

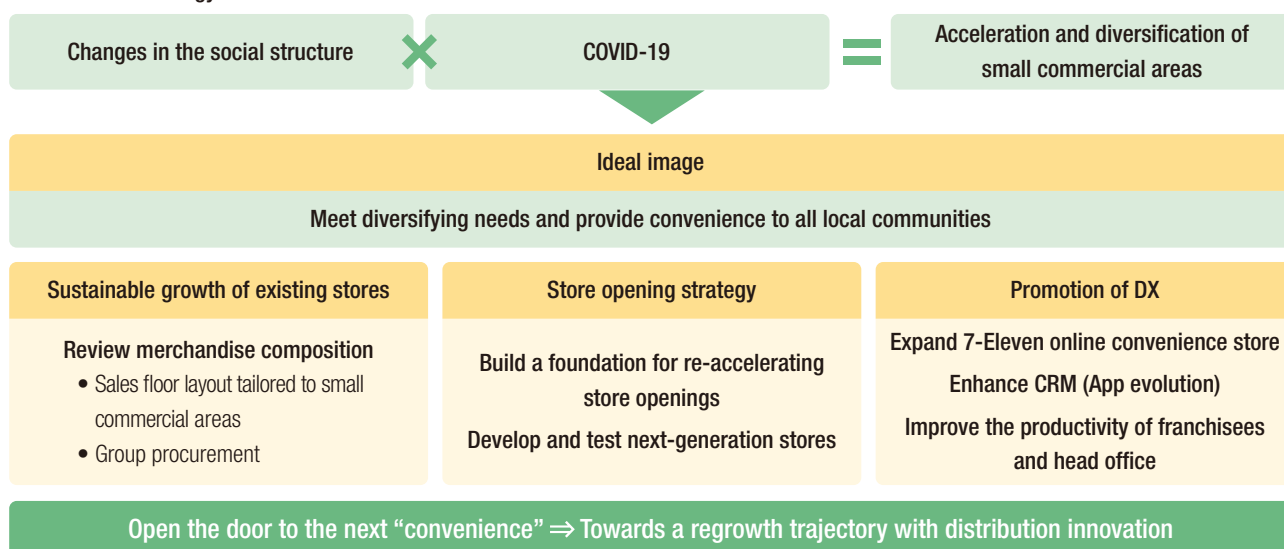
# Business Strategy of Domestic Convenience Store Operations

[ CGC Principle 3.1 (i) ]

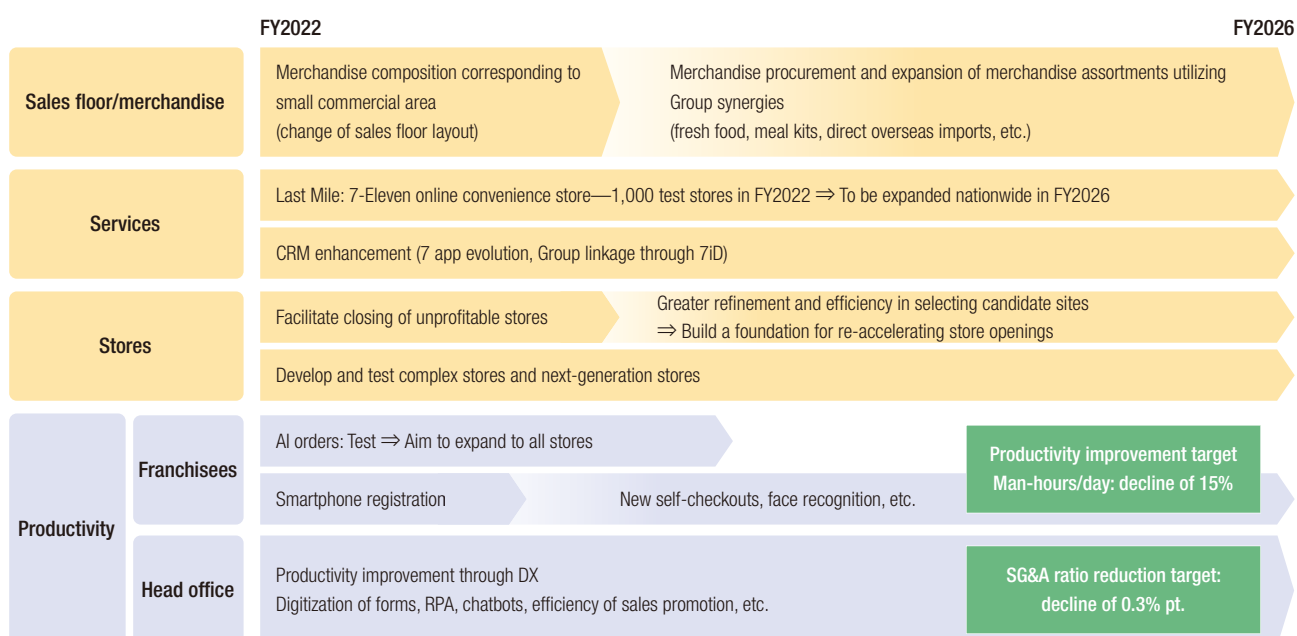
In the “strategy aiming for growth” outlined in Medium-Term Management Plan 2021–2025, our domestic CVS business strategy calls for SEVEN-ELEVEN JAPAN to return to a growth path while improving operational efficiency.

In addition to changes in the social structure and consumer behavior in recent years, there has been an accelerating trend toward smaller commercial areas, where customers travel shorter distances to shop for everyday items, due to the COVID-19 pandemic. Accordingly, issues that need to be addressed in each commercial area are becoming more diverse. To deal with these changes and further evolve our “close-by, convenient” store concept, we will expand our merchandise assortment and revamp our sales floor layouts to meet the needs of smaller commercial areas. We will also leverage the Group’s strengths to procure merchandise, develop and test next-generation stores, and build a foundation to re-accelerate store openings. Also, we will commence full-scale operation of our 7-Eleven online convenience store service, which deploys digital transformation (DX) to provide new experiences and values.

## Medium-term strategy overview



## Medium-term strategy roadmap



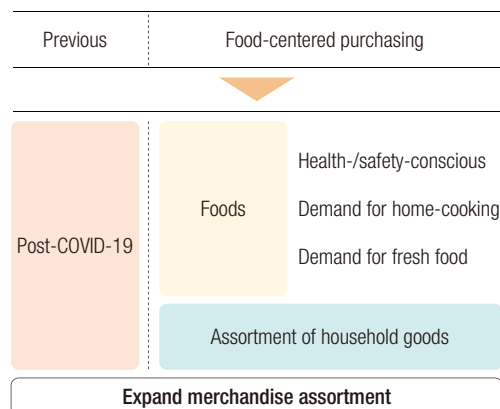
## Sustainable growth of existing stores

### Review of merchandise composition

An analysis of the changing shopping habits of the approximately 1.06 million 7iD members in Tokyo and three neighboring prefectures shows that the number of stores where customers shop is decreasing and average spending per customer is increasing. At the end of August 2021, we found particularly strong year-on-year rising sales in categories such as family-size ice cream, frozen pre-cooked foods, fish-paste products, processed meats, and fruits and vegetables.

To address such changes in customer purchasing behavior, we need to enhance our merchandise assortment more than ever before. Because achieving this is difficult for 7-Eleven alone, we need Group members to collaborate more closely than previously.

### Changes in 7-Eleven patronage



### Sales floor layouts tailored to various changes

Due to changing business conditions and customer behavior caused by COVID-19, store sales for FY2021 in resorts and business districts declined while sales in residential and suburban areas increased. To further expand our merchandise assortment in accordance with these changes, we are introducing a new floor layout for stores in residential areas.

In residential and suburban areas, the average daily sales difference between the first half of FY2022 and the first half of FY2020 was around ¥19,000 higher sales at stores that introduced the new layout than that at stores that did not introduce the new layout. We are also flexibly changing the layouts of small urban stores to suit their individual characteristics. Stores that adopted a new layout have shown positive results,

with average higher daily sales of around ¥15,000 than stores that did not introduce a new layout. We plan to expand the layout changes to accommodate these results in the future.

### Results by location (existing stores in FY2021)

	No. of stores as of Feb. 28, 2021	Sales YOY (%)
<b>Nationwide</b>	<b>20,612</b>	<b>97.6</b>
Residential and suburban areas	13,086	100.3
Resorts	1,873	97.1
Business districts	2,057	88.9
Others (Train stations, temporarily closed stores, etc.)	3,596	92.5

New layout for 2020 (residential and suburban areas)



Small urban stores (business districts)



## Store opening strategy: Convenience stores for the next generation

As customers' lifestyles and preferences evolve in line with changes in the social environment, 7-Eleven is pursuing the image of "convenience stores for the next generation" and conducting various trial tests.

### Unmanned payment system via face and iris recognition

At our Mita International Building 20F store, we were working with NEC Corporation to field-test a payment system based on face and iris biometric recognition. This system allows customers to make payments without having to face a store employee or touch a payment terminal. In addition, identifying an individual by both face and iris enables more accurate biometric recognition.

\*As of October 31, 2021, only NEC Group employees were eligible for this service.

\*The Mita International Building 20F store closed in December 2021, but we will continue field-testing at another store in the same building (the Mita International Building store).



Biometric recognition payment system test  
at Mita International Building 20F store

### Installation of aerial displays

At our Kojimachi Ekimae store, we are conducting trial tests aimed at introducing a contactless, cashless self-service register using aerial displays.

This is achieved with aerial displays (cash register screens that appear to be floating in the air) that customers use as if they were touch-screen panels.

