

Group Business Strategy

Merchandising

■ Group Merchandising Initiatives

The Seven & i Group aims to further increase net sales and profits by providing unprecedented new value and high-quality products.

The Group will develop its private brand, *Seven Premium*, and the original products of each company it owns by pursuing scale benefits through unification of products and purchasing across the Group and building a framework to optimize overall logistics.

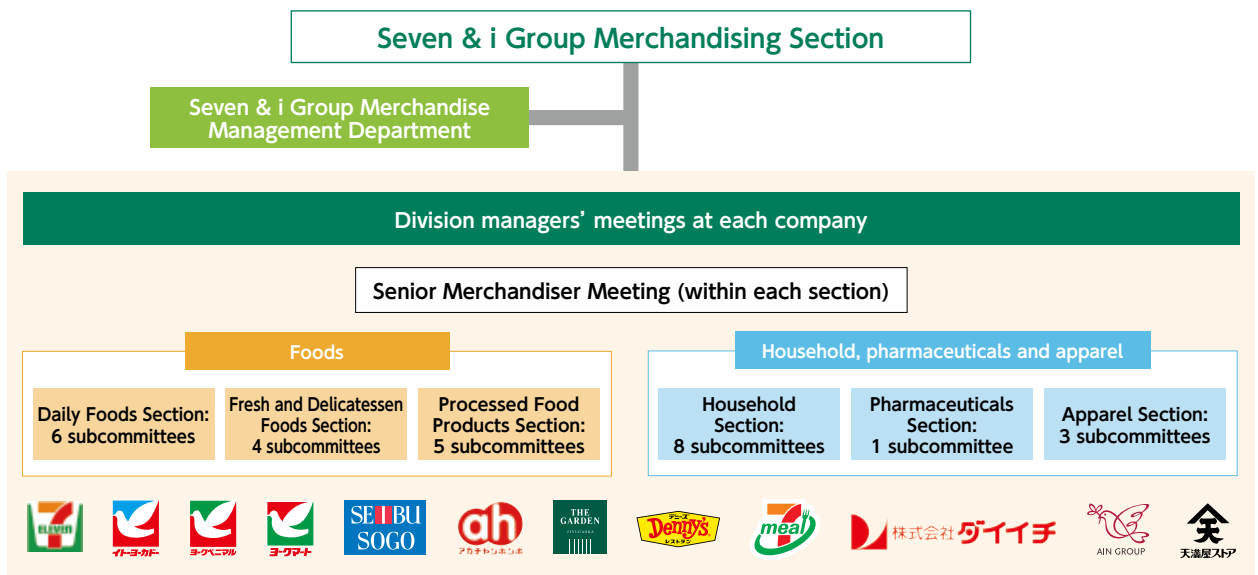
■ Seven Premium

Under its private brand, *Seven Premium*, the Group has developed products leveraging the methods for original product development cultivated by Seven-Eleven Japan, and concentrating the infrastructure, product development expertise, and sales capabilities of its Group companies.

Seven Premium celebrated its 10th anniversary in May 2017 and used the occasion to aim for greater success based on the three policies of further improvement of quality, new value creation and taking on challenges in new domains.

Product Development and Supply System

Product development staff in Seven & i Group companies are organized into 6 sections and 27 subcommittees to conduct joint product development with product manufacturers. As of February 28, 2018, they supply 12 companies in total.



Measures to Reach a New Stage

- FY2020 sales plan: ¥1.5 trillion
- Further upgrade products and strengthen product development considering security, safety, and health
- No longer use emulsifiers or yeast in *Seven Premium* bread and pastries
- Expand environmentally friendly initiatives to all products by the end of the fiscal year ending February 29, 2020
- Expand *Seven Premium* products globally

Statement

■ Seven Premium

The *Seven Premium* brand continues to evolve. We will continue to propose products that customers require. We will respond in detail to the increasing diversification of lifestyle needs including women's advancement in society, the aging population, interest in the environment, healthy living, and safety and security. *Seven Premium* will support your efforts to create more enjoyable, richer meals by providing better taste and better value.

■ Seven Premium Gold

Seven Premium Gold is our most luxurious brand. Products are prepared from the finest quality ingredients using meticulous technologies. We will enrich all customers' meals by providing satisfying flavors.

■ Seven Premium Fresh

Seven Premium Fresh is a safe and reliable fresh food brand offering a lineup of vegetables, fruits, meats, eggs and fish. The brand connects producers—who have labored long, taking the time to rigorously manage details of where and when food was produced, and carefully nurtured their products—with customers' needs for fresh and tasty foods.

■ SEVEN CAFÉ

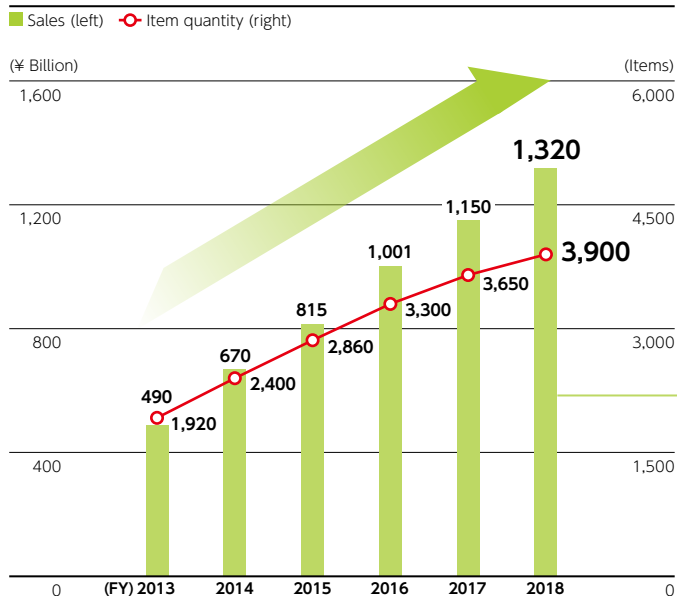
The *SEVEN CAFÉ* brand offers elegant experiences. We will provide relaxing moments in your life with freshly brewed coffee, made using the finest quality ingredients, and delicious authentic baked goods and desserts.

