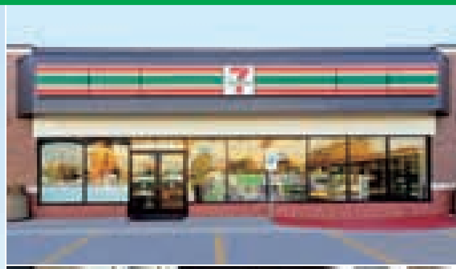
Review of Operations

Convenience Store Operations



Revenues from Operations
¥2,036.4 billion
+3.4%

Operating Income
¥195.4 billion
+6.3%

Capital Expenditures
¥106.3 billion
+1.4%

OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2011, the convenience store segment's revenues from operations were ¥2,036.4 billion, up 3.4%, and operating income was ¥195.4 billion, an increase of 6.3%. Capital expenditures totaled ¥106.3 billion, up 1.4%, and depreciation and amortization increased 3.9%, to ¥68.7 billion.

The increase in revenues from operations was attributable principally to higher gasoline prices in North America operations, while the increase in operating income was attributable to a substantial increase in Seven-Eleven Japan's (SEJ's) results, which exceeded initial plans. This performance was driven by a gain of 2.2 percentage points in the rate of growth in sales at existing stores and by an increase of 0.2 percentage points in the merchandise gross profit margin. These factors offset the increase in expenses due to the shouldering of 15% of the costs borne by SEJ franchisees for the disposal of unsold items.

The appreciation of the yen had the effect of reducing revenues from operations by about ¥98.0 billion and operating income by about ¥2.2 billion.

SEVEN-ELEVEN JAPAN CO., LTD. (for the fiscal year ended February 28, 2011)

Total Store Sales
¥2,947.6 billion

Operating Income
¥169.1 billion

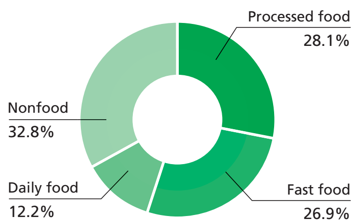
Capital Expenditures
¥56.9 billion

Number of Stores
13,232 stores

Existing Stores Sales Increase
+2.2%

Merchandise Gross Profit Margin
30.5% (up 0.2 percentage points)

Sales by Product Category



7-ELEVEN, INC. (for the fiscal year ended December 31, 2010)

Revenues from Operations
¥1,463.7 billion

Operating Income
¥33.3 billion

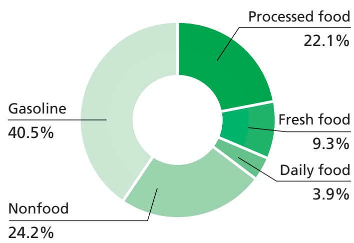
Capital Expenditures
¥48.9 billion

Number of Stores
6,610 stores

Existing Stores Sales Increase
+1.5% (U.S. merchandise sales)

Merchandise Gross Profit Margin
35.1% (down 0.1 percentage points)

Sales by Product Category



OUTLOOK AND INITIATIVES FOR FISCAL 2012

For the fiscal year ending February 29, 2012, the segment is forecasting revenues from operations of ¥1,552.0 billion, down 23.8%, and operating income of ¥202.8 billion, a gain of 3.7%. The decline in revenues from operations will result from an accounting change in how 7-Eleven, Inc. (SEI) accounts for revenues from operations related to franchise agreements. SEI will no longer consolidate its franchise arrangements. Instead, SEI's franchise contractual arrangements will be considered collaborative arrangements, accordingly SEI will record the assets, liabilities, and results of operations of its franchise contractual arrangements on a gross basis. Excluding the influence of this change, revenues from operations are expected to rise 3.0%, to ¥2,097.0 billion. However, the change will not have any effect on operating income, ordinary income, or net income. The segment expects the Great East Japan Earthquake to have the effect of reducing operating income by ¥4.0 billion.

Capital expenditures are forecast at ¥162.0 billion, up 52.3%, and depreciation and amortization at ¥71.5 billion, an increase of 4.0%. The substantial rise in capital expenditures is principally a reflection of forecasts for increases at SEJ, due to aggressive store openings, and at SEI, for M&A transactions and other aggressive store opening initiatives and for remodeling of existing stores.

Domestic Operations

SEJ will continue to implement store openings in favorable locations and will take steps to create sales areas that foster the further realization of "close by convenient stores." SEJ will enhance lineups of frequently purchased goods, centered on *Seven Premium* private-brand products, as well as daily foods.

