

Presentation for the Second Quarter of FY2025 Q&A Session

Questioner 1

Q)

A key takeaway from today's presentation is a significant change in the company's communication style. I've personally had the chance to visit 7-Eleven stores in the U.S. and observe those changes first-hand.

My question therefore touches upon the communication mechanism and is directed at Mr. Akutsu and Mr. Reynolds. Specifically, could you share with us some challenges you're experiencing on this front and how you're working to address these?

Lastly, your investor relations team has highlighted the close communication between management and franchise stores and the employees on the ground. Six months into your position as President and CEO, what are some of the key takeaways from those interactions and how do you expect to be able to leverage these insights?

A1)

- My extensive experience overseeing operations informs my belief in the importance of communication with our franchisees and employees on the frontlines, because that's really the foundation of everything we do. One of the first things I did upon becoming President was go and talk to the people directly. Specifically, starting in May, I have held dialogue sessions with employees and OFCs (Operation Field Counselors) across Japan. These sessions are ongoing.
- Our people on the ground have expressed concerns about an erosion of Seven-Eleven's brand image and the need for concrete, actionable growth strategies and strategies to address rising personnel costs. It is therefore vital to acknowledge these concerns our franchisees have directly and lay out our strategy to overcome these challenges in a transparent manner. To this end, starting in September, we have created opportunities for dialogue with franchisees nationwide to discuss these issues.
- We have plans for a total of 20 meetups all over Japan. We have already concluded 12 such sessions, during which we outlined to an audience of approximately 12,000 franchisees our vision going forward and actionable plans to rehabilitate our brand image, execute on our growth strategy, and deal with labor shortages and rising labor costs.
- Above all, we are returning to a fundamental question: What is Seven-Eleven's core purpose? In our new TV commercial, "Origins," a franchise store owner says, "We make people in the community happy through this convenience store." These words symbolize Seven-Eleven's core purpose and express our commitment to continue bringing happiness to local communities together with our franchisees.
- This campaign has been well received by our franchisees, with whom this message resonated and who felt a renewed sense of purpose. We expect to complete these sessions nationwide by November and clearly communicate our position and commitment. Going forward, we will continue prioritizing transparent communication and a commitment to working together with our franchisees.

A2)

- Engaging with franchisees is one of the most important things we do and it's a truly significant.
- This is true not only for area leaders, market leaders, but also for our executive team, to be actually in the stores talking to franchisees and store staff, and also leveraging online channels to learn what's working, what's not, and get great feedback on projects and new operational practices.
- We also have several other communication mechanisms; we have what we call our National Leadership Council, comprised of about 100 leading franchisees around the country who convene about twice a year in Dallas. We also have a Franchise Roundtable, which is a smaller Leadership Group of about 10 franchisees we meet with monthly.
- In terms of the franchisee reaction and mood, as sales grow and traffic improves, they are excited to see that. They are really embracing private brands (PB)—same-store sales are up year-to-date and our brand image has improved. Franchisees really love that and embrace the products, and really are evangelists for those products.
- Through these initiatives, we seek to deepen our relationship with franchisees even further, and we continue prioritizing communication as a way to address challenges on the ground and help us drive our growth strategy.

A3)

- My starting point is my experience working at my father's 7-Eleven store when I was a teenager. You really have to know what is going on in the stores: the people working there are the ones who are serving our customers, so their opinion is probably the most important. If you don't speak with them and with the customers, you don't know what is going on, so communication with the field is critical.
- This is especially true for us, with our franchise model. The best way to communicate with franchisees is to physically go there. Unfortunately, during the week I'm far too busy, so I typically go out to the stores every weekend and speak with store staff and with franchisees. I find it incredibly refreshing; I learn a lot and it's a very helpful process.
- Another really important constituency that I need to speak with is our staff who interact with and service the stores, specifically our OFCs. I recently had the opportunity to attend the OFC meeting. In fact, I think this was the first time that the Holding Company CEO actually joined that meeting. I had the opportunity to speak with all the OFCs who were assembled there in person—as well as on ZOOM—and share with them my thoughts about where the business is going, as well as my hopes and expectations with regards to them. It is also important for me to hear from them directly.
- That's difficult to do with a large group like that, so I asked them to write to me directly with any thoughts, concerns, and ideas they might have. It takes a lot of courage for somebody on staff to send an email to the CEO of the company. I have to say I was really encouraged: people sent me emails, and they're still sending me emails. That tells me that we've got a really great team, that Mr. Akutsu has a great team to be proud of, and they're really committed to the company.
- I answer each one of those emails personally. This is important for two reasons. One, I learn a lot from the emails, that I would not ordinarily learn. Second, it's really important that our staff—especially those that have the courage to speak up—know that I am listening to them, that the leadership is listening to them, and that their voice and opinion counts and that they are being heard.

