



Seven & i Holdings Co., Ltd.

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

January 7, 2016

Seven & i Holdings Co., Ltd.



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

Overview of Consolidated Financial Results

● Operating income reached new records for a third consecutive year (Billions of yen)

	Nine Months Ended November 30, 2015		
	Amount	YOY	Change from previous year
Group's total sales	8,025.1	104.9%	+376.4* ¹
Revenues from operations	4,513.8	100.3%	+12.1* ¹
Operating income	261.0	104.6%	+11.5
Net income	125.4	98.5%	(1.8)* ²

*1 Impact of lower crude oil prices, etc. on 7-Eleven, Inc. gasoline sales (including the effect of yen depreciation)	(141.7)
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*2 Increase in special losses (impairment loss on property and equipment and expense on structural reform of business, etc.)	(4.0)
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Increase in income taxes - current (decreased statutory tax rate, SEI increased profits and countered the impact of foreign exchange, etc.)	(3.4)
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Increase in income taxes - deferred (accompanying the corporate tax rate reduction from the fiscal year ending Feb. 28, 2017, etc.)	(4.8)
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Exchange rate (income statements): U.S.\$1=120.98yen, decline 18.05 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 are mainly leading income growth

(Billions of yen)

	Nine Months Ended November 30, 2015		
	Amount	YOY	Change from previous year
Consolidated operating income	261.0	104.6%	+11.5
Convenience store operations	235.7	112.4%	+26.0
Superstore operations	0.4	4.7%	(9.0)
Department store operations [before amortization of goodwill]	(3.2) [0.6]	- [31.0%]	(1.5)
Food services	0.8	-	+1.2
Financial services	37.6	101.9%	+0.6
Mail order services	(7.2)	-	(2.0)
Others	3.8	137.2%	+1.0
Eliminations / corporate	(6.8)	-	(4.8)

Operating Income for Major Operating Companies

● Seven-Eleven Japan and 7-Eleven, Inc. achieved record-high operating income

(Billions of yen)

	Nine Months Ended November 30, 2015				Major Factors on YOY Changes
	Amount	YOY	Change from Previous year	Existing store sales increase	
Seven-Eleven Japan	180.0	105.9%	+9.9	+3.2%	Growth in existing store sales and improvements in merchandise gross profit margins
7-Eleven, Inc. [in dollar basis]	61.5 [\$508.4 mn]	139.8% [119.0%]	+17.5 [+\$81.0 mn]	+6.1%	Growth in existing store sales and improvements in merchandise gross profit margins
Ito-Yokado	(14.4)	-	(11.8)	(0.3)%	Deterioration of the gross profit margin mainly in apparel
York-Benimaru (including Life Foods* ¹)	12.0	101.2%	+0.1	+0.6%* ²	Growth in existing store sales and improvements in merchandise gross profit margins
Sogo & Seibu	0.1	14.3%	(1.0)	(0.3)%	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

- Plans for both consolidated and segment performance are unchanged;
Measures will be rigorously implemented to achieve our plans.

(Billions of yen)

	FY2016 Plan		
	Amount	YOY	Change from previous year
Group's total sales*	10,600.0	103.6%	+364.3
Revenues from operations	6,150.0	101.8%	+111.0
Operating income	367.0	106.9%	+23.6
Net income	183.0	105.8%	+10.0

Exchange rate (income statements): 120.00 yen, decline 14.21 yen YOY

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

Consolidated Financial Results for the Third Quarter

- **Overview:** Revenues from operations reached a record high for a two consecutive year, and operating income and ordinary income both reached new records for a third consecutive year.
Net income decreased due to factors including an increase in special loss accompanying structural reforms

Convenience store operations	Growth accuracy improved in both Japan and North America
Superstore operations	Ito-Yokado: Pain generated by the reform process
Department store operations	Difficulties continued for regional stores
Mail order services	Issued the renewed spring edition (January 6) after the structural reforms
The Omni-Channel Strategy	Grand Opening in November, capturing new consumer behavior



Initiatives in Operating Companies



Ito-Yokado (IY)

IY: Structural Reform (Announced on October 8, 2015)

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

IY: Factors for Decrease in Operating Income for the Third Quarter

● Second-half plan and 3Q results (September-November, 2015)

	Second-Half Plan		Results for 3Q	Details
Operating income	10.0 bn yen [Change +8.8bn yen]		(5.3) bn yen [Change (2.1) bn yen]	Deterioration of the GP margin and increase in promotional expenses
Existing store sales increase	+0.8%	▶	+1.5%	▪ Improved [in first half result: (1.3) %]
Merchandise GP margin	30.7% [+0.7%]		28.6% [(1.4)%]	▪ Apparel: (5.1) %
SG&A	(2.8) bn yen		(0.8) bn yen	▪ Promotional expenses: +1.3 bn yen ▪ Expenses other than promotional: (2.1) bn yen

Prioritized funding for structural reform to realize early materialization of independent store operation

- Reduced inventories (mainly in apparel)
- Strengthened sales promotion to increase customer visits and to expand existing store sales

IY: Processing with Building Store-led Operating Framework

Policy Break away from conventional chain store concept directed by Head Office

Future system(goal):

Clarify responsibility for profit at stores = Establishing independent operation

Reorganization

- May: Expand independently operated stores to all stores after test results
- Sept.: Relocate Head Office personnel to stores by 30% to enhance regional response



Rebuild store operation and merchandising development

Build an organization where staff in charge of sales are dedicated to item by item management

- Change merchandising development process to reflect the opinion of sales
- Build a system that transmits useful information for sales in a timely manner

Change to build an organization to reflect the opinion of sales

IY: Strengthen Collaboration between Sales and Head Office

- Incorporate **the opinion of sales** into the merchandising development process and create an environment enabling item by item management

	Examine key products	Confirm samples	Decide on price	Decide on volume
Conventional	△	△	×	×
Current	○ (Seek opinions)	○ (Accelerate)	○	○



Renew development sheets, change to incorporate the management of division managers in all steps (August)

Merchandising developed in this process are expanded sequentially through to 2016 autumn-winter lineup

- Additionally, create the way of communication between sales and not just the Merchandising Department but also Head Office (next year)

