Reducing C02 gas that the green house effect is one of the tasks of Kyoto protocol. To be realized this task, the CO2 has to be absorbed 3.9 tons by domestic timber. We use domestic timber as the papermaking material for producing this booklet. Our use of domestic timber contributes to the expansion of carbon absorption by Japanese forests.
Seven-Eleven was born in 1974. When the domestic consumer market was drastically changing from being a "sellers market" to a "buyers market", Seven-Eleven was born to modernize management of struggling small- and medium-size retailers to enable them to realize healthy growth and development, and enhance their productivity.

Seven-Eleven continues to innovate to meet changing social trends and customers' needs based on a unique franchise system that draws on confidential relationships between franchisees and Headquarters, stores that use the world's largest information network, and a product development system that is capable of reflecting customers' needs in a timely manner.

The convenience store business is undergoing the most significant turning points in the history of their existence. Customers' lifestyles are also undergoing significant turning points due to the advent of the aging society, the upward trend of single- and double-income households, and the increasing numbers of customers who "purchase daily use products at neighborhood stores without spending extra time."

On the other hand, since the number of medium- to small-size retailers has been decreasing nationwide, we consider the role of Seven-Eleven as a "Company that Responds to Changes" is expanding as we work to address our customers' needs. Seven-Eleven is now undertaking various steps to evolve into the convenience store of a new era by redefining the value of convenience stores as being "convenient neighborhood stores."

We are focusing our efforts on developing a line of products and services that are capable of better responding to our customers' daily needs. Such products and services include the group's "Seven Premium" private label range that includes a wide variety of products ranging from delicatessen and frozen food products to daily-use products, "chilled bento (chilled boxed meals)" that feature a good balance between fresh taste and longer shelf life, and the "Seven-Meal Service" door-to-door delivery service of well-balanced prepared meals.

In addition, through collaboration with IT networks and group companies, Seven-Eleven provides an e-commerce shopping site called "Seven-Eleven Net", which is appreciated by customers for the unique product selection it offers, "multi functional copy machine" that can be used to issue travel and event tickets, and financial services through Seven Bank ATMs in order to provide additional convenience as service centers. In parallel with the efforts being made to provide the service to meet the particular needs of each individual in Japan, Seven-Eleven is strongly promoting its globalization, too.

We are promoting our brand power as a "World-class Seven-Eleven brand" and have set our sights on jointly developing products with overseas Seven-Eleven licensees and manufacturers as well as procuring store facilities, equipment and sharing information systems with them globally.

Seven-Eleven is determined to move the convenience store business into a new era by integrating together an outward-looking standpoint with local customers' perspective.

Chairman and CEO
Toshifumi Suzuki

President and COO
Ryuichi Isaka

Messages

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Steadfast attitude to "offer products and services from customers' points of view" supports success in times of accelerating change

Seven-Eleven was born in 1974. When the domestic consumer market was drastically changing from being a "sellers market" to a "buyers market", Seven-Eleven was born to modernize management of struggling small- and medium-size retailers to enable them to realize healthy growth and development, and enhance their productivity.

Seven-Eleven continues to innovate to meet changing social trends and customers' needs based on a unique franchise system that draws on confidential relationships between franchisees and Headquarters, stores that use the world's largest information network, and a product development system that is capable of reflecting customers' needs in a timely manner.

Corporate Philosophies

Modernization and Revitalization of Existing Small- and Medium-Sized Stores

Co-existence and Co-prosperity

From "Oh thanks! It's open" in 1974 to "Near and Convenient" in 2010

Convenience stores receive consumers' support as a useful part of their daily lives

At the time Seven-Eleven was born, people's living hours were getting longer along with the Japanese economic growth. Seven-Eleven enjoyed overwhelming support, particularly among the younger generation, as stores that were open from early in the morning until late at night. Thirty-five years later, Japan's social structure has changed to the point where there is now an increasing number of senior citizens and double-income households, both of which are rapidly increasing the need for a retailing system that enables customers to shop for daily necessities quickly and conveniently at neighborhood stores. The long-running negative trend in the number of small- and medium-sized retailers makes the need for "neighborhood and convenient" stores even more compelling.

In order to meet these trends, Seven-Eleven is pushing forward to create new and attractive stores by reforming the product selection and services we offer.

Seven-Eleven stores are attracting more senior citizens and housewives than ever before due to our wide product selection ranging from delicatessen and chilled bento (chilled boxed meals) that can be stored, to articles for everyday use including detergents and kitchen utensils.

We received customers' support by offering a new value concept called "Time Convenience" that enabled people to shop from 7:00 in the morning until 11:00 at night (photo shows our first store, Seven-Eleven Toyosu).
Seven & i Holdings Aims to Create a "New Comprehensive Lifestyle Industry"

Seven-Eleven Japan is also a Member of the Group

In addition to playing a central role in the convenience store business, Seven-Eleven contributes to the development and operation of new products and services by collaborating with other group companies.

**Convenience Stores**
- Seven-Eleven Japan Co., Ltd.
- T-Eleven, Inc.

**General Merchandise Stores**
- Ito-Yokado Co., Ltd.
- Mandarake Co., Ltd.
- Han Yang Yokudo Commercial Co., Ltd.
- Chiyoda Ito-Yokudo Co., Ltd.

