

<TRANSLATION FOR REFERENCE PURPOSES ONLY>

Securities Code No. 3382

May 6, 2020

To Our Shareholders,

8-8, Nibancho, Chiyoda-ku, Tokyo
Seven & i Holdings Co., Ltd.
Ryuichi Isaka, Representative Director and President

CONVOCATION NOTICE OF THE 15TH ANNUAL SHAREHOLDERS' MEETING

Notice is hereby provided of the 15th Annual Shareholders' Meeting of Seven & i Holdings Co., Ltd. (the "Company"), which will be held as indicated below.

This year, in light of the current spread of the novel coronavirus (COVID-19), we ask shareholders to be mindful of their own health, and those with cold-like symptoms or feelings of lethargy to not feel obliged to attend and rather consider abstaining from attending the meeting. We also request elderly shareholders, those with pre-existing health conditions, those who are expectant mothers, or in other similar conditions to consider abstaining from attending the meeting.

Shareholders who do not plan to attend the meeting may exercise their voting rights in writing or by electronic method (via the Internet, etc.). You are kindly requested to examine the Shareholders' Meeting Reference Materials set out below, and exercise your voting right by 5:30 p.m. on May 27, 2020 (Wednesday) in accordance with Information about Exercising Your Voting Rights on pages 3 to 4.

Best regards,

Notes

- 1. Date:** 10:00 a.m., May 28, 2020 (Thursday)
- 2. Place:** Head office of the Company (8-8, Nibancho, Chiyoda-ku, Tokyo)
Conference Room

3. Purposes of this Annual Shareholders' Meeting

Matters to be Reported:

- (1) Reporting on the substance of the Business Report, the substance of the Consolidated Financial Statements for the 15th fiscal year (from March 1, 2019 to February 29, 2020), and the results of audits of the Consolidated Financial Statements by the accounting auditor and the Audit & Supervisory Board.
- (2) Reporting on the substance of the Financial Statements for the 15th fiscal year (from March 1, 2019 to February 29, 2020).

Matters to be Resolved:

Item No. 1: Appropriation of retained earnings.

Item No. 2: Partial Amendment of the Articles of Incorporation.

Item No. 3: Election of thirteen (13) Directors.

4. Matters Determined for Convocation

- (1) Please be advised that if you redundantly exercise your voting right both in writing and by electronic method, the Company will only deem your exercise by electronic method valid. Also, please be advised that if you exercise your voting right multiple times by electronic method, the Company will only deem the substance of your final exercise to be valid.
- (2) If neither approval nor disapproval of each proposal is indicated on the Voting Instructions Form, the Company will deem that you indicated your approval of the proposal.
- (3) If you wish to make a diverse exercise of your voting rights, please notify the Company in writing of your intention of making a diverse exercise of your voting rights and the reasons thereof by three (3) days prior to the Annual Shareholders' Meeting.

End

When you attend the Annual Shareholders' Meeting, please submit the enclosed Voting Instructions Form at the reception desk. In addition, please assist us in conserving resources by bringing with you this Convocation Notice.

Any changes in the Shareholders' Meeting Reference Materials, Business Report, Financial Statements, or Consolidated Financial Statements will be posted on the Company's website (<https://www.7andi.com/st.html>).

In order to prevent the spread of the novel coronavirus, attending shareholders may be asked to have their temperature taken; and those with a high temperature or those who appear to be unwell may be directed to a separate venue or forbidden from attending. In addition, we will request attending shareholders' cooperation, including wearing masks and alcohol sanitizing. Please note that the Company's relevant persons may also wear masks. Any other measures to prevent the spread of the novel coronavirus and changes thereto will be posted on the Company's website (<https://www.7andi.com/ir/stocks/general.html>).

Free samples will not be provided at Annual Shareholders' Meetings. Your understanding would be appreciated in this regard.

Information about Exercising Your Voting Rights

You may exercise your voting rights using one of the following three methods.

Exercise of voting rights by attending the Annual Shareholders' Meeting

You are kindly requested to exercise your voting rights by submitting the enclosed Voting Instructions Form to the Reception Desk at the Meeting.

Date of the Annual Shareholders' Meeting

10:00 a.m. Japan Standard Time (JST), May 28, 2020 (Thursday)

Exercise of voting rights by post

You are kindly requested to indicate your vote for or against the proposed actions on the enclosed Voting Instructions Form, and to return the completed Voting Instructions Form to the Company. You do not need to affix a stamp.

Deadline for exercise of voting rights by post

The Company must receive the completed Voting Instructions Form by 5:30 p.m. JST, May 27, 2020 (Wednesday).

Exercise of voting rights via the Internet

Follow the instructions on page 4 and input your vote for or against the proposed actions.

Deadline for exercise of voting rights via the Internet

The Company must receive your voting instructions by 5:30 p.m. JST, May 27, 2020 (Wednesday).

Handling of votes

- (1) If you redundantly exercise your voting right both by the Voting Instructions Form (post) and via the Internet, the Company will only deem your exercise via the Internet valid. Also, if you exercise your voting right multiple times via the Internet, the Company will only deem the substance of your final exercise to be valid.
- (2) If neither approval nor disapproval of each proposal is indicated on the Voting Instructions Form (post), the Company will deem that you indicated your approval of the proposal.
- (3) If you wish to make a diverse exercise of your voting rights, please notify the Company in writing of your intention of making a diverse exercise of your voting rights and the reasons thereof by three (3) days prior to the Annual Shareholders' Meeting.

Information about Exercising Your Voting Rights via the Internet

Scanning QR code®

You can simply login to the Voting Website for exercising voting rights without entering your login ID and temporary password printed on the Voting Instructions Form.

1. Please scan the QR code® located on the right side of the Voting Instructions Form.

* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the instructions on the screen.

Note that you can login to the website only once by using QR code®.

If you wish to redo your vote or exercise your voting rights without using QR code®, please refer to the “Entering login ID and temporary password” on the right.

Entering login ID and temporary password

Voting Website:
<https://evote.tr.mufg.jp/>

1. Please access the Voting Website.
2. Enter your “login ID” and “temporary password” printed on the Voting Instructions Form.
3. Please register a new password.
4. Indicate your approval or disapproval by following the instructions on the screen.

Please confirm the following items if you exercise your voting rights via the Internet.

- (1) Please note that service is not available between 2:00 a.m. and 5:00 a.m. (JST) each day.
- (2) Costs (Internet connection charges, packet transmission fees, etc.) incurred in accessing the Voting Website (<https://evote.tr.mufg.jp/>) will be the responsibility of the shareholder.
- (3) Depending on certain factors in the shareholder’s Internet usage environment, it might not be possible to exercise voting rights. These factors include the use of a firewall, etc., in the Internet connection, the use of anti-virus software, and the use of a proxy server.

In case you need instructions for how to operate your personal computer/smartphone/mobile phone in order to exercise your voting rights via the Internet, please contact:

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Department Help Desk

Tel: 0120-173-027 (Toll free only from Japan / Hours: 9:00 a.m. to 9:00 p.m. JST)

Platform for Electronic Exercise of Voting Rights

Nominee shareholders such as trust and custody services banks (including standing proxies) who have made prior application to use the platform for the electronic exercise of voting rights that is operated by ICJ Inc. may use this platform.

Shareholders' Meeting Reference Materials

Item No. 1: Appropriation of retained earnings.

It is proposed that retained earnings will be appropriated as described below:

For shareholder return, our basic policy is to provide a return of profits in line with profit growth. The Company will aim to maintain its target consolidated payout ratio of 40% and further improve it for dividends per share. With respect to retained earnings, the Company will implement a flexible capital policy while considering a suitable balance with investment in our growth business.

Matters concerning year-end dividends

It is proposed that the year-end dividends for the 15th fiscal year be paid as follows in consideration of the performance for the 15th fiscal year and the future business development, etc.

(1) Type of dividend property

It is proposed that the dividend property will be paid in monetary terms.

(2) Matters concerning the allocation of dividend property and the aggregate amount thereof

It is proposed that the amount of allocation will be ¥51 per share of the Company's common stock.

In such a case, the aggregate amount of dividends shall be ¥45,115,439,664.

Therefore, the annual dividends for the 15th fiscal year, including interim dividends of ¥47.50, shall be ¥98.50 per share.

(3) Date on which the dividends from retained earnings become effective

It is proposed that the dividends from retained earnings become effective on May 29, 2020.

Item No. 2: Partial Amendment of the Articles of Incorporation

1. Reason for amendment

- (1) For more rapid decision-making responding to changes in the business environment and to strengthen the management supervisory function of the Board of Directors, the Company will change the maximum number of Directors provided in Article 19 of the current Articles of Incorporation from 18 to 15.
- (2) In order to enable a flexible response to the operation of the Board of Directors, the Company will change the convener and chairman of the Board of Directors provided in Article 23 of the current Articles of Incorporation to the Director predetermined by the Board of Directors.

2. Details of amendments

The proposed amendments are as follows:

(Underlined portions indicate amendments.)

Current provisions of the Articles of Incorporation	Proposed amendments
<p>Article 19 (Number of Directors) The number of Directors shall not exceed <u>18</u>.</p>	<p>Article 19 (Number of Directors) The number of Directors shall not exceed <u>15</u>.</p>
<p>Articles 20 - 22 (Omitted)</p>	<p>Articles 20 - 22 (Unchanged)</p>
<p>Article 23 (Convener and Chairman of the Board of Directors' Meetings)</p> <p>1. Unless otherwise provided by law, <u>the President and Director</u> shall convene the Board of Directors' meetings and act as chairman thereat.</p> <p>2. If the office of <u>the President and Director</u> is vacant or he is unable to so act, one of the other Directors shall convene the Board of Directors' meetings and act as chairman thereat in the order predetermined by the Board of Directors.</p>	<p>Article 23 (Convener and Chairman of the Board of Directors' Meetings)</p> <p>1. Unless otherwise provided by law, <u>the Director predetermined by the Board of Directors</u> shall convene the Board of Directors' meetings and act as chairman thereat.</p> <p>2. If the office of <u>the Director determined per the preceding paragraph</u> is vacant or he is unable to so act, one of the other Directors shall convene the Board of Directors' meetings and act as chairman thereat in the order predetermined by the Board of Directors.</p>

Item No. 3: Election of thirteen (13) Directors.

The terms of office of all twelve (12) current Directors expire upon the conclusion of this Annual Shareholders' Meeting.

To further strengthen the Company's management foundation, the Company will increase the number of Directors by one (1), and shareholders are therefore requested to elect thirteen (13) Directors.

This proposal was approved at the Board of Directors meeting after its details were supported by the "Nomination and Compensation Committee," an advisory committee to the Board of Directors chaired by an Independent Outside Director.

The candidates for Directors are as follows:

Candidate No.	Name	Current position in the Company	Attendance at Board of Directors meetings			
1	Ryuichi Isaka	Representative Director and President Executive Officer and President	15/15	Reappointment		
2	Katsuhiko Goto	Representative Director and Vice President Executive Officer and Vice President	15/15	Reappointment		
3	Junro Ito	Director and Managing Executive Officer	15/15	Reappointment		
4	Kimiyoshi Yamaguchi	Director and Executive Officer	15/15	Reappointment		
5	Yoshimichi Maruyama	Executive Officer		New Appointment		
6	Fumihiko Nagamatsu	Director	14/15	Reappointment		
7	Shigeki Kimura	Director	12/12	Reappointment		
8	Joseph M. DePinto	Director	15/15	Reappointment		
9	Yoshio Tsukio	Outside Director	15/15	Reappointment	Outside	Independent
10	Kunio Ito	Outside Director	15/15	Reappointment	Outside	Independent
11	Toshiro Yonemura	Outside Director	12/15	Reappointment	Outside	Independent
12	Tetsuro Higashi	Outside Director	14/15	Reappointment	Outside	Independent
13	Kazuko Rudy (Real name: Kazuko Kiriya)	Outside Director	15/15	Reappointment	Outside	Independent

(Notes)

- Attendance at meetings of the Board of Directors held in the 15th fiscal year is presented as attendance at Board of Directors meetings.
- Out of the 15 meetings attended by Ms. Kazuko Rudy, she attended three meetings as an Outside Audit & Supervisory Board Member.

Candidate No.	Name (Date of birth) * Number of shares of the Company owned Term of office	Brief personal history, position, area of responsibility, and important concurrent positions
1	Ryuichi Isaka (October 4, 1957) * 15,312 shares <u>Reappointment</u> Term of office: 11 years and 0 months	Mar. 1980: Joined Seven-Eleven Japan Co., Ltd. May 2002: Director of Seven-Eleven Japan Co., Ltd. (incumbent) May 2003: Executive Officer of Seven-Eleven Japan Co., Ltd. May 2006: Managing Executive Officer of Seven-Eleven Japan Co., Ltd. May 2009: Representative Director and President of Seven-Eleven Japan Co., Ltd. Chief Operating Officer (COO) of Seven-Eleven Japan Co., Ltd. Director of the Company Apr. 2016: Member of the Nomination and Compensation Committee of the Company (incumbent) May 2016: Representative Director and President of the Company (incumbent) Executive Officer and President of the Company (incumbent) (Important Concurrent Positions) * Director of Seven-Eleven Japan Co., Ltd. * Director of 7-Eleven, Inc.
[Reasons, etc. for Nomination as Candidate for Director] 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). Because we 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, we would like to request his election as a Director.		

Candidate No.	Name (Date of birth) * Number of shares of the Company owned Term of office	Brief personal history, position, area of responsibility, and important concurrent positions
2	<p>Katsuhiko Goto (December 20, 1953) * 14,840 shares <u>Reappointment</u> Term of office: 14 years and 8 months</p>	<p>July 1989: Joined Seven-Eleven Japan Co., Ltd. May 2002: Director of Ito-Yokado Co., Ltd. May 2003: Executive Officer of Ito-Yokado Co., Ltd. May 2004: Managing Director of Ito-Yokado Co., Ltd. Managing Executive Officer of Ito-Yokado Co., Ltd. Sept. 2005: Director of the Company Chief Administrative Officer (CAO) of the Company Mar. 2006: Managing Director of Ito-Yokado Co., Ltd. (newly incorporated company) Managing Executive Officer of Ito-Yokado Co., Ltd. May 2006: Director of Ito-Yokado Co., Ltd. Managing Executive Officer of the Company Director of Millennium Retailing, Inc. Aug. 2009: Director of Sogo & Seibu Co., Ltd. Apr. 2011: Senior Officer of the System Planning Department of the Company Nov. 2014: Head of the Information Management & Security Office of the Company Apr. 2016: Member of the Nomination and Compensation Committee of the Company (incumbent) May 2016: Representative Director and Vice President of the Company (incumbent) Executive Officer and Vice President of the Company (incumbent) In charge of Administrative Divisions and Omni-Channel of the Company June 2017: Director of Seven Bank, Ltd. (incumbent) Mar. 2018: General Manager of the Corporate Digital Strategy & Planning Division of the Company (Important Concurrent Positions) * Director of Seven Bank, Ltd.</p>
<p>[Reasons, etc. for Nomination as Candidate for Director] 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. Because we 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), we would like to request his election as a Director.</p>		

Candidate No.	Name (Date of birth) * Number of shares of the Company owned Term of office	Brief personal history, position, area of responsibility, and important concurrent positions
3	<p>Junro Ito (June 14, 1958) * 3,173,003 shares <u>Reappointment</u> Term of office: 11 years and 0 months</p>	<p>Aug. 1990: Joined Seven-Eleven Japan Co., Ltd. May 2002: Director of Seven-Eleven Japan Co., Ltd. May 2003: Executive Officer of Seven-Eleven Japan Co., Ltd. Jan. 2007: Managing Executive Officer of Seven-Eleven Japan Co., Ltd. May 2009: Director of the Company (incumbent) Executive Officer of the Company Senior Officer of the Corporate Development Department of the Company Apr. 2011: Senior Officer of the CSR Management Department of the Company May 2015: Audit & Supervisory Board Member of York-Benimaru Co., Ltd. May 2016: In charge of Group Corporate Support of the Company July 2016: Senior Officer of the Corporate Support Department of the Company Dec. 2016: Managing Executive Officer of the Company (incumbent) Head of the Corporate Development Office of the Company Mar. 2017: Director of Ito-Yokado Co., Ltd. Mar. 2018: General Manager of the Corporate Development Division of the Company (incumbent) July 2019: Outside Director of AIN HOLDINGS INC. (incumbent) (Important Concurrent Positions) * Outside Director of AIN HOLDINGS INC.</p> <p>[Reasons, etc. for Nomination as Candidate for Director] 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. Because we 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, we would like to request his election as a Director.</p>
4	<p>Kimiyoshi Yamaguchi (November 8, 1957) * 1,000 shares <u>Reappointment</u> Term of office: 3 years and 0 months</p>	<p>Apr. 1981: Joined THE SEIBU DEPARTMENT STORES, LTD. (currently Sogo & Seibu Co., Ltd.) May 2011: Executive Officer of the Company (incumbent) Senior Officer of the Public Relations Center of the Company Dec. 2016: In charge of Corporate Communication of the Company May 2017: Director of the Company (incumbent) Head of the President Office of the Company Mar. 2018: Director of Sogo & Seibu Co., Ltd. (incumbent) Mar. 2019: General Manager of the Corporate Communication Division of the Company (incumbent) Oct. 2019: Head of the Security Management Office of the Company (Important Concurrent Positions) * Director of Sogo & Seibu Co., Ltd.</p> <p>[Reasons, etc. for Nomination as Candidate for Director] 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). Because we 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., we would like to request his election as a Director.</p>

