



Special Features

# The Business Strategies of the Seven & i Group

In the Group, the roles of the holding company and the operating companies have been clearly defined. Each operating company makes a contribution to increasing the Group's enterprise value by independently implementing its own business strategies.

In general, each operating company implements investment within the limits of its cash flows. The Group's approach to investment allocation is as follows: in businesses that offer high investment efficiency or high profitability, investment is increased, while in businesses with low profitability, investment is cut back and restructuring initiatives are emphasized.

This section introduces the Group's business strategies for the fiscal year ending February 29, 2012.

## GROUP SYNERGIES

We will focus the Group's comprehensive strengths and take on the challenge of generating further Group synergies.

### Fundamental Approach

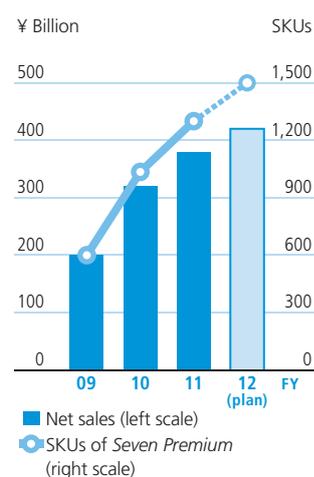
The Group has positioned the implementation of Groupwide merchandising initiatives as an important strategy for the expansion of Group synergies, and accordingly the entire Group is working together to aggressively implement those initiatives. To offer high-quality products at reasonable prices, the Group continues to take on the challenges of private-brand product development and joint procurement of raw materials and products through Group Merchandising and Global Merchandising activities. The Group's strengths include extensive information about customer purchasing behavior and world-class sales capabilities. We have been able to realize these strengths through our diverse range of business formats that are closely linked to the daily lives of customers. To make full use of these strengths, we will work to transcend format boundaries and to ensure that the Group strategies are shared by each operating company, thereby further enhancing our competitiveness.

### Group Private-brand Strategy

The Group's private-brand strategy is centered on *Seven Premium*, which was launched in 2007. In the fiscal year ended February 28, 2011, sales of our private-brand products totaled ¥380.0 billion, exceeding our initial plans. Our first Global Merchandising product was wine, and since this product was launched in November 2009, we have sold more than 4.5 million bottles. In the future, we will strive to make further progress in reducing cost of sales by leveraging the Group's sales capabilities and aggressively advancing joint procurement, including national-brand products.

In the fiscal year ending February 29, 2012, in accordance with our new brand strategy, we will implement an across-the-board renewal of the *Seven Premium* and *Seven Gold* brands, including product lineups, logos, and packaging. In addition, Seven-Eleven Japan (SEJ) will add a logo to its original daily products, such as rice balls and sandwiches, thereby enhancing SEJ's corporate brand value.

Group Private-brand Products: Results and Forecast



### Launch of New Brand Framework

	SEJ's Original Daily Products	Seven & i Group's Private-brand Products	
Previous Logo	—	 Seven Premium	 Seven Premium Gold
New Logo		 Seven Premium	 Seven Gold
Product Examples			

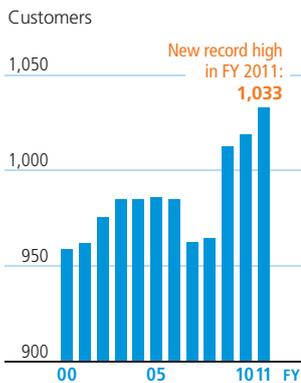


Seven Premium product lineup

## SEVEN-ELEVEN JAPAN

**Aiming to provide customers with “close by convenient stores,” we will enhance store development and product lineups. In China, we will implement measures to accelerate store openings.**

Average Number of Customer Visits per Store (for all stores)



Island-type chilled case



Examples of basic products

### Fundamental Approach

At Seven-Eleven Japan (SEJ), in response to changes in the operating environment in the domestic retail industry, such as a decline in the number of people per household, an increase in the number of working women, trends toward fewer children per family and an aging population, and a decline in the number of small retail stores in Japan, our key business strategies are designed to facilitate the realization of “close by convenient stores.” In the fiscal year ending February 29, 2012, we will work to offer product lineups that continue to meet customer needs and to further enhance service in order to continue improving “close by convenient stores.”

