April 10, 2024

To whom it may concern:

Company Name: Seven & i Holdings Co., Ltd.
Representative: Ryuichi Isaka
President & Representative Director
(Code No. 3382/Prime Market of the Tokyo Stock Exchange)

The Discussions in Our Board and Strategy Committee Recommendations and Our Group's Action Plans Toward the Maximization of Corporate and Shareholder Value

Seven & i Holdings Co., Ltd. ("the Company", "the Group" or "we") announced the "Update to the Medium-Term Management Plan and the Results of the Group Strategy Reevaluation" (the "Group Strategy Reevaluation") on March 9, 2023, and established the Strategy Committee ("the Strat Com") composed of all the Group's Independent Outside Directors, focused on maximizing corporate value and thus shareholder value in the medium- to long-term. Based on the discussions in the Strat Com, the Strat Com recently shared its recommendations (Appendix) to the Company's Board of Directors (the "Board"), and the Board considered and adopted the recommendations. We will create a timeline for actioning those items that is being announced today and have started working towards implementation.

- The Strat Com has held 13 formal meetings and several informal meetings, in addition to a great deal of analytical work prior to the meetings, with a great amount of time and effort being made since its formation
- These Recommendations were reflected in the action plan that was presented to the Board. The Strat Com had provided input to management in advance of its final recommendations to the Board and some of these have been adopted already. The categories below will be implemented under a concrete plan with actionable deliverables for the Board to track going forward to ensure these objectives are met.

  - Concrete action plans to accelerate growth:
    In order to promote the growth strategy of our Group, we will proactively implement strategic investments in the Convenience Store ("CVS") business with a more agile and flexible financial discipline (target leverage: Net Debt/EBITDA ratio 1.8-2.5x) while at the same time working to improve the Group's capital efficiency.
    - Accelerate growth and improve profitability and capital efficiency in the North American CVS market with large growth potential
    - Develop more aggressive business plans and investments for the Global CVS business
    - Establish the IT/DX strategy for the foundation of our global growth, and the IT/DX governance to improve cost competitiveness
    - Monitor and support the completion of the transformation and growth of Tokyo Metropolitan Area Superstore ("Tokyo Metropolitan Area SST") business[1]
    - Maximize the synergy between Retail and Financial Services

  - Changes to the Group structure that will enhance our long-term growth and corporate value:

[1] Tokyo Metropolitan Area SST business encompasses Ito-Yokado Co., Ltd., and SHELL GARDEN CO., LTD.

The Board seriously considered our optimal group structure through cooperation with Group subsidiaries, focusing on how to maximize value of each of our businesses including CVS, align employee interests, and create long-term shareholder value.

As a result, we will create a globally integrated CVS management structure, including Japan and North America, with a unified leadership. The Superstore ("SST") business[2] will aim to establish a refined management/business structure to provide employees with autonomy to pursue re-growth, and to have independence financially in strategic decision making, while continuing to aim towards a successful business transformation. With respect to that aim, the Company is considering an IPO of SST business targeting to list as soon as reasonably practicable as one workable option, on the basis that certain capital alliances and shareholdings among these businesses will continue to allow the food related collaboration between CVS and SST to be maintained.

- <u>Enhancement of investor engagement:</u>
  We value our investors and want to ensure that we are engaging with them in a clear and transparent way to deliver on our mission and enhance shareholder value. We will continuously examine and strengthen the investor communication regarding our concrete strategy, growth path and its progress.

We will continue to engage and actively listen to the voice of all the stakeholders including our shareholders and will also commit to the continuous growth of the Group and increase of our corporate value through realizing "a world-class retail group centered around its food that leads retail innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology", by implementing the recommendations of the Strat Com as approved by the Board and clearly reflecting these within the progress of our next Medium-Term Management Plan.

We attach the Strategy Committee Recommendation in Appendix.

[2] SST business encompasses all operating companies under the SST business segment.

