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Key Messages in This Chapter

P17-18 Medium-Term Management Plan



P27 Expansion of customer contact

P27 Last Mile measures

- On-demand purchase (7-Eleven online convenience store, e.Depachika (Sogo & Seibu online department store with food section))
- Planned purchase (IY online supermarket)
- Face-to-face purchase (Tokushimaru, Seven Anshin Delivery)

P27 DX/Financial Strategies

- Build Last Mile delivery platform
- Improve technology-aided productivity

Medium-Term Management Plan

Strategy aiming for growth

Strategy aiming for depth

Expansion of customer contact

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.

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

Composition of the phases of the Medium-Term Management Plan



FY2026 Financial Goals

EBITDA
1 trillion yen or more

ROE
10% or more

EPS growth rate
15% or more
(5-year CAGR)

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

Medium-Term Management Plan

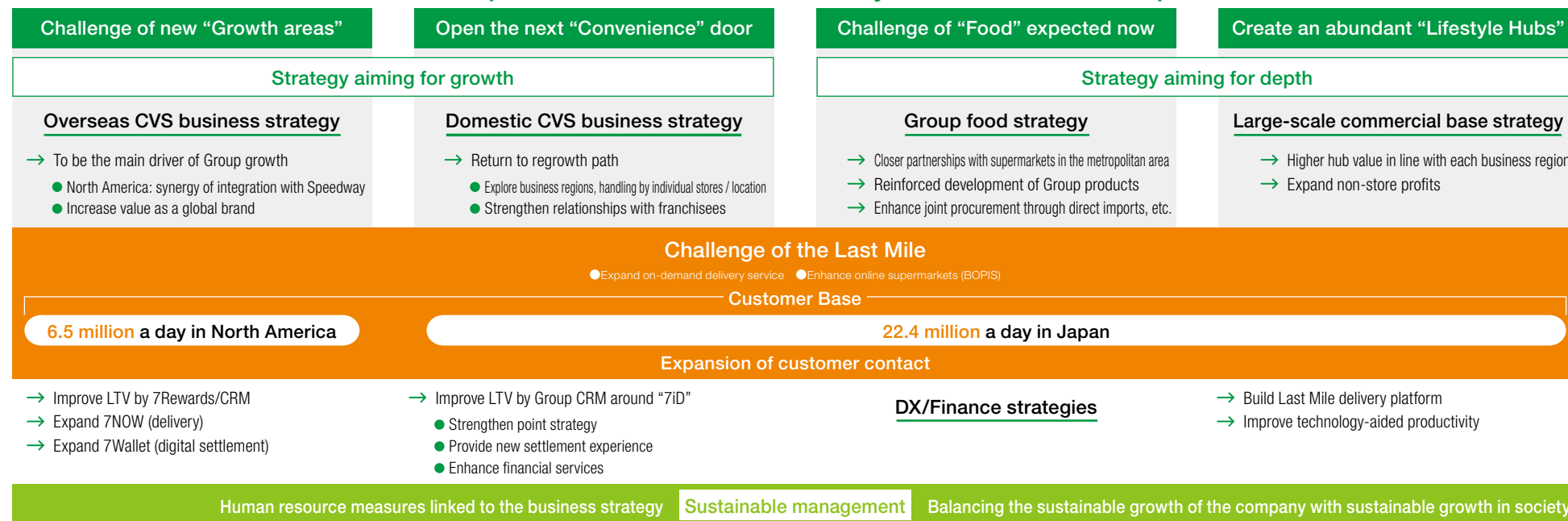
Strategy aiming for growth

Strategy aiming for depth

Expansion of customer contact

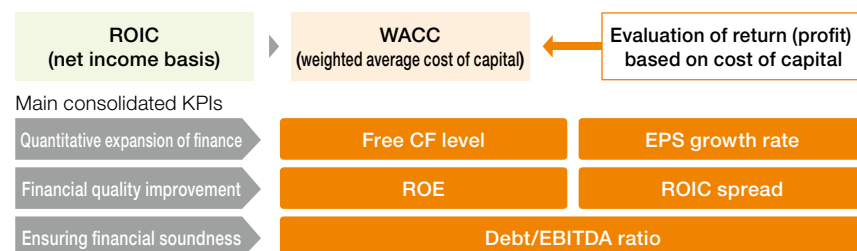
Group priority strategy

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



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).



Consolidated financial numerical targets

	FY2021 Results	FY2026 Targets
EBITDA	626.8 billion yen	1 trillion yen or higher
Operating cash flow (excluding financial services) *1	456.7 billion yen	800.0 billion yen or higher
Free cash flow (excluding financial services) *2	132.0 billion yen	400.0 billion yen or higher
ROE	6.8%	10% or higher
ROIC (excluding financial services) *3	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 calculated using the following formula: Net debt/EBITDA (Net debt: Interest-bearing debt + On-balance lease - Cash and deposit adjustment)

*5. EPS growth rate is estimated by CAGR for FY2021

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Overseas CVS business strategy

