Convenience store operations comprise 7-Eleven convenience stores in Japan, North America, and China (Beijing, Tianjin, and Chengdu). 7-Eleven, Inc., based in the United States, provides 7-Eleven area franchise rights to area licensees around the world.

<table>
<thead>
<tr>
<th>REVENUES FROM OPERATIONS</th>
<th>OPERATING INCOME</th>
<th>CAPITAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥2,529.6 billion</td>
<td>¥257.5 billion</td>
<td>¥197.7 billion</td>
</tr>
<tr>
<td>+33.2%</td>
<td>+16.1%</td>
<td>(7.7)%</td>
</tr>
</tbody>
</table>

Overview of the Fiscal Year Ended February 28, 2014

In the fiscal year ended February 28, 2014, the convenience store segment’s revenues from operations were ¥2,529.6 billion, up 33.2%, and operating income was ¥257.5 billion, an increase of 16.1%. Capital expenditures totaled ¥197.7 billion, down 7.7%, and depreciation and amortization was up 8.7%, to ¥91.2 billion.

This segment’s revenues from operations rose on the strength of sales gains at Seven-Eleven Japan (SEJ), as well as growth in merchandise sales and gasoline sales at 7-Eleven, Inc. (SEI), and the impact of the yen’s depreciation, among other factors.

Due to the success of SEJ measures targeting the evolution of “close-by, convenient stores,” there was a record increase in the number of stores—1,579 new stores on an overall basis and 1,247 in net increase. Existing stores sales rose 2.3%, for a 19th consecutive month of growth since August 2012, boosted by brisk sales of original products and daily products such as Seven Premium. The gross profit margin also improved 0.7 of a percentage point, mainly because of a revision of purchasing conditions due to strengthening of the basic product lineup. As a result, operating income reached a new record for a third consecutive year.

At SEI, the number of stores rose to 8,292, for a net increase of 174 stores, including 349 new franchise stores. SEI saw the pace of growth in revenues from operations at existing stores in the U.S. increase by 1.0 percentage point driven by steady sales of fresh food, private-brand products, beverages, and other core products. Operating income set a new record for a second consecutive year, buoyed by an increase in gross profit on merchandise and gasoline, and the impact of the yen’s depreciation, among other factors.

Moreover, in China the Group has taken steps to enhance its earnings base, including SEVEN-ELEVEN (BEIJING) achieving a profit for the full-year in its Beijing operations.

Business Strategies for the Fiscal Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥2,770.0 billion, up 9.5%, and operating income of ¥270.0 billion, an increase of 4.8%. Moreover, with respect to the exchange rate for income calculation, the yen is projected to fall ¥4.27 against the U.S. dollar to ¥102.00. The resulting foreign exchange effects are projected to increase reported segment revenues from operations by about ¥83.0 billion and segment operating income by about ¥2.0 billion. Capital expenditures are forecast at ¥238.0 billion, up 20.4%, and depreciation and amortization at ¥105.0 billion, an increase of 15.1%. Capital expenditures are planned for aggressive store openings in Japan as well as investments in existing stores to enhance their sales capabilities.
**Domestic Operations**

In Japan, the social landscape continues to change with the continued fall in the birthrate, combined with an aging population, an increase in the number of working women, households with fewer members, and a decline in the number of small and medium-sized retail stores. In this new environment, convenience stores with their small catchment areas are playing an increasingly important role. SEJ has been approaching these changes as opportunities for growth, and since 2009 has been promoting store openings with the goal of creating stores that are “close-by, convenient stores.” On the product front, we have worked to enhance our lineup of everyday meal-type products by further increasing the quality of our original products and developing products under the Group’s private brands, Seven Premium and Seven Gold. In addition, we have developed Seven Premium products in areas where national brands have previously been dominant, such as processed foods and snacks, and some daily essentials. This has produced a wider ranging merchandise lineup at easily affordable prices, which has in turn enabled us to successfully capture customers among the senior customers who had previously not visited our stores, and among women, who are very discerning about price and quality.

As a result, growth in merchandise sales at existing stores remained positive for a fourth consecutive year, while recent sales have continued to expand.

In store openings, SEJ has seen an increase in viable locations for opening stores due to the increase in the customer base, and has been able to step up the pace of store openings between the years ended February 29, 2012 and February 28, 2014, opening 1,201, 1,354, and 1,579 stores in each respective fiscal year. For the fiscal year ending February 28, 2015, SEJ plans to set yet another record with 1,600 new store openings. This will bring the total to 17,519 stores, a net increase of 1,400 stores from February 28, 2014.

Through these two growth drivers of expansion in sales at existing stores and increases in store openings, SEJ’s share of net sales in the convenience store market has grown by 1 percentage point each year for the past four years. We broke through 40% in the fiscal year ended February 28, 2014, and in the medium-term we will now aim to achieve a share of 50%.