RECOMMENDATION OF STRATEGY COMMITTEE TO THE BOARD OF DIRECTORS

1. Objective of the Strategy Committee

The Strategy Committee ("the SC") was formed in March of 2023 to objectively assess and monitor 7&i Holdings ("the Group's") key strategic initiatives and optimal group structure, with the goal of maximizing enterprise value and thus shareholder value.

The SC which is composed of all the Group's independent external directors, is not a decision-making body, nor is it empowered to make external announcements. Our role is to make recommendations to the Board based on our analysis and assessment. We look forward to further input and a collaborative and constructive discussion with the entire Board.

2. Basis for our recommendations

The SC has had 13 formal meetings since its formation in addition to many informal meetings and a great deal of analytical work prior to our meetings. We have devoted a significant amount of time and effort to our analysis and deliberations. To ensure these were both rigorous and objective we made liberal use of independent 3rd party specialists selected by the SC. It should be noted that Management had no hand in setting the agenda for our meetings. We decided what would be discussed, when and how.

The SC is a very diverse group of individuals with experience in a broad range of industries and functions. Importantly, 4 out of the 9 members of the SC are non-Japanese, contributing a strong global perspective to the Committee. As one would expect with such a diverse group, our deliberations reflected a range of opinions facilitated by a very open and collaborative atmosphere.

The SC also considered feedback from our investors including concrete proposals from specific investors. Although there was and is a broad range of views amongst our investors, one common theme is the need to accelerate our growth and realize our global potential. We agree wholeheartedly with this. The Group's potential is far greater than our current share price would imply.

3. Summary of recommendations

Our recommendations fall into three broad categories:

a. Formulation of concrete action plans to accelerate growth
b. Changes to the Group structure that will enhance our long-term growth and enterprise value
c. Enhanced investor engagement to share our concrete strategies and plans, growth pathways and progress in execution

Many of these recommendations have already been agreed by the Board and are being actioned by Management. We have included all recommendations in this document for completeness.

- Accelerate the pace of acquisitions for the North American CVS business to capitalize on the fragmented market with a more assertive approach to financing.
- Develop more aggressive business plans and targets for the Global CVS business and pursue a more proactive approach to investment, particularly M&A.
- Centralize investment and planning for Group-wide technology and digital strategies to ensure we capture and leverage opportunities and capabilities across the entire group.
- Provide close oversight of SST's self-funding path to transform into a growing and sustainably profitable business, with monthly reporting to the SC.
- Develop a comprehensive plan for the split of CVS and SST after SST's transformation, with an IPO of SST in which the Group continues to hold a stake to ensure continued collaboration.
- Further enhance investor communication with greater detail, specificity, and frequency.

4. Outline of specific recommendations

    a. Growth acceleration

        i. North American CVS business (SEI)

The North American CVS business is and will continue to be a key driver of the Group's growth. SEI has demonstrated its ability to integrate acquired assets and accelerate their sales and profitability, most recently with the acquisition of Speedway. The SC believes the Group has both the financial flexibility and executional capability to confidently increase the pace of acquisitions in the fragmented North American market in a way that would be accretive to sales, profit and ROIC. We recommend that the Board consider accelerating the pace of acquisitions in North America with a more flexible approach to financing.

Although it is clear that personal transportation will transition away from gasoline over the next few decades, it is not clear what form that transition will take and over what timeframe. We recommend the Board urge management to develop an explicit plan to address this transition and the potential impact on customer traffic, sales, and profit.

SEI is successfully expanding the variety and quality of its food offering by leveraging commissaries and Japanese food manufacturers as well as developing in-store food preparation (QSR) capabilities. We have an opportunity to differentiate ourselves from our competitors if we accelerate our efforts in this regard. We recommend the board consider investing in food production capability whether owned, in-store or third party in order to accelerate this opportunity.

ii. Global CVS business (7IN)

The Global CVS business (outside Japan/North America) is the third pillar of the Group's business and over time is likely to become the main pillar of our growth. We have taken a relatively conservative approach to this critical driver of our future success. Direct investment has been limited for CVS businesses "in-country", in the food capabilities to support these businesses and in the talent needed to drive our Global CVS business. This needs to change immediately.