By providing such new, futuristic shopping experiences, we will save space at checkout counters and thus create new sales opportunities. We will continue conducting verification tests with the aim of delivering safety and security through completely contactless payment systems.

\*As of October 31, 2021, only SEVEN-ELEVEN JAPAN employees were eligible for this system.



Image of aerial display applied to existing checkout counter

We will continue conducting trial tests with the aims of creating comfortable and accessible stores for customers, stores that franchisees can manage with peace of mind, and more comfortable workplaces for store employees.

## Promotion of DX: Expanding our 7-Eleven online convenience store service

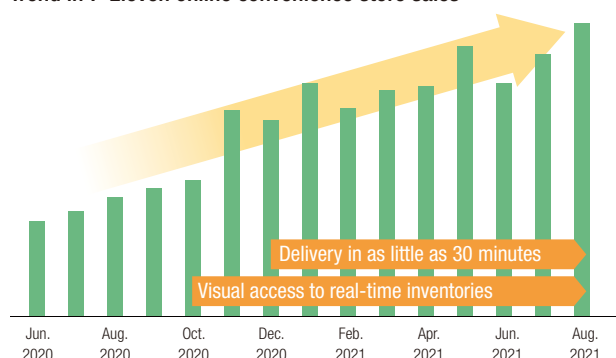
Our 7-Eleven online convenience store service allows customers to place orders through a dedicated website for delivery of approximately 2,800 items, including food and daily necessities, sold at 7-Eleven stores in Japan. When the service

was launched, we made deliveries in two hours at the earliest from the time of order placement. However, to meet growing demand for courier and home delivery services, in October 2020, we linked our inventories to dedicated store websites

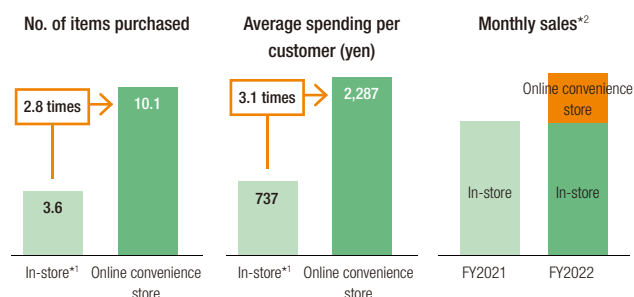
in real time, enabling deliveries to be made in as little as 30 minutes from order placement. In these ways, we have greatly improved convenience for customers. We are also deploying the

Group's in-house Last Mile DX Platform with a view to optimizing delivery personnel, vehicles, and routes, as well as simultaneously delivering merchandise of Group companies.

#### Trend in 7-Eleven online convenience store sales



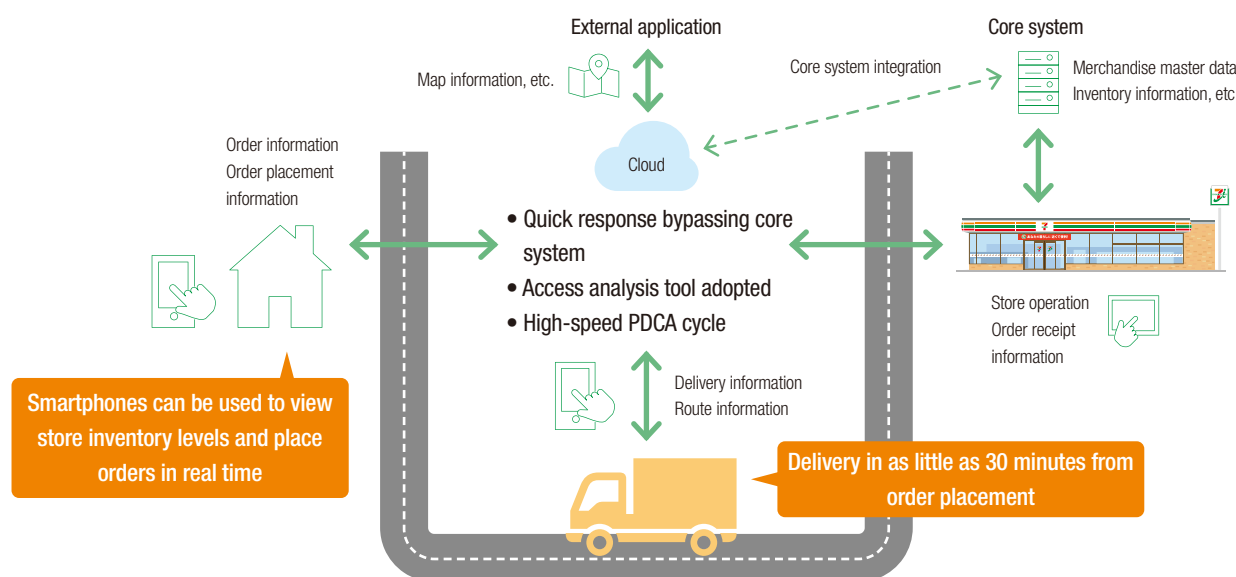
#### Features of 7-Eleven online convenience store sales results (Jun.–Aug. 2021)



\*1 Result for *nanaco* service members

\*2 Monthly sales cover both over-the-counter purchases and those made using 7-Eleven online convenience store service in FY2022, but only over-the-counter purchases in FY2021.

#### 7-Eleven online convenience store service platform



By February 28, 2022, we will increase the number of stores providing the 7-Eleven online convenience store service to about 1,200 from our initial plan of 1,000. This will grow to about 3,000 stores by February 28, 2023, after which we will roll out the service nationwide in FY2026.

In addition, we will change the name of this domestic service to the “7NOW” service from spring 2022 to match the name of our North American service, in order to further raise awareness and improve service value with a view to developing it as a global brand in the future.

#### Expand store network and raise brand awareness



\*Numbers of stores after the end of Feb. 2022 are estimates.



# Business Strategy of Overseas Convenience Store Operations

[ CGC Principle 3.1 (i) ]

Under the new Medium-Term Management Plan, our overseas convenience store operations, centered on 7-Eleven, Inc. (SEI), based in North America, is recognized as an important growth driver for the Group. As we implement the plan, we will further strengthen the Group's global revenue base.

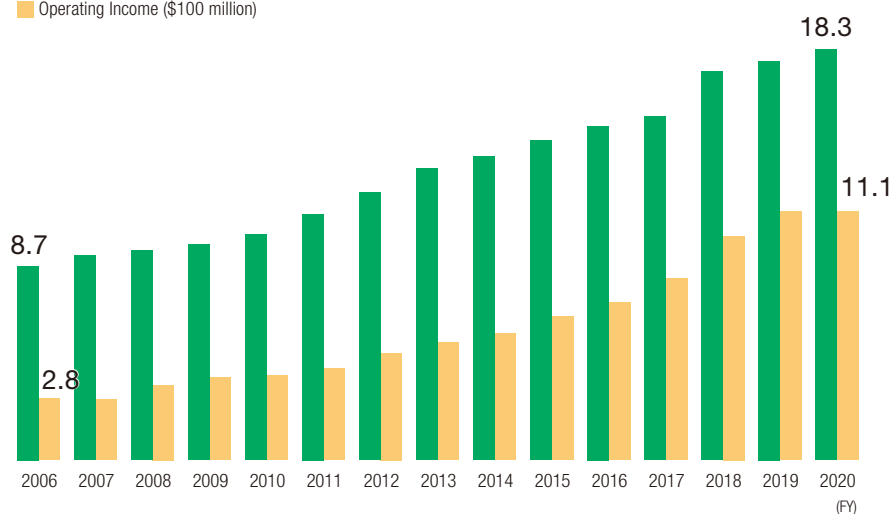
## 7-Eleven, Inc.: Largest convenience store chain in the United States with more than 13,000 stores in North America

SEI, which operates 7-Eleven stores in North America, plays a major role in the Seven & i Group's growth strategy. It is expanding its merchandise assortment to meet changing customer needs and deploying digital strategies to increase customer contact points, while developing stores in 18 countries and regions around the world. SEI is working with area franchisees worldwide to enhance the value of the 7-Eleven brand.

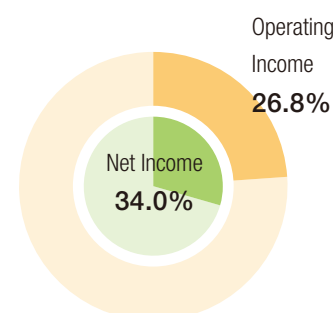
In 2021, to further strengthen SEI's revenue base, we completed the acquisition of Speedway, which operates 3,828 convenience stores in North America. The integration of Speedway, the third-largest player in the industry, will further enhance growth opportunities for SEI by expanding its store network to most major metropolitan areas in the United States (as of October 31, 2021).

### Merchandise Sales and Operating Income

■ Merchandise Sales (\$ billion)  
■ Operating Income (\$100 million)



### Contributions to Consolidated Figures (FY2021)



Accounts for approx. 30% of consolidated net income

\*Composition ratio is calculated on a yen basis after amortization of goodwill.

## Strengthening our advantage through Speedway integration

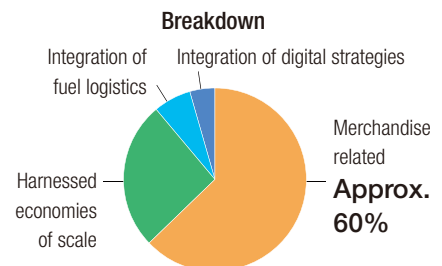
The number of stores acquired by SEI through M&As between 2006 and 2020 accounts for more than 20% of its total store network, and all those acquisitions have steadily contributed to SEI's growth. With Speedway as well, we will continue to leverage our experience and expertise for integration cultivated so far to promote smooth progress. In the third year after the

acquisition, we anticipate synergies derived from Speedway to reach \$600–650 million (as announced in October 2021). We have already established 20 project teams, which are focusing on such areas as merchandise assortment, private brands (PBs), logistics, IT, and fuel procurement, to proceed with initiatives.

