

Enhancing Corporate Value as CXO (Investor Briefing): Q&A Summary

Date: October 17, 2025 (Fri.) 14:00 to 15:00
Presenters: Hiroyuki Naka, Chief Transformation Officer (CXO)

Q: I would like to ask about the integration of management strategy and digital technologies. Although I understood that Mr. Naka, as the former General Manager of the Corporate Planning & Administration (CP&A) Division, covers “strategy” aspects managed by the CP&A Division, but I have noted the recent revision of the remuneration system for presidents of Group companies and the examination of office lease contracts appear to be initiatives from a CP&A Division’s perspective. As CXO, beyond the framework of the CP&A Division, and in addition to company-wide initiatives, in which business areas do you expect the introduction of digital technologies to have the greatest impact on improving profitability despite existing businesses or new investments?

A: The main idea is that the introduction of digital technologies will enhance the overall capabilities of our company. As explained in the following session, Digital Strategy, it is said that “Marketing and Sales”, “Customer Support” and “Development” are particularly impacted by generative AI. Regarding “Development”, system integrator or music/movie production are said to be impacted mainly, so the direct impact on our businesses is expected to be limited. On the other hand, for “Marketing & Sales” and “Customer Support”, are areas where we anticipate substantial influence and opportunities for business expansion, especially given our company’s strengths in consumer-related sectors. We have a wealth of data within our BtoC and BtoBtoC businesses, but we have not fully utilized these data yet, and as the term “data-driven” suggests, we expect further growth through leveraging them. For example, the assets and infrastructures of the stores are evolving from venues for simply selling products to touching points with customers or providing enhanced customer experiences, not through a sudden shift, but gradually shifting toward hybrid and omni-channel models. It is important for us to identify these market trends and respond promptly.

Q: From the perspective of consumer-related businesses and the project in The 8th Company, regarding the Capital and Business Alliance with Seven Bank, Ltd. announced in September 2025, could you explain how you, as CXO, plan to proceed integration of management strategy and digital technologies into this project?

A: At first, by installing advanced ATMs in FamilyMart stores, we expect to improve customer convenience, resulting in higher fee income by increased transactions and greater store traffic. For Seven Bank, Ltd., the number of ATMs installed could increase by around 16,000 units in the future from the current 28,000, allowing the company to realize scale advantages; this was a key factor in our decision to enter into a Capital and Business Alliance with them. Currently, Seven Bank, Ltd. records a high dividend payout ratio, and considering profit contributions and dividend receipts, this investment fully meets our investment criteria. However, our broader objective goes beyond these aspects. “Logistics” and “Finance” are functions common to all businesses, which enables us to pursue a variety of initiatives. At FamilyMart, for example, they are considering entry into the bank agency services, and in our Financial and Insurance Business Divisions, we are working on credit card, payment, and loan businesses. By leveraging digital technologies as a hook to connect finance and digital technologies, we expect to

further expand into the fintech domain. While I cannot disclose details as Seven Bank, Ltd. is a listed company, we have already begun concrete discussions internally—including timelines and quantitative outlook—and we have high expectations for this project.

Q: I have heard that other companies have also tightened their investment criteria, but it is difficult for those outside the company to grasp the actual changes. I would like to know whether the stricter criteria were adopted as a result of lessons learned from past failures, or a part of a regular review process? Could you explain how the criteria were changed and what aspects were updated?

A: The changes were not made in response to specific past failures, but as a part of a regular review process. Our investment criteria include hurdle rates by industry —approximately 70 industries— and country, which were reviewed to reflect strong performance among comparable companies. Additionally, we have shortened the measurement period for country-specific risk-free rates. Previously, the use of a longer measurement period sometimes made it difficult to reflect recent changes in the business environment, such as the rise in US dollar interest rates, but now the criteria are more closely aligned with current conditions. As a result of these regular reviews, the criteria have become stricter compared to before.

Q: I believe that the revision of the remuneration system for Group company presidents is a positive initiative. Since new investments typically involve acquisition costs, strengthening existing businesses could have a more direct impact on improving returns. Has this revision resulted in increased CAPEX for enhancing existing businesses with the aim of improving core profit?

A: There has not been any significant change. In pursuit of sustainable growth under our management policy of "No growth without investments," we are accelerating new investments—including entering new industries, inorganic investments including large-scale projects, build-on type investments to strengthen supply chains, and relatively low-risk investments aimed at improving returns in adjacent domains. At the same time, enhancing existing businesses remains important. As explained today, we are also working to further elevate existing businesses by leveraging digital and AI technologies. However, our fundamental approach remains the same: maintaining our conventional lean management, with a focus on "Earn, Cut, Prevent" to enhance earning power. Among our approximately 260 Group companies, around 50 companies are mid-sized with profit scales between 2 and 10 billion yen. Achieving growth through hands-on management for these mid-sized companies is important, and the purpose of the revised remuneration system is to create an environment where the presidents of these Group companies can be even more motivated to drive further growth.

Q: Could you explain how the Investment Consultative Committee manages the overall investment portfolio? For example, if attractive resource sector opportunities continue to arise from the front line, is it possible that investments in the resource sector could keep increasing? Recently, there seems to be a trend of expanding business areas through investments in new sectors. What mechanisms are in place to ensure overall balance and what types of discussions take place?

