

## Convenience Store Operations



### Core Operating Companies and Percentage of Ownership

Seven-Eleven Japan Co., Ltd.	100.0%	SEVEN-ELEVEN (BEIJING) CO., LTD.	65.0%
7-Eleven, Inc.	100.0%	SEVEN-ELEVEN (TIANJIN) CO., LTD.	100.0%
SEVEN-ELEVEN HAWAII, INC.	100.0%	SEVEN-ELEVEN (CHENGDU) CO., LTD.	100.0%
SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD.	100.0%		

### Business Overview

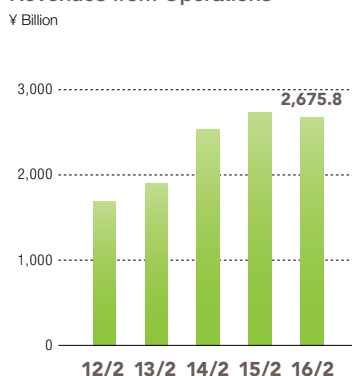
Convenience store operations support people's lifestyles by providing "close-by, convenient" value. In Japan, Seven-Eleven Japan (SEJ) has established a solid position as the largest company in the convenience store market. Overseas, 7-Eleven, Inc. (SEI), develops convenience store operations in the United States and Canada and provides 7-Eleven area franchise rights around the world. In the fiscal year ended February 29, 2016, the convenience store segment's revenues from operations declined 1.9%, to ¥2,675.8 billion, while operating income rose 9.9%, to ¥304.1 billion.

In Japan, trends show a declining birthrate, an aging population, an increasing number of one-person households, an increase in the number of working women, and a decline in the number of small and medium-sized retail stores. Accordingly, the importance of convenience stores, which have small catchment

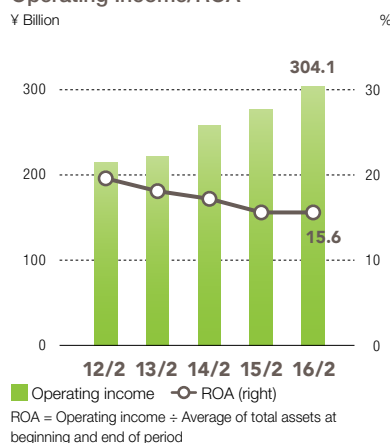
areas, is increasing. In this setting, to link changes in the social environment to growth opportunities, SEJ is following aggressive store-opening policies and strengthening its product development and quality improvement initiatives. As of February 2016, growth in existing store sales had been positive for 43 consecutive months, and in the fiscal year under review total store sales, which include franchised store sales, were up 7.1%, to ¥4,291.0 billion.

In the United States and Canada, SEI is working to develop and market fast foods and private-brand products. In addition, SEI is opening new stores mainly in urban areas with existing store coverage and taking steps to improve profitability through the conversion of directly operated stores to franchises. Despite a decline in sales of gasoline due to lower crude oil prices, SEI's total store sales rose 4.1% year on year, to ¥2,950.4 billion.

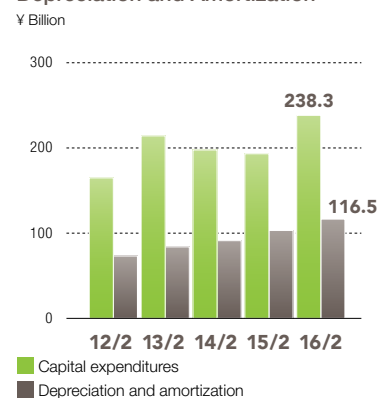
### Revenues from Operations



### Operating Income/ROA



### Capital Expenditures/Depreciation and Amortization



## Seven-Eleven Japan

Implementing thorough measures to realize the “close-by, convenient” concept and responding rapidly to change



**Kazuki Furuya**

President and Representative Director  
Seven-Eleven Japan Co., Ltd.

### Generating Overwhelming Strength by Multiplying *Location × Products × Services*

For the past seven years, I have worked with Ryuichi Isaka, the former president of SEJ, to implement management in accordance with the concept of “close-by and convenient.” Moving forward, our basic approach will be to rigorously follow that concept and continue responding to change at an even faster pace.

Currently, competition is intensifying among a wide range of business formats in small catchment areas. To succeed in this setting, it will be necessary to realize superior locations, products, and service. By multiplying those elements, we can enhance the trust of customers; on the other hand, if just a single one of those elements is lacking, customers will not be satisfied. We are pursuing overwhelming differentiation in a variety of areas, such as enhancing the store development system, improving product flavor and quality, developing new products, enhancing customer service, and strengthening product lineups. There are no unexpected moves and clever schemes in retail management. Going forward, I will continue working to resolve these issues.

At the same time, innovation will be indispensable in continued growth. As we did with *SEVEN CAFÉ*, it will be possible to foster new growth in the market by actualizing latent demand

through innovation. Furthermore, I think that the *omni7* initiative will become an axis of innovation. *omni7* will enable stores to provide customers with a wide range of products without inventory risk, and accordingly stores will be able to make considerable use of *omni7* in their sales promotion activities, thereby leading to higher sales and profits. In that regard, we need to convince our customers that our products offer an appeal that is not available from other Internet shopping options.

In consideration of this basic approach, I think that our most important task will be to further increase our front-line capabilities. It is these front-line capabilities that have enabled SEJ to display overwhelming superiority. Moving forward, we will support franchised store management through our Operations Field Consultants (OFCs) and eliminate differentials between stores. In this way, we will step up our daily initiatives and continue to enhance our front-line capabilities. I believe that one of my important missions is to create an environment that facilitates the work of the people working on the front lines, such as the franchisees and the OFCs.

