



Seven & i Holdings Co., Ltd.

Financial Results Presentation  
for the Second Quarter of FY2017

October 7, 2016

Seven & i Holdings Co., Ltd.



Consolidated Financial Results  
for the Second Quarter of FY2017

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## Overview of Consolidated Financial Results

- Operating income and ordinary income both reached new first-half records for a fourth consecutive year

(Billions of yen)

	Six Months Ended August 31, 2016		
	Amount	YOY	Change from the previous year
Group's total sales*	5,280.4	99.4%	(29.7)
Revenues from operations	2,866.1	95.7%	(128.8)
Operating income	181.4	105.2%	+9.0
Ordinary income	182.6	107.0%	+11.9
Net income attributable to owners of parent	33.4	39.6%	(51.0)

Exchange rate [income statements]: 111.70 yen, rise 8.60 yen YOY

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

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## Breakdown of Special Losses

(Billions of yen)

	Six Months Ended August 31, 2016		Breakdown of Special Losses
	Amount	YOY	
<b>Special losses</b>	88.0	+68.6	Increased mainly due to expansion of impairment losses, in addition to the recording of restructuring expenses and amortization of goodwill
Restructuring expenses	10.2	+9.5	SS: 9.1 bn yen IY: 0.9 bn yen
Impairment loss on property and equipment	35.3	+25.7	IY: 15.0 bn yen SS: 12.2 bn yen
Amortization of goodwill	33.4	+31.5	Impairment of goodwill related to the department store operations 33.4 bn yen
Loss on disposals of property and equipment	6.8	+1.2	Increase due to the introduction of the Seventh-Generation Integrated Information System at SEJ, etc.

## Operating Income by Business Segment

- Higher income in convenience store operations, superstore operations, and financial services.

(Billions of yen)

	Six Months Ended August 31, 2016		
	Amount	YOY	Change from previous year
Consolidated operating income	181.4	105.2%	+9.0
Convenience store operations	160.2	105.2%	+7.9
Superstore operations	8.1	705.2%	+7.0
Department store operations [before amortization of goodwill]	(1.8) [0.1]	- [8.1%]	(0.9) [(1.6)]
Food services	0.3	27.6%	(0.8)
Financial services	25.7	106.9%	+1.6
Mail order services	(5.3)	-	(0.6)
Others	1.6	85.3%	(0.2)
Eliminations / corporate	(7.5)	-	(4.9)

## Operating Income for Major Operating Companies

- Seven-Eleven Japan and 7-Eleven, Inc. achieved record-high operating income  
(Billions of yen)

	Six Months Ended August 31, 2016			
	Amount	YOY	Change from the previous year	Existing store sales increase
Seven-Eleven Japan	126.5	103.0%	+3.7	+1.6%
7-Eleven, Inc. [in dollar basis]	36.5 [\$ 327.5 mn]	109.8% [118.3%]	+3.2 [+\$ 50.5 mn]	+3.2%
Ito-Yokado	(3.4)	-	+5.6	(3.3)%
York-Benimaru (including Life Foods* <sup>1</sup> )	9.5	110.5%	+0.9	+1.3%* <sup>2</sup>
Sogo & Seibu	0.04	3.9%	(1.0)	(3.7)%

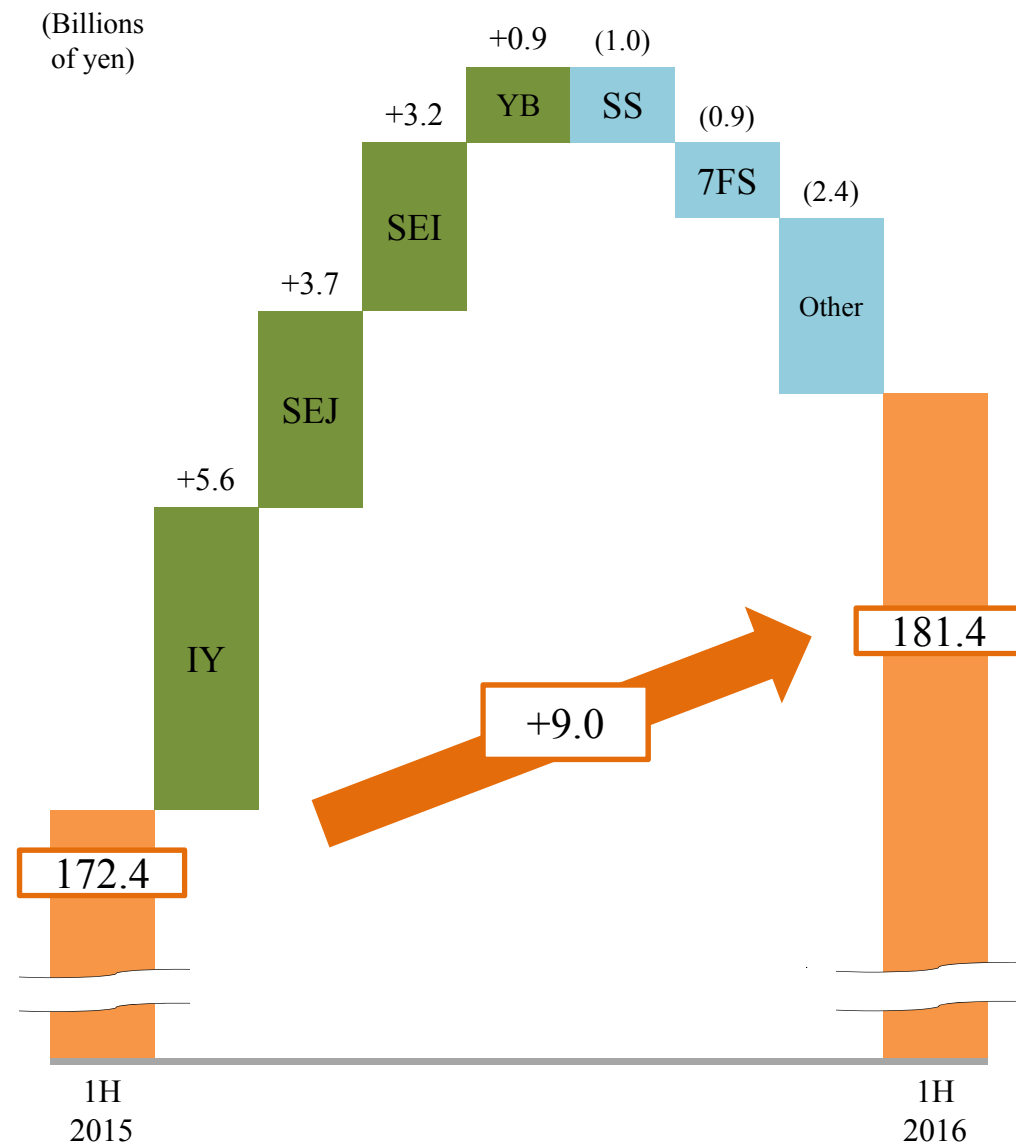
\*<sup>1</sup> Life Foods is a wholly owned subsidiary which produces and sells delicatessen in York-Benimaru stores.

