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.

We seek to be a retail services group that addresses the needs of each and every customer and constantly creates new value.

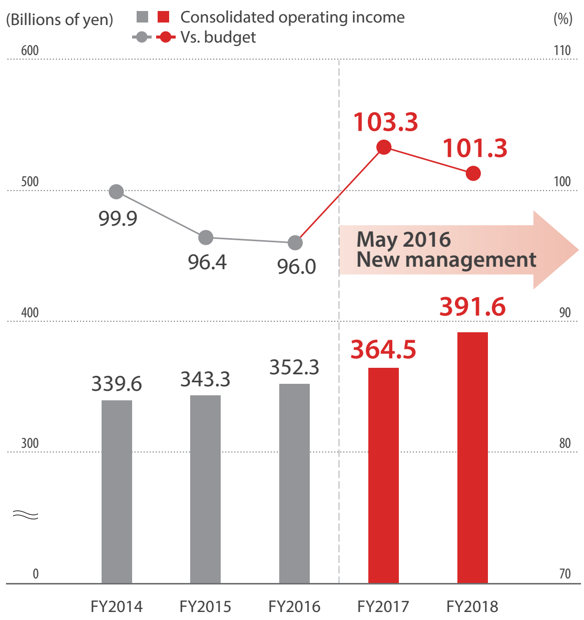
Performance Overview for Fiscal 2018 and Forecast for Fiscal 2019

In fiscal 2018, the year ended February 28, 2018, revenues from operations rose 3.5% year on year, to ¥6,037.8 billion, despite a drop in revenues from superstore and department store operations in Japan due to structural reforms and a subsequent reduction of the store network. The key driver of growth was overseas convenience store operations. Operating income climbed 7.4% year on year, to ¥391.6 billion, fueled by domestic and overseas convenience store operations as well as by enhanced profitability by specialty store operations. Net income attributable to owners of parent increased 87.2% year on year, to ¥181.1 billion, in an upward reversal following the booking of special losses associated with structural reforms in fiscal 2017.

For fiscal 2019, the year ending February 28, 2019, the domestic consumer environment is likely to remain somewhat lackluster. Nevertheless, we anticipate a solid consolidated performance, with increases of 10.7%, to ¥6,683.0 billion, in revenues from operations; 6.0%, to ¥415.0 billion, in operating income; and 15.9%, to ¥210.0 billion, in net income attributable to owners of parent.

Fiscal 2020 will mark the last year of the Medium-Term Management Plan. We will strive to reinforce domestic and overseas convenience store operations and improve profitability in structural reform businesses.

Consolidated Operating Income and Budget Ratio



Corporate Philosophy and Management Policy

Using the Group's DNA and the PDCA cycle to propel business development

Customer needs are changing all the time, paralleling changes in society. Our basic points for action as the Seven & i Group hinge on a corporate creed emphasizing "Trust and Sincerity" and a slogan highlighting "Responding to Change while Strengthening Fundamentals." This stance dates back to our earliest days in business. It is, indeed, an enduring component of our corporate DNA.

Complementing these basic points is the PDCA cycle. Since assuming the position of president at Seven & i Holdings, I have constantly encouraged employees throughout the Group to continue using the PDCA cycle in day-to-day operations. In the retail industry, any action, such as changing the product mix or reimagining the sales floor, is sure to elicit a reaction from customers. Adherence to the PDCA cycle lets us pinpoint issues in need of attention, then allows us to suggest possible responses, execute concrete measures, verify the results achieved by those measures and link the results to subsequent measures. This approach is beginning to show signs of success at Group companies.

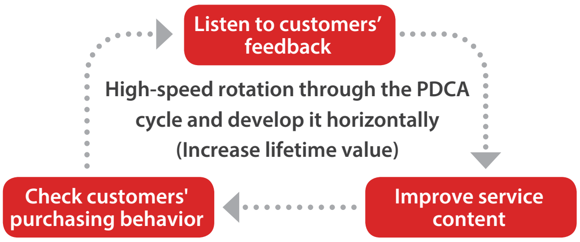
For example, some people find regular daily shopping an inconvenience. *IY Fresh*, which delivers fresh foods to customers, and *Net Convenience Store*, which enables customers to order items found in physical stores via the Internet, are still at the field-testing stage. However, the response appears good, and I believe this alternative to regular in-person shopping has the potential to become a future pillar of business.