### Basic Strategies and Focus Policies

In the past, men were SEJ's principal customer group, but, by expanding its product lineups to address changes in society, SEJ is expanding its customer groups to include other consumers, such as senior citizens and women, leading to growth in existing store sales. In addition, due to continued high-quality store openings, SEJ's share of net sales in the domestic convenience store market has increased, reaching 41.7% in the fiscal year ended February 29, 2016. Moving forward, SEJ will work to capture a wide range of demand in all food-related markets, including not only the convenience store market but also restaurants and take-home meals.

In merchandising, in consideration of the major trend away from the preparation of meals at home, SEJ will work to further increase the quality of its basic products, such as rice balls and sandwiches. In addition, we will focus on developing new products in line with latent customer needs and the varying preferences of each region. In regard to our store-opening policies, we will open new stores in existing coverage areas and relocate stores to better sites. We plan to open a record-high 1,800 stores in the fiscal year ending February 28, 2017. Furthermore, by advancing the Omni-Channel Strategy, we will strengthen the *Seven-Meal* meal delivery service and other services and increase convenience for customers.

### Merchandising

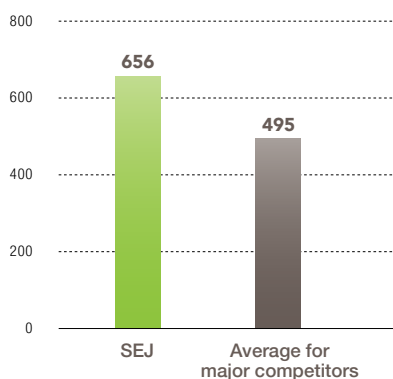
Looking at recent expenditures on food in Japan, the share of restaurants and take-home meals surpassed 50% in 2014, and the scale of the market for take-home meals was estimated to have surpassed ¥10 trillion in the same year. Due to changes in Japanese society, there is a trend away from the preparation of meals at home and toward convenient purchases of meals outside the home. SEJ's product lineup includes categories in which SEJ was the first to respond to this trend, and these categories, which include frozen foods, chilled boxed lunches, and *Seven Premium* private-brand products, have continued to record growth in sales. In addition, *SEVEN CAFÉ*, which was launched in 2013, established the trend of purchasing freshly brewed coffee in convenience stores and created a new market.

In the fiscal year ending February 28, 2017, we will continue working to achieve differentiation by renewing existing products, launching new products, strengthening product lineups, and implementing merchandising that draws on our strengths.

Furthermore, to strengthen its response to local community needs, SEJ divided the Japanese market into nine regional blocks in 2015. Product development and store operations and development are handled seamlessly at the block level. For *Seven Premium*, we are not only working with leading manufacturers, we are also collaborating with manufacturers who have roots in local communities. In these ways, we are achieving product lineups that match the needs of customers in local communities.

#### Average Daily Sales per Store

¥ Thousand

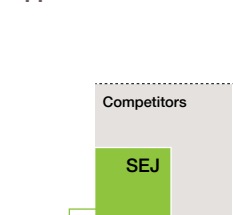


Note: Competitors' information is the simple average of three major convenience store chains (Fiscal 2016).

#### SEJ's Market

##### 2015 market

Convenience store market:  
**Approx. ¥10.2 trillion**

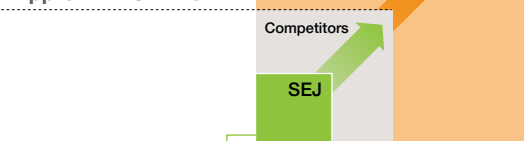


SEJ's share in the domestic convenience store market:  
**Approx. 42%**

##### Future target markets

Food and beverage retail: Approx. ¥45 trillion  
Restaurants: Approx. ¥24 trillion  
Cooking products retail: Approx. ¥7 trillion

**Approx. ¥75 trillion**



SEJ's share of sales in the combined market for food and beverage retail, restaurants, and cooking products retail:  
**Approx. 6%**

Sources: Convenience Store Statistics Investigation Monthly Report (Japan Franchise Association); Current Survey of Commerce (Ministry of Economy, Trade and Industry); Report on the Scale of the Food Service Market (Foodservice Industry Research Institute)

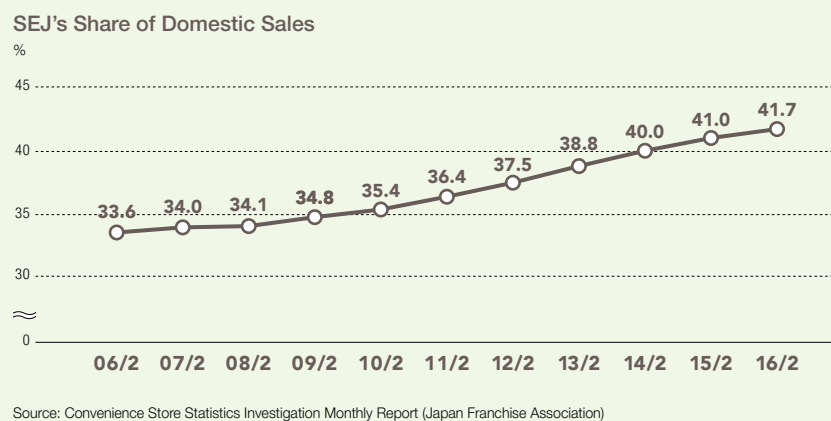
### Store-Opening Policies

Since its founding, SEJ has followed the market concentration strategy, under which it expands the store network in a region with adjoining catchment areas for each store. This store-opening method contributes to increases in chain recognition and store visit frequency. It also improves advertising efficiency and distribution efficiency and facilitates the establishment of dedicated production facilities in each region, which play a pivotal role in the strategy. In these ways, the market concentration strategy makes a major contribution to the creation of stores with close ties to local communities. In the fiscal year ended February 29, 2016, we expanded into Kochi, Aomori, and Tottori prefectures, and our store network now covers 46 out of Japan's 47 prefectures.