We recommend the Board task 7IN with the following actions:

- Develop granular entry strategies for each priority market.
- Develop concrete investment plans for existing markets including consideration of investing in master franchisees and food production capability with our third-party food partners.
- Formulate much more aggressive business plans and targets for the Global CVS business.
- Develop concrete action plans to quickly acquire, develop and deploy the talent needed to execute the plans referred to above.
- Take a more assertive approach to investing in Global CVS especially with regard to M&A.

In addition, we recommend the Board do the following:

- Streamline the 7IN organization structure to clarify reporting lines and accelerate decision making.
- Create a unified CVS leadership structure and organization covering all markets including Japan and North America.

iii. IT/DX

It goes without saying that the ability to effectively use and leverage technology is a key to success for any retailer. The SC has reviewed the Group's DX initiatives and although good progress has been made in many areas there are still several opportunities to enhance our ability to leverage technology across the Group and accelerate our growth.

Currently each operating company has a high degree of autonomy in developing and executing it's DX strategy. While this provides clear ownership of specific initiatives at the operating company level, it results in a lack of leverage and consistency across the Group. The Group DX strategy is largely a summary of the individual operating company strategies with little sharing and convergence amongst the Group companies.

Governance over our significant investments in DX is unclear. There is not currently a group-wide framework for making investment decisions in DX including how we prioritize the most strategic investments for the Group, how we assess and track returns (ROI) and how we ensure financial discipline.

There is no group strategy for acquisition, development, and deployment of DX talent. This will likely become a significant impediment to accelerating our activities in this area.

Consistent with the lack of a real group strategy for DX, we also do not appear to have a group-wide approach to strategic partners. Our approach to partners is more tactical than strategic. Given the immense benefit the right partners can bring to our business this seems like a lost opportunity.

The SC recommends the Board consider the following steps:

- Develop a truly global mid to long-term strategy to ensure we are leveraging opportunities and capabilities across the entire group. This includes the establishment of a global governance framework to ensure the most impactful activities are prioritized and appropriate returns are delivered. The establishment of a global DX council composed of the senior DX leaders across the Group would be helpful in this regard.
- Create a road map to acquire and nurture the global talent we need to execute the strategy. Again, this needs to be a global approach not country by country.
- Consider the areas in which we require support from partners now and in the future. Determine which strategic partners to align with on a global basis.

iv. SST

The SST business has underperformed for many years as the competitive landscape for Japanese supermarkets has become more challenging and the Groups focus has been on growing the CVS business. At the same time, 7-11 Japan (SEJ) has benefited greatly from the food product development and supply chain strengths of Ito-Yokado (IY). Average per store sales of SEJ are 30% higher than our competitors and this difference is entirely attributable to higher food sales. SEJ originally grew out of IY and continues to leverage IY's far greater assortment, food merchandising knowledge and supply chain. This is especially evident in private label and fresh products. Simply put, SST is a competitive advantage for SEJ. As SEJ continues to evolve with an even greater emphasis on food and fresh produce the value of this advantage will only increase.

Although SST provides an important competitive advantage for SEJ, its long-term underperformance is not tenable. For this reason, the SST business has set out to fundamentally transform itself and create a sustainably profitable platform for growth. The SC has invested many hours in analyzing, challenging, and deliberating the transformation plan. Though it is an ambitious plan, it is well conceived with appropriate resources and clear milestones to be achieved. Importantly, the plan is also self-funding. By largely eliminating apparel and home goods inventory as well as monetizing other assets including real estate, SST will have the financial resources to fund its transformation.