■ Seven Premium Lifestyle

With *Seven Premium Lifestyle*, we seek to enrich customers' lives. Products backed by sound technology and quality are provided conveniently in an easy-to-use manner, without burdening the environment. A substantial lineup supports people's lifestyles.

Merchandising

SEVEN PREMIUM SALES AND ITEM QUANTITY



Development of Seven Premium

2006	Nov.	Launched the "Group Merchandising Reform Project"
2007	May	Started sales of <i>Seven Premium</i>
	Aug.	Started sales at Seven-Eleven Japan
	Nov.	Started sales of household goods
2008	Mar.	Started sales of processed fresh foods
2009	Jan.	Received the "Most Excellent Award, Nikkei Award" at the 2008 Nikkei Superior Products and Services Awards
	Feb.	Started sales at SEIBU Ikebukuro
	July	Launched the "Premium Life Enhancement Committee," a website community for product development that invites customers to participate
	Nov.	Started sales of wine simultaneously in Japan and North America as the Group's first private-brand product for the global market
2010	Sept.	Started sales of <i>Seven Gold</i>
2011	May	Launched a new brand strategy Sweeping overhaul of product content, logo, and packaging
	May	Started sales of miscellaneous goods private-brand <i>Seven Lifestyle</i>
2012	July	Started sales of apparel
	Nov.	Launched private-brand beer product developed by a major Japanese brewer
	Apr.	Launched <i>Golden Bread</i>
2014	Aug.	Started sales of eco-friendly <i>Seven Premium</i> products using timber from forest thinning and recycled PET bottle film
2015	Dec.	Acquired certification from the U.S. Organic Content Standard and launched sales of environmentally and socially considerate products
2016	Feb.	Achieved ¥1 trillion in <i>Seven Premium</i> sales in FY2016
2017	Mar.	Start of sales of <i>Seven Premium Fresh</i>
	May	<i>Seven Premium's</i> 10th anniversary

PROMOTING RENEWAL OF SEVEN PREMIUM

Around 50% of *Seven Premium's* higher-selling existing products are renewed each year.

Through the Seven Premium Enhancement Committee, a website community for product development that invites customers to participate, we research customers' opinions, create test products and conduct monitoring trials until we are satisfied. This process enables us to develop products that offer high quality at an agreeable price.

PRODUCTS THAT SELL OVER ¥1 BILLION PER YEAR

The number of products that sold over ¥1 billion per year in FY2018 was 243 items, an increase of 51 items year on year.

Daily food products

151 items
(+39 items)



Beverages and alcohol

43 items
(+2 items)



Confectionery

27 items
(+7 items)



Total
243 items
(+51 items)

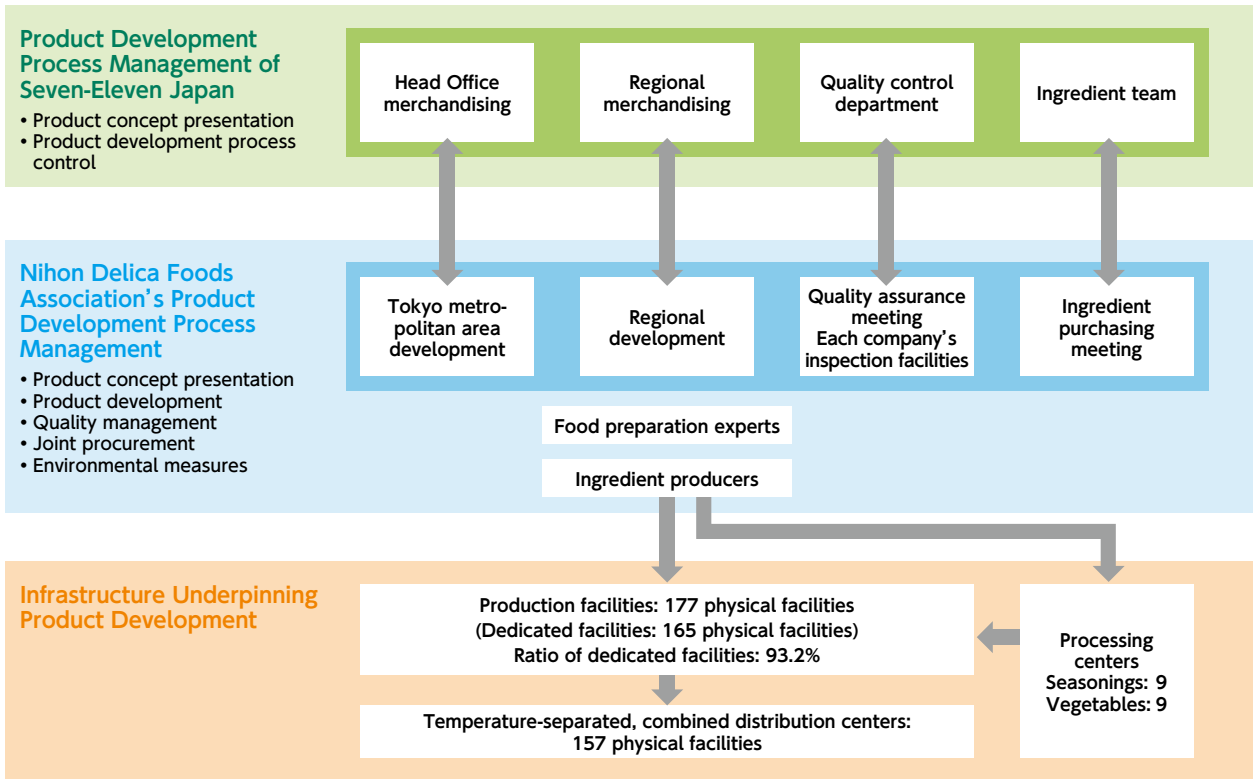
Processed food and sundries

22 items
(+3 item)