## Synergies from Speedway integration

### Basic components

Merchandise related	<ul style="list-style-type: none"> <li>• Expansion of PBs, merchandise assortment, and fresh foods</li> <li>• Reduced costs, improved gross profit</li> </ul>
Harnessed economies of scale	<ul style="list-style-type: none"> <li>• In-house development of maintenance</li> <li>• Optimization through store management system integration</li> </ul>
Integration of fuel logistics	<ul style="list-style-type: none"> <li>• Optimization of fuel supply and logistics network</li> </ul>
Integration of digital strategies	<ul style="list-style-type: none"> <li>• Expansion of 7NOW to Speedway stores</li> <li>• Integration of loyalty programs</li> </ul>



### Six Point Plan

Since 2016, we have been developing our Six Point Plan to meet the changing needs of customers amid dramatic changes in the market environment. We will continue to develop differentiated merchandise and services that deliver quality and

value. At the same time, we will leverage economies of scale derived from the Speedway integration to reform our cost structure and build store and delivery networks to strengthen our Last Mile solutions.

Provide consistent customer experiences

Provide differentiated merchandise and services

Optimize the fuel business and expand use of alternative energy (with EVs)

Leverage economies of scale to reform cost structure

Use digital data to transform our convenience stores

Build store and delivery networks

### Provide differentiated merchandise and services

Since 2017, we have been working with Warabeya TEXAS as part of efforts to strengthen our fresh food lineup. Specifically, we have revamped the merchandise development process, improved the taste and quality of our fresh food, and rolled out our merchandise to 650 stores around Dallas, Texas (as of August 31, 2021). Using this development process as a model, we are collaborating and expanding initiatives with manufacturers and suppliers of daily goods in other districts. We are also developing recipes that match the tastes of each

district by modifying our selections of seasonings, sauces, and other offerings according to the needs of local customers.

Meanwhile, demand for delivery services has grown sharply since the COVID-19 outbreak. To meet the needs of customers wanting to enjoy delicious food at home, we are introducing ready-to-eat pizzas in some of our stores, where final baking is done on-site. We are also connecting this initiative to our delivery services.

### Lineup of sliders (small sandwiches)

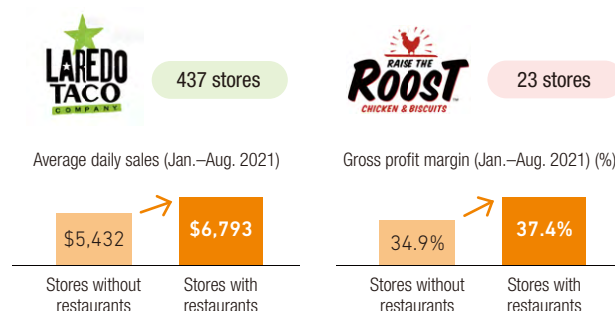


### Expanding the restaurant business

SEI has earmarked restaurants as a key business for future reinforcement. As of August 31, 2021, SEI operated around 500 stores with restaurants attached, led by Laredo Taco (Mexican food restaurants), which it acquired with some Sunoco stores in 2018. With the addition of other brands such as Raise the Roost (fried chicken restaurants), we plan to expand our network of stores with restaurants to around 1,600 by FY2026.

Our initiatives with Laredo Taco and Raise the Roost are helping increase awareness of 7-Eleven as a “destination for fresh food shopping” and thus create new brand value. Stores

with restaurants also attract customers who purchase special beverages and snacks that resonate closely with the store's setting. They also tend to have higher average daily sales and gross profit margin than stores without restaurants.

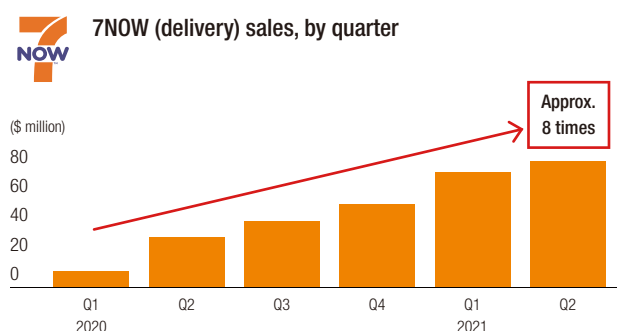


### Promoting digital strategies

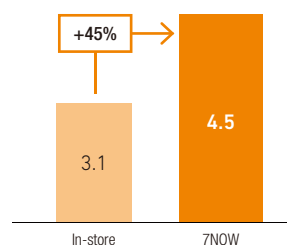
The COVID-19 pandemic has further increased the need for delivery services using digital tools. With this in mind, SEI has been promoting its DX-based delivery service, 7NOW, which boasts one of the fastest delivery times in the industry. By responding accurately to customer needs, the service is building a rapidly growing track record. As of August 31, 2021, around 4,000 stores offered the 7NOW service. We have noticed particularly high demand for fresh food as well as steady purchases of snacks and beverages. The average number of items purchased and average spending per

customer also tend to be high.

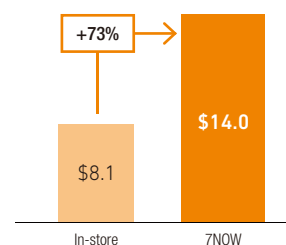
Initially, deliveries were limited to customers' homes and offices. With the introduction of the new 7NOW PINS service, however, we can deliver to designated spots in parks and public places with pinpoint accuracy. In 2022, we plan to roll out the service across the Speedway network. This will result in around 6,500 stores with a delivery service that covers all our existing commercial areas. We will continue to enhance contents of services to make customers' lives more convenient.



Number of items purchased (August 2021)



Average spending per customer (August 2021)

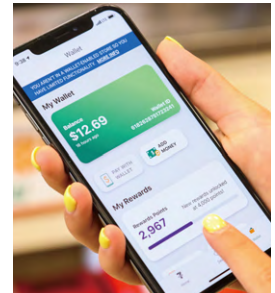


We will also add new functions to our 7-Eleven smartphone apps to provide new experience value and convenience. For example, our 7Rewards loyalty program delivers personalized

convenience and privileges to customers. As of August 31, 2021, active membership had reached around 16 million. When customers open the app, they view merchandise and

promotions tailored to their individual characteristics, which motivate them to visit a store. As a result, this app has been well received. We also offer 7-Eleven Wallet, a payment service built into the app that allows customers to make cashless payments for every purchase by pre-charging 7-Eleven Wallet with cash, credit cards, debit cards, and the like. Moreover, because it can be topped up automatically, there is no need to carry cash or cards. Another service is Mobile Checkout, which allows customers to make self-payments without standing in line at a checkout. Demand for this service has been strong due to the spread of COVID-19. In the United States, gasoline is one of the most important products that customers need when they visit convenience stores. Accordingly, we offer

customers who refuel a vehicle our Fuel Loyalty service, which allows them to refuel easily and affordably without contacting employees. They simply open the smartphone app and enter the fueling pump number and the volume or value of fuel to be purchased. We will continue leveraging cutting-edge digital technologies and know-how to advance our R&D efforts, and will tirelessly evolve them to provide completely new levels of convenience.



## Environmental initiatives

Because issues like climate change are global concerns, helping realize a sustainable society has become a social responsibility for corporations. Due to the vast size of the United States, the automobile will remain an important mode of transportation into the future. Accordingly, SEI will need to adopt measures to ensure sustainability while meeting customers' needs for gasoline. Meanwhile, the current political administration has announced large-scale measures to encourage adoption of electric vehicles (EVs), and SEI has moved the target for installing EV charging stations up five

years. With this in mind, it will work with the government to install more than 500 charging stations in around 250 stores by 2022 to accommodate the shift to EVs. In addition, SEI has agreed to embrace the same objectives as those outlined in the Group's environmental declaration 『GREEN CHALLENGE 2050』, which aims to reduce the environmental burden. In North America, around 1,800 SEI stores already use renewable energy sources, such as wind and solar power, and the company plans to expand the number of stores using 100% renewable energy to around 5,000 by 2030.

