



# Consolidated Financial Results Presentation for the Second Quarter of FY2018

# Overview of Consolidated Financial Results for FY2018 1H

(Billions of yen)	Amount	YOY Change	vs Budget Difference vs Budget
Group's total sales*	5,499.5	104.1% +219.0	99.5% (30.4)
Revenue from operations	2,987.1	104.2% +121.0	99.9% (1.8)
Operating income	194.4	107.2% +13.0	101.9% +3.6
Ordinary income	194.1	106.3% +11.5	103.2% +6.0
Net income attributable to owners of parent	89.4	267.1% +55.9	93.3% (6.3)

\*Group's total sales include the sales of Seven-Eleven Japan and 7-Eleven, Inc. franchisees.

## Revenues from Operations by Business Segment for FY2018 1H

(Billions of yen)	Amount	YOY	Change
Consolidated revenues from operations	2,987.1	104.2%	+121.0
Domestic convenience store operations	472.6	103.8%	+17.1
Overseas convenience store operations	957.9	120.3%	+161.5
Superstore operations	942.8	96.5%	(33.9)
Department store operations	330.1	92.9%	(25.1)
Financial services	101.3	102.8%	+2.7
Specialty store operations	208.6	98.7%	(2.6)
Others	11.5	97.9%	(0.24)
Eliminations / corporate	(37.9)	-	+1.6

## Operating Income by Business Segment for FY2018 1H

(Billions of yen)	Amount	YOY	Change
Consolidated operating income	194.4	107.2%	+13.0
Domestic convenience store operations	131.0	103.5%	+4.4
Overseas convenience store operations	33.4	102.3%	+0.76
Superstore operations	6.6	101.5%	+0.09
Department store operations	0.87	-	+2.2
Financial services	25.8	100.1%	+0.03
Specialty store operations	0.83	-	+5.2
Others	2.1	121.0%	+0.36
Eliminations / corporate	(6.3)	-	(0.16)

# Operating Income for Major Operating Companies for FY2018 1H

(Billions of yen)	Amount	YOY	Change
Seven-Eleven Japan	130.7	103.3%	+4.2
7-Eleven, Inc. [in dollar basis]	39.4 [\$350.8 mn]	107.8% [107.1%]	+2.8 [+\$23.3 mn]
Ito-Yokado	(1.9)	-	+1.4
York-Benimaru 〈incl. Life Foods*〉	8.6	90.5%	(0.9)
Sogo & Seibu	0.62	-	+0.58

\* Life Foods is a wholly owned subsidiary which produces and sells delicatessen in York-Benimaru stores.

The combined operating income for York-Benimaru and Life Foods represents internal management reporting figures.

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## Overview of Special Losses for FY2018 1H

(Billions of yen)	Amount	Change	Major factors
Special losses total	49.9	(38.1)	Promotion of business structural reforms based on the Medium-Term Management Plan
Restructuring expenses*	21.7	+11.5	Recording of impairment losses on Sogo & Seibu stores (Sogo Kobe, SEIBU Takatsuki), etc.
Impairment loss	14.5	(20.8)	Ito - Yokado : (8.8) YOY Sogo & Seibu: (11.6) YOY
Amortization of goodwill	-	(33.4)	Lump-sum write-off was recorded in Sogo & Seibu in the previous year
Other	13.6	+4.5	Loss on transfer of business at Nissen Holdings, etc.

All factors have been factored into the full-year budget

\*Breakdown of the restructuring expenses is available on page 8 of the Consolidated Financial Results in English version.

# Consolidated Financial Results Forecasts for FY2018

Full-year

(Billions of yen)	Amount	YOY Change
Group's total sales	1,1150.0	105.0% +528.4
Revenues from operations	6,100.0	104.5% +264.3
Operating income	386.5	106.0% +21.9
Ordinary income	385.0	105.7% +20.5
Net income attributable to owners of parent	177.0	182.9% +80.2

No change from announcement on April 6, 2017



# Appendix

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# Domestic Convenience Store Operations: Results