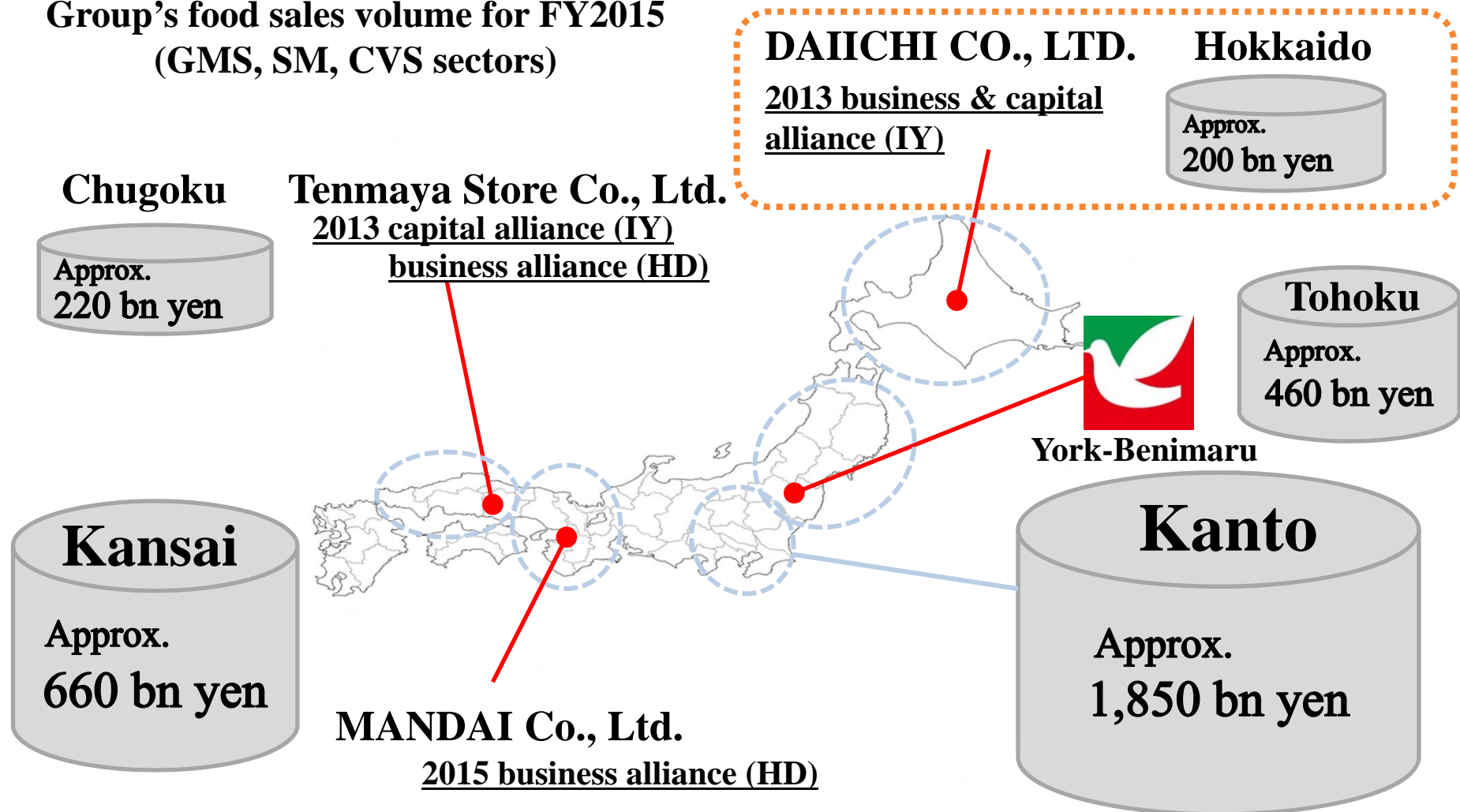
Create a scheme for **mutual communication between sales and Head Office** through the cloud system

- From stores to Head Office: Store manager-approved opinions and proposals
- From Head Office to stores: Response within decided limit
- From stores to Head Office: Feedback on response from Head Office

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)



IY Example (Obihiro store): Collaboration with DAIICHI on Store Creation Responding to Local Market

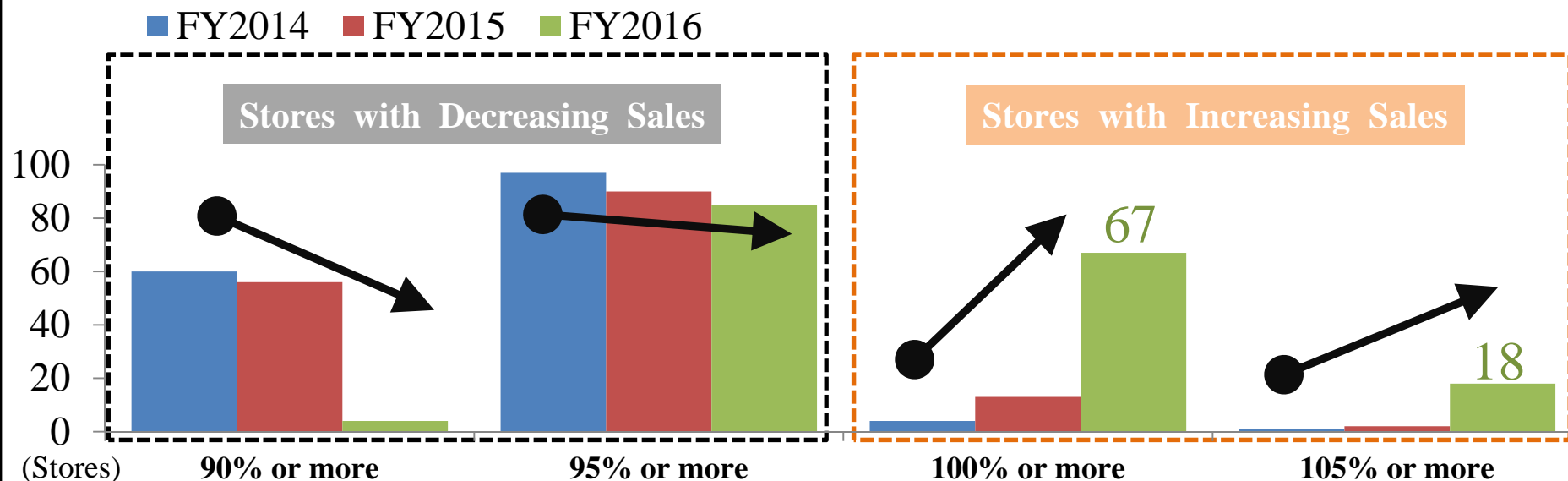
- Obihiro store: Remodeled on December 9 with an aim to maximize collaborative effects
Results in December 116.8%

