



Seven & i Holdings Co., Ltd.

**Financial Results Presentation
for the First Quarter of FY2016**

July 7, 2015

Seven & i Holdings Co., Ltd.

**Consolidated Financial Results
for the First Quarter of FY2016**

Overview of Consolidated Financial Results

● Operating income: New record for a third consecutive year

Net income: New record for a fourth consecutive year

(Billions of yen)

	Three Months Ended May 31, 2015		
	Amount	YOY	Change from previous year
Group's total sales	2,545.1	103.3%	+81.7* ¹
Revenues from operations	1,440.7	97.9%	(31.3)* ¹
Operating income	81.8	105.6%	+4.3
Net income	42.2	106.9%	+2.7* ²

*1 Impact of lower crude oil prices, etc. on 7-Eleven Inc. gasoline sales (including wholesale)	(109.2)
	Excluding the effect of yen depreciation
*2 Impact of tax asset reversal accompanying the corporate tax rate reduction from the fiscal year ending February 29, 2016	(2.9)

Exchange rate (income statements): U.S.\$1=119.16yen, decline 16.39 yen YOY

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

Operating Income by Business Segment

- Convenience store operations and financial services operations are leading income growth, but challenges remain

(Billions of yen)

	Three Months Ended May 31, 2015		
	Amount	YOY	Change from previous year
Consolidated operating income	81.8	105.6%	+4.3
Convenience store operations	66.1	111.5%	+6.8
Superstore operations	6.0	80.5%	(1.4)
Department store operations [before amortization of goodwill]	(0.09) [1.2]	- [43.0%]	(1.6) [(1.6)]
Food services	0.4	-	+0.3
Financial services	11.5	106.0%	+0.6
Mail order services	(2.7)	-	(0.6)
Others	1.3	167.2%	+0.5
Eliminations / corporate	(0.7)	-	(0.3)

Operating Income for Major Operating Companies

- Seven-Eleven Japan(SEJ) and 7-Eleven, Inc.(SEI) achieved record-high operating income

(Billions of yen)

	Three Months Ended May 31, 2015				Major Factors on YOY Changes
	Amount	YOY	Change from previous year	Existing store sales increase	
Seven-Eleven Japan	58.0	105.1%	+2.8	+3.5%	Growth in existing store sales and improvements in merchandise gross profit margins
7-Eleven, Inc. [in dollar basis]	10.0 [\$84.0mil]	175.4% [151.3%]	+4.3 [+\$28.5mil]	+7.4%	Growth in existing store sales and effective of yen depreciation
Ito-Yokado (IY)	0.03	1.0%	(2.9)	(1.9)%	Decrease in existing store sales and deterioration of the gross profit margin in apparel
York-Benimaru (including Life Foods* ¹)	4.5	111.4%	+0.4	+1.0%* ²	Growth in existing store sales and improvements in merchandise gross profit margins
Sogo & Seibu	0.5	26.7%	(1.4)	(3.2)%	Decrease in apparel sales with high gross profit margin

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

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

Plan for Consolidated Financial Results

- Initial plans for consolidated, segments and operating companies are unchanged
(Billions of yen)

	FY2016 Plan		
	Amount	YOY	Change from the previous year
Group's total sales*	10,800.0	105.5%	+564.3
Revenues from operations	6,400.0	106.0%	+361.0
Operating income	373.0	108.6%	+29.6
Net income	193.0	111.6%	+20.0

Exchange rate (income statements): FY2016 plan U.S.\$1=118.00 yen [decline of 12.21 yen YOY]

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

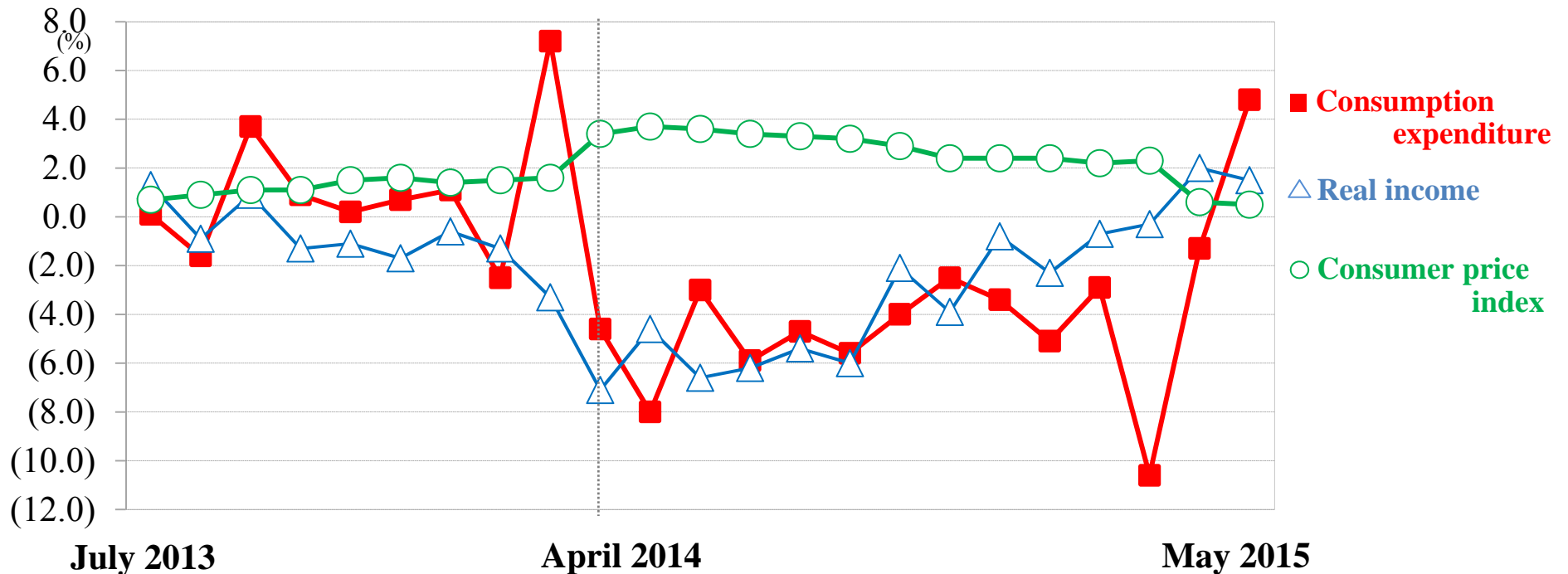
Environmental Recognition and Group Management

Business Environment: Despite Signs of a Favorable Cycle Emerging, We Are Heading Toward an Increasingly Mature Consumption Society

“Management Focused on Quality”