**Food Services**
- Seven & i Food Systems Co., Ltd.
- Restaurants (Shangri-La, Sento and others)
- Fast food restaurants (Poppo and others)
- Contract Foods
- Seven & i Restaurant (Beijing) Co., Ltd.

**Department Stores**
- Sogo & Seibu Co., Ltd.
- Sogo
- Seibu
- Robinson

**Food Supermarkets**
- York-Benimaru Co., Ltd.
- York Mart Co., Ltd.
- SHELL GARDEN CO., LTD.
- K.K. Saru
- Beijing Wangfu Jing Yokudo Commercial Co., Ltd.

**Specialty Stores**
- Mary Ann Co., Ltd.
- Delhaize’s Japan Co., Ltd.
- THE LOFT CO., LTD.
- Matchan Hongbo Co., Ltd.
- Seven Health Care Co., Ltd.
- Tower Records Japan Inc.

**Manufacturing and Processing**
- Seven & i Food Systems Co., Ltd.
- Seven & i Restaurant (Beijing) Co., Ltd.
- Seven & i Restaurant (Shanghai) Co., Ltd.
- Seven & i Restaurant (Chengdu) Co., Ltd.

**IT / Services**
- Seven & i Life Design Institute Co., Ltd.
- SEVEN & i Financial Center Co., Ltd.

**Real Estate / Security**
- Mall & SC Development Inc.
- Robinson
- Seibu
- Sogo & Seibu Co., Ltd.
- Sogo
- Seibu
- Robinson

**Others**
- SEVEN & i Life Design Institute Co., Ltd.
- SEVEN & i Financial Center Co., Ltd.

**Four Fundamental Rules**
- We have set hard-and-fast rules — called the “Four Fundamental Rules” — to attract customers over the long term, and are implementing them incessantly.
Approximately 38,000 Stores in 16 Countries and Regions
We aim to establish a "world-class brand" with business infrastructure created in Japan

A strategy has been launched to strengthen management of Seven-Eleven stores around the world by utilizing the business infrastructure cultivated by Seven-Eleven Japan.

Following last year’s meeting, the "Licensees Leadership Summit" was held again this year in Tokyo to provide a forum for information exchange and discussion for licensees from various countries and regions around the world. This 2010 meeting confirmed the policy that Seven-Eleven Japan’s know-how related to "product development", "store facilities", "store management" and "information/distribution systems" would be shared among licensees as business infrastructure to encourage their continued growth.

Licensees around the world get together to promote globalization of Seven-Eleven

In November 2009, our first store in Indonesia and twelfth store in Asia were opened.

PT. Modern Putra Indonesia, with whom the area license agreement was concluded in April 2009, opened the first store in Jakarta, the capital of Indonesia, in November. The Group promoted opening of the stores primarily in business districts, and five stores are now running as of the end of March 2010. These stores are commanding attention due to their modern facilities and high-quality fast food products.
Clear Division of Roles between Franchisees and Headquarters
Joint Business for Co-existence and Co-prosperity

We prepare a comprehensive support system to enable franchisees to concentrate on store operation and sales. This franchise system is based on the clear division of roles and a highly transparent accounting system.

Roles are clearly concept of equal divided based on the partnership.

Joint Business

Franchisees

- Management of Store Staff (Recruitment, education and human resource management, etc)
- Management of Products (Order placement, sales promotion, etc)
- Management of Financial Figures (Sales and store operation management, etc)

Headquarters

- Open Account System
- Guaranteed Minimum Gross Income System

The Seven-Eleven Systems that Support the Basis of a Mutual Trust Relationship

Gross Profit Splitting Method

A system in which gross profit on sales (which is the remaining balance after deducting Cost of Goods Sold*1 from Sales Amount) of a store is split between the franchisee and Headquarters according to a pre-defined percentage.

Cost of Goods Sold = Net Cost of Goods Sold, which is the remaining balance after deducting Merchandise Shortage/Write-off and Rebate from Gross Cost of Sales

Open Account System

A settlement financing system designed to enable franchisees to start their business even with a small amount of funds and to operate it stably.

Guaranteed Minimum Gross Income System

A system to guarantee franchisees a certain amount of Franchisee’s Gross Income*2.

Franchisee’s Gross Income = Income, which is the remaining balance after deducting Seven-Eleven charges from gross profit on sales

Supporting Store Operation

- Store Operation Consulting Services ➤ P8
- Product Development and Product Information Services ➤ P10
- Leasing of Sales Equipment ➤ P21
- Distribution System Services ➤ P22
- Information System Services ➤ P24
- Advertising/Promotion Activities ➤ P30
- Accounting/Bookkeeping Services ➤ P30

Management of Products

- Management of Financial Figures
- Management of Store Staff

Joint Business concept of equal partnership.

Roles are clearly divided based on the partnership.