## Seven-Eleven Japan

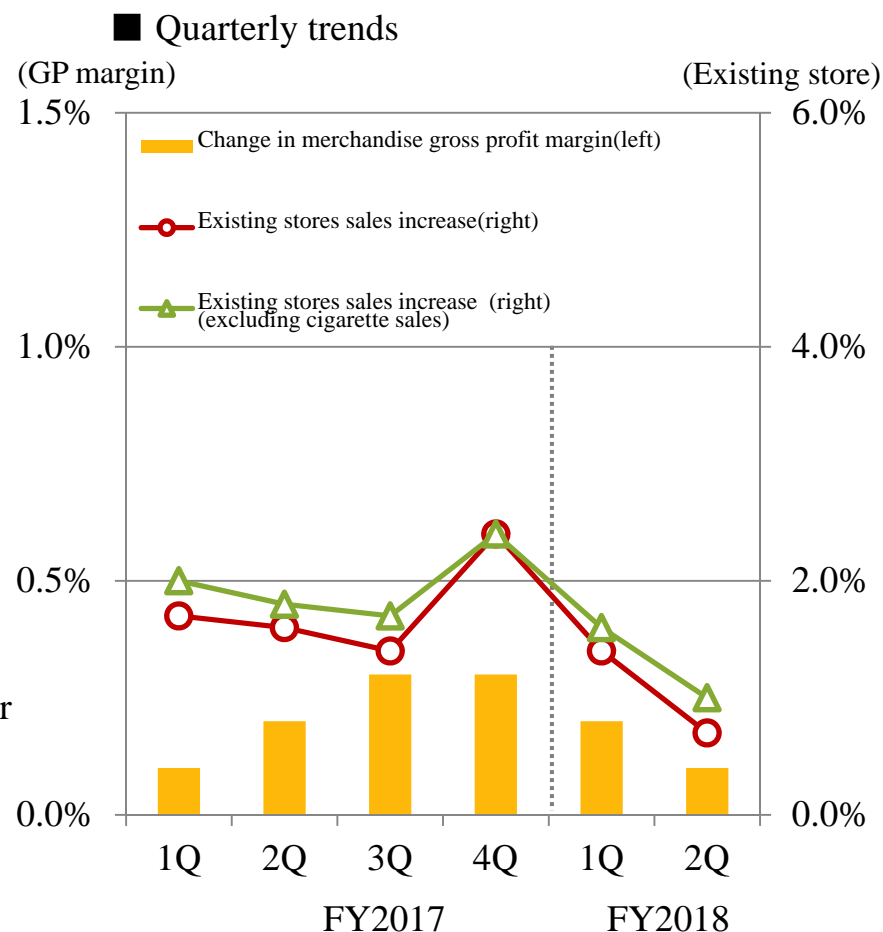


Record-high income for a seventh consecutive year resulted from increased existing store sales and improvement of gross profit margin

	Results	YOY
Operating income	130.7 bn yen	103.3% +4.2 bn yen
Existing store sales increase	+1.0%	
Merchandise gross profit margin	31.9%	+0.1%

