



# Financial Results Presentation for the Nine Months Ended November 30, 2018

January 10, 2019

Seven & i Holdings Co., Ltd.

# FY2019 Q3 YTD Summary



## ◆ Consolidated results

	Results	YOY	(Billions of yen, %)	
			Change	Vs Budget
Group's total sales*	9,012.9	109.0	+747.4	<b>Achieved</b>
Revenues from operations	5,072.3	113.2	+592.6	<b>Achieved</b>
Operating income	304.2	102.9	+8.4	<b>Achieved</b>
Net income attributable to owners of parent	156.2	104.7	+7.0	<b>Not achieved</b>

## ◆ Operating income by business segment

	Results	YOY	(Billions of yen, %)	
			Change	
Domestic CVS operations	186.4	98.9	(1.9)	
Overseas CVS operations	68.6	107.4	+4.7	
Superstore operations	9.8	108.9	+0.8	
Department store operations	(0.38)	-	(0.67)	
Financial services	42.9	108.7	+3.4	
Specialty store operations	5.3	778.7	+4.6	
Others	2.0	59.3	(1.4)	

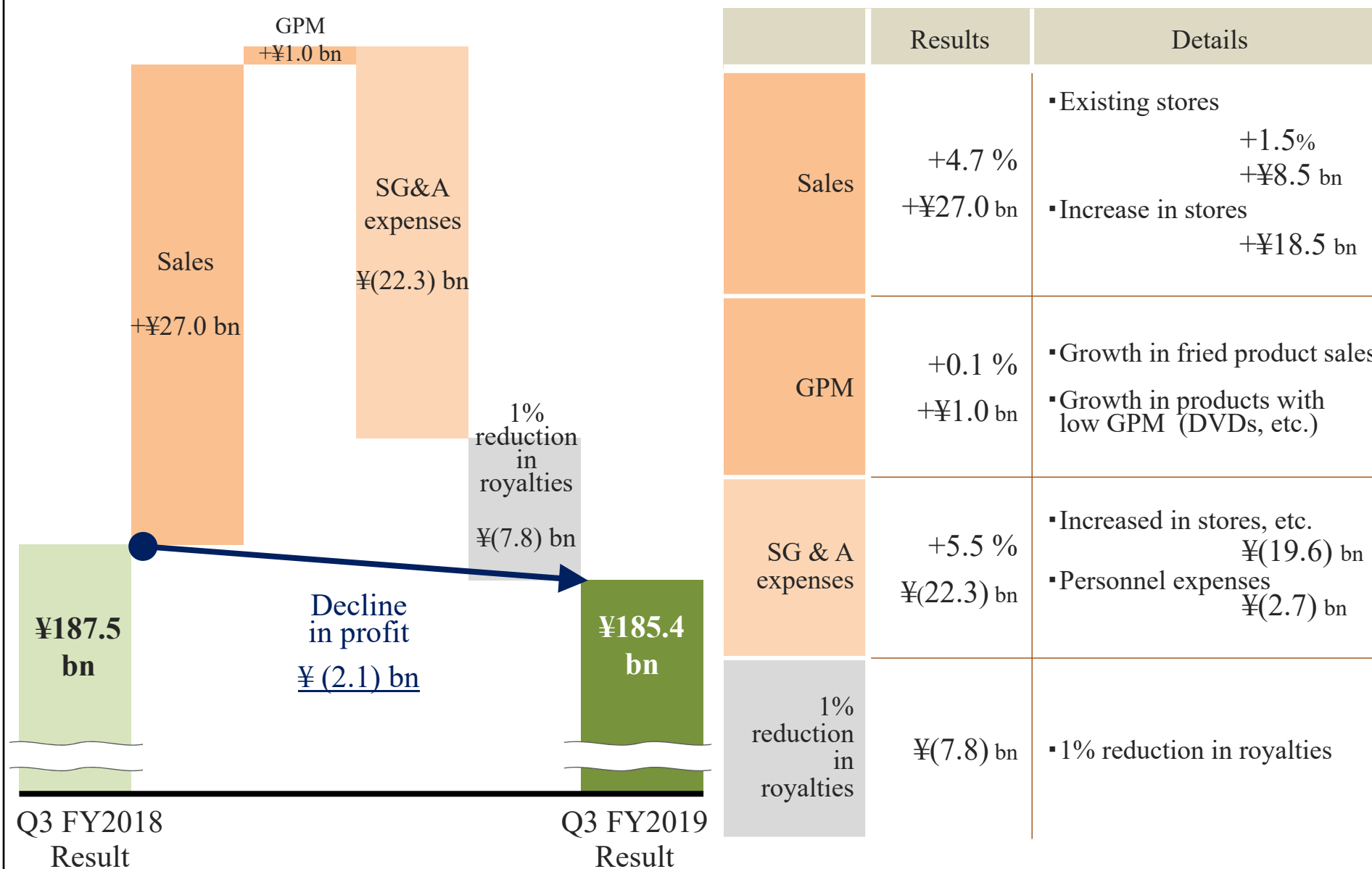
\*Group's total sales include the sales of Seven-Eleven Japan and 7-Eleven, Inc. franchisees.

Impact of reduced royalties at Seven-Eleven Japan was mainly covered by increased earnings in overseas CVS operations, financial services, and specialty store operations

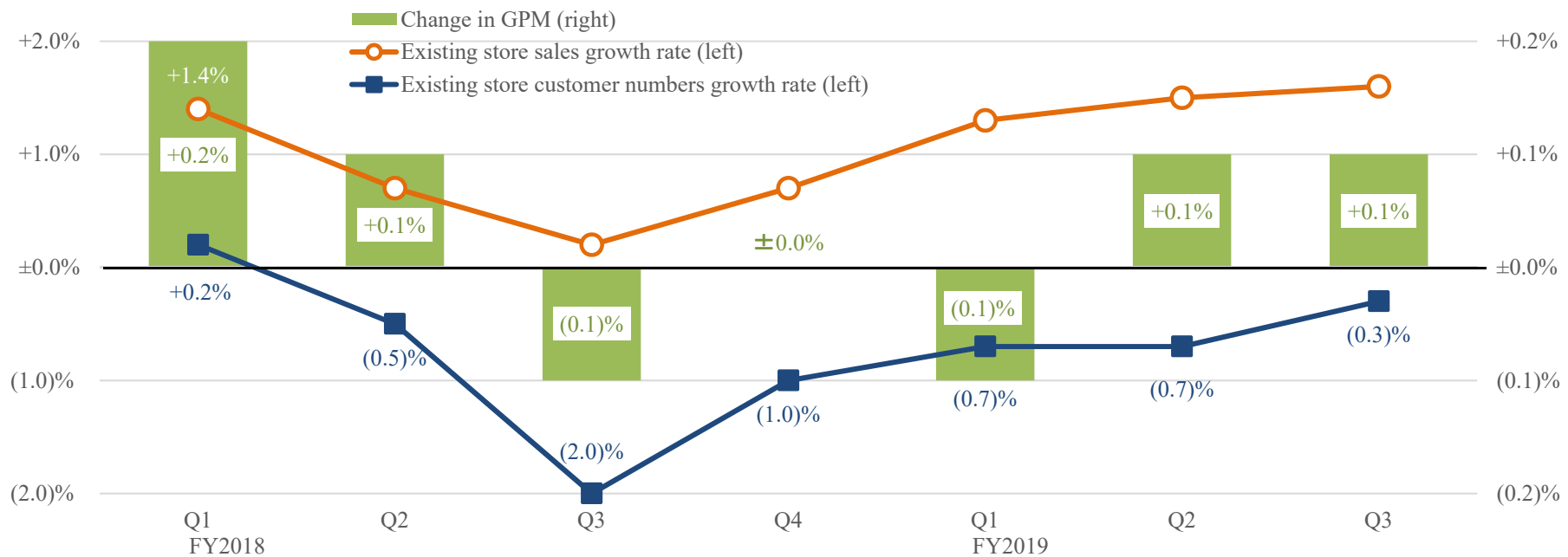
Operating income reached record highs for the 6th consecutive year.

# Seven-Eleven Japan SEJ

# SEJ: Operating Income Factors in YOY Change Nine Months Ended November 30, 2018



# SEJ: Existing Store Sales YOY, Number of Customers and Gross Profit Margin



## ◆ Initiatives and factors

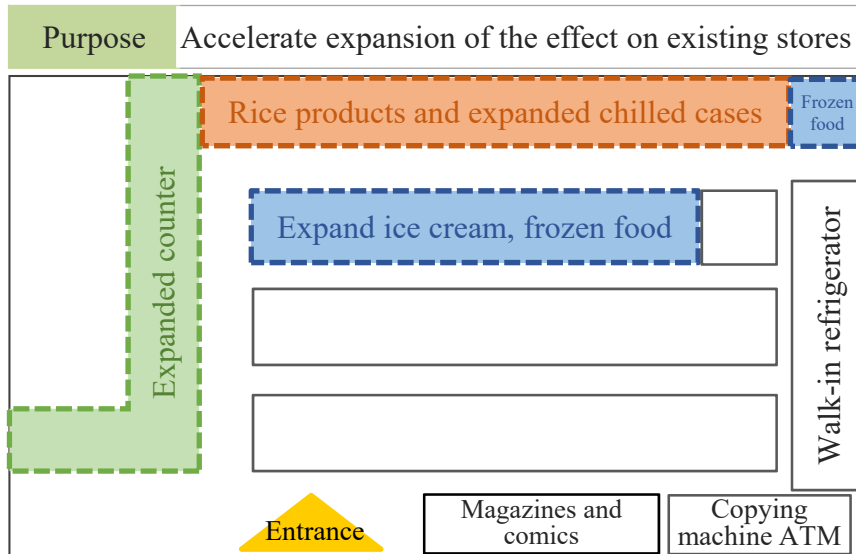
Existing store sales	No. of customers at existing store	GPM
<ul style="list-style-type: none"> <li>▪ Growth in sandwiches and noodles sales (renewed)</li> <li>▪ Growth in delicatessen sales (expand salable period)</li> <li>▪ Growth in health-oriented products</li> <li>▪ Rebound from irregular results following previous year's typhoon (October)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthen product assortment of fast food and frozen foods</li> <li>▪ App utilization rate up (August: 4.8% → November: 6.2%)</li> <li>▪ Rebound from irregular results following previous year's typhoon (October)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Yakitori skewered grilled chicken roll-out area expanded</li> <li>▪ Improve GPM of all fried products (from September)</li> <li>▪ Chilled milk beverage (café latte) sales growth (from September)</li> </ul>

