July 1, 2021

Company Name: Seven & i Holdings Co., Ltd.
Representative: Ryuichi Isaka,
President & Representative Director
(Code No. 3382/First Section of the Tokyo Stock Exchange)

Announcement of New Medium-Term Management Plan

At its meeting held today, the Board of Directors of Seven &i Holdings Co., Ltd. (the "Company") resolved to formulate a new Medium-Term Management Plan covering the period from FY2022 to FY2026. Details are given below.

1. Group Management Policy

With a view to achieving both sustainable corporate growth and a sustainable society in the midst of global trends, the domestic consumption and competition environment, and the social structural changes accelerating due to COVID-19, the Seven &i Group (the "Group") has set its vision for 2030 as "a world-class global retail group that leads innovation in distribution through a global growth strategy centered on 7-Eleven operations and the active use of technology." As the first phase of this vision, we have formulated a new Medium-Term Management Plan that concludes in FY2026.

We have positioned the period covered by the plan (FY2022-FY2026) as "five years of growth and deepning." During this period, we will accelerate the restructuring of our business models by "Responding to change," which is instilled in the Group's corporate DNA, while keeping "Trust and Sincerity" as our basic policy for all stakeholders. In these ways, we will target medium- and long-term increases in the Group's corporate value by improving ROE and expanding our cash flow generation capability.

In the process of increasing medium-to-long-term corporate value, we will continue reviewing the Group's portfolio, taking into account the growth potential and efficiency of each business, while pursuing synergies between business segments.

2. Overview of the New Medium-Term Management Plan and Numerical Targets

In the Medium-Term Management Plan, in addition to promoting the Group's global growth strategy, centered on 7-Eleven operations, we aim to complete domestic business structural reforms by FY2024. At the same time, we will aim to achieve the numerical targets shown below by making upfront investments for the purpose of reaping the benefits of our strategic investments in such areas as digital transformation and our financial strategies for the latter half of the period.

Indicators	FY2021 Results	FY2026 Targets
EBITDA	626.8 billion yen	1 trillion yen or higher
Operating cash flow*1 (excl. financial business)	456.7 billion yen	800.0 billion yen or higher
Free cash flow*2 (excl. financial business)	132.0 billion yen	400.0 billion yen or higher
ROE	6.8%	10% or higher
ROIC*3 (excl. financial business)	4.7%	7% or higher
Debt/EBITDA multiple	2.8x	Less than 2.0x
Adjusted Debt/EBITDA multiple*4	-	Less than 2.2x
EPS growth rate (CAGR) *5	-	15% or higher

*1. Operating cash flow represents management accounting figures based on NOPAT (excl. financial business).
*2. Free cash flow is based on management accounting figures (excl. financial business) and is calculated by excluding M&A as a strategic investment from investment cash flow.
*3. ROIC is calculated using the following formula:
{Net income + Interest expense×(1 - Effective tax rate)} / {Owner's equity + Interest-bearing debt (both the averages of the figures at the beginning and the end of each fiscal year) }
*4. Adjusted Debt/EBITDA multiple represents a management accounting figure (excl. financial business) and is caluculated using the following formula:
Net debt/EBITDAR [Net debt: Interest - bearing debt + On-balance lease - Cash and deposit adjustment]
*5. EPS growth rate is estimated by CAGR for FY2021

3. Group Priority Group Strategies

(1) Overseas Convenience Store Business Strategy

In our North American business, a growth driver for the Group, we will target food-centered growth and further strengthen our supply chain by enhancing store density while prioritizing PMI for our Speedway deal.

In addition, we will build an operational framework that facilitates collaboration between our Japanese and U.S. businesses. Deploying their respective know-how, we will expand globally by strengthening cooperation among existing countries where we already have a presence and opening stores in new regions via strategic JV and M&As as options. Our aim is to have 50,000 stores worldwide (excluding Japan and North America) by FY2026.

(2) Domestic Convenience Store Business Strategy

In Japan, where each commercial area is getting smaller and more diversified due to COVID-19, with a view to "meeting diversifying needs and providing convenience to all local communities," we will strive to achieve sustainable growth across the entire value chain, including franchisees and business partners, while promoting digital transformation.

(3) Group Food Strategy

In our food-related business, which accounts for around 60% of the Group's sales in Japan, we will strive to "differentiate ourselves through food," which can only be achieved by having a diversity of business formats, and aim to build a common infrastructure for the Group and create further synergies through business restructuring. We are also seeking to contribute to further increase the enterprise value of our core convenience store operations by expanding fresh food supplies and joint procurement activities.

* The Company plans to execute a company split within the Group in order to implement this strategy. For details, please refer to the news release titled "Notice regarding the Company Split within the Group (Simple Absorption-Type Company Split)," dated today.

(4) Large-Scale Commercial Base Strategy

Under the new Medium-Term Management Plan, we will aim to complete business structural reforms at an early stage. Specifically, we will further refine and improve the appeal of stores in prime locations by providing optimal content of both products and services in each commercial area.

4. Changes in Business Segments

In the course of formulating the new Medium-Term Management Plan, we have reviewed the alignment of our operations with the plan's priority strategies, and have made the following changes to some segments as a result.

(1) Sorting out of Convenience Store Operations

- Due to the acquisition of Speedway, Speedway-related subsidiaries are being added to the Overseas Convenience Store Operations segment.
- Our operations in Hawaii and China, which were previously part of the Domestic Convenience Store Operations segment, are being transferred to the Overseas Convenience Store Operations segment. -

(2) Sorting out of Department Store Operations and Specialty Store Operations

- Reflecting our large-scale commercial base strategy, we are integrating our Department Store Operations and Specialty Store Operations, which were previously separate segments, into a single segment, called Department Store & Specialty Store Operations.
- We are transferring Seven & i Asset Management Co., Ltd., the real estate management company for the SEIBU IKEBUKURO flagship store, from the Others segment to the new Department Store & Specialty Store Operations segment, with the aim of flexibly developing commercial bases aligned with consumer needs at department stores.

* With the aim of improving profitability and strengthening our financial base, we plan to integrate Sogo & Seibu Co., Ltd. and Seven & i Asset Management Co., Ltd. in September 2021. For details, please refer to the news release titled "Notice Regarding Absorption-Type Merger between Subsidiaries and Change in Specified Subsidiary," dated today.

Please refer to the attached document for details on the new Medium-Term Management Plan.

Medium-Term Management Plan 2021-2025

July 1, 2021

Ryuichi Isaka

President and Representative Director

Seven & i Holdings Co., Ltd.

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TODAY'S

AGENDA

1. Review of the previous Medium-Term Management Plan
2. New Medium-Term Management Plan

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TODAY'S

AGENDA

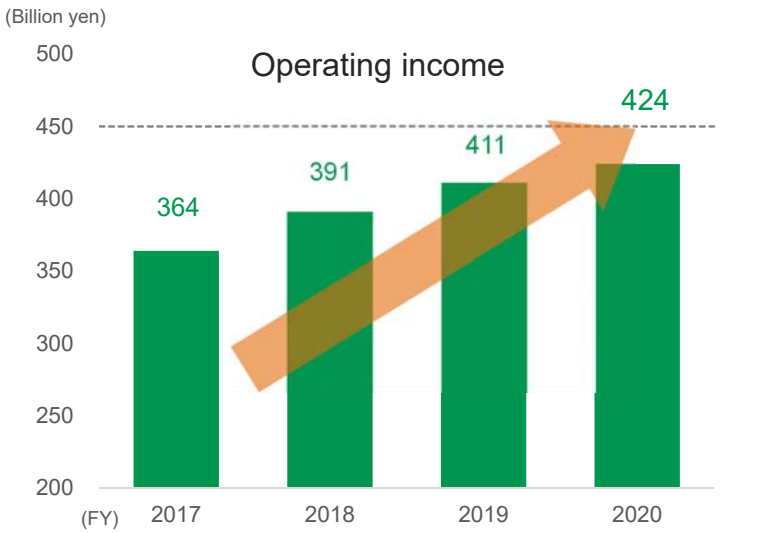
1 Review of the previous Medium-Term Management Plan

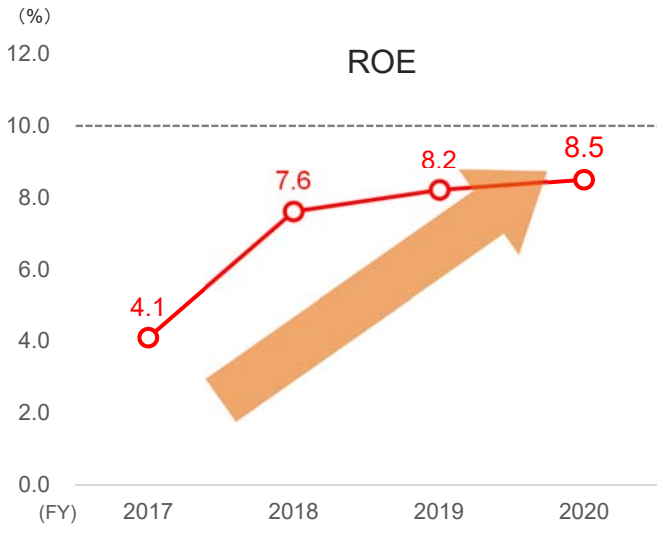
2 New Medium-Term Management Plan

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Review of the Previous Medium-Term Management Plan (numerical targets)

- ✓ Operating income: Increased by 59.6 billion yen in 3 years although the initial target [450 billion yen] was not achieved.
- ✓ ROE: Improved steadily in 3 years although the initial target [10%] was not achieved.





* In April 2019, the target was revised downward to 420 billion yen (priority was given to the structural reforms of the major operating companies).

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Review of the Previous Medium-Term Management Plan (results and issues)

	Points of the Medium-Term plan	Results	Issues
I	Concentrate management resources with the US-Japan CVS business as a pillar of growth	The North American business has especially seen significant growth	Further growth in North America and overseas, and regrowth of domestic business from intentional pause.
II	Area and format selection and concentration (Tokyo metropolitan area food business)	Moved from concept phase to execution phase (IY *Shokuhinkan** has been transferred to YO)	Full-scale launch from 2020 (strengthening cooperation with supermarkets in the Tokyo metropolitan area)
III	Revitalization of GMS / department stores from the perspective of real estate redevelopment	Large stores undergoing structural reform have achieved some level of results	Further acceleration and horizontal development of structural reforms
IV	Review of the omni-channel strategy	7iD expansion across the Group, CRM strategy led by operating companies	From e-commerce to strengthening the relationships with the 22.4 million customers visiting the store per day
V	Review segments from a management approach perspective	Review and implementation in terms of the segments that clearly identify the major areas	Creation of further synergistic effects

*Food specialty store

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TODAY'S

AGENDA

1 Review of the previous Medium-Term Management Plan

2 New Medium-Term Management Plan

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External Environment

Global trends

- ✓ Increasingly more serious environmental issues
- ✓ Increased awareness of sustainability
- ✓ Advances in technology (data society) (heightening of cyber risks)
- ✓ Diversification of values (era of the individual)
- ✓ Increasing and visible country risks

Domestic consumption / competitive environment

- ✓ Population decline, declining birthrate and aging population
- ✓ Population concentration in urban areas, depopulation of rural areas
- ✓ Externalization of housework and food (changes in lifestyle)
- ✓ Diversification of working styles
- ✓ Competition that transcends the boundaries of business types

Changes accelerating due to COVID-19 impact

- ✓ Thoughts on health, safety and security
- ✓ Spread of digital consumption and delivery
- ✓ Non-contact / remote society (cashless, remote work, etc.)
- ✓ The need for resilience
- ✓ Small trade areas and their diversification

COVID-19 has accelerated changes in consumption, values, labor, and the industrial structure
⇒ Entering a more VUCA era

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Corporate Creed, Basic Stance, Ideal Group Image

Corporate creed

We aim to be a sincere company that our customers trust.
We aim to be a sincere company that our business partners, shareholders and local communities trust.
We aim to be a sincere company that our employees trust.

