July 9, 2026

Presentation for the First Quarter of FY2026 – Q&A Session

Questioner 1

Q)

Regarding Domestic convenience store operations, as the top-line is recovering steadily, I would have thought more profit would be coming through than we are seeing. And gross profit does not look like it has grown much either. From your perspective as CFO, what do you see as the key to getting this momentum of sales recovery to land steadily on the bottom line?

A1)

- Since taking on the CFO role and getting a comprehensive view of where the company stands, I regard our most significant challenge as advancing the “Transformation of 7-Eleven” announced last year in a disciplined and steady manner.
- Beyond delivering short-term results, the central aim of this transformation is to transition, via structural reform, toward a sustainable business structure over the medium to long term.
- In Domestic convenience store operations, I recognize that our various initiatives are paying off, and top-line growth is back on a recovery track.
- That said, selling, general and administrative expenses rose in the first quarter, which pushed profits down slightly. But that increase was strategic: investment in next-generation systems, promotions, and similar areas to put the business on sustainable footing over the medium to long term.
- Going forward, our focus is on making sure these investments consistently deliver the returns we expect.

A2)

- In the first quarter, same store sales rose 2% year on year, and the gross profit margin improved 0.3 percentage points from the previous year.
- Our recent push on Just-made counter merchandise and enhancement to “Freshly prepared meals” are starting to build a structure that drives sales growth without giving up margin.
- On the profit front, we beat the plan, as we'd factored in higher costs from the beginning of this fiscal year. However, profit was still down year on year.
- The cost increase was driven mainly by IT operating expenses, as we roll out the next-generation store systems to reduce labor and raise productivity at franchised stores. That should keep weighing on the year on year comparison through around the third quarter.
- As we move our “Freshly Prepared Meals” strategy forward, we are facing structural cost headwinds: increases in utility expenses, depreciation and amortization from required capital investments, as well as higher labor costs, land and building rents, and credit card transaction fees.
- As part of our transformation plan, we have been conducting a comprehensive review of our selling, general, and administrative expenses. During the first quarter, these efforts helped us meet our budget, driven in part by early savings from optimized electricity expense and lower IT operational costs.
- While it will take some more time for this top-line growth to fully flow through to the bottom line, we

are committed to staying the course this fiscal year and the next to consistently drive our transformation forward.

Q)

Simply pointing to top-line growth and gross profit margin improvement is not sufficient to communicate performance. When you give guidance, it would really help to have a clearer breakdown of your spending and the expected timing of returns; specifically, whether these investments are likely to pay off in one year or two.

A)

- We appreciate the feedback and will certainly take it into consideration in the future.

Questioner 2

Q)

My question pertains to SEI. On the topic of fuel, with CPG having risen to 51 cents, how do you see this metric evolving from the second quarter onwards? At the same time, the decline in fuel sales volume appears somewhat larger than at your competitors. Could you explain what is driving that? And separately, as you advance various reforms such as franchising, I would like you to single out the one initiative in the first quarter that gave you the greatest sense of traction.

A)

- In the first quarter we trailed OPIS (an industry benchmark) a bit in terms of volume, but we had the same outcome as the industry with respect to elevated margins. We have continually improved, and now we are at or better than OPIS from a volume perspective.
- In the second half, while we expect some recovery in fuel sales volume, we anticipate that the industry-wide downward trend will continue, and we are taking a conservative view going forward.
- In terms of the "North Star" plan, we are seeing nice movements with the franchising. We have franchised stores in California, and it is proceeding smoothly and as planned.
- Looking at store remodels, we're on track in terms of remodeling 200 stores. Overall costs, other than the impact of higher credit card fees driven by fuel prices, cost reductions are on track.
- On the other hand, we recognize it as a major issue that customer traffic and sales are coming in below plan, and we will focus on improving customer traffic through the second half.

Questioner 3

Q)

Could you walk us through the merchandise picture at SEI? Given high inflation and elevated fuel prices, how is consumer behavior shifting—and as fuel prices normalize, how do you see the prospects for spending to recover? Separately, you have lowered your second half guidance for Overseas convenience store operations. Is that driven mainly by a pullback in fuel, or does it also reflect an expected slowdown in merchandise? I would appreciate your thoughts on all of that.

A)

- Traffic count was down 4.3% due to the ongoing inflationary environment, while basket size increased by 5.9%, primarily driven by a 4.7% increase in units per transaction, and average unit retail prices were up.

- Our strategy has been purposeful in terms of improving the units per transaction. We have done a number of bundle offers, combo transactions, which have increased units per transaction.
- Sales in April and May were not where we wanted them to be, but I can tell you through the month of June we are seeing our food turn positive.
- As for our private brands business, we got off to a slow start in the first quarter given some disruptions in our supply chain. I think we are behind those now and we are expecting much better results.
- The nicotine business is doing well for us. We actually were up in stick cigarettes in the first quarter. First time in a long time for that. And, of course, the modern nicotine products continue to grow very rapidly.
- Gross profit margin was roughly flat. We are working hard in terms of balancing the traffic-driving activity such as promotions with gross profit margin.
- With respect to the second half, the downward revision is mainly due to fuel, and it is really fuel sales volume.
- We are projecting same store merchandise sales in the second half will improve compared with the first half (up 2.1% year on year).
- In an inflationary environment, we are focusing on driving traffic to the stores and to the fuel forecourt. We expect to see improvement in the merchandise in the second half of the year, being conservative in the fuel business.

<u>Questioner 4</u>

Q)

You mentioned a conservative fuel outlook as a reason for lowering SEI's second half operating income guidance. Are you being more cautious on CPG or on fuel sales volume?

A)

- We are taking a conservative view on both CPG and fuel sales volume. It is a certainly fluid and volatile environment in the fuel business such as what's happened in the Middle East, so we decided to revise it downward.