



April 20, 2023

Dear Fellow Seven & i Holdings Shareholder,

ValueAct Capital (“ValueAct”, “we”) has submitted shareholder proposals for the 18<sup>th</sup> Annual Shareholders’ Meeting of Seven & i Holdings (“Seven & i”, “the Company”). We exercise our rights as shareholders in order to remove the President. ValueAct intends to support the reformed Board through a careful, independent process to select a new President in line with Japan’s Corporate Governance Code.

Over his seven-year tenure, the President has established a record of entrenchment. Just this month, the President has authorized two particularly troubling corporate governance decisions:

1. **The President denied an independent investigation into Seven & i's practice of recording shareholders without consent and the subsequent leak of a recording to a journalist.** ValueAct Capital became aware of Seven & i’s secret recording practice when audio of a meeting on March 15 between Seven & i employees, an Outside Director and ValueAct was leaked to the media. Neither the Outside Director nor ValueAct’s employees in the meeting were aware of being recorded. ValueAct had previously denied consent to record its meetings. On March 23, a subordinate of the President confirmed the existence of a recording and then characterized recording without consent as an acceptable practice. We stand by everything we have communicated to Seven & i including on March 15, but recording without consent implicates privacy laws in many jurisdictions in which Seven & i has substantial operations and shareholder presence. This includes California—the location of the shareholder and Outside Director participants during the March 15 meeting.

ValueAct requested the Board investigate this secret recording practice and the leak of confidential information and confirm steps taken in the investigation to remove the influence of the parties involved in the conduct (see Exhibit 2). To date, we understand there has been no independent investigation. We feel it is important to alert shareholders participating in meetings with Seven & i of their practice of recording, which we believe is not limited to interactions with ValueAct.

2. **The President denied an independent review of ValueAct’s shareholder proposal despite the conflicts of interests of the majority of the Board.** ValueAct submitted shareholder proposals which nominate four independent, highly qualified business leaders as Outside Directors of the Company. Shareholders would expect an independent process to evaluate our proposal, including the recusal of all Directors who face a conflict of interest. The majority of Seven & i’s current Directors are conflicted: the President, the subordinates of the President, and the Outside Directors whom we propose to remove from the Board. We understand these conflicted Directors were not recused from the review of our proposal. The Board’s opinion published on April 18, 2023 cannot be considered independent.

These are the latest examples in a series of substantive bad faith interactions ValueAct has had with the President and his subordinates over two years. We include a sample in Exhibit 1 below for transparency.

We do not believe all Seven & i executives are entrenched and act in bad faith. Many have welcomed ValueAct and treated us sincerely. The Japanese media frequently reports that Seven & i insiders question the legitimacy of the President. Moreover, the true attitudes of directors and employees around an entrenched President are not revealed while the President clings to power.

Under the current President, stakeholders have experienced seven years of weak execution in pursuit of a flawed strategy. Independent surveys of Seven & i's stakeholders show: the majority of employees are not engaged, the majority of shareholders do not support the current strategy or corporate structure, and the majority of 7-Eleven franchisees have health and safety concerns. We have shared such objective data with the President and his subordinates, and their reaction has been to ignore, dismiss and fail to act.

It is time to find a new President for Seven & i. In July 2022, we asked the Chairman of the Nomination Committee to review succession of the President through an orderly, independent process following governance best practices and Japan's Corporate Governance Code. We asked the Board to determine if Mr. Isaka was still the best candidate for President in light of the Company's global growth strategies. We understand that no such independent succession review of Mr. Isaka occurred. Through a combination of the obstruction of Inside Directors and the passive acceptance of long-serving Outside Directors on the Nomination Committee, the Board has failed its most important responsibility.<sup>1</sup>

**ValueAct's shareholder proposal is to elect a Board with the skills, independence, and mandate to appoint a new President & Representative Director who will prioritize the interests of shareholders in considering strategic choices and lead the company as a global champion.**

Our proposal:

- Removes four entrenched and long-tenured incumbent Directors: Mr. Ryuichi Isaka (President & Representative Director), Mr. Katsuhiko Goto (Vice President & Representative Director), Dr. Kunio Ito (Chairman of Nomination Committee), and Mr. Toshiro Yonemura (Member of Nomination Committee).
- Re-elects the six new Independent Outside Directors who joined the Board in 2022 and the four Inside Directors who directly manage major businesses and group functions. Operational continuity will be maintained.
- Nominates four new Independent Outside Directors with relevant skills and experiences: Mr. Katsuya Natori, Mr. Dene Rogers, Mr. Ron Gill, and Ms. Brittni Levinson. Our four new nominees are highly qualified and diverse business leaders, and we look forward to sharing more information about them with you soon.

