Medium-Term Management Plan

Announced October 2016

Through the new management structure, we will strengthen our role and function as a holding company, support and monitor the status of operating companies, promote optimum allocation of resources, improve corporate value over the medium to long term and realize sustainable growth.

Seven & i Group's Management Policy

"Trust" and "Sincerity"
"Responding to Change while Strengthening Fundamentals"

Goals

- Enhance convenience in daily life by supplying products and services, while staying closely attuned to the life stages and settings of customers
- Become a caring Group indispensable to communities

Imperatives

- Harness all manner of resources, including business partners and technological innovations in society
- Pursue the absolute value of products and services and the maximization of customer satisfaction

Overview of Medium-Term Management Plan

Operating income of ¥450.0 billion
ROE of 10% for FY2020

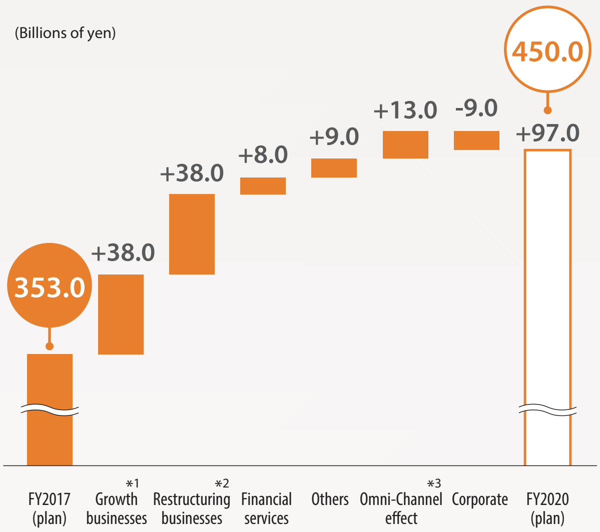
(Beginning in Fiscal 2017)

Ⅰ	**Concentrate management resources with a core focus on growth in CVS operations in both Japan and North America** For details, see Special Feature 1
Ⅱ	**Promote "selection and concentration" of each geographic area and business category** 1. Memorandum of Understanding on Capital and Business Alliance with H2O Retailing, succession of Sogo & Seibu department stores in Kansai region, concentration of management resources on major stores in Tokyo metropolitan area 2. Ito-Yokado: Start an examination of measures to focus on Tokyo metropolitan area and food business For details, see Special Feature 2
Ⅲ	**Adopt a perspective of property development in revival of general merchandise stores and department stores** For details, see Special Feature 2
Ⅳ	**Review the Omni-Channel Strategy** Prioritize customer lifetime value from the standpoint of the customer's strategy
Ⅴ	**Formulate our strategy, and revise our segments from the perspective of our management approach by next spring** Completed

Numerical targets in FY2020:

Medium-Term Numerical Targets

Operating income (From Fiscal 2017)



*1. Seven-Eleven Japan, 7-Eleven, Inc.
*2. Ito-Yokado, Sogo & Seibu, Nissen Group
*3. Omni-Channel effect includes impact on Seven-Eleven Japan, etc.

Financial Strategy

Capital expenditures

Disciplined investment aiming to achieve ROA that each operation set

- Examine investment efficiency through Portfolio Committee
- Priority allocation to growth businesses (M&As will also be considered in the North American CVS business)
- Restructuring businesses will invigorate existing stores

Fund procurement

While maintaining the Group’s AA rating,

- Procure interest-bearing debt if funds are required for growth strategies
- Tolerate a debt/equity ratio of around 0.5 based on expectations of growth in financial services

Shareholder returns

In line with the basic policy of return to shareholders matched to profit improvement, maintain a consolidated payout ratio of 40%

- Adopt flexible capital policies, while considering the balance with investments in growth businesses

Operating income ¥450.0 billion · ROE 10%

Message from the President

Ryuichi Isaka

President and Representative Director

Joined Seven-Eleven Japan Co., Ltd. (SEJ), in 1980. Became Director of SEJ in 2002 and Managing Executive Officer of SEJ in 2006. After working as Director & Managing Executive Officer of the Merchandising & Foods Department, became President and Representative Director of SEJ in 2009. President and Representative Director of Seven & i Holdings from May 2016

Working as a cohesive unit, we seek to be a retail services group that responds quickly to changes and constantly presents new value matched to customer needs.

Performance Overview for Fiscal 2017 and Forecast for Fiscal 2018

In the fiscal year ended February 28, 2017, revenues from operations slipped 3.5%, or ¥210.0 billion, to ¥5,835.6 billion, but operating income rose 3.5%, or ¥12.2 billion, to ¥364.5 billion. The primary reason for the drop in revenues is the lower price of gasoline in overseas convenience store operations, but the consumer environment in Japan certainly did not evoke a sense of optimism, either.