Seven-Eleven Business

Joint Business for Co-existence and Co-prosperity

Seven-Eleven Business

- Management of Store Staff (Recruitment, education and human resource management, etc)
- Management of Products (Order placement, sales promotion, etc)
- Management of Financial Figures (Sales and store operation management, etc)
On-target advice and latest information are directly provided via Operation Field Counselors (OFC)

An exclusive OFC (Operation Field Counselor) visits franchisees under his charge. The OFC provides the latest information and finely-tuned advice about sales methods and other relevant issues.

Thought Process of Order Placement

Sales Methods/Product Display/Serving Customers

In-Store Infrastructure Development

Information Utilization Development

Trading Area Survey Methods

Financial Figure Analysis and Others

Direct Communication between Franchisees and OFC

An OFC visits each of his assigned stores at least twice a week.

Creating community-based stores that accommodate the characteristics of the trading area and that meet customers’ needs

Franchisees’ originality and ingenuity are reflected in the product assortment and design of the sales floor.

I usually place a product that was requested by a customer on the shelf at least once. As a result, the refrigeration case of my store is filled with a variety of goods such as bean curds, deep-fried bean curds and eggs. I try different ways to select products by, for example, listening to customers’ opinions.

I have extended the product assortment for daily use as well as liquors for which customers have usually decided what brand and how much they will buy before visiting my store. The greater the number of customers, the greater the frequency of impulsives. In this way, sales of daily products are increasing. Thanks to this attempt, I could turn around a steady decline in customers over the past eight years and transform it in double-digit growth.

After joining Seven-Eleven, I was surprised first of all by the tasty bento (boxed meals) and delicates-sen. But we cannot rely only on the attractiveness of our products. We have to carefully observe how their sales are trending. Keeping products in stock helps customers visit us with a sense of assurance. And it also makes me more confident in my ordering quantities.

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Headquarters holds a trade show twice a year at 10 different venues across the country. Through these trade shows, we introduce new products to franchisees, and we also present various proposals including how to offer services to customers, how to serve them, and how to display products more efficiently.

Kumamoto
Hikawa Miyahara
store
Owner
Mr. Hidenori Noda

Tokyo
Katsushika Mizumoto
3-chome store
Owner
Mr. Kaoru Adachi

Hyogo
Amagasaki Kama
7-chome store
Owner
Mr. Yuki Kitaoka

Hokkaido
Kami Shihoro-cho store
Owner
Mr. Masatoshi Matsuoka

Fukuoka
Kami Shihoro-cho store
Owner
Mr. Yuji Kitayama

My store sets the store’s own “Basic products” from among daily products such as omurice (rice balls) and various breads so that we can carefully observe how their sales are trending. Keeping products in stock helps customers visit us with a sense of assurance. And it also makes me more confident in my ordering quantities.

Hyogo
Kokuraido
3-chome store
Owner
Mr. Kaoru Adachi

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Original Products only from Seven-Eleven
Attractive Products are Motivating Force for Attracting Customers

To support the daily diets of our customers, we are mindful not just about taste but also safety and reliability.

Meal solution
Supports customers’ food life and shop floor attractiveness

Local shopping areas near residential districts are increasingly shrinking and even disappearing. Against such a trend, Seven-Eleven offers a “meal solution” to senior citizens, single-person and low-income households from having to engage in time-consuming and potentially troublesome meal preparations. Frozen food products, chilled bento (chilled boxed meals) and in-store cooked hot snacks that can be eaten anywhere and any time, as well as the Seven-Meal Service that delivers meals and sets of ingredients door-to-door have all been well received by customers. The meal solution service operates from locations near to our customers, to improve service beyond the company’s boundaries. Specialists with high-level technologies in each field introduce the latest product information and know-how, and propose ideas for developing original products capable of responding to customers’ needs.

Know-how of specialized staff from various companies is utilized
Seven-Eleven’s “Team MD”

In Team MD merchandising (for product development), domestic and overseas manufacturers, business partners and distribution companies work together as a team to share information to develop high-quality original products.

Centralized control of production history conducted at various steps covers raw ingredients to finished products
Efforts focused on ensuring safety and reliability

Every raw ingredient used for preparing original products including bento (boxed meals) and other entrees is centrally controlled. Regarding materials used as raw ingredients, we maintain precise records including their production histories, which materials are used for what menus and in what districts they are used. Furthermore, data relevant to manufacturers of raw ingredients as well as presence/absence of allergic substances and food additives are input into the database.

How Production History of Raw Ingredients is Managed

Check production history from raw ingredients
Check production history from sales areas
Check production history from products

Raw Ingredient Management Data
Data on each raw ingredient such as country of origin, factory and additives

Distribution Management Data
Region-based data on raw ingredients, quantity used and duration of use, etc

Recipe Master
Recipe management for developers, manufacturers, distribution companies and traders

Information
Overwhelming Support for "Seven Premium"
Global Development is also Promoted

Hot sellers created thanks to their taste, quality, safety/reliability and price
We will nurture them to become world-class brands

Every product from delicatessen and frozen food products to household products helps increase the number of new customers

Our private "Seven Premium" brand was launched in 2007. Each "Seven Premium" brand product is jointly developed with leading manufacturers in respective sectors. Seven Meal is favored by customers because of the product's taste and quality that is equal to or above that of similar national brand products, as well as for their reasonable prices. Seven Meal is also supported by senior citizens and housewives due to the fully-flavored product selection ranging from delicatessen, entrees and frozen food products, which are popular for their taste, price and volume, to seasonings and household products. Adding valuable original products to your store will help increase visit by existing customers and attract new customers.