Candidate No.	Name (Date of birth) * Number of shares of the Company owned Term of office	Brief personal history, position, area of responsibility, and important concurrent positions
5	<p>Yoshimichi Maruyama (November 2, 1959) * 0 shares <u>New appointment</u></p>	<p>Apr. 1982: Joined The Long-Term Credit Bank of Japan, Limited July 2008: Joined the Company May 2012: Senior Officer of the Risk Management Department of the Company Nov. 2014: Senior Officer of the Information Management & Security Office of the Company July 2016: Senior Officer of the Corporate Planning Department of the Company Dec. 2016: Senior Officer of the Corporate Development Department of the Company May 2017: Executive Officer of the Company (incumbent) Senior Officer of the Finance Planning Department of the Company Representative Director and President of SEVEN & i Financial Center Co., Ltd. (incumbent) Oct. 2017: Representative Director and President of Seven & i Asset Management Co., Ltd. (incumbent) Mar. 2018: General Manager of the Corporate Finance & Accounting Division of the Company (incumbent)</p> <p>(Important Concurrent Positions) * Representative Director and President of Seven & i Financial Center Co., Ltd. * Representative Director and President of Seven & i Asset Management Co., Ltd.</p>
<p>[Reasons, etc. for Nomination as Candidate for Director] 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. Because we 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, we would like to request his election as a Director.</p>		

Candidate No.	Name (Date of birth) * Number of shares of the Company owned Term of office	Brief personal history, position, area of responsibility, and important concurrent positions
6	<p>Fumihiko Nagamatsu (January 3, 1957) * 14,500 shares <u>Reappointment</u> Term of office: 2 years and 0 months</p>	<p>Mar. 1980: Joined Seven-Eleven Japan Co., Ltd. May 2004: Executive Officer of Seven-Eleven Japan Co., Ltd. Mar. 2014: Representative Director and Vice President of Nissen Holdings Co., Ltd. Mar. 2015: Executive Officer of the Company May 2017: Senior Officer of the Personnel Planning Department of the Company Dec. 2017: Executive Officer of Seven-Eleven Japan Co., Ltd. Mar. 2018: General Manager of the Corporate Personnel Planning Division of the Company Director of Seven-Eleven Japan Co., Ltd. Director of Seven & i Food Systems Co., Ltd. May 2018: Director of the Company (incumbent) Mar. 2019: Director and Vice President of Seven-Eleven Japan Co., Ltd. Apr. 2019: Representative Director and President of Seven-Eleven Japan Co., Ltd. (incumbent)</p> <p>(Important Concurrent Positions) * Representative Director and President of Seven-Eleven Japan Co., Ltd. * Director of 7-Eleven, Inc.</p>
<p>[Reasons, etc. for Nomination as Candidate for Director] 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. Because we 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, we would like to request his election as a Director.</p>		
7	<p>Shigeki Kimura (March 16, 1962) * 5,100 shares <u>Reappointment</u> Term of office: 1 year and 0 months</p>	<p>Mar. 1986: Joined Seven-Eleven Japan Co., Ltd. Mar. 2014: Executive Officer of Seven-Eleven Japan Co., Ltd. May 2016: Senior Officer of the Secretary Office of the Company Dec. 2016: Executive Officer of the Company Senior Officer of the Corporate Development Department of the Company July 2017: Outside Director of AIN HOLDINGS INC Mar. 2019: General Manager of the Corporate Personnel Planning Division of the Company Director of Seven-Eleven Japan Co., Ltd. (incumbent) May 2019: Director of the Company (incumbent) Mar. 2020: In charge of Group Company Governance of the Company Senior Managing Executive Officer of Seven-Eleven Japan Co., Ltd. (incumbent) Apr. 2020: In charge of the President Office of the Company (incumbent) In charge of Group Cooperation of the Company (incumbent)</p> <p>(Important Concurrent Positions) * Director of Seven-Eleven Japan Co., Ltd.</p>
<p>[Reasons, etc. for Nomination as Candidate for Director] 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. Because we 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., we would like to request his election as a Director.</p>		

Candidate No.	Name (Date of birth) * Number of shares of the Company owned Term of office	Brief personal history, position, area of responsibility, and important concurrent positions
8	<p>Joseph M. DePinto (November 3, 1962) * 6,000 shares <u>Reappointment</u> Term of office: 5 years and 0 months</p>	<p>Sept. 1995: Joined Thornton Oil Corporation June 1999: Senior Vice President and Chief Operating Officer (COO) of Thornton Oil Corporation Mar. 2002: Joined 7-Eleven, Inc. Manager of 7-Eleven, Inc. Apr. 2003: Vice President and General Manager of Operations of 7-Eleven, Inc. Dec. 2005: Director and President and Chief Executive Officer (CEO) of 7-Eleven, Inc. (incumbent) Aug. 2010: Independent Director of Brinker International, Inc. Nov. 2013: Chairman of the Board (Independent Director) of Brinker International, Inc. (incumbent) May 2015: Director of the Company (incumbent) (Important Concurrent Positions) * Director and President and Chief Executive Officer (CEO) of 7-Eleven, Inc. * Chairman of the Board (Independent Director) of Brinker International, Inc.</p> <p>[Reasons, etc. for Nomination as Candidate for Director] 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. Because we 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, we would like to request his election as a Director.</p>
9	<p>Yoshio Tsukio (April 26, 1942) * 0 shares <u>Reappointment</u> <u>Outside Director</u> <u>Independent Director</u> Term of office: 6 years and 0 months</p>	<p>Aug. 1988: Professor, Department of Architecture, School of Engineering, Nagoya University Apr. 1989: Visiting Professor, Unit 5, Institute of Industrial Science, University of Tokyo Apr. 1991: Professor, Department of Industry Mechanical Engineering, Faculty of Engineering, University of Tokyo Apr. 1999: Professor, Graduate School of Frontier Science, University of Tokyo Dec. 2002: Vice-Minister for Policy Coordination, Ministry of Internal Affairs and Communications Apr. 2003: President and Representative, Tsukio Research Institute (incumbent) June 2003: Professor Emeritus, University of Tokyo May 2014: Outside Director of the Company (incumbent) (Important Concurrent Position) * President and Representative, Tsukio Research Institute</p> <p>[Reasons, etc. for Nomination as Candidate for Outside Director] 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. Because we 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, we would like to request his election as an Outside Director.</p>

Candidate No.	Name (Date of birth) * Number of shares of the Company owned Term of office	Brief personal history, position, area of responsibility, and important concurrent positions
10	<p>Kunio Ito (December 13, 1951) * 0 shares</p> <p>Reappointment Outside Director Independent Director</p> <p>Term of office: 6 years and 0 months</p>	<p>Apr. 1992: Professor, Faculty of Commerce and Management, Hitotsubashi University</p> <p>Aug. 2002: Dean, Graduate School of Commerce and Management, Faculty of Commerce and Management, Hitotsubashi University</p> <p>Feb. 2004: Associate Chancellor & Director, Hitotsubashi University</p> <p>June 2005: Outside Director of Akebono Brake Industry Co., Ltd.</p> <p>Dec. 2006: Professor, Graduate School of Commerce and Management, Hitotsubashi University</p> <p>Apr. 2008: MBA Course Director, Graduate School of Commerce and Management, Hitotsubashi University Senior Executive Program Director, Graduate School of Commerce and Management, Hitotsubashi University</p> <p>June 2012: Outside Director of Sumitomo Chemical Company, Limited</p> <p>June 2013: Outside Director of KOBAYASHI PHARMACEUTICAL CO., LTD. (incumbent)</p> <p>May 2014: Outside Director of the Company (incumbent)</p> <p>June 2014: Outside Director of Toray Industries, Inc. (incumbent)</p> <p>Apr. 2015: Adjunct Professor, Graduate School of Commerce and Management, Hitotsubashi University Specially Appointed Professor, Chuo Graduate School of Strategic Management, Chuo University (incumbent)</p> <p>Mar. 2016: Chair of the Nomination and Compensation Committee of the Company (incumbent)</p> <p>Apr. 2018: Adjunct Professor, Graduate School of Business Administration, Hitotsubashi University</p> <p>(Important Concurrent Position) * 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>[Reasons, etc. for Nomination as Candidate for Outside Director] 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. Because we 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, we would like to request his election as an Outside Director.</p>

Candidate No.	Name (Date of birth) * Number of shares of the Company owned Term of office	Brief personal history, position, area of responsibility, and important concurrent positions
11	<p>Toshiro Yonemura (April 26, 1951) * 0 shares Reappointment Outside Director Independent Director Term of office: 6 years and 0 months</p>	<p>Apr. 1974: Joined the National Police Agency Aug. 2005: Vice Superintendent General, Tokyo Metropolitan Police Department Aug. 2008: Superintendent General, Tokyo Metropolitan Police Department June 2011: Outside Audit & Supervisory Board Member, Jowa Holdings Company, Limited Dec. 2011: Deputy Chief Cabinet Secretary for Crisis Management Feb. 2014: Special Advisor to the Cabinet May 2014: Outside Director of the Company (incumbent) June 2014: Outside Director, Jowa Holdings Company, Limited (currently UNIZO Holdings Company, Limited) (incumbent) Mar. 2016: Member of the Nomination and Compensation Committee of the Company (incumbent) (Important Concurrent Position) * Outside Director of UNIZO Holdings Company, Limited</p> <p>[Reasons, etc. for Nomination as Candidate for Outside Director] 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. Because we 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, we would like to request his election as an Outside Director.</p>
12	<p>Tetsuro Higashi (August 28, 1949) * 0 shares Reappointment Outside Director Independent Director Term of office: 2 years and 0 months</p>	<p>Apr. 1977: Joined Tokyo Electron Limited Dec. 1990: Corporate Director of Tokyo Electron Limited Apr. 1994: Managing Corporate Director of Tokyo Electron Limited June 1996: Representative Director, President of Tokyo Electron Limited June 2003: Representative Director, Chairman of the Board of Tokyo Electron Limited Apr. 2013: Representative Director, Chairman and President of Tokyo Electron Limited June 2015: Representative Director, President of Tokyo Electron Limited Jan. 2016: Corporate Director, Corporate Advisor of Tokyo Electron Limited May 2018: Outside Director of the Company (incumbent) June 2019: Outside Director of Ube Industries, Ltd. (incumbent) External Director of Nomura Real Estate Holdings, Inc. (incumbent) (Important Concurrent Position) * Outside Director of Ube Industries, Ltd. * External Director of Nomura Real Estate Holdings, Inc.</p> <p>[Reasons, etc. for Nomination as Candidate for Outside Director] 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. Because we 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, we would like to request his election as an Outside Director.</p>

Candidate No.	Name (Date of birth) * Number of shares of the Company owned Term of office	Brief personal history, position, area of responsibility, and important concurrent positions
13	Kazuko Rudy (Real name: Kazuko Kiriyama) (October 10, 1948) * 0 shares Reappointment Outside Director Independent Director Term of office: 1 year and 0 months	Sept. 1972: Joined the Accounting Audit Office, University of Chicago Aug. 1976: PR Manager, Estee Lauder Co., Ltd. Nov. 1978: Marketing Manager, Estee Lauder Co., Ltd. Mar. 1980: General Manager, Direct Marketing Department, Time Life Books Division, Time Inc. Dec. 1983: Representative Director of WITAN ACTEN LLC (currently WITAN ACTEN Co., Ltd.) (incumbent) June 2011: Vice President of the Japan Academic Society of Direct Marketing Apr. 2013: MBA course Professor, Graduate School of Management, Ritsumeikan University May 2014: Outside Audit & Supervisory Board Member of the Company June 2015: Outside Director of TOPPAN FORMS CO., LTD. (incumbent) Apr. 2016: MBA course Visiting Professor, Graduate School of Management, Ritsumeikan University May 2019: Outside Director of the Company (incumbent) (Important Concurrent Positions) * Representative Director of WITAN ACTEN Co., Ltd. * Outside Director of TOPPAN FORMS CO., LTD.
	[Reasons, etc. for Nomination as Candidate for Outside Director] She has business experience overseas and broad high level knowledge and experience regarding the retail industry, marketing, etc. cultivated through her experience working at a cosmetics company, etc., working as a consultant, and working as a graduate school professor. Because we 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, we would like to request her election as an Outside Director.	

(Notes)

1. 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 to deliberate on the nomination and compensation, etc. of Representative Directors, Directors, Audit & Supervisory Board Members, and executive officers (hereinafter, "officers") and to utilize the knowledge and advice of outside officers for ensuring objectivity and transparency in the procedures for deciding the nomination and compensation of officers, etc., thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions. One internal Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member act as observers at the "Nomination and Compensation Committee" since its deliberations include nomination of Audit & Supervisory Board Members, whose duty is to audit the performance of duties by the Directors, and since it is important to ensure correct procedures by the committee as an advisory committee to the Board of Directors.
2. "New appointment" indicates new candidates for Director, and "Reappointment" indicates reappointed candidates for Director.
3. "Outside Director" indicates candidates for Outside Director, and "Independent Director" indicates those candidates for Director who are independent officers as stipulated by the Tokyo Stock Exchange.
4. "Term of office" refers to the term of office as of the conclusion of this Annual Shareholders' Meeting.
5. There is no special relationship of interest between each of the above candidates and the Company.
6. Messrs. Yoshio Tsukio, Kunio Ito, Toshiro Yonemura, Tetsuro Higashi, and Ms. Kazuko Rudy satisfy the requirements for nomination for the office of Outside Director. In addition, Messrs. Yoshio Tsukio, Kunio Ito, Toshiro Yonemura, Tetsuro Higashi, and Ms. Kazuko Rudy are neither a spouse nor relative within the third degree of relationship, etc., of the business administrators or officer of the Company or the specified relation business associates of the Company.
7. Ms. Kazuko Rudy served as an Outside Audit & Supervisory Board Member of the Company for the five year period from May 2014 until May 2019.
8. In November 2015, improper accounting practices were exposed at Akebono Brake Industry Co., Ltd., where Mr. Kunio Ito served as an outside director, and an investigation was conducted by an investigation committee. As a result of the investigation, the effects on results were found to be minor, and no revisions were made to the

company's financial statements. Although Mr. Kunio Ito was not aware of the incident in question in advance, he made proposals regarding establishing internal controls and strengthening compliance functions on a regular basis at the company's meetings of the Board of Directors, and provided advice to prevent a reoccurrence after the matter in question was exposed; thus, he fulfilled his duties as an outside director.

9. The Company has concluded an agreement with each of the Outside Directors as per Article 427, Paragraph 1 of the Companies Act, limiting their liability for compensation for damage under Article 423, Paragraph 1 of the Companies Act. These agreements limit the amount of their liability for compensation for damage to the minimum legally stipulated amounts. If the reappointments of the candidates for Outside Director are approved, the Company intends to continue such liability limitation agreement with each of them.
10. Messrs. Yoshio Tsukio, Kunio Ito, Toshiro Yonemura, Tetsuro Higashi and Ms. Kazuko Rudy are Independent Directors in accordance with the rules of the Tokyo Stock Exchange, and satisfy the independence standards for outside officers established by the Company.
11. The brief personal history, etc. of each of the above candidates is as of April 21, 2020.

End

Attached Documents

Business Report (March 1, 2019 to February 29, 2020)

1. Items Regarding Current Status of Corporate Group

(1) Business progress and results

During the 15th fiscal year, the Japanese economy underwent a gentle recovery, but in terms of consumer spending, the outlook remained uncertain particularly given the prolonged impact on consumer sentiment of the consumption tax hike in October 2019.

Under such an environment where customers have become even more selective in their purchasing, the Group has been taking steps to achieve improvement of corporate value over the medium and long term and further growth under the basic policy, “Trust and Sincerity” and “Responding to Change while Strengthening Fundamentals.” Our efforts are based on a growth strategy to strengthen North American and global development via 7-Eleven, Inc., as well as digital, financial, procurement and logistics, and food strategies in the Tokyo Metropolitan area.

Additionally, Ito-Yokado Co., Ltd., Sogo & Seibu Co., Ltd. and Seven-Eleven Japan Co., Ltd. announced more far-reaching business structural reforms in October 2019, based on which the former two companies aim to stabilize profits by slimming down their organizations, while the latter looks to build a foundation for regrowth.

In terms of products, the Group studied various changes in the social environment and customer psychology to continue developing and selling high value-added products and products that match regional tastes while improving its customer service quality, so as to continue increasing customer satisfaction.

Consequently, our consolidated results in the 15th fiscal year were as follows.

Revenues from operations were ¥6,644.3 billion (down 2.2% YOY), operating income came to ¥424.2 billion (up 3.1% YOY), ordinary income was ¥417.8 billion (up 2.8% YOY), and net income attributable to owners of parent reached ¥218.1 billion (up 7.5% YOY).

Operating income, ordinary income and net income attributable to owners of parent were record high figures for each item in a consolidated fiscal year.

Group sales, which include the total store sales of Seven-Eleven Japan Co., Ltd., SEVEN-ELEVEN OKINAWA Co., Ltd. and 7-Eleven, Inc., were ¥11,997.6 billion (down 0.2% YOY). In addition, due to foreign exchange rate fluctuations during the 15th fiscal year, revenues from operations and operating income decreased by ¥42.9 billion and ¥1.4 billion, respectively.

Overview of business by segment

(i) Domestic convenience store operations

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 incentive discount 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 15th fiscal year were higher than those in the previous fiscal year, recording operating income of ¥253.9 billion (up 3.6% YOY), and total store sales, comprising both corporate and franchised store sales, were ¥5,010.2 billion (up 2.3% 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 Seven-Eleven stores, with a view to establishing a more efficient supply chain for the future.

