

# Time For A Fresh Look at Seven & i Holdings

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May 2023

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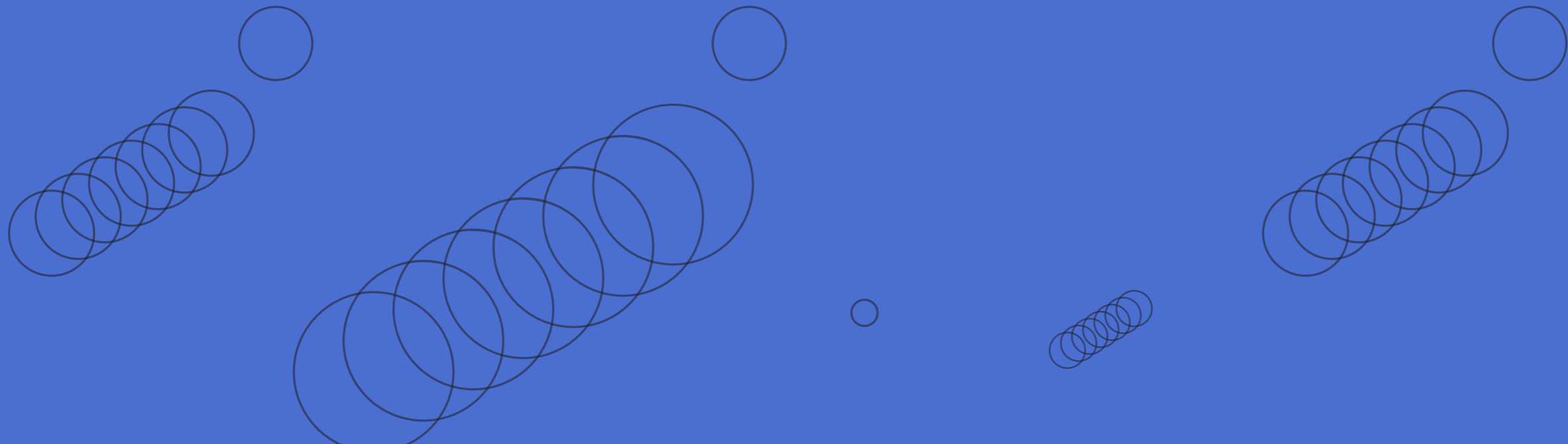
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# 1.

## Executive Summary



# Executive Summary

ValueAct Capital (“ValueAct”, “we”) has been a major shareholder of Seven & i Holdings (“Seven & i”, the “Company”) since 2020. Following a series of **bad faith interactions** with the President and his subordinates over two years, ValueAct proposes to elect a Board that will conduct a careful and **deliberate succession process for the President** and **consider all alternative strategies and corporate structures** to maximize shareholder and corporate value.

**Only once before in our history, 17 years ago, have we found it necessary to bring a proposal to our fellow shareholders.**

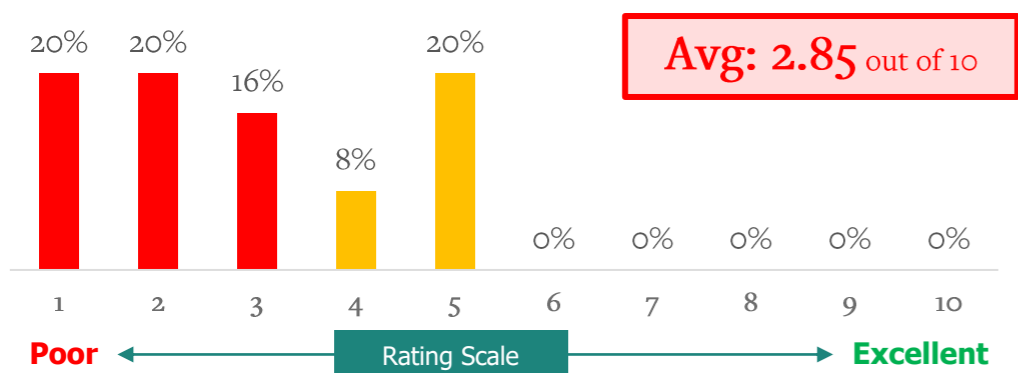
## Shareholder Concerns with the Status Quo Have Been Ignored

Despite clear shareholder demand for an independent strategic review, President Ryuichi Isaka has failed to carry out a robust independent strategic review that considers all strategic alternatives or to convince shareholders that the status quo is the best path forward for Seven & i.

### Shareholder Concern With Status Quo

Independent Survey of 25 Major Seven & i Shareholders in 2022:

Assessment of Value Creation under Conglomerate Strategy (Score /10)



### Seven & i’s Flawed “Group Strategy Re-Evaluation”

Seven & i’s “Group Strategy Re-Evaluation” announced on **March 9, 2023** was expected to address shareholder concern with the status quo, but instead it:

- **Followed a flawed process.** The whole Board including management led the review and stakeholders received no rationale for the go-forward strategy decision.
- **Created an independent “Strategy Committee” after the strategy had already been decided.** Why did the Board create an independent committee to assess “strategic alternatives including (IPO, spin-off, etc.)” upon the conclusion of a supposedly objective strategic re-evaluation?
- **Disappointed the market.** Seven & i’s share price fell 10% over the following three trading days.

# The President's Track Record of Preventing Objective Governance Processes

1

The President has prevented an objective review of strategy despite clear shareholder concern with the status quo conglomerate strategy

2

The President has impeded independent governance processes and acted in bad faith to preserve the status quo strategy

3

The President has failed to objectively consider reported takeover approaches and shown repeatedly that stakeholders are an afterthought



## “Practical Guidelines for Business Transformations - Toward Changes to Business Portfolios and Organizations”

As it is pointed out that management tends to have a bias towards maintaining the status quo in considering business divestments, independent directors are expected to proactively engage in considering business portfolios.

(...) it is important for companies to seriously respond to serious shareholder proposals and opinions on business portfolios. It is desirable for their board to seriously consider reasonable and specific shareholder proposals in principle, based on directors' duty of care

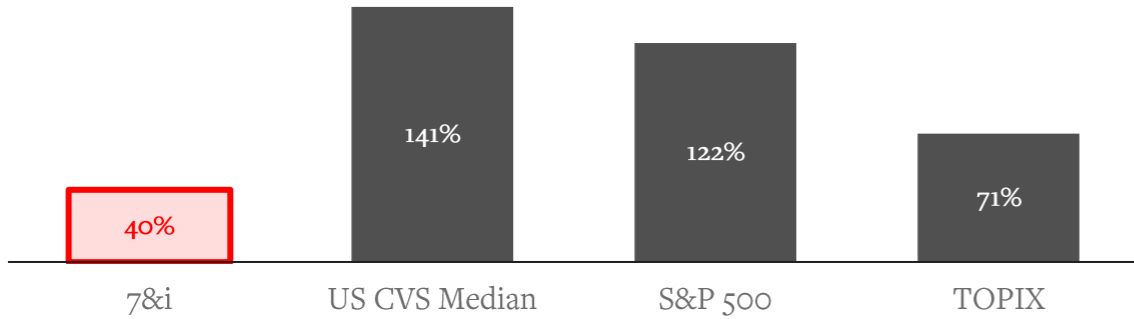
Seven years into President Isaka's tenure, the evidence of his entrenchment has become undeniable.

# The President's Track Record of Underperformance

The data on President Isaka's 7-year tenure is clear -> he has underperformed peers and harmed stakeholders

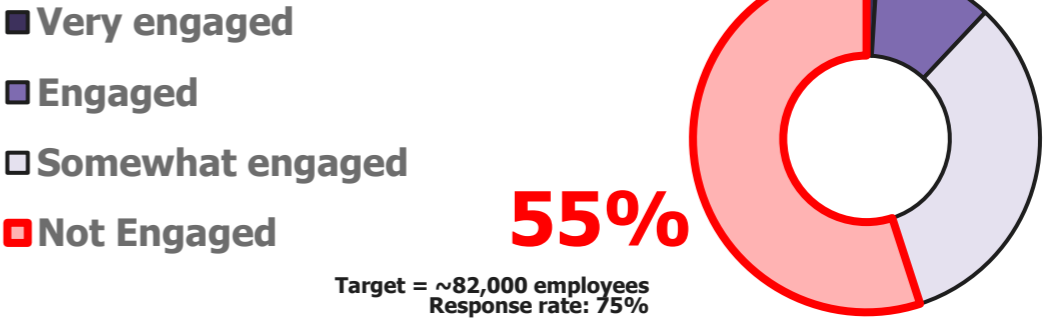
## Weak TSR Over Isaka-Goto Tenure

TSR Over President Isaka's Tenure: May 2016 – Present (Local Currency)



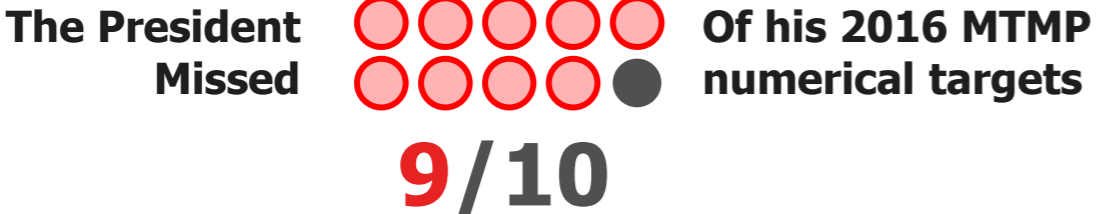
## Majority of Employees in Japan Are Not Engaged

Results of Seven & i's Employee Engagement Survey (Internal)



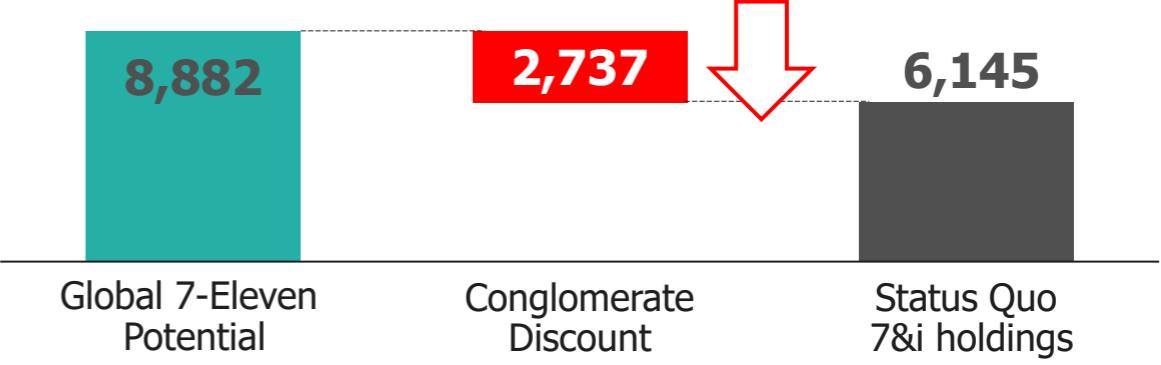
## Missed Nine out of Ten Targets in 2016 MTMP

Execution on Numerical Targets Set in President's 2016 MTMP



## Large Conglomerate Discount

Opportunity cost of conglomerate strategy per share as of April 2023





# Vote **AGAINST** Seven & i's Nominees



RYUICHI ISAKA,  
PRESIDENT



KATSUHIRO GOTO,  
VICE PRESIDENT



KUNIO ITO  
Not Standing for Re-Election



TOSHIRO YONEMURA



SHINJI WADA



FUMINAO HACHIUMA

# ValueAct Proposal to Reform Seven & i's Board

## Vote AGAINST Representative Directors

- **Maintained the status quo** conglomerate strategy at stakeholder expense
- **Failed to review all strategic alternatives**, including takeover offers, from an independent perspective
- **Failed** to deliver on communicated performance objectives
- **Bad faith actions** to maintain status quo strategy and executive positions
- **Failed** to conduct robust independent processes to evaluate scandals
- **Ignored** clear shareholder concerns

## Vote AGAINST Tenured Outside Director

- **Inability** to objectively challenge strategy
- **Inability** to objectively evaluate and hold accountable Representative Directors and Officers
- **Failed** to promote strong governance processes to investigate scandals/controversies
- **Failed** to protect shareholder interests at other Board seats they hold
- **Failed** to implement a fair, and independent, review of ValueAct nominees
- **Ignored** clear shareholder concerns

## Vote AGAINST the Appointment of New Outside Directors

- **Appointed** by a conflicted Nomination Committee
- **Appointed** likely to fill maximum Board seats (i.e. 15) that prevents the nomination of ValueAct nominees

# ValueAct's Four Outside Director Nominees and The Strengthened Board's Mandate

ValueAct proposes **Four Outside Director Nominees** to **strengthen** the existing Board with global experiences, strategic skills, and the voice of a long-term shareholder. The addition of our nominees and the removal of the entrenched President and his supporters will allow the whole Board to execute a pro-governance, pro-stakeholder mandate:

## Objective Leadership and Strategy Review

### Careful and deliberate succession process to select a new President & Representative Director

... with global retail experience to support the global growth of 7-Eleven. We believe there are qualified and willing internal candidates, but external candidates should be considered as well.

### Objective review of all alternative strategies and corporate structures

... together with the new President.

## Strengthen Governance Practices and Internal Controls

Appoint an Independent Chair

Implement best-in-class governance procedures to remove management bias from decision-making and ensure a genuine dialogue with shareholders

Define a robust sustainability roadmap that leads by example

# Vote **FOR** ValueAct Nominees



## Katsuya NATORI



- ✓ Well respected corporate lawyer and highly experienced board member of publicly listed Japan companies
- ✓ Independent from both Seven & i and ValueAct
- ✓ Japanese speaker



## Dene ROGERS



- ✓ Experienced multi-sector business leader with strong track record of transformation change, operations, and technology.
- ✓ Independent from both Seven & i and ValueAct
- ✓ Japanese speaker



## Ron GILL



- ✓ Experienced finance and operations executive in the technology sector.
- ✓ Independent from both Seven & i and ValueAct
- ✓ Japanese speaker



## Brittni LEVINSON



- ✓ Head of Sustainability at ValueAct, leading global engagements on ESG risks and opportunities
- ✓ Considerable capital markets experience from roles across the investment space
- ✓ Independent from Seven & i

# Opportunities For Further Engagement

## Upcoming calendar of events



### Today: Connect with members of the ValueAct investment team

- **Description:** Connect with us to compare views regarding leadership and strategy at Seven & i.
- **Email:** [7-11@valueact.com](mailto:7-11@valueact.com) to connect.



### Upcoming: Webinar with ValueAct's Director Candidates

- **Date:** TBD, details to follow
- **Description:** Meet ValueAct's director nominees
- **Submit questions:** [VACWebinarQuestions@valueact.com](mailto:VACWebinarQuestions@valueact.com)



### May 25: Seven & i Holdings 18th Annual Shareholders' Meeting

- Vote **AGAINST** Mr. Ryuichi Isaka, President & Representative Director
- Vote **AGAINST** Mr. Katsuhiro Goto, Vice President & Representative Director
- Vote **AGAINST** Mr. Toshiro Yonemura, Incumbent Outside Director
- Vote **AGAINST** Mr. Shinji Wada, New Outside Director Nominee (nominated by Seven & i)
- Vote **AGAINST** Mr. Fuminao Hachiuma, New Outside Director Nominee (nominated by Seven & i)
  
- Vote **FOR** Mr. Katsuya Natori, ValueAct Outside Director Nominee
- Vote **FOR** Mr. Ron Gill, ValueAct Outside Director Nominee
- Vote **FOR** Mr. Dene Rogers, ValueAct Outside Director Nominee
- Vote **FOR** Ms. Brittni Levinson, ValueAct Outside Director Nominee

# 2.

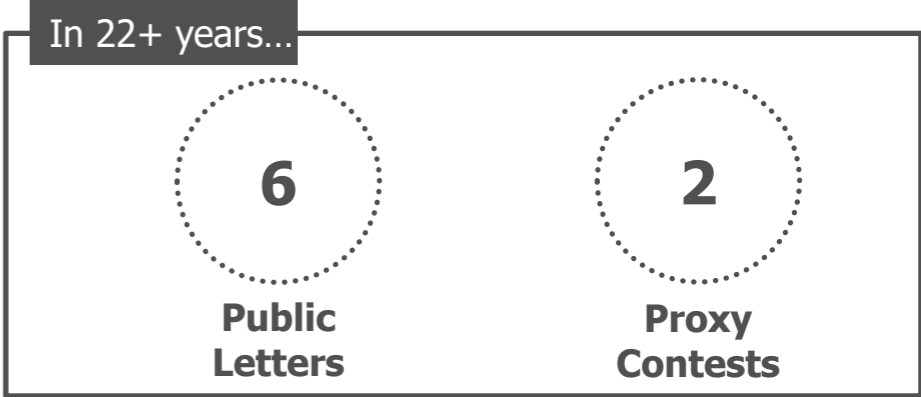
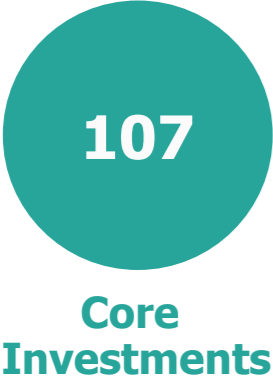
## About ValueAct and Seven & i Holdings



# About ValueAct Capital

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



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

# ValueAct Has Supported Value Creation At Leading Companies Globally and in Japan



motorola



JSR Corporation

MOODY'S



# ValueAct Has a Long Track Record of Collaborative Engagement with Boards and Management



**Ian Davis**  
*Chair*  
**Rolls-Royce Holdings**

"I was truly impressed by their analytic rigor and absolutely first-class ability to challenge current mechanisms that were in place in order to **actually improve the long-term performance of the company**. They have been a shareholder through some very tough times and it's during those periods that you see the mettle of an investor like ValueAct Capital. **The board, the company and I view their long-term commitment as not only supportive, but welcomed, and appreciated**"



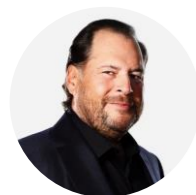
**Greg Brown**  
*Chair/CEO*  
**Motorola Solutions**

"**ValueAct did its homework and developed a deep understanding of our business.** Their multi-year partnership proved to be quite impactful."



**Yasuo Takeuchi**  
*Executive Chair*  
**Olympus**

"**ValueAct's behavior is different** from those activists who pressure companies to increase dividends or buy back shares. They have a wealth of knowledge about the healthcare business, especially in the U.S., and can offer useful advice from a shareholder's perspective." Above all, **President Takeuchi felt that by working with ValueAct he was in a position to aim for improved corporate value from a long-term perspective** rather than a short-term perspective.



**Marc Benioff**  
*CEO*  
**Salesforce**

"[Mason Morfit] came up with these ideas and he came up with whole decks of strategy, for distribution strategy, pricing strategy, product strategy. [...] And we said, "Mason, this is amazing, and the board would love to have you join our board. And so we're really happy to have Mason, [...] **they're just incredible people. They're just incredible.**"

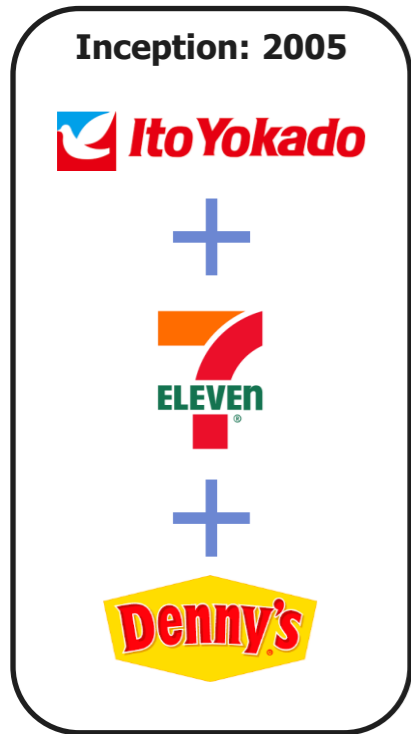
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**ValueAct became a shareholder of Seven & i in 2020; it is ValueAct's largest ever investment in a Japanese company**



# Seven & i Holdings – Conglomerate Formed in 2005

**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.**



**Establishment of Seven & I Holdings**

April 20, Ito-Yokado Co., Seven-Eleven Japan, Denny's Japan

**2. Objective & Rationale**

- Bolstering Corporate Governance
- Maximization of the Value of Group Companies

“Responding to change and strengthening fundamentals”  
 .....Mobility towards Changing Business Environment  
 “Business Operation Based on Customer Satisfaction”  
 .....Seeking Group Synergies



**Group Companies: 189**

# Seven & i Holdings – Present Day

## Core Business: 7-Eleven



- #1 brand in convenience
- 83,000+ Stores in 19 markets
- Over 58,000 employees

### Operating Income Contribution

(JPY mn)

**+ 521,736**

### Employees

7-Eleven accounts for

**~70%**

of all Seven & i employees

Operating Income Contribution of all non-CVS Segments (JPY bn): **- 15,217**

### Superstores



General merchandise stores (Ito-Yokado) and supermarkets



**14,376**

Operating Income Contribution  
(JPY mn)

**12,107**

### Financial Services



ATM, credit cards, and other financial services



**1,806**

Operating Income Contribution  
(JPY mn)

**37,140**

### Other



Department stores, specialty stores, and other businesses



**8,164**

Operating Income Contribution  
(JPY mn)

**2,968**

### Corporate

Corporate headquarters including investment in group synergies



**969**

Operating Income Contribution  
(JPY mn)

**-67,432**

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**ValueAct invested in Seven & i with the strong belief that with greater focus, 7-Eleven could become the best convenience store operator in the world**

# 3.

## 7-Eleven's Global Opportunity



# 7-Eleven is the Best-Known Brand in the Large and Growing Convenience Retail Industry



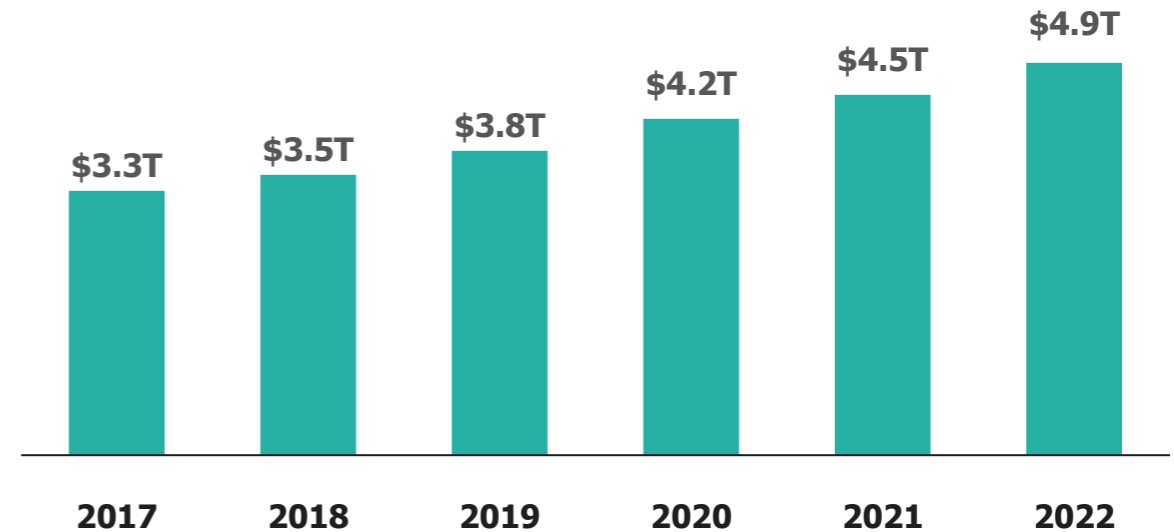
## Leading Global Brand

Select brands from global retail & QSR brand ranking



## Large & Growing Global Industry

Global convenience store sales (\$ billions)

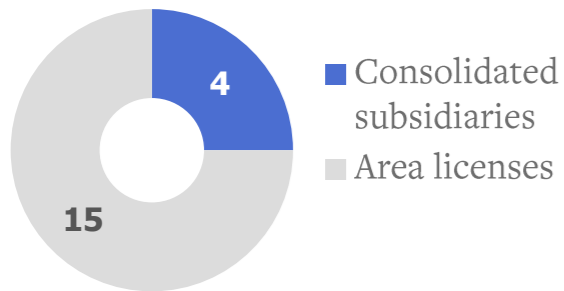


# 7-Eleven Has a Massive Global Growth Opportunity



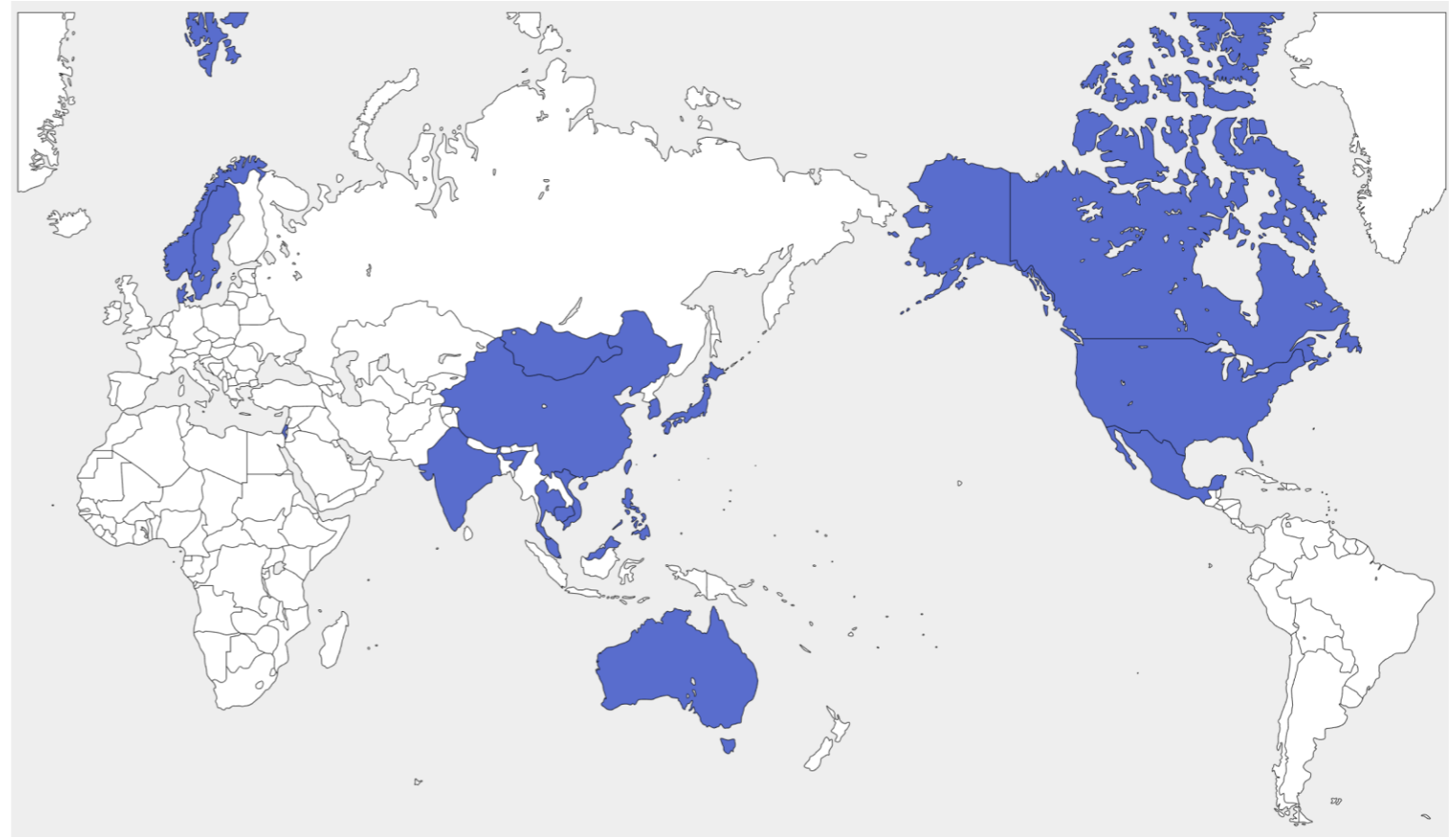
Large white space opportunity as 7-Eleven only has a presence in 19 countries. Many countries remain untapped potential.

## Operational Formats # of markets



## Global Brand Comparisons

	# of stores	# of Markets
7-Eleven	~72K	16
McDonald's	~38K	~100
SUBWAY	~35K	104
Starbucks Coffee	~32K	83

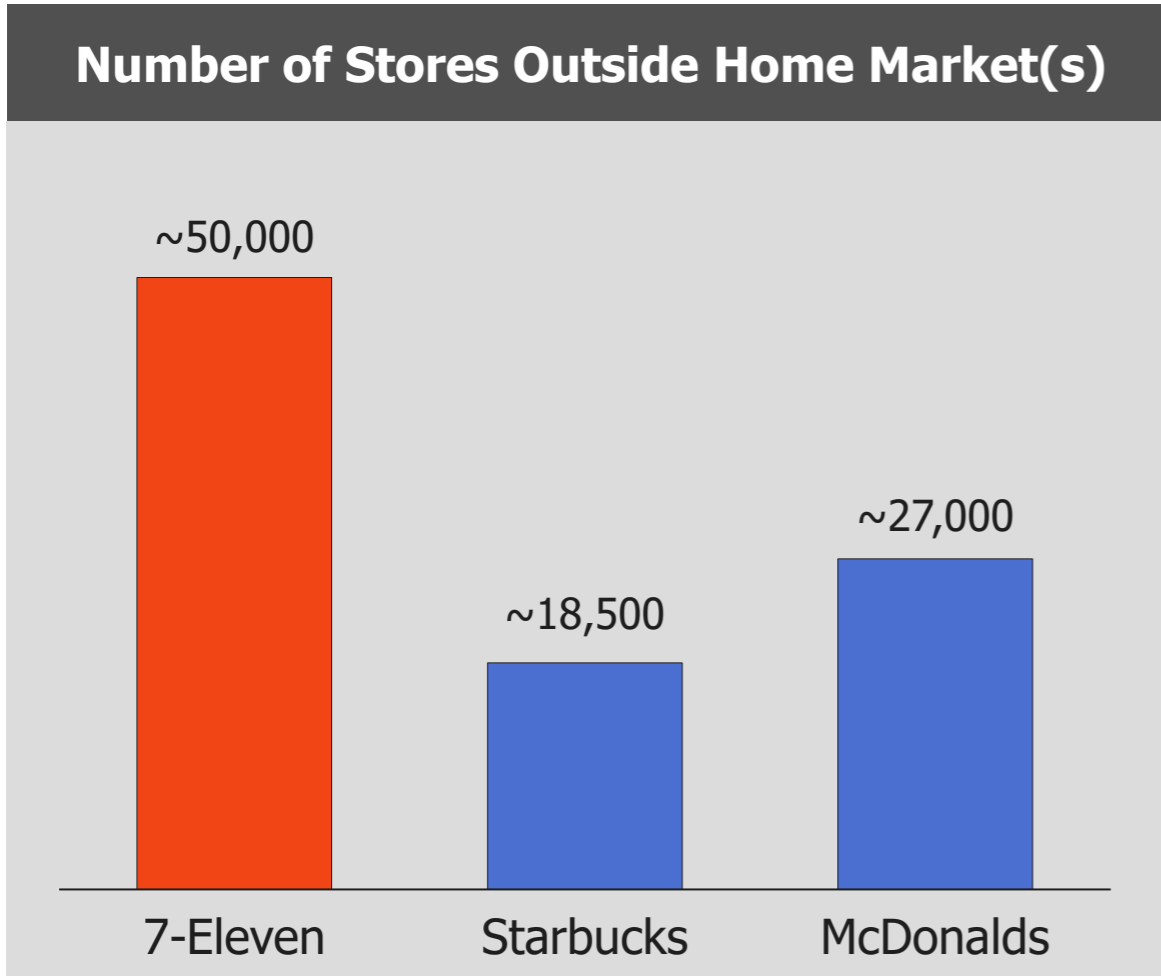


**Global 7-Eleven store footprint**

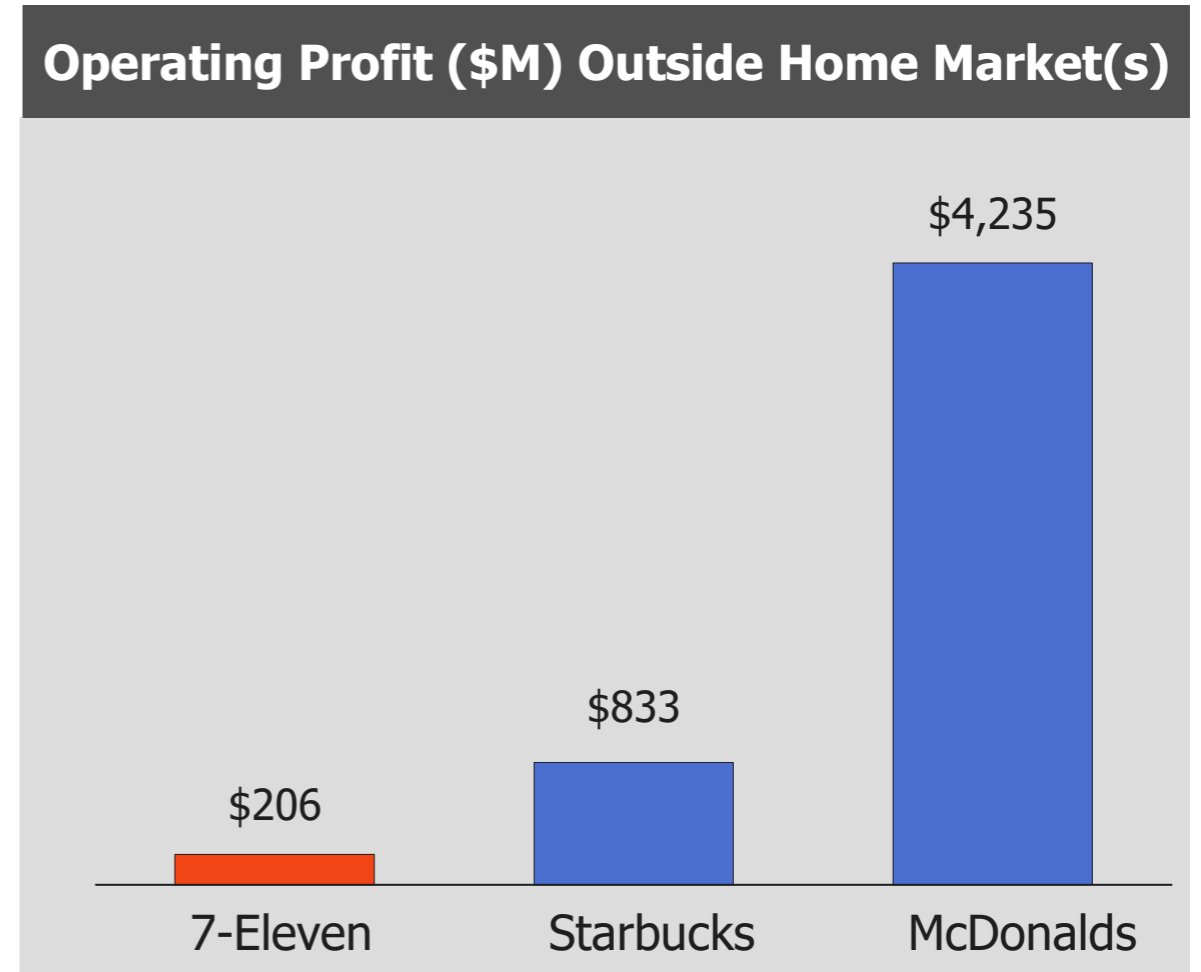
# With Greater Focus, 7-Eleven Could Significantly Increase Profit from Outside its Home Markets



