



Consolidated Financial Results Presentation for the Second Quarter of FY2018

October 13, 2017

Seven & i Holdings Co., Ltd.

Environmental changes surrounding retail business (Change is happening at unprecedented speed)



◆ Emergence of EC/IT Companies

- Amazon
Whole Foods Market Acquisition
- Google
Collaboration with Wal-Mart Stores
- Apple
- Facebook
- Alibaba

◆ Reasons for changes in retail business

- Declining population, Fewer children, Aging population
- Decrease in the number of people per household
- More working women
- Retailers close up stores, Hollowing out community life
- Labor shortage, Human resources shortage
- Sharing economy
- Climate change, Destruction of nature
- Geopolitical risk, Protectionism

Retail Business



◆ Diversity of Payments

- Mobile payment
- Virtual currency
- Electronic money

◆ Reasons for changes in Japan and overseas

- Intensifying shake-out of winners and losers
(withdrawal of existing apparel retailers, etc.)
- Shift to eating out
- Changes in products carried by drugstores
(growth in sales of food & alcoholic beverages)

Flexibly address changes in the environment while implementing PDCA cycles accordingly, in tandem with leveraging the Group's strengths and resources (product development capabilities, high share of foods market, 20,900 real stores in Japan, customer interfaces serving 22 million customers per day, etc.)

Factors Essential to the Sustainable Growth of the Real Retail Business



Human resources development

- Strengthen customer interfaces by enhancing customer service
 - Upgrade and expand training programs
 - Develop a work environment (investment in productivity enhancement, etc.)

Sales area reforms

- Develop sales areas that encourage customers to visit stores often and make purchases
 - Thoroughly analyze current issues
 - Produce proposal-oriented sales areas (freshness, volume, live feel, atmosphere, promotions)

Rigorous enhancement of merchandising and service quality

- Continuously propose and enhance the quality of new merchandising and services
 - Enhance the quality of the four main fresh food products (fresh meat, fruit & vegetable, seafood, delicatessen)
 - Offer both high quality and attractive price (affordability)

FY2018 1H Summary

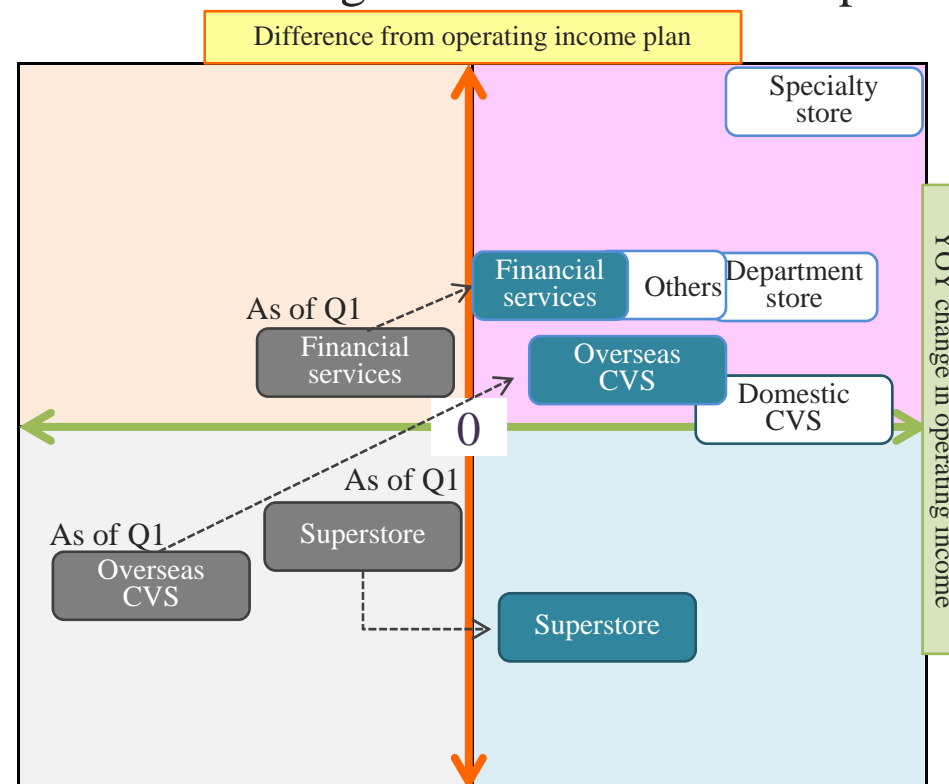


Achieved operating income budget despite adverse weather conditions in the summer
(Achieved 1H budget for the first time in six years, since the six months ended August 2011)

◆FY2018 1H Summary

| | Results | YOY | YOY Change | Budget achieved |
|---|-------------|--------|------------|-----------------|
| Group's total sales | ¥5,499.5 bn | 104.1% | +¥219.0 bn | Not Achieved |
| Revenues from operations | ¥2,987.1 bn | 104.2% | +¥121.0 bn | Not Achieved |
| Operating income | ¥194.4 bn | 107.2% | +¥13.0 bn | Achieved |
| Net income attributable to owners of parent | ¥89.4 bn | 267.1% | +¥55.9 bn | Not Achieved |

◆Operating income – YOY change and difference from plan



Seven-Eleven Japan SEJ



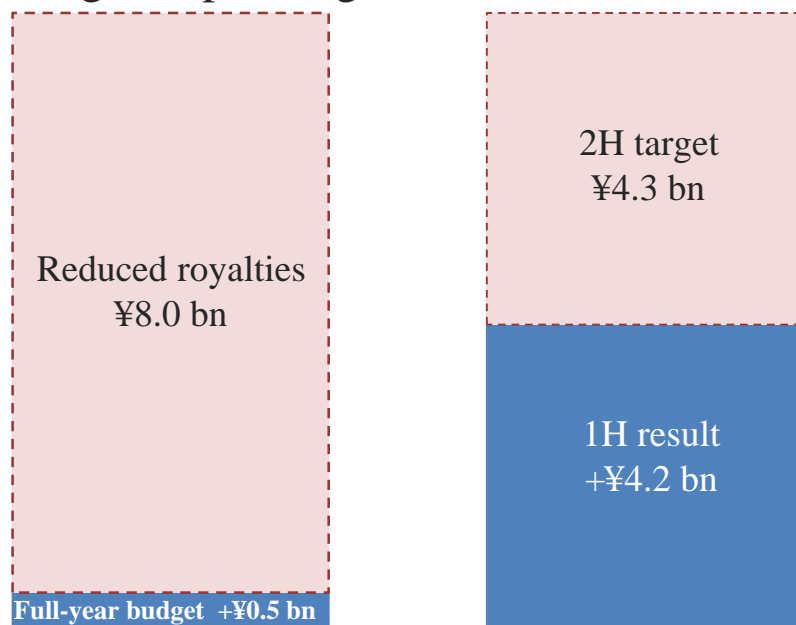
7-ELEVEN



| Operating income | | Existing store sales increase | GPM | SG & A expenses | | Advertising expenses | |
|------------------|----------------|-------------------------------|-------------------|-----------------|----------------|----------------------|----------------|
| Amount | YOY Difference | | Result Difference | Amount | YOY Difference | Amount | YOY Difference |
| ¥130.7 bn | 103.3% | +1.0% | 31.9% | ¥268.0 bn | 104.4% | ¥32.9 bn | 90.2% |
| | +¥4.2 bn | | +0.1% | | +¥11.2 | | ¥(3.5) bn |

Increased ¥4.2 bn in 1H despite adverse weather conditions in the summer
 Progress on our effective operating income budget of ¥8.5 bn, the sum of the full-year operating income budget of ¥0.5 bn and the reduced royalties of ¥8.0 bn is in line with plan.

