



# Financial Results Presentation 1H FY2020

October 11, 2019

Seven & i Holdings Co., Ltd.

# 1H FY2020 Consolidated Financial Results Highlights



◆ Achieved record-high operating income and net income attributable to owners of parent

(Billions of yen)

	FY2019	FY2020				
			YOY(%)	Variance	vs. plan (%)	Variance
Group's total sales*	5,950.3	5,997.4	100.8	+47.1	98.8	(74.5)
Revenues from operations	3,343.5	3,313.2	99.1	(30.3)	99.3	(23.7)
Operating income	199.6	205.1	102.8	+5.5	100.3	+0.52
Net income attributable to owners of parent	101.3	110.6	109.2	+9.2	103.5	+3.7
EBITDA (Operating income + Depreciation and amortization + Amortization of goodwill)	319.5	328.5	102.8	+8.9	-	-

\*Group's total sales include the sales of SEVEN-ELEVEN JAPAN, SEVEN-ELEVEN OKINAWA and 7-Eleven, Inc. franchisees.

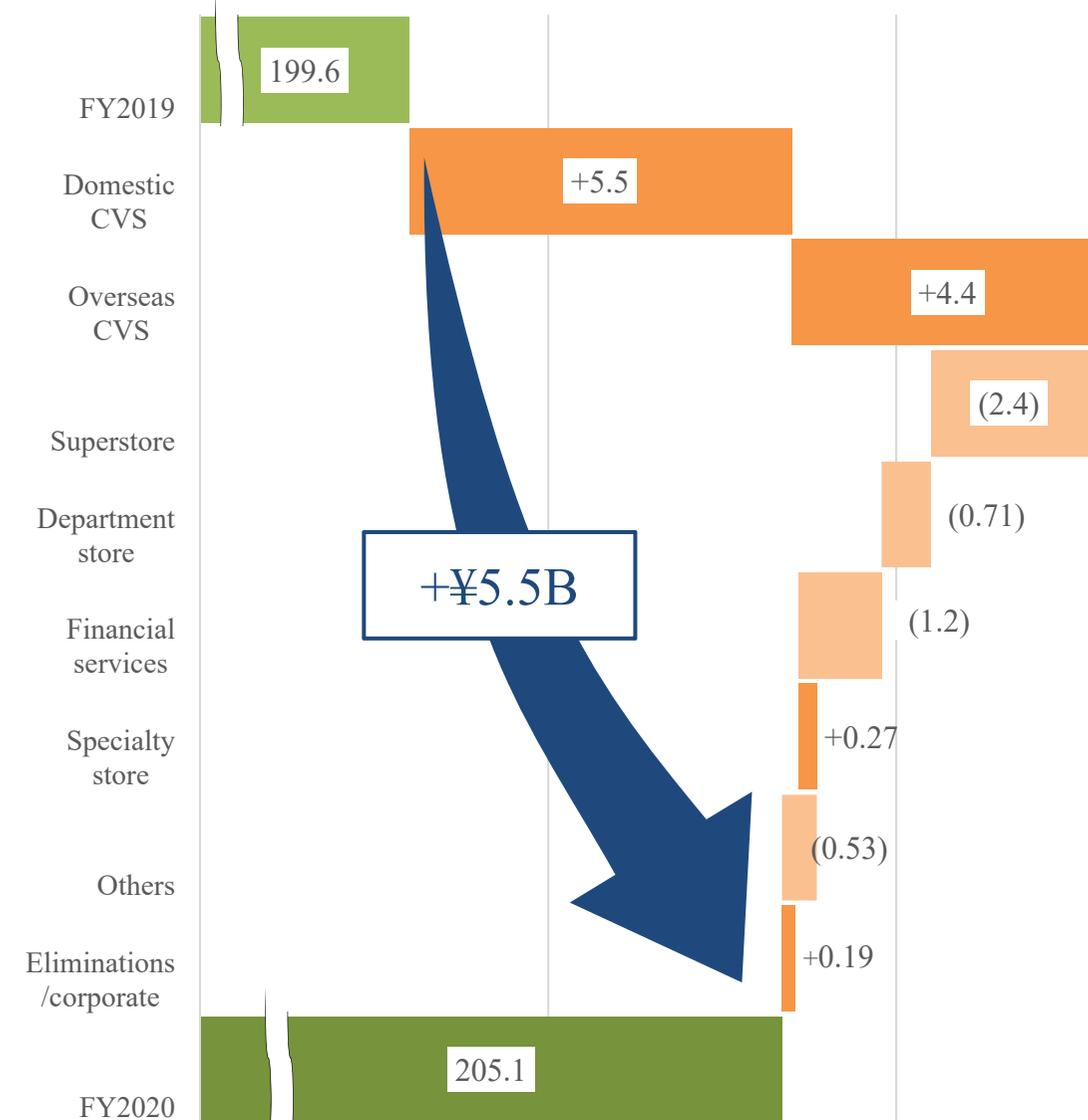
FX rate: 1USD = 110.06JPY , 1CNY = 16.20JPY

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# Operating Income Changes 1H FY2020



(Billions of yen)



Factors in YOY changes	
Improved SEJ's GPM and optimized SG&A expenses	
SEI existing store sales and GPM growth	
IY struggled while YB's profits increase	
SS existing store sales and GPM decreased	
Mainly expenses for adapting credit cards to IC	
7&i Food Systems and Nissen's profits increase	
	-
Reverse decline of CRM-related expenses from the previous period	
Income increased by ¥5.5B led by CVS operations in Japan and North America	

(Note) SEJ: Seven-Eleven Japan, SEI: 7-Eleven, Inc., IY: Ito-Yokado, YB: York Benimaru, SS: Sogo & Seibu, 7FS: Seven & i Food Systems

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# Outline of Today's Presentation and Initiatives Going Forward



Enlarge Group synergies and create a beneficial cycle of growth and distribution

Ito-Yokado

IY

# Outline of Restructuring Reforms



Store initiatives	Alliance of unprofitable stores with external companies and store closures
Merchandising initiatives	Major contraction of lifestyle business and merchandising reorganization
Reorganization	Improve profitability in the <i>Shokuhinkan</i> (food specialty store) business by collaborating within the Group
Personnel initiatives	Review staff composition; Reassignment toward growth businesses and career change support

# Store Initiatives



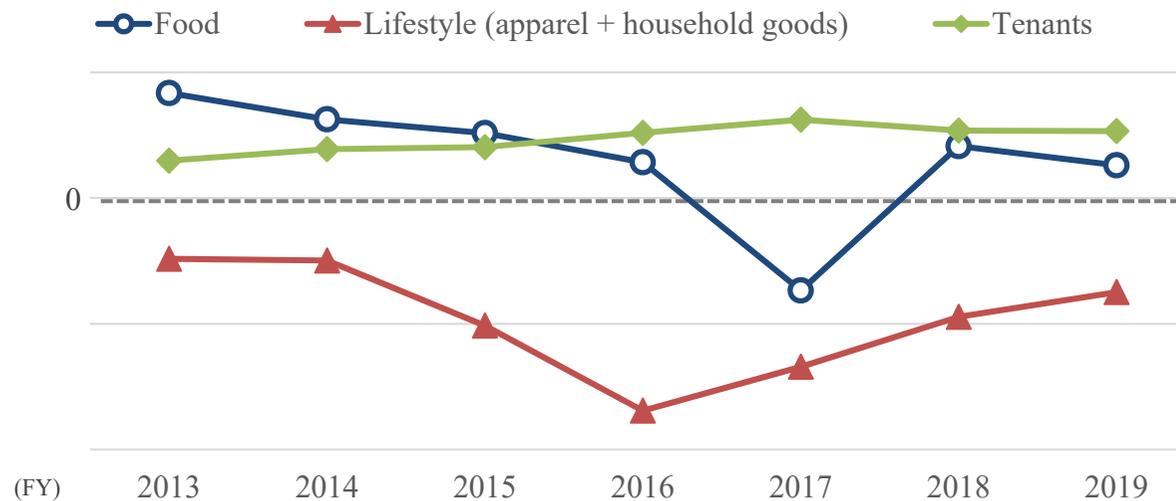
	No. of stores	Responses
Sustainable stores	103	Advance adoption of shopping center format Attract strong tenants, accelerate horizontal deployment of successful examples
Unprofitable stores	33	Search Group companies and external alliances Store closure will also be considered
<i>Shokuhinkan</i> (food specialty store) ,etc.	22	Take steps to improve profitability by collaborating within the Group with a view to a company split

Closely surveying the profitability and future potential of each individual store and making decisions on response and direction

# Merchandising Initiatives

## ◆ Operating income by divisions (Lifestyle Division figures are the simple sum of former apparel and household goods Divisions)

(Billions of yen)



Lifestyle Division  
(Apparel/Household goods)  
recorded ongoing operating  
losses



Decision to contract the  
business further

### Direction of directly operated merchandising

Apparel	Fashion	Household goods	Children	Underwear	Health & Beauty
Change to tenants in principle			Select by individual store	Continue and strengthen	

Clarify categories to quit merchandizing  
and optimize sales floor area



Aim to reduce by 50% vs FY2019

# Reorganization

(Promote shopping centers and improve profitability in the *Shokuhinkan* business)



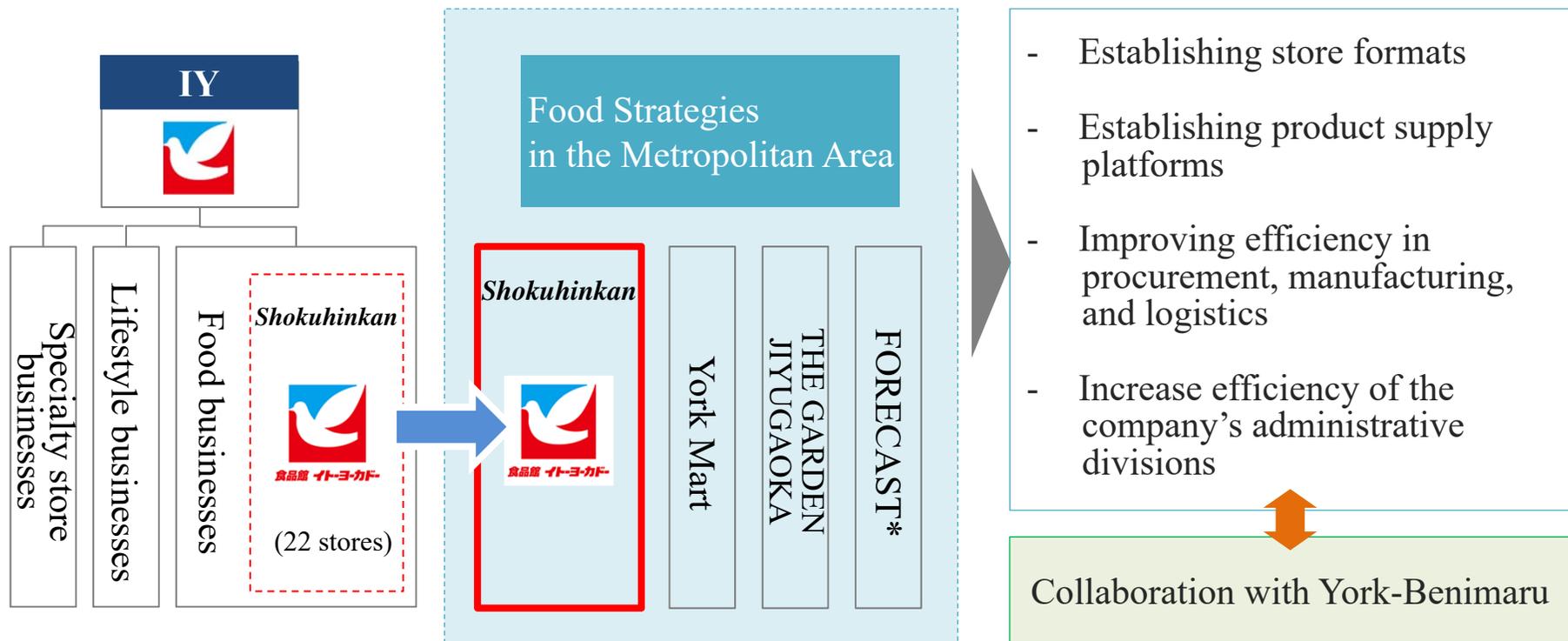
Ito-Yokado

Accelerate the development of shopping centers by strengthening partnership with Seven & i Create Link Inc. (SCL)

*Shokuhinkan*  
(food specialty store)

Improve profitability by collaborating within the Group

## ◆ Reorganization



\*Food supermarket operator of 7&i Group with new business format

Aim to build business model with high profitability while pursuing Group synergies

# Personnel Initiatives



## ◆ Responses

Store initiatives	▪ Review of personnel allocation in line with addressing the closure of stores
Merchandising reorganization	▪ Review personnel allocation following contraction of Lifestyle Division
Productivity improvement	▪ Increase Head Office efficiency through introduction of core system and outsourcing ▪ Increase productivity of store operations

## ◆ Outlook

FY2023 year-end:  
decrease **1,700** people  
[vs. FY2019 year-end, incl. natural reductions]

Aim for a labor share of **35%**  
[FY2019: Personnel expenses ¥127.5B,  
labor share 41.2%]

Fundamentally review staff level while correcting distortions  
in staff composition (upon labor management consultations)

## Food businesses

- Delicatessen: Frozen meal kits  
Collaboration with outside companies
- Fresh fish: Concentrated manufacturing structure  
Collaboration with outside specialty stores
- Strengthen food and beverage business

## Strengthen property management

- Deepen coordination with SCL
- Invite tenants with strong customer attraction, without fixating on self-management
  - Rehabilitate as commercial facilities attuned to local needs  
⇒ Maximize value provided by shopping centers

## Food delivery business

- Convert *IY Net Supermarket* to a large-scale center format business model
- Alliance with Food Strategies in the Tokyo Metropolitan Area
- Deal with last-mile issue (collection boxes, pick-up at 7-11 stores, etc.)

