Response to TCFD Recommendations

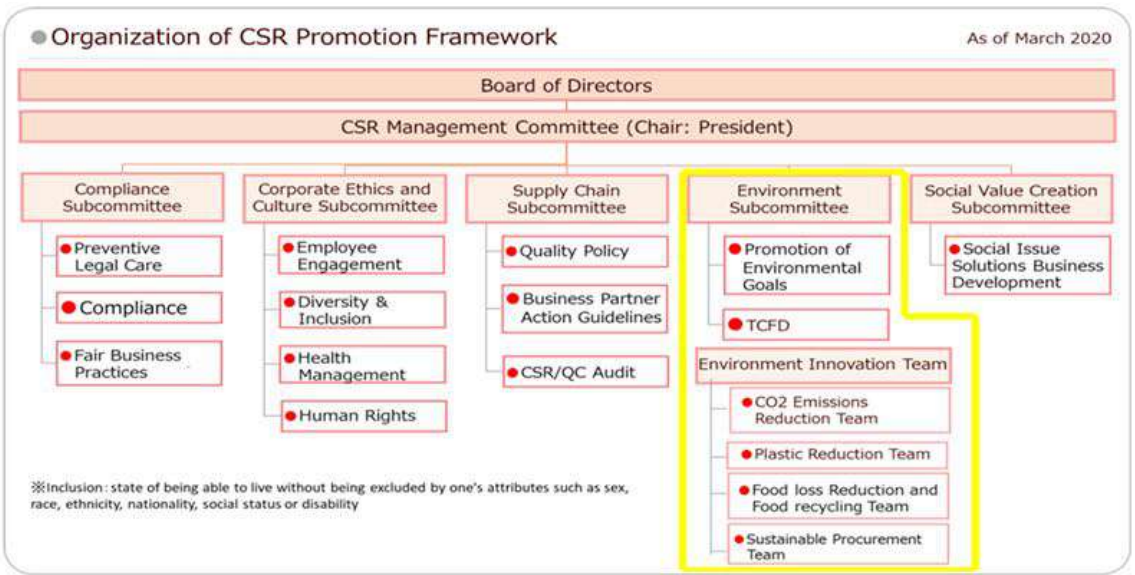
Climate change issues are becoming increasingly serious year by year and have a major impact on people's lives on a global scale. In Japan as well, in fiscal 2019, damages of Typhoon No. 15 and No. 19 and heavy rain disasters in Chiba Prefecture affected the lives of citizens and caused serious damage to economic activities. The Seven & i Group recognizes that climate change will undermine the stable society that is essential to the sustainable development of companies, and intends to contribute to the achievement of the Paris Agreement's greenhouse gas reduction targets. GREEN CHALLENGE 2050, formulated in May 2019, identifies the reduction of CO2 emissions as one of the priorities and the Seven & i Group is examining and implementing measures to reduce CO2 emissions. As climate change worsens, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD), recognizing that climate change risks could undermine the stability of the financial system. The June 2017 TCFD Final Report encourages companies to disclose climate-related information, particularly financial information, so that investors can make appropriate investment decisions. In August 2019, the Seven & i Group announced its support for TCFD recommendations based on the belief that enhancing information disclosure is essential to building trusting relations with stakeholders. In addition, we participate in TCFD Consortium, which was established to promote joint efforts by Japanese companies and financial institutions that support TCFD recommendations, and are promoting better information disclosure and discussions with stakeholders.
Going forward, we will make use of TCFD recommendations to actively communicate our initiatives, ensure that we are trusted with our stakeholders, and strive to increase our corporate value.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance and Risk Management for Climate Change

Governance

The Seven & i Group considers climate change issues to be one of the key issues that should be addressed across Group companies, and manages these initiatives at the CSR Management Committee chaired by the President of Seven & i Holdings. The CSR Management Committee meets twice a year, attended by CSR managers from Group companies and managers from related divisions at Seven & i Holdings. Under the CSR Management Committee, the Environment Subcommittee has been established as a subordinate organization to deal with climate change issues. The Environment Subcommittee consists of managers from the environmental departments of Group companies. In addition, when we announced the GREEN CHALLENGE 2050 in May 2019, we established CO2 Emissions Reduction Team to create innovations across the Group to reduce CO2 emissions. This team is headed by executive officers or higher from the divisions in charge of the main Group companies.
The CSR Management Committee receives reports on trends in indicators related to climate change issues, such as CO2 emissions, and on initiatives mainly for mitigation measures. The Committee approves measures implemented by the subcommittees and each company, and provides necessary advice. The progress of such sustainability-related initiatives, including those related to climate change, is reported to the Board of Directors of Seven & i Holdings at least once a year, and policies and initiatives are reviewed as necessary.



