

Transforming Seven & i Holdings into Global Champion 7-Eleven

February 2022

www.valueact.com/presentations

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ValueAct Believes Transforming Seven & i Holdings into Global Champion 7-Eleven Can Accomplish The Following:

- 1 **Fix the corporate governance system** that has persistently failed to align to shareholder interests
- 2 **Remediate the dysfunctional management** environment and low employee morale
- 3 **Increase the focus on key competitive and sustainability risks** which will have consequences for the Company and its stakeholders over decades
- 4 **More than double the share price** and substantially increase long term corporate value

The Strategic Transformation: A Four Step Process

- 1 Announce a **bold strategy to truly focus on 7-Eleven** and to restructure the non-core businesses without limits
- 2 **Complete the sale of Sogo & Seibu** and announce intention to **separate Ito-Yokado** through a sale or spin-off with plans to rapidly restructure the company to focus on its food retail operations
- 3 **Exit the remaining non-core businesses** while maximizing value and paying due consideration to stakeholders until the convenience store operations are all that remain
- 4 **Operational review of 7-Eleven outside of Japan**, including the US expense base and fresh food opportunity, as well as the international growth opportunity, culminating in new targets and a roadmap to achieve them

The Governance Transformation: Board & Org Structure

- 1 Transition to a **Board with a majority of Outside Directors** that can objectively assess strategy, from a majority of Inside Directors with conflicts of interest
- 2 Transition to a **globally coordinated management structure** focused on 7-Eleven, from a complex holding company management structure

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Introduction

ValueAct's History of Stewardship Over 21 Years

Significant Board Experience and Partnership with Company Leadership

104

Core
Investments

53

Public Board
Seats

86

Committees
Served On

In 21+ years...

6

Public
Letters

1

Proxy
Contest

Long-Term Active Role in the Stewardship Community

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

Present 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)

Seven & i's History of Unsatisfactory Response to Shareholders

Investors have repeatedly expressed similar feedback on strategy and performance; management has not provided strategic clarity or responded with real action, instead deflecting criticism with performative dialogue

Abrdn (Aberdeen Standard Investments) Votes Against Directors "All directors should be responsible on company's poor performance of the speed of restructuring. We think the board's actions are not reflective of good governance and they should be responsible." [Source](#)



Tokio Marine Voted against the re-election of President Ryuichi Isaka and Katsuhiko Goto. [Source](#)



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

2015

THIRD POINT

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

2019



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

2020

2021

2022

ARTISAN PARTNERS

Artisan Partners "address the distinct differences between the company's valuable convenience store assets and the company's other retail businesses." [Source](#)

Franklin Templeton "...depressed valuations seem to indicate the market is ignoring the firm's strong overseas operations, defensive domestic business, underleveraged balance sheet and continued scope for restructuring progress." [Source](#)



Presentation Context

- Over the past year of engaging with Seven & i Holdings (“the Company”, “Seven & i”) in private dialogue, ValueAct Capital (“VAC”, “we”) observed slow, convoluted decision-making relative to the strategic imperative to truly focus and transform. The Company continues to pursue an ambiguous strategy rather than clarifying unequivocally that transforming into a global champion 7-Eleven is the strategic purpose. We lost faith in management’s ability to set the strategic course without input from shareholders
- On January 25, 2022 ValueAct released an [open letter](#) addressed to the Seven & i Board of Directors. The letter requested the Board (1) Allow the Company’s Outside Directors to formally and promptly seek direct input from top shareholders on key issues of strategy and governance, and (2) Form an independent committee to assess strategic alternatives
- **On February 3, 2022 Seven & i issued a public response that created confusion in the media, but we understand that it denied both of ValueAct’s above requests**
- ValueAct is always open to making progress through constructive private dialogue with its investee companies, including in this case, but the limited receptivity from Seven & i so far requires that alternatives be considered

ValueAct is Seeking Input From Other Shareholders

The Seven & i Board is currently composed of a majority of Inside Directors many of whom have inherent conflicts of interests relative to the strategic imperative to transform. This board declined to formally allow the Outside Directors to ask shareholders the following key questions directly, as requested by ValueAct:

- Do you believe that management has the right strategic vision, structure, ability to execute, and openness to pursuing strategic alternatives, or are changes needed?
- Do you believe the recently announced Medium-Term Management Plan is the optimal way to create corporate value from a medium to long-term perspective?
- Do you believe that there are alternative strategies or ownership structures with superior risk-adjusted potential that should be pursued? If so, what are the alternatives?
- Do you believe that the Board should form a “Strategic Review Committee” of Outside Directors to assess these alternatives?

The Board of Seven & i has denied the Outside Directors formal permission to listen to shareholders promptly and to consider strategic alternatives independently. Therefore, we believe shareholders should now consider an additional question:

What kind of shareholder intervention is necessary to fix Seven & i’s corporate governance system and transform the Company for the benefit of all stakeholders?

Transformation Needed at Seven & i Holdings

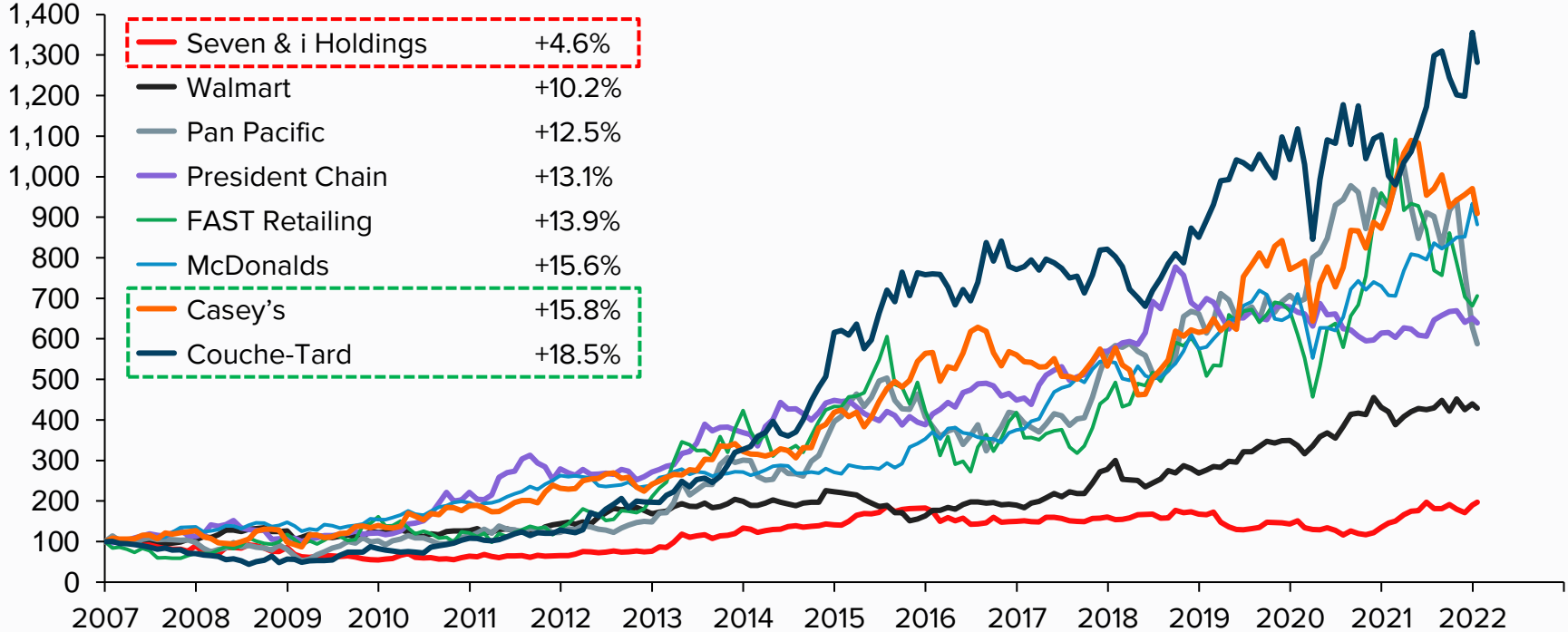
Seven & i Holdings Today: Unfocused Holding Company of Diverse Retail Businesses, Many Facing Secular Headwinds



Seven & i Holdings Today: 15 Years of Limited Value Creation

Indexed TSR

TSR % p.a.



Sources: FactSet (prices as of 1/20/2022), VAC analysis
 Memo: Assumes dividends are reinvested back into company stock

Seven & i Holdings Today: Slow Pace of Change, Many Structural Issues Identified for Years Have Not Been Fixed

100 Day Plan Announced in 2016
(Medium-Term Management Plan)

Status 6 Years Later

**Investment
Efficiency**

Ito-Yokado

Low return on capital expenditures



ROIC still below WACC

M&A

Sogo & Seibu

Low return on acquisition price



ROIC still below WACC
(Sale could address this)

**Special
Losses**

“Our response to underperforming
businesses presents issues”



Special losses continue

Seven & i Holdings Today: 97% of Group Profit Generated by Core 7-Eleven Convenience Store Operations

Seven & i Business Segment	% of Group Operating Profit ⁽¹⁾	Business Area	Core to Seven & i Holdings?
Domestic convenience store operations	57%	Convenience stores (7-Eleven)	Core
Overseas convenience store operations	40%	Convenience stores (7-Eleven)	Core
Superstore operations	6%	General merchandise and grocery	Non-Core
Department and specialty store operations	-2%	Department and various specialty	Non-Core
All others: financial services, others, corporate, eliminations	-1%	ATMs, credit cards, various others	Non-Core

Seven & i Holdings Today: Core 7-Eleven Business is Strong, but the Non-Core Businesses Weigh on Overall Performance

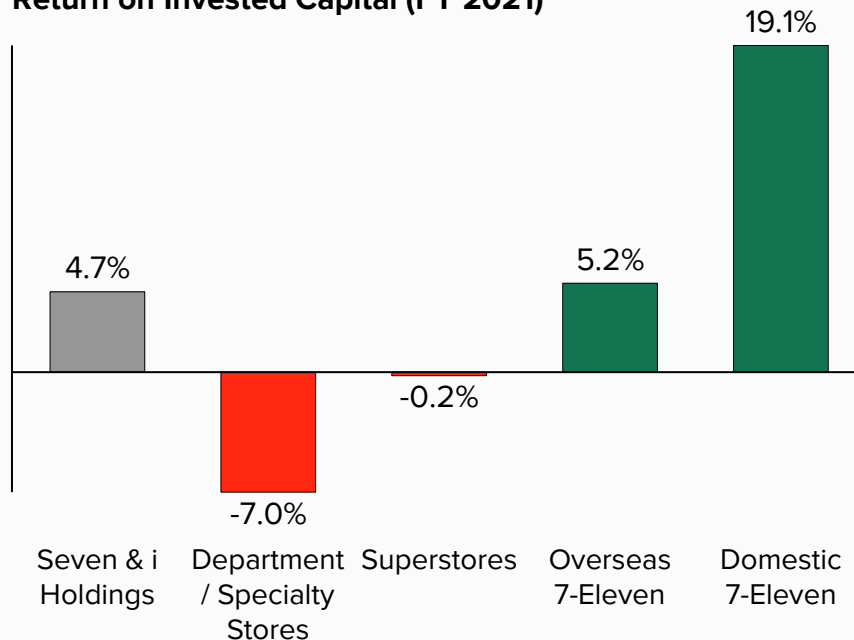
Strong 7-Eleven Franchise



- **#1 brand in convenience**
- **70,000+ stores in 18 markets**
- **Serves 65 million customers daily**