Global MD (Merchandising)
Accomplishment of our group force worldwide

Yosemite Road wine, for which marketing was launched in November 2009, was born from our first global-scale merchandising efforts and jointly promoted by six group companies in Japan including Seven-Eleven and the U.S.-based Seven-Eleven Inc. For this large project, we also teamed up with "The Wine Group (TWG)" of the U.S., which is the world's biggest retailer of top-class wines, and the Japanese wine maker "Meycauay", to coordinate product development - from securing raw materials to distribution - between Japan and the U.S. This unique product development system allows us to deliver high-quality products at reasonable prices based on the combined power of the group.

Delivering tastes of community-based food culture
Cooperation with local governments nationwide is also promoted

Seasoning Packaging Centers that are located in eight locations nationwide, develop region-limited products that suit the taste preferences of each community. These products are highly supported by customers in each community.

In addition, we promote the conclusion of Regional Revitalization Comprehensive Partnership Agreements and other agreements between local governments across Japan to make contributions to community development by implementing the local production for local consumption movement and exploring new business opportunities for unique products in each community.

URL http://www.7premium.jp/

Sales also launched in China
Sales of this wine were launched at Seven-Eleven Beijing and other Seven & i Group stores in China in February 2010, and are enjoying brisk sales.

Comprehensive Partnership Agreement was concluded with 27 prefectures and 7 cities (As of the end of June, 2010)
Multi-functional Copy Machine's Wide Variety of Services
Offer Additional "Close and Convenient" Service to Customers

A variety of services ranging from provision of sports game tickets to the ability to make a copy of one's residence certificate will attract customers to your store more frequently.

Issuing of certificates through cooperation with administrative service

Tokyo's Shibuya Ku and Mitchu, Ichikawa in Chiba prefecture, and Soma in Fukushima prefecture have launched a service that permits issuing of copies of residence and seal registration certificates via the multi-functional copy machine. The number of local authorities participating in this system is expected to increase sequentially.

Scope of ticketing is expanded in the movies, professional baseball games and events

The scope of tickets handled by the multi-functional copy machine has been expanded to cover professional baseball and soccer games held across Japan to a variety of exhibitions and lecture meetings that are held in various parts of the country, not to mention newly-released movies. In 2010, we exclusively sold "Giants Support Seats" of the Players' Day through this system. The business-capital alliance with Ticket PIA will make it possible for customers to buy Ticket PIA tickets directly from the multi-functional copy machine (launching around autumn 2010). In areas around Tokyo, we started selling tickets for the "Pokekaru Club", a diverse types of hands-on one-day events. Reservations for events such as "Let's go to the popular site in the city core, the Diet!" can also be made from the multi-functional copy machine.

Various new services made available with this single machine

Seven-Eleven's multi-functional copy machine

The multi-functional copy machine offers highly functional services including high-quality color copying, fax transmission, clear and crisp printing of photos taken with digital cameras, and conversion of images to digital data through scanning. These services are becoming more convenient to use as evidenced by the acceptance of "nanaco" electronic money for payment. When connected to a network, tickets for expressway buses are available in addition to tickets for concerts and sports games. The various services provided by the multi-functional copy machine increase the chances of contact with customers of different age levels, and make them visit your store more frequently.

We offer more convenient services to customers

<table>
<thead>
<tr>
<th>Multi-functional copy machine offers these services</th>
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<tbody>
<tr>
<td><img src="image" alt="Seven ticket" /></td>
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<td><img src="image" alt="Administrative services" /></td>
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Launch ceremony for administrative service

Launch ceremony for administrative service

Pokekaru Club

Free-of-charge brochure "7 PIA"

Giants support seats

Seven & i Holdings has closed the business and capital alliance with PIA Corporation and made a capital investment in Tower Records Japan Inc. We will extend our business in the entertainment sector by promoting sales of tickets and event-related businesses.

Pokekaru Club

Free-of-charge brochure "7 PIA"
We Develop New "Ways of Selling" that Combine Stores, Internet and Media

Customized selection created with pride from unique products across Japan and from TV programs
We not only develop products but also show how to sell them

Expanding product assortment on the Internet

Seven-Eleven Net sells sake, food products, hobby-related products and gift items across Japan over the Internet without being restricted by the shop floor space and hands them to customers at Seven-Eleven stores. Since payments can be made at the store, customers who are disinclined to make credit-card transactions on the Web can order the products they wish to purchase safely. This is a major selling point for customers. In addition, Seven-Eleven Net functions as an "Order-taker" for the stores' neighboring customers by selling products and announcing seasonal layaways, thereby enhancing existential value of your outlet as a "close and convenient" store.