Risk Management

Seven & i Holdings has established, developed and operates a comprehensive risk management system centered on the Risk Management Committee, based on the Basic Risk Management Rules, in order to analyze, evaluate and respond properly to the risks of Seven & i Holdings and our Group companies. The risks related to climate change are also managed under this comprehensive risk management system.
Each group company identifies its own risks twice a year based on the group's common risk classification. In addition to quantifying risk assessments that take into account the impact and potential of risks, measures to deal with each risk are compiled into the Risk Survey Form and submitted to the Risk Management Department (Risk Management Committee Secretariat). The Risk Survey Form includes not only quantitative but also qualitative risks, such as CO2 emission regulations, business continuity risks caused by natural disaters such as recent large typhoons, and changes in production areas and fishing grounds.
The Risk Management Committee, which meets twice a year, comprehensively identifies the Group's risk situation based on the risk assessments and countermeasures submitted by each company, and monitors each company's risk management and improvement efforts from the perspective of materiality and urgency.
In principle, the status of risk management is reported once a year to the Board of Directors of Seven & i Holdings.

Implementation of Scenario Analysis

Launch of Scenario Analysis

Seven & i Group is undertaking scenario analysis to clarify risks and opportunities created by future climate change and develop strategies to reduce the risks and to expand the opportunities. In October 2019, at the beginning of scinerio analysis, we participated in the "Project to Support Climate Risk/Opportunity Scenario Analysis in Accordance with TCFD" of the Ministry of the Environment.
We recognize that scenario analysis should cover the entire Group, including the supply chain. However, in this analysis, we have limited scenarios and scope and conducted trial analysis. The 2℃ and 4℃ scenarios were adopted as the scenarios. The analysis covered the store management of Seven-Eleven Japan, which accounts for about 60% of the Group's operating profit.

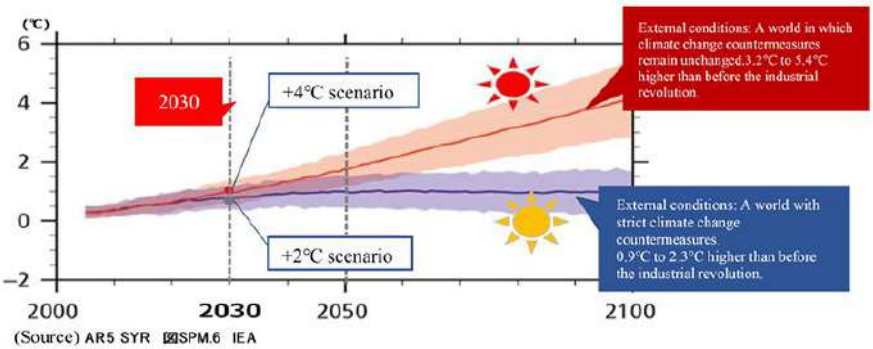
- Scope of Analysis

Scenario	2°C and 4°C scenarios
Relevant project	Operation of Seven-Eleven Japan stores in Japan
Period covered	FY 2030

Definition of Scenarios

The following is an examination of the environment surrounding Seven-Eleven Japan's store operations in the 2℃ and 4℃ scenarios as of 2030. Significant differences between the two in 2030 are seen mainly in the risk of transition due to their differences in climate change measures. In the world of + 2℃, regulations for greenhouse gas reduction will be strengthened, and the transition risk will increase due to the progress of low and decarbonization. On the other hand, in a world of + 4°C, while the impact of regulatory and other transitional risks is small, physical risks such as extreme weather are expected to increase.

- Two Future Scenarios



- Environment Surroundings Seven-Eleven Stores

	+ 2°C world	+ 4°C world
Characteristics	・Significant impact of transition risk ・Despite an increase in the impact of physical risk, impact is small to medium	・Significant impact of physical risk ・Although the impact of the regulatory transition risk is small Changes in customer preferences (reputation risk) emerge
Policy	・Introduction of carbon tax ・Promotion of energy conservation and renewable energy	・Climate change countermeasures remain unchanged ・A carbon tax is not introduced
Electricity Price	・Price rises throughout the supply chain	・Decrease
Renewable Energy	・Widely used	・Partly used
Production Site	・Decrease in yield and quality of some agricultural products ・Increased in prices of some raw materials	・Decrease in yield and quality of agricultural products ・Increased in prices of raw materials
Logistics and Store	・Delays and disruptions in logistics and damage to stores caused by heavy rain are limited but higher than now.	・Delays and disruptions in logistics increase ・Damages caused by heavy rain to stores increase
Consumers' Change	・Interest in low-carbon and non-carbon products is increasing ・Establishment of sustainable lifestyles	・Interest in low-carbon and non-carbon products is increasing ・Interest in disaster prevention and stockpiling is increasing

Identification of Significant Risks/Opportunities and Assessment of Impacts

In evaluating the business impact, we first identified the risks and opportunities that are closely related to the operation of Seven-Eleven stores. We then identified five of the most significant risks and opportunities that could have an impact: carbon prices, carbon emissions targets and policies in each country, changes in consumer reputation, extreme weather, and changes in precipitation and weather patterns.
As this is the first analysis, in the impact assessment, we selected the specific examples related to the above five significant risks and opportunities for which objective forecast data can be obtained as much as possible, and evaluated them from both quantitative and qualitative perspectives. The results were as follows.