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<sup>1</sup> Principle 4.3: Roles and Responsibilities of the Board: 4.3.2: Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

ValueAct Capital is well positioned to support a deliberate and independent succession process in line with the Corporate Governance Code's call for objective, timely and transparent procedures—in stark contrast to the hasty and haphazard process which installed Mr. Isaka in 2016. Partners of ValueAct Capital have served in over 56 public company board positions and supported dozens of CEO and CFO transitions, including the well-known CEO succession processes at Microsoft and Olympus.

Only once before in ValueAct's history have we found it necessary to bring forward a proposal to our fellow shareholders. We pride ourselves on being patient, constructive and relationship oriented. However, when the evidence of management's entrenchment becomes undeniable and the opportunity for long-term stakeholder value creation is so high, we will always consider exercising our shareholder rights. This is our fiduciary duty.

As you read the exhibits below, we hope you ask yourself: Is this the behavior of a President who has a fiduciary character?

We hope to speak to many of you soon. Please send us an email at [7-11@valueact.com](mailto:7-11@valueact.com) if you would like to connect. Throughout this process, we are committed to transparency and accountability.

Sincerely,

ValueAct Capital

**Exhibit 1: Examples of the President and His Subordinates’ Bad Faith Actions**

<b>Date</b>	<b>ValueAct good faith engagement efforts</b>	<b>President &amp; Subordinates bad faith reactions</b>
March 2021	<ul style="list-style-type: none"> <li>ValueAct asks President to meet its professional references – CEOs who have worked closely with ValueAct in the past. This is a normal part of our engagement process to help CEOs understand what it is like to work closely with ValueAct</li> </ul>	<ul style="list-style-type: none"> <li>President delays four months and eventually sends a subordinate to meet one CEO reference</li> </ul>
May 2021	<ul style="list-style-type: none"> <li>ValueAct shares detailed strategic and financial rationale of strategic transformation options to capture the long-term value creation of global 7-Eleven and formally requests to collaborate on transformation</li> </ul>	<ul style="list-style-type: none"> <li>President delays substantive engagement on strategy until after publishing his Medium Term Management Plan which was delayed over one year and finally announced in July 2021</li> <li>After Medium Term Management Plan, President indicates strategy is already set, declines to enter formal collaboration with ValueAct, and transfers engagement to subordinates in “working level” discussions</li> </ul>
September 2021	<ul style="list-style-type: none"> <li>ValueAct holds two weeks of working-level discussions with President’s subordinates, presenting various analyses and ideas for specific transformation actions</li> <li>ValueAct presents detailed analysis supported by a third party consultant of “group synergies”, including “food synergies”, which concludes that synergies are insignificant</li> </ul>	<ul style="list-style-type: none"> <li>President’s working-level subordinates indicate substantial agreement with ValueAct: “we are aligned on direction”, invites ValueAct to present to the Board</li> <li>However, President’s subordinates could not discuss timelines or specific action plans, giving ValueAct concern about the commitment and competence of the President in executing global growth strategies centered on 7-Eleven</li> </ul>
December 2021	<ul style="list-style-type: none"> <li>ValueAct presents to the Board on the global 7-Eleven opportunity, suggests specific immediate action steps including at the January earnings call, and again requests to work more closely together to help the company with detailed action plans and transformation steps</li> </ul>	<ul style="list-style-type: none"> <li>After the Board meeting, the President takes none of the suggested action steps and rejects request to work with ValueAct on action plans and transformation steps</li> </ul>
January 2022	<ul style="list-style-type: none"> <li>Observing consistent bad-faith pattern from President over one year, ValueAct sends an open letter asking the Board to seek direct</li> </ul>	<ul style="list-style-type: none"> <li>President misleads shareholders with mischaracterization of one year of engagement, hundreds of pages of analysis, and presentation to the Board in</li> </ul>

