



**Seven & i Holdings Co., Ltd.**  
**Financial Results Presentation**  
**for the Fiscal Year ended February 29, 2016**

**April 8, 2016**

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



**Consolidated Financial Results  
for the Fiscal Year ended February 29, 2016**

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# Overview of Consolidated Financial Results

● Operating income reached new records for 5th consecutive year

(Billions of yen)

	FY2016 Results		
	Amount	YOY	Change from the previous year
Group's total sales	10,703.0	104.6%	+467.4 <sup>*1</sup>
Revenues from operations	6,045.7	100.1%	+6.7 <sup>*1</sup>
Operating income	352.3	102.6%	+8.9
Net income	160.9	93.0%	(12.0) <sup>*2</sup>

\*1 Impact of lower crude oil prices, etc. on 7-Eleven, Inc. gasoline sales  
(including the effect of yen depreciation)

(181.4)

\*2 Increase in special losses  
(restructuring expenses and impairment loss on property and equipment, etc.)

(16.3)

Increase in income taxes - deferred

(6.8)

(accompanying the corporate tax rate reduction from the fiscal year ending Feb. 28, 2017, etc.)

Exchange rate (income statements): U.S.\$1=121.10 yen, decline 15.31 yen YOY

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

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## Operating Income by Business Segment

● Convenience store operations are mainly leading income growth

(Billions of yen)

	FY2016 Results		
	Amount	YOY	Change from previous year
<b>Consolidated operating income</b>	<b>352.3</b>	<b>102.6%</b>	<b>+8.9</b>
Convenience store operations	304.1	109.9%	+27.3
Superstore operations	7.2	37.4%	(12.1)
Department store operations [before amortization of goodwill]	3.8 [9.1]	54.3% [73.9%]	(3.2)
Food services	0.9	-	+0.8
Financial services	49.6	105.3%	+2.5
Mail order services	(8.4)	-	(0.9)
Others	5.5	151.5%	+1.8
Eliminations / corporate	(10.5)	-	(7.3)

# Operating Income for Major Operating Companies

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

(Billions of yen)

	FY2016 Results				Major factors on YOY changes
	Amount	YOY	Change from the previous year	Existing store sales increase	
Seven-Eleven Japan	235.0	105.2%	+11.6	+2.9%	Growth in existing store sales and improvements in merchandise gross profit margins
7-Eleven, Inc. [in dollar basis]	77.4 [\$ 639.7 mn]	129.9% [113.5%]	+17.8 [+\$75.9 mn]	+5.8%	Growth in existing store sales and improvements in merchandise gross profit margins
Ito-Yokado	(13.9)	-	(15.8)	+0.2%	Deterioration of the gross profit margin mainly in apparel
York-Benimaru (including Life Foods* <sup>1</sup> )	17.7	104.2%	+0.7	+1.2%* <sup>2</sup>	Growth in existing store sales and improvements in merchandise gross profit margins
Sogo & Seibu	7.4	72.5%	(2.8)	±0.0%	Deterioration of the gross profit margin mainly in apparel

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

\*<sup>2</sup> Existing store sales increase figures for York-Benimaru non-consolidated base.

(Note) The combined operating income for YB and LF represents internal management reporting figures.

## Breakdown of Special Losses

(Billions of yen)

	FY2016 Results		Major factors on YOY changes
	Amount	YOY	
<b>Special losses</b>	52.4	+16.3	Increased due to recording restructuring expenses and expansion of impairment losses
Loss on disposals of property and equipment	11.5	(1.7)	Temporary fluctuation due to change of equipment at SEJ [2.7 bn yen decrease] conducted in FY2015, etc.
Impairment loss on property and equipment	22.6	+7.4	Increase at SEJ [2.8 bn yen increase], IY and YB, etc.
Restructuring expenses	10.6	+10.6	Business liquidation expenses at Nissen [5.4 bn yen] and store closure expenses at SS [3.1 bn yen] and IY [2.1 bn yen]



**Plan for Consolidated Financial Results  
for the Fiscal Year ending February 28, 2017**

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The consolidated financial results forecast for the fiscal year ending February 28, 2017, has been left undetermined.

The reason is that a business restructuring plan for the future of the Company's consolidated subsidiary Nissen Holdings Co., Ltd. is ongoing consideration at this point.

For reference, the figures excluding Mail order services are presented.

The consolidated financial results forecast will be announced without delay as soon as it becomes possible to make a rational projection.

## [Reference] Plan for Consolidated Financial Results

(Billions of yen)

	FY2017 Plan		
	Amount	YOY	Change from the previous year
Group's total sales*1	10,873.0	103.1%	+328.6
Revenues from operations	6,010.0	102.1%	+123.0
Operating income	389.0	107.8%	+28.2
Net income*2	184.1	110.1%	+16.9

Exchange rate (income statements): 115.00 yen, rise 6.10 yen YOY

\*1 Group's total sales include the sales of Seven-Eleven Japan and 7-Eleven, Inc. franchisees.

\*2 Estimate an increase in restructuring expenses [approx. +14.0 bn yen]



The consolidated financial results forecast for the fiscal year ending February 28, 2017, has been left undetermined.

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[Reference] Plan for Consolidated Financial Results:  
Operating Income by Business Segment

(Billions of yen)

	FY2017 Plan		
	Amount	YOY	Change from the previous year
<b>Consolidated operating income</b>	389.0	107.8%	+28.2
Convenience store operations	315.4	103.7%	+11.2
Superstore operations	25.3	349.7%	+18.0
Department store operations	8.2	214.0%	+4.3
Food services	2.1	229.0%	+1.1
Financial services	51.4	103.4%	+1.7
Mail order services	-	-	-
Others	4.6	82.7%	(0.9)
Eliminations / corporate	(18.0)	-	(7.4)

## Plan for Consolidated Financial Results: Operating Income by Major Operating Company

### ● Income growth planned for all major operating companies

(Billions of yen)

	FY2017 Plan		
	Amount	YOY	Change from the previous year
Seven-Eleven Japan	245.0	104.2%	+9.9
7-Eleven, Inc. [in dollar basis]	78.5 [\$ 682.6 mn]	101.3% [106.7%]	+1.0 [\$ +42.8 mn]
Ito-Yokado	1.0	-	+14.9
York-Benimaru (including Life Foods*)	18.6	104.8%	+0.8
Sogo & Seibu	10.0	134.9%	+2.5

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

The consolidated financial results forecast for the fiscal year ending February 28, 2017, has been left undetermined.

The reason is that a business restructuring plan for the future of the Company's consolidated subsidiary Nissen Holdings Co., Ltd. is ongoing consideration at this point.

For reference, the figures excluding Mail order services are presented.

The consolidated financial results forecast will be announced without delay as soon as it becomes possible to make a rational projection.

[Reference] Plan for Capital Expenditures by Business Segment (Billions of yen)

	FY2016 Plan		
	Amount	YOY	Change from the previous year
<b>Consolidated capital expenditures</b>	492.7	124.9%	+98.2
Convenience store operations	363.4	152.5%	+125.0
Superstore operations	53.2	65.4%	(28.1)
Department store operations	15.6	89.1%	(1.9)
Food services	2.7	145.7%	+0.8
Financial services	39.4	117.9%	+5.9
Mail order services	-	-	-
Others	6.4	174.0%	+2.7
Corporate	12.0	65.8%	(6.2)

## Plan for Capital Expenditures by Major Operating Company

- Invest for growth in new store openings and revitalization of existing stores

(Billions of yen)

	FY2016 Plan		
	Amount	YOY	Change from the previous year
Seven-Eleven Japan	170.0	136.5%	+45.4
7-Eleven, Inc.	190.0	118.9%	+30.2
Ito-Yokado	28.6	83.4%	(5.6)
York-Benimaru	13.2	124.0%	+2.5
Sogo & Seibu	12.5	98.8%	(0.1)



# **Strengthening Governance**

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# Concept of Governance (1):

Realize Sustainable Growth and Medium- to Long-Term Enterprise Value Increase

## ● Approaches and key indicators for achieving goals

Announced at Growth Strategy Briefing on 9<sup>th</sup> March

Goal	Approach	Key indicators
Medium- to long-term enterprise value increase	Realize synergies Increase capital efficiency	Operating income increase ROIC <b>ROE (ROA)</b>
Sustainable growth	Maintain a sound financial structure	Credit ratings Owners' equity ratio Interest-bearing debt ratio