Number of customers still down, but tending toward improvements in sales, number of customers and gross profit margin

\* FY2018 existing store sales include the sales of prepaid card

# SEJ: Progress in Introduction of New Layout

## ◆ Introduction of Type-F2 (from Q3 FY2019)



## ◆ Key categories (Type-F2 stores: Implemented in the week of Dec.17)

Categories	Sales increase effect	Details
Frozen foods	+¥2.9 k	Cooking ingredients-type products, tie-up products with famous stores Fried Rice Cup (new package)
Noodles	+¥1.1 k	Renewed microwavable noodles Development and sales expansion of health-oriented products
Sandwiches	+¥1.1 k	Development and sales of high-value-added products (roast beef sandwiches, casse-croute)
Fried products	+¥0.8 k	Expand sales of <i>Yakitori</i> (skewered grilled chicken)

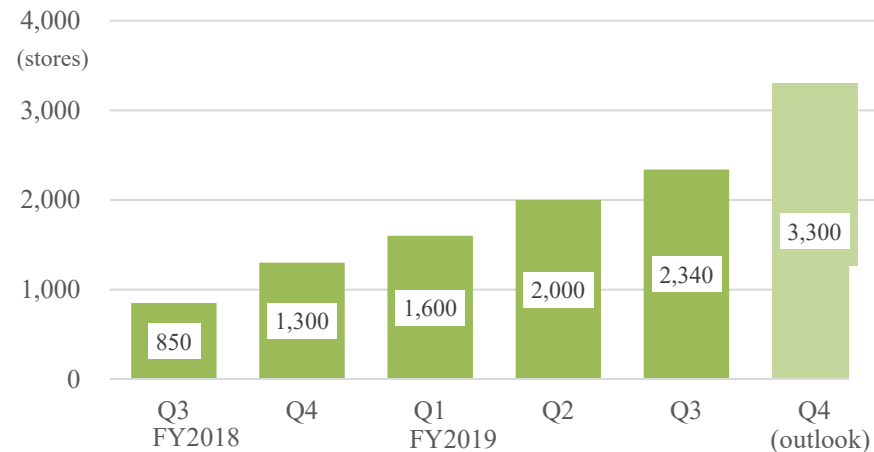
## ◆ Effect and progress

**Sales increase effect** +1.5 % - +3 %

### No. of stores introduced new layout in FY2019

End of Nov. 2018	1,040
End of Feb. 2019 (outlook)	2,000

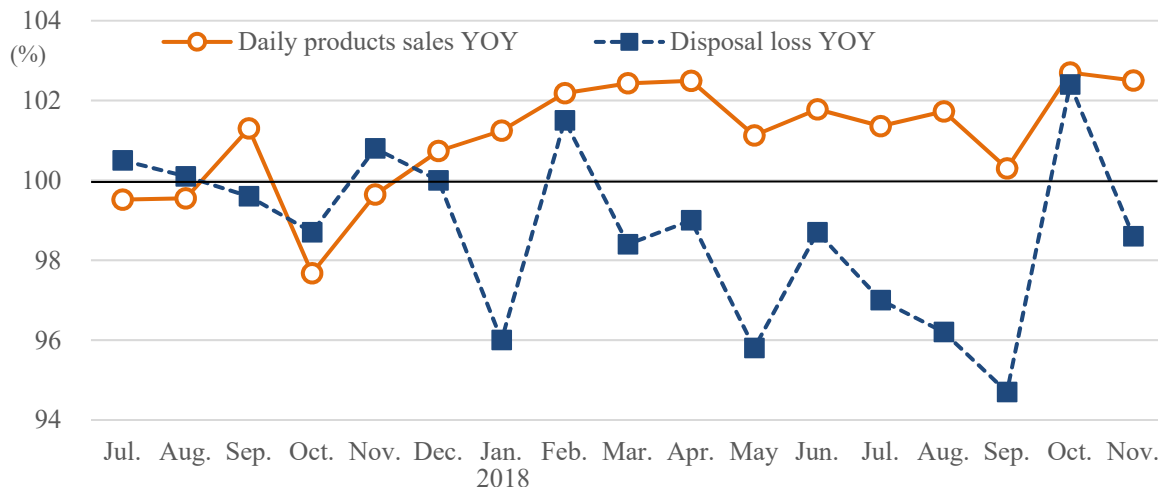
## ◆ Existing store sales growth rate and number of new layout store (cumulative)



# SEJ: Sales Expansion of Daily Products



## ◆ Daily products sales and disposal loss YOY



Daily products

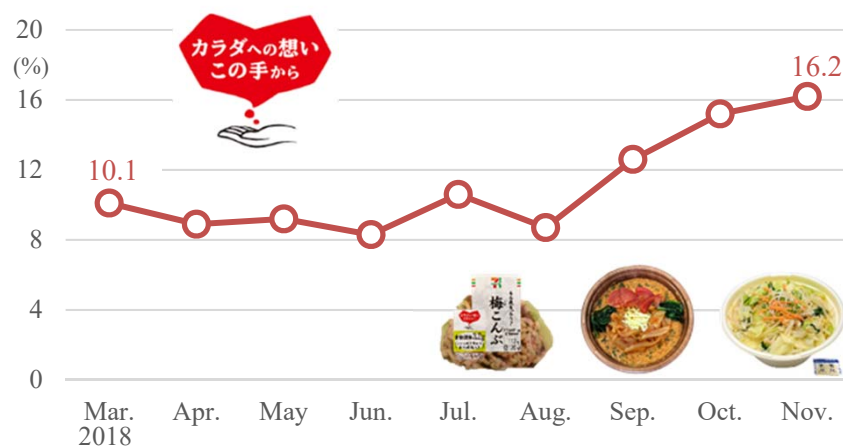
Cleared the previous year following the since the 1% reduction in royalties in September 2017

Disposal loss

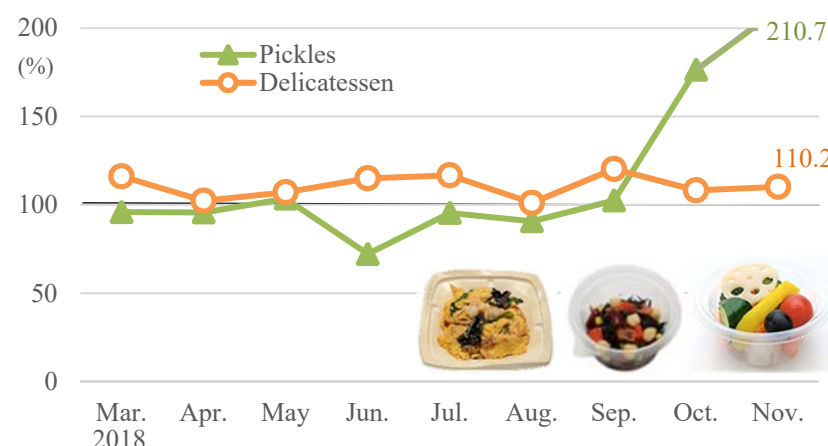
Effect of longer-lasting freshness and effort to sell ⇒ Reduced food loss

## ◆ Sales composition ratio of health-oriented products

\*Composition ratio versus total sales for this category



## ◆ Delicatessen and pickles sales YOY

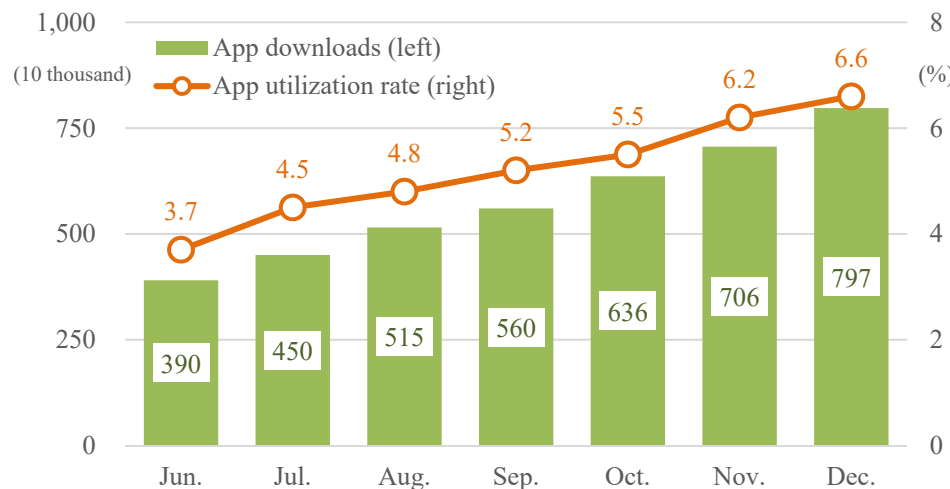


Sustained growth in sales of daily products as new proposals helped to expand the customer base

# SEJ: Effects and Progress



## ◆ App downloads and utilization rate



## ◆ Effect on No. of customers (Analysis of *nanaco* card)

(No. of store visits in October)	Non-app members	App members
2017	10.5 times	13.7 times
2018	10.2 times	15.1 times
Difference	(0.3) times	<b>+1.4 times</b>

\*A comparison between the 1.98 million app members who used the tie-up between the *nanaco* card and app and 10.55 million other *nanaco* members who visited stores in October

## ◆ Examples of coupon effects

### ■ Details



All app members were presented with a ticket entitling them to a free café latte

(November 1 - 14)

Having customers try a product with value leads to capturing product fans and new customers

### ■ Effect

SEVEN CAFÉ purchasing experience (October)	No	Yes
No. of members	4,780 thousand	490 thousand
Coupon user (utilization rate)	970 thousand (20.8%)	270 thousand (54.8%)
Continued user after two weeks (repeat rate)	160 thousand (3.3%)	80 thousand (15.3%)

