

Highlights of Major Retail Groups' Financial Results for Fiscal Year Ended February 2026

The following are Japan Credit Rating Agency, Ltd. (JCR)'s perception of the current status and highlights for rating concerning the financial results for the fiscal year ended February 2026 (FY2025) and earnings forecasts for FY2026 of Japan's two major retail groups (the "Two Groups"): Seven & i Holdings Co., Ltd. ("Seven & i"; security code: 3382) and AEON CO., LTD. ("AEON"; security code: 8267).

1. Industry Trend

According to Japan Chain Stores Association, same-store sales of chain stores increased for the sixth consecutive year for FY2025 with a year-on-year increase of 2.1% (a year-on-year increase of 1.4% for FY2024). By product category, for foods, the number of items purchase continued to decrease along with rising frugal mindset of consumers, but they increased 2.8% from the previous fiscal year due to price hikes and rising price of per item for agriculture products caused by higher market prices. Apparel on the other hand, they continued a year-on-year decrease, falling 2.9% due to the impact of unseasonable weather. Housing-related products achieved a 0.5% year-on-year increase. Sales of daily use items remained steady but sales of furniture/interior struggled.

As for same-store sales for general merchandise stores (GMS) and food supermarkets (SM) companies, they exceeded the performance of the previous year by and large due to growth of average purchase of per customer on the back of rising unit price of per item. On the other hand, the number of customers showed a sluggish increase. Furthermore, the average number of items purchased has been continuing to decrease, suggesting growing frugal mindset of consumers. Each company has been forced to deal with a difficult situation such as carrying out price-appealing activities at the same time of securing profitability to attract customers.

Going forward, M&As for business expansion appear to become active. Facing with a difficult situation to open new stores due to soaring construction costs and manpower shortages, business expansion through M&As has become the key measure for growth. The number of companies that actively opens small-scale SMs in Tokyo metropolitan area with a large population is increasing, and competitions to acquire customers are expected to become more intensified. Status of expansion of business foundation taking advantage of M&As and new store openings, and trends in business performance will be the key factors in the future.

In FY2025, Seven & i and AEON reorganized their group structures.

Seven & i has become a group specializing in the domestic and overseas convenience store ("CVS") operations as a result of excluding the subsidiaries under YORK Holdings Co., Ltd. ("YORK HD"), such as Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., and Seven Bank, Ltd. ("Seven Bank") and the nine subsidiaries from the scope of consolidated financial statements. Setting out differentiation of fresh foods, expansion of the store network and controlling SG&A expenses as key measures, it is striving for the initiatives for growth.

AEON made AEON MALL Co., Ltd. and AEON DELIGHT CO., LTD. wholly owned subsidiaries. Furthermore, AEON carried out management integration of TSURUHA HOLDINGS INC. ("TSURUHA HD") and WELCIA HOLDINGS CO., LTD. Following this, AEON commenced a tender offer for the shares of TSURUHA HD, and the latter became a consolidated subsidiary of the former. In March 2026, it reorganized the SM business in Tokyo metropolitan area and Kinki region, making progress in the initiatives for further expansion of synergy in the group.

2. Financial Results

For FY2025, Seven & i decreased revenue and increased operating income and AEON increased both revenue and operating income.

Seven & i reported an increase in operating income for the first time in two fiscal years, 422.9 billion yen, up 0.5% from the previous fiscal year. By segment, the overseas CVS operations and superstore operations increased profits and the domestic CVS operations and financial services decreased profits. Note that the performances of subsidiaries under YORK HD in the superstore operations and Seven Bank

and the nine subsidiaries in the financial services were recorded as consolidated subsidiaries until the first half. Seven Eleven Japan Co., Ltd. (“SEJ”) in the domestic CVS operations decreased profits for two fiscal years in a row. While the same-store sales exceeded that of the previous fiscal year, SEJ was impacted by decline in gross profit margin caused by soaring raw material prices and an increase in SG&A expenses such as system expenses. In the overseas CVS operations, 7-Eleven, Inc. (“SEI”) in the North America, the same-store sales fell below that of the previous year due to rising frugal mindset of consumers, but operating income increased due to reduction in SG&A expenses.