Basic stance

We aim to contribute to the local community both in Japan and overseas by providing new experiences and values from the customer's point of view.

Ideal Group image for 2030

A world-class global distribution group that leads distribution innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology

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Towards 2030 (Positioning of the New Medium-Term Management Plan)

FY2026 Financial Goals

EBITDA	ROE	EPS growth rate
1 trillion yen or more	10% or more	15% or more (5-year CAGR)

Composition of the phases of the New Medium-Term Management Plan

Completion of business structural reform (by FY2024)
Dealing with unprofitable stores, optimizing personnel, etc.

Results of Group's strategic investment
Last Mile / DX / Financial strategies, etc.

Execution of growth strategy

Present day — FY2026

Ideal Group image for 2030

Economic Value ✖ Growth opportunity ✖ Sustainability

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Group Priority Strategy

Provide a new experience and value consistently from the customer's point of view

Challenge of new "Growth areas"	Open the next "Convenience" door	Challenge of "Food" expected now	Create an abundant "Lifestyle Hubs"
Strategy aiming for growth		Strategy aiming for depth	
Overseas CVS business strategy ➤To be the main driver of Group growth ・North America: synergy of integration with Speedway ・Increase value as a global brand	**Domestic CVS business strategy** ➤Return to regrowth path ・Explore business regions, handling by individual stores / location ・Strengthen relationship with franchisees	**Group food strategy** ➤Closer partnerships with supermarkets in the metropolitan area ➤Reinforced development of Group products ➤Enhance joint procurement through direct imports, etc.	**Large-scale commercial base strategy** ➤Higher hub value in line with each business region ➤Expand non-store profits

Challenge of the Last Mile
・Expand on-demand delivery service/enhance online supermarkets (BOPIS)

Customer Base
6.5 million a day in North America
22.4 million a day in Japan

Expansion of customer contact

➢ Improve LTV by 7Rewards/CRM ➢ Expand 7NOW (delivery) ➢ Expand 7Wallet (digital settlement)	➢ Improve LTV by Group CRM around 7iD Strengthen point strategy Provide new settlement experience Enhance financial services	DX/Finance strategy	➢ Build Last Mile delivery platform ➢ Improve technology-aided productivity

Further strengthening of corporate governance / Human resource measures linked to the business strategy

Sustainable management
Balancing the sustainable growth of the company with sustainable society

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OVERSEAS CVS BUSINESS STRATEGY

1. NORTH AMERICA

Mid-Term Goals of North American CVS Business

Growth of North American business using its store network

	Goals for 2025
SEI Store Count	15,000 stores
Strengthen Fresh Food Sales	% of Fresh Food Sales 20%+
Promote DX and Enhance Delivery Service (7NOW)	Operating Stores 6,500 stores Delivery Sales: 3% of total merch. sales

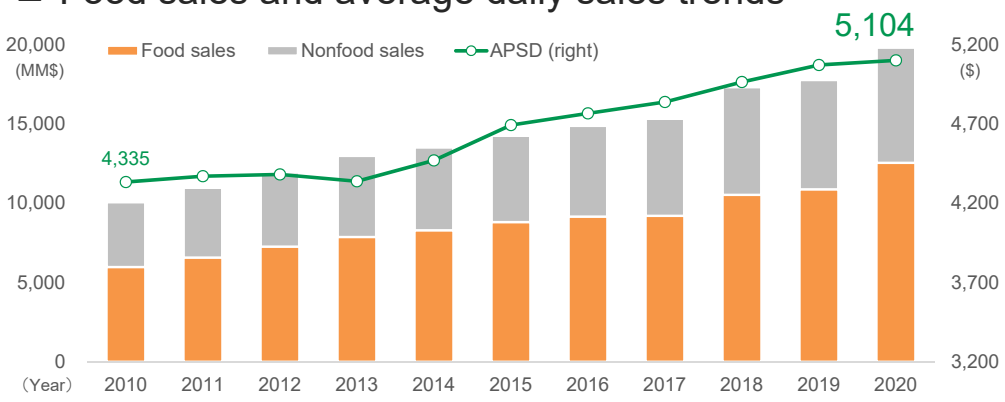
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Further Growth of North American CVS Business (Food-Focused Growth)

■ SIX POINT PLAN 2021

Deliver a Consistent Customer Experience	Modernize Food & Beverage Experience	Optimize the Product Offering
Digitally Transform Convenience	Modernize & Grow the Store Base	Exceed Environmental, Social and Governance Goals

■ Food sales and average daily sales trends



Increase in food sales

Increase in APSD

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Food-Focused Growth (Initiatives for Strengthening Food Business)

■ Collaboration with Warabeya TEXAS

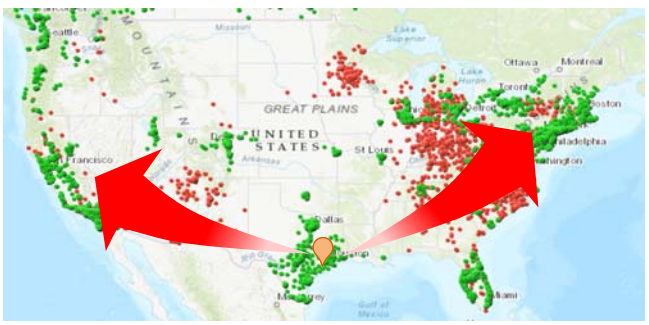
Since 2017	
Operating Area	650 stores in Dallas region

Results of Texas region (FY2020)

	Texas Region	vs National Average
APSD	$5,394	+$290
APSD Growth	+1.9%	+1.3pt.
Food Sales Ratio	61.5%	+1.3pt.

■ Expand Team Merchandising

Since 2020
Apply the method to other commissaries
Expand to NY and LA



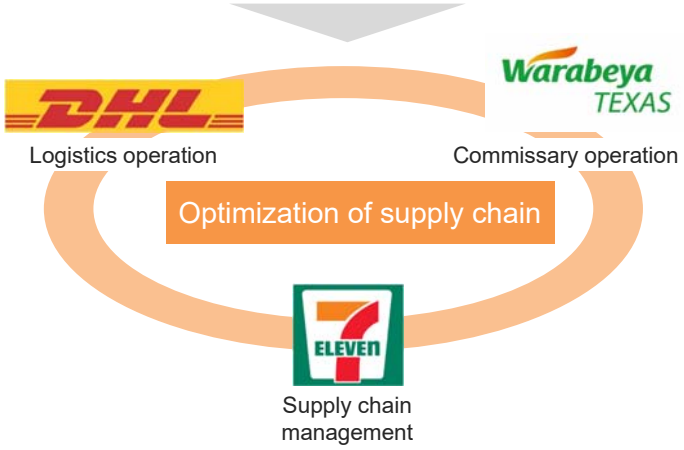
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Food-Focused Growth (Further Initiatives for Strengthening Food Business)

■ Consider promoting collaboration with Warabeya TEXAS

More store density by acquiring Speedway stores

Highly efficient value chain will be built



Combined Distribution Center with commissary plants project	
Operating area	Stafford, Virginia
No. of stores	approx. 1,300 stores (2-fold supply capacity over Texas plant)

Expand from the East Coast, where fresh food sales are high



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Further Growth of North American CVS Business (Promoting DX)

■ Delivery service (7NOW)



Order-to-delivery time	No. of transactions / day / store	Average spending per customer
~31 min (Fastest in industry)	14.6 (Nearly 3.5 times that of Jan 2020)	$14.50 (approx. 1.7 times the amount of in-store sales)

■ 7Rewards

Enhance new service

Experience value	Convenience	Customer touchpoints

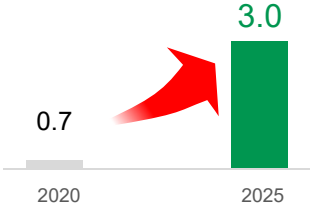
Respond to surging delivery demands

Expand operating stores	Enhance access platforms

Operating Stores

As of Apr.2021	approx. 3,890
2025	approx. 6,500

Sales Composition Ratio

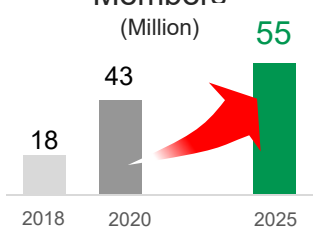


No. of operating stores*

Digital Wallet	approx. 7,750
Mobile Checkout	approx. 400
Fuel Loyalty Program	approx. 1,850

*As of Apr. 2021

Members



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Further Growth of North American CVS Business
(Quality Store, Response to EVs)

■ Expansion of initiatives for quality stores

Proprietary Beverage	Cold press juice etc.
Alcohol Beverage	Craft Beer, Wine
In-store Cooking	Croissants, Cookies
Restaurant	Laredo Taco

Expand to new and existing stores including Speedway

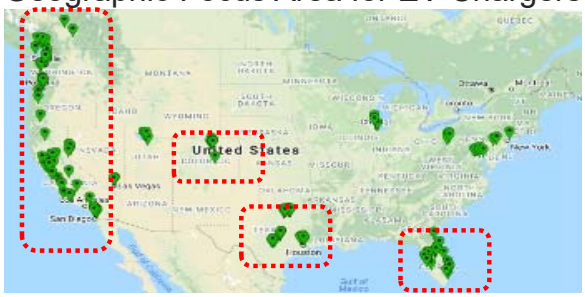
■ Expansion of EV charging stations



Pulling ahead our previous 2027 goal

Target Year	Target Number of Chargers
2027 ↓ 2022 (5 year ahead of schedule)	250 stores ↓ 250 stores 500+ chargers

Geographic Focus Area for EV Chargers



Promote installation of EV charger collaborating with U.S Government

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Further Growth of North American CVS Business

Advanced Product Development	Quality Store Development	New Customer Experience

Growth through CVS business by strengthening the supply chain

■ Ratio of cash flows from operating activities
(excl. financial services)



*Includes overseas subsidiaries other than SEI

Aiming for approx. 50% of Group operating cash flows

Becoming the main driver of sustainable growth

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OVERSEAS CVS BUSINESS STRATEGY