### Merchandising

Targeting the realization of “close by convenient stores,” we have strengthened our lineup of products that help to reduce food preparation time in the home. These include fast foods as well as *sozai* prepared dishes and other chilled items, frozen foods, and foods prepared in the store, such as croquettes and deep-fried chicken.

In addition, we aggressively added *Seven Premium* products to the seasonings and sundries lineups, thereby raising our price competitiveness. Through these measures, we succeeded in increasing customer store visits by drawing housewives and women who work outside the home, who had not been core customers in the past. In response to changing customer needs, SEJ has expanded its offerings of chilled products, for which demand is increasing, by introducing new island-type chilled cases. In addition, we are also working to further increase convenience by enhancing lineups of basic products that are essential in daily life, such as milk and bread.

Moreover, we will rigorously reevaluate the quality of all original products, including fast foods, and use a new brand logo for products that feature “high quality” and “reasonable prices.” By rebuilding product brands, SEJ will further increase its corporate brand value.

### Store-opening Policies

Our basic policy for opening stores is to implement our market concentration strategy while maintaining a focus on individual store profitability. In the fiscal year ending February 29, 2012, we plan to open 1,200 stores, a record high level. Other major initiatives are as follows.

- Step up store openings in the three large urban areas (Tokyo metropolitan area, Chukyo area, and Kansai area)
- Strengthen the Seven-Eleven chain and advance the market concentration strategy through the provision of support for store openings by franchisees who will operate two or more stores.\*
- Open stores in special locations (railroad stations, hospitals, schools, etc.) through tie-ups with corporate partners.
- Open up stores in new regions.

One reason for stepping up store openings in the three large urban areas is the aging of urban populations. There are approximately 38 million people aged 60 and older in Japan, and about one-fourth of them live in urban areas. In the future, the trend toward the population of senior citizens concentrating in urban areas is expected to continue, and accordingly we believe that these areas will see growing needs for “close by convenient stores.”

We will also utilize corporate tie-ups to facilitate store openings by emphasizing SEJ's strengths. For example, at kiosks operated by railroad companies, we can contribute to dramatic increases in efficiency per unit of floorspace by utilizing SEJ's product procurement capabilities to enhance their lineup of fast foods.

On the other hand, by strictly selecting the locations for store openings, we will reduce the percentage of new stores that fail to meet SEJ's standards for average daily sales per store.

Through these measures, we will aggressively open high-quality stores, work to raise investment efficiency, and strengthen Seven-Eleven chain operations.

\* The SEJ system for supporting franchisees who operate two or more stores

1. When one franchisee operates two or more Seven-Eleven stores, a 3% incentive is applied to the second and subsequent stores.
2. When franchisees that have operated a Seven-Eleven store for five years open a new Seven-Eleven store, the "incentive for stores open over five years" is applied to the new store from the beginning of its operations.



Keikyu store

### Convenience Store Operations in China

In China, we will step up store openings and increase localization.

In March 2011, we opened the first store in Chengdu, which is operated by SEVEN-ELEVEN (CHENGDU), which was established in December 2010. Together with Beijing, Tianjin, and Shanghai, where we already had stores, the addition of Chengdu means that we now have stores in four regions in China. In these four regions, we plan to open about 200 stores in the fiscal year ending December 31, 2011.

We will also emphasize localization. With the objectives of cultivating human resources with a strong understanding of the highly profitable SEJ business model and of increasing their motivation, we will advance localization through the promotion of local staff to key positions.



Seven-Eleven convenience store in Beijing, China

### MESSAGE FROM PRESIDENT RYUICHI ISAKA

#### Striving to be an "irreplaceable" part of the daily lives of customers

Over the past several years, the retail industry has been affected by sluggish economic conditions. In particular, there has been a shake-out among regional supermarkets and owner-operated stores, and the number of small and medium-sized retail stores has declined. In addition, with the population aging, there is an increase in the number of seniors who consider transportation to be inconvenient and who think that the retail environment does not present convenient opportunities for nearby shopping. Also, with increasing numbers of women working outside the home, there is a trend toward less time available for housework, with a corresponding increase in needs for "close by convenient stores," where it is easy to purchase food and other items near the home. For SEJ, which offers products and services closely linked to daily lives, these types of changes in the operating environment represent a significant business opportunity.

