



Seven & i Holdings Co., Ltd.
Financial Results Presentation
for the First Quarter of FY2015

July 3, 2014

Seven & i Holdings Co., Ltd.

- 1** Briefing on Consolidated Financial Results
- 2** Group Response to Consumption Tax Increase
- 3** Briefing on Results of Major Group Companies

Consolidated Financial Results for the Three Months Ended May 31, 2014

Overview of Consolidated Financial Results

- Achieved record-high operating income and net income

(Billions of yen)

	Three Months Ended May 31, 2014		
	Amount	YOY	Change from previous year
Group's total sales*	2,463.4	108.1%	+183.6
Revenues from operations	1,472.1	107.9%	+107.1
Operating income	77.4	105.1%	+3.7
Net income	39.5	105.6%	+2.0

Exchange rate (income statements): U.S.\$1=102.77yen, down 10.31 yen YOY

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

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Operating Income by Business Segment

- Operating income increased mainly due to increased profits in convenience store operations

(Billions of yen)

	Three Months Ended May 31, 2014		
	Amount	YOY	Change from previous year
Consolidated operating income	77.4	105.1%	+3.7
Convenience store operations	59.2	111.4%	+6.0
Superstore operations	7.4	101.1%	+0.08
Department store operations	1.5	228.9%	+0.8
Food services	0.04	14.7%	(0.2)
Financial services	10.9	97.2%	(0.3)
Mail order services	(2.1)	-	(2.1)
Others	0.8	79.2%	(0.2)

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Operating Income for Major Operating Companies

- Seven-Eleven Japan achieved record-high operating income

Ito-Yokado and Sogo & Seibu achieved positive growth in operating income

(Billions of yen)

	Three Months Ended May 31, 2014				Major Factors on YOY Changes
	Amount	YOY	Change from previous year	Existing Store Sales Increase	
Seven-Eleven Japan	55.2	112.1%	+5.9	+3.6%	Growth in existing store sales and improvements in merchandise gross profit margins
7-Eleven, Inc.	5.7	100.2%	+0.01	+1.0%	Growth in existing store sales and positive effects on currency exchange rates
Ito-Yokado	2.9	107.7%	+0.2	(2.8)%	Improvements in merchandise gross profit margins and increase in tenant revenue
York-Benimaru (including Life Foods*¹)	4.0	98.3%	(0.06)	+0.9%* ²	Growth in existing store sales but increase in SG&A
Sogo & Seibu	2.0	156.6%	+0.7	+3.3%	Absorbed fall-back after pre-tax surge in demand in March

*¹Life Foods is a wholly owned subsidiary which produces and sells delicatessen in York-Benimaru stores.

*²Existing store sales increase figures for York-Benimaru non-consolidated base.

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Plans of Consolidated Financial Results for the Fiscal Year Ending February 28, 2015

Plans of Consolidated Financial Results

- Aim to achieve full-year targets thorough product development emphasizing quality and face-to-face sales

(Billions of yen)

	FY2015 Plans	
	Amount	YOY
Group's total sales	10,200.0	106.3%
Revenues from operations	6,130.0	108.8%
Operating income	356.0	104.8%
Net income	184.0	104.7%

Exchange rate (income statements): FY2015 plan 102.00 yen, down 4.27 yen YOY

Plans of Consolidated Financial Results: Operating Income by Business Segment

● Plans of operating income by segment is unchanged

(Billions of yen)

	FY2015 Plans		
	Amount	YOY	Change from the previous year
Convenience store operations	270.0	104.8%	+12.4
Superstore operations	32.8	110.6%	+3.1
Department store operations	8.2	124.4%	+1.6
Food services	1.3	215.2%	+0.6
Financial services	47.5	105.8%	+2.5
Mail order services	(4.7)	-	(4.7)
Others	3.7	170.8%	+1.5

1 Briefing on Consolidated Financial Results

2 Group Response to Consumption Tax Increase

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Group Management Policy

Management focused on quality= Increasing **corporate brand value**

- Treat change as a chance to promote differentiation and create hypotheses
- Develop products attuned to customers' psychology and vigorously sell these