(ii) Overseas convenience store operations

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 15th fiscal year were higher than those in the previous fiscal year, recording operating income of ¥121.6 billion (up 9.5% YOY). Total store sales, comprising both corporate and franchised store sales, were ¥3,936.2 billion (down 1.4% YOY) due to lower sales of gasoline, despite a growth in the merchandise sales.

(iii) Superstore operations

Sales at existing stores of superstore Ito-Yokado Co., Ltd. for the 15th fiscal year fell below those for the previous fiscal year, but operating income was ¥6.5 billion (up 38.5% 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 100 Day 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 15th fiscal year were lower than those in the previous fiscal year, but operating income was ¥13.1 billion (up 2.3% YOY) as a result of efforts to improve profitability mainly with better gross margins.

(iv) Department store operations

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 100 Day 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 store, 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 15th fiscal year were lower than those in the previous fiscal year, and operating income was ¥0.1 billion (down 94.7% YOY).

(v) Financial services operations

As of the end of the 15th fiscal year, 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 Seven Bank, Ltd. 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.

(vi) Specialty store operations

Operating income was lower than that of the previous fiscal year, although merchandise strategies to address customer needs continued to be implemented.

(vii) Eliminations and corporate

Expenses pertaining to the Group's CRM (Customer Relationship Management) strategies have been recorded. Operating loss increased to ¥16.2 billion by ¥1.7 billion in comparison to the previous consolidated fiscal year.

Revenues from operations and operating income by segment

Business segment	Revenues from operations (Millions of yen)	YOY change	Operating income (Millions of yen)	YOY change
Domestic convenience stores	971,236	+1.7%	256,601	+4.0%
Overseas convenience stores	2,739,833	-2.9%	102,001	+10.6%
Superstores	1,849,121	-2.8%	21,307	+0.6%
Department stores	577,633	-2.4%	797	-78.7%
Financial services	217,367	+1.1%	53,610	+1.4%
Specialty stores	339,660	-4.4%	4,690	-29.8%
Others	25,202	+6.2%	1,554	-41.5%
Eliminations and corporate	(75,695)	–	(16,296)	–
Total	6,644,359	-2.2%	424,266	+3.1%

(Notes)

- Group sales, which include the franchised store sales of Seven-Eleven Japan Co., Ltd., SEVEN-ELEVEN OKINAWA Co., Ltd. and 7-Eleven, Inc., were ¥11,997.6 billion.

2. Eliminations and corporate is a total of eliminated inter-segment transactions and corporate revenues from operations and operating income.

(2) Capital expenditures and fundraising

Total capital expenditures in the 15th fiscal year were ¥360.9 billion. The funds required for these expenditures were appropriated from loans from the financial institutions and from funds on hand.

Business segment	Capital expenditures (Millions of yen)
Domestic convenience stores	104,226
Overseas convenience stores	134,684
Superstores	47,310
Department stores	11,235
Financial services	36,099
Specialty stores	10,427
Others	2,798
Corporate (shared)	14,127
Total	360,909

(Notes)

- The amounts above include guaranty deposits and advances for store construction.
- The amount for corporate (shared) is the Company's capital expenditures.

(3) Trends in assets and profit/loss in the 15th fiscal year and the most recent three fiscal years

Trends in the corporate group's assets and profit/loss

Item	12th fiscal year (March 1, 2016 to February 28, 2017)	13th fiscal year (March 1, 2017 to February 28, 2018)	14th fiscal year (March 1, 2018 to February 28, 2019)	15th fiscal year (March 1, 2019 to February 29, 2020)
Revenues from operations	Millions of yen 5,835,689	Millions of yen 6,037,815	Millions of yen 6,791,215	Millions of yen 6,644,359
Net income attributable to owners of parent	Millions of yen 96,750	Millions of yen 181,150	Millions of yen 203,004	Millions of yen 218,185
Net income per share	Yen 109.42	Yen 204.80	Yen 229.50	Yen 246.95
Total assets	Millions of yen 5,508,888	Millions of yen 5,494,950	Millions of yen 5,795,065	Millions of yen 5,996,887
Net assets	Millions of yen 2,475,806	Millions of yen 2,575,342	Millions of yen 2,672,486	Millions of yen 2,757,222
Net assets per share	Yen 2,641.40	Yen 2,744.08	Yen 2,850.42	Yen 2,946.83

(Notes)

- Net income per share is calculated on the basis of the average number of shares issued during the fiscal year, excluding the number of treasury stock. Net assets per share is calculated on the basis of the total number of shares issued at the end of the fiscal year (the number of shares excluding the number of treasury stock).
- The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant guidance effective from the beginning of the 15th fiscal year. The results for the 14th fiscal year are those after retrospective application.

(4) Corporate reorganization measures, etc.

- (i) Acquisition of shares of Brown-Thompson General Partnership and 7-Eleven, L.L.C. by 7-Eleven, Inc.

7-Eleven, Inc. signed a share purchase agreement to acquire all of the issued shares of Brown-Thompson General Partnership and 7-Eleven, L.L.C. on January 3, 2020 for the purpose of expanding revenues and profits by increasing its merchandise capabilities and expanding its store network, and completed the acquisition in March 2020. As a result of this acquisition, Brown-Thompson General Partnership and 7-Eleven, L.L.C. became consolidated subsidiaries of the Company.

- (ii) Absorption-type company split of the Company and Ito-Yokado Co., Ltd.

In order to accelerate decision making for promoting the shift of Ito-Yokado Co., Ltd. to shopping centers by strengthening the partnership between Ito-Yokado Co., Ltd. and Seven & i Create Link Co., Ltd., the Company implemented an absorption-type company split whereby a portion of the rights and obligations held by the Company concerning the management business of Seven & i Create Link Co., Ltd. were transferred to Ito-Yokado Co., Ltd. with an effective date of March 1, 2020. Accordingly, Ito-Yokado Co., Ltd. now holds 51% of the shares of Seven & i Create Link Co., Ltd. where 100% were formerly held by the Company.

(5) Status of major subsidiaries (as of February 29, 2020)

(i) Status of major subsidiaries

Business segment	Company name	Paid-in capital	Capital contribution ratio (%)
Domestic convenience stores	Seven-Eleven Japan Co., Ltd.	¥17,200 million	100.0
Overseas convenience stores	7-Eleven, Inc.	US\$13 thousand	100.0
Superstores	Ito-Yokado Co., Ltd.	¥40,000 million	100.0
	York-Benimaru Co., Ltd.	¥9,927 million	100.0
Department stores	Sogo & Seibu Co., Ltd.	¥20,000 million	100.0
Financial services	Seven Bank, Ltd.	¥30,702 million	46.3
Specialty stores	Seven & i Food Systems Co., Ltd.	¥3,000 million	100.0
	Nissen Holdings Co., Ltd.	¥11,873 million	100.0

(Notes)

1. The capital contribution ratio in 7-Eleven, Inc., Seven Bank, Ltd., and Nissen Holdings Co., Ltd. is indirect holdings.
2. The status of specified wholly owned subsidiaries as of the last day of the 15th fiscal year is as follows.

Name of specified wholly owned subsidiaries	Address of specified wholly owned subsidiaries	Book value of shares of specified wholly owned subsidiaries held by the Company and its wholly owned subsidiaries	Total assets of the Company
Seven-Eleven Japan Co., Ltd.	8-8, Nibancho, Chiyoda-ku, Tokyo	¥680,212 million	¥1,789,952 million
Ito-Yokado Co., Ltd.	8-8, Nibancho, Chiyoda-ku, Tokyo	¥583,513 million	

(ii) Status of other major business combinations

None.

(iii) Consolidated subsidiaries and equity-method affiliates

The Company has 141 consolidated subsidiaries and 25 equity-method affiliates.

(6) Issues to be resolved

The Company has been working to achieve enhancement of corporate value over the medium to long term and sustainable growth under the basic policy, “Trust and Sincerity” and “Responding to Change while Strengthening Fundamentals.”

The Group announced its Medium-Term Management Plan in October 2016, targeting consolidated operating income of ¥450 billion and ROE of 10% for the fiscal year ending February 29, 2020, which is the plan’s final year, as management objectives for maximizing the Group’s corporate value; and it modified the plan by revising the target consolidated operating income to ¥420 billion in April 2019. In the fiscal year ending February 29, 2020, the plan’s final year, the Group achieved the revised plan with consolidated operating income amounting to ¥424.2 billion.

The Group’s operating environment is subject to significant changes at an accelerated pace. In Japan, customer lifestyles and values are becoming increasingly diverse with changes of the times as the social structure undergoes changes, such as the aging population, decreasing household sizes, and an increasing number of dual-income households. On the other hand, it is anticipated that the Company will encounter ongoing challenges with respect to the employment environment, particularly given the increasing minimum wage and the widening scope of people eligible for social insurance. Moreover, social challenges, such as climate change, marine pollution, food loss, and sustainable procurement, are becoming increasingly severe in both Japan and overseas. As such, we have entered an era that calls on each company, as a member of society, to take serious approaches to finding solutions more than ever before.

Giving consideration to the effect of the worldwide spread of the novel coronavirus infection (COVID-19) in addition to these environmental changes, the Company aims to further leverage Group synergies to take on the challenges listed below, for the purpose of achieving sustainable growth and expansion together with our customers, communities, business partners, and other stakeholders. Furthermore, the Company will carefully assess the impact on the Group’s businesses in Japan and overseas.

(i) Steady implementation of business structural reforms

In superstore operations and department store operations, the Group has been pushing forward with the transfer and closure of unprofitable stores. In superstore operations, stores undergoing business structural reforms have achieved certain results by reducing lifestyle sections and expanding food sections and space for tenants. Department store operations have also been proceeding with store structural reforms by introducing and delving deep into property management. The Group will continue to further speed up business structural reforms, including ensuring appropriate workforce configuration.

In domestic convenience store operations, as a result of environmental changes in the domestic labor market including rising labor cost, the Group has embarked on an improvement in traditional business models, following the basic policy, “Responding to Change while Strengthening Fundamentals.” In April 2019, an action plan toward sustainable growth for franchised stores, was announced. In line with the action plan, the Group is carrying out measures, such as enhancing the owner help system and other systems, continuously implementing labor-saving investments, and strengthening communication by sending out surveys for franchised stores.

(ii) Delving deep into measures to generate Group synergies

With regard to the food strategy for the Tokyo metropolitan area on which the Group has been continuously working from the Medium-Term Management Plan (announced in October 2016), York Mart Co., Ltd. will change its trade name to York Co., Ltd. effective June 1, 2020. Through that company, the Group will implement a reorganization that will result in the merger of 20 “Shokuhinkan (Grocery Store)” and “THE PRICE” stores, which Ito-Yokado Co., Ltd. operates in the Tokyo metropolitan area, with “COMFORT MARKET” stores, which are trial-operated by

Forecast Co., Ltd. By doing so, the Group will strive to maximize synergies by establishing a new supermarket store model tailored to the Tokyo metropolitan area, and by strengthening the integrated merchandising of manufacturing, distribution, and sales operations.

In the digital and finance strategies, the Group will promote efforts to delve deep into CRM, enhance services at online supermarkets, online convenience stores and other channels, increase productivity through introduction of AI-based order placement and others to further increase customer satisfaction and Life Time Value (LTV). Moreover, in line with the development of cashless society through technological innovation, the Group will provide attractive financial services by leveraging the strength of the network of stores which 24 million people visit per day on a group-wide basis.

(iii) Enhancement of information security system

The Group launched “7pay” barcode settlement service in July 2019. However, after exhaustive consideration of responses following the occurrence of unauthorized access to certain accounts, the Group concluded that it was difficult to continue the service based on the existing scheme, and discontinued the service as of September 30, 2019. In response to the unauthorized access to certain accounts, as recurrence prevention measures, the Group has been pursuing efforts to redevelop security policy and guidelines, etc., expand personnel with expertise in security, and provide internal training to instill awareness about security in the Group. Furthermore, the Company has set up the “Group IT Strategy Development Division (currently Group DX Strategy & Planning Division),” and the “Security Management Office,” which supervises the Group’s information management and operations related to information security as an organization with independence from business execution, in order to promote the strengthening of IT security in addition to strategy planning, development of common infrastructure and development system associated to the Group’s IT and digital fields. The Company will even further work to enhance information security based on the recognition that information security is essential as one of services offered to customers.

(iv) Balancing economic value and social value

The Group has been achieving growth while pursuing its aim of contributing to the development of a vibrant society by addressing various social challenges. On the other hand, we have been causing an environmental impact, such as through carbon dioxide, plastic waste, and food loss, in the course of business. The Company established its environmental goals “GREEN CHALLENGE 2050” in May 2019. Working in partnership with its customers, communities, business partners, and other stakeholders, the Company aims to achieve a sustainable society under four themes of the goals: reduction of CO₂ emissions, measures against plastic, measures against food loss and for food recycling, and sustainable procurement.

(v) Developing human resources and reforming working styles

The Company believes that one important challenge that needs to be continually addressed into the future is to develop environments that enable all employees, who underpin efforts to take on these various challenges, to be able to carry out work with job satisfaction. As necessary, we will adopt measures to increase productivity, particularly drawing on technological innovation, while also curbing long working hours and expanding systems that support diverse and flexible working styles, in consideration of revised legislation in that regard. In addition, we will enhance the performance evaluation system as well as training and education programs in order to promptly address structural changes in society, while also keeping employees more motivated at work.

Outlook for the coming fiscal year

With respect to the outlook for the fiscal year ending February 28, 2021, future trends in consumer spending are expected to remain uncertain, particularly given the prolonged impact of the consumption tax hike in October 2019, in addition to the novel coronavirus disease (COVID-19) that is spreading around the world. Furthermore, in overseas economies, uncertainties associated with U.S.-China trade friction and the impact of fluctuations in financial and capital markets must also be considered.

(i) Domestic convenience store operations

Seven-Eleven Japan Co., Ltd. considers changes in Japan's social structure, including the aging population, the increasing number of single-person households, and the increasing number of working women, as growth opportunities where the value of convenience stores will rise even further, and it will persist in its efforts to offer products that deliver new forms of value and to pursue continuous quality enhancement.

On the other hand, the employment environment surrounding Seven-Eleven Japan Co., Ltd. is likely to encounter ongoing challenges, particularly given higher minimum wages, and a widening scope of people eligible for social insurance. Under these circumstances, Seven-Eleven Japan Co., Ltd. will more swiftly develop new store layouts that better match customer needs while working to enhance the quality of customer service through improvement of store efficiency. In addition, focusing on initiatives for the reduction of disposal loss, Seven-Eleven Japan Co., Ltd. will actively take steps to reduce its environmental impact.

In March 2020, Seven-Eleven Japan Co., Ltd. reviewed its incentive discounts as a part of creating an environment in which franchised stores can feel secure and concentrate on management tasks. By delving into the communication between franchised stores and the head office, Seven-Eleven Japan Co., Ltd. will aim to achieve expansion and balance as well as further evolution of its stores into more "close-by, convenient stores."

(ii) Overseas convenience store operations

In North America, 7-Eleven, Inc. will work to respond to customer needs by continuously working on the development and sale of fast food products that utilize team merchandising methods, and "7-Select" private-brand products. Also, 7-Eleven, Inc. will focus on enhancement in convenience by upgrading its services for home delivery and settlement using mobile apps, actively drawing on digital technologies.

In addition, 7-Eleven, Inc. will work on improving profitability by refurbishing directly-operated stores, promoting a shift to franchises, and pushing ahead with the closure of unprofitable stores.

(iii) Superstore operations

Ito-Yokado Co., Ltd. will advance the "selection and concentration" initiative based on the Medium-Term Management Plan announced in October 2016 and business structural reforms announced in October 2019. Focusing on structural reforms at stores involving reducing directly-operated sales floor space, inviting desirable tenants to attract more customers, and enhancing its strengths in food item sales, while also implementing business partnerships with entities inside and outside the Group for unprofitable stores with a view to closure, a company split for the Shokuhinkan (food specialty store) and other business, as well as cost reductions including the optimization of personnel related to these initiatives, Ito-Yokado Co., Ltd. will work to improve its profitability.

York-Benimaru Co., Ltd. will rigorously differentiate its fresh foods and delicatessen items through an alliance with its subsidiary, Life Foods Co., Ltd., and will continue strengthening its lineup of products that meets regional needs. York-Benimaru Co., Ltd. will also place further

emphasis on efficiency with respect to opening new stores in addition to actively invigorating existing stores.

(iv) Department store operations

Sogo & Seibu Co., Ltd. will advance the “selection and concentration” initiative based on the Medium-Term Management Plan announced in October 2016 and business structural reforms announced in October 2019, and plans to close five stores during the fiscal year ending February 28, 2021. Furthermore, Sogo & Seibu Co., Ltd. will apply to other stores the store management know-how gained at the SEIBU Tokorozawa S.C., which was opened after remodeling with a low-cost operation model in November 2019, aiming to improve profitability through further cost reductions and to increase value as retail facilities.

(v) Financial services operations

In financial services operations, we will focus on electronic money and credit card operations in addition to continued upgrading of our ATM services.

(vi) Specialty store operations

In specialty store operations, AKACHAN HONPO CO., LTD., THE LOFT CO., LTD., and Seven & i Food Systems Co., Ltd. will mainly provide a specialty lineup of products to meet customer needs.

