

Transformation of 7-Eleven Q&A Session

Questioner 1

Q)

- In light of the management refreshment and the current transformation plan, how have decision-making processes and responses to issues changed?

A)

- First, I strongly recognize the importance of placing the right people in the right positions, as well as of management processes that support this. Every business needs to clarify its goals and deadlines and then execute them. The current issues have been clearly identified, and as a result, we compiled the presented plan in two months.
- The plan presented today includes highly detailed content, and these details are of critical importance. Our global team shared a sense of urgency and reaffirmed our responsibility to all stakeholders, including customers, franchisees, partners, and employees, enabling us to develop a plan that we can confidently implement in a short period of time.
- Until now, there have been situations where it was difficult to maintain momentum. However, going forward, we will overcome these challenges and continue to move forward without slowing down. Establishing a management process based on confidence and moving forward with even greater strength than before will lead to major changes in the future.

Questioner 2

Q)

- If SEI does not proceed with its IPO, will it be impossible to achieve the roadmap presented this time and purchase 2 trillion yen worth of its own shares?

A1)

- There are two main purposes for the IPO. First, by listing SEI in the United States, we believe that we can unlock the value of SEI. We believe that this will ultimately lead to benefits for the shareholders of HD, as valuation multiples are higher in the United States than in Japan.
- Second, the funds raised through the IPO can be used for store expansion, potential M&A, and shareholder returns. Currently, 600 billion yen of the 2 trillion yen share buyback program is underway. Upon completion, 1.4 trillion yen will remain. This 1.4 trillion yen can be sufficiently covered within our debt capacity, but securing additional funds could enable us to accelerate store expansion and pursue further M&A opportunities.
- Based on the above, we will move forward with preparing for the IPO and take an even more aggressive management stance.

A2)

Additionally, we must carefully consider the appropriate scale of the offering. We will strive to minimize the outflow of profits while achieving fair valuations, making appropriate

capital allocations, and investing based on strict criteria. Through these efforts, we aim to increase the value of SEI and HD as a whole.

Questioner 3

Q)

- How do you view the synergies and benefits between regions that will result from expanding your business globally as a pure CVS group?

A)

- This plan does not include synergies, but we would like to present examples of how each company can expand its global knowledge.
- 7NOW is a good example of the importance of expanding DX and technology initiatives globally and leveraging synergies.
- We also believe that there is potential to create synergies in the supply chain. For example, we are currently unable to accurately grasp the scale of procurement from global vendors, which may put us at a competitive disadvantage. The challenge is to improve this situation and maximize synergies across the entire supply chain.
- In addition, we are not sufficiently sharing best practices, which is common among major global retailers. Despite having stores around the world, we do not have a system or personnel in place to identify and share best practices. We believe that promoting such initiatives will provide important clues for creating synergies.
- One area where I feel we are lagging behind is technology, particularly the utilization of technology solutions. We believe that introducing these solutions will enable us to streamline store operations and respond accurately to customer needs, but currently, there are no global cross-functional activities, and responses are limited to ad hoc measures. We should establish a forum for sharing knowledge across the organization and aim for fundamental changes to our business model through the utilization of technology.
- Some major companies have successfully transformed their business models within five to ten years. We are confident that by pioneering this transformation, we will be able to respond to customer needs and establish a competitive advantage in the market.

Questioner 4

Q)

- How was communication with the frontline carried out in formulating the plan presented today? Also, how do you envision the division of roles between the holding company, HD, and each operating company?

A)

- We believe that correctly implementing the management process outlined above is the most important factor in executing the transformation plan. In addition to strengthening execution, it is also important to accelerate various initiatives. Specifically, this includes challenges such as opening new stores, expanding private brand products, and exploring

diverse store formats. Considering these factors, a broader perspective is required rather than simply managing the execution process.