Growth of North American CVS business

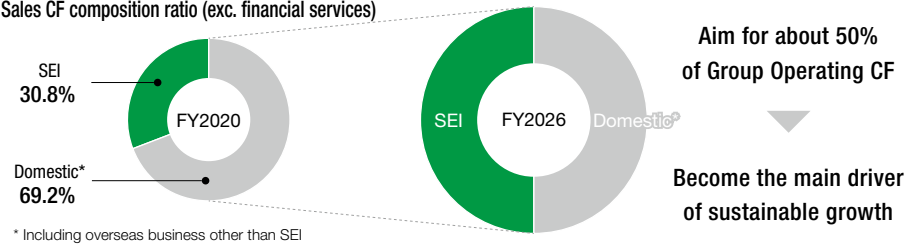
Growth of North American CVS business through strengthening the supply chain

Expand high-quality stores

Advance product development

Provide new customer experiences

Sales CF composition ratio (exc. financial services)



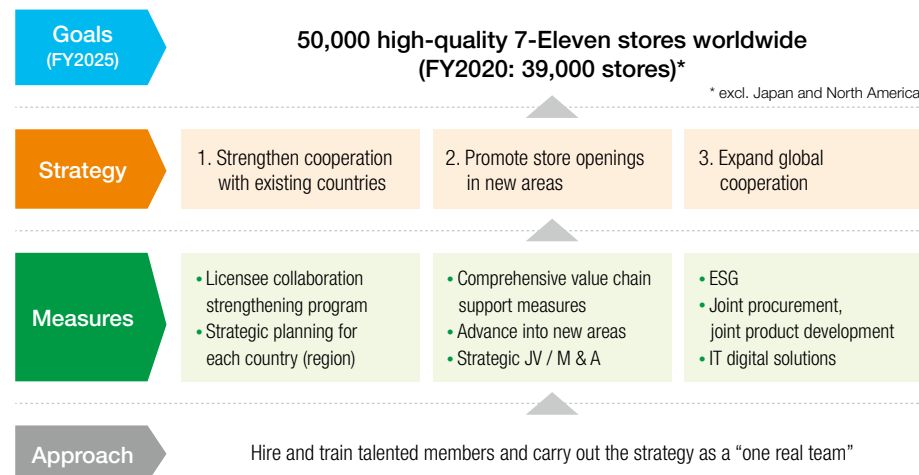
Growth of North American business through utilizing the store network

FY2025 targets

Number of SEI stores	Over 15,000 stores
Fortify fresh food	Over 20% ratio
Expand DX utilization / deliveries (7NOW)	6,500 stores Delivery sales composition ratio 3%

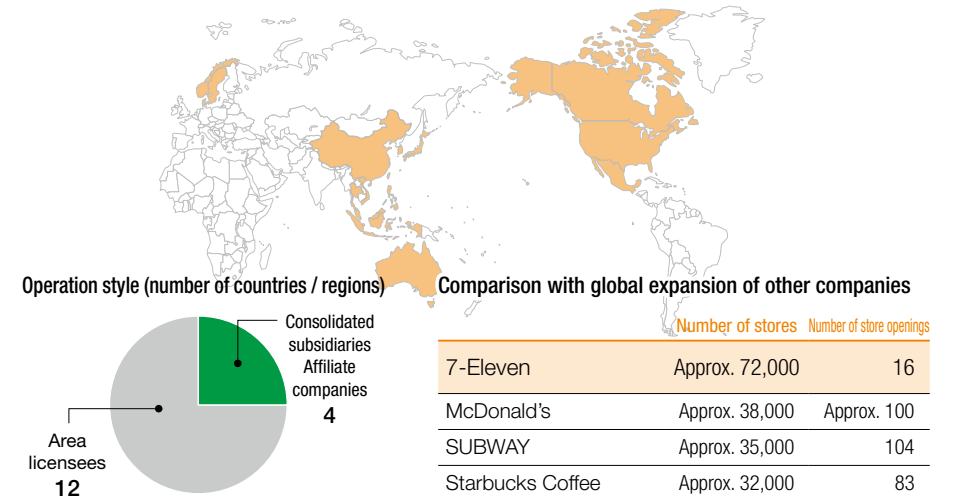
Growth opportunities through global expansion

Enhancement of the 7-Eleven global brand value through Japan-US collaboration



7-Eleven of the World (As of the end of December 2020)

The number of stores is the largest in the world, but the number of store openings is limited to 16, yet growth opportunities exist through global expansion.



Source : Company website

Medium-Term Management Plan

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Characteristics of the North American market

U.S. convenience store industry crowded with small chains

The U.S. convenience store industry is characterized by a large number of small businesses. As of December 31, 2020, there were around 150,000 convenience stores nationwide, and chains of 10 stores or fewer and privately owned stores account for about 65% of the total. Even if all the stores of the 10 largest chains (including SEI at the top) were combined, they would account for approx. 20% of the market. As such, the industry is very fragmented, and restructuring efforts are gathering pace. The United States is also the world's second largest automobile market after China, and a major feature is that around 80% of U.S. convenience stores have gas stations.