(7) Scope of principal businesses (as of February 29, 2020)

The Group is centered on the retail industry and comprises 167 companies (including the Company itself), with the Company as a pure holding company. The Group's principal business activities are domestic convenience store operations, overseas convenience store operations, superstore operations, department store operations, financial services operations, and specialty store operations.

Business segments, names of major Group companies, and numbers of companies are as follows. This segmentation is the same as that used in the segment information section.

Business segments	Names of major Group companies
Domestic convenience stores (15 companies)	Seven-Eleven Japan Co., Ltd. SEVEN-ELEVEN OKINAWA Co., Ltd. 7dream.com Seven Net Shopping Co., Ltd. Seven-Meal Service Co., Ltd. SEVEN-ELEVEN HAWAII, INC. SEVEN-ELEVEN (CHINA) Co., Ltd. SEVEN-ELEVEN (BEIJING) CO., LTD. SEVEN-ELEVEN (CHENGDU) Co., Ltd. SEVEN-ELEVEN (TIANJIN) CO., LTD. TOWER BAKERY CO., LTD.* SHAN DONG ZHONG DI CONVENIENCE CO., LTD.*
Overseas convenience stores (75 companies)	7-Eleven, Inc. SEJ Asset Management & Investment Company
Superstores (19 companies)	Ito-Yokado Co., Ltd. York-Benimaru Co., Ltd. Life Foods Co., Ltd. York Mart Co., Ltd. SHELL GARDEN CO., LTD. Marudai Co., Ltd. K.K. Sanei K.K. York Keibi IY Foods K.K. Seven Farm Co., Ltd. Ito-Yokado (China) Investment Co., Ltd. Hua Tang Yokado Commercial Co., Ltd. Chengdu Ito-Yokado Co., Ltd. Tenmaya Store Co., Ltd.* DAIICHI CO., LTD.*
Department stores (7 companies)	Sogo & Seibu Co., Ltd. IKEBUKURO SHOPPING PARK CO., LTD. GOTTSUO BIN CO., LTD. DISTRICT HEATING AND COOLING CHIBA CO., LTD.
Financial services (15 companies)	Seven Bank, Ltd. Seven Financial Service Co., Ltd. Seven Card Service Co., Ltd. Seven CS Card Service Co., Ltd. Bank Business Factory Co., Ltd. Seven Payment Service, Ltd. Seven Pay Co., Ltd. FCTI, Inc. TORANOTEC Ltd.*

Business segments	Names of major Group companies
Specialty stores (21 companies)	AKACHAN HONPO CO., LTD. Barneys Japan Co., Ltd. Oshman's Japan Co., Ltd. Seven & i Food Systems Co., Ltd. THE LOFT CO., LTD. Nissen Holdings Co., Ltd. Nissen Co., Ltd. SCORE Co., Ltd. MARRON STYLE Co., Ltd. Francfranc Corporation* Tower Records Japan Inc.* Nissen Credit Service Co., Ltd.*
Others (13 companies)	Seven & i Create Link Co., Ltd. SEVEN & i Asset Management Co., Ltd. Seven & i Net Media Co., Ltd. SEVEN & i Publishing Co., Ltd. Seven Culture Network Co., Ltd. Yatsugatake Kogen Lodge Co., Ltd. Terube Ltd. I ing Co., Ltd.* PIA Corporation*
Corporate (1 company)	SEVEN & i Financial Center Co., Ltd.

(Note)

* TOWER BAKERY CO., LTD., SHAN DONG ZHONG DI CONVENIENCE CO., LTD., Tenmaya Store Co., Ltd., DAIICHI CO., LTD., TORANOTEC Ltd., Francfranc Corporation, Tower Records Japan Inc., Nissen Credit Service Co., Ltd., I ing Co., Ltd., and PIA Corporation are affiliates.

(8) Principal business locations (as of February 29, 2020)

(i) The Company

- Head office: 8-8, Nibancho, Chiyoda-ku, Tokyo

(ii) Principal subsidiaries

(Domestic convenience stores)

Seven-Eleven Japan Co., Ltd.

- Head office: 8-8, Nibancho, Chiyoda-ku, Tokyo
- Corporate stores: 371 stores

(Overseas convenience stores)

7-Eleven, Inc.

- Head office: Texas, U.S.A.
- Corporate stores: 2,303 stores

(Note)

The number of corporate stores for 7-Eleven, Inc., is the number of stores as of the end of December 2019.

(Superstores)

Ito-Yokado Co., Ltd.

- Head office: 8-8, Nibancho, Chiyoda-ku, Tokyo
- Corporate stores: 157 stores

York-Benimaru Co., Ltd.

- Head office: 18-2, 2-chome, Asahi, Koriyama, Fukushima
- Corporate stores: 232 stores

(Department stores)

Sogo & Seibu Co., Ltd.

- Head office: 5-25, Nibancho, Chiyoda-ku, Tokyo
- Corporate stores: 15 stores

(Financial services)

Seven Bank, Ltd.

- Head office: 6-1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo

(Specialty stores)

Seven & i Food Systems Co., Ltd.

- Head office: 8-8, Nibancho, Chiyoda-ku, Tokyo
- Main office: 4-5, Nibancho, Chiyoda-ku, Tokyo
- Corporate stores: 673 stores

Nissen Holdings Co., Ltd.

- Head office: 26 Nishikujoimachi, Minami-ku, Kyoto

(9) Status of employees (as of February 29, 2020)

(i) Status of employees of the corporate group

Business segment	Number of employees	Change from the previous fiscal year-end
Domestic convenience stores	10,893 employees	192 employees (decrease)
Overseas convenience stores	19,578 employees	416 employees (decrease)
Superstores	15,430 employees	353 employees (decrease)
Department stores	2,732 employees	100 employees (decrease)
Financial services	1,693 employees	62 employees (increase)
Specialty stores	5,630 employees	8 employees (increase)
Others	726 employees	74 employees (increase)
Corporate (shared)	588 employees	22 employees (increase)
Total	57,270 employees	895 employees (decrease)

(Notes)

1. The number of employees is the number of workers (excluding people dispatched from the Group to outside the Group, but including people dispatched from outside the Group to the Group).
2. In addition to the number of employees listed above, the Company and its Group companies employ 81,538 part-time employees (monthly average based on a 163-hour working month).
3. The number of employees for corporate (shared) is the number of employees of the Company.
4. The increase in the number of employees in Others is due to promotion of operations in line with the food strategy for the Tokyo metropolitan area.

(ii) Status of employees of the Company

	Number of employees	Change from the previous fiscal year-end	Average age	Average number of years of continuous service
Males	440 employees	25 employees (increase)	45 years 8 months	19 years 8 months
Females	148 employees	3 employees (decrease)	41 years 8 months	18 years 1 month
Total or average	588 employees	22 employees (increase)	44 years 8 months	19 years 3 months

(Notes)

1. Most of the Company's employees have been transferred from Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd. or Denny's Japan Co., Ltd. (merged into Seven & i Food Systems Co., Ltd. on September 1, 2007). The average number of years of continuous service is the total of the number of years of continuous service at each company.
2. In addition to the number of employees listed above, the Company employs 18 part-time employees (monthly average based on a 163-hour working month).

(10) Status of major lenders (as of February 29, 2020)

Lender	Amount borrowed (Millions of yen)
Sumitomo Mitsui Banking Corporation	164,842
MUFG Bank, Ltd.	151,348
Mizuho Bank, Ltd.	78,280

(11) Other important items regarding the current state of the corporate group

None.

2. Items Regarding Shares (as of February 29, 2020)

(1) Number of shares authorized to be issued: 4,500,000,000 shares

(2) Number of shares issued: 886,441,983 shares

(Note)

The number of shares issued includes 1,825,519 shares of treasury stock.

(3) Number of shareholders: 82,071

(4) Major shareholders (Top 10)

Name of shareholders	Number of shares (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

(Note)

The calculation of the percentage of shares held does not include shares of treasury stock. The shares of treasury stock do not include 1,747 thousand shares held by the “Board Incentive Plan (BIP) Trust” (the “BIP Trust”) and the “ESOP Trust for Granting Stock” (the “ESOP Trust”).

(5) Other important matters relating to shares

With regard to compensation, etc., to further clarify the link with business performance and stock price, and to enhance motivation to contribute to the improvement of medium- and long-term corporate value and sharing interests with shareholders, the Company has introduced the “BIP Trust” for Directors (excluding Outside Directors) of the Company and the certain consolidated subsidiaries (hereinafter the “Subject Subsidiaries”) and the “ESOP Trust” for Executive Officers of the Company and the Subject Subsidiaries.

As of February 29, 2020, the number of the Company’s shares held by “BIP Trust” and “ESOP Trust” was 1,014 thousand shares and 733 thousand shares, respectively.

3. Items Regarding Share Subscription Rights

(1) Overview, etc. of the share subscription rights held by Directors or Audit & Supervisory Board Members of the Company as compensation for the performance of their duties (as of February 29, 2020)

Name of share subscription rights issue		15th share subscription rights issue	17th share subscription rights issue
Date of resolution for issue		July 7, 2015	July 7, 2016
Number of share subscription rights		281* ¹	165* ¹
Class and number of shares to be acquired upon exercise of the share subscription rights		28,100* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	16,500* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥533,000 per subscription right	¥361,300 per subscription right
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From February 29, 2016 to August 5, 2035	From February 28, 2017 to August 3, 2036
Exercise conditions		*2	*2
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 30 Class and number of corresponding shares: 3,000 common stock Number of Directors holding the share subscription rights: 1	Number of share subscription rights: 30 Class and number of corresponding shares: 3,000 common stock Number of Directors holding the share subscription rights: 1

Name of share subscription rights issue		19th share subscription rights issue	21st share subscription rights issue
Date of resolution for issue		July 6, 2017	July 5, 2018
Number of share subscription rights		161* ¹	182* ¹
Class and number of shares to be acquired upon exercise of the share subscription rights		16,100* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	18,200* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥369,800 per subscription right	¥380,600 per subscription right
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From February 28, 2018 to August 4, 2037	From February 28, 2019 to August 3, 2038
Exercise conditions		*2	*2
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 30 Class and number of corresponding shares: 3,000 common stock Number of Directors holding the share subscription rights: 1	Number of share subscription rights: 30 Class and number of corresponding shares: 3,000 common stock Number of Directors holding the share subscription rights: 1

(Notes)

*1. The total number of share subscription rights at the time of granting them to Directors of the Company is shown.

*2. Exercise conditions are as follows:

- (i) A share subscription right holder may exercise the share subscription rights only within ten (10) days from the day following the day he/she loses his/her position as a Director or executive officer of the Company, or as a Director or executive officer of a subsidiary of the Company.
- (ii) Regardless of the condition set forth in (i) above, in the event that a Shareholders' Meeting of the Company (if a resolution of the Shareholders' Meeting is not required, then in the event that the Company's Board of Directors) approves a resolution for approval of a merger agreement in which the Company is the dissolved company or a resolution for approval of a share exchange agreement or a share transfer plan resulting in the Company becoming a wholly owned subsidiary of another company, then the share subscription right holder may exercise the share subscription rights only within thirty (30) days from the day following the day on which the resolution was approved.
- (iii) If the share subscription right holder is a Director or executive officer of a subsidiary of the Company, then regardless of the condition set forth in (i) above, in the event that the company in question ceases to be a subsidiary of the Company (including but not limited to circumstances resulted from internal reorganization or the transfer of stock), then the share subscription right holder may exercise the share subscription rights only within thirty (30) days from the day following the day on which the company in question ceases to be a subsidiary of the Company.
- (iv) The share subscription right holder is to exercise at one time all of the share subscription rights allotted.
- (v) If a share subscription right holder passes away, his/her heir may exercise such rights. The conditions for exercising the share subscription rights by the heir shall be as set forth in the agreement referred to in (vi) below.
- (vi) Other conditions shall be as set forth in the "Share Subscription Rights Allotment Agreement" entered into between the Company and the share subscription right holders based on a resolution of the Board of Directors.

(2) Overview, etc. of the share subscription rights granted to employees, etc. during the 15th fiscal year as compensation for the performance of their duties

None.

4. Items Regarding the Company's Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members (as of February 29, 2020)

Position in the Company	Name	Area of responsibility in the Company and important concurrent positions
Representative Director and President	Ryuichi Isaka	Member of the Nomination and Compensation Committee of the Company Director of Seven-Eleven Japan Co., Ltd. Director of 7-Eleven, Inc.
Representative Director and Vice President	Katsuhiro Goto	Member of the Nomination and Compensation Committee of the Company Director of Seven Bank, Ltd.
Director	Junro Ito	General Manager of the Corporate Development Division of the Company Director of Ito-Yokado Co., Ltd. Outside Director of AIN HOLDINGS INC.
Director	Kimiyoshi Yamaguchi	General Manager of the Corporate Communication Division of the Company Director of Sogo & Seibu Co., Ltd.
Director	Shigeki Kimura	General Manager of the Corporate Personnel Planning Division of the Company Director of Seven-Eleven Japan Co., Ltd.
Director	Fumihiko Nagamatsu	Representative Director and President of Seven-Eleven Japan Co., Ltd. Director of 7-Eleven, Inc.
Director	Joseph M. DePinto	Director and President and Chief Executive Officer (CEO) of 7-Eleven, Inc. Chairman of the Board (Independent Director) of Brinker International, Inc.
Director	Yoshio Tsukio	President and Representative, Tsukio Research Institute
Director	Kunio Ito	Chair of the Nomination and Compensation Committee of the Company Adjunct Professor, Graduate School of Business Administration, Hitotsubashi 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.
Director	Toshiro Yonemura	Member of the Nomination and Compensation Committee of the Company Outside Director of UNIZO Holdings Company, Limited
Director	Tetsuro Higashi	Outside Director of Ube Industries, Ltd. External Director of Nomura Real Estate Holdings, Inc.
Director	Kazuko Rudy (Real name: Kazuko Kiriya)	Representative Director of WITAN ACTEN Co., Ltd. Outside Director of TOPPAN FORMS CO., LTD.

Position in the Company	Name	Area of responsibility in the Company and important concurrent positions
Standing Audit & Supervisory Board Member	Noriyuki Habano	Audit & Supervisory Board Member of Ito-Yokado Co., Ltd. Audit & Supervisory Board Member of York Mart Co., Ltd. Audit & Supervisory Board Member of Sogo & Seibu Co., Ltd.
Standing Audit & Supervisory Board Member	Yoshitake Taniguchi	Audit & Supervisory Board Member of Seven-Eleven Japan Co., Ltd.
Audit & Supervisory Board Member	Kazuhiro Hara	Certified Public Accountant Certified Tax Accountant
Audit & Supervisory Board Member	Mitsuko Inamasu	Attorney at Law
Audit & Supervisory Board Member	Kaori Matsuhashi (Real name: Kaori Hosoya)	Certified Public Accountant Representative Director of Luminous Consulting Co., Ltd. Outside Audit & Supervisory Board Member of Kakaku.com, Inc.

(Notes)

1. 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 to deliberate on the nomination and compensation, etc. of Representative Directors, Directors, Audit & Supervisory Board Members, and executive officers (hereinafter, “officers”) and to utilize the knowledge and advice of outside officers for ensuring objectivity and transparency in the procedures for deciding the nomination and compensation of officers, etc., thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions. One internal Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member act as observers at the “Nomination and Compensation Committee” since its deliberations include nomination of Audit & Supervisory Board Members, whose duty is to audit the performance of duties by the Directors, and since it is important to ensure correct procedures by the committee as an advisory committee to the Board of Directors.
2. Director Junro Ito resigned from his position as a Director of Ito-Yokado Co., Ltd. on February 29, 2020.
3. Director Kunio Ito retired from his position as an Outside Director of Akebono Brake Industry Co., Ltd. on June 27, 2019.
4. Director Tetsuro Higashi retired from his position as a Corporate Director of Tokyo Electron Limited on June 18, 2019.
5. Ms. Kazuko Rudy resigned from her position as an Outside Audit & Supervisory Board Member of the Company and assumed the position of Outside Director of the Company on May 23, 2019.
6. Directors Yoshio Tsukio, Kunio Ito, Toshiro Yonemura, Tetsuro Higashi, and Kazuko Rudy are Outside Directors.
7. Audit & Supervisory Board Members Kazuhiro Hara, Mitsuko Inamasu, and Kaori Matsuhashi are Outside Audit & Supervisory Board Members.
8. Standing Audit & Supervisory Board Member Yoshitake Taniguchi and Audit & Supervisory Board Members Kazuhiro Hara and Kaori Matsuhashi have the following 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 Matsuhashi is a certified public accountant.
9. All Outside Directors and Outside Audit & Supervisory Board Members are Independent Directors or Audit & Supervisory Board Members in accordance with the rules of the Tokyo Stock Exchange.
10. The Company has concluded an agreement with each of the Outside Directors and Outside Audit & Supervisory Board Members as per Article 427, Paragraph 1 of the Companies Act, limiting their liability for compensation for damage under Article 423, Paragraph 1 of the Companies Act. These agreements limit the amount of their liability for compensation for damage to the minimum legally stipulated amounts.