Original Daily Food Product Development by Seven-Eleven Japan

Food Product Development System

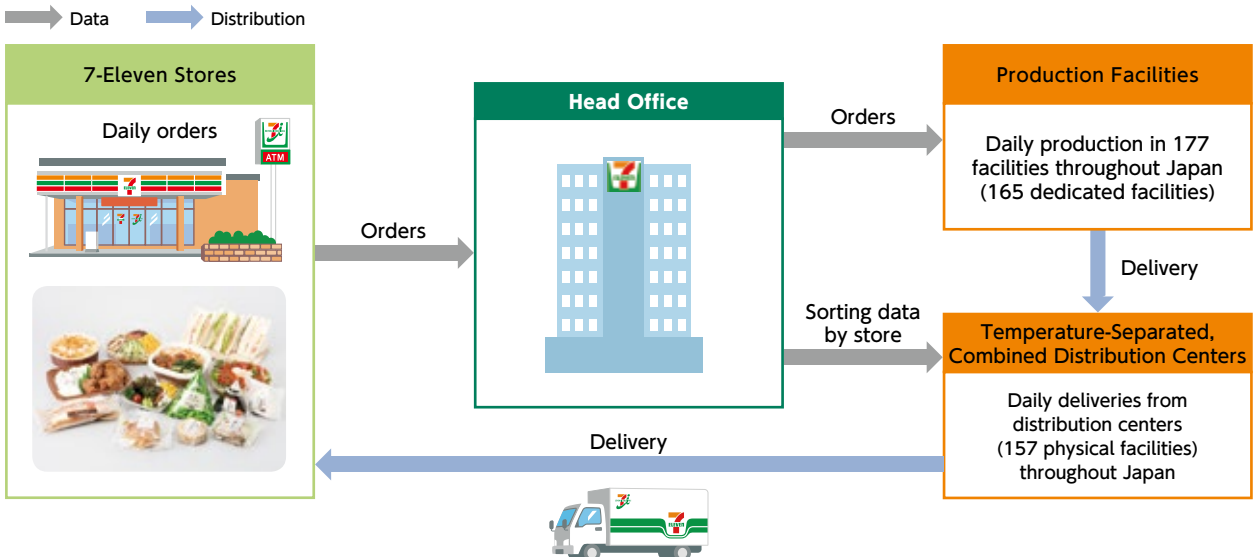


Notes: 1. Nihon Delica Foods Association (NDF) was formed in 1979 mainly by vendors of rice-based products. NDF currently has approximately 65 member companies that engage in the vendor businesses of rice-based products, sandwiches, delicatessen items, noodles, and Japanese pickles. Members jointly develop products, manage quality, procure ingredients, and implement environmental measures.

2. Figures for the development system, the number of dedicated production facilities, combined distribution centers, and processing centers are as of February 28, 2018.

Supply System for Original Daily Food Products

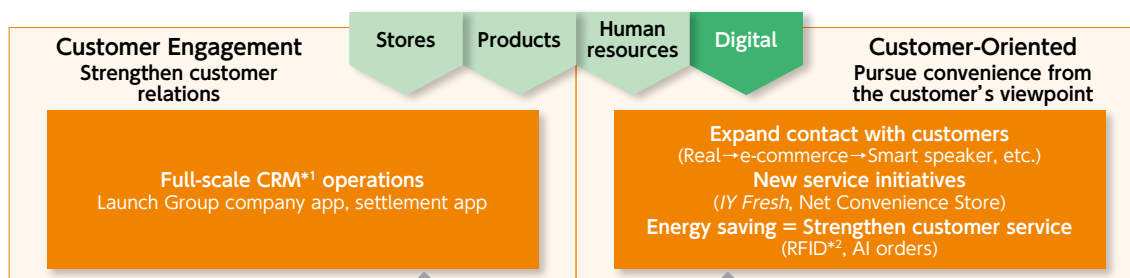
Original daily food products are made in specialized facilities operated by independent collaborating companies and are delivered to 7-Eleven stores from combined distribution centers that have multiple temperature-separated zones. The production facilities and temperature-separated, combined distribution centers serve only Seven-Eleven Japan, allowing us to distinguish ourselves from the competition in terms of product development, hygiene, and quality control. Sharing stores' order data with manufacturers and temperature-separated, combined distribution centers enables more efficient deliveries in shorter times.



Group Business Strategy

Digital Strategy

Seven & i HLDGS.' digital strategy aims to provide unprecedented customer experience through the strengthening of relations with customers and the pursuit of convenience from the customer's viewpoint, by adding digital capabilities to the Group's existing strengths of stores, products, and human resources.



*1 CRM (Customer Relationship Management): Collecting and managing customer information and customer service records and using them to make personal promotions

*2 RFID (Radio Frequency Identification): A technology for reading and writing data on contactless IC chips by sending and receiving radio wave transmissions

Services on omni7 (the Group's e-commerce site)

omni7, the Group's e-commerce site, utilizes the Group's strengths across a wide array of business formats such as convenience stores, superstores, general supermarkets, food supermarkets, department stores, and specialty stores. Since the start of November 2015, the website has continued to increase sales and the number of members. Sales are ¥108.7 billion, and membership at the end of February 2018 was about 7.85 million.