### Overview

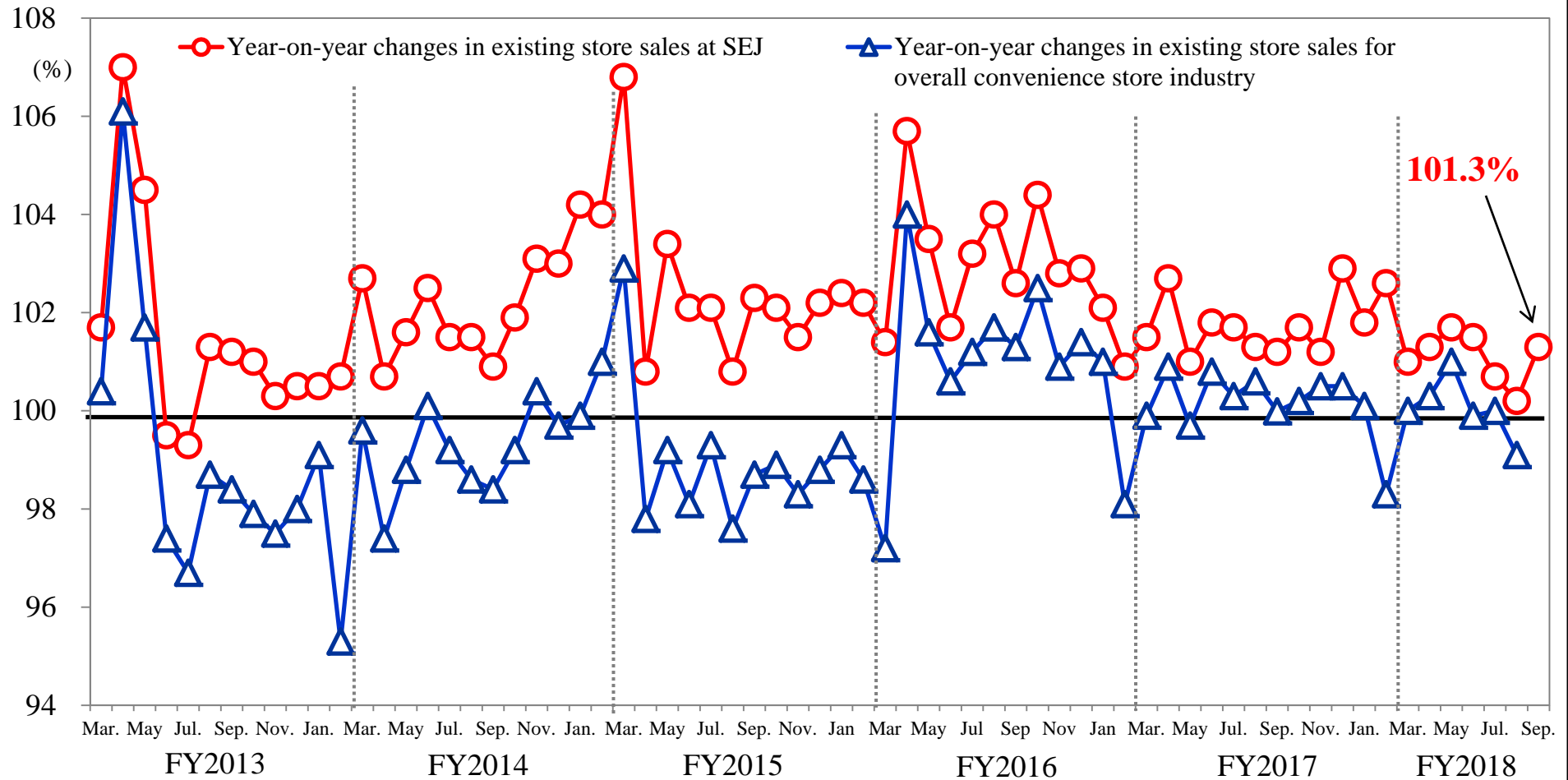
- Existing store sales: Driven by growth in improved-quality daily products and counter products
- Gross profit margin: Improved due to increase in sales of fryer foods and *SEVEN CAFÉ*, etc. with high gross profit
- Operating income: Achieved record-high operating income by driving growth in existing store sales and improving gross profit margin, in addition to controlling growth in SG&A expenses