Moreover, SEJ is looking beyond the conventional definition of the convenience store market and is now targeting all food-related markets including food and beverage retail, restaurants, and take-home meals. This combined target market has total sales of approximately ¥74 trillion, and since SEJ’s current share is only about 5%, there are still ample opportunities for growth. SEJ will continue to develop products and services in response to the various changes in the market, while taking a highly precise approach to store openings.
GROWTH STRATEGY FOR SEJ:
FURTHER ENRICH “CLOSE-BY, CONVENIENT STORES” TO MEET CUSTOMERS’ NEEDS

| Merchandising          | Strengthen the development of Seven-Eleven original products and bolster product development under the Group’s private brands, Seven Premium and Seven Gold |
|                       | Further increase sales of SEVEN CAFÉ and bolster related sales of pastries, etc. |
|                       | • Increase chilled cases to realize expanded product lineups |
|                       | • Expand stores with two café machines to 9,000 stores by the summer of 2014 |
|                       | Promote product development in line with regional characteristics |
|                       | • Launch the WEST JAPAN PROJECT, and strengthen store management and development, mainly focused on product development |

| Store-opening Policies | Step up store openings in Japan’s three main urban centers (Tokyo metropolitan area, Chukyo area, Kansai area) |
|                       | Open up new areas (Shikoku) |
|                       | • Opened new stores in Tokushima and Kagawa prefectures in 2013. Opened new stores in Ehime Prefecture in March 2014 |
|                       | Expansion into special locations (train stations, business locations, universities, etc.) |
|                       | • Start opening stores in train stations in JR West Japan through a business alliance with JR West Group |

| Strengthen service operations | Shopping support |
|                              | • Enhance product delivery services, mainly focusing on Seven-Meal |
|                              | Measures to promote change to omni-channel format |
|                              | • Strengthen the product placement system at individual stores |
|                              | • Strengthen product lineups and the level of customer service |

SEVEN-ELEVEN JAPAN

Further enrich “close-by, convenient stores”

Merchandising

SEJ is working to provide meal solutions to answer the inconvenience that customers experience around meals by responding to changes in the social environment such as described above. Specifically, SEJ is enhancing the lineup of daily food products under the Group’s private brands, Seven Premium and Seven Gold, with a focus on original Seven-Eleven products. Among these daily food products, sales of chilled products have been climbing each year. Following on from the introduction of island-type chilled cases in the fiscal year ended February 29, 2012, we installed more chilled cases in the fiscal year ended February 28, 2013, and we have plans to add another chilled case in each store in the fiscal year ending February 28, 2015, as we actively propose new menus and carry out sales area reforms. In addition, we will work to further expand on brisk sales of SEVEN CAFÉ, aiming to increase the number of stores with two SEVEN CAFÉ machines to 9,000 by the summer of 2014. At the same time, we will bolster our product lineups of pastries, which have a high rate of related-product purchases with SEVEN CAFÉ. We also believe we have created a new market with Golden Bread, which we launched under the Seven Gold brand in April 2013, since the sales seem to have been in addition to those of our existing breads for the most part, rather than replacing them.

Moreover, we will actively renew our existing products in addition to developing high quality new products in order to achieve unrivalled differentiation.

At the same time, to meet the needs of customers at an individual-store level, we will change our product lineups and sales area compositions to emphasize regional characteristics. Moreover, in the

SEVEN CAFÉ

In January 2013, we launched sales of high-quality self-service drip coffee as SEVEN CAFÉ, and completed rolling it out in all stores by September 2013. With high quality and regular sizes priced at only ¥100, including tax, the service was a runaway hit, with cumulative sales topping 450 million cups between January 2013 and February 28, 2014. SEVEN CAFÉ received the “Most Excellent Award, Nikkei Award” at the Nikkei Newspaper 2013 Nikkei Superior Product and Service Awards, winning high praise for establishing a new consumer trend of buying coffee at convenience stores.
fiscal year ending February 28, 2015, we will establish the WEST JAPAN PROJECT to strengthen our sales system in west Japan, and take measures spanning store operations and store development, mainly focused on product development.

**Store-opening Policies**
SEJ’s basic policy for opening stores is to implement its market concentration strategy of developing a high concentration of multiple stores, while maintaining a focus on individual store profitability. We believe that the aforementioned social and environmental changes and consumer needs to complete all of their errands in an area close to home have created scope for further store openings in existing areas. We are promoting store openings under our market concentration strategy, particularly in Japan’s three main urban areas of Tokyo, Chukyo, and Kansai, which harbor large potential markets. Furthermore, we will respond flexibly to relocation needs in our existing stores through scrap & build in line with the particular environment of each individual store.

In new areas, meanwhile, we opened stores in Tokushima and Kagawa prefectures in 2013, and expanded into Ehime Prefecture in March 2014. As a result, as of March 2014, SEJ has stores in 43 of Japan’s 47 prefectures. SEJ is also proceeding to open stores in special locations such as railway stations, business sites, and universities, and in March 2014 we entered a business alliance with West Japan Railway Company and its wholly-owned subsidiary, West Japan Railway Daily Service Net Company, which operates kiosk stores and railway station convenience stores at JR-West railway stations. Under the agreement, SEJ will refurbish about 500 existing railway station stores and open new stores over the next five years. With this initiative, SEJ is planning to open a record 1,600 stores in the fiscal year ending February 28, 2015.

