

# Seven & i Management Report

---

---

---

---

---

Promoting Constructive Dialogue with Stakeholders and  
Sincere Governance for Collaborative Value Creation

**We aim to be a trusted  
and sincere company  
that is considered  
indispensable  
to customers' lives.**

**Corporate Creed**

We aim to be a sincere company that our customers trust.

We aim to be a sincere company that our business partners, shareholders and  
local communities trust.

We aim to be a sincere company that our employees trust.

**Seven & i Holdings Co., Ltd.**







# We stay close to customers through the different stages of life and through the changing scenes in daily life to make every day better.

The Seven & i Group values “connections” to customers forged through a multi-business format, including convenience stores, superstores, department stores and financial services. Going forward, we will continue to deliver products and services of diverse value to meet the needs of each and every customer.



Sogo & Seibu Co., Ltd.

See page 72

“Discoveries for customers that exceed expectations based on suggestions.”



▲  
Makeup station



7-Eleven, Inc.

See page 65

“Give the customers what they want, when and where they want it.”



Akachan Honpo Co., Ltd.

See page 76

“Akachan Honpo—  
‘Smile for mom, dad and baby’ ”



Ito-Yokado Co., Ltd.

See page 68

“Good things, as usual.”







Seven RakuRaku Delivery



SEVEN-ELEVEN JAPAN CO., LTD.

See page 60

Always close-by and  
convenient for everyday life!



SEVEN&i Food Systems Seven & i Food Systems Co., Ltd.

See page 77

Dishing up a bright tomorrow

◀ Denny's (restaurant)



Seven Bank, Ltd.

See page 74

“Close-by, convenient,” when  
a sudden need for cash arises



ATM services



THE LOFT CO., LTD.

See page 76

Always a new service or  
product. Definitely.

# “Connecting” with customers is the Group’s driving force.

The Seven & i Group is a leading retail group with a global network. We form “connections” with a diverse customer base and create innovative products and services by promoting multi-format businesses matched to the changing scenes of daily life.

## “Connections” with diverse customer base

### Number of customer store-visits per day

Global

Approx. **64** million people

Japan

Approx. **24** million people

About one in every 5.5 people in Japan visits a store.

### Number of stores

Global

Approx. **69,200** stores\*2

Japan

Approx. **22,400** stores

### Number of Seven Bank ATMs installed

Approx. **25,000**

Number of ATM transactions per day: Approx. 2.3 million

### Domestic market share

**44.4%**

Total convenience store sales\*1: Approx. ¥11,035 billion

SEVEN-ELEVEN JAPAN chainwide sales: Approx. ¥4,898.8 billion

### Number of 7iD members

Approx. **12.8** million people

About one in every 10 people in Japan is a member.

\*1 Source: Convenience store statistics investigative monthly report (sum of sales at all convenience stores from March 2018 through February 2019)

\*2 Indicates the number of 7-Eleven stores outside Japan, as of December 31, 2018



## Product and service innovation

Annual sales of *SEVEN CAFÉ*

Approx. **1.1** billion cups

Approx. 2,000 cups every minute

Annual sales of *Seven Premium* products

¥ **1,413** billion

Annual sales of 7-Eleven rice balls

Approx. **2,270** million units

Approx. 4,300 units every minute

Number of *Seven Premium* items with sales exceeding ¥1 billion

**274** items

Brand comprises 4,050 items overall.

Annual over-the-counter payment transactions at 7-Eleven stores

Approx. **502** million

Transaction value: Approx. ¥5,200 billion  
Approx. 950 transactions every minute

# Seven & i Holdings seeks to balance improvement in corporate value with solutions to social issues and strives to be a company that is indispensable to society.

## Working to achieve SDGs\*

The Company is keen to find solutions to social issues through its core businesses. This will underpin achievement of the SDGs (Sustainable Development Goals), adopted at a United Nations summit in 2015. For examples of activities pursued by each operating company, please refer to segment-specific pages.

**SUSTAINABLE DEVELOPMENT GOALS**  
17 GOALS TO TRANSFORM OUR WORLD



\* Sustainable Development Goals: International targets adopted at a United Nations summit held in September 2015. Agenda comprises 17 goals and 169 targets that are common to the international community, such as eradicating poverty, correcting inequality and countering climate change, with the target year set for 2030.

## Efforts to promote use of renewable energy at stores

The 7-Eleven Sagamihara Hashimoto-dai 1-chome store, which opened in May 2018, uses solar panels and storage batteries to obtain about 46% of the electricity needed for operations from renewable energy sources.



## Reducing food loss with a vegetable plant

With the cooperation of PRIME DELICA CO., LTD., a business partner of SEVEN-ELEVEN JAPAN, we began operations at a vegetable plant specifically for 7-Eleven products in Sagamihara, Kanagawa Prefecture, in January 2019. The goal is to reduce food loss throughout the supply chain.





## 100% recycled plastic bottles\*<sup>1</sup>

In June 2019, the Seven & i Group welcomed the nationwide launch of Hajime Ryokucha Ichinichi Ippon—a food with function claims—under the *Seven Premium* label. This tea beverage comes in a bottle made completely from plastic bottles collected at stores. Under the retail group's structure, 100% recycled plastic from plastic bottles collected at designated stores is used as the raw material for new plastic bottles sold within the same retailing group, an industry first\*<sup>2</sup>.



\*1 The raw material used to make the plastic bottles for this product comes solely from used plastic bottles collected at stores within the Seven & i Group network and then recycled.

\*2 As of June 5, 2019. According to research by Coca-Cola (Japan) and the Company

## Local government, industry and community collaborate in plastic bottle collection plan

Higashiyamato City in Tokyo, the Nippon Foundation, a Higashiyamato cleaning business cooperative association and SEVEN-ELEVEN JAPAN strengthened their alliance to promote the collection of plastic bottles in local communities and will gradually install automatic plastic bottle collection machines to encourage bottle-to-bottle recycling.

This approach heralds a new plastic bottle collection plan that will involve local governments, industry and communities.



## Store combined with childcare center opens

In a first for a franchise chain operator, SEVEN-ELEVEN JAPAN opened Seven *Nanairo* Childcare centers for employees of franchised stores, owners and local citizens. In the future, efforts to create environments where as many people as possible can be active in society will be continued.



## Contents

- 1 Introduction
- 10 About the Seven & i Management Report
- 11 Correspondence Table for Specific Disclosure Items in Japan's Corporate Governance Code
- 12 Letter from the President



- 19 Medium-Term Management Plan
- 20 Message from General Manager of the Corporate Development Division



- 24 Message from General Manager of the Corporate Finance & Accounting Division



### Editorial Policy

We aim to inform all stakeholders, including shareholders and other investors, about the Group's value creation initiatives in an easier-to-understand manner by integrating non-financial information (about the environment, society, governance and the like) with financial information in a single report. To this end, we have used two documents as reference when compiling this report: "The International Integrated Reporting Framework," released by the International Integrated Reporting Council (IIRC) in December 2013, and "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation," issued by Japan's Ministry of Economy, Trade and Industry (METI) on May 29, 2017.

### Values

- 28 Trust and Sincerity

### Sustainability/Growth

- 30 Ensuring Sustainability and Growth

### Business Model

- 34 Group Value Creation to Address Changing Social Structure and Needs
- 36 The Group's Business Model

### Strategy

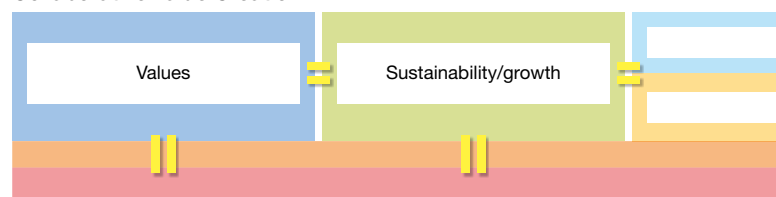
#### Group Strategy/Policy

- 44 Digital and Financial Strategies
- 48 Group Merchandising Strategy
- 52 Environmental Policy
- 54 General Affairs and Legal Policies
- 56 Human Resource Policy

#### Segment Strategy

- 58 Segment Overview
- 60 Domestic Convenience Store Operations
- 65 Overseas Convenience Store Operations
- 68 Superstore Operations
- 72 Department Store Operations
- 74 Financial Services
- 76 Specialty Store Operations

### Report Composition and Use of the Guidance for Collaborative Value Creation





## Key Indicators

78 Key Indicators

## Corporate Governance

- 82 Directors and Audit & Supervisory Board Members
- 84 Dialogue between Outside Directors



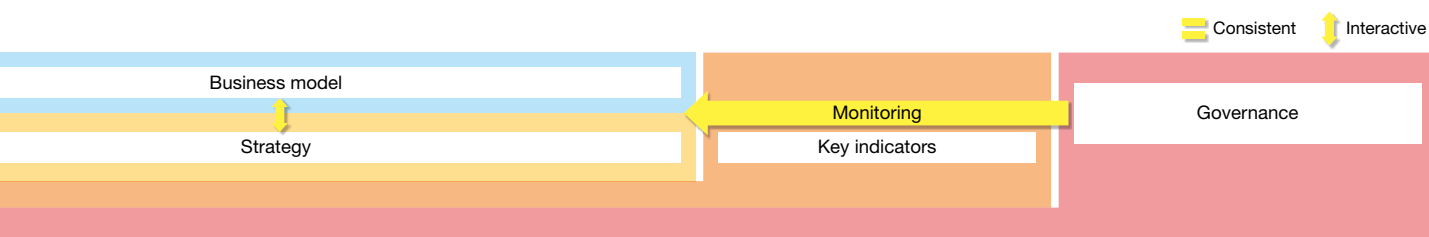
- 88 Basic Views on Corporate Governance
- 89 Group Governance Framework Driving Corporate Value Creation
- 90 Overview of Corporate Governance “Systems”
- 98 Composition, etc., of the Board of Directors
- 106 Policies and Procedures for Appointment/Dismissal and Nomination of Directors and Audit & Supervisory Board Members, and Training
- 110 Compensation for Board of Directors and Audit & Supervisory Board Members

- 114 Monitoring by Outside Directors and Outside Audit & Supervisory Board Members
- 115 Auditing
- 118 Roles of Corporate Pension Funds as Asset Owners
- 119 Communication (Dialogue) with Shareholders; Shareholders’ Meetings

124 [Reference] External Recognition

## Financial Section

- 126 Financial Highlights
- 128 Management’s Discussion and Analysis
- 130 Consolidated Balance Sheets
- 132 Consolidated Statements of Income
- 133 Consolidated Statements of Comprehensive Income
- 134 Consolidated Statements of Changes in Net Assets
- 135 Consolidated Statements of Cash Flows
- 136 Separate document 1 “Internal Control Resolutions”
- 138 Separate document 2 “Guidelines for Directors and Audit & Supervisory Board Members”
- 140 Separate document 3 “Governance Data Book”
- 142 Company Information



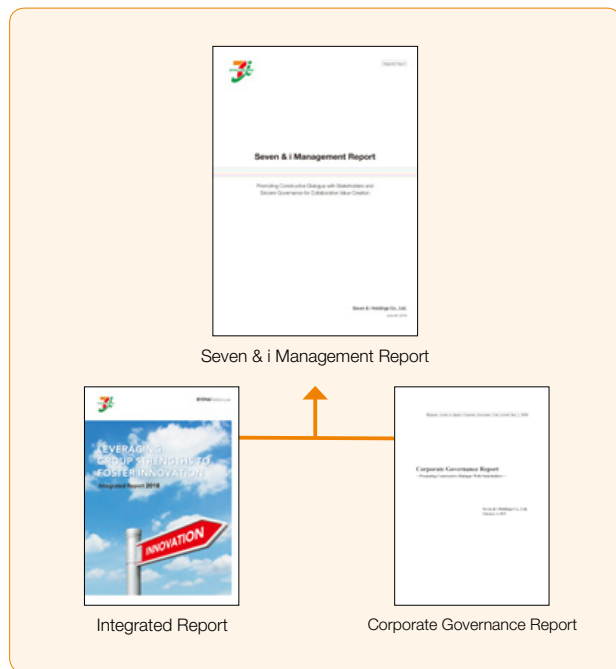
### Forward-Looking Statements

This report contains certain statements based on Seven & i Holdings’ current plans, estimates, strategies and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company’s management, based on currently available information. It is possible that the Company’s future performance will differ significantly from the contents of these statements. Accordingly, there is no assurance that the forward-looking statements in this report will prove to be accurate.

## About the Seven & i Management Report

In 2016, Seven & i Holdings began producing its Corporate Governance Report (hereafter, “Governance Report”) to enrich “dialogue” with stakeholders. Since 2018, the Company has endeavored to provide easier-to-understand disclosure with the Guidance for Collaborative Value Creation.

In the process, we considered how each element in



this Guidance, such as Values, Business model, Sustainability/growth, Strategy, Performance and key performance indicators (KPIs) and Governance, were linked to each other organically and integrally. We realized that this thinking had something in common with the integrated concept of our Integrated Report.

As a result, we have opted to add the attractive elements of our Integrated Report to the Governance Report, which is based on Guidance for Collaborative Value Creation, and consolidate the information in a new report—the Seven & i Management Report. We believe it will convey in a more cohesive and easy-to-understand format the initiatives we are taking to enhance corporate value over the medium to long term.

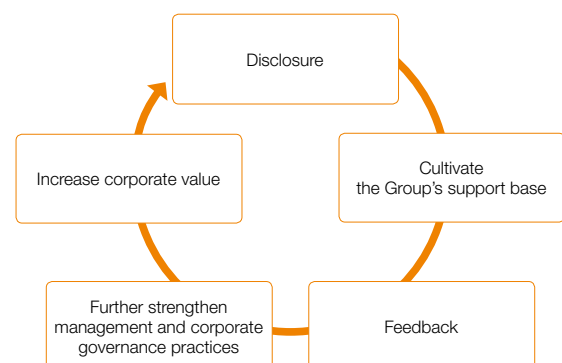
We have opportunities to create new services through “dialogue” with our customers, and we believe that accumulating “dialogue” with all our stakeholders, including business partners and franchisees, shareholders and investors, local communities and employees, will yield opportunities for increasing corporate value. Accordingly, we engage in open and honest “dialogue” with our stakeholders.

We hope you will use this report and advise us on our initiatives, and we ask for your continued support of our efforts.

## Objectives of this report

### We aim to gather, organize and disclose information clearly

In this report, we will gather, organize and disclose as clearly as possible the main information on the Company that has been disclosed elsewhere, such as in our Securities Report (*Yuho*), the Report Concerning Corporate Governance and other disclosure materials. Each point has references to other documents or links that provide access to more detailed information. We will utilize your feedback about our initiatives for management and corporate governance to strengthen them even further and for improved corporate value.



### We will explain the Company in “our own words”

The Company considers “management and corporate governance to be never complete” and to be the subject of continuous discussion. In this report, we will

explain our initiatives and the issues to be addressed in “our own words” and will also explain our policy on the themes under discussion as far as possible.



## We will also organize and disclose the “disclosure items” set forth in Japan’s Corporate Governance Code

The Company considers that the items set forth in Japan’s Corporate Governance Code (as revised on June 1, 2018) are “points in our dialogue” with our stakeholders. We will also explain (disclose) the so-called “Specific Disclosure Items” of the Code in this report.

Regardless of the order of items in the Corporate

Governance Code, this report will provide explanations in the order devised in accordance with the Company’s basic views on corporate governance.

Areas of this report corresponding to the “Specific Disclosure Items” of the Corporate Governance Code are referenced in a separate table below.

**Implementation Status of the Corporate Governance Code** The Company complies with all of the principles of the Corporate Governance Code.

### [Reference] Japan’s Corporate Governance Code

Japan’s Corporate Governance Code was formulated by the Tokyo Stock Exchange (revised on June 1, 2018). It establishes fundamental principles for effective corporate governance at listed companies in Japan. The principles include certain specified items that should be disclosed. We have referred to them as “Specific Disclosure Items.”

**CGC** Attached to Specific Disclosure Items disclosed in the Corporate Governance Code

### Correspondence Table for Specific Disclosure Items in Japan’s Corporate Governance Code (Revised on June 1, 2018)

Principle	Item requiring disclosure		Location in this report (PDF)
Principle 1.4	Policy on cross-shareholdings, assessment of whether or not to hold individual cross-shareholdings, and specific standards for exercising voting rights	Page 97	<a href="#">9</a> Cross-shareholdings
Principle 1.7	Appropriate procedures for related party transactions	Page 117	<a href="#">4</a> Framework for checking related party transactions
Principle 2.6	Measures to improve human resources and operational practices in order to perform roles of corporate pension funds as asset owners	Page 118	Roles of Corporate Pension Funds as Asset Owners
Principle 3.1	i) Company objectives (e.g., business principles), business strategies and business plans	Page 19	Medium-Term Management Plan
		Page 28	1. Management Philosophy
		Page 28	2. Corporate Action Guidelines
		Page 30	Ensuring Sustainability and Growth
		Page 43	Strategy
	ii) Basic views and guidelines on corporate governance	Page 88	Basic Views on Corporate Governance
	iii) Board policies and procedures in determining the remuneration of the senior management and directors	Page 110	Policies and procedures in determining the compensation of Directors and Audit & Supervisory Board Members
	iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and <i>kansayaku</i> (“Audit & Supervisory Board Member”) candidates	Page 106	Board policies and procedures in the appointment/dismissal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates
	v) Explanations with respect to the individual appointments/dismissals and nominations when the Board of Directors appoints/dismisses senior management and nominates Director and Audit & Supervisory Board Member candidates	Page 109	<a href="#">4</a> Explanations of reasons for appointment when the Board of Directors appoints senior management and nominates Director and Audit & Supervisory Board Member candidates
Supplementary Principle 4.1.1	Specification by the board of scope and content of the matters delegated to the management	Page 91	Clarification of the scope of matters delegated to management
Principle 4.9	Independence standards for independent directors established by the board	Page 101	<a href="#">3</a> View on independence of Outside Directors and Outside Audit & Supervisory Board Members and independence standards
Supplementary Principle 4.11.1	View of the board on the appropriate balance between knowledge, experience and skills of the board as a whole, diversity, and appropriate board size, as well as policies and procedures for nominating directors	Page 98	Composition of the Board of Directors (balance among knowledge, experience, and skills, and diversity and size, of the Board of Directors)
		Page 106	Board policies and procedures in the appointment/dismissal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates
Supplementary Principle 4.11.2	Directors and Audit & Supervisory Board Member also serving as directors, Audit & Supervisory Board Member, and management at other companies	Page 101	<a href="#">4</a> Concurrent positions of Directors and Audit & Supervisory Board Members
Supplementary Principle 4.11.3	Summary of results of analysis and evaluation of the effectiveness of the board as a whole	Page 103	<a href="#">6</a> Evaluation of the Board of Directors’ effectiveness
Supplementary Principle 4.14.2	Training policy for directors and Audit & Supervisory Board Member	Page 109	<a href="#">5</a> Training for Directors and Audit & Supervisory Board Members
Principle 5.1	Policies concerning measures and organizational structures aimed at promoting constructive dialogue with shareholders	Page 119	<a href="#">1</a> Dialogue with shareholders and IR activity policy

## Letter from the President

### Ryuichi Isaka

President and  
Representative Director

Joined SEVEN-ELEVEN JAPAN CO., LTD. (SEJ), in 1980. Became Director of SEJ in 2002 and Managing Executive Officer of SEJ in 2006. After working as Director & Managing Executive Officer of the Merchandising & Foods Department, became President and Representative Director of SEJ in 2009. President and Representative Director of Seven & i Holdings from May 2016.





# While staying close to customers' lives, we aim to carve out a new tomorrow in retail services designed to build a sustainable society through new value creation.

Let me take this opportunity to extend my sincerest gratitude for your constant support of the Seven & i Group. This report is a comprehensive package of information on the activities of the Group and its businesses, including financial data and an ESG perspective, where E stands for environment, S for society and G for governance. I hope that the content of this report helps you gain a deeper understanding of our operations.

## Our Corporate Philosophy

---

### **A spirit of “Trust and Sincerity” permeates everything we do**

At Seven & i Holdings, our corporate creed is to be a sincere company that our customers, business partners, shareholders, local communities and employees trust. That is the cornerstone of every business activity pursued by officers and all employees. This corporate creed has endured since the establishment of Ito-Yokado—a founding company of the Seven & i Group—as the spirit of the Group's founding. Today, with sustainable growth an issue of global proportions, our greatest priorities are to achieve growth as a company while cooperating and connecting with all our stakeholders. In addition, I believe it is our duty right now to take a global perspective and strive for overall optimization of the limited global environment and resources to provide pleasant and comfortable lifestyles and ensure that this state of well-being and convenience continues for future generations. Therefore, in pursuing business, we recognize future generations as a stakeholder group and seek to realize retail services that contribute to sustainable growth under our “Trust and Sincerity” philosophy. [Corporate Creed ➡ page 28](#)

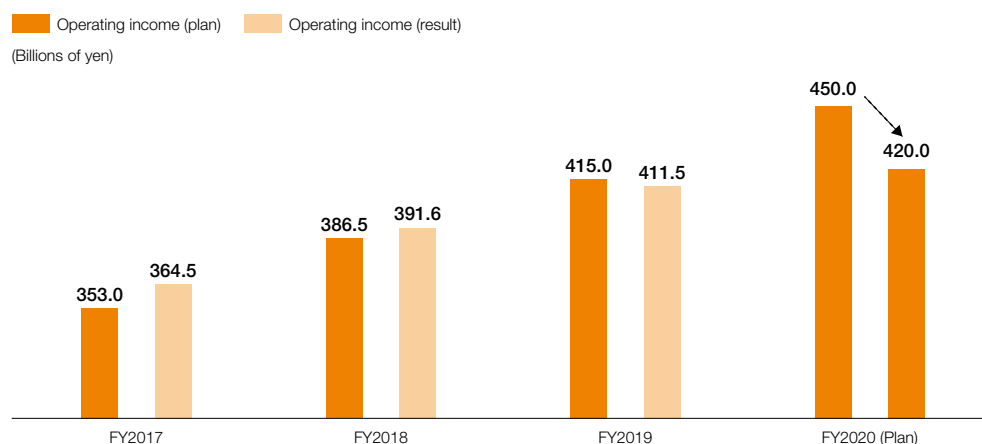
### Our Mission

#### Staying close to our customers' lives and responding to change through self-improvement

The Group comprises a network of more than 69,000 stores worldwide, including convenience stores in Japan and overseas, superstores, department stores and specialty stores. As a comprehensive retail services group unlike any other in the world, our mission is to make customers' everyday routines more pleasant and convenient through a variety of business categories and respond appropriately to our customers' daily needs.

Today's global socioeconomic climate is characterized by major changes on a scale not seen since the industrial revolution. The business climate is changing too, and the environment we operate in remains difficult to predict. In Japan, we face the consequences of a low birthrate, a graying society and a shrinking population. The number of households is decreasing, while the number of two-income families is noticeably increasing. Against these changes in the structure of society, customer lifestyles and value perceptions about consumption are also evolving. The popularity of e-commerce and the shift from material purchases to the consumption of services, such as new experiences, are good examples of the changes taking place. In this environment, we are continuing efforts to provide products and services fine-tuned to our customers' lives and values. Toward this end, we constantly draw on the accumulated know-how and innovative techniques acquired as a leading company in retail services and look beyond existing business concepts to improve our capabilities. We are committed to creating retail services matched to our customers' evolving needs. [Number of Group stores → page 4](#)

### Operating Income



**Fiscal 2019 was the eighth consecutive year of higher operating income. Fiscal 2020 is expected to continue this upward trend, although the numerical targets of the Medium-Term Management Plan have been revised.**



## Management Vision

---

### **Clarifying management policy with the Medium-Term Management Plan**

To present its management vision more clearly, the Seven & i Group drafted and announced the Medium-Term Management Plan for the Group in October 2016. This kind of open announcement of a medium-term management plan was a first for the Group. By disclosing the Medium-Term Management Plan, we wanted to add direction to our investment portfolio, share our management vision with all stakeholders and raise management transparency.

Fiscal 2018 was the first year of this three-year plan, and fiscal 2020 will be the last year. To promote the plan, in fiscal 2018, we revised our business segments from a management perspective. The convenience store segment, a pillar of growth, was split into domestic and overseas operations because market criteria in Japan differ from those abroad. Specialty stores, previously scattered among business segments, were consolidated under the specialty store segment. Using this approach, we promoted growth investment matched to the actual status of each business and pushed ahead further on business reforms, seeking to achieve highly effective management.

We tackled issues throughout the Group by working toward stated targets, and in the fiscal 2019 consolidated financial statements, our efforts were rewarded with the eighth consecutive year of higher operating income. However, the economic environment changed beyond initial predictions, highlighted by tight logistics and hiring conditions, and from the second half of fiscal 2018, growth in domestic convenience store operations temporarily slowed, reflecting a priority on support of franchise owners with a special discount of 1% on “7-Eleven Charge” royalties paid by franchise owners. Also, in superstore operations and department store operations, which were tapped for structural reforms, improvement measures marked a certain degree of success but overall progress was delayed. Taking all these factors into account, we decided it would be better to promote structural reforms that contribute to future growth rather than prioritize the achievement of initial numerical targets. Therefore, the operating income target for fiscal 2020 has been lowered, to ¥420 billion.

We take this situation seriously, and in domestic convenience store operations, efforts will be directed toward reinforcing growth potential and expanding investment in existing stores as well as getting closer to franchised stores while leveraging drastic structural reforms, including a new business model. Meanwhile, in superstore operations and department store operations, the goal is to utilize experience gained from store restructuring already executed, data and other insights related to commercial areas, and accelerate overall reform. We have set KPIs (key performance indicators) for each reform activity and will objectively track progress and implement quick responses through our PDCA (plan-do-check-act) cycle. Medium-Term Management Plan ➡ page 19

## Growth Strategies

---

### **Creating new Group synergies highlighting digital, financial and Group merchandising strategies**

In October 2018, we announced new growth strategies for the Seven & i Group, aiming to

## Letter from the President

improve accuracy in responding to the needs of customers and society overall and to address global environmental and social issues. These strategies will use the pillars of digital, financial and Group merchandising strategies to boost new value creation.

Under the digital strategy, SEVEN-ELEVEN JAPAN and Ito-Yokado released new apps in June 2018 and launched the SEVEN MILE PROGRAM, a mileage accumulation program shared by Group companies. Later, operating companies Sogo & Seibu, Akachan Honpo and THE LOFT released app updates and joined the SEVEN MILE PROGRAM. These efforts will help achieve closer contact with each and every customer and implement in a timely manner more finely tuned customer services, such as offering special gifts that correspond to purchasing habits. Customer information already in the systems of each operating company will be integrated and managed Groupwide to strengthen CRM\* as we strive to improve customer service with mutual customer referrals among operating companies. This approach will enable companies to meet a wider range of customer needs, from daily shopping to milestones in life such as weddings, children's birthdays and the start of school or a new job, and inevitably raise the Group's overall LTV (lifetime value).

In addition, in July 2019, we rolled out a new payment service, 7pay, a cashless service that loads a payment function into a 7-Eleven app, enabling users to pay by smartphone. By doing this, we will contribute to a government plan to boost the cashless payment ratio in Japan to 40% by 2025. In addition, Seven Bank, a Group company, installed 25,000 ATMs at 7-Eleven stores and public facilities throughout Japan. By improving the payment infrastructure from both the cash and cashless perspectives, the Seven & i Group will enhance the convenience of financial services in a more superior environment.

Digital and Financial Strategies ➡ page 44

In the Group merchandising strategy, we reviewed procurement and logistics systems, including products and the packaging used by Group companies, and we are striving to provide products and services with better safety, reliability and quality. In addition, we will review the procurement structure Groupwide and promote overall optimization of the supply chain. This process will help us eliminate "external diseconomies," such as waste and inconsistencies, that have appeared in business-to-business transactions. To promote this Group merchandising strategy, we established the Group Merchandising Strategy & Planning Division in March 2019. This division will play a pivotal role in connecting with business partners and promote highly effective measures to achieve optimization of the entire supply chain.

Group Merchandising Strategy ➡ page 48

\* CRM (Customer Relationship Management): A management system that uses customers' information (purchase histories, etc.) for personalized sales promotion and other purposes, aiming to achieve continuous connections with customers

## Responses to Environmental and Social Issues

### Seeking to balance higher corporate value and solutions to social issues

We have diverse business categories unmatched anywhere else in the world. By striving to provide value matched to the times and to society, we have grown our operations to the extent that we welcome about 24 million customers a day to our stores in Japan alone. Such growth brings a noticeable increase in social responsibility. We will fulfill our social responsibility by working to balance higher corporate value and solutions to social issues, and we will strive to earn and keep the trust of society into the future.





Toward this end, we signed the United Nations Global Compact in 2012 and follow its 10 principles. In 2014, we also used dialogue with stakeholders to identify Five Material Issues (Materiality) that are particularly important for society and the Group. Today, we have linked the material issues to the 17 targets presented in the United Nations' sustainable development goals (SDGs). With all this in mind, we are using our business activities to find solutions to issues and aim to create a new business model for retail services that uses materiality as the reference point. [Five Material Issues ➡ page 32](#)

#### **Environmental Declaration: 『GREEN CHALLENGE 2050』**

To realize a comfortable, sustainable society with all stakeholders, including customers and business partners, we announced 『GREEN CHALLENGE 2050』—our environmental declaration—in May 2019. While our businesses are gaining more support from customers in the consumer market, our businesses are influencing society in terms of environmental impact and “external diseconomies.” If we are to grow with society into the future, we must acknowledge the impact we have on society and vigorously address issues as we see them. In formulating our environmental declaration, we looked at the environmental burden caused by our business activities and picked four themes\* with particularly significant impacts on society. We set quantitative targets and detailed our mission and responsibilities for the near future—2030—and for the next-generation society—2050. We also launched four innovation teams to promote effective activities across the Group and, with

all employees under the Group umbrella working as one and in cooperation with customers, business partners and local communities, we will strive to find solutions to issues.

[Environmental Policy](#) ➔ page 52

\* Four themes: reduction of CO<sub>2</sub> emissions, measures against plastic, measures against food loss and for food recycling, and sustainable procurement

### Diversity

---

## Build a corporate culture that enables diverse human resources to thrive

To achieve sustainable growth along with the growth of society, we must build a corporate culture that enables diverse human resources to thrive. Toward this end, we focus on creating a highly transparent corporate structure and an environment where employees enjoy their work. In 2012, we kicked off the Diversity Promotion Project—now, the Diversity & Inclusion Promotion Project—to foster an environment that accepts diversity and differences among employees, such as gender identification, nationality, disability and age. We have established systems that support flexible workstyles to accommodate employees' various living circumstances, be it raising children or caring for elderly family members, and that correspond to individual preferences and assignment status. We are also keen to maintain fairness in management by efforts such as encouraging women to be more active in corporate management, thereby allowing diverse human resources to thrive.

[Human Resource Policy](#) ➔ page 56

### Corporate Governance

---

## Involving all stakeholders

We believe that corporate governance is based on a system that realizes the spirit of the "Trust and Sincerity" aspect of the corporate creed, and we are striving to improve and enrich corporate governance practices. By publishing this report, we seek to reinforce disclosure related to corporate governance and provide more opportunities for dialogue with all stakeholders, while aiming to raise corporate value. In addition, in April 2019, we decided to introduce a new stock-based compensation structure—including a Board Incentive Plan Trust—to replace previous stock options in the stock-linked compensation structure for directors (excluding outside directors) and executive officers. The new plan, which reflects the basic view of our corporate governance, is deemed an appropriate way to boost corporate value over the medium to long term and fuel continuous growth.

Regarding returns to shareholders, our basic policy is to distribute dividends commensurate with profit improvement. Following this policy, we intend to maintain a consolidated dividend payout ratio of 40%, with the objective of boosting the cash dividend per share.

As mentioned above, we aim to achieve a good balance between higher corporate value and solutions to social issues. By promoting self-guided reforms matched to socioeconomic changes, we will enhance Group strengths, while providing greater value to all stakeholders and delivering an appropriate return. I ask for your continued support of the Group.



Through the new management structure, we will strengthen our role and function as a holding company, support and monitor the status of operating companies, promote optimal resource allocation, improve corporate value over the medium to long term and realize sustainable growth.

## Seven & i Group's Management Policy

### “Trust and Sincerity” “Responding to Change while Strengthening Fundamentals”

#### Goals

- Enhance convenience in daily life by supplying products and services, while staying closely attuned to the life stages and settings of customers
- Become a caring Group indispensable to communities

#### Imperatives

- Harness all manner of resources, including business partners and technological innovations in society
- Pursue the absolute value of products and services and the maximization of customer satisfaction

## Overview of Medium-Term Management Plan

### Operating income of ¥420.0 billion\* for FY2020

1. Concentrate management resources with a core focus on growth in convenience store operations in both Japan and North America
2. Promote “selection and concentration” of each geographic area and business category
  - (1) Conclude Memorandum of Understanding on Capital and Business Alliance with H2O Retailing, advance succession of Sogo & Seibu department stores in Kansai region, advance concentration of management resources on major stores in Tokyo metropolitan area
  - (2) Ito-Yokado: Start an examination of measures to focus on Tokyo metropolitan area and food business
3. Adopt a perspective of property development in revival of general merchandise stores and department stores
4. Review the Omni-Channel Strategy
 

Prioritize customer lifetime value from the standpoint of the customer's strategy
5. Formulate our strategy, and revise our segments from the perspective of our management approach by next spring

## Financial Strategy

### Capital expenditures

#### Disciplined investment aiming to achieve ROA that each operation sets

- Examine investment efficiency through Portfolio Committee
- Priority allocation to growth businesses (M&As will also be considered in the North American convenience store business)
- Restructuring businesses will invigorate existing stores

### Fund procurement

#### While maintaining the Group's AA rating,

- Procure interest-bearing debt if funds are required for growth strategies
- Tolerate a debt/equity ratio of around 0.5 based on expectations of growth in financial services

### Shareholder returns

#### In line with the basic policy of return to shareholders matched to profit improvement, maintain a consolidated payout ratio of 40%

- Adopt flexible capital policies, while considering the balance with investments in growth businesses

\*Target revised April 2019

## We aim to further improve by strengthening dialogue

Thank you for your continued patronage of the Seven & i Group.

As the General Manager of the Corporate Development Division, I am responsible for Group management functions, including corporate management at operating companies, new business development and business alliances as well as the formation of Group synergies, investor relations, risk management and corporate governance. I would like to use this message to describe our basic stance on improving the precision of Group management, including acknowledgement of recent issues.

---

### Enhanced collaboration and corporate management through honest dialogue with operating companies

As a holding company seeking sustainable growth and higher corporate value over the medium to long term, the Company is involved in efforts to provide management execution support for operating companies, management and supervision, and optimum allocation of management resources. To realize these objectives, the Company must strengthen collaborative efforts with operating companies and tirelessly promote honest dialogue with them. The employees and management team at each operating company—the people who interact with customers in daily business settings—carefully consider what should be done to improve operations, from a customer perspective. We listen sincerely to their comments, and we value this approach as a starting point of dialogue.

We come to know quite clearly, from customer comments, of course, and from concrete data such as sales figures and customer numbers, how products and services offered by Group companies are used. We scrutinize the data to discover why certain products and

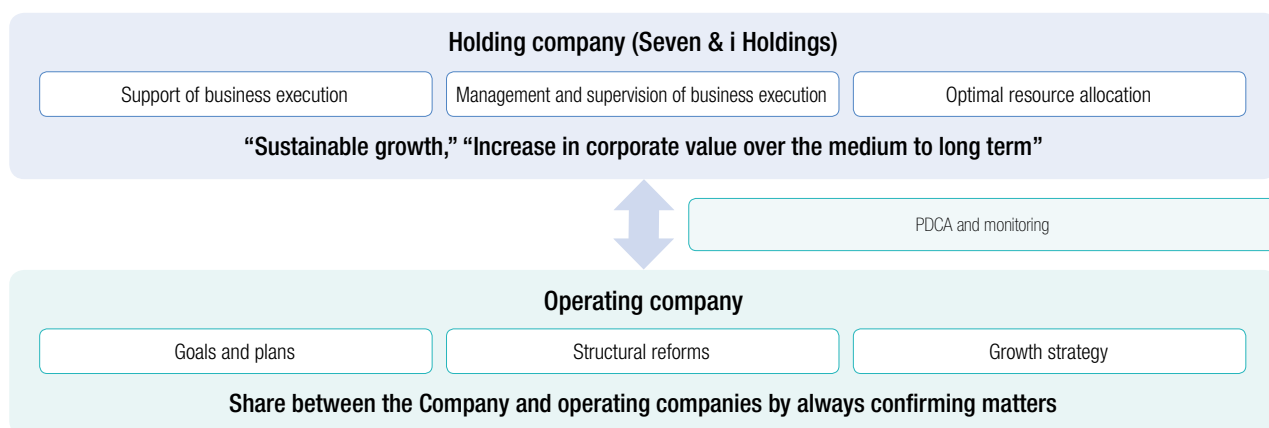
### Junro Ito

Director and Managing Executive Officer

Joined SEVEN-ELEVEN JAPAN CO., LTD., in 1990. Appointed Director and Managing Executive Officer in 2002. Became Director at Seven & i Holdings in 2009. Has served as Director, Managing Executive Officer and General Manager of the Corporate Development Division since 2016.

# the precision of Group management and collaboration with operating companies.

Mechanism for creating corporate value based on enhanced dialogue and collaboration with operating companies



services attract more attention than others do. The PDCA cycle and repeated hypothesis and verification are the building blocks of good management.

The ability to consider situations from a customer perspective and the attitude and energy to put ideas into action are indispensable for innovation in retail services and the creation of vibrant sales venues. We believe these qualities form the driving force that raises corporate value and keeps it at a high level. Through dialogue with operating companies, we know that employees and management teams within the Group have a passion to constantly provide better products and services matched to customer needs, repeatedly using the process of trial and error to pinpoint what makes customers happy.

At the same time, it is essential for each operation to use tangible and intangible management resources efficiently and effectively to improve corporate value. As the holding company, we have to identify the strengths and issues of each operating company and approaches for using limited management resources to the best advantage. In these efforts, we offer candid suggestions from an objective perspective and work with each operating company to determine viable solutions.

A holding company and its operating companies play different roles, but we share common goals—achieving sustainable growth and boosting corporate value by satisfying stakeholders, starting with customers. We will reinforce collaboration with our operating companies as we work together toward achieving our shared goals.

## New business development, business alliances and the creation of Group synergies

The Group is involved in retailing and services under various formats. Meanwhile, the operating companies often have a common management infrastructure and management issues.

As mentioned earlier, it is important for each operating company to devise measures to deal with its own issues. However, it is also important to provide managers at operating companies with similar administrative concerns the opportunity to discuss matters and acquire new insights for solving issues. This approach can revitalize business and spur innovation. Today, customers’ needs, their sense of values, their lifestyles and other demand criteria are changing at exponential speed. We will strive to maximize Group synergies by emphasizing the multi-faceted originality and creativity of our operating companies and by mobilizing know-how.

In addition, amid major changes in the operating environment, measures limited to implementation only within the Group are insufficient for generating new synergies. Therefore, we actively collaborate with government agencies and businesses outside the Group, drawing on their respective strengths and distinctive features to create better products, better services and new business opportunities matched to changes in the operating environment.



## Message from General Manager of the Corporate Development Division

We have formed various business alliances with leading companies in each field, and some of these ties have already led to new businesses. Going forward, with a diverse partner network, we will continue to listen to the opinions of customers and society and utilize our PDCA cycle. These efforts will underpin the creation of the new businesses that are indispensable for further growth of the Group.

---

### Applying enhanced IR operations and comments from capital markets to Group activities

IR activities also fall under the scope of the responsibilities of the Corporate Development Division, whose job is to convey an accurate picture of the Group's current and future status to shareholders and investors. With a corporate management function and an IR function, this division ensures extremely smooth collaboration with operating companies, particularly in relaying feedback from shareholders and investors.

A holding company needs to listen sincerely to comments from customers on the front line of business, and operating companies must take the initiative on problems raised and matters of interest to shareholders and investors, then work with the holding company to find solutions.

The Corporate Development Division acts as an

intermediary between operating companies, shareholders and investors to promote dialogue, thereby achieving Group management based on the actual status of business while reflecting an awareness of issues that concern shareholders and investors. The holding company must fulfill this important duty. Going forward, we will reinforce our IR function to facilitate active use of comments from capital markets within the Group.

---

### Improve risk management and apply results to management

Today, risk management is much more than a function of defense—it plays an important role in maintaining sound corporate growth. Therefore, the Company is keen to expand risk management and strengthen the system that the Company's divisions use to track risk management at operating companies.

In addition, one reason for the Corporate Development Division to deal with the risk management function is to apply risk management results to corporate management more concretely.

Observation from a risk management perspective is extremely valuable, as it is based on multi-faceted confirmation of management practices at each operating company. We will continue to use insights gained from risk management in drafting business plans and vigorously draw up new ideas from a proactive stance.



## Rebuilding Group governance

In May 2016, by launching a new management structure, the Company entered a new “Group management stage” by transitioning to “a management structure that concentrates the Group’s wisdom and enables a more robust Group governance system based on its organizational strength.”

Over the past three years, the Company and its operating companies have improved mechanisms and processes for Group governance, including resetting business segments. Going forward, we will build a governance system, including rules and other conventions, that is consistent throughout the Group.

In addition, we are working to energize the Board of Directors’ meetings at each operating company. The

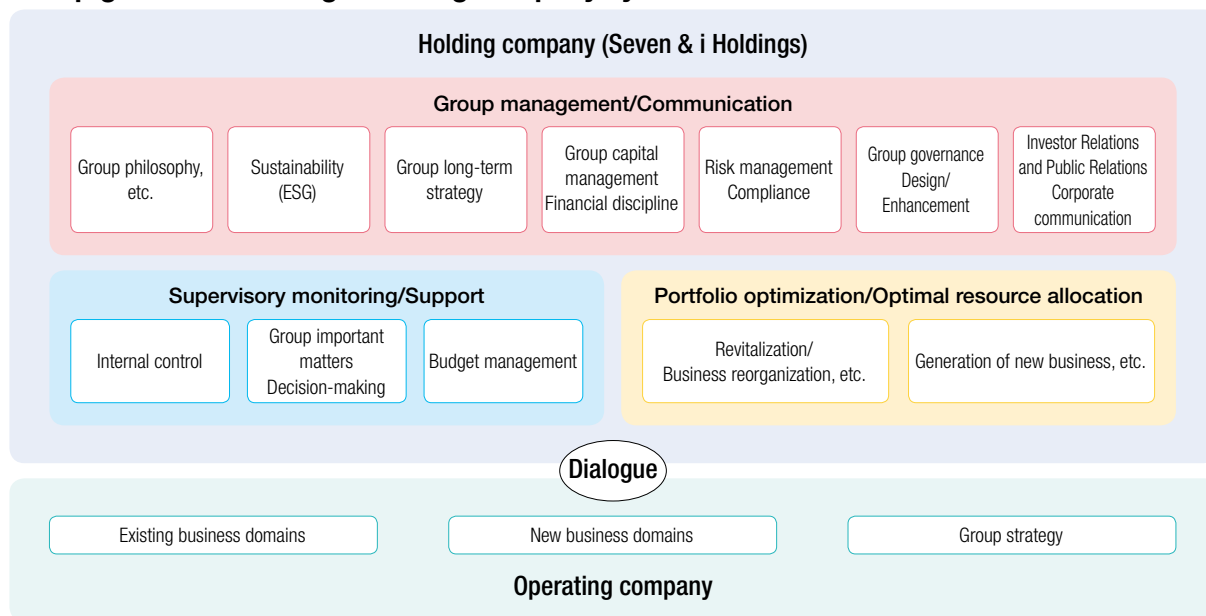
quality of discussion at our Board of Directors’ meetings has improved significantly over the past three years. The same is true at our operating companies, with each management team addressing management issues from both financial and non-financial perspectives and delivering concrete results. We believe this approach will lead to a true improvement of Group governance.

The Company’s Directors concurrently serving as directors at operating companies will contribute to energizing the Board of Directors’ meetings at each operating company. This will lead to better Group management.

In these efforts, the guidance and encouragement of our stakeholders will be integral to success. I look forward to the continued support of all stakeholders.

### Group Governance Framework Driving Corporate Value Creation

#### Group governance using a holding company system



Based on the Group’s philosophy and management policies, we employ a Group governance framework based on a holding company system as a mechanism to drive the creation of Group corporate value, not only in the short term but also over the medium to long term.

As the holding company overseeing the Group, in order to achieve sustainable growth for the Group and to increase corporate value over the medium to long term, the Company supports and supervises management execution by operating companies, as well as optimally allocates resources to them. In addition, the Company is responsible for “Group management,” including disseminating the Group philosophy, drawing up sustainability policies and long-term Group strategies, managing the Group’s capital and maintaining financial discipline, enhancing the risk management and compliance system, and enhancing Group governance, as well as “Group communication,” including investor relations and

public relations activities.

Meanwhile, each operating company under the Company’s umbrella, while demonstrating autonomy, aggressively performs structural reforms and growth strategies utilizing the PDCA cycle with respect to its own business area, based on the goals and plans established through dialogue with the Company, and fulfills their own responsibilities, striving to increase corporate value and improve capital efficiency.

Based on the clear division of roles among the Group companies, we will steadily execute the Medium-Term Management Plan, realize the management philosophy and management policies, and strive to increase Group corporate value, by having closer and stronger dialogue and collaboration between us, the holding company and operating companies.

# We aim to maintain a sound financial structure and boost capital efficiency to ensure sustainable growth.

## Yoshimichi Maruyama

Executive Officer, General Manager of the Corporate Finance & Accounting Division

Joined Seven & i Holdings Co., Ltd. in 2008. Appointed Executive Officer and Senior Officer of Finance Planning Dept. in May 2017, then Executive Officer and General Manager of the Corporate Finance & Accounting Division in March 2018.



## Toward sustainable growth

The operating environment surrounding the retail industry, where most of the Seven & i Group's business occurs, is undergoing a major transformation. Drastic adjustments to the operating cost structure, to the labor-intensive business model and to store strategies are pressing issues that parallel rapid progress in digitization.

In addition, since realization of a sustainable society requires steady efforts—without delays—on initiatives to reduce the environmental impact, we remain committed to the robust investment that underpins such initiatives. From a financial perspective, we will promote greater

visualization of medium- to long-term return on investment and reinforce the structure to facilitate timely and accurate management decisions.

## Maintain sound financial structure

A sound financial foundation is indispensable for investments related to growth strategies, structural reforms or improved corporate value. Our corporate policy is to maintain a high financial rating—equivalent to AA—and we have set key performance indicators (KPIs), such as the owners' equity ratio and debt/equity ratio, as benchmarks to monitor.

To prepare for future capital demand, we set a shelf



registration for corporate bonds and a limit on loans. These measures, as with other aspects of corporate activity, must demonstrate appropriate creditworthiness.

In addition, we seek to lower our financial costs by eliminating asymmetric information through dialogue with rating agencies and financial institutions.

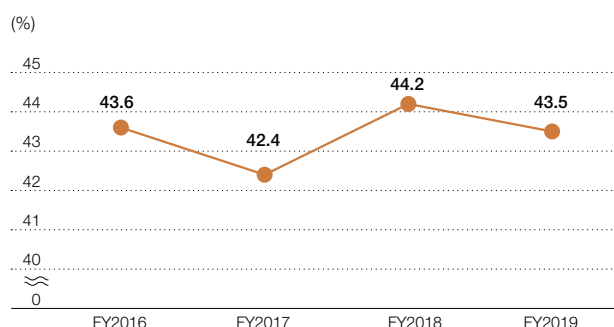
## Improving capital efficiency

Our capital policy calls for effective allocation of capital and investment efficiency with capital cost in mind to improve capital efficiency. We set up a Group cash management system to promote effective use of cash and deposits. This utilization of capital within the Group underpins optimization of our balance sheet, a better financial balance and higher ROA.

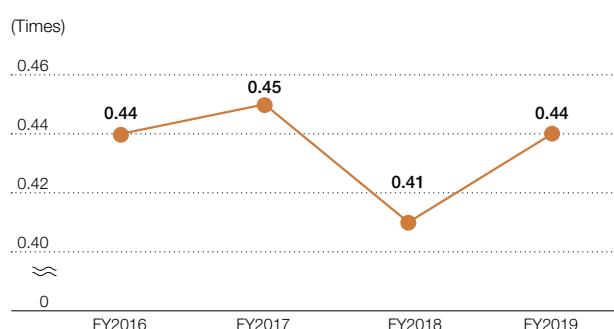
## Diversifying fund procurement methods

As described in the Medium-Term Management Plan, we are concentrating management resources in domestic and overseas convenience store operations to turn them into pillars of growth. This is having the particularly noticeable effect of increasing the share of overseas convenience store operations. Seeking to diversify our fund procurement methods and strengthen asset-liability management (ALM), last year we issued U.S. dollar-denominated unsecured straight bonds, our first

### Owners' equity ratio

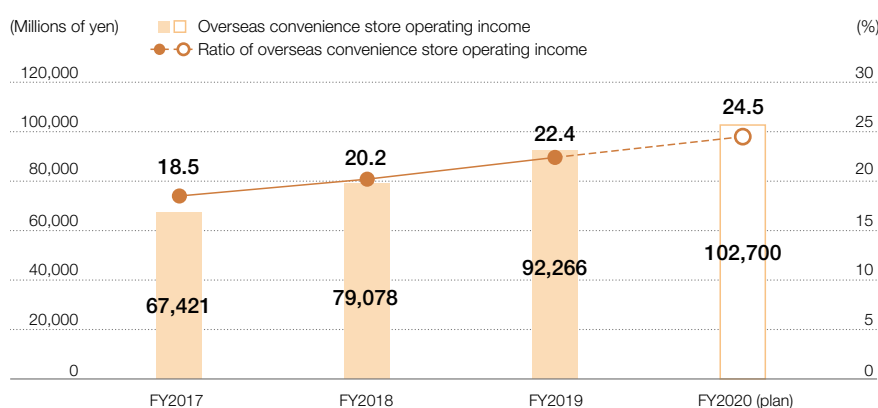


### Debt/equity ratio



under the holding company structure. Going forward, we will continue to elevate our presence in capital markets at home and abroad, ensure flexibility in our fund procurement approach, strengthen ALM by currency and strive to lower exchange rate risk.