TV programs introduce products born from collaboration with entertainers Nittele Seven creates hot sellers

Through joint capital investment with Nippon Television Network Corporation and Dentsu, Seven & i Group founded "Nittele Seven" to establish collaborations between TV programs and retail businesses. We developed a new method of selling products in which Seven-Eleven stores sell products that are introduced on the "Megami ni Marcke (Goddess's Market)" shopping program produced by Nittele Seven. This approach is producing a steady stream of hot-selling sweets and bento (boxed meals). Entertainers and famous chefs participate in the product planning stage. They contribute to sales thanks to their public authority and news hooks.

We enhance the royalty of your stores through collaborating with group companies including Seven Net Shopping

Seven-Eleven actively engages in utilizing payment and distribution systems for other group companies. Customers who purchased products through "Seven Net Shopping", which is the group's general online shopping site that opened in December 2009, and Sogo & Seibu's cosmetics shopping site "Easeikou", can pay for and receive the products at the store. Thanks to the above system, Seven-Eleven outlets are being recognized more than ever as "close and convenient" stores and, as a result, contributing to the increasing number of customers.
Close and Convenient Teller Window Offers a Variety of Payment Functions

Seven Bank's "Everyone's ATM" accepts credit cards issued by more than 560 financial institutions across Japan.

One of our customers' motivations for visiting our stores is Seven Bank's ATM services. In addition to the large number of affiliated financial institutions, our services are highly rated for their convenience since our ATMs are installed in public squares and other locations where many people gather such as group company stores, airports, railway stations, and expressway service areas. By utilizing the accounts of Seven Bank, we started the "Personal loan service" in January 2010. We are extending this service as a way to further connect closely with customers' everyday lives, and aim to soon begin offering a "Personal loan service" to respond to the needs of the increasing number of foreign laborers who send money to their home countries.

More than 10 million cards issued

Electronic money "nanaco"

Since the "nanaco" service was launched in April 2007, more than 10 million "nanaco" electronic money cards have been issued. nanaco has now become an established payment system among our customers due to advantages such as the way the card prevents customers from having to carry small change, ease of payment at the cash register, and the ability of customers to accumulate points for later use. One of the reasons nanaco is popular is that customers are able to charge and check the balance of their nanaco accounts at Seven Bank's ATMs. Stores where nanaco cards can be used are not limited to group companies such as Seven-Eleven, Ito-Yokado and Denny's, but also include an expanding range of other stores outside the group.

Payable 24 hours a day, 365 days a year

Bill Payment Services

Bill payment services for utility charges, insurance fees, mail order products, etc. are frequently used by our customers. The number of payments handled at stores has been increasing year after year since the service, which conveniently allows customers to make payments 24 hours a day, 365 days a year, was started. In 2009, the number of payments handled reached 329,700,000 with a corresponding value of approximately ¥3,072.7 billion. In addition, approximately 320 companies and public organizations have payment collection agreements with us. Bill payment services such as this one increases the frequency of customer store visits and also contributes to expansion of revenues.

Payment with credit cards such as "IY Card" is now available

From June 2010, payment by "IY Card" and "JCB Card" has been made available at every Seven-Eleven store. Customers' method of payment have been further expanded. Regarding other major globally-used credit cards, we will begin necessary preparations to enable them to be used at our stores in the near future.

Payment service

Seven-Eleven stores offer well-structured financial services including ATM services, electronic money, bill payment services and credit-card transactions.
A Basic Concept of Providing an Attractive Product Assortment that Offers a New Discovery Experience for Customers Every Time They Visit our Stores

The "store" we create must carry a product assortment suited to the needs of the trading area.

The number of products recommended by Headquarters is approximately 4,000. Among them, our original products play a key role in attracting customers due to their taste, quality and safety. In addition, stores must establish a system that is capable of carrying new products on which manufacturers have focused their efforts, as well as products that are currently in the spotlight. These efforts support creation of stores where customers can get "what they want and as much as they want."

We were among the first to get rid of preservatives and artificial colorings in order to deliver safe and reliable food products.

Since August 2001, Seven-Eleven has completely eliminated preservatives and artificial colorings from our original products, such as onigiri (rice ball), bento (boxed meals). We realized the above through the thorough hygiene and temperature control at dedicated plants and through our unique distribution systems.

Creating Product Displays and Sales Floors that are Attractive to Customers
Seven-Eleven Utilized its Unique Know-How

In order to attract the attention of customers and have them purchase products, stores must not only carry an attractive range of products but also ensure the sales floor is attractive. Product display racks and refrigeration units in Seven-Eleven stores are designed to facilitate display work and maintenance, and, needless to say, to make it easy for customers to find and purchase the products they want. According to the advice, product display methods and examples of sales approaches provided by OFCs, our store layouts are designed to ensure the unique display of products is appealing to customers.

In 2001, we were among the first to get rid of preservatives and artificial colorings in order to deliver safe and reliable food products. Since then, Seven-Eleven has completely eliminated preservatives and artificial colorings from our original products, such as onigiri (rice ball), bento (boxed meals). We realized the above through the thorough hygiene and temperature control at dedicated plants and through our unique distribution systems.
This strategy brings many advantages to both customers and store management.

**High-Density Store Opening Strategy Enhances Response Capabilities to Community Needs**

The high-density store opening strategy – Dominant strategy that opens many stores in a certain area in a concentrated manner – is an important part of Seven-Eleven’s strategy.