Operating income: New 1Q record for a third consecutive year

Clarify Group challenges and response measures



■ **Belt tightening**: Customers choose the better of same-priced items

■ **Polarization** : Expanding spending gaps depending on income, age and inter-regional references

Sources: Consumption expenditure, real income, consumer price index (CPI): Ministry of Internal Affairs and Communications
Total wages: Ministry of Health, Labour and Welfare

Group Management Philosophy

Sharing strategies while keeping
brands independent

Responding to change while
strengthening fundamentals

Group growth engine
⇒SEJ's original chain store operation
Sharing this system (strategy)

Responding to a mature
consumption society

IY/Sogo & Seibu:
Depart from Head Office-led chain store
concept
Store management highlighting individual
store characteristics and regional preferences
SEJ:
Further evolution

Enhance private-brand products
and original products
Strengthen customer service
The Omni-Channel Strategy

SEJ's Chain Store Platform: Implementing a Store-led Operating Framework since the Company Foundation

- Product development:

Team MD = Head Office develops products together with manufacturers



Focus on development of products incorporating market needs and matching customers' needs

- Relationship of trust between stores and Head Office ⇔ Creates atmosphere of taking on challenges together
- Changes in incorporating market needs in products: From responding to overt needs to unearthing latent needs
- High-quality production by dedicated factories based on a platform of a high concentration of multiple stores

SEJ: Existing Store Sales

● Overcame the fallback after rush demand ahead of April 2014 consumption tax hike with growth rate for existing stores rising 34 consecutive months

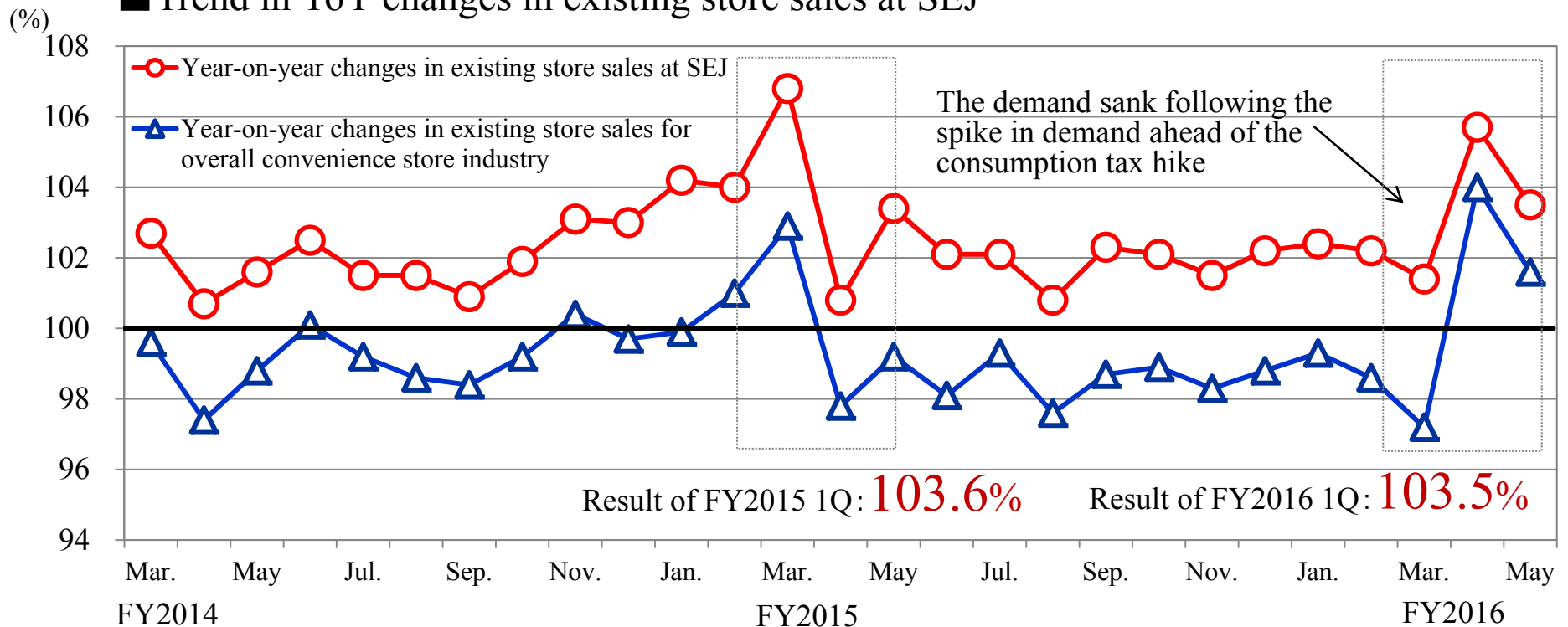
Renewing standard products
(Further improvement of product quality)

Development of products with regional characteristics
(Use locally produced rice, etc)

