

Update on Management Initiatives CEO Isaka's Opening Remarks

Thank you for joining us today on short notice. Without further ado, I would like to begin by reporting on the content of the resolutions passed at today's board meeting.

At today's board meeting, three proposals were resolved.

The first item is a change in representative directors. After this year's Annual General Meeting of Shareholders on May 27, I will be stepping down as Representative Director & President and CEO. Stephen Hayes Dacus, who has been serving as Lead Independent Outside Director of the Company, will be appointed Representative Director & President and CEO*.

*It is resolved by the board of directors after he is elected a director at the Annual General Meeting of Shareholders.

The second item is the "Management Initiatives." With respect to the Alimentation Couche-Tard, ACT proposal, the Company noted that a consistent threshold issue that it has raised with ACT from the outset has been how to address the serious U.S. antitrust challenges that any transaction would face. However, there has been no meaningful progress on finding a solution of the U.S. antitrust challenges. Hence the proposal has no assurance that it would be in the best interest of Group's shareholders and other stakeholders. We decided to announce the "Management Initiatives" that has the potential to maximize the shareholders' value at this juncture. We will continue to examine and consider all strategic options, including the proposal from ACT, in order to unlock for our intrinsic value for shareholders. Steve will later explain the details of the "Management Initiatives."

The third item is a resolution to enter into a definitive agreement to sell the Superstore Business Group for JPY 814.7 billion, about USD 5.37 billion to Bain Capital's wholly owned special purpose company, while rolling over 40% equity interest owned by Seven & i and the founding family. This is related to our announcement of last October regarding the invitation of a strategic partner to the Superstore Business Group.

That concludes the overview of the resolutions. Next, I will explain those in more detail - in particular, the circumstances leading up to the first resolution. Steve will then share more detail on the "Management Initiatives."

First, I will share more on the leadership change. Since I became Representative Director and President in May 2016, there have been many changes in people's daily behaviours, including those related to digital technology, the COVID-19 pandemic, and inflation.

Responding to these various changes required strategic agility, and we launched a five-year, medium-term management plan in 2021 with specific initiatives.

The first and most important thing we focused on was a shift away from our previous policy of aiming to become a general retailer. By focusing on growth strategies for our domestic and overseas CVS businesses, we have been working to transform ourselves into a world-class retail group centered around its food, while implementing optimal allocation of management resources. Specifically, we have been working to optimize our domestic business in order to meet the diversifying needs of our customers. Now with the execution of a definitive agreement with the strategic partner of the Superstore Business Group, I believe we have achieved a milestone toward optimization of domestic business groups.

In addition, in order to achieve further growth in our overseas business, we have been steadily implementing bold policies to achieve an optimal group business structure, including actively investing a total of around JPY 3 trillion.

We understand that it is people who make it possible for a company to achieve sustainable growth. With this in mind, we have been actively working to strengthen our management base, including the composition of the management team and the Board.

Furthermore, the evolution of our Group would not have been possible without the support of all our stakeholders, including our customers, business partners, franchisees, shareholders, investors, local communities, and employees. Once again, I would like to express my gratitude to all our stakeholders for their tremendous cooperation and I would like to ask you for continued support in the future under the new structure.

While the Group has been achieving steady progress, we have entered the next phase of our strategy in order to achieve future growth. Given this, we believe now is the right time for a change in management and have consulted with the Nomination Committee regarding the selection of a CEO successor. The Nomination Committee recommended Steve for the role.

CEO succession planning has been a top priority for the Nomination Committee, and over the past several years, the Committee has had careful and rigorous discussions. In the process, various candidates from inside and outside the company were considered.

As a result of this rigorous process, the Nomination Committee, chaired by Independent Outside Director of the Company, Ms. Meyumi Yamada, ultimately determined that Steve was the most suitable person to take the helm of our Group. Based on this recommendation, the Board resolved to make this appointment at today's meeting.

The Nomination Committee focused on the following three points when selecting a new CEO. First, the candidate must have a wealth of industry experience and a proven track record. Second, the candidate must be able to lead global growth as the company continues to expand into the U.S. and Asia, with a base in the Japanese market. Finally, the candidate must have outstanding leadership skills to lead the organization.

The Nomination Committee considered multiple candidates before reporting its findings to the Board – that Steve's experience in retail businesses in Japan, the U.S., and Europe would be the most suitable to lead the company through its next phase of growth.

From my personal perspective, I have worked with Steve since he joined as an Independent Outside Director of the Company in 2022 – in his role as Chairman of the Board, Chairman of the Strategy Committee, and the Special Committee. I have deep respect for his diligence and dedication, and I think he is a person who can demonstrate the servant leadership that our Group is looking for.

I will stop here and now handover to Steve for explain about the Management Initiatives. Over to you, Steve.