DOMESTIC CVS BUSINESS STRATEGY

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

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

[Reference]

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

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

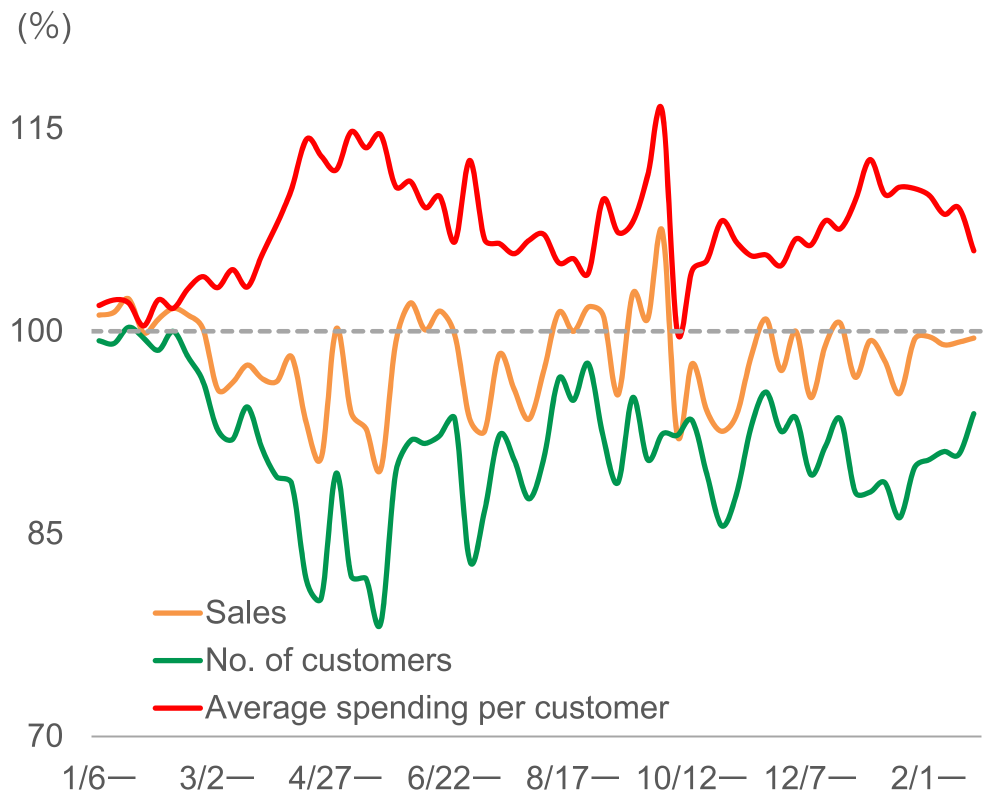
	Category	YOY (%)
1	Family-size ice cream	178.1
2	Rice balls (special rice balls)	140.1
3	Pastries (doughnuts)	139.0
4	Frozen food (frozen pre-cooked food)	138.8
5	Chilled groceries (paste products)	136.8
6	Soft drinks (large bottled tea)	131.1
7	White wine	129.0
8	*Seven Premium* (side dishes)	127.9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

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.