<p>Merchandising</p>	<ul style="list-style-type: none"> ● Strengthen regional product lineup through DAIICHI's procurement route ● Sales of <i>Seven Premium</i> private-brand products in DAIICHI <div style="display: flex; justify-content: space-around;">    </div>
<p>Sales promotion</p>	<ul style="list-style-type: none"> ● Draw-up joint flyer ⇒ Expand area and cut costs 
<p>Services, etc.</p>	<ul style="list-style-type: none"> ● Introducing Seven Bank ATMs (from November 2013) ● Introduce Group gift certificates (December 2013) ● Introduce <i>nanaco</i> (February 2015) * All services expanded to DAIICHI stores

Use this successful example for horizontal development

IY: Signs of Change

● FY2014 to FY2016 3Q: Number of stores by existing store sales YOY change



Stores with Increasing Sales			
FY2014	6	Independently operated stores	6 6 out of 9 independently operated stores are now recording sales growth
FY2015	15	Structurally reformed stores	22 Stores that have both changed the tenant mix and renovated food product sales area
FY2016	85	Shokuhinkan food specialty stores	10 Growth from conducting operations from merchandising to sales promotion completely within business department
3Q		THE PRICE	8 As above
		Other existing stores	39 Multiple factors



Seven-Eleven Japan (SEJ)

SEJ: Growth Drivers

Policy

Creation of “close by, convenient stores” (from 2009)

- Invigorate existing stores through a combination of merchandising development and sales area initiatives

Social changes

- Increase in number of aged households
- Decrease in number of people per household
- Increase in number of female employees
- Decrease in number of retail stores

Merchandising development

Expand lineup of delicatessens, *Seven Premium* private-brand products, introduce cut fruit and vegetables, expand frozen foods

Sales area initiatives

Install island-type chilled cases, increase chilled cases and replace with new types*, expand refrigerating cases

Realize sustainable growth on parallel progress of development and sales areas

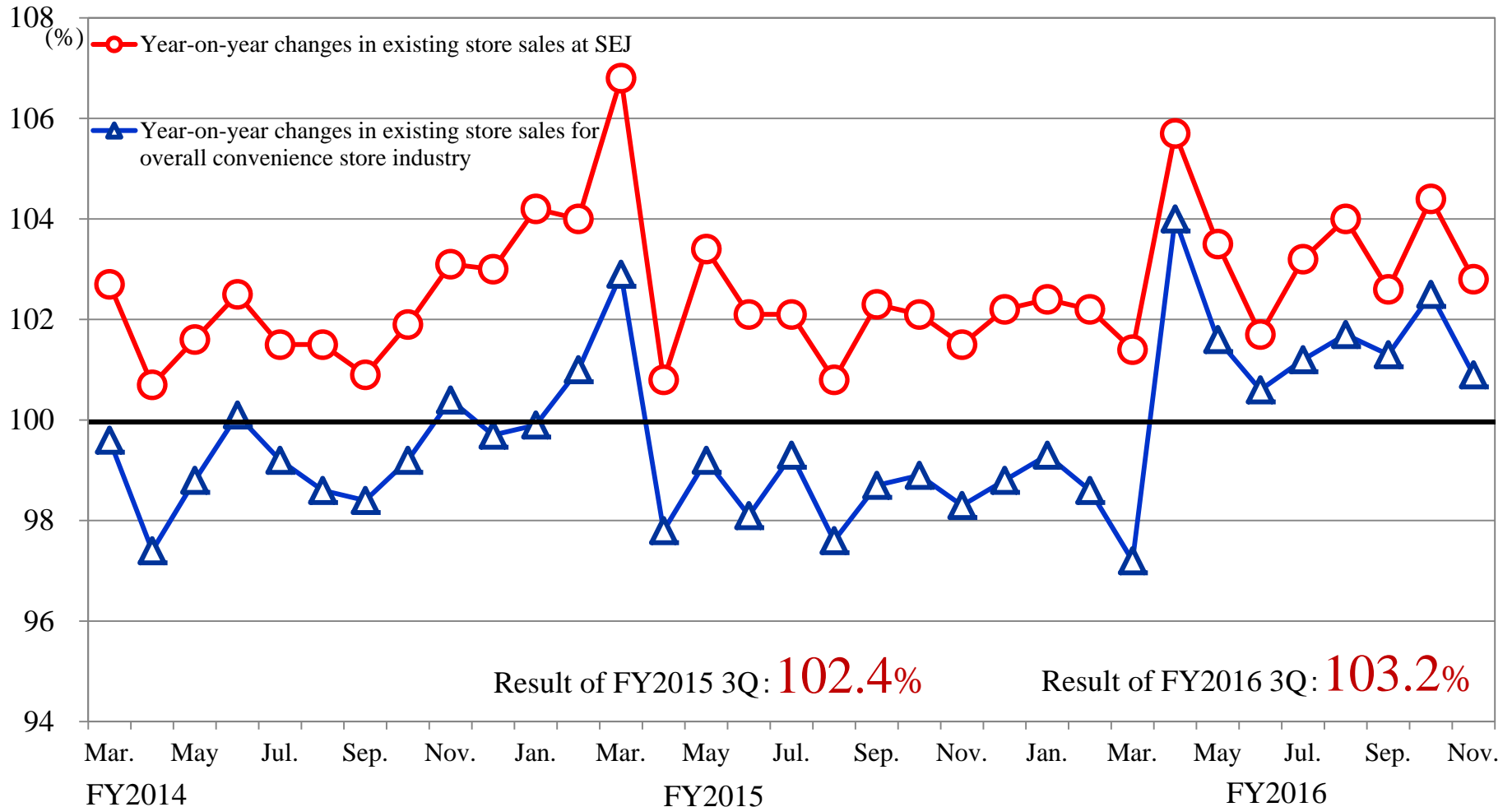
Additionally, for stores with small sales areas, conduct merchandising initiatives through relocation

*Approx. 30% increase in sales floor space for chilled products from FY2011

SEJ: Existing Store Sales

● Continue focusing on the taste of products with growth rate for existing stores rising **40** consecutive months