◆ Higher operating income result and 2H target



Full-year budget

1H result

Seek to capture a greater market share by continuing to strengthen growing need for take-home meals

- Strengthen merchandising mix initiatives
- Improve gross profit
- Revise sales promotions
- Expand sales by enhancing the quality of customer service
- Expand new layout

Maintain the growth of existing store sales without depending on sales promotions



◆ Trend in YOY growth rate for advertising expenses and existing store sales

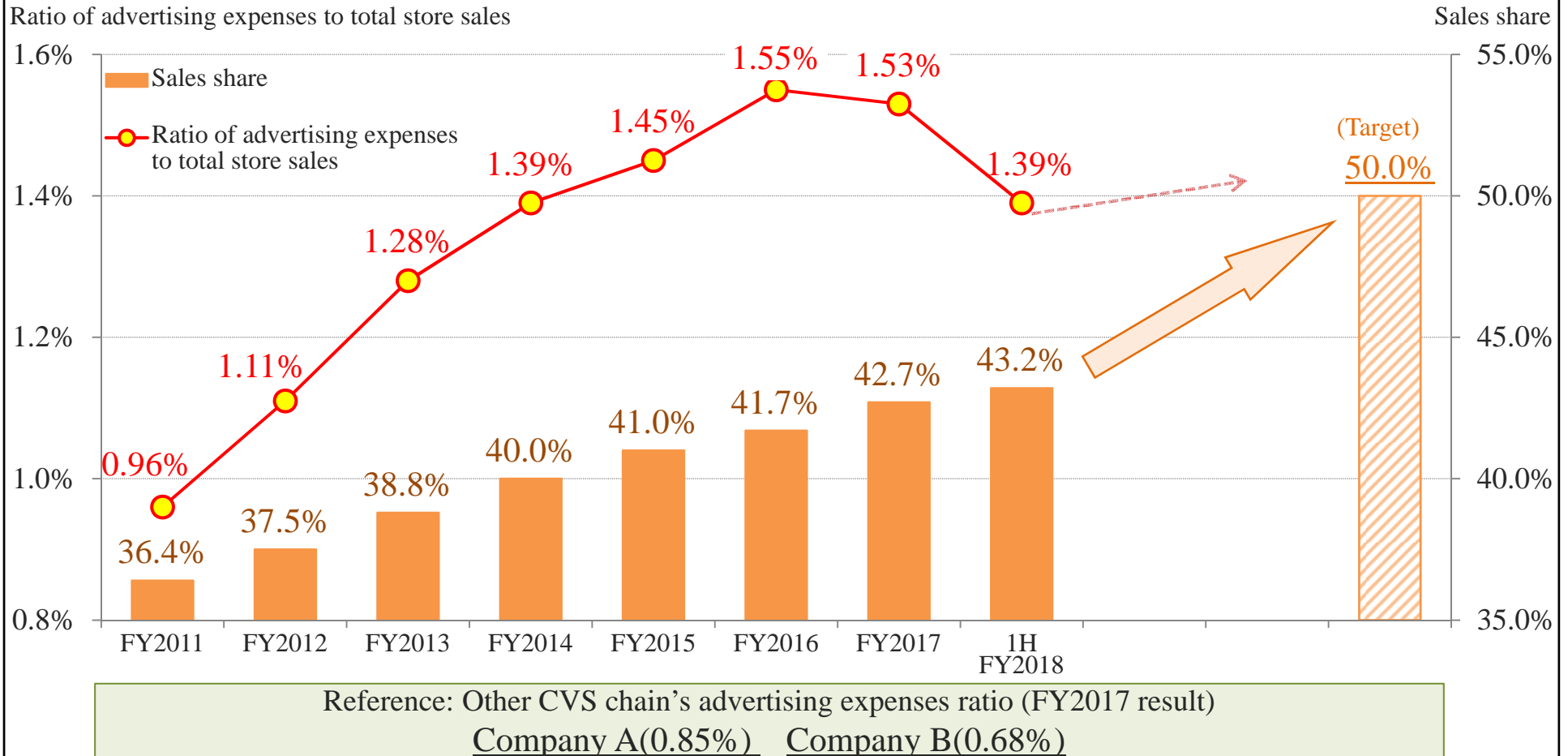


Maintain sales growth in tandem with cutting costs by revising how advertising expenses are spent.

Effectively spend advertising expenses



◆ Trend in advertising expenses ratio and sales share



Continue to effectively spend advertising expenses

⇒ Seek to capture a greater market share by closing the gap with customers through CRM strategy

Enhance Sales by Strengthening the Store Configuration and Enhancing the Quality of Customer Service



Enhance the quality of customer service ahead of expanding the new layout
 ⇒ Strengthen counter products

Began offering a 1% special discount on Seven-Eleven franchise royalty fees in Sep. 2017

Build a store configuration by actively implementing **“customer service training”**

Customer service training
 (*Training time: 6.5 hours; Cost ¥3,240 + hourly wage, etc.)
 ⇒ Shift leader development training for employees with at least 6 months of service. *No. of training participants as of Aug 31, 2017: 264,000

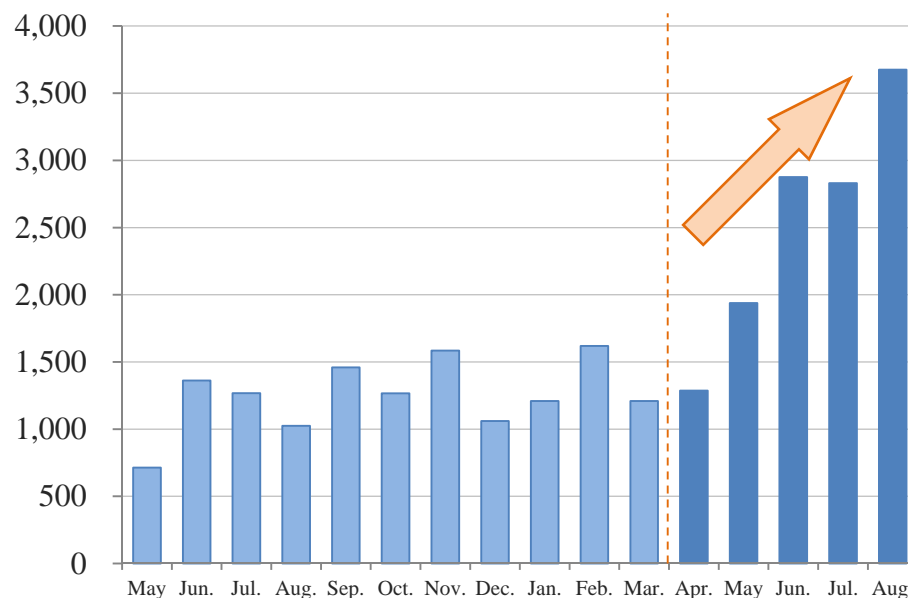


Increase the customer visits through improving customer service skills

Increase the retention rate through stronger motivation

◆ Monthly trend in participants in customer service training

Number of participants



- Participants rose sharply after the announcement of the reduced royalties in April
- 64.2% of stores participated (Dec. 2015- Aug. 2017)
- Total number of participants 33,090 (Dec. 2015 - Aug. 2017)

Strengthen sales of counter products* with high gross profit margin
 (Result August : 105.8% YOY)

*Counter products sales result of Aug. : Fryer items, *oden* (Japanese stew) and *SEVEN CAFÉ*

Progress on Key Measures



| | Stores introduced measures (as of the end of Aug.) | Effects |
|---|---|---|
| Installation of new café latte machines | 13,000 | Positive impact of boosting <i>SEVEN CAFÉ</i> sales by approx. 15% |
| Installation of dishwasher | 6,500 | Improved labor productivity Higher sales of counter products |
| Introduction of new layout (existing stores) | 150 | Currently under review *Higher sales centered on counter products, fast food and frozen foods Take steps to upgrade further while continuing to review the benefits |
| RFID trials | 6 | Currently under review *Commenced trials on August 30 |
| Special discount on franchise royalty fees | Implemented since September, 2017 | Expect to increase sales through investments in the in-store environment and enhanced product lineups |

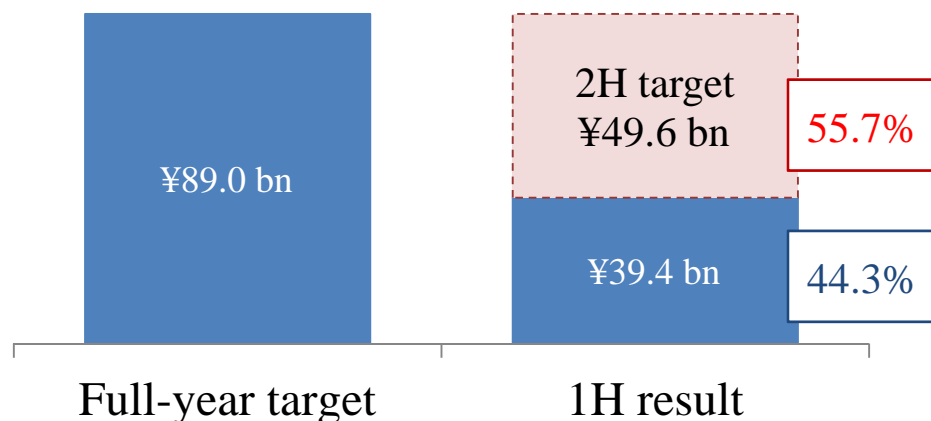
Make adjustments in conjunction with executing PDCA cycles targeting further benefits from each measure

7-Eleven, Inc.
SEI

| Operating income | | Existing store sales increase | GPM | SG & A expenses | |
|--------------------------|--------------------------|-------------------------------|-------------------|---------------------------|------------------------|
| Amount | YOY Difference | | Result Difference | Amount | YOY Difference |
| ¥39.4 bn [\$350.8 mn] | 107.8% (107.1%) | +1.5% | 34.4% | ¥195.2 bn [\$1,737 mn] | 105.0% [104.4%] |
| | +¥2.8 bn [+\$23.3 mn] | | (0.5)% | | +¥9.2 bn [+\$72 mn] |

1H budget were achieved by realizing significant earnings growth in 2Q, despite lower earnings in 1Q due to the negative impact of weather, etc.

