



Seven & i Holdings Co., Ltd.

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

Management Policy

October 9, 2015

Seven & i Holdings Co., Ltd.

First-Half Overview

Management Policy

Management Focused on Quality

Management Awareness

- Grow Further Convenience Store Operations
 - Ito-Yokado, Sogo & Seibu, Nissen
- ⇒ Promote Business Structural Reforms

Considered further structural reforms since last year to raise management efficiency

Ito-Yokado (IY): Break Away from Conventional Chain Store Concept

Implement independent operation of regions and individual stores to respond to structural changes in domestic consumption

First-Half Action	Objective and Details
Organizational changes	Transition Sales Dept. to a divisional system and strengthen regional purchasing organization
Invigorated sales areas	Strengthen product lineup through tenant mix
Renovated existing stores	Used face-to-face sales of meat and fish and strengthened delicatessen items to strengthen food sales
Reduced inventory	Based on item-by-item management, eliminate slow-moving items

Implement further structural reform in the second half to enhance merchandising reform effects

IY: Structural Reform

Structural reforms to be implemented from the 2nd-half of fiscal year onward

Store policy	<ul style="list-style-type: none">▪ Leverage advantage in site locations, particularly in the Tokyo metropolitan area▪ In regional areas, strengthen ties with alliance partners, mainly in food
Invigorate sales areas	<ul style="list-style-type: none">▪ As part of strengthening product lineup, further promote tenant mix through the consolidation of Mall & SC Development Inc. into IY
Renovate existing stores	Establish price superiority in addition to face-to-face sales of meat and fish and strengthened delicatessen items
New store openings	Concentrate on opening formats with earning potential, such as shopping centers and food-specialty stores
Productivity enhancement	<ul style="list-style-type: none">▪ Close 40 stores without profitability improvement potential over the next five years▪ Additionally, reduce Head Office personnel by 30%, transfer certain head office functions to stores▪ In store operations, implement participative management by all staff including part-time staff

Strengthen support from Head Office Merchandising Department to maximize the effect of merchandizing innovation

Group Structural Reform

● Sogo & Seibu

Management
Priorities

Move away from wholesaler-dependent structure
and homogenization

- 1) Key stores: Strengthen retailer-managed development and links with sales areas in line with full-scale rollout of the Omni-Channel Strategy
- 2) Regional stores: Close unprofitable stores and enhance product line-ups matched to regional characteristics

● Nissen

Management
Priorities

Implement management streamlining measures to
quickly return to profitability

- 1) Business withdrawal: Withdraw from the large furniture business
- 2) Solicit voluntary retirement: Plan for 120 voluntary retirees



Management Reforms of Convenience Store Operations

Reform of Convenience Store Operations

Created organization not based on conventional chain-store concept while considering things from the customer's perspective