### Number of Stores Outside Home Market(s)



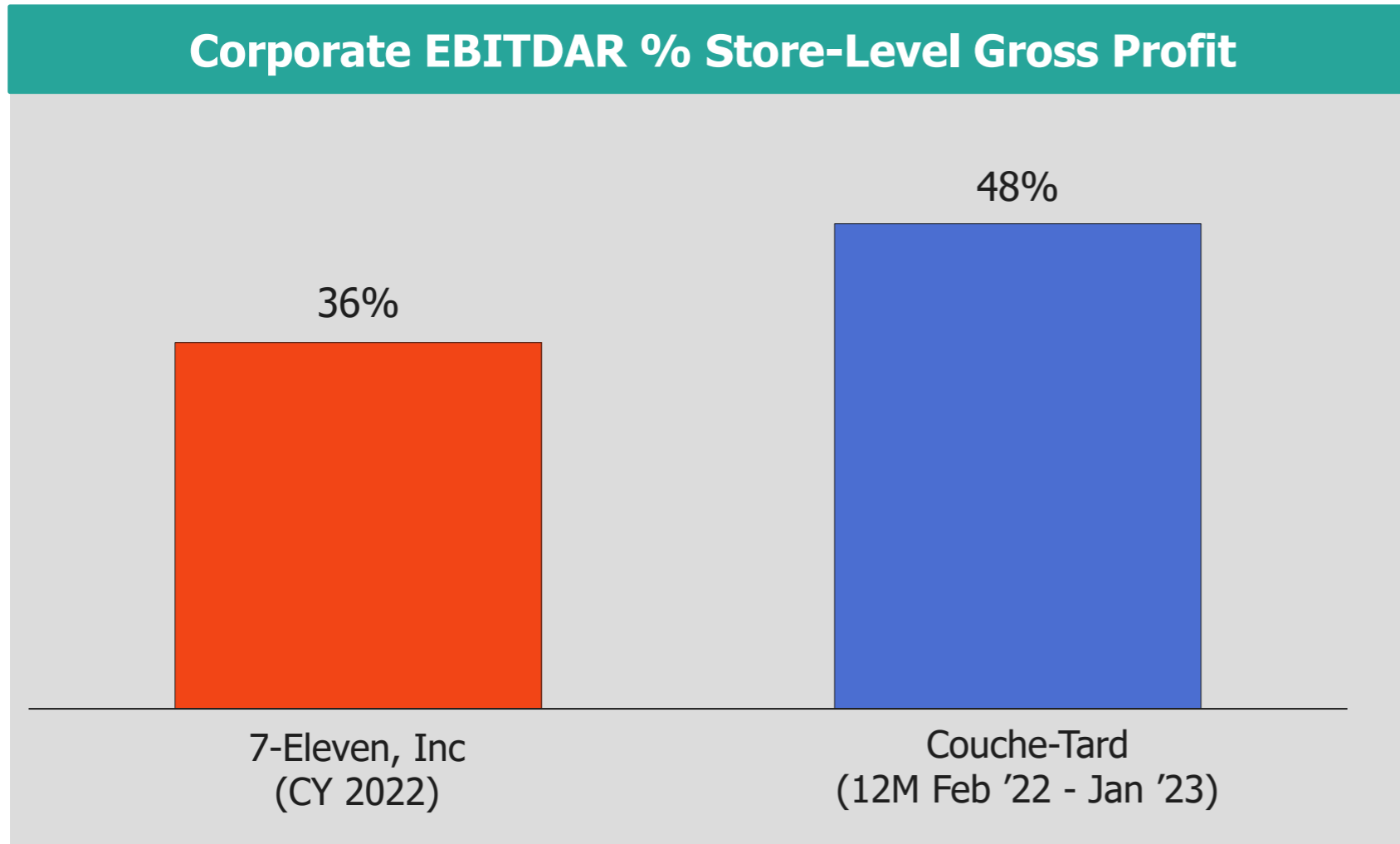
### Operating Profit (\$M) Outside Home Market(s)



# With Greater Focus, 7-Eleven Could Improve the Efficiency of its US Operations



## Corporate EBITDAR % Store-Level Gross Profit



What does that mean?

There is a more than

**\$1.7 billion**

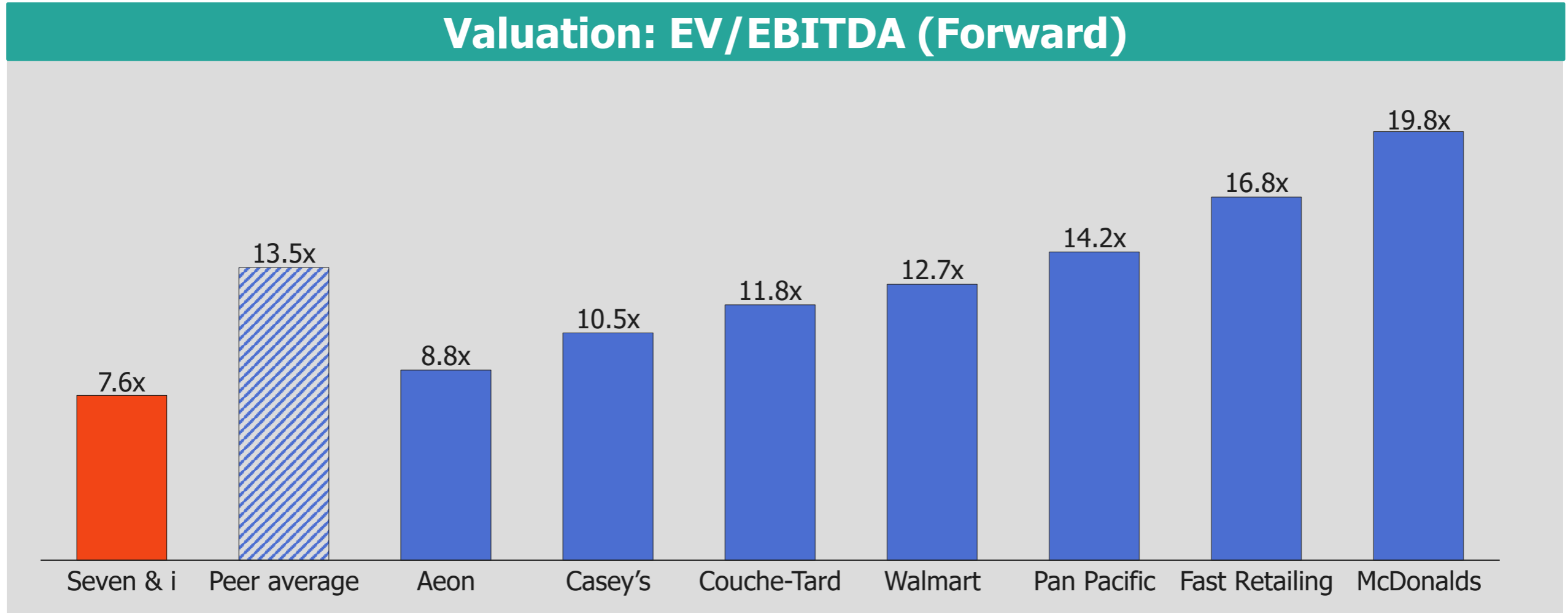
profit opportunity  
if 7-Eleven, Inc. had the  
**operating efficiency**  
of Couche-Tard



# With Greater Focus, Seven & i Could Remove its Conglomerate Discount



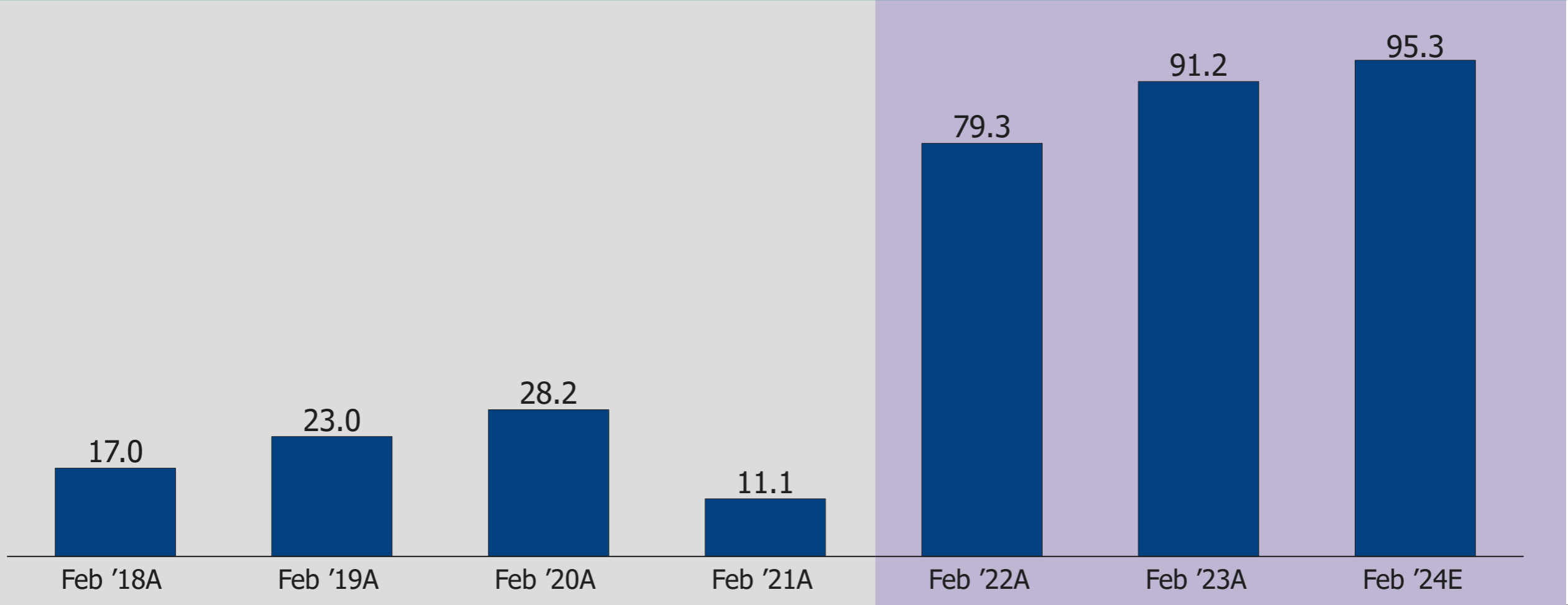
## Valuation: EV/EBITDA (Forward)



# With Greater Focus, Seven & i Could Rationalize Its Questionable Investment in Group Synergies



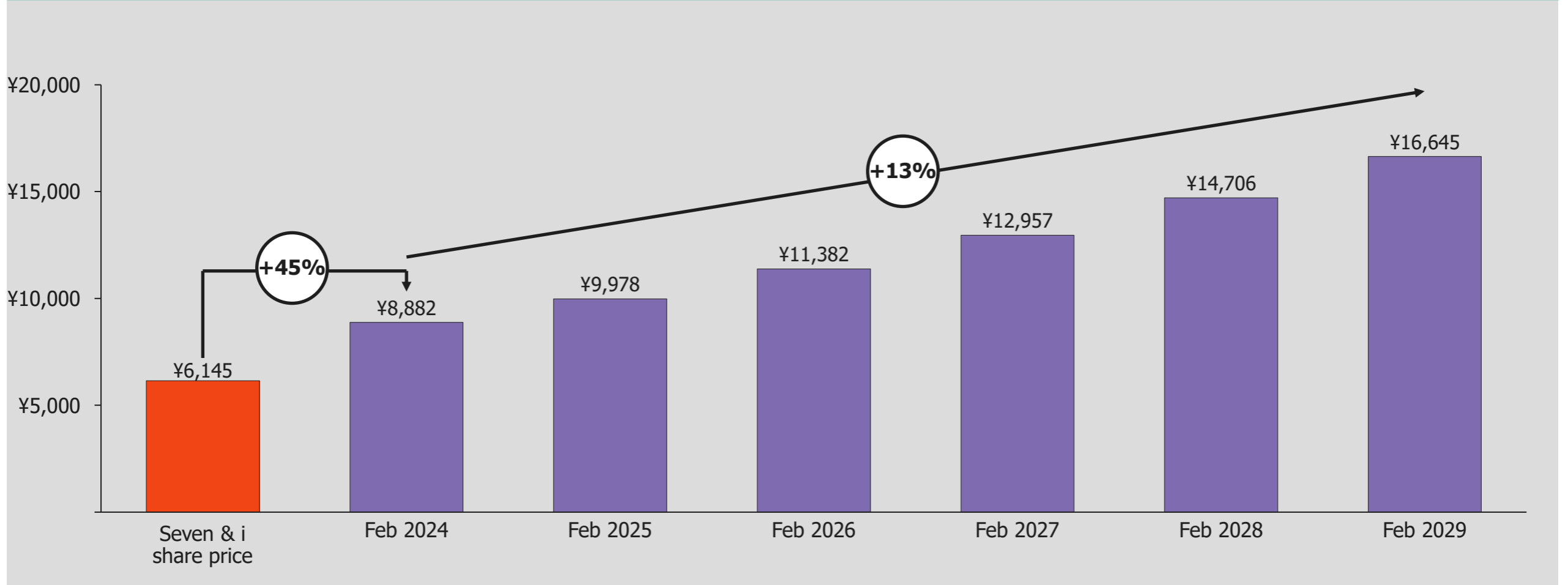
## Investment in Group Synergies (Corporate Cash Costs, JPY bn)



# Creating a Standalone 7-Eleven Would Create Significant Value in the Long-Term



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



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**The global opportunities available to 7-Eleven are massive and shareholders know it, but the President has ignored shareholders and maintained his status quo conglomerate strategy.**

# 4.

The President Has  
Ignored Shareholder  
Concern with the  
Status Quo

# Current Seven & i Management Structure

Seven & i has a conglomerate structure with Ryuichi Isaka at the top as President & Representative Director (akin to a Combined Chair/CEO)

## Ryuichi Isaka

### Current Role

- President & Representative Director,
- Chief Executive Officer (CEO), Seven & i Holdings
- Member of the Nomination Committee

### Previous Major Roles

- Representative Director and President, Seven-Eleven Japan
- Chief Operating Officer (COO), Seven-Eleven Japan

### Biography

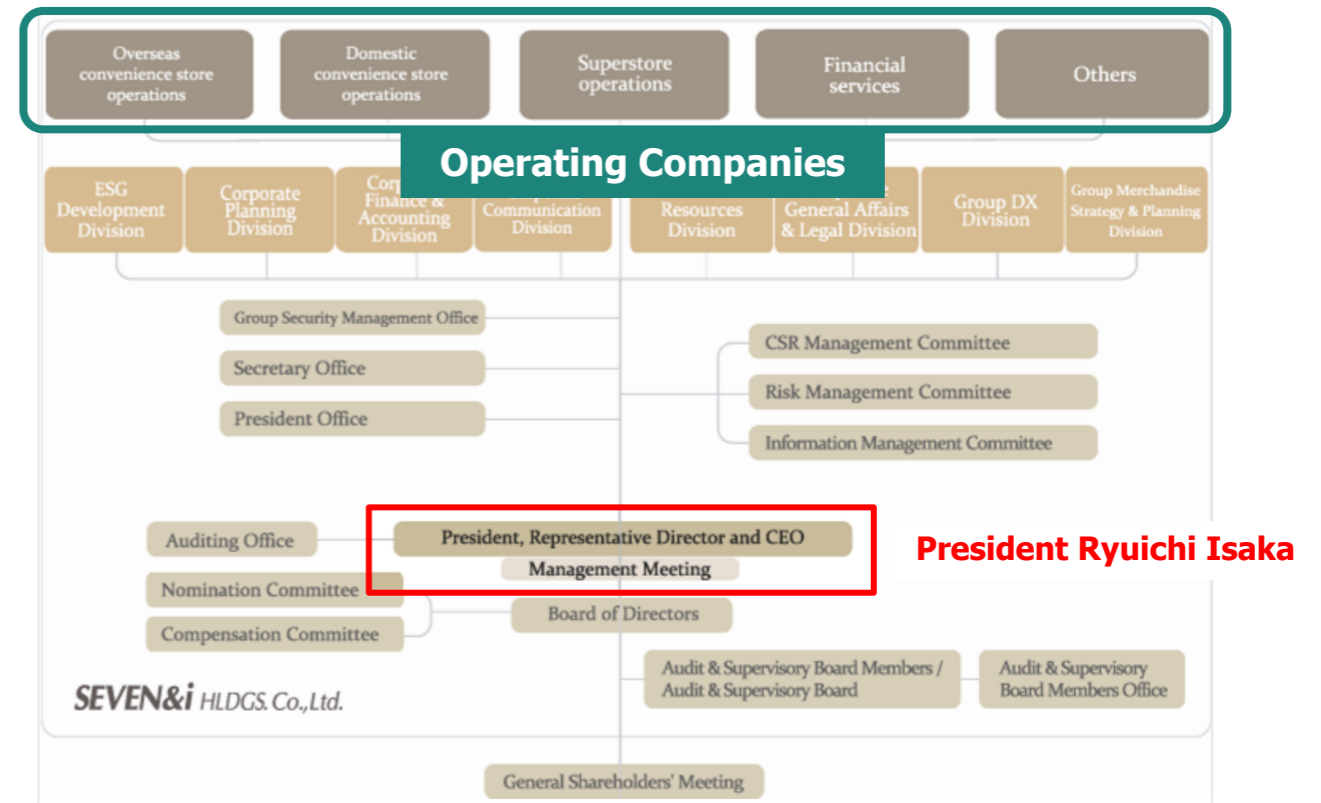
President Isaka has worked within Seven & i Holdings since it was founded in 2005.

President Isaka began his career at Seven-Eleven Japan in 1980. He became the President and Representative Director of Seven-Eleven Japan in 2009, and the President of Seven & i Holdings in 2016.

**The Company's organization chart makes it clear that the President does not directly manage any group businesses**

## President Isaka Has No Operational Role

The **Management Meeting** is a newly introduced function of the Seven & i management structure, Chaired by President Isaka; it is constituted **ONLY of Group-level executives (not operational group companies)**



# Current Seven & i Board

Seven & i's Board includes six Inside Directors, four of whom have direct responsibilities for a business division (e.g. 7-Eleven Inc) and a mix of long-tenured and fresh Outside Directors.

	Tenure	Direct Operational/Business Responsibility	Nomination Committee	Compensation Committee
<b>Ryuichi ISAKA [R]</b> President, Seven & i Holdings	14	No	Member	
<b>Katsuhiro GOTO [R]</b> Vice President, Seven & i Holdings	18	No	Member	
<b>Junro ITO [R]</b> Senior Managing Executive, Seven & i Holdings	14	Yes		Member
<b>Yoshimichi MARUYAMA</b> CFO, Seven & i Holdings	3	Yes		
<b>Fumihiko NAGAMATSU</b> President, Seven-Eleven Japan	5	Yes		
<b>Joseph DePINTO</b> CEO, 7-Eleven, Inc.	8	Yes		
<b>Kunio ITO</b> Lead Independent Director ("LID")	9	n/a	<b>Chair</b>	Member
<b>Toshiro YONEMURA</b>	9	n/a	Member	<b>Chair</b>
<b>Yoshiyuki IZAWA</b>	1	n/a	Member	
<b>Meyumi YAMADA</b>	1	n/a	Member	
<b>Jenifer SIMMS ROGERS</b>	1	n/a		Member
<b>Paul YONAMINE</b>	1	n/a		
<b>Stephen HAYES DACUS</b>	1	n/a	Member	
<b>Elizabeth Miin MEYERDIRK</b>	1	n/a		

● Inside Director ● Outside Director

## Katsuhiro Goto

- Vice President Goto has been on the Board of Seven & i since it was founded in 2005. Prior to this, he was a **top-ranking executive at Ito Yokado**, alongside Toshifumi Suzuki, the Holding Company's first President.
- Goto holds varied responsibilities, however, as a veteran of the "omni-channel" strategy, he is thought to oversee many of the non-CVS domestic businesses.

## Junro Ito

- Made a **Representative Director** in March 2023.
- He is the son of Masatoshi Ito, the late founder of Seven & i.
- He is Group Chief Sustainability Officer.

## Toshifumi Suzuki ("Komon")

- In the fallout from the 2016 transition of leadership, Toshifumi Suzuki became an **Honorary Advisor of the Company**. He remains an advisor today.
- Toshifumi Suzuki's **duties are full-time**, and disclosures say his role is to "provide advice when needed by the Company's management team". He receives **compensation** for these duties.
- These positions have also been warned about by METI as Toshifumi Suzuki's role presents an unaccountable potential influence on management's decision making on strategic direction, and nomination process.

# 4A

**The President Has Ignored  
Shareholder Opposition to the  
Conglomerate Strategy For  
Years**

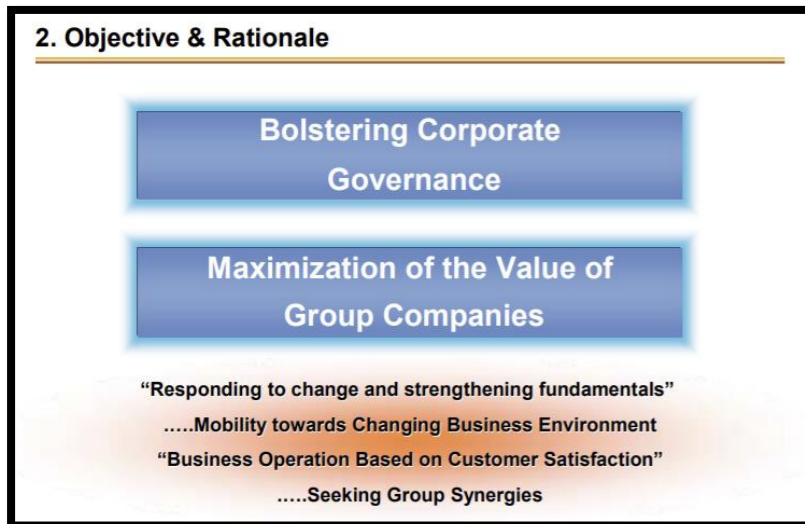


# The Conglomerate Strategy Has Failed to Deliver

The Holding Company was formed in 2005 in pursuit of group synergies and a corporate value greater than the sum of its parts. 18 years later, the conglomerate strategy has failed to deliver. There is a significant conglomerate discount, and the value of 7-Eleven has not been maximized.

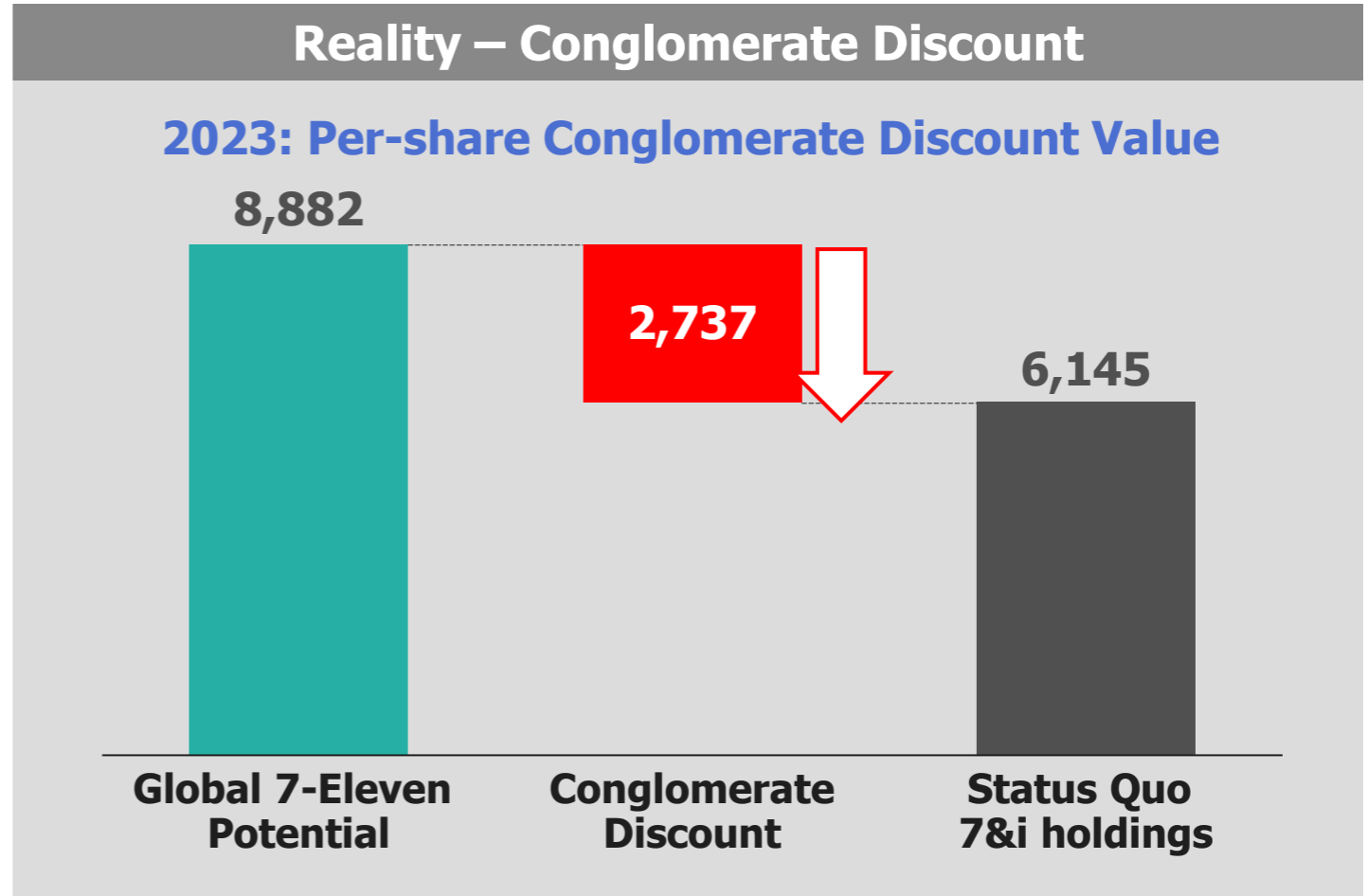
## Objective – Group Synergy

### 2005: Establishment of HoldCo



## Reality – Conglomerate Discount

### 2023: Per-share Conglomerate Discount Value



# Shareholder Skepticism on the Conglomerate Strategy Since the Creation of the Holding Company in 2005



ISS GLOBAL PROXY ANALYSIS

Ito-Yokado Co. Ltd.

Country: Japan  
Annual Meeting: May 26, 2005  
Meeting Time: 10:00  
Meeting Location: Tokyo  
Record Date: February 26, 2005  
Business: Ito-Yokado Co. of Seven-Eleven

**ANALYSIS CONTENTS**

▶ **Merina Asada**

Item	Code	Description
1	M0152	Approve Allocation Dividends, Interim
2	M0405	Approve Formation Seven Japan Co. of
3	M0461	Amend Articles of C
4.1	M0201	Elected Director
4.2	M0201	Elected Director
4.3	M0201	Elected Director
4.4	M0201	Elected Director
4.5	M0201	Elected Director
4.6	M0201	Elected Director
4.7	M0201	Elected Director
4.8	M0201	Elected Director
4.9	M0201	Elected Director
4.10	M0201	Elected Director
4.11	M0201	Elected Director
4.12	M0201	Elected Director

The share exchange ratios were calculated with the assistance of Nomura Securities (working for Ito-Yokado), G&C Corporate Finance Co. (working for Seven-Eleven Japan Co.), and Daiichi Research Institute for Japan, Ltd. (G&C Corporate Finance Co. affiliate with Ito-Yokado). The ratios were based on average share prices and discounted cash flows, as is common in Japan. Ordinarily we would have the reason to suspect that the prices by which the ratios were derived were unfair to shareholders of I-Y.

However, a number of I-Y shareholders have been very vocal in their opposition to the terms of this transaction. The opposition stems from several areas. A lack of transparency in the process of the sale, coupled with a lack of shareholder participation in the decision-making process, and the uncertainty regarding the synergies from the transaction. However, the main focus of the opposition appears to be the share exchange ratio, which specified the sale of a premium for I-Y shareholders. The opportunity cost of the sale was not fully reflected in the offer price. I-Y shareholders were not receiving the value of I-Y's core retail operations or its banking business. ISS does note, however, that I-Y's share price exceeded its book value with a P/BV of 1.35 according to Bloomberg. Ito-Yokado's total shareholder return called for I-Y to pay a special dividend to its shareholders, on top of the 7/10 cash dividend they are entitled to at the end of the share exchange. In an annual meeting announcement by I-Y, it stated that the total value of the share exchange, including the cash dividend, was equivalent to the 7/10 cash dividend which I-Y shareholders could otherwise have received. Ito-Yokado has disclosed in the prospectus for I-Y shareholders to be less than the amount by which I-Y's share price has declined since the first public offering, and the fact that the terms of the share exchange agreement allow for an adjustment to the cash payments to shareholders in the event of a change in economic conditions and other circumstances.

These opponents have also complained of a lack of transparency in the process. Although the level of disclosure is quite high for Japan, and in accordance with the requirements of Japanese law and the confidentiality agreements between the companies and their financial advisors, the following points are not clear: why the average share price was calculated over only a one-month period, what were the relative weights given to share price and DCF, and what assumptions were used in the DCF calculation. However, the exchange ratio ranges calculated by the three advisors have not been disclosed. ISS does note, however, that I-Y's average share price over the month between March 10 and April 15, 2005, was higher than the average share price over the month between March 10 and April 15, 2004, and was also higher than the average share price over the one-year period ending on April 15, 2005, and was also higher than the average share price over the one-year period ending on April 15, 2004, I-Y's share price fell by 11 percent immediately after the announcement of this transaction, and has recovered only a portion of the decline since then. The price drop was most likely caused in part by fears that the purpose of the holding company was to prevent a takeover - there which were fueled by the timing of the announcement, which came at a time when Japanese companies were just starting to announce plans for going public and anti-takeover measures. I-Y also disclosed that the average share price over the one-month period was used to calculate the exchange ratio, but some observers suspect that the aim to implement the ratio during I-Y's one-month period was to avoid any volatility in the market. Concerns that the transaction was a "bait and switch" have been alleviated by the quarterly statement on May 11, 2005, in which it is stated that the 400 million treasury shares will be sold into the market in a single friendly party in the name of a subsidiary (see Ito-Yokado's quarterly statement on May 11, 2005, for details). Given that I-Y has not been highly valued in the market, the issue then becomes how that valuation can be raised. In a market such as the US or UK, a company in I-Y's position might try to unlock value by spinning off its holdings in SEJ and DJ to its shareholders. However, transactions of that kind are never seen in Japan, as the tax consequences would not be favorable. Management believes that the synergies from creating a joint holding company will raise the group's value, although some investors are skeptical, noting that I-Y has not quantified those synergies.

The question presented to I-Y shareholders is essentially whether accepting or rejecting this resolution

## ISS

“Given that I-Y has not been highly valued in the market, the issue then becomes how that valuation can best be raised. In a market such as the US or UK, a company in I-Y’s position might try to unlock value by spinning off its holdings in SEJ and DJ to its shareholders. However, transactions of that kind are never seen in Japan, as the tax consequences would not be favorable. Management believes that the synergies from creating a joint holding company will raise the group’s value, although some investors are skeptical, noting that I-Y has not quantified those synergies.”

-- Ito-Yokado Co. Ltd ISS Report (2005)

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**In 2016, President Isaka succeeded Toshifumi Suzuki, the architect of the “omni-channel” conglomerate strategy. Shareholders hoped Ryuichi Isaka’s appointment would bring about change at Seven & i.**

## Oct 2015

Third Point discloses its ownership of Seven & i and requests further restructuring at Ito-Yokado including a separation of the business

## April 2016

Seven & i announces nomination of Ryuichi Isaka as President subject to AGM approval

## May 2016

Shareholders elect Ryuichi Isaka as President. The new President says, "*We will work out our growth strategy and structural reforms, which we hope to announce by the time of the Q2 earnings announcement.*"

## Oct 2016

President Isaka reveals his 100 Day Plan = Medium-Term Management Plan

# The President's Tenure Began in 2016 With Promises of Reform in Response to Shareholder Dissent

## » Reuters

May 25, 2016

Third Point, a U.S. fund that opposes President Isaka's retirement and has appreciated his management skills, has called for the separation or downsizing of Yokado and Sogo & Seibu, and this will be a heavy task for the new structure.