◆ Operating income result and 2H target

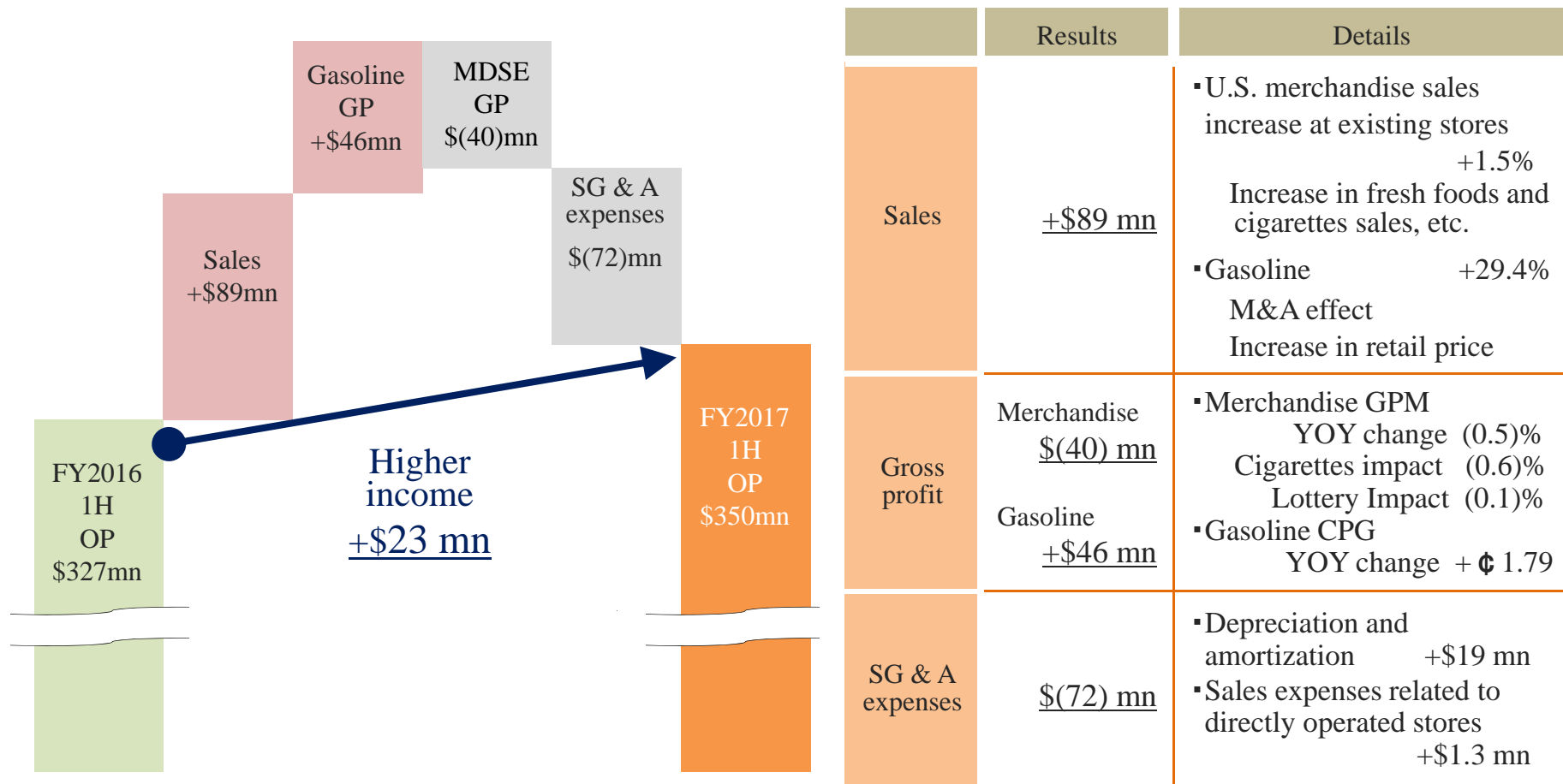


◆ 2H operating income and composition for the past 3 years

| | Full-year | 2H | Composition ratio |
|---------|-----------|----------|-------------------|
| FY 2014 | ¥59.6 bn | ¥35.6 bn | 59.8% |
| FY 2015 | ¥77.4 bn | ¥44.1 bn | 57.0% |
| FY 2016 | ¥76.6 bn | ¥40.0 bn | 52.3% |

Steady progress toward achieving full-year operating income budget

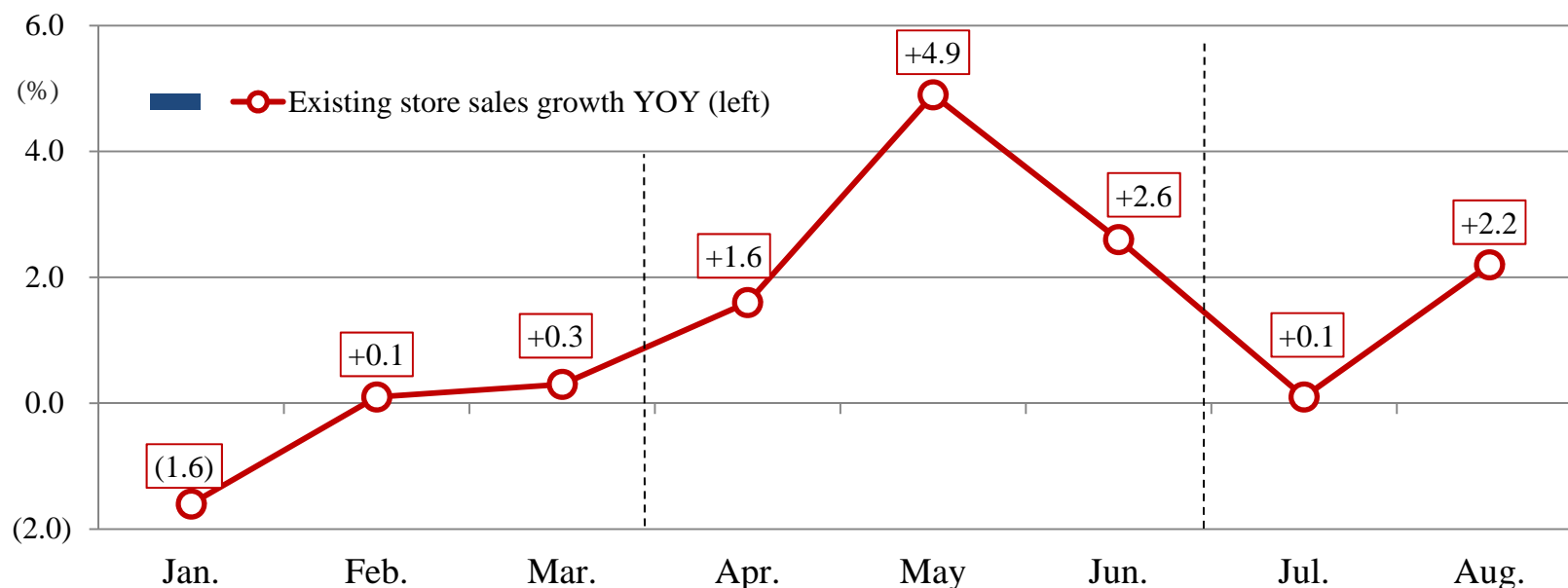
Factors in YOY Change of Operating Income