Seven Eleven Japan (SEJ):
Management Reform

13-point World-First Initiative

Develop product ordering system from stores

Original product development

7-Eleven, Inc. (SEI):
Management Reform

Adopt SEJ's Management Philosophy

SEJ and SEI to work as one to drive Group growth

SEJ: Trend in YOY Changes in Existing Store Sales

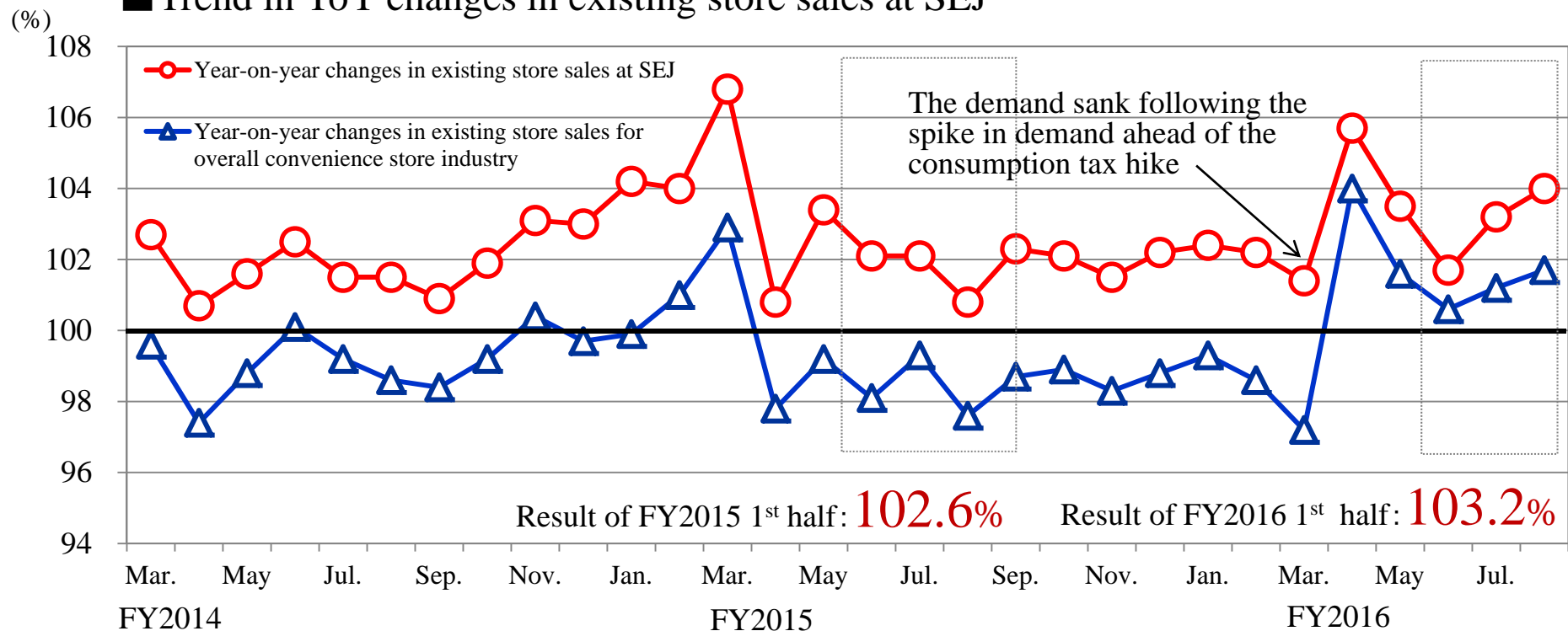