# SEJ: Trend in YOY Changes in Existing Store Sales

● Rising 62 consecutive months by the strong sales of original fresh foods

■ Trend in YOY changes in existing store sales at SEJ

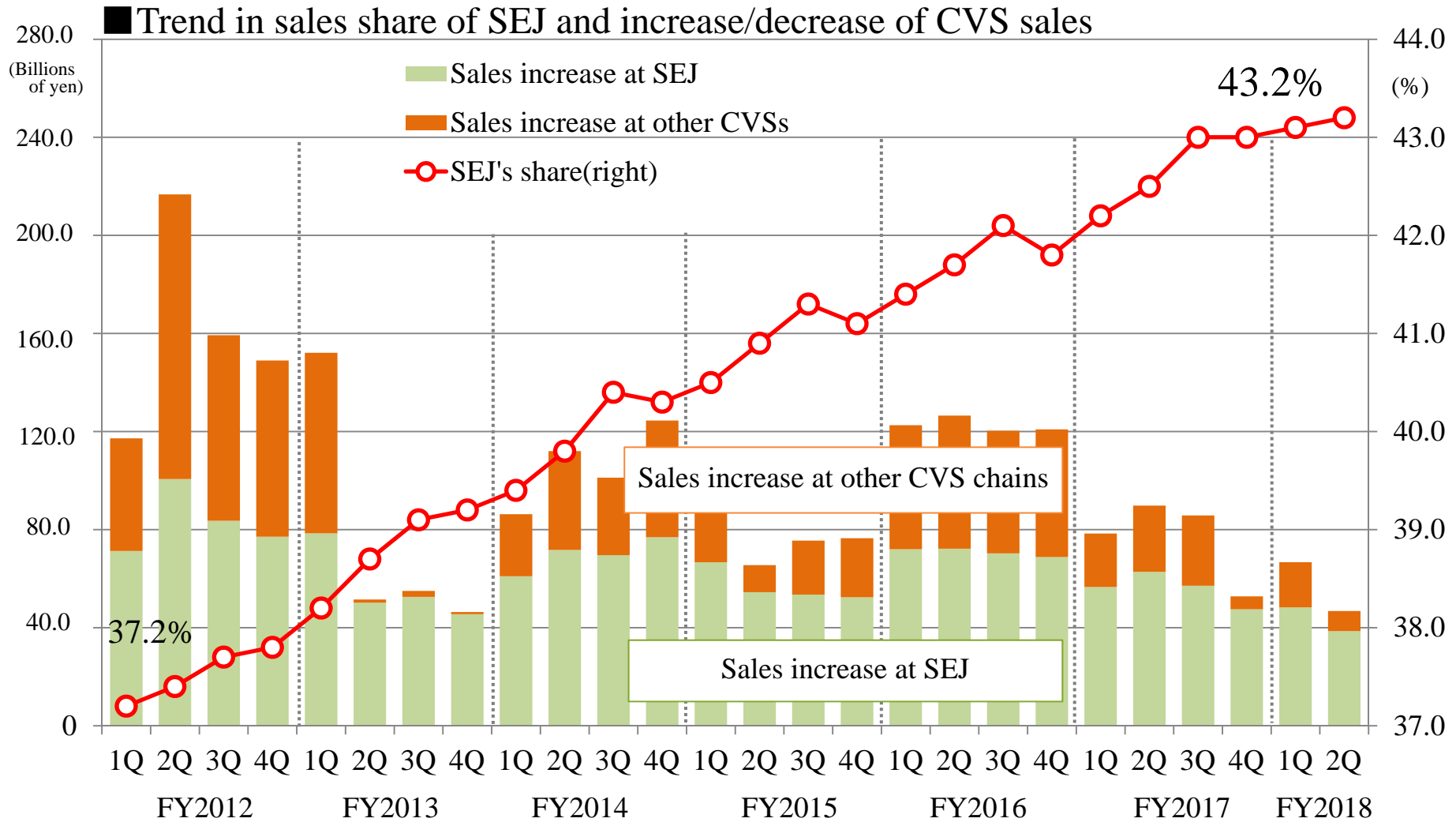


Note: February 2016 figures for existing store YOY change at overall convenience stores represent the YOY change in total sales [up 1.6%], including the impact of the leap year, converted to daily-sales basis.

Source: Japan Franchise Association monthly convenience store survey

# SEJ: Trend in Sales Share and Changes in Sales by Quarter

● Record-high sales share expanded to **43.2%** resulted from increased existing store sales



Source: Japan Franchise Association monthly convenience store survey

# Overseas Convenience Store Operations: Results

7-Eleven, Inc.

