

Presentation for the Third Quarter of FY2025 Q&A Session

Questioner 1

Q)

What were the key third quarter highlights for each Group operating company, and how did these drive overall results?

A1)

- While no single factor explains Seven-Eleven Japan's (hereafter, "SEJ") turnaround, I credit our progress to a disciplined focus on operational execution. At the time of my appointment as President of SEJ, our brand image was compromised, and the employees' confidence was wavering. It was against this backdrop that we prioritized restoring our organizational confidence in our ability to operate a business with a substantial value proposition. We focused on proving—to ourselves, internally at SEJ and to our franchisees—the value of our business, while taking a steady and disciplined approach to execution. We believe these efforts have borne fruit.
- For example, our September TV commercial campaign centered on the theme of "My dream is to make the people of the town happy through this convenience store" served as a strategic pivot that allowed us to redefine SEJ as a provider of convenience, comfort, and high-quality food merchandise. In other words, we have reaffirmed our commitment to being a brand that consistently meets customer expectations and offers a sense of discovery. Guided by this renewed confidence, we have executed a wide range of initiatives to unlock value.
- We are seeing an ongoing resurgence in terms of agency and ownership across multiple functions, such as product development, operations, and marketing. This has translated into a proactive execution drive. We believe this confidence is what's driving the numbers; we remain committed to this trajectory and expect to continue delivering good results.

A2)

- What I'm most encouraged about the 7-Eleven, Inc. (hereafter, "SEI") side of the business is the improvement we're seeing in traffic. In the first quarter, our traffic was down 6%, but we have since narrowed that down to a 1.8% decrease in the third quarter. That led to the third quarter producing a 0.5% increase in same store sales, which is our first positive quarter since the second quarter of 2023. In short, we are very pleased with that.
- We saw a little bit of a blip in October and November given the government shutdown, but December sales returned positive, and we saw a resumption of the improvement trend we've seen through the first half.
- Margins were essentially flat in the third quarter, but up year-to-date. We've also been able to grow sales through maintaining a strong basket, which is adding to our overall sales growth.
- On the other hand, the third quarter was tough for our fuel business. RBOB, which is the market pricing index for fuel, was \$2.10 in the first quarter, \$2.11 in the second quarter,

and \$2.09 in the third quarter—essentially flat for the first nine months of the year, with little volatility. This is not a good environment for retail fuel margins (CPG). That said, the market environment has improved in the fourth quarter, so we're pleased to see that we've seen some volatility return to the market.

- Cost control has also been strong for the year, down 1.7% on a year-over-year basis. In summary, we are bending the curve by maintaining this cost discipline while simultaneously working to get the traffic back and maintaining and growing margin.
- We also continue to see progress in the other key initiative areas, such as opening new standard stores and growing the 7NOW delivery business. We expect all these to contribute to our results.

Q)

At the Holding Company level, as you look toward the fourth quarter and fiscal year 2026, where are you focusing in order to grow the scale of the business and what areas do you intend to leverage to accomplish this?

A)

- Last August, we unveiled our "Transformation of 7-Eleven" strategy and mapped out our trajectory through 2030. In order to achieve these targets, we must now focus on accelerating our existing initiatives.
- Historically, our operating companies have operated more or less independently, devising their own strategies under the mandate of maximizing profits. However, moving forward, we will consolidate our collective Group strengths to act as a single, unified entity working toward a common goal. We believe this shift in strategy is gradually starting to take shape as fiscal year 2026 approaches. Achieving this requires driving a variety of transformational initiative. A good example is strategic investment. Rather than evaluating capital allocation at the business-unit level, we will prioritize initiatives based on their impact on the Group as a whole. We are fully confident this approach will drive significant improvements in profitability and execution capabilities. Completing these transformation expeditiously under President Dacus' leadership is our primary objective.

Questioner 2

Q)

Could you provide your perspective on fuel GPM compression at SEI in the third quarter, specifically in the context of your industry competitors? Additionally, to what extent do you expect vertical integration to lead to volatility reduction, and what outcomes are you targeting?

