

Highlights of Major Retail Groups' Financial Results for Fiscal Year Ended February 2025

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 2025 (FY2024) and earnings forecasts for FY2025 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 improved for the fifth consecutive year for FY2024 with year-on-year growth of 1.4% (3.7% for FY2023). By product category, they increased 3.5% for foods due to rising unit price per item caused by price hikes and higher market price of agriculture products, despite a decrease in the number of items purchase along with frugal mindset of consumers becoming stronger. Apparel on the other hand, they were sluggish, falling 5.3% because of the impact of unusual weather. Housing-related products achieved 3.8% growth, remaining sales of daily use items and pharmaceuticals/cosmetics steady.

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. Many of the companies increased both the number of customers and average customer spent from the previous year. As for the number of customers, strengthening price appealing activities seemed to work positively in attracting customers. Looking at the breakdown of average amount spent, strongly rooted frugal mindset of consumers can be sensed because a rise in unit price per item and a decrease in the number of items purchase are continuing.

Both Seven & i and AEON are working on strengthening the group structure toward improving the earning capacity.

In March 2025, Seven & i announced the Plan to Unlock Shareholder Value Through Leadership Changes and Transformational Capital and Business Initiatives, which sets out the following: transforming the group's leadership structure, initiating an IPO of 7-Eleven, Inc. ("SEI") operating the convenience store ("CVS") business in North America by the second half of 2026, transferring food supermarket business such as Ito-Yokado Co, Ltd. ("IY"), specialty store and other businesses (Superstore Business Group), deconsolidating Seven Bank from the group's balance sheet, and the plan to repurchase own shares in total of 2 trillion yen by FY2030. Going forward, management resources will probably be further concentrated on the CVS business at home and abroad.

AEON, TSURUHA HOLDINGS INC. ("TSURUHA HD") and WELCIA HOLDINGS CO., LTD. ("WELCIA HD") announced conclusion of the final agreement related to capital and business alliance in April 2025. In December 2025, share exchange is scheduled to be taken place making TSURUHA HD as a wholly owning parent company and WELCIA HD as a wholly owned subsidiary. Following this, AEON intends to make TSURUHA HD a consolidated subsidiary through additionally purchasing the shares so that its ratio of voting rights in TSURUHA HD will reach 50.9%. Through the business integration, the Health & Wellness Business will become more important within the AEON Group. Furthermore, AEON is working on making AEON MALL Co., Ltd. and AEON DELIGHT CO., LTD. consolidated subsidiaries. Initiatives toward maximizing the synergy effects will appear to accelerate through further strengthening the cooperation among the companies in the AEON Group.

2. Financial Results

For FY2024, Seven & i and AEON both reported an increase in revenue and a decrease in operating income.

Seven & i reported a decrease in operating income for the first time in four fiscal years to 420.9 billion yen, down 21.2% from the previous fiscal year. By segment, domestic and overseas CVS operations, superstore operations and financial services decreased income. Seven Eleven Japan Co., Ltd. ("SEJ") in the domestic CVS operations decreased income for the first time in three fiscal years. The same-store sales increased from the previous fiscal year implementing the measures to increase the frequency of

visiting stores, but decline in gross profit margin caused by soaring raw material prices and others, and an increase in SG&A expenses including rents and utilities expenses affected the performance. SEI in the overseas CVS operations, the same-store sales for products went below the previous fiscal year due to rising frugal mindset of consumers. In addition, decline in gross profit margin and an increase in SG&A expenses caused by higher prices also became the contribution factors to the profit decrease.

AEON decreased operating income for the first time in four fiscal years to 237.7 billion yen, down 5.2% from the previous fiscal year. By segment, a profit decrease in retail business such as the GMS and SM businesses largely affected the overall results. AEON RETAIL Co., Ltd., a core unit of the GMS business, increased sales of private brand ("PB") Topvalue products, but could not fully absorb an increase in SG&A expenses including personnel expenses, resulting in a profit decrease. In the SM business, positive outcome of price appealing activities, sales growth of Topvalue products and so forth were yielded in the fourth quarter, but profits decreased on a full-year basis.

Looking at the financial position at the end of FY2024, there are no significant changes in Seven & i as shown by the equity ratio standing at 35.4% as opposed to 35.1% as at the end of the previous fiscal year. As for long- and short-term borrowings and corporate bonds, there was an M&A transaction in the overseas CVS operations, but the amount decreased as a whole. For AEON, the ratio stood at 7.6%, as opposed to 8.1% a year before, and 14.0% where excluding the Financial Services Business, as opposed to 14.4% 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 FY2024, both Seven & i and AEON increased. Seven & i increased 16.7% from the previous fiscal year to 552.7 billion yen. The overseas CVS operations boosted the overall amount partly because of store related investment made at SEI. The overseas and domestic CVS operations account for 72.5% of the total capital expenditures as opposed to 67.8% for the previous fiscal year. AEON increased the amount for four consecutive fiscal years to 465.9 billion yen, up 17.6% from the previous fiscal year. The composition ratios are as follows: 52% for domestic stores, 17% for overseas stores, digital/logistics for 31%, as opposed to the previous year's 53%, 19% and 28%, respectively, which shows that the composition ratio is tending to decline for domestic stores. By region, Japan accounted for 77.4% of the total, followed by ASEAN 14.4%, China 8.1% and others 0.1% as opposed to the previous year's 77.6%, 14.1%, 8.3% and 0.0% respectively, which is in line with the further accelerated movements of shifting focus to Asia set forth in the medium-term management plan.