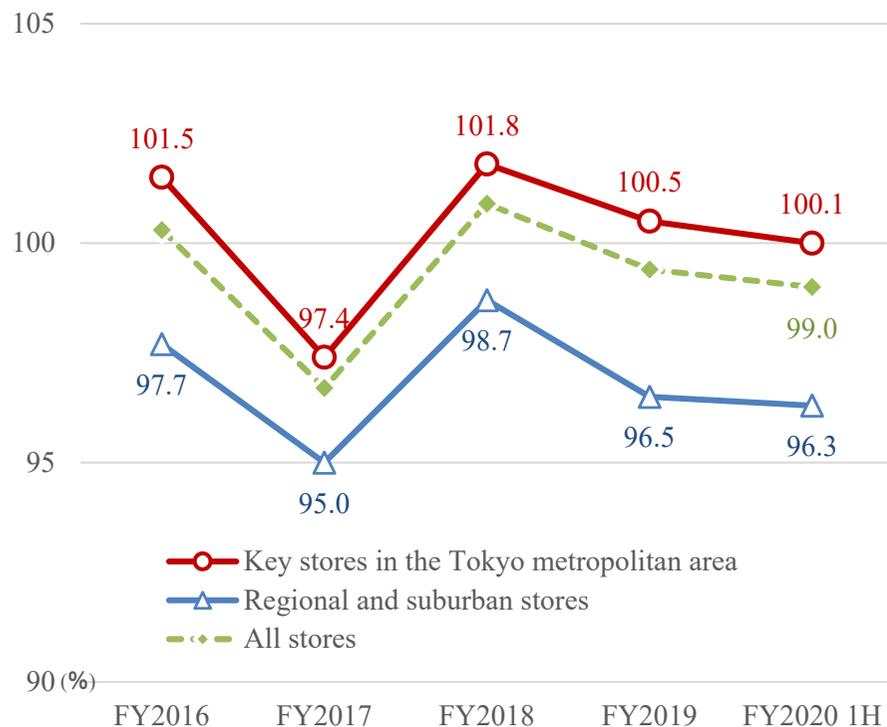
# Sogo & Seibu

## SS

# Individual Store Analysis



## ◆ Sales growth YOY



\*Key stores in Tokyo metropolitan area: SEIBU Ikebukuro, Sogo Yokohama, Sogo Chiba, SEIBU Shibuya and Sogo Omiya  
Regional and suburban stores: 10 stores excluding 5 stores on the above

Key stores in the Tokyo metropolitan area continue to outpace the previous year's performance but total store sales were lower than the previous fiscal year due to struggling regional and suburban stores.  
99.0% (excluding corporate sales).

## ◆ Individual store evaluation

	Profitability / No. of customer	Market / Real estate	Total evaluation
SEIBU Ikebukuro	Excellent	Excellent	Excellent
Sogo Yokohama	Excellent	Excellent	Excellent
Sogo Chiba	Excellent	Excellent	Excellent
Sogo Hiroshima	Below average	Excellent	Good
SEIBU Shibuya	Good	Excellent	Excellent
Sogo Omiya	Below average	Excellent	Good
SEIBU Tokorozawa	Good	Good	Good
SEIBU Akita	Poor	Below average	Below average
SEIBU Okazaki	Poor	Poor	Poor
SEIBU Fukui	Poor	Below average	Below average
Sogo Tokushima	Poor	Poor	Poor
SEIBU HigashiTotsuka	Below average	Good	Below average
Sogo Kawaguchi	Poor	Below average	Poor
SEIBU Otsu	Poor	Poor	Poor
Sogo Seishin	Poor	Poor	Poor

# Structural Reforms



## ◆ Outline of structural reforms

Store initiatives	<ul style="list-style-type: none"> <li>▪ Close unprofitable stores (5 stores)</li> <li>Reduce sales area space (2 stores)</li> </ul>
Personnel initiatives	<ul style="list-style-type: none"> <li>▪ Optimize staff composition (career change support measures, secondment outside of the Company, staff reassignments within the Company)</li> <li>▪ Optimize personnel to date and reduce fixed costs associated with relocation and downsizing of Head Office</li> </ul>

## ◆ Specific measures

	Stores	Implementation timing (plan)
Closures	SEIBU Okazaki	Aug. 2020
	SEIBU Otsu	Aug. 2020
	Sogo Seishin	Aug. 2020
	Sogo Tokushima	Aug. 2020
	Sogo Kawaguchi	Feb. 2021
Reduction of sales area space	SEIBU Akita	Feb. 2021
	SEIBU Fukui	Feb. 2021

Optimize staff composition	
	FY2023 (vs.FY2019)
No. of employees (incl. contract employees)	Decrease approx. 1,300 people
Personnel expenses	Decrease approx. ¥8.6 billion

Accelerate concentrate management resources at key stores in the Tokyo metropolitan area

# Store Initiatives



<p>Basic policy</p>	<p>Maximize use of <b>“PRIME ASSETS”</b>          Store reform by converting sales floors into shopping center format (property management)</p>
<p>Key stores (Urban type)</p>	<p>Introduction of property management</p> <ul style="list-style-type: none"> <li>▪ Increase unprofitable area efficiency ⇒ Introduce new content</li> </ul> <p>Strengthen and develop growth areas (cosmetics, luxury goods and food)</p> <p>Strengthen approach to loyal customers (demonstrate competitive advantage)</p> <ul style="list-style-type: none"> <li>▪ Special invitations for wealthy customers (VIP parties)</li> <li>▪ Capture new wealthy customers      ▪ Increase the number of sales staff</li> </ul>
<p>Suburban stores</p>	<p>Deepen property management</p> <ul style="list-style-type: none"> <li>▪ Strategic changing of tenants              ⇒ Maintain the freshness of sales floors, strengthen customer pull</li> </ul> <p>Adoption of shopping center format at SEIBU Tokorozawa (Grand opening in Nov. 2019)          Horizontal deployment of successful examples</p> <ul style="list-style-type: none"> <li>▪ Coordinate with flagship stores ⇒ Maintain service level</li> </ul>
<p>Regional stores</p>	<p>Reduce sales area space ⇒ Improvement in profitability          SEIBU Akita &amp; SEIBU Fukui (plan to reduce sales areas on Feb. 2021)</p> <ul style="list-style-type: none"> <li>▪ Convert to shopping center format to suit local needs</li> </ul>

# Seven-Eleven Japan

## SEJ

# Outline of Structural Reforms

## Contract revisions

- System that enables franchise stores to concentrate on store management with peace of mind

## Head Office cost structure reforms

- Accelerate closure of unprofitable stores
- Optimize rent expenses  
(adopt stricter store opening standards)
- Optimize Head Office staff

## Measures to improve sales and GP

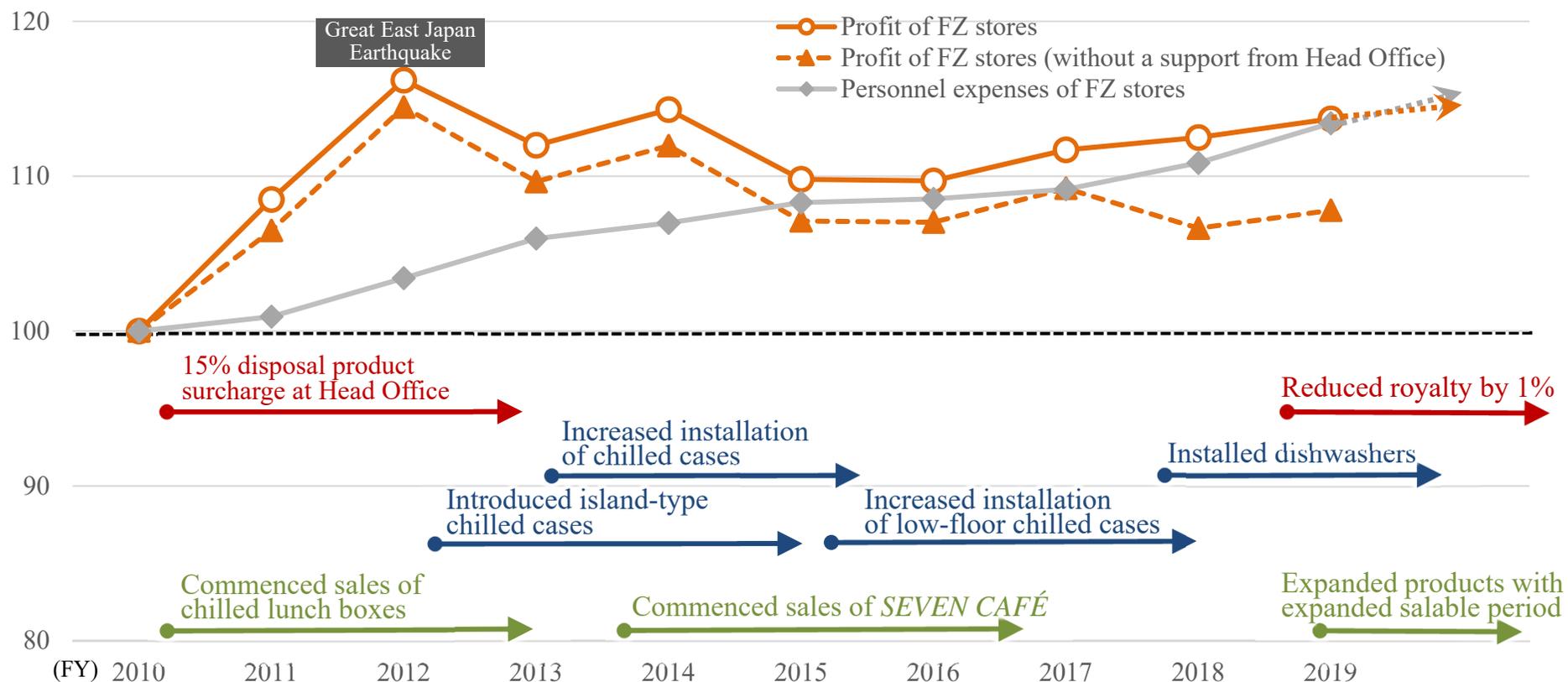
Accelerate introduction of new layout  
⇒ Review product lineup to suit location

# Support for Franchise Stores

(Information republished from FY2019 earnings materials)



◆ Profit of existing franchised stores and personnel expenses \*indexed as FY2010 = 100



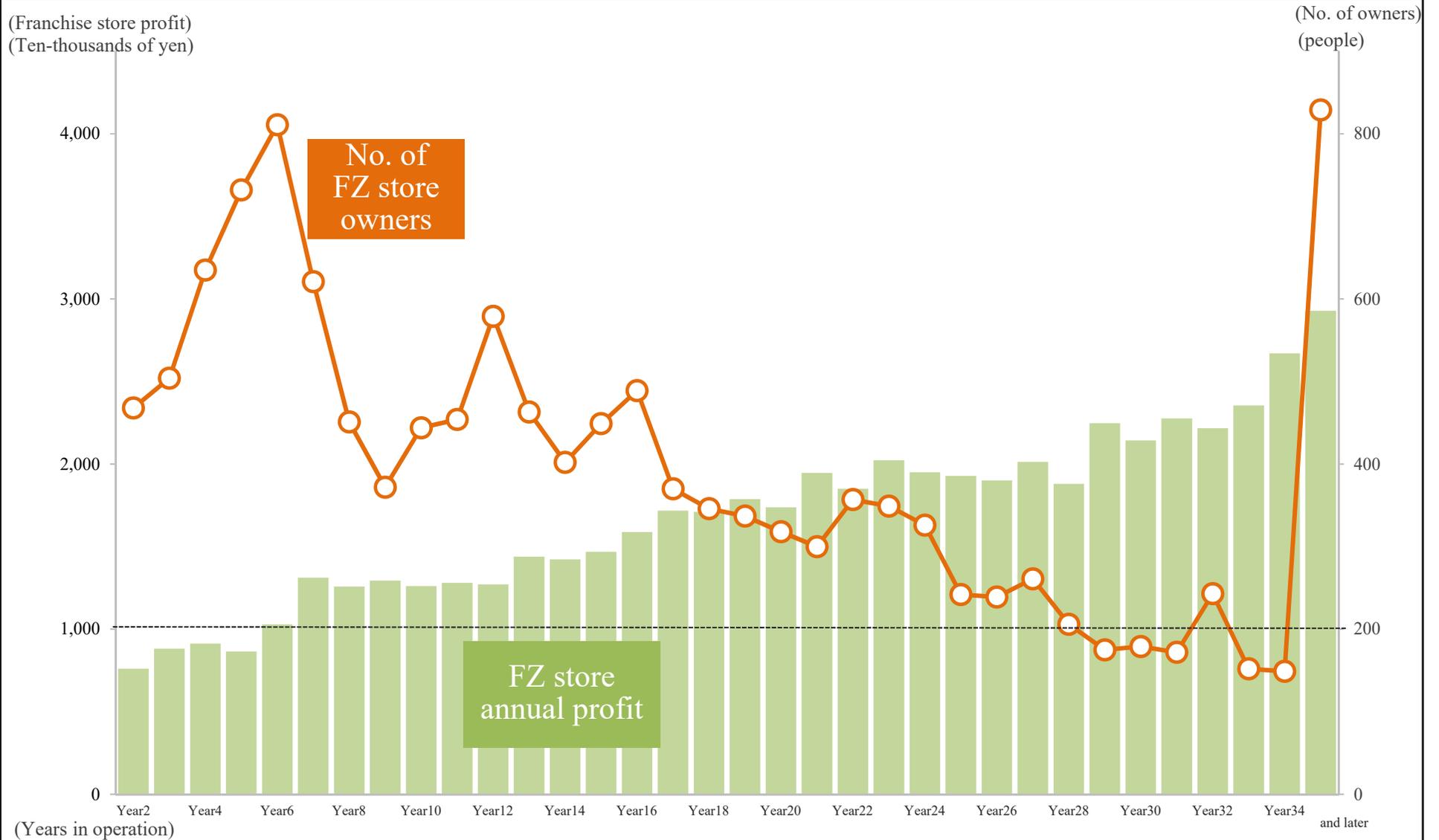
An increase in the minimum wage (Nationwide average: ¥901)