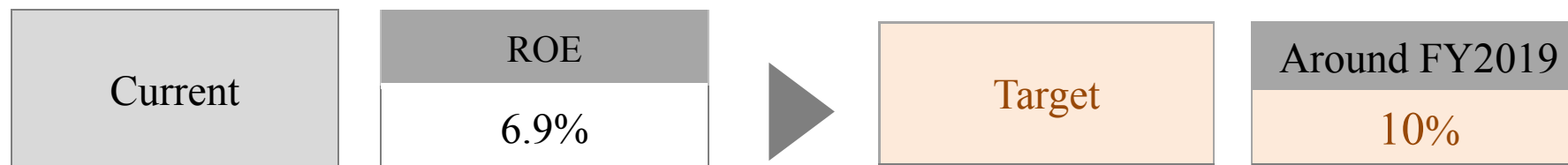
$$\begin{aligned}
 \text{ROE} &= \frac{\text{Net income}}{\text{Net sales}} \times \frac{\text{Net sales}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Owners' equity}} \\
 &= \text{ROA} \times \text{Financial leverage}
 \end{aligned}$$

Business management of operating companies based on ROA and consolidated financial leverage

## Concept of Governance (2):

Realize Sustainable Growth and Medium- to Long-Term Enterprise Value Increase

### ● Current ROE (FY2015) and target



Strengthen governance to achieve targets

⇒ Establish Portfolio Committee\*



\*Comprising COO as committee chair, CAO, and CFO

## Portfolio Committee functions

Year-end :	Check the appropriateness of each company's budget (has veto authority), decide on allocation of capital
End of 1H :	Check progress on each company's plan, appropriateness of medium-term plan
As necessary:	Examine investment proposals that are out-of-budget or large-scale (5.0 bn yen or more)

## Concept of Governance (3):

Realize Sustainable Growth and Medium- to Long-Term Enterprise Value Increase

● Specific annual schedule (Hold twice a year, August and February)



Submit to Board of Directors after repeated discussion with outside directors

### ■ Governance for operating companies

Set increasing operating income as the most important indicator, since this is the result of our core business

- |                         |  |
|-------------------------|--|
| 1. Operation            | Support each company's sales strategies and create synergies across the organization |
| 2. Investment decisions | Make investment decisions based on a standard of ROIC 6%*                            |

\*(Operating income + interest income) × 0.6 + dividend income / (non-current assets + investment and financing)

1. Strengthen operation

Increase operating profit margin  
Increase operating income



2. Streamline investment

Increase capital efficiency



Increase ROE





# **Initiatives in Operating Companies**

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# **Seven-Eleven Japan(SEJ)**

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# SEJ: Trend in YOY Changes in Existing Store Sales

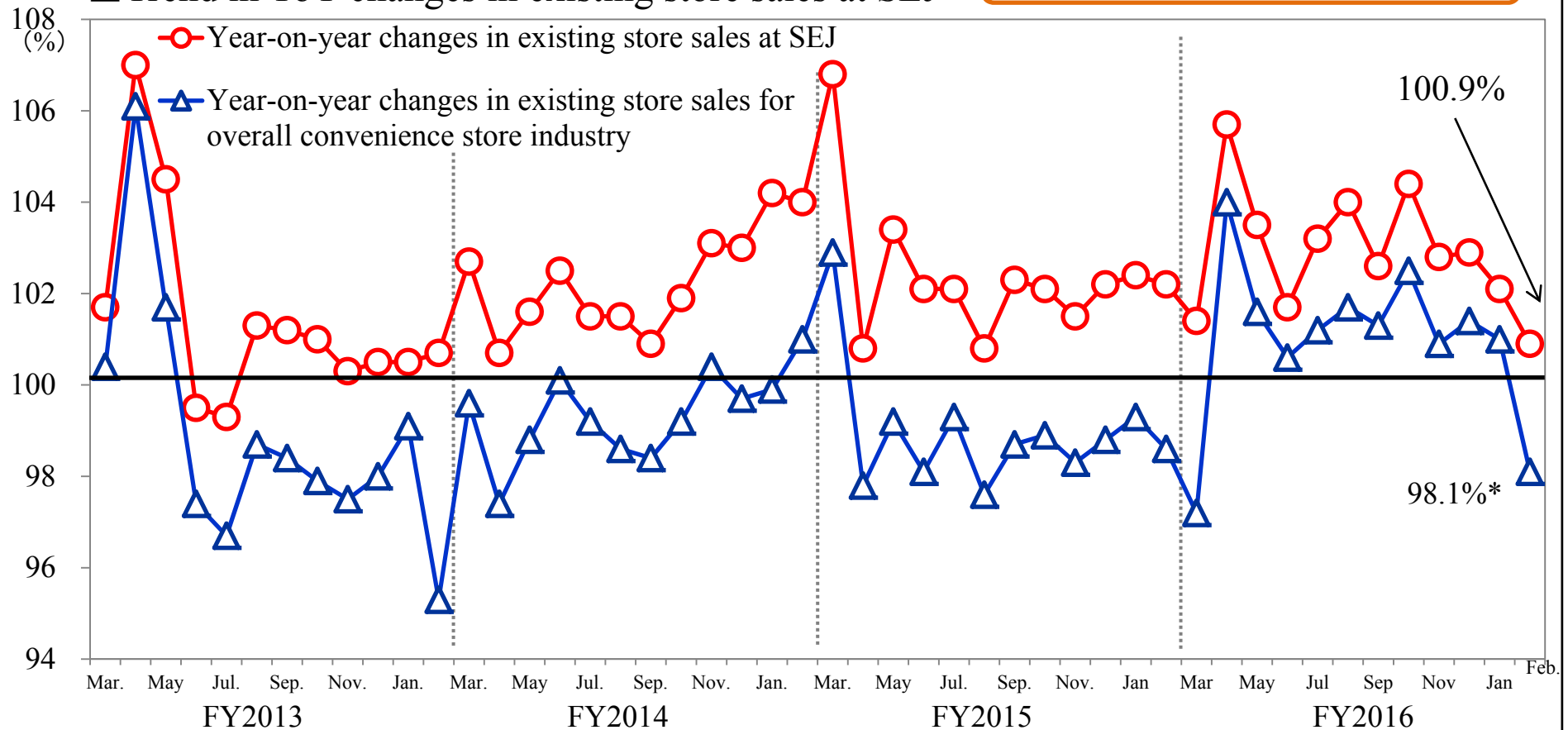
Advancing efforts to create “close-by, convenient” stores

Expanding sales of original daily products

Expanding sales of *Seven Premium*

**Planning 102% for FY2017**

■ Trend in YoY changes in existing store sales at SEJ



\* February 2016 figures for existing store YOY change at convenience stores represent the YOY change in total sales (up 1.6%), including the impact of the leap year, converted to daily-sales basis.

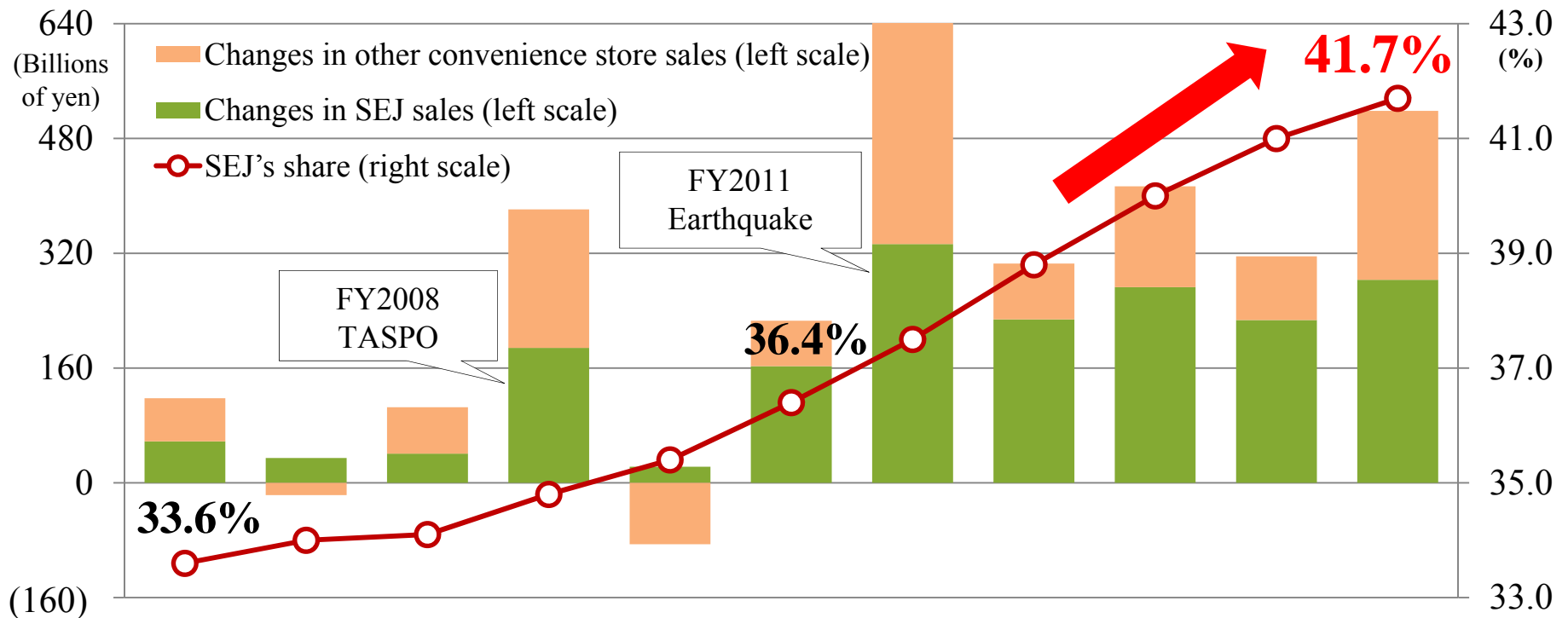
# SEJ: Market Share Increased as a Result

