

Shareholder Questions for Seven & i Board of Directors

April 2, 2023

www.valueact.com/presentations

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About ValueAct Capital

ValueAct Capital is an active governance oriented institutional investor

- Partners of ValueAct Capital have served in 56 public company board positions
- We are proud to have partnered with many great business leaders and board members over our 22 year history
- Our portfolio companies' track record of governance, transformation and corporate value creation results are easily referenced, globally and in Japan

ValueAct has been a major shareholder of Seven & i Holdings since 2020

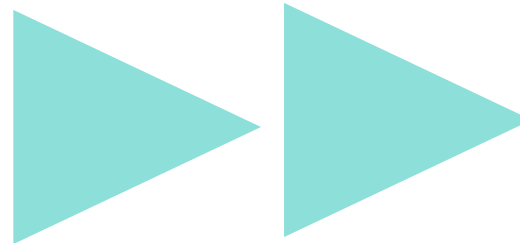
- ValueAct and other shareholders have been advocating for Seven & i to conduct an independent strategic review in-line with governance best practices
- Following the disappointing "Group Strategy Re-Evaluation" results announced on March 9, 2023 and the concerning management statements that followed, ValueAct has reluctantly submitted shareholder proposals for the 18th Annual Shareholders Meeting

ValueAct has previously published its [strategic observations on Seven & i](#) in February 2022

Shareholders Expected the “Group Strategy Re-Evaluation” to be Objective and Address Key Concerns But the Results Were Disappointing

What Shareholders Have Been Asking For

- ✓ An objective review of strategy that considers all options
- ✓ A review led by a committee of independent outside directors
- ✓ Clear communication of rationale for go-forward strategy



What Seven & i Announced on March 9

- ✗ A “rubber stamp” review with no change to the status quo strategy
- ✗ A review led by the whole Board including management
- ✗ Mixed messages and no transparency into review process or rationale

The “Group Strategy Re-Evaluation” that began in September 2022 did not follow governance best practices and did not meet the expectations of shareholders

We Ask the Board to Respond to Key Questions at the Company's April 6 Earnings Announcement

ValueAct requests that the Board address nine questions regarding the "Group Strategy Re-Evaluation" during the Company's April 6 earnings announcement.

Shareholders deserve simple, factual answers to each question. Transparent and full answers to these questions will signal to the market that Seven & i hears the calls of shareholders. Anything short of this will only increase shareholder perception of entrenchment and failed governance.

We also ask that the Company make the recording of the prepared remarks and Q&A of the April 6 announcement available in full in Japanese and English.

Shareholder Questions for Seven & i

- 1. Does the Board recognize shareholder dissatisfaction with the current conglomerate structure?**
- 2. How did the Board's process for the "Group Strategy Re-Evaluation" control for the bias of management toward the status quo?**
 - a. Did Seven & i create an independent committee to conduct a strategic review or did the whole Board including management participate in the "Group Strategy Re-Evaluation"?
 - b. Which firm acted as financial advisor? Did the financial advisor report to the Independent Outside Directors or to management?
 - c. Did Seven & i allow the Independent Outside Directors to evaluate and vote on several strategic options that were all presented as viable? Or did management make a single strategy recommendation for up/down vote by the full Board?
- 3. Did the Board evaluate the conglomerate discount?**
 - a. How much corporate value did the financial advisor estimate would be created by eliminating the conglomerate discount?
 - b. What is the Board's plan to eliminate the conglomerate discount?
- 4. Which strategic alternatives were quantitatively considered?**
 - a. During the "Group Strategy Re-Evaluation", for which strategic alternatives did the financial advisor assign a corporate value estimate?
 - b. How did the corporate value estimates of these strategic alternatives compare to the current market value of Seven & i Holdings?
- 5. Why not pursue a tax-free spin-off of 7-Eleven?**
 - a. What reasons were discussed at the Board for why this tax-free spin-off plan was inferior to the plan announced on March 9?
 - b. Was increased vulnerability of the separated companies to a takeover among the reasons discussed?
- 6. Why not pursue a sale of the whole Company?**
 - a. Is the Board aware of any takeover approaches to Seven & i in the past five years?
 - b. If a sale of the whole Company was evaluated, what were the reasons that a possible sale of the Company was inferior to the plan announced on March 9?
 - c. How did the Board ensure its evaluation of a company sale was not biased by the incumbent management's interests in retaining their executive positions in the Holding Company?

Shareholder Questions for Seven & i

7. How do the supposed “group synergies” justify maintaining the conglomerate structure?

- a. During the “Group Strategy Re-Evaluation”, did the Board quantify group synergies? If so, what is the contribution of group synergies to current operating profit and corporate value?
- b. Did the Board evaluate options to maintain synergies through commercial agreements?
- c. Did the Board evaluate the extent to which investing in group synergies in Japan under the conglomerate structure could limit its capacity to invest in the global growth of 7-Eleven?
- d. After 18 years of pursuing and communicating group synergies under the conglomerate structure, why does a large conglomerate discount remain?

8. Does the whole Board agree with management’s commentary?

- a. Does the Board unanimously agree with management's commentary during and after the March 9, 2023 announcement that the “Group Strategy Re-Evaluation” has "concluded" and that Ito-Yokado is "given three more years" before strategic alternatives can be pursued?