Achieved higher income as growth in primarily gasoline sales and its gross profit absorbed decline in merchandise gross profit and increase in SG & A expenses.

| | | |
|--------------------------|-----------------------------------|--------------------------------------|
| M & A results for FY2016 | Jul. 2016: CST Brands (79 stores) | Sep. 2016: Imperial Oil (148 stores) |
|--------------------------|-----------------------------------|--------------------------------------|

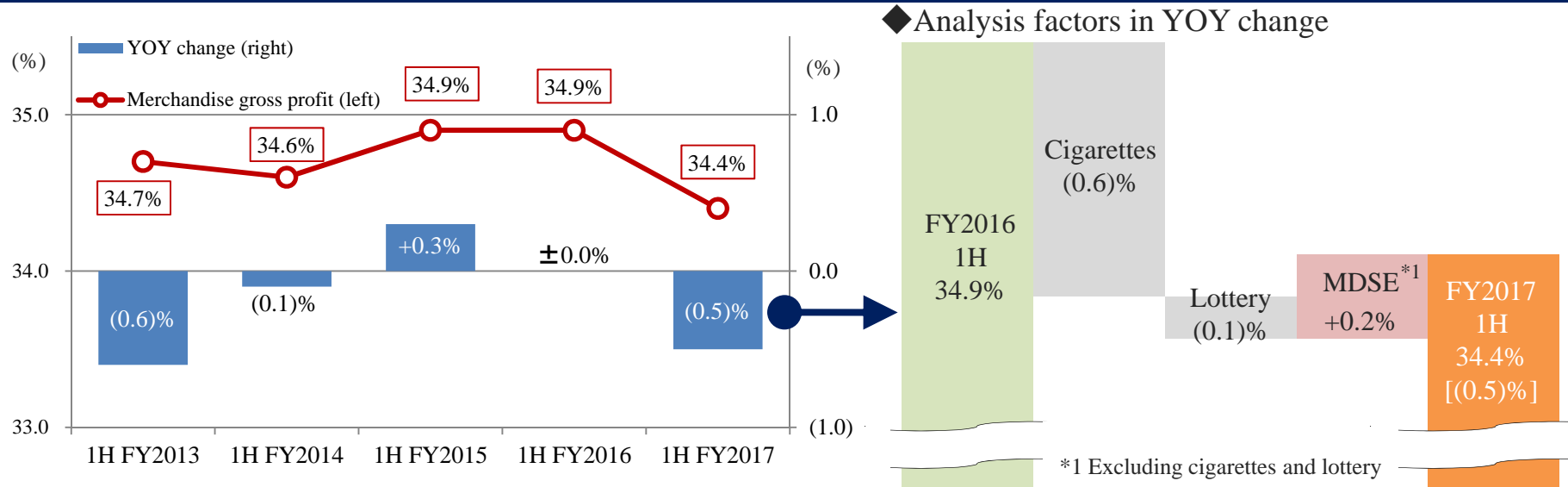
Trends in YOY Existing Store Sales Growth and Operating Income



| | 1Q | 2Q | 1H |
|------------|-----------|----------|----------|
| OP | ¥10.0 bn | ¥29.3 bn | ¥39.4 bn |
| YOY Change | ¥(2.1) bn | +¥4.9 bn | +¥2.8 bn |

| | |
|----|--|
| 1Q | Operating income declined , reflecting the impact of a decrease in existing store sales, due mainly to inclement weather and special factors |
| 2Q | Operating income rose significantly due to stable weather conditions and solid existing store sales |
| 3Q | Operating income has been trending favorably, despite the impact of hurricanes and other factors. |

Trend in Merchandise Gross Profit Margin and factors in YOY change



Gross profit margin is steadily improving, excluding the impacts of the drop-off from lottery in previous year*2 and cigarettes (1H +0.2%)

*2 Lottery commission from the biggest jack pot in North American history in January 2016

Comparison of competitive cigarettes pricing

(1) California
(\$2.00 tax hike per package from April 2017)

| (\$) | 7-11 | Company A | Company B |
|------------|--------------|-----------|-----------|
| January | 6.74 | 6.45 | 6.15 |
| April | 8.49 | 8.79 | 8.24 |
| Difference | +1.75 | +2.34 | +2.09 |

(2) Florida

| (\$) | 7-11 | Company C | Company D |
|------------|---------------|-----------|-----------|
| January | 6.36 | 5.86 | 5.86 |
| April | 5.95 | 5.93 | 5.93 |
| Difference | (0.41) | +0.07 | +0.07 |

Set competitive prices based on confirmation of competitors' prices

Steps to improve Gross Profit Margin



(1) Develop and expand sales of fast food

⇒Decided to acquire additional shares of Prime Deli Corporation by Warabeya Nichiyo's subsidiary *Announced October 5, 2016

Develop differentiated merchandising by making use of technology and expertise

| (%) | Current | Oct. 2017 | Jan. 2019 |
|-----------|---------|------------|-------------|
| Ownership | 19.3% | 90% (plan) | 100% (plan) |

(2) Develop and expand sales of PB products

FY2018 recommendation plan for PB products

| (Items) | 1H result | 2H plan | Full-year |
|--------------------------|-----------|---------|-----------|
| New | 197 | 275 | 472 |
| Change in specifications | 33 | 27 | 60 |



Recommend of 1,230 items planned by the current fiscal year-end

(3) Leverage economies of scale

⇒Negotiate terms and conditions for costs and sponsorship of promotions

Acquisition of Part of the Business of Sunoco LP



Overview

(as of Apr. 2017)

Acquisition price : \$ 3,305.6 mn

Number of stores acquired : Gasoline stands and CVS stores 1,108 stores

Acquisition date : August 2017 (plan)

Reasons for delay

Associated with the approval process of the Federal Trade Commission

Impact of hurricanes (Harvey and Irma)

Schedule

Acquisition date : Completion scheduled by the end of 2017
(announced on October 12, 2017)

Scheduled to announce medium-term plan, not just an overview of business dealings, after the handover

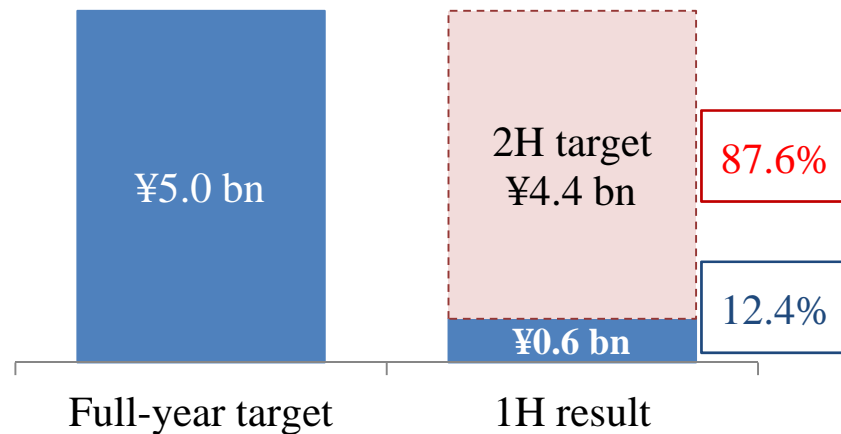
Sogo & Seibu
SS



| Operating income | | Existing store sales increase | GPM | SG & A expenses | |
|------------------|----------------|-------------------------------|-------------------|-----------------|----------------|
| Amount | YOY Difference | | Result Difference | Amount | YOY Difference |
| ¥0.62 bn | - | (0.1)% | 24.0% | ¥74.4 bn | 91.3% |
| | +¥0.58 bn | | (0.2)% | | ¥(7.1) bn |

Existing store sales surpassed budget, even while curtailing advertising and decoration expense, leading to the achievement of the operating income budget.