11. Executive officers of the Company as of February 29, 2020 were as follows:

Position	Name
Executive Officer and President	Ryuichi Isaka
Executive Officer and Vice President	Katsuhiko Goto
Managing Executive Officer	Junro Ito
Executive Officer	Kimiyoshi Yamaguchi
Executive Officer	Shigeki Kimura
Managing Executive Officer	Tomihiko Saegusa
Managing Executive Officer	Takuji Hayashi
Managing Executive Officer	Yukio Mafune
Managing Executive Officer	Seiichiro Ishibashi
Executive Officer	Yoshimichi Maruyama
Executive Officer	Hisataka Noguchi
Executive Officer	Osamu Yonetani
Executive Officer	Nobutomo Teshima
Executive Officer	Shinya Ishii
Executive Officer	Hidekazu Nakamura
Executive Officer	Ken Shimizu
Executive Officer	Minoru Matsumoto
Executive Officer	Mayumi Tsuryu
Executive Officer	Yuji Kaneko

(2) Compensation, etc. of Directors and Audit & Supervisory Board Members

(i) Policies and procedures in determining the compensation of Directors and Audit & Supervisory Board Members

Purpose of the establishment of policy on compensation of Directors and Audit & Supervisory Board Members

(1) Development of compensation of Directors and Audit & Supervisory Board Members based on the “Basic Views on Corporate Governance”

The Company considers corporate governance to be a system for sustainable growth by establishing and maintaining a sincere management structure and continuously increasing the Group’s corporate value over the medium and long term in order to ensure the trust of various stakeholders, based on the Corporate Creed of the Company. Based on this basic views on corporate governance, the Company considers a compensation system for Directors and Audit & Supervisory Board Members to be one of the important mechanisms to further increase the motivation and morale of Directors and Audit & Supervisory Board Members, and to appropriately take risks for the sake of the continued growth of medium- and long-term corporate value and the sustainable growth of the Group, and constructs and operates this system.

(2) History of compensation system of the Company and introduction of a new stock-based compensation system

The Company has already abolished the severance payment system for Directors and Audit & Supervisory Board Members, and granted bonuses and stock options for stock-linked compensation to Directors as performance-based compensation.

However, the Board of Directors and the Nomination and Compensation Committee have continuously reviewed the effective compensation system in line with the Company’s business status from the viewpoint of (1) above.

Through these examinations, for the purposes of further clarifying the link between the

compensation of Directors and Audit & Supervisory Board Members and business performance and stock price, enhancing the motivation to contribute to the improvement of medium- and long-term corporate value, and sharing interests with shareholders, the Company has decided to establish a new “Policy on Compensation of Directors and Audit & Supervisory Board Members,” including the transition from the existing stock options for stock-linked compensation to a new stock-based compensation system more closely linked to medium- and long-term business performance.

《Policy on Compensation of Directors and Audit & Supervisory Board Members》

1. Basic views on compensation for Directors and Audit & Supervisory Board Members

The Company considers the compensation system for Directors and Audit & Supervisory Board Members of the Company (in this Policy, “officers”) to be “an important mechanism to appropriately take risks for the sake of the continued growth of the medium- and long-term corporate value and sustainable growth of the Group, based on our basic views on corporate governance,” and builds and operates the system based on the points set forth below.

- ◇ Emphasis is placed on the link between the financial results and corporate value of the Group, and establishing a system that further increases the motivation and morale to contribute to improved financial results and increased corporate value continuously over the medium to long term.
- ◇ To secure highly capable human resources who will support enhanced corporate governance through appropriate oversight and auditing of operational execution, provide compensation levels and systems commensurate with responsibilities.
- ◇ Ensure the objectivity and transparency of the compensation decision process, and establish a compensation system trusted by all stakeholders.
- ◇ With regard to the design of a specific compensation system for officers, continue to consider tailoring it more appropriately in light of future trends in legal systems and society.

2. Compensation levels

The levels of compensation for officers will be determined, taking into consideration various fundamentals in the business content and the business environment of the Company, with reference to the compensation levels of officers in major companies of the same size as the Company based on market capitalization and operating income levels, etc.

3. Compensation composition

(1) Operating Directors

(a) Compensation composition ratios

The compensation composition ratios for operating Directors (*) are as follows:

Fixed compensation	Performance-based compensation	
	Bonuses	Stock-based compensation
60%	20%	20%

← Money compensation → ← Stock-based compensation →

* Calculated under the assumption that bonuses and stock-based compensation are based on a standard compensation amount.

(b) Composition

(i) Fixed Compensation

A fixed monetary compensation commensurate with the responsibilities of each position will be paid.

(ii) Performance-based compensation

Short-term incentive compensation will be a performance-based compensation that varies based on the Company's business performance and individual evaluations, etc., for the relevant fiscal year.

(iii) Stock-based compensation

- Medium- and long-term incentive compensation will be a performance-based and stock-based compensation that varies based on the Company's business performance and management indicators, etc. (the BIP Trust system will be the stock-based compensation system).
- Performance-based and stock-based compensation will enhance sharing profits and risks with our shareholders who have medium- and long-term perspectives by providing points during the term of office based on which shares will be delivered.
- It will vary between 0% and 200% depending on the achievement level of targets, etc.
- The Company has already transitioned from a stock options for stock-based compensation system to the new stock-based compensation system, in conjunction with the approval of the proposal for the introduction of the new stock-based compensation system, at the Annual Shareholders' Meeting held in May 2019. Therefore, going forward, the Company will not grant any new share subscription rights as stock options for stock-linked compensation.
- The KPIs for stock-based compensation are as follows. In order to incorporate medium- and long-term shareholder perspectives, consolidated ROE and consolidated EPS are used as indicators, and in order to evaluate achievement through strengthening the profit-making capability of the main business, consolidated operating income is also used together as a KPI.

Key Performance Indicators for stock-based compensation

KPIs	Ratio	Purpose of evaluation
(a) Consolidated operating income	40%	Evaluation of the degree of improvement of the capability for making profit

(b) Consolidated ROE	40%	Evaluation of the efficiency of profitability
(c) Consolidated EPS	20%	Evaluation of profitability and corporate value

- The Company, aiming for corporate value and social value at the same time, will consider adding a non-financial indicator, such as the amount of CO₂ emissions, to “KPIs for stock-based compensation.”
- When evaluating KPIs, the range of compensation of Representative Directors is set wider by using different payment coefficients from other Directors, so that the compensation of Representative Directors will be more affected by the link to performance.

(2) Outside Directors and Audit & Supervisory Board Members

(a) Compensation composition ratios

The compensation composition ratios for Outside Directors and Audit & Supervisory Board Members are as follows:

Fixed compensation	Performance-based compensation	
	Bonuses	Stock-based compensation
100%		

← Money compensation →

(b) Composition

Fixed Compensation

With an emphasis on further strengthening the independence of Outside Directors and Audit & Supervisory Board Members from management, the compensation of Outside Directors and Audit & Supervisory Board Members consists only of fixed compensation. Performance-based compensation (bonuses and stock-based compensation) will not be paid to Outside Directors and Audit & Supervisory Board Members.

4. Compensation Governance

(1) Nomination and Compensation Committee

The Company has established a nomination and compensation committee (in this Policy, the “Nomination and Compensation Committee”) to ensure objectivity and transparency in the procedures for deciding the compensation of officers, etc. (referring in this Policy to Directors, Audit & Supervisory Board Members, and executive officers). The committee’s chair and half of its members are Independent Outside Directors.

(2) Method of determining compensation

Through deliberations by the Nomination and Compensation Committee, the amount of compensation of Directors is determined, based on this Policy, in accordance with the evaluation of each Director’s function, degree of contribution, and the Group’s results, as well as the degree of achievement of KPIs.

The compensation of Audit & Supervisory Board Members is determined through

discussions by the Audit & Supervisory Board Members.

5. Compensation limit for Directors and Audit & Supervisory Board Members

The amount of compensation of officers is decided within the following compensation limits, determined at the Shareholders' Meeting.

The Company has already abolished the severance payment system for Directors and Audit & Supervisory Board Members, and no severance payments will be paid.

(1) Directors

- Monetary compensation

Not more than ¥1 billion per year (not including employee salaries paid to Directors who serve concurrently as employees)

(Resolved at the 1st Annual Shareholders' Meeting held on May 25, 2006)

- Stock-based compensation

3 fiscal years/not more than ¥600 million (not more than ¥200 million per fiscal year)

Limit on the points granted per fiscal year: 40,000 points (1 point = 1 share of common stock)

(Resolved at the 14th Annual Shareholders' Meeting held on May 23, 2019)

(2) Audit & Supervisory Board Members

- Monetary compensation

Not more than ¥200 million per year

(Resolved at the 14th Annual Shareholders' Meeting held on May 23, 2019)

(ii) Aggregate amount of compensation, etc. regarding the 15th fiscal year

Classification of Directors/Audit & Supervisory Board Members	Number of eligible Directors/Audit & Supervisory Board Members	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc., by type (Millions of yen)		
			Fixed compensation	Performance-based compensation	
				Bonus	Stock-based compensation (BIP Trust)
Directors (excluding Outside Directors)	9	294	179	50	64
Outside Directors	5	70	70	–	–
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	64	64	–	–
Outside Audit & Supervisory Board Members	4	38	38	–	–

(Notes)

1. The above includes 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.
2. 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.

3. 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).
4. 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)
5. 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.
6. Stock-based compensation (BIP Trust) was granted to five (5) Directors (excluding Outside Directors).

(iii) Aggregate amount of compensation, etc. of Outside Directors and Outside Audit & Supervisory Board Members from subsidiaries

None.

(3) Items related to Outside Directors and Outside Audit & Supervisory Board Members

(i) Standards for the independence of Outside Directors and Outside Audit & Supervisory Board Members, etc.

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 highly capable 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

(1) Fundamental approach

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

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

(2) Independence standards

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

2. De minimis thresholds for information disclosure regarding the attributes of Independent Directors and Independent Audit & Supervisory Board Members as negligible (in the most-recent business year of the Company)

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

(ii) Relationship between the Company and other companies at which Outside Directors and Outside Audit & Supervisory Board Members hold important concurrent positions

There are no special relationships between the Company and other companies at which Outside Directors and Outside Audit & Supervisory Board Members hold important concurrent positions.

(iii) Main activities during the 15th fiscal year

- Attendance and remarks at meetings of the Board of Directors and the Audit & Supervisory Board

(Outside Directors)

Name	Attendance at the meetings of the Board of Directors	Attendance rate at the meetings of the Board of Directors
Yoshio Tsukio	15/15	100.0%
Kunio Ito	15/15	100.0%
Toshiro Yonemura	12/15	80.0%
Tetsuro Higashi	14/15	93.3%
Kazuko Rudy	12/12	100.0%

Ms. Kazuko Rudy was newly elected to serve as Director at the 14th Annual Shareholders' Meeting held on May 23, 2019, subsequent to the conclusion of which meetings of the Board of Directors were held on 12 occasions.

These Outside Directors gave advice and made proposals to ensure the validity and appropriateness of the Board's decision making, primarily by expressing their opinions. Mr. Yoshio Tsukio expressed opinions mainly from the perspective of media policy, Mr. Kunio Ito from the perspective of accounting and management theory, Mr. Toshiro Yonemura from the perspective of crisis management, 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 Members)

Name	Attendance at the meetings of the Board of Directors	Attendance rate at the meetings of the Board of Directors	Attendance at the meetings of the Audit & Supervisory Board	Attendance rate at the meetings of the Audit & Supervisory Board
Kazuko Rudy	3/3	100.0%	7/7	100.0%
Kazuhiro Hara	15/15	100.0%	26/26	100.0%
Mitsuko Inamasu	15/15	100.0%	26/26	100.0%
Kaori Matsuhashi	12/12	100.0%	19/19	100.0%

Meetings of the Board of Directors and the Audit & Supervisory Board were held on three and seven occasions, respectively, before the conclusion of the 14th Annual Shareholders' Meeting held on May 23, 2019. Ms. Kazuko Rudy resigned from her position as Audit & Supervisory Board Member upon the conclusion of the Shareholders' Meeting.

Ms. Kaori Matsuhashi was newly elected to serve as Audit & Supervisory Board Member at the 14th Annual Shareholders' Meeting held on May 23, 2019, subsequent to the conclusion of which meetings of the Board of Directors and the Audit & Supervisory Board were held on 12 and 19 occasions, respectively.

These Outside Audit & Supervisory Board Members asked questions and expressed their opinions as they deemed appropriate. Ms. Kazuko Rudy expressed opinions mainly from a marketing theory perspective, Mr. Kazuhiro Hara from specialized finance, accounting and tax perspectives, Ms. Mitsuko Inamasu from a legal perspective, and Ms. Kaori Matsuhashi from specialized finance, accounting and management administration perspectives.

- Exchanges of opinions with Directors, etc.

In addition to meetings of the Board of Directors, Outside Directors and Outside Audit & Supervisory Board Members met with the Representative Directors, Directors, Standing Audit &

Supervisory Board Members, and others. These meetings including Management Opinion Exchange Meetings were held on a regular and as-needed basis. The themes were set for each of the meetings, centered on various management issues and matters of high social concern. Reports were 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 were given in response to questions from the Outside Directors and Outside Audit & Supervisory Board Members, who also expressed 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 coordinated with each other while exchanging frank and lively opinions.

The Outside Directors and Outside Audit & Supervisory Board Members also visited the places of business, etc. of major subsidiaries and exchanged opinions with the Directors and Audit & Supervisory Board Members, etc. of operating companies.

Through these activities, Outside Directors supervised operational execution, and Outside Audit & Supervisory Board Members performed audits of operational execution and accounting practices.

5. Items Related to the Accounting Auditor

(1) Name: KPMG AZSA LLC

(2) Amount of compensation, etc.

	Amount paid (Millions of yen)
Amount of compensation, etc. for services as accounting auditor for the 15th fiscal year	792
Total amount of monies and other financial benefits to be paid to the accounting auditor by the Company and its subsidiaries	879

(Notes)

1. 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.
2. 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.
3. Among the major subsidiaries of the Company, 7-Eleven, Inc. is audited by an audit corporation other than the Company's accounting auditor.

(3) Non-audit operations

The Company made payment of consideration to the Accounting Auditor for its work in supporting the application of the accounting standard related to revenue recognition of which service is not included in the scope of services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-auditing services).

(4) Policy for determining the dismissal or non-reappointment of the accounting auditor

In the event any of the reasons stipulated in the items of Article 340, Paragraph 1 of the Companies Act becomes applicable to the accounting auditor, the Company's Audit & Supervisory Board will consider the dismissal of that accounting auditor, and if dismissal is deemed appropriate, the accounting auditor will be dismissed based on the unanimous agreement of the Audit & Supervisory Board Members. In the event the Company's Audit & Supervisory Board determines that circumstances related to the accounting auditor's performance of its duties and the Company's audit system necessitate a change in the accounting auditor, the Company's Audit & Supervisory Board will make a decision to propose a resolution for the non-reappointment of the accounting auditor to a Shareholders' Meeting.

(5) Summary of the liability limitation agreement

None.

6. Systems for Ensuring Appropriate Operations

1. Corporate Philosophy

The Company formulated its Corporate Creed as below. The Corporate Creed is unchanging and comprehensively symbolizes the Group's corporate 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. Basic views on corporate governance

The Company considers corporate governance to be a system for sustainable growth by establishing and maintaining a sincere management structure and continuously increasing the Group's corporate value over the medium- and long-term in 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.

3. The resolution of the Board of Directors

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 whistleblowing 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 Decision Authority Regulations, 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 whistleblowing 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 whistleblowing 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 whistleblowing 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 whistleblowing 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.

4. Summary of operational status of systems for ensuring appropriate operations

(1) Status of the Company's corporate governance

The Company's Board of Directors comprises 12 members (including 5 Independent Outside Directors / 11 men and 1 woman) and meets once a month in principle. To facilitate prompt decision making and business execution even amid a dramatically changing operating environment, the Company has introduced the executive officer system and separated the Board of Directors' supervisory function from the executive officers' business execution function. This developed an environment where the Board of Directors is able to focus on the "formulation of management strategies" and the "oversight of business execution," while the executive officers can focus on "business execution." The executive officers comprise 19 members (18 men and 1 woman). The term of office of the Directors is set to one year in order to reflect the intentions of shareholders regarding the appointment of the management team in a timely manner.

Matters to be decided by the Board of Directors at the Company are stipulated in the Board of Directors Regulations, the Decision Authority Regulations, and so forth, and matters stipulated by the Companies Act and the Company's internal regulations are decided by the Board of Directors. The Decision Authority Regulations clearly set forth the scope of matters to be decided by the President and Representative Director. This clarifies the decision-making process for management and the structure of responsibility, while also expediting decision-making by rational delegation of authority.

The Company's Board of Directors held 15 meetings during the 15th fiscal year, and made decisions on such matters as important management objectives and budget allocations for the Company and its Group companies. Through such means as reports from the Company's Directors and people responsible for operating divisions, the Company addressed important management issues, including investigating and re-evaluating the efficiency and soundness of administrative execution.

The Audit & Supervisory Board is composed of 5 members (including 3 Independent Outside Audit & Supervisory Board Members / 3 men and 2 women), and monitors management based on the Audit & Supervisory Board Member system. In addition to attending Board of Directors' meetings and other important meetings, the Audit & Supervisory Board Members exchange opinions with the Representative Directors and periodically interview Directors regarding the status of business execution, and they investigate the status of business operations and assets of the Company and its operating companies based on the audit plan. In addition, they share information with operating companies' Directors and Audit & Supervisory Board Members and audit the Directors' performance of duties. Further, the Audit & Supervisory Board Members exchange information with the accounting auditor to maintain close ties with them with respect to accounting audits.

The Outside Directors and Outside Audit & Supervisory Board Members provide advice and suggestions to ensure the validity and appropriateness of decision-making and business execution by the Board of Directors. They also supervise and audit the execution of business by exchanging opinions regarding company management, corporate governance, and other matters at meetings with Directors and others.