9. What will the newly formed Strategy Committee do?

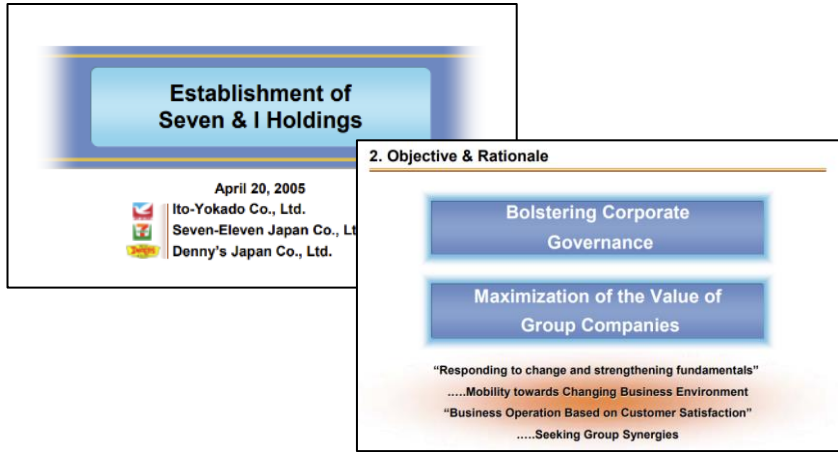
- a. Will the Strategy Committee communicate its recommendations to shareholders? Or will communications be mediated by management?
- b. Will the Strategy Committee establish its own timetable to evaluate strategic alternatives "objectively and comprehensively"? Or will the timetable be dictated by management?
- c. Will the Strategy Committee recommend a strategic alternative to the Board and call for a vote? Or are its recommendations purely advisory?
- d. In light of the negative capital markets reaction to management’s March 9 announcement to continue the status quo, will the Strategy Committee consider and announce a new strategic alternative prior to the May 2023 Annual Meeting of Shareholders?

Seven & i Holdings Strategic Context



Seven & i Holdings Background

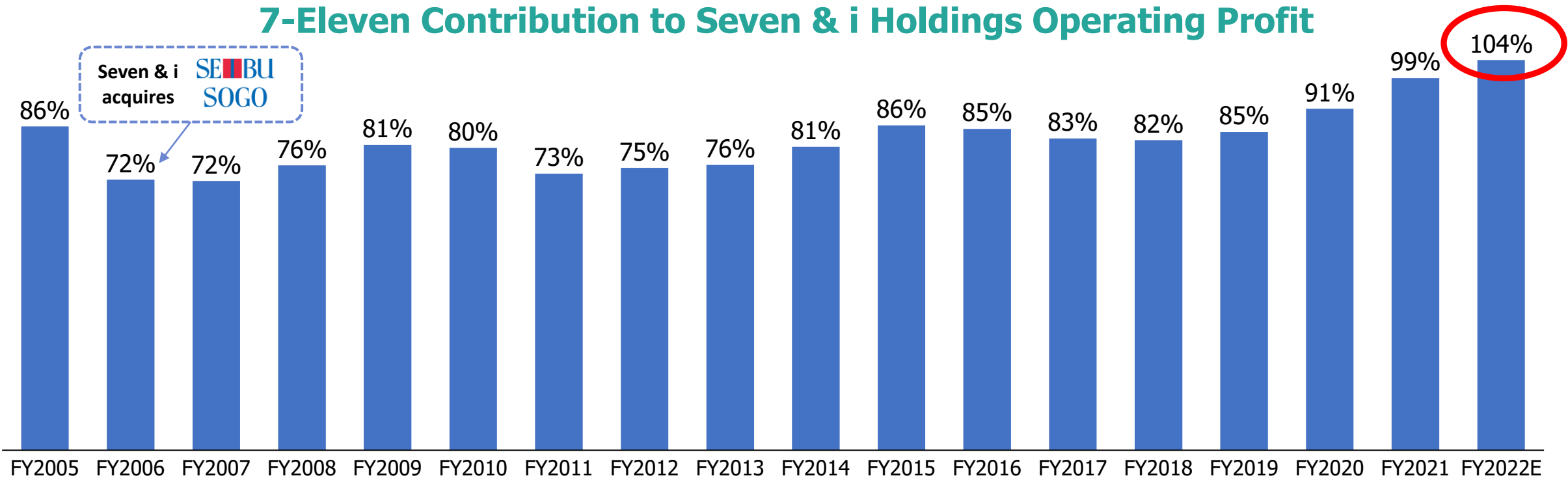
Seven & i Holdings was established in 2005 to bring three separately listed companies – Ito-Yokado, Seven-Eleven Japan, and Denny’s Japan – under one corporate umbrella. The Holding Company’s objective was to **realize group synergies and maximize the value of the group companies.**



18 Years Later, 7-Eleven is Over 100% of Profit – Other Group Companies Have Failed to Deliver

The non-7-Eleven businesses have shrunk despite **significant capital and management attention** directed towards restructuring them for growth.

7-Eleven Contribution to Seven & i Holdings Operating Profit



18 Years Later, Ito-Yokado is Still Pursuing Structural Reform



When Seven & i was formed in 2005, its strategy for Ito-Yokado was to “**pursue structural reform**”.

Today, in 2023, Seven & i’s strategy for Ito-Yokado is still to “**pursue re-growth through further structural changes**”.