Weighed Down By Non-Core Businesses

Return on Invested Capital (FY 2021)



Seven & i Holdings Today: MTMP Omits Key Ambitions in the Core 7-Eleven Business That Would Drive Major Value Creation

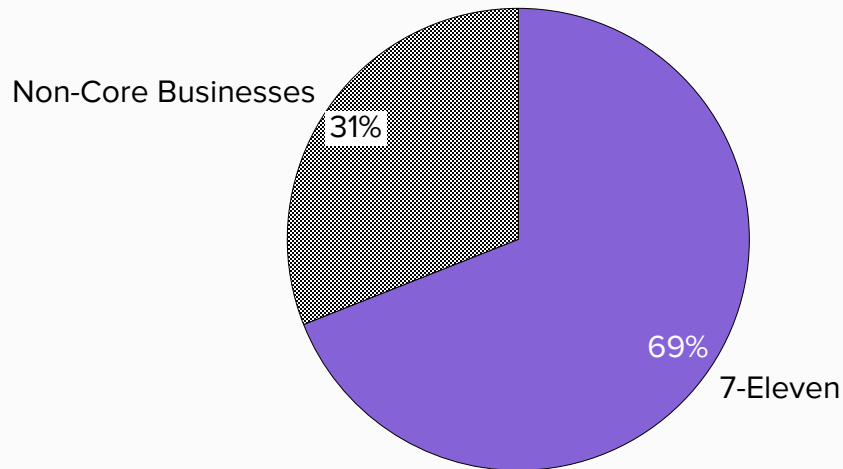
7-Eleven Value Driver	Part of MTMP?	Earnings Target?
International expansion	✓	✗
Fresh food innovation	✓	✗
Global digital convenience strategy	✗	✗
Expense efficiency opportunity in US	✗	✗
Long-term strategy for US gas stations	✗	✗

Source: Seven & i Holdings Medium-Term Management Plan (2021)

Seven & i Holdings Today: MTMP Allocates >30% of CAPEX (~¥770 billion / \$7 billion) to Support Non-Core Businesses, Even Though the MTMP Does Not Expect ROIC > WACC Outside the Core

Medium-Term Management Plan Capital Allocation

FY22 – FY26 MTMP Cumulative Capex (% Total)

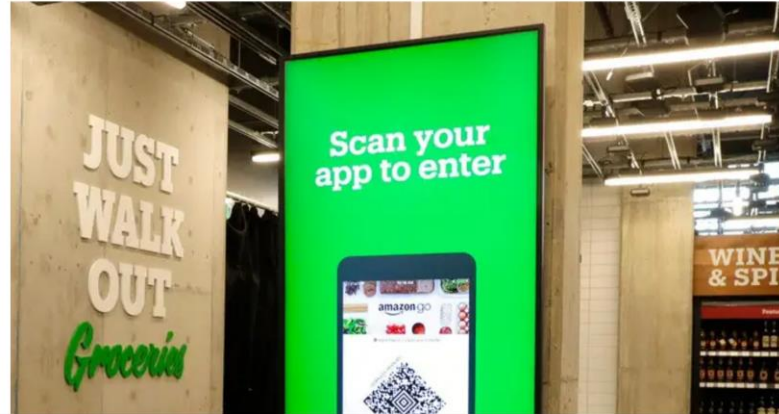


Focus is Urgently Needed to Ensure That 7-Eleven Can Win in the Coming Decades

Core Business Competition is Intensifying

Inside Amazon's secret 'Bowser' project to build thousands of cashier-less Go stores in the suburbs: Talks with oil giant BP, 10,000 gas stations, and Walgreens-style retail pharmacies

Eugene Kim Jan 27, 2022, 2:00 AM



Focus is Urgently Needed to Ensure That 7-Eleven Can Win in the Coming Decades

Core Business Competition is Intensifying

DIVE BRIEF

Gopuff raises another \$1B to fuel rapid growth

Published July 30, 2021



Courtesy of Gopuff

Focus is Urgently Needed to Ensure That 7-Eleven Can Win in the Coming Decades

Core Business Competition is Intensifying

DoorDash launches online DashMart convenience stores to sell snacks and groceries

DoorDash wants a slice of the grocery market

By [Nick Statt](#) | [@nickstatt](#) | Aug 5, 2020, 12:50pm EDT

[f](#) [t](#) [SHARE](#)



**Seven & i Holding's urgent strategic imperative
is to transform into global champion 7-Eleven
and to address its structural issues in line with
key stakeholder interests**

The Strategic Transformation

ValueAct Engagement With Seven & i on Strategic Initiatives

- ValueAct has presented specific value-creating initiatives to Seven & i's management and Board that would result in over 40% higher earnings per share and 45% higher return on invested capital compared to the Company's Medium-Term Management Plan ("MTMP")
- We shared detailed research on these initiatives in the first half of 2021, prior to the release of the MTMP. Seven & i declined requests to discuss our input in detail until after the release of the MTMP, a missed opportunity for alignment
- After the release of the MTMP, we discussed and presented our plan side by side with the Company's plan. Individuals from the Seven & i Board and management expressed that our ideas would improve corporate value. Nevertheless, we saw neither decisions from top leadership nor public comments showing the necessary drive to tackle key issues and focus
- In the recent public letter from Seven & i Holdings, management wrote, "We understand ValueAct has not expressly presented any strategic plans that the Company believes will contribute to enhance our corporate value."
- **With this context, we are presenting our strategic plan here. We invite ideas with superior value from other stakeholders, and expect with this dialogue the plan may improve further**

Seven & i Holdings or Global Champion 7-Eleven?

Strategy of true focus on 7-Eleven creates significantly more corporate value



Current strategy promises

By FY Feb 2026

- **EPS:** 533 yen per share +
- **7-Eleven EBITDA:** 850 billion yen +
- **Valuation:** Low multiple conglomerate

OR

Global 7-Eleven potential

By FY Feb 2026

- **EPS:** 748 yen per share
- **7-Eleven EBITDA:** 1 trillion yen +
- **Valuation:** High multiple global champion company

Four Step Process to Transform Seven & i Holdings

- 1 Announce a **bold strategy to truly focus on 7-Eleven** and to restructure the non-core businesses without limits
- 2 **Complete the sale of Sogo & Seibu** and announce intention to **separate Ito-Yokado** through a sale or spin-off with plans to rapidly restructure the company to focus on its food retail operations
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- 4 **Operational review of 7-Eleven outside of Japan**, including the US expense base and fresh food opportunity, as well as the international growth opportunity, culminating in new targets and a roadmap to achieve them

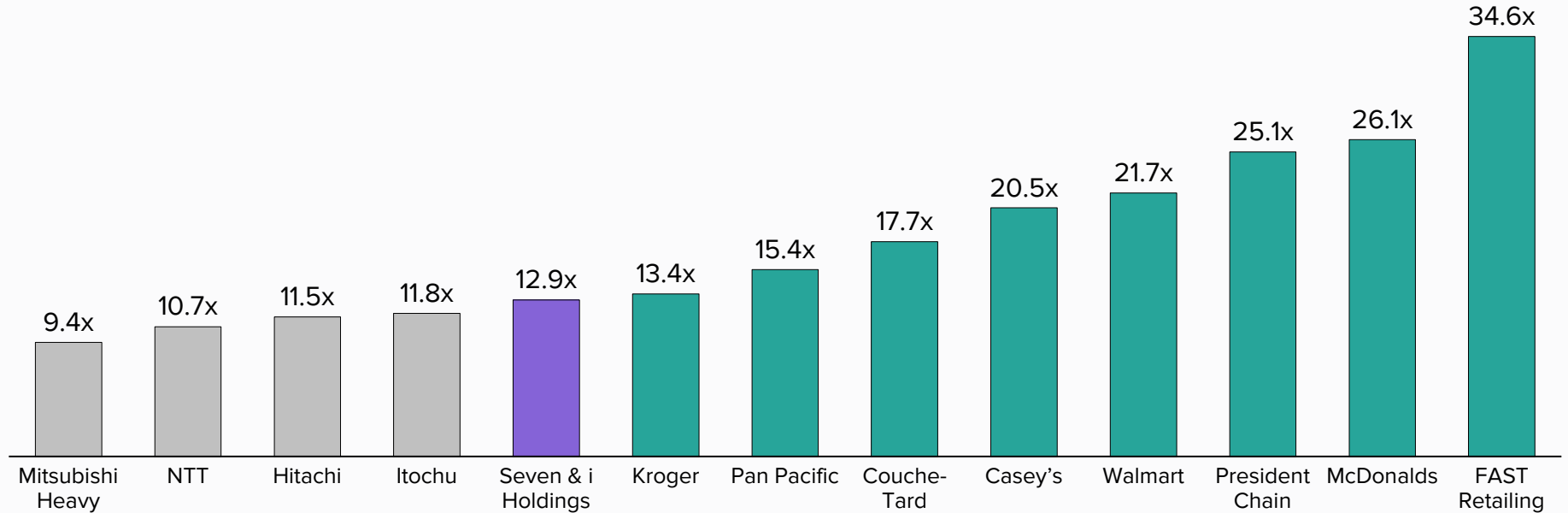
Step 1. Bold Strategy of True Focus on 7-Eleven

Major valuation uplift opportunity if Seven & i Holdings chooses focus over diversification

Forward P/E (Calendar Year 2022)

Conglomerate Average: 11x P/E

Focused Retail & Quick Service Restaurant Company Average: 22x P/E



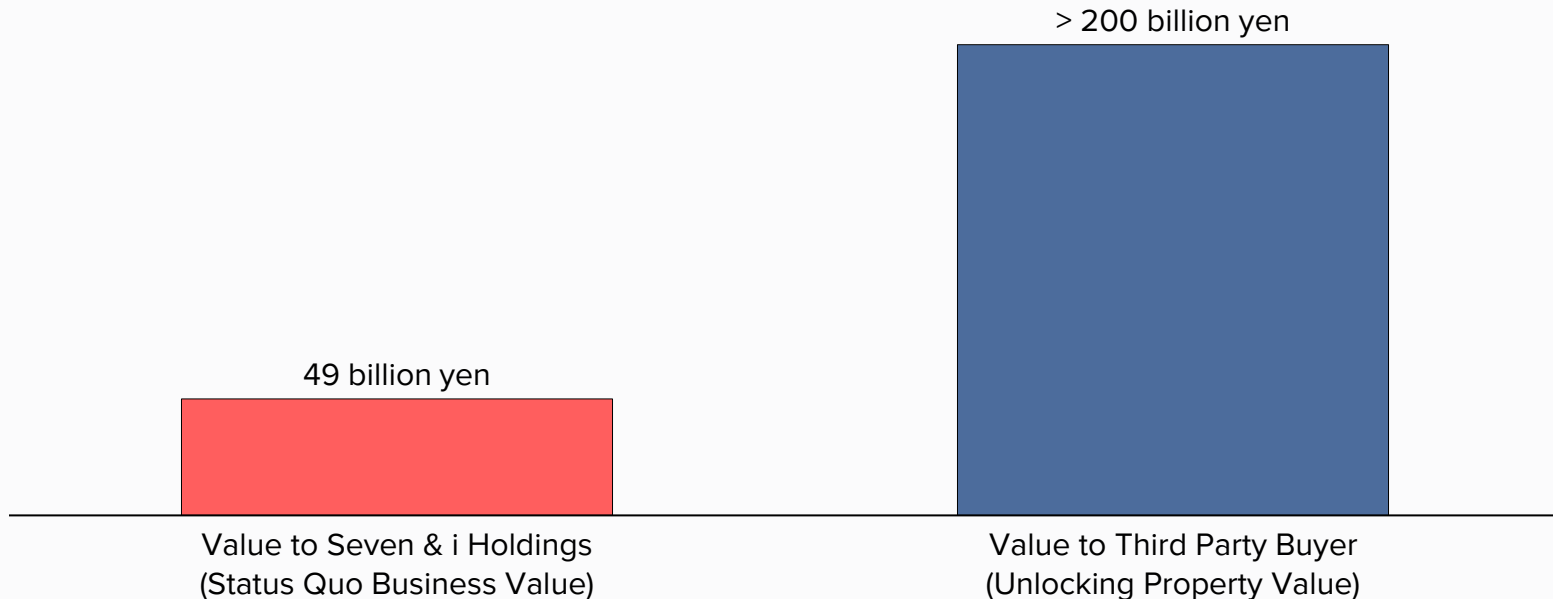
Sources: Public company documents, Capital IQ (as of 2/3/2022), VAC analysis

Memo: Multiples adjusted for one-time expenses and goodwill amortization

Step 2. Complete the Sale of Sogo & Seibu

Sogo & Seibu has property value estimated by a leading advisory firm at 480-550b yen, indicating upside to the possible ¥200b sale price reported in the press. However, the most important priority is completing a 100% sale as soon as possible, with due consideration for affected stakeholders, to allow management to focus on 7-Eleven due to the competitive urgency.

