



Financial Results Presentation for the First Quarter FY2019

July 5, 2018

Seven & i Holdings Co., Ltd.

Over view of Q1 FY2019



- The consolidated results achieved its targets, despite the impact of inclement weather and reduced royalties at Seven-Eleven Japan (SEJ)
Operating income reached record highs for the second consecutive year.

◆ Consolidated results

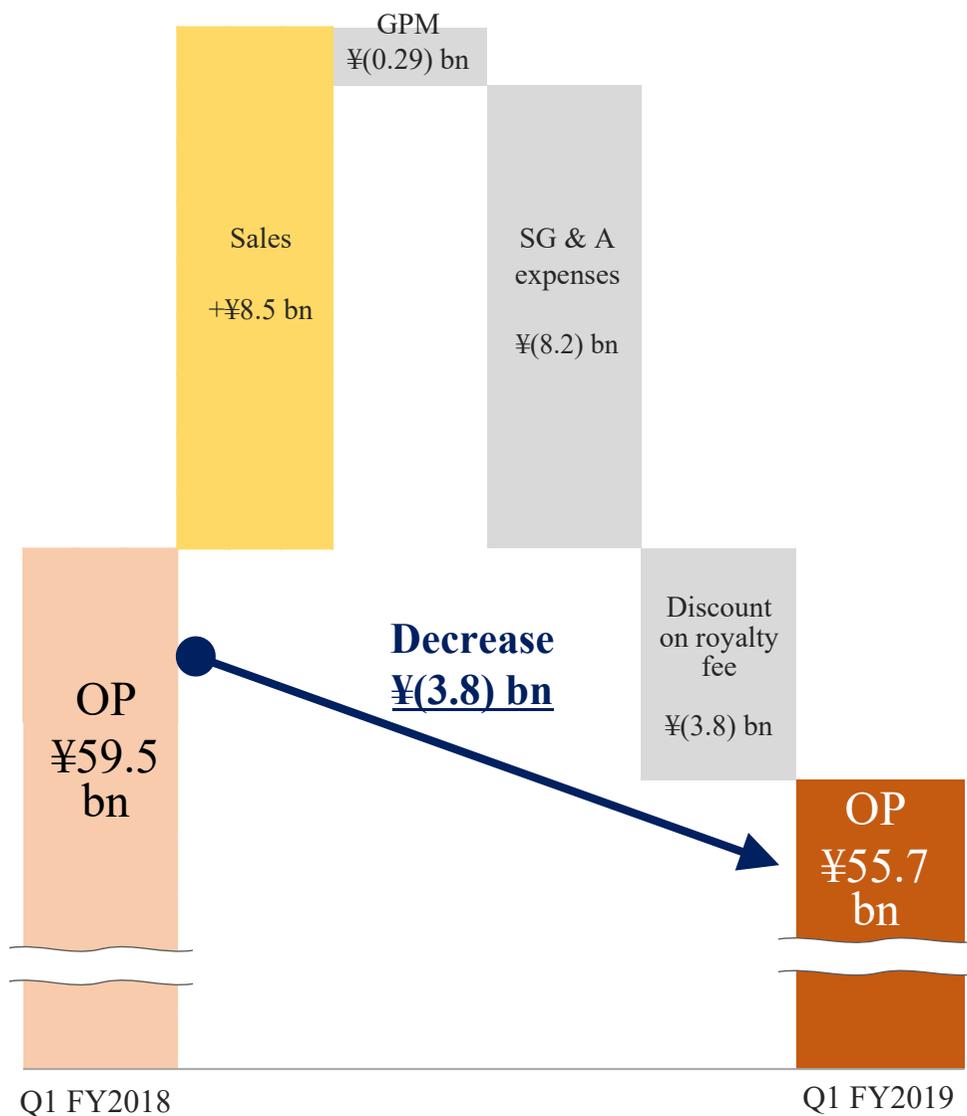
	Results	YOY	YOY Change	Budget Achieved
Group's total sales	¥2,851.0 bn	106.6%	+¥176.0 bn	Achieved
Revenues from operations	¥1,599.0 bn	108.9%	+¥130.9 bn	Achieved
Operating income	¥86.3 bn	102.7%	+¥2.2 bn	Achieved
Net income attributable to owners of parent	¥42.8 bn	127.5%	+¥9.2 bn	Achieved

◆ Operating income by segment

	Results	YOY	YOY Change
Domestic CVS	¥55.3 bn	93.1%	¥(4.0) bn
Overseas CVS	¥9.3 bn	133.2%	+¥2.3 bn
Superstore	¥6.2 bn	117.9%	+¥0.94 bn
Department-store	¥0.36 bn	91.4%	¥(0.03) bn
Financial Services	¥13.8 bn	111.0%	+¥1.3 bn
Specialty store	¥2.9 bn	246.2%	+¥1.7 bn
Others	¥0.6 bn	61.7%	¥(0.37) bn

Seven-Eleven Japan SEJ

SEJ: Operating Income Q1 FY2019

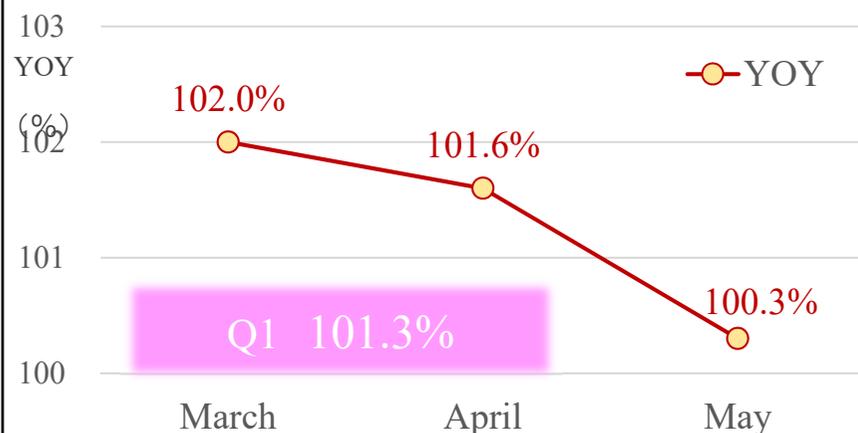


	Results	Details
Sales	+4.6% <u>+¥8.5</u> <u>bn</u>	<ul style="list-style-type: none"> Existing stores +1.3% +¥2.3 bn Increase in stores +¥6.2 bn
GPM	(0.1) % <u>¥(0.29)</u> <u>bn</u>	<ul style="list-style-type: none"> Expanded the electronic cigarette sales area Growth in products with low gross profit margins (DVDs, etc.)
SG& A expenses	+6.2% <u>¥(8.2)</u> <u>bn</u>	<ul style="list-style-type: none"> Controlled advertising expenses ¥(0.2) bn Increased in stores, etc. +¥8.4 bn
1% reduction in royalties	<u>¥(3.8)</u> <u>bn</u>	<ul style="list-style-type: none"> 1% special discount on franchise royalty fee