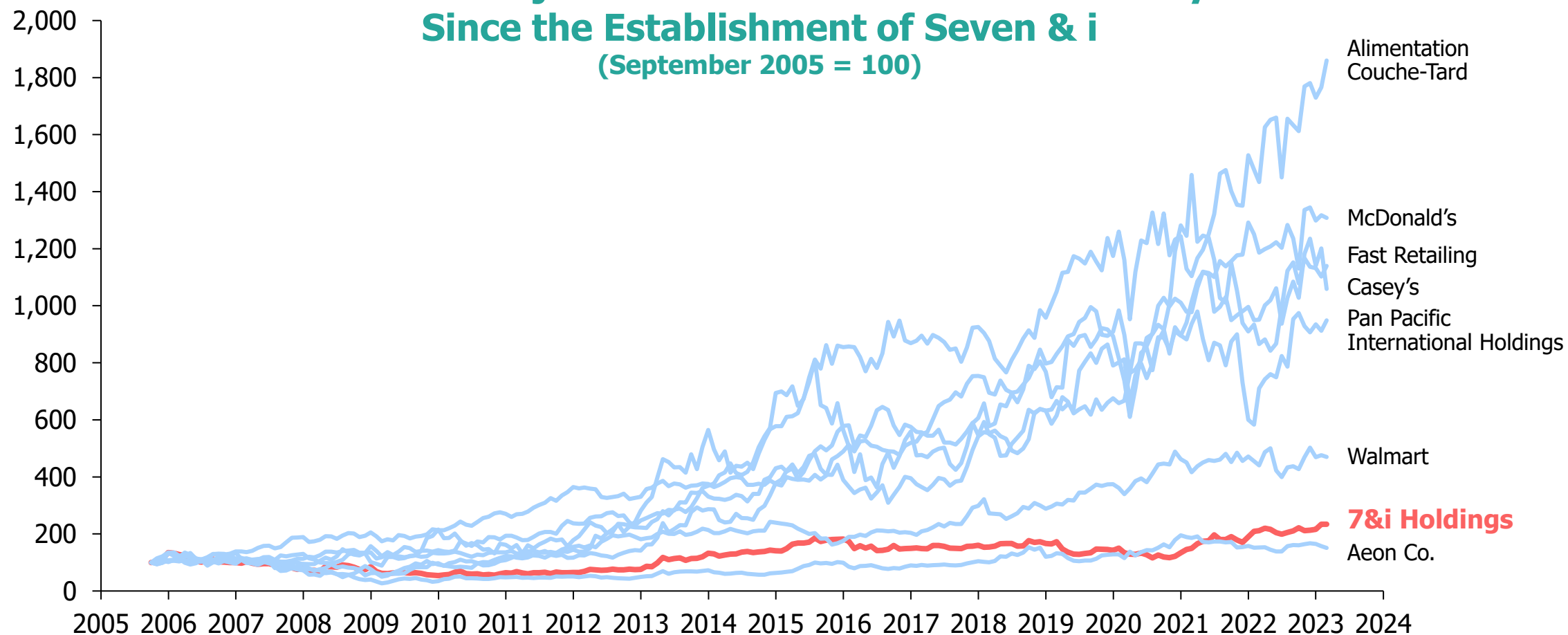
Ito-Yokado (super stores, SST) has been in “structural reform” since 2005

2005	Seven & i Holdings formed with the strategy: “convenience stores business to develop globally, super stores to pursue structural reform ...” – 2005 Presentation on the Establishment of Seven & i Holdings	2016	Leadership changes to current Representative Directors and a new strategy is announced: to pursue “ structural reform at Ito-Yokado ” and “ start an examination measures focused on Tokyo metropolitan area and food business .” – 2016 Medium-term Management Plan (MTMP)
2008	“We will work to improve profitability through structural reforms at Ito-Yokado and reorganization of the Group’s food supermarket operations” – 2008 Annual Report	2018	MTMP progress check indicates “ some success in store structural reforms, but delays of Ito-Yokado overall ”, and a need to “ improve profitability ” through further “ store structural reforms, store initiatives, and cost structure ” – 2018 MTMP Progress Presentation
2010	“At Ito-Yokado, we will rebuild our operations from the ground up and make a transition to a more aggressive orientation.” – 2010 Annual Report	2021	Pursue “ Business/Store Structural Reform ” with structural reform largely finished by FY2023 and transition to growth strategy from FY2024 and beyond – 2021 MTMP Presentation
2011	“The Group is undertaking merchandising innovation and structural reform under which it focuses on revitalizing existing stores, advancing conversion to store formats that meet changes in the conditions of locations or area market needs, and steadily closing unprofitable stores ” – 2011 Annual Report	2023	“ SST business will pursue re-growth through further structural changes... drastically transform business and profitability of the SST business within 3 years ” – March 9, 2023 update to the MTMP

Over the last 18 years, Ito-Yokado has reported over 250 billion yen of special losses

Seven & i's Shareholders Have Suffered

**Dividend Adjusted Share Price In Local Currency
Since the Establishment of Seven & i
(September 2005 = 100)**



**“Group Strategy Re-
Evaluation” Was Not the
Objective Review
Shareholders Were
Expecting**

Shareholders Don't Support the Status Quo Conglomerate Structure

2015



Third Point requests that the Company sell its underperforming operations (namely Ito-Yokado). [Source](#)

2020



"Finally, it is our view that if the U.S. 7-Eleven business were to be valued independently at a multiple similar to publicly-listed comparable companies, the undervaluation of Seven & I would become glaringly clear." [Source](#)