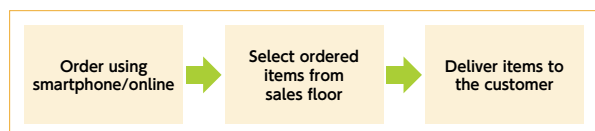
omni7 has "site sales" and "store sales" services. In the "site sales" service, products purchased online are delivered to customers' homes or nearby Group stores for pick-up. The "store sales" service enables customers to order directly to real stores, and the products are delivered from the stores. "Store sales" service sales are recorded by each individual store.

	Site sales					Store sales	
	Seven Net Shopping	Ito-Yokado Internet Mail-Order	Sogo & Seibu e-depart	Akachan Honpo Internet Mail-Order	THE LOFT Internet Mail-Order	Seven-Meal	Ito-Yokado Net Supermarket
Handled categories	Books, CDs, DVDs, etc.	Food, household goods, etc.	Cosmetics, premium sundries, etc.	Baby sundries, etc.	Miscellaneous goods	Boxed lunches, <i>sozai</i> prepared dishes, etc.	Food including fresh food, household goods, etc.
E-commerce sales	¥22.0 billion	¥4.5 billion	¥3.5 billion	¥6.2 billion	¥1.0 billion	¥26.5 billion	¥44.2 billion
Number of members	Approx. 7.85 million						

Note: Sales are for FY2018, and number of members is as of February 28, 2018.

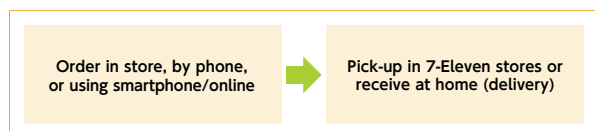
Ito-Yokado's Net Supermarket

Ito-Yokado stores manage *Net Supermarket*. Stores receive orders from customers in their catchment area over the Internet, and fresh products from the stores are delivered at a designated time in as little as four hours, for the same price as in the stores.



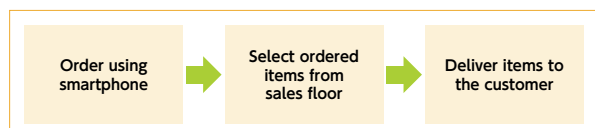
Meal Delivery Service Seven-Meal

This is an original Seven-Eleven Japan service for delivering merchandise such as special daily lunch sets and delicatessen food sets, all produced under the direction of a registered dietician.



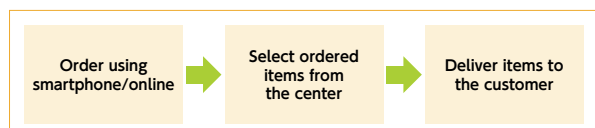
Seven-Eleven's Net Convenience Store

This service enables customers to use a smartphone to order items in stock in real stores. A trial service started in some Hokkaido stores from October 2017.



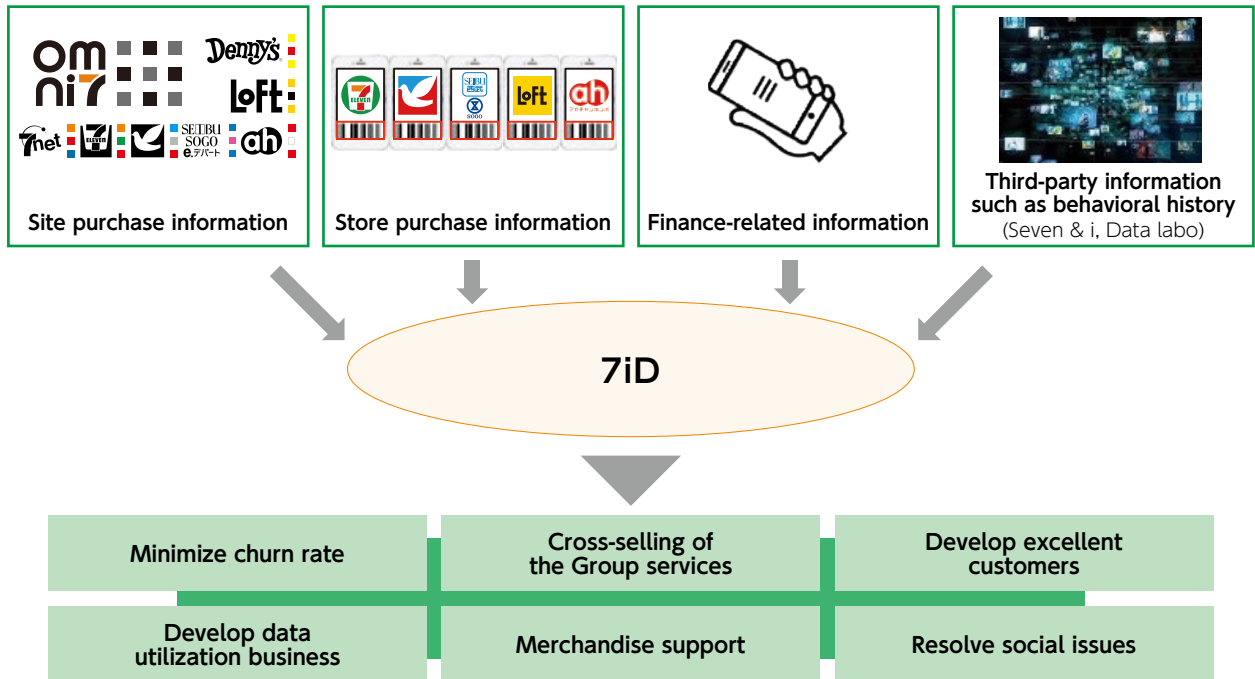
IY Fresh

In a joint project with ASKUL Corporation, home deliveries of fresh items started in Bunkyo and Shinjuku Wards from November 2017. LOHACO's distribution network is used.



■ 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 that 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.