2. GLOBAL

Medium-Term Global Strategy Map

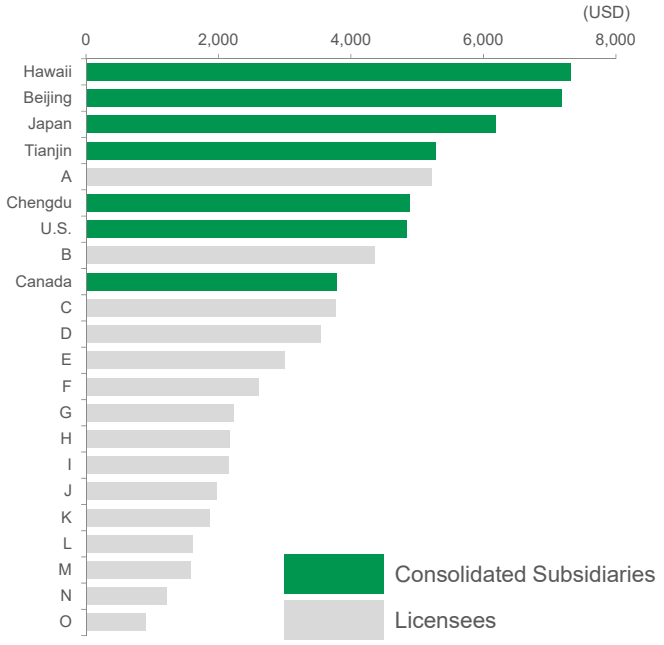
Enhancing 7-Eleven's global brand value through Japan-U.S. collaboration

Goal for 2025	50 K high-quality 7-Eleven stores worldwide(FY2020: 39 K stores)* * excl. Japan and North America
Strategy	1) Strengthen Collaboration with Existing Markets / 2) Promote New Market Entry / 3) Expand Global Collaborations
Initiatives	• Enhanced Collaborative Program with Area Licensees • Strategic Planning & Consulting by Market • Comprehensive Support for Value Chain • New Market Entry Guide • Market Entry via JV and M&A • ESG Roadmap Development • Global Leveraging and Product & Equip • Global IT Digital Solutions
Approach	Hire and develop talented team members to execute together as One Team

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Strengthen Collaboration with Existing Markets

■ APSD Sales by Country and Region in FY2020 (purchasing power parity)



Develop advanced value chains

Sales Improvement	Quality Assessment

Enhanced collaborative program to fully utilize strengths of SEJ and SEI

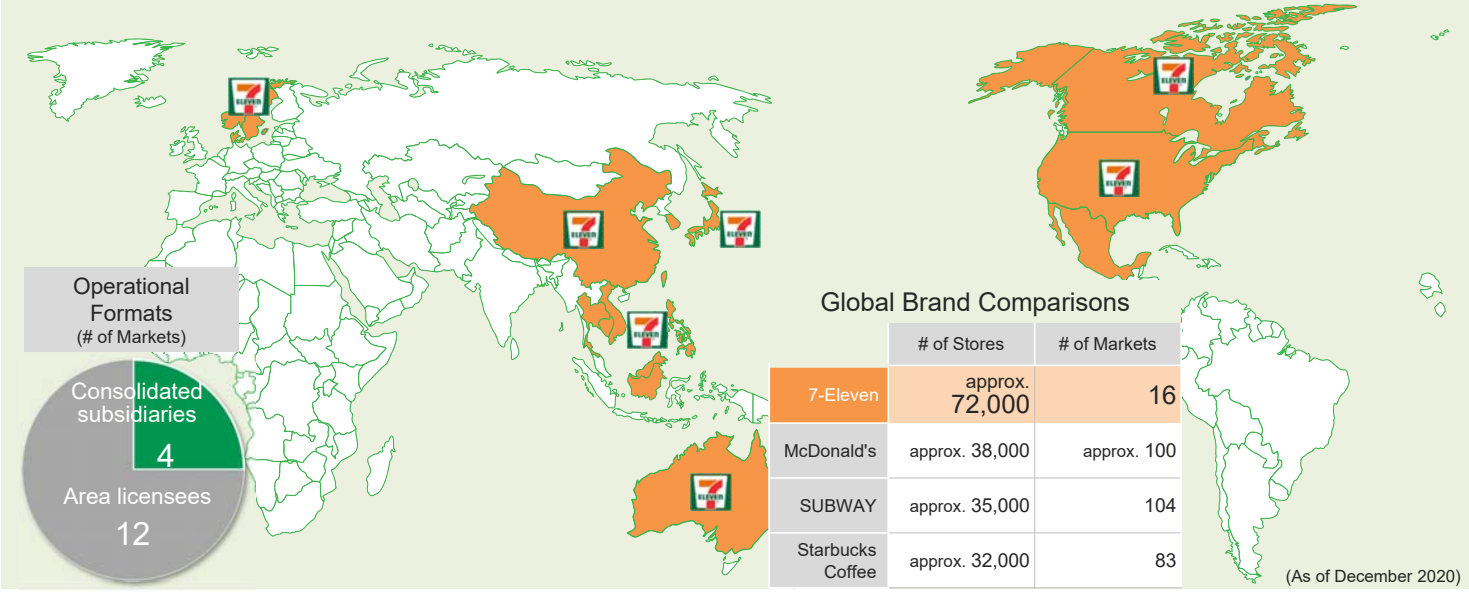
Strategic Planning for Each Region

Global Leveraging Product Development	IT/Digital Solution

Develop quality store network around the world

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Promote New Market Entry



Global Brand Comparisons

	# of Stores	# of Markets
7-Eleven	approx. 72,000	16
McDonald's	approx. 38,000	approx. 100
SUBWAY	approx. 35,000	104
Starbucks Coffee	approx. 32,000	83

(As of December 2020)

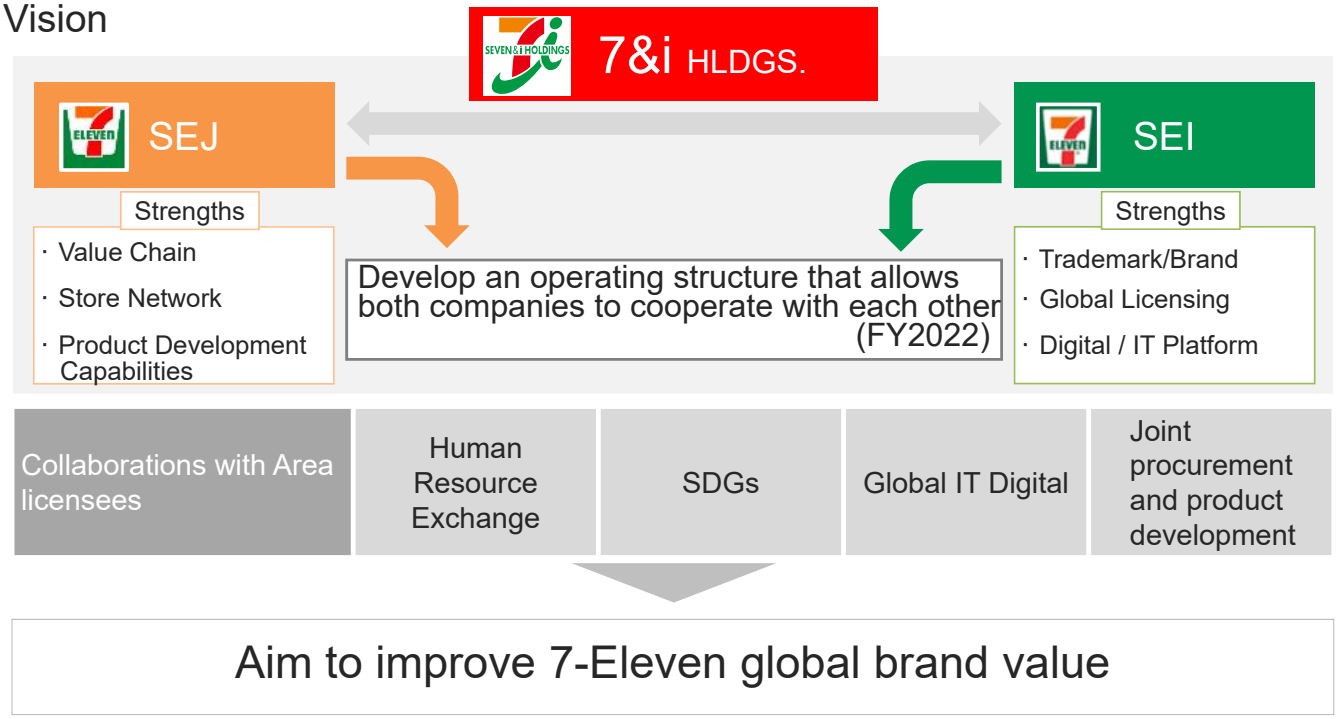
Worldwide 7-Eleven

Having the largest store network in the world but only in 16 countries and regions
Enormous attractive markets and growth opportunities left for global expansion

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Expand Global Collaborations

■ Vision



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Medium-Term Strategy Overview

Changes in the social structure × COVID-19 = Acceleration and diversification of small commercial areas

Ideal image

Meet diversifying needs and provide convenience to all local communities

Sustainable growth of existing stores	Store opening strategy	Promotion of DX
Review product composition ・Sales floor layout tailored to small commercial areas ・Group procurement	Build a foundation for re-accelerating store openings Develop and test next-generation stores	Expand online convenience stores Enhance CRM (App evolution) Improve the productivity of affiliated stores and divisions

Open the door to the next "convenience" ⇒ Towards a regrowth trajectory with distribution innovation

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Acceleration and Diversification of Small Commercial Areas

(7iD Analysis, Changes in Consumer Behavior)

■ 7iD member composition ratio analysis:
comparison of the number of stores frequented monthly and the spend per customer
(1.06 million people in the 1 metropolitan area and 3 prefectures)

Feb. 2020

Average customer spend (yen) \ Number of stores used	< 5	- 10	- 15	- 20	≧ 20
≧ 2,500	1.0	0.1	0.0	0.0	0.0
- 2,500	1.0	0.1	0.0	0.0	0.0
- 2,000	2.7	0.4	0.0	0.0	0.0
- 1,500	8.0	1.9	0.2	0.0	0.0
- 1,000	26.6	8.6	1.4	0.3	0.2
< 500	33.9	10.0	2.2	0.7	0.4

Feb. 2021

Average customer spend (yen) \ Number of stores used	< 5	- 10	- 15	- 20	≧ 20
≧ 2,500	1.7	0.1	0.0	0.0	0.0
- 2,500	1.5	0.1	0.0	0.0	0.0
- 2,000	3.5	0.5	0.0	0.0	0.0
- 1,500	9.6	1.8	0.2	0.0	0.0
- 1,000	27.6	7.3	1.1	0.2	0.1
< 500	34.4	8.0	1.5	0.4	0.3

Visibility of members who use only specific stores and use a large amount of money at one time

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[Reference]

Acceleration and Diversification of Small Commercial Areas (Changes in Usage)

■ Purchase price TOP20 year-on-year (February 2021)

	Category	YOY (%)
1	Family-size ice cream	178.1
2	Rice balls (special rice balls)	140.1
3	Pastries (doughnuts)	139.0
4	Frozen food (frozen pre-cooked food)	138.8
5	Chilled groceries (paste products)	136.8
6	Soft drinks (large bottled tea)	131.1
7	White wine	129.0
8	*Seven Premium* (side dishes)	127.9
9	Chilled groceries (processed meat)	125.0
10	Delicatessen (salad)	123.6