In the fiscal year ending February 28, 2017, we will open new stores in regions with existing coverage, such as Japan's three major urban areas. In addition, we will aggressively relocate existing stores in line with changes in the surrounding environment. By doing so, we will increase convenience for customers in local

communities and strengthen market concentration. In opening new stores, we will focus on the profitability of each store and rigorously assess location conditions, thereby continuing to implement high-quality store openings. In relocating stores, we will work to activate areas by expanding sales floor space and parking lot space and by further increasing product lineups and services.

Through these initiatives, SEJ is planning to open a record-high level of 1,800 stores in the fiscal year ending February 28, 2017, and is forecasting a total of 19,772 stores at the end of the year, an increase of 1,200 stores from the end of the previous fiscal year.



### Strengthening Service Operations

In November 2015, the Group commenced full-scale operation of its Omni-Channel Strategy. Products ordered over *omni7*, the Group's integrated portal site, can be picked up at 7-Eleven stores throughout Japan, which can also handle returns and refunds.

In addition, to provide support for purchasing, SEJ is implementing product delivery services, such as *Seven-Meal*. In the fiscal year ending February 28, 2017, we will work to capture demand by gradually expanding the *Seven-Meal* service to include deliveries made to companies and offices.

### Addressing the Characteristics of Local Communities

— Example of Product Development in Line with the Preferences of Customers in the Kansai Region

In the Kansai region in western Japan, beef is an established part of the local food culture, to the extent that "meat" is almost considered to be synonymous with "beef." In making curry, pork is also generally used in eastern Japan, while beef is typically used in Kansai. The Kansai region has developed dishes with unique flavors, such as "salty-sweet curry," which is sweet on the first mouthful and becomes spicier as it is eaten.

In consideration of this type of distinctive Kansai preferences, we launched a new stewed beef curry in January 2016. Two types of beef and 12 spices create a changing taste sensation that has generated positive reviews, and in January unit sales were 1.4 times those of the beef curry launched in the previous year.

In addition, we implemented renewals of basic products, such as bread and *sozai* prepared dishes, that were limited to the Kansai region. In cooperation with leading manufacturers, we also introduced national brand products limited to 7-Eleven stores in western Japan. In such ways, we are strengthening our product lineups to reflect the needs of customers in local communities.

Products available only in the Kansai region



## 7-Eleven, Inc.

### Basic Strategies and Focus Policies

Since it became a wholly owned subsidiary of SEJ in 2005, SEI, of the United States and Canada, has recorded continued growth in both merchandise sales and operating income while absorbing SEJ's management methods. As of the end of December 2015, SEI had 8,500 stores. Due to growth in existing store sales and improvement in the merchandise gross profit margin, operating income set a new record high. This growth in profits was made possible by SEI's distinctive merchandising and store-opening policies.

In the United States, convenience stores are principally directly operated and are generally integrated with gas stations. Gross profits on sales of merchandise and gasoline are the source of earnings. With the objective of significantly increasing profitability, SEI is advancing a transition to franchising (shift to royalty revenues). SEI is opening many stores that are centered on merchandise sales and do not have gas stations, mainly in highly profitable urban areas. This store-opening policy plays an indispensable part in SEI's merchandising, as described below.



**Joseph Michael DePinto**

President and  
Representative Director  
7-Eleven, Inc.

### Merchandising

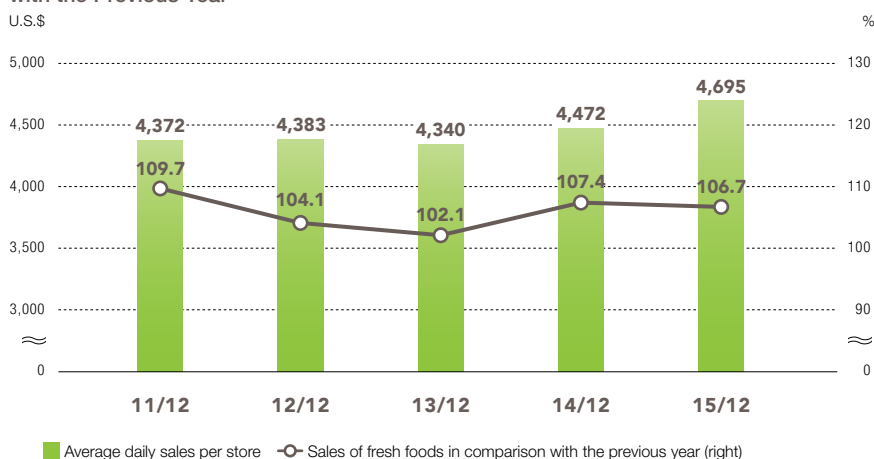
SEI's merchandising involves differentiation through fast foods, such as fresh foods and hot foods, and 7-Select private-brand products. The foundation for those initiatives is highly precise marketing.

In the U.S. market, which encompasses a diverse range of cultures, there are notable regional aspects to food to a greater extent than in Japan. In addition, consumers have markedly high standards for food quality and for saving time. SEI has carefully analyzed these market characteristics and reflected the resulting

knowledge in the development process for fresh foods, including sandwiches, salads, and cut fruits, which had not been sufficiently stocked in the market as a whole. In addition, SEI uses the team merchandising method in product development, working with manufacturers and other suppliers in the same way as in Japan.