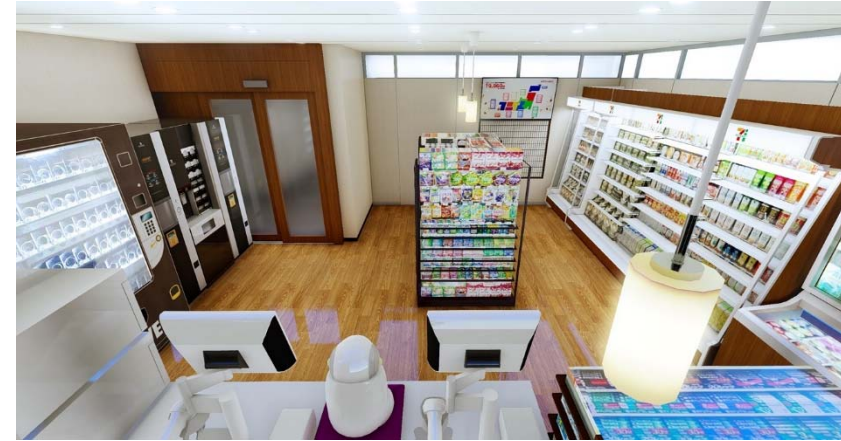
Captured 240 thousand new café latte fans



# SEJ: Initiatives for Reduced-Personnel Stores



## ◆7-Eleven Mita International Bldg. store (opened on December 17, 2018)



### Store entry through facial recognition

Recognize through facial information and automatically open doors

### Payment through facial recognition

Hands-free, simple payment, supporting company IDs

### Targeted advertising signage

Guess age, gender through facial image and display ads

### AI ordering system

Suggest order volumes based on sales results, weather forecasts, etc.

### Operational management of equipment

Collect information 24 hours/day, support stable operations

### Area detection through footage analysis

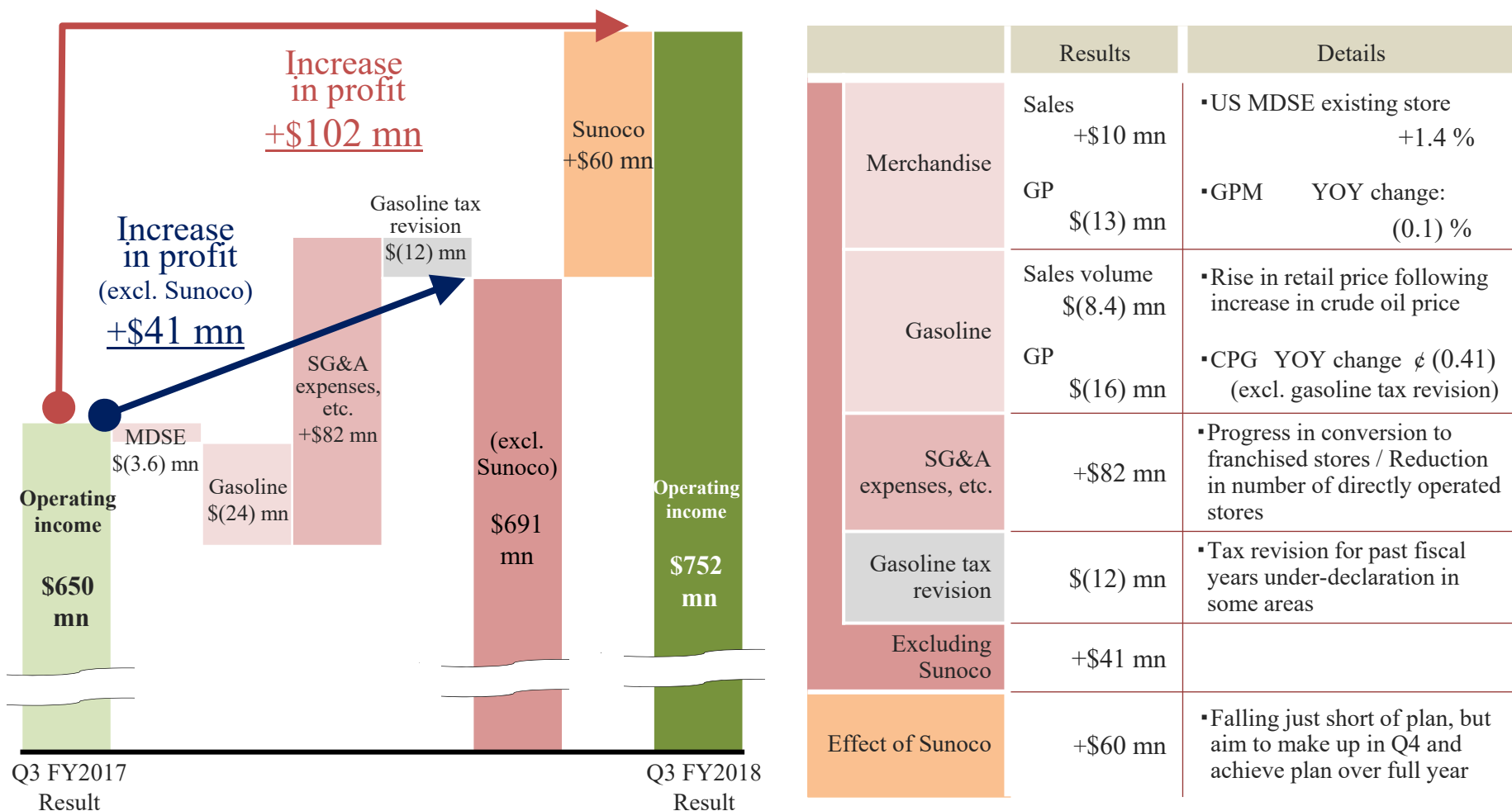
Confirm sales areas remotely, detect intrusions

Installed NEC's advanced technology, trial test for micro market support

Promote the "people- and environment-friendly store" concept to enhance idea of "close-by, convenient stores"

7-Eleven, Inc.  
SEI

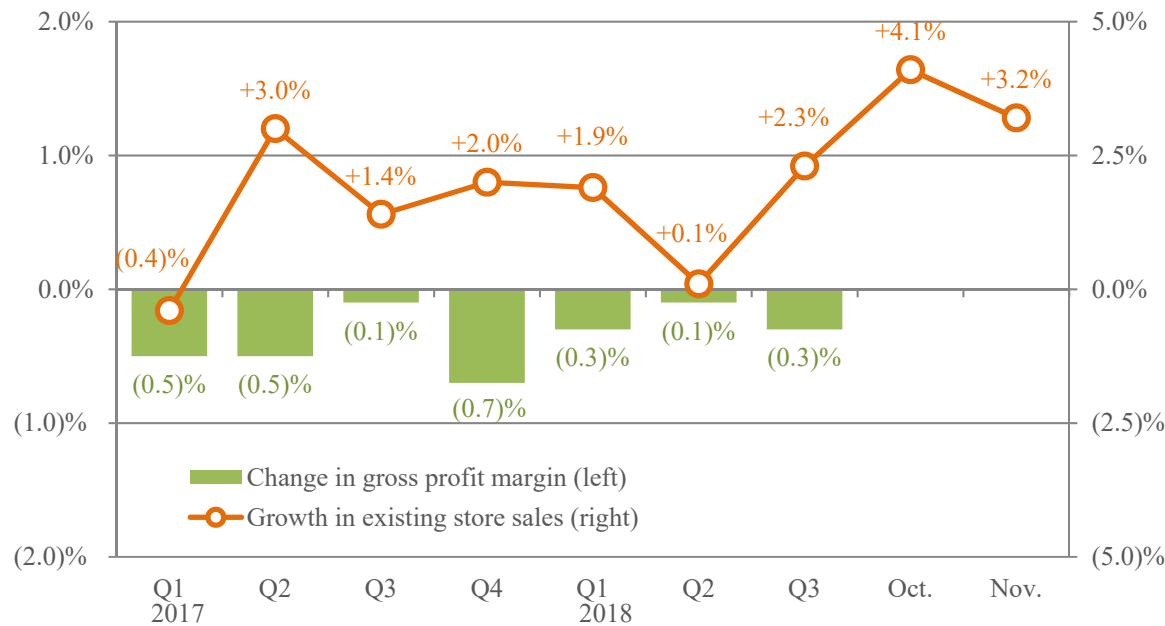
# SEI: Operating Income Factors in YOY Change Nine Months Ended September 30, 2018



Successfully optimized SG&A expenses and increased earnings, even excluding integrated stores, despite gross profit on gasoline falling into red

Sunoco pushed up \$60 million due to increased maintenance and refurbishment costs, etc., but it has been steady recently

# SEI: Existing Store Sales and Gross Profit Margin



## Existing store MDSE sales

Q3 onward was robust despite struggling due to special factors in Q2

## Merchandise GPM

7Rewards impact: (0.2) %  
Acquisition of Sunoco stores drove down: (0.2) %

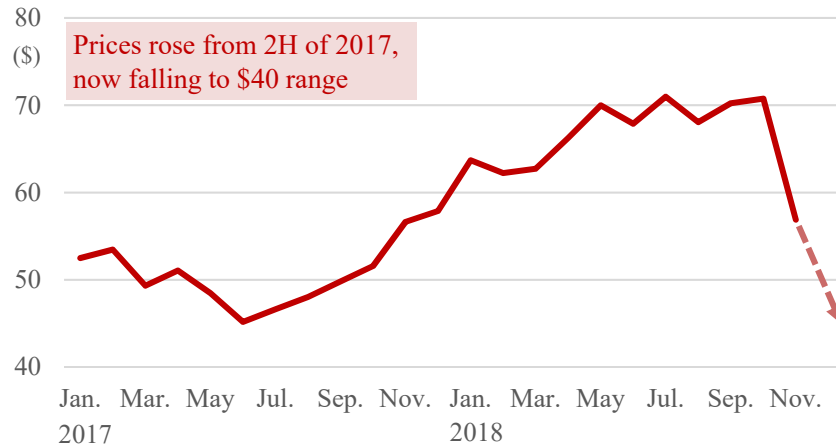
## ◆ Measures to further improve sales and gross profit