AEON increased operating income for the first time in two fiscal years, 270.4 billion yen, up 13.8% from the previous fiscal year. By segment, the performance was driven by the shopping center development and health & wellness businesses. Although GMS business as a whole increased profits, AEON RETAIL Co., Ltd., the core unit, decreased profits. This was because sales of the private label product, TOPVALU, grew, but they were not enough to offset the increased SG&A expenses, including personnel costs. The SM business increased revenue but reported a decrease in profits two consecutive fiscal years due to decline in profitability caused by cost increases.

Looking at the financial position as at the end of FY2025, the equity ratio of Seven & i stood at 39.6% as opposed to 35.4% as at the end of the previous fiscal year attributable to exclusion of Seven Bank and the nine subsidiaries, and subsidiaries under YORK HD from the consolidated financial statements and other factors. Seven & i made progress in reduction of long- and short-term borrowings and corporate bonds in the overseas CVS operations. For AEON, the equity ratio stood at 7.9%, as opposed to 7.7% a year before, and 14.3% where excluding the financial services business, as opposed to 14.2% a year before. Interest-bearing debt (long- and short-term borrowings, CP, corporate bonds, lease obligations, accounts payable-installment purchase, etc.) remains on an uptrend, except for the financial services business.

In terms of capital expenditures, for FY2025, Seven & i decreased and AEON increased. The amount decreased 27.2% from the previous fiscal years to 402.2 billion yen for Seven & i. In total of the domestic and overseas CVS operations, it was 340.8 billion yen, down 15.0% from the previous fiscal year attributable to a decrease in investment in new store openings in SEI. AEON increased the amount for five fiscal years in a row to 528.5 billion yen, up 13.4% from the previous fiscal year. The composition ratios are as follows: 57% for domestic stores, 19% for overseas stores, and 24% for digital/logistics, as opposed to the previous year’s 52%, 17% and 31%, respectively, indicating an increase in the composition ratio of domestic stores. By region, Japan accounted for 77.9% of the total, followed by ASEAN 17.4%, China 4.7% and others 0.0% as opposed to the previous year’s 77.4%, 14.4%, 8.1% and 0.1% respectively, showing remarkable growth in ASEAN.

3. Highlights for Rating

Performance forecast For FY2026, Seven & i projects a decrease in revenue and operating income but on a substantive basis adjusted for the impact of the subsidiaries that were excluded from the consolidated financial statements in FY2025, it decreases revenue and increases operating income. AEON projects an increase both revenue and operating income.

Seven & i projects an operating income of 405.0 billion yen, down 4.3% from the previous fiscal year, and on a substantive basis, it is up 5.3% from the previous fiscal year. Both domestic and overseas CVS operations expect to profit growth. SEJ in the domestic CVS operations intends to advance expansion of introduction of “Seven Café Bakery” and “Seven Café Tea” offering freshly made products preparing in-store facilities and revisiting operation processes. SEI in the overseas CVS operations plans to increase the same-store sales for products in the U.S. and hold down SG&A expenses through working on expansion of original products and simplifying store operations.

AEON expects to achieve a record high operating income two fiscal years in a row, projecting 340.0 billion yen, up 25.7% from the previous fiscal year. Although the earning forecast by segment has not been disclosed, JCR assumes that the Health & Wellness, in which TSURUHA HD joined, and the shopping center development business working on increasing value of existing assets will drive the performance.

Due to continuation of inflation, it is assumed that frugal mindset of consumers will become increasingly stronger, and presence of private label products with price competitiveness appears to increase. Both Seven Premium launched by Seven & i and TOPVALU by AEON also increased net sales also for FY2025. Not just value-added private label products, Seven & i and AEON have expanded the product lineup to meet a broad range of customer needs such as price-appealing and environmentally friendly type products. In order to differentiate products from the other companies’ and maintain and increase gross profit margin, strengthening development and sales expansion of private label products

are becoming increasingly important, and it is necessary to expand sales. Seven & i has worked on the drastic structural reforms covering from procurement, production and logistics, and AEON is advancing internal product planning, production and sales, and taking advantage of functional companies. Progress in these initiatives and effects on same-store sales will attract attention.

