

# Financial Results Presentation for the First Half FY2019

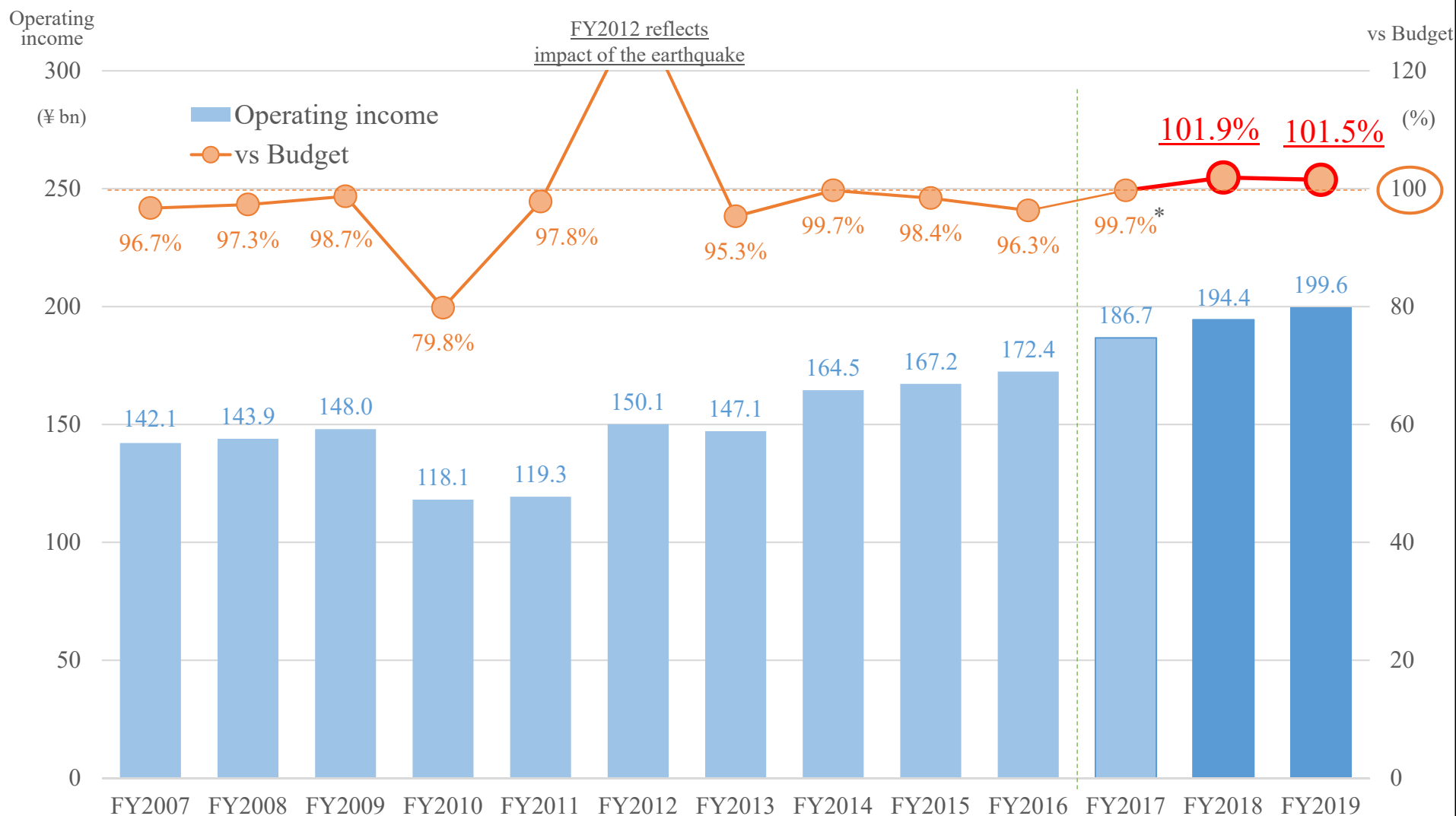
October 12, 2018

Seven & i Holdings Co., Ltd.

# Consolidated Operating Income and Ratio to Budget (Q2 Cumulative)



\*FY2017 excludes mail order business



Record high earnings for the sixth consecutive year and achieved budget for the second consecutive year, despite the impact of adverse weather, etc.

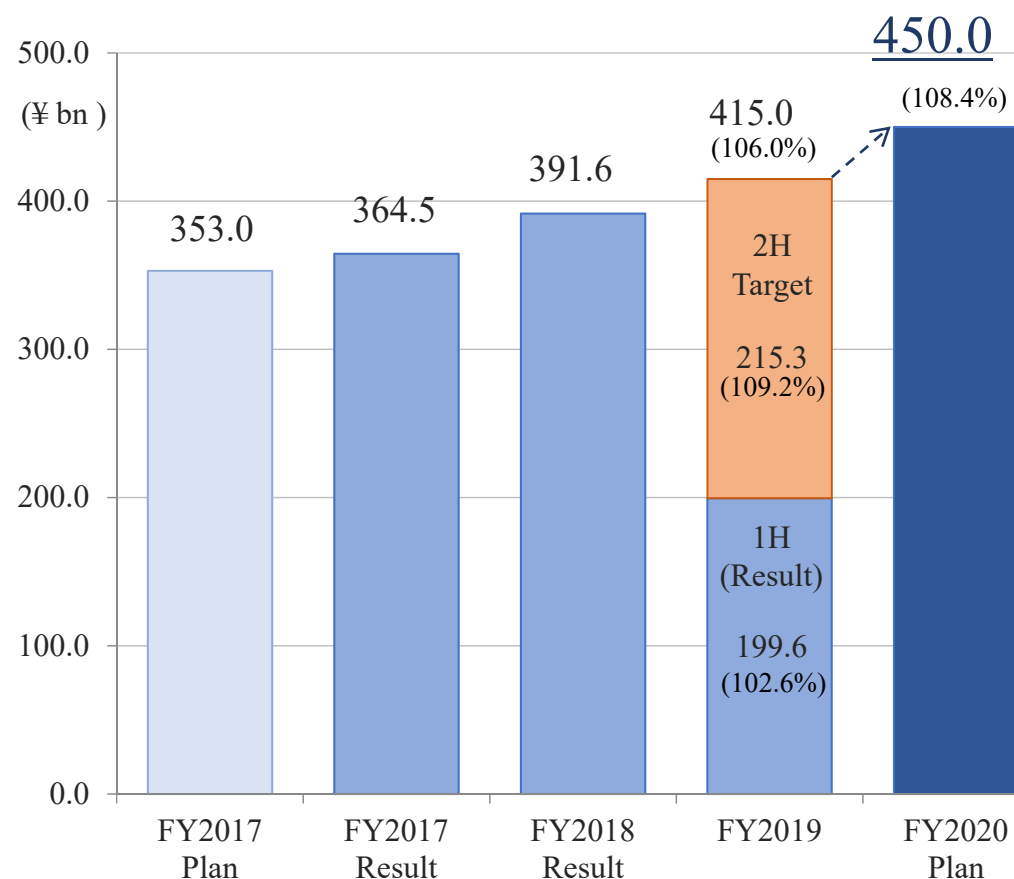
# Toward Achieving the Medium-Term Management Plan



## ◆ Operating income by segment

	(¥ bn)	Change
Consolidated revenues from operations	199.6	+5.1
Domestic CVS operations	127.8	(3.2)
Overseas CVS operations	36.2	+2.8
Superstore operations	9.4	+2.7
Department store operations	0.09	(0.77)
Financial services	28.3	+2.5
Specialty store operations	3.7	+2.9
Others	1.3	(0.78)
Eliminations / corporate	(7.4)	(1.0)

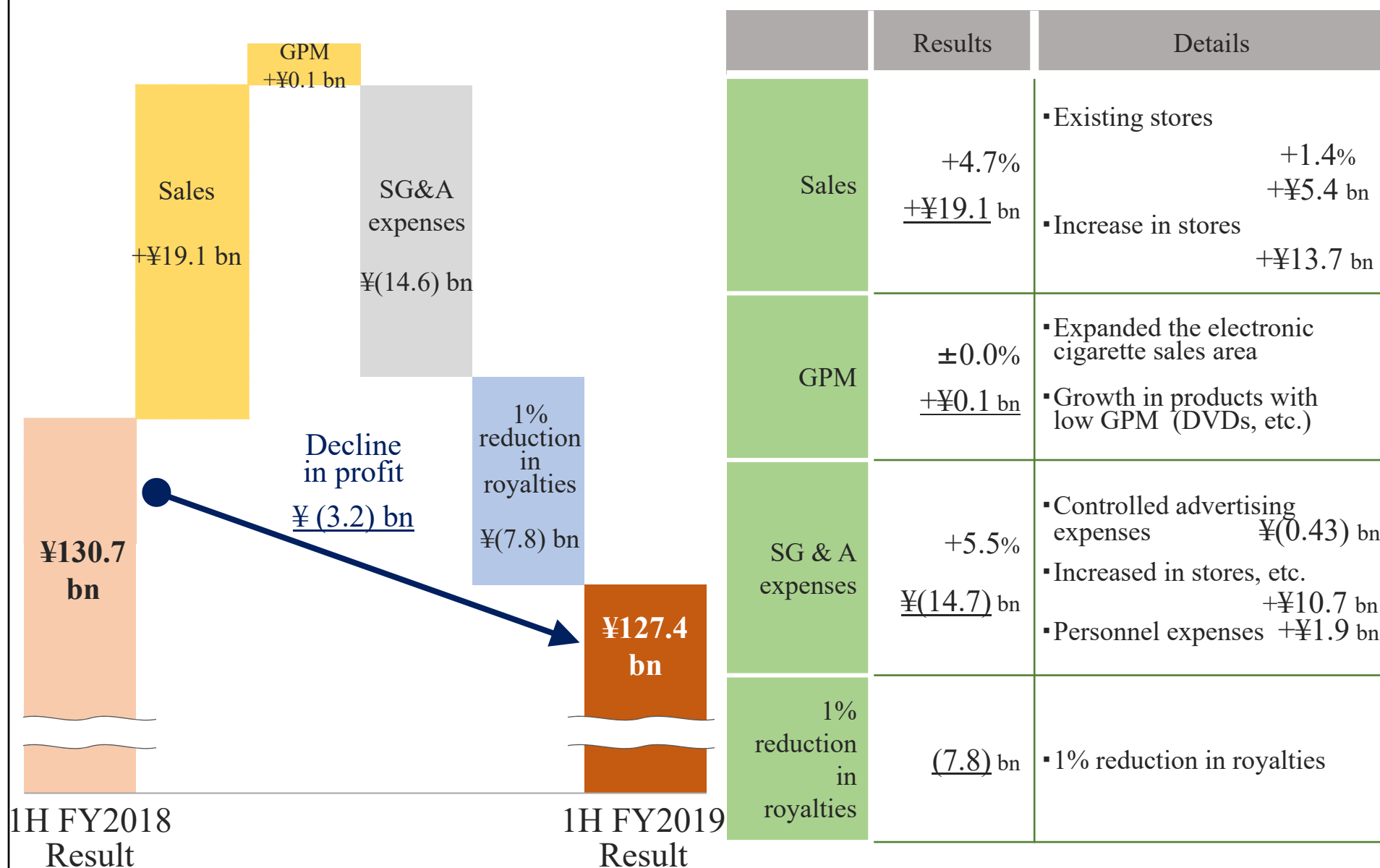
## ◆ Progress on Medium-Term Management Plan (annual operating income)



Up by ¥2.9 bn compared to 1H budget  
Progress as planned toward FY2020 medium-term plan (operating income ¥450.0 bn)

# Seven-Eleven Japan SEJ

# SEJ: Operating Income Factors in YOY Change 1H FY2019

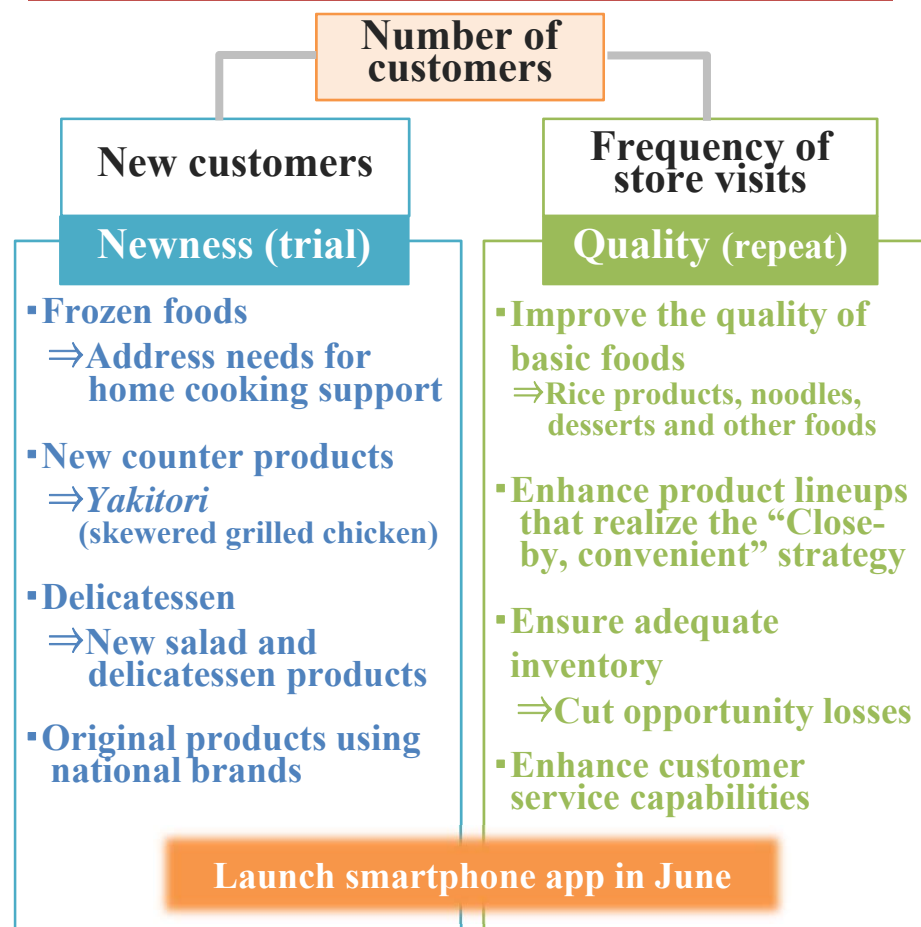


# Measures to improve the number of customers

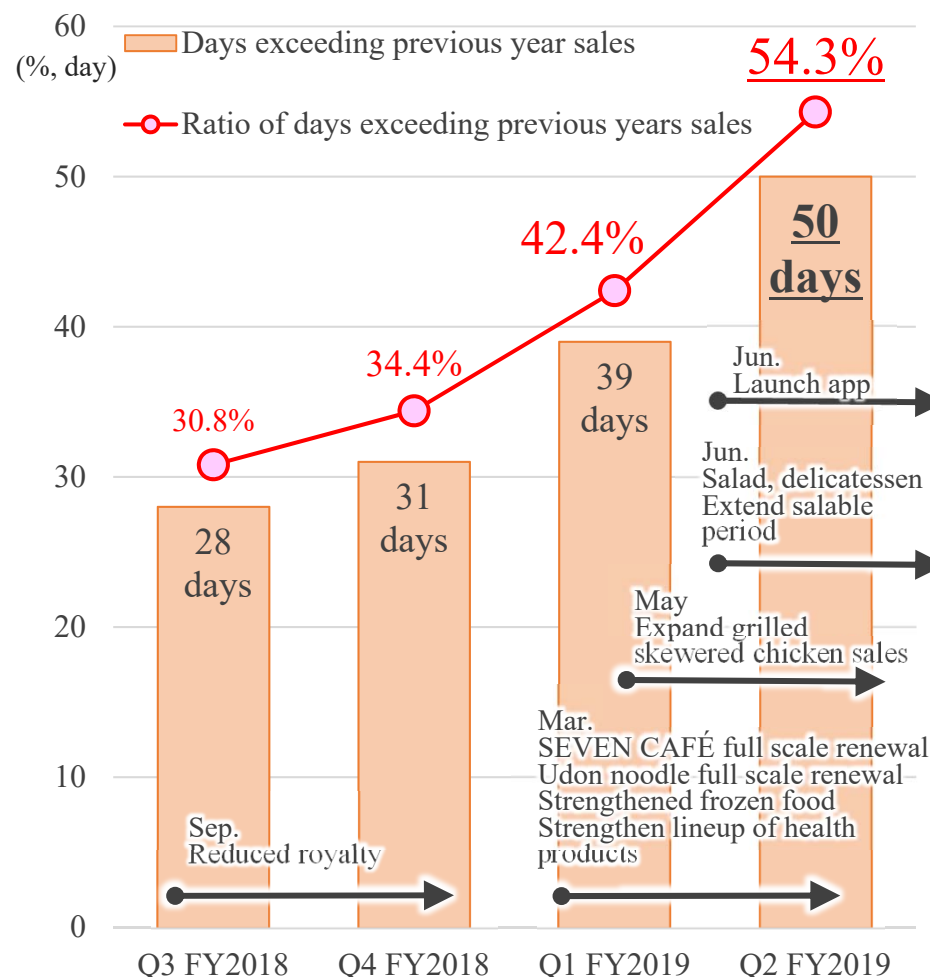


Extract from April 6 financial results presentation materials.