**Aiming for a share of 50%**

● Effect of “close-by, convenient” merchandising strategy and capabilities

⇒ Distinct share increase

■ Trend in sales share of SEJ and increase/decrease of CVS sales



	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Share (%)	33.6	34.0	34.1	34.8	35.4	36.4	37.5	38.8	40.0	41.0	41.7
Change (%)	—	← +2.8 →					← +5.3 →				

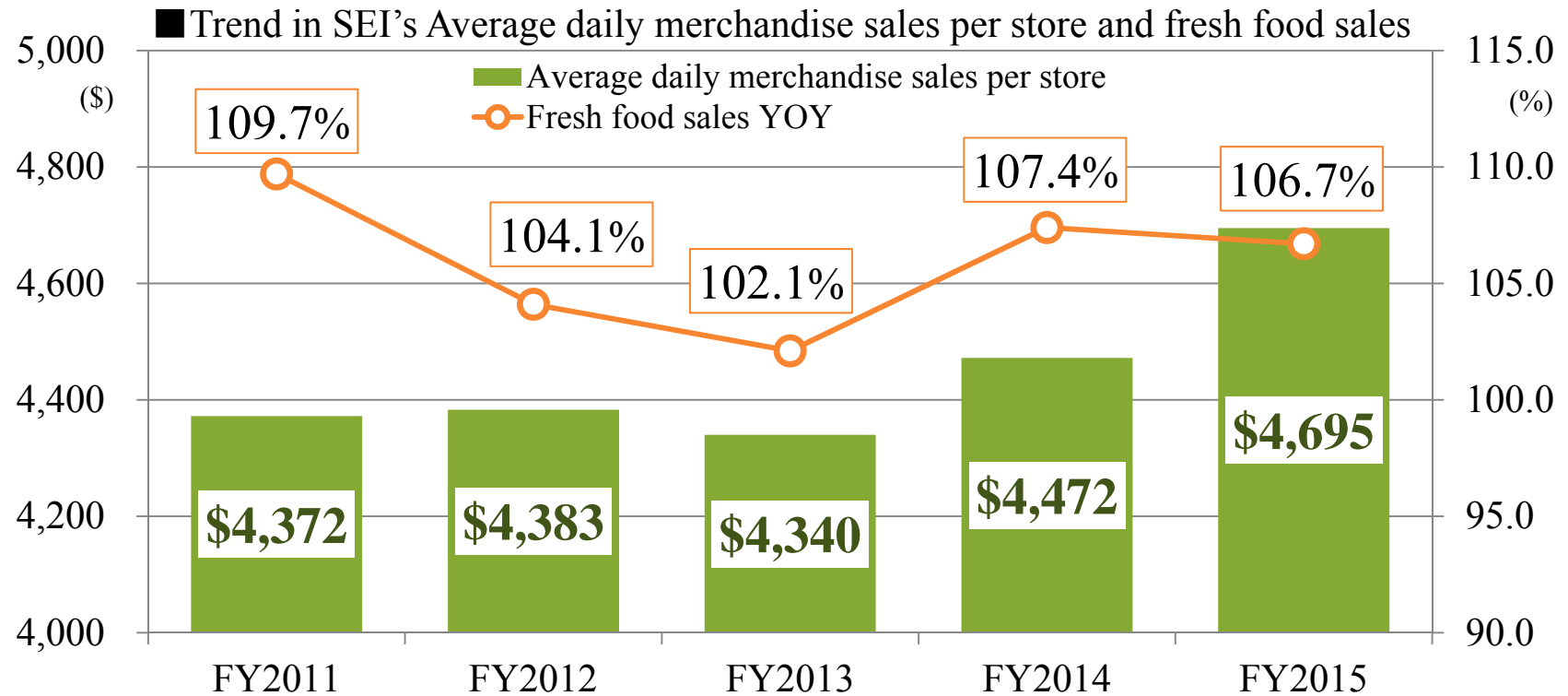


# **7-Eleven, Inc. (SEI)**

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## 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

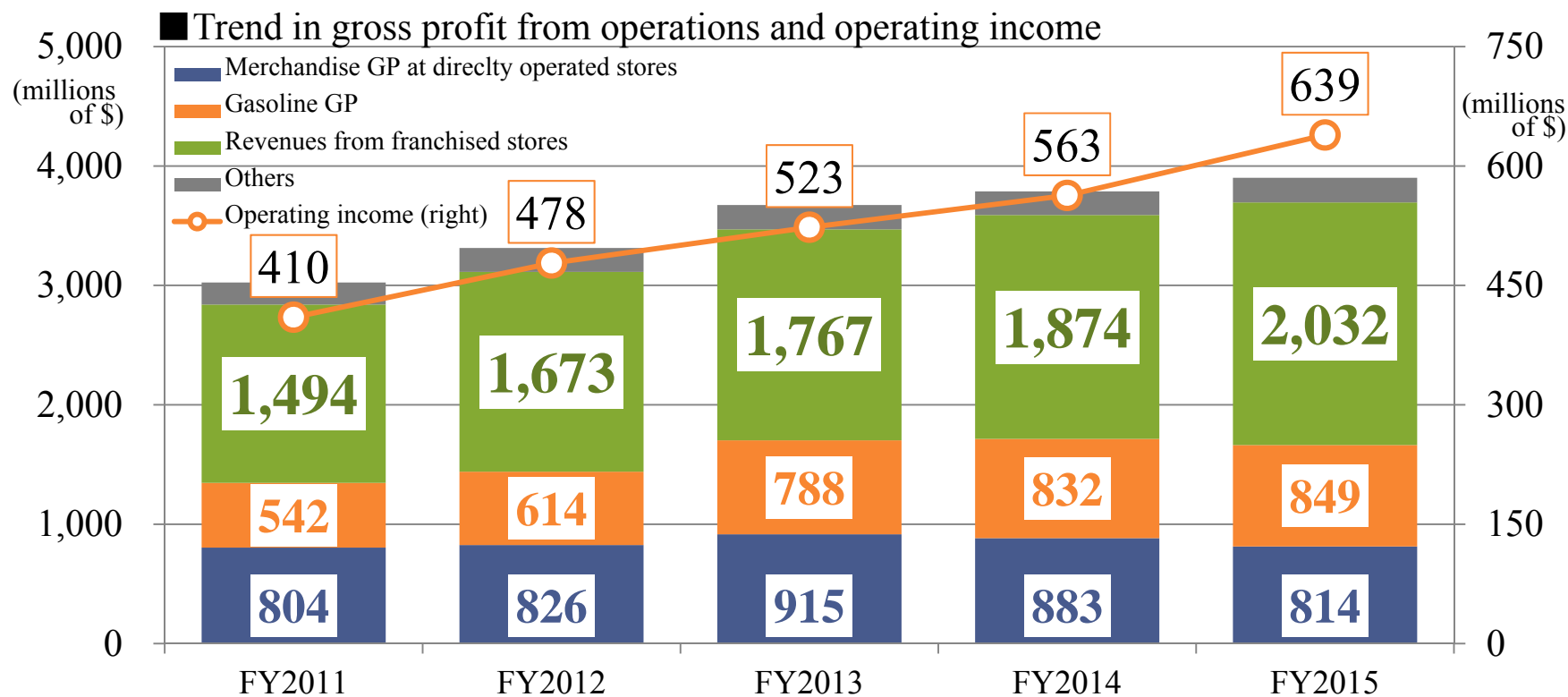


Stores installed hot food equipment	2,647	3,552	4,641	6,080	7,686
Fresh food sales YOY	109.7%	98.2%	102.1%	107.4%	106.7%
Average daily merchandise sales per store	\$4,372	\$4,383	\$4,340	\$4,472	\$4,695