A1)

- I think the trends we saw in the third quarter are consistent with what the industry is generally experiencing. The extreme lack of volatility has really been the biggest issue we see and the single most impactful factor explaining retail fuel margins.

- That said, with respect to the move upstream, I think that's a huge opportunity to expand our margins and cutting our total cost up the supply chain.
- Volatility is good for us, since it is what drives retail margins. Consequently, as we get further up the supply chain and complete the vertical integration, I do not see volatility going down, nor do I want it to.

A2)

- Industry benchmarking requires us to take a number of factors into account, including different fiscal year reporting periods and differing regional exposure profiles.
- Our priority remains enhancing our product assortment and service offerings to drive foot traffic to our stores. We want to be the first place people think of when they need to fill up, and becoming their preferred fuel destination is the most critical driver of our growth moving forward.

Q)

Are you seeing any early indicators of a non-linear transformative shift in operations as a result of closer alignment with CEO Dacus?

A1)

- The biggest change and improvement has been just the ability to openly discuss our challenges and opportunities, and get aligned quickly on how we're responding to these. I think these changes are also helping the Holdings team to better understand our business, so they can, in turn, improve the support they provide us.
- There remains room for further improvement in some areas, but, overall, we're just getting aligned faster and are able to make decisions and move faster. I think speed is the overarching theme, and we are seeing strong, tangible results.

A2)

- We have uncovered a broad spectrum of previously under-recognized challenges—challenges of all sizes. I believe the real win here has been our ability to establish a culture where these issues can be addressed in a direct and transparent manner. Fostering open dialogue has allowed us to move beyond a 'here and now' mentality to focus on prioritizing medium-to-long-term growth.
- Moving forward, we need to turn these conversations into measurable numbers and tangible outcomes. To this end, we intend to keep pushing hard and redouble our execution efforts.

Questioner 3

Q)

While existing store sales trends at SEJ have improved since October, foot traffic still looks relatively weak. What is your plan for traffic recovery, specifically in the context of pricing strategies in an inflationary environment, and your approach to winning over younger shoppers?

A)

- In response to the ongoing inflationary environment, we launched our “Pleasant Value” value price initiative in the fall of 2024, with the objective of driving foot traffic to our stores. While we did initially see a slight uptick of about 1%, this wasn’t enough to offset GPM compression caused by rising ingredient and personnel costs. In summary, this 1% increase in store footfall wasn’t enough to offset profit margin compression, and this put us in a difficult position.
- Short-term, our priority is to restore GPM through appropriate price pass-throughs while giving customers a real reason to choose our products even at higher price points, through the development of high-value products and promotional tactics that command a premium. This represents the first stage of our recovery, supported by a new TV commercial campaign, new merchandise offerings, and better merchandise presentation and communication with customers.
- Looking at the broader economy, Japan is moving out of deflation and toward a virtuous cycle of rising wages and prices. Right now, prices are rising faster than wages, but once paychecks catch up, people will have more to spend. We’re positioning ourselves for this inflection point by offering high-quality products to capture increased consumer appetite once the trend turns.
- Internally, we are focusing on keeping costs down across our entire supply chain—from procurement all the way to manufacturing and logistics—so that we can maintain competitive pricing. We also aim to leverage new product launches and periodic promotional campaigns as drivers of foot traffic to our stores. For instance, our Black Friday half-price promotion on hot food counter items moved 7.5 million croquettes on the first day alone, driving a 30-to-40-person—around 3% to 4%—lift in store traffic over the four-day period corresponding to this campaign. This is the kind of momentum we want to build.
- We are seeing more young people in our stores because we have started letting our merchandise and marketing teams experiment more, giving them more creative freedom in terms of merchandise and campaign efforts. A prime example is “Umanage”, a horse-shaped nuggets launched for the New Year, since 2026 is the year of the Horse. This was a novel idea I don’t think would have been possible within the confines of our previous framework, which focused very heavily on taste and quality, often to the detriment of entertainment value. Our New Year snack generated significant traction on social media, becoming a viral success.
- We are expanding our social media presence to capture the younger demographic. Our “SEVEN CAFÉ Story” shorts—posted daily on a Monday-to-Friday schedule—are designed for mobile-first viewing, ensuring that Seven-Eleven stays relevant with this generation, which is becoming increasingly unreachable through traditional television advertising.
- We are also leaning into IP-driven promotion, since those younger demographics often

prioritize affinity with certain characters and content. A standout example was our “Chiikawa” collaboration in December, which generated tremendous engagement. We are finding that when we combine our traditional focus on food quality with a bit of fun and creative liberty, the resulting merchandise offerings and promotional campaigns really tend to resonate with younger people.