Success in *Seven Premium* clarified the strengths of the Group's product development and supply capabilities. Because

the Group includes superstores and food supermarkets, these capabilities cannot be duplicated by competing convenience stores. By fully leveraging these strengths and developing stores that are close by and convenient for customers, we believe that we can achieve further growth in the years ahead.

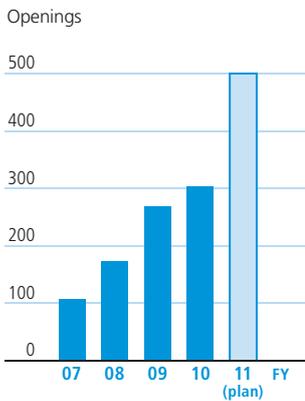
On the other hand, franchisees are SEJ's most important stakeholders, and we believe that increasing the satisfaction of franchisees will drive SEJ's growth. Human resources are SEJ's most important asset. SEJ will strive to achieve mutual prosperity with franchise stores by maintaining high levels of motivation among the SEJ employees who support franchise stores. In this way, SEJ will be able to enjoy long-term partnerships with franchise stores that have superb motivation and capabilities.



## 7-ELEVEN, INC.

**7-Eleven, Inc. (SEI) is working to aggressively expand its store network, including through M&A transactions.**

Number of Store Openings:  
Results and Forecast



Fiscal year ended on December 31



Coffee bar



Hot foods

### Fundamental Approach

Over the past several years, SEI has undertaken a number of operating and infrastructure development initiatives designed to improve efficiencies in operations, provide better service to customers, ensure product quality and value, and position SEI to deliver sustainable, long-term growth. These strategies include the utilization of technology, improved merchandising, expanding and enhancing the fresh food program, utilization of a more efficient distribution system, and developing new stores.

Recent changes in SEI's operating environment include a decline in commercial property rents and an increase in the number of small, owner-operated stores that are going out of business. SEI is approaching these changes as opportunities to open stores, and moving forward SEI will further increase store openings.

SEI is taking steps to enhance the value of the 7-Eleven brand, such as a continued emphasis on the development of fresh foods, private-brand products, proprietary beverages, and services.

### Store-opening Policies

SEI is accelerating store openings, including through M&A transactions, to expand the 7-Eleven chain. In addition, SEI will improve investment efficiency by stepping up the opening of A-type stores, which have a lower initial investment than C-type stores. In general, new store openings will be centered on existing markets to enhance distribution and sales promotion efficiency. In the fiscal year ending December 31, 2011, SEI expects to open 500 stores, the largest number of store openings since SEI joined the Group in 1991.

SEI is implementing the Consolidated Market Rollout initiative, which is a store remodeling program that combines refurbishment of a store, an upgraded coffee bar, and new hot foods equipment all reinforced with marketing activity. Through the Consolidated Market Rollout initiative, SEI will work to continue to strengthen the 7-Eleven brand.

Notes: A-type store: Franchisees provide land and buildings; C-type store: Franchisor provides land and buildings

### Merchandising

SEI offers a broad array of products, including many not traditionally available in convenience stores, to meet the changing needs of its customer base. These products include high-quality fresh foods that are delivered daily to its stores. In addition, SEI sells a number of products developed specifically for its stores, which is a key part of its strategy.

## MESSAGE FROM PRESIDENT JOSEPH DePINTO

**Moving forward, SEI will leverage 7-Eleven's distinctive brand value as we aggressively open new stores**

For SEI, the current operating environment presents many opportunities including accelerating store openings. Our market concentration strategy has enabled us to establish strong store brand value in the regions where we operate. As we target further expansion under the market concentration strategy, we will endeavor to further enhance store brand value. Moreover, we will take steps to

thoroughly understand the superb business infrastructure and store operations frameworks of Seven-Eleven Japan and to leverage them to reinforce our own capabilities. We will also take steps to make full use of economies of scale, such as aggressively implementing global, integrated procurement of products and materials.



SEI is focused on several key merchandising measures to further differentiate its brand from the competition: strengthening fresh foods, 7-Select private-brand products, proprietary beverages, and services.