**Strengthen Service Operations**
Step up initiatives to promote omni-channel format

In light of the aforementioned changes in the social environment, SEJ will strengthen its product delivery services, mainly focusing on Seven-Meal*, as a means of supporting customers’ shopping activities. With this service, we will strive to take orders and make deliveries in line with customers’ lifestyles, following the key sales strategy of “listening to customers,” including asking them about their ideal services.

Moreover, from the second half of the fiscal year ended February 28, 2014, the Group has been promoting initiatives under its Omni-Channel Strategy for approaching customers by seamlessly integrating real stores with the internet. The keystone of the strategy is SEJ’s more than 16,000-strong network of stores, which serve as collection points for products, as well as taking care of preparations for deliveries and receiving orders in stores, among other functions. The omni-channel format will enable SEJ’s stores to expand their lines of products and services to include items that could not be handled previously. The number of items handled at 7-Eleven stores has the potential to grow from the current roughly 2,800 items to approximately 3 million.

SEJ conducted a trial with Sogo & Seib, in which customers could collect confectionery from famous manufacturers at 7-Eleven stores in the Hiroshima district after ordering it on the Seven Net Shopping website, e. *depart*. One of the characteristics of this initiative was that customers could receive department store-quality products at 7-Eleven stores with service equivalent to a department store. The trial drew interest from many customers, providing a good start that strongly suggested a positive response to further development of the scheme. By further enhancing services such as these, we aim not only to increase the number of visitors to our stores, but also to improve our product lineups and customer service levels.

* Seven-Meal is an original SEJ service for delivering merchandise such as daily boxed lunches and delicatessen food sets, each produced under the direction of a nutritionist. Delivery is free for orders of at least ¥500 (including tax), and costs ¥123 per delivery for smaller orders not costing that amount.

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**Capital Expenditures**

<table>
<thead>
<tr>
<th>$ Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 160</td>
</tr>
<tr>
<td>¥ 120</td>
</tr>
<tr>
<td>¥ 80</td>
</tr>
<tr>
<td>¥ 40</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>0 (FY11)</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15 (Planned)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment to existing stores and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment to new stores</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Activities in Hiroshima
INNOVATION AT SEVEN-ELEVEN JAPAN—
HISTORY AND STRENGTHS

SEJ celebrated its 40th founding anniversary in November 2013, and the 40th anniversary of its first store in May 2014. With an unchanging founding philosophy of “bringing innovation and dynamism to small and medium retail stores,” SEJ has developed its own unique franchise system. SEJ has continued to innovate since then, while responding to changes in the retail environment and customers’ needs. Here we look at SEJ’s 40-year journey, and at the strengths of its business model.

A HISTORY OF INNOVATION

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974, May</td>
<td><strong>First store opened</strong> (Toyosu, Koto-ku, Tokyo)</td>
</tr>
<tr>
<td></td>
<td>Contributed to innovation of small and medium-sized retail stores, such as steadfastly developing from the first store to a franchise.</td>
</tr>
<tr>
<td></td>
<td>Also, focused on Japanese-style operations, such as launching sales of Japanese lunch boxes from the first year.</td>
</tr>
<tr>
<td>1976, Sept.</td>
<td>Started combined distribution together with small-lot deliveries.</td>
</tr>
<tr>
<td></td>
<td>Delivery truck visits reduced from 70 per day initially, to only 9 per day at present.</td>
</tr>
<tr>
<td></td>
<td>The payment collection service has expanded now to handle ¥8 trillion.</td>
</tr>
<tr>
<td>2001, May</td>
<td>Started installation of <strong>IY Bank</strong> (currently Seven Bank) ATMs in stores.</td>
</tr>
<tr>
<td></td>
<td>Total current number of transactions per year: 736 million</td>
</tr>
<tr>
<td>2007, Apr.</td>
<td>Started roll-out of original electronic money service, <strong>nanaco</strong>.</td>
</tr>
<tr>
<td></td>
<td>The number of <strong>nanaco</strong> cards issued is currently 28.39 million.</td>
</tr>
<tr>
<td>2007, Aug.</td>
<td>SEJ started handling the Group’s <strong>Seven Premium</strong> private-brand products.</td>
</tr>
<tr>
<td>2013, Jan.</td>
<td>Launched <strong>SEVEN CAFÉ</strong>.</td>
</tr>
</tbody>
</table>

SEJ will continue to pursue innovation in response to structural changes in society and customers’ needs.
SEJ has adopted a market concentration strategy, which not only helps to increase recognition, but also enables it to take advantage of high-density store concentration, such as establishing dedicated factories and a combined distribution system, to develop its merchandising strategies. Moreover, to ensure that each store can increase its profitability, SEJ continues to emphasize high quality store openings by surveying new store locations under rigorous standards and other means. Furthermore, having a large number of stores in a high-density situation offers SEJ advantages in developing regionally exclusive products as part of creating stores with a strong regional character.
Team merchandising refers to a scheme for teaming up with companies that have optimal technologies for gathering market information and creating ideal products to satisfy customers’ needs. In team merchandising, all companies participate in every meeting during each stage of development to ensure that the process is transparent. This builds relationships of trust and establishes an environment where we can focus on creating products.