● Overcame the fallback after rush demand ahead of April 2014 consumption tax hike with growth rate for existing stores rising 37 consecutive months

Renewing standard products
(Further improvement of product quality)

Development of products with regional characteristics

SEVEN CAFÉ / SEVEN CAFÉ Donut

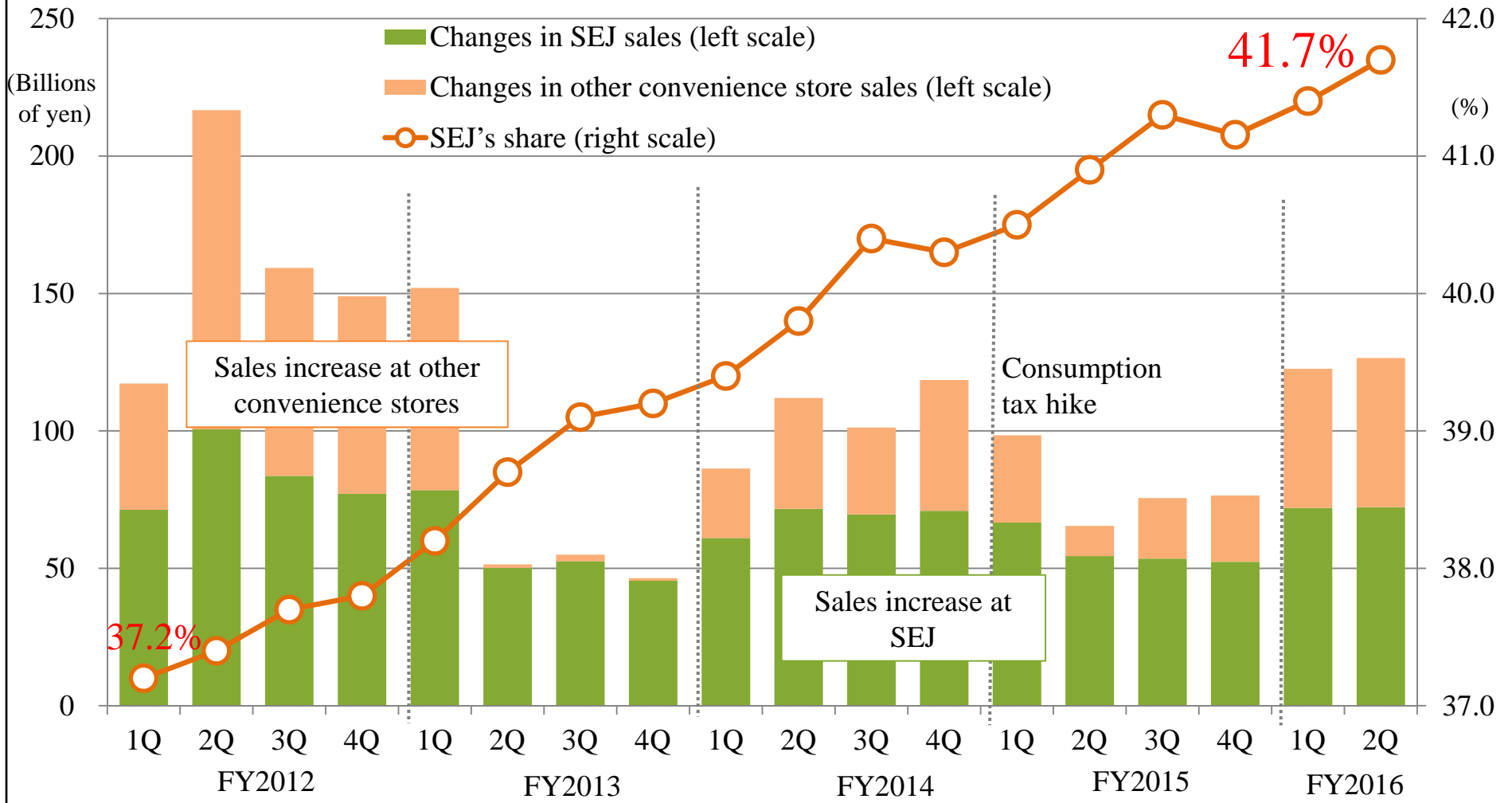
■ Trend in YoY changes in existing store sales at SEJ