SEJ: FY2019 Q1 Summary



◆Q1 Existing store sales



◆Precipitation and rainy days for May

[Source] JMA

	Rainy days	Precipitation	YOY Difference
Tokyo	14	157mm	+108mm
Nagoya	15	210mm	+145mm
Osaka	13	200mm	+104mm

Ice cream, milk and milk beverages, beer, and energy drinks, etc. struggled, partly due to the impact of inclement weather

Negative impact of these items: APSD ¥(8.0) thousand
YOY (1.2) %

◆Main top categories and growth factors YOY by product categories

(Q1 average results for all stores)

Categories	YOY	Factors
Toys	120.5%	Effect of new products
Paper products	116.2%	Strengthened lineups
Spirits, wines and miscellaneous liquors	109.0%	Enhanced liqueur and wine
Counter fryer foods	107.2%	Renewal of SEVEN CAFÉ
Noodles and others	105.8%	Full-scale renewal of <i>Udon</i> noodles
Daily foods	105.8%	Enhanced processed meat, fresh and dried-salted fish, and pre-cut vegetables
Delicatessen	104.5%	Extended freshness of salad and new delicatessen products
Traditional Japanese sweets	104.4%	Effect of new products
Frozen foods	104.2%	Expanded sales area and effect of new products
Desserts	102.9%	Continuously recommended new products to stores
Fryer foods	102.5%	Effect of new products (<i>Yakitori</i> skewered grilled chicken)

Stronger merchandizing capabilities covered the impact of inclement weather following the Golden Week holiday

Target further growth by continuing measures in Q2 onward

SEJ: Contribution of Remodeled Stores to New Layout



Number of stores remodeled to new layout		FY2018 Result (as of the end of Feb. 2018)	Plan for FY2019	Q1 FY2019 Result	Cumulative (as of the end of May 2018)
	Existing stores	350	600	60	410
	New opening stores	950	1,100	240	1,190
	Total	1,300	1,700	300	1,600

◆ Impact on sales (actual sales in May in stores remodeled to new layout 10 months ago)

Impact on sales;

+¥17.4 thousand

Product categories	YOY
Frozen foods	128.2%
Snacks	119.9%
Daily foods	117.0%
Liquors	112.5%
Processed foods	111.7%
Pocket snacks and western confectionery	111.5%
Japanese confectionery	109.8%
Bread	109.5%
Desserts	108.8%
Fryer foods	107.7%
Pastries	107.4%
Delicatessen	106.5%

Expand frozen food sales area



Expand counter



◆ Frozen food

	# of items per store (as of the end of Jun.)	# of renovate or abolish products (Mar. 2018 – Jun. 2018)
Standard layout	57	13
New layout	81	25



Sales growth led primarily by frozen foods, daily foods, and counter foods

SEJ: Merchandise Strategy for Counter Products



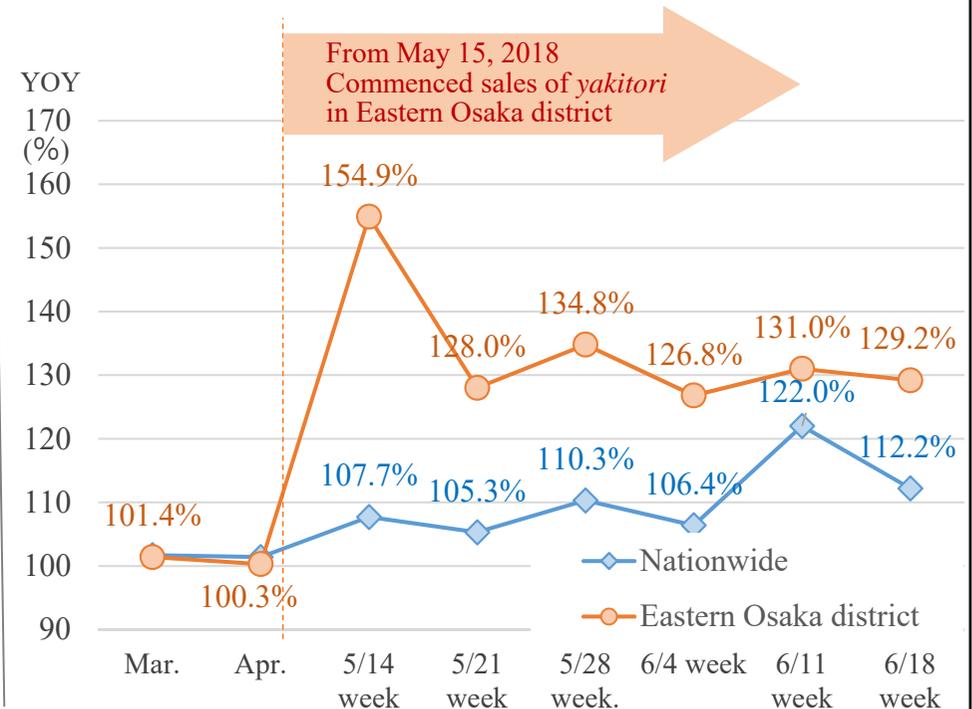
Roll-out “room-temperature *Yakitori* (skewered grilled chicken)”



-  Charcoal grilled chicken thigh skewer with salt ¥128
-  Charcoal grilled chicken thigh skewer with sauce ¥128
-  Charcoal grilled chicken skin skewer with sauce ¥128
-  Charcoal grilled chicken dumpling skewer ¥128
-  Hashed potato ¥88
-  Tempura chicken ¥120