*SEVEN CAFÉ / SEVEN CAFÉ Donut**

*As of May 2015 installed approx. 7,300 stores

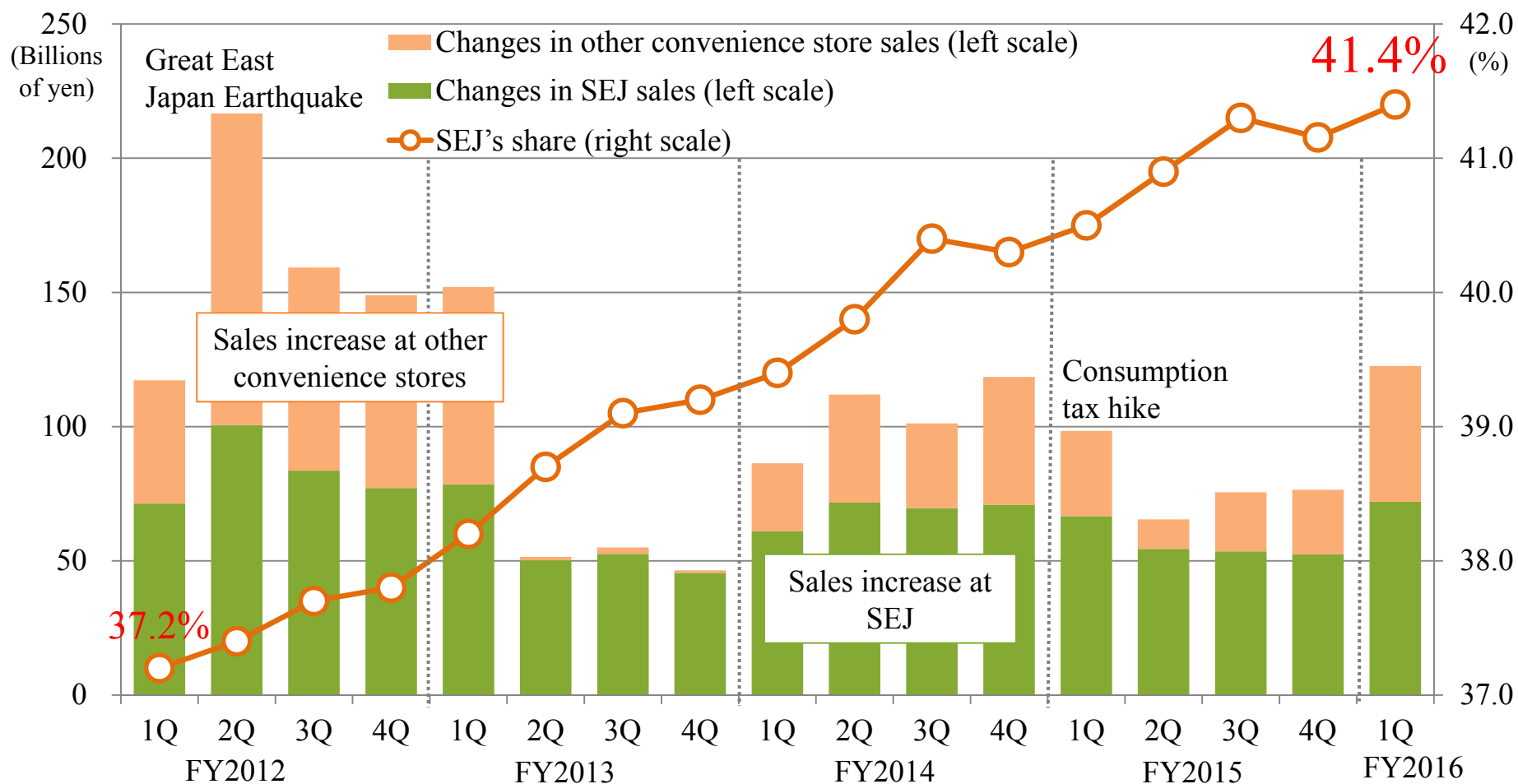
■ Trend in YoY changes in existing store sales at SEJ



Source: Japan Franchise Association monthly convenience store survey

SEJ: Trend in SEJ's Share of Sales and Changes in Sales by Quarter

● Record-high sales share expanded to 41.4% resulted from increased existing store sales



Source: Japan Franchise Association monthly convenience store survey

IY: Progressing with Building a Store-led Operating Framework (Expanding Independent Operation to All Stores)

	Head Office (Merchandising Dept.)	Stores
Past system	High-volume procurement based on unified companywide merchandising.	Product lineups directed by Head Office
Future system (goal)	Product procurement tailored to individual stores New product development and plan proposals	Determine regional needs Fully implement item-by-item management Strengthen customer service sales

January 2014: Successful trial of independent operation at *Ario Ageo*
⇒ Expand to 9 stores (December 2014)

January 2015: Distributor management transferred to Sales Dept. to strengthen purchasing framework for regional merchandise

May 2015 : To transition to a store-led framework, shifted to a divisional system at Sales Dept. (11 divisions)

Strengthen collaboration between personnel responsible for merchandising and sales and clarify responsibility for profit

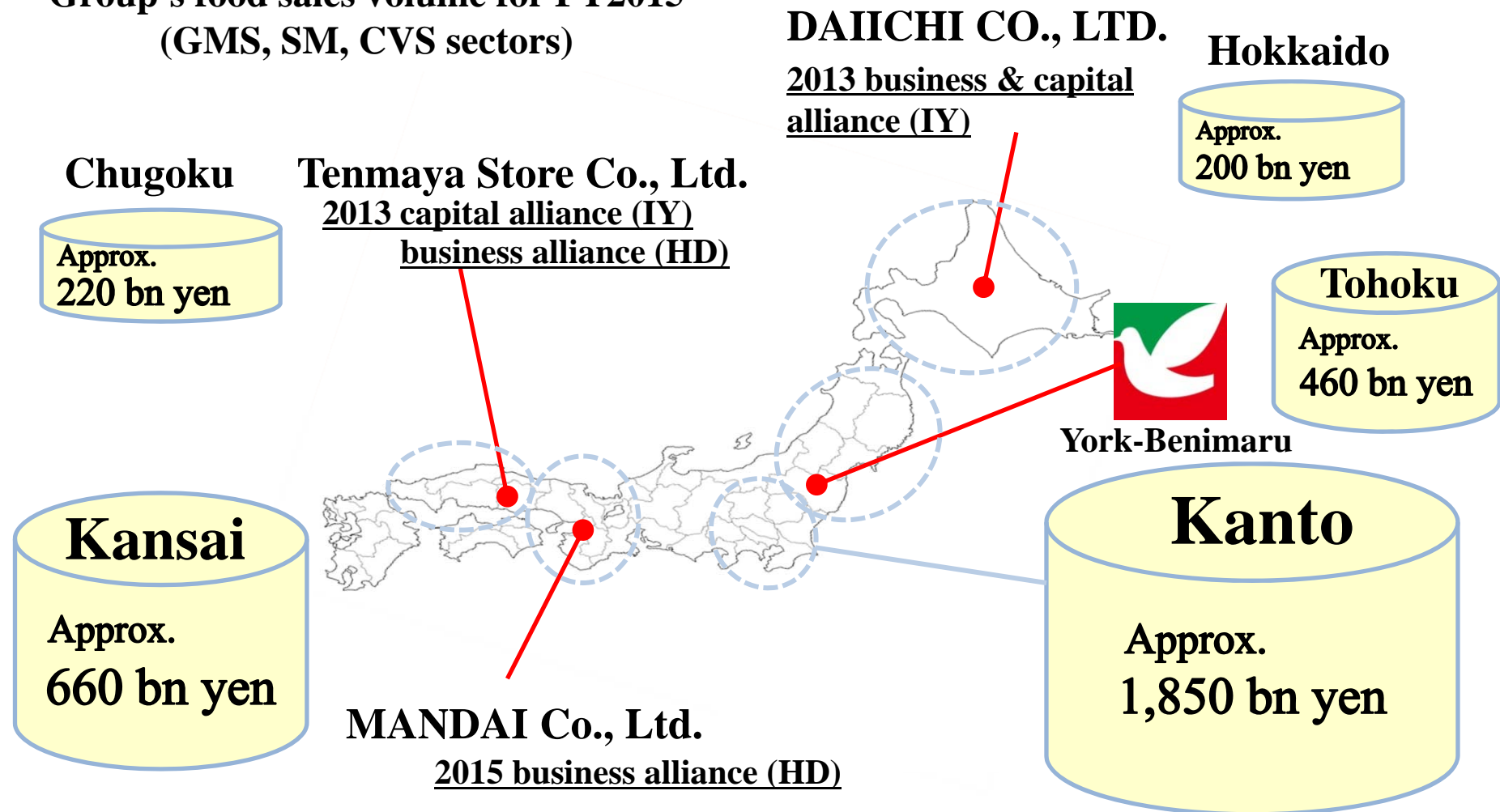
From 2Q onward	Supports individual stores' pursuit of profit and reform consciousness	Revitalize existing stores through merchandising reforms and remodeling
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Note: Distributor: person responsible for distributing merchandise to stores and adjusting merchandise orders from stores.