- We have some exciting plans in the pipeline, which we look forward to sharing with you in the future.

Q)

While fuel was a major driver behind SEI’s shortfall against the plan, I believe another relevant fact has been quarterly volatility and inconsistency in merchandise GPM. As macro headwinds intensify, what is your roadmap for margin expansion?

A)

- We have confidence that we’ll continue to grow our merchandising GPM.
- There are a couple of points I want to call out. First, private brands continue to grow, up 6% year-over-year, both in terms of sales dollars and units. Also allow me to remind you that this is an 18-percentage point higher margin than the average national brand. Consequently, private brand merchandise is one key point where we’ll continue to grow. We introduced 175 new products in 2025, with more coming in 2026. We believe these will continue to drive growth.
- Second, within fresh food, we continue to see improvements in the quality of our products, which is then leading to higher unit movement and enabling us to get a better cost of goods with our suppliers, and, thus, margin expansions.
- Thirdly, we continue to see growth in the category of new modern oral cigarettes, which continues delivering significant, double-digit growth. This product category comes at more than double the margin of typical combustible cigarettes. In summary, these are three key areas where we feel very confident we’ll be able to continue improving and building our margin performance.

Questioner 4

Q)

Do you expect SEJ franchisee profits to return to a growth trajectory in fiscal year 2026 and beyond?

A)

- In November, we achieved our first year-over-year growth in franchisee profitability in 24 months. While challenges still remain, we have established a clear strategic direction. Specifically, with a 2.7% year-over-year increase in existing store sales coupled with a 0.2 to 0.3 percentage point lift to merchandise GPM, this means franchisees have successfully outpaced labor cost headwinds. We view this performance as the benchmark for our strategy in fiscal year 2026.

- For the second half of the fiscal year, we are looking at a new hybrid POS system that can toggle between self-service and staffed modes. We expect these to drive top-line growth. One hurdle we are clearing is how to make self-checkout work smoothly alongside our hot food counter, although we are developing a framework to harmonize these services. Our goal is to enhance the value proposition we offer our customers so that we can drive the foot traffic needed to keep franchisee profits on an upward trend.
- That said, even as we accelerate automation, we are balancing technological efficiency with high-touch service. Specifically, we believe that strengthening customer interaction is an essential element in driving traffic recovery. Our recent television commercial featuring the question “Shall I warm this up for you?” emphasizes our mission to be a place of friendly customer service and community. As the retail landscape becomes more automated, we will maintain our position as a human-centric retailer, prioritizing touchpoints with customers, and choosing to keep the conversation going with our customers.

Naturally, merchandise development remains at the forefront, but we are equally committed to executing a customer-centric philosophy. This is the key to bringing more people into our stores and boosting our franchisees’ bottom line. Our roadmap is clear: we want our franchisees to thrive and will execute a comprehensive suite of initiatives to ensure this is the case.

Q)

With the departure of former SEI CEO Joseph DePinto, my understanding is that a search for a successor is currently underway, and that you are evaluating both internal and external talent for this position. What specific leadership mandate and strategic shifts do you expect from Mr. DePinto’s successor?

A)

- As we noted in our December 20 release, the Board of Directors of the Group, with the assistance of a globally recognized executive search firm, is engaged in a comprehensive process to identify a successor to Mr. DePinto. We are vetting both internal candidates from within SEI and 7&i Holdings, as well as external talent. Our focus remains on a rigorous evaluation to identify the leader best suited for the role.
- The search is still ongoing. We are looking for a leader who will engage the entire group and accelerate our transformation, unlocking tremendous value in the process. We are exploring all internal and external possibilities to ensure we appoint the best possible candidate for this mission-critical role.