

Questions and Answers for the 21st Annual Shareholders' Meeting (Summary)

We want to thank so many of our shareholders for attending the 21st Annual Shareholders' Meeting. During the Q&A session, we received the following opinions and questions from shareholders. To make the content easier to understand, we have summarized the main points.

Questioner 1

Q)

- After Alimentation Couche-Tard (ACT) proposed a takeover bid, negotiations ultimately broke down. There had even been a possibility that ACT would acquire the company at a price equivalent to 18 US dollars per share, but those negotiations ended and the company is now pursuing a path of independent management. In the end, the share price is currently stuck in the 1,800-yen range. With corporate value not improving, despite the company's pledges that it would, how can the company justify revising the executive compensation plan and increasing its total amount?

A)

- As the environment surrounding the company continues to pose challenges and change rapidly, we revised the compensation plan to strengthen our commitment to enhancing corporate value and increase our competitiveness in the global human-resource market. Item No. 7, which partially revises stock compensation, expands the proportion of performance-linked compensation. If performance improves, executive compensation will rise accordingly. If performance does not improve, however, the design allows this compensation to be reduced to zero. The evaluation period for stock compensation has also been changed from a single fiscal year to three fiscal years. In the event of an organizational restructuring or other event, then, there is a possibility of multiple fiscal years' worth of unvested units being paid at once. We therefore need to set a sufficiently large maximum for such payments, which is why we are asking shareholders to approve this revision to the compensation plan.
- Regarding our discussions with ACT, we engaged in serious, good-faith discussions for approximately one year. However, we understand that changes in the market environment, the hurdles posed by US antitrust law, and other factors ultimately led ACT to decide to withdraw its acquisition proposal.

Questioner 2

Q)

- While the Nikkei Stock Average has topped its previous record high of 65,000, the share price of Seven & i Holdings has continued to decline—and that trend is a reflection of how the market sees Seven & i Holdings. To me, reappointing the same directors in that context seems hard to justify. The company says it has a sense of urgency, but what measures has it actually taken to address the situation?

A)

- We are deeply disappointed by the recent share price. Heightened tensions in the Middle East have brought the share price down significantly over the past several months, a reality that retailers around the world are facing. We believe one factor is that crude oil prices have remained high, which is affecting consumer behavior. The share prices of retailers worldwide seem to be reflecting investor concerns about that pressure.
- In this context, we are focusing on how to provide quality and value to customers around the world who are feeling the impact of inflation and high crude oil prices. We are exploring ways to provide value in as many forms as possible, and we hope to earn long-term support for and trust in our brand by making high-quality, higher-value propositions. For us, the important thing is to keep doing whatever we can right now. That is how we will continue to provide our customers with value and quality.

Questioner 3

Q)

- Seven-Eleven has not had any smash-hit products in some time. In today's presentation, I do not think there were specific explanations of how the front lines—stores and product development, for example—are looking to improve. I would like to see the company keep a close eye on product development, Operation Field Counselors, input from stores, and customer conditions. How do the company's directors intend to address these areas?

A)

- Seven-Eleven's product capabilities are our top priority, and we recognize that in recent years, our offerings have not always spoken to the customer perspective or had a strong enough sense of novelty. To develop products based on clear, solid insights into customer needs, we established the Merchandise Strategy Division this spring and are working to overhaul our product lineups with expert input from external marketers. We are also working with suppliers to reform the entire supply chain. Recent successes include crispy and juicy croissants baked in-store, which are proving popular with customers. For SEVEN PREMIUM, we will continue to focus on quality while also offering value-priced options, centered on the SEVEN THE PRICE brand. Our Group companies in Japan will keep working together to develop new products.

Questioner 4

Q)

- Share price is shaped by earnings—but the company's operating income and cash flow are far from ideal, and sales are also struggling. While net income and net income per share (EPS) are rising, special gains and losses and share buybacks are playing a part in those increases. Would it not be easier to gain shareholders' support by being more candid about the company's struggles and disclosing the relevant information more clearly? I want the company to improve the quality of information disclosure at shareholders' meetings. Another thing is environmental initiatives; other companies are showing stronger leadership on environmental issues through a variety of

initiatives, like changing the materials of their coffee cups. What are your thoughts on that area?

A)

- We are aiming to bring the share-price level back up by improving performance, and we are working to improve EPS. Share buybacks are another way we are returning value to shareholders.
- Regarding the environment, we have set targets under GREEN CHALLENGE 2050 and are actively working toward goals for 2050, including reducing CO₂ emissions, plastic use, and food loss. We report on these activities through our website and other channels. The point in your comments that we need to reflect on most seriously is communication. Information on our share price, performance, and environmental initiatives may not be reaching shareholders as clearly as it should. We will therefore consider appropriate measures together with our operating companies.

Questioner 5

Q)

- Franchise owners of Seven-Eleven stores in areas outside major cities are dealing with difficult financial conditions. Sales are flat; labor costs and prices are increasing; average spending per customer is falling; and the number of competing stores is increasing. In these circumstances, is it really possible to achieve the target of adding another 1,000 Seven-Eleven stores by 2030? I want the company to gain a solid understanding of the realities facing franchisees and take steps to improve their situation through discussions at board meetings and other forums.