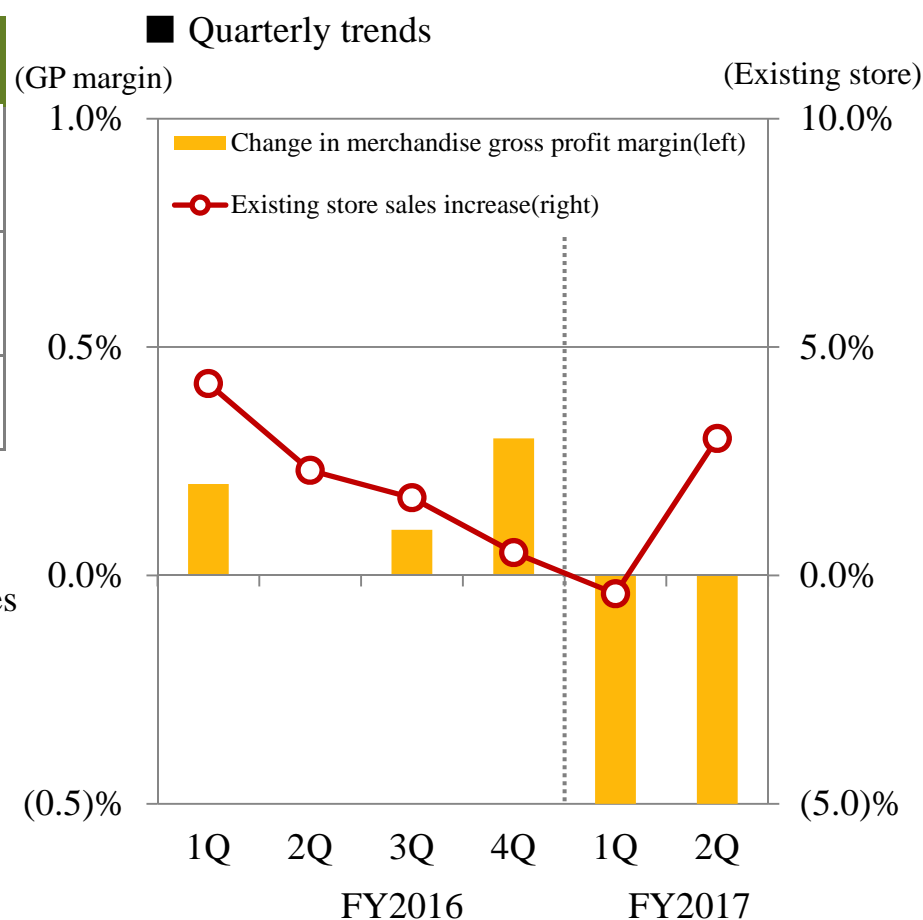


Higher income due to mainly brisk sales of gasoline, despite deterioration in merchandise GPM

	Results	YOY
Operating income	39.4 bn yen	107.8% +2.8 bn yen
Existing store sales increase (U.S. MDSE sales in \$ basis)	+1.5%	
Merchandise gross profit margin	34.4%	(0.5)%

## Overview

- Existing store sales: Increased due primarily to brisk sales of cigarettes, despite the impact of poor weather.
- Gross profit margin: Deteriorated due to growth in low gross-profit-margin cigarettes sales and decline in beverages, etc.
- Operating income: Higher income due to mainly brisk sales of gasoline, despite deterioration in merchandise gross profit margin.



# Superstore Operations: Results (1)

## Ito-Yokado



Higher income mainly due to a reduction in SG&A expenses and improved gross profit margin despite a decline in existing store sales

	Results	YOY
Operating income	(1.9) bn yen	- +1.4 bn yen
Existing store sales increase	(2.6)%	[(1.7)%]*
Merchandise gross profit margin	29.4%	+0.5%

