

Seven & i Holdings (3382)

Seven-Eleven Japan's Aggressive Moves, Steady Progress on Omni-Channel Strategy

Raising price target to ¥4,600, reiterating Overweight rating

- Adjusting our earnings estimates and price target, still bullish:** We adjust our forecasts and raise our price target from ¥4,400 to ¥4,600 (see page 2 for valuation details). We raise our assumptions for the convenience store, financial services, and restaurant segments and lower our assumptions for the superstore segment. We slightly lower our FY2014 profit growth estimate because demand is likely to decline after the consumption tax hike. We adjust our consolidated estimates and expect operating profit to rise 7% on an adjusted basis (15% on a nominal basis) in FY2013 and 6% in FY2014. We consider the stock attractive relative to other large retail stocks, in light of profitability, growth, and valuation, and see 22% upside potential. We maintain our bullish stance.
- Earnings outlook reassuring, mainly in convenience store business:** We expect operating profit in 3Q to grow 7.6% on an adjusted basis and 17.7% on a nominal basis. As in 2Q, likely sales shortfalls for Ito-Yokado (IY) and the department store business will probably be offset by the convenience store and financial services segments, resulting in solid consolidated earnings. Improved profit growth in the convenience store segment should have a particularly strong impact in 3Q onward, with a slight slowdown in the rise in Seven-Eleven Japan's adjusted SG&A costs, following a peak in 1Q, and solid results in dollar terms for 7-Eleven, Inc. The post-consumption tax hike outlook is uncertain, but we expect solid profit growth in FY2014, with structurally stable growth for Seven-Eleven Japan, driven by the meeting of normal-use demand from middle-aged and older consumers and women, offsetting likely profit declines for Ito-Yokado and the department store business.
- Series of forward-looking strategic financial moves:** Following the December 2 announcement of a tender offer for Nissen Holdings, the company announced the acquisition of stakes in Barney's Japan (on December 4) and Tenmaya (on December 10). For Seven & i, these companies complement its omni-channel strategy, and the stake in Tenmaya is probably aimed at boosting its market share in local areas. We think these moves represent solid progress on the company's forward-looking, longer-term strategy. The three deals are likely to amount to a total investment of more than ¥21 billion, which the company expects to cover with cash or other liquid assets.
- Potential catalysts:** (1) Reassessment of the growth and profitability of the convenience store business, (2) a dividend hike or expectations that RoE will reach management's target, and (3) steps to bolster IY and department stores.

Seven & i Holdings Co., Ltd. (Reuters: 3382.T, Bloomberg: 3382 JT)

	2012/2	2013/2	2014/2 E	2015/2 E	2016/2 E
Operating Revenue (¥ mn)	4,786,344	4,991,642	5,625,600	5,890,000	6,178,600
Operating Profit (¥ mn)	292,060	295,685	340,800	360,200	388,800
Recurring Profit (¥ mn)	293,171	295,836	341,200	360,800	389,600
Net Profit (¥ mn)	129,838	138,064	181,300	193,400	211,100
EPS (¥)	147.0	156.3	205.2	218.9	238.9
P/E (x)	25.6	24.0	18.3	17.2	15.7
P/BV (x)	1.9	1.8	1.7	1.6	1.5
EV/EBITDA (x)	7.6	7.3	6.6	6.3	5.9

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

3382.T, 3382 JT

Price: ¥3,755

▲ Price Target: ¥4,600
Previous: ¥4,400

Japan

Retail

Dairo Murata ^{AC}

(██████████)

Bloomberg JPMA MURATA <GO>

JPMorgan Securities Japan Co., Ltd.

Price Performance



See page 18 for analyst certification and important disclosures, including non-US analyst disclosures.

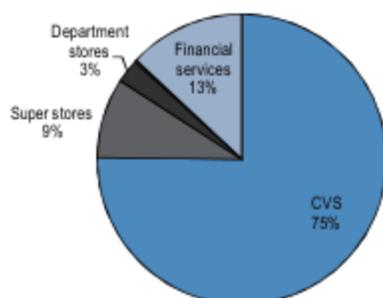
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Seven & i Holdings (3382)

Company Profile

Yokado was established in 1951. A holding company was established in 2005 through the swap of common stock among Seven-Eleven Japan, Ito-Yokado, and Denny's Japan. The group encompasses seven business areas. The convenience store business rolled out the "meal solution" concept to attract customers in the 30 and over segments, expanding its Seven Premium offerings and taking other measures. The superstore and department store businesses are currently undergoing structural reform.

OP Composition by Segment, FY2012



Source: Company data.

Investment Thesis Risk Analysis

Upside Scenario to Target Price/Rating

- End of bear market prompts reassessment of share valuations
- Growing customer base continues to drive stronger-than-expected earnings in the CVS segment
- Clarification of growth strategy and stronger-than-expected earnings at SEI
- Enhanced shareholder return policies aimed at attaining 10% RoE target
- Improved earnings at Ito-Yokado and department store segment via cost cutting and new product strategies
- Expansion of group synergies through development of private-label merchandise

Downside Scenario to Target Price/Rating

- Increased competition in the CVS segment
- Stalled recoveries in the Ito-Yokado and department store segments due to deterioration in the operating environment and/or a slowdown in cost-cutting initiatives
- Concerns about the company's ability to manage the group and execute its strategies

Operating Profit Forecasts: J.P. Morgan versus Consensus

¥ billion

	J.P. Morgan	Consensus
FY2013E	340.8	344.2
FY2014E	360.2	367.7

Source: J.P. Morgan estimates, Bloomberg.

Assumptions & Sensitivity Metrics (Impact on FY2013 Profits)

Factor	Current	Change	Impact	
	Assumption		Total chain sales	OP
¥/\$ rate	98.0	¥1	-	¥0.6 bn
SEJ SSS	0.8%	1.0%	¥42.3 bn	¥6.8 bn
IY SSS	-3.5%	1.0%	¥10.2 bn	¥2.6 bn

Source: J.P. Morgan estimates

Valuation

We change the horizon of our price target from December 2013 to December 2014 and now use our FY2014 rather than FY2013 estimates. We base our price target on a P/E of 21x, derived from the eight-year average P/E of 18x for 18 major retailers and the stock's average P/E relative to the group of 1.2x over the past five years, during which time earnings experienced both strong and weak years and the convenience store business was clearly on a growth path.

Peer Valuations Based on Bloomberg Consensus

Company name	Bloomberg				Market Cap (\$mn)	P/E(x)			P/B(x)			ROE(%)
	Ticker	Currency	Price	Date		13E	14E	15E	13E	14E	15E	
Lawson Inc	2651 JT	JPY	7,720	Dec-11	7,529	21.0	19.4	17.9	3.17	2.97	2.78	15.5
Seven & i Holdings	3382 JT	JPY	3,755	Dec-11	32,364	19.0	17.6	16.1	1.62	1.53	1.44	8.7
FamilyMart	8028 JT	JPY	4,645	Dec-11	4,412	18.9	17.3	16.2	1.75	1.65	1.55	9.4
Casey's GS	CASY.O	USD	70.27	Dec-10	2,704	19.0	17.8	17.1	3.81	3.27	-	20.8
Alimentation Couche Tard	ATD/B CN	CAD	76.82	Dec-10	13,678	18.2	16.4	14.4	3.69	3.04	2.52	21.2

Source: Bloomberg. Note: Market caps are calculated using forex rates as of Dec 10.

