



**Seven & i Holdings Co., Ltd.**

**Financial Results Presentation  
for the Second Quarter of FY2015**

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**Management Policy**

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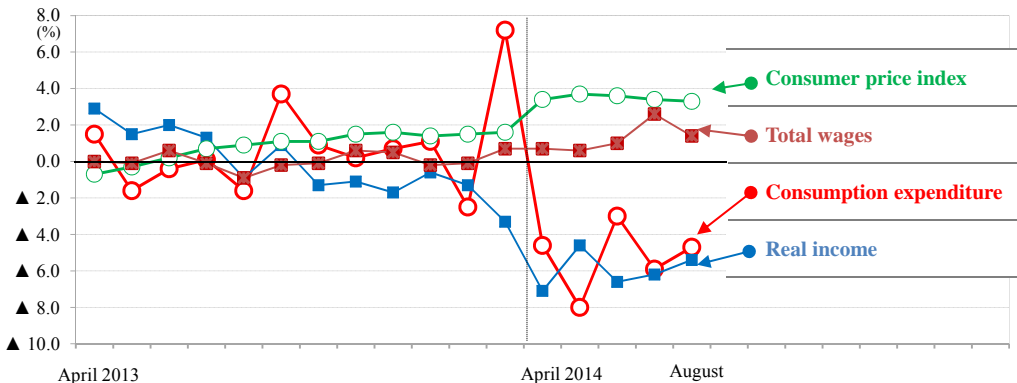
October 3, 2014

Seven & i Holdings Co., Ltd.

**I : Responding to Change**

**“Management Focused on Quality”**

(1) Macroeconomic Environment : Consumption Tax Increase, Rising Cost of Living, and Inclement Summer Weather



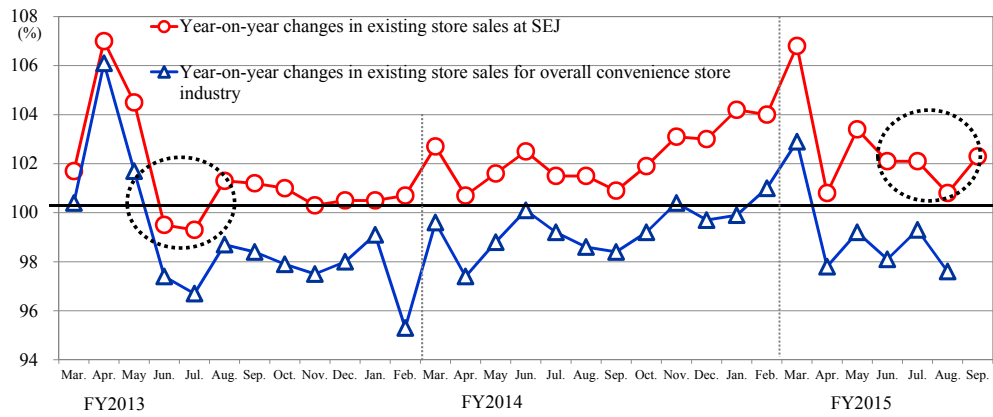
- The consumer price index has been increasing continuously amid an ongoing decline in real income.
- This has had a tremendous impact on consumer sentiment, causing consumption expenditure to decrease continuously since April.
- Consumers will not make purchases even if prices are lowered: shift to value-driven consumption.
- In addition, changes in weather and other conditions have had a profound impact on consumer behavior.