Seven Premium product lineup

Business Strategies of Seven-Eleven Japan: Further Enhancing "Close by Convenient Stores"	
Merchandising	Enhancing product lineups to realize "close by convenient stores" • Introduce new fixtures—island-type chilled cases—to expand sales areas for chilled products, for which customer needs are increasing • Use new brand logo for products that feature both high quality and reasonable prices as part of initiatives to improve the quality of all original products, including fast foods
Store operations	Correcting gaps in operational quality among regions and individual stores • Pursue management with the participation of all employees in each store, and clarify objectives for each store • Bolster training programs that cover all employees at franchise stores
Store-opening strategy	Taking on the challenge of opening 1,200 stores

Overseas Operations

In regard to overseas convenience store operations, SEI, of the United States and Canada, will continue to focus on advancing new store openings and converting corporate-operated stores to franchise-operated stores. SEI will take steps to remodel existing stores, such as the focused, area-by-area introduction of new equipment, in order to increase sales of fresh-food products.

Moreover, in China, the Group will continue to expand store operations in Beijing and Tianjin, and also focus on store development in the new region, Chengdu.

Business Strategies of 7-Eleven, Inc.: Expanding Network of Highly Profitable Stores	
Store-opening strategy	• Strengthen market concentration strategy (Increase store density in areas with existing stores) • Take steps to expand store network, including through M&A transactions
Store operations	• Implement Consolidated Market Rollout initiatives to boost the effectiveness of remodeling initiatives
Merchandising	• Strengthen development of fresh foods and hot foods • Enhance and nurture *7-Select* private-brand products • Improve product assortment through rigorous item-by-item management

Fresh foods

For further information, please see the special feature section on pages 14-17.

Superstore Operations

Revenues from Operations
¥1,981.6 billion
(1.7)%

Operating Income
¥15.7 billion
+10.8%

Capital Expenditures
¥54.1 billion
(17.2)%

OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2011, the superstore segment's revenues from operations were ¥1,981.6 billion, down 1.7%, and operating income was ¥15.7 billion, an increase of 10.8%. Capital expenditures totaled ¥54.1 billion, down 17.2%, and depreciation and amortization was up 6.4%, to ¥25.8 billion.

Consumers continued to tightly control their spending, and sales were weak in the second half of the fiscal year as a result of the strategic limitation of sales promotions, especially at Ito-Yokado. These two factors were the primary causes of the decline in revenues from operations. The rise in operating income resulted from our decision to limit discounts following the reevaluation of sales promotions and from our efforts to reduce costs, centered on labor costs at existing stores. These factors offset a reduction of 2.5 percentage points in the rate of growth in sales at existing stores, primarily at Ito-Yokado.

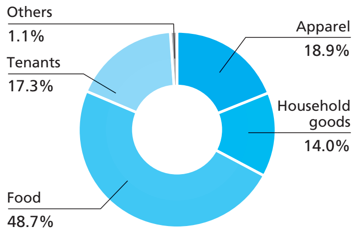
OUTLOOK AND INITIATIVES FOR FISCAL 2012

For the fiscal year ending February 29, 2012, the segment is forecasting revenues from operations of ¥1,950.0 billion, down 1.6%, and operating income of ¥12.0 billion, a decline of 23.6%. The earthquake is expected to have the effect of reducing revenues from operations by ¥21.3 billion. Capital expenditures are forecast at ¥36.0 billion, down 33.5%, and depreciation and amortization at ¥29.3 billion, up 13.2%.

ITO-YOKADO CO., LTD. (for the fiscal year ended February 28, 2011)

Revenues from Operations ¥1,373.6 billion	Number of Stores 170 stores
Operating Income ¥2.1 billion	Existing Stores Sales Increase (2.5)%
Capital Expenditures ¥37.4 billion	Merchandise Gross Profit Margin 29.1% (up 0.1 percentage points)

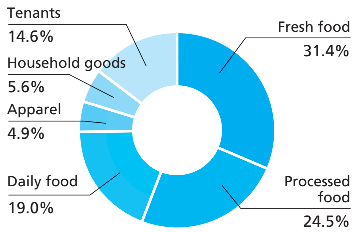
Sales by Product Category



YORK-BENIMARU CO., LTD. (for the fiscal year ended February 28, 2011)

Revenues from Operations ¥343.3 billion	Number of Stores 170 stores
Operating Income ¥8.8 billion	Existing Stores Sales Increase (4.1)%
Capital Expenditures ¥7.6 billion	Merchandise Gross Profit Margin 26.6% (down 0.1 percentage points)

Sales by Product Category



Superstore Operations

Ito-Yokado will substantially revise the product lineups in its stores based on the size of their sales areas and the characteristics of the catchment areas in which they operate. Moreover, to strengthen the operating structure by improving profitability over the medium term, we will reevaluate our pricing policy and work to improve loyalty toward store prices. In addition, we will make ongoing cost reductions to drive further progress in low-cost operations. The earthquake is expected to have the effect of reducing operating income by ¥9.0 billion.