US C-Store Count (as of the end of Dec 2020): 150,274 stores

Company Name	Store Count	Share(%)
1 7-Eleven, Inc.	9,519	6.3
2 Alimentation Couche-Tard Inc.	7,142	4.8
3 Speedway LLC	3,854	2.6
4 Casey's General Stores Inc.	2,230	1.4
5 EG America LLC	1,704	1.1
6 Murphy USA Inc.	1,500	1.0
7 GPM Investments LLC	1,330	0.9
8 BP America Inc.	1,026	0.7
9 ExtraMile Convenience Stores LLC	975	0.6
10 Wawa Inc.	917	0.6
Top 10 chains	30,197	20.1

Source: <https://www.cspdailynews.com/company-news/ranking-top-40-c-store-chains-2021-update#page=1>
<https://www.convenience.org/Research/FactSheets/IndustryStoreCount>

Company Name	Store Count	Share(%)
1 7-Eleven+Speedway	approx.12,800*	8.5

Combined presence in 47 of 50 most populated markets

Small operators
(10 or fewer stores)
65%

With motor fuels
approx. 80%

Top 10 chains' shares
approx. 20%

Industry remains fragmented

* 7-Eleven: Number of US stores as of the end of December, 2020 (excl. Hawaii and area licensees)
 * Speedway: Number of acquired stores as of completion of the deal (excl. stores to be sold / incl. stores operated by the dealers)

Acquire Speedway LLC, 3rd largest U.S convenience store chain

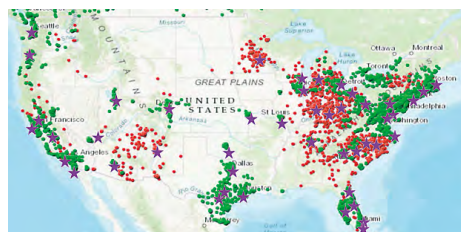
Speedway Acquisition Background

In August 2020, 7-Eleven, Inc. signed the agreement with Marathon Petroleum Corporation to acquire the shares and other interests of the companies operating the convenience store and fuel retail businesses under the Speedway brand. This acquisition will give SEI the opportunity to operate in 47 of the top 50 most-populated metro areas in the U.S.

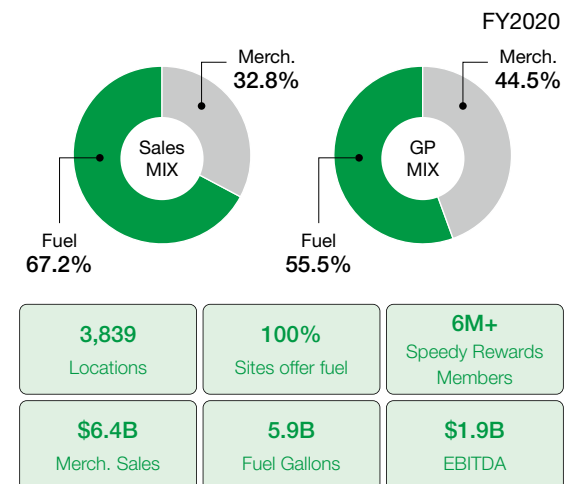
Speedway Overview

- Favorable site and business attributes
- Strong \$1.9B EBITDA in 2020 (7-Eleven, Inc. \$1.8B)
- Over 70% of real estate owned
- 100% of the Speedways are company operated
- Speedy Rewards loyalty program with 6+ million active users

Source: Speedway internal financials, excludes direct dealer business.



★ Top 50 metro areas
 ● SEI stores
 ● Speedway stores



Medium-Term Management Plan

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Overseas CVS business strategy





Overview of Speedway Acquisition and Generation of Synergy

Transaction Overview

	As of August 2020	2021
Purchase Price	\$21bn	\$21bn
Overview	Store count: ~3,900 stores	3,828 stores* ¹ (Plan to divest: 291 stores)
	OP Income: \$1.1bn	OP Income: \$1.3bn (FY2020)
	EBITDA: \$1.5bn	EBITDA: \$1.9bn (FY2020)
Tax Benefit	Approx. \$3bn (for 15 years after the acquisition)	Approx. \$3bn (for 15 years after the acquisition)
Sales Leaseback	Approx. \$5bn of sale leaseback planned	Approx. \$3bn (Plan to execute SLB in Q1 2022)
Purchase Price (adjusted)	\$12bn	\$13.3bn
Synergies	\$475M~\$575M (Year 3 projected)	\$525M~\$625M (Year 3 projected)
EBITDA Multiple	Pre-Synergy: 13.7X → Post-Synergy: 7.1X	Pre-Synergy: 13.7X → Post-Synergy: 7.9X (6.4X* ²)
Goodwill	N/A	Approx. \$12B
Consolidate EPS Uplift	Increase approx. 50 yen of 7&i consolidated EPS (Year 4 projected)	Increase approx. 95 yen of 7&i consolidated EPS (Year 5 projected)