(2) Initiatives at internal auditing divisions

In order to enhance and reinforce its internal auditing function, the Company has appointed, within the Auditing Office, the “operational auditing staff” and the “internal control evaluation staff,” which are independent internal auditing divisions. The “operational auditing staff” has an oversight function to verify and provide guidance on internal auditing, including the status of the maintenance and management of compliance systems, by core operating companies or to directly audit them, and an internal auditing function for auditing the Company, the holding company, and performs these operations. The “internal control evaluation staff” evaluates internal controls regarding the financial reporting of the whole Group.

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

In order to improve the overall quality of audits, the Company ensures that the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office, and the auditing firm proactively exchange information and endeavor to maintain close ties with each other, by such means as periodically holding tri-partite meetings. In the meeting, the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members) receive reports from the auditing firm on, among other matters, the performance of accounting audits, and reports from the Auditing Office on, among other matters, the performance of internal audits, respectively, and request explanations as necessary.

Furthermore, the Company periodically holds reporting sessions for accounting audits, which are attended by the Representative Directors and other officers, as well as the Standing Audit & Supervisory Board Members and the Auditing Office, etc. In the sessions, they receive reports from the auditing firm on the accounting audits, and confirm, among other matters, the results of the accounting audits.

Furthermore, the Standing Audit & Supervisory Board Members and the Auditing Office hold meetings, basically once a month. In the meetings, the Auditing Office reports on the results of operational audits and the progress of internal control evaluations, etc., and also actively exchanges opinions with the Standing Audit & Supervisory Board Members regarding, among other matters, priority matters that should be examined in order to improve the quality of audits. With these efforts, the two parties aim to ensure comprehensive sharing of audit information between each other.

In the Audit & Supervisory Board meetings and other meetings, the Standing Audit & Supervisory Board Members report to the Outside Audit & Supervisory Board Members on, inter alia, the status of the reporting session for accounting audits and the contents of the meeting with the Auditing Office, respectively described above, and thereby share and discuss issues to be addressed and the like. Furthermore, by providing the Auditing Office and the auditing firm with feedback on the matters thus discussed, the Standing Audit & Supervisory Board Members aim to ensure that (i) audits by the Audit & Supervisory Board Members, including the Outside Audit & Supervisory Board Members; (ii) internal audits; and (iii) accounting audits are linked with each other in a timely manner.

Further, the Auditing Office reports on the performance and the results of internal audits in the Audit & Supervisory Board meetings and other meetings from time to time, and provides explanations in response to questions and so on from the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members).

At each audit, the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office, and the auditing firm receive reports and materials, etc. from the internal control divisions, and request explanations as deemed necessary, and the internal control divisions cooperate in the appropriate performance of these audits.

(4) Efforts of each committee

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 “Corporate Ethics and Culture Subcommittee,” “Consumer Affairs and Fair Business Practices Subcommittee,” “Environment Subcommittee” and “Social Value Creation Subcommittee” as group-wide cross-organizational bodies under the CSR Management Committee tasked with the examination and execution of concrete measures to address the “five material issues” of the Group as a whole. With these subcommittees, the Company aims to realize more thorough practice of compliance, 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.

During the 15th fiscal year, the committee continued initiatives carried on from the previous fiscal year 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

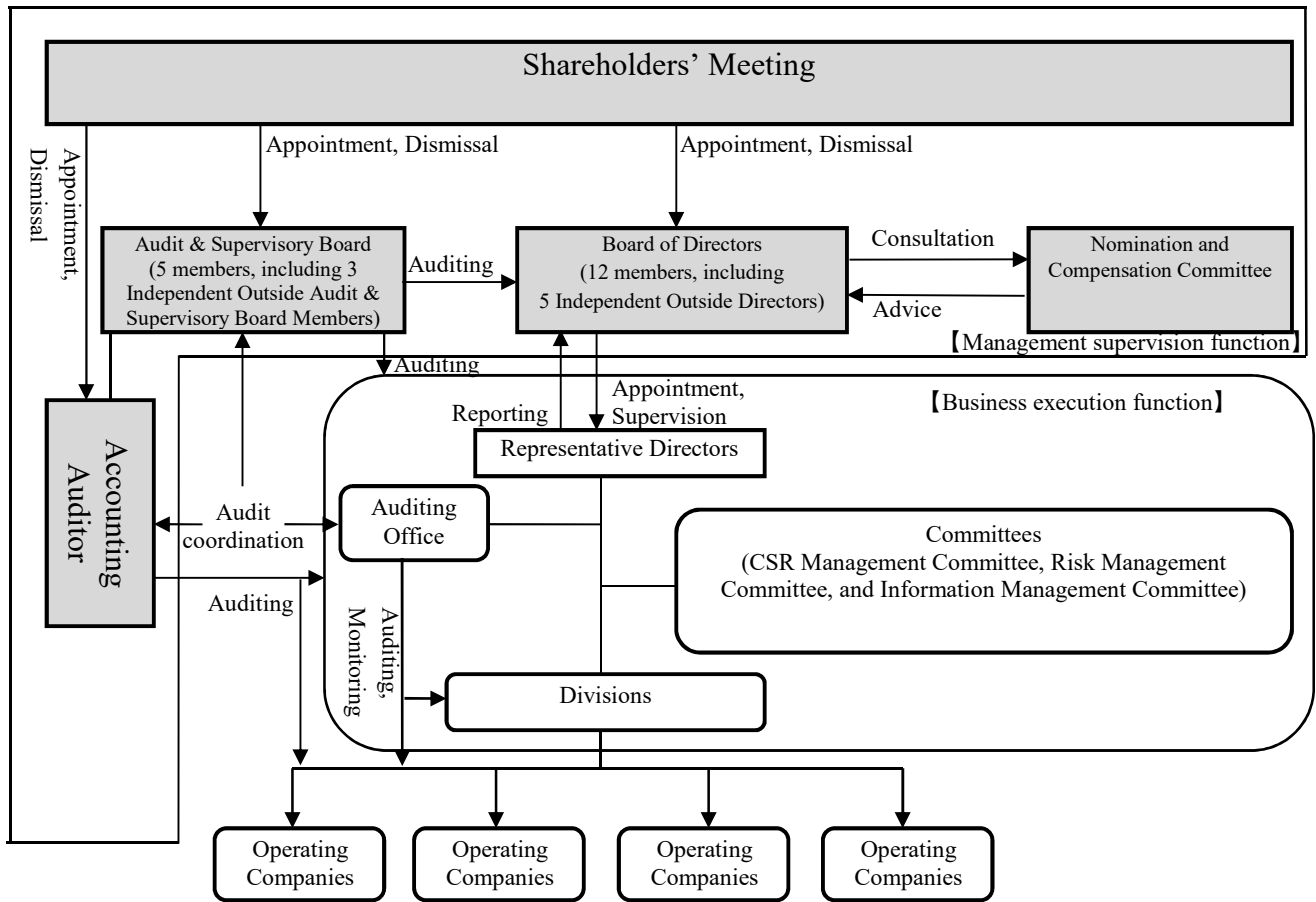
centrally managed this information and strengthens the system for reporting that information without omission or delay to management and relevant divisions.

In the area of information security, in response to an incident involving the unauthorized access in connection with 7 pay, 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.

Corporate Governance System

The Company's corporate governance system is as follows:



(Notes)

1. In this Business Report, the final numbers that are described have been rounded down, and amounts less than the stated numbers have been omitted. Except that, unless otherwise noted, percentages have been rounded to one decimal place, and net income per share and net assets per share have been rounded to the nearest number as stated.
2. Consumption tax, etc., is accounted for using the tax-excluded method.

CONSOLIDATED BALANCE SHEET (as of February 29, 2020)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	2,471,921	Current liabilities	2,157,172
Cash and bank deposits	1,357,733	Notes and accounts payable, trade	410,793
Notes and accounts receivable-trade	351,915	Short-term loans	129,456
Trade accounts receivable-financial services	102,723	Current portion of bonds	80,000
Merchandise and finished goods	175,509	Current portion of long-term loans	88,437
Work in process	44	Income taxes payable	37,854
Raw materials and supplies	2,541	Accrued expenses	131,328
Prepaid expenses	58,688	Deposits received	228,415
ATM-related temporary payments	153,057	ATM-related temporary advances	74,227
Other	276,575	Allowance for sales promotion expenses	18,996
Allowance for doubtful accounts	(6,868)	Allowance for bonuses to employees	14,275
Non-current assets	3,522,541	Allowance for bonuses to Directors and Audit & Supervisory Board Members	384
Property and equipment	2,183,375	Allowance for loss on future collection of gift certificates	1,142
Buildings and structures	992,368	Provision for sales returns	80
Furniture, fixtures and equipment	323,436	Deposits received in banking business	655,036
Vehicles	14,785	Other	286,743
Land	746,914	Non-current liabilities	1,082,492
Lease assets	7,252	Bonds	281,915
Construction in progress	98,618	Long-term loans	403,151
Intangible assets	608,883	Deferred income taxes	63,949
Goodwill	359,618	Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	859
Software	102,015	Allowance for stock payments	3,432
Other	147,249	Net defined benefit liability	8,619
Investments and other assets	730,282	Deposits received from tenants and franchised stores	52,646
Investments in securities	184,670	Asset retirement obligations	95,721
Long-term loans receivable	13,836	Other	172,196
Long-term leasehold deposits	360,725	TOTAL LIABILITIES	3,239,665
Advances for store construction	458	NET ASSETS	
Net defined benefit asset	55,986	Shareholders' equity	2,554,869
Deferred income taxes	57,071	Common stock	50,000
Other	60,270	Capital surplus	409,262
Allowance for doubtful accounts	(2,737)	Retained earnings	2,106,920
Deferred assets	2,424	Treasury stock, at cost	(11,313)
Business commencement expenses	2,424	Total accumulated other comprehensive income	46,725
		Unrealized gains on available-for-sale securities, net of taxes	25,953
		Unrealized losses on hedging derivatives, net of taxes	(277)
		Foreign currency translation adjustments	17,515
		Remeasurements of defined benefit plan	3,533
		Subscription rights to shares	331
		Non-controlling interests	155,295
		TOTAL NET ASSETS	2,757,222
TOTAL ASSETS	5,996,887	TOTAL LIABILITIES AND NET ASSETS	5,996,887

CONSOLIDATED STATEMENT OF INCOME (March 1, 2019 to February 29, 2020)

(Millions of yen)

Item	Amount	
Revenues from operations		6,644,359
Net sales		5,329,919
Cost of sales		4,239,583
Gross profit on sales		1,090,336
Operating revenues		1,314,439
Gross profit from operations		2,404,776
Selling, general and administrative expenses		1,980,510
Operating income		424,266
Non-operating income		
Interest and dividend income	4,830	
Equity in earnings of affiliates	937	
Other	3,293	9,061
Non-operating expenses		
Interest expenses	8,961	
Interest on bonds	1,630	
Other	4,862	15,454
Ordinary income		417,872
Special gains		
Gain on sales of property and equipment	5,701	
Gain on sales of property and equipment related to restructuring	905	
Insurance income	944	
Other	1,002	8,554
Special losses		
Loss on disposals of property and equipment	15,556	
Impairment loss	27,981	
Loss on digital and settlement services	13,463	
Restructuring expenses	7,740	
Other	15,215	79,957
Income before income taxes		346,469
Income taxes - current	77,542	
Income taxes - deferred	33,721	111,263
Net income		235,206
Net income attributable to non-controlling interests		17,020
Net income attributable to owners of parent		218,185

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (March 1, 2019 to February 29, 2020)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 1, 2019	50,000	409,859	2,015,630	(4,680)	2,470,808
Cumulative effects of changes in accounting policies			(42,857)		(42,857)
Balance at March 1, 2019 (as restated)	50,000	409,859	1,972,772	(4,680)	2,427,950
Increase (decrease) for the year					
Cash dividends			(84,037)		(84,037)
Net income attributable to owners of parent			218,185		218,185
Purchase of treasury stock				(6,718)	(6,718)
Disposal of treasury stock		30		85	115
Other		(626)		(0)	(627)
Net changes of items other than shareholders' equity					
Net increase (decrease) for the year	–	(596)	134,148	(6,632)	126,918
Balance at February 29, 2020	50,000	409,262	2,106,920	(11,313)	2,554,869

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	TOTAL NET ASSETS
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plan	Total accumulated other comprehensive income			
Balance at March 1, 2019	26,150	(69)	23,768	737	50,587	2,805	148,285	2,672,486
Cumulative effects of changes in accounting policies								(42,857)
Balance at March 1, 2019 (as restated)	26,150	(69)	23,768	737	50,587	2,805	148,285	2,629,628
Increase (decrease) for the year								
Cash dividends								(84,037)
Net income attributable to owners of parent								218,185
Purchase of treasury stock								(6,718)
Disposal of treasury stock								115
Other								(627)
Net changes of items other than shareholders' equity	(197)	(207)	(6,252)	2,796	(3,861)	(2,473)	7,010	674
Net increase (decrease) for the year	(197)	(207)	(6,252)	2,796	(3,861)	(2,473)	7,010	127,593
Balance at February 29, 2020	25,953	(277)	17,515	3,533	46,725	331	155,295	2,757,222

Notes to Consolidated Financial Statements

Notes relating to Significant Accounting Policies for the Preparation of Consolidated Financial Statements

1. Items relating to scope of consolidation

Status of consolidated subsidiaries

(1) Number of consolidated subsidiaries: 141

(2) Names of major consolidated subsidiaries:

Seven-Eleven Japan Co., Ltd.

7-Eleven, Inc.

Ito-Yokado Co., Ltd.

York-Benimaru Co., Ltd.

Sogo & Seibu Co., Ltd.

Seven Bank, Ltd.

Seven Financial Service Co., Ltd.

During the 15th fiscal year, consolidated subsidiaries increased by six (6) following establishment.

2. Items relating to application of the equity method

(1) Number of non-consolidated subsidiaries to which the equity method was applied: None

(2) Number of affiliates to which the equity method was applied: 25

Names of major affiliates:

PRIME DELICA CO., LTD.

PIA Corporation

Affiliates to which equity method is applied increased by two (2) during the 15th fiscal year, following the acquisition of shares.

Also, affiliates to which equity method is applied decreased by one (1) during the 15th fiscal year, following the dissolution due to merger.

(3) Items regarding procedure for applying the equity method

- (i) The affiliates which have different closing dates are included in the Consolidated Financial Statements based on their respective fiscal year-end.
- (ii) When an affiliate is in a net loss position, the Company's share of such loss is reduced from its loan receivable from the affiliate.

3. Items relating to accounting period of consolidated subsidiaries

The fiscal year-end of some consolidated subsidiaries is December 31. The financial statements of such subsidiaries as of such dates and for such period are used in preparing the Consolidated Financial Statements. All material transactions during the period from the closing date to February 28 or 29 are adjusted for in the consolidation process.

The closing date of Seven Bank, Ltd. etc. is March 31. Pro forma financial statements as of February 28 or 29 prepared in a manner that is substantially identical to the preparation of the official financial statements were prepared in order to facilitate its consolidation.

4. Items relating to accounting policies

(1) Valuation basis and method for major assets

(i) Valuation basis and method for securities

Held-to-maturity debt securities are carried at amortized cost (straight-line method).

Other available-for-sale securities are classified into two (2) categories, where: (a) the fair value is available; and (b) the fair value is not available.

(a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

(b) Securities whose fair value is not available are valued mainly at cost, determined using the moving-average method.

(ii) Valuation basis and method for derivatives

Derivative financial instruments are valued at fair value.

(iii) Valuation basis and method for inventories

Merchandise:

Inventories of domestic consolidated subsidiaries are stated mainly at cost determined by the retail method with book value written down to the net realizable value. Cost is determined principally by the first-in, first-out (FIFO) method (except for gasoline inventory that is determined by the weighted average cost method) for foreign consolidated subsidiaries. Some domestic consolidated subsidiaries applied the FIFO method.

Supplies:

Supplies are carried at cost which is mainly determined by the last purchase price method with book value written down to the net realizable value.

(2) Depreciation and amortization of significant assets

(i) Property and equipment (excluding lease assets)

Depreciation of property and equipment is computed using the straight-line method.

(ii) Intangible assets (excluding lease assets)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over an estimated useful life of five (5) years in most cases.

(iii) Lease assets

For the assets leased under finance lease contracts that do not transfer ownership of leased property to the lessee, a useful life is determined based on the duration of the lease period and straight-line depreciation is applied with an assumed residual value of zero.

Finance leases, commenced prior to March 1, 2009, which do not transfer ownership of leased property to the lessee, are accounted for in the same manner as operating leases.

(3) Methods of accounting for significant allowance

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historical rate of losses with respect to general receivables.

(ii) Allowance for sales promotion expenses

Allowance for sales promotion expenses is provided for the use of points given to customers at the amount expected to be used at the end of the 15th fiscal year in accordance with the sales promotion point card program.

(iii) Allowance for bonuses to employees

Allowance for bonuses to employees is provided at the amount calculated on the estimation of payment.

(iv) Allowance for bonuses to Directors and Audit & Supervisory Board Members

Allowance for bonuses to Directors and Audit & Supervisory Board Members is provided at the amount estimated to be paid.

(v) Allowance for loss on future collection of gift certificates

Allowance for loss on future collection of gift certificates issued by certain consolidated subsidiaries is provided for collection of gift certificates recognized as income after remaining uncollected for certain periods from their issuance. The amount is calculated using the historical results of collection.