The company plans to hold monthly meetings with the management teams of the six major group companies to share with them whether the plans of each operating company are progressing smoothly and what issues need to be addressed.

As for Ito-Yokado, the company has already announced a policy of closing 40 stores over the next five years, and on March 8, it announced a structural reform to close 20 stores during this fiscal year. President Isaka stated, "Basically, we will base our actions on the March 8 announcement of structural reforms, but as we talk from now on, we will see possibility of various directions."



# The President's 2016 100 Day Plan Re-Affirmed The Conglomerate Strategy And Disappointed Shareholders

## The Same Strategy, A Decade Plus Later

**Establishment of Seven & I Holdings**

April 20, 2005

Ito-Yokado Co., Ltd.  
Seven-Eleven Japan Co., Ltd.  
Denny's Japan Co., Ltd.

The Conglomerate strategy began in 2005 **"seeking group synergies"** with **"superstores to pursue structural reform"**

**10+ years later**

**SEVEN&I HDLGS**

Seven & i Holdings Co., Ltd.  
100 Day Plan = Medium-Term Management Plan

October 7, 2016  
Seven & i Holdings Co., Ltd.

The President re-affirms the same basic strategy: to **"capture Group synergies"** and pursue **"structural reform at Ito-Yokado and Sogo & Seibu"**

October 11, 2016

**SEVEN & I, EVEN WITH 100-DAY PLAN, FAR FROM 100 POINTS**

**NIKKEI Asia**

Please give me 100 days," President Ryuichi Isaka appealed at his inauguration press conference held in Tokyo on May 26. This was a "grace period," so to speak, that he asked the stock market for in order to review the course of former Chairman Toshifumi Suzuki, who led the group for about a quarter of a century, identify problems, and promote structural reforms.

133 days to be exact. **The stock market's answer to the submitted answer, known as the "100-day plan," was, for the time being, "no."** On the 7th, the day after the announcement of the capital and business alliance with H2O Retailing and the transfer of three Sogo & Seibu stores under its umbrella to H2O Retailing. **Seven & i's stock closed down 5% on an all-day selling spree.**

**JAPANESE FUND MANAGER WITH 30 YEARS OF EXPERIENCE**

"What, H2O Retailing? A capital tie-up? I was surprised when I first heard that. But when I looked at the 100-day plan in detail, I'm not sure I'm ready to make an additional investment decision. **In a word, restructuring is not going far enough.**"

There will be no additions to the 40 store closures announced so far by Ito-Yokado, the group's original business, and no mention of Denny's, a family restaurant that continues to perform poorly, BALS, which operates the Francfranc lifestyle goods store, which is not

department store business, only three Sogo & Seibu stores located in the Kansai region have been clearly restructured. The company did not take the big step that the U.S. investment fund Third Point had demanded, which would have been to divest the entire department store business, leaving behind Sogo Tokushima, Fukui, and other regional tment stores that are not rming well.

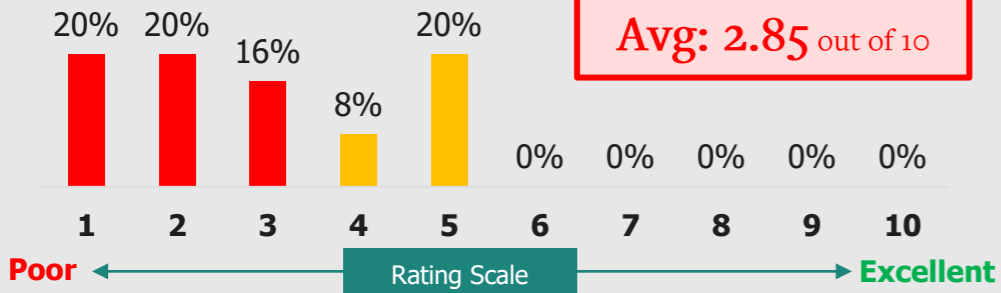
**EQUITY ANALYST AT NON-JAPANESE INVESTMENT BANK**

"I feel that the new management is trying to come up with something that will attract investors, but whether it will be profitable is another matter."

# After 7 More Years of the Conglomerate Strategy Under a New President, Shareholders Still Dissatisfied

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.

## Investor Assessment of the Value Creation under the Conglomerate Structure (Score / 10)



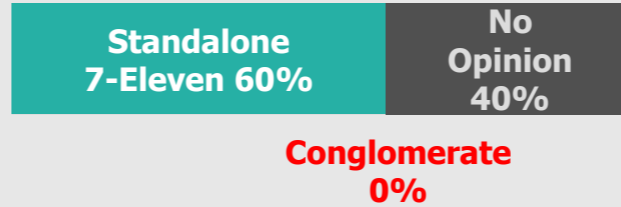
"**Almost nil.** There may exist synergy among convenience stores between US and Japan. The "food synergy"... might not be zero. I give a '2' (out of 10)"

Japanese Active Manager

"We're talking about a group of businesses which are together because of historical reasons. **There's no real synergy in having the different types of retail businesses together.** And it does feel like it makes it very difficult for the stock market to think about the value."

North American Active Manager

## Value of the Conglomerate vs Value of Standalone 7-Eleven



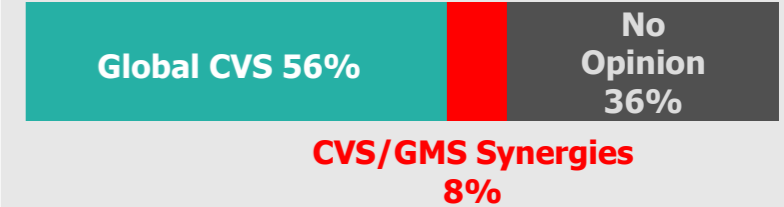
"... if they committed to focusing on their true area of core competence... **we think the shares could be 100% higher and still not be expensive.**"

European Active Manager

"**It is unclear to us that the value of the conglomerate is really bringing any value at all.** And we think that independently run businesses, and there are academic studies that supports this, tend to create more value on their own"

North American Active Manager

## Strategic Focus : CVS and GMS Synergies vs Global CVS



"... the (more important) problem is on 7&I's management which has **failed to increase business values of operating segments.**"

Japanese Active Manager

"We think that 95% of the value of this organization is in the CVS business and to have the amount of capital and management attention that the non-CVS business receives is **value destructive.** So, focusing exclusively on the convenience store model, to which the company has a big advantage, is significantly more valuable than remaining as a conglomerate as it is"

North American Active Manager

T.RowePrice®

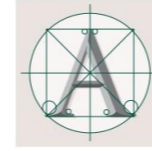
**2022:** In its opposition to **President Ryuichi Isaka's** re-election at the 2022 AGM, T. Rowe conditioned it on the **"slow progress on reform"**



**2022:** **"President Isaka and Director Goto** should be held accountable for the **slow restructuring of the domestic business** and the resulting failure to increase enterprise value"  
**"Kunio Ito**, as an external director who is supposed to act in the interest of minority shareholders, has **not been effective in getting management to accelerate** restructuring and raise enterprise value"

DaltonInvestments®

**2022:** Your stock price is undervalued. **The market does not appreciate complex company structures and has attached a discount to intrinsic value.** The stock price also reflects the market's concern around inefficient capital allocation by management, which we consider an agency cost. We believe that this spin-off will contribute to eliminating the discount by focusing on the most valuable business within your group companies and allocating the appropriate amount of capital between businesses.



ARTISAN PARTNERS

**Japanese Institutional Investor**

**2022:** **"The board is moving slowly when they shouldn't be.** For capital and competitive reasons, they should be moving much more quickly to take advantage of the opportunity to consolidate the US convenience store industry. "

"Investors, including a Japanese institutional investor contacted by Reuters that is not permitted to discuss its views publicly, are **blaming Seven & i's stagnant share price on management's attachment to a conglomerate structure.**"

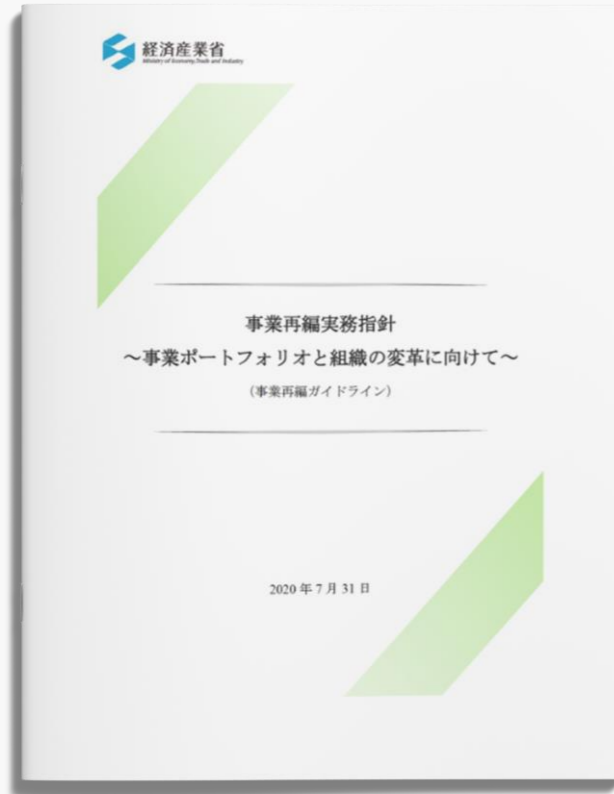
Source

**In 2022, shareholders spoke and Seven & i refreshed its Board; the President was given yet another opportunity to objectively review strategy in response to shareholder dissatisfaction with the status quo**

# 4B

**The President's "Group  
Strategy Re-Evaluation"  
Ignored Shareholders Again  
& Revealed Entrenchment**





## METI's Practical Guidelines for Business Transformations (2020)

# Companies Are Expected to Clearly Explain the Basis for Their Corporate Strategy

"Companies are expected **to explain to investors as concretely as possible** their corporate philosophy and value standards, business model and management strategy, basic policy regarding their business portfolio and the state of review by the board of directors.

In particular, with regard to the basic policy on the business portfolio, it is desirable to explain **not only the details and conclusions of their decision**, but also the **basis on which such a decision was reached**, including in cases where, as a result of the review, it was decided that the most recently decided basic policy should be maintained."

# The President's "Group Strategy Re-Evaluation" was Supposed to Respond to Shareholder Dissatisfaction



1

**Jan 2022**

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



2

**Apr 2022**

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



3

**May 2022**

Shareholders elect 6 new 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.



4

**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.

# “Group Strategy Re-Evaluation” Process Was Flawed

The “Group Strategy Re-Evaluation” process was biased and opaque, rather than the independent, transparent, and comprehensive review that shareholders expected.

The Seven & i President Approved A Flawed Process		Shareholder Expectations	
<b>Composition</b>	<b>Full Board</b> , including President Isaka and 5 of his subordinates (including tenured Representative Director Goto).	●	<b>A subset of Independent Outside Directors</b> selected based on their skills and experience.
<b>Mandate</b>	<b>Unclear</b> whether focused on “maximizing Group synergy originated by ‘Food’” or “strategic alternatives including... drastic group structure reform”.	●	<b>A clear mandate</b> that provides transparency to the market as to the objectives of the exercise, the process to be followed, individuals to be involved, and a timeline.
<b>Independent Advisors</b>	Retained but <b>not disclosed</b> with unclear reporting line (likely management team).	●	<b>Retention of reputable independent advisors</b> that are disclosed to the market to reassure that there are no conflicts.
<b>Independent Advisors Scope and Reporting Line</b>	<b>Unclear scope</b> to “pursue Group growth strategy focused on CVS business”.	●	<b>Clear mandate and reporting lines</b> of the independent advisors to ensure that board members can receive the best support and explore options without management bias.
<b>Transparency &amp; Engagement</b>	<b>Communicated only once</b> several months after initiating the process and <b>no engagement with shareholders (or at least ValueAct)</b> to seek input	●	<b>Periodic updates</b> to the market to ensure maximum transparency to promote trust with the process followed. <b>Engage with top shareholders to receive input.</b>
<b>Strategic Alternatives Considered</b>	<b>No quantitative or qualitative disclosure</b> on strategic alternatives considered during the process.	●	<b>Disclosure of alternatives considered, with quantitative and qualitative information</b> , to demonstrate that the selected direction is the best option available to shareholders.

**Seven & i’s “Group Strategy Re-Evaluation” was not an objective strategic review process**

# The “Group Strategy Re-Evaluation” Once Again Re-Affirmed The Status Quo Conglomerate Strategy

After Pursuing The Same Strategy For 18 Years With Poor Results...

“Group Strategy Re-Evaluation” Decides To Pursue The Same Strategy

## 2005

“Seeking group synergies” with “superstores to pursue structural reform”



Establishment of Seven & I Holdings

April 20, 2005

- Ito-Yokado Co., Ltd.
- Seven-Eleven Japan Co., Ltd.
- Denny's Japan Co., Ltd.

## 2016

To “capture Group synergies” and pursue “structural reform at Ito-Yokado and Sogo & Seibu”



SEVEN&i HLDGS

Seven & i Holdings Co., Ltd.  
100 Day Plan = Medium-Term Management Plan

October 7, 2016  
Seven & i Holdings Co., Ltd.

## 2023

“Food synergy” and “SST transformation”



SEVEN&i HLDGS

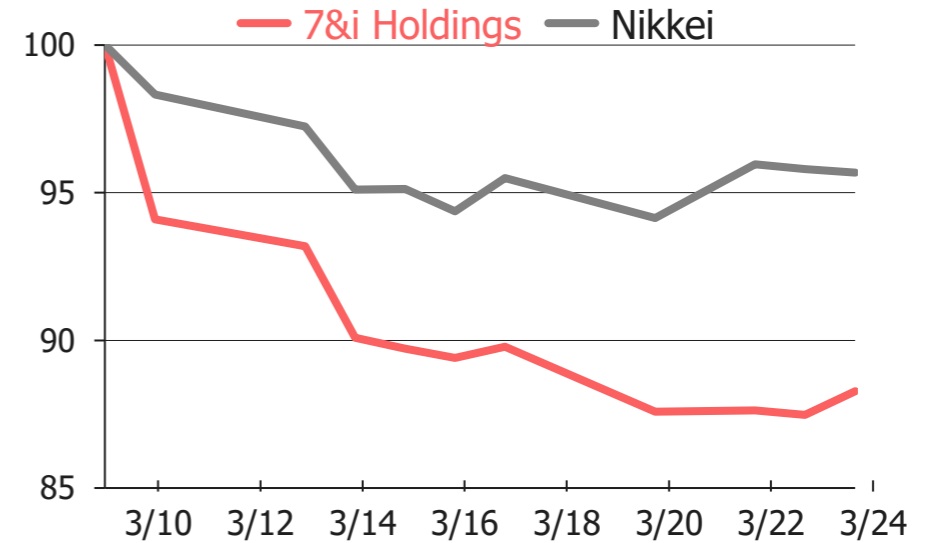
Update to the Medium-Term Management Plan and the Results of the Group Strategy Reevaluation

March 9, 2023  
Seven & i Holdings Co., Ltd.  
President & Representative Director  
Ryuichi Isaka

# Shareholders Were Disappointed With The “Group Strategy Re-Evaluation” Announced March 9

- 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.

Price Reaction after Announcement



**MIZUHO**  
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

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

## » Nikkei Asia

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.”**



# After-The-Fact “Strategy Committee” Is Evidence That the “Group Strategy Re-Evaluation” Was Not Objective

The independent “Strategy Committee” was formed after the strategy had already been decided

On March 9, Seven & i announced its “Group Strategy Re-Evaluation” which re-affirmed the conglomerate strategy but also created a “Strategy Committee” to “monitor progress” and “objectively and comprehensively review the optimal group portfolio structure and strategic alternatives (IPO, spin-off, etc.” ([Link](#)).

Seven & i’s decision to form a “Strategy Committee” after it communicated its strategic direction signals not only a **failure in the process**, but a **tacit admission that the “Group Strategy Re-Evaluation” was neither “objective” or “comprehensive”**.

## The formation of a “Strategy Committee” signals three failures:

1

**WRONG TIMING:** Establishing a “Strategy Committee” **after** the full Board agreed on the strategic direction signals a **governance failure** in following a due process and serves as an admission that the “Group Strategy Re-Evaluation” was not carried out objectively.

2

**UNCLEAR MANDATE:** The mandate of the “Strategy Committee” is unclear and no timeline has been communicated as to when shareholders can expect to hear the results of their deliberations.

3

**UNDERMINED AUTHORITY:** The “Strategy Committee” is stated to provide “advice to the Board” with management already communicating that Ito-Yokado is “given three more years” before strategic alternatives can be pursued.

**The Board’s “unanimity” is not reassuring. What the Board approved unanimously was the need for a “Strategy Committee” to review strategic alternatives AFTER an “objective” strategy review had supposedly occurred.**

# What is the “Strategy Committee” Supposed to Accomplish and by When?

The “Strategy Committee”, established after what was supposed to be an “objective” strategic review, also fails to meet governance best practices for its composition, mandate, objectivity, and robustness.



Source

The composition of the Committee, together with its unclear mandate, repeats the same failures of the “Group Strategy Re-Evaluation”. Management has also already undermined the authority of the “Strategy Committee”.

# The President Has Undermined the Authority of the “Strategy Committee” in Confused Media Interviews

In recent media interviews, the President focused stakeholders on specific (albeit conflicting) strategies with no mention of “Strategy Committee” involvement, whose supposed mandate is to evaluate alternative strategies. There was no indication that his statements had been thoroughly and objectively evaluated by the “Strategy Committee” in comparison to other alternatives.



## Toyo Keizai Interview (4/27/2023):

*Mr. Isaka in response to a question on potential for Ito-Yokado separation: “I disagree. It (Ito Yokado) should not be separated.”*



## Kyodo Tsushin Interview (4/27/2023):

*Mr. Isaka says, “the company is thinking about a stock listing in three years for its supermarket business, with Ito-Yokado at its core.”*



# The President Still Hasn't Answered Our 9 Questions

## ValueAct's questions from April 2 remain unanswered

Shareholder questions of the incumbent conglomerate strategy built up considerably in 2022 forcing the Board to undertake the "Group Strategy Re-Evaluation". **It was incumbent on Seven & i's Board to invest a dedicated effort to provide detailed and balanced disclosure of the advantages and disadvantages of various strategic options considered**, as well as a quantitative basis for its conclusions. **Epecially** as the exercise concluded to maintain the status quo conglomerate structure.

Shareholders are now being asked to implicitly trust the President's judgement despite significant questions continuing to be unanswered regarding the rationale behind the conclusion, and the robustness of the process.

**On April 02, 2023, ValueAct published a series of clear questions to the Board (see [here](#)).** The purpose was: **(1)** to determine key rationale behind the announced strategy, and **(2)** to establish important facts about the "Group Strategy Re-Evaluation"

### Questions Asked of the Company by ValueAct on April 02, 2023

		Answered?
Q1	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?	●
Q3	Did the Board evaluate the conglomerate discount?	●
Q4	Which strategic alternatives were quantitatively considered?	●
Q5	Why not pursue a tax-free spin-off of 7-Eleven?	●
Q6	Why not pursue a sale of the whole Company?	●
Q7	How do the supposed "group synergies" justify maintaining the conglomerate structure?	●
Q8	Does the whole Board agree with management's commentary?	●
Q9	What will the newly formed Strategy Committee do?	●



R ISAKA

**Earnings Call Q&A (6 April 2023)**  
**Q:What % of ValueAct's questions do you think you have answered?**  
 A: [ISAKA] "It is hard to answer what % of the questions we have addressed... **We will communicate our views in Mid April, that would be the complete answers.**"

**0/9**  
**Questions Answered**

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**The biased and opaque “Group Strategy Re-Evaluation” shows that the President will not conduct an objective and transparent review of all alternative strategies**

# 4C

**The President Has Failed to Objectively Consider Reported Takeover Offers**

# Concern That Conglomerate Was Created to Fend Off Takeovers

Some shareholders have questioned whether Seven & i would consider takeover offers with a fiduciary mindset since the Holding Company was formed in 2005

- In 2005, a leading independent governance research firm ISS reported to have spoken to shareholders of the to-be-combined listed companies (Ito-Yokado, Seven-Eleven Japan, and Denny's Japan) to better understand their views regarding the formation of the Holding Company.
- **Shareholders were “very vocal in their opposition” based on concern that the Holding Company was being formed “primarily to ward off an unsolicited takeover” rather than the stated objective of the “maximization of the value of group companies”.**

“Managers are often **motivated to preserve their own jobs** or arrange for substantial payouts and, as a result, their actions following a takeover bid may **not always be in the best interests of shareholders.**”

*Voting Guidelines*



“a number of Ito-Yokado shareholders have been very vocal in their opposition to the terms of this transaction... in fact, Ito-Yokado’s share price fell by 11% immediately after the announcement of this transaction... **The price drop was most likely caused in part by fears that the purpose of the holding company was to prevent a takeover** – fears which were fueled by the timing of the announcement, which came at a time when Japanese companies were just starting to announce plans for poison pills and other anti-takeover measures.

(I-Y told ISS that the creation of a holding company had actually been under consideration for a number of years prior to the announcement; but some observers suspect that the rush to implement the restructuring was **spurred by I-Y’s increased awareness that the anomaly in valuation between I-Y and SEJ leaves I-Y vulnerable.**)”

*-- Ito-Yokado Co. Ltd ISS Report (2005)*

# The President Never Disclosed a Reported 2020 Takeover Approach

- The President never disclosed a takeover offer the Company reportedly received from “an overseas retail company” in 2020, denying shareholders the ability to consider selling shares at a premium.
- We expect Presidents to fulfill their fiduciary duty by publicly disclosing all takeover offers received to shareholders and to create an independent committee to objectively evaluate the takeover offer against the status quo value creation plan.

*Japan's  
Corporate  
Governance  
Code*

## **Principle 1.5 Anti-Takeover Measures (Supplementary Principle)**

In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.



**Article**

# Concern About the Motivation for Speedway Acquisition

The President walked away from a potential acquisition of Speedway because the price was too high in early 2020. Six months later he agreed to acquire Speedway for a similar price. Meanwhile, there were reports of a takeover offer “in 2020”...

- It was reported by a Weekly Diamond article that a key reason for the acquisition of Speedway was to protect Seven & i from a potential takeover offer it had recently received. **In other words, the Board may have used Speedway as a poison pill.**
- After initially refusing to acquire Speedway in early 2020, the Board suddenly changed its mind 5 months later and proceeded to acquire Speedway for effectively the same price despite a significantly weakened macroeconomic environment.

**ValueAct has questioned the Board on the factual basis of this offer privately and publicly – no response has been received.**

**March 2020**

» Nikkei Asia March 05, 2020

**7-ELEVEN OPERATOR DROPS \$22BN BID FOR SPEEDWAY GAS STATIONS**

Japan's Seven & i deems US acquisition too expensive and risky

The biggest hurdle for the acquisition was the price which was deemed too high by the Japanese company.

**NIKKEI Asia** Online December 27, 2022

**Article**

Based on what the leaders of Seven & i said to those around them, it is said that around 2020, Seven & i received an offer to acquire the company behind the scenes from an overseas retail company...

However, Seven & i was embarking on the acquisition of Speedway at about the same time. The purchase price was too high, so they gave up once, but in the end, they decided to buy it.

The “acquired” project, in which Seven & i was the target of acquisition, disappeared.

It can be said that the acquisition of Speedway was “considered”. This is because if Seven & i were to be acquired, businesses other than convenience stores, which have low profit margins, might even have been sold in pieces

**DIAMOND online**

**August 2020**

» Financial Times August 03, 2020

**7-ELEVEN OWNER TO BUY SPEEDWAY FROM MARATHON PETROLEUM FOR \$21BN**

Marathon Petroleum has agreed to sell its Speedway petrol stations business to Seven & i Holdings in a \$21bn all-cash deal.

**FT** Article

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**The President has not only approved biased strategy “re-evaluations” and hidden takeover approaches, but ValueAct has seen a track record of bad faith in its interactions with the President and his subordinates**

4D

**The President Has Interacted  
With ValueAct in Bad Faith**



# ValueAct Attempted to Engage on Substantive Strategy But the President Responded in Bad Faith

In an effort to support the Company, ValueAct shared thousands of pages of analysis and conducted dozens of meetings with management and the Board. But we never received genuine engagement from Seven & i's President and lost faith in the ability of the Board to effectively respond to constructive engagement.



VAC asks President to meet its professional references, several public company CEOs that ValueAct has worked closely with in the past

VAC shares detailed strategic and financial rationale of strategic transformation options and formally requests to collaborate

VAC holds two weeks of working-level discussions with Seven & i management on business transformation and presenting analysis supported by a third-party consultant of "group synergies" including "food synergies"

VAC presents to the Board on the global 7-Eleven opportunity, suggests specific immediate action steps, and again requests to work more closely together

### VAC Publishes Public Letter & Presentation

Calling on Shareholders to engage with the Board on strategy and leadership, and for the Board to create an independent strategic review committee

President alleges that "VAC has not expressly presented any strategic plans..." despite one year of receiving specific plans and ideas from VAC



President delays four months; eventually sends a subordinate to meet one CEO reference

President delays substantive engagement until after his Medium-Term Management Plan (MTMP) which was over 1 year delayed.

After MTMP, President declines to enter formal collaboration saying strategy is already set and transfers engagement to subordinates

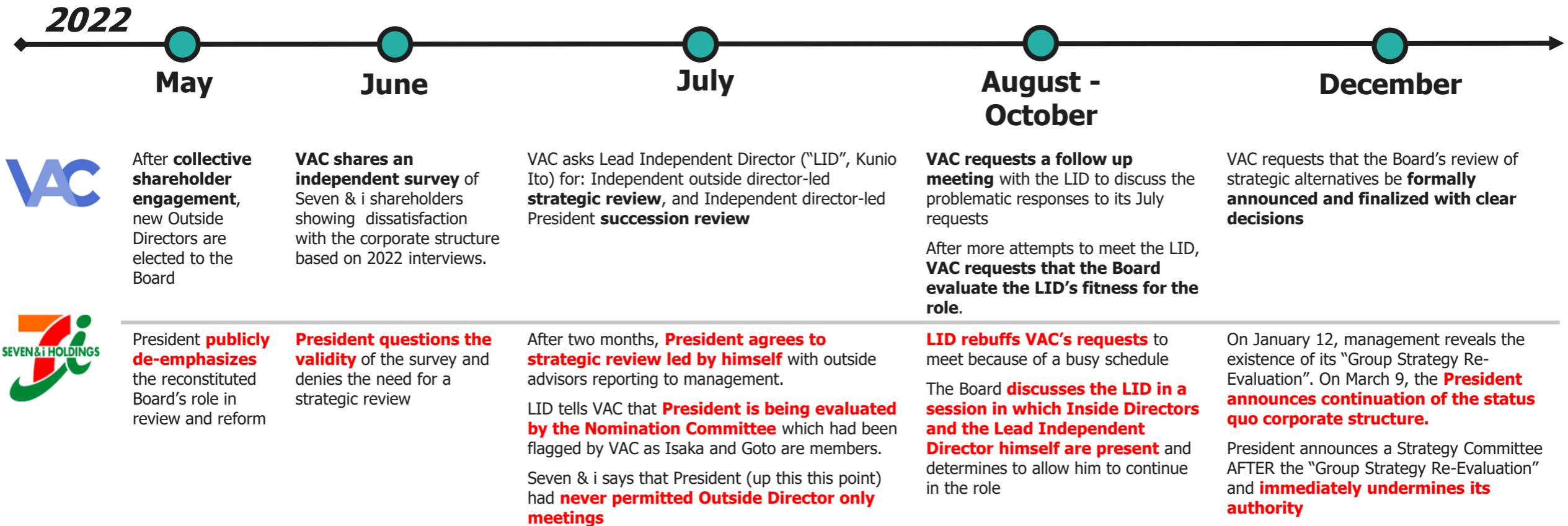
President's subordinates indicate substantial agreement with VAC: "we are aligned on direction".

However, President's subordinates could not discuss timelines or specific action plans, giving VAC concern about the commitment and competence of the President.

After the Board meeting, the President takes none of the suggested action steps and rejects request to work with VAC on action plans and transformation steps

# The President's Bad Faith Actions Continue Despite a Refreshed Board and ValueAct's Earnest Engagement

The President's bad faith interactions became clearer to us after another year of earnest engagement. He has resisted independent processes to review leadership and strategy at every step.



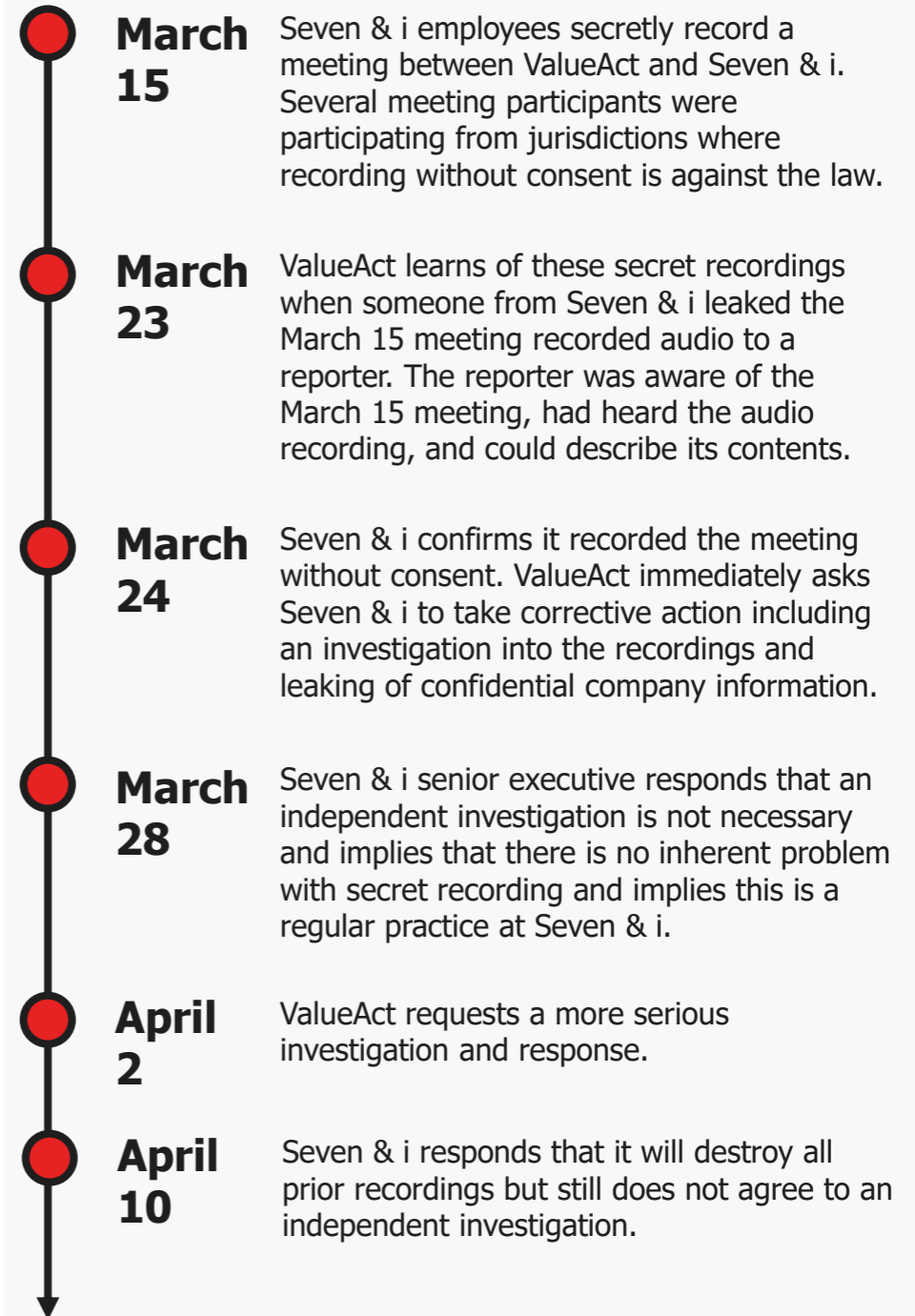
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**The President has established a track record of bad faith interactions, the latest example of which is his refusal to independently investigate Seven & i's leak of a meeting recording to a reporter.**

# Meeting Recorded Without Consent and Leaked to Reporter

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 reporter.

- ValueAct became aware of Seven & i's secret recording practice when audio of a meeting on March 15, 2023, between Seven & i employees, an Outside Director and ValueAct was **leaked to a reporter**. 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.**
- 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, including California—the location of the shareholder and Outside Director participants during the March 15 meeting.
- We formally requested but the President has so far denied an independent investigation into Seven & i's practice of recording shareholders without consent and the subsequent leak of a recording to a journalist. We consider this **recent behavior** to be **a serious governance failure**. The President's response was disingenuous and dismissive of legitimate concerns.



# The President Has Denied an Independent Investigation Before

The President denied an independent investigation into the root cause of the 7pay cybersecurity incident.