Figure 1: Consolidated Earnings Forecasts

		Operating revenue		Operating profit		Recurring profit		Net profit	
		¥mn	YoY %	¥mn	YoY %	¥mn	YoY %	¥mn	YoY %
2/13 Full year	Actual	4,991,642	4.3	295,685	1.2	295,836	0.9	138,064	6.3
2/14 Full year	JPM E New	5,625,600	12.7	340,800	15.3	341,200	15.3	181,300	31.3
	JPM E Old	5,620,600	12.6	340,800	15.3	341,200	15.3	181,300	31.3
	CoE	5,640,000	13.0	340,000	15.0	337,000	13.9	170,000	23.1
	Consensus E	5,658,237	13.4	344,219	16.4	343,995	16.3	174,885	26.7
2/15 Full year	JPM E New	5,890,000	4.7	360,200	5.7	360,800	5.7	193,400	6.7
	JPM E Old	5,884,800	4.7	361,700	6.1	362,300	6.2	194,300	7.2
	Consensus E	5,857,350	3.5	367,769	6.8	368,525	7.1	188,739	7.9
2/16 Full year	JPM E New	6,178,600	4.9	388,800	7.9	389,600	8.0	211,100	9.2
	JPM E Old	6,161,400	4.7	395,000	9.2	395,800	9.2	214,800	10.6
	Consensus E	6,025,563	2.9	392,590	6.7	397,402	7.8	206,095	9.2

Source: Company data, Bloomberg consensus, J.P. Morgan estimates.

Laying groundwork for future with capital tie-up strategy

Following the December 2 announcement of a tender offer for Nissen Holdings, the company announced a number of strategic financial moves, including the acquisition of stakes in Barney's Japan and Tenmaya. For Seven & i, these companies complement its omni-channel strategy, and the stake in Tenmaya is probably aimed at boosting its relatively low market share in local areas of western Japan (except Seven-Eleven Japan's).

The three companies' contributions would be limited, given Seven & i's size, but the forward-looking strategy, encompassing omni-channel retailing and other aspects, is a step forward. The three deals are likely to amount to a total investment of more than ¥21 billion, which the company plans to cover with cash and other liquid assets.

Nissen consistent with omni-channel strategy

Nissen is Japan's largest mail order company, with annual sales of ¥176.6 billion. Seven & i's disclosures show a tender offer price of ¥410 and plans to acquire up to 50.1% of the voting rights, or 30,786,000 shares. The deal would be worth ¥12.6 billion, implying a P/B of 0.8x (based on FY6/13 data). Nissen would not contribute much earnings in the near term; it expects to be unprofitable in the fiscal year through December 2013. If the acquisition goes as planned, Nissen would be a consolidated subsidiary starting next fiscal year.

Seven & i said the investment is aimed at cooperation in terms of finding new customers, marketing, promotion, expanding the product lineup, developing products, manufacturing/retailing (SPA), and using supporting operations, such as logistics, systems, and billing/payments.

Nissen has a base of about 32 million customers, mainly those in their 30s and 40s with families. Specific possibilities for product development include distinctive clothing and other products, and possibilities for marketing/promotion and supporting operations include the development of websites for smartphone access and e-commerce technologies.

Potential benefits for Nissen include an expanded product lineup, new customers, and enhanced logistics and IT systems.

It remains to be seen to what extent synergies are generated and earnings rebound as part of the company's omni-channel strategy, one of its most important longer-term strategies.

Barney's Japan likely to generate synergies with department store business

Seven & i plans to acquire 49.9% of Barney's Japan (127,800 shares) from Tokio Marine Capital, a fund unit of the Tokio Marine group. The deal is reportedly valued at around ¥6 billion, according to the December 4 *Nihon Keizai Shimbun* (the company did not disclose a figure). Barney's Japan generated ¥19.5 billion in sales and was profitable in FY2012. It would become an equity-method affiliate starting next fiscal year, but its impact on Seven & i Holdings' earnings would be limited.

Its strengths and resources that might be useful for Seven & i include (1) the ability to develop very fashionable, high-quality clothing; (2) a base of prime customers, mainly fashionable, well-to-do consumers; and (3) a strong brand image and prime store locations.

The department store segment is likely to benefit from direct synergies. However, online sales of fashionable clothing are rapidly gaining market share and the addition of differentiated, high value-added products to its product line through this deal is likely to become an increasingly important aspect of the company's omni-channel strategy.

Partnership with Tenmaya would bolster dominance in Chugoku region

Seven & i unit Ito-Yokado plans to acquire 20% (2.31 million shares) of Tenmaya for an undisclosed amount, but the value would be about ¥3 billion based on Tenmaya's current share price. If the acquisition proceeds as planned, Tenmaya would become an equity-method affiliate starting next fiscal year, but we think its contribution to earnings would be limited.

The investment's strategic implications include market share gains in the Chugoku region and the effective use of resources in such areas as logistics and IT systems, personnel development, product purchasing, and financial-related businesses. The strategic ties are likely to strengthen longer term.

Start of initiatives on omni-channel strategy, the most important longer-term strategy

Challenges include e-commerce profitability and increased synergies

E-commerce accounts for just over 4% of Japan's total retail market. This percentage is lower than in other countries but is likely to rise gradually.

A growing number of established major retailers are launching full-fledged online initiatives and aiming to use both established brick-and-mortar stores and the online channel (omni-channel strategy). It is not difficult for retailers to set up their own sites or participate in existing online shopping malls, but it is a challenge for them to let consumers know about the advantages of both channels and generate decent earnings. Specific financial issues include intense price competition online (particularly in the area of commodity products), shipping charges (in many cases, retailers raise prices to all for free shipping), and the fees for participating in online

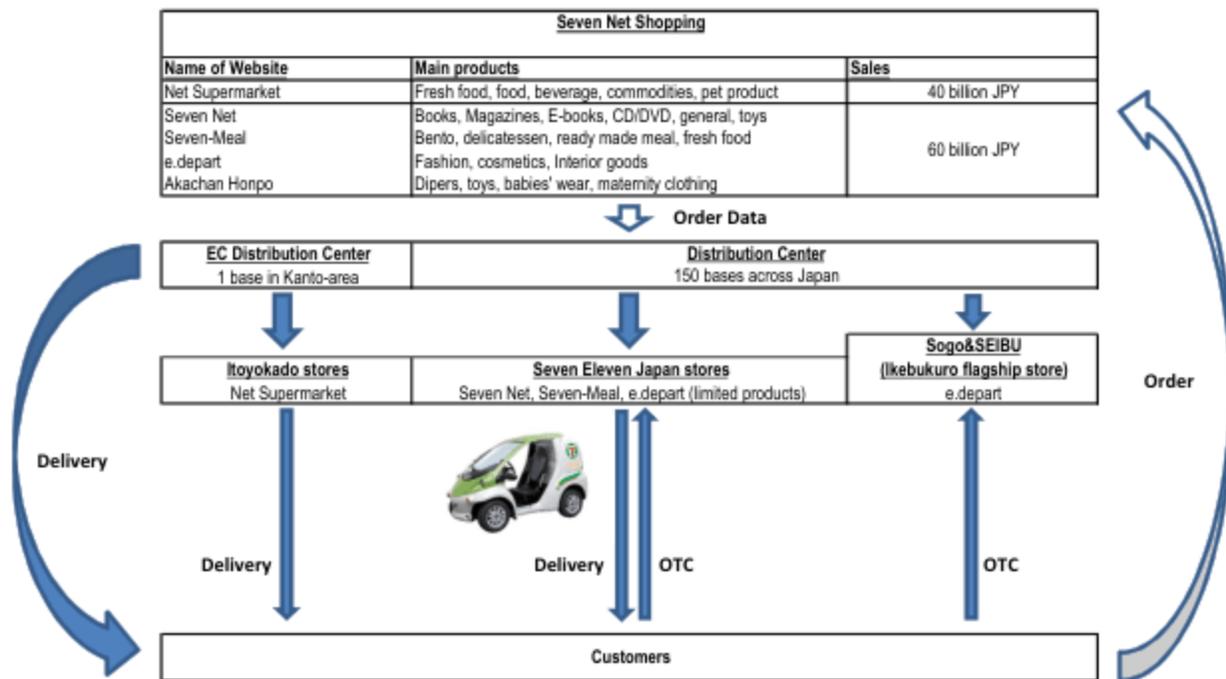
shopping malls. For companies selling from their own websites, obtaining knowhow related to website development and operation will be a critical issue.