(vi) Provision for sales returns

Provision for sales returns is provided at the amount estimated future loss due to sales returns at the end of the 15th fiscal year. The amount is calculated using the historical results of sales returns.

(vii) Allowance for retirement benefits to Directors and Audit & Supervisory Board Members

Allowance for retirement benefits to Directors and Audit & Supervisory Board Members is provided at the amount required to be paid at the end of the fiscal year calculated in accordance with internal rules.

The Company and some of its consolidated subsidiaries have abolished the retirement benefits system for Directors and Audit & Supervisory Board Members, among which some consolidated subsidiaries have determined to pay the balance at the time of retirement.

(viii) Allowance for stock payments

Allowance for stock payments is provided to prepare for payments of stock benefits to directors and executive officers of the Company and some of its consolidated subsidiaries. The amount is based on the expected stock benefit payable at the end of the 15th fiscal year.

(4) Accounting method for retirement benefits

(i) Allocation method of estimated total retirement benefits:

In calculating retirement benefit obligation, the method for allocating the estimated total retirement benefits for the period up to the end of the 15th fiscal year is conducted on a benefit formula basis.

(ii) Amortization method of the actuarial difference and the prior service cost:

Actuarial differences are amortized on a straight-line basis over the period of ten (10) years from the consolidated fiscal year following the consolidated fiscal year in which they arise, which is within the average remaining years of service of the eligible employees.

Prior service costs are amortized on a straight-line basis over the periods of five (5) years or ten (10) years, which are within the average remaining years of service of the eligible employees.

(5) Significant hedge accounting methods

(i) Hedge accounting

In principle, hedging activities are accounted for by the deferred hedge method.

However, forward foreign exchange contracts are accounted for by the short-cut method (*furiate shori*), i.e., translated at the foreign exchange rate stipulated in the contracts, when they meet certain criteria for the method.

(ii) Hedge instruments and hedged items

Hedge instruments – Forward foreign exchange contracts

Hedged items – Foreign currency-denominated monetary asset and liability

(iii) Hedging policies

The Company and its subsidiaries have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in foreign currency exchange rates and interest rates, reducing financing costs, and optimizing future cash flow. The Company and its subsidiaries do not hold or issue derivative instruments for short-term trading or speculative purposes.

(iv) Assessing hedge effectiveness

By comparing fluctuations in quotations of the hedge instruments and those of the hedged items, the hedge effectiveness is assessed quarterly based on their fluctuation amounts.

(6) Other significant matters that serve as the basis for preparation of the Consolidated Financial Statements

(i) Accounting for deferred assets

Business commencement expenses are amortized using the straight-line method over five (5) years, or expensed as incurred if immaterial.

(ii) Goodwill and negative goodwill

Goodwill and negative goodwill which are generated before March 1, 2011 are amortized mainly over a period of twenty (20) years on a straight-line basis, or recognized as income or expenses immediately if immaterial.

Negative goodwill arising on or after March 1, 2011 is recognized as income when it occurs.

The goodwill recognized in applying the equity method is accounted for in the same manner.

(iii) Foreign currency translation for major assets and liabilities denominated in foreign currency

All assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the relevant spot exchange rate in effect at the respective consolidated balance sheet dates. Translation gains or losses are included in the accompanying Consolidated Statement of Income.

All balance sheets accounts of foreign subsidiaries are translated into Japanese yen at the relevant spot exchange rate in effect at the respective consolidated balance sheet dates except for shareholders' equity, which is translated at the historical rates. All income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are included in the accompanying Consolidated Balance Sheets under "Foreign currency translation adjustments" and "Non-controlling interests."

(iv) Accounting for franchised stores in domestic and overseas convenience store operations

Seven-Eleven Japan Co., Ltd. and its U.S. consolidated subsidiary, 7-Eleven, Inc., recognize franchise commission from their franchised stores as revenues and include it in "Operating revenues."

(v) Accounting for consumption taxes and excise tax

Regarding the Company and its domestic consolidated subsidiaries, the Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying Consolidated Statement of Income. The excise tax levied in the U.S. and Canada is included in the revenues from operations.

(vi) Application of consolidated taxation system

The Company and some of its domestic consolidated subsidiaries have applied a consolidated taxation system.

Notes concerning changes in accounting policies

(Application of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09 "Revenue from Contracts with Customers (Topic 606)")

Subsidiaries in North America that adopt US GAAP have applied ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" from the 15th fiscal year.

Due to this application, the Company has revised the standard for revenue recognition, and

recognizes revenue for all contracts at the expected amount of consideration for the promised goods and services at the time of transfer to the customer.

In applying the accounting standard, retained earnings have been adjusted for the cumulative effects of the application at the beginning of the 15th fiscal year. As a result, the balance of retained earnings at March 1, 2019 decreased ¥43,794 million.

The effect of this adjustment on the profits and losses for the 15th fiscal year is immaterial.

Notes concerning changes in method of presentation

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc.)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the 15th fiscal year. Accordingly, deferred tax assets have been reclassified under investments and other assets and deferred tax liabilities have been reclassified under non-current liabilities.

Supplementary information

(Performance-Based Stock Compensation Plan for Directors)

The Company and some of its consolidated subsidiaries (hereinafter the “Companies”) have introduced a performance-based stock compensation plan (hereinafter the “Plan”) for the directors of the Companies (excluding nonexecutive Directors and Directors residing overseas, the same applies hereinafter) using the BIP Trust, mainly aiming to raise willingness to contribute to the improvement of medium-and long-term corporate value and to share interests with shareholders.

The accounting treatment for the said trust agreement is in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF (Practical Issue Task Force) No. 30, March 26, 2015).

(1) Outline of the transaction

The plan is a performance-based stock compensation plan whereby the Companies contribute an appropriate amount of money to the BIP Trust, which is used as funds to acquire the Company’s shares. The Company’s shares are delivered to directors in accordance with Share Delivery Rules for directors stipulated by the Companies. Directors shall receive delivery of the Company’s shares, etc., in principle, upon their retirement.

(2) The Company’s shares remaining in the BIP Trust

The Company’s shares remaining in the BIP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of February 29, 2020, the carrying amount and the number of the Company’s shares remaining in the BIP Trust are ¥3,874 million and 1,014 thousand shares, respectively.

(Performance-Based Stock Compensation Plan for Executive Officers)

The Company and some of its consolidated subsidiaries (hereinafter the “Companies”) have introduced a performance-based stock compensation plan (hereinafter the “Plan”) for the executive officers of the Companies (excluding those residing overseas, the same applies hereinafter) using the ESOP Trust, mainly aiming to raise willingness to contribute to the improvement of medium-and long-term corporate value and to share interests with shareholders.

The Companies adopted “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30, March 26, 2015) to account for the said trust agreement.

(1) Outline of the transaction

The plan is a performance-based stock compensation plan whereby the Companies contribute an appropriate amount of money to the ESOP Trust, which is used as funds to acquire the Company's shares. The Company's shares are delivered to executive officers in accordance with Share Delivery Rules for executive officers stipulated by the Companies. Executive officers shall receive delivery of the Company's shares, etc., in principle, upon their retirement.

(2) The Company's shares remaining in the ESOP Trust

The Company's shares remaining in the ESOP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of February 29, 2020, the carrying amount and the number of the Company's shares remaining in the Trust are ¥2,813 million and 733 thousand shares, respectively.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and debts for which those assets are pledged as collateral

(1) Assets pledged as collateral

Buildings and structures:	¥523 million
Land:	¥1,258 million
Investments in securities:	¥62,099 million
Long-term leasehold deposits:	¥4,499 million
<u>Total</u>	<u>¥68,380 million</u>

(2) Debts for which above assets are pledged as collateral

Long-term loans:

(including current portion of long-term loans):

¥9,947 million

In addition, buildings and structures (¥306 million) and land (¥1,331 million) are pledged as collateral for the loans (¥2,651 million) of affiliates.

Investments in securities (¥1,543 million) and long-term leasehold deposits (¥800 million) are pledged as collateral for exchange settlement transactions. Long-term leasehold deposits (¥55 million) are deposited with an official depository under the Building Lots and Buildings Transaction Business Law. Long-term leasehold deposits (¥1,334 million) are deposited with an official depository under the Installment Sales Law.

In addition, in accordance with the Act on Financial Settlements, long-term leasehold deposits (¥382 million) have been pledged as collateral.

2. Accumulated depreciation of property and equipment: ¥1,968,140 million

3. Contingent liabilities

Guarantees of borrowings from financial institutions by employees are ¥69 million.

4. Loan commitment

Certain finance-related subsidiaries conduct a cash loan business. Unused credit balance related to loan commitment in the cash loan business is as follows.

Credit availability of loan commitment:	¥855,436 million
Outstanding balance:	¥45,407 million
<u>Unused credit balance</u>	<u>¥810,029 million</u>

Unused credit balance will not have a material impact on future cash flows because most of the unused credit balance will remain unused considering the historical records. Those subsidiaries will cease finance services or reduce the credit limit based on the credit situation of customers or other reasonable reasons.

5. Other

Government bonds and others held by Seven Bank, Ltd.

Seven Bank, Ltd., a consolidated subsidiary of the Company, holds government bonds and others to serve as collateral for exchange settlement transactions and overdraft transactions with the Bank of Japan. These government bonds and others (including whose redemption at maturity is less than one (1) year) are recorded in “Investments in securities” in the Consolidated Balance Sheet due to the substantive nature of the restrictions.

Notes to Consolidated Statement of Changes in Net Assets

1. Items relating to total number of outstanding shares

(Thousands of shares)

Type	As of March 1, 2019	Number of shares increased	Number of shares decreased	As of February 29, 2020
Common stock	886,441	–	–	886,441

2. Items relating to total number of shares of treasury stock

(Thousands of shares)

Type	As of March 1, 2019	Number of shares increased	Number of shares decreased	As of February 29, 2020
Common stock	1,873	1,755	32	3,596

(Notes)

- The 1,755 thousand increase in the number of common stock in treasury stock was due to an increase of 1,751 thousand shares resulting from the acquisitions of the shares of the Company by the BIP Trust and the ESOP Trust and an increase of 3 thousand shares resulting from the purchase of odd-lot shares.
- The 32 thousand decrease in the number of common stock in treasury stock was due to a decrease of 28 thousand shares resulting from the exercise of stock options, a decrease of 3 thousand shares resulting from the delivery of the shares of the Company held by the BIP Trust and the ESOP Trust, and a decrease of 0 thousand shares resulting from the sale of odd-lot shares.
- The number of shares of treasury stock as of February 29, 2020 includes 1,747 thousand shares of the Company held by the BIP Trust and the ESOP Trust.

3. Items relating to cash dividends

(1) Dividend payments, etc.

Resolution	Type	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
May 23, 2019; Annual Shareholders' Meeting	Common stock	42,018	47.50	February 28, 2019	May 24, 2019
October 10, 2019; Board of Directors' meeting	Common stock	42,019	47.50	August 31, 2019	November 15, 2019
Total		84,037			

(Note)

The total amount of cash dividends determined by the resolution of the Board of Directors' meeting held on October 10, 2019 includes ¥83 million of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

(2) Dividends whose record date is within the 15th fiscal year but to be effective during the 16th fiscal year

At the Annual Shareholders' Meeting to be held on May 28, 2020, the following proposal for resolution will be presented for matters concerning common stock dividends.

- Total amount of cash dividends: ¥45,115 million
- Dividend per share: ¥51.00
- Record date: February 29, 2020

(iv) Effective date: May 29, 2020

(Note)

The total amount of cash dividends includes ¥89 million of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust. Plans call for the dividends to be paid from retained earnings.

(3) Significant variance in the amount of shareholders' equity

Subsidiaries in North America that adopt US GAAP have applied ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" from the 15th fiscal year. The effect associated with this adjustment is described in "Notes to Consolidated Financial Statements, Notes concerning changes in accounting policies."

4. Items relating to share subscription rights at the end of the 15th fiscal year

Category	Breakdown of share subscription rights	Class of shares to be acquired upon exercise of the share subscription rights	Number of shares to be acquired upon exercise of the share subscription rights
The Company	15th share subscription rights issue	Common stock	3,000 shares
	17th share subscription rights issue	Common stock	3,000 shares
	19th share subscription rights issue	Common stock	3,000 shares
	20th share subscription rights issue	Common stock	1,000 shares
	21st share subscription rights issue	Common stock	3,000 shares
	22nd share subscription rights issue	Common stock	1,000 shares
Consolidated subsidiary (Seven Bank, Ltd.)	1st share subscription rights issue (1)	Common stock	45,000 shares
	2nd share subscription rights issue (1)	Common stock	55,000 shares
	2nd share subscription rights issue (2)	Common stock	9,000 shares
	3rd share subscription rights issue (1)	Common stock	180,000 shares
	4th share subscription rights issue (1)	Common stock	187,000 shares
	4th share subscription rights issue (2)	Common stock	13,000 shares
	5th share subscription rights issue (1)	Common stock	146,000 shares
	5th share subscription rights issue (2)	Common stock	20,000 shares
	6th share subscription rights issue (1)	Common stock	93,000 shares
	6th share subscription rights issue (2)	Common stock	10,000 shares
	7th share subscription rights issue (1)	Common stock	81,000 shares
	7th share subscription rights issue (2)	Common stock	18,000 shares
	8th share subscription rights issue (1)	Common stock	58,000 shares
	8th share subscription rights issue (2)	Common stock	19,000 shares
	9th share subscription rights issue (1)	Common stock	160,000 shares
	9th share subscription rights issue (2)	Common stock	39,000 shares

Notes relating to financial instruments

1. Items relating to the status of financial instruments

For the management of surplus funds, the Group follows a basic policy of prioritizing safety, liquidity, and efficiency and limits the management of such funds to management through deposits with banks. The Group mainly raises funds through bank loans and bond issuance.

In addition, the Group uses derivative instruments to hedge the exposure to the risk of fluctuations in currency exchange rates regarding foreign currency-denominated asset and liability and hedge the exposure to the risk of fluctuations in interest rates regarding interest bearing debt as well as to optimize cash flows for future interest payments. The Group does not hold or issue derivative instruments for short-term trading or speculative purposes.

The Group's risk management is conducted pursuant to the "basic rules for risk management," stipulating which departments have overall control of each type of risk and which departments have overall control of general risk.

The Group reduces credit risk relating to notes and accounts receivable-trade, and leasehold deposits by continuously monitoring the credit ratings of business partners while undertaking due date control and balance control of notes and accounts receivable-trade for each business partner. Also, investments in securities are mainly shares and government bonds. In relation to these securities, the Group periodically checks market values and the financial standing of issuers while continuously reviewing the status of securities holdings in light of the Group's relationship with business partner companies. Foreign bonds are exposed to foreign currency exchange risk, which the Group hedges by utilizing currency swap contracts.

The Group uses forward exchange contracts to hedge the risk of currency exchange rate fluctuations in relation to certain notes and accounts payable-trade, that are denominated in foreign currencies. Further, among loans, short-term loans are mainly for fund raising related to sales transactions, while long-term loans and bonds are mainly for fund raising related to capital investment. In relation to these loans, the Group undertakes comprehensive asset-liability management (ALM).

2. Items relating to the market values of financial instruments

The amounts recorded on the Consolidated Balance Sheet on February 29, 2020, the market values, and the difference between these amounts are as follows. Furthermore, notes have been omitted for minor items. Also, the following table does not include items for which market values are very difficult to determine. (Please see page 75 note 2.)

	Consolidated Balance Sheet (Millions of yen)	Market value (Millions of yen)	Difference (Millions of yen)
(1) Cash and bank deposits	1,357,733	1,357,733	–
(2) Notes and accounts receivable-trade	351,915		
Allowance for doubtful accounts* ¹	(3,643)		
	348,272	352,012	3,739
(3) Investments in securities	134,072	137,722	3,650
(4) Long-term leasehold deposits* ²	264,357		
Allowance for doubtful accounts* ³	(86)		
	264,270	277,977	13,706
Total assets	2,104,348	2,125,445	21,096
(1) Notes and accounts payable-trade	410,793	410,793	–
(2) Deposits received in banking business	655,036	655,134	98
(3) Bonds* ⁴	361,915	365,945	4,029
(4) Long-term loans* ⁵	491,588	496,672	5,084
(5) Deposits received from tenants and franchised stores* ⁶	26,355	26,328	(27)
Total liabilities	1,945,690	1,954,875	9,184
Derivative instruments* ⁷	20	20	–

(Notes)

*1. Net allowance (after deducting allowance for doubtful accounts for notes and accounts receivable-trade).

*2. Including current portion of long-term leasehold deposits.

*3. Net allowance (after deducting allowance for doubtful accounts for long-term leasehold deposits).

*4. Including current portion of bonds.

*5. Including current portion of long-term loans.

*6. Including current portion of deposits received from tenants and franchised stores.

*7. Net credit or liabilities arising from derivative instruments are shown.

Notes

1. Items relating to the method of calculation of the market value of financial instruments and derivative instruments

Assets

(1) Cash and bank deposits

The relevant book values are used because the short settlement periods of these items result in market values and book values being almost equivalent.

(2) Notes and accounts receivable, trade

For notes and accounts receivable-traded with short settlement periods, the relevant book values are used because market values and book values are almost equivalent. The market value of items with long settlement periods is the present value, which is calculated by discounting the total of principal and interest by the corresponding yield on government bonds over the remaining period, making allowance for credit risk.

(3) Investments in securities

For the market value of shares, exchange prices are used. For bonds, exchange prices or the prices shown by correspondent financial institutions are used.

