

Seven & i Group Merchandise Policy

Targeting ¥3 trillion in Group Sales of Original

The Seven & i Group will endeavor to cultivate new markets by pursuing quality and building new value.



Private-Brand Products Offer Variety at Mealtimes

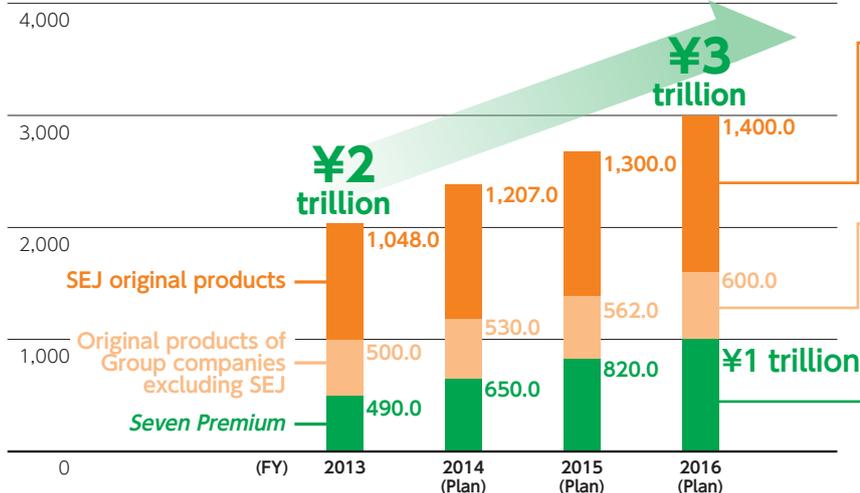
Initiatives for Targeting ¥3 trillion in Sales of Original Products

We launched *Seven Premium* private-brand products in May 2007. We created this category by drawing on original product development techniques within Seven-Eleven Japan (SEJ) and leveraging the product development expertise and sales capabilities of Group companies. We have harnessed team merchandising with outstanding suppliers in developing a line of products that combine quality and reasonable pricing. In doing so, we aimed to dispel the image of private-brand offerings of being focused on low-prices, and build a new private-brand concept that accommodates customer tastes. Recent years have seen a steady rise in customers looking for quality and value. Against this backdrop, the Seven & i Group will place further emphasis on its strategy of developing original products offering taste, functionality, quality, and value. In doing so, the Group aims to boost sales of original products from ¥2 trillion in the fiscal year ended February 2013, to ¥3 trillion in the fiscal year ending February 2016.

- 1 Renew *Seven Premium* Lineup and Broaden Development Scope
- 2 Expand *Seven Gold*
- 3 Enhance Original Products of Group Companies