### Expansion of EV charging stations



Pulling ahead our previous 2027 goal	
Target Year	Target Number of Chargers
FY2027	250 stores
<b>FY2022</b> (5 year ahead of schedule)	<b>500+ chargers</b>

### Geographic focus area for EV chargers



Promote installation of EV charger collaborating with U.S Government



## Global strategy for the 7-Eleven brand

### Overseas expansion of 7-Eleven

As of October 31, 2021, our worldwide 7-Eleven network had approximately 77,000 stores. In Japan, North America, and China (Beijing, Tianjin, and Chengdu), 7-Eleven stores

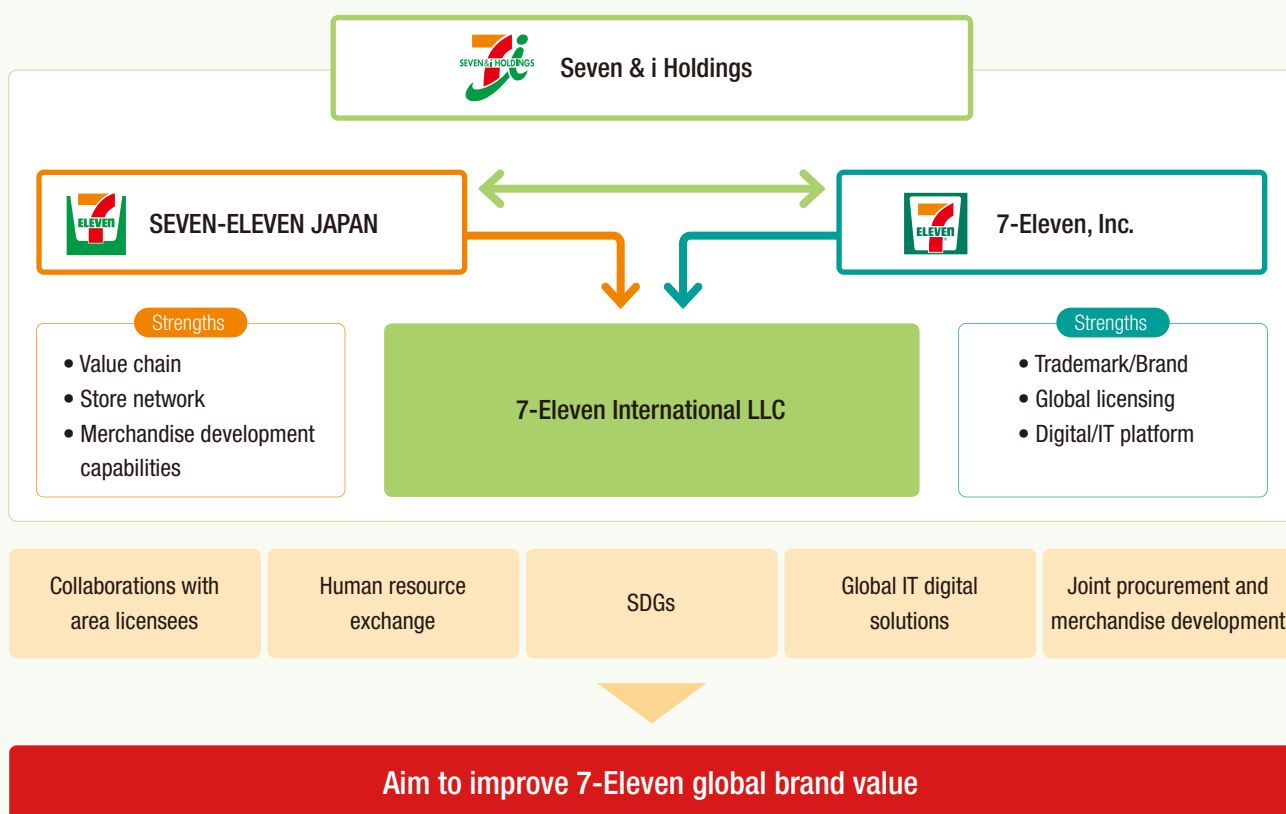
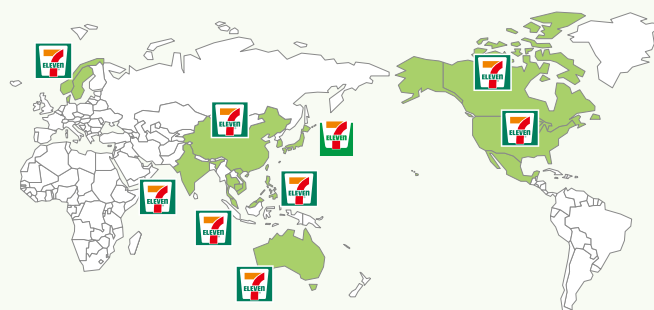
are operated by subsidiaries. In other countries and regions, prominent local corporate groups run 7-Eleven stores as area licensees.

### 7-Eleven International LLC established to enhance global brand value

The 7-Eleven convenience store network is the largest in the world. As of October 31, 2021, 7-Eleven stores operated in 18 countries and regions, with ample opportunities to generate significant growth through new store openings. Going forward, we will expand the 7-Eleven brand into new countries, with plans for 50,000 stores (outside Japan and North America) by FY2026.

To further expand our business globally, it is essential for SEVEN-ELEVEN JAPAN and SEI to establish a framework for mutual cooperation. For this reason, we established 7-Eleven International LLC to leverage the strengths of both

companies and thus enhance the value of the 7-Eleven global brand worldwide.



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



### Strategy of 7-Eleven International LLC

#### 1 Strengthen collaboration with existing markets

A comparison of average daily sales of stores in existing markets reveals a disparity between regions where our stores are directly managed by consolidated subsidiaries and those where area licensees operate our stores. In

existing markets, 7-Eleven International LLC will enhance the collaborative program with area licensees, meticulously plan strategies for each country and region, and reinforce collaboration with area licensees in each area.

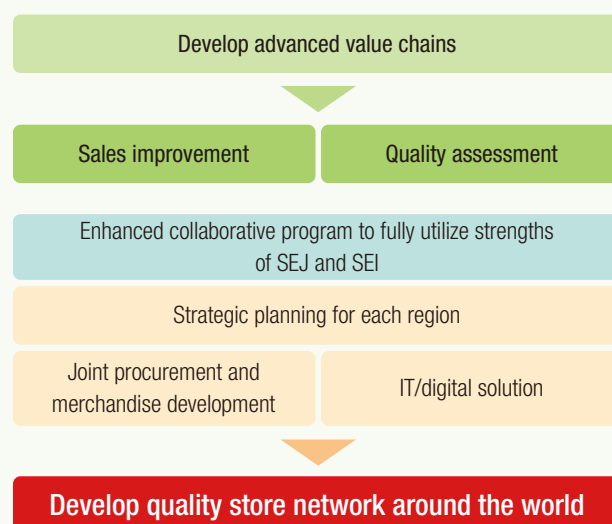
#### 2 Promote new market entry

For store openings in new regions, 7-Eleven International LLC's policy is to select and proceed after a thorough analysis of the risks and opportunities of the candidate country and potential local partners. To expand the number

of regions where we can open new stores, 7-Eleven International LLC will adopt comprehensive value chain support measures and incorporate joint ventures and M&As into strategies.

#### 3 Expand global collaborations

Through 7-Eleven International LLC, we will maximize synergies and expand global collaboration in areas such as human resource exchanges, SDGs/ESG initiatives, global IT digital solutions, joint procurement, and joint merchandise development.



# Group Food Strategy [ CGC Principle 3.1 (i) ]

## Taking on the challenge of generating Group synergies

The competitive environment in the food sector is becoming increasingly severe. To gain favor with our customers, we will need to embrace bolder challenges and deliver greater innovations that individual operating companies cannot provide alone.

To this end, the Group works to reinforce its merchandise

strength by promoting overseas procurement, including direct imports, while sharing raw materials and recipes and developing differentiated merchandise such as meal kits. At the same time, we will utilize our common Group infrastructure to further enhance our unique strengths in the food sector, which can be realized only by having various business formats.

## Taking on the challenge of further synergies in the food sector

1

### Promotion of overseas procurement (direct imports)



Establish joint procurement that takes advantage of economies of scale

2

### Reinforcing Group merchandise strength (Team MD)



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

3

### Utilization of common infrastructure (fresh food)



Convenience stores also handle food supermarkets' fresh foods such as special discerning vegetables

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

## 1 Promotion of overseas procurement (direct imports)

In response to new market changes, we will embrace the challenge of importing directly by exploiting economies of scale available to the Group.

To respond to world changes and those in customers' needs and purchasing behavior, we have appointed people with expertise and knowledge from both inside and outside the Group. In September 2021, the Company established the Overseas Procurement Department.

Direct imports have many advantages, including reduced procurement costs through direct settlement and the ability to set prices commensurate with quality. Therefore, going forward, we will expand our direct import strategy to cover wine, grocery

merchandise, and other items. This will enable us to offer our customers high-quality merchandise at reasonable prices.



## 2 Reinforcing Group merchandise strength (Team MD)

*Seven Premium* is based on an original merchandise development method called Team Merchandising (Team MD), which was cultivated at SEVEN-ELEVEN JAPAN. This method brings together the merchandise knowledge and development know-how of Ito-Yokado, York-Benimaru, and other Group companies and leverages the strong management resources of the Group's diverse businesses.

In response to various social changes, such as increasing numbers of single-person households and working women, as well as an aging population, we have engaged in merchandise

