



Seven & i Holdings Co., Ltd.
Financial Results Presentation
for the Fiscal Year ended February 28, 2015

April 3, 2015

Seven & i Holdings Co., Ltd.

Management Policy

“Responding to Change while
Strengthening Fundamentals”

- Management Focused on Quality -

Overview of FY2015 and Plan for FY2016

FY2015 Overview

- First ever in Japanese retailers: Group sales top 10 tn yen, highest in Japan
 - Operating income: Despite achieving a new record for a fourth consecutive year, falling short of forecast is an issue
 - Issues became clarified, direction became apparent

Plan for FY2016 - Factor in a gradual recovery in consumption

- Entire Company to take on high numerical target, resolutely grasp opportunities and plan for bold capital expenditures
 - Operating income: 373 bn yen, a new record for a fifth consecutive year
 - Capital expenditures: 460 bn yen
 - Do away with conventional chain store management in favor of store-led management incorporating regional characteristics
 - Full-scale start of Omni-Channel Strategy, strengthen product development structure

FY2016 Priority Management Policies

1. Do away with past “chain store approach”
2. Individual stores and regional management
3. Omni-Channel Strategy

Environmental Awareness

Past chain store approach does not apply in a buyer's market

● Work approach appropriate for the times

	Growth period Seller's market	→	Maturity period Buyer's market
Economic environment	■ Strong consumer motivation		■ Consumer saturation, diversity
Merchandising	■ Wholesale merchandizing, price-focused private brands		■ Team merchandizing, private-brand products offering value
Sales	■ Self-selling (Sold if stocked)		■ Customer service sales

Do Away with Past Chain Store Approach

- Chain store approach arose in the United States at the end of the 19th century

Multiple store management with a strong central control format for key elements such as product lineup, personnel, etc.

- Division of roles between Head Office and stores
- Standardization and simplification of operations to raise overall efficiency
- Pursue profits through increase store scale by selling larger volumes

This approach has become ineffective in mature societies

Promote Management Incorporating Individual Store Autonomy and Regional Characteristics

Pursue store-led “quality, innovation, and regional characteristics”

- Change to store-led operations:

Implement item-by-item management, product lineups ordered with intent



Nozawana example

- Endeavor to capture catchment areas’ latent needs:

Prioritize regional history, customs and preferences



- Develop good items without rigidly determining the customer segment

- Sell with planned volumes in mind

Limited editions

IY collaboration example



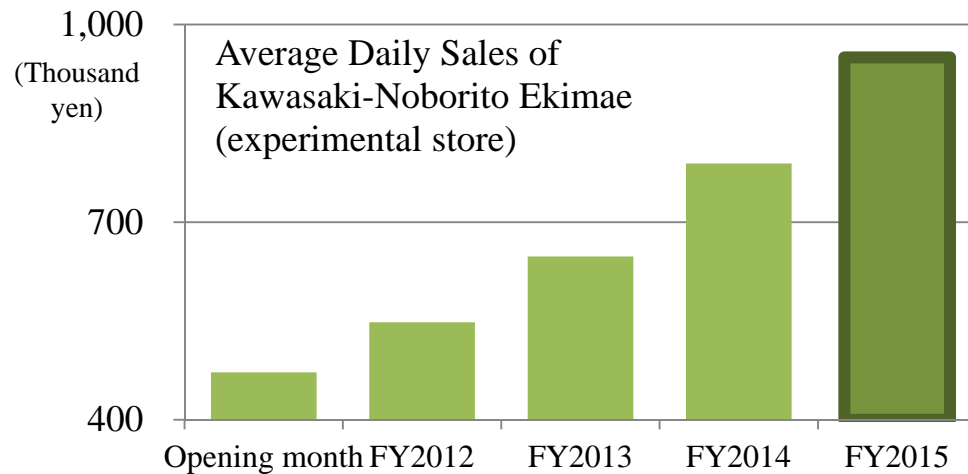
Seven-Eleven Japan (SEJ) Example : 2012, Launch **Store Innovation Project** *

*A project that handed stores all operation authority and worked on a concept of creating stores from scratch

Change the way of producing ideas:

Create ideas in terms of “**concepts**” rather than “objects”

Thoroughly elicit “concepts” from “change” and connect these to “objects”

