Questioner 1

Q)

- Judging by the fact that the Company had to lower fiscal year 2024 guidance, one gets the impression the various initiatives to address the changing environment landscape in the CVS markets in Japan and North America haven't been very successful. Would it be possible for you to go over some of the challenges that the Seven & i Group is facing on this front? Also, it appears capital markets have so far failed to reflect the Group's corporate value. In fact, in your response to Couche-Tard's non-binding proposal, the Company concluded that the proposal grossly undervalues its intrinsic value, and I believe this is in part related to the fact that capital markets don't seem to value the Group's stock price in a more favorable light. President Isaka, could you share with us your thoughts on what elements pertaining to the Group's corporate and shareholder value are not well communicated with the capital markets, including in recent months?

A)

- I believe our results have suffered because we have not been able to meet customer expectations, which has consequently led to failing to meet shareholder expectations. The retail industry is premised on companies' ability to adapt to changing and fluid environments, and we might be weakening a little agility and flexibility on this front. We believe there is a need to adapt to changes in the overall landscape in a swift manner and to be bold in the execution of initiatives. Toward this end, we will be working to improve response times and achieve a results improvement. Furthermore, we want to move beyond the realm of promises and into the domain of actual implementation, as we look toward Mr. Nagamatsu – President of SEVEN-ELEVEN JAPAN – and Mr. DePinto – Chief Executive Officer of 7-Eleven, Inc. – to implement the visions and initiatives outlined for each respective business. In so doing, we expect the resulting financial performance to speak for itself.

Questioner 2

Q)

- I believe the adoption of the IFRS could constitute a tailwind, in that it better captures and presents the Group's valuation in a more favorable light when compared to its global peers. Furthermore, I got the impression you're moving rather quickly when it comes to YORK Holdings. That said, a lackluster performance from CVS Operations in North America – which constitute the Group's main growth driver – poses a significant challenge. Isn't it challenging to conduct the Group's intrinsic value argument without concrete results? Over time, you have mentioned a weak macro-economic climate as a cause for the lackluster results seen in North American CVS operations. You also mentioned that CVS chains with a footprint more concentrated in rural areas have the upper hand in the current market climate, and how a decrease in cigarette sales has also hurt Company results. Be that as it may, the end result has been that SEI is losing out to its competitors, trying out a number of initiatives to address this issue and failing to achieve much in terms of results. Could it therefore be that the Company is facing internal structural issues that go beyond headwinds at the macro-economic level?

A1)

- It remains a fact that we are living in uncertain times, with inflation levels being the highest they've been in 40 years. That said, some companies in the logistics and distribution industries in both the U.S. and Japan have prospered and grown in this environment. Whether it's the supermarket industry, QSR (Quick Service Restaurants) or drugstores, etc., you can find examples of business models that have allowed some companies to grow their businesses by adapting to changing customer needs and capturing potential changes in consumer psychology. We need to address these changing needs, as well.
- Going forward, we will be working toward this end and in sync with Mr. Nagamatsu – President of SEVEN-ELEVEN JAPAN – and Mr. DePinto – Chief Executive Officer of 7-Eleven, Inc.

A2)

- Inflation is the challenge, and all of the downstream effects of inflation are what are causing our challenges. This is affecting the low-to-mid-income consumer, in particular, and their buying patterns. It's not just at 7-Eleven, Inc., as we see it across retail in the United States.
- Having said that, let us look at a comparison with our competitors for the most recent quarter. Our closest competitors in the CVS industry would be Couche-Tard. Our merchandise average APSD sales are $1,000 more than Couche-Tard. That said, Couche-Tard has fuel courts on almost all of their stores whereas SEI has them at 60% of their stores. If we had fuel on all of our stores, we would be adding an additional $2 billion to the bottom line, so, in comparison, you need to take that into account.
- Having said that, there are things we need to do to accelerate what we're doing for the current customer. Our focus is on 4 different areas. The first is to grow our proprietary products. More specifically, these refer to fresh foods, proprietary beverages, and private brands (hereafter, PB). Our PB business today is about $1 billion with a very healthy 50%+ margin. Our proprietary beverage business is growing and grew last quarter. Through these initiatives, we seek to unlock further growth.
- Couche-Tard had negative 1.1% sales; our sales were negative 2.4% in the quarter, but our merchandise margins are improving, and our fuel business is actually performing better than Couche-Tard's.
- The challenge we have is that we have a significant presence of stores in urban areas, while Couche-Tard tends to have a footprint in more suburban areas. Also, in urban areas, we're dealing with much more of the challenges that you see socially in the U.S., both through homelessness and crime.
- The final point I'll make is this. When we complete implementation of the RIS (Retail Information System) and DEX (Dispenser System) for Speedway, we will be on one single system, which will allow us to do what we have done in our other acquisitions, which is continuing to grow sales through localizing the product assortment, and that will be a significant upside for us.