Group Business Strategy

Smartphone App

A smartphone app is essential to promote CRM at real stores. At real stores, a bar code displayed on the top screen of the app is scanned at registers, verifying the individual and sharing their shopping history. On the site, customers are verified by logging in with their ID and password and their shopping history is shared. Customers are awarded miles according to their purchases and activities, and depending on their mile ranking, they can receive *nanaco* points or various types of benefits (free trials of paid apps, preferential treatment at events, etc.).

This system will enable customer information to be shared in a unified fashion, regardless of the Group company or shopping method (real store or website). Sharing customer information in this way will enable an even greater awareness of each and every customer, making it possible to provide them with tailored information.



Store-Opening Policy

Group Store-Opening Strategy

The Seven & i Group develops stores in several formats within an area. Since each format has its own customer motivation factors and catchment area, the Group can achieve a high-density store-opening strategy across the different formats.

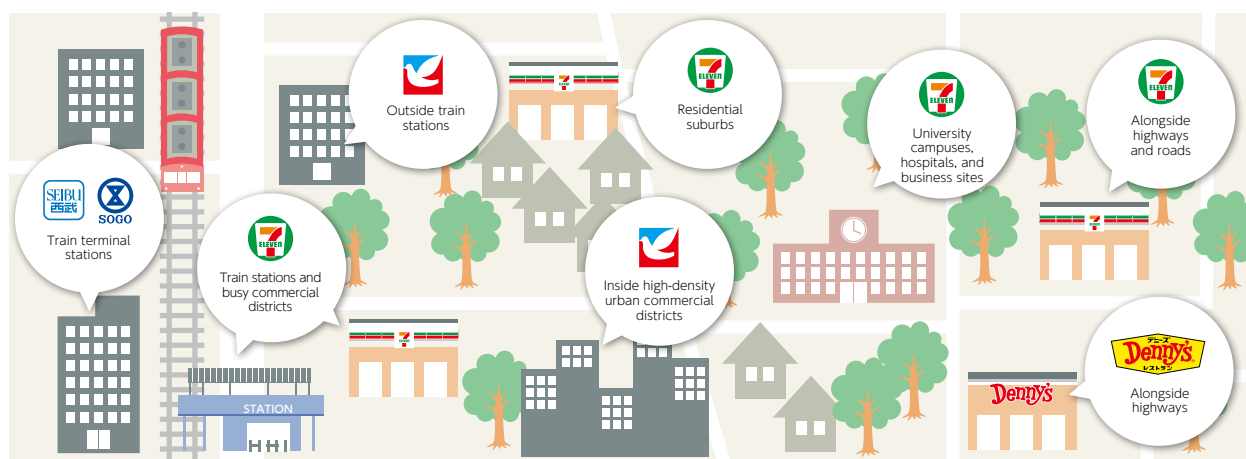
Market Concentration Strategy

Our fundamental strategy for openings in Group companies is market concentration. This involves opening a high concentration of stores within one area.

Effects of Market Concentration Strategy

- Increase familiarity of the chain with customers
- Efficient construction of production bases
- Effective sales promotions
- Efficient construction of distribution structures
- Improved quality of management consultation services for franchised stores
- Increasing store-visit frequency

Market Concentration Strategy by Store Format



Store-Opening Policy by Store Format

Format	Store brand	Store development
Convenience store	7-Eleven	<ul style="list-style-type: none"> • Formed market concentration mainly in residential areas in the 1990s and in urban areas after 2000 • Implemented scrap-and-build strategy for revitalizing existing stores • In addition to the standard roadside-type stores, extended store openings in special locations, including train stations, business sites and universities • From November 2010, provision of support for store openings by franchisees who will operate two or more stores • Stores in 46 prefectures as of the end of February 2018
Superstore	Ito-Yokado	<ul style="list-style-type: none"> • Formed market concentration primarily in the Kanto region • Implemented store structure reform to make efficient use of key specialty stores both inside and outside of the Group
Shopping center	Ario and others	<ul style="list-style-type: none"> • Operate 19 mall-type shopping centers • Assembled tenants with Ito-Yokado as the anchor tenant
Supermarket	York-Benimaru York Mart	<ul style="list-style-type: none"> • York-Benimaru formed market concentration in the southern Tohoku and northern Kanto regions • York Mart formed market concentration in the southern Kanto region
Department store	SEIBU Sogo	<ul style="list-style-type: none"> • Developed two department store brands, SEIBU and Sogo • Six key stores are Ikebukuro, Yokohama, Chiba, Hiroshima, Shibuya, and Omiya • According to their characteristics, stores are classified into "key stores," "regional leader stores," or "suburban stores"
Restaurant	Denny's	<ul style="list-style-type: none"> • Operate stores in 16 prefectures nationwide, primarily in the Kanto region
Specialty store	Akachan Honpo	<ul style="list-style-type: none"> • Operate stores primarily in shopping centers in 34 prefectures • Open 42 stores primarily in Ito-Yokado, Ario, and other stores operated by Group companies
	THE LOFT	<ul style="list-style-type: none"> • Operate stores primarily in department stores and shopping centers in 32 prefectures • Open 34 stores in SEIBU, Sogo, Ito-Yokado, Ario, and other stores operated by Group companies

Note: The number of stores and store development areas are as of February 28, 2018.

Store Network in Japan

The Seven & i Group focuses on the business factors that will make each and every store a success, creating stores to suit regional characteristics, rather than simply expanding the number of stores.