SALES PLAN FOR GROUP ORIGINAL PRODUCTS

¥ Billion

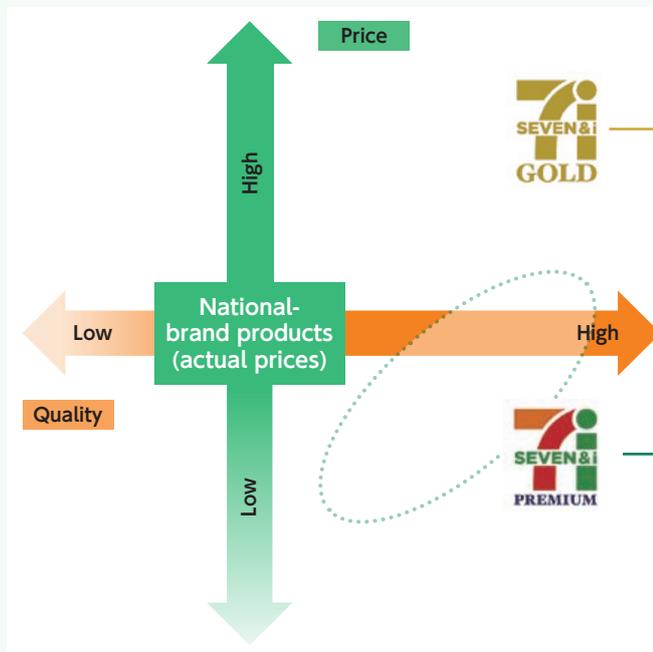


Products

Seven Premium Product Concept and Advantages

Seven Premium is a range of private-brand products that leverage Group companies' product development expertise and infrastructures. In our ongoing development of Seven Premium products, we aim to create items suitable for all formats from convenience stores to department stores while also pursuing added value. Some Seven Premium products generate more than ¥1 billion in Group sales annually per SKU, underscoring our successful creation of a lineup that can compete head to head with national-brand products. The Seven Gold range, meanwhile is the result of team merchandising efforts with leading national-brand manufacturers to develop offerings that provide added value one step above the existing Seven Premium line.

Product Concept



Seven Gold

- Quality same as or better than specialty-store products
- Prices are perceived as very reasonable considering the taste and quality
- Secure sufficient profit

Seven Premium

- Quality same as or better than national-brand products
- Priced 20%-30% lower than national brand actual prices
- Secure sufficient profit

Seven Key Points of Seven Premium

1) Safe and reliable	5) Universally designed
2) Delicious	6) Health conscious
3) Regional flavors	7) Reasonably priced
4) Cutting-edge technologies	

Products that Sold Over ¥1 billion Per SKU in Total Seven & i Group Sales

(March 1, 2012 to February 28, 2013)

<p>Daily food products</p> <p>52 SKU</p>	+	<p>Beverages and alcohol</p> <p>23 SKU</p>	+	<p>Confectionery</p> <p>9 SKU</p>	+	<p>Processed food products</p> <p>8 SKU</p>
= Total 92 SKU						

1

Renew *Seven Premium* Lineup and Broaden Development Scope

Seven Premium Merchandising

Seven Premium offers quality that is the same as or better than top-selling national-brand products. Although pricing is 20% to 30% lower than actual prices for national-brand items, *Seven Premium* products are sufficiently profitable. We will renew existing offerings to keep them attractive for consumers and accommodate changes in quality benchmarks. We will also broaden our product lineups, extending them into new areas, while cultivating *Seven Premium* products for outstanding private-brand and original products from Group companies.

Need for Renewal

1. Because people tire quickly of delicious tastes

Although we pursue reasonable pricing and quality to encourage repeat purchases of *Seven Premium* products, people tend to tire of delicious tastes

2. Because of changes in products that are subject to target quality and benchmarks

Since, markets constantly change, we must evolve products that are subject to target quality and benchmarks to match new customer preferences

3. To engage in team merchandising with consistently optimal partners

The technological capabilities of national-brand manufacturers are constantly changing, so renewals are an opportunity to determine whether those companies are truly the best partners for team merchandising

2

Expand *Seven Gold*

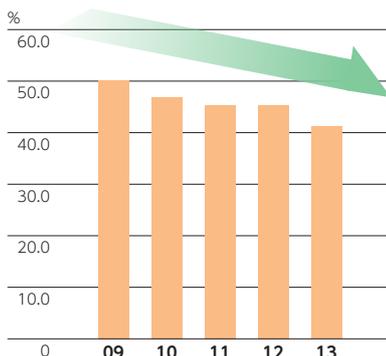
Seven Gold Merchandising

With *Seven Gold*, we seek to develop high-quality products using only select ingredients and production techniques. We aim to provide these items at prices that consumers find reasonable, while offering taste and quality the same as or better than specialty-store products. To support more affluent customer lifestyles, we plan to expand the number of *Seven Gold* SKU to 300, raising its share of the *Seven Premium* lineup from 2% currently to 15%.