<u>Questioner 3</u>

Q)

- My question pertains to the Action Plan and the Group's numerical targets. You mentioned how a lackluster business performance has hampered improvements in corporate value, and it was against this backdrop that the Company announced a downward revision to the full-year targets for FY2024.

Additionally, regarding the FY2025 targets for Seven-Eleven Japan and 7-Eleven, Inc. put out by the Company, would it be accurate to say that you absolutely need to meet these targets? Also, could you go over your specific plans in terms of cooperation between Seven & i Holdings and each operating company?

A)

・ We didn't release the overall targets, but rather the targets for gross profit margin and existing store sales. To ensure these targets are met, the Holdings company will be carrying out weekly and monthly monitoring, analyzing the results, and helping each operating company while also sharing in the same KPIs.

・ More specifically, we will determine the categories undergoing a performance deterioration and the methods we can employ to help, allowing us to achieve result improvements at the individual category level. Additionally, we will work together with Group operating companies to really assess the benefits of changes made in the store renewal process, separating really impactful changes from mere statistical artifacts produced by chance. Through this, we seek to ensure that the various company strategies all point in the right direction.

・ The idea is for Seven & i Holdings, Seven-Eleven Japan, and 7-Eleven, Inc. to all be on the same page when it comes to these key targets, which we will all be working to achieve.

Q)

・ Mr. Isaka, when you assumed the role of President of Seven-Eleven Japan, you were able to overcome a very challenging business climate, turning Seven-Eleven Japan into a more agile company capable of addressing a changing and volatile business landscape and delivering a steep performance recovery in record time. Could you share with us some insights in terms of the elements you prioritize in the process of turning business headwinds into a growth opportunity?

A)

・ Change is the norm when it comes to the logistics and distribution industry, and change can go either way; it can be either a tailwind or headwind. In the early 2000s, none of the various change factors were in our favor. That said, some of these headwinds weren't exclusively the result of outside forces, as some were caused by internal structural issues, namely the Company's bias toward a status quo approach to operations and a failure to address changing market and customer dynamics. Against this backdrop, I felt rethinking and redesigning the Company's entire initiative complex was the best approach.

・ The Japanese government raised the sales tax rate from 5% to 8% in 2014. Coinciding with this, Seven-Eleven Japan refreshed approximately 1,000 of its merchandise item offerings. It was not an easy task but we carried out an extensive overhaul, which ultimately allowed us to deliver YoY same store growth for the month of April 2014, when the new tax rate went into effect.

・ This taught me that when there's a will, there's a way, so long as we tackle these problems the right way. We now want to once again imprint this lesson at the operating company level to encourage them to rise up to the challenge. The CVS industry might be facing a rather unforgiving business climate, but the 7-Eleven brand has been around for almost a century now. We want to return to our roots and adapt to changes, so that we can continue earning our customers' loyalty.

Questioner 4

Q)

- While 7-Eleven, Inc. currently faces a challenging business climate, you are guiding for YoY same-store growth of 1.5% for FY2025. The various measures the Company has implemented so far don't appear to have made much of a difference. Furthermore, you mentioned how you expect efforts to enhance your proprietary products lineup and digital delivery efforts to unlock this sales recovery in FY2025, but it would appear these are a mere continuation of previous initiatives. What exactly is new about these efforts?
- Also, the rollout of RIS/DEX to Speedway stores will be limited to about 3,000 stores, so I expect the impact to be rather limited as well. Given how previous initiatives haven't been all that successful, could you expand upon the reason you are confident these efforts will bring about significant benefits this time around?