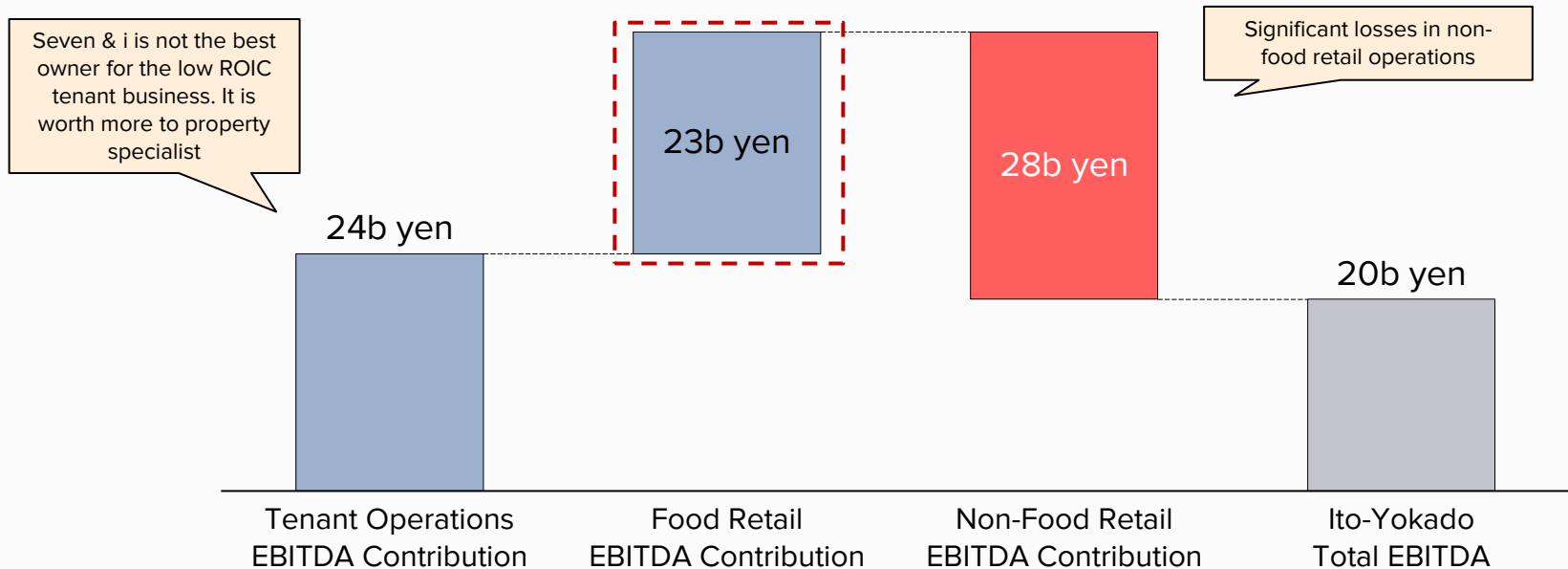
Sogo & Seibu Valuation Under Two Strategic Alternatives



Step 2. Separate Ito-Yokado With Restructuring Plan

Heavy transformation is required to reposition Ito-Yokado for the long term. The steps to concentrate the operations on food retail and find better owners for much of the owned real estate can be best accomplished as a separate company

Ito-Yokado Can Become A Sustainable Business By Focusing on Food Retail



Sources: Public company documents, VAC analysis

Memo: Assumes Ito-Yokado food retail operations earn York-Benimaru level of profitability and sales per square meter. Assumes rent expense per square meter is the same across the Ito-Yokado food and non-food square footage.

Step 3. Exit Remaining Non-Core Businesses

Chart a path towards a standalone entity that is laser-focused on 7-Eleven growth and profitability



nissen,

セブン&アイ HLDGS. 特例子会社
テレベ

BARNEYS
NEW YORK



Francfranc



株式会社 セブンカルチャーネットワーク
Seven Culture Network Co., Ltd.



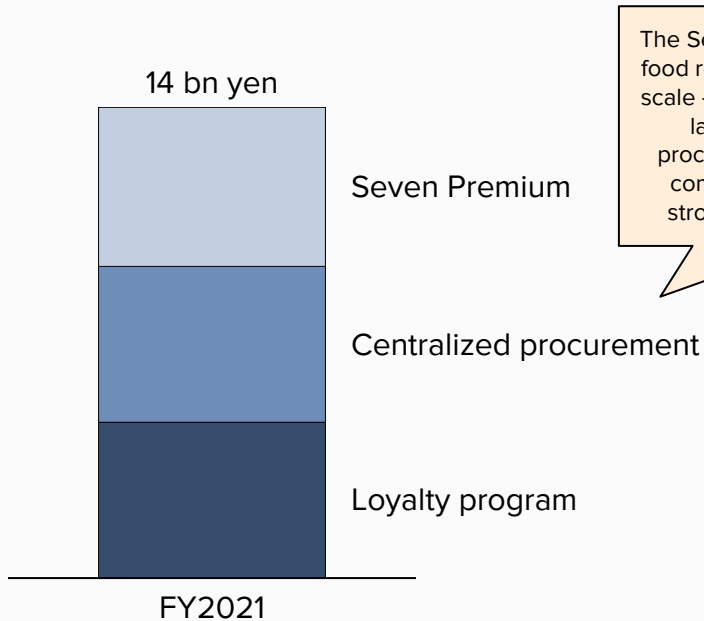
セブン銀行



Step 3. Exit Remaining Non-Core Businesses

Limited group synergies – A leading global consultancy estimated Seven & i group synergies at less than 4% of FY21 operating profit, not significant enough to justify the significant conglomerate discount

Group Synergies (JPY bn)



The Seven & i subsidiaries focused on food retail have significant standalone scale – enough to have robust private label product innovation and procurement leverage. Standalone competitors with less scale have strong capabilities in these areas

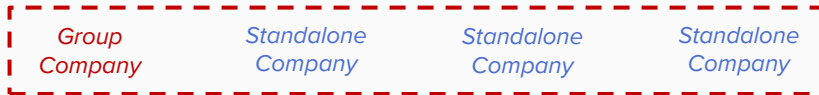
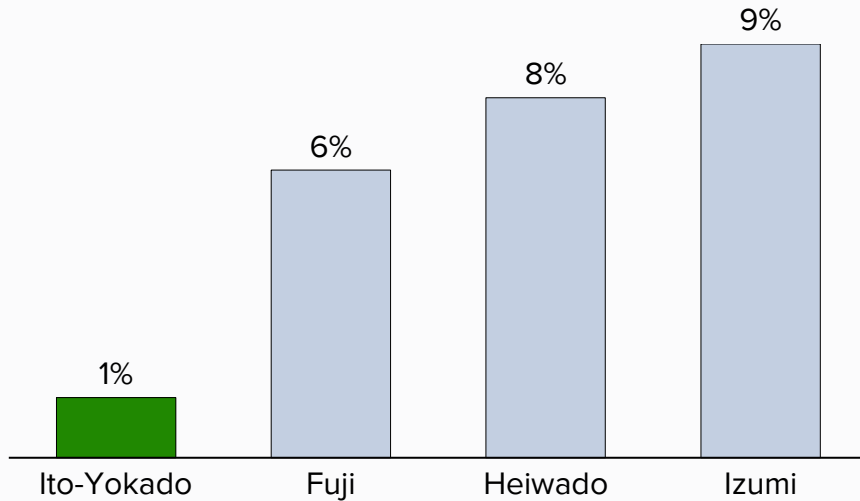
Synergies % FY21 Operating Profit

< 4%

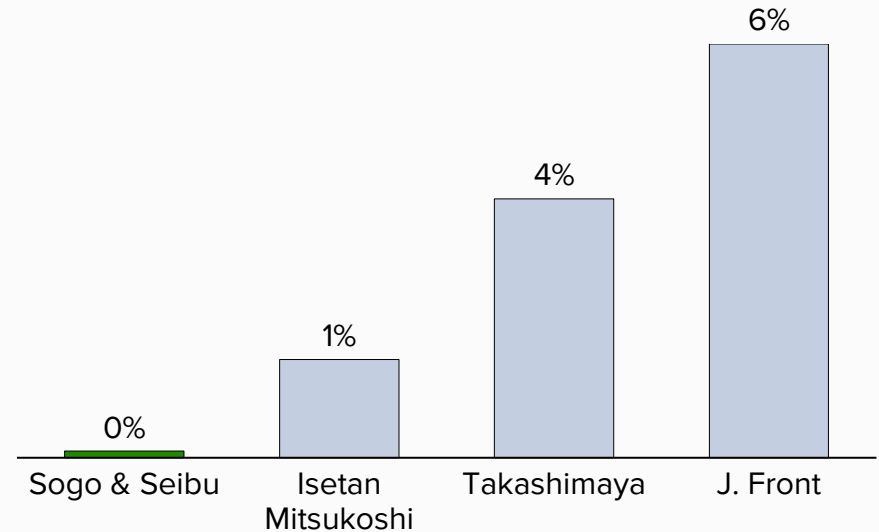
Step 3. Exit Remaining Non-Core Businesses

Limited group synergies – subsidiaries' underperformance relative to standalone competitors suggests that any benefits of group synergies are outweighed by the holding company's lack of focus.