IY: Store Management Closely Tied to Local Communities

1. Effective use of Group infrastructure
2. Connect to procurement of regional products through business and capital alliances

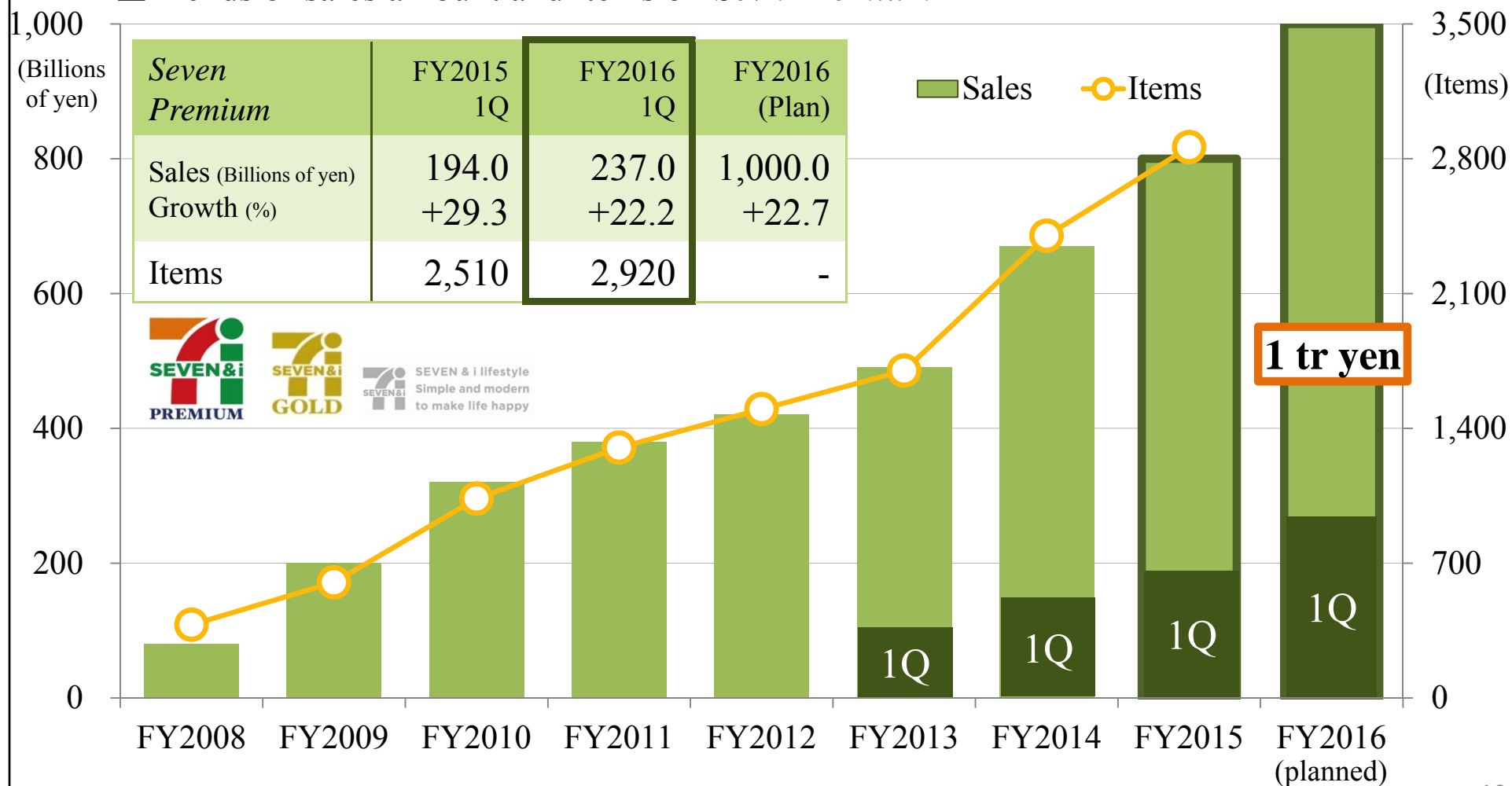
Group's food sales volume for FY2015
(GMS, SM, CVS sectors)



Seven Premium: Steady Start at ¥ 237.0 Billion against FY2016 Sales Targeted of ¥1 Trillion