- To ensure the implementation of these measures, the support and understanding of all employees is essential, including those on the front lines, management of each operating company, and their active cooperation. To this end, thorough information sharing is necessary. We will share information about our group's cultural transformation and our goals to deepen understanding.
- The division of roles between the HD and operating companies has been unclear in some areas, and we are currently redefining them.
- The primary role of the HD is to work with the board of directors and each operating company to establish a strategic framework and communicate a clear message. Second, it provides appropriate support to each operating company and local team in the execution of their plans. Third, it regularly monitors the progress of the overall plan in a consistent manner.
- In addition, the HD is also working to pursue global synergies, utilize economies of scale, place human resources in the right positions, and explore and realize growth opportunities. In addition, the decision to allocate capital is also an important responsibility.
- We aim to support future growth by redefining and clarifying the roles of the holding company and operating companies.

Questioner 5

Q)

- In this announcement, a target operating revenue of 11.3 trillion yen was set, but compared to the 'growth strategy centered on food' proposed by former President Isaka, are there any major changes to the strategy?
- Also, regarding the United States, the company has announced plans to strengthen its gasoline supply chain. Is this expected to be a new source of revenue amid sluggish sales of products in the United States?

A)

- First, regarding our North American business, our policy remains unchanged that food will continue to be the pillar of growth. The strategy centered on food was approved by the Board of Directors, and we will continue to pursue it.
- We are the largest retailer in the gasoline business, but we have determined that it is necessary to invest in order to pursue further growth opportunities, as we may not be maximizing business opportunities at present. This is not because there are any problems, but rather because our goal is to pursue further growth opportunities.
- There is no change in our growth strategy, which is centered on food, and we believe it is important to execute this strategy with discipline and a sense of urgency.

Questioner 6

Q)

- Regarding the 3.2 trillion yen in growth investment, which areas of the domestic and overseas CVS business will be specifically invested in, and will investment be made in areas other than those indicated this time?

A)

- Growth investment of approximately 3.2 trillion yen is mostly for store renovations and store openings.
- SEJ aims to increase the number of stores by approximately 1,000 and will invest in introducing new store formats and expanding Seven Café Bakeries.
- SEI plans to add 1,100 QSR (Quick Service Restaurant) and 1,300 new locations including advanced new standard stores by fiscal 2030. In addition, renovations of existing stores will also be promoted.
- With regard to 7NOW, we will further expand its coverage area in the United States and work to enhance services in Japan.
- In addition to these, we will continue to explore new services. We are currently considering various new services, and if they are finalized, we will make additional investments. In any case, we plan to continue investing in improving the customer experience and the operational efficiency of our franchisees.

Questioner 7

Q)

- Over the past year or two, your company has undergone significant changes. These include the decision to divest your founding SST business and the exploration of a management buyout option in response to an acquisition proposal from the Canadian company. How have you responded to these major changes? What are your thoughts on the strategy under the new management structure, and what do you consider to be the most important changes?

A)

- This past year has been filled with many challenges, but the new management team remains committed to the continuous growth and development of the company.
- Shareholders are very important stakeholders, and in the same way, we believe that our business is only possible if you have all stakeholders, including customers, employees, franchisees, and business partners. Until now, we have always thought about what is best for all stakeholders and responded to it so far.
- York Holdings is viewed as “autonomous” rather than “divested”. Within the same group, there were issues with profitability differences between business types, which led to comparisons. By pursuing profitability within each business type, the CVS business, SST business, and specialty store business will be able to operate more autonomously and with a sense of fulfillment. As a result of this thinking, we decided to divide the company into

two groups.

- We have consistently prioritized enhancing corporate value over the long term—spanning 10, 20, or even 50 years—including our approach to M&A and activist investors. In order to steadily implement this, we will manage the company with a team of five new executives. We will engage in frank discussions with operating companies and fulfill our responsibilities.

Questioner 8

Q)

- Among market players and franchisees, there are skeptical views regarding the HDs' mid-term strategy. Even when looking at the mid-term business plan with the fiscal year ending February 2026 as the final year, the only item currently expected to be achieved is Debt/EBITDA, with the others likely to remain unmet. Given this situation, how feasible and certain do you consider the achievement of the strategy presented this time to be?
- Do you think you can unlock more value above this level of 2,600 yen per share, which is the offer price of ACT?