GMS Pre-Tax ROIC (FY Feb '20)

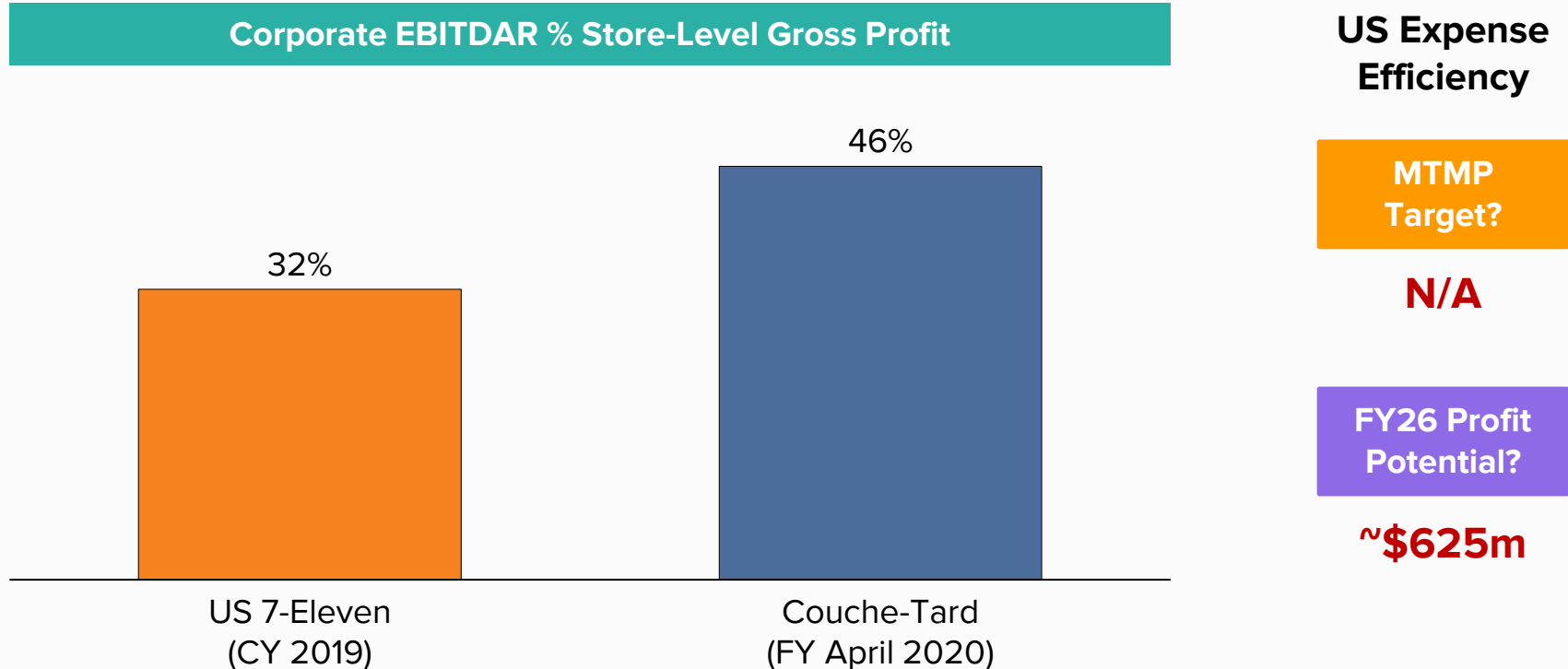


Department Store Pre-Tax ROIC (FY Feb '20)



Step 4. Operational Review of 7-Eleven Outside of Japan

Top-down benchmarking suggests significant operating expense inefficiency in the US 7-Eleven operations. As a result, strong gross profit at the store level is not converting into operating profit for Seven & i



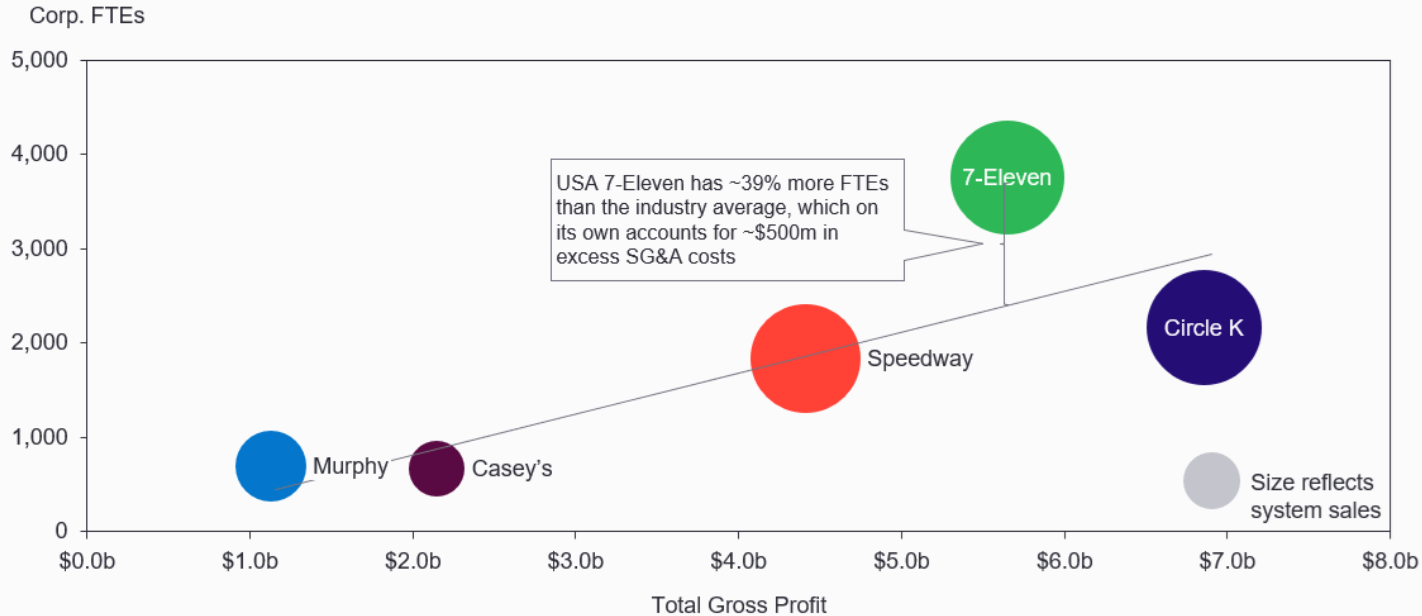
Sources: Public company documents, 7-Eleven, Inc franchise disclosure document, VAC analysis

Memo: EBITDAR = Earnings before interest, taxes, depreciation, amortization, and rent

Step 4. Operational Review of 7-Eleven Outside of Japan

Consultancy analysis estimates \$625 million of excess cost in US operations, primarily in US corporate headquarters (see chart below), but also in directly owned stores among other areas

North American HQ Employees vs. Gross Profit of Leading USA Convenience Chains (Leading Global Consultancy Analysis)



US Expense Efficiency

MTMP Target?

N/A

FY26 Profit Potential?

~\$625m

Sources: Public company documents, LinkedIn, Consultancy analysis.

Memo: FTE = full time equivalent employee. Per consultancy: Employees count from 2020 vs. Gross Profit in 2019 or most recent fiscal year.

Step 4. Operational Review of 7-Eleven Outside of Japan

Expanding 7-Eleven's fresh food offer through Quick Service Restaurant ("QSR") and commissary is a high return way to replace declining foot traffic from fuel and make the business more sustainable

Fresh Food Opportunity



Fresh Food Offer (US)

MTMP Target?

N/A

FY26 Profit Potential?

~\$300m

Sources: Public company documents, VAC analysis

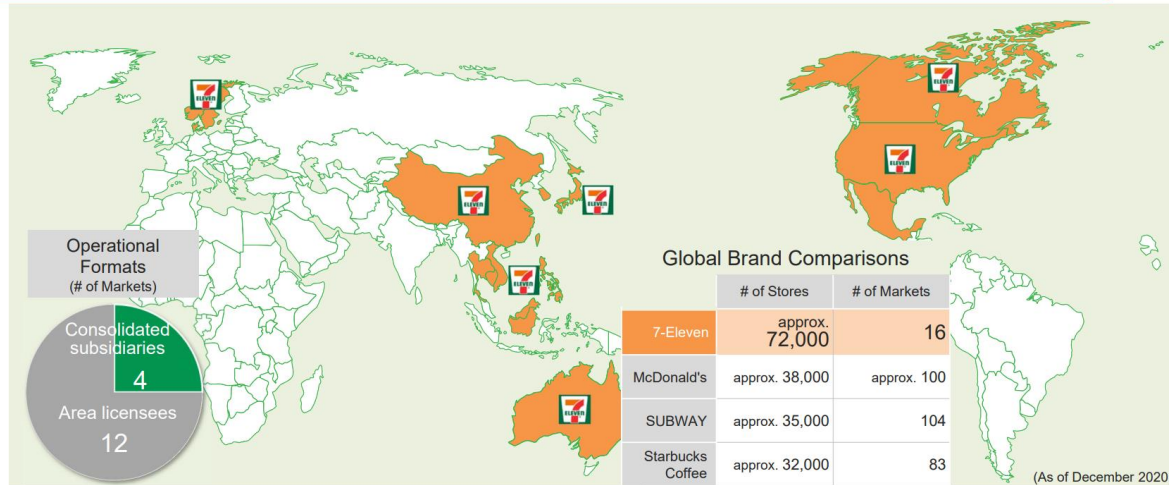
Memo: FY26 potential based on adding 400 QSR units per year to franchised 7-Elevens x VAC estimate of per-unit economics supported by third-party analysis.

Step 4. Operational Review of 7-Eleven Outside of Japan

Huge untapped earnings potential to expand 7-Eleven into new countries around the world, currently contributing less than \$150m to earnings

White Space Outside Japan/US

Promote New Market Entry



Worldwide 7-Eleven Having the largest store network in the world but only in 16 countries and regions
Enormous attractive markets and growth opportunities left for global expansion

International Expansion

MTMP Target?

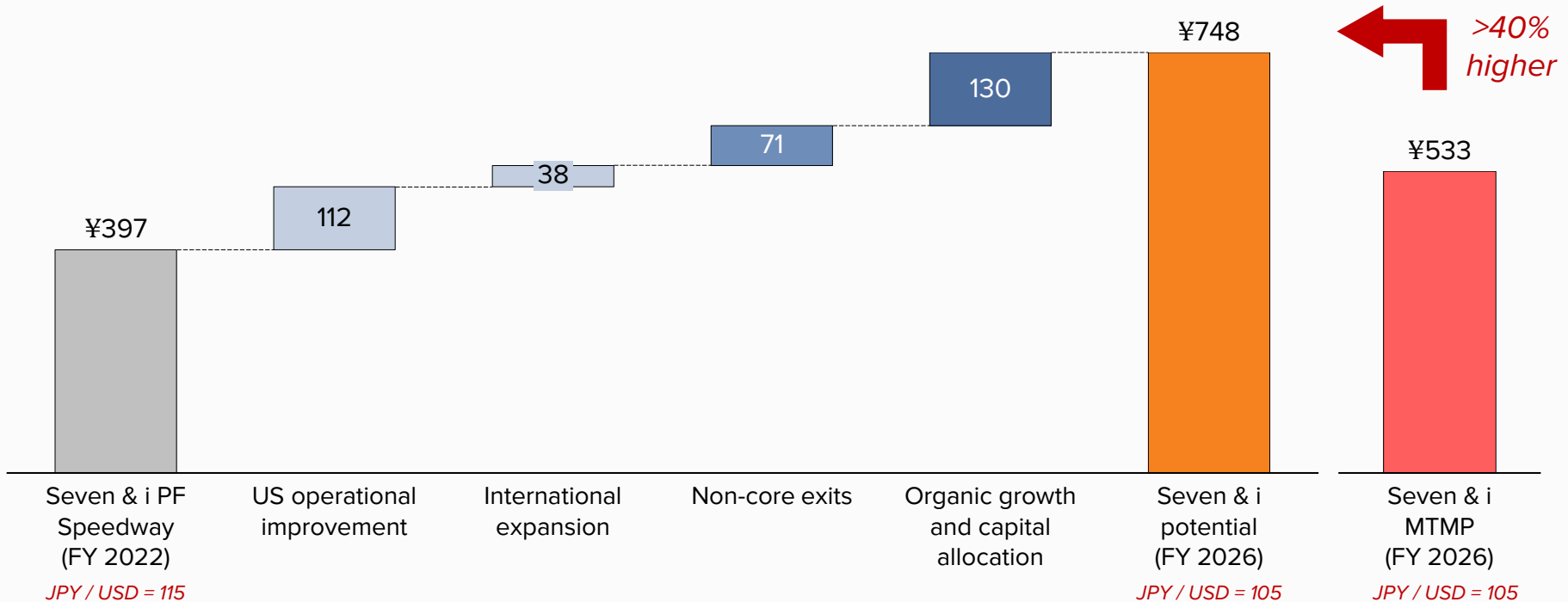
N/A

FY26 Profit Potential?