The improvement in operating income was driven by growth in domestic and overseas convenience store operations as well as financial services and further fueled by successful cost-cutting efforts in superstore operations, particularly at Ito-Yokado. Profit attributable to owners of parent tumbled 39.9%, or ¥64.1 billion, to ¥96.7 billion, largely due to special losses of ¥151.2 billion, up ¥98.7 billion year on year. The core component of these special losses was expense associated with business restructuring. For the fiscal year ending February 28, 2018, we expect the domestic consumer environment to remain challenging, but we anticipate all-around improvement in consolidated results, with revenues from operations rising 4.5%, or ¥264.3 billion, operating income up 6.0%, or ¥21.9 billion, and profit attributable to owners of parent up ¥80.2 billion.

We have just started to solidify a remarkable presence in domestic and overseas convenience store operations. At the same time, we will continue to push ahead on structural reforms in Japan to enhance profitability.

Seeking to solidify a remarkable presence in convenience store operations, we will push ahead with structural reforms to enhance profitability.

Important Factor in Corporate Management

I assumed the position of president and representative director at Seven & i Holdings a little over a year ago.

During this time, I have said over and over that maintaining the PDCA cycle is vital for responding to change. This is true whether the business is at home or abroad. In the retail industry, any action, such as changing the product mix or reimagining the sales floor, is certain to elicit reactions from customers. We all have to consider customer responses to whatever personal hypotheses we form and implement, then constantly rack our brains and tweak the concepts until we see results. Herein lies a sense of accomplishment from a work perspective that underpins the development of skills of not only regular employees but also part-timers and temporary staff.

I am convinced that efforts to encourage this kind of behavior throughout the Group, from the front lines right up to management, translates into growth and higher corporate value over the medium to long term. With this in mind, I began a process of reforms, starting with the governance structure.

Clarifying the Role and Function of a Holding Company

Reshaping the governance structure started with a clarification of the role of the holding company vis-a-vis operating companies—that is, its mission to support and monitor the execution of management duties at operating companies and ensure optimum allocation of resources.

To properly support the execution of management duties at operating companies, Seven & i Holdings must understand management issues specific to each operating company. Because this is also necessary for fair and highly transparent decision-making, we—that is, Seven & i Holdings—and top management at each of the six operating companies* repeatedly held one-on-one meetings to consider management issues from many angles, including financial numbers, the front lines, employees, merchandise, facilities and equipment. We pinpointed those that need attention and repeatedly discussed solutions to each issue to reach a common understanding.

We incorporated the insights gained into the Medium-Term Management Plan and have now embarked on this plan, effective for the fiscal year ending February 28, 2018. The new plan hinges on strategies to reinforce business segments with growth potential and to reacquire profitability in business segments undergoing restructuring. It highlights final-year targets of ¥450.0 billion in consolidated operating income and ROE of 10% by February 29, 2020.

* Seven-Eleven Japan, 7-Eleven, Inc., Ito-Yokado, Sogo & Seibu, York-Benimaru and Seven & i Food Systems
(One-on-one meeting and Medium-Term Management Plan described on page 28.)

Respond Quickly to Changes in Operating Environment and Ensure Sustainable Growth

Let me offer an example of how we respond to changes in the operating environment. A close look to confirm trends in the domestic market environment and social structure revealed that the population has been shrinking since 2010. Interestingly, this presents a tremendous opportunity for the retail industry. Consider that the percentage of single-person households rose from 25.6% of all households in 1995 to 34.5% in 2015, while the percentage of two-people households rose from 22.9% to 27.9% over the same period, uptrends that are likely to continue. In addition, the employment rate for women aged 20 to 64 climbed to 70.2%, as of 2016, from 60.9% in 1995. With the number of people per household decreasing and more women gainfully employed, we can infer that people are spending less time on daily shopping and household tasks. Moreover, new growth markets—from the trend for eating out and the demand for take-home meals—have emerged. However, we must acknowledge attendant risks as well. Noticeable issues that affect business are a shortage of workers due to the shrinking population, a higher minimum wage and an expanded enrollment in the social security and health insurance systems, which drives up costs. We scheduled several one-on-one meetings with top management at Seven-Eleven Japan (SEJ) and repeatedly explored strategies to achieve further growth in this challenging environment.

What came of this? First, SEJ decided to implement a special discount of 1% on “Seven-Eleven Charge” royalties to lessen the degree of uncertainty, given prevailing financial pressures, felt by franchise owners—the ultimate partners in SEJ’s franchise business. At the same time, SEJ will encourage franchise owners to support major changes in store layout, including larger-capacity refrigerated cases, bigger reach-in frozen food showcases and wider counter areas. The objective is to boost SEJ’s share of the take-home meal market. Management wants to ensure that franchise owners stay motivated while achieving balanced store network expansion, on the way toward a 50% share of the convenience store market as quickly as possible.