After a store is opened, we offer detailed management support to enhance the quality of this Seven-Eleven store and to establish it as the “No. 1 community brand.” A high density of stores is also advantageous to customers. Since the high-density store opening strategy allows installation of an exclusive bento (boxed meal) commissary near stores, customers are able to buy fresh products at any time. In addition, customers can take advantage of various services such as the ATM and multi-functional copy machine at nearer stores, increasing the convenience of their daily lives. This new store opening system realizes a “close and convenient” store for customers.

---

**Seven-Eleven's Distribution System (Combined Distribution System by Temperature Zones)**

Seven-Eleven has been working hard to realize combined distribution from the time of its foundation when it was expected that the manufacturer delivered the product. Adoption of combined delivery has succeeded in substantially reducing the number of delivery trucks used.

Seven-Eleven has been developing combined distribution centers by product category and temperature zone in each area. Each product is kept at an optimum temperature at every stage from production to delivery to the store. This unique distribution system maintains "freshness", "good taste" and "reliability" of our products.

This combined distribution system by temperature zone delivers freshly-made food products such as bento (boxed meals), entree and sandwiches to stores faster.

**Cold chain (low-temperature distribution network)** to maintain freshness of fresh vegetables

The "Cold chain" system maintains the freshness of vegetables used for sandwiches and salads. Harvested vegetables are stored at low temperature on site and transported by delivery trucks under strict temperature-controlled conditions. They are then delivered to stores via the similarly temperature-controlled sorting center and commissary. Consistent temperature control from the farm to the store maintains vegetables’ freshness and quality.

**Flexible style of shop opening suited to the location and customers' characteristics**

We are developing various types of stores that are better suited to their location, environment and demands such as when, for instance, opening a store in a large building such as a university, hospital, hotel, public office, gas station, or for lease. Promises - and environment-related characteristics of the location a store is opened in are reflected in store design and facilities used, not to mention the product selection.
Creating a Store Supported by Customers Following the Steps of "Hypothesis", "Ordering" and "Verification"

Item-by-item management is the basic of store operation
Utilize world-class network to support franchisee

Sales of products vary depending on various factors including temperature, weather, community events, and advertising and sales promotion activities conducted in a way that is timed with the introduction of a new product. The products that sell well vary depending on the day of the week and time zone. You must recognize sales trends of the products on a single item basis, generate hypotheses based on these trends, place orders, and then confirm and verify sales. Item-by-item management refers to the repeating of the above cycles in order to identify the product selection that are being demanded by customers.

Enhance the accuracy of orders you place by sharing information with the staff in charge of each sales floor.

Sharing information via staff meetings will enable the staff in charge of each sales floor to generate hypotheses before placing orders, and to verify the results. In this way, the store as a whole will be able to respond to the needs of customers.

One of the world's largest information networks

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<tr>
<th>Store</th>
<th>District Office (D/O)</th>
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<tr>
<td>SC (Store Computer)</td>
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We Work Together with Communities to Solve Social Issues and Behave as a Reliable and Sincere Company

We work to reduce greenhouse gas emissions by promoting energy-saving measures at stores.

In order to respond to the serious global issue of global warming by reducing emissions of greenhouse gases such as CO₂, Seven-Eleven is promoting the opening of new environment-conscious stores by, for instance, employing LEDs for store signs and sign poles, using highly efficient in-store lighting, and floor materials with high reflectance ratio, and saving energy used for hot-water supply equipment.

The latest type of environment-conscious stores are aimed at reducing power consumption by 30% or more compared with existing stores by installing solar power generation panels on roof tops and skylights as well as using LEDs for in-store lighting.

Seven-Eleven Memorial Foundation was inaugurated to extend the circle of more sustainable social action.

When Seven-Eleven marked its 20th anniversary in 1993, Headquarters set up “Seven-Eleven Midori no Kikin (Green Foundation)” along with the franchisees to make environment-oriented social contribution. Since then we have been supporting citizens’ environmental groups and working toward environmental protection and preservation based on contributions from customers and donations from Headquarters.

It was turned into a corporate entity “Seven-Eleven Memorial Foundation” in March 2010 to extend the circle of activities.

Safety Station Activities and Efforts to Fulfill our Social Responsibility

Safety Station Activities refer to the utilization of Seven-Eleven stores, that are open 24 hours a day, 365 days a year, as safety and security bases for the community. Cooperating with police stations, police boxes, the Japan Traffic Safety Association and fire stations, we are promoting activities to create safe and secure communities. In addition, linking with juvenile support centers and PTAs, we are engaged in contributing to the sound upbringing of youth.

Crime/Disaster Prevention Measures

- Strengthening voluntary crime prevention system against robbery and shoplifting
- Calling 110 (Police) or 119 (Fire Dept./ Ambulance) in an emergency when a disaster, accident or medical crisis occurs
- Functioning as an emergency shelter for women and children
- Extending nursing care to elderly and physically disabled people and make contacts for such people
- Transmitting and providing safety information to people in the community

Safety Measures

- Never selling alcohol or cigarettes to minors
- Never selling adult-oriented magazines to children under 16 or allowing them to read such magazines
- Help preventing juvenile delinquency by preventing juveniles from engaging in acts outside stores that may be a nuisance to neighbors

Seven-Eleven received this award for its positive efforts to promote energy-saving measures at the franchise stores.