Sales area for men's private-brand business shirts

Business Strategies of Ito-Yokado : Strengthening platform for establishment of superstore to meet customer needs	
Merchandising	Food: Leveraging Group strengths to further raise competitiveness • Enhance loyalty toward quality and product lineups • Strengthen Group merchandising Apparel: Implementing ongoing reforms • Heighten efficiency through the introduction of tenants into directly managed sales floor space • Improve merchandise gross profit margin for basic apparel through the enhancement of the development and merchandising of private-brand products and direct overseas procurement
Pricing policy	Increasing loyalty toward store prices • Shift sales promotion initiatives from price-focused flyers to value-focused media • Increase percentage of products sold at the initial listed price through integration of product development, sales promotion initiatives utilizing media, and sales area creation initiatives, especially in apparel
Store operations	Improving profitability at existing stores • Further improve efficiency through the realization of low-cost operations • Increase customer-drawing power through the introduction of tenants

For further information, please see the special feature section on page 17.

Food Supermarket Operations

At York-Benimaru, stores suffered significant damage from the Great East Japan Earthquake, which occurred on March 11, 2011. However, as a result of strenuous recovery work, almost all stores were back in operation by the end of April. York-Benimaru also continues working to support the earliest possible reconstruction of the region. In addition to providing a stable supply of products, York-Benimaru will focus on enhancing its product lineups to meet the needs of the region's customers. At the same time, York-Benimaru will work to differentiate its operations through aggressive utilization of Group Merchandising and Team Merchandising. The earthquake is expected to have the effect of reducing operating income by ¥8.5 billion.

"*Ganbaro* (Stay Strong!) Fukushima" sales area

Business Strategies of York-Benimaru: Taking on the challenge of creating lifestyle-proposal supermarkets	
Merchandising	Maximizing gross profit • Improve merchandise gross profit margin by increasing the accuracy of planning and reducing procurement costs • Reduce disposal costs in fresh foods, such as vegetables, meats, and fish, through rigorous management by time-period-based sales plans • Strengthen loyalty toward *Seven Premium* private-brand products
Store operations	Improving productivity • Enhance time management through reevaluation of store-level work processes • Reform store organization and strengthen human resources development

China Operations

In store initiatives, in Beijing the Group will work to improve profitability through the reorganization of tenants and the development of new products. In Chengdu, where results are favorable, plans call for opening our first large-scale shopping center in China. In store operations, we will work to achieve differentiation through carefully tailored customer service. In addition, we will aggressively utilize local staff, centered on management positions, to promote the creation of stores with strong ties to local communities. In these ways, we will strive to achieve further growth.

Department Store Operations

Revenues from Operations
¥915.1 billion
(0.8)%

Operating Income
¥5.6 billion
+311.4%

Capital Expenditures
¥27.8 billion
+40.9%

OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2011, the department store segment's revenues from operations were ¥915.1 billion, down 0.8%, and operating income was ¥5.6 billion, an increase of 311.4%. Capital expenditures totaled ¥27.8 billion, up 40.9%, and depreciation and amortization was down 17.5%, to ¥14.3 billion.

At SEIBU Ikebukuro, the flagship store of Sogo & Seibu, we completed a three-year remodeling and held the grand reopening in September 2011. Moreover, in suburban stores, we focused on taking steps to increase store competitiveness through conversions from the traditional department store framework to commercial complex facilities. In this initiative, we implemented shopping center-style operations utilizing leading specialty stores with customer-drawing power. On the other hand, as one facet of efforts to raise asset efficiency, we closed SEIBU Yurakucho in December 2010.

The decline in revenues from operations was attributable to the closure of Sogo Shinsaibashi and SEIBU Sapporo in the previous fiscal year and the closure of SEIBU Yurakucho in the year under review. In apparel, sales were sluggish due to such factors as the lingering summer heat. However, the remodeling of SEIBU Ikebukuro had a positive effect, and the rate of growth in sales at existing stores was level with the previous year. In operating income, the merchandise gross profit margin declined 0.4 percentage points from the previous fiscal year, but cost reductions, centered on labor costs, resulted in higher operating income.