I am firmly convinced that this PDCA cycle, if embraced throughout the Group from the front lines to management, will lead to sustainable growth and higher corporate value for the Group over the medium to long term. Reforms are essential to this process, beginning with the corporate governance structure.

Increase Customer Satisfaction

● Examples from *Net Convenience Store* (7-Eleven) and *IY Fresh* (Ito-Yokado)

Introduce services at small scale (MVP approach[*1]) through use of digital and IT formats and external collaboration, then work at high speed through the PDCA cycle to develop it horizontally



CRM[*2] strategy is not only for making recommendations, but also **in the following PDCA cycle for parlaying customer feedback and behavior into the development of new products and services**

By repeating this cycle, provide a shopping experience that is attractive and unique for each individual customer

*1 Minimum Viable Product approach: An approach of introducing services at minimum viable scale, then increasing satisfaction through continued improvement.
*2 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.

Roles of a holding company for operating companies:

1. Support the execution of management duties at operating companies
2. Oversee the execution of management duties at operating companies
3. Optimize the allocation of resources

Details on page 45

Sustainability Management

Emphasis on balancing solutions to social issues with enhanced corporate value

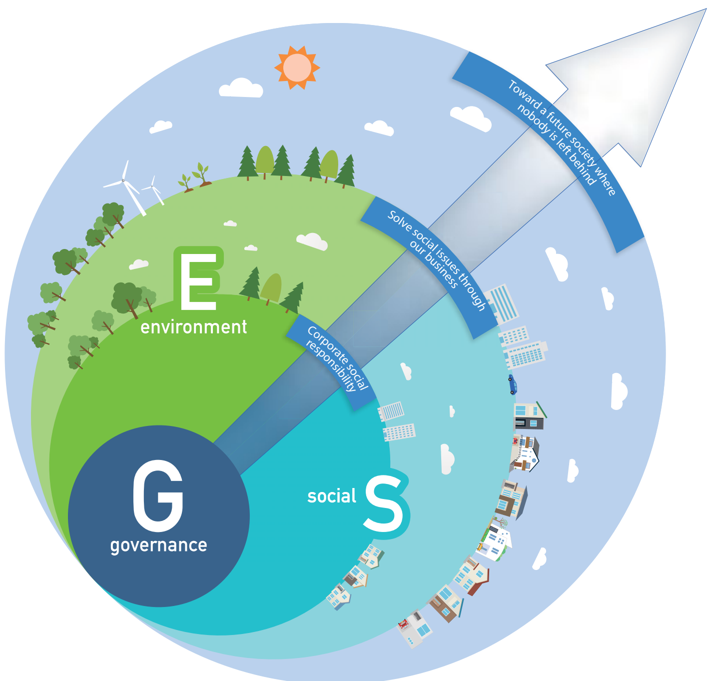
Japan's social landscape is changing, reflecting factors such as fewer children and more seniors in the population, a shrinking number of people per household, more retail stores closing their doors as communities hollow out and a shortage of labor, especially skilled personnel. The new social landscape has brought with it a multitude of issues requiring attention. There are also issues on the global level that must be addressed and, for these, it is not just governments and organizations that are required to act. Companies must contribute to solutions and comply with new rules as well. Expectations are exemplified by the United Nations' adoption of sustainable development goals (SDGs) to be achieved by 2030 under a concept shared by members of the international community. SDGs target increasingly serious global concerns, namely, climate change and resource depletion as well as poverty, inequality and violations of human rights.