Sources: Consumption expenditure, real income, consumer price index (CPI): Ministry of Internal Affairs and Communications; Total wages: Ministry of Health, Labour and Welfare  
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(2) Promoted Differentiation : Trend in Year-on-Year Changes in Existing Store Sales at Seven-Eleven Japan (SEJ) Versus Overall Convenience Store Industry

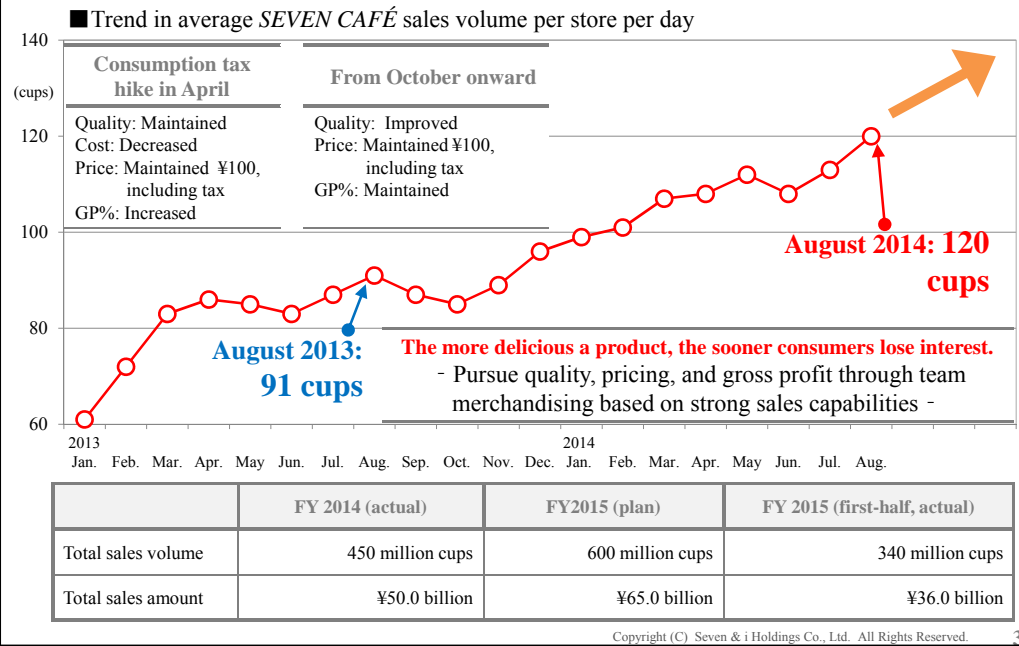
● SEJ: 26 consecutive months of positive growth as of September 2014

<p>Summer 2012: Year-on-year decrease: Pull back from the impact of severe heat in 2011 and an extended rainy season</p>	▶	<p>Summer 2014: Year-on-year increase: Despite pull back from the impact of severe heat in 2013 and an extended rainy season =Product development and enhanced product lineup=</p>
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(Note: Year-on-year change in existing store sales at SEJ is presented based on new standards since the fiscal year ended February 28, 2014.  
Source: Japan Franchise Association monthly convenience store survey  
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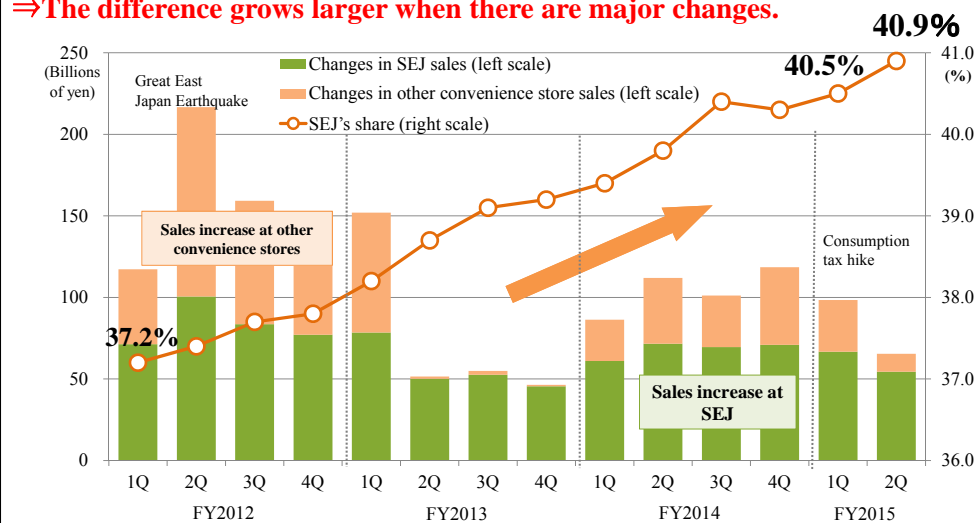
(3) SEJ's Evolution — Product Development Capabilities: SEVEN CAFÉ merchandising policy —