Approach to dealing with the consumption tax increase

- Pursue **innovative, high-quality** products
- Change sales areas **to communicate value through face-to-face sales**
- Never become **embroiled in price-based competition**

Basic Policies at Time of Consumption Tax Rate Increase

(Example of Seven-Eleven Japan (=SEJ))

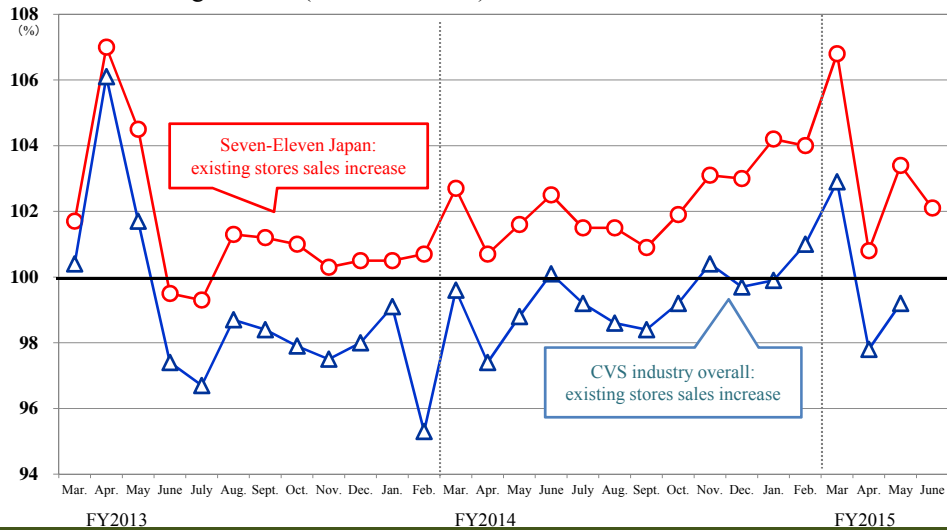
- Propose new values and prices responding to changing customer psychology and needs

(1) Maintain or reduce the prices of frequently purchased products	10%
(2) Set prices at a level that clearly conveys value, after transferring the consumption tax increase to the price ex.) 101 yen including 8% consumption tax → set price at 100 yen	10%
(3) Recommend and revamp new products based on value propositions and set new price	40%
(4) Transfer the consumption tax increase to the price directly, and scheduled to be renewed from June onward	40%

In FY2015 **renew 80%** of original SEJ and *Seven Premium* products, which account for over 40% of total store sales, and set new prices.

Existing Store Sales Increase at SEJ and CVS Stores

- After differentiating, existing store sales have increased at SEJ stores for **23 consecutive months** since August 2012 (as of June 2014)



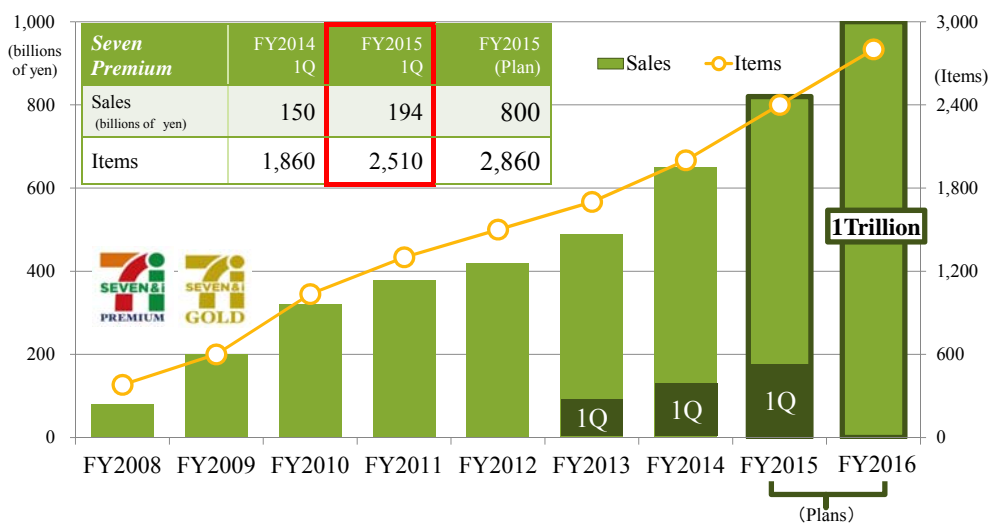
(Note) SEJ's existing stores sales increase is presented in new standard from FY2014
Source: Japan Franchise Association monthly convenience store survey