Among established major retailers, Seven & i is pursuing an online strategy that has some relative strengths in terms of advantages for customers, operational efficiency, and overall group capabilities (competitiveness and offerings of original products).

In search of strengths in the last mile

We think the group has a clear advantage in terms of logistics infrastructure for the last mile, getting goods to customers' homes. For example, deliveries to homes in the areas of Seven-Eleven Japan's approximately 16,000 stores around the country could be done jointly with the stores rather than handled solely by the headquarters. The company is working with Toyota to develop small electric vehicles for deliveries from Seven-Eleven Japan stores to nearby homes and is also leasing or partially subsidizing stores' costs for electric bicycles and motorbikes. We think the company has advantages and the lead over other major retailers in terms of product and logistics projects and specific initiatives.

Figure 2: 7&I Steadily Expands Its Omni-Channel Strategy



Source: Company data
Note: FY2012 sales are J.P. Morgan estimate. Image used with permission.

Consolidated 2H results likely to be solid

We expect operating profit in 3Q to grow 7.6% on an adjusted basis and 17.7% on a nominal basis. As in 2Q, likely sales shortfalls for Ito-Yokado (IY) and the department store business will probably be offset by the convenience store and financial services segments, resulting in solid consolidated earnings.

Seven-Eleven Japan's aggressive moves on store openings, products, and costs

In the convenience store segment, Seven-Eleven Japan's key indicators, such as same-store sales, new-store openings, and gross margin, are all solid. Same-store sales have benefited from the meeting of demand for normal use, with strengthened offerings of private-labeled products, contributions from coffee and other strategic, new products, and aggressive promotional moves. Its strengths relative to the other two majors are growing.

New-store openings are on track to slightly exceed 1,500 for the full year. The company is uniformly bolstering its dominance, mainly in the three major urban areas. The number of new stores in FY2014 is likely to top 1,600, as indicated by management. New stores' daily sales in 2Q slipped 5% YoY to ¥552,000 mainly because of a shift in the timing of new-store openings, according to management (new stores' daily sales tended to be high because of grand opening sales at the many new stores opened late in the fiscal year, but this year the new-store openings have been more spread out).

The investment in each new store is sizable, with no overemphasis on RoI, but the company looks for strategically important locations. For example, it is developing stores along major roads in the Setagaya area and stores with large parking lots.

We think gross margins are on track to improve by 0.5ppt YoY, as management expects, thanks to (1) an improved product mix from fast foods and (2) integrated lineups of core products.

SG&A rose 13% on an adjusted basis in 2Q, partly because of electricity rate increases in the summer. We think the increase will slow somewhat in 2H onward.

7-Eleven, Inc. is likely to swing to double-digit operating profit growth (dollar terms) in 2H on an absence of the one-time factors in 1H. The growth in yen terms should be stronger than management expects because the yen has been weaker than management's assumption of ¥92/\$.

Slight weakness for Ito-Yokado and department store business likely to be offset by convenience store and financial services businesses

As a result, we expect nominal operating profit growth of 17.7% (adjusted growth of 7.6%) in the convenience store segment in 3Q. As in 1H, Ito-Yokado's profit contributions are likely to be low because of weak food and clothing sales (the latter in October). The department store business is likely to fall slightly short again. However, we expect offsets from strong results in the convenience store and financial services businesses to result in solid consolidated results.

Improved profit growth in the convenience store segment should have a particularly strong impact in 3Q onward, with a slight slowdown in the rise in Seven-Eleven Japan's adjusted SG&A costs, following a peak in 1Q, and solid results in dollar

terms for 7-Eleven, Inc. The post-consumption tax hike outlook is uncertain, but we expect solid profit growth in FY2014, with structurally stable growth for Seven-Eleven Japan, driven by the meeting of normal-use demand from middle-aged and older consumers and women, offsetting likely profit declines for Ito-Yokado and the department store business especially after the consumption tax hike.

Figure 3: Quarterly Results and J.P. Morgan Forecasts

¥ million, %

	2/13			2/14								
	1H	2H	Full year	1Q	2Q	1H	1H*	3QE	3QE*	4QE	2HE	Full year E
SEJ SSS	2.0%	1.5%	1.3%	0.9%	2.5%	1.7%		1.6%		1.5%	1.5%	1.6%
of which tobacco	-0.3%	-0.5%	-0.4%	1.0%	-1.6%	-0.3%		-1.0%		0.0%	-0.7%	-0.5%
of which excl. tobacco	2.3%	2.0%	2.2%	-0.1%	4.7%	2.3%		0.6%		1.0%	1.3%	1.8%
SEJ product gross margin	30.0%	30.0%	30.0%	30.7%	30.5%	30.6%		30.8%		30.0%	30.4%	30.5%
SE INC SSS	3.7%	2.1%	2.9%	0.7%	2.5%	1.6%		4.9%		1.9%	3.4%	2.5%
FOREX rate (P/L, 1\$=¥)	79.8	79.9	79.8	92.5	99.0	95.7		50.3		126.2	88.3	92.0
IY SSS	-4.3%	-4.3%	-4.3%	-4.4%	-2.8%	-3.6%		-2.5%		-5.0%	-2.0%	-2.8%
IY product gross margin	29.5%	30.3%	29.9%	30.3%	29.3%	29.8%		30.1%		31.1%	30.6%	30.2%
YoY change	-0.4%	0.8%	0.2%	0.3%	-0.2%	0.3%		-0.6%		0.3%	0.3%	0.3%
Sogo SSS	-1.5%	-3.3%	-2.4%	-0.8%	-1.6%	-1.2%		-6.3%		9.5%	1.6%	0.2%
Seibu SSS	1.3%	0.5%	0.9%	1.0%	1.2%	1.1%		-7.0%		14.0%	3.5%	2.3%
Operating profit (old basis)	147,195	148,490	295,685									
Operating profit (new basis)				73,692	90,891	164,583	150,520	81,500	74,500	94,717	176,217	340,800
%YoY	-2.0%	4.7%	1.2%	9.5%	13.8%	11.8%	2.3%	17.7%	7.6%	19.5%	18.7%	15.3%
CVS	116,505	105,259	221,764	53,196	75,579	128,775	121,758	65,000	61,500	58,725	123,725	252,500
%YoY	6.1%	0.4%	3.3%	5.5%	14.3%	10.5%	4.5%	16.1%		19.1%	17.5%	13.9%
SEJ	100,048	86,715	186,763	49,298	62,036	111,334	104,317	51,000		46,666	97,666	209,000
%YoY	2.7%	1.2%	2.0%	8.6%	13.5%	11.3%	4.3%	13.4%		11.8%	12.6%	11.9%
SEI	17,766	20,409	38,175	5,696	15,082	20,778		16,000		14,222	30,222	51,000
%YoY	35.9%	3.8%	16.6%	0.7%	24.6%	17.0%		36.1%		64.4%	48.1%	33.6%
Other, goodwill	-1,309	-1,865	-3,174	-1,798	-1,539	-3,337		-2,000		-2,163	-4,163	-7,500
Superstore	9,264	16,227	25,491	7,408	4,402	11,810	6,989	4,900	2,500	17,990	22,890	34,700
%YoY	-56.0%	42.5%	-21.4%	8.1%	82.4%	27.5%	-24.6%	35.5%		42.6%	41.1%	36.1%
Ito Yokado	728	8,281	9,009	2,721	-118	2,603	-297	1,500		9,097	10,597	13,200
%YoY	-88.0%	84.7%	-14.6%	16.7%	-	257.6%	-	134.4%		19.1%	28.0%	46.5%
York Benimaru	5,836	6,018	11,854	3,182	3,321	6,503	5,803	2,400		5,097	7,497	14,000
%YoY	-39.1%	11.9%	-20.7%	7.4%	15.6%	11.4%	-0.6%	16.0%		29.1%	24.6%	18.1%
Other, goodwill	2,700	1,928	4,628	1,505	1,199	2,704	1,483	1,000		3,796	4,796	7,500
Department store	1,286	6,743	8,029	672	-1,222	-550	-685	-1,000		9,850	8,850	8,300
%YoY	-41.9%	-12.8%	-19.3%	-41.5%				-		20.4%	31.2%	3.4%
Sogo Seibu	2,219	7,821	10,040	1,277	286	1,563	863	0		8,937	8,937	10,500
%YoY	-27.7%	-3.3%	-10.0%	6.4%	-71.9%	-29.6%	-61.1%	-		7.8%	14.3%	4.6%
Other, goodwill	-933	-1,078	-2,011	-605	-1,508	-2,113	-1,548	-1,000		913	-87	-2,200
Food services	451	270	721	286	579	865	777	100		735	835	1,700
Financial services	18,595	18,830	37,425	11,220	11,636	22,856	21,247	11,500	10,700	8,044	19,544	42,400
%YoY	14.1%	7.7%	10.8%	29.9%	16.9%	22.9%	14.3%	12.2%		-6.2%	3.8%	
Others	1,094	1,161	2,255	910	-83	827	434	1,000		-627	373	1,200