Contributing to beautification of towns as a community member

- Owners of Seven-Eleven franchise stores, employees and Seven & i Group companies jointly conduct simultaneous nationwide litter-cleaning activities in the districts adjacent to our offices and stores on a bi-annual basis.

Operation of “Kuju Furusato Shizen Gakko (Kuju Home Eco-Institute)” in Oita

In addition to the nature study held in Iida Plateau for primary and junior high school students, this institute is working together with community members to preserve and protect the natural environment and to make the area livable for ibises.

In order to restore the forests by Lake Shikotsu that were severely damaged by a typhoon in 2004, we launched the “Executive Committee for Restoration of Typhoon-damaged Forests by Lake Shikotsu.” Citizens, as “foster parents”, plant trees on the 100-hectare plot.

Safety Station Poster

Prevention of sale of adult-oriented magazines to those under the age of 18
Based on Thorough Surveys and Close Communication, We Carefully Support You up to Opening Day

<table>
<thead>
<tr>
<th><strong>Type A</strong></th>
<th><strong>Explanation, Research and Screen</strong></th>
<th><strong>Type C</strong></th>
<th><strong>Sign the Agreement</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Visiting a potential owner</td>
<td></td>
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<tr>
<td>2. Researching locations, trading areas and the market</td>
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<td>2. Primary interview</td>
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<tr>
<td>3. Introducing the system</td>
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<td>3. Visiting of existing stores</td>
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<tr>
<td>4. Internal screening</td>
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<td>4. Explanation of the Franchise Agreement details</td>
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<tr>
<td>5. Explanation of the Franchise Agreement details</td>
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<td>5. Interview with the district manager</td>
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<tr>
<td>6. Consideration and decision-making by owner</td>
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<td>6. Checking of the potential properties for the store</td>
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<td>7. Signing of franchise agreement</td>
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<td>7. In-store experience</td>
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**Training for Owner**

<table>
<thead>
<tr>
<th><strong>Common steps for Type A and C</strong></th>
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<tbody>
<tr>
<td>9. School training (5 days)</td>
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</tbody>
</table>

**Prepare for Store Opening**

| 11. Preparations before store opening |

**Ceremony**

| 12. Turn-key |

This refers to the ceremony held the day before the opening. The owners are presented with the store key along with a training completion certificate.

**Build a Store**

The construction and development department at Headquarters plans store layout and designs a store that is easy to use and easy to work in. After the design has been completed, the store owners sign the Store Construction Contract Agreement.

**Congratulation! Store Opening**

| 13. Store opening |

The owner must be well prepared to welcome customers. After the store is opened, an Operation Field Counselor (OFC), who acts as a mediator between the owners and Headquarters, will support the franchisees in every aspect of store operation.
### List of Agreement Conditions

<table>
<thead>
<tr>
<th>Agreement type</th>
<th>Operation style</th>
<th>Agreement term</th>
<th>Possession by the owner or leased</th>
<th>Utilities paid by</th>
<th>Deposit upon signing</th>
<th>Seven-Eleven Charge</th>
<th>Guaranteed minimum income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type A</td>
<td>Independent business owner</td>
<td>15 years</td>
<td>Possessed by the owner or leased</td>
<td></td>
<td>3,075,000 yen*10</td>
<td>307,500 yen/year*1</td>
<td>60,000 yen/year*2</td>
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<td></td>
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<td></td>
<td>Headquarter: 80% / Franchisee 20%</td>
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<td>3,050,000 yen (incl. 1,600,000 yen, 1,450,000 yen, 1,300,000 yen)</td>
<td>305,000 yen/year (incl. 165,000 yen, 145,000 yen, 130,000 yen)</td>
<td>60,000 yen/year (incl. 30,000 yen, 27,000 yen, 24,000 yen)</td>
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<tr>
<td>Type C</td>
<td>Independent business owner</td>
<td>15 years</td>
<td>Possessed by the owner or leased</td>
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<td>2,050,000 yen*11</td>
<td>205,000 yen/year*1</td>
<td>40,000 yen/year*2</td>
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<td></td>
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<td></td>
<td>Headquarter: 80% / Franchisee 20%</td>
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<td>1,950,000 yen (incl. 1,100,000 yen, 990,000 yen, 980,000 yen)</td>
<td>195,000 yen/year (incl. 115,000 yen, 99,000 yen, 98,000 yen)</td>
<td>40,000 yen/year (incl. 25,000 yen, 24,000 yen, 23,000 yen)</td>
</tr>
</tbody>
</table>

*1 Consumption tax included. *2 Refer to page 6. *3 Refer to page 7. *4 The owners will get to know more about details of the agreement when they read through the “Key Points Overview of the Franchise Agreement” and “Agreement.”

#### Breakdown of deposit upon signing an agreement income (For type A)

- **Training fee** (1,500,000 yen, including 25,000 yen consumption tax and other charges)
  - Trainee’s expenses for classroom tuition and hands-on training in 10-day training program (including meal expenses and accommodation fees).