Results for pilot area

Fryer foods sales YOY



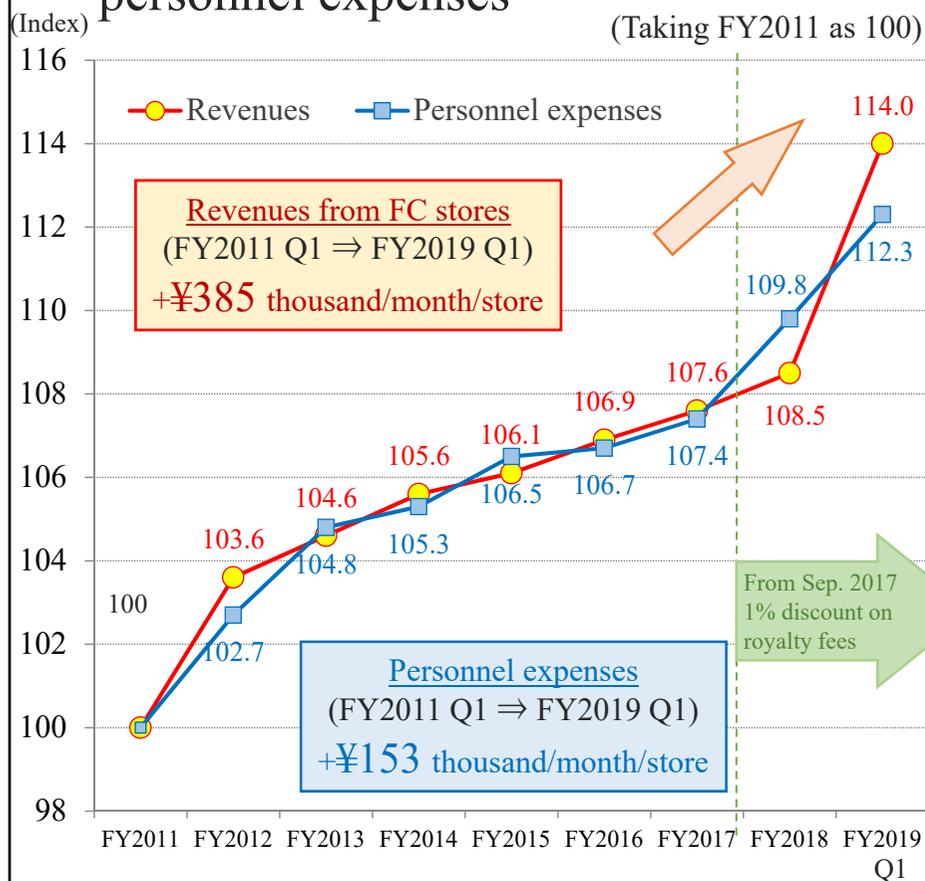
- Already rolled out at 6,400 stores at the end of May, expand to 9,200 stores with fryer foods by August and to all stores during FY2019
- Sales increased primarily at night. Seek to further expand sales by launching products that can be sold in all time periods.

Expected boost fryer foods sales by 20%

SEJ: Franchised Stores Revenues and Market Share Following the 1% Discount on Royalty Fees