(4) SEJ's Share of the Convenience Store Market:  
Targeting a 50% Market Share Over the Medium Term

● Trend in SEJ's share of sales and changes in convenience store sales by quarter (Japan Franchise Association)

⇒ The difference grows larger when there are major changes.



## (5) Future Business Environment and Basic Management Policies

- Business environment expected to remain challenging
- Addressing the shift in consumer sentiment is a key priority
  - Promote value in terms of innovation, quality, and reasonable pricing, rather than relying merely on low prices
- Differences in responses will translate into differences in the success of companies
  - Differences in the success of companies will be determined by competition across business formats
- Addressing regional differences will also be crucial



- The Seven & i Group will rigorously respond to change
- Bolster own merchandising and regional merchandising based on “Item by Item Management”
- Drive the Omni-Channel Strategy forward to reach our “Second Phase of Growth”

## II : Maximization of Group Synergy

## (6) Promote Regional Strategy

### (1) Regional strategy lies in our customer strategy

- Do away with past approaches to chain stores and promote a Group-wide approach

### (2) Installation of the Reform Project

- SEJ: West Japan Project
- IY: West Japan Business Department; Tohoku Reform Project

### (3) Strengthen collaboration with capital-alliance partner companies

- Hokkaido: DAIICHI
- Okayama prefecture: Tenmaya, Tenmaya Store

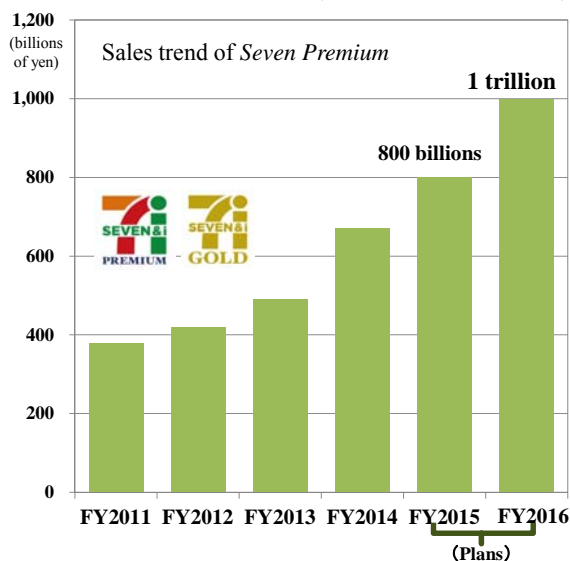
### (4) Omni-Channel Strategy

- Make it possible to serve a broad range of customer needs by augmenting store inventories

## (7) Bolstering Retailer-Managed Merchandising Capabilities = Harnessing Group-wide Capabilities

(Example of *Seven Premium*)

- Vigorously promoted renewals to achieve **402.0 billion yen in sales during the first half of FY2015 (23.7% increase YOY)**



### *Seven Premium*

- Break through conventional notions from the past
- Proved that joint product sales across different business formats are possible if the products offer value.

Expand these accomplishments to apparel and household goods

- (1) Apparel: Joint development by Ito-Yokado (IY) and Sogo and Seibu (SS)
  - Develop private-brand products in the mass-market price range
- (2) Household goods: Collaborate with capital-alliance partner companies
  - Expand new merchandising initiatives

## (8) Far-Reaching Reforms at IY and SS

### Business structure reforms at IY

#### ➤ Reforms that do away with past approaches to chain stores

(1) Thorough “*Tanpinkanri*” (“Item-by-Item Management”)

(2) Bolster IY’s merchandising capabilities

- Harness the Group’s internal and external capabilities
- End reliance on wholesalers’ merchandise

(3) Bolster regional merchandising capabilities

### Business structure reforms at SS

➤ Although business formats are different, action required is basically the same.