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Seven Premium Sales

- Vigorously promoted renewals to achieve **194.0 billion yen** in sales during FY2015 1Q (approx. 30% increase YOY)



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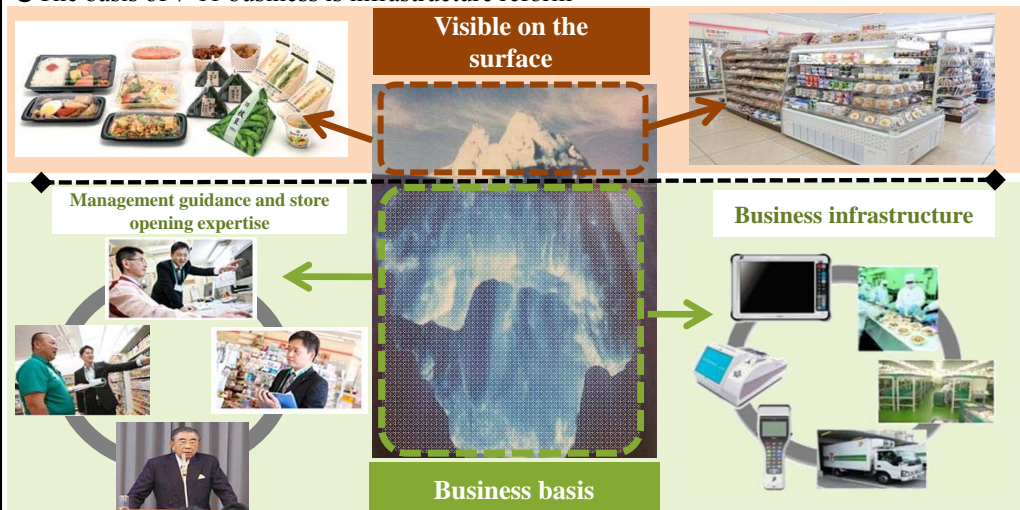
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SEJ's strengths : Hidden "Strong infrastructure" and "Powerful organizational strength"

● The basis of 7-11 business is infrastructure reform



Numerous innovations in store location, product quality, and service level

SEJ: Foundation for Growth

● Three pillars to the overwhelming differentiation

Store Openings = return to roots	Products = Unrivaled differentiation	Service = Stronger face-to-face sales and product line-up
Market Concentration (Developing a high concentration of multiple stores)	Infrastructure for providing original products Ratio of dedicated facilities: 92% No. of dedicated facilities: 161	Operations Field Consultants provide management advice, etc.
Stores in 43 prefectures (out of 47 prefectures)	Construct an exclusive nationwide supply chain from procurement to delivery using external organizations	Hold a bi-weekly field consultants meeting at Head Office Strengthen Order Placement Capabilities and Customer Service

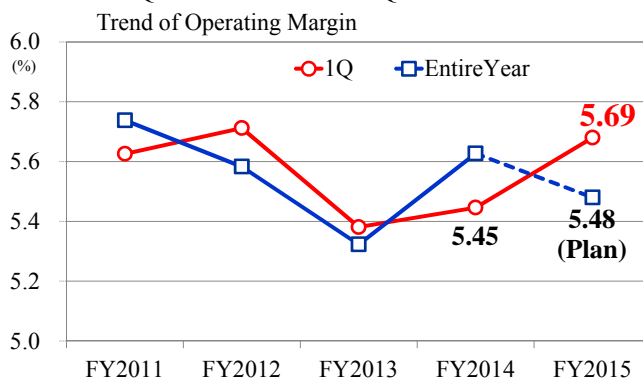
Market Concentration is the foundation ⇒ Dedicated Supply Chain,
Efficient Management Guidance ⇒ Unrivaled differentiation

