

12th July 2022

The Board of Directors
Fomento Economico Mexicano, S.A.B. de C.V.
General Anaya No. 601 Pte.,
Colonia Bella Vista
Monterrey, NL 64410
Mexico

Dear Members of the Board:

Talaria Capital manages USD 500m in its long-only global equity fund. Over the last decade we have delivered compound annual returns of more than 10% with lower average market exposure than is usual.

We own over 215,000 shares of FEMSA in the Fund. The investment case for FEMSA hinges on the reinvestment of cash flows into the high returning Comercio stores.

Engagement

We consider various ESG factors as part of our investment process. We believe that risks associated with ESG can, amongst others, affect profitability, cost of capital, and ultimately shareholder return. We also believe that these risks are growing as stakeholders become increasingly concerned with such issues.

Governance

Although garnering less attention than environmental and social impacts, governance factors are important when considering whether to invest in a share.

We were disappointed by the recent announcement by FEMSA of the acquisition of Valora. It was surprising to see this acquisition justified on the grounds of “growth”: the last five years has seen a significant decrease in the number of outlets they operated as well as a decrease in revenues of 16%. It is therefore difficult to see how this might be called a “growth” company rather than, at best, a “turnaround”.

It seems the market agrees with us given the destruction in value of FEMSA’s stock since the announcement is twice the purchase price.

Most importantly, if the FEMSA board wanted to invest in a growth stock then there is a far more obvious candidate close at hand: FEMSA’s stock itself. It is our view that such a shareholder-friendly action – or a special dividend – would narrow the stock’s discount to NAV far more materially than any other possible action.

Additionally, the convoluted shareholding structure makes it difficult for investors to clearly see the value. We urge you to simplify the structure to make the stock easier to analyse.

I thank the Board for considering Talaria’s thoughts on these matters and I look forward to hearing from you.

Yours sincerely,



Level 14, 330 Collins Street
Melbourne, Victoria,
Australia 3000
www.talariacapital.com.au

Stuart Morgan
Senior Investment Analyst

20th December 2022

SECOM CO., LTD.

Attn: Investor Relations Department

Attn: Mr. Yasuo Nakayama, Chairman and Representative Director

Attn: Mr. Ichiro Ozeki, President and Representative Director

1-5-1, Jingumae, Shibuya-ku, Tokyo

150-0001

JAPAN

Dear Mr. Yasuo Nakayama, Mr. Ichiro Ozeki, other members of the Secom Board

Talaria Capital is a global equities investment manager based in Melbourne, Australia with approximately AUD\$1bn in funds under management. Secom continues to represent a meaningful investment for us, accounting for 4% of our portfolio, held through a combination of direct equity and derivatives.

We previously wrote to the Secom Board in October 2021 (see email attachment) where we asked for an opportunity to discuss with the Board its views on capital management/allocation considering Secom's significant cash holdings. While our offer to arrange a meeting with Secom's Board or Board representatives was never followed up, it was encouraging to see Secom launch a share buy-back program earlier this year, albeit a very modest one. We take this opportunity to again express our view that it would be in all stakeholder's interests for Secom to begin using its excess cash reserves in a more accretive manner, particularly considering the low capital requirements within the core security monitoring segment.

A string of recent poor results has again led us to re-engage with Secom's Board to share our thoughts and to better understand Secom's decision-making framework.

We see a meaningful opportunity for Secom to improve its corporate communication material to help investors better understand underlying operational trends. For example, in company quarterly presentations, Secom presents H1 financial figures under the header of "Q2". Additionally, it falls on analysts having to calculate the actual Q2 figures. While not difficult, it is just one example of how Secom could easily present its performance in a far more logical, easy to understand manner.

Disclosure is also an area Secom could meaningfully improve on. As an example, Security division revenues by service (i.e. electronic, static, cash guard, etc), are not disclosed on a quarterly basis. While commercial sensitivities are a potential justification for this, we would point to the fact that Secom does disclose this information on an annual basis. Profitability disclosure is also lacking and would help the investor community better understand the economics within Security Monitoring, while also ascertaining the impact of mix on Secom's longer term margin evolution.

We would refer Secom's investor relations team to Asahi Group Holdings (TYO: 2505) as a best-in-class example of corporate communication and disclosure, and an organisation that we believe Secom should model its own communication framework on. Like Secom, Asahi also represents a meaningful investment for Talaria and we note how much easier it is to analyse the business given its superior corporate communication dialogue. For example, Asahi releases monthly sales volume data providing insight into intra-period performance. While we are not arguing for a similar level of granularity at Secom, we do think that studying Asahi's corporate communication framework would meaningfully improve Secom's own communication strategy and hence, its standing in the investment community.

Finally, we would like to get better insight into the Board's view on certain business strategy matters. Specifically, we are curious to better understand management and the Board's approach to pricing strategies within the core security division. Our analysis indicates that price rises of less than 1% were



implemented by Secom in the last quarter. This is far less than cost inflation and resulted in a step-down in margins. Given the inelastic nature of monitoring security services, we find it difficult to reconcile how a

less-than-cost inflation price rise makes sense and raises questions as to whether the Board is indeed prioritising all stakeholder interests?

While a written response to our letter would be preferable, there is also the option of contacting Talaria Capital via email. Please address your reply to Mr Jonathon Razos, Investment Analyst (jrazos@talariacapital.com.au).

We appreciate the time you have taken to read our letter and address our concerns, and very much look forward to hearing your reply.

Kind Regards,

Jonathon Razos, Investment Analyst | Talaria Capital