Sources: Company data, J.P. Morgan estimates

Figure 4: Quarterly Results and Company Guidance

¥ million, %

	2/13			2/14				2/14	
	1H	2H	Full year	1Q	2Q	1H	1H*	2HCoE	2HCoE* Full tem CoE
Operating revenue	2,450,662	2,540,980	4,991,642	1,364,939	1,442,725	2,807,664		2,832,336	5,640,000
%YoY	4.0%	4.6%	4.3%	13.1%	16.0%	14.6%		11.5%	13.0%
Operating profit	147,195	148,490	295,685	73,692	90,891	164,583	150,520	175,417	164,680
%YoY	-2.0%	4.7%	1.2%	9.5%	13.8%	11.8%	2.3%	18.1%	10.9%
OP margin	6.01%	5.84%	5.92%	5.40%	6.30%	5.86%		6.19%	6.03%
<OP by Segment>									
CVS	116,505	105,259	221,764	53,196	75,579	128,775	121,758	120,225	-121,758
%YoY	6.1%	0.4%	3.3%	5.5%	14.3%	10.5%	4.5%	14.2%	-215.7%
Superstore	9,264	16,227	25,491	7,408	4,402	11,810	6,989	27,790	-6,989
%YoY	-56.0%	42.5%	-21.4%	8.1%	82.4%	27.5%	-24.6%	71.3%	-143.1%
Department store	1,286	6,743	8,029	672	-1,222	-550	-685	9,450	685
%YoY	-41.9%	-12.8%	-19.3%	-41.5%	-992.0%	-142.8%	-153.3%	40.1%	-89.8%
Food services	451	270	721	286	579	865	777	535	-777
Financial services	18,595	18,830	37,425	11,220	11,636	22,856	21,247	18,544	-21,247
%YoY	14.1%	7.7%	10.8%	29.9%	16.9%	22.9%	14.3%	-1.5%	-212.8%
Others	1,094	1,161	2,255	910	-83	827	434	-1,127	314,766
Non-operating income	5,573	5,491	11,064	3,907	4,167	8,074			
Non-operating expenses	5,642	5,271	10,913	3,918	3,927	7,845			
Non-operating profit	-69	220	151	-11	241	230		-3,230	-3,000
Recurring profit	147,126	148,710	295,836	73,681	91,132	164,813		172,187	337,000
%YoY	-2.5%	4.5%	0.9%	10.1%	13.6%	12.0%		15.8%	13.9%
RP margin	6.00%	5.85%	5.93%	5.40%	6.32%	5.87%		6.08%	5.98%
Extra-ordinary P/L	-16,114	-17,000	-33,114	-6,287	-7,573	-13,860			
Pretax profit	131,012	131,710	262,722	67,394	83,559	150,953			
Tax expense	57,818	53,022	110,840	26,791	34,316	61,107			
Tax rate	44.1%	40.3%	42.2%	39.8%	41.1%	40.5%			
Minority interest	6,282	7,536	13,818	3,170	3,324	6,494			
Net profit	66,912	71,152	138,064	37,433	45,919	83,352		86,648	170,000
%YoY	26.8%	-7.7%	6.3%	14.9%	33.8%	24.6%		21.8%	23.1%
NP margin	2.73%	2.80%	2.77%	2.74%	3.18%	2.97%		3.06%	3.01%

Sources: Company data.

Figure 5: Consolidated Earnings Results and Estimates (Full Year)

¥ million, %

	FY2/11	FY2/12	FY2/13	FY2/14E	FY2/15E	FY2/16E
Operating Revenue	5,119,739	4,786,344	4,991,642	5,625,600	5,890,000	6,178,600
YoY %	0.2%	-6.5%	4.3%	12.7%	4.7%	4.9%
SEJ SSS	2.2%	6.7%	1.3%	0.5%	0.5%	0.8%
IY SSS	-2.5%	-2.6%	-4.3%	-3.5%	-3.5%	-2.0%
Goodwill amortization	16,145	12,915	14,430	17,500	17,800	18,200
EBITDA	391,912	444,969	465,781	514,300	541,800	580,600
YoY %	3.7%	13.5%	4.7%	10.4%	5.3%	7.2%
Operating profit (old basis)	243,346	292,060	295,685			
Operating profit (new basis)	262,500	315,000	318,900	340,800	360,200	388,800
YoY %	7.4%	20.0%	1.2%	6.9%	5.7%	7.9%
As a % of Sales	4.75%	6.10%	5.92%	6.06%	6.12%	6.29%
OP by segment (new basis, JPM assumption)						
CVS operations	205,100	225,100	232,400	252,500	270,200	292,100
YoY %	6.4%	9.8%	3.2%	8.6%	7.0%	8.1%
Superstore operations	17,300	34,900	27,600	34,700	34,400	38,100
YoY %	10.2%	101.7%	-20.9%	25.7%	-0.9%	10.8%
Department store operations	5,622	9,948	8,029	8,300	8,300	9,300
YoY %	311.6%	76.9%	-19.3%	3.4%	0.0%	12.0%
Food Services	-193	-95	721	1,700	1,300	1,500
Financial Services	30,500	36,400	40,300	42,400	44,500	46,700
Other	-1,611	1,360	2,255	1,200	1,500	1,500
Non-operating income and expenditure	-439	1,111	151	351	551	751
Non-operating income	10,390	10,150	11,064	11,264	11,464	11,664
Interest and dividends received	6,048	5,801	6,123	6,323	6,523	6,723
Non-operating expenses	10,829	9,039	10,913	10,913	10,913	10,913
Interest payable, etc	5,258	4,114	5,113	5,263	5,413	5,563
Recurring profit	242,907	293,171	295,836	341,200	360,800	389,600
YoY %	7.0%	20.7%	0.9%	15.3%	5.7%	8.0%
As a % of Sales	4.74%	6.13%	5.93%	6.07%	6.13%	6.31%
Extraordinary profit	22,655	10,428	2,147	2,000	2,000	2,000
Extraordinary loss	42,271	72,782	35,261	28,000	28,000	28,000
Pretax profit	223,291	230,817	262,722	315,200	334,800	363,600
Tax	102,298	90,257	110,839	119,340	126,200	136,600
Tax rate	45.8%	39.1%	42.2%	39.7%	39.5%	39.3%
Minority Interest	9,031	10,722	13,818	14,518	15,218	15,918
Net profit	111,962	129,838	138,064	181,300	193,400	211,100
YoY %	149.5%	16.0%	6.3%	31.3%	6.7%	9.2%
As a % of sales	2.19%	2.71%	2.77%	3.22%	3.28%	3.42%
Dividend paid	50,570	54,780	56,550	61,850	67,150	74,220
# of shares outstanding ('000)	887,109	883,492	883,553	883,553	883,553	883,553
Treasury shares (term-end, '000)		0	0	0	0	0
EPS (¥)	126.2	147.0	156.3	205.2	218.9	238.9
BPS (¥)	2,033.3	2,130.5	2,222.5	2,357.7	2,500.5	2,655.5
DPS (¥)	57.0	62.0	64.0	70.0	76.0	84.0
Payout ratio	45.2%	42.2%	41.0%	34.1%	34.7%	35.2%

