

Interview with the President

In the fiscal year ended February 29, 2012, Seven & i Holdings achieved record-high consolidated operating income of ¥292.0 billion. How will the Group link its success in the year under review to continued growth in the years ahead? In this section, Seven & i Holdings' President Noritoshi Murata discusses the Group's operating environment and its policies for the future.

Q1 What were the major factors behind the record-high level of operating income?

A1 I believe that our performance was the result of our rigorous efforts to develop new markets and provide value to customers.

Of course, the operating environment in 2011 was dramatically affected by the devastating March 11 earthquake. Since the earthquake, there have been changes in the purchasing behavior of customers. On the one hand, we are seeing a trend toward practical choices in purchasing behavior, with an emphasis on meeting specific needs by limiting the scope, timing, and quantity of purchases. On the other hand, there is a trend toward consumption of physical products and intangibles that reflect an individual customer's values and interests.

In the fiscal year ended February 29, 2012, a number of key factors enabled us to achieve record-high profit. One was that we rapidly restored operations following the earthquake, and, through Groupwide efforts, we provided a stable supply of products. Also, when purchasing behavior subsequently changed, we were able to create new markets meeting customer needs, centered on convenience stores.

Q2 Operating income increased in all business segments. What is your evaluation of the results in each segment and the challenges going forward?

A2 Conditions are favorable in convenience store operations and financial services. In superstore operations and department store operations, where conditions remain difficult, it is clear that we must increase profits and the direction that our rebuilding efforts should take is also clear.

Operating income increased in all business segments, but convenience stores made the largest contribution. In particular, it is notable that companywide initiatives led to the achievement of record-high operating income. These initiatives include strengthened product development and expanded product lineups to realize the concept of "close by convenient stores" at Seven-Eleven Japan.

On the other hand, in superstore operations and department store operations, profits increased, but profitability nonetheless remains a challenge.

In Ito-Yokado, the increase in profits in the fiscal year ended February 29, 2012, was due primarily to our reevaluation of pricing and sales promotion policies.

Moving forward, we will further extend these results, actively strengthen retailer-managed merchandising activities, and aggressively reform sales areas with the use of specialty stores from inside and outside the Group. In this way, we will work to further improve profitability.

In department store operations, we are pleased with the results of the remodeling of the SEIBU Ikebukuro flagship store. In the future, we will take steps to extend the success at



SEIBU Ikebukuro to other stores. In addition, we will target the establishment of retailer-managed merchandising systems and the timely procurement of best-selling products through the use of new information systems. In this way, I believe that we can further increase our profits.

Q3 The Group has announced plans for aggressive investment in convenience store operations. Does this indicate any change in the Group's approach to providing a return to shareholders?

A3 We will work to achieve further growth, centered on convenience store operations, and to provide a return to shareholders in line with increases in profits.

Moving forward, we have great hopes for convenience store operations as the main engine of the Group's growth. In particular, we think that convenience store operations have an excellent opportunity to bolster their operational foundation, and accordingly we will implement strategic investment, both in Japan and overseas. In returning profits to shareholders, we aim to maintain a target consolidated payout ratio of at least 35% and aim to improve it further in the future. By further increasing our earnings capacity, we will work to maximize the return of profits to shareholders.

Q4 Do you have a message for the Group's shareholders and investors?

A4 We will strive to utilize the Group's management strengths to achieve more-concrete results in the years ahead.

I think it a source of the Group's growth that the strategy that leverages "higher quality" to realize "expanded scale." The Group has comprehensive strengths as a retail services group with operations in a wide range of fields, and the key to our future growth is the effective utilization of these strengths.

Through the success of *Seven Premium* private-brand products, which have been a key focus for the Group, the Seven & i Group has been able to learn the importance of cooperation among Group companies. In the future, the Group will maximize Group synergies through cooperation among members of the Group and will implement business strategies to make each operating company No. 1 in its industry. In this way, we will strive to make further progress toward growth.

We would like to ask for the continued support of our shareholders and investors in the years ahead.

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Noritoshi Murata
President and Chief Operating Officer