



# Seven & i Management Report

(as of February 3, 2021)

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

**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.**

**Corporate Creed**



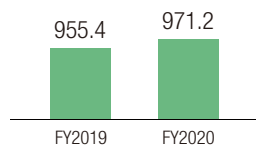


# Overview of the Seven & i Group

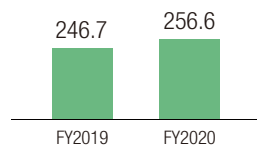
The Seven & i Group is committed to create new value through dialogue with various stakeholders and by leveraging Group synergies, while utilizing the strengths of its diverse businesses alongside the lives of its customers.

## Domestic Convenience Store Operations

Revenues from Operations  
(Billions of yen)

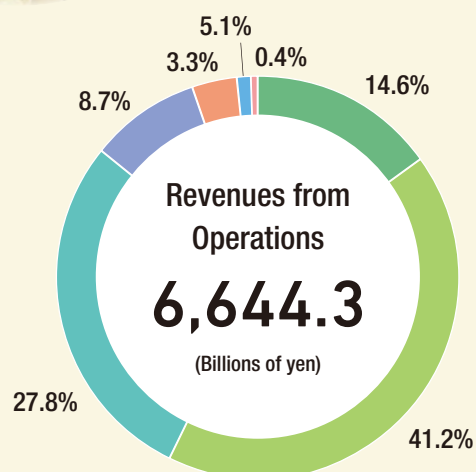


Operating Income  
(Billions of yen)



### 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)

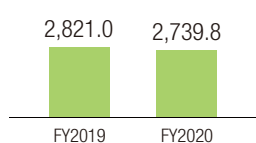


- Domestic Convenience Store Operations
- Overseas Convenience Store Operations
- Superstore Operations
- Department Store Operations
- Financial Services
- Specialty Store Operations
- Others

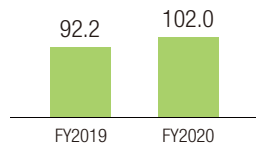
\*The composition ratios shown in the pie charts do not include eliminations and corporate.

## Overseas Convenience Store Operations

Revenues from Operations  
(Billions of yen)



Operating Income  
(Billions of yen)



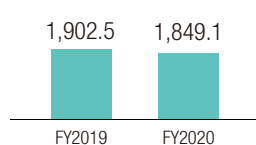
### Core Operating Companies

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

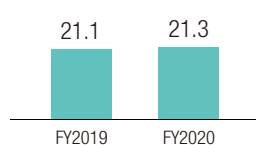


## Superstore Operations

Revenues from Operations  
(Billions of yen)



Operating Income  
(Billions of yen)



### Core Operating Companies

- Ito-Yokado Co., Ltd.
  - York-Benimaru Co., Ltd.
  - York 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)

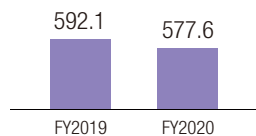


\*Trade name was changed from York Mart Co., Ltd. on June 1, 2020.

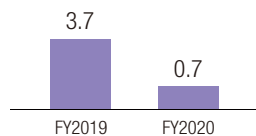


## Department Store Operations

Revenues from Operations  
(Billions of yen)



Operating Income  
(Billions of yen)



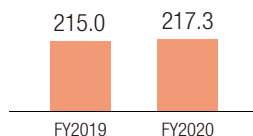
### Core Operating Companies

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

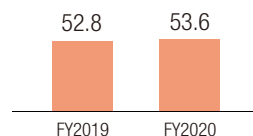


## Financial Services

Revenues from Operations  
(Billions of yen)

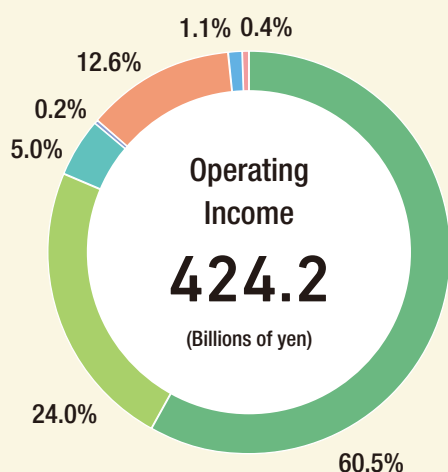


Operating Income  
(Billions of yen)



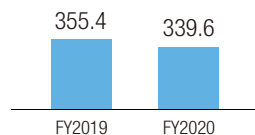
### Core Operating Companies

- Seven Bank, Ltd.
  - Seven Card Service Co., Ltd.
  - Seven Financial Service Co., Ltd.
  - Seven CS Card Service Co., Ltd.
- (13 consolidated subsidiaries, 2 affiliates; 15 companies, in total)

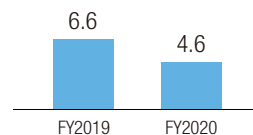


## Specialty Store Operations

Revenues from Operations  
(Billions of yen)



Operating Income  
(Billions of yen)



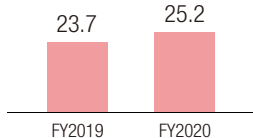
### Core Operating Companies

- Akachan Honpo Co., Ltd.
  - THE LOFT CO., LTD.
  - Seven & i Food Systems Co., Ltd.
  - Nissen Holdings Co., Ltd.
- (16 consolidated subsidiaries, 5 affiliates; 21 companies, in total)

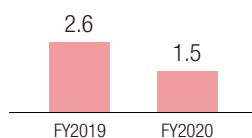


## Others

Revenues from Operations  
(Billions of yen)



Operating Income  
(Billions of yen)



### Core Operating Companies

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



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

As a leading retail group with a global network, the Seven & i Group has grown into a global brand.

We form “connections” with a diverse customer base and create innovative products and services by promoting business management matched to the changing scenes of daily life.

## “Connections” with diverse customer base

As of February 29, 2020

### Global



Number of stores

Approx. **71,800** stores <sup>\*1</sup>

Number of customer store-visits per day

Approx. **64.5** million people <sup>\*2</sup>

### Japan



Number of stores

Approx. **22,500** stores

Number of customer store-visits per day

Approx. **25** million people

About one in every 5 people in Japan visits a store.

Number of employees (Consolidated)<sup>\*3</sup>

**138,808**



Domestic market share

**44.8%**

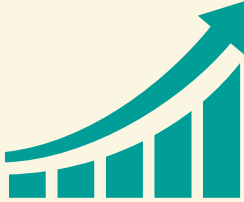
SEVEN-ELEVEN JAPAN chainwide sales

Approx. **¥5,010.2** billion

Total domestic convenience store sales<sup>\*4</sup>: Approx. ¥11,192.8 billion

## Product and service innovation

As of February 29, 2020



Annual sales of *Seven Premium* products

¥1,450 billion



Annual sales of 7-Eleven rice balls

More than **2** billion units

More than 3,800 units every minute

Annual *nanaco* usage

Approx. **1.7** billion



Number of Seven Bank ATMs installed

Approx. **25,000**

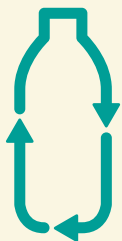


The Group is promoting the reuse of recycled materials from plastic bottles collected at stores for packaging *Seven Premium* private-brand products and apparel.

▶ Related information

📖 Page 45

Realization of “100% recycled plastic bottles” made completely from plastic bottles brought to stores by customers



**World's first**<sup>\*5</sup>

Annual volume of plastic bottles collected at stores<sup>\*6</sup> (FY2020)

Equivalent to approx.

**365** million bottles (9,740t) 

\*1 Includes the number of 7-Eleven stores outside Japan, as of December 31, 2019. Includes the number of stores operated in each country by area licensees (companies that acquired licenses from 7-Eleven, Inc. for the operation of 7-Eleven stores in specified areas).

\*2 Includes the number of customers visiting stores operated in each country by area licensees (companies that acquired licenses from 7-Eleven, Inc. for the operation of 7-Eleven stores in specified areas).

\*3 Includes part-time employees (monthly average based on a 163-hour working month).

\*4 Source: Convenience store statistics investigative monthly report (sum of sales at all convenience stores from March 2019 through February 2020)

\*5 As of June 5, 2019. Study by Coca-Cola (Japan) and the Company.

\*6 Total for Seven-Eleven, Ito-Yokado, York-Benimaru, and York Mart.



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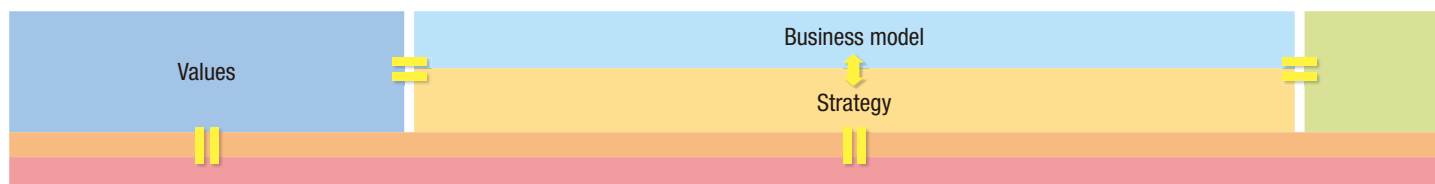
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**Editorial Policy**  
 We aim to inform all stakeholders, including shareholders and other investors, about the Group's value creation initiatives in an easier-to-understand manner by integrating non-financial information (about the environment, society, 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.

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



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Separate document 1 “Internal Control Resolutions”  
 Separate document 2 “Guidelines for Directors and Audit & Supervisory Board Members”  
 Separate document 3 “Governance Data Book”



Indicates that applicable information is available on the Company’s website.



Indicates that there are related pages in this report.

### 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.

Consistent Interactive

Sustainability/growth

Monitoring

Key indicators

Governance

# About the Seven & i Management Report

Thank you for reading the Seven & i Management Report.

This report is prepared for promoting constructive dialogue with our stakeholders and sincere governance for collaborative value creation.

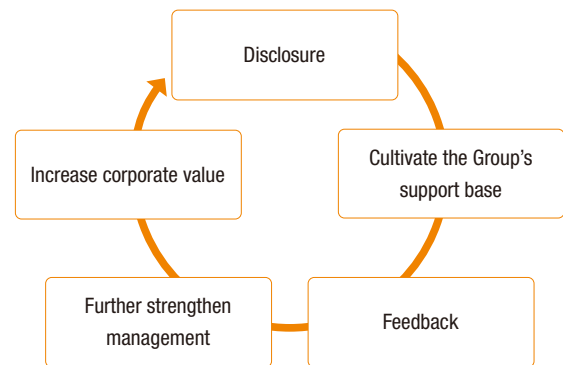
We have opportunities to create new services through “dialogue” with our customers, and we believe that accumulating “dialogue” with all our stakeholders, including business partners and franchisees, shareholders and investors,

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

- 1** We will gather, organize, and disclose clearly the overview of our management policies and major initiatives from medium- and long-term perspectives within the story of improving corporate value, and utilize feedbacks from our stakeholders for strengthening management even further and for improved corporate value.
- 2** We will explain our initiatives and the issues to be addressed in “our own words,” using charts and explanations, etc. used in the Board of Directors meetings, as close as possible to the originals.
- 3** We use this report as “meeting materials” in meetings with our shareholders, institutional investors, and other stakeholders to have constructive dialogue that contributes to collaborative corporate value creation over the medium to long term.
- 4** We consider Japan’s Corporate Governance Code (as revised on June 1, 2018) “points in our dialogue” with our stakeholders. We will also explain the overview of the so-called “Specific Disclosure Items” of the Code.





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

**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 110	8 Cross-shareholdings
Principle 1.7	Appropriate procedures for related party transactions	Page 104	4 (4) 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 127	Roles of Corporate Pension Funds as Asset Owners
Principle 3.1	i) Company objectives (e.g., business principles), business strategies and business plans	Page 10	1. Management Philosophy
		Page 10	2. Corporate Action Guidelines
		Page 64	Ensuring Sustainability and Growth
		Page 26	Strategy
	ii) Basic views and guidelines on corporate governance	Page 98	Basic Views on Corporate Governance
	iii) Board policies and procedures in determining the remuneration of the senior management and directors	Page 102	3 Nomination Committee and Compensation Committee system
		Page 124	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 kansayaku ("Audit & Supervisory Board Member") candidates	Page 102	3 Nomination Committee and Compensation Committee system	
Page 121	1 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 112	1 Composition of the Board of Directors (balance among knowledge, experience, and skills, and diversity and size, of the Board of Directors) and reasons for selection as Director	
Supplementary Principle 4.1.1	Specification by the board of scope and content of the matters delegated to the management	Page 102	Clarification of the scope of matters delegated to management
Principle 4.9	Independence standards for independent directors established by the board	Page 116	3 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 102	3 Nomination Committee and Compensation Committee system
		Page 112	1 Composition of the Board of Directors (balance among knowledge, experience, and skills, and diversity and size, of the Board of Directors) and reasons for selection as Director
		Page 121	1 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 112	1 Composition of the Board of Directors (balance among knowledge, experience, and skills, and diversity and size, of the Board of Directors) and reasons for selection as Director
Supplementary Principle 4.11.3	Summary of results of analysis and evaluation of the effectiveness of the board as a whole	Page 119	8 Evaluation of the Board of Directors' effectiveness
Supplementary Principle 4.14.2	Training policy for directors and Audit & Supervisory Board Member	Page 124	4 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 128	1 Dialogue with shareholders and IR • SR activity policy

**[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."

# In accordance with the spirit embodied in the Corporate Creed, we will remain a sincere company that earns the trust of our stakeholders.

## 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 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. In

addition, the extent of understanding of the Corporate Creed and compliance awareness is regularly checked in the Employee Engagement Survey.

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



Corporate Action Guidelines

<https://www.7andi.com/en/csr/policy/guidelines.html>

## 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 will continue to sincerely reflect this "feedback" in its business activities and management decision-making process (stakeholder engagement).

## Stakeholder Engagement

We will rigorously observe laws and regulations and internal rules relating to fair trade as well as build relationships of trust with business partners to ensure maintenance of safety and security and accounting for human rights and the environment. We will work together with them to carry out our social responsibilities.

We constantly think of things from the customer's point of view, and to earn our customers' trust, we value communication, and will continue to respond to their feedback.

Our operations are underpinned by the investments of our shareholders and investors. To respond to their trust, we emphasize highly transparent management and communication and fulfill our duty of accountability through disclosure.



**Business Partners**



**Customers**



**Shareholders and Investors**



**Employees**



**Franchisees**



**Local Communities**



**Global Environment**

We aim to realize workplaces where employees can participate actively and find satisfaction in their work. To this end, we will create working environments that are fair, just, and considerate of human rights. We will also create environments that protect privacy and safety, while helping workers to develop their capabilities and facilitate their work.



By providing products and services matching the lifestyles in local communities, encouraging local production and local consumption and coexisting with communities, we will promote activities that contribute to community development.



Our business is dependent on the blessings of the earth's environment. Therefore, we will provide products and services taking into account the sustainability of the environment, while cooperating with customers, business partners, and employees to reduce the environmental impact throughout the entire supply chain.



Relationships of trust with franchisees are the core of our convenience store operations, and these relationships should be mutually beneficial. Through dialogue with Operations Field Counselors (OFCs), we build good relationships based on strong mutual trust and contribute to realizing comfortable and more prosperous lives for customers.



Stakeholder Engagement

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



# In the age of coexistence with coronavirus, we will continue to value “connections” to our stakeholders and work together to overcome challenges.

The Seven & i Group, which forms “connections” with a diverse range of customers around the world, will not remain idle even in the age of coexistence with coronavirus, and will work to provide prosperous lives, with the health, safety, and security of our customers and other stakeholders as our top priority. Here are some examples of our efforts.

## Guarantee the safety and security of customers and employees



Cash register partition sheets at 7-Eleven, Inc.

### Ensuring appropriate social distancing when shopping

Each Group company implements a variety of infection prevention measures, such as the use of partition sheets, and is continuously working to make the sales floor even safer and more secure, for both customers and employees.



Disinfecting shopping baskets at Sogo & Seibu Co., Ltd.

### Safe shopping for pregnant women, the elderly, and people with disabilities

We have devised measures, such as setting up a priority lane (from 2:00 p.m. to 4:00 p.m.) for pregnant women, the elderly, and people with disabilities, who are particularly mindful of their health, in order to make their shopping safer and more secure.



Priority lane at Ito-Yokado Co., Ltd.

## Launch of new customer services



Support via Smartphone service by Akachan Honpo Co., Ltd.



### New shopping experiences through integration with digital technologies

We have launched a new service in which staff with specialized knowledge, such as maternity advisors, will serve customers online, allowing them to enjoy a fulfilling shopping experience from the comfort of their own home.

## Social initiatives for business partners and local communities



Support for infected individuals and healthcare workers by SEVEN-ELEVEN JAPAN CO., LTD.

### Support for infected individuals and healthcare workers

We are supporting hospitals and other medical facilities nationwide where 7-Eleven stores are located by donating food products such as drinks, and promoting mutual aid together with our business partners and local communities.

## Support for franchise store owners and employees

We will continue to provide support to our franchise store owners and employees, and work together to overcome challenges.

#### SEVEN-ELEVEN JAPAN CO., LTD.

- ✔ Special "Thank you" payments (¥100,000 in cash/store)
- ✔ Special "Thank you" payments (¥60,000 in Quo Card credit/store)
- ✔ Compensation for stores closing due to infected individuals, etc.

#### 7-Eleven, Inc.

- ✔ "Thank You Pay" (hourly wage increase for employees of directly managed stores)
- ✔ Exemption from advertising expenses (usual amount: 1% of gross profit on sales), etc.



## Message from the President

### Ryuichi Isaka

Representative Director and President

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 Representative Director and President of SEJ in 2009. Representative Director and President of Seven & i Holdings from May 2016.

**While sincerely staying close to our customers' lives, we strive to provide new experiences and new value that make every day beautiful and happy.**



## Our Purpose

### Responding sincerely from a customer perspective

COVID-19—the illness caused by the novel coronavirus—traveled across the globe in 2020, enormously affecting consumer markets and prompting us to review the purpose of our businesses from a grassroots perspective. COVID-19 influenced consumer markets in two ways. First, it altered purchasing behavior. Under a domestic state of emergency that lasted close to two months, over April and May 2020, personal and commercial activities were restricted nationally and a “new normal” rapidly permeated daily life. As a result, we saw a sudden uptick in one-stop shopping, whereby customers purchase all they need in one outing, as well as greater interest in “last mile” services, particularly delivery of products to homes. Second, COVID-19 reminded people of the importance that food has in daily life. With more opportunities to eat at home, people definitely paid more attention to health, food safety and security but also prioritized easy meal preparation and a rich variety of meal ideas.

For the Seven & i Group, these changes in new daily routines are not viewed as temporary trends but as a shift in consumption patterns that will shape the future. Therefore, we are carefully analyzing changes triggered by the pandemic and initiating measures to expedite responses Groupwide.

Quietly evolving market changes that suddenly morph into an obvious shift highlight the trend among customers to embrace new ways to shop at stores, including convenience stores (CVS), food supermarkets, general merchandise stores (GMS), department stores, and restaurants. This trend has presented an opportunity for us to accelerate growth strategies and business restructuring plans. At the same time, we cannot ignore the fact that changing customer needs and shopping methods stem from shifting perceptions about store formats. Given this climate, we cannot be bogged down by business concepts or practices from the past but are engaged in a fundamental review of our business purpose from a customer perspective. As part of the process, we have drawn on accumulated product and service strengths and infrastructure and supply chains, including store networks, to initiate new approaches matched to customers' present needs. We are starting to see results. Having gone through the challenges presented by COVID-19, we have the knowledge to respond swiftly and surely to emerging customer needs—an ability central to retail services—and we are confident this will enhance the presence of the Group as a whole.



## Our Value Base

### Diverse customer contact points, food markets, and global presence

Across the Seven & i Group, the store network comprises more than 22,500 stores in the 47 prefectures of Japan and more than 71,800 stores in 18 countries and territories overseas. These stores, in total, welcome through their doors an average of 64.5 million customers daily. In addition, through diverse business formats, including CVS, food supermarkets, GMS, department stores, and specialty stores, the Group meets a wide spectrum of customers' everyday needs. Extremely accessible and varied customer contact points are a cornerstone of our value creation.

The domestic consumer market is shrinking, mainly due to a low birthrate and the graying of society. Against this backdrop, spending on food has been an increasing component of household budgets, driving expansion of the food market by about ¥8.9 trillion over the 10 years from 2008 to 2018. The Seven & i Group's food segment, which includes restaurants, enjoys a 6.4% share of domestic sales. Groupwide food sales exceeded ¥4.8 trillion, representing more than 60% of consolidated net sales. This achievement reflects various infrastructure improvements made within the Group, including a product development system emphasizing quality and supply chains and logistics systems designed to maximize product value, namely flavor and freshness, as well as accumulated know-how. By leveraging activities that utilize Group synergies related to food, which is common ground across Group businesses, we contribute to consumers' good eating habits.

7-Eleven, Inc. (SEI), which handles 7-Eleven operations in the United States, has rapidly improved its performance since 2000, and in recent years, the company has been a key contributor to the Group's profit growth. SEI has portrayed the CVS image in a new light in the United States, through product development designed to enhance product appeal and the application of digital transformation (DX) to last mile services, successfully expanding its client base. In addition, with concerted efforts to strengthen store-opening opportunities, including M&As, SEI is keen to maintain its edge in store development. Even when strict lockdown rules across the country were introduced to control the spread of COVID-19, stores continued operating at the government's request, contributing to society's greater trust of 7-Eleven operations. SEI, as a master franchiser, will complement efforts by SEVEN-ELEVEN JAPAN (SEJ) to support licensees around the world and establish a presence in new areas. Growth at SEI should thereby present wider global profit opportunities for the Seven & i Group.

► Business Strategy of  
Overseas Convenience  
Store Operations

 Page 32

### Three-point strategy for carving out path into new era

#### Open the next “Convenience” door

From its value base, the Seven & i Group is pushing forward on a growth strategy comprising three points. The first is a CVS strategy covering domestic and overseas operations. In Japan, the relationship between the Group and franchisees captured attention from a social perspective in 2019, and the industry as a whole is engaged in a joint response with government agencies, including discussions with the Ministry of Economy, Trade and Industry. SEJ was quick to act, already implementing measures in fiscal 2020 to enhance communication with franchisees and reviewing how the franchise business was being run. Also of note, in 2020, differences in customer needs from store to store became all the more apparent as measures to control COVID-19 sparked changes in consumer behavior. SEJ has always taken an innovative approach to store layouts matched to customer needs, but in fiscal 2021, the company stepped up its approach with new layouts more reflective of emerging customer needs. SEJ is working with its franchisees to create stores that offer products and services fine-tuned to the location rather than use a blanket all-store format. As a complement to this, SEJ is emphasizing support for enhanced product development and improved store productivity as well as the creation of new customer experiences using DX, while speeding up efforts to put business on a new growth trajectory. In addition, as mentioned above, SEI is reinforcing growth potential by focusing on product development, store expansion, and new services drawing on DX. The connection between SEI and SEJ will also be a key factor fueling progress in our global growth strategy.

▶ Business Strategy of Domestic Convenience Store Operations  
 Page 26

▶ Business Strategy of Overseas Convenience Store Operations  
 Page 32

#### Challenge for “Food” that are now needed by customers

The second component of our growth strategy targets the food business in the Tokyo metropolitan area, a region characterized by a gradual decrease in population, an increase in the senior demographic, and diversity in such customer-based indicators as economic status and lifestyle. Against this backdrop, there are still places for food supermarkets to open, and business opportunities related to providing daily food items are expanding. Within the Seven & i Group, efforts are in full swing to capitalize on the potential of the metropolitan food market, with a focus on integration and realignment of food supermarkets under the Group umbrella, greater sharing of the food-processing and logistics infrastructure of operating companies, and enhanced product proposals driven by Group synergies. These efforts should lead to a sharper competitive edge. Moreover, in June 2020, we established York Co., Ltd., and integrated and realigned our food supermarket businesses in the Tokyo metropolitan area under this new company. York selects from four formats to create stores that match the characteristics of the neighborhoods where they operate. Also, by building a system to supply prepared dishes and semi-prepared foods in shared Group manufacturing and distribution facilities, York will enable food

▶ Enhanced Food Offerings and Tokyo Metropolitan Area Food Strategy  
 Page 38

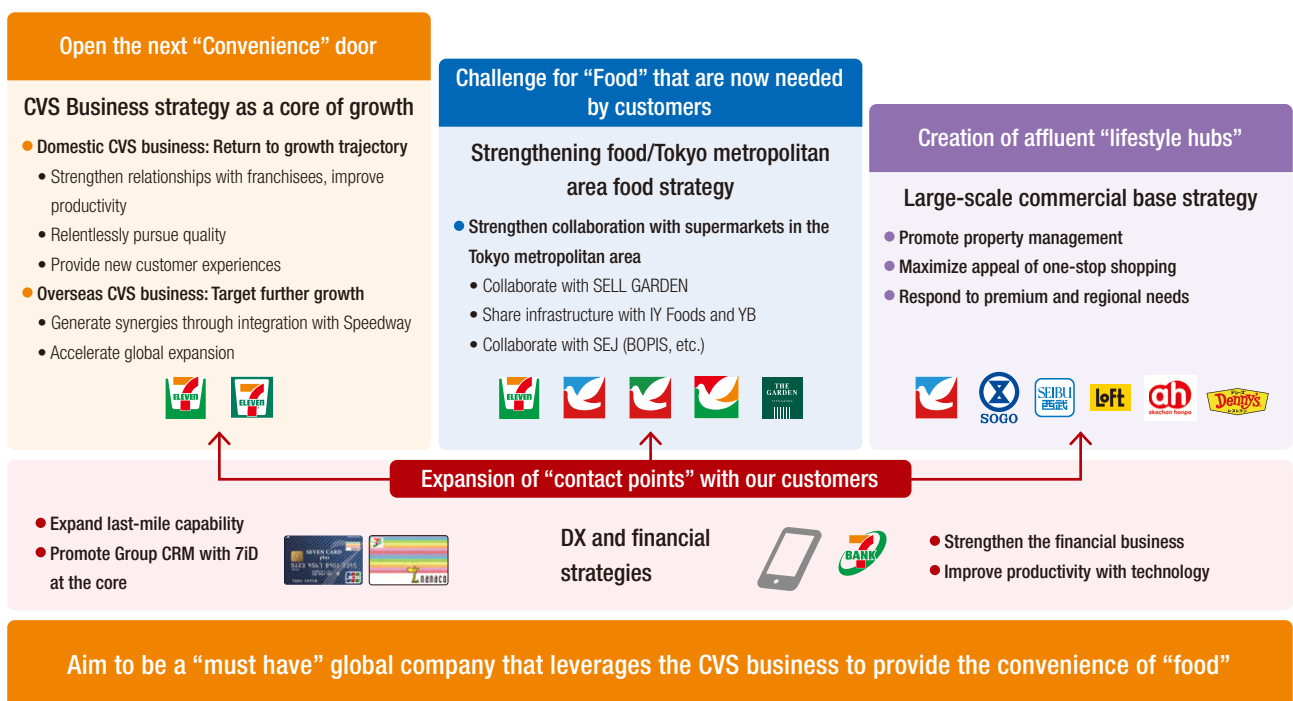
supermarkets—even smaller stores—to offer customers high-quality products. This approach will allow operators in the Group’s food business to open stores with a small commercial footprint, and expand respective store networks and reinforce competitiveness in the Tokyo metropolitan area.

### Creation of affluent “lifestyle hubs”

▶ Large-Scale Commercial Base Strategy  
 Page 46

Ito-Yokado and Sogo & Seibu, which operate the Group’s large stores, have been reviewing their existing store networks and restructuring stores since 2016, following growth assessments for each store. As of February 2020, Ito-Yokado had revamped the layout of sales floors at 61 stores and acquired new insights into designing sales floors matched to location criteria. Meanwhile, Sogo & Seibu focused on store restructuring at suburban stores, including those at Tokorozawa and Higashi-Totsuka, enhanced the assortment of food items, looked to diversify the tenant mix with a very popular consumer electronics retailer and apparel boutiques, and reinforced shopping-center functions suited to the area.

These large-store reforms aptly address the need for one-stop shopping, which became much more common during the COVID-19 pandemic, as well as the need for an enjoyable, close-to-home activity that a family can do together. Improved business results reflect the success of restructuring efforts. Future large store restructuring will not be bogged down by past business models but focus on attracting customers by maximizing the value of commercial facilities from a location perspective and raising the sophistication of products and services, and using enhanced property management to deliver higher profits.



## Enhance Customer Contact Points

### Leveraging DX and building a security infrastructure

Customer contact points form a Groupwide value base. To enhance this base, we will leverage DX to create new experience value. Our pursuit of DX takes two broad paths. The first is to raise job productivity by using digital technology and concentrate human efforts into highly creative operations, such as customer services, sales floor presentations, and other activities that must be done by humans. The second is to offer new experience value, such as a level of convenience not previously available to customers. On this point, we are building stronger ties with individual customers by applying data provided by customers through apps or other access channels to customer relationship management (CRM). Efforts are also being directed toward enhanced features in last mile and payment services. To promote DX, Seven & i Holdings set up the Group DX Strategy & Planning Division in 2020 to ensure quick and sure implementation of DX-related measures.

We duly acknowledge the incident that occurred in 2019 when some accounts in the “7pay” barcode settlement service run by Seven Pay Co., Ltd., a company under our umbrella, were compromised, and we have taken steps to build a stronger Groupwide security system. Specifically, we revised the Basic Policy on Information Security and established the Security Management Office directly under the control of the Representative Director of the Company to help operating companies build security environments and evaluate internal controls. In addition, guided by the Information Management Committee, we are striving to enhance Groupwide security measures. The Basic Policy on Information Security and the security structure are undergoing review in line with advances in digital technology, and we are vigorously striving as an entire Group to ensure safety and security of data.

▶ DX Strategy  
 Page 48


▶ Financial Strategy  
 Page 47

## Toward a Sustainable Society

### Platform that helps optimize society as a whole


The COVID-19 pandemic highlighted a direct link between global issues and people’s familiar daily routines, and customers showed greater interest in social and environmental issues of global scale, such as climate change. Retail services, a business area where the Seven & i Group is active, fulfill a crucial role in connecting various industries—from agriculture, forestry, and fisheries to manufacturing—with customers who use their products daily. We recognize this role and, to earn the trust of all stakeholders, especially customers, we know we must play it robustly in responding to social issues.

Therefore, the Group is actively engaged and guided by business fundamentals that achieve solutions to social issues with efforts to improve corporate value. In 2012, we signed on to the United Nations Global Compact and constantly strives to practice the initiative’s 10 principles. In 2014, we identified Five Material Issues (Materiality) and then connected Materiality-driven efforts to the 17

▶ Ensuring Sustainability  
and Growth  
 Page 64



targets presented in the United Nations' Sustainable Development Goals (SDGs). These efforts underpin additional efforts to create new business models based on Materiality and solutions achieved through our core business.

▶ Environmental declaration:  
『GREEN CHALLENGE 2050』  
 Page 72

In 2019, we drafted an environmental declaration 『GREEN CHALLENGE 2050』 and embarked on specific programs under four themes highlighting aspects of our businesses that cause society to significantly affect the environment. In the declaration, we set quantitative targets for each theme to be achieved by 2030 and 2050, and describe our mission and responsibilities in pursuing a better society for the next generation. We set up four project teams—one for each of the four themes—that focus on effective approaches to achieve the declaration's targets.

Stores under the Group umbrella, franchisees, and business partners are involved in initiatives with local governments and local communities to minimize food loss and reduce plastic waste. In this way, Seven & i Group stores become regional hubs for Group activities and create a platform to help optimize the whole society. We will continue to participate in such initiatives.

## Human Resources Development Perspective and Diversity Awareness

### Group grows along with people who work within it

▶ Human Resources  
Development Initiatives  
 Page 56

Human resources are the source of our growth potential. In particular, we believe that the management strategies are indivisible from human resources strategies in order to promote DX and global strategies as well as to pursue both social value and corporate value. Also of note, at present, digital natives—the generation of people who have been immersed in a digital environment from infancy—and SDG natives—the generation of people who have been taught about SDGs since elementary school—are growing, and their value perceptions about society and the economy are vastly different than those of previous generations. With this in mind, Seven & i Holdings is implementing human resources strategies in line with the management strategies, and will search not only outside the Company for human resources with specialized insights and capabilities but also vigorously develop human resources within the Group. In cultivating human resources, we are guided by the concept that a company grows as its people grow, and in August 2020, we established the Human Resources Development Department to focus exclusively on personnel training. The goal is to actively provide employees with growth opportunities, encourage them to continue learning on their own, and thereby develop human resources who always strive to improve their abilities. This generates reciprocal growth—for employees and for the Company.

▶ Diversity and inclusion  
 Page 78

The Diversity Promotion Project, launched in 2012, constantly revitalized its activities on the basis of socioeconomic changes. Under the current Diversity & Inclusion Promotion Project, a structure has been established to create environments that acknowledge diversity and differences

among employees, while supporting flexible workstyles. Of note, women are a large percentage of the customers at core Group businesses. Given this fact, efforts are being directed toward developing an organizational and corporate culture that enables women and all members of our diverse human resources to play active roles.

## Cornerstone of Corporate Philosophy

### “Trust and Sincerity” at heart of governance

As described above, the Seven & i Group finds itself in an environment characterized by rapid change. Society’s perception of value has also evolved. By utilizing Group synergies, we will meet arising challenges with boldness and innovation that individual operating companies cannot achieve on their own, and together we will carve out a path to growth. Concurrently, from a governance perspective, we have made our Corporate Creed—to be a sincere company that our customers, business partners, shareholders, local communities, and employees trust—the cornerstone of corporate activity, and by aligning the ideas of all officers and employees throughout the Group, we will unify Group activities. Going forward, we will maintain corporate governance rooted in the spirit of “Trust and Sincerity,” which has endured since the establishment of Ito-Yokado—a founding company of the Seven & i Group—and continue our sincere engagement with all stakeholders. In doing so, we will achieve both solutions to social issues and the improvement of corporate value as a corporate group indispensable to customers’ lives, while deeply pursuing our purpose.

We always seek ways to improve and enhance corporate governance through dialogue with all stakeholder groups as we build and adjust organizational structures. In May 2020, we split the Nomination and Compensation Committee into the Nomination Committee and the Compensation Committee, the majority of whose members are Independent Outside Directors. This change exemplifies efforts to enhance management transparency and ensure objectivity. In addition, we are striving to expand access to information disclosure materials through a spectrum of media, including paper and online, and are keen to achieve more fruitful discussions with all stakeholders.

Meanwhile, earnings and investment opportunities are expanding globally, and we aim to reinforce financial discipline based on our fundamental policy on finances. Regarding return to shareholders, we are promoting flexibility in discussions while emphasizing stable improvement in dividends per share.

Going forward, we will enrich Group synergies and extend Group capabilities, offering greater value to all stakeholders and delivering appropriate returns. In these efforts, we ask for your continued support and understanding.

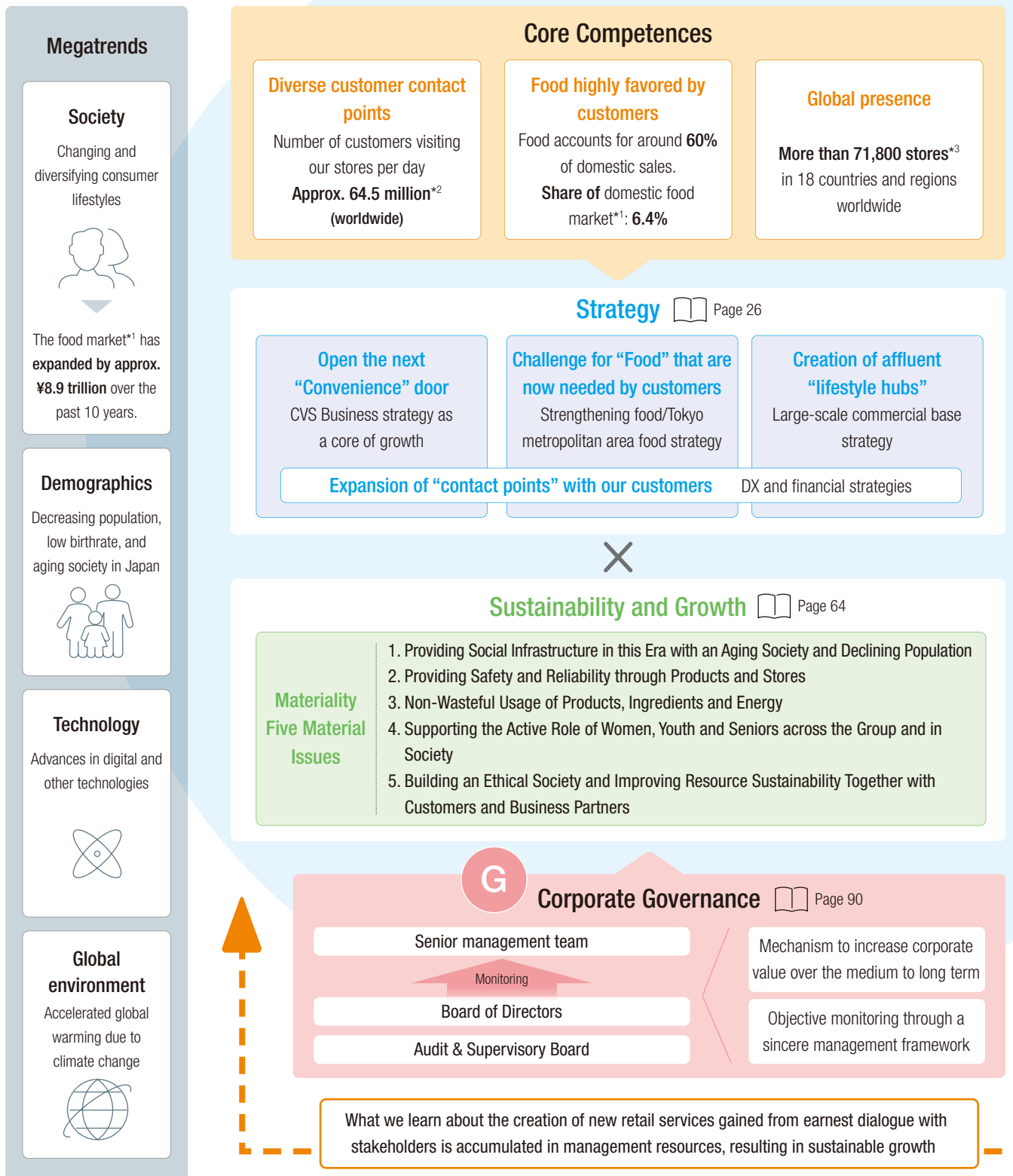
▶ Corporate Creed  
 Page 10

▶ Corporate Governance  
 Page 90

# Seven & i Group's Value Creation Process

Treating social issues and environmental changes as business opportunities, the Seven & i Group gathers and deploys its management resources—diverse human resources and know-how—to create value in the form of new, unique products and services.

In this way, we provide customers with high-quality products and services that make their lives more convenient. At the same time, we aim to reduce the environmental impact of our operations by using resources efficiently. Through our core business, which is closely tied to social infrastructure, we aim to help resolve social issues.



## Megatrends

### Society

Changing and diversifying consumer lifestyles



The food market\*<sup>1</sup> has expanded by approx. ¥8.9 trillion over the past 10 years.

### Demographics

Decreasing population, low birthrate, and aging society in Japan



### Technology

Advances in digital and other technologies



### Global environment

Accelerated global warming due to climate change



## Core Competences

### Diverse customer contact points

Number of customers visiting our stores per day  
Approx. 64.5 million\*<sup>2</sup> (worldwide)

### Food highly favored by customers

Food accounts for around 60% of domestic sales.  
Share of domestic food market\*<sup>1</sup>: 6.4%

### Global presence

More than 71,800 stores\*<sup>3</sup> in 18 countries and regions worldwide

## Strategy Page 26

### Open the next "Convenience" door

CVS Business strategy as a core of growth

### Challenge for "Food" that are now needed by customers

Strengthening food/Tokyo metropolitan area food strategy

### Creation of affluent "lifestyle hubs"

Large-scale commercial base strategy

Expansion of "contact points" with our customers  DX and financial strategies

## Sustainability and Growth Page 64

### Materiality Five Material Issues

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

## G

## Corporate Governance Page 90

Senior management team

Monitoring

Board of Directors

Audit & Supervisory Board

Mechanism to increase corporate value over the medium to long term

Objective monitoring through a sincere management framework

What we learn about the creation of new retail services gained from earnest dialogue with stakeholders is accumulated in management resources, resulting in sustainable growth

\*1 Food market: Our calculation of domestic food consumption based on data from the Foodservice Industry Research Institute, Japan Ready-made Meal Association, Japan Frozen Food Association, Cabinet Office (National Accounts of Japan), and Tobacco Institute of Japan

\*2 Includes the number of customers visiting stores operated in each country by area licensees (companies that acquired licenses from 7-Eleven, Inc. for the operation of 7-Eleven stores in specified areas).



\*Numerical targets are as of December 31, 2020.

CO<sub>2</sub> emissions from the Group store operations

**Net zero**

[Result] FY2020  
2,162 thousand t-CO<sub>2</sub>

Materials in containers used for original products\*<sup>5</sup>

**100%**

[Result] FY2020  
20%  
\*<sup>5</sup> Environmentally friendly materials (biodegradable materials, recycled materials, paper, etc.)

Organic waste recycling rate

**100%**

[Result] FY2020  
Organic waste recycling rate: 49.3%

Food loss/waste\*<sup>4</sup>

**75% reduction**

[Result] FY2020 (compared with FY2014)  
9.0% reduction

Sustainable procurement of raw food ingredients (original products)

**100%**

[Result] FY2020  
11.7%

\*<sup>4</sup> Basic unit of generation (waste generated per million yen in sales)

**E** Environment

Value provided by Seven & i Holdings (outcome)

Reduce environmental burden through effective use of resources without waste (*muri, muda, mura*)

Provide high-quality products and services that make life more convenient

Help solve social issues by building social infrastructure  
Spur motivation and boost productivity

Stakeholders

Franchisees

Business partners

Customers at different life stages, in various life scenes

Shareholders  
Investors

Employees

Local communities

Corporate group indispensable to customers' lives

**S** Society



Providing safety and reliability and building an ethical society

[Result] As of February 29, 2020  
Ito-Yokado: 251 "Fresh Foods with Traceability" items



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

[Result] As of February 29, 2020  
Percentage of female managers (eight Group companies)\*<sup>6</sup>: team leader (32.4%), section manager (22.3%), manager (7.6%), officer (11.8%)



Providing social infrastructure

[Result] As of February 29, 2020  
*Seven Anshin Delivery* (102 stores in Tokyo, Hokkaido, Osaka, Kyoto, and 33 other prefectures)  
*Ito-Yokado Anshin Delivery* (four stores in five districts)

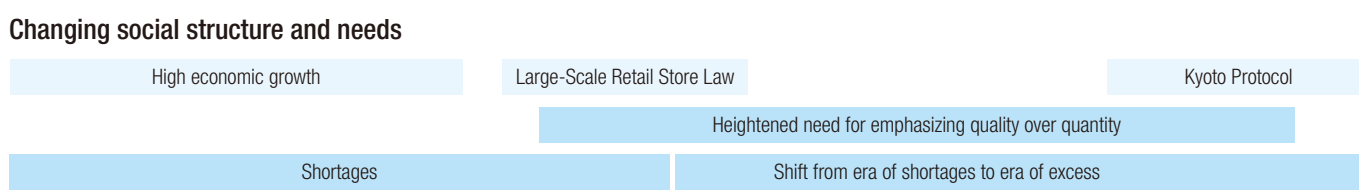
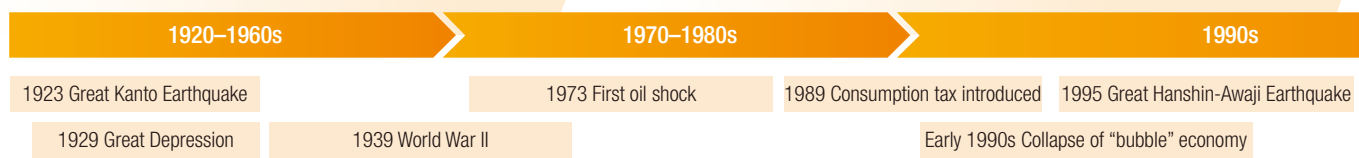
\*<sup>3</sup> Includes the number of 7-Eleven stores outside Japan, as of December 31, 2019. Includes the number of stores operated in each country by area licensees (companies that acquired licenses from 7-Eleven, Inc. for the operation of 7-Eleven stores in specified areas).