As an example, SEI will bolster its lineup of products in fresh foods, enabling it to offer breakfast, lunch, and dinner. For 7-Select private-brand products, SEI offers quality equivalent to or better than national-brand products at prices that are 15% to 20% lower. SEI is focused on the development of new products while also improving existing products to further strengthen the brand value of 7-Select.



7-Select private-brand products of SEI

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## ITO-YOKADO

**With the objective of establishing a new superstore format to meet customer needs, we will reinforce our merchandising and reevaluate our pricing policy.**

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### Fundamental Approach

In superstore operations, the business environment remains extremely challenging. At Ito-Yokado, we will work to improve profitability by further reinforcing our strong food sales capabilities while continuing to reform apparel operations, which have been identified as a problem area. To increase customer loyalty, we will reevaluate our pricing policy, which in the past has emphasized a low-price orientation, and take steps to rebuild our profit structure. In store openings, we will focus on shopping-center-style stores with high customer-drawing power and small stores, centered on food, in urban areas.

### Merchandising

In food merchandising, we will work to further increase loyalty toward quality and product lineups by offering *Seven Premium* private-brand products and safe, highly fresh foods at reasonable prices. In apparel, we will move ahead with initiatives targeting improved margins. Especially in basic items, we will strengthen the development and merchandising of private-brand products by handling the entire product cycle in-house. We will also increase direct overseas procurement. In addition, we will enhance the overall attractiveness of our apparel sales areas through the introduction of tenants in certain sections of directly managed sales floor space to improve earnings efficiency.

In pricing, we will discontinue the use of flyers that focus on product prices. Instead, we will switch to sales promotion methods that utilize a range of media, including TV and the Internet, to emphasize product value. In this way, we will enhance loyalty toward store prices. Moreover, we will leverage the Group's sales capabilities to reduce procurement costs and improve profitability.

### Store-opening Policies

In the fiscal year ending February 29, 2012, we plan to open three stores and close seven. While moving ahead with store closures, centered on unprofitable stores, we will reduce the pace of store openings in comparison with the fiscal year ended February 28, 2011, when we opened six.

At existing stores, we will optimize the sales area composition of each section in accordance with the characteristics of each store's catchment area, and we will advance the establishment of a low-cost operational structure. In these ways, we will strive to improve profitability.



Vegetables with traceability



Private-brand apparel sales area



Introduction of Akachan Honpo specialty store in the Group



Ario Ueda, opened in April 2011

## SOGO & SEIBU

In Sogo & Seibu, the core operating company of department store operations, we will implement store reforms, with the objective of focusing management resources and increasing asset efficiency.

### Fundamental Approach

The uncertainty about economic conditions that followed the financial crisis has shown signs of settling down, and from the second half of 2010, sales in the department store industry have followed a trend of gradual recovery.

In this setting, one of the strengths of Sogo & Seibu is a substantial number of stores in favorable locations, such as adjoining terminal railway stations that are used by large numbers of people. Sogo & Seibu will make the most of this strength to take on the challenge of establishing a new type of department store concept.

### Ongoing Restructuring Initiatives by Type of Store

In implementing restructuring initiatives intended to concentrate management resources and increase asset efficiency, stores will be divided into three categories based on their characteristics.

We will increase the allocation of resources to stores that are expected to be highly profitable, while we will consider closing stores that offer limited prospects for improved profitability. For key stores, which account for about 60% of Sogo & Seibu's total sales, we will invest to reinforce marketing capabilities, and we will extend to other key stores examples of success at SEIBU Ikebukuro, where reforms have been implemented. In regional leader stores, we will work to enhance the attractiveness of our stores by using the competitive edge arising from our location. In suburban stores, we will use the SEIBU Higashi-Totsuka store as a successful model of converting to shopping center-style management. Moving forward, we will strive to establish a new format that combines leading specialty stores and department stores.