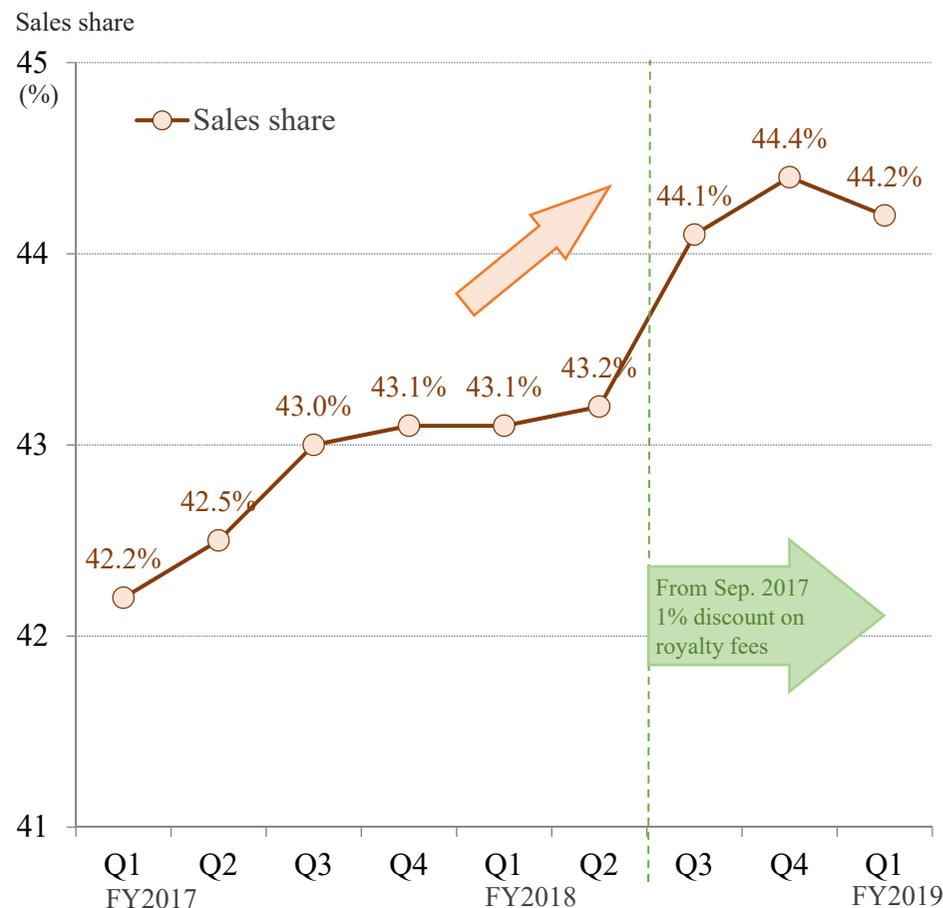


◆ Revenues from franchised stores and personnel expenses



* Comparison of FY2019 Q1 and FY2011 Q1 results

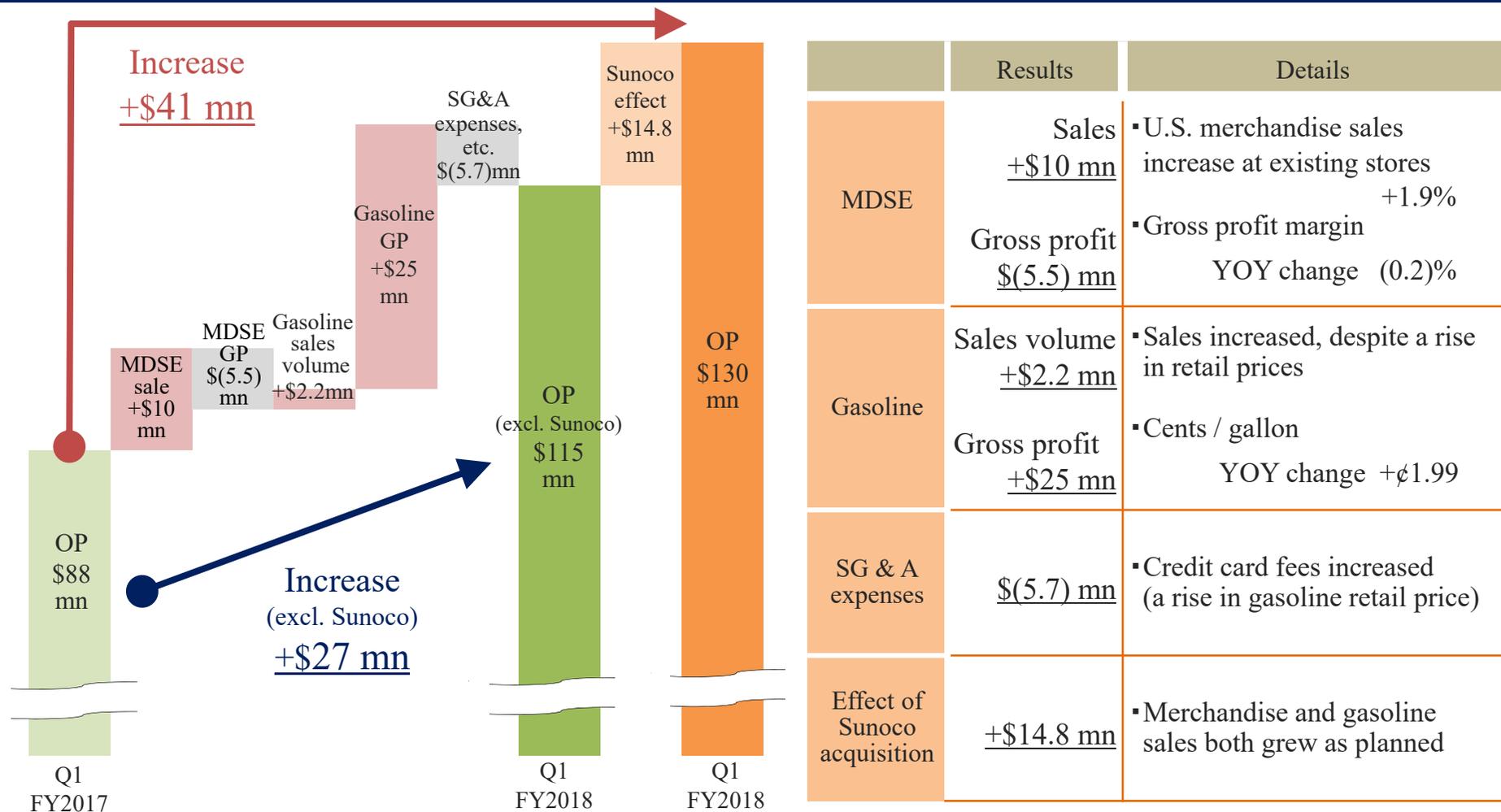
◆ SEJ's sales share



- Steady expansion in the revenues of franchised stores, covering the rise in personnel expenses since implementation of the special discount on royalty fees
- Accelerated growth in sales share in domestic CVS market

7-Eleven, Inc.
SEI

SEI: Factors in YOY Change of Operating Income for Q1



Merchandise and gasoline sales both increased, trending firmly even when excluding the effect of the Sunoco acquisition

Sunoco performed as planned, pushing up operating income by \$14.8 million

SEI: Results of Sunoco for Q1



◆ Operating figures (Average daily sales per store)

	Sunoco	SEI (excl. Sunoco)	Difference
Merchandise (<small>(\$)</small>)	4,660	4,510	+150
Gasoline (<small>(Gallon)</small>)	5,000	3,430	+1,570

◆ Financial figures

(FX rate: USD1=JPY108.22)

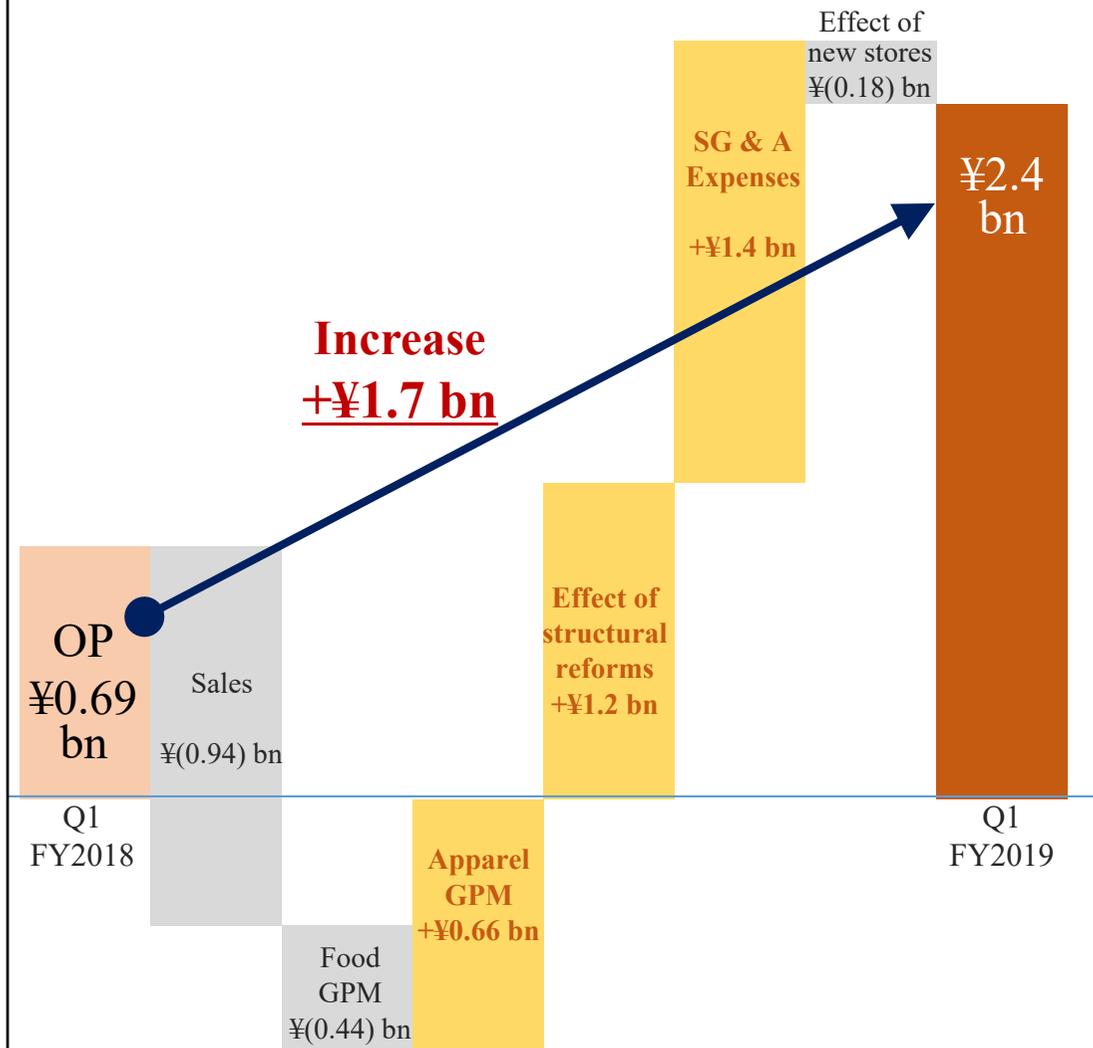
	Sunoco		SEI		Total	
		YOY		YOY		YOY
Operating income (MMS)	14.8	-	115.2	130.1%	130.1	146.9%
Operating income (MM¥)	1,610	-	12,477	124.0%	14,087	140.0%
Amortization of goodwill (MM¥)	1,880*	-	2,831	94.0%	4,711	156.3%
Contribution to consolidated OP (MM¥)	(270)	-	9,646	136.8%	9,376	133.1%

* Goodwill: Calculated as US\$1,390 million. For details, please see page 10 of the Consolidated Financial Results for the Three Months ended May 31, 2018.