Sources: Company data, J.P. Morgan estimates.

Figure 6: CVS Business P/L (1)

¥ million, %

	FY2/11	FY2/12	FY2/13	FY2/14E	FY2/15E	FY2/16E
Operating Revenue	2,036,464	1,690,924	1,899,573	2,480,100	2,664,900	2,859,700
Operating Profit (old basis)	195,477	214,637	221,764			
Operating Profit (new basis)	205,100	225,100	232,400	252,500	270,200	292,100
% YoY	6.3%	9.8%	3.3%	13.9%	7.0%	8.1%
Breakdown of Operating Profit						
SEJ (new basis)	178,800	193,600	197,400	205,500	217,000	231,300
7-Eleven Inc	33,328	32,737	38,175	53,000	59,800	67,600
Others (Beijing and Hawaii)	215	2,360	1,721	1,600	1,800	2,000
Amortization of goodwill amount	-7,218	-3,620	-4,895	-8,000	-8,400	-8,800
SEJ Sales Data						
Total chain sales	2,947,606	3,280,512	3,508,444	3,722,500	3,960,700	4,230,000
% YoY	5.8%	11.3%	6.9%	6.1%	6.4%	6.8%
Average daily sales (¥'000)						
All Stores average daily sales	629	669	668	650	640	636
New Stores daily sales	554	570	527	531	534	540
Existing store sales revenue ratio	2.2%	6.7%	1.3%	0.5%	0.5%	0.8%
SEJ Shops related Data						
Number of stores in the beginning	12,753	13,232	14,005	15,072	16,302	17,582
Store opening	939	1,201	1,354	1,550	1,600	1,600
Closure	460	428	287	320	320	300
Net increase in number of stores	479	773	1,067	1,230	1,280	1,300
% YoY	3.8%	5.8%	7.6%	8.2%	7.9%	7.4%
Number of stores at the end of the period	13,232	14,005	15,072	16,302	17,582	18,882
Number of direct management stores	442	397	433	453	473	493
Number of FC stores	12,720	13,538	14,569	15,779	17,039	18,319

Sources: Company data, J.P. Morgan estimates.

Figure 7: CVS Business P/L (2)

¥ million, %

SEJ Income Statement	FY2/11	FY2/12	FY2/13	FY2/14E	FY2/15E	FY2/16E
FC retail sales A	2,839,680	3,189,317	3,416,986	3,625,790	3,859,120	4,123,180
% YoY	6.8%	12.3%	7.1%	6.1%	6.4%	6.8%
Income from FC (Charge and Participating amount) B	435,873	479,825	521,863	563,810	607,810	656,820
Income from FC/FC sales	15.35%	15.04%	15.29%	15.55%	15.75%	15.93%
Sales at directory managed stores	107,926	91,195	90,146	96,710	101,580	106,820
Sales per direct management stores	207.0	217.4	217.2	218.3	219.4	221.2
Other income	5,312	5,165	5,549	5,950	6,350	6,750
Sales	549,111	576,185	617,558	666,500	715,700	770,400
% YoY	2.6%	4.9%	7.2%	7.9%	7.4%	7.6%
Products Gross margin Ratio C	30.5%	29.7%	30.0%	30.5%	30.8%	31.1%
Gross Profit for FC stores A*C	866,102	947,227	1,025,096	1,105,866	1,188,609	1,282,309
Charge % B/(A*C)	50.3%	50.7%	50.9%	51.0%	51.1%	51.2%
Gross Profit at directory managed stores	29,506	24,386	24,244	26,490	28,130	29,900
Gross Profit margin at directory managed stores	27.3%	26.7%	26.9%	27.4%	27.7%	28.0%
Gross Operating Profit	470,691	509,376	551,656	596,250	642,290	693,470
% YoY	6.5%	8.2%	8.3%	8.1%	7.7%	8.0%
SG&A (old basis until FY2/2013)	301,539	326,216	364,893	390,760	425,290	462,180
% YoY	5.5%	8.2%	11.9%	7.1%	8.8%	8.7%
Labor Expenses	50,505	50,710	51,907	56,250	60,330	64,870
Operating Revenue / Labor Expenses	9.20%	8.80%	8.41%	8.44%	8.43%	8.42%
Advertising expense	28,209	36,318	45,059	53,600	56,240	59,640
As a % of Chain Sales ratio	0.96%	1.11%	1.28%	1.44%	1.42%	1.41%
Depreciation & amortization	30,831	38,368	46,292	42,000	47,350	52,940
As a % of C + number of directly managed stores	3.47	3.94	4.28	3.84	3.86	3.88
Rent	79,424	87,199	98,832	104,350	117,300	130,640
Rent per store (Directly managed + C type)	8.93	8.95	9.13	9.55	9.57	9.58
Utilities Cost	31,799	33,124	38,098	45,220	49,810	54,680
As a % of number of stores	2.45	2.43	2.62	2.88	2.94	3.00
Others	80,771	80,497	84,705	89,340	94,260	99,410
As a % of Chain Sales ratio	2.74%	2.45%	2.41%	2.40%	2.38%	2.35%
Operating Profit (old basis)	169,152	183,160	186,763			
Operating Profit (new basis)	178,800	193,600	197,400	205,500	217,000	231,300
% YoY	8.3%	8.3%	2.0%	4.1%	5.6%	6.6%
7-Eleven, Inc	FY12/10	FY12/11	FY12/12	FY12/13E	FY12/14E	FY12/15E
Currency Exchange Rate	87.79	79.80	79.81	98.00	98.00	98.00
% YoY	-6.3%	-9.1%	0.0%	22.8%	0.0%	0.0%
Gasoline Cost	2.38	2.50	2.50	2.50	2.50	2.50
Same store product sales growth (USD Basis)	1.5%	2.8%	2.9%	2.5%	2.0%	2.0%
Retail Sales	1,470,588	1,624,095	1,852,162	2,639,300	2,837,200	3,041,500
% YoY	5.4%	10.4%	14.0%	42.5%	7.5%	7.2%
Product Sales	859,632	876,672	954,100	1,508,986	1,695,583	1,888,467
Gasoline Sales	585,939	747,423	898,062	1,130,314	1,141,617	1,153,033
% of sales	39.8%	46.0%	48.5%	42.8%	40.2%	37.9%
Operating Profit	33,328	32,737	38,175	53,000	59,800	67,600
% YoY	-3.2%	-1.8%	16.6%	38.8%	12.8%	13.0%
Operating Profit Ratio	2.27%	2.02%	2.06%	2.01%	2.11%	2.22%
Total number of stores (North America)	6,610	7,149	8,118	8,518	8,918	9,318
Area License	20,296	23,585	26,223	27,323	28,423	29,523
Product gross margin ratio	35.1%	34.7%	35.2%	35.4%	35.6%	35.8%

Sources: Company data, J.P. Morgan estimates.