A)

- We are accelerating our food and beverage modernization program, which is currently delivering about $234 APSD for us. We're accelerating that to an additional 1,900 stores, and then another 650 stores in Q1. That coupled with our ongoing value offers that we're providing in both foods and beverages, we believe will propel us into Q4 and then into next year. Additionally, we believe that we can grow our margin by 0.8pt, and we will continue to take costs out of the business.
- Since we acquired Speedway, our synergies on the Speedway side have been about $950 million. As we get RIS/DEX implemented into Speedway, we'll be able to take significantly more cost out of the business.
- You also mentioned the 7NOW Delivery Business, which is growing at 29% and will be close to a $750 million business this year. Our PB Business, too, is over $1 billion in sales and we're starting to see some positive sales there, and so, we'll continue to ramp that up.
- My final point is that I'm excited about all of the data that we have at SEI and the ability to not only reach our 97 million loyalty customers, but also to monetize the data through our retail media network, which is currently bringing in significant income and will continue to grow.

Q)

- Could we conclude that the Company's prospect is to be able to reach its key targets through the execution of initiatives even in the face of continued, persistent inflationary pressures matching the levels we're seeing now?

A)

- We spend a lot of time forecasting and looking at trends. The challenge we've had, I think as you know, is the fact that the United States since COVID-19 has pumped in about $10 trillion into the U.S. economy. $5.4 trillion, I believe, with COVID-19 stimulus, which is no longer there. Then there were also infrastructure dollars to stimulate the economy, so we're working through that, which created and exacerbated the inflation.
- We're starting to see inflation pull back, as the FRB (Federal Reserve Board) has decreased interest rates by 0.5%, and so, we do believe that the inflation will come under control. The only challenge for

us going forward will be if we see some increases in unemployment, but those should only be gradual.

- As such, we believe the targets we have laid out are absolutely attainable.

Questioner 5

Q)

- You mentioned how the Group is seeking recognition as a world-class player in the global CVS market. Could you comment on strategies outside the Japan and U.S. markets, and on progress in the execution of said strategies?

A)

- We invested in Vietnam last year, and this was followed by the full acquisition of 100% of the shares of 7-Eleven Australia licensee. We are also in the process of advancing a number of partnerships with CVS in Asia, especially in countries with licensing contracts.
- Previously, newly opened stores in Vietnam suffered from very low profitability levels. To address this, we sent 1 representative each from Seven-Eleven Japan and 7-Eleven, Inc. to Vietnam to offer hands-on guidance and support, and these efforts bore fruit in the form of an improvement in new store sales. Additionally, we also received help in the area of merchandise development from KK Musashino – which is a Japanese supplier.
- We have yet to reach the investment in Malaysia, but we are making progress in terms of collaboration with regional licensees in the country. Fuji Foods Co., LTD – a Japanese supplier – has offered operational support to fresh food manufacturers in Malaysia, and this has allowed for significant improvements in product quality. I have had the opportunity to visit the operations myself and can attest to this significant quality improvement at the factory and merchandise level.
- Seven & i representatives from Japan also visit the country and are in close communication with product development, manufacturing, and operation managers in the region with the objective of benchmarking progress toward quality targets and working toward ideal store development. As it stands, we have already started refurbishing a total of approximately 400 stores in Malaysia. Product changes and improvements in store layout have allowed us to grow sales by 50% and driven an even larger increase in terms of store traffic.
- The idea is to enhance cooperation with licensees in each country in order to grow 7-Eleven International LLC’s contribution to overall sales and profits while simultaneously raising 7-Eleven’s brand value. We have only recently begun efforts in Australia, so we will be going over the details at a later date, perhaps in the financial results presentation for Q3.