\*<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.

# Major Factors on YOY changes of Consolidated Operating Income

● Reached new first-half records for a fourth consecutive year mainly due to the growth of IY, SEJ and SEI.



■ Major factors on YOY changes

(Billions of yen)

IY	+5.6	<ul style="list-style-type: none"> <li>▪ Restraint in advertising and decoration expenses</li> <li>▪ Improvements in food gross profit margin</li> </ul>
SEJ	+3.7	<ul style="list-style-type: none"> <li>▪ Growth in existing store sales</li> <li>▪ Improvements in merchandise gross profit margin</li> </ul>
SEI	+3.2	<ul style="list-style-type: none"> <li>▪ Growth in existing store sales</li> </ul>
YB	+0.9	<ul style="list-style-type: none"> <li>▪ Growth in existing store sales</li> <li>▪ Improvements in gross profit margin</li> </ul>
SS	(1.0)	<ul style="list-style-type: none"> <li>▪ Decreased sales of apparel</li> <li>▪ Deterioration of gross profit margin</li> </ul>
7FS	(0.9)	<ul style="list-style-type: none"> <li>▪ Decreased existing store sales</li> <li>▪ Deterioration of gross profit margin</li> </ul>



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

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## Consolidated Financial Results Forecasts

● Announced revised plans on September 30, 2016.

(Billions of yen)

	FY2017 Plan (Revised)			FY2017 Plan	
	Amount	YOY	Change from the previous year	Amount	YOY
Group's total sales*	10,500.0	98.1%	(203.0)	-	-
Revenues from operations	5,770.0	95.4%	(275.7)	6,137.0	101.5%
Operating income	353.0	100.2%	+0.6	379.0	107.6%
Net income attributable to owners of parent	80.0	49.7%	(80.9)	172.0	106.9%

Exchange rate [income statements]: changed from 115.00 yen to 106.00 yen, yen appreciation of 15.10 yen YOY

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

## Operating Income Forecasts by Business Segment

● Revised plans mainly for superstore and department store operations

(Billions of yen)

	FY2017 Plan (Revised)			FY2017 Plan	
	Amount	YOY	Change from the previous year	Amount	YOY
Consolidated operating income	353.0	100.2%	+0.6	379.0	107.6%
Convenience store operations	309.0	101.6%	+4.8	315.4	103.7%
Superstore operations	11.5	159.0%	+4.2	25.3	349.7%
Department store operations	4.0	104.4%	+0.1	8.2	214.0%
Food services	0.3	32.7%	(0.6)	2.1	229.0%
Financial services	52.0	104.6%	+2.3	51.4	103.4%
Mail order services	(10.5)	-	(2.0)	(10.5)	-
Others	5.0	89.9%	(0.5)	4.6	82.7%
Eliminations / corporate	(18.3)	-	(7.7)	(17.5)	-

## Operating Income Forecasts by Major Operating Companies

● Revised plans for all major operating companies except for York-Benimaru

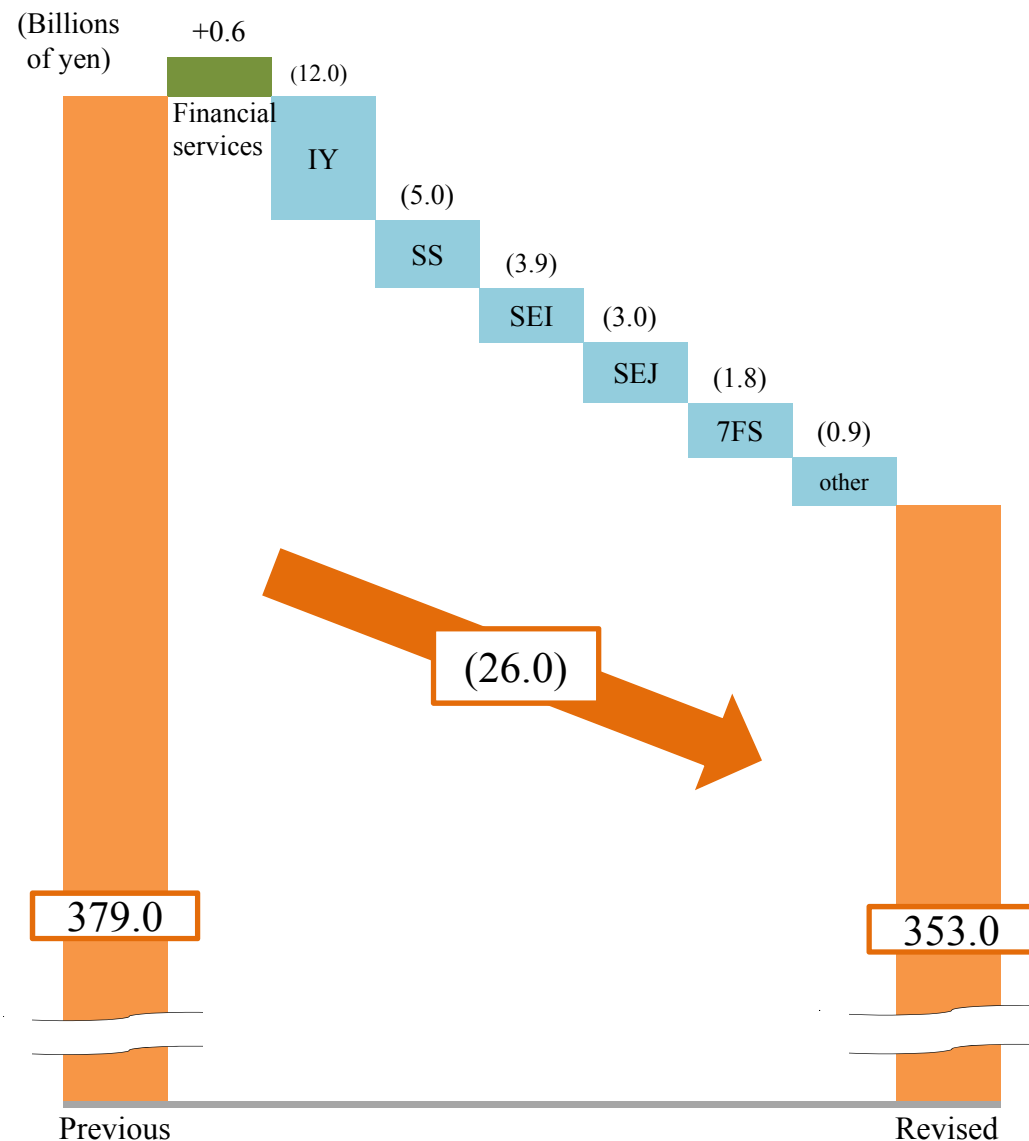
(Billions of yen)