In regard to customer purchasing behavior, SEI analyzes best-selling products in each time period and implements detailed responses, such as strengthening sales of hot foods, such as pizza and fried chicken, which are popular items in the

SEI's Average Daily Sales per Store and Sales of Fresh Foods in Comparison with the Previous Year



evening and night-time periods. In the fiscal year ended December 31, 2015, SEI completed the installation of in-store food preparation equipment in nearly all stores. In these ways, SEI is working to provide original, high-quality hot foods.

In addition to these products, SEI will continue to enhance the differentiation of the 7-Eleven brand by further expanding its lineup of 7-Select private-brand products.

### Store Initiatives

In regard to its store initiatives, while focusing on product lineups from the customer perspective and on customer service, SEI is rigorously implementing item-by-item management to reduce opportunity losses and waste. Specifically, SEI has introduced ordering terminals and IT systems, and the Operations Field Consultants (OFCs) provide daily support. By doing so, SEI is aiming to establish a store operations cycle comprising ordering based on a hypothesis, followed by verification of sales results, and in turn followed by correction of the next order.

SEI's strategy for opening stores calls for working to increase efficiency in distribution and sales by implementing the market concentration strategy in the west coast, mid west, and east coast regions where the population has increased in recent years. In comparison with the suburbs, the urban areas in these regions have substantial demand for fresh foods, centered on office locations, and accordingly SEI is strengthening store openings in these areas.

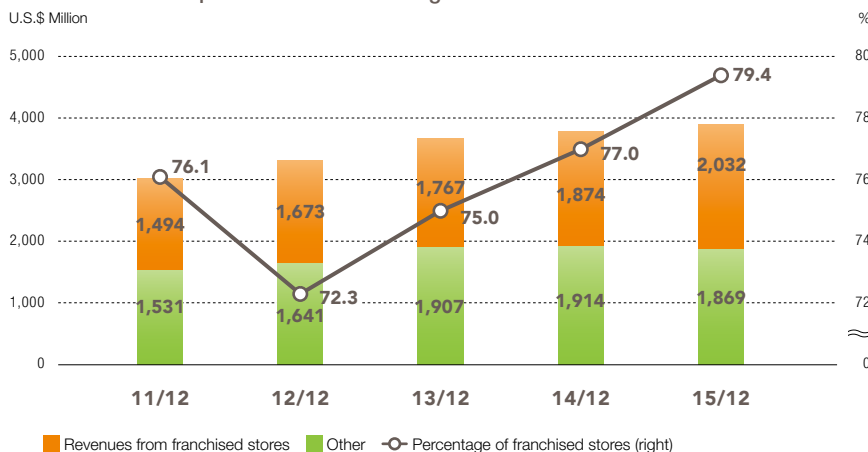
Of approximately 150,000 convenience stores in the United States, SEI has a share of less than 6% and still has room for growth. To build its store network more rapidly, SEI is using M&A transactions as appropriate. SEI concluded agreements to acquire 181 stores from Tedeschi Food Shops, Inc., in August 2015 and 148 stores from Imperial Oil Ltd. in March 2016. In addition to renovating these stores into 7-Eleven stores, SEI will also enhance the marketing capabilities of these stores through the aforementioned operational reforms. In the fiscal year ending December 31, 2016, 35 store openings are planned, and the forecast is for a total of 8,700 stores at the end of the year, an

increase of 200 stores from the end of the previous fiscal year.

Further, the market concentration strategy is directly related to the conversion of stores to franchises. As mentioned, in the United States, convenience stores are generally directly operated, and sales of gasoline from integrated gas stations play a central role. However, the implementation of the market concentration strategy and the conversion of stores to franchises have led to the creation of many franchise stores with business centered on sales of merchandise, and as a result royalty revenues are contributing to increases in profitability. As of the end of December 2015, franchised stores accounted for approximately 80% of all stores. Moving forward, SEI will work to raise this figure and realize a growth scenario under which strengthened product capabilities promote the conversion of stores to franchises, which in turn fosters improved revenue efficiency. SEI will implement more-aggressive initiatives in accordance with this scenario.



Gross Profit from Operations and Percentage of Franchised Stores



# Superstore Operations



## Core Operating Companies and Percentage of Ownership

Ito-Yokado Co., Ltd.	100.0%
York-Benimaru Co., Ltd.	100.0%
York Mart Co., Ltd.	100.0%
Akachan Honpo Co., Ltd.	95.0%

Ito-Yokado (China) Investment Co., Ltd.	100.0%
Hua Tang Yokado Commercial Co., Ltd.	75.8%
Chengdu Ito-Yokado Co., Ltd.	75.0%

## Business Overview

Superstore operations comprise Ito-Yokado (IY) superstores, York-Benimaru (YB) and York Mart food supermarkets, and specialty stores, such as Akachan Honpo, which handles baby and maternity products.

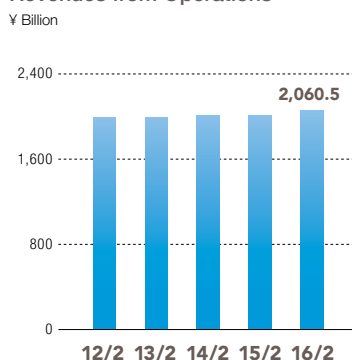
IY is promoting operations centered on each store, with the aim of creating product lineups and sales areas that leverage local community viewpoints and ideas from individual stores. In the fiscal year under review, in line with the plan for business structural reforms announced in October 2015, IY moved forward with store closures, optimized personnel assignments, and implemented other measures. With regard to sales, IY focused on the development and sale of differentiated products that leverage the Group's comprehensive strengths. The rate of growth in sales at existing stores increased year on year, despite

a fallback in demand occurring as a response to the rush in demand in the previous fiscal year associated with the consumption tax hike. However, profitability worsened due to apparel inventory and other factors.