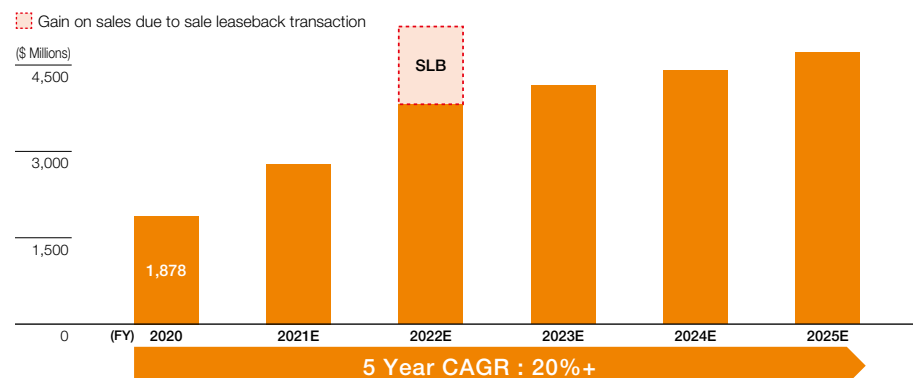
*1 The number of acquired stores include that operated by dealers *2 Considering EBITDA for FY2020 and an increase in synergy

Basic components of synergy

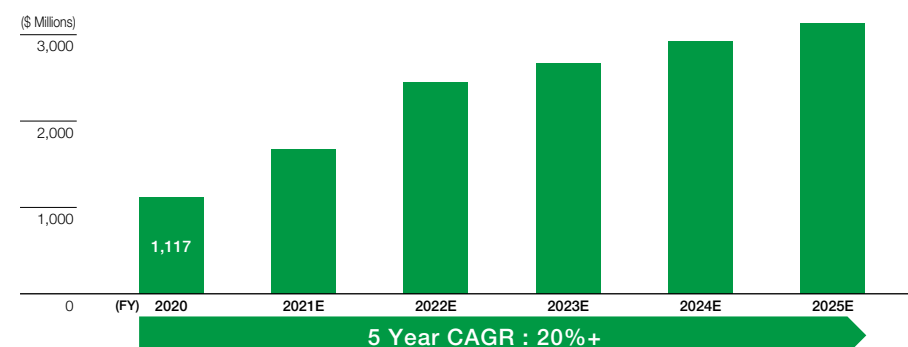
	Merchandise	<ul style="list-style-type: none"> Expand product lineup Introduce SEI's PB products Cost reduction
	Integration of digital strategies	<ul style="list-style-type: none"> Expand delivery service (7NOW) Enhance loyalty program
	Harnessed economies of scale	<ul style="list-style-type: none"> Increase efficiency of SG&A expenses Maintenance reforms
	Integration of fuel logistics	<ul style="list-style-type: none"> Increase fuel supply Leverage internal logistics

Pro forma ~Post Synergy~

EBITDA



Operating Income



Acquisition of Speedway will increase both EBITDA and OP income more than 2.5 times of the FY2020 results

Notes 1. Estimate based on the assumption that the acquisition would be completed in the middle of May 2021
2. Exchange rate: FY2021 \$1 = ¥107.00, FY2022 onward \$1 = ¥105.00