## Measures to improve the number of customers



## Quarterly existing store customer numbers - status and response









Sales and customer numbers improving due to combined effect of product development with sales area reforms and support for franchised stores

# SEJ: Respond to Increase in Demand for Take-Home Meals (Initiatives to Extend Long-Lasting Freshness)

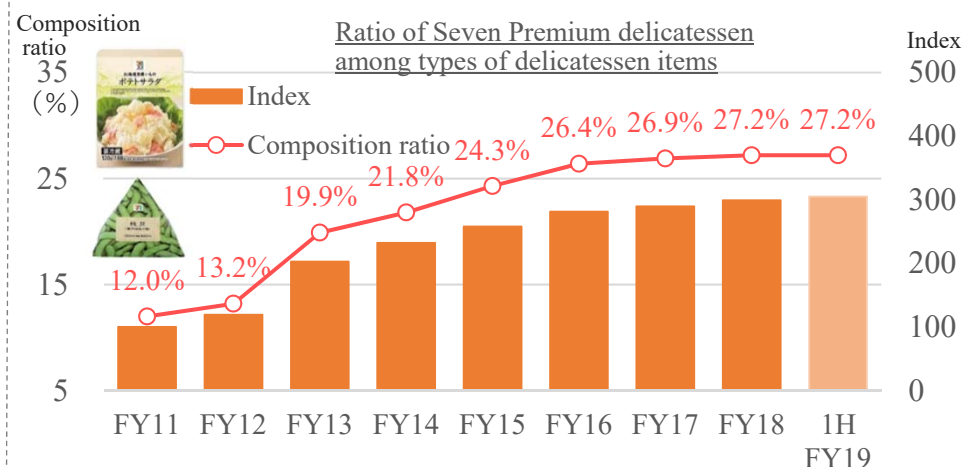
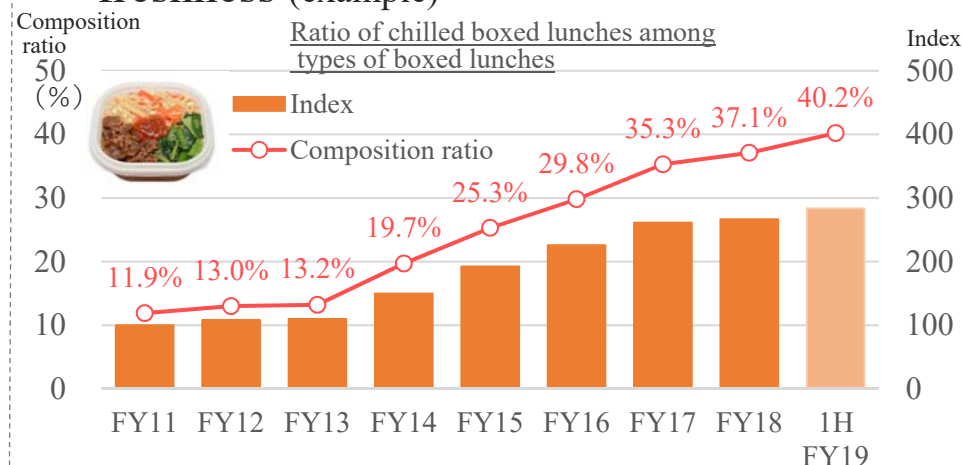


## ◆ Products with longer-lasting freshness (example)

<b>【Seven Premium】</b> Launched 2008  (Prev) approx. 2 days (Now) approx. 2 weeks Salable period	<b>【Chilled lunch boxes】</b> Launched 2009  (Prev) approx. 1 day (Now) approx. 3.5 days Salable period
<b>【Prepared meal (Tetra pack)】</b> Launched 2010  (Prev) approx. 1.5 days (Now) approx. 3 days Salable period	<b>【Spaghetti】</b> Launched 2011  (Prev) approx. 1.5 days (Now) approx. 2.5 days Salable period
<b>【Salad】</b> Launched 2018  (Prev) approx. 1.5 days (Now) approx. 2.5 days Salable period	<b>【Chines delicatessen】</b> Launched 2018  (Prev) approx. 1 day (Now) approx. 3.5 days Salable period

Through continuous innovation, expand range of products with longer-lasting freshness without depending on preservatives or sacrificing flavor

## ◆ Sale of products with longer-lasting freshness (example)



# SEJ: Increase Supply Chain Productivity



## ◆ Productivity improvement at daily foods production facilities

### Concentrate order placements

Sandwich concentrated  
order placement  
3 placements  $\Rightarrow$  2 placements

\*Test conducted in *Kochi*  
\*Concentrate order placement for 5 out of 12 items

### Concentrate raw materials

Reduce raw materials  
by over 10%

\*Increase facility productivity and reduce losses

## ◆ Issues to be addressed for sustainable growth

### (1) Consideration regarding three-delivery system for rice products



### (2) Consideration regarding delivery of chilled products

\*Daily foods manufacturers  
night-time manufacturing

Afternoon and night delivery  
 $\rightarrow$  Afternoon delivery only  
 $\rightarrow$  Night delivery only



Promote productivity improvements across the entire supply chain by revising manufacturing system and delivery window



# SEJ: Respond to Increase in Demand for Take-Home Meals (Strengthen product capability)



## ◆ Measures to strengthen food implemented in 1H (examples)

### Salads



### Delicatessens



Longer lasting freshness

### Fryer items



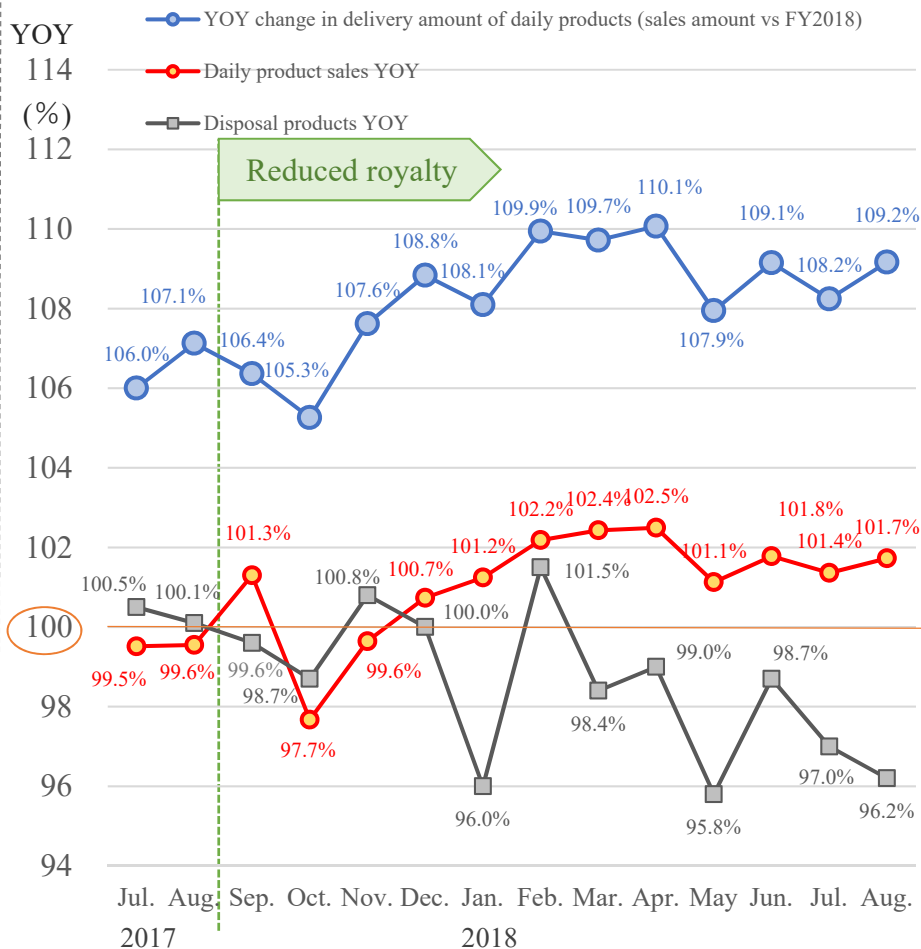
### Health products



Grilled skewered chicken



## ◆ Results for daily products and disposal products at existing stores

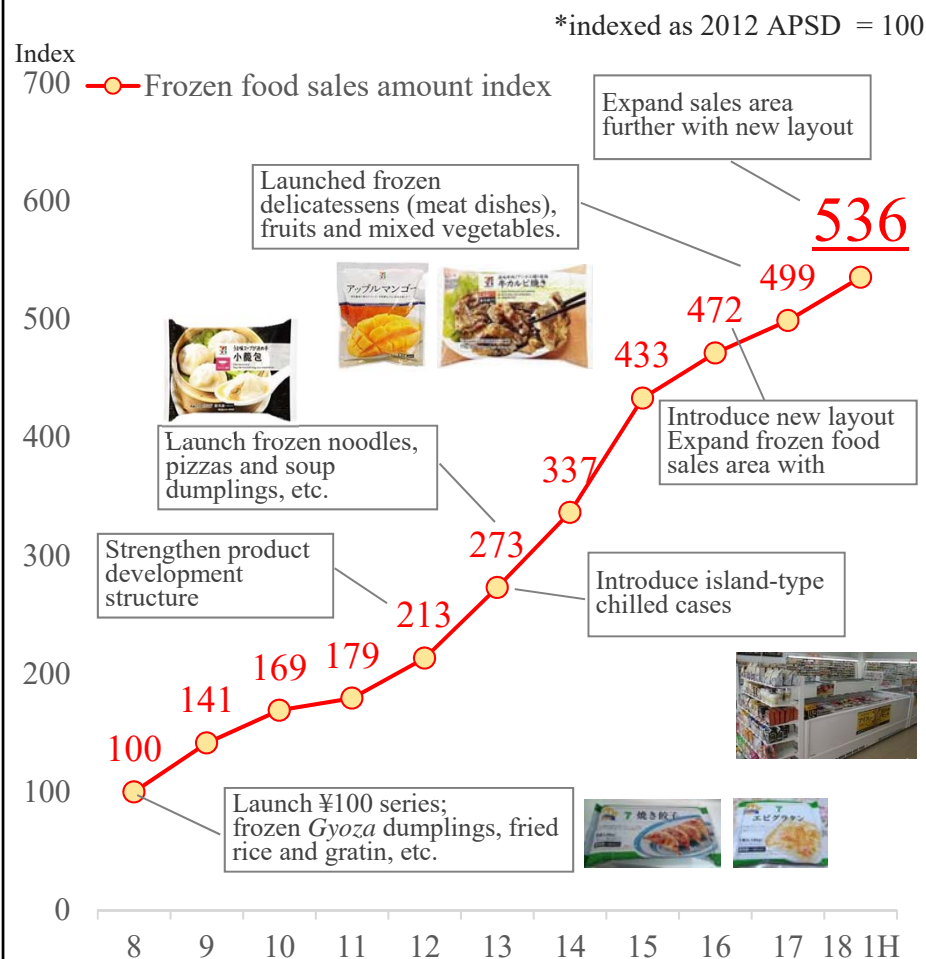


Growth in daily product sales atop continued aggressive ordering, partly reflecting reduced royalties

# SEJ: Respond to Increase in Demand for Take-Home Meals (Strengthen product capability)



## ◆Frozen food sales amount



Continued sales area expansion and continue product expansion see more than five-fold growth over 10 years

## ◆Measures in frozen food category implemented in 1H (examples)

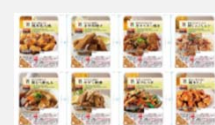
### ■ Expand sales space for ingredients-type products

- Mixed vegetables
- Frozen meat
- Frozen fruits



### ■ Expand easy meals with trays as containers

Launched *Seven Premium* snack series



### ■ Strengthen brand collaboration products

- *Seven Premium Sumire* fried rice
- *Seven Premium Moko Tanmen Nakamoto* noodle



## ◆Measures in frozen food category implementing in 2H (examples)

### ■ Roll out *Cup Gohan* series

- ⇒ A new product that is expected to **create new meal scenarios** and **expand the customer base** for frozen food by conveniently eliminating the need for serving on a plate
- ⇒ Manufactured by **AJINOMOTO FROZEN FOODS Co., Inc.** with dedicated production line for 7-Eleven stores

### ► Roll-out schedule;

- 2,200 stores in Tokyo in Nov.
- 9,000 stores within FY2018
- Expand nationwide 1H FY2019



