase the appeal of Denny's hamburger, its core product, we will provide menu items with a focus on ingredients. We will also work to leverage Group synergies in raw material procurement and sales promotions. In restaurants, we will take steps to increase the level of service through enhanced human resources development. In addition, we will work to create an environment that meets the needs of customers, such as remodeling older stores, offering separated smoking and nonsmoking sections, and moving to cafe-style operations. In this way, we will increase customer loyalty.

Seven & i Food Systems Co., Ltd.

(for the fiscal year ended February 29, 2012)

Revenues from Operations
¥77.9 billion

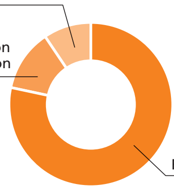
Operating Income
¥22 million

Number of Stores (restaurant division)
486 stores

Existing Stores Sales Increase
(1.0)%

Merchandise Gross Profit Margin
68.3% (no YoY change)

Sales by Product Category



Financial Services

Revenues from Operations
¥129.6 billion
+21.2%

Operating Income
¥33.7 billion
+19.2%

Capital Expenditures
¥26.7 billion
+36.5%

Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the financial services segment's revenues from operations were ¥129.6 billion, up 21.2%, and operating income was ¥33.7 billion, an increase of 19.2%. These gains were primarily attributable to the new consolidation of Seven CS Card Service Co., Ltd. At Seven Bank, increases in the number of installed ATMs and the number of transactions made by customers of deposit-taking financial institutions resulted in steady growth in the total number of transactions. As a result, Seven Bank recorded increases in revenues and profits. At Seven Card Service, revenues improved in both credit card operations and electronic money operations. Consequently, Seven Card Service registered gains in revenues and profits. Capital expenditures totaled ¥26.7 billion, up 36.5%, and depreciation and amortization was down 1.7%, to ¥20.3 billion.

Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥140.0 billion, up 8.0%, and operating income of ¥35.6 billion, an increase of 5.4%. Capital expenditures are forecast at ¥32.2 billion, up 20.2%, and depreciation and amortization at ¥24.2 billion, an increase of 19.0%. These figures reflect an increase in the number of installed ATMs and the installation of third-generation ATMs at Seven Bank.

Seven Bank will work to strengthen existing operations through continued increases in installed ATM units and the cultivation of new customers. In addition, Seven Bank will take steps to establish new sources of earnings, such as the promotion of the international money transfer service launched in March 2011. In card operations, we will work to further increase convenience by leveraging credit cards and *nanaco* electronic money service as shared Group infrastructure.

Business Strategies	
ATM operations	• Expanding ATM operations • Accelerating transition to third-generation ATMs with enhanced functions **Principal features of third-generation ATMs** • Time per withdrawal reduced to two-thirds of previous generation • Electricity consumption reduced by about 48% • Expanding international money transfer service and increasing individual loan customers
Card operations	• Securing new members and promoting usage • Increasing number of active members by enhancing convenience • Encouraging customers to use other Group companies through *nanaco*

Seven Bank, Ltd.

(for the fiscal year ended March 31, 2012)

Ordinary Income
¥88.3 billion

Ordinary Profit
¥29.5 billion

Number of Installed ATMs
16,632

Total Number of Transactions
655 million

Daily Average Transactions per ATM
112.6

(as of February 29, 2012)

Number of Cards Issued	(millions)
Seven Card (credit card and point function)	3.2
CLUB ON/Millennium CARD SAISON (credit card)	3.1
nanaco (electronic money)	16.3
Seven Bank (cash card)	0.9

Others

Revenues from Operations
¥47.4 billion
+33.3%

Operating Income
¥2.3 billion
Improved profitability by ¥2.9 billion

Capital Expenditures
¥3.1 billion
(97.6)%

Launch of *SevenSpot* Free Wireless Communications Service

In December 2011, the Seven & i Group launched *SevenSpot*, a free wireless communications service in stores in the Tokyo area operated by SEJ, Ito-Yokado, Sogo & Seibu, and Seven & i Food Systems. Plans call for the *SevenSpot* service to be available in all stores nationwide by the end of February 2013.

SevenSpot helps to ensure that there will be a stable communications environment even in times of disaster. Moreover, we also expect it to be used as a means of communicating emergency information in the event of a disaster.

Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the other segment's revenues from operations were ¥47.4 billion, up 33.3%, and operating income was ¥2.3 billion, an improvement of ¥2.9 billion year on year. This performance was principally attributable to the full-year contribution made by Seven & i Asset Management, which was established in September 2010. Capital expenditures were ¥3.1 billion, a decline of 97.6% from the previous fiscal year, when the land, buildings, and rights of leasehold of SEIBU Ikebukuro were acquired by Seven & i Asset Management. Depreciation and amortization increased 61.9%, to ¥2.5 billion.

In IT operations, we took steps to expand highly convenient services utilizing the Group's infrastructure. To that end, on the *Seven Net Shopping* website, which is an Internet shopping website operated by Seven Net Shopping, we opened *Net Supermarket*, which is operated by Ito-Yokado, and *e.depart*, which is operated by Sogo & Seibu.

Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥65.0 billion, up 36.9%, and operating income of ¥2.8 billion, an increase of 21.5%. Capital expenditures are forecast at ¥4.0 billion, up 28.4%, and depreciation and amortization at ¥3.3 billion, an increase of 27.5%.

In IT/services, we will work to maximize synergies through interaction between Internet shopping operations and the Group's domestic network of about 15,600 stores, one of the Group's strengths. In addition to strengthening our lineups and services, Seven Net Shopping is taking steps to bolster its business infrastructure, such as moving forward with preparations for the establishment of a new distribution center to realize smooth, prompt shipping and delivering.

Core operating companies in the other segment

The other segment principally comprises companies that operate IT/services related businesses that are associated with retail operations, the core business of the Group.

Seven & i Netmedia

Seven & i Netmedia is an intermediate holding company with overall responsibility for IT/services.

Seven Net Shopping

Seven Net Shopping operates the Group's Internet shopping services.

Seven-Meal Service

Seven-Meal Service conducts planning and operation of SEJ's meal delivery services.

7dream.com

7dream.com operates information terminal operations and provides services utilizing the multi-function copy machines in SEJ stores.

Seven & i Asset Management

Seven & i Asset Management holds and manages the land and buildings of SEIBU Ikebukuro, Sogo & Seibu's flagship store.