To address the changing times and the demands of society, it is more important than ever before for management to quickly reflect comments and requests obtained through stakeholder dialogue, as appropriate, in decision-making processes and then implement the findings. Given the range of issues surrounding sustainability and the Seven & i Group's expanding business domains, management at Seven & i Holdings drew on dialogue with stakeholders to identify Five Material Issues (Materiality) of particularly high importance to the Group and society. Guided by these materiality themes, the Group will strive to meet the expectations and demands of society.

In line with our emphasis on materiality, we established a structure to promote steps designed to reduce any negative impact that we might have on society and to carefully control any risk that might threaten corporate sustainability. This structure also allows us to balance solutions to social issues with efforts to sharpen our collective competitive edge, and it facilitates business planning and promotion activities, delivering value to society as well as to the Group. At the same time, this structure is a step toward the creation of a new business model.

Inspired by the spirit of "Trust and Sincerity," the Seven & i Group will draw on inherent strengths, including business infrastructure and accumulated know-how, as well as management resources, to respond to the various changes that characterize the new social landscape. Our goals are higher corporate value in the medium to long term and the realization of a sustainable society.

Details on page 18



In 2015, the United Nations adopted the Sustainable Development Goals (SDGs), 17 goals that call for action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity, with the target year set for 2030.

Sustainability Management

Utilizing and strengthening human assets

Around 140,000 people, who are diverse in nationality or work pattern (including part-timers, temporary staff and employees with foreign citizenship), work for companies under the Seven & i Group umbrella. I believe our ability to create appealing workplaces for all of our employees allows us to build diversity in our human assets and also generate new value through access to fresh ideas. I define an appealing workplace as one that provides the necessary support for diverse employees and one that makes every job enjoyable. This is why we are keen to train and develop employees and why we seek to establish an employment environment that welcomes diversity in individuals and utilizes differences to an advantage.

As part of this effort, for example, Seven & i Holdings and Seven-Eleven Japan (SEJ) introduced a staggered work structure that allows full-time employees to choose their preferred starting time. The underlying purpose is actually twofold: to promote work styles with the flexibility to match different personal lifestyles, such as for people who hold down a job while caring for children or elderly parents, and thereby increase their motivation for work; and to achieve higher operating efficiency and productivity by changing the work-style format. As a Group, we are aware of our role in society, and we will continue to embrace work-style reform to create comfortable, pleasant work environments for employees and thereby contribute to a more livable society.

In addition, we established the Diversity & Inclusion Promotion Project, which uses diverse human resource activities to ensure sustainable competitiveness.

We believe that it is important to recognize and appreciate diversity in human resources and maintain a care-and-fair perspective that cares about diversity and treats employees fairly. This approach encourages employee engagement within the Group and maximizes individual qualities and strengths to fuel corporate growth.

Details on page 32

Achieving Targets of Medium-Term

Overview and progress of Medium-Term

The Medium-Term Management Plan, formulated in October 2016 and launched in fiscal 2018, is a three-year blueprint for growth that hinges on efforts to solidify overall strategies for the Group. We are making good progress toward stated targets as a cohesive corporate group. Priority measures include efforts to strengthen growth businesses and improve structural reform businesses. Numerical targets to be achieved by the end of fiscal 2020 are consolidated operating income of ¥450.0 billion and ROE of 10%.

The first year of the Medium-Term Management Plan delivered results on track with expectations. Consolidated operating income climbed 7.4% year on year, to ¥391.6 billion, and ROE hit 7.6%, fueled mainly by domestic and overseas convenience store operations. These segments have been tapped as major growth businesses. Steady progress toward our ultimate destination is also anticipated in the second year—fiscal 2019—with consolidated operating income pegged at ¥415.0 billion, up 6.0% year on year, and ROE of 8.4%. We will also increase the pace of structural reforms set for fiscal 2020, the last year of the Medium-Term Management Plan, and accelerate the implementation of various strategies aimed at achieving the stated targets.