Medium-Term Management Plan

Strategy aiming for growth

Strategy aiming for depth

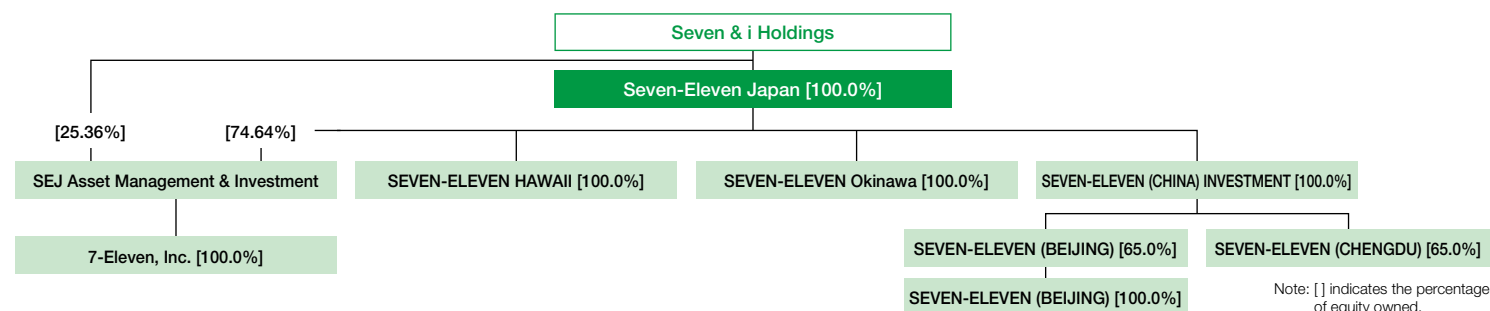
Expansion of customer contact

Overseas CVS business strategy

Global Strategy

Capital Relationships in the Group's Convenience Store Operations

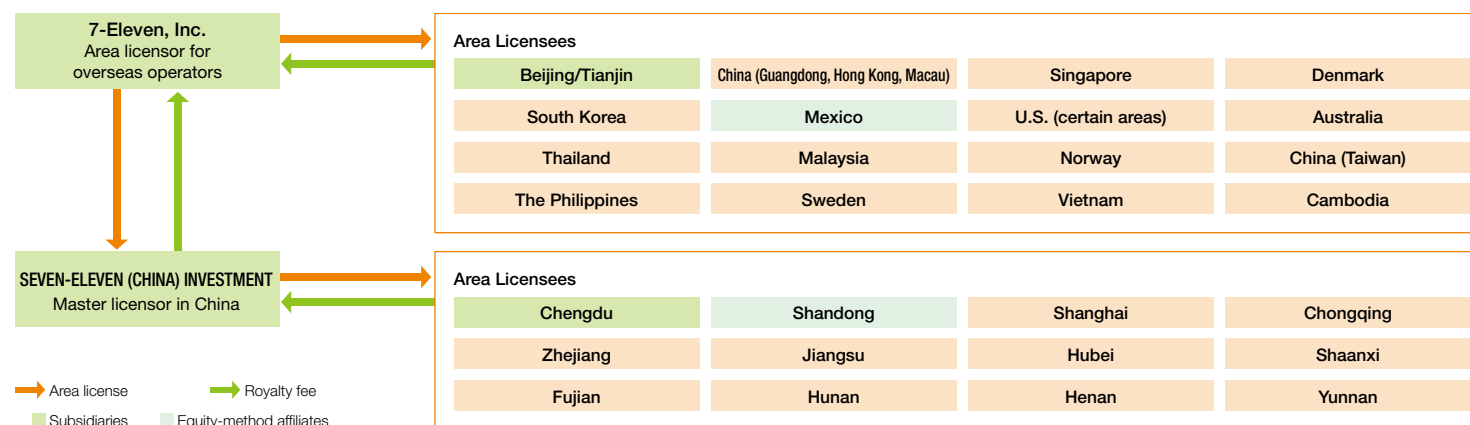
Seven & i Holdings' subsidiaries operate 7-Eleven convenience stores in Japan, North America, and China (Beijing, Tianjin, and Chengdu). In countries and regions where the Company has no local subsidiaries, leading local corporate groups operate 7-Eleven stores as area licensees.



Overseas Licensing Scheme

7-Eleven, Inc. is responsible for granting area licenses to overseas operators of 7-Eleven stores excluding Japan and Hawaii. Royalty fees paid by area licensees are included in other income of 7-Eleven, Inc.

Note: The first store in Cambodia and in China (Yunnan) is scheduled to be opened in 2021.



Trend in the 7-Eleven Stores Worldwide

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Japan	13,232	14,005	15,072	16,319	17,491	18,572	19,422	20,260	20,876	20,955	21,167
Thailand	5,790	6,276	6,822	7,429	8,127	8,832	9,542	10,268	10,988	11,712	12,432
South Korea	3,145	5,249	6,986	7,085	7,231	8,000	8,556	9,231	9,400	10,016	10,501
U.S. and Canada	7,188	7,752	8,545	8,641	8,646	8,868	9,077	9,061	9,974	10,000	10,159
China (Taiwan)	4,750	4,801	4,852	4,919	5,040	5,029	5,107	5,221	5,369	5,647	6,024
China	1,711	1,792	1,919	2,001	2,064	2,182	2,357	2,599	2,816	3,156	3,412
Others	4,477	5,110	5,563	6,039	6,682	7,228	7,744	7,960	8,233	8,688	8,811
Total	40,293	44,985	49,759	52,433	55,281	58,711	61,805	64,600	67,656	70,174	72,506

Note: As of the end of December, excluding figures for Japan, which are as of the end of February of the following year.

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Global Strategy

7-Eleven Store Operators around the World

Country or region	Operator	Number of stores
Thailand	CP ALL Public Company Ltd. [Charoen Pokphand Group]	12,432
South Korea	Korea-Seven Co., Ltd. [Lotte Group]	10,501
China (Taiwan/Shanghai)	PRESIDENT CHAIN STORE CORP. [Uni-President Enterprises Corp.]	6,160
The Philippines	Philippine Seven Corporation [PRESIDENT CHAIN STORE CORP.]	2,978
China (Guangdong, Hong Kong, Macau)	The Dairy Farm Company, Limited [Dairy Farm International Holdings Limited]	2,428
Malaysia	7-Eleven Malaysia Sdn. Bhd. [Berjaya Retail Berhad]	2,413
Mexico	7-Eleven Mexico S.A. de C.V. [Valso, S.A. de C.V.]	1,822
Australia	7-Eleven Stores Pty. Ltd.	714
Singapore	Cold Storage Singapore (1983) Pte. Ltd. [Dairy Farm International Holdings Limited]	423
Norway/Sweden/Denmark	Reitan Convenience [Reitangruppen AS]	409
U.S.	SRoesuothrtw Reestta Cileomsv, elnnce. nce Stores, Inc.	210
China (Shandong)	SHAN DONG ZHONG DI CONVENIENCE CO., LTD. [Zhongdi Group Co., Ltd.]	113
Vietnam	Seven System Viet Nam JSC	52
China (Zhejiang)	SHAN DONG ZHONG DI CONVENIENCE CO., LTD. [Zhongdi Group Co., Ltd.]	46
China (Shaanxi)	Shaan Xi Sai Wen Tick Convenience Chain CO., LTD. [SHAANXI TICKMART TRADING CO., LTD.]	36
China (Chongqing)	New Nine Business Development Co., Ltd. [New Hope Group Co., Ltd.]	35
China (Jiangsu)	Nanjing Golden Eagle Convenience Store and Supermarket Management Co., Ltd. [GOLDEN EAGLE RETAIL GROUP LIMITED]	24
China (Fujian)	Fujian Rong Ning CVS Management CO., LTD. [FUJIAN SANFU APPAREL CO., LTD.][FUJIAN RONGNING CONVENIENCE STORE MANAGEMENT CO., LTD.]	17
China (Hunan)	Hubei Oriental Meilin CVS CO., LTD.	17
China (Hubei)	Hunan Friendship & Apollo CVS Co., LTD. [Hunan Friendship & Apollo Commercial Co., Ltd.]	16
China (Henan)	Henan Sanyi Convenience Store Chain CO., LTD. [Sanquan Food Co., Ltd.]	9
Cambodia	CP ALL (Cambodia) Co., Ltd. [Charoen Pokphand Group]	–
China (Yunnan)	Yunnan Challenge Joy Mart Convenience Store Chain Co., Ltd. [Yunnan Challenge Petroleum Group Co., Ltd.]	–