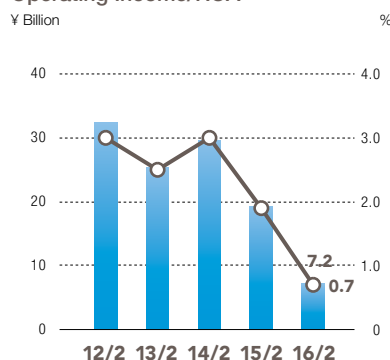
York-Benimaru worked to realize "lifestyle proposal-type food supermarkets" by strengthening its sales of fresh foods and expanding its lineup of *sozai* prepared dishes. These initiatives were successful, and the rate of growth in sales at existing stores increased year on year.

As a result of these initiatives, revenues in superstore operations were ¥2,060.5 billion, an increase of 2.4% year on year, while operating income was ¥7.2 billion, down 62.6% year on year.

### Revenues from Operations

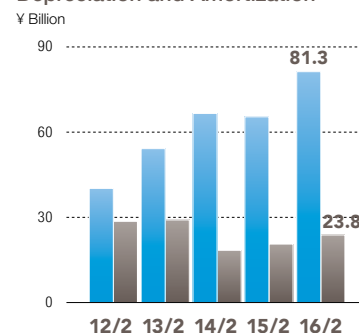


### Operating Income/ROA



Operating income — ROA (right)  
 ROA = Operating income ÷ Average of total assets at beginning and end of period

### Capital Expenditures/Depreciation and Amortization



Capital expenditures — Depreciation and amortization

## Ito-Yokado

### Basic Strategies and Focus Policies

As of the end of February 2016, IY operated 182 stores, centered on the Tokyo metropolitan area. In recent years, food has recorded favorable results, but apparel and household goods have continued to face challenging conditions. In stores, the attraction of tenants to *Ario* mall-type shopping centers and to existing stores is contributing to increasing profitability.

In addition to changes in the retail environment, such as the shortening of the product cycle and the rise of specialty stores, consumer preferences are diversifying in a setting marked by consumption that is maturing. In response to these changes, IY has thoroughly reevaluated its Companywide, uniform merchandising. Currently, IY is advancing business restructuring measures to build a system that provides a detailed response to the needs of customers, such as working to implement store-led operations.



**Atsushi Kamei**

President and  
Representative Director  
Ito-Yokado Co., Ltd.

### Store Initiatives

In store operations, we are working to attract excellent tenants from inside and outside the Group. In addition, we are remodeling sales areas to enhance delicatessen items that meet needs for easy, ready-to-serve meals and to promote face-to-face sales of fresh food. While advancing individual store management with close ties to local communities, we are thoroughly strengthening food operations, streamlining lineups of apparel and household goods, expanding *Ario* mall-type shopping centers, and pursuing the potential of stores in the Tokyo metropolitan area. We are also strengthening product lineups and sales areas to address the Omni-Channel Strategy and working to thoroughly transform the earnings structure.

Specifically, we are implementing the following reforms. First, we are taking a rigorous approach to individual store management through independent stores with close ties to local communities. This began with *Ario Ageo* in January 2014, and the number of these independently operated stores increased to nine in December 2014. Since May 2015, all stores have been operated in this manner. The first nine stores have already shown results from the reforms, such as improvement in gross profit on food operations.

Second, we will reinforce food operations, which are our strength, and, for apparel and household goods, we will work to reduce directly managed sales floor space, improve the profitability of directly managed sales areas, attract leading tenants from inside and outside the Group, and increase the appeal of stores.

Third, among our regional stores, we will enhance our relationships with capital and operational partners and raise efficiency in sales promotions and distribution. In these ways, IY will aim to realize a high level of customer-drawing power in its food operations and individual store management, based on the optimal tenant mix for the region, and to link changes in society to growth in profits for the entire Company. To those ends, we will implement bold store restructuring initiatives. We had 182 stores in Japan as of the end of February 2016, and we plan to reduce this figure to 142 by the fiscal year ending February 2021. Accordingly, we plan to close 20 stores in the fiscal year ending February 28, 2017.





### Merchandising

In merchandising, we will implement the following measures. First, we will optimize inventory levels through rigorous implementation of item-by-item management. We will reinforce purchasing through a cycle of hypothesis and verification, centered on each store rather than headquarters.

Second, to leverage the Omni-Channel Strategy, we will strengthen our lineups of safe, secure products that are available online, thereby complementing real store operations. For example, a region's specialty products have been little known outside the region and available only to local customers, but we will make them widely available over the Internet. In this way, these products will be recognized by a wide range of customers throughout

Japan and limitations on shelving space will be eliminated. Moreover, we will strengthen growth in sales of *Net Supermarket*. Initiatives will be centered on the dedicated *Net Supermarket* store opened in Nishi Nippori in the Tokyo metropolitan area. We will also increase the space available for *Net Supermarket* operations at each store and address delivery needs, which will increase in the future.

Third, especially among regional stores, IY will heighten its procurement capabilities by strengthening its relationships with capital and operational partners and will strengthen its lineups of products and its creation of sales areas tailored to regional tastes, centered on food.

#### Initiatives of the Hokkaido Division



As of the end of February 2016, IY had 11 stores in Hokkaido, including in Sapporo, Hakodate, and the eastern Hokkaido area.