\*<sup>6</sup> Total for eight Group companies (Seven & i Holdings Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., Sogo & Seibu Co., Ltd., York-Benimaru Co., Ltd., Seven & i Food Systems Co., Ltd., Seven Bank, Ltd., Akachan Honpo Co., Ltd.)



# Seven & i Group's Value Creation Trajectory: Closely Reflecting Changes in Social Structure and Needs

<p><b>1920</b> Yokado established (later, renamed from Meugaya)</p> <p><b>1946</b> Opened store in Kitasenju</p>  <p><b>1961</b> Began developing supermarket chain network</p>  <p><b>Significance</b> Establishment Spirit of trust and sincerity Customer-oriented business using self-service chain-store approach</p> <p><b>Provided value</b> Provided better quality at lower prices to more local customers</p>	<p><b>1974</b> Opened 7-Eleven store</p>  <p><b>Significance</b> Created Japanese-style convenience store and established concept as component of social infrastructure</p> <p><b>Provided value</b></p> <ul style="list-style-type: none"> <li>• Large stores and small shops prosper together</li> <li>• Existing small shops are revitalized</li> <li>• Provided products of high quality and convenience in buyers' market, where customers choose the products they want</li> </ul>	<p><b>1991</b> Rebuilt Southland Corporation (now, 7-Eleven, Inc.)</p>  <p><b>Significance</b> U.S. 7-Eleven rebuilt by Japanese company Global expansion</p> <p><b>Provided value</b> Applied methods of convenience store operations in Japan to U.S. to better meet needs of U.S. customers</p>
<p><b>1974</b> Opened Denny's restaurant</p>  <p><b>Significance</b> Created Japanese-style family restaurant chain</p> <p><b>Provided value</b> Provided delicious food for enjoyment outside the home</p>	<p><b>2001</b> Established IY Bank Co., Ltd. (now, Seven Bank, Ltd.)</p>  <p><b>Significance</b> Retail industry's first settlement bank based on customer perspective</p> <p><b>Provided value</b> Provided convenience of deposit/withdrawal transactions at any time</p>	





# Business Strategy of Domestic Convenience Store Operations

[ CGC Principle 3.1 (i) ]

The domestic convenience store operations are a pillar of the Group's business strategy. With 20,955 domestic stores as of February 29, 2020, SEVEN-ELEVEN JAPAN continues to fulfill its infrastructure function of operating "close-by, convenient" stores indispensable to people's lives.

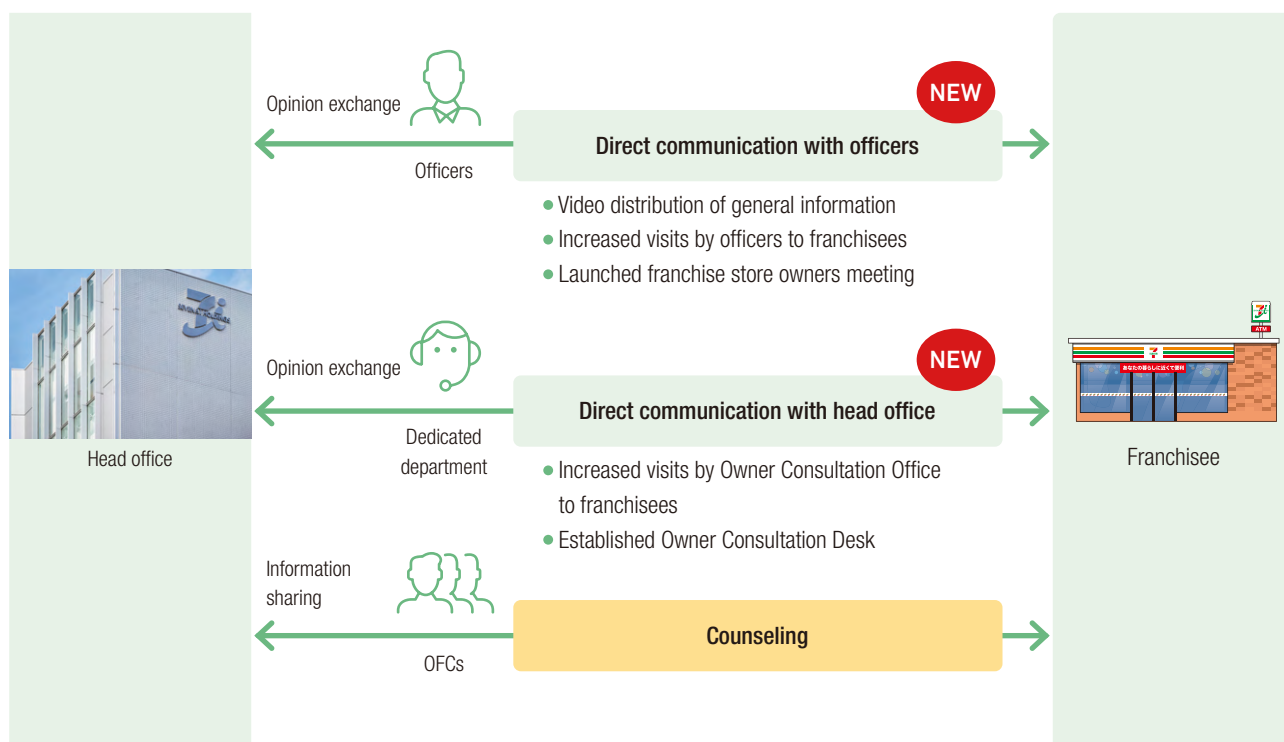
The strengths of 7-Eleven lie in the uncompromised taste and quality of its products, as well as its store locations and customer services, which together function as social infrastructure. Another asset is its highly convenient digital technologies, which include 7-Eleven online convenience store. By further enhancing these qualitative strengths in the future, we will seek to become more "close-by, convenient" stores. To continue growing our business, we will promote capital investments in existing stores while deploying digital technologies to save labor and improve the productivity of store management.

## 1. Targeting sustainable growth together with franchisees

In 2019, we formulated an action plan to realize sustainable growth together with franchise store owners. Under the plan, we launched an in-house cross-departmental project and are monitoring its progress, while continuously promoting franchisee support and other initiatives. In addition to creating a system that

allows franchise store owners to focus on management with peace of mind, in fiscal 2021, we further strengthened communication with franchisees and our head office governance framework, enabling the head office and franchisees to work together to deliver new levels of growth in the future.

### Modifying our system for direct communication with officers and a dedicated department in addition to Operations Field Counselors (OFCs)



## Example of stepped-up communication

In response to feedback from many franchise store owners, we established the franchise store owners meeting, where we can hear frank opinions and requests. Through interactive discussions and dialogue, in which the head office also asks questions and makes proposals, we are upgrading and improving our support mechanisms. We will continue to use constructive dialogue to strengthen communication with franchise store owners.



Franchise store owners meeting

## Increasing franchisee satisfaction

Following the principles of responding to change while strengthening fundamentals, we have created a system that allows franchisees to focus on management with peace of mind. We also strengthened internal governance and implemented various franchisee support measures, including investing in franchisees targeting sustainable growth. In addition, we provide

assistance to franchisees to counter the spread of COVID-19 infections, including distributing masks and face shields to stores and providing special appreciation payments. We will continue to take the voices of franchisees seriously as we work to resolve issues while implementing ongoing measures to increase franchisee satisfaction over the long term.

## 2. Pursuing quality relentlessly

### Store layout changes

Amid the increase in the number of working women and single-person households in recent years, consumer needs have been changing faster than ever, evidenced by growing demand for ready-to-eat meals. In particular, the impact of COVID-19, which became a global epidemic in 2020, has forced a major transformation in the way we live our daily lives. As a result, more and more people are staying indoors and

spending more quality time at home. To address these changes in customer needs, we have changed the layouts of some stores to increase sales space for alcoholic beverages and display related items, including snacks and prepared dishes, next to them. The result has been increased sales of such items, and for this reason we will expand the number of stores earmarked for layout changes.

### New layout for fiscal 2021

	Seven Premium products, prepared dishes, snacks	Alcoholic beverages	Alcoholic beverages	Alcoholic beverages	
					Alcoholic beverages
					Chilled beverages
				Desserts	
	Ice cream	Frozen food	Frozen food		

### Performance at new layout rolled-out stores (Difference between these stores and respective area average)

800 introduced stores in Sep. 2020

(Thousands of yen)	2020	
	Oct.	Nov.
Sales excl. cigarettes	+14.0	+16.1
Daily goods displayed in open display case	+5.1	+7.1
Desserts	+1.2	+1.8
Alcoholic beverages	+1.7	+1.5
Daily life products (vegetables, processed meat, etc.)	+0.3	+0.2



### Cooking kits to help people eat at home in response to rising female employment rates

As more and more people seek to spend more quality time at home, we offer Meal Kits and other products that make it easier for people to eat at home. Meal Kits contain pre-cut ingredients that the user simply takes out of the bag and cooks. This reduces the burden of household chores and also eliminates food waste.



### Cup Deli

We have continued to promote our *Cup Deli* series of foods that can function not only as a salad but also as a snack, a feature that makes them ideal in multiple scenarios. In addition to meeting the needs of customers, we are committed to maintaining quality and developing more authentic products aimed at creating more discerning home tastes.

For all *Cup Deli* products in Japan, moreover, we have

changed the container lids to seal-type lids, enabling us to extend the expiration date by around one day and further reduce the amount of plastic used.



Octopus, broccoli, and basil salad

Coleslaw

## 3. Stepping up DX to provide new customer experiences



Deployed in conjunction with Last Mile DX Platform

### 7-Eleven online convenience store

We are building on our strengths—including a physical nationwide network of around 20,000 stores, delivery services, and area services such as Seven Vending Machines—to strengthen our Last Mile capabilities. As a new growth strategy

in these efforts, we are using DX to step up and accelerate our 7-Eleven online convenience store service.

7-Eleven online convenience store is a delivery service covering around 3,000 items handled at 7-Eleven stores in

Japan, including food and daily necessities, that customers can order via a dedicated website. When the service was launched, we made deliveries in as little as two hours after order placement. Now, we use DX to link inventories to the dedicated site in real time, enabling delivery in as little as 30 minutes.

By the end of fiscal 2022, we will increase the number of stores providing the 7-Eleven online convenience store service to 1,000, mainly in Tokyo, then gradually expand coverage in fiscal 2023 and thereafter.

▶ DX Strategy  Page 51

### Seven Anshin Delivery

Seven Anshin Delivery is a service that uses a fleet of light trucks to deliver rice balls, boxed lunches, bread, beverages, and other items. The interior of every truck is divided into four temperature zones, from room temperature to freezing, to accommodate a diversity of foods and beverages, and every truck can be loaded with more than 150 items, including daily goods. Seven Anshin Delivery service is offered in areas with few retail stores.



### Seven Vending Machines

In 2017, we introduced Seven Vending Machines, food vending machines, as a new platform that focuses on so-called “micro markets,” where we anticipate a certain level of demand. These markets include offices, factories, hospitals, and schools. Customers can use the machines to purchase the same products as those sold at our physical stores. Accordingly, they function as

“small 7-Eleven stores” and help us expand customer contact points. We plan to increase installation of Seven Vending Machines in the future.



### Efforts to improve productivity

We have introduced a semi self-checkout system with automatic change machines to improve productivity, reduce the workload on cashiers, and prevent the spread of infectious diseases. We are also improving productivity with various other means,

including a new product inspection system that greatly reduces working time at the time of delivery of fresh food by switching from per-product to per-delivery-case inspections.

#### Semi self-checkout



Hours saved (per day)	
Cashier time:	7.2 hours
Inspection time:	1.5 hours
Total:	8.7 hours

To be introduced in all stores by the first half of 2021

#### New product inspection system



Inspection time: 30 minutes/day → 3 minutes/day

To be introduced in all stores by February 28, 2021



4. Creating value with the 7-Eleven value chain

7-Eleven value chain



**Procurement**

We procure raw materials in cooperation with various partners to deliver safe, secure, and high-quality products to our customers at reasonable prices.



**Product Planning and Development**


Anticipating the ever-changing needs of society and our customers, we demonstrate our advanced development capabilities by planning and providing original products with high added value.





**Manufacturing**

We have established a manufacturing infrastructure that leverages the economies of scale of our business and partnerships with manufacturers to make products based on stringent safety and quality control standards.

Major points of excellence and distinction, and initiatives

- Joint procurement for stable product quality and cost-competitiveness
- Ensuring safety and traceability (distribution history) through an integrated system that prioritizes consumer peace of mind  
 Page 70
- Environmentally responsive procurement of raw food ingredients

- Demonstrating strong product development capabilities through “Team Merchandising,” which leverages the expertise of our business partners
- Product planning and development sensitive to social needs and customers’ opinions
- Developing safe, secure, and health-friendly products  
 Page 69

- Dedicated production facilities provide strong product appeal
- Establishment of an efficient, short lead-time product delivery system with strict safety and product quality standards  
 Page 29
- Collaboration with business partners to promote human rights, labor and environmental considerations across the supply chain  
 Page 84
- CSR audits of business partners’ production facilities

7-Eleven 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.



In addition to ensuring product freshness throughout the supply chain, we are improving our environmental performance and work environment by streamlining logistics and introducing the latest technologies.







We have established a service and support system aimed at creating attractive stores that serve as comfortable places for customers to shop every day and employees to work.



Seeking to realize a circular economy and reduce food waste in society as a whole, we are pursuing integrated environmentally friendly initiatives ranging from product design to use, disposal, and recycling.

- Maintaining product freshness and improving business profitability through efficient logistics
- Using latest technologies to provide efficient, worker-friendly environments
- Promoting use of hydrogen by introducing fuel cell trucks and fuel cell generators
- Maintaining quality through cold chain technologies
- Streamlining logistics through use of combined distribution centers

- Providing service to ensure the safety and convenience of everyday life
- Removing the burden of shopping to further improve convenience  
 Page 28
- Creating attractive sales spaces and providing extensive education and training to enable our diverse human resources to excel and grow  
 Page 80

- Food waste reduction (control at source, reuse, conversion to animal feed, conversion to fertilizers) and ethical projects  
 Page 75
- Conserving materials used in containers and packaging, and reducing use of expendables  
 Page 74
- Recycling systems that support the creation of a circular economy

# Business Strategy of Overseas Convenience Store Operations

[ CGC Principle 3.1 (i) ]

As we leverage our convenience store operations, our goal is to become a global company that provides convenience in the form of food and thus is indispensable to people's daily lives. As one of our growth engines, we are targeting further growth of our overseas convenience store operations with the aim of providing new value by opening the door to the "next level of convenience" for people worldwide.

## 7-Eleven, Inc.: Largest convenience store chain in the United States with around 9,900 stores in North America

Based in Irving Texas, 7-Eleven, Inc. (SEI) operates, franchises and/or licenses more than 71,800 stores worldwide and is the largest convenience store chain in the United States with around 9,900 stores in North America as of December 31, 2020.

SEI is pursuing a growth strategy in North America that reflects changes in the consumer environment. Through an effective combination of store openings and M&As, we are opening stores in regions with high growth potential to further strengthen the growth of the entire chain.

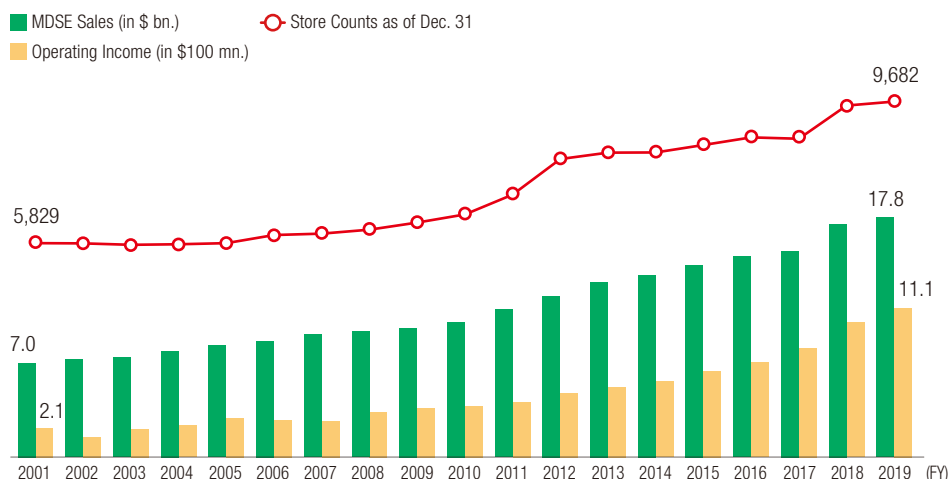
SEI continues to grow. In the fiscal year ended February 29, 2020, it accounted for 24% of the Group's consolidated operating income and around 30% of net income.

By expanding our selection of fresh food and proprietary beverages, as well as private-brand products, we have successfully addressed the diversified needs of customers. Accordingly, sales of products have been growing every year, and products now account for around 80% of SEI's gross profit.

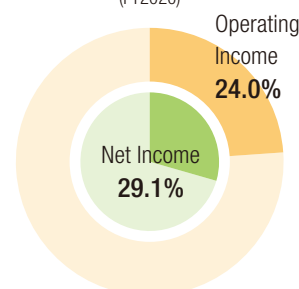
### 7-Eleven, Inc. Overview



### MDSE Sales, Operating Income, Store Counts



### Contribution for Consolidated Figures (FY2020)



Accounts for approx. 30% of consolidated net income

\*Composition ratio is calculated on a yen basis after amortization of goodwill.



## Characteristics of the North American market

### Growth potential of the U.S. market

One factor keeping the U.S. market in the world spotlight is its strong growth potential although the United States is a developed country. Japan's population is expected to decline moderately in the future, falling below 100 million in the

2050s, while the United States is expected to show modest population growth. GDP and consumption are also projected to increase, making the United States an attractive growth market for convenience store operations.

### U.S. convenience store industry crowded with small chains

The U.S. convenience store industry is characterized by a large number of small businesses. As of December 31, 2019, there were around 153,000 convenience stores nationwide, and chains of 10 stores or fewer and privately owned stores account for about 65% of the total. Even if all the stores of the 10 largest chains (including SEI at the top) were combined,

they would account for less than 20% of the market. As such, the industry is very fragmented, and restructuring efforts are gathering pace. The United States is also the world's second-largest automobile market after China, and a major feature is that around 80% of U.S. convenience stores have gas stations.

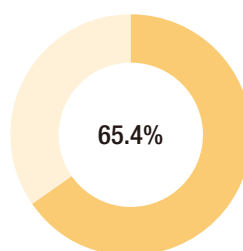
## U.S. Convenience Store Industry

### U.S. Convenience Store Counts: 152,720 (as of Dec. 31, 2019)

Chain Name	No. of Stores	Shares (%)
1 7-Eleven, Inc.	9,046	5.9
2 Alimentation Couche-Tard Inc.	5,933	3.9
3 Speedway LLC	3,900	2.6
4 Casey's General Stores Inc.	2,181	1.4
5 EG America LLC	1,679	1.1
6 Murphy USA Inc.	1,489	1.0
7 GPM Investments LLC	1,272	0.8
8 BP America Inc.	1,017	0.7
9 ExtraMile Convenience Stores LLC	942	0.6
10 Wawa Inc.	880	0.6
Top 10 chains	28,339	18.6

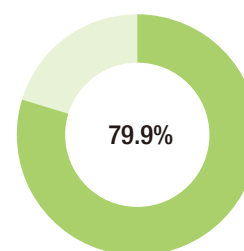
Source: NACS State of the Industry Compensation Report, CSP's TOP 202 Convenience Stores 2020, except for SEI, which is the U.S. store count as of December 2019.

#### No. of stores operated



Small operators  
(10 or fewer stores)  
**over 65%**

#### w/Fuels



With motor fuels  
**approx. 80%**

Top 10 chains' shares  
**less than 20%**

**Industry remains fragmented**






**Aiming to be a company that provides new customer experiences and value in both the physical and digital domains**

**Six Point Plan**

SEI is implementing a strategy based on its Six Point Plan, which consists of six key initiatives: provide consistent customer experiences, propose new food and beverage experiences, optimize product selections, promote digital strategies, modernize stores, and expand the store network.

By offering distinct fresh food and proprietary beverages while developing and expanding sales of private brands, we are providing new food and beverage experiences that are low in

cost and high in quality. While modernizing our stores, we are also promoting digital transformation to support our 7REWARDS loyalty program and 7NOW delivery service. Here, our aims are to change conventional convenience store stereotypes and become a company that provides new customer experiences and value in both the physical and digital domains.

<b>Six Point Plan</b>	<b>Fresh Food &amp; Proprietary Beverages</b>	<b>Private Brands</b>
<ol style="list-style-type: none"> <li style="background-color: #76b82a; color: white; padding: 2px 5px; margin-bottom: 5px;">1 Provide consistent customer experiences</li> <li style="background-color: #76b82a; color: white; padding: 2px 5px; margin-bottom: 5px;">2 Propose new food and beverage experiences</li> <li style="background-color: #76b82a; color: white; padding: 2px 5px; margin-bottom: 5px;">3 Optimize product selections</li> <li style="background-color: #76b82a; color: white; padding: 2px 5px; margin-bottom: 5px;">4 Promote digital strategies</li> <li style="background-color: #76b82a; color: white; padding: 2px 5px; margin-bottom: 5px;">5 Modernize stores</li> <li style="background-color: #76b82a; color: white; padding: 2px 5px;">6 Expand the store network</li> </ol>	 <ul style="list-style-type: none"> <li>● Fresh Foods is a \$2B+ business</li> <li>● Proprietary Beverages average 62% margin</li> <li>● New Food &amp; Beverage platform, in approx. 1,500 stores by the end of 2020</li> </ul>	 <ul style="list-style-type: none"> <li>● \$1B/year business with +22% CAGR (compound annual growth rate)</li> <li>● High quality, lower price</li> <li>● 55% average margin</li> </ul>
	<b>Digital Transformation</b>	
	<p><b>Loyalty Program</b></p>  <ul style="list-style-type: none"> <li>● 40M Registered Members</li> <li>● 2020 Launch: Mobile Check-Out, Digital Wallet and Fuel Loyalty</li> </ul>	<p><b>Delivery</b></p>  <ul style="list-style-type: none"> <li>● 1,100+ Stores, approx. 2,000 by the end of 2020</li> <li>● Volume +400% since February 2020</li> <li>● Transaction size, approx. 2x average in-store basket</li> <li>● Industry leading delivery time: within 30 min. at earliest</li> </ul>

**We have a customer focused strategy that produces results and supports ongoing growth**

### Proposing new food and beverage experiences

Similar to how we manage our domestic convenience store operations, we are developing product strategies centered on “food” in the United States. In Dallas, Texas, we have adopted Team Merchandising to develop products that suit local tastes and meet local needs, winning high praise from customers as

a result. We are also rolling out this success story in New York and Los Angeles. In addition, we are introducing new equipment aimed at improving the quality and assortment of our proprietary beverages.

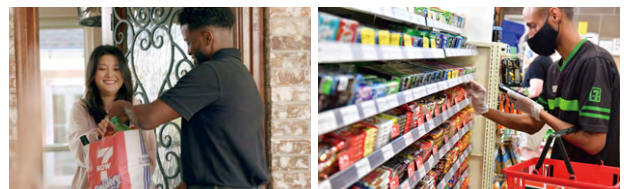


The store offers fresh hot food, beverages, and other items that reflect local characteristics (Dallas).

### 7NOW delivery service

Since starting test operations of our 7NOW delivery service in 2017, we have expanded the service to cover 75% of the U.S. store commercial area as of December 31, 2020. We are responding to customer needs with a wide range of products, including fresh food and beverages, and demand has increased sharply in this “new normal” environment. As of November 30, 2020, delivery sales had grown around sixfold compared with

those of the end of January of the same year. We plan to expand 7NOW to currently unsupported areas and offer the service across North America.



### Store modernization through expansion of Evolution Stores

We are also taking on the challenge of Evolution Stores with innovative, modern and differentiated product assortment. Since beginning test operations in a Dallas store, we have expanded this initiative to Washington, D.C., New York, San Diego, and one more store in Dallas, for a total of five stores as of November 30,

2020. Despite opening stores in cities that have been severely affected by COVID-19, we have seen impressive results in terms of daily sales, customer numbers, and the ratio of fresh food sales to total sales. We will use the results of our tests to expand our Evolution Store network to other areas.

#### Evolution Store: New Platform

Proprietary Beverages	Cold-pressed juices, Smoothies, etc.
Alcoholic Beverage	Craft beers, Wine cellar
In-Store Bakery	Croissants, Cookies
With Restaurant	Laredo Taco
Others	Mobile Checkout technology



Our Evolution Store challenges the conventional stereotype by offering craft beer, an in-store bakery, and other items (Washington, D.C.).

### Acquire Speedway LLC, 3rd largest U.S convenience store chain

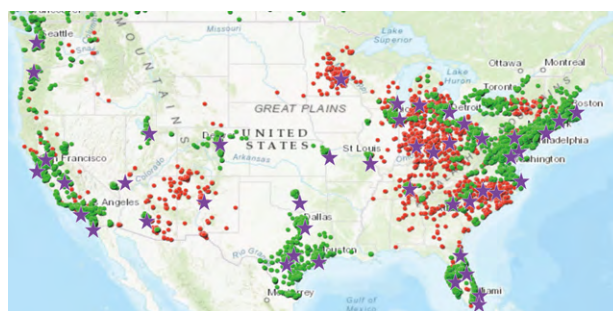
In August 2020, SEI signed the agreement with Marathon Petroleum Corporation to acquire the shares and other interests of the companies operating the convenience store and fuel retail businesses under the Speedway brand. This acquisition

will give SEI the opportunity to operate in 47 of the top 50 most-populated metro areas in the U.S., and it will provide an entry for us into other parts of the country that we don't currently operate in.

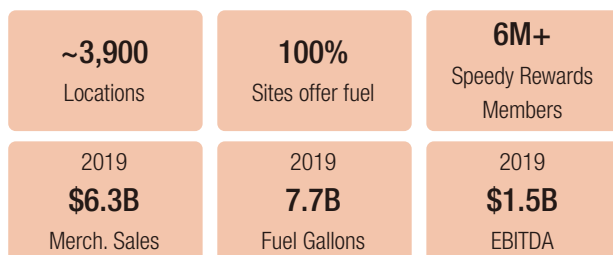
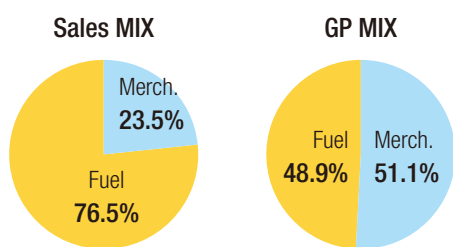
### Speedway Overview

- Favorable site and business attributes
- Strong \$1.5B EBITDA in 2019 (7-Eleven, Inc. \$1.8B)
- Over 70% of real estate owned
- 100% of the Speedways are company operated
- Speedy Rewards loyalty program with 6+ million active users

Source: Speedway internal financials, excludes direct dealer business.



★ Top 50 metro areas ● SEI stores ● Speedway stores



### SEI has entered new markets and developed its store network by leveraging M&A Strategy

SEI has a strong and proven track record of success with acquisitions and integrations. Over the period our team has been in place, we have now completed more than 40 acquisitions and we've added more than 3,300 locations through these transactions. We have an effective integration

framework and know how to acquire and how to successfully integrate. Our largest acquisition to date, the Sunoco Stripes acquisition in early 2018, has proven to be great addition and it foreshadows what our Speedway acquisition will look like in terms of potential added value.

### Proven Track Record of Successful Acquisitions

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Deal Closed	2	—	3	2	2	4	10	4	—	4	4	—	1	3	3	42
Locations Acquired*	213	—	43	71	30	394	702	127	—	285	258	—	1,030	58	151	3,362
% Locations w/Gas	4.2	0.0	100	18.3	100	57.1	61.0	52.8	0.0	41.8	100	0.0	98.1	74.1	98.0	71.2

\*includes all channels of trade that include real estate.

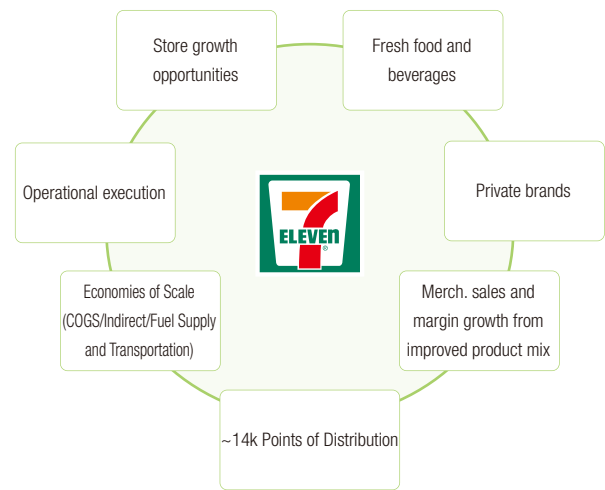


### Framework for Successful Integration

Methodical and disciplined integration program will unlock best of both companies and synergy realization



### Significant Synergy Opportunities



## Accelerate ESG initiatives while we execute [ GREEN CHALLENGE 2050 ]

7-Eleven and Speedway have similar environmental, social, and governance philosophies. And we'll also add corporate value by accelerating our ESG initiatives. Just as 7-Eleven has made significant progress in recent years, harnessing LED lighting, solar and wind power for electricity, and more efficient HVAC systems—HVAC systems toward a reduced CO<sub>2</sub> footprint,

Speedway has also recently reduced its greenhouse gases by double digits as well. Together the combined company will set mutual and shared 2027 goals to reduce CO<sub>2</sub> emissions, to utilize more eco friendly packaging, to utilize sustainable food supplies, and to drive reduction in plastic usage.

### Acquisition of Speedway sets New ESG goals by 2027

Current 2027 Goals	New 2027 Goals Adding Speedway
20% lower CO <sub>2</sub> emissions (vs. 2015)	<ul style="list-style-type: none"> <li>• <b>40% reduction</b> in CO<sub>2</sub> emissions (vs. 2015)</li> </ul>
	Launch <b>250</b> EV sites
	Store base to be <b>25%</b> carbon neutral

### 7-Eleven Global ESG Forum



In November 2020, SEI, SEJ, and Seven & i Holdings co-hosted the first ever International ESG Forum involving Licensees, Master Franchisees and Business Partners in 15 Countries. The virtual Forum was held across three days included participation of over 300 people. Presentations focused on the comprehensive ESG plans and major initiatives underway in each country worldwide. Sustainability continues to be a global challenge, and for the Global Brand, it is now more critical than

ever for the world-wide 7-Eleven community to engage in building a better future, together.



# Enhanced Food Offerings and Tokyo Metropolitan Area Food Strategy

[ CGC Principle 3.1 (i) ]

The Group's growth strategy is to embrace true leadership in our changing times by responding to new lifestyles in various ways. These include diversifying customer contact points, which will be required in the coming era, and working to give customers richer and more comfortable shopping experiences.

In this section, we introduce our "Tokyo metropolitan area food strategy" and "Last Mile" initiatives—for which we are harnessing our Group strengths—as well as *Seven Premium*, a cross-Group private brand (PB) initiative focusing on quality and value.

Through these initiatives, the Group is enhancing retail services that will be more closely attuned than ever before to the lives of customers in the coming era.

## Aims of Tokyo metropolitan area food strategy and Last Mile initiatives

### Diversify customer contact points and provide comfortable shopping experiences

Through our Tokyo metropolitan area food strategy and Last Mile initiatives, we will diversify customer contact points and correctly respond to customer needs for improved convenience, health, safety, and peace of mind.



#### Enhanced Internet-based capabilities reflecting customer feedback

By reflecting customer feedback in our online supermarket, home delivery, and other offerings, we will make our services more accessible than ever before.



#### Pickup services for improved shopping convenience

We offer product pickup services at our own stores and at various external facilities to address people's diversified purchasing needs.



#### Attracting new customers with home delivery services

We also deliver products to customers who have difficulty visiting stores due to childcare or nursing-care commitments.



#### Creating stores that reflect local needs

Having multiple store formats makes it possible to strategically open stores according to local characteristics and commercial area environments.



#### Supplying products of consistent quality

We have opened food-processing centers to accumulate know-how on material utilization, aiming to establish a system for supplying products of consistent quality.



#### Improving the quality of fresh foods and prepared dishes

In the future, we plan to improve the quality of our own products by operating centralized kitchens and other infrastructures within the Group.

## 1. Tokyo metropolitan area food strategy

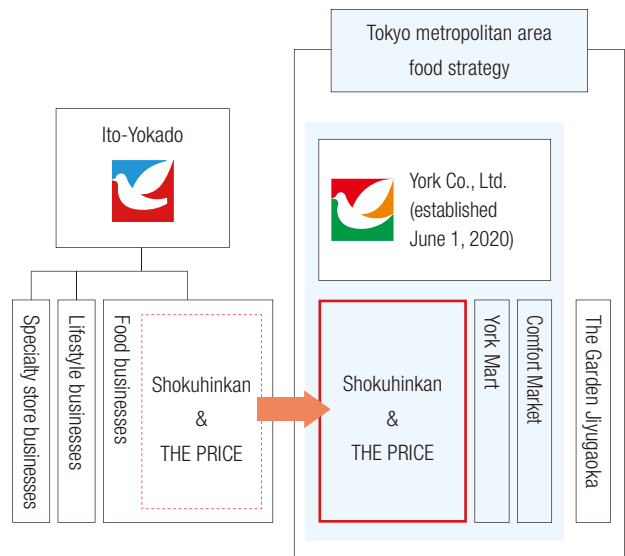
The Tokyo metropolitan area is characterized by a slowly decreasing population, an increasing number of elderly people, and a diversity of economic and lifestyle attributes. We will step

up our response to the food market in the Tokyo metropolitan area by building a new food supermarket business structure that takes advantage of Group synergies.

### (1) Specific initiatives

In June 2020, we established York Co., Ltd. to spearhead the Group's food supermarket business. Under that company, we have built a system to integrate and operate our existing York Mart stores, Ito-Yokado food specialty store "Shokuhinkan," THE PRICE stores, and Comfort Market stores.

This system allows us to combine our knowledge and expertise about food supermarkets, which have been cultivated by each Group company, to establish strategic frameworks for flexible store openings in accordance with location attributes and the development of product supply systems, and thus accurately respond to customer needs. Here, we are focusing on four key points.



### Tokyo metropolitan area food strategy: Four key points

<p><b>Point 1</b></p> <p>Four formats corresponding to location and surrounding commercial area</p>	<p><b>Point 2</b></p> <p>Utilize common infrastructure</p>	<p><b>Point 3</b></p> <p>Develop appealing products</p>	<p><b>Point 4</b></p> <p>Foster and deploy talented human resources</p>
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#### Point 1 Four formats corresponding to location and surrounding commercial area

York is promoting four new store formats: "standard type," "urban type," "price-compatible type," and "small/medium-sized type." In the Tokyo metropolitan area, which has a variety of commercial areas, we will use these different formats to flexibly create "lifestyle proposal" stores that meet the needs of local customers.

- Common concept: Strengthen home meal offerings; new merchandising (MD)
- Review product lineup and price range according to local market needs

**Standard type** 1,650–1,980 sqm

**Lively aspect Regionalization**

Model store: Chiharadai, Azusawa

**Urban type** 990 sqm–

**Review breadth of product assortment**

Model store: Shinjuku-Tomihisa

**Price-compatible type** 1,650–1,980 sqm

**Price appeal Increase productivity**

Model store: Kawasaki-Nogawa, Urnejima

**Small/medium-sized type** 495–825 sqm

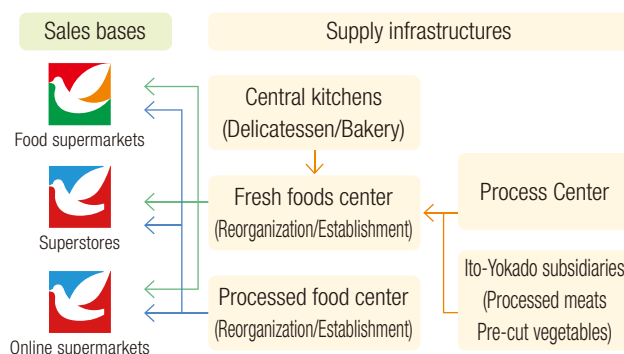
**Maximize sales floor space Improve efficiency of sales floors and BR**

Model store: Nakamachi, Nishimagome

**Point 2 Utilize common infrastructure**

Utilizing and enhancing the Group’s know-how and infrastructure will enable us to create higher-quality products more efficiently while building a very efficient supply system. By using our own Group infrastructure, we can incorporate our preferred ingredients and unique cooking methods in our products and optimize our processes. Developing a supply infrastructure in this way will allow us to consistently provide attractive products that meet customer needs with optimal timing.

- Share Group infrastructure and build a highly efficient supply system
- Collaborate with sales bases that have used DX to enhance accuracy and efficiency



**Point 3 Develop appealing products**

We are leveraging our strength in fresh foods to step up development of original products. Here, our purchasing managers visit production areas to obtain high-quality fresh products that we can recommend with confidence. This

process enables us to produce handmade salads, desserts, and fish-based prepared dishes with the same fresh ingredients as products available in our fresh food sections.

**Point 4 Foster and deploy talented human resources**

Creating product selections that reflect local needs requires support mechanisms of technical skills and personnel education. At York, we are building an operational framework to realize these mechanisms. For example, we have set goals for individual employees, encouraging them to think how to

prepare the necessary groundwork for improving work efficiency and how to devote more time to high-added-value tasks—and act accordingly. We will continue building on these efforts to create more comfortable work environments.

By acting on the above four points, we will develop stores more closely attuned than ever before to the lives of local customers. Our aim is to create “lifestyle proposal” food

supermarkets, highlighted by fresh food and prepared dishes, that meet the expectations of customers in the Tokyo metropolitan area.

**(2) DX initiatives to support our Tokyo metropolitan area food strategy**

To support our Tokyo metropolitan area food strategy, we are introducing AI and other technologies to create products that meet customer demand while promoting DX initiatives to realize a highly efficient supply system.

In September 2020, for example, Ito-Yokado began operating an AI-based product-ordering system at 135 stores nationwide (as of December 31, 2020) to improve productivity and enable employees to focus on more creative work, such as

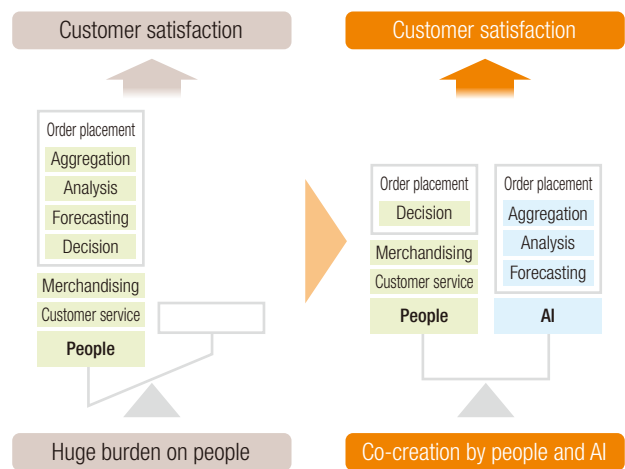
customer service. The ordering system covers around 8,000 products, including cup noodles, confectionery, and other processed foods.

In this initiative, the AI system analyzes product-related information (such as prices and the number of rows of products on display), weather data (including the temperature and probability of rain), and other basic information (such as the day of the week and number of customers). The AI system



proposes optimal initial sales numbers to the store's order placement manager, who uses such data to decide orders.

We have been testing the system at some stores since spring 2018 and have reduced the average time spent by store personnel on ordering by around 30%. We also clearly confirmed fewer cases of products going out of stock during business hours, which helped ensure appropriate inventory quantities. As a result, time previously spent on ordering is now being directed toward customer service and merchandising.



## 2. Last Mile initiatives

Work, childcare, and nursing care are just a few of the many reasons why people cannot take the time to do their daily shopping in this modern world. Moreover, the number of shopping arcades and familiar shopping areas continues to decline, while places where people usually shop for fresh foods tend to be farther away. Accordingly, more and more customers feel that shopping is a burden. To resolve these problems, it is essential not only to sell products when customers visit our stores but also address the “last mile,” which means delivering

products to customers at the time and place of their choice.

Our Group companies have rolled out a variety of delivery services to meet such needs, including online supermarket, offered by Ito-Yokado; online convenience store, *Seven Anshin Delivery*, *Seven RakuRaku Delivery*, and Seven-Meal delivery service, offered by 7-Eleven; and home delivery and takeout services offered by Denny's. We are also launching a series of service upgrades and new service trials in fiscal 2021.

### (1) Specific initiatives

#### Ito-Yokado online supermarket

In July 2020, we updated the Ito-Yokado online supermarket website, which is used by many customers. Previously, the site accepted only “regular” orders (for same- or next-day delivery), but now it accepts “advance” orders (for delivery three to seven days later). We have also introduced “Delivery Charge Dynamic Pricing,” which offers different charges according to the delivery day and time that customers choose. In addition to improving convenience for customers, we have added new features such as automatically registering frequently ordered products and allowing customers to freely select the stores where they want to pick up items.

Moreover, when a customer selects a recipe in the Ito-Yokado online supermarket smartphone app, the app displays a

list of the needed ingredients. Included is an added function that allows the customer to remove from the list any items already on hand at home and make a bulk purchase of the remaining items. The service succeeds in reducing customers' shopping time.



Ito-Yokado online supermarket smartphone app screen

### Expansion of Denny's home delivery and takeout services

In May 2020, Denny's, a restaurant chain operated by Seven & i Food Systems Co., Ltd., remodeled an existing store in Shinagawa, Tokyo, and opened a store dedicated to home delivery services. Setting up a dedicated home delivery store enables us to concentrate on home cooking, shorten the time from order to delivery, and offer freshly prepared food more quickly.