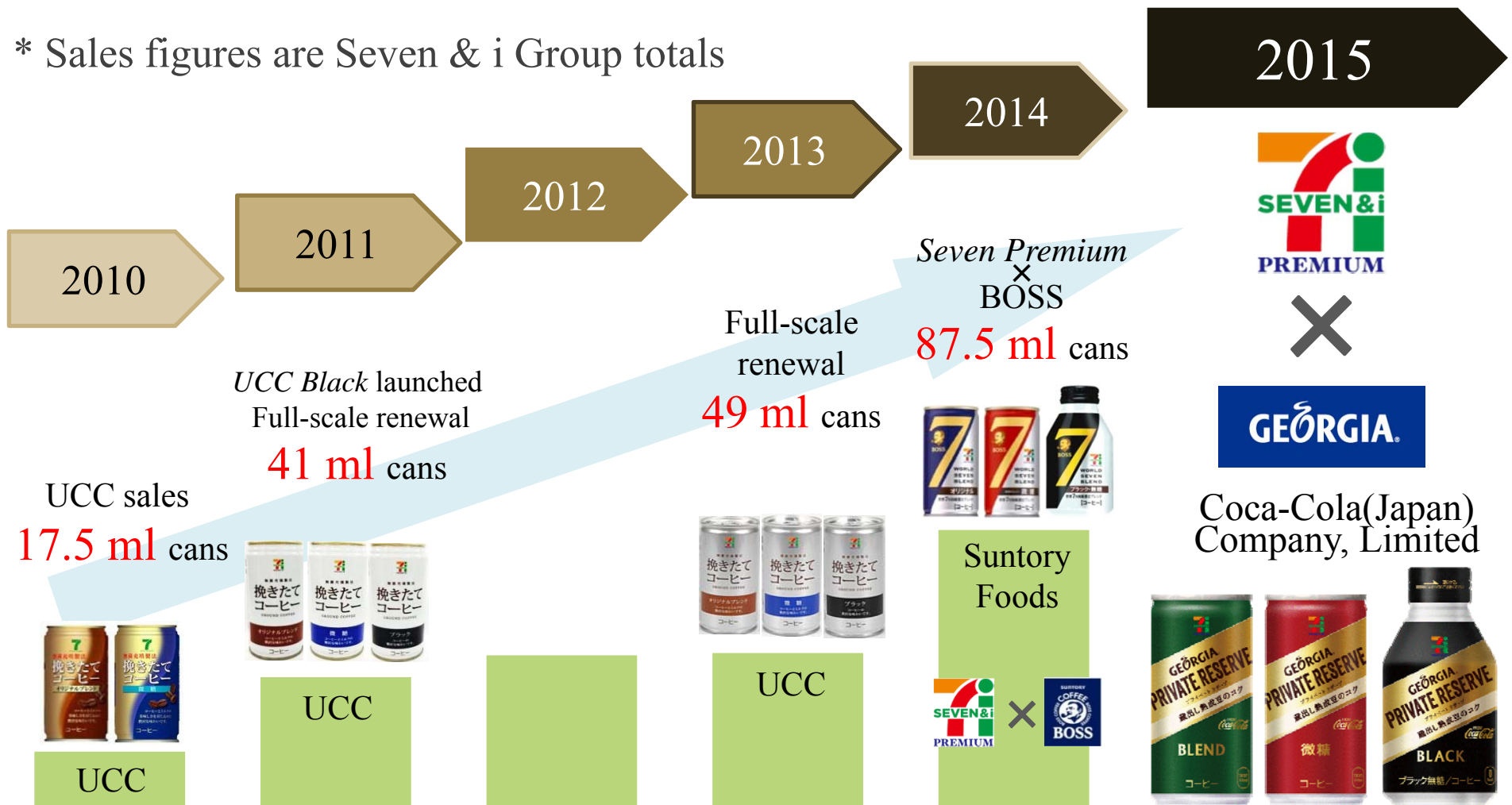
- Send of high-quality and reasonable pricing has penetrated, opening the door to even bolder initiatives

■ Trends of sales amount and items of *Sevn Premium*



Example: Transition of *Seven Premium* Canned Coffee

* Sales figures are Seven & i Group totals



Raising brand value broadens the reach of initiatives and lifts sales

Other Examples

● Team merchandising: Fruits of stronger collaboration

Private-brand products	Exclusive products
<p>Coca-Cola(Japan) Company, Limited <i>"Seven Premium Hajime Green Tea"</i> ¥100</p> <p>Coca-Cola(Japan) Company Limited's private brand debut product</p> 	<p>Kao Corporation <i>"FLAIR Fragrance AYUS"</i>(fabric softener) ¥594</p>  <p>7&i Group exclusive</p>
<p>Kirin Brewery Company, Limited <i>"Seven Gold Maroyaka Ale Unfiltered"</i> ¥228</p> <p>Kirin Brewery Company, Limited's private brand debut product</p> 	<p>LION Corporation <i>"Top Platinum α"</i>(laundry detergent) ¥368</p>  <p>Seven-Eleven exclusive</p>

Note: Prices of products above are tax included

The Omni-Channel Strategy Progress Schedule and Direction

- Start newly integrated website from October, revise capital expenditures plan to target greater reliability and convenience



- The essential element is creating product lineups, customer services and sales areas with a thoroughly customer-centered approach

High-quality		Originality		Distinctive Internet character	
Safety and reliability	Trust	Innovative and surprising	Exclusivity	Products	Sales method

- Ways to raise SEJ's value

Post sales of store placement publications, CDs* and other items	Enhance awareness at franchised stores, feature limited items with value
Visit customers to take orders utilizing tablet terminals	Expand product lineups
Examine scheme for deliveries made from franchise stores	Increase customer numbers, identify new catchment areas

* When Seven Net Shopping products are placed in SEJ stores

SEI: Management Strategy

Store openings and strengthening merchandising help to bolster the sales capabilities of individual stores, promoting franchising

- Store opening strategy: Enhance efficiency by developing a high concentration of multiple stores (Market Concentration Strategy)

2011-12: Acquired approx. 1,100 stores through proactive acquisitions

2013-14: Converted acquisitions to 7-Eleven stores (Sold underperforming and unprofitable stores)

2015: Promote franchising to enhance profitability, consider further acquisitions

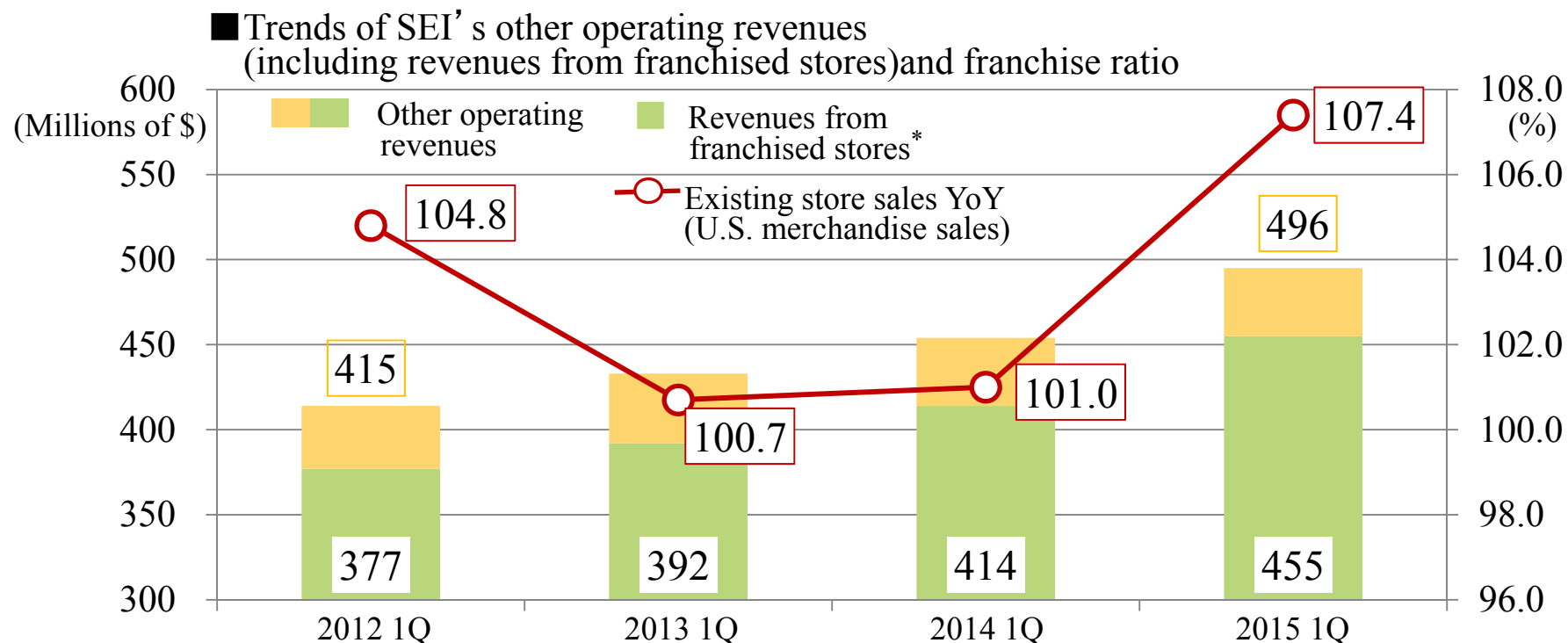
May 2015: Conclude deal with Boston-based Tedeschi Food Shops Inc. to acquire 182 stores