Date	ValueAct good faith engagement efforts	President & Subordinates bad faith reactions
	shareholder input on the key issues of strategy and leadership and to create a strategic review committee of Outside Directors to consider alternative strategies and corporate structures	its February 3rd response: “ValueAct has not expressly presented any strategic plans...”
May 2022	<ul style="list-style-type: none"> <li>• After collective shareholder engagement, six new Independent Outside Directors are elected to the Seven &amp; i Board</li> </ul>	<ul style="list-style-type: none"> <li>• President publicly de-emphasizes the reconstituted Board’s role in review and reform</li> </ul>
June 2022	<ul style="list-style-type: none"> <li>• ValueAct shares with the Board an independent survey of Seven &amp; i shareholders that showed broad-based dissatisfaction with the status quo corporate structure based on interviews conducted between February – June 2022</li> </ul>	<ul style="list-style-type: none"> <li>• President questions the validity of the survey and denies the need for a strategic review</li> </ul>
July 2022	<ul style="list-style-type: none"> <li>• ValueAct asks Lead Independent Director for an independent outside director-led strategic review given President’s resistance and inherent bias towards the status quo</li> </ul>	<ul style="list-style-type: none"> <li>• After two months of deliberation with the Board, President finally agrees to strategic review but only on the condition that President leads it and that outside advisors report to management rather than Outside Directors</li> </ul>
July 2022	<ul style="list-style-type: none"> <li>• ValueAct asks Lead Independent Director for Board to conduct an independent director-led President succession review given President’s underperformance over six years and need for more global experience at the top of the Company</li> </ul>	<ul style="list-style-type: none"> <li>• The Lead Independent Director assures ValueAct that President is being evaluated – by the Nomination Committee which ValueAct had pointed out was problematic in the circumstances because the President and his subordinate were on the Committee</li> <li>• Seven &amp; i reveals that up to this point, the President had <b>never</b> permitted Independent Outside Director only meetings</li> </ul>
August 2022	<ul style="list-style-type: none"> <li>• ValueAct requests a follow up meeting with the Lead Independent Director to discuss the problematic responses to its July requests</li> </ul>	<ul style="list-style-type: none"> <li>• The Lead Independent Director rebuffs ValueAct’s requests to meet because of a busy schedule</li> </ul>
October 2022	<ul style="list-style-type: none"> <li>• After several more attempts to meet the Lead Independent Director to discuss the problematic responses to our July requests, ValueAct formally requests that the Board objectively evaluate the Lead</li> </ul>	<ul style="list-style-type: none"> <li>• The Board discusses the Lead Independent Director in a session in which Inside Directors and the Lead Independent Director himself are present and determines to allow him to continue in the role.</li> </ul>

<b>Date</b>	<b>ValueAct good faith engagement efforts</b>	<b>President &amp; Subordinates bad faith reactions</b>
	<p>Independent Director’s fitness for the role given his limited experience, many competing commitments, and conflicts of interest</p>	
December 2022	<ul style="list-style-type: none"> <li>ValueAct requests that the Board’s review of strategic alternatives which had already been in process for three months and disclosed informally in investor dialogue be formally announced and finalized with clear decisions on how to address the large conglomerate discount</li> </ul>	<ul style="list-style-type: none"> <li>On January 12, management reveals the existence of its “Group Strategy Re-Evaluation”, which is considering “drastic group business structure reform” and will announce results by March 10</li> <li>On March 9, the President announces continuation of the status quo corporate structure with its associated conglomerate discount and marginal changes to operating plan</li> <li>Confusingly, the President announces a supposedly independent Strategy Committee AFTER the “Group Strategy Re-Evaluation” and immediately undermines its authority to consider strategic alternatives by implying in his public comments that Ito-Yokado is being given three years to restructure inside the group</li> </ul>
March 15, 2023	<ul style="list-style-type: none"> <li>ValueAct meets by Zoom with the President’s subordinates and the Independent Outside Director Chair of the Strategy Committee to clarify the disappointing and confusing message to shareholders in the March 9 announcement</li> </ul>	<ul style="list-style-type: none"> <li>The President’s subordinates and the Chair of the Strategy Committee provide mixed messages on purpose of the Strategy Committee</li> <li>Seven &amp; i employees secretly record the meeting without the consent of ValueAct and later leak the recording to a journalist. This, despite ValueAct explicitly rejecting a request by Seven &amp; i to record meetings in June 2022 and ValueAct’s participation from California, a jurisdiction in which consent is legally required to record</li> </ul>
March 23, 2023	<ul style="list-style-type: none"> <li>ValueAct learns that the secret recording was leaked to a journalist and immediately raises it with Seven &amp; i management and the Outside Director who attended the meeting</li> </ul>	<ul style="list-style-type: none"> <li>One of the President’s subordinates confirms that a Seven &amp; i employee recorded the March 15 meeting</li> <li>The Outside Director states he was unaware and did not consent to the recording</li> </ul>