Notes: 1. Number of stores as of December 31, 2020

2. Company names in brackets are those of the corporate groups affiliated with the companies listed.

3. The first store in Cambodia and China (Yunnan) are scheduled to be opened by the end of the fiscal year ending December 31, 2021.

Support Program for Existing Area Licensees

To enhance the value of the 7-Eleven brand, Seven-Eleven Japan and area licensor 7-Eleven, Inc. have developed a program to improve the operation level of area licensees around the world. The support program is currently in place for existing area licensees for Singapore, China (Hong Kong and Macau), UAE, Vietnam, Thailand, China (Taiwan), and Korea. We plan to expand the program going forward.

Contents of the support program

1. Support the product development process and a product lineup with products that differentiate

- Methods for improving quality of existing products and developing new products that differentiate, with a focus on fast food
- Methods of communicating product information and connecting with operations divisions, training about merchandising
- Support introduction of Seven Premium products

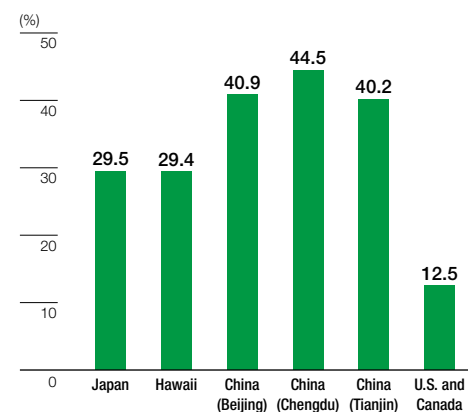
2. Support methods of store operation

- Efficient store operation methods suited to the location environment
- Counseling methods by management guidance staff and methods to collaborate with other divisions

3. Methods for selecting candidate sites for store openings, comprehensive support for distribution, construction of facilities, etc.

- Concept of neighborhood development, methods for selecting high-quality candidate sites for store openings, methods for projecting sales
- Create distribution systems to support improved sales and profits for stores

7-Eleven Fast Food Sales as a Percentage of Total Sales for FY2021



Notes: 1. Percentages for Hawaii, the U.S., and Canada are calculated using merchandise sales.
2. The end of the fiscal year for overseas subsidiaries is December 31, 2020.
3. Seven-Eleven Okinawa is not included.



U.S. and Canada



China (Beijing)