	FY2017 Plan (Revised)			FY2017 Plan	
	Amount	YOY	Change from the previous year	Amount	YOY
Seven-Eleven Japan	242.0	103.0%	+6.9	245.0	104.2%
7-Eleven, Inc. [in dollar basis]	74.6 [\$703.7mn.]	96.3% [110.0%]	(2.8) [\$+63.9mn.]	78.5 [\$682.6mn.]	101.3% [106.7%]
Ito-Yokado	(11.0)	-	+2.9	1.0	-
York-Benimaru (including Life Foods*1)	18.6	104.8%	+0.8	18.6	104.8%
Sogo & Seibu	5.0	67.5%	(2.4)	10.0	134.9%

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

# Main Factors for Revision of Consolidated Operating Income Plan

● Revised the plan to 353.0 billion yen from 379.0 billion yen



■ Main factors for revision at operating companies  
(Billions of yen)

Financial	+0.6	▪ Strong performance in non-bank operations
IY	(12.0)	▪ Decrease in gross profit on sales due to the impact of sales price changes in apparel
SS	(5.0)	▪ Decrease in sales and gross profit margin due to decreased sales of apparel
SEI	(3.9)	▪ Downward pressure from the effect of a stronger yen
SEJ	(3.0)	▪ Revised the plan of existing store sales and gross profit margin reflected to 1H results
7FS	(1.8)	▪ Decreased existing store sales ▪ Deterioration of gross profit margin



# Appendix

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# Convenience Store Operations: Results (1)

## Seven-Eleven Japan

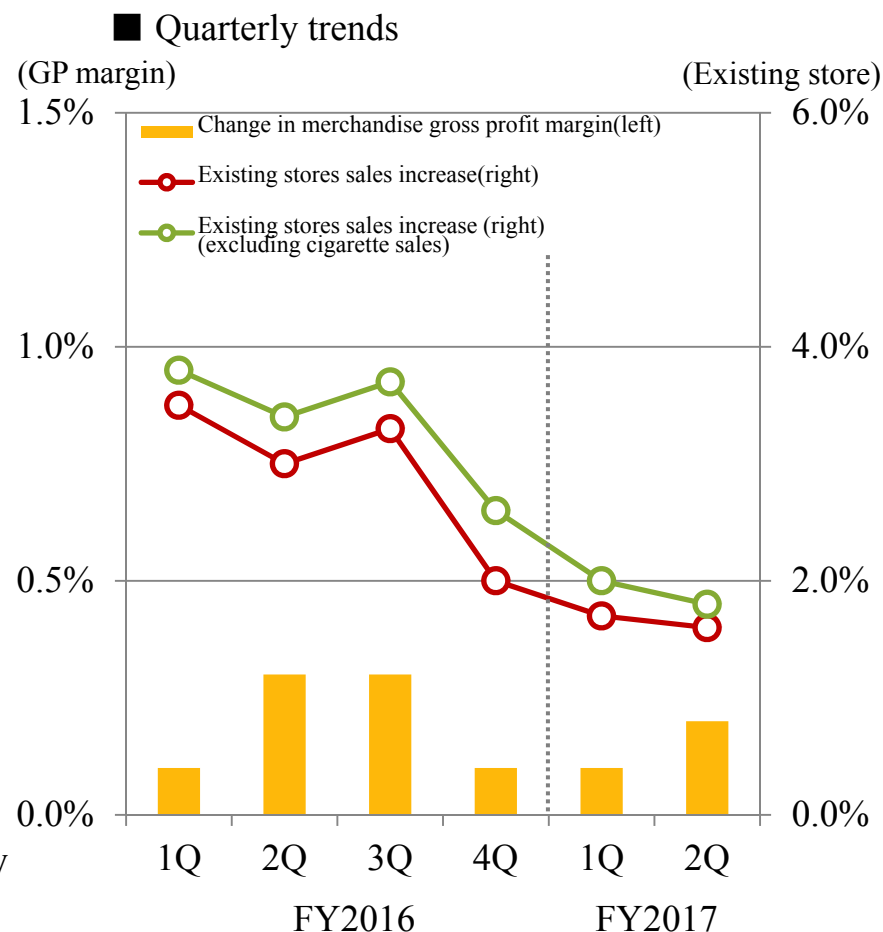


Record-high income for a sixth consecutive year resulted from increased existing store sales