Date	ValueAct good faith engagement efforts	President & Subordinates bad faith reactions
	<ul style="list-style-type: none"> <li>ValueAct submits Shareholder Proposal calling for removal and replacement of four long-serving entrenched Directors including the President, the Chairman of the Nomination Committee and two other Nomination Committee members</li> </ul>	
March 24, 2023	<ul style="list-style-type: none"> <li>ValueAct asks Seven &amp; i to take corrective action including an investigation into the recording and leaking of confidential company information</li> </ul>	<ul style="list-style-type: none"> <li>The President’s subordinate responded that an independent investigation was not necessary and instead “re-confirmed” that he does not believe the recordings could have leaked, even though Seven &amp; i was the only party with a recording and must have been the source of the leak</li> <li>The President’s subordinate implied that there was no inherent problem with the secret recordings, and confirmed this had been a regular practice despite ValueAct’s expressed rejection</li> <li>As far as we are aware, the Outside Directors have not been allowed to establish an independent investigation</li> </ul>
March 31, 2023	<ul style="list-style-type: none"> <li>After receiving a request from Seven &amp; i to interview its Board nominees, ValueAct asks the Board to establish an independent process, and whether a Temporary Lead Independent Director will be appointed to objectively evaluate the candidates given the obvious bias of the Nomination Committee – that its Chair (and current Lead Independent Director) and the majority of its members would be competing for votes against our nominees at the upcoming AGM</li> </ul>	<ul style="list-style-type: none"> <li>The President’s subordinate first proposes that the entire Nomination Committee should interview ValueAct’s nominees despite the conflicts of interests of the Chair and the majority of the Committee, before finally allowing only the non-conflicted Committee Members to conduct the interviews</li> <li>The President’s subordinate refuses to appoint a Temporary Lead Independent Director which would have allowed a group of only non-conflicted Directors to make an independent determination on ValueAct’s proposal</li> <li>ValueAct’s nominees are summarily dismissed on April 18 by a majority-conflicted board: 8 Directors who are either subordinates of the President or competing for votes against our nominees vs. 6 non-conflicted Independent Outside Directors</li> </ul>

Date	ValueAct good faith engagement efforts	President & Subordinates bad faith reactions
April 2023	<ul style="list-style-type: none"> <li>ValueAct requests a more serious investigation and response to the issue of secretly recording shareholders and leaking a recording to the news media, in light of the previous dismissive response</li> </ul>	<ul style="list-style-type: none"> <li>Seven &amp; i's response states that it will destroy all prior recordings</li> <li>Seven &amp; i's response does not state that it will stop the practice of secretly recording its shareholders</li> <li>Regarding the leak, Seven &amp; i's response again states: "we have checked, and we do not believe that anyone at the company would have played any recordings of a meeting with ValueAct for a reporter." without any indication of an independent investigation<sup>2</sup></li> </ul>

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<sup>2</sup> It is concerning that the company was not able to identify the source of the leak. If the company is denying that there was a leak, we do not find this denial credible based on an objective view of the facts. As we relayed to the company, the reporter was aware of the existence of the March 15<sup>th</sup> meeting, said he heard a recording of the meeting, accurately listed the participants in the meeting, characterized in his words the tone of individuals in that meeting, and accurately described the topics discussed. The only recording of that meeting was by someone at Seven & i. Thus, ***there is no question that someone at the company leaked the recording to the media.***



## Exhibit 2: ValueAct Letter to the Board Regarding Seven & i Practice of Secret Recording



April 2, 2023

Dear Board Members of Seven & i,

On behalf of ValueAct Capital, I write on matters of serious importance. I request that Seven & i Holdings Co., Ltd. (the “Seven & i”) immediately investigate and take corrective action with respect to the matters raised in this letter.

It has come to our attention that management of Seven & i have engaged in the practice of recording meetings with members of ValueAct without ValueAct’s consent, including a meeting on March 15, 2023. These recordings were made despite members of ValueAct Capital expressly stating in writing in earlier communications that they do not consent to being recorded, and thus, ValueAct was engaging in conversations with management and other directors on the reasonable belief that meetings were not being recorded. To be clear, no one from ValueAct consented to being recorded, nor were they aware they were being recorded. Further, this March 15<sup>th</sup> meeting was to discuss a sensitive topic, and Seven & i should have treated the matter with more care.