*Seven Premium*  
Fried rice  
*Seven Premium*  
Pilaf

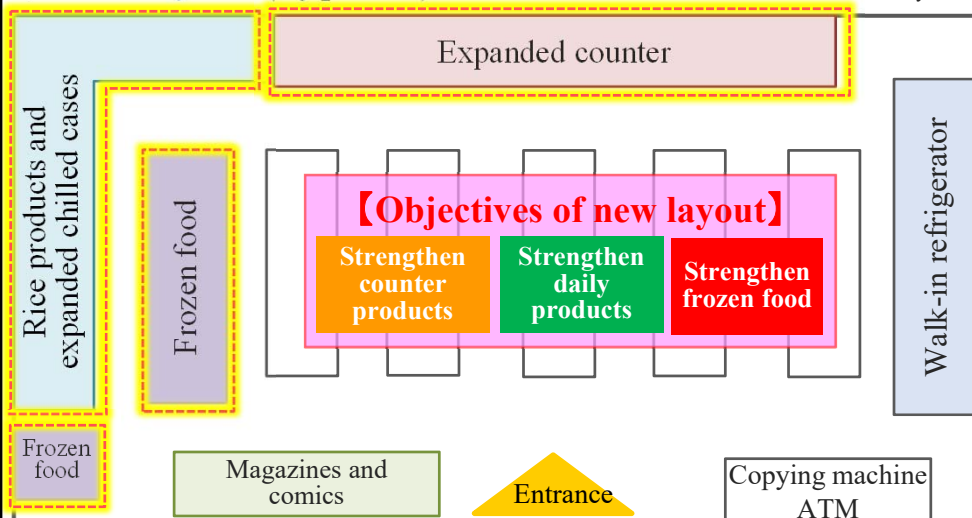
We will continue to strengthen distinctive products and will seek to further expand sales

# SEJ: Respond to Increase in Demand for Take-Home Meals (Strengthen product capability)



## ◆ New layout (Type-F1)\*<sup>1</sup>

\* 1 : Conventional “new layout”



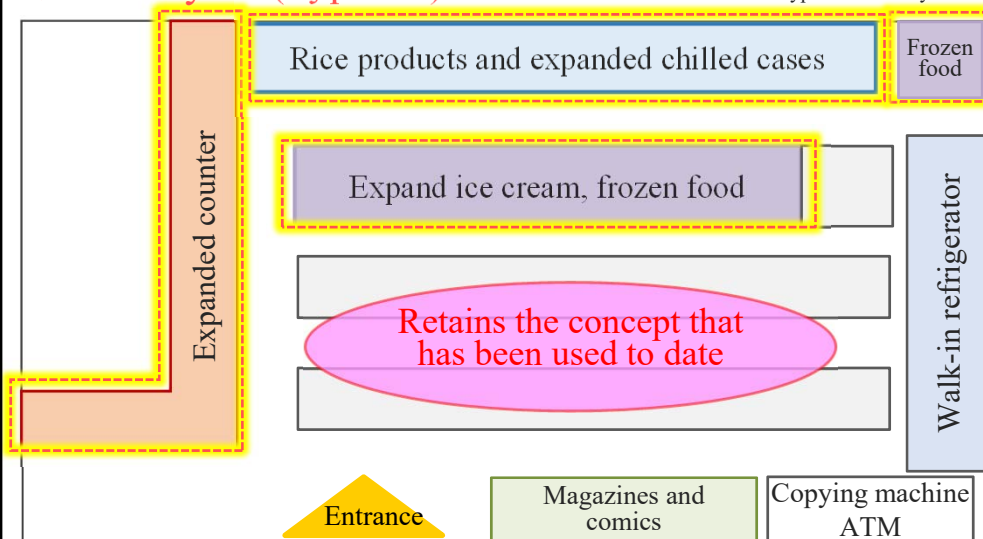
## ◆ Major sales growth categories (results for Aug.)

	National average for existing stores YOY	New layout stores YOY	Difference
Frozen food	111.0%	139.1%	+28.1%
Noodles	107.9%	112.2%	+4.3%
Fryer items	108.8%	111.6%	+2.8%
Pastries	105.1%	110.9%	+5.8%
Delicatessen	106.0%	108.8%	+2.8%
Daily products	104.9%	108.6%	+3.7%

To accelerate conversion to the new layout, we have started introducing a new type of new layout that retains the concept that has been used to date

## ◆ New layout (Type-F2)\*<sup>2</sup>

\* 2 : New type of “new layout”



## ◆ Comparison of two types of new layout

	Type-F1	Type-F2
Counter length	9.6 m	11.0 m*
Chilled cases	11	11
Frozen food sales area	2,7 kℓ	2,7 kℓ
Gondola shelving	37 (Approx. 33.5m)	38 (Approx. 34.5m)
Closed period for remodeling	Approx. three weeks	-

\*Total length including side counter

# SEJ: Respond to Increase in Demand for Take-Home Meals (Strengthen product capability)



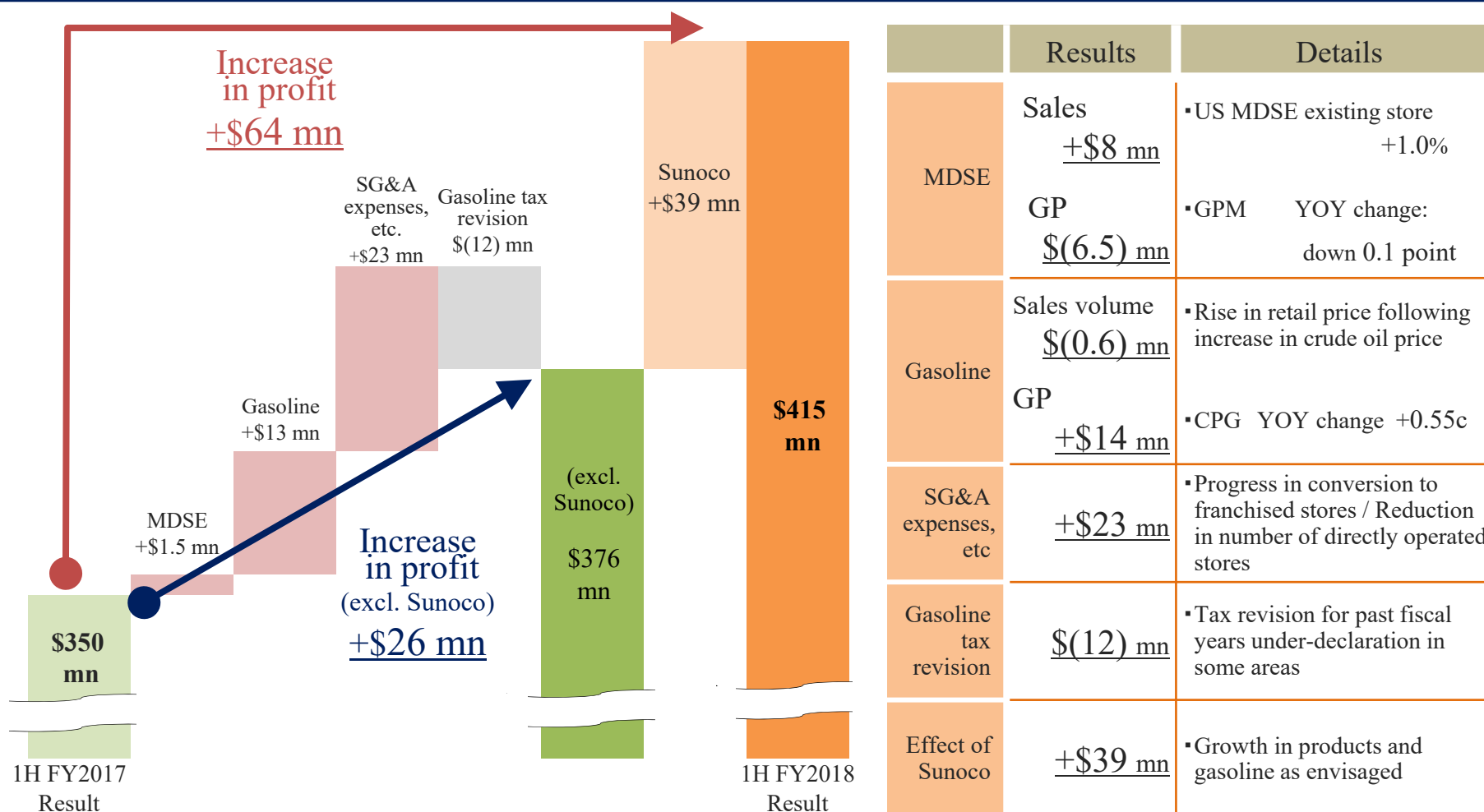
## ◆New layout (progress and expansion plan)

	FY2018	FY2019	FY2020	FY2021	FY2022
	Results	Plan	Plan	Plan	Plan
Type - F1 <small>*Full-scale remodeling (incl. new and scrap &amp; build stores)</small>	1,300	1,300	1,350	1,350	1,350
Type - F2 <small>*Partial remodeling</small>	-	700	1,850	1,380	1,430
Total	1,300	2,000	3,200	2,730	2,780
Cumulative store count	1,300	3,300	6,500	9,230	12,010

Respond to expansion in demand for take-home meals, by accelerating development of stores with new layout.

7-Eleven, Inc.  
SEI

# SEI: Operating Income Factors in YOY Change 1H FY2019

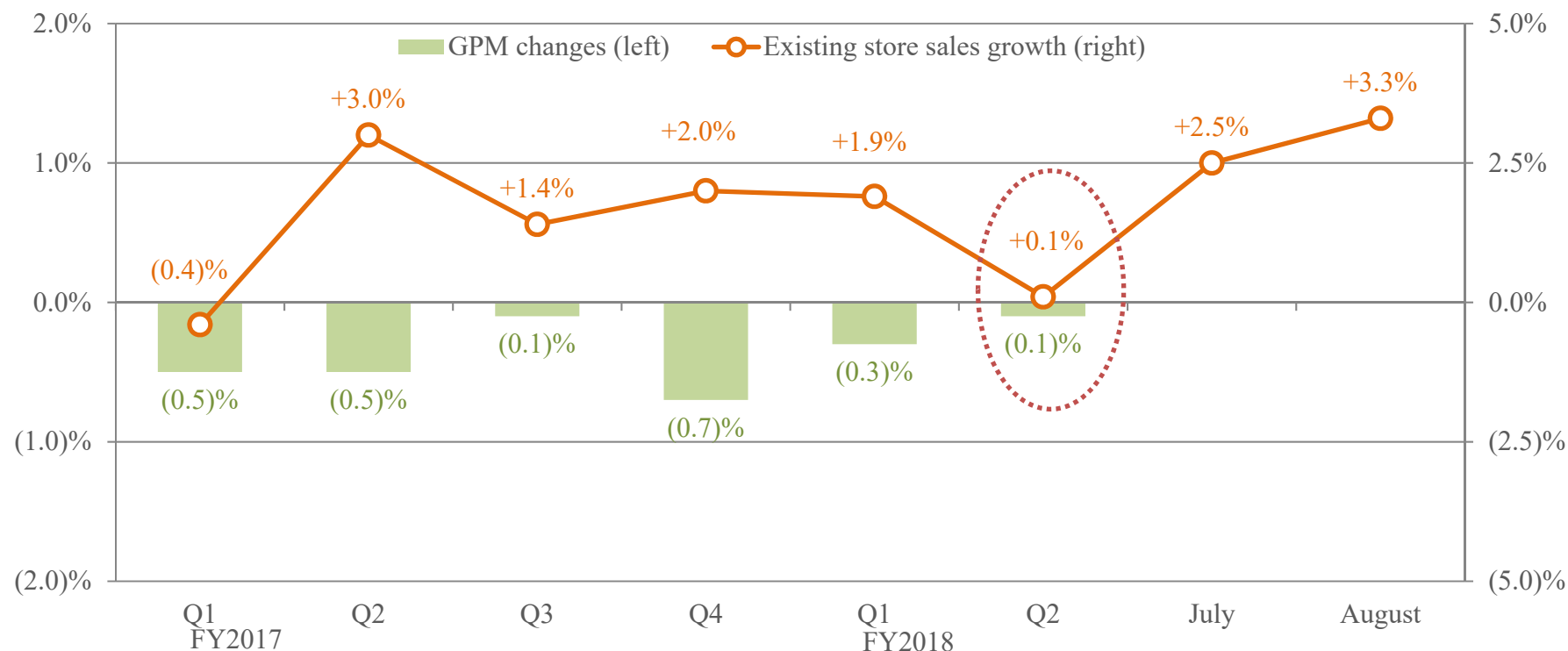


Earnings increased, even excluding Sunoco, despite the crude oil price increase and gasoline tax revisions

Sunoco performed as planned, boosting operating income by \$39 million



# SEI: Existing Store Merchandise Sales and GPM



## ◆ Q2 Main factors for YOY change

Existing store Merchandise sales	+0.1%	Merchandise Gross Profit Margin	(0.1) %
Fallback from previous year's sales growth in non food (fidget spinners, etc.)	(1.3) %	Fallback from sales growth in high-profit-margin toys in the previous year	(0.1) %
Weather (April was particularly cold)	(0.2) %	7Rewards (reward points via smartphone app)	(0.2) %

Weather has been stable since July, and existing store sales are on a recovery track

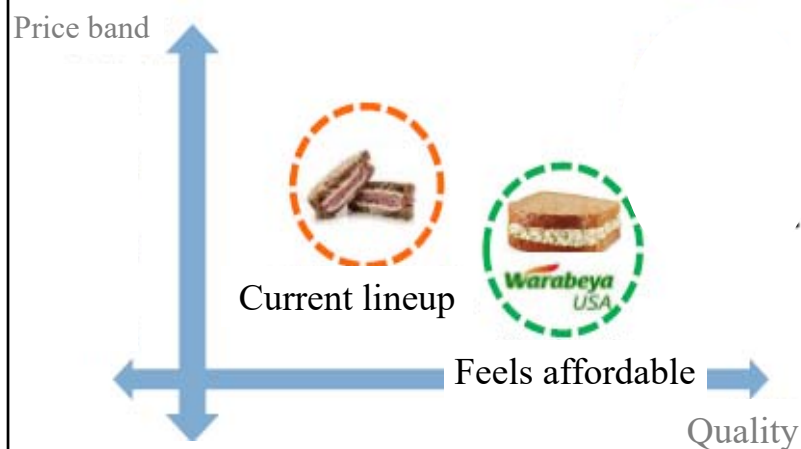
# SEI: Fresh Food Development Process Management



## ◆Initiatives with Warabeya U.S.A. Inc.

Consider SEJ-style development system  Close relationship between SEI-Warabeya - MITSUI & CO	Product Development Meeting (Weekly) Managers	<b>PDCA cycle</b> <ul style="list-style-type: none"> <li>Analyze current status</li> <li>Set benchmarks (high-grade supermarket)</li> <li>Set KPIs and targets</li> <li>Test sales</li> <li>Weekly verification/customer response</li> </ul>
	MDSE Strategy Meeting (Biweekly) Executives	

## ◆Sandwich test example (Basic product: three salad sandwiches)



### Develop products that feel affordable while increasing quality

Bread: Use bread from a local bakery, improve texture

Filling: 100% albacore tuna, flame-grilled chicken, mayonnaise with strong *umami* taste, locally grown lettuce, etc.