- 7pay was hacked almost immediately after launch and major deficiencies in the security of the service were found.
- The severity of 7pay's failure should have prompted Seven & i to appoint an independent Third-Party Committee to investigate the **causes fully** and report the **results in a clear manner** to its stakeholders. **Establishing a Third-Party Committee is an established practice in Japan.**
- Instead, the Board, led by Chair/CEO Ryuichi Isaka, **chose to conduct an internal investigation** with its **full results not disclosed.**



## Principles for Responding to Corporate Scandals at Listed Companies

"In cases where there is considerable doubt about the effectiveness of internal control or the reliability of management, where the degree of damage to the corporate value of the company in question is significant, or where the case is complex or has a significant social impact, the establishment of a third-party committee is a viable option in order to ensure objectivity, neutrality, and expertise in the investigation."



**July 2019**

Seven & i launches 7Pay. Just days after, 7Pay was hacked, 38M yen stolen.



**August 2019**

Seven & i shut down 7Pay. The Company **formed an internal investigation committee instead of an independent one** and ended the investigation by releasing only one press release, stating that the **investigation report could not be disclosed** due to security reasons.



TOKIO MARINE  
ASSET MGT

**OPPOSITION TO ISAKA AND GOTO**  
"Opposed due to security issue and based on disclosure after the incident." [Source](#) (2020)

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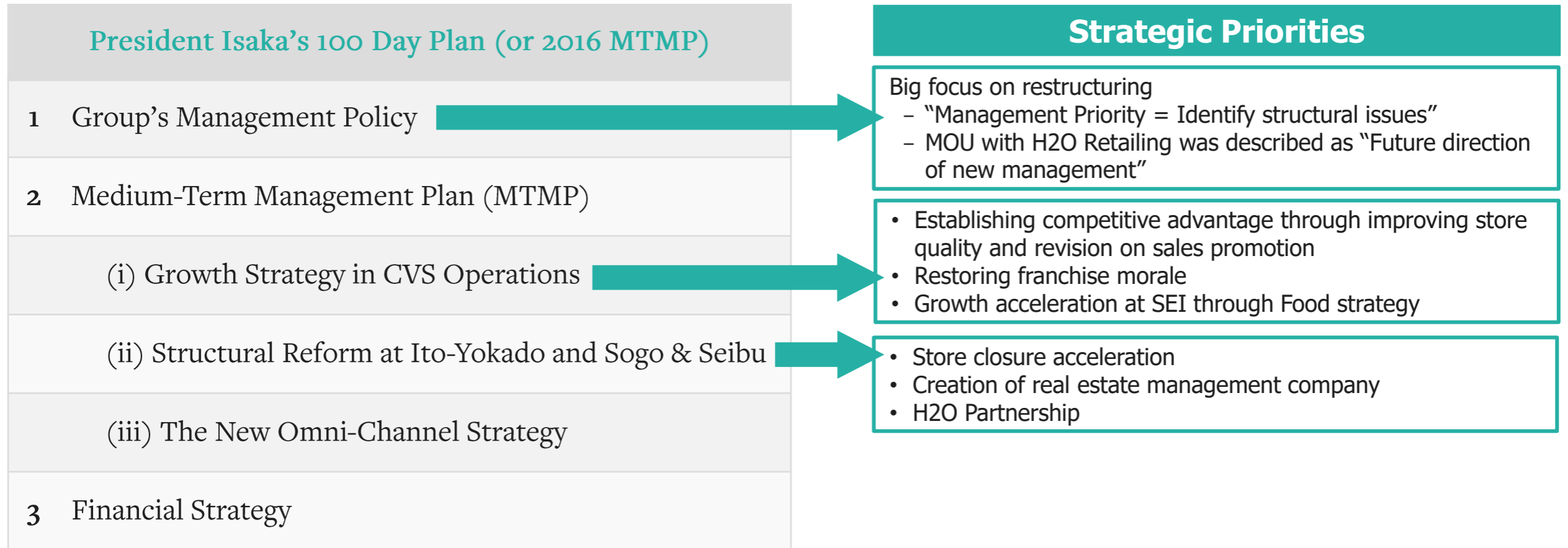
**The President has acted in bad faith and approved weak governance processes to preserve his status quo strategy. He has also executed poorly on his preferred strategy.**

# 5.

The President Has  
Executed Poorly Against  
His Strategic Objectives

# The President Outlined His Priorities in His 2016 Medium-Term Management Plan Ending in Feb 2020

Emphasis is on the turnaround of Ito-Yokado and Sogo & Seibu through structural reform and business partnerships





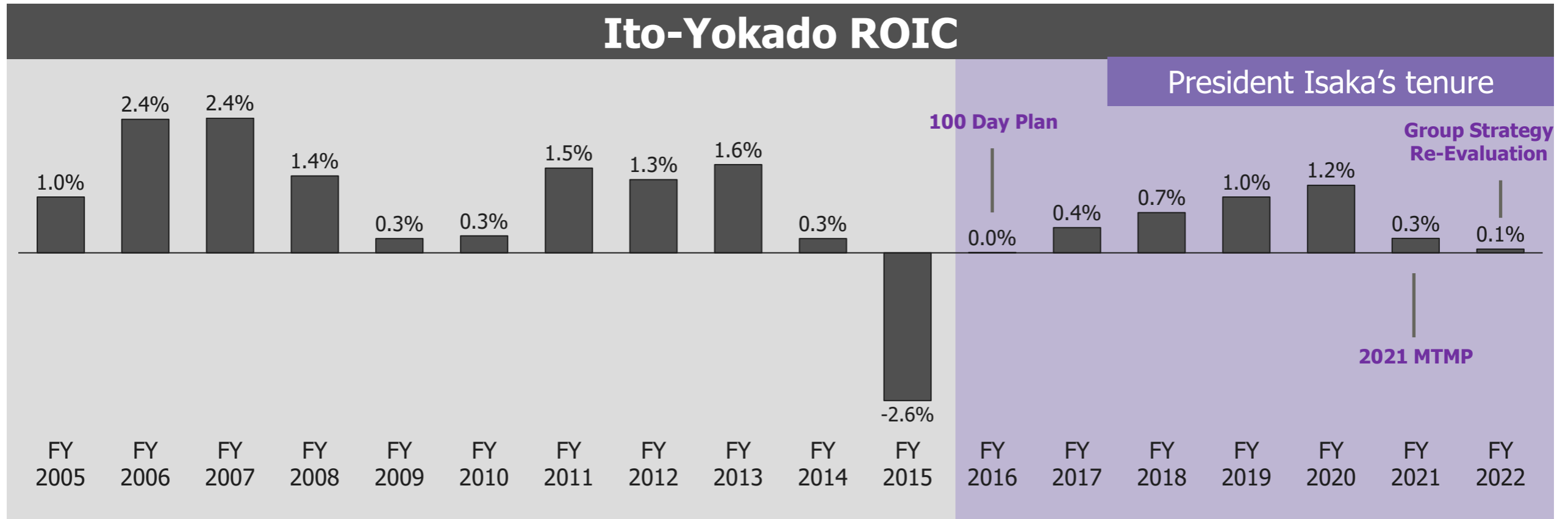
# The President Missed 9/10 Numerical Targets Set in His 2016 Medium-Term Management Plan for Feb 2020

Feb 2020 Target at 2016 MTMP		Status	Feb 2020 Outcome
<b>Seven &amp; i Holdings</b>	Operating Income 450 bn Yen	●	Operating Income 424 bn Yen
	ROE 10%	●	ROE 8.5%
<b>Domestic 7-Eleven</b>	Further enhance the motivation of franchisees, the Group's greatest growth engine	●	24/7 operation issue
<b>Overseas 7-Eleven</b>	Daily sales \$5,000	●	Daily sales \$5,075
	Store Count 10,000	●	Store Count 9,682
<b>Ito-Yokado</b>	Operating Income 15bn Yen	●	Operating Income 6.5 bn Yen
	Operating Income Margin 1.3%	●	Operating Income margin 0.6%
	Directly Operated sales floor space Ratio < 49%	●	Directly Operates Sales Floor 54%
<b>Sogo &amp; Seibu</b>	Operating Income 13bn Yen	●	Operating Income 0.2 bn
	Operating Income Margin 1.8%	●	Operating Income margin 0.03%

# The President Failed to Turn Around Ito-Yokado



In 2016, the President saw 10 years of unacceptably low ROIC and concludes restructuring is the answer. Another 7 years of restructuring within the group later, the President again concludes – more restructuring!

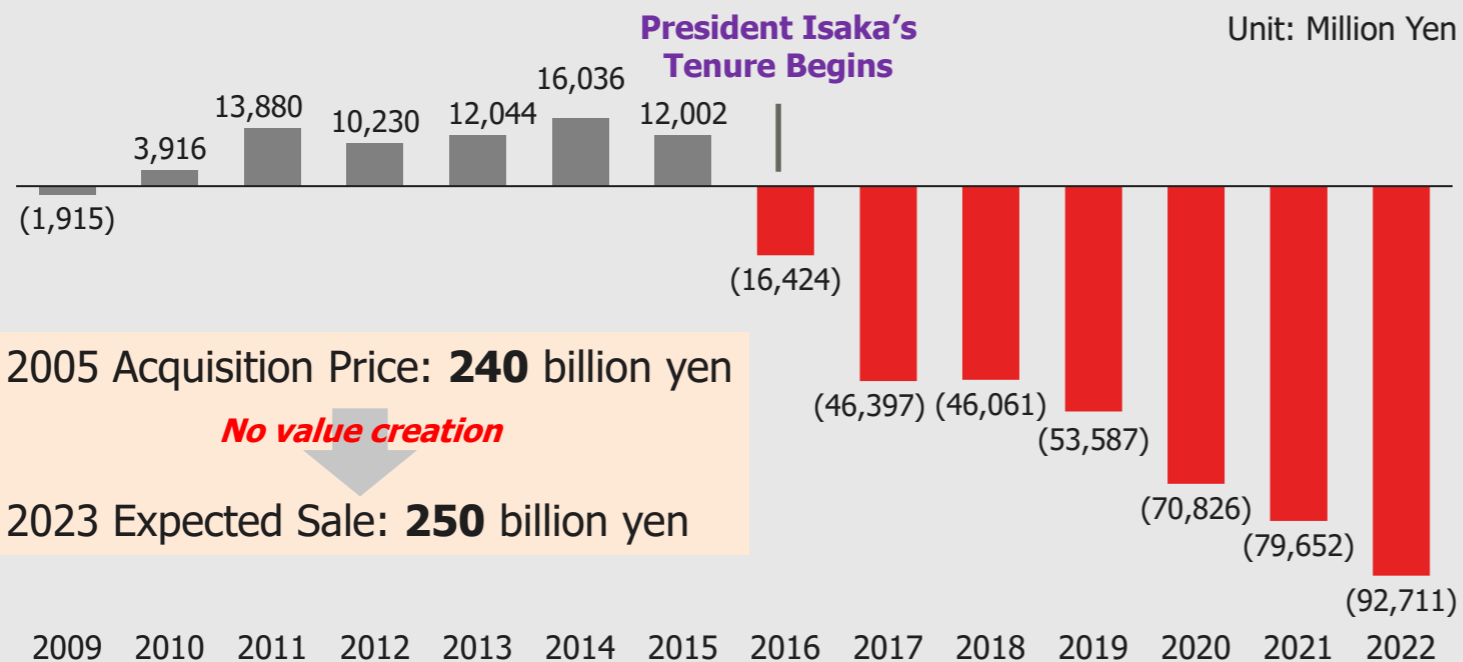


**Over the last 18 years, Ito-Yokado has never earned its cost of capital**

# The President Failed to Turn Around Sogo & Seibu

President Isaka later made the overdue decision to sell Sogo & Seibu but has pursued a hasty process without consulting relevant stakeholders

## Cumulative Net Income Since Sogo & Seibu Established



**Even before the pandemic, cumulative net income since foundation of Sogo & Seibu was negative 53 billion yen**

» Toyo Keizai Online

July 12, 2022

“The governance is so bad. Various pieces of information were leaked here and there. I have never heard of such a terrible deal.” he said.

This was the lament of a senior executive of an investment fund that was considering bidding for the sale of Sogo & Seibu, a department store chain under the umbrella of Seven & i Holdings Co. In the end, the fund abandoned its participation in the bidding process, saying that it could not expect a fair bid.

東洋経済  
ONLINE

» Toyo Keizai Online





Nov 2, 2022

“If we get approval at the November 10 board meeting, we will sign the agreement that day, make timely disclosure, and close the deal by the end of the fiscal year (February 2023).”

In response to this statement, several **outside directors objected, "Wait a minute"**. This was because, far from being clear, they had been given very little information about the details of the negotiations.

東洋経済  
ONLINE

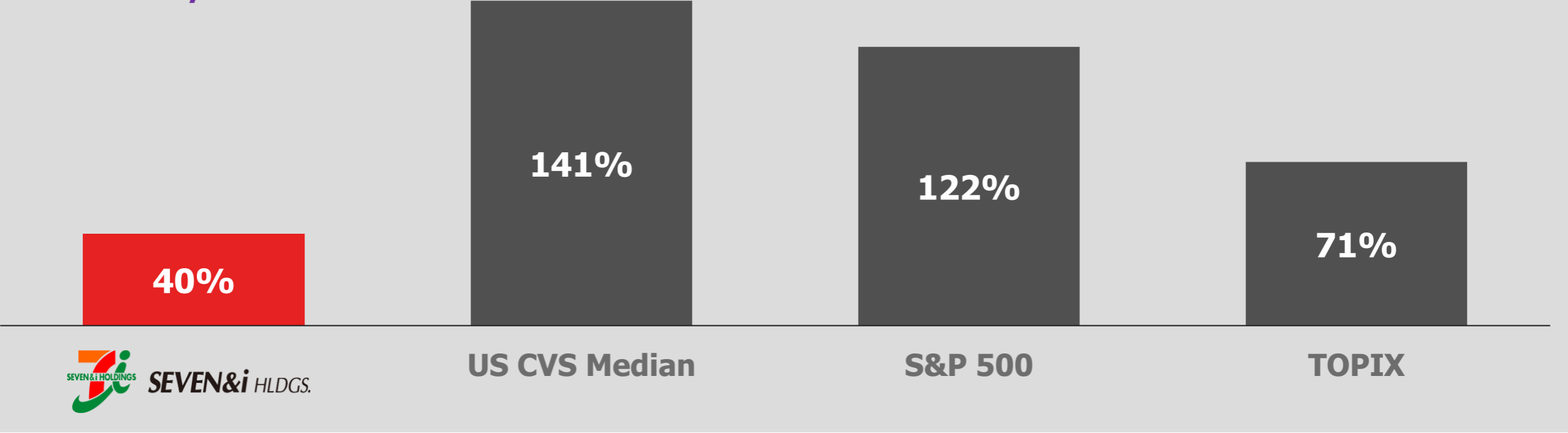
# The President Failed to Follow Through on Promises to Business Partners

Partnership and Goals	Status	Outcome
		3 store sales to H2O
		Introduction of S point to 7-Eleven stores in Kansai Area
		Strongest department store in Kansai x SEJ store network
		Collaboration on logistics, human resource development, and joint product development
		Reward point and payment
		Collaboration on operations, sharing education expertise, and merchandising through personnel exchanges
		Introduction of Seven Premium to Odakyu OX stores
		Product procurement
		Franchise agreement to open 7-Eleven stores in India

# The President's Weak Execution on the Status Quo Conglomerate Strategy Has Harmed Shareholders

## Total Shareholder Return Since Ryuichi Isaka Became President

Period: May 25, 2016 - April 7, 2023  
Local Currency Returns



---

**The net effect of weak execution against the status quo strategy over the President's seven year tenure is that **Seven & i's total shareholder return is significantly lower than that of its convenience store peers****

# 6.

Stakeholders Have Been Harmed  
by the Status Quo Strategy &  
Leadership

# Weak Governance of Stakeholder Issues

Sustainability is governed by Inside Directors in Japan, despite the Company's growing global footprint

Seven & i has delegated the oversight of sustainability to a CSR Management Committee – comprising solely of Inside Directors in Japan. **This oversight approach has not materially changed following the acquisition of Speedway even though the business has become even more global and more revenue is generated from selling fuel.**

CSR Management Committee

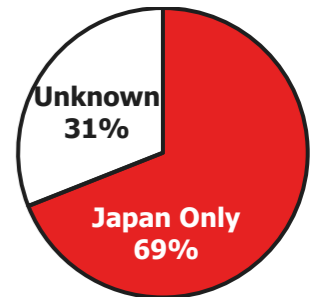


## 1 INADEQUATE OVERSIGHT OF SUSTAINABILITY

- The CSR Management Committee comprises solely of Inside Directors, with only two of these Directors having "Sustainability" experience according to the Company.
- None of the Outside Directors with "Sustainability" experience, as determined by the Company, serve on this Committee.
- Despite generating ~75% of revenues from Overseas CVS, the CEO of 7-Eleven, Inc. is not included on this Committee.

## 2 LACK OF UNIFIED VISION

- Despite more revenue generated from selling fuel following the Speedway acquisition, **Seven & i's sustainability disclosures focus on operations in Japan, reflecting the Committee's sole membership of Japanese nationals.**
- More than two-thirds of Seven & i's disclosures on initiatives under the self-identified seven material topics cover **only Japanese businesses** despite three-quarters of the revenues being generated outside Japan. (1)





# Disenfranchised Stakeholders

Seven & i exists to serve many stakeholders – customers, employees, suppliers, government and society as a whole, as well as shareholders/owners of the firm. All stakeholders benefit from a forward-leaning strategy and strong execution, and all stakeholders suffer if a company clings onto an outdated strategy or executes poorly.

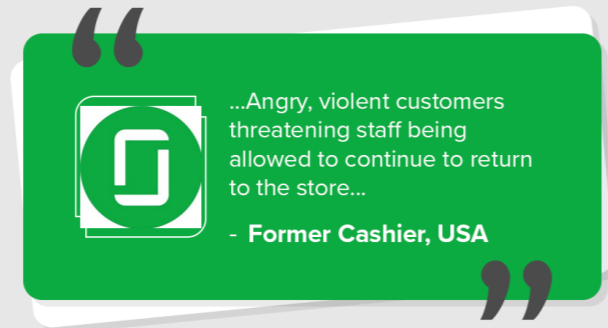
**Management has mishandled key stakeholder groups**, as appraised by leading independent organizations such as KnowTheChain and the World Benchmarking Alliance (Food and Human Rights Benchmark). While multiple stakeholder groups have been impacted by Seven & i’s inadequate oversight of sustainability issues, for the purposes of this presentation we focus on Seven & i’s:

## 1. Employees in Japan

### Employee Loyalty

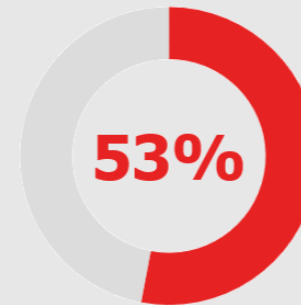


## 2. Employees in the US



## 3. Franchisees

**DISTRUST**  
53% of Franchisee Respondents strongly distrust 7-Eleven, Inc.



## 4. Climate

### Changes Since Speedway Acquisition?

Clear Oversight by Board Members with Energy Transition Experience	●
Climate Risk Assessment and Scenario Analysis of US Fuel Business	●
Integration of Climate Risks into Overall Business Risk Management	●
Internal Carbon Pricing Mechanism	●
Climate Transition Action Plan	●
Scope 3 Emissions Measured in North America	●

# 1. Low Employee Engagement in Japan (1/3)

The lack of focus on key stakeholders has resulted in a disengaged and dissatisfied workforce, as is evident from both internal and independent employee satisfaction benchmarks.

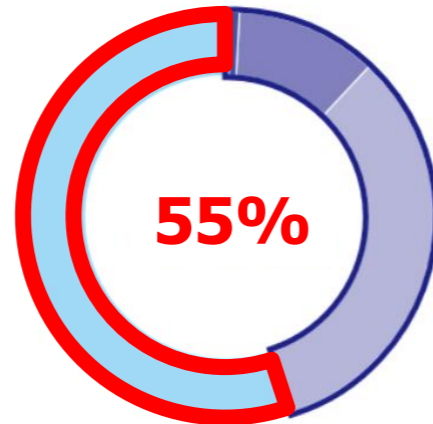
## Employee Engagement

**55% of Seven & i's employees** in Japan said they are not engaged.



### Results of the FY2021 employee engagement survey

- Very engaged
- Engaged
- Somewhat engaged
- Not engaged**



\*Target: Approx. 82,000 employees  
Response rate: 75%  
Participating companies are listed on page 11

## Employee Loyalty

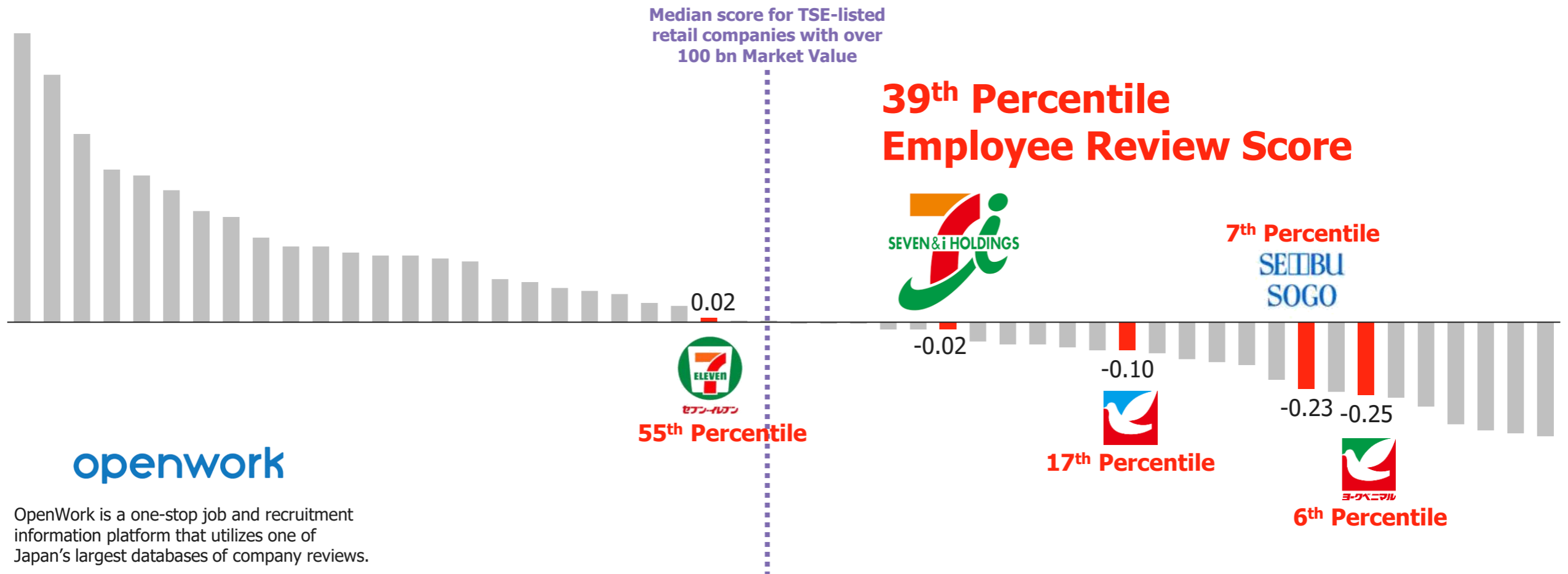
**Seven & i ranked 376<sup>th</sup>** in Diamond Employee Loyalty Ranking of 686 Listed Companies



# 1. Low Employee Engagement in Japan (2/3)

Seven & i's largest group companies are all near or below the Japan retail median on employee reviews

## OpenWork Employee Engagement Score for TSE-Listed Retail Companies With Over 100 bn Market Value



openwork

OpenWork is a one-stop job and recruitment information platform that utilizes one of Japan's largest databases of company reviews.

# 1. Low Employee Engagement in Japan (3/3)

Seven & i group company employees are dissatisfied with the pace of progress and don't believe in group synergies

“



Synergies with other group companies are not being generated and management assets are not being fully utilized. I felt that one of the factors was the difference in corporate culture

-Former employee of Seven & i Holdings

”

“



The holdings control the operating companies of the holding company, but sometimes the interests of the operating companies are undermined

- Former employee of Seven & i Holdings

”

“



The vertical company mindset remains strong, and innovation is difficult to achieve in this organization

-Former employee of York Benimaru

”

 **openwork**

“



There is little synergy between Seven & i Holdings. It is only that it sells private brand products.

- Former employee of York Benimaru

”

“



...the footwork of large companies is never light, so they tend to lag behind their competitors in responding to demand...

-Former employee of Ito-Yakado

”

“



The company is bureaucratic and slow to respond to the changing times like a turtle

- Former employee of SEJ

”

## 2. Employee Safety A Concern in the US (1/2)

Frequent incidents of workplace violence and injuries raises serious questions about Seven & i's priorities and commitment to creating a safe and healthy work environment.

» The Independent July 2022

### 7-ELEVEN SHOOTINGS: TWO DEAD, THREE INJURED IN LINKED ATTACKS ACROSS CALIFORNIA CONVENIENCE STORES

One store clerk was shot and killed during a robbery in Brea around 4:18am PST...A similar crime reportedly occurred almost an hour earlier, at 3:23am, at a 7/11 in Santa Ana.



February 2023




### 7-ELEVEN TO PAY \$91M TO SUBURBAN CHICAGO MAN WHO LOST BOTH LEGS IN STOREFRONT CRASH


» CBS News February 2023

WHEN CBS NEWS INQUIRED ABOUT WHETHER BOLLARDS WILL BE INSTALLED AT NEW AND EXISTING 7-ELEVEN STORES, THE COMPANY DID NOT PROVIDE ANY ANSWERS TO THOSE QUESTIONS.

...This is an avoidable incident if they take the necessary precautions.



September 2022




### PHILLY 7-ELEVEN EMPLOYEE SHOT AFTER ASKING MEN FOR ID

February 2023

POWER ROGERS TRIAL LAWYERS PRESS RELEASE

### LAWYERS FOUND THAT OVER 6,200 STOREFRONT CRASHES HAD OCCURRED AT U.S. 7-ELEVEN STORES BETWEEN 2003 AND 2017.

Since 7-Eleven hadn't taken any steps to reduce these instances during this period, the court allowed the Plaintiff to seek punitive damages. Furthermore, the court ruled that 7-Eleven had a duty to install bollards for the protection of individuals on its property.



“




Dangerous. All sorts of suspicious individuals

- Former Cashier, USA

”

glassdoor

“



...Angry, violent customers threatening staff being allowed to continue to return to the store...

- Former Cashier, USA

”

## 2. Employee Safety A Concern in the US (2/2)

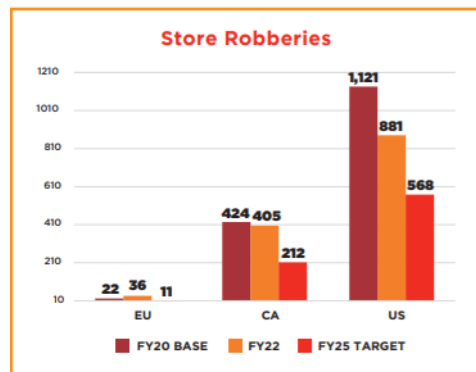
Seven & i has failed to implement adequate measures to protect its employees. This is particularly concerning as the acquisition of Speedway has increased the number of gas station employees under Seven & i's stewardship. Gas station attendants face 7x more incidents of workplace violence relative to convenience/liquor store clerks according to a US Department of Justice study.

**Gas station attendants are 7x more likely** than a convenience/liquor store clerk to experience non-fatal workplace violence incidents




**Average annual victimization rate of nonfatal workplace violence, by occupation, 2015–19**

Occupation	Rate per 1,000 workers age 16 or older
Retail sales	10.7
Convenience/liquor store clerk	8.4 †
Gas station attendant	59.4 †

**Source:** US Department of Justice – Indicators of Workplace Violence



**Couche-Tard has set a target to reduce the number of store robberies in EU, Canada and US by 2025. The company acknowledged the rising number of robberies in their stores and the importance of maintaining a safe environment for their staff and customers.** Source: [Couche-Tard Sustainability Report](#)

Safety Mechanism			
Security Cameras	●	●	●
Safety Training	●	●	●
Signage and Lighting	●	●	●
Cash Handling Systems	●	●	●
Operating Hours, Staffing and location considerations	●	●	●
Store Robberies Target	●	●	●

**Based on disclosure on crime prevention measures in company documents:** Couche-Tard [page 20](#), Seven and i [Crime Prevention](#) and [Employee Safety](#), Casey's [page 31](#) and [35](#)

# 3. Franchisee Dissatisfaction in Japan

Recent events at Seven & i have highlighted a growing sense of distrust and dissatisfaction among the franchisees. Japanese franchisees have requested collective bargaining rights, which were ultimately denied by the court. However, the case brought to light **Seven & i's unwillingness to engage in meaningful dialogue with its franchisees to improve their working conditions and store business management.**



Article



Article



Source

# 3. Franchisee Dissatisfaction in the US

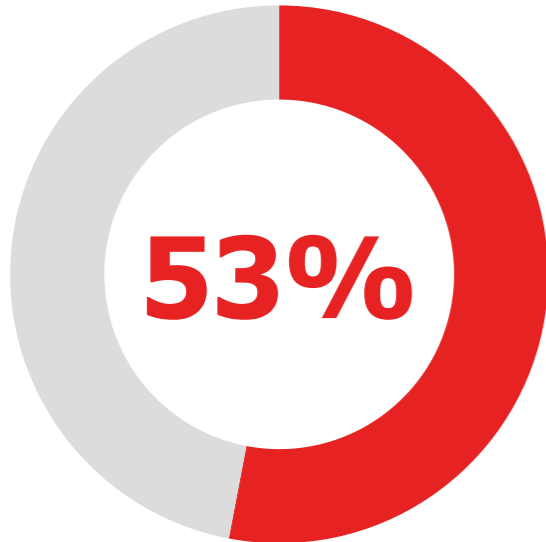
The relationship between Seven & i and its US franchisees is reportedly worsening, as shown by the results of recent surveys.

**“The results of this survey are alarming” said Jay Singh, chairman of the National Coalition of Associations of 7-Eleven Franchisees (NCASEF)\*.**

**2021 National Coalition Survey of US Franchisees (n=599)**

## **DISTRUST**

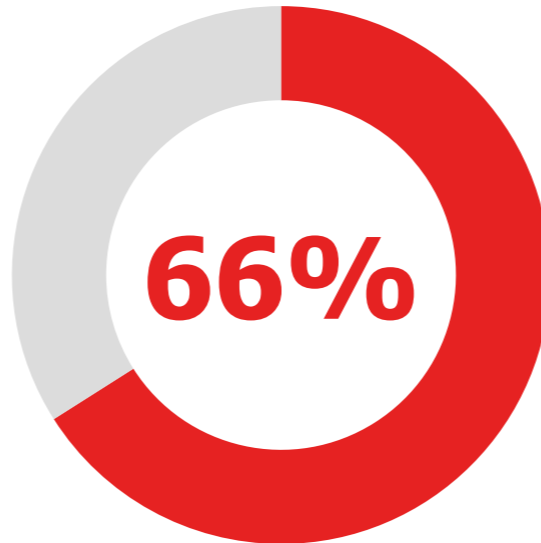
53% of Franchisee Respondents strongly distrust 7-Eleven, Inc.



**Survey Statement:** “I trust 7-Eleven”  
**Result Quoted:** 53% “Strongly Disagreed”

## **UNSUPPORTED**

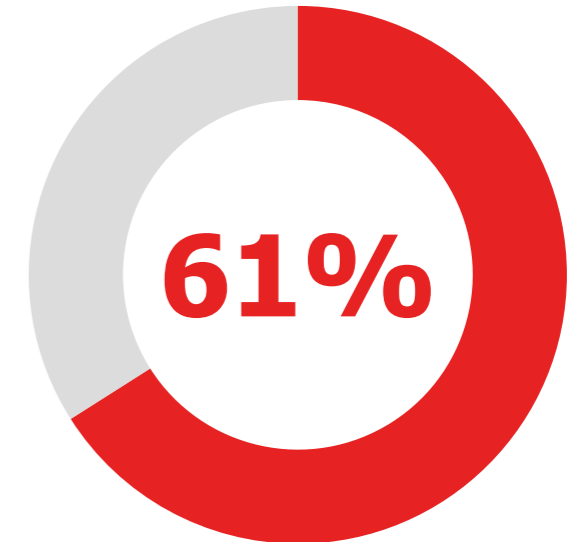
66% of Franchisee Respondents feel strongly that they are not supported by 7-Eleven, Inc.



**Survey Statement:** “Franchisees have the support they need to financially succeed”  
**Result Quoted:** 66% “Strongly Disagreed”

## **UNHEALTHY**

61% of Franchisee Respondents feel their health and well-being is worse off from running a 7-11



**Survey Statement:** “Running my 7-11 business has negatively impacted my health and/or family well-being”  
**Result Quoted:** 61% “Agreed”



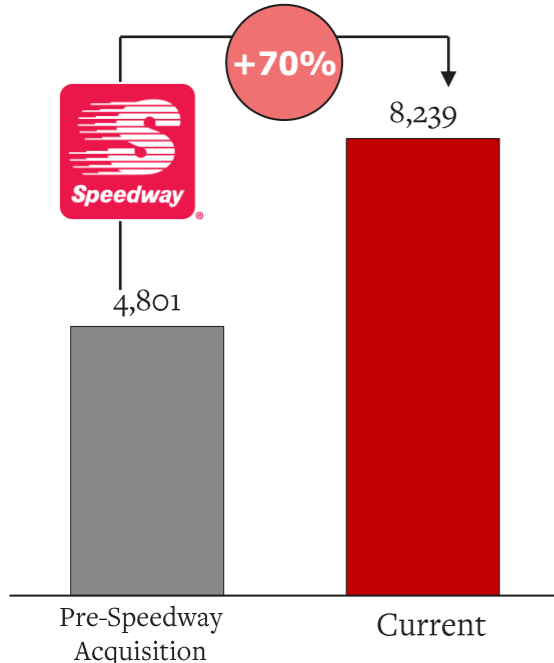
# 4. Climate Risk & Opportunity Unaddressed (1/3)

## No changes in climate transition governance or reporting since Speedway acquisition

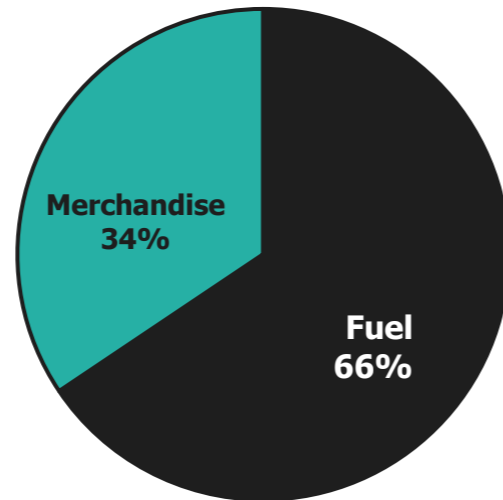
7-Eleven's acquisition of Speedway in 2021 significantly raised the **risks** and opportunities that the US fuel business represents for Seven & i. Despite the increased risk, Seven & i has not made any notable changes to its risk management practices, disclosures, organizational design or governance that can be discerned externally.