Total Sales of Major Group Companies by Prefecture for FY2018



7-Eleven



Ito-Yokado's Ario



York-Benimaru



York Mart



Sogo



SEIBU



Denny's



Akachan Honpo



THE LOFT












Annual sales
(¥ Billion)

- 300~
- 100~299
- 50~99
- ~49

Domestic Store Network

(No. of stores as of February 28, 2018)

									
Hokkaido	988	11	-	-	-	-	-	3	1
Tohoku	1,328	10	154	-	1	12	4	5	
Kanto	7,847	120	66	78	8	276	46	58	
Chubu	3,373	14	-	-	2	73	18	13	
Kinki	2,847	8	-	-	2	16	21	17	
Chugoku	1,286	1	-	-	1	-	8	8	
Shikoku	345	-	-	-	1	-	2	3	
Kyushu	2,246	-	-	-	-	-	8	5	
Total	20,260	164	220	78	15	377	110	110	

Distribution Systems

Combined Distribution System

Seven & i Group companies adopted a combined distribution system for greater efficiency. The combined distribution system is a rationalized system that allows products from different suppliers and manufacturers to be delivered to stores in the same truck. The combined distribution centers are operated by third parties.

TEMPERATURE-SEPARATED COMBINED DISTRIBUTION SYSTEM OF SEVEN-ELEVEN JAPAN



Number of Distribution Centers

Seven-Eleven Japan

(As of February 28, 2018)

	Number of distribution centers	Number of physical facilities
5°C	74	5°C 10 20°C 14
20°C	78	Shared 64

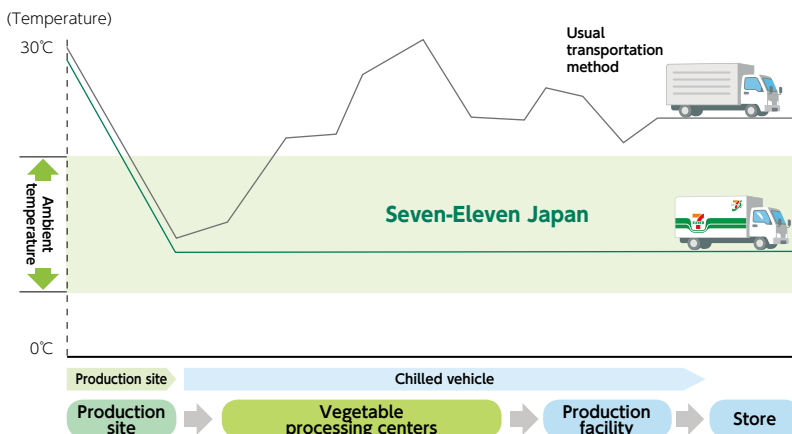
Ito-Yokado and York-Benimaru

(As of February 28, 2018)

	Ito-Yokado	York-Benimaru
Perishables distribution centers	12	6
Vegetables and fruits centers	4	

Note: The number of distribution centers represents the distribution centers counted by product categories where multiple product categories were handled in one distribution center.

Cold Chain (Refrigerated Distribution Network)



Freshness Managed from the Field to the Store

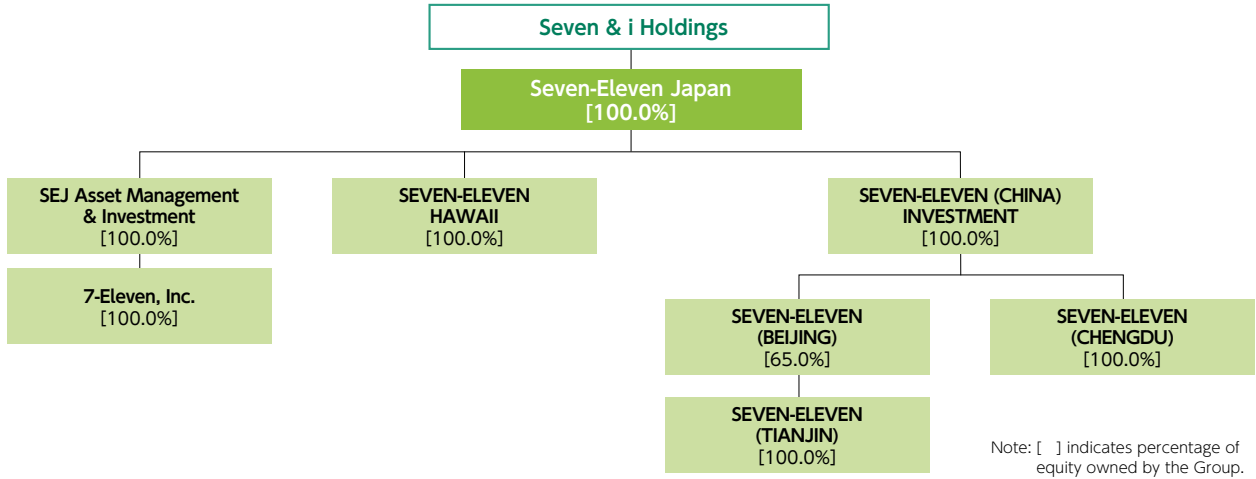
We have implemented a cold chain for transporting and processing vegetables in a fresh condition straight after they are harvested. The harvested vegetables are put into cold storage on the spot, and kept at a consistently managed temperature in their journey in the delivery vehicle, through the sorting center, and from the production facility to the store.