Medium-Term Management Plan

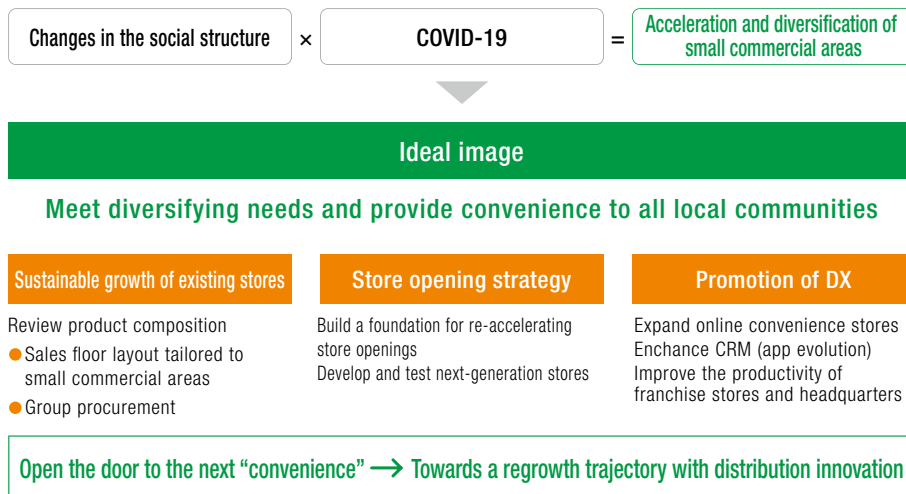
Strategy aiming for growth

Strategy aiming for depth

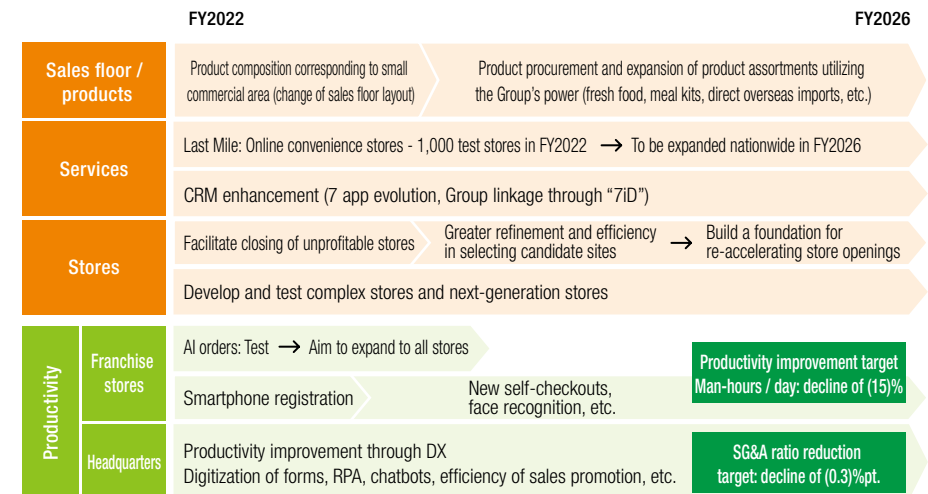
Expansion of customer contact

Domestic CVS business strategy

Medium-term strategy overview



Medium-term strategy roadmap



New layout

New layout 2020

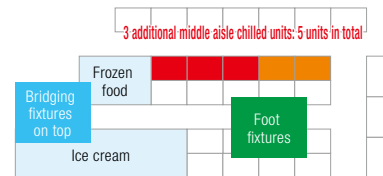


Results of 800 stores introduced in September 2020 (national average difference from the previous year)

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

Possible to bring in by the end of FY2022 to 12,000 stores

Handling of city center stores (example)



Achievements of 17 stores introduced in the Minato area (difference from 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

Last Mile

Strengths of online convenience stores

Real-time inventory linkage

- Approximately 2,800 items (excluding magazines and tax-exempt products)
- High conversion rate (reduction of out-of-stock 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: approximately 350 stores

Hokkaido: approximately 120 stores, Hiroshima: approximately 150 stores
Tokyo: approximately 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 the fiscal year

Revenue model establishment

FY2026 targets

Completion of nationwide expansion, operating income + 5% boost

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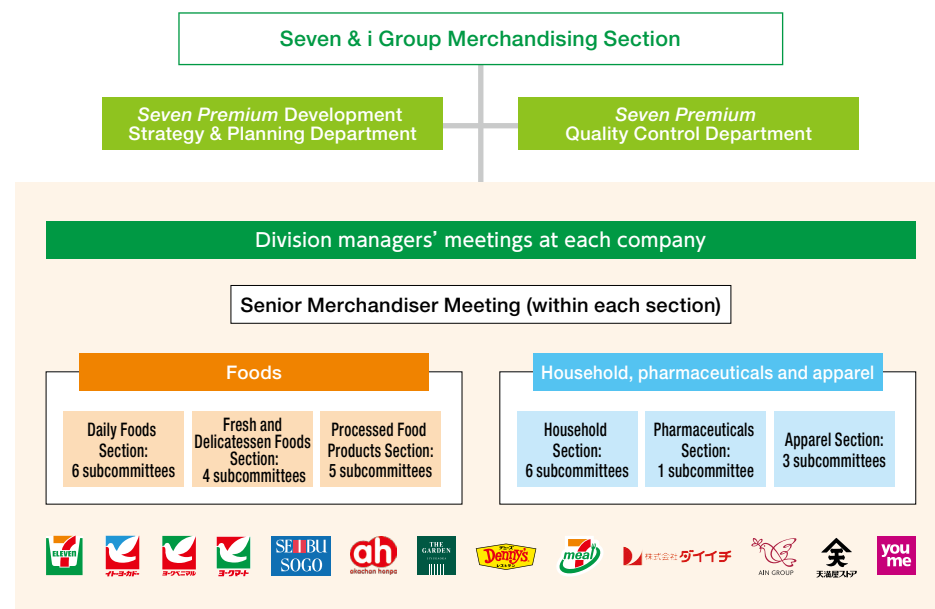
Group food strategy

Seven Premium Initiatives

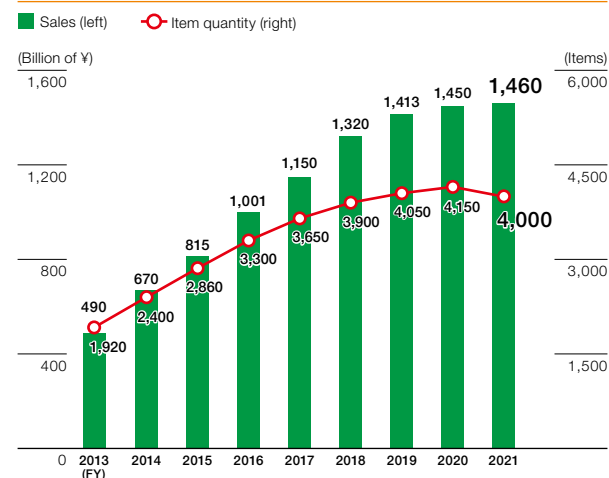
Under its private brand, *Seven Premium*, the Group has developed products leveraging the methods for original product development cultivated by Seven-Eleven Japan, and concentrating the infrastructure, product development expertise, and sales capabilities of its Group companies.