A: We do not set investment quotas by Division Company or sector. First and foremost, each investment project must exceed the hurdle rates by approximately 70 industries and by country. Furthermore, each Division Company carefully assesses the business expandability and growth potential before submitting projects to the Investment Consultative Committee. I have communicated to Division Companies that we strictly evaluate not only investment criteria, but also ROA and ROI perspectives. While the headquarters manage leverage to maintain a high company-wide ROE, Division Companies are

encouraged to focus on maximizing ROA and ROI. As stated in the Integrated Report 2025, the ROI of new investments in non-resource sector since FY2015 has been 8.4%. Our cost of equity is about 8%, and we require similar levels for our internal investment criteria. We are strongly aware of the ROE and CAGR levels expected by the market, and headquarters centrally manage leverage and asset allocation. From the perspectives of ROE, ROA and cash efficiency, I work in cooperation with CFO to select projects that meet the standards required across the entire company.

Q: Does the Group Finance Review Committee make decisions on whether to approve loans to each Group company, or does it primarily determine loan interest rates according to industry? What are the main topics discussed on this committee?

A: We have already applied differentiated loan interest rates to some Group companies, but there is still room for improvement. Since this is group finance, we rarely refuse loans outright; instead, we carefully review whether the terms are not overly lenient and whether funds are being used efficiently — much like a bank’s approach. Banks typically conduct credit ratings based on financial statements and to assess repayment capacity as well as the strength of equity. In our Group, surplus funds are generally returned to headquarters as dividends. Our purpose is to ensure management control by evaluating each company’s ability to borrow as an unsecured basis corporate loan, and when a company requires additional funding beyond this level, we identify areas for improvement, such as speeding up receivables collection, managing inventory more effectively, and addressing unprofitable or inefficient business operations.

Q: Although it was announced that the consideration of investment in Seven & i Holdings Co., Ltd. has been discontinued, at which stage in the internal investment execution process described on slide 13 of the presentation material was the evaluation deliberated?

A: The review was discontinued before entering the formal application process described in the material. Typically, proposals are submitted to the Project Review Meeting within Division Company once the details have been finalized; however in this case, considerations including funding were still ongoing at the front line prior to that stage. For the large-scale projects, it is sometimes the case that, apart from the regular Investment Consultative Committee meetings, informal discussions are held among committee members before entering the formal application process. In this case, such informal discussions were held at an early stage, but the applying department decided to withdraw the proposal before moving forward with the formal process.

Q: Is it correct to understand that, if the proposal had not been withdrawn, it would have been assessed in accordance with the process described on slide 13 of the presentation material?

A: Yes, that is correct.

Q: Regarding the second key assessment point of the Investment Consultative Committee described on slide 12 of the presentation material — “further evolvement of investment structuring”— it is difficult for external parties to see how rights and mechanisms for creating synergies and exerting influence are embedded in contractual terms. Could you comment on this aspect with respect to the Capital and Business Alliance with Seven Bank, Ltd.?

A: While I am unable to disclose specific contract details, we conduct thorough discussions and ensure that all necessary terms are incorporated into our agreements. The Investment Consultative Committee carefully reviews each contract to confirm that our objectives can be achieved before the company makes its decisions accordingly.

- Q: You mentioned that coordination among Group companies has become rare, then some time has passed since the establishment of The 8th Company under your supervision. Do you believe the Group CEO Office remains necessary going forward? From your perspective as CXO, are there any areas where further changes or improvements should be made?
- A: Because the system is functioning well, I believe it remains essential going forward—particularly the function of supporting both Division Companies and Group companies. Each quarter, the presidents of approximately 50 to 60 Group companies with profits of 2 billion yen or more report their results directly to the Chairman & CEO and President & COO. While most of the financial results are grasped in advance, in addition to the financial reporting, these meetings also involve direct discussions about current management challenges, concerns, and new initiatives. Based on these discussions, I as General Manager of the Group CEO Office, receive individual instructions from the Chairman & CEO. For example, these instructions may include conducting deeper competitor analysis, investigating new investment ideas in collaboration with relevant internal parties, or formulating specific strategies for Group companies together with the Division Company. As a hub function, I coordinate with Division Companies and relevant administrative divisions, and I feel the system is operating very smoothly.
- Q: How do internal committees such as the Investment Consultative Committee monitor and evaluate whether the anticipated quantitative contributions and synergies have actually been realized after an investment is made?
- A: The Investment Consultative Committee itself does not conduct post-investment reviews, but under the leadership of CFO, annual “periodic reviews for business investments” and “periodic reviews for investments to non-affiliated companies” are conducted. Through these reviews, we assess the CAGR, asset efficiency, and progress of quantitative contributions and synergies compared to the original plans for each investment. In addition, each Division Company analyzes key management indicators to carefully examine the overall asset efficiency and profitability of the Division Company as a whole. For large-scale investment projects, a one-year post-investment review at the Headquarters Management Committee may be required as a condition at the time of approval; in such cases, the Investment Consultative Committee also participates in the one-year review discussions.
- Q: From the perspective of proactively promoting growth investments, how are digital technologies and AI being utilized in the investment decision-making process? Are there cases where these technologies help accelerate the speed of project review and approval? Conversely, do they ever lead to more rigorous checks that result in longer review times? The question is from the standpoint that you should actively pursue further growth investments.
- A: As will be explained later in the “Digital Strategy” section, I feel that the use of digital technologies and AI has led to greater speed and improved accuracy. By accumulating and analyzing data, we are able to leverage lessons learned from past failures and apply them to decision-making, as well as more effectively assess market trends and the characteristics of each Group company.