Through a capital agreement, we are working in cooperation with DAIICHI, which operates food supermarkets and has strengths in the region. We have bolstered our lineups of regional products and reduced our costs by sharing product procurement routes. In sales promotion, we have expanded catchment areas and reduced costs through the use of joint fliers. In addition, DAIICHI has introduced *Seven Premium* private-brand products, installed Seven Bank ATMs, and introduced *nanaco* electronic money. In these ways, DAIICHI has increased convenience for its customers, and synergies have been created.

### York-Benimaru

As of the end of February 2016, YB operated 205 food supermarkets, principally in southern Tohoku. Aiming to be a "lifestyle proposal-type supermarket company," York-Benimaru (YB) will take steps to implement the following initiatives based on the concept of "making customers' daily meal experiences more exciting, fulfilling, and convenient."

In merchandising, YB will work together with subsidiary Life Foods and strengthen its lineup of *sozai* prepared dishes to respond to demand for ready-to-serve and easy meals. YB will differentiate its in-house products with a focus on security, safety, flavor, and quality, and it will propose foods that are appropriate for various lifestyle scenarios.

In store operations, in accordance with the principle of individual store management, YB will create stores with the participation of all employees and take a rigorous approach to product lineups and sales area development that address regional characteristics. In addition, YB will invigorate existing stores, centered on the further enhancement of food, and take steps to aggressively implement store openings in accordance with the market concentration strategy. In human resources development, YB will take a thorough approach not only to training in the areas of customer service, sales, product knowledge, and management but also to training in intangible factors, such as YB's starting point, philosophy, and ideas. In these ways, we will aim to further enhance customer satisfaction.



**Yukio Mafune**  
President and  
Representative Director  
York-Benimaru Co., Ltd.

# Department Store Operations



## Core Operating Companies and Percentage of Ownership

Sogo & Seibu Co., Ltd.	100.0%
THE LOFT CO., LTD.	75.2%
SHELL GARDEN CO., LTD.	100.0%

## Business Overview

Department store operations include Sogo & Seibu (SS) department stores, THE LOFT miscellaneous goods specialty stores, and SHELL GARDEN, which operates The Garden Jiyugaoka, a high-end food supermarket.

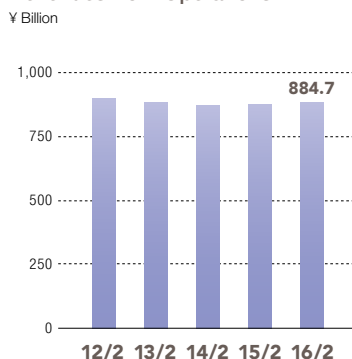
SS is taking steps to clearly differentiate its operations from those of competitors, centered on its products. To that end, SS is expanding self-produced merchandise and self-arranged sales areas, with efforts focused on its flagship store, the SEIBU Ikebukuro store, which is one of Japan's leading stores in terms of sales and customer store visits. By enhancing the *e.depart* online shopping site, which leverages the Group's infrastructure and know-how, we will advance the Omni-Channel Strategy and the integration of real-store and Internet-based services. By doing so, we will move forward with the creation of a new type of department store.

In the fiscal year ended February 29, 2016, there was a fallback in demand in response to the rush in demand in the

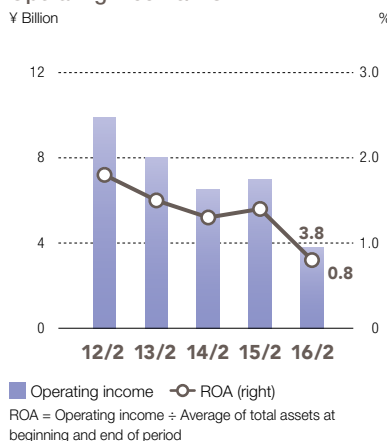
previous fiscal year associated with the consumption tax hike. Nonetheless, SS's existing store sales growth was about the same as in the previous year. Revenues in department store operations were ¥884.7 billion, an increase of 1.1% year on year, while operating income was ¥3.8 billion, down 45.7% year on year.



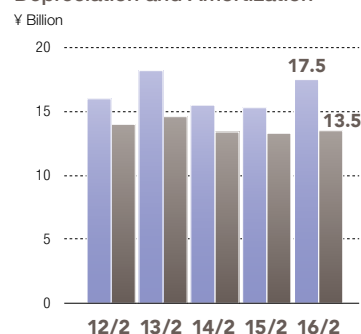
## Revenues from Operations



## Operating Income/ROA



## Capital Expenditures/ Depreciation and Amortization



Review of Operations

## Sogo & Seibu

### Store Initiatives

In store initiatives, the following measures are being advanced. First, we will reduce unprofitable stores. Based on the business structural reforms announced in March 2016, we decided to close the SEIBU Asahikawa store and the Sogo Kashiwa store in September 2016. Additionally, in August 2016 we decided to close the SEIBU Yao store and the SEIBU Tsukuba store in February 2017.

Second, at the SEIBU Ikebukuro store, which has one of the highest levels of sales in the country, we will enhance quality, principally by further expanding luxury brands. Also, we will work to optimize directly managed sales floor space at regional stores, and to attract leading tenants and transition toward shopping centers. In these ways, we will invigorate stores and improve profitability.

Moreover, in stores, we consider it important to communicate the value of our products to customers, and accordingly we will continue to enhance the customer service skills and expertise of each individual salesperson. We will also enhance *Kirei Station* (Beauty Station) and other consulting stations. In doing so, we will work to heighten customer satisfaction through the high-quality customer service that is the hallmark of department stores.



**Ryu Matsumoto**

President and  
Representative Director  
Sogo & Seibu Co., Ltd.