Foundation of the Group

Development of *Seven Premium*, Omni-Channel Strategy

SEJ: Improvement of Operating Margin*

- Achieved YOY gross profit margin **improvement in 1Q for first time in three years**
FY2014 1Q 5.45% ⇒ FY2015 1Q **5.69%**



Strengthening Management Structure

- Flexible response to contingencies like El Nino
- Think of various ways to increase sales and secure profits in summer sales season

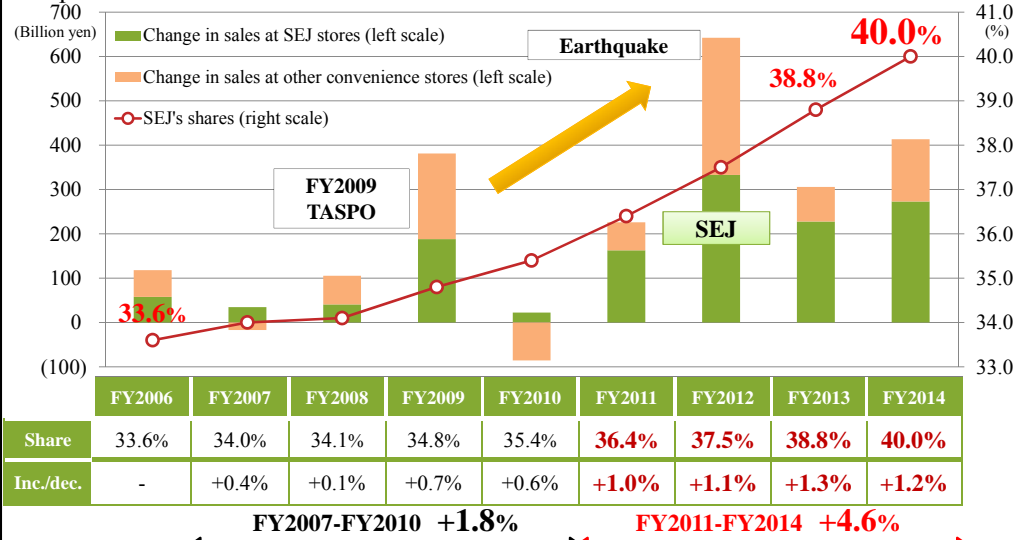
● Main factors of improvement of operating margin

Accumulation of positive store openings	Increase in existing store sales	Improvement in gross profit margin
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* Operating margin: Operating income / Total store sales

SEJ: Sales Shares and CVS Sales Inc./Dec. Trend

● Promoted differentiation following the massive change brought by the earthquake disaster, expanded sales share



Source: Japan Franchise Association monthly convenience store survey

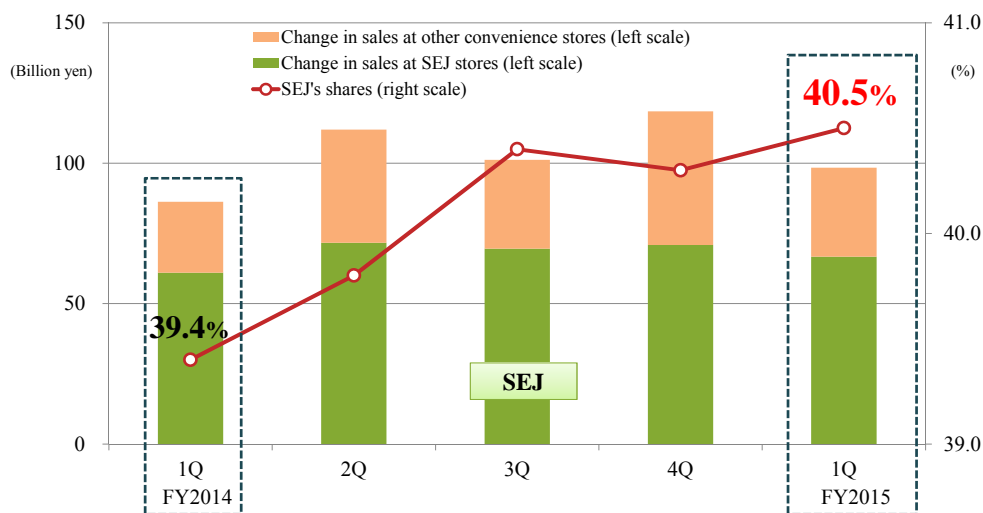
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SEJ: Quarterly CVS Sales Share and Sales Changes