2021



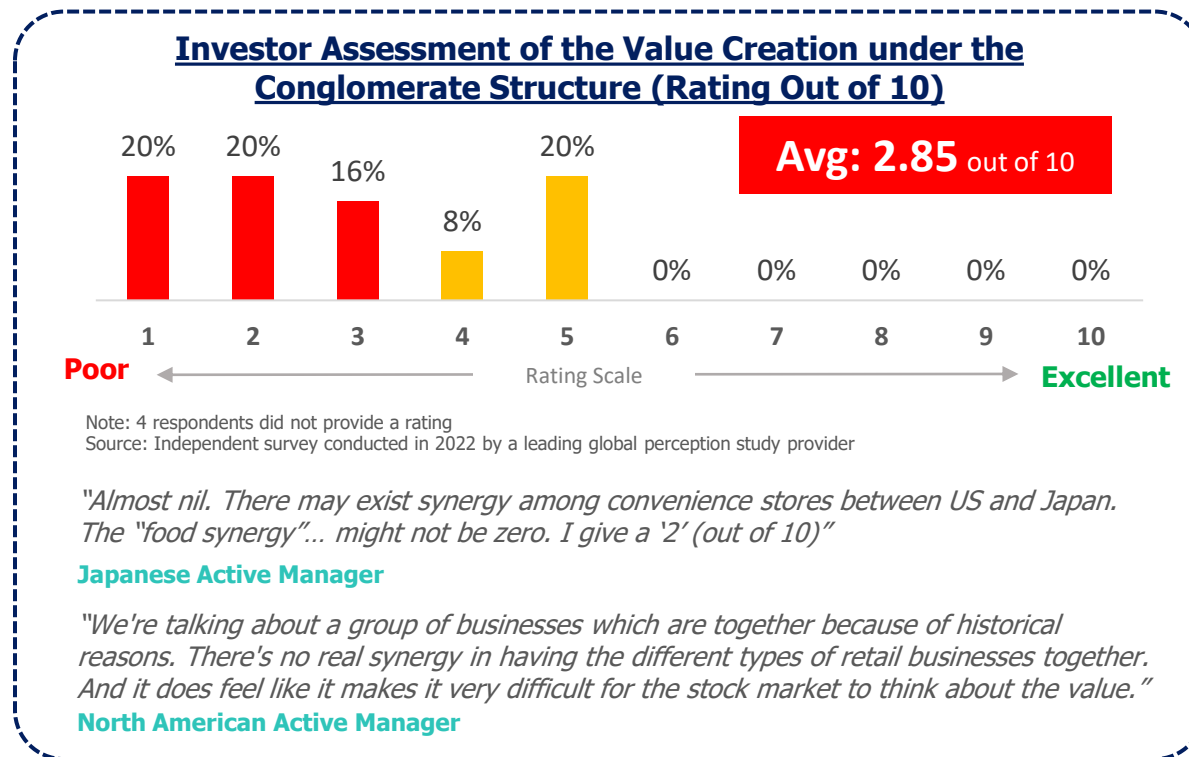
"We exited Seven & I due to slow progress on restructuring non-performing businesses in spite of our continued engagement." [Source](#)

2022



In its opposition to President Ryuichi Isaka's re-election at the 2022 AGM, T. Rowe conditioned it on the "slow progress on reform"

An independent survey of 25 major Japanese and Non-Japanese shareholders conducted by a leading global perception study provider in 2022, showed **broad-based lack of support for the current conglomerate strategy**. ValueAct shared these results with the Board in June 2022.



The “Group Strategy Re-Evaluation” was Seven & i’s Response to Shareholder Voices

|
Jan.
2022



Shareholders collectively take action to express dissatisfaction with the status quo conglomerate structure. Many shareholders engaged in dialogue, both in public and in private, with members of the Board.

|
Apr.
2022



Seven & i announces changes to its Board of Directors, including 6 new independent Outside Directors and promises to “**globalize its businesses and implement reforms in consideration of the voices from capital markets.**”

|
May
2022



Shareholders elect six new Independent Outside Directors with the expectation that the refreshed Board would conduct a robust strategic review in-line with governance best practices to address the shareholder dissatisfaction with the status quo conglomerate structure.

|
Jan.
2023

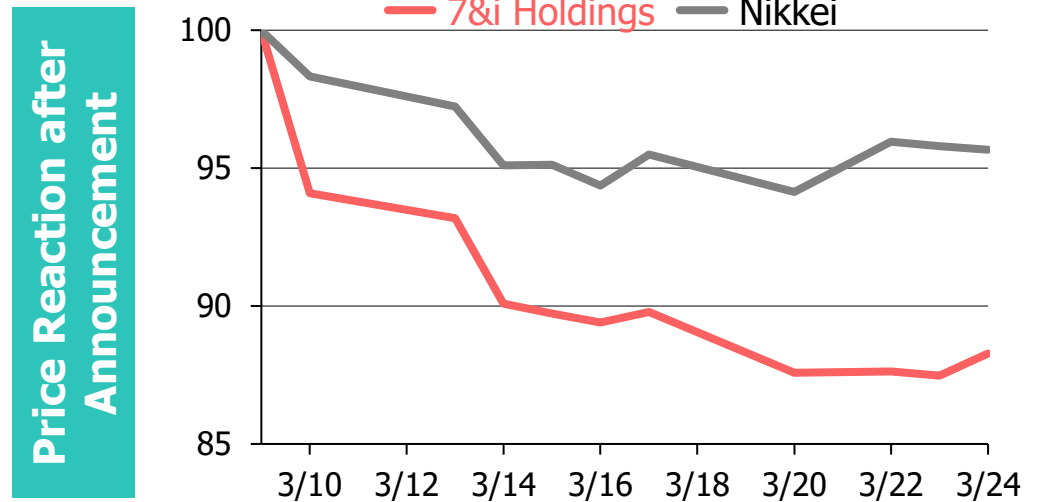


Seven & i discloses that it would consider “**strategic alternatives including the superstore business and drastic Group business structure reform**” supported by Financial Advisors with results announced in March 2023.