>\$700m

Transformation Leads to >40% Higher EPS Than The MTMP

Global Champion 7-Eleven Earnings Per Share Potential



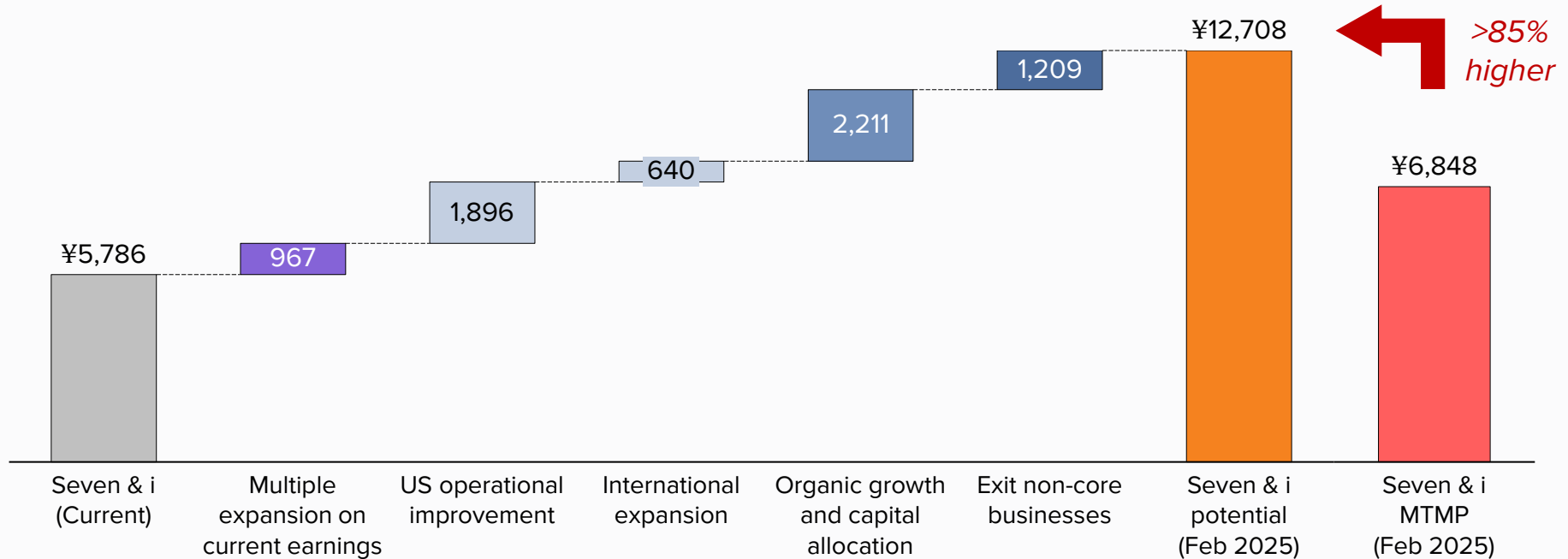
>40%
higher

Sources: Public company documents, VAC analysis

Memo: Core 7-Eleven earnings drivers included in the appendix. Non-core exits assume businesses are sold at a price based on detailed real estate appraisal, earnings potential following structural reform, and comparable company multiple analysis, with capital then reinvested in the core business. EPS is adjusted for amortization of goodwill and one-time expenses

... And >85% Higher Per-Share Value Than The MTMP

Global Champion 7-Eleven Value Per Share Potential

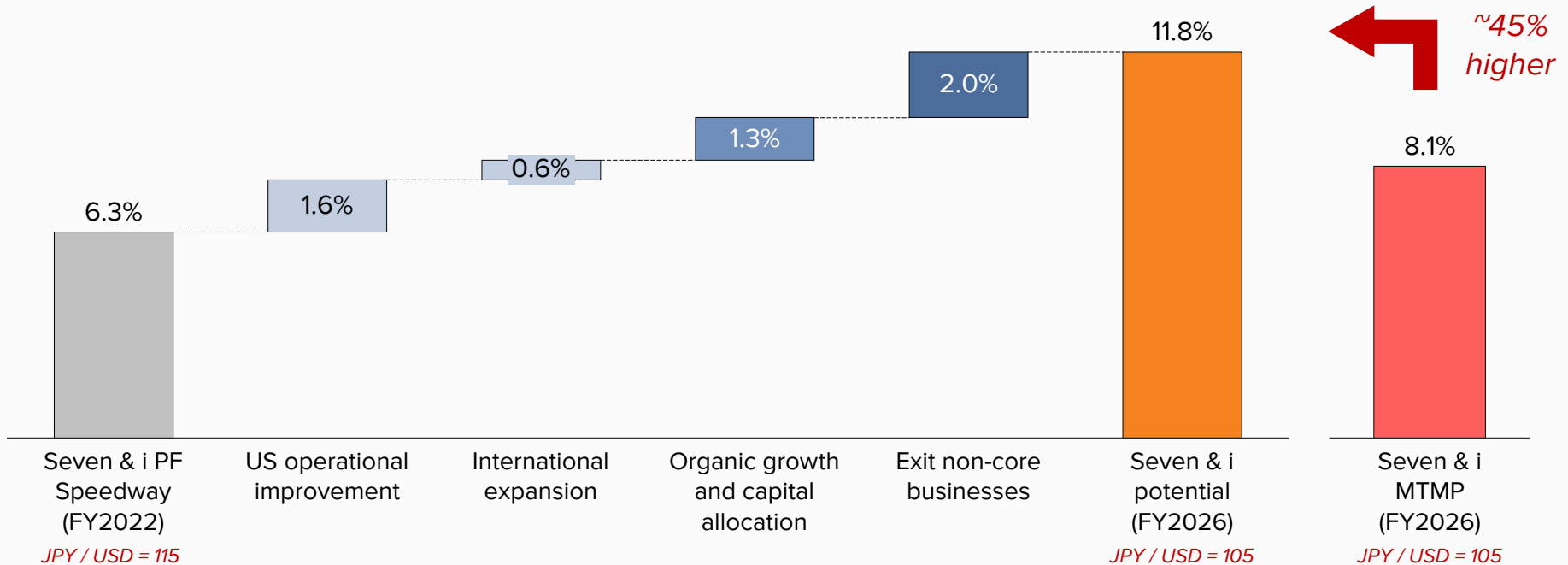


Sources: Public company documents, VAC analysis

Memo: Seven & i current share price as of 2/4/2021 close. Exit P/E is 17x forward EPS. FX assumed to be 105 JPY / USD to align with MTMP. All EPS figures are adjusted for goodwill amortization and one-time expenses.

... And Enables Seven & i to Earn Returns In-Line With Convenience Peers and Outperform the MTMP ROIC Forecast

Global Champion 7-Eleven Return on Invested Capital Potential



Sources: Public company documents, VAC analysis

Memo: Both Seven & i potential and Seven & i MTMP ROIC figures are adjusted for goodwill amortization. ROIC calculated as NOPAT / (equity + debt) and assumes capital invested in 7-Eleven stays constant from Nov. 2021 levels

The Governance Transformation

Summary of the Governance Transformation

- We believe the governance structure of Seven & i Holdings is dysfunctional, with distant relationships between the holding company and its subsidiaries, an overly complex organizational structure, infighting, and a Board that cannot act independently from management's conflicted interests
- Seven & i claims it has built a structure between the holding company and key subsidiaries which enables “smooth decision-making”, most recently in its public response to ValueAct, but there is ample long-term evidence that this is not the case
- The governance of Seven & i Holdings could improve in two ways that are well accepted as modern global standards:
 - 1 Transition from a majority of Inside Directors with conflicts of interest to a Board with a **majority of Outside Directors** that can objectively assess strategy
 - 2 Transition from a complex holding company management structure to a **globally coordinated management structure** focused on 7-Eleven

Distant: Holdings Does Not “Own” Subsidiary Actions

US antitrust regulators at FTC alleged the \$21 billion Speedway acquisition closed “illegally.” Instead of taking ownership at the parent company and standing behind the subsidiary’s significant decision, Seven & i deflected blame onto a subsidiary President just months after paying him a \$24 million cash bonus

7-Eleven, Inc announces
Speedway acquisition close



FTC calls the acquisition
“illegal”



Seven & i deflects
responsibility onto SEI

Press Release May 14, 2021

7-Eleven, Inc Completes Acquisition of 3,800 Speedway Stores

...

Press Release May 14, 2021

Statement from FTC Acting Chairwoman Slaughter and Commissioner Chopra on 7-Eleven/Speedway Merger

“Parties move forward with illegal transaction”

Press Release May 17, 2021

Regarding Media Reports

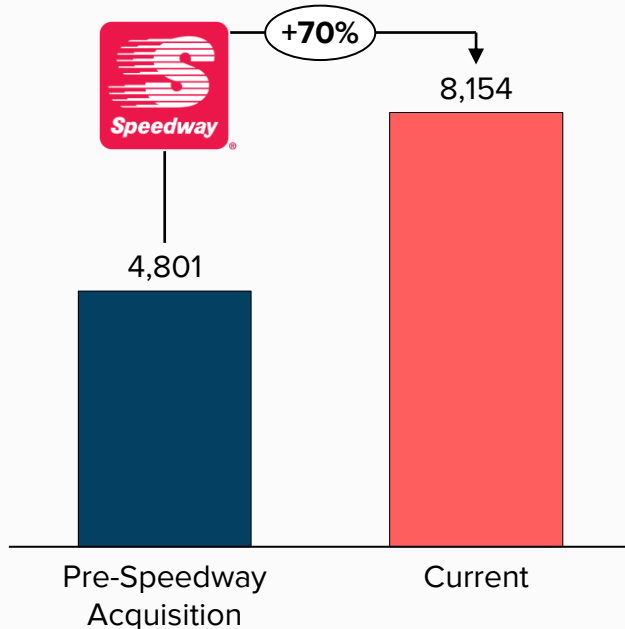
“We were reported by our subsidiary, 7-Eleven, Inc. (Head Office: President and CEO [REDACTED], Texas, U.S.A.) that the acquisition was legitimately closed on May 14, 2021... for details, please refer to the public statement issued by 7-Eleven, Inc.”

Distant: No Clear Strategy for Key Environmental Risk

Seven & i has not explained its strategy to navigate and play a leadership role in the USA energy transition

7-Eleven US Gas Stations

7-Eleven will now sell ~10% of motor gasoline consumed in the US



MTMP & Speedway Plan

Expand installation of EV Chargers



New Target	
Timeline	No. of installation
2027	500 units at 250 stores
↓ 2022 (5 years ahead of schedule)	↓ Over 500 units at 250 stores

Is 500 EV charging stations at 250 stores (out of 8,154) a strategy?

7-Eleven was the first convenience store to sell gas. Where is that vision now?