Made taking paid holidays mandatory (April 2019 onward)

Insufficient applicants  
(Ratio of job offers to seekers for service industry: 4.15 times)

Difficulties in the management environment in franchise stores are increasing, concerns that the rise in personnel expenses will exceed profit growth

# Support for Franchise Stores (Franchise store profit separated by years in operation) \*Stores operating more than one year



There is a significant difference in owner profits depending on the number of years since the store opened

# Support for Franchise Stores



## ◆ Review of the Incentive Discount (expected to be applied starting from March 2020)

### Current incentives

1. 24-hour operations (2)%

2. Special discount (1)%  
(Sep. 2017 onward)

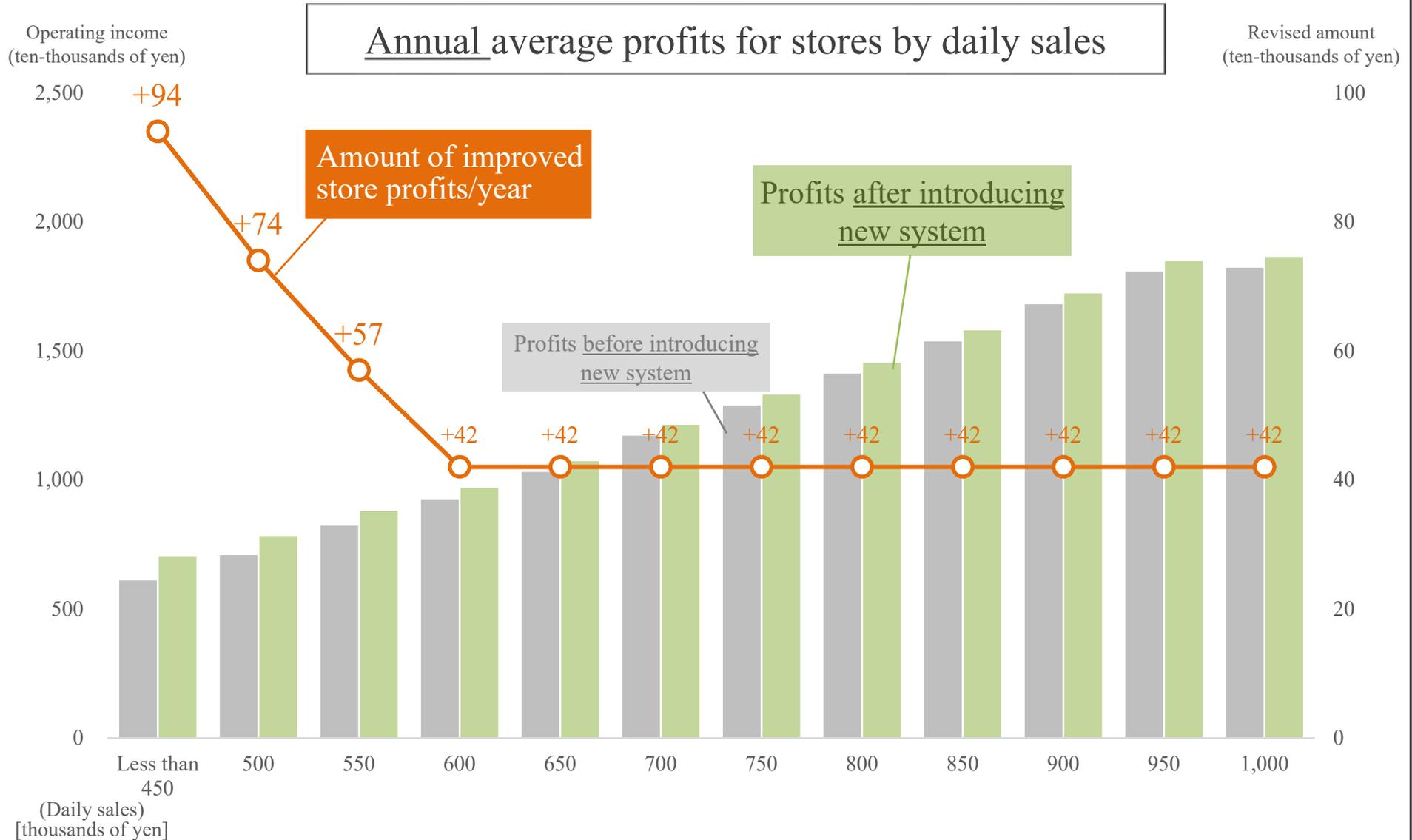
### New incentives

Gross profit / month	Over ¥5,500 thousand	¥5,500 thousand or below
24-hour operations	1. 24-hour operations (2)% 2. Special discount (1)% + Monthly amount <b>¥35 thousand</b>	Monthly amount <b>¥200 thousand</b>
Non-24-hour operations	2. Special discount (1)% + Monthly amount <b>¥15 thousand</b>	Monthly amount <b>¥70 thousand</b>

FZ store profit: +¥500K/year/store

Head Office profit: ¥(10.0)B/year

# Changes in Franchise Store Profit after Introduction of New System



Planning for increase in franchise store profits focused on stores with low daily sales

# Head Office Cost Structure Reforms



## Accelerate closure of unprofitable stores

- Close C-type unprofitable stores that have been open for more than one year and directly operated stores with first priority

From 2H FY2020 to FY2021:

Close approx. 1,000 stores and implement scrap & build

⇒ FY2022: Improve income and expenditure by approx. ¥5.0 billion/year (vs FY2019)

## Optimize rent expenses

- Stricter standards for store openings  
(Review contract format = reduce running costs)
- Negotiate with existing store owners  
(Balance between sales and rent expenses)

## Optimize Head Office staff

- Reform accounting  
(optimize staff level by adopting paperless systems, etc.  
1,100 people ⇒ 550 people)  
⇒ Reduce costs by internalizing certain outsourced processes, etc.  
Approx. ¥(1.4) billion
- Optimize personnel for store development  
(Personnel allocation aligned with population trend 820 people ⇒ 520 people)
- Review staff composition in non-operating divisions

# Progress on Introduction of New Layout



## ◆ Introduction effect (Results for August)

\*Figures for 855 stores that introduced in FY2019

(thousand yen)

	Nationwide (existing store)	Introduced (855 stores)	Introduction effect
APSD	+¥0.7K	+¥16.0K	<b>+¥15.3K</b>
Customer numbers (per day)	(30.0) people	(19.6) people	<b>+10.4 people</b>
GP on sales (Monthly amount)	+¥61.1K	+¥203.3K	<b>+¥142.2K</b>

August 2019	Change
Total	+15.3
Cigarette	+5.0
Frozen food	+3.5
Noodles	+2.3
Soft drink	+1.3
Rice products	+1.2
Sandwiches	+1.0
Milk and milk beverages	+0.9
Ice cream	+0.9

At 855 stores subject to inspection and measurement,  
and elevation effect on sales and profits continues

## ◆ Introduction results

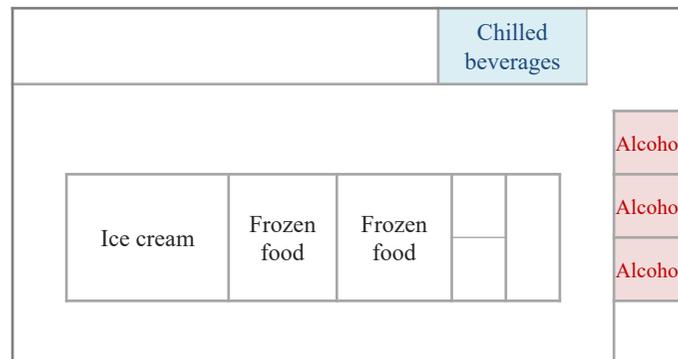
Introduction results for 1H	Scheduled for introduction during 2H
2,600 stores (6,000 in total)	4,400 stores
Proceed as planned targeting introduction at <b>10,400</b> stores in FY2020 in total	

Promote change in sales floors  
and product lineups in line with  
customers' store use

# Evolution of New Layout (Examples of responding by location)

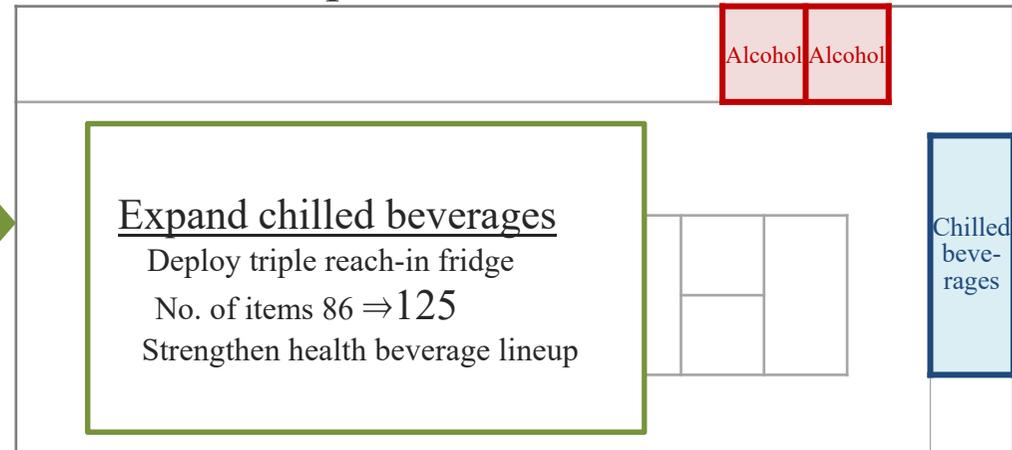


## ◆ Current standard Type F2

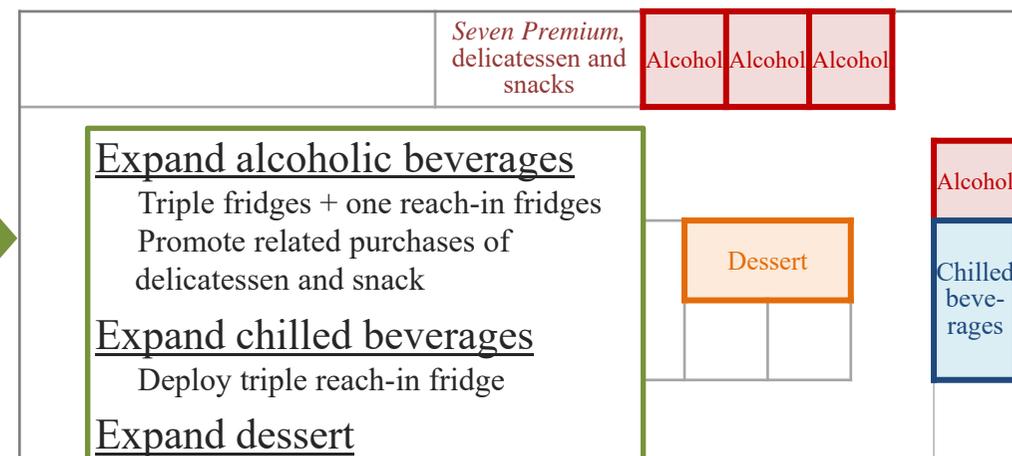


Expand frozen food and fridges

## ◆ Offices/workplaces



## ◆ Residences/suburbs



Started testing at 8 stores of each location from September 2019  
 ⇒ Conduct effect verification and consider horizontal deployment

# Initiatives for Safety and Reliability

(September 29 and 30, 2019 Full-page advertisement in news papers)



## 7-Eleven original daily products

Begin dietary labeling from Sep. 2019 onward  
salt equivalents, carbohydrates and dietary fiber

「安全・安心にまっすぐ」。お客さまのカラダを想い続けます。

**保存料・合成着色料を  
使用しない取り巻きの真実**

食品添加物の削減により、2019年9月  
から一部商品で不使用の真実を  
表示する商品が増えています。  
また、合成着色料や保存料を  
使用しない商品も増えています。

**食物アレルギー表示への取り組み  
(表示義務7品目に追加表示20品目を表示)**

2019年より食品アレルギー表示の取り組みを強化し、  
表示義務が課せられている「食物アレルギー表示」の  
品目を追加表示する商品を増やしています。  
また、アレルギー表示が課せられていない商品でも、  
アレルギー表示を自主的に表示する商品も増えています。

**「カラダへの思いこの手から」  
シーズンの販売を開始**

2019年より「カラダへの思いこの手から」のテーマで、  
季節ごとの食品開発に取り組んでいます。また、アレルギー表示  
の取り組みも強化しています。

栄養表示義務化の完全移行に先駆けて、  
2019年9月からセブン-イレブンのおにぎり、お弁当、  
サンドイッチなどのオリジナル商品へ「食品相当量」を  
表示するとともに、健康を気遣うお客さまの  
関心が高い「糖質」「食物繊維」の表示を開始しました。



栄養成分表示(1包(袋)当り) 熱量 180kcal  
蛋白質 4.7g 脂質 1.0g 炭水化物 38.7g(糖質 37.6g)  
食物繊維 1.1g 食塩相当量 0.70g(推定値)

すべてはお客さまにとっての安全・安心・健康のために、お取引先企業様のご協力のもと、セブン-イレブンはこれからもずっと続けます。

セブン-イレブンの、これからもずっと変わらない約束です。

セブン-イレブン 〒100-8400 東京都千代田区二丁目1番地 TEL: 03-6270-0110(代) <https://www.sej.co.jp>



## Seven Premium products

Begin dietary labeling from Mar. 2019 onward  
salt equivalents, carbohydrates, dietary fiber,  
saturated fat, trans-fat, cholesterol and 27 allergen  
items

大切な家族と  
食べるものだから。



セブン&アイグループのプライベートブランド「セブンプレミアム」は、お客さまにおいしいと安心の両方をお届けするためのさまざまな取り組みを推進して  
います。例えば、味わいにこだわりながらも、添加物の低減に取り組む商品開発もそのひとつ。同じ商品でも年々添加物の量を減らす一方で、よりおいしい商品  
へと進化させています。「おいしい(健康)」というお客さまのニーズに対応し、2019年3月からは商品パッケージの表示を変更しています。