The “Group Strategy Re-Evaluation” Results Announced March 9 Were Disappointing

- On March 9, 2023, Seven & i announced its “Group Strategy Re-Evaluation” results after six months of Board discussion and Financial Advisor analysis. The results were disappointing.
- Market analysts and the media reported that **no major group business structure reforms had been communicated**.
- Seven & i’s share price fell 10% over the next three trading days**, double the decline in the Nikkei index over the same period.



“In terms of the strategic review itself, **we do not see much new that stands out** other than the disclosure of a targeted total payout ratio and the establishment of a strategic committee”



(In regard to Ito-Yokado reform) **“we do not consider this sufficient”**



NIKKEI Long time analysts and former employees of the bank with which Seven & i Holdings does business were **disappointed when they learned the details of the reforms**.

... However, **the structural reforms and the system for checking them have not been well received both inside and outside the company**. One executive at Yokado fears that "it will be even more difficult to know who is running the company."

... Seven & i has now established a strategy committee consisting solely of outside directors to monitor priority strategies and provide advice to the board of directors on how to improve corporate value. One securities analyst commented, **"This may be a way to strengthen governance, but it is piling up too many rooftops. I don't see much leadership from President Isaka of Seven & i."**

Re-Evaluation Was Flawed and Shareholder Concerns Have Not Been Addressed

“Group Strategy Re-Evaluation” Missing Basic Elements of Good Governance

- ✘ Process led by the whole Board (which includes management), rather than led by an independent committee of Independent Outside Directors
- ✘ Financial advisor retained by and reporting to management, rather than the Independent Outside Directors
- ✘ Opaque results and no transparency into review process or rationale, rather than clear and consistent communication about rationale for go-forward strategy

Independent Strategy Committee – an Unclear Mandate and Undermined Authority

The “Group Strategy Re-Evaluation” process communicated results on March 9, 2023, including the formation of a Strategy Committee to monitor the progress of strategic initiatives and “objectively and comprehensively” review strategic alternatives.

The Independent Strategy Committee should have been formed at the beginning of the “Group Strategy Re-Evaluation”, not the end. Now its mandate is unclear and its authority to consider alternative strategies has already been undermined by management.

Establishment of the Strategy Committee

- ❑ Establish the Strategy Committee composed solely of independent outside directors. Monitor the progress of the Group’s strategic priorities (CVS growth strategy, SST⁽²⁾ transformation, etc.) and continue to objectively and comprehensively review the optimal group structure and strategic alternatives (IPO, spin-off, etc.)

[Source](#)

Strategy Committee is Flawed

- ❌ Focused mandate with clear objectives
- ❌ Explicit timetable to answer key questions
- ❌ Direct communication with shareholders
- ❌ Support of management to explore strategic alternatives

Shareholders Deserve Answers from the Board



We Ask the Board to Respond to Key Questions at the Company's April 6 Earnings Announcement

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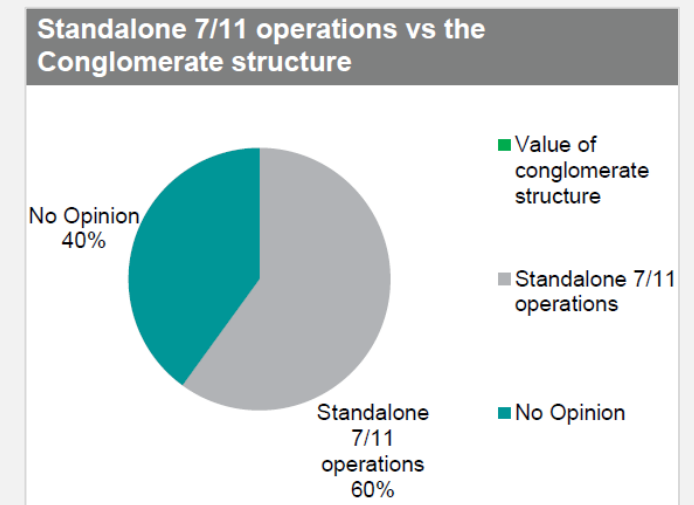
Q1: Does the Board Recognize Shareholder Dissatisfaction with the Current Conglomerate Structure?

Context

An independent survey of 25 major Japanese and Non-Japanese Seven & i shareholders conducted in 2022 by a leading global perception study provider showed broad-based lack of support for the current Conglomerate structure. When asked to compare the value of the standalone 7-Eleven operations with the value of the Conglomerate structure, **60% saw greater value in standalone 7-Eleven and 40% did not offer an opinion.**

None of the 25 shareholders surveyed responded that they believed the value of the conglomerate structure to have greater value than standalone 7-Eleven.

ValueAct shared the full survey with the Board in June 2022.



Question for Seven & i

(1) Does the Board recognize shareholder dissatisfaction with the current conglomerate structure?

Q2: How Did the Board's Process for the "Group Strategy Re-Evaluation" Control for the Bias of Management Toward the Status Quo?

Context

ValueAct has significant concerns regarding the objectivity and robustness of the "Group Strategy Re-Evaluation" process which began in September 2022.

To our knowledge, Seven & i did not create an independent committee to conduct its "Group Strategy Re-Evaluation". Instead, the Board decided that it was not necessary to conduct the strategic review independently from management, who have for many years advocated for the status quo conglomerate structure.

The independent "Strategy Committee" should have been formed at the beginning of the Re-Evaluation, not at the end.