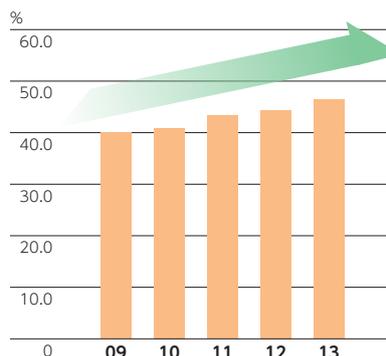
Changing Consumer Preferences

According to a survey of 10,000 consumers, every year, consumers are trending away from simply buying cheap and economic items, toward seeking quality products that match their lifestyles.

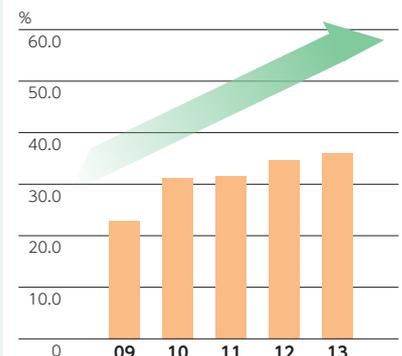
SIMPLY BUYING CHEAP AND ECONOMIC ITEMS



BUYING QUALITY ITEMS EVEN IF THE PRICE IS SLIGHTLY HIGHER



CHOOSING PRODUCTS THAT MATCHES LIFESTYLES



Source: Questionnaire Survey of 10,000 Consumers (Nomura Research Institute, Ltd.)

Product Development Example 1: Bread

Priority: Achieve a soft, chewy texture of superior quality, and a classy, deep sweetness.



1. Marketing

In light of the wide variation in quality and price of plain loaves, which represent around 60% of the market for bread, we expanded our range of high value-added items.

2. Raw materials

All flour used is specially blended to the Seven & i Group's own specification.

3. Baking process

The dough is enriched with malt extract after thoroughly blending water and flour.

Product Development Example 2: Hams and Sausages

Priority: Develop a mature and delicious flavor through selection of raw ingredients that draw out maximum possible taste, and special manufacturing processes.



1. Marketing

We use pork from hogs raised on designated farms in stress-free environments and fed according to their growth stages.

2. Raw materials

We developed a marinating technique based on Specific JAS Standards for creating mature, delicious flavors.

3

Enhance Original Products of Group Companies

Original Product Merchandising

Group companies develop products that match the quality and pricing preferences of customers. Underpinning the development of items that prioritize quality is SEJ's core range of original products.

Original daily food products are produced at 171 sites around Japan, with 92% of these facilities making SEJ products exclusively. Deliveries to stores are from SEJ's dedicated temperature-separated distribution centers. This unique framework, which draws on close collaboration with business partners, enables exceptional productivity. The resulting lineup of more than 1,000 original products is SEJ's greatest strength, promoting strong store loyalty and differentiation from other retail stores.

We are also solidifying the structure of our private-brand products in apparel, notably through *GALLORIA L&B* and *good day* from Ito-Yokado and *Limited Edition* from Sogo & Seibu, as part of efforts to create products that match customer needs.



Original daily food products at SEJ



Private-brand apparel at Ito-Yokado

MESSAGE FROM YASUSHI KAMATA

**Sub Leader of Group Merchandising Reform Project
Director and Managing Executive Officer of Seven-Eleven Japan Co., Ltd.**



We will cultivate private-brand products that customers find easy to understand by clarifying our brand concepts, centered on our *Seven Premium* and *Seven Gold* lines. The Seven & i Group will retain its firm commitment to quality as a fundamental approach to product development efforts. In order to achieve unrivaled differentiation, we will continue to pursue quality in marketing, raw materials, and production techniques.

In the *Seven Gold* category, for example, we see growth opportunities among those wishing to try something a little more tasty once in a while as society ages and households become smaller.

We currently offer just 23 *Seven Gold* SKUs, but aim to expand the lineup to 300 by the fiscal year ending February 2016, to match the increasingly discerning needs of customers.