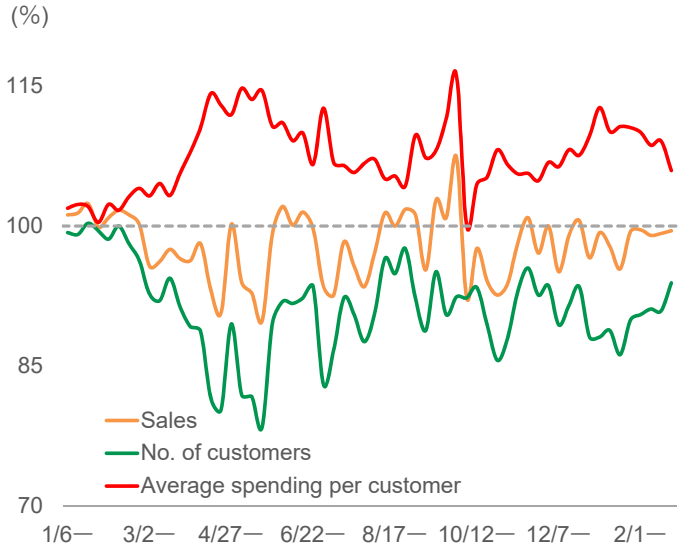
	Category	YOY (%)
11	Sandwiches (rolls)	121.5
12	Delicatessen (meal salad)	120.1
13	Confectionery (chilled Japanese sweets)	117.7
14	Frozen food (noodles / light meals)	117.2
15	Confectionery (chilled pastries)	116.6
16	Red wine	116.1
17	Soft drinks (up to 350ml)	115.3
18	Liquor (reach in showcase)	112.9
19	*Seven Premium* (main dishes)	112.5
20	Frozen food (agriculture, fisheries and ingredients)	112.4

Usage has changed due to the acceleration of small commercial areas owing to the spread of COVID-19.

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Acceleration and Diversification of Small Commercial Areas (Sales by Location)

■ Changes in existing store sales, number of customers, and average spending per customer



■ Results by location (existing stores in FY2021)

	No. of stores as of Feb. 28, 2021	Sales YOY(%)
Nationwide	20,612	97.6
Residential + suburbs	13,086	100.3
Resorts	1,873	97.1
Business offices	2,057	88.9
Others (Railroads, temporarily closed, etc.)	3,596	92.5

Urgent needs to review the sales floor and product assortments in response to the acceleration of small commercial areas owing to the spread of COVID-19.

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Acceleration and Diversification of Small Commercial Areas
(Product/Sales Floor Support)

■ New layout 2020

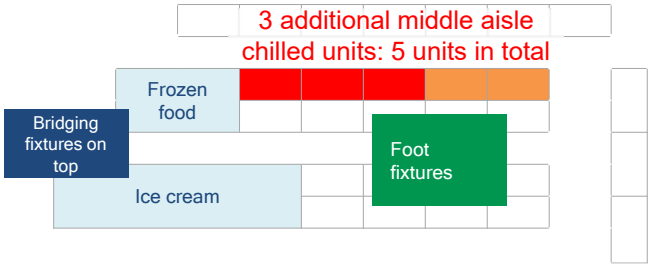


Results of 800 stores introduced in September 2020
(national average difference from the previous year)

Total sales (exc. cigarettes)	+15,600 yen
Open case chilled groceries	+6,300 yen
Confectionery	+1,900 yen
Alcohol	+1,000 yen
Chilled groceries (vegetables, processed meat, etc.)	+100 yen

12,000 stores to be introduced by the end of FY2022

■ Handling of city center stores (example)



Achievements of 17 stores introduced in the Minato area
(Vs. the average of stores which have not brought in these units in the same area)

Total sales (exc. cigarettes)	+8.300 yen
Cooked rice	+1,500 yen
Frozen food	+1,400 yen
Delicatessen	+1,400 yen
Confectionery	+1,100 yen

By the end of FY2022, individual handling by 1,500 stores

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Online Convenience Stores

■ Strengths of online convenience stores

Real-time inventory linkage

- Approximately 2,800 items (excluding magazines and tax-exempt products)
- High conversion rate

30-minute delivery service

- The inventory base closest to the customer
- Responding to immediate meal needs (fried food by order, etc.)

Last Mile DX Platform (future)

- Optimization of delivery resources and routes through utilizing AI
- Expand view to cover the delivery of Group company products (being tested)

■ Future plans for expansion

End of February 2021: approx. 350 stores

Hokkaido: approx. 120 stores, Hiroshima: approx.150 stores

Tokyo: approx. 80 stores (Setagaya, Nakano, Shinagawa, Ikebukuro)

FY2022

From March, started in the Ginza area (office area testing)

⇒ Aim for testing at 1,000 stores by the end of FY2022

Earnings model establishment

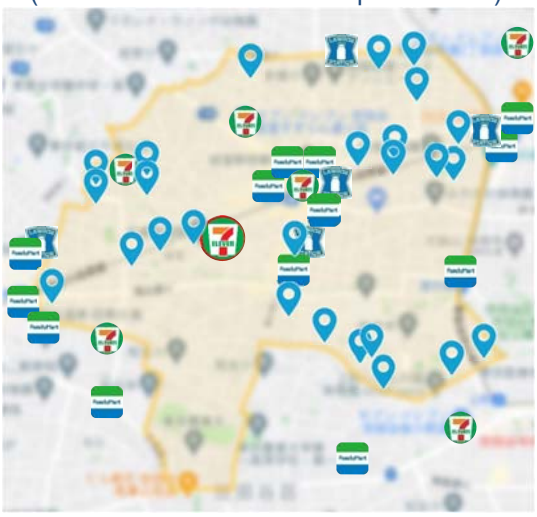
FY2026 targets

Completion of nationwide expansion, operating income + 5% boost

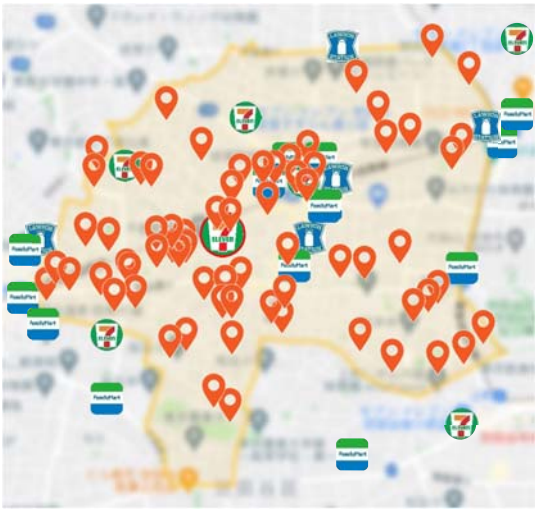
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[Reference]
Online Convenience Stores (Effect of Real-Time Inventory Linkage)

●Before implementation
(minimum of 2 hours - time specification)



●After implementation
(30-minute delivery after the order)



Improved conversion rate, expanded purchase categories, improved frequency of use and improved delivery efficiency

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Medium-Term Strategy Roadmap

		FY2022	FY2026
Sales floor / products		Product composition corresponding to small commercial area (change of sales floor layout)	Product procurement and expansion of product assortments utilizing the Group's power (fresh food, meal kits, direct overseas imports, etc.)
Services		Last One Mile: Online convenience stores - 1,000 test stores in FY 2022 ⇒ To be expanded nationwide in FY2026	
		CRM enhancement (7 app evolution, Group linkage through 7iD)	
Stores		Facilitate closing of unprofitable stores	Greater refinement and efficiency in selecting candidate sites ⇒ Build a foundation for re-accelerating store openings
		Develop and test complex stores and next-generation stores	
Productivity	Franchise stores	AI orders: Test ⇒ Aim to expand to all stores	Productivity improvement target Man-hours / day: decline of (15)%
		Smartphone registration	New self-checkouts, face recognition, etc.
	Head-quarters	Productivity improvement through DX Digitization of forms, RPA, chatbots, efficiency of sales promotion, etc.	SG&A ratio reduction target: decline of (0.3)%pt.

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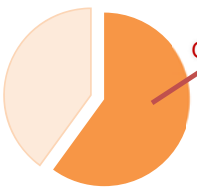
GROUP FOOD STRATEGY

Group Food Strategy

Group synergies in food products

Consolidated Group domestic sales: approx. 7,460 billion yen

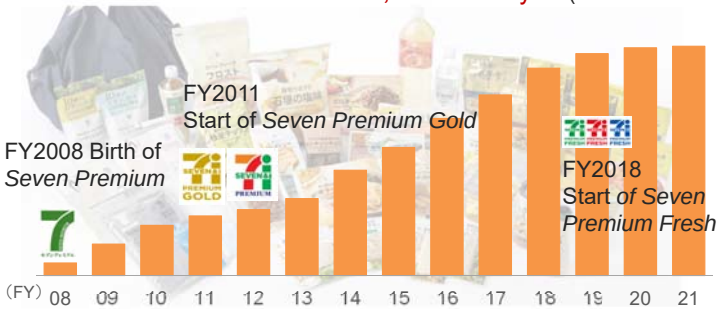
(FY2021 results)



Of which, food sales: approx. 4,670 billion yen*

Food business accounts for more than 60%

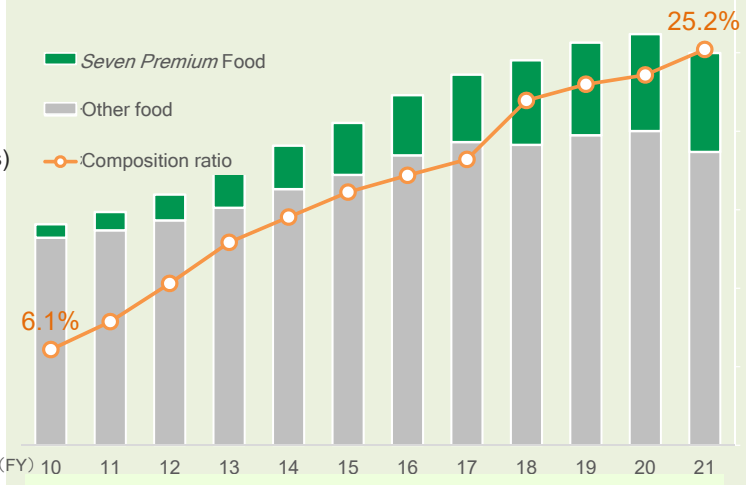
Seven Premium Product Sales: 1,460 billion yen (FY2021 results)



Brand cultivated by the entire Group = symbol of synergistic effects

Sales composition of *Seven Premium* at 7-Eleven

Seven Premium accounts for approx. 25% of food sales



Seven Premium contributes to 7-Eleven food sales

* Total sales of SEJ (food), IY (food excluding tenants), SS (food), YB, YO, SG, 7FS

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Group Food Strategy

Taking on the challenge of further synergies in the food sector

Promotion of overseas procurement (direct imports)

Establish joint procurement that takes advantage of economies of scale



Reinforcing Group product strength (Team MD)