Questions for Seven & i

- (2) How did the Board's process for the "Group Strategy Re-Evaluation" control for the bias of management toward the status quo?
 - a. Did Seven & i create an independent committee to conduct a strategic review or did the whole Board including management participate in the "Group Strategy Re-Evaluation"?
 - b. Which firm acted as financial advisor? Did the financial advisor report to the Independent Outside Directors or to management?
 - c. Did Seven & i allow the Independent Outside Directors to evaluate and vote on several strategic options that were all presented as viable? Or did management make a single strategy recommendation for up/down vote by the full Board?

Q3: Did the Board Evaluate the Conglomerate Discount?

Context

There is a conglomerate discount at Seven & i. The Company's valuation is low compared to its pure-play global convenience store peers. The conglomerate discount is referenced by many analysts as a reason for the Company's low valuation and several apply an explicit discount in their valuation methodology for Seven & i.

The conglomerate discount represents a clear cost to shareholders of maintaining the status quo conglomerate structure.

J.P.Morgan

"We think the company's **current low valuations versus those of peers** despite its longer-term growth potential and profitability **mainly reflect (1) a conglomerate discount...**"

Jefferies

"...the **standalone** domestic and overseas CVS businesses **would yield better returns and valuations [than the current conglomerate structure]** given the significant disparity amongst the core and non-core ROICs and **reduction of conglomerate discounts.**"

Questions for Seven & i

(3) Did the Board evaluate the conglomerate discount?

- a. How much corporate value did the financial advisor estimate would be created by eliminating the conglomerate discount?
- b. What is the Board's plan to eliminate the conglomerate discount?

Q4: Which Strategic Alternatives Were Quantitatively Considered?

Context

Shareholders have long expressed concerns about the Company's process for evaluating strategic alternatives in a way that is comprehensive and free from management bias toward the status quo.

In 2005 when the Holding Company was created, the leading global governance advisory firm **ISS** wrote, "a number of Ito-Yokado shareholders have been very vocal in their opposition to the terms of this transaction. **The opposition stems from several points, including a lack of time to consider the terms of the deal, concern that it was intended primarily to ward off an unsolicited takeover, and uncertainty regarding the synergies from the transaction... **These opponents have also complained of a lack of transparency in the process**... in fact, Ito-Yokado's share price fell by 11% immediately after the announcement of this transaction."**

Questions for Seven & i

- (4) Which strategic alternatives were quantitatively considered?
 - a. During the "Group Strategy Re-Evaluation", for which strategic alternatives did the financial advisor assign a corporate value estimate?
 - b. How did the corporate value estimates of these strategic alternatives compare to the current market value of Seven & i Holdings?

Q5: Why Not Pursue a Tax-Free Spin-Off of 7-Eleven?

Context

ValueAct believes that Seven & i is at a pivotal point in its evolution, with a clear opportunity to create a global champion 7-Eleven company. This standalone company would be worth around 8,500 yen per share we believe, or over 40% more than Seven & i's share price as of March 31, 2023.

ValueAct and other shareholders have been asking Seven & i to seriously consider a tax-free spin-off of 7-Eleven.

J.P.Morgan

"Many of the benefits of a spinoff mentioned on METI's website, such as 1) business autonomy (each unit can focus on its core business and make decisions quickly, and motivation increases), 2) financial independence (possibilities for growth investments and business partners' increased flexibility), and 3) an independent stock listing (elimination of a conglomerate discount), apply to Seven & i also."

Questions for Seven & i

(5) Why not pursue a tax-free spin-off of 7-Eleven?

- a. What reasons were discussed at the Board for why this tax-free spin-off plan was inferior to the plan announced on March 9?
- b. Was increased vulnerability of the separated companies to a takeover among the reasons discussed?

Q6: Why Not Pursue a Sale of the Whole Company?

Context

A [recent media report](#) indicated that in 2020, **Seven & i received an acquisition proposal from an “overseas retail company”**, but this acquisition proposal was never made public, and thus shareholders were denied the opportunity to consider selling shares at a premium.

The same media report details a series of events which constitute an **alarming governance failure** and an utter lack of concern for shareholder interests. The media report states that after receiving an acquisition proposal for the whole company in 2020, **Seven & i decided to pursue the large-scale acquisition of Speedway to deter the potential acquirers** – a decision that caused the share price to decline nearly 8% after it was announced. Just a few months before, Seven & i had withdrawn from acquisition negotiations for Speedway because the price was too high.

Questions for Seven & i

- (6) Why not pursue a sale of the whole Company?
- Is the Board aware of any takeover approaches to Seven & i in the past five years?
 - If a sale of the whole Company was evaluated, what were the reasons that a possible sale of the Company was inferior to the plan announced on March 9?
 - How did the Board ensure its evaluation of a company sale was not biased by the incumbent management’s interests in retaining their executive positions in the Holding Company?

Q7: How Do the Supposed “Group Synergies” Justify Maintaining the Conglomerate Structure?

Context

The strategy of Seven & i since its founding in 2005 has been to “pursue group synergies” to “maximize the value of its Group companies” but, to our knowledge, Seven & i has never quantified the contribution of these supposed synergies to operating profit or corporate value.

Questions for Seven & i

- (7) How do the supposed “group synergies” justify maintaining the conglomerate structure?
- During the “Group Strategy Re-Evaluation”, did the Board quantify group synergies? If so, what is the contribution of group synergies to current operating profit and corporate value?
 - Did the Board evaluate options to maintain synergies through commercial agreements?
 - Did the Board evaluate the extent to which investing in group synergies in Japan under the conglomerate structure could limit its capacity to invest in the global growth of 7-Eleven?
 - After 18 years of pursuing and communicating group synergies under the conglomerate structure, why does a large conglomerate discount remain?