◆ Operating income result and 2H target



◆ 2H operating income and composition for the past 3 years

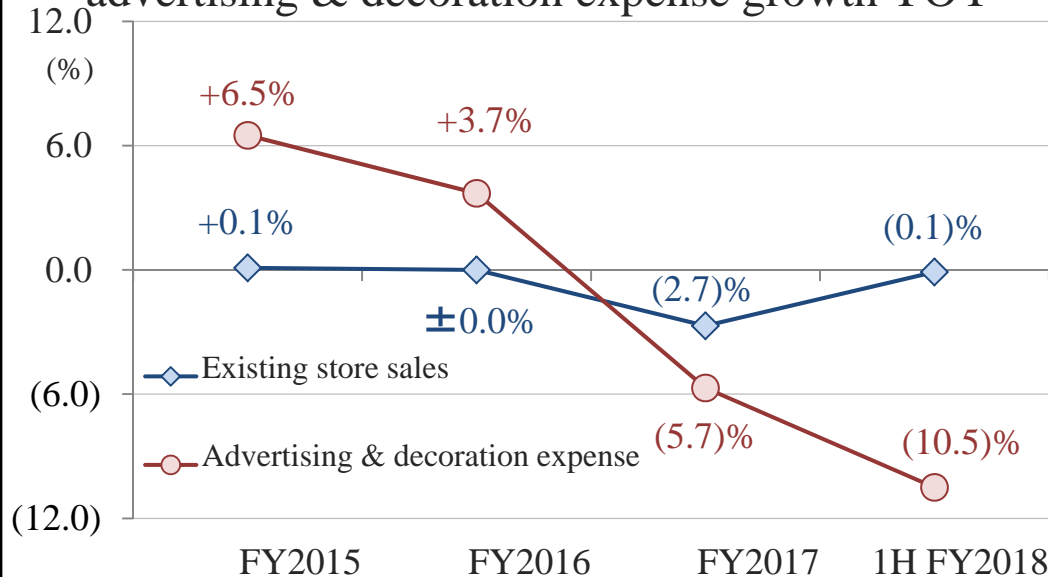
| | Full-year | 2H | Composition ratio |
|---------|-----------|---------|-------------------|
| FY 2014 | ¥10.2 bn | ¥8.4 bn | 83.0% |
| FY 2015 | ¥7.4 bn | ¥6.2 bn | 85.0% |
| FY 2016 | ¥4.3 bn | ¥4.2 bn | 99.0% |

Steady progress toward achieving full-year operating income budget

Operation Structural Reforms



◆ Trends in existing store sales growth YOY and advertising & decoration expense growth YOY



Reexamine need for customer attraction and sales expansion strategies to rely on point sales

Reduction of *Plus Point Fair* (1H)
 FY2017: 96 days ⇒ FY2018: 45 days (reduced 51days YOY)
 Existing store sales surpassed budget, even while curtailing advertising and decoration expense

◆ Improvement in sales through editing and proposal capabilities (example of SEIBU Ikebukuro)



77th anniversary “IKESEI Happy 7DAYS”

Period From July 7 to 13, 2017

Campaign details Propose new ways of enjoying the summer, in addition to new value propositions, during the summer sales season.

Continue working to strengthen customer pull and drive sales growth by conducting ambitious campaigns based on new perspectives centered in flagship stores in 2H

Overview of Business Structural Reforms



Store closures

- FY2017 : 4 stores
(Sogo Kashiwa, SEIBU Asahikawa, SEIBU Yao and SEIBU Tsukuba)

- FY2018 : 2 stores (SEIBU Funabashi and SEIBU Odawara)

- Compact stores : 10 stores

Store transfers

- October 2017 : Transfer of SOGO Kobe and SEIBU Takatsuki to H2O RETAILING CORPORATION

Headcount optimization

- Voluntary retirement : 368 (October 2016)

- Two Kansai stores : Transferred stores while protecting the jobs of employees

Allocate the funds freed up from structural reforms to investments in the growth of flagship stores in the Tokyo Metropolitan Area

Accomplishments at SEIBU Tokorozawa



Priority : Increase the number of customers

Capture new customers

Regain dormant customers

Encourage customers to visit more often

Know the customers : Become a regional leader store used daily by customers according to regional needs

Response: Expanded the food product sales area to a two-floor food section

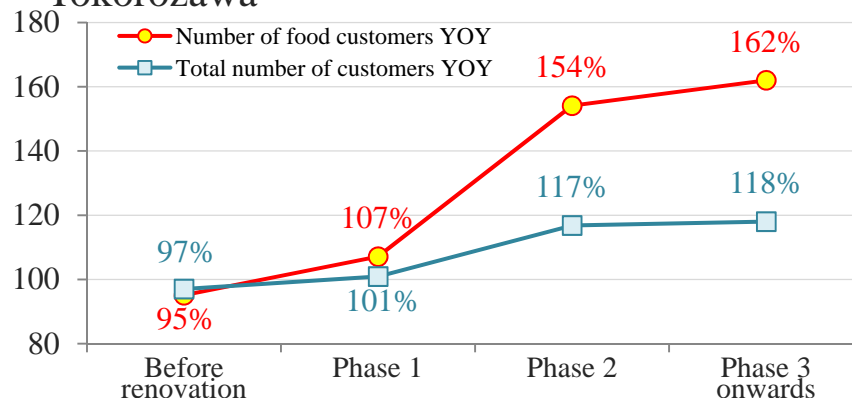
Opened branches of popular local eateries in food section

Addressed consumer preferences for the consumption of “experience”
(Provide a dining space and other amenities)

Expanded the customer base through merchandising strategy

Event focused
(Conduct food-tasting events at 15:00 daily)

◆ Trend in customer number YOY at SEIBU Tokorozawa



◆ Customer visits YOY by sales area (Phase 3)

| | | |
|-------------|----------------------------------|------|
| Store total | | 118% |
| 8F | Restaurant | 102% |
| 7F | Children | 103% |
| 5F - 7F | Men's clothing Interior goods | 99% |
| 2F - F4 | Women's merchandise | 131% |
| B1F and 1F | Food | 162% |

Guiding customers to upper floors is a pressing issue, despite signs of effects rippling out to women's merchandise

Continuous enhancements through PDCA cycles

Initiatives at Sogo Chiba

Changes in surrounding environment

Withdrawal of rival store (Mar. 2017)

Opening of Chiba terminal station building (Nov. 2016, Sep. 2017)



Solidify position as regional leader store

Address stronger needs for food & consumption of “experience”

Strengthen ability to attract customers mainly through renovation of annex

◆ Opened annex (September 15, 2017)

Changes in sales area composition

| | Previous | | New |
|---------------------|----------|-----|-----|
| Apparel | 68% | | 41% |
| Miscellaneous goods | 24% | | 35% |
| Food | 2% | 32% | 7% |
| Cosmetics | 2% | | 5% |
| Services | 4% | | 12% |
| | | | 59% |

60 stores, including 17 stores new opening for first time in Chiba

A specialist bookstore with an adjoining mini-theater and gallery

Open restaurants and cafes on each floor (7 stores)