Packaging: Maintain quality and freshness, also consider manufacturer's productivity



### Test results in test area (August)

YOY	Jan.-Jul.	Aug.	Change
Sandwich	99.6%	104.9%	+5.3%

Some results were observed, but the target was not achieved  
Continue to improve by working through the PDCA cycle

Expand product lineup  
Expand roll-out area



# SEI: Initiatives with Warabeya U.S.A. Inc. (Future plan)



## ◆Progress and plan

		2018		2019	
		3Q	4Q	1Q	2Q
Sandwiches	Improve bread & filling	Salad sandwiches		Sub sandwiches	
		Ham & turkey sandwiches			
Bread & Pizza	Frozen Dough & Bake	Breakfast bread		Premium pizza	
Entrée & Noodles	In-house boiling dry pasta/noodle	Fried noodles		Pho noodle	
				Pasta salad	
Others	Product made with IQF rice			Burrito	

Seek to enhance performance by leveraging Warabeya's strength in Team Merchandising

# SEI: Gross Profit on Gasoline

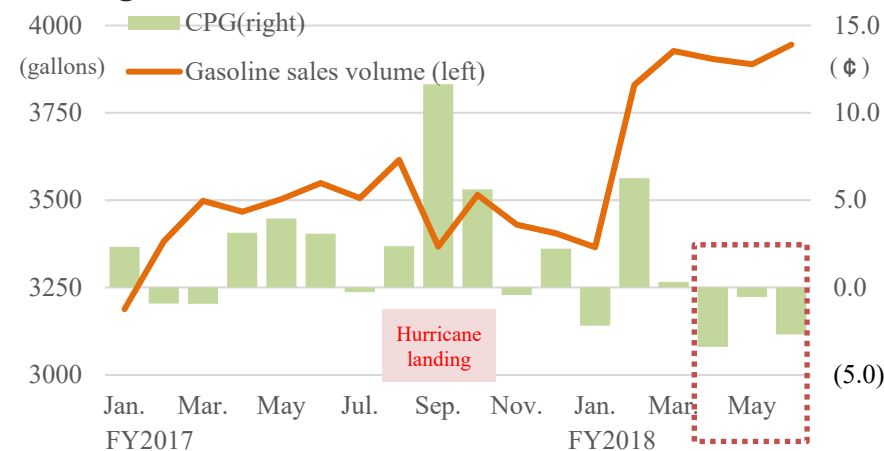


## ◆ Crude oil price (WTI)

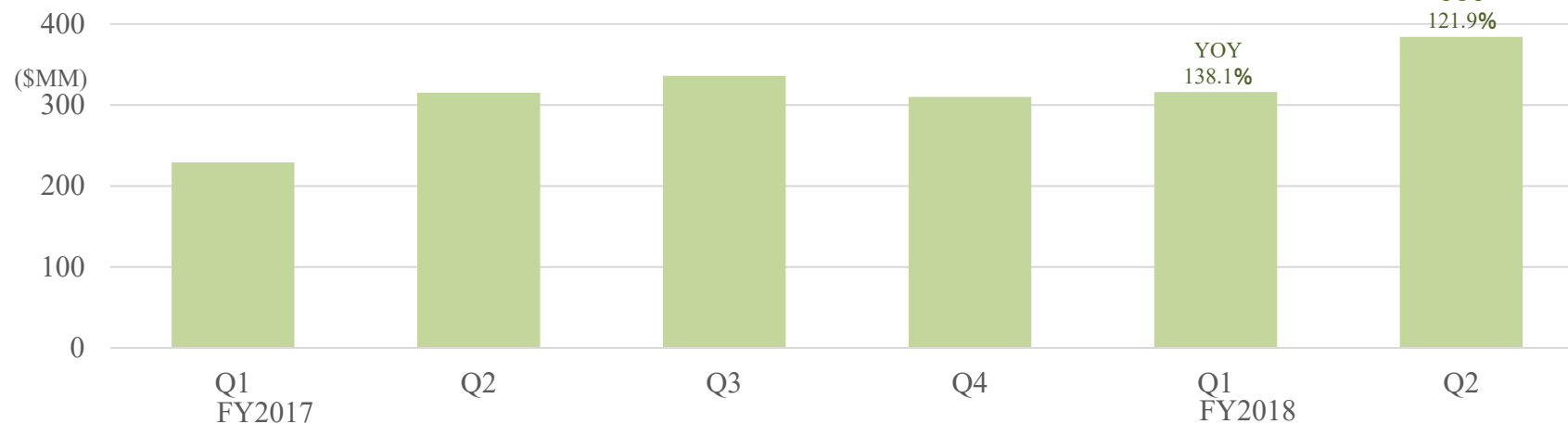
Source: EIA



## ◆ Gasoline sales volume (/day/store) and YOY change in CPG



## ◆ Gross profit on gasoline



Gross profit grew as increased gasoline sales volume from the acquisition of Sunoco stores offset harsh conditions in cents / gallon due to the increase in crude oil price

# SEI: Sunoco 1H Results



## ◆Operating figures (Average daily sales per store)

	Sunoco	SEI (excl. Sunoco)	Difference
Merchandise (\$)	4,910	4,820	+90
Gasoline (gallons)	5,100	3,480	+1,620

## ◆Financial figures

(FX rate: \$1=¥108.67)

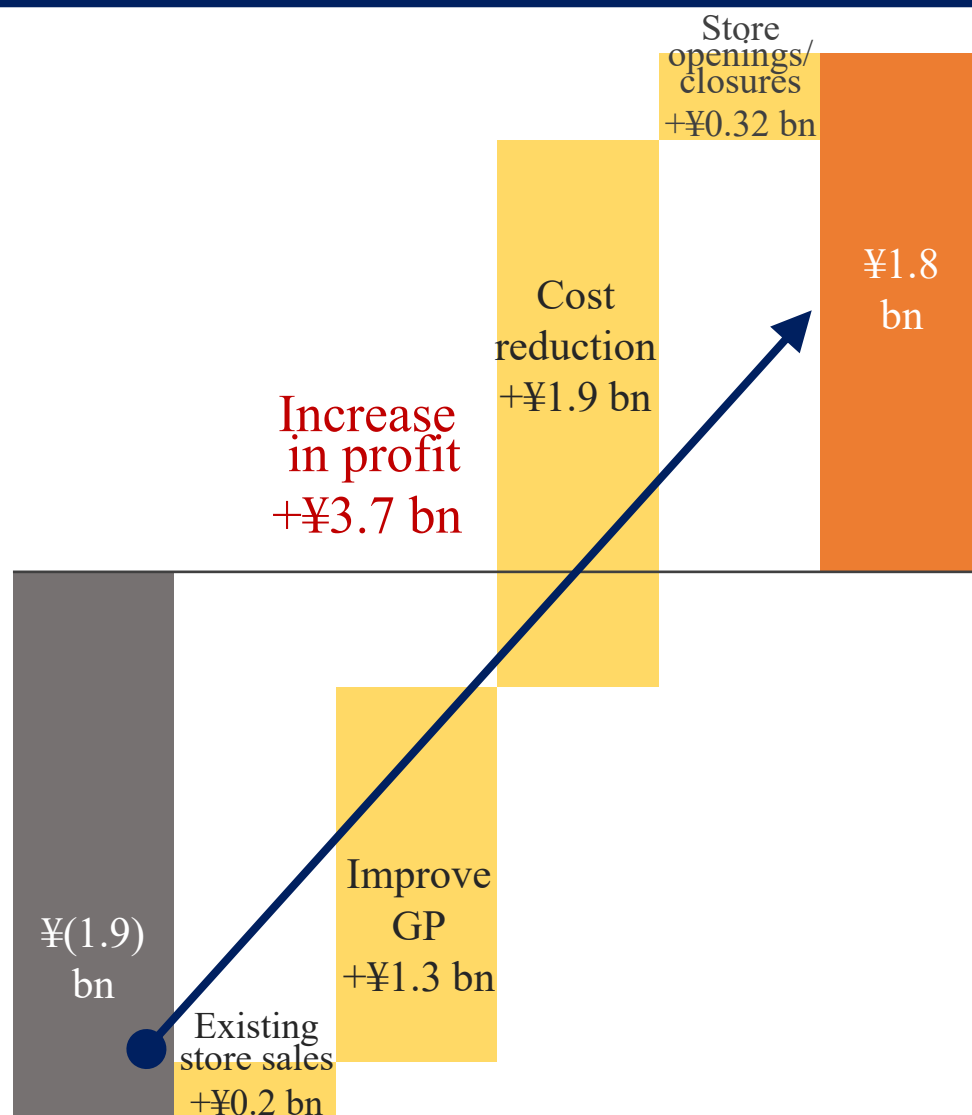
	Sunoco		SEI (excl. Sunoco)		Total	
		YOY		YOY		YOY
Operating income (\$MM)	39.1	-	376.5	107.3%	415.6	118.5%
Operating income (¥MM)	4,252	-	40,920	103.8%	45,173	114.6%
Amortization of goodwill (¥MM)	3,777*	-	5,142	86.0%	8,919	149.2%
Contribution to consolidated operating income (¥MM)	475	-	35,778	107.0%	36,254	108.4%

\*Goodwill: Calculated as US\$1,390 million. For details, please see page 9 of the Consolidated Financial Results for the Six Months ended August 31, 2018

# Ito-Yokado IY

# IY: Operating Income Factors in YOY Change

## 1H FY2019

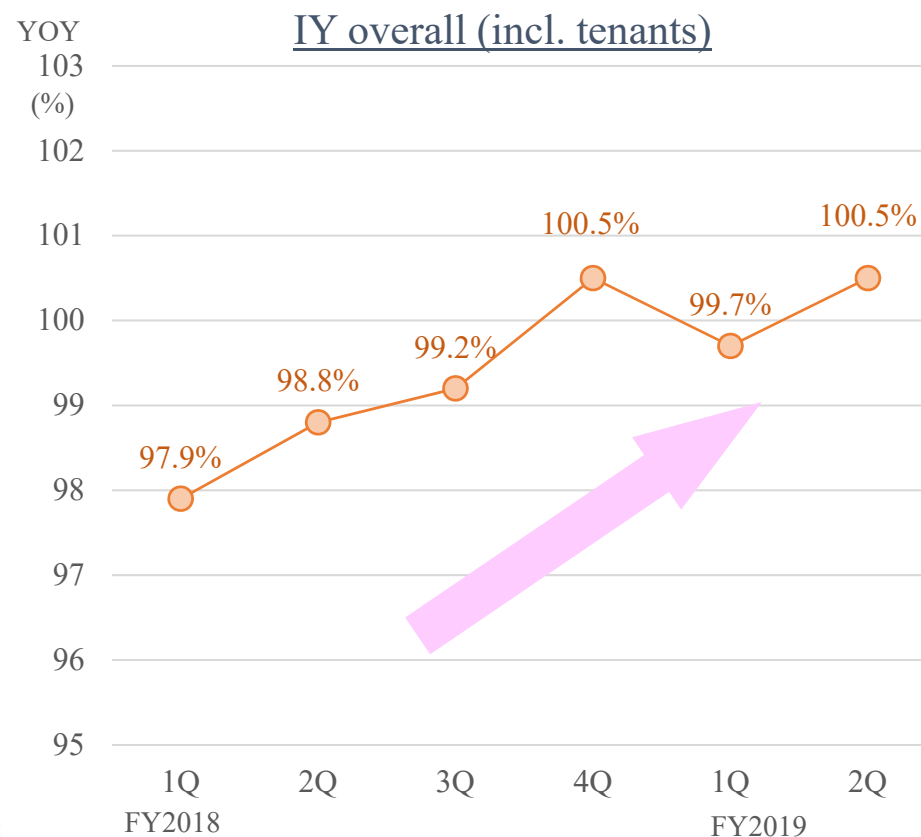
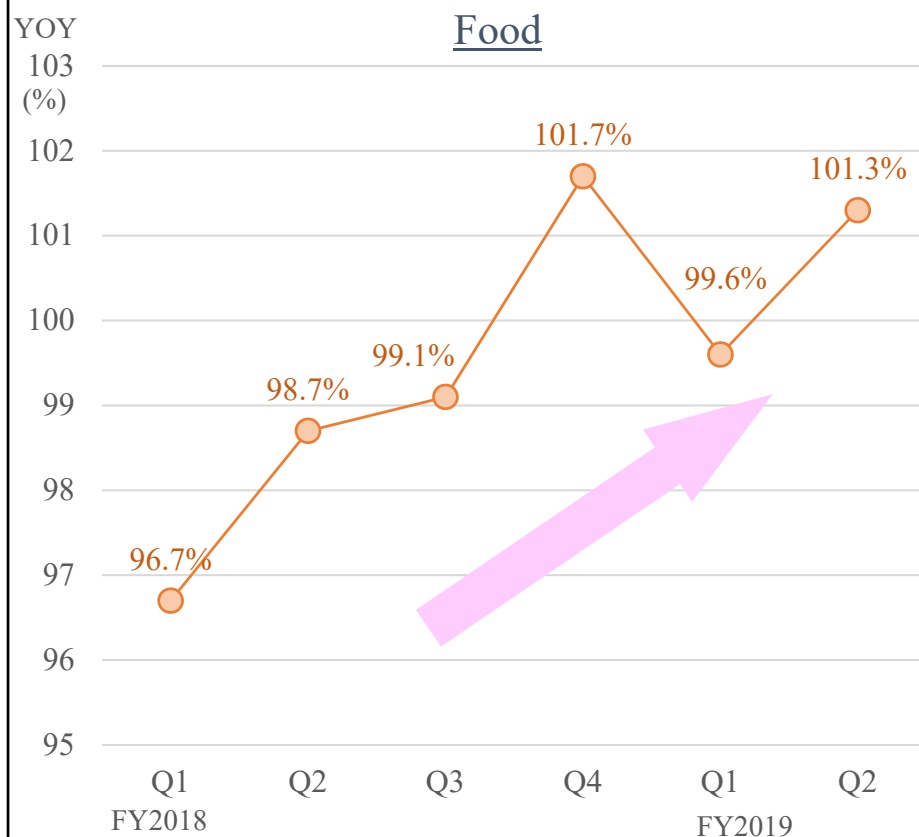


	Results	Details
Sales (incl. tenants)	+0.1% <u>+¥0.2 bn</u>	<ul style="list-style-type: none"> <li>Stores that implemented structural reforms +2.8%</li> <li>Other existing stores (1.2)%</li> </ul>
Improve GP	+0.2% <u>¥1.3 bn</u>	<ul style="list-style-type: none"> <li>Food (0.2)%</li> <li>Apparel +2.3%</li> <li>Household goods (0.1)%</li> </ul>
Cost reduction*	(4.0)% <u>+¥1.9 bn</u>	<ul style="list-style-type: none"> <li>Personnel expenses (3.0)%</li> <li>Store expenses (3.2)%</li> <li>Ad expenses (7.4)%</li> </ul>
Existing store sales total	<u>+¥3.4 bn</u>	<ul style="list-style-type: none"> <li>● Of which, effect of structural reforms +¥1.2 bn</li> </ul>
Store openings/closures	<u>+¥0.32 bn</u>	<ul style="list-style-type: none"> <li>Store openings: 2</li> <li>Store closures: 9 (FY2018)</li> </ul>

\* Excluding the effect of new store openings and store closures

# IY: Promotion of Structural Reforms

## ◆ Existing store sales YOY (by quarters)



Overall results led by a recovery in food sales, with total sales including tenants sales also on a recovery trend