Medium-Term Management Plan numerical targets

Numerical targets FY2020

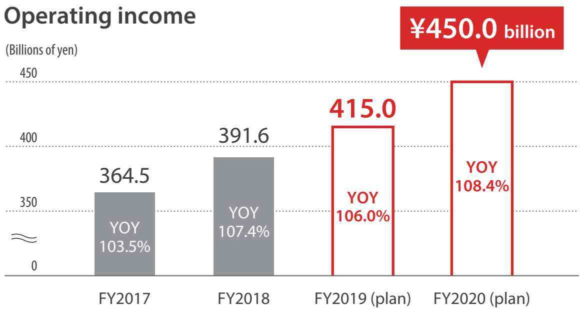
Consolidated operating income

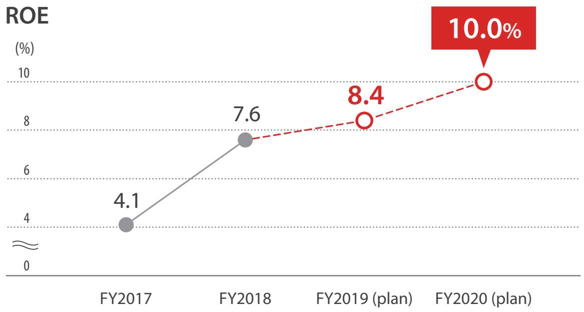
¥**450.0** billion

ROE **10**%

Management Plan

Management Plan





Accelerate execution of the plan for achieving FY2020 targets while pursuing Group synergies

Overview of Medium-Term Management Plan (announced October 2016)

1 Concentrate management resources with a core focus on growth in CVS operations in both Japan and North America

2 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 (completed), 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

3 Adopt a perspective of property development in revival of general merchandise stores and department stores

4 Review the Omni-Channel Strategy

Prioritize customer lifetime value from the standpoint of the customer's strategy

5 Formulate our strategy, and revise our business segments from the perspective of our management approach by next spring (completed)

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)
- Structural reform 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 times 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

Achieving Targets of Medium-Term Management Plan

Growth businesses

Domestic convenience store operations are a growth business. However, the operating environment is challenging, and franchise owners are carrying a heavier expense burden, largely because of an increase in the minimum wage, a high ratio of job openings to job seekers and wider enrollment in Japan's social security program. Against this backdrop, SEJ—with a network exceeding 20,000 stores in Japan—hammered out robust measures to support store management, convinced that a store with motivated management and staff is a key element of maximized corporate value.

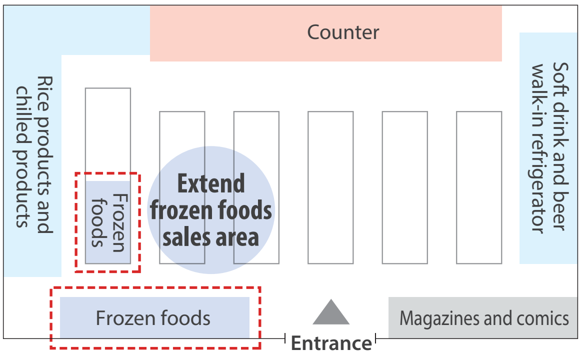
SEJ sees the changes in today's business environment as an opportunity to grow and actively introduces measures to expand its business in a balanced way. One such measure, implemented in September 2017, was a special discount of 1% on "Seven-Eleven Charge" royalties paid by franchise owners. The objective was to lessen the degree of uncertainty that operators felt from prevailing financial pressures and to create an environment in which franchise owners would be receptive to a more aggressive process of store management. A secondary objective was to attract future franchise owners.

The discount measure was something that only SEJ could complete because SEJ enjoys an excellent level of profitability in the domestic convenience store industry. The discount will cause a profit decrease of about ¥16.0 billion over one year, from the second half of fiscal 2018 through the first half of fiscal 2019. However, SEJ's management realized that success, amid intensifying competition, required a concerted effort now to strengthen the marketing capabilities of franchise operations and thus underpin efforts to distinguish SEJ from other convenience store chains. As a result, customer services have improved, product ordering from stores has increased and the growth rate of sales at existing stores has shifted favorably.