Beauty salon exclusively for women

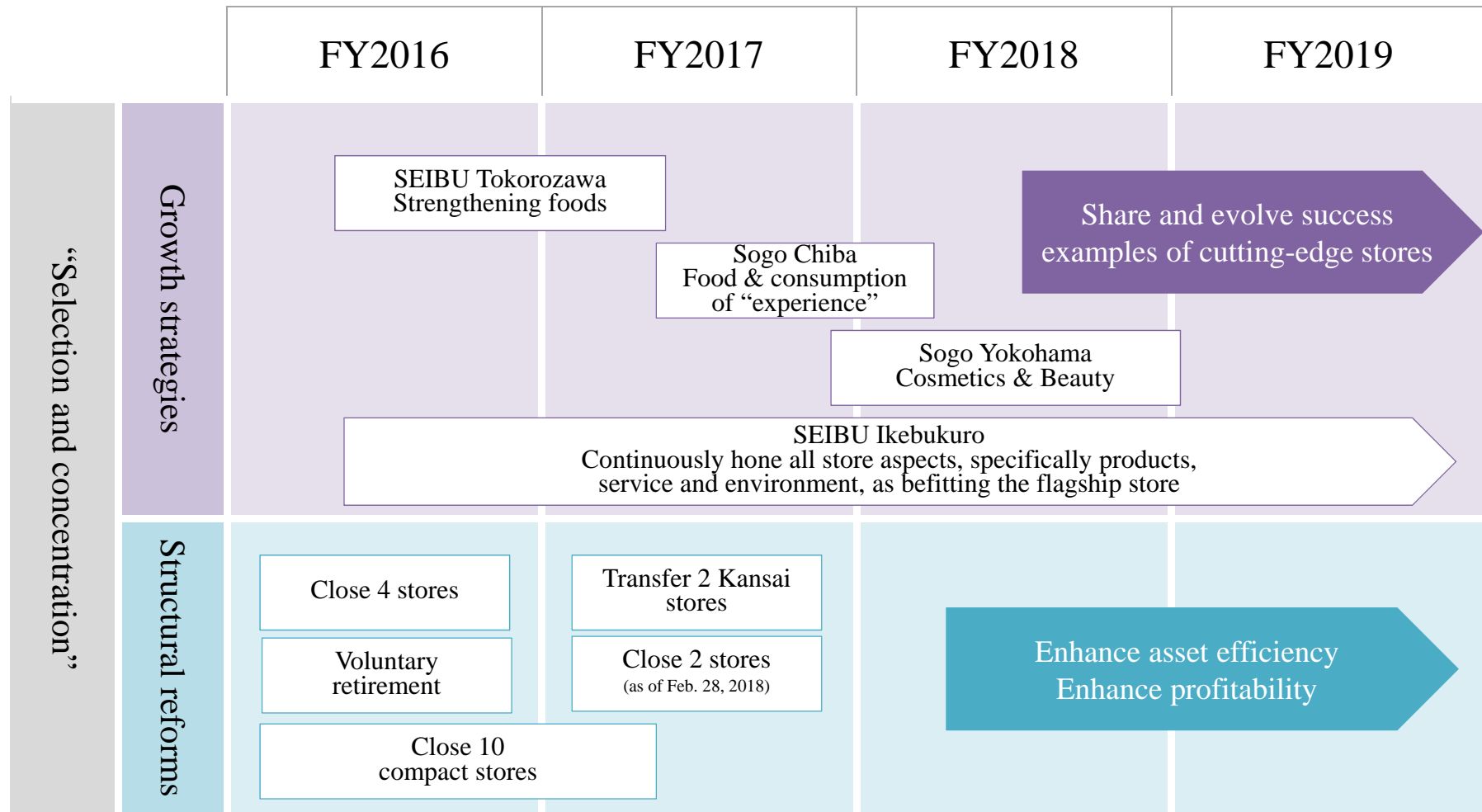
Dedicated nursery

Cooking studio specializing in sweets, etc.

Adjust course by continuing to review initiatives, even amid a steady start outperforming budget

⇒ Grand opening of renovated building integrated with the former main building planned for the spring of 2018

Roadmap for Achieving the Medium-Term Plan



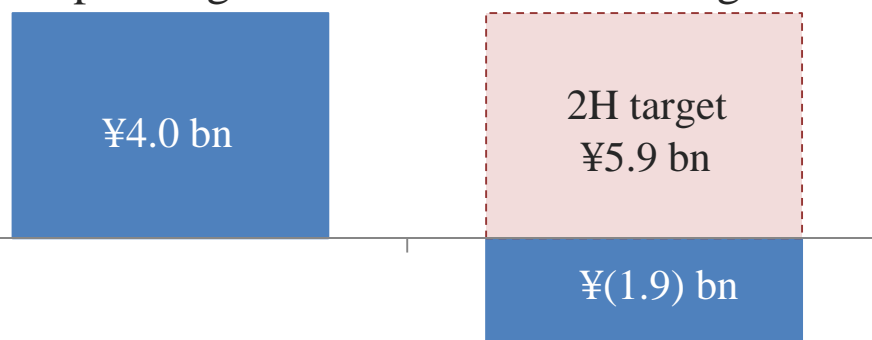
To put Sogo & Seibu on a growth track, maintaining PDCA cycles

Ito-Yokado

IY

| Operating income | | Existing store sales increase | GPM | SG & A expenses | |
|------------------|----------------|-------------------------------|-------------------|-----------------|----------------|
| Amount | YOY Difference | | Result Difference | Amount | YOY Difference |
| ¥(1.9) bn | - | (2.6)% | 29.4% | ¥156.4 bn | 97.8% |
| | +¥1.4 bn | | +0.5% | | ¥(3.5) bn |

◆ Operating income result and 2H target



Full-year target

1H result

◆ 2H operating income and composition for the past 5 years

| | Full-year | 2H | Composition ratio |
|--------|------------|------------|-------------------|
| FY2013 | ¥ 9.0 bn | ¥ 8.2 bn | 91.9% |
| FY2014 | ¥ 11.2 bn | ¥ 8.6 bn | 76.8% |
| FY2015 | ¥1.8 bn | ¥ 1.2 bn | 64.7% |
| FY2016 | ¥(13.9) bn | ¥ (4.9) bn | - |
| FY2017 | ¥0.05 bn | ¥ 3.4 bn | - |

◆ Existing store sales growth by category

| | FY2017 | 1Q FY2018 | | 2Q FY2018 | |
|-----------------|---------------|---------------|---------------|---------------|--------------|
| | Results | Results | Vs. FY2017 | Results | Vs. FY2017 |
| MDSE total | (4.2)% | (3.2)% | +1.0% | (2.0)% | +2.2% |
| Apparel | (6.3)% | (4.7)% | +1.6% | (5.6)% | +0.7% |
| Household goods | (7.1)% | (1.4)% | +5.7% | (0.3)% | +6.8% |
| Foods | (2.9)% | (3.3)% | (0.4)% | (1.3)% | +1.6% |

Secured earnings growth by curtailing SG&A expenses, with a smaller decline in food, which struggled in 1Q.

Measures for Strengthening Foods



Launch “Food Reform Project” led by IY’s President Saegusa

⇒ Establish sales area format to address the growing need for take-home meals



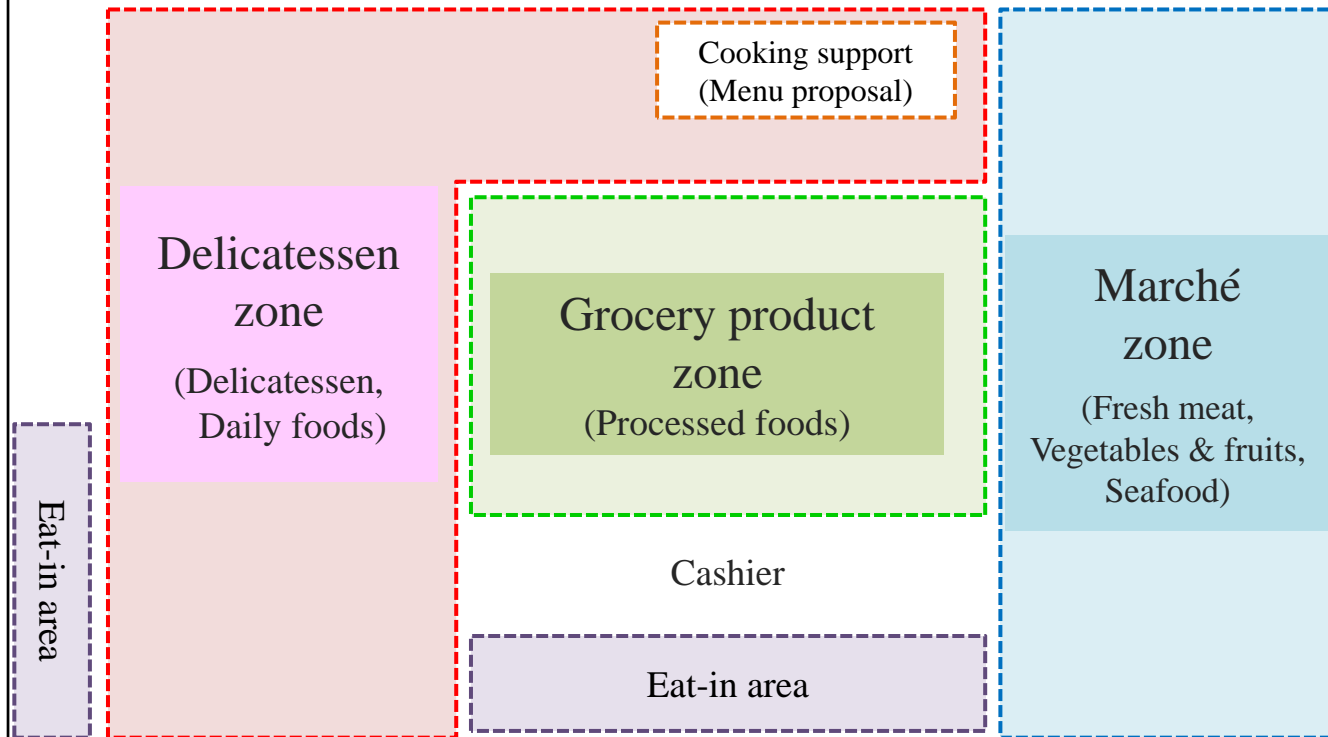
◆ Measures to strengthen foods from 2H to next fiscal year and beyond

| | |
|--------------------------------------|--|
| ● Build a format for food sales area | <ul style="list-style-type: none">➤ Develop sales areas that are proposal-driven, event-oriented➤ Strengthen delicatessen items and in-store bakeries |
| ● Food e-commerce | <ul style="list-style-type: none">➤ <i>IY Fresh</i> to be launched at the end of November (start in Bunkyo Ward and Shinjuku Ward) |