SEJ’s mainstay original products are developed jointly with NDF*. An important point is that the manufacturing plants and distribution centers for original products are all exclusive to SEJ. This enables SEJ to distinguish its original products in terms of product development, hygiene management, and quality control. In addition to original products, the Group’s Seven Premium private-brand products are also developed using this merchandising process.

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**DEVELOPMENT PROCESS FOR ORIGINAL PRODUCTS**

1. Thorough market analysis from customers’ viewpoints
2. Consider product concept (Analyze POS/market trends)
3. Product development meetings with partners
4. Market research
5. Product standardization; examine and decide production process
6. Internal taste-testing; monitoring evaluation
7. Analyze sales results, thorough verification
8. Product recommendation (Production, delivery, sales)
9. Send information to franchise stores and Operations Field Consultants
10. Establishment of production system
11. Test sales; directors’ taste-testing
12. Evaluation and advice from specialists, cooks

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Seven-Eleven Head Office develops high quality stores by providing investments in existing stores for sales equipment and other items and supporting promotions, as well as providing detailed store management consultation to individual stores through Operations Field Consultants (OFCs). Each OFC works with around seven or eight franchised stores and OFCs from around the country meet together at the bi-weekly field counselors meeting at the Head Office to exchange information directly on management policy, important product information, and successful case examples from every region. The OFC then communicate the information from the field counselors meetings directly with franchisees to ensure that they understand the management philosophies, and to improve their operating capabilities.

In addition to SEJ’s strength of market concentration with an emphasis on quality, the Company also provides differentiated products and Head Office support. Together, these factors produce a clear difference, with average daily sales per store at 7-Eleven stores higher than other chain stores by ¥120,000 to ¥210,000.

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**AVERAGE DAILY SALES PER STORE**

<table>
<thead>
<tr>
<th>¥ Thousand</th>
<th>800</th>
<th>664</th>
<th>504</th>
</tr>
</thead>
<tbody>
<tr>
<td>600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>400</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>Seven-Eleven Japan</td>
<td>Competitors</td>
<td></td>
</tr>
</tbody>
</table>

**AVERAGE DAILY SALES PER STORE OF NEW STORES**

<table>
<thead>
<tr>
<th>¥ Thousand</th>
<th>800</th>
<th>522</th>
<th>443</th>
</tr>
</thead>
<tbody>
<tr>
<td>600</td>
<td></td>
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<td>400</td>
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<td></td>
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<tr>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>Seven-Eleven Japan</td>
<td>Competitors</td>
<td></td>
</tr>
</tbody>
</table>

---

*Nihon Delica Foods Association (NDF) was formed in 1979 mainly by vendors of rice-based products. NDF currently has 80 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.
Overseas Convenience Stores

Overseas, 7-Eleven, Inc. (SEI) will expand its revenue and profit generating base further by working on the product front to strengthen development of fresh foods, which have high consumption rates and gross margins, and 7-Select private-brand products. Meanwhile, in store openings, we will further increase our market concentration in existing store areas in order to pursue efficiencies in logistics and other areas, while promoting further conversion to franchised stores to increase profitability. Meanwhile, in China we will continue to strengthen our revenue and profit generating base in existing stores.

Diagram A

GROWTH STRATEGY FOR SEI:
INCREASE CUSTOMER SATISFACTION BY STRENGTHENING FRESH FOOD

| Merchandising               | Reinforce fresh food product development |
|                            | • Strengthen fresh food and hot food product development |
|                            | • Strengthen local food products tailored to regional tastes |
|                            | Bolster development of 7-Select private-brand products |

| Store operations           | Implement market concentration strategy (increase store density in areas with existing stores) |
|                            | • Strengthen store openings in urban areas |
|                            | Strengthen guidance from Operations Field Consultants for thorough implementation of item-by-item management |
|                            | Improve profitability by converting the stores acquired through M&A transactions in line with SEI standards |

7-ELEVEN, INC.

We will increase store density in areas with existing stores through aggressive store openings and pursue a differentiation strategy by proposing product value.

Merchandising
SEI will concentrate on strengthening its development of differentiated products to meet demand for between-meal snacks, including fresh foods such as sandwiches, salads, and cut fruit, as well as hot food and snacks. We will also work to develop and sell local foods tailored to regional tastes. Moreover, our key 7-Select private-brand products enjoy solid customer support for being more reasonably priced than national-brand products of the same or better quality, and sales of these offerings are increasing steadily.

Store Initiatives
Of the approximately 150,000 convenience stores in the U.S., SEI holds a market share of just 5.5%, so there is still tremendous potential for growth. In store openings, SEI targets the densely populated east coast areas of New York, Boston, and Washington DC, as well as areas such as Chicago, Florida, Texas, and California. At the same time, SEI will pursue profitability through more efficient distribution and sales promotion efforts that leverage the company’s market concentration strategy. Moreover, in line with key measures to strengthen its fresh food lines, SEI will focus more on opening stores in urban areas where fresh food demand is high in comparison with the suburbs. SEI will also endeavor to improve sales at the stores it has acquired over the past two years by remodeling them, and also by deploying a product policy and IT system, and enhancing store operator training. In addition, SEI will maximize its profitability by converting stores into franchised stores. In the fiscal year ending December 31, 2014, SEI plans to open 450 stores.

