

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

Questioner 1

Q)

It has been six months since Mr. Takagi joined the company as CFO and two months since Mr. Leyva took over as CEO at SEI. How do you feel the new leadership team is shaping up so far?

A)

- One of the most critical things is to assemble a team with fantastic people, and as the needs of the business evolve and change, the skill sets that you need evolve and change. And I feel very, very fortunate that we've been able to bring on board some really fantastic talent.
- I can tell you that Mr. Takagi joining the company has already had a really significant impact in how we do things, how we look at things, and I think you will see a much more substantial impact, a quantitative and measurable impact, in the months and years to come.
- We still have some other critical open positions, which we're very close to filling. Once we do that, then we will have quite a strong new team to go out and execute the North Star Plan in SEI and the other transformations that we are doing throughout the business. So I feel great about the team that we've got, and I think they'll make a real big difference going forward.

Q)

How do you view the strengths and challenges of the US business, and what is your timeline for addressing those challenges?

A)

- Part of my first reactions and impressions was this potential for growth that I see in the business, and I've confirmed it through my visits and knowledge of the operation. Most important are the strengths. I would say it's the whole system, the network, our franchisees, entrepreneurs, partners, and the scale that we have throughout North America, making us by far one of the most beloved brands.
- So, it's important that this strength is translated into the needs of our customers; needs that are ever-changing and evolving. The one thing that we see as important potential is how do we continue bringing quality and value in every single offering, including fresh food items. We continue leading the next generation of convenience with 7NOW, taking our products to customers based not just on location, but also on destination. Getting them to our customers is the ultimate definition of convenience and a growth opportunity for us. The biggest challenge in improving quality and value is that it requires sustained investment and hard work through North Star, so we'll focus on this.

Questioner 2

Q)

I would like to ask about SEI. What is your assessment of the North Star Plan, and where do you feel you can contribute most by drawing on your own strengths and experience?

A)

- Talking about North Star Plan and our transformation plan, what we've been seeing is that it's a sound plan that requires disciplined execution for it to be successful.

- Drawing on my experience, I'll be focusing on three key areas.
- First, one of the things that require my focus is this discipline in execution to earn the trust of our employees and franchisees, as well as a whole array of external stakeholders.
- The second big bucket has to do with a focus on the customer. More than two decades in consumer goods have given me an outside-in view of the customer, and I will use it to make sure our offer meets customer needs and to improve the in-store experience and convenience.
- Third is a focus on the basics. This is our founding spirit, and it was also taught by Toshifumi Suzuki, who brought 7-Eleven to Japan. We have been reminded that the basics are fundamental to bringing customers into our stores.

Questioner 3

Q)

Given the management overhaul and changes in the operating environment, shouldn't you update your roadmap to 2030, your capital allocation strategy, and even the KPIs themselves to maximize corporate value?

A)

- We are fully aware that our capital allocation strategy requires continuous review. We also believe the overall 7-Eleven Transformation framework needs to be updated, but we are not yet in a position to announce anything.
- That said, we have agreed internally that capital allocation should be weighted more heavily toward growth investments than ever before. We are working on a more detailed explanation and will share it at the appropriate time.

Questioner 4

Q)

Given inflation and other changes in the operating environment, how do you plan to update your business strategy and capital allocation? What specific measures are you considering, and on what timeline?

A1)

- Our teams across Japan, North America, and right around the world are responding to changing customer needs with a very high sense of urgency. We are making the necessary adjustments in our transformation plans and in our strategies to respond to those changing customer needs.
- While we do plan to provide updates in the future, we are not yet at a stage to announce a specific timeline, so I would like to refrain from giving a definitive date at this moment. However, these updates will be much more focused and clear.

A2)

- Internally, we have confirmed a direction to step up investment tied to our growth strategy. We are also maintaining our target of ¥2 trillion in share buybacks by FY2030. Our current plan is to announce specific strategy updates and investment plans around our IR Day in November or other occasions.

Questioner 5

Q)

Why did SEJ's sales growth slow in the second quarter, and what product strategy and other steps will you pursue to regain momentum from the third quarter onward?