Questioner 6

Q)

- My question pertains to the acquisition offer by Couche-Tard. It was reported yesterday that Couche-Tard has revised its bid for Seven & i Holdings. Could you share with us your assessment of the new bid and the actions being taken in response?

A)

- As announced on the Seven & i corporate website, we received a new offer. As per Couche-Tard's request, we intend to keep the details and the negotiation process private, so, for that reason, I'm afraid I am not at liberty to go over any specifics here today. That said, our commitment and fiduciary duty to shareholders and indeed to all stakeholders compels us to carefully consider any proposals made and decide whether such proposal is accretive or not to corporate value. Toward this end, and in the interest of ensuring a fair and non-biased evaluation of the facts, we have entrusted the Group's Special Committee with the objective analysis of the proposal, and will be discussing it together in the process of making a deliberation.

<u>Questioner 7</u>

Q)

- My question pertains to the creation of YORK Holdings, as announced today. My understanding is that the Group positions YORK Holdings as an intermediary holding company comprising 7 major operating companies, for a total of 31 subsidiaries. You mentioned the Group is looking to introduce external capital into this intermediary holding company, so would it be reasonable to assume this will apply to all 31 subsidiaries, also at the time of IPO? Furthermore, you mentioned you will start searching for a strategic partner starting in October of this year. Will this be a single company or multiple companies?

A)

- As it stands, the idea is to concentrate businesses directly related to SST Operations under YORK Holdings. Aggregating various companies with similar growth stories under a single intermediary holding company structure will make it much easier for us to delineate growth scenarios and unlock synergies. I'm afraid I am not at liberty to disclose the number of potential partners, but circling back to what I said earlier, we are making steady progress in operational reform and have been able to achieve sure and steady improvements to operational efficiency. Our challenge going forward is ensuring continued growth into the future. Going the IPO route, we need to take the company public and then find a buyer that loves the company and is interested in buying its growth potential. To do this, rather than simply relying on our own expertise, it's better for external capital and partners with access to a variety of sources to participate in the process and help us devise a growth strategy and then aim for an IPO listing. As such, we could potentially be looking at support from a consortium consisting of various companies.

<u>Questioner 8</u>

Q)

- My question is for President Isaka. My understanding is that the Seven & i Group will no longer be directly managing Ito-Yokado. That said, Ito-Yokado can be said to have been the genesis of what is now the Seven & i Group and is an iconic business for many consumers across Japan. I believe this was a momentous decision for management to make, so could you share your thoughts and feelings at the time the decision was made?

A)

- Seven & i Holdings came into existence in 2005, under social and economic conditions rather dissimilar to today's climate. The 7-Eleven Business has grown to occupy the top share position in the U.S. market, while Seven-Eleven Japan has developed a massive store footprint of over 21,000 stores. As the 7-Eleven brand continues on the path toward global expansion, we believe the GMS and supermarket businesses no longer share the same growth story as the CVS business. Both segments exist under the same umbrella, but with one showing tremendous growth speeds and ever-expanding growth areas, by virtue of which it requires investment resources. Conversely, growth in the SST Business is concentrated primarily in the domestic market in Japan, and this business has different product lineup characteristics and growth speeds compared to the CVS Business. Therefore, allocating investments under the same umbrella has made it difficult to pursue growth investments.
- Our approach now is to aggregate various companies with similar growth stories into a single Holding company, as we believe it to be of vital importance to manage these companies in a way that considers their growth story in the proper context and toward turning them into autonomous drivers of high-growth opportunities. This idea formed the basis of our discussions. Vice President & Representative Director Junro Ito himself took part in these discussions, and after a rather lengthy deliberation period, we reached a decision. In light of this, I believe it is important for each corporate entity to formulate their own growth strategies in an autonomous manner. This is the case for the CVS, SST, and Financial Services Businesses, as we expect each business to operate with a degree of autonomy, working together to unlock synergies whenever possible, and achieving growth.

Questioner 9

Q)

- I believe the Group needs to achieve improvements to the profit structure within CVS Operations and raise its stock price. What are some of the ways through which you expect to be able to improve 7-Eleven's corporate value? Also, the presentation materials outline growth investment, but could you share with us what this investment will be directed toward and also the amounts you plan to invest?