- Merchandizing strategy: Strengthen fresh food products to increase sales, accelerate hot foods roll-out in FY2015

	2014 1Q	2Q	3Q	4Q	2015 1Q
Stores with hot foods	Approx. 5,500	Approx. 5,800	Approx. 5,900	Approx. 6,100	Approx. 6,200
Fresh food sales YOY (Same store sales)	103.4%	109.0%	107.4%	109.4%	109.4%

SEI: Promotion of “Conversion to Franchised Stores”

- Grow average daily sales per store and promote franchising for direct link to profits



Number of franchised stores	5,506	5,953	6,216	6,411
Franchise ratio	75.8%	72.9%	74.9%	77.5%
Average daily sales per store (All stores)	\$4,096	\$3,987	\$4,010	\$4,285

Note: Revenues from franchised stores are the total of C-type stores and BCP stores

Appendix

Convenience Store Operations: Results (1)

Seven-Eleven Japan

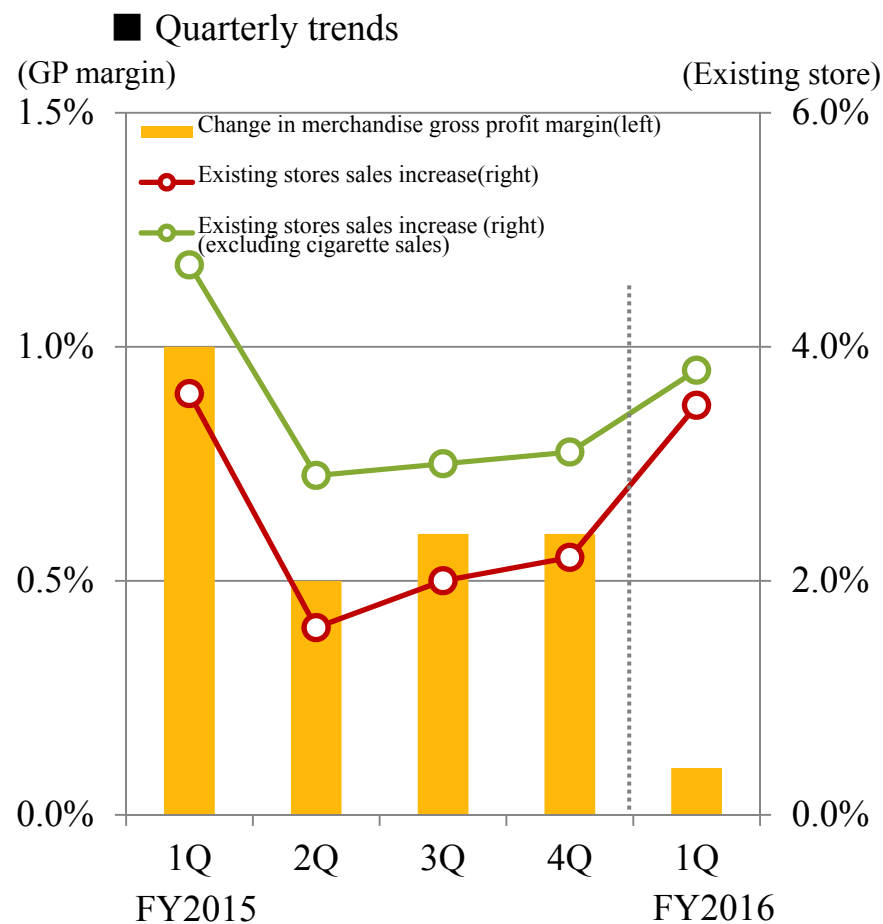


Record-high income for the fourth consecutive year resulted from increased existing store sales

	Results	YOY
Operating income	58.0 bn yen	105.1% +2.8bn yen
Existing store sales increase	+3.5%	
Merchandise gross profit margin	31.8%	+0.1%

Overview

- Existing store sales: Increased sales due to recommendation of new products with value and further improvement of quality for standard products such as rice balls
- Gross profit margin: Improved due to effect of reduced sales composition of low gross profit margin cigarettes, among others
- Operating income: Robust sales absorbed growing SG&A expenses to achieve record income



Convenience Store Operations: Results (2)

7-Eleven, Inc.