Global Strategy

Capital Relationships in the Group's Convenience Store Operations

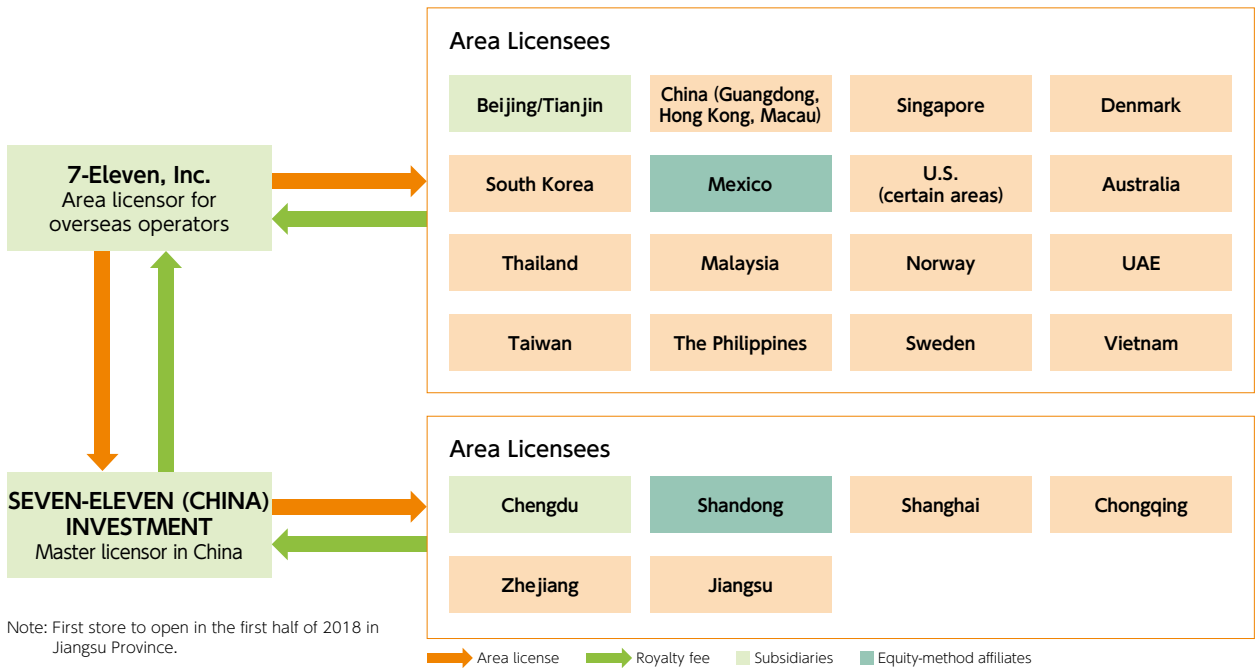
Seven & i Holdings' subsidiaries operate 7-Eleven convenience stores in Japan, North America, and China (Beijing, Tianjin, and Chengdu). In countries and regions where the Company has no local subsidiaries, leading corporate groups operate 7-Eleven stores as area licensees.

(As of February 28, 2018)



Overseas Licensing Scheme

7-Eleven, Inc. is responsible for granting area licenses to overseas operators of 7-Eleven stores excluding Japan and Hawaii. Royalty fees paid by area licensees are included in other income of 7-Eleven, Inc.



Number of 7-Eleven Stores Worldwide

TREND IN THE NUMBER OF 7-ELEVEN STORES

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Japan	12,298	12,753	13,232	14,005	15,072	16,319	17,491	18,572	19,422	20,260
Thailand	4,778	5,270	5,790	6,276	6,822	7,429	8,127	8,832	9,542	10,268
South Korea	1,995	2,186	3,145	5,249	6,986	7,085	7,231	8,000	8,556	9,231
U.S. and Canada	6,782	6,972	7,188	7,752	8,545	8,641	8,646	8,868	9,077	9,061
Taiwan	4,800	4,744	4,750	4,801	4,852	4,919	5,040	5,029	5,107	5,221
China	1,512	1,670	1,711	1,792	1,919	2,001	2,064	2,182	2,357	2,599
Others	3,573	4,101	4,477	5,110	5,563	6,039	6,682	7,228	7,744	7,960
Total	35,738	37,696	40,293	44,985	49,759	52,433	55,281	58,711	61,805	64,600

Note: Figures are as of the end of December, excluding figures for Japan which are as of the end of February of the following year.

Global Strategy

7-Eleven Store Operators around the World

Country or region	Operator	Number of stores
Thailand	CP ALL Public Company Ltd. [Charoen Pokphand Group]	10,268
South Korea	Korea-Seven Co., Ltd. [Lotte Group]	9,231
Taiwan/China (Shanghai)	President Chain Store Corp. [Uni-President Enterprises Corp.]	5,339
The Philippines	Philippine Seven Corporation [President Chain Store Corporation]	2,285
Malaysia	7-Eleven Malaysia Sdn. Bhd. [Berjaya Retail Berhad]	2,225
China (Guangdong, Hong Kong, Macau)	The Dairy Farm Company, Limited [Dairy Farm International Holdings Limited]	1,907
Mexico	7-Eleven Mexico S.A. de C.V. [Valso, S.A. de C.V.]	1,835
Australia	7-Eleven Stores Pty. Ltd.	675
Norway/Sweden/Denmark	Reitan Convenience [Reitangruppen AS]	523
Singapore	Cold Storage Singapore (1983) Pte. Ltd. [Dairy Farm International Holdings Limited]	393
U.S.	Resort Retailers, Inc.	327
	Southwest Convenience Stores, Inc.	
China (Shandong)	SHAN DONG ZHONG DI CONVENIENCE CO., LTD. [Zhongdi Group Co., Ltd.]	55
China (Chongqing)	New Nine Business Development Co., Ltd. [New Hope Group Co., Ltd.]	47
China (Zhejiang)	PRESIDENT CHAIN STORE (ZHEJIANG) LTD.	20
UAE	SEVEN EMIRATES INVESTMENT L.L.C.	13
Vietnam	SEVEN SYSTEM VIET NAM JSC	11
China (Jiangsu)	Nanjing Golden Eagle Convenience Store and Supermarket Management Co., Ltd.	-

Notes: 1. The number of stores is as of December 31, 2017.