In October 2020, meanwhile, Denny's opened its Shinjuku-

Gyoen store, which specializes in home delivery and takeout. In these ways, Denny's continues to expand and upgrade its services.



## (2) Using DX to support our Last Mile initiatives

To support our Last Mile initiatives and deliver products seamlessly to customers, we created our Last Mile DX Platform, which works with our e-commerce platform and combines our delivery resources to optimize the four key

aspects of home delivery services—vehicles and drivers, delivery charges, delivery routes, and pickup locations.

▶ DX Strategy □□ Page 48

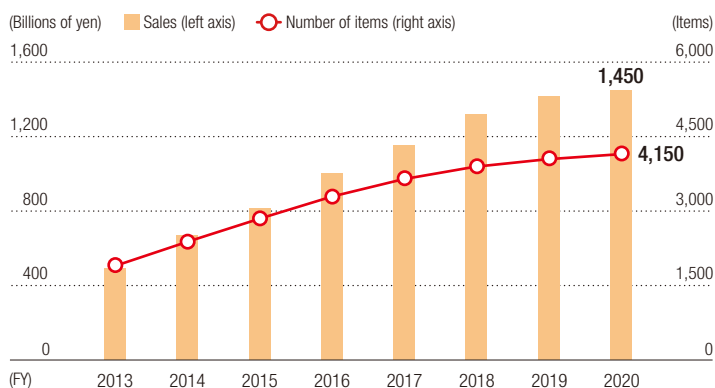
## 3. Seven Premium initiatives

*Seven Premium* was created in 2007 as the Group's own private brand (PB) series of products with high quality in terms of taste, safety, and peace of mind. In the process, we dispelled the price-driven image of PBs that prevailed in the past. In addition, by grasping the changes of the times—such as the decreasing birthrate and aging population, the increasing number of working women, and growing consciousness about health and environmental issues—we have proposed new levels of value to leading manufacturers in Japan and overseas,

together creating a new concept for PBs.

In 2017, the 10th anniversary of *Seven Premium*, we reorganized our diverse PB lines into five brands: *Seven Premium*, *Seven Premium Gold*, *Seven Premium Lifestyle* (daily necessities and apparel), *Seven Premium Fresh* (fresh foods), and *SEVEN CAFÉ*. We also started selling those brands at Group stores across multiple formats, including 7-Eleven, Ito-Yokado, York-Benimaru, York Mart, and Sogo & Seibu.

### Seven Premium sales and item quantity



Our *Seven Premium* brands continue to grow, numbering 4,150 items and generating sales of ¥1,450 billion in fiscal 2020.

**PB items with annual sales of more than ¥1 billion (fiscal 2020)**

Daily food products <b>185 items</b>	Beverages and alcohol <b>53 items</b>	Confectionery <b>26 items</b>	Processed food and sundries <b>26 items</b>	<b>Total</b> <b>290 items</b> (Up 16 from previous fiscal year)
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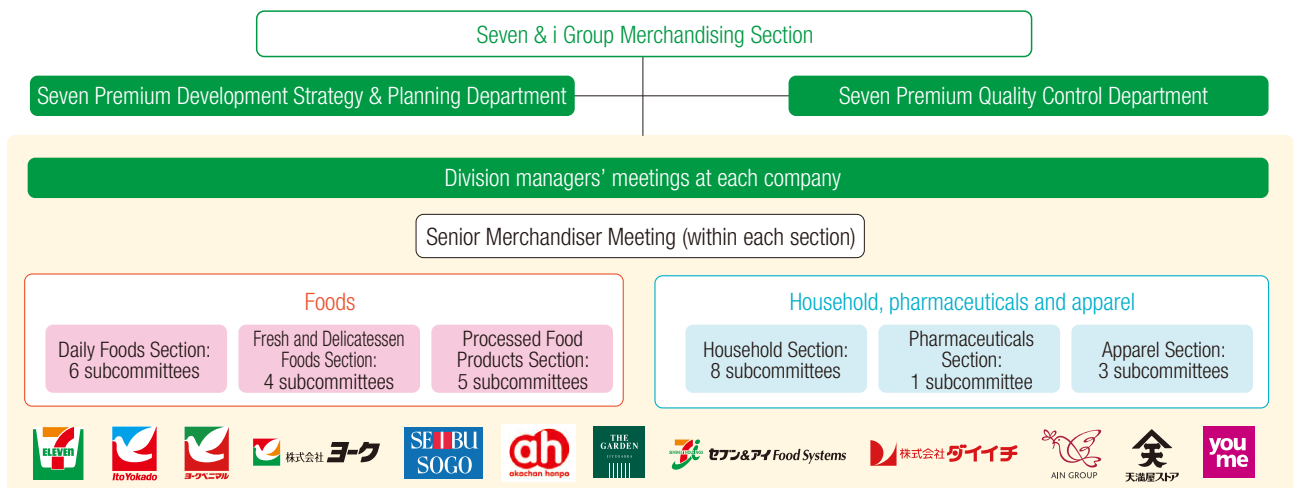
**Development system**

*Seven Premium* is based on an original product development method called Team Merchandising, which was cultivated at SEVEN-ELEVEN JAPAN. This method brings together the product knowledge and development know-how of Ito-Yokado, York-Benimaru, and other Group companies and leverages the strong management resources of the Group's diverse businesses.

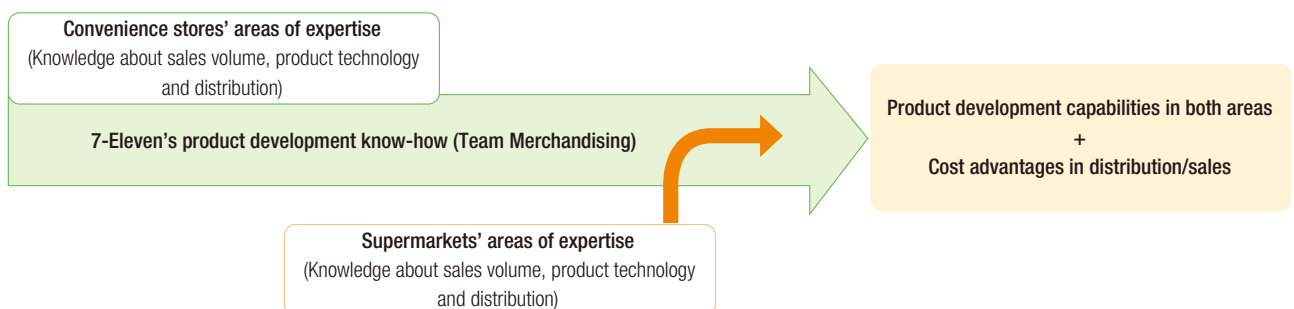
In response to various social changes, such as increasing numbers of single-person households and working women, as

well as an aging population, we have engaged in product development that transcends the boundaries of different operating companies. This has produced new consumer patterns, typified by the trend to buy dinner side dishes at the nearest convenience store.

The Group's convenience stores and supermarkets share each other's strengths and create synergies by taking the lead in product development in their respective fields of expertise.



**Product development capabilities and cost advantages leveraging synergies**



## Formulated in May 2020 *Seven Premium Connect Declaration*

People's values and lifestyles are evolving amid changes in the social environment, including the aging population, decreasing number of households, and increasing number of two-income households. Among other factors, a series of large-scale natural disasters and the spread of COVID-19 infections have heightened interest in the environment and health.

From an early stage, we have taken steps to make *Seven Premium* a brand that customers can buy with confidence and trust, including steps such as putting the name of the manufacturer on products before being legally required to do so. To achieve a sustainable society in such areas as health and the environment, the Group decided it needed to redefine "value created by *Seven Premium*" from a medium- to long-term perspective. The guiding principle behind this decision was the founding philosophy of "Trust and Sincerity," embraced by Ito-Yokado, which celebrated its 100th anniversary in 2020.

Since its founding, Ito-Yokado has responded to customer needs with products and services while actively pursuing activities that contribute to safety, security, and environmental protection. In the process, it has passed on

the prosperity of all stakeholders, including customers, local communities, and business partners, to the next generation for a more secure future.

To further deepen this connection, in May 2020, the Group formulated its "*Seven Premium Connect Declaration*," which consists of four pillars of new value creation for the *Seven Premium* brand: **eco-friendliness, health-consciousness, high-quality products, and global compatibility.**

We will connect these four values, which resonate strongly with the times, to every product we make. These values will then connect us to our customers and other stakeholders around the world—and connect them to the future as well.

This declaration expresses the Group's intention to continue to deepen contact with customers through the *Seven Premium* brand, while sharing prosperity and happiness and connecting with people around the world.



## Eco-friendliness

### Passing on our efforts addressing environmental issues to the next generation

The Group is accelerating efforts for the next generation under its 『GREEN CHALLENGE 2050』 environmental declaration. Among *Seven Premium* products, we have realized the world's first beverage containers made from 100% recycled plastic bottles, and in the apparel field we have developed original innerwear made from recycled plastic bottles.



## Health-consciousness

### Passing on healthy minds and bodies to tomorrow

At *Seven Premium*, we are developing a large number of health-themed products. We also indicate on packaging labels the presence or absence of all 27 allergens recognized in Japan, including quasi-specified allergens for which labeling is not mandated. Since 2019, moreover, we have sought to develop and label products that are more closely attuned to the daily lives of our customers by, for example, specifying sodium levels as “salt equivalent” and separating carbohydrates into “sugar” and “dietary fiber.”



Nutritional information (potato salad)

栄養成分表示:1袋100g当たり  
エネルギー 171kcal/たんぱく質 2.8g/  
脂質 11.8g/炭水化物 14.2g(糖質  
12.6g/食物繊維 1.6g)/食塩相当量 0.9g  
(サンプル品分析による推定値)

## High-quality products

### Passing on the taste and quality of specialty stores to your daily dining table

The exceptional taste and quality of *Seven Premium* food are the result of Team Merchandising, through which we develop and make products in collaboration with business partners possessing advanced technologies and know-how in all processes related to product creation, from product development to raw materials procurement, processing, production, and packaging.

In 2010, we launched the *Seven Premium Gold* brand, which offers an even higher level of quality. Here, we use top-quality raw materials and make products with advanced technologies to bring richness to the dinner table.



## Global compatibility

### Passing on the spirit of Japanese manufacturing to customers around the world

We currently sell many *Seven Premium* products, including confectionery, processed foods, and miscellaneous goods at Group stores in China, Hong Kong, Macau, Taiwan, and Singapore. We have modified the visual appearance of the packaging by enlarging the English wording to make it easier for overseas customers to understand the contents. Thinking from the sales perspective, however, we retain the original Japanese package designs to highlight the appeal of Japanese quality, thereby ensuring that our products are well received by customers.



# Large-Scale Commercial Base Strategy

[ CGC Principle 3.1 (i) ]

Amid dramatic changes in customer purchasing behavior, we need to further accelerate structural reforms in our superstore and department store operations, which take place in large-scale commercial facilities. As part of these reforms, we will reassess our existing store network while identifying prime locations. At the same time, we will pursue a growth strategy of fully deploying the strengths we have developed to promote structural reform of stores.

## Store structural reform

In our store structural reform, we conduct rigorous analyses of the commercial areas surrounding each store and review product mixes and floor layouts based on those analyses. At Ito-Yokado, we are developing sales spaces with displays of life scenarios that people will easily recognize while promoting merchandising strategies and tenant expansion according to new evolving lifestyles.

These efforts, which reflect the growing need for one-stop shopping in the COVID-19 world, have increased the capability to attract customers and improved profitability.

At Sogo & Seibu, meanwhile, we have welcomed specialty store tenants and restructured our sales floors, achieving the increased capability to attract customers and other successes. Here, we are taking full advantage of our exceptional assets, namely, prime store locations, a network of business partners cultivated over the years, and our ability to address customer needs. Building on these successes, we will continue to create facilities that meet community needs and accelerate restructuring at all our stores.

## Specific strategy initiatives

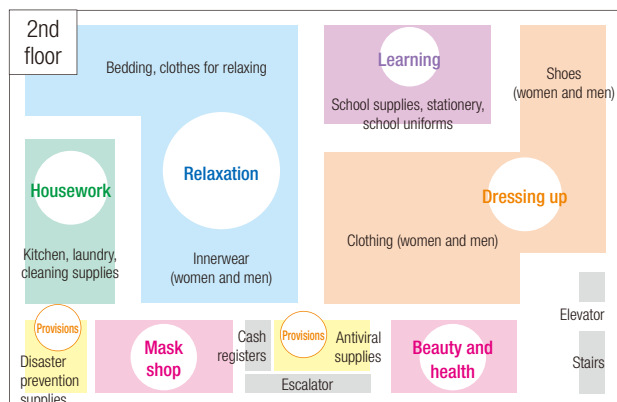
### Store layout that reflects new values (Ito-Yokado Tama Plaza store)

In September 2020, Ito-Yokado remodeled its Tama Plaza store to make it more accessible for local customers, creating the first Ito-Yokado store to provide a sales environment matched to new customer lifestyles. Ito-Yokado will continue to support the enjoyable and affluent lives of customers by providing store layouts that reflect new values.

### SEIBU Tokorozawa S.C. (Sogo & Seibu)

In November 2019, Sogo & Seibu opened its revamped SEIBU Tokorozawa store as a new “hybrid shopping center” that combines a department store with specialty stores. In addition to directly operated sales spaces (for cosmetics, gifts, food, and the like) that leverage the strengths of department stores for customer service, we have introduced prominent large-scale specialty stores that cater to local lifestyles and sell such items as home appliances and household goods.

#### Second-floor layout of Ito-Yokado Tama Plaza store



# Financial Strategy

[ CGC Principle 3.1 (i) ]

Conditions in the financial services sector are changing dramatically amid advances in digitalization, the emphasis on cashless transactions in the public and private sectors, and the emergence of diverse payment methods. Against this backdrop, the Group intends to strengthen its unique financial services by combining its store network—the largest in Japan—with Seven Bank's network of over 25,000 ATMs and the cashless networks of *nanaco*, SEVEN CARD, and other services.



## Specific strategy initiatives

### More convenient payment services

For some time, the Group has met customer needs by providing various payment services, including *nanaco*, credit cards, QR code, and other electronic money services. In June 2020, 7-Eleven stores nationwide began accepting contactless payment services, including those for credit cards. We will gradually expand such services to other Group stores to provide more convenient shopping environments.

### Enhancing our financial product lineup

As customers' needs for financial products and services diversify, we will expand our offerings to include asset management and insurance, with the aim of providing safe, secure, and user-friendly financial services.

To develop this new product lineup, we are actively collaborating with venture companies and others to acquire new knowledge and ensure quick responses.

### Expanding our ATM services

The Group is working to expand services that take advantage of the unique strengths of Seven Bank's ATMs, which offer physical touchpoints familiar to customers.

In addition to existing deposit and withdrawal services, we are expanding into new cash services, such as money charging for electronic money and QR code payment services, as well as an ATM receipt service that gives customers access to cash without using an account. We are also introducing services that do not involve cash, including ones that support My Number Card (for Myna Point applications).



## DX initiatives to support our financial strategy

We are working to develop a common Groupwide data analysis platform that allows customers to use the Group's network to conveniently access our services. With the Group's common customer ID (7iD) and the understanding of our customers, we

will promote the coordination and mutual utilization of retail and financial data within the Group. We will also study ways to further improve the convenience of smartphone payments.

# DX Strategy

[ CGC Principle 3.1 (i) ]

## 1. Expanding customer contact points

Recent times have seen the emergence of the so-called “new normal” lifestyle, as people become more aware of the need to counter and respond to COVID-19. In this context, digital transformation (DX) has become an urgent issue for society as a whole, and the retail industry is no exception.

The Group operates approximately 22,500 stores in Japan, which serve more than 25 million customers daily. We also bring together a wide variety of business formats, including convenience stores, superstores, department stores, specialty stores, and financial services.

By integrating the “physical” and “digital” aspects of the Group’s various business infrastructures—including the store network, logistics infrastructure, and item-specific Point of Sale (POS) information—we will create and provide new products and services that reflect the changing values and behavior of customers impacted by COVID-19. Our aim is to provide rich life experiences for our customers.

To accelerate DX in the Group, we formulated our Group DX

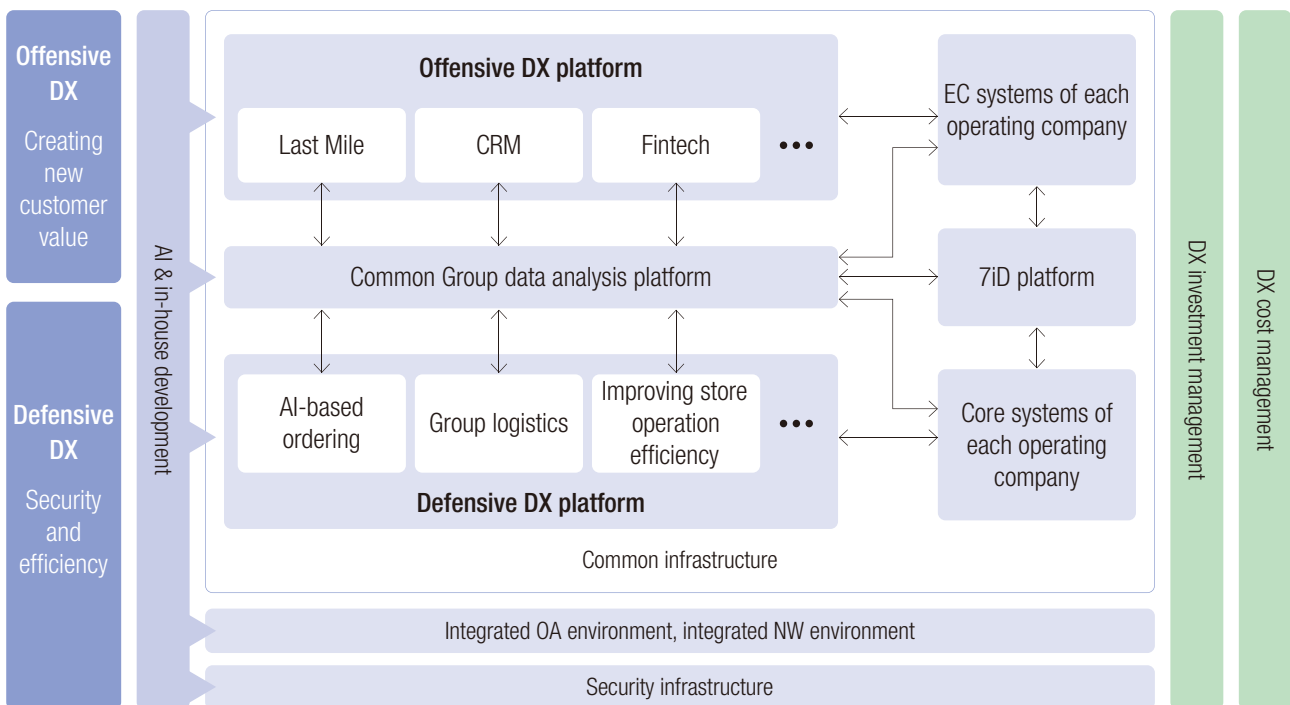
Strategy Map for 2020. This covers common DX measures to be implemented across the entire Group and embodies our shared vision for the Group as a whole.

The Group DX Strategy Map is divided into two major areas: “defensive DX” and “offensive DX.” Defensive DX focuses on security and efficiency, while offensive DX concentrates on creating new customer value, for which we will implement various measures through AI and in-house development.

Defensive DX is a strategy for protecting the Group. For example, it aims to build a common infrastructure that supports the business systems of every operating company, reduce Groupwide costs, and uniformly strengthen security within the Group.

Offensive DX aims to accelerate the business growth of every operating company, generate Group synergies, and create new customer value. In this section, we explain one of our DX initiatives, the “Last Mile DX Platform.”

### Group DX Strategy Map





## 2. Defensive DX: Building a security system

Following is a look at the conventional product making that the Group has undertaken to date. In this business, no matter how delicious and competitively priced a food item is, it cannot be offered as a product if it is lacking in safety and security. In the same way, digital services must meet sufficient standards of security and convenience as a matter of course. In July 2019, an incident occurred involving unauthorized access to some

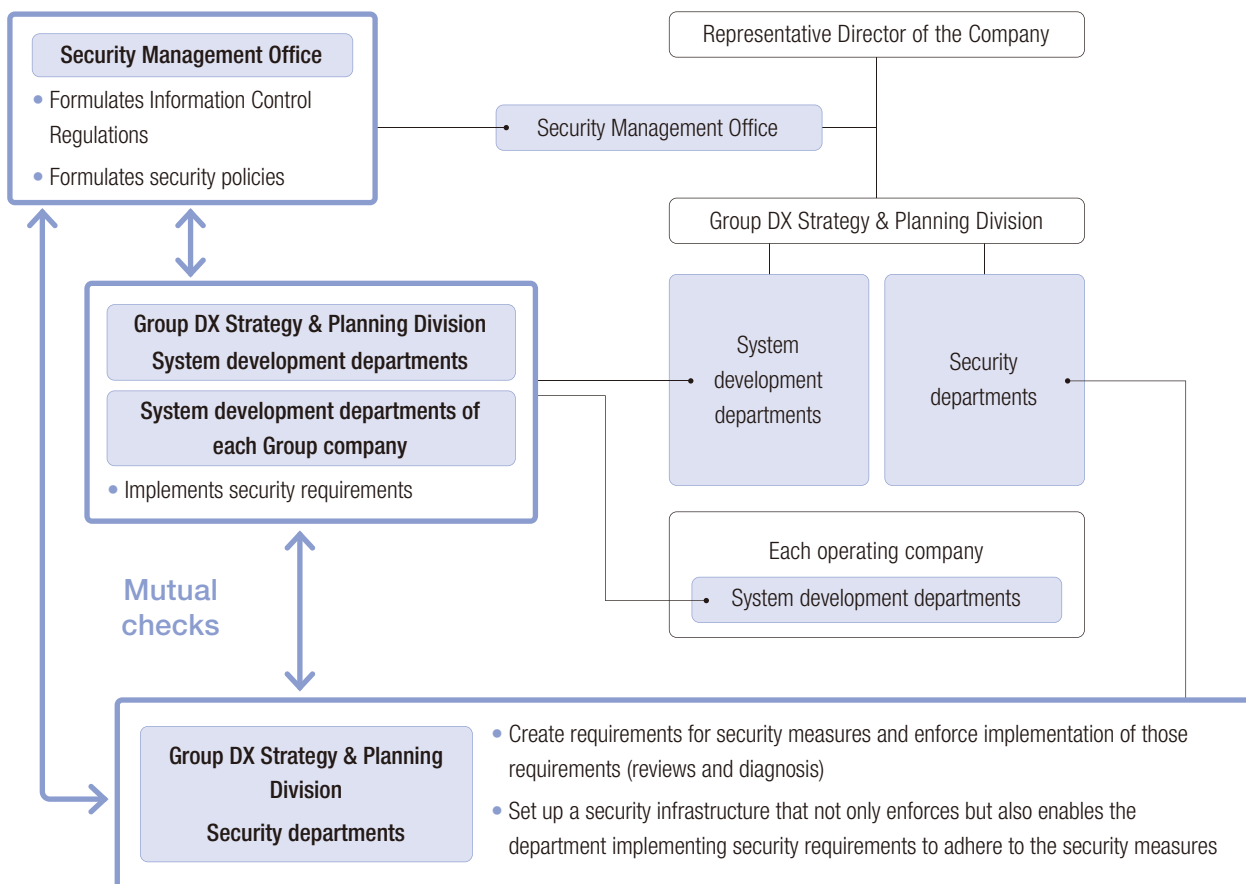
accounts of our 7pay service. We take this matter very seriously and are fortifying our security systems accordingly. Measures taken include making the security departments the foundation of our DX strategy by properly separating them from the systems departments, as well as rigorously establishing and enforcing regulations.

### Measures to prevent recurrence

#### ● Separation of security functions

We established the Security Management Office as a specialized department to supervise the Group's security measures. The security departments that were previously part of the systems departments were separated and placed under the direct control of the Representative Director.

We also separated our security functions into three organizations, each of which fulfills its own role and mutually checks the actions of the others, thus creating a framework for enhancing security.

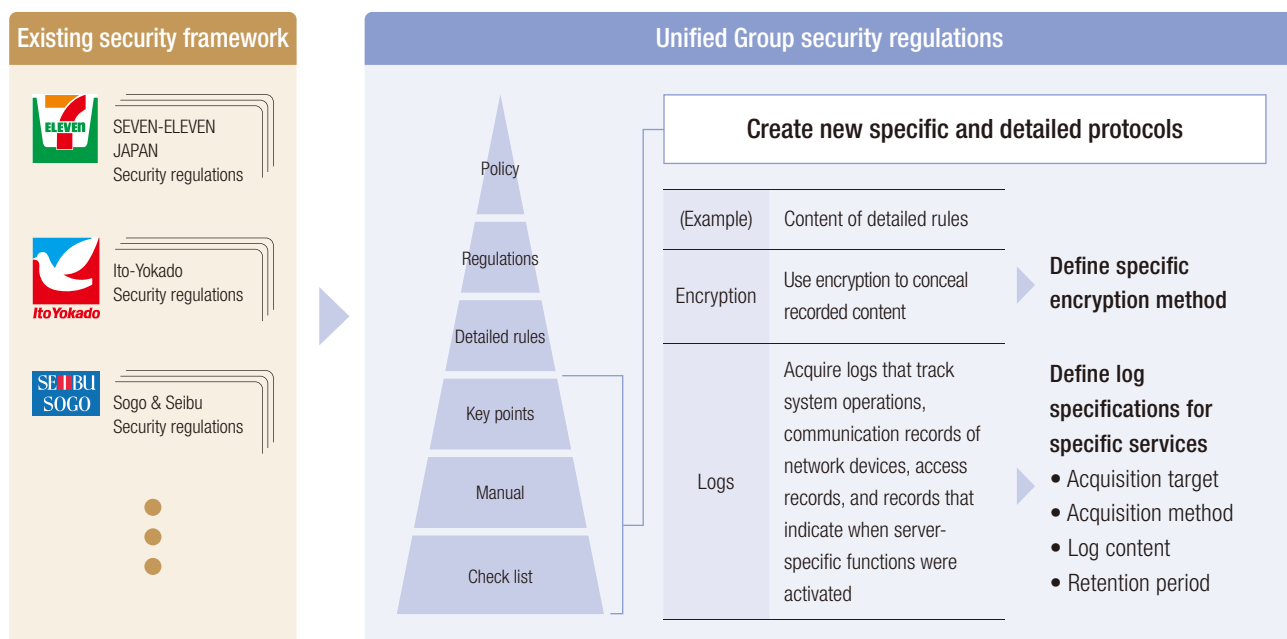


**● Painstaking establishment and enforcement of regulations**

We renewed security policies, regulations (including guidelines), and guidelines related to system development, and defined the rules to be followed in detailed and concrete terms. We are also strengthening our security incident prevention, detection, and recovery capabilities by establishing a monitoring system

to check whether protocols are being fully implemented, and we are expanding the functions of that system.

In addition, by applying this system to every Group operating company, we will eliminate differences between companies and realize Groupwide governance of security systems.



**3. Offensive DX: Last Mile initiatives**

**Last Mile challenges**

The Group’s e-commerce businesses include 7-Eleven online convenience store, Ito-Yokado online supermarket, and Seven-Meal (delivery service of 7-Eleven). In the past, we focused on finding optimal solutions to enhance delivery efficiency in these businesses. Because deliveries were outsourced to delivery companies, however, we were unable to fully visualize and utilize delivery-related data as a Group. In addition, each operating company selected its own delivery vendor, leading to inconsistent service levels between companies. Moreover, the companies did not share logistics information with each other.

To overcome this situation, we launched our Last Mile DX Project and began investigating. The project has two key

elements. One is our “delivery resource,” meaning physical vehicles and their drivers. The other is “AI-based delivery control,” aimed at optimizing the four key aspects of delivery services: (1) vehicles and drivers, (2) delivery charges, (3) delivery routes, and (4) pickup locations.

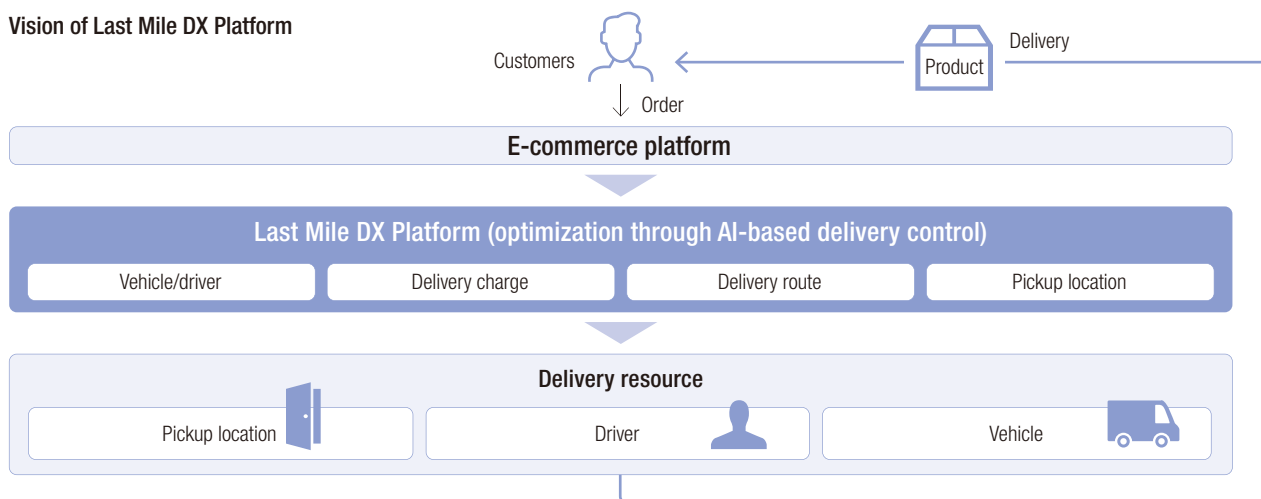
With respect to “delivery resources,” we have decided to consider outsourcing as a precondition. By contrast, we have positioned “AI-based delivery control” as a valuable source of the Group’s competitiveness and will build it into a platform common to the Group.

Our ultimate goal is to deliver products to customers by optimizing the four above-mentioned aspects—vehicles and

drivers, delivery charges, delivery routes, and pickup locations—while combining our delivery resources with the

Last Mile DX Platform linked to our e-commerce platforms.

### Vision of Last Mile DX Platform



### Realizing our Last Mile initiatives

In developing our Last Mile DX Platform, we have positioned AI-based delivery control, which optimizes the four above-mentioned aspects of delivery services, as the source of our competitiveness, and we decided to develop this in-house rather than outsource it to IT vendors. The platform is being jointly developed by our AI development departments and agile development departments in our Group DX Strategy & Planning Division. For each of the four aspects targeted for optimization, we will conduct data analysis and proof of concept (PoC), build AI models, and install the applications. We will then take steps to create an application programming interface (API) and adopt agile development methods to resolve issues that regularly arise.

We are also working with SEVEN-ELEVEN JAPAN, Seven & i Food Systems (which operates Denny’s), Ito-Yokado, and other Group companies to develop the platform.

Currently we are in the first phase of development and are conducting PoCs for 7-Eleven online convenience store at physical 7-Eleven stores in Japan, which places us on a virtuous cycle of data collection, development, and utilization. The delivery service covers around 3,000 items, including food and daily necessities, sold at 7-Eleven stores in Japan, with

orders accepted via a dedicated website. When we launched the service, we delivered in as little as two hours from order placement, but now we can deliver in as little as 30 minutes. 7-Eleven online convenience store service will be available via 1,000 stores, mainly in Tokyo, by the end of fiscal 2022, and will be gradually expanded from fiscal 2023 onward.

In addition, Denny’s (operated by Seven & i Food Systems) started a PoC in November 2020, and Ito-Yokado is planning to expand its online supermarket service by incorporating its cultivated know-how. Moreover, some of our department stores plan to introduce delivery services from their basement food sections.

As described above, we will take full advantage of our Last Mile DX Platform to deliver the Group’s products to customers in an optimal manner.

- ▶ Please see the following pages for specific initiatives.
- 7-Eleven online convenience store [□□ Page 28](#)
- Ito-Yokado online supermarket [□□ Page 41](#)
- Denny’s home delivery service [□□ Page 42](#)

#### 4. Organization and human resources to promote the Group DX

To promote our Group DX initiatives, we have positioned the Group DX Strategy & Planning Division directly under the control of the Representative Director in order to speed up decision-making and directly incorporate the intentions of management.

One feature of the Group DX Strategy & Planning Division is its focus on recruiting, training, and retaining engineers in its engineering-related departments: the Security Infrastructure Department, the IT Infrastructure Department, and the IT Solution

Department. In our IT Strategy & Planning Department, we have appointed a human resources manager specializing in the hiring of engineers. We are also strengthening our engineering staff by hiring human resources based on standards that differ from those of our retail business departments, and educating and training them as engineers, as well as by modifying our systems to ensure that engineers are retained.

##### For defensive DX

From the perspective of defensive DX, we are increasing the number of personnel with expertise and experience in security in an ongoing effort to establish specific protocols for prevention, detection, and recovery in our security measures. We will continue to reinforce the system to ensure prompt countermeasures against cyberattacks, which will become more sophisticated in the future.

We recognize that the protection of personal information entrusted to us by our customers is one of the most important social responsibilities of our business activities. With this in mind, we have established a management system to ensure that the importance of security is instilled throughout the Group through education and training of all executives and employees.

##### For offensive DX

From the perspective of offensive DX, we launched the new AI Human Resources Development Program for employees. Specifically, after self-learning the programming language as a preliminary task, the participants take part in classroom lectures and exercises conducted by external instructors. Using demand forecasting as a sample, they gain an understanding of the mechanisms involved, data used, and characteristics, then

program their own demand forecasting models using machine learning, deep learning, and other technologies.

Looking ahead, we will consider initiatives to provide learning opportunities suited to each target group. By providing ongoing learning opportunities, we hope to raise the Group's DX-related capabilities.

##### Further expanding customer contact points

In this way, we will improve and strengthen our organization and human resources from the perspectives of defensive and offensive DX while pursuing collaborations and synergies between our Group DX Strategy & Planning Division, which spearheads our DX initiatives, and each operating company.

Here, our aim is to further expand customer contact points and implement each of the Group's strategies and measures.



# Message from General Manager of the Corporate Finance & Accounting Division [ CGC Principle 3.1 (i) ]

## Yoshimichi Maruyama

Director and 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, Executive Officer and General Manager of the Corporate Finance & Accounting Division in March 2018, then Director and Executive Officer, General Manager of the Corporate Finance & Accounting Division in May 2020.



**We aim to increase returns (profits) that exceed the cost of capital and improve our ability to generate cash flow, in order to sustainably increase our corporate value.**

### Toward sustainable growth

The operating environment surrounding the retail industry, where the Seven & i Group conducts most of its business, is undergoing major changes. Customer needs and the social environment are changing more rapidly due to the global COVID-19 pandemic. These trends highlight the importance of embracing digitalization and drastically reforming our business models and store strategies.

In addition, to realize a sustainable society, we will contribute

to the creation of sustainable systems by allocating at least 5% of our total investments (excluding strategic investments) to reducing environmental impacts.

From a financial standpoint, we will strengthen our systems to make the returns on our medium- to long-term investments more visible and facilitate timely and accurate management decisions.

## Basic strategy for capital policy

To increase corporate value and achieve sustainable growth over the medium to long term, we aim to “increase capital efficiency” and “enhance cash flow generation” while ensuring “financial soundness.”

With respect to ensuring “financial soundness,” we aim to maintain a sound financial structure that enables us to invest aggressively in growth businesses, as well as in new businesses with medium- to long-term potential, and we view the debt/EBITDA multiple as a key indicator in this regard.

As for “increasing capital efficiency,” we use ROE as a key indicator and strive to consistently achieve ROE that exceeds the cost of shareholders’ equity. Specifically, from a medium- to long-term perspective, we will increase return on invested capital (ROIC, “invested capital” meaning “owned capital + interest-bearing debt”) by investing in both growth and new

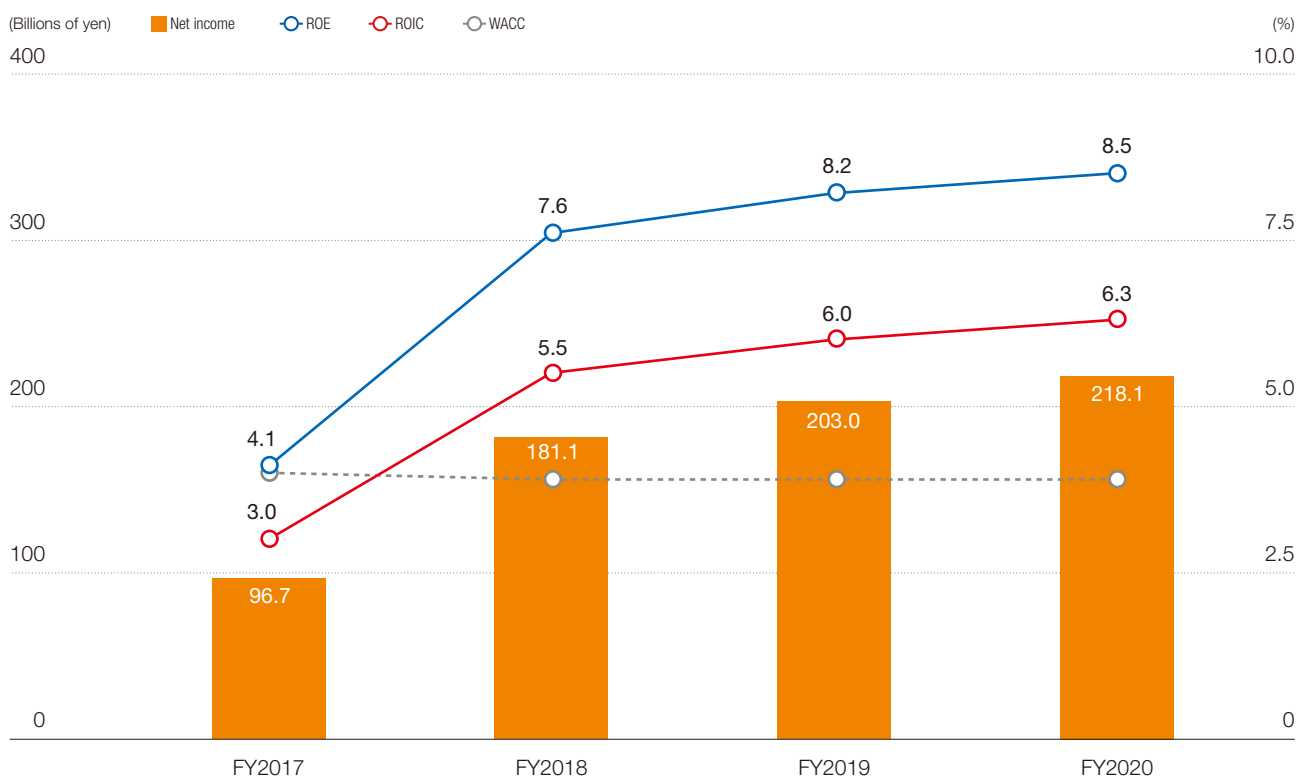
businesses, while simultaneously reducing the weighted average cost of capital (WACC) from an optimal capital structure standpoint. Through these efforts, we aim to widen the ROIC spread (difference between ROIC and WACC).

In terms of “enhancing cash flow generation,” we will work toward increasing operating cash flows by improving capital efficiency and optimizing capital allocation.

Regarding strategic investments, including M&As, we will allocate capital optimally on the basis of the Group’s strategy and expected investment return, with the aim of improving corporate value over the medium to long term.

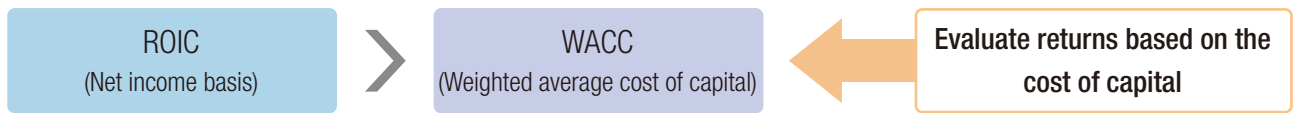
As for shareholder returns, we will adopt a flexible approach—taking into account free cash flow, stock price, and other factors—with a focus on increasing dividends per share in a stable and continuous manner.

### Consolidated ROE & ROIC



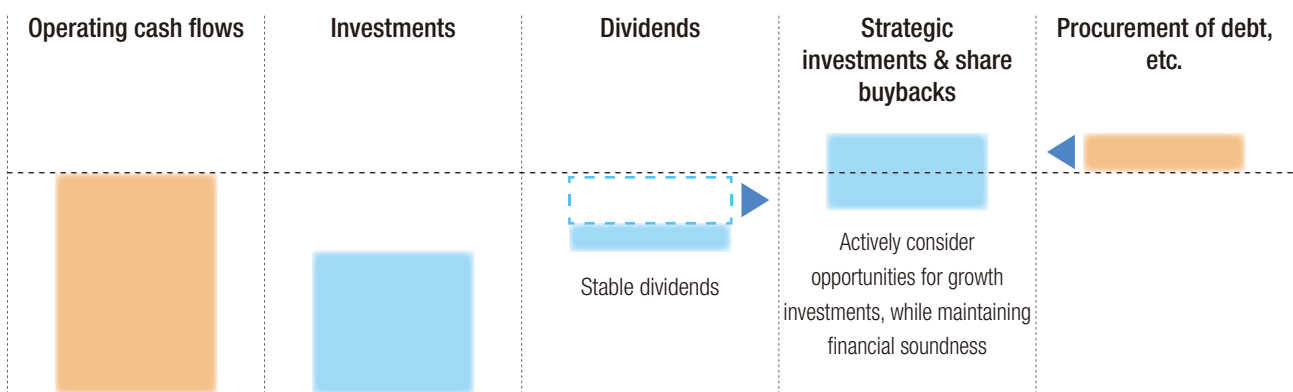
**Basic framework for capital policy**

(1) Enhance returns (ROIC) relative to the cost of invested capital (owned capital + interest-bearing debt) (WACC), i.e., increase the ROIC spread over the medium to long term



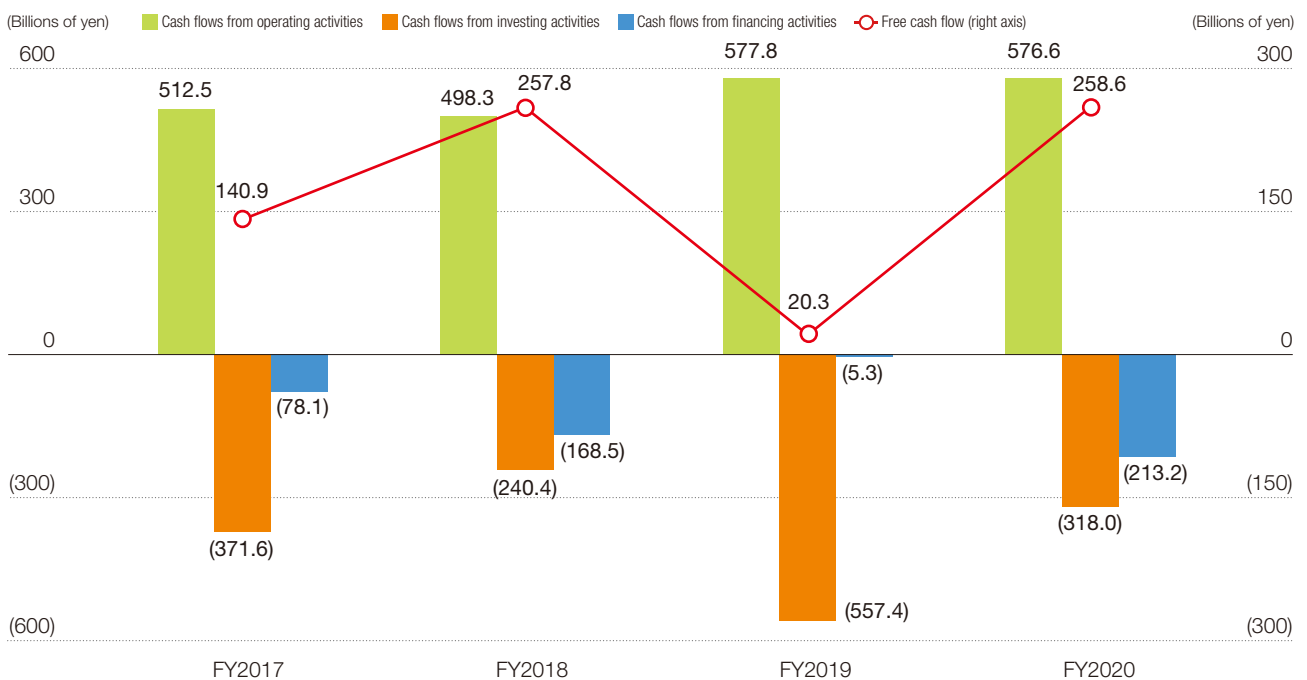
(2) Prioritize allocation of funds to investments and shareholder returns, and enhance the capability to generate operating cash flows

(3) Ensure discipline from the perspective of financial soundness in determining how to manage growth strategy investments, particularly M&As, with the balance sheet



Note: In consideration of factors such as the recording of special losses, the numerator of ROIC needs to be calculated and managed on a net income basis to achieve the ROE target. Moreover, given that WACC includes costs for interest-bearing debt, ROIC has been adjusted by adding after-tax interest expenses to the numerator of ROIC.