Share raw materials and recipes, develop and supply differentiated products such as meal kits using the common infrastructure
(Process center / Central kitchen)



Utilization of common infrastructure (fresh food)

CVS also handle SM fresh foods such as special discerning vegetables

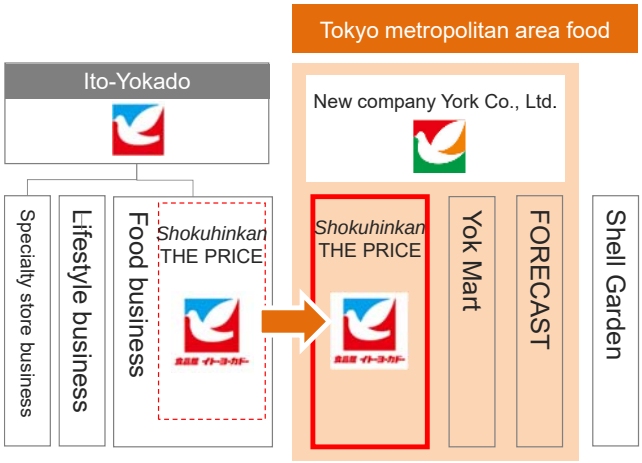


Differentiation in the food sector that can only be achieved by having a variety of business formats

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Group Food Strategy (Store Reorganization)

Phase 1 Store reorganization (- June 2020)



- Reorganize the stores to meet new needs
- Strengthening cooperation with food supermarkets in the Tokyo metropolitan area

FY2020		
Total sales of the 3 companies	557.2 billion yen	214 stores
Ito-Yokado (food excluding tenants)	389.8 billon yen	115stores
York Mart	142.9 billion yen	78stores
Shell Garden	24.5 billion yen	21 stores

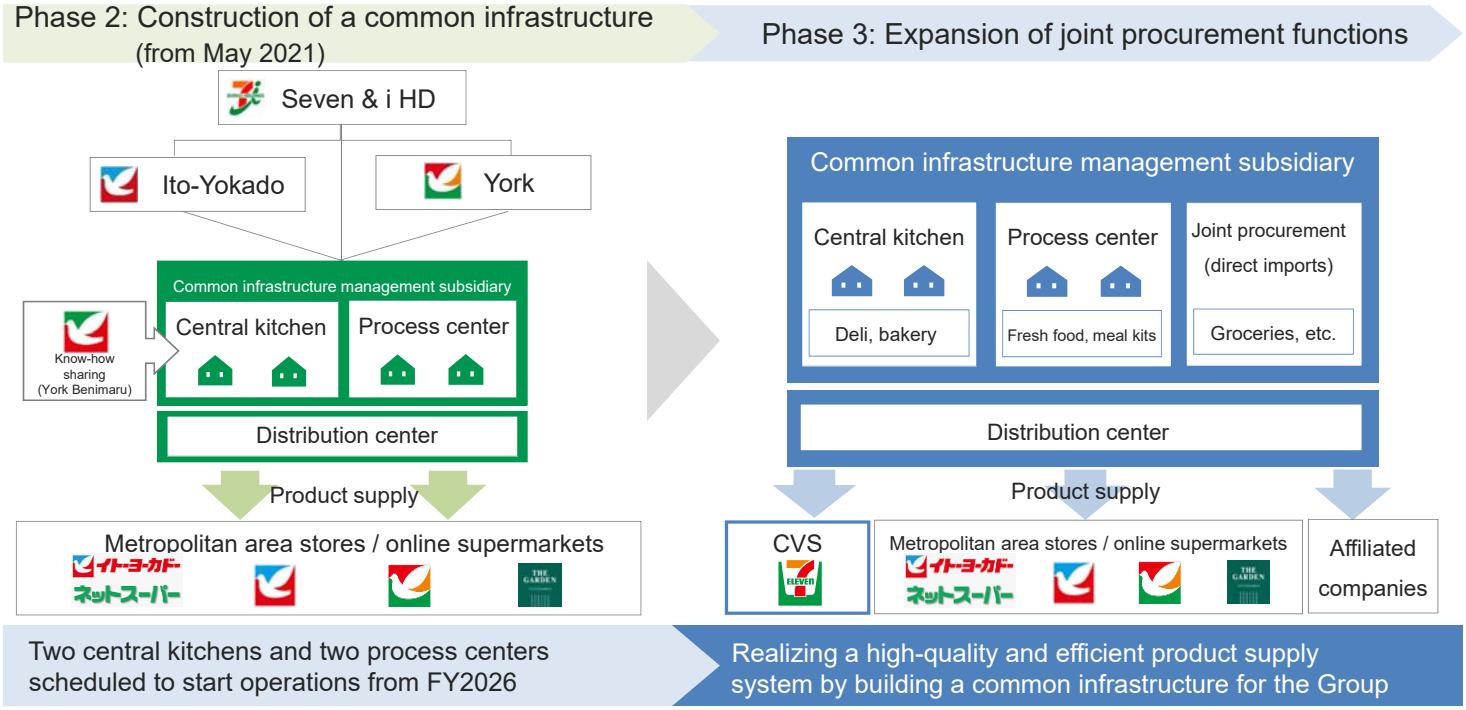
Responding to growing needs due to COVID-19

FY2021		
Total sales of the 3 companies	594.3 billion yen	215 stores
Ito-Yokado (food excluding tenants)	389.3 billion yen	94 stores
York	182.2 billion yen	100 stores
Shell Garden	22.8 billion yen	21 stores

Note: Number of stores at the end of the fiscal year in Tokyo and 3 prefectures: 20 stores transferred from IY to YO during FY2021

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Group Food Strategy (Building a Common Group Infrastructure)



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Large-Scale Commercial Base Strategy
(Business / Store Structure Reform in the Large-Scale Base Strategy)

	Ito-Yokado	Sogo & Seibu
Business structural reform	Unprofitable stores: Close down / scrutinize profitability	Review operations and personnel through store reform
	Personnel optimization	Personnel optimization
Store structural reform	Create stores that match the characteristics of the trade area (improvement of trade area analysis accuracy)	Create stores that match the characteristics of the trade area (improvement of trade area analysis accuracy)
	Improve productivity through AI orders, etc.	Expand customer contact points using DX
Non-store business	Online supermarkets: large-scale centers	Strengthening sales to outside customers (affluent customers)
	Expand “Tokushimaru” mobile supermarkets	Expand commercial business (BtoBtoC)

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Large-Scale Commercial Base Strategy
(Structural Reform / Growth Strategy Schedule)

			From FY2017 Priority measures	From FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Ito-Yokado	Structural reform	Unprofitable stores		30 stores closed	182⇒ 132 stores	Decision to close 5 stores Profitability scrutiny of 18 stores			
		Shokuhinkan, THE PRICE		20 stores transferred					
		Personnel optimization		-800 (compared to FY2019)	-900 (compared to FY2021)				
	Growth strategy	Create buildings that match the trade area		69 stores	20 stores	Approx. 20 stores／year (planned)			
				Improve trade area analysis accuracy		Explore market needs			
		Non-store expansion		Online supermarkets, mobile supermarkets "Tokushimaru", etc.					
Sogo & Seibu	Structural reform	Unprofitable stores		13 stores closed 2 local stores reduced （FY2021）	23⇒10 stores				
		Personnel optimization		-1,500 (compared to FY2019)	Optimization and relocation of growth fields in line with store reforms				
	Growth strategy	Create buildings that match the trade area		2 suburban stores converted to SC	6 major stores				
				Improve trade area analysis accuracy		Explore market needs			
		Non-store expansion		Foreign business (affluent customers), commercial business (BtoBtoC), etc.					

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DX / FINANCIAL STRATEGY

Last Mile Measures (Ideal Image)

Customers

Greater convenience
Instant / prepared meals, delivery needs

Diversification of orders and receipt

Easy cooking, home-cooking needs

Contribute to the local community
Customers who have problems doing their shopping

On-demand purchase

Online convenience stores, *e.Depa-Chika*[*1], etc.

SEIBU SOGO

Denny's

- Fortify ready-to-eat and fast food products
- Set up stores dedicated to home delivery and expand the area
- Build a delivery platform

Planned purchase

Online supermarkets, etc.

イトーヨーカドー ネットスーパー



Future measures and direction

- Large-scale centers
  (supply products to SEJ stores through linkage with the common infrastructure, etc.)
- Diversification of pick-up centers
  (BOPIS[*2], lockers, etc.)
- Strengthen fresh foods and meal kits

Face-to-face purchases

Tokushimaru, *Seven Anshin Delivery*, etc.



- Expand no. of operational trucks
- Tokushimaru, strengthen cooperation with the local communities

The sales scale of the entire Group will reach approx. 600 billion yen by FY2026.

[*1] *e.Depa-Chika* : online department store with food section [*2] BOPIS : Buy Online Pick-up In Store

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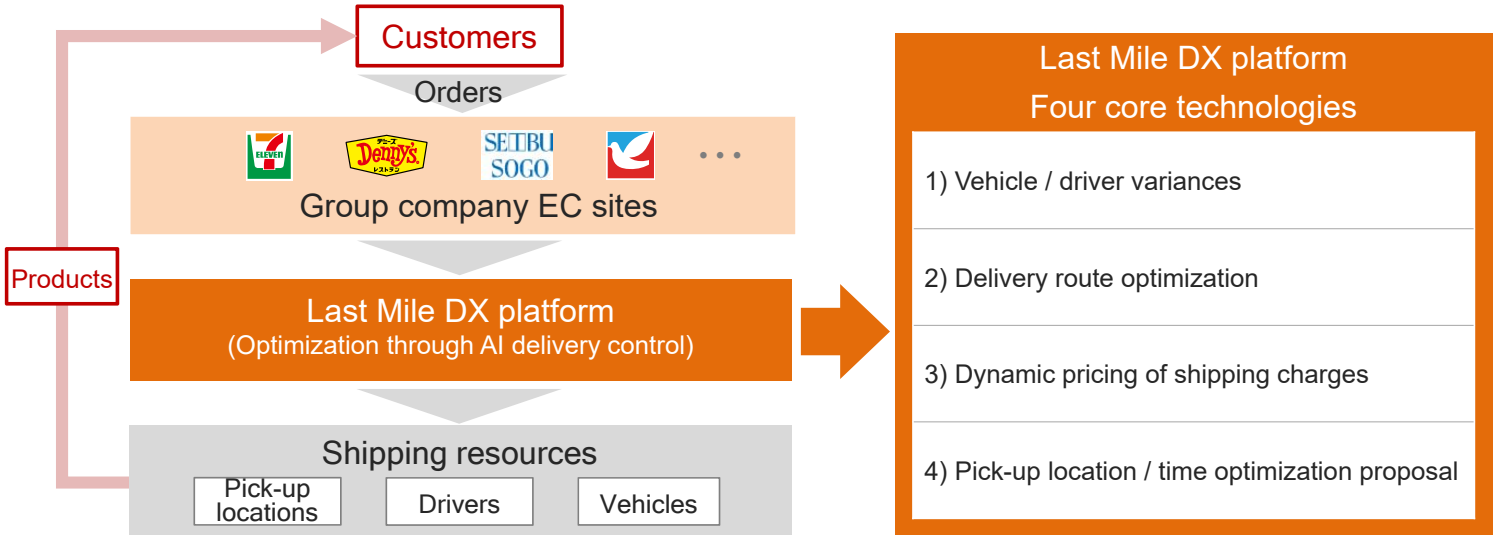
Last Mile Measures (Expansion Schedule)