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

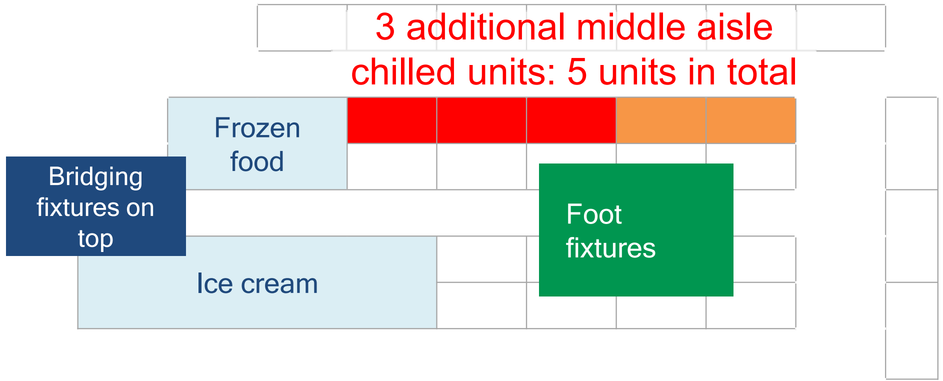
■ New layout 2020

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

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

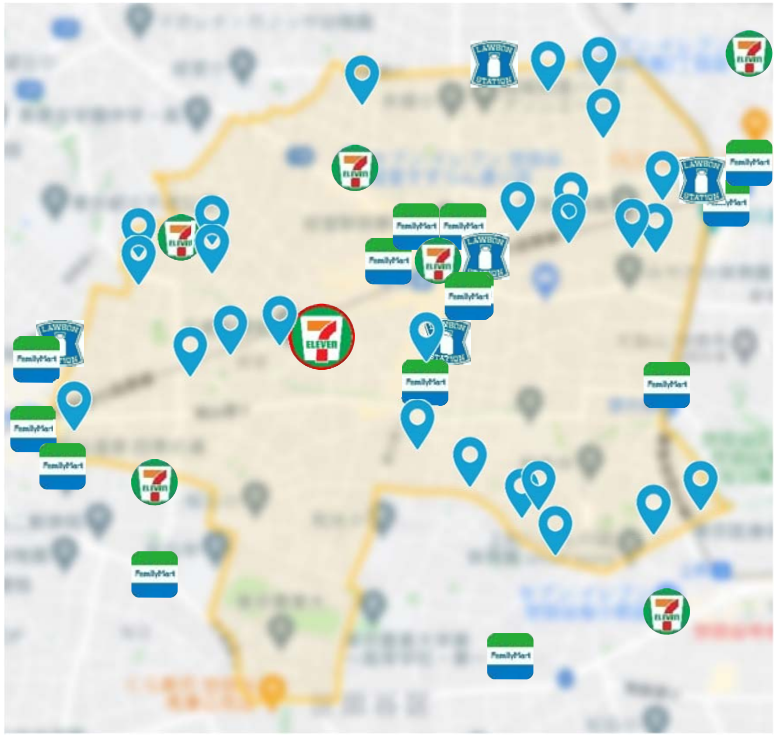
FY2026 targets

Completion of nationwide expansion, operating income + 5% boost

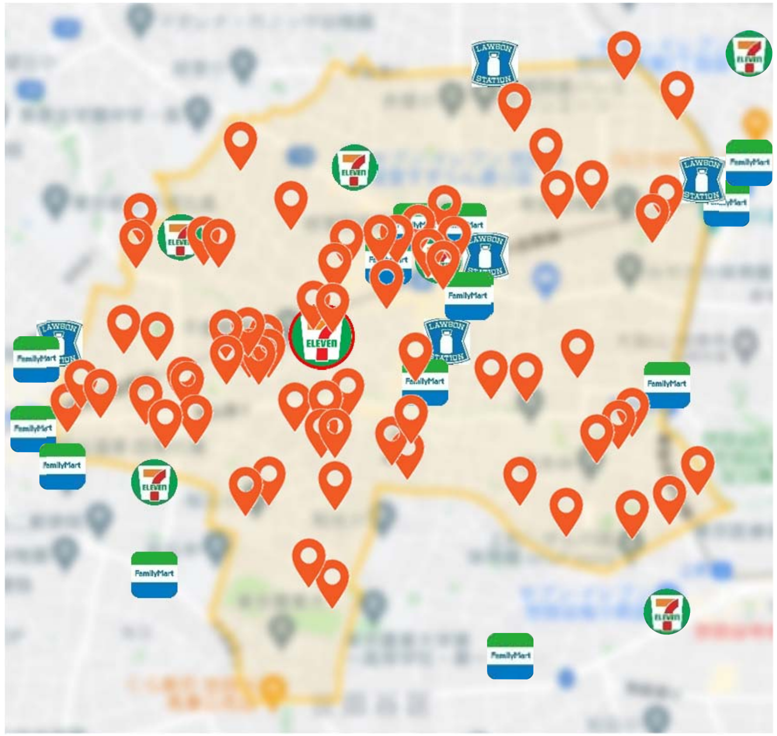
[Reference]

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

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
		Smartphone registration → New self-checkouts, face recognition, etc.
		Productivity improvement target Man-hours / day: decline of (15)%
	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.