Digital strategy	Fresh foods	Private brand “7-Select”
<ul style="list-style-type: none"> <li>Effect of 7 Rewards program</li> <li>No. of members: 17 million</li> <li>Utilization rate: 11.0%</li> <li>⇒ Number of customers: +3.8</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives with Warabeya Nichiyo HD (SEJ-style team merchandising)</li> <li>Development of regional products (Dallas, LA, NY, D.C.)</li> </ul>	<ul style="list-style-type: none"> <li>Improve quality</li> <li>Expand handled product categories ⇒ Targeting 10% of sales over the medium- to long-term</li> </ul>

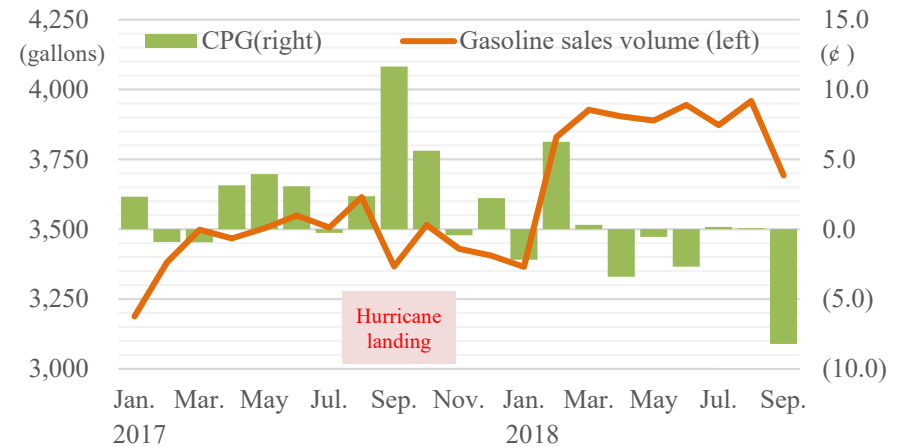
# SEI: Gross Profit on Gasoline

## ◆ Crude oil price (WTI)

Source: EIA



## ◆ Gasoline sales volume (/day/store) and YOY change in CPG



## ◆ Gross profit on gasoline



Increased sales volume offset harsh conditions in cents / gallon due to the increase in crude oil price and impact of previous year's hurricane  
 ⇒ Gross profit grew as planned



Crude oil price dropped in Q4  
 ⇒ Further improvements from gasoline earnings

# SEI: Sunoco Results (Q3 YTD FY2018)



## ◆ Operating figures (Average daily sales per store)

	Sunoco	SEI (excl. Sunoco)	Difference
Merchandise (\$)	4,990	5,000	(10)
Gasoline (gallons)	5,090	3,490	+1,600

## ◆ Financial figures

(FX rate: \$1=¥109.60)

	Sunoco		SEI (excl. Sunoco)		Total	
		YOY		YOY		YOY
Operating income (\$ mn)	60.8	-	691.7	106.4%	752.6	115.7%
Operating income (¥ mn)	6,673	-	75,817	104.2%	82,490	113.4%
Amortization of goodwill (¥ mn)	5,714*	-	8,152	92.3%	13,866	156.9%
Contribution to consolidated operating income (¥ mn)	959	-	67,665	105.8%	68,624	107.4%

Full-year target achievement forecast due to remodeling effects, growth in gasoline gross profit due to fall in crude oil price, etc. in Q4

\*Goodwill: Calculated as US\$1,390 million. For details, please see page 9 of the Consolidated Financial Results for the Nine Months ended Nov. 30, 2018

# Ito-Yokado

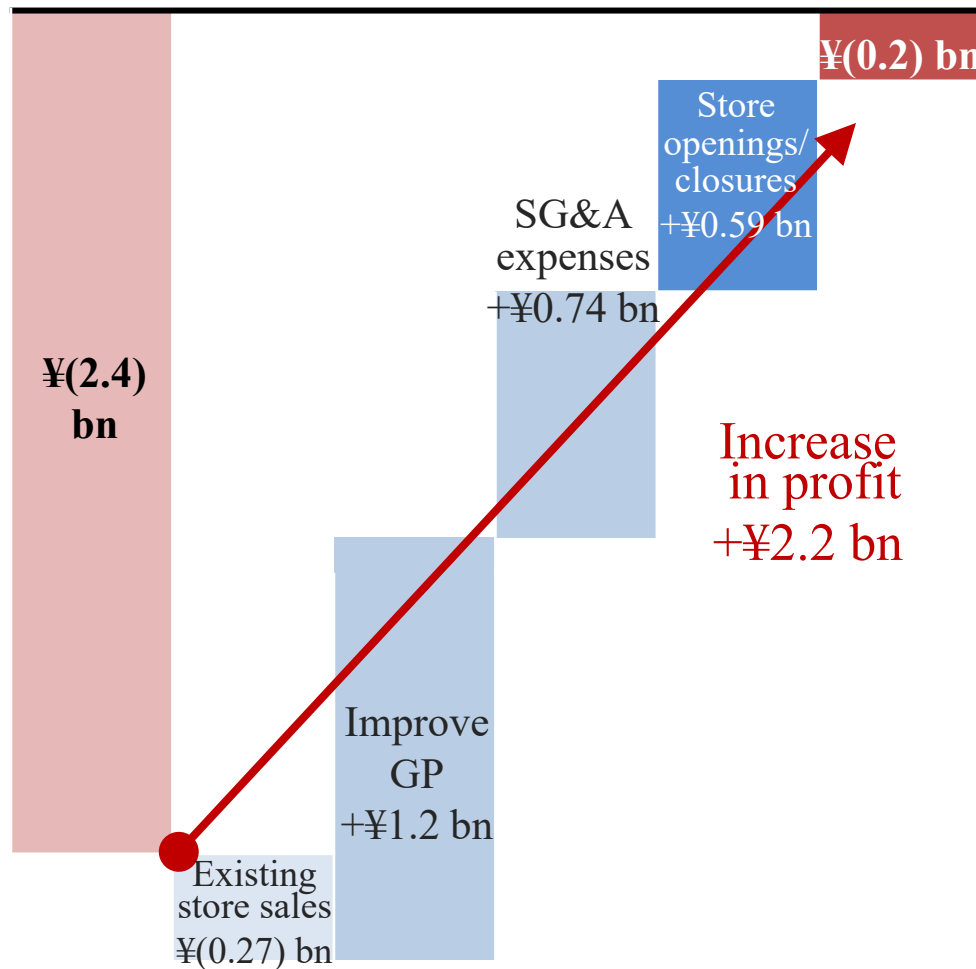
## IY

# IY: Operating Income Factors in YOY Change Nine Months Ended November 30, 2018



Q3 FY2018  
Result

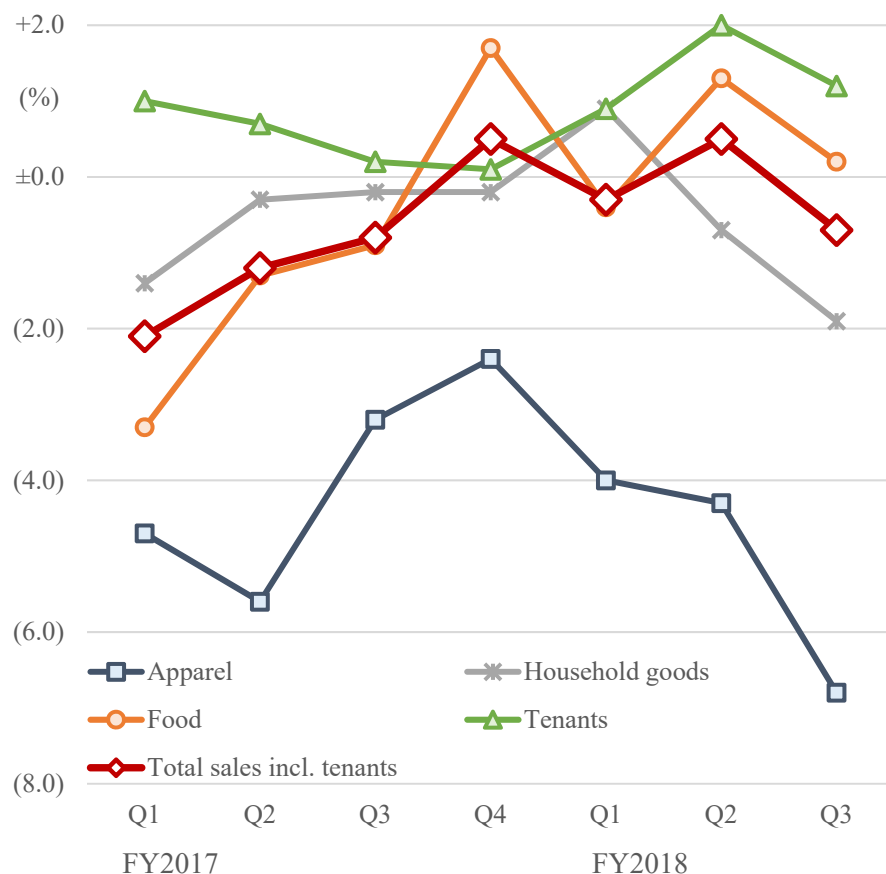
Q3 FY2019  
Result



	Results	Details
Sales (incl. tenants)	(0.2)% ¥(0.27) bn	<ul style="list-style-type: none"> <li>Stores that implemented structural reforms +2.7%</li> <li>Other existing stores (1.5)%</li> </ul>
GPM	+0.2% +¥1.2 bn	<ul style="list-style-type: none"> <li>Food (0.2)%</li> <li>Apparel +2.0%</li> <li>Household goods (0.2)%</li> </ul>
SG&A expenses	(1.3)% +¥0.74 bn	<ul style="list-style-type: none"> <li>Personnel expenses (3.0)%</li> <li>Store expenses (1.2)%</li> <li>Ad expenses (6.7)%</li> </ul>
Existing store sales total	+¥1.6 bn	Of which, effect of structural reforms +¥1.5 bn
Store openings/closures	+¥0.59 bn	<ul style="list-style-type: none"> <li>Store openings: 3</li> <li>Store closures: 10</li> </ul>