セブンプレミアムは栄養成分やアレルギーに関する詳細情報を商品パッケージに明記しています。

「食品相当量」の表示	「アレルギー」の表示	「糖質」「食物繊維」の表示	「アレルギー」の表示
糖質 1.1g 食物繊維 1.1g	小麦粉、卵、牛乳、大豆、小麦、そば、燕麥、そば、燕麥、そば、燕麥	糖質 1.1g 食物繊維 1.1g	小麦粉、卵、牛乳、大豆、小麦、そば、燕麥、そば、燕麥

セブン&アイグループの、これからもずっと変わらない約束です。

nanacoポイント 5倍 10/1(火)~10/14(月)

セブン-イレブン、セブン&アイグループ、セブンプレミアム、セブンイレブン、セブンイレブン、セブンイレブン

セブン & i Holdings 〒100-8400 東京都千代田区二丁目1番地 TEL: 03-6270-0000(代) <https://www.7and.co.jp>

# Progress on Action Plan

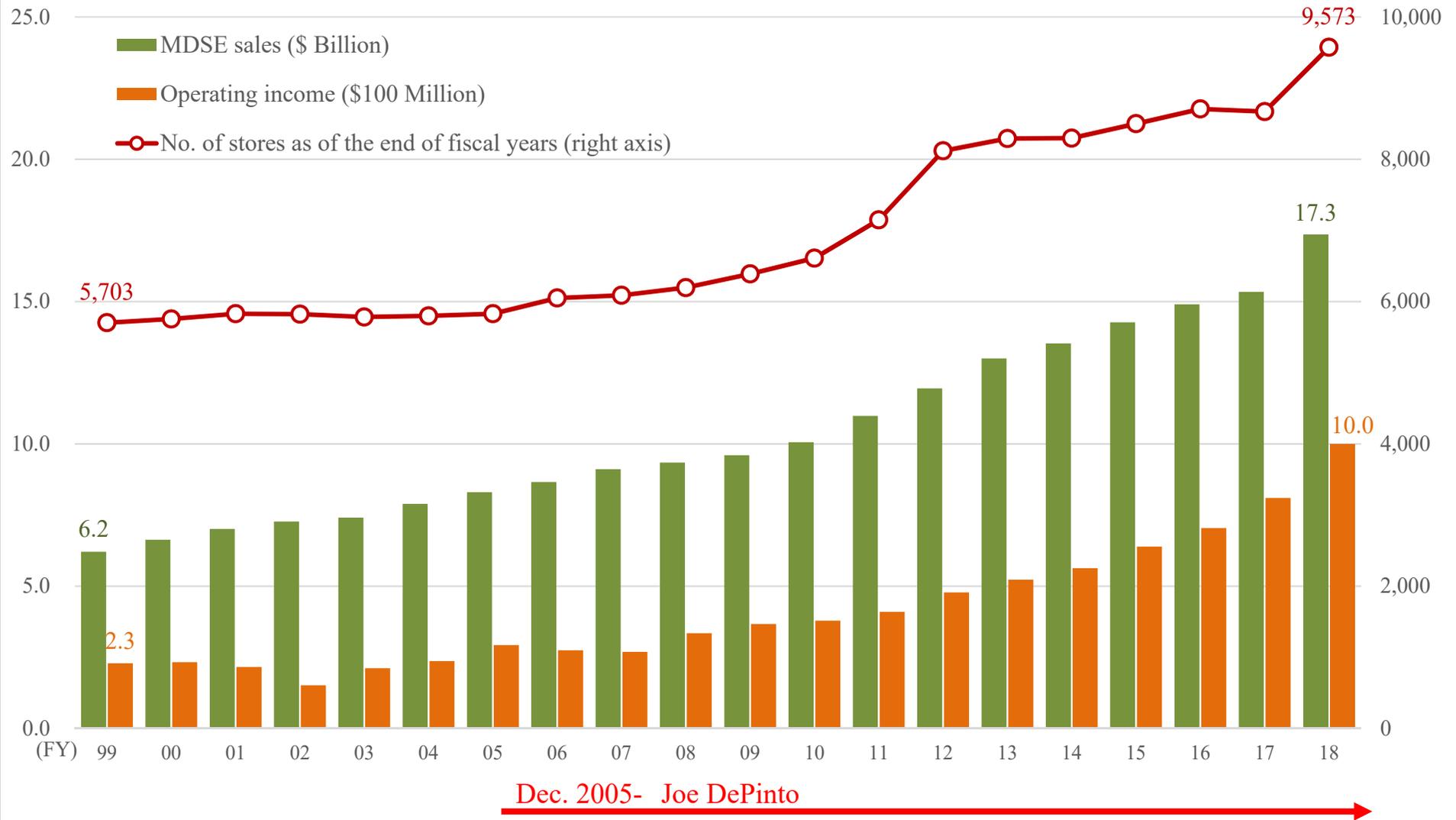


Trial non-24-hour operations	As of the end of August 2019 Stores willing to participate in trial: approx. 300 stores ⇒Of these, stores that have already started trial: approx. 200stores
Survey for FZ stores	Implementation of a survey for franchise stores in summer 2019 Investigating non-24-hour operation in the future: 15%
Promote dialogue with FZ stores	Implementation of owners meeting from October ⇒Exchange opinions with district owner representatives during visits by the Directors and the Executive Officers of Head Office
Others	<ul style="list-style-type: none"><li>▪ Self-service registers: Introduction begins in FY2021</li><li>▪ Introduce automatic change machines at all stores by spring 2020</li><li>▪ Ethical Project: Trial in the Hokkaido / Shikoku area starting from October</li><li>▪ Nationwide development planned from 2020</li></ul>

# 7-Eleven, Inc.

## SEI

# Merchandise Sales, Operating Income and Number of Stores



# Six Point Plan

For further growth, the following 6 initiatives are considered priority measures

## GROW FRESH FOOD & BEVERAGES



## DIGITALLY ENABLE THE ORGANIZATION



## IMPROVE ASSORTMENT & PRIVATE BRANDS



## DRIVE OPERATIONAL EXCELLENCE



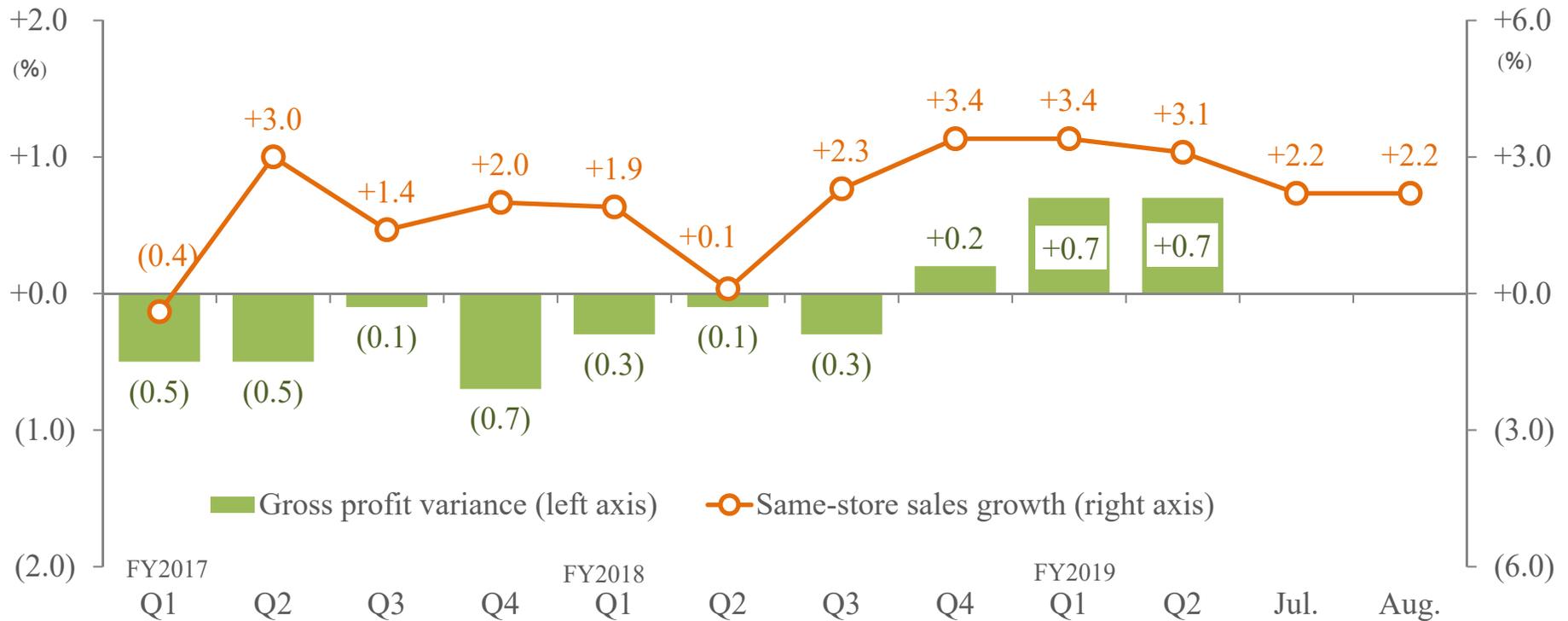
## GROW & IMPROVE THE STORE BASE



## GROW THE BRAND INTERNATIONALLY



# Existing Store Sales and Gross Profit Margin



**1H existing store merchandise sales: +3.3%**

**Sales Drivers;**  
 Fresh food  
 PB products “7-Select”  
 Non-alcoholic / Alcoholic beverages  
 E-Cigarettes

**1H merchandise GPM: +0.8%**

**Margin Drivers;**  
 Non-alcoholic beverages  
 PB products “7-Select”  
 Impact of 7Rewards: +0.2%  
 Impact of Sunoco acquisition: +0.2%



# New Test Store (Republished)

New test store in Dallas opened on March 22, 2019

## 【Purpose】

- Test new platforms and products
- Run a PDCA cycle to understand customer needs
- Consider using in future store designs



## ◆ Test cases

Laredo Taco	Counter Beverages	Alcoholic Beverage	In-Store Bakeries	Other
<p>First Laredo Taco location in Dallas</p>	<ul style="list-style-type: none"> <li>▪ Coffee drinks</li> <li>▪ Nitro cold brew</li> <li>▪ Cold-pressed juices</li> <li>▪ Smoothies, etc.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Craft beers</li> <li>▪ Wine cellar</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cookies</li> <li>▪ Croissants, etc.</li> </ul>	<p>Mobile Checkout technology (pay with smartphones)</p>

Discard stereotypes, focus on customers, and test new ideas



Repeat testing and then deploy successful initiatives to existing stores

# Effect from Test Store – Q2 YTD

*\*Test store opened in March*



**APSD\$  
Gross Margin**

**\$14,235**

vs. \$4,987 Total Co.

**36.7%**

vs. 35.0% Total Co.



**Fresh Food –  
Percentage of  
Total Sales**

**28.4%**

vs. 10.9% Total Co.

**\$3,084**

Laredo Taco  
Company APSDS  
vs. \$1,283 US avg



**Prop Beverages  
– Percentage of  
Total Sales**

**7.4%**

vs. 5.9% Total Co.



**Cigarettes –  
Percentage of  
Total Sales**

**7.3%**

vs. 23.4% Total Co.