Diagram A

TRENDS IN STORE TYPE

<table>
<thead>
<tr>
<th>Number of stores</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly operated stores (left)</td>
<td>30</td>
</tr>
<tr>
<td>Franchised stores (left)</td>
<td>60</td>
</tr>
<tr>
<td>Franchise ratio (right)</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: U.S. CVS Association news, Japan Chain Store Association (Fiscal year ended Dec. 2013)
SUPERSTORE OPERATIONS

Superstore operations comprise superstores that provide apparel, household goods, and food in Japan and China, specifically Beijing and Chengdu. In addition, superstore operations include food supermarkets in Japan and Beijing and specialty stores.

Overview of the Fiscal Year ended February 28, 2014

In the year ended February 28, 2014, the superstore segment’s revenues from operations were ¥2,009.4 billion, up 0.7%, while operating income was ¥29.6 billion, up 16.4%. Capital expenditures totaled ¥66.6 billion, up 22.9%, and depreciation and amortization declined 36.6% to ¥18.4 billion.

At Ito-Yokado (IY), existing store sales declined 4.6%, partly due to the effects of weather and a revision of sales promotion methods. However, operating income improved on the back of a 0.3 percentage point improvement in the gross profit margin, which was attributable to growth in sales of private-brand products and a reduction in losses due to markdown.

At the York-Benimaru (YB) food supermarkets, we worked to realize “lifestyle proposal-type food supermarkets” by strengthening fresh foods and delicatessen items, and promoted development of differentiated products such as Seven Premium brand items. As a result of improved sales and reduced expenses at existing stores, YB achieved increases in both revenue and profits.

Life Foods is a wholly owned subsidiary which produces and sells delicatessen items in YB stores. The combined operating income ratio of both YB and Life Foods was 4.4%, maintaining a high level of earnings.

In July 2013, in line with its current strategy of strengthening the operational foundations of the food retail operations in the Hokkaido area, IY entered a business and capital alliance with DAIICHI CO., LTD., which operates food supermarkets with close community ties centered on the city of Obihiro. Furthermore, in December 2013, IY formed a capital alliance with Tenmaya Store Co., Ltd., which runs superstores and food supermarkets in Okayama and Hiroshima prefectures. As a result of these alliances, both alliance partners have become equity-method affiliates of Seven & i Holdings.

In Chinese operations, both revenues and profits increased. The main factors in the increase were the absence of the impact from major renovation work in the previous year on the Second Ring Road in Chengdu in front of the stores of Chengdu Ito-Yokado, which operates in Sichuan Province, and the effect of the yen’s depreciation. On the other hand, Hua Tang Yokado Commercial, which operates in Beijing, saw profits decline after recording negative revenues and other factors.

Business Strategies for the Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥2,050.0 billion, up 2.0%, and operating income of ¥32.8 billion, up 10.6%. Capital expenditures are forecast at ¥73.0 billion, up 9.5%, and depreciation and amortization at ¥20.5 billion, an increase of 11.0%. The increase in capital expenditures includes investment related to GRAND TREE MUSASHIKOSUGI, a large-scale shopping center that IY plans to open in the fiscal year ending February 28, 2015,
Superstore Operations

IY will work to further improve its revenue and profit generating base. Measures will include enhancing sales capabilities by strengthening development of private-brand products and face-to-face sales service for customers. IY will also focus on store structure reforms targeting improvements in sales area efficiency.

ITO-YOKADO

We will strengthen our profit structure by continuing reforms to create a new superstore format.

Merchandising

IY will aim to increase customer loyalty by working to develop products embodying new value and high quality customer service. In apparel, our merchandising reforms have seen a recovery in profits due to growth in our four lines of private-brand products—good day, GALLORIA, Kent, and functional underwear. We will now work to further strengthen our development of differentiated brands and improve gross profit margins by actively appointing external human resources, including top designers, and to develop new business partners. Furthermore, we will increase the number of customer service staff, mainly part-time staff, and strengthen products embodying new value and high quality customer service.

In food, we will further advance product development in pursuit of tastiness and quality. Examples include the Group’s Seven Premium private-brand products and IY’s original “Fresh food with traceability.” “Tsukaru monogatari,” with their exacting requirements for materials, manufacture methods, and workmanship. Moreover, as the number of households where both adults are working increases, we will strengthen our response to demand for prepared food in the form of meal solutions (ready-to-serve and easy meal products) and strengthen value communication through customer service.

Store Initiatives

By right sizing directly-managed sales floor space for apparel, we have started to see efficiency improvements. However, we will continue working to raise the profitability of stores as a whole, in combination with the use of specialty stores from inside and outside the Group.

In our initiatives for regional stores, we need to create product lineups and sales areas to suit regional characteristics rather than offering a standard nationwide selection of products and services as we have done up until now. From the fiscal year ending February 28, 2015, we established the West Japan Business Dept. and we are working to create stores that are specifically tailored to regions west of the Kinki area. Furthermore, we will deepen our collaboration on product procurement and delivery with the Group’s York Benimaru stores which operate in the Tohoku region of northeast Japan and the northern Kantou region in pursuit of product lineups that meet customers’ needs and greater efficiency.