**Consolidated cash flows**



# Human Resources Development Initiatives

[ CGC Principle 3.1 (i) ]

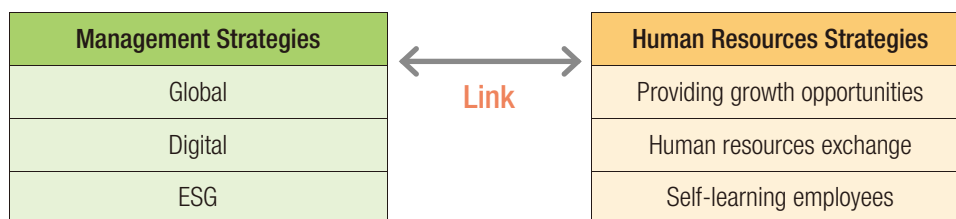
The Group considers its employees to be “human resources”—important assets that support the improvement of corporate value. We are working to create organizations in which both the companies and their employees can grow together. With a shrinking labor force caused by a low birthrate and an aging population, Japan is facing serious social challenges, and the retail sector too must urgently address labor shortages. We believe that creating work environments in which a diverse range of human resources can demonstrate their abilities with enthusiasm, feel motivated to work, and develop their careers autonomously will not only improve the productivity of our business activities, but will also help us secure excellent human resources.

## Strengthening the links between management and human resources strategies

The Group believes that addressing “global,” “digital,” and “ESG” issues is essential to its management strategies in order to sustainably enhance its corporate value. In order to promote these initiatives, we will advance human resources exchange

within the Group, support the acquisition of advanced knowledge and skills, and provide opportunities for autonomous learning and other efforts, to develop professional human resources.

Future Group Human Resources Strategies



## Human resources development system

### Strengthening a system centered on the Human Resources Development Department

In August 2020, we separated the education functions of the Personnel Planning Department to establish the Human Resources Development Department to promote the Group’s skills and human resources development.

We will work to establish our human resources development system, in order to support the development of the skills and autonomous learning of each employee who is responsible for value creation.

### Expansion of the Ito Training Center for sharing philosophy and supporting independent growth

The Group strives to enhance its training and education programs in order to support the growth of all employees.

In 2012, we opened the Ito Training Center with the aim of passing on our founding philosophy and training on knowledge and skills.

The Center is an important place to experience the founding spirit and share the Group’s philosophy and initiatives, and has been used by a total of more than 400,000 employees

to date as a base for nurturing the next generation of human resources.

In 2020, the building underwent a major renovation to enable it to accommodate new educational programs.

The historical materials room is now equipped with digital signage, making it an



Newly installed tiered seating



“easy to see and understand” place for learning. In the training rooms, we are working to create environments in which employees can actively learn by installing tiered seating to

accommodate free and dynamic training regardless of their styles, as well as introducing remote cameras and tablets for comfortable online training.

### Enhancing the historical materials room to consider the future of the Group from its founding philosophy



At the entrance to the historical materials room is a reproduction of a Yokado store from around 1950.

One of the main facilities of the Ito Training Center is the historical materials room. Our corporate creed of “Trust and Sincerity,” the cornerstone of our growth, lies at the heart of our management philosophy. As a place to pass on the philosophy of the Group, the historical materials room consists of five exhibition zones, including the founding years of Ito-Yokado, the history of the Group, the innovations of 7-Eleven stores, Group synergies, and special exhibitions that examine the future. It offers programs that allow visitors to learn firsthand about the significance of responding to change and taking on challenges, as well as a philosophy that has not wavered over time.



### Expansion of opportunities for training on knowledge and skills

The facility is fully equipped with a training room that can be connected to accommodate up to about 500 people, skills rooms for learning fresh food processing, cooking, display, cash register, and other skills, accommodation facilities to support training, a restaurant, and a library. In addition to training, the facility is widely used for conferences and contests.



Technical contest

### Reform work styles to improve productivity

Individual lifestyles and values are diversifying. 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.

In order to promote these efforts, the Group has introduced systems that allow for diverse work styles, and in addition to

collaboration among the personnel departments of Group companies, we formed the Work-Style Reform Project in 2017 to continue cross-divisional efforts. We are also working on further reforms in cooperation with the Diversity & Inclusion Promotion Project.

▶ Diversity & Inclusion Promotion Project

📖 Page 78

# Message from General Manager of the Corporate Development Division

**We will continue to transform our Group management by carefully listening to the voices of our stakeholders.**



## **Junro Ito**

Director and Managing Executive Officer

Joined SEVEN-ELEVEN JAPAN CO., LTD., in 1990. Appointed Director of the company in 2002 and Director of Seven & i Holdings Co., Ltd. in 2009. Has served as Director and Managing Executive Officer, Head of the Corporate Development Office since 2016 (General Manager of the Corporate Development Division since 2018).

We would like to express our sincere gratitude for your continued support of the Group.

We have learned many lessons through dialogue with various stakeholders, and we intend to apply those lessons to management decisions. The Corporate Development Division, which I head, sincerely accepts opinions and suggestions from investors and other stakeholders, and applies them to the Group's risk management, corporate governance, and investor communications, with the aim of further improving the accuracy of management decision-making. In this message, I will describe our basic approach to Group management and the organizational innovations that have emerged from our dialogue with stakeholders.

### **Targeting growth rooted in society from multiple perspectives (“insect’s view, bird’s view, fish’s view”)**

We are committed to achieving the growth of the Group in unison with the sustainable growth of society. In 2011, I took charge of the Group's CSR promotion activities and worked to identify the Group's material issues with an emphasis on social sustainability. Through these experiences, I came to the strong realization that companies are members of society and Earth, and that corporate management and the pursuit of sustainability are one and the same. To deeply engage with society and achieve sustainable growth for the Group, I believe it is necessary to embrace three perspectives: an “insect’s view” to meticulously address events that occur daily, a “bird’s view” to view society as a whole from the perspective of total optimization, and a “fish’s view” to read and address the tides of change. As we respond to the recent global outbreak of COVID-19, the importance of these perspectives has strongly resonated with me.

The Group's major operating companies hold meetings for responding to COVID-19 to collect front-line information daily and solve problems. At Seven & i Holdings, we also hold response meetings to deal with problems while coordinating

daily with operating companies. Thanks to these initiatives, we have received valuable feedback from operating companies, including this comment: “In addition to addressing COVID-19, we are now able to simultaneously share information on workplace conditions and issues with all departments, and quickly respond to events in workplaces in a way that transcends organizational boundaries.” Through continuous dialogue, I feel that the Group is now responding in a manner that reflects changes in social conditions from multiple perspectives, namely, “an insect’s view, a bird’s view, and a fish’s view.” I am convinced that having these multiple perspectives will enrich our dialogue with society and create a solid foundation for the Group's risk management and governance rooted in society.

### **Honestly pursuing our purpose with “Trust and Sincerity” at the core of business**

Any consideration of sustainability must include ESG (environmental, social, governance) initiatives. With this in mind, in 2019, we announced our environmental declaration, 『GREEN CHALLENGE 2050』, which sets quantitative targets for four issues closely related to the Group's operations. We have since launched specific initiatives, making good progress with environment-related discussions and verifications using objective numbers. On the other hand, social and governance issues are difficult to quantify. Therefore, we must maintain a continuous cycle of repeated discussion, implementation, results analysis, and correction to point the Group in the right direction. At the very foundation of such discussion, we believe it is important to keep asking ourselves about our purpose. In other words, “Why are we in business?” Of course, since the Group engages in many types of businesses, speaking about a single purpose is impossible. If we drill down to the purpose of each business, however, I am convinced that we can draw a concrete image of the purpose of that business. I believe that the key to the Group's



## Message from General Manager of the Corporate Development Division

branding is for each operating company to honestly hone its own image, and that our role at Seven & i Holdings is to serve as a hub to support the efforts of the operating companies.

Acting with honesty is an integral part of the Group's corporate culture. "Trust and Sincerity," our Corporate Creed and the spirit of our founding, are the fundamental values that govern all activities of the Group. We also have a set of conduct rules based on the principle "Responding to Change while Strengthening Fundamentals." Following this principle, we are

developing the habit of always considering both what should change and what should not change in our work approach.

Building on our corporate culture, which has been cultivated by many predecessors, we established the meetings for responding to COVID-19 and other forums for honest discussion that has led to successful outcomes. In our ESG efforts as well, I believe we can achieve tangible results by engaging in frank and repeated discussion based on the purpose of the Group's business.

### Environmental Declaration: 『GREEN CHALLENGE 2050』

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

We will strive to further reduce CO<sub>2</sub> emissions by promoting energy saving and expanding the use of renewable energy sources, including LED lighting, solar panels, and storage batteries.

#### Emissions from the Group store operations (compared with FY2014)

Targets for 2030: 30% reduction	2050 Vision: Net zero
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#### Measures against plastic

We will strive to reduce the environmental impact of containers and packaging that become waste after use of products by using recycled and biodegradable materials as raw materials.

#### Use of plastic shopping bags

Targets for 2030: Zero	Aim to use sustainable and natural materials such as paper for the shopping bags we use
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#### Containers used for original products (including *Seven Premium* products)

#### Numerical targets for using biomass, biodegradable materials, recycled materials, paper, etc.

Targets for 2030: 50%	2050 Vision: 100%
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#### Measures against food loss/waste and for organic waste recycling

Through control at source, reuse, and conversion to animal feed and fertilizers, we will work to reduce loss and waste from discarded food that could have been eaten.

#### Food loss/waste Basic unit of generation: waste generated per million yen in sales (compared with FY2014)

Targets for 2030: 50% reduction	2050 Vision: 75% reduction
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#### Organic waste recycling rate

Targets for 2030: 70%	2050 Vision: 100%
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#### Sustainable procurement

To ensure sustainable use of natural resources for future generations, we will strive to use raw food ingredients guaranteed to be sustainable.

#### Raw food ingredients used in original products (including *Seven Premium* products)

#### Numerical targets for using raw food ingredients with guaranteed sustainability

Targets for 2030: 50%	2050 Vision: 100%
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## **Focusing on global changes happening now**

Let's delve a little deeper into our purpose. If we view our business front lines at the micro level—as through the view of an insect—we can effectively address the needs of our customers. Looking from a broader overall business perspective, we can identify parallels with social issues. The Group's operating companies engage in multiple businesses, and many of their initiatives to date have involved the resolution of social issues. Our 7-Eleven business, for example, began with the goals of “modernizing and revitalizing small- and medium-sized retail stores while promoting co-existence and co-prosperity.” To these ends, we embraced the challenge of addressing all kinds of issues in the retail industry, including merchandising (MD), commercial distribution, and logistics, and we created new mechanisms. As a result, I believe that 7-Eleven has played a role in the survival of local small- and medium-sized retailers, even as the overall number remains on a long-term decline. As times change, moreover, we have been able to open familiar 7-Eleven stores to meet the shopping needs of elderly people who cannot travel far to shop, as well as two-income families who cannot shop every day. At the end of the day, I believe our efforts have helped us respond to social issues. All our businesses have this inherent social aspect. To more consciously incorporate this point into our management, we need to embrace higher and broader perspectives. We also must fully understand the ongoing changes in people's values, especially the recent increase in global concern about the environment and human rights. I believe that discussions aimed at identifying our purpose must be placed in the context of this expanding awareness.

## **Organizational enhancement to pursue both social value and corporate value**

To realize these ideas, we implemented a series of organizational changes in fiscal 2021. In April 2020, we transferred the Sustainability Development Department to the Corporate Development Division to more effectively integrate sustainability promotion and business management. In March, we established the Compliance Subcommittee and the Supply Chain Subcommittee under the control of the CSR Management Committee, which is a cross-Group organization, with the aims of further promoting ESG and strengthening our compliance system. The conventional approach to the environment assumes that a company's environmental impact will increase as the company grows. If we fail to address environmental issues as we pursue growth, we cannot hope to achieve corporate advancement in the future. We also serve an important function as a point of contact with customers in the supply chain, through which we deliver fresh agricultural and marine products, as well as products created through our manufacturing processes. In today's world, where customer needs are driving changes in consumption behavior, we are expected to play a leading role across the entire supply chain as the point of contact with customers. To meet these social expectations, it is essential to view and optimize the supply chain in its entirety. Accordingly, we are reinforcing our various organizational structures and pursuing more effective initiatives in unison with Group management.

## **Governance and risk management rooted in humility**

In fiscal 2020, we received a great deal of feedback from stakeholders about the 7pay incident, the issue of 24-hour operations at convenience stores, and other matters that

## Message from General Manager of the Corporate Development Division

aroused social concern. We take this feedback seriously as we work to strengthen governance.

First of all, we are working to ensure the effectiveness of the three entities involved in the Group's governance (the CSR Management Committee, Risk Management Committee, and Information Management Committee) to make sure they do not become empty shells. For this reason, we focus on continuously questioning whether our discussions truly reflect actual circumstances, and here too we hold honest and repeated debate aimed at putting our capabilities into practice.

To address issues affecting convenience store operations, meanwhile, it is paramount that the head office take seriously the current problems of franchisees and act immediately. With this in mind, in fiscal 2020, SEVEN-ELEVEN JAPAN started increasing opportunities for dialogue between franchisees and the head office, changing the way it communicates with individual franchisees, and working in other ways to address problems.

In addition, we invite people who excel in various fields, including corporate management, to serve as Outside Directors. Eliciting the opinions of these people, who possess broad-ranging expertise, means the progress of our management innovation is constantly monitored. In May 2020, we also took measures to enhance the effectiveness of governance and increase management transparency, including separating the Nomination and Compensation Committee into two entities: the Nomination Committee and the Compensation Committee.

We believe we must develop our organizational structure in this way to strengthen governance and risk management, while at the same time engaging in dialogue with a wide range of people, including those outside the Group. When a problem arises, it is important to identify the exact origins and prevent their recurrence as a matter of course. However, this is not enough; we must also look back at our organizational culture and our daily corporate activities to identify the real root

causes. Accordingly, it is important for us to engage in dialogue with all stakeholders and accept their opinions with humility.

I believe that if such humility is lost, we will become too relaxed in our daily activities, a situation that will evolve into a major potential risk in the future.

### Strengthening human resources development and promoting diverse human resources initiatives

We believe that human resources who think and act for themselves are indispensable for the Group to grow. In today's retail industry, customer base and needs differ according to each region and the commercial district surrounding each store. While most of the Group's businesses are based on chain-store operations, individual stores need to make their own judgments about changing customer needs and conditions in their respective commercial districts, and to respond meticulously. At the same time, we need to keep acquiring new knowledge and keep learning new technologies to stay abreast of the "new normal" and other changes in social values, as well as advances in digital transformation (DX). With this in mind, we have developed new educational programs and incorporated group training for different positions and job titles to greatly increase learning opportunities. In August 2020, moreover, we established the Human Resources Development Department to strengthen our human resources development capabilities and other functions to develop educational human resources.

We have also begun efforts to find business opportunities in social issues. We launched this initiative in 2019 to help young employees in the Group identify themes from social issues and link them to entrepreneurial pursuits. While the initiative is still in the early stages, we are making good progress.

We are also focusing our efforts on the Diversity & Inclusion

Promotion Project, which aims to create environments in which our diverse human resources can play active roles. One of our material issues focuses on supporting the active role of women, youth and seniors across the Group and in society. Since 2012, this project has embraced various themes aimed at promoting human resources diversity in the Group. Since most customers who visit the Group's stores are women, we believe that developing products and services and creating sales spaces that reflect women's perspectives and tastes will help us increase customer satisfaction. Accordingly, we are setting various targets, including one for the percentage of women in management positions.

### Reinforcing Group management to address globalization

7-Eleven, Inc. (SEI), which operates our 7-Eleven business in North America, is becoming more and more profitable, and also the Group's overseas investment opportunities are increasing. In addition to making a large investment, in 2020, our Board of Directors, including Outside Directors, engaged in active discussions about investments from environmental and social perspectives, as well as their potential economic benefits. As we expect our business to become increasingly global in the future, we are also focusing on strengthening our global governance. We have been working closely with SEI for some time now, and we share the same policies on risk management and sustainability. Particularly noteworthy is that SEI refers to its head office as a "Store Support Center," reflecting the value it places on both customers and stores, which serve as customer contact points. This is similar to our own approach. We also share with SEI the philosophy of "Trust and Sincerity," which we believe forms the cornerstone of our governance and risk management.

### Further strengthening relationships of trust with shareholders and investors

As I mentioned previously, we place dialogue with stakeholders at the core of our efforts to grow as a Group with deep social roots, and such dialogue also enables us to monitor the direction of our management. In opportunities to talk with shareholders and investors in Japan and overseas, we have received many constructive opinions. Using their feedback, we have forged ahead with reforms of our organizational structure and management system. In March 2020, for example, we reorganized our Investor Relations Department into the Investor & Shareholder Relations Department, under the Corporate Development Division, to step up information dissemination and dialogue with shareholders and investors. We plan to continue using dialogue to strengthen relationships of trust with all stakeholders, and we ask for your ongoing guidance and support.



# Ensuring Sustainability and Growth

[ CGC Principle 3.1 (i) ]

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.



## Environment

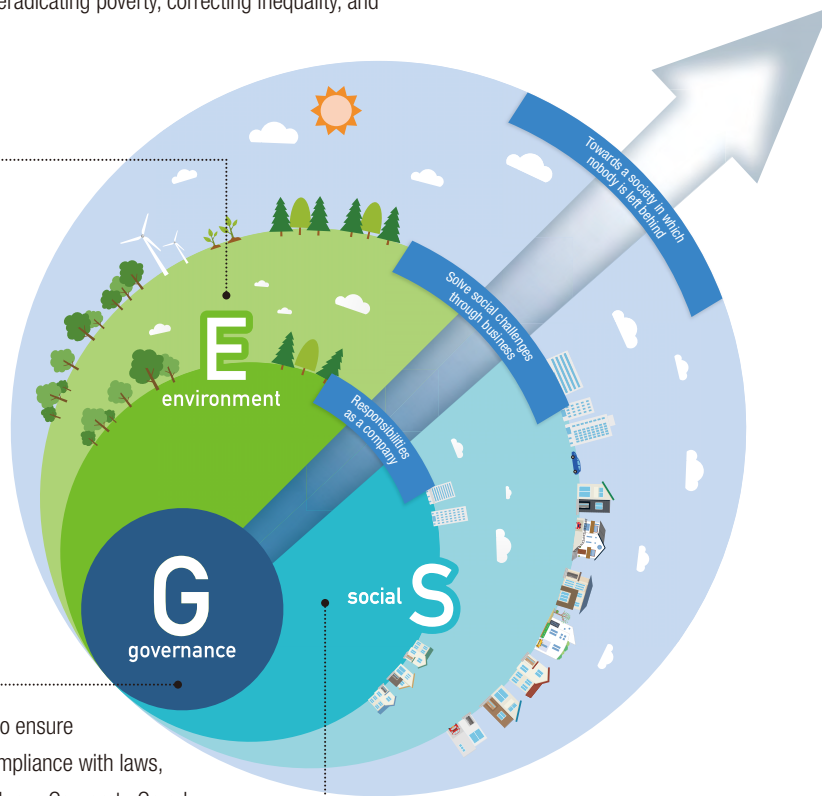
We use products, raw materials, and energy efficiently to combat challenges such as climate change and resource depletion, and we are working with customers and business partners to reduce the environmental impact throughout the supply chain.

## 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.

## 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.



## Basic approach 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.”

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

At present, as our governance system to support the above



initiatives, the Company stipulated various policies, such as the Corporate Action Guidelines, and established the CSR Management Committee and thereunder subcommittees, thereby setting up a system able to properly execute the policies to ensure sustainability and growth by accurately grasping the external environment and situation. Details of its

activities are monitored by the Company's Board of Directors from an objective standpoint.

Going forward, the Group will fulfill its social responsibilities. As a cohesive unit, we will strive for a sustainable society and sustainable corporate growth by addressing the expectations and demands of society through stakeholder dialogue.

## Identification of material issues (Materiality) related to sustainability and risks/opportunities

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.

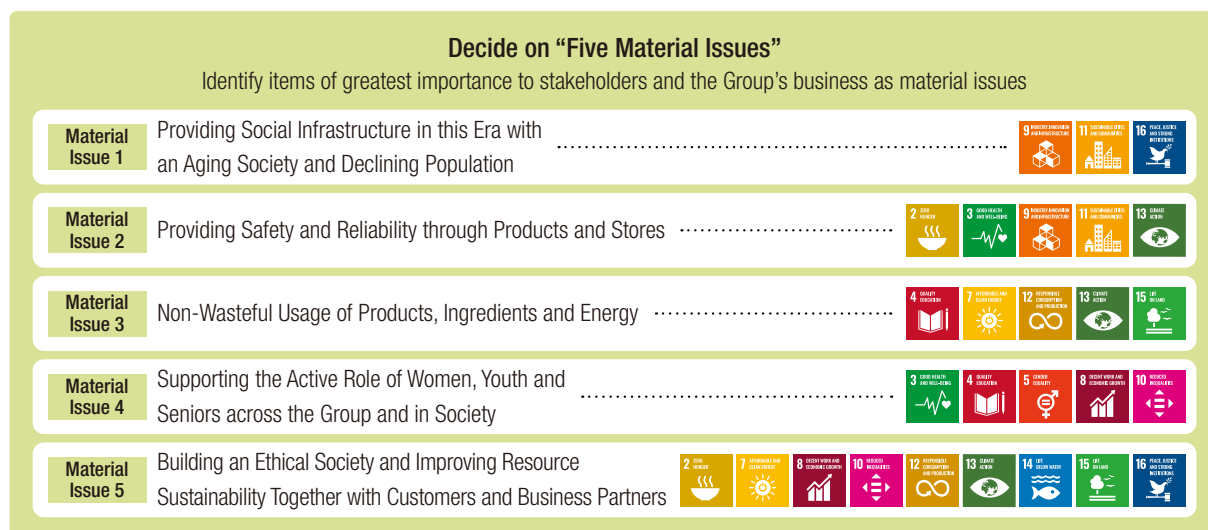
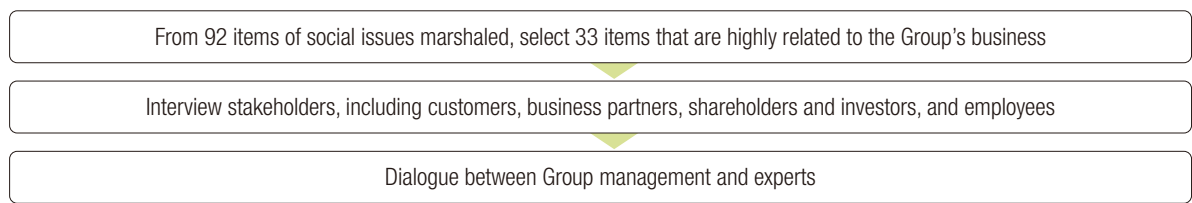
For each of the material issues, we are promoting CSV\* initiatives to solve these issues through our businesses, including our products, services, and stores, as well as creating new business models, while promoting initiatives to reduce the Company's negative impacts and risks, aiming at a sustainable society and sustainable corporate growth.

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, the Company studied the relationship between the goals and Five Material Issues and incorporated them into sustainability initiatives.

Going forward, 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.

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

### Material issues determination process



Review and update as necessary in light of societal changes

## Material Issue 1

# Providing Social Infrastructure in this Era with 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.



Related information on risks and opportunities

<https://www.7andi.com/en/csr/sustainability/sustainability.html>

## Approach to the material issue

The Group recognizes that it has a social role to enhance the convenience of shopping for a diverse range of customers while leveraging the unique aspects of our business and a nationwide network of around 22,500 stores as a form of social infrastructure. In response to changes in the social environment, including the increase in the employment rate of

women and the elderly due to the declining birthrate and aging population; the diversification of purchasing methods due to the development of a digital society; and the decrease in the number of living bases due to a shrinking population, we are working to create new "shopping support" services and enhance the convenience of shopping.

## Shopping support

### Online supermarket, Ito-Yokado Tokushimaru, and *Seven Anshin Delivery*

The Group is working to create services for shopping support by utilizing the Group's store networks as well as logistics and information systems. Ito-Yokado operates online supermarket at 122 stores\* to provide scheduled deliveries of products ordered by customers via the Internet. In April 2020, Ito-Yokado also began operating a mobile store service in cooperation with TOKUSHIMARU Inc. using trucks equipped with store facilities

to sell a variety of foods and beverages. 7-Eleven also offers the *Seven Anshin Delivery* mobile store service at 102 stores\* in 37 prefectures, and the *Seven RakuRaku Delivery* service, which provides home delivery of products from stores using 757\* "COMS" ultrasmall electric vehicles and 1,180\* power-assisted bicycles.

\*Numbers as of February 29, 2020



Online supermarket



Ito-Yokado Tokushimaru



Seven Anshin Delivery

## Regional development

For regional development, the Group is promoting the conclusion of comprehensive alliance agreements with local governments to cooperate in a wide range of fields, including local production for local consumption, support for the elderly, health promotion, and environmental conservation. 7-Eleven has launched the “Let’s Use Local Ingredients Project” to

commercialize oversupplied ingredients for which demand has decreased due to the impact of COVID-19, and has commercialized 11 items (as of July 31, 2020). Ito-Yokado is also promoting initiatives for regional development by, for example, starting to handle specialty products that have lost opportunities to be sold due to COVID-19.

## Reducing food loss and waste with local product sales

### Hokuriku/Niigata region

Ingredients: Firefly squid, Japanese glass shrimp  
Products: Rice balls, pasta, etc.



### Toyama Prefecture Firefly squid, Japanese glass shrimp

As an initiative to support local food products, with the cooperation of Toyama Prefecture and Japan Fisheries Cooperatives, we developed two products using firefly squid and Japanese glass shrimp, which are both representative ingredients of Toyama Prefecture, and sold them at 7-Eleven stores in the three Hokuriku prefectures and Niigata Prefecture.



“Pescatore with firefly squid from Toyama Bay”

### Chugoku region

Ingredients: Hiruzen Jersey Milk  
Products: Sweets, etc.



### Kyushu region

Ingredients: Kyushu Kuroge Wagyu beef  
Products: Boxed lunches, etc.



### Hokkaido region

Ingredients: Scallops  
Products: Rice balls, prepared dishes, etc.



“Support consumption! Hokkaido scallops grilled with butter and soy sauce”

### Tohoku region

Ingredients: Hinai chicken, Sendai beef  
Products: Rice balls, boxed lunches



### Kanto region

Ingredients: Akagi beef, Kirifuri Kogen beef, Sainokuni Kurobuta pork, Okukuji Shamo chicken

Products: Fresh foods, rice balls, boxed lunches, cup noodles, etc.

### Chiba Prefecture Tomisato watermelon

Tomisato City is the largest producer of watermelons in Chiba Prefecture, which is the second largest watermelon producer in Japan.

In response to the cancellation of an event held every year due to the COVID-19 pandemic, the watermelons were sold not only in stores but also for pre-order through Ito-Yokado’s online shopping site within the *omni7*.



“Tomisato watermelon”

### Tokai region

Ingredients: Green shiso, Hida beef, sea bream  
Products: Rice balls, cooked noodles, etc.



### Shikoku region

Ingredients: Shodoshima tenobe somen noodles (Shimanohikari)  
Products: Cooked noodles



## 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.



Related information on risks and opportunities

<https://www.7andi.com/en/csr/sustainability/sustainability.html>

## Approach to the material issue

In addition to handling a wide variety of products that support the daily lives of our customers in our stores, the Group develops a variety of products as private brands, and believes that ensuring the quality of its products, including their safety

and reliability, is of the utmost importance. We also recognize that playing a role as a part of social infrastructure that can be used with peace of mind even in emergency situations such as disasters is an important issue.

## Health and nutrition considerations

With increasing attention being paid to health and nutrition in the face of obesity, diabetes, metabolic syndrome, and nutritional deficiencies, the Group is striving to provide foods that are nutritionally balanced, as well as labeling nutritional components such as sugars (available carbohydrates) and dietary fiber, in consideration of the greater health consciousness of our customers.

In May 2020, in order to create new value for the Group's private brand *Seven Premium* products, we formulated the "*Seven Premium Connect Declaration*," which consists of four pillars: eco-friendliness, health-consciousness, high-quality products, and global compatibility. As part of our health support initiatives, we have added sugars (available carbohydrates) and dietary fiber to nutritional components labelling (from September 2019) and are developing products with less salt and sugars (available carbohydrates) content. In addition, considering seniors, children, and working women as our main customers, we are developing products to meet the needs of each of these segments to maintain and improve their health, based on the concepts of "add," "reduce," and "remove." We

have adopted a "Team Merchandising" method for development, incorporating the knowledge and technologies of our business partners in nutrition and health, and are promoting the reduction of additives.

► Team Merchandising information Page 43

*Seven Premium Connect Declaration* information Page 44

### Main measures for each customer segment

	Working women	Seniors	Children
Add	Dietary fiber/vegetables		
	Iron High-quality protein	Calcium High-quality protein	Calcium
Reduce	Salt		
	Sugars (available carbohydrates)		
	Excessive fat intake		
Remove	Unnecessary additives reduced/eliminated as much as possible		





Labeling of sugars (available carbohydrates) and dietary fiber, which is frequently requested by customers



Products with less salt content



Products with increased calcium and dietary fiber



Products with less sugars (available carbohydrates) content

## Pursuit of safety, reliability, and taste

Since 7-Eleven is a store that is indispensable to daily lives, we aim to provide fresh food such as rice balls, boxed lunches, and prepared dishes that have the taste of having been freshly prepared at home. Since 2001, we have ensured the safety of our products by improving hygiene management in the manufacturing process. In addition, when we use food additives, we use only the minimum necessary types and amounts, and our efforts are based on the idea of minimizing the use of food additives that are of a particular concern to our customers.

With regard to trans-fatty acids, we have been working to reduce the amount of the oils and fats ingredients used in our

breads and pastries since 2007, and the oils used for cooking in our stores since 2009.

### Food additives of particular concern to customers whose use we are minimizing (examples)

- Preservatives
- Designated additives among coloring agents
- Yeast food, emulsifiers (used in bread dough)
- Phosphates (used in sausages and ham in sandwiches, bread, and pastries)

## Health-conscious products (Good Health Starts with this Hand)

In response to the growing need for health-conscious diets, 7-Eleven is reinforcing its appeal to customers by attaching the “Good Health Starts with this Hand” logo to products that use ingredients which provide an amount of dietary fiber equivalent to about one lettuce or that contain at least half of the required daily intake of vegetables\*.

\*In the “Healthy Japan 21 (Secondary)” guideline established by the Ministry of Health, Labour and Welfare, the standard value for vegetable intake is an average daily intake of 350 g.

\*215 g of edible lettuce is equivalent to about one day’s supply.



## Quality control for safety and reliability

### Acquisition of certification of food safety management standards in line with international standards

To respond to the institutionalization of the HACCP, 7-Eleven has acquired certification and conformance to the JFS standard, a Japanese food safety management standard developed by the Japan Food Safety Management Association (JFSM) that is consistent with international standards, including Codex HACCP, at all dedicated production facilities that manufacture original products (165 facilities as of October 31, 2020).

Similarly, all production facilities that manufacture the Group's private-brand products, *Seven Premium*, are in the process of acquiring certification and conformance to ISO 22000, FSSC 22000, JFS standards, and other standards (as of October 31, 2020, 85% of production facilities have completed acquisition).

### Food traceability initiative: "Fresh Foods with Traceability"

Ito-Yokado's "Fresh Foods with Traceability" initiative is a product sticker with the food producer's likeness, ID number, and two-dimensional barcode attached to it. These are private-brand products that allow customers to check the food producer, production area, production methods, and other information via

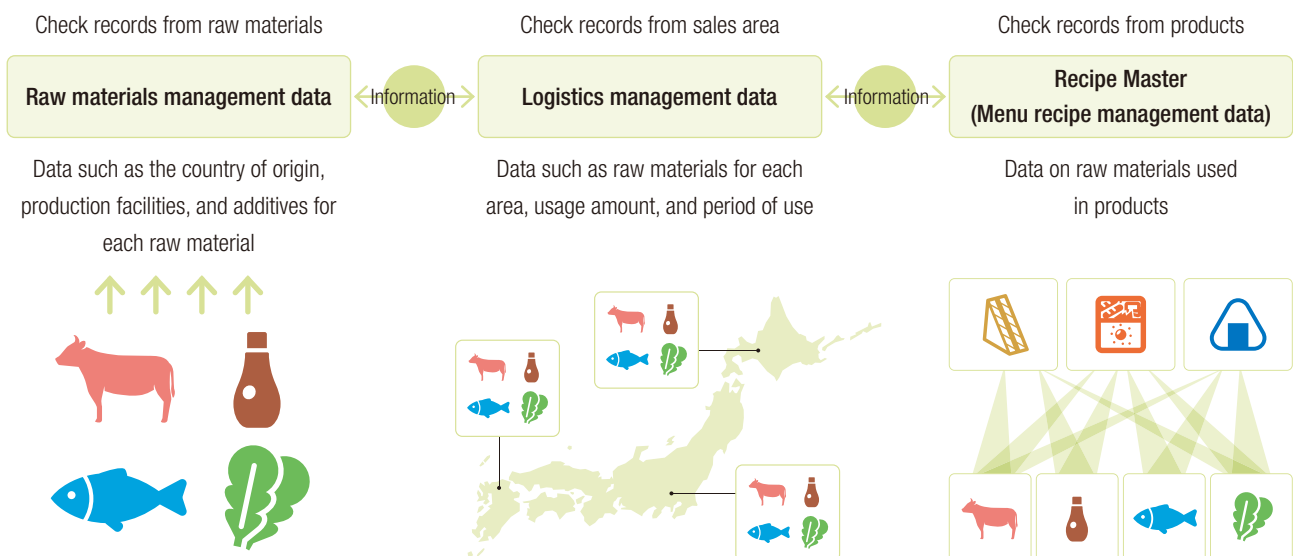
their smartphones and computers. As of February 29, 2020, this initiative has handled 251 items of domestic agricultural, livestock, and marine products, with sales expanding to approximately ¥22.8 billion in fiscal 2020.

### "Recipe Master System" to control dedicated production facilities for 7-Eleven stores and production/distribution history

7-Eleven maintains a database of the production history of all the ingredients used in its original products, from the place of production to the time of harvest. 7-Eleven also controls which ingredients are used in which menu items, which production facilities use them, and which stores sell them through its Recipe Master System, which allows it to track history from any location: production facilities, logistics, or stores (POS data). This history control was made possible by 7-Eleven's

commitment to producing safe, high-quality products and its efforts to build a system of dedicated production facilities. This will allow 7-Eleven to respond immediately in the event of the occurrence of issues regarding raw materials, and respond according to the state of damage in the unlikely event of a disaster, such as by changing menus or substituting raw materials for menu items that cannot be produced when the supply of some raw materials has been cut off.

#### 7-Eleven's Recipe Master System



## Disaster assistance and sites

In order to fulfill its function as social infrastructure even in the event of a disaster, the Group strives to resume and continue operations as soon as possible with the mission of protecting the lifelines of the local community.

### Disaster preparedness

Each of the Group's stores strives to resume and continue operations as soon as possible in the event of a disaster, and provides prompt community relief, tap water, toilets, and disaster information. In addition, SEVEN-ELEVEN JAPAN has established 7VIEW\*, a system for providing and sharing internal and external disaster information. The system displays the status of stores and distribution bases in disaster areas on a cloud map, allowing related departments to monitor the situation. In addition to existing functions such as hazard maps,

disaster-related SNS displays, and weather forecasts, we have continued to evolve the system since fiscal 2020 to further contribute to early recoveries from disasters by strengthening cooperation with the government and research institutions. In addition, the results of a simulation exercise (graphical exercise) conducted by SEVEN-ELEVEN JAPAN in September 2020 were also utilized in its response to Typhoon No. 10 (Haishen) in 2020.

\*Visual Information Emergency Web



Situation at the time of the Hokkaido Eastern Iburi Earthquake



Simulation exercise (graphical exercise)

### “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 established to expedite the dispatch of support personnel, product supply, and decisions on optimal distribution routes.



Restoration of a store inundated by the heavy rain event of July 2018



## 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.



Related information on risks and opportunities

<https://www.7andi.com/en/csr/sustainability/sustainability.html>

## Approach to the material issue

The Group believes that it is a pressing need to promote the reduction of the environmental impact of its business activities throughout its nationwide store network and supply chain. The Group must also pass on a rich natural environment to future generations. To ensure that the development of our business

does not lead to an increase in environmental impact, we are working with various stakeholders in the value chain to reduce CO<sub>2</sub> emissions from energy consumption, reduce waste, and promote recycling.

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



GREEN  
CHALLENGE  
2050

In order to respond to various changes in the social environment, the Group has established the 『GREEN CHALLENGE 2050』, its environmental declaration, to promote

further reduction of environmental impact and pass on a plentiful earth to future generations. We are working together with our customers, business partners, and all other stakeholders to realize a rich and sustainable society. In order to achieve the goals set forth in the environmental declaration, we have identified four themes and are promoting initiatives across the Group.

## Themes addressed by the Group

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



Introduction of energy-saving equipment and use of renewable energy

### Measures against plastic



Reduction of plastic shopping bags and use of environmentally friendly materials in containers

### Measures against food loss/waste and for organic waste recycling



Reduction of food loss/waste and further promotion of organic waste recycling

### Sustainable procurement



Making sure our products use responsibly sourced ingredients/materials



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

**Emissions from the Group store operations**



We will aim to reduce emissions across our entire supply chain (scope 3 emissions) in addition to our own emissions (scope 1 + 2 emissions).

**Measures against plastic**

**Use of plastic shopping bags**



We will aim to use sustainable and natural materials such as paper for the shopping bags we use.

**Containers used for original products (including *Seven Premium* products)**



**Measures against food loss/waste and for organic waste recycling**

**Food loss/waste** Basic unit of generation (waste generated per million yen in sales)



**Organic waste recycling rate**



**Sustainable procurement**

**Raw food ingredients used in original products (including *Seven Premium* products)**



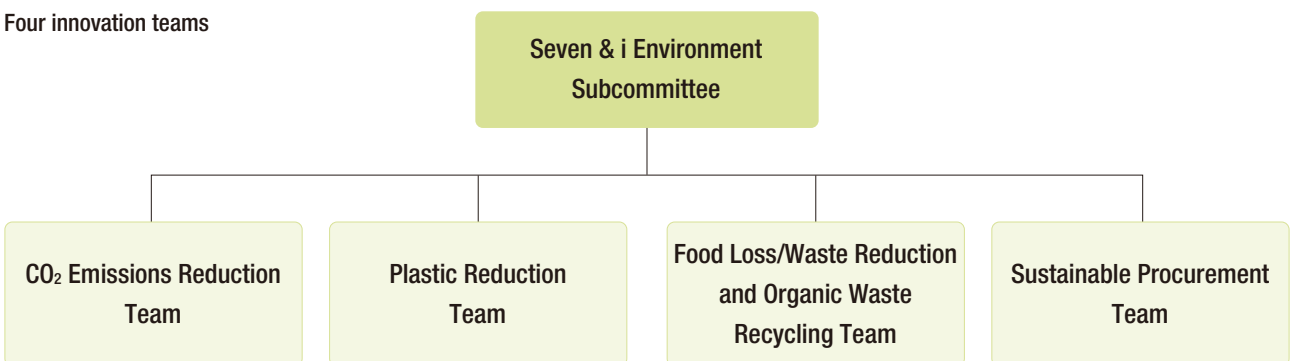
\*We will review our targets in response to changes in the social environment.

**Groupwide innovation teams launched based on four core themes**

In order to achieve the targets of 『GREEN CHALLENGE 2050』, leaders (executive officers and above) will be selected from the departments in charge of each of the operating companies to work on innovation for each of the four themes. In addition to

promoting initiatives across the Group, we will work together with our stakeholders to take on the challenge of innovating to build a sustainable society by articulating our mission and responsibilities for the next-generation society of 2050.

**Four innovation teams**



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



## Participation in RE100

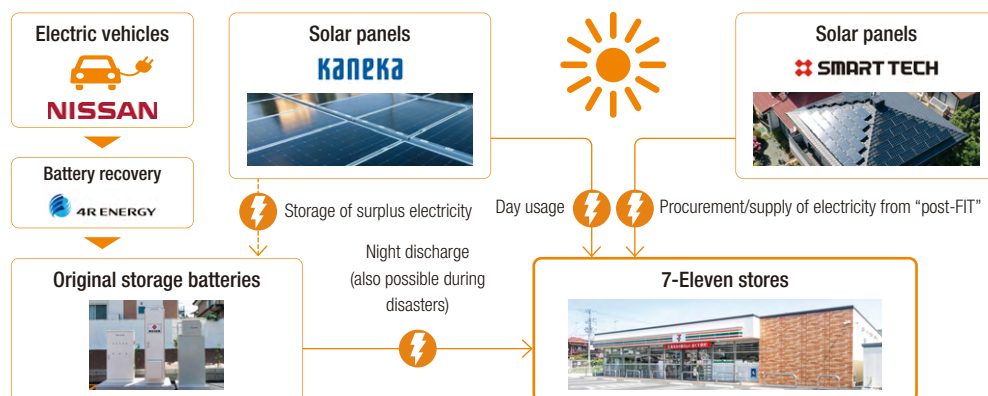
We have set a target of net zero CO<sub>2</sub> emissions from the Group store operations by 2050. To achieve this target, we have been participating in RE100, an international initiative that aims to use 100% renewable energy for the electricity used in business activities, since December 15, 2020.