A)

- We believe that it is extremely important to share with all stakeholders, including partners, franchisees, and employees, what the current challenges are, where opportunities exist, and how we plan to address them, with sincerity. Today, we have done just that, honestly sharing what has not worked well in the past and what we plan to change going forward.
- We are confident in the plan we presented today. This is because it was developed through detailed analysis and extensive discussions.
- Today, we also disclosed various numerical targets for our financial goals. Among them, EPS is expected to be approximately three times the current level. Based on the current stock price and growth evaluation algorithm, this should lead to a stock price valuation exceeding 2,600 yen.

Questioner 9

Q)

- Last month, Couche-Tard announced the withdrawal of its acquisition proposal. How did you interpret this development? And what actions do you plan to take to enhance corporate value going forward?

A)

- The most evident point was that it became extremely difficult to clear regulatory hurdles in the United States. While I'm aware there has been a lot of reporting on this matter, I can say that we engaged sincerely throughout the process. We maintained frequent communication with Couche-Tard, and members of the Special Committee held numerous discussions with their advisors and other parties involved. We believe we did everything we could.

- However, Couche-Tard never presented a clear plan to resolve the concerns raised by U.S. regulators, and it also became apparent that there were challenges on the financing front. There were other issues as well, but we believe regulatory approval was the biggest obstacle.
- Their withdrawal has no impact on the standalone plan we presented today. Regardless of whether an acquisition proposal was on the table or not, we have consistently been developing our standalone growth strategy. We firmly believe that this plan will maximize corporate value and deliver sustainable growth for all stakeholders, particularly our shareholders.

Questioner 10

Q)

- You were appointed as the new president from outside director, but I think there was also a situation where there were few candidates for CEO within the company. What are your thoughts on developing CEO candidates within the company going forward?

A1)

- We believe that leadership development is an area that still needs improvement within our company. The fact that I was appointed CEO from outside the company is evidence of this.
- Developing CEO candidates is one of my top priorities and is extremely important. I believe it is essential to develop and produce human resources who can become the next CEO. In addition, it is necessary to raise the overall capabilities of the management team.

A2)

- To be honest, our succession plan was insufficient, which led to the decision to invite Stephen to take on the role of President CEO. However, there are many promising young talents within the company, and we are committed to nurturing these employees carefully.
- As the future vision of the group and business environment change, the skills and character required will also evolve, so we will steadily conduct talent development with those factors in mind.

Questioner 11

Q)

- What are the causes of the global talent shortage and how can it be resolved? I believe that even the synergies and best practices you have shared will be difficult to achieve without the right talent. I think there are significant differences between the company and the major US retail company you previously worked for, so I would like to hear your thoughts on that as well.

A)

- We believe that the fundamental reason why we have not been able to adequately develop global human resources is that we lacked a true understanding of what it means to be a global company. Although we have global operations, our management approach and culture remained within the framework of a Japanese company.

- Going forward, it will be necessary to introduce a new concept of global talent management and promote the globalization of the entire organization.
- We recognize that our inability to fully leverage our diverse capabilities and scale has been one of the factors that has caused us to miss growth opportunities, and we believe that transforming our organizational mindset and management processes is essential.
- Specifically, we will establish a center of excellence to clarify management processes, share expectations, and share best practices, and work to build a system for managing and developing global human resources.
- While 7-Eleven has achieved profitability and scale expansion despite lacking a sufficiently global perspective as a global company, we expect that by adopting a truly global management perspective, we will be able to seize even greater growth opportunities in the future.
- Additionally, while our current business operations are heavily concentrated in Japan and the United States, the majority of the world's population resides in other regions. Strengthening our business expansion into these other regions is an extremely important growth strategy for the next 10 to 30 years.