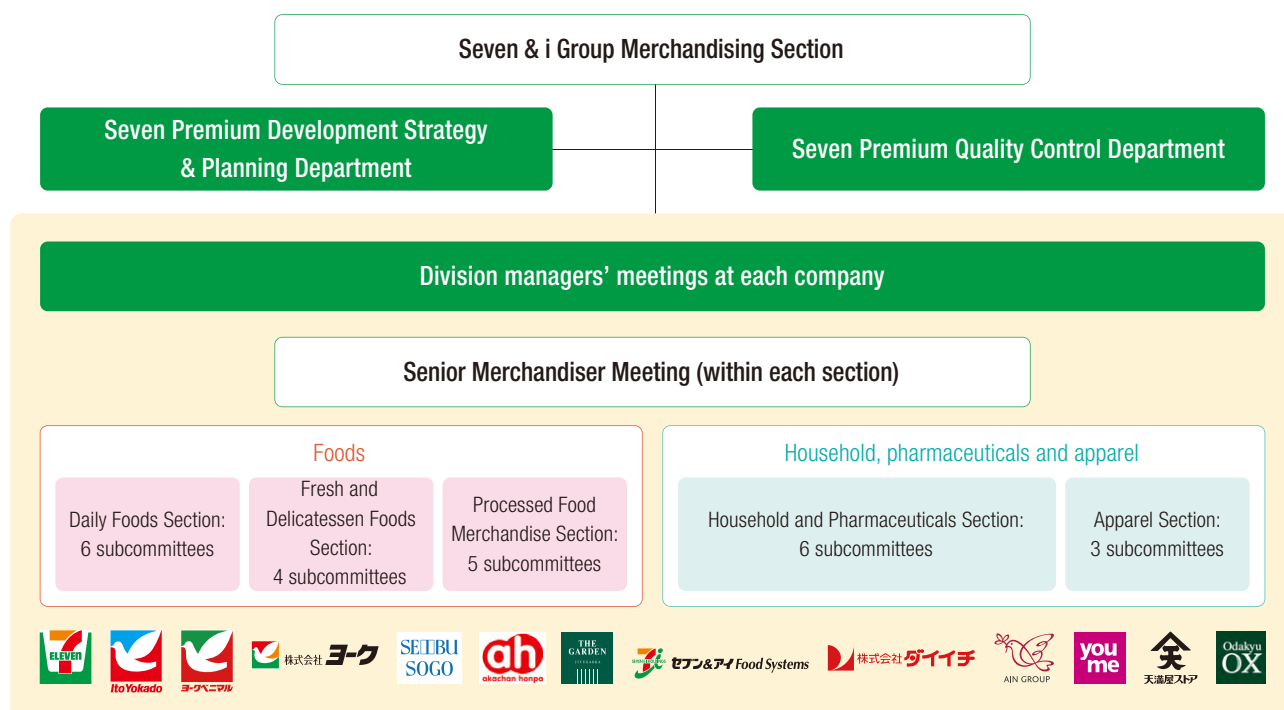
development that transcends the boundaries of different operating companies. This has produced new consumer patterns, typified by the trend to buy dinner side dishes at the nearest convenience store.

The Group's convenience stores and supermarkets share each other's strengths and create synergies by taking the lead in merchandise development in their respective fields of expertise.

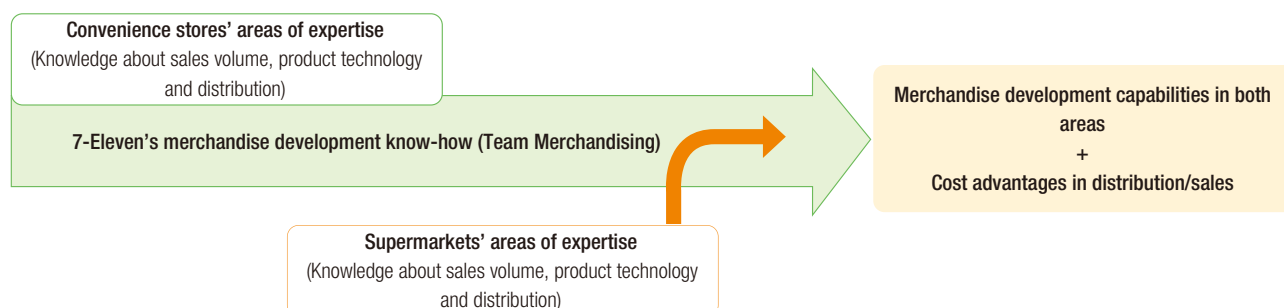
▶ For details, please refer to "Special Feature: *Seven Premium* Initiatives."

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### Merchandise development and supply system (as of October 31, 2021)



### Merchandise development capabilities and cost advantages leveraging synergies



## Seven Premium Initiatives

*Seven Premium* was created in 2007 as the Group's own private brand (PB) merchandise with high quality in terms of taste, safety, and peace of mind. In the process, we dispelled the price-driven image of PBs that prevailed in the past. In addition, by grasping the changes of the times—such as the decreasing birthrate and aging population, the increasing number of working women, and growing consciousness about health and environmental issues—we have proposed new levels of value to leading manufacturers in Japan and overseas, together creating a new concept for PBs.

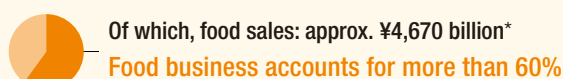
The Seven & i Group reported domestic sales of approximately ¥7,460 billion in FY2021. Of this total, sales of food accounted for around 60%, or ¥4,670 billion. Merchandise under the *Seven Premium* brand contributes significantly to overall food sales.

With sales of around ¥1,460 billion in FY2021, *Seven Premium* also generates remarkable synergies for the Group.

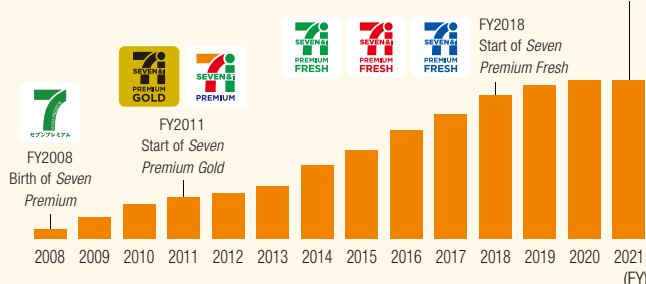
*Seven Premium* also accounted for around 25% of food sales at 7-Eleven stores in FY2021, a figure that underscores the brand's major contribution to revenue.

### Group synergies in food merchandise

Consolidated Group domestic sales: approx. ¥7,460 billion  
(FY2021 results)



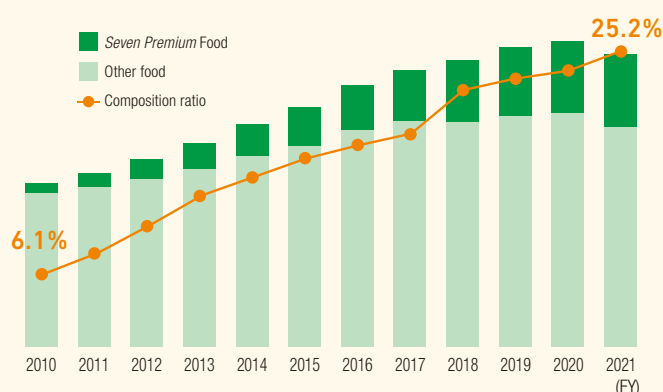
**Seven Premium Merchandise Sales: ¥1,460 billion**



\*Total sales of SEVEN-ELEVEN JAPAN (food), Ito-Yokado (food excluding tenants), Sogo & Seibu (food), York-Benimaru, York, SHELL GARDEN, Seven & i Food Systems

### Sales composition of Seven Premium at 7-Eleven

**Seven Premium accounts for approx. 25% of food sales**



### Development of Seven Premium

Around 50% of *Seven Premium*'s higher-selling existing merchandise is 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 merchandise, and conduct monitoring trials until we are satisfied. This process enables us to develop merchandise that offers high quality at an agreeable price.

### Merchandise that sells over ¥1 billion per year

Merchandise that sold over ¥1 billion per year in FY2021 totaled 300 items, an increase of 10 items year on year.

Total 300 items (+10 items)

Daily food merchandise  
**202 items**

Beverages and alcohol  
**51 items**

Confectionery  
**25 items**

Processed food and sundries  
**22 items**



## Seven Premium Connect Declaration

In May 2020, the Seven & i Group formulated its *Seven Premium* Connect Declaration, a pledge to continue providing merchandise that responds to the rapidly changing social environment.

We aim to make *Seven Premium* a sustainable brand that

brings together people in Japan and around the world by connecting the four pillars of new value creation: eco-friendliness, health-consciousness, high-quality merchandise, and global compatibility.

### Eco-friendliness

#### A more environmentally friendly future

##### Passing on environmental initiatives to the next generation

The Group is accelerating efforts for the next generation under its 『GREEN CHALLENGE 2050』 environmental declaration. Among *Seven Premium* merchandise, we have realized the world's first beverage containers made from 100% recycled plastic bottles. In the apparel field, we are also expanding our range of merchandise made with organic cotton, including original innerwear made with material from recycled plastic bottles.

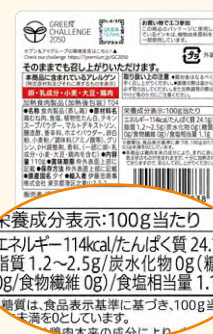


### Health-consciousness

#### A healthier future

##### Passing on a healthier tomorrow to all people

At *Seven Premium*, we are developing a large amount of health-themed merchandise. We also indicate on packaging labels the presence or absence of all 27 allergens recognized in Japan, including quasi-specified allergens for which labeling is not mandated. Since 2019, moreover, we have sought to develop and label merchandise that is more closely attuned to the daily lives of our customers by, for example, specifying sodium levels as “salt equivalent” and separating carbohydrates into “sugar” and “dietary fiber.”



Nutritional labeling for Salad Chicken with 0 g of sugar

### High-quality merchandise

#### More futuristic quality

##### Passing on the taste and quality of specialty stores to the dining table

The exceptional taste and quality of *Seven Premium* food are the result of Team Merchandising (Team MD), through which we develop and produce merchandise in collaboration with business partners possessing advanced technologies and know-how in all processes related to merchandise creation, from merchandise development to raw materials procurement, processing, production, and packaging.

In 2010, we launched the *Seven Premium Gold* brand, which offers an even higher level of quality.

Here, we use top-quality raw materials and produce merchandise with advanced technologies to bring richness to the dinner table.