### 7-Eleven US Gas Stations & Fuel Sales

**7-Eleven sells ~10% of motor gasoline consumed in the US**

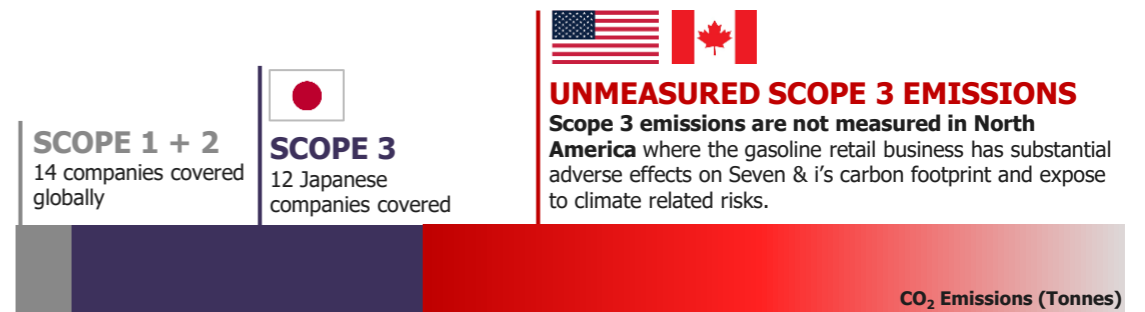


**Fuel is ~66% of Sales for 7-Eleven, Inc.**



### Changes Since Speedway Acquisition?

Clear Oversight by Board Members with Energy Transition Experience	●
Climate Risk Assessment and Scenario Analysis of US Fuel Business	●
Integration of Climate Risks into Overall Business Risk Management	●
Internal Carbon Pricing Mechanism	●
Climate Transition Action Plan	●
Scope 3 Emissions Measured in North America	●



# 4. Climate Risk & Opportunity Unaddressed (2/3)

7-Eleven's acquisition of Speedway in 2021 significantly raised the risks and opportunities that the US fuel business represents for Seven & i. **7-Eleven has never provided a transparent strategy to navigate the climate transition and has failed to meet climate commitments.**

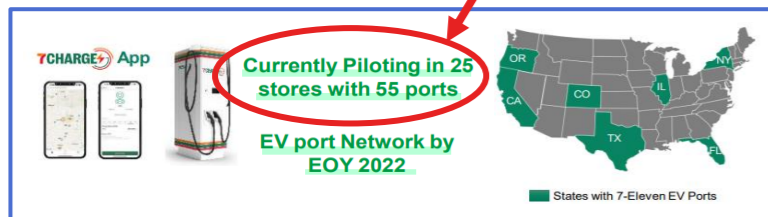
## Seven & i's "Strategy" So Far...

### EV Charger Targets Appear to Have Been Missed.

The MTMP announced in July 2021 communicated an EV Charger Target of 500+ by 2022. As of October 2022, Seven & i communicates that only 55 ports (~10% of target) have been installed.

Pulling ahead our previous 2027 goal	
Target Year	Target Number of Chargers
2027	250 stores
↓	↓
2022 (5 year ahead of schedule)	250 stores <b>500+ chargers</b>

Source: [Medium-Term Management Plan](#) (July 2021)



Source: [Presentation for the Group Management Strategy](#) (October 2022)



### Announced 7Charge... With No Details

7-Eleven, Inc. Launches New Electric Vehicle Charging Network, 7Charge



Investment \$



Timeframe



Rollout of Network (# of chargers, penetration of stores, or any other measure)



Progress on rollout of previously announced EV chargers (see left section)



Clear and Robust Strategy, Business Model, Customer Impact



Source: [7Charge Press Release](#) (March 2023)

### Climate Commitments Not Verified

Seven & i failed to submit its emissions reduction targets for validation by Science Based Targets Initiative (SBTi) within 24 months of making its official commitment in March 2021, despite emphasizing climate change as an important topic for discussion by the Board in FY2023



Seven & i Holdings Co., Ltd. Japan, Asia	COMMITMENT REMOVED
Date published/updated 2021	Target summary Near term: Commitment removed

#### Peers with SBTi Targets



Sources: SBTi (accessed on 14 April 2023), Seven & i Holdings – [Board](#)

# 4. Climate Risk & Opportunity Unaddressed (3/3)

7-Eleven's acquisition of Speedway in 2021 significantly raised the risks and opportunities that the US fuel business represents for Seven & i. The expected boost in demand for EVs and EV charging infrastructure as a result of (i) changing consumer preferences, (ii) government actions including the US's Bipartisan Infrastructure Law, Inflation Reduction Act, and the Biden administration's target of achieving a 50% EV sales share in 2030, and (iii) technological advancements presents **both risk and opportunity for 7-Eleven**. **7-Eleven's competition is not standing still.**

## World's Largest Energy Companies Have Pivoted... Reinvesting in Retail and Convenience



### Shell Dramatically Expands Its Network of EV Charging Stations

The oil company bought the additional charging stalls from Volta, looking to have a half-million charging points worldwide by 2025.

BY SEBASTIAN BLANCO PUBLISHED: APR 1, 2023



VOLTA

- Shell has plans to increase its electric-vehicle charging network, from 140,000 global charge points today to over 500,000 by 2025.
- Last week, the oil company finalized its purchase of the Volta charging network, which operates in 31 U.S. states. Shell now "owns and operates one of the largest public electric vehicle (EV) charging networks in the U.S."



### BP announces plans to invest \$1bn by 2030 into EV charge points across the US

By John Wood | 17 February 2023 | 2 min read



BP has announced plans to invest \$1bn by 2030 into electric vehicle (EV) charge points across the US.

## Couche-Tard – Valuable Global Experience in EV Charging Networks

### Couche-Tard begins North American EV fast charger rollout, plans 200-site network by 2024

3 min read



Convenience store and fuel retailer, Alimentation Couche-Tard, which operates the Circle K store banner, has begun installing fast charging stations at its North American locations.

Published on 25 May 2022

AUTHOR  
Mehnaz Yalab  
in

Already Norway's leading public EV charging provider among fuel retailers, the Quebec-based convenience store giant says it will offer charging at 200 Circle K and Couche-Tard locations in Canada and the U.S. by 2024

### In Norway, Couche-Tard vies to re-engineer service stations for the electric age

Norway has an unmatched enthusiasm for battery powered cars and is creating a vision of the future at the dawning of the age of electric mobility

NATHAN VANDERKLIPPE > INTERNATIONAL CORRESPONDENT  
OSLO, NORWAY  
PUBLISHED MARCH 11, 2023  
UPDATED MARCH 13, 2023



# Despite Clear Failings in Sustainability Oversight...

Seven & i rejected ValueAct's nominee, Brittni Levinson, as she was considered ***"narrowly focused on climate transition and human capital issues"*** ...exactly the key stakeholder groups that are currently an afterthought for Seven & i which would benefit from better oversight.



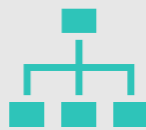
## Brittni LEVINSON



Sustainability



Capital Markets



Governance

- ✓ Head of Sustainability at ValueAct, leading global engagements on sustainability risks and opportunities
- ✓ Considerable capital markets experience from roles across the investment space
- ✓ Independent from Seven & i

---

**President Isaka is ultimately responsible for the harm caused to Seven & i's stakeholders over his seven-year tenure. Katsuhiro Goto, who has been Vice President & Representative Director for President Isaka's entire tenure, is also responsible. Both should be held accountable.**



# 7.

## Time For New Representative Directors



# Representative Directors Have Failed Stakeholders

President Isaka and Vice President Goto, both Representative Directors, have both registered a track-record that has failed to stakeholders while ignoring clear demands for change.

	 <b>Ryuichi Isaka</b> <i>(President)</i>	 <b>Katsuhiro Goto</b> <i>(Vice President)</i>
<b>Not engaging constructively</b> with shareholders	✗	✗
<b>Not allowing an independent review</b> of recordings and subsequent leak	✗	✗
<b>Carrying out a conflicted strategy review</b>	✗	✗
<b>Not disclosing alternatives</b> considered as part of strategy review	✗	✗
<b>Establishing a Strategy Committee after strategy was announced</b>	✗	✗
<b>Undermining Strategy Committee's authority/mandate</b>	✗	✗
<b>Not responding</b> to public questions on strategy	✗	✗
<b>Failing to disclose reported takeover offers</b>	✗	✗
<b>Potentially acquiring assets to serve as a "poison pill"</b>	✗	✗
<b>Failing to execute</b> on communicated performance objectives	✗	✗
<b>Failing to turnaround group companies' performance</b>	✗	✗
<b>Failing to perform</b> better than global peers and market benchmarks	✗	✗
<b>Failing to institute a robust governance processes</b> to oversee global sustainability initiatives	✗	✗
<b>Disenfranchising stakeholders</b> (including employees in Japan)	✗	✗

# Vote AGAINST the Representative Directors

President Isaka and Vice President Goto, both Representative Directors, should be held accountable for their seven-year track record of weak performance, governance failures, and entrenchment.

**1** Track record of ignoring shareholders and “rubber stamp” strategy reviews to preserve the status quo strategy

**2** Track record of impeding independent governance processes and acting in bad faith to preserve the status quo strategy

**3** Track record of weak execution and subordination of stakeholder interests

Seven years into President Isaka’s tenure, the evidence of stakeholder harm has become undeniable. Seven & i needs new leadership.



## Corporate Governance Code Principle 4.2

The Board of Directors should properly implement the appointment and dismissal of senior management in accordance with fair and transparent procedures, based on an evaluation of the Company’s performance and other factors.



---

**Despite the President and Vice President's long track record of underperformance and governance failures, the Nomination Committee failed to hold them accountable to an objective and transparent succession review.**

# 8.

## The Nomination Committee Failed to Objectively Review Leadership

# The Nomination Committee Has Failed to Objectively Review Leadership

Seven & i has established an advisory Nomination Committee which is stated to have oversight over the below key topics in an **objective** and **transparent** manner:

- **Nomination** of Representative Directors, Directors, Audit & Supervisory Board Members, and executive officers
- **Succession planning** of the President.

Since the beginning of our engagement, we've seen the Nomination Committee:

- 1** **IGNORED CALLS FOR AN INDEPENDENT SUCCESSION REVIEW OF THE PRESIDENT**
- 2** **PROMOTED AN EXECUTIVE OFFICER AFTER A SCANDAL**
- 3** **DID NOT ALLOW AN INDEPENDENT DECISION PROCESS FOR VALUEACT'S NOMINEES**

## NOMINATION COMMITTEE

### INSIDE DIRECTORS



**R ISAKA**

14 years tenure  
on the Board



**K GOTO**

18 years tenure  
on the Board

### OUTSIDE DIRECTORS



**K ITO  
(COMMITTEE CHAIR)**

9 years tenure



**T YONEMURA**

9 years tenure



**Y IZAWA**

1 year tenure



**M YAMADA**

1 year tenure



**S DACUS**

1 year tenure

# 1. Failed to Objectively Execute a President Review (1/3)

The Nomination Committee has failed to objectively execute its most important responsibility – the independent and objective review of management

- One of the primary responsibilities of the Nomination Committee, as described by **Japan's Corporate Governance Code (Principle 4.3)**, is the effective oversight of management from an independent and objective standpoint. Included in this is the appointment and dismissal of the senior management, and the objective, timely and transparent procedures to navigate this responsibility.
- In July 2022, ValueAct asked the Lead Independent Director Mr. Kunio Ito (also the Chair of the Nomination Committee) for an independent director-led President succession review.
- Outside Director Kunio Ito rejected this request stating that President Isaka is being evaluated by the Nomination Committee. ValueAct had highlighted the inherent conflicts of this committee which included the President himself, but received no satisfactory response.



## **Japan Corporate Governance Code** **(Principle 4.3)**

The Board should view the effective oversight of management from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management.

In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems.

Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.

Source

# 1. Failed to Objectively Execute a President Review (2/3)

## NOMINATION COMMITTEE

### INSIDE DIRECTORS



R ISAKA

14 years tenure



K GOTO

18 years tenure



K ITO  
(CHAIR)

9 years tenure



T YONEMURA

9 years tenure

### OUTSIDE DIRECTORS



Y IZAWA

1 year tenure



M YAMADA

1 year tenure



S DACUS

1 year tenure

*Conflicted on Succession Decisions*

## Japan's Corporate Governance Code

"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."

- The composition of the Nomination Committee, chaired by Kunio Ito, not only goes against market guidance and global best practice, but also fails to acknowledge:
  - that Inside Directors are **inherently conflicted** with their own succession;
  - that Kunio Ito and Toshiro Yonemura may be conflicted in carrying out an objective succession plan given their personal involvement in **placing Representative Directors Ryuichi Isaka and Katsuhiko Goto into their roles in 2016** (see next slide);
  - that **neither Kunio Ito and Toshiro Yonemura have any experience as executives to adequately draft a succession plan while they also have track-records not in line with shareholder interests (including not adequately overseeing scandals and structuring transactions that lead to bankruptcy - see Appendix); and**
  - that shareholders expect a clear succession plan for the President & Representative Director given his tenure and track record of poor performance.

### Elements of a Robust Succession Plan

Seven & i

Independent Oversight (with Relevant Experience)	●
Objective and Clear Performance Evaluation	●
Inputs Received (Shareholders, Stakeholders, etc.)	●
Appointment of an External Advisor (and Disclosure)	●
Profiles Sought (External vs Internal, Experience, etc.)	●
Disclosure of a Planned & Sudden Succession	●

# 1. Failed to Objectively Execute a President Review (3/3)

## Kunio Ito and Toshiro Yonemura Are Conflicted As They Appointed President Isaka

The transition of power between Toshifumi Suzuki (currently an Honorary Advisor) and Ryuichi Isaka in 2016 **did not follow a robust and transparent process**. The transition, triggered following a public challenge by a shareholder, is reported to have been **orchestrated by Kunio Ito and Toshiro Yonemura**.

### March 2016

Establishment of the Nomination & Compensation Committee ([Link](#)) (**Chair:** Kunio Ito, Members include Toshiro Yonemura)

Toshifumi Suzuki's management reshuffle (which was reported to result in the demotion of Ryuichi Isaka) was **opposed by Kunio Ito and Toshiro Yonemura**

### April 2016

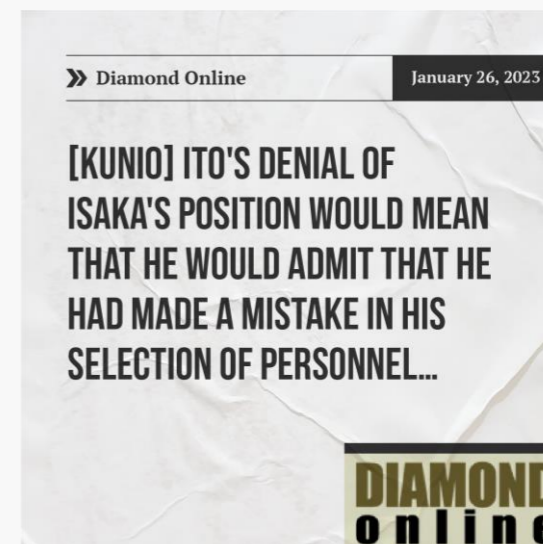
Toshifumi Suzuki proposes reshuffle without approval of Nomination & Compensation Committee. **Kunio Ito is reported to suggest secret ballot. Toshifumi Suzuki resigns.**

Executives prepare new slate with Ryuichi Isaka in charge of 7-Eleven Japan. **Plan is reportedly to have been widely supported by management but vetoed by Kunio Ito and Toshiro Yonemura. Noritoshi Murata resigns, and Ryuichi Isaka becomes President of Seven & i.**

Kunio Ito and Toshiro Yonemura cannot objectively evaluate Seven & i's Representative Directors given their personal involvement in orchestrating the leadership change in 2016.



Article



Article

## 2. Promote an Executive Officer After a Scandal

Opaque succession processes that fails to promote accountability... lead to **management members responsible for stakeholder harm being promoted.**

The Nomination Committee is in charge of not only the appointment of Representative Directors but **also the Executive Officers.**

- In response to the 7pay failure, Seven & i had **removed 7pay's Representative Director, Tsuyoshi Kobayashi.** Kobayashi had been publicly criticised in interviews for his lack of knowledge of the concepts related to the breach ([Link](#)).
- **In March 2023,** Seven & i announces **Tsuyoshi Kobayashi was promoted to Managing Executive Officer,** Head of Financial Services and Head of Department and Specialty Store Operations ([Link](#)).



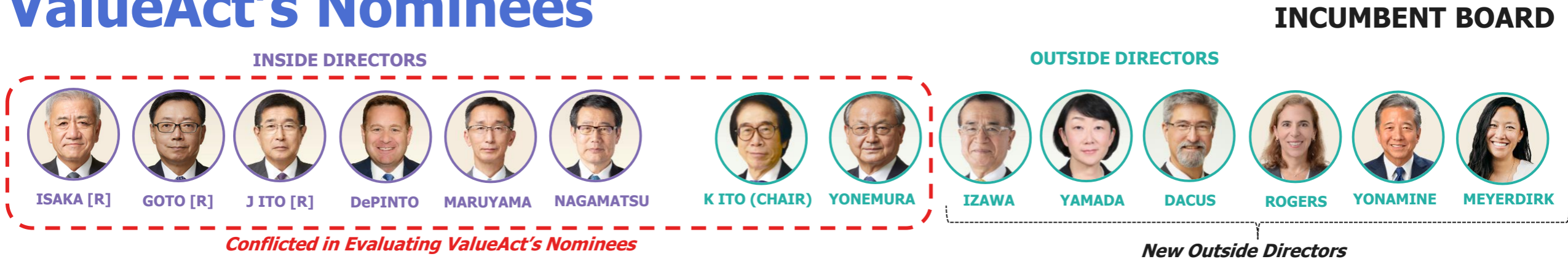
**Not only did Seven & i fail to carryout a robust independent review of the 7pay scandal, the Nomination Committee promoted the person responsible for the 7pay failure in March 2023 to a Managing Executive Officer role.**



“It revealed an apparent lack of technological understanding by Tsuyoshi Kobayashi, then president of Seven Pay, regarding their business, when questioned about 7Pay’s lack of two-factor authentication. It also called into question whether Seven Pay — and ultimately Seven & i Holdings — had conducted sufficient due diligence, despite the service being positioned as an integral part of Seven & i group’s digital strategy.”

- Seven & i Holdings, MSCI ESG Research (2023)

# 3. Did Not Allow an Independent Evaluation of ValueAct's Nominees



After receiving a request from Seven & i to interview ValueAct's Board nominees, ValueAct asked the Board to **establish an independent process**, including whether a Temporary Lead Independent Director will be appointed to objectively evaluate the candidates given the **obvious bias of the Nomination Committee**, since its Chair (and current Lead Independent Director) and a majority of its members would be competing for votes against our nominees at the upcoming AGM.

- The President's subordinate **proposes that the entire Nomination Committee** interview ValueAct's nominees despite the conflicts of interests before allowing only the non-conflicted Committee Members to conduct the interviews.
- 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.
- ValueAct's nominees are **summarily dismissed on April 18 by a majority-conflicted board (~60%)**: 8 Directors who are either subordinates of the President or competing for votes against our nominees vs. 6 non-conflicted Outside Directors

**Our experience:**

**Unanimity is a false flag when the outcome is already decided**





GLASS LEWIS

“The failure to achieve the board’s objectives should lead it to replace that CEO with someone in whom the directors have more confidence.” Glass Lewis Japan Voting Guidelines

**The Nomination Committee failed to objectively evaluate the Representative Directors, Executive Officers, and ValueAct’s nominees. The long-tenured Outside Directors Kunio Ito and Toshiro Yonemura have contributed to this failure.**

**Both should be held accountable.**

# 9.

## ValueAct Proposal for Objective Review of Leadership & Strategy

# Vote **AGAINST** Seven & i's Nominees



**RYUICHI ISAKA,**  
PRESIDENT



**KATSUHIRO GOTO,**  
VICE PRESIDENT



**KUNIO ITO**  
Not Standing for Re-Election



**TOSHIRO YONEMURA**



**SHINJI WADA**



**FUMINAO HACHIUMA**

# ValueAct Proposal to Reform Seven & i's Board

## Vote AGAINST Representative Directors

- **Maintained the status quo** conglomerate strategy at stakeholder expense
- **Failed to review all strategic alternatives**, including takeover offers, from an independent perspective
- **Failed** to deliver on communicated performance objectives
- **Bad faith actions** to maintain status quo strategy and executive positions
- **Failed** to conduct robust independent processes to evaluate scandals
- **Ignored** clear shareholder concerns

## Vote AGAINST Tenured Outside Director

- **Inability** to objectively challenge strategy
- **Inability** to objectively evaluate and hold accountable Representative Directors and Officers
- **Failed** to promote strong governance processes to investigate scandals/controversies
- **Failed** to protect shareholder interests at other Board seats they hold
- **Failed** to implement a fair, and independent, review of ValueAct nominees
- **Ignored** clear shareholder concerns

## Vote AGAINST the Appointment of New Outside Directors

- **Appointed** by a conflicted Nomination Committee
- **Appointed** likely to fill maximum Board seats (i.e. 15) that prevents the nomination of ValueAct nominees

# ValueAct's Four Outside Director Nominees and The Strengthened Board's Mandate

ValueAct proposes **Four Outside Director Nominees** to **strengthen** the existing Board with global experiences, strategic skills, and the voice of a long-term shareholder. The addition of our nominees and the removal of the entrenched President and his supporters will allow the whole Board to execute a pro-governance, pro-stakeholder mandate:

## Objective Leadership and Strategy Review

### Careful and deliberate succession process to select a new President & Representative Director

... with global retail experience to support the global growth of 7-Eleven. We believe there are qualified and willing internal candidates, but external candidates should be considered as well.

### Objective review of all alternative strategies and corporate structures

... together with the new President.

## Strengthen Governance Practices and Internal Controls

Appoint an Independent Chair

Implement best-in-class governance procedures to remove management bias from decision-making and ensure a genuine dialogue with shareholders

Define a robust sustainability roadmap that leads by example

# Vote **FOR** ValueAct Nominees



## Katsuya NATORI

- Legal
- Governance
- Capital Markets

- ✓ Well respected corporate lawyer and highly experienced board member of publicly listed Japan companies
- ✓ Independent from both Seven & i and ValueAct
- ✓ Japanese speaker



## Dene ROGERS

- Retail
- Transformation
- Operations

- ✓ Experienced multi-sector business leader with strong track record of transformation change, operations, and technology.
- ✓ Independent from both Seven & i and ValueAct
- ✓ Japanese speaker



## Ron GILL

- Technology
- Finance
- M&A

- ✓ Experienced finance and operations executive in the technology sector.
- ✓ Independent from both Seven & i and ValueAct
- ✓ Japanese speaker



## Brittni LEVINSON

- Sustainability
- Capital Markets
- Governance

- ✓ Head of Sustainability at ValueAct, leading global engagements on ESG risks and opportunities
- ✓ Considerable capital markets experience from roles across the investment space
- ✓ Independent from Seven & i

# The Strengthened Board's Director Composition

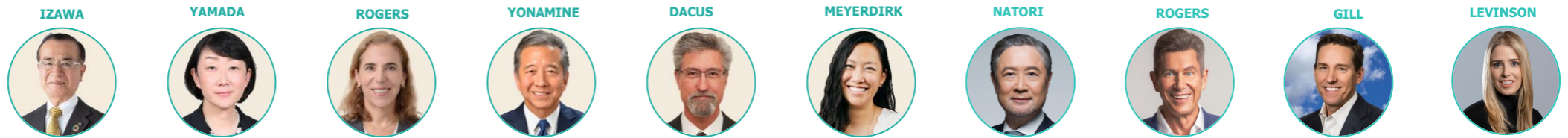
The Strengthened Board will be comprised of:

- Four incumbent Inside Directors who are directly responsible for key business units or corporate functions and bring operational continuity
- Six incumbent Outside Directors elected in 2022 who maintain our confidence
- Four new Outside Directors to strengthen the experience, skills, and diversity represented on the Board



*Junro Ito was recently appointed Representative Director. Junro Ito could serve as “Acting President”, if the Board so chooses, until the conclusion of the thorough succession planning process, to further support operational continuity.*

**Operational continuity is maintained. >70% of the current Board is re-elected and the removed Directors do not have direct responsibility for group businesses or functions**



	IZAWA	YAMADA	ROGERS	YONAMINE	DACUS	MEYERDIRK	NATORI	ROGERS	GILL	LEVINSON
Retail		X			X	X	X	X		
Technology		X		X		X		X	X	
Business Transformation		X		X	X	X	X	X	X	X
Capital Markets	X		X	X	X	X	X	X	X	X
Legal			X				X			
Sustainability	X	X				X		X		X
Governance	X	X	X	X	X	X	X	X	X	X

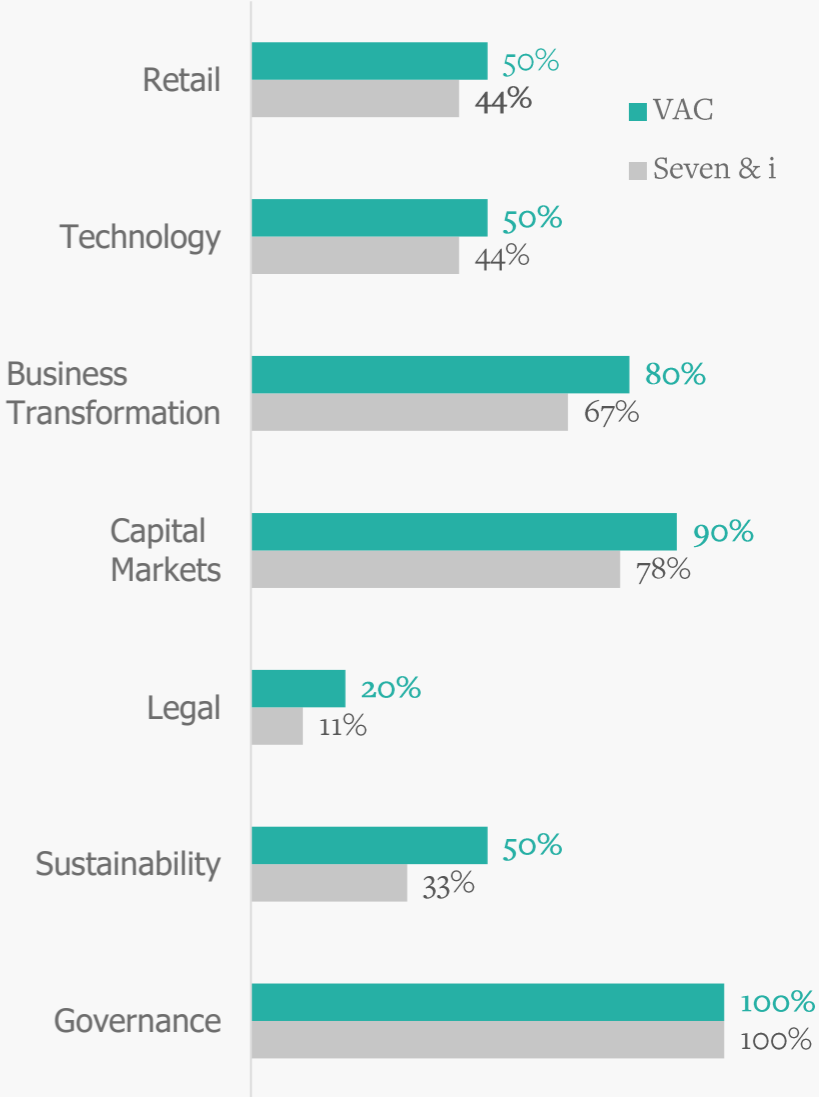
# ValueAct vs Seven & i Board Skills and Attributes

ValueAct’s proposed Board is younger, more diverse, and brings more relevant skills than Seven & i’s proposed Board.



President Role	Combined Position	Subject to Objective Review
Chair Role		Subject to Objective Review
Board Size	15	<b>14</b>
Inside Director (%)	40%	<b>29%</b>
Outside Director (%)	60%	<b>71%</b>
Gender Diversity	20%	<b>29%</b>
Average Age	62	<b>57</b>

## Outside Director Comparable Skills



# Board Mandate [1]: A Careful President Succession

A vote FOR ValueAct’s nominees is a vote FOR a careful and deliberate succession process for the President & Representative Director following the steps below:

1

The strengthened Board forms a Nomination Committee comprised of only Independent Outside Directors, in contrast to the majority conflicted Committee composition at present. We believe our nominees have the skills and experiences to participate in this Nomination Committee.

2

The independent Nomination Committee conducts a thorough and deliberate process to evaluate President candidates and selects one who is best positioned to lead the company in its next phase of global growth. ValueAct has spoken to an executive search firm and potential candidates and believes that there are many qualified and willing President candidates both inside and outside the Company.

3

Independent outside advisors support the strengthened Board in a careful succession process, with input of shareholders (including ValueAct). Partners of ValueAct have served in over 56 public company board positions and supported dozens of CEO and CFO transitions. We have relationships with multiple outside advisory firms who specialize in supporting Boards through CEO succession processes.

Our proposals maintain operational continuity by re-appointing four Inside Directors including Mr. Junro Ito who has recently been appointed Representative Director. Mr. Ito could serve as “Acting President”, if the Board so chooses, until the conclusion of the thorough process.

ValueAct has supported many high-profile management succession processes



SEAGATE



Rolls-Royce®



BAUSCH Health



TRINITY INDUSTRIES, INC.

OLYMPUS®

# Board Mandate [2]: An Objective Strategic Review

A vote FOR ValueAct’s nominees is a vote FOR an objective and thorough review of alternative strategies and corporate structures following the steps below:

1

The strengthened Board forms a Strategic Review Committee comprised of a relevant subset of only Independent Outside Directors, with a clear mandate to review alternative strategies. We believe our nominees have the skills and experiences to participate in this Strategic Review Committee.

2

The Strategic Review Committee hires independent outside advisors to support its analysis of a wide range of alternative strategies and corporate structures from the perspective of long-term shareholder value creation. The advisors report to the Committee, not management.

3

The Strategic Review Committee sets a reasonable timeline to communicate decisions to stakeholders. After interfacing directly with long-term stakeholders to gather feedback and absorbing the independent analysis of advisors, the Committee transparently communicates its process and results directly to stakeholders (rather than through management).

A shareholder vote in favor of ValueAct’s nominees signals to the re-appointed members of management to cooperate earnestly with the independent Strategic Review. It is impossible for a strategic review to be objective with management involvement as evidenced by President Isaka’s “Group Strategy Re-Evaluation”

ValueAct has supported many Board-led reviews of strategy at leading companies



motorola



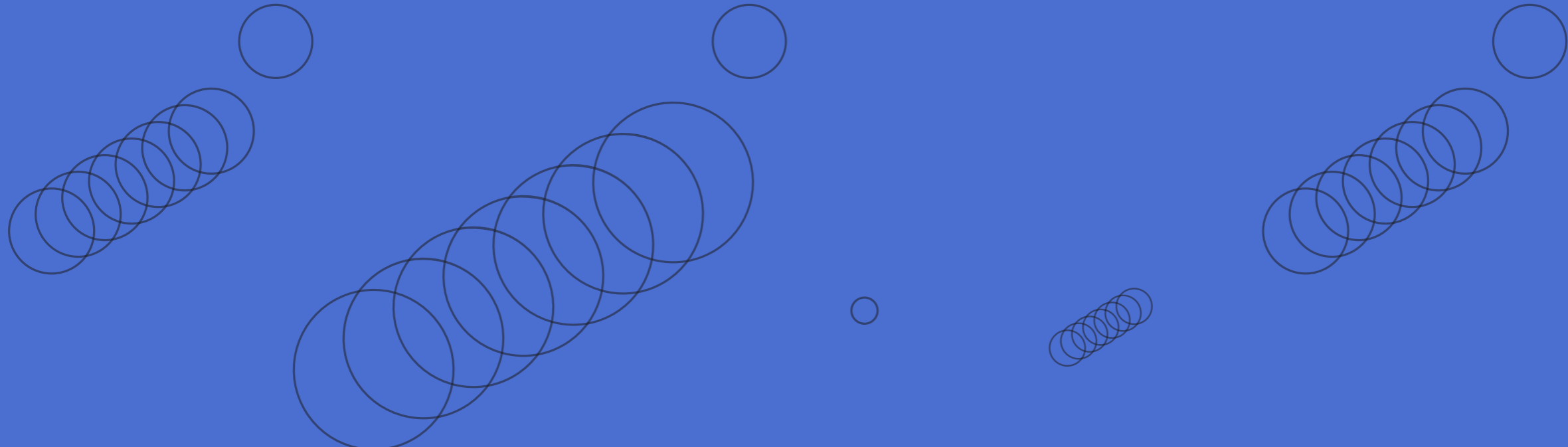
OLYMPUS®





# 10.

## Conclusion



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# 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 still not been quantified. The question of corporate strategy 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.