OUTLOOK AND INITIATIVES FOR FISCAL 2012

For the fiscal year ending February 29, 2012, the segment is forecasting revenues from operations of ¥880.0 billion, down 3.8%, and operating income of ¥4.2 billion, a decline of 25.3%. The segment expects the Great East Japan Earthquake to have the effect of reducing operating income by ¥9.3 billion. Capital expenditures are forecast at ¥13.6 billion, down 51.1%, mainly due to the completion of the SEIBU Ikebukuro remodeling, and depreciation and amortization at ¥13.0 billion, down 9.5%.

SOGO & SEIBU CO., LTD. (for the fiscal year ended February 28, 2011)

Revenues from Operations
¥846.7 billion

Operating Income
¥7.3 billion

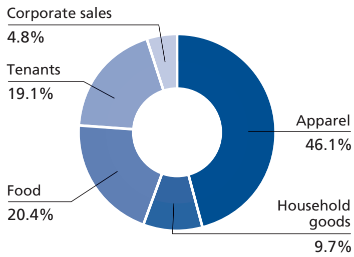
Capital Expenditures
¥25.2 billion

Number of Stores
27 stores

Existing Stores Sales Increase
0.0%

Merchandise Gross Profit Margin
25.4% (down 0.4 percentage points)

Sales by Product Category



In department store operations, we will implement operational reforms, with the objective of concentrating management resources and increasing asset efficiency. We will strive to make full use of the effects of the store remodeling that was implemented at SEIBU Ikebukuro. In addition, we will endeavor to extend the success of SEIBU Ikebukuro to other key stores. As one facet of efforts to increase asset efficiency, we have decided to close Sogo Hachioji in January 2012.

Business Strategies of Sogo & Seibu: Taking on the challenge of establishing a new type of department store concept

Ongoing restructuring initiatives by type of store	Establishing operational structure by type of store	
	Key stores	Strengthen sales capabilities by extending SEIBU Ikebukuro's successes to other key stores
	Regional leader stores	Establish competitive advantage through the implementation of store operations closely linked to local communities
	Suburban stores	Convert store format from the traditional department store framework to commercial complex facilities, such as introduction of shopping center-style operations, and establish store operations model for successfully transitioning to commercial complex facilities by extending the results achieved with early-implementation stores
Merchandising	Implementing differentiation strategy in apparel • Strengthen product procurement capabilities through an increase in the number of buyers assigned in key stores • Improve merchandise gross profit margin by strengthening exclusively developed products	
Store operations	Improving profitability at existing stores • Bolster sales capabilities by changing the point program system • Strengthen training of sales area staff	

For further information, please see the special feature section on page 18.

Change Point Card System

At Sogo & Seibu, the point card strategy is positioned as an important means of drawing customers. In April 2011, the point program system was revised with the objective of promoting card usage by enhancing convenience. This will strengthen the sales capabilities of Sogo & Seibu by fostering the acquisition of new customers and increasing the satisfaction of existing cardholders.

Millennium Card / CLUB ON Card

Overview of Millennium Card / CLUB ON Card

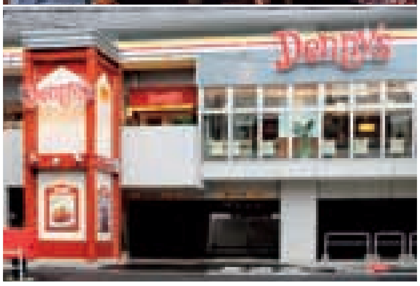
Issuer	Seven CS Card Service Co., Ltd.,* consolidated subsidiary from April 2011 (Former issuer: Credit Saison Co., Ltd.)
Number issued	4.84 million (as of the end of February 2011)
Main functions	Points acquired in line with amount of shopping purchases, credit settlement

* For further information about Seven CS Card Service, please see page 19.

Changes

	Previous	New
Point usage	Issuance of gift certificates at exclusive counter for each 2,000 points	Each point can be used as ¥1 at the register
Point service for family members	—	Amounts of family member purchases are combined and reflected in the point return ratio
Credit settlement company	VISA, JCB	VISA, JCB, American Express

Food Services



Revenues from Operations
¥80.2 billion
(7.2)%

Operating Loss
(¥0.1) billion
Improved profitability by ¥2.5 billion

Capital Expenditures
¥0.5 billion
(29.9)%

OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2011, the food services segment's revenues from operations were ¥80.2 billion, down 7.2%, and operating loss was ¥0.1 billion, an improvement of ¥2.5 billion year on year. Capital expenditures totaled ¥0.5 billion, down 29.9%, and depreciation and amortization declined 36.2%, to ¥0.8 billion.