### Change in contribution of overseas convenience store operations to consolidated operating income



## Message from General Manager of the Corporate Finance & Accounting Division

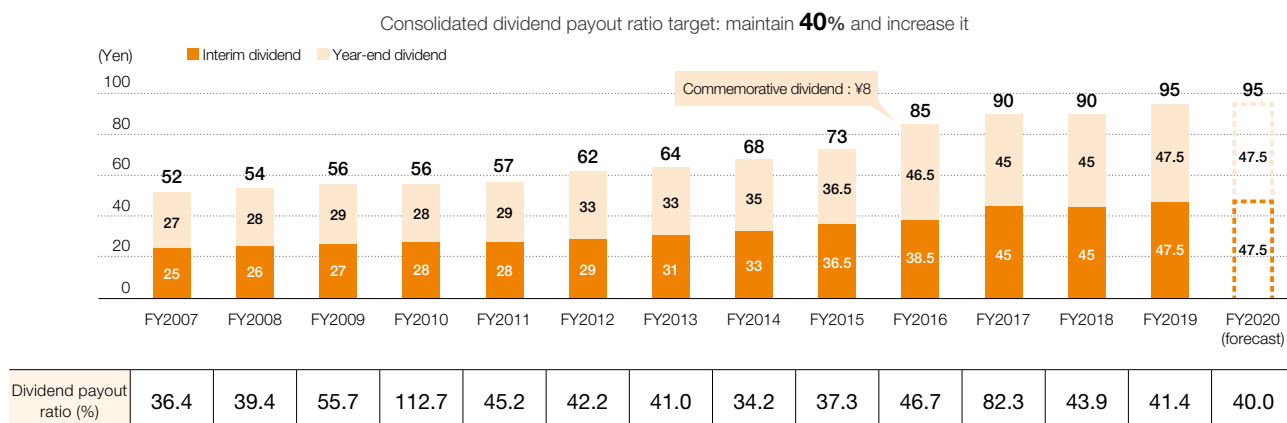
### Shareholder returns

In line with the basic policy on return of profits to shareholders, our goal is to maintain a consolidated dividend payout ratio of 40% per share but ultimately

improve on that.

In the fiscal year ending February 29, 2020, we plan to pay a full-year dividend of ¥95 per share for a dividend payout ratio of 40%.

### Dividends per share



**In the fiscal year ended February 28, 2019, we increased the total dividend by ¥5, to ¥95 per share (a payout ratio of 41.4%).**

### Topics

#### Basic strategy for capital policy

In order to increase its corporate value and realize sustainable growth over the medium to long term, the Company aims to achieve both “financial stability,” as the core focus, and also “an increase in capital efficiency.”

With regard to “financial stability,” the Company’s key performance indicator is an equity ratio that can maintain a high credit rating. This will support the goal of “maintaining a sound financial structure” that will enable aggressive investment in growth businesses and investment from a medium- to long-term perspective in new businesses.

For “an increase in capital efficiency,” the Company takes return on equity (ROE) as its key performance indicator, aiming to continuously achieve an ROE that exceeds the cost of capital. Specifically, by separating ROE into ROA and financial leverage, the Company conducts business management based on the ROA of operating companies and consolidated financial leverage.

In addition, as to shareholder returns, the Company’s basic policy is to return profits in line with consolidated operating results, aiming at stable and continuous shareholder returns.

$$\begin{aligned}
 \text{ROE} &= \frac{\text{Net income}}{\text{Net sales}} \times \frac{\text{Net sales}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Owners' equity}} \\
 &= \text{ROA} \times \text{Financial leverage}
 \end{aligned}$$

# Values

## Contents

28 Trust and Sincerity

# Sustainability/Growth

## Contents

30 Ensuring Sustainability and Growth

# Business Model

## Contents

34 Group Value Creation to Address Changing Social Structure and Needs  
36 The Group's Business Model



# We aim to be a trusted and sincere company.

## Basic Views

### 1. Management Philosophy [ CGC Principle 3.1 (i) ]

The Company formulated its Corporate Creed as below in 1972. The Corporate Creed is unchanging and comprehensively symbolizes the Group's management philosophy; thus, the Company values it most as the fundamental basis of the Group's management.

#### Corporate Creed

We aim to be a sincere company that our customers trust.  
We aim to be a sincere company that our business partners, shareholders and local communities trust.  
We aim to be a sincere company that our employees trust.

### 2. Corporate Action Guidelines [ CGC Principle 3.1 (i) ]

The spirit embodied in the Corporate Creed is our unchanging philosophy, which will remain undisturbed no matter how greatly the social environment changes in the future. The attitudes needed to realize this philosophy have been formulated as our Corporate Action Guidelines.

The Corporate Action Guidelines present the basic attitudes adopted by all of the Group's Directors, Audit & Supervisory Board Members, and employees and comprise the Basic Policy, which sets out the approach

#### Structure of the Corporate Creed and Corporate Action Guidelines



[Reference information] Corporate Action Guidelines  
URL: <https://www.7andi.com/en/csr/policy/guidelines.html>

of the Group as a whole, and the Code of Corporate Conduct, which sets out rules for conduct. Furthermore, each Group company has established detailed guidelines and conduct rules appropriate for its business format at the concrete action level and, together with the Guidelines, will keep all new recruits and newly appointed managerial employees fully informed through their training.

### 3. View on Appropriate Cooperation with Stakeholders

The Company aims to be a sincere company in line with its Corporate Creed, earning the trust of all stakeholders, including customers, business partners and franchisees, shareholders and investors, local communities, and employees. Guided by our Group slogan of “Responding to Change while Strengthening Fundamentals,” we view the constantly changing needs of society and our customers as opportunities to create new retail services, and work toward the creation of new retail services in response to changing times.

Today, as various changes are accelerating, the Company recognizes the importance of constantly striving to accurately understand the expectations and interests that stakeholders have of the Group. For this reason, the Company will strive to respond quickly to “feedback” from its stakeholders—their opinions, requests, and so forth—that it receives through its dialogue with them, and at the same time, the Company emphasizes reflecting this “feedback” in its business activities and management decision-making process (stakeholder engagement).

Furthermore, toward sustainable growth and increasing corporate value, the Company is promoting initiatives to resolve social issues in line with the business characteristics of each Group company through its core operations. The Company will continue its efforts to remain a sincere company that is trusted by its stakeholders through the spirit embodied in the Corporate Creed.

In addition, at the “Management Policy Explanation Meeting” held each year, the Company's Representative Directors directly explain and acquaint all its employees with the Company's strategies for responding to social changes surrounding its customers and other stakeholders.

## Seven & i Group Stakeholders



[Reference information] Stakeholder Engagement

URL: <https://www.7andi.com/en/csr/organization/engagement.html>

# Ensuring Sustainability and Growth

[ **CGC** Principle 3.1 (i) ]

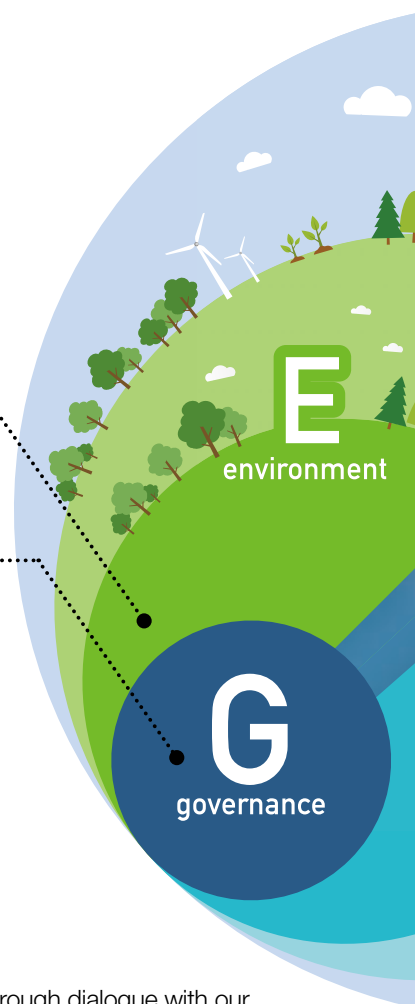
Recently, the role of companies in solving global issues has become emphasized in initiatives such as the Sustainable Development Goals (SDGs\*) and the Paris Agreement. In order to respond to these demands from society and uphold its responsibilities as a company, the Company will promote global ESG initiatives in collaboration with our stakeholders focusing not only on the Company but on the entire supply chain.

## Environment

We use products, raw materials and energy efficiently to combat challenges such as climate change and resource depletion, and we are working with customers and business partners to reduce the environmental impact throughout the supply chain.

## Governance

We are working to create a framework to ensure highly transparent management and compliance with laws, regulations, and social norms in line with our Corporate Creed. With sincere governance practices as our starting point, we will contribute to realizing a society that leaves no one behind—the goal of SDGs—by fulfilling our corporate responsibilities for various environmental and social issues and by solving social issues through our business activities.



### Basic ideas and governance system supporting sustainability

The Company considers that being “a sincere company that all our stakeholders trust” as embodied in its Corporate Creed is the “heart” of corporate governance and at the same time is the “foundation” for securing the Company’s sustainability and growth.

With a “sincere” corporate governance structure that is highly transparent and compliant with laws, regulations, and social norms, we will accurately grasp society’s

expectations and demands through dialogue with our stakeholders and earnestly undertake initiatives to contribute to solving social issues through our business, while reducing the negative social impact in environmental (E) and social (S) issues. We believe this approach will earn the long-term “trust” of our stakeholders and result in the “sustainable development of society” and the “sustainable growth of the Company.”



## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

Sustainable Development Goals (SDGs) are international goals adopted at a UN summit in September 2015. By 2030, the agenda aims to achieve 17 goals and 169 targets that are common to society worldwide, such as eradicating poverty, correcting inequality and countering climate change.



At present, as our governance system to support those initiatives, the Company stipulated various policies, such as the Corporate Action Guidelines, and established the Groupwide CSR Management Committee and thereunder the Corporate Ethics and Culture Subcommittee, the Consumer Affairs and Fair Business Practices Subcommittee, the Environment Subcommittee, and the Social Value Creation Subcommittee, thereby setting up a system able to accurately grasp the external environment and situation around sustainability and properly execute the policies to ensure sustainability and growth, which is monitored by the Company's Board of Directors from an objective standpoint.

[Reference information] For information about CSR management, please visit the Company's CSR website.  
<https://www.7andi.com/en/csr/organization/committee.html>

Going forward, the Group will fulfill its responsibilities as a corporate citizen to promote development of a sustainable society and a sustainable corporate group. As a cohesive unit, we will strive to balance social value and corporate value by addressing the expectations and demands of society through stakeholder dialogue.

## Social

As a member of society, through our products, stores and other business activities, we are working to resolve issues, such as global poverty, human rights problems, Japan's falling birthrate, aging population and population decline, and the drop in the number of retail stores and social bases.

### Identification of material issues (Materiality) related to sustainability

As our business domain expands, and related social issues and societal demands become increasingly diverse, in order to fully grasp the issues related to sustainability and respond as a group to the expectations and demands of our stakeholders, the Company engaged in dialogue with stakeholders to identify Five Material Issues (Materiality) for the Group to address. The material issues will be updated as necessary in accordance with the changing times and changes in society, as well as new requests from stakeholders.

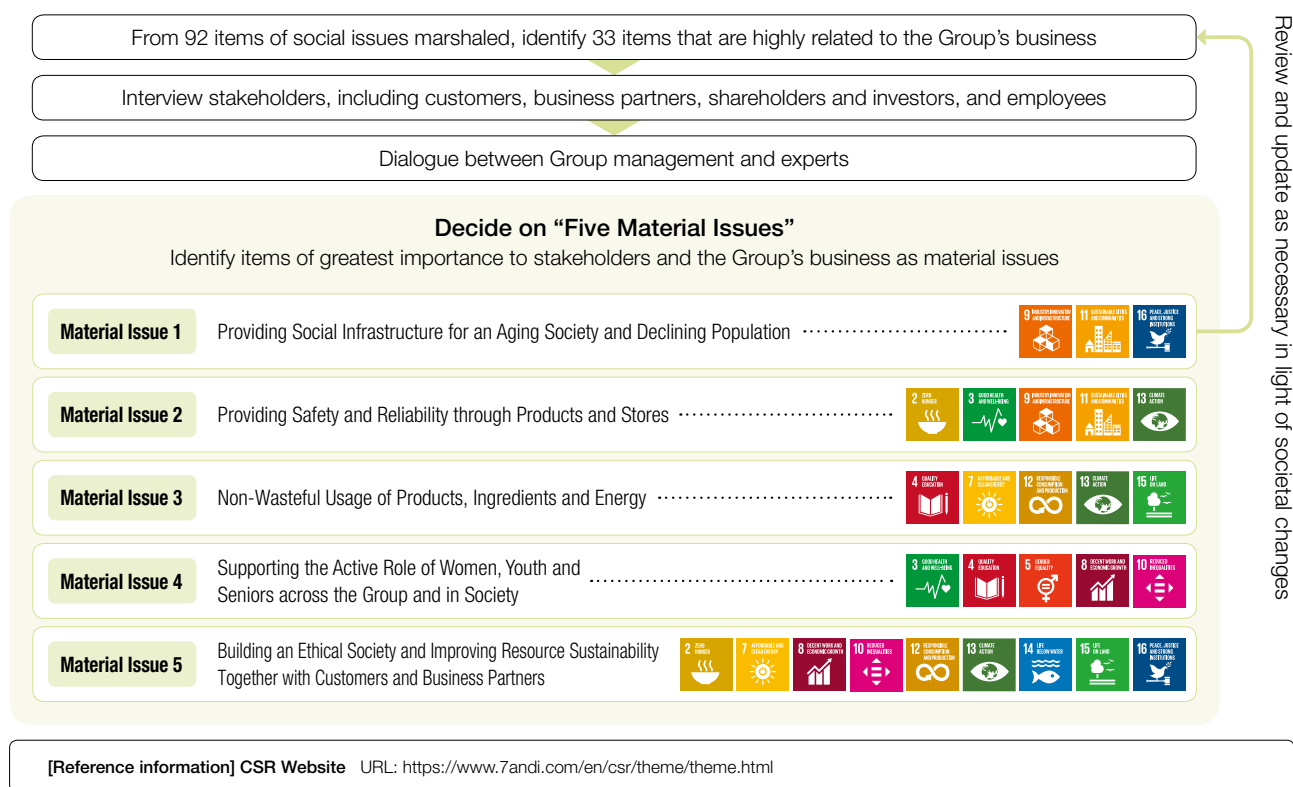
For each of the material issues, we are promoting

CSV\* initiatives to solve these issues through our core businesses, including our products, services and stores, while promoting initiatives to reduce the Company's negative impacts.

In 2015, the UN adopted the SDGs as common goals for the international community to pursue until 2030. To contribute to achieving these goals through business activities, Seven & i Holdings studied the relationship between the goals and Five Material Issues and incorporated them into sustainability initiatives.

\* Creating Shared Value: The creation of shared value that generates both social and economic value

#### Material Issues Determination Process



### Sustainability-related risks and opportunities

While various issues related to the environment and society threaten corporate sustainability, working on solving social issues leads to new business opportunities. The Company aims to create both a

sustainable society and sustainable corporate growth by grasping risks and opportunities related to the Five Material Issues, working to reduce risks, and creating new business models to solve social issues.

**Material Issues (Materiality) and Key Risks and Opportunities (Examples)****Material Issue 1 Providing Social Infrastructure for an Aging Society and Declining Population****Risks**

Decline in people's motivation to visit stores if we are late in responding to changing needs due to the aging of society, etc.

**Opportunities**

Expansion of sales opportunities by offering products that meet the needs of an aging population as well as creating helpful and convenient shopping environments and services, such as online initiatives, etc.

**Initiatives to Reduce Risk and Create Opportunities**

- 1) Policies: Corporate Action Guidelines
- 2) Organizations: CSR Management Committee and its Social Value Creation Subcommittee, Digital Strategy & Planning Department

**Material Issue 2 Providing Safety and Reliability through Products and Stores****Risks**

Decline in trust due to product issues, in-store accidents, or violations of laws, etc.

**Opportunities**

Increase in sales opportunities through rigorous safety and quality control and by offering health products and other new products that match customers' needs, etc.

**Initiatives to Reduce Risk and Create Opportunities**

- 1) Policies: Corporate Action Guidelines, Quality Policy
- 2) Organizations: CSR Management Committee and Group Quality Control Project

**Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy****Risks**

Physical damage to stores/distribution network due to climate change, etc.

**Opportunities**

Cost reductions by saving energy, reducing waste, recycling, changing energy sources, etc.

**Initiatives to Reduce Risk and Create Opportunities**

- 1) Policies: Corporate Action Guidelines, 『GREEN CHALLENGE 2050』
- 2) Organizations: CSR Management Committee and its Environment Subcommittee

**Material Issue 4 Supporting the Active Role of Women, Youth and Seniors across the Group and in Society****Risks**

Lack of human resources and spike in labor costs due to a decline in the working population, etc.

**Opportunities**

Promote diversity to enhance competitiveness, develop new businesses, and acquire talented personnel

**Initiatives to Reduce Risk and Create Opportunities**

- 1) Policies: Corporate Action Guidelines
- 2) Organizations: CSR Management Committee and its Corporate Ethics and Culture Subcommittee, Diversity & Inclusion Promotion Project

**Material Issue 5 Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners****Risks**

Human rights problems in the supply chain leading to interruption of product supply, deterioration of product quality and/or loss of social trust, etc.

**Opportunities**

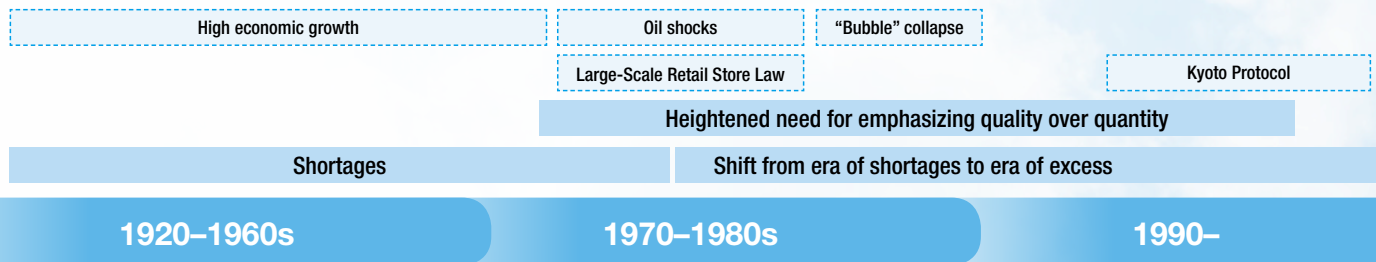
Enhancement of competitiveness through sustainable raw material procurement, and expansion of sales opportunities by offering products and services addressing ethical consumption, etc.

**Initiatives to Reduce Risk and Create Opportunities**

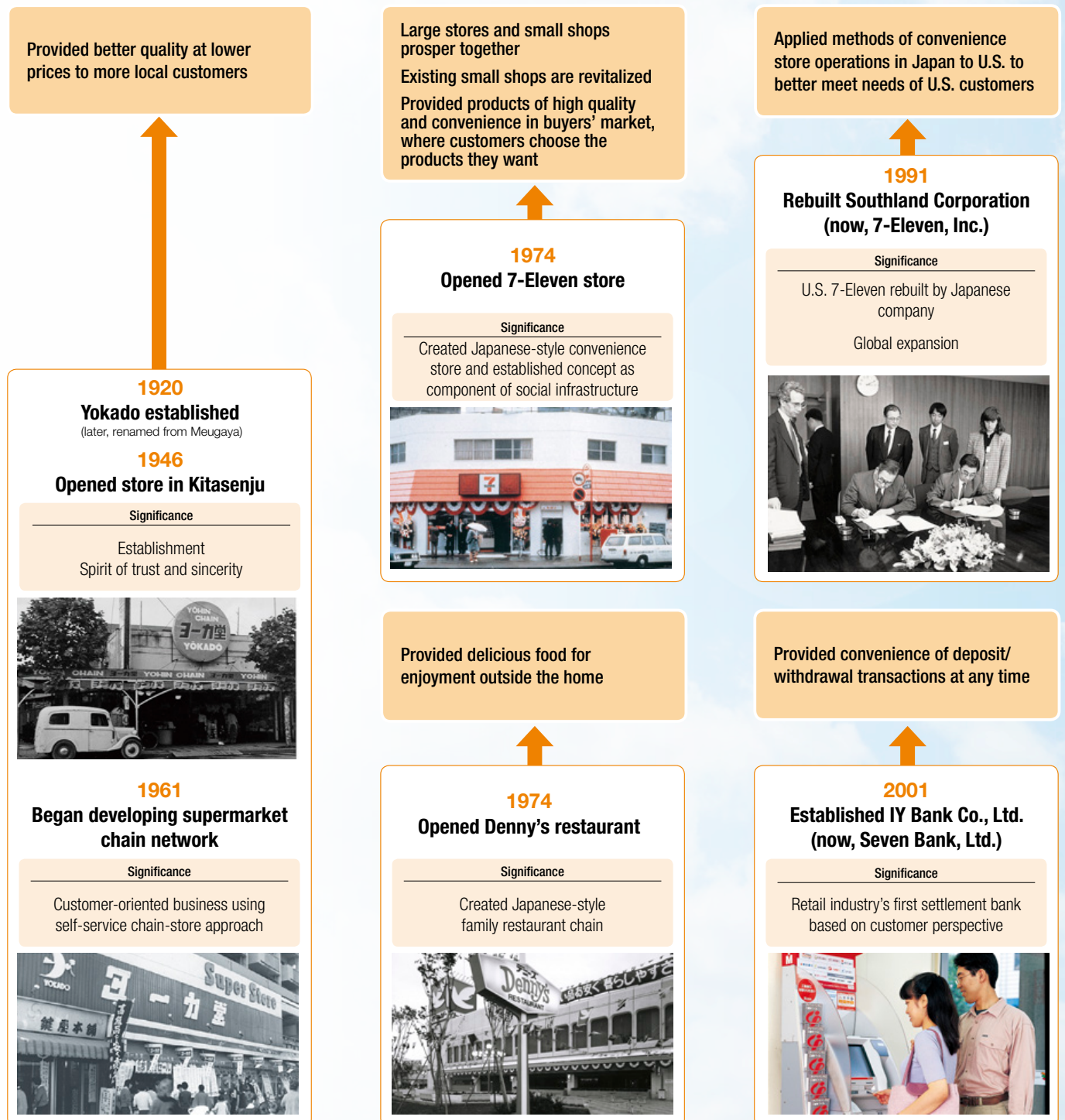
- 1) Policies: Corporate Action Guidelines, Business Partner Action Guidelines, Basic Policy on Sustainable Procurement
- 2) Organizations: CSR Management Committee and its Consumer Affairs and Fair Business Practices Subcommittee, Environment Subcommittee



## I Changing social structure and needs



## I Provided value



Work-life balance

Interest in foods that are safe and provide peace of mind

Low birthrate/graying of society

Increase in two-income households (increasing need for meals prepared outside the home)

Shift from consumption of products to consumption of services

SDGs

2000s

Now

Provided new products and services through Group synergy transcending borders of formats, such as convenience stores, supermarkets and department stores



2005

Seven &amp; i Holdings established

## Significance

Multi-business format with Group management under holding company structure



## Goals

## Corporate Creed "Trust and Sincerity"

Enhance convenience in daily life by supplying products and services, while staying closely attuned to the life stages and settings of customers

Become a caring Group indispensable to communities

Providing social infrastructure for an aging society and declining population

Providing safety and reliability through products and stores

Non-wasteful usage of products, ingredients and energy

Supporting the active role of women, youth and seniors across the Group and in society

Building an ethical society and improving resource sustainability together with customers and business partners

**Operate business based on improved corporate value over medium to long term with environment (E), society (S) and governance (G) in mind**

**Balance solutions to social issues with improved corporate value**

# The Group's Business Model

## (1) Overview of business model

### Sources of corporate value creation

#### Multi-business format with Group management

Committed to being a sincere company trusted by all kinds of stakeholders, we aim to develop operations using a multi-business format with Group management as the business model. This allows us to address the various life stages of our customers. (See figure on right.)

We consider social issues and the changing environment around us business opportunities. To capitalize on these opportunities, we integrate and apply key management resources—know-how cultivated by Group companies under respective operating formats and diverse human resources—to the creation of new and unparalleled products and services (value).

#### Ability to innovate products and services

In addition, we have established close relationships (Team Merchandising) based on mutual trust with business partners, including producers (such as farmers), manufacturers, vendors (wholesalers) and logistics companies. The innovation power that drives the development and marketing of products and services comes from the know-how and skills that these business partners contribute. This power is also a source of the Group's unique corporate value creation.

#### Ability to utilize information

We also gather information such as shopping histories and comments from customers loyal to Group companies. We analyze the information from various angles to discover new needs and develop and improve services. The ability to utilize information through continuous contact with customers is another tool for creating corporate value.

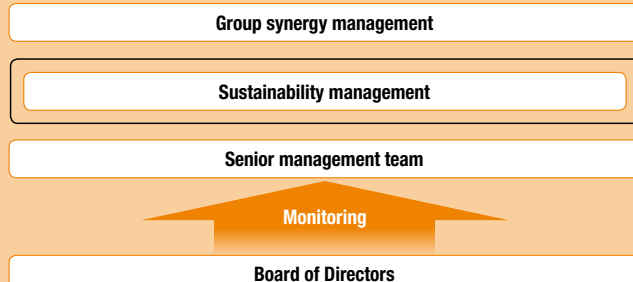
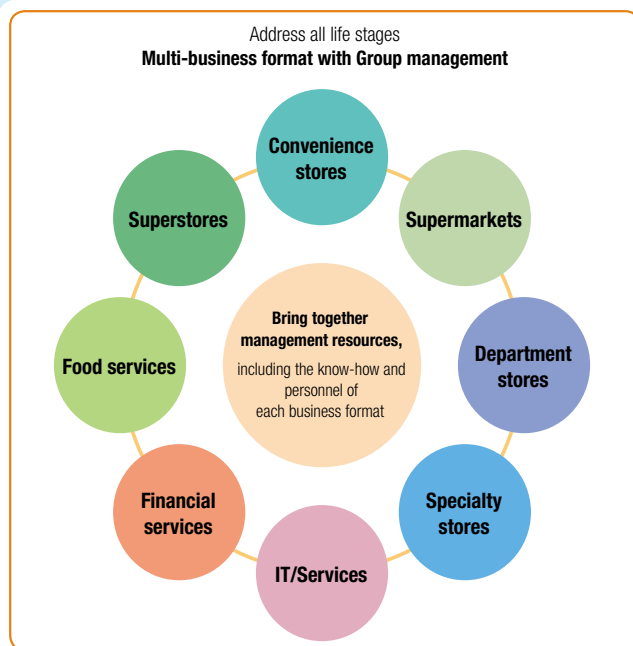
#### Ability to serve customers

We encourage employees to take a customer perspective to better understand latent needs and subtle changes in preferences. The ability of employees to fine-tune services to meet the requirements of each and every customer is a skill we have prioritized since our earliest days.

### Value provided by Seven & i Holdings (outcome)

We strive to satisfy the needs of customers across different life stages and in various life scenes by providing

#### Sources of corporate value creation



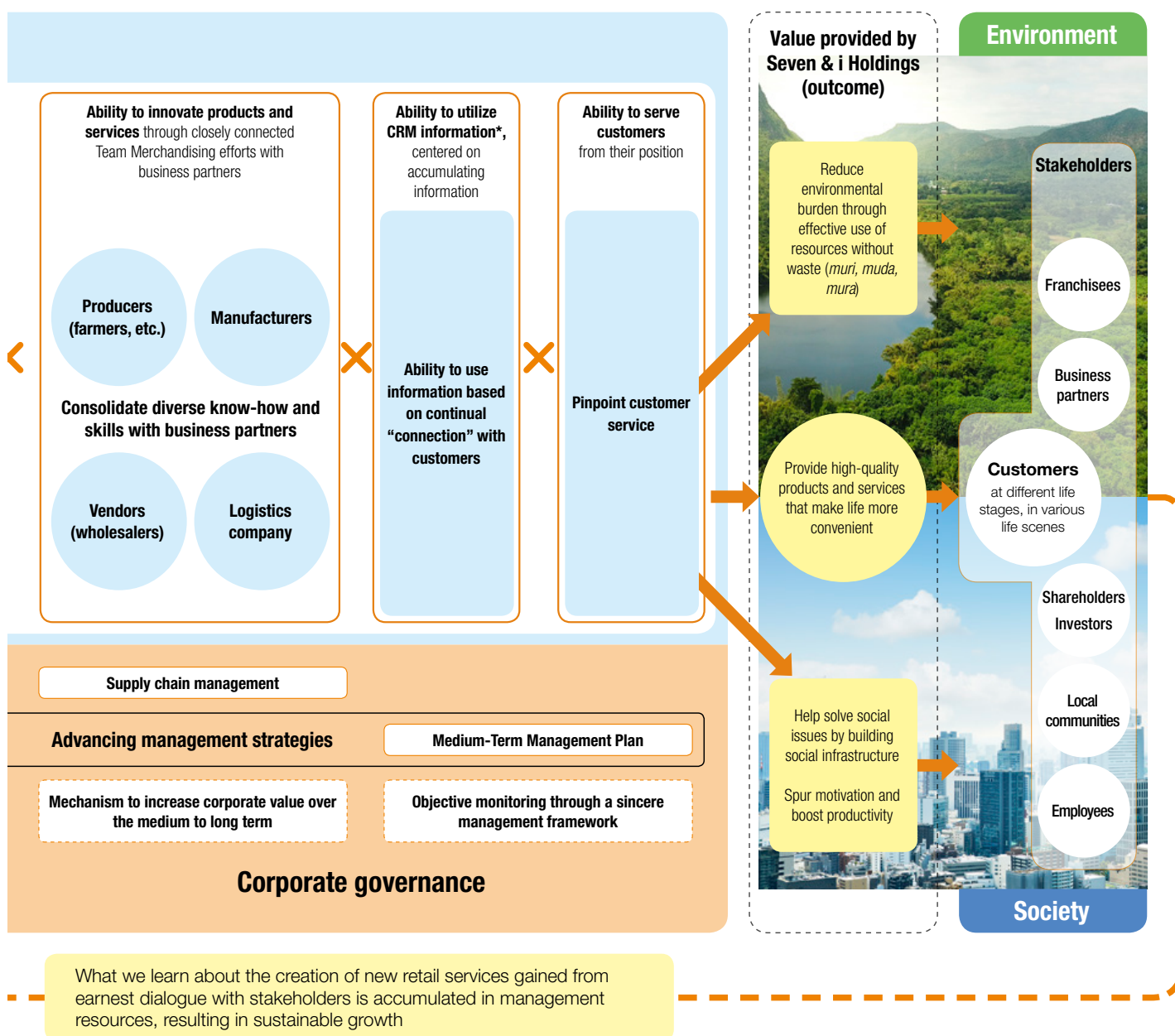
\*CRM (Customer Relationship Management): A management system that uses customers' information (purchase histories, etc.) for personalized sales promotion and other uses, aiming to achieve a continual connection with customers

high-quality products and services that make their lives more convenient. This approach is underpinned by business activities based on our business model.

We also seek to reduce the environmental burden by using resources effectively and thereby eliminating three categories of waste: *muri* (overly difficult processes), *muda* (non-value-adding activities) and *mura* (inconsistent production and services). We achieve this mainly through supply chain management.

In addition, we are keen to be part of solutions to social issues through our core business activities, which form a social infrastructure. For this, we will emphasize initiatives such as Group synergy management, spur motivation in the workplace and boost productivity.





## I Governance supporting these (objective monitoring by the Board of Directors)

The Group has established the "Medium-Term Management Plan" in order to proactively utilize the above business model and sources of corporate value creation, and is advancing management strategies aiming to promote sustainability management targeting an increase in corporate value over the medium to long term. At the same time, we have established a Group governance framework through close collaboration between the Company and the operating companies as a mechanism to support the steady implementation of these initiatives.

In addition, from an objective point of view that

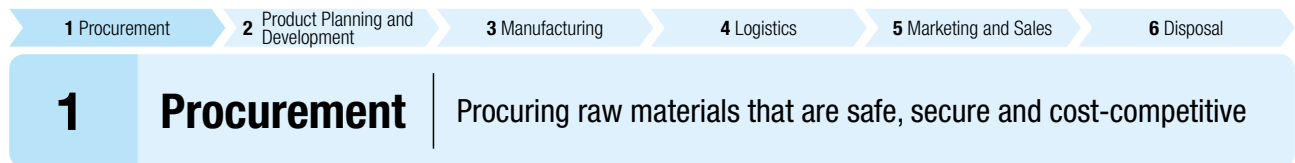
includes "validity as a medium- to long-term corporate value enhancement process based on environmental (E) and societal (S) factors," the Company's Board of Directors continuously monitors "the consistency between the Company's management policy and the business model and strategies," as well as "the execution of business by the management team and the progress of management strategies," by checking the implementation status of specific projects.

We will continue to work toward sustainable improvement of corporate value by constantly providing value to customers and society at large through a unique business model underpinned by a spirit of trust and sincerity.

## (2) Value creation through value chain

Using the business model described on the previous page, the Seven & i Group has built a unique system appropriate for every level of the value chain to kindle a chain reaction of added-value creation.

Going forward, we will continue to orient our activities toward the needs of each and every customer, search for ways to make the daily routine, the environment and society better, and strive to create new value.



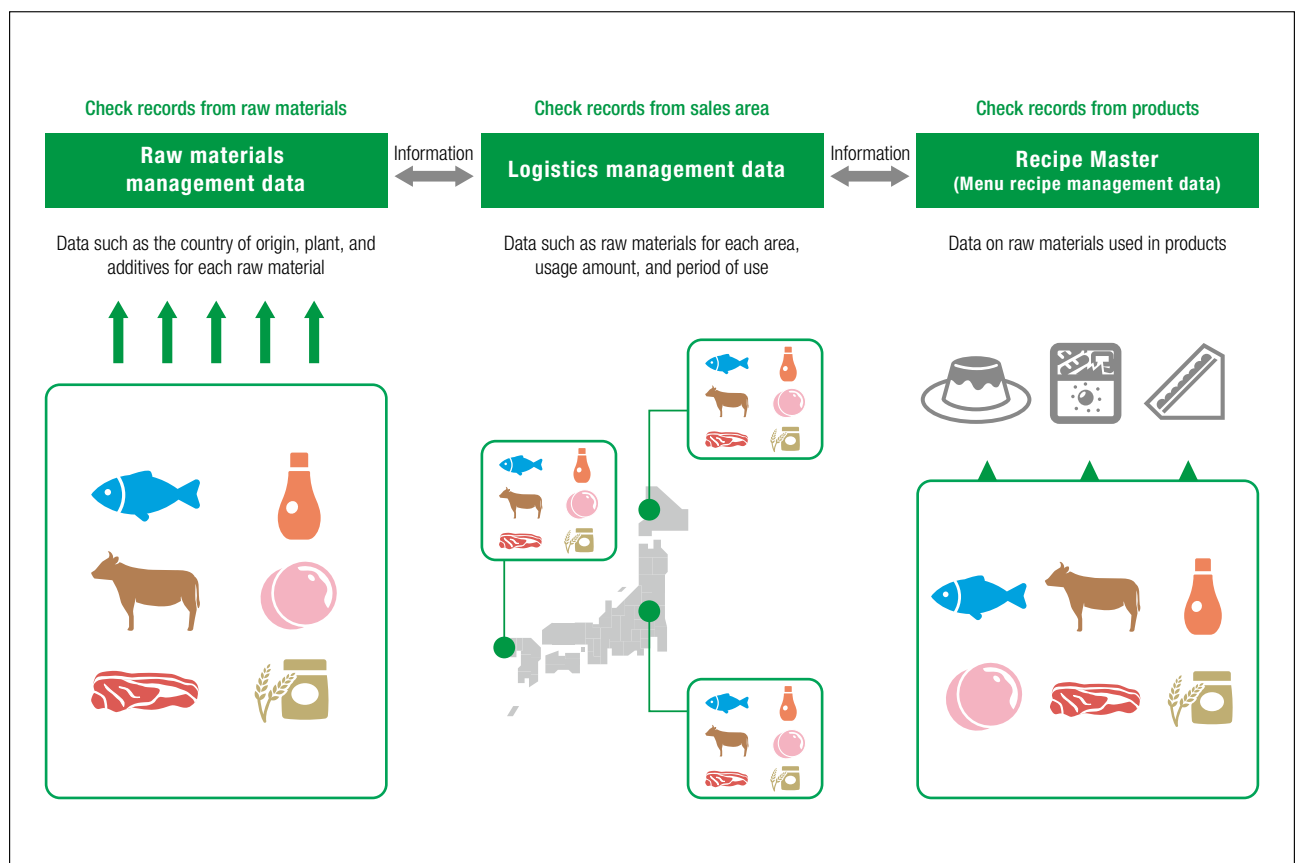
### Major points of excellence/distinction

- Joint procurement for stable product quality and cost-competitiveness
- Traceability system to give consumers peace of mind

## Unified control of product creation history

With respect to daily products such as steamed rice and prepared dishes, 7-Eleven introduced its Recipe Master System, which uses a database to accurately monitor and control various aspects of food creation.

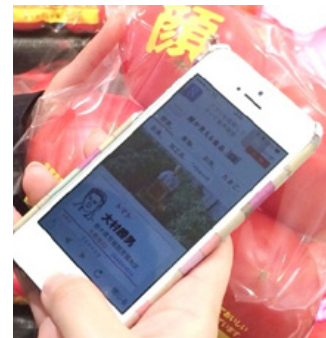
These include the factory of manufacture and the type and volume of raw materials used, as well as the stores to which products containing specific raw materials are delivered.



## Accurate grasp of fresh food production/distribution history

Ito-Yokado's "Fresh Foods with Traceability" system is applied to domestic agricultural, livestock and fishery products. The system monitors producers as well as production areas, production methods and distribution routes to accurately convey product information to customers.

With "York-Benimaru's Products with Visible Production Areas," information about the producers is displayed in the stores, and customers can also input the production number on the product label to confirm an item's production history.



1 Procurement

2 Product Planning and Development

3 Manufacturing

4 Logistics

5 Marketing and Sales

6 Disposal

2

## Product Planning and Development

Gathering know-how in Group product development while meticulously monitoring social needs

### Major points of excellence/distinction

- Strong product development capabilities through "Team Merchandising"
- Product planning and development sensitive to social needs and customers' opinions

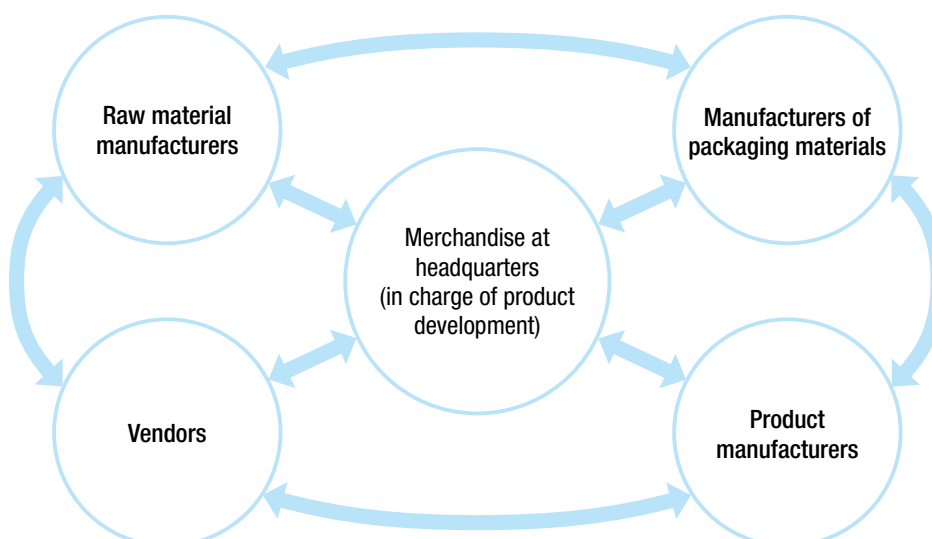
## "Team Merchandising": Our original product development method

Team Merchandising is a method that involves manufacturers and vendors across different sectors in creating high-quality products matched to customer needs. Under this method, the team reviews various topics, from procurement of raw materials to production, processing and transport, to ensure that high-quality products are always available to customers.

In addition, customers have become increasingly more interested in health and nutrition in recent years. A concerted effort is therefore being directed into the development of *Seven Premium* products that support customers pursuing a healthy lifestyle.

Group Merchandising Strategy → page 48

### Team Merchandising at 7-Eleven





## The Group's Business Model

1 Procurement

2 Product Planning and Development

3 Manufacturing

4 Logistics

5 Marketing and Sales

6 Disposal

### 3 Manufacturing

Utilizing the Group's comprehensive strengths, we undertake rigorous safety and quality control processes in manufacturing our products

#### Major points of excellence/distinction

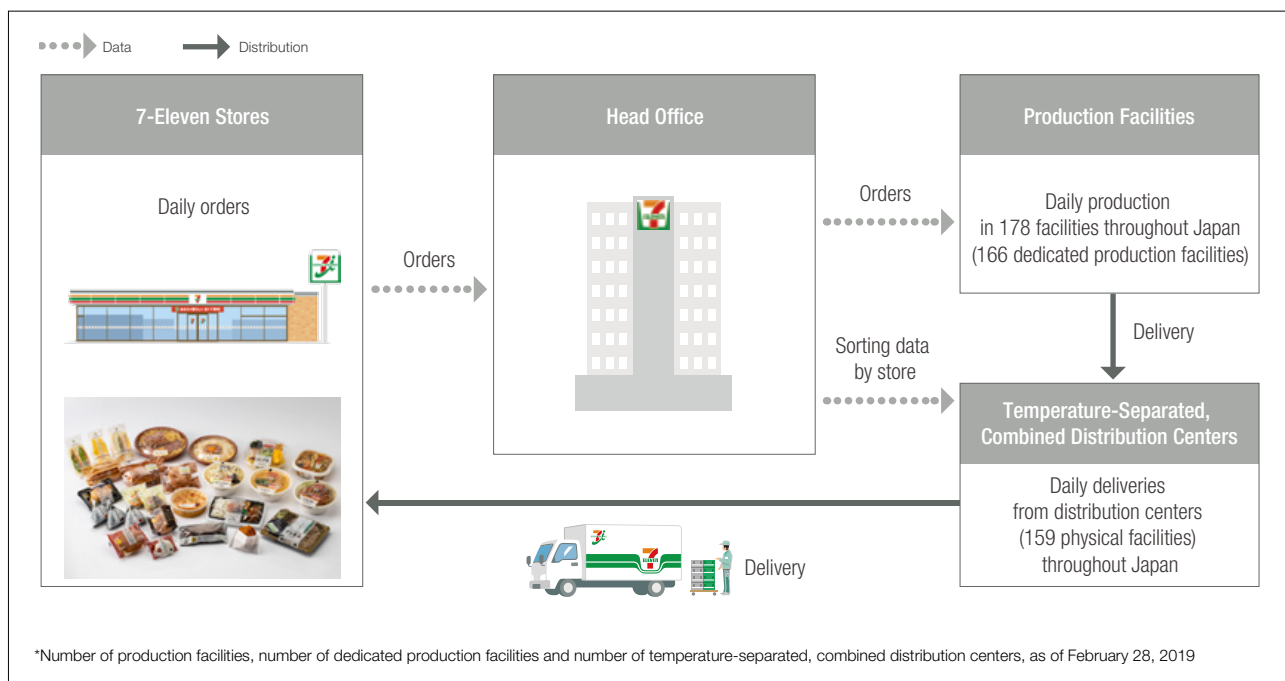
- Dedicated production facilities provide strong product appeal
- Establishment of an efficient, short lead-time product delivery system with strict safety and product quality standards
- Collaboration with business partners to promote human rights, labor and environmental considerations across the supply chain



### Manufacturing infrastructure that includes dedicated production facilities for 7-Eleven stores

One of 7-Eleven's strengths is its manufacturing infrastructure of dedicated production facilities fitted with exclusive equipment that uses exclusive materials and exclusive recipes. This enables us to provide high levels of safety and quality while responding to customers' needs.

Products made at dedicated production facilities are delivered to our stores via temperature-separated, combined distribution centers. Orders received by stores are shared with production facilities and temperature-separated, combined distribution centers to realize efficient deliveries in a short time.



### Uniting with business partners to take care of society and the environment

Since fiscal 2013, the Seven & i Group has conducted CSR audits to confirm compliance with its Business Partner Action Guidelines. These audits are performed once a year, mainly at our business partners' production facilities of private brand products in developing

countries. In addition, we have compiled the responses to self-check sheets—which cite specific details necessary for compliance with the guidelines—into a database that we use as a reference when making decisions on ongoing transactions.

1 Procurement

2 Product Planning and Development

3 Manufacturing

4 Logistics

5 Marketing and Sales

6 Disposal

## 4

## Logistics

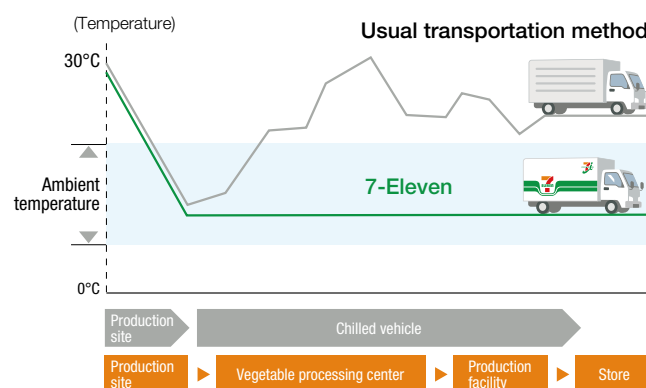
Deploying efficient logistics to improve product freshness and business profitability

## Major points of excellence/distinction

- Maintaining product freshness and improving business profitability through efficient logistics
- Using latest technologies to provide efficient, worker-friendly environments

## Freshness control from farms

To transport and process freshly harvested vegetables from farms, 7-Eleven is introducing cold chain (low-temperature logistics network) technologies to maintain freshness. The harvested vegetables are cryopreserved on the spot and transported by special delivery vehicles from where they are grown to vegetable processing centers, production facilities and then to stores, all under consistent temperature control. This system enables us to maintain high quality and deliver fresh products to customers at our stores.



1 Procurement

2 Product Planning and Development

3 Manufacturing

4 Logistics

5 Marketing and Sales

6 Disposal

## 5

## Marketing and Sales

Competitiveness created by a variety of services and diversity in human resources

## Major points of excellence/distinction

- Providing service to ensure the safety and convenience of everyday life
- Removing the burden of shopping to further improve convenience
- Creating attractive workplaces where diverse human resources can excel and grow



## Supporting lifestyles of seniors in local communities

For seniors in communities where shopping is inconvenient or a challenge, 7-Eleven offers the mobile store service *Seven Anshin Delivery*, begun in May 2011. As of April 30, 2019, 7-Eleven had 94 mobile store trucks in operation throughout Japan. With responses fine-tuned to requests for every delivery, *Seven Anshin Delivery* is an indispensable service for elderly customers in local communities.

In addition, 7-Eleven offers *Seven RakuRaku Delivery*, a home delivery service. Orders are placed in advance, then taken from stores to homes. A side benefit of this service is that delivery staff can confirm that elderly customers are all right. As of April 30, 2019, 7-Eleven

had signed agreements for these activities with 505 local governments, supporting seniors and contributing to the safety and security of local communities.



1 Procurement

2 Product Planning and Development

3 Manufacturing

4 Logistics

5 Marketing and Sales

6 Disposal

## 6

## Disposal

Rigorous waste reduction aimed at realizing a circular economy

### Major points of excellence/distinction

- Reducing food waste (control at source, reuse, conversion to animal feed, conversion to fertilizers)
- Saving product resources and reducing use of expendables
- Recycling systems that support the creation of a circular economy



## Reducing food waste through products with long expiration dates

The Seven & i Group rigorously controls the freshness of products at its stores in order to deliver safe, secure and fresh products to customers. While these efforts are important for protecting product quality, they are also burdensome for store owners and employees, and disposal costs for expired items are high.

7-Eleven has reviewed its materials, manufacturing processes and temperature control processes to develop chilled boxed lunches with longer expiration

dates than ever before, as well as bread, *sozai* prepared dishes and noodles that stay fresh longer, without relying on additives or sacrificing taste or quality. Making the product cycle longer than before helps us better support store operations. Moreover, we believe that prolonging the expiration date will have a positive impact on reducing food waste, and we will continue working actively on this in the future.