Distant: Not Measuring USA Gasoline Retail Scope 3 Emissions

Inadequate oversight and lack of attention being devoted to navigating energy transition and opportunity

Scope 3 emissions (which Seven & i states accounts for 90% of overall CO2 emissions) are **not measured in North America**, where gasoline retail business has substantial adverse effects on Seven & i's existing carbon footprint and exposure to climate-related risks (especially following the **Speedway acquisition**)

On the Purchase of Speedway...

*"The rationale is to acquire convenience stores, but petrol sales will increase as a result," said Kazunori Tsuda, analyst at Daiwa. "With an increased focus on the ESG agenda, there could be investors who will hesitate from investing in Seven & i," he added, saying **the company needed to do more to increase its environmental, social, and governance disclosure.***

Financial Times ([Source](#))

SCOPE 1 + 2

12 companies covered
out of 170+

SCOPE 3

10 Japanese companies covered:
Seven-Eleven Japan, Ito-Yokado,
Seven Bank, ...¹

UNMEASURED SCOPE 3 EMISSIONS

Scope 3 emissions are not measured in North America.

90% of measured
emissions

CO₂ Emissions (Tonnes)

¹ Other entities covered: Sogo & Seibu, York-Benimaru, York Mart, SHELL GARDEN, Akachan Honpo, The Loft, and Seven & I Food Systems

Source: Seven & i, [CSR Data Book 2020](#), p.100, 216

Distant: Weak Communication With Subsidiaries

Weak communication with operating subsidiaries makes the Holding company ineffective

“The company is a mess inside”

“The weak lines of communication are an organizational issue, said President Isaka when asked about the abnormal timing of the change in President at Seven-Eleven Japan”

“There have been persistent communication issues between the holding company and its subsidiaries”

“It took the President two months to realize that Seven-Eleven Japan had asked its franchisees to continue to operate during the record-breaking Fukui prefecture snowstorm, despite requests from the franchisees for temporary store closures during this time”

Source: [Nikkei MJ Article](#), April 2019.

Infighting: Internal Political Factions Frequently Cited

Many employee reviews and news articles cite factions, internal politics, and infighting at Seven & i

セブン&アイ・ホールディングスの就職・転職リサーチ
組織体制・企業文化
回答日：2018年08月12日

回答者： [REDACTED] セブン&アイ・ホールディングス

“Political factions are strong. I see how careful my boss is about what he says around his boss”

セブン&アイ・ホールディングスの就職・転職リサーチ
組織体制・企業文化
回答日：2021年09月08日

回答者： [REDACTED] セブン&アイ・ホール

“The company has a very traditional culture with lots of internal conflict”

GOOD ! 1   

“Former CIO, Suzuki, talks about a bloody battle: The pathology of an organization where anonymous muckraking documents swirl around”



Source: [Diamond Article](#) January 2022 part 10 of 15+

Infighting: Low Employee Morale at Holdings and Group Cos.

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

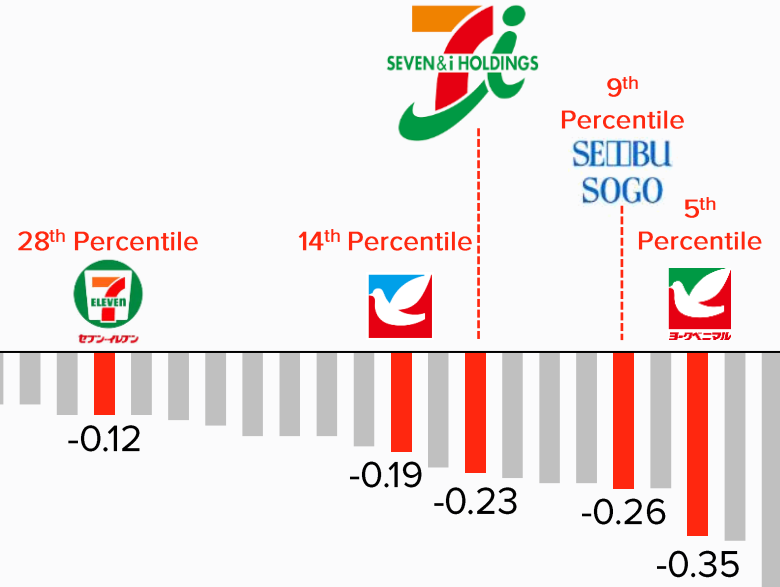
OpenWork Score Deviation from The Retail Average Score for TSE-Listed Retail Cos. >100Ybn Market Cap

openwork

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

Red text denotes percentile rank among 2,948 retail companies registered at OpenWork

11th Percentile Employee Review Score



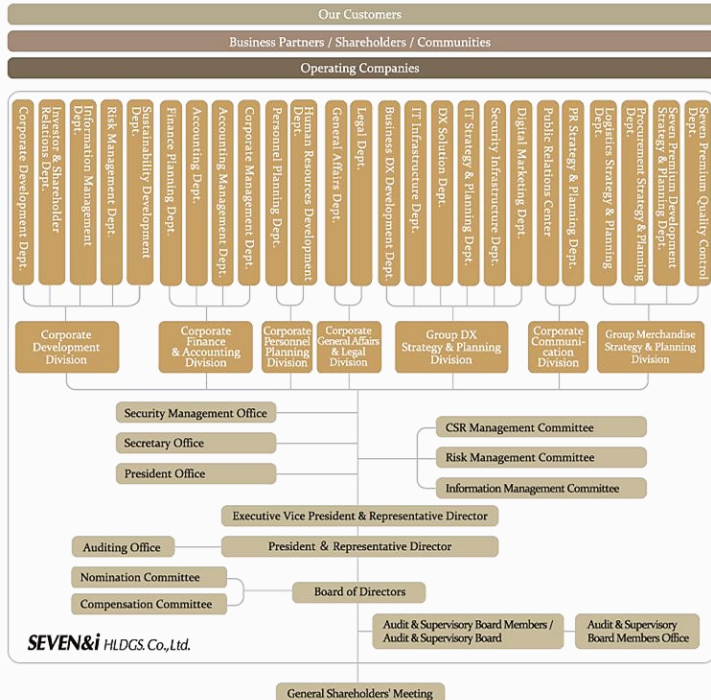
Source: OpenWork 1/24/2022

Memo: Average Retail Score = 3.02, Scale of 1-5, 5 being the best

Complexity: Indecipherable Organization Chart

Seven & i has over 170 group companies, making it more difficult for management to focus attention and resources on 7-Eleven, which is the overwhelming driver of corporate value

Seven & i Holdings Organization Chart



Org Chart Assessment



Business leaders report directly to President?



Clear reporting lines and accountability?

“Evidence strongly suggests that **diversified firms trade at a discount**. [...] The results also suggest that managers of diversified firms resist the restructuring of inefficient businesses when they are **ill-disciplined by a weak governance system**.”

“*Diversification Discount and Corporate Governance in Japan*” Tatsuo Ushijima, Policy Research Institute, Ministry of Finance, Japan, Public Policy Review Vol. 11, July 2015

Complexity: Too Many Different Key ESG Issues To Focus On

Diversified business leads to complex ESG risk and opportunity profile with unique issues in each business.

Business	Industry	SASB Material Topics ¹	VAC Evaluation*
 Convenience Stores	Food Retailers & Distributors	Fleet Fuel Management	●
		Food Waste Management	●
		Food Safety	●
		Product Health & Nutrition	●
 Gasoline Stations (North America)	Oil & Gas - Refining & Marketing	GHG Emissions	●
		Clean Fuel Blends	●
		Hazardous Materials Management	●
		Critical Incident Risk Management	●
 Financial services	Consumer Finance	Customer Privacy	●
		Data Security	●
		Selling Practices	●

VAC Evaluation Framework:

- The Company discloses efforts to tackle the issue
- The Company discloses efforts but there are inadequate or questionable practices
- The Company does not disclose its efforts

Source: Seven & i, [CSR Data Book 2020](#), p.103, 105, 56, 67, 90, 18

(1) Sustainability issues identified by SASB standards as most likely to impact the operating performance or financial condition of the typical company in these industries.

Complexity: Business Partnerships Have Been Bungled

Long history of weak execution in business partnerships including with H2O, Mandai, Odakyu, and Izumi

Partnership with H2O (2016)

Sale of Dept Stores	S point	Others
<ul style="list-style-type: none"> H2O to take over Kobe, Takatsuki and Seishin stores 	<ul style="list-style-type: none"> Introduction of S point to 7-Eleven stores in Kansai Area 	<ul style="list-style-type: none"> Strongest department store in Kansai x SEJ store network

Was Execution Followed-through?

3 ---> 2 stores

Yes but it took 2 years

No Major Update

H2O ended up partnering with Lawson in 2021



Partnership with Mandai (2015)

Operational Collaboration
<ul style="list-style-type: none"> The areas of logistics, human resource development, and joint product development. Financial services related to point schemes and settlement systems

Was Execution Followed-through?

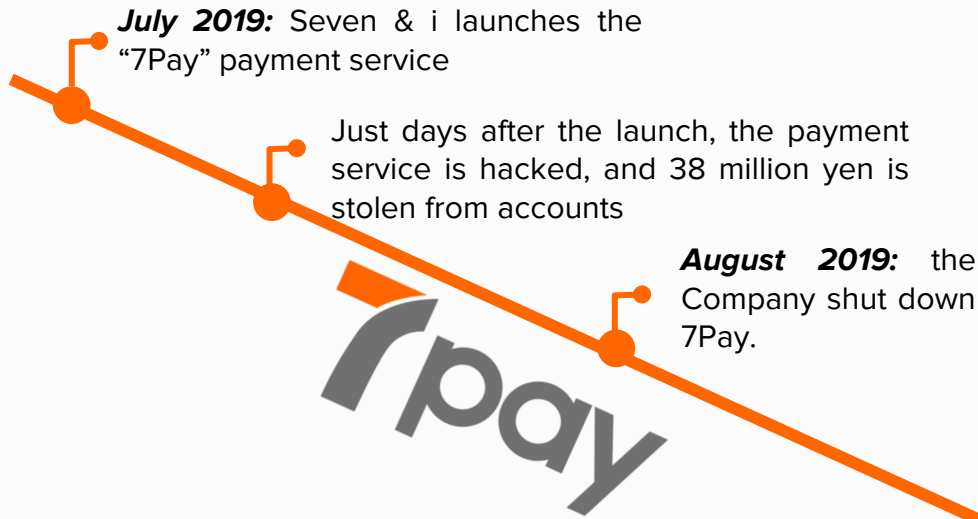
No Major Update

Mandai ended up leaving for new partner in 2021



Complexity: Collaboration Challenges Cited in 7Pay Failure

Several media reports suggest that Seven & i's governance structure, which makes collaboration and communication across group companies difficult, contributed to the 7Pay failure



Nikkei Business

Oct 8, 2019

“Trying to guess what Seven-Eleven Japan wanted, without engaging in dialogue with its leaders, led to 7Pay problems”

“The Company says there is collaboration within the Group, but in reality, it is difficult to commercialize 7Pay unless Seven-Eleven Japan approves.”

“The app’s convenience was prioritized over its security because the 7Pay developers assumed that is what Seven-Eleven Japan wanted.”