- Summary and Results of Business Impact Assessment in 2030

Significant Risks and Opportunities			Concrete Examples	Business Impacts	
				+ 2℃ world	+ 4℃ world
Opportunities and Transition Risks	Policies and Measures Regulation	Carbon Price	Carbon Price	・Evaluated from CO2 emissions and assumed carbon prices. Introduction of carbon prices increases spending. ・The cost of production will increase and the cost of procurement will also increase throughout the supply chain.	・Carbon prices are not expected to be introduced.
		Carbon Emission Targets and Policies of Each Country	Electricity Expenses	・Evaluated based on the amount of electricity used and the estimated electricity price. An increase in electricity costs increases expenditure. ・The cost of production will increase and the cost of procurement will also increase throughout the supply chain.	・Evaluated based on the amount of electricity used and the estimated electricity price.Lower electricity costs reduce spending.
	Reputation	Changes in Consumer Reputation	For Sustainable Products Sales	・Sales increase due to product development tailored to sustainable consumer lifestyles.	・Increased extreme weather conditions raises consumers awareness of companies, increase interest in sustainable products, and increase sales.
			EV Charge Service Expansion	・In line with the spread of EV, sales increase by expanding recharging services.	・Although the spread of EV is limited compared to the world of + 2℃, sales are expected to increase by expanding the recharging service.
Opportunities and Physical Risks	Acute	Extreme Weather	Insurance Cost	・Even with imited impacts, increases in natural disasters lead to higher premiums and higher expenditures.	・Depending on the occurrence of natural disasters, there are concerns that insurance mechanisms themselves may become dysfunctional
			Loss on Sales by Suspension of Store Operation (Operating Income)	・Estimated based on projected increase in natural disasters and operating profit per store. Even if the impact is limited, the days of suspension will increase and sales will decrease.	・Estimated based on projected increase in natural disasters and operating profit per store. Sales decline as the days of suspension increases. ・Depending on the scale and frequency of natural disasters, it may take longer to recover, and there are concerns that the prolonged suspension of operations will lead to an increase in sales losses.
	Chronic	Changes in Precipitation and Weather Patterns	For Raw Materials (rice) in Yields Change	・The company evaluates domestic rice, which is one of the important raw materials among its wide variety of products. Declining yields reduce sales.	・The company evaluates domestic rice, which is one of the important raw materials among its wide variety of products. Declining yields reduce sales.
			Incease in Air conditioning Load	・The increase in air conditioning load due to the increase in average temperature is evaluated. Increased burden increases expenditure, although the impact is limited.	・The increase in air conditioning load due to the increase in average temperature is evaluated. Increased burden increases expenditure.

Consideration of Countermeasures and Indicators/Targets

In May 2019, the Seven & i Group announced its GREEN CHALLENGE 2050. In GREEN CHALLENGE 2050, we have set four specific goals: Reduction of CO2 emissions, Measures against plastic, Measures against food loss and for food recycling, and Sustainable procurement. The goals are to achieve a decarbonizing society, Circular Economy and society in harmony with nature. Our specific numerical targets for reducing CO2 emissions are to reduce CO2 emissions from store operations by 50% by 2030 compared to 2013, and to net-zero by 2050.

Since this business impact assessment was limited to some specific examples, it is not possible to comprehensively determine the impact of climate change. However, we believe that promoting the ongoing disaster response and GREEN CHALLENGE 2050 initiatives will reduce the risks and expand the opportunities.

For example, to cope with the risk of rising carbon prices and electricity costs, one possible response is to expand the use of energy conservation and renewable energy, which leads to reduced CO2 emissions. Regarding to the risk of procuring raw materials, we believed that promoting the sharing of information on producing areas and the joint development of producing areas within the Group will lead to a reduction in the risk of procuring as we are promoting our measures of GREEN CHALLENGE 2050 for sustainable procurement.

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

Future Responses to TCFD Recommendations

In line with TCFD recommendations, we have begun to analyze scenarios and disclose information. However, the scope of scenario analysis is limited and only a few risks/opportunities are quantified. In the future, we will need to quantify risks and opportunities throughout the supply chain and gather information on changes in consumer reputation. Society's concerns and expectations regarding corporate measures against climate change are expected to increase as disasters due to extreme weather conditions increasing and become more severe. We will improve the accuracy of our scenario analysis in order to be a company that can sustainably develop even under the influence of climate change, including the 2℃ and 4℃ scenarios. First, by expanding and quantifying the scope of our analysis, we will strive to grasp the more accurate financial impact and plan strategic countermeasures. We will also meet the concerns and expectations of our stakeholders by disclosing the results.