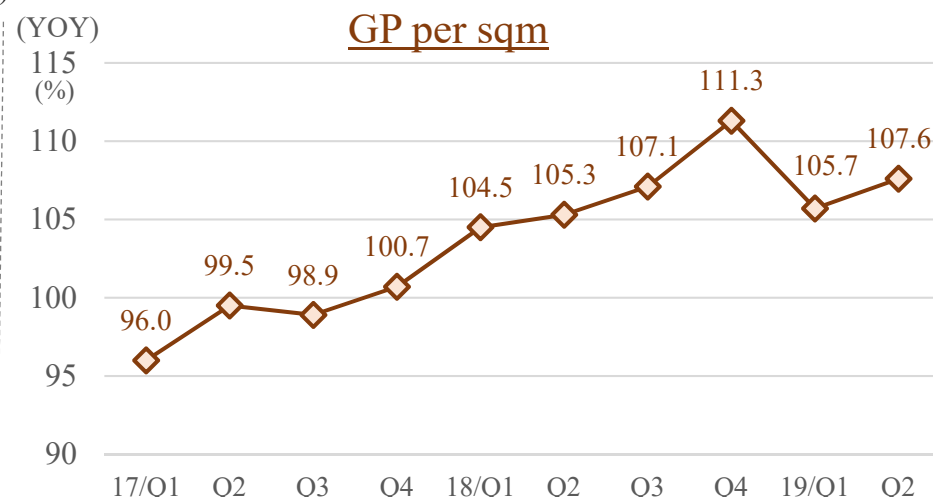
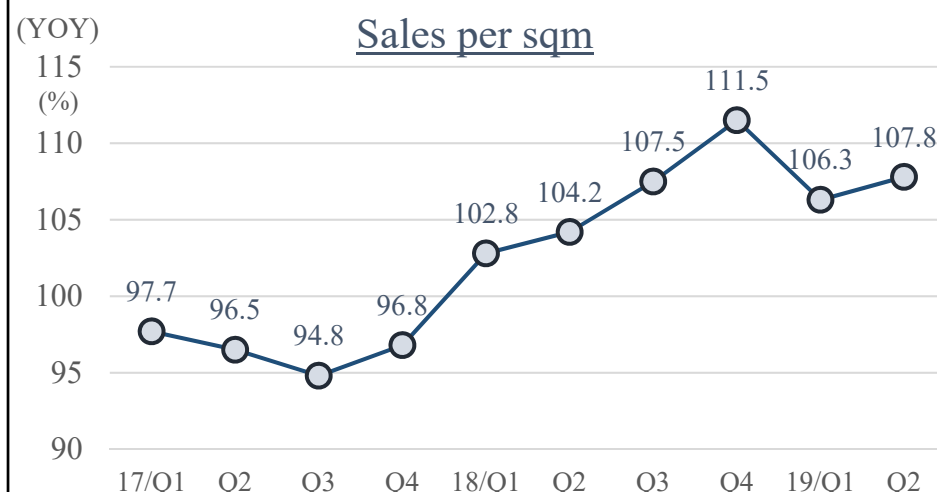
# IY: Promotion of Structural Reforms

## ◆Progress on structural reforms

Details	FY2017	FY2018	Cumulative		FY2019 1H	Cumulative
◆Structural reform	7	29	36		7	43
Conversion to largescale shopping center <i>Ario</i>	-	1	1		-	1
Invigorate existing <i>Ario</i>	4	9	13		2	15
Tenant mix initiatives and sales area reforms *	3	9	12		5	17
Model stores with strengthened food orientation (Renovate the food sales areas to new format)	-	10	10		-	10
◆Close 40 stores from FY2017 to FY2021	15	9	24		1	25

\*FY2019 results and plan include lower sales from apparel and household goods at stores with strengthened food orientation and stores with adjusted tenant mix

## ◆Results from stores where structural reforms have been implemented (YOY trend for 36 stores that complete structural reforms by FY2018)



Profitability continues to improve at stores that implemented structural reforms, and we will make further improvements by developing the reforms at other stores

# IY: Promotion of Structural Reforms

## ◆ YOY 1H results of stores that implemented structural reforms by individual store (YOY comparison of gross profit from operations/descending order)

	Store name	Directly operated sales area			Overall store (incl. tenants)	
		Sales YOY	Sales per sqm YOY	GP per sqm YOY	Sales YOY	Gross profit from operations
1	Ario Kasai	107.5%	135.5%	137.3%	122.3%	114.4%
2	Minami-matsumoto	92.0%	127.0%	134.3%	126.8%	109.4%
3	Musashikosugi-ekimae	100.3%	115.2%	117.1%	105.2%	106.4%
4	Abeno	105.2%	105.2%	105.7%	107.5%	106.2%
5	Ario Ueda	99.7%	122.4%	125.2%	104.1%	105.4%
6	Ario Kashiwa	107.1%	107.1%	110.3%	104.0%	105.1%
7	Omori	103.0%	114.9%	113.3%	115.3%	105.1%
8	Yokohama-bessho	103.8%	105.6%	106.2%	105.1%	104.6%
9	Ario Soga	100.0%	111.2%	111.4%	105.9%	103.7%
10	Shokuhinkan Otakannomori	106.4%	106.4%	104.0%	106.4%	103.5%
	Average for 36 stores	101.0%	107.0%	106.6%	102.8%	101.2%

## ◆ 1H YOY change at IY overall and stores that implemented structural reforms

	Existing store total including tenants	Stores that implemented structural reforms (36)	Difference
Sales YOY	100.1%	102.8%	+2.7%
Gross profit from operations	99.1%	101.2%	+2.1%

Profitability of stores that implemented structural reforms improved against the average for IY overall



# IY: Promotion of Structural Reforms

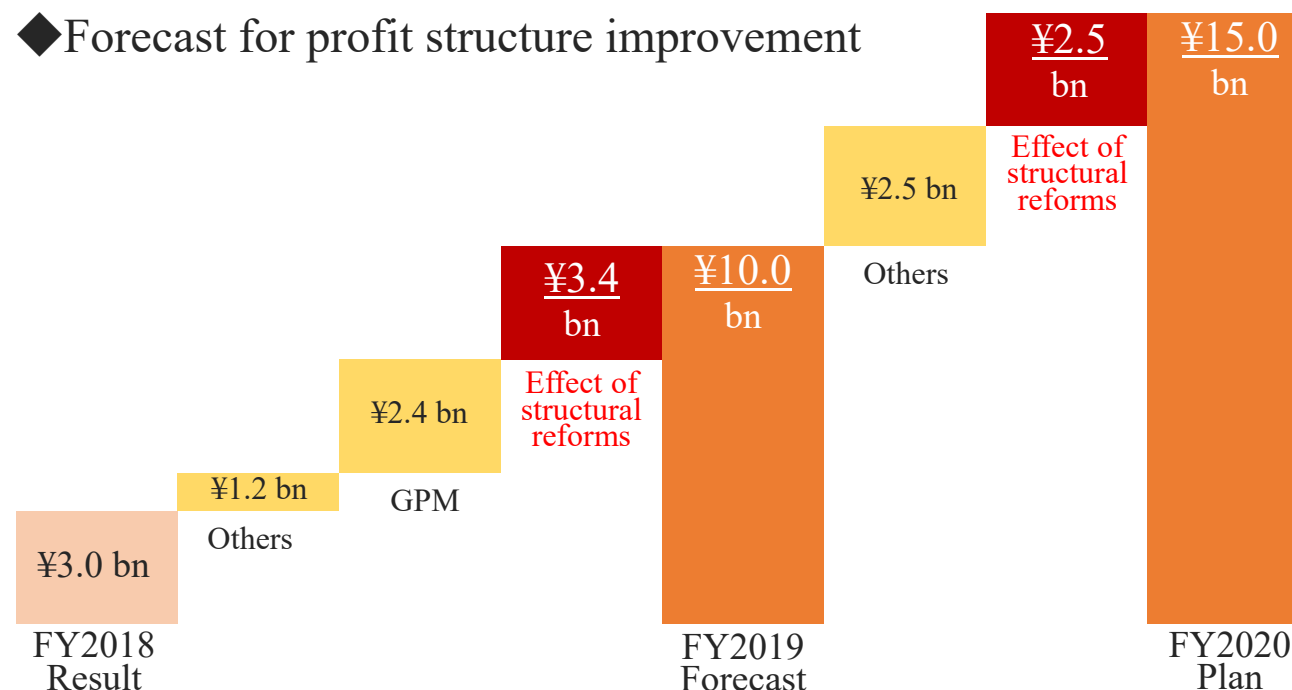
## ◆Progress on structural reforms and plan

Details	FY2017	FY2018	Cumulative
◆Structural reform	7	29	36
Conversion to largescale shopping center <i>Ario</i>	-	1	1
Invigorate existing <i>Ario</i>	4	9	13
Tenant mix initiatives and sales area reforms	3	9	12
Model stores with strengthened food orientation (Renovate the food sales areas to new format)	-	10	10
◆Close 40 stores from FY2017 to FY2021	15	9	24



FY2019 (Plan)	FY2020 (Plan)	FY2021 (Plan)
23	26	20
-	-	1
4	5	6
19	21	13
-	Phased Expansion of Initiatives that Have Proven Effective in Tests	
7	8	4

## ◆Forecast for profit structure improvement

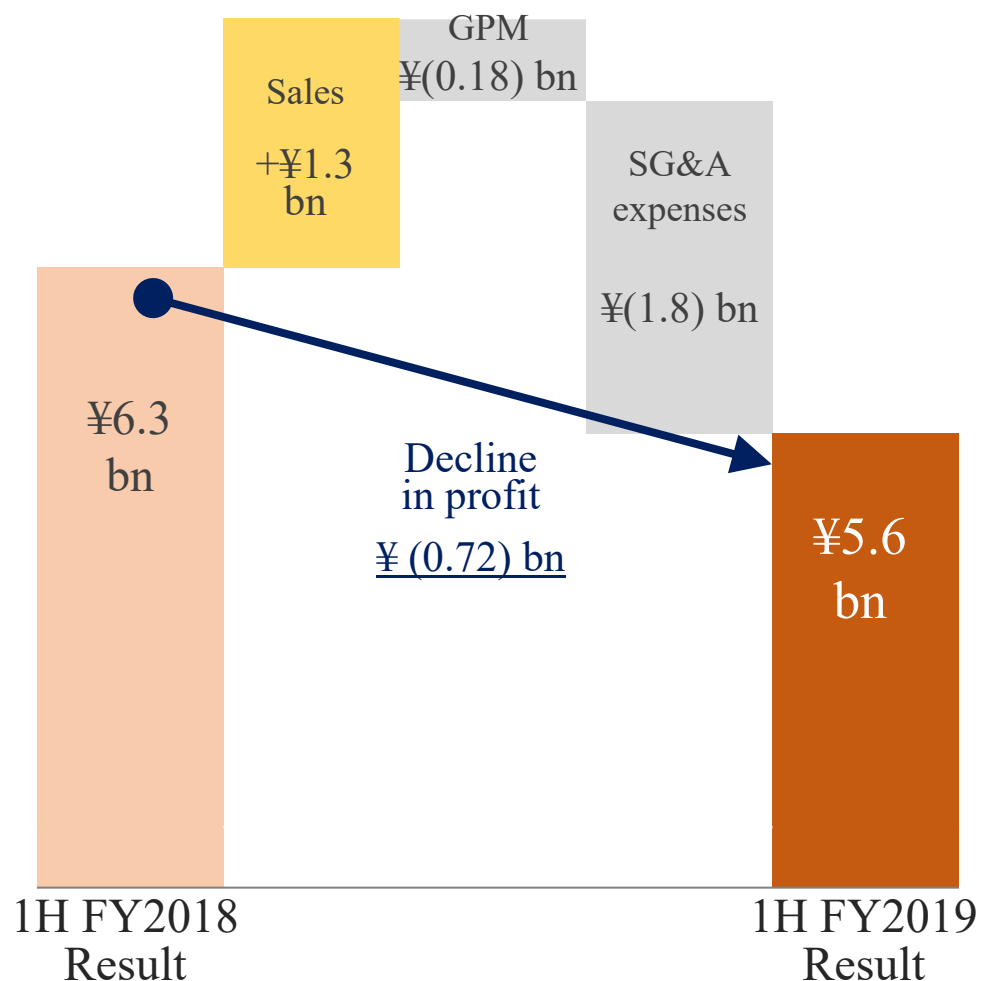


FY2019 and FY2020 results expected to achieve planned levels due to improved profitability from promotion of structural reforms

# York Benimaru YB

# YB: Operating Income Factors in YOY Change

## 1H FY2019



	Results	Details
Sales	+2.3% +¥1.3 bn	<ul style="list-style-type: none"> <li>▪ Increase in stores +¥2.1 bn YOY change +9 stores</li> <li>▪ Existing store sales (0.9)% ¥(0.5) bn</li> <li>▪ Store closures ¥(0.3) bn</li> </ul>
GPM	(0.1)% ¥(0.18) bn	<ul style="list-style-type: none"> <li>▪ Household goods ±0.0%</li> <li>▪ Food ±0.0%</li> <li>▪ Apparel (0.2)%</li> </ul>
SG&A expenses	+4.0% ¥(1.8) bn	<ul style="list-style-type: none"> <li>▪ Increase in stores ¥(2.0) bn</li> <li>▪ Existing store +¥0.27 bn                             <ul style="list-style-type: none"> <li>Ad expenses ¥(0.19) bn</li> <li>Personnel expenses ¥(0.08) bn</li> </ul> </li> </ul>

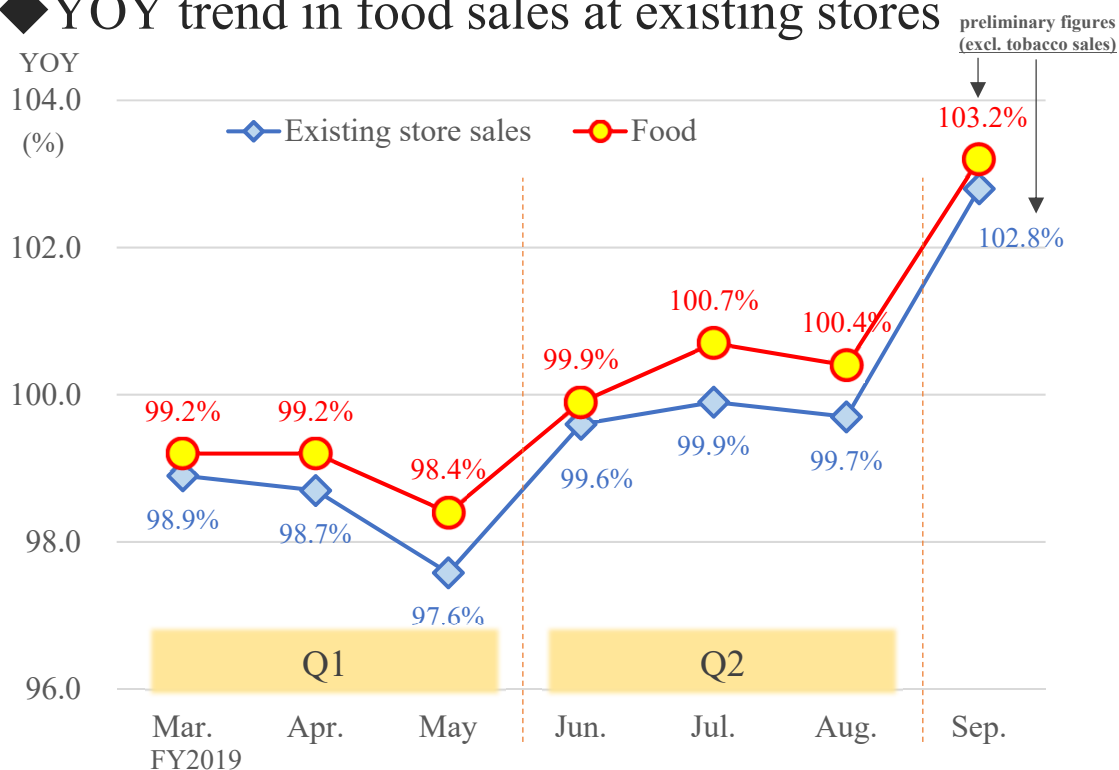
# YB: Existing Store Results



## ◆ Consumer environment in Tohoku area

Earthquake recovery construction have nearly completed  
 Earthquake assistance has been reduced, and the population has decreased  
 These and other factors have made the consumption environment more adverse