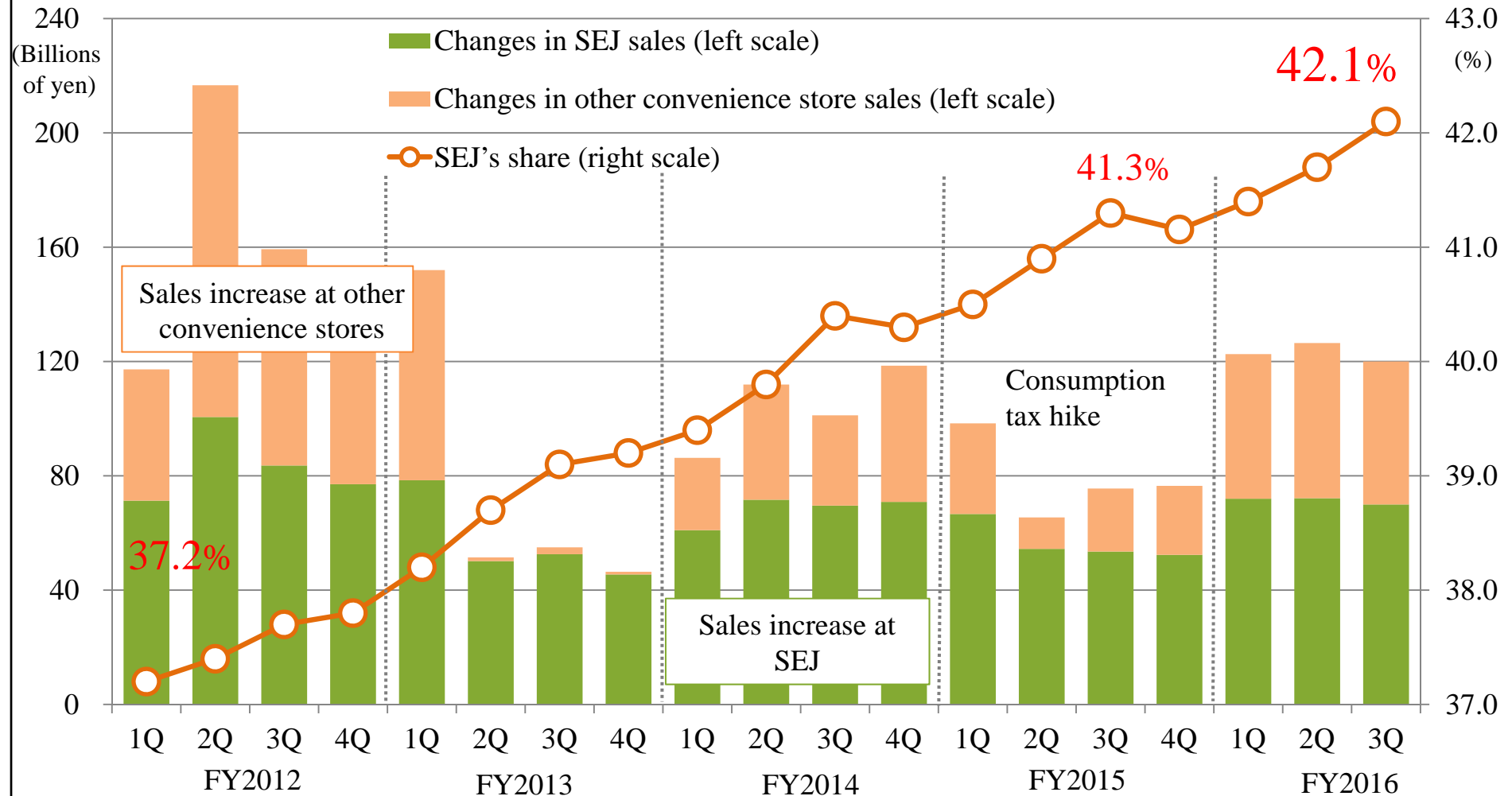
■ Trend in YoY changes in existing store sales at SEJ



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 **42.1%** resulted from increased existing store sales



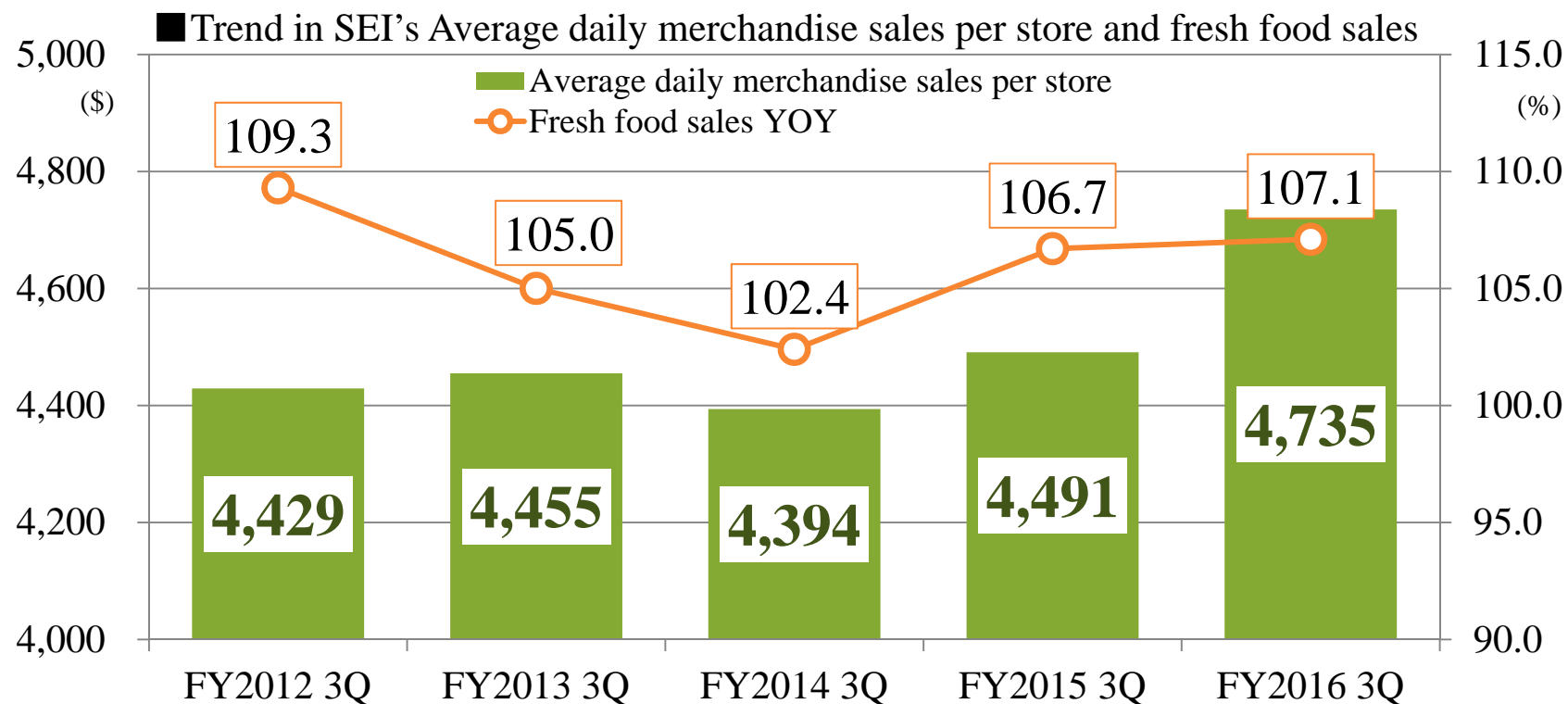
Source: Japan Franchise Association monthly convenience store survey