### Extending the freshness of salads

Low-temperature, continuous process

1. Longer periods of freshness
2. Improved vegetable quality
3. Lower manufacturing costs
4. Improved appearance

Kept at constant temperature below 4°C from procurement to manufacture



Longer periods of freshness

Before (1.5 days) → Now approximately 2.5 days for a gain of 1 day

Performance in pilot area

Sales: Approx. 20% increase

Disposal loss: Approx. 2% improvement

\*Difference in disposal rate compared with existing products



Two-part container separating vegetables from other materials, topped with a seal-type lid



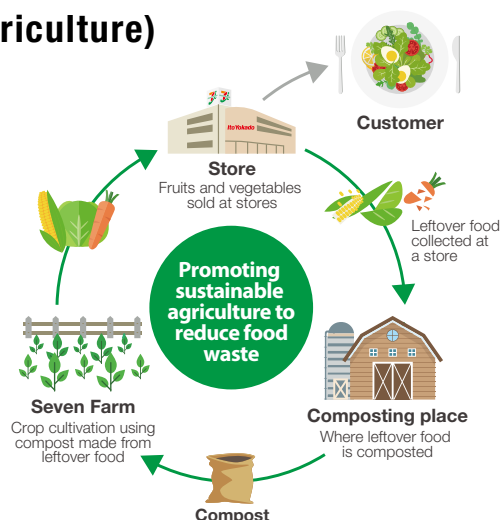
Technological innovation worthy of dedicated production facilities for 7-Eleven stores

Roll-out covers 19,915 stores, as of April 30, 2019, excluding Hokkaido; coverage expected to extend nationwide by December 31, 2019

## Seven Farms (environmentally sustainable agriculture)

Committed to the idea of treating vegetable waste from stores as a resource, we pursue a form of environmentally sustainable agriculture called Seven Farms.

At these farms, we compost leftover food into fertilizer, which we use to grow vegetables that are subsequently sold at our stores. As of February 28, 2019, we had Seven Farms in 14 locations across Japan.



# Strategy

## Strategies and Policies for Realizing Management Policy

[ CGC Principle 3.1 (i) ]

Committed to both solving social issues and improving corporate value, the Seven & i Group is implementing its formulated Medium-Term Management Plan as well as Group strategies and policies, while actively utilizing intangible assets and other management resources. Our aims are to promote self-innovation in response to the changing socio-economic environment and to enhance Group strengths.

Each Group operating company formulates and executes its own business strategy and effectively uses its management resources according to business conditions in each segment, while incorporating Group strategies, policies, etc.

In addition to making sure the Medium-Term Management Plan is followed, the Company's Board of Directors verifies and confirms the progress of each strategy and efforts to utilize and reinforce management resources and intangible assets including the relevance of capital efficiency. When necessary, the Board also requests explanations from the general managers of each business division and/or the presidents of each operating company.

Changing environmental and social structures

Changing customer lifestyles

Formulate strategies to address the changing social structure

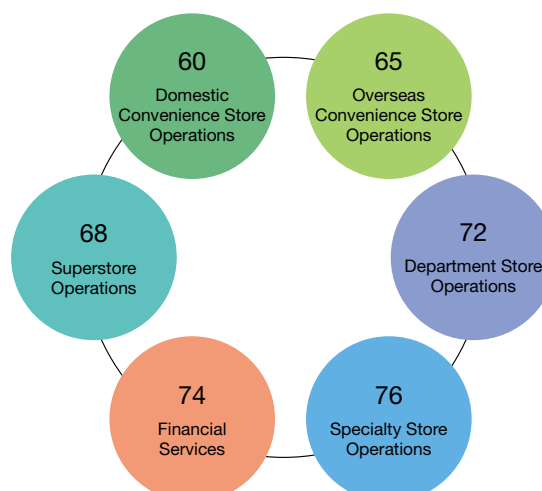
### Contents

#### Group Strategy/Policy

- 44 Digital and Financial Strategies
- 48 Group Merchandising Strategy
- 52 Environmental Policy
- 54 General Affairs and Legal Policies
- 56 Human Resource Policy

#### Segment Strategy

- 58 Segment Overview





# Digital and Financial Strategies

The Seven & i Group serves as a “real channel platformer,” reflecting real-world interactions with customers in their daily lives. Through synergies between our digital strategy and physical business, we will develop services that only our Group can deliver, while collaborating with other companies to create new levels of added value.

## Katsuhiro Goto

Vice President and  
Representative Director



## Digital strategy

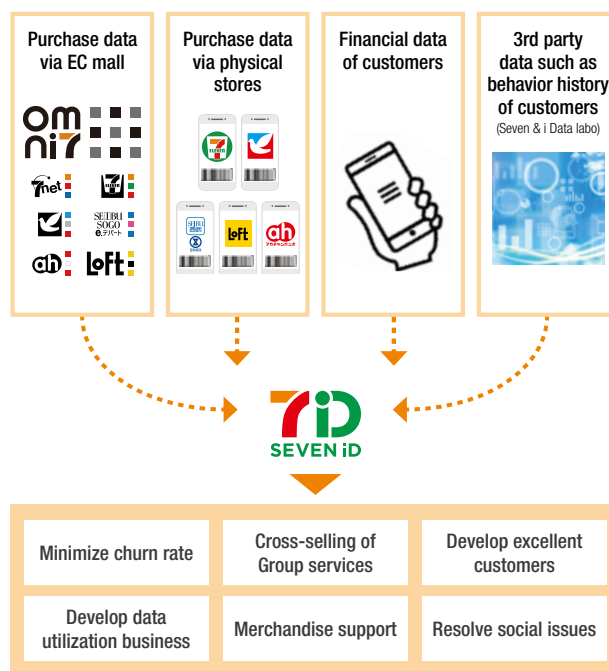
### Overview of CRM Strategy

The arrival of the smartphone has led to dramatic changes in the buying behavior of consumers, enabling them to search for product information, place orders and even make payments. Believing that such changes will lead to a transformation of actual consumption patterns, the Group has sought to build a foundation for data utilization.

One initiative is our “digital strategy,” which we have integrated with our business foundation. This foundation is built on the Group’s real-world strengths, including the store network, product development capabilities and high-quality customer services.

Previously, we had promoted our digital strategy as our Omni-Channel Strategy, centered on the e-commerce business. More recently, we enhanced and renamed it our CRM Strategy, which is designed to strengthen relationships with customers, about 24 million people who visit the Group’s stores every day.

The CRM Strategy entails cooperation between various Group companies—from operators of convenience stores, superstores and specialty stores to e-commerce sites—enabling us to deepen ties with customers, better understand their individual attributes and thus provide them highly convenient information. We also aim to provide new levels of value unique to the Group, taking advantage of our unparalleled retail service network.



### Progress of Strategy and Outlook

#### 1 Introducing common Group ID system to strengthen relationships with customers

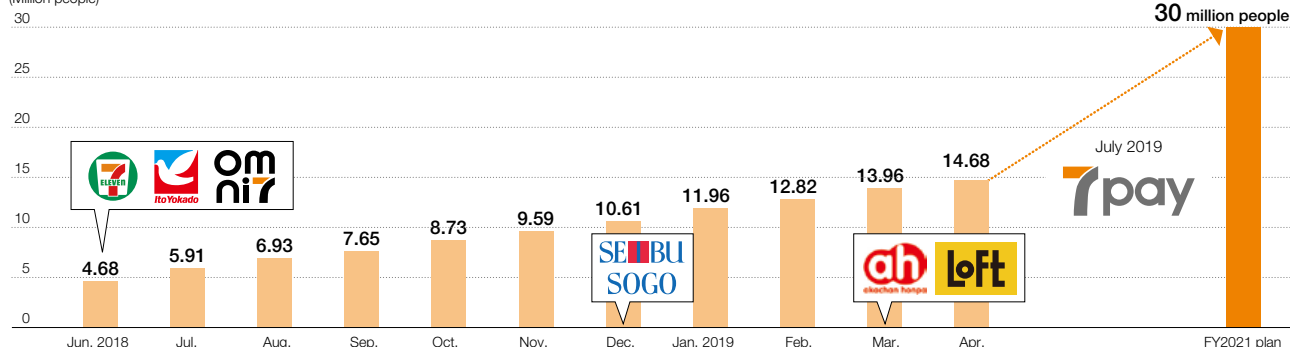
The core action for strengthening customer relationships was the establishment of 7iD, a common Seven & i Group ID that lets customers enjoy shopping and benefit from our Group-wide loyalty program. It also enables us to bring together individual customer-related data that was previously scattered throughout the Group. Through collaboration with external parties, we can use such data for various types of marketing and product development activities.

In June 2018, Group companies introduced new apps that link customers to 7iD. As of May 20, 2019, the number of 7iD members exceeded 15 million.

Aided by the launch of the new “7pay” payment service, we are aiming for 30 million 7iD members by the end of fiscal 2021. We will continue to deepen ties with more customers to achieve this goal.

## Number of 7iD members

(Million people)



## 2

### Utilizing data analysis: Coupon and information distribution

We are currently collecting and analyzing various shopping-related data from registered 7iD members, and this is already benefiting our sales promotion activities. For example, a comparison between customers who have transferred to 7iD and those who remain *nanaco* members reveals that 7iD members on average spend more money, shop more frequently and have a higher retention rate (usage continuation rate). We believe these results come from coupons and information that we distribute via our Group ID system.

We will continue to strengthen relationships by having each Group company and store provide suggestions and services that resonate more closely with customers.

#### Compare members who transferred to 7iD and *nanaco* members

	Continuing <i>nanaco</i> members	Membership transferred to 7iD	
Purchase amount	*Monthly average ¥5,698	¥7,233	+¥1,535
Purchasing frequency	*Monthly average 8.4 times	11.6 times	+3.2 times
Retention rate	74.4%	91.4%	+17.0%

#### Coupons and information distribution are effective

\* Survey members who used *nanaco* from Aug.-Oct. 2017 (n=17.47 million members; 7-Eleven stores in Japan only)  
Compare members who transferred to 7iD (2.12 million) and those who have not (not 7iD) as of Oct. 31, 2018

## 3

### Utilizing data analysis: Seven & i Data labo

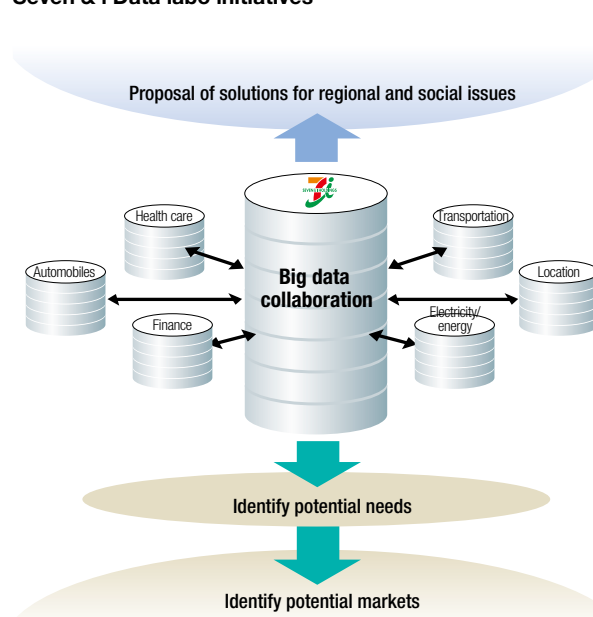
The Group's approach includes using data to identify "potential needs" and "potential markets" that are not visible at present.

Seven & i Data labo, established in June 2018, collects and analyzes big data from various operating companies outside the Group and from research institutes. Our aim is to use the results of these analyses to create new business opportunities and resolve social issues.

Our efforts to address inbound demand by foreign visitors to Japan are a practical result of such data analysis. We view the inbound market, which is growing steadily, as an opportunity for the Group. By analyzing data from duty-free sales at stores, as well as the behavioral patterns of foreigners traveling around Japan, Seven & i Data labo is able to recognize potential markets. Adding other data to the analyses—such as purchasing and payment data used to determine products that are selling well—has enabled us to gain an understanding of specific purchasing characteristics.

Going forward, we will embrace new approaches and data utilization initiatives to create unprecedented value while promoting data collaboration with our business partners.

#### Seven & i Data labo initiatives



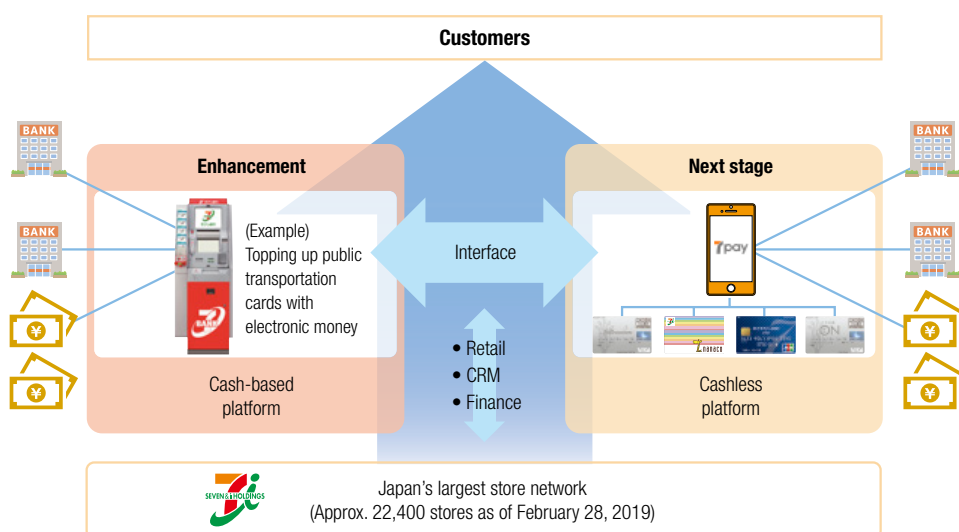
## Financial strategy

### Overview of Financial Strategy

Conditions surrounding the financial services sector are changing dramatically, reflected in diversifying payment methods, the promotion of a cashless society in both the public and private sectors and other factors.

In response, the Group is leveraging Seven Bank's network

of more than 25,000 ATMs to build a cash payment platform. In addition to exploiting the advantages of the platform, we are also creating a cashless platform based on "7pay," launched in July 2019.



### Progress of Strategy and Outlook

#### 1 Use payment functions to provide new value

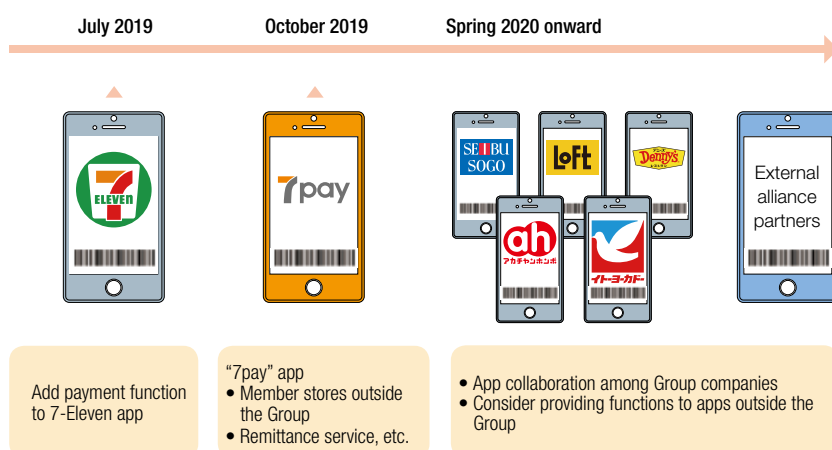
In July 2019, we launched our "7pay" smartphone payment platform as a new payment function for the 7-Eleven app.

Subsequently, in October 2019, we are scheduled to unveil our own app that will allow the "7pay" service to be used even at non-Group stores.

We will then add remittance services and other new functions to our own app, with a plan to start collaboration

with apps of other Group companies in spring 2020.

By offering a very familiar, smartphone-based payment service that can be used anywhere, we aim to promote mutual customer referrals between Group companies while also expanding our services through connections with companies outside the Group.



\*The above timeline is a schedule

#### Three advantages of "7pay"

##### (1) Large number of members

Started with around 11 million\*1 members

##### (2) Large number of accessible stores/facilities

Around 21,000 stores\*2 and 25,000 ATMs

##### (3) Convenience of topping up

24-hour topping up via credit card, cash registers at around 21,000 stores\*2 and around 25,000 ATMs

\*1 Number of registered 7-Eleven app members

\*2 Number of domestic 7-Eleven stores

## 2

## Integrate points program with payment service to improve customer satisfaction

In fiscal 2019, we launched and rolled out the SEVEN MILE PROGRAM, in line with updated apps of 7-Eleven and Ito-Yokado. This is a simple and convenient rewards program for our customers.




In fiscal 2020, we will make this rewards program easier to use and more valuable by integrating it with our payment system. Our aim is to make this simple, convenient system accessible to more customers.

Through the SEVEN MILE PROGRAM, we provide

benefits to customers in a simple, user-friendly, integrated manner that is linked to payments.

We will continue to improve customer satisfaction by offering easy, convenient benefit programs that provide new shopping experiences.

Change in *nanaco* point provision rate <sup>\*7-Eleven stores</sup>

	June 2019	July	August	September	October
	¥100 = 1 point	¥200 = 1 point			
		¥200 = 1 <i>nanaco</i> point (Considering limited-time campaign)			
				¥200 = 1 mile Enable converting to <i>nanaco</i> point	

\*Excludes consumption tax

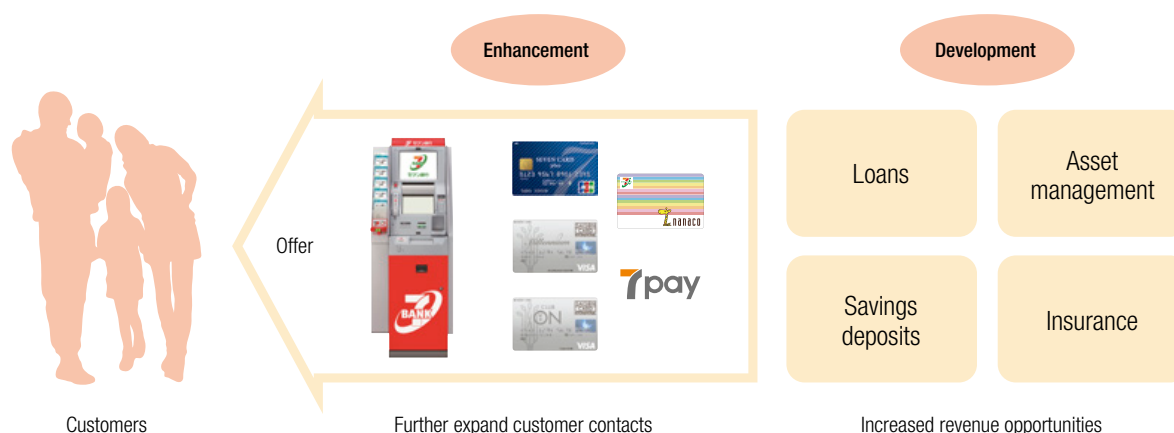
## 3

## Use payment information to develop financial products and services

Payment information obtained from “7pay” will enable us to expand contacts with customers and deepen our understanding of them. We will use this information to develop financial products and services unique to the Group—including loans, asset management, savings deposits and insurance—that enhance convenience for customers.

In the future, we will build frameworks that link retail and finance to provide new levels of value.

## Use payment platform to develop products unique to the Group





# Group Merchandising Strategy

We will build a strategic procurement system to deliver new products of value that make customers truly happy. To develop a sustainable growth strategy covering the entire domestic supply chain, we will implement measures to simultaneously address issues faced by our business partners and the Group.

## Seiichiro Ishibashi

Managing Executive Officer  
General Manager of the Group  
Merchandising Strategy & Planning  
Division



## Overview and Aims of the Strategy

### Procurement and sales strategies to reduce Groupwide inefficiencies

The retail industry is facing intensified competition as companies from multiple sectors enter the food market. The industry also has a problem with various inefficiencies. To

compete with other sectors, it is particularly important to unite as a Group to implement in-depth product procurement and sales strategies that eliminate waste and inefficiency. We will strengthen the system for eliminating inefficiencies Groupwide.

## Procurement and logistics strategies

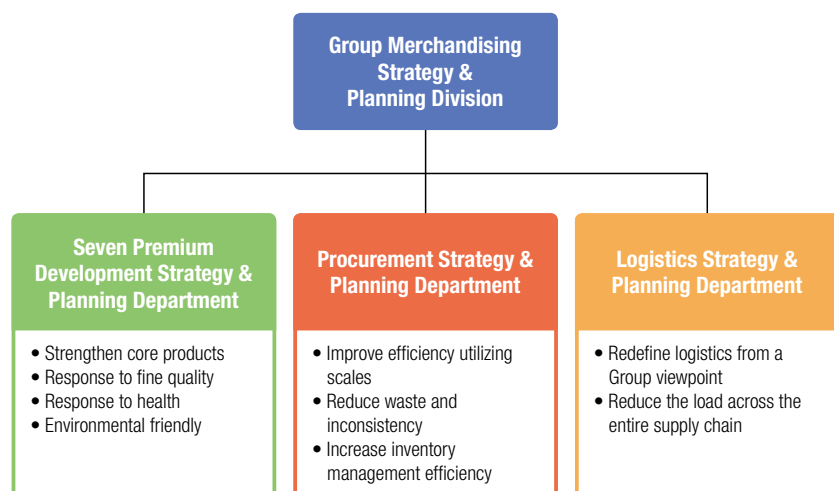
## Overview of Procurement and Logistics Strategies

To address various problems—including food loss, a decreasing workforce and rising transportation costs due to a shortage of drivers—we need to reorganize our entire supply chain and develop new strategies for sustainable growth. These plans will require close examination of our current

procurement situation and logistics issues. We will build a strategic procurement system to deliver new products of value that make customers truly happy.

### Organization

In March 2019, we established three departments within our Group Merchandising Strategy & Planning Division: the Procurement Strategy & Planning Department, the Logistics Strategy & Planning Department and the Seven Premium Development Strategy & Planning Department. Our aim is to develop a procurement strategy, a key part of our Group merchandising strategy, that provides both social and economic benefits by reducing food loss, an issue for the entire Group. We will also take the lead in strengthening in-Group collaboration and maximizing Group synergies for existing Seven Premium development and logistics strategies.



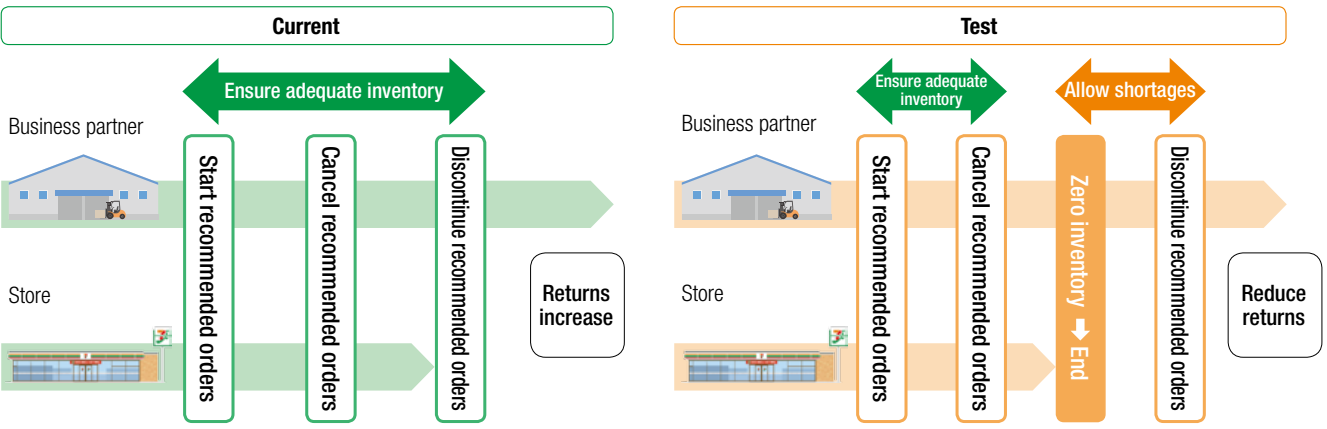
## Progress of Strategy and Outlook

### 1 Reduce product returns to manufacturers

Since February 2019, 7-Eleven has been conducting tests on food shortages. When we stop recommending a product, our policy is to inform our stores three weeks in advance. Our vendor centers have protocols in place to ensure against a stock shortage during that time. The result is wasted stock that is returned to the manufacturer. Our tests revealed that when we allowed products to run out during the three-week

period, our centers did not need to secure surplus stock. This resulted in a 10 percent decline in the return rate, as well as reduced labor for inventory control and product returns. Going forward, we will extend this initiative to other companies in the Group to cover apparel and household goods, in addition to food.

#### Reduce product returns to manufacturers



### 2 Reassess business practices

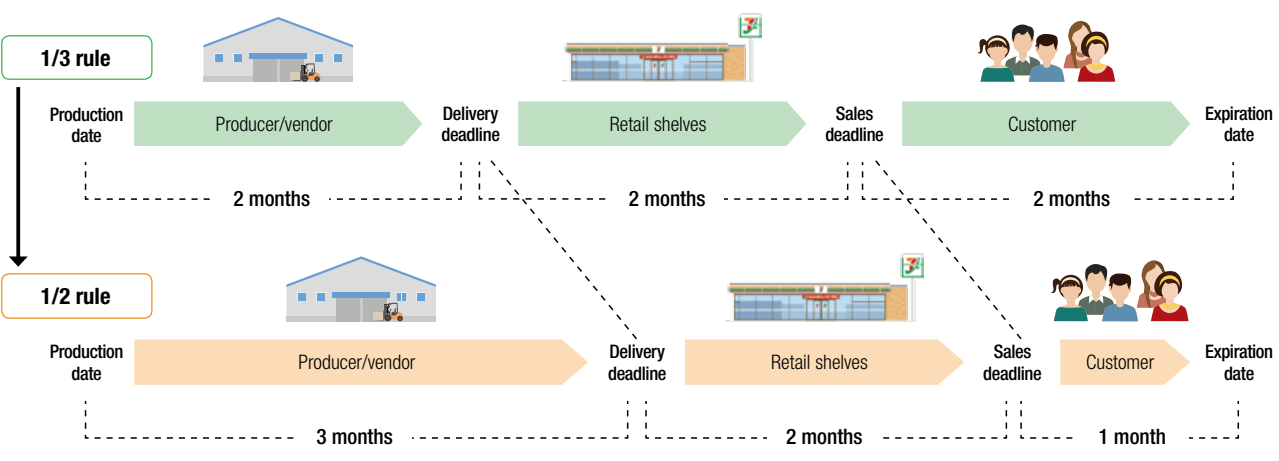
From the retail standpoint, we will take an overview of our entire supply chain and adopt a more procurement-oriented approach aimed at resolving social issues and achieving business growth with our business partners.

In one example of this approach, we will review our business practices. The food industry has the so-called “1/3 rule.” If a product has a six-month shelf life, for example, it is delivered from the producer to the retailer in the first two months, sold

by the retailer to the customer in the next two months and consumed within the final two months.

Under the “1/3 rule,” food that misses the producer’s delivery deadline is wasted. For this reason, we will adopt the “1/2 rule,” which increases the producer-to-retailer period by half of food shelf life to help minimize waste throughout the Group.

#### Business practice reassessment (six-month shelf life)



## Seven Premium development strategy



### Overview of Seven Premium Development Strategy

#### (1) Building private brands in pursuit of “quality” and “value”

Seven Premium was developed as the Group's first cross-Group private brand. Since being introduced, Seven Premium products have been developed with a focus on “high quality” and “affordability.” In addition to eliminating the conventional image of private brand products that prioritizes price, we have worked with leading manufacturers in Japan and overseas to create a new private brand concept by offering new value that addresses the changing times, including the declining birthrate, the aging population, the increase in working women, increased health consciousness and increased awareness of environmental issues.

#### (2) Development system for Seven Premium products

Based on the original product development method of “Team

Merchandising,” cultivated at SEVEN-ELEVEN JAPAN CO., LTD., Seven Premium products are developed with the product knowledge and development know-how of Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd. and other Group companies, and fully utilize the management resource strengths of the Group, with its diversity of business formats.

The Group has successfully created new consumption patterns such that “people are going to their nearby convenience stores to buy side dishes for dinner,” by developing products that go beyond the boundaries of operating companies in response to changes in society, such as the increase in single-person households, the increase of working women and the aging of society.

Convenience stores and supermarkets lead product development in their respective areas of expertise, thereby sharing their mutual strengths and creating synergies.

#### Seven & i Group Merchandising Section

#### Seven Premium Development Strategy & Planning Department

#### Division managers' meetings at each company

#### Senior Merchandiser Meeting (within each section)

#### Foods

Daily Foods Section:  
6 subcommittees

Fresh and  
Delicatessen Foods Section:  
4 subcommittees

Processed  
Food Products Section:  
5 subcommittees

#### Household, pharmaceuticals and apparel

Household Section:  
8 subcommittees

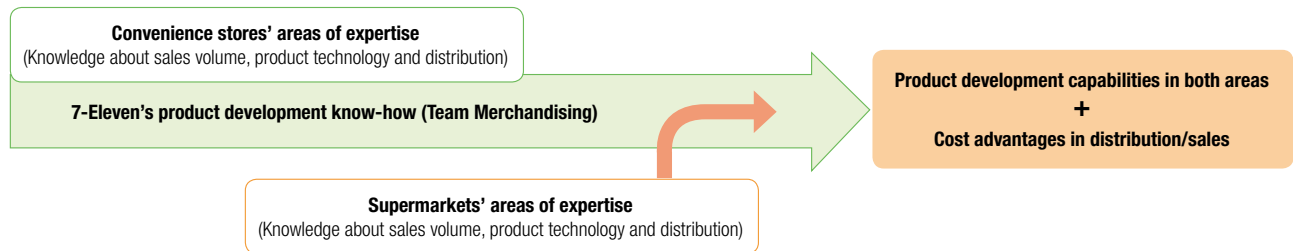
Pharmaceuticals Section:  
1 subcommittee

Apparel Section:  
3 subcommittees



Values	Sustainability/growth	Business model	Strategy	Key indicators	Governance
--------	-----------------------	----------------	----------	----------------	------------

## Product development capabilities and cost advantages leveraging synergies



## Strengthen Brand and Group Development

We are targeting further improvements of the continuously evolving *Seven Premium* private brand with emphases on three areas: further improving quality, creating new value and challenging new areas.

### 1 Further improve quality

We will continue to innovate our core products to address the growing demand for delicious, safe and secure foods.



### 2 Step up development of delicious, healthy products

We will develop products that balance health and taste to maintain and improve the well-being of our customers.



Calcium-rich products



Pickles with reduced salt content

### 3 Step up efforts to reduce additives

We will step up product development by emphasizing the reduction of additives as part of our product safety and security initiatives.



Products that contain minimal artificial additives

### 4 Use eco-friendly packaging materials

For *Seven Premium* products, we promote the use of environmentally friendly packaging materials. Our goal is for all packaging materials to be environmentally friendly by 2030.

#### Forest thinning wood

We use paper made from forest thinning to maintain abundant forests.



#### Recycled plastic bottles

We use plastic film made from recycled plastic bottles.





# Environmental Policy

The Group is committed to further reducing environmental impacts throughout its supply chain to maintain an abundant, global environment for future generations. Our vision for 2050 is to help realize a rich and sustainable society.

## Kimiyoshi Yamaguchi

Director and Executive Officer  
General Manager of the Corporate  
Communication Division



## Seven & i Group's 『GREEN CHALLENGE 2050』

Responding to various changes in the social environment, the Seven & i Group has endeavored to foster the well-being and convenience of customers by providing them products and services of value. However, numerous global issues have come to the fore, including climate change, plastic waste and other environmental problems, as well as external diseconomies and other social challenges.

To address these changes in the social environment, including changing needs in society and environmental issues, the Group made an environmental declaration called 『GREEN

CHALLENGE 2050』. Guided by the declaration, we will work together with customers, business partners and all other stakeholders to help create a rich and sustainable society.



## Overview of 『GREEN CHALLENGE 2050』

We fully recognize the urgent need to resolve various social issues, such as environmental problems and external diseconomies, that threaten development of a sustainable society. With this in mind, we have identified four themes with which we can respond effectively to these issues, and we have established specific objectives for the near future (2030) and the next generation (2050). Achieving these objectives is our

mission and our responsibility. We will set up innovation teams for each of the four themes and promote cross-Group efforts. All Group employees will work together to reduce environmental impacts across the store network—consisting of more than 22,000 stores in Japan (as of February 28, 2019)—and its entire supply chain to maintain a rich global environment for future generations.

### 『GREEN CHALLENGE 2050』

Vision	Theme	Targets for 2030	2050 Vision
Decarbonized society	Reduction of CO <sub>2</sub> emissions	Reduce emissions from Group store operations by 30% (compared to FY2014).	Reduce emissions from Group store operations by at least 80% (compared to FY2014).
		Reduce emissions across our entire supply chain (scope 3 emissions) in addition to our own emissions (scope 1 + 2 emissions).	
Circular economy	Measures against plastic	Containers used in our original products (including <i>Seven Premium</i> ) to be 50% made with environmentally friendly materials (e.g., biomass, biodegradable material, recycled material or paper).	Containers used in our original products (including <i>Seven Premium</i> ) to be 100% made with environmentally friendly materials (e.g., biomass, biodegradable material, recycled material or paper).
		Zero use of plastic shopping bags. Shopping bags to be made of sustainable natural materials (e.g., paper).	—
	Measures against food loss and for food recycling	Reduce food waste by 50% (amount generated per million yen in sales) (compared to FY2014).	Reduce food waste by 75% (amount generated per million yen in sales) (compared to FY2014).
		Increase recycling rate of food waste to 70%.	Increase recycling rate of food waste to 100%.
Society in harmony with nature	Sustainable procurement	50% of the raw food ingredients used in our original products (including <i>Seven Premium</i> ) to be ones that guarantee sustainability.	100% of the raw food ingredients used in our original products (including <i>Seven Premium</i> ) to be ones that guarantee sustainability.

\*We will review our targets in response to changes in the social environment.

## Identifying Themes

Seeking to realize a sustainable society, we examined areas in which the Group's business activities affect the environment, identified those with a strong social impact, then listed specific initiatives aimed at reducing our environmental footprint. As a result, we found four themes with a high social impact that are closely related to our business activities: CO<sub>2</sub> emissions (from

the use of electricity for store operations, such as lighting, refrigeration and freezing); use of plastic (for product containers, packaging and shopping bags); food loss (from sales and disposal of food products); and product procurement (raw materials used in processing and manufacturing that have environmental and social impacts).

## Examples of the Group's Environmental Efforts

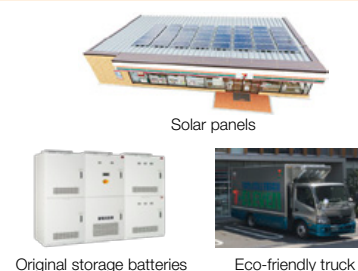
1

### Reduction of CO<sub>2</sub> emissions



The Group is committed to realizing a decarbonized society with dramatic reductions in emissions of CO<sub>2</sub>, a cause of global warming. Specifically, we promote energy saving and the use of renewable energy with the aim of reducing CO<sub>2</sub> emissions from store operations by 80% (compared with the fiscal 2014 level) by 2050.

For example, every Group company is increasing the number and size of its stores and expanding its product and service lineup. To mitigate the increased environmental impact of these factors, we are introducing energy-saving equipment, such as LED lighting and solar panels, both in new stores and in renovated ones.



2

### Measures against plastic



The Group strives to use resources effectively to address the depletion of oil and other natural resources. To this end, our plan is for 100% of containers for original products (including *Seven Premium*) to be made from eco-friendly materials, such as biomass, biodegradable material, recycled material or paper by 2050. By 2030, moreover, we aim to eliminate use of plastic shopping bags at cash registers and instead use bags made from sustainable natural materials such as paper.

In addition, we will install automatic plastic bottle collection machines in front of stores and promote the commercialization of "bottle-to-bottle" technology for converting used plastic bottles collected at stores into new plastic bottles.



3

### Measures against food loss and for food recycling



Since food accounts for a large share of its net sales, the Group has cited reduction and recycling of food waste as key priorities. To this end, we will take measures aimed at reducing food waste by 50% (amount generated per million yen in sales) by 2030 compared with fiscal 2014—and by 75% by 2050. We will also target a 100% food waste recycling rate by 2050.

In collaboration with our business partners, for example, in January 2019, we opened our "Vegetable Plant" in Sagami City, Kanagawa Prefecture. Set up to grow products for 7-Eleven stores, the new facility aims to reduce food loss by significantly improving yield.



4

### Sustainable procurement



The Group formulated its "Basic Policy on Sustainable Procurement" to promote sustainable use of natural resources for future generations. Under this policy, our aim is that by 2030, 50% of raw food ingredients used in original products (including *Seven Premium* items) will be sustainably procured, and by 2050, 100% of those ingredients will be sustainably procured. We will work with various stakeholders to achieve these targets.

For example, we sell products that the Marine Stewardship Council (MSC) grants the "Certified Sustainable Seafood" label, indicating that they are natural marine products that were sustainably procured.



## General Affairs and Legal Policies

We provide support for Group companies and employees to work more comfortably and vigorously. This support includes developing better store and office environments, providing initial responses to disasters and promoting compliance.

### Hisataka Noguchi

Executive Officer  
General Manager of the Corporate  
General Affairs & Legal Division



### Establishing Comfortable Store and Office Environments

By providing comfortable office environments, we strive to not only enhance work efficiency and reduce costs but also to solicit more flexible thinking and creative ideas from workers and to stimulate communication. In the future, we will strive to create office spaces and store spaces that help reduce the environmental impact and to diversify work styles.

The Group is working to reduce costs by making bulk purchases of materials used in stores and offices. By continuing to exploit synergies across the Group, we will help generate profits for the Group's operating companies and thus strengthen our management foundations, while fulfilling our social responsibilities more effectively than ever before.

### "On-Site-First" Approach to Disasters

To support our stores in times of disaster, we must understand the situation at the ground level. Moreover, every situation will differ significantly according to disaster type (such as earthquake or heavy rain), scale and time, and on-site needs will change from moment to moment. In the event of a

disaster, therefore, under the direction of the manager responsible for the area, the site and head office cooperate to understand the situation at the disaster site. This system is designed to expedite dispatch of support personnel, product supply and decisions on optimal distribution routes.



### Response to the Hokkaido Eastern Iburi Earthquake

In September 2018, the Hokkaido Eastern Iburi Earthquake caused unprecedented damage, including prolonged large-scale power outages, across Hokkaido. Although some of our stores were forced to suspend business temporarily, many continued to sell products

and otherwise function as regional infrastructure.

Takamori Yoshikawa, Japan's Minister of Agriculture, Forestry and Fisheries, presented a certificate of appreciation to the Group for providing food support to disaster-affected areas.

## Recognized as Designated Public Corporations under Disaster Countermeasures Basic Act

On July 1, 2017, Seven & i Holdings Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD. and Ito-Yokado Co., Ltd. were approved as designated public corporations under Article 2, Item 5 of Japan's Disaster Countermeasures Basic Act. For this, the prime minister selects designated public corporations from among corporations that operate as public interest businesses. In addition to formulating disaster prevention business plans, designated public corporations are expected to play important roles in such matters as disaster prevention, emergency responses and recovery.

Along with the three designated public corporations mentioned above, the Seven & i Group has been asked to stockpile goods and materials even in normal times, as well as

provide emergency material-related assistance immediately after a disaster. By providing infrastructural support for people's lives in times of misfortune, distributors and retailers now play a more important role than ever before.

The Group operates a wide range of business formats in Japan, including convenience stores, superstores, department stores and specialty stores. By taking full advantage of each Group company's infrastructure—including stores, logistics networks and information networks—we will cooperate with the government to help make Japan a disaster-resilient nation.

## Compliance

Compliance with laws, regulations and social norms is a cornerstone of the Group's management. To this end, we are committed to ensuring sound, effective corporate governance.

For example, the Group established its "FT Project," composed of fair trading managers at each operating

company. Through this project, we work to prevent violations of the law by sharing the latest information on trading laws, details of unfair trading cases announced by the Japan Fair Trade Commission and information on improvement measures taken by Group companies.

## Brand Protection and Development

We work to preserve the value of our intangible assets by actively promoting the acquisition of rights to our intellectual property. We are also promoting employee education on intellectual property through management training, e-learning

and other forums at operating companies. We will strive to further develop the Group's brand by protecting and managing our intellectual property rights.



Rights holder: SEVEN-ELEVEN JAPAN CO., LTD.  
Registration number: 5933289  
Class: 35 (for retailers and wholesalers that provide benefits to customers)

The Company applied for registration of a "trademark consisting solely of colors," which was newly introduced by the Japan Patent Office for the purpose of helping companies diversify their branding strategies. Registration of the three corporate colors which have been used to symbolize 7-Eleven stores was approved by the Japan Patent Office as of February 28, 2017 to be the first such trademark registered in Japan.

This is a recognition of the Company's use of its corporate colors for a long period of time, and that the corporate mark comprising only colors and no lettering is clearly identifiable as the 7-Eleven brand, and is a gift from customers who support our brand.



The three colors,  
"Sunrise" orange  
"Sunset" red  
"Oasis" green  
symbolize how 7-Eleven strives to  
be an oasis for customers from  
morning until night.

# ATM受取

In May 2018, we launched Japan's first "ATM receipt (cash receipt) service," which allows Seven Bank ATMs and 7-Eleven store cash registers to accept remittances from companies to individuals without a bank account. Seven Bank, Ltd. and SEVEN-ELEVEN JAPAN CO., LTD. have obtained patents for this service.



# Human Resource Policy

To ensure that the Group has diverse human resources eager to demonstrate their abilities, we will work to create comfortable workplace environments, expand systems to support flexible work styles and develop measures to improve productivity.

## Shigeki Kimura

Director and Executive Officer  
General Manager of the Corporate  
Personnel Planning Division



## Overview and Aims of the Policy

With a shrinking labor force caused by a low birthrate and an aging population, Japan is facing serious social challenges, and the retail sector too must urgently address labor shortages. The Group has diverse businesses and operates many stores. In addition to securing the required number of store employees, we work to foster diverse human resources eager to demonstrate their abilities. To this end, we believe it is important to help improve the independent capabilities of individual employees and connect such efforts to improvements in corporate productivity.

The Group is actively promoting three initiatives as cornerstones of its human resource policy: “Promote diversity

and inclusion,” “Reform work styles to improve productivity” and “Establish a human resource development system.” Our aim is to provide environments where diverse human resources can demonstrate their capabilities while expanding measures to support flexible work styles and use technological innovation to develop measures to improve productivity. We will also build a human resource development system that includes training and education programs that allow employees to continue learning independently and be able to respond quickly to changes in the social environment.

## Promote Diversity and Inclusion

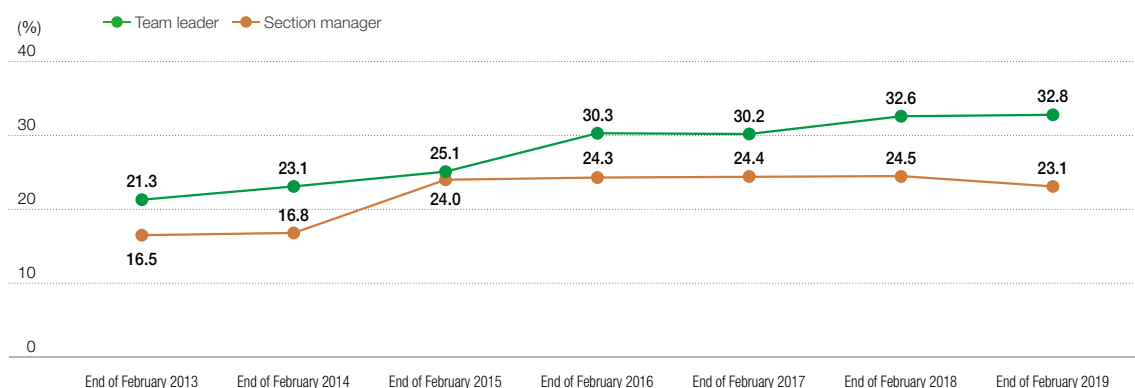
### Promoting the active role of diverse human resources

In 2012, the Group established the “Diversity Promotion Project” with the aim of actively utilizing diverse human resources to ensure sustained business competitiveness and, since then, has been promoting initiatives.

As many visitors to our stores are women, we positioned the

advancement of women as a core priority of our diversity initiative from an early stage and have pursued various activities accordingly. In addition, we hold seminars and engage in community development activities as part of our multi-faceted efforts to promote diversity. These include “Diversity Management Seminars,” aimed at reforming the

Changes in the ratio of female managers



\* Total for eight Group companies (Seven & i Holdings, SEVEN-ELEVEN JAPAN, Ito-Yokado, Sogo & Seibu, York Benimaru, Seven & i Food Systems, Akachan Honpo, Seven Bank)

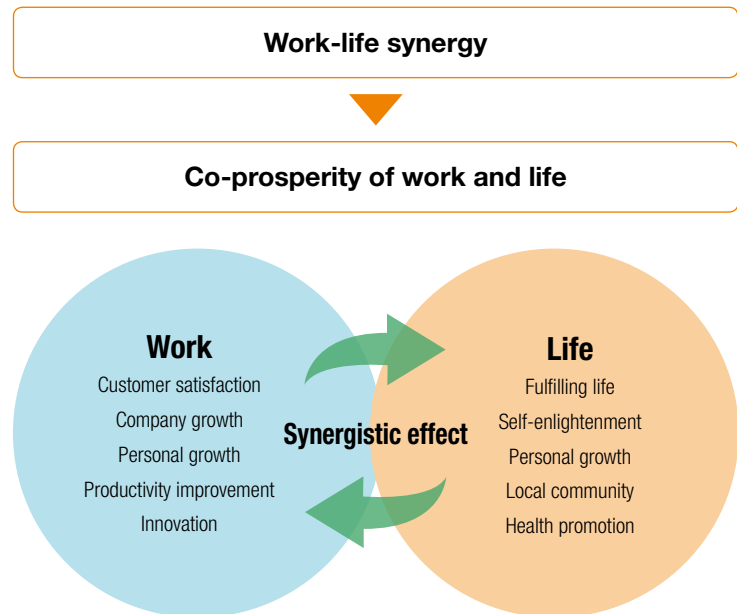
Values	Sustainability/growth	Business model	Strategy	Key indicators	Governance
--------	-----------------------	----------------	----------	----------------	------------

mind-sets of managers, which is essential for promoting diversity; the “Nadeshiko Academy,” dedicated to improving the skills of female employees seeking managerial positions; the “Child-Raising Community,” which supports employees who are raising children; and the “Ikumen Promotion Program,” which encourages male employees to perform household chores and participate in childcare.

In 2018, we changed the name of the project to the “Diversity & Inclusion Promotion Project,” with the aim of achieving further progress as a company where individual employees can move ahead by utilizing their individuality and attributes. We hold “LGBT Seminars” and other forums as part of these activities.

Committed to the concept of “work-life synergy,” we will continue using the project to promote various initiatives to maximize the synergistic benefits of making employees’ work lives and personal lives more fulfilling.

#### Relationship between “work” and “life” at the Seven & i Group



## Reform Work Styles to Improve Productivity

### Work-style reforms

Individual lifestyles and values are diversifying as the number of two-income households and the number of single-person households increase. To help our diverse human resources fully demonstrate their capabilities, we must create an environment that enables individual employees to work in a manner that suits their personal situations and also flexibly modify their work styles according to changes in life stages.

To establish a firm connection between the work of motivated employees and improved productivity, we must

provide comfortable work environments for every employee, improve our work platforms and create productive work spaces. To this end, we will incorporate IT, digital and other innovative technologies into our business and actively promote utilization of technological innovations in our stores.

We will continue to support flexible working arrangements through work-style reforms. At the same time, we will promote the creation of productive work spaces and step up efforts to enable individual employees to be more mindful about improving productivity.

## Establish a Human Resource Development System

### Sharing philosophy and supporting independent growth

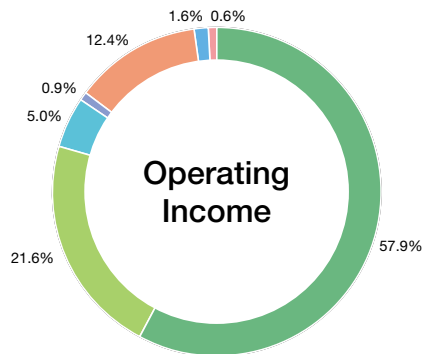
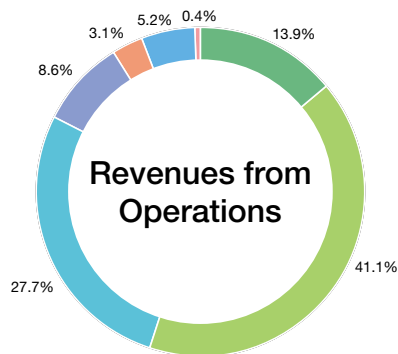
The growth of each and every employee is key to addressing the changing needs of customers and society, while maintaining growth as a company. To support the development of all employees, the Group is working to expand training and education programs for stratified training and skills improvement.

In 2012, we opened the Ito Training Center with the aim of conveying the spirit of the Group’s founding and cultivating human resources who will represent our next generation. To date, more than 300,000 employees have used the training center, which plays a key role in communicating the Group’s philosophy.

Going forward, we will continue sharing our Group philosophy with all employees, while creating human resource development systems that enable all employees to feel a sense of self-growth.