### Merchandising

SS will strengthen its initiatives in retailer-managed merchandising and store-managed sales areas. Retailer-managed merchandising initiatives, including the development of products following the SPA model, will be centered on the *Limited Edition* private brand, which is based on the concept of high-quality daily wear. SS will strive to improve profitability and foster differentiation. In regional stores, we will strengthen product lineups that address regional needs, such as *Limited Edition areamode*.

Moreover, accompanying full-scale operation of the Omni-Channel Strategy, centered on SS's *e.depart* online shopping site, we will take steps to increase convenience for customers by expanding the array of high-quality products that are a strength of department stores.

In addition, we will begin to cultivate new suppliers through an open application system using the Internet. Producers who have ability or superior technologies that have been untapped can enter an application directly and sell their products through *e.depart* or through stores. In such ways, we will take on the challenge of implementing new initiatives.

### *Limited Edition areamode*: A Private Brand Originating in Regional Stores



The *Limited Edition areamode* brand, which originated in regional stores and has a wealth of regional character, was launched in March 2015. With a focus on lifestyles that differ by region, we are moving forward with the development of products that have distinctive regional characteristics. These initiatives, which are implemented through cooperation with local manufacturers, are centered on apparel and sundries.

At stores, the people in charge of private brands, who know a great deal about their local communities, decide how many of each item to order. In various ways, we are working to address the needs of customers, which differ by region, and to activate regional stores with product lineups that leverage local specialty products.

# Food Services



## Operating Company and Percentage of Ownership

Seven & i Food Systems Co., Ltd.	100.0%
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## Business Overview

In food services operations in Japan, Seven & i Food Systems operates the restaurant division, the meal provision service division (meal provision services for company cafeterias, hospitals, and schools), and the fast food division. In the restaurant division, the rate of growth in existing store sales increased year on year due principally to the success of measures to enhance sales of high-value-added menu items and to improve customer service.

Consequently, revenues from operations in food service operations were ¥83.8 billion, an increase of 3.5% year on year, and operating income was ¥0.9 billion, a rise of ¥0.8 billion year on year.



**Tsuneo Okubo**

President and Representative Director  
Seven & i Food Systems Co., Ltd.

Review of Operations

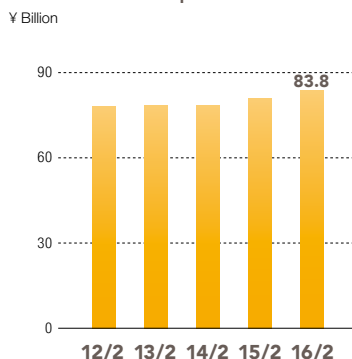
## Basic Strategies and Focus Policies

Through a cycle of hypothesis and verification, we will reevaluate operations, including menu item development and sales promotions. In addition, we will leverage the Omni-Channel Strategy and rigorously implement the fundamentals of the food service business, such as hospitality and cleanliness. In these ways, we aim to heighten customer satisfaction.

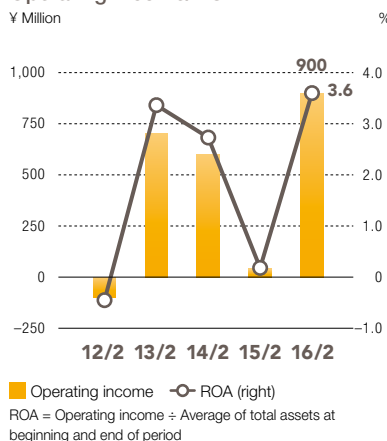
In merchandising, we will implement product development with an integrated approach to raw materials, preparation, sales promotion, and provision. We will develop high-value-added menu items with a focus on safe, secure ingredients and menu items that meet regional needs, and we will continue to reevaluate existing menu items. Moreover, in cooperation with other Group companies, we will raise efficiency in procurement and distribution. Also, we will thoroughly control costs at the store level and work to improve profitability.

In store initiatives, in addition to a rigorous approach to the fundamentals, we will strengthen labor cost control by raising operational efficiency at stores. Further, we will expand customer contact points through a series of Omni-Channel Strategy initiatives, such as strengthening takeout and home delivery services and expanding online orders. In meal provision service operations, we will advance the establishment of facilities that address customer demand, such as company cafeterias integrated with 7-Eleven stores.

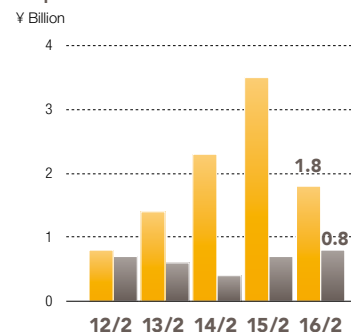
### Revenues from Operations



### Operating Income/ROA



### Capital Expenditures/Depreciation and Amortization



# Financial Services



## Core Operating Companies and Percentage of Ownership

Seven Bank, Ltd.	45.8%	Seven CS Card Service Co., Ltd.	51.0%
Seven Financial Service Co., Ltd.	100.0%	FCTI, Inc.	100.0%
Seven Card Service Co., Ltd.	95.5%		

## Business Overview

In financial services, we are developing a wide range of services that principally support the retail businesses of the Group. These include Seven Bank ATM operations, credit card operations, electronic money services, insurance operations, and leasing operations.

As of the end of February 2016, the number of installed Seven Bank ATMs had increased to 22,472, up 1,416 year on year, due mainly to the aggressive opening of stores by SEJ. The total number of ATM transactions also increased year on year.