# Opportunities For Further Engagement

## Upcoming calendar of events



### Today: Connect with members of the ValueAct investment team

- **Description:** Connect with us to compare views regarding leadership and strategy at Seven & i.
- **Email:** [7-11@valueact.com](mailto:7-11@valueact.com) to connect.



### Upcoming: Webinar with ValueAct's Director Candidates

- **Date:** TBD, details to follow
- **Description:** Meet ValueAct's director nominees
- **Submit questions:** [VACWebinarQuestions@valueact.com](mailto:VACWebinarQuestions@valueact.com)

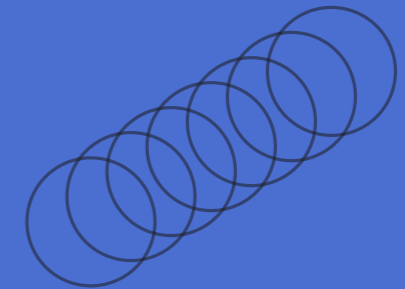
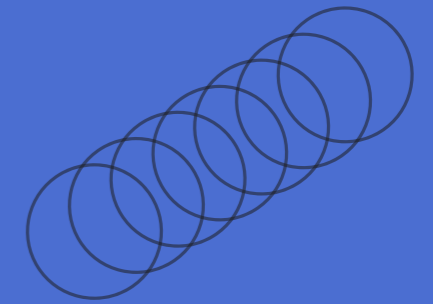
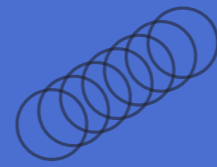
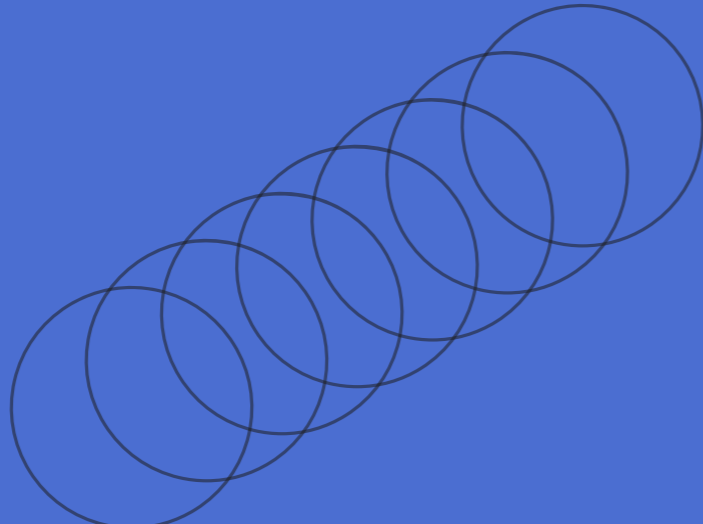
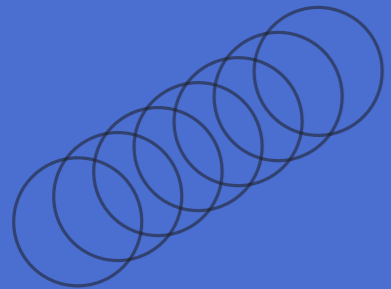


### May 25: Seven & i Holdings 18th Annual Shareholders' Meeting

- Vote **AGAINST** Mr. Ryuichi Isaka, President & Representative Director
- Vote **AGAINST** Mr. Katsuhiro Goto, Vice President & Representative Director
- Vote **AGAINST** Mr. Toshiro Yonemura, Incumbent Outside Director
- Vote **AGAINST** Mr. Shinji Wada, New Outside Director Nominee (nominated by Seven & i)
- Vote **AGAINST** Mr. Fuminao Hachiuma, New Outside Director Nominee (nominated by Seven & i)
  
- Vote **FOR** Mr. Katsuya Natori, ValueAct Outside Director Nominee
- Vote **FOR** Mr. Ron Gill, ValueAct Outside Director Nominee
- Vote **FOR** Mr. Dene Rogers, ValueAct Outside Director Nominee
- Vote **FOR** Ms. Brittni Levinson, ValueAct Outside Director Nominee

# Appendix 1

## ValueAct Director Candidate Biographies & Skills Assessment



# Candidate Profile



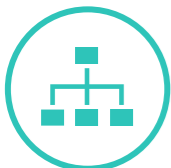
## Katsuya Natori

M / Japanese / 63

As a seasoned international lawyer and executive experience in various Japanese and multinational companies, Mr. Natori has extensive knowledge on a wide range of issues related to the management of public companies. Mr. Natori has also served in governance roles at many leading public companies including as External Statutory Auditor at Recruit Holdings Co. and Outside Director at Olympus Corporation during its corporate transformation. Based on his experience and achievements, Mr. Natori is able to provide insight into corporate governance, executive leadership and corporate transformation that is deeply rooted in practice.



### Legal



### Governance



### Capital Markets

### Experience Highlights

2020	<i>ITN Law Office, Managing Partner</i>
2012	<i>Natori Law Office, Founder</i>
2004	IBM Japan, Ltd., General Counsel
2002	Fast Retailing, General Counsel & Executive Officer for Store Development
1998	Sun Microsystems K.K, General Counsel
1995	Apple Computer, Inc., General Counsel
1986	Masuda & Ejiri (currently Nishimura & Asahi), Associate Lawyer

*Italics* = Current Role

### Education

Keio University (BA - Economics)  
University of Washington School of Law (L.L.M.)  
Georgetown University Graduate School of Business (MBA)

### Other Concurrent Positions \*

Tokyo Rope Mfg. Co.- External Director  
Circlace Co. - Member - Outside Audit & Supervisory Board  
Recruit Holdings Co. - External Statutory Auditor  
Global One Real Estate Investment Corp. - Supervisory Director  
Hino Motors Ltd. - External Statutory Auditor (**temporary 3/1/2023 – 6/26/2023**)

\* Mr. Natori has committed to reducing external commitments should he be selected to Seven & i's Board

# Personal Statement



## **Seven & i's Evaluation of Katsuya Natori**

- No food experience (executive, director, or otherwise)
- Only ~2 years of cumulative experience at retail companies over 20 years ago
- Qualified lawyer by trade and experienced as an outside director, but lacking in direct business expertise

## **Nomination Committee's Opinion**

*He already serves on the Boards of 4 companies, and his skillsets, such as legal specialty, overlap with those of the other directors that are expected to continue on the board.*

## Personal Response to Seven & i's Presentation

Please accept the following as my personal statement regarding the assertions made by Seven & i as to why my nomination as an Outside Director is not supported:

- 1) Food or retail experience should not be the only requirement for an external director (as most of current members don't have). I was General Counsel and Executive Officer at Fast Retailing Co., Ltd., one of Seven & i's largest peers operating in the broader retail industry.

The main role should be to **monitor whether the management works for the best interest of the company and its stakeholders with adequate speed.**

- 2) Based on my past experiences, I can support Seven & i to achieve a better transformation for its global development. My experience at Olympus Corporation should be have been considered beneficial for a company like Seven & i.

I have also communicated to both ValueAct and the Company that my intention is to reduce my board memberships accordingly based on if I am elected to the Board of Seven & i. I'm sensitive to the time required to effectively fulfil my role for a company that is in Seven & i's situation.

# Candidate Profile



## Dene Rogers

M / American / 62

Mr. Rogers has global experience leading several of the world's most influential and recognizable retailers including as EVP of Kmart USA (Sales: USD16bn), CEO of Sears Canada (Sales: USD5.5bn), and CEO of Target Australia (Sales: USD3.5bn). At Kmart USA Mr. Rogers successfully executed a significant turnaround in profitability through store footprint optimization and operational improvements, and at Sears Canada he grew e-commerce sales to \$1 billion and reinvigorated new customer acquisition. He also provides executive and board leadership to retail and technology companies in his current role as Principal at Presidio & Company. Mr. Rogers brings significant relevant experience to the Company in retail operations, food retail, franchise relations, e-commerce, and corporate transformation. **Mr. Rogers is a Japanese speaker.**

### Experience Highlights

2021	<i>UpMarket, Co-Founder</i>
2021	<i>Brandstak, COO &amp; Co-Founder</i>
2019	Captor Acquisition Corp, CEO
2017	Gymboree Group, Inc, Interim COO & CFO
2016	RadioShack Corporation, CEO
2011	Target Australia Pty Ltd., CEO
2006	Sears Canada Inc., CEO
2003	Kmart USA Corporation, EVP
1998	GE Capital, SVP, Global Business Development

*Italics* = Current Role



Retail



Transformation



Operations

### Education

Curtin University (Bachelor of Engineering)  
University of Oxford (Master of Science)  
Yale University (MBA)

### Other Concurrent Positions

Biosenta Inc., Board Member  
Presidio & Company, Principal [**private company**]

# Personal Statement



## ***Seven & i's Evaluation of Dene Rogers***

- *Retail executive at companies that have not necessarily realized sustainable growth in terms of financial performance (Kmart USA, Sears Canada, RadioShack)*
- *Existing director on two Boards, plus Principal at Presidio & Company and COO and Co-Founder at Brandstak, leaving him overboarded if he joins ours*

## ***Nomination Committee's Opinion***

*Despite his retail experience, the companies he has been involved with have not necessarily performed well over the long-term in terms of financial results and outcomes, and his ability to perform on our Board is doubtful*

## Personal Response to Seven & i's Presentation

I have very broad retail CEO experience, including international operations, various types of food retail, franchise relationships, and operational experience in all types of retail formats within Seven & i. My general business experience includes consumer finance, M&A and restructuring, and collaborating with management teams to improve performance.

### **Performance Track Record**

- Kmart: EBITDA during my tenure increased from large losses in 2003 to US\$ 828 million in 2005.
- Sears Canada: from 2005 to 2011, the TSR to shareholders was 88% compared to 40% for the Toronto Stock Exchange Index.
- RadioShack: was a restructuring project for shareholders, including KKR, with solid returns.

### **Background in Retail and Food Retail**

Since 2018, I have been interim COO and CFO of Gymboree, launched a new upscale grocery store concept, consulted to retailers on the use of machine learning, and advised PE firms about retail acquisitions. I have extensive food experience. I managed an approx. US\$2.5 billion revenue full-service grocery chain, and several restaurant chains; one chain had more than 1,000 restaurants.

### **Time available for Director's duties**

I have availability for this role now and plan to step down from the only public company board I current serve.



# Candidate Profile



## Ron Gill

M / American / 57

Mr. Gill has more than 30 years of broad, international business experience across several leading companies, most recently as the Chief Financial Officer of NetSuite, an enterprise technology company acquired by Oracle for \$9.3 billion in 2016. In addition to his experience as an operator, he brings more than a decade of experience as a board member and committee chair across a number of public and private company boards. He spent much of his early career living in Japan and working for Japanese technology companies including Sony Corporation and SAP Japan. Based on his experience and achievements, Mr. Gill brings relevant perspectives in enterprise technology, finance & accounting, capital markets, M&A and board governance to the Company. **Mr. Gill is a Japanese speaker.**

### Experience Highlights

2018	<i>Lead Edge Capital, Operating Partner</i>
2007	NetSuite Inc., CFO (previous: SVP)
2003	SAP AG, Chief Controller, Product and Technology
2000	Softfront, Inc., CFO
1997	SAP Japan & Northeast Asia, Technical Operations / NE Asia Corporate Business Planning / VP – Operations
1991	Sony Corporation, Finance Manager / Sr Financial Analyst

*Italics* = Current Role

### Education

Baylor University (BA)  
University of South Carolina (Master of International Business Studies)

### Other Concurrent Positions

HubSpot Inc., Chair of Audit Committee and Independent Board Member  
Amplitude Inc., Chair of Audit Committee, Member of Compensation Committee, and Independent Board Member  
Benchling, Inc., Chair of Audit Committee and Independent Board Member **[private company]**



Technology



Finance



M&A

# Personal Statement



## **Seven & i's Evaluation of Ron Gill**

- Existing director on three Boards, plus Operating Partner at Lead Edge Capital, leaving him overboarded if he joins ours
- Although substantial experience in the finance area, not enough experience in business management
- No experience in retail or food companies (executive, director, or otherwise)

## **Nomination Committee's Opinion**

*Although he has experience in finance, his experience does not match the specialized skills and knowledge our Board requires*

## Personal Response to Seven & i's Presentation

### **Overboarding:**

I have adequate availability and look forward to thoroughly investing my time in the Seven & i board role. I retired from having a full-time operating position a few years ago following NetSuite's sale to Oracle and am now focused entirely on board work and consulting. I currently serve on just two other public company boards. My operating partner role at Lead Edge Capital is an independent consulting role.

### **Management / retail experience:**

- I have more than thirty years of broad-based business experience across a variety of operating and finance roles in the consumer products and technology industries in multiple countries.
- I have overseen dozens of M&A transactions directly, as buyer or seller, and have chaired board subcommittees related to both. I have overseen numerous public capital market transactions including initial public offerings, secondary equity offerings and public debt offerings.
- I have deep experience listening to investors and working effectively with boards both from the management side as CFO of a public company, and as a board member. I know how to work collaboratively with a board and with management to get things done.
- As an experienced public company executive, board member and committee chair, I take director independence and board governance very seriously. My work with boards over the years has provided me valuable experience in effective board governance which I hope to bring to the board of Seven & i.

# Candidate Profile



## Brittni Levinson

F / American / 38

Ms. Levinson is a 16-year veteran of the financial services and asset management industries. She has global governance, sustainability, and capital markets expertise. She has investment experience in the public and private markets. She has managed sustainability considerations as a driver of long-term shareholder value in multiple roles. Ms. Levinson's sustainability experience provides valuable insight into managing the risk of and creating opportunities for business models that are affected by the climate transition as well as managing human capital issues such as employee engagement and safety concerns. She has governance expertise across multiple jurisdictions, including Japan

### Experience Highlights

2021	<i>ValueAct, Head of Sustainability</i>
2017	Cascade Asset Management (formerly, Bill & Melinda Gates Investments), Investment Analyst to Chief Investment Officer
2014	Game Creek Capital, Equity Research Analyst
2009	Thomas H. Lee Partners, Private Equity Associate
2007	Lehman Brothers/Barclays Capital, Investment Banking Analyst

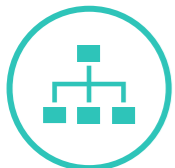
*Italics* = Current Role



### Sustainability



### Capital Markets



### Governance

### Education

Cornell University (B.S., cum laude, Applied Economics and Management)  
Harvard Business School (MBA)

### Other Affiliations

Investor Stewardship Group, Member of Board of Directors  
Council of Institutional Investors, Member, Corporate Governance Advisory Council

# Personal Statement



## **Seven & i's Evaluation of Brittni Levinson**

- *Sustainability and investor knowledge, but no executive experience*
- *Some insight into risk management, narrowly focused on climate transition and human capital issues*
- *No experience at retail or food companies (executive, director, or otherwise)*

## **Nomination Committee's Opinion**

*No experience in business execution or management, and her additive contribution to our Board is expected to be limited.*

## Personal Response to Seven & i's Presentation

Seven & i faces major strategic and sustainability risks that require a diverse set of skills and a collaborative style of engagement; I bring both.

I add 3 key skills: (i) understanding of governance best practices, (ii) a long-term shareholder mindset with significant capital markets experience, and (iii) ability to integrate sustainability considerations into strategy. I also benefit from the experience of ValueAct, which has a 22-year history of constructive engagement and has served in 56 public company board seats.

While assessing my candidacy, I am disappointed that Seven & i's Board has:

- a) Narrowly defined what it is looking for in a director. Others bring "executive experience" and "experience at food or retail companies". Additional skills and perspectives are needed
- b) Ignored my skills which it acknowledges as a need. Specifically, governance and sustainability, which it includes for its nominees

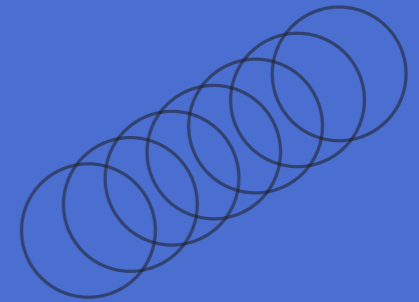
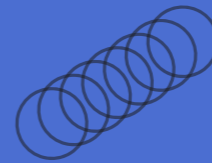
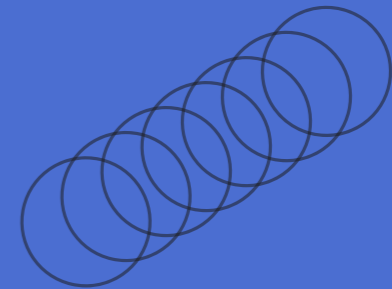
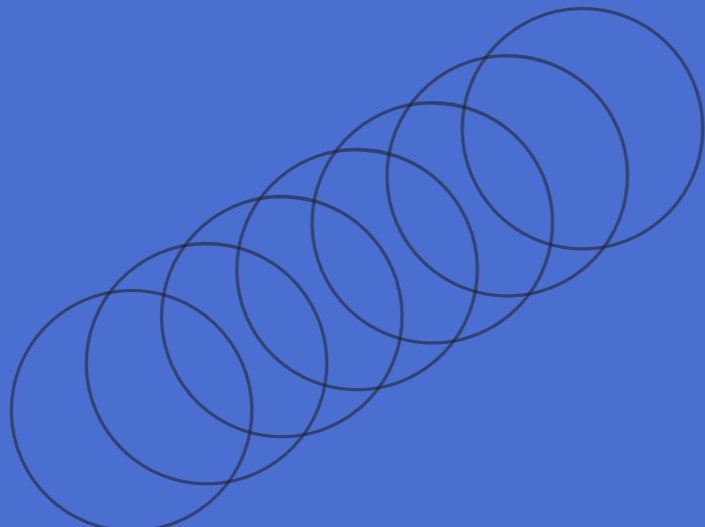
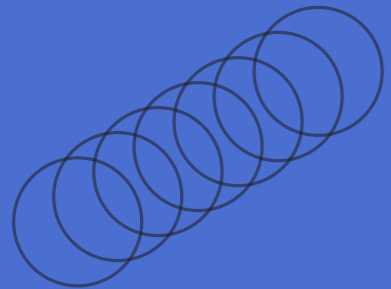
My skillset directly addresses key challenges at Seven & i: (i) role in climate transition, (ii) need to improve relationships with key stakeholders (employees and franchisees), (iii) implementation of an effective governance function, and (iv) intellectually honest and transparent review of strategy and leadership.

Lastly, having a shareholder on the board would increase confidence that the Board is taking a fiduciary approach.

# Outside Director Attribute and Skills Comparison

	Slate	Age	Tenure	Gender	Retail	Technology	Business Transformation	Capital Markets	Sustainability	Legal	Governance
Yonemura	Company	72	9	M							Y
Wada	Company	70	0	M		Y	Y	Y			Y
Hachiuma	Company	63	0	M	Y		Y	Y			Y
Izawa	Company & VAC	75	1	M				Y	Y		Y
Yamada	Company & VAC	50	1	F	Y	Y	Y		Y		Y
Simms Rogers	Company & VAC	59	1	F				Y		Y	Y
Yonamine	Company & VAC	65	1	M		Y	Y	Y			Y
Hayes Dacus	Company & VAC	62	1	M	Y		Y	Y			Y
Meyerdirk	Company & VAC	41	1	F	Y	Y	Y	Y	Y		Y
Natori	VAC	63	0	M	Y		Y	Y		Y	Y
Rogers	VAC	62	0	M	Y	Y	Y	Y	Y		Y
Gill	VAC	57	0	M		Y	Y	Y			Y
Levinson	VAC	38	0	F			Y	Y	Y		Y

# Appendix 2: ValueAct's Response to Recent Seven & i Communications



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**Seven & i published its opinion on our proposals on April 18, 2023. Seven & i's opinion not only misrepresented our proposals, but also misrepresented their performance and governance processes.**

# Response to Seven & i's Opinion on Our Proposals [1/2]

On April 18, Seven & i made several misleading statements about its business performance and governance processes to convince shareholders that Seven & i does not need to change. This, despite the incumbent President's seven-year track record of underperformance and entrenchment.

Seven & i Claim	ValueAct Response
<p><b>Delivering on Long-Term Value-Creation Strategy</b></p>	<p><b>Over his seven-year tenure the President has established a track record of weak execution and weak corporate value creation in pursuit of the status quo conglomerate strategy.</b></p> <ul style="list-style-type: none"> <li>• The President has had seven years to establish a strategy supported by stakeholders but instead he has maintained the status quo conglomerate strategy, including through the recently flawed "Group Strategy Re-Evaluation" process.</li> <li>• The President missed nine out of ten numerical targets set in his 100 day plan (2016 Medium-Term Management Plan).</li> <li>• Over the President's tenure, Seven &amp; i has experienced weak total shareholder return relative to its global retail and convenience store peers.</li> </ul>
<p><b>Strategic Approach to Portfolio Optimization</b></p>	<p><b>Portfolio optimization has been marginal and investment in the non-convenience store businesses has increased.</b></p> <ul style="list-style-type: none"> <li>• Small specialty store divestitures are a distraction and the Sogo &amp; Seibu sale was bungled and still has not closed.</li> <li>• As a result of significant "Investments for Group Strategy" with unidentified return on investment totaling over 150 billion yen in FY22 and FY23 alone, investment in non-core businesses has actually increased in recent years.</li> </ul>
<p><b>Raised Medium-Term Guidance and Driving Performance</b></p>	<p><b>We believe there are strategic alternatives that would create significantly more corporate value than the Medium-Term Management Plan that have not been objectively evaluated by the Board.</b></p> <ul style="list-style-type: none"> <li>• ValueAct has published its views on what it believes to be a superior long-term value creation opportunity (i.e. spin-off strategy) compared to the status quo conglomerate strategy. Shareholders have not been given a reason for why the Board decided the status quo was superior to other alternatives (including a spin-off).</li> <li>• We believe Seven &amp; i was approached for a takeover in 2020. Shareholders have not been given a reason for why the Board decided the status quo is superior to considering a takeover.</li> </ul>
<p><b>Majority Independent Outside Directors Holding the Business Accountable</b></p>	<p><b>The primary responsibility of Outside Directors is to hold <u>management</u> accountable, but they have failed.</b></p> <ul style="list-style-type: none"> <li>• The President has established a seven-year track record of business underperformance, lack of employee engagement, entrenchment, and bad faith actions... yet, the Nomination Committee has failed to conduct an objective review of leadership and execute a President succession in-line with Japan's Corporate Governance Code expectations.</li> </ul>



# Response to Seven & i's Opinion on Our Proposals [2/2]

On April 18, Seven & i made misleading statements about ValueAct and summarily dismissed our Director nominees after a hasty evaluation process by a conflicted Nomination Committee, the latest in a long series of bad faith interactions we have had with the Company.

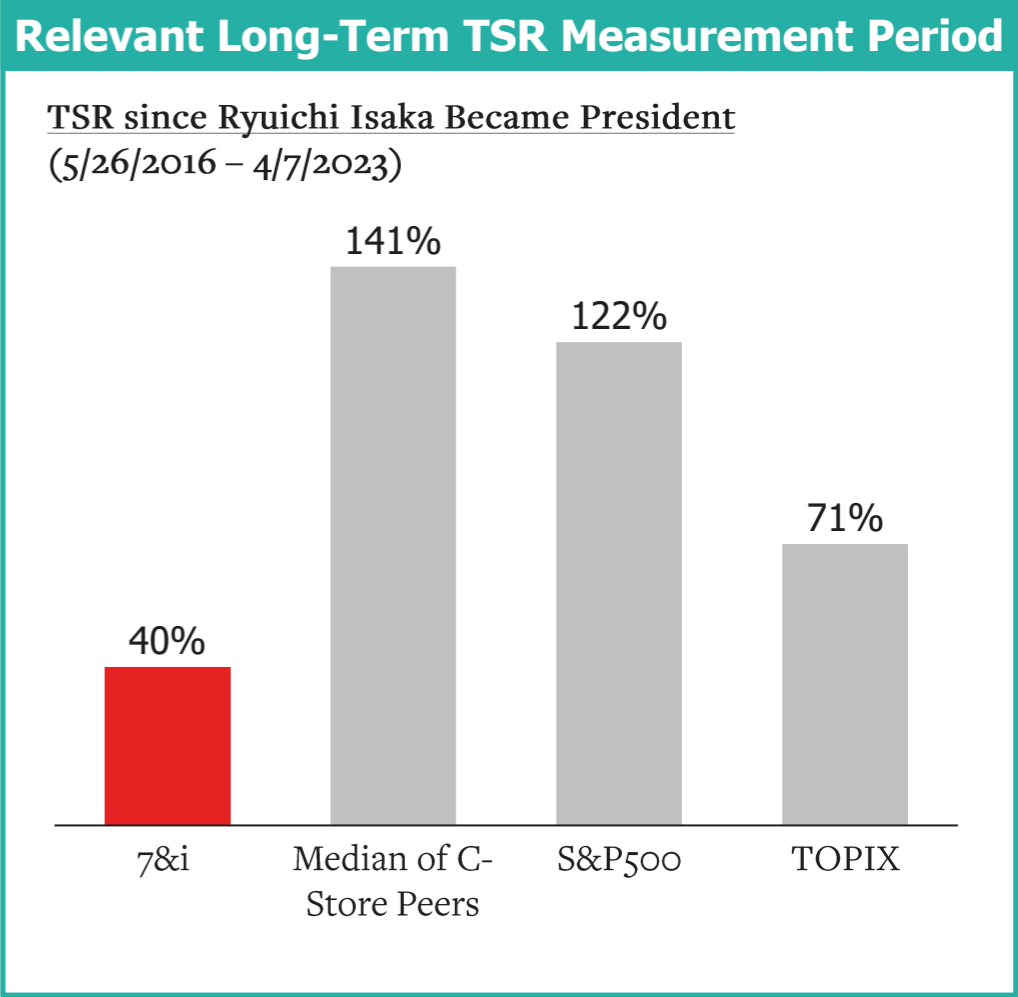
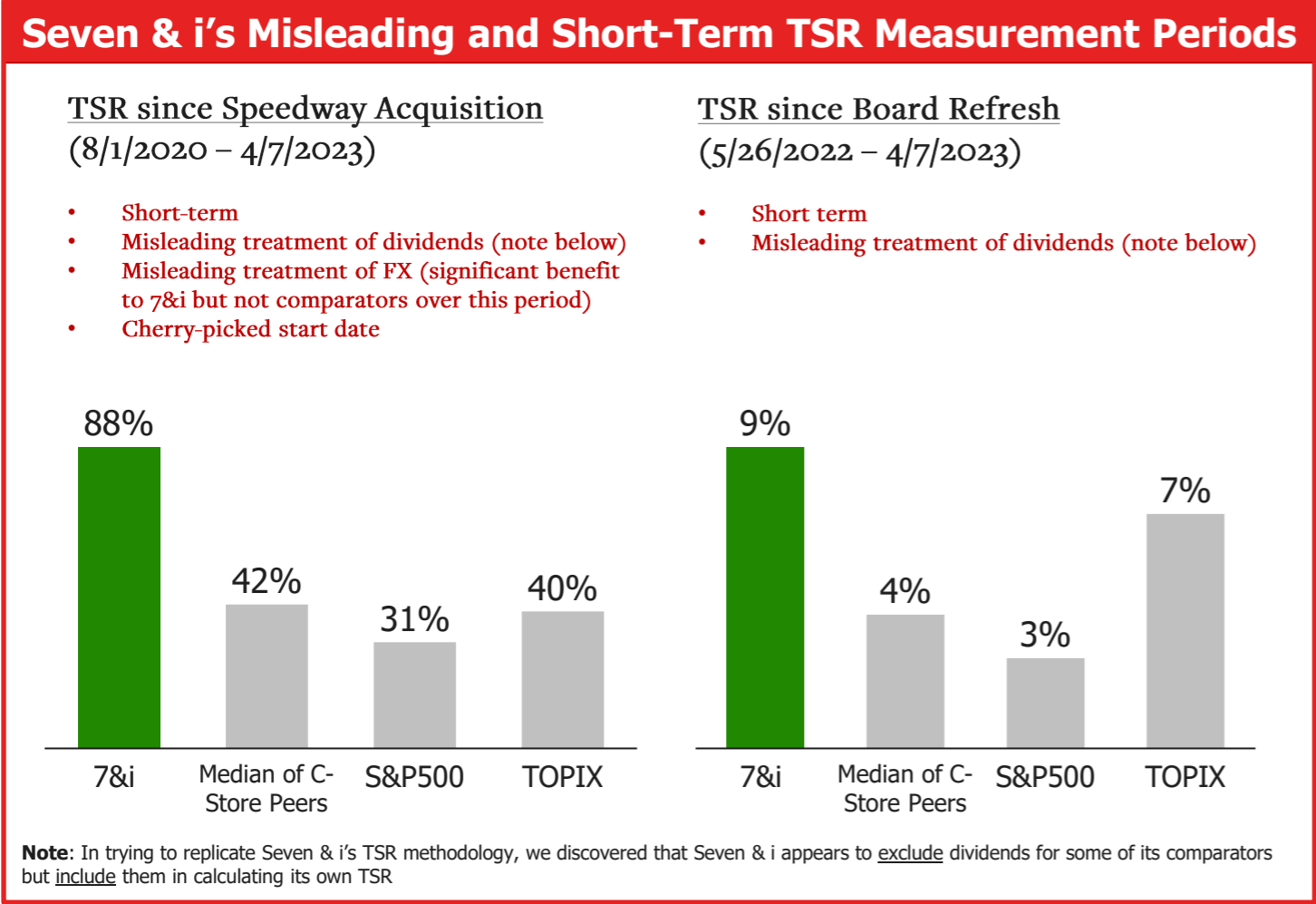
Seven & i Claim	ValueAct Response
Short-Sighted Approach	<p><b>ValueAct's track record of long-term value creation and constructive engagement is easily referenced in Japan and globally</b></p> <ul style="list-style-type: none"><li>ValueAct has supported long-term value creation at dynamic companies such as Microsoft, Adobe, Olympus, Rolls Royce, Salesforce, and MSCI. Our investee companies continue to perform well even after we exit.</li><li>ValueAct's evaluation of the current President is based on his seven-year track record of underperformance. Seven &amp; i measures his total shareholder return performance over short-term, cherry-picked periods with little relevance.</li></ul>
Superficial Understanding of Business	<p><b>ValueAct's proposal is to elect a Board that will conduct an objective and deliberate succession exercise for the President, and for the new President to objectively review strategy working together with the Independent Outside Directors. This is in contrast to the biased evaluation of leadership and flawed "Group Strategy Re-Evaluation" which have taken place under the "oversight" of the current Board and the "leadership" of the current President.</b></p> <ul style="list-style-type: none"><li>ValueAct has analyzed the contribution of group food synergies with the help of a leading global consultancy and the potential value creation from alternative strategies, which makes us believe better alternatives are available. But it is ultimately up to the refreshed Board to objectively evaluate these alternatives and set a direction for Seven &amp; i.</li></ul>
Underqualified Candidates	<p><b>Our nominees are highly qualified and bring relevant skills and experience to Seven &amp; i. Seven &amp; i's evaluation of our nominees was hasty and conducted by a biased Board comprised of a majority of conflicted Directors.</b></p> <ul style="list-style-type: none"><li>Our nominees bring significant experience in business transformation, strategy, retail, food, sustainability, and public company leadership. They have fiduciary mindsets and collegial attitudes.</li><li>We do not support Seven &amp; i's new candidates as they are the product of a majority conflicted Nomination Committee and an entrenched President.</li></ul>



See ValueAct's full response [here](#) (published April 20, 2023)

# Analysis of Seven & i's Total Shareholder Return

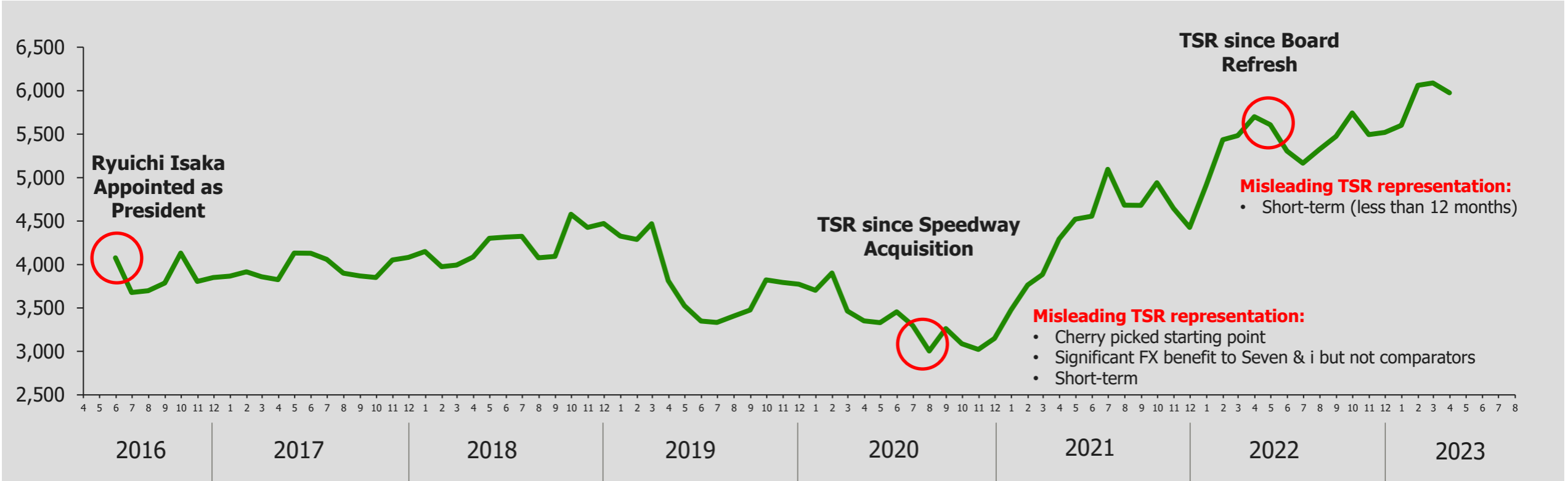
Seven & i's total shareholder return (TSR) over President Isaka's seven-years-long tenure reveals significant underperformance. The TSR measurement periods selected by Seven & i are misleading, cherry-picked, short-term, and in some cases incorrect.