	Results	YOY
Operating income	126.5 bn yen	103.0% +3.7bn yen
Existing store sales increase	+1.6%	
Merchandise gross profit margin	31.8%	+0.2%

### Overview

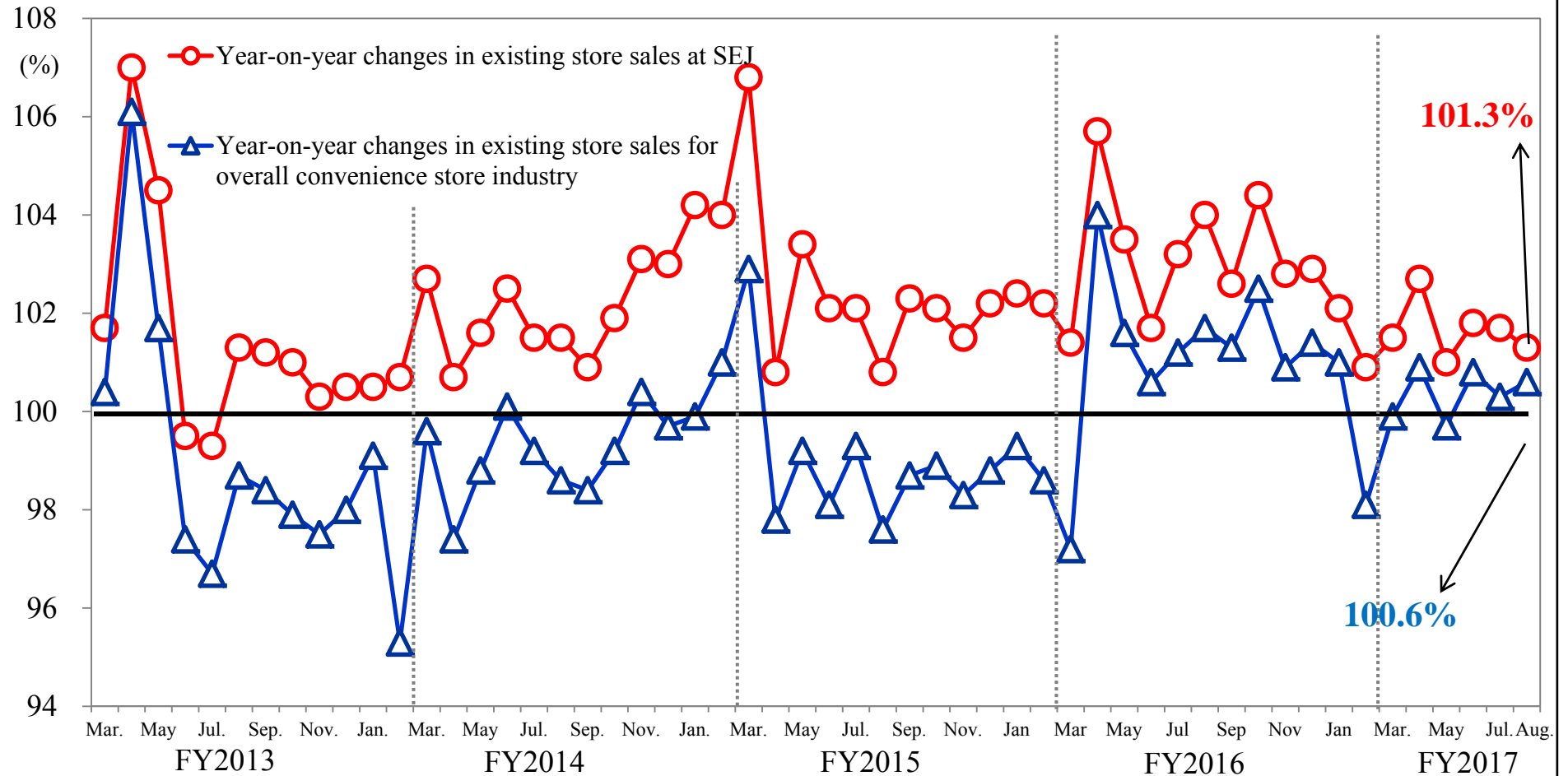
- Existing store sales: Increased sales due to further improvement of quality for standard products such as sandwiches and pastry
- Gross profit margin: Improved due to sales increase in fryer foods, etc. and effect of reduced sales composition of low gross profit margin cigarettes, among others
- Operating income: Achieved record-high operating income by driving growth in existing store sales and improving the gross profit margin, in addition to controlling growth in SG&A expenses



# SEJ: Trend in YOY Changes in Existing Store Sales

● Rising 49 consecutive months, despite the negative impact of weather.