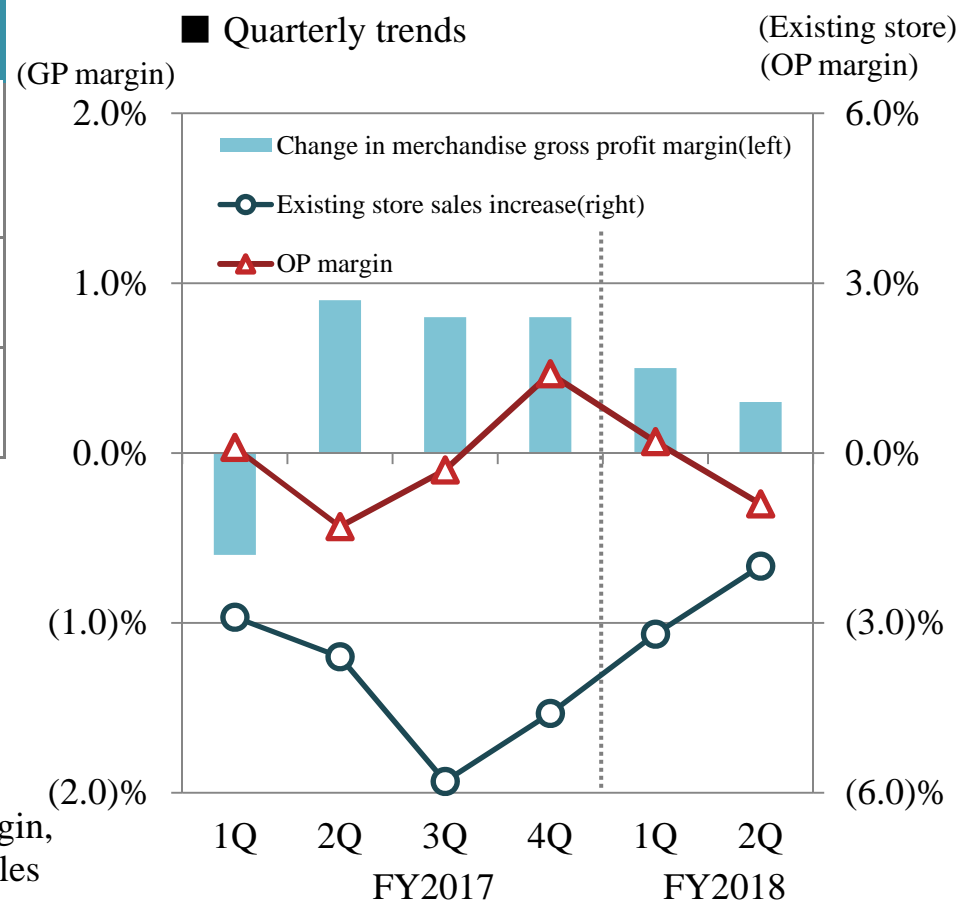
### Overview

\*Existing store sales increase of total shopping centers sales

- **Existing store sales:** Decreased due to a reduction in the number of pamphlets and in the level of discount on apparel and household goods
- **Gross profit margin:** Increased due to revision of sales promotions and decrease in discount losses on
- **Operating income:** Increased as reduction in SG&A expenses [(3.5) bn yen], improvement in gross profit margin, and other factors absorbed the decline in existing store sales

### Progress on renovation

Renovated six stores in 1H against the planned renovation of 19 stores for the current fiscal year (Existing *Ario*: 4 stores, Tenant mix: 2 stores)



# Superstore Operations: Results (2)

## York-Benimaru



Lower income due to lower existing store sales and gross profit margin, while expenses increased with the increase in store numbers and other factors

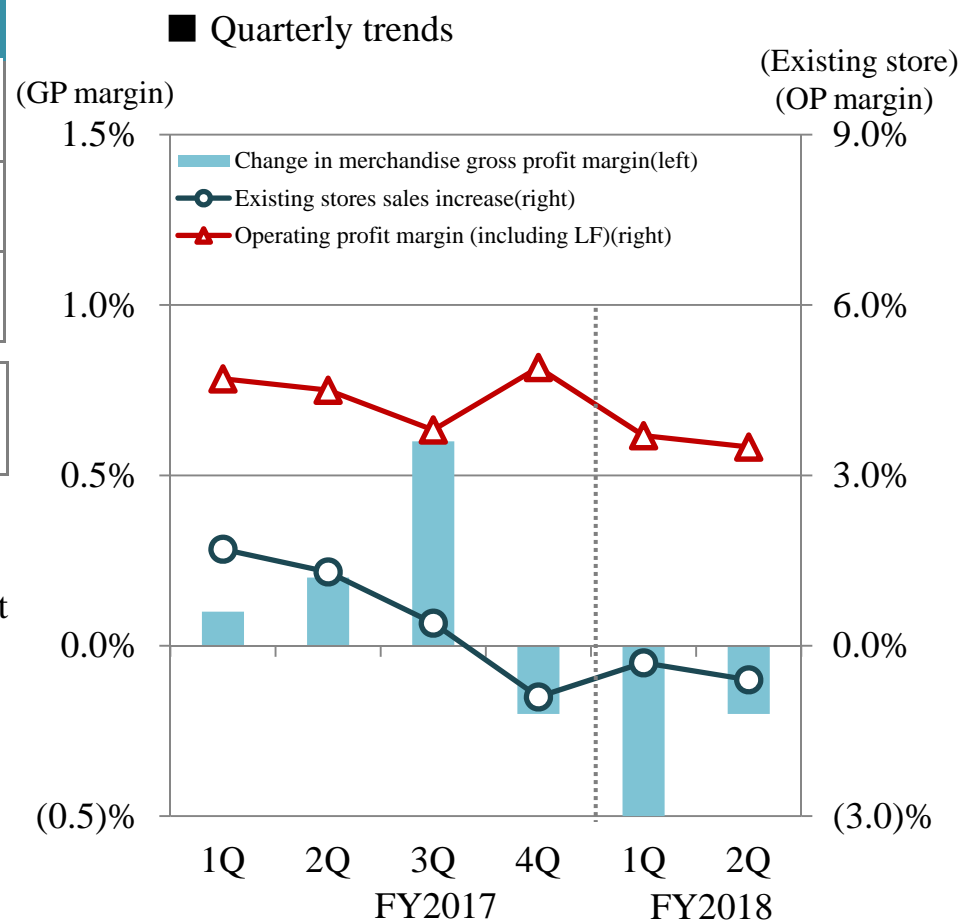
	Results	YOY
Operating income	6.3 bn yen	90.5% (0.66) bn yen
Existing store sales increase	(0.4)%	
Merchandise gross profit margin	25.4%	(0.3)%
Operating income (including Life Foods)*	8.6 bn yen	90.5% (0.9) bn yen