Fiscal year-end December

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

### ● Increase revenues from franchised stores to enhance profitability



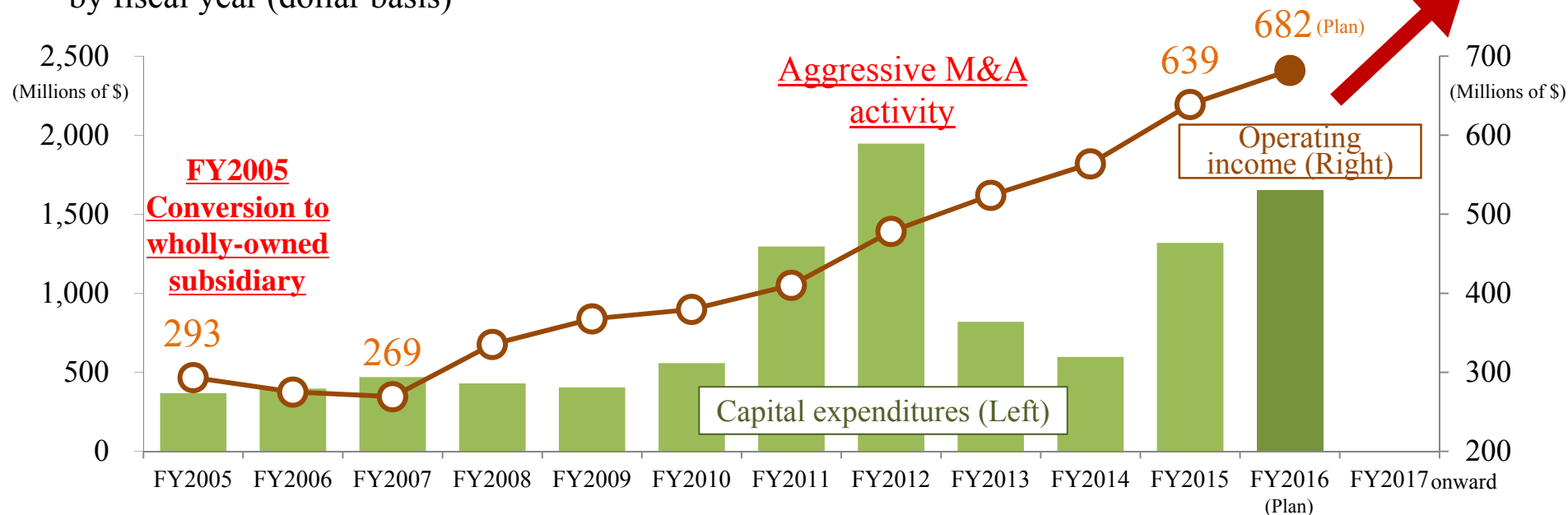
Number of directly operated stores	1,712	2,248	2,073	1,907	1,748
Number of franchised stores	5,437	5,870	6,219	6,390	6,752
Franchised ratio	76.1%	72.3%	75.0%	77.0%	79.4%

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

# 7-Eleven, Inc.: Plan Capital Expenditures for FY2016 of 1,652 Million Dollars

Invest aggressively for future growth

■ Capital investment (left axis, bar graph) and operating income (right axis, line graph) by fiscal year (dollar basis)



Operating Income	293	275	269	335	367	379	410	478	523	563	639	682	
CAPEX	368	397	470	430	405	558	1,296	1,947	820	597	1,319	1,652	
ROIC* (%)	-	4.6	4.6	6.1	6.6	7.3	6.8	5.2	5.8	5.7	5.8	5.8	

Further conversion to franchise stores due to stronger marketing capability, increasing investment efficiency

\*ROIC: Operating income  $\times$  0.6 / (Net assets at the start of the year + interest-bearing debt at year-end)





# **Ito-Yokado (IY)**

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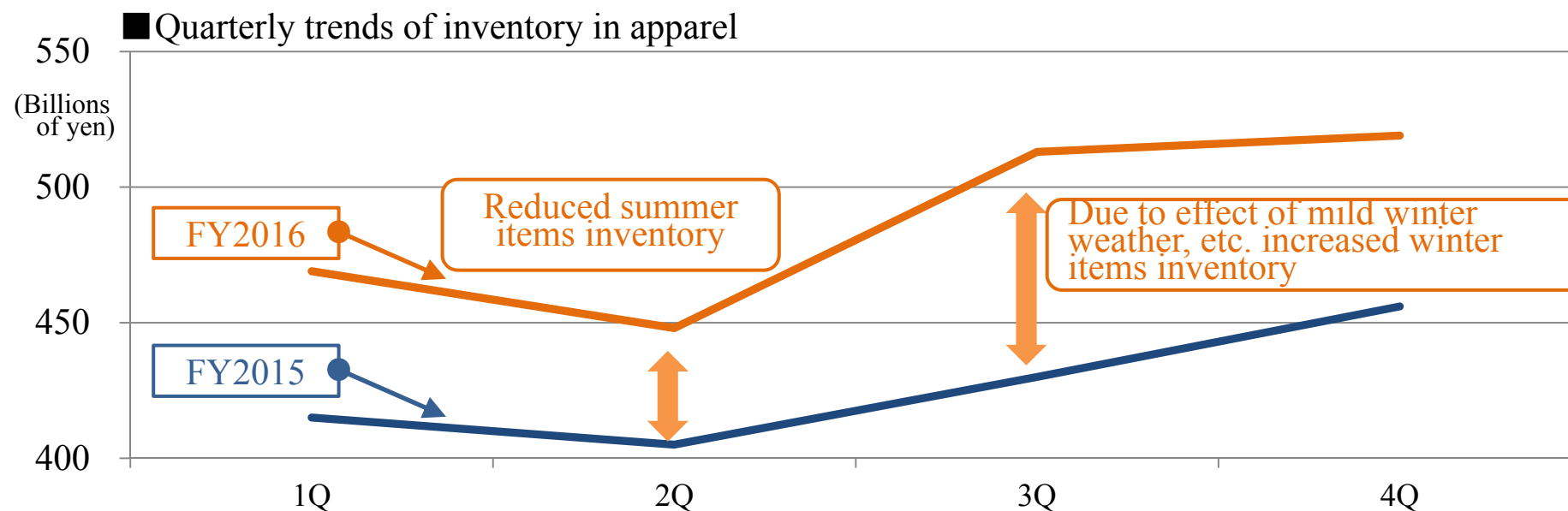
# IY: Operating Income for FY2016 (13.9) Billion Yen [(15.8) Billion Yen YOY] Analysis of Factors

Operating income changes	Amount of change (yen)	Factors in YOY change	Details
+3.2 bn yen	+3.2 bn	Increase in existing stores sales Increase in tenant income	<ul style="list-style-type: none"> <li>Increase in customer numbers, mainly for food</li> <li>Promoted store structural reform</li> </ul>
	<b>(16.2) bn</b>	<b>Gross profit deterioration</b>	<u>Apparel impact: 10.5 bn yen decrease</u> <ul style="list-style-type: none"> <li>Increase in product inventories for conventional head-office-led merchandising during the shift to independent operation structure,</li> <li>In addition, conducted inventory reduction based on item-by-item management in 1H</li> </ul>
	(1.6) bn	Increase in discount sales	Conducted direct mail sales for card members
	(1.2) bn	Increase in SG&A expenses	Advertising expenses: 3.6 bn yen increase Existing stores, etc. excluding advertising expenses: 2.5 bn yen decrease
(19.0) bn yen			

Despite the recovery trend in existing store sales, issues remain in item-by-item management and sales promotion policy

## IY: Issues to Be Addressed – Inventory

- Inventory as of Feb. 29, 2016: 84.7 bn yen increased 6.4 bn yen YOY [in apparel increased 6.3 bn yen]