In credit card operations, the transaction volumes of the Seven

Card Plus credit card and the CLUB ON CARD SAISON and Millennium CARD SAISON credit cards rose year on year. In electronic money operations, the use of the *nanaco* electronic money service increased. At the end of the fiscal year, the total number of *nanaco* accounts issued was 45.42 million, up 8.25 million year on year, and the number of stores at which *nanaco* was available was approximately 215,300, up about 47,600 stores year on year.

As a result, revenues in financial services operations were ¥192.4 billion, up 8.0% year on year, and operating income was ¥49.6 billion, up 5.3% year on year.

## Basic Strategies and Focus Policies

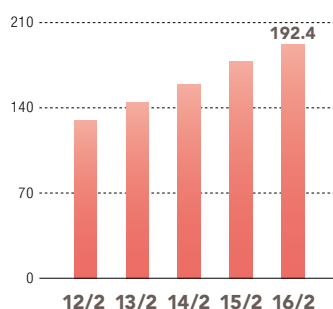
Seven Bank will work to heighten service quality and further expand the scope of the ATM business so that customers can use its services with peace of mind. In addition, Seven Bank will enhance financial services, including the overseas remittance and individual loan businesses, and aim to move beyond the ATM framework and record growth as an innovative financial services company.

In overseas business, from July 2017 plans call for FCTI, Inc., a consolidated subsidiary of Seven Bank, to install and

operate ATMs in 7-Eleven stores in the United States. In this way, the ATM operations know-how cultivated in Japan will be utilized in business development initiatives. In card operations, shopping transaction volume is increasing, both inside and outside the Group. We will work to promote further usage of credit cards and *nanaco* electronic money, and the card data will be used as common Group infrastructure for new business development initiatives.

### Revenues from Operations

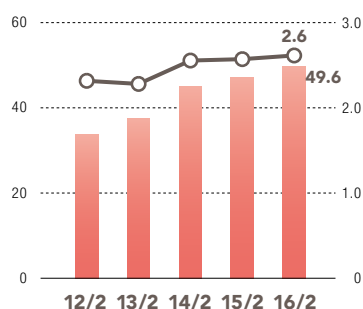
¥ Billion



### Operating Income/ROA

¥ Billion

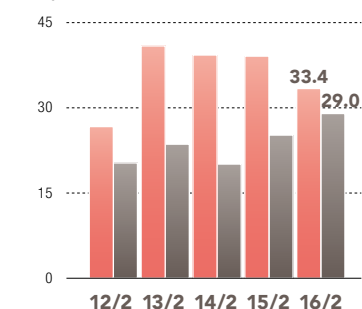
%



■ Operating income —○— ROA (right)  
 ROA = Operating income ÷ Average of total assets at beginning and end of period

### Capital Expenditures/ Depreciation and Amortization

¥ Billion



■ Capital expenditures  
 ■ Depreciation and amortization

# Mail Order Services and Others



## Core Operating Companies and Percentage of Ownership

Nissen Holdings Co., Ltd.	50.7%	Seven & i Netmedia Co., Ltd.	100.0%
Nissen Co., Ltd.	100.0%	Seven-Meal Service Co., Ltd.	90.0%
SHADDY CO., LTD.	100.0%	Barneys Japan Co., Ltd.	100.0%

## Business Overview

In mail order services, Nissen provides products and services, mainly through online stores and catalogs. In addition, Nissen also operates a wide range of other businesses, including Internet-related services and meal delivery services.

In mail order services, in August 2015 Nissen Holdings announced management streamlining measures aimed at an early return to profitability. Steps were taken to improve profitability by withdrawing from the large furniture business, which was unprofitable, and recruiting for voluntary retirement. Nonetheless, in the fiscal year ended February 29, 2016, the Group's revenues

in mail order services operations were ¥158.7 billion, down 14.6% year on year, and an operating loss of ¥8.4 billion was recorded, compared with an operating loss of ¥7.5 billion in the previous year. In others operations, a contribution was made by revenues of Barneys Japan, which became a wholly owned subsidiary of the Company in February 2015, and revenues from operations were ¥61.5 billion, up 14.3% year on year, and operating income was ¥5.5 billion, up 51.5% year on year.

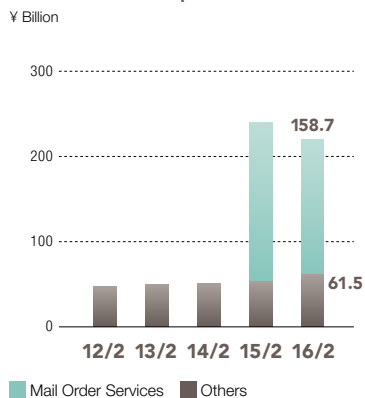
## Basic Strategies and Focus Policies

In mail order services operations, we plan to make Nissen Holdings a wholly owned subsidiary, and on that basis Nissen Holdings will implement thorough reforms and rebuild its business.

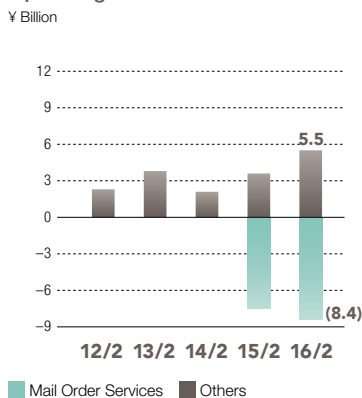
In others operations, we will work to leverage IT synergies.

For example, business development initiatives linked to the Omni-Channel Strategy will be implemented by Seven & i Netmedia in the IT/services field and by Seven-Meal Service in meal delivery services.

### Revenues from Operations



### Operating Income



### Capital Expenditures/ Depreciation and Amortization