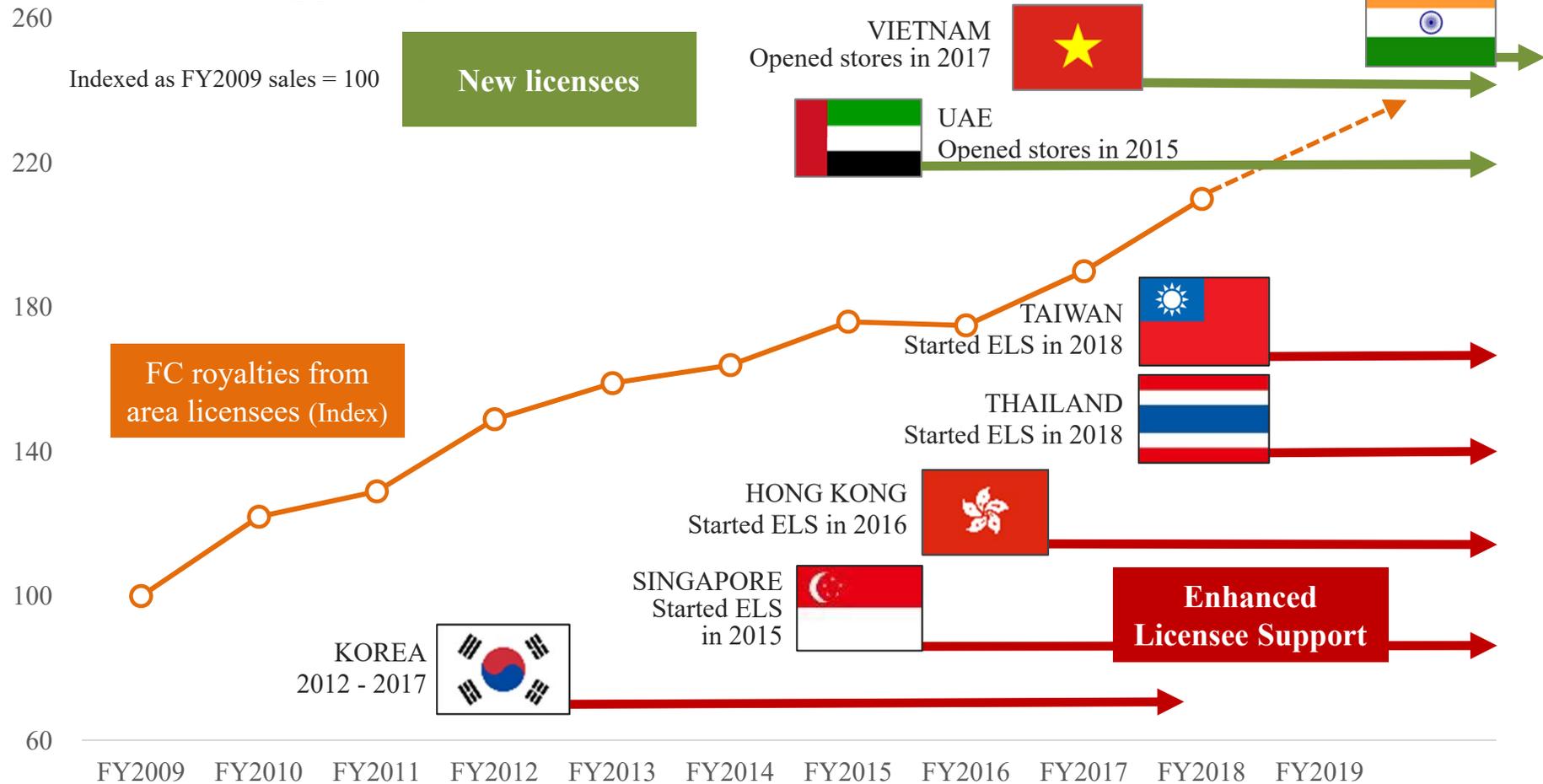


Repeat testing and then deploy successful initiatives to existing stores

# Global Strategy



## ◆ Franchise royalties from area licensees and area licensee support system coordinated with SEJ



Lift 7-Eleven brand image through management support in coordination with SEJ

Aim to have 70,000 stores worldwide in the fiscal year ending February 29, 2020

# 7&i Group Strategy

# 7&i Group Strategy (Overview)



## ◆ Basic policy

Expand Life time value with further pursuit of Group synergy

Realize growth while getting close to customers' life stages and styles

Business structural reforms

Growth strategy

(1) Ito-Yokado and Sogo & Seibu  
Shift to profit stability by slimming down

(2) SEVEN-ELEVEN JAPAN  
Establish a stable management foundation

(1) 7-Eleven, Inc.  
Strengthen development in North America and globally

(2) Common Group strategy

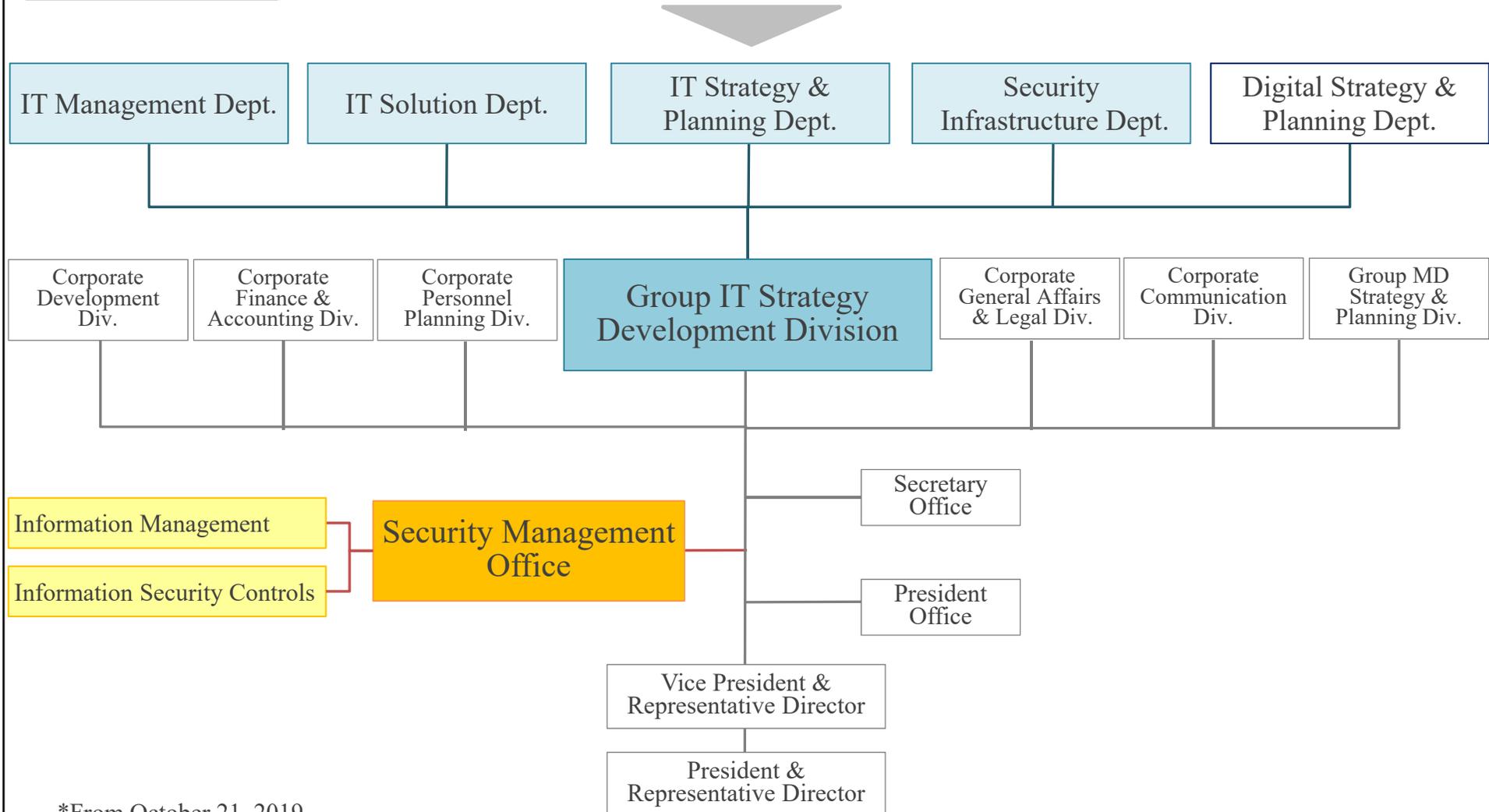
Digital	Financial services
Procurement and logistics	Food sales

+ Environmental issues (ESG)

# Reorganization to Strengthen Digital Strategies

July 2019 7pay unauthorized access case

October 2019 Implement organization restructuring to reinforce the security system



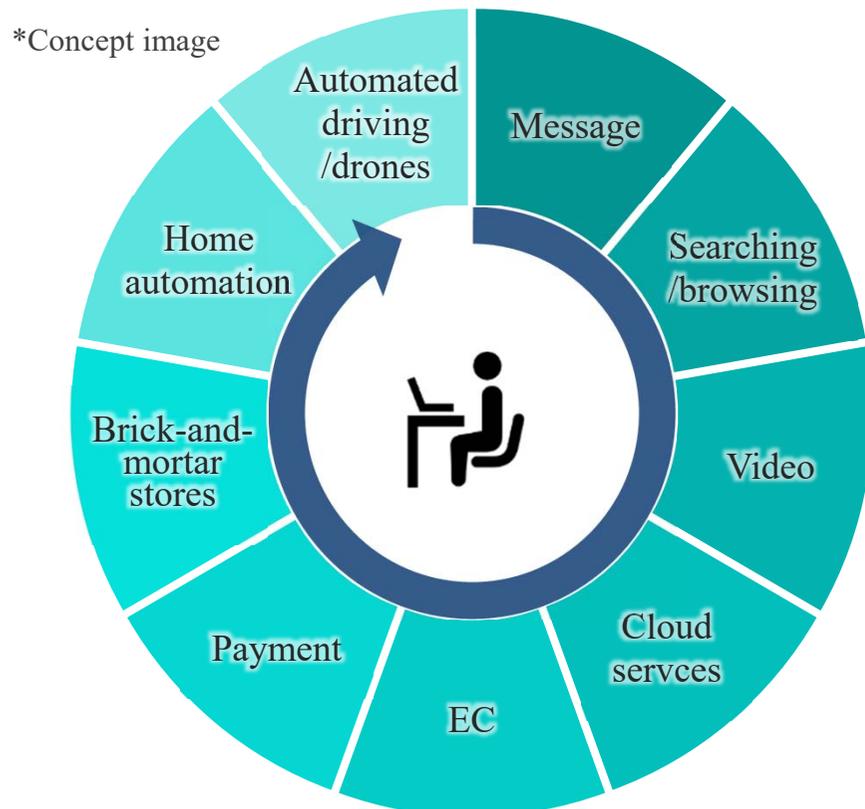
\*From October 21, 2019

# Digital Strategy: Recognizing the Current Situation



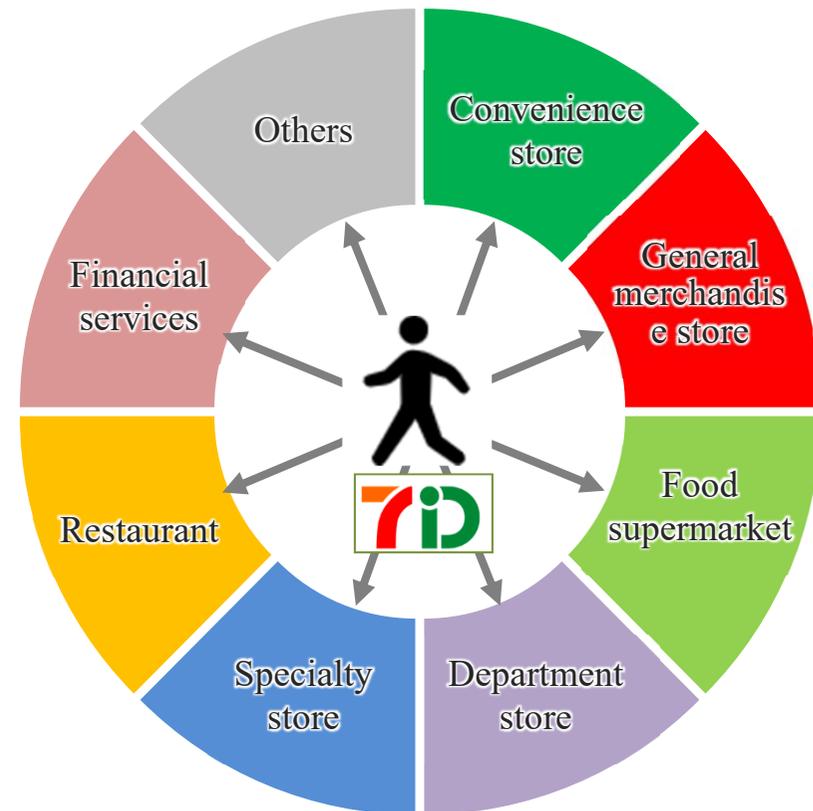
## Digital Platforms

Proceed with new “real” business fields on the axis of IT



## Seven & i Group

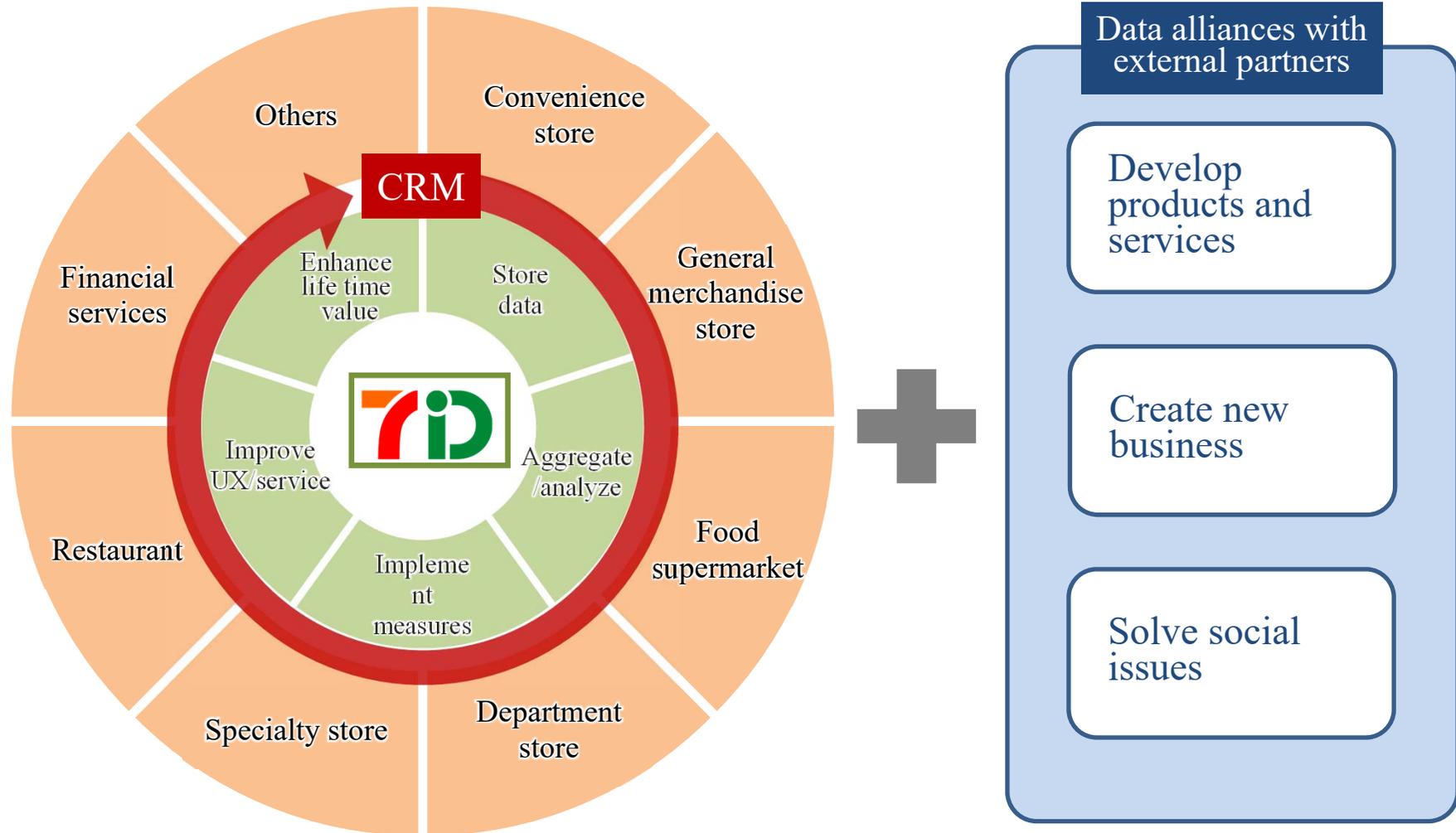
Develop strengths at brick-and-mortar stores by utilizing digital functions