Questioner 2

Q)

My observation as a consumer is that, starting in September, the company has widened its price range and expanded its product lineup. That said, it would seem these efforts haven't been uniformly applied across all stores, and that other players continue applying pressure with similar initiatives of their own.

Against this backdrop, how much progress has been made toward President Akutsu's idealized store. While I don't expect the benefits from structural transformation to materialize right out of the gate, what is the estimated timeline for transition to your ideal store concept? Please share with us any interim goals on this front and a rough timeline if you can.

A)

- Lowering guidance was a regrettable but necessary decision. That said, we are seeing green shoots in terms of our merchandise lines and our communication with the consumer, so we are confident in our ability to execute our planned transformation.
- Starting in H2 of last year, our "Pleasant Value!" Declaration campaign has resonated with consumers feeling the pressure of the cost-of-living crisis. However, this campaign only resulted in a somewhat anemic improvement in store traffic of around 1% coupled with worsening gross profit margin results due in part to rising raw material costs. In light of this reality, our revised strategy is to pass on the necessary costs to the consumer, while simultaneously offering a strong quality proposition in line with these prices. Lastly, we are focused on clear communication and effective marketing campaigns.
- In terms of concrete initiatives, in September we launched a new TV ad campaign centered on our "Aimori" – a rice ball with two flavors in one – concept, and we also enhanced our product lineup. Sales in the rice ball category increased by approximately 20% following the launch of the "Aimori" campaign, and we continue to see strong performance in this category. The cooked rice category had shown results in line with the prior year, but this category—which includes boxed lunches and rice balls— has since evolved to become a sales driver. October marks the start of the second phase of our initiative, related to the colored leaves of autumn. Additionally, the category of noodles, which had shown a protracted sales contraction, is also starting to show a return to year-over-year growth. We will continue executing these short-term initiatives over the coming months.
- Driving a recovery in customer traffic is at the core of our transformation efforts and is a broad challenge encompassing the whole of the value chain, including—among other things—the procurement of merchandise and supply operations. Case in point, we used to delegate the procurement of raw ingredients and the manufacturing process to our third-party partners. However, going forward, we will optimize processes by working closely with our partners and transforming the entire value chain. This more collaborative framework will allow us to keep the cost of ingredients under control, thus offering products to our customers at affordable prices, and driving traffic to our stores.
- That said, revamping a system we carefully built over the past 50 years is a lengthy process, of course. We make progress by identifying issues and inefficiencies and by addressing these

problems, meaning we don't expect many major wins right off the bat. That said, we will continue working to transform our value chain over the next one or two years, and change our stores for the better and thus attracting customers. I think we have painted an exciting future, so we hope this vision resonates with stakeholders.

Questioner 3

Q)

Have there been any changes to SEI's planned IPO for 2026? Also, the media have reported the possibility of changes to franchisee contract agreements for SEJ. Does this imply an issue with the current form of contract agreement? If so, please share with us what specific changes need to be made.

A1)

- We are making good progress toward the execution of SEI's planned IPO. Specifically, we have a concrete list of the hurdles that need to be overcome in order for the IPO to take place. We have a clear timeline in place, and Seven & i Holdings and SEI are closely working together to execute in line with the plan.

A2)

