

April 25, 2023

Seven & i Holdings Co., Ltd.

Seven & i Holdings' Board Responds to ValueAct; Urges Shareholders to Vote for Board Nominees

- *Letter criticizes baseless attacks against individual Directors in light of Board independence and unanimous opposition to ValueAct proposal*
- *Issue of recording – a misunderstanding the Company had previously addressed – deliberately distracts from substantive strategy discussion*
- *ValueAct's agenda and tactics contradict its constructivist image*

Seven & i Holdings' Board of Directors today issued the following letter to shareholders outlining its strategy and strong governance practices and addressing ValueAct Capital's ("ValueAct") recent letter, which, instead of discussing substantive value creation issues, makes baseless attacks against individual Board members.

Moreover, the entire Board, composed of a majority of independent directors and transformed last year with ValueAct's direct input, is opposed to ValueAct's proposal and their nominees because it will destroy, not create, value.

April 25, 2023

Dear Seven & i Shareholders,

Your Board and management team have taken significant steps to advance Seven & i's performance, execute its business transformation, and create value for shareholders.

- Our independent directors unanimously reaffirmed our strategy earlier this month, committing to driving investments in our convenience store ("CVS") business while continuing to prioritize our resources and capital allocation to grow our CVS business with a food-centric focus.
- A refreshed Board installed in May 2022 and composed of a majority of independent directors is overseeing this transformation, and a new Strategy Committee of only independent directors is monitoring our performance with an open mind as to the next steps and timing of transformational value creation.

It is against this backdrop of sweeping business and governance change that ValueAct Capital initiated its campaign to nominate four new directors to the Board, remove our President and Representative Director and force a hasty and long-term value-destructive immediate spin-off of the CVS business. We have attempted to constructively engage with ValueAct regarding why we strongly believe this path is not in our shareholders' best interest at this time. It has become clear that they will not be dissuaded from pursuing their short-sighted agenda.

VALUEACT'S BASELESS BOARD AND GOVERNANCE ALLEGATIONS DISTRACT FROM SUBSTANTIVE STRATEGY DISCUSSION

Preparing detailed minutes of business meetings is common practice in Japanese business culture; the meeting recording was done to facilitate that.

- When we became aware of ValueAct's concern, we promptly sent an email communication on behalf of the entire Board explaining the circumstances that led to this misunderstanding transparently and forthrightly.
- We noted that we regretted the misunderstanding and expressed our commitment to not record meetings with ValueAct in the future, unless consent is obtained from ValueAct.
- ValueAct chose to omit those facts and deliberately held back our communication in order to support their narrative of a devious and secret recording. We are attaching our correspondence at the end of this letter for appropriate transparency.

Our Board performed a rigorous and fair review of ValueAct's shareholder proposal in a manner consistent with proper governance practices, with the independent directors consulting outside legal counsel provided solely to these directors.

- As part of the Board's rigorous review, independent outside directors from the three approved by ValueAct conducted interviews with ValueAct's four director candidates. The independent directors also held executive sessions and discussed ValueAct's proposal as well as the process of the Board review.
- These directors concluded that ValueAct's nominees were underqualified compared to the Company's nominees, as evidenced in the comparison of skillsets the Company published on April 18.

- Far from an example of governance failure, the Board implemented an exemplary governance process to fully consider ValueAct’s nominees. ValueAct simply disagrees with our Board’s unanimous determination so is making up a spurious governance attack.
- The “conflict of interest” alleged by ValueAct has been devised by them and is not reflected in the facts. Indeed, ValueAct wants to be able to cherry pick the members of the Board who are “independent” by their definition. However, they deliberately disregard the fact that the Board vote opposing ValueAct’s nominees was unanimous – not because anyone is entrenched, but because it will interrupt the company’s strong business momentum, it does not take into account the synergies between our businesses, and it will destroy value.

OUR TRANSFORMED BOARD AND GOVERNANCE ARE BEST IN CLASS

ValueAct refuses to recognize the transformed governance structure the Company implemented in 2022 following discussions with ValueAct and other shareholders.

- ValueAct wants to suggest that our Company is run by an imperial CEO who bends a supine Board to his wishes and so must be removed. This is a made-up story; nothing could be further from the truth.
- The new Board, which is made up of a majority of independent directors, is among the most independent of major Japanese companies. Only 12% of major Japanese companies have a majority of independent directors. Our Board can and does challenge management on the Company’s strategy.
- As members of the newly formed Strategy Committee, the Company’s independent directors are monitoring performance and holding management accountable as they advance the Company’s transformation. ValueAct’s focus on management fails to recognize the Board’s independence and oversight, as well as management’s stated commitment to evolving the business.

VALUEACT’S AGENDA AND TACTICS CONTRADICT ITS CONSTRUCTIVIST IMAGE

ValueAct approached us in November 2020 with what we thought was a desire for constructive engagement and thoughtful transformation. In reality, they already had a single and narrow-minded agenda from the start.

We, including our lead independent outside director, have engaged with them on over 30 occasions since then, and we carefully considered their perspective. We have appreciated their input on topics including our transition to a majority independent Board and divestments of noncore businesses. In December 2021, the Board took the extraordinary step of inviting the firm to present its views to the full Board so that all Board members could fully and fairly consider their input. However, ValueAct has refused to engage substantively with us about our strategy for change and the rationale behind it, as we continue to steadily improve our performance and business momentum.

It’s become clear that, contrary to its assertions, ValueAct does not have a long-term interest in our business. Its approach reveals that it is interested only in pursuing a short-term payout at the expense of more robust value creation. This will ultimately harm our other shareholders.

After coordinating with ValueAct in private for over two years, we are disappointed to see the firm acting in an aggressive way that directly contradicts the image it has sought to project to the outside world.