Source: [Nikkei Business Article](#)



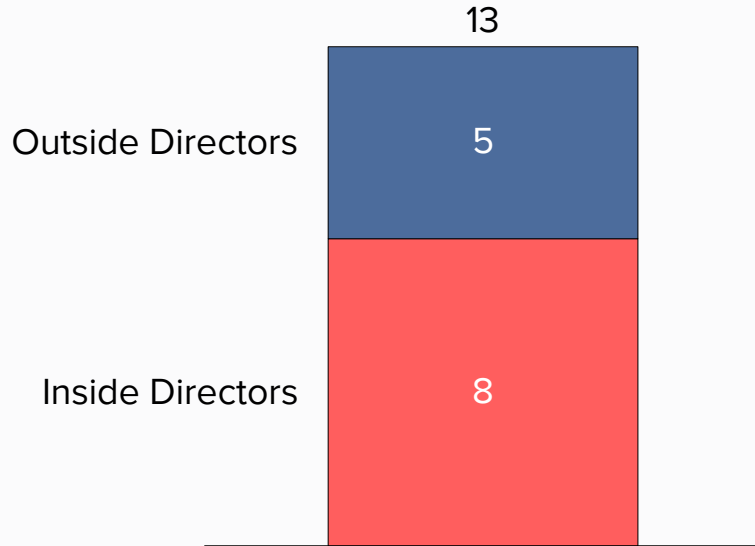
TOKIO MARINE
ASSET MGT

Opposed the re-election of Ryuichi Isaka and Katsuhiro Goto due “the occurrence of security issues and after-the-fact disclosure.” [Source](#)

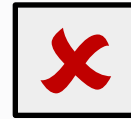
Board: Not Independent, Not Positioned to Drive Change

Seven & i Board has majority of Inside Directors; the Board cannot independently assess strategy. A majority independent board is critical for corporations where crucial transformation is long overdue

Seven & i Holdings Board of Directors



Board Independence Scorecard
















Majority Outside Directors?



Lead Independent Director or Chairperson¹?

Inside Directors: Interests Conflict with a Strategy to Transform

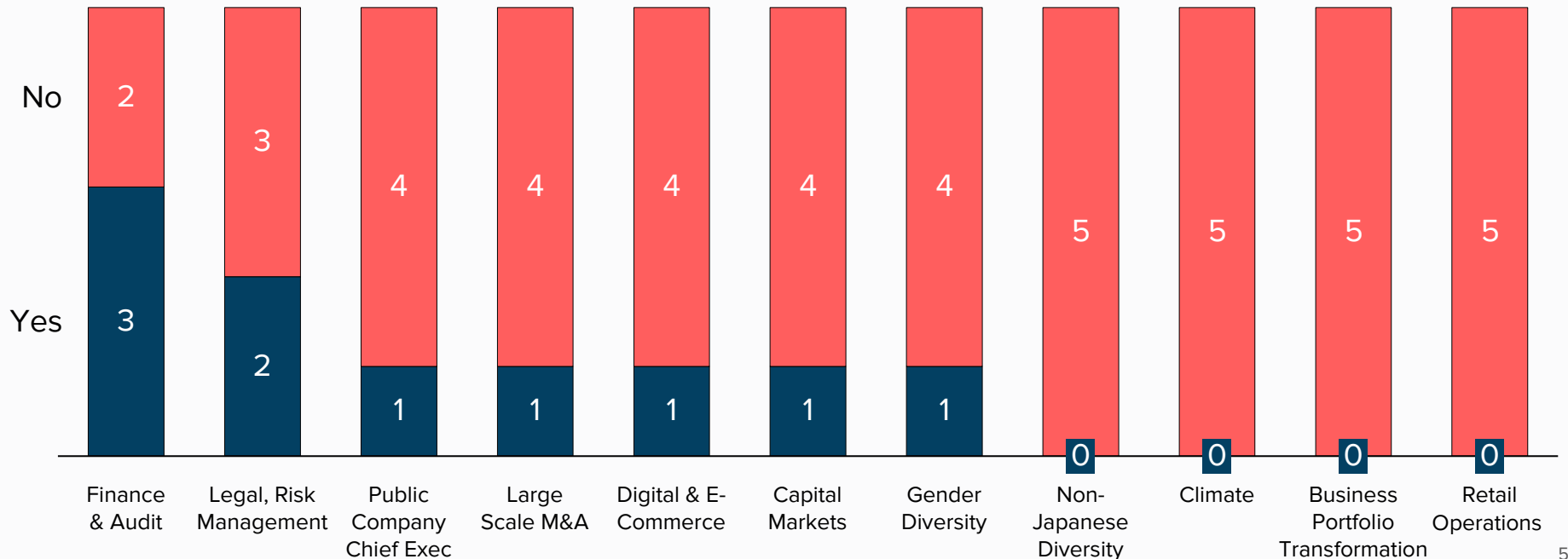
Seven of eight Inside Directors inherently have interests in the subsidiaries in which they have overlapping executive or board roles. The subsidiary interests conflict with the interests Seven & i's shareholders and stakeholders to whom Directors should owe fiduciary duty.

	Inside Director 1 (President)	Inside Director 2 (Vice President)	Inside Director 3	Inside Director 4	Inside Director 5	Inside Director 6	Inside Director 7	Inside Director 8
Allegiance solely to Holdings?								
Subsidiary Affiliation					Seven & i Asset Management Seven & i Financial Center			
Subsidiary Title		Director	Director	Director	President & Rep. Director	Senior Managing Executive Officer	President & CEO	President & Rep. Director

Outside Directors: Big Gaps in Key Skills Need to be Filled?

Outside Directors bring some relevant skills to Seven & i Holdings but additional outside perspectives could make the Board more effective at supporting and overseeing management

Seven & i Holdings Outside Director Skills Representation



Seven & i Holdings or Global Champion 7-Eleven?



Seven & i Current Governance

- **Board:** Majority Inside Directors, with no independent Board leadership
- **Org Structure:** Complex holding company structure with over 170 subsidiaries

OR



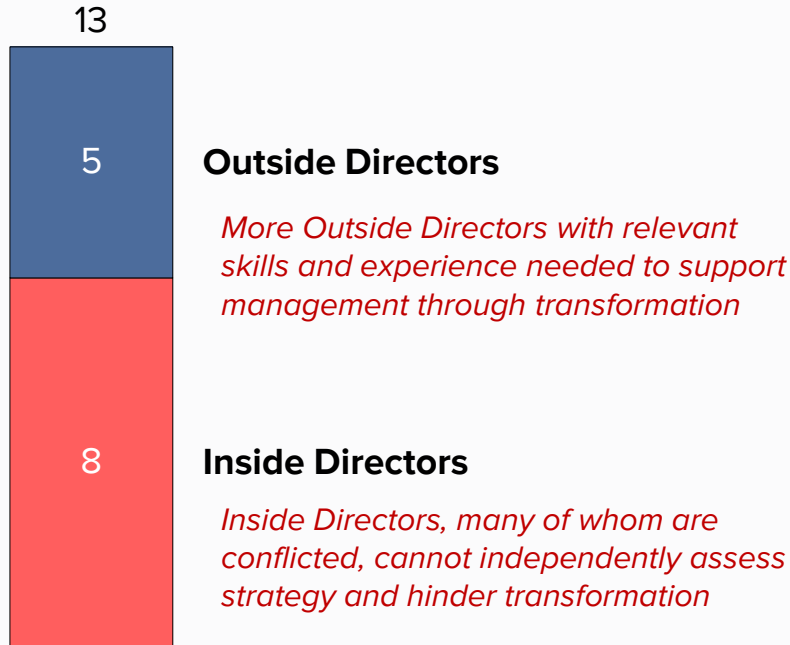
Proposed Global Governance

- **Board:** Majority Outside Directors, with independent Board leadership
- **Org Structure:** Globally coordinated management intently-focused on 7-Eleven

Board Structure: Global Standard Independence Needed?

From a Board with majority of Inside Directors with conflicts of interest to majority of Outside Directors with relevant skills and experience to monitor strategy and management

Seven & i Holdings Board of Directors



Global Standard Board



Majority Outside Directors?



Lead Independent Director or Chairperson?

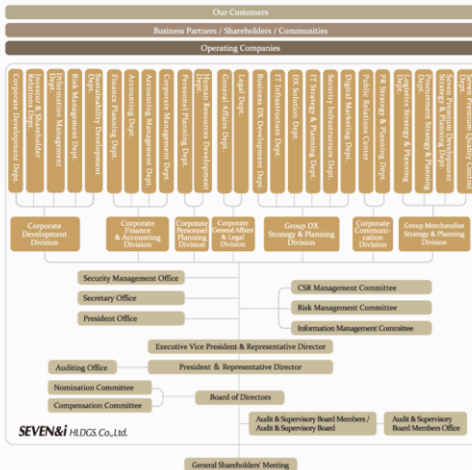


Relevant skills to oversee management

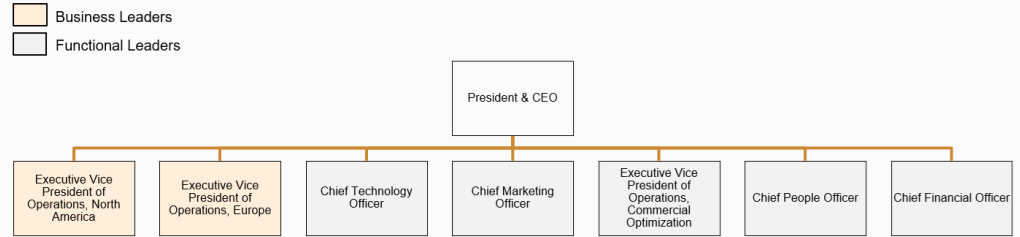
Management Structure: Simplification Needed?

Transformation from a complex Holding Company management structure to globally coordinated management intently focused on opportunities and risks of 7-Eleven

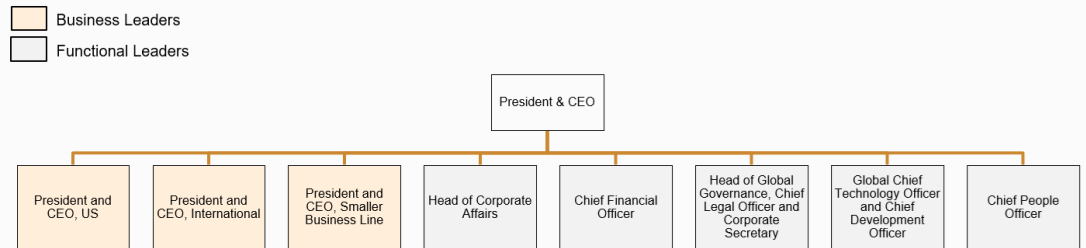
Current Org Chart



Representative Global Org Chart (Convenience Stores)



Representative Global Org Chart (Retail)



Shareholder Input Needed on Seven & i Strategy and Governance

Seven & i's History of Unsatisfactory Response to Shareholders

Investors have repeatedly expressed similar feedback on strategy and performance; management has not provided strategic clarity or responded with real action, instead deflecting criticism with performative dialogue

Abrdn (Aberdeen Standard Investments) Votes Against Directors “All directors should be responsible on company's poor performance of the speed of restructuring. We think the board's actions are not reflective of good governance and they should be responsible.” [Source](#)



Tokio Marine Voted against the re-election of President Ryuichi Isaka and Katsuhiko Goto. [Source](#)



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

2015



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

2019



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

2020

2021



Artisan Partners “address the distinct differences between the company's valuable convenience store assets and the company's other retail businesses.” [Source](#)