**RE100**  
CLIMATE GROUP



## Commencement of trial test on 100% renewable energy store operation

In September 2019, SEVEN-ELEVEN JAPAN launched a trial test to procure 100% of electricity used in store operations from renewable energy sources at 10 stores in Kanagawa Prefecture, based on an “Agreement on Cooperation and Collaboration in Promoting SDGs” with Kanagawa Prefecture.



## Large-scale solar power generation system at Ario Ichihara store

In July 2020, a power generation system using large-scale solar panels was introduced at Ario Ichihara store operated by Ito-Yokado as part of efforts to reduce CO<sub>2</sub> emissions associated with store operations.



Measures against plastic



## Expanding sales of 100% recycled plastic bottle products

In June 2019, the Group began selling *Seven Premium Hajime Ryokucha Ichinichi Ippon*. This tea beverage comes in a bottle made completely from plastic bottles collected at store by plastic bottle collection machines. In April 2020, the Group launched three more products in the series using the same plastic bottles.



## Adoption of paper containers to reduce amount of plastic used

In June 2020, SEVEN-ELEVEN JAPAN switched from conventional plastic to paper containers for chilled boxed lunches. By gradually expanding this initiative nationwide, SEVEN-ELEVEN JAPAN expects to reduce the use of plastic by approximately 800 tons in fiscal 2021.



**Measures against food loss/waste and for organic waste recycling**



**Ethical project**

In May 2020, SEVEN-ELEVEN JAPAN launched the “ethical project” at its stores nationwide. This is an initiative to curb the generation of food waste by giving *nanaco* points worth 5% of the retail price excluding tax on eligible products that are approaching their sales deadline.



**Longer-lasting freshness of original daily products**

SEVEN-ELEVEN JAPAN has been able to extend the expiration date of its products without the use of preservatives (longer-lasting freshness product development) through technological innovation at its dedicated production facilities. As of May 31, 2020, products with a sales deadline not less than 24 hours accounted for about 84% of original daily products.



**Sustainable procurement**



**Seven Premium Lifestyle brand launches products that consider the environment and society of their production areas**

In November 2020, the Group launched a series of laundry detergents and fabric softeners in a joint project with Saraya Co., Ltd., which is promoting the development of RSPO\* certified products using sustainable palm oil. In order to build a scheme that allows customers to participate in social contribution activities through the purchase of the products, a portion of the sales of the series products will be used to support social contribution activities.



\*An international non-profit organization that aims to promote the production and use of sustainable palm oil

**First major retailer to obtain the Marine Eco-Label Japan (MEL) certification**

Ito-Yokado became the first major retailer in Japan to acquire MEL certification, a certification system for marine products caught and cultivated in an environmentally friendly manner. In April 2020, it began selling four species of fish with the MEL label at 155 Ito-Yokado stores nationwide.



**Sale of organic cotton products**

We sell women’s 100% Organic Cotton Innerwear products which have cleared strict organic production standards under the *Seven Premium* private brand at 127 Ito-Yokado stores (as of February 29, 2020) and on the Group’s general mail-order website. Only cotton certified under the U.S. Organic Content Standards (OCS) is used for these products. We also sell bedding and towels made of organic cotton.

## Response to TCFD recommendations



Response to TCFD Recommendations  
<https://www.7andi.com/en/csr/tcfid.html>

### Increasing severity of climate change issues and response to TCFD recommendations

Climate change issues are becoming increasingly serious year by year and have a major impact on people's lives on a global scale. In Japan as well, in fiscal 2020, damages of Typhoon No. 15 and No. 19 and heavy rain disasters in Chiba Prefecture affected the lives of citizens and caused serious damage to economic activities.

The Group recognizes that climate change will undermine the stable society that is essential to the sustainable development of companies, and intends to contribute to the achievement of the Paris Agreement's greenhouse gas reduction targets. 『GREEN CHALLENGE 2050』, formulated in May 2019, identifies the reduction of CO<sub>2</sub> emissions as one of the priorities and the Group is examining and implementing measures to reduce CO<sub>2</sub> emissions. In addition, the Group

believes that enhanced disclosure of information related to climate change is essential to building a relationship of trust with stakeholders. In August 2019, we expressed our support for the TCFD recommendations and joined the TCFD Consortium, which was established to promote joint efforts by Japanese companies and financial institutions that support the TCFD recommendations.

Going forward, we will make use of TCFD recommendations to actively communicate our initiatives, ensure that we are trusted with our stakeholders, and strive to increase our corporate value.



### Governance and risk management for climate change

The issue of climate change is a risk factor in all of our business activities, from product development and production to logistics, store operations, and the products and product lineups we handle. For this reason, the Group considers the issue of climate change to be one of the most important issues to be tackled across the Group companies, and the CSR Management Committee, chaired by the Representative Director and President of the Company, is in charge of

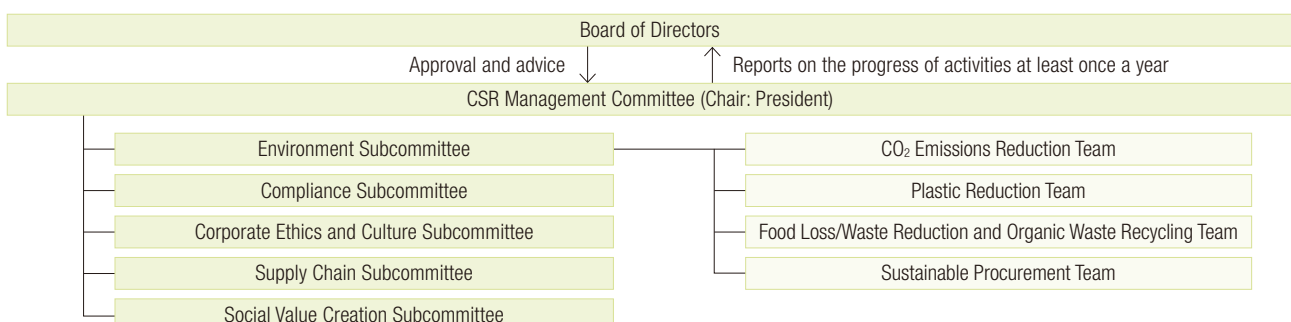
managing these efforts.

In addition, in order to properly analyze and evaluate the risks faced by the Company and its Group companies, and to respond appropriately, we have established, developed, and are operating comprehensive risk management systems with the Risk Management Committee at its core, based on the basic rules for risk management. Climate change-related risks are also managed under this comprehensive risk management systems.



Overview of Corporate Governance "Systems"  
<https://www.7andi.com/en/ir/management/governance/structure.html>

### Governance structure related to climate change





## Launch of scenario analysis

The Group is undertaking scenario analysis to clarify risks and opportunities created by future climate change and develop strategies to reduce the risks and to expand the opportunities. In October 2019, at the beginning of scenario analysis, we participated in the “Project to Support Climate Risk/Opportunity Scenario Analysis in Accordance with TCFD” of the Ministry of the Environment.

We recognize that scenario analysis should cover the entire Group, including the supply chain. However, in this analysis, we have limited scenarios and scope and conducted

trial analysis. The 2°C and 4°C scenarios were adopted as the scenarios. The analysis covered the store management of SEVEN-ELEVEN JAPAN, which accounts for about 60% of the Group’s operating income.

Scenario	2°C and 4°C scenarios
Relevant project	Operation of SEVEN-ELEVEN JAPAN stores in Japan
Period covered	2030

## Scenario definitions and impact assessment of significant risks/opportunities

- 1 Analysis of the environment surrounding SEVEN-ELEVEN JAPAN’s store operations under the 2°C and 4°C scenarios in 2030
- 2 Identification of risks and opportunities that are closely related to the operation of 7-Eleven stores [Significant risks]  
Carbon prices, carbon emission targets/policies in each country, changes in consumer reputation, extreme weather, and changes in precipitation and weather patterns
- 3 Evaluation of the impact from both quantitative and qualitative perspectives by selecting specific cases related to the identified significant risks and opportunities, for which forecast data that is as objective as possible is available

## Countermeasures and indicators/targets

The Group’s environmental declaration, 『GREEN CHALLENGE 2050』, sets a target of reducing CO<sub>2</sub> emissions from the Group’s store operations by 30% by 2030 compared to fiscal 2014, and to achieve net zero emissions by 2050. In this scenario analysis, we limited our business impact assessment to a few specific cases, so it is not possible to determine the overall impact of climate change. However, we believe that the risks covered in the analysis can be reduced and opportunities expanded by promoting our current disaster response and 『GREEN CHALLENGE 2050』 initiatives.

For example, to cope with the risk of rising carbon prices and electricity costs, one possible response is to expand the use of energy conservation measures and renewable energy,

which leads to reduced CO<sub>2</sub> emissions. Regarding to the risk of procuring raw materials, we believed that promoting the sharing of information on producing areas and the joint development of producing areas within the Group will lead to a reduction in the risk of procuring as we are promoting our measures of 『GREEN CHALLENGE 2050』 for sustainable procurement.

Furthermore, in response to the increase in disasters such as extreme weather conditions, we will expand our role as an infrastructure for disasters through ongoing collaboration with local governments.

## 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, etc.



Related information on risks and opportunities

<https://www.7andi.com/en/csr/sustainability/sustainability.html>

## Approach to the material issue

The Group has a diverse workforce, including part-time employees, non-Japanese employees, and employees who work while raising children or providing nursing care. We recognize that supporting the active roles of a diverse workforce and improving the workplace environment so that

employees can work with fulfillment will not only lead to increased productivity and the securing of human resources, but will also lead to increased customer satisfaction and the creation of innovation, which will become a source of competitiveness.

## Efforts to resolve issues

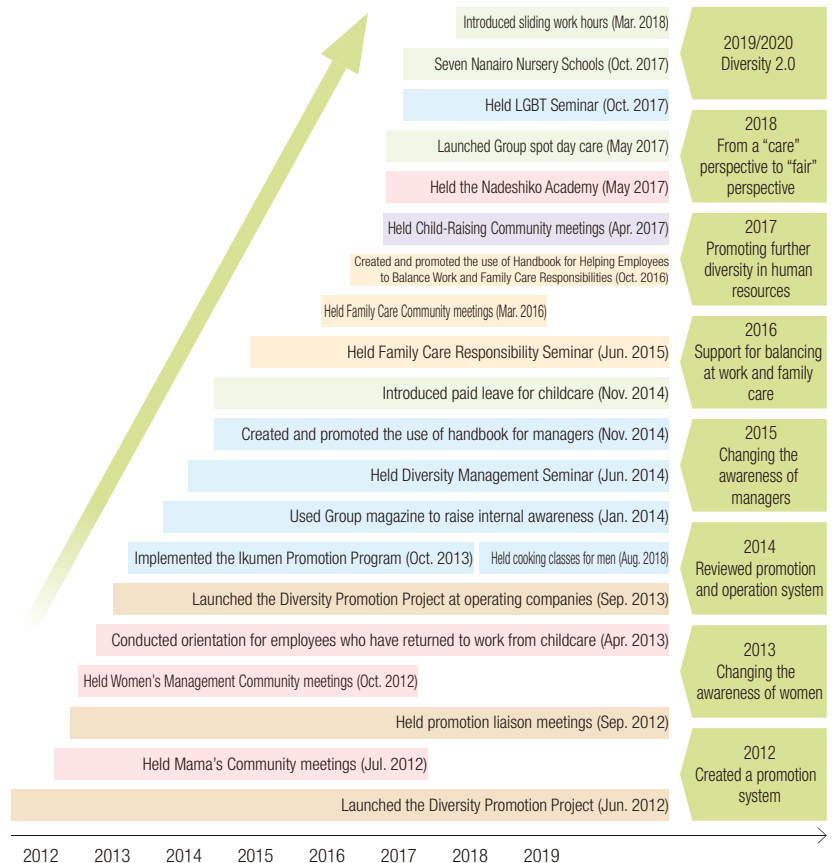
### Diversity and inclusion targets and systems

With the aim of increasing sustainable corporate value, the Group has set five targets and is promoting diversity and inclusion initiatives. The Group's stores are visited by a diverse range of customers, and we believe that the development of products and services and the creation of sales spaces that take advantage of the perspectives and sensibilities of consumers will lead to increased customer satisfaction, and we are particularly active in promoting the advancement of women.

#### Diversity promotion targets

1. Raise the percentage of female managers to 30% by the fiscal year ending February 28, 2023
2. Encourage male employees to participate in housework and childcare
3. Eliminate retirements resulting from need to provide family care
4. Promote normalization
5. Encourage understanding of LGBT issues

#### Initiatives to promote diversity and inclusion



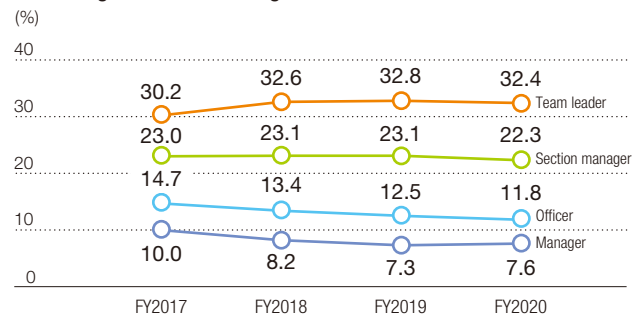
As a system for promoting diversity and inclusion, we established the Seven & i Group Diversity & Inclusion Promotion Project (the Diversity Promotion Project at the time of its inception) in 2012, which is responsible for formulating policies for the Group's diversity and inclusion promotion activities and for planning and implementing Groupwide measures. In addition, we hold regularly the Diversity Promotion Liaison Council where personnel in charge of

promoting diversity at major Group companies gather to share information on the progress of promotion activities and issues at each Group company, and to facilitate the horizontal deployment of good practices to other Group companies. The details of these activities are regularly reported to the Corporate Ethics and Culture Subcommittee, which gathers the personnel managers of the 28 Group companies, and to the CSR Management Committee.

### Changes in the percentage of female managers

In order to achieve a 30% ratio of female managers by the fiscal year ending February 28, 2023, we are working to strengthen human resources development and promote women to management positions. We are making progress in changing the mindset of women and managers, and many managers are now working shorter hours due to child-raising and other reasons. We are promoting the development and promotion of women by conducting selective training for manager and executive candidates at each Group company, and sharing career plans with supervisors during interviews.

Percentage of female managers\*



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

## Fostering a culture in which diverse human resources can play an active role

### Support for employees raising children

In 2012, the Group started holding the "Mama's Community," which aims to relieve the anxiety of employees raising children and help them build networks. In 2017, we renamed it the "Child-Raising Community," in which fathers also participate. Information sharing and discussions on balancing work and child rearing are held on selected themes, leading to a review of working styles. A total of 36 sessions have been held so far, with approximately 1,300 participants from Group companies.

In addition, in a first for a franchise chain headquarters, SEVEN-ELEVEN JAPAN launched the Seven Nanairo Nursery School in October 2017 for employees of franchised stores,

owners, and local citizens. As of December 31, 2020, the schools have spread to Ota-ku in Tokyo, Hiroshima City, Sendai City, Machida City in Tokyo, and Kyoto City.



Child-Raising Community



Seven Nanairo Nursery School

### Support for women's career development

As an initiative to support the career development of women, the Group has been holding the Nadeshiko Academy since 2017, in which female employees learn the knowledge and skills required

for management positions. In addition, from 2021, we plan to implement selective training for women who are candidates for management positions across all Group companies.

## Promotion of participation in housework and child-raising by men

In order to further promote the advancement of women, we believe it is necessary to increase men's motivation to participate in housework and child-raising, and in 2014, we introduced a childcare leave program at all Group companies. The program provides five paid special vacation days per year that can be used by employees with pre-school aged children, which many of our employees are taking. In addition, as a Groupwide initiative, we have been implementing the Ikumen (child-raising

men) Promotion Program for male employees since 2013. In 2019, the program held time-saving cooking classes using 7-Eleven cooking kits.



Cooking class for male employees

## Training and awareness-raising for management

Diversity Management Seminars have been held since 2014 as a Groupwide initiative to emphasize the importance of diversity and inclusion and to change the awareness of managers on the management of diverse human resources. The seminars have been held 20 times so far, and approximately 5,500 people from all Group companies have participated. Led by outside lecturers,

the seminars cover such issues as management of diverse staff members, reforming work styles, and leadership. They provide the opportunity for managers to think about diversity from a number of different perspectives. In 2020, we started a training program to eliminate unconscious biases.

## Support for balancing work with family care responsibilities

The Group also works to help employees balance their work with family care responsibilities. A survey of the family care situation surrounding employees revealed that in the near future, approximately 70% of employees might have to balance work with family care, making this likely to become a major issue for the future. To this end, we have been regularly holding Family Care Responsibility Seminars on preparation for handling such responsibilities by external experts, with 225 people from Group companies participating in these seminars in 2019.

We have produced the Handbook for Helping Employees to Balance Work and Family Care Responsibilities and use it in training at all Group companies. In addition, we are endeavoring to create environments that make it easy for employees to balance their work with family care responsibilities through efforts including actively informing employees about a consultation desk and writing about case examples of balancing such responsibilities with work in the company newsletter.

## Support for active participation of seniors and non-Japanese employees

The Group has a system for rehiring employees after mandatory retirement, providing an opportunity for veteran employees to use their skills and abilities.

At Ito-Yokado, for example, a re-employment system that allows people to continue working until the age of 65 was introduced in 1995 in response to employees who said they wanted to continue working after the mandatory retirement age. Moreover, in April 2006, the Senior Partner System was introduced to allow part-time employees to also work until the age of 65, seeing 7,471 senior partners (as of February 29, 2020) now playing active roles. The system was also expanded

in May 2017 to enable people to continue working up to the age of 70.

In addition, many non-Japanese employees are working at SEVEN-ELEVEN JAPAN's franchised stores. As part of our support for franchisees, we provide backup through training not only for senior employees, but also for international students and non-Japanese employees.





## Promoting employment of people with disabilities

The Group aims to create workplaces in which anyone can play an active role, and is working to create environments where people with disabilities can also demonstrate their abilities. Each Group company consults with employees with disabilities to determine the workplaces, jobs, and working hours that are suitable in consideration of the level and details of their disability and their own preferences. As a result, people with disabilities are working at various departments, and their employment rate\* is 2.96% (as of June 1, 2020).

In addition, in order to create work environments in which people with disabilities can play active roles, we believe it is important to mutually confirm and understand their motivations and aptitudes, and to create a system in which they can receive

support from and consult with those around them. Ito-Yokado has employees certified as “Employment Counselor for People with Disabilities” in each store, and SEVEN-ELEVEN JAPAN has employees certified as “Job Coaches (in-house workplace adjustment supporters)” in its Human Resources Department. We also incorporate normalization experiential learning to better understand people with disabilities.

\*The employment rate of people with disabilities is for the five Group companies: Seven & i Holdings Co., Ltd., Terube Ltd., SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., and Seven & i Food Systems Co., Ltd.



Experiential learning about normalization

### Initiatives at Terube Ltd.

Terube is a special subsidiary established in 1994 as a joint venture between four of our Group companies (Ito-Yokado Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD., York-Benimaru Co., Ltd., and Seven & i Food Systems Co., Ltd.) and Kitami City with the aim of expanding opportunities for people with disabilities and the elderly. The company has been promoting the creation of workplaces that are comfortable for employees in all positions, regardless of their disabilities, and in 2017 acquired certification as an Employer of Persons with Disabilities, given by the Japan Association of Employers of Persons with Severe Disabilities (Zenkukyo). In

2020, the company was certified by the Minister of Health, Labour and Welfare as a “Youth Yell Company” for proactively hiring and training young people.

Terube has two main businesses: shiitake mushroom cultivation and printing. The shiitake mushroom business has acquired JGAP (Japan Good Agricultural Practice) certification and is engaged in the cultivation of safe and secure shiitake mushrooms, shipping 100 or more tons annually and selling them at Ito-Yokado and Daiichi stores in Hokkaido. In its printing business, Terube produces and prints printed materials for our Group companies.



## Awareness-raising of LGBT rights

The Group revised its Corporate Action Guidelines in 2016 and began implementing measures referred to as “Forbidding Discrimination Due to Sexual Orientation or Sexual Identity.” Since 2017 we have been conducting annual seminars for promoting understanding of LGBT issues led by an outside

speaker. In 2018, e-learning was conducted for domestic Group employees, with approximately 17,000 employees studying the course. SEVEN-ELEVEN JAPAN has been certified as “Gold” in 2018 and “Silver” in 2019 in the PRIDE Index (an index that measures the progress of LGBT-related initiatives).

## Support for the active roles of part-time employees

The Group employs a large number of part-time employees, and is striving to develop the skills and careers of each part-time employee by preparing training and personnel systems that match the characteristics of our businesses. For example, Ito-Yokado has a Step Up Elective System, which enables part-time employees to choose their own working styles. Under this system, part-time employees may elect to step up a rank

after acquiring a certain level of evaluation and sales skills. There is also a program in place where part-time employees designated as at the highest level can be hired as a monthly salaried permanent employee or contract employee. Many part-time employees have been promoted to positions such as sales floor manager and January 2020 saw the emergence of the first store manager from a part-time employee background.

## Achieving a work-life balance

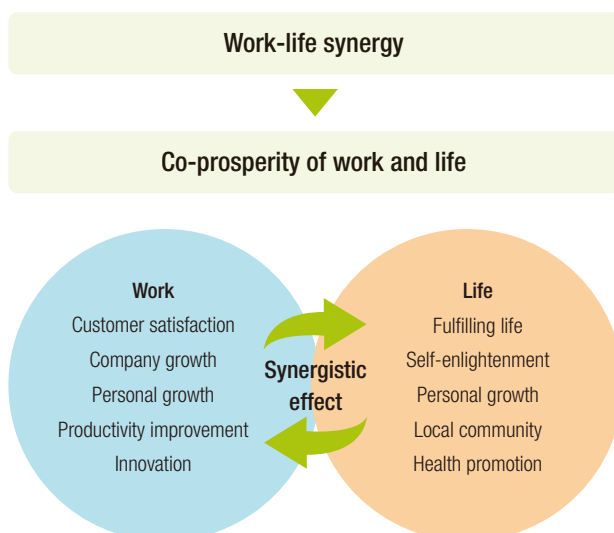
### Work-from-home and staggered hours arrangements

The Group is promoting the concept of “work-life synergy,” which aims to create synergies by utilizing the perspectives of consumers in work while simultaneously leveraging the lessons of work in life. We have a range of assistance systems that exceed minimum legal requirements to enable diverse employees to work with peace of mind. To make it even easier for employees to work, we are also taking steps to correct long working hours and encourage the use of paid leave.

As one of the initiatives, in 2018, the Company and SEVEN-ELEVEN JAPAN established a system of staggered commuting times, called “sliding work hours,” in which employees can choose their working hours. Employees can choose their starting time from a number of options between 7 a.m. and 11 a.m. The purpose of this system is to promote active and efficient work styles by allowing employees to decide their own starting times.

In addition, the Company and its Group companies have established and are promoting the use of telework systems, in order to improve productivity, achieve a better work-life balance, and prevent infections.

### Relationship between “work” and “life” at the Group



## Ensuring employee health

The Group believes that the good health of its employees not only improves the quality of their lives, but also increases the vitality of the company and enhances management efficiency. In cooperation with the Seven & i Holdings Health Insurance Union, we formulated the Seven & i Health Declaration 2018 in 2014 and the Seven & i Health Declaration NEXT in October 2019. In order to achieve our targets, the promotion of health and productivity management was incorporated as a theme into the Corporate Ethics and Culture Subcommittee under the CSR Management Committee and various Groupwide measures are being promoted in collaboration with human resources supervisors at each Group company, led by Seven & i Holdings and its Health Insurance Union.

The Seven & i Health Declaration NEXT establishes targets in such areas as reducing the risk of lifestyle diseases, reducing the smoking rate, improving the percentage of annual paid leave taken, and reducing long working hours, and we

also hold health-related events. Through these efforts, we help employees maintain and manage their own health.

These efforts have been recognized, and, in March 2020, the Ministry of Economy, Trade and Industry (METI) announced that some of the Group companies have been certified as “2020 Certified Health & Productivity Management Outstanding Organizations (White 500).”\*



\*Certified companies: Seven & i Holdings Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD., York-Benimaru Co., Ltd., York Mart Co., Ltd. (trade name changed to York Co., Ltd. on June 1, 2020), Sogo & Seibu Co., Ltd., and Seven & i Food Systems Co., Ltd.

## Seven & i Health Declaration NEXT



### ► Initiatives for individuals

Theme 1: Initiatives for maintaining health, preventing illness, and returning to health

Theme 2: Initiatives for promoting health that also utilize IT

### ► Initiatives for workplaces

Theme 1: Comfortable working conditions where people can work with healthy minds and bodies

Theme 2: Establishment of healthy and comfortable working environments

## Engagement survey

The Group is conducting an employee engagement survey with the aim of creating fulfilling working environments.

The employee engagement survey is an indexing of employees' feelings about doing one's best and not giving up until delivering results above expectations, with having the “feeling that each and every employee is always playing a leading role” as well as “pride and passion in everyone's own work.” Since 2018, we have conducted surveys biennially, and,

in November 2020, we conducted a second survey of 30 domestic companies and approximately 61,000 respondents.

The results of the employee engagement survey will be used by each Group company to analyze the survey results, identify issues, and formulate measures. By sequentially implementing these measures, we will work to create fulfilling working environments.

## 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 (spread of rumors), etc.

### Opportunities

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



Related information on risks and opportunities

<https://www.7andi.com/en/csr/sustainability/sustainability.html>

## Approach to the material issue

We believe that the Group has an important role to play in providing socially and environmentally responsible products and services to customers, thereby helping build an ethical\* society.

In every process from procurement of raw materials to sales, we believe that the Group must not only comply with laws and regulations, but it must also take into consideration society and the environment. This will contribute to improving the sustainability of resources and is crucial to enhancing the

strength of supply chains and ensuring business continuity.

Moreover, as an awareness of ethical consumption has been increasing among customers in recent years, addressing this awareness will also help us strengthen our competitiveness. For these reasons, we will advance initiatives targeting the entire supply chain, including our business partners.

\*The word "ethical," in addition to its conventional meaning, has been increasingly associated with environmental preservation and contribution to realization of a sustainable society in recent years.

## Supply chain management

### Revisions to the Business Partner Sustainable Action Guidelines

In order to contribute to the 10 principles of the United Nations Global Compact, the Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the SDGs, we revised our Business Partner Action Guidelines into the Business Partner Sustainable Action Guidelines in December 2019. Throughout our supply chains, we not only ensure the safety and quality of our products and services, but also promote the protection and respect of human rights, compliance with

laws and regulations, global environmental conservation, and consideration for the working environment, thereby aiming to realize a prosperous and sustainable society together with our business partners.

In order to revise the guidelines, we held a briefing session for the executives and the managers and staff of the departments in charge of product development and procurement at each Group company.

### Main revisions

- Clarification of Corporate Creed and SDGs initiatives
- Encouraging business partners to formulate CSR policies and conduct human rights and environmental due diligence
- Addition of section on human rights
- Clarification of Group policies (environmental declaration, information security policy, quality policy)

- Individualization of priority items (anti-corruption, internal whistleblowing system, import/export management)
- Addition of information on material issues (expansion of relief system, natural disaster/business continuity planning, etc.)



Business Partner Sustainable Action Guidelines

<https://www.7andi.com/en/csr/suppliers/guide.html>



## Holding of compliance training and briefing sessions on the Business Partner Sustainable Action Guidelines

We hold briefing sessions on the Business Partner Sustainable Action Guidelines and compliance training for companies to which we outsource the manufacture of our private-brand products in regions where human rights risks are considered to be high. In

fiscal 2020, briefings were held in China and Southeast Asia with 287 factories (94.4% participation rate\*) participating and 20 local compliance training sessions being conducted.

\*Percentage of factories subject to CSR audits in fiscal 2020 (overseas) that participated in the briefings



Jakarta



Bangkok

## Conducting CSR audits

We have a third-party organization conduct CSR audits to confirm compliance with the Group's Business Partner Sustainable Action Guidelines with respect to factories overseas\*, which we have determined to be particularly important from the perspective of risk management, as well as factories in Japan where we outsource the manufacture of our private-brand products, based on our own audit items (114 items in 16 categories). The audit items are

based on international conventions such as the International Labour Organization (ILO) Conventions, which is a global standard, and ISO 26000, and consist of the Seven & i Group Business Partner Sustainable Action Guidelines, protection of human rights, compliance with laws and regulations, occupational safety and health, and environmental conservation.

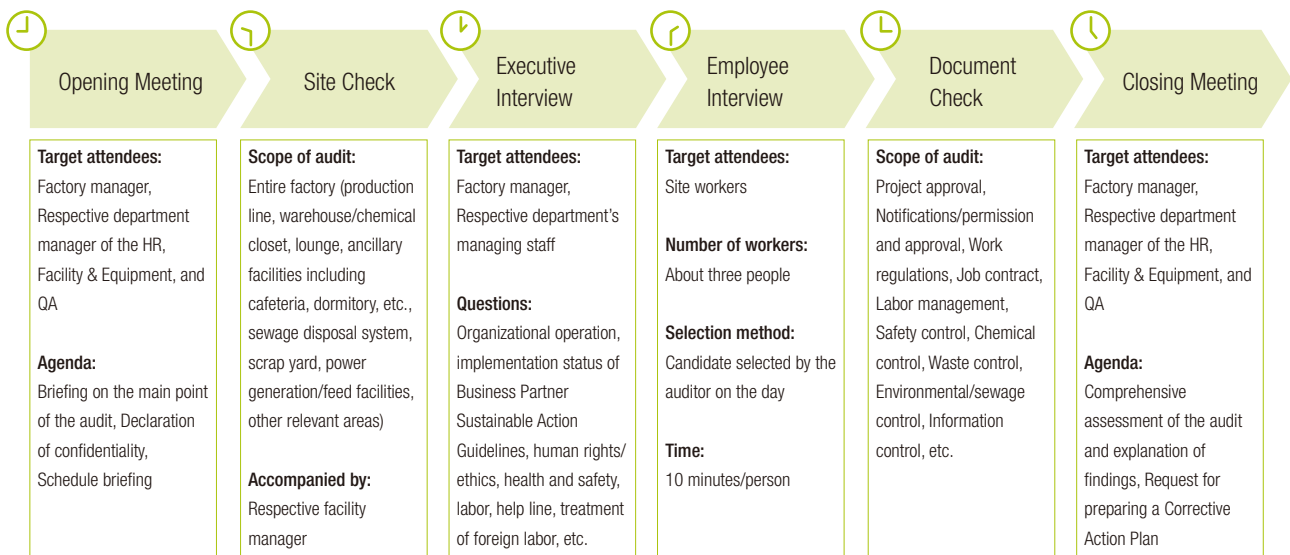
\*China and Southeast Asia (13 countries in total)

## CSR audit process

The auditors visit the factories to be audited upon prior notice and confirm compliance with the audit items through checking sites, documents, and data, as well as by interviewing managers and

workers. The interviews with workers are conducted in a separate room with only the auditors present to prevent any instructions or retaliation from their employers.

## CSR Audit process



If, as a result of the audit, any non-conforming items are found, the third-party audit organization will point out such non-conformities to the business partner. Business partners are requested to submit a Corrective Action Plan (CAP) based on the findings to the audit organization within 10 business days after the audit, and to take immediate action to improve the findings. After receiving a report from the business partner on the completion of the improvement of the indicated items, the

auditors will confirm the completion of such improvement through receiving photographs and guarantee materials (evidence) that show the improvement. However, if a certain standard is exceeded, such as when a large number of serious non-conforming items occur, the factory will be visited again, and another audit will be conducted to confirm that the issues have been corrected.

## Overseas factories

### Results of CSR audits of overseas factories

Audit results for fiscal 2020 showed that 80% of factories had some form of non-conformity, and corrective actions have been implemented. The following non-conformities were identified: environmental response (80 cases), working hours (76 cases), equipment safety and maintenance (44 cases), overtime pay (42

cases), legal benefits (36 cases), and chemical handling (33 cases), for all of which corrective actions were taken. In addition, no cases of forced labor were identified. Re-audits (follow-up audits) were conducted for the 75 factories that were found to have major or multiple non-conformities.

### Number of CSR audits of overseas factories\*1

Fiscal year	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 Plan
Number of cases (number of factories)	17	28	328	226	245	215	274	304	Approx. 600*2

\*1 Factories to which we outsource the manufacture of private-brand products (*Seven Premium*), which we judge to be particularly important from the viewpoint of risk management, and factories to which we outsource the manufacture of private-brand products of Group companies in China and Southeast Asia (13 countries in total)

\*2 In fiscal 2021, there is a possibility of a reduction due to the impact of COVID-19.

## Japanese factories









### Results of CSR audits of Japanese factories

In 2018, the Company began the implementation of CSR audits of factories to which we outsource the manufacture of our private-brand products (*Seven Premium*) in Japan, in order to appropriately address issues such as reforming the way employees work, employing non-Japanese workers, and protecting the global environment. In terms of the number of audits, tests were

conducted at 50 factories in fiscal 2019, and 327 factories (about 30% of the total) were audited in fiscal 2020. The audit results for fiscal 2020 identified some form of non-conformity at approximately 90% of factories, for which corrective actions were taken. Moreover, there was no discrimination against non-Japanese workers or non-compliance regarding forced labor.

# External Recognitions and Response to/Participation in External Frameworks

## External recognitions (As of December 31, 2020; items without footnotes refer to recognitions to Seven & i Holdings)

<p>Member of <b>Dow Jones Sustainability Indices</b> Powered by the S&amp;P Global CSA</p> <p>Dow Jones Sustainability Asia Pacific Index</p>	 <p><b>FTSE4Good</b></p> <p>FTSE4Good Index</p>	 <p><b>FTSE Blossom Japan</b></p> <p>FTSE Blossom Japan Index</p>
 <p><b>MSCI ESG RATINGS</b> <b>BBB</b></p> <p>2020 MSCI ESG Leaders Indexes Constituent</p> <p>MSCI ESG Leaders Indexes</p>	 <p>Gold Product Safety Company*1</p>	 <p>2020 Certified Health &amp; Productivity Management Outstanding Organizations (White 500)*2</p>
 <p>The first company certified as an Employer of Persons with Disabilities*3</p>	 <p>Third rank      Second rank</p> <p>"L-Boshi" certification mark*4</p>	 <p>"Platinum Kurumin" certification      "Kurumin" certification*5</p>

## Response to/participation in external frameworks (As of December 31, 2020)

 <p>Response to TCFD recommendations</p>	 <p>Participation in RE100</p>	 <p>Registered with the Whistleblowing Compliance Management System</p>
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\*1 Ito-Yokado Co., Ltd.

\*2 Seven & i Holdings Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD., York-Benimaru Co., Ltd., York Mart Co., Ltd. (trade name changed to York Co., Ltd. on June 1, 2020), Sogo & Seibu Co., Ltd., Seven & i Food Systems Co., Ltd.

\*3 Terube Ltd.

\*4 Third rank of "L-Boshi": Seven & i Holdings Co., Ltd., Ito-Yokado Co., Ltd., Sogo & Seibu Co., Ltd., Seven Bank Ltd., Seven Card Service Co., Ltd., Seven Financial Service Co., Ltd., Nissen Co., Ltd., Nissen Life Co., Ltd.  
Second rank of "L-Boshi": SEVEN-ELEVEN JAPAN CO., LTD., Seven & i Food Systems Co., Ltd.

\*5 "Platinum Kurumin": Ito-Yokado Co., Ltd.

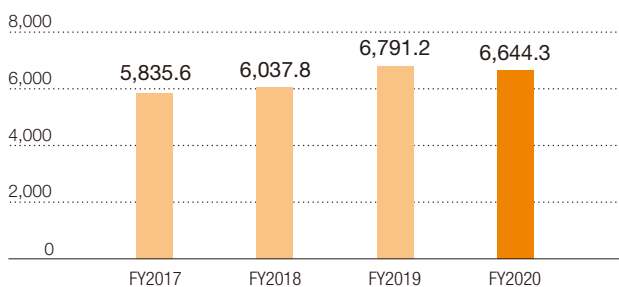
"Kurumin": Seven & i Holdings Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., Seven & i Food Systems Co., Ltd., Seven Bank, Ltd.

# Key Indicators

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

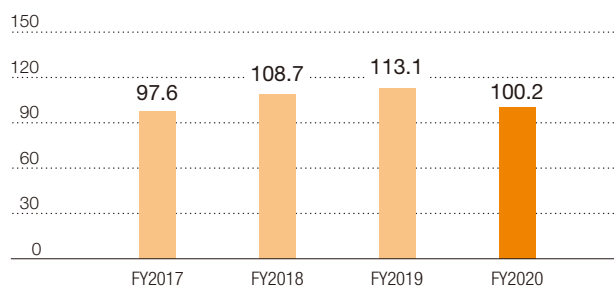
## Revenues from operations

(Billions of yen)



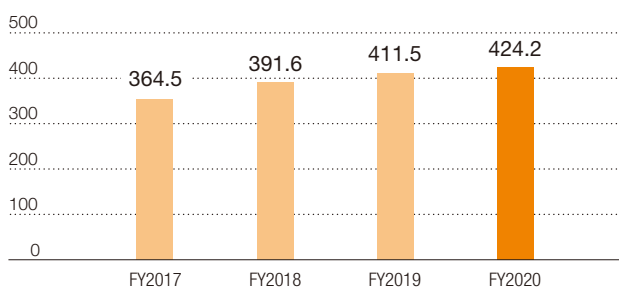
## E-commerce sales\*

(Billions of yen)



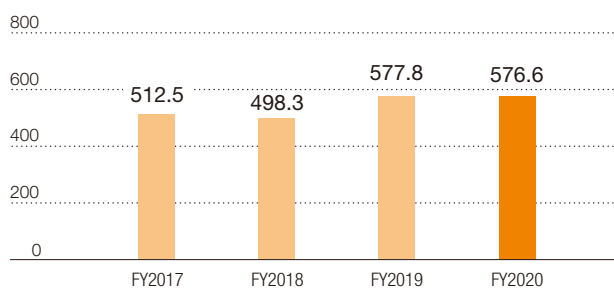
## Operating income

(Billions of yen)



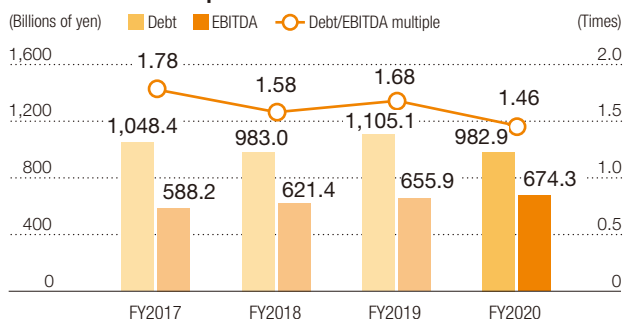
## Cash flows from operating activities

(Billions of yen)



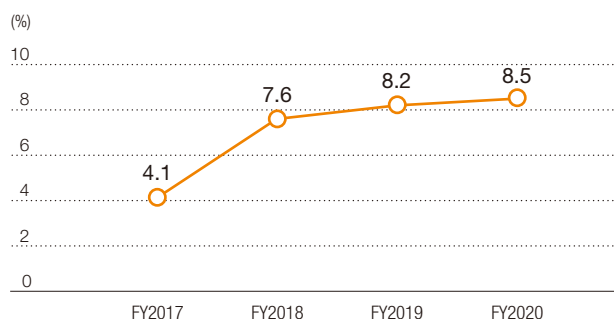
## Debt/EBITDA multiple

(Billions of yen)



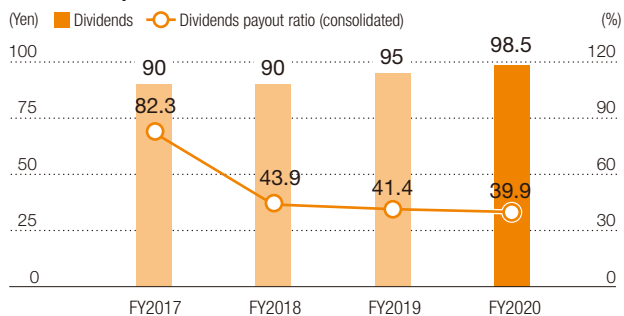
## ROE

(%)



## Dividends per share

(Yen)

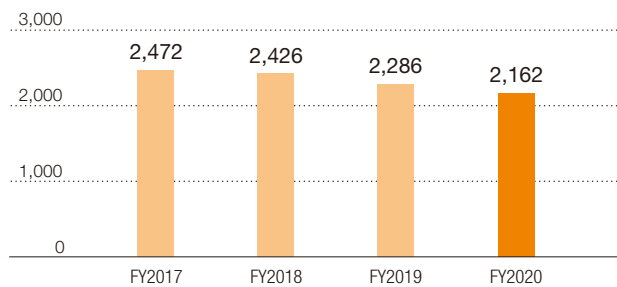


\*E-commerce sales including 7Net Shopping, Seven-Meal, Ito-Yokado, Akachan Honpo, Sogo & Seibu, and THE LOFT, etc. (Sales through the *amni7* website since September 2016)



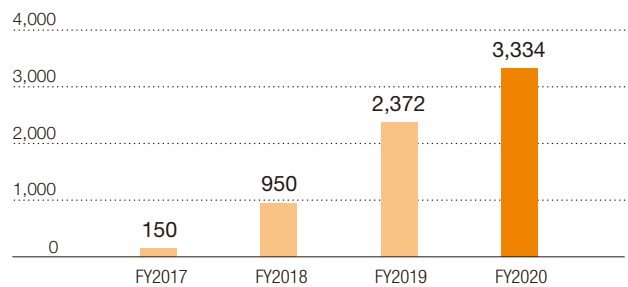
### CO<sub>2</sub> emissions from store operations\*1

(Thousand t-CO<sub>2</sub>)



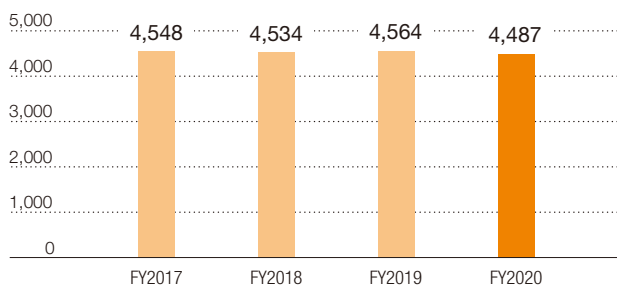
### Number of *Seven Premium* eco-friendly packaging materials introduced

(Items)



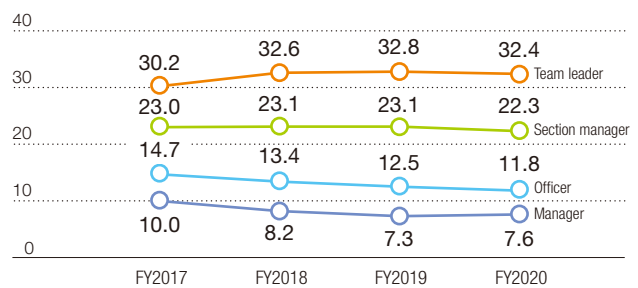
### Electricity consumption in store operations\*1

(GWh)



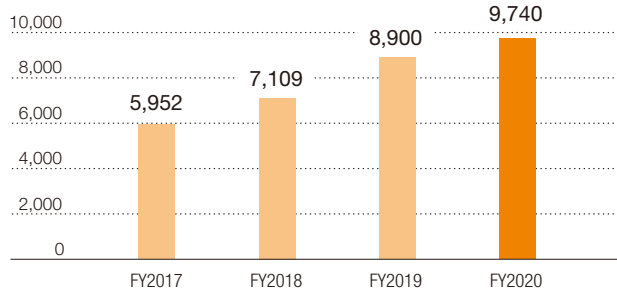
### Percentage of female managers\*2

(%)



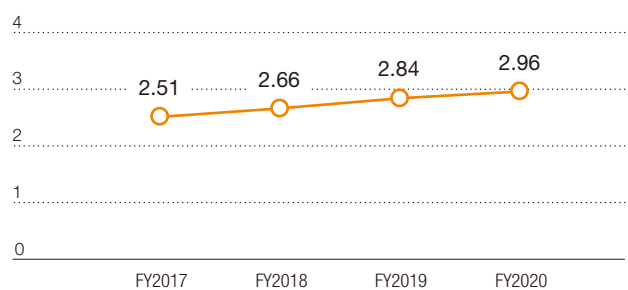
### Volume of plastic (PET) bottles collected from collection machines

(t)



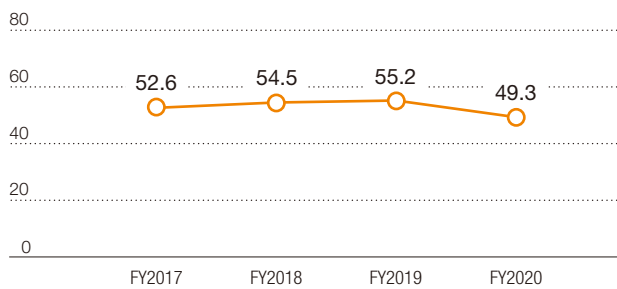
### Percentage of employees with disabilities\*3

(%)



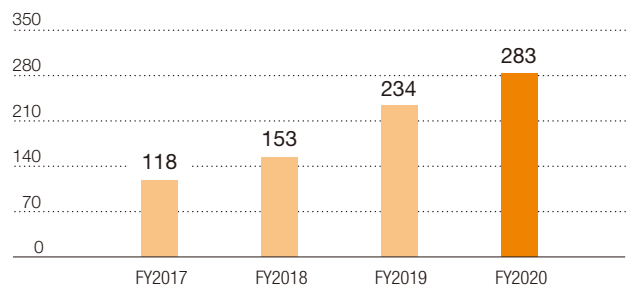
### Organic waste recycling rate\*4

(%)



### Number of comprehensive alliance agreements\*5

(Agreements)



\*1 The period of the calculations was from April to March. The period of the calculations from April of the year to March of the following year is presented as the fiscal year ended February (FY). For fiscal 2017, totals are for 10 companies (SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Life Foods Co., Ltd., York Co., Ltd. (changed its trade name from York Mart Co., Ltd. on June 1, 2020), SHELL GARDEN CO., LTD., Sogo & Seibu Co., Ltd., Akachan Honpo Co., Ltd., Seven & i Food Systems Co., Ltd., and THE LOFT CO., LTD.). From fiscal 2018, totals are for 12 companies due to the addition of 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. (URL: <https://www.7andi.com/en/csr/report/2019.html>)

\*2 Total for eight companies (Seven & i Holdings Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., Seven Bank Ltd., Akachan Honpo Co., Ltd., and Seven & i Food Systems Co., Ltd.).