VALUEACT IS NOT INTERESTED IN CREATING LONG-TERM VALUE; IN CONTRAST, OUR STRATEGY IS DELIVERING RESULTS

ValueAct’s proposal pushes for an abrupt removal of our President and Representative Director and a hastily executed spin-off of the CVS business to achieve a short-term return, undermining the business’ ongoing transformation and value-creation trajectory. Their proposal is based on a superficial understanding of our business. And they seek to replace strong, seasoned directors with underqualified candidates.

In contrast, we have achieved 88% total shareholder return since we announced our acquisition of Speedway in August 2020 and a total return of 9% since our Board refresh in May 2022, greatly exceeding our peers’ performance (see below).

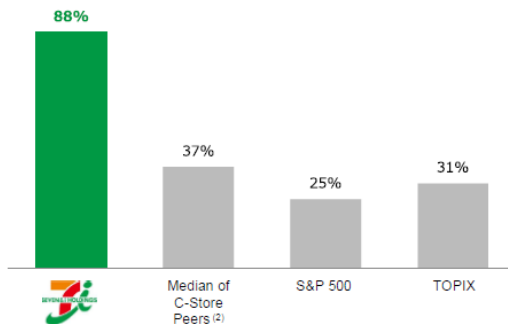
Total Shareholder Return Comparison



Total Shareholder Return Has Exceeded Key Peers Across Recent & Relevant Milestones

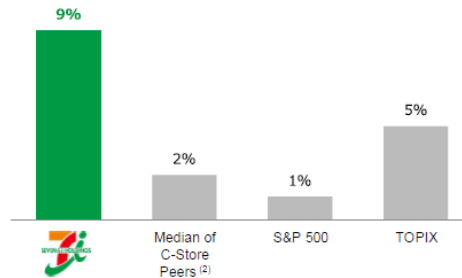
**Total Stockholder Return –
Since Announcement of Speedway Acquisition**

August 1, 2020 – Current ⁽¹⁾



**Total Stockholder Return –
Since Board Refresh and Appointing Six New Independent Outside Directors**

May 26, 2022 – Current ⁽¹⁾



⁽¹⁾ Capital IQ as of April 7, 2023
⁽²⁾ C-Store peers include Alimentation Couche-Tard, Arko, Casey’s and Murphy USA

We are committed to continuing to return capital to shareholders and achieving a total payout ratio of over 50% from FY2023 to FY2025 through dividends and share buybacks. We’ve seen a continuous growth of dividends per share since FY2020 and expect this to continue with our current Board structure. Moreover, our nominees have diverse skillsets and experience helping public companies drive growth and pursue structural transformations to maximize shareholder value.

WE ARE OPEN TO CHANGE AND COMMITTED TO MAXIMIZING LONG-TERM VALUE THROUGH SIGNIFICANT CAPITAL ALLOCATION AND PORTFOLIO OPTIMIZATION INITIATIVES

ValueAct's agenda shows that it continues to be focused on achieving a short-term result regardless of the effect on our long-term value creation. We remain confident in our strategy, the leadership of our President and Representative Director and of our highly qualified Board, and we will continue to stand firm in the best interests of our shareholders.

Our board is unified in rejecting ValueAct's demand for removal of our President and Representative Director, a partial director replacement and an immediate spin-off of the CVS business. Our Board vote endorsing our Medium-Term plan and creating a Strategy Committee was **unanimous**, as was our Board recommendation of the Company's slate of directors.

We urge our shareholders to vote in favor of the Board nominees and reject this short-sighted proposal, which would derail our transformation and destroy shareholder and corporate value.

Thank you for your support.

Sincerely,

Seven & i Board of Directors

Email Communication from the Company on Behalf of the Board of Directors to ValueAct follows:

From: 伊藤 順朗

Sent: Tuesday, April 11, 2023 9:04 AM

To: Jason Breeding 宮地 信幸

Cc: *[Intentionally omitted.]*

Subject: Re: Letter to the Board from ValueAct concerning audio recording investigation

Dear Mr. Jason Breeding:

I am writing on behalf of the board of directors in response to your letter, dated April 2, 2023. We regret this misunderstanding. It was our understanding, based on our previous discussions with ValueAct, that ValueAct specifically did not want the June 22, 2022 meeting recorded, which we honored. However, we did not believe you had meant that to extend to all future meetings between the company and ValueAct.

As you may be aware, as a matter of Japanese corporate practice and culture, it is customary for Japanese companies to take very detailed minutes of meetings to facilitate future inquiries related to the meeting and internal dissemination of the information to the relevant stakeholders. The company and ValueAct have engaged in numerous meetings, all of which have been in English. In an effort to further constructive discussions, we simply sought a mechanism to help ensure we could accurately understand and confirm them so that we could be responsive to your many demands and requests for information throughout our engagement with you.

We do not have a recording law in Japan which prohibits the recordings of meetings without the other party's consent, and we respectfully disagree with, and are disappointed to see, your accusations that our actions, in trying to make sure that we keep accurate and detailed records of our engagement with you, are inconsistent with building trust and a violation of law. Throughout our interactions with ValueAct, we have sought an open and constructive dialogue and have attempted to ensure that we are accurately understanding your numerous requests and demands (which was the sole reason for the recordings) and give them a fair hearing, even if we do not ultimately agree with such requests or demands. With respect to your claim that the recordings were "leaked" to a reporter, we have checked and do not believe that anyone at the company would have played any recordings of a meeting with ValueAct for a reporter.

In an effort to continue an open and constructive dialogue, we will of course destroy any recordings made in any prior meetings. Going forward, we will ensure that any future meetings will not be recorded without your explicit, prior consent.

Sincerely yours,

Junro Ito