Ito Training Center



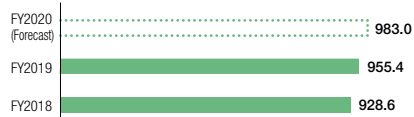
- Domestic Convenience Store Operations
- Overseas Convenience Store Operations
- Superstore Operations
- Department Store Operations
- Financial Services
- Specialty Store Operations
- Others

(Fiscal 2019)

## Domestic Convenience Store Operations



### Revenues from Operations (Billions of yen)



### Operating Income (Billions of yen)



### Core Operating Companies

- SEVEN-ELEVEN JAPAN CO., LTD.
  - SEVEN-ELEVEN HAWAII, INC.
  - SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD.
  - SEVEN-ELEVEN (BEIJING) CO., LTD.
  - SEVEN-ELEVEN (CHENGDU) CO., LTD.
  - SEVEN-ELEVEN (TIANJIN) CO., LTD.
- (10 consolidated subsidiaries, 5 affiliates; 15 companies, in total)

## Overseas Convenience Store Operations



### Revenues from Operations (Billions of yen)



### Operating Income (Billions of yen)



### Core Operating Companies

- 7-Eleven, Inc.
  - SEJ Asset Management & Investment Company
- (73 consolidated subsidiaries, 2 affiliates; 75 companies, in total)

## Superstore Operations



### Revenues from Operations (Billions of yen)



### Operating Income (Billions of yen)



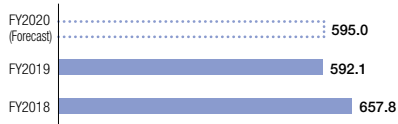
### Core Operating Companies

- Ito-Yokado Co., Ltd.
  - York-Benimaru Co., Ltd.
  - York Mart Co., Ltd.
  - Ito-Yokado (China) Investment Co., Ltd.
  - Hua Tang Yokado Commercial Co., Ltd.
  - Chengdu Ito-Yokado Co., Ltd.
- (14 consolidated subsidiaries, 5 affiliates; 19 companies, in total)

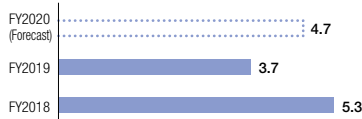
## Department Store Operations



### Revenues from Operations (Billions of yen)



### Operating Income (Billions of yen)



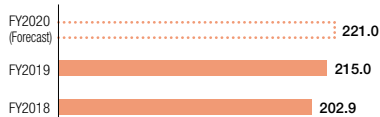
### Core Operating Companies

● Sogo & Seibu Co., Ltd.  
(5 consolidated subsidiaries, 2 affiliates; 7 companies, in total)

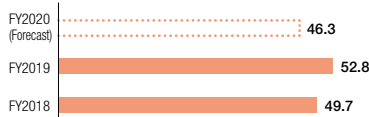
## Financial Services



### Revenues from Operations (Billions of yen)



### Operating Income (Billions of yen)



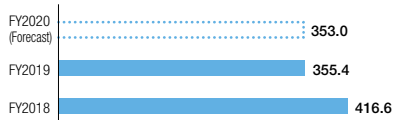
### Core Operating Companies

● Seven Bank, Ltd.  
● Seven Financial Service Co., Ltd.  
● Seven Card Service Co., Ltd.  
● Seven CS Card Service Co., Ltd.  
(9 consolidated subsidiaries, 1 affiliate; 10 companies, in total)

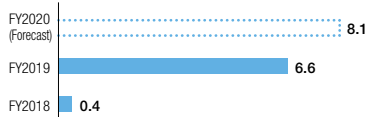
## Specialty Store Operations



### Revenues from Operations (Billions of yen)



### Operating Income (Billions of yen)



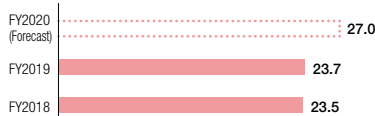
### Core Operating Companies

● Akachan Honpo Co., Ltd.  
● Seven & i Food Systems Co., Ltd.  
● THE LOFT CO., LTD.  
● Nissen Holdings Co., Ltd.  
(14 consolidated subsidiaries, 5 affiliates; 19 companies, in total)

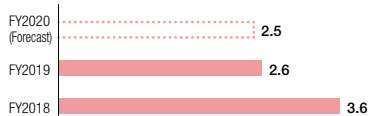
## Others



### Revenues from Operations (Billions of yen)



### Operating Income (Billions of yen)



### Core Operating Companies

● Seven & i Create Link Co., Ltd.  
● Seven & i Asset Management Co., Ltd.  
● Seven & i Net Media Co., Ltd.  
● SEVEN & i Publishing Co., Ltd.  
● Seven Culture Network Co., Ltd.  
● Yatsugatake Kogen Lodge Co., Ltd.  
● K.K. Terre Verte  
● I ing Co., Ltd.  
● PIA Corporation  
(9 consolidated subsidiaries, 4 affiliates; 13 companies, in total)



# Domestic Convenience Store Operations

## SEVEN-ELEVEN JAPAN CO., LTD.

The role of convenience stores is becoming more important as the aging population and other social structural changes diversify customer needs. At the same time, the employment environment remains difficult, while conditions for store management are also diversifying according to region and specific location. Addressing these changes, we will review and innovate management of our store chain from the ground up to create new growth potential while delivering both efficiency and meticulous local responses.

### Fumihiko Nagamatsu

President and  
Representative Director  
SEVEN-ELEVEN JAPAN CO., LTD.



## Business Overview

With 20,876 domestic stores as of February 28, 2019, SEVEN-ELEVEN JAPAN (SEJ) continues to fulfill its infrastructure function of operating “close-by, convenient” stores that are essential to maintaining people’s lifestyles.



## Strengths and Management Policies

7-Eleven’s strengths lie in the uncompromising taste and quality of its products, as well as its store locations and customer services, which together function as social infrastructure. In addition, we offer the 7-Eleven app and other highly convenient digital technologies. By making qualitative improvements to these strengths in the future, we aim to enhance the “close-by, convenient” aspects of our stores.

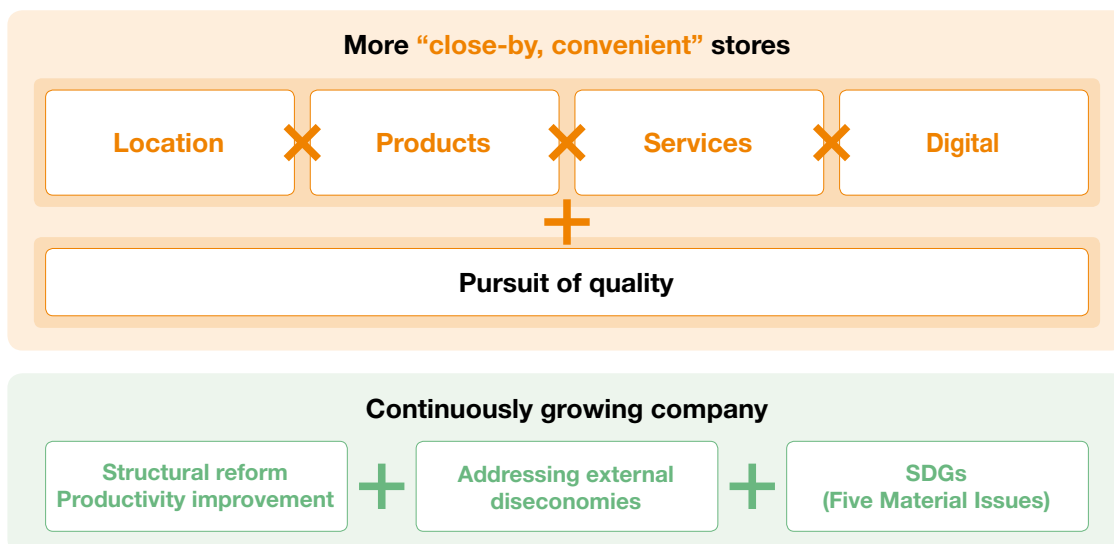
To continue growing our business, we will actively promote capital investments in existing stores while deploying advanced technologies to achieve labor saving for store management

and improve productivity.

In addition, we will strive to resolve social issues and increase corporate value by engaging in various initiatives to address the Five Material Issues\* identified by Seven & i Holdings.

\*Five Material Issues

- Providing Social Infrastructure for an Aging Society and Declining Population
- Providing Safety and Reliability through Products and Stores
- Non-Wasteful Usage of Products, Ingredients and Energy
- Supporting the Active Role of Women, Youth and Seniors across the Group and in Society
- Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners



## Specific Measures and Outlook

1

### [Location] Adopt stricter store-opening standards and develop new markets



#### (1) Promote higher-quality store openings

Due to stepped-up store openings by competitors in recent years, the physical distance between convenience stores has been decreasing. Meanwhile, the number of drugstores is increasing, leading to intensified competition across business formats. Rather than pursue quantitative expansion, SEJ has consistently focused on the profitability of its franchised stores, endeavoring to develop high-quality stores that customers will support. Going forward, we will promote higher-quality store openings while emphasizing openings and relocations that energize local communities from a community development perspective.

Specifically, we will adopt stricter store-opening standards that include more meticulous analyses of future demographics and other locational attributes. At the same time, we will focus on strengthening the management foundation of each existing store. This will entail a proactive scrap-and-build policy involving relocating to better sites according to changes in local environments.

#### (2) Develop new markets

Our markets differ by store location. For this reason, we respond to the needs of regional customers by strengthening

our tenant mix according to specific store location attributes. For example, a general residential area may require a laundromat, car wash facility and bicycle-sharing service, while a city-center multi-functional area might benefit from a childcare facility.

In addition, we had “Seven Vending Machines” operating in 264 locations as of February 28, 2019. Going forward, we will increase the number of machines while introducing new models. We are also addressing the “micro” market by using IoT technology to conduct field tests of low-staffed stores.

#### (3) Store openings in Okinawa

In Okinawa Prefecture, we established a local subsidiary, SEVEN-ELEVEN OKINAWA Co., Ltd., which will open new stores one after another from July 2019. Since its foundation, 7-Eleven has promoted community-based initiatives in cooperation with local communities. These include welcoming local owners as franchisees, establishing factories and developing regional products. Through such efforts, we aim to provide products and services unique to 7-Eleven that will satisfy customers and make us the No. 1 store chain in the region.



Bicycle-sharing service



Seven Vending Machines

2

[Products] Make new market proposals and modify store layouts

**(1) Pursue taste and quality**

Conditions surrounding 7-Eleven stores are changing significantly, reflecting a declining birthrate, an aging population, an increase in single-person households, the social advancement of women and other social changes. At SEJ, we use a method called “Team Merchandising” to unite with manufacturers and vendors in various fields to develop products. Team members take advantage of each other’s strengths, which cross industry lines, to create original high-quality products that meet customer needs.

7-Eleven pursues initiatives that highlight its unique strengths. One such initiative produced a line of products that

addresses people’s health-related concerns. We also attach a symbol mark to our health-oriented food products to indicate that they were made with consideration for people’s health. Among these, we are expanding our health-friendly offerings, including boxed lunches filled with vegetables and rice balls made from pearled barley, which is rich in dietary fiber.

Moreover, various manufacturers are trying to differentiate themselves by creating original products that can be obtained only at 7-Eleven stores.

Going forward, we will continue to develop new products that customers find attractive and further refine our lineup to meet the needs of local people.



**(2) Accelerate enhancement of store layouts**

We are adopting new store layouts with increased space for product categories growing in demand such as checkout-counter products and frozen foods. To achieve the best

results, we will expand this initiative to existing stores, using a simple renovation plan that reduces the number of days and costs required for in-store renovation.





3

## [Services] Address labor shortage and support franchised stores

**(1) Creating environments where diverse human resources can excel**

Conditions surrounding store management are becoming more and more difficult. To improve the satisfaction levels of franchisees and help them concentrate on store management with peace of mind, we provide various support measures, including an employee dispatch system and a cashier-training system, which we are upgrading.

With the rise of inbound tourists in recent years, the number of foreign employees working in our stores has also been increasing. In response, we provide franchised stores with various support measures. For example, we hold part-time job explanatory sessions at Japanese-language schools, and we prepare and distribute preliminary educational documents to foreign employees and offer them cashier-training sessions.

**(2) Labor-saving project (enhancing productivity)**

In March 2019, we launched the “SEVEN-ELEVEN JAPAN Labor-Saving Project,” aimed at researching and field-testing initiatives that will lead to labor saving and higher productivity in stores.

To improve work efficiency at franchised stores, we are introducing sliding display shelves and refrigerated cases with

simplified requirements for cleaning filters. We will also install new laborsaving equipment to reduce cleaning time.

In addition, we aim to further boost productivity by introducing a self-checkout system equipped with machines that give change automatically. We will also expand use of a new product inspection system that can significantly reduce working time.





**(1) Improving convenience of 7-Eleven app**

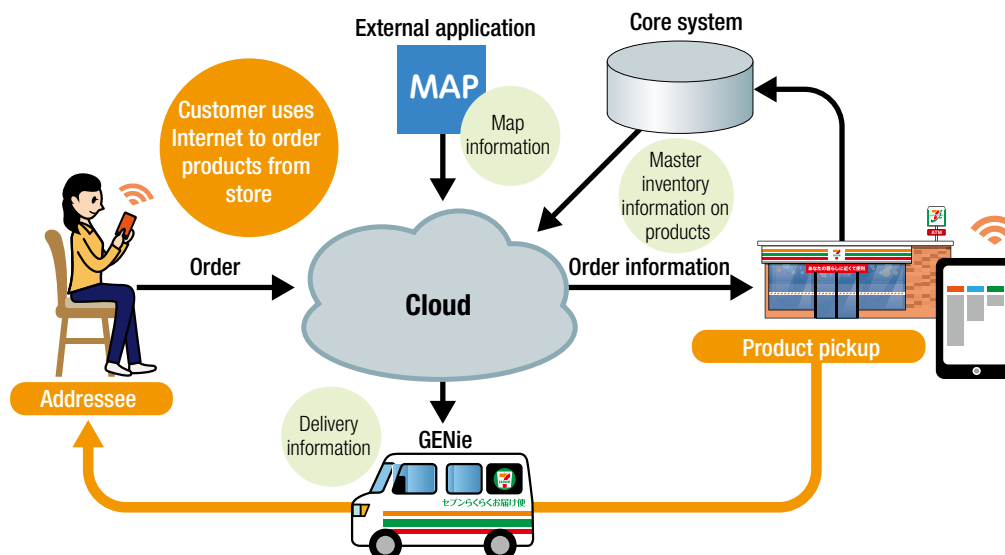
Since its launch in June 2018, our 7-Eleven app has been downloaded more than we had anticipated. In addition, the number of coupons given to app members for product exchanges has exceeded the number of coupons on printed receipts, which should encourage the purchase of new products. In July 2019, moreover, we will include a smartphone payment function called “7pay” in the 7-Eleven app to further increase convenience for customers.

By strengthening relationships with customers in these ways, we will improve our ability to attract shoppers to our stores. We will also use the app to refer customers who have the common Group ID to other Seven & i Group companies.

**(2) Net Convenience Store**

SEJ is conducting field tests of its *Net Convenience Store* service at some stores in Hokkaido Prefecture. With this service, customers use smartphones to place orders for products at physical stores, and the products are delivered in as little as two hours. In addition to the elderly customers we had originally envisioned, these tests revealed a higher-than-expected number of working wives in their 30s and 40s requiring deliveries as well as delivery demands in the

evenings. We will continue making improvements that reflect the opinions of franchisees and cooperating companies, with a view toward a full-scale rollout of this service.

**Net Convenience Store system****Future Challenges**

In light of Japan's ongoing labor shortage, we will flexibly reassess operating hours of our stores, depending on the location and each store's status, in pursuit of sustainable store management, in cooperation with franchisees.

We are currently conducting non-24-hour operating field tests at directly operated stores and franchised stores. Rather

than imposing uniformity on all stores, we will strive for flexible management by identifying the specific attributes of each store, including the location and surrounding commercial area. We will properly verify the results of our field tests and solve various problems, allowing franchisees to manage their stores with peace of mind.

# Overseas Convenience Store Operations

## 7-Eleven, Inc.

We always adopt the perspective of customers to understand their needs and remain a company that meets their expectations. At the same time, we aim to grow as a digital company that provides more convenient and comfortable products and services that customers can access via physical stores and mobile devices.

## Joseph M. DePinto

President and  
Representative Director  
7-Eleven, Inc.



## Business Overview

In addition to being a global 7-Eleven licensor, 7-Eleven, Inc. (SEI) promotes growth strategies that address changing consumer markets in North America. We respond to the highly diversified needs of North American customers by enlarging our lineups of fresh food and checkout-counter drinks, expanding private-brand products and promoting digital strategies. Using an effective combination of new store openings and M&As, we are actively opening new stores in high-growth areas to further strengthen the growth potential of the entire chain.



## Strategies and Management Policies

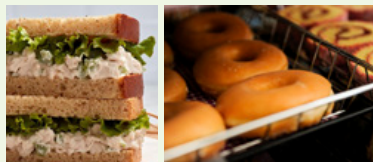
Since the economic downturn of the 2000s, convenience stores in North America have faced a difficult operating environment due to delayed recovery in demand from low- and middle-income groups, the spread of digital and e-commerce technologies, and intensifying competition among retailers. In

addition to the current focus on enhancing the range of fresh food products—such as sandwiches, salads and cut fruit—and the market concentration strategy, SEI is implementing a strategy based on its “6-Point Plan,” aimed at further growth of franchised stores.

### 6-Point Plan

1

Expand sales of fresh food and checkout-counter drinks



2

Improve lineup and expand range of private-brand products



3

Improve on-site capabilities



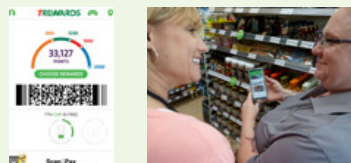
4

Develop new stores and revitalize existing ones



5

Promote digital strategies



6

Reinforce the global brand



## Specific Measures and Outlook

## 1 Expand sales of fresh food and checkout-counter drinks

In the North American market, with its diverse cultures, the concept of food locality is more prominent than in Japan. At the same time, consumers are becoming more focused on food quality and time efficiency. SEI conducts in-depth analyses of these market characteristics and reflects the findings in the development of fresh food, which has been particularly lacking throughout the market.

We also leverage the product development capabilities of Warabeya Nichiyo Holdings Co., Ltd., which has played a major role in the growth of 7-Eleven stores in Japan. This enables us to improve the quality of fresh food, a category earmarked for future growth, and strengthen product supply and other aspects of our infrastructure.



## 2 Improve lineup and expand range of private-brand products

Developing differentiated products that attract customers to our stores is an urgent priority in light of intensifying competition that transcends the scope of convenience stores. SEI develops environmentally friendly private-brand products that reflect its commitment to providing unparalleled taste, ingredients and quality. Sales of private-brand products, which totaled US\$80 million in 2008, grew to US\$800 million in 2018, in response to customer needs. In fiscal 2019, we are expanding our offerings in the cigarette and energy drink categories and developing marketable products accordingly.



### 3 Improve on-site capabilities

We are working to enhance customer services to give shoppers a more pleasant experience. Our Brand Excellence Program, launched in 2018, seeks to clarify issues and make improvements by quantifying customer service, the product mix, cleanliness and the store-specific achievement level of the 6-Point Plan. We will continue working to improve customer satisfaction through customer service training, our Smile Program and other initiatives.



#### 4 Develop new stores and revitalize existing ones

We are working to improve the efficiency of logistics and sales promotion, as well as productivity. To this end, we are implementing the market concentration strategy—centered on the West Coast, the Midwest and the East Coast, where populations have increased in recent years—and we acquired some U.S.-based Sunoco LP stores in January 2018. We also emphasize store openings in urban areas where demand for fresh food is high. In addition to new stores, we have a focused store-opening policy to meet customer needs, based on a community development strategy of relocating or revitalizing existing stores.





## 5 Promote digital strategies

Membership in our “7Rewards” loyalty program has surpassed 18 million since its launch in 2018. We use purchasing-related information obtained from this program to develop more personalized promotions. In addition, our “7Now” delivery service responds to the growing demand for home delivery. This service also achieves delivery of alcoholic beverages with strict regulations. The results have been high average spend per customer and a good repeat rate. We are also testing the introduction of a stress-free self-payment service called “Scan & Pay.” Using digital technology in this way, we aim to provide a completely new shopping experience.



## 6 Reinforce the global brand

In February 2019, we entered into a master franchise agreement with a subsidiary of Future Retail Ltd., the developer of the first 7-Eleven chain in India, which has a population of more than 1.3 billion people and high economic growth. In addition to opening new stores, the new master franchisee will convert some existing retail outlets into 7-Eleven stores, with the aims of modernizing small- and medium-sized retail stores and improving customer convenience in India.

Together with SEJ, SEI, as a master franchiser, will

strengthen support of existing licensees, introduce its unique business model and develop convenience stores that better reflect local circumstances.

In March 2019, 7-Eleven licensee companies from 18 countries and regions gathered in Japan for the 7-Eleven International Summit. Going forward, we will continue to leverage the alliance between SEJ and SEI to promote global strategies in both existing and new regions.



## SDG Initiatives

In our pursuit of sustainable business growth, we at SEI are working hard to 1) reduce CO<sub>2</sub> emissions, 2) reduce plastic waste and 3) actively support social and regional initiatives. By 2027, when we celebrate the 100th anniversary of 7-Eleven's birth in the United States, we aim to reduce CO<sub>2</sub> emissions by 20% (compared with the 2015 level), use 100%

environmentally friendly private-brand product packaging and donate 1% of net income to groups and organizations that contribute to society.





# Superstore Operations

## Ito-Yokado Co., Ltd.

Under the concept of “creating shopping centers rooted in the local community,” each and every Ito-Yokado store is implementing drastic reforms based on local attributes and local needs. Our focus is on developing stores that are supported by all the people in a region.

## Tomihiko Saegusa

President and  
Representative Director  
Ito-Yokado Co., Ltd.



## Business Overview

As of February 28, 2019, there were 159 Ito-Yokado stores in Japan, centering on superstores that handle food, apparel and household goods.



## Strengths, Issues and Management Policies

In addition to general merchandise stores, the Ito-Yokado network includes *Ario* large-scale shopping centers and Ito-Yokado Grocery Store supermarkets that specialize in food products. Many of our stores are located close to railway stations in Tokyo metropolitan area and thus have good potential.

Ito-Yokado's greatest challenge is its directly operated sales floor space for apparel and household goods, which have been unprofitable for many years. For this reason, we are reducing unprofitable floor space, increasing floor space dedicated to food, which is highly profitable, and expanding our tenant mix. The aim of these structural reforms is to maximize the real estate values of our stores.

We are also pursuing other structural reforms that include closing unprofitable stores and re-creating stores through a scrap-and-build approach.

Ito-Yokado closed 30 unprofitable stores from fiscal 2017 through fiscal 2019 and plans to open four new stores under the scrap-and-build approach in fiscal 2020.

### Medium-Term Management Plan (announced in October 2016): Issues and Policies

- Prolonged imbalance between floor space and profit for apparel and household goods, declining revenue per area
- High real estate values of well-located stores underutilized

### Structural reforms of stores

#### Structural reforms aimed at improvement storewide of the capability to attract customers to shopping centers

##### [Specific initiatives]

- Reduce inefficient sales floor space mainly for apparel and household goods ⇒ Bring in tenants that attract customers
- Renovate stores with high potential mainly in Tokyo metropolitan area ⇒ Restore competitiveness
- Top priority on increasing customer numbers, followed by per-area efficiency and, finally, operating income

To address issues identified in our Medium-Term Management Plan (announced in October 2016), we will undertake structural reforms aimed at improvement storewide of the capability to attract customers to our shopping centers.

## Specific Progress of Strategies

1

### Structural reforms aimed at improvement storewide of the capability to attract customers to shopping centers

We are facing an imbalance between the sales floor space for apparel and household goods and the actual sales generated by those products. We believe this is because there is a gap between customer needs and our product strategy.

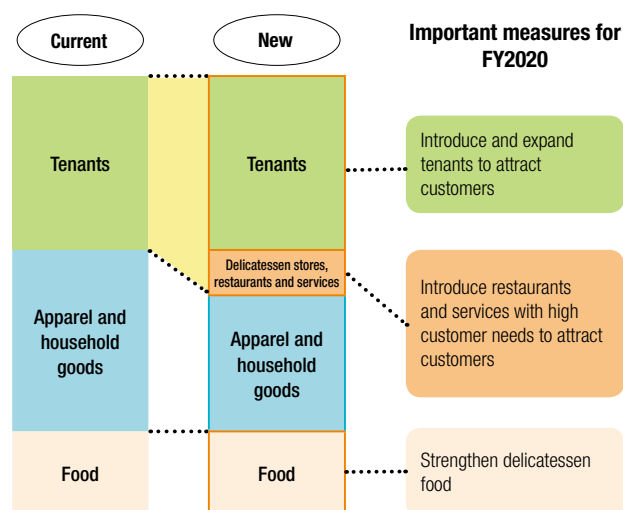
Many Ito-Yokado stores are located in front of railway

stations and in popular shopping districts. Also, they have the scale of commercial facilities that can accommodate diversified content. On the other hand, the needs of each surrounding community differ according to the store location and the local environment.

As a result, Ito-Yokado will closely examine the distinctive aspects and asset values of each store with the aim of creating bustling new local hubs and shopping centers that are comfortable spaces. In addition to selling traditional products, we will strive to provide all of the elements necessary for local communities, including spaces to gather, learn and play.

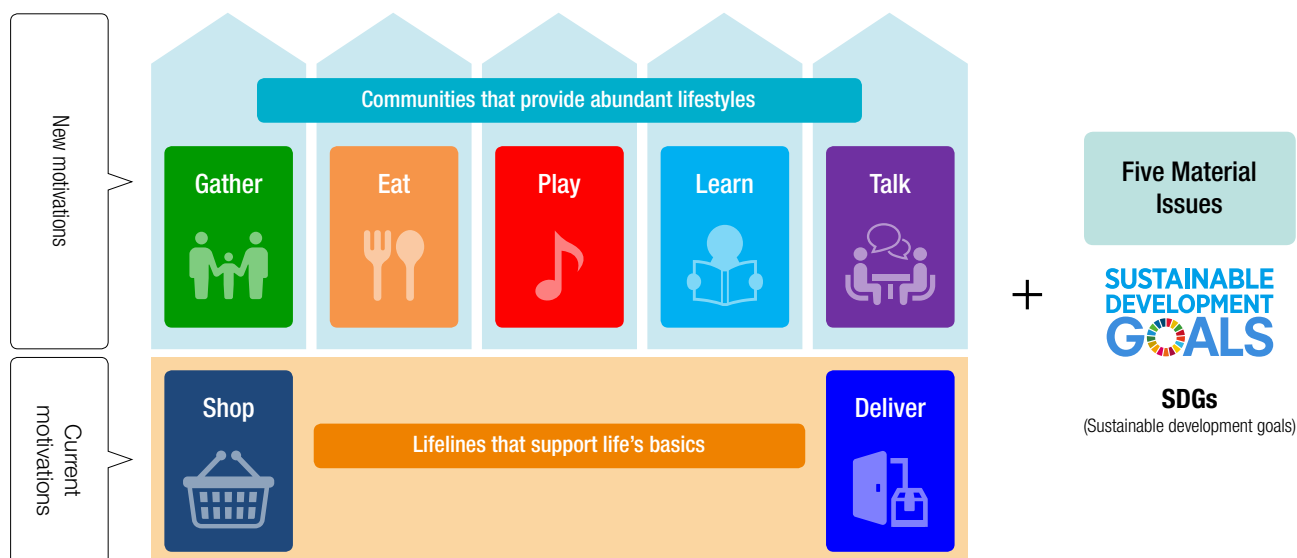
While optimizing sales floor space, for example, we will analyze the market for each store and correct the balance between the sales floor space and the sales figures. To diversify the content of spaces opened up, we will welcome popular specialty stores as tenants and form alliances with THE LOFT and other specialized members of the Seven & i Group. Ito-Yokado itself is developing new shopping and service functions that reflect its own aspirations and introducing flexible content that matches each store's location and surrounding commercial district.

At stores that have undergone structural reforms (see examples below), we have noticed increases in sales per area, steady growth in customer numbers and enhanced shopping center appeal, with profitability improving as a result. We will urgently expand this initiative to other stores to help enhance our medium- and long-term results.



Going forward, we will also focus on operational restructuring, including reorganization of our businesses.

### Value offered by Ito-Yokado



### Store restructuring example Ito-Yokado Omori Store

Again using the results of market analysis, we enhanced the Ito-Yokado Omori store, transforming it into a local shopping center where customers like to gather.

Specifically, we reduced the directly operated sales floor space for apparel and household goods, replacing it with space for highly popular apparel brands and a hundred-yen shop. In the food section, we set up an in-store bakery and started selling imported food. We also expanded the food court, enhanced the sales area for children's items and made other changes to enhance comfort for visitors.

As a result, as the store has become more attractive to customers, per-area efficiency of the shopping center overall has significantly improved.

## 2 Redevelop stores by leveraging good locations

At Ito-Yokado, we are redeveloping well-located stores that have high real estate values and enjoy the longtime support of customers. By the end of May 2019, we had redeveloped

three such stores this way: Ito-Yokado Grocery Store Senju, Ito-Yokado Grocery Store Atsugi and Ito-Yokado Grocery Store Kamiooka.



### Store restructuring example Ito-Yokado Grocery Store Senju

Ito-Yokado Senju store grew and enjoyed the patronage of local residents since opening as the first store in the Ito-Yokado chain.

Taking advantage of the site's accessibility—a six-minute walk from Kitasenju Station—we redeveloped and reopened it on March 15, 2019, as Ito-Yokado Grocery Store Senju, specializing in food. The new store operates on the lower levels of a condominium.

## 3 Apply digital technology to improve customer service and productivity

Ito-Yokado is using digital technology to introduce self-checkout and AI-based ordering to improve productivity.

The introduction of self-checkout enables smooth purchasing without making customers wait, while reducing total checkout-related labor time.

We have also introduced AI-based ordering for food (excluding perishables), apparel, household goods and the like. AI is attractive because it uses actual values, such as product-specific sales figures, as well as weather-related

factors, to study and predict future sales trends and place orders accordingly. In addition to preventing such things as product shortages, AI-based ordering has decreased the time spent per person placing orders.

Going forward, we will take advantage of these outcomes to increase the time allocated to customer service, tasting and value proposing, sales floor development and other tasks to increase customer satisfaction in our quest to create attractive shopping experiences.

## SDG Initiatives

At Ito-Yokado, we aim to realize a sustainable society by resolving social issues through our main business. To support the lives of people in local communities, we have formed comprehensive alliance agreements with local government agencies (63 agencies and 74 Ito-Yokado stores as of April 1, 2019). Under these agreements, government agencies and stores cooperate with each other to promote initiatives that make good use of a store's infrastructure. Examples include local-production-for-local-consumption campaigns and sales channel expansion, as well as childcare support and training for caregivers of dementia patients. As for food safety, we sell “fresh private-brand fruit and vegetables with traceability” that are cultivated in secure areas with minimal pesticides and have verified production histories. Currently, we are encouraging production sites of our private-brand products to improve environmental safety and protection through proper farm management to obtain Japan Good Agricultural Practices (JGAP) certification. We are working to provide customers with agricultural products that will help achieve SDG Goal 15, which calls for protection of “life on land.”



## York-Benimaru Co., Ltd.

The most important elements for supermarkets are “products” and “people.” By developing new products that meet customer needs and leveraging the unlimited potential of each and every employee, we will prepare York-Benimaru for new challenges.

## Yukio Mafune

President and  
Representative Director  
York-Benimaru Co., Ltd.



## Business Overview

As of February 28, 2019, York-Benimaru was operating 225 “lifestyle-proposal supermarkets,” mainly in the southern Tohoku district. Its aim is to make people’s daily dining experiences more fun, fulfilling and convenient.



## Strengths, Issues and Management Policies

In cooperation with Life Foods Co., Ltd., a subsidiary engaged in food production and sales, York-Benimaru is strengthening its assortment of prepared dishes. The company’s products benefit from strengths regarding safety, peace of mind, taste and health. As for stores, we are creating stores where all employees play an important role, following the principle of individual store management. We are also implementing highly efficient store openings with a focused store-opening approach.

However, business confidence in the Tohoku district, the location of most of our stores, remains more difficult than in other parts of Japan. We are also facing other issues, such as intensifying competition with drugstores and other business formats.

To address these issues, we will continue to develop “lifestyle-proposal supermarkets” and promote management reforms from the perspectives outlined below.

## Specific Progress of Strategies

### (1) Enhancing product appeal

We are enhancing our product lineup to meet customers’ requirements, including the need to save time on household chores and the demand for individual meals. We are also offering new product proposals focusing on fresh food and delicatessen food. Meanwhile, the subsidiary Life Foods is leveraging its strengths in food production and retailing to reinforce its supply chain management, from manufacturing to sales.

### (2) Strengthening human resources to enhance store operations

We are stepping up stratified employee training with the aim of

shifting from individual store management centered on store managers, as done in the past, to departmental management with more active involvement by product department managers. In this way, we are working to establish stores where the growth of each employee contributes to the growth of the company.

### (3) Reviewing investments

We are revitalizing our existing stores, introducing the latest equipment to improve sales efficiency. At the same time, we are reassessing our store investments, focusing on cost structure reforms.

## SDG Initiative: Telephone Order Delivery Service for locations where shopping is difficult

York-Benimaru is developing its Telephone Order Delivery Service for people living near our stores in inconvenient areas with little access to public transportation and for those who have difficulty shopping for themselves, even in urban areas. The service, which will especially benefit elderly people, is based on the “whatever it takes” spirit inherent in our corporate philosophy, reflecting our commitment to serve each and every customer with sincerity. Our aim is to provide a social infrastructure that befits the era of an aging, decreasing population.





# Department Store Operations

## Sogo & Seibu Co., Ltd.

Following our corporate philosophy of “discoveries for customers that exceed expectations based on suggestions,” we will continue to offer fresh ideas from the customer’s perspective in department stores. That is our mission.

## Takuji Hayashi

President and  
Representative Director  
Sogo & Seibu Co., Ltd.



## Business Overview

As of February 28, 2019, Sogo & Seibu was operating 15 department stores in Japan and acted as the licensor (trademark holder) for 31 overseas stores in Hong Kong, Taiwan, Malaysia and Indonesia.



## Strengths, Issues and Management Policies

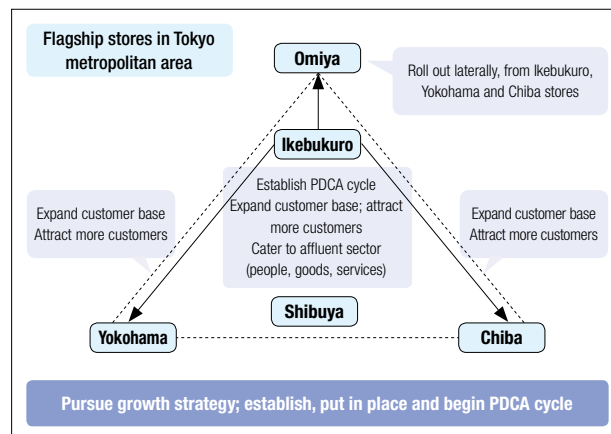
Both SEIBU and Sogo have strong brand appeal as department stores. Our flagship stores are especially located in popular shopping districts in front of terminal railway stations with large numbers of passengers. Most are in the Tokyo metropolitan area, in such locations as Ikebukuro, Yokohama, Chiba, Shibuya and Omiya.

However, the department store sector in Japan is shrinking due to the emergence of shopping centers and other commercial platforms, as well as the uniform quality within the department store sector itself. Sogo & Seibu’s sales have been declining continuously.

In response, since 2016, we have been undertaking structural reforms based on the policies outlined below from our Medium-Term Management Plan.

- (1) Attract customers and expand our customer base by concentrating management resources on flagship stores in Tokyo metropolitan area; make our regional and suburban stores more community-oriented and reform their profit structure
- (2) Utilize customer assets and deepen customer communication
- (3) Develop new markets through new businesses, including those that resolve social issues

### Focus on flagship stores in Tokyo metropolitan area and promote reforms according to store characteristics



Since 2016, we have been restructuring our business with a focus on closing and selling unprofitable stores. As of the end of February 2019, we had 15 stores in Japan, down from 23 at the beginning of fiscal 2017.

### Basic strategy outline



## Specific Progress of Strategies

1

### Expand customer base and attract more customers to flagship stores in Tokyo metropolitan area; develop new model for community-oriented suburban-type stores

In flagship stores in the Tokyo metropolitan area, we aim to provide assortments of products and services that attract more customers. At the Sogo Yokohama store, located in a highly populated commercial area with many potential customers, we are expanding and reorganizing sales floor space for cosmetics, where we anticipate growth. We aim to make Sogo Yokohama the No. 1 store in the region for product lineup and services. At the SEIBU Tokorozawa store,

positioned as a model for suburban-type department stores, we have implemented structural reforms, including expanding the food section to two floors to meet local needs. This has helped attract more customers and expand our customer base. For customers looking for food, we will undertake further reforms, such as bringing in popular tenants, allowing people to shop on other floors as well.

2

### Use digital communication to create new customer touchpoints and bring our department stores closer to customers

Sogo & Seibu has traditionally communicated with customers through a point card system. In December 2018, we updated the system with the new "SEIBU SOGO official app," which allows us to deliver more detailed information to customers, including timely bargain-related material and notification about in-store events. By stepping up digital communication in such ways, we will realize department stores that are more familiar to customers.

We also have a licensing network in Asia. Partnering with local stores enables us to make greater contact with visitors from all over the world, in addition to our customers in Asia.

For example, we will use overseas channels and verbal recommendations to develop sales spaces, products and services for foreigners who visit us in Japan. We will also

expand globally by communicating the various strengths of Sogo & Seibu, including culture and digital content.

#### Leverage new customer touchpoints to discover potential customers

##### Current

Customer activities limited to Company's own card

SEIBU SOGO official app  
(launched in December 2018)



##### Future

Contact potential customers who could not be normally accessed



3

### Use beauty24 health app to develop new market

In light of increasing concerns about beauty and health, we have developed an app that supports people 24 hours a day for up to 100 years. This app, based on the concept of providing close support around the clock, not just when customers visit our stores, uses a health-based age derived from health checkup data, as well as a "sensitivity check"

measured with a smartphone camera, to provide the customer with a "Who I am now" snapshot. It then provides behavioral advice to help the customer move closer to "Who I want to become." We will continue to draw on customer feedback to strengthen our capabilities while using the app to support the beauty and health of our customers.

#### beauty24 app: 24-hour support to age 100



##### My health checkup

Records health checkup data and encourages regular examinations

##### Health-based age calculation

Uses health checkup data to predict medical expenses and calculate health-based age

##### Sensitivity check

Grasps the balance between sympathetic and parasympathetic nerves based on images of color changes of skin taken with a smartphone camera



##### Sleep report

Uses a smartphone to measure sleep patterns and uncover problems

##### Dietary check

Records information on three meals to know excess/deficiency of calories and nutrients

##### Step-count check

Monitors daily walking steps to help maintain health (to be introduced in fiscal 2020)

# Financial Services

## Seven Bank, Ltd.

We aim to provide “close-by, convenient” financial assistance through our ATM services and financial products.

## Yasuaki Funatake

President and  
Representative Director  
Seven Bank, Ltd.



## Business Overview

Seven Bank operates a domestic network of more than 25,000 ATMs that together handle around 2.3 million transactions per day. Through this network, we provide ATM receipt service (cash receipt service), international money transfer services and other financial services that meet customers' needs. Through consolidated subsidiaries, we are also promoting other businesses, including ATM services in the United States and Indonesia and commission-based back office support for domestic financial institutions.



## Strengths and Basic Policy

Since its inception, Seven Bank has sought to provide ATM services that can be used “anytime, anywhere, by anyone and with safety and security.” In May 2017, we announced our Medium-Term Management Plan, whose basic policy is to “achieve growth in our main business as we diversify our operations” by the fiscal period ending March 2020, the final year of the plan. Targeting sustainable growth, we have positioned the period of the plan as a time to establish a foundation for long-term growth, and we are working to expand our business accordingly.

### Seven Bank Medium-Term Management Plan: Basic Policy for Fiscal 2018–2020

**Achieve growth in our main business as we diversify our operations**

#### ATM Platform Business

Create new ATM usage styles

#### Settlement and Account Business

Provide retail-style financial services to visitors of Group stores in Japan (around 24 million persons/day)

#### Overseas Business

Get U.S. business on track and solidify Asian business

## Specific Measures and Outlook

### 1 ATM Platform Business

Using our platform of more than 25,000 ATMs nationwide, we are implementing measures to increase the number of customers and business partners. To attract more users to our ATM services, we have provided offerings that are not bound by traditional concepts. In addition to services provided via alliances mainly with financial institutions, these include a cash receipt service that does not go through a bank account, an

electronic money charging service (for topping up things like public transportation cards) and topping up for a new settlement service for barcode payments. To continue creating new value for our ATMs, we will focus on increasing alliance partners and raising awareness of our new services. We will also step up efforts to attract ATM transactions from financial institutions while continuing to install ATMs at Group stores.

## 2

## Settlement and Account Business

Our international money transfer services are highly regarded as safe and convenient ways for foreigners staying in Japan to transfer money to their home countries. In April 2019, enactment of the revised Immigration Control and Refugee Recognition Act is expected to accelerate the increase in foreign workers and thus provide more opportunities for Seven Bank to attract customers.

In addition, Seven Pay Co., Ltd. will launch its “7pay” barcode settlement service, scheduled to begin in July 2019, which allows users to make payments with their smartphones. Through “7pay,” we will increase the quality and quantity of interactions with customers visiting 7-Eleven and other domestic Group stores—around 24 million persons per day—and thus provide more “close-by, convenient” value in people’s daily lives.



## 3

## Overseas Business

FCTI, Inc., our North American consolidated subsidiary, completed installation of ATMs at 7-Eleven stores in the United States in March 2018 as planned, and the network is now operating smoothly. Going forward, we will pursue synergies with 7-Eleven, Inc. with the aim of developing new services

and improving profitability. Making full use of Seven Bank’s know-how, meanwhile, we continue to aggressively move into areas earmarked for 7-Eleven store openings in Asia and elsewhere overseas.

## Other financial services

Seven Financial Service Co., Ltd. and its subsidiaries provide electronic money, credit card and other financial services. They are working in combination with retail service providers in the Seven & i Group to create new financial services.

## (1) Credit card business

Seven Card Service Co., Ltd. issues and operates “SEVEN CARD plus” mainly for customers of Group superstores, and Seven CS Card Service Co., Ltd. issues and operates “CLUB ON/Millennium CARD SAISON” mainly for customers of Group department stores. By linking the loyalty program among Group stores and cooperating with outside companies, we will work to provide more convenient and more valuable services.

## (2) Electronic money business, etc.

Seven Card Service handles the convenient *nanaco* electronic money card, which can be used in all Group stores and in a wide range of member stores outside the Group. Furthermore, Seven Pay Co., Ltd. plans to launch its “7pay” barcode settlement service to meet the increasingly cashless needs of society and enhance customer satisfaction.





## Specialty Store Operations

### Akachan Honpo Co., Ltd.



Specialty store for maternity, baby and kids' products

**Akachan Honpo**

#### Becoming a “comprehensive childcare support company”

Akachan Honpo provides families with fun and excitement in line with its slogan “Akachan Honpo—‘Smile for mom, dad and baby.’ ” With more than 2 million members, Akachan Honpo is well recognized by over 90% of Japan’s parenting generation. In addition to developing original products for baby safety and security, we are focusing on events and services related to childbirth and child-raising as part of our activities to support parenting. We also have an app that provides parents with childcare-related information. In these ways, we aim to be a “comprehensive childcare support company” that enhances the joy of childbirth and child-raising for every customer.



### THE LOFT CO., LTD.



Specialty store for miscellaneous goods

**THE LOFT**

#### Adding to the richness and fun of everyday life

THE LOFT offers a wide range of well-designed and functional products, ranging from beauty and health items, stationery, miscellaneous items and character-themed merchandise to household items and artwork. We also utilize customer feedback to develop original products, and we create sales space to introduce new items and services. Our LOFT app, a tool for communicating with customers through their smartphones, makes shopping fun. Also, our valued services attracting attention include the dissemination of information on the “newness” of our products, tie-ups with SNS and the issuing of coupons when customers accumulate shopping points.



## Seven & i Food Systems Co., Ltd.



Restaurants, fast food and contracted food services

### Seven & i Food Systems

#### Valued food and services for a richer tomorrow

Seven & i Food Systems operates various businesses centered on food. These include the management of Denny's restaurants, Poppo fast-food shops, Shiroyagi Coffee shops and Kojimachi Coffee shops. We also provide contracted food (catering) services to offices, hospitals, schools and the like, and we serve as a franchisee for some 7-Eleven convenience stores. To improve sustainable corporate value, we will continue striving to provide our various stakeholders with a richer tomorrow by offering safe, valued food and services that are accessible to customers and meet their changing needs.



## Nissen Holdings Co., Ltd.



Mail order service for fashion items

### Nissen Holdings

#### Delivering “some good things” to your door

In addition to the mail order business—selling mainly women's clothing, household goods and other products via catalogs and the Internet—Nissen Holdings engages in the life insurance business, casualty insurance agency business and the credit card business. Adopting the customer's perspective, we are united in our commitment to create new value to evolve and advance as an attractive company that stays closely attuned to the life stages and scenes in daily life of customers.



Other specialty store  
operating companies

BARNEYS  
NEW YORK

Francfranc

OSHMAN'S®  
We make sure you're the winner.

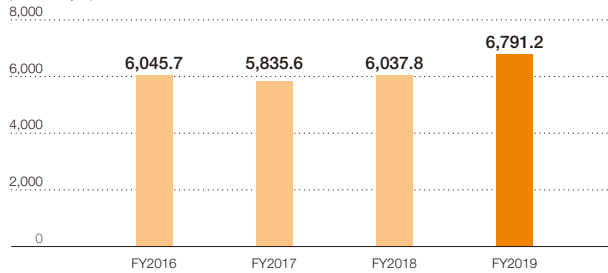
TOWER RECORDS

## Key Indicators (as of June 1, 2019)

Below are some of the Seven & i Group's key indicators.

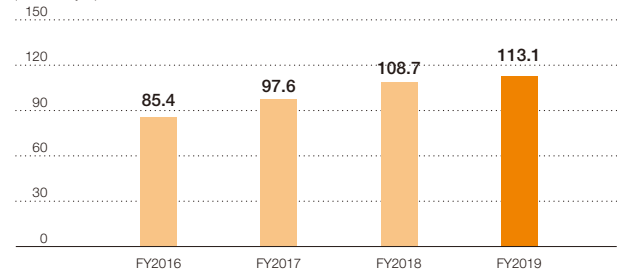
### Revenues from operations

(Billions of yen)



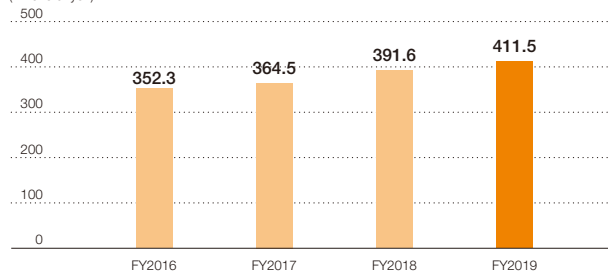
### E-commerce sales\*

(Billions of yen)



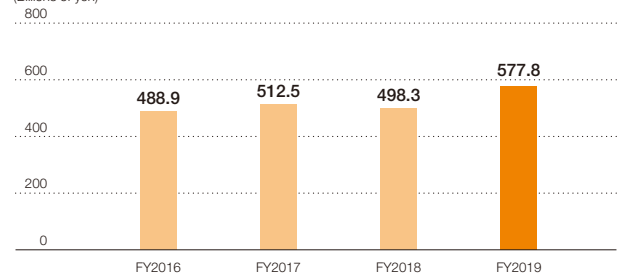
### Operating income

(Billions of yen)



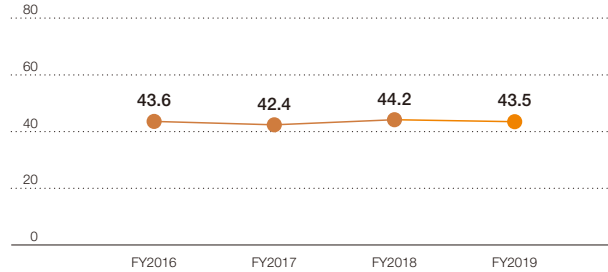
### Cash flows from operating activities

(Billions of yen)



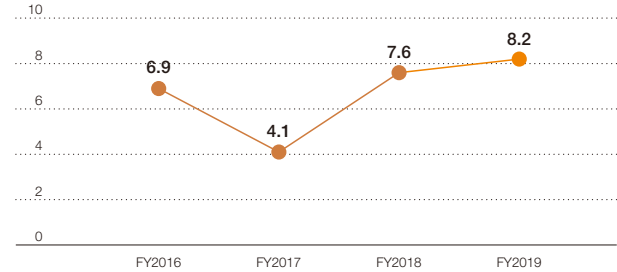
### Owners' equity ratio

(%)



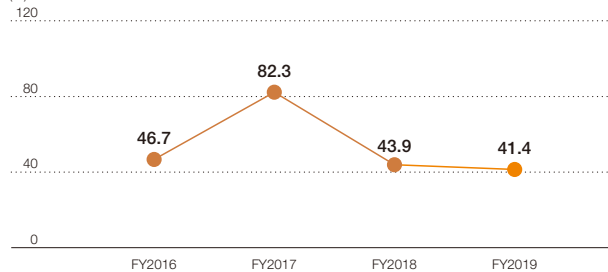
### ROE

(%)



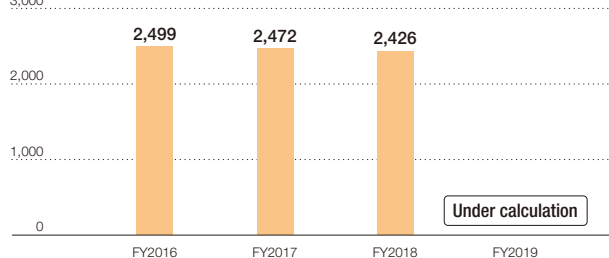
### Dividend payout ratio

(%)

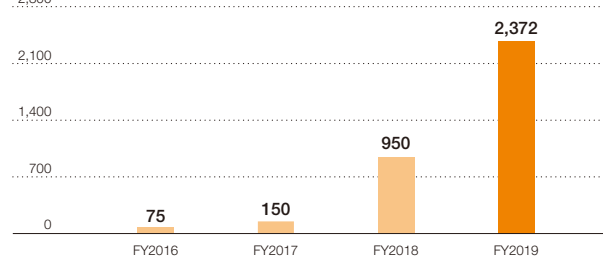
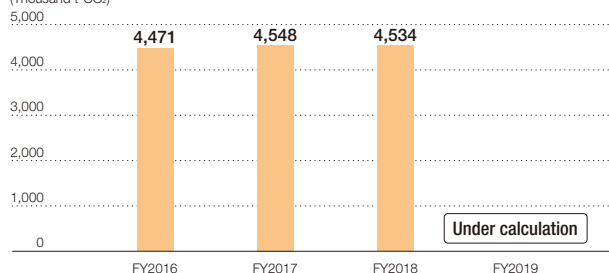


\*E-commerce sales including 7Net Shopping, Seven-Meal, Ito-Yokado, Akachan Honpo, Sogo & Seibu and THE LOFT, etc.