### Global compatibility

#### A more global future

##### Passing on the spirit of Japanese manufacturing to the rest of the world

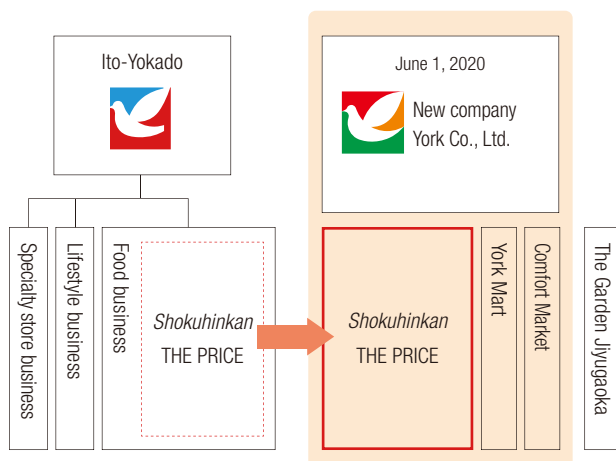
We currently sell a lot of *Seven Premium* merchandise, including confectionery, processed foods, and miscellaneous goods at Group stores in China, Hong Kong, Macau, Taiwan, and Singapore. We have modified the visual appearance of the packaging by enlarging the English wording to make it easier for overseas customers to understand the contents. Thinking from the sales perspective, however, we retain the original Japanese package designs to highlight the appeal of Japanese quality, thereby ensuring that our merchandise is well received by customers.



### 3 Utilization of common infrastructure (fresh food)

#### Phase 1: Store reorganization (–June 2020)

##### Tokyo metropolitan area food strategy



- 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 214 stores

	Ito-Yokado (food excluding tenants)	¥389.8 billion	115 stores
	York Mart*1	¥142.9 billion	78 stores
	SHELL GARDEN	¥24.5 billion	21 stores

##### Responding to growing needs due to COVID-19

##### FY2021

Total sales of the 3 companies ¥594.3 billion 215 stores\*2

	Ito-Yokado (food excluding tenants)	¥389.3 billion	94 stores
	York*1	¥182.2 billion	100 stores
	SHELL GARDEN	¥22.8 billion	21 stores

\*1 York Mart Co., Ltd. changed its trade name to York Co., Ltd. on June 1, 2020.

\*2 Number of stores at the end of the fiscal year in Tokyo and 3 prefectures: 20 stores transferred from Ito-Yokado to York during FY2021

#### Store reorganization

As Phase 1 of our Group food strategy, in June 2020, we brought together and integrated Ito-Yokado's *Shokuhinkan* and THE PRICE stores (20 stores in total) under the umbrella of a new company, York Co., Ltd., and began operation in four store formats.

Amid growing demand stemming from the COVID-19 pandemic, the combined food sales of Ito-Yokado, York, and SHELL GARDEN in Tokyo and adjacent three prefectures in FY2021 equalled or exceeded those of other supermarket chains.

##### Key points in Tokyo metropolitan area food strategy

York is promoting four new store formats: "standard type," "urban type," "price-compatible type," and "small/medium-sized type."

In the Tokyo metropolitan area, which has a variety of commercial areas, we will use these different formats to flexibly create "lifestyle proposal" stores that meet the needs of local customers.

##### Four formats corresponding to location and surrounding commercial area

- Common concept: Strengthen home meal offerings; new merchandising (MD)
- Review merchandise assortment and price range according to local market needs

##### Standard type

1,650–1,980 sqm

Lively aspect  
Regionalization

Model store: Chiharadai, Azusawa

##### Urban type

990 sqm–

Review breadth of merchandise  
assortment

Model store: Shinjuku-Tomihisa

##### Price-compatible type

1,650–1,980 sqm

Price appeal  
Increase productivity

Model store: Kawasaki-Nogawa, Umejima

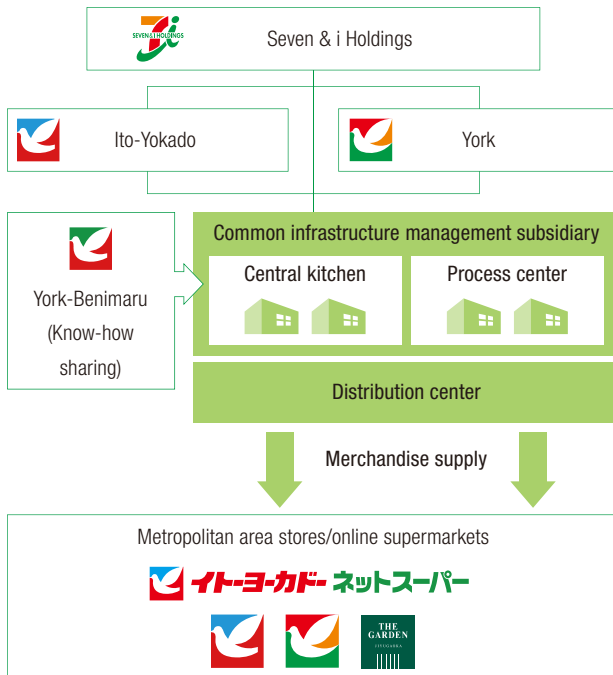
##### Small/medium-sized type

495–825 sqm

Maximize sales floor space  
Improve efficiency of sales floors and BR

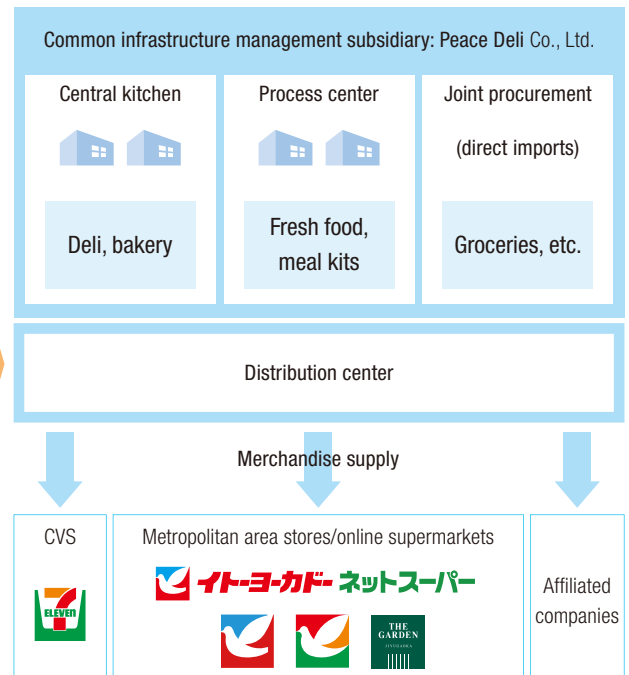
Model store: Nakamachi, Nishimagome

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



Two central kitchens and two process centers  
scheduled to start operations by FY2026

## Phase 3: Expansion of joint procurement functions



Realizing a high-quality and efficient merchandise  
supply system by building a common  
infrastructure for the Group

### Construction of a common Group infrastructure

In Phase 2, we established Peace Deli Co., Ltd. as a common infrastructure subsidiary to operate the Group's central kitchens and process centers.

Two central kitchens and two process centers will be operational by FY2026. They will then start supplying merchandise sequentially to our food supermarkets in the Tokyo metropolitan area.

### Expansion of joint procurement functions

In Phase 3, we will add joint procurement to Peace Deli's functions. Our plan is to exploit economies of scale to directly import and supply fresh food and meal kits to convenience stores.



For direct imports, we started testing in FY2022 and aim for full-scale operation in FY2023.

By building this kind of common Group infrastructure, we will realize a high-quality and efficient merchandise supply system in the Tokyo metropolitan area.

# Large-Scale Commercial Base Strategy [ CGC Principle 3.1 (i) ]

At Ito-Yokado and Sogo & Seibu, we will continue pursuing business structural reforms and work to create large-scale commercial bases supported by local customers.

## 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 stores that match the characteristics of the trade area (improvement of trade area analysis accuracy) Improve productivity through AI orders, etc.	Create stores that match the characteristics of the trade area (improvement of trade area analysis accuracy) Expand customer contact points using DX
Non-store business	"Ito-Yokado online supermarket": large-scale centers Expand "Ito-Yokado Tokushimaru" mobile supermarkets	Strengthening sales to outside customers (affluent customers) Expand commercial business (BtoBtoC)

At Ito-Yokado, we will close unprofitable stores, scrutinize profitability, and optimize personnel while promoting store structural reforms based on accurate analyses of each trade area.

We will also actively incorporate AI-based ordering and other means to improve productivity. For the Ito-Yokado online supermarket, which is in high demand from customers, we will promote the development of large-scale centers, mainly in the Tokyo metropolitan area.

In addition, we will expand mobile supermarkets in collaboration with outside companies to meet the needs of customers who have difficulty shopping.



At Sogo & Seibu, we will reassess our operations and staffing

through store reforms and optimize personnel. As part of store structural reforms, we will apply to major stores the know-how gained through our experience in property management (PM) at two suburban stores—SEIBU Tokorozawa S.C. and SEIBU Higashi-Totsuka S.C.—by FY2026.

At the same time, we will improve the quality of our trade area analyses with the aim of creating stores that better match the characteristics of each trade area. We will also improve the appeal of each store and use DX to expand customer contact points.

In the non-store business, we will expand our business with affluent customers by strengthening sales to outside customers and our commercial business.

## 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 stores that match the trade area	69 stores	20 stores	Approx. 20 stores/year (planned)			
		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 stores that match the trade area	PM at 2 suburban stores	PM at major stores				
		Non-store expansion	Improve trade area analysis accuracy	Explore market needs				
			Sales to outside customers (affluent customers), commercial business (BtoBtoC), etc.					

# DX/Financial Strategy [ CGC Principle 3.1 (i) ]

In addition to Last Mile initiatives, we will further strengthen our DX/financial strategy to expand and deepen customer contact points.

**Improve lifetime value by further expanding and deepening customer contact points through an ID (7iD) that customers can use across the Group**



As of October 31, 2021, 7iD, our ID that customers can use across the entire Group, had around 21 million members.