SEJ's efforts also extend to new store layouts geared to prevailing customer needs and the installation of dishwashers to boost operating efficiency at stores. In addition, SEJ began a review of the existing network structure, introducing an energy-saving system for product inspection at stores using radio-frequency identification (RFID*) technology and a new process that increases the distribution efficiency of products delivered to stores. SEJ is thus going beyond the service side of operations, enhancing the tangible, equipment-and-facilities-side of business, to improve productivity across the whole supply chain. I am sure this strategy will support stores and inevitably lead to growth.

Seven-Eleven Japan: Evolution of New Layouts

New layout going forward



Expand the sales space for frozen foods, for which increasing demand is expected, and strengthen delicatessen-, snack- and ingredients-type products.

● Introduction schedule

	FY2018 result	FY2019 plan
Existing stores	350	600
New stores	950	1,100
Total	**1,300**	**1,700**

Effect of new layout going forward

Impact of new layout on sales

Sales growth led primarily by frozen foods, daily foods and checkout-counter products

Approx. +¥15,000

(As of February 28, 2018)

Targeting further sales increases as the new layout is augmented by enriching the lineup of products

*RFID is a technology for contactless reading of data from an IC chip through the transmission of radio waves.

Overseas convenience store operations are another growth business. 7-Eleven, Inc. (SEI) contributes the second-highest operating income to consolidated results, after SEJ.

In North America, the convenience store industry is characterized by the ongoing withdrawal of oil majors from the retail business and continued realignment by dedicated convenience store chains. SEI, with the largest convenience store network in the United States, has captured about 6% of the market, giving SEI a huge opportunity to further expand its store network.

Against this backdrop, management felt that keys to future growth were a market concentration strategy and the establishment of a fast food supply network. In January 2018, SEI completed acquisition of a part of convenience store and gasoline retail businesses owned by U.S.-based Sunoco LP. This was the largest M&A transaction that the Group had ever done. Average daily merchandise sales per store in Sunoco's retail business are equal to or greater than the SEI daily average per store, and average daily gasoline sales per store are considerably more than the volume of gasoline sold at SEI's stores. Bringing the acquired businesses under the SEI umbrella should reinforce the store network and expand the supply chain. Going forward, SEI will direct its energy toward boosting profitability through steady efforts to rebrand the acquired stores under 7-Eleven signboards and promote franchising opportunities.

On the topic of strengthening the fast food lineup, Warabeya Nichiyo Holdings Co., Ltd., the largest supplier of take-home meals to SEJ's stores, began shipments of exclusive products to 7-Eleven stores in Texas from a Texas-based production facility in 2018. This enhanced Japanese-style product supply infrastructure and wider supply chain will underpin access to high-quality items, which will give average daily sales a healthy boost.

Achieving Targets of Medium-Term Management Plan

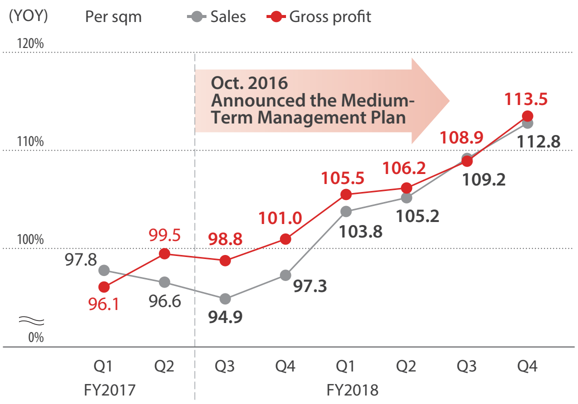
Structural reform businesses

For superstore operator Ito-Yokado, department store operator Sogo & Seibu and specialty store operator Nissen Holdings, which have been positioned as structural reform businesses, the operating environment remains challenging. It goes without saying that getting these operations back on their corporate feet is an urgent issue from the Group perspective.