In store openings, we will focus on mall-type shopping centers (SC) and urban-style small supermarkets (Shokuhinkan). We started opening Ario mall-type SC in 2005 and expanded

Diagram A

**BUSINESS STRATEGIES FOR GROWTH AT IY: TRANSFORMING INTO A NEW SUPERSTORE FORMAT**

| Strengthen merchandising and customer service capabilities | Apparel: Promote merchandising reforms

- Nurture four core private brand products (good day, GALLORIA, KENT, and functional underwear)

Food: Expand differentiated products

- Strengthen development of Seven Premium, “Fresh foods with traceability” and meal solutions (ready-to-serve and easy meal products)

Strengthening value communication through customer service

- Enhance customer service levels and sales techniques by improving the ability of part-time staff

| Store initiatives | Push ahead with structural store reforms

- Rightsize directly-managed sales areas and expand tenant sales areas with a main focus on apparel

- Increase customer-drawing power through the use of specialty stores from inside and outside the Group

Invigorate regional stores

- Aim to invigorate the Kansai area, and establish the West Japan Business Dept.

- Invigorate the Tohoku region through collaboration with YB

Store initiatives

- In store openings, focus on multi-style shopping centers and small urban-style supermarkets

GALLORIA private-brand apparel at IY

Ario shopping center
to customers.

YB will aim to increase customer loyalty and endeavor to bring retail closer to customers. Guided by the policy of "endeavor to bring retail closer to customers," YB has been working to build customer loyalty through four initiatives: merchandising reform, operation reform, human resource development, and taking up new challenges.

On the product front we will increase our competitiveness by boosting the compositional ratio of differentiated products offering high value. At the same time, we have won customers' support by shifting from a sales approach based on limited-time large-scale sales promotions to an everyday fair price system where customers can make purchases at reasonable prices whenever they come to our stores. Furthermore, in addition to our sales approach of making lifestyle proposals centered on fresh foods, we will leverage the strength of Life Foods, a wholly owned subsidiary of YB that produces and sells delicatessen items in YB stores, to enhance our proposals for delicatessen menus to suit various lifestyles. For example, we will expand our product lineup from a family-centered lineup to include offerings catering to one- and two-person households. From March 2013, we started operations at a new plant built specifically for delicatessen products with the goal of enhancing the delicatessen product lineup as part of our ongoing effort to develop and sell products catering to increasingly diverse needs.

In store operations, we will take steps to achieve low-cost operations by creating organizations and systems to firmly establish item-by-item management and by promoting our market concentration strategy. Moreover, while we are revising our store-opening plan in light of increasing construction costs and other factors, we will continue to drive our market concentration strategy even further in existing store areas in order to capture the top sales share in each area. In addition, we have maintained the operating income ratio in the 4% range for four consecutive years, when calculated by simple addition of the operating ratio of Life Foods. Looking ahead, we will continue to drive further improvements in profitability.

In human resource development, we will conduct employee education focused on mental attitude, based on our founding philosophy, item-by-item management, customer service and sales techniques, and management. Our education program is ultimately aimed at increasing customer loyalty and satisfaction.

In line with this, we will continue to prepare a Groupwide environment for shifting to an omni-channel format.

Food Supermarket Operations

YB will continue to strengthen its lineup of products that meet regional needs, particularly fresh foods, while taking steps to invigorate existing stores and achieve a high market concentration.

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<td><strong>YB’S GROWTH STRATEGY: ENDEAVOR TO BRING RETAIL CLOSER TO CUSTOMERS</strong></td>
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<td><strong>Merchandising</strong></td>
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<td><strong>Store operations</strong></td>
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China Operations

In China, we will expand the revenue and profit generating base of existing stores, while preparing our organization for future business expansion. In store operations, Chengdu Ito-Yokado opened its sixth store, the Wenjiang store, in January 2014.
DEPARTMENT STORE OPERATIONS

Department store operations comprise department stores, high-end food supermarkets, and miscellaneous goods specialty stores. Department stores are developed under two brands, SEIBU and Sogo.

<table>
<thead>
<tr>
<th>REVENUES FROM OPERATIONS</th>
<th>OPERATING INCOME</th>
<th>CAPITAL EXPENDITURES</th>
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<td>¥871.1 billion</td>
<td>¥6.5 billion</td>
<td>¥15.5 billion</td>
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<td>(1.5)%</td>
<td>(17.9)%</td>
<td>(14.6)%</td>
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Overview of the Fiscal Year Ended February 28, 2014

In the fiscal year ended February 28, 2014, the department store segment’s revenues from operations were ¥871.1 billion, down 1.5%, and operating income was ¥6.5 billion, down 17.9%. Capital expenditures totaled ¥15.5 billion, down 14.6%, and depreciation and amortization decreased 8.2%, to ¥13.4 billion.

The decline in revenues from operations was mainly due to the closure of SEIBU Numazu and Sogo Kure in the previous fiscal year. However, sales at existing stores rose 1.2% year on year, driven by strong sales of luxury brands, art and jewelry. On the other hand, operating income declined, mainly because of tough competition at THE LOFT, although Sogo & Seibu achieved higher earnings.