# IY: Sales Growth Rate by Product Category



	1H	Q3	YTD
Apparel	(4.1)%	(6.8)%	(5.0)%
Household goods	+0.1%	(1.9)%	(0.6)%
Food	+0.5%	+0.2%	+0.4%
Total merchandise sales	(0.5)%	(1.5)%	(0.8)%
Tenants	+1.4%	+1.2%	+1.3%
Total sales incl. tenants	+0.1%	(0.7)%	(0.2)%

Overall stores including tenants decreased YOY as were unable to cover sluggish results in apparel due to factors as a warm winter, despite food and tenants continue to outpace the previous year's performance

Reduce winter merchandise at the earliest opportunity in Q4  
 ⇒ Apparel inventory level at FY2019 year-end is expected to be lower than at FY2018  
 (FY2018: ¥29.5 bn → FY2019: Approx. ¥29.0 bn)

# IY: Promotion of Structural Reforms

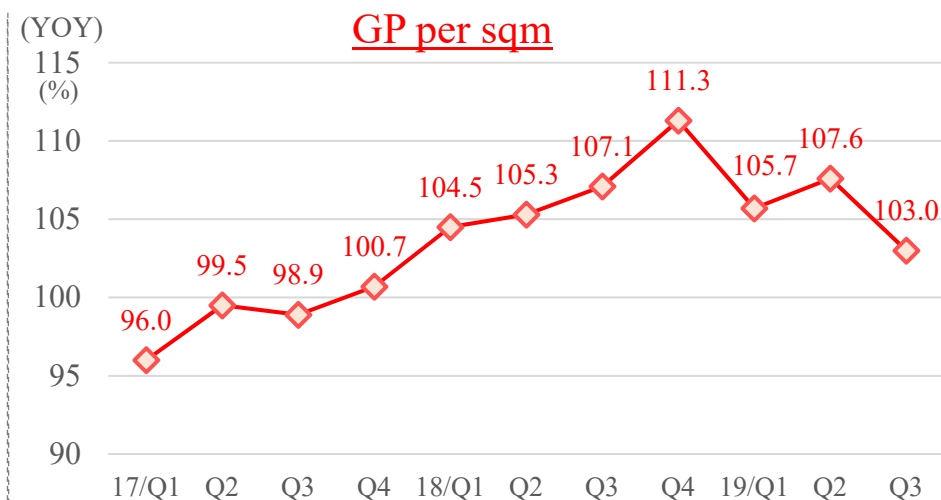
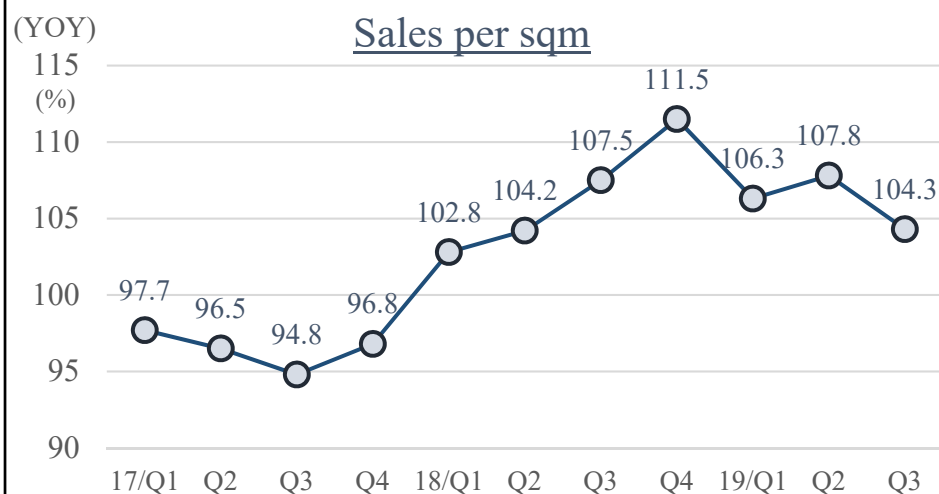


## ◆ Progress on structural reforms

	FY2017	FY2018	FY2017 and FY2018	1H FY2019	Q3	YTD FY2019	Total
Details (Number of stores)	7	29	36	7	8	15	51
Conversion to largescale shopping center <i>Ario</i>	-	1	1	-	-	-	1
Invigorate existing <i>Ario</i>	4	9	13	2	1	3	16
Tenant mix initiatives and sales area reforms	3	9	12	5	7	12	24
Model stores with strengthened food orientation (Renovate the food sales areas to new format)	-	10	10	-	-	-	10
Closures (Plan 40 stores closures from FY2017 to FY2021)	15	9	24	1	-	1	25

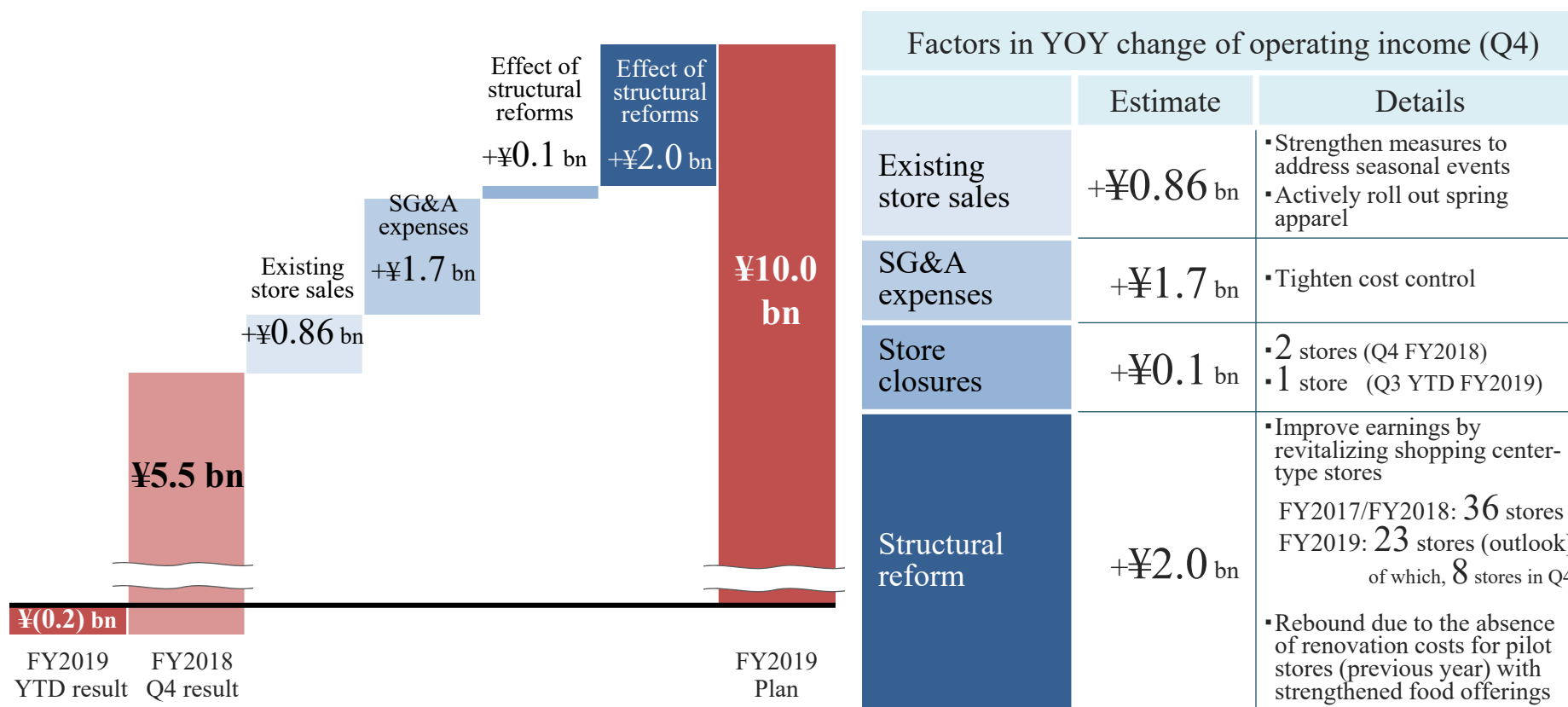
\*FY2019 results and plan include lower sales from apparel and household goods at stores with strengthened food orientation and stores with adjusted tenant mix

## ◆ Results from stores where structural reforms have been implemented (YOY trend for 36 stores that complete structural reforms by FY2018)



Profitability of stores that implemented structural reforms continued to improved  
⇒ Expand successful example across IY stores