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 41.7% resulted from increased existing store sales



Source: Japan Franchise Association monthly convenience store survey

Pursuing Further Differentiation for SEI

- Realize product development by team merchandising



《Melt Sandwiches》

- Bread : Enhance taste and texture by using dedicated flour
- Bacon : Use Applewood-smoked bacon
- Cheese : Two types of luxury cheese

Recommend products with strong market needs

- Strengthen high quality store openings:
Centered on urban areas with large sales of fresh foods and high profit margin



《Characteristics of urban stores》

- High daily sales with a high composition of fresh foods
- Stores without gas stations
- High investor returns

Group Priority Initiatives 1

- Set a new record, but must respond rapidly to challenges

Growth
businesses

Seven Eleven Japan
7-Eleven, Inc.
York-Benimaru

Increase share by promoting
differentiation

Business for
structural
reform

Ito-Yokado
Sogo & Seibu
Nissen

Prompt merchandising innovation
Start structural reform of businesses

Group Priority Initiatives 2

- The Omni-Channel Strategy
“**omni7**”
 - Private-Brand Strategy
“*Seven Premium*”
-

Not on the limited stage of the Internet
omni7 is on a completely new stage



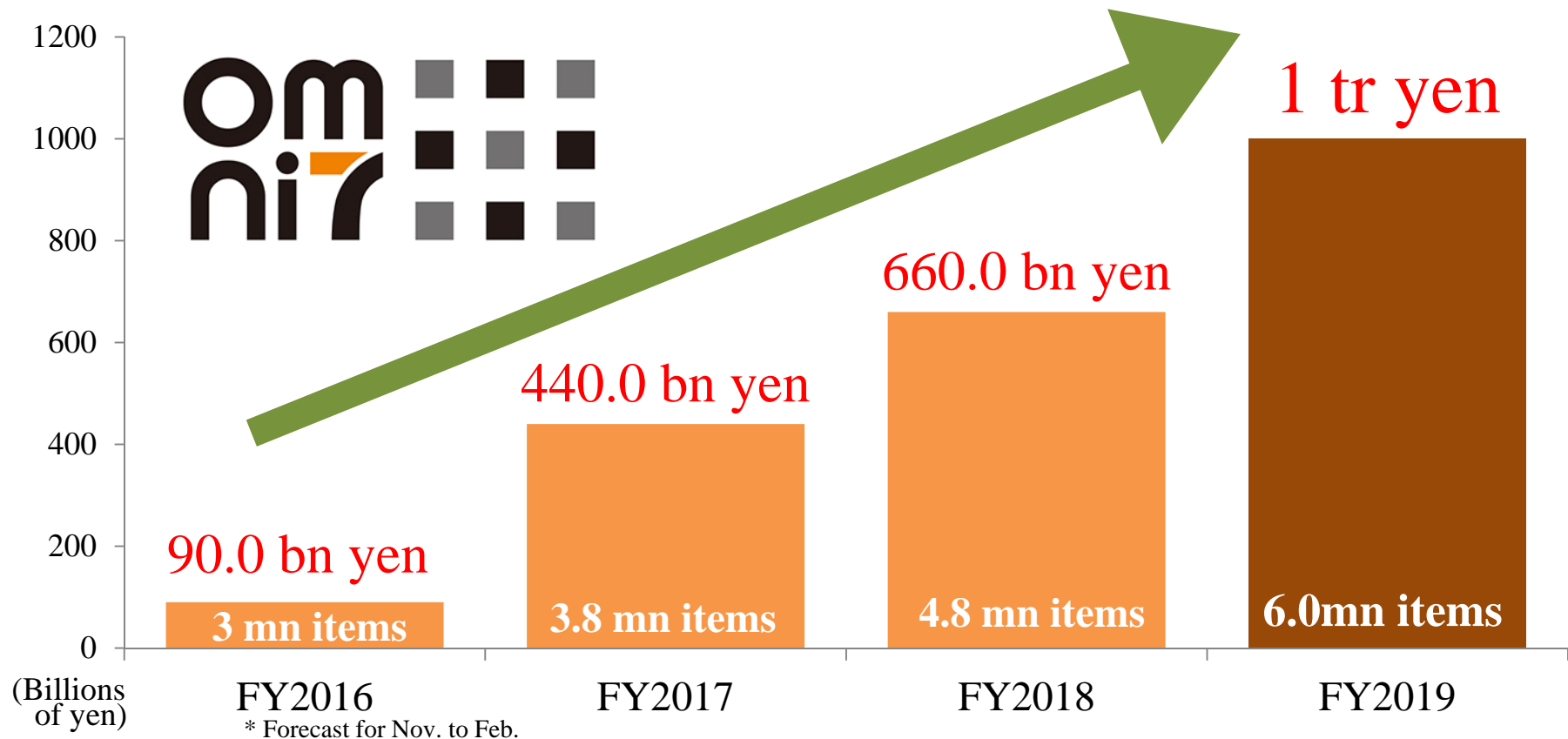
A product lineup covering multiple business formats is available in every nearby store



omni7 = All types of stores are into the neighborhood
Grand opening November 1, 2015