	FY2021	FY2022	FY2023	From FY2024
Online convenience stores	In-house manufacturing development / PoC (real-time inventory linkage, etc.)	Store expansion ▸1,000 stores		▸ Nationwide expansion (FY2026)
Denny's home delivery	In-house manufacturing development / PoC (set up stores dedicated to home delivery, etc.)		Expansion of stores dedicated to home delivery	
	Building the Last Mile DX Platform			
SETIBU SOGO e.Depa-Chika		In-house manufacturing development / PoC	Start of services (planned)	
Online supermarket	Online supermarket Nishi-Nippori PoC (optimization of delivery mechanism, pick-up lockers, etc.)			Shin-Yokohama Center operation

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Last Mile Measures (Optimization of Delivery)

■ Ideal image of the Last One Mile DX Platform



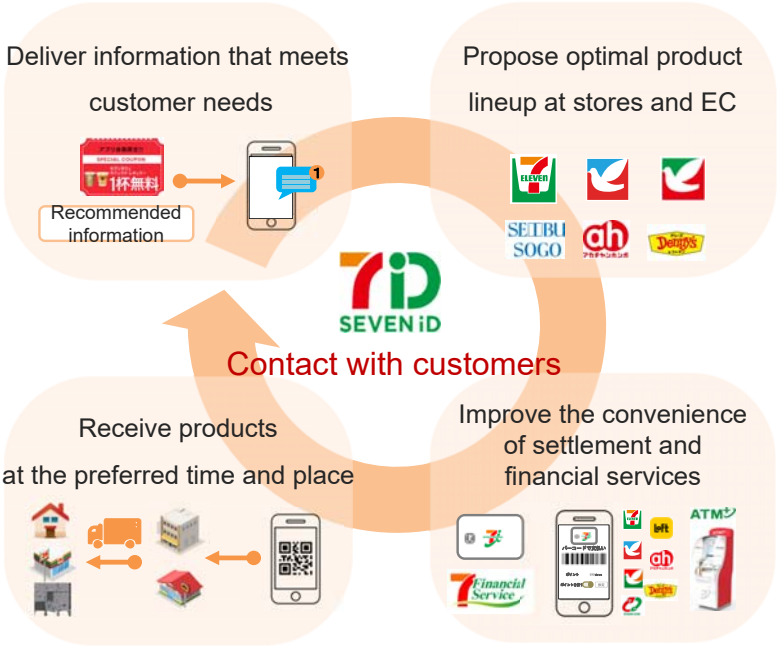
AI delivery control reduces delivery distances by approx. 40% and the number of vehicles by approx. 45%*

* Tested AI-based mixed loading function, route optimization function, and vehicle optimization function in the Shinagawa area (December 2020)

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DX / Financial Strategy (Expansion of Customer Contact)

■ Improve LTV by further expanding and deepening customer contact through “7iD”



Providing a new settlement experience

Strengthening the Group points strategy

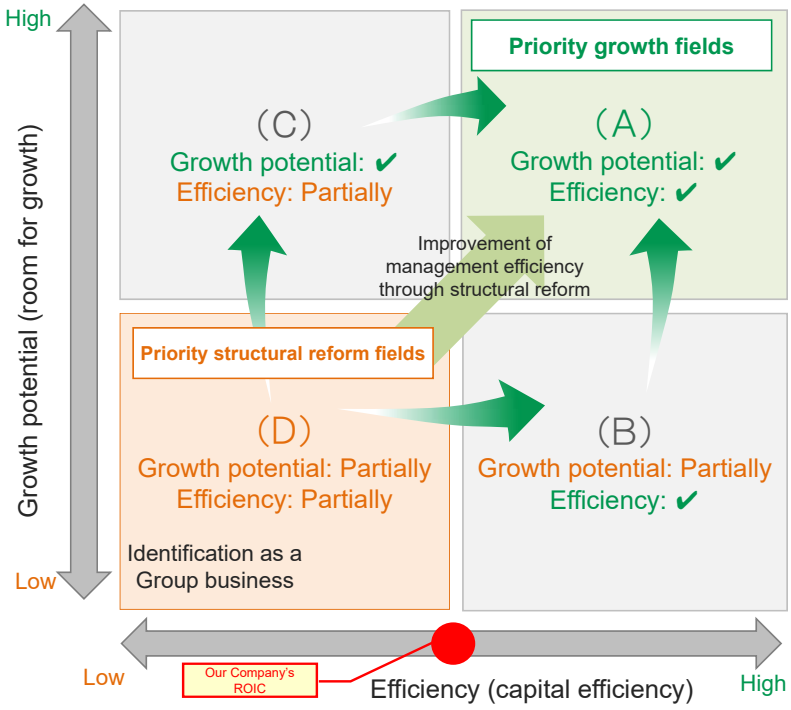
Convenient settlement services and possible to accumulate points for use in daily shopping

Aiming for 50 million 7iD members by FY2026

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BUSINESS PORTFOLIO

Thoughts about the Business Portfolio



Priority structural reform fields

- Implement drastic business structural reforms
- Strict investment discipline (↑ capital efficiency)
- Increase profits through Group synergies

Realization of management restructuring through business structural reform

Evaluation as a Group business (including synergies)

Consider the best owner

Shift of management resources to priority growth fields

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Sustainable Management (Achievement of the SDGs based on the 5 Material Issues)

Material issue 1 Provide a social infrastructure in the age of an aging and declining population		(Main efforts) • Online convenience stores, online supermarkets, *Seven Anshin* (reliable) *Delivery* service, Tokushimaru business • Administrative services (issuance of various certificates)
Material issue 2 Providing safety and reliability through products and stores		・Reduction of food additives ・Easy-to-understand nutrition labeling ・Vegetable factory efforts
Material issue 3 Non-wasteful usage of products, ingredients, and energy		• Reduction of food waste and aim for long-term freshness • Donations to food banks and social cooperatives • Development of environment-friendly container materials
Material issue 4 Supporting the active role of women, youth, and seniors across the group and in society		• Seven Nanairo Nursery School • Introduction of staggered commuting system • Holding child-rearing support events
Material issue 5 Building an ethical society and improving resource sustainability together with customers and business partners		• PET bottle collection machines • Business partner CSR audits • "Seven Forest" Forest Conservation Project • Whistleblowing system (employees, business partners) • PET bottle recycling business
<Promotion of partnerships> Promoting global partnerships		In November 2020, held the “Global ESG Forum” with 7-Eleven licensees in 16 countries and regions around the world. Confirmed the social issues that should be prioritized.

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Investment to Achieve Environmental Declaration Goals

■ Environmental Declaration

(announced in May 2019)

GREEN CHALLENGE 2050

Announced ideal image for 2050 based on four themes

- Reduction of CO2 emissions
- Plastic countermeasures
- Food loss/waste and food recycling measures
- Sustainable procurement



We will continue to contribute to the creation of a sustainable society by allocating more than 5% of total investment (excluding strategic investment) to environmental investment.

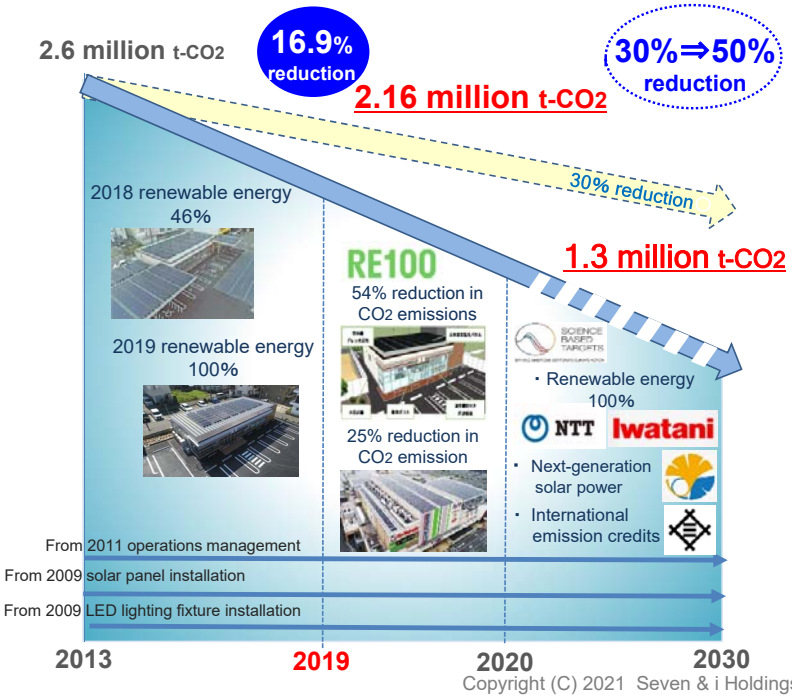
Investment in the environment from FY2022 to 2026 = approx. 125 billion yen

(Expansion of solar panels, introduction of energy-saving equipment, addition of PET bottle collection machines, etc.)

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Ideal Image for 2030 (Decarbonized Society)

■ CO2 emissions: compared to FY2013



Strengthen on-site renewable energy

- Stores with solar panels:
  8,683 stores (92 MW) → 11,000 stores (160 MW)
- Large solar panels to be installed in car parks and factories

Utilization of off-site renewable energy

- Expansion of off-site PPA (two contracts with NTT)
- Promotion of renewable energy procurement

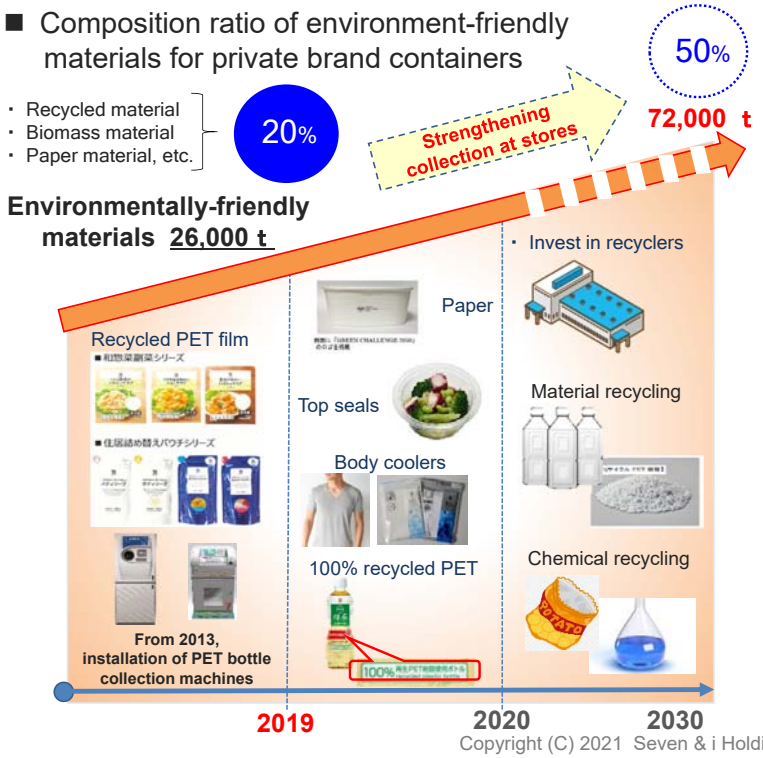
Promotion of investment and utilization of new technologies