Against this backdrop, Ito-Yokado set a goal of closing 40 unprofitable stores by 2020, with 24 stores shuttered in fiscal 2017 and fiscal 2018. At existing stores, Ito-Yokado aims to improve profitability by 1) converting from a general merchandise store format to an *Ario* high-profit shopping center format; 2) enhancing operations in sales floor space for food, a growth category; 3) reducing directly operated sales floor space for apparel and household goods, which have been long-running loss-makers mainly due to the rise of category killers, while promoting tenant occupancy that improves efficiency per unit of area; and 4) implementing store renewal through real estate redevelopment that leverages the geographical advantages of stores near train stations. In the strategy for enhancing food sections, in particular, management took a fresh look at the sales floor format for food. In December 2017, management selected 10 locations as pilot stores and expanded the delicatessen area at each store to 40% of the total sales area, up from the conventional 24%, to capitalize on rapidly growing demand for take-home meals. Ito-Yokado's earnings are sluggish overall, but these pilot stores marked year-on-year improvement in both customer visits and food sales. Going forward, Ito-Yokado needs to reconsider the apparel and household goods sections, raise the overall appeal of stores and build a store format that elicits a clear picture of growth.

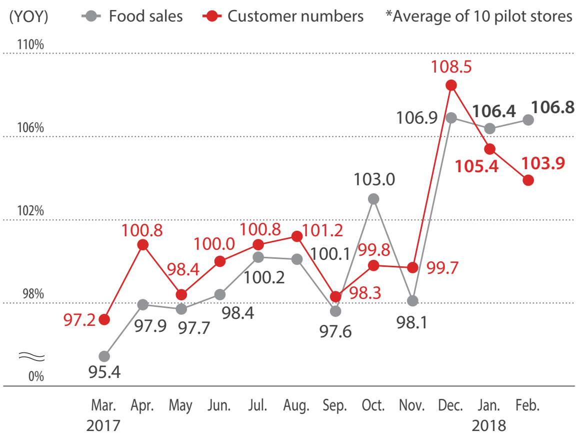
Ito-Yokado: Accomplishments of Structural Reforms

● Results of 26 stores that implemented structural reforms (quarterly YOY trend)



Ito-Yokado: Sales YOY and Customer Numbers YOY in Pilot Stores with Strengthened Food Offerings

● Customer numbers YOY at food sales area and food sales YOY in pilot stores



● Ito-Yokado: Progress on structural reforms

Details	FY2017	FY2018	Total
1 Reduce the volume of apparel, household goods and strive to convert sales areas to tenant space	7	19	26
2 Strengthen food (Renovate the food sales areas to new formats)	—	10	10
3 Close 40 stores from FY2017 to FY2021	15	9	24
4 Consider redeveloping stores that have been in business for 30 years or more	Plans call for redeveloping four stores in FY2020, followed by the successive redevelopment of more stores thereafter		

Meanwhile, Sogo & Seibu has not been immune to the effects of a steadily shrinking domestic department store market. To deal with prevailing challenges, Sogo & Seibu pushed ahead on an area-specific selection-and-concentration plan, transferring two stores in the Kansai region—Sogo Kobe and SEIBU Takatsuki—to H2O Retailing Corporation and also closing two unprofitable stores—SEIBU Funabashi and SEIBU Odawara—in fiscal 2018.

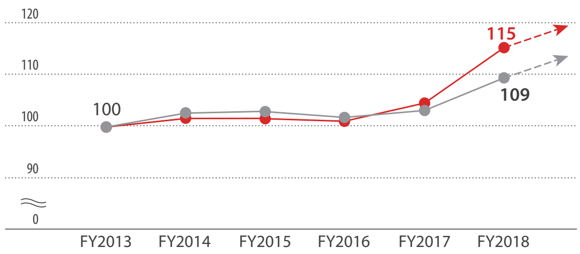
From fiscal 2019, the plan is to jump straight to a tangible growth strategy, drawing on resources that have been freed up by successful business restructuring in fiscal 2018. As part of the strategy to concentrate management resources at flagship stores in the Tokyo metropolitan area, Sogo & Seibu is currently remodeling the Sogo Yokohama store to enhance the beauty department, particularly the setup and selection of cosmetics, which are a key contributor to revenues.