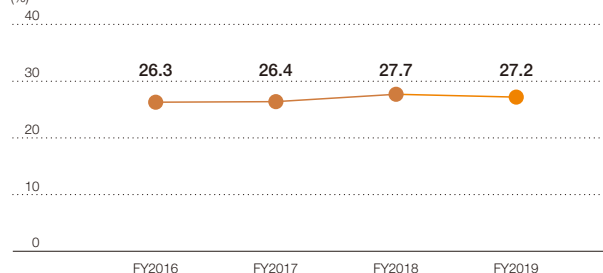
\*Sales through the *omni7* website since September 2016

**CO<sub>2</sub> emissions from store operations\*<sup>1</sup>**(Thousand t-CO<sub>2</sub>)**Number of Seven Premium eco-friendly packaging materials introduced**

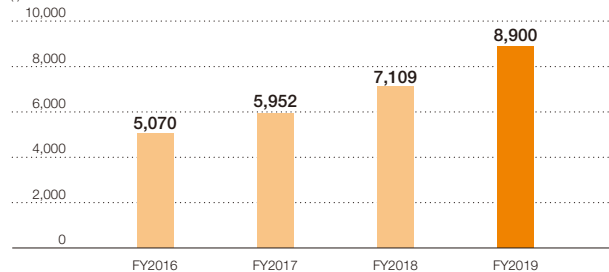
(Items)

**Electricity consumption in store operations\*<sup>1</sup>**(Thousand t-CO<sub>2</sub>)**Percentage of female managers\*<sup>2</sup>**

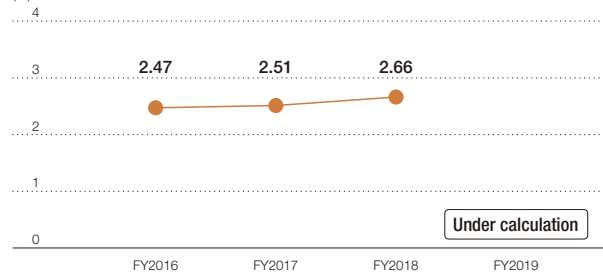
(%)

**Volume of plastic (PET) bottles collected from collection machines**

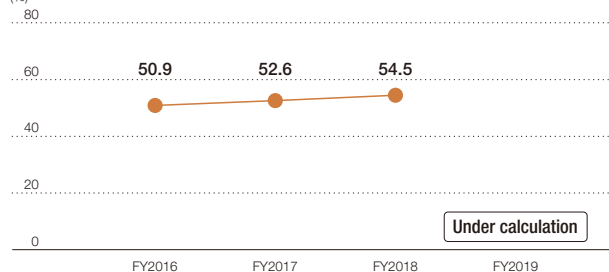
(t)

**Percentage of employees with disabilities\*<sup>3</sup>**

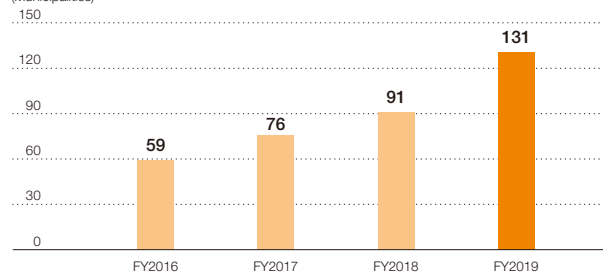
(%)

**Food recycling rate**

(%)

**Number of municipalities with which comprehensive alliance agreements have been concluded**

(Municipalities)



\*<sup>1</sup> For the fiscal year ended February 28, 2015 and the fiscal year ended February 29, 2016, the totals are for 9 companies (SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., Sogo & Seibu Co., Ltd., York-Benimaru Co., Ltd., York Mart Co., Ltd., Seven & i Food Systems Co., Ltd., Akachan Honpo Co., Ltd., THE LOFT CO., LTD. and SHELL GARDEN Co., Ltd.). For the fiscal year ended February 28, 2017, the totals are for 10 companies due to the addition of Life Foods Co., Ltd. For the fiscal year ended February 28, 2018, the totals are for 12 companies due to the addition of Life Foods Co., Ltd., IY Foods K.K., and Barneys Japan Co., Ltd. For the calculation methods, please refer to the environmental data of each operating company described in Data Section. <https://www.7andi.com/en/csr/csrreport/2018.html>

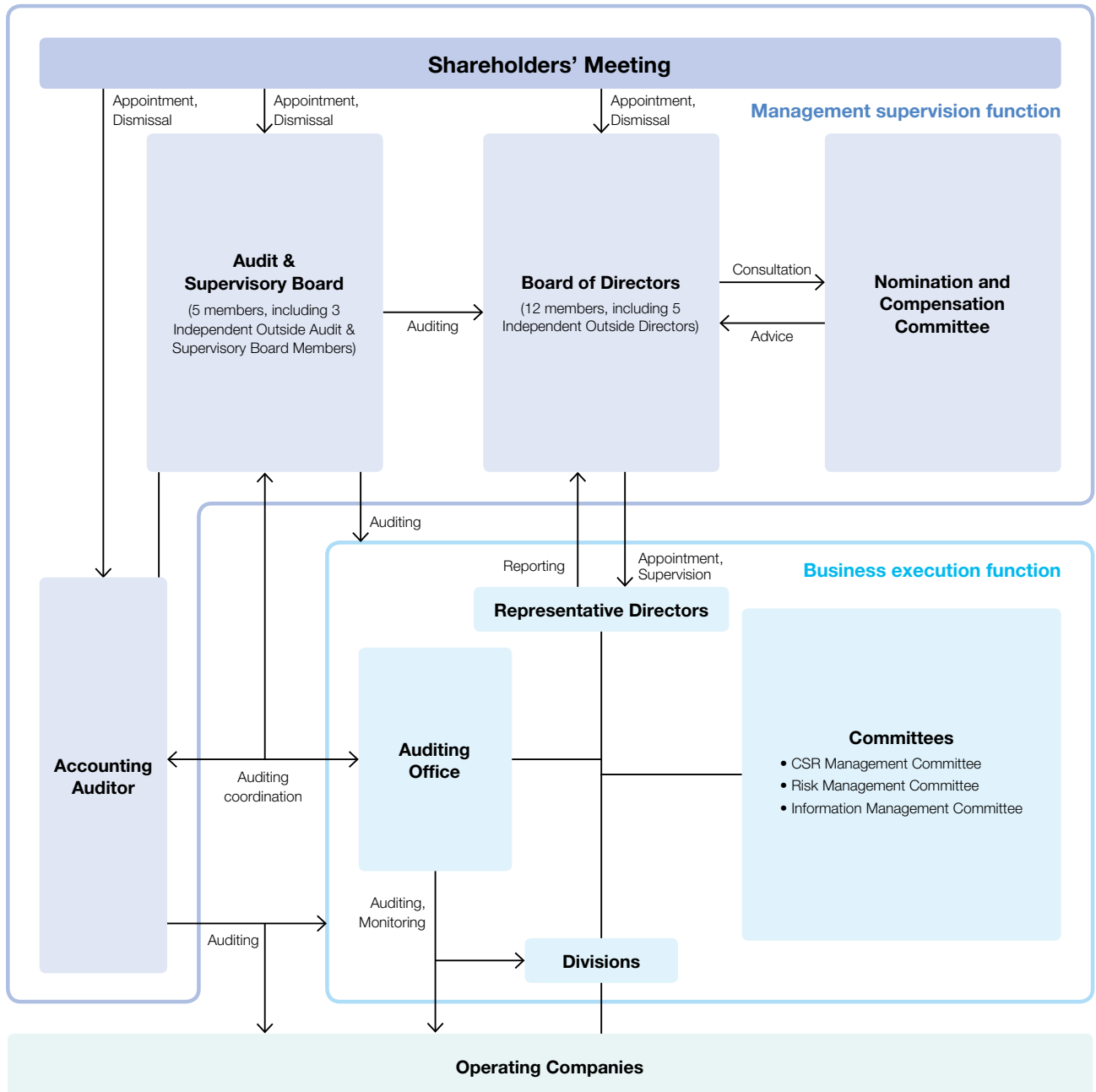
\*<sup>2</sup> Total for eight companies (Seven & i Holdings, SEVEN-ELEVEN JAPAN, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, Akachan Honpo and Seven Bank). The percentage of team leaders or higher positions, excluding executive officers.

\*<sup>3</sup> The rate for each fiscal year ending in February is the rate as of June 1 of the same year. The percentage of workers with disabilities is for the five qualified Group companies: Seven & i Holdings, K.K. Terre Verte (special subsidiary for employees with severe disabilities), SEVEN-ELEVEN JAPAN, Ito-Yokado, and Seven & i Food Systems.



# Corporate Governance

Corporate Governance System (As of May 23, 2019)



## Contents

- 82 **Directors and Audit & Supervisory Board Members**
- 84 **Dialogue between Outside Directors**

- 88 **Basic Views on Corporate Governance**

- 89 **Group Governance Framework Driving Corporate Value Creation**

- 90 **Overview of Corporate Governance “Systems”**

- 90 **1** Separation of the Board of Directors’ supervisory functions and executive officers’ business execution functions through introduction of the executive officer system (clarification of the scope of matters delegated to management)
- 91 **2** Reason for adoption of current corporate governance system
- 91 **3** Nomination and Compensation Committee system
- 92 **4** Advisors, etc.
- 92 **5** Corporate governance by various committees
- 93 **6** Internal Control Resolutions
- 94 **7** Risk management
- 96 **8** Internal reporting
- 97 **9** Cross-shareholdings

- 98 **Composition, etc., of the Board of Directors**

- 98 **1** Composition of the Board of Directors (balance among knowledge, experience, and skills, and diversity and size, of the Board of Directors)
- 100 **2** Numbers and composition ratios of Outside Directors and Outside Audit & Supervisory Board Members
- 101 **3** View on independence of Outside Directors and Outside Audit & Supervisory Board Members and independence standards
- 101 **4** Concurrent positions of Directors and Audit & Supervisory Board Members
- 102 **5** Activities of the Board of Directors
- 103 **6** Evaluation of the Board of Directors’ effectiveness

- 106 **Policies and Procedures for Appointment/Dismissal and Nomination of Directors and Audit & Supervisory Board Members, and Training**

- 106 **1** Board policies and procedures in the appointment/dismissal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates
- 108 **2** Requirements and qualities of Directors and Audit & Supervisory Board Members
- 109 **3** Basic policy regarding qualities and appointment/dismissal of Group representative (Company President) (Group representative succession plan)
- 109 **4** Explanations of reasons for appointment when the Board of Directors appoints senior management and nominates Director and Audit & Supervisory Board Member candidates
- 109 **5** Training for Directors and Audit & Supervisory Board Members

- 110 **Compensation for Board of Directors and Audit & Supervisory Board Members**

- 110 Policies and procedures in determining the compensation of Directors and Audit & Supervisory Board Members

- 114 **Monitoring by Outside Directors and Outside Audit & Supervisory Board Members**

- 114 **1** Main activities of Outside Directors and Outside Audit & Supervisory Board Members
- 115 **2** Exchange of opinions with Outside Directors and Outside Audit & Supervisory Board Members
- 115 **3** Support system for Outside Directors and Outside Audit & Supervisory Board Members

- 115 **Auditing**

- 115 **1** Audits by the Audit & Supervisory Board Members
- 117 **2** Internal audits
- 117 **3** Coordination between Audit & Supervisory Board Member audits, internal audits, and accounting audits
- 117 **4** Framework for checking related party transactions

- 118 **Roles of Corporate Pension Funds as Asset Owners**

- 118 **1** Scheme of the Corporate Pension Fund
- 118 **2** Management of the Corporate Pension Fund

- 119 **Communication (Dialogue) with Shareholders; Shareholders’ Meetings**

- 119 **1** Dialogue with shareholders and IR activity policy
- 122 **2** Securing shareholders’ rights at Shareholders’ Meetings

## Directors and Audit & Supervisory Board Members (As of May 23, 2019)



**Kaori Matsubashi**  
Outside Audit &  
Supervisory Board Member

**Noriyuki Habano**  
Standing Audit &  
Supervisory Board Member

**Yoshio Tsukio**  
Outside Director

**Kunio Ito**  
Outside Director

**Mitsuko Inamasu**  
Outside Audit &  
Supervisory Board Member

**Kazuko Rudy**  
Outside Director

**Kimiyoshi Yamaguchi**  
Director and  
Executive Officer

**Junro Ito**  
Director and Managing  
Executive Officer

**Ryuichi Isaka**  
President and  
Representative Director





**Toshiro Yonemura**  
Outside Director

**Tetsuro Higashi**  
Outside Director

**Yoshitake Taniguchi**  
Standing Audit &  
Supervisory Board Member

**Kazuhiro Hara**  
Outside Audit &  
Supervisory Board Member

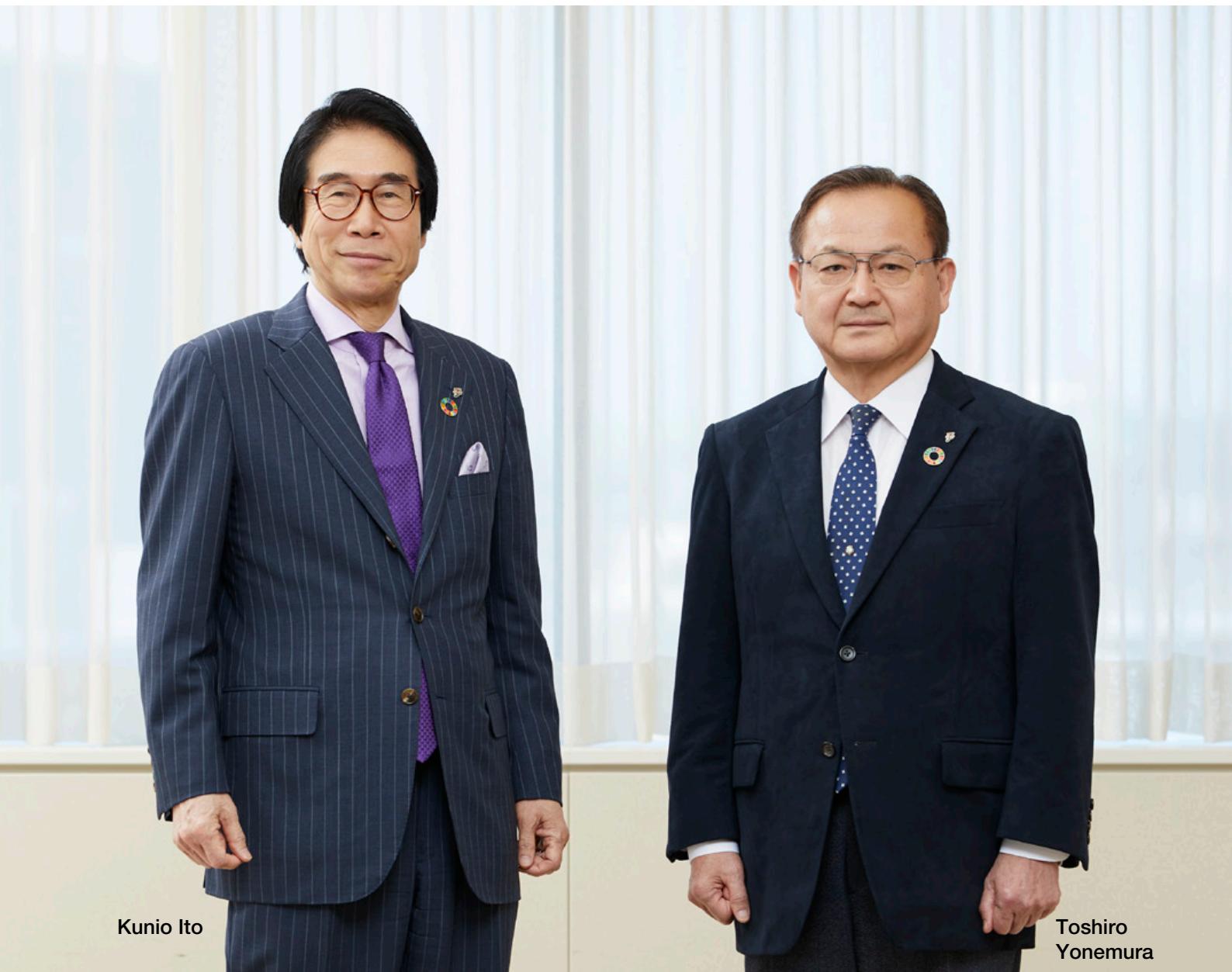
**Katsuhiro Goto**  
Vice President and  
Representative Director

**Fumihiko Nagamatsu**  
Director

**Shigeki Kimura**  
Director and  
Executive Officer

**Joseph M. DePinto**  
Director





Kunio Ito

Toshiro  
Yonemura

## **Multi-faceted advice from Outside Directors with diverse expertise lets us realize highly transparent management.**

---

Outside Directors Kunio Ito and Toshiro Yonemura discussed management and governance practices at the Seven & i Group, the role of Outside Directors and issues for sustainable growth.

## Board of Directors' Discussions and Effectiveness

**Seven & i Holdings has cultivated an atmosphere at discussions where no subject is taboo. (Yonemura)**

**The management team is keen to build good governance. (Ito)**

**Yonemura:** I sense that top management at a private company, unlike top decision-makers at a government agency, hold tremendous influence over the organization. It is therefore important that opinions given to top management at Board of Directors' meetings be expressed clearly and freely. Seven & i Holdings has cultivated an atmosphere at Board of Directors' meetings where no subject is taboo.

**Ito:** The Board of Directors changed considerably three years ago when a new management structure was put in place. The role that Seven & i Holdings must fulfill and the themes that the Board of Directors must discuss have been clarified, with the results now conveyed to Group companies for implementation. The quality of the Board of Directors is markedly improved.

**Yonemura:** Problems that have accumulated over time, even those that are tacitly taken for granted, are obvious if themes are revisited from different perspectives. Companies like Seven & i Holdings, with a wide range of stakeholder groups, including customers, business partners, local communities and employees, require non-standardized, diverse ideas to grow sustainably. I am impressed that Seven & i Holdings has achieved its ideal, including the effectiveness of the Board of Directors' operations.

**Ito:** One reason for the free and open atmosphere that permeates the Board of Directors at Seven & i Holdings is the inside management team, which includes President Isaka. Even when one of us says something that might be considered harsh, everyone listens respectfully without glaring. As a result, we Outside Directors can be candid. This contributes to constructive discussions. Generally, good questions from Outside Directors lead to better governance. But at Seven & i Holdings, management is not just receptive to questions but actually seeks our advice and suggestions as well.

**Yonemura:** I feel that our insights and skills as Outside Directors are sufficiently utilized and facilitate multifaceted discussions.

**Ito:** The management team is keen to build good governance. This is another reason for animated discussions at Board of Directors' meetings. Good governance is not built by internal processes alone. It evolves from discussions between inside and outside members of the Board. President Isaka emphasizes a conversation-style approach at the Shareholders' Meeting as well as at the Board of Directors' meetings. Outside Directors also represent the rights of minority shareholders and so, according to President Isaka, discussions by the Board of Directors are similar to presentations at the Shareholders' Meeting. The conversation-style approach is applied to the Nomination and Compensation Committee as well. Candidates are interviewed and then recommendations are made to the Board of Directors. Compensation too is determined through repeated discussions on KPIs, other factors and on how best to apply the stock-linked compensation program.

**For the Board of Directors to function properly, the chairman must be suitably competent. (Ito)**

**The chairman of the Board has to have ideas about how discussions should unfold. (Yonemura)**

**Ito:** The chairman of the Board of Directors is President Isaka, but I feel that for the Board of Directors to function properly, whoever is in the position of chairman must be suitably competent. Normally, a company president, having an executive role, is not the preferred choice for Board chairman, who has more of a supervisory role. However, after discussing this in our evaluation of the effectiveness of the Board of Directors, we concluded that President Isaka fulfills both roles quite nicely.

**Yonemura:** I myself was in a chairman position during my time as Superintendent General of the Tokyo Metropolitan Police Department. From that experience, I feel it is more important for a chairman to have ideas about how discussions should unfold rather than have the final say on proposals. Without the right direction, the meeting will not be productive. I believe President Isaka has the right resources in place. Also, the chairman bears executive responsibility and therefore forwards the results of thorough discussion for implementation.

## Dialogue between Outside Directors

### Role that Outside Directors Fulfill as Members of Board of Directors

**Crisis management is not putting on the brakes but rather a safeguard to ensure progress. (Yonemura)**

**We place every activity within the long-term story of value creation. (Ito)**

**Yonemura:** I have many years of experience in crisis management, and even today, I am involved in crisis management activities. People might equate crisis management with putting on the brakes, but that is not the case. Crisis management is a component of governance. To demonstrate organizational capabilities when an emergency strikes, measures have to be in place to realize an expedient response. I offer advice from a crisis management perspective so that Seven & i Holdings, with the proper safeguards in place, can move forward.

**Ito:** Discussions by the Board of Directors are undertaken to achieve sustainable improvement in corporate value. There are times when putting on the brakes, albeit carefully, will lead to reduced risks and higher corporate value. Also, there are times when stepping on the accelerator, after minimizing risks, will lead to sustainable growth. It is our role as Outside Directors to encourage management to sometimes slow down but also our role to give management a nudge to boost corporate value by stepping on the accelerator. In coming to these decisions, we have to look at where each activity falls within the long-term story of value creation.

### Medium- to Long-Term Growth of the Seven & i Group

**Ideas originate from different perspectives amid changes in society. (Yonemura)**

**It is important to “imagine like an amateur and execute like an expert.” (Ito)**

**Yonemura:** Every kind of company has immediate issues to address, and the tendency is to direct all efforts toward those issues. However, against a backdrop of dramatic transformation on many fronts, issues are going to appear that cannot be solved by extending strategies previously used. When that happens, management has to take a different perspective. Once, at the Tokyo Metropolitan Police Department, crime was increasing and we wanted to bring it down. Instead of trying to arrest more criminals for crimes they committed, we switched to a prevention



### Kunio Ito

Outside Director

Professor, Hitotsubashi University Business School. Professor, Chuo University, Graduate School of Strategic Management. Specialist in accounting, corporate governance and corporate valuation. Published “Ito Review” in 2014 under a project of the Ministry of Economy, Trade and Industry. Chairman of TCFD Consortium, established on May 27, 2019. Outside Director at Seven & i Holdings since May 2014.

strategy that would keep people from becoming victims. Ideas and results definitely follow when a different approach is taken. To better prepare for changes that emerge, I think it is important to take a different view of what the Company should be.

**Ito:** The Seven & i Group owes its current prosperity to the successful business model for convenience store operations. This is a huge accomplishment. But the Group might also succumb to the so-called innovation dilemma and might have distanced itself from the needs and wants of consumers while working through improvements. As an Outside Director, I stay at a distance and maintain a long-term perspective. At this distance, I realize it is important to be aware of potential risks that lurk in a business model, even one marked for success. I think the convenience store success model needs an element of “imagine like an amateur and execute like an expert.” Start with a blank slate, free of preconceptions and stereotypes, and draw a new storyboard for convenience store operations that squarely captures the needs of consumers and the conditions that franchise owners face today. Simply extending the old line of thinking based on



many years of past results is not an empty canvas ready for a new painting. Start fresh. Meanwhile, the implementation process requires people to be experts, and that is definitely the case at the Seven & i Group. We will have to acquire ideas like an amateur, and the implementation process needs to enhance quality. This will lead to discussions of restructuring the Group's business portfolio.

### **Achieving SDG targets is a monumental task. (Yonemura)**

**It is important to integrate management resources with views toward the short term and toward the long term. (Ito)**

**Yonemura:** I feel President Isaka is very aware of ESG (Environment, Society, Governance) and SDGs (sustainable development goals) and maintains a proactive approach to social issues from a corporate perspective. I look forward to the concrete initiatives that he spearheads. Our thoughts on achieving SDG targets will probably require adjustment at the grass-roots level. It goes against human nature to want more resources and to use more resources, so achieving SDG targets will be a monumental task.

**Ito:** Companies are duty-bound to effectively use management resources entrusted to them by shareholders. They are also required to contribute to realizing a sustainable society. To me, capital productivity is ROE and sustainability is ESG, and I am promoting the coined term "ROESG" as a combination of ROE and ESG. The Board of Directors at Seven & i Holdings seems to take a strong stand on social issues such as climate change and food loss. However, management resources are not unlimited and must be allocated on one hand to boost productivity and on the other hand to raise sustainability. Management resources may come from a single source, but I believe it is important for the Board of Directors to delve into how to integrate and circulate management resources from the ROESG perspective and with perfect consistency.

**A unified team rich in diversity is an asset for an organization. (Yonemura)**  
**The "Seven & i Management Report" is a reflection of the Company's stance. (Ito)**

**Yonemura:** It is important for an organization to have a



### **Toshiro Yonemura**

Outside Director

Joined the National Police Agency in 1974 and held important positions such as Superintendent General of the Tokyo Metropolitan Police Department, Deputy Chief Cabinet Secretary for Crisis Management and Special Advisor to the Cabinet. Currently, Chief Security Officer for the Tokyo Organising Committee of the Olympic and Paralympic Games. Outside Director at Seven & i Holdings since May 2014.

unified team. But its monochrome quality dilutes inherent significance. As business expands, I would like to see the Company develop diverse human resources. I would also like to see those people in positions of responsibility and working together to expand the Company, using a diverse sense of values.

**Ito:** This time, Seven & i Holdings has combined its "Corporate Governance Report" and "Integrated Report" under the framework "Guidance for Collaborative Value Creation." The Company proactively consolidated the best of both documents, underscoring its stance on governance. In the future, I would like to see more in-depth discussion of the balance sheet as well. To improve corporate value, management should consider a better balance sheet structure and also create intangible assets not included on the balance sheets. In what form does the Company hold the assets, liabilities and capital shown on the balance sheets? How are amounts reduced, and how are capital costs controlled? But also, how are intangible assets, such as brand value, accounted for? None of this should be implied but rather should be decisively discussed by the Board of Directors.



## Basic Views on Corporate Governance [ CGC Principle 3.1 (ii) ]

The Company considers corporate governance to be a system for sustainable growth by establishing and maintaining a sincere management structure and continuously increasing the Group's corporate value over the medium and long term in both financial and non-financial (ESG) aspects to ensure the trust and longstanding patronage of all stakeholders, including customers, business partners and franchisees, shareholders and investors, local communities, and employees, based on the Corporate Creed.

The Company's mission as a holding company is to strengthen corporate governance and maximize the Group's corporate value, and the Company will strive to achieve this mission through the provision of support, oversight, and optimal resource allocation to its operating companies.

### **Establishment of a corporate governance “system” in accordance with advancement of group management stage**

The Group is improving every day under its slogan of “Responding to Change while Strengthening Fundamentals” and recognizes the importance of developing and establishing the corporate governance “system” in accordance with the advancement of the group management stage.

The Company launched a new management structure in May 2016, entering a new “group management stage” by transitioning to “a management structure that concentrates the Group's wisdom and enables a more robust Group governance system based on its organizational strength.”

Accordingly, the Group has initiated a sweeping improvement of its governance system, including a revision of the mechanisms for support and oversight of operating companies, and is now working to establish a specific “system” based on the abovementioned Corporate Creed, Corporate Action Guidelines, and “basic views on corporate governance.”

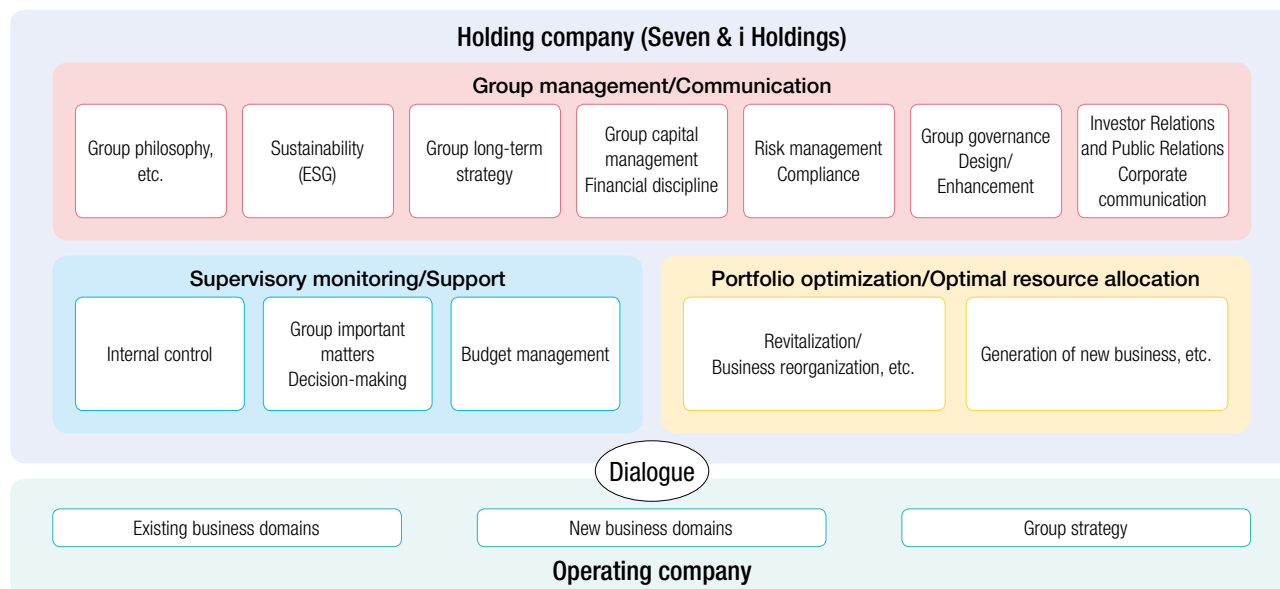
### **Approach, etc., to the independence of listed subsidiaries**

Although the Company owns the listed subsidiary, Seven Bank, Ltd., from the standpoint of respecting the independence of Seven Bank, Ltd., we value the management decisions of the said listed subsidiary, and respect the independent and autonomous deliberation and determination of its business strategies, personnel policies, capital policies, etc., as it engages in its operating activities. Moreover, the Company also considers it to be preferable, from the standpoint of group management, for Seven Bank, Ltd. to enhance its corporate value through its own growth strategies, etc.

Values	Sustainability/growth	Business model	Strategy	Key indicators	<b>Governance</b>
--------	-----------------------	----------------	----------	----------------	-------------------

## Group Governance Framework Driving Corporate Value Creation

### Group governance using a holding company system



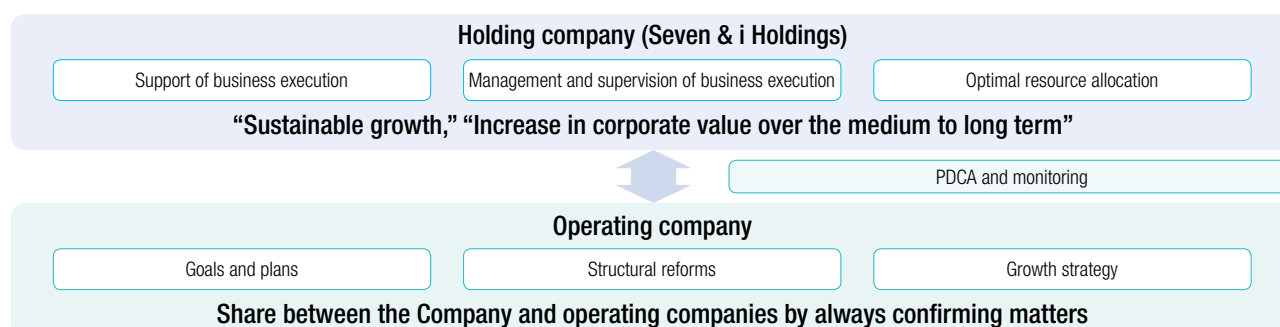
Based on the Group's philosophy and management policies, we employ a Group governance framework based on a holding company system as a mechanism to drive the creation of Group corporate value, not only in the short term but also over the medium to long term.

As the holding company overseeing the Group, in order to achieve sustainable growth for the Group and to increase corporate value over the medium to long term, the Company supports and supervises management execution by operating companies, as well as optimally allocates resources to them. In addition, the Company is responsible for "Group management," including disseminating the Group philosophy, drawing up sustainability policies and long-term Group strategies, managing the Group's capital and maintaining financial discipline, enhancing the risk management and compliance system, and enhancing Group governance, as well as "Group communication," including investor relations and public relations activities.

Meanwhile, each operating company under the Company's umbrella, while demonstrating autonomy, aggressively performs structural reforms and growth strategies utilizing the PDCA cycle with respect to its own business area, based on the goals and plans established through dialogue with the Company, and fulfills their own responsibilities, striving to increase corporate value and improve capital efficiency.

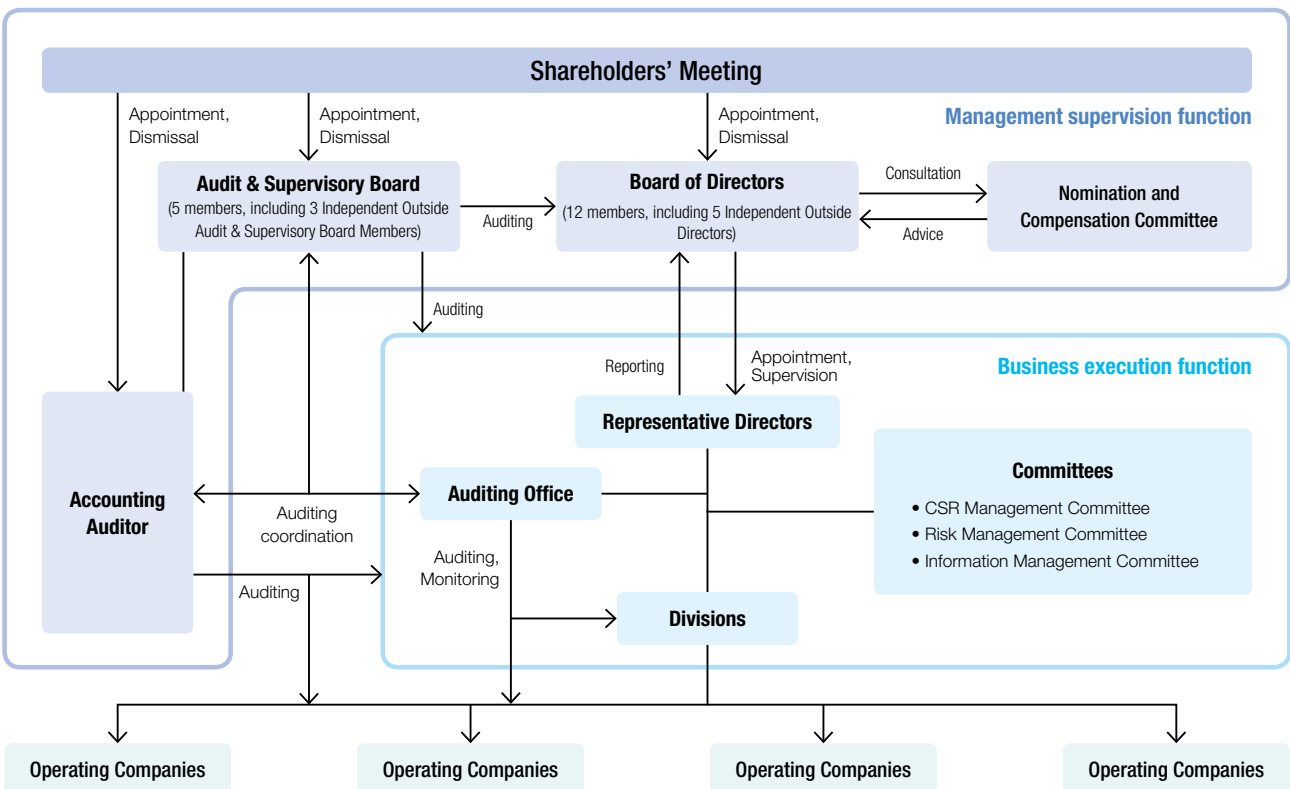
Based on the clear division of roles among the Group companies, we will steadily execute the Medium-Term Management Plan, realize the management philosophy and management policies, and strive to increase Group corporate value, by having closer and stronger dialogue and collaboration between us, the holding company and operating companies.

### Mechanism for creating corporate value based on enhanced dialogue and collaboration with operating companies



## Overview of Corporate Governance “Systems”

## Corporate Governance System (as of May 23, 2019)

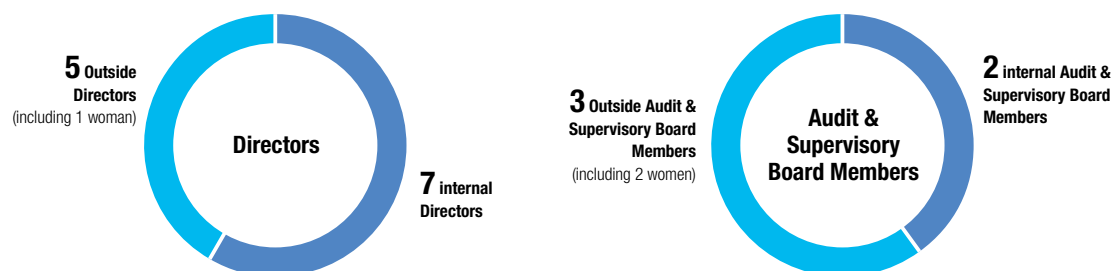


**1 Separation of the Board of Directors' supervisory functions and executive officers' business execution functions through introduction of the executive officer system (clarification of the scope of matters delegated to management)**

The Company's Board of Directors comprises 12 Directors (including 5 Outside Directors/11 men and 1 woman) and meets once a month in principle.

To facilitate prompt decision making and business execution even amid a dramatically changing operating environment, the Company has introduced the executive officer system and separated the Board of Directors' supervisory functions from the executive officers' business execution functions. This developed an environment where the Board of Directors is able to focus on the "formulation of management strategies" and the "supervision of business execution," while the executive officers can focus on "business execution." The executive officers comprise 18 members (17 men and 1 woman). The term of office of the Directors is set to one year in order to reflect the intentions of shareholders regarding the appointment of the management team in a timely manner.

### Numbers and composition ratios of Outside Directors and Outside Audit & Supervisory Board Members



### Clarification of the scope of matters delegated to management [ [CGC](#) Supplementary Principle 4.1.1 ]

Matters to be decided by the Board of Directors at the Company are stipulated in the Board of Directors Regulations, the Decision Authority Regulations, and so forth, and matters stipulated by the Companies Act and the Company's internal regulations are decided by the Board of Directors.

The Decision Authority Regulations clearly set forth the scope of matters to be decided by the President and Representative Director. This clarifies the decision-making process for management and the structure of responsibility, while also expediting decision-making by rational delegation of authority.

## 2 Reason for adoption of current corporate governance system

The Company ensures the effectiveness of its corporate governance by coordinating “audits” conducted by the Audit & Supervisory Board Members (Audit & Supervisory Board), including multiple Outside Audit & Supervisory Board Members who maintain their independence and have specialized knowledge in such areas as legal affairs and financial accounting, through their actively cooperating with the accounting auditor and the internal audit division, and “formulation of management strategies” and “supervision of business execution” conducted by the Board of Directors, including multiple Outside Directors who maintain their independence and have advanced management knowledge and experience.

The Company has adopted this corporate governance structure because it judges the structure to be workable for realizing and ensuring the Company's corporate governance and for conducting appropriate and efficient corporate management.

### Utilization of the company with Audit and Supervisory Board Member system


The Company considers the following characteristics and advantages of the Audit & Supervisory Board Member system to be effective for ensuring the appropriateness of the Company's Group governance and has therefore adopted it as the corporate governance system:


- i) Each Audit & Supervisory Board Member independently has its own auditing authority (individual independence system), which allows audits to be conducted from the perspectives of each Audit & Supervisory Board Member;
- ii) The independence of the Audit & Supervisory Board Members is clearly specified by law, which enables independent and objective audits; and
- iii) The Audit & Supervisory Board Members have legally specified authority to investigate subsidiaries, which is effective also from a Group audit perspective.


## 3 Nomination and Compensation Committee system


The Company has established the “Nomination and Compensation Committee” with an Independent Outside Director as the Chair to be an advisory committee to the Board of Directors, and by the committee's deliberations on the nomination, compensation, etc. of Representative Directors, Directors, Audit & Supervisory Board Members and executive officers, utilizes the knowledge and advice of Outside Directors and Outside Audit & Supervisory Board Members and ensures objectivity and transparency in the procedures for deciding the nomination and compensation of Representative Directors, Directors, Audit & Supervisory Board Members and executive officers, thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions.

#### Nomination and Compensation Committee


  
Chair  
(Independent Outside Director)

  
Member  
(Independent Outside Director)

  
Member  
(Internal Director)

  
Member  
(Internal Director)

  
Observer  
(Outside Audit & Supervisory Board Member)

  
Observer  
(Internal Audit & Supervisory Board Member)

➡ Please see page 106 and thereafter for details regarding the items for deliberation by the committee and committee composition, etc.



#### 4 Advisors, etc. (as of May 23, 2019)

Status of the advisors for the Company and major operating companies is as below.

##### I. The Company

Name	Masatoshi Ito
Title/position	Honorary Chairman
Duties	Provide advice when needed by the Company's management team
Working arrangement/conditions	Full-time/with compensation
Term of office	1 year

Name	Toshifumi Suzuki
Title/position	Honorary Advisor
Duties	Provide advice when needed by the Company's management team
Working arrangement/conditions	Full-time/with compensation
Date of retirement of the Company's president, etc.	May 26, 2016
Term of office	1 year

##### II. Main operating companies

Name	Noritomo Banzai
Title/position	Advisor of SEVEN-ELEVEN JAPAN CO., LTD.
Duties	Provide advice when needed by the company's management team
Working arrangement/conditions	Full-time/with compensation
Term of office	1 year

##### III. Others

- Regarding the assumption of office by advisors of the Company and major operating companies, the Company's Board of Directors deliberates and confirms matters and appropriately supervises their work.
- Upon consultation from the Company's Board of Directors, the Company's Nomination and Compensation Committee deliberates and confirms the duties, work arrangements, and conditions, such as compensation terms for the advisors of the Company and major operating companies.
- The roles of advisors of the Company and major operating companies are to provide advice when needed by the management team of each company, and advisors have no authority to affect the management decisions of each company.

#### 5 Corporate governance by various committees

The Company has established the "CSR Management Committee," "Risk Management Committee," and "Information Management Committee," which report to the Representative Director. Each committee determine Group policies in cooperation with the operating companies, and strengthens corporate governance by managing and supervising their dissemination and execution.

##### CSR Management Committee

The Company has established the CSR Management Committee for the purpose of promoting, administrating and supervising the CSR activities of the entire Group. The Company has also established the "Corporate Ethics and Culture Subcommittee," "Consumer Affairs and Fair Business Practices Subcommittee," "Environment Subcommittee" and "Social Value Creation Subcommittee" as group-wide cross-organizational bodies under the CSR Management Committee tasked with the examination and execution of concrete measures to address the "Five Material Issues" of the Group as a whole. With these subcommittees, the Company aims to realize more thorough practice of compliance, promote operating activities that will contribute to the solution of social issues relating to stakeholders, and work toward the sustainable development of both society and the Group, from the perspective of ESG (environment, society, and governance).

Furthermore, the Company operates an internal reporting system that can be used by Group officers, employees, and business partners as part of the internal controls of the whole Group. The executive officer in charge of the CSR Management Committee regularly reports and confirms the operational status of the internal reporting system at the Board of Directors' meeting.

### Risk Management Committee

In accordance with the basic rules for risk management, the Company and its Group companies establishes, streamlines, and manages comprehensive risk management systems, centered on the Risk Management Committee, in order to properly analyze, evaluate, and appropriately respond to risks associated with each business, with consideration for changes in the management environment and risk factors relevant to the Company and its Group companies.

The Risk Management Committee regards all phenomena that threaten continuation of our businesses and hinder sustainable growth as risks, and works to strengthen comprehensive and integrated risk management.

In FY2019, the committee revised the basic rules for risk management, based on a review of risk classifications and quantitative criteria, in accordance with changes in the internal and external environments. In addition, in an effort to increase risk management effectiveness, the committee further strengthened group-wide risk management through a risk assessment and analysis of each Group company by the departments responsible for the management of risks of the Company, as well as the provision of support for the implementation of risk mitigation measures.

### Information Management Committee

The Information Management Committee is in charge of initiatives to strengthen corporate governance and information security based on gathering and managing information.

In FY2019, the committee continued initiatives carried on from FY2018 and worked at strengthening information collection and management systems. While gathering important information from each company in an appropriate and timely manner and revamping the system for the cooperative framework for dealing with this, the committee centrally managed this information and strengthened the system for reporting that information without omission or delay to management and relevant divisions.

Furthermore, in order to address heightened social awareness of personal information protection and assure the safety and peace of mind of customers who use the Group's integrated EC site *omni7* and the apps of each operating company, the business sites that handle customers' personal information have acquired the international information security management systems (the ISMS) certification (ISO 27001), and the committee is undertaking efforts to strengthen information security. In addition, the committee formulated information security standards to be achieved by the Group and has taken steps to further bolster information security by deploying PDCA cycles based on the ISMS certification methods at each Group company.

## 6 Internal Control Resolutions

The Company has resolved as the reference information below regarding "the development of systems necessary to ensure that the execution of the duties by the directors complies with the laws and regulations and the articles of incorporation, and other systems prescribed by the Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a stock company and of operations of a group of enterprises consisting of said stock company and its subsidiaries," (so-called the "Internal Control Resolutions") set forth in the Companies Act.

## 7 Risk management

### (1) Basic approach to risk management

The Company is taking steps to appropriately manage the various risks associated with business continuity, in an effort to secure the soundness of its management and the efficiency of its business, while ensuring the lasting preservation and development of the Group.

In the management of the Group's risks, the Company quantifies the risks of every business domain to the extent possible, verifies that these risks are within an acceptable range based on the Company's owners' equity, and employs an integrated risk management method, which implements measures that avoid, transfer, mitigate, and retain risks.

### (2) Risks to be managed

The Company classifies the risks to be managed into the four categories of governance risk, operational risk, B/S risk, and business risk, and manages these risks in line with the basic rules for risk management shared by the whole Group.

In order to assess the group-wide status of each risk and effectively make improvements, the Company has clarified the departments responsible for the management of risks within the Company, while also establishing the Risk Management Department to centrally and comprehensively manage all risk areas.

Risk category	Major examples of the key risks of the Group
<b>Governance risk</b>	Risk of degradation of the entire Group's brand due to deficiencies in internal controls and compliance violations, etc.