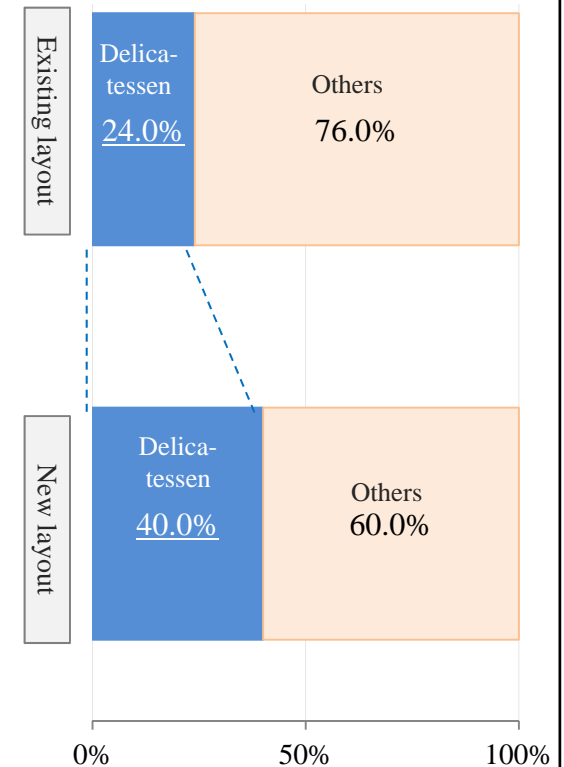
Revision of Sales Area Formats to Strengthen Foods



◆ New layouts of food sales areas
(Sales floor area: 2,975 sqm to 3,306 sqm)



◆ Comparison of the size of food sales areas



● Renovate 10 stores in 2H, taking into account regional characteristics, as an exemplary store format for food reforms

● Optimally assign personnel, taking into account productivity at food sales area

Establish a new vision centered on food

Further enhance the attractiveness of the facility as a whole by bringing in leading tenants

Use this successful example for horizontal development

Business Alliance with ASKUL (announced on July 6, 2017)



Details of business alliance with ASKUL



(1) *Omni-7* and LOHACO to conduct mutual customer referrals

Start on November 16, 2017

(2) Start “*IY Fresh*” in collaboration with ASKUL

Start on November 28, 2017

Expand to the 23 special wards of Tokyo during the current fiscal year

(3) Start of discussions towards joint development and operation of e-commerce logistics and e-commerce website

Develop and provide new services that benefit Japanese consumers and society as a whole

Strengthening Food E-commerce (*IY Fresh*)



IY Fresh

◆ Concept

- (1) Provide fresh food with a focus on freshness
- (2) New services delivered reliably
- (3) Distribute video that puts the spotlight on MDSE

◆ Main target customers

- (1) Working women aged 30s and 40s
- (2) Women raising children
- (3) Seniors, etc

Pilot test (Shinjuku & Bunkyo)

◆ Order cut-off time & Delivery times

| Order cut-off time | Delivery times | |
|--------------------|---|--|
| By 2:00 pm | Next day 9:00 am – 2 days later 10:00 pm | Together with LOHACO products, place orders jointly, pay for products jointly, deliver simultaneously |
| 2:00 pm - 11:00pm | Next day 4:00 pm – 2 days later 10:00 pm | |

*Can be scheduled in 1-hour increments between 9:00 am and 10:00 pm

◆ Delivery charge *tax included

- Free delivery on ¥4,500 or more
- Orders less than ¥4,500 will have a ¥350 delivery fee



Strengthening Food E-commerce (*IY Fresh* merchandising)



◆Merchandising

- ◇Rigorous focus on freshness
- ◇Narrow down the lineup to categories and products in demand
- ◇Offer merchandise not available at real stores and *IY's Net Supermarket*
- ◇Offer everyday fair prices

◆Merchandise lineup by category

| | <i>IY Fresh</i> | Exclusive for <i>IY Fresh</i> |
|---------------------|-----------------|-------------------------------|
| Processed foods | 2,350 | 310 |
| Daily foods | 1,630 | 90 |
| Fresh meat | 300 | 12 |
| Vegetables & fruits | 250 | 20 |
| Seafood | 350 | 48 |
| Delicatessen | 120 | 20 |
| Total | 5,000 | 500 |

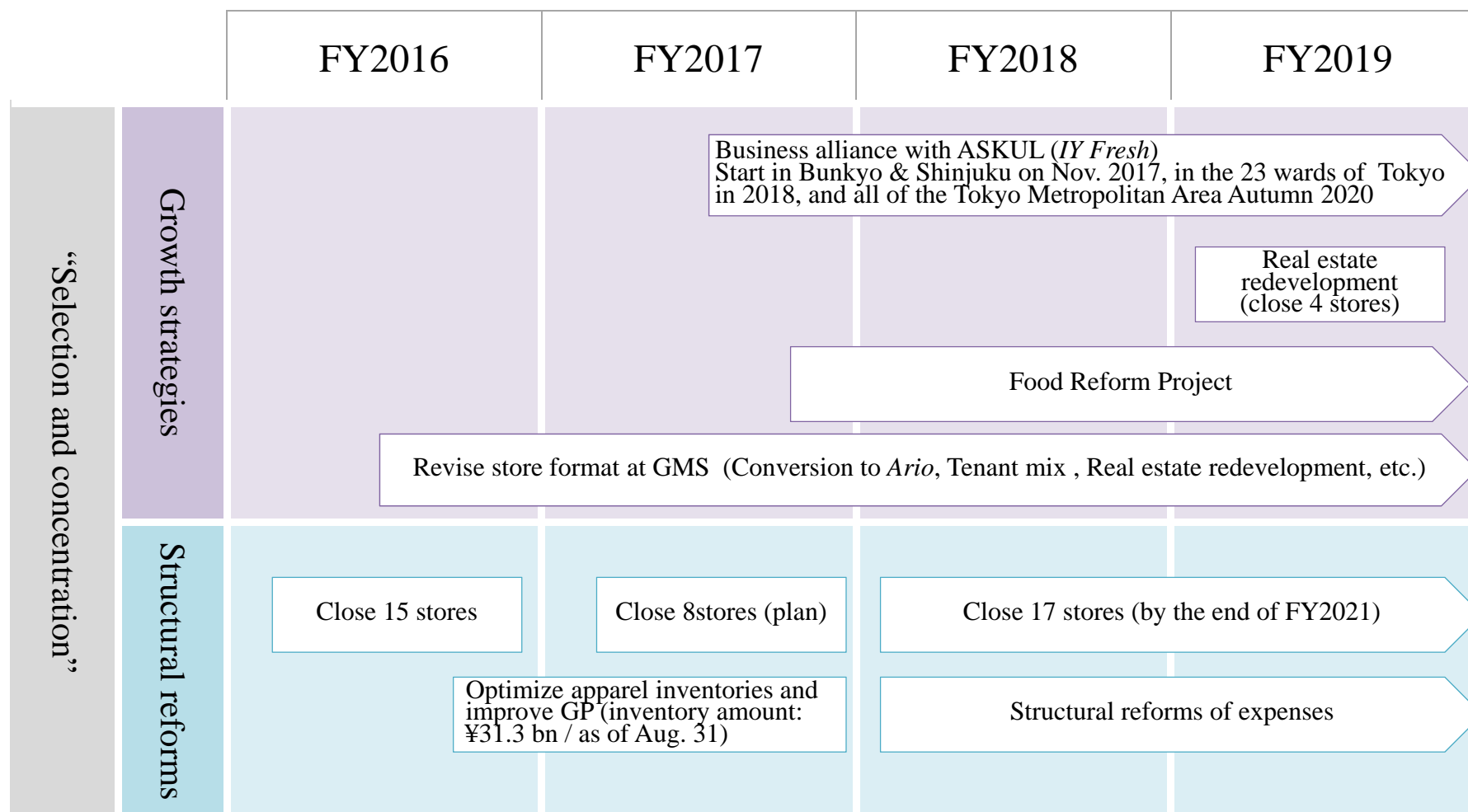
◆Vegetables & fruits lineup

■ *IY Fresh* merchandise lineup and development areas: 250 items



Plans to boost food sales by 10% in service areas

Roadmap for Achieving the Medium-Term Plan



- Store closure plans by the end of FY2020 (40 stores) are progressing as planned
- Energize existing stores by executing store structural reforms and advancing the Food Reform Project