Omni-Channel Sales Planning

Use Omni-Channel to increase customer attraction at real stores

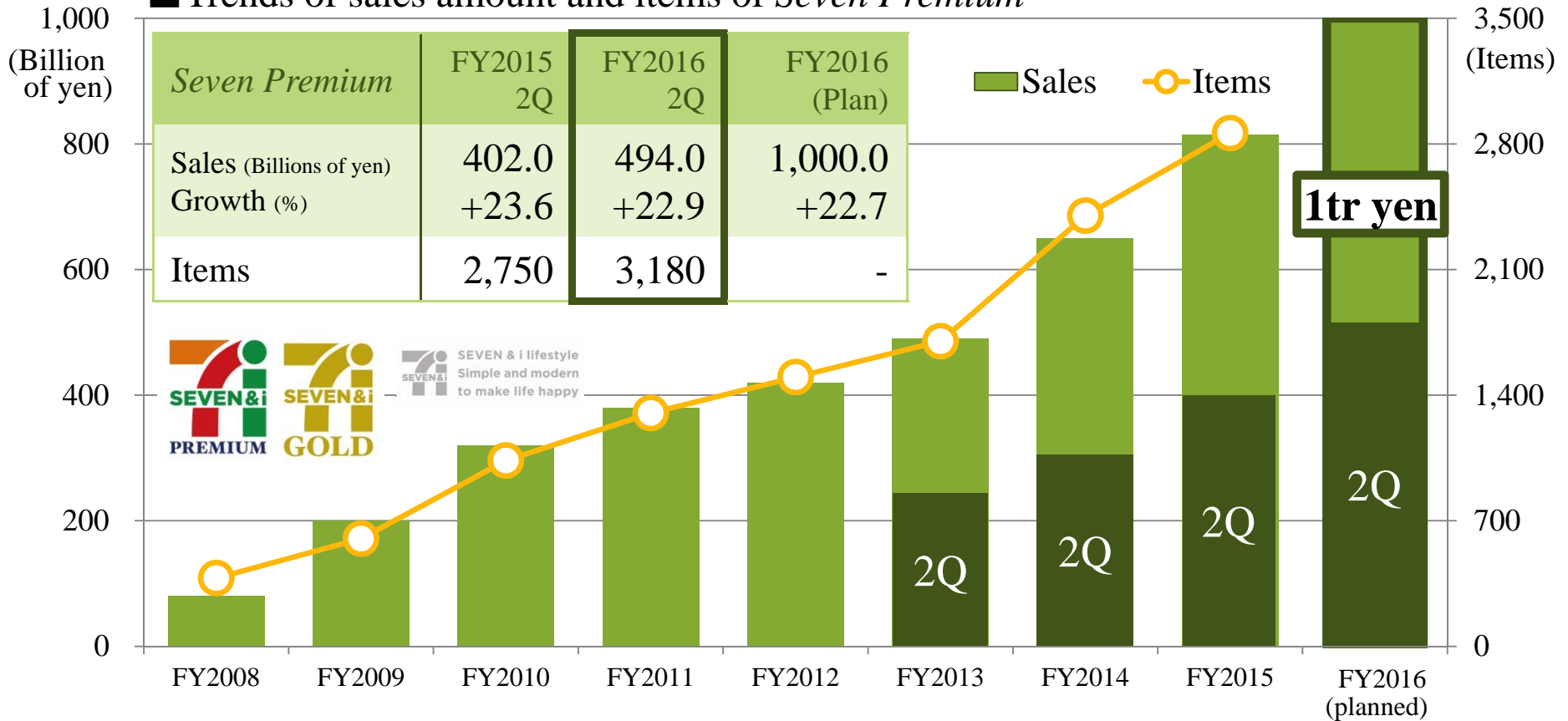


Omni sales is defined as the sum of E-commerce sales and Webrooming sales. Targeting ¥1 trillion in sales by FY2019

Seven Premium

● High-quality and reasonable pricing has penetrated, opening the door to even bolder initiatives

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



■ FY2016 First Half Actual (Converted to annual basis)

Seven Premium Total

Sales of 310 mn yen/item

Seven Gold

54 items Sales of 480 mn yen/item

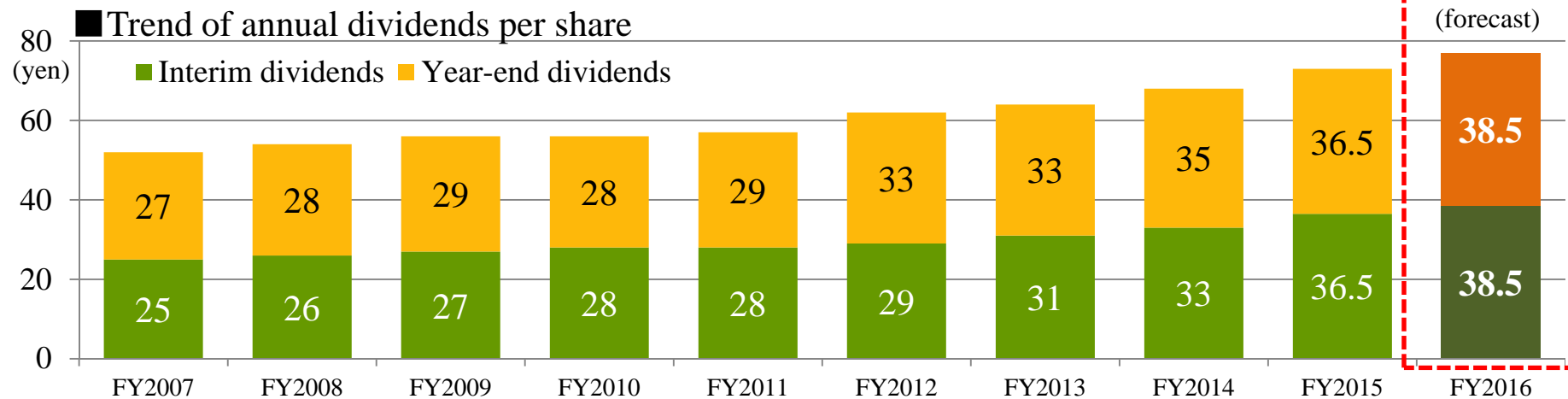
Policies on Investment and Shareholder Returns

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
¥4 per share increase in dividends projected for the current fiscal year



Targeting a 10% ROE over the medium term

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