Source: Government of Japan’s Future Investment Committee (23rd session)

Aiming to optimize life time value via digital strategies that can be carried out by a company which has various business formats

# Digital Strategy: Target Status



Expand a strength of having brick-and-mortar stores through CRM strategy with 7iD as the axis and proactive external alliance

# 7&i Environmental Declaration

(May 31, 2019 article featured in *The Nikkei*)



目標1 **80%** 以上  
CO<sub>2</sub>排出量削減  
グループの目標達成にやむ辞なし



**太陽光発電パネルの設置**  
2018年10月にオーパムのセブールシア・成城センタービルに設置。太陽光発電は自然エネルギーであり、CO<sub>2</sub>排出量を削減する効果があります。



**EVトラック・燃料電池車の導入**  
配送業務にEVトラックや燃料電池車を導入し、CO<sub>2</sub>排出量を削減します。



**PETボトル回収と再生PET樹脂の活用**  
PETボトルの回収と再生PET樹脂の活用により、CO<sub>2</sub>排出量を削減します。



**資源を循環させたプラスチック製品の活用**  
資源を循環させたプラスチック製品の活用により、CO<sub>2</sub>排出量を削減します。

目標2 **100%**  
プラスチック対策  
オリジナル商品（セブンプレミアム）を皮切りに活用する商品は、環境配慮素材を使用。2020年までにプラスチック製品の回収率が100%。

## GREEN CHALLENGE 2050



We have established four themes and will declare our target status by 2050



目標3 **75%**  
食品ロス・食品リサイクル対策  
食品廃棄物の発生量を削減（売上高百万円あたり発生量）  
食品廃棄物のリサイクル率100%



**フードロス削減と食品リサイクルの促進**  
フードロスの削減と食品リサイクルの促進により、CO<sub>2</sub>排出量を削減します。



**新築工場の建設**  
新築工場の建設により、CO<sub>2</sub>排出量を削減します。



**M&S菓類 電子型太字の廃止**  
M&S菓類の電子型太字の廃止により、CO<sub>2</sub>排出量を削減します。



**F&M菓類 電子型太字の廃止**  
F&M菓類の電子型太字の廃止により、CO<sub>2</sub>排出量を削減します。

目標4 **100%**  
持続可能な調達  
オリジナル商品（セブンプレミアム）を皮切りに活用する食品原料は、持続可能な調達基準を満たす材料を使用。

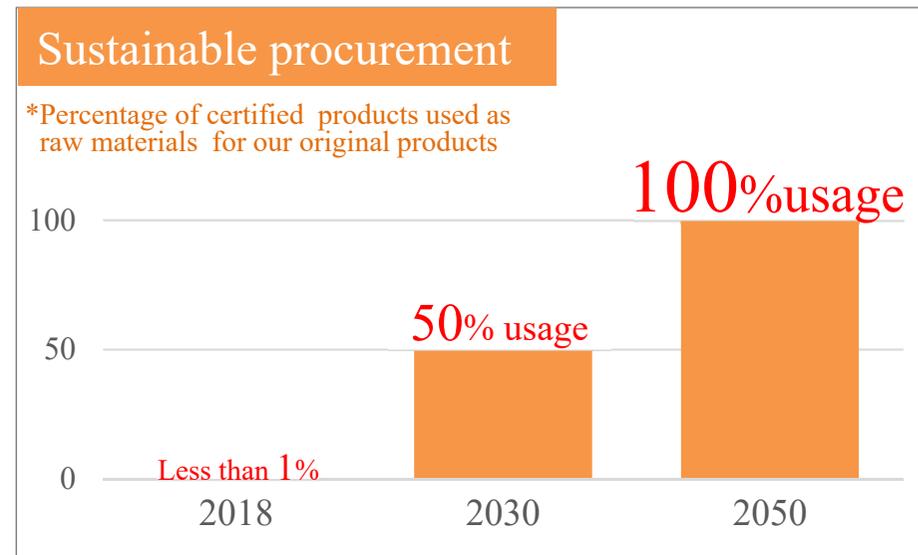
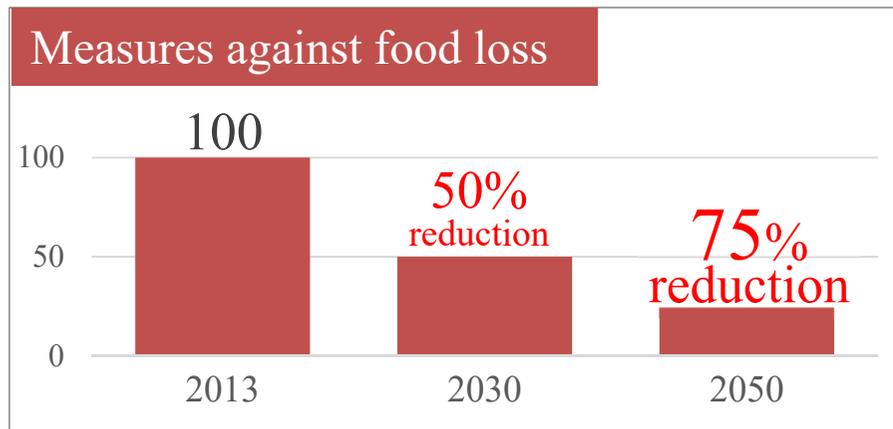
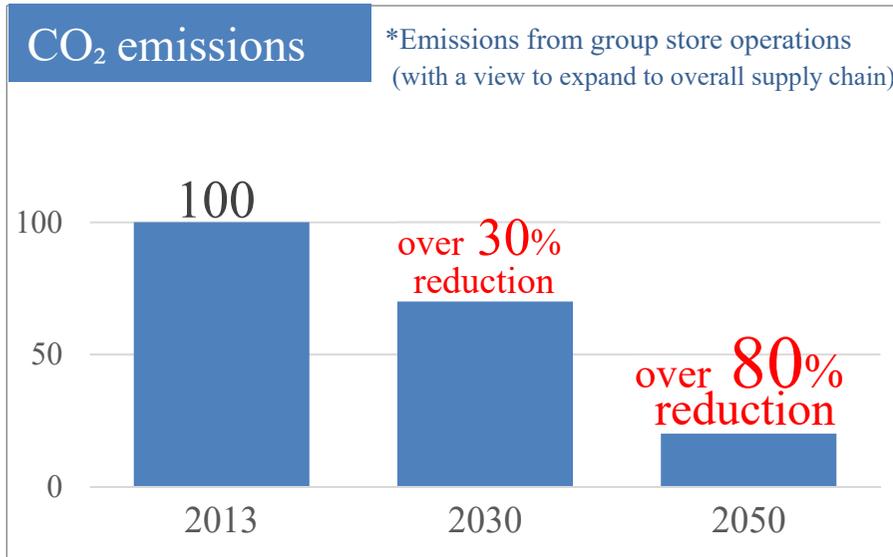
<http://www.7andi.com>

GREEN CHALLENGE 2050についての詳細は

# 7&i Environmental Declaration (Announced May 8, 2019)



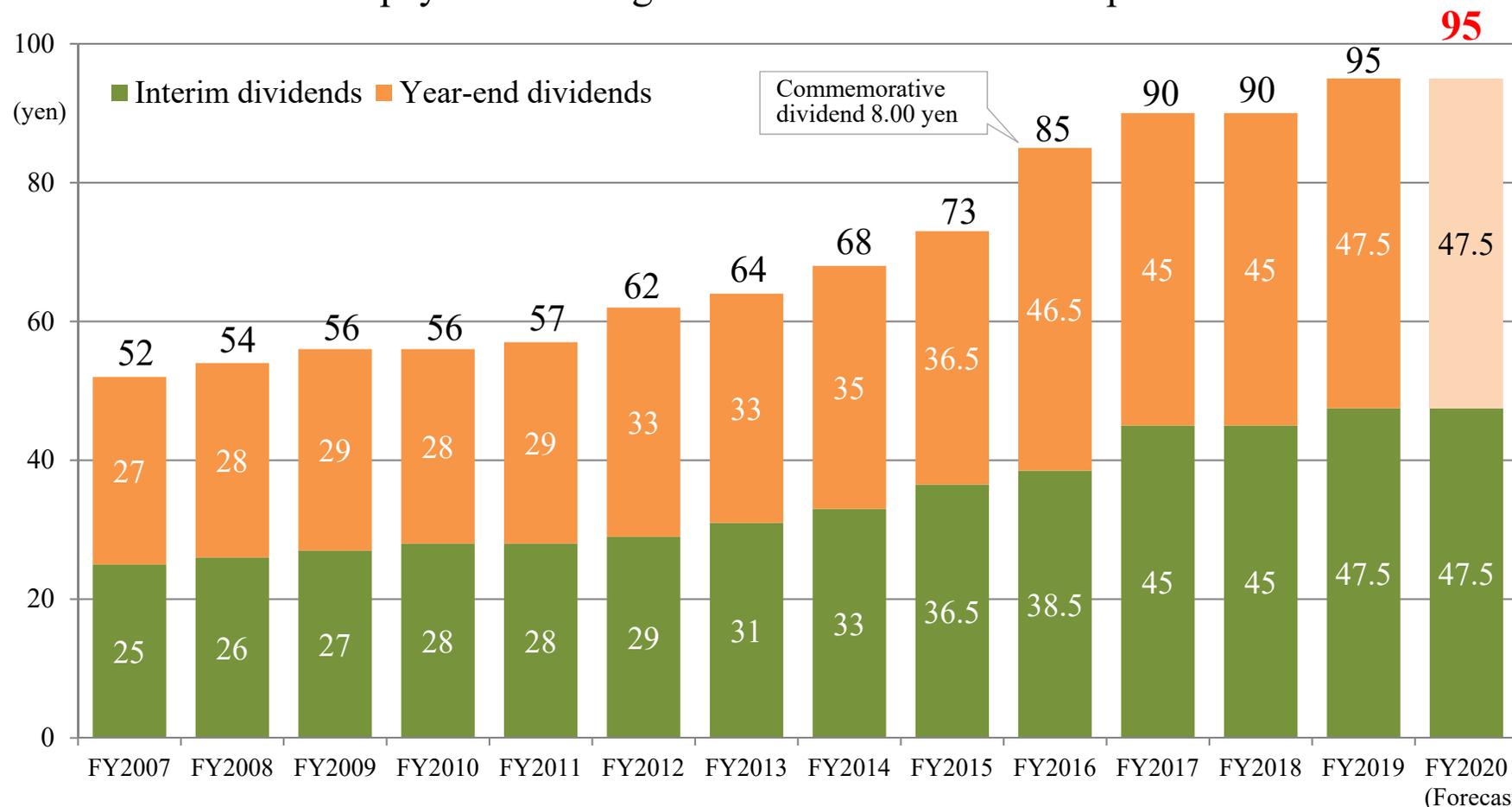
## ◆ Focus on four issues



# Dividend Policy



◆ Consolidated dividend payout ratio target: Maintain 40.0% and improve it further



Dividend payout ratio (%)	36.4	39.4	55.7	112.7	45.2	42.2	41.0	34.2	37.3	46.7	82.3	43.9	41.4	40.0
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In FY 2020, there are no changes from the original prediction of ¥95



# A p p e n d i x

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# Revenues by Business Segment 1H FY2020



(Billions of yen)	Q1		Q2		YTD		
		YOY/Variance		YOY/Variance		YOY	Variance
Consolidated revenues from operations	1,596.4	99.8 (2.5)	1,716.7	98.4 (27.7)	3,313.2	99.1	(30.3)
Domestic CVS operations	236.4	101.1 +2.5	251.6	99.7 (0.71)	488.0	100.4	+1.8
Overseas CVS operations	621.5	102.0 +12.2	743.1	99.3 (5.5)	1,364.6	100.5	+6.7
Superstore operations	467.6	98.2 (8.4)	455.3	96.4 (17.0)	922.9	97.3	(25.5)
Department store operations	140.5	99.2 (1.1)	142.8	99.0 (1.3)	283.3	99.1	(2.5)
Financial services	53.9	100.7 +0.38	53.7	98.7 (0.70)	107.7	99.7	(0.32)
Specialty store operations	89.2	91.1 (8.7)	82.4	97.4 (2.2)	171.7	94.0	(10.9)
Others	5.5	98.8 (0.06)	6.4	110.1 +0.59	12.0	104.5	+0.52
Eliminations / corporate	(18.4)	- +0.66	(18.9)	- (0.66)	(37.3)	-	+0.00

# Operating Income by Business Segment 1H FY2020



(Billions of yen)	Q1		Q2		YTD		
		YOY/Variance		YOY/Variance		YOY	Variance
Consolidated revenues from operations	90.3	104.6 +3.9	114.7	101.4 +1.5	205.1	102.8	+5.5
Domestic CVS operations	60.1	108.5 +4.7	73.2	101.1 +0.83	133.3	104.4	+5.5
Overseas CVS operations	12.9	137.7 +3.5	27.7	103.2 +0.86	40.6	112.1	+4.4
Superstore operations	4.3	69.4 (1.9)	2.6	84.1 (0.50)	6.9	74.4	(2.4)
Department store operations	(0.32)	- (0.69)	(0.28)	- (0.020)	(0.61)	-	(0.71)
Financial services	13.4	97.1 (0.40)	13.6	94.1 (0.84)	27.1	95.6	(1.2)
Specialty store operations	2.8	97.3 (0.080)	1.1	141.5 +0.35	4.0	107.1	+0.27
Others	0.54	89.4 (0.060)	0.25	34.8 (0.47)	0.79	59.8	(0.53)
Eliminations / corporate	(3.6)	- (1.1)	(3.6)	- +1.3	(7.2)	-	+0.19

# Operating Income for Major Operating Companies 1H FY2020



(Billions of yen)	Q1		Q2		YTD		
		YOY/Variance		YOY/Variance		YOY	Variance
<b>SEVEN-ELEVEN JAPAN</b>	60.2	108.0 +4.4	72.2	100.7 +0.51	132.4	103.9	+4.9
7-Eleven, Inc.	17.8	126.6 +3.7	32.6	105.1 +1.5	50.4	111.8	+5.3
[in dollar basis]	161MM	124.3 +31MM	297MM	104.0 +11MM	458MM	110.4	+43MM
Ito-Yokado	0.37	15.7 (2.0)	0.12	- +0.69	0.50	27.3	(1.3)
York-Benimaru 〈incl. Life Foods*〉	4.3	116.3 +0.60	3.8	95.3 (0.18)	8.1	105.4	+0.42
Sogo & Seibu	(0.37)	- (0.66)	(0.70)	- (0.12)	(1.0)	-	(0.78)

\* 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.