\*3 The rate for each fiscal year is the rate as of June 1 of the year. The percentage of workers with disabilities is for the five qualified Group companies: Seven & i Holdings Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., Seven & i Food Systems Co., Ltd., and Terube Ltd. (special subsidiary for employees with severe disabilities).

\*4 The period of the calculations was from April to March. The period of the calculations from April of the year to March of the following year is presented as the fiscal year ended February (FY). Totals are for the six food-related operating companies (SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., York Co., Ltd. (changed its trade name from York Mart Co., Ltd. on June 1, 2020), SHELL GARDEN CO., LTD., and Seven & i Food Systems Co., Ltd.).

\*5 Totals are for SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., York Co., Ltd. (changed its trade name from York Mart Co., Ltd. on June 1, 2020), Sogo & Seibu Co., Ltd., and Seven & i Food Systems Co., Ltd.

# Corporate Governance

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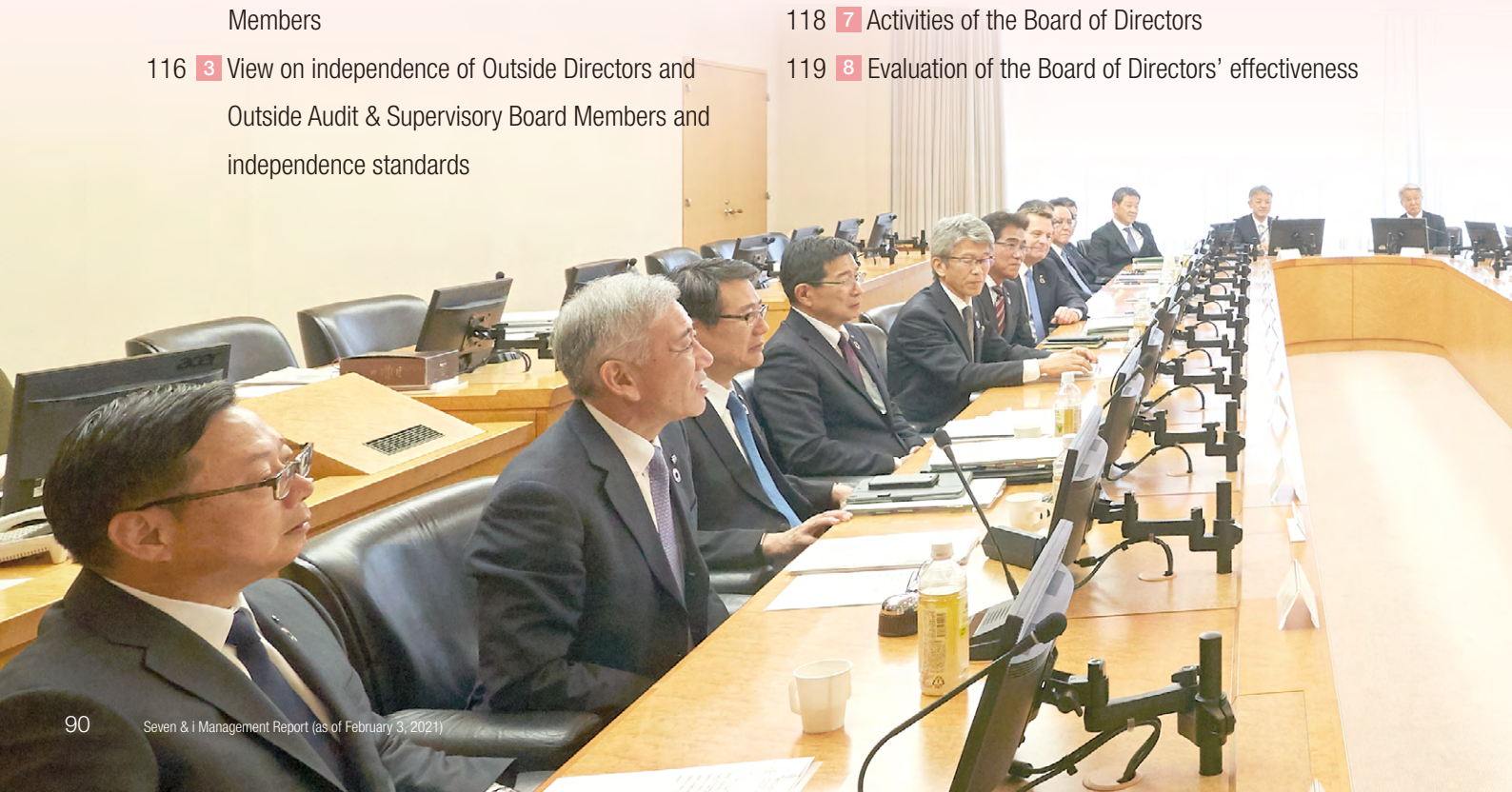
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**NEW** New sections added to this revised report

**Updated** Main sections updated from the previous report (issued on June 26, 2019)

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Board meeting on May 23, 2019



# Messages from Outside Directors



## Kunio Ito

Chair, Nomination Committee, and Chair, Compensation Committee

Outside Director

Chief Financial Officer (CFO) and Head of Education Research Center, Hitotsubashi University. Professor Emeritus, Hitotsubashi University. Specially Appointed Professor, Chuo Graduate School of Strategic Management, Chuo University. Fields of speciality include accounting, economics with marketing and branding, corporate governance, corporate value management, and ESG (environment, society, governance). 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.

**I know that my involvement in discussions is always driven by a mandate to serve shareholders.**

**At times, apply the brakes. At times, give a supportive push forward. That's the role of an Outside Director.**

Whether a Board of Directors functions well depends on an attitude—the inclination of internal Directors, including the President, to listen to the opinions of Outside Directors. This attitude fosters the idea that constructive comments can also come from Outside Directors and boosts motivation from both internal and external perspectives. In the last few years, the Board of Directors at Seven & i Holdings has enhanced discussions, balancing urgency with openness and creating an extremely good environment for conversation.

In the discussion process, when the situation arises, Outside Directors tend to take a position that puts the brakes on a decision to execute a strategy. But I believe there are times

when management has to slow things down and other times when management might need encouragement to move forward. In my experience, companies seeking growth must consider various factors. Growth is not simply taking risks. As a leader in Japan's retail industry, the Seven & i Group cannot avoid taking risk when pursuing growth, but at the same time, management must consider how best to minimize inherent risk. The recent acquisition of Speedway by 7-Eleven, Inc., is a good example. Before making the final decision, the Board of Directors carefully ran through the acquisition process, looking beyond such components as acquisition price and post-merger integration in repeated discussions from various angles.

We Outside Directors participate in the Board of Directors' meetings as representatives of the Company's shareholders. I am strongly aware that my involvement in discussions must at all times be driven by a mandate to serve shareholders.



## Strategically address ESG, human resources development, and digital transformation, balancing corporate value and social value

The Seven & i Group seeks to use governance reform to continuously improve corporate value. Improvements have been made on advisory committees to the Company's Board of Directors, including separating the Nomination and Compensation Committee into the Nomination Committee and the Compensation Committee. In addition, medium- and long-term and non-financial perspectives have been added to key components for determining the compensation of Directors, and CO<sub>2</sub> emissions have been introduced to KPIs for stock-linked compensation to balance corporate value and social value. This approach is characteristic of Seven & i Holdings' efforts.

The Board of Directors has long pursued discussions on the human resources portfolio and succession plans, and 2020 was no different. Seven & i Holdings implemented an employee engagement survey to better understand employees' attitudes toward work and their perception of the Company from emotional and philosophical perspectives. A vital function of the holding company is to identify the ideas held by each and every employee and know what makes every person tick. The accumulated information should certainly have a direct and positive impact on succession plans.

Digital transformation strategies—a complement to human resources strategies—are also vital. I would emphasize that digital transformation—often abbreviated “DX”—is fundamentally different from digitalization. DX, more than just digitalization, has the potential to vastly improve experience value for stakeholders, including customers and employees. It changes the corporate culture, as well. A company may embrace digitalization, but without a change in corporate culture, the effort is pointless. Finally, DX can eliminate various organizational barriers, between management and employees, between divisions, and between operating companies. This is the power of DX.

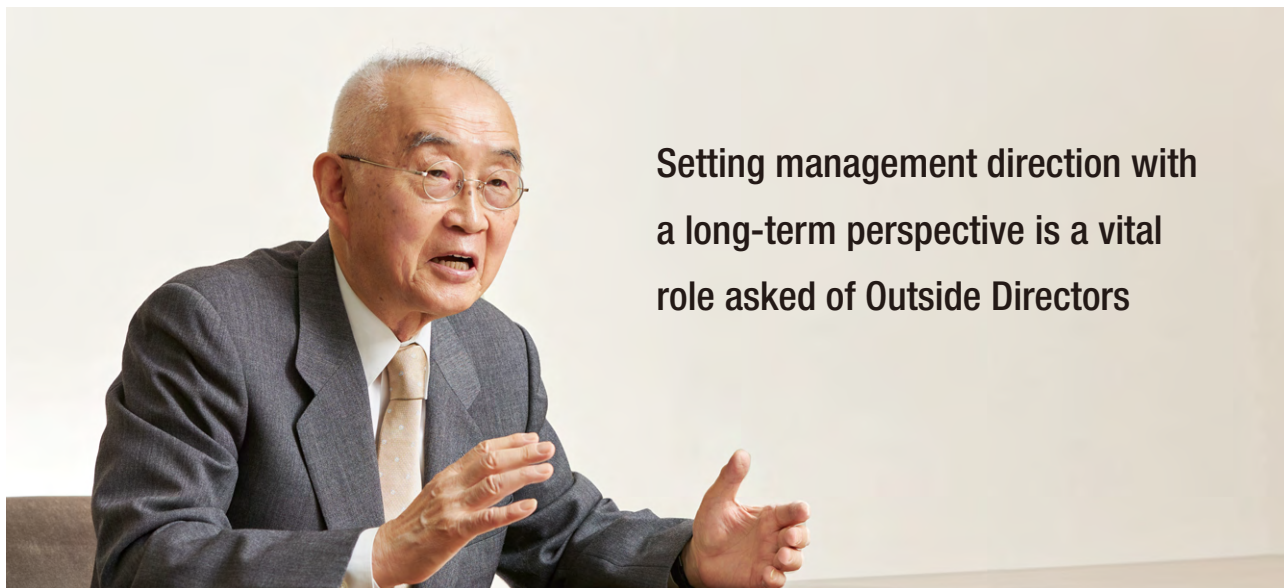
## Strive to improve Group governance in truest sense of best owner

The new medium-term management plan is undergoing additional discussion, but organically connecting Group



companies and creating a unique business model are important elements. Conversations between Seven & i Holdings and its operating companies are essential to this process, and management must remember to take a self-questioning perspective to ensure that the Company is the best owner—in the truest sense—for every operating company. As for restructuring the Group and reshuffling the business portfolio, the emphasis must be on Seven & i Holdings' ability to make stellar management decisions that utilize and expand the business resources of every company. In other words, those who call the shots at Seven & i Holdings, who know the unique purpose of each operating company, must ask themselves if their decisions will serve the underlying purpose of enhancing familiarity among respective customers and stakeholders.

For management strategies to be successful, it is essential that they align with human resources strategies. Do human resources fit with the business models we are aiming for five or 10 years down the road, and following that, can the Group remain sustainable? We Outside Directors have a duty to supervise management from an external perspective and offer opinions across a broad spectrum, addressing environmental issues and social issues of global scale, not simply say “that’s life” or “these are the times we live in.” We would not be properly fulfilling our responsibilities if we did that. Going forward, we must draw attention to issues—a balance of macroperspectives and microperspectives—on everything from what are global trends to what motivates employees.



## Yoshio Tsukio

Outside Director

Professor Emeritus, the University of Tokyo. President and Representative, Tsukio Research Institute. Areas of speciality are media policy and system engineering. Held posts as professor in the Department of Architecture, School of Engineering, Nagoya University, and in the Department of Industry Mechanical Engineering, Faculty of Engineering, and the Graduate School of Frontier Science, the University of Tokyo. From December 2002, was responsible for the national government's IT policy as Vice-Minister for Policy Coordination, Ministry of Internal Affairs and Communications. Saw and heard about the current status of issues affecting the natural environment around the world and participated in regional plans to achieve a sustainable society. Became Outside Director at Seven & i Holdings in May 2014.

### Management that looks ahead 10, 20 years to address social concerns

Two big issues loom before all companies, not just Seven & i Holdings. One is the response to the information society. The Seven & i Group has accumulated an enormous amount of customer information across various business formats, from convenience stores to retail operations and restaurants, and the consolidation and effective utilization of this data, underpinned by long-term strategies, will shape the image that defines the Company—and by extension, the Group—10 or 20 years down the road. The Group DX Strategy & Planning Division, set up in April 2020, promotes DX across the Group. I believe that an emphasis on DX to create new corporate value will enable Seven & i Holdings to capitalize on huge growth opportunities Groupwide in Japan and also as a global retailer.

The other issue is the environment. The investment world is keen on ESG investment, and in the future, the extent of a company's efforts to contribute to a better global environment will become a bigger deciding factor in how society measures corporate worth. Global warming is accelerating as an issue of concern for all humanity, and companies must address environmental issues seriously and deliver results or risk a backlash. A key role I play as an Outside Director is to encourage management to take a longer view in setting corporate direction and in drafting strategies. Unlike internal Directors, who have ready access to daily management information, we Outside Directors have to take a wider perspective and push the organization toward its future goals and addressing social issues that warrant discussion. This is the vital role that Outside Directors must fulfill.

**“Imagination and preparation”—the foundation of crisis management**  
**Committed to sharing information and promoting fruitful discussions with prevailing risks in mind.**



**Toshiro Yonemura**  
Outside Director

Joined National Police Agency (1974), Superintendent General, Tokyo Metropolitan Police Department (2008), Deputy Chief Cabinet Secretary for Crisis Management (2011), and Special Advisor to the Cabinet. Currently, Chief Security Officer for the Tokyo Organising Committee of the Olympic and Paralympic Games. Has broad, high-level insight and expertise in organizational management and risk management. Became Outside Director at Seven & i Holdings in May 2014.

**Defensive perspective important for successfully guiding offensive strategies**

My field of speciality is crisis management, and I believe organizations require imagination and preparation to successfully manage crises. Corporate management is not the same as crisis management, but even in a business context, this idea of imagination and preparation is crucial. Thorough execution hinges on the quality of information gathering and discussion processes. The information gathered and the discussions based on that information are vital components of good corporate governance. The Board of Directors at Seven & i Holdings is committed to sharing information and assumes that all discussions will naturally bear fruit. This perspective has also enabled the Company to establish a good governance structure.

Crisis management generally implies a defensive approach, but in the corporate sense, crisis management goes beyond being conservative. It requires knowing how rigid the defensive stance should be to avoid inhibiting the success of growth-oriented strategies. For example, the Speedway acquisition announced in August 2020 assumed various risks, including COVID-19, which at that time was perceived as a global threat, in addition to extreme weather, other environmental issues, and the growing trend toward electric vehicles. These risks were tracked and carefully discussed to properly respond to whatever might arise.

In pursuing growth, a company may find that crises and uncertainties become leapfrog opportunities that radically shift the growth trajectory in an unexpectedly stellar direction. I want Seven & i Holdings to exercise its creativity, design business models not previously thought possible and a fresh image for convenience stores, and promote imagination and preparation that look far into the future.



## Board of Directors steadily evolving into structure capable of more productive conversations from perspectives of stakeholders and society

### Tetsuro Higashi

Outside Director

Drove development at Tokyo Electron Limited for many years, as Representative Director and President, then Representative Director and Chairman of the Board, and then Corporate Director and Corporate Advisor. Has broad, high-level expertise in many areas, including international corporate management, business management, and finance and accounting. Served as Chairman of Semiconductor Equipment and Materials International (SEMI) Board of Directors and as Chairman of the Semiconductor Equipment Association of Japan. In 2015, received the SEMI Sales and Marketing Excellence Award, in memory of Bob Graham. Became Outside Director at Seven & i Holdings in May 2018.

### Combine global network and DX strategy, and define vision for major growth

Seven & i Holdings is vigorously engaged in governance reform. Internal Directors listen to the opinions of Outside Directors and are very conscious of the need to welcome input with all due sincerity. Consequently, I feel the Board of Directors is steadily evolving into a structure capable of more productive discussions with stakeholders and society in mind.

As an Outside Director, I bring experience in globalization, primarily globalization for an operating company. My goal is to convey information on events and other situations of importance worldwide to the Board of Directors and encourage its application to management processes throughout the Seven & i Group.

Since assuming the position of Outside Director, I have commented on DX whenever the occasion arose. I see DX not merely as a tool to promote efficiency but as a tool to enhance corporate value. Seven & i Holdings must go beyond just anticipating technology and achieve a unique brand of DX that will differentiate it from other companies. Specifically, while vigorously expanding its presence overseas, the Seven & i Group should have decisive strategies with a global perspective. In addition, the Group's strengths lie in various formats, not just convenience stores and supermarkets but also restaurants and specialty stores. Using DX to connect these different formats will reinforce relationships laterally, broadening the capabilities of every business. Going forward, I expect Seven & i Holdings to adeptly combine its global network and unique DX strategy, create a new style of retailing and new value, and define a vision for even greater growth.



## Toward sincere and uniquely Seven & i Group corporate governance with customers, employees, and all stakeholders in mind



### Kazuko Rudy

Outside Director

Representative Director and President, WITAN ACTEN Co., Ltd., a marketing consulting firm. Has gained rich insights and experience, especially in marketing and brand strategies, through positions as Professor at Ritsumeikan University Graduate School of Management, Marketing Manager at U.S.-based Estee Lauder Co., Ltd., and General Manager, Direct Marketing Department, Time Life Books Division, Time Inc. Became Outside Audit & Supervisory Board Member at Seven & i Holdings in May 2014 and Outside Director of the Company in May 2019.

### Raising customer satisfaction begins with raising employee satisfaction

COVID-19 marked a turning point, establishing the retail sector as an essential industry and heightening the importance of the industry's social mission to protect employees and support customers' daily life. But I believe this sort of development was actually unfolding even before the pandemic. For retailing and other service-oriented sectors to raise customer satisfaction, they must first achieve a higher level of employee satisfaction. When companies vigorously invest in human capital and create motivating work environments, employees typically acquire a brighter outlook on life. The end results are higher customer value and, by extension, higher corporate value. Some social issues—namely, the low birthrate and the labor shortage—are likely to get worse, and DX is part of the coping mechanism for all companies. DX does not eliminate workers. Rather, when routine work previously done by people is shifted to machines, employees can be concentrated into jobs that are done only by humans. When employees are involved in ideas to raise customer satisfaction, work becomes much more enjoyable. The philosophy that guides the Seven & i Group includes the phrase “Responding to Change,” and while identifying trends is important so too is always remembering that it is people who increase customer satisfaction.

In 2020, Seven & i Holdings introduced a CO<sub>2</sub> emissions indicator—its first non-financial indicator—into KPIs for compensation of Directors. Going forward, management must continue to explore the possible inclusion of other evaluation criteria that address changes in society and issues of concern to shareholders and investors. For my part, as an Outside Director, I am eager to learn and broaden my perspective to develop and make responsible comments at Board meetings.

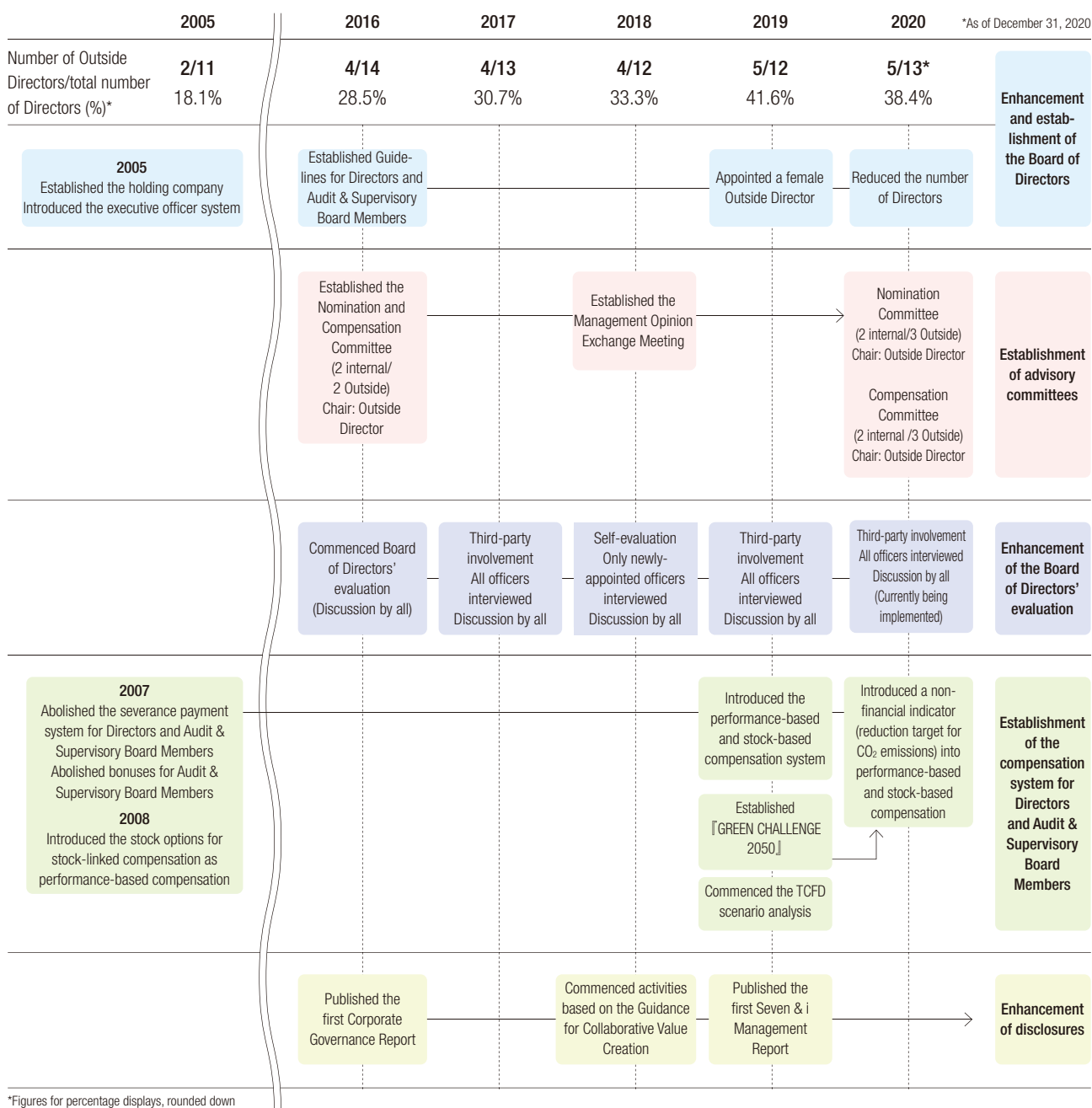
## Basic Views on Corporate Governance [ CGC Principle 3.1 (ii) ]

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.

### Development and establishment of corporate governance linked to the advancement of group management NEW

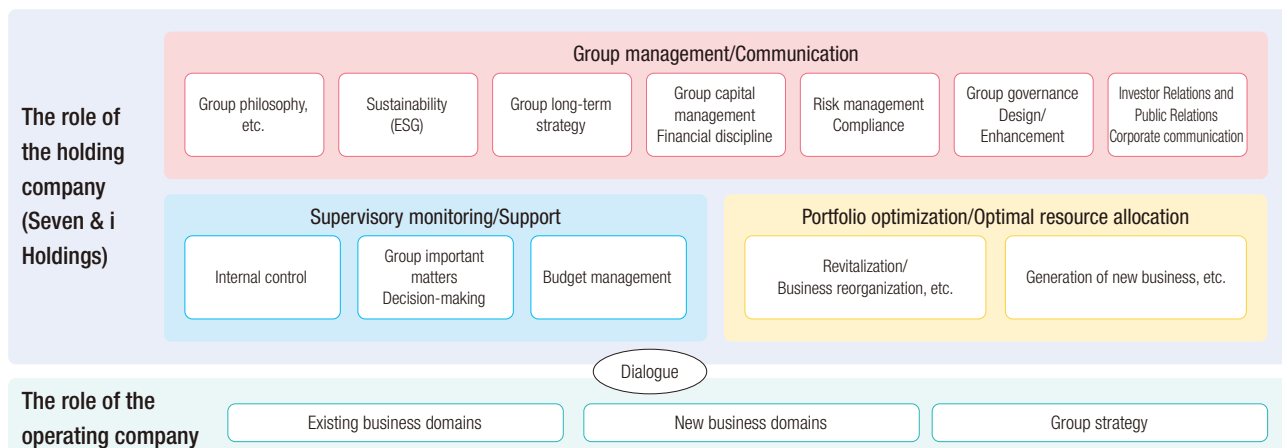
The Group is improving every day under its slogan of "Responding to Change while Strengthening Fundamentals," and is also engaged in the development and establishment of the corporate governance "system," in line with the advancement of the group management stage.



\*Figures for percentage displays, rounded down to the first decimal place

# Group Governance Framework Driving Corporate Value Creation

## Group governance using a holding company system



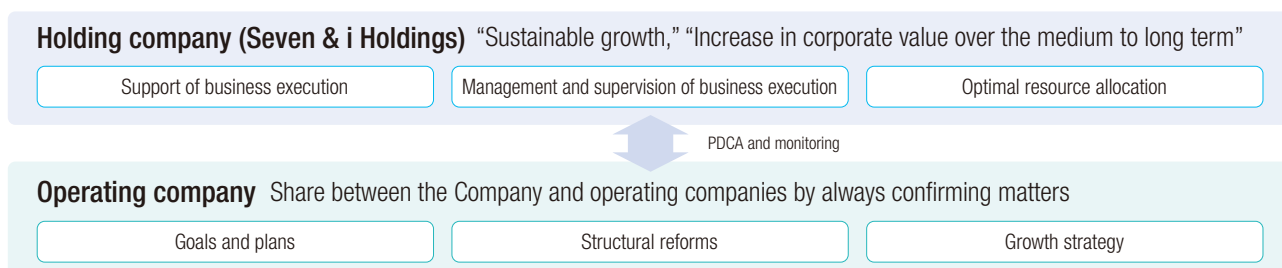
Based on the Group's philosophy and management policies, we employ a Group governance framework based on a holding company system as a mechanism to drive the creation of Group corporate value, not only in the short term but also over the medium to long term.

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

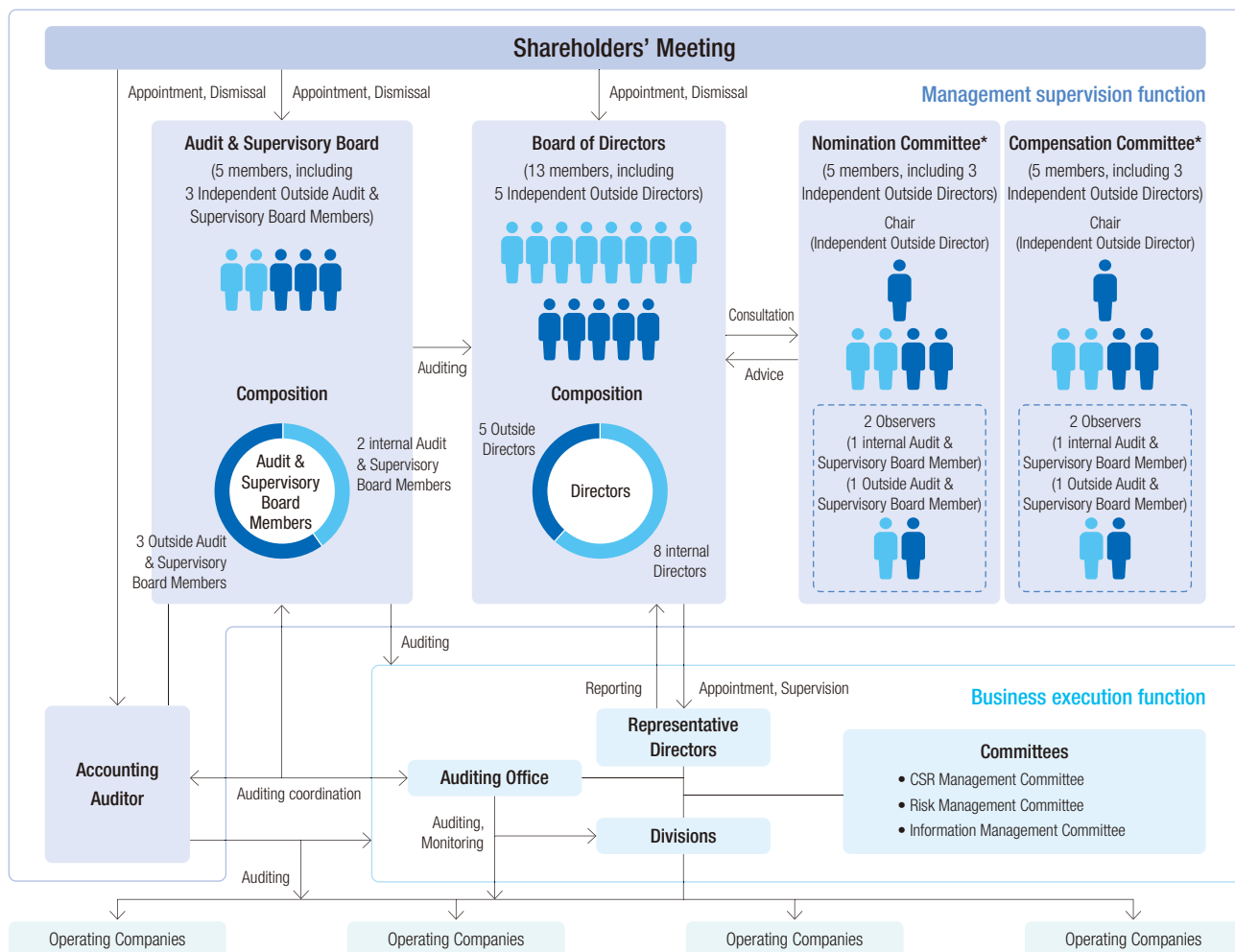


#### Approach, etc., to the independence of listed subsidiaries

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.

# Overview of Corporate Governance “Systems”

Corporate Governance System (as of December 31, 2020) Updated



\*The chair and committee members are selected by the Board of Directors, and the observers are selected through discussion among Audit & Supervisory Board Members.

## 1 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 & 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:

1. 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.
2. The independence of the Audit & Supervisory Board Members is clearly specified by law, which enables independent and objective audits.
3. The Audit & Supervisory Board Members have legally specified authority to investigate subsidiaries, which is effective also from a Group audit perspective.



Composition of Directors and Audit & Supervisory Board Members of each meeting body (as of December 31, 2020) NEW

(◎: Board or committee chair)

Name	Position in the Company	Board of Directors	Audit & Supervisory Board	Nomination Committee	Compensation Committee	CSR Management Committee	Risk Management Committee	Information Management Committee
Ryuichi Isaka	Representative Director and President Executive Officer and President	◎		○		◎		
Katsuhiko Goto	Representative Director and Vice President Executive Officer and Vice President Information Management Supervisor	○		○		○		◎
Junro Ito	Director and Managing Executive Officer General Manager of the Corporate Development Division	○			○	○	◎	○
Kimiyoshi Yamaguchi	Director and Executive Officer General Manager of the Corporate Communication Division	○			○	○	○	○
Yoshimichi Maruyama	Director and Executive Officer General Manager of the Corporate Finance & Accounting Division	○				○	○	○
Fumihiko Nagamatsu	Director	○						
Shigeki Kimura	Director In charge of the President Office In charge of Group Cooperation	○						
Joseph M. DePinto	Director	○						
Yoshio Tsukio	Independent Outside Director	○		○				
Kunio Ito	Independent Outside Director	○		◎	◎			
Toshiro Yonemura	Independent Outside Director	○		○				
Tetsuro Higashi	Independent Outside Director	○			○			
Kazuko Rudy (Real name: Kazuko Kiriya)	Independent Outside Director	○			○			
Noriyuki Habano	Standing Audit & Supervisory Board Member		◎			○	○	○
Yoshitake Taniguchi	Standing Audit & Supervisory Board Member		○			○	○	○
Kazuhiro Hara	Independent Outside Audit & Supervisory Board Member		○					
Mitsuko Inamasu	Independent Outside Audit & Supervisory Board Member		○					
Kaori Matsuhashi (Real name: Kaori Hosoya)	Independent Outside Audit & Supervisory Board Member		○					

Values

Business Model

Strategy

Sustainability/Growth

Key Indicators

Governance

Financial Section

## 2 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)

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) as of December 31, 2020.

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.

### 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 Representative Director and President. This clarifies the decision-making process for management and the structure of responsibility, while also expediting decision-making by rational delegation of authority.

## 3 Nomination Committee and Compensation Committee system [ CGC Principle 3.1 (iii) (iv)] [ CGC Supplementary Principle 4.11.1] Updated

### (1) Outline of basic policy and system

In 2016, 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. It has been utilizing the knowledge and advice of Outside Directors and Outside Audit & Supervisory Board Members to ensure objectivity and transparency in the procedures for deciding the nomination and compensation of Representative Directors, Directors, Audit & Supervisory Board Members, and executive officers (in this paragraph, "Officers, etc."), thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions. Responding to feedback from shareholders and investors, etc., and as a result of deliberations through effectiveness evaluations of the Company's Board of Directors, we have decided to make the following improvements to the advisory committees of the Board of Directors, effective since the Annual Shareholders' Meeting held on May 28, 2020, to utilize a more diverse range of knowledge of Outside Directors and Outside Audit & Supervisory Board Members in committee deliberations and further improve their objectivity and transparency.

#### Overview of improvements to advisory committees in 2020

1. The Nomination Committee and the Compensation Committee are separated;
2. Each committee is composed of three Independent Outside Directors and two internal Directors (the majority of committee members are Independent Outside Directors);
3. Each committee is chaired by an Independent Outside Director; and
4. Internal committee members of the Compensation Committee are selected from among Directors other than Representative Directors.

	Nomination Committee	Compensation Committee
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	Basic policies and standards for compensation, etc., for Officers, etc. of the Company and 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	Contents of proposals for the limit on the total amount of compensation, etc. for Directors and Audit & Supervisory Board Members of the Company and of the core operating companies Contents of individual compensation, etc. for Officers, etc. (excluding Audit & Supervisory Board Members) of the Company and for the Representative Directors of the core operating companies Development of a stock-based compensation system for Officers, etc. of the Company and its subsidiaries, the establishment and change of criteria for granting stocks, and important matters regarding operation thereof (including determination of renewal of the stock-based compensation system)

\*As of December 31, 2020, the above "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 Co., Ltd. (York Mart Co., Ltd. changed its name to York Co., Ltd. on June 1, 2020.)

## (2) Proper Group management and utilization of the Nomination Committee and Compensation Committee

The Company's "Nomination Committee and Compensation Committee" (in this paragraph, "the Committees") deliberate on the nomination and compensation of not only the Company's Officers, etc., but also 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 Committees 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.

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 Committees.

This is because deliberations by the Committees 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 Committees as advisory committees to the Board of Directors.

## 4 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 and stores to survey the actual status of operations in accordance with the audit plans, and receive reports.

#### Appointment of Audit & Supervisory Board Members with expertise with regard to finance and accounting Updated

The Company has appointed the following three Audit & Supervisory Board Members who have expertise with regard to finance and accounting.

- Standing Audit & Supervisory Board Member Yoshitake Taniguchi was engaged in operations relating to finance and accounting in the finance and accounting division in the Company and its Group companies for a total period of seven (7) years or more.
- Audit & Supervisory Board Member Kazuhiro Hara is a certified public accountant and certified tax accountant.
- Audit & Supervisory Board Member Kaori Matsubishi is a certified public accountant.

### (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.

<b>Operational auditing staff</b>	<ol style="list-style-type: none"> <li>1. Verifies and provides guidance on internal auditing, including the status of the maintenance and management of compliance systems, by core operating companies or to directly audit them.</li> <li>2. Audits the Company, the holding company</li> </ol>
<b>Internal control evaluation staff</b>	Evaluates internal controls regarding the financial reporting of the whole Group

### (3) Coordination between Audit & Supervisory Board Member audits, internal audits, and accounting audits Updated

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 meetings as follows.

Coordination method	Frequency	Participants	Main proceedings
Tri-partite meetings	Basically twice a year	<ul style="list-style-type: none"> <li>• Audit &amp; Supervisory Board Members (including Outside Audit &amp; Supervisory Board Members)</li> <li>• Auditing Office</li> <li>• Auditing firm</li> </ul>	Exchanges information on the performance of accounting audits with the auditing firm, the performance of internal audits with the Auditing Office, and the performance of Audit & Supervisory Board Member audits with the Audit & Supervisory Board Members and conducts exchanges of opinions.
Reporting sessions for accounting audits	Basically twice a year	<ul style="list-style-type: none"> <li>• Standing Audit &amp; Supervisory Board Members</li> <li>• Representative Directors and other officers</li> <li>• Auditing Office, etc.</li> <li>• Auditing firm</li> </ul>	Receives reports from the accounting firm on the accounting audits, and confirms, among other matters, the results of accounting audits. In addition, conducts exchanges of opinions on the status of audits as necessary.
Meetings between the Standing Audit & Supervisory Board Members and the Auditing Office	Basically once a month	<ul style="list-style-type: none"> <li>• Standing Audit &amp; Supervisory Board Members</li> <li>• Auditing Office</li> </ul>	<ul style="list-style-type: none"> <li>• The Auditing Office reports on the results of operational audits and the progress of internal control evaluations, etc.</li> <li>• Actively exchanges opinions on, among other matters, priority matters that should be examined in order to improve the quality of audits.</li> </ul>
Audit & Supervisory Board meetings, etc.	Basically twice a month	<ul style="list-style-type: none"> <li>• Audit &amp; Supervisory Board Members (including Outside Audit &amp; Supervisory Board Members)</li> <li>• Auditing Office (as necessary)</li> <li>• Auditing firm (as necessary)</li> </ul>	The Standing Audit & Supervisory Board Members report to the Outside Audit & Supervisory Board Members on, inter alia, the contents of the meetings with the auditing firm and Auditing Office and conduct discussions. The Standing Audit & Supervisory Board Members also provide the Auditing Office and the auditing firm with feedback on the matters thus discussed.



### (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.



## 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 Directors. Each committee determines 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 leading the CSR activities of the entire Group. The Company has also established the “Compliance Subcommittee,” “Corporate Ethics and Culture Subcommittee,” “Supply Chain 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, to promote operating activities which contribute to solving social issues relating to stakeholders, and from the perspective of ESG (environment, society, and governance), to work for the sustainable growth and development of both society and the Group.

Furthermore, the Company operates an internal whistleblowing system available to the Group’s Directors and Audit & Supervisory Board Members, employees and business partners as part of the internal controls of the whole Group. The Executive Officer in charge of the CSR Management Committee is tasked with regularly reporting and confirming the system’s status of operation and rectification at the Board of Directors’ meetings.