● Promoted differentiation following the massive change brought by the consumption tax increase, expanded sales share (+1.1% YOY)



Source: Japan Franchise Association monthly convenience store survey

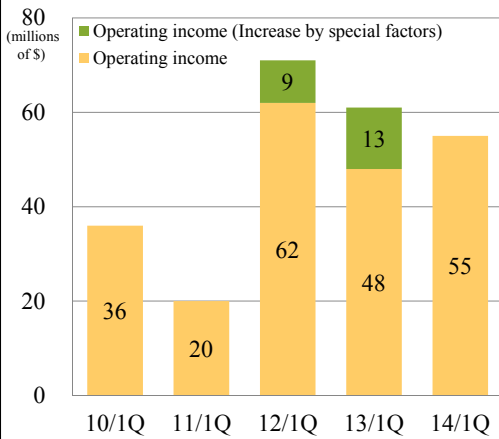
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7-Eleven, Inc.: 5-year Transition of the First Quarter Operating Income (US Dollar-based)

● For FY2014 1Q, operating income increased excluding special factors



Special factors

FY2012 1Q:

Extremely warm winter
Increased lottery fee due to carry-over (approx. \$9 million)

FY2013 1Q:

Reduced expenses associated with the change of paid leave system (approx. \$13 million)

FY2014 1Q:

Negative impact of extremely cold wave

In spite of the impact of cold wave for the first quarter of FY2014, operating income increased as planned excluding special factors.

Note: Fiscal year ended: December 31

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Ito-Yokado: Promotion of Reforms in Sales Areas and Merchandising

● Promoting sales area reforms improved profitability and boosted overall revenue and earnings at shopping centers

	15/1Q	YoY	Reason
Revenues from operations	324.6 bn yen	100.1%	Even though existing store sales were down, overall earnings and sales increased, including for tenants
Operating Income	2.9 bn yen	107.7%	Improved gross profit margin (+0.3%) and increased tenant revenue

Promote sales area reforms and strengthen initiatives for building attractive merchandising

Current examples

Pursuing innovative, high-quality products	<ul style="list-style-type: none"> Strengthen development of private-brand apparel and "fresh food with traceability" Propose sales area tie-ups with Nissen and BALS
Invigorating the Tohoku region	<ul style="list-style-type: none"> Tie-up with YB, review product line-up to suit regional catchments

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Incorporating Nissen Holdings into Consolidated Financial Results
 (As of FY2014: Consolidated in Balance Sheet, As of FY2015 1Q: Incorporated in Income Statement)

● **Differences between Inclusions in Consolidated Financial Results of Nissen Holdings and Seven & i Holdings.**

1. Different periods included for companies with Mar. and Sept. balance dates compared with Nissen's consolidated results.
2. Nissen Holdings non-consolidated subsidiaries (Domestic: 7 companies, Overseas: 8 companies) are all consolidated in Seven & i Holdings.
3. Amortization of goodwill at Seven & i Holdings