2. Company names in brackets are those of the corporate groups affiliated with the companies listed.

3. First store opening in China (Jiangsu) planned for the first half of 2018.

Support Program for Existing Area Licensees

To enhance the value of the 7-Eleven brand, Seven-Eleven Japan and master licensor 7-Eleven, Inc. have developed a program to improve the operation level of area licensees around the world. The support program is currently in place for existing area licensees for Singapore, Hong Kong and Macau, UAE, and Vietnam. We plan to expand the program going forward.

Contents of the support program

1. Provide support and advice for store operations, etc.

- Methodologies for quality improvement of existing products and development of new products with a focus on fast food
- Methodologies for store operations by area and counseling skills of operation field consultants for forecasting product assortments
- Comprehensive support for store development, logistics, construction & equipment and IT systems, etc.

2. Establish a model store

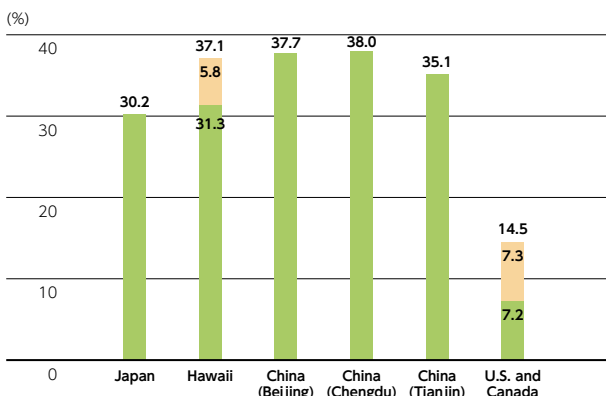
- Remodel an existing store and execute enhanced product assortment and display, as well as friendly service in line with local characteristics, based on Seven-Eleven Japan's experience
- Roll out successful cases of model stores to other existing stores, build model areas, and support franchise business management methods

3. Management candidate training at Seven-Eleven Japan

- Conduct classroom and on-the-job training at each department

Worldwide 7-Eleven Fast Food Sales

FAST FOOD SALES AS A PERCENTAGE OF TOTAL SALES FOR FY2018



U.S. and Canada



China (Beijing)

Notes: 1. ■ represents counter-served drinks such as Slurpees and coffee.

2. Percentages for Hawaii, the U.S., and Canada are calculated using merchandise sales.

3. The end of the fiscal year for overseas subsidiaries is December 31, 2017.

Operations in China

In China, the Seven & i Group is developing convenience stores and superstores. We also share information across business sectors and jointly develop products.

(December 31, 2017)

	Business category	Establishment	Opening date of the first store	Capital	Ownership ratio
SEVEN-ELEVEN (BEIJING) CO., LTD.	Convenience stores	Jan. 2004	Apr. 15, 2004	U.S.\$44 million	SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD. 65.0% Beijing Wang fu jing Department Store Group Co., Ltd. 25.0% China National Sugar & Alcohol Group 10.0%
SEVEN-ELEVEN (CHENGDU) Co., Ltd.	Convenience stores	Dec. 2010	Mar. 17, 2011	CNY382.9 million	SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD. 100.0%
SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD.	Investment company and 7-Eleven's master licensor in China*	Sept. 2012	-	CNY876.2 million	Seven-Eleven Japan Co., Ltd. 100.0%
SEVEN-ELEVEN (TIANJIN) CO., LTD.	Convenience stores	Nov. 2012	Nov. 2012	CNY200 million	SEVEN-ELEVEN (BEIJING) CO., LTD. 100.0%
SHAN DONG ZHONG DI CONVENIENCE CO., LTD.	Convenience stores	June 2012	Nov. 2012	CNY210 million	Zhongdi Group Co., Ltd. 65.0% Seven-Eleven Japan Co., Ltd. 20.0% SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD. 15.0%
Chengdu Ito-Yokado Co., Ltd.	Superstores	Dec. 1996	Nov. 21, 1997	U.S.\$23 million	Ito-Yokado (China) Investment Co., Ltd. 75.0% China National Sugar & Alcohol Group 12.0% ITOCHU Corp. 8.0% CITYWELL (CHENGDU) DEVELOPMENT CO., LTD. 5.0%
Hua Tang Yokado Commercial Co., Ltd.	Superstores	Sept. 1997	Apr. 28, 1998	U.S.\$65 million	Ito-Yokado Co., Ltd. 75.8% ITOCHU Group 12.3% China National Sugar & Alcohol Group 12.0%
Ito-Yokado (China) Investment Co., Ltd.	Investment company in China	July 2012	-	U.S.\$47.25 million	Ito-Yokado Co., Ltd. 100.0%

* Excluding Beijing, Tianjin, and Hebei, as well as Guangdong, Hong Kong and Macau, which are already covered by an area license granted by 7-Eleven, Inc.

Sales Trend

(¥ Million)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Chengdu Ito-Yokado	36,738	41,192	48,048	50,672	53,513	62,788	70,650	79,686	67,276	71,638
Hua Tang Yokado	36,369	31,932	30,008	28,477	27,902	34,015	31,814	24,066	15,869	6,826
SEVEN-ELEVEN (BEIJING)	4,686	5,204	5,874	7,754	11,273	14,458	17,983	21,781	20,871	24,458
SEVEN-ELEVEN (TIANJIN)	-	-	-	-	-	3,136	3,783	4,623	4,551	5,364
SEVEN-ELEVEN (CHENGDU)	-	-	-	517	1,909	3,505	4,204	4,036	3,435	4,042
Exchange rate (CNY1=)	¥14.85	¥13.72	¥12.90	¥12.32	¥12.72	¥15.92	¥17.18	¥19.23	¥16.42	¥16.62

Notes: 1. Sales exclude value added tax.

2. All companies' fiscal year-ends are on December 31.



Chengdu Ito-Yokado



Hua Tang Yokado



SEVEN-ELEVEN (BEIJING)



SEVEN-ELEVEN (CHENGDU)