The decline in revenues from operations was primarily attributable to the closure of 50 unprofitable restaurants in the restaurant division. Nonetheless, the weather was favorable in the summer, and we had success with initiatives to invigorate existing restaurants through improved core menu items, such as beefsteak, hamburger, and spaghetti, as well as through strengthened sales promotions. As a result, the rate of growth in sales at existing restaurants was up 0.5 percentage points year on year. The improvement in profitability was mainly attributable to an increase of 1.0 percentage point in the merchandise gross profit margin as a result of favorable sales of core menu items and cost reductions achieved by closing unprofitable restaurants.

OUTLOOK AND INITIATIVES FOR FISCAL 2012

For the fiscal year ending February 29, 2012, the segment is forecasting revenues from operations of ¥79.0 billion, down 1.5%, and breakeven operating income, an improvement of ¥0.1 billion. The segment expects the Great East Japan Earthquake to have the effect of reducing operating income by ¥0.5 billion. Capital expenditures are forecast at ¥0.8 billion, up 51.7%, and depreciation and amortization at ¥0.7 billion, down 13.7%.

Over the past three years, we have closed a total of 286 locations in food services operations. We have now basically completed the process of closing unprofitable restaurants. In order to improve profitability over the medium term, we will continue to focus on cost reduction. In addition, we will work to improve margins through the development of attractive menu items and the Groupwide joint procurement of raw materials. Moreover, by further improving the level of service through strengthened human resources development, we will enhance customer loyalty.

SEVEN & i FOOD SYSTEMS CO., LTD. (for the fiscal year ended February 28, 2011)

Revenues from Operations
¥80.1 billion

Operating Loss
(¥0.08) billion

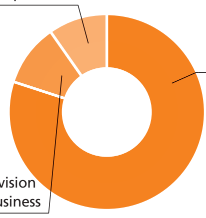
Capital Expenditures
¥0.5 billion

Number of Stores (restaurant division)
489 stores

Existing Stores Sales Increase
+0.5%

Merchandise Gross Profit Margin
68.3% (up 1.0 percentage point)

Sales by Operation



Financial Services

OVERVIEW OF THE FISCAL YEAR

In the fiscal year ended February 28, 2011, the financial services segment recorded declines in revenues and profits, with revenues from operations of ¥106.9 billion, down 3.2%, and operating income of ¥28.3 billion, a decrease of 6.0%. Seven Card Service improved results at the operating level due to an increase in the number of *nanaco* electronic money cards issued. However, at Seven Bank, there was a decline in transactions with non-banks through ATMs, due primarily to the implementation of revisions in Japan's Money Lending Business Act. As a result, ATM-related fee income from partner financial institutions declined, leading to the decrease in operating income. Capital expenditures totaled ¥19.6 billion, up 26.2%, and depreciation and amortization was down 7.0%, to ¥20.6 billion.

Revenues from Operations
¥106.9 billion
(3.2)%

Operating Income
¥28.3 billion
(6.0)%

Capital Expenditures
¥19.6 billion
+26.2%

OUTLOOK AND INITIATIVES FOR FISCAL 2012

For the fiscal year ending February 29, 2012, the segment is forecasting revenues from operations of ¥130.0 billion, up 21.5%, and operating income of ¥27.0 billion, a decrease of 4.7%. The segment expects the Great East Japan Earthquake to have the effect of reducing operating income by ¥3.0 billion. Capital expenditures are forecast at ¥20.0 billion, up 2.0%, and depreciation and amortization at ¥22.0 billion, an increase of 6.3%.

We will focus on further enhancing the convenience of financial services as the Group's common infrastructure. Particularly, in card operations, we will implement integrated Group promotion strategies, such as the introduction of shared points within the Group.

Business strategies	
ATM operations	• Step up the promotion of ATM usage through links with Group companies and with tie-up partners • Expand the user base for international money transfer services and personal loan services
Card operations	• Share points from cards issued by Group companies • Establish operating structure for the expansion of joint credit card operations through a new company, Seven CS Card Service, and Seven Card Service • Bolster electronic money operations by increasing *nanaco* card usage

For further information, please see the special feature section on page 19.

SEVEN BANK, LTD. (for the fiscal year ended March 31, 2011)

Ordinary Income **¥83.9 billion**	**Number of Installed ATMs** **15,363**
Ordinary Profit **¥27.4 billion**	**Total Number of Transactions** **609 million**
	Daily Average Transactions per ATM **112.3**

Number of cards issued (as of the end of February 2011)	(10 thousands)
Seven Card (credit card and point function)	311
Millennium Card (credit card and point card)	243
CLUB ON Card (credit card and point card)	241
nanaco (electronic money)	1,285
Ito-Yokado Point Card (cash usage only)	712
Seven Bank (cash card)	87