- The media reports pertain exclusively to new contract agreements for new stores, and thus don't apply to existing ones. Neither do we believe there to be any problems with current contracts.
- That said, contract agreements at Seven-Eleven have changed very little over the past 50 years. Time progresses and changes in overall business climate make it vital for us to transition to a new model. One area in particular is how we are encouraging existing franchisees to operate more than one store. Currently, between approximately 60% and 70% of Seven-Eleven franchisees operate just one store, arguably because our stores offer such a strong profit proposition. That said, we now feel the need to transition to a contract structure that encourages franchisees with strong ties to each local community to consider operating multiple stores.
- Also note that current contract agreements have a 15-year term, which can sometimes be onerous to franchisees. The franchise fee drops after the first 5 years, but in light of the very demanding business pressures in the initial period after opening, we believe we need to lower the royalty fees we initially charge. The new contract agreements demand initial lower franchise royalty fees and are designed in a way to encourage our franchisees to dream big and operate multiple locations. We believe these changes are highly advantageous, not just for existing store owners, but also for prospective franchisees.
- We are currently evaluating the details and expect these new contract agreements to go into effect over the period beginning in the spring of fiscal year 2026 and concluding by the end of fiscal year 2027. We will continue serious and constructive discussions to ensure that these new contract formats benefit our franchisees and align with our long-term regional strategy and our vision for more vibrant communities. While it's possible these changes could lead to a temporary decline in HQ revenues, we believe the new contract formats will have a long-term positive impact on our

nationwide regional expansion and contribute to the execution of our new area strategy.

Questioner 4

Q)

With other industry players posting new record profits, why is Seven-Eleven struggling?
How do you interpret the competitive landscape and what plans does the company have to address this?

A)

- We have a good grasp of our positioning within the broader CVS industry. While we are seeing encouraging signs, we are also keenly aware of our responsibilities and know that we must continue to drive our transformation efforts forward.
- Despite prognostications of imminent peak CVS saturation, the fact that our industry competitors are doing well is proof consumers value the services offered by convenience stores. We welcome this competitive environment as it is conducive to overall industry growth.
- Seven-Eleven is struggling for several reasons. Our current APSD approaches 700,000 yen. With a store footprint in Japan covering 21,000 locations, we generate over 5 trillion yen in total revenues from operations. Historically, Seven-Eleven has been the driving force behind Japan's CVS industry, always pioneering new ideas and initiatives and leveraging these to unlock growth. Because we were so successful, I believe this is what paradoxically ended up causing us to fall behind in terms of adopting reforms to fit the times. We are guiding for an APSD CAGR of at least 2% through 2030, raising APSD to close to 800,000 yen. Seven-Eleven has always been a trailblazer; we forge our own path instead of borrowing other companies' playbooks. In other words, we must keep innovating, and herein lies what I think is a great challenge for us.
- We also recognize that we were also somewhat insular as an organization, which is why our stance is now one of intellectual humility and curiosity as we seek to learn from outside parties. We also remain committed to our role as trailblazers driving innovation. Personally, I'm very excited about these challenges and view in a positive light the fact that our vision and plans are growing increasingly clear over time. In summary, I am committed to seeing through these changes and challenges together with the rest of the Group's directors and with all employees. We will be delivering real change with urgency.

Questioner 5

Q)

You mentioned how inflationary pressures have been hurting the consumer. In light of the current inflationary climate, don't you think Seven-Eleven's product assortment falls on the higher-end of the market spectrum? Can company efforts help bring prices down?

You lowered guidance for Seven-Eleven. Does this mean a downward revision to the old same-store sales growth target of +2.5%?

A1)

- It is a reality that the macro environment is difficult. However, regardless of the conditions, our job as retailers is to excite and delight our customers. We have to find ways to deliver what our customers expect, which is better quality and value. Mr. Akutsu gave you a couple of examples of that, like in the noodle category. He also talked about going deeper into the supply and value chains. I believe your point is a valid one. I believe we need to do a better job of delivering better quality and better value to our customers. If we do that, then when they come into the store, they will feel “waku waku” (excitement) and they will come back again.

A2)

- We have lowered same-store sales growth guidance to +1.0% for H2, and to +0.9% for the full fiscal year.
- Amidst soaring raw material prices, while passing on these costs to the consumer is the only viable alternative for some products, we have been able to tweak our processes to offer attractively-priced lineups and lineups that give consumers choice. For example, our rice ball offerings range from between around 130 yen on the lower end to around 350 yen on the higher end. We will continue bringing attractively-priced products to market.
- We are also aware of the need for transformation at the overall value chain level. We want to be proactive and improve issues with ingredient procurement, primary and secondary processing, logistics, etc. Initiatives of this nature will allow us to keep COGS under control and develop attractively-priced products for consumers. Over the next 1-2 years, we will more formed with this initiative..
- In terms of recent initiatives, we held a rice ball sales campaign in June. We want to integrate sales initiatives like these into our strategy so that customers can feel excited about our products.