#### Operational risk

Information management risk	Risk of incurring loss due to leakage of the personal information of customers, employees, etc., and confidential information
System risk	Risk of incurring loss due to cyberattacks and system and network failures
Quality assurance and labeling risk	Risk of incurring loss due to product safety issues, inappropriate labeling, and human rights and environmental problems in the supply chain
IR risk	Inappropriate disclosure risk and the risk of incurring loss due to unfair disclosures
PR risk	Risk of incurring loss due to inappropriate handling of the media, inappropriate news releases, etc.
Reputational risk	Risk of incurring loss including brand degradation from inappropriate information, including information on social media
Legal risk	Risk of incurring loss due to inadequate handling of litigation and statutory regulations
Risk associated with intellectual property rights (rights of trademark, etc.)	Risk of the intellectual property rights, etc., held by or attributed to the Group being violated by a third party, or of the Group violating the rights of a third party
Business continuity risk	Risk of incurring loss due to the impact of climate change, disasters, etc., and due to infectious diseases and epidemics, such as new strains of pandemic influenza
Risk of incidents and accidents	Risk of incurring loss due to bodily injury to customers, arson, fires and other accidents, etc.
Risk associated with antisocial groups	Risk of incurring loss as a result of relationships with antisocial groups
Accounting risk	Risk of incurring loss due to the introduction of new accounting standards or changes thereof
Tax-related risk	Risk of incurring loss due to inadequate handling of the introduction of new tax systems or changes thereof, etc.
Personnel- and labor-related risk	Risk of incurring loss due to inadequate development of the labor environment, ideal working conditions, etc.
Environmental risk	Risk of incurring loss due to inadequate handling of food recycling, reduction of containers and packaging, waste disposal, climate change, etc.

#### B/S risk (Risk occurring as a result of, or derived from assets and liabilities)

Asset risk	Risk of incurring loss due to a decline in the asset value of inventories, non-current assets, etc.
Business credit risk	Risk of incurring loss due to receivables management, including the collection of guaranty deposits
Financial credit risk	Risk of incurring loss in financial transactions for asset management, etc., due to deterioration of the financial standing of borrowers, etc.
Market risk	Risk of incurring loss due to fluctuating values of assets and liabilities, as a result of fluctuations in interest rates, foreign exchange rates, stock prices, etc.
Liquidity risk	Risk of incurring loss due to difficulties in fundraising as a result of deteriorating financial conditions, etc.

#### Business risk

Existing business risk	Risk of incurring loss due to the procurement of products and raw materials, etc., and fluctuations in purchase prices Risk of incurring loss due to compliance with store-opening regulations
Investment return risk	Risk of incurring loss due to failure to achieve the initially anticipated effects of M&As and business alliances with other companies, etc.

Values	Sustainability/growth	Business model	Strategy	Key indicators	Governance
--------	-----------------------	----------------	----------	----------------	------------

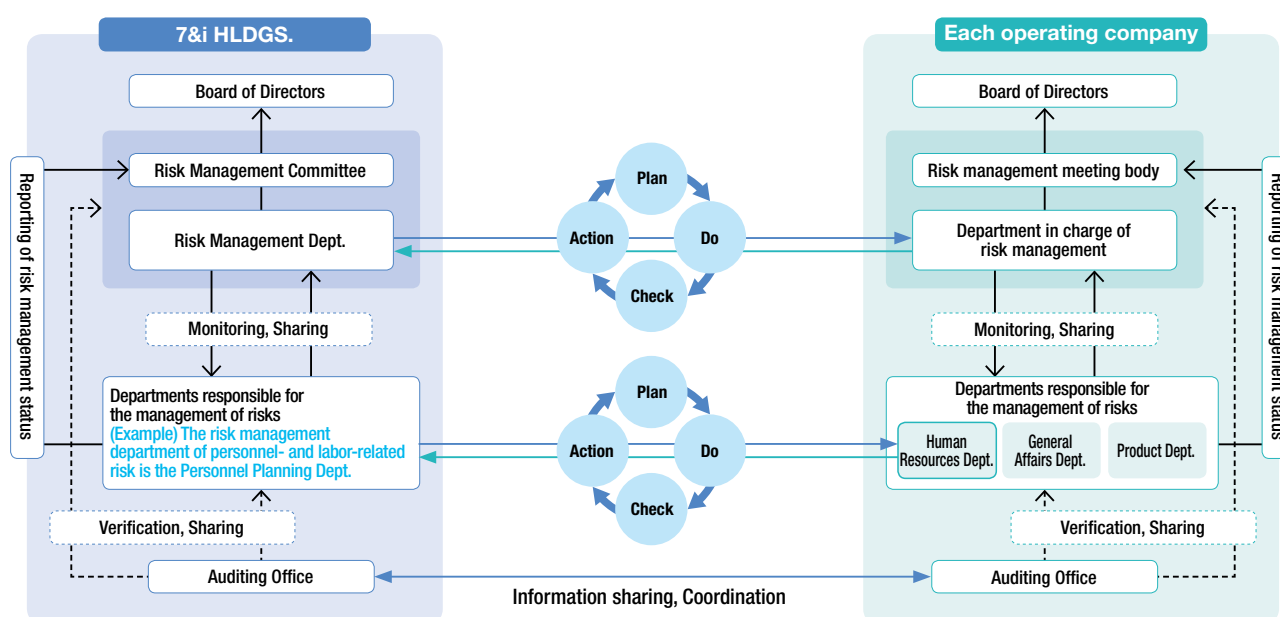
### (3) Group risk management system

The Company and its operating companies have established a Risk Management Committee, with the departments that oversee the overall risk management of the respective companies as the secretariat.

As a general rule, the Risk Management Committee meets once every six months to receive reports on the risk management status of the respective companies from the departments responsible for the management of risks, to comprehensively determine, assess, and analyze risks and discuss measures, and to determine the future direction going forward.

Meanwhile, with regard to individual risks, Group policies related to such risks, initiatives to mitigate risks undertaken by each company, and various internal and external examples illustrating signs of materializing risks, etc., are shared through a group-wide meeting body, etc., headed by the Company's departments responsible for the management of risks.

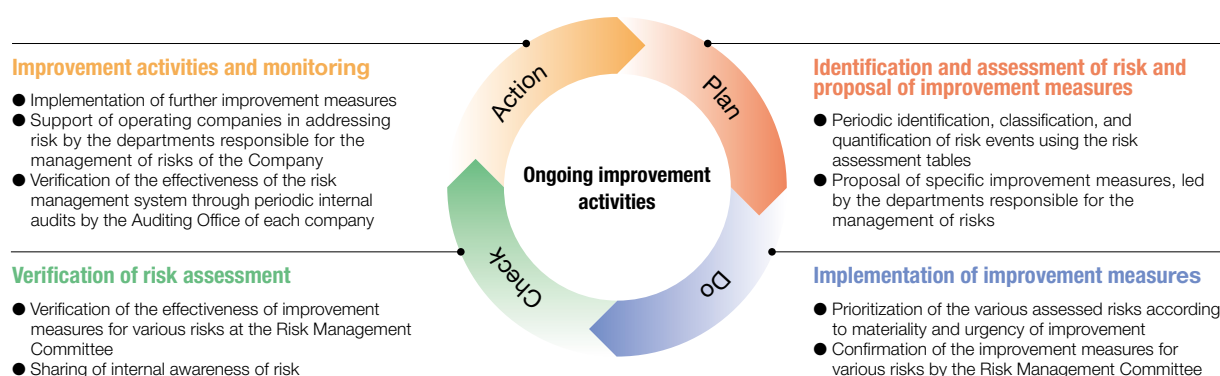
#### Group Risk Management System



### (4) The PDCA cycle of risk management

The Group conducts risk management through the comprehensive identification and quantification of risks based on the shared Group risk assessment tables, "risk assessment and proposal of improvement measures," "prioritization of risks," and "improvement activities and monitoring."

In addition, the Auditing Office of each company verifies whether risk management is being conducted effectively, from an independent perspective, through periodic internal audits of the departments in charge of overall risk management and the departments responsible for the management of risks of the respective companies, and provides each department with the necessary advice for improving risk management, as required.





## 8 Internal reporting

The Company operates an internal reporting system and has established a point of contact for reporting at an outside third-party organization that can be used by Group officers, employees and business partners as part of the internal controls of the whole Group. When an internal report is received, the administrative office and relevant departments confer together regarding the method of investigation and response, propose and execute it; and further inform the reporting person (whistleblower) of the result of the response and confirm if the problem is corrected. Under the rules of the internal reporting system, the personal information and privacy of whistleblowers are strictly protected, and at the whistleblowers' desire, their name and department are kept within the third-party organization and they can make an anonymous report to the Company. Moreover, the Company and its domestic consolidated subsidiaries maintain systems to ensure that whistleblowers are not subjected to disadvantageous treatment for having used the help line.

When a serious violation is found to have occurred, it is reported immediately to the Representative Director. Then the relevant department and relevant companies confer regarding the response and take necessary measures. Furthermore, the executive officer in charge of the CSR Management Committee at the Company regularly reports and confirms the operational status of internal reporting system at the Board of Directors' meeting.

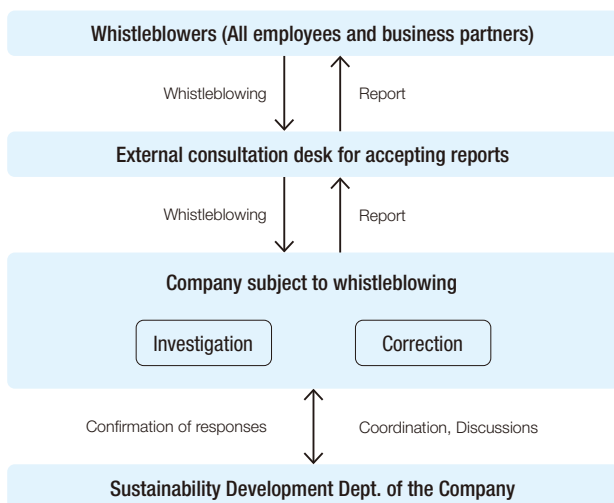
In addition, in February 2019, the Company established an Audit & Supervisory Board Member Hotline to receive reports and consultations on violations of laws and regulations, social norms and internal rules by management team members, including the Group's Directors, Audit & Supervisory Board Members, and executive officers.

### (Reference)

**Internal Reporting System for Employees:** Number of reports for FY2019: 1,226 (up 17% year on year)

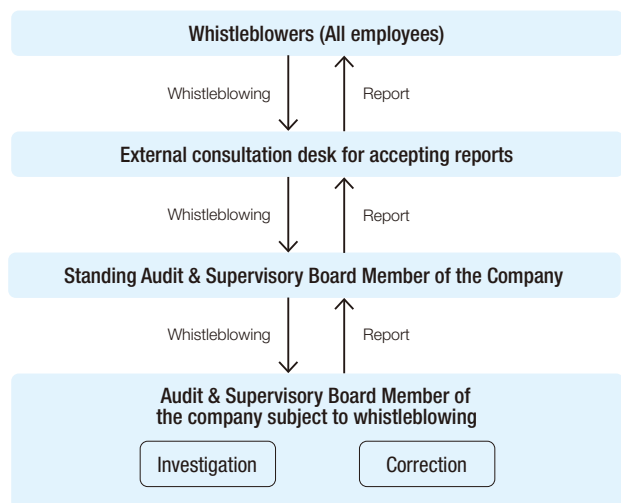
**Internal Reporting System for Business Partners:** Number of reports for FY2019: 59 (up 90% year on year)

#### Internal Reporting System for Employees and Business Partners



#### Audit & Supervisory Board Member Hotline

\*For cases in which the subject of the whistleblowing is an executive officer or a person in a higher position



## 9 Cross-shareholdings [CGC Principle 1.4]

### (1) Policy on cross-shareholdings

Overall, the Group's cross-shareholdings as of the end of February 2019 comprise 54 stocks, with a market value of ¥60.6 billion accounting for just over 2% of consolidated net assets.

In principle, the Group does not hold cross-shareholdings except where there is an accepted rationale for doing so, such as maintaining or strengthening business alliances or business relationships, in order to maintain and strengthen business competitiveness.

Stocks held are reviewed annually and shares with less rationale are to be sold in view of the circumstances of the investee companies.

### (2) Method of assessing the rationale for the holdings

The Company's Board of Directors assesses the matters below regarding the rationale for holding listed cross-shareholdings and makes comprehensive decisions. The Company will continually review the matters to be assessed.

#### Matters reviewed

##### Qualitative Matters

- i) Background of acquisition;
- ii) Presence or absence of business relationship;
- iii) Strategic significance at the time of holding;
- iv) Possibility of future business;
- v) Risks related to survival or stability, etc. of business if shares are not held; and
- vi) Continuity of advantages, future outlook for business, and risks if shares continue to be held.

##### Quantitative Matters

- i) The most recent amounts of transactions and profits if any business is conducted through business alliances, etc.;
- ii) Annual dividends received and gain or loss on valuation of shares; and
- iii) Whether the benefits and risks from each holding cover the Company's cost of capital.

### (3) FY2019 assessment of cross-shareholdings

The results of the Board of Directors' FY2019 assessment of all of the Company's listed cross-shareholdings are as below. (The review was performed at the Board of Directors meeting on November 1, 2018.)

#### Results of the assessment of all of the Company's listed cross-shareholdings

Stock	Qualitative/quantitative decision	Rationale for holding	Response
AIN HOLDINGS INC.	○	Yes	Keep
Credit Saison Co., Ltd.	○	Yes	Keep
Mitsui Fudosan Co., Ltd.	○	Yes	Keep
SEIBU HOLDINGS INC.	○	Yes	Keep
Tokyo Broadcasting System Holdings, Inc.	○	Yes	Keep
Dai-ichi Life Holdings, Inc.	○	Yes	Keep

The Company's Board of Directors confirms that its Group companies other than listed subsidiaries also assess cross-shareholdings based on the same shareholding policy as the Company.

#### (4) Standards for exercising voting rights

When exercising voting rights as to listed cross-shareholdings, the Company decides whether to vote for or against proposals from the perspective of increasing the medium- to long-term corporate value of the Company and the investee companies, and engages in dialogue with the investee companies about the proposals before exercising its voting rights if necessary.

From FY2019, the Company is exercising the voting rights based on newly established detailed rules to specifically examine the above standards.

##### Detailed Rules regarding Standards for Exercising Voting Rights

- a. Whether proposals at each Shareholders' Meeting inure to medium-to long-term improvement of corporate value?
- b. Whether proposals at each Shareholders' Meeting will maximize the benefits of shareholders of the company that convenes the Shareholders' Meeting?
- c. Whether a convocation notice of Shareholders' Meetings and other materials such as documents that explain proposals are timely and appropriate as information disclosure?

## Composition, etc., of the Board of Directors



### 1 Composition of the Board of Directors (balance among knowledge, experience, and skills, and diversity and size, of the Board of Directors) [CGC Supplementary Principle 4.11.1]

The Company emphasizes the composition of Directors and Audit & Supervisory Board Members for the Board of Directors having a good overall balance of knowledge, experience, and skills to effectively perform the role and responsibilities of the Board and ensuring both diversity and an appropriate size.

In particular, as a holding company, the Company needs to conduct comprehensive and multifaceted management for diverse business domains. Therefore, the Company examines the Board composition, considering diversity in terms of female and non-Japanese Directors and Audit & Supervisory Board Members as well as the balance among

Values	Sustainability/growth	Business model	Strategy	Key indicators	<b>Governance</b>
--------	-----------------------	----------------	----------	----------------	-------------------

their knowledge, experience, and skills.

For the Company's Audit & Supervisory Board Members, the Company takes care to appoint such persons with appropriate knowledge of finance and accounting.

The Company stipulates the aforementioned policies in the "Guidelines for Directors and Audit & Supervisory Board Members (resolved at the Board of Directors meeting held on April 7, 2016)."

#### Reference information

Page 138 Separate document 2 "Guidelines for Directors and Audit & Supervisory Board Members" "5. Basic policy on composition of Directors and Audit & Supervisory Board Members in companies with a Board of Directors"

### Composition of the Board of Directors for FY2020

With respect to the members of the Board of Directors for FY2020, considering the fact that ongoing issues from the previous fiscal year, such as developing the succession plan for Directors and Audit & Supervisory Board Members, as well as a more precise compensation system need to be deliberated, we considered appointing diverse members with a good balance of knowledge, experience, and skills, who are deemed appropriate for the Board of Directors of a holding company which formulates Group strategies, supervises business execution, and performs other functions, while maintaining an appropriate size.

In particular, with respect to the election of a female Director, we have continued to consider this to be an important topic, based on the evaluation of the Board of Directors' effectiveness, and have decided to proactively incorporate both external and female perspectives, in an effort to acutely recognize signs of the transformation of social structures and changes in our customers, and carry out timely and steady business management. Accordingly, we have appointed Ms. Rudy, who has abundant knowledge and experience, etc., as a specialist in marketing theory, as an Independent Outside Director.

In addition, with respect to the selection of a successor to Ms. Rudy, in conjunction with her resignation from the office of Independent Outside Audit & Supervisory Board Member, the Company, from the perspective of emphasizing the diversity of the Audit & Supervisory Board, deliberated on a female candidate for Outside Audit & Supervisory Board Member, and decided to appoint Ms. Matsuhashi, who has abundant experience and technical knowledge related to finance, accounting and management administration as a certified public accountant, as an Independent Outside Audit & Supervisory Board Member.

Comprising diversity-ensured members, the Company's Board of Directors will continue to effectively fulfill its roles and responsibilities.

### Reasons for Selection as Director (Internal)

Name	Reasons for Selection
Ryuichi Isaka	He has broad knowledge of Group management cultivated as a director of the Company and its Group companies, and the Company would like him to utilize his knowledge for maximization of the Group's corporate value through swift generation of new business, and through activation of our existing business by means of using the collective capabilities of the retail group, which has various business categories.
Katsuhiro Goto	He has broad knowledge related to management administration cultivated as a director of the Company and its Group companies, and the Company would like him to utilize his knowledge for advancement of Group functions (integration of the Company's administrative divisions, aiming to provide high value-added services, and reduce costs), and for the Digital Strategy, etc., as new strategies.
Junro Ito	He has broad knowledge related to ESG (Environment, Social, Governance) cultivated as a director of the Company and its Group companies, and the Company would like him to utilize his knowledge for the enhancement of corporate value including non-financial aspects, and for the smooth execution of Group management, which the Company is aiming for.
Kimiyoshi Yamaguchi	He has broad knowledge related to corporate communications and management information analysis cultivated as a director of the Company, and the Company would like him to utilize his knowledge for activation of the Group companies' corporate communications, etc.
Shigeki Kimura	He has broad knowledge related to management administration and personnel management cultivated as an executive officer of the Company, and the Company would like him to utilize his knowledge for the Group companies' personnel strategy and reinforcement of the personnel development system, etc.
Fumihiko Nagamatsu	He has broad knowledge related to business management and franchise business cultivated as a director of the Company and its Group companies, and the Company would like him to utilize his knowledge for advancement of Group functions and pursuit of Group synergies, which the Company is aiming for.
Joseph M. DePinto	He has broad knowledge of franchise business cultivated as a director of our American Group companies, and the Company would like him to utilize his knowledge for providing advice to the Company's Board of Directors from an international perspective and for promotion of global management of the Company.



### Reasons for Selection as Director (Outside)

Name	Reasons for Selection
Yoshio Tsukio	He has knowledge and experience from his long term work as a specialist in media policy, and the Company would like him to utilize his broad high-level knowledge and experience, etc. for the Company management.
Kunio Ito	He has technical knowledge of accounting and management, etc. from his long term work as a professor, and the Company would like him to utilize his abundant experience as an outside director of other companies and his appropriate supervisory functions, etc. for the Company management.
Toshiro Yonemura	He has worked consecutively at such important positions as Superintendent General, Tokyo Metropolitan Police Department and Deputy Chief Cabinet Secretary for Crisis Management etc., and the Company would like him to utilize his broad high-level experience and insight, etc. for the Company management.
Tetsuro Higashi	He has worked consecutively at such important positions as Representative Director, Chairman and President of Tokyo Electron Limited, etc., and the Company would like him to utilize his broad high-level experience and insight, etc. as a corporate manager for the Company management.
Kazuko Rudy	She has abundant experience and knowledge as a specialist in marketing theory, and the Company would like her to utilize her broad high-level knowledge and experience, etc., for the Company management.

### Reason for Selection as Audit & Supervisory Board Member (Internal)

Name	Reasons for Selection
Noriyuki Habano	He has broad knowledge related to the overall operations of the Group cultivated as a Senior Officer of the Auditing Office of the Company, and the Company would like him to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of medium-to long-term corporate value, and respond to social trust.
Yoshitake Taniguchi	He has abundant experience and technical knowledge related to finance and accounting from having been in charge of finance and accounting division in the Company and its Group companies, and the Company would like him to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of medium-to long-term corporate value, and respond to social trust by utilizing his insight, etc. cultivated through his career.

### Reason for Selection as Audit & Supervisory Board Member (Outside)

Name	Reasons for Selection
Kazuhiro Hara	He has abundant experience and technical knowledge related to finance and accounting as a certified public accountant, and the Company would like him to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of medium-to long-term corporate value, and respond to social trust by utilizing his insight, etc. cultivated through his career.
Mitsuko Inamasu	She has abundant experience and technical knowledge related to legal affairs as an attorney at law, and the Company would like her to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of medium-to long-term corporate value, and respond to social trust by utilizing her insight, etc. cultivated through her career.
Kaori Matsunashi	She has abundant experience and technical knowledge related to finance, accounting and management administration as a certified public accountant, and the Company would like her to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of medium- to long-term corporate value, and respond to social trust by utilizing her insight, etc., cultivated through her career.

## 2 Numbers and composition ratios of Outside Directors and Outside Audit & Supervisory Board Members

The numbers and composition ratios of the Outside Directors and Outside Audit & Supervisory Board Members of the Company are: 5 Outside Directors out of 12 Directors and 3 Outside Audit & Supervisory Board Members out of 5 Audit & Supervisory Board Members.

As mentioned above, as a holding company, the Company needs to conduct comprehensive and multifaceted management for diverse business domains. Accordingly, the composition of its Outside Directors and Outside Audit & Supervisory Board Members is to be examined considering not only ensuring diversity but also bearing in mind the overall balance of knowledge, experience, and skills. The Company therefore values having a diverse team of Outside Directors and Outside Audit & Supervisory Board Members to provide multifaceted management advice, including raising issues, and thereby ensures active discussion within the Board of Directors.

While being extremely conscious of the diversity of its Outside Directors and Outside Audit & Supervisory Board Members, we believe that the most important aspect is “personnel selection.” We have not yet reached the conclusion that setting formal numbers of Outside Directors and Outside Audit & Supervisory Board Members based on constant composition ratios would be optimal for the Company’s Board of Directors. Therefore, we have not set a specific policy on the composition ratio of Outside Directors and Outside Audit & Supervisory Board Members, including Independent Outside Directors.

We will continue to discuss this point, not only through dialogue with our stakeholders, but also based on social trends.

### 3 View on independence of Outside Directors and Outside Audit & Supervisory Board Members and independence standards [CGC Principle 4.9]

#### (1) Designation of Independent Directors and Independent Audit & Supervisory Board Members

The Company designates all Outside Directors and Outside Audit & Supervisory Board Members who satisfy the qualifications for independent officers as the Independent Outside Directors and Independent Outside Audit & Supervisory Board Members.

#### (2) Independence standards for Outside Directors and Outside Audit & Supervisory Board Members

As mentioned above, the Company emphasizes diversity in its Directors and Audit & Supervisory Board Members, including in Outside Directors and Outside Audit & Supervisory Board Members, and strives to secure high-quality external human resources who will support enhanced corporate governance. Accordingly, the Company has adopted the following standards for independence of Outside Directors and Outside Audit & Supervisory Board Members, considering that it is better to judge each candidate from the essential perspective of whether they have any potential conflict of interest with general shareholders.

The opinions of the Outside Directors and Outside Audit & Supervisory Board Members were also considered in the adoption of the following standards; however, the Company will continue to discuss the standards going forward, noting that other companies and so forth have examined their independence standards from various perspectives.

#### 1. Independence standards for Outside Directors and Outside Audit & Supervisory Board Members

##### (1) Fundamental approach

Independent Directors and Independent Audit & Supervisory Board Members are defined as Outside Directors and Outside Audit & Supervisory Board Members who have no potential conflicts of interest with general shareholders of the Company.

In the event that an Outside Director or an Outside Audit & Supervisory Board Member is likely to be significantly controlled by the management of the Company or is likely to significantly control the management of the Company, that Outside Director or Outside Audit & Supervisory Board Member is considered to have a potential conflict of interest with general shareholders of the Company and is considered to lack independence.

##### (2) Independence standards

In accordance with this fundamental approach, the Company uses the independence standards established by the financial instruments exchange as the independence standards for the Company’s Outside Directors and Outside Audit & Supervisory Board Members.

#### 2. De minimis thresholds for information disclosure regarding the attributes of Independent Directors and Independent Audit & Supervisory Board Members as negligible

(In the most-recent business year of the Company)

- With regard to “transactions,” “less than 1% of the non-consolidated revenues from operations of the Company in the most recent accounting period”
- With regard to “donations,” “less than ¥10 million”

### 4 Concurrent positions of Directors and Audit & Supervisory Board Members [CGC Supplementary Principle 4.11.2]

The Company discloses concurrent positions held at other companies by the Company’s Directors and Audit & Supervisory Board Members in the convocation notices of the Annual Shareholders’ Meetings.

## 5 Activities of the Board of Directors

### (1) Setting the dates of the meetings of the Board of Directors and securing deliberation time

With regard to setting the dates of the meetings of the Board of Directors, considering the recent increase in the number of Outside Directors and Outside Audit & Supervisory Board Members, as well as the fact that some Directors reside overseas, the Company begins preparations early and sets the dates of meetings six months prior to the commencement of the fiscal year, to ensure that every member can attend.

In terms of the deliberation time at the meetings of the Board of Directors, in light of the fact that meeting materials are shared in advance, the key points of the agenda are explained clearly and briefly, while sufficient time is allocated for both discussions and question and answer sessions. The Company has recently been making efforts to secure sufficient time for deliberation, through means such as prolonging the meetings themselves, in order to accommodate an increase in active discussions from diverse standpoints.

If a matter for resolution and reporting is found to require further deliberation, the agenda, etc., after being redrafted and improved to reflect the observations of the Board of Directors, is again presented as follow-up deliberations at the next and subsequent meetings of the Board of Directors, and is accordingly confirmed and resolved, etc.

### (2) Matters for deliberation

Although the Board of Directors deliberates a wide range of topics, the major items and the points of deliberation of each item are as follows. (The following presents examples. Accordingly, deliberations include, but are not limited to these items.)

#### i) Matters determined by laws and regulations, including the Companies Act (including determination of the agenda of the Shareholders' Meeting)

In addition to confirming and determining the agenda of the meetings, etc., deliberations are held based on forward-looking variable elements, including revisions to laws that are scheduled in the future.

#### ii) Matters determined by the Corporate Governance Code (including deliberations on matters related to sustainability, such as environmental policy)

Questions and recommendations are presented from a broader perspective, including initiatives undertaken by other companies, both in Japan and overseas, while at the same time confirmations are made regarding specific conditions, such as the on-site status of operating companies.

#### iii) Items for follow-up deliberations, in cooperation with the Nomination and Compensation Committee (including the succession plan and revision of the compensation system for Directors and Audit & Supervisory Board Members)

Follow-up deliberation items are discussed at the meetings of the Board of Directors or the Management Opinion Exchange Meetings, with interim reports presented by the Nomination and Compensation Committee to the Board of Directors, as necessary. In addition, more detailed deliberations are conducted by the Nomination and Compensation Committee based on the discussions by the Board of Directors and the Management Opinion Exchange Meetings, after which the Board of Directors, based on the recommendations of the Nomination and Compensation Committee, conducts deep-dive deliberations in which matters are resolved after an overall discussion.

#### iv) Progress of the Medium-Term Management Plan, and the strategies and policies of the Group and its operating companies

In addition to confirming the progress of the Medium-Term Management Plan, the Board of Directors also confirms the implementation status of the various strategies and policies described in this report, in terms of the results, issues to be addressed, and measures going forward.

#### v) Management situation of the major operating companies (including PMI reports)

The management situations of the major operating companies are reported, and the progress of structural reforms and the implementation status of each company's PDCA, etc., is confirmed, including issues to be addressed and measures going forward.

#### vi) Internal controls, the status of risk management, and the implementation status of compliance

The Board of Directors not only confirms the implementation status of internal controls based on the reports of the internal auditing division, etc., but also monitors the development, operation, and improvement status of the risk management system.

In addition, with regard to compliance issues that arise at operating companies, the Board of Directors receives specific reports from these operating companies, in light of their materiality, and confirms the implementation status of improvement measures, including measures to prevent the recurrence of such incidents.

## 6 Evaluation of the Board of Directors' effectiveness [CGC Supplementary Principle 4.11.3]

### 1) Fundamental approach to evaluation of the Board of Directors' effectiveness

The Company conducts the Board of Directors' effectiveness evaluation (referred to as "Board of Directors' evaluation") through objective analysis and thorough discussions by members of the Board of Directors regarding "whether the Board of Directors is effectively functioning to realize corporate value and improve corporate governance as the Company aims." The evaluation is positioned as an important factor in the PDCA cycle leading to specific actions for further improvements.

In addition, the Company has established the Board of Directors' evaluation implementation policy, as follows, in conducting the FY2019 Board of Directors' evaluation.

#### Board of Directors' evaluation implementation policy

- i) The evaluation shall basically be a "self-evaluation," to be performed each year by all Directors and all Audit & Supervisory Board Members.
- ii) Progress of the important topics set in the previous year's Board of Directors' evaluation shall be confirmed and evaluated.
- iii) With regard to the Board of Directors' evaluation process (conducting surveys and interviews, utilizing third-party organizations, etc.), the Board of Directors' secretariat shall prepare a draft each time, and this draft shall be discussed by the Board of Directors.

### (2) FY2019 Board of Directors' evaluation process

#### Overview

With regard to the FY2019 Board of Directors' evaluation process, based on the Board of Directors' evaluation implementation policy, the evaluation topics (including survey topics) as well as the process for this fiscal year were deliberated and determined, through discussions by the Board of Directors.

This fiscal year, continuous monitoring has been conducted for the FY2019 important topics set by the previous year's Board of Directors' evaluation. In addition, as only a few of the Directors and Audit & Supervisory Board Members were replaced in the current year, a pre-evaluation survey was conducted for all Directors and all Audit & Supervisory Board Members, while individual interviews were conducted only for newly appointed (internal and outside) Directors and newly appointed (internal and outside) Audit & Supervisory Board Members. Based on the results of the survey and interviews, discussions were conducted among all Directors and all Audit & Supervisory Board Members.

Evaluation process	FY2018	FY2019
Pre-evaluation survey	Conducted for all Directors and all Audit & Supervisory Board Members	
Individual interviews	Conducted for all Directors and all Audit & Supervisory Board Members	Conducted only for newly appointed Directors and newly appointed Audit & Supervisory Board Members
Discussion	Conducted by all Directors and all Audit & Supervisory Board Members	

#### Scope of evaluation

In addition to the Board of Directors itself, the scope of evaluation also covered relevant meeting bodies such as the Nomination and Compensation Committee, an advisory body, as well as the Management Opinion Exchange Meeting and the Audit & Supervisory Board.

#### Points of evaluation

- i) Evaluation of the progress of the FY2019 important topics determined by the previous year's Board of Directors' evaluation
- ii) Fixed-point evaluations of the items monitored by the Board of Directors (values, sustainability, strategies, governance, etc.), based on the Guidance for Collaborative Value Creation



- iii) Fixed-point evaluations of important corporate governance-related items, as topics for the Board of Directors
- iv) Evaluation of the Audit & Supervisory Board, in addition to advisory bodies of the Board of Directors, etc. (the Nomination and Compensation Committee and the Management Opinion Exchange Meeting)

#### Survey topics/Sample questions

##### i) Progress of the FY2019 important topics

- Are appropriate deliberations being conducted on succession planning for top management?
- Are appropriate assessments being conducted on the processes regarding M&As and PMI?

##### ii) Items being monitored by the Company's Board of Directors based on the Guidance for Collaborative Value Creation

- Are appropriate deliberations being conducted on the Group's ideal business model?
- Are appropriate deliberations being conducted to ensure sustainability and growth?

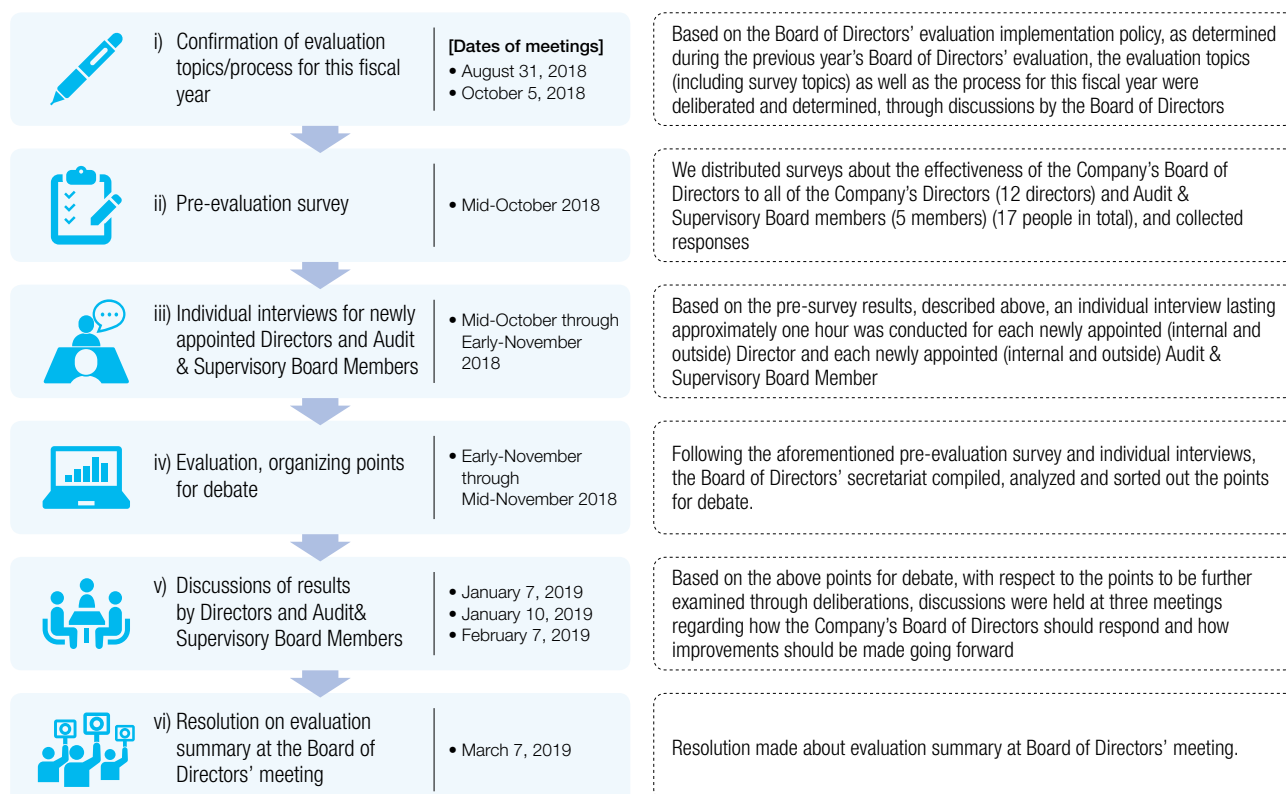
##### iii) Important corporate governance-related items as topics for the Board of Directors

Composition of the Board of Directors	• Are the knowledge, experience, skills, and diversity (including the numbers and ratios of internal and outside Directors and internal and outside Audit & Supervisory Board Members) required of the Directors (Board of Directors) appropriate?
Information gathering and support structure	• Are appropriate advance explanations and support being provided regarding the details of the agenda of the meetings of the Board of Directors, and is sufficient time being given to an examination of these materials in advance?
Cross-shareholdings	• Are cross-shareholdings being appropriately assessed?
<b>(iv) Evaluation of the Audit &amp; Supervisory Board, in addition to advisory bodies of the Board of Directors, etc. (the Nomination and Compensation Committee and the Management Opinion Exchange Meeting)</b>	
Committees, etc.	<ul style="list-style-type: none"> <li>• Are the composition, operation, and reports of the Nomination and Compensation Committee appropriate?</li> <li>• Are the Audit &amp; Supervisory Board Members (Audit &amp; Supervisory Board) fulfilling their roles and responsibilities sufficiently?</li> </ul>

### (3) Evaluation schedule and evaluation process

Overviews of the Board of Directors' evaluation schedule and process are as below.

#### Overviews of evaluation schedule and process



#### (4) Results of Board of Directors' evaluation

The overview of the aforementioned Board of Directors' evaluation is as below.

##### Overview of results of the FY2019 Board of Directors' evaluation

- i) The Board of Directors (including the Management Opinion Exchange Meeting) has mostly carried out the FY2019 important topics, and improvements continue to be made with respect to both the topics and quality of deliberation (Confirmation of the PDCA of Group strategies, the strategies of the operating companies, and the like)
- ii) Each Director and Audit & Supervisory Board Member is conducting deliberations from a variety of perspectives, based on his or her knowledge, experience, and skills, through free and open discussions, and the Board of Directors is appropriately fulfilling its role and responsibilities, including its monitoring functions
- iii) The Board of Directors is appropriately monitoring to confirm that business management is being conducted based on the Corporate Creed (Trust and Sincerity), and is also proactively contributing to enhancement of the effectiveness of governance, by providing recommendations on improving medium- to long-term corporate value, among other matters
- iv) The Nomination and Compensation Committee, as an advisory body to the Board of Directors, is contributing to the objectivity and transparency of nomination and compensation procedures
- v) While the effectiveness of the Board of Directors has been ensured, the issues that were identified during the evaluation will be set and worked on as important topics, in order to further improve the effectiveness of the Board of Directors

##### FY2020 important topics (examples)

Important topics	
Confirmation of the Medium-Term Management Plan Examination of Group strategies Assessment of M&As/new businesses, etc. The role of the Company	<ul style="list-style-type: none"> <li>With respect to the progress of the Medium-Term Management Plan, various strategies, and the PMI of M&amp;As, etc., ongoing monitoring is being conducted on the status of implementation of measures regarding various issues. Nevertheless, the Board of Directors will continue to confirm the progress of PDCA and provide opportunities for discussion.</li> </ul>
Succession planning for top management Compensation system for Directors and Audit & Supervisory Board Members	<ul style="list-style-type: none"> <li>It was confirmed that policies are being examined and operated as concrete systems. However, the Board of Directors will continue to examine and provide opportunities for discussion, with the aim of developing a further improved system</li> </ul>
Sharing the process of the activities of the Nomination and Compensation Committee	<ul style="list-style-type: none"> <li>Although improvements have been made regarding the reports by the Nomination and Compensation Committee at the meetings of the Board of Directors, the Board of Directors will continue to examine and make improvements</li> </ul>
Composition of the Board of Directors	<ul style="list-style-type: none"> <li>The Board of Directors will continue considerations regarding female Directors</li> <li>The Board of Directors will consider Directors as a way of incorporating a range of knowledge and experiences, including different age groups and nationalities, from the standpoint of diversity, in addition to the perspectives of women</li> </ul>

#### (5) Important topics

As a company in the retail business, the Company's basic policy is to immediately start working on issues to be addressed and then to devise and improve approaches toward solutions. We consider this also applicable to the operation of the Board of Directors. Among the important topics, we have already addressed those issues that were able to be improved through practical changes to operations, while for matters that require separate discussions, we have included them in the detailed annual schedule and have started working on them. We will confirm and evaluate the progress on these important topics at upcoming and future evaluations of the Board of Directors.

Based on the results of this evaluation of the Board of Directors' effectiveness, we will work to further improve the effectiveness of the Board of Directors in order to achieve sustainable growth and increase corporate value over the medium to long term.

## Policies and Procedures for Appointment/Dismissal and Nomination of Directors and Audit & Supervisory Board Members, and Training

### 1 Board policies and procedures in the appointment/dismissal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates

[ CGC Principle 3.1 (iv)] [ CGC Supplementary Principle 4.11.1]

#### (1) Outline of basic policy and system

The Company established the “Nomination and Compensation Committee” with an Independent Outside Director as the Chair to be an advisory committee to the Board of Directors, and by the committee’s deliberations on the nomination, compensation, etc. of Representative Directors, Directors, Audit & Supervisory Board Members, and executive officers (in this paragraph, “Officers, etc.”) utilizes the knowledge and advice of Outside Directors and Outside Audit & Supervisory Board Members and ensures objectivity and transparency in the procedures for deciding the nomination and compensation of Officers, etc., thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions.

#### (2) Proper Group management and utilization of the Nomination and Compensation Committee

The Company’s “Nomination and Compensation Committee” deliberates on the nomination and compensation of not only the Company’s Officers, etc. but also the Representative Directors of the core operating companies.

The Representative Directors of the core operating companies occupy an important position for the Group’s management and are included within the purview of deliberations by the Nomination and Compensation Committee from the perspective of emphasizing the objectivity and transparency of the principal nomination and compensation procedures for the management of not only the Company but also the Group.

Currently, the “core operating companies” are SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., Seven & i Food Systems Co. Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., and York Mart Co., Ltd. (as of May 23, 2019).

The Company will also appropriately determine the companies to be “core operating companies” with an emphasis on the objectivity and transparency of the Group management procedures, in accordance with the Group’s business portfolio strategy and governance system.

#### (3) Involvement of Audit & Supervisory Board Members from the perspective of ensuring correct procedures

One internal Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member act as observers at the “Nomination and Compensation Committee.”

This is because deliberations by the “Nomination and Compensation Committee” include nomination of candidate Audit & Supervisory Board Members, whose duty is to audit the performance of duties by the Directors, and it is important to ensure due process at the “Nomination and Compensation Committee” as an advisory committee to the Board of Directors.

#### (4) Main items for deliberation by the Nomination and Compensation Committee and committee composition

##### i) Main items for deliberation

- Basic policies and standards for nomination of candidates for the Company’s Officers, etc. and candidates for the Representative Directors of the core operating companies
- Contents of appointment proposals for candidates for the Company’s Officers, etc. and candidates for the Representative Directors of the core operating companies
- Basic policies and standards for compensation, etc., for Officers, etc. of the Company and of the core operating companies
- Contents of compensation, etc. for Officers, etc. (excluding Audit & Supervisory Board Members) of the Company and for the Representative Directors of the core operating companies

## ii) Composition (as of May 23, 2019)

Chair	Kunio Ito (Independent Outside Director)
Members	Ryuichi Isaka and Katsuhiro Goto (two internal Directors), Kunio Ito and Toshiro Yonemura (two Independent Outside Directors)
Observers	One internal Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member

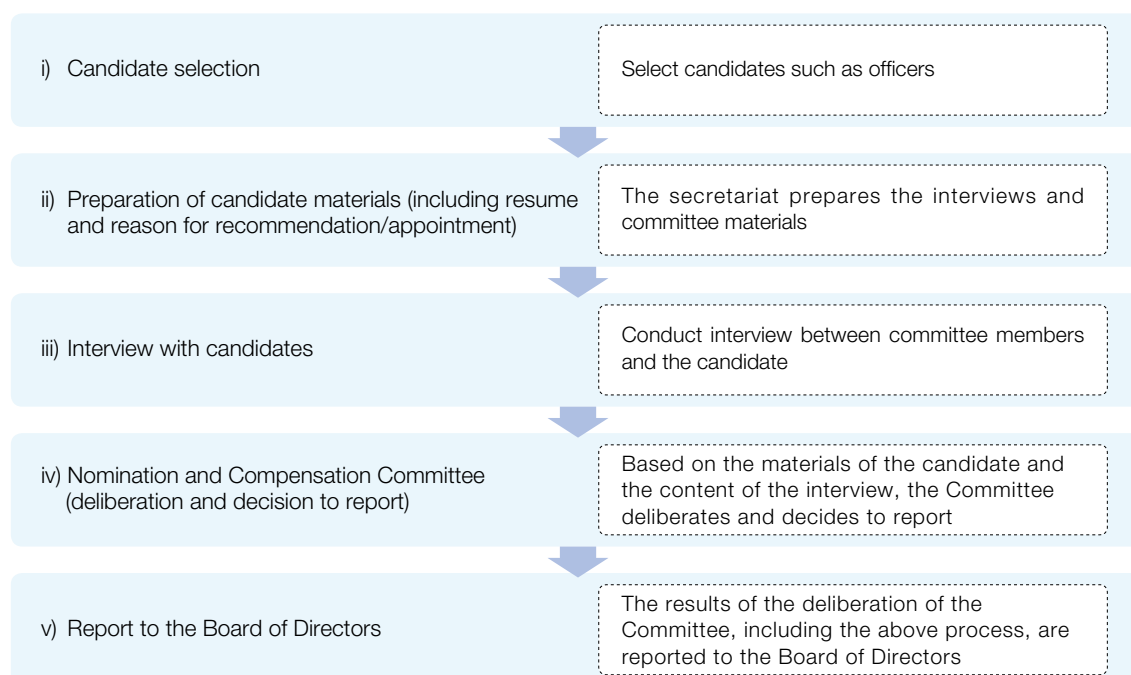
\* The chair and committee members are selected by the Board of Directors, and the observers are selected through discussion among Audit & Supervisory Board Members.

\* The decisions of the committee are made by a majority of the members in attendance, and in the event of a tie vote, the decision is made by the Chair.

### Status of the Nomination and Compensation Committee in FY2019



## (5) Reporting process (an example of the nomination process)





## 2 Requirements and qualities of Directors and Audit & Supervisory Board Members

The Company has stipulated the requirements and qualities of the Directors and Audit & Supervisory Board Members in the “Guidelines for Directors and Audit & Supervisory Board Members.”

### (1) Formulation of the Guidelines for Directors and Audit & Supervisory Board Members

To improve the Company’s corporate governance, the “Governance Roundtable Talks” have been held several times since January 2016 comprising all of the Outside Directors and Outside Audit & Supervisory Board Members and the management team to discuss corporate governance based on the main themes of Japan’s Corporate Governance Code. This is a discretionary initiative to enable intensive discussion and receive free and open advice from the Outside Directors and Outside Audit & Supervisory Board Members.

In the above process, the members discussed the standards for nomination of Directors and Audit & Supervisory Board Members to determine what kind of personnel are “needed” and “desirable” for the Group’s Directors and Audit & Supervisory Board Members. The results of the discussion regarding the requirements and qualities for these personnel have been formulated as the “Guidelines for Directors and Audit & Supervisory Board Members.”

The “Guidelines for Directors and Audit & Supervisory Board Members” were formulated with the approval of the Nomination and Compensation Committee meeting held in April 2016 and of the Board of Directors meeting held on April 7, 2016. (Some of the wording was revised at the Board of Directors meetings held on May 26, 2016 and November 1, 2018).

### (2) Basic perspective on the requirements and qualities of Directors and Audit & Supervisory Board Members

The Company believes that discussion of corporate governance concerning Officers, etc. should begin with the assumption that “nobody is perfect.”

Thus, the Company has clarified “conditions that must be satisfied by Directors and Audit & Supervisory Board Members” as universal “requirements.” Meanwhile, the “strengths” of each individual can vary; thus, the Company has treated these “personnel selection analysis and perspective that allows for individual strengths and weaknesses” as “qualities” separately from the requirements.

The desirable “qualities” differ depending on the duties assigned to each Director and Audit & Supervisory Board Member, and have been set separately depending on the positions as set forth below:

- i) Directors responsible for business execution
- ii) Directors and Audit & Supervisory Board Members responsible for supervision and audits
- iii) Group representative (Company President)

On the assumption that each individual Director and Audit & Supervisory Board Member has different strengths and weaknesses with regard to his/her “qualities,” the Company considers it important to select Board members by utilizing and combining individual “strengths” while emphasizing the diversity of the Directors and Audit & Supervisory Board Members.

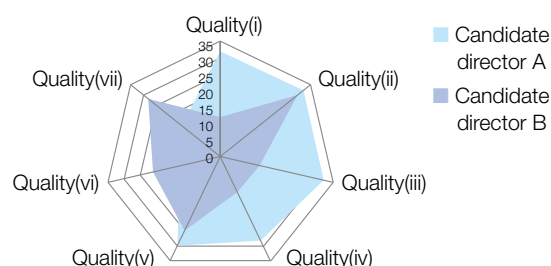
If any Director or Audit & Supervisory Board Member has come to lack these “requirements” or “qualities,” the Company shall consider dismissing such Director or Audit & Supervisory Board Member.

#### Conceptual drawing of “requirements” and “qualities”

(Reference) Directors and Audit & Supervisory Board Member  
“Requirements”: Conditions that must be satisfied

	Candidate director A	Candidate director B	Candidate director C
Requirement 1	○	○	○
Requirement 2	×	○	○
Requirement 3	○	×	○
Result	×	×	○

(Reference) Director and Audit & Supervisory Board Member  
“Qualities”: Personnel selection analysis and perspective allowing for individual strengths and weakness



### 3 Basic policy regarding qualities and appointment/dismissal of Group representative (Company President) (Group representative succession plan)

The Company has stipulated the following qualities desired for Group representative (Company President) in the Guidelines for Directors and Audit & Supervisory Board Members.

Appropriate qualities and viewpoints for Group representative	
Qualities	Viewpoints
Business management capability	<ul style="list-style-type: none"> <li>• Have problem-solving capabilities</li> <li>• Have outstanding judgement, etc.</li> </ul>
Leadership ability	<ul style="list-style-type: none"> <li>• Set constructive targets and lead the Company to achieve beyond them</li> <li>• Strong ability to communicate with other Directors, Audit &amp; Supervisory Board Members, and employees</li> <li>• Ability to drive change, etc.</li> </ul>
Personal qualities	<ul style="list-style-type: none"> <li>• Understand own strengths and weaknesses, able to collaborate with persons who possess qualities to compensate for qualities he or she lacks</li> <li>• Always prepared to learn</li> </ul>

The basic policy regarding appointment/dismissal of Group representative is as follows.