■ Trend in YOY changes in existing store sales at SEJ

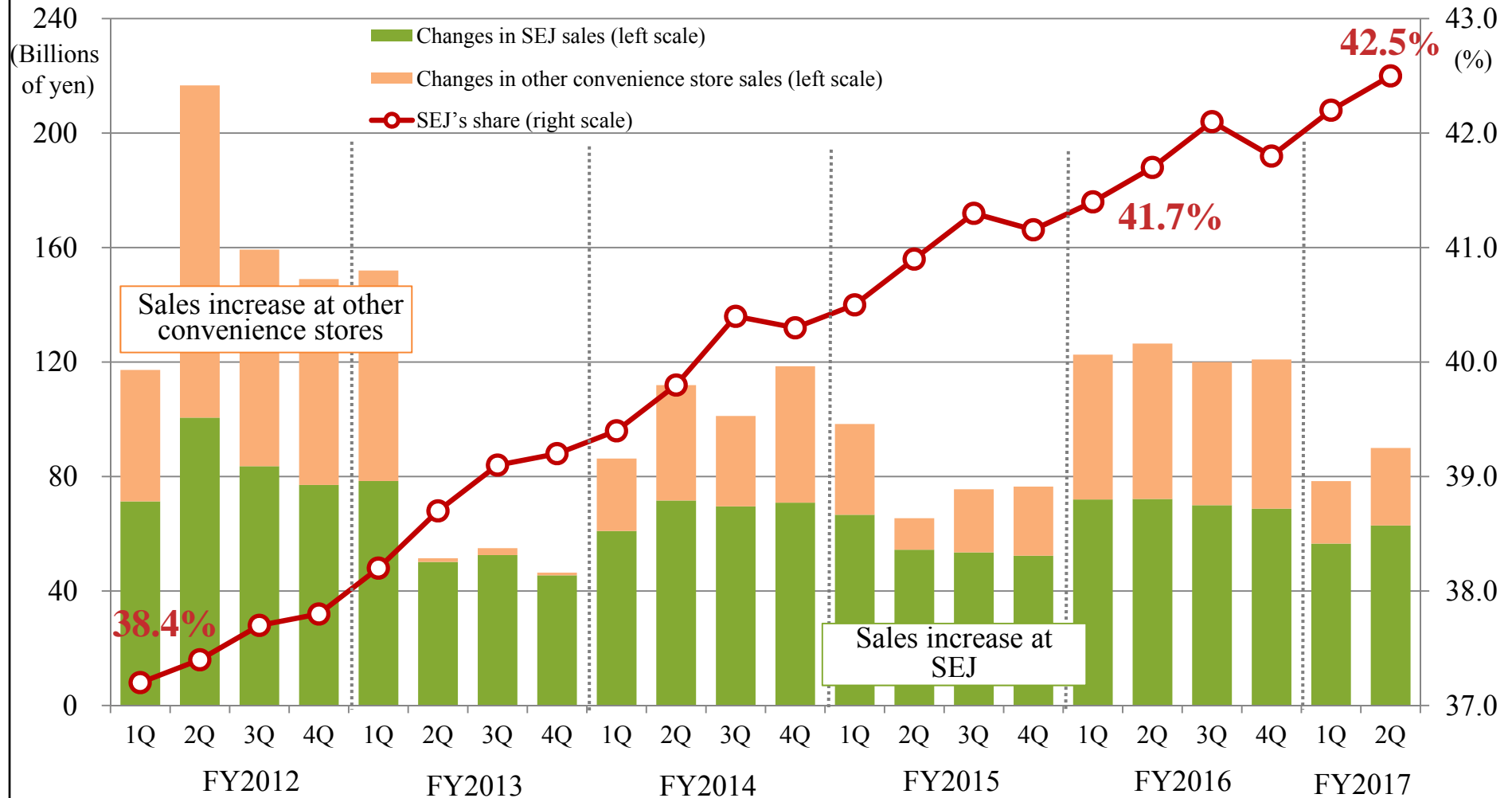


Note: February 2016 figures for existing store YOY change at overall convenience stores represent the YOY change in total sales [up 1.6%], including the impact of the leap year, converted to daily-sales basis.

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

● Record-high sales share expanded to **42.5%** resulted from increased existing store sales

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



Source: Japan Franchise Association monthly convenience store survey



# Convenience Store Operations: Results (2)

7-Eleven, Inc.

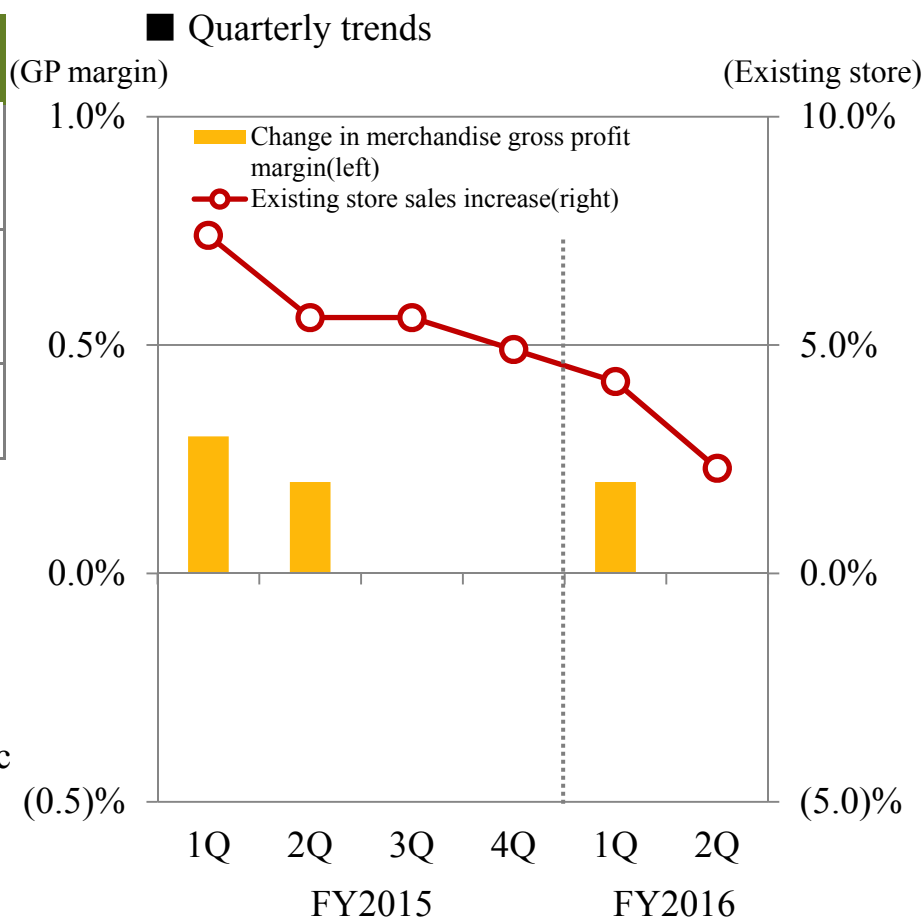


Growth in merchandise sales at existing stores driven by strong fresh foods sales resulted in record-high operating income