Business Strategies for the Fiscal Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥886.0 billion, up 1.7%, and operating income of ¥8.2 billion, up 24.4%. Capital expenditures are forecast at ¥16.2 billion, up 3.9%, and depreciation and amortization at ¥13.5 billion, up 0.3%. The projected capital expenditures include investments for remodeling the key store Sogo Chiba and for revitalizing existing stores.

At Sogo & Seibu, we will continue our effort to break free from the homogenization of the department store sector, strengthening our initiatives for store-managed sales areas and retailer-managed merchandising. At the same time, we will offer high-quality customer service that is the hallmark of department stores while enhancing our total service functions with specialist sales staff such as fashion attendants.

We will also strengthen our initiatives to merge Internet store services with real store services with a system that enables customers living in areas without department stores to pick up department store products such as cosmetics and famous brand confectioneries from a 7-Eleven store after ordering it online.

Merchandising

We will continue to break free from the homogenization trend by enhancing retailer-managed merchandising, such as the launch of our Limited Edition private-brand products in autumn of 2009. Going a step further, we will bolster our development of products under the SPA (specialty store retailer of private label apparel) model, where we handle all stages of planning, production, and sales in-house, as well as stepping up our procurement of overseas products. Through these measures we aim to grow sales from retailer-managed merchandising, mainly of apparel, from ¥73.0 billion in the fiscal year ended February 28, 2014 to ¥100.0 billion in the fiscal year ending February 28, 2015.
For the fiscal year ending February 28, 2015, we will extend our lineup of 12 Limited Edition brands by adding new brands such as Limited Edition avec mode for couples in their fifties and over.

In product development, we will continue our efforts in SPA-style product development while utilizing Group synergies to enable shared purchasing and other measures to reduce product costs and maximize earnings.

**Store-wide Rollout of the First Original Attribute Analysis System for Department Stores to Increase Product Procurement Precision**

In 2012, we began using a product information system at all our stores. The system enabled us to swiftly analyze trends in best-selling products at all stores by inputting detailed product attributes such as material, design, and size for each product of all different brands. By quickly identifying trends in best-selling products, we use hypothesis and verification to reach the stage of negotiating orders with suppliers ahead of our competition. Moreover, by carefully presenting lineups of the products that customers want when they want them, we will also increase customer satisfaction on the product front.

**Store Operations**

**High-Quality Customer Service to Address Customer Concerns**

At Sogo & Seibu, we consider it important to communicate the value of our products to customers. We therefore strive to develop the customer service skills and expertise of each member of the sales team. We are also taking steps to increase the number of sales staff with specialized knowledge in each product area, such as fashion attendants who address all manner of customer concerns.

In another initiative, we are rolling out a variety of consulting stations to help customers to clear up their uncertainties. These include the Kirei Station (Beauty Station), which uses special equipment to analyze customers’ skin and offer recommendations for skin care methods and suitable cosmetic brands from among multiple brands, the Karada Station (Health Station), which offers advice to customers seeking to increase their fitness and health, and the Expectant Mothers Station, which offers advice for expecting and new mothers. In these ways, Sogo & Seibu is distinguishing itself even further on the service front, with the goal of raising customer satisfaction to new levels.
**FOOD SERVICES**

Food services comprise the restaurant division, meal provision service division (company cafeterias, hospitals, and schools), and fast food division in Japan.

**REVENUES FROM OPERATIONS**

¥78.5 billion  
+0.3%

**OPERATING INCOME**

¥0.6 billion  
(16.3)%

**CAPITAL EXPENDITURES**

¥2.2 billion  
+61.8%

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**Overview of the Fiscal Year Ended February 28, 2014**

In the fiscal year ended February 28, 2014, the food services segment’s revenues from operations were ¥78.5 billion, up 0.3%, and operating income was ¥0.6 billion, down 16.3%. Capital expenditures totaled ¥2.2 billion, up 61.8%, and depreciation and amortization declined 31.5%, to ¥0.4 billion.

Revenues from operations grew at Seven & i Food Systems, supported by growth in sales at existing restaurants, despite a decline in the number of restaurants in line with the closure of unprofitable operations. Operating income declined due to incurring one-off expenses.

In the core restaurant division, the merchandise gross profit margin improved 0.4% of a percentage point. In addition, the rate of growth in sales at existing restaurants increased by 1.6%, the result of efforts to strengthen high-value-added menus and enhance customer service. In the meal provision service division, we were entrusted with the cafeteria operations for the Group’s SEIBU and Sogo department stores, and we increased openings of facilities in companies outside the Group. As a result, the division recorded higher revenues.

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**Business Strategies for the Fiscal Year Ending February 28, 2015**

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥81.5 billion, up 3.7%, and operating income of ¥1.3 billion, an increase of 115.2%. Capital expenditures are forecast at ¥2.8 billion, up 23.0%, and depreciation and amortization at ¥0.5 billion, an increase of 14.1%.

In the restaurant division, we will continue not only to provide delicious food, but also to reinforce our focus on the fundamentals—customer service and cleanliness. In this way, we will strive to offer products and services that satisfy customers. In products, we will step up the development of high-value-added menu items with a focus on ingredients and volume, particularly for the dinner-time hours. We will also work to improve the gross profit margin through Group-wide joint raw material procurement, recipe innovations, and work process improvements at restaurants. In facilities, we will strive to revitalize existing restaurants by remodeling older ones and revamping kitchen facilities. We will also propose a new café-style type of Denny’s restaurant. Through such initiatives as these, we will strive to create restaurants that meet the needs of customers.