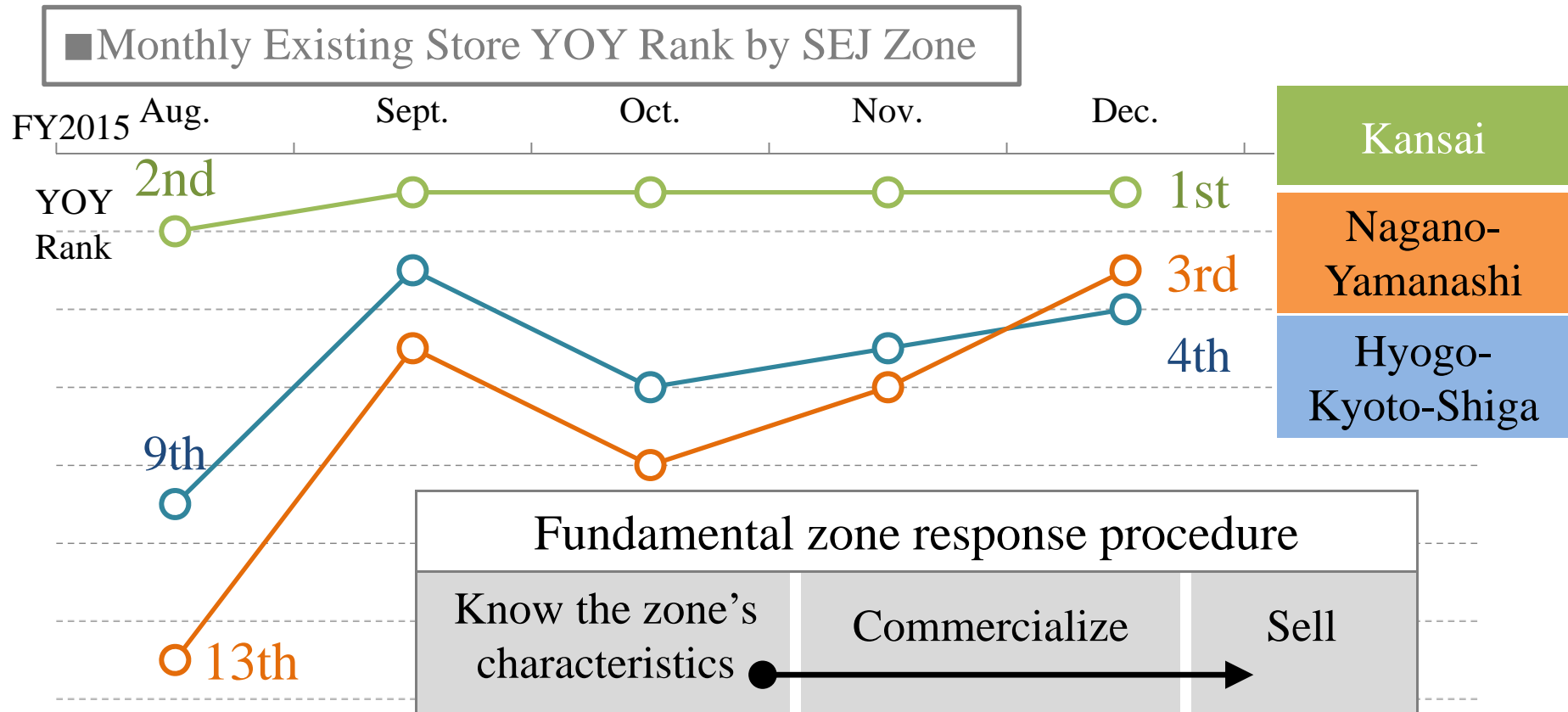


In addition to product lineups drawn from new concept, greatly expand mainstay daily products

Add regional characteristics to this idea, develop horizontally and promote store autonomy

SEJ Example: Strengthen Zone Response

- Results improved in the initial zones targeted for zone response, Kansai and Nagano (All 17 SEJ zones) ⇒ Significant opportunity loss when unable to support regional characteristics



In January this year, the country was divided into 9 blocs* to strengthen zonal response

* Sales promotion, quality control and distribution posted in each zone

Ito-Yokado (IY) Example:

In January 2014, Operate *Ario Ageo* as Independently Operated Store*

* Store operating freely centered on the store manager's ideas

Instructions to store manager:

“Do as you like” and “No problem if you cut the sales in half”

- Improved figures by incorporating store layout and product lineup depending on history, customs and preferences
- Incorporate part-time employees' opinions to improve motivation
- **Relationships of trust** are important, between store managers and managers, managers and partners and partners with Head Office

From August, sales were over 110% YOY

Stores take the lead in product lineup, **Head Office strengthens support** for merchandizing, development, etc.