- **Store opening preparation charge** (1,000,000 yen, including 30,000 yen consumption tax and other charges)
  - This charge covers various preparatory operations required for opening implementation by Seven-Eleven to prepare the store for opening by a franchisee. These preparations range from store planning before the agreement to product display.

- **Investment at store opening** (1,500,000 yen, including 25,000 yen consumption tax and other charges)
  - The above is the minimum amount to be prepared by the franchisee as the owner’s capital to cover part of the costs (products stocked at the time of opening, cash on hand, new equipment and supplies, equipment and consignments, and 100,000 yen for franchise guarantee deposits) the franchisee makes payment of the above amount to Seven-Eleven, and costs beyond the above are procured by Seven-Eleven and financed to the franchisee.

#### Incentive Charge

- **Description of Incentive Charge**
  - The Seven-Eleven charge is reduced according to the set criteria on a monthly basis after a number of days has accumulated up to five full years of operation beginning from the day the store first opened. This incentive is applicable from the day after the month that makes the completion of five years. (The actual application begins from the next month of the anniversary of the opening.)

  - **1. Standard on daily sales**
    - Average daily sales throughout the year is ¥330,000 or above
  - 2. **Annual gross profit on sales**
    - When ¥50 million or more and below ¥70 million
  - 3. **When ¥70 million or more**
    - The charge is reduced by 1% for the gross profit on sales

#### Backup Services and Systems for Franchisees

- **Advertising Activities**
  - Advertising expenses for sales promotions (approximately 22 billion yen per year) are borne by headquarters.

- **Accounting/Bookkeeping Services**
  - Payment made on behalf of franchisees and store operation information materials provided by DIO.

- **Guaranteed Minimum Gross Income System** (Gross Profit on Sales − Seven-Eleven Charge)
  - For a Type A Agreement, this system guarantees 10 million yen as the franchisee’s gross income.
  - For a Type C Agreement, this system guarantees 17 million yen as the owner’s minimum gross income.

- **Supporting Systems for Staff Members**
  - Reserves in preparation for the owners and their spouses’ death, disability, or retirement, and condominium payments, compensation payments and reserves for full-time employees’ benefits.

- **Compensation payments to pay employees for injuries sustained while they are working or commuting**

- **Incentive System for Multi-store Operation**
  - When an owner who is running a store for full five years has opened two or more additional stores.

  - The incentive charge for the five-year operation is applied to the multiple stores.

- **Employees’ Independence Support System**
  - When an employee, who has worked at a Seven-Eleven store for five years or more in total, opens a new store or otherwise an existing store as an owner or as a partner, the “incentive charge for the stores five years or more in operation” is applied from the date of opening.

- **Others**
  - 85% of utility expenses are borne by Headquarters (approximately 26 billion yen per year)
  - 95% of costs incurred for defective items (unsold items disposed of) are borne by Headquarters (approximately 30 billion yen per year)

- **When the store is not open**
  - When sales on an annual basis are not achieved, the charge applied to the previous month is reduced by 2% and is equalized for and refunded in the 13th month. (The charge is reduced under a certain condition.)

- **For 24-hour stores**
  - The incentive for a consigned management store becomes eligible after five full years have elapsed from the date it became a Type C store and met the criteria, because the period of the incentive charge is computed and allocated on a monthly basis.

#### Business Performance and Data

- **Total sales amount of all chain stores in Japan**
  - ¥2,784,667 billion

- **Number of stores (in Japan)**
  - 12,753

- **Operational income**
  - ¥169.22 billion

- **Ordinary income**
  - ¥165.445 billion

- **Net income**
  - ¥92.439 billion

- **Income*1**
  - Profit on sales: ¥156.22 billion

- **Operating income**
  - ¥171.2 billion

- **Population composition**
  - Age group (per store)

- **Frequency of customer visits**
  - 59%

#### List of Executives

- **President**
  - Toshifumi Suzuki

- **Executive Officer**
  - Ryuichi Isaka

- **Director**
  - Tetsuji Misaki

- **Manager Executive Officer**
  - Kaoru Furuya

- **Manager Executive Officer**
  - Kazuhisa Konuki

- **Manager Executive Officer**
  - Akira Masuda

- **Manager Executive Officer**
  - Keiko Fujimoto

- **Manager Executive Officer**
  - Akio Miyashita

- **Manager Executive Officer**
  - Norikazu Tsudaka

- **Manager Executive Officer**
  - Yuki Katayama

- **Manager Executive Officer**
  - Shunichi Kura

- **Manager Executive Officer**
  - Akira Fukuoka

- **Manager Executive Officer**
  - Isamu Hirai

- **Auditor**
  - Hidemasa Matsumoto

- **Director and Executive Officer**
  - Kazuhisa Sato

- **Executive Officer**
  - Shunichi Kura

- **Director**
  - Keiko Fujimoto

- **Director**
  - Isamu Hirai

- **Auditor**
  - Minoru Otani

- **Auditor**
  - Yoh Mitani

- **Auditor**
  - Katsuhisa Konuki

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