- Evaluate the candidate through a sincere process using multifaceted and objective materials
- Examine in detail whether the candidate has the management capabilities required for solving management issues facing the Group companies
- Specifically check and evaluate the leadership style and ability of the candidate

### 4 Explanations of reasons for appointment when the Board of Directors appoints senior management and nominates Director and Audit & Supervisory Board Member candidates

[ [CGC](#) Principle 3.1 (v)]

When the Board of Directors nominates Director and Audit & Supervisory Board Member candidates, including candidates for Representative Director, the Company discloses the reasons for these nominations on pages 99 and 100 of this report, and detailed information about the candidates is disclosed in the Convocation Notice of the Annual Shareholders' Meeting.

#### Reference information

The Company's Convocation Notice of the Shareholders' Meeting, "Shareholders' Meeting Reference Materials"  
URL: <https://www.7andi.com/en/ir/stocks/general.html>

### 5 Training for Directors and Audit & Supervisory Board Members

[ [CGC](#) Supplementary Principle 4.14.2]

The Company has built and implements a training system tailored to each position for its Directors, Audit & Supervisory Board Members, executive officers, and other officers and employees.

Training for Directors covers corporate governance, relevant laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act, which is also provided for executive officers who have responsibility for administrative divisions. The expenses for the training are borne by the Company.

In addition, the Company's Directors and Audit & Supervisory Board Members make use of all opportunities to train themselves through their own efforts, and the Company affords opportunities for improvement. The Company's training policy for Directors and Audit & Supervisory Board Members is set out in item "6. Provision of opportunities to develop and improve skills" of the Guidelines for Directors and Audit & Supervisory Board Members (see below).

The Company provides Outside Directors and Audit & Supervisory Board Members with opportunities to visit the places of business of the major subsidiaries (please refer to page 115, “[2](#) Exchange of opinions with Outside Directors and Outside Audit & Supervisory Board Members”).

## **Training Policy for Directors and Audit & Supervisory Board Members**

### **(1) Skills development**

The Directors and Audit & Supervisory Board Members of the Group companies shall constantly strive to develop the following skills.

- (i) Develop and acquire expertise and skills appropriate for a business manager
- (ii) Deepen their fundamental understanding of each position and function, and based thereon develop and acquire the ability to analyze and decide matters from a company-wide and comprehensive perspective
- (iii) Develop and acquire the ability for flexible thinking and rapid, accurate decision-making regarding management and administration issues
- (iv) Acquire methods to utilize skills and techniques necessary for business analysis, business planning, and so forth
- (v) Develop and acquire skills to effectively combine individual efforts of organization members to achieve company objectives, and to effectively develop and improve the latent potential of these persons
- (vi) Lift motivation for self-improvement
- (vii) Improve other qualities required of Directors and Audit & Supervisory Board Members

### **(2) Provision of opportunities for improvement**

In order to improve and foster the abovementioned abilities, the Directors and Audit & Supervisory Board Members of the Group companies shall make use of all opportunities to train themselves, and the Company shall afford opportunities for improvement.

- (i) Encourage their participation in external management training programs
- (ii) Introduce appropriate specialists to resolve management issues
- (iii) Provide information and hold seminars to assist their understanding of economic, social, cultural, compliance, corporate governance, and other general affairs
- (iv) Provide training opportunities
- (v) Provide other self-development and training opportunities

## **Compensation for Board of Directors and Audit & Supervisory Board Members**

### **Policies and procedures in determining the compensation of Directors and Audit & Supervisory Board Members** [ [CGC](#) Principle 3.1(iii)]

#### **Purpose of the establishment of Policy on Compensation of Directors and Audit & Supervisory Board Members**

##### **(1) Development of compensation of Directors and Audit & Supervisory Board Members based on the “Basic Views on Corporate Governance”**

The Company considers corporate governance to be a system for sustainable growth by establishing and maintaining a sincere management structure and continuously increasing the Group’s corporate value over the medium and long term in order to ensure the trust of various stakeholders, based on the Corporate Creed of the Company. Based on this basic views on corporate governance (see page 88), the Company considers a compensation system for Directors and Audit & Supervisory Board Members to be one of the important mechanisms to further increase the motivation and morale of Directors and Audit & Supervisory Board Members, and to appropriately take risks for the sake of the continued growth of medium- and long-term corporate value and the sustainable growth of the Group, and constructs and operates this system.

##### **(2) History of compensation system of the Company and introduction of a new stock-based compensation system**

The Company has already abolished the severance payment system for Directors and Audit & Supervisory Board Members, and granted bonuses and stock options for stock-linked compensation to Directors as performance-based compensation.

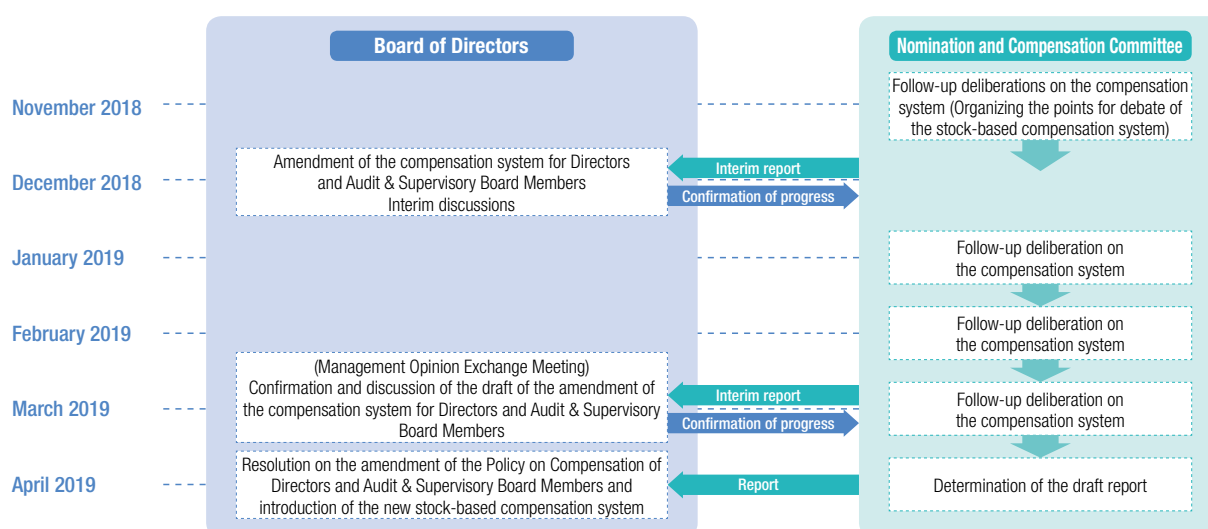
Values	Sustainability/growth	Business model	Strategy	Key indicators	<b>Governance</b>
--------	-----------------------	----------------	----------	----------------	-------------------

However, the Board of Directors and the Nomination and Compensation Committee have continuously reviewed the effective compensation system in line with the Company's business status from the viewpoint of (1) above.

Through these examinations, for the purposes of further clarifying the link between the compensation of Directors and Audit & Supervisory Board Members and business performance and stock price, enhancing the motivation to contribute to the improvement of medium- and long-term corporate value, and sharing interests with shareholders, the Company has decided to establish a new "Policy on Compensation of Directors and Audit & Supervisory Board Members," including the transition from the existing stock options for stock-linked compensation to a new stock-based compensation system more closely linked to medium- and long-term business performance.

◎ **The deliberation process of the Nomination and Compensation Committee and the Board of Directors regarding introduction of the new stock-based compensation system (November 2018 to April 2019)**

The Board of Directors and its advisory body, the Nomination and Compensation Committee, cooperated in continued deliberations and examinations, and the Board of Directors resolved to amend the Policy on Compensation of Directors and Audit & Supervisory Board Members, and to introduce the new stock-based compensation system.



## Seven & i Holdings Co., Ltd. Policy on Compensation of Directors and Audit & Supervisory Board Members

### 1. Basic Views on Compensation for Directors and Audit & Supervisory Board Members

The Company considers the compensation system for Directors and Audit & Supervisory Board Members of the Company (in this Policy, "officers") to be "an important mechanism to appropriately take risks for the sake of the continued growth of the medium- and long-term corporate value and sustainable growth of the Group, based on our basic views on corporate governance," and builds and operates the system based on the points set forth below.

- ◇ Emphasis is placed on the link between the financial results and corporate value of the Group, and establishing a system that further increases the motivation and morale to contribute to improved financial results and increased corporate value continuously over the medium to long term.
- ◇ To secure highly capable human resources who will support enhanced corporate governance through appropriate oversight and auditing of operational execution, provide compensation levels and systems commensurate with responsibilities.
- ◇ Ensure the objectivity and transparency of the compensation decision process, and establish a compensation system trusted by all stakeholders.
- ◇ With regard to the design of a specific compensation system for officers, continue to consider tailoring it more appropriately in light of future trends in legal systems and society.

### 2. Compensation Levels

The levels of compensation for officers will be determined, taking into consideration various fundamentals in the business content and the business environment of the Company, with reference to the compensation levels of officers in major companies of the same size as the Company based on market capitalization and operating income levels, etc.



### 3. Compensation Composition

#### (1) Operating Directors

##### (a) Compensation composition ratios

The compensation composition ratios for operating Directors (\*) are as follows:

Fixed compensation	Performance-based compensation	
	Bonuses	Stock-based compensation
60%	20%	20%

\* Calculated under the assumption that bonuses and stock-based compensation are based on a standard compensation amount.

##### (b) Composition

###### i) Fixed Compensation

A fixed monetary compensation commensurate with the responsibilities of each position will be paid.

###### ii) Performance-based compensation

Short-term incentive compensation will be a performance-based compensation that varies based on the company's business performance and individual evaluations, etc., for the relevant fiscal year.

###### iii) Stock-based compensation

- Medium- and long-term incentive compensation will be a performance-based and stock-based compensation that varies based on the company's business performance and management indicators, etc. (the BIP Trust system will be the stock-based compensation system).
- Performance-based and stock-based compensation will enhance sharing profits and risks with our shareholders who have medium- and long-term perspectives by providing points during the term of office based on which shares will be delivered.
- It will vary between 0% and 200% depending on the achievement level of targets, etc.
- The Company has already transitioned from a stock options for stock-linked compensation system to the new stock-based compensation system, in conjunction with the approval of the proposal for the introduction of the new stock-based compensation system, at the Annual Shareholders' Meetings held in May 2019. Therefore, going forward, the Company will not grant any new share subscription rights as stock options for stock-linked compensation.
- The KPIs for stock-based compensation are as follows. In order to incorporate medium- and long-term shareholder perspectives, consolidated ROE and consolidated EPS are used as indicators, and in order to evaluate achievement through strengthening the profit-making capability of the main business, consolidated operating income is also used together as a KPI.

#### Key Performance Indicators for stock-based compensation

KPIs	Ratio	Purpose of evaluation
(a) Consolidated operating income	40%	Evaluation of the degree of improvement of the capability for making profit
(b) Consolidated ROE	40%	Evaluation of the efficiency of profitability
(c) Consolidated EPS	20%	Evaluation of profitability and corporate value

- The Company, aiming for corporate value and social value at the same time, will consider adding a non-financial indicator, such as the amount of CO<sub>2</sub> emissions, to "KPIs for stock-based compensation."
- When evaluating KPIs, the range of compensation of Representative Directors is set wider by using different payment coefficients from other Directors, so that the compensation of Representative Directors will be more affected by the link to performance.

## (2) Outside Directors and Audit & Supervisory Board Members

### (a) Compensation composition ratios

The compensation composition ratios for Outside Directors and Audit & Supervisory Board Members are as follows:

Fixed compensation	Performance-based compensation	
	Bonuses	Stock-based compensation
100%		

← Monetary compensation →

### (b) Composition

#### Fixed Compensation

With an emphasis on further strengthening the independence of Outside Directors and Audit & Supervisory Board Members from management, the compensation of Outside Directors and Audit & Supervisory Board Members consists only of fixed compensation. Performance-based compensation (bonuses and stock-based compensation) will not be paid to Outside Directors and Audit & Supervisory Board Members.

## 4. Compensation Governance

### (1) Nomination and Compensation Committee

The Company has established a nomination and compensation committee (the "Nomination and Compensation Committee") to ensure objectivity and transparency in the procedures for deciding the compensation of Officers, etc. (referring in this policy to Directors, Audit & Supervisory Board Members, and executive officers). The committee's chair and half of its members are Independent Outside Directors.

### (2) Method of determining compensation

Through deliberations by the Nomination and Compensation Committee, the amount of compensation of Directors is determined, based on this Policy, in accordance with the evaluation of each Director's function, degree of contribution, and the Group's results, as well as the degree of achievement of KPIs.

The compensation of Audit & Supervisory Board Members is determined through discussions by the Audit & Supervisory Board.

## 5. Compensation Limit for Directors and Audit & Supervisory Board Members

The amount of compensation of officers is decided within the following compensation limits, determined at the Shareholders' Meeting.

The Company has already abolished the severance payment system for Directors and Audit & Supervisory Board Members, and no severance payments will be paid.

### (1) Directors

- Monetary compensation  
Not more than ¥1 billion per year (not including employee salaries paid to Directors who serve concurrently as employees)  
(Resolved at the 1st Annual Shareholders' Meeting held on May 25, 2006)
- Stock-based compensation  
3 fiscal years/not more than ¥600 million (not more than ¥200 million per 1 fiscal year)  
Limit on the points granted per 1 fiscal year: 40,000 points (1 point = 1 common stock)  
(Resolved at the 14th Annual Shareholders' Meeting held on May 23, 2019)

### (2) Audit & Supervisory Board Members

- Monetary compensation  
Not more than ¥200 million per year  
(Resolved at the 14th Annual Shareholders' Meeting held on May 23, 2019)

## Monitoring by Outside Directors and Outside Audit & Supervisory Board Members

### 1 Main activities of Outside Directors and Outside Audit & Supervisory Board Members

#### (1) Attendance and remarks at meetings of the Board of Directors and the Audit & Supervisory Board during the 14th fiscal year (from March 1, 2018 to February 28, 2019)

Name of Outside Director	Attendance at the meetings of the Board of Directors during the 14th fiscal year (out of 13 meetings in total)
Yoshio Tsukio	13 out of 13
Kunio Ito	13 out of 13
Toshiro Yonemura	12 out of 13
Tetsuro Higashi	10 out of 10

Mr. Tetsuro Higashi was newly elected to serve as Director at the 13th Annual Shareholders' Meeting held on May 24, 2018, subsequent to the conclusion of which, meetings of the Board of Directors were held on 10 occasions.

These Outside Directors gave advice and made proposals to ensure the validity and appropriateness of the Board's decision making, primarily by expressing their opinions. Mr. Yoshio Tsukio expressed opinions mainly from the perspective of media policy, Mr. Kunio Ito from the perspective of accounting and management theory, Mr. Toshiro Yonemura from the perspective of crisis management, and Mr. Tetsuro Higashi from the perspective of broad high-level experience as a corporate manager.

Name of Outside Audit & Supervisory Board Member	Attendance at the meetings of the Board of Directors during the 14th fiscal year (out of 13 meetings in total)	Attendance at the meetings of the Audit & Supervisory Board during the 14th fiscal year (out of 25 meetings in total)
Kazuko Rudy	12 out of 13	24 out of 25
Kazuhiro Hara	10 out of 10	19 out of 19
Mitsuko Inamasu	10 out of 10	19 out of 19

Mr. Kazuhiro Hara and Ms. Mitsuko Inamasu were newly elected to serve as Audit & Supervisory Board Members at the 13th Annual Shareholders' Meeting held on May 24, 2018, subsequent to the conclusion of which, meetings of the Board of Directors and meetings of the Audit & Supervisory Board were held on 10 and 19 occasions, respectively.

These Outside Audit & Supervisory Board Members asked questions and expressed their opinions as they deemed appropriate. Ms. Kazuko Rudy expressed opinions mainly from a marketing theory perspective, Mr. Kazuhiro Hara from specialized finance, accounting and tax perspectives, and Ms. Mitsuko Inamasu from a legal perspective.

#### (2) Functions and roles of Outside Directors and Outside Audit & Supervisory Board Members

The Outside Directors and Outside Audit & Supervisory Board Members provide supervision or audits and advice and proposals from an external perspective based on their respective expertise and wide-ranging, high-level experience and insight into management from an objective and neutral standpoint with no risk of conflict of interest with general shareholders, and fulfill the function and role of ensuring valid and appropriate decision-making and business execution by the Board of Directors.

## 2 Exchange of opinions with Outside Directors and Outside Audit & Supervisory Board Members

In addition to meetings of the Board of Directors, Outside Directors and Outside Audit & Supervisory Board Members meet with the Representative Directors, Directors, Standing Audit & Supervisory Board Members, and others at the Management Opinion Exchange Meetings or other meetings held on a regular and as-needed basis. The themes are set for each of the meetings, centered on various management issues and matters of high social concern. Reports are provided by Directors, the Internal Control Division, and so forth, regarding the status of business execution and internal control at the Company and its Group companies, and explanations are given in response to questions from the Outside Directors and Outside Audit & Supervisory Board Members, who also express their opinions regarding the Company's management, corporate governance, and other topics based on their respective expert knowledge and wide-ranging, high-level experience and insight into management. In these and other ways, the Outside Directors and Outside Audit & Supervisory Board Members coordinate with each other while exchanging frank and lively opinions.

The Outside Directors and Outside Audit & Supervisory Board Members also visit the places of business, etc. of major subsidiaries and exchange opinions with the Directors, Audit & Supervisory Board Members, etc. of operating companies.

Through these activities, the Outside Directors supervise operational execution, and the Outside Audit & Supervisory Board Members perform audits of operational execution and accounting practices.

### What is the Management Opinion Exchange Meeting?

Comprising all the Company's Directors and Audit & Supervisory Board Members, the Management Opinion Exchange Meeting is a meeting body aimed at explaining in advance the proposals at the Board of Directors meetings to the Directors and the Audit & Supervisory Board Members, as well as sharing information on the management and business strategies of the Company and operating companies.

## 3 Support system for Outside Directors and Outside Audit & Supervisory Board Members

The Company has assigned dedicated employees to assist the Outside Directors and Outside Audit & Supervisory Board Members in their duties, enabling close coordination and smooth exchange of information with the internal Directors and internal Audit & Supervisory Board Members. The Company has also concluded liability limitation agreements with five Outside Directors and three Outside Audit & Supervisory Board Members to ensure they can perform their roles as expected.

## Auditing

### 1 Audits by the Audit & Supervisory Board Members

The Company's Audit & Supervisory Board develops audit plans with the basic audit policies of ensuring sound and sustainable growth of the Company and its Group companies and establishing high-quality corporate governance systems to respond to public trust. The Audit & Supervisory Board sets the establishment and management of internal control systems, and the system to promote legal compliance and risk management, as key audit items.

The Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings. They conduct audits in the following manner: exchanging opinions with the Representative Directors and periodically interviewing Directors and others on the status of business execution; viewing important documents for approval such as request forms; and surveying the status of operations and assets at the Head Office and others. For subsidiaries, they share information with the Directors and Audit & Supervisory Board Members of subsidiaries, visit the subsidiaries' Head Offices, stores, logistics centers and other sites to survey the actual status of operations in accordance with the audit plans, and receive reports.



### Audits of overseas business locations

Based on the growing importance of overseas business in the Group, the Company's Audit & Supervisory Board has formulated "Confirmation of the management framework for overseas business" as one of its key audit items, and conducts audits.

In FY2018, all of the Audit & Supervisory Board Members, including the Outside Audit & Supervisory Board Members, visited each business location (stores and offices, etc.) of SEVEN-ELEVEN (CHINA) CO., LTD. (including the Chinese subsidiaries owned by that company) and Chengdu Ito-Yokado Co., Ltd. The members held dialogues directly with local officers and employees about the business and management situation of each company, and conducted audits.

In FY2019, the Standing Audit & Supervisory Board Members visited business locations (headquarters, stores, dedicated production facilities, etc.) of 7-Eleven, Inc. The members held dialogues directly with local officers and employees about the business and management situation, and conducted audits. In addition, the Company's Audit & Supervisory Board conducted interviews with the officers, etc., of the above overseas operating company, and confirmed the business and management situation.

These kinds of audits at overseas locations are not only straightforwardly effective for strengthening the internal controls in overseas businesses, but also provide an opportunity for the Audit & Supervisory Board Members to directly confirm and learn about the new ways that each overseas subsidiary is continuing to devise, in order to establish and manage appropriate internal controls according to the requirements of each business locations, leading to an overall improved level of auditing by the Audit & Supervisory Board Members, including in Japan.

Looking ahead, the Company's Audit & Supervisory Board will continue to work closely with the Audit & Supervisory Board Members and other officers of domestic and overseas subsidiaries, to establish and maintain high-quality corporate governance systems with the emphasis on visiting and conducting on-site audits of overseas locations.

### Appointment of Audit & Supervisory Board Members with considerable knowledge of finance and accounting

The Company has appointed the following Audit & Supervisory Board Members who have considerable knowledge of finance and accounting.

- Standing Audit & Supervisory Board Member Mr. Yoshitake Taniguchi was engaged in operations relating to finance and accounting in the finance and accounting division in the Company and its Group companies.
- Audit & Supervisory Board Members Mr. Kazuhiro Hara and Ms. Kaori Matsuhashi are certified public accountants.

### Overview of accounting audits

1. Name of the accounting auditor	KPMG AZSA LLC
2. Non-audit operations during the fiscal year ended February 28, 2019	The Company made payment of consideration to the accounting auditor for its work in supporting the application of the accounting standard related to revenue recognition and preparing the comfort letter associated with the issuance of U.S. dollar-denominated unsecured straight bonds, neither of which services are included in the scope of services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-auditing services).
3. Policy for determining the dismissal or non-reappointment of the accounting auditor	In the event any of the reasons stipulated in the items of Article 340, Paragraph 1 of the Companies Act becomes applicable to the accounting auditor, the Company's Audit & Supervisory Board will consider the dismissal of that accounting auditor, and if dismissal is deemed appropriate, the accounting auditor will be dismissed based on the unanimous agreement of the Audit & Supervisory Board Members. In the event the Company's Audit & Supervisory Board determines that circumstances related to the accounting auditor's performance of its duties and the Company's audit system necessitate a change in the accounting auditor, the Company's Audit & Supervisory Board will make a decision to propose a resolution for the non-reappointment of the accounting auditor to a Shareholders' Meeting.
4. Summary of the liability limitation agreement	None.
5. Details of the evaluation of the accounting auditor by the Audit & Supervisory Board	The Company's Audit & Supervisory Board conducted ongoing evaluations of the accounting auditor, such as by coordinating with the accounting auditor and accompanying the accounting auditor on the audits of business locations during the fiscal year. Based on the standards prescribed by the Audit & Supervisory Board, including those concerning the evaluation of the adequacy of audits by the accounting auditor, there were judged to be no particular problems with the audits conducted by the accounting auditor, KPMG AZSA LLC, and it was resolved to reappoint KPMG AZSA LLC as the accounting auditor.

## 2 Internal audits

In order to enhance and reinforce its internal auditing function, the Company has appointed, within the Auditing Office, the “operational auditing staff” and the “internal control evaluation staff,” which are independent internal auditing divisions. The “operational auditing staff” has an oversight function to verify and provide guidance on internal auditing, including the status of the maintenance and management of compliance systems, by core operating companies or to directly audit them, and an internal auditing function for auditing the Company, the holding company, and performs these operations. The “internal control evaluation staff” evaluates internal controls regarding the financial reporting of the whole Group.

## 3 Coordination between Audit & Supervisory Board Member audits, internal audits, and accounting audits

In order to improve the overall quality of audits, the Company ensures that the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office, and the auditing firm proactively exchange information and endeavor to maintain close ties with each other, by such means as periodically holding tri-partite meetings. In the meeting, the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members) receive reports from the auditing firm on, among other matters, the performance of accounting audits, and reports from the Auditing Office on, among other matters, the performance of internal audits, respectively, and request explanations as necessary.

Furthermore, the Company periodically holds reporting sessions for accounting audits, which are attended by the Representative Directors and other officers, as well as the Standing Audit & Supervisory Board Members and the Auditing Office, etc. In the sessions, they receive reports from the auditing firm on the accounting audits, and confirm, among other matters, the results of accounting audits.

Furthermore, the Standing Audit & Supervisory Board Members and the Auditing Office hold meetings, basically once a month. In the meetings, the Auditing Office reports on the results of operational audits and the progress of internal control evaluations, etc., and also actively exchanges opinions with the Standing Audit & Supervisory Board Members regarding, among other matters, priority matters that should be examined in order to improve the quality of audits. With these efforts, the two parties aim to ensure comprehensive sharing of audit information between each other.

In the Audit & Supervisory Board meetings and other meetings, the Standing Audit & Supervisory Board Members report to the Outside Audit & Supervisory Board Members on, inter alia, the status of the reporting session for accounting audits and the contents of the meeting with the Auditing Office, respectively described above, and thereby share and discuss issues to be addressed and the like. Furthermore, by providing the Auditing Office and the auditing firm with feedback on the matters thus discussed, the Standing Audit & Supervisory Board Members aim to ensure that i) audits by the Audit & Supervisory Board Members, including the Outside Audit & Supervisory Board Members; ii) internal audits; and iii) accounting audits are linked with each other in a timely manner.

Further, the Auditing Office reports on the performance and the results of internal audits in the Audit & Supervisory Board meetings from time to time, and provides explanations in response to questions and so on from the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members).

At each audit, the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office, and the auditing firm receive reports and materials, etc. from the internal control divisions, and request explanations as deemed necessary, and the internal control divisions cooperate in the appropriate performance of these audits.

## 4 Framework for checking related party transactions [CGC Principle 1.7]

With regard to transactions with related parties, the Company investigates and identifies related parties and checks if there are any transactions with related parties and the details thereof. The Company discloses the transactions in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws and regulations, as well as the regulation of the Tokyo Stock Exchange.

Furthermore, with regard to any competing transactions and conflict-of-interest transactions between the Company and any Directors, the Company makes it a rule for the Directors to obtain approval of the Board of Directors in accordance with laws and regulations and the Board of Directors Regulations and to report material facts if the Directors carry out such transactions.

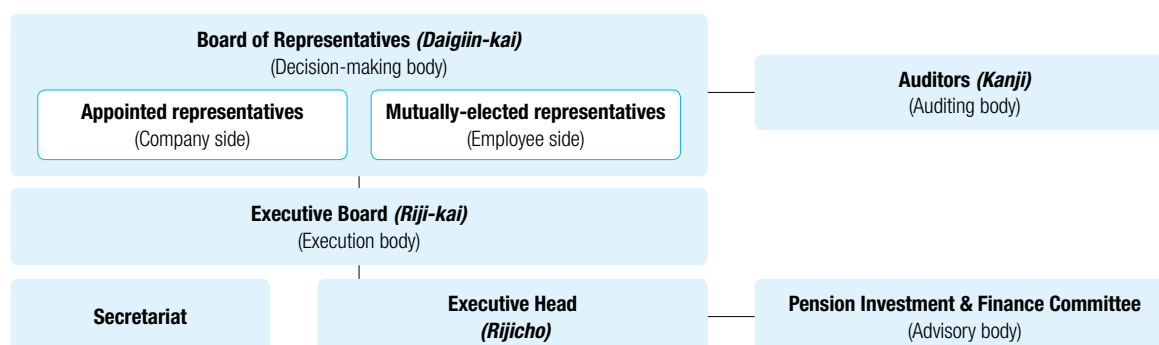
## Roles of Corporate Pension Funds as Asset Owners [ CGC Principle 2.6 ]

Investment management of the Group's corporate pensions is operated mainly by Seven & i Holdings Employees' Pension Fund (the "Corporate Pension Fund").

The Company confirms that the Corporate Pension Fund performs the roles of corporate pension funds as asset owners.

### 1 Scheme of the Corporate Pension Fund

Organizational chart of the Corporate Pension Fund (as of May 23, 2019)



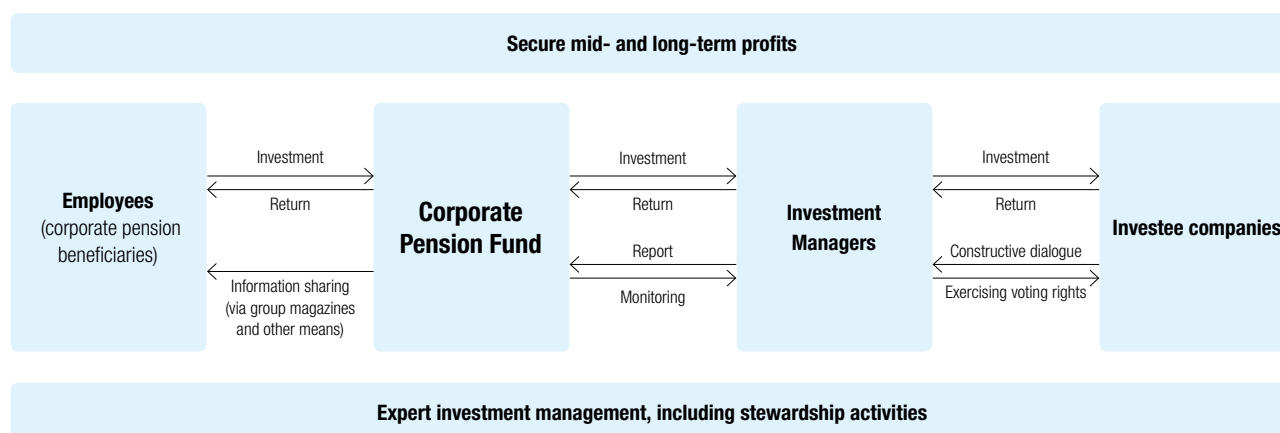
The Board of Representatives consists of an equal number of appointed representatives (company side) and mutually-elected representatives (employee side); the Board confirms the status of asset management twice a year and resolves the investment policy for investment portfolios as necessary. The Executive Board executes business based on the investment policy.

As an advisory body to the Executive Head, the Pension Investment & Finance Committee consists of members belonging to finance and accounting divisions of the Group and performs monitoring every two months based on their expert knowledge.

The Secretariat has staff members with knowledge of finance and human resources, which enables expert investment management, including monitoring of investment managers.

### 2 Management of the Corporate Pension Fund

#### Investment flow



The Corporate Pension Fund confirms that all investment managers for domestic shares have accepted the Stewardship Code. The Company monitors investment managers regarding their constructive dialogue with investee companies and status of exercising voting rights, and on those occasions, confirms their status, including specific instances of stewardship activities. Further, the Company shares information on these activities and investment results with employees via group magazines and other means.

Conflicts of interest are appropriately managed by executing a discretionary agreement with each investment manager for selection of individual investee companies and exercise of voting rights.

## Communication (Dialogue) with Shareholders; Shareholders' Meetings

### 1 Dialogue with shareholders and IR activity policy [ CGC Principle 5.1 ]

The Company conducts IR activities based on the following policy. Our aim is to contribute to the increase in corporate value over the medium to long term and sustainable growth of the Company, and to provide shareholders, investors, and all other stakeholders with a better understanding of the Company so that they can evaluate it appropriately.

#### (1) Basic Policy on Constructive Dialogue with Shareholders and Investors

Constructive dialogue with shareholders and investors contributes to the increase in corporate value over the medium to long term and sustainable growth of the Company. Our policy on such dialogue is determined by the Board of Directors.

- i) The Company has a dedicated department (the Investor Relations Department) responsible for planning and execution of activities for dialogue with shareholders and investors.
- ii) The Investor Relations Department is responsible for overall dialogue with shareholders and investors, and the president is in charge of it. The president, directors, and so forth strive to meet with shareholders and investors personally to the extent reasonable, in accordance with their wishes and the main topics of dialogue.
- iii) The Investor Relations Department has regular meetings with the departments in charge of corporate planning, financial planning, legal affairs, accounting, public relations, and so forth, to promote smooth dialogue with shareholders and investors. The meetings facilitate the cooperation within the Company, such as information sharing, and the department also conducts appropriate exchange of information with the respective operating companies.
- iv) The opinions, wishes, concerns, and so forth gathered through dialogue with shareholders and investors are reported to management and the Board of Directors meetings as required, so that they can be reflected in management activities and business operation.
- v) The Company strives to promote deeper understanding of its management activities and business operations among shareholders and investors. Specific activities include the Shareholders' Meetings and individual meetings, as well as proactive quarterly financial results briefings and briefings at operating companies.
- vi) To ensure that material information is not selectively presented only to certain people in the dialogue with shareholders and investors, the Company has determined the basic policy on information disclosure detailed in (2) below, and rigorously manages material information.

The Information Management Department has been established under the information management supervisor of the Company, and strives to prevent external leakage of material information and insider trading.

- vii) The Company will assess the shareholder composition on the shareholders' registry at the end of the first half of the fiscal year and at the fiscal year-end. In addition, the Company will conduct a survey to determine the shareholders who effectively hold the Company's shares and use the results for constructive dialogue with shareholders and investors.



**Annual IR schedule (FY2019)**

Q1	Mar.	Securities company conference, SEVEN-ELEVEN JAPAN (SEJ) Merchandising Strategy Presentation
	Apr.	Financial Results Presentation for the Fiscal Year, Small Meetings, Overseas IR
	May	Small Meetings
Q2	Jun.	Securities company overseas conference
	Jul.	Financial Results Presentation for Q1 (Teleconference), Overseas IR (Debt)
	Aug.	
Q3	Sep.	Securities company conference, SEJ Merchandising Strategy Presentation
	Oct.	Financial Results Presentation for Q2, Small Meetings, Overseas IR
	Nov.	
Q4	Dec.	Securities company conference
	Jan.	Financial Results Presentation for Q3 (Teleconference)
	Feb.	Securities company conference

**External recognition**

2014 Best IR Award from Japan Investor Relations Association

2016 Institutional Investor: Most Honored Company

2017 Award for Excellence in Corporate Disclosure from The Securities Analysts Association of Japan:  
“Companies with Notable Improvements in Disclosure”; By industry: 3rd place in retail industry

Nikko Investor Relations: All Japanese Listed Companies' Website Ranking in 2016; Overall: Best website; By industry: Excellent website

Nikko Investor Relations: All Japanese Listed Companies' Website Ranking in 2017; Overall: Best website

2018 Most-improved Integrated Report, selected by GPIF's asset managers entrusted with domestic equity investment

JIRA 25th Anniversary Commemorative Award for “Companies with Greatest Improvement in IR” from  
the Japan Investor Relations Association

Nikko Investor Relations: All Japanese Listed Companies' Website Ranking in 2018; Overall: Excellent website

2019 Excellent Corporate Governance Report, selected by GPIF's asset managers entrusted with domestic equity investment

## (2) Basic Policy on Information Disclosure

The Company's basic policy is to provide fair and highly transparent information disclosure to shareholders, investors, and all other stakeholders. To obtain a correct evaluation of its corporate value, the Company conducts proper information disclosure in line with applicable laws and regulations as well as securities exchange listing rules.

Moreover, to assist all stakeholders to deepen their understanding of the Company, we also strive to actively disclose information judged likely to have an impact on shareholder and investor decisions, even if the information is not subject to disclosure obligations under applicable laws and regulations or securities exchange listing rules.

### 1. Standard for Disclosure

The Company considers the following information to require disclosure.

#### i) Information for statutory or timely disclosure

Information requiring disclosure under laws and regulations such as the Financial Instruments and Exchange Act and the Companies Act

Information requiring disclosure under the securities exchange listing rules, such as those set out by the Tokyo Stock Exchange

#### ii) Information for discretionary disclosure

Information that is likely to have an impact on shareholders and investors investment decisions, even though it is not information described in i).

### 2. Information Disclosure Methods

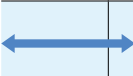
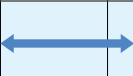
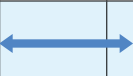
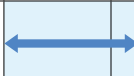
Statutory disclosures under the Financial Instruments and Exchange Act are disclosed through EDINET (electronic disclosure system for disclosure documents such as annual securities reports in accordance with the Financial Instruments and Exchange Act), while information disclosures required by securities exchange listing rules and so forth are disclosed through TDnet (timely disclosure information transmission system provided by the Tokyo Stock Exchange). In principle, all disclosures are also promptly posted on the Company's website. Timely disclosure materials are also provided in English, so that information can be disclosed fairly and promptly not only with in Japan, but also to overseas markets. Discretionary disclosures are made appropriately, such as by posting on the Company's website. The Company strives to help stakeholders gain a deeper understanding of its businesses by holding business strategy briefings for domestic analysts and institutional investors and publishing an Integrated Report, Corporate Outline, and so forth.

### 3. Quiet Period

The Company observes a quiet period from the day following the financial closing date until the day of announcement of financial results in order to prevent financial information leaks and ensure fair disclosure. During this period, the Company refrains from making comments or answering questions regarding its financial results. However, even during the quiet period, the Company will respond to inquiries regarding information that does not relate to its financial results or information that has already been publicly disclosed.

Moreover, if any major event requiring disclosure under the securities exchange listing rules and so forth occurs during the quiet period, for example if the results are expected to deviate significantly from the earnings forecast, the Company makes a public announcement appropriately in line with the securities exchange listing rules and so forth.

### Quiet period

Q1			Q2			Q3			Q4		
Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
											

#### 4. Forward-Looking Statements

The information disclosed by the Company may contain forward-looking statements. These statements are based on management's judgment in accordance with materials available to the Company at the time of disclosure, with future projections based on certain assumptions. The forward-looking statements therefore incorporate various risks, estimates, and uncertainties, and as such, actual results and performance may differ from the future outlook included in disclosed information due to various factors, such as changes in business operations and the financial situation going forward.

---

Reference information    IR website    URL: <https://www.7andi.com/en/ir.html>

---

## 2 Securing shareholders' rights at Shareholders' Meetings

### (1) Initiatives to secure the rights and substantial equality of shareholders

The Company makes effort to secure the rights and substantial equality of shareholders.

The Company strives to practically secure the rights of non-Japanese and minority shareholders in terms of securing an environment where they can exercise their rights and enjoy substantial equality.

#### Main initiatives

- i) The Company's "Articles of Incorporation" and the "Rules for Handling Shares," which set forth procedures for exercising shareholders' rights, are posted on the Company's website.
- ii) Convocation Notices of the Shareholders' Meeting and timely disclosure documents are translated into English and disclosed on the Company's website.

#### Anti-takeover measures

Adoption of anti-takeover measures: None

At present, the Company has not clearly defined "basic policies regarding the way a person is to control the determination of financial and business policies of the stock company" (Article 118, (iii), Regulation for Enforcement of the Companies Act). However, with the aim of maximizing the Group's corporate value through the further improvement of business performance and strengthening of corporate governance, etc., the Company believes it to be necessary to appropriately address large-scale purchases of the shares of the Company, and other acts which may damage the Group's corporate value. The Company will continue to carefully consider these basic policies, in light of future trends in legislation and court decisions, etc., as well as social trends.

## (2) Shareholders' Meetings

The Company takes measures from the following perspectives to substantially secure the voting rights and other rights of shareholders at the Shareholders' Meetings.

### Main initiatives

- i) In order to give shareholders time to consider the information in the exercise of their voting rights, Convocation Notices of the Shareholders' Meeting are dispatched approximately three weeks prior to the meeting date, ahead of the statutory deadline for dispatch. Moreover, the Convocation Notice is disclosed on the Company's website about four weeks before the meeting, prior to the dispatch.
- ii) In addition to the Japanese-language versions of the Convocation Notices of the Shareholders' Meeting, English-language versions of Convocation Notices are posted as quickly as possible on the Company's website, etc., following the posting of the Japanese-language versions.
- iii) For shareholders who cannot attend the Shareholders' Meeting, the Company has adopted a system for exercising voting rights via the Internet, in addition to a system for exercising voting rights through the mail by a Voting Instructions Form.
- iv) To facilitate exercise of voting rights by institutional investors, the Company has implemented the Platform for Electronic Exercise of Voting Rights.
- v) Shareholders' Meetings are held at the Company's Head Office since it has good access to various transportations and convenient to shareholders.
- vi) Voting results for each proposal at Shareholders' Meetings are confirmed by the Board of Directors after the meeting. In cases where the proportion of opposing votes exceeds a certain level, the board undertakes a causal analysis and discusses its response.





### Dow Jones Sustainability Index

The Dow Jones Sustainability Index was launched in 1999 as the first global sustainability benchmark. It is offered by RobecoSAM and S&P Dow Jones Indices. The series tracks the stock performance of the world's leading companies in terms of economic, environmental and social perspectives. The Company has been selected as a component of the DJSI Asia Pacific index, which focuses on the Asia-Pacific region.



### FTSE4Good Index

The FTSE4Good Index is created by global index provider FTSE Russell. The index is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE4Good Index is widely used for creating and evaluating responsible investment funds and other financial instruments. The Company has been selected as a component stock of the index.



### FTSE Blossom Japan Index

The FTSE Blossom Japan Index is created by global index provider FTSE Russell. The index is designed to measure the performance of Japanese companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE Blossom Japan Index is widely used for creating and evaluating sustainable investment funds and other financial instruments. The Company has been selected as a component stock of the index.



### MSCI ESG Leaders Indexes

The MSCI ESG Leaders Indexes is a free float-adjusted market capitalization weighted index targeting companies that have high environmental, social and governance (ESG) rated performance. The Company is a constituent stock of this index.

\* Neither the inclusion of the Company in the MSCI indexes nor use of the MSCI logo, trademark, service mark or index name is an endorsement, recommendation, or promotion of the Company by MSCI or its affiliates. The MSCI Indexes are the exclusive property of MSCI. The names and logos of MSCI and the MSCI Indexes are trademarks or service marks of MSCI or its affiliates.

# Financial Section

---

## Contents

---

126	Financial Highlights
128	Management's Discussion and Analysis
130	Consolidated Balance Sheets
132	Consolidated Statements of Income
133	Consolidated Statements of Comprehensive Income
134	Consolidated Statements of Changes in Net Assets
135	Consolidated Statements of Cash Flows

## Financial Highlights

Seven & i Holdings Co., Ltd.  
for the fiscal years ended February 28 or 29

	2010	2011	2012	2013
<b>For the fiscal year:</b>				
Revenues from operations	5,111,297	5,119,739	4,786,344	4,991,642
Operating income	226,666	243,346	292,060	295,685
Net income attributable to owners of parent	44,875	111,961	129,837	138,064
Capital expenditures* <sup>1</sup>	211,189	338,656	255,426	334,216
Depreciation and amortization* <sup>2</sup>	132,232	132,421	139,994	155,666
Cash flows from operating activities	322,202	310,527	462,642	391,406
Cash flows from investing activities	(115,158)	(312,081)	(342,805)	(340,922)
Cash flows from financing activities	(156,708)	(56,258)	(40,561)	10,032
Free cash flows* <sup>3</sup>	207,044	(1,553)	119,836	50,484
<b>At fiscal year-end:</b>				
Total assets	3,673,605	3,732,111	3,889,358	4,262,397
Owners' equity* <sup>4</sup>	1,721,967	1,702,514	1,765,983	1,891,163
<b>Per share data:</b>				
Net income	49.67	126.21	146.96	156.26
Net assets* <sup>4</sup>	1,905.97	1,927.09	1,998.84	2,140.45
Cash dividends	56.00	57.00	62.00	64.00
<b>Financial ratios:</b>				
Owners' equity ratio* <sup>4</sup>	46.9%	45.6%	45.4%	44.4%
Debt/equity ratio (times)* <sup>4</sup>	0.41	0.43	0.40	0.45
Return on equity (ROE)* <sup>4</sup>	2.6%	6.5%	7.5%	7.6%
Return on total assets (ROA)	1.2%	3.0%	3.4%	3.4%
Dividend payout ratio	112.7%	45.2%	42.2%	41.0%

Notes: 1. In the fiscal year ended December 31, 2011, 7-Eleven, Inc. changed its accounting method for revenues from operations related to franchise agreements from "gross amount" to "net amount."

2. ROE and ROA are calculated based on the average of owners' equity and total assets at the beginning and end of each fiscal year.

2014	2015	2016	2017	2018	2019
					Millions of yen
5,631,820	6,038,948	6,045,704	5,835,689	6,037,815	6,791,215
339,659	343,331	352,320	364,573	391,657	411,596
175,691	172,979	160,930	96,750	181,150	203,004
336,758	341,075	399,204	384,119	347,374	539,328
147,379	172,237	195,511	207,483	213,167	221,133
454,335	416,690	488,973	512,523	498,306	577,979
(286,686)	(270,235)	(335,949)	(371,602)	(240,418)	(564,160)
(55,227)	(79,482)	(2,312)	(78,190)	(168,510)	(5,324)
167,648	146,454	153,023	140,921	257,888	13,819
4,811,380	5,234,705	5,441,691	5,508,888	5,494,950	5,795,302
2,095,746	2,299,662	2,372,274	2,336,057	2,427,264	2,521,395
					Yen
198.84	195.66	182.02	109.42	204.80	229.50
2,371.92	2,601.23	2,683.11	2,641.40	2,744.08	2,850.42
68.00	73.00	85.00	90.00	90.00	95.00
43.6%	43.9%	43.6%	42.4%	44.2%	43.5%
0.45	0.41	0.44	0.45	0.41	0.44
8.8%	7.9%	6.9%	4.1%	7.6%	8.2%
3.9%	3.4%	3.0%	1.8%	3.3%	3.6%
34.2%	37.3%	46.7%	82.3%	43.9%	41.4%

\*1 Capital expenditures include long-term leasehold deposits and advances for store construction.

\*2 In the fiscal year ended February 28, 2014, the Company and its domestic consolidated subsidiaries (except for certain operating companies) changed the depreciation method for property and equipment from the declining-balance method to the straight-line method.

\*3 Free cash flows = Cash flows from operating activities + Cash flows from investing activities

\*4 Owners' equity = Net assets - Non-controlling interests - Subscription rights to shares



## ANALYSIS OF RESULTS OF OPERATIONS

### 1. Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2019, Seven & i Holdings ("the Company") recorded consolidated revenues from operations of ¥6,791,215 million (112.5% year on year), an increase of ¥753,399 million. Operating income increased ¥19,939 million, to ¥411,596 million (105.1% year on year).

In domestic convenience store operations, revenues from operations were ¥955,443 million (102.9% year on year), and operating income was ¥246,721 million (100.6% year on year).

To respond to the shifting needs of customers as they react to changes in the social environment, SEVEN-ELEVEN JAPAN CO., LTD. introduced new, improved store layouts that better reflect the current composition of sales. SEVEN-ELEVEN JAPAN CO., LTD. also took steps that involved launching new products that deliver value as well as continuously improving product quality. As a result, sales at existing stores for the fiscal year ended February 28, 2019 were higher than those in the previous fiscal year, and total store sales, comprising both directly operated and franchised store sales, were ¥4,898,872 million (104.7% year on year). Furthermore, despite the impact of factors such as a 1% special discount on "7-Eleven Charge" royalties implemented from September 2017, operating income in domestic convenience store operations was ¥245,088 million (100.4% year on year).

In overseas convenience store operations, revenues from operations were ¥2,821,053 million (142.4% year on year), and operating income was ¥92,266 million (116.7% year on year).

In North America, 7-Eleven, Inc. closed some existing stores where profitability was low and some other stores. In addition, as a result of continuing to focus on the development and sales of fast food and 7-Select private-brand products, merchandise sales at existing stores in the United States on a local currency basis in the fiscal year under review were higher than those in the previous fiscal year, recording operating income of ¥111,081 million (122.3% year on year). Total store sales, comprising both directly operated and franchised store sales, were ¥3,993,259 million (127.4% year on year) due to growth in sales of merchandise and gasoline attributable to the acquisition of some stores of Sunoco LP, which was completed in January 2018.

In superstore operations, revenues from operations were ¥1,902,507 million (100.1% year on year), and operating income was ¥21,173 million (99.6% year on year).

Superstore Ito-Yokado Co., Ltd. focused on initiatives such as optimizing directly operated sales floor space for apparel and household goods and enhancing operations involving food, as part of its business structural reforms, but sales at existing stores for the fiscal year ended February 28, 2019 fell below those for the previous fiscal year. Nevertheless, operating income was ¥4,708 million (153.0% year on year) due to improvement in profitability associated with better gross margins and the optimization of selling, general and administrative expenses.

Food supermarket York-Benimaru Co., Ltd. strengthened sales of fresh food and expanded its lineup of prepared dishes in response to demand for ready-to-serve and easy meals through its subsidiary Life Foods Co., Ltd. However, sales at existing stores in the fiscal year ended February 28, 2019 were lower than those in the previous fiscal year, and operating income was ¥12,801 million (91.0% year on year).

In department store operations, revenues from operations were ¥592,100 million (90.0% year on year), and operating income was ¥3,737 million (69.6% year on year).

Sogo & Seibu Co., Ltd. promoted our strategy of concentrating management resources in large stores in the Tokyo metropolitan area as part of business structural reforms.

This involved sales floor renewal in the Sogo Yokohama store in the field of beauty products, where cosmetics and other items are regarded as strengths. However, sales at existing stores in the fiscal year ended February 28, 2019 were lower than those in the previous fiscal year, and operating income was ¥3,266 million (64.3% year on year).

In financial services, revenues from operations were ¥215,007 million (105.9% year on year), and operating income was ¥52,874 million (106.4% year on year).

As of February 28, 2019, the number of ATMs of Seven Bank, Ltd. installed in Japan had increased to 25,083 units (up 745 ATMs from the end of the previous fiscal year). Meanwhile, the average daily number of transactions per ATM was 92.4 (down 1.8 year on year), although the total number of ATM transactions during the fiscal year under review increased from the previous fiscal year, due to factors such as the effect of some affiliated financial institutions implementing changes to their transaction fee structures and diversifying settlement methods. Cash and bank deposits of Seven Bank, Ltd. were ¥775.4 billion, which includes cash to be deposited in ATMs.