Q8: Does The Whole Board Agree With Management's Commentary?

Context

Despite the "Group Strategy Re-Evaluation" (announced on March 9, 2023) disappointing shareholders with the process undertaken by the Board, shareholders took some comfort that a Strategy Committee was being formed "to continue to review the optimal group structure and strategic alternatives including an IPO or spin-off" according to the Company's [press release](#). However, Seven & i's management immediately began undermining the authority of the Strategy Committee.

In public, management has repeatedly stated that "three more years is given to Ito-Yokado" before further strategic alternatives can be considered. In private meetings with shareholders, including ValueAct, management has reinforced the three-year timetable, confirmed that the strategic review had "concluded".

Management's statements are in direct conflict with the communicated purpose of the Strategy Committee.

Question for Seven & i

(8) Does the Board unanimously agree with management's commentary during and after the March 9, 2023 announcement that the "Group Strategy Re-Evaluation" has "concluded" and that Ito-Yokado is "given three more years" before strategic alternatives can be pursued?

Q9: What Will the Newly Formed Strategy Committee Do?

Context

The mandate of the newly formed Strategy Committee is unclear, especially after management commentary that the strategic review has “concluded”.

Questions for Seven & i

- (9) What will the newly formed Strategy Committee do?
- Will the Strategy Committee communicate its recommendations to shareholders? Or will communications be mediated by management?
 - Will the Strategy Committee establish its own timetable to evaluate strategic alternatives “objectively and comprehensively”? Or will the timetable be dictated by management?
 - Will the Strategy Committee recommend a strategic alternative to the Board and call for a vote? Or are its recommendations purely advisory?
 - In light of the negative capital markets reaction to management’s March 9 announcement to continue the status quo, will the Strategy Committee consider and announce a new strategic alternative prior to the May 2023 Annual Meeting of Shareholders?

About ValueAct Capital



ValueAct History of Governance Leadership

ValueAct Capital is an active governance-oriented institutional investor. We are proud to have partnered with many great business leaders and board members through constructive engagement. Our portfolio companies' track record of **governance**, **transformation** and **corporate value creation** results are easily referenced, globally and in Japan.

Significant Board Experience and Partnership with Company Leadership



Core Investments



Public Board Seats



Committees Served On

In 22+ years...



Public Letters



Proxy Contest

Long-Term Active Role in the Stewardship Community

We partner with other institutional shareholders to propose and shape policies of responsible corporate governance that are being adopted by more and more public companies every year.

Affiliations

- Council of Institutional Investors (Corporate Governance Advisory Council)
- Investor Stewardship Group (Founding Member, Board of Directors)
- Commonsense Corporate Governance Principles
- Stanford Rock Center for Corporate Governance (Case Study Authors)

ValueAct Proposals



A Public Address to the Board of Seven & i

Only once before in ValueAct's history have we decided to engage in a public proxy campaign. Our firm prides itself on working constructively with boards across the globe to reach consensus agreement on how to best serve the interests of fellow shareholders, and company stakeholders.

As we have communicated many times since 2020, ValueAct truly believes that Seven & i is one of Japan's great companies and it has the necessary tools to become a global convenience store champion. However, despite our engagement with Seven & i, we have been unable to establish confidence that the Company has the right leadership and governance to objectively evaluate the fundamental questions it faces including corporate structure.

Seven & i was established in 2005 with the purpose of aggregating disparate companies to achieve synergies and ultimately create value greater than the sum of the parts; unfortunately, and now quite dramatically, the Company trades at a conglomerate discount to its sum of the parts and the supposed synergies have not been quantified. The question of corporate structure is important to more than just shareholders – the current conglomerate structure contributes to low employee satisfaction, weak risk controls, greater harm to the environment, and health and safety concerns among franchisees.

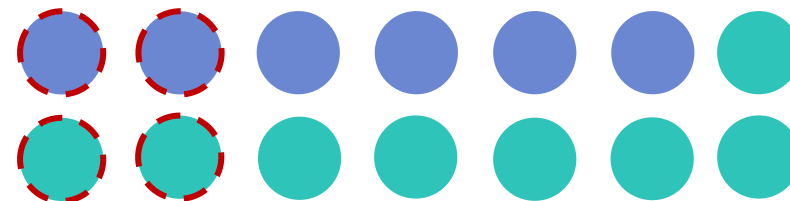
Seven & i has the opportunity to create a global champion 7-Eleven company based in Japan. A company that will compete and win on the global stage against its convenience competitors. A company that will grow and create value long into the future.

ValueAct has appealed to Seven & i behind closed doors. We have called on fellow shareholders to express their views. And now we have reluctantly submitted shareholder proposals to nominate a strengthened Board with the skills, independence, and mandate to address the key questions of leadership and governance at the upcoming AGM.