# Consolidated B/S Summary (As of Aug 31, 2019)

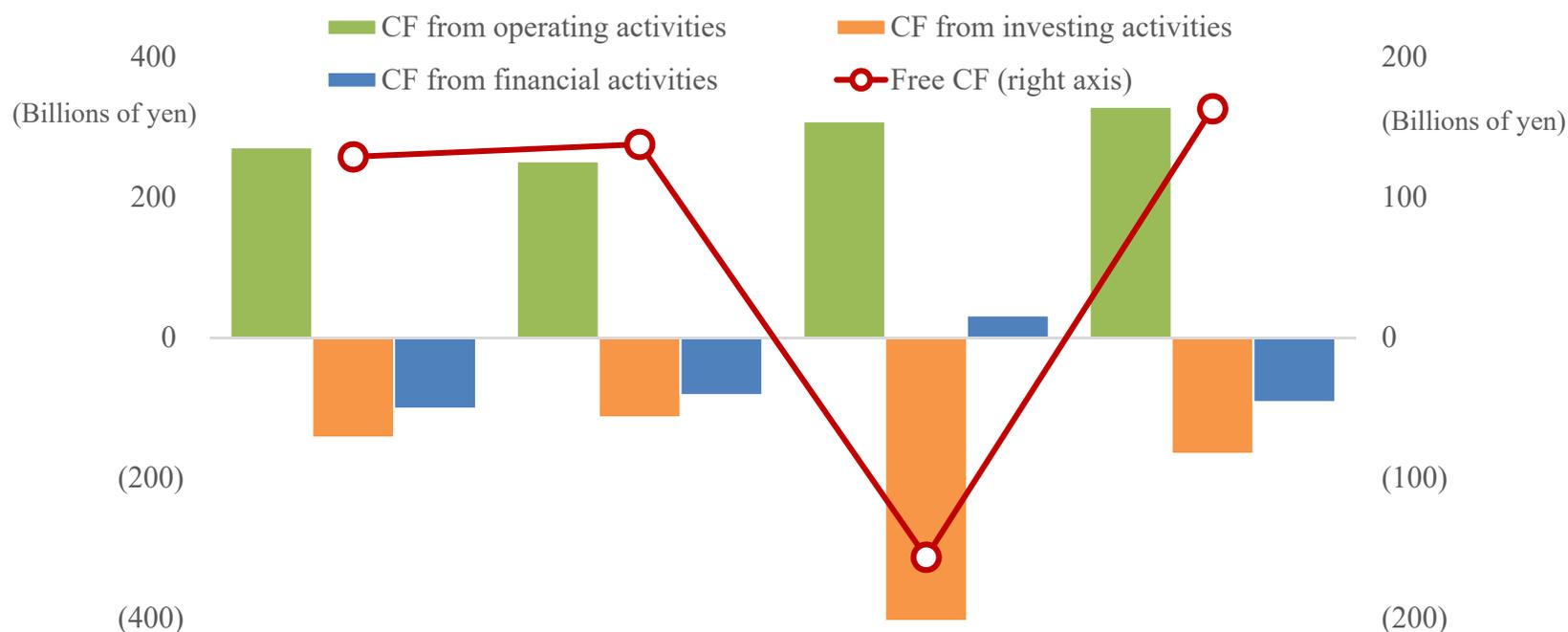


(Billions of yen)

Assets (Main items only)	Feb. 28 2019	Aug 31 2019	Variance	Liabilities and net assets (Main items only)	Feb. 28 2019	Aug 31 2019	Variance
<b>Current assets</b>	2,326.4	2,497.8	+171.3	<b>Total liabilities</b>	3,122.5	3,292.9	+170.3
Cash and bank deposits	1,314.5	1,387.0	+72.4	<b>Current liabilities</b>	1,992.7	2,225.0	+232.3
Cash and due from banks at Seven Bank	775.4	792.3	+16.9	Notes and accounts payable, trade	411.6	488.3	+76.7
Notes and accounts receivable-trade	956.0	140.7	+45.0	Short-term loans	143.1	153.3	+10.2
<b>Non-current assets</b>	3,468.5	3,458.8	(9.6)	Current portion of bonds Current portion of long- term loans	156.6	189.8	+33.1
Property and equipment	2,118.6	2,131.4	+12.8	Deposits received	174.0	232.6	+58.6
Buildings and structures, net	954.0	973.8	+19.7	Deposit received in banking business	588.3	613.5	+25.1
Land	751.6	746.3	(5.3)	<b>Non-current liabilities</b>	1,129.8	1,067.8	(61.9)
Intangible assets	608.4	599.7	(8.7)	Bonds	361.9	281.9	(79.9)
Investments and other assets	741.3	727.6	(13.7)	Long-term loans	443.4	426.1	(17.3)
<b>Deferred assets</b>	0.10	2.6	+2.5	<b>Total net assets</b>	2,672.4	2,666.4	(6.0)
<b>Total assets</b>	5,795.0	5,959.4	+164.3	<b>Total liabilities and net assets</b>	5,795.0	5,959.4	+164.3

Note) ASBJ Statement No. 28 has been adopted and reflected retroactively in the figures for the fiscal year ended February 28, 2019

# Consolidated Statements of Cash Flows 1H FY2020



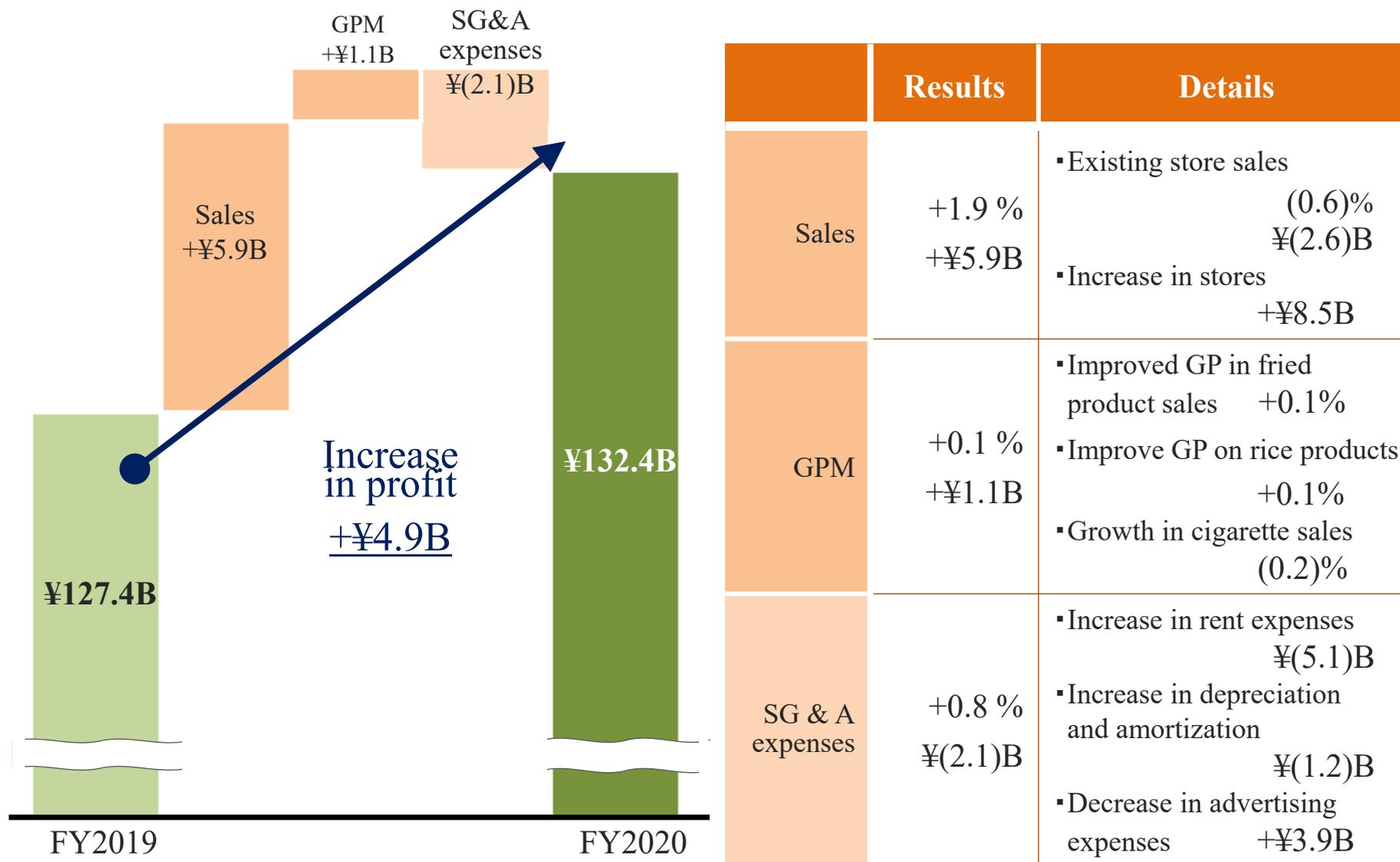
(Billions of yen)	FY2017	FY2018	FY2019	FY2020	vs. FY2019
CF from operating activities	271.3	251.4	308.4	329.0	+20.6
CF from investing activities	(142.3)	(113.5)	(464.9)	(165.7)	+299.2
Free cash flow	128.9	137.8	(156.5)	163.3	+319.8
CF from financing activities	(101.0)	(81.9)	31.6	(91.9)	(123.6)
Cash and cash equivalents at end of period	1,166.8	1,264.5	1,169.1	1,379.7	+210.6

# Special Losses 1H FY2020



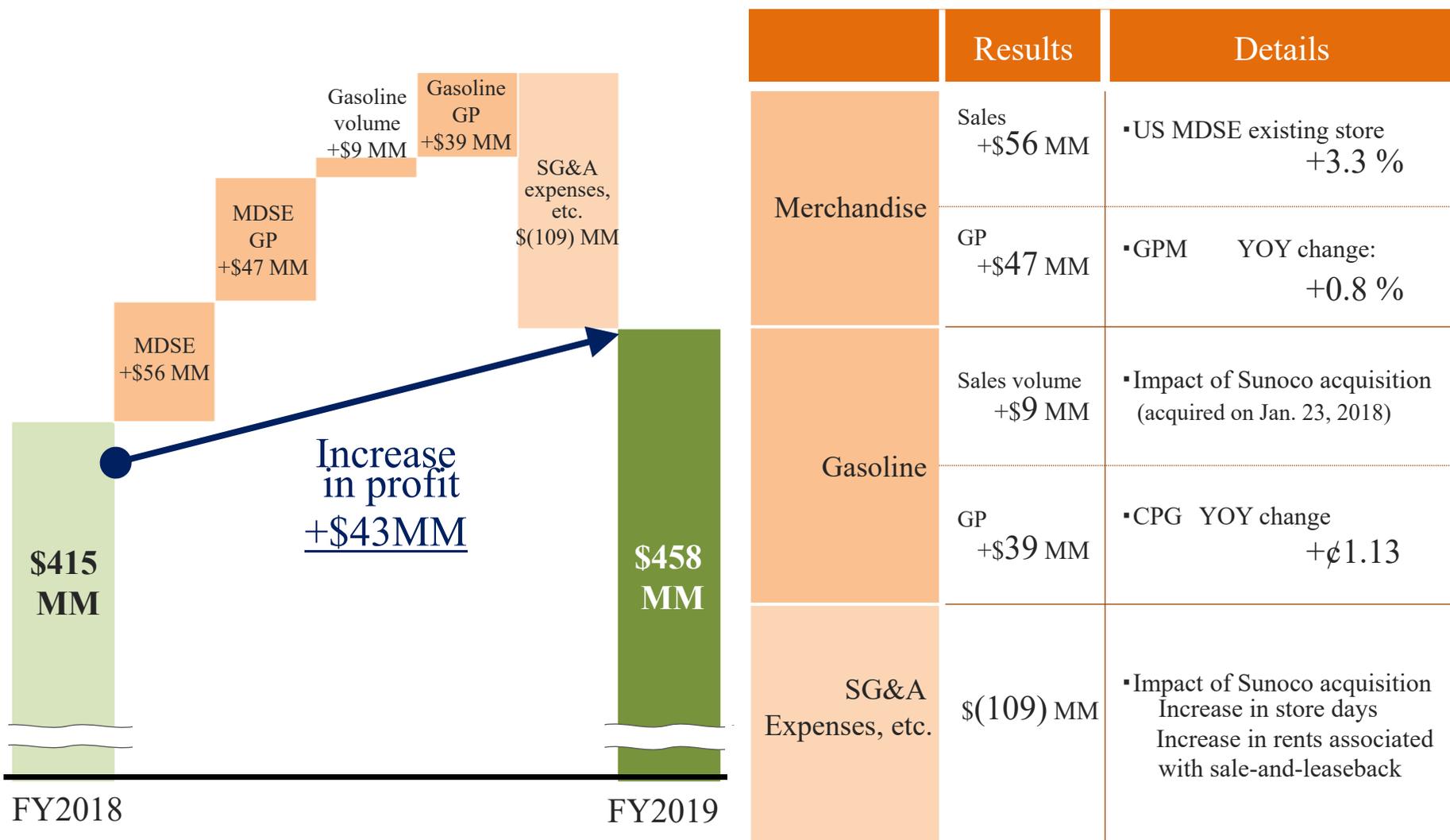
(Billions of yen)	1H FY2020		
	1H FY2020	Variance	Major factors
Special losses total	29.9	(15.8)	
Impairment loss on property and equipment	10.4	(11.3)	Reverse decline of impairment losses from overseas business for Seven Bank in the previous fiscal period, etc. [7.0]
Amortization of goodwill	-	(3.8)	Reverse decline of amortization of goodwill related to overseas business for Seven Bank in the previous fiscal period [3.8]
Loss on sales of shares of subsidiaries	-	(3.3)	Reverse decline of sales of shares of subsidiaries at Nissen Holdings in the previous fiscal period [3.3]
Restructuring expenses	2.6	+1.3	Funds to assist new placement for the personnel initiative at Sogo & Seibu, etc. [2.1]
Loss on digital and settlement services	6.5	+6.5	Impairment losses related to abolishment of the 7pay service, etc. [4.5]