### Risk Management Committee

In accordance with the basic rules for risk management, the Company and its Group companies establish, streamline, and manage 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.

The Risk Management Committee receives reports from the departments in charge of risk management regarding the risk management status of the Company. The committee comprehensively determine, assess, and analyze risks and discuss measures, and determine the future direction going forward.

Meanwhile, the Company has carried out efforts to further strengthen risk management of the entire Group through assisting with risk evaluation and analysis and execution of mitigation measures at each Group company, and sharing risk-related information from inside and outside the Company, using group-wide cross-organizational meeting bodies led by each of the Company’s various departments in charge of risk management.

### Information Management Committee

In accordance with the Information Control Regulations, the Company has established the Information Management Committee, chaired by the information management supervisor, to carry out risk analysis, evaluation, and measures regarding the information management of all operations related information that is learned, created, or retained by officers and employees of the Group.

In FY2020, the committee continued initiatives carried on from FY2019 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.

In the area of information security, in response to an incident involving the unauthorized access in connection with 7pay, measures were taken to expand personnel with expertise in security, and to establish a dedicated department which comprehensively take control of security measures within the Group and is independent from business execution. In addition, the Company has carried out efforts to improve consciousness and enhance the sophistication of security through redeveloping of security policy and guidelines, etc. applied across the Group, increasing the level of sophistication of internal company training and strengthening monitoring.

Through these measures, the Company has worked to strengthen the Group’s information management and information security.

## 6 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 and continuing to provide the products and services required by its customers. 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.

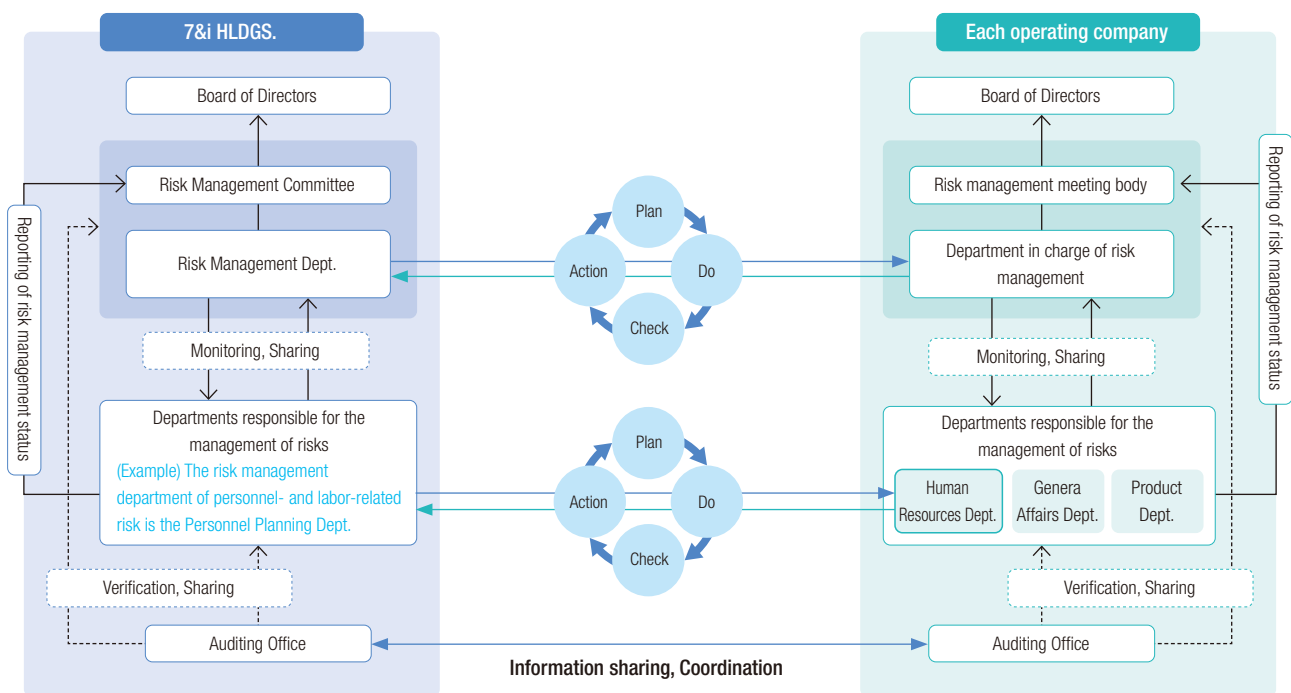
### (2) Group risk management system

The Company and its Group 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



### (3) Risks to be managed

The Company has established a basic policy on risk management that is shared by the whole Group.

The Company classifies the risks to be managed into the four categories of governance risk, operational risk, B/S risk, and business risk.

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
Governance risk	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 organic waste 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.

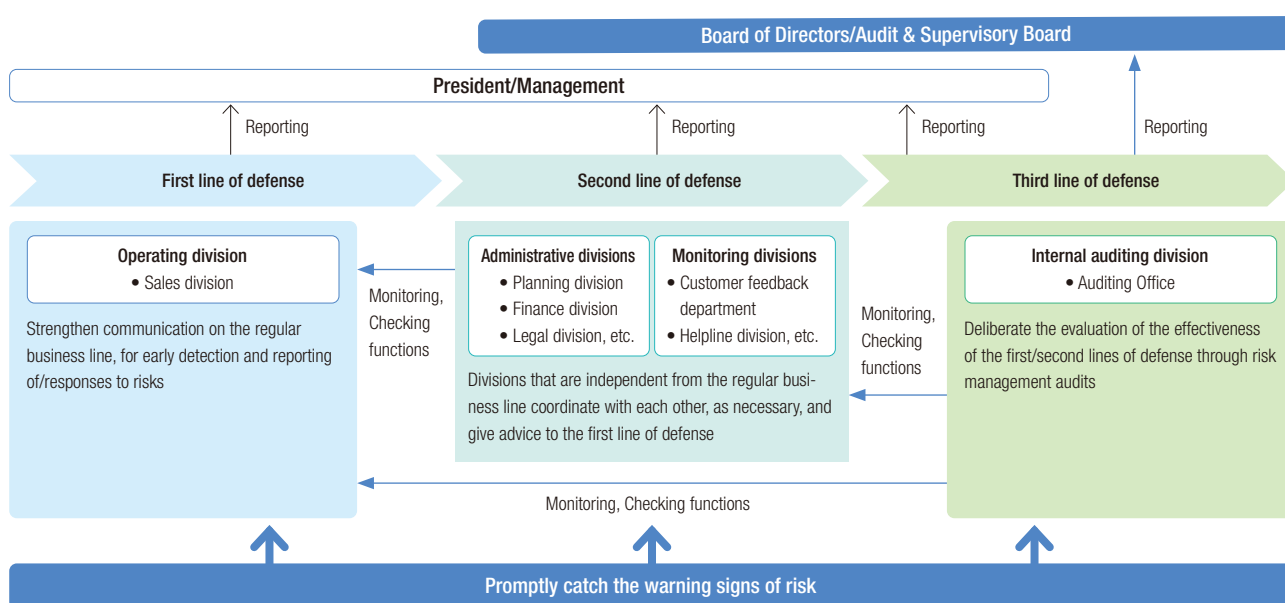
#### (4) To further strengthen risk management NEW

The environment surrounding the Group, including recent technological innovations and social values, has changed drastically, and we are continuously revising our views on risk management, accordingly.

In particular, regarding risks associated with information security, in July 2019, unauthorized access to certain accounts in our “7pay” barcode settlement service, which was operated by the Company’s subsidiary, occurred. The Company took this incident extremely seriously, and worked on measures to prevent the recurrence of such incidents. Specifically, as recurrence prevention measures, the Company has been engaged in the redevelopment of security policy and guidelines, etc., expansion of personnel with expertise in security, and provision of internal training to instill awareness about security in the Group.

Furthermore, the Company has set up the “Security Management Office,” which supervises the Group’s operations related to information security as an organization with independence from business execution. (For details, see page 49)

#### Toward further strengthening of risk management: detecting the warning signs of risk



In addition, as the business environment changes drastically, recognizing that prevention and early detection of incidents are crucial, the Company is promoting company-wide initiatives that require each line of defense, i.e., the operating division—the first line of defense, the administrative divisions—the second line of defense, and the internal auditing division—the third line of defense, to function properly.

In the first line of defense, the operating division strengthens communication in the regular business line to ensure the early detection and reporting of/responses to risks onsite. In addition, in March 2020, the Company established a new Compliance Subcommittee under its CSR Management Committee to thoroughly enforce compliance at each Group company, and is also making efforts to support the strengthening of the compliance systems of each Group company and ensure effective supervision.

In the second line of defense, the internal control promotion division, which is independent from the regular business lines (e.g., the administrative divisions and monitoring divisions), has established a system to give feedback, advice and support to the operating division, the first line of defense, regarding the information gathered daily, while engaging in mutual coordination, as necessary.

In the third line of defense, the Auditing Office of the Company and its Group companies deliberate the risk management audits that analyze and evaluate whether the first and second lines of defense of each company are functioning properly.

In addition to the above, given the lightning speed of changes in today’s business environment, the Company is strengthening analysis of information on social media as well as the content of opinions from its customers and other parties, as part of its efforts to strengthen early understanding of the warning signs of risk.



## 7 Internal whistleblowing Updated

As part of the internal controls of the whole Group, the Group operates a “Groupwide Employee Help Line” for blowing the whistle by Group employees, a “Business Partner Help Line” for blowing the whistle by business partners, and an “Audit & Supervisory Board Member Hotline” regarding management team members, with the aim of preventing, rapidly identifying, rapidly rectifying, and preventing the recurrence of violations of laws and regulations, social norms, and internal rules.

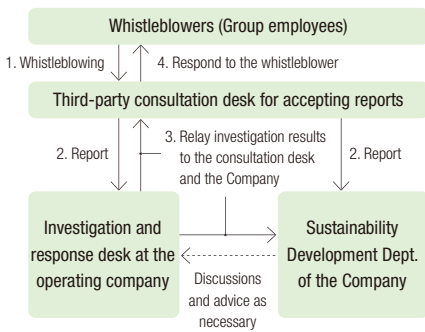
- The Company has established a point of contact for reporting at an outside third-party organization to thoroughly protect those who issue reports by enabling reports to be made anonymously, ensuring the confidentiality of report content, protecting the personal information and privacy of the reporting person (whistleblower), and preventing the whistleblower from being subjected to disadvantageous treatment for having used the help line.
- When a serious violation is found to have occurred, it is reported immediately to a Representative Director. The relevant department and relevant companies then confer about the response and take necessary measures.
- The executive officer in charge of the secretariat of the CSR Management Committee at the Company regularly reports and confirms the operational status of the internal whistleblowing system at the Board of Directors’ meeting.

### Registration of conformity with the “Whistleblowing Compliance Management System (Self-Declaration of Conformity Registration Program)”



For the Seven & i Group to be trusted by society and continue its sustainable growth, it must comply with all laws and regulations. To do so, it is important for the Group to prevent, rapidly identify, rapidly rectify, and prevent the recurrence of violations. In July 2019, the Company’s whistleblowing system was recognized as being designed to protect whistleblowers and maintain the confidentiality of reports, and the Company was registered as conforming to the Consumer Affairs Agency’s Whistleblowing Compliance Management System (Self-Declaration of Conformity Registration Program). It has already renewed its registration. The Company will continue to fully inform employees of the whistleblowing system to maintain thorough compliance.

#### Groupwide Employee Help Line



#### Business Partner Help Line



#### Audit & Supervisory Board Member Hotline\*1



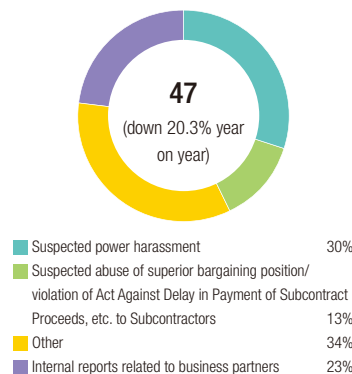
\*1 For cases in which the subject of the whistleblowing is an executive officer or person in a higher position

#### [Number of reports for FY2020]

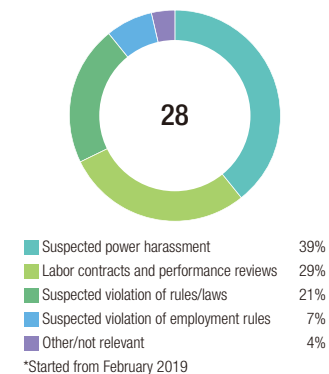
##### Groupwide Employee Help Line\*2



##### Business Partner Help Line



##### Audit & Supervisory Board Member Hotline



\*2 The Employee Help Line received 1.2 reports annually per 100 employees for FY2020.

### (1) Policy on cross-shareholdings

Overall, the Group's cross-shareholdings as of the end of February 2020 comprise 54 stocks, with a market value of ¥60.4 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 or less effectiveness for holding are to be sold in view of the circumstances of the investee companies.

### (2) Standards for exercising voting rights

When exercising voting rights as to listed cross-shareholdings, based on the following Detailed Rules regarding Standards for Exercising Voting Rights, 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.

#### 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?

### (3) Method for determining the rationale and effectiveness of shareholding

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

#### Matters reviewed

##### Qualitative Matters

1. Background of acquisition
2. Presence or absence of business relationship
3. Strategic significance at the time of holding
4. Possibility of future business
5. Risks related to survival or stability, etc. of business if shares are not held
6. Continuity of advantages, future outlook for business, and risks if shares continue to be held

##### Quantitative Matters

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

### (4) FY2020 assessment of cross-shareholdings

The results of the Board of Directors' FY2020 assessment of all of the Company's listed cross-shareholdings are as below. (The review was performed at the Board of Directors meeting on April 9, 2020.)

## Results of the assessment of the Company's listed cross-shareholdings in FY2020

Stock	Purpose of shareholding	Qualitative/ quantitative rationale and effectiveness of shareholding	Holding of the Company's shares
AIN HOLDINGS INC.	Further reinforcement of business collaboration in promotion of joint product development, etc.	Yes*	No
Credit Saison Co., Ltd.	Further reinforcement of business collaboration through the Group financial business companies, etc.	Yes*	Yes
Mitsui Fudosan Co., Ltd.	Further reinforcement of business collaboration in transactions, etc., related to stores, logistics facilities, and other real estate for the Group operating companies	Yes*	Yes
SEIBU HOLDINGS INC.	Further reinforcement of business collaboration in joint development of stores, areas, etc., of the Group operating companies	Yes*	Yes
Tokyo Broadcasting System Holdings, Inc.	Further reinforcement of business collaboration in sales promotion leveraging media content, etc.	Yes*	Yes
Dai-ichi Life Holdings, Inc.	Further reinforcement of business collaboration in life insurance and other financial transactions, etc., with the Group companies	Yes*	Yes

\*The qualitative and quantitative matters in "Matters reviewed" were assessed and it was comprehensively determined that rationale and effectiveness existed for all stocks held. (The quantitative effects of shareholding are not indicated in view of confidentiality of contracts and agreements pertaining to individual transactions.)

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.

### 9 Advisors, etc. (as of December 31, 2020)

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

- 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 (Nomination Committee/ Compensation Committee after the Annual Shareholders' Meeting held in May 2020) 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.

#### 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

#### 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

## Composition, etc., of the Board of Directors (as of December 31, 2020)

### 1 Composition of the Board of Directors (balance among knowledge, experience, and skills, and diversity and size, of the Board of Directors) and reasons for selection as Director [ CGC Principle 3.1 (v)] [ CGC Supplementary Principle 4.11.1, 2]

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 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) (See separate document 2).

#### Director (Internal) NEW

Name (date of birth)	Area of Responsibility in the Company and Important Concurrent Positions	Attendance at Board of Directors Meetings*1	Reasons for Selection (experience and knowledge)
 <p><b>Ryuichi Isaka</b> October 4, 1957 <span style="background-color: #0070C0; color: white; padding: 2px;">Member of the Nomination Committee</span></p>	<p>Representative Director and President Director of SEVEN-ELEVEN JAPAN CO., LTD. Director of 7-Eleven, Inc.</p>	<p>15 15</p>	<p>He has overseas business experience and broad knowledge of the retailing industry cultivated as a president of a Group company and a director of the Company as well as broad knowledge and experience in company management including the franchise business, marketing, and management administration, as well as sustainability (addressing environmental and social issues and so forth). The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, and to maximize the Group's corporate value through the 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.</p>
 <p><b>Katsuhiko Goto</b> December 20, 1953 <span style="background-color: #0070C0; color: white; padding: 2px;">Member of the Nomination Committee</span></p>	<p>Representative Director and Vice President Information Management Supervisor Director of Seven Bank, Ltd.</p>	<p>15 15</p>	<p>He has broad knowledge of the retailing and financial industries cultivated as a director of the Company and its Group companies including a finance related subsidiary as well as broad knowledge and experience in areas including advertising and branding, management administration, risk management, and so forth. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, and to advance Group function (strengthening the provision of high value added services and the function of administrative divisions).</p>
 <p><b>Junro Ito</b> June 14, 1958 <span style="background-color: #E67E22; color: white; padding: 2px;">Member of the Compensation Committee</span></p>	<p>Director and Managing Executive Officer General Manager of the Corporate Development Division Outside Director of AIN HOLDINGS INC.</p>	<p>15 15</p>	<p>He has overseas business experience and broad knowledge of the retailing industry cultivated as a director of the Company and its Group companies as well as broad knowledge and experience in ESG (Environment, Social, Governance), risk management, accounting and finance, social marketing, and so forth. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, to enhance its corporate value including non-financial aspects, and to smoothly execute group management.</p>

\*1 Attendance at meetings of the Board of Directors held in the 15th fiscal year (from March 1, 2019 to February 29, 2020) (The same applies to the following.)



## Composition of the Board of Directors for FY2021 NEW

With respect to the members of the Board of Directors for FY2021, from the perspective of ensuring a good balance of knowledge, experience, skills, and diversity, we considered appointing members who are deemed appropriate for the Board of Directors, which continues to promote measures aimed at improving the Group's corporate value over the medium to long term and will formulate a new Medium-Term Management Plan in this fiscal year. Given the greater importance to the Group's future management of sustainably raising corporate value, increasing returns that exceed the cost of capital, and enhancing the Group's cash flow creation, we have decided to increase by one the number of Directors in the Corporate Finance & Accounting Division to stabilize the Group's financial base and strengthen its financial discipline. Comprising diversity-ensured members, the Company's Board of Directors will continue to effectively fulfill its roles and responsibilities.

Name (date of birth)	Area of Responsibility in the Company and Important Concurrent Positions	Attendance at Board of Directors Meetings**1	Reasons for Selection (experience and knowledge)
 <p><b>Kimiyoshi Yamaguchi</b> November 8, 1957 Member of the Compensation Committee</p>	Director and Executive Officer General Manager of the Corporate Communication Division Director of Sogo & Seibu Co., Ltd.	15 15	He has broad knowledge of the retailing industry cultivated as a director of the Company and its Group companies as well as broad knowledge and experience relating to marketing including advertising, branding, management information analysis and sustainability (addressing environmental and social issues and so forth). The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, and to activate the Group companies' corporate communication, etc.
 <p><b>Yoshimichi Maruyama</b> November 2, 1959</p>	Director and Executive Officer General Manager of the Corporate Finance & Accounting Division Representative Director and President of Seven & i Financial Center Co., Ltd. Representative Director and President of Seven & i Asset Management Co., Ltd.		He has business experience in a financial institution and broad knowledge relating to the Group's overall operations cultivated as a senior officer in the risk management division of the Company and the finance division of the Company as well as broad knowledge and experience relating to risk management, finance and accounting, and so forth. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, to stabilize the Group's financial base, and to strengthen financial discipline.
 <p><b>Fumihiko Nagamatsu</b> January 3, 1957</p>	Director Representative Director and President of SEVEN-ELEVEN JAPAN CO., LTD. Director of 7-Eleven, Inc.	14 15	He has broad knowledge of the retailing industry cultivated as a president of a Group company and a director of the Company as well as broad knowledge and experience relating to company management including the franchise business, management administration, personnel management, etc. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, to advance Group functions, and to pursue Group synergies.
 <p><b>Shigeki Kimura</b> March 16, 1962</p>	Director In charge of the President Office In charge of Group Cooperation Director of SEVEN-ELEVEN JAPAN CO., LTD.	12 12	He has broad knowledge of the retailing industry cultivated as a director of the Company and its Group companies as well as broad knowledge and experience in areas including management administration and risk management. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, and to coordinate with Group companies, etc.
 <p><b>Joseph M. DePinto</b> November 3, 1962</p>	Director Director and President and Chief Executive Officer (CEO) of 7-Eleven, Inc. Chairman of the Board (Independent Director) of Brinker International, Inc.	15 15	He has broad knowledge of the international retailing business cultivated as a president of our American Group company and as a director of the Company as well as broad knowledge and experience relating to company management, the franchise business, management administration, marketing and so forth. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, to provide advice to the Company's Board of Directors from an international perspective, and to promote global management of the Company.

## Director (Outside) NEW

Name (date of birth)	Area of Responsibility in the Company and Important Concurrent Positions	Attendance at Board of Directors Meetings*1	Reasons for Selection (experience and knowledge)
 <p><b>Yoshio Tsukio</b> April 26, 1942</p> <p style="background-color: #0070C0; color: white; padding: 2px;">Member of the Nomination Committee</p>	<p>Independent Outside Director President and Representative, Tsukio Research Institute</p>	<p>15</p> <hr style="width: 50%; margin: 0 auto;"/> <p>15</p>	<p>He has broad high level knowledge and experience including his experience being responsible for IT policy for the government as Vice-Minister for Policy Coordination at the Ministry of Internal Affairs and Communications, participation in city planning for various areas around the world as a university professor and involvement in constructing a sustainable society, and monitoring current natural environmental issues by visiting various places around the world, and he has insights regarding measures for such issues, etc. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, and to further improve the effectiveness of the Company's management and the Board of Directors.</p>
 <p><b>Kunio Ito</b> December 13, 1951</p> <p style="background-color: #0070C0; color: white; padding: 2px;">Chair of the Nomination Committee</p> <p style="background-color: #0070C0; color: white; padding: 2px;">Chair of the Compensation Committee</p>	<p>Independent Outside Director Chief Financial Officer (CFO) and Head of Education Research Center of Hitsubashi University Specially Appointed Professor, Chuo Graduate School of Strategic Management, Chuo University Outside Director of KOBAYASHI PHARMACEUTICAL CO., LTD. Outside Director of Toray Industries, Inc.</p>	<p>15</p> <hr style="width: 50%; margin: 0 auto;"/> <p>15</p>	<p>He has broad high level knowledge and experience regarding finance and accounting, economics including marketing and branding, ESG (Environment, Society, Governance), risk management, etc. cultivated through his long term work experience as a university professor and his abundant experience as an outside executive of other companies. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, and to further improve the effectiveness of the Company's management and the Board of Directors.</p>
 <p><b>Toshiro Yonemura</b> April 26, 1951</p> <p style="background-color: #0070C0; color: white; padding: 2px;">Member of the Nomination Committee</p>	<p>Independent Outside Director</p>	<p>12</p> <hr style="width: 50%; margin: 0 auto;"/> <p>15</p>	<p>He has held such important positions as Superintendent General of the Tokyo Metropolitan Police Department and Deputy Chief Cabinet Secretary for Crisis Management, has held positions such as Chief Security Officer (CSO) of the Tokyo Organising Committee of the Olympic and Paralympic Games, and has broad high level knowledge and experience regarding organizational management, risk management, etc. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, and to further improve risk management and the effectiveness of the Company's management and the Board of Directors.</p>
 <p><b>Tetsuro Higashi</b> August 28, 1949</p> <p style="background-color: #E67E22; color: white; padding: 2px;">Member of the Compensation Committee</p>	<p>Independent Outside Director Outside Director of Ube Industries, Ltd. External Director of Nomura Real Estate Holdings, Inc.</p>	<p>14</p> <hr style="width: 50%; margin: 0 auto;"/> <p>15</p>	<p>He has business experience overseas, has held such important positions as Representative Director, Chairman and President, etc. of Tokyo Electron Limited, and has broad high level knowledge and experience regarding international corporate management, management administration, finance, accounting, etc. The Company would like him to utilize this knowledge and experience to realize the management plans aimed for by the Company, and to further improve the effectiveness of the Company's management and the Board of Directors.</p>
 <p><b>Kazuko Rudy</b> October 10, 1948</p> <p style="background-color: #E67E22; color: white; padding: 2px;">Member of the Compensation Committee</p>	<p>Independent Outside Director Representative Director of WITAN ACTEN Co., Ltd. Outside Director of TOPPAN FORMS CO., LTD.</p>	<p>15 *2</p> <hr style="width: 50%; margin: 0 auto;"/> <p>15</p>	<p>She has business experience overseas and broad high level knowledge and experience in the retail industry and marketing gained through her career, such as working at a cosmetics company and a mail-order firm and later serving as a consultant and as a graduate school professor specializing in branding and direct marketing. The Company would like her to utilize this knowledge and experience to realize the management plans aimed for by the Company, and to further improve the effectiveness of the Company's management and the Board of Directors.</p>

\*2 Out of the 15 meetings attended by Ms. Kazuko Rudy, she attended three meetings as an Outside Audit & Supervisory Board Member.

## Audit & Supervisory Board Member (Internal/Outside) NEW

Name (date of birth)	Area of Responsibility in the Company and Important Concurrent Positions	Attendance at Board of Directors Meetings*1	Attendance at Audit & Supervisory Board Meetings*3	Reasons for Selection (experience and knowledge)
 <p><b>Noriyuki Habano</b> February 10, 1958</p>	Standing Audit & Supervisory Board Member Audit & Supervisory Board Member of Sogo & Seibu Co., Ltd. Audit & Supervisory Board Member of Ito-Yokado Co., Ltd.	15 <hr style="width: 50%; margin: 0 auto;"/> 15	25 <hr style="width: 50%; margin: 0 auto;"/> 26	He has broad knowledge related to the overall operations of the Group cultivated as a Senior Officer of the Auditing Office of the Company, as well as broad knowledge and experience in marketing, branding, risk management, etc. The Company would like him to contribute to the establishment of a good corporate governance structure that can realize the robust and sustainable growth of the Company, create medium- to long-term corporate value, and respond to social trust by utilizing his knowledge and experience.
 <p><b>Yoshitake Taniguchi</b> March 13, 1958</p>	Standing Audit & Supervisory Board Member Audit & Supervisory Board Member of SEVEN-ELEVEN JAPAN CO., LTD. Audit & Supervisory Board Member of York Co., Ltd.	15 <hr style="width: 50%; margin: 0 auto;"/> 15	26 <hr style="width: 50%; margin: 0 auto;"/> 26	He has experience in investment bank operations in the financial industry, group management operations, and business management operations of business companies, as well as broad knowledge and experience related to the retail industry, finance, and accounting, cultivated through his work at the finance and accounting division in the Company and its Group companies. The Company would like him to contribute to the establishment of a good corporate governance structure that can realize the robust and sustainable growth of the Company, create medium- to long-term corporate value, and respond to social trust by utilizing his knowledge and experience.
 <p><b>Kazuhiro Hara</b> February 25, 1954</p>	Independent Outside Audit & Supervisory Board Member Certified Public Accountant Certified Tax Accountant	15 <hr style="width: 50%; margin: 0 auto;"/> 15	26 <hr style="width: 50%; margin: 0 auto;"/> 26	He has abundant experience and technical knowledge related to finance, accounting, tax, and risk management cultivated as a certified public accountant and tax accountant. The Company would like him to contribute to the establishment of a good corporate governance structure that can realize the robust and sustainable growth of the Company, create medium- to long-term corporate value, and respond to social trust by utilizing his knowledge and experience.
 <p><b>Mitsuko Inamasu</b> March 15, 1976</p>	Independent Outside Audit & Supervisory Board Member Attorney at Law	15 <hr style="width: 50%; margin: 0 auto;"/> 15	26 <hr style="width: 50%; margin: 0 auto;"/> 26	She has abundant experience and technical knowledge related to overall corporate legal affairs, including legal affairs pertaining to the digital field, and risk management cultivated as an attorney at law. The Company would like her to contribute to the establishment of a good corporate governance structure that can realize the robust and sustainable growth of the Company, create medium- to long-term corporate value, and respond to social trust by utilizing her knowledge and experience.
 <p><b>Kaori Matsuhashi</b> June 7, 1969</p>	Independent Outside Audit & Supervisory Board Member Certified Public Accountant Representative Director of Luminous Consulting Co., Ltd. Outside Audit & Supervisory Board Member of Kakaku.com, Inc.	12 <hr style="width: 50%; margin: 0 auto;"/> 12	19 <hr style="width: 50%; margin: 0 auto;"/> 19	She has abundant experience and technical knowledge related to finance, accounting, business management, and risk management cultivated through her experience in a business company and as a consultant and certified public accountant. The Company would like her to contribute to the establishment of a good corporate governance structure that can realize the robust and sustainable growth of the Company, create medium- to long-term corporate value, and respond to social trust by utilizing her knowledge and experience.

\*3 Attendance at meetings of the Audit & Supervisory Board held in the 15th fiscal year (from March 1, 2019 to February 29, 2020)

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

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; 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

##### i) 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.

##### ii) 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 Main activities of Outside Directors and Outside Audit & Supervisory Board Members

### (1) Remarks at meetings of the Board of Directors and the Audit & Supervisory Board during the 15th fiscal year (from March 1, 2019 to February 29, 2020) Updated

#### Outside Director

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, Mr. Tetsuro Higashi from the perspective of broad high-level experience as a corporate manager, and Ms. Kazuko Rudy from a marketing theory perspective.

#### Outside Audit & Supervisory Board Member

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, Ms. Mitsuko Inamasu from a legal perspective, and Ms. Kaori Matsuhashi from specialized finance, accounting and management administration perspectives.

### (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.

## 5 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. These meetings including Management Opinion Exchange Meetings are 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 divisions, 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 and Audit & Supervisory Board Members, etc. of operating companies.

Through these activities, Outside Directors supervise operational execution, and 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.



## 6 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.

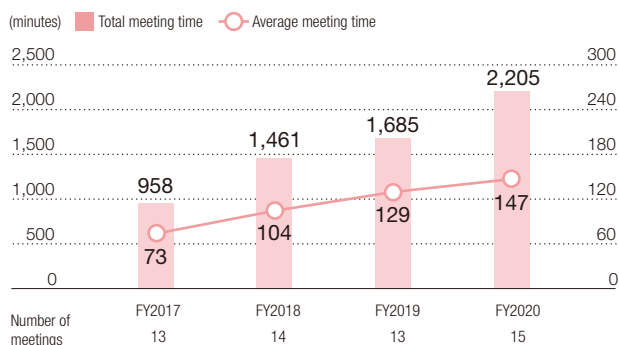
## 7 Activities of the Board of Directors

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

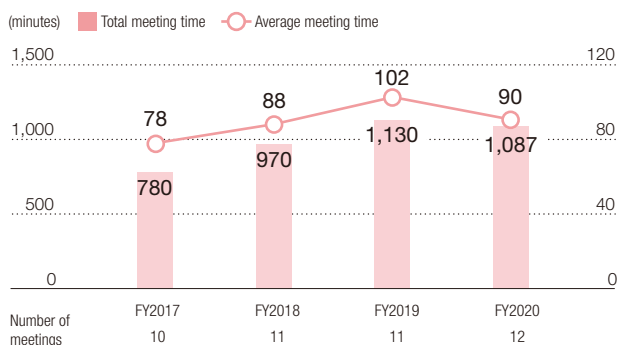
The meetings of the Board of Directors of the Company are basically held once per month, and are chaired by a Director selected by the Board of Directors.

Item	Details
Setting the dates of the meetings of the Board of Directors	Considering the 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.
Deliberation time	<ul style="list-style-type: none"> <li>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 question and answer sessions and discussion.</li> <li>The Company is making efforts to secure sufficient time for deliberation, through means such as prolonging the meetings themselves, in order to accommodate the recent increase in active discussions from diverse standpoints.</li> </ul>
Matter for resolution and reporting	If further deliberation is required, 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.

### Deliberation time of the meeting of the Board of Directors NEW



### Deliberation time of the Management Opinion Exchange Meetings NEW



### (2) Matters for deliberation Updated

Although the Board of Directors deliberates a wide range of topics, the major items and the points of each item are as follows.

(The following presents examples. Accordingly, deliberations include, but are not limited to these items.)

Main matters for deliberation	Examples of main themes discussed in FY2020
1. Matters determined by laws and regulations, including the Companies Act	<ul style="list-style-type: none"> <li>Approval of quarterly financial statements</li> <li>Approval of agenda of the Shareholders' Meetings, etc.</li> </ul>
2. Matters determined by the Corporate Governance Code (including deliberations on matters related to sustainability, such as environmental policy)	<ul style="list-style-type: none"> <li>Assessment of cross-shareholdings</li> <li>Evaluation of the Board of Directors' effectiveness</li> <li>Confirmation of response to TCFD recommendations, etc.</li> </ul>
3. 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)	<ul style="list-style-type: none"> <li>Revision of the compensation system for Directors and Audit &amp; Supervisory Board Members (introduction of non-financial indicators for performance-based and stock-based compensation)</li> <li>Confirmation of the status of initiatives regarding the succession plan, etc.</li> </ul>
4. Progress of the Medium-Term Management Plan, and the strategies and policies of the Group and its operating companies	<ul style="list-style-type: none"> <li>Tokyo Metropolitan area food strategy</li> <li>M&amp;A project in North America, etc.</li> </ul>
5. Management situation of the major operating companies (including PMI reports)	<ul style="list-style-type: none"> <li>Reports on the businesses, etc. of SEVEN-ELEVEN JAPAN CO., LTD. (including strengthening relationships with franchise stores and internal governance systems)</li> <li>Business reports of 7-Eleven, Inc., Sogo &amp; Seibu Co., Ltd., Ito-Yokado Co., Ltd., Seven Bank, Ltd., and York-Benimaru Co., Ltd.</li> <li>Reports on responses to COVID-19 and the management situation of each company</li> </ul>
6. Internal controls, the status of risk management, and the implementation status of compliance	<ul style="list-style-type: none"> <li>Agenda related to the 7pay incident (discontinuation of 7pay services, establishment of a verification team, and confirmation of security enhancement)</li> <li>Activity reports of the CSR Management Committee, Risk Management Committee, and Information Management Committee, etc.</li> </ul>

**(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.

**Board of Directors' evaluation implementation policy**

1. The evaluation shall basically be a "self-evaluation," to be performed each year by all Directors and all Audit & Supervisory Board Members.
2. Progress of the important topics set in the previous year's Board of Directors' evaluation shall be confirmed and evaluated.
3. 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) FY2020 Board of Directors' evaluation process**

**Overview**

With regard to the FY2020 Board of Director' evaluation process, the evaluation was carried out by utilizing third-party organizations to conduct surveys and individual interviews with all Directors and Audit & Supervisory Board Members, followed by discussions with all members.

	Pre-evaluation survey	Individual interviews	Discussion
FY2018	Conducted for all Directors and all Audit & Supervisory Board Members	Conducted for all Directors and all Audit & Supervisory Board Members	Conducted for all Directors and all Audit & Supervisory Board Members
FY2019		Conducted only for newly appointed Directors and newly appointed Audit & Supervisory Board Members	
FY2020		Conducted for 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.

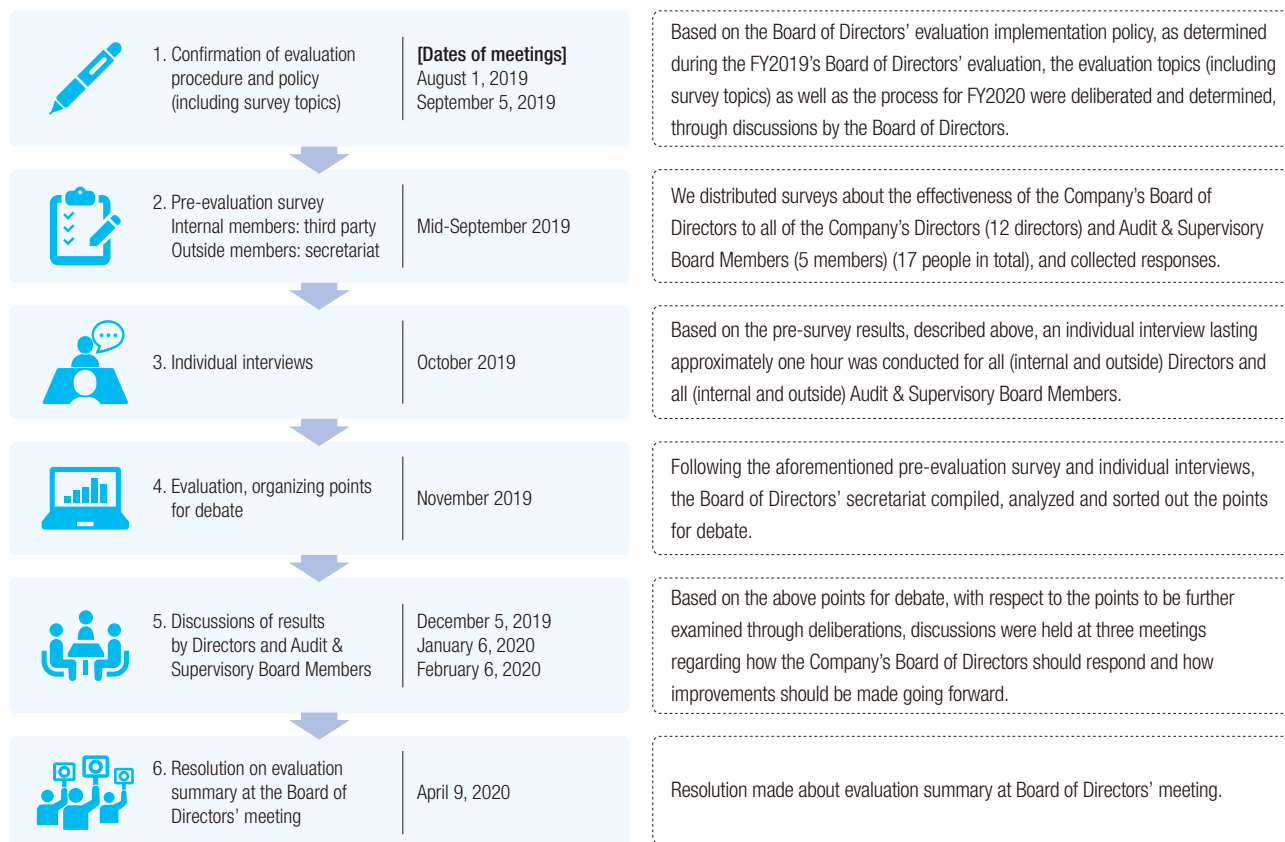
**Points of evaluation**

1. Evaluation of the progress of the FY2020 important topics determined by the previous year's Board of Directors' evaluation
2. 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
3. Fixed-point evaluations of important corporate governance-related items, as topics for the Board of Directors
4. 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)

### (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 (conducted on April 9, 2020) is as below.

#### Overview of results of the FY2020 Board of Directors' evaluation

1. 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.
2. The Board of Directors is contributing to the enhancement of the effectiveness of governance and ensuring its effectiveness to improve medium- to long-term corporate value. Effectiveness has been steadily improving since the introduction of the Board of Directors' evaluation in 2016.
3. On the other hand, with regard to the various issues that were identified during this evaluation, improvement measures must continue to be considered in preparation for the next Board of Directors' evaluation to further improve the effectiveness of the Board of Directors.

## FY2021 important topics (examples)

Important topics	Measures
Diversity of the Board of Directors	Consider the appointment of Director candidates with financial expertise to promote structural reforms and growth strategies while building and maintaining a sound financial foundation and striving to improve capital efficiency
Chair of the Board of Directors	Partially amend the Articles of Incorporation to allow the separation of the positions of the Chair of the Board of Directors and the President to enable flexible responses in the operation of the Board of Directors, including the possibility of selecting the Chair of the Board of Directors from non-executive Directors, including Outside Directors
Maximum number of Directors	Amend the Articles of Incorporation to optimize the maximum number of Directors (changed from 18 to 15) from the perspective of enabling each Director to freely and openly make inquiries and engage in constructive discussions, accelerating decision-making in response to the changing business environment, and strengthening the management supervisory function of the Board of Directors
Composition of Nomination and Compensation Committee	To utilize the knowledge of diverse Outside Directors and Outside Audit & Supervisory Board Members in committee deliberations and further improve objectivity and transparency: <ul style="list-style-type: none"> <li>• Divide the Nomination and Compensation Committee into the Nomination Committee and the Compensation Committee</li> <li>• Increase the number of committee members from four to five and select Independent Outside Directors to exceed half the number of total Committee members</li> <li>• Avoid selecting Representative Directors as Compensation Committee members</li> </ul>
Nomination procedures	Continue discussions regarding how the Company's Board of Directors and the Nomination and Compensation Committee should be involved in successor plans for operating companies and executive appointments
Compensation procedures	Add CO <sub>2</sub> emissions reduction targets under the environmental goals 『GREEN CHALLENGE 2050』 to key performance indicators (KPI) for stock-based compensation as a non-financial indicator from FY2021
Other	Continue to deliberate ideal key performance indicators (KPI), Group synergy, etc., while finalizing the new Medium-Term Management Plan to be announced at a future date Continue to deliberate how to respond to information gaps between Outside Audit & Supervisory Board Members and Outside Directors, opportunities for gaining an understanding of site information, etc.

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.

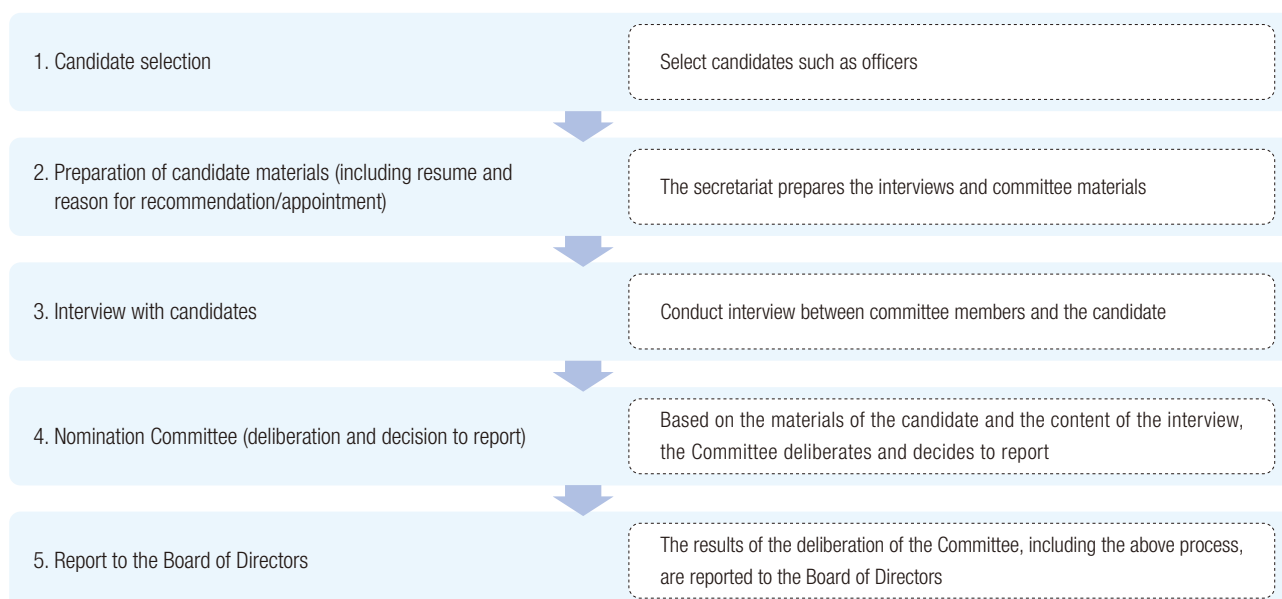
## Policies and Procedures for Appointment/Dismissal and Nomination of Directors and Audit & Supervisory Board Members, and Training

### 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) Basic policy Updated

The Company established the "Nomination 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 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 of Officers, etc., thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions. Please refer to the "Nomination Committee and Compensation Committee system" (page 102) regarding the Nomination Committee system, etc.