Questioner 6

Q)

Do you have plans to allocate the 2.8 trillion yen in retained earnings, or the proceeds from SEI's IPO for growth investments? What is your assessment of the current stock price?

A)

- Our capital allocation policy and plan remain as previously disclosed and a key theme here is ensuring an ideal capital structure.
- When conducting SEI's IPO, the proportion of shares to be offered is also a critical issue. Regarding leverage, as our ability to generate cash flow increases, our debt capacity also grows. Therefore, we want to have thorough internal discussions and carefully consider the best options for improving capital efficiency, including the use of debt and share buybacks.
- In terms of the share price, we believe the market will reward the expected increase in cashflow resulting from the expected growth from SEJ and SEI. Within this scope, we want to improve our Group's capital efficiency as soon as practicable, as it is important to match the level of efficiency of our global peers. While we did lower the operating income guidance, we raised the net income

forecast. Even if our results recovery is slightly behind schedule, we believe it vital that we meet our net income target.

- We would like to provide an update on SEI's IPO at a later opportunity.

Questioner 7

Q)

Amidst the current inflationary environment, what specific domains within Domestic CVS Operations do you think require innovation?

A)

- As we see changes in people's lifestyles and more diverse tastes and preferences, some issues our business faces are labor shortages and the soaring price of raw materials and ingredients. Creating new value propositions and working together with franchisees to sustain operations requires innovation.
- Over the short term, we are working on communicating more effectively with the consumer and on further improving our branding strategy. Next will be a transformation on the value chain front. Another important issue pertains to our ongoing focus on just-made merchandise. This strategy conflicts a little bit with franchisees' needs for labor-saving solutions. Advancing this strategy while ensuring labor-saving solutions requires tremendous innovation as it involves fundamentally reimagining the concept of customer service. We are currently testing out a model at franchisee stores allowing us to leverage labor-saving measures—especially self-checkout kiosks—and grow sales without any reduction in sales of fast-food items. This is a massive challenge and an example of innovation.
- Over the medium-to-long term, we have plans to further evolve our current business model. Seven-Eleven has 21,000 locations in Japan alone, and around 20 million people set foot in our stores every single day. To put things into perspective, 1 in 6 people living in Japan visit one of our stores on a daily basis. SEJ is yet to fully utilize the resources it has at its disposal, as we consider the domains of retail media and data fertile ground for opportunity and potential revenue pillars. We can then invest this into our core BtoC business and carry out extensive sales promotion efforts.
- Creating this new revenue pillar will allow us to carry out even stronger initiatives in our core business, thus catalyzing innovation within our business model. Looking ahead to 2030, we have established a new division within the company this year—the New Business Development Department—to take on challenges including the establishment of our retail media and retail data businesses. We aim to steadily grow these initiatives while continuing to explore new business models.

Questioner 8

Q)

Have SEVEN CAFÉ Bakery and other initiatives been living up to company expectations?

Could you give us a detailed assessment of the level of success on this front?

A)

- We launched a new ad campaign in September and started a revamp of our merchandise lineup. Despite falling on the higher-end of the price spectrum, our “Aimori” – a rice ball with two flavors in one – has actually done rather well sales-wise, driving growth in the rice ball category, which saw a sales increase of 20%.
- Up until now, Seven-Eleven had been perceived as “well-behaved but a little boring,” but with the new TV commercial, it has received feedback describing it as “fun and interesting,” and we hear that franchisees’ motivation has increased significantly.
- Seven-Eleven’s core strategy had been to focus on taste as its prime value proposition, and we operated under the assumption that if we offered the tastiest products, customers would come. We have now developed a better understanding of consumer preferences, and now we are trying to focus not just on offering the highest-quality, tastiest products, but also on intangible, emotional value and on offering a fun experience to consumers. In addition to insights from company employees, our marketing team incorporated expertise from third parties, developing this product and presenting it nationwide in the form of a TV commercial. Product development benefited from the support of numerous people, including a renowned marketing expert and one of Japan’s leading creative talents. We consider this campaign a great success, as a campaign we carried out on our own while seeking guidance from outside experts.
- Looking into November and December, and indeed into next fiscal year, morale is high at the company, with confidence in our ability to prioritize and deliver value for consumers. We believe this awareness has started to permeate a certain segment of the consumer base, so we have great hopes on this front. It’s still early days, but, again, we have great hopes for SEJ.