### Actions to return inventory to an appropriate level

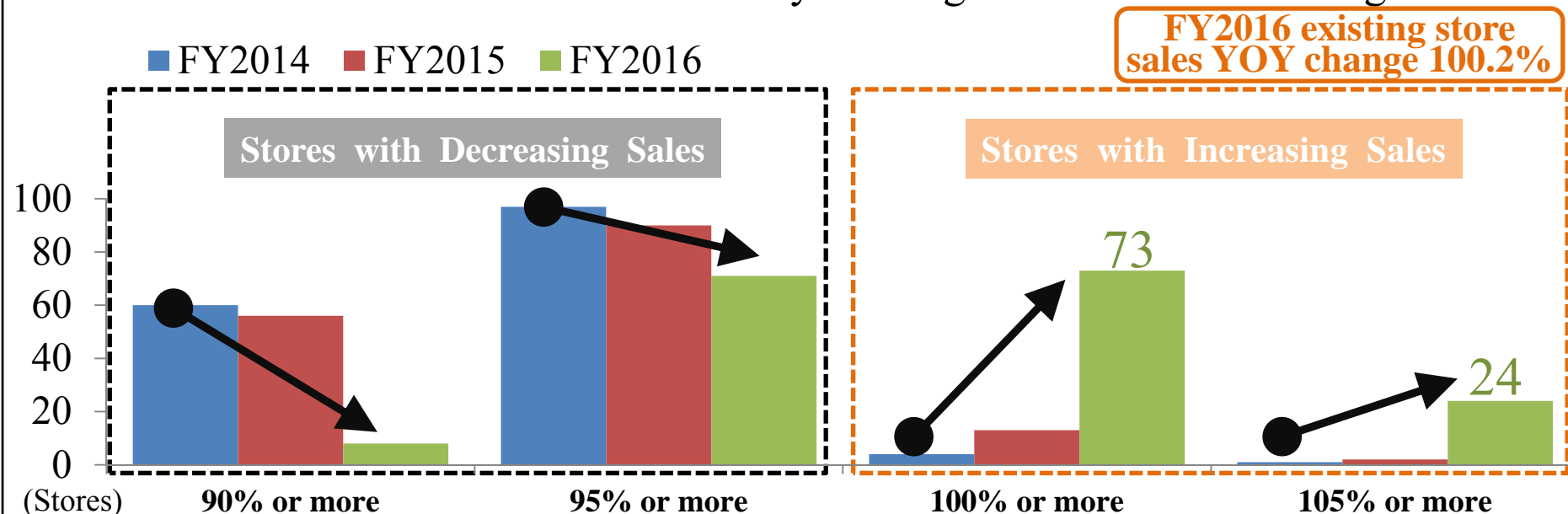
Break away from wholesaler merchandising, promote own product development in line with development process

Strengthen hypothesis and verification in purchasing through collaboration between Merchandising Department and Sales Department

Continue inventory reduction in FY2017, with a focus on carry-over stock (profit margin reduction factored into plan)

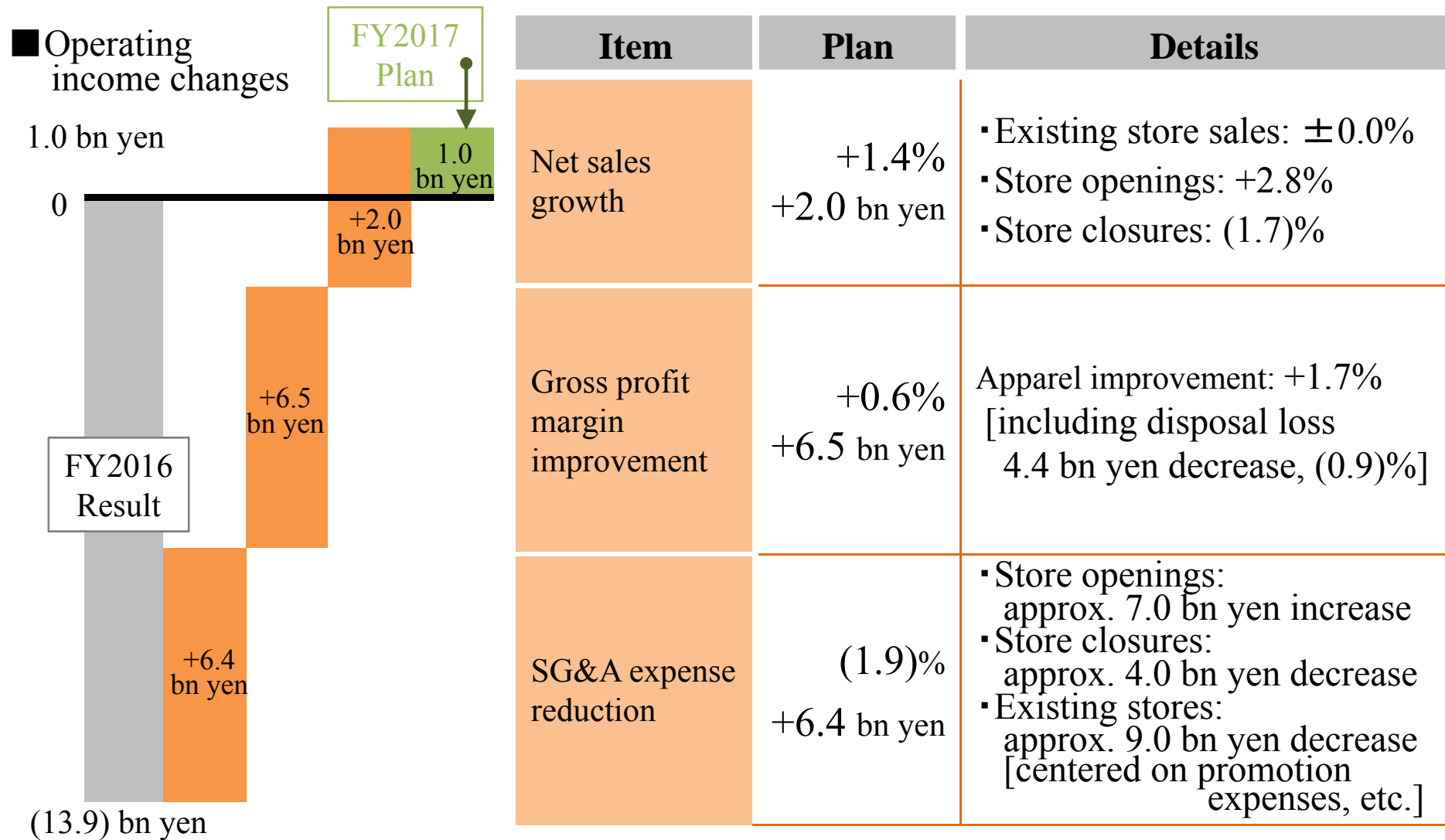
# IY: Existing Store Sales Exceeded Previous Year Centered on Food Since FY2002

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



Stores with Increasing Sales			
FY2014	6	Independently operated stores	6 out of 9 independently operated stores are now recording sales growth
FY2015	15	Structurally reformed stores	26 Stores that have both changed the tenant mix and renovated food product sales area
FY2016	97	Shokuhinkan food specialty stores	9 Growth from conducting operations from merchandising to sales promotion completely within business department
		THE PRICE	7 As above
		Other existing stores	49 Multiple factors

# IY: Operating Income Plan for 1.0 Billion Yen [Up 14.9 Billion Yen YOY]



Store-led operation framework and rigorous cost control

## IY Capital Expenditures: Plan for FY2017 28.6 Billion Yen

### New store investment plan: 13.0 billion yen

1.	<i>SEVEN PARK ARIO KASHIWA</i>	Opening April 25, sales floor area of 65,000 m <sup>2</sup> (corporate: 11,143m <sup>2</sup> ), leased land, guarantee deposit
2.	<i>Shokuhinkan</i> Minowa	Opening April 22, store-managed sales floor 983m <sup>2</sup> , two more <i>Shokuhinkan</i> stores planned for opening
3.	New stores from FY2018 onward	Plan to acquire land

### Existing store investment, etc. plan: 15.6 billion yen

1.	Convert large-scale general merchandise stores to <i>Ario</i> format	Plan to renovate and reopen two stores in FY2017, at approx. 1.0 bn yen/store
2.	Renovate existing <i>Ario</i> stores with fixed-term leasehold	Plan to renovate three stores in FY2017
3.	General merchandise store tenant mix, etc.	Plan to renovate and reopen six stores in FY2017, at approx. 0.5 bn yen/store

Promote structural reform under the tenant-mix concept in line with individual store catchment areas



# **The Omni-Channel Strategy**



# The Omni-Channel Strategy

## ● Superiority of Group integrated portal site “omni7”

あらゆるお店が、あなたの近くに。

omni7

もしも、デパートやスーパー、専門店の数々が、  
 まとめてあなたの家のすぐ近くにやってきたとしたら、  
 お買い物は、どう変わるとお思いますか？  
 セブン&アイグループの商品を、近くのセブン・イレブンで受け取れる、  
 全く新しいお買い物習慣、はじまりました。

セブン&アイ・ホールディングスの  
 『オムニ7』オープン!