Ito-Yokado

IY

IY: Operating Income Q1 FY2019



	Results	Details
Sales	<u>¥(0.94)</u> bn	<ul style="list-style-type: none"> Existing stores ▲0.9% Food ▲0.4% Apparel ▲4.0% Household goods +0.9%
GPM	<u>+¥0.22</u> bn	<ul style="list-style-type: none"> GPM YOY change +0.1% Food ¥(0.4) bn Apparel +¥0.6 bn
Effect of structural reforms	<u>+¥1.2</u> bn	<ul style="list-style-type: none"> Structural reforms +¥0.7 bn FY2018 19 stores FY2019 2 stores Store closures +¥0.5 bn FY2018 9 stores
SG&A expenses*	<u>+¥1.4</u> bn	<ul style="list-style-type: none"> Personnel cost ¥(0.2) bn Advertising and decoration expense ¥(0.5) bn Rent ¥(0.4) bn Inventory storage fees, etc. ¥(0.3) bn
Effect of new stores	<u>¥(0.18)</u> bn	<ul style="list-style-type: none"> FY2018 1 store (Akaike) FY2019 1 store (Seya)

* Excluding an effect of new stores and store closures

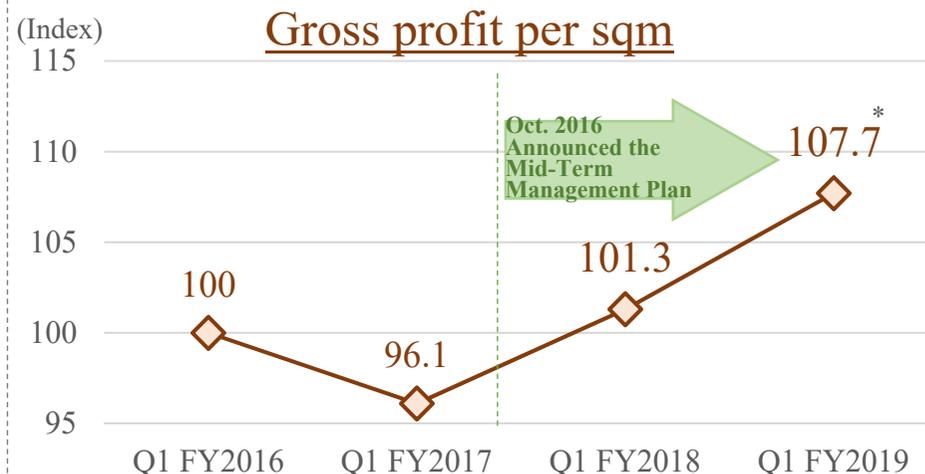
IY: Promotion of Structural Reforms

◆ Progress on Structural Reforms and its plan

Details	FY2017	FY2018	Cumulative	FY2019 (Plan)	Q1 FY2019
(1) Reduce the volume of apparel, household goods and strive to convert sales areas to tenant space	7	19	26	17	2
Conversion to largescale shopping center <i>Ario</i>	-	1	1	-	-
Fixed-term land leasehold of <i>Ario</i>	4	9	13	4	1
Tenant mix initiatives	3	9	12	13	1
(2) Strengthen food (Renovate the food sales areas to new formats)	-	10	10	6*	1
(3) Close 40 stores from FY2017 to FY2021	15	9	24	7	1

*The six stores in FY2019 represent the number of stores slated for grand openings, including apparel and household goods tenants, among the 10 model stores

◆ Results of stores which implemented Structural Reforms (taking Q1 FY2016 as 100)



*Figures for Q1 FY2019 contains the results of two stores which implemented structural reforms in Q1 FY2019

Stores undergoing structural reforms continued to grow

IY: Accomplishments of Structural Reforms (Example of conversion to *Ario* and of tenant mix initiatives)



◆ Renovation details

- ▷ Reduce the volume of apparel, household goods and strive to convert sales areas to tenant space
- ▷ Introduce specialty stores with capability to attract customers
- ▷ Strengthened food offerings
 - ⇒ Strengthen food courts by introducing specialty stores
 - Establish eat-in areas
- ▷ Introduce childcare facilities (Kasai store)



◆ YOY comparison

* Results for March-May are shown for the Kasai Store (renovated and reopened on February 23), while results for May are shown for the Omori Store (renovated and reopened on April 20)

Kasai store (converted from GMS to <i>Ario</i> large scale shopping center)					Omori store (renovation of existing GMS / tenant mix)				
	Sales floor	Sales	Sales per sqm	GP per sqm		Sales floor	Sales	Sales per sqm	GP per sqm
Apparel	69%	91%	132%	137%	Apparel	78%	83%	107%	106%
Household goods	91%	116%	127%	129%	Household goods	91%	104%	115%	111%
Food	95%	110%	115%	115%	Food	106%	108%	103%	103%
MDSE total	81%	107%	132%	133%	MDSE total	88%	102%	116%	113%
Tenants	121%	154%	128%	117%	Tenants	149%	231%	155%	135%
Store total	103%	124%	121%	109%	Store total	103%	117%	114%	100%

Stores implementing structural reforms dramatically improved profitability by reducing directly operated sales areas

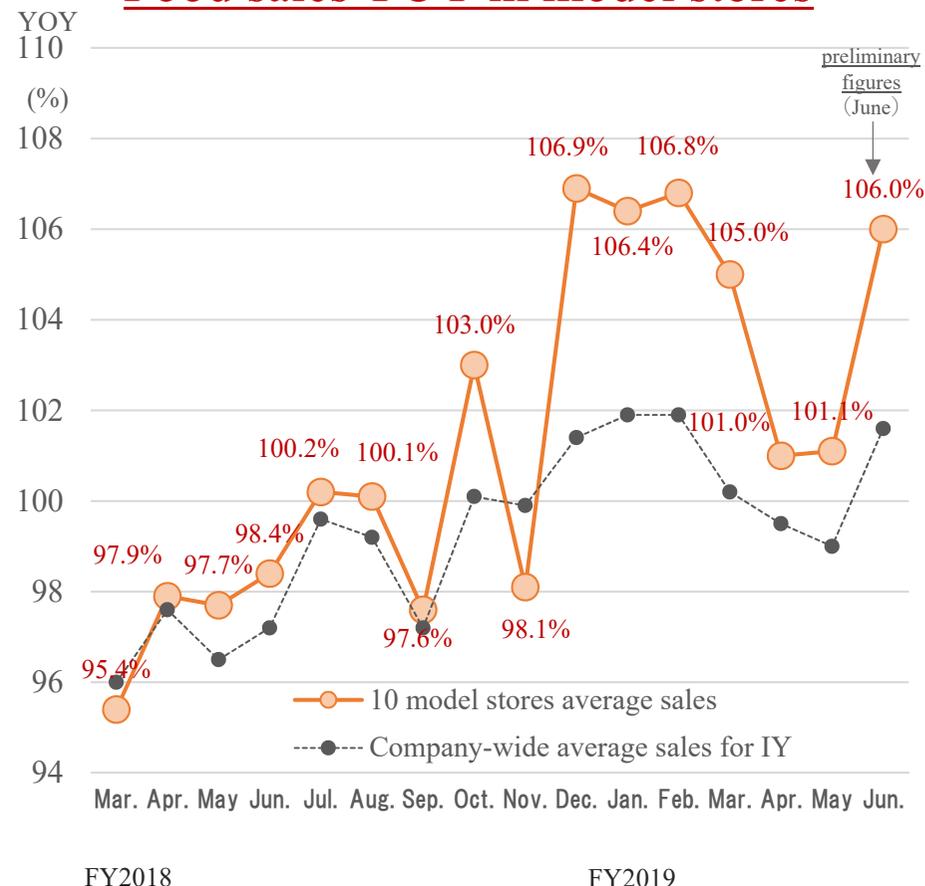
IY: Sales YOY and Customer Numbers YOY in Model Stores with Strengthened Food Offerings