An increase in SG&A expense including personnel expenses is expected into the future. The initiatives to reduce workload of store operations are also important because it is considered that securing store staff members may become more difficult. Introduction of self-checkout and AI-based ordering system has already been making progress, but it is indispensable to continue to implement the measures to increase productivity, for instance, further leveraging process centers.

In order to expand the group-wide performance in the future, JCR sees overseas development is important. Seven & i has been strengthening competitiveness in the existing markets and expanding countries it newly operates. JCR will continue to watch the performance trend in the overseas CVS operations. Defining Vietnam as the most important market, AEON intends to expand the business on the entire group basis. JCR will closely watch the initiatives such as store developments and others.

Akio Kamimura, Hiroyoshi Otsuka

(Chart 1) Consolidated Financial Results of the Two Groups

(JPY 100 mn)

| Company | FY | Operating Revenue | Operating Income | Ordinary Income | Net Income Attributable to Owners of Parent |
|---------------------|-----------------|-------------------|------------------|-----------------|---|
| Seven & i (3382) | 2024 | 119,727 | 4,209 | 3,745 | 1,730 |
| | 2025 | 104,302 | 4,229 | 3,774 | 2,927 |
| | 2026 (forecast) | 94,480 | 4,050 | 3,670 | 2,700 |
| AEON (8267) | 2024 | 101,348 | 2,377 | 2,242 | 271 |
| | 2025 | 107,153 | 2,704 | 2,430 | 726 |
| | 2026 (forecast) | 120,000 | 3,400 | 2,900 | 730 |

(Source: Prepared by JCR based on financial materials of above companies for Charts 1 through 4)

(Chart 2) Operating Income of the Two Groups by Segment

(JPY 100 mn)

| | Seven & i (3382) | | AEON (8267) | |
|------------------------------|------------------|--------|-------------|--------|
| | FY2024 | FY2025 | FY2024 | FY2025 |
| GMS* | 104 | 175 | 163 | 214 |
| Domestic CVS | 2,335 | 2,225 | - | - |
| Overseas CVS | 2,162 | 2,222 | - | - |
| SM | - | - | 325 | 298 |
| DS | - | - | 79 | 72 |
| Health & Wellness | - | - | 360 | 523 |
| Financial Services | 320 | 209 | 611 | 608 |
| Developer | - | - | 530 | 709 |
| Services and Specialty Store | - | - | 233 | 270 |
| International | - | - | 94 | 102 |
| Others | 57 | 69 | -100 | -141 |
| Adjustment | -770 | -672 | 78 | 46 |
| Total | 4,209 | 4,229 | 2,377 | 2,704 |

* Superstore operations (including SM and others) for Seven & i

(Chart 3) Consolidated Financial Position of the Two Groups

(JPY 100 mn, %)

| Company | FY-End | Equity Capital | Interest-bearing debt* | Equity Ratio |
|---------------------|--------|----------------|------------------------|--------------|
| Seven & i (3382) | 2024 | 40,359 | 26,947 | 35.4 |
| | 2025 | 36,202 | 22,300 | 39.6 |
| AEON (8267) | 2024 | 10,632 | 38,444 | 7.7 |
| | 2025 | 12,184 | 44,654 | 7.9 |

* Total of long- and short-term borrowings and corporate bonds for Seven & I; Total of long- and short-term borrowings, corporate bonds, CP, lease obligations, accounts payable-installment purchase, etc. for AEON

(Chart 4) Capital Expenditures of the Two Groups

(JPY 100 mn)

| Company | FY | Capital Expenditures |
|---------------------|------|----------------------|
| Seven & i (3382) | 2024 | 5,527 |
| | 2025 | 4,022 |
| AEON (8267) | 2024 | 4,659 |
| | 2025 | 5,285 |

<Reference>

Issuer: Seven & i Holdings Co., Ltd.

Long-term Issuer Rating: AA Outlook: Stable

Issuer: AEON CO., LTD.

Long-term Issuer Rating: A Outlook: Stable

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