This segment recorded impairment loss related to overseas business in the second quarter of the fiscal year under review.

In specialty store operations, revenues from operations were ¥355,474 million (85.3% year on year), and operating income rose ¥6,244 million year on year, to ¥6,680 million.

Operating income of Akachan Honpo Co., Ltd., THE LOFT CO., LTD., Seven & i Food Systems Co., Ltd., etc., exceeded that of the previous fiscal year, as a result of their having implemented merchandising strategies addressing customer needs. At Nissen Holdings Co., Ltd., operating loss decreased year on year as a result of its having continued to focus on promoting business structural reforms. In the first quarter of the fiscal year under review, as part of its business structural reforms, Nissen Holdings Co., Ltd. transferred all shares of its subsidiary SHADDY CO., LTD. on April 27, 2018.

### 2. Non-Operating Income or Loss and Ordinary Income

Non-operating income or loss changed from a loss of ¥911 million (net amount) in the previous fiscal year to a loss of ¥5,073 million (net amount). This was mainly due to a decrease in interest income and an increase in interest expenses.

As a result, ordinary income rose ¥15,777 million year on year, to ¥406,523 million.

### 3. Special Gains or Losses and Income before Income Taxes

Special gains or losses changed from a loss of ¥114,426 million (net amount) in the previous fiscal year to a loss of ¥89,111 million (net amount). This was mainly due to a decrease in restructuring expenses, despite an increase in amortization of goodwill.

As a result, income before income taxes rose ¥41,091 million year on year, to ¥317,411 million.

### 4. Income Taxes (Including Income Taxes-Deferred) and Net Income Attributable to Owners of Parent

Income taxes rose ¥24,927 million year on year, to ¥104,351 million. After the application of tax effect accounting, the effective tax rate was 32.9%.

As a result, net income attributable to owners of parent rose ¥21,853 million year on year, to ¥203,004 million. Net income per share was ¥229.50, up ¥24.70 per share, from ¥204.80 in the previous fiscal year.

## ■ ANALYSIS OF FINANCIAL POSITION

### 1. Assets, Liabilities and Net Assets

Total assets on February 28, 2019 stood at ¥5,795,302 million, up ¥300,352 million from the end of the previous fiscal year.

In current assets, trade accounts receivable-financial services rose ¥6,008 million, and other current assets increased ¥6,141 million, while cash and bank deposits fell ¥2,229 million, and notes and accounts receivable-trade decreased ¥1,868 million. As a result, total current assets were ¥2,353,042 million, up ¥12,834 million from the end of the previous fiscal year.

Property and equipment, and intangible assets increased ¥129,175 million and ¥146,521 million, respectively, primarily due to business acquisitions by 7-Eleven, Inc. Furthermore, investments and other assets increased ¥11,727 million, primarily due to an increase in municipal bonds and corporate bonds acquired by Seven Bank, Ltd. As a result, non-current assets were up ¥287,424 million from the end of the previous fiscal year, to ¥3,442,159 million.

Total liabilities increased ¥203,208 million from the end of the previous fiscal year, to ¥3,122,816 million.

Current liabilities increased ¥48,788 million compared with those of the end of the previous fiscal year, to ¥1,992,795 million. This was due primarily to increases of ¥34,873 million in deposits received in banking business, ¥24,032 million in the current portion of long-term loans and ¥15,904 million in short-term loans, despite decreases of ¥24,999 million in the current portion of bonds and ¥8,409 million in notes and accounts payable, trade.

In non-current liabilities, bonds increased ¥56,914 million due to the issuance of U.S. dollar-denominated unsecured straight bonds of the Company, and long-term loans increased ¥50,275 million. Consequently, non-current liabilities rose ¥154,420 million from the end of the previous fiscal year, to ¥1,130,020 million.

Total net assets were up ¥97,144 million from the end of the previous fiscal year, to ¥2,672,486 million.

Retained earnings increased ¥121,185 million year on year, primarily due to an increase of ¥203,004 million, owing to the recording of net income attributable to owners of parent and a decrease of ¥81,823 million due to cash dividend payments.

Foreign currency translation adjustments decreased ¥22,869 million, primarily due to the translation of the financial statements of 7-Eleven, Inc.

As a result, net assets per share were up ¥106.34 from the end of the previous fiscal year, to ¥2,850.42, and the owners' equity ratio was 43.5%, compared with 44.2% at the end of the previous fiscal year.

### 2. Cash Flows

Cash and cash equivalents ("Cash") were ¥1,303,610 million, up ¥3,226 million from the end of the previous fiscal year. This was primarily due to cash flows created by the high operating profitability of domestic and overseas convenience store operations, despite outflows associated with new store openings and renovations, mainly at SEVEN-ELEVEN JAPAN CO., LTD., and outflows associated with business acquisitions in overseas convenience store operations.

#### (Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥577,979 million, up ¥79,673 million from that of the previous fiscal year. This mainly reflected an increase of ¥41,091 million in income before income taxes, an increase of ¥25,000 million in net increase in loans in banking business and an increase of ¥20,166 million in net increase in deposits received in banking business, despite a decrease of ¥31,510 million in impairment loss.

#### (Cash Flows from Investing Activities)

Net cash used in investing activities was ¥564,160 million, an increase of ¥323,741 million from that of the previous fiscal year. This was primarily due to increases of ¥200,538 million in acquisition of property and equipment and ¥173,045 million in payment for acquisition of business, as a result of business acquisitions in overseas convenience store operations.

#### (Cash Flows from Financing Activities)

Net cash used in financing activities was ¥5,324 million, a decrease of ¥163,185 million from that of the previous fiscal year. This was due primarily to an increase of ¥39,055 million in net increase (decrease) in short-term loans and an increase of ¥104,288 million in proceeds from long-term debts, owing to financing for business acquisitions in overseas convenience store operations, as well as an increase of ¥66,478 million in proceeds from issuance of bonds, despite an increase of ¥40,000 million in payment for redemption of bonds.

## Consolidated Balance Sheets

Seven & i Holdings Co., Ltd.  
at February 28, 2019 and 2018

Millions of yen

ASSETS	2019	2018
<b>Current assets:</b>		
Cash and bank deposits	1,314,564	1,316,793
Notes and accounts receivable-trade	336,070	337,938
Trade accounts receivable-financial services	101,490	95,482
Merchandise and finished goods	178,178	173,999
Work in process	60	27
Raw materials and supplies	2,781	2,962
Prepaid expenses	55,867	52,282
ATM-related temporary payments	95,694	96,826
Deferred income taxes	26,582	27,981
Other	247,497	241,356
Allowance for doubtful accounts	(5,747)	(5,441)
Total current assets	2,353,042	2,340,207
<b>Non-current assets:</b>		
<b>Property and equipment:</b>		
Buildings and structures	2,241,428	2,139,523
Less: Accumulated depreciation	(1,287,334)	(1,267,251)
Buildings and structures, net	954,093	872,271
Furniture, fixtures and equipment	875,980	934,180
Less: Accumulated depreciation	(569,659)	(606,218)
Furniture, fixtures and equipment, net	306,321	327,961
Vehicles	12,334	6,114
Less: Accumulated depreciation	(2,057)	(650)
Vehicles, net	10,277	5,463
Land	751,616	725,180
Lease assets	23,763	25,535
Less: Accumulated depreciation	(16,905)	(20,635)
Lease assets, net	6,858	4,899
Construction in progress	89,463	53,677
Total property and equipment	2,118,630	1,989,455
<b>Intangible assets:</b>		
Goodwill	371,969	251,233
Software	85,475	61,115
Other	151,043	149,617
Total intangible assets	608,487	461,966
<b>Investments and other assets:</b>		
Investments in securities	191,985	175,856
Long-term loans receivable	14,415	14,794
Long-term leasehold deposits	372,348	383,276
Advances for store construction	548	573
Net defined benefit asset	43,666	45,620
Deferred income taxes	31,079	28,375
Other	63,878	58,310
Allowance for doubtful accounts	(2,881)	(3,493)
Total investments and other assets	715,040	703,313
Total non-current assets	3,442,159	3,154,734
<b>Deferred assets:</b>		
Business commencement expenses	101	7
Total deferred assets	101	7
Total Assets	5,795,302	5,494,950

Millions of yen

LIABILITIES AND NET ASSETS	2019	2018
<b>Current liabilities:</b>		
Notes and accounts payable, trade	231,999	244,696
Accounts payable, trade for franchised stores	179,603	175,315
Short-term loans	143,160	127,255
Current portion of bonds	50,000	74,999
Current portion of long-term loans	106,688	82,656
Income taxes payable	42,642	32,211
Accrued expenses	128,802	117,362
Deposits received	174,043	174,382
ATM-related temporary advances	43,530	45,165
Allowance for sales promotion expenses	19,467	19,793
Allowance for bonuses to employees	13,829	14,662
Allowance for bonuses to Directors and Audit & Supervisory Board Members	364	345
Allowance for loss on future collection of gift certificates	1,296	1,590
Provision for sales returns	98	89
Deposits received in banking business	588,395	553,522
Other	268,873	279,957
Total current liabilities	1,992,795	1,944,007
<b>Non-current liabilities:</b>		
Bonds	361,914	305,000
Long-term loans	443,425	393,149
Deferred income taxes	44,132	35,416
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	925	988
Allowance for stock payments	159	95
Net defined benefit liability	7,534	9,185
Deposits received from tenants and franchised stores	53,145	54,806
Asset retirement obligations	85,971	79,412
Other	132,811	97,546
Total non-current liabilities	1,130,020	975,600
Total liabilities	3,122,816	2,919,607
<b>Shareholders' equity:</b>		
Common stock	50,000	50,000
Capital surplus	409,859	409,128
Retained earnings	2,015,630	1,894,444
Treasury stock, at cost	(4,680)	(4,731)
Total shareholders' equity	2,470,808	2,348,841
<b>Accumulated other comprehensive income:</b>		
Unrealized gains on available-for-sale securities, net of taxes	26,150	27,897
Unrealized gains (losses) on hedging derivatives, net of taxes	(69)	(92)
Foreign currency translation adjustments	23,768	46,638
Remeasurements of defined benefit plan	737	3,979
Total accumulated other comprehensive income	50,587	78,423
<b>Subscription rights to shares</b>	2,805	2,623
<b>Non-controlling interests</b>	148,285	145,454
Total net assets	2,672,486	2,575,342
Total liabilities and net assets	5,795,302	5,494,950



# Consolidated Statements of Income

Seven & i Holdings Co., Ltd.  
for the fiscal years ended February 28, 2019 and 2018

Millions of yen

	2019	2018
<b>Revenues from operations</b>	6,791,215	6,037,815
<b>Net sales</b>	5,508,600	4,807,748
<b>Cost of sales</b>	4,411,816	3,773,220
<b>Gross profit on sales</b>	1,096,784	1,034,527
<b>Operating revenues</b>	1,282,615	1,230,067
<b>Gross profit from operations</b>	2,379,399	2,264,594
<b>Selling, general and administrative expenses:</b>		
Advertising and decoration expenses	134,850	136,473
Salaries and wages	473,273	450,662
Provision for bonuses to employees	13,809	14,606
Pension expenses	12,365	14,471
Legal welfare expenses	62,611	61,857
Land and building rent	379,510	360,547
Depreciation and amortization	210,190	203,694
Utility expenses	118,428	112,938
Store maintenance and repair expenses	74,264	74,120
Other	488,498	443,564
Total selling, general and administrative expenses	1,967,802	1,872,936
<b>Operating income</b>	411,596	391,657
<b>Non-operating income:</b>		
Interest income	4,878	5,791
Dividend income	1,232	1,202
Equity in earnings of affiliates	961	1,496
Other	4,582	3,523
Total non-operating income	11,654	12,014
<b>Non-operating expenses:</b>		
Interest expenses	10,219	6,475
Interest on bonds	1,891	2,351
Other	4,615	4,098
Total non-operating expenses	16,727	12,925
<b>Ordinary income</b>	406,523	390,746
<b>Special gains:</b>		
Gain on sales of property and equipment	11,214	8,375
Gain on sales of property and equipment related to restructuring	427	2,663
Gain on sales of investments in securities	2,665	10
Other	1,248	2,299
Total special gains	15,556	13,347
<b>Special losses:</b>		
Loss on disposals of property and equipment	18,956	20,635
Impairment loss	55,776	57,070
Amortization of goodwill	3,895	—
Loss on sales of shares of subsidiaries	3,320	1,644
Restructuring expenses	2,619	42,680
Other	20,099	5,743
Total special losses	104,668	127,774
<b>Income before income taxes</b>	317,411	276,320
<b>Income taxes-current</b>	96,076	94,421
<b>Income taxes-deferred</b>	8,275	(14,997)
<b>Total income taxes</b>	104,351	79,423
<b>Net income</b>	213,060	196,896
<b>Net income attributable to non-controlling interests</b>	10,056	15,746
<b>Net income attributable to owners of parent</b>	203,004	181,150

Yen

	2019	2018
<b>Per share information:</b>		
Net income per share (Basic)	229.50	204.80
Net income per share (Diluted)	229.31	204.63
Cash dividends	95.00	90.00

## Consolidated Statements of Comprehensive Income

Seven & i Holdings Co., Ltd.  
for the fiscal years ended February 28, 2019 and 2018

Millions of yen

	2019	2018
<b>Net income</b>	213,060	196,896
<b>Other comprehensive income:</b>		
Unrealized gains (losses) on available-for-sale securities, net of taxes	(1,512)	(563)
Unrealized losses on hedging derivatives, net of taxes	15	(108)
Foreign currency translation adjustments	(23,298)	(10,008)
Remeasurements of defined benefit plan, net of taxes	(3,272)	(106)
Share of other comprehensive income of entities accounted for using equity method	(28)	(36)
<b>Total other comprehensive income</b>	(28,096)	(10,823)
<b>Comprehensive income</b>	184,963	186,072
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	175,167	170,573
Comprehensive income attributable to non-controlling interests	9,795	15,499

## Consolidated Statements of Changes in Net Assets

Seven & i Holdings Co., Ltd.  
for the fiscal years ended February 28, 2019 and 2018

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at March 1, 2017</b>	50,000	409,095	1,793,035	(5,074)	2,247,056
Cash dividends			(79,604)		(79,604)
Net income attributable to owners of parent			181,150		181,150
Purchase of treasury stock				(25)	(25)
Disposal of treasury stock		81		368	450
Other		(49)	(136)	(0)	(185)
Net changes of items other than shareholders' equity					
Net increase (decrease) for the year	–	32	101,409	342	101,784
<b>Balance at March 1, 2018</b>	50,000	409,128	1,894,444	(4,731)	2,348,841
Cash dividends			(81,823)		(81,823)
Net income attributable to owners of parent			203,004		203,004
Purchase of treasury stock				(20)	(20)
Disposal of treasury stock		25		71	97
Sales of investments in securities		704			704
Other		0	4	(0)	5
Net changes of items other than shareholders' equity					
Net increase (decrease) for the year	–	731	121,185	51	121,967
<b>Balance at February 28, 2019</b>	50,000	409,859	2,015,630	(4,680)	2,470,808

Millions of yen

	Accumulated other comprehensive income							
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plan	Total accumulated other comprehen- sive income	Subscription rights to shares	Non-controlling interests	Total net assets
<b>Balance at March 1, 2017</b>	28,467	23	56,391	4,117	89,000	2,594	137,154	2,475,806
Cash dividends								(79,604)
Net income attributable to owners of parent								181,150
Purchase of treasury stock								(25)
Disposal of treasury stock								450
Other								(185)
Net changes of items other than shareholders' equity	(570)	(115)	(9,753)	(138)	(10,577)	28	8,300	(2,247)
Net increase (decrease) for the year	(570)	(115)	(9,753)	(138)	(10,577)	28	8,300	99,536
<b>Balance at March 1, 2018</b>	27,897	(92)	46,638	3,979	78,423	2,623	145,454	2,575,342
Cash dividends								(81,823)
Net income attributable to owners of parent								203,004
Purchase of treasury stock								(20)
Disposal of treasury stock								97
Sales of investments in securities								704
Other								5
Net changes of items other than shareholders' equity	(1,747)	22	(22,869)	(3,241)	(27,836)	182	2,830	(24,823)
Net increase (decrease) for the year	(1,747)	22	(22,869)	(3,241)	(27,836)	182	2,830	97,144
<b>Balance at February 28, 2019</b>	26,150	(69)	23,768	737	50,587	2,805	148,285	2,672,486

# Consolidated Statements of Cash Flows

Seven & i Holdings Co., Ltd.  
for the fiscal years ended February 28, 2019 and 2018

Millions of yen

	2019	2018
<b>Cash flows from operating activities:</b>		
Income before income taxes	317,411	276,320
Depreciation and amortization	221,133	213,167
Impairment loss	57,368	88,879
Amortization of goodwill	27,079	16,620
Increase (decrease) in allowance for bonuses to employees	(893)	707
Increase in net defined benefit asset	(3,296)	(938)
Interest and dividends income	(6,111)	(6,994)
Interest expenses and interest on bonds	12,111	8,826
Equity in earnings of affiliates	(961)	(1,496)
Gain on sales of property and equipment	(11,642)	(11,038)
Loss on disposals of property and equipment	18,974	20,860
Loss on sales of shares of subsidiaries	3,320	1,644
Gain on transfer from business divestitures	—	(1,090)
Gain on sales of investment securities	(2,665)	(10)
Increase (decrease) in notes and accounts receivable, trade	(7,411)	7,590
Increase in trade accounts receivable, financial services	(6,008)	(4,429)
Decrease in inventories	7,159	11,186
Increase (decrease) in notes and accounts payable, trade	(537)	8,501
Increase (decrease) in deposits received	1,303	(14,168)
Net increase in loans in banking business	25,000	—
Net increase in deposits received in banking business	34,873	14,706
Net decrease in call money in banking business	—	(20,000)
Net decrease (increase) in ATM-related temporary accounts	(509)	974
Other	(18,332)	(28,214)
<b>Subtotal</b>	<b>667,368</b>	<b>581,606</b>
Interest and dividends received	3,833	4,468
Interest paid	(11,729)	(8,877)
Income taxes paid	(81,493)	(95,827)
Income taxes refund	—	16,936
<b>Net cash provided by operating activities</b>	<b>577,979</b>	<b>498,306</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(478,451)	(277,913)
Proceeds from sales of property and equipment	131,908	40,174
Acquisition of intangible assets	(33,083)	(33,375)
Payment for purchase of investments in securities	(36,623)	(20,353)
Proceeds from sales of investments in securities	22,608	32,435
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(470)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	108
Payments for sales of subsidiaries resulting in change in scope of consolidation	(127)	—
Payment for long-term leasehold deposits	(14,308)	(16,199)
Refund of long-term leasehold deposits	27,430	37,689
Proceeds from deposits from tenants	3,004	5,321
Refund of deposits from tenants	(3,122)	(5,654)
Proceeds from business divestitures	—	12,937
Payment for acquisition of business	(177,763)	(4,717)
Payment for time deposits	(11,869)	(16,294)
Proceeds from withdrawal of time deposits	16,665	12,751
Other	(9,957)	(7,329)
<b>Net cash used in investing activities</b>	<b>(564,160)</b>	<b>(240,418)</b>
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term loans	15,904	(23,150)
Proceeds from long-term debts	160,696	56,408
Repayment of long-term debts	(83,993)	(73,656)
Proceeds from commercial paper	2,319	—
Payment for redemption of commercial paper	(2,319)	—
Proceeds from issuance of bonds	66,478	—
Payment for redemption of bonds	(60,000)	(20,000)
Capital contribution from non-controlling interests	0	432
Dividends paid	(81,784)	(79,558)
Dividends paid to non-controlling interests	(7,196)	(7,017)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	716	—
Other	(16,146)	(21,966)
<b>Net cash used in financing activities</b>	<b>(5,324)</b>	<b>(168,510)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(5,255)</b>	<b>1,508</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,238</b>	<b>90,886</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,300,383</b>	<b>1,209,497</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of the subsidiary from consolidation</b>	<b>(11)</b>	<b>—</b>
<b>Cash and cash equivalents at end of year</b>	<b>1,303,610</b>	<b>1,300,383</b>



## Systems for Ensuring Appropriate Operations

The Company has adopted the following resolutions regarding "the development of systems for ensuring that the execution of duties by the Directors complies with laws, regulations, and the Articles of Incorporation and other systems required by the Ministry of Justice Ordinance for ensuring the compliance of operations performed by a corporation and by the corporate group comprised of the corporation and its subsidiaries," as stipulated by the Companies Act.

### (1) Systems for ensuring that the execution of duties by the Company's and its subsidiaries' Directors and employees is compliant with laws, regulations, and the Articles of Incorporation

- (i) The Company and its Group companies shall comply with the "Corporate Creed" and the "Corporate Action Guidelines," etc. In order to continue to be trusted and known for integrity, the Company and its Group companies shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. On that basis, the Company shall establish, maintain, and utilize compliance systems, centered on the Company's CSR Management Committee; operate internal reporting systems; promote fair trade; and disseminate the Corporate Action Guidelines and the guidelines of each company. In these ways, compliance shall be further enhanced.
- (ii) The Company and its Group companies will announce their commitment to not having any contact with antisocial groups and will clearly refuse unreasonable requests. Through cooperation with outside specialists, such as the police and lawyers, we will rapidly implement legal countermeasures, both civil and criminal.
- (iii) The Company's internal auditing division, which is independent from operating divisions, will internally audit and confirm the status of the maintenance and operation of the compliance systems of all Group companies.
- (iv) The Company's and its Group companies' Audit & Supervisory Board Members will ensure that the execution of duties by their respective companies' Directors is compliant with laws, regulations, and the Articles of Incorporation and work to raise the effectiveness of the supervisory function.

### (2) Systems for the storage and control of information related to the execution of duties by the Company's Directors and systems for reporting to the Company related to the matters concerning the execution of duties by the subsidiaries' Directors

- (i) In accordance with laws, regulations, and the Information Control Regulations, the Company and its Group companies shall properly produce, store, and manage documents for which production and storage are legally required, such as minutes of Shareholders' Meetings, minutes of Board of Directors' meetings (including electromagnetic records; hereafter the same), circular decision-making documents (*ringisho*), and other documents and information necessary to secure appropriate operational execution.
- (ii) The Company and its Group companies shall appoint an information management supervisor at each company to be responsible for supervising management of business information and also controlling planning, development and facilitation of initiatives related to the information

management. The information management supervisor of the Company shall be then responsible for business information management of the overall Group by setting the Company's Information Management Committee as the core function for the purpose, ensuring enhanced effectiveness of timely and accurate information disclosure by the function responsible for comprehensively collecting and disclosing important information, and integrated information management in view of the safe management of such important information as trade secrets and personal information. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the Audit & Supervisory Board Members.

- (iii) Directors and employees of the Company and its Group companies shall report to the information management supervisor of the Company where any important matter relating to each Group company arises.

### (3) The Company's and its subsidiaries' regulations and systems for loss risk management

- (i) In accordance with the "basic rules for risk management," the Company and its Group companies shall establish, maintain, and utilize comprehensive risk management systems, centered on the Risk Management Committee, in order to properly analyze, evaluate, and appropriately respond to risks associated with each business, with consideration for changes in the management environment and risk factors relevant to the Company and its Group companies.
- (ii) In regard to risk management, a system for periodic reporting to the Board of Directors and Audit & Supervisory Board Members shall be established, maintained, and utilized. The Board of Directors, Directors, and people responsible for operating divisions shall conduct sufficient analysis and evaluation of risks associated with operational execution, and improvement measures shall be implemented rapidly.
- (iii) In the case where a business experiences a major disruption, a serious incident or accident, or a large-scale disaster, etc. to minimize damage to the Company and all Group companies when risk events occur, a Crisis Management Headquarters shall be established, and measures to facilitate the continuation of operations shall be implemented immediately.

### (4) The Company's and its subsidiaries' systems for ensuring the efficiency of the execution of duties by Directors

- (i) The details of the decision-making authority of the Directors and executive officers and the divisions with responsibility for each administrative area shall be clearly and appropriately defined in the regulations of decision-making authority, etc. In this way, the Company and its Group companies shall avoid administrative duplication and conduct flexible decision-making and administrative execution.
- (ii) To secure the sustained growth of the Company, the Company's Board of Directors shall make decisions on such matters as important management objectives and budget allocations for the Company and its Group companies. Through such means as periodic reports from the Company's Directors and people responsible

for operating divisions, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations shall be conducted.

- (iii) The Company's Board of Directors, as a general rule, shall meet once each month. In addition, when necessary, extraordinary meetings of the Company's Board of Directors shall be held or resolutions of the Company's Board of Directors shall be adopted through documents. Rapid decision making will be implemented and efficient administrative execution will be promoted. The Company shall comply with the Articles of Incorporation, Rules of the Board of Directors, etc. of the Company concerning specific operations of the Board of Directors.

**(5) The Company's systems for ensuring the appropriateness of financial reporting**

- (i) In order to ensure the Company and its Group companies are able to provide shareholders, investors, creditors, and other stakeholders with highly reliable, timely financial reports in compliance with laws and regulations, the Company and its Group companies shall build, develop, and appropriately operate internal control systems that ensure appropriate accounting procedures and financial reporting, in accordance with the relevant rules, such as rules on establishing internal controls for financial reporting.
- (ii) The Company's internal auditing division, which is independent from operating divisions, shall check and assess the effectiveness of the development and operational status of internal controls for the financial reporting of the Company and its Group companies.
- (iii) Directors, Audit & Supervisory Board Members, and the accounting auditor shall appropriately exchange information about matters recognized as highly likely to have a significant effect on financial standing.

**(6) Matters related to the provision of support staff for the Company's Audit & Supervisory Board Members when so requested**

The Company shall provide full-time staff to support Audit & Supervisory Board Members.

**(7) Matters related to the independence from the Company's Directors of the support staff for the Company's Audit & Supervisory Board Members and securing effectiveness of instructions**

The selection (including subsequent replacements) of support staff to work exclusively for the Audit & Supervisory Board Members shall be subject to the approval of the Audit & Supervisory Board Members. In addition, the support staff shall comply with the Employment Rules of the Company. However, the Audit & Supervisory Board Members shall have the authority to provide directions and orders to the support staff and personnel matters such as working conditions and disciplinary actions shall be implemented upon prior consultation with the Audit & Supervisory Board Members.

**(8) Systems for reporting to the Company's Audit & Supervisory Board Members**

- (i) Systems for Directors and employees of the Company to report to the Audit & Supervisory Board Members of the Company  
When matters that could cause significant damage to the Company, as well as malfeasances or violations of laws, regulations, or the Articles of Incorporation, etc. committed by a Director or an employee are found, Directors and employees of the Company shall report them to the Audit & Supervisory Board Members of the Company pursuant to the predetermined procedures.

- (ii) Systems for Directors, Audit & Supervisory Board Members, and employees of the Company's subsidiaries, or persons who have received reporting from these people to report to the Audit & Supervisory Board Members of the Company  
When matters that could cause significant damage to the Group companies, as well as malfeasances or violations of laws, regulations, or the Articles of Incorporation, etc. in the Group companies are found, Directors, Audit & Supervisory Board Members and employees of the Group companies shall report them to the Audit & Supervisory Board Members of the Company pursuant to the predetermined procedures.

- (iii) Systems for reporting to the Audit & Supervisory Board Members of the Company through an internal reporting system

Directors and employees of the Company as well as Directors, Audit & Supervisory Board Members and employees of the Group companies may use an internal reporting system established by the Company at any time when acts constituting a violation of laws and regulations, social norms, internal rules or the like are found in the operations of the Company and the Group companies, and the secretariat operating the internal reporting system shall provide reports to the Audit & Supervisory Board Members of the Company concerning the content of the reports and the operation of the internal reporting system, pursuant to the internal rules.

**(9) Systems for ensuring that no one providing such reports defined in the preceding item shall suffer any disadvantageous treatment due to such reporting made**

The Company and the Group companies shall take appropriate measures such as establishing provisions in their internal rules to ensure that no one providing such reports defined in the preceding item shall suffer any disadvantageous treatment due to such reporting made.

**(10) Matters concerning policies for processing prepayment or repayment of costs incurred in relation to execution of duties of the Audit & Supervisory Board Members of the Company and other processing of costs or liabilities incurred in relation to execution of duties thereof**

The Company shall bear the costs incurred in relation to the execution of duties by the Audit & Supervisory Board Members.

**(11) Other systems for ensuring that the Company's Audit & Supervisory Board Members can conduct their activities effectively**

- (i) The Company's Audit & Supervisory Board Members shall meet regularly with the Representative Director, and exchange opinions concerning important audit matters.
- (ii) The Company's Audit & Supervisory Board Members shall maintain close contact with the Company's internal auditing division, and may request the division to conduct inspections when necessary.
- (iii) The Company's Audit & Supervisory Board Members shall meet regularly with the Audit & Supervisory Board Members of all Group companies and work together from time to time in order to conduct appropriate audits of all Group companies.
- (iv) The Company's Audit & Supervisory Board Members may consult with the accounting auditor and lawyers as needed, and the Company shall bear all of the costs of such consultation.

## **Seven & i Holdings Co., Ltd. Guidelines for Directors and Audit & Supervisory Board Members**

These guidelines set out the requirements, qualities, and basic policy on education of the Representative Directors, Directors (including Outside Directors), Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members), executive officers, and other officers (hereinafter collectively the "officers") of Seven & i Holdings Co., Ltd. (hereinafter the "Company") and its Group operating companies (excluding listed Group operating companies) (hereinafter the "Group operating companies"; the Company and the Group operating companies collectively, the "Group companies").

### **1. Requirements of officers**

Officers of the Group companies must satisfy the following requirements.

- (i) Understand and practice the Company's corporate philosophy, and have sincerity that is trusted by customers, business partners, shareholders, local communities, and employees
- (ii) Comply with laws and regulations, the Company's Corporate Action Guidelines, and internal and external ethics and norms, and have the knowledge and fairness required of officers
- (iii) Candidates for the Company's independent officers must satisfy the Company's independence standards for Directors and Audit & Supervisory Board Members

### **2. Qualities required of officers responsible for business execution (Representative Directors, executive officers, etc.)**

Officers of the Group companies responsible for business execution are required to have the following qualities.

- (i) The quality of being able to think from the customer's perspective, responding to change while strengthening fundamentals at his/her initiative, and serve as a role model for employees
- (ii) The quality of freely and vigorously discussing matters in the Board of Directors meetings, offering constructive advice and proposals, comprehensively grasping the overall strategic guideline of the Group as a whole and the management environment and resources of each Group company, and proposing a consistent strategic system
- (iii) The quality of organization; i.e., forming, maintaining, and modifying an effective organization to implement strategies
- (iv) The quality of actively and effectively operating and directing organizational activities to implement strategies and controlling management with appropriate decision-making
- (v) The quality of being able to foster a future management team and create an organization for future growth, aiming for sustainable growth and long-lasting development
- (vi) The quality of building and implementing compliance, internal control, and risk management
- (vii) In addition to the above, other qualities required of officers responsible for business execution in management in each Group company

### **3. The qualities required of officers responsible for supervision and auditing (Directors (including Outside Directors) and Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members))**

Officers of the Group companies responsible for supervision and auditing are required to have the following qualities.

- (i) The quality of being able to provide constructive opinions and advice regarding the Group companies' business from a layman's perspective (i.e., that of an ordinary consumer) without being constrained by past experiences
- (ii) The quality of having deep insight and so forth regarding important areas of consideration for management in the Group companies (e.g., corporate management, compliance, risk management, finance and accounting, internal control, macro policies, global management, marketing, etc.)
- (iii) The quality of being able to give advice and proposals inuring to sustainable growth and increase of corporate value of the Group companies in the medium to long term, freely and vigorously discuss matters in the Board of Directors meetings, and contribute to frank, constructive examination
- (iv) (Regarding Outside Directors and Outside Audit & Supervisory Board Members) The quality of being able to appropriately supervise and audit conflicts of interest between Group companies and their management teams and controlling shareholders
- (v) (Regarding the independent officers of the Company) The quality of being able to appropriately reflect the opinions of stakeholders such as minority shareholders in the Board of Directors meetings in a position independent of the management team and controlling shareholders
- (vi) In addition to the above, other qualities required of officers responsible for supervision and auditing in the management of the Group companies

### **4. Basic policy regarding qualities and appointment/dismissal of the Group representative (Company President)**

- (1) The qualities required of Group representative (Company President) are as follows.

The Group representative (Company President) should have the following qualities as appropriate.

- (i) Business management capability (Viewpoints)
  - Have problem-solving capabilities
  - Have outstanding judgement, etc.
  - Have abundant knowledge of business
  - Able to add value in business development
  - Able to pursue innovation
  - Able to serve as the front man of the Group
- (ii) Leadership ability (Viewpoints)
  - Set constructive targets and lead to achieve beyond them
  - Have strong ability to communicate with other officers and employees
  - Able to drive change

- Able to bring together highly capable human resource to form a team, assign them appropriate work, and lead them to a successful result
- Have leadership that is a goal for Group officers and employees

(iii) Personality

(Viewpoints)

- Understand own strengths and weaknesses, and able to collaborate with persons who possess qualities to compensate for qualities he or she lacks
- Always prepared to learn

(2) The basic policy on appointment/dismissal of the Group's representative (Company President) is as follows.

- Evaluate the candidate through a sincere process using multifaceted and objective materials
- Examine in detail whether the candidate has the management capabilities required to solve management issues that the Group companies are facing
- Specifically check and evaluate the leadership style and ability of the candidate

**5. Basic policy on composition of Directors and Audit & Supervisory Board Members in companies with a Board of Directors**

- As for the Group companies with a Board of Directors, the composition of Directors and Audit & Supervisory Board Members will have a good overall balance of knowledge, experience, and skills to effectively perform the roles and responsibilities of the board and ensuring both diversity and an appropriate size.
- With regard to the composition of Directors and Audit & Supervisory Board Members of the Company as a holding company, in particular, the Company needs to conduct comprehensive and multifaceted management for diverse business domains. Therefore, the Company examines the Board composition, considering diversity in terms of female and non-Japanese Directors and Audit & Supervisory Board Members as well as the balance among their knowledge, experience, and skills.
- For the Company's Audit & Supervisory Board Members, the Company takes care to appoint such persons with appropriate knowledge of finance and accounting.

**6. Provision of opportunities to develop and improve skills**

(1) Skills development

Officers of the Group companies shall constantly strive to develop the following skills.

- Develop and acquire expertise and skills appropriate for a business manager
- Deepen their fundamental understanding of each position and function, and based thereon, develop and acquire the ability to analyze and decide matters from a Company-wide and comprehensive perspective
- Develop and acquire the ability for flexible thinking and rapid, accurate decision-making regarding management and administration issues
- Acquire methods to utilize skills and techniques necessary for business analysis, business planning, and so forth
- Develop and acquire skills to effectively combine individual efforts of organization members to achieve company objectives, and to effectively develop and improve the latent potential of these persons
- Lift motivation for self-improvement

(vii) Improve qualities required of other executive officers

(2) Provision of opportunities for improvement

In order to improve and foster the abovementioned abilities, the officers of the Group companies shall make use of all opportunities to train themselves, and the Company shall afford opportunities for improvement.

- Encourage their participation in external management training programs
- Introduce appropriate specialists to resolve management issues
- Provide information and hold seminars to assist their understanding of economic, social, cultural, compliance, corporate governance, and other general affairs
- Provide training opportunities
- Provide other self-development and training opportunities

- Symbols for the period covered are as follows: ○ : As of May 23, 2019 ■ : March 1, 2018–February 28, 2019
- Display of units: Figures for percentage displays, rounded down to the first decimal place

Corporate Governance					
			Period covered		Units
About the Directors					
Number of Directors	In-house	Women	○	0	–
		Men	○	7	
		Total	○	7	
	Independent and outside	Women	○	1	
		Men	○	4	
		Total	○	5	
	Overall total		○	12	
Number of executive officers also serving as Director (including Representative Director)			○	5	–
Ratio of executive officers also serving as Director (Number of executive officers also serving as Director/Number of Directors)			○	41.6	%
Ratio of Independent Outside Directors (Number of Independent Outside Directors/ Number of Directors)			○	41.6	%
Ratio of Female Directors (Number of female Directors/Number of Directors)			○	8.3	%
Director's term of office			○	1	Year
Number of Board of Directors' meetings held			■	13	Times
Attendance ratio of Outside Directors at Board of Directors' meetings			■	97.9	%
Regarding Audit & Supervisory Board Members					
Number of Audit & Supervisory Board Members	In-house	Women	○	0	–
		Men	○	2	
		Total	○	2	
	Independent and outside	Women	○	2	
		Men	○	1	
		Total	○	3	
	Overall total		○	5	
Ratio of Independent Outside Audit & Supervisory Board Members (Number of Independent Outside Audit & Supervisory Board Members/Number of Audit & Supervisory Board Members)			○	60.0	%
Ratio of female Audit & Supervisory Board Members (Number of female Audit & Supervisory Board Members/Number of Audit & Supervisory Board Members)			○	40.0	%
Audit & Supervisory Board Member's term of office			○	4	Year
Number of Audit & Supervisory Board meetings held			■	25	Times
Attendance ratio of Outside Audit & Supervisory Board Members at Audit & Supervisory Board meetings			■	98.4	%
Attendance ratio of Outside Audit & Supervisory Board Members at Board of Directors' meetings			■	96.9	%
About the Nomination and Compensation Committee					
Number of Nomination and Compensation Committee members	In-house	Women	○	0	–
		Men	○	2	
		Total	○	2	
	Independent and outside	Women	○	0	
		Men	○	2	
		Total	○	2	
	Overall total		○	4	



Values	Sustainability/growth	Business model	Strategy	Key indicators	<b>Governance</b>
--------	-----------------------	----------------	----------	----------------	-------------------

Corporate Governance				
		Period covered		Units
About the executive officers				
Number of executive officers	Women	○	1	–
	Men	○	17	
	Total	○	18	
Ratio of female executive officers (Number of female executive officers/Number of executive officers)		○	5.5	%
Executive officer's term of office		○	1	Year
Regarding the Committees				
Number of CSR Management Committee meetings held		■	2	Times
Number of Information Management Committee meetings held		■	2	Times
Number of Risk Management Committee meetings held		■	2	Times
Compensation*1				
Compensation of Directors (Total amount) (excluding Outside Directors)	Fixed compensation	■	182	Millions of yen
	Bonus	■	55	
	Stock options for stock-linked compensation	■	69	
	Total	■	307	
Compensation for Outside Directors (Total amount)	Fixed compensation	■	50	Millions of yen
	Bonus	■	–	
	Stock options for stock-linked compensation	■	–	
	Total	■	50	
Compensation for Audit &Supervisory Board Members (Total amount) (excluding Outside Audit & Supervisory Board Members)	Fixed compensation	■	62	Millions of yen
	Bonus	■	–	
	Stock options for stock-linked compensation	■	–	
	Total	■	62	
Compensation for Outside Audit & Supervisory Board Members (Total amount)	Fixed compensation	■	36	Millions of yen
	Bonus	■	–	
	Stock options for stock-linked compensation	■	–	
	Total	■	36	
Accounting auditor compensation*2				
Compensation for the accounting auditor (Total amount)	Amount of compensation, etc., for services as accounting auditor for the fiscal year ended February 28, 2019	■	759	Millions of yen
	Total amount of monies and other financial benefits to be paid to the accounting auditor by the Company and its subsidiaries	■	909	

- \*1
- Compensation above includes compensation for three (3) Directors (including one (1) Outside Director) and three (3) Audit & Supervisory Board Members (including two (2) Outside Audit & Supervisory Board Members) who resigned upon the conclusion of the 13th Annual Shareholders' Meeting, held on May 24, 2018.
  - The aggregate amounts of compensation, etc., of Directors shown above do not include amounts paid as salaries for employees to Directors who serve concurrently as employees. For the fiscal year ended February 28, 2019, the annual amount of compensation paid to Directors shall not exceed ¥1,000 million (not including amounts paid as salaries for employees) and the annual amount of compensation paid to Audit & Supervisory Board Members shall not exceed ¥100 million (It was resolved at the 1st Annual Shareholders' Meeting, held on May 25, 2006.)
  - Stock options for stock-linked compensation were issued to seven (7) Directors (excluding Outside Directors).

- \*2
- Under the audit contract concluded between the Company and the accounting auditor, the amounts of compensation, etc. for audits as per the Companies Act and the amounts of compensation, etc. for audits as per the Financial Instruments and Exchange Act are not clearly separated, and those amounts cannot practically be separated; therefore, the aggregate of those amounts is shown as the amount of compensation, etc., for services as an accounting auditor for the fiscal year ended February 28, 2019.
  - The Audit & Supervisory Board performed necessary verification to see whether the audit plan prepared by the accounting auditor, the status of the performance of their duties during the accounting audit, and the basis for calculating the estimated amount of compensation and the like were appropriate; thereafter, it decided to consent to the amount of compensation, etc. for services as an accounting auditor, as stipulated in Article 399, Paragraph 1 of the Companies Act.

# Company Information

(As of February 28, 2019)

## Corporate Profile

### Head Office

8-8, Nibancho, Chiyoda-ku, Tokyo 102-8452, Japan  
Tel: +81-3-6238-3000  
URL: <https://www.7andi.com/en>

### Date of Establishment

September 1, 2005

### Number of Employees

58,165 (Consolidated)  
566 (Non-consolidated)

### Paid-in Capital

¥50,000 million

### Auditor

KPMG AZSA LLC

## Stock Information

### Number of Shares of Common Stock

Issued: 886,441,983 shares

### Number of Shareholders

76,786

### Stock Listing

Tokyo Stock Exchange, First Section

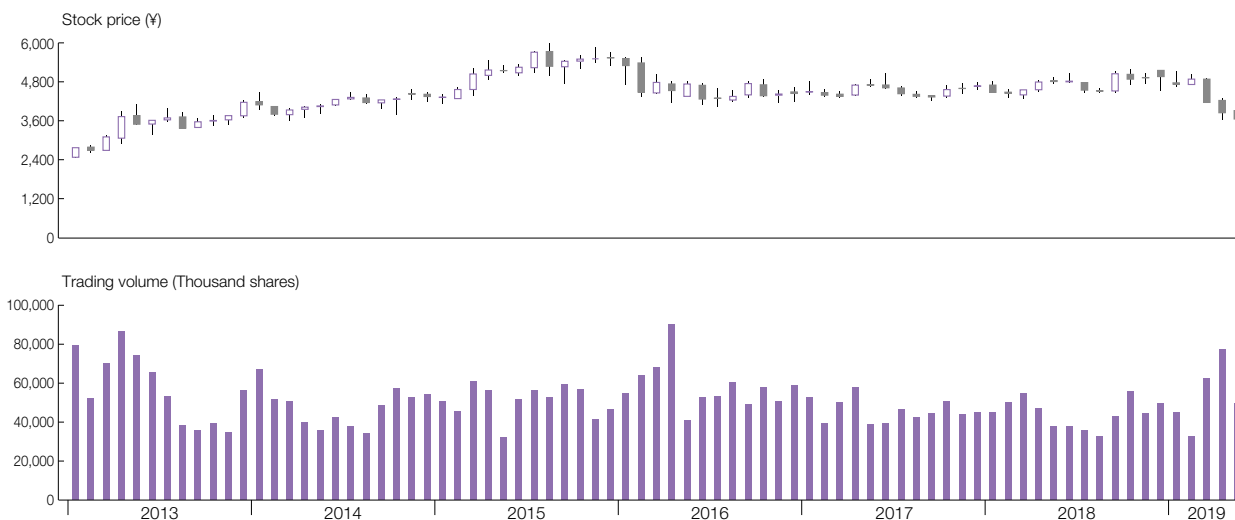
### Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corporation  
Corporate Agency

### Annual Shareholders' Meeting

The annual shareholders' meeting of the Company is normally held in May each year in Tokyo, Japan.

### Stock Price/Trading Volume Chart (Tokyo Stock Exchange)

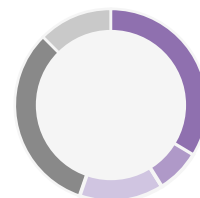


## Principal Shareholders

	Number of shares held (Thousand shares)	Percentage of shares held (%)
Ito-Kogyo Co., Ltd.	68,901	7.8
The Master Trust Bank of Japan, Ltd. (Trust account)	64,028	7.2
Japan Trustee Services Bank, Ltd. (Trust account)	45,790	5.2
SMBC Nikko Securities Inc.	22,364	2.5
Nippon Life Insurance Company	17,672	2.0
Masatoshi Ito	16,799	1.9
mitsui & co., LTD.	16,222	1.8
Japan Trustee Services Bank, Ltd. (Trust account 5)	16,201	1.8
STATE STREET BANK WEST CLIENT-TREATY 505234	13,248	1.5
JP MORGAN CHASE BANK 385151	11,862	1.3

## Classification of Shareholders by Percentage of Shares Held

Financial Institutions	33.6%
Securities Companies	7.4%
Other Domestic Corporations	14.1%
Foreign Corporations	32.6%
Individuals and Others	12.3%



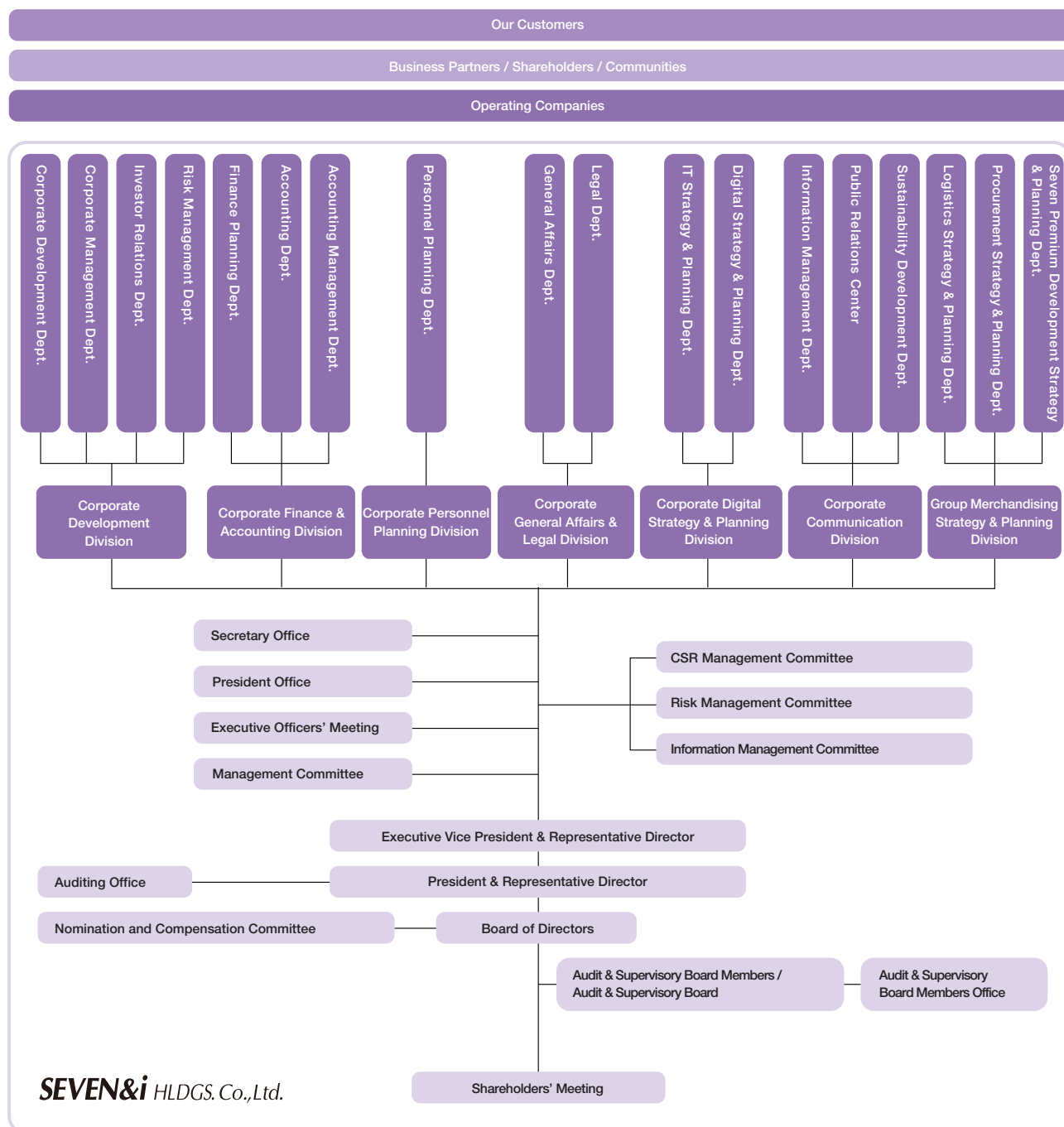
## Rating Information

### Ratings (As of March 31, 2019)

		S&P	Moody's	R&I	JCR
Seven & i Holdings	Long-term	AA-	A1	AA	AA+
SEVEN-ELEVEN JAPAN	Long-term	AA-			AA+
	Short-term*	A-1+	P-1		
7-Eleven, Inc.	Long-term	AA-	Baa1		
Seven Bank	Long-term	A+		AA	
	Short-term	A-1			

\* From January 2006, SEVEN-ELEVEN JAPAN's short-term rating is its rating as the guarantor of 7-Eleven, Inc.'s commercial paper program.

**Organization chart** (As of May 23, 2019)





**SEVEN&i** HLDGS.

<https://www.7andi.com/en>