Receiving

Products can be received at any time from 7-Eleven stores close to home or work

Settlement

Settlement at the counter through various means including cash and *nanaco*

Return  
&  
Refund

Products can be returned and refund easily at any time through 7-Eleven stores

Merchandise

Handle differentiated products of respective Seven & i Group companies



# The Omni-Channel Strategy Promotion System

“Create a dedicated product development system”

## Product Development Project

**Leader:**  
**President Matsumoto of SS**

Product development and product line-up determination

- Each company\* president is responsible for progress management
- Select elite members of each company for merchandising
- Also select 20 new recruits

## Logistics Project

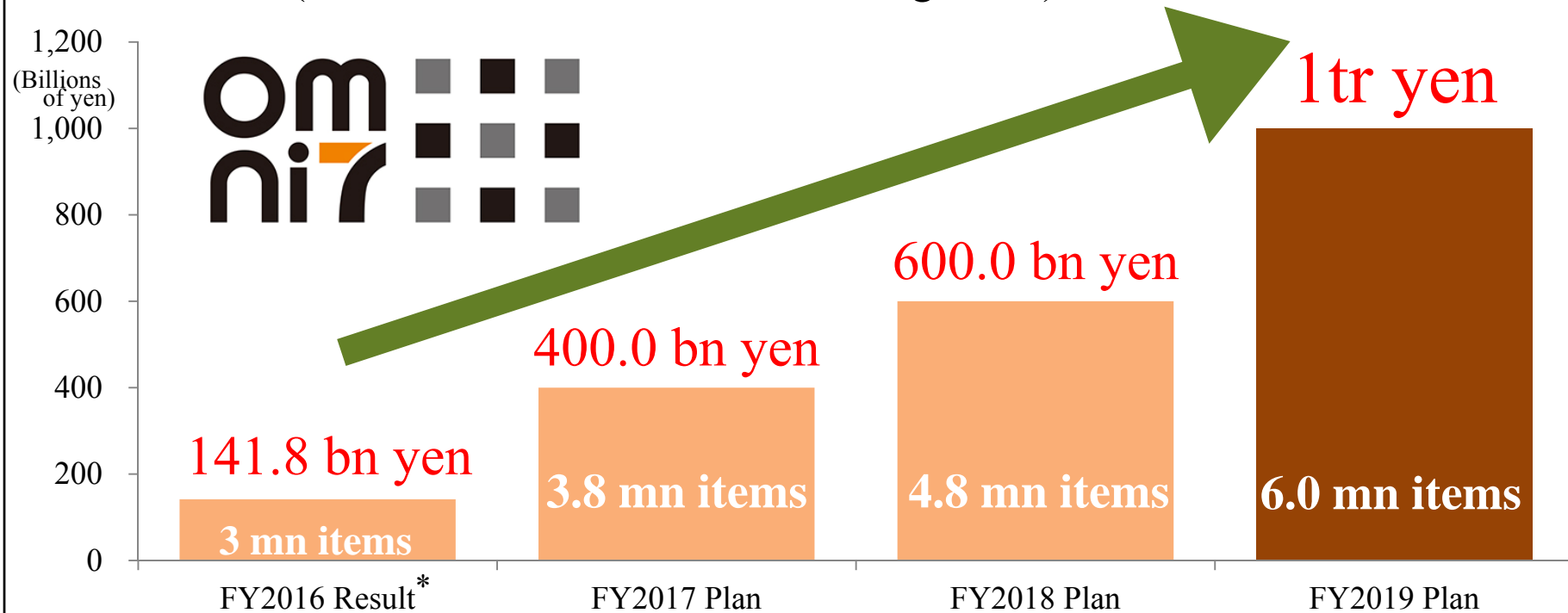
**Leader:**  
**Executive Officer Kamata of SEJ**

- Examine logistics strategies to prepare for the future
- Increase logistics efficiency, including the Group's current logistics

\*SEJ, IY, SS, Akachan Honpo, THE LOFT, and Seven Net Shopping

# The Omni-Channel Strategy

## ● Omni Sales (E-commerce Sales + Webrooming Sales) Results and Plan



“Increased merchandizing capabilities and product line-up expansion boost purchase rate”

Inside the Group	Build dedicated product development system
Outside the Group	Aim for successive alliances from spring 2017 onwards

\* Result for FY2016 exclude Webrooming sales

# Approach to Capital Expenditures and Shareholder Returns

## Capital expenditures

### 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

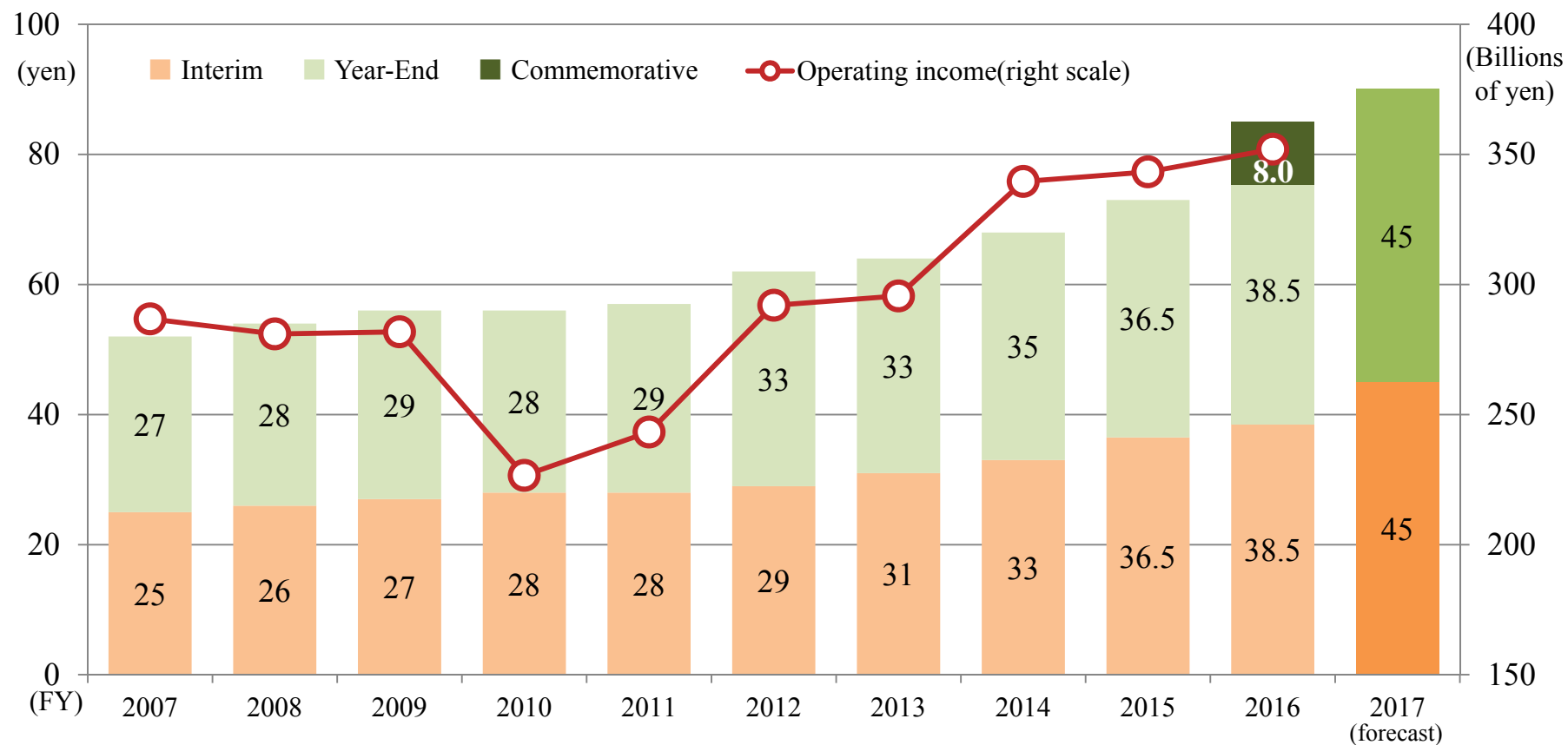
Consolidated payout ratio lifted from 35% to 40% reflecting increased certainty of growth