# IY: Toward Achieving the Full-year Operating Income Plan

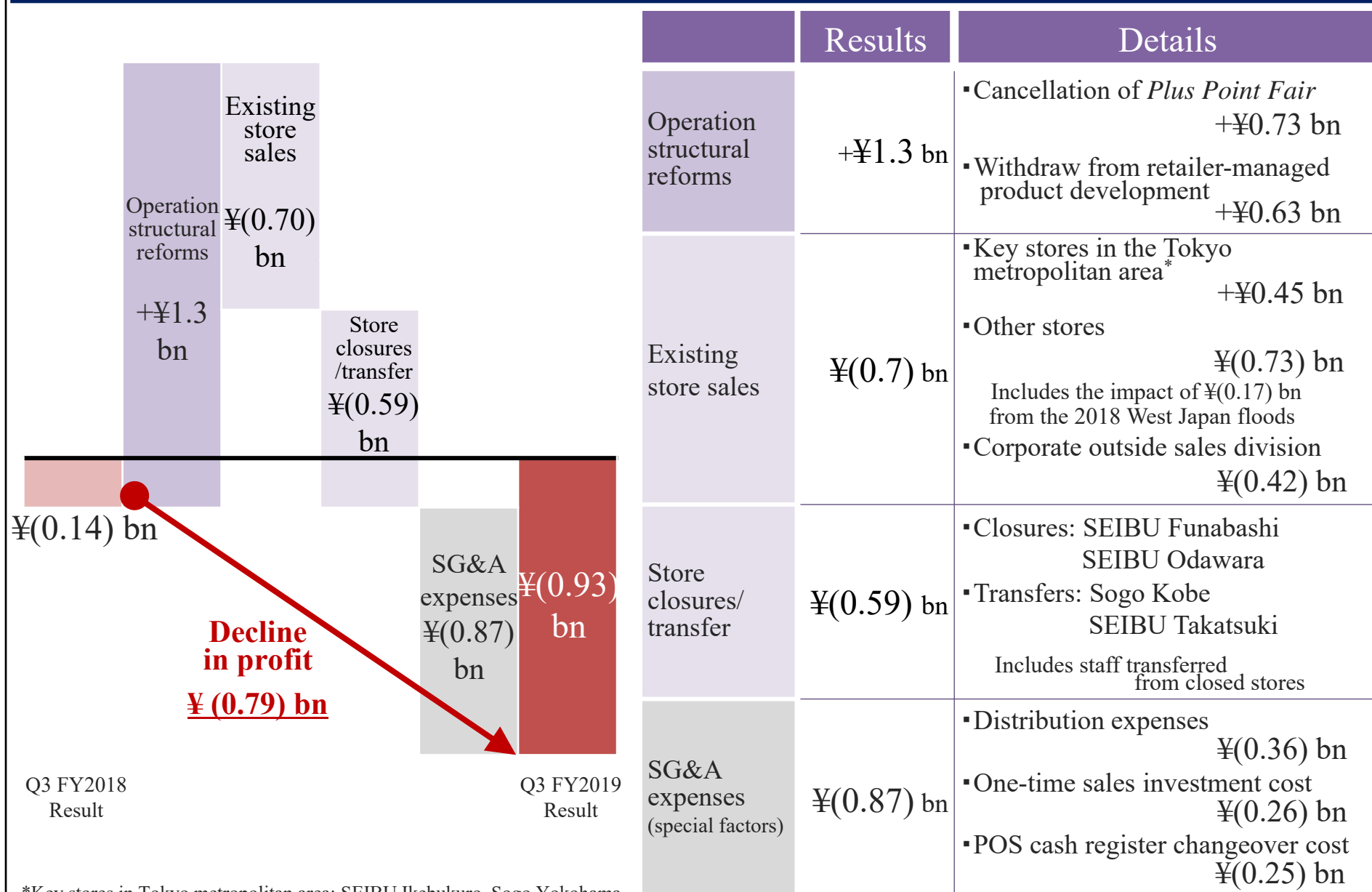


Seek to achieve targets by enhancing sales capabilities and controlling costs

Sales initiatives		Optimize costs
Strengthen measures to address seasonal events (New Year, <i>Ehomaki</i> sushi roll, Valentine's Day, and other such events)	Food: Upgrade and expand the range of easy meal products (delicatessen and frozen food, etc.)	Personnel expenses (rigorously enforce time management)
Actively host event campaigns (product fairs, etc.)	Apparel / Household goods: Sell out all winter merchandise and roll out spring merchandise at the earliest opportunity	Reduce inefficient spending on utility costs and supplies, etc.

Sogo & Seibu  
SS

# SS: Operating Income Factors in YOY Change Nine Months Ended November 30, 2018



\*Key stores in Tokyo metropolitan area: SEIBU Ikebukuro, Sogo Yokohama, Sogo Chiba, SEIBU Shibuya and Sogo Omiya

# SS: Results (Q3 YTD FY2019)



	1H FY2019		Q3 FY2019		YTD FY2019		
		YOY/Change		YOY/Change		YOY	Change
Revenue from operations	¥297.2 bn	86.3 %	¥145.8 bn	93.9 %	¥443.1 bn	88.7 %	¥(56.6) bn
Sales	¥292.0 bn	86.3 %	¥143.1 bn	93.8 %	¥435.1 bn	88.6 %	¥(55.8) bn
SG & A expenses	¥65.7 bn	88.4 %	¥33.0 bn	92.4 %	¥98.8 bn	89.7 %	¥(11.3) bn
Operating income	¥(0.29) bn	¥(0.91) bn	¥(0.64) bn	+¥0.12 bn	¥(0.93) bn	-	¥(0.79) bn
Existing store sales growth	(1.0) %	-	+0.3 %	-	(0.6) %	-	-
MDSE GP margin	24.5 %	+0.5 %	24.6 %	(0.2) %	24.6 %	-	+0.3 %
Store count (End of Nov. 2018)	15	(4)	15	(2)	15	-	(2)
Capex	¥6.6 bn	+¥1.7 bn	¥6.6 bn	+¥4.0 bn	13.3 bn	176.1 %	+¥5.7 bn

Income increased in Q3 but could not cover decreased income in 1H

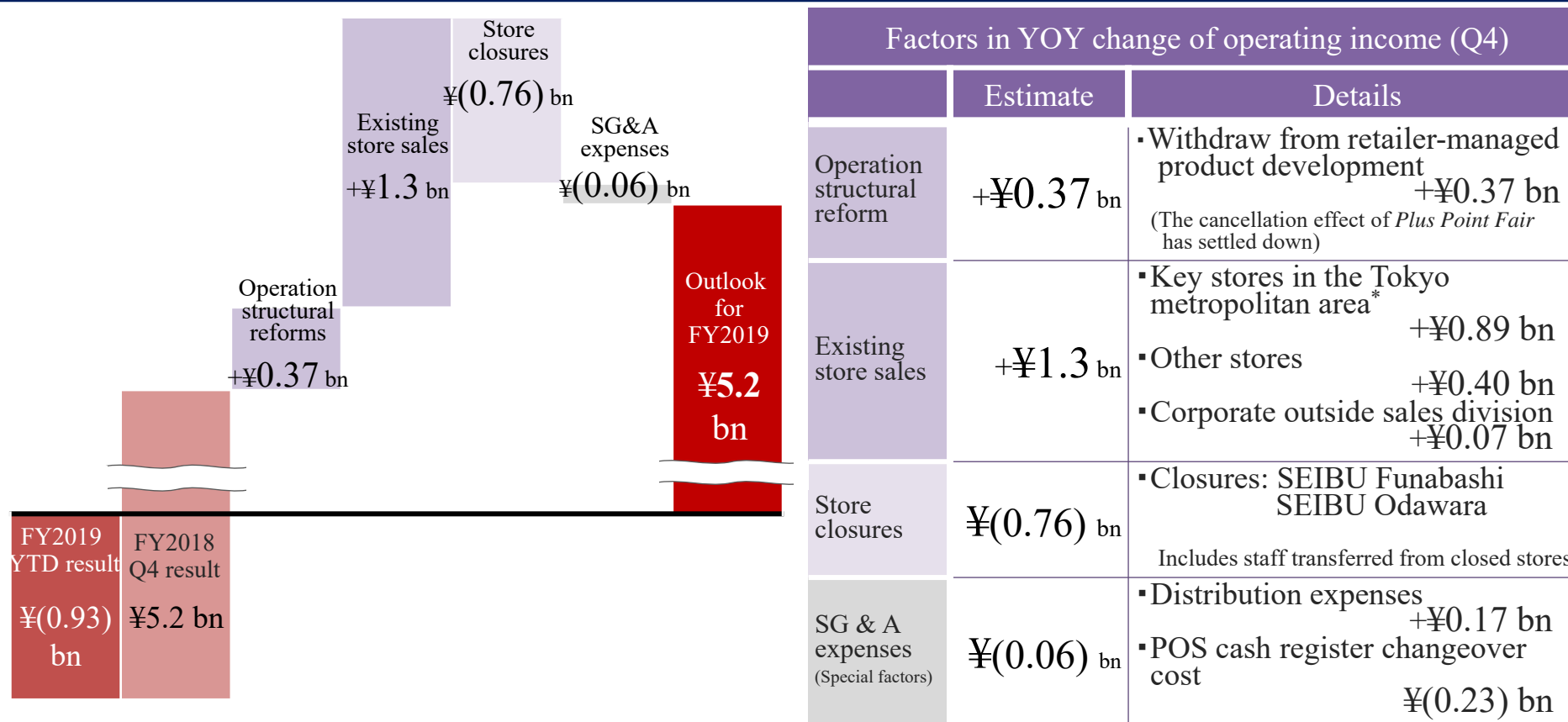
Positive factors

Sales reform effects,  
robust performance in Tokyo  
Metropolitan Area stores

Negative factors

Increased expenses in system  
investment, etc.