	Results	YOY
Operating income	36.5 bn yen	109.8% +3.2 bn yen
Existing store sales increase (U.S. merchandise sales in dollar basis)	+3.2%	
Merchandise gross profit margin	34.9%	± 0.0%

## Overview

- Existing store sales: Increased due to growth in fresh foods sales centered on hot foods
- Gross profit margin: Mostly unchanged year on year, mainly due to increased tobacco sales, despite improvement in terms of growth in sales of non-alcoholic beverages
- Operating income: Significant profit increase due to growth in existing product sales and improved gross profit, despite negative impact of the stronger yen [The effect of a stronger yen: (2.8) billion yen]



# Superstore Operations: Results (1)

Ito-Yokado



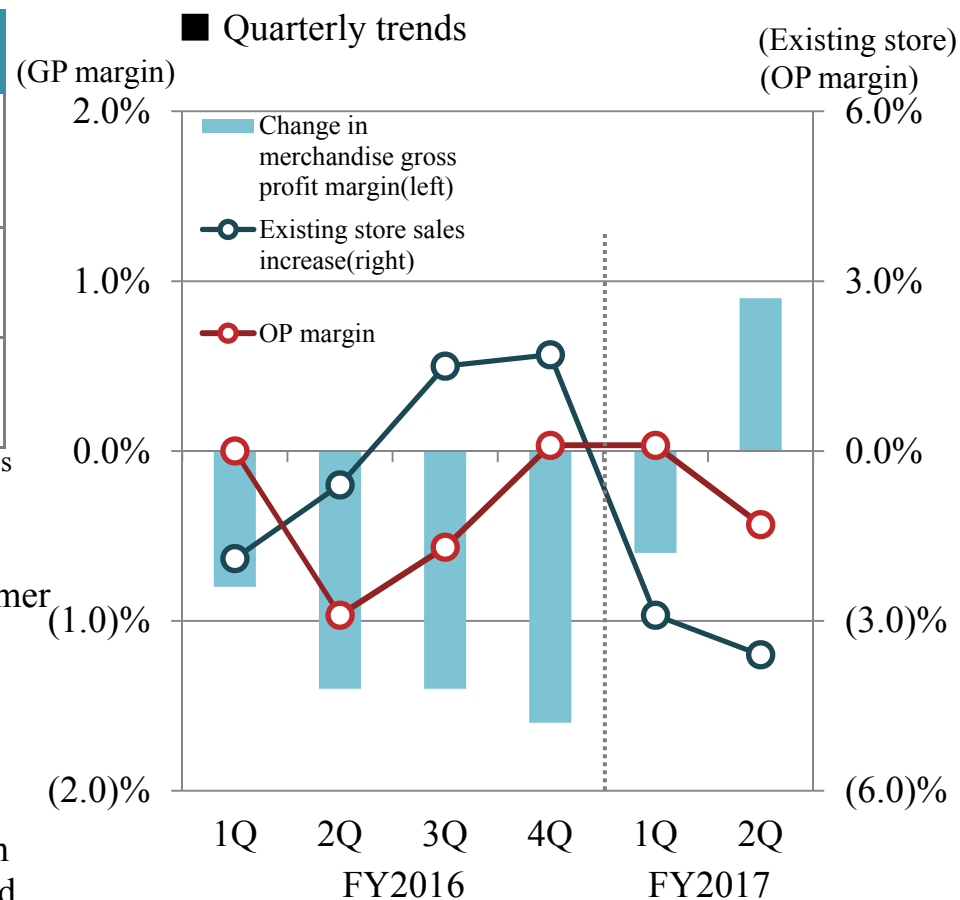
Higher income mainly due to optimization of advertising and decoration expenses despite the decrease in existing store sales.

	Results	YOY
Operating income	(3.4) bn yen	+5.6 bn yen
Existing store sales increase	(3.3)%	[(2.9)%]*
Merchandise gross profit margin	28.9%	+0.1%

\*Existing store sales increase of total shopping centers sales

## Overview

- Existing store sales: Decrease caused by impact on customer numbers from a review of sales promotion measures including advertising and discounts
- Gross profit margin: Increased, mainly due to control of discount losses and improvement in fresh food and other areas
- Operating income: Controlling advertising and decoration expenses [(7.3)bn yen], improving gross profit margin and other measures covered a decline in existing store sales, resulting in higher operating income



## Superstore Operations: IY's Revised Operating Income Plan

	FY2017 Plan		Major factors behind changes to operating income
	Initial	Revised	
S a l e s	+1.4%	(2.0)%	<u>(8.3) bn yen</u> [Initial: +2.0 bn yen→Revised: (6.3) bn yen] Increase in discount sales in connection with the disposal of inventory, etc.
Gross profit margin	+0.6%	(0.6)%	<u>(12.0) bn yen</u> [Initial: +6.0 bn yen→Revised: (6.0) bn yen] Termination of brands, disposal of products to be sold off by the current fiscal year-end
S G & A expenses	+1.9% decrease	+4.4% decrease	<u>+8.3 bn yen</u> [Initial: +6.4 bn yen→Revised: +14.7 bn yen] Mainly based on a reduction in advertising and decoration expenses
Operating income plan [Change]	1.0 bn yen [+14.9 bn yen]	(11.0) bn yen [+2.9 bn yen]	Added <u>(12.0) bn yen</u> to the plan mainly based on the disposal of inventory in connection with the promotion of business restructuring

## Superstore Operation: Organization from the second half and pursuit of profit controls

Measures implemented in the first half	Decided to reduce apparel inventory in the second half (revised full-year plan)
	Decided to book an impairment loss on fixed assets related to stores

Positive signs: Food products gross profit margin as a result of reducing losses was +0.4%; the business administration of department-level controls also benefited

Established a General Operations Groups	Pursues earnings by strengthening coordination between the Sales Department and the Merchandising Department
	Newly established operation support functions
	Shares information between stores and head office in both directions, close gaps between stores
	Supports decisions on product lineups and volumes