### Store Categories and Policies by Type of Store

Store category	Stores	Policies
Key Stores (7 stores)	SEIBU Ikebukuro, Sogo Yokohama, Sogo Chiba, Sogo Kobe, Sogo Hiroshima, SEIBU Shibuya, Sogo Omiya	Strengthen sales capabilities by extending SEIBU Ikebukuro's successes to other key stores
Regional Leader Stores (7 stores)	SEIBU Tokorozawa, SEIBU Asahikawa, SEIBU Akita, SEIBU Numazu, SEIBU Okazaki, SEIBU Fukui, Sogo Tokushima	Establish competitive advantage through the implementation of store operations closely linked to local communities
Suburban Stores (13 stores)	SEIBU Higashi-Totsuka, Sogo Kawaguchi, SEIBU Takatsuki, SEIBU Otsu, SEIBU Yao, SEIBU Tsukuba, Sogo Kashiwa, SEIBU Funabashi, Sogo Seishin, Sogo Kure, Robinson's Kasukabe, Robinson's Odawara, Sogo Hachioji (to be closed in January 2012)	Establish store operations model for commercial complex facilities by extending the results achieved with early-implementation stores



Remodeled sales area in SEIBU Ikebukuro



Sogo Yokohama, key store



Sogo Tokushima, regional leader store



SEIBU Higashi-Totsuka, suburban store

## CARD BUSINESS

In the card business, we will continue to expand the Group's point services.

### Fundamental Approach

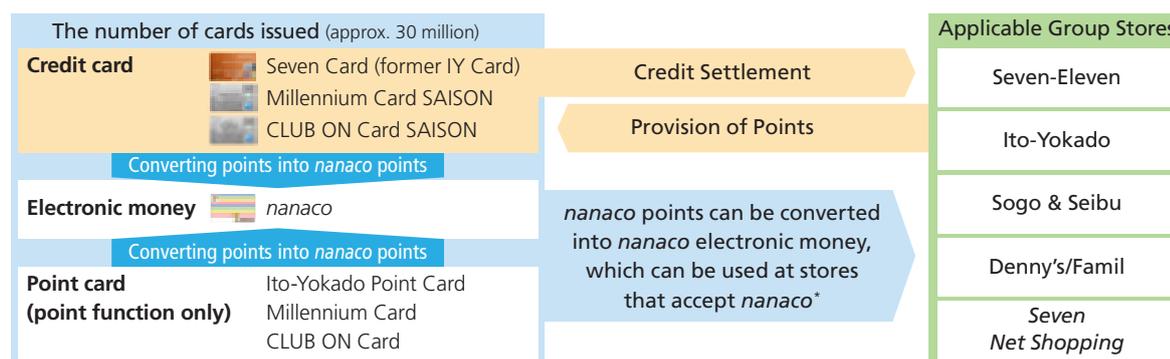
In the card business, we will aggressively implement a Groupwide card strategy as a common Group infrastructure. Centered on *nanaco* electronic money service, we will share points within the Group and also promote tie-ups with external point programs.

### Seven & i Point Service

On June 1, 2011, we launched the Seven & i Point Service, a common Group service for members of all of the card programs offered by Group companies. Currently, there are more than 30 million cards issued. This service was launched with SEJ, Ito-Yokado, Sogo & Seibu, Denny's, Famil, and *Seven Net Shopping*, an Internet shopping site. We will expand this service to all Group companies and strive to make this one of the largest point services in Japan, with annual sales at member stores of about ¥5 trillion and the equivalent of about ¥40.0 billion in point issuance.

### Overview of the Group's Card Strategy

#### Point Acceptance Framework



#### Point Acceptance Service

Cards	Stores participating in service	
	Previous	Current
 Credit cards issued by Seven Card Service Co., Ltd.	 Ito-Yokado	 7-Eleven  Ito-Yokado  SOGO  SEIBU  Denny's  7net Shopping
  Credit cards issued by Seven CS Card Service Co., Ltd.	 SOGO  SEIBU	 7-Eleven  Ito-Yokado  SOGO  SEIBU  Denny's  7net Shopping

### Bringing Department Store-related Card Operations Inside the Group

In September 2010, we converted the card operations that were affiliated with the Group's department store operations into a joint venture company. To that end, Credit Saison, a retail industry credit card company, established Seven CS Card Service, and in April 2011 that company was made a consolidated subsidiary of Seven & i Holdings.

### Company Overview

Name	Seven CS Card Service Co., Ltd.
Capital	¥100 million
Shareholding ratio	Seven Financial Service (51%), Credit Saison (49%)
Business activities	Credit card members: 3 million (as of the end of March 2011) Shopping transaction volume: ¥660.0 billion (FY ended March 2011)