# Analysis of Seven & i's Total Shareholder Return

Seven & i's selected TSR measurement periods are misleading and short-term. One begins near the stock's 5-year lows and the other measures a period of just 11 months. The relevant measurement period reveals significant underperformance.

## Seven & i's Dividend Adjusted Stock Price Since Ryuichi Isaka Became President



**The Relevant Measure of President Isaka's Effectiveness is Seven & i's TSR over His Tenure: Seven & i has underperformed its convenience store peers by >100%, the S&P 500 by >80%, and TOPIX by >30%**

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**Seven & i published a further response to our proposals on April 25, 2023. Seven & i's latest letter made three critical misrepresentations.**

# Response to Seven & i's April 25th Letter

On April 25, Seven & i made three critical misrepresentations statements about ValueAct and its proposals.

## Seven & i Claim

## ValueAct Response

ValueAct is Attempting to "Distract from Substantive Strategy Discussion"

**ValueAct has been attempting to engage on "Substantive Strategy Discussions" for years but Seven & i has not reciprocated sincerely.**

- For Seven & i to claim that ValueAct has avoided the discussion of strategy by raising governance issues is absurd. Our constructivist image comes from the time, energy, network and expertise we bring on behalf of all stakeholders to help improve our portfolio companies. To have an impact, our effort must be sincerely reciprocated. We are still waiting for clear answers to our substantive and specific questions regarding the "Group Strategy Re-Evaluation", despite President Isaka's promise in his April 6 earnings announcement to do so by "mid-April".

ValueAct is Attempting to "Force a Hasty... Spin-Off..."

**ValueAct's Proposals Relate to Seven & i's Leadership – NOT a Forced Spin-Off.**

- Instead, through our proposed reinforcement of the Board and removal of President Isaka, we seek a board that will conduct a careful and deliberate succession process for the President and consider ALL alternatives available to the Company from the perspective of maximizing shareholder value and corporate value.

"Issue of recording – a misunderstanding"

**The "Recording Issue" is Emblematic of Weak Leadership and Governance Process.**

- The Company's response to the "Recording Issue" was disingenuous and dismissive of legitimate concerns. It is not enough that the Company has a majority of Outside Directors when an entrenched President has exhibited a pattern of improperly influencing governance processes that should be independent.



See ValueAct's full response [here](#) (published April 27, 2023)

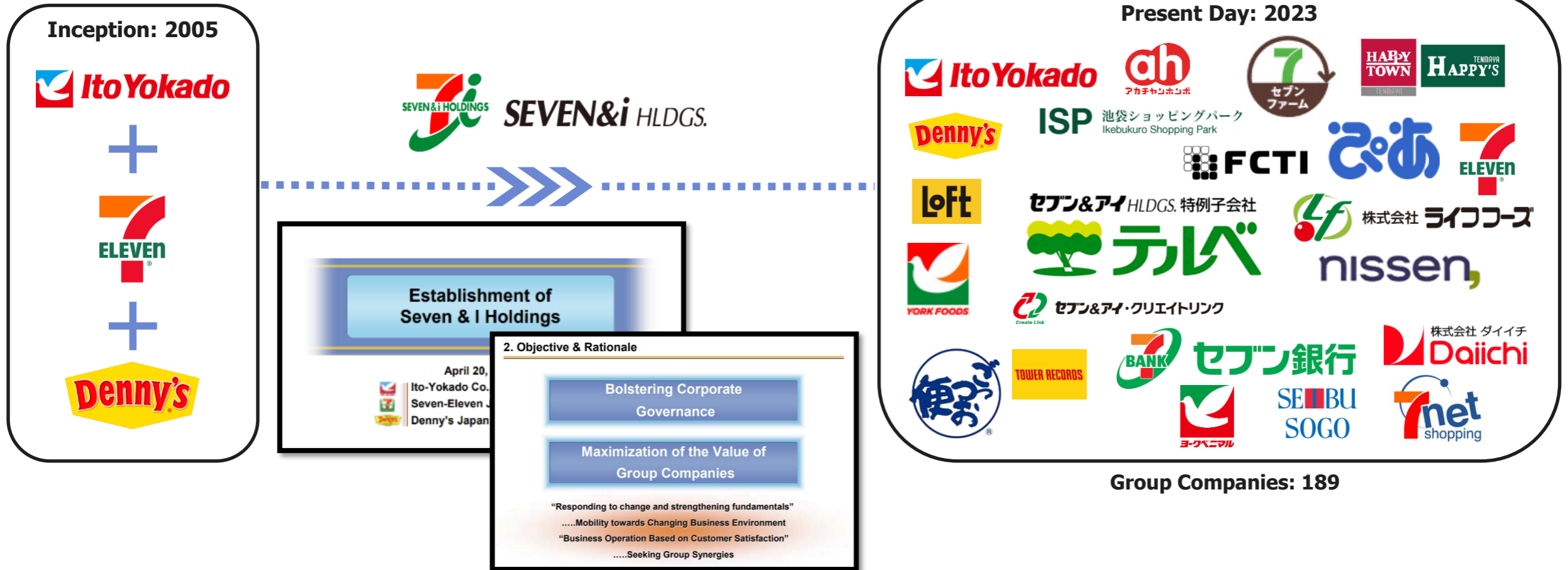
# Appendix 3: The Conglomerate Strategy Has Failed to Deliver on its Promise

# Summary of Section

- Seven & i Holdings was formed in 2005 to bring three separately listed entities – Ito-Yokado, Seven-Eleven Japan, and Denny’s Japan – under one conglomerate structure in the pursuit of group synergies and a corporate value greater than the sum of its parts.
  - 18 years later, the conglomerate structure experiment has clearly failed. There is a significant conglomerate discount and the value of the group companies has not been maximized.
  - Ito-Yokado has been in a perpetual state of restructuring since the conglomerate was formed in 2005. Ito-Yokado has not earned an ROIC above its cost of capital since 2005.
  - In aggregate, the non-7-Eleven businesses lose money and have not created corporate value.
- 7-Eleven has not been able to reach its full potential because management attention and corporate resources are over-allocated to turning around the non-core businesses versus the global growth of 7-Eleven.
  - For example, management has spent countless hours strategizing about the elusive turnaround of Ito-Yokado while giving barely any thought to growing 7-Eleven’s presence in India, which on its own could command a corporate value multiple times higher than that of Ito-Yokado in a best-case scenario
  - The conglomerate structure experiment which began in 2005 is now outdated and has clearly failed.

# Seven & i Conglomerate Structure 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.**





# Stated Objective of Forming the Holding Company

In 2005, Seven & i formed a holding company as an experiment with two major objectives:

1. **Bolster** Corporate Governance
2. **Maximize** the value of group companies... seeking group synergies

Its stated strategy for each group company was:

1. **Superstores** (which includes Ito-Yokado) to pursue structural reform
2. **Convenience stores** to develop globally
3. **Restaurants** to deliver stable growth
4. **Financial Services** to start contributing more to profitability

## 2. Objective & Rationale

Bolstering Corporate Governance

Maximization of the Value of Group Companies

“Responding to change and strengthening fundamentals”

.....Mobility towards Changing Business Environment

“Business Operation Based on Customer Satisfaction”

.....Seeking Group Synergies

## 3. Summary of Business Portfolio

Goals: Convenience stores business to develop globally, super stores to pursue structural reform, restaurants to deliver stable growth and financial services to start contributing more to profitability

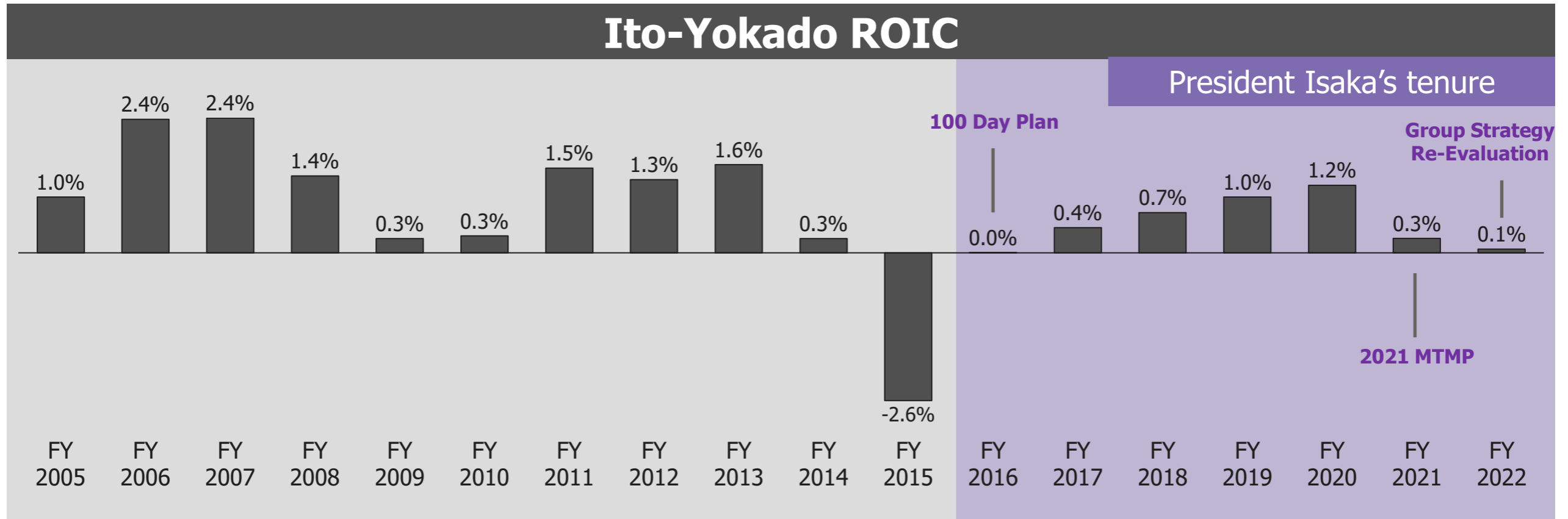
(Yen in 100 million)  
(100 million yen, %)

Segment	FYE Feb 04		FYE Feb 05		FYE Feb 09 (Goal)	
	Consolidated	% Breakdown	Consolidated	% Breakdown	Holding company	% Breakdown
Operating Income	2,078	100.0	2,120	100.0	3,100	100.0
Convenience Stores	1,875	90.2	1,954	92.2	2,400	77.4
Superstores	212	10.2	78	3.7	450	14.5
Restaurants	33	1.6	36	1.7	80	2.6
Financial Services	-39	-1.9	54	2.5	150	4.8
Others	-2	-0.1	2	0.1	20	0.6

Note) Operating income by segment during the FYE Feb 09 term is a target value. Due to items that are not written here, the sum of each segment does not necessarily correspond to the operating income. Actual results may differ.

# The President Has Failed to Turn Around Ito-Yokado

In 2016, the President saw 10 years of unacceptably low ROIC and concludes restructuring is the answer. Another 7 years of restructuring within the group later, the President again concludes – more restructuring!



**Over the last 18 years, Ito-Yokado has never earned its cost of capital**

# For 18 Years, Ito-Yokado Has Been Perpetually Restructuring Within the Group



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

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

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

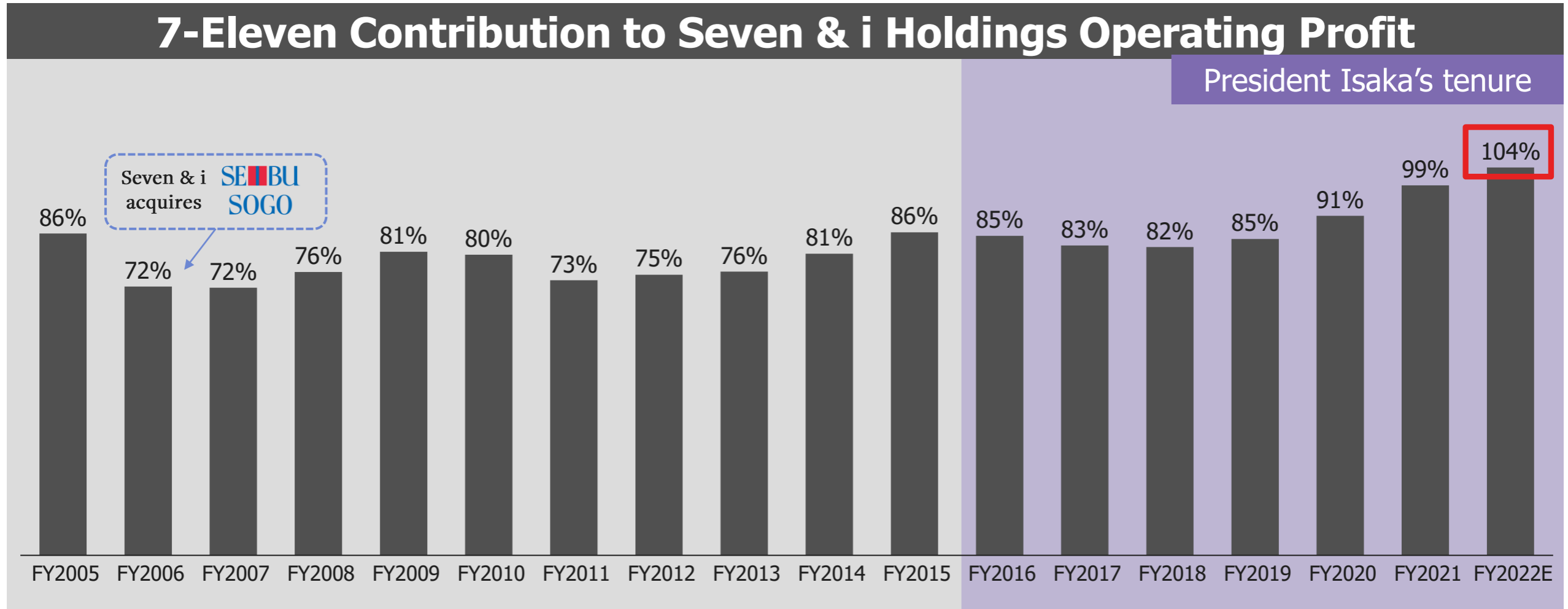
Today, in 2023, Seven & i's strategy for Ito-Yokado is still to "**pursue re-growth through further structural changes**".

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

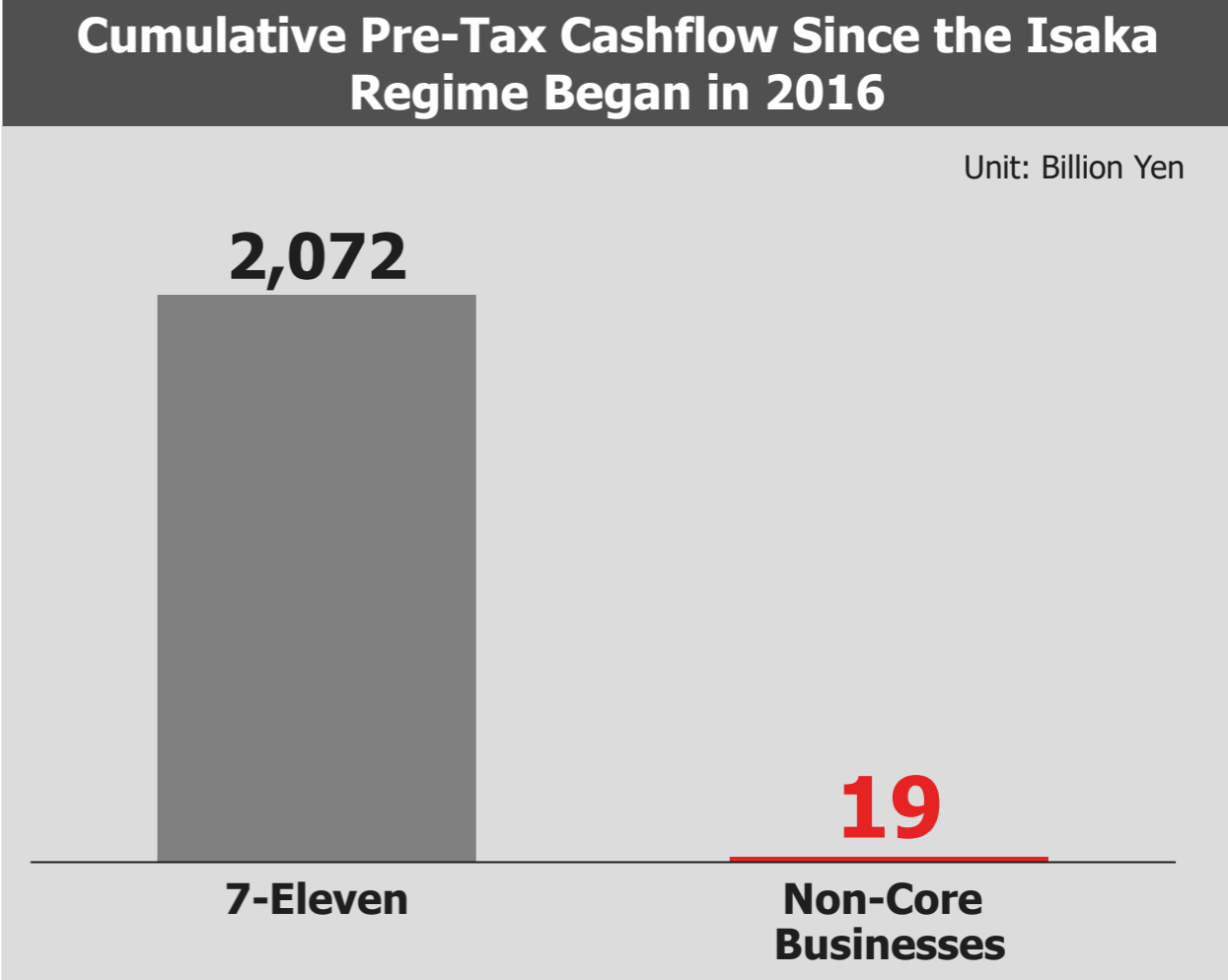
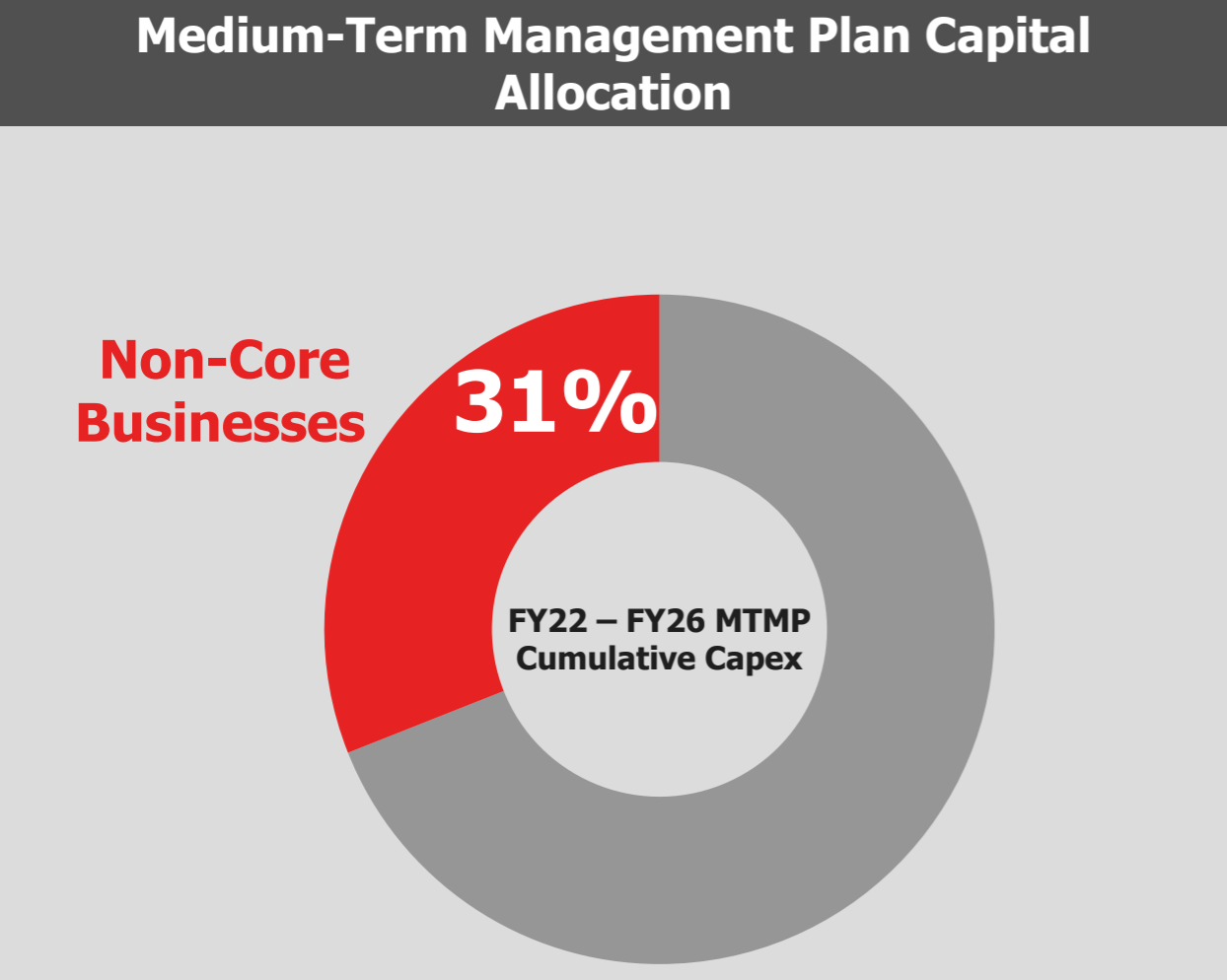
# 18 Years Later, 7-Eleven is Over 100% of Profit and Other Group Companies Have Failed to Deliver

The non-7-Eleven businesses have declined despite capital and management attention directed towards restructuring

## 7-Eleven Contribution to Seven & i Holdings Operating Profit



# The Non-7-Eleven Businesses Are Taking More Than Their Fair Share of Group Capital



# Seven & i Holdings Now Suffers From a Large Conglomerate Discount

## Objective – Group Synergy

### 2005: Establishment of HoldCo

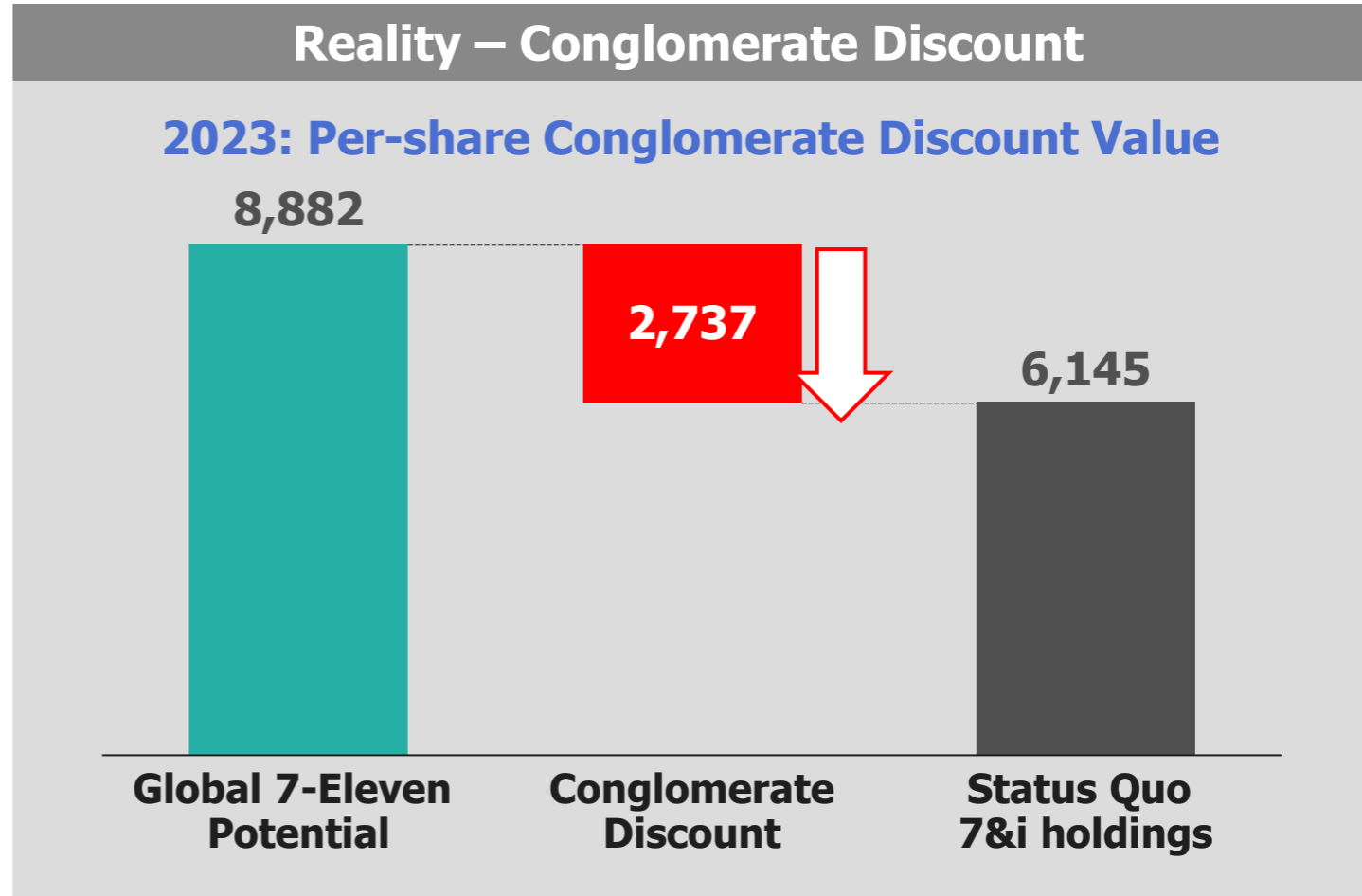
2. Objective & Rationale

- Bolstering Corporate Governance
- Maximization of the Value of Group Companies

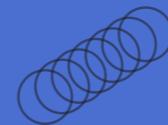
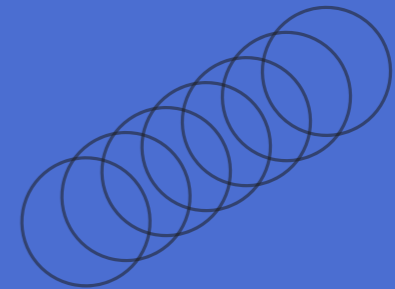
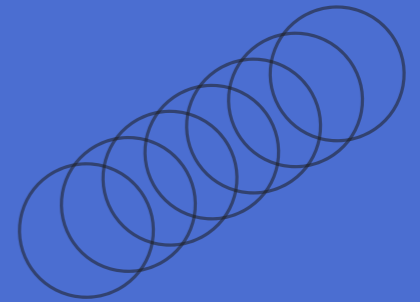
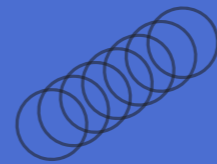
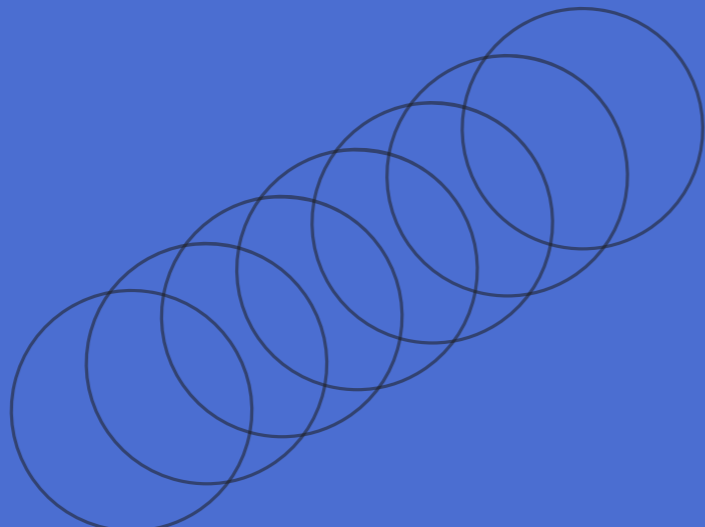
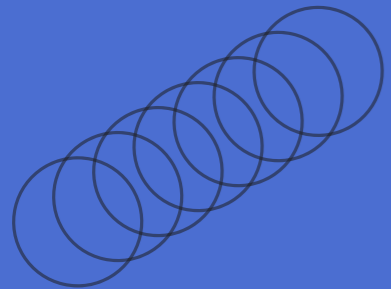
“Responding to change and strengthening fundamentals”  
.....Mobility towards Changing Business Environment  
“Business Operation Based on Customer Satisfaction”  
.....Seeking Group Synergies

## Reality – Conglomerate Discount

### 2023: Per-share Conglomerate Discount Value



# Appendix 4: Quantitative Evaluation of Group Food Synergies



# Summary of Section

- Seven & i has been pursuing “group synergies” since the conglomerate was formed in 2005. The “group synergies” story keeps changing – first the focus was on merchandising and financial services, then on omnichannel commerce, and now the focus of the “group synergies” story has shifted to food.
- During the 18 years of pursuing “group synergies”, we don’t believe Seven & i has ever answered the key question: “does the amount of quantifiable group synergies justify maintaining the current corporate structure and conglomerate discount?”
- Because Seven & i has never quantified “group synergies”, ValueAct hired a leading global consultancy to evaluate the size of these alleged synergies and their contribution to operating profit and corporate value.
- The consultancy analysis found that due to the very limited geographic overlap, differences in supply chains, and sufficient scale of each group company, the amount of quantifiable group synergies cannot be remotely large enough to justify the conglomerate discount.
- We have shared this analysis and the questions it raises with the Company but have not received concrete answers. Seven & i points to collaborative work of 134 employees (out of 82,000) on food products, but cannot explain why joint ownership is necessary to maintain this collaboration.
- The opportunity to remove the conglomerate discount is clear, and Seven & i’s explanation that any modest “group synergies” opportunity cannot be captured without a Holding Company structure is not convincing.