Customer numbers YOY at food sales area in model stores



Food sales YOY in model stores

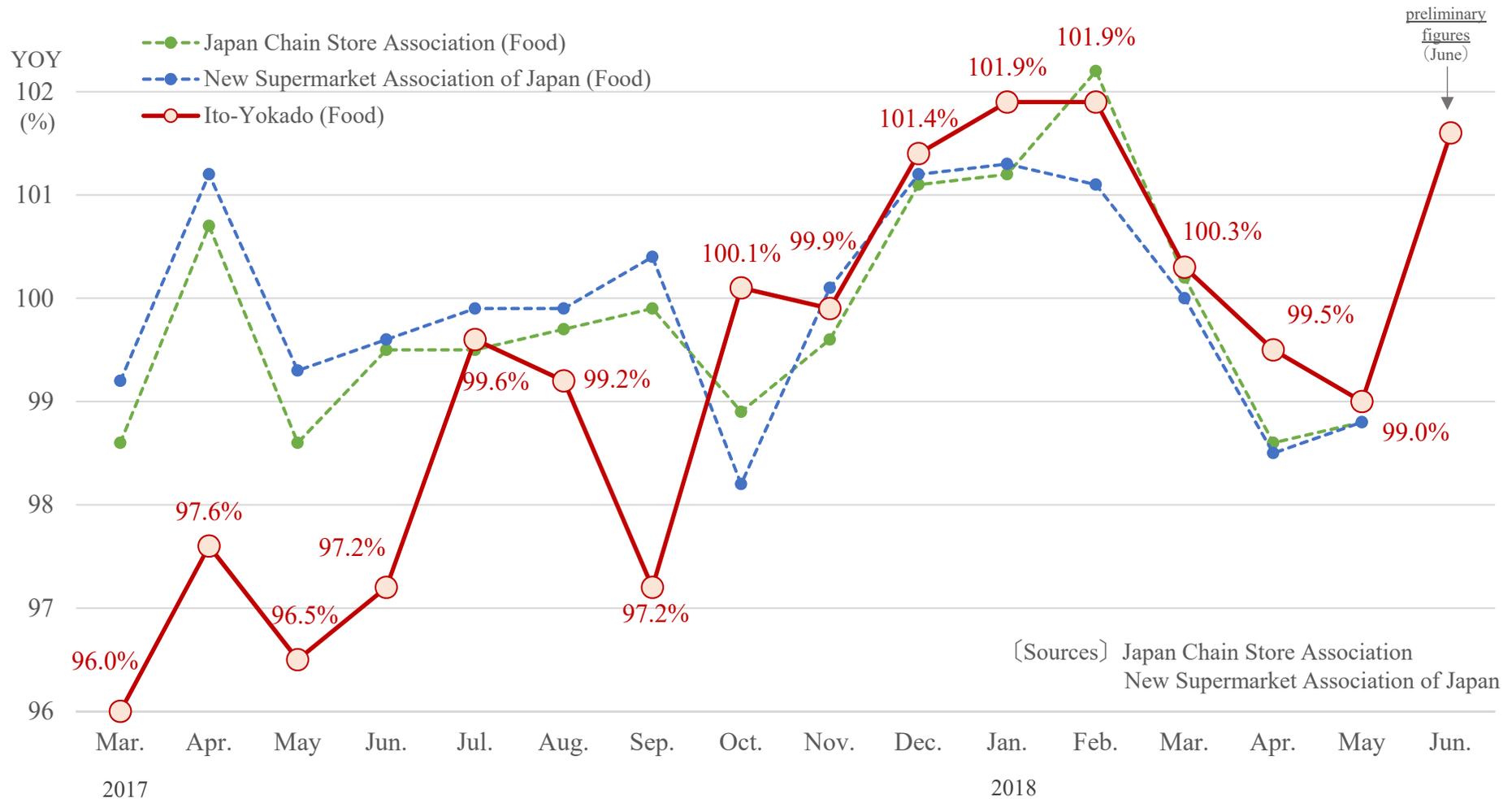


Stores with strengthened food offerings saw growth in customer numbers with an attendant increase in food product sales
 Significant growth compared with the company-wide average for IY

IY: Effect of Structural Reforms



◆ Trends in food sales



Food sales, where measures were strengthened, trended relatively firmly

Sogo & Seibu
SS

SS: Operating Income Q1 FY2019



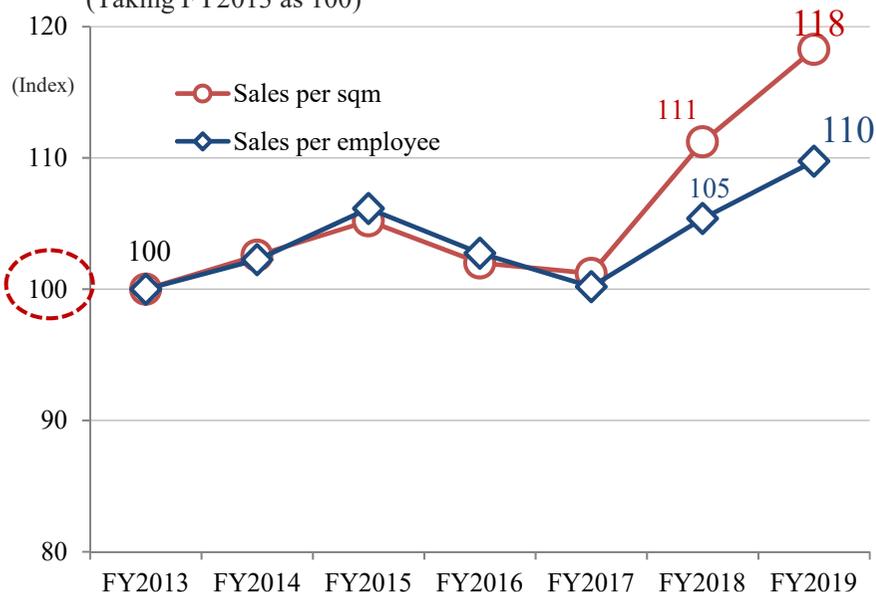
	Results	Details
Existing store Sales	(13.2)% <u>¥(5.3) bn</u>	<ul style="list-style-type: none"> Existing store sales (0.4)% In-store sales ±0.0% Decline in sales due to store closures and transfers
GPM	+0.4% <u>+¥0.43 bn</u>	<ul style="list-style-type: none"> Control of reduced-price sales promotions
SG&A expenses	(12.8)% <u>+¥4.7 bn</u>	<ul style="list-style-type: none"> Personnel cost ¥(1.2) bn Advertising and decoration expense ¥(1.0) bn Rent ¥(1.0) bn