## ◆ YOY trend in food sales at existing stores



## ◆ Initiatives in Q2

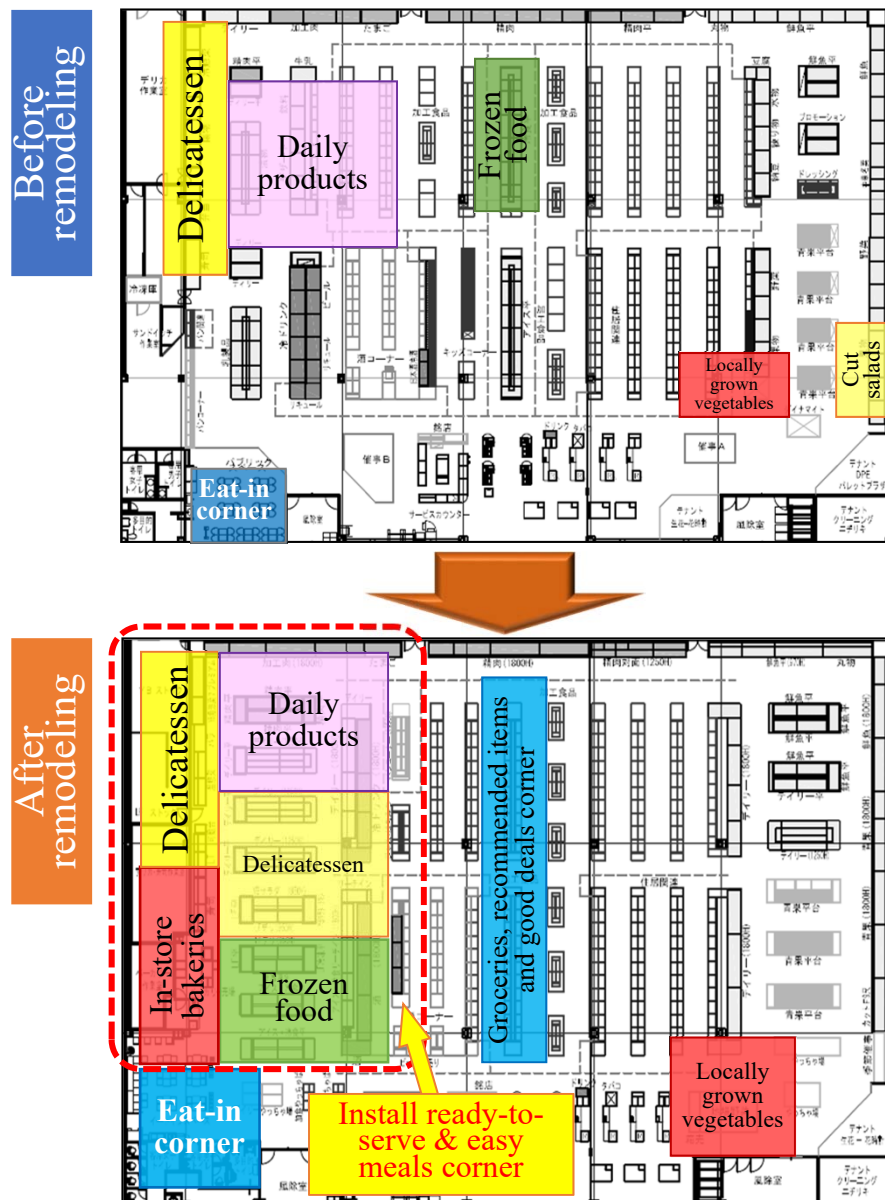
Strengthened merchandising and sales area in response to shift to take-home meals

- Strengthen delicatessen sales areas  
 ⇒ install chiller cases and propose tie-ins with delicatessen frozen foods
- Strengthen lineups of delicatessen items, noodles, cut salads, etc.
- Adjust pricing on core products
- Invigorate Existing Stores  
 ⇒ implemented 8 stores in 1H

Food sales are recovering in Q2 onward, despite struggled in Q1

# YB: Invigorate Existing Stores

## ◆ Remodeling details at *Shinhara* store



## ◆ Initiatives to invigorate existing stores

- Expand ready-to-serve & easy meals and concentration of its sales area
  - Expand sales area of delicatessen, frozen food and cut fruit
  - Newly established in-store bakeries
  - Expand eat-in corner
- Expand locally grown vegetable sales area
- Install recommended items & good deals corner

## ◆ Verification of remodeling at *Shinhara* store (remodeled on May 27)

	Q1	Q2	Difference
Delicatessen	100.5%	140.9%	+40.4%
Fresh fish	105.8%	121.6%	+15.8%
Daily product	98.6%	109.2%	+10.6%
Vegetable	98.1%	105.6%	+7.5%
Meat	107.1%	114.5%	+7.4%
Processed food	101.5%	106.1%	+4.7%
Fruit	103.2%	104.6%	+1.4%
Food total	101.5%	112.8%	+11.3%
Overall store	101.2%	111.6%	+10.5%

# YB: Invigorate Existing Stores & Curtailment of New Store Openings



## ◆ Food sales\* YOY trend at invigorated stores in 1H

	Apr.	May	Jun.	Jul.	Aug.
Existing store (YB overall)	98.9%	98.3%	100.0%	100.5%	100.4%
Remodeled stores (average)	117.6%	105.3%	107.7%	105.8%	103.5%
# of remodeled stores (cumulative)	2	4	5	8	8

\*Including sales of Life Foods which is wholly owned by YB and produces and sells delicatessen in YB stores

## ◆ Curtailment of new store openings (FY2019)

	1H	2H (plan)	Full-year
Plan at start of year	4	6	10
After change	4	3	7

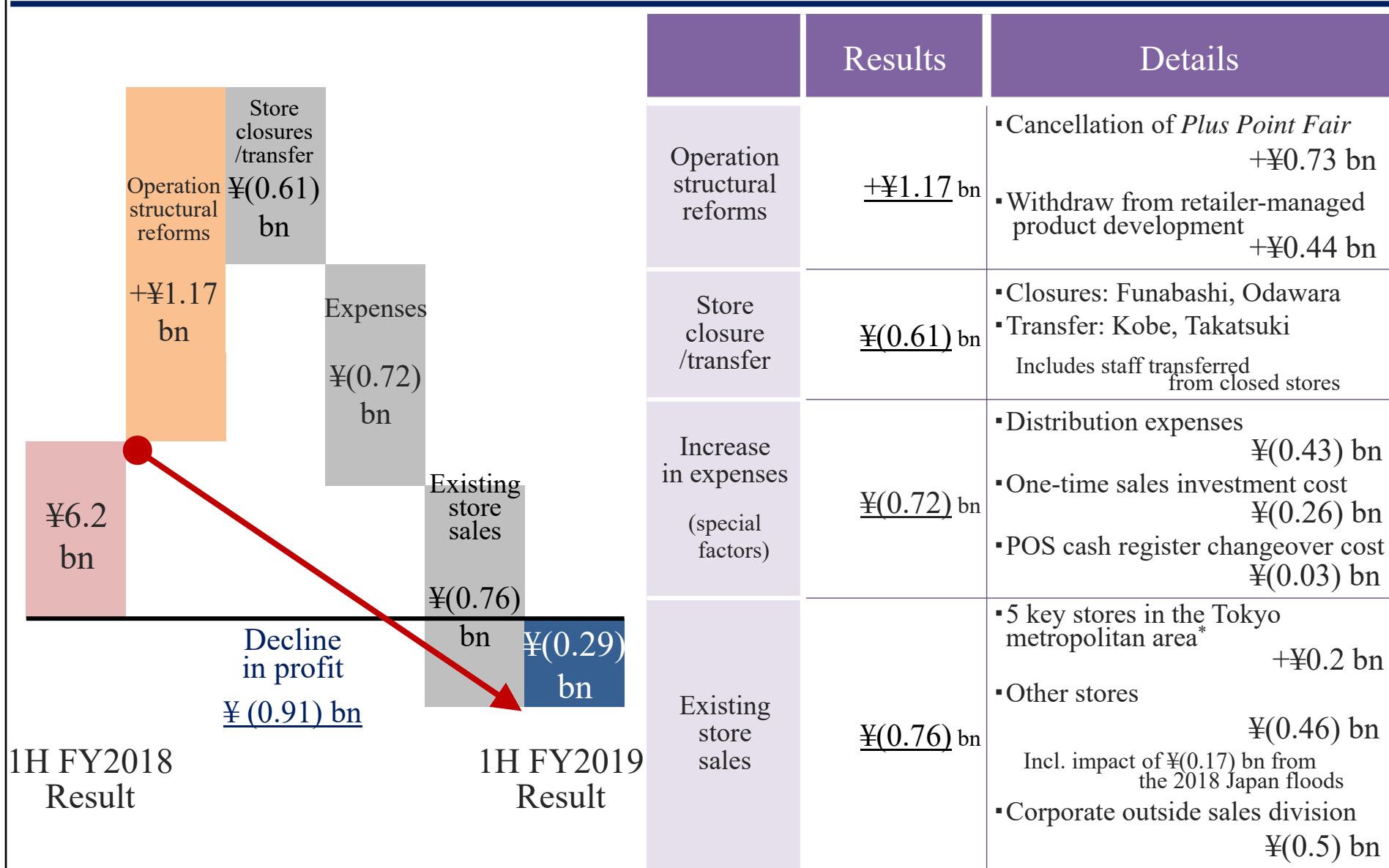
## ◆ Store invigoration plan forward

FY2019 1H	FY2019 2H	FY2020	FY2021
8	11	19	20 or more

- Although stores that implemented invigoration measures are expected to see competing stores open, they achieved strong performance in food contributing to Companywide sales
- In 2H, new store openings will be curtailed (6 stores under initial plan → 3 stores), and remodeling will be prioritized to increase profitability

# Sogo & Seibu SS

# SS: Operating Income Factors in YOY Change 1H FY2019



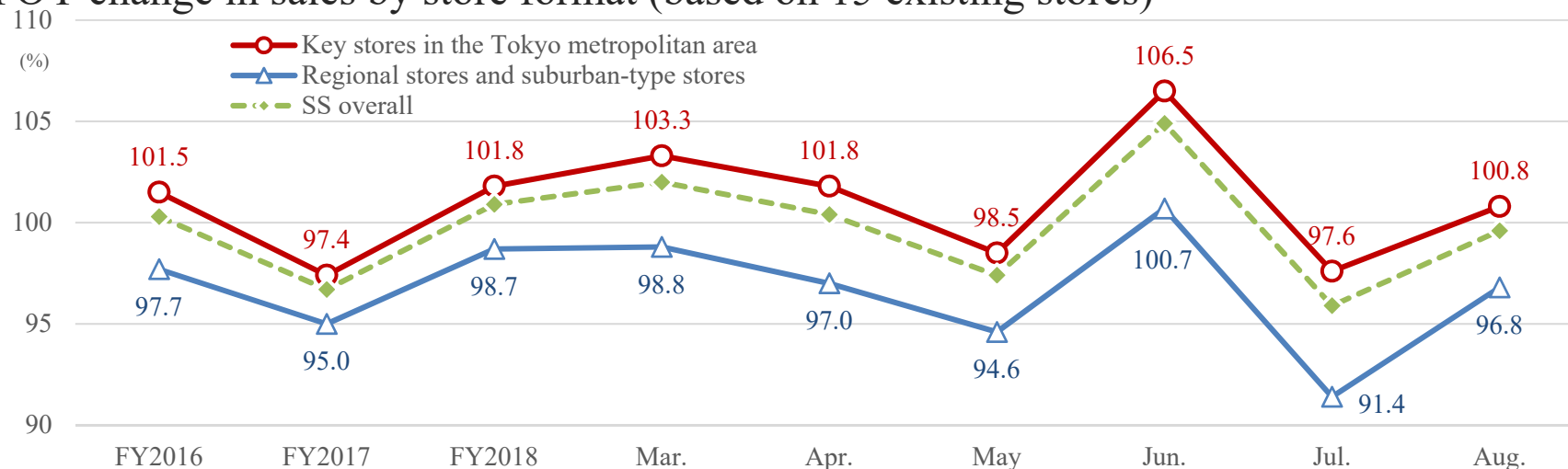
\*Key stores in Tokyo metropolitan area: SEIBU Ikebukuro, Sogo Yokohama, Sogo Chiba, SEIBU Shibuya and Sogo Omiya



# SS: Store Innovation



## ◆YOY change in sales by store format (based on 15 existing stores)



Remained mostly on par with the previous year due to growth of key stores in the Tokyo metropolitan area  
FY2019 1H result: 100.0% (excl. corporate outside sales division)

### ◆Initiatives for the key stores in the Tokyo metropolitan area

Continue growth investment mainly in growing 3 area

Cosmetics Beauty products	High purchase frequency ⇒Expand customer base Increase customer numbers and shopping in other areas
Food	
Luxury items	Strengthen respond to upper class customers and inbound customers ⇒ Increase average spending per customer

### ◆Initiatives for regional stores and suburban-type stores

Promote store innovation in line with location characteristics

Food	SEIBU Tokorozawa: Adopt two-floor format for food
Tenants	SEIBU Higashi-Totsuka: Shopping mall-type store

Concentrate investments in the key stores with high profitability in the Tokyo metropolitan area

Key stores in Tokyo Metropolitan Area: SEIBU Ikebukuro, Sogo Yokohama, Sogo Chiba, SEIBU Shibuya and Sogo Omiya