7-Eleven, Inc. (SEI)

SEI: Growth Drivers (1) Strengthen Merchandising Capabilities

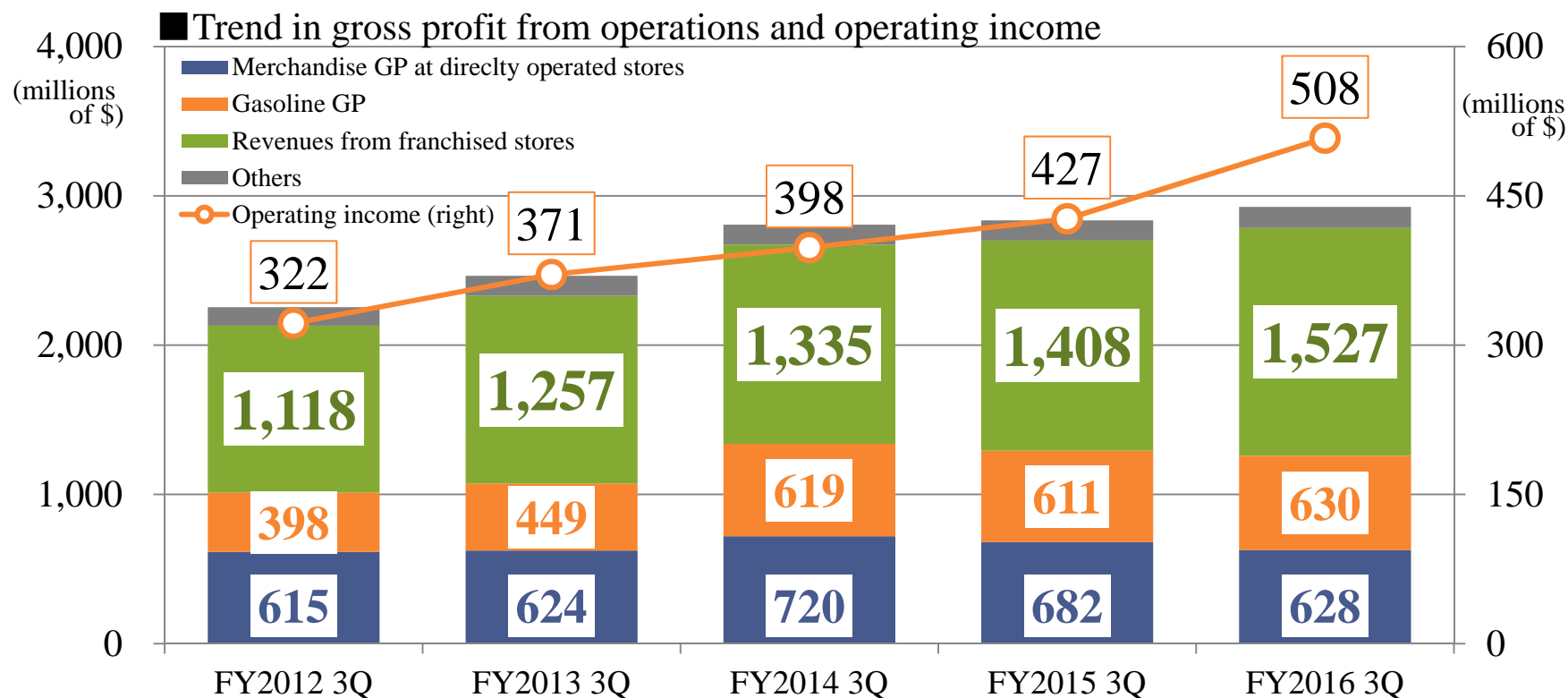
- Install hot food equipment to most stores during the current fiscal year, promote expanded sales of fresh foods



Stores installed hot food equipment	2,476	2,458	4,641	5,942	7,489
Fresh food sales YOY	109.3%	105.0%	102.4%	106.7%	107.1%
Average daily merchandise sales per store	\$4,429	\$4,455	\$4,394	\$4,491	\$4,735

SEI: Growth Drivers (2) Promotion of Conversion to Franchised Stores

● Increase revenues from franchised stores to enhance profitability



Number of directly operated stores	1,784	1,843	2,217	1,986	1,827
Number of franchised stores	5,264	5,703	6,071	6,293	6,622
Franchised ratio	74.7%	75.6%	73.3%	76.0%	78.4%

*Gross profit from operations: Sum of merchandise GP at directly operated stores, gasoline GP and other operating revenues including revenues from franchised stores.