- Forecast 13 yen per share increase in dividend\* to 90 yen per share

\*Ordinary dividend

ROE 10%: Aim to achieve in around FY2019

## Trends on Operating Income and Dividend per Share Since the Foundation of 7&i HD



Net Income (billion yen)	133.4	130.6	92.3	44.8	111.9	129.8	138.0	175.6	172.9	160.9	-
Dividend per share	<u>52</u>	54	56	56	57	62	64	68	73	85	<b>90</b>
Payout Ratio (%)	36.4	39.4	55.7	112.7	45.2	42.2	41.0	34.2	37.3	46.7	-

Aim the continuous increase of dividend and free cash flow



# Appendix

# Convenience Store Operations: Results (1)

## Seven-Eleven Japan

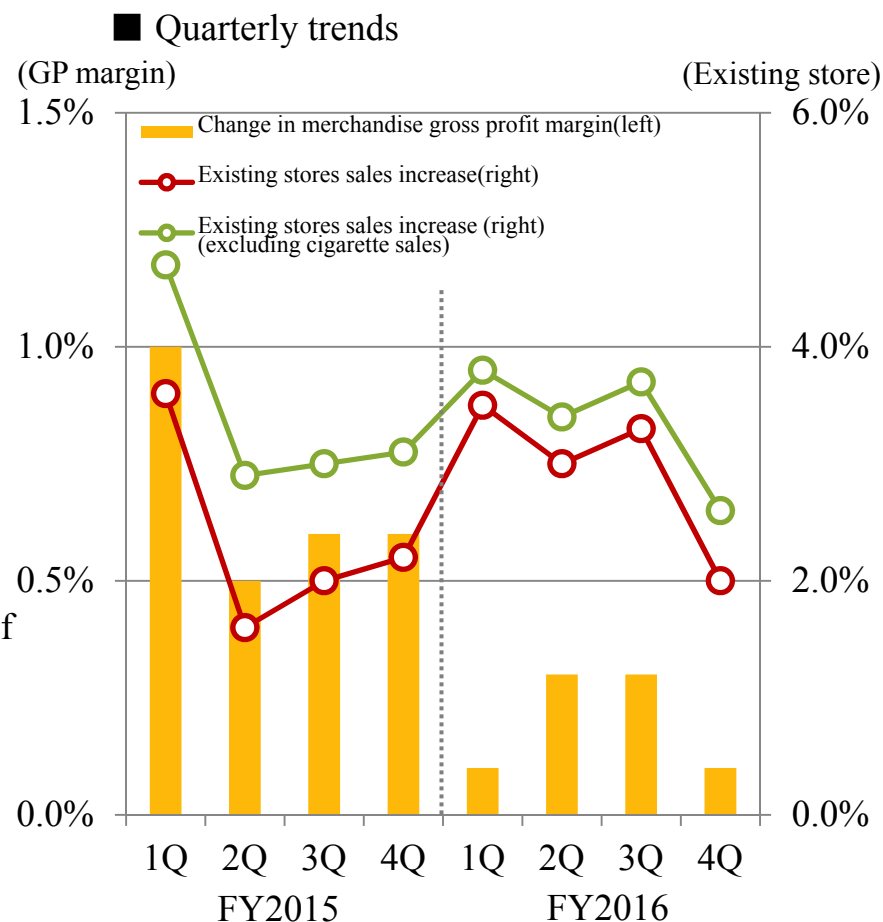


Record-high income for a fifth consecutive year resulted from increased existing store sales

	Results	YOY
Operating income	235.0 bn yen	105.2% +11.6bn yen
Existing store sales increase	+2.9%	
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.

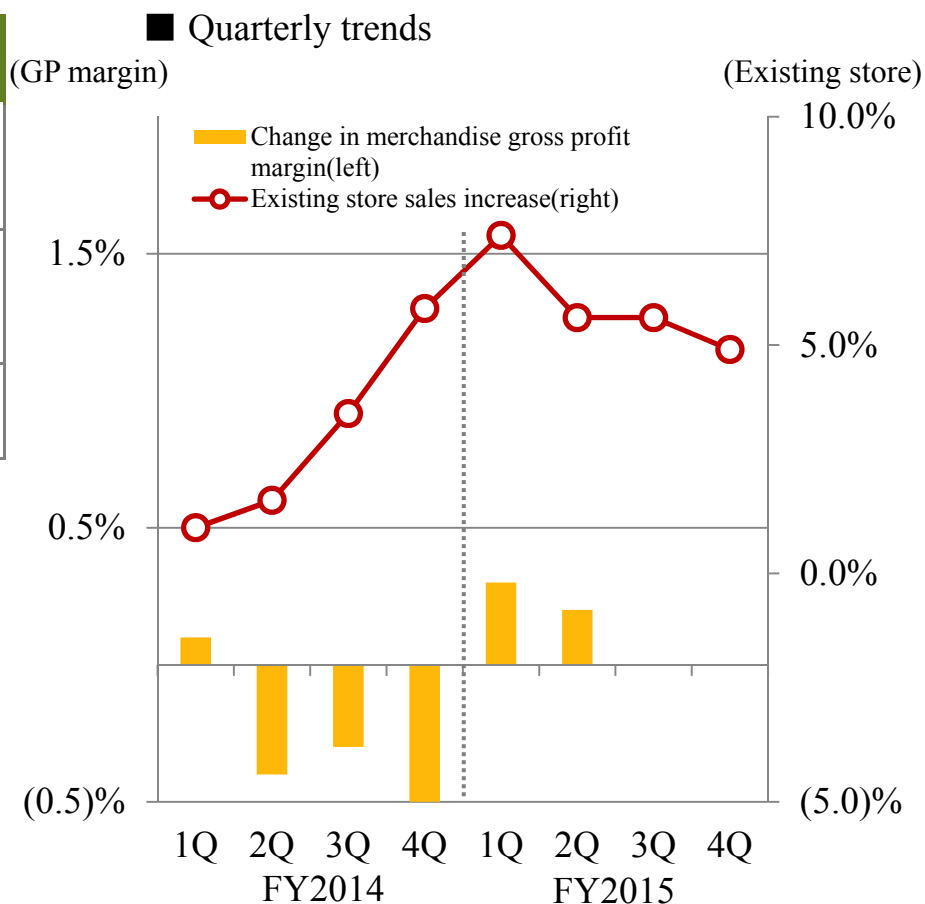


Growth in merchandise sales at existing stores driven by strong fresh foods sales resulted in significant operating income growth

	Results	YOY
Operating income	77.4 bn yen	129.9% +17.8 bn yen
Existing store sales increase (U.S. merchandise sales in dollar basis)	+5.8%	
Merchandise gross profit margin	34.6%	+0.1%

## 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: +9.7 billion yen)



# Superstore Operations: Results (2)

Ito-Yokado



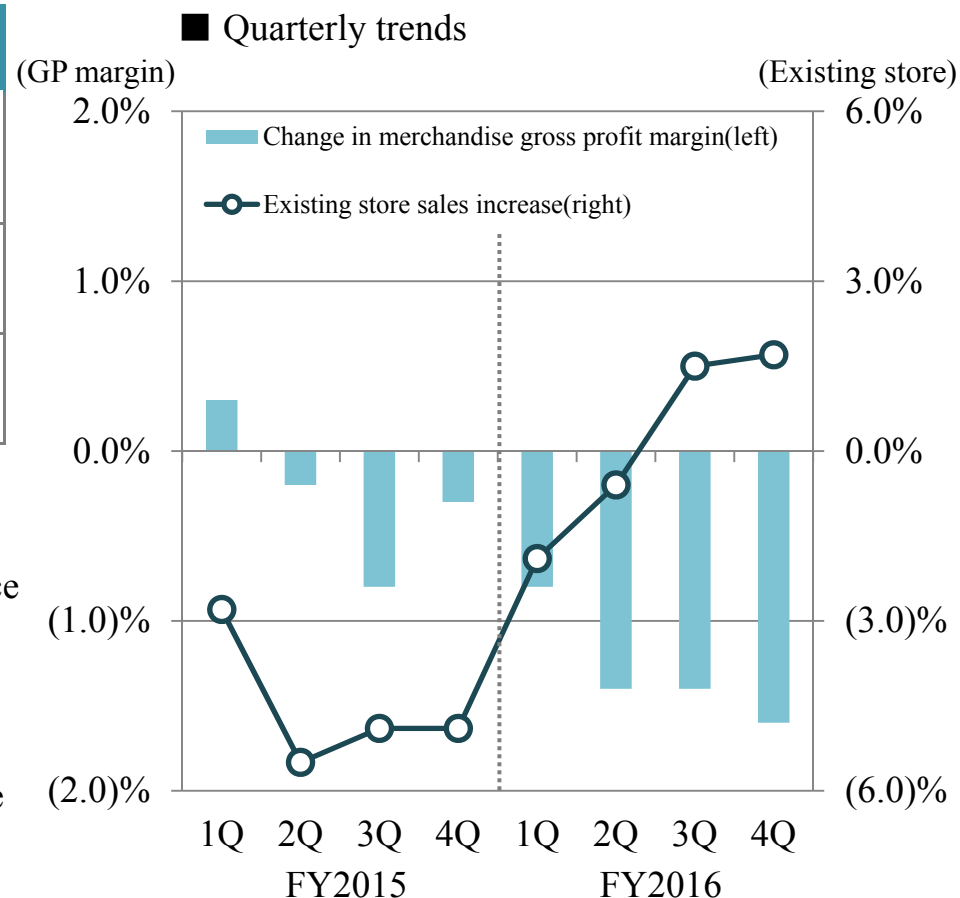
Lower income reflected a decrease in the gross profit margin mainly in apparel