These management decisions reflect a policy to keep franchisees, suppliers, employees

We will reinforce business segments with growth potential and work toward targets of ¥450.0 billion in consolidated operating income and ROE of 10%.

and shareholders properly informed, a plan that underpins efforts to turn changes in the business environment into new business opportunities. I believe these decisions were possible only because of the governance structure we have in place.

Improve 7-Eleven Brand Awareness

7-Eleven signs light up about 63,000 stores in 17 countries and regions around the world, but there is still considerable room for growth. In close cooperation, SEJ and 7-Eleven, Inc. (SEI) are working to assist existing licensees by setting up a multi-faceted support program for merchandise, operations and other aspects of business and by establishing a structure that addresses the needs of each licensee. An approach using this support program is already unfolding in Singapore and other locations.

In June 2017, the 7-Eleven network welcomed its first store in Vietnam. We will extend assistance for building a robust supply chain, based on business support agreements that include SEJ and SEI, which will lead to business expansion with underlying quality. By vigorously promoting global activity of this kind, I am sure the 7-Eleven brand value will rise even higher.

Issues Requiring Management Attention

Operating Profit Margins

	Fiscal 2017 Results	Fiscal 2020 Targets
Ito-Yokado	0.0%	1.3%
Sogo & Seibu	0.6%	1.8%

(Note: Details in Special Feature 2, on page 28)

Profit leans heavily toward domestic and overseas convenience store operations, and the lackluster results of superstore Ito-Yokado's operations and department store operations in particular are undoubtedly a major concern to stakeholders. In drafting the Medium-Term Management Plan, we determined that Ito-Yokado's strength in selling food is indispensable to the development of the Group's *Seven Premium* private brand, and the power of team merchandising in luxury brands and card customer analysis capabilities of Sogo & Seibu is indispensable to the Group's growth. With these factors in mind, we held several one-on-one meetings with each operating company to identify issues requiring attention and then hammered out specific measures to be tackled under the Medium-Term Management Plan.

To avoid any possible delay in executing reforms, we disclosed predicted operating profit margins for Ito-Yokado and Sogo & Seibu for the last year of the Medium-Term Management Plan before embarking on the restructuring process.

Next Stage of Growth —Redefining the Omni-Channel Strategy—

In the not-too-distant future, I believe that the master of information will be the master of competition. Stores under the Seven & i Group's domestic umbrella welcome more than 22 million customers every day. This definitely puts us in the No.1 position. But have we properly identified purchasing conditions on a customer basis? That is hard to say. If purchasing history and customer information could be collected across store networks under the Group umbrella, we might well make sales promotions more effective and draw more customers to an event by utilizing data to provide personalized recommendations or offer incentives that transcend the invisible barriers of each operating company. With this in mind, we redefined the Omni-Channel concept as a CRM* strategy rather than an e-commerce business, which had targeted a large but unspecified number of people, and unveiled new approaches to capture customers' purchasing interests. We plan to launch a new service in the fiscal year ending February 28, 2018, to be followed by the development of handy payment services by the financial services segment and possibly other financial services as well.

By drawing on the comprehensive capabilities of the Group, operating companies will be able to close the distance that separates them from their customers and become their greatest corporate group.

* Customer Relationship Management: A management approach that utilizes information capture, such as customer purchasing history, to personalize such processes as sales, marketing and customer support, and promote continuous contact with customers.

Operating companies will draw on the comprehensive capabilities of the Group to close the distance that separates them from their customers and become their greatest corporate group.

Ensuring Financial Soundness

We seek to maintain a sound financial position while expanding synergies within the Group and improving capital efficiency. Toward this end, we support and monitor operating companies and meticulously track progress on operating strategies and changes in indicators such as owners' equity ratios and interest-bearing debt ratios. At the same time, as described in the Medium-Term Management Plan, we are keen to capitalize on the Group's growth potential and derive financial soundness by aggressively investing in business segments that present growth opportunities.

In the fiscal year ending February 28, 2018, we will drive the potential for growth higher by reinforcing store-opening activity, mainly in business segments with solid promise—details in Special Feature 1, on page 22—and we have earmarked funds for consolidated capital expenditures with a focus on existing stores—details in Special Feature 2, on page 28—in areas of business under restructuring. Capital investment plans for principal operating companies in the current fiscal year are shown in the table below.

Regarding return to shareholders, the basic policy is to distribute dividends commensurate with improvement in profits. Following this policy, we intend to maintain a consolidated dividend payout ratio of 40%, with the objective of boosting the cash dividend per share.

For the fiscal year ending February 28, 2018, we expect to keep the full-year dividend at ¥90 per share, as in the previous fiscal year, which should lead to a payout ratio of 45%.