Note that after a close examination of the progress that Sogo & Seibu has made under the new management structure, the time frame for Sogo & Seibu to achieve numerical targets—operating income of ¥13.0 billion and an operating profit margin of 1.8%—stated in the Medium-Term Management Plan, has been pushed back one year, from fiscal 2020 to fiscal 2021. In addition, the target for operating profit margin has been increased to 2.0%.

At Nissen Holdings, profitability has been improving owing to the implementation of “selection and concentration” of management as a whole, from scratch. Nissen Holdings will continue to focus on its structural reforms.

Sogo & Seibu: Accomplishments of Structural Reforms

● Sales per sqm[*1] and per employee[*2] index



● Comparison with results for FY2013

	FY2013	FY2018	Difference /YOY
Store count	24	15	(9)
Total sales floor	863k sqm	617k sqm	71.5%
No. of employees (incl. part-time employees)	9,557	6,984	73.1%

*1 Sales per square meter: Net sales divided by active sales area.
*2 Sales per employee: Net sales divided by the sum of average number of employees and number of part-time employees during the period. Average number of part-time employees per month based on work hours of 163 hours per month.

Sogo & Seibu: Revise the Medium-Term Management Plan

● Disclosed target in October 2016

Operating income	FY2020: ¥13.0 billion/ Operating profit margin: 1.8%

● Background to the revision

Announced the Medium-Term Management Plan in October 2016 ▶ Carefully examine progress on Medium-Term Management Plan under new management team ▶ Further structural reforms Concentrate management resources on key stores

Operating income	FY2021: ¥13.0 billion/ Operating profit margin: 2.0%

Despite a one-year lag, realize profit margin growth on improved management efficiency following structural reforms

New Initiatives

Utilizing technology to get closer to our customers

Rapid advances in technology are leading to new services and transforming the retail environment. Against the backdrop of major changes that might occur only once in 100 years, the growth strategy favored by the Seven & i Group is one that hinges on the creation of services using IT and excellent reinforced content collected from a physical-store presence, that is, the customer services, stores and products that are the source of our competitiveness.

Every day, the Group welcomes about 23 million customers in Japan and, over the course of a year, the resulting purchasing activity generates more than eight billion pieces of customer data. Using IT, each operating company can learn a lot about purchasing trends on a customer basis from the collected data and improve the quality of products and services, which allows each company—and by extension, the Seven & i Group—to hone an even sharper competitive edge. The Omni-Channel Strategy, which once hinged on the e-commerce business, was a vital component of the Group's growth strategy, but the Group has redefined the strategy from the customer's perspective. Also, in fiscal 2019, we will set up a new structure responsible for digital strategy, enhance strategies including alliances with outside companies boasting top-caliber expertise in collecting and analyzing customer data, and quickly leverage opportunities to recommend and deliver personalized shopping and services.

Our strategy on customer relationship management (CRM) is one of our new initiatives. In fiscal 2019, we will introduce a service utilizing IT to build stronger connections between the Group and its customers. This rolled-out CRM strategy is the largest scale in the world. The goal is to centrally manage and utilize customer data collected from across store networks under the Group umbrella to facilitate product development and establish new business platforms, including a process to promote mutual customer referrals between physical stores and online shopping sites operated by Group companies.

Lateral access to the purchasing data of operating companies' customers will enable these companies to provide recommendations and services personalized for each customer, invariably leading to increased customer satisfaction.