This behavior of recording without consent transgresses norms of professional courtesy and business ethics—*it is also in violation of privacy laws around the world*. As a company with worldwide operations and a global shareholder base, Seven & i should know that non-consensual recording is in blatant violation of privacy laws across many jurisdictions.<sup>1</sup> Specific to California where Seven & i subsidiaries have significant operations and where ValueAct was being recorded, this practice is in clear violation of the privacy laws of California. Further, such violations obligate ValueAct to take action to protect the privacy rights of its employees. In Japan also, to record a conversation after being asked not to do so and then to leak the recording to a third party is not conduct befitting a listed company, and such activities could expose the company to tort liability. All stakeholders should expect that Seven & i has the proper internal control resolutions to comply with such laws and regulations.

Separately, ValueAct learned of these secret recordings only when someone from Seven & i leaked the March 15<sup>th</sup> recorded audio to a reporter for a well-known news outlet. This reporter was aware of the March 15<sup>th</sup> private meeting, had heard the audio recording of the meeting, had described the audio recording, and asked the ValueAct representative for a comment about the meeting and other non-public matters. It is improper for any company to use its corporate assets to disenfranchise a shareholder by dissuading open, honest, and private discussions through the use of illegal acts. While management states that the recordings were done to prevent doubts about what was said and to share

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<sup>1</sup> See e.g., EU General Data Protection Regulation (GDPR): art. VI, OJ 2016 L 119/1 (European Union); Personal Information Protection and Electronic Documents Act (S.C. 2000, c. 5) (Canada); Personal Data Protection Act 2012 (Singapore); German Criminal Code Sec. 201 (Germany); Cayman Islands Data Protection Act (Cayman Islands); Section 7(1) of the Surveillance Devices Act 2007 (New South Wales); Surveillance Devices Act 2016 (South Australia); Cal. Penal Code §§ 631-632 (California); Nev. Rev. Stat. § 200.620 (Nevada); Wash. Rev. Code § 9.73.030(1) (Washington); Fla Stat. § 934.03 (Florida); Conn. Gen. Stat. Ann. § 52-570d (Connecticut); 720 ILCS 5/14-2 and 5/14-3 (Illinois); Md. Code Ann., Cts. & Jud. Proc. § 10-402 (Maryland); M.G.L. c. 272, § 99 (Massachusetts); 18 Pa. C.S.A. §§ 5703 and 5704 (Pennsylvania).

information within the company, we have observed for some time that individual(s) associated with Seven & i have surreptitiously leaked information related to the ongoing dialogue between Seven & i and ValueAct. These leaks to the media are undermining the potential for Seven & i and ValueAct to develop a relationship of mutual trust. It was—and still is—our sincere hope that Seven & i will become another company that ValueAct will add to the list of global champions we are proud to have worked with, such as Adobe, Microsoft, Olympus, and most recently Salesforce. But we cannot build a relationship without trust.

***The leaking of recorded audio, as well as the failure generally to maintain confidentiality, is a separate and grave issue that Seven & i must finally address.*** Leaking of recorded audio violates the laws of multiple jurisdictions, including Japan and the U.S. and its states, and should not be tolerated. This is not only in violation of laws and policies, but it is emblematic of serious and repeated corporate governance failures. In short, this is not how any company should treat its shareholders.

***ValueAct calls on the Board of Directors (the “Board”) to address and take all remedial actions necessary to redress this conduct.*** It has long been settled in Japan that a company can only pursue lawful business by lawful acts, and further that board members and statutory auditors are each responsible to supervise the execution of work duties of the directors and the affairs of the company. Accordingly, when alerted to potential legal violations, the Board has an obligation to act and correct corporate misconduct in accordance with the Civil Code section 644 and the Companies Act section 330. So too here. Yet, when this issue was raised to management, the initial response was dismissive. The issue was then raised to the greater Board, but ValueAct has not heard a response to that email to the Board. The practice and dismissive response tarnishes the reputation of Seven & i and calls into question its commitment to corporate governance and compliance with the law.

ValueAct therefore demands that the Board cause Seven & i to take the following corrective actions:

- Ensure that management immediately confirms that it will cease the practice of recording discussions without mutual consent.
- Ensure that all prior recordings and any copies are immediately destroyed.
- Fully inform ValueAct of the steps Seven & i’s Board and management will take to investigate these issues and that the Board and management will take such steps without influence of the parties involved in the conduct.
- Provide ValueAct with the results and corrective action taken.

Given the gravity of these matters, we expect that the Board will not delay in addressing these matters. Please confirm by April 7, 2023, that the Board has caused Seven & i to take corrective actions.

Sincerely,



Jason B. Breeding  
General Counsel  
ValueAct Capital

cc: Audit & Supervisory Board Members