3. Highlights for Rating

For FY2025, Seven & i forecasts to decrease operating revenue but a slight increase in operating income due in part to transferring Superstore Business Group such as IY, and AEON indicates its forecast of growth in both revenue and income.

Seven & i projects an operating income of 424.0 billion yen, up 0.7% from the previous year. Although both domestic and overseas CVS operations expect to profit growth, performances of the Superstore Business including IY, Seven Bank and other consolidated subsidiaries are reflected in the projection only for the first half, thus profit growth is held down. SEJ in the domestic CVS operations intends to increase same-store sales through introducing high-value added products and expansion of 7NOW delivery services business, among others, and also improve product gross margin through strengthening goods under Seven Café Bakery and others that are freshly made in-store facilities upon order. While SEI in the overseas CVS operations expects decline in same-store sales for products in the U.S. caused by further decline in consumer sentiments, it projects profit growth incorporating the effects of closure of unprofitable stores and other factors.

AEON expects to renew the record high for operating income focusing at 270.0 billion yen, up 13.6% from the previous fiscal year. Although it has not disclosed earning forecast figures by segment, JCR assumes that it expects performance improvements in the retail business such as GMS and SM businesses, which reported profit decrease for FY2024. Promoting strategies placing emphasis on prices, and cost structural reforms, AEON achieved a record-high operating income for the fourth quarter of FY2024 (three months). It intends to continue to pursue such initiatives.

While consumers' awareness toward anticipated tighter budget is becoming stronger on the back of product price hikes, presence of PB products with price competitiveness has increased. Both Seven Premium launched by Seven & i and Topvalue by AEON increased net sales for FY2024. Not just value-added PB products, the Two Group have also expanded product line-up to respond to broad customer needs such as those for price-appealing and environment-friendly types. They are strengthening price

competitiveness through lowering costs by reviewing the supply chain and other means. In order to differentiate themselves from other companies and maintaining/increasing gross profit margin, strengthening development and sales expansion of PB products are becoming more important. Therefore, future sales trends will attract attention.

An increase in SG&A expense including personnel expenses is expected into the future. The initiatives to reduce workload of store operation are 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 necessary to continue to implement the measures to increase productivity.

In order to expand the group-wide performance, overseas development is considered to be important. In Seven & i, SEI is working on the measures such as strengthening original products, acceleration of digitalization and delivery, maximization of operational efficiency, expansion of the store network and so forth. In the Global CVS business, Seven & i is working on entering new markets and supporting the business in the countries where it has already entered aiming to open new stores in 30 countries / regions worldwide including Japan and North America by FY2030. SEI is expected to continue to face severe business environment such as incorporating a decrease in same-store sales for products on the back of deteriorated consumer sentiments in the U.S. Under such circumstances, JCR will closely watch the improvement status of performance through working on various measures. AEON sets out further acceleration in shifting the focus to Asia in the medium-term management plan. Defining Vietnam as the most important market, it intends to expand the business on the entire group basis, and the progress in such efforts will attract attention.

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(Chart 1) Consolidated Financial Results of Two Major Retail Groups

(JPY 100 mn)

Company	FY	Operating Revenue	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
Seven & i (3382)	2023	114,717	5,342	5,070	2,246
	2024	119,727	4,209	3,745	1,730
	2025 (forecast)	107,220	4,240	3,860	2,550
AEON (8267)	2023	95,535	2,508	2,374	446
	2024	101,348	2,377	2,242	287
	2025 (forecast)	105,000	2,700	2,500	400

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

(Chart 2) Operating Income of Two Major Retail Groups by Segment

(JPY 100 mn)

	Seven & i (3382)		AEON (8267)	
	FY2023	FY2024	FY2023	FY2024
GMS*	135	104	279	163
Domestic CVS	2,505	2,335	-	-
Overseas CVS	3,016	2,162	-	-
SM	-	-	419	329
DS	-	-	84	79
Health & Wellness	-	-	426	360
Financial Services	381	320	512	611
Developer	-	-	473	530
Services and Specialty Store	-	-	177	231
International	-	-	103	94
Others	26	57	-114	-100
Adjustment	-723	-770	147	77
Total	5,342	4,209	2,508	2,377

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

(Chart 3) Consolidated Financial Position of Two Major Retail Groups

(JPY 100 mn, %)

Company	FY-End	Equity Capital	Interest-bearing debt*	Equity Ratio
Seven & i (3382)	2023	37,165	27,386	35.1
	2024	40,302	26,947	35.4
AEON (8267)	2023	10,541	37,156	8.1
	2024	10,492	38,444	7.6

* 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 Two Major Retail Groups

(JPY 100 mn)

Company	FY	Capital Expenditures
Seven & i (3382)	2023	4,737
	2024	5,527
AEON (8267)	2023	3,962
	2024	4,659

<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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