Figure 8: Super Store Business P/L

¥ million, %

	FY2/11	FY2/12	FY2/13	FY2/14E	FY2/15E	FY2/16E
Operating Revenue	1,981,604	1,992,298	1,994,588	2,010,800	2,017,800	2,035,900
Operating Profit	17,300	34,900	27,600	34,700	34,400	38,100
Operating Revenue						
Domestic SuperStore						
Yoka Mall Japan	1,373,670	1,361,060	1,332,292	1,320,000	1,300,000	1,290,000
Yoka Mall China	79,000	82,200	87,100	92,300	97,800	103,700
Yorkbeni mall	343,379	348,600	363,862	385,000	404,300	424,500
Yorkmart	120,000	125,000	128,000	130,000	132,000	134,000
Akachan Head Office	77,000	78,000	78,600	78,900	79,200	79,200
Others	-11,445	-2,562	4,734	4,639	4,547	4,456
Operating Profit						
Yoka Mall Japan	3,300	16,200	13,800	14,000	12,200	14,200
Yoka Mall China	1,750	1,150	200	0	400	1,000
Yorkbeni (Including Life Foods)	13,100	20,900	17,700	18,800	19,600	20,400
Akachan Head Office	500	1,200	1,100	1,250	1,400	1,500
Yorkmart and others	2,001	-1,153	-1,795	4,005	4,205	4,405
Amortization of goodwill	-3,371	-3,372	-3,372	-3,372	-3,372	-3,372
<Ito-Yokado P/L Estimates>						
Operating revenue	1,373,670	1,361,060	1,332,292	1,320,000	1,300,000	1,290,000
%YoY	-1.0%	-0.9%	-2.1%	-0.9%	-1.5%	-0.8%
Number of Stores						
Number of stores opened during the year	6	5	3	6	6	6
o/w Ario	3	3	1	3	1	1
Number of stores closed during the year	10	2	2	3	3	3
Net increase of stores	-4	3	1	3	3	3
Number of Stores at the end of the year	170	173	174	177	180	183
Number of Stores during the year	172	172	174	176	179	182
Stores Area						
Stores Area at the end of the year	1,678,730	1,665,268	1,642,954	1,660,954	1,660,954	1,660,954
Stores Area during the year	1,701,155	1,671,999	1,654,111	1,651,954	1,660,954	1,660,954
Increase of area during the area	-44,850	-13,462	-22,314	18,000	0	0
Growth rate of area during the year	-1.7%	-1.7%	-1.1%	-0.1%	0.5%	0.0%
Area per store	9,890	9,749	9,534	9,413	9,305	9,151
Sales per sq meter(in 10,000 Yen)	645	636	613	592	577	571
New Store sales	-28,946	-8,564	-13,678	10,647	0	0
Products Total	1,101,024	1,061,624	1,015,295	990,410	955,750	936,640
%YoY	-2.1%	-3.6%	-4.4%	-2.5%	-3.5%	-2.0%
Tenant	233,056	252,709	271,258	284,820	296,210	306,580
Others	15,264	19,964	16,369	14,400	12,960	11,920
Revenue from real-estate lease	19,435	22,222	24,322	25,050	25,300	25,300
Other Operating revenue	4,889	4,540	5,046	5,300	5,540	5,760
Existing-stores sales	-2.5%	-2.6%	-4.3%	-3.5%	-3.5%	-2.0%
Gross Margin	29.10%	29.70%	29.90%	30.05%	30.15%	30.25%
Difference	0.10%	0.60%	0.20%	0.15%	0.10%	0.10%
Gross Profit	331,714	334,773	322,143	333,370	328,250	326,960
Gross Profit Ratio	24.58%	25.09%	24.72%	25.85%	25.95%	26.05%
Gross Profit	356,040	361,536	351,511	353,720	348,990	347,920
Growth Rate % YoY	-2.1%	1.5%	-2.8%	0.6%	-1.3%	-0.3%
Operating Profit Ratio	25.9%	26.6%	26.4%	26.8%	26.8%	27.0%

Sources: Company data, J.P. Morgan estimates.

Figure 9: Super Store Business P/L(2)

Ito-Yokado <SG&A Estimates>	FY2/11	FY2/12	FY2/13	FY2/14E	FY2/15E	FY2/16E
SG&A Expenses	353,884	350,981	342,500	339,749	336,778	333,734
Growth Rate % YoY	-2.2%	-0.8%	-2.4%	-0.8%	-0.9%	-0.9%
SG&A Expenses Ratio	25.8%	25.8%	25.7%	25.7%	25.9%	25.9%
Advertising Expenses	33,083	32,562	30,891	31,100	31,100	30,800
As a % of sales	2.45%	2.44%	2.37%	2.41%	2.46%	2.45%
Labor Expenses	142,946	142,452	137,380	136,700	134,600	132,600
As a % of sales	10.59%	10.68%	10.54%	10.60%	10.64%	10.56%
Rent	69,281	67,900	66,968	67,550	66,560	66,430
Area per store (sq.m)	40.7	40.6	40.5	40.9	40.1	40.0
Depreciation Expenses	14,573	16,822	15,937	10,359	10,748	10,914
Area per store (sq.m)	8.6	10.1	9.6	6.3	6.5	6.6
Utility Cost	18,943	18,480	19,849	21,440	21,870	22,090
Area per store (sq.m)	11.1	11.1	12.0	13.0	13.2	13.3
Others	75,058	72,765	71,475	72,600	71,900	70,900
As a % of sales	5.56%	5.45%	5.49%	5.63%	5.68%	5.65%
Operating profit (old basis)	2,155	10,554	9,009			
Operating profit (new basis)	3,300	16,200	13,800	14,000	12,200	14,200
% YoY	22.7%	389.7%	-14.6%	1.4%	-12.9%	16.4%
Operating profit margin	0.2%	0.8%	0.7%	1.1%	0.9%	1.1%

Sources: Company data, J.P. Morgan estimates.