## (9) Omni-Channel Strategy

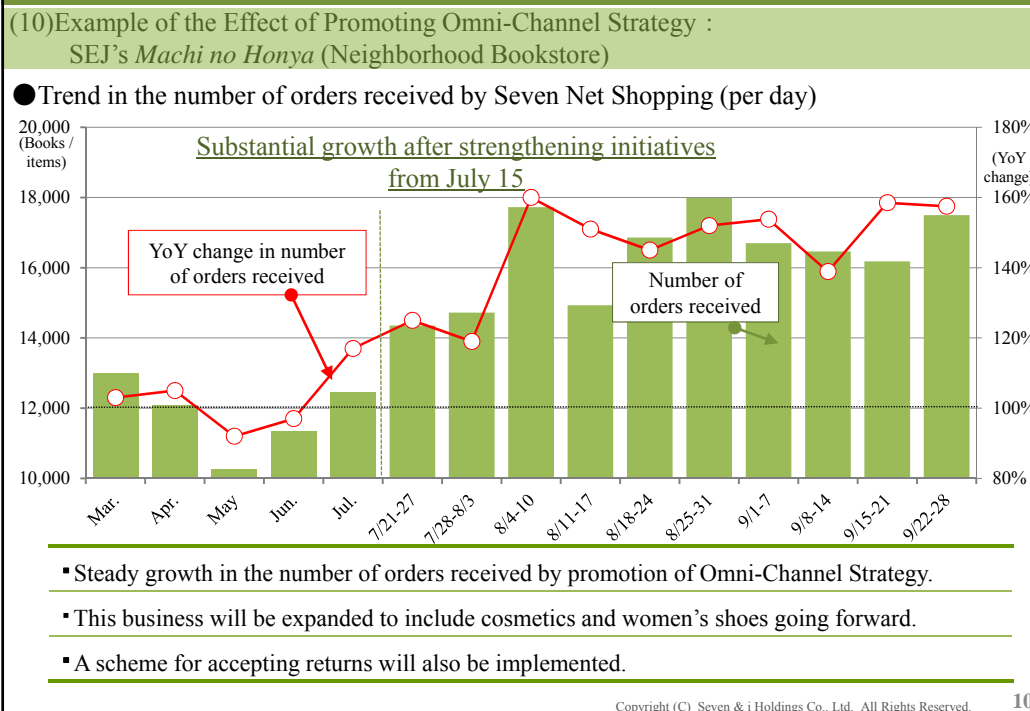
● The key lies in our customer strategy = creating new shopping experiences

- The highest priorities are product development as well as strengthening customer service and services.
- We also expect to derive additional benefits from promoting the Omni-Channel Strategy.

● Promotion framework



- From the fall of next fiscal year, all online products offered by the Group will be available for pick-up at SEJ stores.
- Succeed in the Omni-Channel era by combining merchandising capabilities and store networks.



(11) Policies on Investment and Shareholder Returns

**Basic policy on investment**

- Actively invest in growing businesses and areas: Invest intensively in convenience store operations
- Execute investments targeting earnings growth over the long term

**Basic policy on shareholder returns**

- Return profits in line with improved earnings
- Consolidated dividend payout ratio target: Maintain a base consolidated payout ratio of 35% and improve it further
- ¥5 per share increase in dividends projected for the current fiscal year

The dividend forecast was upwardly revised on August 18 to ¥73 per share, ¥5 more than the previous fiscal year, from an initial forecast of ¥70 per share, ¥2 higher than the previous fiscal year.

**Targeting a 10% ROE over the medium term**

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