A)

- We take our second-quarter results very seriously. Same store sales had been recovering through the first quarter, but adverse summer weather hit us hard, and we are painfully aware that we do not yet have the strength to push back when conditions turn against us.
- That said, some categories still grew this summer. One such category was “Freshly Prepared Food”, our line of food cooked fresh in our stores. Even with adverse weather holding down customer traffic, both units sold and sales grew strongly.
- The other was our IP merchandise and entertainment-related offerings—such as trading cards and character goods—which contributed significantly to our results.
- On the macro side, our read was that the economy was moving from cost-push inflation, which had made consumers more frugal, to demand-pull inflation driven by rising wages. What we are actually seeing, though, is that consumers will spend on products and services that offer new value, but spending has not come back for products that simply cost more for the same value.
- Starting this autumn, we are pushing hard on two fronts to address this.
- First, we are building out “Freshly Prepared Food”. Customers have responded very well to its quality since the Black Friday sales event last year.
- We are also expanding our pizza offerings this autumn and encouraging more customers to use 7NOW mobile ordering. Once mobile ordering lets us cook to order, we can offer a wider range of high-quality items with less risk of waste.
- Second, we are right-pricing staples like rice balls and bento boxes. We are reforming our supply chain to hold down rising product costs.
- In practice, that means rethinking how we buy ingredients and making production more efficient. For example, after trialing two production runs a day in Hokkaido, we rolled out this system in September to 3,000 stores in regions including Tohoku and Shikoku. The goal is to improve our contribution margin and keep prices at the right level at the same time, while protecting our daily fresh food suppliers' profits. Building on these efforts step by step, we aim to make up for our first-half shortfall and keep growing.

Questioner 6

Q)

I'd like to ask about your overseas CVS business outside the US. The recent Poland deal didn't work out, and now the stores in India are closing as well. Going by the headlines alone, it doesn't look like there has been much progress, though I suspect there's more to it than that. So where do things actually stand with your business outside Japan and the US?

A)

- You're quite right: there's been some news recently about India and Poland that doesn't necessarily

sound that great for us. That said, I want to make clear that with India, that was our master franchisee's decision. We still aspire to continue to serve the Indian market and consumer, and we're working on plans right now to do so.

- Additionally, we're still very interested in Europe. We have options that we're looking at there, and we will continue to work on establishing our business in this market and expanding from there.
- Globally, we've got two great businesses in Japan and North America. I think we still have a lot of room for growth in North America, in particular, but the reality is, over the next 20 to 30 years, everything outside of Japan and North America has got to become our third really big pillar. In my view, it's got to become bigger than both Japan and North America, and I believe it will.
- That means we have to start now. We also have a business in Australia, which is a fast-growing market, but the world is much bigger than that. So we are putting and we will continue to put a great deal of effort and focus on that.
- We're fortunate to have two very large businesses already to support us, but we need to build for the future now. So we're gathering the resources, we have the talent and teams in place, and we are positioning international growth as our next big pillar.

Questioner 7

Q)

Regarding the Poland deal: after you decided not to proceed, a competitor went ahead with a full acquisition. The premium it paid doesn't seem to have been especially high. I suspect the choice between taking a stake and making a full acquisition was also a major factor. Could you tell us why you pursued a stake and didn't, or couldn't, go for a full acquisition?

A)

- As you can imagine, I'm not going to go into the details of the negotiations and I certainly can't talk about the other party's motivation and what happened.
- That said, we did look at this from the perspective of value to our shareholders. And the reality is we were not able to come to terms that we felt would provide adequate value to our business and to our shareholders. For that reason, we decided not to move forward.

Questioner 8

Q)

Regarding SEI's operations, from the earnings materials, it looks like customer traffic is still declining. How do you view the situation?

A)

- The US consumer is under significant pressure due to higher fuel prices, among other factors.
- While customer traffic remains challenging, we are taking actions to improve this metric. We haven't turned the tide yet in terms of surpassing the previous year's level, but we're on the right track.
- What we've done so far is lean in on providing value to our customers: digital activation and loyalty, both in our fuel forecourt business and within our merchandising business.
- We've leaned in with food value offers and other value within the store, so we're starting to see some

traction from that.

- Going forward, it's really the North Star plan which is going to drive traffic positive.
- We're very confident with the North Star Plan being implemented and rooted. We're seeing some very encouraging signs in terms of results from stores being franchised, and encouraging results within fresh food.
- It's a tough environment right now, but rebuilding traffic both at the fuel forecourt and within the store is the number one priority of the business.

Questioner 9

Q)

On SEJ's store openings: your full-year plan calls for a net increase of 200 stores, but you were at 26 at the end of the first half. Is that behind plan, or about what you expected at this point? If it's behind, is that because openings are proving harder than expected, or because closures are running higher?