- Expansion of hydrogen energy for store operations
- R&D of next-generation solar cells and storage batteries

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Ideal Image for 2030 (Circular Economy)

■ Composition ratio of environment-friendly materials for private brand containers



Strengthening collection of plastics at stores

- PET bottle collection machines
  (330 million bottles collected in FY 2021)
  Currently 1,000 machines installed
  ⇒ More than 1,000 machines will be installed annually
- Challenge to collect plastics other than PET bottles
  (e.g. promote the collection of plastic trays)

Securing recycled plastics

- Invest in a used PET bottle recycling factory
  Secure recycled PET for using PB packages
- Invest in the chemical recycling business

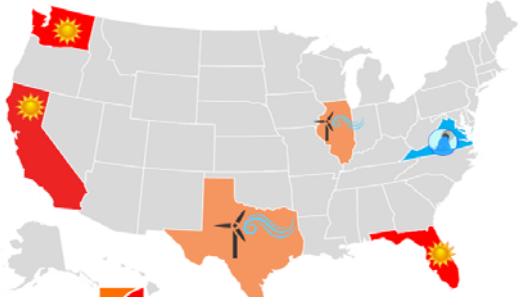
Utilization of recycled and environmentally-friendly materials for PB

- Use in *Seven Premium* containers and packages
  (currently about 200 items ⇒ 1,000 items)

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SEI's Initiatives for a Sustainable Society

■ Renewable energy usage area





Number of stores using renewable energy

Solar power	approx. 350 stores
Wind power	approx. 870 stores
Hydropower	approx.150 stores
Total	approx.1,370 stores

*as of December 2020

Development towards 2030

Renewable energy use in other regions

Expand RE100 stores to 5,000 stores

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Ideal Image for 2030 (Responsibility as a Global Company)

[Task Force on Climate-Related Financial Disclosures]

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

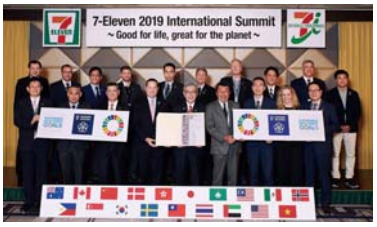
Published the response to the TCFD recommendations. Further improve the accuracy of scenarios and countermeasures.

[International certification of CO2 emission reduction targets]

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Completed registration for certification. Aim for certification of CO2 reduction targets consistent with the Paris Agreement.

[7-Eleven International Summit]



Concluded partnerships agreement with 7-Eleven licensees in 16 countries and regions to achieve SDGs.

[Supply chain management]

CSR audits for PB factories overseas

413 factories* audited in FY2021
(on-site audit of 117 items)
*All factories in China and Southeast Asia

CSR audits for PB factories in Japan

271 factories audited in FY2021
(on-site audit of 117 items)
All factories in Japan carried out document self-check

- Strengthen human rights protection, legal compliance, occupational safety, environmental protection, etc. in the supply chain
- Implementation of due diligence of human rights
  ⇒ Formulation of " 7&i human rights policy"

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For Sustainable Growth

Further strengthening of corporate governance

Constant review of corporate governance structure
(Board of Directors, advisory board, evaluation, compensation system, enhancement / maintenance of disclosure, etc.)

Deepening Group governance
(Strengthening dialogue and cooperation between holding companies and operating companies, optimal resource allocation, etc.)

Human resource measures linked to business strategy

Creating an organization where both the company and employees can grow (motivation to work)
(upskilling of each employee and support for autonomous learning, etc.)

Creating a workplace where everyone can work comfortably
(work style reform / productivity improvement, promotion of diversity & inclusion, etc.)

Towards sustainable growth by improving corporate value (financial and non-financial) over the medium to long term

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FINANCIAL POLICY / QUANTITATIVE TARGETS

Basic Financial Policy

In order to continuously improve corporate value, increase returns (profit) that exceed the cost of capital and increase the ability to generate cash flow (CF).

ROIC (net income basis) › **WACC** (weighted average cost of capital) ← Evaluation of return (profit) based on cost of capital

≪Main consolidated KPIs≫

Quantitative expansion of finance	Free CF level	EPS growth rate
Financial quality improvement	ROE	ROIC spread
Ensuring financial soundness	Debt/EBITDA ratio	

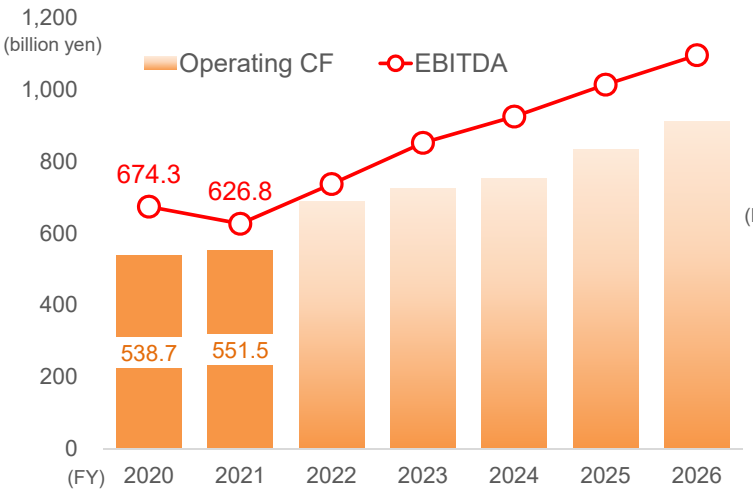
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Quantitative Expansion of Finance (EBITDA / Operating CF)

■ EBITDA / Operating CF plan (consolidated)

【Until 2025】 EBITDA 1 trillion yen or more

Operating CF 800 billion yen or more

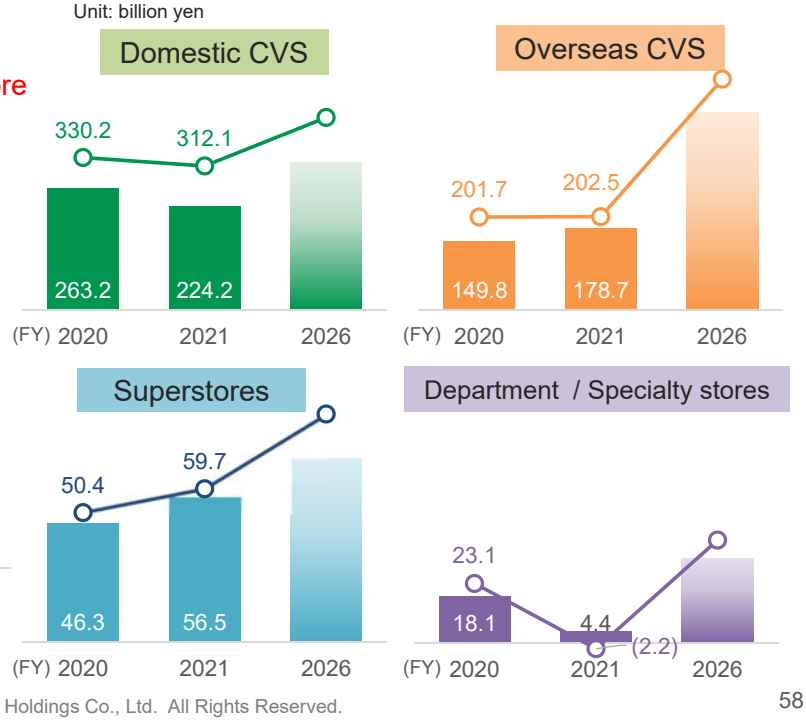


* Exchange rate: 1 $ = 107 yen (FY2022), 1 $ = 105 yen (FY2023-26) / 1 yuan = ¥ 16 (FY2022-26)

* Operating CF: Management accounting figures based on NOPAT

■ Planning by segment (Bars: Operating CF / Lines: EBITDA)

Unit: billion yen

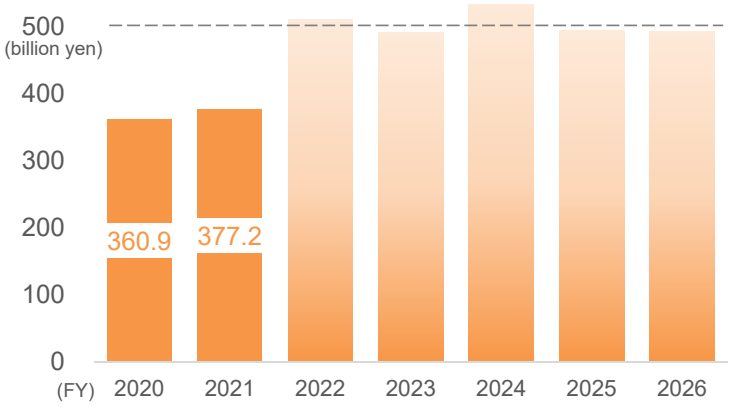


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Resource Allocation for Growth (Capital Expenditures / Free CF)

■ Capital expenditures plan (consolidated)

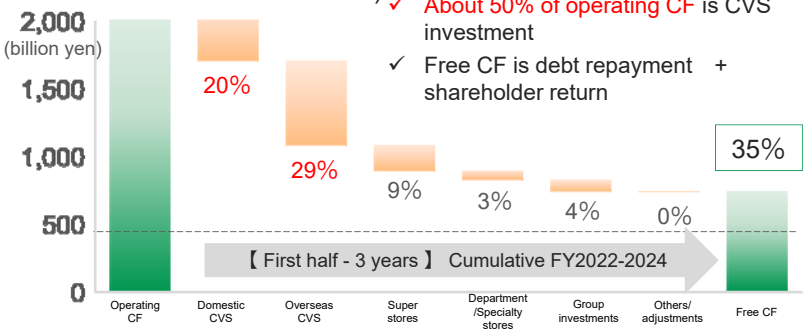
- ✓ Continue proactive investment in US-Japan CVS business
- ✓ Investment based on Group strategy
- ✓ Environmental investment to be about 125 billion yen in 5 years (about 5% of the total)



* Excluding investment in the acquisition of Speedway in FY2022

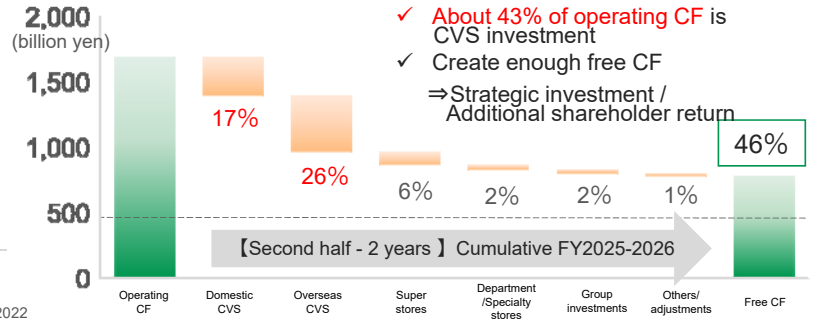
■ Resource allocation from operating CF (excluding financial services business)