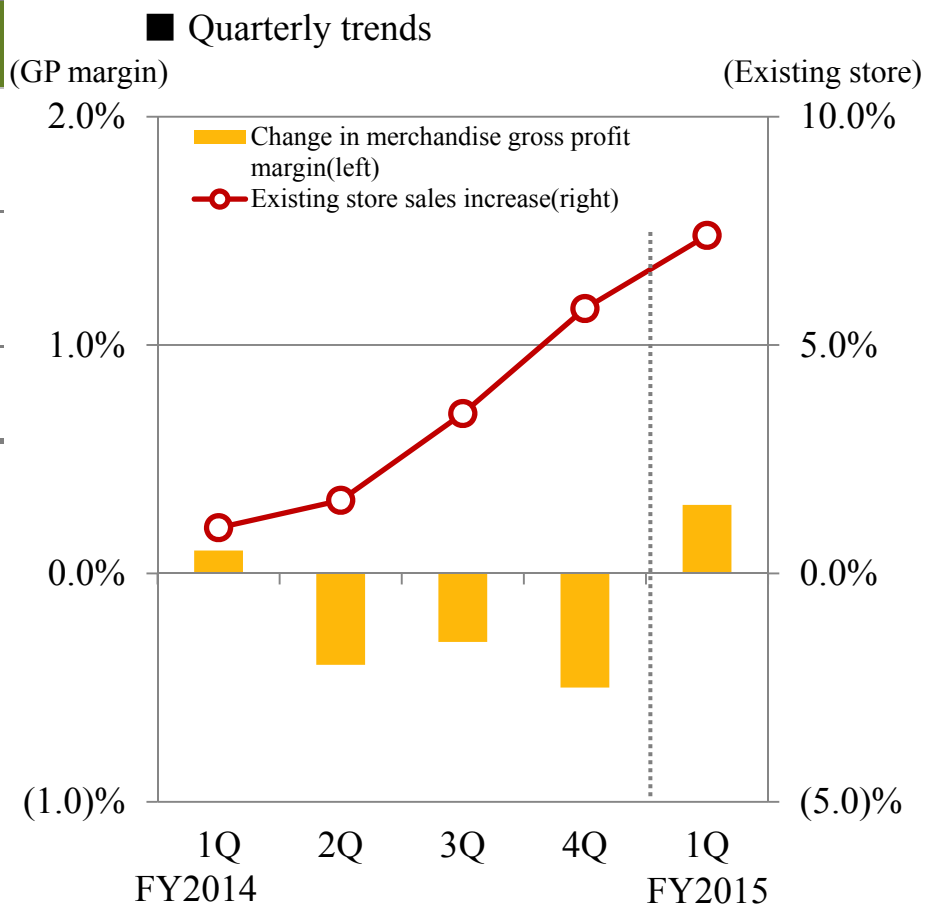


Growth in merchandise sales at existing stores driven by strong fresh foods sales resulted in significant operating income growth

	Results	YOY
Operating income	10.0 bn yen	175.4% +4.3 bn yen
Existing store sales increase (U.S. merchandise sales in dollar basis)	+7.4%	
Merchandise gross profit margin	34.6%	+0.3%

Overview

- Existing store sales: Increased due to growth in fresh foods sales centered on hot foods
- Gross profit margin: Increased due to brisk sales of fresh food and non-alcoholic beverages
- Operating income: Increased due to higher merchandise sales, improvement of gross profit margin and the effect of yen depreciation
(The effect of a weaker yen: 1.3billion yen)



Superstore Operations: Results (1)

Ito-Yokado



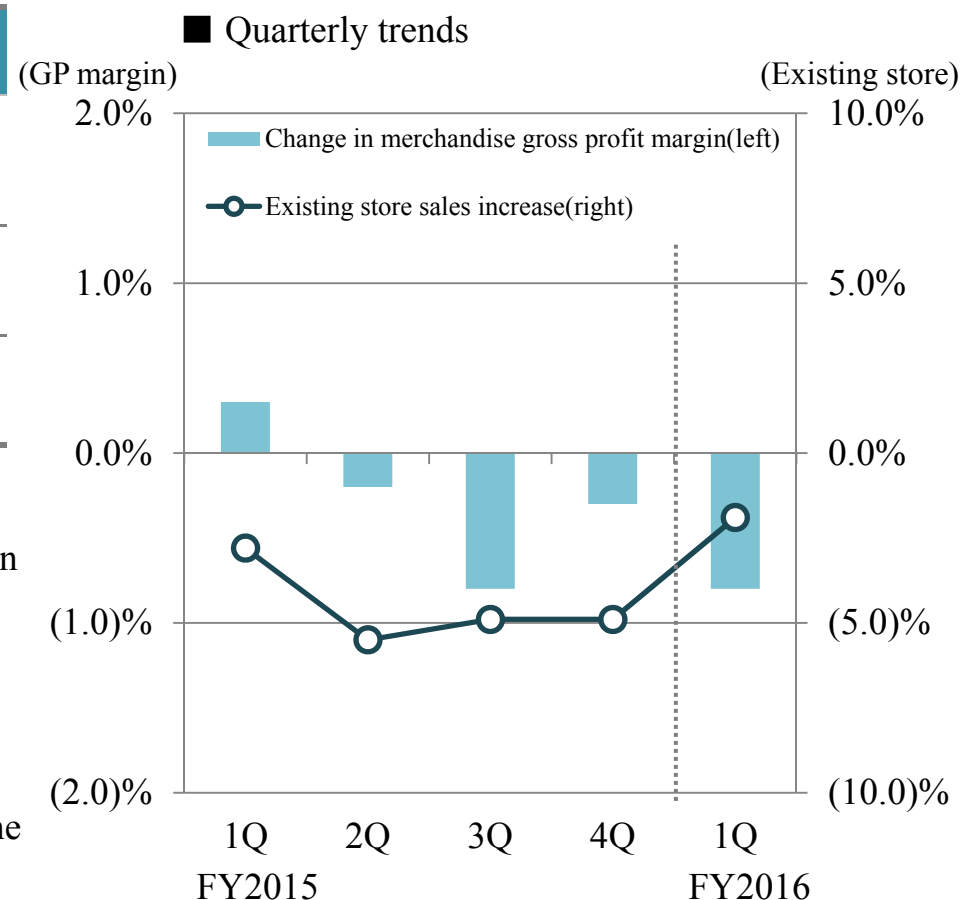
Lower income reflected a decrease in existing store sales and deterioration of the gross profit margin in apparel

	Results	Change
Operating income	0.03 bn yen	1.0% (2.9) bn yen
Existing store sales increase	(1.9)%	[(1.4)%] *
Merchandise gross profit margin	29.8%	(0.8)%

Overview

- Existing store sales: Decreased mainly due to fallback in March after rush demand ahead of April 2014 consumption tax hike
- Gross profit margin: Decreased mainly due to faltering sales and the yen depreciation, led to a 0.8% decrease
- SG&A : Down 0.8% due to rent revisions and reduced promotional expenses, although offset by remodeling the stores and new stores

*Existing store sales increase of total shopping centers sales



Superstore Operations: Results (2)