A)

- We are, admittedly, slightly behind our new store opening target for the fiscal year. That said, in the first half, we focused on relocating stores. Looking ahead to the second half, we will be able to drive more organic growth in our store count.
- Our original target of a net increase of 200 stores will be a bit of a stretch, but we still think we can get close to it this fiscal year.
- On the topic of store formats, last October we opened a "community partnership store" in Yame City, Fukuoka Prefecture—a compact, low-cost format with flexible operating hours. Since then, we have received numerous inquiries from various local governments. We expect to add several more of these "community partnership stores" during the second half.
- Currently, Seven-Eleven stores follow a fairly uniform format of roughly 200 square meters, whether freestanding or inside buildings. Going forward, we want to keep our net store count growing with compact urban stores as well as community partnership stores in areas with few places to shop.

Questioner 10

Q)

Seven-Eleven Japan's revenues from operations and operating income both came in below the revised plan. You mentioned the weather earlier, but was there anything else that didn't go as expected? What will it take in the second half to reach your full-year forecast of 2% operating income growth?

A)

- We maintained our full-year targets because we believe there is still ample room for recovery.
- The "Freshly Prepared Food" category has been growing significantly since Black Friday last November. The category is also a natural fit for 7NOW.
- Our baking ovens are now in about 12,000 stores, and we plan to roll them out to an additional 6,000 stores to reach the 18,000-store target by the end of this fiscal year. Stores with the ovens are reliably seeing higher sales.
- SEVEN CAFÉ Tea is similar: we are aiming for about 10,000 stores this fiscal year, with about 5,000

stores still to go, and we expect it to lift sales as well. Overall, I think fast food is now a category we can count on for sales growth.

- Our other growth category is IP merchandise and entertainment, especially toys, and we see a lot of room to grow there too.
- In June, we created an IP Content Strategy Department within our Marketing Division. I expect sales of toys and similar items in our stores to grow gradually over time.
- Seven & i also has stakes in PIA and Tower Records Japan, but I do not think we have been making the most of those relationships. Since this spring, we have placed executives from Seven-Eleven Japan on both companies' boards as outside directors, and I expect that to lead to more collaboration in a number of areas, including entertainment.
- On price, Seven Premium Delica items like the Gold hamburger steak and pouch-packed grilled fish are selling very well, and I think our prices are starting to look a bit more competitive.
- From this autumn onward, we will start bringing Seven & i's low-price private brand, Seven The Price, into prepared dishes as well. People tend to see our stores as a bit pricey, so we also want to look at sections for everyday meals, with more affordable private-brand products, especially side dishes and groceries.
- What did not go as well as expected in the first half was that our initiatives on assortment and promotions for core daily food items, including rice balls, did not deliver the expected results. We will keep pushing ahead with the supply chain reforms, and we hope that will give sales a further lift.

Questioner 11

Q)

Mr. Akutsu, you've talked before about making frozen food a priority. How did that go in the first half, and what's your strategy for the second half?

A)

- In March and April, to encourage customers to try 7-Eleven products, we ran a weekend promotion on frozen food, Friday through Sunday: buy three items and get ¥200 off the third. This promotion was very well received and succeeded in getting a lot of people to try our frozen food.
- That said, this made frozen food cannibalize some of our daily fresh food sales. So we need to rethink what our frozen food offering should be.
- Until now, we assumed there was little call in our stores for the kinds of cooking ingredients and lunchbox items people buy at supermarkets and others, so our frozen food strategy has focused on categories such as deli items and noodles.
- Now, to add sales without eating into our daily fresh food business, we see room for ingredient-based items, desserts, and family-size side dishes and deli items.
- Seven The Price offers exactly these family-size side dishes and deli items, and we plan to start stocking them in our frozen section in the second half.
- Our frozen deli sides, snacks, and noodles have gained a certain level of traction. Moving forward, we aim to give the frozen section a further boost by adding ingredient-based items, desserts, and family-size items.

Questioner 12

Q)

On SEJ's income of franchised stores: I understand a key focus this fiscal year is to get it growing year on year. How do you plan to lift it for the full year?

I believe there are several levers, from the top line to gross profit and expenses. Which matters most to you?

A)

- In the first half, we were able to get income of franchised stores up year on year in May and June, only to slip back below last year's level in July and August.
- One reason is that sales simply did not grow enough to absorb rising costs, particularly labor costs.
- On top of that, the adverse summer weather largely affected the sales of items such as beverages, ice cream, and cold noodles. Because these are all high-gross margin items, the sluggish sales put some downward pressure on our gross profit margin.
- We take this situation very seriously, and we are well aware that our franchise owners are going through a very difficult time. The first priority is to implement measures to steadily lift sales.
- For September and October, we are implementing a program where stores that hit a set sales level for fried foods receive certain incentive rebates. It started this month, and the idea is to reward our franchise owners' results with some extra profit.