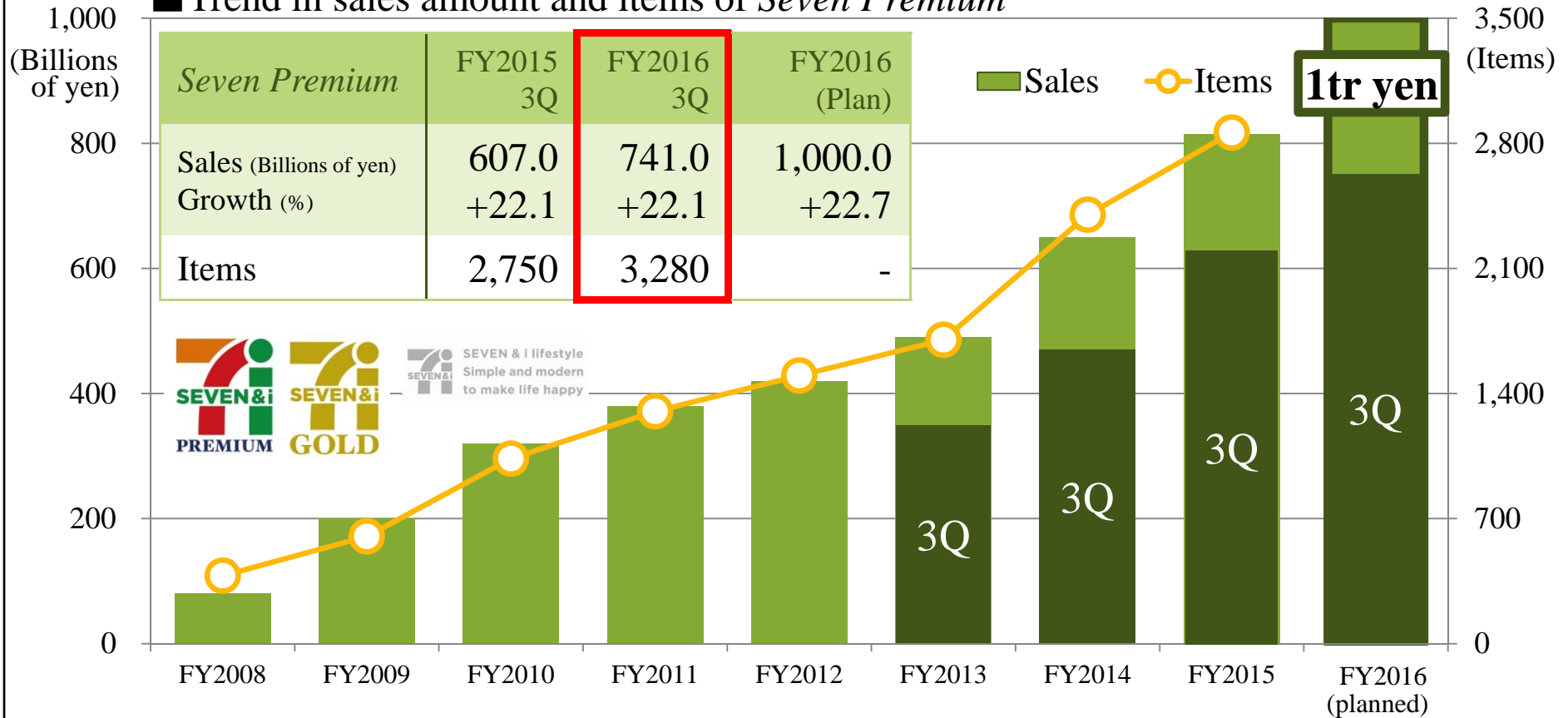


Group Synergy

Seven Premium

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

■ Trend in sales amount and items of *Seven Premium*



■ FY2016 3Q actual (converted to annual basis)

<i>Seven Premium Total</i>
Sales of 300 mn yen/item

<i>Seven Gold</i>
Sales of 430 mn yen/item

All types of stores are into the neighborhood.

Group's new integrated portal site "omni7"
grand opening November 1, 2015



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

The aim of the Omni-Channel Strategy is Synergies from Integrating Real Stores with the Internet



● Change after the launch of omni7

Received instore rate at Seven-Eleven increased.
 Of instore-receiving customers, just under 70% also bought other products.
 Movement started with webrooming as people bought items from real stores after seeing them on omni7.
 Sales and merchandisers started considering product lineups with an omni-channel concept.

Leverage the Omni-Channel Strategy to Enhance Product Lineups at Real Stores to Improve Customer Loyalty

● Example of soy sauce at IY stores

Real store (regional characteristics)

Product refinement

Lineup of core products and regional products



Internet (enjoyment)

National lineup of soy sauce products (Approx. 500 SKU)

Supplement lineup at stores



Expand to incorporate various products in the future



Appendix

Convenience Store Operations: Results (1)

Seven-Eleven Japan

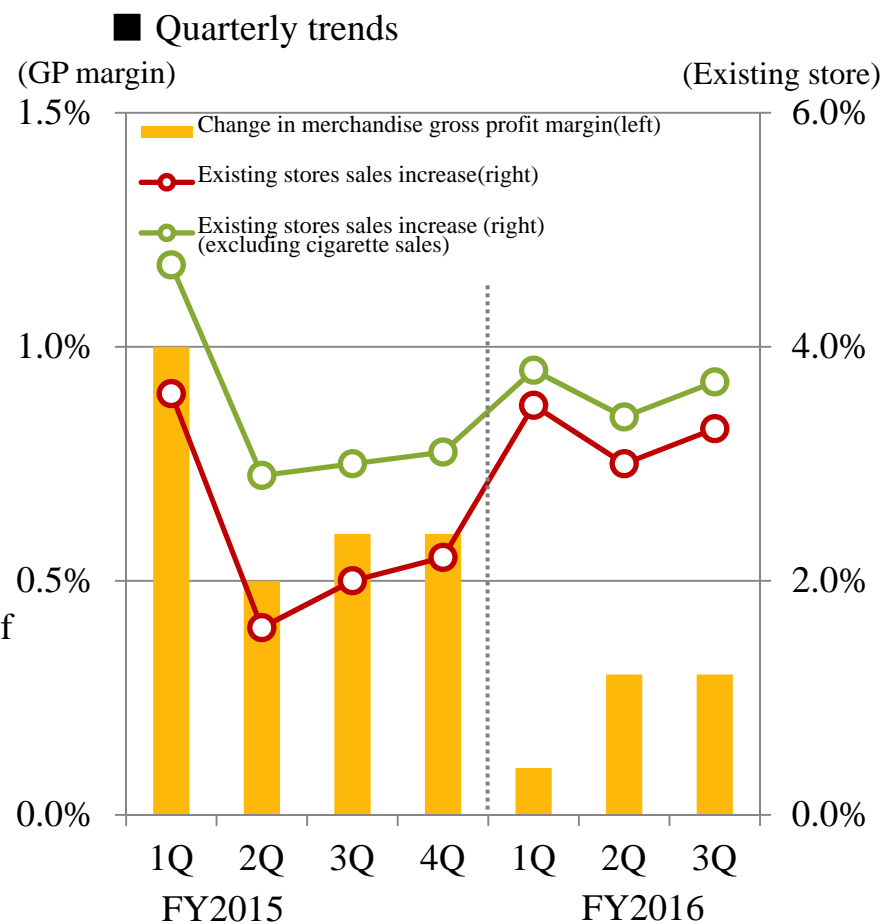


Record-high income for a fifth consecutive year resulted from increased existing store sales

	Results	YOY
Operating income	180.0 bn yen	105.9% +9.9bn yen
Existing store sales increase	+3.2%	
Merchandise gross profit margin	31.6%	+0.2%

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 and sandwiches
- 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.