Group Strategies

Toward Achieving the Medium-Term Management Plan

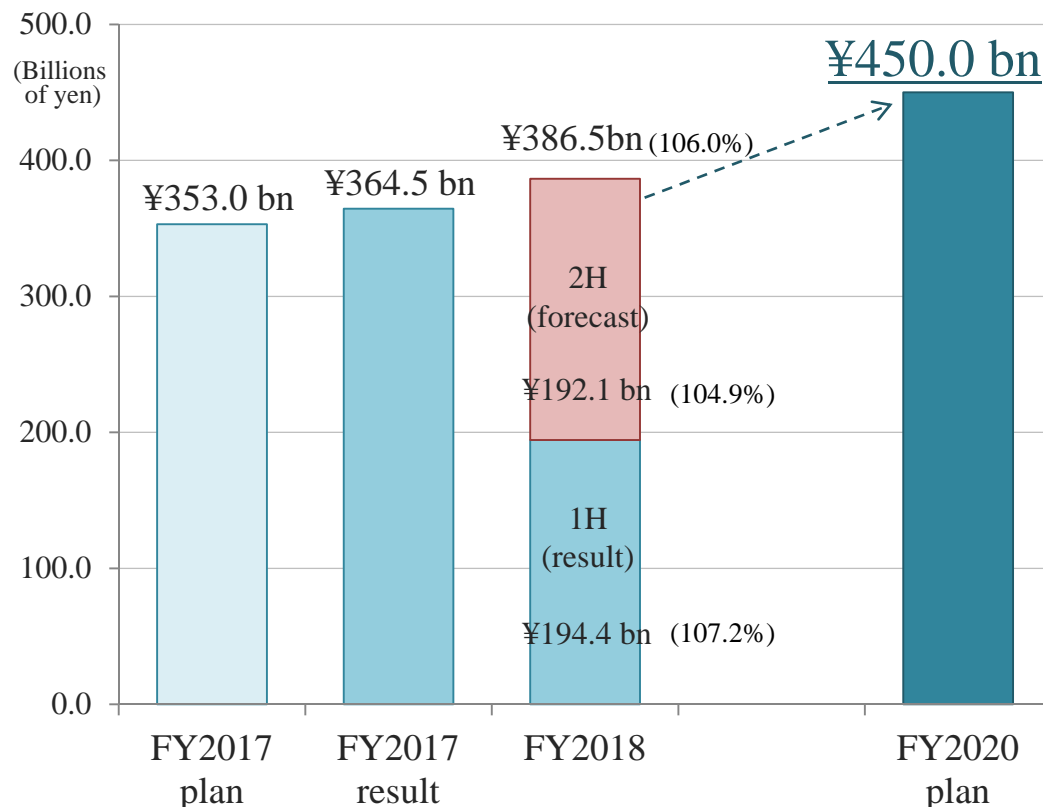


◆FY2018 1H

Operating income by segment

| Segments | Results | YOY Change |
|-------------------------------|-----------|------------|
| Consolidated operating income | ¥194.4 bn | +¥13.0 bn |
| Domestic CVS | ¥131.0 bn | +¥4.4 bn |
| Overseas CVS | ¥33.4 bn | +¥0.76 bn |
| Superstore | ¥6.6 bn | +¥0.09 bn |
| Department store | ¥8.7 bn | +¥2.2 bn |
| Financial services | ¥25.8 bn | +¥0.03 bn |
| Specialty store | ¥0.83 bn | +¥5.2 bn |
| Others | ¥2.1 bn | +¥0.36 bn |
| Elimination / corporate | ¥(6.3) bn | ¥(0.16) bn |

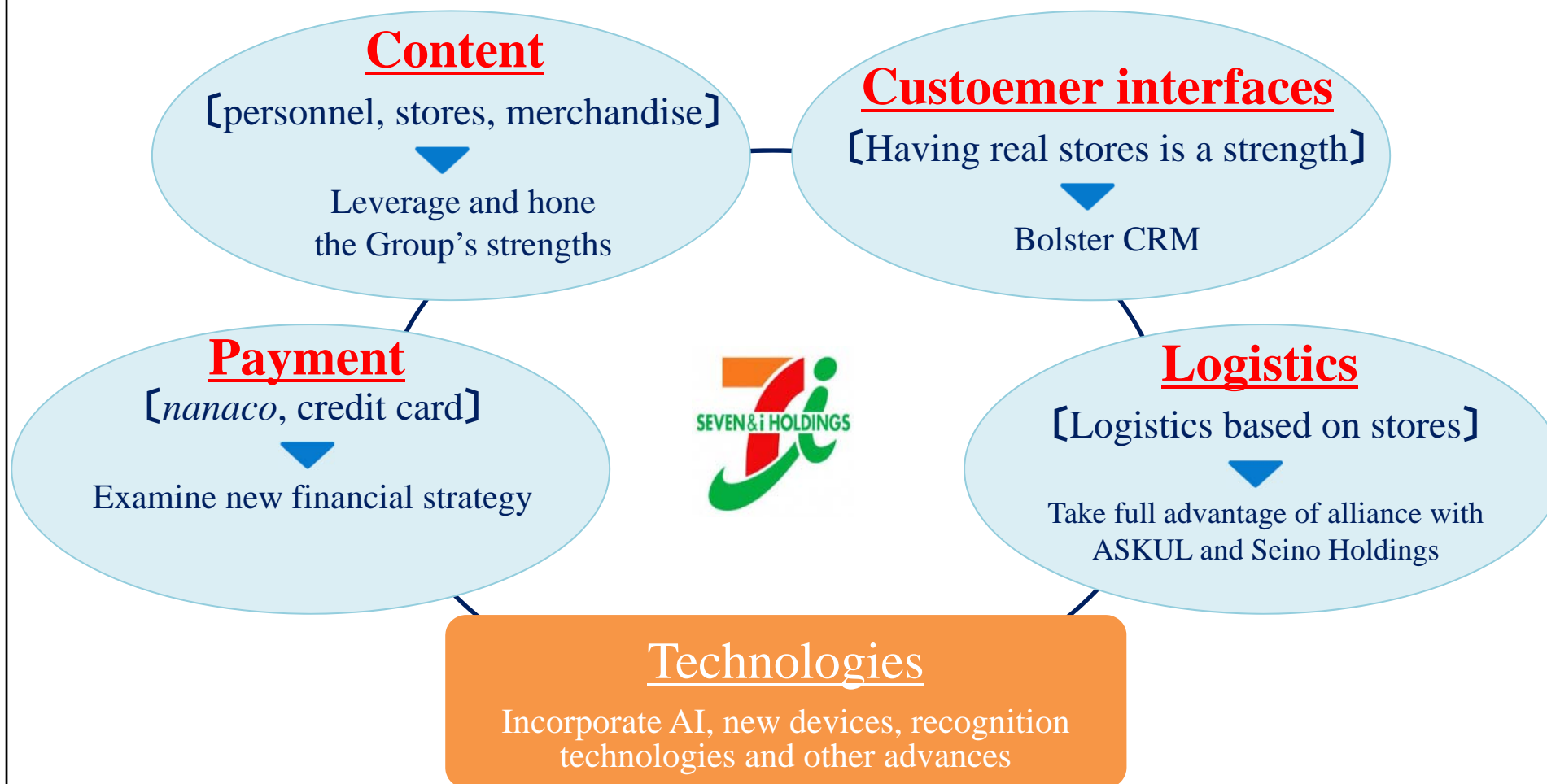
◆Progress on Mid-Term Management Plan



◆Governance as a holding company

- Strengthen segment management
- Promote “selection and concentration” targeting operating companies and areas
- Achieve targets by implementing PDCA cycles together with operating companies

Approach to the Group's Overall Strategy



Restructure Group's business model examining establish a strategy with a view to fostering collaboration with external partners

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