# “Group Synergies” Have Been a Moving Target for 18 Years

## 2005 Establishment of Seven & i Holdings



Seven & i Holdings is formed “seeking group synergies”, which are listed as: (1) Group Merchandising, (2) Financial Services Related, (3), International Expansion, (4) System Integration

## 2016 Mr. Isaka’s 100 Day Plan

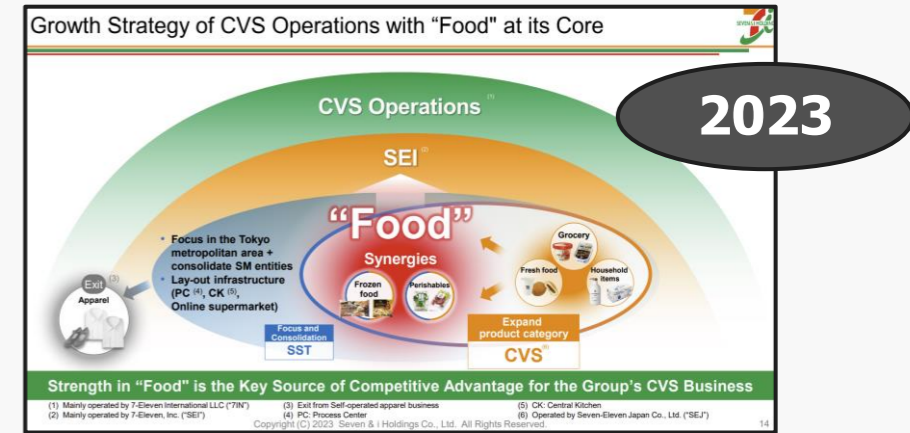
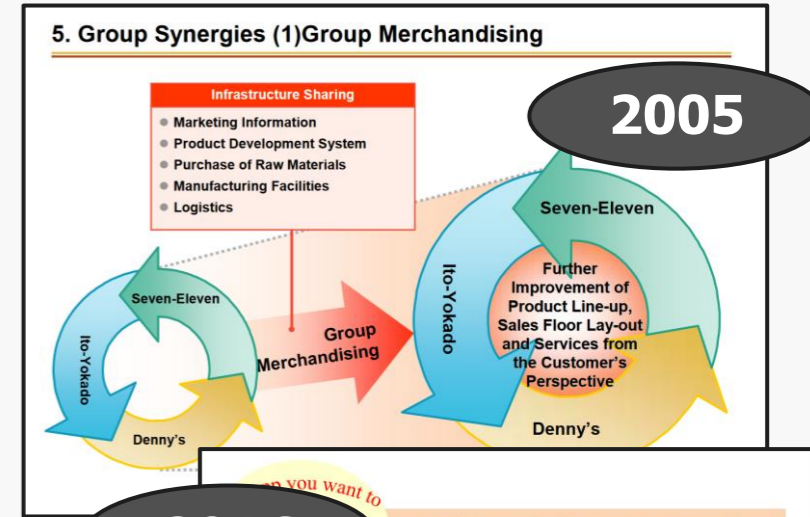


New President Isaka re-iterates that “main thrust is to capture Group synergies”, with a focus on omni-channel and linking together customer experience across group companies

## 2023 “Group Strategy Re-Evaluation”

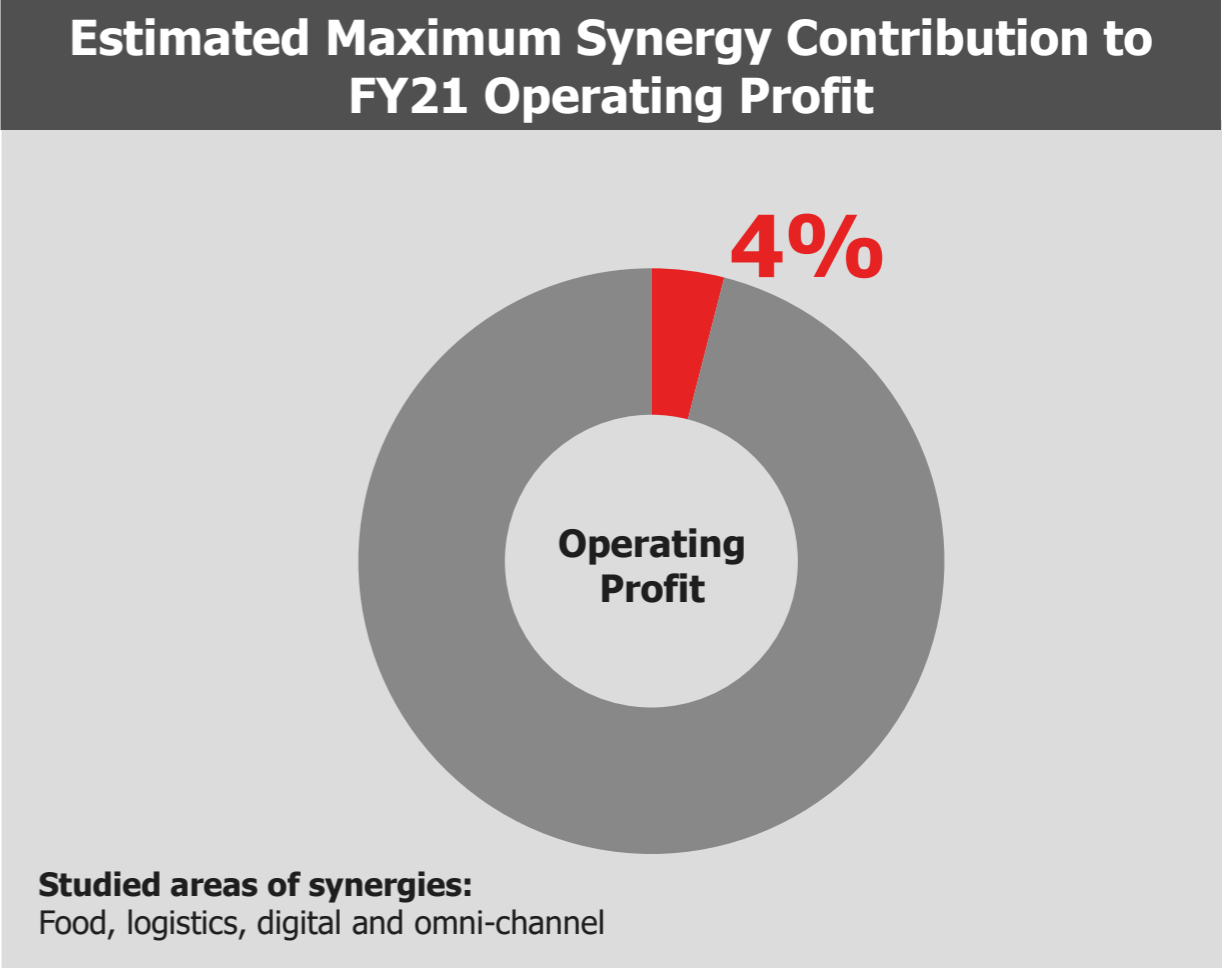
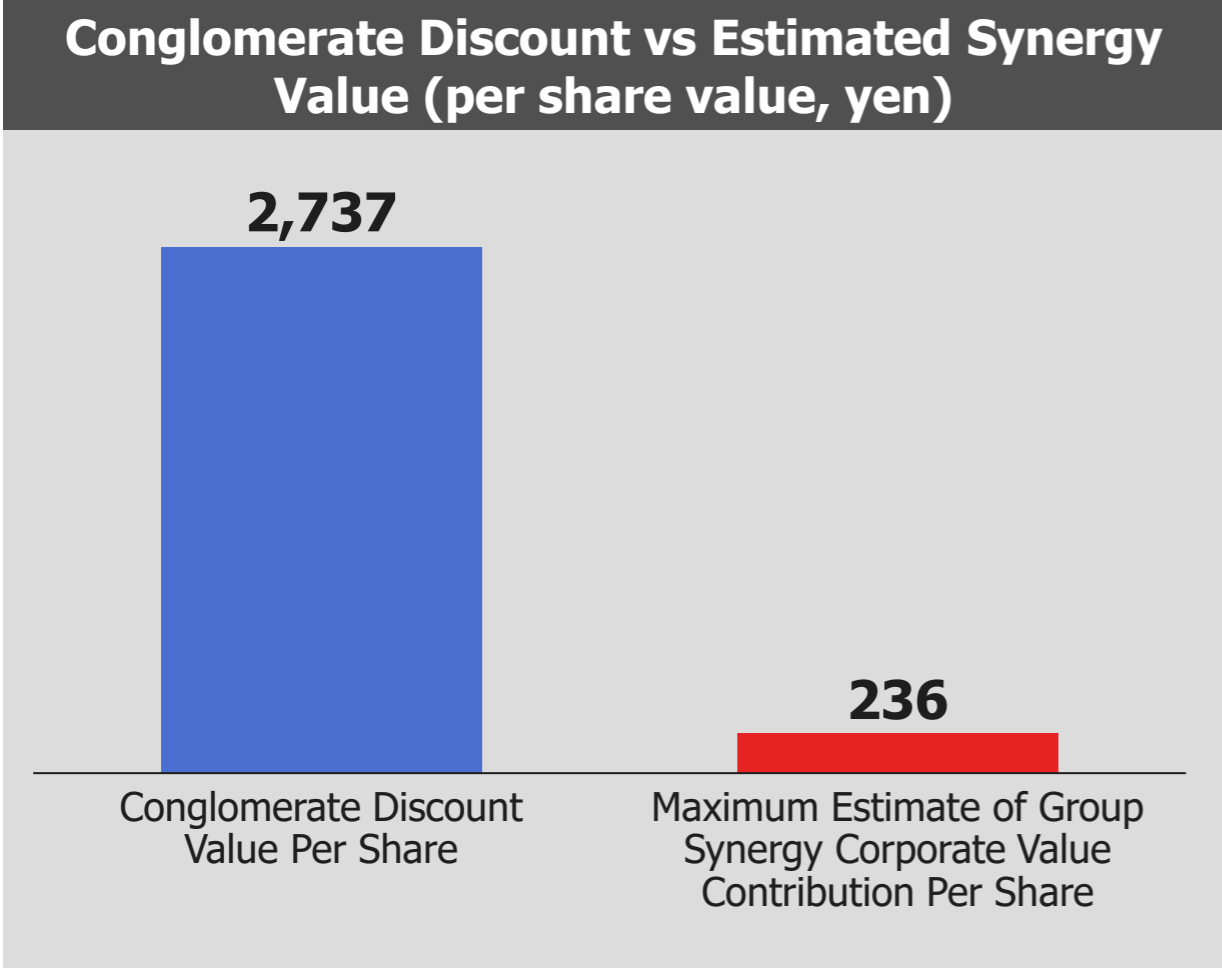


President Isaka reiterates group synergies, this time saying that “food” is at the core of the group



# Group Synergies, Including Food Synergies, are Immaterial in Comparison to the Conglomerate Discount

ValueAct hired a leading global consultancy at its own expense to evaluate the size of these alleged synergies.

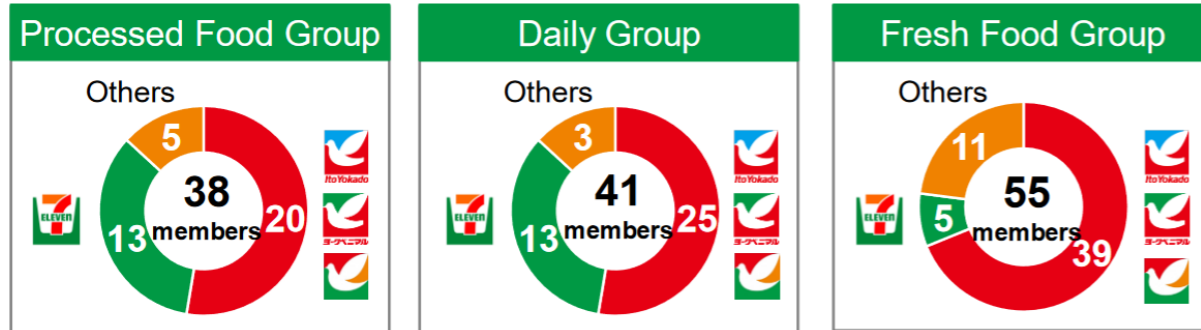


# Seven & i Claim 1: Shared Seven Premium R&D

Seven & i emphasizes the importance of collaborative development on Seven Premium products as a key component of the “food synergies” it sees. ValueAct’s analysis leads us to ask whether a 134-person group in a Company of over 80,000 employees justifies a Holding Company structure.

## Seven & i Claimed Source of Food Synergy

### Inter-group Development Structure of Seven Premium (Food) (As of March 2022)



- Seven & i claims that Ito-Yokado’s contribution to the joint development of Seven Premium products is a source of competitive advantage for Seven-Eleven Japan

## ValueAct Analysis and Questions for Seven & i

### Observations

- The Seven Premium inter-group development team is a total of 134 people as of March 2022 based on Seven & i’s own disclosures to the left.

### ValueAct questions for Seven & i

- Are 134 people collaborating across subsidiaries on Seven Premium enough to justify a Holding Company structure?
- Why can’t they continue to collaborate through a joint venture?

# Seven & i Claim 2: Joint Procurement

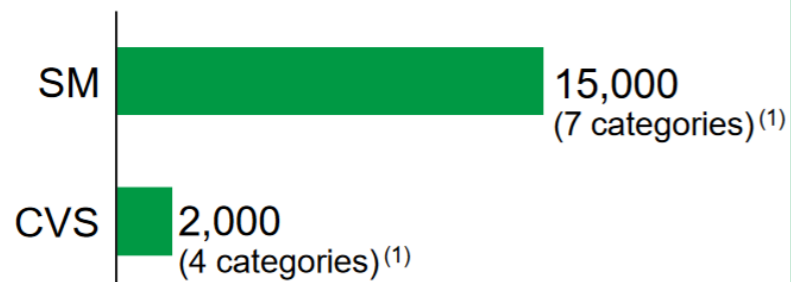
Seven & i emphasizes the importance of joint procurement as a key component of the “food synergies” it sees. ValueAct’s analysis leads us to ask whether the incremental 14% (489 bn yen of sales on a base of 3.5 trillion) in Seven-Eleven Japan’s purchasing power (at most) that shared procurement with Ito-Yokado brings justifies the Holding Company structure

## Seven & i Claimed Source of Food Synergy

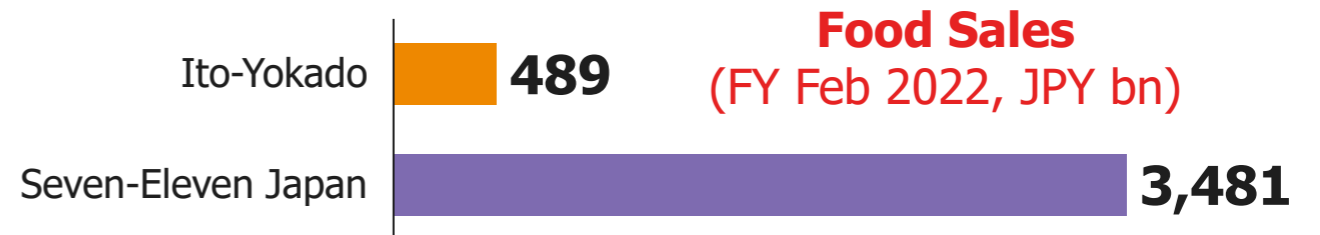
### Strength in "food" from SST

- Overwhelming number of products and SKU
- Procurement and supplier network
- Large-scale sales floor to test products
- Customer understanding and innovative development capability in “food”

### General Food SKU



## ValueAct Analysis and Questions for Seven & i



### Observations

- Seven-Eleven Japan has >6x the food sales as Ito-Yokado. It is unlikely that Seven-Eleven Japan’s negotiating leverage with its suppliers changes significantly as a result of combining its purchasing power with Ito-Yokado’s.
- Factoring in the low level of SKU overlap further reduces the synergy potential.

# Seven & i Claim 3: Ability to Test Products at Ito-Yokado

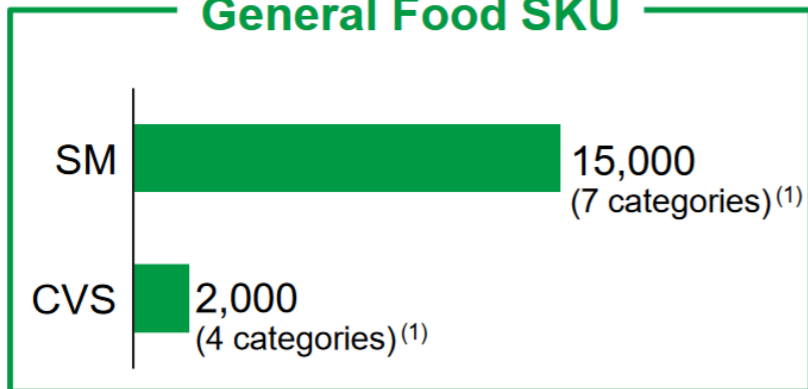
Seven & i emphasizes the importance of testing potential Seven Premium products in its large-scale sales floor retail formats as a key component of the “food synergies” it sees. ValueAct analysis leads us to ask whether the ability to test new 7-Eleven products could be better fulfilled by building 7-Eleven test stores rather than using Ito-Yokado.

## Seven & i Claimed Source of Food Synergy

### Strength in "food" from SST

- Overwhelming **number of products and SKU**
- **Procurement and supplier network**
- **Large-scale sales floor** to test products
- **Customer understanding and innovative development capability** in “food”

### General Food SKU



## ValueAct Analysis and Questions for Seven & i

### Observations

- The leading convenience store operators including Alimentation Couche-Tard and Casey’s do not have large-scale sales floor businesses in which to test products but are still well-known for their food and have generated stronger long-term TSRs than Seven & i has.

### ValueAct questions for Seven & i

- Which is a more effective way to test new products for Seven-Eleven Japan customers, inside of Ito-Yokado stores or at new 7-Eleven “test sites” the Company builds across Japan?
- Which option is better for shareholders?

# Seven & i Claim 4: Shared Supply Chain & Logistics

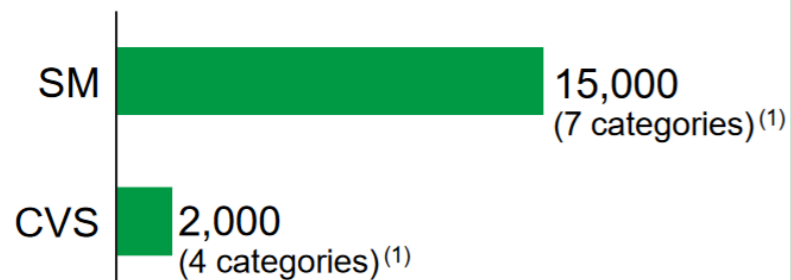
Seven & i emphasizes the importance of shared logistics and supplier networks as a key component of the “food synergies” it sees. ValueAct analysis leads us to ask how large these synergies can really be given the limited geographic overlap between 7-Eleven and Ito-Yokado as well as major differences in operational requirements.

## Seven & i Claimed Source of Food Synergy

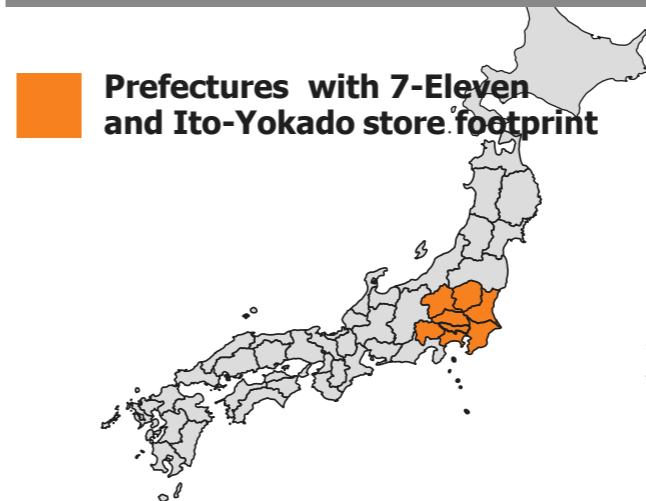
### Strength in "food" from SST

- Overwhelming number of products and SKU
- Procurement and supplier network
- Large-scale sales floor to test products
- Customer understanding and innovative development capability in “food”

### General Food SKU



## ValueAct Analysis and Questions for Seven & i



“Currently no distribution centers or supply network is shared between [Seven-Eleven Japan] and [SST] businesses, although [Seven & i Holdings] has been trying to do so for years. ... because their business models are far different, facilities and operations are very different too...”

- Senior Manager, Seven-Eleven Japan

### Observations

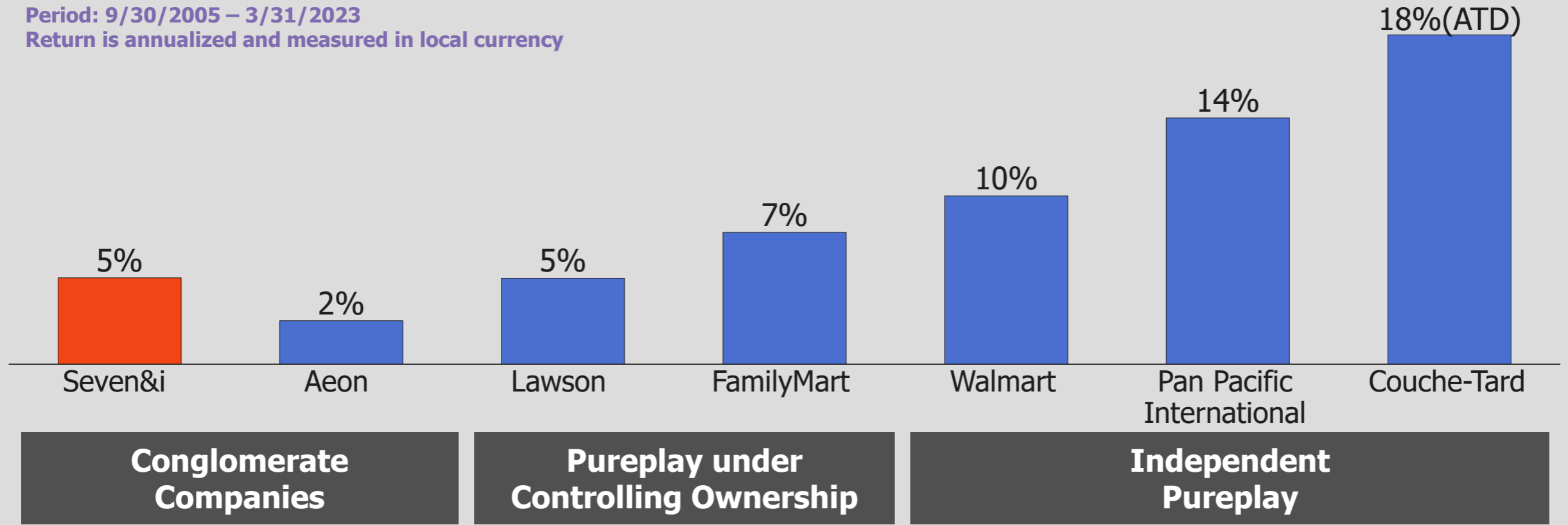
- The geographic overlap between global 7-Eleven and Ito-Yokado is limited to just the Tokyo metropolitan area
- Different supply chain and logistics required to support these different business models – combining them could lead to stakeholder harm rather than synergies

# Long-Term Total Shareholder Returns Shows Pure-Play Companies Outperform Conglomerates in Retail

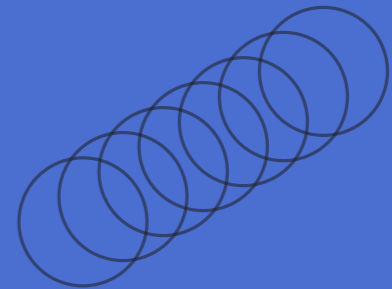
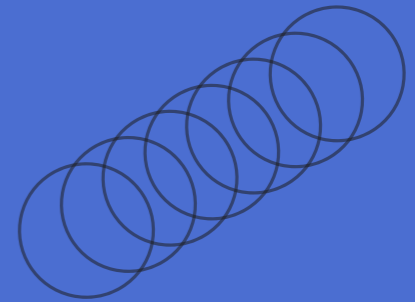
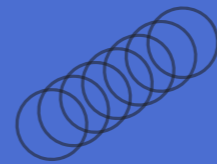
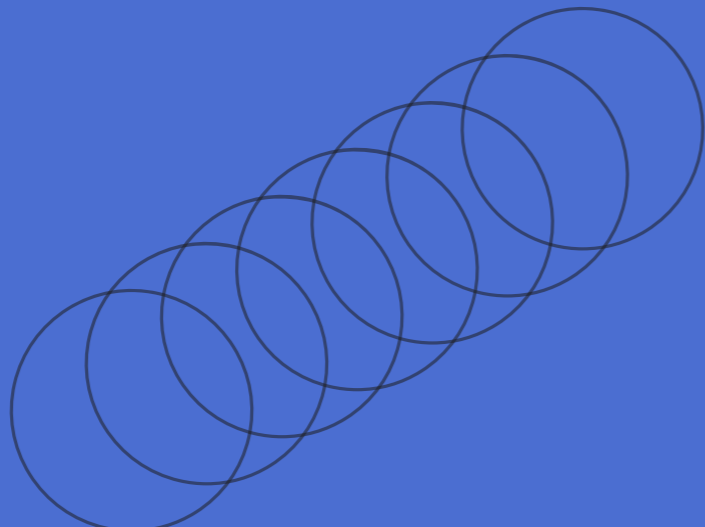
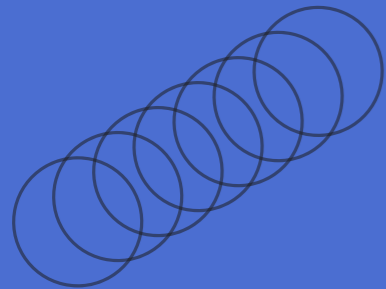
## Total Shareholder Return since Seven & i Holdings Creation in 2005

Period: 9/30/2005 – 3/31/2023

Return is annualized and measured in local currency



# Appendix 5: Long-Tenured Outside Director Track Records





# Kunio Ito and Toshiro Yonemura's Track-Record

## Kunio Ito

'TORAY'

**Board Seat:** Toray Industries

**Issue:** Failing to institute proper governance and adequately addressing scandals

**33%**  
**Outside  
Directors**

**0%**  
**Women  
Directors**

### Investors voting AGAINST Kunio Ito's Re-election in 2022

- Amundi
- Blackrock
- BNP Paribas
- CalSTRS
- Daiwa
- Resona Bank
- Sumitomo Mitsui Trust
- Wellington

## Toshiro Yonemura

UNIZO

**Board Seat:** Unizo Holdings

**Issue:** Failing to institute proper governance and evaluation of offers

In mid-2019, Unizo was the target of takeover offers from a number of bidders. A Special Committee was established (including Toshiro Yonemura) to appraise the offers.

The **process was subject to considerable scrutiny** from the market as shareholders (and other market participants) feared that the conditions being attached to the deal would further entrench management and go against the Fair M&A Guidelines, designed to protect shareholder interests. Unizo was later subject to regulatory scrutiny for potentially misleading the market.

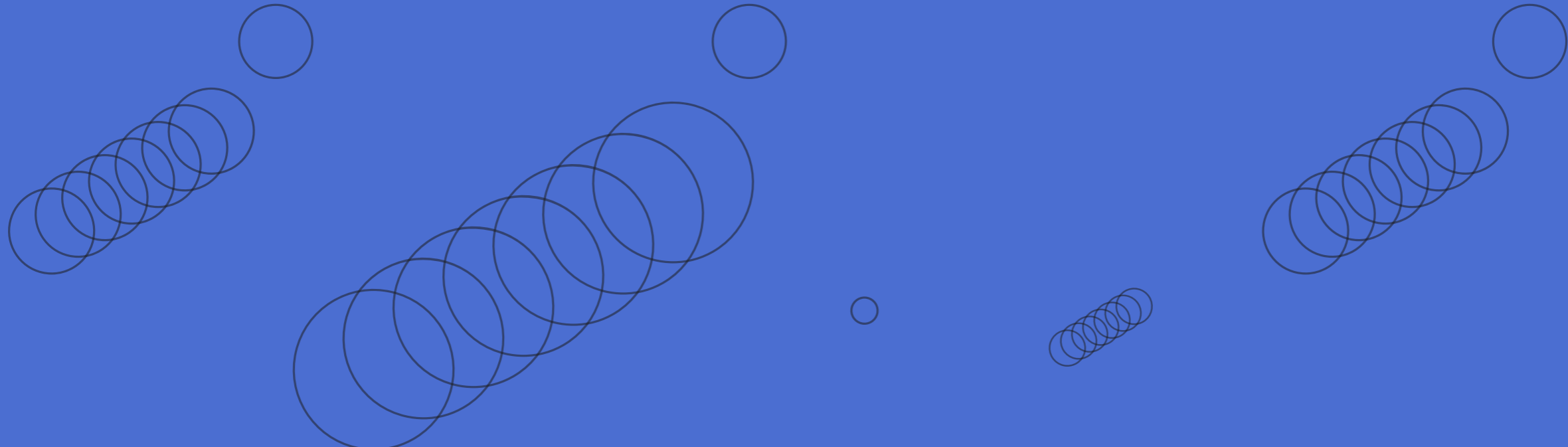


Article

Article

**Unizo Files for Bankruptcy in April 2023**

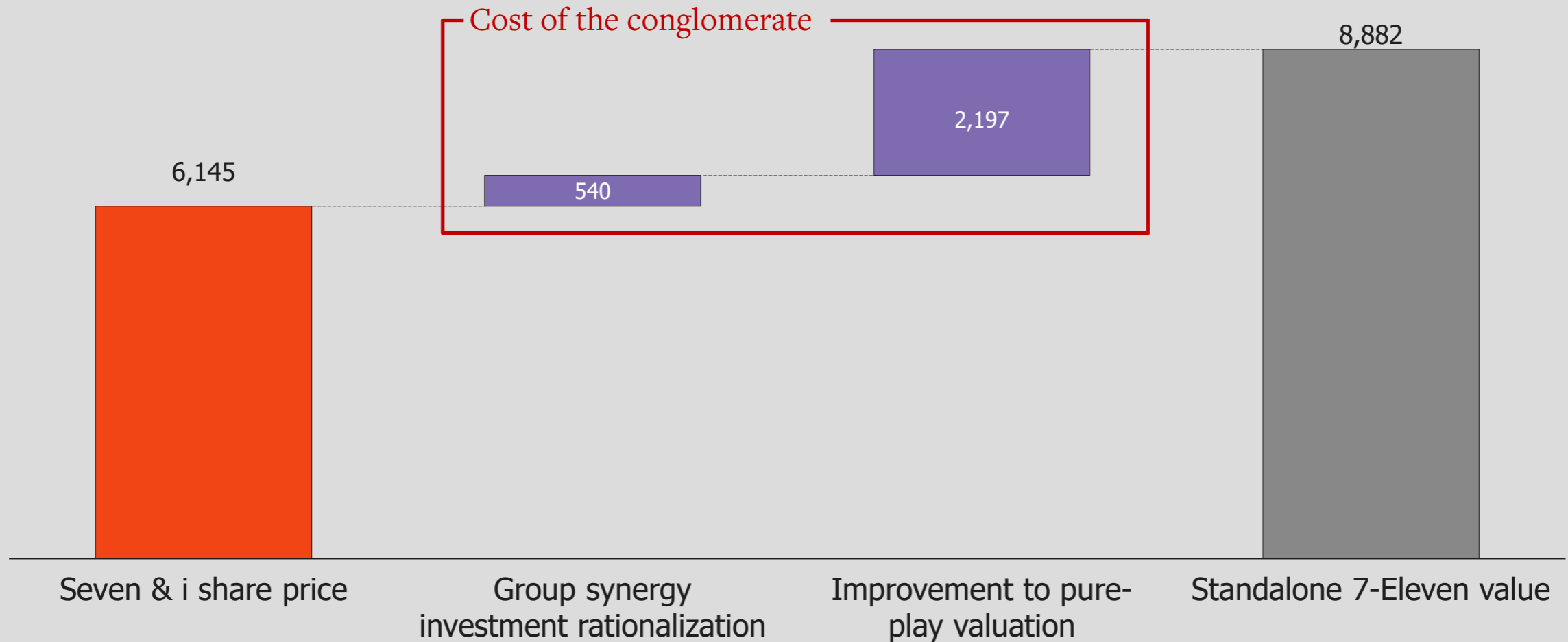
# Appendix 6: Methodology & Key Assumptions



# Defining the Conglomerate Discount

The Seven & i Holdings market value is significantly discounted relative to the potential value of standalone 7-Eleven for two primary reasons – a large and questionable investment in “group synergies”, and a valuation discount to pure-play peers.

## Bridge – Current Share Price to Standalone 7-Eleven Value



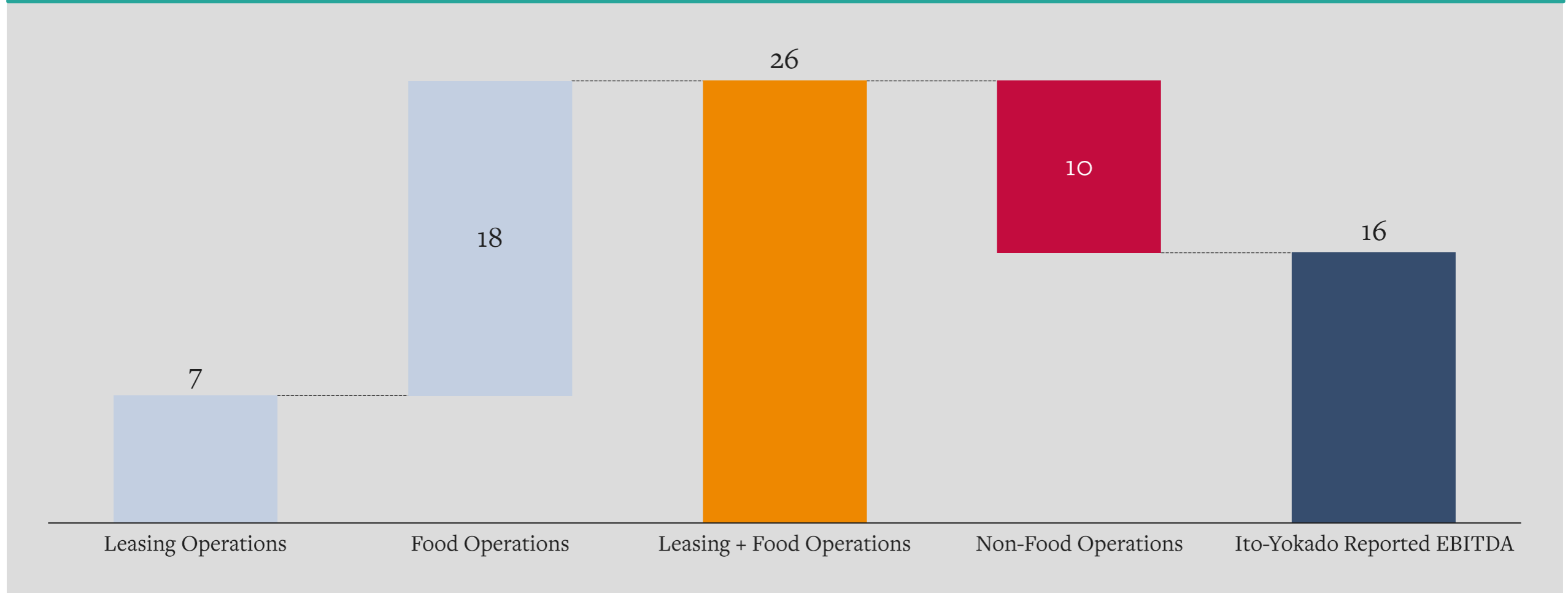
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# Standalone 7-Eleven Methodology & Assumptions

- In this analysis, global 7-Eleven includes Seven-Eleven Japan, 7-Eleven, Inc., and all other convenience retail operations. Seven & i Holding would retain the SST business and the other non-convenience operations.
- 7-Eleven becomes a standalone entity 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 standalone 7-Eleven. Standalone 7-Eleven starts with leverage of 2.2x Net Debt / EBITDA.
- Upon business separation, 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 standalone 7-Eleven).
- Standalone 7-Eleven 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 after the separation, trailing earnings are adjusted for the expected benefit of rationalizing the group synergy investments.
- FY24 (base year) earnings are based on company guidance provided on April 6, 2023.
- Standalone 7-Eleven earnings projections are based on estimated long-term returns on reinvested capital using convenience store industry benchmarks.
- Seven & i Holdings has a net cash balance sheet and positive earnings. It would focus on the structural reform of Ito-Yokado and a future centered on food retail.

# Estimated Ito-Yokado EBITDA Breakdown in Most Recent Fiscal Year

## Ito-Yokado EBITDA Contribution (FY22, JPY bn)



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