			FY2015 1Q	FY2015 2Q
Balance date: December 20	Nissen Holdings Nissen Other 5 companies*	Nissen Holdings Consolidated	12/21/2013 to 3/20/2014	3/21/2014 to 6/20/2014
		7&i Holdings Consolidated	12/21/2013 to 3/20/2014	3/21/2014 to 6/20/2014
Balance date: March 31	SHADDY Other 2 companies	Nissen Holdings Consolidated	10/1/2013 to 12/31/2013	1/1/2014 to 3/31/2014
		7&i Holdings Consolidated	1/1/2014 to 3/31/2014	4/1/2014 to 6/30/2014
Balance date: September 30	2 companies	Nissen Holdings Consolidated	10/1/2013 to 12/31/2013	1/1/2014 to 3/31/2014
		7&i Holdings Consolidated	1/1/2014 to 3/31/2014	4/1/2014 to 6/30/2014

*Including one affiliate accounted for using the equity method

【Supplementary Material】

Convenience Store Operations: Results (1)

Seven-Eleven Japan

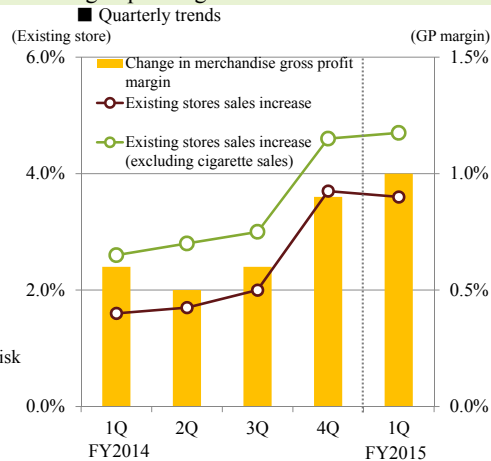


Product initiatives implemented in conjunction with the consumption tax increase successfully increased sales and gross profit margin to achieve record high operating income

	Results	YOY
Operating income	55.2 bn yen	112.1% +5.9 bn yen
Existing store sales increase		+3.6%
Merchandise gross profit margin	31.7%	+1.0%

Overview

- Existing store sales: Increased after renewing and expanding original products and *Seven Premium* goods
- Gross profit margin: significantly improved due to continued brisk sales of *SEVEN CAFE*(+0.4%) and effect of cigarettes(+0.3%)
- Operating income: Operating margin improved for first time in three years to reach 5.69%



Convenience Store Operations: Results (2)

7-Eleven, Inc.

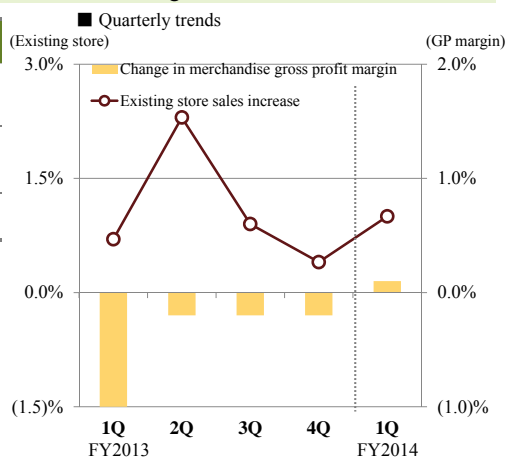


Gasoline sales declined on cold wave, but growth in product sales and improved profit margin, along with depreciation of the yen in currency translation resulted in increased earnings

	Results	YOY
Operating income	5.7 bn yen	100.2% +10 mn yen
Existing stores sales increase (U.S. Merchandise sales in dollar basis)		+1.0%
Merchandise gross profit margin	34.3%	+0.1%

Overview

- Product sales: Increased despite the impact of the cold wave
- Gasoline: Lower sales due to declines in price and sales volume
- Gross profit margin: Increased sales led by improvements for fresh foods and non-alcoholic beverages
- Operating income for 1Q of FY2014 also increased dollar-based earnings if special factors in the previous year (increased by \$13 million) are excluded



Superstore Operations: Results (1)