Currently 9 independently operated stores, expand to all stores in first half

Omni-Channel Strategy to Start Full-Scale in October

7&i's Envisaged Omni-Channel

- Customer-centered customer strategy

- Utilize over 19,000 stores in Japan as customer service points
- Create opportunities to buy anytime, anywhere
- Center product development on innovative, high-quality private brands

Product
project

Store
project

Distribution
project

Member
project

Internet
project

Top management at each company will ensure the service starts as planned by autumn this year

Approach to Merchandising in Omni-Channel

Mainstay products that can be differentiated (private brands)

Clothing

Day to Day High Quality
Sept Premieres

Living

Enriched Living
Small miscellaneous items

Food

Discerning Selection of Quality
Order direct from producers and from brokers

Actual examples

Using Jean-Paul Gaultier

SEPT PREMIÈRES



“BON BON HOME” - a collaboration with BALS

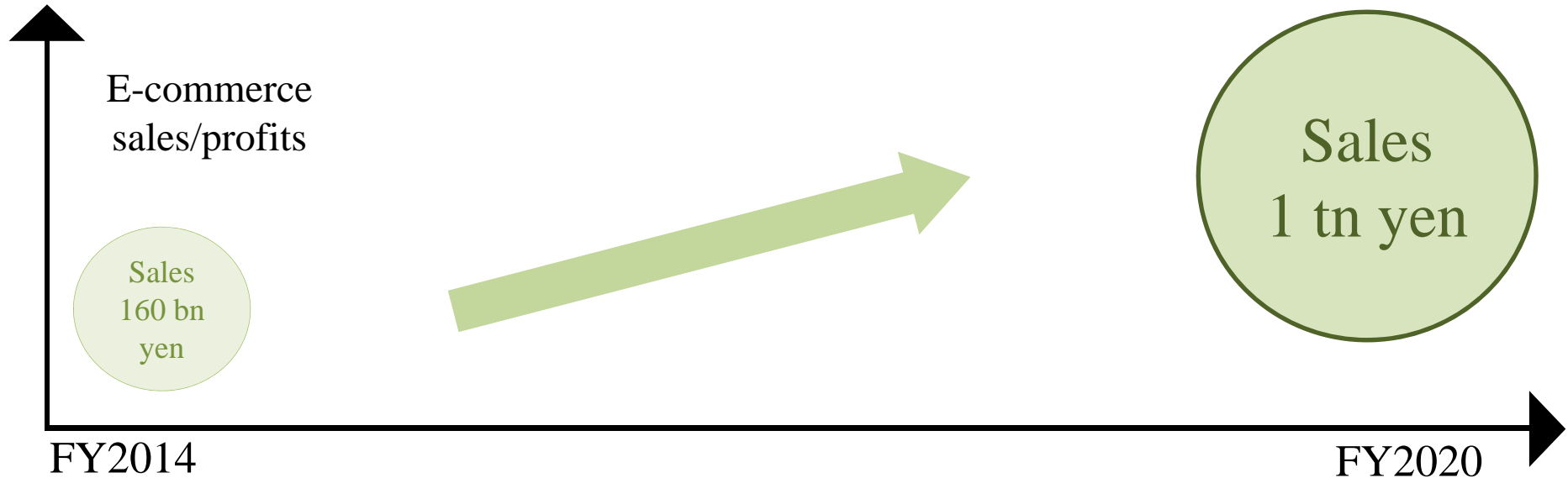
BH BON BON HOME

Collaboration with Oki Sato

“GOTTSUO BIN” - selectable gifts
IY system for delivery direct from producers

Omni-Channel Business Roadmap

Aim to become profitable by 3rd year and cooperate with external companies in the future



Develop into an essential infrastructure for daily living

Approach to Capital Expenditure, Shareholder Returns

Capital expenditure

Plan consolidated 460 bn yen

- **Growth investment with intent**

- Invest in further growth in convenience store operations
- Strengthen existing store investment for structural reform businesses
- Invest ahead of full-scale Omni-Channel operation

Shareholder returns

Consolidated dividend payout ratio target: Maintain a base consolidated payout ratio of 35% and improve it further

- Forecast 4 yen per share increase in dividends to 77 yen per share

Achieve a 10% ROE over the medium term

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