In the meal provision service division, we will continue to increase openings of facilities in companies outside the Group.
FINANCIAL SERVICES

Financial services comprise ATM operations, credit card operations, electronic money services, leasing operations, and insurance operations in Japan.

Overview of the Fiscal Year Ended February 28, 2014

In the fiscal year ended February 28, 2014, the financial services segment’s revenues from operations were ¥158.8 billion, up 10.0%, and operating income was ¥44.9 billion, up 20.0%. Capital expenditures totaled ¥39.3 billion, down 4.0%, and depreciation and amortization was down 14.7%, to ¥20.1 billion.

Seven Bank recorded increases in revenues and profits, mainly due to growth in the total number of transactions and an improvement in the number of non-bank transactions. Transaction numbers grew atop an increase in the number of installed ATMs (up 1,472 since the previous fiscal year-end) in line with growth in the number of 7-Eleven stores.

In credit card operations, transaction volume expanded as membership for the

Seven Card credit card issued by Seven Card Service grew to 3.5 million, up 130,000, while membership for the CLUB ON/Millennium CARD SAISON credit cards issued by Seven CS Card Service increased to 3.28 million, up 70,000. In electronic money operations, the number of nanaco cards issued increased as a result of Seven Card Service’s efforts to proactively capture new members. As a result, the total number of nanaco accounts grew to 28.39 million, up 6.94 million, and the number of stores at which nanaco could be used increased to 142,900, up by 21,900 stores.

Business Strategies for the Fiscal Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥177.0 billion, up 11.4%, and operating income of ¥47.5 billion, an increase of 5.8%. Capital expenditures are forecast at ¥46.0 billion, up 17.0%, and depreciation and amortization at ¥26.7 billion, an increase of 32.2%. Capital expenditures are earmarked mainly for increasing the number of installed ATMs, along with investments accompanying the installation of third-generation ATMs to replace older models.

Seven Bank will work to strengthen existing operations through continued increases in installed ATMs, and the cultivation of new customers. In card operations, we will work to promote usage of credit cards and the nanaco electronic money service. At the same time, we will put card data to good use in marketing activities as a kind of shared Group infrastructure.
Others comprise Internet-related services, meal delivery services, publishing, property management businesses, and community school businesses in Japan.

REVENUES FROM OPERATIONS
¥50.4 billion
+0.6%

OPERATING INCOME
¥2.1 billion
(44.3)%

CAPITAL EXPENDITURES
¥7.5 billion
+74.7%

Overview of the Fiscal Year Ended February 28, 2014
In the fiscal year ended February 28, 2014, the others segment’s revenues from operations were ¥50.4 billion, up 0.6%, and operating income was ¥2.1 billion, a decrease of 44.3%. Capital expenditures were ¥7.5 billion, an increase of 74.7% from the previous fiscal year. Depreciation and amortization increased 1.6% to ¥2.5 billion.

In IT/services, we conducted an absorption-type merger effective March 1, 2014 with Seven & i Net Media as the surviving company and Seven Net Shopping as the dissolving company. This initiative is aimed at clearly identifying the company that will play a pivotal role in promoting the Seven & i Group’s Omni-Channel Strategy and vigorously pressing ahead with this strategy.

Furthermore, in December 2013, Seven & i Holdings entered a capital and business alliance with BALS CORPORATION, a highly fashionable specialty interior goods and sundries retailer, known for brands such as “Francfranc,” and acquired its shares in January 2014. In addition, in January 2014 the Company acquired the shares of Barneys Japan Co., Ltd., a specialty store comprising the original BARNEYS NEW YORK brand and other global designer brands. As a result of these share acquisitions, both companies have become equity-method affiliates of the Company.

Business Strategies for the Fiscal Year Ending February 28, 2015
For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥57.1 billion, up 13.1%, and operating income of ¥3.7 billion, an increase of 70.8%. Capital expenditures are forecast to be ¥6.0 billion, down 20.7%, and depreciation and amortization at ¥3.0 billion, an increase of 18.9%.

In IT/services, we will collaborate with each Group company on the Omni-Channel Strategy, while realizing synergies on the IT front.

Moreover, we will enhance the appeal of the Group by incorporating expertise from BALS and Barneys Japan, our capital and business alliance partners from the previous fiscal year.

CORE OPERATING COMPANIES IN THE OTHERS SEGMENT
The others segment principally comprises companies that operate IT/services related businesses that are associated with retail operations, the core business of the Group.

Seven & i Net Media
Seven & i Net Media sells products and services via the Internet and oversees management of the Group’s IT/services business.

7dream.com
7dream.com operates information terminal operations and provides services utilizing the multi-function copy machines in 7-Eleven stores.

Seven-Meal Service
Seven-Meal Service conducts planning and operation of SEJ’s meal delivery services.

Seven & i Asset Management
Seven & i Asset Management holds and manages the land and buildings of SEIBU Ikebukuro, Sogo & Seibu’s flagship store and others.