Ito-Yokado

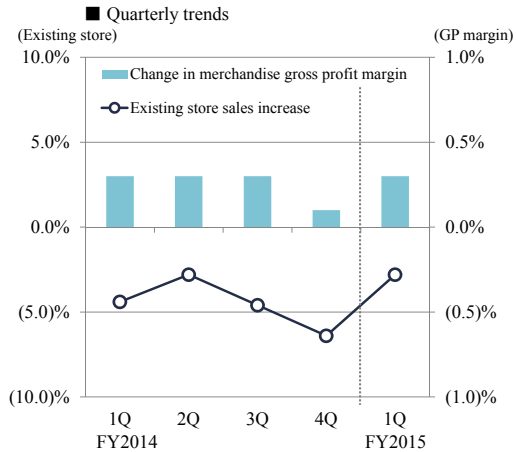


Progress with sales area reforms improved overall shopping center profitability, achieved increased earnings

	Results	YOY
Operating income	2.9 bn yen	107.7% +0.2bn yen
Existing store sales increase	(2.8)%	
Merchandise gross profit margin	30.6%	+0.3%

Overview

- Existing store sales: Decreased due to fall-back following demand surge, and optimizing directly-managed sales areas (increasing tenants)
- Gross profit margin: Improved centered on lifestyle goods and food after strengthening private-brand product lineup
- SG&A: Unchanged despite increase in electricity charges offset by decreased land and building rent expenses



Superstore Operations: Results (2)

York-Benimaru

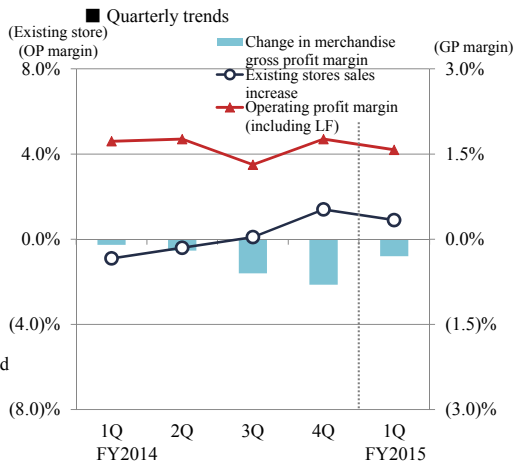


Existing store sales increased and operating income remained in line from the initial plans

	Results	YOY
Operating income	2.9 bn yen	93.6% (0.2) bn yen
Existing store sales increase	+0.9%	
Merchandise gross profit margin	25.2%	(0.3)%
Operating income (including Life Foods)*	4.0 bn yen	98.3% (60) mn yen

Overview

- Existing store sales: Increased on brisk sales of fresh foods despite a fall-back following a surge in demand
- Gross profit margin: Lower due to pricing adjustments centered on high-consumption products
- SG&A: Up 6.5% on increases in electricity costs and new stores (10 more than quarter ended May 2013)



Department Store Operations: Results

Sogo & Seibu

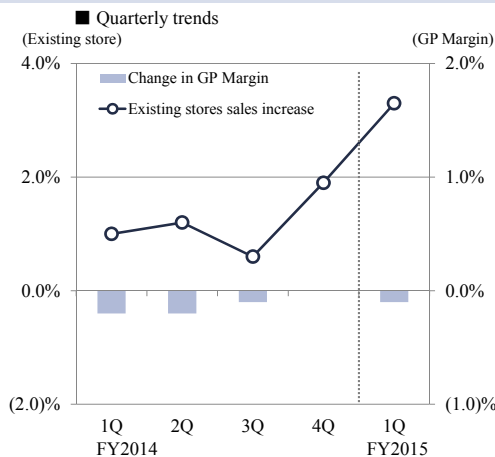


Increased operating income due to existing stores' sales growth from a surge in demand ahead of the consumption tax increase

	Results	YOY
Operating income	2.0 bn yen	156.6% +0.7 bn yen
Existing store sales increase	+3.3%	
Merchandise gross profit margin	25.2%	(0.1)%

Overview

- Existing store sales: Growth centered on luxury brands and premium sundries due to demand surge ahead of tax increase
- Gross profit margin: Slight decrease due to growth in sales of premium products with low gross profit margins
- SG&A: At 0.8% up, effectively unchanged YOY, despite increased variable costs accompanying sales growth and higher electricity charges



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