One area of concern is the lack of a comprehensive growth strategy which includes repositioning Ito Yokado with a compelling brand proposition. Clarity around the brand proposition will align the business behind the key growth drivers, particularly in merchandising, marketing, and operations. Without such clarity it will be difficult to deliver the growth needed to achieve the transformation targets. The SC recommends the Board instruct SST management to immediately begin development of a comprehensive growth strategy which includes a clear and compelling brand vision that is reflected in detailed category, marketing, and operations strategies. We ask that Management inform the SC how long this will take and to share the completed brand and growth strategy with the SC.

To ensure the plan progresses as committed, the SC has requested Management provide a monthly update. If progress slows, we will need to consider other alternatives. There cannot be a return to the status quo.

b. Optimal group structure

Over the last several years the Group has been deliberately and thoughtfully evolving from a multi-brand and multi-category retailer to one focused on food and convenience. As part of this strategy, over the last two and a half years, we have divested four domestic non-core assets, most notably Sogo and Seibu. Over the same period, we have acquired or invested in three international convenience assets, most significantly Speedway in the US and 7-11 Australia. As a result, 82% of our sales now come from CVS of which 74% is international (As of Q3, FY2023). We are now truly a global convenience business.

Though much progress has been made, the SC felt it necessary to consider what other steps could be taken to accelerate growth and enhance enterprise and shareholder value. We spent many hours analyzing and deliberating various options regarding group structure including those proposed by our shareholders. It should be noted that Management played no part in this discussion.

The SC reviewed these options in detail. We considered impacts on growth (especially of CVS), on resource and capital allocation, on maintaining and enhancing the CVS businesses competitive advantage in food, and the potential reaction of the capital markets.

Ultimately, we concluded that a separation of the CVS and SST businesses is in the best long-term interests of both businesses, their employees, and our shareholders, provided that the collaboration in food can be maintained. For the SST business in particular, independence will allow them to control their own destiny as the full attention of the Board and Management will be focused on their business. SST will no longer be a small part of a much larger business. Instead, as an independently listed entity, SST will be able to set its own course with direct access to capital and talent and the option for employees to participate in the business's success.

We believe having CVS and SST focused solely on their respective businesses will maximize the enterprise value of both businesses.

- The SC recommends the Board instruct Management to develop a comprehensive plan and timeline for the split of CVS and SST with an IPO of SST post-transformation (in 2026) and the Group continuing to hold a stake in SST to ensure continued collaboration. We request Management promptly revert to the Board with a commitment as to when the detailed plan and timeline for the IPO will be delivered to us.

c. Investor communication

Over the last year, the Group has made significant progress in enhancing investor communication. During this time, members of the SC have met with many of our shareholders. Investors have expressed appreciation for the greater clarity in communicating our growth strategies and shareholder return policies as well as the increased opportunities to interact with the Group through the recently launched IR Day and individual meetings. However, based on feedback received, we are still far from global best practice with regard to investor engagement and communication. The SC recommends improvement in the following areas.

- Improve the quality of our communication:
  A recurring theme from our investors is the desire for greater detail and specificity regarding our business plans. We recommend that the Group provide our investors with clear quantitative targets and milestones for our key growth and transformation initiatives as well as specific actions for which we can be held accountable.

- Increase the frequency and cadence of our investor communication:
  Though this has improved, we recommend that the Board consider a quarterly cadence of in-person meetings with our shareholders in which we share our detailed plans regarding the business and shareholder value enhancement. This will allow us to accelerate the cycle of receiving shareholder input, reflecting it in our strategies and initiatives and sharing again with our shareholders.

- Assess the adequacy of our resources:
  As our IR/SR activities and expectations of our shareholders increase we should consider whether we have the right resources and organization to meet these needs.

5. Looking ahead

Though there were many perspectives represented on the SC, the recommendations above reflect our overwhelming consensus. To reiterate, our objective was and is, to maximize enterprise value and thus shareholder value. We believe enacting these recommendations with achieve that objective. We appreciate your careful review and look forward to discussing this with the full Board so we can move forward with a clear plan of action and timeline.