Product Development and Supply System

Product development staff in Seven & i Group companies are organized into 6 sections and 25 subcommittees to conduct joint product development with product manufacturers. As of February 28, 2021, they supply 13 companies in total.



SEVEN PREMIUM SALES AND ITEM QUANTITY



Development of Seven Premium

Around 50% of *Seven Premium*'s higher-selling existing products are renewed each year to respond to changes in customers' tastes and convey novelty. Through questionnaires, group interviews and other consumer surveys, we research customers' opinions, create test products and conduct monitoring trials until we are satisfied. This process enables us to develop products that offer high quality at an agreeable price.

PRODUCTS THAT SELL OVER ¥1 BILLION PER YEAR

The number of products that sold over ¥1 billion per year in FY2021 was 300 items, an increase of 10 items year on year.



Medium-Term Management Plan

Strategy aiming for growth

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Expansion of customer contact

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 (Central kitchen / Process center)



Utilization of common infrastructure (fresh food)

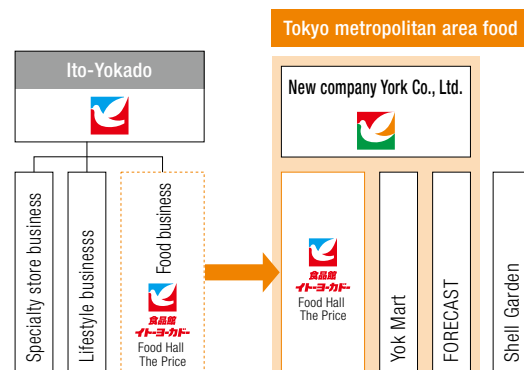


CVS also handle SM fresh foods such as special discerning vegetables



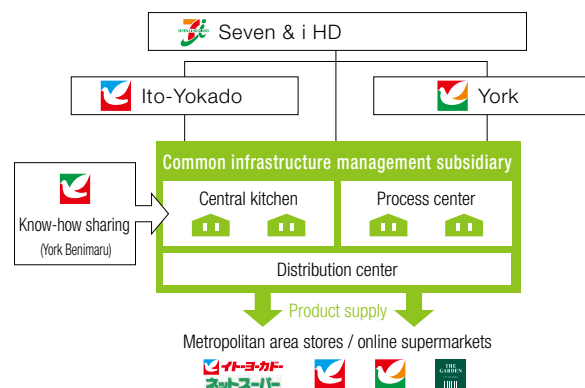
Differentiation in the food sector that can only be achieved by having a variety of business formats

Phase 1 Store reorganization (~ June 2020)



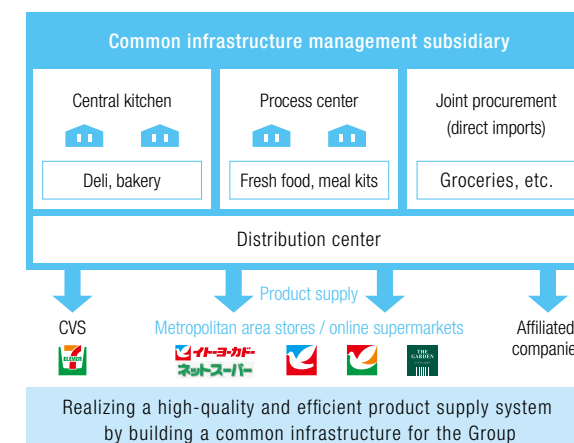
- Reorganize the stores to meet new needs
- Strengthening cooperation with food supermarkets in the Tokyo metropolitan area

Phase 2: Construction of a common infrastructure (May 2021 ~)



- Two central kitchens and two process centers
- Scheduled to start operations from FY2026

Phase 3: Expansion of joint procurement functions



Medium-Term Management Plan

Strategy aiming for growth

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Expansion of customer contact

Large-scale commercial base strategy

Business / Store structural reform in the large-scale base strategy

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

Structural reform / Growth strategy schedule

	From FY2017 Priority measures	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 (scheduled)	
		Non-store expansion	Improve trade area analysis accuracy		Explore market needs				
Sogo & Seibu	Structural reform	Unprofitable stores	13 stores closed 23→10 stores 2 local stores reduced (FY2021)						
		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 core stores				
		Non-store expansion	Improve trade area analysis accuracy		Explore market needs				
			Foreign business (affluent customers), commercial business (BtoBtoC), etc.						

DX/Financial Strategies

Last Mile measures (ideal image)

Greater convenience Instant / prepared meals, delivery needs	Customers 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	Planned purchase	Face-to-face purchases
Online convenience stores, e.Depa-Chika ^{*1} , etc. 	Online supermarkets, etc. 	Tokushimaru, Seven Anshin Delivery, etc.
<ul style="list-style-type: none"> Fortify ready-to-eat and fast food products Set up stores dedicated to home delivery and expand the area Build a delivery platform 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Expand no. of operational trucks Tokushimaru, strengthen cooperation with the local communities

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

^{*1} e.Depa-Chika: online department store with food section

^{*2} BOPIS: Buy Online Pick-up In Store

Provide a new experience and value through "7iD"

Improve LTV by further expanding and deepening contact points with customers through "7iD"