(4) Long-term leasehold deposits

The market value of long-term leasehold deposits is the present value, which is calculated by discounting future cash flows—reflecting collectability—by the corresponding yield on government bonds over the remaining period.

Liabilities

(1) Notes and accounts payable-trade

The relevant book values are used because the short settlement periods of these items result in market values and book values being almost equivalent.

(2) Deposits received in banking business

For demand deposits, the market value is regarded as the amount payable (book value) if demands were received on the consolidated balance sheet date. Time deposits are classified according to certain periods, and the market value of time deposits is the present value, which is calculated by discounting future cash flows. The discount rate used for this is the interest rate used when new deposits are received. For time deposits with short remaining periods (within one (1) year), the market value is the relevant book value because the market value approximates the book value.

(3) Bonds

The market value of domestic bonds that have market prices is based on these prices. The market value of bonds that do not have market prices is the present value, which is calculated by discounting the total of principal and interest to reflect the remaining period of the said bonds and an interest rate that allows for credit risk. When calculating the market value of foreign currency-denominated bonds, because such bonds are subject to the short-cut method, the future cash flow that is processed together with the currency swap is calculated by discounting at a rate that would exist assuming that similar domestic bonds were newly issued.

(4) Long-term loans

The market value of long-term loans is the present value, which is calculated by discounting the total of principal and interest by the interest rate assumed to be applied if the same loan were to be newly taken.

(5) Deposits received from tenants and franchised stores

The market value of deposits received from tenants and franchised stores is the present value, which is calculated by discounting future cash flows by the corresponding yield on government bonds over the remaining period.

Derivative instruments

These are calculated based on the prices shown by correspondent financial institutions. Furthermore, because items such as forward foreign exchange contracts subject to the short-cut method are processed together with hedged accounts payable-trade and foreign currency-denominated bonds, the market values of such items are included in the market value of the corresponding notes and accounts payable-trade, or bonds.

2. Financial instruments for which market values are very difficult to determine

Classification	Consolidated Balance Sheet (Millions of yen)
Investments in securities* ¹	
Unlisted shares	10,646
Shares of subsidiaries and affiliates	33,009
Other	6,942
Long-term leasehold deposits* ²	103,937
Deposits received from tenants and franchised stores* ²	27,837

(Notes)

*¹ These are not included in Assets “(3) Investments in securities” because they do not have market prices, and future cash flows with regard thereto cannot be estimated; therefore, it is very difficult to determine market values.

*² These are not included in Assets “(4) Long-term leasehold deposits” and Liabilities “(5) Deposits received from tenants and franchised stores” because the timing of repayment cannot be reasonably estimated and it is very difficult to determine market values.

Notes concerning real estate for lease

Notes about real estate for lease have been omitted because the total amount thereof is considered immaterial.

Notes concerning per share information

1. Net assets per share: ¥2,946.83
2. Net income per share: ¥246.95

(Notes)

1. As the Company has introduced the BIP Trust and the ESOP Trust from the 15th fiscal year, the Company’s shares held by the trusts are included in the number of shares of treasury stock deducted for the computation of the total number of shares issued at the end of the fiscal year, to calculate net assets per share. The total number of shares of treasury stock at the end of the fiscal year deducted for the computation is 1,747 thousand shares.

2. As the Company has introduced the BIP Trust and the ESOP Trust from the 15th fiscal year, the Company’s shares held by the trusts are included in the number of shares of treasury stock deducted for the computation of the average number of shares during the fiscal year, to calculate net income per share. The average number of shares of treasury

stock during the fiscal year deducted for the computation is 1,085 thousand shares.

Notes concerning significant subsequent event

Prolonged exposure to the novel coronavirus disease (COVID-19) could have a material effect on operating results and financial position of the Group. Presently, it is difficult to rationally calculate the effect.

Other note

In the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets, and Notes to Consolidated Financial Statements, amounts or the like have been rounded down to the units indicated.

NON-CONSOLIDATED BALANCE SHEET (as of February 29, 2020)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	99,671	Current liabilities	127,793
Cash and bank deposits	496	Current portion of bonds	60,000
Prepaid expenses	960	Short-term loans payable to subsidiaries and affiliates	39,008
Accounts receivable, other	33,255	Lease obligations	3,499
Deposits held by subsidiaries and affiliates	62,566	Accounts payable, other	11,334
Other	2,392	Accrued expenses	911
Non-current assets	1,690,281	Income taxes payable	11,669
Property and equipment	5,728	Advance received	254
Buildings and structures	2,420	Allowance for bonuses to employees	368
Fixtures, equipment and vehicles	92	Allowance for bonuses to Directors and Audit & Supervisory Board Members	49
Land	2,712	Other	695
Lease assets	502	Non-current liabilities	226,287
Intangible assets	23,861	Bonds	176,915
Software	6,842	Long-term loans payable to subsidiaries and affiliates	9
Software in progress	6,543	Lease obligations	8,569
Lease assets	10,474	Allowance for stock payments	2,695
Other	1	Provision for loss on guarantees	32,174
Investments and other assets	1,660,691	Deposits paid in subsidiaries	3,073
Investments in securities	34,563	Deposits received from tenants	2,425
Stocks of subsidiaries and affiliates	1,609,913	Other	423
Deferred income taxes	397	TOTAL LIABILITIES	354,080
Prepaid pension cost	1,136	NET ASSETS	
Long-term leasehold deposits	3,643	Shareholders' equity	1,425,797
Deposits paid in subsidiaries and affiliates	10,000	Common stock	50,000
Other	1,036	Capital surplus	1,246,519
		Additional paid-in capital	875,496
		Other capital surplus	371,022
		Retained earnings	140,542
		Other retained earnings	140,542
		Retained earnings brought forward	140,542
		Treasury stock, at cost	(11,265)
		Accumulated gains from valuation and translation adjustments	10,017
		Unrealized gains on available-for-sale securities, net of taxes	10,017
		Subscription rights to shares	56
		TOTAL NET ASSETS	1,435,871
TOTAL ASSETS	1,789,952	TOTAL LIABILITIES AND NET ASSETS	1,789,952

NON-CONSOLIDATED STATEMENT OF INCOME (March 1, 2019 to February 29, 2020)

(Millions of yen)

Item	Amount	
Revenues from operations		
Dividend income	108,560	
Management consulting fee income	4,858	
Commission fee income	2,292	
Other	130	115,843
General and administrative expenses		25,640
Operating income		90,202
Non-operating income		
Interest income	1,140	
Dividend income	578	
Other	55	1,774
Non-operating expenses		
Interest expenses	149	
Interest on bonds	1,630	
Other	164	1,944
Ordinary income		90,032
Special gains		
Insurance income	944	
Other	4	948
Special losses		
Loss on disposals of property and equipment	9	
Impairment loss	18	
Loss on valuation of stocks of subsidiaries and affiliates	28,760	
Loss on digital and settlement services	4,854	
Provision for loss on guarantees	3,262	
Other	400	37,305
Income before income taxes		53,675
Income taxes - current	(2,357)	
Income taxes - deferred	(165)	(2,523)
Net income		56,198

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (March 1, 2019 to February 29, 2020)

(Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at March 1, 2019	50,000	875,496	370,992	1,246,489	168,381	168,381	(4,632)	1,460,238
Increase (decrease) for the year								
Cash dividends					(84,037)	(84,037)		(84,037)
Net income					56,198	56,198		56,198
Purchase of treasury stock							(6,718)	(6,718)
Disposal of treasury stock			30	30			85	115
Net changes of items other than shareholders' equity								
Net increase (decrease) for the year	–	–	30	30	(27,838)	(27,838)	(6,632)	(34,441)
Balance at February 29, 2020	50,000	875,496	371,022	1,246,519	140,542	140,542	(11,265)	1,425,797

	Accumulated gains (losses) from valuation and translation adjustments		Subscription rights to shares	TOTAL NET ASSETS
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Total accumulated gains (losses) from valuation and translation adjustments		
Balance at March 1, 2019		13,476	2,484	1,476,199
Increase (decrease) for the year				
Cash dividends				(84,037)
Net income				56,198
Purchase of treasury stock				(6,718)
Disposal of treasury stock				115
Net changes of items other than shareholders' equity		(3,458)	(2,427)	(5,886)
Net increase (decrease) for the year		(3,458)	(2,427)	(40,327)
Balance at February 29, 2020		10,017	56	1,435,871

Notes to Non-Consolidated Financial Statements

Notes concerning matters pertaining to significant accounting policies

1. Valuation basis and method for securities

(1) Stock of subsidiaries and affiliates:

Valued at cost by the moving-average method.

(2) Available-for-sale securities

Fair value is available:

Securities whose fair value is available are valued at the quoted market price prevailing at the end of the 15th fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

Fair value is not available:

Securities whose fair value is not available are valued at cost, determined using the moving-average method.

(3) Valuation basis and method for derivatives:

Valued at fair value.

2. Methods of depreciation for non-current assets

(1) Property and equipment (excluding lease assets):

Amortized using the straight-line method.

(2) Intangible assets (excluding lease assets):

Amortized using the straight-line method. Software for internal use is amortized using the straight-line method over a usable period of five (5) years.

(3) Lease assets

For depreciation of lease assets, a useful life is based on the duration of the lease period, and straight-line depreciation is applied with an assumed residual value of zero.

3. Methods of processing deferred assets

Bond issuance cost:

Whole amount is charged to expenses as incurred.

4. Methods of accounting for allowances

(1) Allowance for bonuses to employees

Allowance for bonuses to employees is provided at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

(2) Allowance for bonuses to Directors and Audit & Supervisory Board Members

Allowance for bonuses to Directors and Audit & Supervisory Board Members is provided at the amount expected to be paid.

(3) Allowance for stock payments

Allowance for stock payments is provided to prepare for payments of stock benefits to directors and executive officers. The amount is based on the expected stock benefit payable at the end of the 15th fiscal year.

(4) Allowance for accrued pension and severance costs (Prepaid pension cost)

Allowance for accrued pension and severance costs is provided at the amount incurred during the 15th fiscal year, which is based on the estimated present value of the retirement benefit obligation less the estimated fair value of pension plan assets at the end of the 15th fiscal year. In calculating retirement benefit obligation, the method for allocating the estimated total retirement benefits for the end of the 15th fiscal year is conducted on a benefit formula basis.

Actuarial differences are amortized on a straight-line basis over a certain period (ten (10) years) from the fiscal year following the fiscal year in which they arise, which is shorter than the average remaining years of service of the eligible employees.

(5) Provision for loss on guarantees

Provision for loss on guarantees is provided to cover losses related to guarantees offered to subsidiaries and affiliates. The estimated loss amount is recorded, taking into account the financial position and other factors of the guaranteed parties.

5. Significant hedge accounting methods

(1) Hedge accounting

In principle, hedging activities are accounted for by the deferred hedge method.

However, currency swap contracts are accounted for by the short-cut method when they meet certain criteria for the method.

(2) Hedge instruments and hedged items

Hedge instruments – Currency swap

Hedged items – Bonds

(3) Hedging policies

The Company has policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in foreign currency exchange rates and interest rates, and optimizing future cash flow. The Company does not hold or issue derivative instruments for short-term trading or speculative purposes.

(4) Assessing hedge effectiveness

By comparing fluctuations in quotations of the hedge instruments and those of the hedged items, the hedge effectiveness is assessed quarterly based on their fluctuation amounts.

6. Other significant items that form the basis of the preparation of financial statements

(1) Accounting method related to retirement benefits

The method for accounting for unrecognized actuarial differences related to retirement benefits differs from that in the Consolidated Financial Statements.

(2) Accounting for consumption taxes, etc.

Consumption taxes, etc., are not included.

(3) Application of the consolidated taxation system

The Company has applied the consolidated taxation system.

Notes concerning changes in method of presentation

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc.)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. have been applied from the beginning of 15th fiscal year. Accordingly, deferred tax assets have been reclassified under investments and other assets, and deferred tax liabilities have been reclassified under non-current liabilities.

Supplementary information

(Performance-Based Stock Compensation Plans for Directors and Executive Officers)

Commencing the fiscal year under review, the Company introduced a performance-based and stock-based compensation plans for the Company’s Directors (excluding non-executive Directors and Directors residing overseas) and Executive Officers (excluding Executive Officers residing overseas). An overview of the plans is described in “Supplementary Information” under “Notes to Consolidated Financial Statements.”

Notes to Non-Consolidated Balance Sheet

- | | |
|--|-----------------|
| 1. Accumulated depreciation of property and equipment: | ¥4,362 million |
| 2. Monetary claims and monetary obligations in regard to subsidiaries and affiliates
(excluding items listed elsewhere) | |
| (1) Short-term receivables: | ¥34,127 million |
| (2) Short-term payables: | ¥12,481 million |
| (3) Long-term payables: | ¥10,979 million |

Notes to Non-Consolidated Statement of Income

Items relating to transactions with subsidiaries and affiliates

- | | |
|--------------------------------------|------------------|
| (1) Operating transactions | |
| Revenues from operations: | ¥115,790 million |
| General and administrative expenses: | ¥4,689 million |
| (2) Non-operating transactions: | ¥5,358 million |

Notes to Non-Consolidated Statement of Changes in Net Assets

Shares of treasury stock at the end of the fiscal year Common stock 3,573,419 shares
(Note)

Shares of treasury stock at the end of the fiscal year include 1,747 thousand shares of the Company held by the BIP Trust and the ESOP Trust.

Notes regarding tax effect accounting

Deferred tax assets and deferred tax liabilities by cause of occurrence

Deferred tax assets

Allowance for bonuses to employees:	¥149 million
Accrued enterprise taxes and business office taxes:	¥58 million
Subscription rights to shares:	¥17 million
Tax loss carried forward:	¥4,029 million
Denial of impairment loss:	¥3,746 million
Valuation loss on subsidiaries' and affiliates' stock:	¥64,719 million
Allowance for stock payments	¥805 million
Provision for loss on guarantees:	¥9,853 million
Other:	¥416 million
<hr/> Sub-total:	¥83,798 million
Less: Valuation allowance:	(¥78,630 million)
<hr/> Total:	¥5,168 million

Deferred tax liabilities

Prepaid pension cost:	(¥348 million)
Unrealized losses on available-for-sale securities, net of taxes:	(¥4,422 million)
<hr/> Total:	(¥4,770 million)
Deferred tax assets (liabilities), net:	¥397 million

Notes concerning non-current assets utilized through leases

Future lease payments for non-cancellable operating leases

Due within one year:	¥1,428 million
Due after one year:	¥3,084 million
<hr/> Total:	¥4,512 million

Notes concerning transactions with related parties

Subsidiaries and affiliates, etc.

(Millions of yen)

Attribution	Name of company, etc.	Voting rights held by the Company (%)	Relationship with related party	Details of transaction	Amount of transaction (Note 4)	Account title	Year-end balance (Note 4)
Subsidiary	SEVEN & i Financial Center Co., Ltd.	Ownership Direct: 100	Deposit and borrowing of funds	Deposit of funds (Note 1)	434,594	Deposits held by subsidiaries and affiliates	62,566
				Interest on deposits (Note 1)	1,139	Deposits paid in subsidiaries and affiliates	10,000
				Borrowing of funds (Note 1)	362,000	Other current assets	186
				Interest on borrowed funds (Note 1)	103	Short-term loans payable to subsidiaries and affiliates	39,000
Subsidiary	Seven-Eleven Japan Co., Ltd.	Ownership Direct: 100	Concurrently serving corporate officers	Business management (Note 2)	3,184	Accounts receivable	27,033
				Tax payment under consolidated taxation	51,134		
Subsidiary	Ito-Yokado Co., Ltd.	Ownership Direct: 100	Concurrently serving corporate officers	Operational consignment (Note 3)	1,194	Accounts receivable	205
Subsidiary	Seven & i Net Media Co., Ltd.	Ownership Direct: 100	–	Operational consignment	3,877	Accounts payable, other	1,661
Subsidiary	Nissen Holdings Co., Ltd.	Ownership Indirect: 100	–	Reversal of provision for loss on guarantees	36	Provision for loss on guarantees	23,108

(Notes)

1. Transactions are conducted based on interest rates for deposits to and loans from subsidiaries and affiliates that are determined reasonably by taking into account market interest rates.
2. Business management fees are determined proportionately according to the size of each subsidiary's business in line with the Group's rules.
3. Operational consignment fees are determined based on negotiations between the relevant parties.
4. The amount of transaction does not include consumption taxes, etc. However, the year-end balance includes consumption taxes, etc.

Notes concerning per share information

1. Net assets per share:	¥1,626.31
2. Net income per share:	¥63.61

(Notes)

1. As the Company has introduced the BIP Trust and the ESOP Trust from the 15th fiscal year, the Company's shares held by the trusts are included in the number of shares of treasury stock deducted for the computation of the total number of shares issued at the end of the fiscal year, to calculate net assets per share. The total number of shares of treasury stock at the end of the fiscal year deducted for the computation is 1,747 thousand shares.
2. As the Company has introduced the BIP Trust and the ESOP Trust from the 15th fiscal year, the Company's shares held by the trusts are included in the number of shares of treasury stock deducted for the computation of the average number of shares during the fiscal year, to calculate net income per share. The average number of shares of treasury stock during the fiscal year deducted for the computation is 1,085 thousand shares.

Notes concerning significant subsequent event

None.

Other notes

In the Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Net Assets, and Notes to Non-Consolidated Financial Statements, amounts or the like have been rounded down to the units indicated.

End

* This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.