We believe this is because we continue delivering new customer experience value by such measures as offering convenient coupons and diversified payment options centered on the 7-Eleven smartphone app.

We will continue optimizing our merchandise assortment by enhancing customer contact points. We will also make shopping even more convenient by allowing customers to receive merchandise at their desired time and place. The Group's 7iD will play a central role in this endeavor.

To realize this, we will work to provide a new settlement experience and strengthen the Group points strategy. Our aim is to improve lifetime value for our customers by providing convenient settlement services and Group points that accumulate profitably.

We are aiming for 50 million 7iD members by FY2026.

We recognize that the aforementioned strategies can be implemented only by the Group, which does not employ just one business format.



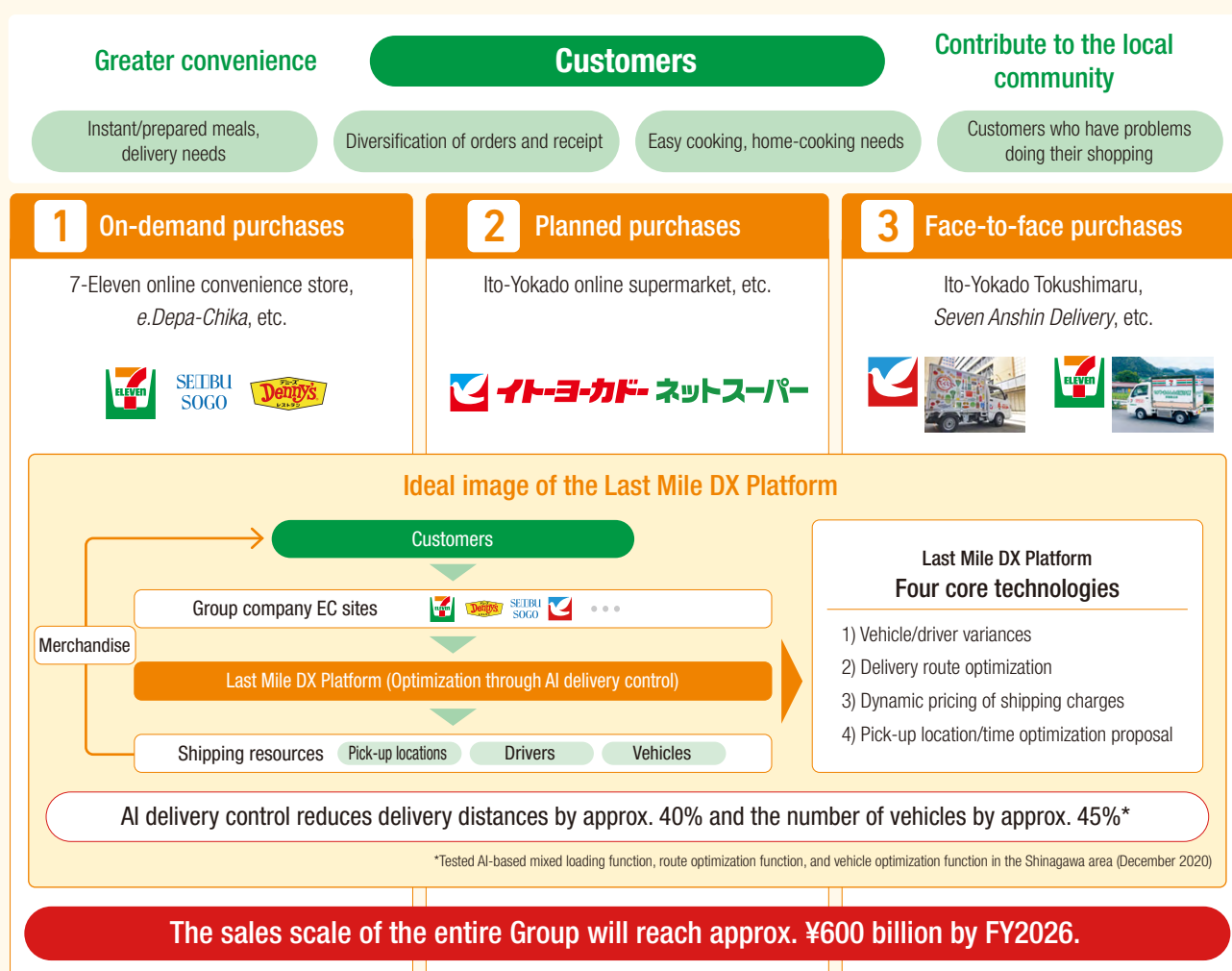
# Last Mile Measures

## Reinforcing the Seven & i Group's unique strengths and values

The Group is currently working on three Last Mile measures. The first relates to on-demand services such as 7-Eleven online convenience store, *e.Depa-Chika* (online department store with food section), and Denny's home delivery, which deliver shortly after order placement. The second is delivery service like that of the Ito-Yokado online supermarket, which supports planned shopping. Currently, we deliver to customers' homes, but we plan to gradually expand to more diverse pickup locations, such as 7-Eleven stores and pickup lockers. In addition, we will strengthen the merchandise assortment we deliver, including fresh foods and meal kits. Our third Last Mile measure involves mobile supermarkets—namely, Ito-Yokado Tokushimaru and

*Seven Anshin Delivery*—for people inconvenienced by daily shopping. Here, we will gradually expand the number of operational trucks with a view to supporting shoppers. The Group is targeting sales of approximately ¥600 billion from Last Mile measures by FY2026. With its diverse business formats, the Group has a unique set of Last Mile solutions. A key feature of these is our ability to build a Last Mile DX Platform common to the Group. In Tokyo's Shinagawa area, where we are conducting preliminary tests, we have effectively reduced delivery distances by around 40% and the number of vehicles by around 45% compared with those of the regular system.

### Last Mile measures (ideal image)



## 1 On-demand purchases

### 7-Eleven online convenience store

The 7-Eleven online convenience store service is an excellent partner of busy customers who do not have much time to shop or want to use their time efficiently. It is a convenient service that allows customers to order from 7-Eleven's wide merchandise selection using their smartphones and receive same-day delivery. (This service is to be expanded sequentially from some areas.)

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#### Real-time inventory linkage

- Approx. 2,800 items (excluding magazines and tax-exempt merchandise)
- High conversion rate

#### Minimum 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 utilizing AI
- Expand view to cover the delivery of Group company merchandise (being tested)

### Gourmet *Depa-Chika* delivery service: *e.Depa-Chika*

Since February 2021, Sogo & Seibu has been developing a new service to deliver prepared dishes, boxed lunches, sweets, drinks, and other items from its department stores' basements' food sections to customers' homes and offices. At SEIBU Ikebukuro store, the service covers a broad lineup of around 100 brands, and customers can place single orders from multiple categories and brands for delivery to seven Tokyo wards in as little as 45 minutes.

As of October 31, 2021, the service was provided by three stores: Ikebukuro, Hiroshima, and Chiba. Going forward, we plan to extend the service to all Sogo & Seibu stores nationwide.

#### Expanding merchandise assortment

February 2021  
80 brands  
250 items



May 2021  
90 brands  
250 items



July 2021  
100 brands  
400 items



November 2021  
100 brands  
500 items



## 2 Planned purchases

At Ito-Yokado, we are advancing the Ito-Yokado online supermarket service, which allows customers to order merchandise with a personal computer or smartphone for delivery at specified times. We plan to open the Ito-Yokado online

supermarket Shin-Yokohama Center (tentative name) in spring 2023. The new center will function as a large-scale base with delivery areas for approximately 30 Ito-Yokado stores around and locations up to roughly 30 kilometers from the center.

## 3 Face-to-face purchases

As of April 30, 2021, SEVEN-ELEVEN JAPAN operated its mobile store service, *Seven Anshin Delivery*, from 107 stores. Using light trucks fitted with sales equipment developed in-house, we travel mainly to areas where daily shopping is inconvenient or where many elderly people have trouble getting around. The service covers a variety of foods and beverages, from ambient temperature to frozen. Ito-Yokado Tokushimaru uses its mobile supermarket initiative to support customers

who find shopping inconvenient. It is also engaged in business related to neighborhood watch activities for the elderly in collaboration with local communities.



*Seven Anshin Delivery*

# Message from General Manager of the Corporate Finance & Accounting Division [ CGC Principle 3.1 (i) ]



## Yoshimichi Maruyama

Director and Executive Officer, General Manager  
of the Corporate Finance & Accounting Division

Joined Seven & i Holdings Co., Ltd. in 2008. Appointed Executive Officer and Senior Officer of Finance Planning Dept. in May 2017, Executive Officer and General Manager of the Corporate Finance & Accounting Division in March 2018, then Director and Executive Officer, General Manager of the Corporate Finance & Accounting Division in May 2020.

## Achieve sustainable growth in corporate value through quantitative expansion and qualitative improvement of finance and ensuring of financial soundness

### Three perspectives on finance and concentration of management resources into growth areas

An issue I became acutely aware of while we were drafting the new Medium-Term Management Plan—announced in July 2021—was the huge disparity between the Group's intrinsic value and shareholder value, which is an expression of market capitalization. Consequently, I felt it was important for

management at Seven & i Holdings and Group companies to accurately describe where capital market expectations fit in the new Medium-Term Management Plan and the specific measures we need to increase corporate value. This led us to apply three perspectives—quantitative expansion, qualitative improvement of finance, and ensuring of financial soundness.