SS: Accomplishments of Structural Reforms



◆ Sales per sqm*1 and per employee*2 index

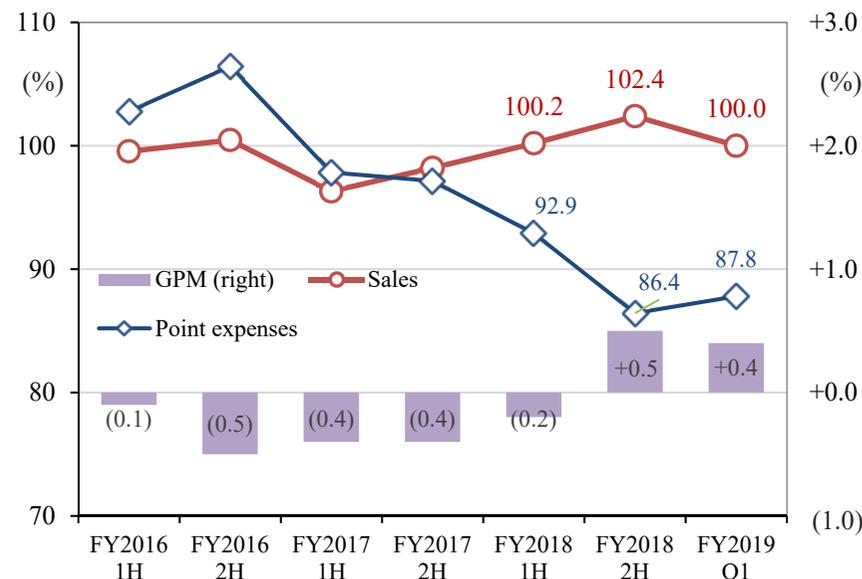
(Taking FY2013 as 100)



【Comparison with Results for FY2013 and for FY2018】

	FY2013 Q1	FY2019 Q1	Difference / YOY
Store count	26	15	(11)
Total sales floor	894k sqm	571k sqm	63.9%
No. of employees (incl. part-time employees)	9,600	6,637	69.1%

◆ Existing store sales YOY and GPM change



【Reduced Point Sales】

FY2018 Q1 35 days ⇒ FY2019 Q1 0 days
reduced 35 days

Point expenses: YOY 87.8% ¥(0.34) bn

【Reduced Discount Sales】

GPM improvement: +0.2%

Management efficiency has improved as a result of structural reforms implemented in FY2017 and FY2018

Strengthen the cosmetics sales area of Sogo Yokohama in FY2019

*1 Sales per square meter: Net sales divided by active sales area

*2 Sales per employee: Net sales divided by (average number of employees + number of part-time employees during the period)

→Average number of employees per month based on work hours of 163 hours per month.

Seven & i Group

CRM / Digital Strategy

◆ Initiatives to improve customer satisfaction

CRM strategy



CommonID = 7 i D
+
Seven & i Data labo
+

Payment service

Customer Engagement
Strengthen customer engagement

Customer Experience
Provide new customer experiences

Stores



Merchandise
(Development)

Customer
Service
(Human
resources)

Improve customer satisfaction

◆ Labor saving
→ Strengthen customer service

Productivity enhancement



Receiving inspection using RFID



Automated ordering system

Launch small-sized services through external collaboration

Add and expand various services for customer



IY Fresh



Net Convenience Store

Seven-Meal service using AI

Customer Oriented
Pursue customer-oriented convenience

Schedule for smartphone app and SEVEN MILE PROGRAM (republished)



Launched the app from SEJ and IY on June 1

	Total	Seven-Eleven	Ito-Yokado
Number of app users	3.58 million	3.12 million	0.46 million

*As of the end of June

Launch schedule for smartphone app and SEVEN MILE PROGRAM



Develop payment service linked with Group company app



Seven & i Group's Data Strategy (Seven & i Data labo)

Launch of “Seven & i Data labo”, a study group using data shared among multiple companies
 Striving to solve daily life issues and social issues through the shared use of data in different industries