York-Benimaru

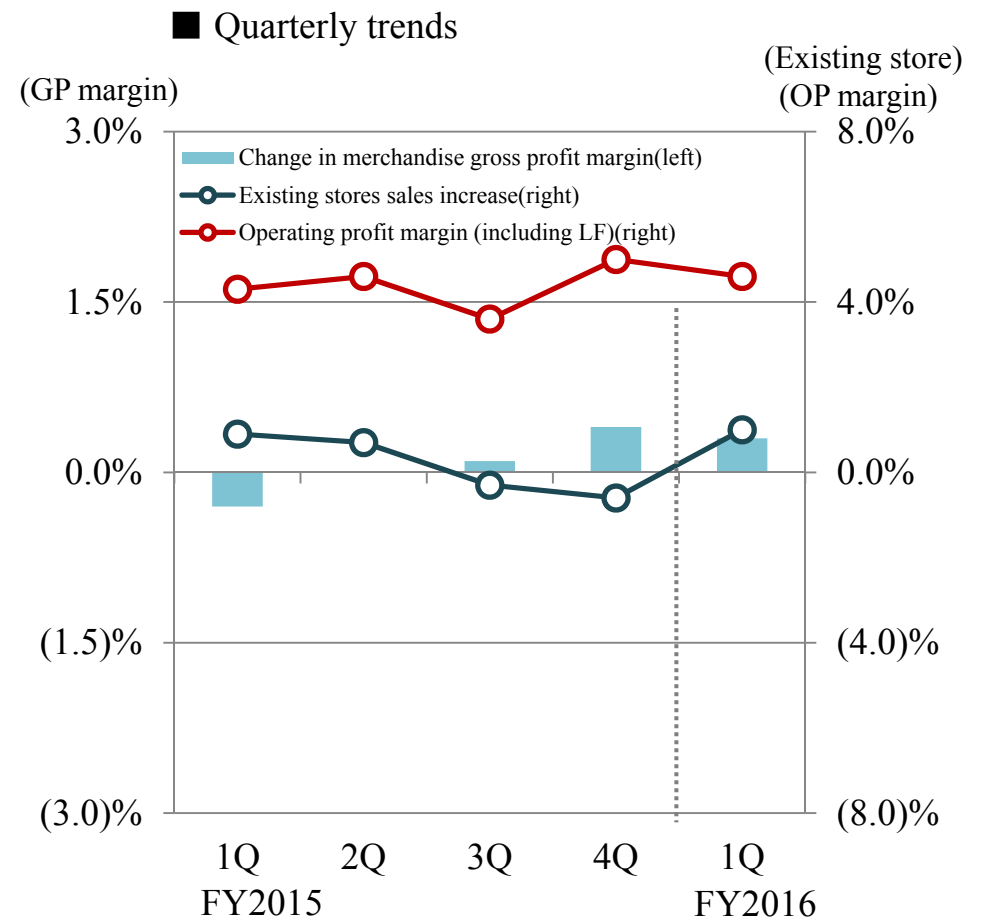


Achieved double-digit operating income growth due to increased existing store sales and improved gross profit margin

	Results	YOY
Operating income	3.3 bn yen	112.0% +0.3 bn yen
Existing store sales increase	+1.0%	
Merchandise gross profit margin	25.5%	+0.3%
Operating income (including Life Foods)*	4.5 bn yen	111.4% +0.4 bn yen

Overview

- Existing store sales: Up on strong performance in food due to success of weekly menu proposals and to remodeling existing stores
- Gross profit margin :Increased 0.3% due to brisk sales of foods
- Operating income: In addition to the positive results in directly-operated stores, brisk sales in Life Foods enabled a double-digit growth



*Life Foods (LF): Life Foods is a wholly owned subsidiary which produces and sells delicatessen items in York-Benimaru stores.

(Note) The combined operating income for YB and LF are management figures provided for reference purposes.

Department Store Operations: Results

Sogo & Seibu

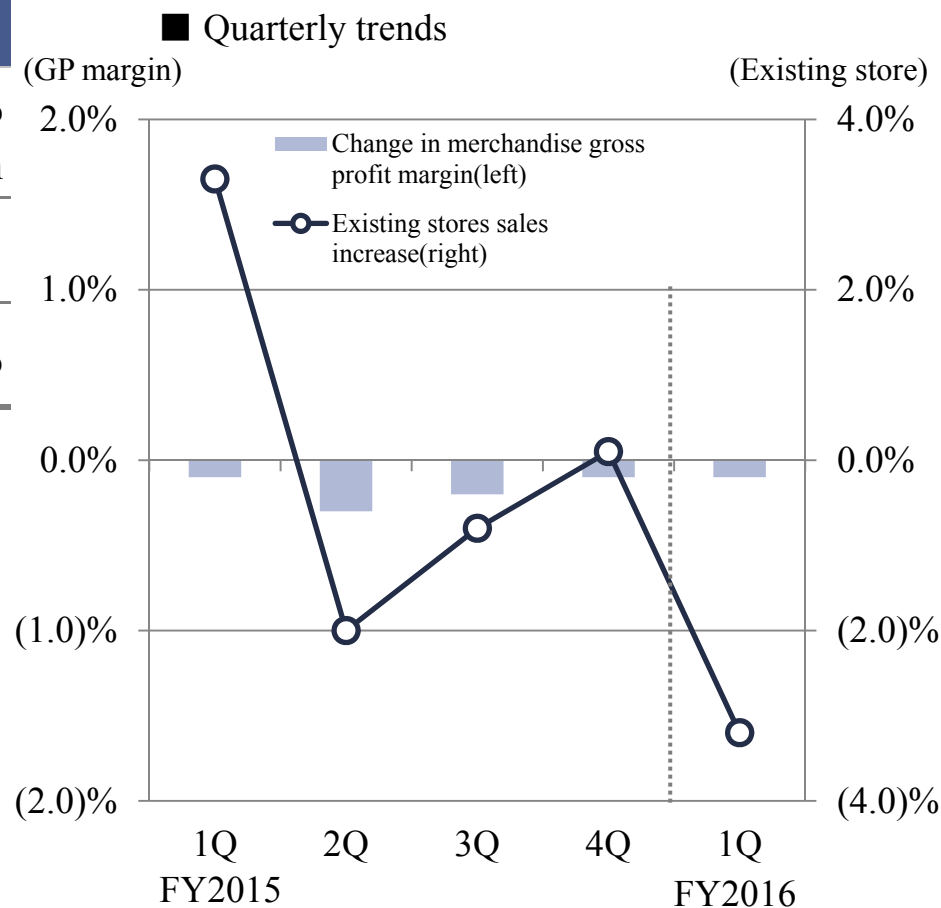


Lower income reflected a decrease in existing store sales

	Results	YOY
Operating income	0.5 bn yen	26.7% (1.4) bn yen
Existing store sales increase	(3.2)%	
Merchandise gross profit margin	25.1%	(0.1)%

Overview

- Existing store sales: Decrease due to fallback in March after rush demand ahead of April 2014 consumption tax hike
- Gross profit margin: Declined due to decrease in sales of apparel products with low gross profit and high composition ratio
- SG&A: Down 1.0% due to reduced labor costs and rent expenses



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