## (2) 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.

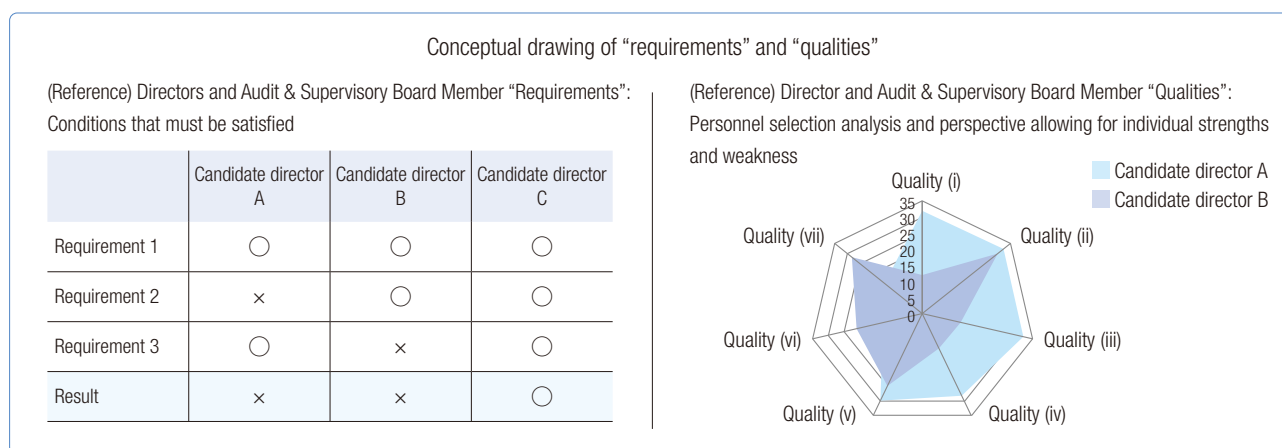
The desirable “qualities” differ depending on the duties assigned to each Director and Audit & Supervisory Board Member, and have been set separately depending on the positions as set forth below:

1. Directors responsible for business execution
2. Directors and Audit & Supervisory Board Members responsible for supervision and audits
3. 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.



Reference information Separate document 2: “Guidelines for Directors and Audit & Supervisory Board Members” 1–4

### 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 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 the Guidelines for Directors and Audit & Supervisory Board Members.

The Company provides Outside Directors and Audit & Supervisory Board Members with opportunities to visit the places of business of the major subsidiaries.

##### Reference information

Page 117: "Exchange of opinions with Outside Directors and Outside Audit & Supervisory Board Members"  
Separate document 2: "Guidelines for Directors and Audit & Supervisory Board Members" 6

## Compensation for Board of Directors and Audit & Supervisory Board Members Updated

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

[ CGC Principle 3.1(iii)]

#### 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.

##### Introduction of a non-financial indicator from FY2021

Aiming for the balance of corporate value and social value, the Company decided to add a target to reduce the amount of CO<sub>2</sub> emissions under the environmental declaration called 『GREEN CHALLENGE 2050』 made in May 2019, as a non-financial indicator of the Key Performance Indicator (KPI) for the stock-based compensation from the fiscal year ending February 28, 2021.

\*For the target level of the amount of CO<sub>2</sub> emissions for each fiscal year as the KPI for the stock-based compensation, it will be the target level for each fiscal year calculated based on the assumption of the actual amount of emission for the fiscal year ended February 28, 2019 to be equally reduced for each fiscal year to achieve the target level for the fiscal year ending February 28, 2031 (reducing emissions from Group store operations by 30% compared to the fiscal year ended February 28, 2014).

#### 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

The compensation composition ratios and composition for operating Directors are as follows:

Compensation composition ratios\*

Fixed compensation	Performance-based compensation	
	Bonuses	Stock-based compensation
60%	20%	20%

← Monetary compensation ————— × ————— Stock-based compensation —————>

\*Calculated under the assumption that bonuses and stock-based compensation are based on a standard compensation amount.

Composition

Fixed compensation	A fixed monetary compensation commensurate with the responsibilities of each position will be paid.		
Performance-based compensation (bonuses)	<ul style="list-style-type: none"> <li>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.</li> <li>While evaluating the degree of improvement of profit-making capability in the main business, for incorporating the shareholders' viewpoint, consolidated ROE and consolidated net income are also used together as KPIs.</li> </ul>		
	Key Performance Indicators for performance-based compensation (bonuses)		
	KPIs	Ratio	Purpose of evaluation
	(A) Consolidated Operating Income	60%	Evaluation of the degree of improvement of the capability of making profit
(B) Consolidated ROE	20%	Evaluation of profitability against equity	
(C) Consolidated Net Income	20%	Evaluation of the degree of achievement of budgeted net income	
Performance-based and stock-based compensation	<ul style="list-style-type: none"> <li>Medium- and long-term incentive compensation will be a performance-based and stock-based compensation that varies based on the company's business performance, management indicators, non-financial indicators, etc., (introduction of the BIP Trust system* as a stock-based compensation system was resolved at the Annual Shareholders' Meeting held in May 2019).</li> <li>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.</li> <li>The covered period will be four fiscal years starting from the fiscal year ended February 29, 2020.</li> <li>Shares will be delivered to Directors upon their retirement.</li> <li>Points to be granted for each fiscal year will be calculated by multiplying the standard points based on their position by a performance-based coefficient and will vary between 0% and 200% depending on the achievement level of targets, etc.</li> <li>In order to incorporate medium- and long-term shareholder perspectives, consolidated ROE and consolidated EPS are used as indicators, and in order to evaluate that these can be achieved by strengthening the capability for making profit by the main business, consolidated operating income is also used together as a KPI.</li> </ul>		
	Key Performance Indicator for performance-based and stock-based compensation		
	KPIs	Ratio	Purpose of evaluation
	(A) Consolidated Operating Income	40%	Evaluation of the degree of improvement of the capability of making profit
(B) Consolidated ROE	40%	Evaluation of profitability against equity	
(C) Consolidated EPS	20%	Evaluation of net income from shareholders' viewpoint	
(D) CO <sub>2</sub> Emissions	*See the formula below	Evaluation of the degree of promotion of reducing the environmental burden	
*Formula of the performance-based coefficient:	$\text{Performance-based coefficient} = \{(A) + (B) + (C)\} \times (D)$ <ul style="list-style-type: none"> <li>(A) "Consolidated operating income" related coefficient × 40%</li> <li>(B) "Consolidated ROE" related coefficient × 40%</li> <li>(C) "Consolidated EPS" related coefficient × 20%</li> <li>(D) "CO<sub>2</sub> emissions" related coefficient</li> </ul>		
<ul style="list-style-type: none"> <li>When evaluating KPIs, the range of compensation of Representative Directors is set wider by using different performance-based coefficients from other Directors, so that the compensation of Representative Directors will be more affected by the link to performance.</li> <li>If an eligible Director commits a material illegal or unlawful act, no shares under this system will be delivered to such Director (malus) or the Company may request that such Director refund money corresponding to the shares delivered to him (clawback).</li> </ul>			
*A BIP (Board Incentive Plan) trust is an incentive plan for officers established with reference to a performance share plan and a restricted share compensation plan in the U.S.			

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

The compensation composition ratios and composition for Outside Directors and Audit & Supervisory Board Members are as follows:

Compensation composition ratios

Fixed compensation	Performance-based compensation	
	Bonuses	Stock-based compensation
100%		

← Monetary compensation →

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.
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## 4 Compensation governance

The Company's compensation governance is as follows:

Compensation Committee	The Company has established a compensation committee (the "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 the majority of its members are Independent Outside Directors, and all of its members are Directors other than Representative Directors.
Method of determining compensation	<p>This Policy, the basic policy on compensation of officers, is determined by the Board of Directors through deliberations by the Compensation Committee. Based on this Policy, the amount of compensation of each Director is deliberated by the Compensation Committee 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, and then determined by the Representative Director, who is entrusted with such responsibility by the Board of Directors to whom the Compensation Committee reports, and who makes determinations based on the reports of the Compensation Committee.</p> <p>The compensation of each Audit &amp; Supervisory Board Member is determined through discussions by the Audit &amp; Supervisory Board Members.</p>

## 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.

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)
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)

\*The Company has already abolished the severance payment system for officers, and no severance payments will be paid.

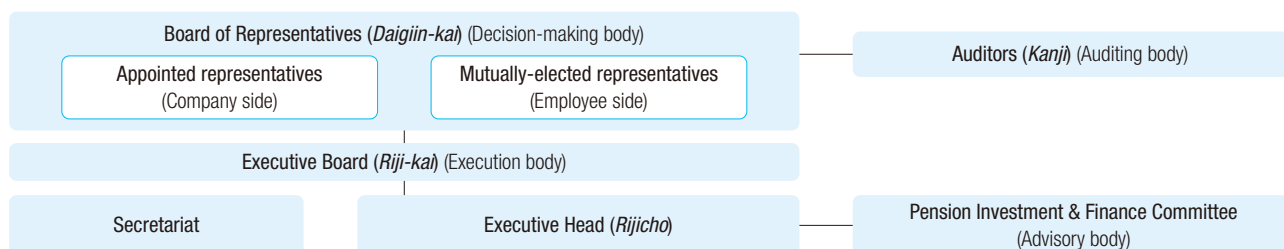
# Roles of Corporate Pension Funds as Asset Owners [ CGC Principle 2.6] Updated

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 December 31, 2020)



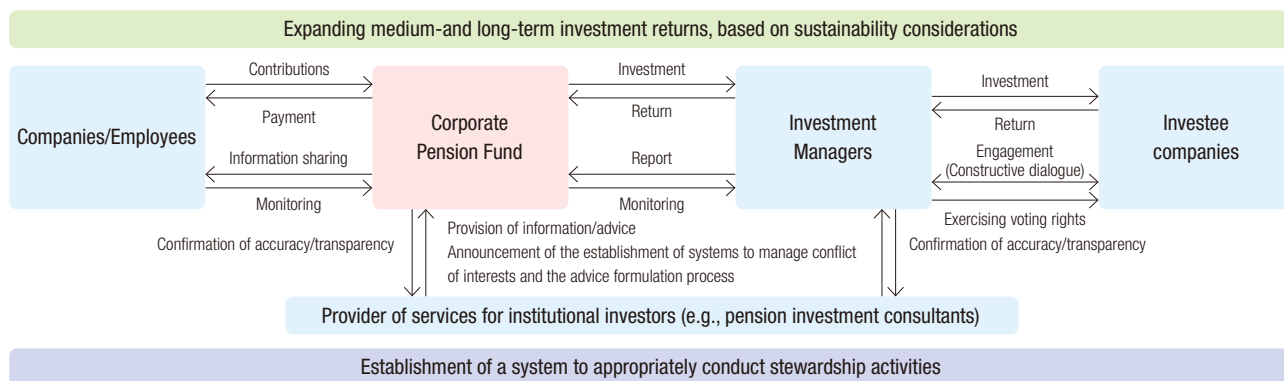
The Board of Representatives consists of an equal number of appointed representatives (company side) and mutually-elected representatives (employee side); the Board confirms the status of asset management twice a year and resolves the investment policy for investment portfolios as necessary. The Executive 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 confirms the accuracy and transparency of the information provided by the pension investment consultants, and 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-SR activity policy [CGC Principle 5.1]

The Company conducts IR-SR 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 Updated

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.

1. The Company has a dedicated department (the Investor & Shareholder Relations Department) responsible for planning and execution of activities for dialogue with shareholders and investors.
2. The Investor & Shareholder 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.
3. The Investor & Shareholder Relations Department has regular meetings with the relevant departments 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.
4. 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.
5. The Company holds the Shareholders' Meetings and individual meetings, as well as proactive quarterly financial results briefings and briefings at operating companies. In addition, the Company advances constructive dialogue to increase corporate value regarding the medium to long term management strategies, capital policies, corporate governance, responses to environmental and social issues, and so forth with the shareholders recorded in the shareholders' registry and the shareholders who effectively hold the Company's shares. In doing so, the Company strives to promote deeper understanding of its management activities and business operations among shareholders and investors.
6. 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, and rigorously manages material information.

Further, the information management supervisor of the Company is appointed and strives to prevent external leakage of material information and insider trading.

7. The Company will regularly assess the shareholder composition on the shareholders' registry. 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/SR schedule (FY2020) Updated

Q1	Mar.	Securities company conference, Seven-Eleven Japan (SEJ) Merchandising Strategy Presentation
	Apr.	Financial Results Presentation for the Fiscal Year, Small Financial Results Meeting, Overseas IR
	May	Announcement of 『GREEN CHALLENGE 2050』
Q2	Jun.	Securities company overseas conference, release of first "Seven & i Management Report"
	Jul.	Financial Results Presentation for Q1 (Teleconference), ESG Meeting
	Aug.	ESG Meeting
Q3	Sep.	Securities company conference, SEJ Merchandising Strategy Presentation
	Oct.	Financial Results Presentation for Q2, Small Financial Results Meeting, Overseas IR
	Nov.	Start of SR activities (domestic/overseas)
Q4	Dec.	Securities company conference
	Jan.	Financial Results Presentation for Q3 (Teleconference), launch of site for individual shareholders

## External recognition Updated

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
Nikko Investor Relations: All Japanese Listed Companies' Website Ranking in 2019; Overall: Excellent website
2020 Most-improved Integrated 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 INVESTOR RELATIONS 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 secure the substantive rights of non-Japanese and minority shareholders, in terms of securing an environment where they can exercise their rights and enjoy substantial equality.



Disclosures of the "Articles of Incorporation" and "Rules for Handling Shares" on the Company's website



Translation of timely disclosure documents in English and their posting 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. 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.


### Convocation Notices of the Shareholders' Meeting

<p style="text-align: right; background-color: #00AEEF; color: white; padding: 2px;">Securing consideration time</p>  <h4>Disclosure on the Company's website</h4> <p>Japanese: Disclosed about four weeks before the meeting English: Posted as quickly as possible following posting of the above Japanese-language versions</p>	<p style="text-align: right; background-color: #00AEEF; color: white; padding: 2px;">Securing consideration time</p>  <h4>Early mailing</h4> <p>Mailed early to allow delivery about three weeks before the meeting</p>
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### System for exercising voting rights

<p style="text-align: right; background-color: #00AEEF; color: white; padding: 2px;">Adopted</p>  <h4>Voting Instructions Form</h4>	<p style="text-align: right; background-color: #00AEEF; color: white; padding: 2px;">Adopted</p>  <h4>System for exercising voting rights via the Internet</h4>	<p style="text-align: right; background-color: #00AEEF; color: white; padding: 2px;">Adopted</p>  <h4>System for exercising voting rights using the Platform for Electronic Exercise of Voting Rights</h4>
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### Shareholders' Meeting venue



Held at the Company's Head office, which offers good access

# Financial Highlights

Seven & i Holdings Co., Ltd.  
for the fiscal years ended February 28 or 29

	2011	2012	2013	2014
<b>For the fiscal year:</b>				
Revenues from operations	5,119,739	4,786,344	4,991,642	5,631,820
Operating income	243,346	292,060	295,685	339,659
Net income attributable to owners of parent	111,961	129,837	138,064	175,691
Capital expenditures* <sup>1</sup>	338,656	255,426	334,216	336,758
Depreciation and amortization* <sup>2</sup>	132,421	139,994	155,666	147,379
Cash flows from operating activities	310,527	462,642	391,406	454,335
Cash flows from investing activities	(312,081)	(342,805)	(340,922)	(286,686)
Cash flows from financing activities	(56,258)	(40,561)	10,032	(55,227)
Free cash flows* <sup>3</sup>	(1,553)	119,836	50,484	167,648

## At fiscal year-end:

Total assets	3,732,111	3,889,358	4,262,397	4,811,380
Owners' equity* <sup>4</sup>	1,702,514	1,765,983	1,891,163	2,095,746

## Per share data:

Net income	126.21	146.96	156.26	198.84
Net assets* <sup>4</sup>	1,927.09	1,998.84	2,140.45	2,371.92
Cash dividends	57.00	62.00	64.00	68.00

## Financial ratios:

Owners' equity ratio* <sup>4</sup>	45.6%	45.4%	44.4%	43.6%
Debt/equity ratio (times)* <sup>4</sup>	0.43	0.40	0.45	0.45
Return on equity (ROE)* <sup>4</sup>	6.5%	7.5%	7.6%	8.8%
Return on total assets (ROA)	3.0%	3.4%	3.4%	3.9%
Dividend payout ratio	45.2%	42.2%	41.0%	34.2%

\*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



2015	2016	2017	2018	2019	2020
Millions of yen					
6,038,948	6,045,704	5,835,689	6,037,815	6,791,215	6,644,359
343,331	352,320	364,573	391,657	411,596	424,266
172,979	160,930	96,750	181,150	203,004	218,185
341,075	399,204	384,119	347,374	539,328	360,909
172,237	195,511	207,483	213,167	221,133	226,475
416,690	488,973	512,523	498,306	577,878	576,670
(270,235)	(335,949)	(371,602)	(240,418)	(557,497)	(318,047)
(79,482)	(2,312)	(78,190)	(168,510)	(5,324)	(213,204)
146,454	153,023	140,921	257,888	20,381	258,623
5,234,705	5,441,691	5,508,888	5,494,950	5,795,065	5,996,887
2,299,662	2,372,274	2,336,057	2,427,264	2,521,395	2,601,594
Yen					
195.66	182.02	109.42	204.80	229.50	246.95
2,601.23	2,683.11	2,641.40	2,744.08	2,850.42	2,946.83
73.00	85.00	90.00	90.00	95.00	98.50
43.9%	43.6%	42.4%	44.2%	43.5%	43.4%
0.41	0.44	0.45	0.41	0.44	0.38
7.9%	6.9%	4.1%	7.6%	8.2%	8.5%
3.4%	3.0%	1.8%	3.3%	3.6%	3.7%
37.3%	46.7%	82.3%	43.9%	41.4%	39.9%

Notes: • 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."  
• For the balance sheets for fiscal 2014, the business results of the mail order service business are included in the scope of consolidation.  
• ROE and ROA are calculated based on the average of owners' equity and total assets at the beginning and end of each fiscal year.  
• For total assets, the Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from fiscal 2020. The results for fiscal 2018 and fiscal 2019 are those after retrospective application.  
• For the statements of cash flows, ASU No. 2016-18 "Statement of Cash Flows: Restricted Cash" has been applied from fiscal 2020 by overseas subsidiaries that adopt US GAAP. In fiscal 2019 and fiscal 2020, cash and cash equivalents include restricted cash.

# Management's Discussion and Analysis

(Fiscal 2020)

## ANALYSIS OF RESULTS OF OPERATIONS

### 1. Revenues from Operations and Operating Income

In the fiscal year ended February 29, 2020, Seven & i Holdings ("the Company") recorded consolidated revenues from operations of ¥6,644,359 million (97.8% YOY), a decrease of ¥146,855 million. Operating income increased ¥12,669 million, to ¥424,266 million (103.1% YOY).

In domestic convenience store operations, revenues from operations were ¥971,236 million (101.7% YOY), and operating income was ¥256,601 million (104.0% YOY).

In response to changes in the Japanese labor market such as a rise in personnel expenses, SEVEN-ELEVEN JAPAN CO., LTD. began reviewing its traditional business models. Following the announcement of the action plan toward sustainable growth for franchised stores in April 2019, it announced in October 2019 its intention to accelerate closure of unprofitable stores, measures to improve profitability through optimization of head office personnel, and a review of the "7-Eleven Charge" royalties slated for application in March 2020 as part of creating an environment in which franchised stores can feel secure and concentrate on their management tasks.

Meanwhile, in order to respond to the needs of customers as they shift in response to changes in the social environment, SEVEN-ELEVEN JAPAN CO., LTD. increased stores with revamped layouts and took steps that involved developing and selling new products as well as continuously improving quality of existing products.

Aided by the reward point program for cashless payments promoted by the government in line with the consumption tax hike in October 2019, sales at existing stores for the fiscal year ended February 29, 2020 were higher than those in the previous fiscal year, recording operating income of ¥253,980 million (103.6% YOY), and total store sales, comprising both corporate and franchised store sales, were ¥5,010,273 million (102.3% YOY).

Additionally, in July 2019, SEVEN-ELEVEN OKINAWA Co., Ltd. began store development in Okinawa Prefecture, which was the last area in the nation without 7-Eleven stores, with a view to establishing a more efficient supply chain for the future.

In overseas convenience store operations, revenues from operations were ¥2,739,833 million (97.1% YOY), and operating income was ¥102,001 million (110.6% YOY).

In North America, 7-Eleven, Inc. closed existing stores where profitability was low. 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 ended December 31, 2019 were higher than those in the previous fiscal year, recording operating income of ¥121,654 million (109.5% YOY). Total store sales, comprising both corporate and franchised store sales, were ¥3,936,217 million (98.6% YOY) due to lower sales of gasoline, despite a growth in the merchandise sales.

In superstore operations, revenues from operations were ¥1,849,121 million (97.2% YOY), and operating income was ¥21,307 million (100.6% YOY).

Sales at existing stores of superstore Ito-Yokado Co., Ltd. for the fiscal year ended February 29, 2020 fell below those for the previous fiscal year, but operating income was ¥6,522 million (138.5% YOY) due to improvement in profitability associated with improved gross margins and optimization of selling, general and administrative expenses. Ito-Yokado Co., Ltd. has implemented structural reforms at stores in line with closures and remodeling based on the Medium-Term Management Plan that was announced in October 2016. In order to further improve value as retail facilities by advancing the "selection and concentration" initiative further, it announced business structural reforms in October 2019 consisting of store initiatives, merchandising initiatives, reorganization, and personnel initiatives.

Sales at existing stores of food supermarket York-Benimaru Co., Ltd. in the fiscal year ended February 29, 2020 were lower

than those in the previous fiscal year, but operating income was ¥13,100 million (102.3% YOY) as a result of efforts to improve profitability mainly with better gross margins.

In department store operations, revenues from operations were ¥577,633 million (97.6% YOY), and operating income was ¥797 million (21.3% YOY).

As with Ito-Yokado Co., Ltd, Sogo & Seibu Co., Ltd. has implemented structural reforms at stores in line with store closures and transfers based on the Medium-Term Management Plan. In order to further improve value as retail facilities by advancing the “selection and concentration” initiative further, it announced business structural reforms in October 2019 consisting of store initiatives, personnel initiatives, and sales area initiatives. As part of initiatives and toward establishing a new store operation model, in November of the same year, Sogo & Seibu Co., Ltd. renovated the SEIBU Tokorozawa S.C., aiming for a fusion of department store and specialty store. However, particularly given the prolonged impact on consumer sentiment of the consumption tax hike in October 2019, sales at existing stores in the fiscal year ended February 29, 2020 were lower than those in the previous fiscal year, and operating income was ¥172 million (5.3% YOY).

In financial services, revenues from operations were ¥217,367 million (101.1% YOY), and operating income was ¥53,610 million (101.4% YOY).

As of the end of the fiscal year ended February 29, 2020, the number of ATMs of Seven Bank, Ltd. installed in Japan had increased to 25,194 units (up 111 ATMs YOY). Meanwhile, the average daily transactions per ATM was 92.0 transactions (down 0.4 YOY) despite the total number of ATM transactions during the year having increased from the previous fiscal year, due to factors such as the effect of some affiliated financial institutions implementing changes to transaction fee structures and diversifying settlement methods. Cash and bank deposits of Seven Bank, Ltd. were ¥846.2 billion, which includes cash to be held in ATMs.

Although operating companies engaged in financial services recorded expenses for converting credit cards to IC to use as a measure to enhance security for the Group's credit card operations, as well as for the “7pay” barcode settlement service, operating income in financial services operations was higher than that in the previous fiscal year.

Additionally, due to the occurrence of unauthorized access to some of “7pay” accounts, the conclusion was made that it would be difficult to continue service based on the existing scheme, and discontinued the service as of the end of September 2019.

In specialty store operations, revenues from operations were ¥339,660 million (95.6% YOY), and operating income was ¥4,690 million (70.2% YOY).

Operating income was lower than that of the previous fiscal year, although merchandise strategies to address customer needs continued to be implemented.

## 2. Non-Operating Income or Loss and Ordinary Income

Non-operating income or loss changed from a loss of ¥5,073 million (net amount) in the previous fiscal year to a loss of ¥6,393 million (net amount). This was mainly due to a decrease in interest income.

As a result, ordinary income rose ¥11,348 million YOY, to ¥417,872 million.

## 3. Special Gains or Losses and Income before Income Taxes

Special gains or losses changed from a loss of ¥89,111 million (net amount) in the previous fiscal year to a loss of ¥71,403 million (net amount). This was mainly due to a decrease in impairment loss, despite an increase in loss on digital and settlement services.

As a result, income before income taxes rose ¥29,057 million YOY, to ¥346,469 million.

#### 4. Income Taxes (Including Income Taxes-Deferred) and Net Income Attributable to Owners of Parent

Income taxes rose ¥6,912 million YOY, to ¥111,263 million. After the application of tax effect accounting, the effective tax rate was 32.1%.

As a result, net income attributable to owners of parent rose ¥15,181 million YOY, to ¥218,185 million. Net income per share was ¥246.95, up ¥17.45 per share, from ¥229.50 in the previous fiscal year.

### ANALYSIS OF FINANCIAL POSITION

#### 1. Assets, Liabilities and Net Assets

Total assets on February 29, 2020 stood at ¥5,996,887 million, up ¥201,822 million from the end of the previous fiscal year.

In current assets, cash and bank deposits increased ¥43,169 million, notes and accounts receivable-trade increased ¥15,845 million, and ATM-related temporary payments increased ¥57,362 million. As a result, total current assets were ¥2,471,921 million, up ¥145,462 million from the end of the previous fiscal year.

Property and equipment, and intangible assets increased ¥64,744 million and ¥395 million, respectively, primarily due to opening new stores and investments in existing stores. Furthermore, investments and other assets decreased ¥11,103 million, primarily due to a decrease in municipal bonds and corporate bonds acquired by Seven Bank, Ltd. As a result, non-current assets were up ¥54,037 million from the end of the previous fiscal year, to ¥3,522,541 million.

Total liabilities increased ¥117,086 million from the end of the previous fiscal year, to ¥3,239,665 million.

Current liabilities increased ¥164,408 million compared with those of the end of the previous fiscal year, to ¥2,157,172 million. This was due primarily to increases of ¥66,640 million in deposits received in banking business, ¥54,372 million in deposits received, and ¥30,000 million in current portion of bonds.

In non-current liabilities, bonds decreased ¥79,998 million due to the transfer within one year, and long-term loans decreased ¥40,274 million. Consequently, non-current liabilities decreased ¥47,321 million from the end of the previous fiscal year, to ¥1,082,492 million.

Total net assets were up ¥84,735 million from the end of the previous fiscal year, to ¥2,757,222 million.

Retained earnings increased ¥91,290 million YOY, primarily due to an increase of ¥218,185 million owing to the recording of net income attributable to owners of parent, a decrease of ¥84,037 million due to cash dividend payments, and a decrease of ¥43,794 million in the balance at the beginning of the fiscal year due to the application of ASU No. 2014-09 "Revenue from Contracts with Customers" by overseas subsidiaries that adopt US GAAP from the fiscal year ended February 29, 2020.

Foreign currency translation adjustments decreased ¥6,252 million, primarily due to the translation of the financial statements of 7-Eleven, Inc.

As a result, net assets per share were up ¥96.41 from the end of the previous fiscal year, to ¥2,946.83, and the owners' equity ratio was 43.4%, compared with 43.5% at the end of the previous fiscal year.

#### 2. Cash Flows

Cash and cash equivalents ("Cash") were ¥1,354,856 million, up ¥44,126 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.

### **(Cash Flows from Operating Activities)**

Net cash provided by operating activities was ¥576,670 million, down ¥1,207 million from that of the previous fiscal year. This mainly reflected a decrease of ¥35,000 million in net decrease in corporate bonds in banking business and a decrease of ¥26,153 million in net decrease in ATM-related temporary accounts, despite an increase of ¥52,763 million in deposits received.

### **(Cash Flows from Investing Activities)**

Net cash used in investing activities was ¥318,047 million, a decrease of ¥239,449 million from that of the previous fiscal year. This was primarily due to decreases of ¥180,757 million in acquisition of property and equipment and ¥161,131 million in payment for acquisition of business, as a result of a decrease in business acquisitions in overseas convenience store operations.

### **(Cash Flows from Financing Activities)**

Net cash used in financing activities was ¥213,204 million, an increase of ¥207,879 million from that of the previous fiscal year. This was primarily due to decreases of ¥107,116 million in proceeds from long-term debts and ¥66,478 million in proceeds from issuance of bonds, owing to a decrease in financing for business acquisitions in overseas convenience store operations.



# Company Information

(As of February 29, 2020)

## 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

[in brackets, number of part-time employees\*]

(Consolidated) 57,270 [81,538]

(Non-consolidated) 588 [18]

\*Monthly average based on a 163-hour working month

### 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

82,071

### Stock Listing

Tokyo Stock Exchange, First Section

### Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corporation

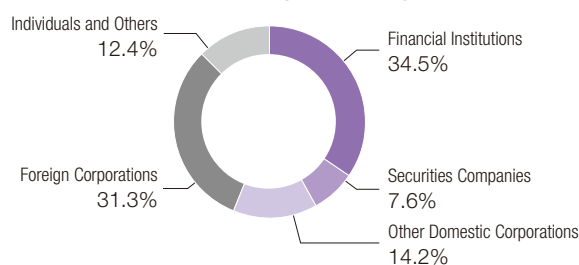
### Annual Shareholders' Meeting

The annual shareholders' meeting of the Company is normally held in May each year in Tokyo, Japan.

## 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)	64,483	7.3
Japan Trustee Services Bank, Ltd. (Trust account)	45,091	5.1
SMBC Nikko Securities Inc.	22,718	2.6
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)	15,638	1.8
JAPAN SECURITIES FINANCE CO., LTD.	13,827	1.6
STATE STREET BANK WEST CLIENT-TREATY 505234	12,800	1.4

## Classification of Shareholders by Percentage of Shares Held



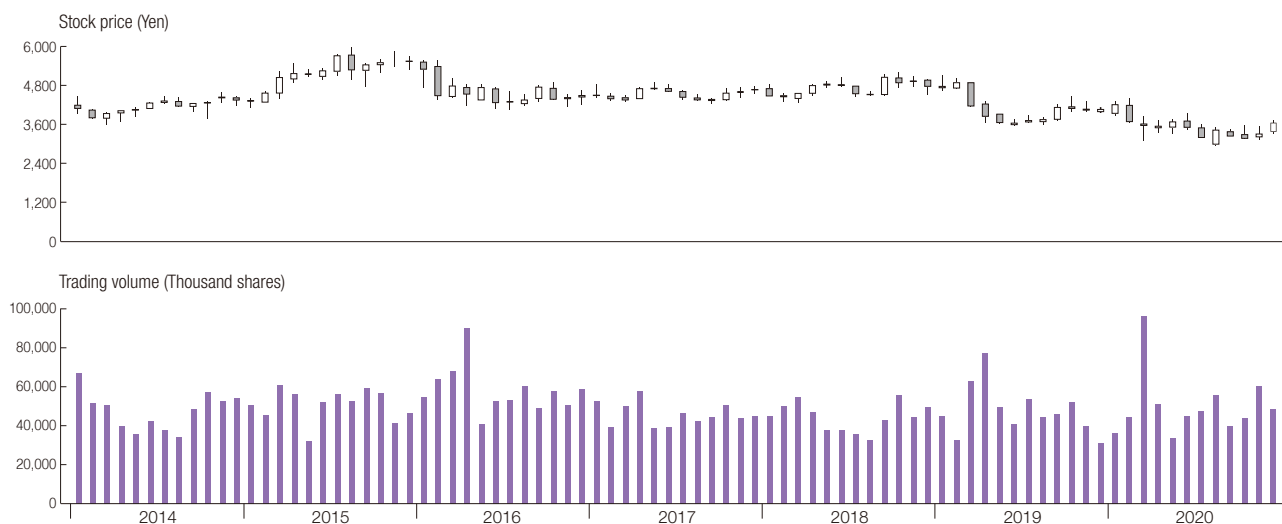
## Rating Information

### Ratings (As of December 31, 2020)

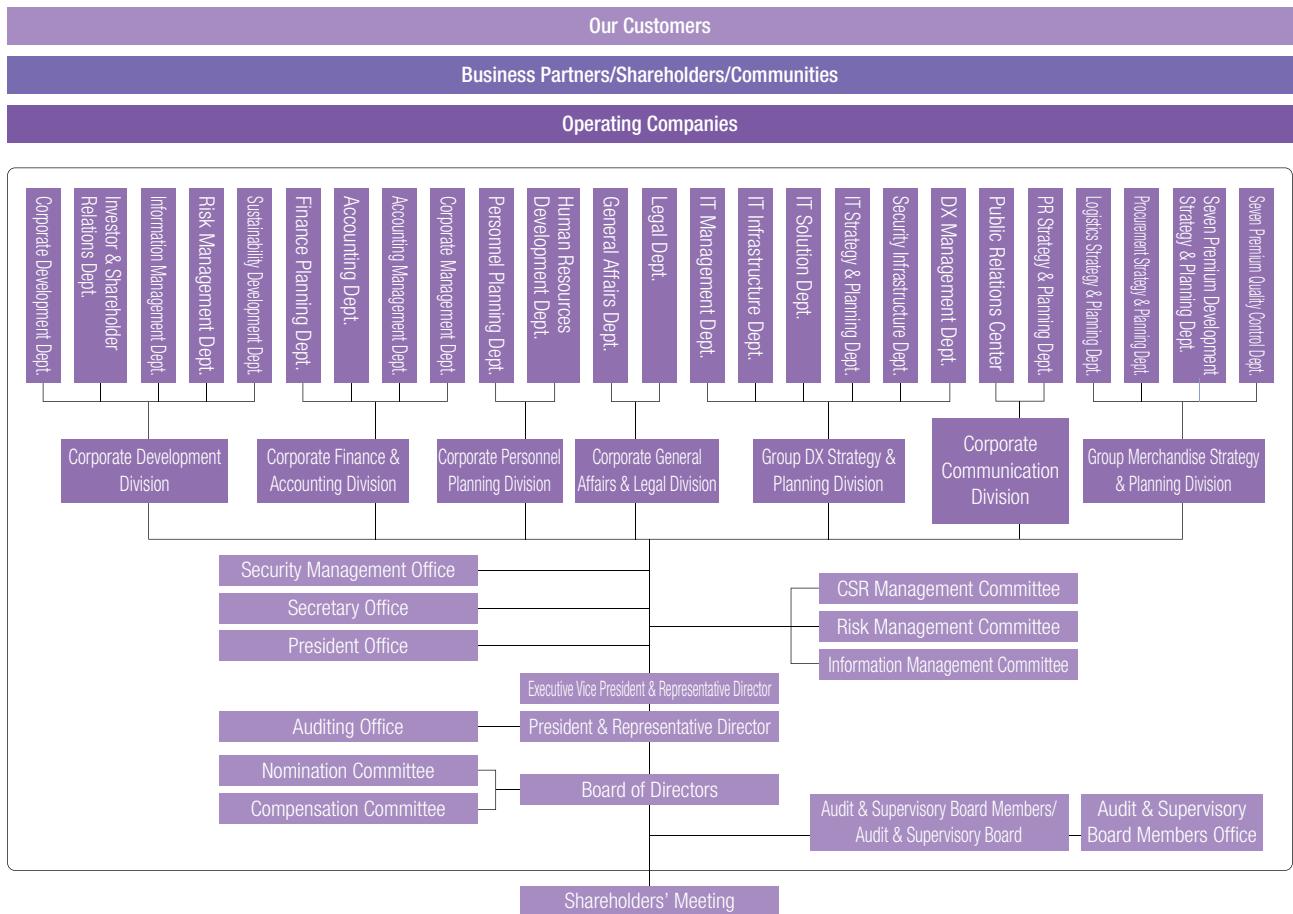
	Long-term	S&P	Moody's	R&I	JCR
Seven & i Holdings	Long-term	AA-	A2	AA	AA+
SEVEN-ELEVEN JAPAN	Long-term	AA-			AA+
	Short-term*	A-1+	P-1		
7-Eleven, Inc.	Long-term	AA-	Baa1		
Seven Bank	Long-term	A+		AA	
	Short-term	A-1			

\*From January 2006, SEVEN-ELEVEN JAPAN's short-term rating is its rating as the guarantor of 7-Eleven, Inc.'s commercial paper program.

## Stock Price/Trading Volume Chart (Tokyo Stock Exchange) (As of December 31, 2020)



**Organization chart** (As of December 31, 2020)



**Disclosure materials related to this report**

Integrated Report promoting constructive dialogue with stakeholders and sincere governance for collaborative value creation



**Seven & i Management Report (this report)**  
<https://www.7andi.com/en/ir/library/mr.html>

**Data and detailed information**



**Latest IR Materials**  
<https://www.7andi.com/en/ir/library.html>  
 You can view the Company's latest IR materials in one place. We have posted financial information including securities reports (in Japanese only), financial results, and brief summaries of financial results.




**CSR Website**  
<https://www.7andi.com/en/csr.html>  
 A website that comprehensively communicates information on the Group's sustainability activities.



**Corporate Outline**  
<https://www.7andi.com/en/ir/library/co/2020.html>  
 Annual journal summarizing the Group's business activities and business performance information.



**"Quarterly Report" Shareholder Newsletter**  
<https://www.7andi.com/company/quarterly.html> (in Japanese only)  
 Shareholder newsletter showcasing the latest initiatives of the Seven & i Group and each Group company. Delivered to shareholders every three months, each issue includes a special feature on various topics.  
 Excerpted from Quarterly Report Vol. 149, 2020

All disclosure materials presented herein have been posted on the Company's website.  
 <https://www.7andi.com/en>

## 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.
  - (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 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.
  - (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

- Symbols for the period covered are as follows: ○ : As of December 31, 2020 ■ : March 1, 2019–February 29, 2020
- Display of units: Figures for percentage displays, rounded down to the first decimal place

Corporate Governance			Period covered		Units		
<b>About the Directors</b>							
Number of Directors	In-house	Women	○	0	—		
		Men	○	8			
		Total	○	8			
	Independent and outside	Women	○	1			
		Men	○	4			
		Total	○	5			
	Overall total		○	13			
	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)			○		38.4	%
Ratio of Independent Outside Directors (Number of Independent Outside Directors/ Number of Directors)			○	38.4	%		
Ratio of Female Directors (Number of female Directors/Number of Directors)			○	7.6	%		
Director's term of office			○	1	Year		
Number of Board of Directors' meetings held			■	15	Times		
Attendance ratio of Outside Directors at Board of Directors' meetings			■	94.4	%		
<b>Regarding Audit &amp; Supervisory Board Members</b>							
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			■	26	Times		
Attendance ratio of Outside Audit & Supervisory Board Members at Audit & Supervisory Board meetings			■	100	%		
Attendance ratio of Outside Audit & Supervisory Board Members at Board of Directors' meetings			■	100	%		
<b>About the Nomination Committee and Compensation Committee</b>							
Number of Nomination Committee members	In-house	Women	○	0	—		
		Men	○	2			
		Total	○	2			
	Independent and outside	Women	○	0			
		Men	○	3			
		Total	○	3			
	Overall total		○	5			
	Number of Compensation Committee members	In-house	Women	○		0	—
			Men	○		2	
Total			○	2			
Independent and outside		Women	○	1			
		Men	○	2			
		Total	○	3			
Overall total		○	5				

## Corporate Governance

		Period covered		Units	
<b>About the executive officers</b>					
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	
<b>Regarding the Committees</b>					
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	
<b>Compensation*<sup>1</sup></b>					
Compensation of Directors (Total amount) (excluding Outside Directors)	Fixed compensation	■	179	Millions of yen	
	Performance-based compensation	Bonus	■		50
		Stock-based compensation (BIP Trust)	■		64
	Total	■	294		
Compensation for Outside Directors (Total amount)	Fixed compensation	■	70	Millions of yen	
	Performance-based compensation	Bonus	■		—
		Stock-based compensation (BIP Trust)	■		—
	Total	■	70		
Compensation for Audit & Supervisory Board Members (Total amount) (excluding Outside Audit & Supervisory Board Members)	Fixed compensation	■	64	Millions of yen	
	Performance-based compensation	Bonus	■		—
		Stock-based compensation (BIP Trust)	■		—
	Total	■	64		
Compensation for Outside Audit & Supervisory Board Members (Total amount)	Fixed compensation	■	38	Millions of yen	
	Performance-based compensation	Bonus	■		—
		Stock-based compensation (BIP Trust)	■		—
	Total	■	38		
<b>Accounting auditor compensation*<sup>2</sup></b>					
Compensation for the accounting auditor (Total amount)	Amount of compensation, etc., for services as accounting auditor for the fiscal year ended February 29, 2020	■	792	Millions of yen	
	Total amount of monies and other financial benefits to be paid to the accounting auditor by the Company and its subsidiaries	■	879		

- \*1
- Compensation above includes compensation for two (2) Directors and one (1) Audit & Supervisory Board Member (including one (1) Outside Audit & Supervisory Board Member) who retired from their positions at the conclusion of the 14th Annual Shareholders' Meeting, held on May 23, 2019.
  - 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.
  - It was resolved at the 1st Annual Shareholders' Meeting held on May 25, 2006 that the annual amount of compensation paid to Directors shall not exceed ¥1 billion (not including amounts paid as salaries for employees).
  - The 14th Annual Shareholders' Meeting held on May 23, 2019 resolved as follows regarding compensation amounts for Directors' stock-based compensation (BIP Trust)  
3 fiscal years/not more than ¥600 million (not more than ¥200 million per fiscal year)  
Limit on the points granted per fiscal year: 40,000 points (1 point = 1 share of common stock)
  - It was resolved at the 14th Annual Shareholders' Meeting held on May 23, 2019 that the annual amount of compensation paid to Audit & Supervisory Board Members shall not exceed ¥200 million.
  - Stock-based compensation (BIP Trust) was granted to five (5) 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 15th fiscal year.
  - 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.
  - Among the major subsidiaries of the Company, 7-Eleven, Inc. is audited by an audit corporation other than the Company's accounting auditor.



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