- ✓ About 50% of operating CF is CVS investment
- ✓ Free CF is debt repayment + shareholder return



- ✓ About 43% of operating CF is CVS investment
- ✓ Create enough free CF

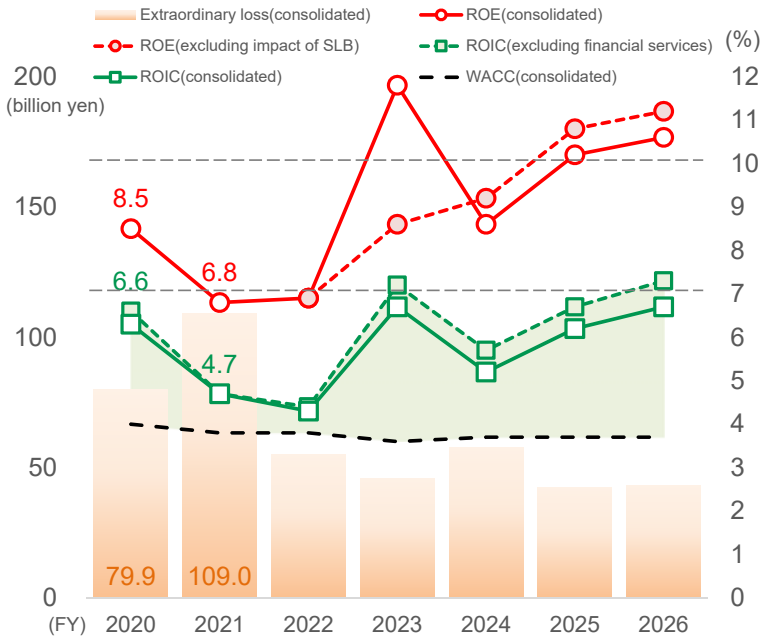
⇒Strategic investment / Additional shareholder return



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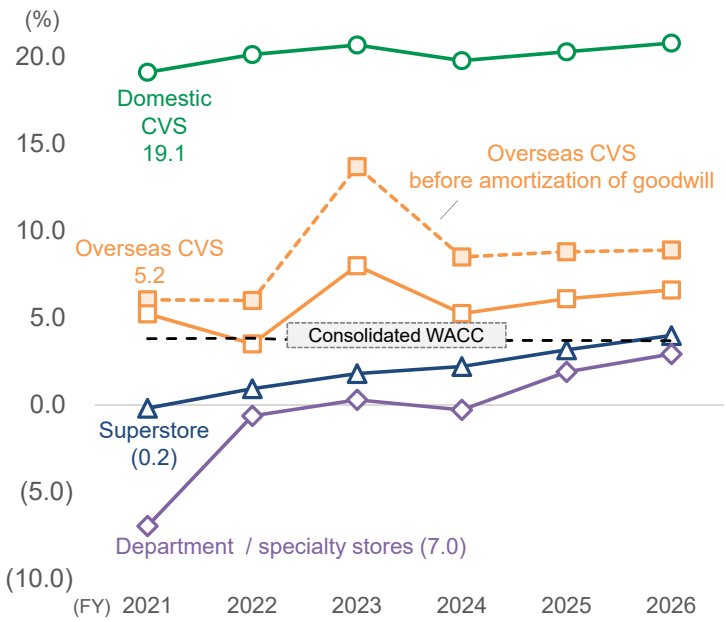
Improvement of Financial Quality
(Investment Efficiency and Cchanges in Extraordinary Losses)

■ ROE/ROIC/Extraordinary loss plan



■ ROIC by segment

* Management accounting base figures adjusted for intra-group capital and fund transactions



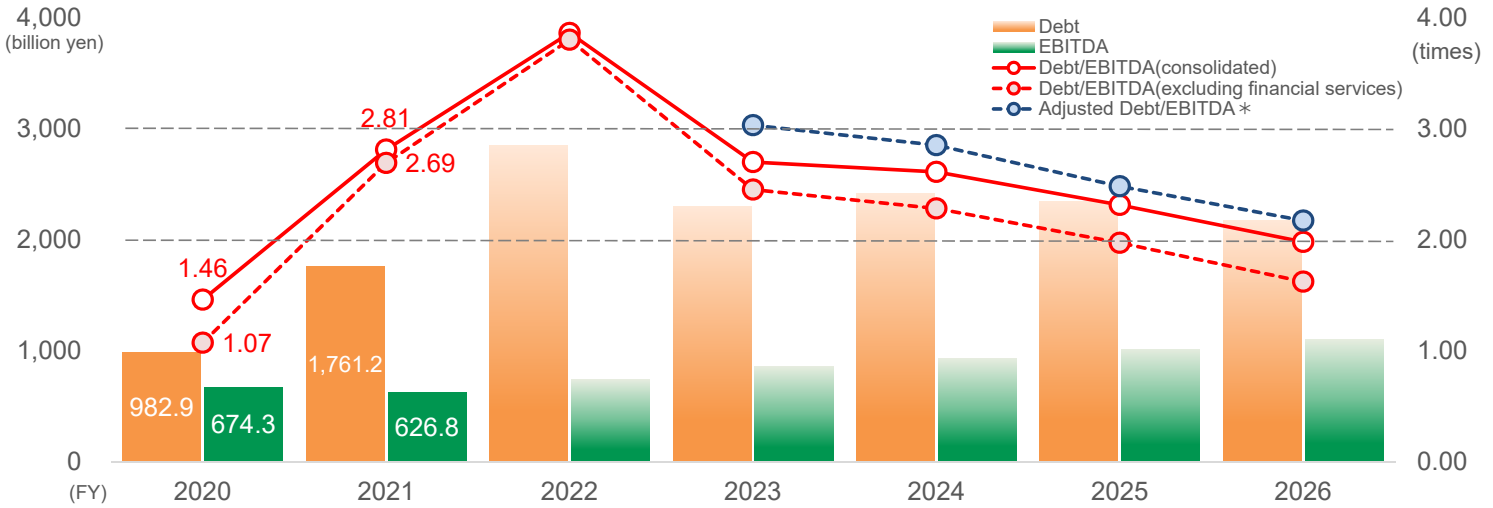
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Improvement of Financial Soundness (Debt / EBITDA Ratio)

■ Debt / EBITDA ratio plan (consolidated)

✓ For the time being, priority is given to reducing debt

✓ FY2025 target: less than 2.0 times (consolidated) / less than 2.2 times (consolidated after adjustment)

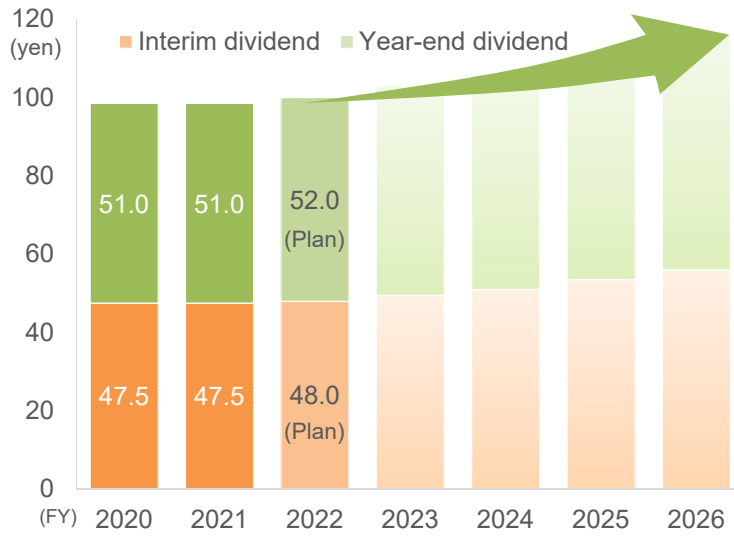


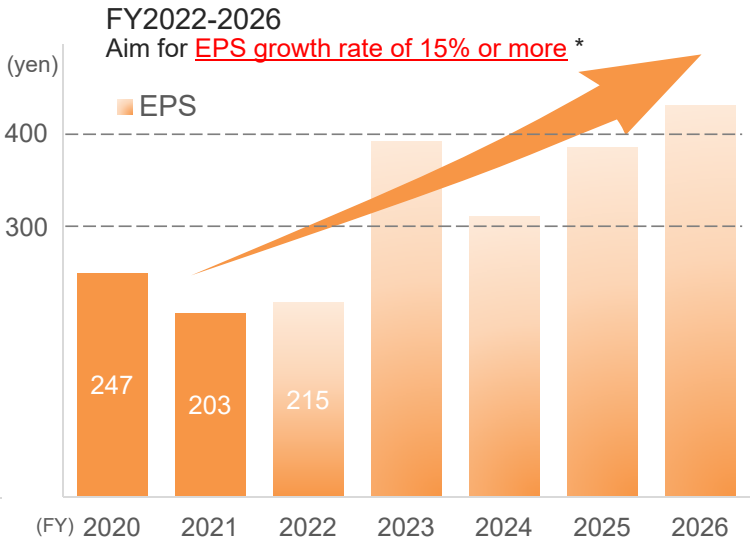
＊ Adjusted Debt / EBITDA ... Excluding financial services business, Net Debt / EBITDAR management accounting figures
(Net Debt: Debt + on-balance lease – cash and deposit and other adjustment)

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Shareholder Return

Based on the stable and continuous improvement of dividends per share, implement flexible shareholder returns taking into account the level of free CF and stock prices.





＊ Estimated by CAGR (Compound Annual Growth Rate) for FY2021.

＊ FY2023 figures include SLB impact on Speedway.

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Consolidated Financial Numerical Targets

	FY2021 results	FY2026 targets
EBITDA	626.8 billion yen	1 trillion yen or more
Operating CF (excluding financial services) *1	456.7 billion yen	800 billon yen or more
Free CF level (excluding financial services) *2	132 billion yen	400 billion yen or more
ROE	6.8 %	10 % or more
ROIC (excluding financial services) *3	4.7 %	7 % or more
Debt/EBITDA ratio	2.8 times	Less than 2.0 times
Adjusted Debt/EBITDA ratio	-	Less than 2.2 times
EPS growth rate (CAGR)	-	15 % or more

* 1 Management accounting figures based on NOPAT excluding the financial services business.
* 2 Management accounting base figures excluding financial services business. M&A is calculated by excluding it from investment CF as a strategic investment.
* 3 ROIC: Calculated as {net income + interest expense x (1-effective tax rate)} / {equity capital + debt (average at the beginning and end of the period)}.

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The information disclosed by the Company may contain forward-looking statements. These statements are based on management's judgment in accordance with materials available to the Company at the time of disclosure, with future projections based on certain assumptions. The forward-looking statements therefore incorporate various risks, estimates, and uncertainties, and as such, actual results and performance may differ from the future outlook included in disclosed information due to various factors, such as changes in business operations and the financial situation going forward.

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