A)

- Regarding ways to grow the value of the CVS Business, as Mr. Nagamatsu and Mr. Maruyama mentioned earlier, one of our greatest competitive advantages is the close physical proximity to consumers of our stores. For example, our stores work both as a stocking location as well as a distribution point within the context of our 7NOW delivery service. Additionally, products prepared in store, like fried chicken (Japanese style or otherwise) and pizza, are some of our best-selling product categories in both Japan and the United States. 7-Eleven therefore offers a very unique value proposition, in that we combine food delivery services like those offered by companies like Uber Eats, as well as delivery services like those offered by grocery stores, and we expect to continue seeing growth going forward.
- Another important element is the world of retail media. Seven-Eleven boasts a network of 21,000 stores in Japan, while 7-Eleven, Inc. operates 13,000 stores in the United States, and we employ a retail media structure that differs from big-box retailers like Walmart. For example, we can reach

customers on their smartphones, offering them personalized recommendations. We can work together with manufacturers to carry out promotional campaigns, offering manufacturers access to our statistics dashboard allowing them to evaluate the effectiveness of each campaign.

- While we do anticipate difficulties in maintaining the current number of store locations as a result of ongoing graying population in Japan, we believe Seven-Eleven will be able to unlock even more value as our stores become an even more integral part of people's lives, interwoven into the fabric of local communities. For example, we can promote "eat local" initiatives. Additionally, on the environmental front, we newly established Seven & i Energy Management, through which we acquired an electricity retailing license and will be aggregating and supplying renewable energy. Doing so will allow us to increase renewable energy as a percentage of all the energy generated.
- In order to advance these initiatives, we will be leveraging our global store footprint of 85,000 locations and create value. Lastly, we have plans to invest in new technologies, and will consider investment in new regions should the opportunity present itself, as was the case with the acquisition of 7-Eleven stores in Australia.

<u>Questioner 10</u>

Q)

- Various news reports place Couche-Tard's revised offer at a price of around 2,700 yen per share. Assuming that the Group believes it can deliver excess growth over this 2,700 yen/share threshold, I believe the decision to do so should come with a credible explanation to investors regarding the elements and strategies underpinning this confidence and belief. We heard here today the Group's plans for the optimization of the Group structure, but some investors might feel unsure about the Group's ability to reach and exceed this offer of around 2,700 yen/share, which itself represents a premium to the current stock price. How would you respond to such doubts?

A)

- As some reports have indicated, it is true that we received a non-binding revised proposal from Couche-Tard. That said, allow me to reiterate the fact that this announcement didn't come from us, and the same goes for the price. We view the measures we announced here today to be the most important step toward global growth for the Group, by focusing on CVS Operations – which we believe to be the best business segment to leverage our strengths. We plan to optimize our Group structure and enhance the growth strategy for the SST Operations Group, and to further enhance CVS Operations.
- We have had to field a number of rather difficult questions from analysts here today, but I believe that Seven-Eleven Japan and 7-Eleven, Inc. need to once again return to a robust growth trajectory. Another crucial factor is carrying out management with a focus on capital efficiency coming from growth. Through this, we believe there is room for us to exceed the proposed bid price and for our efforts to be recognized by shareholders.

Questioner 11

Q)

- My question pertains to SEVEN PREMIUM. I believe that, going forward, SST Operations will be somewhat separated from the CVS Business. I believe synergies with Seven-Eleven Japan accounted for much of SST Operations, as this separation means a rather significant scale reduction when it comes to PB merchandise, which requires those types of scale benefits to be profitable. I assume this will weigh down on results, How do you see this point?

A)

- We mentioned this back in April of this year, but Seven & i Holdings will still retain the SST Business. More specifically, it will be a part of YORK Holdings, the shares of which the Group will hold as an equity-method affiliate. As such, SST Operations will continue benefiting from product development synergies. Consequently, SEVEN PREMIUM remains a Group asset we intend to leverage going forward, so I can reassure you on that point. We intend to continue coordination between these two businesses once we have found a new sponsor or sponsors.