ValueAct Proposals for the 18th AGM

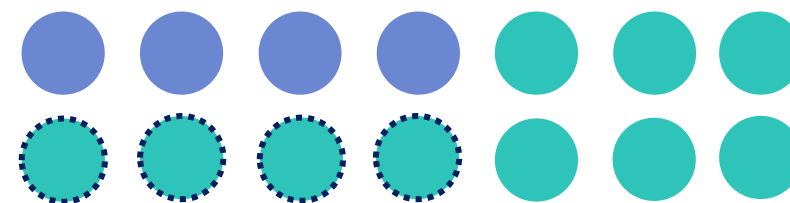
- At Seven & i, we have been engaging since we invested in 2020 on the two key questions that arise from its strategic context. Shareholders have been asking these questions since the current Holding company was formed in 2005:
 - **Leadership:** Does Seven & i have the right leadership to advance the global growth of 7-Eleven?
 - **Corporate Structure:** What is the optimal corporate structure to enable 7-Eleven to grow faster, improve profitability, and garner the market valuation it deserves?
- **We propose to re-appoint the majority of incumbent Inside and Outside Directors** who maintain our confidence and who we believe would contribute operational and oversight continuity.
- **We propose to replace two Inside Directors and two Outside Directors** who are ultimately responsible for various governance failures.
- We believe the reconstituted Board, together with the four new Outside Directors proposed by ValueAct, will have necessary skills and experience to determine a strategy that prioritizes the common interests of shareholders. **The new Board could collectively determine the right leadership for Seven & i, considering both internal and external candidates.**

Current Board



ValueAct is holding two Inside Directors and two Outside Directors accountable for obstructing strategic and governance progress at the expense of Seven & i stakeholders.

Proposed Board



ValueAct is proposing to retain the majority of incumbent directors: 4 incumbent Inside Directors and the 6 Outside Directors first elected in 2022.

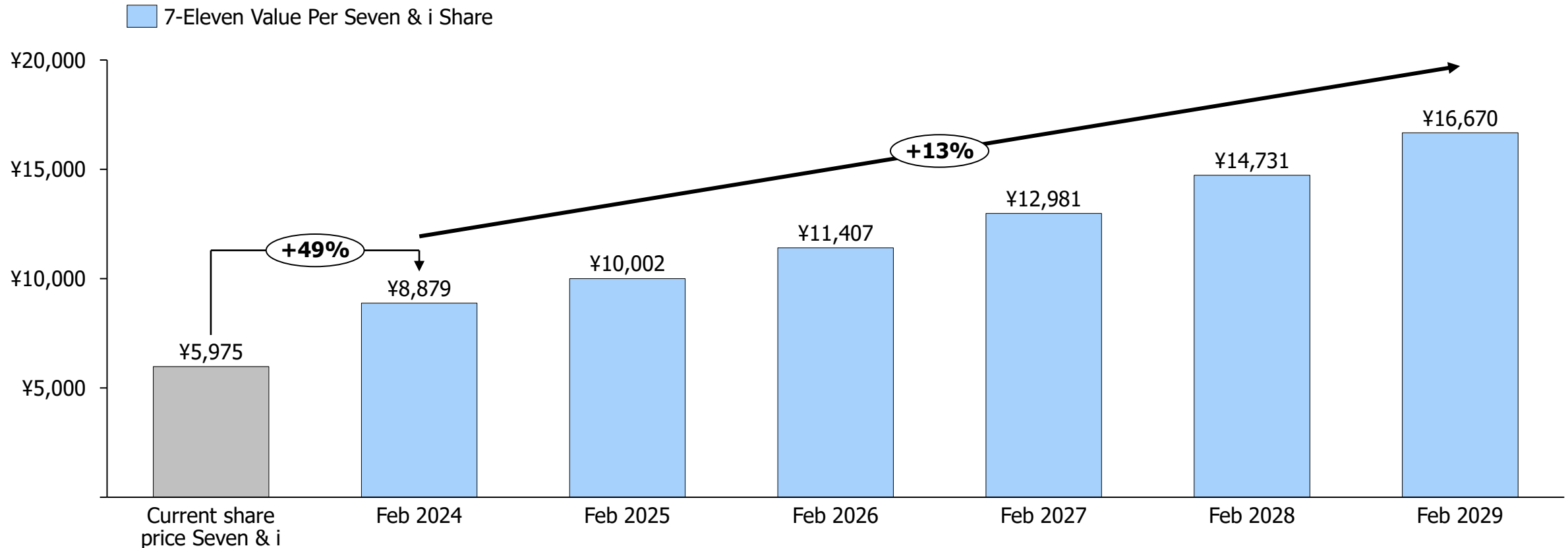
- Inside Director
- Outside Director

ValueAct Analysis of 7-Eleven Spin-Off Value



Estimated Value of Global 7-Eleven as a Standalone Listed Entity vs. Seven & i Share Price

Standalone 7-Eleven Value Per Share vs. Current Seven & i Share Price



Methodology & Key Assumptions

- In this analysis, 7-Eleven SpinCo includes Seven-Eleven Japan, 7-Eleven, Inc., and all other convenience retail operations. This leaves a RemainCo which includes the SST business and the other non-convenience operations.
- The spin-off of 7-Eleven is executed on the last day of the fiscal year ended February 2024. The transaction results in \$250 million of one-time costs which are charged to 7-Eleven SpinCo. 7-Eleven SpinCo starts with leverage of 2.2x Net Debt / EBITDA.
- Upon spin execution, corporate expense (both operating and capital expenses) return to pre-covid levels as investments in group synergies are rationalized. The remaining corporate expense is allocated in proportion to pre-corporate EBITDA (over 90% to 7-Eleven SpinCo).
- 7-Eleven SpinCo trades for 17x trailing P/E with earnings adjusted for amortization of goodwill and one-time items and the share price adjusted for financial assets (e.g., amortization tax shield) – similar to current global peer valuations. In the first year of the spin, trailing earnings are adjusted for the expected benefit of rationalizing the group synergy investments.
- FY24 (base year) earnings are estimated based on FactSet consensus as of March 31, 2023.
- Earnings projections are based on estimated long-term returns on reinvested capital using convenience store industry benchmarks.

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