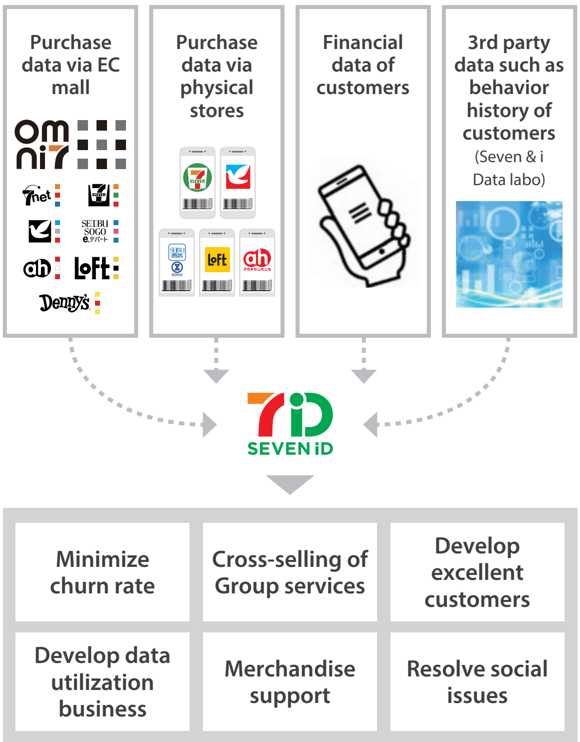
Here is one concrete example of our plans. In June 2018, the Group introduced apps that enable each operating company or specific store to send recommendations and

Basic Philosophy Regarding Digital Strategy

- Customer Oriented
- Customer Engagement
- Customer Experience

CRM Strategy

This strategy focuses on the about 23 million customers that enter Group stores in Japan every day. SEVEN MILE PROGRAM, a Groupwide loyalty program, not only enables customers to enjoy shopping, but also assigns a 7iD, which serves as a common Group ID, allowing for customer information to be shared in an integrated manner throughout the Group. In the future, consideration may be given to data collaboration with external parties and utilized for various types of marketing and product development.



services fine-tuned to individual customer preferences, based on a variety of purchasing data that has been collected and analyzed. The objective is to make shopping more appealing, which will encourage customers to visit stores more often. The centerpiece of this plan is the SEVEN MILE PROGRAM. Customers receive “miles” corresponding to their purchasing history, with customer perks increasing as miles are accumulated. As perks include an assortment of promotions and goods, with gamelike features and other fun elements, the program will become a tool that makes shopping at Group stores more enjoyable.

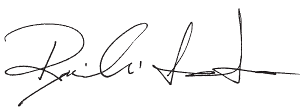
Going forward, we will reinforce the CRM strategy and encourage Group companies to work together to develop new businesses and services, including a Group-only payment service for smartphones. Of course, we want to see mutual customer referrals between physical stores and the online shopping sites of companies operating under the Group umbrella, and we will demonstrate the flexibility to maximize synergies as only we, the Seven & i Group, can.

In Conclusion

The Seven & i Group’s strength is a cohesive force built from a mix of retail formats that does not exist anywhere else in the world. We will promote the development of every type of business. We will also demonstrate even more powerful Group synergies, generated through innovations in retail services and a business platform underpinned by a strong community connection, and we will constantly contribute new value to society.

As we travel this road, the understanding and support of our stakeholders are integral to our success.

August 2018



Ryuichi Isaka
President and Representative Director

Progress of 7&i’s Digital Strategy

From Oct. 2014 to Sep. 2015	**Personal Marketing Project** **Trial tests using smartphone app (SEJ, Ito-Yokado, etc.)** ▶ Confirm expectations for further sales growth by adding customer-oriented analysis to item-by-item management
From Nov. 2015	**Launched *omni7* website (Group’s integrated EC website)** **Integrate Group company e-commerce site with customers’ individual IDs** ▶ Acquire comprehensive grasp of purchase history to realize individually optimized customer recommendations
From Oct. 2017	**Launched *Net Convenience Store*** ▶ Service enabling ordering of physical-store products over the Internet
From Nov. 2017	**Launched *IY Fresh*** ▶ Food e-commerce centered on fresh foods in collaboration with ASKUL
From Jun. 2018	**Full-scale CRM operations (Launch Group company app)** • A system that enables customers to enjoy shopping • Comprehensively grasp purchase information at stores • Use purchase information in marketing and product development
Around Spring 2019	**Full roll-out of *Financial Project* (Launch settlement app)*** Provide new settlement methods that prevent customers from feeling stressed

*Assuming completion of procedures with supervising government agency