Regional stores and suburban-type stores: another 10 stores

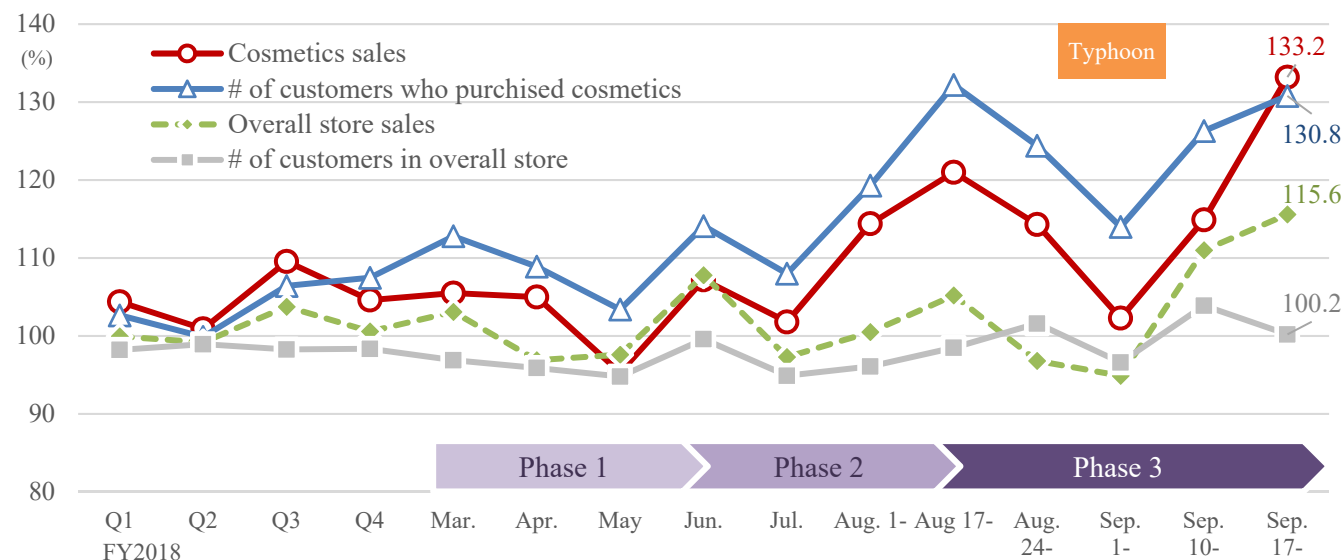
# SS: Sogo Yokohama (Remodeling Cosmetic Sales Area)



## ◆ Remodeling overview

Environmental changes	Background catchment area ( <i>Minato Mirai</i> area) development to go ahead (Comparison of FY2017 results and FY2021 estimates)		
	# of workers* <sup>1</sup> 103 thousand ⇒ 120 thousand	# of residents* <sup>1</sup> 7,500 ⇒ 10,000	# of hotel guestrooms* <sup>2</sup> 15,727 ⇒ 19,779
Actions	(1) Expand beauty products sales area		
	One of Japan’s largest product lineups	Enhance services and customer experience	Capture young generation (20s~30s)
	(2) Relocate stores and reduce sales area size in underperforming areas		
Expand to include 70 brands (+24) /4,422. sqm (+1,652 spm) for one of Japanese largest collections ⇒ Regional leader store			

## ◆ Sales and customer numbers YOY



Since the grand opening in August 17, 2018, overall store sales and customer numbers have increased, led by growth in cosmetics

\*1 Source: Yokohama City Urban Development Bureau

\*2 Research by Seven & i Group

# SS: Sogo Yokohama (Remodeling Cosmetic Sales Area)

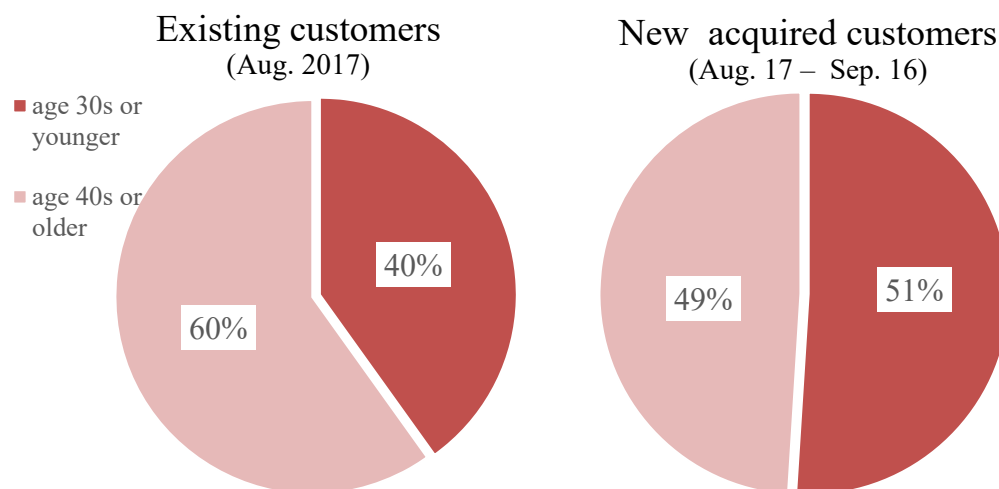


## ◆Area efficiency

	Ladies miscellaneous sales area (incl. cosmetics)			Overall store		
	FY2018	Aug. 17- (Phase 3)	Difference	FY2018	Aug. 17- (Phase 3)	Difference
Sales	98.2%	103.7%	+5.5%	100.8%	102.4%	+1.6%
Sales per sqm	98.2%	105.1%	+6.9%	100.8%	102.4%	+1.6%
Sales per GPM	98.0%	108.7%	+10.7%	99.6%	102.7%	+3.1%

Improve area efficiency by adjusting the sizes of the sales areas within ladies miscellaneous and improve overall store profitability

## ◆Growing customer base\* (by age group) \*Point card members results



A majority of new acquired customer is age 30s or younger  
⇒ Some results are observed for expansion customer base

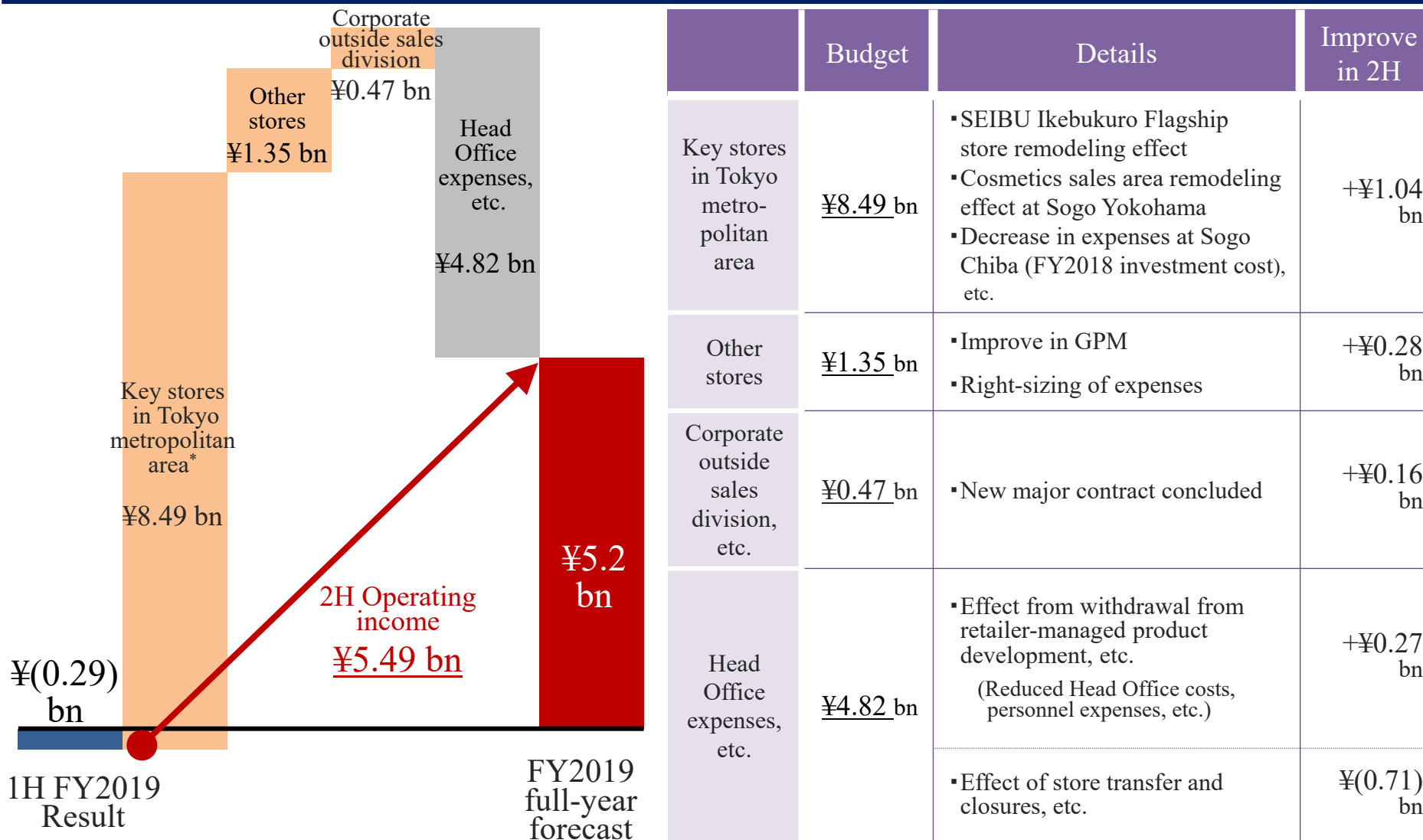
## ◆Top ranking sales areas for shopping

40% of the number of new acquired customers conducted shopping around multiple sales areas

Top ranking sales areas for shopping (Aug.17 – Sep.16)	
1 Confectionary	6 Clothing sundries
2 Delicatessen	7 Groceries
3 Restaurant	8 Ladies shoes
4 LOFT	9 Books
5 Fresh foods	10 Food events

Spillover effect to mainly food  
⇒ Sales area remodeling next year and reviewing merchandising

# SS: Toward Achieving Operation Income Target for FY2019



Aim to make up for negative 1H result in 2H and achieve initial plan of ¥5.2 billion

\*Key stores in Tokyo metropolitan area: SEIBU Ikebukuro, Sogo Yokohama, Sogo Chiba, SEIBU Shibuya and Sogo Omiya

# Seven & i Group Strategy

# Creating New Group Synergies



## Existing synergies

Creation of new value  
and sales through  
*Seven Premium*

【FY2020 targets】

Annual sales: ¥1.5 tn

# of items: 4,200



## Creating new synergies

### ○ Digital strategy

- CRM/app strategy
- Utilize purchase data
- Increase productivity

### ○ Finance/Settlement strategy

- Smartphone settlement coordinated with CRM strategy

### ○ Procurement strategy

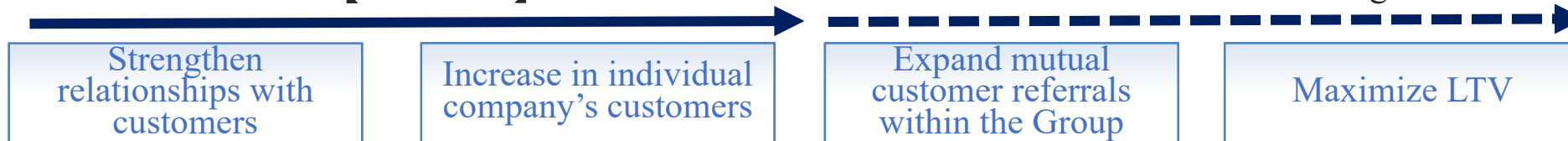
- System platforms
- Distribution efficiency
- Human resource exchange/development