Figure 10: Financial Indicators and Balance Sheet

¥ million, %

	FY2/11	FY2/12	FY2/13	FY2/14E	FY2/15E	FY2/16E
ROA	6.70%	7.80%	7.38%	7.84%	7.84%	8.10%
Net margin on sales	4.85%	6.21%	6.03%	6.16%	6.22%	6.40%
Turnover rate	1.38	1.26	1.22	1.27	1.26	1.27
ROIC	6.3%	7.1%	6.7%	7.3%	7.4%	7.7%
ROE	6.5%	7.5%	7.6%	9.3%	9.3%	9.6%
Debt/equity ratio	32.3%	33.5%	34.8%	33.4%	31.4%	29.1%
Liquidity turnover period	1.60	1.89	1.97	1.97	1.97	1.97
Receivables turnover period	0.29	0.68	0.69	0.69	0.69	0.69
Inventory turnover period	0.38	0.38	0.39	0.39	0.39	0.39
Other liquid assets turnover period	1.04	0.85	0.93	0.93	0.93	0.93
Payables turnover period	0.67	0.79	0.79	0.79	0.79	0.79
Other current liabilities turnover period	2.24	2.33	2.55	2.55	2.55	2.55
Capex	338,656	255,426	334,216	340,000	340,000	340,000
Depreciation	132,421	139,994	155,666	156,000	163,800	173,600
Invested capital	1,151,237	1,248,164	1,329,088	1,442,691	1,589,531	1,723,883
Consolidated Balance Sheet						
Current assets	1,406,594	1,516,584	1,655,528	1,782,080	1,807,394	1,849,873
Cash & other equivalents	654,833	711,629	710,968	731,531	712,641	706,869
Accounts receivable	122,411	270,953	285,817	322,117	337,256	353,781
Short-term Marketable securities	26,534	43,025	110,024	110,024	110,024	110,024
Inventories	161,110	152,204	162,285	182,896	191,492	200,875
Other current assets	441,706	338,773	386,434	435,513	455,981	478,324
Fixed assets	2,325,459	2,372,364	2,606,564	2,790,563	2,966,763	3,133,163
Tangible fixed assets	1,247,823	1,320,174	1,482,514	1,666,514	1,842,714	2,009,114
Intangible fixed assets	324,655	333,156	415,413	415,413	415,413	415,413
Investments and other fixed assets	752,979	719,034	708,636	708,636	708,636	708,636
Total assets	3,732,111	3,889,358	4,262,397	4,572,643	4,774,157	4,983,036
Guarantees	418,585	412,098	400,867	400,867	400,867	400,867
Current liabilities	1,348,728	1,385,728	1,534,579	1,725,216	1,798,780	1,869,077
Accounts payable	284,795	316,072	328,800	370,559	387,975	406,985
Short-term borrowings	108,330	139,690	145,750	160,000	160,000	150,000
Other current liabilities	955,603	929,966	1,060,029	1,194,657	1,250,805	1,312,092
Non-current liabilities	606,871	642,675	733,077	734,077	735,077	736,077
Corporate bonds	263,973	253,978	229,983	229,983	229,983	229,983
Long-term borrowings	177,225	198,167	281,893	281,893	281,893	281,893
Other non-current liabilities	165,673	190,530	221,201	222,201	223,201	224,201
Total liabilities	1,955,599	2,028,403	2,267,656	2,459,293	2,533,857	2,605,154
Shareholders' equity	1,803,783	1,882,287	1,963,666	2,083,116	2,209,366	2,346,246
Capital	50,000	50,000	50,000	50,000	50,000	50,000
Capital Surplus	526,899	526,886	526,873	526,873	526,873	526,873
Treasury stocks	-7,320	-7,212	-7,142	-7,142	-7,142	-7,142
Valuation & Exchange difference, etc	-101,268	-116,303	-72,503	-72,503	-72,503	-72,503
Minority interest	73,016	93,748	102,038	102,738	103,438	104,138
Shareholder's equity	1,702,515	1,765,984	1,891,164	2,010,613	2,136,863	2,273,743
Total net assets	1,776,512	1,860,954	1,994,740	2,113,351	2,240,301	2,377,881
Total liabilities + shareholders' equity	3,732,111	3,889,358	4,262,397	4,572,644	4,774,158	4,983,035
Interest-bearing debt	549,528	591,835	657,626	671,876	671,876	661,876

Sources: Company data, J.P. Morgan estimates.

Figure 11: Consolidated Statement of Cash Flows

¥ million, %

Cash flow statement	FY2/11	FY2/12	FY2/13	FY2/14E	FY2/15E	FY2/16E
Cash flow from operating activities						
After-tax profit	111,962	129,838	138,064	181,300	193,400	211,100
Depreciation	132,421	139,994	155,666	156,000	163,800	173,600
Change in working capital	244,560	-47,554	3,186	70,397	29,360	32,047
Change in other long-term liabilities	-16,082	24,857	30,671	1,000	1,000	1,000
Other	0	0	0	0	0	0
Subtotal (A)	472,861	247,135	327,587	408,697	387,560	417,747
Cash flow from investing activities						
Investment in plant & equipment	-338,656	-255,426	-334,216	-340,000	-340,000	-340,000
Investments and lending (for subsidiary shares, etc)	0	0	0	0	0	0
Other	0	0	0	0	0	0
Subtotal (B)	-338,656	-255,426	-334,216	-340,000	-340,000	-340,000
Free cash flow (A) + (B)	134,205	-8,291	-6,629	68,697	47,560	77,747
Cash flow from financing activities (C)						
Change in borrowings	-209,655	52,302	89,786	14,250	0	-10,000
Change in corporate bonds	73,905	-9,995	-23,995	0	0	0
Increase in equity capital	0	0	0	0	0	0
Dividends paid	-50,570	-54,780	-56,550	-61,850	-67,150	-74,220
Other	0	0	0	0	0	0
Total	-186,320	-12,473	9,241	-47,600	-67,150	-84,220
Total cash flow (A) + (B) + (C)	-52,115	-20,764	2,612	21,097	-19,590	-6,473

Sources: Company data, J.P. Morgan estimates.

JPM Q-Profile

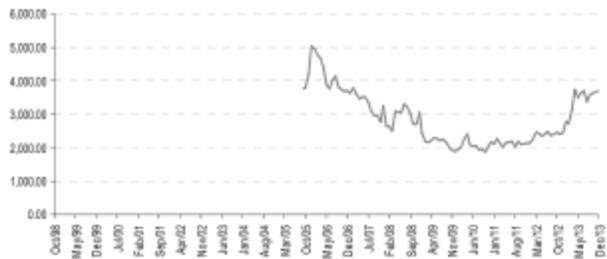
Seven & I Holdings Co., Ltd. (JAPAN / Consumer Staples)

As Of: 06-Dec-2013

Global Equity Quantitative Analysis

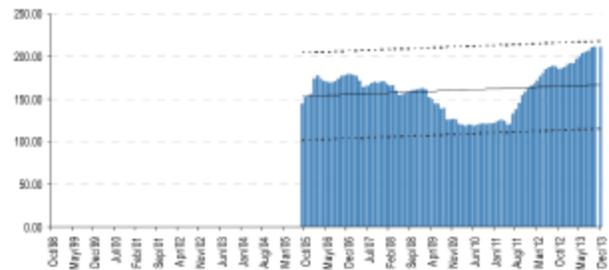
Local Share Price

Current: 3715.00



12 Mth Forward EPS

Current: 211.45



Earnings Yield (& local bond Yield)

Current: 6%



Implied Value Of Growth*

Current: 5.20%



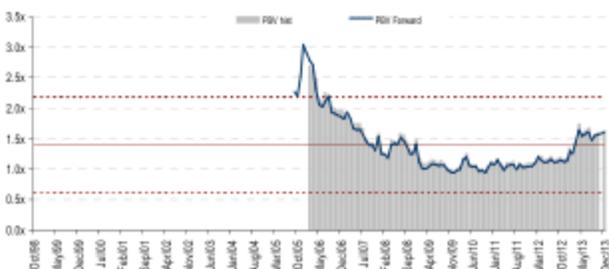
PE (1Yr Forward)