Shifted to a department-level business administration framework setting KPIs such as sales per sqm, gross profit margin, expense ratio and loss ratio

# Superstore Operations: Results (2)

## York-Benimaru

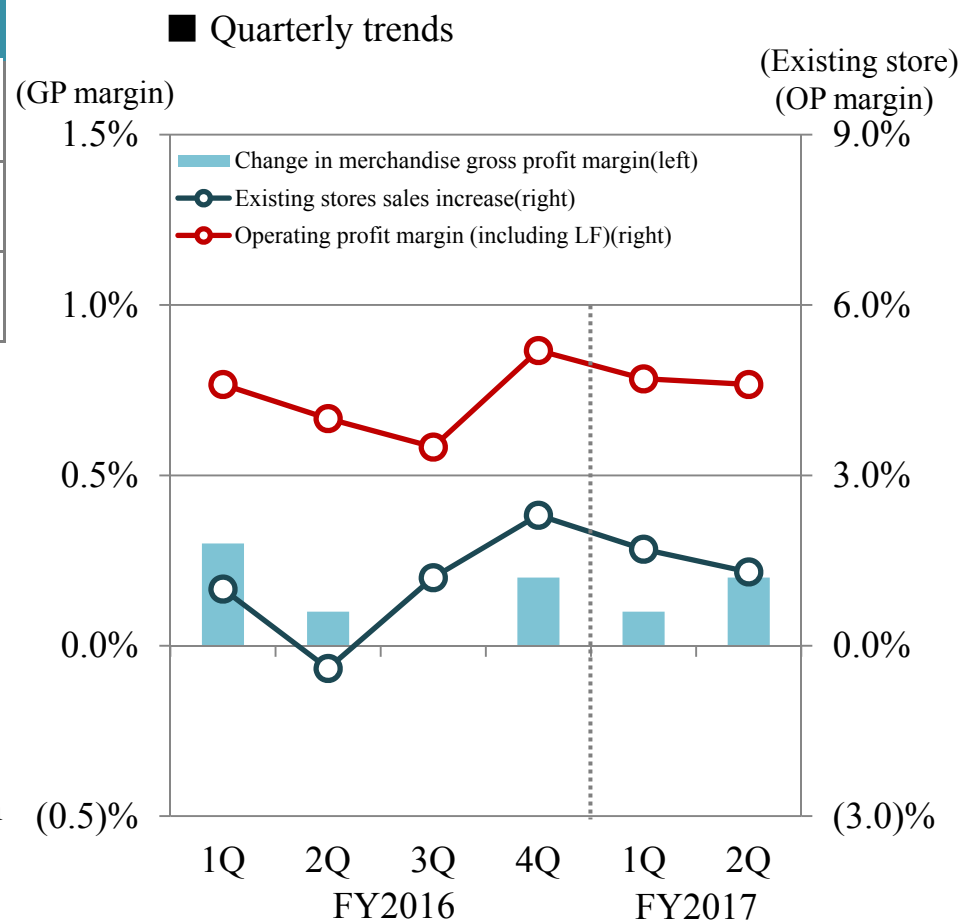


Higher income as increases in existing store sales and gross profit margin absorbed growth in expenses following the increase in stores, etc.

	Results	YOY
Operating income	7.0 bn yen	113.7% +0.8 bn yen
Existing store sales increase	+1.3%	
Merchandise gross profit margin	25.7%	+0.2%
Operating income (including Life Foods)*	9.5bn yen	110.5% +0.9 bn yen

### Overview

- Existing store sales: Food, apparel and household goods divisions posted higher sales year on year. Strong sales of food continued to drive the entire company
- Gross profit margin :Increased due to brisk sales of foods
- Operating income: Higher income due to the increase in existing store sales and improvement in the gross profit margin



\*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

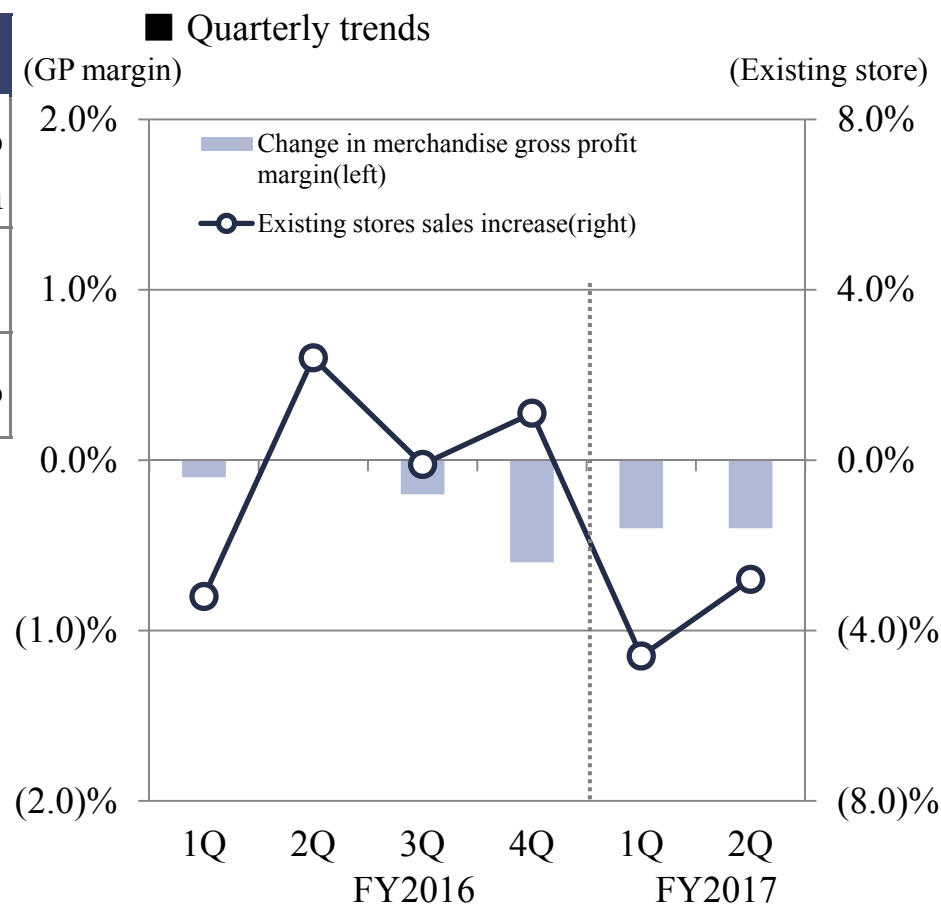


Lower income reflected struggling sales of apparel products centered on women's apparel