...and so on

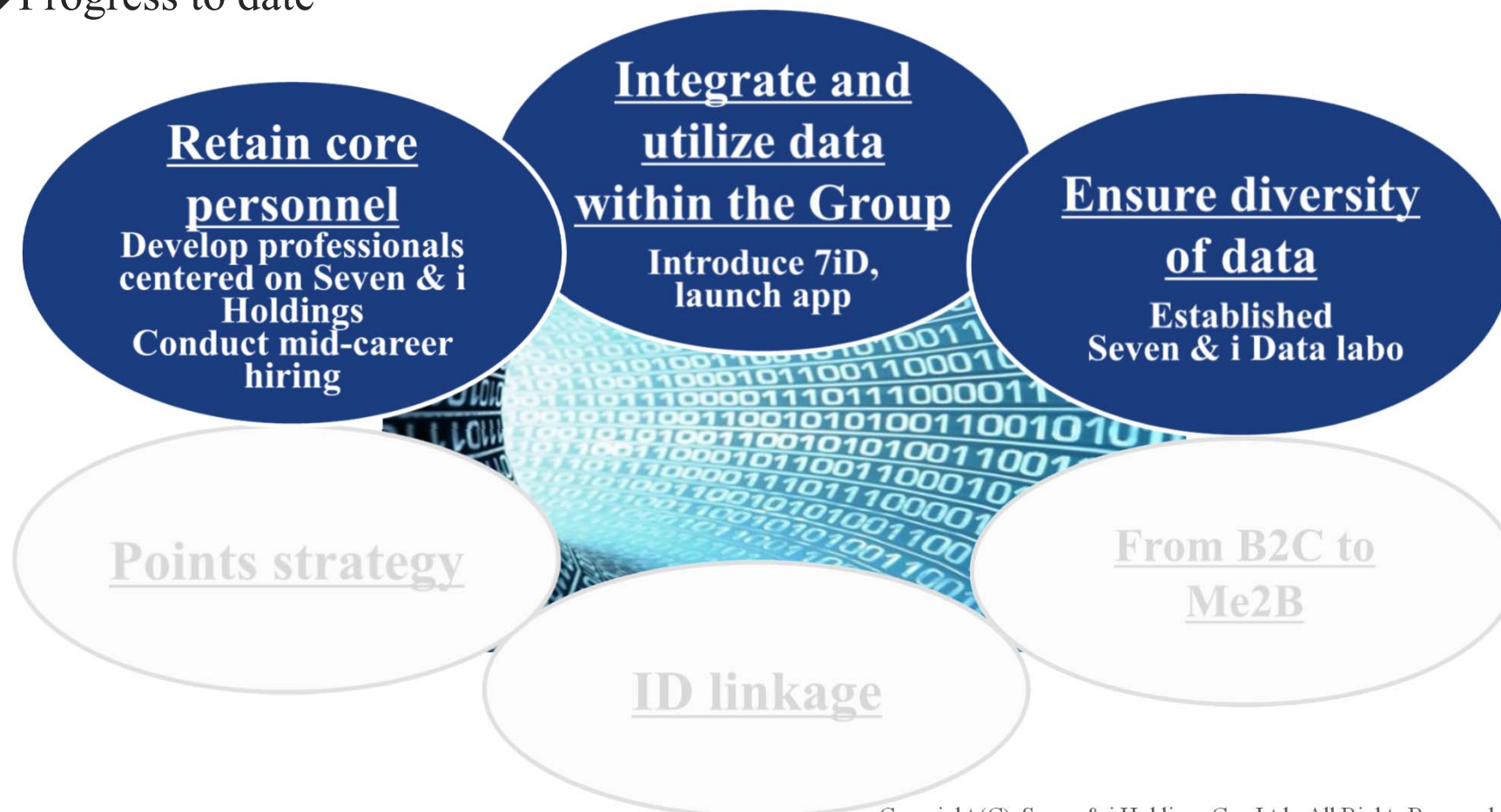
# Digital Strategy



## ◆ Objectives and steps 【Short term】



## ◆ Progress to date



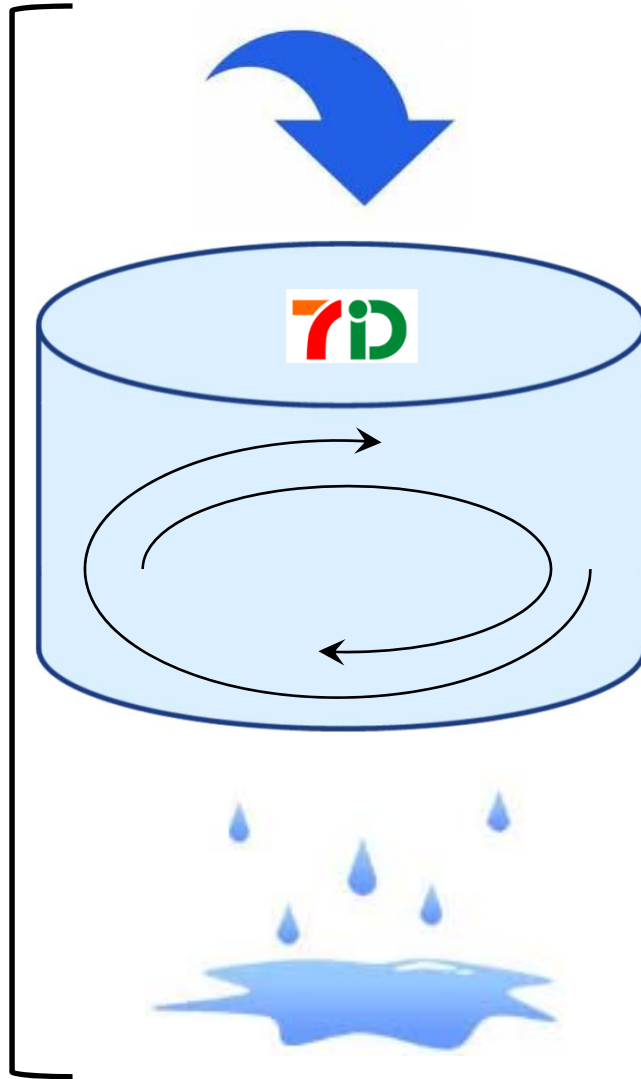


# Digital Strategy (Examples of Recent Initiatives)



\*200 miles awarded if SEVEN MILE PROGRAM websites are browsed over four times within one week

## (4) Firmly establish communication



## (1) Attracting new customers

- First presentation of bar code
  - \*100 shopping miles awarded on first presentation

## (2) Promote shopping around multiple sales areas

- Recommend download of other companies' apps
  - \*SEJ app users: Download and log in to IY app
  - IY app users: Download and log in to SEJ app
  - 100 miles awarded

- Purchase on *omni 7* website

\*200 miles awarded upon initial shopping on *omni 7*

## (3) Prevent disengagement

- Welcome Back campaign
  - \*Miles awarded to customers who meet certain conditions if they have not made a purchase for 8 days or more
- Product recommendations
  - \*Miles awarded upon purchase of company's recommended products



# Example (1) Prevent Disengagement

## Welcome Back campaign

### 【Target】

- Members who have not made a purchase for 8 days or more

### 【Details】

- (1) Email notification
- (2) 50 miles awarded upon access to member portal
- (3) A further 100 miles awarded upon presentation of bar code when making a purchase

### 【Period】

- July 16 - July 31



Success rate

**Approx. 15%**

Contributed to preventing a certain number of disengagements



The screenshot shows a campaign page titled 'CAMPAIGN キャンペーン' with a sub-header 'NEW セブンマイルプログラム おかえりなさいキャンペーン'. It features a large banner with the text 'おかえりマイルをもらおう!' (Welcome back miles, let's get them!). To the right, it says 'おかえりなさい！ひさしぶりの買い物でボーナスマイルをプレゼント！' (Welcome back! Long time no see, gift bonus miles with your shopping!). Below the banner, a table provides campaign details:

キャンペーン期間	<購入・ご注文期間> 2018/07/16 0:00 ～2018/07/31 23:59 <商品お受け取り期限> 2018/08/05 23:59
ボーナスマイル数	100マイル

Below the table, there are two lines of fine print: '※ 店舗でのお買い物は、購入後3日以内にボーナスマイルが付与されます。' and '※ オムニ7でのお買い物は、商品お受け取り後3日以内にボーナスマイルが付与されます。'. A small icon of a shopping cart is next to the second line. Below this, a paragraph states: 'キャンペーン期間内に、セブン-イレブン、イトーヨーカドー、オムニ7のいずれかで、お買い物をしていただくと、ボーナスマイルが100マイルもらえます。いつものお買い物がお得になるチャンスです！ぜひご利用ください。' (During the campaign period, at either Seven-Eleven, Ito-Yokado, or Omni7, if you make a purchase, you will receive 100 bonus miles. It's a chance to get more out of your usual shopping! Please use it!).

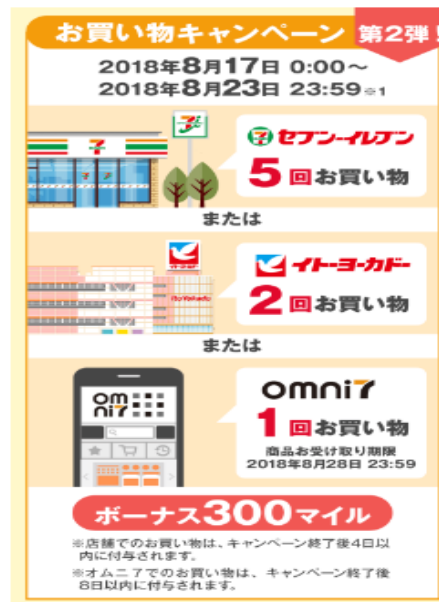
Below the fine print, there is a section titled 'ボーナスマイルの獲得方法' (How to earn bonus miles). It has a sub-header '店頭でのお買い物の場合' (When shopping at the store). It shows two mobile app screens: 'セブン-イレブン' (Seven-Eleven) and 'イトーヨーカドー' (Ito-Yokado). To the right of the apps, it says 'アプリを開く' (Open the app) and 'ご来店された店舗のアプリを開く' (Open the app of the store you visited). Below the apps, there is an illustration of a hand holding a smartphone with a barcode on the screen. To the right of the illustration, it says 'バーコードを見せる' (Show the barcode) and 'お会計の際にバーコードを提示' (Present the barcode at the time of payment).

# Example (2) Promote Shopping within Group



- Various kinds of bonus mile sales promotions, number of shopping instances, mile awards to support rank increase, etc.
- Provision of various product information via app
- Direct links to *omni 7* website from 7-Eleven and IY apps

## ◆ Shopping campaigns (convenience)

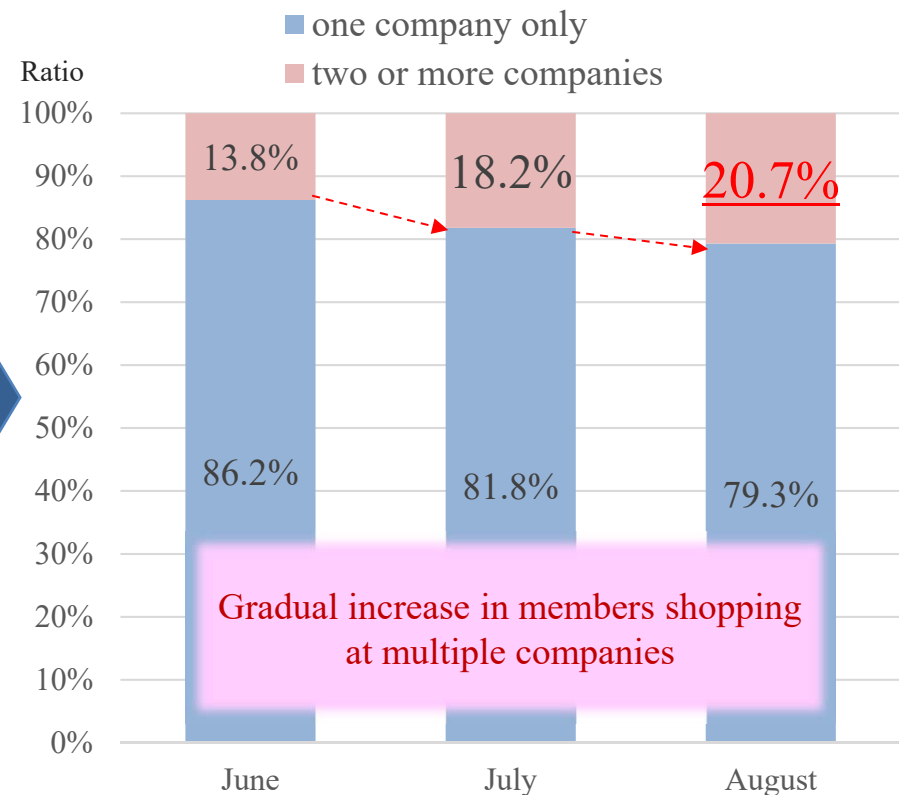


## ◆ Slots (entertainment)



## ◆ Change in number of group companies used

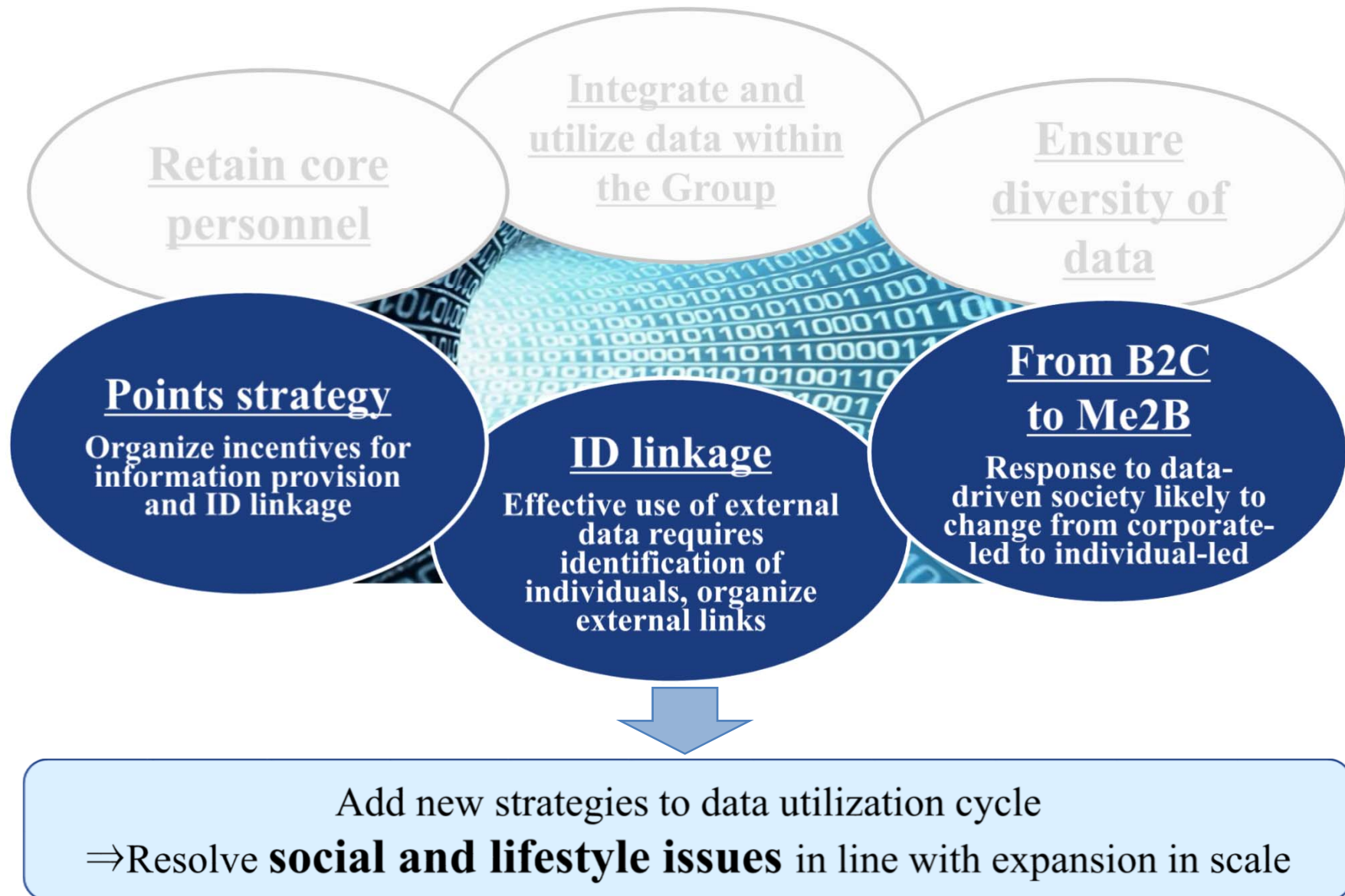
\*Where each of SEJ, IY, and *omni 7* count as one company



# Evolution of the Digital Strategy



◆ The shape of digital strategy going forward



# Group Initiatives for Achieving SDGs



## Identify Focus Issues and Present in Management Policy

【2014】

Identified the Five Material Issues that the Group should address through dialogue with customers, business partners, and experts, etc.

Providing Social Infrastructure for an Aging Society and Declining Population

Providing Safety and Reliability through Products and Stores

Non-Wasteful Usage of Products, Ingredients and Energy

Supporting the Active Role of Women, Youth and Seniors across the Group and in Society

Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners

【2015】

SDGs adopted by the UN

Signatory to the PRI of the GPIF

COP21 (Paris Agreement)



【2018】

With an awareness of the SDGs, the Group presented its management policy of “aim to create both social value and corporate value” centered on the Five Material Issues

- Business partners meeting
- General meeting of shareholders
- Exchange meetings with Group’s executives
- Strategy meetings, etc.

**Each operating company considers the characteristics of its respective business to steadily advanced more autonomous and specific initiatives for resolving social issues and increasing corporate value**

# 7&i Group Initiatives for Achieving SDGs



## (Main initiatives)

### Material Issue 1

Providing Social Infrastructure for an Aging Society and Declining Population



- Net Convenience Store
- IY Net Supermarket, IY Fresh
- Government services (Issuance of various certificates)

### Material Issue 2

Providing Safety and Reliability through Products and Stores



- Reducing the use of food additives
- Initiatives for healthy food, such as low-salt, low-calorie options
- Safety Station Activities

### Material Issue 3

Non-Wasteful Usage of Products, Ingredients and Energy



- Reducing food waste, extending freshness
- Automatic PET bottle collection machine
- Environmentally friendly Seven Premium containers

### Material Issue 4

Supporting the Active Role of Women, Youth and Seniors across the Group and in Society



- Seven Nanairo Childcare centers
- Staggered starting time system
- Childcare support events

### Material Issue 5

Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners



- CSR audits to business partner
- “Seven Forest” conservation project
- Internal reporting system (Business Partners)



**Achieving both “solutions to social issues” and “increase of corporate value”**

Increase awareness of the five Material Issues the Group should address and the SDGs, and promote management aimed at realizing a sustainable society

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.