Current: 17.6x



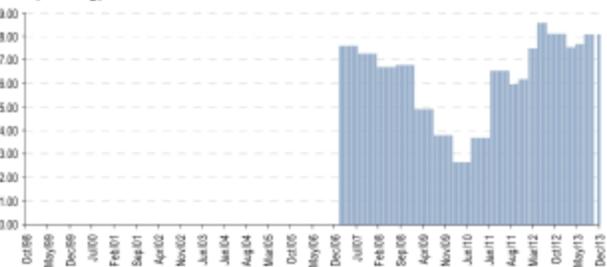
Price/Book Value

Current: 1.6x



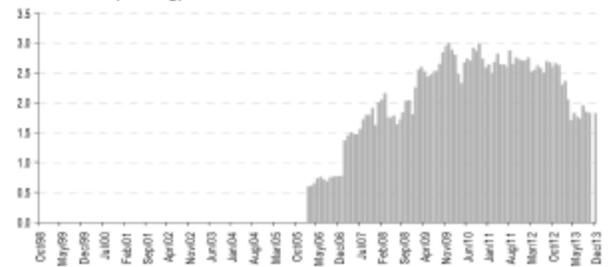
ROE (Trailing)

Current: 8.10



Dividend Yield (Trailing)

Current: 1.82



Summary

Seven & I Holdings Co., Ltd.		SEDOL		B0FSSD6		As Of:		6-Dec-13			
JAPAN						Local Price:		3,715.00			
Consumer Staples						EPS:		211.45			
	Latest	Min	Max	Median	Average	2σ+	2σ-	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	17.57x	12.55	32.33	17.10	17.91	25.75	10.06	-29%	84%	-3%	2%
P/BV (Trailing)	1.64x	0.97	2.70	1.23	1.41	2.19	0.62	-41%	64%	-25%	-14%
Dividend Yield (Trailing)	1.82	0.60	3.00	2.35	2.10	3.48	0.73	-67%	65%	29%	15%
ROE (Trailing)	8.10	2.65	8.56	6.71	6.23	9.76	2.71	-67%	6%	-17%	-23%
Implied Value of Growth	5.2%	-0.30	0.53	0.08	0.09	0.47	-0.30	-670%	912%	57%	69%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs

* implied Value Of Growth = (1 - EY)/Cost of equity where cost of equity = Bond Yield + 5.0% (ERP)

Seven & i Holdings (3382): Summary of Financials

Income statement ¥ in millions	2013/2	2014/2E	2015/2E	2016/2E	Cash Flow statement ¥ in millions	2013/2	2014/2E	2015/2E	2016/2E
Revenues	4,991,642	5,625,600	5,890,000	6,178,600	Operating CF	327,567	408,697	387,560	417,747
Cost of revenue	-3,218,271	-3,622,500	-3,788,000	-3,968,700	D&A	155,666	156,000	163,800	173,600
Operating expenses	-4,695,957	-5,284,800	-5,529,800	-5,789,800	Net change in working capital	3,186	70,397	29,360	32,047
EBITDA	451,351	496,800	524,000	562,400	Investment CF	-334,216	-340,000	-340,000	-340,000
Depreciation	-155,666	-156,000	-163,800	-173,600	Capex	-334,216	-340,000	-340,000	-340,000
Operating profit (EBIT)	295,685	340,800	360,200	388,800	Net change in investments	-	-	-	-
Other income	-	-	-	-	Free cash flow	-6,723	68,469	47,202	77,260
Other expenses	-	-	-	-	Financing CF	9,241	-47,600	-67,150	-84,220
Pretax income	262,722	315,151	334,751	363,551	Net debt (cash)	-163,366	-169,679	-150,789	-155,017
Abnormal items (net)	-33,114	-26,000	-26,000	-26,000	Change in Net debt (cash)	-547	-6,313	18,890	-4,228
Income taxes	-110,839	-119,340	-126,200	-136,600					
Minorities	-13,819	-14,511	-15,151	-15,851					
Net income - GAAP	138,064	181,300	193,400	211,100					
Diluted shares outstanding (mn)	884	884	884	884					
Balance Sheet ¥ in millions	2013/2	2014/2E	2015/2E	2016/2E	Ratio Analysis	2013/2	2014/2E	2015/2E	2016/2E
Total assets	4,262,397	4,572,643	4,774,157	4,983,036	Gross Margin	35.5%	35.6%	35.7%	35.8%
Cash and cash equivalents	710,968	731,531	712,641	706,869	EBITDA margin	9.0%	8.8%	8.9%	9.1%
Trade receivable	285,817	322,117	337,256	353,781	ROCE	7.5%	8.5%	8.5%	8.8%
Other current assets	386,434	435,513	455,981	478,324	Return on equity (ROE)	7.6%	9.3%	9.3%	9.6%
Net Tangible fixed assets	1,482,514	1,666,514	1,842,714	2,009,114	D/E ratio	33.0%	31.8%	30.0%	27.8%
Net intangible fixed assets	415,413	415,413	415,413	415,413	Div payout ratio	41.0%	34.1%	34.7%	35.2%
Investments/other assets	708,636	708,636	708,636	708,636					
Total liabilities	2,267,656	2,459,293	2,533,857	2,605,154					
Short term debt	145,750	160,000	160,000	150,000					
Other short term liabilities	1,060,029	1,194,657	1,250,805	1,312,092					
Long term debt	511,876	511,876	511,876	511,876					
Other long term liabilities	221,201	222,201	223,201	224,201					
Minority interests	102,038	102,738	103,438	104,138					
Total Equity	1,993,202	2,113,351	2,240,301	2,377,881					

Source: Company data and J.P. Morgan estimates

Note: ¥ in millions (except per-share data). Fiscal year ends Feb

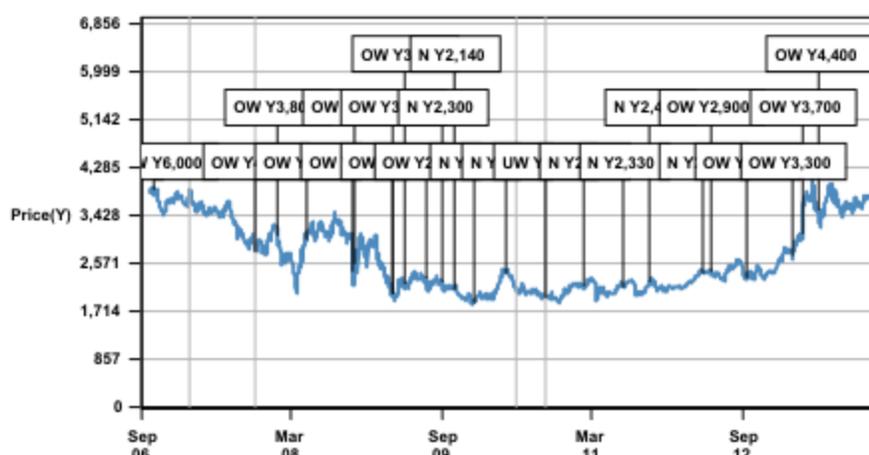
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Seven & i Holdings (3382) (3382.T, 3382 JT) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Oct 16, 2006.

Date	Rating	Share Price (Y)	Price Target (Y)
16-Oct-06	OW	3880	6000
22-Oct-07	OW	2790	4000
11-Jan-08	OW	3080	3800
24-Apr-08	OW	2985	4100
09-Oct-08	OW	2410	3800
15-Oct-08	OW	2580	3640
03-Mar-09	OW	2040	3300
04-Mar-09	OW	2040	3200
13-Apr-09	OW	2220	3100
03-Jul-09	OW	2305	2900
01-Sep-09	N	2250	2300
13-Oct-09	N	2115	2140
24-Dec-09	N	1845	2050
20-Apr-10	N	2405	2100
13-Sep-10	UW	1974	1870
27-Jan-11	N	2171	2200
24-Jun-11	N	2126	2330
28-Sep-11	N	2231	2400
11-Apr-12	N	2407	2700
07-May-12	OW	2429	2900
14-Sep-12	OW	2323	2800
28-Feb-13	OW	2706	3300
05-Apr-13	OW	3090	3700
04-Jun-13	OW	3515	4400

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