Capital Investment Plan for Fiscal 2018: Core Operating Companies

—Expanding store openings in growth businesses, invigorating existing stores—

	Amount	YoY %	YoY increase/decrease
Consolidated capital expenditures	¥807.0 billion	210.1%	+ ¥422.8 billion
Seven-Eleven Japan	¥180.0 billion	143.9%	+ ¥54.9 billion
7-Eleven, Inc. (U.S. dollars)	¥510.0 billion ($4,636.36 million)	235.3% (232.7%)	+ ¥293.2 billion (+ $2,643.57 million)
Ito-Yokado	¥19.3 billion	63.0%	¥(11.3) billion
York-Benimaru	¥15.0 billion	121.7%	+ ¥2.6 billion
Sogo & Seibu	¥13.0 billion	110.4%	+ ¥1.2 billion

Promoting CSV* Management

As the Group's business activities expand and social issues related to these activities become more serious, society expects and demands much more of us. A sincere effort to address society's needs through core operations is a priority, of course, but our companies must also help solve social issues through contact with society. The Group endeavors to provide products and services fine-tuned to customers' daily routines, a social obligation that carries a very significant weight. Already, the Group's domestic network—about 20,900 stores—and its distribution structure form a sort of social infrastructure supporting daily life in rural communities. From this perspective, the Group has directed concerted efforts into building a shared sense of values with customers and society as a whole, while constantly using core operations to generate the value that society seeks. Our stores in Japan welcome about 22 million people a day, and our diverse business content covers the needs of customers at all stages of life. These are building blocks that we can use to realize communities where people feel safe and secure and to make positive contributions to addressing such social problems as an aging society with fewer children and global environmental issues.

* CSV: Creating Shared Value

We will create a new business model that generates value from both the social and corporate perspectives.

We clarified the Group's CSR policy and, through repeated dialogue with stakeholders in different categories, identified Five Material Issues (Materiality) that we must address to maximize Group synergies.

Five Material Issues (Materiality)

- Providing Social Infrastructure for an Aging Society and Declining Population
- Providing Safety and Reliability through Products and Stores
- Non-Wasteful Usage of Products, Ingredients and Energy
- Supporting the Active Role of Women, Youth and Seniors across the Group and in Society
- Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners

In June 2016, we established the Social Value Creation Subcommittee, framed a structure and then reinforced it to create a new business model that generates value from both the social and corporate perspectives. The subcommittee will encourage each operating company under the Group umbrella to define approaches that draw on the characteristics of respective store formats, while strengthening the connections between various companies and people inside and outside the Group and thereby contribute to the realization of a sustainable society through value creation as only the Seven & i Group can.

Improving the Group's Medium- to Long-Term Corporate Value from Both Financial and Non-Financial (ESG) Perspectives Through Enhanced Corporate Governance

I believe the basis of corporate governance is similar to a corporate creed, in that it is a structure that respectable corporations use to build trust with all stakeholders. We strive to improve and enrich the content of corporate governance, based on our founding philosophy.

Under our corporate governance structure, the Audit & Supervisory Board, which includes three Independent Outside Audit & Supervisory Board Members with expertise in such areas as law and financial accounting, conducts audits, and the Board of Directors, which includes four Independent Outside Directors with high-level management experience and insights, focuses on the formulation of management strategies and oversight of business execution. The duties assigned to each executive board complement one other and ensure effective corporate governance.

We have a Nomination and Compensation Committee, chaired by an Independent Outside Director, which functions as an advisory committee to the Board of Directors. The knowledge and advice of Outside Directors are put to good use in committee discussions regarding nomination of officers and other key executive positions and their compensation. Through this approach, we ensure objectivity and transparency in procedures related to decisions on executive nominations and compensation, which promotes improvement in the supervisory function of the Board of Directors and further enhances the corporate governance function.

Increasingly these days, the tendency is to evaluate companies from an ESG—environment, society, governance—perspective, which emphasizes long-term, sustainable corporate growth. In addition to the above, we have made concerted efforts to address environmental issues and diversity in management that links the talents of a deeper reservoir of human resources, including women, to value creation. Going forward, we will continue to enrich the scope of dialogue with stakeholders and fulfill our corporate responsibilities while earnestly working to ensure highly transparent decision-making and more constructive corporate governance practices. This will allow us—collectively, the Seven & i Group—to remain a trustworthy, upstanding corporate citizen.

In Conclusion

Over the last year, I have had the occasion to talk to many stakeholders, inside and outside the Company, sharing my perspective on the kind of corporate group I want the Seven & i Group to become. I believe I was able to describe the direction we will take as "Team Seven & i" in a way that everyone understood. Then, as a cohesive team, we embarked on the new Medium-Term Management Plan, effective this fiscal year.

There are challenges in our path but we will face them straight on and tackle them with the determination to become a stronger corporate group. In this effort, the continued understanding and support of our stakeholders will be integral to our mutual success.

August 2017

President and Representative Director