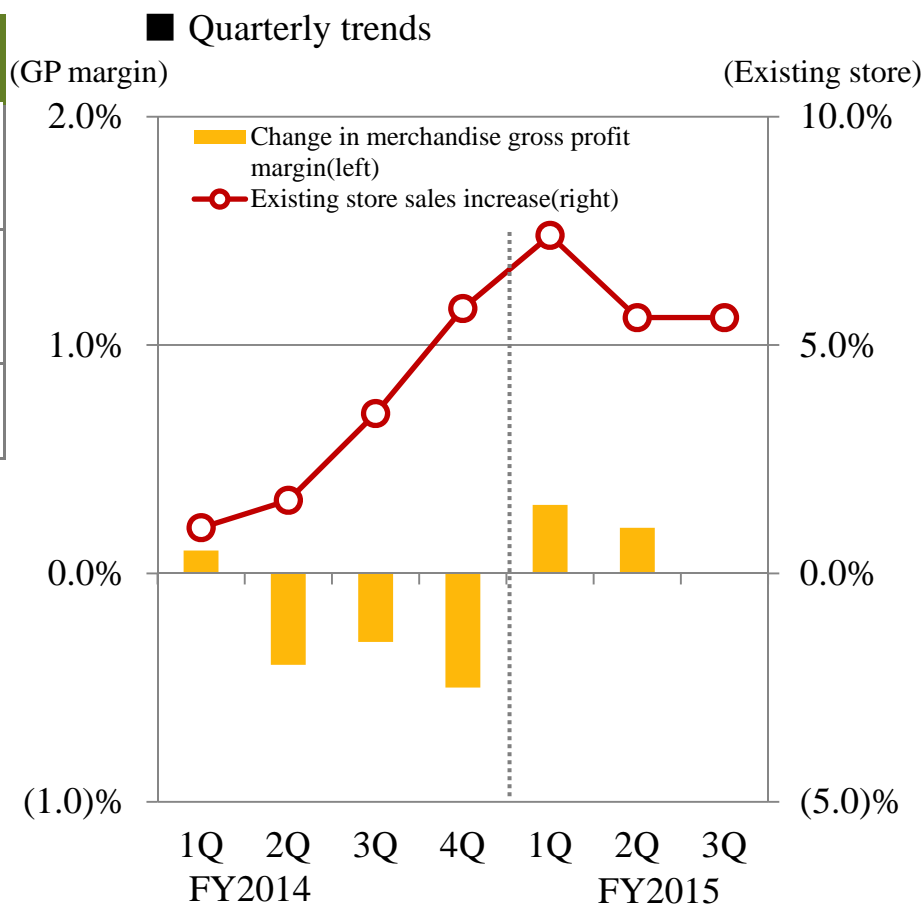


Growth in merchandise sales at existing stores driven by strong fresh foods sales resulted in significant operating income growth

	Results	YOY
Operating income	61.5 bn yen	139.8% +17.5 bn yen
Existing store sales increase (U.S. merchandise sales in dollar basis)	+6.1%	
Merchandise gross profit margin	34.8%	+0.2%

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: +9.1 billion yen)



Superstore Operations: Results (1)

Ito-Yokado



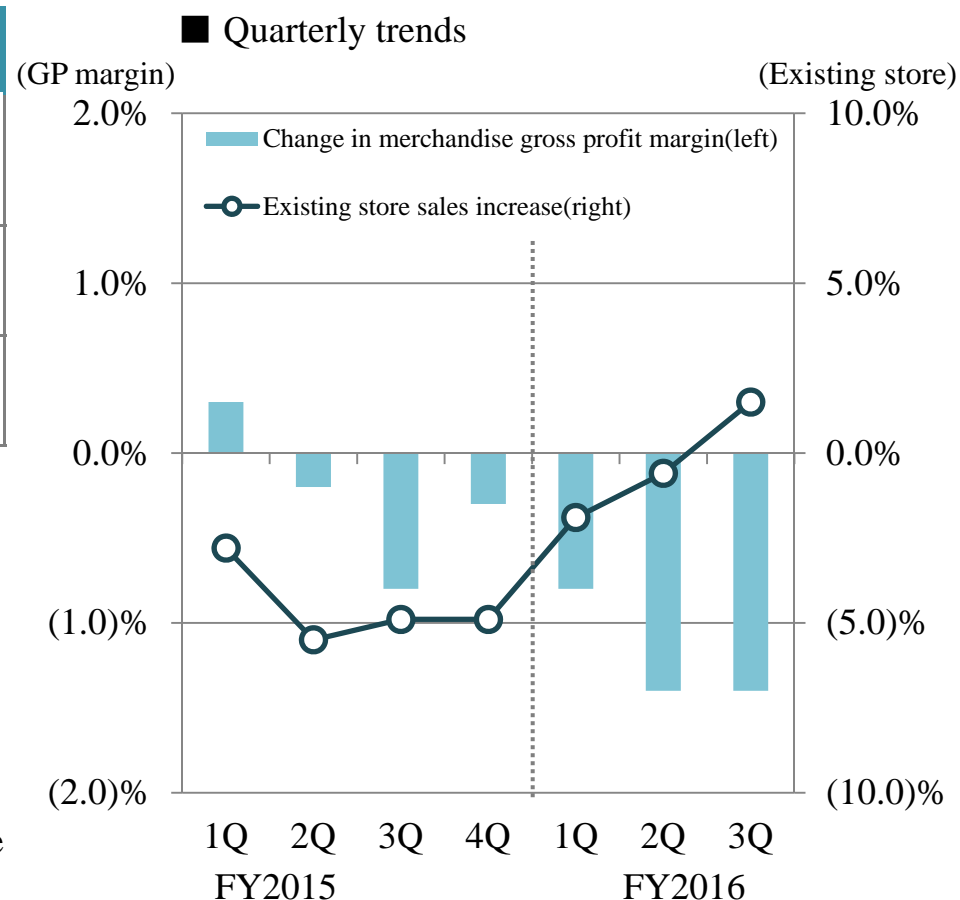
Lower income reflected a decrease in the gross profit margin mainly in apparel

	Results	YOY
Operating income	(14.4) bn yen	- (11.8) bn yen
Existing store sales increase	(0.3)%	[±0.0%]*
Merchandise gross profit margin	28.8%	(1.2)%

Overview

- Existing store sales: Although 3Q increased YOY, cumulative results saw a decrease YOY due to the impact of response to the surge in demand in March
- Gross profit margin: Declined, mainly due to reducing inventory in apparel and foreign exchange effects
- SG&A: Up 0.6% YOY, mainly due to a increase in advertising and decoration expenses, despite a decrease in rent expenses and utility costs

*Existing store sales increase of total shopping centers sales



Superstore Operations: Results (2)