# SEJ: Factors in YOY Change of Operating Income 1H FY2020



Achieve plan through growth in GPM and optimization of SG&A expenses, despite underperformance in same store sales

# SEI: Factors in YOY Change of Operating Income 1H FY2020



Existing store sales and higher merchandise / gasoline GPM growth lifted profits \$43 million

# Sunoco Results (1H FY2019)



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

	Sunoco		SEI (excl. Sunoco)		SEI Total	
		Change		Change		Change
Merchandise ( <small>\$</small> )	4,934	+24	4,994	+174	4,987	+155
Gasoline ( <small>gallons</small> )	4,876	(224)	3,443	(37)	3,774	(47)

## ◆ Financial figures

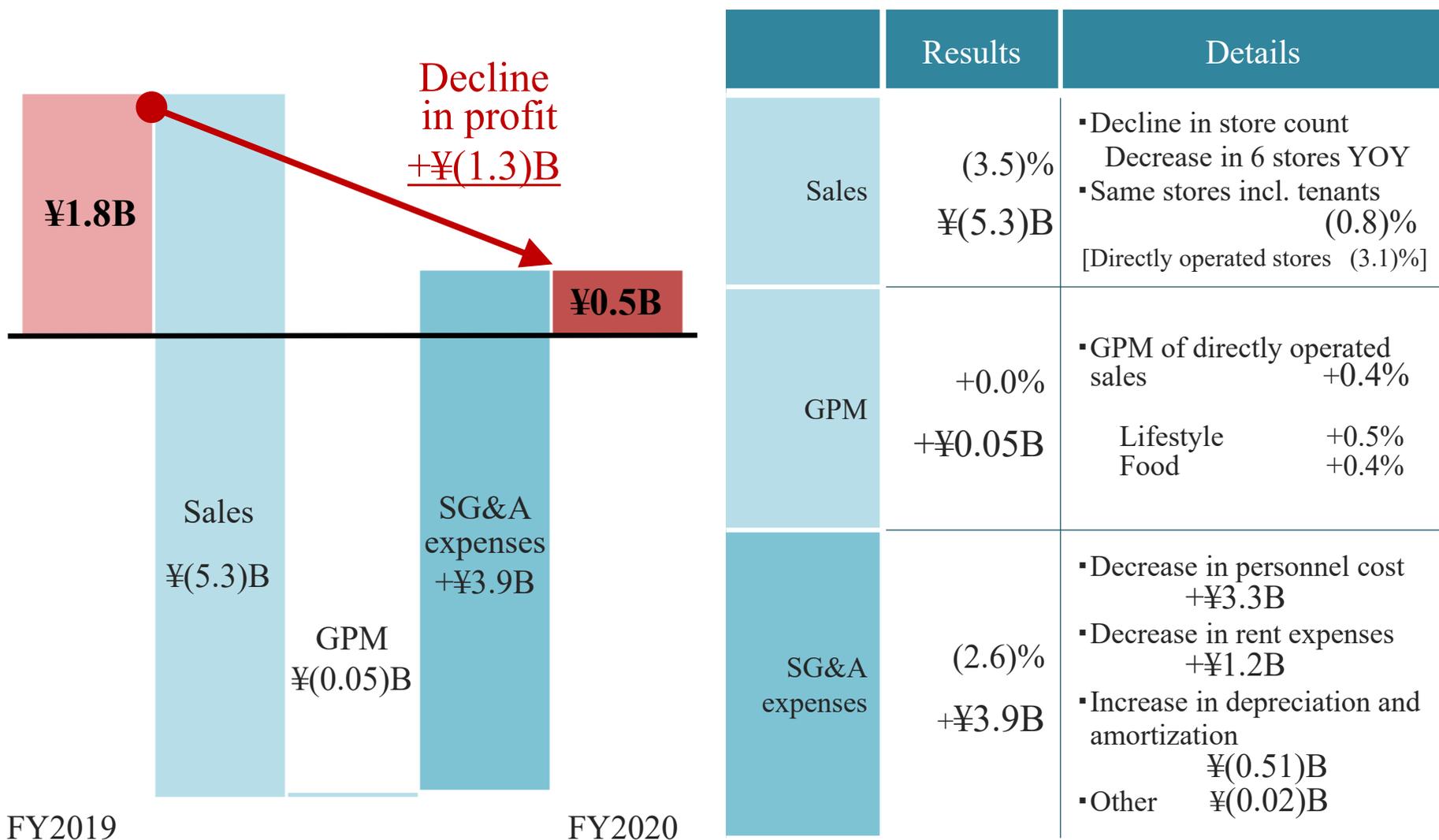
(Exchange rate: 1USD = 110.06JPY)

	Sunoco		SEI (excl. Sunoco)		SEI Total	
		YOY		YOY		YOY
Operating income ( <small>Millions of dollars</small> )	37	94.8%	421	112.0%	458	110.4%
Operating income ( <small>Billions of yen</small> )	4.0	96.0%	46.4	113.4%	50.4	111.8%
Amortization of goodwill ( <small>Billions of yen</small> )	3.7*	100.0%	6.0	117.7%	9.8	110.2%
Contribution to consolidated operating income ( <small>Billions of yen</small> )	0.3	64.0%	40.3	112.8%	40.6	112.2%

SEI remained in line with plan despite increase in rent associated with the sale-and-leaseback

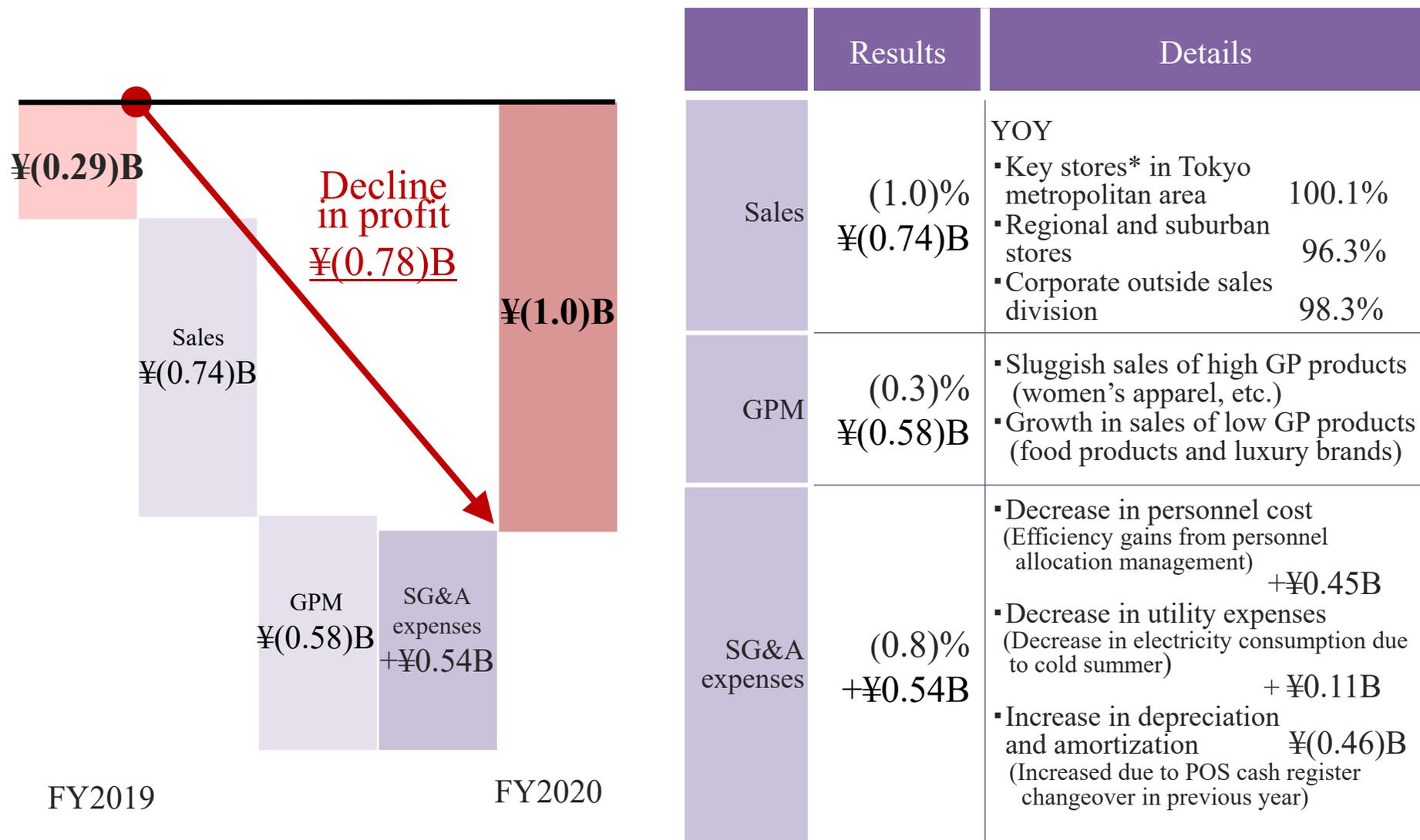
\*Goodwill: Calculated as 1,388 MM USD.

# IY: Factors in YOY Change of Operating Income 1H FY2020



Significantly under plan despite SG&A curbs as sales and GPM struggled

# SS: Factors in YOY Change of Operating Income 1H FY2020



Even with promoting a decline in expenses, profits decreased due to inability to cover struggling sales in existing stores and GPM

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

# FY2020 Consolidated Financial Results Forecast



◆ Items underneath OP income are maintained despite revisions to Group's total sales and revenues from OP plan

(Billions of yen, %)

	FY2020 Plan [After revision]			FY2020 Plan [Before revision]		
		YOY	Variance		YOY	Variance
Group's total sales*	12,051.8	100.3	+33.7	12,151.0	101.1	+132.9
Revenues from operations	6,688.0	98.5	(103.2)	6,741.0	99.3	(50.2)
Operating income	420.0	102.0	+8.4	-	-	-
Ordinary income	414.5	102.0	+7.9	-	-	-
Net income attributable to owners of parent	210.0	103.4	+6.9	-	-	-
Net income per share (yen)	237.87	103.6	+8.37	-	-	-

\*Group's total sales include the sales of SEVEN-ELEVEN JAPAN, SEVEN-ELEVEN OKINAWA and 7-Eleven, Inc. franchisees.

Note: The "Before Revision" column shows only items that revised the forecast

# FY2020 Plan of Revenues from Operations by Business Segments



## ◆ Revised plan mainly for superstore operations

(Billions of yen, %)

	FY2020 Plan [After revision]			FY2020 Plan [Before revision]		
		YOY	Variance		YOY	Variance
Consolidated	6,688.0	98.5	(103.2)	6,741.0	99.3	(50.2)
Domestic CVS operations	972.2	101.8	+16.7	983.0	102.9	+27.5
Overseas CVS operations	2,740.0	97.1	(81.0)	-	-	-
Superstore operations	1,869.2	98.2	(33.3)	1,903.0	100.0	+0.49
Department store operations	590.6	99.7	(1.5)	595.0	100.5	+2.8
Financial services	221.0	102.8	+5.9	-	-	-
Specialty store operations	349.0	98.2	(6.4)	353.0	99.3	(2.4)
Others	27.0	113.8	+3.2	-	-	-
Eliminations / corporate	(81.0)	-	(6.9)	-	-	-

FX rate: 1USD = 110.00JPY ,1CNY = 16.00JPY

Note: The "Before Revision" column shows only items that revised the forecast

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# FY2020 Plan of Operating Income by Business Segments



◆ OP income plan is maintained despite revisions to revenues from OP plan

(Billions of yen, %)

	FY2019 results	FY2020 Plan		
			YOY	Variance
Consolidated	411.5	420.0	102.0	+8.4
Domestic CVS operations	246.7	251.4	101.9	+4.6
Overseas CVS operations	92.2	102.7	111.3	+10.4
Superstore operations	21.1	26.1	123.3	+4.9
Department store operations	3.7	4.7	125.8	+0.96
Financial services	52.8	46.3	87.6	(6.5)
Specialty store operations	6.6	8.1	121.3	+1.4
Others	2.6	2.5	94.0	(0.15)
Eliminations / corporate	(14.5)	(21.8)	-	(7.2)

FX rate: 1USD = 110.00JPY ,1CNY = 16.00JPY

# FY2020 Plan for Major Operating Companies



◆ Major operating companies maintain the OP income plan despite the revisions to existing store sales growth plan excluding 7-Eleven, Inc.

(Billions of yen, %)

	Operating income			Existing store sales growth [After revision]	Existing store sales growth [Before revision]	GPM variance
		YOY	Variance			
SEVEN-ELEVEN JAPAN	250.0	102.0	+4.9	± 0.0	+1.5	+0.2
7-Eleven, Inc. [Millions of dollar]	122.6 [1,114]	110.4 [110.8]	+11.5 [+108]	+2.3	-	+0.5
Ito-Yokado	6.5	138.1	+1.7	(3.6)	(1.6)	+0.3
York-Benimaru 〈incl. Life Foods*〉	18.3	109.4	+1.5	(0.5)	+0.5	+0.6
Sogo & Seibu	4.2	128.6	+0.93	± 0.0	+0.7	± 0.0

\* 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.

Note: The “Before Revision” column shows only items that revised the forecast

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