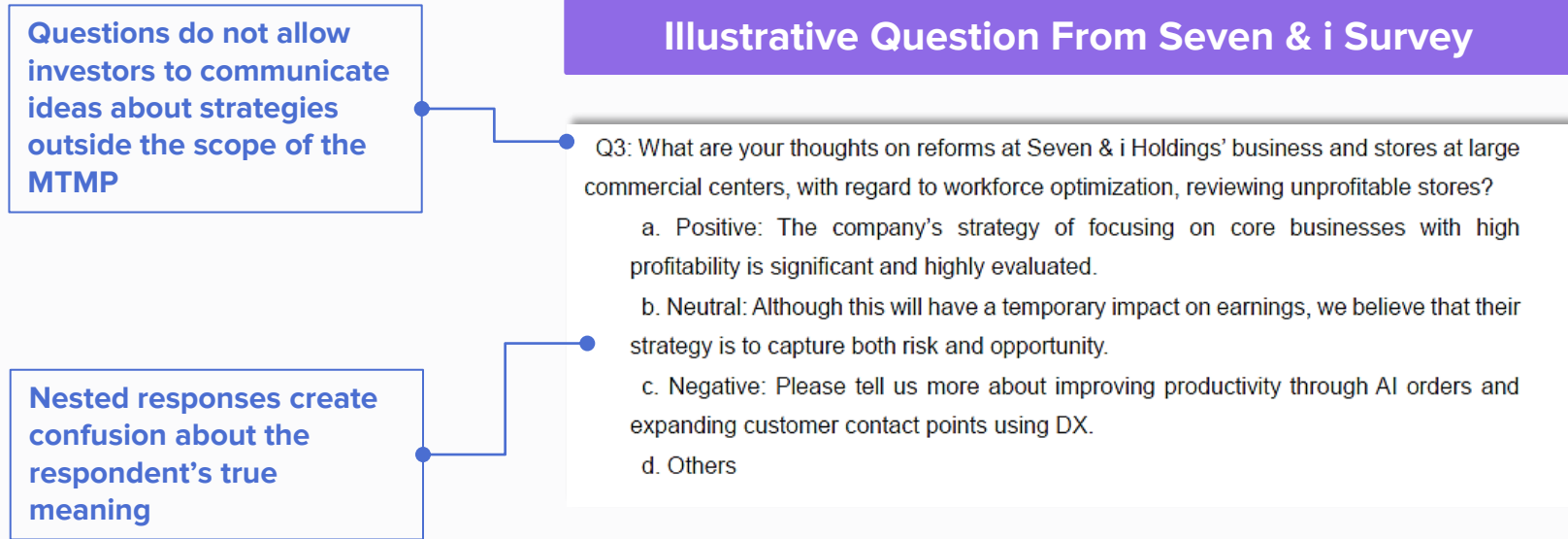
2022

Franklin Templeton “...depressed valuations seem to indicate the market is ignoring the firm's strong overseas operations, defensive domestic business, underleveraged balance sheet and continued scope for restructuring progress.” [Source](#)



Dialogue With Shareholders Has Been Performative

Shareholder survey commissioned by Seven & i in 2021 is misleading and does not facilitate true strategic feedback. In fact, the data is likely to confuse or mislead the Board.



Outside Directors Should Ensure the Company Actually Responds to Shareholder Feedback vs. Simply “Hearing” It

With BOD’s majority of Inside Directors, the Outside Directors have been prevented from playing the key role envisioned by Japan’s Ministry of Economy, Trade and Industry (METI)

Outside Director Responsibility According to METI:

“Engage in dialogue with investors and reflect their perspectives in the Board of Directors' discussions Through dialogue with investors, outside directors should **understand the capital market's perspective on how investors view the company's situation**, listen to the opinions of investors, and consider what may be useful for the company's sustainable growth and **enhancement of corporate value over the medium to long term**. In addition, they are expected to listen to the opinions of investors and reflect those that may be useful for the company's sustainable growth and improvement of medium- to long-term corporate value in discussions at the Board of Directors meetings, **and to act as a window (interface), so to speak, with investors.**”

-- 2020 “Practical Guidelines for Outside Directors “, METI [Source](#), p.42

ValueAct is Seeking Input From Other Shareholders

The Seven & i Board is currently composed of a majority of Inside Directors many of whom have inherent conflicts of interests relative to the strategic imperative to transform. This board declined to formally allow the Outside Directors to ask shareholders the following key questions directly, as requested by ValueAct:

- Do you believe that management has the right strategic vision, structure, ability to execute, and openness to pursuing strategic alternatives, or are changes needed?
- Do you believe the recently announced Medium-Term Management Plan is the optimal way to create corporate value from a medium to long-term perspective?
- Do you believe that there are alternative strategies or ownership structures with superior risk-adjusted potential that should be pursued? If so, what are the alternatives?
- Do you believe that the Board should form a “Strategic Review Committee” of Outside Directors to assess these alternatives?

The Board of Seven & i has denied the Outside Directors formal permission to listen to shareholders promptly and to consider strategic alternatives independently. Therefore, we believe shareholders should now consider an additional question:

What kind of shareholder intervention is necessary to fix Seven & i’s corporate governance system and transform the Company for the benefit of all stakeholders?

Appendix 1: ValueAct Capital Stewardship

ValueAct Capital invests more than \$15 billion on behalf of some of the world's largest institutional investors.

We have now been in business for over **21 years**. We have made **over 100 core investments** and have held **53 public company board seats**.

We have been **active investors in Japan** since 2017 and believe in **the long-term success and future growth of Japanese industry**. We currently serve on the **boards of JSR and Olympus** and are **investors in Nintendo and 7&i**.

ValueAct Capital Values

Relationships & trust.

We place great value on our relationships with current and former portfolio companies, as well as with the institutional investor community. We always consider what is in the best interest of the company and all stakeholders.

Transparency & respect.

Our team culture promotes openness, shared learning and shared rewards. We succeed or fail together. We apply this same approach to working with our portfolio companies.

Responsibility & long-term thinking.

We believe in investing for the long term and managing companies for the long term. This requires integrity, a deep understanding of industry structure and business strategy, and a consideration of relevant social, ethical and environmental issues.

Boards We Have Served



* Indicates BOD observation rights.

ValueAct's History of Stewardship Over 21 Years

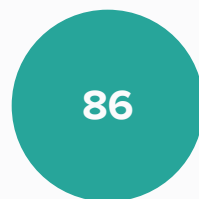
Significant Board Experience and Partnership with Company Leadership



Core
Investments



Public Board
Seats



Committees
Served On

In 21+ years...



Public
Letters



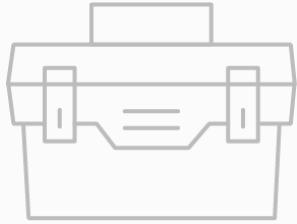
Proxy
Contest

Long-Term Active Role in the Stewardship Community

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

Present Affiliations

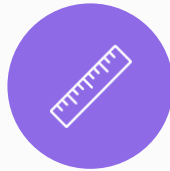
- Council of Institutional Investors (Corporate Governance Advisory Council)
- Commonsense Corporate Governance Principles
- Investor Stewardship Group (Founding Member, Board of Directors)
- Stanford Rock Center for Corporate Governance (Case Study Authors)



Our broad **‘Value Creation Toolkit’** and **board membership** have created unique opportunities to learn and develop a differentiated institutional skill set.



Compensation Design
& Structure Aligned with
Shareholder Value Creation



Management
Selection



Strategy & M&A



Financial Planning
& Analysis



Tax & Corporate Structure



Crisis Management



Investor Relations



Capital Allocation &
Capital Structure

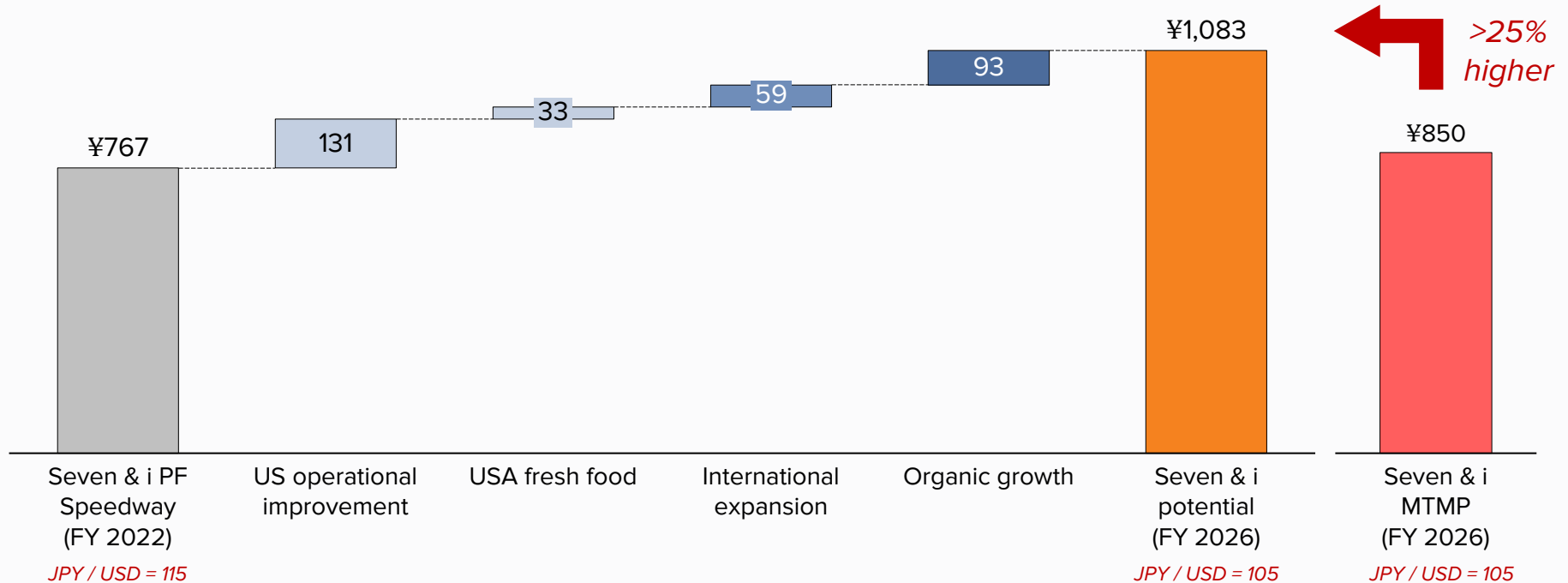


ESG

Appendix 2: Analysis & Glossary

Transformation Leads to Over 1 Trillion Yen of EBITDA from 7-Eleven Alone, Over 25% Higher Than The MTMP Forecast

Global Champion 7-Eleven EBITDA Potential (JPY Bn)



Sources: Public company documents, VAC analysis

Memo: US operational improvement refers to \$1.25 billion of Speedway synergies and SEI expense efficiencies. Fresh food assumes 400 QSRs added to US 7-Elevens per year. International expansion assumes adding 1,100 per year locations earning Japan-type store level economics. Organic growth captures FX and fuel margin improvement (31 CPG in FY26).

Glossary

QSR:	Quick Service Restaurant
MTMP:	Medium-Term Management Plan
SEJ:	Seven-Eleven Japan (Primary 7-Eleven entity focused on Japan operations)
SEI:	7-Eleven, Inc (Primary 7-Eleven entity focused on US operations)
EPS:	Earnings per share
ROIC:	Return on invested capital
WACC:	Weighted average cost of capital
OP:	Operating Profit
EBITDA:	Earnings Before Interest, Taxes, Depreciation, and Amortization
P/E:	Price to Earnings Ratio
METI:	Ministry of Economy, Trade, and Industry
FTC:	Federal Trade Commission
SASB:	Sustainability Accounting Standards Board
ESG:	Environmental, Social, and Governance
VAC:	ValueAct Capital

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