A)

- We are aware that store openings can no longer be handled the way they have in the past. We need to open stores based on demographic trends and market conditions. Our approach moving ahead first involves classifying areas nationwide into three types. In areas where the population is growing, we will expand our existing store-opening model. In areas where the population is declining and the market is shrinking, we will focus on revitalizing existing stores. And in areas that fall between these two categories, we will pursue store openings based on what the actual conditions in the area are like. As one model for areas where the population is on a downward trend, we developed a “community co-creation store” format in Yame City, Fukuoka Prefecture, in October of last year. This format keeps store opening costs down by operating with about half the footprint of a standard store, reduces deliveries of daily products from three times per day to two, and operates for 16 hours rather than 24 hours to bring running costs down. The store has gotten off to a strong start, generating interest from multiple other local governments. In terms of existing store operations, we have also expanded our Regional Merchandising Management Department’s personnel to support region-targeted product development and worked to build business models that align with local needs. As we continue to promote decentralization and delegate authority to the front lines, we will work to build a model that also works for our franchisees.

Questioner 6

Q)

- Franchise owners of Seven-Eleven stores are in an extremely difficult management situation, with labor costs rising sharply and social-insurance premiums creating an increasingly heavier burden. I want to see the headquarters provide some form of support. Also, food loss and waste is another area I think needs attention: I want the company to consider revising its rules, such as by delaying when products are discarded.

A)

- Securing profits for franchisees amid rising labor costs is one of our most important priorities, and we are doing everything we can to improve profitability for franchisees. While the burden of social-insurance premiums is unavoidable under the law, our mission is to maximize profits through store operations. We are no longer in an era where cutting costs alone is a viable solution; we recognize that improving sales and gross profit is most important. To increase sales, we are working on category strategies that meet the needs of each generation and leverage counter items to drive sales of freshly prepared products. At the same time, counter items place a considerable workload on stores, so we will also take steps to help save labor. This fall, we plan to introduce next-generation registers that stores can switch to self-checkout at their own discretion. We will also reduce the burden and improve the accuracy of ordering, taking advantage of robotics and artificial intelligence (AI). Guided by the late Toshifumi Suzuki's belief that "the most rewarding challenges are found in times of difficulty," we want to work together with franchise owners to lighten the heavy burden on the front lines.

Questioner 7

Q)

- Even though Seven-Eleven is pursuing great initiatives that other convenience stores do not offer, such as cold chain-based freshness management for vegetables, I feel like the company is not doing enough to showcase those efforts. I want the company to take a more proactive approach to communicating the high-level capabilities of its daily-product manufacturers and vendors, as well as the quality of its products. There are many shareholders and fans who really stand behind the company.

A)

- We appreciate your warm words of encouragement, and your comments are another powerful reminder of the importance of communication. Our mission, we believe, is to build on what our predecessors have created. We ask for your continued understanding and support.

Questioner 8

Q)

- I have concerns about Item No. 3. Amending the Articles of Incorporation to allow virtual-only shareholders' meetings, when Seven & i Holdings has never even held a hybrid shareholders' meeting with in-person and virtual attendance, seems questionable to me. In addition, people have raised concerns about whether Q&A sessions at virtual-only shareholders' meetings can be

conducted fairly. Some companies disclose all the questions to demonstrate fairness and transparency. Does the company plan to voluntarily disclose records of the questions and communications submitted?

A)

- The purpose of Item No. 3 is to amend the Articles of Incorporation to allow the company to hold shareholders' meetings without a designated location. The goal of the changes is to make it easier for shareholders to attend regardless of their address, make shareholders' meetings more active, efficient, and smooth, and mitigate risks such as the spread of infectious diseases or the occurrence of major natural disasters. At this point, we have no intention of suddenly switching to virtual-only shareholders' meetings next year. Given that we need to allow for a wide variety of situations in today's world, however, we are asking shareholders to approve this amendment so that we have the option of holding a virtual-only meeting if necessary. Regardless of the meeting format, we will continue to be open to and respond to shareholders' opinions and questions with the same attitude we have consistently maintained. We will take every perspective into account, including your suggestion about the possibility of disclosing questions.

Questioner 9

Q)

- Since peaking in 1995, Japan's working-age population has dropped by nearly 20 million. Labor shortages have become the norm, and companies in every field and every industry are competing for talent. The company is aiming to increase its store count by 1,000 by 2030, which makes labor shortages a concern. How do you see the issue?

A)

- We have been working to save labor by introducing self-checkout registers, simplifying product inspections through a new inspection system, and using AI-based ordering. This fall, we will introduce next-generation registers that stores can switch to self-checkout. Moreover, we will continue enhancing the accuracy of, and rolling out, robotics-based equipment and AI-based ordering. In parallel with our labor-saving measures, we will also work to boost Seven-Eleven's brand value in the labor market. Knowing how important it is to have brand value that makes people say, "If I'm going to work part-time, I want to work at Seven-Eleven," we are working to improve perceptions of working at Seven-Eleven through commercials featuring franchise owners and store employees. To address labor shortages, we will combine labor-saving measures with communication initiatives for customers and store employees.

Questioner 10

Q)

- One reason the share price remains weak is that things seem gloomy: the general atmosphere in stores is heavy, and employees and franchise owners seem downbeat. Shareholders can sense that the company is grappling with a tough business situation. There are also serious labor shortages on the front lines, and stores are struggling. In that context, I think it would be better for the

company to move away from trying to pack in as many services as possible, strip away the excess, and instead focus on the core of the convenience store format: delivering truly delicious products. That, I think, is what will bring the share price up. I have high hopes that the new management team will be able to do that.

A)

- We appreciate your comments, which offer both valuable criticism and words of encouragement.