	Results	YOY
Operating income	43 mn yen	3.9% (1.0) bn yen
Existing store sales increase	(3.7)%	
Merchandise gross profit margin	24.2%	(0.4)%

### Overview

- Existing store sales: Decreased mainly due to soft sales centered on apparel products such as women's apparel
- Gross profit margin: Declined mainly due to decrease in sales of apparel products with a high sales composition ratio and gross profit margin
- Operating income: Decreased mainly as controls on SG&A expenses were unable to cover the drop in sales centered on apparel products

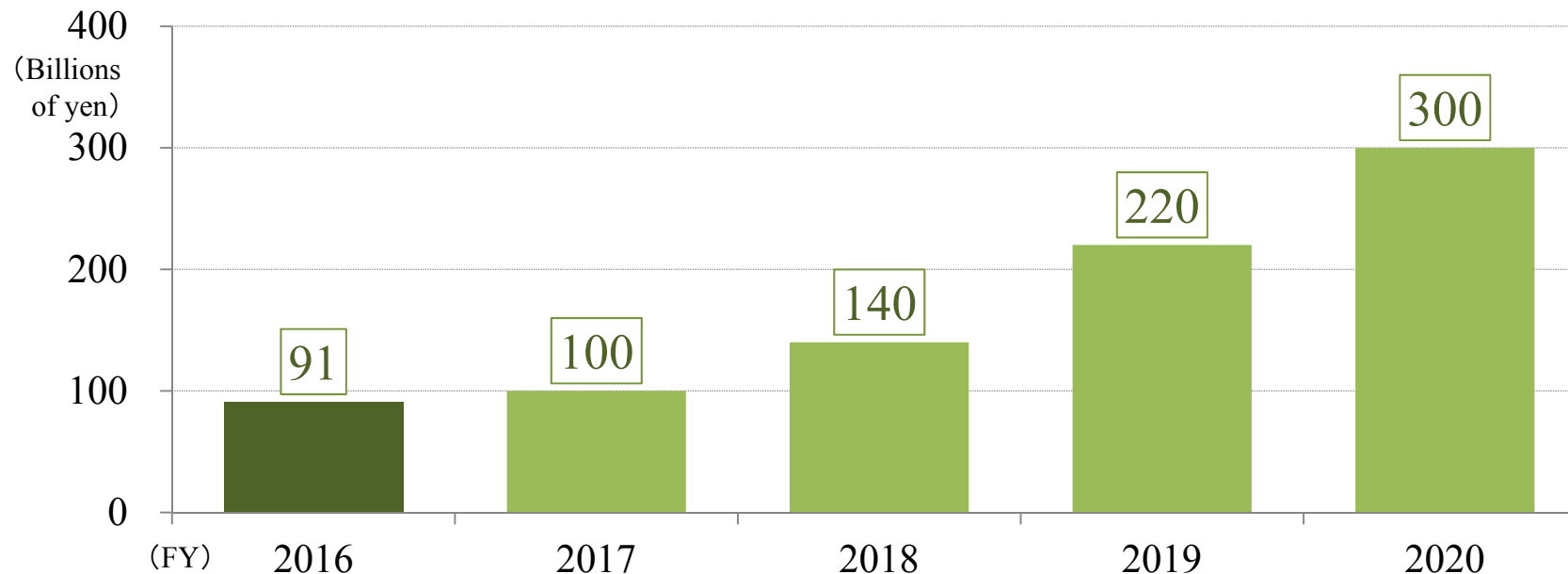


## Department Store Operations: SS's Revised Operating Income Plan

	FY2017 Plan		Major factors behind changes to operating income
	Initial	Revised	
S a l e s	(1.1)%	(5.4)%	<u>(6.7) bn yen</u> [Initial: (1.7) bn yen→Revised: (8.4) bn yen] Sluggish sales of apparel products centered on women's apparel
Gross profit margin	+0.2%	(0.2)%	<u>(2.2) bn yen</u> [Initial: +1.1 bn yen→Revised: (1.1) bn yen] Sluggish sales of apparel with a high gross profit margin, etc.
S G & A expenses	+2.9% decrease	+5.6% decrease	<u>+4.0 bn yen</u> [Initial: +3.1 bn yen→Revised: +7.1 bn yen] Mainly based on reductions in advertising and decoration expenses and personnel expenses
Operating income plan [Change]	10.0 bn yen [+2.5 bn yen]	5.0 bn yen [(2.4) bn yen]	Added <u>(5.0) bn yen</u> to the forecast based on sluggish sales of apparel and deterioration in the gross profit margin

# Omni-Channel Strategy : Aiming 300 bn yen of Omni-Channel sales in FY2020

## ● Result and plan of Omni-Channel sales



## ● Definition of Omni-Channel sales: sales through “omni7” website

Previously	Future
<ul style="list-style-type: none"> <li>▪ Five mail-order sales companies (7NS, IY, SS, LOFT, AH)</li> <li>▪ Two delivery companies (IY’s <i>Net Supermarket</i>, SMS)</li> <li>▪ Nissen Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Six mail-order sales companies (7NS, IY, SS, LOFT, AH, 7CN)</li> <li>▪ Two delivery companies (IY’s <i>Net Supermarket</i>, SMS, 7FS)</li> </ul>

※Figures for FY2016 represent results re-calculated by using future definition

※7NS: Seven Net Shopping, AH: Akachan Honpo, SMS: Seven-Meal Service, 7CN: Seven Culture Network

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