# SS: Toward Achieving the Full-year Operating Income Plan



Aim to achieve full-year targets by strengthening sales centering on key stores in the Tokyo Metropolitan Area and further reductions of expenses

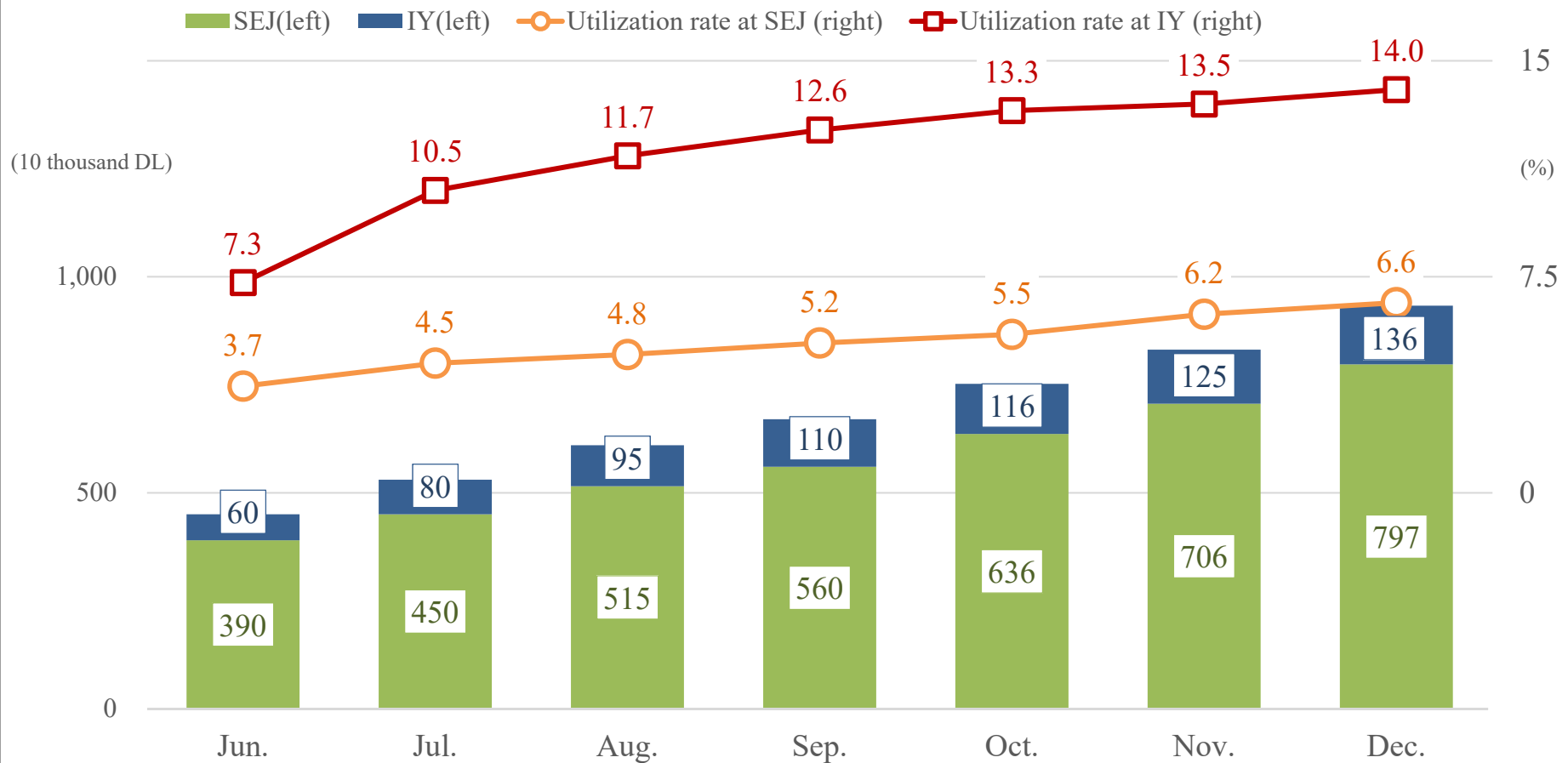
Sales initiatives		Right-sizing of expenses
Maximize effects of winter clearance sales	Strengthen approach to VIP customers (demand surge before tax increase)	Labor costs (meticulous management of working hours)
Strengthen approach to inbound tourists (Lunar New Year response)	Corporate outside sales division (ripple effect of increase in staff)	Efficient operation of advertising expenses

\*Key stores in Tokyo Metropolitan Area: SEIBU Ikebukuro, Sogo Yokohama, Sogo Chiba, SEIBU Shibuya and Sogo Omiya

# CRM / Digital Strategies



# CRM Strategy (App Downloads and Utilization Rate)



The number of app downloads increased steadily for both of SEJ and IY  
 (Target: a total of 10 million downloads for the two companies combined by the end of May 2019)

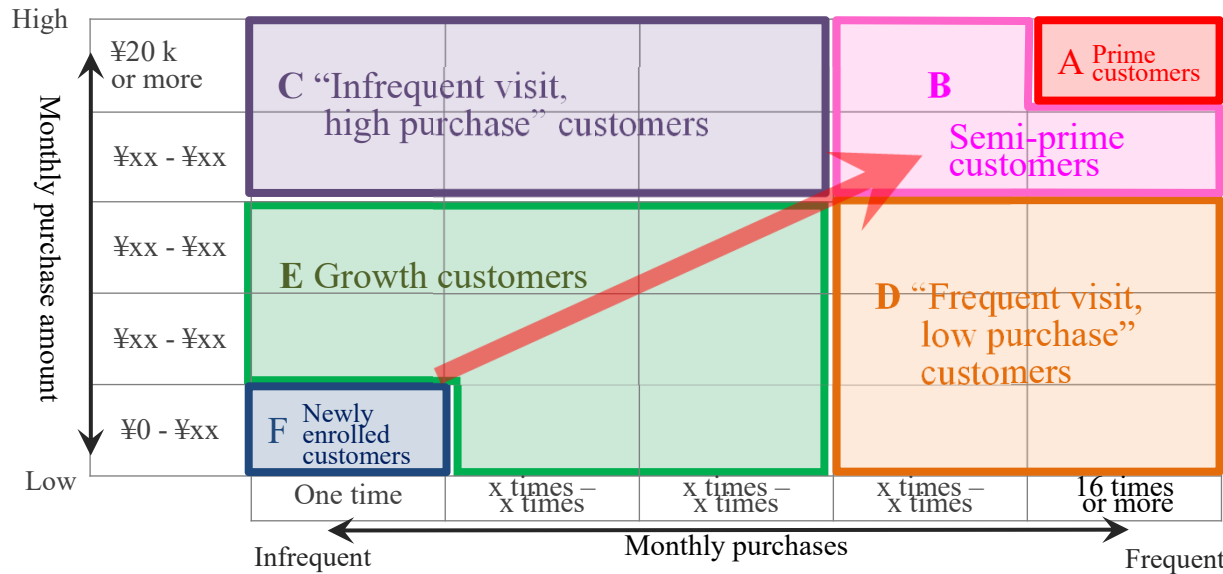


Improve user friendliness, enhance content and strengthen promotions to encourage continued use of the apps

# CRM Strategy (Customer Analysis)

## Customer map

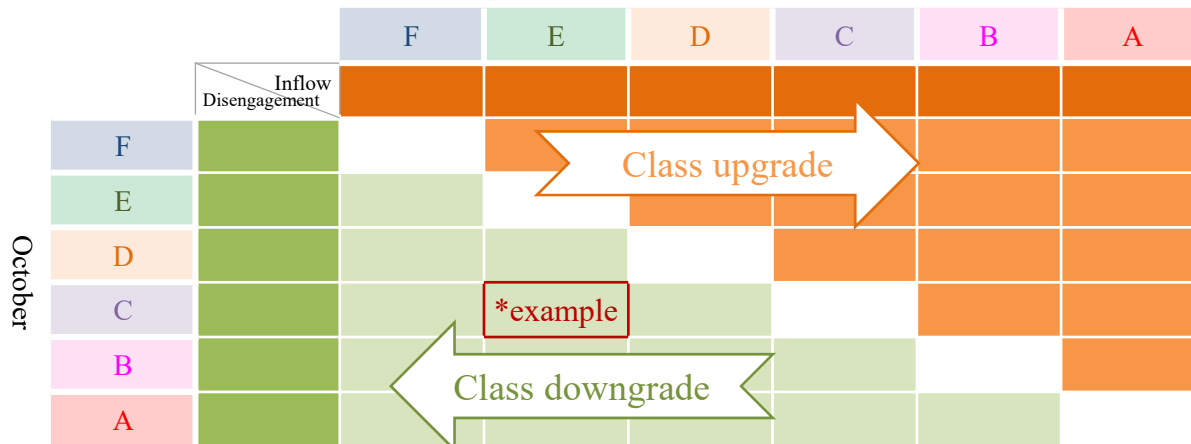
\*Period covered: Nov. 1 – Nov. 30, 2018  
Applicable customers: 7iD members who made purchases during the covered period



Composition ratio (%)	No. of members	Purchase amount
A Prime customers	7.5	30.9
B Semi-prime customers	14.1	26.5
C "Infrequent visit, high purchase" customers	7.6	16.7
D "Frequent visit, low purchase" customers	20.6	12.1
E Growth customers	37.8	12.8
F Newly enrolled customers	12.5	0.8

20% of customers account for approximately 60% of net sales as a whole

## Analysis of member movement (from October to November)



Produce a customer map every month

Capture member class movement  
Example:  
"C" in Oct. → Demoted to "E" in Nov.

Propose and implement measures

# CRM Strategy (Issues and Responses)

## ◆ Examples

### Prevent disengagement

**WELCOME BACK MILES**

お買い物金額(税抜)	ボーナスマイル
500 500円以上	50マイル
1000 1,000円以上	100マイル
1000 3,000円以上	300マイル
5000 5,000円以上	500マイル
10000 10,000円以上	1,000マイル
10000 30,000円以上	3,000マイル

### Welcome Back miles

Bonus miles awarded to members if they have not made a purchase for a certain period

Bonus miles awarded as many times as the members made purchases during the period

⇒ October: Approx. 30% of awarded members made repeat purchases

### Promote class upgrades

**SEVEN-i app**: 5回お買い物  
**My-7 Card**: 3回お買い物  
**omni7**: 1回お買い物

### Promote shopping around multiple sales areas, promote purchase frequency

Bonus miles awarded for the number of purchases made at SEJ, IY and on the “omni7” site