### Overview

- Existing store sales: Declined as increase in food did not absorb decreases in apparel and household goods
- Gross profit margin : Lower due to strengthening sales promotions, etc.
- Operating income: Declined due to lower existing store sales and gross profit margin

\*Life Foods (LF): Life Foods is a wholly owned subsidiary which produces and sells delicatessen items in York-Benimaru stores.

Note: The combined operating income for YB and LF are management figures provided for reference purposes.



# Department Store Operations: Results

## Sogo & Seibu

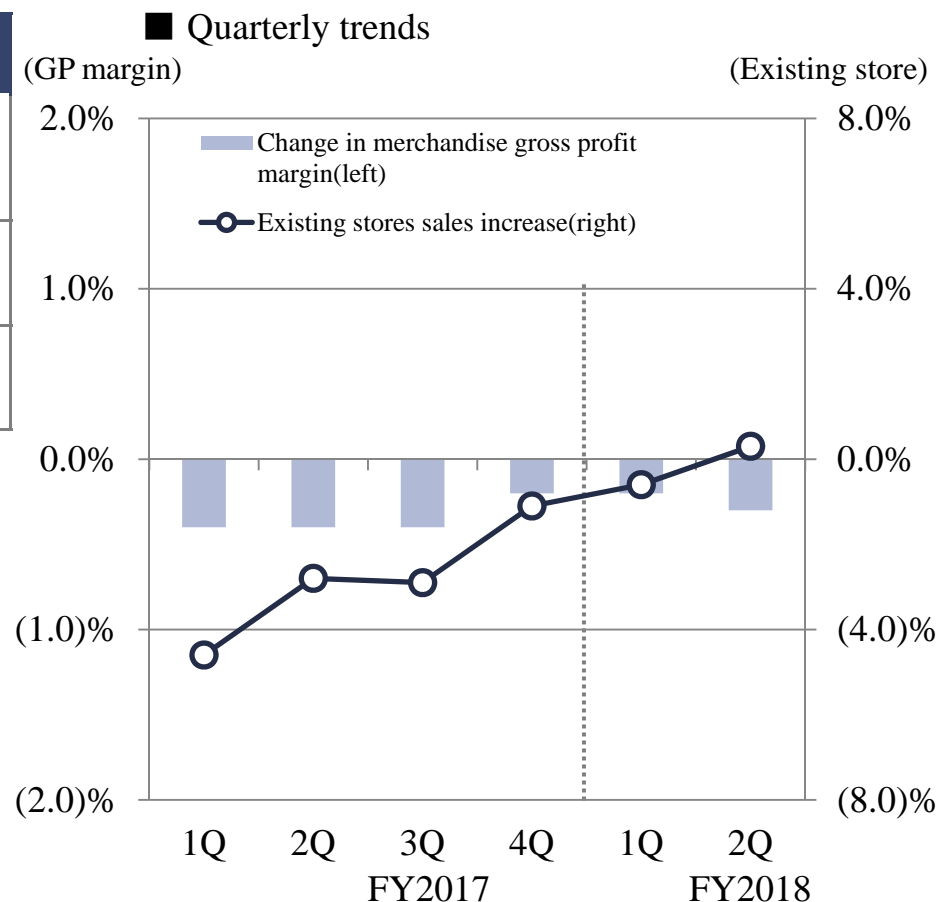


Higher income due to optimizing SG&A expenses in conjunction with structural reforms

	Results	YOY
Operating income	0.62 bn yen	- +0.58 bn yen
Existing store sales increase	(0.1)%	
Merchandise gross profit margin	24.0%	(0.2)%

### Overview

- Existing store sales: Trending above target, partly due to progress in optimizing advertising and decoration expenses. Apparel continued to struggle, while miscellaneous goods and foods grew.
- Gross profit margin: Lower, mainly due to decline in sales of high gross profit margin apparel.
- Operating income: Increased due to optimizing SG&A expenses in conjunction with structural reforms, despite decline in mainly apparel sales and deterioration in gross profit margin.



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