	Results	YOY
Operating income	(13.9) bn yen	(15.8) bn yen -
Existing store sales increase	+0.2%	[+0.4%]*
Merchandise gross profit margin	28.6%	(1.3)%

## Overview

- Existing store sales: Increased due to strong performance in food and continued sales promotions
- Gross profit margin: Declined, mainly due to reducing inventory in apparel and foreign exchange effects
- SG&A: Up 0.4% 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

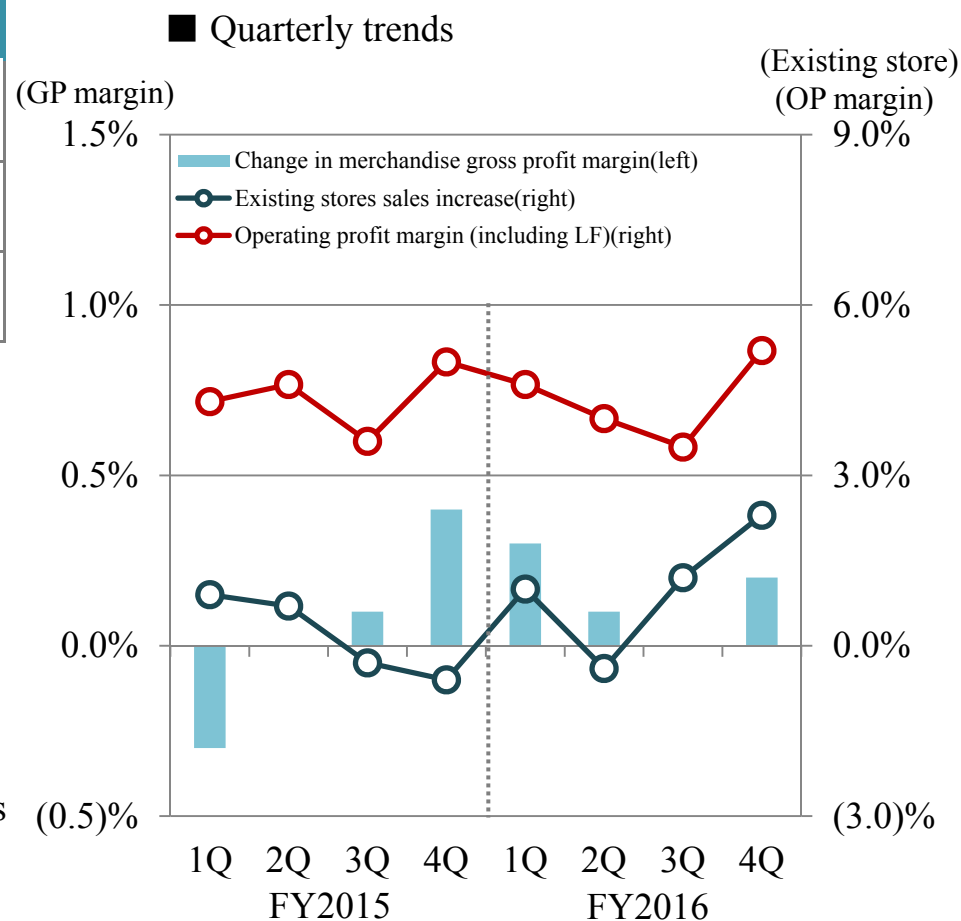
	Results	YOY
Operating income	13.3 bn yen	103.9% +0.5 bn yen
Existing store sales increase	+1.2%	
Merchandise gross profit margin	25.7%	+0.1%
Operating income (including Life Foods)*	17.7 bn yen	104.2% +0.7 bn yen

### 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 due to brisk sales of foods
- Operating income: Increased for three consecutive years in addition to the positive results in directly-operated sales area, brisk sales in Life Foods

\*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

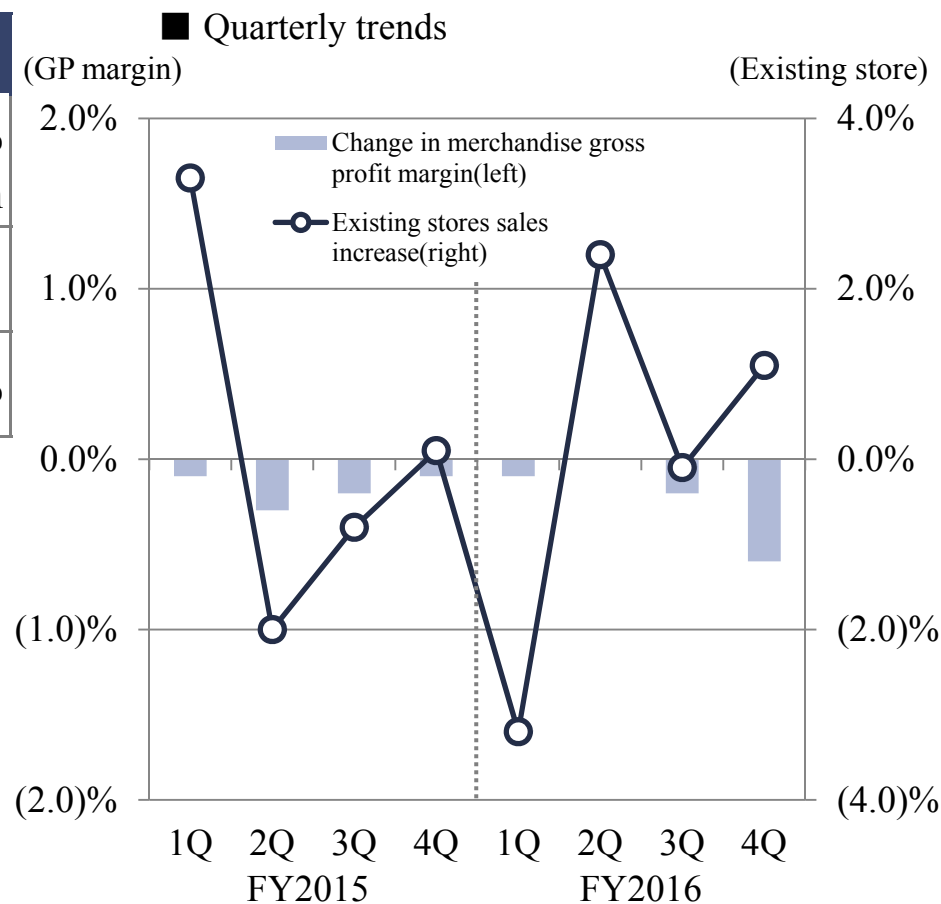


Lower income reflected a decrease in existing store sales and decline gross profit margin

	Results	YOY
Operating income	7.4 bn yen	72.5% (2.8) bn yen
Existing store sales increase	± 0.0%	
Merchandise gross profit margin	24.3%	(0.3)%

### Overview

- Existing store sales: Remained flat year on year despite a fall-back from a surge in demand ahead of the consumption tax increase in April 2015 and a 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 slightly, due to mainly decreased utility expenses



This document contains certain statements based on the Company's current plans, estimates, strategies, and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. It is possible that the Company's future performance will differ from the contents of these forward-looking statements. Accordingly, there is no assurance that the forward-looking statements in this document will prove to be accurate.