York-Benimaru



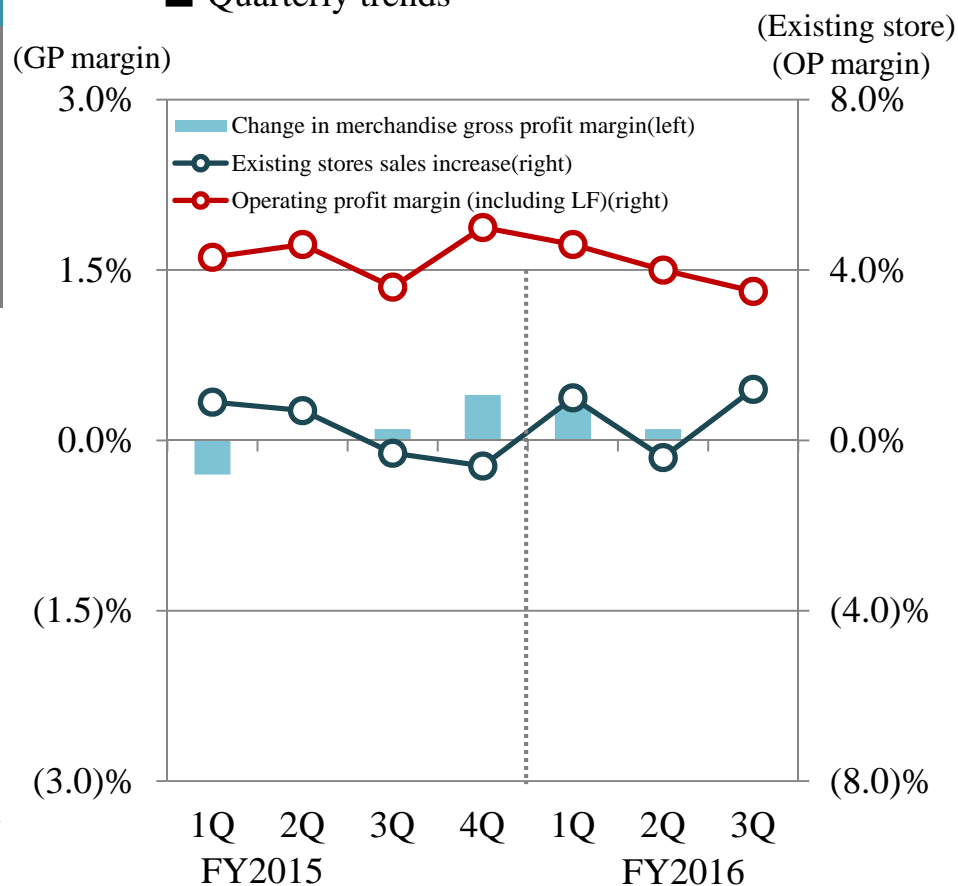
Higher income reflected a increase in existing store sales and improved gross profit margin

	Results	YOY
Operating income	8.8 bn yen	100.7% +60 mn yen
Existing store sales increase	+0.6%	
Merchandise gross profit margin	25.5%	+0.1%
Operating income (including Life Foods)*	12.0 bn yen	101.2% +140 mn 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 due to brisk sales of foods
- Operating income: Increased in addition to the positive results in directly-operated sales area, brisk sales in Life Foods

Quarterly trends



*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

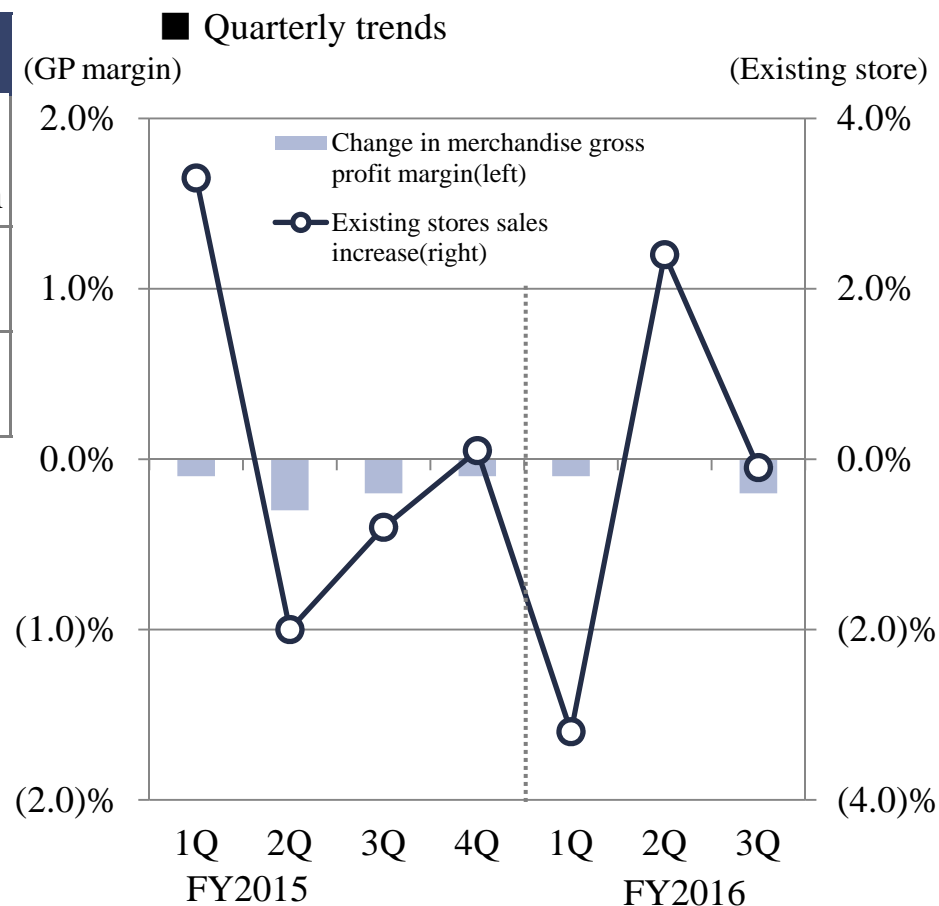


Lower income reflected a decrease in existing store sales and deterioration of the gross profit margin

	Results	YOY
Operating income	0.1 bn yen	14.3% (1.0) bn yen
Existing store sales increase	(0.3)%	
Merchandise gross profit margin	24.7%	(0.1)%

Overview

- Existing store sales: Decrease slightly due to fallback in March after rush demand ahead of April 2014 consumption tax hike and downturn in apparel sales
- Gross profit margin: Declined due to decrease in sales of apparel products with low gross profit and high sales composition ratio
- SG&A: Down 0.7% due to reduced labor costs and rent expenses



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