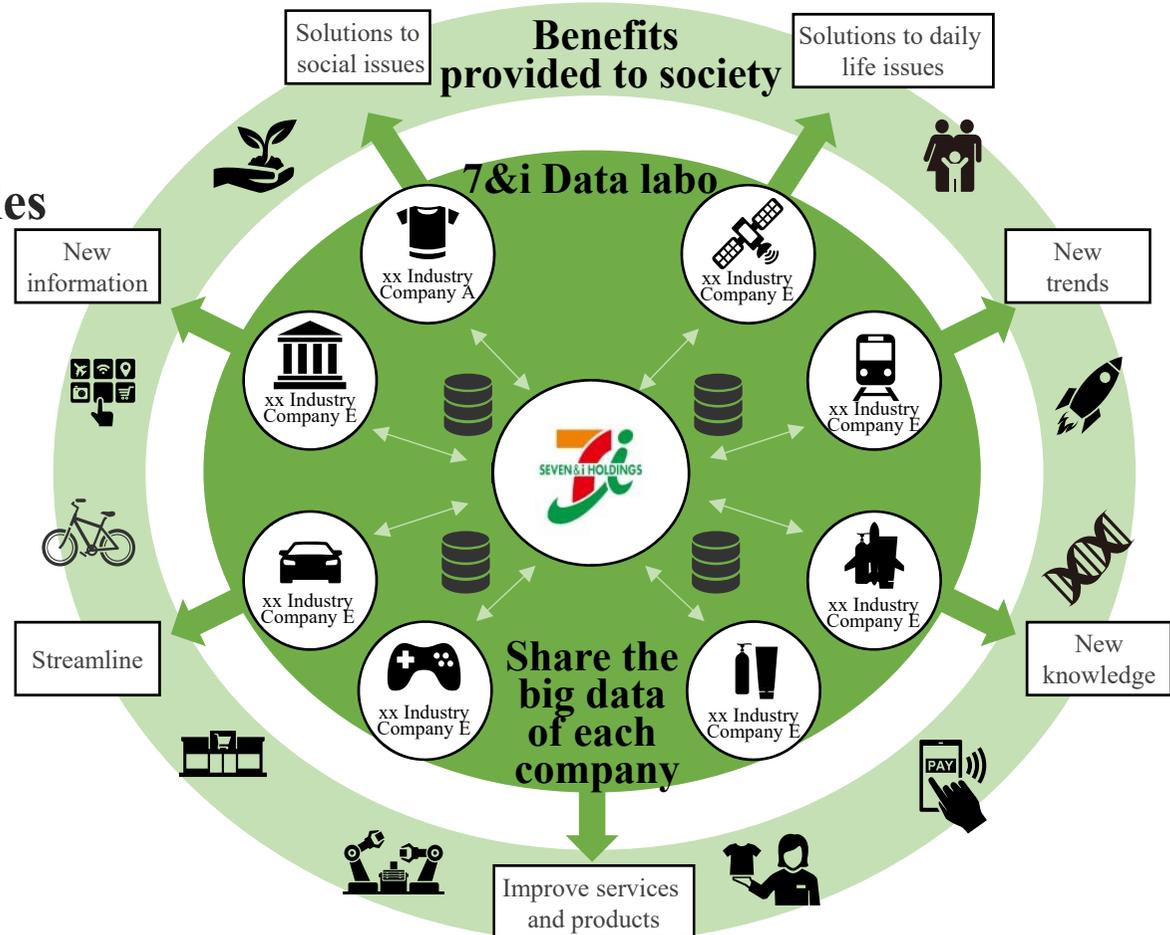
◆ Start date

From June 1, 2018

◆ Main participating companies

- ANA HOLDINGS INC.
- NTT DOCOMO, INC.
- DeNA Co., Ltd.
- TOKYU CORPORATION
- TEPCO Energy Partner, Incorporated
- Sumitomo Mitsui Financial Group, Inc.
- MITSUI & CO., LTD.

A total of 10 companies (initially), including the foregoing companies.



Finished laying the groundwork for implementing specific data utilization initiatives
 Perform highly reliable customer analysis

Business Alliances

Business alliance with Zoshinkai Holdings Inc.



- Combine the strengths of both groups (store and classroom networks, membership, and merchandizing capabilities) to pave the way for both groups to mutually enhance customer services and create new services
- In parallel, strive to solve social issues (support dual income households, enhance education, improve productivity)

Details of Zoshinkai Holdings' business



- Correspondence education business ... Z-kai etc.
- Cram school business ... Eikoh Seminar, etc.
- Foreign language instruction business ... Shane English School, etc.
- Other business ... publishing of books and operation of mock tests, etc.

Purposes

- 1 Upgrade and expand support for dual income households
Example: Meal proposal using the Seven-Meal service scheme
- 2 Strengthen the base of younger customers
Example: Submission of answer sheets using multi-functional copy machines, etc.
- 3 Generate new sales and attract customers to stores
Example: Sell textbooks and other supplies through Seven Net Shopping

◆ Details of business alliance (including items under consideration)

Refer customers to stores through campaigns and events

- Launch sales of “*Cho-ryomon Drill*” (Excellent Practice Question Drills) in coordination with high schools and hold “One-Coin Mock Tests,” among other initiatives
- Strive to enhance the motivation to learn by awarding *nanaco* gifts to members as a prize for effort.

Effectively use store space

- Open sites as tenants in Ito-Yokado, offer after-school day care services in coordination with in-store food preparation services, hold various educational events
- Support for dual income households

Other business initiatives

- Enable the submission and return of answer sheets using multi-functional copy machines in Seven-Eleven stores
- Link Akachan Honpo's customer base with pre-school education

Enter into a business alliance on a Group-wide basis, and implement specific collaborative services with a view to considering an even wider scope of initiatives

Business alliance with Odakyu Electric Railway Co., Ltd. and Odakyu Shoji Co., Ltd.

Concluded memorandum of understanding regarding business alliance as announced on March 8, 2018

◆ Details of the business alliance

(1) Supermarket business

- Dispatching of human resources with extensive experience in the supermarket business by the Seven & i Group
- Sharing of the Seven & i Group's expertise in operations, education and other areas and collaboration on merchandising and other activities
- Introduce the Seven & i Group's Seven Premium private brand products etc. in Odakyu OX stores

(2) Train station store business and convenience store business

- Conversion of train station store (Odakyu SHOP) and convenience store (Odakyu MART) formats to 7-Eleven stores
- *Conversion plan
Plan to promote the conversion to Seven-Eleven stores sequentially over 2 years by starting it from 2H FY2019

(3) Product procurement

- Consideration to Streamlining and cost reduction through mutual use of logistics functions

We will continue working to collaborate with external partners in an effort to proactively create new value.



Appendix

Overview of Consolidated Financial Results Q1 FY2019



(Billions of yen)	Amount	YOY Change	vs Budget Difference vs Budget
Group's total sales*	2,851.0	106.6% +176.0	101.1% +30.6
Revenue from operations	1,599.0	108.9% +130.9	102.4% +37.7
Operating income	86.3	102.7% +2.2	104.7% +3.8
Ordinary income	84.9	101.6% +1.3	105.6% +4.5
Net income attributable to owners of parent	42.8	127.5% +9.2	105.0% +1.9

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

Revenues from Operations by Business Segment Q1 FY2019



(Billions of yen)	Amount	YOY	Change
Consolidated revenues from operations	1,599.0	108.9%	+130.9
Domestic convenience store operations	233.8	102.5%	+5.7
Overseas convenience store operations	609.2	132.5%	+149.2
Superstore operations	476.0	100.0%	+0.03
Department store operations	141.6	87.1%	(21.0)
Financial services	53.6	106.1%	+3.0
Specialty store operations	98.0	94.5%	(5.7)
Others	5.6	100.1%	+0.00
Eliminations / corporate	(19.0)	-	(0.49)

Operating Income by Business Segment Q1 FY2019



(Billions of yen)	Amount	YOY	Change
Consolidated operating income	86.3	102.7%	+2.2
Domestic convenience store operations	55.3	93.1%	(4.0)
Overseas convenience store operations	9.3	133.2%	+2.3
Superstore operations	6.2	117.9%	+0.94
Department store operations	0.36	91.4%	(0.03)
Financial services	13.8	111.0%	+1.3
Specialty store operations	2.9	246.2%	+1.7
Others	0.60	61.7%	(0.37)
Eliminations / corporate	(2.4)	-	+0.31

Operating Income for Major Operating Companies Q1 FY2019



(Billions of yen)	Amount	YOY	Change
Seven-Eleven Japan	55.7	93.6%	(3.8)
7-Eleven, Inc. [in dollar basis]	14.0 [\$130.1 mn]	140.0% [146.9%]	+4.0 [+\$41.5 mn]
Ito-Yokado	2.4	348.5%	+1.7
York-Benimaru <incl. Life Foods* >	3.7	84.5%	(0.68)
Sogo & Seibu	0.29	76.5%	(0.08)

* Life Foods is a wholly owned subsidiary which produces and sells delicatessen in York-Benimaru stores.
The combined operating income for York-Benimaru and Life Foods represents internal management reporting figures.

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.