⇒ October: Responses obtained from Approx. 25% of members

**App members only!!**  
**SPECIAL COUPON**  
 Seven CAFÉ latte  
 Seven CAFÉ  
**1 FREE DRINK**

### Members-only coupons (Refer to page 6 for examples)

One free café latte

Connect value recognition to continued purchases

⇒ November: Acquired 24.0 thousand customers

# CRM Strategy (Trend in Members by Class)

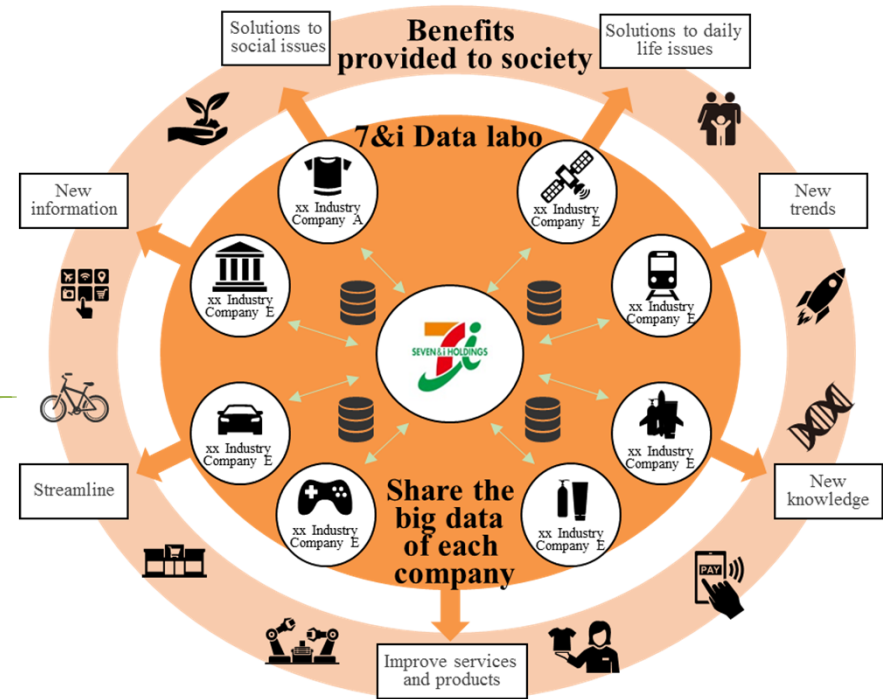
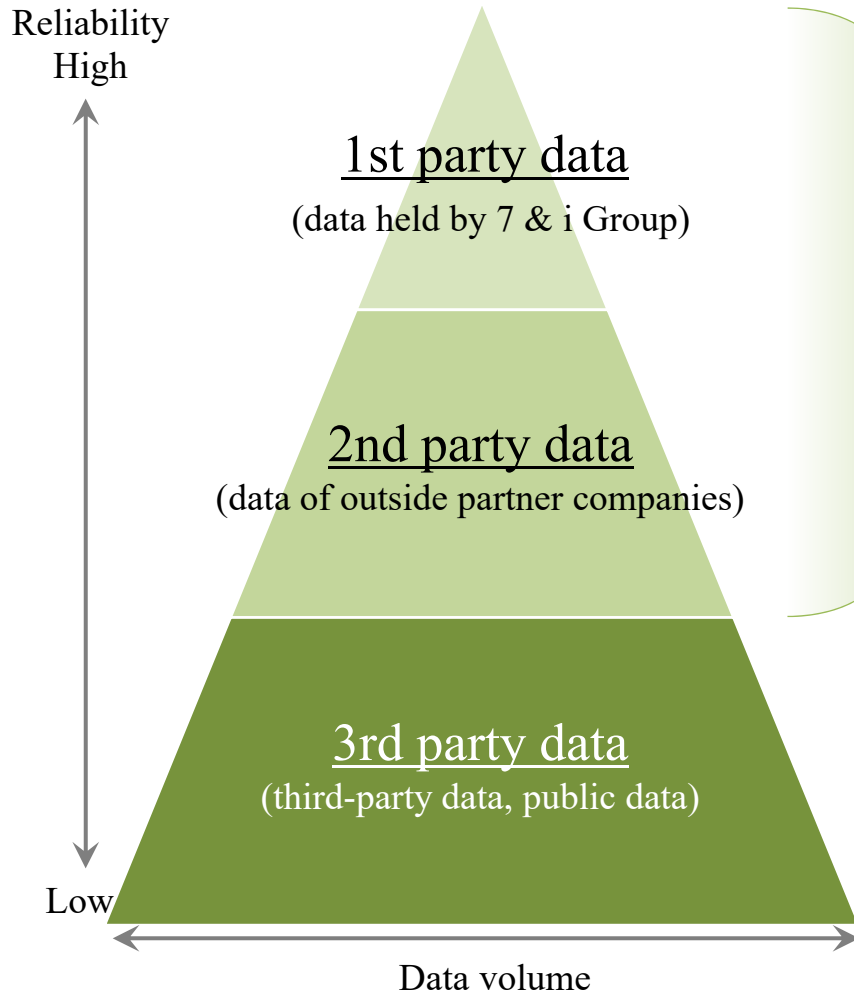


Only half a year has passed since starting, but have achieved a certain new customer acquisition and a certain degree of class upgrades

Use Seven & i Data Labo for more detailed customer analysis and hypothesis formation  
 ⇒ Promote PDCA cycle

# CRM Strategy (Seven & i Data Labo)

## ◆ Data hierarchy and outlook of 7& i Data labo



Seven & i Data Labo	
Start date	From June 1, 2018
Participating outside companies	10 companies (initially) → 20 companies (as of Nov. 30 2018)
Purpose	Data sharing among different industries → Solve social issues

Deepen coordination with partner companies, with the aim of increasing corporate value and solving social issues

# FY2019 Forecast

# Consolidated Financial Results Forecast for FY2019



(Billions of yen, %)

		Full-year	
		YOY	Change
Group's total sales*	11,920.0	107.9	+871.7
Revenue from operations	6,683.0	110.7	+645.1
Operating income	415.0	106.0	+23.3
Ordinary income	408.5	104.5	+17.7
Net income attributable to owners of parent	210.0	115.9	+28.8

No change from announcement on April 6, 2018

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



# A p p e n d i x

---



# Overview of Consolidated Financial Results for Q3 FY2019



(Billions of yen, %)

	Q3 (Sep. - Nov.)			YTD		
		YOY Change	vs Budget Difference vs Budget		YOY Change	vs Budget Difference vs Budget
Group's total sales*	3,062.5	110.7 +296.6	100.8 +25.5	9,012.9	109.0 +747.4	100.9 +75.9
Revenue from operations	1,728.8	115.8 +236.3	101.3 +22.8	5,072.3	113.2 +592.6	102.0 +97.3
Operating income	104.6	103.3 +3.3	98.4 (1.6)	304.2	102.9 +8.4	100.4 +1.2
Ordinary income	103.1	101.5 +1.5	98.6 (1.4)	299.9	101.4 +4.2	100.4 +1.1
Net income attributable to owners of parent	54.9	91.8 (4.9)	92.6 (4.3)	156.2	104.7 +7.0	97.5 (4.0)

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

# Revenues from Operations by Business Segment for Q3 FY2019



(Billions of yen, %)

	Q3 (Sep. - Nov.)			YTD		
		YOY	Change		YOY	Change
<b>Consolidated revenues from operations</b>	1,728.8	115.8	+236.3	5,072.3	113.2	+592.6
Domestic CVS operations	238.9	102.9	+6.6	725.2	102.9	+20.2
Overseas CVS operations	764.9	148.6	+250.0	2,122.8	144.1	+650.0
Superstore operations	457.7	100.3	+1.3	1,406.2	100.5	+7.0
Department store operations	140.5	94.2	(8.5)	426.4	89.0	(52.9)
Financial services	54.6	106.7	+3.4	162.7	106.7	+10.2
Specialty store operations	84.3	83.6	(16.4)	267.0	86.3	(42.3)
Others	6.1	97.5	(0.15)	17.6	98.8	(0.22)
Eliminations / corporate	(18.5)	-	+0.05	(55.9)	-	+0.68

# Operating Income by Business Segment for Q3 FY2019



(Billions of yen, %)

	Q3 (Sep. - Nov.)			YTD		
		YOY	Change		YOY	Change
<b>Consolidated operating income</b>	104.6	103.3	+3.3	304.2	102.9	+8.4
Domestic CVS operations	58.6	102.2	+1.2	186.4	98.9	(1.9)
Overseas CVS operations	32.3	106.2	+1.8	68.6	107.4	+4.7
Superstore operations	0.45	19.1	(1.9)	9.8	108.9	+0.80
Department store operations	(0.48)	-	+0.10	(0.38)	-	(0.67)
Financial services	14.5	106.7	+0.92	42.9	108.7	+3.4
Specialty store operations	1.5	-	+1.7	5.3	778.7	+4.6
Others	0.71	53.6	(0.61)	2.0	59.3	(1.4)
Eliminations / corporate	(3.2)	-	(0.01)	(10.6)	-	(1.1)

# Operating Income for Major Operating Companies for Q3 FY2019



(Billions of yen, %)

	Q3 (Sep. - Nov.)			YTD		
		YOY	Change		YOY	Change
Seven-Eleven Japan	57.9	102.0	+1.1	185.4	98.9	(2.1)
7-Eleven, Inc.	37.3	111.9	+3.9	82.4	113.4	+9.7
[Millions of dollar, %]	[336]	[112.5]	[+37]	[752]	[115.7]	[+102]
Ito-Yokado	(2.0)	-	(1.5)	(0.20)	-	+2.2
York-Benimaru <incl. Life Foods* >	2.7	88.5	(0.35)	10.5	89.5	(1.2)
Sogo & Seibu	(0.64)	-	+0.12	(0.93)	-	(0.79)

\* 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.

# Special losses Q3 YTD FY2019



(Billions of yen)

Q3 FY2019

		Change	Major factors
<b>Special losses total</b>	64.4	+4.1	
Restructuring expenses	1.5	(21.3)	Fall back from impairment loss related to the Sogo & Seibu (SS)'s two stores at <i>Kansai</i> region in the previous period [17.0]
Impairment loss on property & equipment	31.9	+13.4	Impairment loss related to overseas business at Seven Bank [7.1] increased closures at Seven-Eleven Japan (SEJ), Cash register changeover at SS
Amortization of goodwill	3.8	+3.8	Amortization of goodwill related to overseas business at Seven Bank [3.8]
Loss on sales of shares of subsidiaries	3.3	+1.6	Sales of shares of subsidiaries at Nissen Holdings [3.3]
Loss on disposals of property & equipment	13.0	(0.48)	
Reference			
<b>Q3 (Sep.-Nov.)</b>	18.6	+8.2	Loss, etc. related to increased closures at SEJ and damage from natural disasters

This document contains certain statements based on the Company's current plans, estimates, strategies, and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. It is possible that the Company's future performance will differ from the contents of these forward-looking statements. Accordingly, there is no assurance that the forward-looking statements in this document will prove to be accurate.