From the perspective of quantitative expansion, we will emphasize the EPS (earnings per share) growth rate to better understand earnings growth and have also positioned the

expansion of free cash flow as a key indicator. From the perspective of qualitative improvement of finance, we have tapped ROIC (return on invested capital) as an indicator that builds on each Group company or, more specifically, the ROIC spread, which is a performance metric equal to the difference between a company's weighted average cost of capital (WACC) and its return on invested capital (ROIC). Of course, ROE (return on equity) is a vital indicator for measuring financial quality, but some aspects of Group company capital cannot be measured by the ROE metric alone. Therefore, I felt it was important to fully grasp the quality of profit compared with invested capital and clarify the path toward achieving the ROE target. From the perspective of financial soundness, which was temporarily eroded by Seven & i Holdings' procurement of interest-bearing debt to cover the entire cost of the Speedway acquisition\*, management set the Debt/EBITDA multiple as an indicator to show stakeholders its firm intention to restore financial soundness as quickly as possible.

Regarding the concentration of management resources into growth areas, the cornerstone of this policy is to selectively direct management resources into businesses that will contribute the most to growth and underpin higher quality Groupwide. Specifically, we will promote vigorous investment of capital into the domestic and overseas convenience store (CVS) business strategy as a core of growth but also emphasize measures to enhance food-related operations. A look at Group synergy shows that *Seven Premium* has delivered outstanding results to date but now, as we proceed with a food-focused strategy Groupwide, we anticipate enhanced value across the Group not just in the CVS business. These efforts will fuel rapid improvement of our ability to generate cash flow. Over the first three years of the five-year new Medium-Term Management Plan, we will complete restructuring and also concentrate investment of management

resources in growth strategies. In the final two years, when this investment bears real fruit, we will implement strategic investment to produce new growth or increase shareholder returns. Through these measures, we will drive corporate value higher. This is exactly the kind of improvement in corporate value that will earn the Group a stellar reputation for value in capital markets and help bridge the gap between the Group's intrinsic value and shareholder value.

### **Pervasive range of strict financial discipline and financial management underpinned by global point of view**

We will also take a strict view of special losses. From a broad perspective, three primary factors cause losses for the Seven & i Group. The first is insufficient reflection on capital efficiency in investment decisions; the second is an unsatisfactory level of investment for maintenance and upgrades of existing assets; and the third is an unsatisfactory dealing with outdated business models. We have promoted measures to address these issues ever since a new management structure was introduced back in 2016. For example, since the format for generating profit in the general merchandise store business had weakened over time, in 2016, new store investment was suspended until the format for generating profit could be rebuilt, with investment focusing instead on restructuring of existing stores. For large-scale commercial facilities, each store was closely reviewed, and those not producing profits were closed. Even at SEVEN-ELEVEN JAPAN, which is a high-profit business, a decision was made to concentrate resources into approaches designed to enhance existing stores' responsiveness to market changes. These measures, in

\*Speedway acquisition: Seven & i Holdings' consolidated subsidiary 7-Eleven, Inc. acquired from Marathon Petroleum Corporation (MPC) shares and other interests in several companies that engage in the convenience store and fuel retail businesses, primarily under MPC's Speedway brand (excluding fuel retail operations for direct dealers in MPC's retail division).

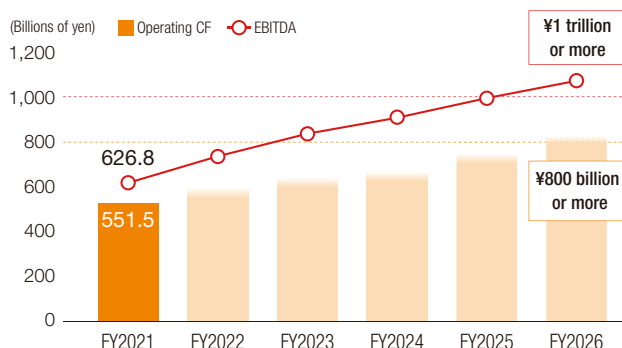
force since 2016, have enabled Group companies to better understand capital efficiency. Aware of these factors, management, when deciding on investments, including the opening of new stores, making renovations, and embracing DX, applied over the course of the new Medium-Term Management Plan an investment standard based on ROIC, that is, NPV (net present value), to exercise more stringent financial discipline. Going forward, we will strive to considerably limit the incidence of special losses paralleling impairment losses. This naturally requires that actual investment decisions be executed appropriately, and the finance division will bear significant responsibility for this process.

As for when a deeper awareness of financial discipline will show results, investment in large-scale commercial facilities, for example, will not present results immediately. But we certainly will be implementing measures to restructure businesses and ask stakeholders to understand that the process takes time. Also, it is vital for management of Group companies that a process is in place for drafting plans matched to respective circumstances, based on an understanding of the importance of financial discipline. Currently, principal operating companies are organized into an ROIC tree, with decisions about where to focus investment made independently. This way, Seven & i Holdings and Group companies work toward the

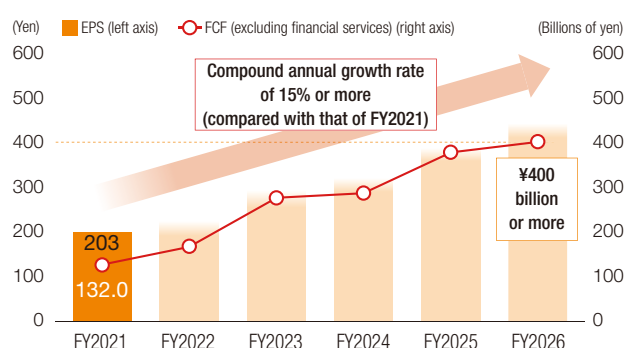
## Consolidated Financial Numerical Targets

\*Excludes impact of sale/leaseback transactions

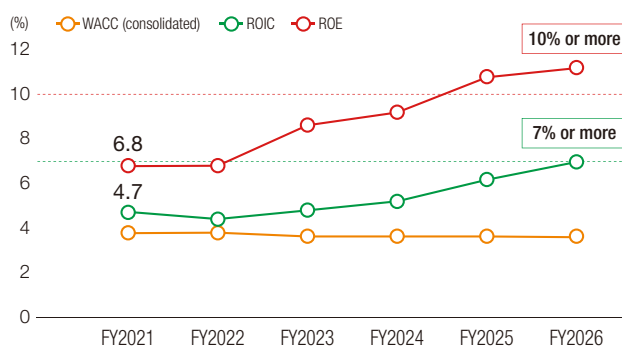
### Quantitative Expansion of Finance (1)



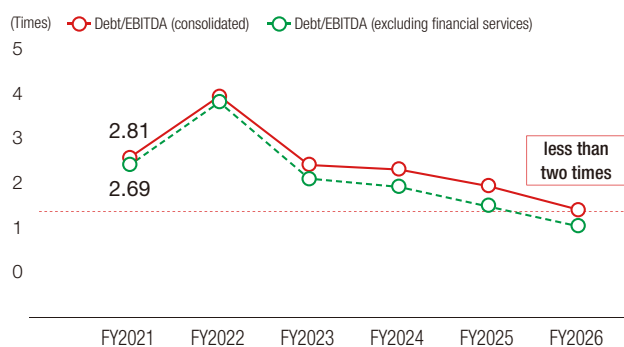
### Quantitative Expansion of Finance (2)



### Qualitative Improvement of Finance



### Ensuring of Financial Soundness





same goal but arrive there by following different paths, thereby facilitating speedy progress toward future targets.

That said, some operating companies have struggled, as measures to contain the COVID-19 pandemic have unavoidably eroded their financial positions, and firming up their financial footing will take more time than originally thought. Compounding this situation are major changes to the retail environment and evolving purchasing trends among customers. We will carefully track these factors and their impact on operations and hammer out appropriate responses.

Future overseas operations are going to increasingly contribute larger amounts to the consolidated total. The integration of Speedway into the North American CVS business will accelerate this trend, and we expect overseas profits to surpass domestic profits within a few years. Fueling further expansion of global operations, with a focus on the CVS business, requires adjusting our current thinking as well. Of course, the retail business is predicated on responses to the local needs of customers in each area, but from a governance standpoint, various reforms are essential to our development as a global retailer.

On fronts such as environmental issues and human rights, our burden of responsibility becomes heavier the wider we cast our global net. It is, of course, the responsibility of the finance division to reinforce financial capabilities to address such issues appropriately and accurately. Toward this end, we have to establish a system to properly manage finance from a global perspective. An extension of the current system will not suffice. The days of single fund management linked to just yen are over. The times now call for directional alignment against a backdrop of diversity in gathering people from around the world. Therefore, an understanding of diversity in the truest sense and efforts to embrace real diversity will become more important from a financial management perspective as well.

## Enhancing value platform underpinned by expanding Group synergy

Under the new Medium-Term Management Plan, efforts to roll out Groupwide strategies hinge on Seven & i Holdings, which has charted a major course correction to reinforce the capabilities of the Group. Setting up structures such as logistics and DX platforms as a cohesive corporate group boosts efficiency and creates Group value—that is, Group synergy.

Going forward, the Group is poised for major changes that will not be extensions of the past but rather opportunities to embrace new things. A feeling of excitement is born from the process of engaging in new activities and generating results. Financial decisions are ultimately based on numbers, but the process of generating those numbers leads to the development of human resources. In addition, it is very important to remember that there is no single “how” for reaching a goal when something new is attempted. For example, various approaches can be applied to increase profit beyond an improvement in gross profit, such as meticulous inventory control and increased asset turnover. This thinking drives proactive measures at each company and fosters motivation. Motivation fuels vibrant growth, and the ideal that each company strives for should be shared Groupwide. I would like stakeholders to know that these are the activities we will pursue to achieve further growth. We ask for your continued understanding and support of our efforts.